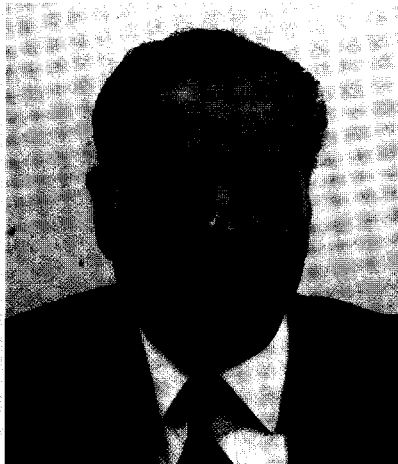




Annual Report 2004

Gillette
India
Limited





Dear Shareholders,

2004 has been a landmark year for Gillette as your Company witnessed its highest ever growth in sales, market leadership and profitability. This year, your Company also witnessed another significant achievement by attaining value leadership in the Indian market in three out of the four categories it competes in. This profitable growth is coupled with a very healthy franchise growth of our Brands, consequent to investments in advertising and brand building.

Last year your Company paid a regular dividend of 35 percent and a Special Dividend of 50 percent. With enhanced profitability, the regular dividend has now been stepped up to 85 percent. This is a momentous occasion for your Company.

Year 2004 witnessed a healthy 12 percent overall sales growth with your Company's turnover registering at Rs. 406 crores; the year's gross profit before depreciation and tax at Rs. 113.94 crore is the highest since the inception of your Company. It marks a 16 percent growth in gross profit before depreciation and tax over the last financial year. These healthy figures reflect that your Company is today acknowledged as one of the most profitable FMCG companies of India. The thrust on building a strong brand franchise has come along with continued focus on enhanced organizational capabilities and a culture of innovation.

Your Company's Grooming Business grew by 14 percent. During the second quarter of 2004, your Company launched the next generation triple blade shaving system, Gillette Mach3Turbo which gives the closest shave, superior comfort and less irritation even while shaving against the grain. This product exceeded the internal distribution and sales targets. Gillette VectorPlus, a twin blade shaving system developed specifically for the Indian market, continued to upgrade the Indian consumer from double edge blades to systems successfully coupled with Gillette Mach3, which grew at 17 percent. Your Company further consolidated its position in the personal care category with the successful launch of Storm Force, a revolutionary after shave splash; New Ultra Comfort Shaving Gel formulated for infrequent shavers and men with heavy beard growth and two new Gillette Series Tube Shave Gel variants namely Sensitive Skin and Moisturising to suit different skin types. The Company's continued drive against grey products also resulted in positive returns.

Your Company's Oral Care Business clocked an 8 percent growth. In the personal care category your Company continued to grow the value share of the market, with a volume sales growth of 10 percent. In the Portable Power segment, your Company's Duracell batteries have emerged as the preferred choice for consumers in India. Duracell Batteries achieved sales growth of 41 percent in volume, surpassing the competition on all parameters. Duracell Batteries completed prestigious order from Government of India, thus enhancing Duracell's market position as a key supplier and preferred choice for batteries.

Your Company wishes to applaud the commendable efforts of its Professional Managers and their teams. Your Company was featured as one of the 25 best employers in India in a Hewitt Best Employers Study spanning 272 companies and 75,000 employees.

The Indian economy continues to do remarkably well. All the economic indicators are very strong and healthy. The growing purchasing power among the Indian households will translate into a stronger demand for lifestyle brands, which is a strong portfolio with your Company.

As you may have read in the press, The Procter & Gamble Company has proposed to acquire The Gillette Company. Before the proposed merger can be completed, the Companies need to obtain both shareholders and international regulatory approvals. The Companies believe that the transaction will close in the fall of 2005.

I wish to assure all of our shareholders that your Company will fully comply with all Indian laws requirements that may apply to the proposed merger.

I would like to thank all our valued shareholders for reposing their trust in Gillette and supporting the Company's endeavour to continually enhance shareholder value.

