



Procter & Gamble Hygiene and Health Care Limited



A n n u a l R e p o r t 2 0 0 4 - 2 0 0 5

| | | |
|---------------------------|--|--|
| BOARD OF DIRECTORS | B. V. Patel S. Khosla A. Chhabra R. A. Shah B. S. Mehta D. Henretta | <i>Chairman</i> <i>Managing Director</i> <i>Executive Director & Company Secretary</i> |
|---------------------------|--|--|

| | | |
|------------------------|--|---|
| AUDIT COMMITTEE | B. V. Patel B. S. Mehta R. A. Shah A. Chhabra | <i>Chairman</i> <i>Secretary</i> |
|------------------------|--|---|

| | | |
|---|--|-----------------|
| SHAREHOLDERS GRIEVANCE COMMITTEE | B. V. Patel A. Chhabra S. Khosla | <i>Chairman</i> |
|---|--|-----------------|

| | |
|-----------------|------------------------------------|
| AUDITORS | Deloitte Haskins & Sells Mumbai |
|-----------------|------------------------------------|

| | |
|-------------------|---------------------------------|
| SOLICITORS | Crawford Bayley & Co. Mumbai |
|-------------------|---------------------------------|

| | |
|----------------|------------------------------------|
| BANKERS | Citibank N. A. Deutsche Bank AG |
|----------------|------------------------------------|

| | |
|--------------------------|---|
| REGISTERED OFFICE | P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (E), Mumbai 400 099. Tel. : (91-22) 2826 60 00 Fax : (91-22) 5693 96 96 |
|--------------------------|---|

| | |
|-------------------------------------|---------------|
| MANUFACTURING FACILITIES | Kundaim (Goa) |
|-------------------------------------|---------------|

| | |
|---|--|
| REGISTRARS & TRANSFER AGENTS | 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 |
|---|--|

Dear Shareholders,

I am pleased to share the new peaks your Company has scaled in the fiscal year 2004-05. While topline grew by 19% and bottom line by 35%, Profits Before Tax grew 40% and Profits After Tax by 35% (driven by better margins in core business, one time items like reversal of provisions no longer required, asset sale and higher interest income during the year). The key drivers of this growth have been your Company's focus on winning at the two consumer moments of truth - first, through strong distribution and in-store presence and second, through superior performance of our products that truly delight.

Our core brands have attained #1 position in the categories they compete in with Vicks VapoRub, Vicks Cough Drops, Vicks Action 500 and Whisper all achieving improved market shares in 2004-05. The Vicks range has grown due to strong equity-building advertising, changes in pack sizes and increased distribution, and its performance is particularly commendable as it has grown faster than the category it competes in. Whisper regained value market leadership share after four years, and in a market where overall the per-capita consumption continues to be low, thus representing a huge opportunity for this global billion dollar brand. Whisper Ultra continues to delight consumers, and the successful national launch of Whisper Choice has further fuelled this brand's stellar growth in 2004-05. Whisper is now effectively placed to meet every Indian woman's feminine hygiene and protection needs.



You have always encouraged us to take initiatives in the area of social responsibility, and will be proud to know that your Company launched a unique cause-related marketing program – Shiksha – to educate underprivileged children, in partnership with India's premier child rights NGO, Child Relief and You (CRY). Our key stakeholders - distributors, retailers, media and employees joined hands in making Shiksha's success noteworthy. Shiksha will support education of 11,000+ underprivileged children in 10 educational projects across seven states in India. Your Company and its employees also came forward and made significant contributions towards some of the worst catastrophes our country and its people witnessed – the Tsunami, Maharashtra Floods and recently the Jammu & Kashmir earthquake. In addition, Procter & Gamble, USA also contributed towards Shiksha under its global Live, Learn & Thrive program to support children in need, as well as the victims of the above mentioned natural calamities over the last year.

Your Company's focus on winning at the First Moment of Truth, driving superior quality distribution, marketing innovation, and social initiatives, embodies its motto of 'Touching lives, Improving life'. We continue to improve the lives of Indian consumers not just through the quality of our products but also through meaningful cause initiatives in the communities where we live and work. This is helping your Company win in the marketplace and we look to your continued support to ascend even greater heights in the future.

