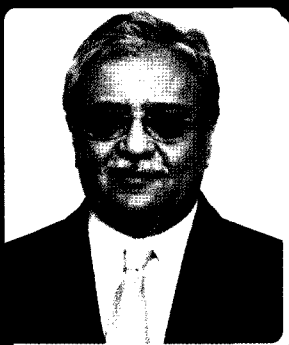




Procter & Gamble Hygiene and Health Care Limited



A n n u a l R e p o r t 2 0 0 7 - 2 0 0 8



Dear Shareholders,

It gives me great pleasure to share with you the sterling results of your Company for the year 2007/08. Building on the robust performance of last year, both Health Care and Feminine Care business – continued to deliver very healthy growth. The Health Care category posted a growth of 16% in sales, contributing Rs.312.3 crores (Vs. Rs.268.7 crores the previous year) to the Company's sales while the Feminine Care sales of Rs.340 crores reflected a record jump of 21% versus last year's sales of Rs.282 crores. I believe that this sustained growth is firmly linked to your

Company's commitment to stay close to the consumer, understand her needs and provide her with propositions that delight her. All our initiatives - product upgrades, marketing innovations, value corrections, improved distribution, insightful communication - are designed around this core belief.

Not only has this focus on delighting the consumer helped your Company grow sales, it has also led to a phenomenal rise in the Profit After Tax (PAT). This year, PAT at Rs.131.41 crores grew by 46% from Rs.89.8 crores last year.

The growth that your Company has witnessed this year has been broad based and driven by fundamentals. Three out of the four brands in the Health Care category recorded a double digit growth. Vicks Vaporub touched a new milestone by garnering a market share of 25% (highest ever for the brand) on the back of a strong concept – *The Blanket of Warmth*. Based on this Vicks connected with consumers and drove both trial and consumption. Vicks Cough Drops made a strong comeback to post its highest ever sales (a growth of 27% over last year). I am confident that Vicks will continue to develop propositions to best meet consumer needs and be the preferred brand for cough & cold care in India.

Similarly, our Feminine Hygiene business continued its strong growth story for the fifth consecutive year. This growth was made possible by consumer initiatives across brands and touch points. Product innovation on Whisper Maxi, value improvement on Whisper Choice, clutter breaking display at retail stores and increased reach at the Point of Market Entry, came together to help Whisper cross the 50% value share mark in Urban India for the first time ever.

Your Company has always been true to its philosophy of *Touching Lives, Improving Life* and every year we try and go a little further in our effort to change more and more lives for the better. This year, for the first time ever, your Company entered into a Public Private Partnership with the National Rural Health Mission, Rajasthan, to provide women in Rajasthan with a better option of sanitary protection and by consequence, a healthier, more productive life.

Your Company's signature cause marketing program *Shiksha* continued to reach out to underprivileged children in India and provide them with access to education. In its fifth year, *Shiksha* will touch the lives of 87,000 children through a contribution of over Rs. 3 crores.

Moving ahead, we remain committed to exceeding your expectations by delivering sustained growth and touching new highs. We will do this by focusing on the consumer, providing superior performing products that your Company is known for, engaging in best in class consumer programs and making meaningful contributions to the society and environment.

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

Bharat V. Patel

Chairman

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BOARD OF DIRECTORS

B. V. Patel

Chairman

S. Khosla

Managing Director

R. A. Shah

B. S. Mehta

D. Henretta

(Alternate Mr. Pramod Agarwal)

D. Acharya

A. Vyas

Company Secretary

Mumbai
August 29, 2008

REPORT OF THE DIRECTORS



Your Directors have the pleasure of presenting the 44th Annual Report and the Audited Accounts of the Company for the year ended June 30, 2008.

