



Procter & Gamble Hygiene and Health Care Limited

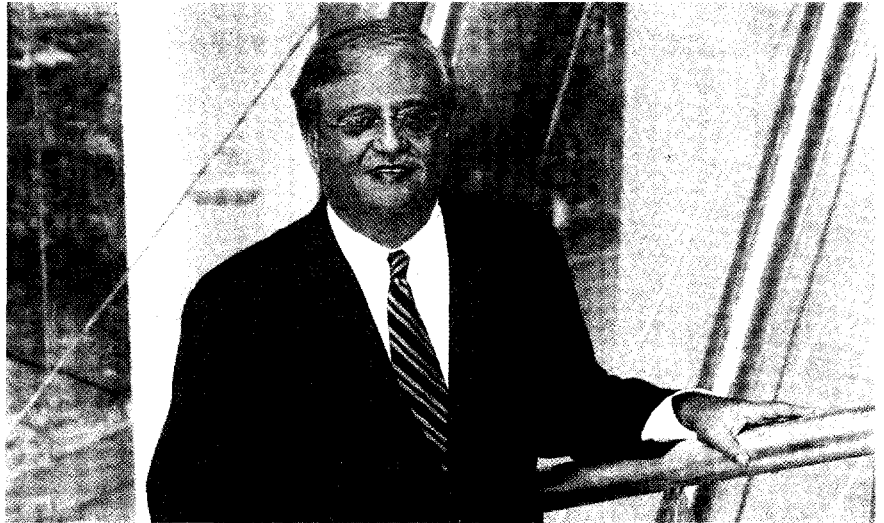


A n n u a l R e p o r t 2 0 0 3 - 2 0 0 4

BOARD OF DIRECTORS	<p>B. V. Patel S. Khosla A. Chhabra S. Durani R. A. Shah B. S. Mehta N. Bali C. V. Bergh P. Agarwal</p>	<p><i>Chairman</i> <i>Managing Director</i> <i>Executive Director & Company Secretary</i> <i>Executive Director</i></p>
AUDIT COMMITTEE	<p>B. V. Patel B. S. Mehta R. A. Shah A. Chhabra</p>	<p><i>Chairman</i> <i>Secretary</i></p>
SHAREHOLDERS GRIEVANCE COMMITTEE	<p>B. V. Patel S. Durani A. Chhabra S. Khosla</p>	<p><i>Chairman</i></p>
AUDITORS	<p>Deloitte Haskins & Sells Mumbai</p>	
SOLICITORS	<p>Crawford Bayley & Co. Mumbai</p>	
BANKERS	<p>Citibank N. A. Deutsche Bank AG</p>	
REGISTERED OFFICE	<p>P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai 400 099. Tel. : (91-22) 2826 60 00 Fax : (91-22) 5693 96 96</p>	
MANUFACTURING FACILITIES	<p>Mandideep (Madhya Pradesh) Kundaim (Goa)</p>	
REGISTRARS & TRANSFER AGENTS	<p>MCS Limited Plot No. 27, Road No. 11, M.I.D.C. Area, Andheri (East), Mumbai 400 093. Tel. : (91-22) 2824 59 86, 2821 52 35 Fax : (91-22) 2835 04 56</p>	

Dear Shareholders,

I am pleased to share with you the new heights scaled by your Company for the year 2003/04 – an overall topline growth of 30%, an even stronger 35% growth in the bottom-line, a record 21% growth in our core categories of Health Care & Feminine Hygiene, increased market shares in every category we compete in and maintaining dividend of Rs.20 per share even on the 50% enhanced capital you now hold!



It is also important to highlight that some of the contributors to our growth were also one-time events such as the strong and timely monsoons last year and the reintroduction of the VICKS VAPORUB's small 5gm pack.

Such organic and double digit sales growth can only be possible with a perfect blend of 1) Incisive advertising, 2) Disciplined distribution growth, and 3) Innovative marketing programs.

