

## GODREJ INDUSTRIES LIMITED

### DIRECTORS

A.B. Godrej *Chairman*

J.N. Godrej

N.B. Godrej *Managing Director*

K.N. Naoroji

V.M. Crishna

S.A. Ahmadullah

N.C. Gawankar

V.N. Gogate

T.A. Dubash *Director (Marketing)*

M. Eipe *Executive Director & President (Chemicals)*

C.K. Vaidya *Executive Director (Corporate HR)*

F.P. Sarkari

M.P. Pusalkar *Executive Director & President (Foods Division)*

K.N. Petigara

K.K. Dastur

### COMPANY SECRETARY

S.K. Bhatt

### AUDITORS

Kalyaniwalla & Mistry, *Chartered Accountants*

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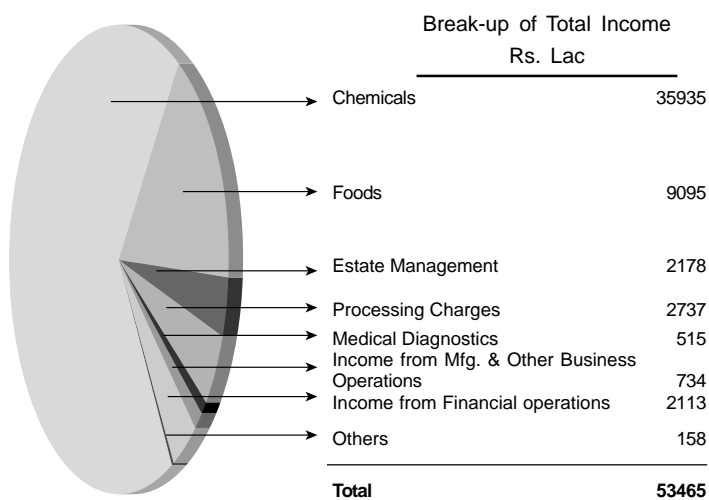
<b>REGISTERED OFFICE</b>	:	Pirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai 400 079. Phone: 022 - 518 8010, 518 8020, 518 8030 Fax : 022 - 518 8074, 518 8066 website : http://www.godrejinds.com
<b>FACTORIES</b>	:	Vikhroli Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079. Phone : 022 - 518 8010, 518 8020, 518 8030 Fax : 022 - 518 8068/518 8074
	:	Valia Burjorjinagar, Plot No. 3, Village Kanerao, Taluka - Valia, District Bharuch, Gujarat 393 135. Phone : 02643 - 70756 to 70760 Fax : 02643 - 70018
	:	Wadala L.M.Nadkarni Marg Near M.P. T. Hospital Wadala (East), Mumbai - 400 37 Phone : 022 - 412 6320/23, 414 6296 Fax : 022 - 412 6204, 416 4599
	:	Mandideep Plot No. 5, New Industrial Area No. 1 Mandideep, District Raiesn, Bhopal - 462 046, MP Phone : 07480 - 33405 - 7 Fax : 07480 - 33409
	:	Mysore Plot No. 310, 342 & 343, Hebbal Industrial Area, Metagalli, Mysore - 570 017 Phone : 0821 - 402418 Fax : 0821 - 402419
<b>BRANCHES</b>	:	Delhi Laxmi Insurance Building, 2/2-A, Asaf Ali Road, New Delhi 110 002. Phone : 011 - 323 3775, 323 3777, 323 6776 Fax : 011 - 323 3778
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	:	Chennai Basement, Kasi Arcade, 116, Sir Thyagaraya Road, T. Nagar, Chennai 600 017. Phone : 044 - 815 2456 Fax : 044 - 815 2756
	:	London 284A, Chase Road, Southgate, London N14 - 6HF., England Phone : (004420) - 88860145 Fax : (004420) - 88869424
<b>BANKERS</b>	:	Central Bank of India State Bank of India Bank of India HDFC Bank Ltd. Citibank N.A.
<b>REGISTRARS</b>	:	Computech Sharecap Ltd. 147, Mahatma Gandhi Road, Fort, Mumbai 400 023. Phone: 022 - 267 1824-26 Fax : 022 - 267 0380 E-Mail : helpdesk@computechsharecap.com