FINANCIAL RESULTS

(Figures in Rs. Crores)

| | 2007/8 | 2006/7 |
|------------------------------------|--------|--------|
| Sales (less excise duty) | 643.0 | 538.3 |
| Profit before tax | 180.6 | 145.5 |
| Profit after tax | 131.4 | 89.8 |
| Proposed Dividend plus tax thereon | 76.0 | 76.0 |
| Transfer to General Reserve | 13.15 | 9.0 |
| Balance carried forward | 126.0 | 83.7 |

BUSINESS PERFORMANCE

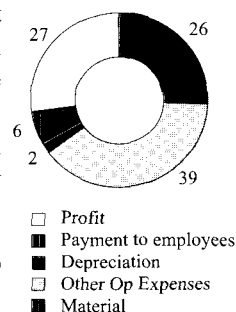
The Company posted excellent business results for the year ended June 30, 2008. The Health Care and Feminine Hygiene business sales at Rs.643 crores (Rs.538.3 crores last year) grew by a healthy 19%. This strong double-digit growth was driven by focusing on the fundamentals, namely, strong consumer meaningful innovation backed by distribution growth and strong advertising support.

The VICKS range of products has shown a robust growth with VICKS Vaporub and VICKS Cough Drops growing by over 25%. Feminine Hygiene business too recorded a 21% growth in sales. WHISPER continued to build trials through novel direct marketing and Point of Market Entry programs.

Profit Before Tax (PBT) at Rs. 180.6 crores is up by 24% (vs. last year's Rs. 145.5 crores). However, the PBT of the last year included one-time pre-operational expenses on setting up of the Plant. Hence, PBT, when compared with last year's PBT excluding these exceptional expenses, grew by 17%.

During the year under review, your Company delivered a Profit after Tax (PAT) of Rs.131.4 crores. However, PAT at Rs. 131.4 crores is not comparable to PAT of Rs.89.8 crores last year. The PAT of last year includes adjustment for the impact of provisions of taxes for prior years and for pre-operational expenses on setting up of plants at Baddi. Even after including the expenses on the aforesaid exceptional items, PAT is up by 23% primarily reflecting savings from Baddi tax-free zone, where your Company has set up its health care plant.

Your Company continued with the expansion of capacities for manufacture of Feminine Hygiene products at its Goa Plant with a capital outlay of Rs.10 crores during the year. Similarly, the Company made a further capital investment of Rs.26.7 crores in its two manufacturing sites at Baddi.



Profit After Tax
(Rs. Crores)

139.51
89.82
131.42

2006 2007 2008

Procter & Gamble Hygiene and Health Care Limited

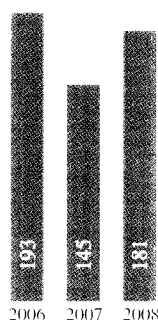
Health Care Business

Health Care sales at Rs. 312.3 crores (vs. last year's Rs. 268.7 crores) posted a high growth of 16% this year. This growth was broadbased and came on the back of strong performances by VICKS Vaporub, VICKS Cough Drops and VICKS Inhaler.

VICKS Vaporub's impressive growth of 25% was driven by strong equity advertising to help better connect with consumers. In the case of Vaporub, a new consumer insight based campaign 'The Blanket of Warmth' was introduced to drive trial and consumption. Consumers responded favorably and we reached a milestone market share for the first time.

The VICKS Cough Drops business made a strong comeback after last year's decline, to post a record growth of 27%. The brand also saw its highest ever sales this year. The cold tablets category witnessed intense competitive activity this year, due to which sales of VICKS Action 500+ suffered slightly. With the right blend of product innovation and strong marketing plans, VICKS will continue to develop propositions to best meet consumer needs and be the preferred brand for cough and cold care in India.

Profit Before Tax
(Rs. Crores)



Feminine Hygiene Business

Feminine Hygiene business recorded another year of high growth with sales at Rs. 340 crores (vs. Rs. 282 crores last year) translating to a record 21% growth and value share leadership. This is the fifth year in succession where WHISPER has grown at such a fast pace.

A number of initiatives were designed to win with the WHISPER Consumer. All of these initiatives viz. consumer need-based product upgrade on WHISPER Maxi, value correction on WHISPER Choice, clutter breaking window display at the retail level, engaging advertising, came together to take Whisper to a 50% value market share in urban India for the first time.

