

Annual Report  
2005



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***Gillette India Limited***



Dear Shareholders,

2005 has been a very significant year for Gillette, as The Gillette Company, USA was acquired worldwide through merger by The Procter & Gamble Company, USA to form the world's largest consumer products Company. While this will result in leveraging of consolidated strengths to create a leading force in the Indian FMCG market, your Company will continue to remain and operate as a separate entity. In 2005, your Company continued on the strong growth path set in the previous years and this resulted in very encouraging growth across all product categories and in Gillette retaining value leadership in three of the four categories it operates in.

Last year, your Company recorded the highest net profit since inception at Rs. 68.7 Crore, a growth of 12.25% over the previous year. This is a result of sustained and aggressive investments in advertising, marketing innovations and a renewed consumer focus.

Year 2005 witnessed an average annual sales growth of 16%, with the Company's turnover closing at Rs. 487.10 Crore, the year's gross profit before depreciation and tax at Rs. 124.91 Crore for continued businesses. Your Company witnessed significant gains in net sales growth of all continuing businesses in Grooming, Batteries and Oral Care. This was achieved as a result of focusing on multiple drivers of growth, new product launches and on development of customized products catering to the needs of the Indian consumer.

Your Company's Grooming Business grew by an encouraging 13%. Last year witnessed the launch of the highly successful Mach 3 Turbo Champion, which took forward the proposition of Mach 3 Turbo to a younger target audience that is highly image and brand conscious. High impact advertising and Public Relations campaigns formed the cornerstones of a highly successful product launch. Another milestone in the year was the launch of the New Improved Gillette Vector Plus razor, featuring an all-new contemporary look. This launch was supported by an aggressive consumer communication and promotions campaign, ensuring high visibility for the product. Gillette Vector Plus sales grew by 51% in 2005. Both these products exceeded their internal distribution and sales targets. In personal care, anticipating consumer needs, your Company launched smaller size packs of shave gel, which met with market success. Your Company's continued focus on the Product Integrity Program resulted in a number of enforcement actions taken against dealers of grey products in all metros and other smaller cities, resulting in positive returns.

2005 was a record year for your Company's Oral Care business. The sales of the Oral B brand recorded a very impressive growth rate of 35%, to complete the year as one of the best years for the Oral Care business. The year witnessed the successful launch of the new Cross Action Power. The impressive growth in Oral Care business was achieved as a result of various strategic initiatives including strengthening presence in the large mid price segment, overall price reduction, focus on understanding the needs of the Indian consumers via syndicated researches and development of a local communication platform. Duracell Batteries delivered sales growth of over 3% and an encouraging increase in volumes in the retail business. This growth was achieved despite a weakening in demand in the OEM segment, which though substantial, is seasonal in nature.

Your Company realizes that employee engagement is critical to sustaining the growth of the business and invested heavily in addressing both technical and behavioral training needs of employees. The year was also dedicated to instilling the need to innovate across all functions and levels resulting in a number of innovations designed around work processes and cost savings. The outstanding results achieved in the business have been made possible only by the sustained hard work and commitment shown by all Gillette employees.

As a consequence of the decision to leverage synergies with P&G, your Company plans to carry out restructuring of its business operations & processes which is described in greater detail in the accompanying Directors' Report. This is expected to have an impact on the results of your Company in the initial two quarters of the current financial year. However, as a result of the restructuring, this impact is likely to be offset in the medium and long term by the associated savings and benefits.

The Indian economy has never looked so strong. The Sensex crossed 10,000 points for the first time in history, real estate continues on its upward spiral and the world is projecting India as a new economic super-power. The ever-increasing purchasing power amongst the Indian consumers is translating into an increased demand for lifestyle and value-added products, which is the forte of your Company. Backed by the increased retail reach that will be achieved by shifting to the P&G distribution network, your Company's products will be available to a larger number of customers across many more cities.