## GODREJ INDUSTRIES LIMITED – FINANCIAL HIGHLIGHTS

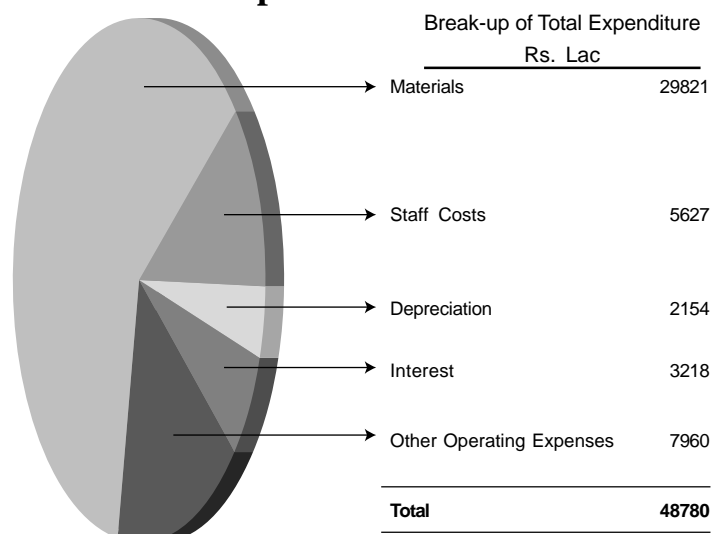
	(Rs. lac)				
	2001-02	2000-01	1999-00	1998-99	1997-98
<b>BALANCE SHEET</b>					
<b>SOURCES OF FUNDS :</b>					
Shareholders' Funds					
Share Capital	3699	5979	5979	6313	6514
Reserves & Surplus	21030	27559	25679	22051	26206
Loan Funds					
Secured Loans	15051	16701	22375	33312	26120
Unsecured Loans	13456	9547	11881	13131	18718
Deferred Tax Liability	1347				
	<b>54583</b>	<b>59786</b>	<b>65914</b>	<b>74807</b>	<b>77558</b>
<b>APPLICATION OF FUNDS :</b>					
Fixed Assets	29099	33799	32815	32309	32970
Investments	14619	17075	19043	24081	23180
Net Working Capital	9987	8076	12666	17489	18886
Miscellaneous Expenditure	878	836	1390	928	2522
	<b>54583</b>	<b>59786</b>	<b>65914</b>	<b>74807</b>	<b>77558</b>
<b>INCOME AND PROFIT FIGURES</b>					
Total Income	53465	79786	71620	90981	71796
Expenditure other than Interest and Depreciation	43408	65935	57218	85894	62268
Profit before Interest, Depreciation and Tax	10057	13851	14402	5087	9528
Interest (net)	3218	3711	4774	5976	6594
Profit/ (Loss) before Depreciation and Tax	6839	10140	9628	(889)	2934
Depreciation	2154	2531	2342	2104	1971
Profit/ (Loss) before Tax and exceptional items	4685	7609	7286	(2993)	963
Exceptional items- expense	624	3194	547	—	—
Provision for Current Tax	150	350	641	—	110
Net Profit/(Loss) after Tax	3911	4065	6098	(2993)	853
Provision for Deferred Tax	923	—	—	—	—
Adjustment in respect of prior years -(Income)/Expense	(121)	(25)	(90)	383	(708)
Net Profit/(Loss) after taxes and adjustments	3109	4090	6188	(3376)	1561

Note : The figures for 2001-02 are not comparable with those of the previous years in view of the schemes of arrangement with Godrej Consumer Products Limited and Godrej Foods Limited, details of which have been given in the Management Discussion and Analysis and in the Directors' Report

### Total Income 2001-2002



### Total Expenditure 2001-2002



## MANAGEMENT DISCUSSION AND ANALYSIS

### An Overview

It has been an eventful year for Godrej Industries Limited (GIL). The Consumer Products Division (CPD) was carved out to form Godrej Consumer Products Limited (GCPL), a focused FMCG company, with effect from April 1, 2002 and the residual entity which retained the Chemicals, Estate, medical diagnostics, financial operations, etc., was renamed Godrej Industries Limited.

The year also saw another restructuring wherein the manufacturing business of Godrej Foods Limited, together with its marketing, sales, finance and other related functions was de-merged and made part of GIL as its Foods Division effective June 30, 2001.

2001-02 saw the lowest rate of Industrial growth witnessed in the country during the past several years and the Index of Industrial Production grew by just 2.7%.

### Financial Performance

The financial performance of the Company during the year as compared to that of the previous year is summarised below:

#### Abridged Profit and Loss Account of GIL for the year 2001-02

	(in Rs. lac)	
	2001-02	2000-01
Sales of products and services	51195	78172
Other Income	2270	1614
<b>Total income</b>	<b>53465</b>	<b>79786</b>
Material costs	29821	39514
Staff costs	5627	6020
Other expenditures	7960	20401
<b>Total expenditure</b>	<b>43408</b>	<b>65935</b>
<b>Profit Before Depreciation, Interest and Tax</b>	<b>10057</b>	<b>13851</b>
Depreciation	2154	2531
<b>Profit Before Interest and Tax</b>	<b>7903</b>	<b>11320</b>
Interest and financial charges (net)	3218	3711
Profit Before Tax (before exceptional items)	4685	7609
Exceptional items	(624)	(3194)
<b>Profit Before Tax</b>	<b>4061</b>	<b>4415</b>
Provision for Current Tax	150	350
<b>Profit after Current Tax</b>	<b>3911</b>	<b>4065</b>
Provision for Deferred Tax	923	-
Adjustments in respect of prior years – net income	121	25
<b>Profit After Tax</b>	<b>3109</b>	<b>4090</b>

GIL's total income for 2001-02 was Rs. 53,465 lac as compared to Rs. 79,786 lac in the previous year.

GIL generated a Profit Before Tax (PBT) of Rs.4061 lac and a Profit After Tax of Rs. 3109 lac in 2001-02.

