

GODREJ INDUSTRIES LIMITED

DIRECTORS

A.B. Godrej	<i>Chairman</i>
J.N. Godrej	
N.B. Godrej	<i>Managing Director</i>
S.A. Ahmadullah	
V.M. Crishna	
K.K. Dastur	
V.N. Gogate	
K.N. Petigara	
F.P. Sarkari	
V.F. Banaji	<i>Executive Director (Group Corporate Affairs)</i>
T.A. Dubash	<i>Executive Director & President (Marketing)</i>
M. Eipe	<i>Executive Director & President (Chemicals)</i>
M.P. Pusalkar	<i>Executive Director & President (Foods Div.)</i>

COMPANY SECRETARY

S.K. Bhatt

AUDITORS

Kalyaniwalla & Mistry, *Chartered Accountants*

REGISTERED OFFICE : Pirojshanagar,
Eastern Express Highway,
Vikhroli (East), Mumbai 400 079.
Phone : 022-2518 8010, 2518 8020, 2518 8030
Fax : 022-2518 8074, 2518 8066
website : <http://www.godrejinds.com>

FACTORIES : Vikhroli Pirojshanagar, Eastern Express Highway,
Vikhroli, Mumbai 400 079.
Phone : 022 - 2518 8010, 2518 8020, 2518 8030
Fax : 022 - 2518 8068/2518 8074

Valia Burjorjinagar,
Plot No. 3, Village Kanerao,
Taluka - Valia, District Bharuch,
Gujarat 393 135.
Phone : 02643 - 270756 to 270760
Fax : 02643 - 270018

Wadala L.M. Nadkarni Marg
Near M.P. T. Hospital
Wadala (East), Mumbai 400 037.
Phone : 022 - 2412 6320/23, 2414 6296
Fax : 022 - 2412 6204/2416 4599

Mandideep Plot No. 5, New Industrial Area No. 1
Mandideep, District Raisen,
Bhopal - 462 046, MP
Phone : 07480 - 233405-6
Fax : 07480 - 233409

CONTENTS

Page Nos.

Financial Highlights	03
Notice	04
Abstract u/s 302 of the Companies Act, 1956	07
Directors' Report along with Management Discussion and Analysis Report	08
Report on Corporate Governance	16
Shareholders' Information	19
Auditors' Report	21
Accounts	24
Consolidated Accounts	45
Statement Pursuant to Section 212	59

SUBSIDIARIES

Godrej Agrovet Limited	60
Goldmohur Foods & Feeds Limited	69
Golden Feed Products Limited	75
Godrej Tea Limited	77
Godrej Properties Limited	82
Girikandra Holiday Homes & Resorts Ltd.	88
Godrej Hicare Limited.	90
Godrej Remote Services Limited	95
Godrej Global Solutions Limited	98
Ensemble Holdings & Finance Limited	103
Godrej International Limited	107
Godrej Global Mid East FZE	109

BRANCHES : Delhi 4th Floor, Delite Theatre Building,
4/1, Asaf Ali Road, New Delhi 110 002
Phone : 011 - 2326 1066/77/99
Fax : 011 - 2326 1088

Kolkata Block GN, Sector-V,
Salt Lake City, Kolkata 700 091.
Phone : 033 - 2357 3556, 2357 3555
Fax : 033 - 2357 3945

Chennai New No. 102, (Old No. 81),
Chamiers Road,
Chennai 600 028.
Phone : 044 - 2431 5721/2431 5722
Fax : 044 - 2431 5723

London 284A, Chase Road, Southgate,
London N14 - 6HF, UK
Phone : (004420) - 88860145
Fax : (004420) - 88869424

BANKERS : Central Bank of India
State Bank of India
Bank of India
HDFC Bank Ltd.
Citibank N.A.

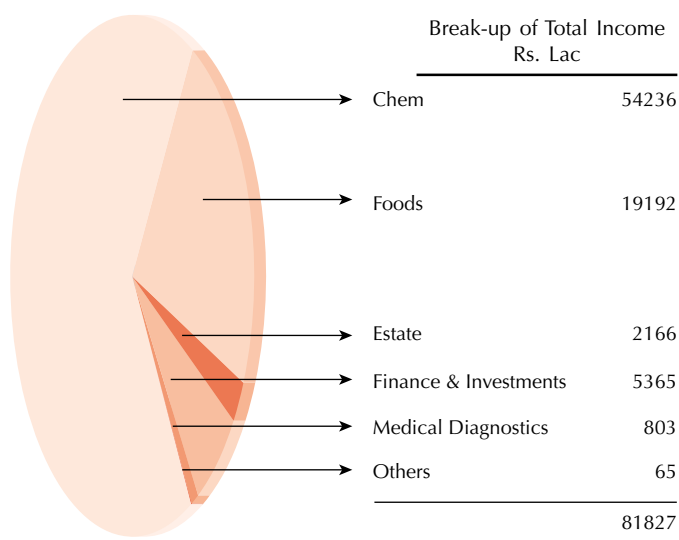
REGISTRARS : Computech Sharecap Ltd.
147, Mahatma Gandhi Road,
Opp. Jehangir Art Gallery, Fort,
Mumbai 400 023.
Phone : 022 - 2267 1824-26
Fax : 022 - 2267 0380
E-Mail : helpdesk@computechsharecap.com

