

GODREJ SOAPS LIMITED**DIRECTORS**

S.P. Godrej	<i>Chairman</i>
A.B. Godrej	<i>Managing Director</i>
J.N. Godrej	
N.B. Godrej	<i>Managing Director</i>
K.N. Naoraji	
V.M. Crishna	
Tanya A. Dubash	<i>Director (Marketing)</i>
S.A. Ahmadullah	
N.C. Gawankar	
V.N. Gogate	

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COMPANY SECRETARY

S.S. Sapre

MANAGEMENT COMMITTEE

S. Awasthi	<i>Sr. Vice-President (Product Supply)</i>
K.K. Dastur	<i>Sr. Vice-President (Finance)</i>
M. Eipe	<i>Sr. Vice-President (Chemicals)</i>
H.K. Press	<i>Sr. Vice-President (Consumer Products & Exports)</i>
C.K. Rao	<i>Sr. Vice-President (Corporate Personnel)</i>

AUDITORS

S.R. Batliboi & Company, *Chartered Accountants*

REGISTERED OFFICE : Pirojshanagar
 Eastern Express Highway
 Vikhroli (East), Mumbai 400 079
 Phone : 022 – 517 0861, 517 1161, 517 1861
 Fax : 022 – 517 0333, 517 1525
 website: http://www.godrejindia.com

FACTORIES : Pirojshanagar
 Eastern Express Highway
 Vikhroli, Mumbai 400 079
 Phone : 022 – 517 0861, 517 1161, 517 1861
 Fax : 022 – 517 0463

U-30, Industrial Area
 Malanpur, Dist. Bhind
 Madhya Pradesh 477 116
 Phone : 075394 – 2413, 2422, 3412, 3419
 Fax : 075394 – 3421

Burjorjinagar
 Plot No. 3, Village Kanerao
 Taluka – Valia, District Bharuch
 Gujarat 393 135
 Phone : 02643 – 2356, 2006, 2007
 Fax : 02643 – 2355

Krishna Industrial Estate
 Survey No. 906/1/1
 Village Amli, Silvassa 396 230
 Union Territory of Dadra and Nagar & Haveli
 Phone : 02638 – 46854
 Fax : 02638 – 46826

BRANCHES : Laxmi Insurance Building
 Asaf Ali Road, New Delhi 110 002.
 Phone : 011 – 323 3775-77
 Fax : 011 – 323 3778

Block GN, Sector-V
 Salt Lake City, Calcutta 700 091
 Phone : 033 – 357 3776, 3555, 3556
 Fax : 033 – 357 0081

Basement, Kasi Arcade,
 116, Sir Thyagaraya Road
 T. Nagar, Chennai 600 017
 Phone : 044 – 825 2456, 824 0930, 823 5128
 Fax : 044 – 824 0725

284A, Chase Road, Southgate
 London N14 – 6HF
 Phone : 0181 – 886 0145
 Fax : 0181 – 886 9424

BANKERS : Central Bank of India
 Bank of India
 Canara Bank
 American Express Bank Ltd.
 The Hongkong & Shanghai Banking Corporation Ltd.
 Citibank N.A.
 HDFC Bank Ltd.

REGISTRARS : Computech Sharecap Ltd.
 147, Mahatma Gandhi Road
 Fort, Mumbai 400 023
 Phone : 022 – 267 1824-26
 Fax : 022 – 267 0380

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the TENTH ANNUAL GENERAL MEETING of the members of GODREJ SOAPS LIMITED will be held on Saturday, 26th September, 1998 at 3.00 P.M. at Udayachal Primary School Hall, Pirojshanagar, Vikhroli (East), Mumbai 400 079, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1998 the Balance Sheet as at that date, the Auditors' Report thereon and the Directors' Report.
2. To declare dividend on Equity and Preference Shares.
3. To appoint a Director in place of Mr. N.C. Gawankar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. V.N. Gogate, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, Mumbai as Auditors in place of M/s. S.R. Batliboi & Co., the retiring Auditors, and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

