

Procter & Gamble Hygiene and Health Care Limited

Annual Report
2009-2010



P&G

BOARD OF DIRECTORS

Mr. R. A. Shah
Chairman

Mr. S. Khosla
Managing Director

Mr. B. S. Mehta
Mr. D. Acharya
Ms. D. A. Henretta
(Alternate Mr. P. Agarwal)

Mr. A. Vyas
(Company Secretary)

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Dear Shareholders,

I am extremely pleased to present the details of your Company's annual performance for the financial year 2009-10.

The world economic crisis left a deep impact on global economy. Fortunately, it did not have much effect on the growth of the FMCG industry in India due to strong and steady demand for consumer products. The country ranked second in the Nielsen Global Consumer Confidence survey released on January 7, 2010 indicating strong fundamentals and faster recovery from the economic slowdown. The findings of the survey were substantiated by the performance of the FMCG sector which registered robust growth.

I take great pride to report that your Company delivered strong business results with the sales at ₹914 crores higher by 18% versus the sales of ₹773 crores in the last financial year. The Profit After Tax (PAT) at ₹180 crores was in the line with PAT of the last corresponding year, recording a strong 20% margin after tax. The Board of Directors of your Company has recommended a dividend of ₹22.50 per share for all

our shareholders this year (which is subject to approval of the shareholders of the Company at its ensuing Annual General Meeting). Your Company increased investments in marketing and supply chain such as setting up of new manufacturing lines, promotion and launch of new products like *Whisper Choice* Ultra. The unexpected levy of excise duty by the 2010 Union Budget has also impacted profit growth in last quarter of 2009/10 Fiscal.

Feminine Hygiene business registered 24% growth with all the variants of *Whisper* sanitary napkins showing healthy growth. *Whisper Choice* led the growth in the category with 40% increase in sales helping the Company grow volume and value share. Feminine Hygiene business, this year delivered the highest sales and share growth for P&G across the globe with *Whisper* increasing its market share and *Whisper* Ultra being the largest value share brand. Your Company made strategic decision to invest in educating the consumers and improve penetration to grow under developed category of sanitary napkins.

Your Company launched the *Whisper* school program to reach a total 2.4 million menstruating girls which was a 15% increase over the previous year. *Whisper* also took the innovative route to ensure that the top tier brand was sampled in the more urban schools and the more economical mid-tier *Whisper Choice* in the upcountry schools. *Whisper Choice* program was extended to 6 other states tapping 1.9 million consumers and created trial among 1.4 million consumers.

Healthcare business has also shown robust sales growth of 11% versus the previous year. I would like to reassure you all that *Vicks* will continue to innovate to ensure it stays the most trusted cough and cold care solution in India. The growth in the category was driven by a combination of product initiatives and investment behind proven equity building advertising.

P&G's commitment to 'purpose-inspired growth' in order to touch and improve the lives of more people has led to the extension of its signature Corporate Social Responsibility (CSR) program '*Shiksha*' to 6th year. I am happy to share that P&G India as a whole, has this year helped educate over 150,000 children across 602 communities with a donation of over ₹5 crores by building '*Shiksha Schools*' across the country offering quality education to children in need.

In the end, I wish to re-affirm our commitment to innovation which will continue to be at the heart of everything we do – be it in our products or in our communication with consumers. I would also like to attribute the growth over the past year to our employees who have demonstrated their ability to stay reality-based, embrace change and proactively influence the course of business.

I would like to thank our shareholders for their resolute trust in the Company and look forward to their continued support and participation in the growth of the Company.

A handwritten signature in black ink, appearing to read 'R. A. Shah'.

R. A. Shah
Chairman

REPORT OF THE DIRECTORS

Your Directors have the pleasure of presenting the 46th Annual Report and Audited Accounts of the Company for the year ended June 30, 2010.

FINANCIAL RESULTS

(Figures in ₹ crores)

	2009/10	2008/09
Sales including Excise	914	773
Net Sales (less excise duty)	903	773
Profit before tax	234	232
Profit after tax	180	179
Proposed Dividend plus tax thereon	85	85
Transfer to General Reserve	18	18
Balance carried forward	278	201

BUSINESS ENVIRONMENT

The global economy is gradually emerging from the throes of the meltdown of 2008 and the fundamentals appear to be reasonably good. However, challenges do remain. As per published studies consumer sentiment is highest in India. India ranks second in the Nielsen Global Consumer Confidence survey released on January 7, 2010—an indication that recovery from the economic slowdown is faster in India with consumers willing to spend more. This recovery has helped your Company register yet another successful year.

BUSINESS PERFORMANCE

Your Company delivered strong business results in the year under review. The sales at ₹914 crores are higher by 18% versus the sales of ₹773 crores in the previous financial year. The Feminine Hygiene business continues to grow in higher double digits with all the variants of *Whisper* sanitary napkins showing a healthy growth. While *Whisper Choice* the variant in the popular segment is helping your Company grow volume shares, the growth of *Whisper Ultra* in the premium segment has helped add to value shares. Similarly, the Healthcare business has also shown sales growth of 11% behind increased sales of *Vicks VapoRub* and *Vicks Inhaler*. Overall, the Company continued to focus on driving persuasive and consumer-meaningful innovations backed by distribution expansion and remarkable advertising support thereby recording a valuable growth across all areas of business.

While the sales have grown by 18%, the Profit Before Tax (PBT) at ₹234 crores is up only by 1% vs. last year's PBT of ₹232 crores. This is primarily due to increased market investments and expenses in the last quarter of the year under review, such as increase in the advertising and promotion expenses in general, the launch of *Whisper Choice Ultra* in particular, the start-up expenses on new manufacturing lines and the unexpected levy of excise duty by the 2010 Union Budget.

During the year under review, the Company earned Profit after Tax (PAT) of ₹180 crores which is also marginally up as compared to last year's PAT of ₹179 crores.

Healthcare Business

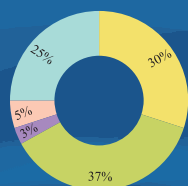
Healthcare business at ₹381 crores (vs. last year's ₹344 crores) posted a growth of 11% this year across *Vicks VapoRub*, *Vicks Cough Drops*, *Vicks Action 500* and *Vicks Inhaler* thereby consolidating the market leadership in its respective categories. This growth was driven by a combination of product initiatives and increased investment behind proven equity building advertising.



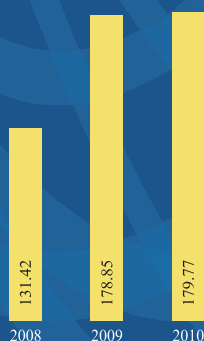
Vicks VapoRub had a record year posting the highest ever market share. The growth in the brand was driven primarily through continued focus and augmented media spends on the successful 'blanket of warmth' advertising and on our ongoing strategy of upsizing consumers to drive consumption – viz. the timely promotions on jars which help in encouraging consumers to purchase larger packs.

The *Vicks Cough Drops* business had an excellent year, with the brand growing at 15%. The growth was driven by launch of a *Jumbo* drop, to cater to the top unmet demand of the category. This was accompanied by new attractive packaging and a higher media reach behind remarkable advertising support. The growth was further supported by an initiative to drive awareness of flavors via relevant touch points such as radio and wall-painting, which led to a further increase in consumption.

Our modest shipments on *Vicks Action-500* during the year were driven by the overall slow down in the cold tablets category. During the second half of the financial year, your Company invested in superior advertising support for the product and saw the business respond immediately. We will however continue promoting the benefits of the product and expanding its distribution to ensure robust growth of *Vicks Action-500* in the year ahead.



Profit After Tax
(₹ crores)

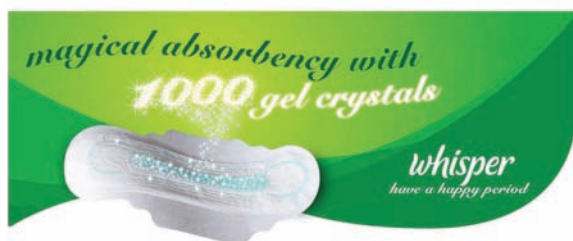


Vicks will continue to innovate to ensure it stays the most trusted cough and cold care amongst consumers in India.

Feminine Hygiene Business

Feminine Hygiene business recorded yet another year of high growth with sales at ₹532 crores (vs. last year's ₹428 crores) translating to a growth of 24%. Your Company has delivered the highest sales and share growth for P&G across the globe, with *Whisper* increasing its market share and *Whisper Ultra* being the largest value share brand in the market. This growth is driven, both by increase in distribution amongst non-users and consumption amongst users.

During the year under review, a number of initiatives were designed to win with the consumers' needs across segment.



The top-tier consumers were delighted by the “magical absorbency” promised by *Whisper Ultra*, and the launch of *Whisper Choice Ultra* in February 2010 with its “ultra” offerings fascinating the mid-tier consumers. *Whisper Choice Ultra* priced at ₹30 for 6 pads addresses the barrier that the mid-tier consumer faces and provides her a chance to experience “gel” technology protection – a unique superiority of the product now at a far more affordable cost than before.

Your Company continued its disproportionate focus on the *Point of Market Entry* consumer. The *Whisper* school program reached a total of 2.4 million menstruating girls across private and government schools, which is a 15% increase versus the previous year. At the same time, by constantly innovating to meet the consumers' needs, *Whisper* ensured that the top-tier brand *Whisper Ultra* was sampled in the more urban schools, and the more economical mid-tier *Whisper Choice* in the upcountry schools. Not only did the program reach out to more potential consumers, but it also increased its depth by reaching out to lower tier towns. With the launch of *Whisper Choice Ultra*, the school program will be leveraged to sample this winning proposition to all government school girls.

In addition to the robust and time-tested School Girls Program, your Company continued to expand its direct-to-home selling program across the country. The top-tier program reached 0.75 million consumers in their homes, which is a 147% increase as against the previous year. The *Whisper Choice* program, first initiated in Tamil Nadu, made it a most preferred brand of the consumers with the highest volume share in the state. This program was expanded to 6 other states, reaching 1.9 million consumers and creating trial among 1.4 million of these consumers.

DIVIDEND

The Directors are pleased to recommend a dividend of ₹22.50 for each equity share of ₹10/- each for the financial year ended June 30, 2010.

CORPORATE SOCIAL RESPONSIBILITY

Shiksha: पढ़ेगा इंडिया तो बड़ेगा इंडिया

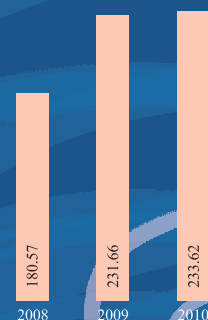
P&G's philosophy of ‘purpose-inspired growth’ is about continuing to touch and improve the lives of more people, more completely. Our purpose not only inspires us to make products people love, but also fuels our readiness to touch and improve lives in the times of need – which we do through our Corporate Social Responsibility (CSR) programs such as ‘*Shiksha*’.



School children at ‘*Shiksha school*’, Mandideep

Shiksha, our signature CSR program has in its 6th year helped improve the lives of over 150,000 children across 602 communities with a donation of over ₹5 crores. This year, *Shiksha* moves onto a new vision of creating tangible, visibly long-lasting impact through the building of ‘*Shiksha schools*’ across the country that offer quality education to children in need. Over the last 6 years, P&G has already been helping bring to life over 100 schools via either building them (near our plants), supporting them through Non-Government Organizations (NGOs), working with Army Wives Welfare Association schools, or reactivating Government schools through our work with NGO partner CRY. This year we hope that the building of ‘*Shiksha schools*’ will lead to far more children being able to access quality education. After all, ‘पढ़ेगा इंडिया तो बड़ेगा इंडिया’.

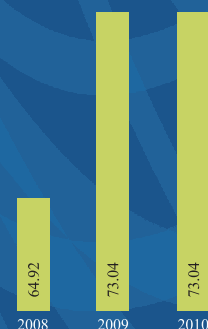
Profit Before Tax (₹ crores)



Networth (₹ crores)

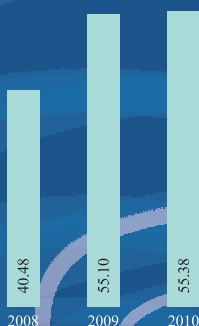


Outflow of Dividend (₹ crores)



Procter & Gamble Hygiene and Health Care Limited

E.P.S.
(₹)



DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts for the financial year ended June 30, 2010, 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, 2010, on a "going concern" basis.

CORPORATE GOVERNANCE

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

MANAGEMENT & PERSONNEL

The growth over the past few years demonstrates the core strengths of our employees to stay reality-based, embrace change and proactively influence the course of business. The Directors are confident that employees are up to the challenge and thank them for their continued trust and support.

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 Department at the Registered Office of the Company.

DIRECTORS

Mr. R. A. Shah, Director, retires by rotation and being eligible, offers himself for re-appointment.

The Directors recommend his re-appointment. Mr. Shah needs no introduction to the shareholders. Mr. Shah has been one of the founder Directors of your Company.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, Chartered Accountants (Registration No. 117366W) retire and offer themselves for re-appointment.

COST AUDITORS

Your Company has received the approval of the Central Government for re-appointment of M/s. Ashwin Solanki & Associates, Cost Accountants, to conduct the cost audit of drug formulations for the year ended June 30, 2011.

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

The Directors wish to thank the 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

We are grateful to The Procter & Gamble Company, USA and Procter & Gamble Asia Pte Limited, Singapore for their invaluable support 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. We are proud to acknowledge this unstinted association that has vastly benefited the Company.

On behalf of the Board of Directors

R. A. Shah
Chairman

Mumbai
August 18, 2010

Employees
(Nos.)



ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption		
	2009-10	2008-09
1. Electricity		
(a) Purchased:		
Units (KWH)	64 40 130	69 75 458
Total Amount (₹)	2 59 27 285	5 54 14 145
Rate/Unit (₹)	4.03	7.94
(b) Own Generation:		
(i) Through Diesel Generator		
Unit (KWH)	13 14 685	6 88 764
Unit Per Lts. of Diesel Oil	2.50	3.32
Cost/Unit (₹)	14.42	9.79
(ii) Through Steam		
Turbine/Generator	N.A.	N.A.
2. Coal (Specify Quality and where used)		
3. Furnace Oil	N.A.	N.A.
4. Others/Internal Generation	N.A.	N.A.
B. Consumption per unit of Production		
	KWH/Tonnes	
	2009-10	2008-09
Other Products	583	610

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, process 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:

₹ Lakhs

		2009-10	2008-09
(a)	Capital	—	—
(b)	Recurring	41.70	19.38
(c)	Total	41.70	19.38
(d)	Total R&D expenditure as a percentage of total turnover	0.05	0.03

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:


- Efforts, in brief, made towards technology absorption, adaption and innovation: Continued implementation of QC/QA procedures of 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, 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 of ₹17.09 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.

For and on behalf of the Board



R. A. Shah
Chairman

Mumbai
August 18, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Economic Scenario and impact of Union Budget '10

The Economic Survey 2009-10 presented by the *Hon'ble Finance Minister* to the Parliament has projected an economic growth of 8.75 per cent in 2010-11 and further states that India is on its way to becoming world's fastest growing economy in four years. The survey further states that in 2011-12, the country's economy would bounce back to a high 9 percent growth.

The Union Budget for 2010-11 attempts to achieve a fine balance between sustainable development and fiscal prudence with growth. The Budget places a great thrust on technology to propagate climate resilient initiatives and ecological preservation. Public sentiments leading up to Budget 2010-11 have been understandably upbeat with signs of a revival within the economy indicating that India has successfully overcome the ills of the slowdown that assumed center stage during the previous fiscal year. The expectations from the Union Budget 2010-11 centered on how the economy would attain fiscal consolidation, meet the impending challenges of burgeoning inflation and the game plan to revitalize the waning agricultural sector in India. (source: *Deloitte: Gaining Insights Budget Analysis 2010*)

FMCG Sector and the Indian consumers

According to a *FICCI-Technopak report*, despite the economic slowdown, India's fast moving consumer goods (FMCG) sector is poised to reach US\$43 billion by 2013 and US\$74 billion by 2018. The report states that implementation of the proposed Goods and Services Tax (GST) and the opening of Foreign Direct Investment (FDI) are expected to fuel growth further and raise the industry's size to US\$47 billion by 2013 and US\$95 billion by 2018. Demand for personal care products such as shampoos, toothpastes and hair-oils grew faster in rural areas than urban areas during April-September 2009, a period that includes the peak monsoon months, as per the numbers released by market researcher *AC Nielsen*. A new study shows consumer sentiment is highest in India. The Indian consumer is the most confident. India ranks second in the *Nielsen Global Consumer Confidence survey* released on January 7, 2010 — an indication that recovery from the economic downturn is faster in India with consumers willing to spend more. The rural markets for the FMCG products are also fast developing. Rural India, mostly termed as “high opportunity” market, is no longer just an opportunity, but is now yielding results.

Performance Overview & Outlook

The Company operates in a single reportable business and geographical segment. The Company's core business is manufacturing, marketing and distribution of Healthcare and

Feminine Hygiene products. Under these businesses it has in its portfolio: *Vicks* - India's No. 1 Healthcare brand and *Whisper* — India's leading Feminine Hygiene brand (in value terms). The discussion on financial performance of the company is elaborated in the Directors' Report.

Health Care Business

The Company's Health Care sales at ₹381 crores (vs. last year's ₹344 crores) posted a growth of 11% this year across *Vicks VapoRub*, *Vicks Cough Drops*, *Vicks Action 500* and *Vicks Inhaler* ensuring consolidation of market leadership in their respective categories. The growth was driven by a combination of product initiatives on all three variant brands and increased investment behind proven equity advertising. *Vicks VapoRub* had a record year posting the highest ever market share. The *Vicks Cough Drops* business had a highly successive year with the brand growing at 15%. *Vicks* will continue to innovate to ensure it stays the most trusted cough and cold care solution in India.

Feminine Hygiene Business

Feminine Hygiene business recorded yet another year of high growth with sales at ₹532 crores (vs. last year's ₹428 crores) translating to a growth of 24%. Your Company has delivered the highest sales and share growth for P&G across the globe, with *Whisper* increasing its market share and *Whisper Ultra* being the largest value share brand in the market behind well thought out initiatives. This growth is driven both by increase in penetration among non-users and consumption among users.

During the year under review, a number of initiatives were designed to meet the consumers' needs across segments. All these initiatives led to the *Whisper* share crossing the 50 points mark, and reach an all time high of 51.1. The last time we crossed the 50 share mark was more than 15 years ago.

Your Company continued its disproportionate focus on the Point of Market Entry consumer. The *Whisper* school program reached a total of 2.4 million menstruating girls across private and government schools, which is a 15% increase versus the previous year. At the same time, by constantly innovating to meet the consumers' need, *Whisper* ensured that the top-tier brand was sampled in the more urban schools and the more economical mid-tier *Whisper Choice* in the upcountry schools. Not only did the program reach out to more potential consumers, but it also increased its depth by reaching out to tier-II class towns. With the launch of *Whisper Choice Ultra*, the school program will be leveraged to sample this winning proposition to all government school girls.

In addition to the robust and time-tested school girls program, your Company continued to expand its direct-to-home selling program across the country. The top tier program reached 0.75 million consumers in their homes, which is a 147% increase as against the previous year.

Risk Management

Business, Finance & Operational risks

The Company's risk management policy is in line with the parent Company's global guidelines on risk management and as such adequate measures have been adopted by the Company to combat the various risks including business risks (competition, consumer preferences, technology changes), finance risks (cost, credit, liquidity, foreign exchange) and so on. The Company has adopted a focused approach towards risk management in form of a Corporate Insurance Program which has the goal of optimizing the financing of insurable risks by using a combination of risk retention and risk transfer techniques. This program duly covers any risks relating to business interruption resulting from property damage and legal liability resulting from property damage or personal injury.

The Company has in place a very stringent and responsive system under which all its distributors and vendors are assessed before being selected. Further, there exists a system by which all distributors' and vendors' site and operations are periodically reviewed by the Company for managing risks, if any.

Regulatory and Compliance risks

Your Company operates within the letter and spirit of all applicable laws. General compliance with legal requirements is an important component of the *Worldwide Business Conduct Manual* and the same directs the following action from every employee:

- To obey all legal requirements at all times;
- To understand exactly what legal requirements apply to the work function;
- To consult the legal personnel if there are conflicting legal requirements in different jurisdictions;
- To strictly follow the directions from the legal personnel;
- To address and resolve, in a timely manner, any legal compliance issues that have been identified;
- Absolutely no violation of any law;
- To immediately report any instance of violations to the Legal Dept.

Your Company has set in place the requisite mechanism for meeting with the compliance requirements, periodic monitoring of compliance to avoid any deviations, and regular updations to keep pace with regulatory changes.

Security Risks

Your Company has installed comprehensive security programs to protect employees and assets at all its Offices and Plants. Security measures are overseen by a specially designated Global Security Manager – South Asia and a reputed security agency has been appointed to guard our premises, thorough screening of all visitors and items received inwards. There is also a system for continuous monitoring of security alerts across the country. Training is given regularly to all security guards who are on duty 24x7. Evacuation drills are conducted twice a year. A global policy is in place to issue travel advisories to all employees in case there is any adverse situation at any place in a world. If the situation warrants, travel bans are imposed.

Internal Controls & their adequacy

Internal Control systems have been a core focus for the Company. Internal Audits and process checks are carried out regularly in important areas and are supplemented with checks by an independent audit group within P&G Asia.

HR Initiatives

The Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations and therefore the human resources management has assumed vital importance in your Company. Your Company focuses on attracting, motivating and retaining the best talent. Its people systems like recruiting, training, performance management and talent development are robust and competitive. As we have been growing we are putting in place new HR programs to ensure that the organization is geared up to deliver the future.

Attracting Talent: Recruiting continues to be a key focus – Your Company has a well established campus recruitment process that currently visits some of the top business schools and engineering campuses for both the summer internship and final hiring cycles. Over the years we have partnered closely with the top institutes in India to establish P&G as a preferred employer. Your Company runs function-wise pre-placement talks and activities to help students gain an understanding of the roles, responsibilities and the organisation to enable them to make informed choices. Compensation and benefits is another key part to attracting the best talent. Your Company's benefit programs are best in class giving it a competitive advantage.

As a result, we continue to be chosen ahead of competitors by students.

Motivating and Retaining Talent: Strong induction and training systems for new hires is a key part of retention program. Your Company allows new hires to handle responsible and large roles consistent with their capability, thus allowing exposure to decision making and strategy. Clearly defined functional career paths helps employees to plan their career goals and understand the skills needed to be built. Your Company's annual performance management system is very robust and clearly assesses and differentiates amongst employees on the basis of performance and potential. Your Company leverages its size as a global organisation in giving employees the opportunity to work across regions and business units, as well as moving them to international assignments on a regular, planned basis. Your Company is committed to providing meaningful, fast growing, international careers to employees and this is a key part of our retention efforts. This year we will focus on developing leadership capability at all levels to

ensure that our people have all the skills needed to deliver business and organization growth.

Your Company has been ranked among “*the Top 4 most preferred employer*” as per Nielsen Survey and has also improved its standing on a majority of campuses. In the internal P&G survey, we continue to see high employee engagement and scores on key indicators are among the highest in the P&G world. This year we will continue to focus on building capability in all areas of the organization, and continue to work on initiatives to strengthen our employee engagement both internally and externally.

Employee and trade relations related developments are covered in the Directors' Report. The number of employees as on June 30, 2010 was 324.

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

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

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

We have a highly experienced Board of Directors, which helps 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. This manual flows from our PVP which is the umbrella for our critical policy areas, which in turn create specific guidelines and standards. This manual enables the Company's employees to make easier connections to relevant policies and the tools that support them. This manual describes the Company's "Worldwide Business Conduct Standards". These standards flow from the following core values of the Company:

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

The "Worldwide Business Conduct Manual" also details the policy statements, operating policies/procedures/practices and internal controls being followed by the Company with specific emphasis on ethical behaviour of employees, compliance with all applicable laws in letter and spirit, ensuring accuracy of books and records, maintaining confidentiality of corporate data, avoidance of conflict of interest, fair dealings, fair competition, following best practices for safety and health of Company personnel, environmental protection, trading in securities and a host of special legal issues.

Our reputation is earned by our conduct: what we say, what we do, the products we make, the services we provide, and the way we act and treat others. As conscientious citizens and employees, we want to do what is right. For your Company, 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 four non-executive Directors. The Managing Director 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. R. A. Shah and Mr. B. S. Mehta are 'independent directors' as per explanation to clause 49I(A) of the listing agreement with stock exchanges. Except for the Managing Director, 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(s) of the Company.

(b) Number of Board meetings

Four Board meetings were held during the period July 1, 2009 to June 30, 2010. They were held on August 27, 2009, October 29, 2009, January 29, 2010 and April 23, 2010.

(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. R. A. Shah	4	Present
Mr. S. Khosla	4	Present
Mr. B. S. Mehta	4	Present
Mr. D. Acharya	4	Present
Ms. D. Henretta	None	Not Present
Mr. P. Agarwal †	None	Not Present

† Alternate Director to Ms. Henretta.

The composition and other required details of the Board of Directors as on June 30, 2010 are given below:

Name of the Director	Category	Designation	Other Directorships *		Membership of other Board Committees**	
			Member	Chairman	Member	Chairman
Mr. R. A. Shah	NED/ID	Chairman	14	3	9	4
Mr. S. Khosla	ED	Managing Director	2	1	2	None
Mr. B. S. Mehta	NED/ID	Director	14	None	9	5
Mr. D. Acharya	NED	Director	1	None	1	None
Ms. D. A. Henretta	NED	Director	1	None	None	None
Mr. P. Agarwal	NED	Alternate to Ms. D. Henretta	None	None	None	None

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

* 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.

(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.

Your 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 respectively 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.

(e) Remuneration of Directors

The non-executive independent Directors are paid annual commission of ₹10 lakhs each w.e.f. July 1, 2006 for a period of 5 years, 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 other applicable provisions of the Companies Act, 1956.

The remuneration of the Managing Director comprises salary, house rent allowance, perquisites, performance linked incentives, contribution to provident and other funds, gratuity and leave travel allowance and other perquisites and benefits as per the policy of the Company.

The term of the Managing Director is for a period of five years from the date of his respective appointment/

Details of the remuneration paid to the Directors of the Company during the year ended June 30, 2010 are given below:

Name of Director	Relationship with other Directors	Salary including Bonus+PF contribution (₹)	Perquisites (₹)	Commission (₹)	Shares held (Equity Shares of ₹10/- each)
Mr. R. A. Shah	None	—	—	10,00,000	5,550
Mr. S. Khosla	None	3,84,89,012	90,26,428	—	67
Mr. B. S. Mehta	None	—	—	10,00,000	3,799
Mr. D. Acharya	None	—	—	—	—
Ms. D. A. Henretta	None	—	—	—	—
Mr. P. Agarwal †	None	—	—	—	—
TOTAL		3,84,89,012	90,26,428	20,00,000	—

† Alternate Director to Ms. D. A. 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.

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 and 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 Managing Director are given the right to purchase shares of the ultimate parent company – The Procter & Gamble Company, USA under its International Stock Ownership Plan. Certain employees of the Company are also entitled to Stock Options of the parent company under its Employee Stock Option Plan. Details as regards the same are disclosed vide Note 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. R. A. Shah (Chairman), Mr. B. S. Mehta (Member) and Mr. D. Acharya (Member). The Audit Committee met on August 27, 2009, October 29, 2009, January 29, 2010 and April 23, 2010.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. R. A. Shah	4	4
Mr. B. S. Mehta	4	4
Mr. D. Acharya	4	4

Mr. A. Vyas is the Secretary of the Audit Committee.

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 Exchanges.

The Audit Committee powers include 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.

The Audit Committee role includes the following:

- 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.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statement/s before submission to the Board, focusing primarily on:
 - Matters required being 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.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- 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.
- Discussion with internal auditors of any significant findings and follow up thereon.
- 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.
- 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 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.

The minutes of the committee are placed before the Board.