WHISPER continued to build future business with an increased focus on consumers at the Point of Market Entry (POME) stage i.e. when girls start menstruation. Whisper has quadrupled the number of school girls contacted and sampled versus two years ago. During the year, your Company significantly stepped up POME marketing by increasing its reach by a whopping 40% versus a year ago. Not only did the number of adolescent girls contacted through this program increase significantly, but the program reached out to the lower class towns by training the teachers, to conduct this program at schools. Further the proposition being offered at these programs has been tailored to suit the consumers' need. For example, your Company is offering a mid-tier brand WHISPER Choice as a sample in Government Schools so that they experience great performance at a great value.

Being true to your Company's philosophy of 'Touching lives, improving life', Directors are happy to report that, WHISPER on a pilot basis has entered into a Public Private Partnership (PPP) with the



National Rural Health Mission (NRHM), Rajasthan, to provide education and sanitary protection to rural women of Rajasthan to help them lead healthier, hygienic and more productive lives.

DIVIDEND

Directors are pleased to recommend a dividend of Rs. 20 for each equity share for the financial year ended June 30, 2008.



Shantanu Khosla MD, along with film actresses Kajol & Sharmila Tagore at the launch of Shiksha 2008.

CORPORATE SOCIAL RESPONSIBILITY

Shiksha: Padhega India, Badhega India

According to our partner CRY, over 200 million children in India lack the access to education. Close to 47% of India's habitation does not have a primary school. When it comes to children's education – there is no dearth of rather disappointing statistics. Program *Shiksha* is P&G's attempt to help address these issues and work towards its vision of seeing every child in school. Singing the motto 'Padhega India. Badhega India', *Shiksha* truly believes that the secret to a brighter future of this country lies in quality education for our children.

Over the last four years *Shiksha* has been able to lead 87,000 children on the path of education with all P&G India group Companies donating over Rs. 8 crores reaching out to over 300 communities. This year's contribution of approx. Rs. 3 crores has been the single largest contribution from P&G India in any year. This year was also memorable for unique executions like the *Shiksha* Time Capsule. A school bag full of items from present day education system was buried deep inside the earth to be opened 100 years later as a reminder of our times. Actress Esha Deol attended the ceremony and the program got wide media coverage.

Each year *Shiksha* wins the hearts of not just the lives it touches – but also of everyone that chooses to participate in it. Over the years we have had over 20 top celebrities from across the country

volunteering their time to help generate awareness of the cause. Our biggest victory however remains the millions of consumers that believe in *Shiksha* and step forward to buy our brands in order to help lead children towards education in their own little way. It may be just another drop in the ocean but it is one step closer to a brighter India.

RESPONSIBILITY STATEMENT

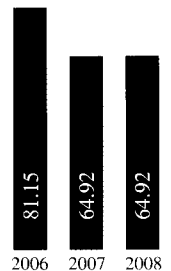
Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended June 30, 2008, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) 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;
- (iii) 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.
- (iv) that the Directors had prepared the accounts for the financial year ended June 30, 2008, on a "going concern" basis.

Net Worth (Rs. Crores)



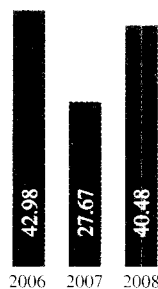
Outflow of Dividend (Rs. Crores)



Film Actress Celina Jaitley along with children at the Shiksha 2008 Programme

Procter & Gamble Hygiene and Health Care Limited

E.P.S. (Rs.)



CORPORATE GOVERNANCE

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

MANAGEMENT & PERSONNEL

Directors reiterate their confidence in the valuable contributions of employees which makes it possible for the Company to maintain the strong growth despite challenges of competition and for which the Directors wish to record their sincere appreciation.

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 Company Secretary at the Registered Office of the Company.

