



MACH3
Turbo

P&G

Gillette India Limited

Report reportjunction.com

ANNUAL REPORT
2008-2009

Oral-B®



reportjunction.com



Dear Shareholders,

It gives me great pleasure to share your Company's annual performance for the financial year 2008-09.

The last twelve months have been challenging to say the least. An unprecedented sense of gloom seemed to have prevailed over the world economy which has severely impacted both business and consumer sentiment. In the ensuing depressing scenario the two largest economies of the world - India and China - are expected to assist global recovery by achieving strong growth rates. India has voted for stability in the recent elections and the national economy is expected to grow in excess of 6% going up to 9% by the end of the current

11th Five Year plan. It is in this context that I report to you with great pride that your Company continued its strong performance with sales growing to Rs.662 crores, an increase of 12%, from Rs.589 crores achieved during last year. The performance in the last quarter of the year viz. April to June, 2009 was illustrative of the resilient nature of your Company attaining a high growth rate of 27% in net profit over the same quarter last year.

This year, in sum, has been a landmark one for your Company. In the Blades & Razors category, we grew sales ahead of category growth and *Mach3* registered its highest ever growth in the past 5 years, helping the Company achieve overall market leadership in the category. I believe our success was driven by a combination of factors, prime among which remained our deep consumer understanding and our ability to engage with him via innovative and world class communication campaigns.

In fact, this year, our campaign came in for praise from some very illustrious quarters. The well known Cannes Advertising Festival, held annually in France and widely acknowledged as the Oscars of Advertising, felicitated Gillette's "*India Votes: To shave or not*" campaign with a Gold as well as a Silver Lion. This campaign, widely seen by Indian consumers across television, newspapers, malls and internet, was also recognized by a long list of global platforms, including the People's Choice award in Spain, the Asia Marketing Effectiveness awards in Hong Kong, the Mediacom Global awards and, closer home, at the P&G Global Media awards.

Vector Plus complemented the fast paced growth of *Mach3* and made quick shaving a tension free exercise for millions of men in India. The brand continues to ride high on strategic distribution expansion initiatives and commercial innovations. In Oral Care too, we were able to consolidate leadership position by delivering robust double digit growth. The outstanding profits for the last quarter of the financial year is indicative of the growth potential and strong performance that the Company can aspire to achieve in the year ahead. An important part of this growth has come from synergies with P&G's operational and organizational excellence as we continue to benefit from the integration.

As India makes a determined effort to emerge from the recessionary pressures of the last few quarters, aided by the phenomenal success of the NREGA (National Rural Employment Guarantee Act) program of Govt. of India, we can expect consumer sentiment to get better and demand stronger. I am confident that your Company will continue to deliver propositions that have come to define "*The Best A Man Can Get*" and as a consequence be rewarded by consumers in the market place. We have been resilient under pressure, now we will lead from the front and touch new heights.

The story of success is incomplete if it is only about sales and profit numbers. As a Company that lives and breathes the philosophy of *Touching Lives, Improving Life*, we are committed to making a difference beyond providing superior quality brands. This is the purpose of P&G and the inspiration for our growth comes from this Purpose.

Your Company's signature cause marketing program *Shiksha* continued to reach out to underprivileged children in India and provide them with access to education. In its fifth year, *Shiksha* will touch the lives of over 96,000 children in 432 communities across India.

In conclusion, I would like to thank all our employees and valued shareholders for their continued trust and support in Gillette India Limited.

S.K. Poddar
Chairman

BOARD OF DIRECTORS

Mr. S. K. Poddar

Chairman

Mr. S. Khosla

Managing Director

Mr. S. Bansal

Whole-time Director

Mr. B. S. Mehta

Mr. C. R. Dua

Mr. G. C. Das

Mr. J. Sagar

Mr. A. Poddar

Ms. D. A. Henretta

Mr. A. K. Gupta

Mr. D. Acharya

Company Secretary

Mumbai
August 27, 2009

DIRECTORS' REPORT TO THE MEMBERS



The Directors have pleasure in presenting their Twenty-fifth Annual Report together with the Audited Accounts for the financial year ended June 30, 2009.