### Profitability ratios (%)

	2001-02	2000-01
PBDIT/Sales	14.28	13.42
PBT/Sales	7.93	5.65
PAT/Sales	6.07	5.23
Return on Capital Employed	14.61	19.20
Return on Net Worth	12.84	12.51
Basic EPS * (Rs.)	5.08	6.84
Diluted EPS * (Rs.)	5.08	6.84

\* Face value per share reduced from Rs.10/- to Rs. 6/- w.e.f. April 1, 2001.

### Financial Risk Ratios

	2001-02	2000-01
Debt/Equity	1.17	0.80
Interest coverage	2.45	3.05

The figures for the previous year are inclusive of Consumer Products Business, but without Manufacturing Business of Godrej Foods Limited. The figures for the year under review include figures of Manufacturing Business of Godrej Foods Limited w.e.f. June 30, 2001 but do not include figures of Consumer Products Business. Hence the figures are not comparable.

### Segment-wise performance

We give below the segment-wise break-up of sales, PBIT and capital employed for the year under review:

(Amounts in Rs. lac)

<b>1. Segment Revenue (Income from Operations)</b>	
Chemicals	38930
Foods	9652
Estate Management	2178
Others	2650
<b>Total</b>	<b>53410</b>
<b>2. Segment Results (Profit before Interest &amp; Tax)</b>	
Chemicals	4612
Foods	1219
Estate	1649
Others	679
<b>Profit Before Interest and Tax</b>	<b>8159</b>
Less: Interest (Net)	(3218)
Unallocated expenses (Net), Prior period items	(880)
<b>Profit Before Tax</b>	<b>4061</b>
<b>3. Segment Capital Employed</b>	
Chemicals	27896
Foods	6160
Estate	1867
Others	18458
Unallocated Assets	572
<b>Total</b>	<b>54953</b>

### CHEMICALS DIVISION

Sales of the division grew 9 % in value and 17% in volume terms.

The Chemicals business won the **BEST BUSINESS AWARD for 2001-02**, within the Godrej Group of Companies. It also won the **"CHEMEXCIL AWARD"** from **Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council** for 2000-01 for the third year in succession.

### Industry Outlook:

The Chemicals Division operates in the Oleo-Chemicals Industry.

On the supply side, weather conditions (factors like *El Nino*), demand for edible oils for human consumption, oilseed production, etc., affect the availability and price of vegetable oils. On the demand side, the growth of the end-user industries like detergents, industrial applications, cosmetics and personal care, etc. affect the volume and profitability of the sales of this division.

To mitigate the risks of this industry, the Division has been concentrating on efficient sourcing and coverage of raw materials, de-bottlenecking and improving efficiencies in the manufacturing operations, and providing customized products to the end-users, to reduce costs and improve profitability.

Category-wise performance and future outlook is reviewed below:

## Fatty Acids:

Fatty acids accounted for 28% of the turnover of this division. Fatty acids segment comprises Stearic Acids, Oleic Acids, and other speciality Fatty Acids. Stearic Acids accounted for around 50% of the turnover of this segment.

This product category recorded a growth of 34% in value over the last year. This growth was driven by growth in end-use segments of Cosmetics, Polymers and Rubber. The market opportunity in sales of soap maker fatty acids also contributed to the growth.

Exports in the above product category increased substantially due to the launch of short chain fatty acids.

## Glycerin

Glycerin, which is a by-product of the oil splitting process, accounted for 11% of the turnover of this division. In the past year, the domestic supply of Glycerin was more than the demand and the industry exported the surplus.

During the year, our Glycerin sales increased 23% in volume. Despite the increase in volumes, GIL has been able to improve its margins. During the year, there has been no significant change in the structure of the Industry, and outlook for the year continues to be good.

## Alpha Olefin Sulphonate (AOS):

GIL is a pioneer and market leader in AOS production and marketing with a market share in excess of 80%. GODREJ Alpha Olefin Sulphonate (AOS) constituted 19% of the turnover of this division. AOS sales have grown by 10% increasingly substituting the other surfactants. Godrej AOS is incorporated in a number of well-known detergent brands and shampoos in the country. Godrej Consumer Products Limited, an associate of GIL uses AOS in the manufacture of its liquid detergent brand Ezee.

Godrej AOS is now sold in different forms, such as, liquid (38% matter), paste (70% matter), powder (95% matter) and needles form (95% matter), to suit the convenience of the end-users.

GIL has identified new market opportunities for AOS, which should sustain and grow sales of this segment in the coming year.

## Fatty Alcohols:

Fatty Alcohols contributed to 42% of the turnover of this division. This segment has continued to grow steadily over the years. Fatty Alcohols are mainly used in Laundry and personal care applications in the domestic market. It finds use in the Cosmetics and Industrial applications abroad.

During the year GIL was able to enter new markets like Vietnam and the Middle East countries.

The year also saw major initiatives in reducing supply chain costs and de-bottlenecking, which has helped GIL to be competitive in the Export Market. GIL has more than 85% market share in the domestic market in this category.

New capacities being added world wide in fatty alcohols could lead to pressure on margins in this segment in the coming years.