I would like to thank all our valued shareholders for reposing their trust in Gillette and supporting the Company's endeavours 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. R. A. Shah

Mr. B. S. Mehta

Ms. Deborah Ann Henretta

(Alternate Mr. Ashok Chhabra)

Mr. Shantanu Khosla

Mr. Akshay Poddar

(Alternate Mr. M. K. Kumar)

Mr. C. R. Dua

Mr. Subhash Bansal

## DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts for the year ended 31st December, 2005.

### Financial Results

	For the Financial Year Ended 31st December,	
	2005	2004
	Rs. Lacs	Rs. Lacs
Income (Sales & Other Income)	<b>50692.92</b>	46545.01
Profit before Depreciation	<b>12490.93</b>	11393.52
Depreciation	<b>(1556.67)</b>	(1605.47)
Profit before Tax	<b>10934.26</b>	9788.05
Provision for Tax	<b>(4121.21)</b>	(3722.24)
Provision for Deferred Tax—credit	<b>238.83</b>	56.54
Provision for fringe benefits	<b>(180.00)</b>	
Profit after Tax	<b>6871.88</b>	6122.35
Profit brought forward from previous year	<b>3824.01</b>	1445.60
Balance available for appropriation	<b>10695.89</b>	7567.95
Which the Directors have appropriated as under :		
a) General Reserve	<b>687.19</b>	612.23
b) Proposed Dividend	<b>3258.52</b>	2769.74
c) Tax on proposed Dividend	<b>457.01</b>	361.97
Balance carried to Balance Sheet	<b>6293.17</b>	3824.01
	<b>10695.89</b>	7567.95

### Dividend

Keeping in view the enhanced profitability of the Company, your Directors are pleased to recommend Dividend of Rs. 10 per share on the Share Capital as under :

	Rs. Lacs
On 32,585,217 Equity Shares @ Rs. 10 per share	3258.52

### Operations

Your Company continued to gather momentum on the growth track set in the previous year. The performance of the Company reflected this in the overall growth of 3 out of 4 product categories in which we operate. This was fuelled by investments in advertising, display innovations in the marketplace and renewed consumer focus. Your Company has recorded the highest net profit since inception at Rs. 68.7 Crore, a growth of 12.25 % over the previous year.

Average annual growth of Sales stood at 16%. The strategy of pursuing multiple drivers of growth ensured significant gains in the net sales growth of all continued businesses in Grooming, Batteries and Oral Care.

New product launches and products customized to the needs of the Indian consumer contributed to the overall franchise health.

As in previous years, your Company remains a debt free Company.

### Personal Grooming

Your Company showed a creditable growth of 13% in domestic sales during the year. The beginning of the year saw the launch of the highly successful Mach3 Turbo Champion which captured the imagination of the young and image conscious consumers. High impact advertising was the cornerstone of a high energy campaign. The total value share of the Indian blades and razors market continued to grow steadily giving your Company value leadership in 2005.

During the year, the Gillette blades and razors business grew 8% driven mainly by the strategy of upgrading the Indian consumer to superior performing higher value products. A two tier systems strategy was implemented to drive the premium end of the systems portfolio through Mach3 Turbo and to capture new users into the systems portfolio through the entry priced Vector Plus. The success of the strategy is reflected in the smart sales growth of both these products with Mach3 family growing by 23% and razors growing by 53%. Simultaneously, Vector cartridges have grown by 72% and the razors display a 29% growth.

The year witnessed several marketing initiatives like the 360 degree program behind the Mach3 Turbo Champion launch, the Vector Plus re-launch with new graphics, focused consumer awareness and trial programs for Vector Plus in smaller towns.

While your Company has driven the systems segment and increased share of the segment, the Disposables category has witnessed strong competition which was addressed through a combination of trade programs and a new product offering of Wilkinson Twin II, targeted at the large base of double edge blade users who are familiar with the Wilkinson brand and would find it easier to trade up to a new product from a trusted brand. The initial response has been positive with off takes and distribution increasing every month since launch.

To leverage the large base of double edge blade users, 2005 saw the launch of the Wilkinson Saloon brand which has gone from strength to strength.

In personal care, anticipation of consumer needs led to the launch of smaller size packs of Shave Gel which have met with success. The year under review also saw enhanced level of consumer and marketing activity by your Company. Significant investment was made behind better understanding of Indian shavers to draw locally relevant consumer insights.