FINANCIAL RESULTS

(Figures in Rs. Crores)

	2008-09	2007-08
Sales (less excise duty)	661.51	588.84
Other Income	30.01	19.13
Profit before tax & exceptional items	177.02	167.74
Exceptional Items	-	14.45
Profit before tax	177.02	182.19
Provision for tax	(62.89)	(64.82)
Profit after tax	113.13	117.37
Transfer to General Reserve	11.32	11.75
Proposed dividend plus tax thereon	47.65	47.65
Balance carried forward	222.17	177.01

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the members, a dividend @ 125% (Rs.12.50 per equity share of Rs.10 each) amounting to Rs.40.73 Crores, for the financial year ended June 30, 2009.

OPERATIONS

Your Company achieved a healthy double-digit growth during the year ended June 30, 2009. The total sales (net of excise) at Rs.662 crores are up by 12% when compared to Rs.589 crores of the previous year. The sales in all three business categories have grown with Oral Care leading by 25%, Personal Grooming by 9% and Portable Power by 10%.

Profit before tax (PBT) at Rs.177 crores, grew by 5% when compared to PBT of Rs.168 crores of the previous year. Profit after tax (PAT) at Rs.113 crores is up 10% when compared to last year's PAT of Rs.103 crores (excluding the exceptional item of Rs.14 crores earned through sale of Company's Mysore property).

Your Directors are of the view that against the backdrop of the challenging economic environment, the overall results of the Company are satisfactory.

PERSONAL GROOMING

During the year under review, *Mach3* the high-end blades posted double-digit value growth despite the category growing at only 3%, which speaks volumes for the consumer's confidence in this brand. The strong sales enabled *Mach3* to consolidate its market leadership further. This year was also the best ever year for *Mach3* razor sales which registered a significantly high growth behind formidable marketing programs while recording the strongest growth in the last 5 years. Razor placements in top metros grew even faster on the back of innovative distribution and marketing programs. The "India Votes" campaign in the first quarter of the financial year generated high recall and brand awareness via a contest on shaving held nation-wide. The "Gillette Mach3 India Gaming Championship" undertaken in the third quarter of

Gillette India Limited

the financial year to mark the launch of the *Red Mach3 Turbo Winner Razor* had participation of over a million gamers effectively engaging them with the brand. This continues to build on *Gillette's* edge in leveraging emerging media, like digital, successfully.

Gillette Vector – the entry-level system – continued to rapidly expand its user base by shipping significant higher volumes of razors resulting in a higher off-take of blades. The brand



has held strong and delivered record value shares versus previous year. *Vector Plus* blades' consumption, driven by consistent focus on communicating the benefit of 'fast shave without nicks and cuts' through television and successful commercial innovations like the "Satasat Shave Challenge" and "Vector Speed" – grew significantly. Distribution expansion initiatives with enhanced coverage also helped in the growth of *Vector* razors and blades business.

The double-edge blade business also broke trends and made a robust growth in volume mainly driven by *Wilkinson Sword* consumer and barber packs. This was despite double-edge category in the grooming market declining in value, as per the market research data.

Your Directors are of the view that the Personal Grooming sector represents a sizable business opportunity for your Company as the market research data estimates the blades and razors market alone to be of Rs.1000 crores and 5 billion units in terms of volume. The double-edge faction comprises 62% of the Indian blades and razor market in value and 86% in volume, half of which is accounted for by in-salon usage. The entry level system is the second biggest opportunity in this category. Your Company therefore has an integrated strategy that seeks to win with consumers in this market landscape.

ORAL CARE

Oral-B registered a healthy value growth of 19% over the already high growth of 27% in the previous year. This growth was ahead of category volume growth of 10% and category value growth of 8%. *Oral-B* continued to strengthen its leadership by growing its value share behind fundamental brand building initiatives.