Bharat V. Patel

Mumbai
October 24, 2005

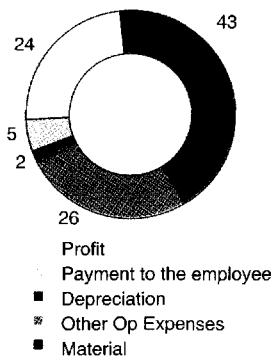
Bharat V. Patel
Chairman

Procter & Gamble Hygiene and Health Care Limited

REPORT OF THE DIRECTORS

Your Directors have the pleasure of presenting the 41st Annual Report and Audited Accounts of the Company for the year ended June 30, 2005.

FINANCIAL RESULTS



| | (Figures in Rs. Crores) | |
|-----------------------------|-------------------------|-----------|
| | 2004/2005 | 2003/2004 |
| Sales (less excise duty) | 684.9 | 577.2 |
| Profit before tax | 177.8 | 127.2 |
| Profit after tax | 124.6 | 92.2 |
| Proposed Dividend | 129.8 | 64.9 |
| Transfer to General Reserve | 12.5 | 9.2 |
| Balance carried forward | 45.8 | 81.7 |

BUSINESS PERFORMANCE

We are pleased to present outstanding financial results of your Company for the year ended June 30, 2005. The sales of Rs. 684.92 crores (Rs. 577.24 crores) were up by 19%. Our core business grew by 8% and contract manufacturing business grew by 48%. Profits Before Tax (PBT) at Rs. 177.79 crores (Rs. 127.17 crores) were up by 40%. Profits after tax (PAT) at Rs. 124.61 crores (Rs. 92.17 crores) were up by 35%. Impressive growth in PBT and PAT were driven by better margins on core business and also by one time items like reversal of provisions no longer required, asset sale and higher interest income during the year under review. Without one time items, PBT grew by 19% and PAT by 13.5%, which is impressive in equal measure.

Apart from continued focus on strong consumer based marketing and product initiative programs developed to delight our consumers, this year's performance has been driven by renewed efforts to win at the First Moment of Truth - the critical moment at the retail outlet when the shopper makes the choice to buy our brands. We have made significant advance in bringing world class technology and methods to bear to truly understand the dynamics in the Indian market place at the First Moment of Truth.

Beyond leveraging our unique distribution infrastructure to drive wider and deeper distribution, this approach has focused on the quality of distribution based on a deep understanding of shopper behavior in store. This has enabled us to design programs across our brands that provide a competitive advantage and influence the shoppers purchase decision by using the retailer as a key partner. This has led to significantly more effective and efficient programs that have been a key driver of our strong results across all channels.

Health Care Business

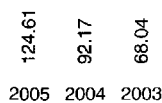
Health Care sales at Rs. 207.63 crores (Rs. 201.9 crores) grew by 3%. This is good performance especially when the overall Health Care (Colds) market grew only by 1% during the year. And VICKS VapoRub regained its market leadership (value) after five years by increasing its market value share by 3% points during the year. Market share of VICKS Action 500 also reached a historic high during the year with fastest growth in off-take and increased share in rural markets. Marketing initiatives behind new advertising copy, change in pack sizes and increased distribution helped increase our market share. VICKS Cough Drop sales grew by 14% backed by better and deep distribution reach, building strong equity of relief from minor throat irritation through strong TV ads and continuing media coverage over ten months. However, VICKS Formula 44 sales grew at a slower than anticipated pace. While we do have plans to accelerate the growth, the brand may take three to five years to capture its full potential, given the inherently low cough incidence and hence low purchase frequencies in the cough syrup category.



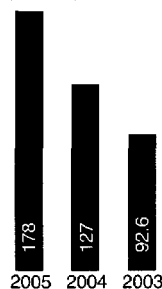
Feminine Hygiene Business

Feminine Hygiene business registered another year of excellent growth. The sales at Rs. 186.38 crores (Rs. 163.58 crores) grew by 14% over a high base of last year when the sales grew by 15%. WHISPER value share grew by 3% points and the brand regained its value market leadership share after a gap of four years. WHISPER has extended its value leadership by 6.8% share points to its closest competitor. Continued growth of WHISPER Ultra, a great world-class technology product, and successful launch of WHISPER Choice - great-quality-at-affordable-price feminine hygiene sanitary napkin, have provided the growth impetus.