GODREJ INDUSTRIES LIMITED – FINANCIAL HIGHLIGHTS

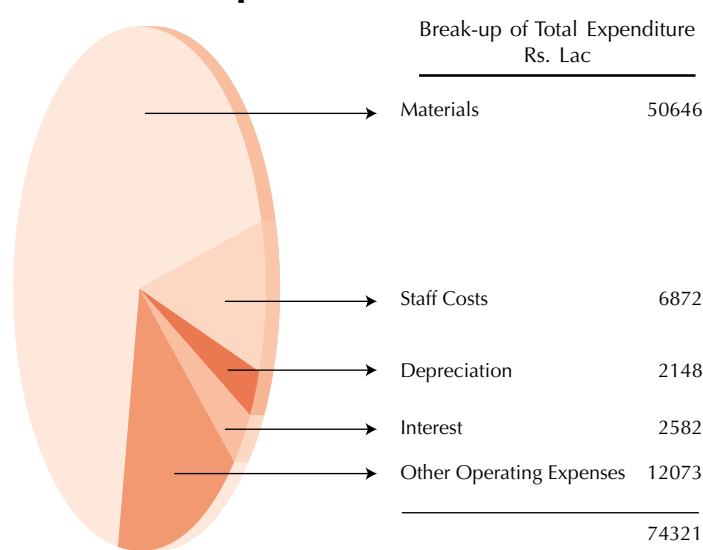
	2004-05	2003-04	2002-03	2001-02	2000-01
(Rs. lac)					
BALANCE SHEET					
SOURCES OF FUNDS :					
Shareholders' Funds					
Share Capital	2919	2919	2919	3699	5979
Reserves & Surplus	30618	26197	21511	21030	27559
Loan Funds					
Secured Loans	22018	16814	14815	15051	16701
Unsecured Loans	3557	4235	7432	13456	9547
Deferred Tax Liability	2502	2972	3466	1347	—
	61614	53137	50143	54583	59786
APPLICATION OF FUNDS :					
Fixed Assets	25100	25656	28130	29099	33799
Investments	33577	26533	18646	14619	17075
Net Working Capital	2811	739	2944	9987	8076
Miscellaneous Expenditure	126	209	423	878	836
	61614	53137	50143	54583	59786
INCOME AND PROFIT FIGURES					
Total Income	81827	73355	67780	53465	79786
Expenditure other than Interest and Depreciation	69591	64243	57737	43408	65935
Profit before Interest, Depreciation and Tax	12236	9112	10043	10057	13851
Interest (net)	2582	580	2024	3218	3711
Profit before Depreciation and Tax	9654	8532	8019	6839	10140
Depreciation	2148	2150	2211	2154	2531
Profit before Tax and exceptional items	7506	6382	5808	4685	7609
Exceptional items - expense	—	—	—	624	3194
Provision for Current Tax	401	365	421	150	350
Net Profit after Tax	7105	6017	5387	3911	4065
Provision for Deferred Tax	(470)	(494)	2119	923	—
Adjustment in respect of prior years -(Income)	2	(57)	(153)	(121)	(25)
Net Profit after taxes and adjustments	7577	6568	3421	3109	4090

Note : The figures for FY 2002-03 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, in FY 2001-02.