DIRECTORS

Mr. B. V. Patel, Chairman and Ms. Deborah Henretta, Director, retire by rotation and, being eligible, offer themselves 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, 2008. Company has re-appointed M/s. P.M. Nanabhoy & Company as Cost Auditors for the year ending June 30, 2009, 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.

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.

ACKNOWLEDGEMENT

Once again our thanks are due to The Procter & Gamble Company USA and Procter & Gamble International Operation Pte. Limited for the invaluable support provided by them in terms of access to the latest information/knowledge in the field of Research & Development for products, ingredients and technologies; timely inputs to exceptional marketing strategies; and the goodwill of its world-renowned Trademarks and superior brands. These have vastly benefitted the Company.

On behalf of the Board of Directors

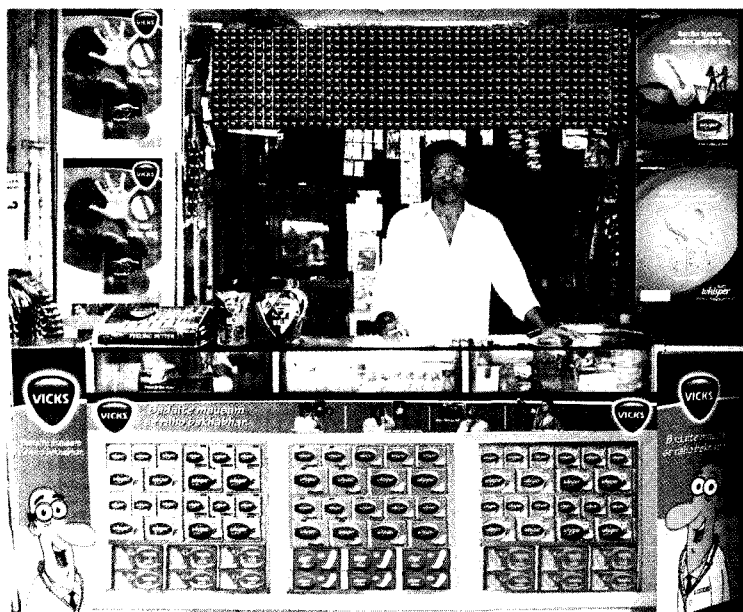
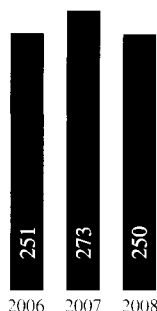
Bharat V. Patel

Mumbai
August 29, 2008

Bharat V. Patel
Chairman

www.reportjunction.com

Employees



A store displaying P&G brands : WHISPER & VICKS.

TEN YEAR FINANCIAL HIGHLIGHTS

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| YEAR END FINANCIAL POSITION (Rs. Crores) | | | | | | | | | | |
| Gross Fixed Assets | 241.2 | 240.6 | 224.2 | 221.5 | 177.9 | 170.9 | 178.8 | 127.0 | 163.6 | 203.1 |
| Net Fixed Assets | 166.3 | 148.2 | 124.4 | 106.7 | 74.3 | 80.2 | 79.1 | 65.4 | 94.0 | 123.1 |
| Net Worth | 140.1 | 197.1 | 273.2 | 217.9 | 230.4 | 249.1 | 225.7 | 272.7 | 291.2 | 346.6 |
| SUMMARY OF OPERATIONS (Rs. Crores) | | | | | | | | | | |
| Gross Sales | 468.3 | 475.1 | 448.0 | 449.8 | 474.3 | 616.0 | 738.1 | 596.8 | 553.0 | 652.6 |
| Profit before Tax | 66.5 | 87.6 | 102.3 | 102.0 | 92.6 | 127.2 | 177.8 | 193.3 | 145.5 | 180.6 |
| Profit after Tax | 56.9 | 75 | 82.7 | 77 | 68 | 92 | 125 | 139.5 | 89.8 | 131.4 |
| Dividend | 86.5 | 16.2 | 86.5 | 43.3 | 43.3 | 64.9 | 129.8 | 81.2 | 64.9 | 64.9 |
| PER SHARE DATA | | | | | | | | | | |
| EPS (Rs.) | 26.28 | 34.70 | 38.21 | 35.59 | 31.44 | 28.39 | 38.39 | 42.98 | 27.67 | 40.48 |
| Dividend (%) | 400+ | 75 | 400 | 200 | 200 | 200 | 400++ | 250 | 200 | 200 |
| NUMBER OF SHARES | | | | | | | | | | |
| Shares (Lakhs) | 216.40 | 216.40 | 216.40 | 216.40 | 216.40 | 324.61 | 324.61 | 324.61 | 324.61 | 324.61 |
| NUMBER OF EMPLOYEES | | | | | | | | | | |
| Employees | 663 | 555 | 472 | 431 | 350 | 345 | 368 | 251 | 273 | 250 |