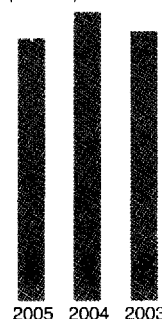
Profit After Tax
(Rs. crores)



Profit Before Tax
(Rs. crores)



Net Worth
(Rs. crores)





The landmark launch of international quality WHISPER Choice in the last year was extended across India, barring a few States. It is meeting the needs of the consumers who want affordable protection within their budget and yet of great quality.

Your Company organized a heart-warming WHISPER Mother's Choice Award-cum-Launch Event to celebrate the special relationship between mothers and daughters across India. The entire mother-daughter interaction and experience led to a positive equity for the brand and tremendous word of mouth among consumers.

In our view, WHISPER Choice, WHISPER Ultra, WHISPER with Wings and WHISPER Maxi Regular make a formidable combination in meeting all the menstrual protection needs of all types of Indian women.

MANUFACTURING BUSINESS

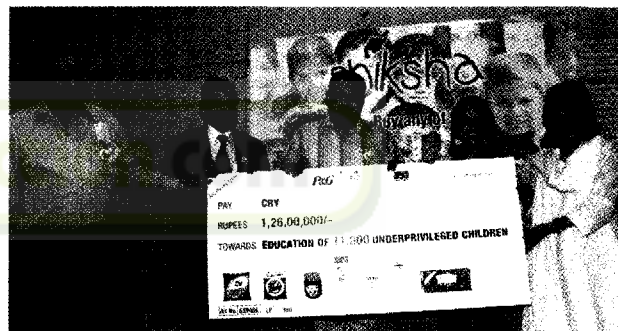
Effective October 1, 2005 your Company has transferred non-core detergent manufacturing business to Procter & Gamble Home Products Limited. We are pleased to place on record that the shareholders, through a postal ballot, have approved the transfer with overwhelming majority. We reiterate that this transfer though will impact the top-line by over Rs. 200 crores annually, the freed-up resources should help the Company lay greater focus on its core business and augment Company's distributable profits. Details of postal ballot results are given in the Corporate Governance report.

DIVIDEND

The cash resources available to the Company has enabled the Directors to recommend a dividend of Rs. 40 for each equity share for the financial year ended June 30, 2005, of which Rs. 20 is a one-time special dividend.

SOCIAL RESPONSIBILITY

We are proud that your Company launched a unique program – SHIKSHA (EDUCATION) - to educate underprivileged children in partnership with India's premier child rights organization, Child Relief and You (CRY). SHIKSHA will support education of 11,000+ underprivileged children for one full year. Under SHIKSHA, each time a consumer bought your company's products during April-June 2005, he/she supported one day's education of one child per large pack purchased. Procter & Gamble, USA also participated in SHIKSHA by giving a significant donation under its Live, Learn & Thrive program to support children in need across the globe. CRY will allocate the funds donated by us to ten children's projects across 7 States, to support building of schools, education material, training, enrolment-drives etc. CRY will help the underprivileged children not only get educated but also reduce dropout rates from schools.



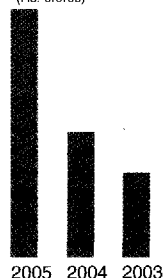
Shiksha was supported by multiple key stakeholders – National & Regional TV channel partners, Press/Media, Retailers across India and Employees who not only built awareness about the program (at no cost), but also encouraged consumer participation for the Shiksha program. SONY Television, our national media partner, took the SHIKSHA message to millions of homes and India's leading celebrities & opinion leaders including Preity Zinta, Kajol, Pallavi Joshi, Mandira Bedi, Revathi, Kiran Bedi and many others who came forward to endorse Shiksha and this noble cause in over 6 events across India. Likewise retailers across India gave Shiksha and the P&G brand free visibility for over three months, given the noble cause they were supporting. These important stakeholders coming forward and joining hands to make the Shiksha Program a success will go a long way in building a strong corporate reputation and the equity of our brands.

RESPONSIBILITY STATEMENT

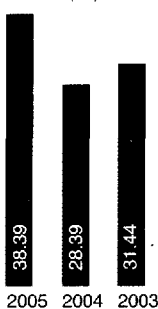
Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial year ended June 30, 2005, 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, 2005, on a "going concern" basis.

Outflow of Dividend
(Rs. crores)



E.P.S. (Rs.)