Best wishes,

S. K. PODDAR
Chairman

Board of Directors

Mr. S. K. Poddar
Chairman

Mr. Zubair Ahmed
Managing Director

Mr. Pradeep Pant

Mr. Peter Mee
(Alternate Mr. Anshuman Sharma)

Mr. Subhash Bansal

Mr. Akshay Poddar
(Alternate Mr. M.K. Kumar)

Mr. C. R. Dua

Mr. Amal Ganguli

Mr. Abhey Yograaj

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors have pleasure in presenting their Twenty First Annual Report together with the Audited Accounts for the year ended 31st December, 2004.

Financial Results

For the Financial Year Ended 31st December,

	2004	2003
	Rs. Lacs	Rs. Lacs
Income (Sales & Other Income)	46545.01	42145.15
Profit before Interest & Depreciation	11393.52	9853.27
Interest	-	(0.90)
Depreciation	(1605.47)	(1819.43)
Profit before Exceptional Items & Tax	9788.05	8032.94
Exceptional Items	-	(563.26)
Profit before Tax	9788.05	7469.68
Provision for Tax	(3722.24)	(1838.08)
Provision for Deferred Tax (charged)/released	56.54	(1149.95)
Profit after Tax	6122.35	4481.65
Corporate Dividend Tax (charged)	-	(114.82)
Profit brought forward from previous year	1445.60	651.55
Balance available for appropriation	7567.95	5018.38
Which the Directors have appropriated as under :		
a) General Reserve	612.23	448.17
b) Proposed Dividend	2769.74	2769.74
c) Tax on proposed Dividend	361.97	354.87
Balance carried to Balance Sheet	3824.01	1445.60
	7567.95	5018.38

Dividend

Keeping in view the enhanced profitability of the Company, your Directors are pleased to recommend a Dividend of Rs. 8.50 per share on the Share Capital as under :

	Rs. Lacs
On 32,585,217 Equity Shares @ Rs. 8.50 per share	2769.74

Operations

2004 was a special year for your Company and reflected the consolidation of the gains of a successful business turnaround completed last year. Key highlights of the year under review are highly profitable growth, significant investments behind core categories and a remarkable franchise health. In 2004, your Company recorded the highest net profit since its inception in India, at Rs. 61.22 crore, a growth of 37% over the last year.

Your Company recorded an overall sales growth of 12%. Net Profit before tax at Rs. 97.88 crore resulted in an impressive growth of 31% over last year. Your Company continued its investments in core categories. Spends on advertising and sales promotion grew from Rs. 45 crore in the previous year to Rs. 58 crore in the year under review.

Among other initiatives, your Company adopted a Product Integrity Program, a key driver for sales growth and carried out an intensive study on 'achieving profitable growth', the results of which were examined carefully.

Your Directors are pleased to report that the Company continues to be a debt free company.

Personal Grooming

Your Company's Grooming Business grew by an impressive 14% in sales. Value growth in the systems category was driven by Gillette Mach3, Gillette Mach3 Turbo and Gillette VectorPlus. In shaving preparations, Gillette Tube Shave Gel, along with aerosol foam and gel range continued to drive the category value growth.

During the second quarter of 2004, your Company successfully launched the next generation triple blade shaving system, Gillette Mach3 Turbo which gives the closest shave, superior comfort and less irritation even while shaving against the grain. Gillette VectorPlus, a

twin blade shaving system developed specifically for the Indian market, continued to upgrade the Indian consumer from double edge blades to systems successfully.

Despite upgradation of consumers from double edge to twin users, sales in the double edge category continued to be steady. Sales of Wilkinson saloon pack, a special pack launched for barbers in the mid price segment in the previous year clocked an overwhelming 48% growth in volume terms.

The personal care range of products continued a healthy sales growth of over 10% in volume terms. The Company maintained its leadership in the shaving preparations category with the successful launch of Storm Force, a revolutionary after shave splash and New Ultra Comfort Shaving Gel formulated for infrequent shavers and men with heavy beard growth. In the fourth quarter, your Company launched two new Gillette Series Tube Shave Gel variants, namely Sensitive Skin and Moisturising, to suit different skin types.

