



Gillette India Limited

Annual Report
2010-2011



BOARD OF DIRECTORS

Mr. S. K. Poddar
Chairman

Mr. S. Khosla
Managing Director

Mr. B. S. Mehta

Mr. C. R. Dua

Mr. G. C. Das

Mr. J. Sagar

Mr. A. Poddar

Ms. D. A. Henretta

Mr. A. K. Gupta

Ms. Nayantara Bali

Mr. D. Acharya
(Company Secretary)

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Dear Shareholders,

Your Company's continued focus on delivering innovations that touch and improve more lives, and prudent investments that allow us to serve more consumers, have resulted in another year of strong financial performance. As I share with you your Company's annual performance for the Financial Year 2010-11, I take pride in the strong sales and volume growth that the business has seen across the three business segments of *Oral Care*, *Personal Grooming* and *Portable Power*.

The FMCG industry is poised to grow between 10 to 12 per cent annually, and your Company has harnessed this momentum to achieve accelerated sales and share growth. I am happy to share that over the last 12 months, the Company has delivered more than 24% increase in sales as compared to last year. This has enabled the Board of Directors to recommend a dividend of ₹15 per Share for all the Stakeholders this Financial Year.

This Fiscal Year, your Company made increased investments behind brand building initiatives, to be able to achieve accelerated sales growth and make our products reach under-served consumers across India. For instance, India is the largest shaving market in the World in volume terms, but it is relatively low in value terms, thus displaying tremendous opportunity to reach more consumers through our products and marketing innovations. These steps are critical for category development and long-term growth of the Company, but impact margins and earnings in the short to medium term. This is a strategic choice that your Company is making, in line with its purpose-driven growth strategy and its commitment to deliver value to its Stakeholders.

This Fiscal Year was marked by breakthrough innovations that aim to further enhance the value we provide to our consumers, especially the common man that continues to trust our brands. These innovations panned across the technologies as well as marketing communications behind our product propositions. A great example of this is Gillette, which made strategic and high investments in the Indian market behind the launch of Gillette Guard. A product designed specifically for the needs of the mid-to-low income Indian consumer, it provides a safe and affordable shave, at just ₹1 per shave. Within less than a Year since its launch, the product has ensured that Gillette strengthens its position both as a market leader and as a brand synonymous with cutting-edge shaving innovations. Gillette *Mach 3's* innovative marketing campaign 'Shave India Movement' also continued to win esteemed accolades for your Company, such as an unsurpassed two Silver Lions at the prestigious Cannes International Festival of Creativity.

Oral-B invested behind robust sales growth, that was driven by meaningful and consumer relevant innovations such as the Smile India Movement. The initiative partnered with over 10,000 dentists to provide free dental check-ups across the country, and garnered the support of over 10 million consumers who took a pledge to improve their oral hygiene. The initiative resulted in the highest ever share for *Oral-B*, as well as stronger equity as the 'brands most dentists themselves use worldwide' amongst Indian consumers.

As a Company, we continue to remain committed to our purpose of touching and improving the lives of consumers, in more parts of India and more completely. Inspired by this purpose, our signature Social Responsibility Program in India – *Shiksha* – has nearly doubled its impact to reach 280,000 children and support over 140 schools in its 7th Year since inception. This Financial Year was marked by heightened support from our consumers as well as partners such as NGOs, retailers, media and other Stakeholders – thus enabling us to further the cause of building schools brick-by-brick. Our efforts towards environmental sustainability were also strengthened, with our Baddi and Bhiwadi plants reducing their environmental footprint further by effectively reducing CO₂ emissions, energy & water consumption as well waste disposal. For instance, the Baddi plant is now a Zero Discharge plant with 100% of its waste being treated on site and it also now uses 100% hydro-electric power.

To conclude, I re-affirm your Company's focus on delivering robust Financial Results, amidst an uncertain economic climate that determines factors such as high input costs and consumer demand. I would like to thank all our employees for their outstanding performance and shareholders for their resolute trust in the Company. I look forward to your continued support and participation in the growth of the Company.

S. K. Poddar
Chairman



DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Twenty-Seventh Annual Report together with the Audited Accounts for the Financial Year ended June 30, 2011.