Total Income 2004-2005



Total Expenditure 2004-2005



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of the members of GODREJ INDUSTRIES LIMITED will be held on Tuesday, July 26, 2005 at 4.00 P.M. at Y B Chavan Centre, Nariman Point, Mumbai – 400 021, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Profit and Loss Account and Cash Flow Statement for the year ended March 31, 2005, the Balance Sheet as at that date, the Auditors' Report thereon and the Directors' Report along with Management Discussion and Analysis Report and Statement of Corporate Governance.
2. To declare dividend for the financial year ended March 31, 2005.
3. To appoint a Director in place of Mr. V.M. Crishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.K. Dastur, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. K.N. Petigara, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. M.P. Pusalkar, who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration. M/s. Kalyaniwalla & Mistry, Chartered Accountants, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS :

8. **To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :**

RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and the listing agreement with the stock exchanges, the consent of members of the Company be and is hereby accorded for the payment of sitting fees, as per the table given below, to the Non-Executive Directors of the Company for attending meetings of the Board of Directors of the Company and meetings of the Committees of the Board of Directors of the Company :

Type of meeting	Amount of sitting fees per meeting per director
Board Meeting	Rs.20,000
All Committee Meetings	Rs.5,000

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

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs.20 crore (Rupees Twenty crore only) in addition to the amounts already authorised to be invested, by way of subscription, purchase or otherwise in securities of **Godrej Consumer Products Limited**, notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

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

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs. 5 crore (Rupees five crore only) in addition to the amounts already authorized to be invested, by way of subscription, purchase or otherwise in securities of **Avestha Gengraine Technologies Pvt. Ltd.**, notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

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

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs.20 crore (Rupees Twenty crore only) in addition to the amounts already authorized to be invested, by way of subscription, purchase or otherwise in securities of **CBay Systems Limited, USA** notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

By Order of the Board of Directors

S. K. BHATT

Executive Vice-President

(Corporate Services)

& Company Secretary

Mumbai, May 30, 2005

Registered Office :

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

NOTES :

1. The relative Explanatory Statement in respect of business under Item Nos. 8 to 11 set out in the Notice is annexed hereto.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will be closed from July 19, 2005 to July 26, 2005 (both days inclusive) for ascertaining the names of the shareholders to whom the dividend which if declared at the Annual General Meeting is payable. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., for this purpose.
4. Those Members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205C of the Companies Act, 1956 on the respective dates mentioned thereagainst. Please note that as per Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the aforesaid Fund in respect of individual amounts which remain unclaimed or unpaid for a period of seven years from the date the dividend became due for payment and no payment shall be made in respect of such claims.

Dividend for the Financial Year ended	Due date for transfer
31.03.1998	26.09.2005
31.03.2000	01.07.2007
31.03.2001	28.07.2008
31.03.2002	14.08.2009
31.03.2003	25.08.2010
31.03.2004	26.07.2011

5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item 8

Securities and Exchange Board of India has vide its Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004 amended the listing agreement with the stock exchanges, by substituting the existing clause 49 of the listing agreement with a new clause 49. The said amendment was initially made effective from April 1, 2005. However SEBI has vide its Circular No. SEBI/CFD/DIL/CG/1/2005/29/3 dated March 29, 2005 extended the effective date from April 1, 2005 to December 31, 2005.

According to Clause 1(B) of the new clause 49, all fees/compensation to non-executive directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.

At present, the Company pays sitting fees to its non-executive directors.

The sitting fees paid to non-executive directors has been fixed by the Board of Directors in terms of Section 309 of the Companies Act, 1956. In terms of the above new clause 49, which has to be complied by December 31, 2005, payment of sitting fees will also require the prior approval of shareholders.

Hence the above proposal is being placed before the members for their prior approval.

The following Directors, viz. Mr. A.B. Godrej, Mr. V.M. Crishna, Mr. S.A. Ahmadullah, Mr. V.N. Gogate, Mr. F.P. Sarkari, Mr. K.N. Petigara and Mr. K.K. Dastur are concerned or interested in the resolution to the extent of the sitting fees which they will receive for attending the meetings of the Board of Directors of the Company/Committee of the Board of Directors of the Company. Mr. N.B. Godrej and Ms. T.A. Dubash being relatives of Mr. A.B. Godrej, may also be deemed to be interested in this resolution.

No other Director of the Company is in any way concerned or interested in the resolution.

The Board of Directors recommends the passing of the resolution as set out at Item No. 8 of the Notice.