- a. Article 2 of the Articles of Association shall include the following definitions at the appropriate places :
 "Beneficial Owner" shall mean beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
 "Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.
 "Depositories Act, 1996" shall include any statutory modification or re-enactment thereof for the time being in force.
 "Securities and Exchange Board of India" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
- b. In Article 2 of the Articles of Association of the Company, definition of "Member" shall be altered as follows :
 "Member" means duly registered holder from time to time of the shares of the Company and includes every person who is holding equity share capital of the Company and whose name is entered as a beneficial owner in the records of the depository.
- c. In Article 3 of the Articles of Association the following shall be added at the end :
 "Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription in a dematerialised form."
- d. After Article 10, the following Article shall be inserted as Article 10A and shall read as follows :
 "10A The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and/or offer its fresh shares and debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any."
- e. Article 11 of the Articles of Association shall be substituted as follows :
 "The Company shall cause to be kept a Register and Index of

Members in accordance with Section 151 of the Act, and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country."

- f. Article 12 of the Articles of Association shall be substituted as follows :

"The shares in the capital shall be numbered progressively according to their several denominations provided, however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished."

- g. In Article 19(a) after the words "the amount paid-up thereon", the following words shall be added :

"provided, however, no share certificate(s) shall be issued for shares held by a Depository."

- h. After Article 19, the following Article shall be inserted as Article 19A and Article 19B :

"19A (a) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository.

(b) Where a person opts to hold a security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of such information the depository shall enter in its record the name of the allottee as the beneficial owner of that security.

(c) All securities held by a depository shall be dematerialised and shall be in a fungible form.

(d) Notwithstanding anything to the contrary contained in the Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(e) Save as otherwise provided in (d) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.

(f) Every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the securities held by a depository.

- 19B If a beneficial owner seeks to opt out of a depository in respect of any security, the beneficial owner shall inform the depository accordingly.

The depository shall on receipt of intimation as above make appropriate entries in its records and shall inform the Company.

The Company shall after receipt of intimation from the depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be."

- i. Article 22 of the Articles of Association shall be substituted as follows :

"Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them."

- j. After Article 23(d), the following Article shall be inserted as Article 23(e) and shall read as follows :

"23(e) In respect of shares, debentures and securities held by a Depository on behalf of the beneficial owners as defined in the Depositories Act, 1996, the provisions of Sections 153, 153A, 153B, 187B, 187C and 372 of the Act and the provisions of Article 23 shall not apply."

- k. In Article 53 after the words "transmission of any share", the following words shall be added :

"held in material form".

- l. After Article 53, the following Article shall be inserted as Article 53A and shall read as follows :

"53A In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificate and/or where such shares or debentures or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply."

- m. In Article 54, after the words "shares and registration thereof" the following shall be added :

"Except in case of transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the depository."

- n. In Article 55 of the Articles of Association, the following shall be added at the end :

"The provisions of this Article will not be applicable to transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the depository."

- o. Paragraph (i) of Article 57 shall be deleted.

- p. In Article 65A, the following words shall be added at the beginning :
 "Notwithstanding anything contained in these Articles".

- q. Article 71 of the Articles of Association shall be substituted by the following :

"71. The Company, if at any time issues debentures, shall keep a Register and Index of Debentureholders in accordance with Section 152 of the Act and the Depositories Act, 1996. The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of Debentureholders for the purpose of this Act. The Company shall have the power to keep in any state or country outside India a branch Register of Debentureholders resident in that state or country."