## FOODS DIVISION

The total sales was Rs. 9095 lac during the year under review.

The Honourable High Courts at Jabalpur and Mumbai sanctioned the Scheme of Arrangement with Godrej Foods Limited (GFL), wherein the manufacturing business of GFL together with sales, marketing, finance and other related functions was de-merged into GIL thus forming the Foods division.

Edible Oils and Processed Foods are the two categories in this division.

## Outlook

The uncertainty in the business of Foods Division continues. The price of Edible Oil as well as fruit pulp, which is an essential raw material for the above category, continues to rise due to lower production. Intense competition is preventing profitable rise in selling price. The focus of the division continues to be on increasing margins and reducing cost. Decentralisation of production is being considered as one of the ways to improve margins in the Edible Oils category.

## Edible Oils and Fats:

The turnover during the year under review was Rs. 7690 lac. During the year uncertainty prevailed in the Edible Oil and Fats category due to frequent changes in the Import duties. The entry of international players in this category intensified the already existing competition with local players. As a result margins were under pressure during the year. The division successfully introduced bakery shortening in the Edible Oil category, which catered to the needs of biscuit manufacturers and bakeries.

## Processed Foods:

The total turnover of products in this category was Rs.1405 lac.

The division's presence in the Processed Food industry is restricted to tetrapak Fruit Drinks and similar products. This business has seen very low growth due to the increased competition by the carbonated soft drink products. The division markets brands like "Jumpin" and "Xs" tetrapak fruit drinks. During the year Guava Fruit Drink was also launched under the "Xs" brand. Sale of mango pulp during the year was higher than in the previous year.

Whilst the volumes in both Edible Oil and Processed Food suffered, the focus of the Division was predominantly on profitability which improved considerably in both these categories.

## ESTATE MANAGEMENT

The total income from this business was Rs. 2178 lac as compared to Rs.1845 lac in the previous year.

GIL continues to look at optimizing space required for its own operations and release the unutilized space to be given on Leave & Licence basis to other corporate entities. With more and more space becoming available in Central Mumbai, mainly the land which was earlier used by textile mills, there is pressure on pricing.

## Manufacturing Facilities

During the year, both the factories at Vikhroli and Valia have done well, in terms of productivity and plant reliability.

The Vikhroli factory has been certified to be **ISO 14001** compliant by BVQI. Valia Factory is gearing up for obtaining **ISO 14001** certification for environment management system.

Various initiatives in both plants, for de-bottlenecking have helped in improving throughput well beyond the rated capacities.

The manufacturing facilities of Foods Division are located at Wadala in Mumbai, Mandideep in Bhopal and at Mysore in Karnataka.

## Research and Development

During the year under review, the R&D efforts of the Company were targeted at oils, fats, fatty acids, fatty alcohols, glycerin and surfactants.

This resulted in launch of two new fatty acids of international standards, modified process for manufacture of medium chain fatty acids and a process for making fatty acids / fatty alcohols of global standards with cheaper raw materials.

## Information Technology

Information Technology (IT) performs an important role in making the company competitive and is poised to play an even greater part in enhancing the efficiency of the supply chain. GIL has successfully implemented MFG/PRO, an enterprise wide resource planning (ERP) software developed by QAD Inc. The objective is to integrate manufacturing, financial and distribution activities across all locations. This is leading to lower inventory, improved customer service and online tracking of costs, which have standardised and enforced discipline in the entire workflow.

GIL has embarked on an ambitious project in managing customer relationship by leveraging the immense potential of the web. This initiative would provide tremendous convenience to customers. This e-commerce initiative of Customer Relationship Management (e-CRM) is expected to be launched in November this year.

Another IT initiative undertaken by GIL relates to converting data into meaningful business information by developing data warehousing solutions. These solutions will contain all historical sales and cost patterns, and will enable line managers to view, interpret and analyse data across several combinations and permutations, thereby giving them new and meaningful insights.

## Human Resources

The success of a Company depends on its employees. GIL is proud of its human capital and believes that it constitutes an invaluable asset of the Company. The Company is committed to upgrade the skill set of its employees and to create an environment where excellence is recognised and rewarded.

In 2001-02, the Company commissioned an external consultant to undertake an exercise to evaluate and assess talent in the Company. This talent assessment exercise identified the competencies required at different positions and assessed the capabilities and potential of employees vis-à-vis these desired competencies. The objective was to identify future leaders as well as to look at ways to bridge the gap, if any, between desired and existing competencies.

During the year, GIL implemented performance linked variable remuneration (PLVR) scheme for employees on improvement in EVA of the Company. EVA is a measure of shareholder value, and the idea is to directly link remuneration of employees to the improvement in shareholder value. The PLVR scheme has been devised in such a manner that it provides an incentive for employees to create EVA on a long term and sustained basis.

As always, GIL continues to enjoy harmonious and cordial relations with its workers. During the year, there were no strikes and not a single day's work was lost due to industrial unrest. Total Productive Maintenance (TPM) movement was launched in the manufacturing locations.

GIL believes that learning should be holistic and fun and hence has introduced 'GuruKool' a summer trainee program which includes a live project with a structured goal, workshops conducted by our senior leaders, as also an award for the best summer project.