Item Nos. 9 to 11

Particulars of the company where investment is proposed to be made :

Name of the Company & address of Regd. Office	Investment as on date (Rs. crore) and % of holding	Amount of proposed additional investment (Rs. crore)	Principal business of the Company	Purpose of investment	Source of funds	Nature of concern or interest of directors
Godrej Consumer Products Limited Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079.	116.70 (12.94%)	20	Manufacturing and marketing of fast moving consumer products such as soaps, detergents, toiletries personal care products, etc.	A good investment opportunity	Internal generation of funds/ borrowings.	Except Mr. V.F. Banaji, all the other directors may be deemed to be interested in this resolution on account of their being directors and/or shareholders in Godrej Consumer Products Ltd.
Avestha Gengraine Technologies Pvt. Ltd. 'Discoverer' 9th Floor, International Technology Park, Whitefield Road, Bangalore 86.	4.50 (3.58%)	5	Biotechnology	A good investment opportunity	Internal generation of funds/ borrowings.	Mr. N.B. Godrej may be deemed to be interested on account of his being Director of Avestha Gengraine Technologies Pvt. Ltd. None of the other directors are concerned or interested.
CBay Systems, USA, 121, Cathedral Street, Suite No. 300, Annapolis, MD 21401	12.83 (6.49%)	20	Medical Transcription	A good investment opportunity	Internal generation of funds/ borrowings.	Mr. N.B. Godrej may be deemed to be interested on account of his being Director of Cbay Systems, USA. None of the other directors are concerned or interested.

Note: In CBay Systems, USA (Cbay), the Company holds 6.49% at present. In discharge of consideration for sale of equity shares in Godrej Remote Services Limited to CBay, CBay would allot shares to the Company to the extent of 3.26% of its capital.

The Board of Directors of the Company recommends the passing of the resolutions as set out at Item No. 9 to 11 of the Notice.

By Order of the Board of Directors

S. K. BHATT

Executive Vice-President
(Corporate Services)
& Company Secretary

Mumbai, May 30, 2005

Registered Office :

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

Details of the Directors seeking appointment/re-appointment in the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Mr. V.M. Crishna (60) is B.A. (Economics) from St. Stephen's College, University of Delhi. He is a Director of the Company since January 3, 1995. He serves on the Board of Governors of National Institute of Industrial Engineering (NITIE), Mumbai, and also serves on the Board of Trustees of the Bombay Scottish Orphanage Society.

Directorship in other Companies:

Managing Director: Lawkim Ltd., Godrej Upstream Ltd.

Director: Godrej & Boyce Mfg. Co. Ltd., Godrej Agrovet Ltd., Godrej Hicare Ltd., Precision Wires India Ltd., Statomat Special Machines (India) Pvt. Ltd., Naoroji Godrej Centre for Plant Research.

Committee position held :

Member: Operations Committee, Godrej & Boyce Mfg. Co. Ltd.

Mr. K.K. Dastur (63) Mr. K.K. Dastur is a Chartered Accountant by profession. He headed the finance department of the Company, designated as Executive Director (Finance), before retiring from the services of the Company in 2002. Mr. Dastur was appointed as Additional Director of the Company with effect from May 1, 2002.

Directorship in other Companies :

Director: Godrej Infotech Ltd., Oil Field Instrumentation (India) Ltd., Cartini India Ltd., Godrej Appliances Ltd., Godrej Foods Ltd.

Committee position held :

Member, Remuneration Committee, Godrej Foods Ltd.

Member, Audit Committee, Godrej Foods Ltd.

Mr. K.N. Petigara (56) is a graduate in chemical engineering from Massachusetts Institute of Technology (MIT), USA. He has been associated with chemical and allied business activities in India and abroad for many years. He has been a Director of the Company since January 30, 2002.

Directorship in other Companies :

Director: Godrej & Boyce Mfg. Co. Ltd., Godrej Agrovat Ltd., Swadeshi Detergents Ltd., Vora Soaps Ltd., Godrej Global Solutions Ltd., The Zoroastrian Co-operative Bank Ltd.

Committee position held :

Chairman: Remuneration Committee – Godrej Global Solutions Ltd.

Member: Remuneration Committee – Godrej Industries Ltd.

Member: Audit Committee, Godrej & Boyce Mfg. Co. Ltd.

Member: Remuneration Committee, Godrej & Boyce Mfg. Co. Ltd.

Member: Audit Committee – Godrej Global Solutions Ltd.

Mr. M.P. Pusalkar (54) is B.Tech (Elec.) from Indian Institute of Technology (Kanpur) and MMS from JBIMS, Mumbai and has been in the Godrej group for over 28 years. Earlier he was the Managing Director of Godrej Foods Ltd. (GFL). He has handled various functions in manufacturing, marketing, etc. Upon the demerger of the Foods division of GFL into the Company, Mr. Pusalkar became President & Executive Director (Foods Division) of the Company with effect from April 1, 2002.

Directorship in other Companies: Director: Godrej Foods Ltd.

Committee position held :

Chairman: Shareholders' Committee, Godrej Foods Ltd.

Member: Shareholders' Committee, Godrej Industries Ltd.,

Member: Audit Committee, Godrej Foods Ltd.