- r. In Article 185 of the Articles of Association, the following proviso shall be added :

"Provided that where the securities are held in a depository, the

records of the beneficial ownership may be served by such depositories on the Company by means of electronic mode or by delivery of depository floppies or discs."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT if and when permitted by law and subject to all applicable provisions of the law and subject to such other approvals, permissions and sanctions, as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred upon by the Board by this resolution), and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board :

- the consent of the Company be and is hereby accorded to buy-back equity shares of the face value of Rs.10/- each of the Company out of such funds of the Company that may be permitted by law, from the shareholders, in such proportion and manner as may be permitted by law, on such terms and subject to such conditions as may be prescribed by the law, within a period of 15 months from the date of passing of this resolution.
- the Board be and is hereby authorised to decide the exact quantity of shares to be bought, the rate, mode, source and other terms and conditions relating to such buy-back and do all such acts and to give such directions as may be necessary or desirable, and to settle all questions and matters arising out of and incidental to such buy-back, provided that under this resolution, the Company shall buy-back not more than 10% of its equity share capital and the amount which will be invested by the Company in such buy-back shall not exceed Rs. 25 crore in the aggregate.

RESOLVED FURTHER THAT nothing hereinabove contained shall confer any right on any member to offer or any obligation on the Company or the Board to buy-back any equity shares of the Company.

8. Notice received from Mr. S.S. Gupta for his appointment as Director.

Notice received to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act, 1956, Mr. Shyam Sundar Gupta, be and is hereby appointed a Director of the Company."

By Order of the Board of Directors

S.S. SAPRE
 Company Secretary

Mumbai, June 29, 1998

Registered Office :
 Pirojshanagar,
 Eastern Express Highway,
 Vikhroli (East), Mumbai 400 079.

NOTES :

- The relative Explanatory Statement in respect of business under Item No. 5 to 8 set out in the notice is annexed hereto.
- A member entitled to attend and vote is entitled to appoint a proxy to attend and on poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy so appointed shall not have any right to speak at the meeting.
- The Register of Members and the Transfer Books of the Company will remain closed from 16/9/1998 to 26/9/1998 (both days inclusive).
- The final Dividend for the year ended on 31st March, 1998 if declared at the Annual General Meeting, will be payable, to those shareholders whose names appear on the Company's Register of Members as on the date of Annual General Meeting.

5. The Company has already transferred, unclaimed interim dividend declared by the Company for the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, Fancy Corporation Ltd., Hakoba Mill Compound, Kalachowki, Mumbai 400 033, Maharashtra.

The other unclaimed dividends which are due for transfer to the Central Government within one year are as follows :

	Due for transfer on
Final dividend 1994-95	04-11-98
Interim dividend 1995-96	18-04-99

Members who have not encashed their dividend warrants are requested to send their dividend warrants to the Company for revalidation or to approach the Company's Registrar & Share Transfer Agents, for obtaining duplicate dividend warrants.

6. Members are requested to send in their queries at least a week in advance to the Company Secretary at the Registered Office of the Company to facilitate clarifications during the meeting.

7. Members are requested to address all their correspondence to the Registrars whose address and telephone/fax numbers are given on the page no 2. Members are also requested to quote their Folio No. in all their correspondence. In case they need to communicate with the Secretarial Department, the following telephone and fax nos. may be used :

Telephone : (022) - 5171161, 5171861, 5170861 (Extn. 4380, 4392, 4300)
Fax : (022) - 5170333, 5171525

8. With a view to provide protection against fraudulent encashment of dividend warrants, members are requested to provide their bank account number and address of the bank branch to enable the Company to incorporate the said details in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF THE COMPANIES ACT, 1956

ITEM 5

The Statutory Auditors of the Company, S.R. Batliboi & Co. (SRB), will hold office till the conclusion of the ensuing Annual General Meeting of the Company. SRB have informed the Company that they are likely to exceed the limits laid down by Section 224(1B) read with Explanation 1 to Section 224(1C) of the Companies Act, 1956, in respect of the maximum number of companies in which they can be appointed as Auditors, due to extensive referrals received from Ernst & Young International, of which SRB is a member firm, and have regretted their ineligibility for reappointment as Auditors of the Company in the forthcoming Annual General Meeting (AGM).

As required under Section 225(1) of the Companies Act, 1956, a Special Notice in terms of Section 190 of the said Act has been received from a shareholder, proposing the appointment of Kalyaniwalla & Mistry (K&M), as the Auditors of the Company in place of SRB, the retiring Auditors. K&M were the Company's Auditors for many years up to the AGM of 7/9/1996. Even during the period when SRB functioned as the Auditors, the engagement partner on the audit of the Company remained the same and would continue to remain the same if K&M is appointed as the Auditors. The retiring Auditors have informed the Company that they have no representation to make to the members of the Company relating to the Special Notice.