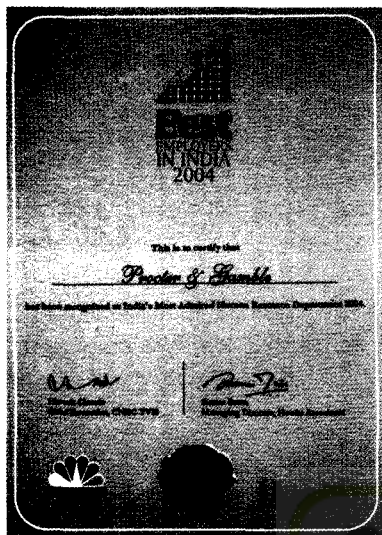
Procter & Gamble Hygiene and Health Care Limited

CORPORATE GOVERNANCE

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

MANAGEMENT & PERSONNEL

Directors take pleasure in informing that yours is the only company to be ranked in the top 5 Business Employers since the start of the Best Employer survey in India by Hewitt Associates and CNBC TV18. In addition, your Company, this year, bagged the "India's Most Admired Human Resources Department" award. Directors take this opportunity to thank the employees for their exceptional commitment, perseverance and enthusiasm in helping Company make this mark in the Industry. Directors also wish to place on record the unstinted support from the employees which enabled Company achieve leadership positions in its core businesses in spite of strong competition and present an outstanding performance.



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.

TRADE RELATIONS

The Board wishes to thank retailers, wholesalers, distributors, suppliers of goods & services, clearing and forwarding agents and all other business associates for their continued support and co-operation to ensure smooth functioning of Company's business.

DIRECTORS

During the year, Ms. Deborah Ann Henretta - President ASEAN, Australia and India (AAI) region, was appointed as a Director in place of Mr. C. V. Bergh who resigned from the Board, on his transfer to Procter & Gamble, USA. Directors place on record their appreciation to the valuable contributions made by Mr. Bergh. Mr. Pramod Agarwal was appointed as an Alternate Director to Ms. Henretta.

Mr. B. S. Mehta and Mr. R. A. Shah retire by rotation and, being eligible, offer themselves for re-appointment.

AUDITORS

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

COST AUDITORS

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, 2005 and has re-appointed them as Cost Auditors for the year ending June 30, 2006, subject to the approval of the Central Government.

CONSERVATION OF ENERGY ETC. INFORMATION

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.

ACKNOWLEDGEMENT

We continue to gain access and benefit from the latest on research and development on product and technologies by The Procter & Gamble Company, USA. We also continue to benefit from Procter & Gamble (Singapore) Pte Limited's valuable contribution in different business services viz. marketing, financial, logistics, purchasing and business solutions. We place on record our special thanks for this support.

On behalf of the Board of Directors

Mumbai
October 24, 2005

Bharat V. Patel
Chairman

ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption

2004-2005 2003-2004

1. Electricity

a) Purchased

| | | |
|---------------------|-------------|-------------|
| Units (KWH) | 1 13 31 063 | 82 91 618 |
| Total Amount (Rs.) | 5 36 05 028 | 3 69 86 019 |
| Rate/Unit (Rs.) | 4.73 | 4.46 |

b) Own Generation:

i) Through Diesel

Generator

| | | |
|---------------|----------|----------|
| Units (KWH) | 6 62 908 | 3 11 267 |
|---------------|----------|----------|

Units per lts. of

| | | |
|------------|------|------|
| Diesel Oil | 3.19 | 3.01 |
|------------|------|------|

| | | |
|---------------------|------|------|
| Cost / Unit (Rs.) | 8.88 | 6.41 |
|---------------------|------|------|

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/tones

2004-2005 2003-2004

| | | |
|----------------|-----|-----|
| Other Products | 130 | 152 |
|----------------|-----|-----|

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 :

1. 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.

2. 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.

3. Future Plan of Action :

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

4. Expenditure on R&D.

Rs. 000's

2004-2005 2003-2004

| | | |
|---|-------|-------|
| a. Capital | — | — |
| b. Recurring | 36.91 | 33.57 |
| c. Total | 36.91 | 33.57 |
| d. Total R&D expenditure as a percentage of total turnover. | 0.05 | 0.06 |

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. 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.

2. 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.

