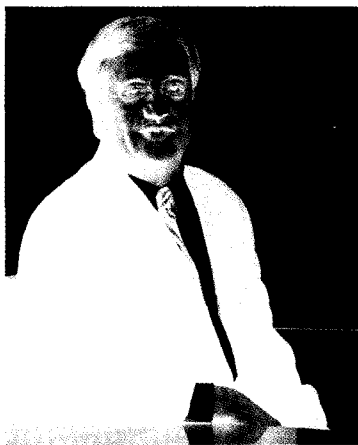




Procter & Gamble Hygiene and Health Care Limited

Report  junction.com

A n n u a l R e p o r t 2 0 0 5 - 2 0 0 6



Dear Shareholders,

Join me as I look back at fiscal 05/06 with pride - a year of strong growth, cost efficiencies and market leadership for your Company. Your Company achieved 20% sales growth in its core businesses - Feminine Hygiene (23%) and Health Care (17%). Although overall sales decreased 17%, this was primarily due to divestment of the detergent contract manufacturing business during the year. Importantly, Profit After Tax (PAT) increased by 12% while Operating Profit Margins (OPM) increased to 23% - clear signs of healthy growth for a Company.

Our core brands continued to lead in their respective categories. VICKS recorded its highest growth on years at 17% when the category grew at 7% and VICKS Vaporub maintained its market leadership for the second consecutive year. The launch of VICKS Cough Drops Honey flavor, VICKS Action500+ pack upsizing and increased distribution reach, have helped drive the VICKS franchise and deliver on the high side of double-digit growth. WHISPER also maintained its value market leadership while, consumer offers on large packs, house-to-house promotion campaigns etc., worked towards expansion of the Feminine Hygiene category's consumer base. WHISPER Ultra sustained its growth momentum in urban markets behind strong visibility and a distribution drive, and the competitively priced WHISPER Choice had a successful national launch that resulted in sales volume doubling versus the previous year. I am also pleased to share that to keep pace with the growing consumer demand for your Company's superior performing products and to take advantage of available tax benefits, we are setting up two new plants to manufacture healthcare products at Baddi, Himachal Pradesh.

Your Company continued its unabated contributions to the Community via Shiksha - the cause-related marketing program with the NGO, Child Rights and You (CRY) to help educate underprivileged children across India now in its second year. Once again, our key stakeholders - distributors, retailers, media and employees, championed the cause with the aim to make a bigger impact with Shiksha. The reasons cited for 3 in every 4 children dropping out of school are the high cost of private education and the need to work to support their families. I am happy to share that in 2005-06 your Company, under this program, garnered support from citizens across India and contributed Rs.1.43 crores from the sale of its brands to help lead 33,052 children in 435 villages on the path of education.

You will also be delighted to know that the unique WHISPER Choice *Prerna Puraskar* program with Doordarshan which facilitates mothers to share the choices they would like to give their daughters completed its second successful year. The WHISPER Choice *Prerna Puraskar* program is helping forge bonds between thousands of mothers and daughters nationally, empowering them with inspiring stories of other participating mothers and daughters, building the brand equity of WHISPER and what's more, has won the Bronze Lion Award at the Cannes International Advertising Festival 2006.

Your Company's relentless focus on core businesses, driving superior value via innovation; consumer meaningful marketing programs, strong trade plans, and expanded distribution, is working and keeps us on the growth track. To celebrate the past year of growth and acknowledge your support, we declare a dividend of Rs. 25 per equity share for the current fiscal. We stand committed to another year of improving the lives of Indian consumers delivering superior quality and value of our products and meaningful cause programs that benefit the communities in which we live and work.

As India scales new heights in the global economy, we look to your continued faith and support towards the stronger growth of your Company.