FINANCIAL RESULTS

(Figures in ₹ Crores)

	2010-11	2009-10
Sales (less excise duty)	1056.86	852.48
Other Income	33.56	21.18
Profit before tax & exceptional items	133.97	212.76
Profit after tax	86.15	137.09
Transfer to General Reserve	8.62	13.71
Proposed dividend plus tax thereon	56.81	57.00
Balance carried forward	294.28	282.55

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the Members, a dividend of ₹15/- per Equity Share of ₹10 each, amounting to ₹48.88 crores, for the Financial Year ended June 30, 2011.

OPERATIONS

Your Company achieved healthy sales growth during the Financial Year ended June 30, 2011. The total sales (net of excise) at ₹1057 crores are up by 24% when compared to ₹852 crores of the previous year. The sales in all the three business segments have grown with Oral Care, Personal Grooming and Portable Power all growing in double digits. Your Directors are pleased with these solid results that are driven by a continued focus on the consumer, robust innovation and distribution expansion.

Profit Before Tax (PBT) for the year under review is ₹134 crores as against ₹213 crores last year. Profit After Tax (PAT) for the year under review is ₹86 crores as against ₹137 crores last year. This decline represents choices made to deliver growth via category acceleration and defend heavy competition. Your Directors are of the opinion that we continue to

have significant opportunity for long term growth by upgrading men from traditional Double Edge blades to superior modern shaving systems. This requires multi-year investments in Capital, Advertising & Promotion and Overheads. Your Directors expect to sustain the strategy given evolving consumer demographics and competitive dynamics.

PERSONAL GROOMING

Mach3, our premium Blades & Razors brand posted a strong double digit growth. This was aided by the successful launch of the *Gillette Mach3 Turbo Sensitive* razor, aimed at the consumers having sensitive skin thus enabling more consumers to experience the ultimate comfort of *Mach3*. During the year under review, *Mach3* distribution increased by 70,000 stores throughout India. The high double digit growth in Razor sales versus year ago, was on account of powerful marketing campaigns and razor placement programs.

The *Shave India Movement* introduced in January 2011 to launch the *Mach3 Turbo Sensitive* razor generated unprecedented brand awareness and trial for the product. As a result of this, consumer awareness level has gone up as compared to previous Fiscal. This also helped create a significant digital interaction (duplicated) through popular social networking sites.

The personal care category of the male grooming business includes pre-shave/post-shave products (shaving cream and gel) and deodorants. This category has performed very well with exceptional volume growth over the previous year.

Gillette Guard, the Entry Level system that was designed specifically for the consumers of low income market, in October 2010 continued to grow the consumer base of Gillette systems. The volume sales of *Guard*, after its successful launch, is more than the combined volume sales of *Vector* and *Mach3* razors. *Guard* became the number one system razor (unit off-take) in just the second month of its launch. *Guard* has also become the fastest distributed B&R brand with a impressive distribution reach.





The double edged blades' business recorded an excellent value growth in double digits led by Gillette Wilkinson Sword. Thus, the entire Gillette Male Grooming portfolio witnessed a strong growth across brands.

Gillette India wins an Effectiveness Lion and 2 silver Lion at Cannes Ad Fest:

Your Company's campaign "Women Against Lazy Stubble" has yet again won an Effectiveness Lion at the Cannes Ad Festival this year. This year's campaign

– *Shave India Movement* – *Shave Sutra* also won 2 silver Lion's at Cannes Ad Festival.

ORAL CARE

Oral-B toothbrushes had a strong year with strong double digits growth. This was driven by robust performance of its products across price tiers following fundamental brand building activities.

Oral-B continues to grow across tiers. Strong *CrossAction* family promotions have helped *Oral-B* continue to grow in the super premium tier segment. *Oral-B 123* and *Classic* continue to lead our growth in the premium tier by providing superior propositions to the consumer. *Oral-B Shiny Clean* further helped strengthen its position in the mid-tier segment. Multiple initiatives were undertaken to expand *Oral-B* distribution, which also resulted in the Brand being widely available to the consumers across India.