It is encouraging to note that *Oral-B's* growth was strengthened by strong performance across price tiers. The innovative *Oral-B* Cross Action family promotion and successful launch of *Oral-B* Cross Action ProHealth and *Oral-B* 123 helped create a strong platform for the brand to win over consumers into the premium tier. The robust value offtake of *Fresh Clean* and *Shiny Clean* helped the brand further reinforce its position in mid-tier segment. Further, multiple initiatives were undertaken to expand *Oral-B* distribution which also resulted in the brand being widely available to the consumers across India.

PORTABLE POWER

Duracell continues to enjoy value share leadership in the alkaline segment. The growing usage of the high and mid-drain devices like toys and cameras and increased purchasing power in India indicate a huge potential in the coming years for alkaline batteries and thus for *Duracell*. Sustained media support has ensured that *Duracell* enjoys a very good equity, even over some leading zinc players in India. Purchase of *Duracell* is a great value proposition as it lasts upto 10 times longer at less than 3 times the price of an ordinary battery. To tap this potential, your Company continues to invest in driving alkaline penetration through insightful marketing plans and program for educating the users on the benefits of alkaline.

MANUFACTURING

The Directors have pleasure to inform you that during the year under review, Bhiwadi and Baddi plants have continued to produce at record levels. Last year, we informed you that Bhiwadi plant had embarked on a new initiative called Integrated Work Systems (IWS). This new initiative has helped the plant to achieve higher efficiencies on our bottleneck and focus processes. It has also helped to achieve significant improvements in quality systems while maintaining highest level of meeting customer requirements and safety records. The Directors take pleasure to inform you that there has not been any accident in the plant and also no critical quality defect has taken place for more than two years.

During the year under review, SAP system was successfully implemented at the Bhiwadi plant without any business disruption. This will further help us towards integrating our systems with P&G and benefit from synergies. The Company also has renewed its initiative to help conserve environment and is now aggressively working to reduce energy and water consumption, carbon emissions and waste generation.



CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956("the Act"), with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial year ended June 30, 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
- that the Directors had 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.
- that the Directors had prepared the accounts for the financial year ended June 30, 2009, on a "going concern" basis.

DIRECTORS

Mr. B.S. Mehta and Ms. D.A. Henretta retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. Anil Kumar Gupta was appointed as an Additional Director on the Board of the Company with effect from March 28, 2009. As Additional Director he holds office upto the date of the ensuing Annual General Meeting. A notice has been received from a member proposing his candidature as Director of the Company, liable to retire by rotation.

Mr. Ashok Chhabra retired as an Alternate Director to Ms. Deb Henretta pursuant to his retirement from P&G. The Board wishes to place on record its sincere appreciation of the services rendered by Mr. Chhabra during his tenure on the Board.

Appropriate resolutions for the appointment/ re-appointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting, which the Board recommends for your approval.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

Gillette India wins its first Gold Lion at Cannes Ad Fest in June 2009

Your Company's campaign "India Votes: To shave or not" won both a Gold and a Silver Lion at Cannes Ad Fest in June 2009. It also won the People's Choice Award at the Festival of Media, Valencia, Silver at the Asia Marketing Effectiveness, Hongkong, Silver at Goafest, Best Communication Planning at P&G Global Media Awards and the Grand Prix at Mediacom Global Awards.

CORPORATE SOCIAL RESPONSIBILITY

Shiksha: Padhega India, Badhega India

Touching lives, improving Life has always been at the core of P&G's Corporate Social Responsibility (CSR) program which revolves around the commitment of P&G in making sure its brands live up to their promise in making everyday life a little better. P&G globally is committed to the cause of development of children in need via its corporate cause.

P&G India's flagship CSR program 'Shiksha' in partnership with CRY empowers consumers across the country to participate and support the education of marginalized and underprivileged children with a simple purchase of any of the large P&G products. *Shiksha* is a National Consumer Movement – that allows consumers to support the education of children in need by making simple brand choices. *Shiksha* celebrated its 5th Anniversary this year having touched over 96,000 children in 432 communities across India. *Shiksha* is spearheaded by its motto and slogan "Padhega India Badhega India" with an underlying strong belief that the secret to a brighter India lies in the quality education of our children.

Gillette India Limited



A classroom in progress, courtesy Shiksha.