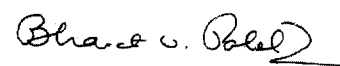
3. Imported Technology : The Company has the advantage of availing advanced technology and continuous upgradation thereof from The Procter & Gamble Company, USA and its subsidiaries. This is an unmatched competitive advantage that helps the Company deliver strong business results.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :

The Company exported products and services of Rs. 5.52 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 20 (B)(3)(j) to the Accounts.

By Order of the Board of Directors



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, in all countries, 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 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 P&G, and our global operations, this is the only way to do business.

2. BOARD OF DIRECTORS – COMPOSITION AND FUNCTIONING

The Board has one Managing Director (MD), one Executive Director (ED) and four Non-Executive Directors. MD and ED 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/ED, 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 and Mr. B. S. Mehta are

'independent directors' as per Clause 49 of the listing agreement.

The Composition of the Board of Directors as on June 30, 2005 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 | 4 | 3 |
| Mr. S. Khosla | Managing Director | 1 | 1 |
| Mr. A. Chhabra | Executive Director | 1 | 1 |
| Mr. S. Durani ** | Executive Director | None | None |
| Mr. R. A. Shah | Non-Executive Director | 14 | 8 (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. P. Agarwal ** | Non-Executive Director | 1 | None |

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

** Mr. S. Durani and Ms. N. Bali ceased to be Directors of the company w.e.f. January 31, 2005 and Mr. C. V. Bergh w.e.f. September 2, 2005. Mr. P. Agarwal ceased to be the Alternate Director to Mr. Bergh w.e.f. September 2, 2005.

Note : Ms. Deborah Ann Henretta was appointed as a Director w.e.f. September 2, 2005. Mr. P. Agarwal was appointed as an Alternate Director to Ms. Henretta.

Attendance Record of the Directors

Five Board meetings were held during the period July 1, 2004 to June 30, 2005. They were held on August 24, October 15, October 26, 2004, January 31 and April 29, 2005. The attendance record of all directors is as under:

| Directors | No. of Board meetings attended | Last AGM Attendance |
|-------------------|--------------------------------|---------------------|
| Mr. B. V. Patel | 5 | Present |
| Mr. S. Khosla | 5 | Present |
| Mr. A. Chhabra | 5 | Present |
| Mr. S. Durani | 3 | Present |
| Mr. R. A. Shah | 4 | Not Present |
| Mr. B. S. Mehta | 5 | Present |
| Ms. N. Bali * | 1 | Not Present |
| Mr. C. V. Bergh * | 1 | Not Present |
| Mr. P. Agarwal * | 1 | Not Present |

* Attended the meeting via video conference.

Annual Report 2004-2005

3. AUDIT COMMITTEE

Members as on Mr. B. S. Mehta and
June 30, 2005 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 August 23, October 26, December 20, 2004, January 31 and April 29, 2005 with requisite quorum.

4. REMUNERATION COMMITTEE

The Company has not constituted Remuneration Committee.

The Non-Executive Directors are paid sitting fees of Rs.10,000/- for each meeting of the Board and Rs.10,000/- for each meeting of the Audit Committee/ Shareholders Grievance Committee. 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, 2005 are given below:

| | Rs. (lacs) |
|---|------------|
| a) Salary | 242.82 |
| b) Benefits including Bonus | 63.82 |
| c) Sitting fee to Non-Executive Directors | 3.60 |
| Total | 310.24 |

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 ED in statement under Section 217(2A) of the Companies Act, 1956.

5. SHAREHOLDERS GRIEVANCE COMMITTEE

Members as on Mr. S. Khosla, and
June 30, 2005 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 August 24, October 26, 2004, January 31 and April 29, 2005 respectively.

During the year, the Company received 26 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. Number of pending transfers as on June 30, 2005 was 1. The pending share transfer have since been acted upon by the Registrar and Share Transfer Agents.

6. GENERAL BODY MEETINGS

| Year | Type | Location | Date | Time |
|------|------|-----------------|---------------|--------|
| 2004 | AGM | Y B Chavan Hall | Oct 15, 2004 | 3:30pm |
| 2003 | AGM | Y B Chavan Hall | Oct 10, 2003 | 3:30pm |
| 2002 | AGM | Patkar Hall | Sept 27, 2002 | 3:30pm |

No special resolution was passed at the last Annual General Meeting held.