This, and related marketing work culminated in your Company signing popular cricketer icon, Irfan Pathan as the new brand ambassador for Gillette.

### Oral Care

The year 2005 was a record year for the Oral Care business. The share of the Oral B brand grew month on month recording the highest ever share in December to close the year on a high. Sales of Oral B grew by a remarkable 35% to cap the year 2005 as one of the best years for the Oral Care business. Oral B entry also won the first prize

in the Gillette Asia Pacific innovation fair held in Shanghai in the month of April, 2005.

The growth was achieved by strategic initiatives executed with excellence. Re-pricing of Oral B plus made possible through innovative cost reduction ideas strengthened our presence in the large mid-price segment. Your Company enhanced distribution and visibility across the retail channels and executed special programs in modern trade to become a significant player in this growing segment. Power Oral Care made a big entry in the Indian market with the Cross Action Power launch initiative targeting modern trade, chemists, and key outlets in major cities.

2005 was also a breakthrough year in terms of consumer and marketing investment on Oral B in India. A local communication platform capturing the needs and insights of the Indian consumer was developed which contributed to steady growth in value share. The year also saw investments in understanding consumers better by starting researches vital to developing insightful propositions for the Indian consumer.

### **Portable Power**

Duracell Batteries delivered a sales growth of over 3% in volume and gained substantially over its competitors on all parameters. Particularly encouraging was the 24% jump in volumes in the retail business which was achieved in the face of sluggishness in OEM orders during the year which is large but seasonal in nature.

### **Brand Protection**

The Product Integrity Program continued the momentum of the previous years with a number of enforcement actions in all metros and other smaller cities where the impact was visibly felt. Consumer & Trader awareness programs ensured greater awareness of this challenge while profile building with the Department of Consumer Awareness resulted in the Packaged Commodity Regulators conducting surprise checks in major markets especially in Bangalore, NOIDA and Pune.

### **Corporate Governance**

The Company has complied with the requirements of revised Clause 49 of the Listing Agreement. The Management Discussion and Analysis and the report on Corporate Governance are included as a part of the Directors Report.

A certificate from the Auditors of the Company regarding compliance with the requirements of the revised Clause 49 of the Listing Agreement is attached to this 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 a virtual organisation enabled through connectivity of all its locations and Integrated Business applications to drive speed-to-market and cost efficiency throughout its operations.

### **Restructuring of the Gillette India Business**

The Gillette Company, USA was acquired worldwide through merger in October, 2005 by the Procter & Gamble Company, USA creating the largest consumer products Company in the world. In India, your Company, while continuing as a separate legal entity, will also, as part of The Procter & Gamble Company, USA, leverage synergies arising from its global acquisition to further accelerate its current high growth

track record and to enhance reach of its brands. The areas of synergy will cover access to a more efficient distribution setup; bigger scale to improve efficiencies and effectiveness; use of best in class practices / processes; relocating to world class office facilities in Mumbai; operating under proven structure of Global Business Unit (GBU), Market Development Organisation (MDO), Global Business Services (GBS) that encourages innovation and therefore building shareholder value. Below are the main points of the restructuring plans:

### **New Distribution Structure**

Your Company has started the process of transition from its current distributor structure to the P&G Distributors. These distributors are equipped with best in class personnel and state-of-the-art technology to ensure efficient inventory management, higher sales productivity and breakthrough visibility at point-of-purchase across urban and rural markets.

### **New Organizational Structure**

Your Company would operate under P&G's unique & proven structure of GBU, MDO, GBS and work processes, which give P&G a competitive advantage. The structure recognizes the difference between selling products in 140 countries around the world and truly planning and managing lines of business on a global basis.

### **Office Relocation**

Effective July, 2006, your Company will relocate its headquarters from Gurgaon to P&G Plaza in Mumbai which will house all P&G subsidiaries in India. This move would co-locate Gillette employees with the employees of P&G in one building to leverage the existing infrastructure in Mumbai, which has best in class amenities for employees and has open office culture to foster collaborative and non-hierarchical work culture.