COST AUDITORS

The Company has appointed M/s. Ashwin Solanki & Associates, as the Cost Auditors for "Shaving Systems" manufactured at the Bhiwadi plant for the year ending June 30, 2010, subject to the approval of the Central Government.

CONSERVATION OF ENERGY & FOREIGN EXCHANGE

The information, in accordance with the provisions of Section 217(i)(c) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgoings, 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 and profitability. Competence enhancement initiatives to lead and manage change, develop team 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 developments and successful implementation of new ideas.

Proactive communication programs, employees' engagement, activities and high quality HR service support has resulted in 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.

The information as per Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the members of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the corporate office of the Company.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the services rendered by its suppliers, distributors, wholesalers, retailers, clearing and forwarding agents and all other business associates and acknowledge their efficiency and continued support in producing such healthy growth in the Company's business.

For and on behalf of the Board

S.K. Poddar
Chairman

Mumbai
August 27, 2009

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

The Company has an efficient energy conservation task force, which is actively involved in continuous monitoring of energy usage and its conservation.

1. Measures taken this year were-**Bhiwadi Plant**

- (a) Significant power consumption reduction by aggressively working on compressed air leakages and optimizing compressor usage requirements;
- (b) Project of optimizing lighting loads to save energy has been completed;
- (c) Reduced power consumption by using localized air conditioning in production floor office area instead of central packaged AC unit after normal office hours;
- (d) Installation of capacitor banks to improve power factor and thereby reducing energy losses is in progress.

Baddi Plant

- (a) Use of HPSEB supply for lighting loads during peak hours;
- (b) Improved efficiency of diesel generators;

(c) Additional investments / proposals –

- i. Explore the possibility of using more energy efficient air compressors at Bhiwadi plant
- ii. Work on feasibility of using solar powered lighting for open areas at Bhiwadi plant.
- iii. Optimization of lighting loads at Baddi plant
- iv. Improving power factor improvement and reducing energy losses at Baddi plant.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B.

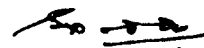
Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**1. Efforts and initiatives in relation to exports.**

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

2. The particulars of foreign exchange earned/ utilized during the year are given in Schedule 17.B.10(j) and (h) to the Accounts, respectively.

For and on behalf of the Board



S.K. Poddar
Chairman

Mumbai
August 27, 2009

Gillette India Limited

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PHILOSOPHY

Your Directors are pleased to give below the Corporate Governance report:

We believe that Corporate Governance is the interaction of the management, shareholders and the Board of Directors to help ensure that all stakeholders are protected against managers acting solely in their own best interest. Governance process has to ensure that the societal measures employed by the Company are utilized in a manner that meets with the stakeholders' aspirations and societal expectations. Corporate Governance consists of laws, policies, procedures and most importantly, practices, that ensure the well being of the assets of the Company. Corporate Governance is at its highest levels when management is acting as if they are long-term investors in the Company.

Your Company has a strong history of operating with integrity—at all levels, both internally and externally. Our actions and the actions of all our employees are governed by our Purpose, Values, and Principles (PVP). Our commitment to operate responsibly is reflected in the steps we have in place to ensure rigorous financial discipline and Corporate Governance.

We have a highly experienced Board of Directors, which help us maintain the highest standards of Corporate Governance. Our Audit Committee is comprised of independent directors, with appropriate financial skills to provide good oversight. We have in place strong internal controls, to ensure compliance with all relevant regulations and standards. Our rigorous business process controls include ongoing programs of self-assessment, controls, as well as internal and external audits. Your Company has adopted a Code of Conduct for its Directors. It is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct.

Further, your Company reinforces responsibilities of all its employees, including key employees, of observing high standards of Corporate Governance through the

Company's "Worldwide Business Conduct Manual," which sets forth management's commitment to conduct its business affairs with high ethical standards. This Manual flows from our PVP which is the umbrella for our critical policy areas, which in turn create specific guidelines and standards. This Manual enables the Company's employees to make easier connections to relevant policies and the tools that support them. This Manual describes the Company's "Worldwide Business Conduct Standards". These standards flow from the following core values of the Company:

- Treat the Company's assets as you would treat your own;
- Behave with the Company's long term success in mind;
- Always do the right thing;
- Operate within the letter and spirit of law

Our reputation is earned by our conduct: what we say, what we do, the products we make, the services we provide, and the way we act and treat others. As conscientious citizens, we want to do what is right. For your Company this is the only way to do business.