Shareholders'/Investors' Grievance Committee

The Shareholders' Grievance Committee comprises of Mr. S. Khosla (Member) and Mr. D. Acharya (Chairman). Mr. A. Vyas, Company Secretary acts as the Compliance Officer. During the year four meetings were held on August 27, 2009, October 29, 2009, January 29, 2010 and April 23, 2010.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. S. Khosla	4	4
Mr. D. Acharya	4	4

The Committee 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, and dematerialization of shares.

During the year, the Company received 172 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 courts. There were no pending transfers as on June 30, 2010. The pending share transfers have since been acted upon by the Registrar and Share Transfer Agents.

SHAREHOLDERS

(a) Disclosures regarding re-appointment of Director

- (i) **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 specialises in broad spectrum of corporate laws. Mr. Shah has been associated with the Company since its inception.

Mr. Shah is a Chairman of Clariant Chemicals (India) Limited, Godfrey Phillips India Limited, Pfizer Limited and Vice-Chairman of Colgate Palmolive India Limited. He is a Director in Abbott India Limited, Asian Paints Limited, ACC Limited, The Bombay Dyeing & Mfg. Co. Limited, BASF India Limited, Century Enka Limited, Deepak Fertilizers and Petrochemicals Corporation Limited, Lupin Limited, Piramal Healthcare Limited and Wockhardt Limited. He holds alternate directorships in Atul Limited, BASF Polyurethanes India Limited, Modicare Limited, RPG Life Sciences Limited, Schrader Duncan Limited and Uhde India Limited.

Mr. Shah is also the Chairman/Member of the following Board committees: Chairman of Audit Committee of Colgate Palmolive India Limited, Pfizer Limited, Piramal Healthcare Limited and Clariant Chemicals (India) Limited and Member of Audit Committee of The Bombay Dyeing & Mfg. Co. Limited, Abbott India Limited, BASF India Limited, Century Enka Limited and Wockhardt Limited.

(b) Communication to shareholders

- (i) The Company does not send its quarterly or half-yearly report to its shareholders.
- (ii) The quarterly results of the Company are generally published in The Economic Times and Mumbai Lakshadeep.
- (iii) The Company's results and official news release are published on Company's website: www.pghcl.in. It contains data on various topics related to transfers, transmission of shares, dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc. Also, a special facility has also been provided for shareholders to send in their suggestion/grievances, which are immediately responded to.
- (iv) No presentations were made to analysts and institutional investors.
- (v) Annual Report and quarterly results of the Company are also posted on the Corpfilng site viz. www.corpfiling.co.in
- (vi) The recorded version of the proceedings of the 46th Annual General Meeting would be webcast at the Company's website : www.pghcl.in.

(c) Statutory Compliance

The Company has complied with all applicable requirements prescribed by the regulatory and statutory authorities including Stock Exchanges and SEBI on all matters related to capital markets and no strictures or penalty was imposed on the Company in past three years.

(d) Annual General Meetings

Year	Type	Location	Date	Time
2009	AGM	Patkar Hall	Oct. 15, 2009	3.30 p.m.
2008	AGM	Y. B. Chavan Hall	Oct. 10, 2008	3:30 p.m.
2007	AGM	Patkar Hall	Oct. 12, 2007	3:30 p.m.

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

Postal Ballot

No postal ballot was undertaken during the year.

(e) Whistle Blower Policy

The Company follows a Whistle Blower Policy as laid down in its “*Worldwide Business Conduct Manual*”. Any employee or other interested person can call on an ‘Alertline’, twenty-four hours a day, seven days a week, to report any concerns about violations of the Company’s “*Worldwide Business Conduct Standards*”.

The Alertline is not staffed or monitored by the Company personnel. All calls can be completed anonymous if the caller desires. The Alertline can take calls in most languages spoken by employees around the world.

Calls made to the Alertline are reported to the Company’s Corporate Security and Legal personnel, who will ensure appropriate investigation and follow-up of all calls. Callers are given a confidential identification number so they can inquire about the status of their reported concern.

The Audit Committee was accessible to all employees.

(f) CEO/CFO Certification

In terms of requirement of clause 49(V) of the Listing Agreement, the Managing Director (CEO) and the Chief Financial Officer (CFO) have made a certification to the Board of Directors in the prescribed format for the year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

(g) Adoption of non-mandatory requirements

- (a) Adoption of non-mandatory requirements under clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

- (b) There is no fixed tenure for independent directors. The Board of Directors ensures that the person being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company.

- (c) There are no audit qualifications in the Company’s financial statements for the year under reference.

- (d) No specific training program was arranged for the Board members. However, at the Board meetings, detailed presentations are made by senior managerial personnel on the business related matters.

- (e) The Company has not adopted any mechanism for evaluating individual performance of non-executive directors.

- (f) Of the non-mandatory requirements, currently the Company has the Whistle Blower Policy, as described above.

(h) Compliance with the Voluntary Code of Corporate Governance:

The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on “Corporate Governance” and “Corporate Social Responsibility” in December 2009. These guidelines are expected to serve as a benchmark for the corporate sector and also help them in achieving the highest standard of corporate governance.

Some of the provisions of these guidelines are already in place as reported elsewhere in this Report. The other provisions of these guidelines are being evaluated for adoption in future.

(i) Code of Conduct**(i) Code of Conduct for Directors**

The Company has in place a Code of Conduct for its Directors. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The Code of Conduct has been posted on the Company’s website at www.pghhcl.in.

(ii) Code of Conduct for Prevention of Insider Trading

The Board of the Company has adopted the Insider Trading Code modified in terms of amendments notified by SEBI under the SEBI (Prohibition of Insider Trading) Regulations, 1992 on November 19, 2008.

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

The 46th Annual General Meeting will be held on **Friday, October 8, 2010 at 3.30 p.m.** at **Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhosle Marg, Mumbai 400 021.**

II. Financial Calendar

The Company follows July-June financial year. The unaudited results for every quarter beginning from July are declared in the month following the quarter except for the last quarter, for which the audited results are declared by August, as permitted under the Listing Agreement.

III. Book Closure Date: September 25, 2010 to October 8, 2010 (both days inclusive).

The said book closure is for payment of dividend.

IV. Dividend Payment Date on or around October 15, 2010.

V. Listing of Equity Shares on Stock Exchanges

The Company's shares are listed on the Bombay Stock Exchange Limited, Mumbai and the National Stock Exchange of India Limited. Listing fees as prescribed have been paid to the respective Stock Exchanges.

VI. Stock Code

Bombay Stock Exchange Ltd., Mumbai –

Code: 500459 (physical & demat)

National Stock Exchange of India Ltd – Code: PGHH

The dematerialization ISIN Code is **INE 179A01014.**

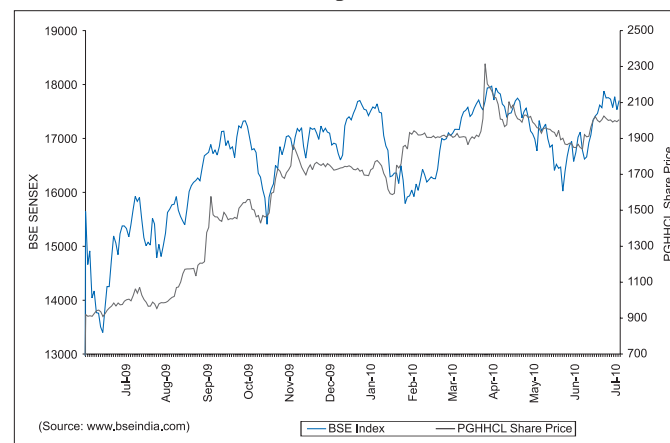
VII. Stock Price Data

MONTH	Bombay Stock Exchange Ltd, Mumbai		National Stock Exchange of India Ltd.	
	₹ High	₹ Low	₹ High	₹ Low
July – 2009	1,040	892	1,029	890
August – 2009	1,100	945	1,098	952
September – 2009	1,675	1,080	1,640	1,055
October – 2009	1,578	1,358	1,629	1,402
November – 2009	1,899	1,441	1,900	1,434
December – 2009	1,800	1,709	1,850	1,702
January – 2010	1,800	1,555	1,800	1,560
February – 2010	1,966	1,605	1,969	1,645
March – 2010	2,219	1,840	2,218	1,814
April – 2010	2,372	1,956	2,373	1,725
May – 2010	2,053	1,850	2,060	1,800
June – 2010	2,049	1,826	2,060	1,812

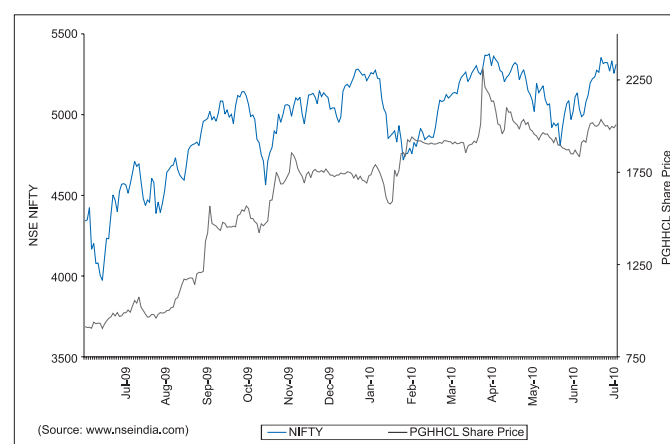
(Source: www.bseindia.com & www.nseindia.com)

VIII. Stock Performance

PGHHCL Share price vs BSE Index



PGHHCL Share price vs NSE NIFTY



IX. Registrar & Transfer Agents

LINK INTIME PRIVATE LIMITED, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078

Tel – (022) 2596 3838, Fax – (022) 2594 6969,

e-mail – rnt.helpdesk@linkintime.co.in

pginvestors@linkintime.co.in

X. Share Transfer System

All shares sent for transfer in the physical form are registered by the Registrar and Share Transfer Agent within 30 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

XI. Distribution of shareholding by size class as on June 30, 2010

Share holding	Shareholders		Shares Amount	
	Number	% to Total	Number	% to Total
Upto 500	20,716	91.52	19,80,299	6.10
501 – 1000	1,081	4.78	7,59,481	2.34
1001 – 2000	508	2.24	7,05,922	2.17
2001 – 3000	116	0.51	2,84,360	0.88
3001 – 4000	58	0.26	2,03,592	0.63
4001 – 5000	34	0.15	1,54,341	0.48
5001 – 10000	60	0.27	4,16,787	1.28
10001 and above	62	0.27	2,79,55,954	86.12
TOTAL	22,635	100.00	3,24,60,736	100.00

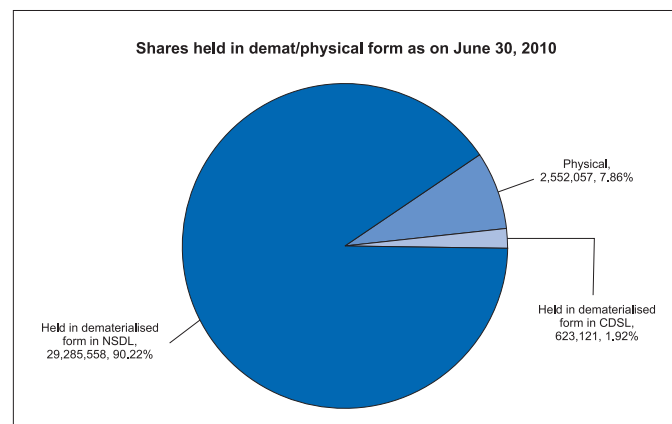
Distribution of shareholding by ownership as on June 30, 2010

Category	Number of Shares held	% of Shares held
Foreign & Indian promoters	2,29,29,773	70.64
Resident Individuals	48,02,407	14.79
Mutual Funds & UTI	17,26,671	5.32
Financial Institutions/Banks	9,913	0.03
Insurance Companies	9,28,335	2.86
Foreign Institutional Investors	7,88,386	2.43
Foreign Companies	1,08,189	0.33
Private Corporate Bodies	10,46,334	3.22
NRI/OCBs	1,05,344	0.32
Directors and their relatives	15,384	0.05
TOTAL	3,24,60,736	100

XII. Dematerialization of shares and liquidity

The Company's shares are required to be compulsorily traded in the stock exchanges in dematerialised form. As on June 30, 2010 the number of shares in dematerialized and physical mode is as under:

	No. of shares	% to total capital issued
Held in dematerialised form in NSDL	2,92,85,558	90.22
Held in dematerialised form in CDSL	6,23,121	1.92
Physical	25,52,057	7.86
TOTAL	3,24,60,736	100.00



XIII. As on date, the Company has not issued GDR/ADR/warrants or any convertible instruments.

XIV. Unclaimed/Unpaid Dividends

The amount of unclaimed dividends for and upto the year ended 2002 has been transferred to the Investor Education and Protection Fund established by the Central Government. Pursuant to Section 205C of the Companies Act, 1956, those members who have not claimed their dividends for the said periods shall not be entitled to claim the same either from the Company or from the said Fund.

Final dividend for the financial years ended June 30, 2003 and subsequent years, which remain unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government on the dates mentioned in the table below. Members who have not encashed their dividend warrants for these years are requested to seek issue of duplicate warrants on or before the due dates mentioned therein, by writing to the Company's RTA M/s Link Intime Private Limited.

Dividend No.	Date of Declaration	For the year ended	Due for transfer to IEPF
50	10.10.2003	30.06.2003	15.11.2010
51	15.10.2004	30.06.2004	20.11.2011
52	25.11.2005	30.06.2005	31.12.2012
53	06.10.2006	30.06.2006	11.11.2013
54	12.10.2007	30.06.2007	17.11.2014
55	10.10.2008	30.06.2008	15.11.2015
56	15.10.2009	30.06.2009	20.11.2016

During the financial year 2009-10, unclaimed final dividend amount for the year ended June 30, 2002 of ₹1,214,363/- was transferred to the Investor Education and Protection fund on November 27, 2009.

XV. Plant Locations

Goa Plant: 173, 314, 315, Kundaim Industrial Estate,
Kundaim, Goa 403 115.

Baddi Plants:

- (1) Khasara, No. 1808-09, Village-Doria, Export Park, Thana, Near Ino Pharma, P.O. Baddi, Tehsil - Nalagarh, Dist.: Solan Himachal Pradesh - 173 205.
- (2) Village Katha, Near Charak Pharma, P.O. Baddi, Tehsil - Nalagarh, Dist.: Solan Himachal Pradesh - 173 205.