Incisive advertising is to the point television advertising you saw last year, like the "Che Asar, Ek Dava" (Six Symptoms, One Medicine) on VICKS VAPORUB which communicated relief from not just one but all the six symptoms of colds such as head ache, blocked nose, body ache, chest congestion and so on – and it is focused advertising like this that truly resonates with consumers. Similarly, a disciplined approach to distribution growth ensured that we not just made our products 'available' in larger number of stores, but 'directly' covered more stores through fully trained, palm-top equipped distributor sales executives who in turn ensured powerful in-store visibility and unwavering supply of all our products. Last but not the least, successful marketing thrives on innovation. We ideated and planned truly clutter-breaking routes of reaching the consumer like the WHISPER School & College programs. Through these programs WHISPER has touched the lives of almost 10 million young girls across India and converted them into loyal WHISPER users by imparting knowledge on feminine hygiene combined with training in self defence...and truly becoming their friend!

You will be delighted to know that this year VICKS has crossed the Rs.200 crore sales mark and continues to uphold its status as India's no. 1 health care brand. And on its 15th anniversary, not too far is WHISPER, a Rs. 164 crore brand already!

Without a doubt....we have delighted the consumers by offering superior performing products at an excellent value. And in turn consumers have rewarded us with excellent business results that have helped us drive shareholder value.

Going forward we recognize that we have a strong performance to maintain and even greater challenges to overcome. Our robust plans and an energized organization, which was rated as India's No. 1 Employer, are geared up and willing to rise to every occasion!

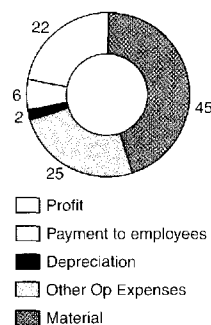
Thank you and look forward to your continued, steadfast support and belief in P&G.

Bharat V. Patel

Mumbai
August 24, 2004

Bharat V. Patel
Chairman

Your Directors have pleasure in presenting the 40th Annual Report and Audited Accounts of the Company for the year ended June 30, 2004.



(Figures in Rs. Crores)

	2002/2003
Sales (excluding excise duty)	442.4
Profit before tax	92.6
Profit after tax	68.0
Proposed Dividend	43.3
Transfer to General Reserve	6.8
Balance carried forward	72.1

Profit After Tax (Rs. crores)

2004	92.17
2003	68.04
2002	77.01

We are delighted to present the outstanding financial results of your Company for the year ended June 30, 2004. The annual sales of Rs. 577.24 crores (Rs. 442.39 crores) were up 30%. Our Core Health Care and Feminine Hygiene categories' sales at Rs. 365.48 crores (Rs. 302.01 crores) grew by 21%. Operating profits at Rs. 112.53 crores (Rs. 78.38 crores) grew a strong 44%. Profit Before tax at Rs. 127.17 crores (Rs. 92.65 crores) grew by 37%. Profit After tax at Rs. 92.17 crores (Rs. 68.04 crores) grew by 35%. Our superior performing products, highly motivated employees and effective marketing programs were behind this strong growth. Delivery of enhanced value on our brands, new product and packaging, and significantly expanded in-store product availability cum visibility, further fuelled the growth. However, some of these contributors were one time reasons also, e.g., strong and timely monsoons last year, incremental pipeline sale-benefit from increased covered stores, and re-launch of *VICKS VapoRub* 5 gm nationally.

Health Care Business

Health Care Sales at Rs. 201.9 crores (Rs. 160.02 crores) grew by 26%. This unprecedented performance benefited from good monsoons, which not only increased rural purchasing power but also increased demand for cold relief remedies. There has been volume & value growth across the *VICKS* fraternity. *VICKS* Cough drops sales grew by 34%, *VICKS VapoRub* by 12%, *VICKS Action 500* by 48% and *VICKS Inhaler* by 23%. Superior marketing initiatives such as relaunch of the small *VapoRub* 5gm pack, effective trade promotion programs and increased distribution reach, contributed to this excellent performance. The strong business results are also reflected in increased market share of all *VICKS* products across both urban and rural India with *VICKS Action 500* hitting a record 50% share of colds tablet market during the year.