* EPS after bonus issue

+ Includes a special interim dividend of 350 % amounting to Rs. 75.74 crores

++ Includes a special dividend of 200 % amounting to Rs. 64.92 crores

Procter & Gamble Hygiene and Health Care Limited**ANNEXURE TO THE REPORT OF DIRECTORS****A. Power & Fuel Consumption**

| | 2007-2008 | 2006-2007 |
|--|-------------|-------------|
| 1. Electricity | | |
| a) Purchased : | | |
| Units (KWH) | 72 38 783 | 58 25 988 |
| Total Amount (Rs.) | 6 40 46 690 | 4 91 51 607 |
| Rate/Unit (Rs.) | 8.85 | 8.44 |
| b) Own Generation : | | |
| i) Through Diesel Generator | | |
| Units (KWH) | 64 442 | 1 64 386 |
| Units per lts. of Diesel Oil | 2.33 | 2.89 |
| Cost / Unit (Rs.) | 14.96 | 11.98 |
| 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 Per Unit Of Production

| | KWH/Tonne | KWH/Tonne |
|----------------|-----------|-----------|
| | 2007-2008 | 2006-2007 |
| Other Products | 1 701 | 8 983 |

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.

4. Expenditure on R&D.

| | Rs. Lakhs | |
|---|-----------|-----------|
| | 2007-2008 | 2006-2007 |
| a. Capital | — | — |
| b. Recurring | 23.39 | 57.13 |
| c. Total | 23.39 | 57.13 |
| d. Total R&D expenditure as a percentage of total turnover. | 0.04 | 0.11 |

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. 2.10 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 17 (B)(5)(j) to the Accounts.

By Order of the Board of Directors

Bharat V. Patel

Bharat V. Patel
Chairman

CORPORATE GOVERNANCE

Corporate Governance Philosophy

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

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

Further, your Company reinforces responsibilities of all 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

As on date, the Board has one Managing Director (MD), and five non-Executive Directors. MD is 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 the MD, 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

Five Board meetings were held during the period July 1, 2007 to June 30, 2008. They were held on July 17, August 24, October 31, 2007, January 30 and April 30, 2008.

(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 | 4 | Present |
| Mr. S. Khosla | 5 | Present |
| Mr. R. A. Shah | 5 | Present |
| Mr. B. S. Mehta | 5 | Present |
| Mr. D. Acharya | 5 | Present |
| Ms. D. Henretta | None | Not Present |
| Mr. A. Chhabra * | 1 | N. A. |
| Mr. P. Agarwal # | None | Not Present |

* Mr. A. Chhabra ceased to be a Director of the Company w.e.f. July 17, 2007.

Alternate Director to Ms. D. Henretta.