The Board recommends the appointment of K&M as Auditors of the Company.

None of the Directors of the Company is concerned or interested in passing of the Resolution.

ITEM 6

- a) Consequent to the passing of the Depositories Act, 1996 and introduction of the Depository system, some of the Articles are required to be altered so as to facilitate introduction and implementation of Depository System. In view of the same, it is proposed to make the alterations as set out in the Resolution at Item No. 6 to enable the Company to dematerialise its Securities and to facilitate holding and dealing in its Securities under the Depository System.
- b) Article 65A of the Articles of Association of the Company empowers the Company to buy-back its own shares. In order to give the required force to this Article, notwithstanding anything contained elsewhere in the Articles of Association of the Company, it is proposed to alter this Article as set out in the Resolution.

The Board recommends passing of the Resolution as set out in Item No. 6 of the accompanying notice.

The Directors may be deemed to be interested in this resolution to the extent of their shareholdings in the Company.

The Articles of Association of the Company together with the proposed alterations are available for inspection at the Registered Office of the Company during business hours on any working day of the Company.

ITEM 7

It is felt that subject to the necessary statutory approvals and permissions, the Company, should it so desire, should have flexibility to buy-back its own Equity Shares, as is the practice in the United Kingdom and several other Western countries. Such a buy-back would provide the Company an excellent risk-free opportunity of deploying available funds advantageously as compared to investments

in other avenues. It also reduces the cost of servicing the capital of the Company and helps to boost the return to the Public shareholders.

At present the Companies Act, 1956 does not allow the Company to buy-back its own shares unless the purchase is for reduction of capital which is governed by Sections 100 to 104 and Section 402 of the Act. At the Annual General Meeting held on 15/9/1997 the shareholders had approved buy-back of equity shares, anticipating that in view of the changes proposed in the Companies Bill, 1997, in due course of time, the law would be amended to allow such a purchase. In terms of the said resolution the buy-back must be completed within a period of 15 months of the date of its passing by the shareholders, i.e. before 15/12/98.

Though no provision for buy-back of shares has been made so far it is anticipated that the law may in future permit a Company to buy-back its own securities. The proposed resolution, is an enabling provision, to enable the Company to buy-back its own shares and to give the Board of Directors the necessary powers for the same after the appropriate statutory amendments are in place.

It is proposed that buy-back of equity shares, under this resolution, be out of such funds of the Company as may be permitted by law, from the shareholders in such proportion and manner as may be permitted by law, and that such buy-back be completed within a period not exceeding 15 months from the date of passing of this resolution and that the Company buy-back not more than 10% of its equity shares at an aggregate cost not exceeding Rs.25 crore.

The Board recommends the passing of this resolution.

The Directors may be deemed to be interested in this resolution to the extent of their shareholdings in the Company.

ITEM 8

Mr. Shyam Sundar Gupta, a shareholder of the Company, has, by his letter dated 5th November, 1997, given Notice to the Company under Section 257 of the Companies Act, 1956, proposing himself as a candidate for the office of Director of the Company.

The Resolution of Mr. Gupta is being included in the Notice of the Annual General Meeting as required by law. It must, however, be made clear that the Directors do not recommend the Resolution.

It may be noted that Mr. Shyam Sundar Gupta had given similar Notice to the Company last year, proposing himself as a candidate for the office of Director of the Company, but the motion was rejected unanimously by the Members present at the Annual General Meeting held on 15th September, 1997.

None of the Directors of the Company is concerned or interested in the passing of this resolution.