### **Voluntary Separations**

Your Company adopting the above new, more efficient structures and processes will result in the redundancy of some employees. There will be separation of some employees consequent to adopting of new structures and processes, which in no way reflects on the quality and contributions of the employees to be affected. Your Company is committed to helping affected employees through competitive VRS packages, counselling and offering services of placement agencies.

### **Change in Financial Year**

In order to synchronize the fiscal cycle, it is proposed to adopt a uniform accounting year with that of P&G. Accordingly the Company shall be following the accounting year July – June and for this purpose will extend its accounting year for 2006-07 from January, 2006 to June, 2007, subject to necessary approvals.

### **Restructuring Costs & Scheme of Arrangement**

A significant portion of the restructuring costs will be incurred in the first two quarters of 2006 which would have consequent impact on the results of those quarters; however, the savings and benefits resulting from there are expected to outweigh the costs and result in significantly higher earnings in the medium as well as long term for the Company.

Accordingly, the restructuring costs not exceeding Rs. 90 Crores are proposed to be written off against the Capital Reserves of your Company which are substantial. Your Company shall shortly file a Scheme of Arrangement between the Company and its Equity Shareholders under Section 391 of the Companies Act, 1956. The Scheme will be subject to approval of the Hon'ble High Court of Rajasthan.



In sum, your Directors believe that leveraging synergies from the global P&G acquisition in the areas of organisational structure, distribution, systems and facilities will help increase your Company's reach, cost efficiencies, speed to market and current growth momentum.

### Directors' Responsibility Statement

Pursuant to section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- i. In preparation of the Annual Accounts, the applicable accounting standards have been followed with proper explanation relating to material departures if any;
- ii. The accounting policies have been selected and applied consistently and made judgments 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 your Company for that year.
- iii. Proper and sufficient care has been taken 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 insurable interest of the Company assets of the Company including Inventories, Plant & Machinery, Buildings, Office equipment etc. are adequately insured.

### Directors

During the year, Mr. Abhey Yograaj, Mr. Amal Ganguli, Mr. Peter Mee and Mr. Pradeep Pant resigned as Directors from the Board of the Company w.e.f. 7th November, 2005, 16th November, 2005, 1st December, 2005 and 31st December, 2005 respectively. Mr. Anshuman Sharma and Mr. Shantanu Khosla who were Alternate Director to Mr. Peter Mee and Mr. Pradeep Pant also ceased to be Alternate Director to Mr. Peter Mee and Mr. Pradeep Pant consequent to their resignation.

Your Directors would like to place on record their appreciation for the valuable services rendered by the Directors during their association with the Company.

Mr. Subhash Bansal was appointed as a Whole time Director of your Company from 1st May, 2005, for a period of two years on the terms as set out in the Resolution in the Notice of the Annual General Meeting for approval by the Members of the Company.

Ms. Deborah Ann Henretta, Mr. Bansidhar Sunderlal Mehta, Mr. Rajendra Ambalal Shah were appointed as Additional Directors of the Company w.e.f. 26th October, 2005, and Mr. Shantanu Khosla was appointed as Additional Director of the Company w.e.f. 31st December, 2005. Brief particulars and expertise of these Directors and their other Directorship and committee membership have been given in the Annexure to the Notice of the Annual General Meeting.

Mr. Akshay Poddar and Mr. C. R. Dua, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Brief particulars and expertise of these Directors and their other Directorship and committee membership have been given in the annexure to the Notice of the Annual General Meeting.

### Auditors

M/s BSR & Co., Chartered Accountants, the retiring auditors have indicated their inability to continue as the Statutory Auditors of the Company. It is proposed to appoint M/s. Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors of the Company. The Auditors have furnished a certificate of their eligibility for appointment under Section 224 of the Companies Act, 1956.

### 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 Annexure to this report.

### Human Resource Development

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

Proactive communication programs, employees' engagement activities and high quality HR service support has answered a high level of employee morale and commitment to your Company.