Oral Care

The Oral Care segment registered an overall value sales growth of over 8%. The Oral-B brand continued to grow expanding its presence in the manual toothbrushes segment by focusing on an enhanced range and continued investments in building brand franchise.

The year also saw your Company undertaking leadership initiatives to educate the market on Oral Care, including active participation in the FDI World Dental Congress held for the first time in India. Dr. Vincent Lacono, a world-renowned Dentist was invited by your Company to address the Indian dentist community.

Portable Power

Duracell Batteries delivered sales growth of over 41% in volume and is today way ahead of its competitors on all parameters. During 2004, your Company successfully completed some major Government orders by enhancing its position as one of the key suppliers to the Government.

Brand Protection

The gains made towards brand protection last year were carried forward in 2004 with significant success. The initiatives spanned enforcement actions in close coordination with local authorities against illegitimate operators and retailers, awareness through participation in workshops organised by trade chambers and recommendations to Government committees on enhancing the enforcement of existing laws.

Corporate Governance

The Corporate Governance report forms part of this Annual Report.

Information Technology

Your Company continues to upgrade the Information Technology infrastructure and business applications by deploying cost effective and best-in-class technology solutions. Your Directors take pleasure in reporting that your Company continues to leverage the benefits of Integrated Business Applications to drive Employee productivity and cost efficiencies throughout the organisation with particular focus on the Field Sales Force.

Directors' Responsibility Statement

- i. The Directors confirm that, in preparation of the Balance Sheet and the Profit & Loss Account of the Company, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates 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 of the Company for that year.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis.

Insurance

All the assets of your Company including Plant & Machinery, Buildings, Office Equipment etc. are adequately insured.

Directors

During the year, Mr. J. B. Rasmussen and Mr. P. N. Dang resigned as Directors from the Board of the Company w.e.f. 9th December, 2004 and 22nd December, 2004 respectively due to organisational transfers within the Gillette group. Mr. K. K. Gupta who was Alternate Director to Mr. Rasmussen also ceased to be Alternate to him consequent to his resignation.

Your Directors place on record their deep appreciation of the valuable services rendered by Mr. Rasmussen, Mr. Dang and Mr. Gupta during their association with the Company.

Mr. Anshuman Sharma was deemed as Wholtime Director on his appointment as Alternate to Mr. Peter Mee w.e.f. 29th April, 2004 by virtue of Section 269 of the Companies Act, 1956. However, effective 1st January, 2005, Mr. Sharma has ceased to be a Wholtime Director in view of his having been relocated to Gillette Singapore. A resolution seeking your approval for his appointment as Wholtime Director for the period 29th April, 2004 to 31st December, 2004 forms part of the notice for the Annual General Meeting.

Mr. Pradeep Pant and Mr. Subhash Bansal were appointed as Additional Directors of the Company w.e.f. 2nd February, 2005.

Mr. Pradeep Pant, aged 51 years is a Masters in Management Studies and has over 27 years of experience in the Industry. He is associated with the Gillette group since 1987. He is currently President – Commercial Operations for Gillette Asia Pacific Group, based at Singapore. Prior to his present position, he was Regional General Manager for Russia & FSU. He was also the Managing Director of your Company from December, 1993 to August, 1998.

Mr. Subhash Bansal, aged 53 years is a B. Tech and has a Post Graduate Diploma in Business Management. He has over 30 years of experience in the Industry. He is associated with Gillette since 1990. He is currently based at Czech Republic and would shortly be taking over as Manufacturing Director for the India manufacturing facility.

Mr. Akshay Poddar and Mr. C. R. Dua, Directors retire by rotation and being eligible, offer themselves for re-appointment.

Auditors

M/s BSR & Co. (formerly Bharat S Raut & Co.), Chartered Accountants, the retiring auditors have furnished a certificate of their eligibility for re-appointment under Section 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue in this capacity.

Cost Auditor

Your Company has reappointed M/s R. J. Goel & Co. as the Cost Auditors for "Shaving Systems" manufactured at Bhiwadi plant, for the current financial year, subject to approval of the Central Government.