Member: Remuneration Committee, Godrej Foods Ltd.

GODREJ INDUSTRIES LIMITED

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

Abstract and Memorandum under Section 302 of the Companies Act, 1956

To the Members of Godrej Industries Limited,

The Board of Directors had at its meeting held on May 28, 2003 approved the scale of basic salary and perquisites payable to the following Whole-time Directors during the period 1/4/2004 to 31/3/2007 and the shareholders had approved the same by Special Resolution passed at the Annual General Meeting on August 25, 2003.

1. Mr. M. Eipe, Executive Director & President (Chemicals)
2. Mr. V.F. Banaji, Executive Director & President (Group Corporate Affairs)
3. Mr. M.P. Pusalkar, Executive Director & President (Foods Division)

The Company has now moved to a Cost-to-Company (CTC) structure within the approved limits for structuring the compensation of the managerial cadre. Under this structure, the remuneration will have three elements i.e. Fixed Compensation, Flexible Compensation and Performance Linked Variable Remuneration (PLVR) :

1. The Fixed Compensation comprises Basic Salary and Company's contribution to Provident Fund and Gratuity.
2. PLVR is payable as per the Scheme of the Company.
3. Flexible compensation element comprises all the other payments made/incurred on account of House Rent Allowance (HRA) and/or furnished residential accommodation, medical/hospitalization, Leave Travel Assistance (LTA), car, food vouchers, telephones, supplementary allowance and any other item as per the Company's scheme in force from time to time. In this new structure, the entitlement under Flexible Compensation element is fixed by the Company, with option being given to the employee to choose the amount payable to him under each of the heads, within the limits set for each head.

In addition to the above, the aforesaid Directors will be eligible to encashment of leave, club facilities, group insurance cover, group mediclaim cover and/or any other allowances, perquisites and facilities as per the Rules of the Company.

A proposal was approved by the Remuneration Committee of the Board of Directors on June 20, 2005 for extending this structure to the aforesaid Whole-time Directors. The aggregate amounts payable to these Whole-time directors would fall within the limits earlier approved by the Board and the Shareholders. The Remuneration Committee of the Board of Directors approved the new structure with retrospective effect from April 1, 2005.

The cost to the Company per annum for all the heads of flexible compensation payable to the aforesaid directors would be as per the Company's Rules and as approved by the Board of Directors from time to time. The maximum limit of cost to the Company per annum for all the heads of flexible compensation payable to each of the aforesaid directors currently is Rs.12,58,000 plus 63.33% of the annual basic salary.

The Company shall now enter into Supplemental Agreements with the aforesaid Whole-time Directors for the new compensation structure. The draft Supplemental Agreements entered into with the Whole-time Directors are available for inspection at the Regd. Office of the Company from 10.00 A.M. to 12.00 Noon, Monday to Friday (except public holidays).

Memorandum of concern or interest :

Mr. M. Eipe, Mr. V.F. Banaji and Mr. M.P. Pusalkar may be deemed to be interested in the aforesaid, to the extent of the remuneration that may be received by them. None of the other directors of the Company are concerned or interested in the above.

By Order of the Board of Directors
For Godrej Industries Limited

S.K. BHATT

Executive Vice-President (Corporate Services)
& Company Secretary

Mumbai, June 20, 2005

DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in submitting the Annual Report along with the Audited Accounts for the year ended March 31, 2005.

REVIEW OF OPERATIONS

Your Company largely operates in the business of oleo-chemicals, edible oils, fats, processed foods, finance & investments and medical diagnostics, and has interests through its subsidiaries/ associates in several industries including animal feeds, poultry and agro-products, property development, household insecticides, pesticides, tea, infotech, etc.

Your Company's performance during the year as compared with that during the previous year is summarized below.

	(Rs. lac)	
	Year ended March 31, 2005	2004
Sales of products and services	76259	71666
Other Income	5568	1689
Total Income	81827	73355
Total Expenditure other than Interest and Depreciation	69591	64243
Profit before Interest, Depreciation and Tax	12236	9112
Depreciation	2148	2150
Profit before Interest and Tax	10088	6962
Interest and Financial Charges (net)	2582	580
Profit before Tax	7506	6382
Provision for Current Tax	401	365
Profit after Current Tax	7105	6017
Provision for Deferred Tax	(470)	(494)
Profit after Current and Deferred Taxation	7575	6511
Adjustments in respect of prior years	2	58
Surplus brought forward	15481	11215
Profit after Tax available for appropriation	23058	17784
Appropriation		
Your Directors recommend appropriation as under:		
Dividend on Equity Shares	1945	1459
Tax on distributed profits	273	187
Transfer to General Reserve	758	657
Surplus Carried Forward	20082	15481
Total Appropriation	23058	17784

The total income grew by over 11% from Rs. 73355 lac to Rs. 81827 lac and the Profit Before Tax rose to Rs.7506 lac from Rs. 6382 lac, in the previous year, an increase of 18%. Interest and financial charges include foreign exchange loss of Rs. 911 lac as a result of the steep depreciation of the Rupee vis-à-vis the US dollar during the quarter ended 30th June, 2004.