Profit Before Tax (Rs. crores)

2004	127
2003	92.6
2002	102

Net Worth (Rs. crores)

2004	249
2003	230
2002	184*

* Post dividend payment of Rs. 86.5 crores

VICKS provided yet another unmatched remedy for its valued consumers. During the year Company launched the New *VICKS Formula 44* Cough Syrup nationally. The product provides effective and long lasting relief for up to eight hours from tough, persistent coughs due to colds, as compared to four-hour relief provided by popular cough syrup brands.

Feminine Hygiene Business

Feminine Hygiene business registered another year of excellent growth both in *WHISPER* Ultra and *WHISPER* Maxi. The sales at Rs.163.58 crores (Rs. 141.99 crores) grew by 15%. We successfully



introduced *WHISPER* Extra Long with Wings which provides far superior protection. This new variant has exceeded the objectives and is now a key part of the *WHISPER* brand. Towards the close of the year, we commenced test marketing an economically priced and competitively superior performing, *WHISPER* Choice pads in the southern states of Karnataka, Tamil Nadu, Andhra Pradesh and Kerala. At an affordable introductory price of Rs.26 for ten pads, *WHISPER* Choice provides three distinct benefits: 1) superior protection vs. other pads in its price range; 2) with its unique dri-weave top sheet it provides one tenth the wetness of ordinary (non

woven) top sheet pads and 3) double adhesive coverage to ensure that the pad stays in place much better than ordinary pads.

Your directors recommend a dividend of Rs. 20 for each equity share for the financial year ended June 30, 2004.

Outflow of dividend
(Rs. crores)

2004	64.92
2003	43.28
2002	43.28

We have worked closely with village Satlapur Panchayat, in whose jurisdiction our Mandideep Plant is located, in various community development projects. We have undertaken three projects in the area of education - expanding size of the local school; instituting academic scholarships; donating books and computers. We have helped solve scarcity of clean drinking water by donating hand pumps. In these efforts we have received excellent support from the Madhya Pradesh Government and from our employees. We believe we have made a meaningful difference to their lives and will continue to demonstrate our commitment to the community not just through the quality of our products and services, but also through socially responsible initiatives that improve their lives.



RESPONSIBILITIES OF DIRECTORS

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

- that in the preparation of the annual accounts for the financial year ended June 30, 2004, 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, 2004, on a "going concern" basis.

CORPORATE GOVERNANCE

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

MANAGEMENT & DIRECTORS

Directors wish to place on record their appreciation to the remarkable dedication, ownership and leadership qualities demonstrated by the employees, enabling the Company doing well even in the challenging competitive environment. The employees focused on common goals and operated with core values and principles. They shared a single purpose - to improve the lives of the

E.P.S. (Rs.)

2004	28.39
2003	31.44
2002	35.59

consumers and thereby creating increased value for shareholders. This is the reason during the year your company was adjudged as **India Best Employer** in a survey of 220 companies conducted by International HR Consultancy Hewitt Associates with Business Today magazine.

The information as per Section 217(2A) of the Companies Act, 1956 ('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 shareholders 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 Secretarial Officer at the Registered Office of the Company.

The Board wishes to record its appreciation of the continued unstinted support and co-operation received by the Company from its Retailers, Wholesalers, Distributors, Suppliers of Goods & Services, Clearing and Forwarding agents and all other business associates of the Company.

During the year, Mr. Pramod Agarwal was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956, and holds such office until this Annual General Meeting. Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Agarwal's candidature for the office of a Director. The Board recommends his appointment.

As Mr. Ashok Chhabra's term of 5 years as the Executive Director of the Company will come to close on September 19, 2004, Board, subject to the approval of members, recommends appointment of Mr. Chhabra, as Executive Director of the Company for a further period of five years with effect from September 20, 2004, on such terms and conditions as the Board may consider appropriate, provided, however, that the terms of remuneration of Mr. Chhabra shall not exceed the ceilings as set out in Schedule XIII to the Companies Act, 1956, as amended from time to time and such other guidelines as may be issued hereafter in this behalf.