2. BOARD OF DIRECTORS

(a) Composition of the Board:

The Board of Directors of the Company comprises an optimum combination of executive and non-executive directors headed by a Non-Executive Chairman. The independent directors do not have any material 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. The Directors actively participate in the deliberations at these meetings.

The composition and other details of the Board of Directors as on June 30, 2009 are given below:

Name of the Director	Category	Designation	Other Directorships#		Membership of other Board Committees ##	
			Member	Chairman	Member	Chairman
Mr. S.K. Poddar	NED	Chairman	10	9	4	3
Mr. Shantanu Khosla	ED	Managing Director	2	1	2	1
Mr. Subhash Bansal	ED	Whole-time Director	None	None	None	None
Mr. B.S. Mehta	ID	Director	14	None	9	5
Mr. C.R.Dua	ID	Director	5	None	3	None
Mr. Gurcharan Das	ID	Director	4	None	None	None
Mr. Akshay Poddar	NED	Director	8	None	5	1
Ms. Deborah Henretta	NED	Director	1	None	None	None
Mr. M.K. Kumar	NED	Alternate to Mr. Akshay Poddar	1	None	2	1
Mr. Ashok Chhabra*	NED	Alternate to Ms. Deborah Henretta	None	None	None	None
Mr. Jyoti Sagar	ID	Director	None	None	None	None
Mr. Anil Kumar Gupta**	ID	Director	None	None	None	None

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

* Retired as Alternate Director with effect from August 31, 2009.

** Appointed as Additional Director with effect from March 28, 2009.

Excludes directorships of private limited companies, foreign companies and alternate directorships, companies under Section 25 of the Companies Act, 1956, bodies corporate and membership of managing committee of various chambers/bodies.

Includes memberships of only Audit Committees and Share Transfer and Investor Grievance Committees of public limited companies.

Annual Report 2008-2009**(b) Number of Board Meetings:**

During the financial year 2008-09, four (4) Board meetings were held on August 29, 2008, October 22, 2008, January 30, 2009 and April 28, 2009 respectively. The Annual General Meeting for the financial year ended June 30, 2008 was held on October 22, 2008.

(c) Directors' attendance record:

The attendance of directors at the board meetings and at the last Annual General Meeting held on October 22, 2008 was as under:

Name of Director	No. of Board Meetings attended	Whether attended the AGM held on October 22, 2008
Mr. S.K. Poddar	4	Yes
Mr. Shantanu Khosla	4	Yes
Mr. Subhash Bansal	2	Yes
Mr. B.S. Mehta	3	No
Mr. C.R. Dua	3	Yes
Mr. Gurcharan Das	4	Yes
Mr. Akshay Poddar	3	Yes
Ms. Deborah Henretta	NIL	No
Mr. M.K. Kumar*	NIL	No
Mr. Ashok Chhabra**	2	Yes
Mr. Jyoti Sagar	2	Yes
Mr. Anil Kumar Gupta #	1	N.A

* Alternate to Mr. Akshay Poddar

** Alternate to Ms. Deborah Henretta

Appointed as Additional Director with effect from March 28, 2009.

(d) Material significant related party transactions:

There are no material pecuniary relationships/ significant transactions made by the Company with its promoters, Directors or management, their subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in note B-16 of Schedule 17 to the Accounts in the Annual Report.

(e) Directors Remuneration:

In terms of the resolution passed at the 24th Annual General Meeting of the members of the Company held on October 22, 2008, all the non-executive directors are entitled to commission upto one per cent of the net profits of the Company for each financial year.

The remuneration of executive directors comprises salary, house rent allowance, perquisites, performance linked incentive, contribution to provident and other funds, gratuity and leave travel allowance and other perquisites and benefits as per the policy of the Company. The details of remuneration paid/ provided to the executive/non-executive directors during the financial year 2008-09 are as under:

Amount in Rs.