The Composition and other required details of the Board of Directors as on June 30, 2008 are given below:

| Name of the Director | Category | Designation | Other Directorships * | | Membership of other Board Committees ** | |
|----------------------|----------|--|-----------------------|----------|---|----------|
| | | | Member | Chairman | Member | Chairman |
| Mr. B. V. Patel | NED/ID | Chairman | 4 | None | 2 | None |
| Mr. S. Khosla | ED | Managing Director | 2 | 1 | 2 | 1 |
| Mr. R. A. Shah | ID | | 14 | 3 | 8 | 5 |
| Mr. B. S. Mehta | ID | | 14 | None | 9 | 5 |
| Mr. D. Acharya | NED | | 1 | None | 1 | None |
| Ms. D. A. Henretta | NED | | 1 | None | None | None |
| Mr. A. Chhabra # | ED | Executive Director & Company Secretary | N.A. | N.A. | N.A. | N.A. |
| Mr. P. Agarwal | NED | Alternate to Ms. D. Henretta | 1 | None | None | None |

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

Mr. A. Chhabra ceased to be an Executive Director & Company Secretary of the Company w.e.f. July 17, 2007.

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

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

Procter & Gamble Hygiene and Health Care Limited

(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. B.12 of Schedule 17 to the Accounts in the Annual Report.

(e) Remuneration of Directors

The independent Directors are paid annual commission of Rs.10 lakhs each w.e.f. July 1, 2006 for a period of 5 years, subject to deduction of tax at source. The Non-Executive Chairman is paid a commission of Rs.25 lakhs per annum beginning July 1, 2007 to December 31, 2008, subject to deduction of tax at source.

The above commission is restricted to one percent of the net profits of the Company per annum in the aggregate as calculated as per the provisions of Sections 198, 309,

310 and such other applicable provisions of the Companies Act, 1956.

The Company also pays fees for the professional services to the firm of Chartered Accountants and the firm of Solicitors and Advocates of which two of the Independent Directors are partners. Considering the amounts involved, the Company is of the opinion that there is no material pecuniary relationship / association with these firms. The Non-Executive Independent 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.

The remuneration of Executive Directors comprises salary, house rent allowance, perquisites, contribution to provident and other funds, gratuity and leave travel allowance and other perquisites and benefits as per the policy of the Company.

Details of the remuneration paid to Directors of the Company during the year ended June 30, 2008 are given below:

| Name of Director | Relationship with other Directors | Salary including Bonus+PF contribution (Rs.) | Perquisites (Rs.) | Commission (Rs.) | Shares held |
|--------------------|-----------------------------------|--|-------------------|------------------|-------------|
| Mr. B. V. Patel | None | - | - | 25,00,000 | - |
| Mr. S. Khosla | None | 2,08,74,576 | 23,75,750 | - | 67 |
| Mr. R. A. Shah | None | - | - | 10,00,000 | 5550 |
| Mr. B. S. Mehta | None | - | - | 10,00,000 | 3799 |
| Mr. D. Acharya | None | - | - | - | - |
| Ms. D. A. Henretta | None | - | - | - | - |
| Mr. A. Chhabra * | None | 5,33,697 | 44,332 | - | - |
| Mr. P. Agarwal ** | None | - | - | - | - |
| TOTAL | | 2,14,08,273 | 24,20,082 | 45,00,000 | - |

* Mr. A. Chhabra ceased to be a Director of the Company w.e.f. July 17, 2007.

** Alternate Director to Ms. D. Henretta. Details as regards to the remuneration are disclosed vide Note No. B.15 of Schedule 17 to the Accounts in the Annual Report.

NOTE - No sitting fees are payable to any Director.

The term of the Managing Director (MD) is for a period of five years from the date of their respective appointment/re-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, for individual performances and their contribution to the business.

STOCK OPTIONS

The Company does not have any stock option plan for its employees. However, all employees of the Company including its whole-time Directors are given the right to purchase shares of the parent company – The Procter &

Gamble Company, USA under its 'International Stock Ownership Plan'. Certain employees of the Company are also entitled to Stock Option of the parent company under its Employee Stock Option Plan. Details as regards the same are disclosed vide Note No. B.14(a) and (b) of Schedule 17 to the Accounts in the Annual Report.

(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 August 24, October 31, 2007, January 30 and April 30, 2008 during the year ended June 30, 2008.