DIVIDEND

The Board of Directors of your Company recommends a final dividend of Rs. 4/- per equity share of Rs. 6/- each, aggregating to Rs.1945 lac, as against final dividend of Rs. 3/- per equity share of Rs. 6/- each aggregating to Rs. 1459 lac in the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

There is a separate section on Management Discussion and Analysis in this Annual Report, which, *inter alia*, covers the following :

- Industry Structure and Development
- Opportunities and Threats
- Risks and Concerns
- Internal Control Systems and their adequacy
- Human Resources and Industrial Relations

- Discussion on financial performance with respect to operational performance
- Segment - wise performance
- Outlook

The same is appended as Annexure A to the Directors' Report.

SUBSIDIARY AND ASSOCIATE COMPANIES

Your Company, as stated above, has interests in several industries including animal feeds, poultry and agro-products, property development, household insecticides, pesticides, tea, infotech, etc. through its subsidiary/ associate companies.

Godrej Agrovet Limited (GAVL) performed well during the year with its Total Income increasing to Rs. 56842 as compared to Rs. 49494 lac in the previous year and Profit After Tax growing from Rs. 896 lac to Rs. 1417 lac during this year. GAVL declared an interim dividend of 55% and a final dividend of 33% compared to 75% in the previous year.

GAVL has the following businesses, viz., Animal Feeds, integrated poultry business, Agri Inputs, oil palm plantations and plant Biotech. Animal Feeds Division has several brands in the segment of cattle feeds, aqua feeds and chicken feeds. "Real Good Chicken", in integrated poultry business has achieved good performance. The Agri Inputs Division has returned an excellent performance with growth in the top line of 49% and growth in the bottom line of 278% aided by a strong growth in Vipul Granules, Vipul Spray and other Plant Growth Promoters. The Division's initiative to provide Complete Solution to Agri Sector through "Aadhaars" also received good response from the rural community.

GAVL has formed a 50:50 Joint Venture with ACI Ltd, Bangladesh for carrying on businesses of Poultry Feeds, rearing of poultry birds, etc. Further, GAVL has made strategic investments in related lines of businesses, by acquiring 26% stake each in Hyderabad based Creamline Dairy Products Ltd. and Creamline Nutrients Ltd, both of which are into milk and milk products. GAVL has also acquired 26% stake in Pune based Polchem Hygiene Laboratories Pvt Ltd which manufactures and markets a wide range of bio-security products and novel biotechnology based products. These investments are expected to bring in substantial benefit through synergy.

Goldmohur Foods and Feeds Limited, a wholly owned subsidiary of GAVL recorded Total Income of Rs. 30861 lac during the year as compared to Rs. 30021 lac during the previous year. GMFL earned Profit after Tax of Rs. 345 lac in the current year as compared to Rs. 661 lac in the previous year.

Godrej Properties Limited (GPL) recorded an increase in Total Income to Rs. 4184 lac from Rs. 4068 lac in the previous year and in Profit After Tax to Rs.583 lac from Rs. 282 lac in the previous year. GPL has declared a dividend (interim) of 39.56% as compared to a dividend (final) of 31.03% in the previous year.

GPL's Planet Godrej, at Mahalaxmi and its commercial project at Pune - Godrej Castlemaine had a very good response from the market. GPL is poised to take advantage of the massive growth in the Real Estate Industry. GPL also plans to enter into newer locations such as Kolkata, Hyderabad and Chennai and to expand in its current locations, namely Mumbai, Pune and Bangalore.

Godrej International Limited (GINL) has posted a net profit of US\$ 399262 in the current year as compared to US\$ 414799 in the previous year. GINL has proposed a final ordinary dividend of 10 US cents per ordinary share of £1 aggregating to US\$ 150500 as against a final ordinary dividend of 9 US cents aggregating to US\$ 135450 in the previous year.

Godrej Global MidEast FZE (GGME), a 100% subsidiary of GINL has earned Net Profit of AED 190379 as compared to AED 196838 in the previous year.