Mr. B. V. Patel and Mr. C. V. Bergh retire by rotation and, being eligible, offer themselves for re-appointment.

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, retire and offer themselves for re-appointment.

Company has received the approval of the Central Government for appointment of M/s. P. M. Nanabhoy & Company, Cost Accountants, to conduct the cost audit of drug formulations and detergents for the year ended June 30, 2004 and has re-appointed M/s. P. M. Nanabhoy & Company, Cost Accountants, as Cost Auditors for the year ending June 2005, subject to the approval of the Central Government.

The information, in accordance with the provisions of Section 217(i)(e) of the Companies Act, 1956, 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, forms part of this Report.

We wish to place on record our sincere appreciation for the outstanding and invaluable support provided by The Procter & Gamble Company, USA and Procter & Gamble (Singapore) Pte. Limited in terms of access to the latest information/knowledge in the field of research and development for product, ingredients and technologies; timely inputs into exceptional marketing strategies; and the goodwill of its world-renowned Trademarks and superior brands. These have vastly benefited the Company.

On behalf of the Board of Directors

Bharat V. Patel

Bharat V. Patel
Chairman

Mumbai
August 24, 2004

Export Sales (Rs. crores)

2004	18.9
2003	29.8
2002	29.7

Employees

2004	345
2003	350
2002	431

ANNEXURE TO THE REPORT OF DIRECTORS**A. Power & Fuel Consumption**

	2003-04	2002-03
1. Electricity		
a) Purchased		
Units (KWH)	82 91 618	64 92 512
Total Amount (Rs.)	3 69 86 019	2 57 82 181
Rate/Unit (Rs.)	4.46	3.97
b) Own Generation:		
i) Through Diesel Generator		
Units (KWH)	3 11 267	6 88 114
Units per lts. of Diesel Oil	3.01	3.17
Cost / Unit (Rs.)	6.41	7.20
ii) Through Steam Turbine / Generator	N.A.	N.A.
2. Coal (Specify Quality and where used)	N.A.	N.A.
3. Furnace Oil	N.A.	N.A.
4. Others / Internal Generation	N.A.	N.A.

B. Consumption of Electricity Per Unit of Production

	KWH/tonnes	
	2003-04	2002-03
Other Products	152	272

Note :

Since Company's operations involve low energy consumption, the Company has no comments to offer under para Assignment(a) to (c) of Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

I. RESEARCH & DEVELOPMENT :

- Specific areas in which R&D carried out by the Company :

During the year Company continued its Research and Development thrust for improvement of its existing products, processes and import substitution. Research work is also being done for development of new products.

- Benefits derived as a result of the above R&D :

R&D efforts have helped bringing about an improvement in processes and have resulted in cost reduction and import substitution.

- Future Plan of Action :

Emphasis will continue to be laid on the existing products and new products.

- Expenditure on R&D.

	Rs. 000's	
	2003-04	2002-03
a. Capital	—	—
b. Recurring	33.57	80.71
c. Total	33.57	80.71
d. Total R&D expenditure as a percentage of total turnover.	0.06	0.18

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- Efforts, in brief, made towards technology absorption, adaptation and innovation

Continued implementation of QC/QA procedures for natural products; New products and processes were successfully adapted on commercial scale to utilize local, raw materials and machinery; Technical Services for reliability, quality, cost savings and technology transfer from overseas.

- Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

All the above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products and import substitution and successful absorption of technology.

- Imported technology: The Company has the advantage of availing advanced technology and continuous upgradation thereof from The Procter & Gamble Company, USA and its subsidiaries. This is an unmatched competitive advantage that helps the Company deliver strong business results.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company exported products and services of Rs. 18.01 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 19(B)(3)(j) to the Accounts.