XVI. Address for Correspondence:

Secretarial Dept.,
Procter & Gamble Hygiene and Health Care Limited,
P&G Plaza, Cardinal Gracias Road,
Chakala, Andheri (East), Mumbai 400 099.
Tel: (91-22) 28266000, Fax (91-22) 66939696.
Email: pginvestors@linkintime.co.in

XVII. Compliance Officer:

Mr. Amit K. Vyas
Company Secretary
Ph.: (91-22) 2826 6000, Fax (91-22) 6693 9696
Email: vyas.a@pg.com

Declaration

As provided under clause 49 of the Listing Agreement with Stock Exchanges, the Board members have confirmed compliance with the Directors' Code of Conduct for the year ended June 30, 2010 and the Senior Management has confirmed compliance with the Business Conduct Manual for the year ended June 30, 2010.

For **Procter & Gamble Hygiene
and Health Care Limited**

Mumbai,
August 18, 2010

S. Khosla
Managing Director

Auditors' Certificate on Compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

To
The Members of
Procter & Gamble Hygiene and Health Care Limited

We have examined the compliance of conditions of Corporate Governance by Procter & Gamble Hygiene and Health Care Limited, for the year ended on June 30, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 18, 2010.

AUDITORS' REPORT TO THE MEMBERS OF PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED

1. We have audited the attached Balance Sheet of Procter & Gamble Hygiene and Health Care Limited ("the Company"), as at June 30, 2010, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditors' Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and also the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
 5. On the basis of written representations received from the Directors as on June 30, 2010 and taken on record by the Board of Directors, none of the Directors is disqualified as on June 30, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
- For DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)
- K. A. Katki**
Partner
Membership No. 038568
- Mumbai,
August 18, 2010

Annexure referred to in paragraph 3 of the Auditors' Report on the Accounts of Procter & Gamble Hygiene and Health Care Limited

- i. Having regard to the nature of the Company's business/ activities/result, clauses vi, x, xi, xii, xiii, xiv, xv, xvi, xviii, xix and xx of CARO are not applicable.
- ii. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - (b) Where each of such transactions (excluding loans reported under paragraph (iv) above) is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regard to the specialized nature of some of the transactions of the Company.
- vii. In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of "formulations" and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- ix. According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at June 30, 2010, for a period of more than six months from the date they became payable.

(c) Details of Excise Duty, Sales Tax and Custom Duty which have not been deposited as on June 30, 2010 on account of disputes are given below:

Sr. No.	Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ in Lakhs)
1.	Sales Tax Laws as per statutes applicable in various states	Sales Tax	Appellate Authorities	1997-98 to 2008-09	1501.21
			Tribunal	1990-91 to 1996-97, 2001-02, 2002-03 and 2005-06	188.37
			High Court	1990-91 to 1997-98 and 2002-03	17.14
	Sub-total				1706.72
2.	Customs Act, 1962	Custom Duty	Joint Director General of Foreign Trade	1992-93	201.76
	Sub-total				201.76
3.	The Central Excise Act, 1944	Excise Duty	Appellate Authorities	2004-05 to 2008-09	10.00
	Sub-total				10.00

The above excludes disputed unpaid Excise demands of ₹221.40 lakhs and unpaid Service Tax

demand of ₹1.65 lakhs raised by the authorities on third parties with whom the Company has business transactions/contractual obligations. There were no disputed dues remaining unpaid in respect of income tax, service tax, wealth tax and cess during the year.

- x. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short term basis have not been used during the year for long term investment.
- xi. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
 (Registration No. 117366W)

Mumbai,
 August 18, 2010

K. A. Katki
Partner
 Membership No. 038568

Balance Sheet as at June 30, 2010

	Schedule No.	As at June 30, 2010		As at June 30, 2009	
		₹	₹	₹	₹
Sources of Funds					
<i>Shareholders' funds</i>					
Share Capital	1	32 46 07 360		32 46 07 360	
Reserves and Surplus	2	5 02 17 88 686		4 07 58 06 350	
			5 34 63 96 046		4 40 04 13 710
<i>Deferred Tax Liability – Net</i>	3		2 24 38 025		5 40 86 025
TOTAL			5 36 88 34 071		4 45 44 99 735
Application of Funds					
<i>Fixed Assets</i>					
Gross Block	4	2 42 96 61 718		2 21 82 32 601	
Less : Depreciation/Amortization/ Impairment		1 12 57 29 210		89 53 77 826	
Net Block		1 30 39 32 508		1 32 28 54 775	
Capital work-in-progress (including advances on capital account)		66 44 08 718		24 51 48 015	
			1 96 83 41 226		1 56 80 02 790
<i>Current Assets, Loans and Advances</i>					
Inventories	5	54 40 62 158		53 98 28 255	
Sundry Debtors	6	28 68 14 305		22 51 27 563	
Cash and Bank Balances	7	2 32 32 71 452		88 03 37 508	
Other Current Assets	8	8 43 95 089		2 00 91 818	
Loans and Advances	9	3 06 15 69 821		3 28 28 01 179	
		6 30 01 12 825		4 94 81 86 323	
<i>Less : Current Liabilities and Provisions</i>					
Current Liabilities	10	1 99 00 37 086		1 15 67 05 026	
Provisions	11	90 95 82 894		90 49 84 352	
		2 89 96 19 980		2 06 16 89 378	
<i>Net Current Assets</i>			3 40 04 92 845		2 88 64 96 945
TOTAL			5 36 88 34 071		4 45 44 99 735
Significant Accounting Policies and Notes to Accounts					
	17				

In terms of our report of even date attached

For DELOITTE HASKINS & SELLS

Chartered Accountants

K. A. Katki
Partner

Mumbai, August 18, 2010

For and on behalf of Board of Directors

R. A. Shah
Chairman

A.Vyas
Company Secretary

Mumbai, August 18, 2010

S. Khosla
Managing Director

T. Buch
Chief Financial Officer

Directors:

B. S. Mehta
D. Acharya

Profit and Loss Account for the year ended June 30, 2010

	Schedule No.	2009 - 2010 ₹	2008 - 2009 ₹
Income			
Sales – Gross		9 13 51 42 651	7 73 02 75 231
Less: Excise duty (Refer Note B.6 of Schedule 17)		10 64 65 096	22 47 472
Net Sales		9 02 86 77 555	7 72 80 27 759
Licence fee		1 59 13 614	1 40 29 948
Other Income	12	28 65 26 385	37 32 44 189
		9 33 11 17 554	8 11 53 01 896
Expenditure			
Raw materials and packaging materials consumed		2 38 27 36 428	2 35 88 64 417
Purchase of Finished Goods		40 84 45 983	66 86 186
Decrease/(Increase) in finished goods and work-in-process	13	46 63 544	(4 09 89 650)
Payments to and provisions for employees	14	43 45 72 883	34 64 18 558
Operating and other expenses	15	3 51 39 47 316	2 98 40 34 125
Interest	16	2 50 780	5 400
Depreciation/Amortization/Impairment	4	25 02 57 968	14 37 00 326
		6 99 48 74 902	5 79 87 19 362
		2 33 62 42 652	2 31 65 82 534
Profit Before Taxation			
Provision for taxation:			
Income Tax			
Current Tax		57 02 37 000	50 14 00 000
Deferred Tax (Credit)/expenses – (Net)		(3 16 48 000)	1 07 04 000
Fringe Benefit tax		—	1 60 00 000
		1 79 76 53 652	1 78 84 78 534
Profit After Taxation			
Balance brought forward from Previous year		2 01 47 45 191	1 25 97 59 014
Amount available for appropriation		3 81 23 98 843	3 04 82 37 548
Appropriations:			
Proposed dividend		73 03 66 560	73 03 66 560
Corporate tax on dividend		12 13 04 756	12 41 25 797
Transfer to General Reserve		17 98 00 000	17 90 00 000
		1 03 14 71 316	1 03 34 92 357
Balance carried forward			
		2 78 09 27 527	2 01 47 45 191
Number of equity shares outstanding during the year of ₹10/- each		3 24 60 736	3 24 60 736
Basic and diluted earnings per share (₹) (Refer Note B.16 of Schedule 17)		55.38	55.10

Significant Accounting Policies
and Notes to Accounts

17

In terms of our report of even date attached

For DELOITTE HASKINS & SELLS

Chartered Accountants

K. A. Katki
Partner

Mumbai, August 18, 2010

For and on behalf of Board of Directors

R. A. Shah
ChairmanA. Vyas
Company Secretary

Mumbai, August 18, 2010

S. Khosla
Managing DirectorT. Buch
Chief Financial Officer

Directors:

B. S. Mehta
D. Acharya

Cash Flow Statement for the year ended June 30, 2010

	2009 - 2010	2008 - 2009
	₹	₹
A. Cash Flow from Operating Activities		
Profit Before Taxation	2 33 62 42 652	2 31 65 82 534
Adjustments for:		
Depreciation/Amortization/Impairment	25 02 57 968	14 37 00 326
Write-back of liabilities no longer required	—	(11 78 77 332)
Interest income	(16 94 49 589)	(23 63 21 436)
Interest expense	2 50 780	5 400
Provision for employee benefits	74 19 583	(1 02 77 155)
Unrealised Foreign Exchange Loss/(Gain) (net)	1 19 63 508	(1 70 74 926)
Loss on sale/scrap of Fixed Assets (net)	61 09 955	1 96 25 590
	<u>10 65 52 205</u>	<u>(21 82 19 533)</u>
Operating profit before working capital changes	2 44 27 94 857	2 09 83 63 001
Adjustments for:		
Decrease/(Increase) in Trade and other receivables	(22 88 44 155)	1 13 10 924
Increase in Inventories	(42 33 903)	(7 46 52 910)
(Decrease)/Increase in Trade and other payables	82 72 78 958	(2 08 73 020)
	<u>59 42 00 900</u>	<u>(8 42 15 006)</u>
Cash generated from operations	3 03 69 95 757	2 01 41 47 995
Direct taxes paid (net)	(65 01 02 052)	(35 84 86 823)
Net Cash generated from Operating Activities	<u>2 38 68 93 705</u>	<u>1 65 56 61 172</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(65 79 43 659)	(37 35 21 077)
Sale of fixed assets	12 37 300	18 17 615
Interest received	10 51 46 318	22 50 96 354
Loan given to fellow subsidiary	(25 73 22 206)	(1 74 93 78 493)
Inter Corporate Deposits received back/placed (net)	72 00 00 000	22 00 00 000
Net Cash used in Investing Activities	<u>(8 88 82 247)</u>	<u>(1 67 59 85 601)</u>
C. Cash Flow from Financing Activities		
Dividend paid	(73 03 66 560)	(64 92 14 720)
Corporate Tax on Dividend paid	(12 41 25 797)	(11 03 34 042)
Interest paid	(2 50 780)	(5 400)
Net Cash used in Financing Activities	<u>(85 47 43 137)</u>	<u>(75 95 54 162)</u>
D. Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1 44 32 68 321</u>	<u>(77 98 78 591)</u>
E. Cash and Cash Equivalents at the beginning of the year	<u>86 96 14 847</u>	<u>1 64 94 93 438</u>
F. Cash and Cash Equivalents at the end of the year	<u>2 31 28 83 168</u>	<u>86 96 14 847</u>

- Notes:**
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements.
 - Cash and Bank Balances include:
Cash and Bank balances (refer Schedule 7)
Less: Deposits having maturity beyond 3 months

Effect of exchange rate changes – gain
Cash and Cash Equivalent – as restated
 - Previous year's figures have been regrouped or rearranged wherever considered necessary.

In terms of our report of even date attached

For DELOITTE HASKINS & SELLS

Chartered Accountants

K. A. Katki

Partner

Mumbai, August 18, 2010

For and on behalf of Board of Directors

R. A. Shah

Chairman

A. Vyas

Company Secretary

Mumbai, August 18, 2010

S. Khosla

Managing Director

T. Buch

Chief Financial Officer

Directors:

B. S. Mehta

D. Acharya

Schedules forming part of the accounts

	As at June 30, 2010 ₹	As at June 30, 2009 ₹
(1) Share Capital		
<i>Authorised</i>		
3 50 00 000 (Previous year : 3 50 00 000) equity shares of ₹10 each	<u>35 00 00 000</u>	<u>35 00 00 000</u>
<i>Issued and subscribed</i>		
3 24 60 736 (Previous year : 3 24 60 736) equity shares of ₹10 each fully paid-up	<u>32 46 07 360</u>	<u>32 46 07 360</u>
Of the above shares		
(a) 2 35 41 242 (Previous year : 2 35 41 242) equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve and Securities Premium		
(b) 2 29 29 773 (Previous year : 2 23 10 090) shares are held by the ultimate holding company, The Procter and Gamble Company, USA, through its subsidiaries of which 2 12 21 953 shares (Previous year: 2 12 21 953 shares) are held by Procter and Gamble Asia Holding, BV, The Netherlands. (Refer Note B.19 of Schedule 17)		
(2) Reserves and Surplus		
<i>Securities Premium</i>		
As per last balance sheet	<u>75 19 37 790</u>	<u>75 19 37 790</u>
<i>General Reserve</i>		
As per last balance sheet	<u>1 30 91 23 369</u>	<u>1 13 01 23 369</u>
Transfer from Profit and Loss Account	<u>17 98 00 000</u>	<u>17 90 00 000</u>
	<u>1 48 89 23 369</u>	<u>1 30 91 23 369</u>
<i>Profit and Loss Account</i>		
Surplus as per Profit and Loss Account	<u>2 78 09 27 527</u>	<u>2 01 47 45 191</u>
	<u>5 02 17 88 686</u>	<u>4 07 58 06 350</u>
(3) Deferred Tax Asset/(Liability)		
<i>Deferred tax asset</i>		
Excise and Sales Tax Provisions	<u>5 60 36 853</u>	<u>4 33 95 669</u>
Payments made under Voluntary Retirement Scheme	<u>1 16 79 722</u>	<u>81 64 542</u>
Other timing differences	<u>1 03 24 410</u>	<u>1 20 76 225</u>
Total	<u>7 80 40 985</u>	<u>6 36 36 436</u>
<i>Less: Deferred tax liability</i>		
Depreciation	<u>10 04 79 010</u>	<u>11 77 22 461</u>
Total	<u>10 04 79 010</u>	<u>11 77 22 461</u>
Deferred Tax Liability – Net	<u>(2 24 38 025)</u>	<u>(5 40 86 025)</u>