Postal Ballot

Postal Ballot process was undertaken by the Company for the purpose of obtaining the approval of the shareholders by way of an Ordinary Resolution for authorizing the Board of Directors to transfer by way of sale or otherwise its detergent manufacturing business (comprising of land, building, plant & machinery and other assets at its Mandideep Plant situated in District Raiesan, Madhya Pradesh) to Procter & Gamble Home Products Limited – a fully owned subsidiary of The Procter & Gamble Company, USA.

Mr. B.V. Dholakia, Partner, Shah Dholakia & Associates was appointed as the Scrutinizer for the postal ballot process. The Scrutinizer submitted his report to the Chairman, the result of which was declared on September 16, 2005. The results of the ballot are given below :

| Particulars | No. of Ballot Forms | No. of Shares | % of Total No. of Votes Received |
|-------------------------|---------------------|--------------------|----------------------------------|
| In Favour | 1,575 | 2,35,16,987 | 98.23 |
| Against | 47 | 13,971 | 0.06 |
| Neutral | 61 | 31,432 | 0.13 |
| Invalid | | | |
| (a) In favour | 223 | 3,59,693 | 1.50 |
| (b) Against | 23 | 12,287 | 0.05 |
| (c) Neutral & Mutilated | 20 | 5,342 | 0.03 |
| TOTAL | 1,949 | 2,39,39,712 | 100.00 |

The resolution to transfer detergent manufacturing business of the Company at Mandideep to Procter & Gamble Home Products Limited was approved by shareholders with overwhelming majority

Procter & Gamble Hygiene and Health Care Limited

7. NOTES ON DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

- a) Mr. R. A. Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Co., a firm of Solicitors and Advocates. He specializes in a broad spectrum of corporate laws. Mr. Shah has been associated with your Company since its inception.

Mr. Shah is the Chairman of Godfrey Phillips India Limited and Pfizer Limited. Mr. Shah is the Vice-Chairman in Colgate Palmolive India Limited.

Mr. Shah is a Director of Abbott India Limited, Atul Limited, Asian Paints (India) Limited, The Bombay Dyeing & Mfg. Co. Limited, BASF India Limited, Colour Chem Limited, Clariant India Limited, Deepak Fertilizers & Petrochemicals Corporation Limited and Nicholas Piramal India Limited.

- b) Mr. B. S Mehta is a leading/practising Chartered Accountant and a Senior Partner of M/s. B.S. Mehta & Company, a firm of Chartered Accountants. Mr. Mehta specializes in the areas/spheres of taxations and financial management. Mr. Mehta has been a member of various bodies including the Institute of Chartered Accountants of India. Mr. Mehta has been associated with your Company as a Director since its inception. Presently he is Chairman/Director of the following public companies.

Mr. Mehta is a Director of Atul Limited, Bharat Bijlee Limited, Century Enka Limited, CEAT Limited, Housing Development Finance Corporation Limited, IL&FS Investment Managers Limited, J.B. Chemicals & Pharmaceuticals Limited, Pidilite Industries Limited, Sarsen Communication Technologies Limited, SBI Capital Markets Limited, Sudarshan Chemical Industries Limited, The Dawn Mills Company Limited and Vinyl Chemicals (India) Limited.

Mr. Mehta is an Alternate Director of Chemetall Rai India Limited and Udhe India Limited.

Mr. Mehta is also on the Board as a Chairman or Membership of the following Audit / Remuneration Committees. Housing Development Finance Corporation Limited, Atul Limited, Century Enka Limited, IL&FS Investment Managers Limited, J.B. Chemicals & Pharmaceuticals Limited, Sudarshan Chemical Industries Limited, Sarsen Communication Technologies Limited and Pidilite Industries 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. 10 of Schedule 20 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-india.com/hhel. It contains data on various topics related to transfers, transmission of shares, dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc.
- 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 (Auditor's 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. 11 of Schedule 20 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, 2005 were 368.

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. Effective October 1, 2005, the Company has discontinued manufacturing of detergents, consequent to transfer of its detergent plant at Mandideep, Madhya Pradesh to Procter & Gamble Home Products Limited.

In spite of increased advertising spends and launch of lower outlay products by players to expand consumer reach and trial, the Healthcare Colds market grew only by one percent during the year. Lower per capita consumption as compared to developing economies in the region and under-dosage of medication continue to pin down the growth potential.