Energy & Foreign Exchange

The particulars 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, are attached as an Annexure to this report.

Human Resource Development

Human resource development continues as a thrust area for your Company. A large number of employee engagement and training programmes were conducted. Particular emphasis was laid on individual development and performance enhancement. In the year under review, your Company introduced a special program called 'Open your mind', with an objective of building a culture of innovation. Your Directors are pleased to report that these measures have yielded excellent results.

Your Directors are also pleased to report that your Company was featured as one of the 25 best employers in India in a Hewitt Best Employers Study spanning 272 Companies and 75,000 employees.

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

As required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement of information relating to employees forms part of this report. However, as permitted by Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Members and other entitled persons, excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company Secretary at the Corporate Office and the same will be sent by post.

For and on behalf of the Board

Place : Gurgaon

S. K. PODDAR

Date : February 2, 2005

Chairman

ANNEXURE TO DIRECTORS' REPORT

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

A. Conservation of Energy

1. Measures taken

The Company has an efficient energy conservation task force which actively monitors and controls energy consumption.

Measures taken this year were -

- Installation of Controllers for Air Compressors.
- Installation of 11 KV capacitors for the improvement of Power Factor.
- Replacement of T-8 Fluorescent Lamps with T-5 Fluorescent Lamps.

2. Additional investments / proposals

- Installation of Controllers for Moulding Machines.
- Replacement of Aluminium fans with FRP fans on Cooling Towers.

3. Impact of 1 & 2

Energy conservation measures taken have led to considerable savings in consumption of Power & High Speed Diesel.

4. Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the scheme thereto.

Not applicable.

B. Technology Absorption

- Efforts made in technology absorption as per Form B.

Not applicable.

C. Foreign Exchange Earnings and Outgo

1. Efforts and initiatives in relation to exports.

The Company's Products continue to be well accepted in Overseas Markets. Efforts are underway to further increase export of personal grooming products to other countries.

2. Earnings and Outgo

	Rs. Lacs	
	31 st December,	
	2004	2003
a) Foreign Exchange earnings	2372.61	4299.21
b) Foreign Exchange outgo	8202.19	5325.14

CORPORATE GOVERNANCE REPORT

1. Corporate Governance Philosophy

Your Company believes that good Corporate Governance practices are a continuous process and are essential for achieving long term Corporate Goals. In this pursuit, your Company places strong emphasis on full regulatory disclosures coupled with efficient operational practices. These policies seek to focus on enhancement of stakeholders' value while maintaining highest levels of integrity and internal controls.

2. Board of Directors

The Board of Directors of the Company comprises an optimum combination of Executive and Non Executive Directors headed by a Non Executive Chairman. One third of the Board members are Independent Directors. The Independent Directors do not have any pecuniary relationships or transactions either with the Company or with the promoters/management that may affect their judgement in any manner. The Directors are experienced and eminent professionals in business, law, finance, public enterprise & corporate management. The Board meets atleast once in a quarter to review, amongst other business, the quarterly performance and financial results of the Company. Directors attending the meeting actively participate in the deliberations at these meetings.

S. No.	Name of the Director	Category of Directorship	No. of Directorships of other Companies*	No. of Memberships in other Board Committees**
1.	Mr. S. K. Poddar	Non-Executive Chairman	12	5 (1)
2.	Mr. Zubair Ahmed	Managing Director	Nil	Nil
3.	Mr. J. B. Rasmussen (2)	Non-Executive	Nil	Nil
4.	Mr. Peter Mee (3)	Non-Executive	Nil	Nil
5.	Mr. Akshay Poddar (4)	Non-Executive	7	4 (5)
6.	Mr. C. R. Dua	Non-Executive & Independent	7	2
7.	Mr. P. N. Dang (6)	Executive	Nil	Nil
8.	Mr. Abhey Yograaj	Non-Executive & Independent	5	1
9.	Mr. Amal Ganguli	Non-Executive & Independent	7	5 (7)
10.	Mr. Pradeep Pant (8)	Non-Executive	Nil	Nil
11.	Mr. Subhash Bansal (9)	Non-Executive	Nil	Nil

* Excludes Directorships of Private Limited Companies, Foreign Companies and Alternate Directorships.