(4) Fixed Assets

Particulars	Gross Block at Cost				Depreciation/Amortization/Impairment				Net Block	
	As at July 1, 2009 ₹	Additions/Transfers during the year ₹	Deletions/Transfers during the year ₹	As at June 30, 2010 ₹	As at July 1, 2009 (Refer Note 1 below) ₹	For the Year (Refer Note 3 below) ₹	On Deletions/Transfers ₹	As at June 30, 2010 ₹	As at June 30, 2010 ₹	As at June 30, 2009 ₹
Land – Freehold – (Refer Note 2 below)	6 68 29 823	—	—	<u>6 68 29 823</u>	—	—	—	<u>6 68 29 823</u>	6 68 29 823	—
Land – Leasehold	1 72 00 709	—	—	<u>1 72 00 709</u>	1 40 76 456	1 76 035	—	<u>1 42 52 491</u>	<u>29 48 218</u>	31 24 253
Buildings	55 54 42 308	4 72 43 211	20 26 823	<u>60 06 58 696</u>	18 02 47 231	1 75 03 033	2 29 016	<u>19 75 21 248</u>	<u>40 31 37 448</u>	37 51 95 077
Plant and Machinery	1 29 91 24 832	13 63 33 142	1 44 50 028	<u>1 42 10 07 946</u>	55 71 96 660	19 10 82 266	93 05 837	<u>73 89 73 089</u>	<u>68 20 34 857</u>	74 19 28 172
Furniture and fixtures	4 37 89 475	98 38 120	12 15 621	<u>5 24 11 974</u>	2 50 62 235	33 12 514	9 78 007	<u>2 73 96 742</u>	<u>2 50 15 232</u>	1 87 27 240
Office equipment	15 65 91 631	1 11 41 390	79 05 627	<u>15 98 27 394</u>	10 22 36 540	1 01 06 928	77 37 984	<u>10 46 05 484</u>	<u>5 52 21 910</u>	5 43 55 091
Moulds and Dies	7 29 17 261	3 41 27 093	—	<u>10 70 44 354</u>	1 10 69 034	2 78 51 728	—	<u>3 89 20 762</u>	<u>6 81 23 592</u>	6 18 48 227
Vehicles	63 36 562	—	16 55 740	<u>46 80 822</u>	54 89 670	2 25 464	16 55 740	<u>40 59 394</u>	<u>6 21 428</u>	8 46 892
	<u>2 21 82 32 601</u>	<u>23 86 82 956</u>	<u>2 72 53 839</u>	<u>2 42 96 61 718</u>	<u>89 53 77 826</u>	<u>25 02 57 968</u>	<u>1 99 06 584</u>	<u>1 12 57 29 210</u>	<u>1 30 39 32 508</u>	<u>1 32 28 54 775</u>
Previous Year	<u>2 03 09 39 857</u>	<u>25 71 54 385</u>	<u>6 98 61 641</u>	<u>2 21 82 32 601</u>	<u>80 00 95 936</u>	<u>14 37 00 326</u>	<u>4 84 18 436</u>	<u>89 53 77 826</u>	<u>66 44 08 718</u>	<u>24 51 48 015</u>
									<u>1 96 83 41 226</u>	<u>1 56 80 02 790</u>

Notes:

- Opening accumulated depreciation includes impairment on Land – Leasehold ₹91 07 650; on Buildings ₹7 49 86 109; on Plant and Machinery ₹2 05 34 937 and on Office Equipment ₹30 621 in 2002-03.
- Land – Freehold includes ₹6 67 10 299 (Previous year : ₹6 67 10 299) being the company's share (90%) of assets jointly owned with other parties.
- During the year, Plant & Machinery has been impaired at its plant sites amounting to ₹5 63 14 749 (Previous year : ₹Nil).

Schedules forming part of the accounts

	As at June 30, 2010		As at June 30, 2009	
	₹	₹	₹	₹
(5) Inventories (At lower of cost and net realisable value)				
Raw materials	10 11 26 922		10 15 23 412	
Packaging materials	4 72 92 086		4 92 15 158	
Stores and spare parts	6 72 38 534		5 60 21 525	
Work-in-process	1 68 23 021		63 85 544	
Finished goods	31 15 81 595		32 66 82 616	
	<u>54 40 62 158</u>		<u>53 98 28 255</u>	
(6) Sundry Debtors – Unsecured, considered good				
Debts outstanding for a period exceeding six months	2 34 45 503		3 06 54 359	
Other debts	26 33 68 802		19 44 73 204	
	<u>28 68 14 305</u>		<u>22 51 27 563</u>	
(Refer Note B.10 of Schedule 17 – Dues from Companies under the same management)				
(7) Cash and Bank Balances				
Cash on hand	1 174		1 174	
Bank balances with scheduled banks in :				
Current accounts	8 75 54 378		4 52 00 866	
Deposit accounts*	2 23 57 15 900		83 51 35 468	
	<u>2 32 32 71 452</u>		<u>88 03 37 508</u>	
* includes ₹1 00 70 000 (Previous year : ₹1 33 35 468) placed as security against guarantees provided by banks.				
(8) Other Current Assets				
Interest accrued on Loan to fellow subsidiary	7 30 95 314		1 07 94 503	
Interest accrued on inter-corporate deposits	—		11 83 560	
Interest accrued on bank deposits	1 12 99 775		81 13 755	
	<u>8 43 95 089</u>		<u>2 00 91 818</u>	
(9) Loans and Advances – Unsecured, considered good unless otherwise stated				
Loans and Advances recoverable in cash or in kind or for value to be received				
(Refer Note B.11 of Schedule 17)				
Considered Good	61 87 49 376		46 98 35 329	
Considered Doubtful	8 49 72 491		6 07 87 849	
Less: Provisions for doubtful loans and advances	<u>8 49 72 491</u>		<u>6 07 87 849</u>	
Loan to fellow subsidiary	2 00 67 00 699		1 74 93 78 493	
(Refer Note B.11 of Schedule 17)			72 00 00 000	
Inter-corporate deposits	—		10 70 61 000	
Other deposits	11 69 64 910		41 95 740	
Balance with customs and excise	69 59 167			
Advance Tax paid				
(Net of provisions ₹2 65 20 36 620				
Previous year : ₹2 08 17 99 620)	29 45 90 404		21 47 25 352	
Advance Fringe Benefit Tax				
(Net of provisions ₹8 00 00 000				
Previous year : ₹8 00 00 000)	<u>1 76 05 265</u>		<u>1 76 05 265</u>	
	<u>3 06 15 69 821</u>		<u>3 28 28 01 179</u>	

Schedules forming part of the accounts

	As at June 30, 2010		As at June 30, 2009	
	₹	₹	₹	₹
(10) Current Liabilities				
Sundry creditors				
– Total outstanding dues to Micro Enterprises & Small Enterprises (Refer Note B.9 of Schedule 17)		—		—
– Total outstanding dues to creditors other than Micro Enterprises & Small Enterprises	1 87 17 02 240		1 02 31 00 101	
Investor Education and Protection Fund				
– Unclaimed dividends#	1 51 91 147		1 44 24 507	
Other current liabilities	10 31 43 699		11 91 80 418	
	<u>1 99 00 37 086</u>		<u>1 15 67 05 026</u>	
# There are no amounts due and outstanding to the Investor Education Protection Fund				
(11) Provisions				
Employee benefits	5 79 11 578		5 04 91 995	
Proposed dividend	73 03 66 560		73 03 66 560	
Corporate tax on dividend	12 13 04 756		12 41 25 797	
	<u>90 95 82 894</u>		<u>90 49 84 352</u>	
	2009 - 2010		2008 - 2009	
	₹	₹	₹	₹
(12) Other Income				
Interest on deposits (gross) (tax deducted at source ₹91 88 430; Previous year : ₹2 24 94 431)	7 14 74 675		9 92 69 334	
Interest on loan to fellow subsidiaries (gross) (tax deducted at source ₹89 96 317; Previous year : ₹3 00 67 152)	8 99 63 167		13 26 88 226	
Interest on Income Tax Refund	9 56 13 398		—	
Interest on loans from Employees	80 11 747		43 63 876	
Write-back of liabilities no longer required	—		11 78 77 332	
Sale of Scrap	67 39 994		42 83 857	
Research and Development and other charges	26 23 043		19 15 610	
Business process outsourcing income	1 08 83 984		62 29 095	
Miscellaneous Income	12 16 377		66 16 859	
	<u>28 65 26 385</u>		<u>37 32 44 189</u>	
(13) Decrease/(Increase) in finished goods and work-in-process				
Opening Balance				
Work-in-process	63 85 544		1 93 01 898	
Finished goods (including excise duty ₹NIL; Previous year : ₹73 457)	32 66 82 616		27 27 76 612	
	<u>33 30 68 160</u>		<u>29 20 78 510</u>	
Closing Balance				
Work-in-process	1 68 23 021		63 85 544	
Finished goods (including excise duty ₹2 32 36 452, Previous year : ₹NIL)	31 15 81 595		32 66 82 616	
	<u>32 84 04 616</u>		<u>33 30 68 160</u>	
	<u>46 63 544</u>		<u>(4 09 89 650)</u>	

Schedules forming part of the accounts

	2009 - 2010	2008 - 2009
	₹	₹
(14) Payments to and provisions for employees		
Salaries, wages and bonus	54 86 86 347	47 38 24 353
Contribution to provident and other funds	13 88 52 389	10 21 65 141
Staff welfare expenses	5 95 35 527	4 36 38 656
Less: Reimbursement of Salary and Benefits shared by group companies (Refer Note B.17 of Schedule 17)	(31 25 01 380)	(27 32 09 592)
	<u>43 45 72 883</u>	<u>34 64 18 558</u>
(15) Operating and other expenses		
Consumption of Stores and spare parts	3 48 54 305	3 12 22 080
Rent (Refer Note B.8 of Schedule 17)	1 98 84 690	1 13 59 267
Rates and Taxes		
Excise Duty (Refer Note B.6 of Schedule 17)	2 32 36 452	(73 457)
Others	12 76 518	8 13 786
Insurance	17 15 008	35 13 494
Power and fuel	6 19 07 739	7 84 26 164
Repairs and maintenance:		
Plant and machinery	2 65 96 707	1 44 32 961
Buildings	53 73 992	52 79 927
Others	2 07 174	2 05 535
Processing charges	10 33 88 046	14 20 83 246
Auditor's remuneration:		
As Auditor	43 25 000	44 75 000
Tax Audit and Certification	16 50 000	18 00 000
Reimbursement of Out-of-pocket expenses	2 00 000	1 81 653
Service Tax	<u>6 36 025</u>	<u>6 65 035</u>
Total Auditor's remuneration	68 11 025	71 21 688
Trade Incentives	48 43 61 766	33 97 13 458
Advertising expenses	1 13 03 52 973	89 56 39 121
Freight, transport, warehousing and distribution charges	41 97 54 820	42 71 48 881
Commission to directors	20 00 000	38 75 000
Royalty	52 51 66 350	41 81 17 934
Turnover and Resale Tax	11 16 55 017	15 04 79 541
Travelling, Conveyance and Vehicle expenses	8 44 92 425	6 88 68 697
Communications	3 43 86 391	3 07 83 186
Business process outsourcing expenses	10 10 13 956	8 84 04 334
Computer expenses	1 82 77 707	1 78 72 556
Loss on sale/scraping of fixed assets (Net)	61 09 955	1 96 25 590
Exchange Loss (Net)	1 27 18 460	2 09 93 404
Professional services	11 66 37 262	8 21 33 394
Distributor Coverage Expenses	14 48 50 939	10 92 80 882
Inventory written off Net of Insurance claim	2 88 45 725	—
Others	11 54 49 712	14 41 14 159
	<u>3 62 13 25 114</u>	<u>3 11 14 34 828</u>
Less: Reimbursement of Expenses shared by group companies (Refer Note B.17 of Schedule 17)	(10 73 77 798)	(12 74 00 703)
	<u>3 51 39 47 316</u>	<u>2 98 40 34 125</u>
(16) Interest		
Bank Interest	2 50 780	5 400
	<u>2 50 780</u>	<u>5 400</u>

Schedules forming part of the accounts

(17) Significant Accounting Policies and Notes to Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the Generally Accepted Accounting Principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rules 2006.

Use of estimates

The preparation and presentation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual result and estimates are recognised in the year in which the results are known/materialised.

Revenue Recognition

Sale of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on the despatch of goods. Sales are exclusive of sales tax. Licence fee is accounted based on terms of the contract. Interest income is recognized on time proportion basis.

Fixed Assets and Depreciation/Amortization

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment, if any. Cost is inclusive of freight, duties, taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use. Depreciation is charged using straight-line method based on the useful lives of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

	Years
Buildings	20 - 30
Plant and machinery	5 - 18
Furniture and Fixtures	10 - 15
Office equipment	1 - 5
Moulds and Dies	1 - 3
Vehicles	4 - 8

Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Individual fixed assets costing less than ₹5000 are depreciated in full, in the year of purchase. Cost of leasehold land is amortised over the period of the lease or management estimate whichever is lower.

Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction in the carrying amount is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Inventories

Inventories consist of raw and packing materials, stores and spares, work in progress and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of Inventories is determined on weighted average basis.

Schedules forming part of the accounts

Employee benefits

- (i) Post-employment Benefits
- (a) Defined Contribution Plans:
The Company has Defined Contribution Plans for post employment benefits, charged to Profit and Loss account, in the form of
- Provident Fund administered by the Regional Provident Fund Commissioner (upto December 31, 2007 and from April 1, 2009)
 - Superannuation Fund as per Company policy administered by Company managed trust and
 - State Defined Contribution Plans: Employer's Contribution to Employees' State Insurance.
- (b) Defined Benefit Plans:
Funded Plan: The Company has Defined Benefit Plan for post employment benefits in the form of
- Gratuity for all employees administered through trust.
 - Provident Fund administered by Company's own trust (w.e.f. January 1, 2008 and till March 31, 2009).
- Unfunded Plan: The Company has unfunded Defined Benefit Plans in the form of
- Post Retirement Medical Benefits (PRMB) as per its policy.
 - Liability for the above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.
- (ii) Liability for Compensated Absences and Leave Travel Allowance which are in the nature of short term benefits is provided for as per company rules on an accrual basis
- (iii) Termination benefits and long service awards in terms of Company policy are recognized as an expense as and when incurred
- (iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account for the year.