Mumbai
August 28, 2006

Bharat V. Patel
Bharat V. Patel
Chairman

BOARD OF DIRECTORS

B. V. Patel
Chairman

S. Khosla
Managing Director

A. Chhabra
Executive Director &
Company Secretary

R. A. Shah

B. S. Mehta

D. Henretta
(Alternate Mr. Pramod Agarwal)

REPORT OF THE DIRECTORS



Your Directors have the pleasure of presenting the 42nd Annual Report and Audited Accounts of the Company for the year ended June 30, 2006.

FINANCIAL RESULTS

(Figures in Rs. Crores)

	2005/2006	2004/2005
Sales (less excise duty)	566.73	684.92
Profit before tax	193.34	177.79
Profit after tax	139.51	124.61
Proposed Dividend plus tax thereon	92.53	148.05
Transfer to General Reserve	13.95	12.47
Balance carried forward	78.81	45.78

BUSINESS PERFORMANCE

We are pleased to present another year of excellent business results of your Company for the year ended June 30, 2006. The core Health Care and Feminine Hygiene business' sales at Rs. 473.67 crores (vs. last year's Rs. 401.67 crores) grew by 18%. It may be noted that total sales figure of Rs. 566.73 crores for the year under review is not comparable to last year's, as current year's sales include detergent contract manufacturing sales of just three months (July to September, 2005) whereas the previous base period has its sales for the entire twelve months.

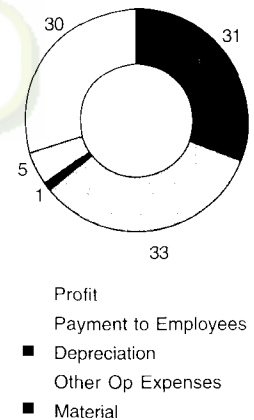
Profit Before Tax (PBT) at Rs. 193.34 crores (vs. last year's Rs.177.79 crores) grew by 9% and Profit After Tax (PAT) at Rs. 139.51 crores (vs. last year's Rs.124.61 crores) is up by 12%. Positive growth in PBT and PAT was driven by better margins on core business and also by one time items like reversal of provisions no longer required, asset sale and higher interest income. Excluding the above mentioned one time items, PBT grew by 3% and PAT by 6%.

The cash assets with the Company will help meet future capital needs for the new Health Care facilities in Himachal Pradesh and the expansion of Feminine Care manufacturing capacities over next two to three years.

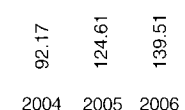
Health Care Business

Health Care sales at Rs 243.59 crores (vs. last year's Rs. 207.63 crores) registered a record growth of 17%. Sales of all brands in the category grew impressively with VICKS Cough Drops growing by 31%, VICKS Vaporub by 18%, and VICKS Action 500 cold tablets achieving a historic high in market share in value terms.

Leveraging our knowledge of consumer insights and needs, creating in-store visibility with clutter breaking display jars and introducing natural flavors like "Asli Honey" and "Asli Tulsi" helped VICKS Cough Drops register and impressive growth for the second year in running. Outstanding marketing initiatives and

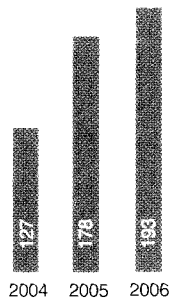


Profit After Tax
(Rs. Crores)



Procter & Gamble Hygiene and Health Care Limited

Profit Before Tax (Rs. Crores)



increased distribution were other factors behind VICKS achieving record growth levels.

As most are aware, we are setting up two plants to manufacture Healthcare products in Baddi, Himachal Pradesh. The plants are nearing completion and are expected to commence production in the October-December 2006 quarter.

During the year, the government changed the regulations and mandated that dextromethorphan hydrobromide the active ingredient of VICKS Formula 44 Cough Syrup can only be sold under a doctor's prescription and not Over The Counter (OTC) as it earlier was. Your Company has represented that formulations containing dextromethorphan are safe to use even without a doctor's prescription and our representation is being considered. Sales of VICKS Formula 44, in the meantime, continue to be adversely affected.