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

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  
Date : March 30, 2006

S. K. PODDAR  
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 is actively involved in continuous monitoring of energy usage and its conservation.

Measures taken this year were -

- a) Installation of Energy Analysers on MDB's for precise recording of Energy Consumptions area wise.
- b) Replacement of T-8 lamps with high luminous T-8 lamps.
- c) Automation of Air-Conditioning system for optimum utilisation.
- d) Optimum utilisation of reciprocating Air Compressors.

#### 2. Additional investments/proposals

- a) Software for Analysing Power Consumptions and parameters area wise.
- b) Energy Audit to be got conducted by a competent authority.

#### 3. Impact of 1 & 2

Energy conservation measures taken so far have resulted in considerable savings of Power & High-Speed Diesel consumption per million blades, thereby reducing the conversion cost.

#### 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

Not applicable

### C. Foreign Exchange Earnings and Outgo

#### 1. Efforts and initiatives in relation to exports.

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

#### 2. Earnings and Outgo

Rs. Lacs  
31<sup>st</sup> December,  
2005      2004

a) Foreign Exchange earnings	1504.00	2372.61
b) Foreign Exchange outgo	11298.99	8202.19

# CORPORATE GOVERNANCE REPORT

## 1. Corporate Governance Philosophy

The Securities and Exchange Board of India (SEBI) has prescribed mandatory standards of Corporate Governance for all companies listed on Indian stock exchanges and notified them under Revised Clause 49 of the listing agreement. This chapter constitutes your Company's compliance with Clause 49 of the listing agreement.

Your Company has already adopted a Code of Conduct which lays down the standards of values, ethics and business principles of the Management. Our business and day to day affairs of the Company are conducted with highest level of compliance.

## 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 judgment in any manner. The Directors are experienced and eminent professionals in business, law, finance, public enterprise and corporate management. The Board meets at least once in a quarter to review, amongst other business, the quarterly performance of the Company and financial results. Directors attending the meeting actively participate in the deliberations at these meetings.

S. No.	Name of the Director	Category of Directorship	Board Meetings held during the year	Board Meetings attended	Whether attended last AGM	Directorship of other Companies#	Memberships in Board Committees of other Companies##
1.	Mr. S. K. Poddar	Non Executive Chairman (Promoter)	4	4	Yes	11	5(3)**
2.	Mr. Zubair Ahmed	Managing Director	4	4	Yes	Nil	Nil
3.	Mr. Pradeep Pant* (1)	Non Executive	4	2	Yes	Nil	Nil
4.	Mr. Peter Mee (2)*	Non Executive	4	4	No	Nil	Nil
5.	Mr. Subhash Bansal	Executive Wholetime Director	4	3	Yes	Nil	Nil
6.	Ms. Deborah Ann Henretta (3)*	Non Executive	4	1	No	1	Nil
7.	Mr. Rajendra Ambalal Shah(4)	Non Executive / Independent	4	Nil	No	14	8(5)**
8.	Mr. Bansidhar Sunderlal Mehta (5)	Non Executive / Independent	4	Nil	No	15	10(5)
9.	Mr. Akshay Poddar (6)	Non Executive	4	4	Yes	6	3
10.	Mr. C.R.Dua	Non Executive / Independent	4	4	Yes	7	2
11.	Mr. Amal Ganguli (7)	Non Executive/ Independent	4	4	Yes	11	5(2)**
12.	Mr. Abhey Yograaj (8)	Non Executive/ Independent	4	3	Yes	5	1
13.	Mr. Shantanu Khosla (9)	Non Executive	4	Nil	No	2	1

\* includes meetings attended by the Alternate Director.

\*\* The figures in parenthesis denote the number of Chairmanship(s) of Board Committee in other companies.

# Excludes Directorships of Private Limited Companies, Foreign Companies and Alternate Directorships and Companies under Section 25 of the Companies Act, 1956.