By Order of the Board of Directors

Bharat V. Patel

Bharat V. Patel
Chairman

Procter & Gamble Hygiene and Health Care Limited

CORPORATE GOVERNANCE REPORT

Your Directors believe that the provisions relating to Corporate Governance are for enhancing accountability and increasing shareholder value. Your Company has over the years practiced the principles of good Corporate Governance. Given below is the report:

1. We believe that Corporate Governance is the interaction of the management, shareholders, and board of directors to help ensure that all investors—both shareholders and creditors—are protected against managers acting solely in their own best interest. 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 throughout the Company—at all levels, both internally and externally. Our actions and the actions of all our employees are governed by our Purpose, Values, and Principles. Our commitment to operate responsibly is reflected in the steps we have in place to ensure rigorous financial discipline and Corporate Governance.

We have highly experienced Board of Directors, with members who understand their role in providing strong Corporate Governance. Our Audit Committee is comprised of independent directors, with appropriate financial skills to provide good oversight. We maintain strong internal controls. Our rigorous business process controls include an ongoing program of audit self-assessment, and internal and external audits to ensure compliance with all relevant regulations and standards.

We reinforce key employee responsibilities through the Company's "Worldwide Business Conduct Manual," which sets forth management's commitment to conduct its business affairs with high ethical standards.

Your Company's 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 and employees, we want to do what is right. For us this is the only way to do business.

2. BOARD OF DIRECTORS – COMPOSITION AND FUNCTIONING

The Board has one Managing Director (MD), two Executive Directors (ED) and six Non-Executive Directors. MD and EDs are involved in the day-to-day management of the Company while the Non-Executive directors bring external perspective and independence to decision making. Except MD/EDs, all the Non-Executive Directors

are liable to retire by rotation. As per article 131 of the Articles of Association of the Company, The Procter & Gamble Company, USA has the right to designate one or more of the members of the board as Managing Director of the Company. Mr. B. V. Patel (Chairman), Mr. R. A. Shah, Mr. B. S. Mehta and Mr. A. K. Gupta are 'independent directors' as per explanation to clause 49 I (A) of the listing agreement.

The Composition of the Board of Directors as on June 30, 2004 and other required details are given below:

Director	Category	No. of Membership in Boards of other companies*	No. of Membership/Chairmanships in other committees*
Mr. B. V. Patel	Non-Executive Chairman	2	3
Mr. S. Khosla	Managing Director	1	1
Mr. A. Chhabra	Executive Director	1	1
Mr. S. Durani	Executive Director	1	1
Mr. R. A. Shah	Non-Executive Director	14	9 (Chairman in 4)
Mr. B. S. Mehta	Non-Executive Director	13	9 (Chairman in 5)
Ms. N. Bali	Non-Executive Director	None	None
Mr. C. V. Bergh	Non-Executive Director	None	None
Mr. A. K. Gupta*	Non-Executive Director	None	None
Mr. P. Agarwal	Non-Executive Director	None	None

*excludes directorships in private limited companies, bodies corporate, memberships of managing committees of various chambers/bodies and alternate directorships.

*Mr. A. K. Gupta ceased to be a director of the Company w.e.f. July 6, 2004.

Attendance Record of the Directors

Four Board meetings were held during the period July 1, 2003 to June 30, 2004. They were held on September 8, October 31, 2003, January 29 and April 22, 2004. The attendance record of all directors is as under:

Directors	No. of Board meetings attended	Last AGM Attendance
Mr. B. V. Patel	4	Present
Mr. S. Khosla	4	Present
Mr. A. Chhabra	4	Present
Mr. S. Durani	2	Present
Mr. R. A. Shah	4	Present
Mr. B. S. Mehta	4	Present
Ms. N. Bali**	1	Present
Mr. C. V. Bergh	None	Not Present
Mr. A. K. Gupta*	4	Present
Mr. P. Agarwal**	1	N. A.