Research and Development

Capital expenditure on Research and Development is capitalized as Fixed Assets. All revenue expenditure on Research and Development is charged off to the respective heads in the Profit and Loss account in the year in which it is incurred.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currencies are stated at the closing exchange rate. In the case of Monetary items covered by forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract and the difference between the year end rate and rate on the date of the contract is recognised as exchange difference in the Profit and Loss Account. Gains/Losses on conversion/translation have been recognised in the Profit and Loss Account.

Taxation

Income-tax expense comprises current tax, fringe benefit tax (i.e. amount of tax for the year determined in accordance with the income-tax laws) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the year). Provision for taxation for the Company's financial year ended on June 30, 2010 is based on the results of the 9 months ended March 31, 2010 (Assessment year 2010-11) and for the 3 months ended June 30, 2010 (Assessment year 2011-12). The ultimate liability for the Assessment year 2010-11 is determined on the total income of the Company for the year ending on March 31, 2010. The deferred tax charge or credit and the corresponding deferred tax liabilities and/or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and are written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Schedules forming part of the accounts

The Fringe Benefit Tax has been calculated and accounted for in accordance with the provisions of the Income tax Act, 1961 and the guidance note on Accounting for Fringe Benefits Tax issued by the Institute of Chartered Accountants of India. Pursuant to enactment of Finance Act, 2009, Fringe Benefit tax stands abolished w.e.f. April 01, 2009.

Borrowing cost

Borrowing costs directly attributable to acquisition or construction of qualifying assets (i.e. those fixed assets which necessarily take a substantial period of time to get ready for their intended use) are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term with the lessor.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation.

Contingent Assets are not recognized in financial statements as they may never be realized.

B. NOTES TO ACCOUNTS

1. (a) Contingent Liabilities :

- (i) In respect of Income Tax demands for which the Company has preferred appeals with appropriate authorities - ₹37 25 30 147 (Previous year : ₹25 80 42 721). The liability is mainly on account of various disallowances by the Income Tax authorities on which assessee has preferred an appeal. These are on account of various grounds - primarily on account of advertisement expenses, tax holiday, etc.
 - (ii) In respect of Sales tax matters for which the Company has preferred appeals with appropriate authorities - ₹18 18 02 208 (Previous year : ₹10 06 72 419). The liability is in respect to matters related to: non-submission of "C" Forms/"F" Forms ₹6 37 05 567 (Previous year : ₹1 25 577), Incomplete accounts books ₹1 79 53 096 (Previous year : ₹1 05 62 077), Classification issues ₹56 89 172 (Previous year : ₹76 07 120), Product valuation issues ₹8 96 70 537 (Previous year : ₹8 19 74 831), and other miscellaneous issues ₹47 83 836 (Previous year : ₹4 02 814).
 - (iii) In respect of Excise, Customs and Service Tax matters for which the Company has preferred appeals with appropriate authorities ₹3 09 55 483 (Previous year : ₹5 77 55 812). The liability is in respect to: classification matters ₹8 74 000 (Previous year : ₹23 50 490), valuation matters ₹97 40 805 (Previous year : ₹3 80 06 429), applicability of service tax on testing charges ₹1 64 678 (Previous year : ₹1 64 678) and others ₹2 34 215 (Previous year : ₹2 34 215). Contingent liability for customs duty is towards the old advance licence matters which are under dispute.
 - (iv) In respect of counter guarantees given to bank against guarantees given by bank : ₹20 80 05 094 (Previous year : ₹11 28 94 773). At the request of the Company, its bankers have issued guarantees to third parties for performance obligation under various commercial agreements. The Company has issued counter guarantees to the banks in respect of these guarantees.
 - (v) In respect of other claims - ₹5 00 000 (Previous year : ₹22 22 829). The Company is a party to various legal proceedings in the normal course of business. The Company does not expect the outcome of these proceedings to have a material adverse effect on the Company's financial conditions, results of operations or cash flows.
 - (vi) Custom duty liability for probable non fulfillment of export obligation ₹1 95 50 000 (Previous year : Nil).
- (b) Estimated amount of contracts remaining to be executed on capital account (net of advances) - ₹3 31 51 397 (Previous year : ₹13 18 83 576).

Schedules forming part of the accounts

2. The Company has classified the various benefits provided to employees as under:

I. Defined Contribution Plans

- Provident Fund (Previous Year from April 01, 2009)
- Superannuation Fund
- State Defined Contribution Plans: Employer's Contribution to Employees' State Insurance

The Company has recognized the following amounts in the Profit and Loss Account:

	2009-2010 ₹	2008-2009 ₹
– Employer's Contribution to Provident Fund (Previous year from April 01, 2009)	4 93 27 008	1 10 74 231
– Employer's Contribution to Superannuation Fund	5 53 49 847	5 30 98 494
– Employer's Contribution to Employees' State Insurance	2 95 105	2 84 589

The above amounts are included in Contribution to Provident and other Funds (Refer Schedule 14)

II. Defined Benefit Plans

- Gratuity Fund (Funded Scheme): Gratuity is payable to all eligible employees of the Company on superannuation, death, permanent disablement and resignation in terms of the provisions of the Payment of Gratuity Act, 1972 or Company's scheme whichever is more beneficial. Benefits would be paid at the time of separation based on the last drawn base salary.
- Provident Fund (Funded Scheme): With effect from January 1, 2008 till March 31, 2009 the Company had managed Provident Fund plan through Company's own Provident Fund trust alongwith one other group Company for its employees. The plan envisaged contribution by employer and employees and guarantees interest at the rate notified by the Provident Fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service. The Entity had re-commenced contribution of Provident Fund dues with Regional Provident Fund Commissioner (RPFC) w.e.f. April 01, 2009.
- Post Retirement Medical Benefit (PRMB) (Non-funded Scheme): Under this scheme, employees get medical benefits subject to certain limits of amount, periods after retirement and types of benefits, depending on their grade at the time of retirement. Employees separated from the Company as part of early separation scheme are also covered under the scheme.

The disclosures as required under AS-15 are as under:

(A) Changes in the Present Value of Obligation

	Funded Scheme (₹)			Non-Funded Scheme (₹)	
	Gratuity	Provident Fund (refer note below)		Post Retirement Medical Benefit	
	2009-2010	2008-2009	2008-2009	2009-2010	2008-2009
Present Value of Obligation as at opening date	23 83 21 000	23 37 06 000	3 83 72 000	1 50 03 000	1 39 96 000
Interest Cost	1 84 55 000	1 86 29 000	71 87 000	11 94 000	12 02 000
Current Service Cost	1 92 88 000	1 38 86 000	3 17 47 000	4 62 000	3 75 000
Service Contribution - Employee	—	—	3 32 72 000	—	—
Acquisitions/transfers	—	—	5 12 000	—	—
Benefits Paid	(2 65 16 000)	(3 91 49 000)	(1 72 26 000)	(8 89 000)	(3 68 000)
Actuarial (gain)/loss on Obligations	(1 92 13 000)	1 12 49 000	4 97 00 000	14 11 000	(2 02 000)
Present Value of Obligation as at closing date	23 03 35 000	23 83 21 000	14 35 64 000	1 71 81 000	1 50 03 000

Schedules forming part of the accounts

		Funded Scheme (₹)		
		Gratuity	Provident Fund	
		2009-2010	2008-2009	2008-2009
		(refer note below)		
(B) Changes in the Fair Value of Plan Assets				
(For Funded Scheme)				
Fair Value of Plan Assets as at opening date		29 13 93 000	21 66 39 000	3 83 72 000
Expected Actual Return on Plan Assets		2 22 51 000	1 85 65 000	5 68 87 000
Actuarial Gains and (Losses)		(1 37 16 000)	2 53 38 000	—
Contributions			7 00 00 000	6 55 31 000
Benefits Paid		(2 65 16 000)	(3 91 49 000)	(1 72 26 000)
Fair Value of Plan Assets as at closing date		27 34 12 000	29 13 93 000	14 35 64 000
		Funded Scheme (₹)		Non-Funded Scheme (₹)
		Gratuity	Provident Fund	Post Retirement Medical Benefit
		2009-2010	2008-2009	2008-2009
		(refer note below)		2009-2010
(C) Amount recognized in the Balance Sheet				
Present Value of Obligation as at closing date		23 03 35 000	23 83 21 000	14 35 64 000
Fair Value of Plan Assets as at closing date		27 34 12 000	29 13 93 000	14 35 64 000
Liability/(Asset) recognized in the Balance Sheet		(4 30 77 000)	(5 30 72 000)	—
Included in Loans and Advances (Refer Schedule 9) & Provisions (Refer Schedule 11)				1 71 81 000
(D) Expenses recognized in the Profit and Loss Account				
Current Service Cost		1 92 88 000	1 38 86 000	3 17 47 000
Interest Cost		1 84 55 000	1 86 29 000	71 87 000
Expected Return on Plan Assets		(2 22 51 000)	(1 85 65 000)	(5 68 87 000)
Net actuarial (gain)/loss recognized in the period		(54 97 000)	(1 40 89 000)	4 97 00 000
Total Expenses recognized in the Profit and Loss Account		99 95 000	(1 39 000)	3 17 47 000
Included in Contribution to Provident and Other Funds (Refer Schedule 14)				30 67 000
(E) Category of Plan Assets				
Plan assets as a percentage of Total plan assets in respect of Provident Fund and Gratuity are as follows:				
		Gratuity	Provident Fund	
		2009-2010	2008-2009	2008-2009
Public Sector Unit		32%	38%	45%
Government Of India Securities		13%	24%	32%
State Government Securities		30%	26%	16%
Special Deposit scheme		11%	11%	7%
Private Sector Unit		14%	1%	—

Schedules forming part of the accounts

(F) Sensitivity of Results to Medical Inflation Rate

Medical Inflation Rate	Current Service + Interest Cost (₹)		Present Value of Defined Benefit Obligation (₹)	
	2009-2010	2008-2009	2009-2010	2008-2009
Effect of 1% increase 6.5% (previous year 5%)	19 47 000	18 25 000	1 93 98 000	1 66 86 000
Effect of 1% decrease 4.5% (previous year 3%)	14 42 000	13 92 000	1 54 15 000	1 37 21 000

(G) Actuarial Assumptions

In respect of the aforesaid defined benefit plans, the management has estimated the liability based on actuarial valuation and is based on following assumptions:

	Funded Scheme - Gratuity		Funded Scheme - Provident Fund	Non-Funded Scheme - Post Retirement Medical Benefit	
	2009-2010	2008-2009	2008-2009	2009-2010	2008-2009
Discount rate (per annum)	8.50%	8.20%	8.20%	8.50%	8.20%
Average Salary increase rate	7.00%	7.00%	7.00%	N/A	N/A
Rate of Return on Plan Assets (For Funded Scheme)	8.00%	8.00%	8.50%	N/A	N/A
Medical Inflation Rate	N/A	N/A	N/A	5.50%	4.00%
Expected Retirement age of employees (years)	60	60	60	60	60

Withdrawal Plan: Members are assumed to withdraw in accordance with the following table:

Age	Withdrawal Rate(%)				
	2009-2010	2008-2009	2008-2009	2009-2010	2008-2009
Upto 45 years	5%	5%	N/A	5%	5%
Above 45 years	3%	3%	N/A	3%	3%

Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

The estimates of future salary increases considered in the actuarial valuation take account of inflation, security, promotion and other relevant factors such as supply and demand in the employment market.

		Funded Scheme - Gratuity (₹)	Non-Funded Scheme - Post Retirement Medical Benefit (₹)
Experience History			
Defined Benefit Obligation as at closing date	June 30, 2010	(23 03 35 000)	(1 71 81 000)
	June 30, 2009	(23 83 21 000)	(1 50 03 000)
	June 30, 2008	(23 37 06 000)	(1 39 96 000)
	June 30, 2007	(20 48 51 000)	(1 42 52 000)
Plan Assets as at closing date	June 30, 2010	27 34 12 000	—
	June 30, 2009	29 13 93 000	—
	June 30, 2008	21 66 39 000	—
	June 30, 2007	23 32 03 000	—
Funded Status Excess/(shortfall)	June 30, 2010	4 30 77 000	(1 71 81 000)
	June 30, 2009	5 30 72 000	(1 50 03 000)
	June 30, 2008	(1 70 67 000)	(1 39 96 000)
	June 30, 2007	2 83 52 000	(1 42 52 000)
Experience Gain/(Loss) adjustments on plan liabilities	June 30, 2010	(1 22 01 000)	5 29 000
	June 30, 2009	(2 35 93 000)	11 77 000
	June 30, 2008	(2 32 91 000)	—
	June 30, 2007	—	—

Schedules forming part of the accounts

		Funded Scheme - Gratuity	Non-Funded Scheme - Post Retirement Medical Benefit
		(₹)	(₹)
Experience History			
Experience Gain/(Loss) adjustments on plan assets	June 30, 2010	(1 37 16 000)	—
	June 30, 2009	2 53 37 000	—
	June 30, 2008	3 21 57 000	—
	June 30, 2007	—	—
Actuarial Gain/(Loss) due to change on assumptions	June 30, 2010	70 12 000	(19 40 000)
	June 30, 2009	1 23 44 000	(9 75 000)
	June 30, 2008	46 57 000	—
	June 30, 2007	—	—

The contribution expected to be made by the Company during financial year ending June 30, 2011 has not been ascertained.

Note : The Company's Provident Fund was administered by Company's own trust fund till March 31, 2009. Accordingly, the disclosures relating to Provident Fund as required in accordance with AS-15, has been given for the previous period from July 1, 2008 to March 31, 2009. The entity has moved to the Provident Fund Contribution to Regional Provident Fund Office w.e.f. April 01, 2009.