By Order of the Board of Directors

S.S. SAPRE
Company Secretary

Mumbai, June 29, 1998

Registered Office :

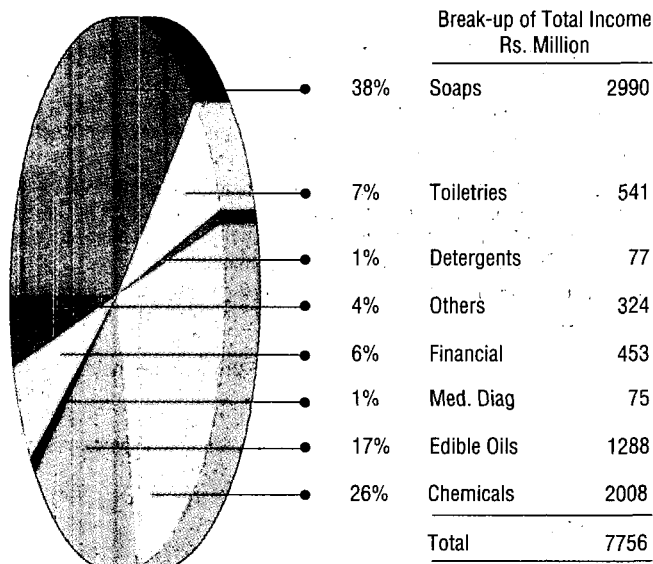
Pirojshanagar,
Eastern Express Highway,
Vikhroli (East), Mumbai 400 079.

GODREJ SOAPS LIMITED - FINANCIAL HIGHLIGHTS

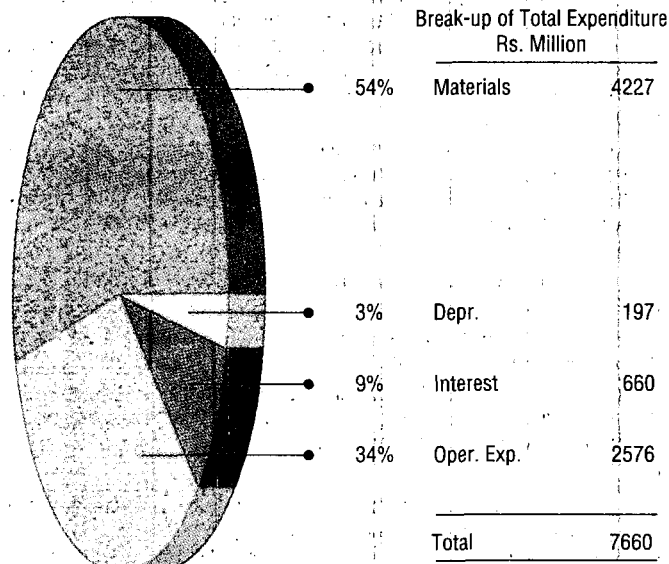
(Rs. million)

	1997-98	1996-97	1995-96	1994-95
BALANCE SHEET				
SOURCES OF FUNDS :				
Shareholders' Funds				
Share Capital	651	658	877	398
Reserves & Surplus	2621	2573	2677	2519
Loan Funds				
Secured Loans	2612	2754	2185	2125
Unsecured Loans	1872	1217	1340	1659
	7756	7202	7079	6701
APPLICATION OF FUNDS :				
Fixed Assets	3297	3000	2951	2627
Investments	2318	2503	2699	1730
Net Working Capital	1889	1417	1086	2192
Miscellaneous Expenditure	252	282	343	152
	7756	7202	7079	6701
INCOME AND PROFIT FIGURES				
Total Income	7756	6557	7042	6111
Expenditure other than Interest & Depreciation	6803	5364	5727	5088
Profit before Interest, Depreciation & Tax	953	1193	1315	1023
Interest	660	729	704	394
Profit before Depreciation & Tax	293	464	611	629
Depreciation	197	185	160	147
Profit before Tax	96	279	451	482
Provision for Tax	11	29	1	11
Net Profit after Tax	85	250	450	471
Adjustment in respect of prior years	71	-7	-6	8
Provision for Dividend Tax	9	17		
Net Profits available for appropriation	147	226	444	479

Total Income 1997-98



Total Expenditure 1997-98



DIRECTORS' REPORT FOR THE YEAR ENDED ON MARCH 31, 1998

To The Shareholders,

Your Directors submit their Report along with the audited Accounts for the year ended on March 31, 1998.