** Excludes Memberships in Private Limited Companies, Foreign Companies and Companies of Section 25 of the Companies Act, 1956.

(1) Includes Chairmanship on 2 Committees.

(2) Resigned as Director w.e.f 9th December, 2004. Mr. K. K. Gupta also ceased to be his Alternate from that date.

(3) Mr. Anshuman Sharma was appointed as an Alternate Director to Mr. Peter Mee by the Board of Directors on 29th April, 2004. Mr. Sharma is Vice President – Legal & Corporate Affairs with the Company and consequent to his appointment as Alternate Director, he became Wholetime Director by virtue of provisions contained in Section 269 of Companies Act, 1956. Effective 1st January, 2005, Mr. Sharma has ceased to be a Wholetime Director in view of his having been relocated to Gillette Singapore. His appointment and remuneration for the period 29th April, 2004 to 31st December, 2004 is subject to the approval of shareholders at the ensuing Annual General Meeting.

- (4) Alternate Director is Mr. M.K. Kumar.
- (5) Includes Chairmanship on 1 Committee.
- (6) Resigned as Director w.e.f 22nd December, 2004.
- (7) Includes Chairmanship on 2 Committees.
- (8) Appointed as an Additional Director w.e.f. 2nd February, 2005.
- (9) Appointed as an Additional Director w.e.f. 2nd February, 2005.

During the financial year 2004, 4 Board Meetings were held on 25th February, 2004, 29th April, 2004, 28th July, 2004 and 15th October, 2004 respectively. The Annual General Meeting was held on 29th April, 2004. The attendance of the Directors in the meetings was :

S. No.	Name of the Director	Attendance at Board Meetings		Attendance at last Annual General Meeting
		No. of Meetings held during tenure	No. of Meetings Attended	
1.	Mr. S. K. Poddar	4	4	Yes
2.	Mr. Zubair Ahmed	4	4	Yes
3.	Mr. Peter Mee *	4	3	No
4.	Mr. Akshay Poddar	4	4	Yes
5.	Mr. C. R. Dua	4	4	Yes
6.	Mr. P. N. Dang	4	2	No
7.	Mr. Abhey Yograaj	4	4	Yes
8.	Mr. Amal Ganguli	4	4	Yes
9.	Mr. J. B. Rasmussen	4	Nil	No

* includes meetings attended by the Alternate Director.

3. Directors' Remuneration

a) Pecuniary Relationships :

None of the Non Executive Directors of your Company have any material pecuniary relationship or transactions with the Company except for payment of sitting fees to them for attending Board Meetings or Committee Meetings thereof. Sitting Fees is paid @ Rs. 15,000/- and Rs. 10,000/- for every Board Meeting and Audit Committee Meeting respectively. Sitting Fees @ Rs. 5,000/- is paid for other committee meetings of the Board. The details of the sitting fees paid during the financial year 2004 are as under :

S.No.	Name of the Director	Sitting Fee paid (Rs.)
1.	Mr. S. K. Poddar	100000/-
2.	Mr. Akshay Poddar	100000/-
3.	Mr. Abhey Yograaj	110000/-
4.	Mr. C. R. Dua	70000/-
5.	Mr. Amal Ganguli	110000/-
Total		490000/-

- b) The details of remuneration paid to the Executive Directors during the financial year 2004 are as under :

Mr. Zubair Ahmed	(Rs. Lacs)
Salary	91.95
Contribution to Provident and other funds	15.52
Perquisites ⁺	12.83
Bonus	34.09
Total	154.39

⁺ Includes – Free use of facilities and amenities such as electricity, maintenance & hard furnishing at residence, medical reimbursement, leave travel allowance, housing loan, club membership, personal accident and medical insurance, leave encashment, company car and driver allowance, telephones, mobile phones, earned/privilege leave, children education, reimbursement of business expenses etc., as per rules of the Company.