Godrej Hicare Limited (GHL), which is a service company in the Pest Management business became a subsidiary of the Company during the year. GHL, in the first full year of operations, earned Total Income of Rs. 1205 lac as compared to Rs. 113 lac in the previous year. GHL recorded loss of Rs. 113 lac as compared to a loss of Rs. 24 lac in the previous year.

During the year, your Company invested Rs.2884 lac in Godrej Global Solutions Limited, which is in the business of IT enabled services and back-office support functions.

Godrej Remote Services Limited (GRSL), a back-office support company in the Medical Transcription business earned Total Income of Rs. 243 lac as compared to Rs. 245 lac in the previous year. GRSL was floated by us as one of the back-office support to Cbay, USA, for the medical transcription business procured by Cbay from USA. During the year, your Company has entered into a Share Purchase Agreement with Cbay Systems Ltd., USA (Cbay) for sale of 100% stake in GRSL to Cbay. The consideration for the sale of shares would be paid by issue of Common Stock in Cbay, USA. Necessary approvals from FIPB/ RBI are awaited.

Godrej Tea Limited (GTL) earned a Total Income of Rs. 1579 lac as compared to Rs. 3614 lac in the previous year. GTL recorded loss of Rs. 2142 lac as compared to loss of Rs. 844 lac in the previous year.

Godrej Sara Lee Limited (GSL), which is in the Household Insecticides business earned Total Income of Rs. 44101 lac as compared to Rs. 40910 lac in the previous year, and a Profit after Tax of Rs. 3848 lac as compared to Rs. 4990 lac in the previous year. GSL has continued its dominant position in the Household Insecticide market. GSL is the market leader in India in two categories of Household insecticide market, viz. mats and aerosols. "Goodknight" brand has been recognised as a "super brand" in India. GSL has paid an interim dividend of 244% and has proposed a final dividend of 94% as compared to 331% and 56% respectively in the previous year.

Godrej Consumer Products Limited (GCPL), a company in which your Company holds 12.94% stake has declared handsome dividends aggregating to 300% in the current year as compared to 225% in the previous year. GCPL is a focused FMCG Company. GCPL earned Total Income of Rs. 56908 lac in the current year, as compared to Rs. 49379 lac in the previous year. GCPL's PAT in the current year increased to Rs. 8606 lac as compared to Rs. 6484 lac in the previous year. Your Company has invested Rs. 55 crore during the current year in the shares of GCPL.

FINANCIAL POSITION

The financial position of your Company continues to be sound. The loan funds as at the end of the year was at Rs. 25575 lac as compared to Rs. 21049 lac as at the end of the previous year. Your Company continues to hold the topmost rating of A1+ from ICRA for its commercial paper programme. The rating indicates that the prospect of timely repayment of debt/ obligation is the best.

MANUFACTURING FACILITIES

The Chemicals Division of your Company has manufacturing facilities at Vikhroli and Valia.

Since the existing capacities at Valia are fully utilized, your Company has decided to expand its manufacturing facilities, by setting up an Export Oriented Unit (EOU) at Valia,. Necessary approvals have been received for setting up of the EOU. The EOU is expected to become operational in FY 2005-06.

The factories of the Chemicals Division at Vikhroli and Valia are already ISO 9001 certified for their quality management systems. Both factories have been certified to be ISO 14001 compliant by BVQI for their environment management system. Vikhroli factory has also been certified for OHSAS 18001 standards by BVQI. During the year both the factories had taken various initiatives for de-bottlenecking, reducing energy consumption and cost and quality improvement.

During the year, the factories undertook a scheduled periodic maintenance shutdown. Though this entailed additional repairs and

maintenance expenditure and loss of production, the de-bottlenecking resulted in increased throughput.

Foods Division has two manufacturing facilities; viz Wadala (Mumbai), and Mandideep near Bhopal. The factory at Mandideep is certified for ISO-14001.

RESEARCH AND DEVELOPMENT

During the year under review, the achievements of R&D of your Company includes development of a process for upgrading low and medium chain Fatty Acids for export market and customization of the raw material and manufacturing process to suit the needs of high-volume customers. R&D efforts of your Company focused on understanding customer compromise and bringing in process-innovation to ensure business continuity. The R&D also conducted collaborative research along with a customer to develop a new chemical for the paper industry.

INFORMATION SYSTEMS

Your Company's Information Systems Department ensures that the organization leverages the Internet to its competitive advantage. After the successful implementation of the e-CRM initiative for its domestic customers last year, the module for its international customers was launched during the year.