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

- (1) Resigned as Director w.e.f. 31st December, 2005. Alternate Director to him, Mr. Shantanu Khosla ceases as his Alternate w.e.f. that date.
- (2) Resigned as Director w.e.f. 1st December, 2005. Alternate Director to him, Mr. Anshuman Sharma ceases as his Alternate w.e.f. that date.
- (3) Appointed as an Additional Director w.e.f. 26th October, 2005. Alternate Director is Mr. Ashok Chhabra.
- (4) Appointed as an Additional Director w.e.f. 26th October, 2005.
- (5) Appointed as an Additional Director w.e.f. 26th October, 2005.
- (6) Alternate Director is Mr. M. K. Kumar.
- (7) Resigned as Director w.e.f. 21st November, 2005.
- (8) Resigned as Director w.e.f. 16th November, 2005.
- (9) Appointed as an Additional Director W.e.f. 31st December, 2005

During the Financial Year 2005, 4 Board Meetings were held on 2nd February, 2005, 27th April, 2005, 25th July, 2005 and 26th October, 2005 respectively. The Annual General Meeting was held on 27th April, 2005.

### 3. Directors Remuneration.

#### a) Pecuniary Relationships:

None of the Non Executive Directors of your Company have any pecuniary relationship or transactions with the Company except for sitting fees paid to them for attending Board meetings or Committee meetings thereof.

In compliance with the requirements of Accounting Standard 18 (AS-18) issued by ICAI, transactions with related parties have been furnished under Note No. 20 of Schedule 16 of the Notes to the Accounts of the financial statements.

- b) The remuneration of Executive Directors comprises salary, house rent allowance, perquisites, contribution to provident and other funds, gratuity and leave travel allowance. The Non Executive Directors receive only sitting fees. The details of remuneration / sitting fees paid to the Executive / Non Executive Directors during the financial year 2005 is as under:

(Rs. Lacs)							
S. No.	Name of the Director	Salary	Perquisite S*	Bonus	Contribution to PF and other Funds	Sitting Fees	Total
1	Mr. S. K. Poddar	-	-	-	100,000	-	-
2	Mr. Zubair Ahmed	9695712	1578950	5874280	1636155	-	18785097
3	Mr. Pradeep Pant	-	-	-	-	-	-
4	Mr. Peter Mee	-	-	-	-	-	-
5	Mr. Subhash Bansal	3417269	418844	1704997	568484	-	6109594
6	Ms. Deborah Ann Henretta	-	-	-	-	-	-
7	Mr. Rajendra Ambalal Shah	-	-	-	-	-	-
8	Mr. Bansidhar Sunderlal Mehta	-	-	-	-	-	-
9	Mr. Akshay Poddar	-	-	-	-	135000	-
10	Mr. C. R. Dua	-	-	-	-	60000	-
11	Mr. Amal Ganguli	-	-	-	-	100000	-
12	Mr. Abhey Yograj	-	-	-	-	85000	-
13	Mr. Shantanu Khosla	-	-	-	-	-	-

\* Includes - Free use of facilities and amenities such as electricity, maintenance & hard furnishing at residence, medical reimbursement, leave travel allowance, housing loan, club fee, 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.

No severance fee is payable to either Mr. Zubair Ahmed or Mr. Subhash Bansal.



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

Number of Shares held by Non Executive Directors:

Mr. S. K. Poddar – 225480

Mr. Akshay Poddar – 76923

#### 4. Audit Committee

The Board of Directors of the Company had reconstituted the Audit Committee on 31st December, 2005 and it comprises three Directors. The members of Audit Committee are Mr. Rajendra Ambalal Shah (Chairperson and Independent Director), Mr. Bansidhar Sunderlal Mehta (Independent Director), and Mr. S .K .Poddar (Non Executive Director). All the three members have extensive financial and accounting knowledge and background. The terms of reference of the Audit Committee are in line with revised Clause 49 II (C ) & (D) of the Stock Exchange Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee inter alia, provides reassurance to the Board on the existence of an effective internal control environment. During the year 2005, four Committee meetings were held i.e. on 1st February, 2005, 27th April, 2005, 25th July, 2005 and 26th October, 2005 and were attended by all members of the Committee. The quorum for the Committee is two members.