*Mr. A. K. Gupta ceased to be a director of the Company w.e.f. July 6, 2004

** Attended the meeting via Video Conference.

3. AUDIT COMMITTEE

Members as on June 30, 2004	Mr. B. S. Mehta and Mr. R. A. Shah
Chairman	Mr. B. V. Patel

Constituted on August 29, 2000, all members are Non-Executive Directors. The committee has members with sound knowledge of finance, accounting and law. The committee deals with accounting matters, financial reporting and internal controls. The power and role of the Audit Committee is as per Section 292A of the Companies Act, 1956, and guidelines set out in the amended listing agreement. It monitors proposed changes in accounting policy, accounting implication of major transactions etc. It also reviews the adequacy of internal audit controls, formulates and monitors the annual audit plan. The Audit Committee met on September 6, October 30, 2003, January 29 and April 22, 2004 with requisite quorum.

4. REMUNERATION COMMITTEE

The Company has not constituted Remuneration Committee.

The Non-Executive Directors are paid sitting fees of Rs.10000/- for each meeting of the Board and Rs.10000/- for each meeting of the Audit Committee/Shareholders Grievance Committee w.e.f. October 2003, attended by them. Company also pays fees for the professional services to the firm of Chartered Accountants and firm of Solicitors and Advocates of which two of the Non-Executive Directors are partners. The Executive Directors are paid remuneration based on their responsibility and performance and in terms of the resolution as passed by the members at the General Meeting. Details of the remuneration paid to Directors of the Company during the year ended June 30, 2004 are given below:

	Rs. (lacs)
a) Salary	211.22
b) Benefits including Bonus	68.45
c) Sitting fee to Non-Executive Directors	2.84
Total	282.51

Term of Managing Director and other Executive Directors is for a period of five years from the date of their respective appointment and has a notice period of three months. No fee/compensation is payable to the Directors on severance of directorship of the Company. Please refer to remuneration of MD and EDs in statement under Section 217(2A) of the Companies Act, 1956.

5. SHAREHOLDERS GRIEVANCE COMMITTEE

Members as on June 30, 2004	Mr. S. Khosla, Mr. S. Durani, Mr. A. Chhabra
Chairman	Mr. B. V. Patel

The Committee was constituted on August 29, 2000, to redress shareholder complaints like delays in transfer of shares, non-receipt of dividend warrants, non-receipt of annual report etc. The Committee considers and approves transfer/transmission of shares, issue of duplicate share certificates, dematerialization of shares. During the year four meetings were held on September 8, October 31, 2003, January 29 and April 22, 2004 respectively.

During the year, the Company received 33 shareholder complaints. The complaints have generally been resolved to the satisfaction of the shareholders except for dispute cases and sub-judice matters, which would be resolved on final disposal by court. Numbers of pending transfers as on June 30, 2004 were 7. The pending share transfers have since been acted upon by the Registrar and Share Transfer Agents.

6. GENERAL BODY MEETINGS:

Year	Type	Location	Date	Time
2003	AGM	Y B Chavan Hall	Oct 10, 2003	3:30pm
2002	AGM	Patkar Hall	Sept 27, 2002	3:30pm
2001	AGM	Patkar Hall	Sept 28, 2001	3:30pm

No special resolution was put through postal ballot at the last Annual General Meeting.

7. NOTES ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT

- a) Mr. Bharat Patel is a graduate of M. S. University, Baroda, with degree in M.A. Economics from the University of Notre Dame and M.B.A. in Marketing from the University of Michigan, USA. Mr. Patel started his career with the Company, in its management cadre in 1970, and since then held positions of importance and made valuable contribution to the business of the Company.

Presently Mr. Patel is a Director of Procter & Gamble Bangladesh Private Limited, Procter & Gamble Lanka Private Limited, Bajaj Tempo Limited, Wockhardt Limited and Nesco Limited. Mr. Patel is also a Member of the Audit and Investor Grievance Committee of Wockhardt Limited and in the Remuneration Committee of Bajaj Tempo.

- b) Mr. C. V. Bergh holds a Bachelor's degree from Lafayette College, U.S. and joined The Procter & Gamble Company, USA in 1983 as a Brand Assistant.