THE ECONOMY

1997-98 was a year of recession for the Indian Economy. While agricultural growth was negative, industrial growth slackened at 4.2% and the infrastructure bottlenecks continued to affect economic activity. The export performance was weak for the second successive year. The rupee weakened considerably during the year. These economic factors exerted a pressure on the sales and profitability of your Company.

OPERATING RESULTS

Your Company's performance during the year as compared with that during the Previous year is summarised below :

	This Year Rs. Million	Previous Year Rs. Million
Income from Operations	7,679.15	6,073.59
Other Income	13.79	45.41
Extraordinary Income	63.00	437.64
Total Income	7,755.94	6,556.64
Total Expenditure other than Interest and Depreciation	6,803.04	5,364.06
Profit before Interest, Depreciation and Taxation	952.90	1,192.58
Depreciation	197.15	184.89
Profit before Interest and Taxation	755.75	1,007.69
Interest and Financial Charges	659.42	728.61
Profit before Taxation	96.33	279.08
Less : Provision for Taxation	11.00	28.58
Profit for the year after Taxation	85.33	250.50
Add/(Less) :		
Adjustments in respect of prior years	70.79	(6.94)
	156.12	243.56
Provision for tax on distributed profits	(9.17)	(16.75)
	146.95	226.81
Surplus brought forward	461.13	496.80
Amount available for Appropriation	608.08	723.61
Appropriation :		
Your Directors recommend appropriation as under :		
Transfer to Debenture Redemption Reserve	—	26.86
Dividend on Preference Shares (Subject to tax for previous year)	13.94	38.10
Dividend on Equity Shares		
- Proposed	77.78	155.56
- Centenary Dividend	—	11.96
Transfer to General Reserve	7.50	30.00
Surplus Carried Forward	508.86	461.13
Total Appropriation	608.08	723.61

DIVIDEND

During the year, dividend aggregating Rs.13.94 million was paid on cumulative redeemable preference shares for the period up to March 31, 1998, at the rates specified in the Letters of Offer sent to each of the preference shareholders. Your Directors recommend that the same be treated as final dividend for the year ended on March 31, 1998.

Your Directors recommend dividend of Rs.1.30 per share amounting to Rs.77.78 million as final dividend for the financial year 1997-98 as against Rs.2.80 per share including 2% centenary dividend amounting to Rs.167.52 million for 1996-97.

REVIEW OF OPERATIONS

During the year under review, the income from operations increased from Rs.6,073.59 million in the previous year to Rs. 7,679.15 million, i.e., by 26%

whereas the total income increased from Rs. 6,556.64 million to Rs. 7,755.94 million, i.e. by 18%. The profit before tax declined from Rs.279.08 million to Rs.96.33 million, i.e. by 65%. Product groupwise notes given below contain a review of gross income, profitability and various initiatives in the respective areas.

The broad break-up of the total income is as follows :

	1997-98		1996-97	
	M.T.	Value Rs. Million	M.T.	Value Rs. Million
Soaps - Godrej brands	19,088	1,785.68	16,476	1,497.65
Soaps - Other brands	22,858	1,204.26	13,145	895.97
Toiletries	1,482	540.86	1,480	471.59
Detergents, exports, etc.	824	76.98	2,785	111.61
Consumer Products	44,252	3,607.78	33,886	2,976.82
Chemicals local	44,952	1,546.08	44,488	1,566.33
Chemicals exports	10,538	462.47	8,343	384.25
Chemicals	55,490	2,008.55	52,831	1,950.58
Edible Oils	53,150	1,287.60	20,009	558.30
Medical Diagnostics	—	75.15	—	46.93
Others	—	46.89	—	28.92
Total		7,025.98		5,561.55
Income from other business operations	—	200.38	—	177.69
Income from financial operations	—	452.79	—	334.35
Other Income	—	13.79	—	45.41
Extraordinary Income	—	63.00	—	437.64
Total Income	—	7,755.94	—	6,556.64