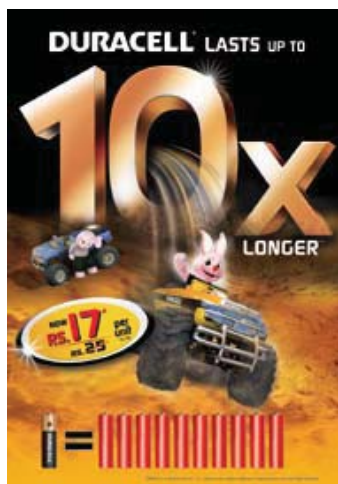
Oral-B, which is the No. 1 toothbrush brand most Dentists use themselves Worldwide, [Based on surveys of a representative worldwide sample of Dentists carried out for P&G] continued its partnership with Dentists across India, to promote oral health awareness for yet another year through its *Smile India Movement* initiative. This campaign helped in improving the



lives of consumers by offering them a free dental checkup close to their residence simply on the purchase of an *Oral-B* toothbrush.

PORTABLE POWER

During the year under review *Duracell* has registered strong growth while growing the alkaline



segment and has been able to successfully trade up consumers from lower priced zinc batteries. Base brand building activities are designed to grow your brand's equity and availability. We expect that in the coming

year *Duracell* will be able to leverage consumer habit changes behind strong high drain device penetration gains, where *Duracell* has a right to win. With increasing power needs, *Duracell* has strong growth potential to gain value and share from Zinc.

MANUFACTURING

Your Directors have pleasure to inform you that during the year under review, Bhiwadi and Baddi plants continued to perform at record levels. Our new initiative called Integrated Work System (IWS), has helped enhance overall factory/people capability. As a result, plants delivered outstanding performance in



all key measures such as Safety, Quality, Productivity, Cost etc. During the Financial Year your Company's Plants delivered highest ever volume with a flawless customer service.

In our pursuit of delivering best quality product to consumers, Bhiwadi plant achieved 95% Quality Assurance Capability in the Company's QA system audit.

Your Directors also have the pleasure to inform you that the Baddi plant implemented a major initiative of local production of Mach3 razors which is now resulting in cost savings on being exported to European Market.

CORPORATE SOCIAL RESPONSIBILITY

Shiksha: 'पढ़ेगा इंडिया तो बढ़ेगा इंडिया'

P&G's focus on purpose-inspired growth drives us to not only serve our consumers with superior product propositions, but also truly touch and improve the lives of more consumers, more completely by contributing towards the communities we operate in. This commitment is the purpose behind our Corporate Social Responsibility initiatives 'Shiksha' and the 'Whisper School Program,' that help children from lesser-privileged backgrounds access their right to health and education.



Students at the Shiksha supported Sankalp School in Mumbai for differently-abled children of Naval families, run by the Navy Wives Welfare Association (NWWA)

P&G's flagship Corporate Social Responsibility Program 'Shiksha' is an integral part of our global philanthropy program – Live, Learn & Thrive, which currently reaches out to over 50 million

children annually. Now in its 7th year, Shiksha enabled over 280,000 lesser-privileged children with access to good quality education by supporting sustainable and critical assets of schools. By the end of fiscal year 2011, Shiksha will be supporting over 140 schools by interventions such as reactivating defunct Government schools, building new schools or enhancing education infrastructure at existing schools. Since its inception in 2005, Shiksha has made a cumulative donation of over ₹22 crores towards helping children on the path to better education. This is a result of the support from our consumers who participated in the Shiksha movement by buying P&G brands in the months of April, May and June 2011 and enabling P&G to contribute a part of the sales towards the cause. During the Financial year ended June 30, 2011 alone, P&G India closed Shiksha with the largest-ever contribution of ₹5.6 crores in association with its partner NGOs, namely Save the Children India, Child Rights & You (CRY), Army Wives Welfare Association (AWWA), Round Table India (RTI), amongst others. Each of Shiksha's NGO partners focuses on a critical approach towards education, with NGO Round Table India specializing in building educational infrastructure and supporting schools across India, NGO Save the Children laying emphasis on the girl child via supporting the government's Kasturba Gandhi Balika Vidyalayas, and the NGOs AWWA and NWWA serving the unique educational needs of differently-abled children of Naval and Army Officers' families. These activities together help Shiksha further its motto 'पढ़ेगा इंडिया तो बढ़ेगा इंडिया', and help us touch and improve the lives of our consumers.