Over the years, he has held senior leadership positions in advertising and general management. Mr. Bergh currently is the President of ASEAN-Australia-India (AAI). Mr. Bergh does not hold directorship in any other company.

- c) Mr. Pramod Agarwal is a Commerce Graduate from Kanpur and completed is MBA/PGDBM from IIM Ahmedabad. Employed in the Company in the year 1987, he has worked in the Finance function in India, Thailand, Japan, Philippines, and USA. Currently, he is the Finance Director of ASEAN, Australia and India, based in Singapore. Mr. Agarwal does not hold directorship in any other company.
- d) Mr. Ashok Chhabra is a Law graduate and a Fellow Member of the Institute of Companies Secretaries of India. Mr. Chhabra joined the Company in 1990 as General Counsel & Company Secretary responsible for Legal and Secretarial functions of the Company. In the year 2000, he was made the head of External Relations department which includes functions of Legal, Public Affairs, Technical External Relations and Government Relations.

Presently Mr. Chhabra is a Director of Procter & Gamble Home Products Limited, Procter & Gamble Bangladesh Private Limited and Procter & Gamble Lanka Private Limited. Mr. Chhabra is also a Member of the Audit Committee of Procter & Gamble Home Products Limited.

8. DISCLOSURES

a) Materially significant related party transactions.

There are no materially 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 No. 12 of Schedule 19 to the Accounts in the Annual Report.

b) Statutory Compliance

The Company has complied with the requirements of regulatory authorities on capital markets and no strictures or penalty was imposed on the Company in past three years.

9. MEANS OF COMMUNICATION

- a) The Company does not send its half-yearly report to each household of shareholders.
- b) The quarterly results of the Company are generally published in The Economic Times and Maharashtra Times.
- c) Company's results and official news release are generally published on Company's website: www.pg.com/india. This website has recently been

revamped. It contains data on various topics related to transfers, transmission of shares, dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc. Also, a special facility has also been provided for shareholders to send in their suggestion/ grievances, which are immediately responded to.

- d) The Management Discussion and Analysis Report forms part of this Report.

10. MANAGEMENT DISCUSSION AND ANALYSIS

The Company has good internal control systems, the adequacy of which have been reported by its auditors in their report as required under the Companies Auditors' Report Order, 2003. The discussion on financial performance of the Company is covered in the Directors' Report. The segment-wise performance is available in Note No. 13 of Schedule 19 to the Audited Accounts of the Company. Employee and Trade Relations related developments are covered in the Directors' Report. The number of employees as on June 30, 2004 were 345.

The Company's core business is marketing and distribution of Health Care and Feminine Hygiene products. Under these businesses it has in its portfolio VICKS – India's No. 1 Health Care brand and WHISPER – India's leading Feminine Hygiene brand. The Company also contract manufactures synthetic detergents (Tide and Ariel) for Procter & Gamble Home Products Limited at its plant at Mandideep, Madhya Pradesh, on cost plus margin basis.

While VICKS continues to not only maintain but also increase its leadership share in all segments of cold relief, there are opportunities and challenges it faces. The Health Care category size in India is under-developed as per capita consumption is low compared to developing countries. This business is also heavily dependant on good monsoon and winter seasons. The unpredictability of these seasons impacts the sales of VICKS in a given year.

Likewise, while the Feminine Hygiene category has grown at a healthy rate of 8% annually for last 5 years, it is small as compared to the size of target female population. For perspective, Philippines with a population of only 8.6 crores consumes the same volume of sanitary napkins as we do in India and the Chinese sanitary napkins market is 12-14 times that of India. Therefore, the opportunity for us is in tapping young consumers who do not use branded sanitary napkins through education and sampling. However, this entails changing her habit from using cloth to branded sanitary napkins and which involves huge investments in terms of time and money.

The Statements in the Management Discussion and Analysis Report may be seen as forward looking statements. The actual results may differ materially for those expressed or implied in the statement depending on circumstances.