GIL has also introduced "e-Gyan", the e-learning initiative taken to facilitate world class learning opportunities through electronic media for its employees.

## Economic value added

GIL has adopted the Stern Stewart and Company's EVA framework to generate superior returns for its shareholders on a sustained basis. Apart from being a company level performance measure, EVA has been adopted as a management process as well as a motivation driver of employees.

## Scheme of Arrangement

The Shareholders of GIL at their meeting held on April 6, 2002 approved the Scheme of Arrangement u/s 391 of the Companies Act, 1956 for purchase of equity shares, representing up to 40% of the Company's paid-up Equity Capital from the shareholders. The Scheme was subsequently approved by the High Court of Bombay. The salient features of the Scheme are as under:-

- The Company shall purchase up to 2,46,84,087 Equity Shares of Rs. 6 each

(representing approximately 40% of its paid-up equity share capital) at a consideration of Rs. 18 per share.

- The consideration for every one Equity Share purchased would be discharged by way of cheque for Rs. 18, payable at par at identified centres in India.
- Consequent to the purchase of Equity Shares, if the public shareholding reduces to less than 10%, the Company will apply to the stock exchanges for de-listing.
- The Equity Shares so purchased will be cancelled.

As required by the Scheme, the Board of Directors had fixed July 26, 2002 as the Record Date by reference to which the eligibility of the shareholders for the purchase of equity shares pursuant to the Scheme shall be determined. Option forms have been sent to these shareholders. Shareholders who do not wish to offer their shares for purchase by the Company are required to return the Option Form duly filled in all respects so as to reach the Company's Registrars & Share Transfer Agent, M/s. Computech Sharecap Limited on or before 7/9/2002.

## Internal control systems and their adequacy

GIL has institutionalized system of internal controls. The objectives of the system are:

- i. Continuously monitor the efficiency of operations.
- ii. Optimum utilization of assets.
- iii. Safeguarding all the assets of the Company.

The Corporate Audit & Assurance Department of GIL issues well documented operating procedures and authorizations, which have adequate built-in controls, right at the beginning of any activity. Adequate checks are built in to cover all monetary transactions with proper delineation of authority, which provides checks and balances at every stage.

This is supplemented by regular internal audits & reviews to monitor, strengthen and modify the internal controls from time to time to meet the changing needs of the Company.

The Company has also implemented an ERP solution viz. MFG/PRO, which provides adequate level of system based checks and controls.

## Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in domestic industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labour relations.



## CORPORATE GOVERNANCE

Based on the report of the Kumar Mangalam Birla Committee on corporate governance set up by the Securities and Exchange Board of India (SEBI), Clause 49 was introduced in the listing agreement by the Indian Stock Exchanges in the year 2000. This clause stipulates the norms and disclosure standards that have to be followed on the corporate governance front by listed Indian companies. This section along with the sections on management discussion and analysis and additional shareholder information constitute Godrej Industries Limited's (GIL) compliance report with Clause 49.

The Company's philosophy of corporate governance stems from its belief that all actions and strategic plans should be consistent with the welfare of all stakeholders.

### Board of Directors

#### a) Composition of the Board

As of March 31, 2002, GIL's Board consisted of fourteen Directors, five of whom are Whole-Time, Executive Directors. The remaining nine are Non-Executive Directors, with five of them being Independent Directors. Details are given in Table 1.

#### b) Number of Board meetings

The Board of GIL held six meetings during the year. These were on 7th May 2001, 28th July 2001, 8th September, 2001, 23 October, 2001, 30th January, 2002 and 22nd February, 2002.

#### c) Directors' attendance record and directorships held

See Table 1 for details.

**Table 1: Details about GIL's Board of Directors during the year**

Name of Director	Category	Board Meetings held during the year	Board Meetings attended during the year	Whether attended last AGM	Directorships held in public companies incorporated in India
A.B. Godrej	Chairman, Non-Executive	6	5	Yes	14(3)
J.N. Godrej	Non-Executive Director	6	3	Yes	12 (5)
N.B. Godrej	Managing Director	6	5	Yes	14 (4)
K.N. Naoraji	Non-Executive Director	6	1	No	2(1)
V.M. Crishna	Non-Executive Director	6	4	No	7(3)
S.A. Ahmadullah	Non-Executive and Independent Director	6	6	Yes	1(1)
N.C. Gawankar	Non-Executive and Independent Director	6	6	Yes	2(1)
V.N. Gogate	Non-Executive and Independent Director	6	5	Yes	3(1)
K.K. Dastur	Whole-time Director	6	6	Yes	5(1)
T.A. Dubash	Whole-time Director	6	6	Yes	5(1)
M. Eipe	Whole-time Director	6	5	No	3(1)
C.K. Vaidya	Whole-time Director	6	5	Yes	5(1)
F.P. Sarkari	Non-Executive and Independent Director	2	2	-	2(1)
K.N. Petigara	Non-Executive and Independent Director	2	2	-	5(1)

### Notes:

- Figures in ( ) denote listed companies.
- Board Meetings held during the year represents the no. of meetings held during the tenure of that director.
- Mr. K.K. Dastur was a Whole-time Director upto April 30, 2002 and is now a Non-Executive and Independent Director from May 1, 2002.
- Mr. F.P. Sarkari and Mr. K.N. Petigara have been appointed as an Additional Director w.e.f. January 30, 2002.
- Mr. M.P. Pusalkar has been appointed as an Additional Director w.e.f. April 1, 2002.