Celebrity Mother-Daughter Tanuja & Tanisha with winners of Whisper Choice Perna Puraskar Campaign

Feminine Hygiene Business

Feminine Hygiene business recorded another year of high growth with sales at Rs 228.96 crores (vs. last year's Rs. 186.38 crores) growing by 23%, ahead of 15% market growth during the year. This is the third year in succession that WHISPER has

achieved such outstanding growth. WHISPER Choice and WHISPER Ultra have also continued to grow at impressive rates. WHISPER enjoys outstanding brand equity amongst consumers and offers high quality choices from high end to mid-tier price segments. We continue to invest behind its primary target audience, the teens, in order to enroll them at an early stage, for a longer and superior product experience.

WHISPER Choice which offers world class quality at an affordable price has vastly expanded the WHISPER franchise across India. We believe it offers great quality and great value proposition, better than its competition. WHISPER Choice is fast becoming the preferred choice of consumers in the mid-tier price segment.

WHISPER Choice is running a highly effective marketing campaign – Perna Puraskar – an essay contest run at national level on “choices”

that mothers like to give their daughters for their better future. This campaign involves mothers from all stratas of society. This national and successful marketing initiative only gets better with every year. We are proud to share that the Perna Puraskar campaign was awarded a Bronze Lion Award at the International Cannes Advertising Festival 2006!

DIVIDEND

Directors are pleased to recommend a dividend of Rs. 25 for each equity share for the financial year ended June 30, 2006. This amounts to a 25% increase over the normal dividend of Rs. 20 per share declared in the past two years.

SOCIAL RESPONSIBILITY

Shiksha (education), our “cause-related marketing program” in association with the NGO - Child Rights and You (CRY), entered its second year with a donation from P&G enabling 33,052 children in 435 communities across India to access their right to education. It was garnered by donating a rupee each from every major pack of our product bought by consumers in the fourth quarter of the year. The donation will be used for nine projects across the nation, which will focus on issues such as healthcare services, right to livelihood, and a sustainable development of the focused villages, besides



P&G - CRY Shiksha Project - Children during a study class



Whisper Choice Perna Puraskar won the Bronze Lion Award at the International Cannes Advertising Festival 2006

education. The Procter & Gamble Company, USA once again made a significant donation towards “Shiksha” under its Live, Learn & Thrive program to support children-in-need across the globe.

The Company raised national awareness via five multi-city events starring 23 influencers (including film stars from the *Rang de Basanti* team, singers, theatre producers, social activists, etc.) all of whom endorsed Shiksha, along with

actual beneficiaries of Shiksha – real children, school teachers, school authorities and NGO representatives sharing testimonials and showcasing the outstanding work done.

Tie-ups with three leading Media Channels – Sony Entertainment Television, Maa TV, Raj TV - helped cover the language diversity of North & South India, while the new partners in Print (Hindustan Times) and Radio (Radio City) talk shows gave additional reach to the message.



P&G - CRY Shiksha Project - Children at the School

High awareness of Shiksha was created in the market with the help of our distributors and their employees who leveraged its good “Cause” with Retailers obtaining free point-of-sales displays for Shiksha promotion. Employee-engagement led to project site visits and interaction with the children, in addition to employees creating awareness across their own personal networks. In May-June '06, your Company conducted events at Modern Retail stores directly engaging consumers (painting competitions for Shoppers' children) to sustain awareness and interest levels for Shiksha.

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:

- (i) that in the preparation of the annual accounts for the financial year ended June 30, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have 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;

- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors have prepared the accounts for the financial year ended June 30, 2006, on a “going concern” basis.

CORPORATE GOVERNANCE

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

MANAGEMENT & PERSONNEL

Directors extend their appreciation and wish to offer their special thanks to the employees for their valuable contributions which enabled the Company to continue to do well and record strong growth despite challenges of competition.