The terms of reference of Audit Committee is as per the Audit Charter which amongst other things includes the following:

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- (b) Recommending the appointment and removal of External Auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the Auditors;
- (c) Reviewing with the management the financial statements before submission to the Board, focusing primarily on:
  - Any change in Accounting Policies and Practices
  - Major accounting entries based on exercise of judgment by Management
  - Qualifications in Draft audit Report
  - Significant adjustments arising out of Audit
  - The going concern assumption
  - Compliance with Accounting Standards
  - Compliance with Stock Exchange regulations and legal requirements concerning financial statements
  - Related party transactions
- (d) Reviewing with the management, External and Internal Auditors, the adequacy of internal control system and the Company's statement on the same prior to endorsement by the Board;
- (e) Reviewing reports of Internal Audit and discussion with Internal Auditors on any significant findings and follow-up thereon;
- (f) Reviewing the findings of any internal investigations by the Internal Auditors and the executive management's response on 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;
- (g) Discussion with the external Auditors, before the audit commences, on nature and scope of Audit, as well as after conclusion of the Audit, to ascertain any areas of concern and review the comments contained in their management letter;
- (h) Reviewing the Company's financial and risk management policies;
- (i) Looking into the reasons for substantial defaults, if any, in payment to the Depositors, Debenture holders, Shareholders (in case of non-payment of declared dividends) and Creditors;
- (j) Considering such other matters as may be required by the Board;
- (k) Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other statutes, as amended from time to time;

The minutes of the Committee are placed before the Board. The Company Secretary is the Secretary of the Committee.

#### 5. Remuneration Committee

The Remuneration Committee has been reconstituted by the Board on 31st December, 2005 and it comprises Mr. Rajendra Ambalal Shah (Independent Director), Mr. Bansidhar Sunderlal Mehta (Independent Director), Mr. C. R. Dua (Independent Director) and Mr. Akshay Poddar (Non Executive Director). The Chairman is elected from amongst the members of the Committee.

The scope of the Remuneration Committee includes finalising the remuneration packages for Executive Director(s) of the Company including any pension rights and compensation payments thereof.

## 6. Share Transfer and Shareholders' / Investors' Grievance Committee

The Company has a Share Transfer and Shareholders' / Investors' Grievance Committee of the Board presently comprising Mr. Zubair Ahmed, Mr. Subhash Bansal 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, wherever 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 the 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 present quorum for this Committee is two members. The Committee meets regularly to effect share transfers and for other related matters as referred in point (a) and (b) above. The Company Secretary is the Compliance Officer. Pursuant to the resignation of Mr. Rajiv Mathur, who was Company Secretary till 17 June, 2005, Mr. Devdas Baliga has been appointed as the Company Secretary and Compliance Officer with effect from 25th July, 2005. He regularly addresses Shareholders' complaints, oversees share transfer process and liaises with the regulatory authorities.

During the financial year ended 31 December, 2005, 53 complaints were received from the Shareholders / Investors and all of them were solved to the satisfaction of the Shareholders / Investors.

## 7. Particulars of the Past three AGMs

AGM	YEAR	VENUE	DATE	TIME
21st	2004	SPA – 65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar) Rajasthan – 301 019	27.04.2005	10.00 AM
20th	2003	SPA – 65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar) Rajasthan – 301 019	29.04.2004	10.00 AM
19th	2002	SPA – 65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar) Rajasthan – 301 019	09.05.2003	10.00 AM

One Special Resolution was passed at the 20th AGM held on 29th April, 2004.

No Special Resolution was put through postal ballot in 2005.

## 8. Disclosures:

- i) Materially significant related party transactions:  
There are no material transactions during the year that have a potential conflict with the interests of the Company.
- ii) Compliance by the Company:  
The Company has complied with all applicable requirements prescribed by the regulatory and statutory authorities including Stock Exchanges and SEBI during the preceding three financial years on all matters related to capital markets and no penalties/ strictures in this respect have been imposed on the Company.
- iii) Whistle Blower policy:  
The Company follows a Whistle Blower Policy as laid down by The Gillette Company, USA, whereby no person has been denied access to the Audit Committee.