3. Computation of Net Profit in accordance with Section 349 and Section 309(5) of the Companies Act, 1956

	2009-2010	2008-2009
	₹	₹
Profit before Tax	2 33 62 42 652	2 31 65 82 534
Add: Managerial Remuneration	4 95 15 440	4 96 79 231
Add: Loss on sale of assets	61 09 955	1 96 25 590
Less: Write back of liabilities no longer required	—	11 78 77 332
Net profit u/s. 349 for the purpose of Directors' Commission	2 39 18 68 047	2 26 80 10 023
Maximum remuneration permissible to whole-time Directors under the Act at 10%	23 91 86 805	22 68 01 002
Total Managerial Remuneration charged to accounts	4 75 15 440	4 58 04 231
Commission payable to non-whole time Directors at 1%	2 39 18 680	2 26 80 100
Commission restricted as determined by the Board of Directors	20 00 000	38 75 000

4. (a) Managerial Remuneration under Section 198 of the Companies Act, 1956

	2009-2010	2008-2009
	₹	₹
Salary	3 84 89 012	4 08 75 400
Perquisites in cash or in kind	90 26 428	49 28 831
Commission to Non Executive directors	20 00 000	38 75 000
Total Managerial Remuneration	4 95 15 440 *	4 96 79 231

* Refer to note B.15 below

- (b) The above Managerial Remuneration includes ₹3 56 88 847 (Previous year : ₹3 38 95 131) cross charged to Gillette India Limited and Procter and Gamble Home Products Limited in terms of the common service agreement referred to in Note B.17 below.
- (c) The above Managerial Remuneration excludes ₹27 52 204 (Previous year : ₹26 00 528) cross charged from Gillette India Limited in terms of the common service agreement referred to in Note B.17 below.

Schedules forming part of the accounts

5. (a) Sales :	Class of Goods	Units	2009-2010		2008-2009	
			Quantity*	Value ₹	Quantity*	Value ₹
	Ointments and Creams	Tonnes	1 477	1 61 42 26 079	1 270	1 48 60 31 534
	Cough Drops	Tonnes	4 874	1 31 79 89 390	4 049	1 12 20 09 215
	Liquids	Kls.	6	19 82 12 949	5	16 82 62 224
	Tablets	Millions	476	68 04 39 614	501	67 10 20 335
	Personal Products, Toilet Preparations, etc.	Tonnes	16 077	5 32 42 74 619	12 519	4 27 87 94 125
	Others			—		41 57 798
				<u>9 13 51 42 651</u>		<u>7 73 02 75 231</u>

* includes item given as samples/gifts and shortages/damages.

(b) Consumption of raw & packaging materials :	Units	2009-2010		2008-2009	
		Quantity	Value ₹	Quantity	Value ₹
Pulp, Chemicals, waxes and oils	Tonnes	25 894	1 68 66 09 368	27 603	1 61 81 42 247
Sugar and liquid glucose	Tonnes	5 243	11 68 01 261	5 039	11 01 89 919
Foils	Tonnes	451	9 74 39 324	945	8 06 25 969
Containers, cartons, boxes etc.	Millions	461	48 18 86 475	510	54 99 06 282
			2 38 27 36 428		2 35 88 64 417

(c) Consumption of raw & packaging materials, stores & spares :		2009-2010		2008-2009	
		₹	Percentage	₹	Percentage
	Raw and packaging materials :				
	Indigenously obtained	2 13 06 98 918	89.4	2 11 20 07 332	89.5
	Imported at landed cost	25 20 37 510	10.6	24 68 57 085	10.5
		<u>2 38 27 36 428</u>	<u>100.0</u>	<u>2 35 88 64 417</u>	<u>100.0</u>
	Stores and spare parts :				
	Indigenously obtained	85 39 208	24.5	33 46 906	10.7
	Imported at landed cost	2 63 15 097	75.5	2 78 75 174	89.3
		<u>3 48 54 305</u>	<u>100.0</u>	<u>3 12 22 080</u>	<u>100.0</u>

(d) Opening and closing stock of Finished Goods :

	Units	Opening		Closing		
		Quantity	Value ₹	Quantity	Value ₹	
Ointments and Creams	Tonnes	2009-2010	274	14 55 99 399	165	9 04 04 233
		2008-2009	226	11 80 53 147	274	14 55 99 399
Cough Drops	Tonnes	2009-2010	508	4 60 35 073	220	2 66 00 108
		2008-2009	340	3 80 59 980	508	4 60 35 073
Liquids	Kls.	2009-2010	0.61	92 28 341	0.15	28 06 422
		2008-2009	0.59	45 16 699	0.61	92 28 341
Tablets	Millions	2009-2010	47	1 83 46 058	34	1 87 87 952
		2008-2009	40	1 50 12 945	47	1 83 46 058
Personal Products, Toilet Preparations, etc.	Tonnes	2009-2010	656	10 74 73 745	775	17 29 82 880
		2008-2009	552	9 71 33 841	656	10 74 73 745
Total		2009-2010		32 66 82 616		31 15 81 595
		2008-2009		27 27 76 612		32 66 82 616

Schedules forming part of the accounts

(e) Purchase of Finished goods :	Units	2009-2010		2008-2009	
		Quantity	Value ₹	Quantity	Value ₹
Personal Products, Toilet Preparations, etc.	Tonnes	2 889	40 84 45 983	54	66 86 186
			<u>40 84 45 983</u>		<u>66 86 186</u>

(f) Production in respect of Goods Manufactured - Licensed and installed capacities and actual production :

		Annual Capacity					
	Units of Measurement	Licensed		Installed (three shift basis)		Actual Production	
		2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Formulations:							
Ointments & Creams	Tonnes	3 300	3 300	3 300	3 300	1 367	1 318
Cough Drops	Tonnes	6 480	9 140	6 480	9 140	4 585	4 217
Liquids.	Kls	39	63	39	63	5	5
Tablets	Millions	1 198	1 198	1 198	1 198	464	508
Personal Products,							
Toilet Preparations, etc.	Tonnes	16 700	16 800	14 456	11 602	13 307	12 570

Notes :

- The installed capacities as at the year-end are as certified by the management.
- Actual production includes production under manufacturing arrangement with third parties.

(g) Value of Direct Imports on C.I.F. basis (including in transit) :	2009-2010	2008-2009
	₹	₹
Raw materials	84 38 81 840	93 90 44 166
Spare parts	2 63 15 097	2 78 75 174
Capital goods	24 02 91 904	9 09 67 217
	<u>1 11 04 88 841</u>	<u>1 05 78 86 557</u>

(h) Expenditure in foreign currency :	2009-2010	2008-2009
	₹	₹
Travel	3 36 18 686	96 87 656
Professional Consultancy fees	58 57 981	11 24 623
Computer expenses	1 76 06 182	1 67 62 295
Retirals & Other Reimbursement	1 61 16 992	4 44 83 947
Business Process outsourcing expenses	10 10 13 956	8 84 04 334
Others	5 27 44 415	2 87 54 181
	<u>22 69 58 212</u>	<u>18 92 17 036</u>

Schedules forming part of the accounts

(i) Remittance made on account of dividend in foreign currency during the year :	2009-2010	2008-2009
Number of non-resident shareholders	2	2
Number of equity shares on which dividend were paid	2 23 10 090	2 23 10 090
Dividend remitted-net of tax-in respect of year ended :		
June 30, 2009 Final (₹)	50 19 77 025	—
June 30, 2008 Final (₹)	—	44 62 01 800
The Company does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by non-resident shareholders.		

(j) Earnings in foreign exchange :	2009-2010	2008-2009
	₹	₹
Business process outsourcing income	1 08 83 984	62 29 095
Research & Development and other cross charges	26 23 043	19 15 610
Exports of goods calculated on f.o.b. basis (excludes Rupee exports to Nepal and Bhutan ₹6 49 07 746 - Previous year : ₹2 68 38 234)	9 69 21 741	7 99 13 002
Others (freight, insurance etc.)	90 50 066	53 84 185
	11 94 78 834	9 34 41 892

6. Excise duty deducted from turnover represents amount of excise duty collected by the Company on sale of goods. Excise duty shown under Schedule 15 - Operating and other expenses represents difference in amount of excise duty on closing stock and opening stock of finished goods.
7. There are no outstanding derivative instruments as at June 30, 2010.
- Foreign currency exposures that have not been hedged by the Company by a derivative instrument or otherwise are given below:

	Currency	As at June 30, 2010	As at June 30, 2009
(a) Amounts receivable in foreign currency			
Export of goods	₹	1 43 53 745	3 32 42 368
	USD	3 08 031	6 94 433
Reimbursable expenses receivable	₹	28 25 158	1 47 85 714
	SGD	4 739	—
	USD	71 581	3 08 874
Capital and Spares	₹	15 45 158	5 21 570
	EUR	26 061	3 617
	JPY	—	56 000
	USD	542	6 343

Schedules forming part of the accounts

	Currency	As at June 30, 2010	As at June 30, 2009
(b) Amounts payable in foreign currency			
Import of goods and services	₹	14 91 33 789	5 86 22 549
	USD	32 53 658	11 51 947
	EUR	3 160	2 426
	SGD	—	26 645
	AUD	36 639	62 841
Reimbursable expenses payable	₹	13 25 97 328	6 32 38 599
	USD	28 40 645	13 18 706
	SGD	12 337	3 277
Capital and Spares	₹	1 79 08 419	1 59 35 655
	JPY	51 61 045	97 11 212
	EUR	98 130	1 60 314
	USD	1 96 824	5 400
	GBP	8 120	—
Package Fee payable	₹	—	7 95 02 129
	USD	—	16 60 799

8. The Company has taken on lease guesthouses, accommodation for employees and godowns for storage of inventories, with an option of renewal at the end of the lease term and escalation clause in some of the cases. These leases can be terminated with a prior notice as per terms and conditions of the respective lease agreements with the lessor. Lease payments amounting to ₹ 5 13 85 433 (Previous year : ₹ 3 88 58 655) have been charged to the Profit and Loss Account for the year. There are no “non cancellable” lease agreements.

9. Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:

- No payments were due and outstanding to suppliers covered under the Micro Small and Medium Enterprises Development Act, 2006 as at the end of the current and previous accounting year on account of Principal and Interest respectively.
- No interest was paid in the current and the previous accounting year.
- No interest was payable at the end of the current and previous accounting year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
- No amount of interest was accrued and unpaid at the end of the current and previous accounting year.

The above information and that given in Schedule 10 “Current Liabilities” regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

10. Sundry Debtors include amount due from companies under the same management as under :

	As at June 30, 2010	As at June 30, 2009
	₹	₹
Procter & Gamble Bangladesh Pvt. Ltd.	8 35 554	—
Procter & Gamble International Operations Pte. Ltd.	1 39 27 217	3 44 35 685
Procter & Gamble Home Products Ltd.	16 63 588	41 57 799
	<u>1 64 26 359</u>	<u>3 85 93 484</u>

Schedules forming part of the accounts

11. (a) Loans and Advances include amount due from companies under the same management as under:

	As at June 30, 2010 ₹	Maximum Balance ₹	As at June 30, 2009 ₹	Maximum Balance ₹
Procter & Gamble Asia Pte Ltd.	17 88 505	33 13 202	33 13 202	33 13 202
Procter & Gamble Company, USA	—	—	—	29 01 336
The Procter & Gamble Manufacturing Co.	—	17 89 277	17 89 277	30 56 814
PT P&G Home Products Indonesia	85 007	12 62 776	—	—
Procter & Gamble US Business Services Company	91 268	1 45 706	1 45 706	6 10 251
Procter & Gamble Hair Care LLC	—	—	—	4 37 486
Procter & Gamble Australia Pty Ltd.	1 53 056	1 52 700	1 13 121	2 53 175
Procter & Gamble (Guangzhou) Ltd.	19 69 430	31 98 233	31 98 233	31 98 233
Procter & Gamble (Manufacturing) Ireland Ltd.	—	—	—	62 257
Procter & Gamble UK	4 24 998	4 24 766	1 39 659	10 74 150
Procter & Gamble Philippines Inc.	—	95 062	64 244	89 260
Procter & Gamble Kabushiki Kaisha	80 287	80 287	—	2 35 077
Procter & Gamble International Operations Pte Ltd.	1 40 15 083	2 10 27 940	30 10 308	32 02 851
Procter & Gamble International Operations SA	1 91 515	1 91 515	1 62 393	2 50 125
Procter & Gamble Malaysia Sdn. Bhd.	—	—	—	1 21 064
Procter & Gamble Manufacturing (Thailand) Ltd.	74 724	1 34 999	1 34 999	1 34 999
Procter & Gamble Singapore Pte Ltd.	—	—	—	96 930
Procter & Gamble Sri Lanka Pvt. Ltd.	—	—	—	83 050
Procter & Gamble Technical Centers Ltd.	—	—	—	2 61 652
Procter & Gamble Technology (Beijing) Co.	63 538	1 26 076	1 26 076	8 98 055
Gillette India Limited	3 24 66 584	3 76 66 555	2 06 71 503	9 59 34 903
Wella India Hair Cosmetics Pvt. Ltd.	6 19 521	16 13 002	16 13 002	16 13 002
Procter & Gamble Tuketim Mallari Sanayl	2 63 752	2 63 752	2 41 577	2 56 886
Procter & Gamble Distributing (Philippines) Inc	54 075	54 075	46 035	46 035
Procter & Gamble Home Products Ltd. (Loan a/c.)	2 00 67 00 699	2 00 67 00 699	1 74 93 78 493	1 84 90 72 733
Procter & Gamble Home Products Ltd. (others)	17 24 46 376	20 80 12 105	12 90 72 718	21 87 05 233
	<u>2 23 14 88 418</u>		<u>1 91 32 20 546</u>	

(b) Loans and Advances includes

Car Loan to a Director amounting to ₹15 33 049 (Previous year : ₹17 80 001) which was approved by the Ministry of Corporate Affairs vide its letter no. 6/17/2007-CL.VI dated November 1, 2007. The maximum balance outstanding during the year amounted to ₹17 80 001 (Previous year : ₹18 80 760).