Independent Director means a Director who, apart from receiving sitting fees, does not have any other material/pecuniary relationship or transactions with the company, its promoters, its management, or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

#### d) Information supplied to the Board

Among others, this includes:

- Annual operating plans and budgets, capital budgets, updates,
- Quarterly results of the Company along with detailed business analysis,
- Minutes of meeting of audit committee and other committees,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences,
- Any materially significant effluent or pollution problems,
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- Any issue which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Significant labour problems and their proposed solutions,
- Significant development in the human resources and industrial relations fronts,
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business,
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement, and
- Non-compliance of any regulatory, statutory nature or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of GIL is regularly presented with all information under the above heads, whenever applicable. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

#### e) Directors with materially significant related party transactions, pecuniary or business relationship with the company

The Directors, apart from drawing Directors remuneration, have no other materially significant related party transactions, pecuniary or business relationship with the Company.

## f) Remuneration of Directors: sitting fees, salary, perquisites and commissions

Table 2 gives the details of the remuneration package of Directors and their relationships with each other.

**Table 2: Remuneration paid or payable to Directors for the year ended March 31, 2002 (Rs.)**

Name of Director	Relationship with other Directors	Sitting fees	Commission on profits	Salary	Perquisites	Total
A.B. Godrej	Brother of N.B. Godrej	Nil	Nil	Nil	Nil	Nil
J.N. Godrej	None	Nil	NA	NA	NA	Nil
N.B. Godrej	Brother of A.B. Godrej	Nil	NA	3328000	1133442	4461442
K.N. Naoroji	None	Nil	NA	NA	NA	Nil
V.M. Crishna	None	15000	NA	NA	NA	15000
S.A. Ahmadullah	None	50000	NA	NA	NA	50000
N.C. Gawankar	None	30000	NA	NA	NA	30000
V.N. Gogate	None	50000	NA	NA	NA	50000
K.K. Dastur	None	Nil	Nil	2577300	223337	2800637
T.A. Dubash	Daughter of A.B. Godrej	Nil	Nil	1624000	524202	2148202
M. Eipe	None	Nil	Nil	2732200	564140	3296340
C.K. Vaidya	None	Nil	Nil	2484300	253913	2738213
F.P. Sarkari	None	10000	NA	NA	NA	10000
K.N. Petigara	None	10000	NA	NA	NA	10000

### Notes:

Salary paid to Mr. K.K. Dastur, Mr. M. Eipe and Mr. C.K. Vaidya includes a performance linked bonus of Rs. 624300, Rs. 655800 and Rs.624300 respectively for the previous year, i.e. the year ended March 31, 2001.

Performance linked variable remuneration based on Economic Value Added in the business and other relevant factors for Mr. N.B. Godrej, Ms. T.A. Dubash, Mr. K.K. Dastur, Mr. M. Eipe and Mr. C.K. Vaidya for 2001-02, is payable in 2002-03 based on the Company's performance in 2001-02, for which necessary applications have been made to Central Government for approval. The service contracts of the Whole-Time Directors are for a period of three years with a notice period of three months.

## g) Committees of the Board

### Audit Committee

The audit committee of GIL performs the following functions:

- Overview of the Company's financial report process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by the management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchanges and legal requirements concerning financial statements.
  - Any related party transactions, i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of Company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function including the structure of internal

audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- Discussing with internal auditors any significant findings and following it up.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussing with external auditors before the audit commences, nature and scope of audit as well as conducting post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- Looking into the reasons for substantial defaults in payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.

GIL's audit committee was constituted with one Executive Director and two Non-Executive Directors. They were Mr. V.N. Gogate (Chairman of the Committee and Independent Director); Mr.S.A. Ahmadullah (Independent Director) and Mr. N.B. Godrej (Managing Director). Subsequently the composition was changed to comply with the provisions of the listing agreement as well as the Companies Act, 1956 and in place of Mr. N.B. Godrej, Mr. J.N. Godrej (Non-Executive Director) was appointed with effect from May 7, 2001. Later Mr. F.P. Sarkari (Independent Director) was appointed with effect from March 5, 2002 in place of Mr. J.N. Godrej who resigned from the Audit Committee. Thus the composition of the audit committee as on March 31, 2002 is as follows: Mr. V.N. Gogate (Chairman), Mr. S.A. Ahmadullah and Mr. F.P. Sarkari, all three Independent and Non-Executive Directors. Mr. V.N. Gogate, the Chairman of the audit committee is a qualified Chartered Accountant and Company Secretary and is knowledgeable in finance, accounts and company law. All the members of the committee are eminent professionals and draw upon their experience and expertise across a wide spectrum of functional areas such as finance and corporate strategy. Minutes of each of the audit committee meetings are placed before, and discussed in the Board meetings. The Company Secretary acts as secretary to the audit committee.