CONSUMER PRODUCTS**Soaps**

During the year, most of the Godrej soap brands were revamped or relaunched. "Cinthal Ultimate" and "Cinthal Scent Fresh" were introduced. The Cinthal International range was relaunched with deodorant and in new metallic wrappers. "Godrej No. 1" was relaunched as your Company's entry in the budget toilet soap sector. Most of the launches and revamps were during the second half of the year. Advertisement and publicity expenses relating to major launches have been deferred over a twelve month period that being an appropriate period over which the benefit is estimated to be received.

These measures saw the sale of Godrej brand soaps increasing by about 16% in volume and 19% in value. The competition being severe, the advertisement and sales promotion expenses were very high especially in the second half of the year. In order to utilise the production capacity to help absorption of fixed capacity costs, your Company manufactured a large quantity of soaps for other companies. Margins in this category have been much lower than in Godrej brand soaps. Therefore, although total tonnage of soaps sold went up by 42%, the value of sales went up by only 25%. As a result of all the above factors, margins were under severe pressure.

Toiletries

The sales in this category saw a healthy growth of 15% in value as compared to last year and a corresponding improvement in profits. During the year Cinthal talcum powder was relaunched in new polypackaging and with a deodorant. Godrej Shaving Cream was relaunched in new polytubes and redesigned cartons. Your Company continued its leadership and improved its market share in the Hair Colour business. Our new powder hair dye sachet has been a runaway success.

Consumer Products Exports

The exports of consumer products were Rs. 49.15 million in value. During the year, Godrej Global Mid East FZE (GGME), a subsidiary of your Company became operational from Sharjah. GGME is expected to give an impetus to export of Godrej brand consumer goods in the Middle East.

CHEMICALS**Domestic Business**

The domestic business was affected by the recession in industry as many customers

Godrej Soaps Limited

were going through a difficult period. There was a considerable drop in glycerine prices. In spite of this, the sales turnover was almost maintained with a marginal increase of 1% in quantity and decline of 1% in value.

Exports Business

The International scenario was very volatile with the South-East Asian economic crisis. Despite the adverse situation, exports sales including third party exports recorded a healthy growth of 26% in quantity and 20% in value. However, the margins were under pressure as compared to last year. Your Company continued to export fatty alcohols, glycerine and other chemicals to U.S.A., Canada, Australia, Africa, Europe and South-East Asia, among other countries. Fatty alcohols exports during the year crossed the 10,000 M.T. mark.

MEDICAL DIAGNOSTICS

The Medical Diagnostics business reported an impressive increase in Sales of 60%, with good profitability. The success of the business is consequent to a major thrust in Government hospitals, health departments, pathological laboratories, clinicians and hospitals in "B" and "C" class towns. Your Company has plans to expand this division substantially in the near future, having created markets for Fluorescent Detection systems for Malaria and Chemiluminescence Immunodiagnosics systems. Your Company has already launched a wide range of Biochemistry Reagents, a product of Biocon Diagnostik, Germany, on an all India basis. The Company will shortly introduce spot test kits, cardiology equipment and easy to use mass products.

EDIBLE OILS

The demand for edible oils during the year being good, it recorded an increase of 166% in quantity and 131% in sales value.

FINANCE DIVISION

The first half operations of Finance division saw divestment of 11% stake in Godrej Hicare Ltd. to Sara Lee as reported in the Directors' Report of last year. However, in the second half, there was no major income source in the absence of any suitable divestment opportunity materialising and reduction in dividend income from associate companies.

SUBSIDIARY COMPANIES

Your Company has interests in several industries including animal feeds and agro-products, property development, household insecticides, through its subsidiary/associate companies.

During the year Godrej Hicare Limited (GHCL) has ceased to be a subsidiary of your company with effect from July 7, 1997 after sale of 11% Share Capital in GHCL to the Joint Venture partner Sara Lee.