The information as per Section 217(2A) of the Companies Act, 1956 ('Act'), read with the

Net Worth (Rs. Crores)

2004 2005 2006

Outflow of Dividend (Rs. Crores)



* Includes a one-time special dividend of Rs. 64.92 crores



A Chemist Store displaying P&G brands - Whisper & Vicks range of products

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)

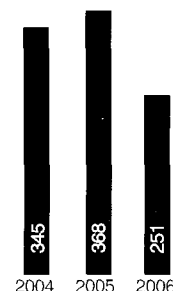
Procter & Gamble Hygiene and Health Care Limited

E.P.S.

(Rs. Crores)

2004 2005 2006

Employees



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

Directors wish to thank our retailers, wholesalers, distributors, suppliers of goods & services, clearing and forwarding agents and all other business associates and acknowledge their efficiency and continued support in promoting such healthy growth in the Company's business.

DIRECTORS

Ms. Deborah Ann Henretta, President- Procter & Gamble, ASEAN, Australia, India (AAI) – who was appointed as a Director in place of Mr. C. V. Bergh holds office till the ensuing Annual General Meeting of the Company. A notice has been received from a Member proposing her candidature as Director of the Company, liable to retire by rotation. Mr. B. V. Patel retires by rotation and, being eligible, offers himself for re-appointment. Directors recommend their 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 for the year ended June 30, 2006

and transfer of cost audit of detergents to Procter & Gamble Home Products Limited with effect from October 1, 2005. Company has re-appointed M/s. P.M. Nanabhoy & Company as Cost Auditors for the year ending June 30, 2007, 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

Bharat V. Patel

Mumbai
August 28, 2006

Bharat V. Patel
Chairman

ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption

Rs. 000's

	2005-2006	2004-2005
1. Electricity		
(a) Purchased		
Units (KWH)	72 53 873	1 13 31 063
Total Amount (Rs.)	4 33 39 084	5 36 05 028
Rate/Unit (Rs.)	5.97	4.73
(b) Own Generation:		
(i) Through Diesel Generator		
Units (KWH)	3 16 505	6 62 908
Units per lts. of Diesel Oil	2.65	3.19
Cost / Unit (Rs.)	12.09	8.88
(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

	2005-2006	2004-2005
Other Products	240	130

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.

	2005-2006	2004-2005
a. Capital	—	—
b. Recurring	58.35	36.91
c. Total	58.35	36.91
d. Total R&D expenditure as a percentage of total turnover.	0.10	0.05

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 :

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.3.64 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 18 (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

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

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, to ensure compliance with all relevant regulations and standards, our rigorous business process controls include an ongoing program of self-assessment controls, internal and external audits. Your Company has adopted a Code of Conduct for 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 our 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.

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 your Company, and P&G's global operations, this is the only way to do business.

BOARD OF DIRECTORS

(a) Composition of the Board

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. Mr. B. V. Patel, Mr. R. A. Shah and Mr. B. S. Mehta are 'independent directors' as per

explanation to Clause 49 I (A) of the listing agreement. 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 Directors of the Company.

(b) Number of Board meetings

Six Board meetings were held during the period July 1, 2005 to June 30, 2006. They were held on July 11, September 2, October 24, November 25, 2005, January 30 and April 27, 2006.

(c) Directors' attendance record and directorships held

The attendance record of all directors is as under:

Directors	No. of Board meetings attended	Last AGM Attendance
Mr. B. V. Patel	6	Present
Mr. S. Khosla	6	Present
Mr. A. Chhabra	6	Present
Mr. R. A. Shah	6	Present
Mr. B. S. Mehta	6	Present
Mr. C. V. Bergh*	None	Not Present
Ms. D. Henretta	None	Not Present
Mr. P. Agarwal**	1	Present

* Mr. C. V. Bergh ceased to be the Director of the Company w.e.f. September 2, 2005. Mr. P. Agarwal ceased to be the Alternate Director to Mr. Bergh w.e.f. September 2, 2005.