The audit committee met four times during the year: May 3, 2001; July 28, 2001, October 23, 2001 and January 30, 2002. Table 3 gives the attendance record.

**Table 3: Attendance record of audit committee members**

Name of Director	No. of meetings held	Meetings attended
Mr. V.N. Gogate	4	4
Mr. S.A. Ahmadullah	4	4
Mr. F.P. Sarkari	Nil	Nil
Mr. N.B. Godrej	1	1
Mr. J.N. Godrej	3	2

Note: No. of meetings held represents the no. of meetings held during the tenure of the Director as a member of the Audit Committee.

### Remuneration Committee

Setting up of a remuneration committee for determining a company's policy on remuneration packages for Executive Directors constitutes a non-mandatory provision of Clause 49. GIL set up its remuneration committee on February 22, 2002 to review the human resources policies and practices of the Company and, in particular, policies regarding remuneration of Whole-Time Directors and senior managers. The committee discusses human resources policies such as compensation and performance management. GIL has made detailed presentation to the committee on matters such as competency management, performance management, compensation management and the Economic Value Added (EVA) initiative.

GIL has adopted EVA as a tool for driving performance, and has linked improvements in EVA to performance linked variable remuneration (PLVR) for Whole-Time Directors, managers and officers of the company.

GIL's remuneration committee consists of the following directors: Mr. S.A. Ahmadullah (Chairman and Independent Director); Mr. N.B. Godrej (Managing Director); Mr. V.N. Gogate (Independent Director) and Mr. K.N. Petigara (Independent Director). During the year ended March 31, 2002, the committee met once on February 22, 2002 where all the members of the Committee attended.



## Shareholders Committee

Among other functions, this committee looks into redressal of shareholder complaints regarding transfer of shares, non-receipt of balance sheet and non-receipt of declared dividends, as required in clause 49 of the Listing Agreement. The committee consists of the following members: Mr. K.N. Petigara (Chairman and Independent Director); Mr. N.B. Godrej (Executive Director); Mr. V.M. Crishna (Non-Executive Director), Ms. T.A. Dubash (Whole-Time Director) and Mr. K.K. Dastur (Whole-Time Director), who has subsequently become a non-Whole-Time Independent Director w.e.f. May 1, 2002.

## Management

- a) Management discussion and analysis  
This annual report has a detailed chapter on management discussion and analysis.
- b) Disclosures by management to the Board.  
All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

## Shareholders

### a) Disclosures regarding appointment or re-appointment of Directors

According to the Articles of Association of GIL, at every annual general meeting of the Company one-third of the Directors are liable to retire by rotation. Thus, Mr. J.N. Godrej and Mr. V.N. Gogate, and Mr. V.M. Crishna shall retire at this Annual General Meeting of the Company and being eligible, offer themselves for re-election to shareholders.

Mr. K.N. Petigara, Mr. F.P. Sarkari, Mr. K.K. Dastur and Mr. M.P. Pusalkar being appointed as Additional Directors hold office upto the forthcoming Annual General Meeting and offer themselves for re-election.

Information about the Directors who are being appointed/reappointed is given as an annexure to the Notice of the AGM.

### b) Communication to shareholders

GIL has its own web-site and all vital information relating to the Company and its

performance, including quarterly results, official press releases are posted on the web-site. The Company's web-site address is [www.godrejinds.com](http://www.godrejinds.com). The quarterly, half-yearly and annual results of the Company's performance are published in leading English dailies like Business Standard / Financial Express.

### c) Investor grievances

As mentioned before, the Company has constituted a Shareholders Committee to look into and redress Shareholders and investor complaints. Mr. S.K. Bhatt, General Manager (Corporate Services) & Company Secretary is the compliance officer.

### d) Share transfer

GIL has outsourced its share transfer function to M/s. Computech Sharecap Ltd., which is registered with the SEBI as a Category 1 Registrar.

### e) Details of non-compliance

There has been no instance of GIL not complying with any matter related to capital markets.

### f) General body meetings

Year	Venue	Date	Time
1998-99	Udayachal Primary School Hall, Pirojshanagar, Vikhroli (East), Mumbai 400 079	September 24, 1999	10.30 A.M.
1999-00	- do -	July 1, 2000	3.30 P.M.
2000-01	- do -	July 28, 2001	3.30 P.M.

### g) Postal ballots

No item of business, which required the members' approval through postal ballot, was transacted during 2001-02.

## Auditors Certificate on Corporate Governance

As stipulated in Clause 49 of the Listing Agreement, the Auditors' certificate regarding compliance of conditions of corporate governance is given below :

To the Members of

Godrej Industries Limited,  
Mumbai.

We have reviewed the relevant records of Godrej Industries Limited (the Company) for the year ended on March 31, 2002 relating to compliance with the requirements of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchange.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our review was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements.