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is embedded in our Purpose, Values, Principles, and our business. In order to improve lives, now and for generations to come, we ensure that our products, packaging and operations are safe for employees, consumers and the environment. We ensure this with a focus on technologies, processes and improvements that matter for the environment. The manufacturing technologies we use are low emission and generate almost 60% less emission than the local norms. We



are committed to achieving the P&G global 2012 goal of 20% reduction of our footprints. Compliance is an integral part of our business strategy – All our product and formulations comply with Global and Indian regulatory requirements.

We aim at reducing waste at every step of the supply chain, with a robust system that targets zero waste, including product shelf life. We seek to develop Sustainable Products, with an improved environmental profile.

Moreover, we ensure environmental friendly practices at our sites: These include reduction in power consumption, optimal water consumption and eliminating excess use of paper by increasing the use of scanning. A good example is the hydro-electric energy being used at our plant in Baddi with efforts underway for extending this to other sites.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 ("the Act"), with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the Annual Accounts for the Financial Year ended June 30, 2011, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of the Company for the Financial Year under review;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors had prepared the accounts for the Financial Year ended June 30, 2011, on a "going concern" basis.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed to this Report.

DIRECTORS

Mr. Subhash Bansal, Whole-time Director ceased to be a Director with effect from May 31, 2011 consequent to his attainment of superannuation from the services of the Company. The Board places on record deep appreciation for the contributions made by Mr. Bansal during his tenure.

Mr. A. Poddar and Mr. Jyoti Sagar retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Ms. Nayantara Bali was appointed as an Additional Director on the Board of the Company with effect from August 26, 2011. As an Additional Director she holds office upto the date of the ensuing 27th Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing her candidature as a Director of the Company liable to retire by rotation along with a deposit of ₹500/-.

The brief resumes of Mr. A. Poddar, Mr. Jyoti Sagar and Ms. Nayantara Bali and the details of the Directorships held by them in other Companies are given in the "Corporate Governance" section of the Annual Report.

Appropriate resolutions for the appointment/re-appointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, Chartered Accountants (Registration No. 117366W) retire and offer themselves for re-appointment.

COST AUDITORS

Your Company has re-appointed M/s. Ashwin Solanki & Associates, Cost Accountants, to conduct the cost audit of drug formulations for the Financial Year ended June 30, 2012. The Company has received



the necessary Central Government approval for the re-appointment of Cost Auditor.

CONSERVATION OF ENERGY & FOREIGN EXCHANGE

The information, in accordance with the provisions of Section 217(i)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgoings, are attached as Annexure to this report.

HUMAN RESOURCE DEVELOPMENT

Your Company has continued to focus on building employee capability and commitment, critical for sustaining business growth and profitability. Competence enhancement initiatives to lead and manage change, develop team and to coach individuals have led to higher levels of employee productivity. The culture of innovation has been strengthened by building innovation skills and the processes to facilitate developments and successful implementation of new ideas.

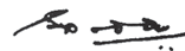
Your Directors wish to place on record their appreciation for the strong contribution made by employees who have through consistent and highly motivated performance enabled your Company to achieve these results.

The information as per Section 217(2A) of the Companies Act, 1956 (Act) read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members of the Company excluding the statement of particulars of Employees under Section 217(2A) of the Act. Any Member interested in obtaining a copy of the said statement may write to the Compliance Officer at the Corporate Office of the Company.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the services rendered by its suppliers, distributors, wholesalers, retailers, clearing and forwarding agents and all other business associates and acknowledge their efficiency and continued support in producing such healthy growth in the Company's business.

For and on behalf of the Board



S. K. Poddar
Chairman

Mumbai
August 26, 2011



ANNEXURE TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The Company has an efficient energy conservation task force, which is actively involved in continuous monitoring of energy usage and its conservation.

1. Measures taken this year were –

- (a) Significant power consumption reduction by installing single energy efficient screw chillers of higher capacity replacing three reciprocating chillers;
- (b) For increased load, installed new transformer but with inbuilt Voltage Regulation Function via OLTC, thereby saving energy by eliminating losses due to separate AVR;
- (c) Realized high savings in form of rebate in Electricity Bills by maintaining PF in range of 0.99 throughout the year;
- (d) Few minor projects of installing efficient air washer coolers, LED lights for outside lighting, etc were done in the journey towards energy conservation.