** Alternate Director to Ms. Henretta.

The Composition and other required details of the Board of Directors as on June 30, 2006 are given below:

Director	Category	No. of Membership in Boards of other companies*	No. of Chairmanships in other committees*
Mr. B. V. Patel	Non-Executive Chairman	4	2
Mr. S. Khosla	Managing Director	2	1
Mr. A. Chhabra	Executive Director	1	1
Mr. R. A. Shah	Non-Executive Director	14	2 (Chairman in 5)
Mr. B. S. Mehta	Non-Executive Director	14	4 (Chairman in 5)
Mr. C. V. Bergh **	Non-Executive Director	None	None
Ms. D. A. Henretta	Non-Executive Director	1	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. C. V. Bergh ceased to be the Director of the company 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 is appointed as a Director and Mr. P. Agarwal as an Alternate Director to Ms. Henretta with effect from September 2, 2005.

The term of Managing Director (MD) and Executive Director (ED) 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 directorship of the Company.

The Company has not set up a Remuneration Committee. However, the Company, for paying its employees, is guided by the principles of paying competitively to match industry levels and for individual performances and their contribution to the business.

(d) Material significant related party transaction

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. 13 of Schedule 18 to the Accounts in the Annual Report.

(e) Remuneration of Directors

The Non-Executive Directors are paid sitting fees of Rs.10000/- for each meeting of the Board and its Committees. 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. Considering the amounts, the Company is of the opinion that there is no material association with these firms. 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, 2006 are given below:

(f) Committees of the Board

Audit Committee

The Audit Committee comprises of Non-Executive Directors namely Mr. B. V. Patel (Chairman), Mr. B. S. Mehta (Member) and Mr. R. A. Shah (Member).

The Audit Committee met on September 2, October 24, 2005, January 30 and April 27, 2006 and these meetings were attended by all the members.

The Audit Committee enjoys the powers and plays the role as is contemplated under Section 292A of the Companies Act, 1956, read with the listing agreement as amended from time to time, with the Stock Exchange.

The Audit Committee powers includes the following:

- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

Name of Director	Relationship with other Directors	Salary including Bonus	Perquisites	Sitting Fees	Shares held
Mr. B. V. Patel	None	—	13,895	1,30,000	—
Mr. S. Khosla	None	1,17,58,975	16,80,000	—	67
Mr. A. Chhabra	None	1,02,90,693	19,36,690	—	—
Mr. R. A. Shah	None	—	—	90,000	5550
Mr. B. S. Mehta	None	—	—	90,000	3799
Mr. C. V. Bergh	None	—	—	—	—
Ms. D. Henretta	None	—	—	—	—
Mr. P. Agarwal*	None	—	20,07,000	—	—
TOTAL		2,20,49,668	56,37,585	3,10,000	

* Alternate Director to Ms. Henretta.

Procter & Gamble Hygiene and Health Care Limited

The Audit Committee role includes the following:

- (a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with management the annual financial statement before submission to the Board, focusing primarily on :
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- (d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- (e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (g) Discussion with internal auditors of any significant findings and follow up thereon.
- (h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is

suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- (i) Discussion with external auditors before the audit commences about nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- (j) Reviewing the company's financial and risk management policies.
- (k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (l) Reviewing the functioning of the Whistle Blower mechanism.
- (m) Carrying out any other function as required in the terms of reference of the Audit Committee in the Listing Agreement as may be amended from time to time.

Shareholder/Investor Grievance Committee

The Shareholders Grievance Committee comprises of Mr. B. V. Patel (Chairman), Mr. S. Khosla (Member) and Mr. A. Chhabra (Member). Mr. A. Chhabra, Executive Director and Company Secretary acts as a Compliance officer.

During the year four meetings were held on September 2, October 24, 2005, January 30 and April 27, 2006 and these meetings were attended by all the members.

It redresses 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, 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, 2006 were 2. The pending share transfers have since been acted upon by the Registrar and Share Transfer Agents.

MANAGEMENT**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