In our opinion and according to the information and explanations given to us, we state that to the best of our knowledge the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

Based on the report given by the Registrars of the Company to the Investor's Grievance Committee, there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants

**V. R. Mehta**  
Partner

Mumbai, August 14, 2002

## SHAREHOLDERS' INFORMATION

### Annual General Meeting

**Date** : September 28, 2002  
**Time** : 3.00 P.M.  
**Venue** : Udayachal Primary School Hall, Pirojshanagar,  
 Eastern Express Highway, Vikhroli (East), Mumbai 400 079.

### Financial Calendar

Financial year: April 1 to March 31

For the year ended March 31, 2002, results were announced on:

- July 28, 2001 : First quarter
- Oct 23, 2001 : Half yearly
- January 30, 2002 : Third quarter
- April 30, 2002 : Fourth quarter and annual (unaudited)
- August 14, 2002 : Annual (audited)

### Record Date/Book Closure

The Company had fixed Record Date of July 26, 2002 for determining the eligibility of the shareholders for the purchase of equity shares pursuant to the Scheme of Arrangement under Section 391 of the Companies Act, 1956 for the purchase of shares of the Company at the rate of Rs. 18/- per share.

For payment of interim dividend the book closure is on September 6, 2002

### Listing

The Company's shares are listed and traded on the stock exchanges at Mumbai, Ahmedabad, Chennai, Delhi and Kolkata, as well as the National Stock Exchange.

**Table 1: Listing information**

Name of the Stock Exchange	Stock code
Stock Exchange Mumbai	500164
National Stock Exchange	GODREJINDS
Ahmedabad Stock Exchange	20840
Delhi Stock Exchange	07124
Madras Stock Exchange	GODREJSOAP
Calcutta Stock Exchange	17038 (for physical) 10017038 (for demat)

The ISIN Number of GIL on both NSDL and CDSL is INE233A01027.

### Stock Data

Tables 2 and 3 respectively give the monthly high and low prices and volumes of GIL shares at The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) for the year ended March 31, 2002. Chart A compares GIL's share price at the BSE versus the sensex.

**Table 2: Monthly high and low share prices and trading volumes of GIL at BSE for the year ended March 31, 2002**

Date	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April-01	64.50	14.60	222046
May -01	20.70	15.75	1062370
June -01	19.60	17.00	849226
July -01	18.00	11.50	375757
August -01	15.05	11.75	187361
September-01	14.70	11.90	178296
October -01	13.95	12.00	227867
November -01	14.30	12.50	241201
December -01	15.00	11.90	197809
January -02	13.50	12.20	86967
February -02	16.35	12.05	548370
March-02	17.80	15.50	236549

### Note:

- High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in GIL shares on the BSE.
- The announcement regarding scheme of arrangement under Section 391 of the Companies Act, 1956 was intimated to Stock Exchanges on February 22, 2002.

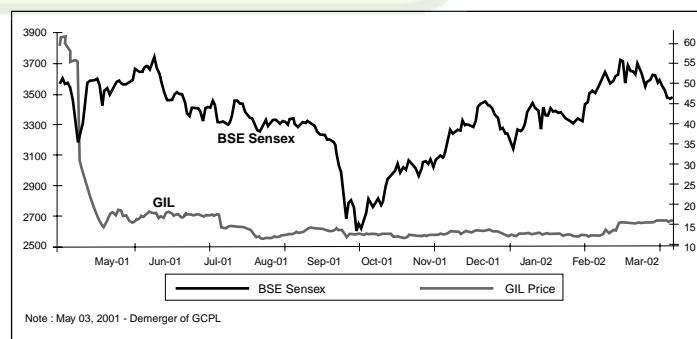
**Table 3: Monthly high and low share price and trading volumes of GIL at NSE for the year ended March 31, 2002**

Date	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April-01	65.00	14.60	265516
May -01	22.00	15.65	1605505
June -01	19.75	17.15	1579887
July -01	18.20	11.45	784189
August -01	15.00	11.90	265906
September-01	14.65	10.60	292531
October -01	14.00	12.00	478418
November -01	15.05	12.50	445083
December -01	14.90	12.30	379131
January -02	13.90	12.00	236485
February -02	16.30	11.50	1832512
March-02	16.45	15.25	656288

### Note :

- High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in GIL shares on NSE
- The announcement regarding scheme of arrangement under Section 391 of the Companies Act, 1956 was intimated to Stock Exchanges on February 22, 2002.

**Chart A - GIL share performance compared to the BSE Sensex for FY02**



### Distribution of shareholding

Tables 4 and 5 give the distribution pattern of shareholding of GIL by size class and ownership respectively as on March 31, 2002.

**Table 4: Distribution of shareholding by size class, 31 March, 2002**

Number of shares	Number of shareholders	Shareholders %	Number of shares held	Shareholding %
1 - 500	153559	98.04	8887450	14.40
501 - 1000	1805	1.15	1475298	2.39
1001 - 2000	665	0.42	1004421	1.63
2001 - 3000	200	0.13	515062	0.83
3001 - 4000	81	0.05	290337	0.47
4001 - 5000	72	0.05	347555	0.56
5001 - 10000	110	0.07	830082	1.35
10001 & above	139	0.09	48360013	78.37
<b>Total</b>	<b>156631</b>	<b>100.00</b>	<b>61710218</b>	<b>100.00</b>