Godrej Agrovet Limited (GAVL) continued with its healthy and steady growth in operating income and profits. Its income from operations has gone up by about 11% from Rs. 2,160 million to Rs. 2,405 million while the Profit After Tax has increased by about 16% from Rs. 74 million to Rs.86 million over last year. GAVL has declared a dividend of 40% as against 35% last year.

Total Income of Godrej Properties & Investments Ltd. (GPIL) has reduced by 19% from Rs. 283 million to Rs.230 million over last year. However, Profit After Tax has increased by about 26% from Rs.10.2 million to Rs.12.9 million. GPIL has maintained its dividend at 5%.

Godrej International Limited (GINL) earned a net profit of US\$276649 as against US\$384874 earned last year and has proposed a dividend of US\$125000 as against US\$97500 paid last year. The dividend works out to 20 cents per share on the expanded share capital as compared to last year's dividend of 30 cents per share (equivalent to 15.6 cents per share of expanded share capital). During the year your Company invested in 3,00,000 shares of £ 1 each in GINL primarily to enable it to invest in shares of Godrej Global Mid East FZE.

Members' voluntary winding up is in progress at Sahyadri Aerosols Ltd. and Puran Plastics & Chemicals Ltd.

Godrej Hicare Ltd. and Godrej Foods Ltd. both associate companies of your Company did not fare well during the year under review.

MANUFACTURING

Co-generation plants for simultaneous generation of electricity and steam were commissioned in December 1997 at Valia and in May 1998 at Vikhroli.

Your Company has set up a new factory at Silvassa for manufacturing of Hair Dye which commenced production in November 1997.

RESEARCH AND DEVELOPMENT

Research & Development played an important role in various consumer launches made during the year and the product development work for Chemicals. The revenue expenditure during the year on Research & Development was Rs.21.66 million. There was no significant capital expenditure on R&D.

FINANCE

The financial position of your Company continues to be sound.

Preference Share Capital of Rs.40 million was redeemed during the year and Preference Share Capital aggregating Rs.33.50 million at a premium of Rs.5 per share was raised during the year through private placement. Interim dividend of Rs.13.94 million on the Preference Share Capital has already been paid during the year.

At the end of the year under review, 480 fixed deposit/loan accounts aggregating Rs.4.51 million remained unclaimed. Out of these, 157 accounts aggregating Rs.2.31 million have been subsequently renewed/refunded till date.

INFORMATION SYSTEMS

The Information Technology initiative made substantial progress during the year. Manufacturing, inventory, purchase, accounting, sales and planning modules of MFG/PRO Enterprise Resource Planning System have been implemented at the Corporate Office, factories and the CFAs. Your Company is acknowledged as an advanced user of MFG/PRO in the Asia-Pacific Region.

ENVIRONMENT AND SOCIAL CONCERN

Your Company continues its efforts for the betterment of the environment.

Five hundred additional trees were planted at the Vikhroli Factory. The waste of lawn/trees is being used as manure and treated effluent water is being used for gardening.

The Malanpur factory has decided to apply for ISO 14001, an Environment Management System to conserve and improve the environment in a systematic and planned manner. The development work at Village Singwari for the benefit of its residents continued during the year.

The Valia factory planted more than ten thousand trees during the year. Valia factory has provided drinking water facility for the villagers of Kanerao. A water storage tank is under construction. Street lighting for the village has been provided.

HUMAN RESOURCES

Industrial Relations continued to be cordial throughout the year at all locations. An 'Award for Innovative Practices in HRD' was bestowed on us by the Governing Body of the Institute for R&D in Service Excellence and Management on February 5, 1998. Your Company completed three years of the journey in Total Quality Management resulting in enhanced benefits in the areas of quality, cost, customer and employee satisfaction. Your Company continued commissioning customer satisfaction, vendor satisfaction and employee satisfaction surveys by an expert agency, Gallup MBA India. While the score for white collared employees has registered a significant increase, the overall satisfaction for the blue collared employees has been termed as one of the best.



New Factory at Silvassa which commenced production in November '97 for manufacturing of Hair Dye