Name of Director	Relationship with other directors	Salary including Bonus + PF contribution	Perquisites	Commission	Total
Mr. S.K. Poddar	Father of Mr. Akshay Poddar	Nil	Nil	60,00,000	60,00,000
Mr. Shantanu Khosla	None	Nil*	Nil	Nil	Nil
Mr. Subhash Bansal	None	1,11,83,610	4,56,076	Nil	1,16,39,686
Mr. C.R.Dua	None	Nil	Nil	10,00,000	10,00,000
Mr. B.S. Mehta	None	Nil	Nil	10,00,000	10,00,000
Mr. Gurcharan Das	None	Nil	Nil	10,00,000	10,00,000
Mr. Akshay Poddar	Son of Mr. S.K. Poddar	Nil	Nil	10,00,000	10,00,000
Ms. Deborah Henretta	None	Nil	Nil	Nil	Nil
Mr. M.K. Kumar	None	Nil	Nil	Nil	Nil
Mr. Ashok Chhabra	None	Nil	Nil	Nil	Nil
Mr. Jyoti Sagar	None	Nil	Nil	838,356	838,356
Mr. Anil Kumar Gupta**	None	Nil	Nil	260,959	260,959

* Remuneration charged to the accounts in respect of the Managing Director: Rs.1,09,93,015/-.

** Appointed as Additional Director with effect from March 28, 2009.

Gillette India Limited

The term of the Managing Director (MD) and Whole-time Director (WTD) is for a period of five years from the date of their respective appointment. No fee/compensation is payable to the directors on severance of their directorship with the Company.

The Company has not issued stock options to any of its Directors. However, all employees of the Company including its Whole-time Directors are given the right to purchase shares of the parent company – The Procter & Gamble Company, USA under its 'International Stock Ownership Plan'. Certain employees of the Company are also entitled to stock options of the parent company under its 'Employee Stock Option Plan'. Details as regards the same are disclosed vide note nos. B-17 and B-18 of Schedule 17 to the Accounts in the Annual Report.

Number of Shares held by Non Executive Directors:

Mr. S.K.Poddar	-	2,25,480
Mr. Akshay Poddar	-	76,923

(f) Committees of the Board:

(i) Audit Committee

The Audit Committee comprises of Mr. C.R. Dua (Chairman), Mr. S.K. Poddar, Mr. B.S. Mehta, Mr. J. Sagar and Mr. G. Das. During the financial year 2008-09, four Audit Committee Meetings were held on August 29, 2008, October 22, 2008, January 30, 2009 and April 28, 2009 respectively. Mr. J. Sagar and Mr. G. Das were co-opted as members of the Audit Committee vide Board resolutions passed on October 22, 2008 and January 30, 2009 respectively.

The attendance of each member of the Committee is given below:

Name	Designation	Category	Profession	No. of meetings attended
Mr. C.R. Dua	Chairman	Independent Director	Advocate	3
Mr. S.K. Poddar	Member	Non-Executive Director	Business	4
Mr. B.S. Mehta	Member	Independent Director	Chartered Accountant	3
Mr. Jyoti Sagar	Member	Independent Director	Advocate	2*
Mr. Gurcharan Das	Member	Independent Director	Management Consultant	1**

* Mr. Jyoti Sagar was appointed member of the Audit Committee on October 22, 2008.

** Mr. Gurcharan Das was appointed member of the Audit Committee on January 30, 2009.

All the members of the Committee 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) and (D) of the Listing Agreement with the stock exchanges 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. The quorum for the Committee is two members, who are independent directors.

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

- 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;
- 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;
- 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 the exercise of judgment by management;
 - Qualifications in the draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with the stock exchange regulations and legal requirements concerning the financial statements;
 - Related party transactions;
- 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;
- Reviewing reports of internal audit and discussion with internal auditors on any significant findings and follow-up thereon;
- 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;
- 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;
- Reviewing the Company's financial and risk management policies;
- 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;