2. Plans for next year:

- (a) Project for buying power through open access which means that we can take power from Energy Exchange at variable rates;

- (b) To improve efficiency of diesel generators by using fuel catalysts;
- (c) Project of replacing shop floor lights with LED lighting;
- (d) Plan to get an energy audit done to identify areas of energy conservation.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B.

Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Efforts and initiatives in relation to exports.

The Company's products continue to be accepted in the overseas markets. Efforts are on to further increase exports of personal grooming products to the other countries.

2. The particulars of Foreign Exchange earned / utilized during the Financial Year are given in Schedule 17.B.8(j) to the Accounts, respectively.

For and on behalf of the Board



S. K. Poddar
Chairman

Mumbai
August 26, 2011



MANAGEMENT DISCUSSION AND ANALYSIS REPORT, 2011

Review of Economic Scenario and impact of Union Budget 2011

The Economic Survey 2010-11 presented by the Hon'ble Finance Minister to the Parliament states that the Indian economy has emerged with remarkable rapidity from the slowdown caused by the global financial crises of 2007-09. The survey further states that notwithstanding the tightening of money markets and moderate growth in deposits, the financial situation remained orderly with a pick up in credit growth, vibrant equity market and stable foreign exchange market. The survey further states that though the down side risks of global events, particularly movement in prices of commodities like crude oil (exacerbated by the political turmoil in the Middle East), remain, the Indian economy is poised to further improve and consolidate in terms of key macroeconomic indicators.

The Union Budget 2011-12 was presented amidst generally optimistic growth outlook with notable improvements in private savings and investment rates as well as a resumption of private consumption demand. While highlighting the strong and robust performance of the economy, the Finance Minister struck a tone of caution with respect to a number of challenges that the economy currently faces. Foremost among all was the trend of inflation that originated with supply bottlenecks but has become more generalized in recent times. Overall, the policy prescriptions outlined in the Budget sends a signal that the general direction in which the economy is headed is on course to deliver high growth and therefore does not warrant any significant course correction.

Monsoon does play an important role on the economy of a country like India. In India, agriculture provides around 70% of employment either directly or indirectly. This is the major reason for the economic growth of India to depend on Monsoon Season. If the monsoon is good, it boosts up the economy of the country and helps in maintaining GDP growth.

The FMCG Sector and Indian consumers

India is one of the fastest growing markets in the world. According to some leading studies the total consumption in India is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. India ranks first in the Nielsen Global Consumer Confidence survey released in January 2011. As per leading studies more than 80 percent of

FMCG categories are growing faster in rural India as compared to urban India. Not only are most categories growing faster in rural markets than in urban, rural India's contribution to growth in these categories is significantly high. Rural India, mostly termed as "high opportunity" market, is no longer just an opportunity, but is now yielding results.

BUSINESS REVIEW:

PERSONAL GROOMING

Your Directors are of the view that the personal grooming sector represents a sizable business opportunity for your Company. According to market research data, the Blades and Razors market alone is estimated at over ₹1400 crores, and about 5.5 billion units in size.

ORAL CARE

Manual toothbrushes continue to dominate the Oral Care market in India. According to market research data, the toothbrush market is estimated at over ₹1200 crores and growing at a rate of 10% per year.

PORTABLE POWER

The growing usage in the high and mid-drain devices like toys and cameras and increased purchasing power in India indicate a huge potential in the coming years for alkaline batteries and thus for *Duracell*.

Outlook and Opportunities

The Government's continued focus on liberalization, trade friendly policies and improvement in infrastructure have resulted in a steady inflow of global investments into the Indian market. This, in turn, has translated into immense employment opportunities and a sustained economic boom. The disposable income has gone up and as a result people working in old manufacturing sector as well as new emerging sectors such as BPOs, IT, ITES, retail etc. are open to invest in their grooming needs. Organized retailing continues to make progress in India and we expect it to continue to strengthen in years to come, which in turn will benefit your Company.

Cable television has penetrated in to the smallest of Indian towns and has taken with it awareness of latest lifestyle trends and brands, which have become an aspiration for many consumers. This increased awareness coupled with the increase in disposable incomes has translated into a desire to