Mr. Anshuman Sharma – During the period 29th April, 2004 to 31st December, 2004, Mr. Sharma was paid remuneration of Rs. 20.63 lacs which includes Salary – Rs. 16.65 lacs, Contribution to Provident and other funds – Rs. 2.84 lacs, Perquisites – Rs. 1.14 lacs. From the perquisites, Mr. Sharma is not entitled for free use of electricity & maintenance at residence and children education allowance.

No severance fee is payable to either Mr. Ahmed or Mr. Sharma.

The Company has not issued Stock options to any of its Directors.

Number of Equity Shares held by Non Executive Directors:

Mr. S. K. Poddar – 302403

Mr. Abhey Yograaj – 608

4. Committees of the Board

Audit Committee

The Board of Directors of the Company had constituted an Audit Committee, which is fully operational since February, 2001. The Committee at present comprises three Non Executive Directors i.e. Mr. S.K. Poddar, Mr. Abhey Yograaj and Mr. Amal Ganguli. All the three members have extensive financial & accounting knowledge and background. Mr. Abhey Yograaj is the Chairman of the Committee. The terms of reference of the Audit Committee are in line with Clause 49 II (C) & (D) of the Stock Exchange Listing Agreement and Section 292A of the Companies Act, 1956. The Committee acts as a link between the Management, Auditors and the Board of Directors of the Company and has full access to financial information.

During the year 2004, four meetings were held i.e. on 25th February, 2004, 29th April, 2004, 28th July, 2004 and 15th October, 2004 and were attended by all members of the Committee. The quorum for the Committee is two members. The Committee among other financial matters discussed the following :

- Unaudited Financial Results for 1st, 2nd, 3rd Quarter and the half Year.
- Audited Financial Results for the Financial Year ended 31st December, 2003.
- Review of Directors' Report and Corporate Governance Report.
- Recommendation for appointment of Statutory & Cost Auditors.

- (e) Annual Audit Plan.
- (f) Internal Audit report on Warehousing & Distribution.
- (g) Cost Audit Report for the Financial Year ended 31st December, 2003.
- (h) Internal control adequacy with review of Audit Plan.
- (i) Review of Company's Risk & Management Policy.
- (j) Internal Audit update.
- (k) Remuneration of Statutory Auditors.
- (l) Compliances under Stock Exchange listing / SEBI guidelines.

The minutes of the Committee are placed before the Board. The Company Secretary is the Secretary of the Committee and has attended all its meetings.

Share Transfer and Shareholders / Investors Grievance Committee

The Company has a Share Transfer and Shareholders / Investors Grievance Committee of the Board comprising Mr. Zubair Ahmed, Mr. P. N. Dang and Mr. Akshay Poddar as members. Mr. Akshay Poddar is the Chairman of the Committee. The various issues addressed in connection with shareholders' and investors' services and complaints are :

- a) Share Transfers :
 - i) Approve and register transfer and transmission of Shares, in cases where applicable.
 - ii) Sub-division/consolidation/replacement/rematerialisation of Share Certificates.
 - iii) Issue of duplicate share certificates in lieu of lost share certificates.
 - iv) Affix common seal on share certificates and maintain safe custody of common seal.
- b) Shareholders'/Investors' complaints pertaining to :
 - i) Non receipt of Shares after transfer.
 - ii) Non receipt of Annual Report.
 - iii) Non receipt of Dividend.
 - iv) Other matters related to or arising out of Shareholders'/Investors services.

The minutes of the Committee are placed before the Board. The quorum for the Committee is two members. The Committee meets regularly as prescribed under the Clause 49 (VI) (D) of the listing agreement, to effect Share Transfers and for other related matters as referred in Point (a) and (b) above. The Company Secretary is the Secretary of the Committee and has attended all its meetings. He regularly addresses Shareholders' complaints, oversees the share transfer process and liaises with the regulatory authorities.

During the financial year ended 31st December, 2004, 74 complaints were received from the Shareholders'/Investors and only one Shareholder complaint was received from SEBI and Stock Exchanges. All the complaints were resolved to the satisfaction of the Shareholders / Investors.

There are no pending share transfers as on 31st December, 2004 except for those cases which are constrained by dispute or legal proceedings.