'Godrejite' the employee portal is a virtual platform for all employees to come together as one big family for sharing of news, views, opinions etc. The portal which can be accessed from anywhere using the Internet, also incorporates key workflows, thereby improving the operational efficiency.

The Department has won the First Runner-up prize for the 'CTO (Chief Technology Officer) of the year' 2005. The award recognizes the fact that your Company fully exploits Information Technology for its Business benefits.

VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM CERTAIN STOCK EXCHANGES

Pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, your Company's shares have been voluntarily delisted from Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited and Madras Stock Exchange Limited with effect from March 8, 2004, February 11, 2004 and February 19, 2004 respectively. Your Company is awaiting the permission for delisting from Calcutta Stock Exchange Association Limited. The shares of the Company would continue to be listed on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE).

"GROUP" FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting Group (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid SEBI Regulations are given in Annexure D attached herewith and the said Annexure D forms part of this Annual Report.

ENVIRONMENT AND SOCIAL CONCERN

Your Company continues its efforts for the betterment of the environment and conservation of scarce natural resources.

Your Company has undertaken "Rain water harvesting" at its factories at Vikhroli and Valia and in the staff quarters at Vikhroli. "Rain water harvesting" is a process by which rain water is collected and channelised into tanks for domestic consumption. This process has resulted in saving water and consequently, the costs, thereof. Further, the re-charging of bore-wells done by "rain-water harvesting" reduces hardness and the dissolved salts in the water by 80%, which resulted in improvement in the quality of bore-well water. Your Company's factory at Valia has also received sanction from Gujarat Pollution Control Board for re-cycling of effluent water, which would result in conserving water.

To prevent pollution to environment, efforts are made to convert waste from the factories into an environment-friendly product and then dispose off the same safely. Your Company entered into an arrangement with Trans Thane Creek Waste Management Association (TTCWMA) for the treatment of solid waste being generated at the Company's factories at Vikhroli and Wadala. TTCWMA has set up an Integrated Hazardous Solid Waste Management Facility at Mahape, Navi Mumbai for treatment of solid wastes generated by various industries.

The factories focused on waste elimination and also continued their energy conservation measures.

FIXED DEPOSITS

Your Company has stopped accepting Fixed Deposits from the public. Public Deposits of an aggregate amount of Rs. 3200 lac which have matured have been repaid during the year.

DEPOSITORY SYSTEM

Your Company's equity shares have been made available for dematerialisation through National Securities Depository Limited & Central Depository Services (India) Limited. As of March 31, 2005, 99.04% of the equity shares of your Company were held in demat form.

DIRECTORS

In accordance with Article 127 of the Articles of Association of the Company, Mr. V.M. Crishna, Mr. K.K. Dastur, Mr. K.N. Petigara and Mr. M.P. Pusalkar retire by rotation at the ensuing Annual General Meeting. They are eligible and offer themselves for re-appointment.

AUDITORS

You are requested to appoint Auditors for the current year and fix their remuneration. The retiring auditors, Kalyaniwalla & Mistry, Chartered Accountants, are eligible for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Pursuant to directions from the Department of Company Affairs, P.M. Nanabhoy & Co., Cost Accountants, have been appointed as Cost Auditors for the year 2004-05. They are required to submit their report to the Central Government within 180 days from the end of the accounting year.

AUDIT COMMITTEE

The Audit Committee which was constituted pursuant to the provisions of Section 292A of the Companies Act, 1956 and the listing agreement, has reviewed the Accounts for the year ended March 31, 2005. The members of the Audit Committee are Mr. F.P. Sarkari (Chairman), Mr. V.N. Gogate and Mr. S.A. Ahmadullah.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

- b) that such accounting policies have been selected and applied consistently, and such judgments and estimates have been made that are 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 that period.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company, for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

As required by the existing clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. The Auditors have certified the Company's compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is annexed to the Report on Corporate Governance.

ADDITIONAL INFORMATION

Annexure B to this Report gives information in respect of Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forms a part of the Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of employees u/s 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

The Note to the Accounts referred to in the Auditors' Report is self-explanatory and therefore does not call for any further explanation.

ACKNOWLEDGEMENT

Your Directors thank the Union Government, the Governments of Maharashtra, Madhya Pradesh, Gujarat as also all the Government agencies, banks, financial institutions, shareholders, customers, employees, fixed deposit holders, vendors and other related organizations, who, through their continued support and co-operation, have helped as partners in your Company's progress.

For and on behalf of the Board of Directors

Mumbai, May 30, 2005.

A.B. Godrej
Chairman