Schedules forming part of the accounts

12. Related Party Disclosures:

The Group Companies of The Procter & Gamble Company, USA include, among others, Procter & Gamble India Holdings BV; Procter & Gamble Iron Horse Holding BV; Procter & Gamble Eastern Europe LLC; Procter & Gamble Nordic LLC; Procter & Gamble Global Holdings Limited; Procter & Gamble Luxembourg Global SARL; Procter & Gamble International SARL; Procter & Gamble India Holdings Inc.; Procter & Gamble International Operations SA; Gillette Group (Europe) Holdings BV; Procter & Gamble Canada Holding BV; Procter & Gamble Overseas Canada BV.; Procter & Gamble Overseas India BV; Procter & Gamble Asia Holding BV; Rosemount LLC.

(a) Parties where control exists :

The Procter and Gamble Company, USA - Ultimate Holding Company

Procter and Gamble Asia Holding BV, The Netherlands - Holding Company

(b) Other related parties with whom transactions have taken place during the year

(i) Fellow Subsidiaries:

Procter & Gamble Home Products Ltd.	Procter & Gamble Kabushiki Kaisha
Procter & Gamble Malaysia Sdn. Bhd.	Procter & Gamble Far East. Inc.
Procter & Gamble Manufacturing (Thailand) Ltd.	Procter & Gamble Korea Inc.
Procter & Gamble Lanka Pvt. Ltd.	Procter & Gamble S.A., Chile
Procter & Gamble (Changdu) Ltd.	P&G (East Africa) Ltd.
Procter & Gamble Asia Pte. Ltd.	PT P&G Home Products, Indonesia
Procter & Gamble Australia Pty. Ltd.	P&G Ceemea - A Division of P&G International Operations SA
Procter & Gamble US Business Services Company	Fameccanica Machinery (Shanghai) Co.
Procter & Gamble International Operations Pte. Ltd.	Procter & Gamble Korea S&D Co.
Procter & Gamble Northeast Asia Pte. Ltd.	Procter & Gamble Philippines Inc.
Procter & Gamble International Operations SA	Procter & Gamble Technical Centers Ltd.
Gillette India Ltd.	Procter & Gamble Trading (Thailand) Ltd.
Procter & Gamble Singapore Pte. Ltd.	Procter & Gamble Bangladesh Pvt. Ltd.
Gillette Diversified Operations Private Limited	Procter & Gamble Manufacturing Company
Procter & Gamble Distributing (Philippines) Inc.	Procter & Gamble Europe N.V.
Procter & Gamble Panda Detergent Ltd., Beijing	Wella India Hair Cosmetics Pvt. Ltd.
Procter & Gamble Tuketim Mallari Sanayl	Procter & Gamble Eastern Europe LLC
Procter & Gamble (Guangzhou) Ltd.	Procter & Gamble (Manufacturing) Ireland Ltd.
Procter & Gamble UK	The P&G Distributing LLC
Procter & Gamble Product Supply (UK) Ltd.	Procter & Gamble Taiwan Ltd.
Procter & Gamble Technology (Beijing) Co.	Rosemount LLC
Procter & Gamble Vietnam Ltd.	Procter & Gamble Hair Care LLC
Procter & Gamble Asia Pte. Ltd. (MROH)	

(ii) Key Managerial Personnel of the Company

Mr. Shantanu Khosla, Managing Director

No. of shares held

67 (Previous year : 67)

All the employees of the Company including its managing directors are given the right to purchase shares of the ultimate holding Company - The Procter and Gamble Company, USA under its Employee Stock Option Plan.

Under the above plan Mr. Shantanu Khosla has been granted the right to purchase 100 shares (Previous year : NIL) during the year.

Schedules forming part of the accounts

(c) Transactions during the year

(Amount in ₹)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Sales & Income						
Goods						
– Procter & Gamble International Operations Pte. Ltd.	2009-2010	—	9 70 51 636	—	—	9 70 51 636
– Others	2009-2010	—	53 98 505	—	—	53 98 505
– Procter & Gamble Lanka Pvt. Ltd.	2008-2009	—	1 13 39 939	—	—	1 13 39 939
– Procter & Gamble International Operations Pte. Ltd.	2008-2009	—	6 55 32 803	—	—	6 55 32 803
– Others	2008-2009	—	84 24 445	—	—	84 24 445
Relocation and other reimbursements						
– Procter & Gamble Home Products Ltd.	2009-2010	—	24 82 51 449	—	—	24 82 51 449
– Gillette India Ltd.	2009-2010	—	12 76 79 114	—	—	12 76 79 114
– Others	2009-2010	1 59 11 985	3 53 11 667	—	—	5 12 23 652
– Procter & Gamble Home Products Ltd.	2008-2009	—	25 43 75 216	—	—	25 43 75 216
– Gillette India Ltd.	2008-2009	—	12 74 36 525	—	—	12 74 36 525
– Others	2008-2009	2 31 35 450	1 32 66 391	—	—	3 64 01 841
Business Process Outsourcing income						
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	1 08 83 984	—	—	1 08 83 984
– Procter & Gamble Asia Pte. Ltd.	2008-2009	—	62 29 095	—	—	62 29 095
Retirals reimbursements						
– Procter & Gamble (Guangzhou) Ltd.	2009-2010	—	37 26 617	—	—	37 26 617
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	27 84 743	—	—	27 84 743
– The P&G Company, USA	2009-2010	35 99 492	—	—	—	35 99 492
– Procter & Gamble Home Products Ltd.	2009-2010	—	99 80 140	—	—	99 80 140
– Others	2009-2010	—	88 53 581	—	—	88 53 581
– Procter & Gamble (Guangzhou) Ltd.	2008-2009	—	38 86 818	—	—	38 86 818
– Procter & Gamble Asia Pte. Ltd.	2008-2009	—	47 50 141	—	—	47 50 141
– Procter & Gamble International Operations Pte. Ltd.	2008-2009	—	25 26 695	—	—	25 26 695
– The P&G Company, USA	2008-2009	34 31 995	—	—	—	34 31 995
– Procter & Gamble Home Products Ltd.	2008-2009	—	29 27 343	—	—	29 27 343
– Others	2008-2009	—	54 03 238	—	—	54 03 238
Reimbursement of expenses shared by group cos.						
– Procter & Gamble Home Products Ltd.	2009-2010	—	55 89 24 281	—	—	55 89 24 281
– Gillette India Limited	2009-2010	—	19 29 29 081	—	—	19 29 29 081
– Procter & Gamble Home Products Ltd.	2008-2009	—	39 17 24 663	—	—	39 17 24 663
– Gillette India Limited	2008-2009	—	15 41 14 378	—	—	15 41 14 378
Interest income						
– Procter & Gamble Home Products Ltd.	2009-2010	—	8 99 63 167	—	—	8 99 63 167
– Others	2009-2010	—	—	1 92 424	—	1 92 424
– Procter & Gamble Home Products Ltd.	2008-2009	—	13 26 88 226	—	—	13 26 88 226
– Others	2008-2009	—	—	2 19 092	—	2 19 092

Schedules forming part of the accounts

(Amount in ₹)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchases & Expenses						
Goods						
– Procter & Gamble Home Products Ltd.	2009-2010	—	35 47 04 745	—	—	35 47 04 745
– Others	2009-2010	—	6 01 60 324	—	—	6 01 60 324
– Procter & Gamble (Guangzhou) Ltd.	2008-2009	—	1 24 70 251	—	—	1 24 70 251
Royalty	2009-2010	52 51 66 350	—	—	—	52 51 66 350
	2008-2009	41 81 17 934	—	—	—	41 81 17 934
Assets/Spares						
– Procter & Gamble (Guangzhou) Ltd.	2009-2010	—	10 51 68 490	—	—	10 51 68 490
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	2 29 16 562	—	—	2 29 16 562
– Procter & Gamble Kabushiki Kaisha	2009-2010	—	2 72 09 662	—	—	2 72 09 662
– Fameccanica Machinery (Shanghai) CO.	2009-2010	—	3 18 51 041	—	—	3 18 51 041
– Procter & Gamble Kabushiki Kaisha	2008-2009	—	72 41 386	—	—	72 41 386
– Fameccanica Machinery (Shanghai) CO.	2008-2009	—	1 68 34 565	—	—	1 68 34 565
Business Process Outsourcing expenses						
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	4 59 96 645	—	—	4 59 96 645
– Procter & Gamble Asia Pte. Ltd. (MROH)	2009-2010	—	5 50 17 311	—	—	5 50 17 311
– Procter & Gamble Asia Pte. Ltd.	2008-2009	—	2 62 28 020	—	—	2 62 28 020
– Procter & Gamble Asia Pte. Ltd. (MROH)	2008-2009	—	6 21 76 314	—	—	6 21 76 314
Relocation and other reimbursements						
– Procter & Gamble Home Products Ltd.	2009-2010	—	20 70 00 506	—	—	20 70 00 506
– Gillette India Limited	2009-2010	—	2 38 33 630	—	—	2 38 33 630
– Others	2009-2010	36 28 963	3 33 95 462	—	—	3 70 24 425
– Procter & Gamble Home Products Ltd.	2008-2009	—	22 24 37 279	—	—	22 24 37 279
– The P&G Company, USA	2008-2009	2 85 22 174	—	—	—	2 85 22 174
– Others	2008-2009	—	5 71 53 564	—	—	5 71 53 564
Reimbursement of expenses shared by group cos.						
– Procter & Gamble Home Products Ltd.	2009-2010	—	21 10 92 596	—	—	21 10 92 596
– Gillette India Limited	2009-2010	—	9 82 65 545	—	—	9 82 65 545
– Procter & Gamble Home Products Ltd.	2008-2009	—	9 22 12 153	—	—	9 22 12 153
– Gillette India Limited	2008-2009	—	5 30 16 592	—	—	5 30 16 592
Remuneration (Refer Note B.4 & B.15)						
– S. Khosla	2009-2010	—	—	4 75 15 440	—	4 75 15 440
– S. Khosla	2008-2009	—	—	4 58 04 231	—	4 58 04 231
Loans						
Loans Given						
– Procter & Gamble Home Products Ltd.	2009-2010	—	25 73 22 206	—	—	25 73 22 206
– Procter & Gamble Home Products Ltd.	2008-2009	—	1 74 93 78 493	—	—	1 74 93 78 493
Loans Repaid						
– Others	2009-2010	—	—	2 46 952	—	2 46 952
– Others	2008-2009	—	—	1 00 759	—	1 00 759
Dividend Remitted/Paid	2009-2010	47 74 93 943	2 44 83 083	1 508	—	50 19 78 533
	2008-2009	42 44 39 060	2 17 62 740	1 340	—	44 62 03 140

Schedules forming part of the accounts

(d) Outstandings

(Amount in ₹)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Payable						
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	18 93 19 408	—	—	18 93 19 408
– The P&G Distributing LLC	as on June 30, 2010	—	9 01 18 237	—	—	9 01 18 237
– The P&G Company, USA	as on June 30, 2010	40 41 70 344	—	—	—	40 41 70 344
– Others	as on June 30, 2010	—	12 32 76 498	—	—	12 32 76 498
– Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	12 73 74 344	—	—	12 73 74 344
– The P&G Company, USA	as on June 30, 2009	10 17 18 255	—	—	—	10 17 18 255
– Others	as on June 30, 2009	—	7 12 39 054	—	—	7 12 39 054
Receivables						
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	17 41 09 964	—	—	17 41 09 964
– Gillette India Limited	as on June 30, 2010	—	3 24 66 584	—	—	3 24 66 584
– Procter & Gamble International Operations Pte. Ltd.	as on June 30, 2010	—	2 79 42 300	—	—	2 79 42 300
– Others	as on June 30, 2010	—	66 95 231	15 33 049	—	82 28 280
– Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	13 32 30 516	—	—	13 32 30 516
– Gillette India Limited	as on June 30, 2009	—	2 06 71 503	—	—	2 06 71 503
– Procter & Gamble International Operations Pte. Ltd.	as on June 30, 2009	—	3 74 45 994	—	—	3 74 45 994
– Others	as on June 30, 2009	—	1 10 87 523	17 80 001	—	1 28 67 524
Loans						
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	2 00 67 00 699	—	—	2 00 67 00 699
– Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	1 74 93 78 493	—	—	1 74 93 78 493

13. The Company operates in a single reportable business segment i.e. Manufacturing and Marketing of Health and Hygiene Products and one reportable Geographical segment i.e. within India.

14. (a) International Stock Ownership Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has an “International Stock Ownership Plan” (employee share purchase plan) whereby all permanent employees of the Company have been given a right to purchase shares of the Company. Every employee who opts for the scheme contributes up to a specified percentage (upto 15%) of his base salary towards purchase of shares on a monthly basis. The Company contributes 50% of employee’s contribution (restricted to 2.5% of his base salary). Such contribution is charged to staff cost.

The shares of The Procter & Gamble Company, USA are listed with New York Stock Exchange and are purchased on behalf of the employees at market price on the date of purchase.

During the year ended June 30, 2010, 5558.35 shares (Previous year : 4154.25 shares) were purchased by employees at weighted average fair value of ₹2 799 (Previous year : ₹2 845) per share.

The Company’s contribution during the year on such purchase of shares amounting to ₹31 88 450 (Previous year : ₹32 06 498) has been charged to the Profit and Loss Account.

Schedules forming part of the accounts

(b) Employees Stock Options Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has a “Employee Stock Option Plan” whereby the employees covered by the plan are granted an option to purchase shares of the ultimate holding company i.e. – The Procter and Gamble Company, USA at a fixed price (grant price) for a fixed period of time. The shares of The Procter & Gamble Company, USA are listed with New York Stock Exchange. The options Exercise price is equal to the market price of the underlying shares on the date of the grant. Accordingly no stock compensation expenses have been incurred by the Company during the year. The Grants issued are vested after 3 years and have a 10 years life cycle.

Fair Value of shares at Grant date	15-Sep-09	\$55.03
	26-Feb-10	\$63.28
	15-Sep-08	\$72.14
	27-Feb-09	\$48.17

The other disclosures in respect of the plans for the year ended June 30, 2010 are:

	Shares arising out of option		Amount in USD		Remaining Contractual life (years)	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Outstanding at the beginning of the year	1 20 840	60 193	51.10	65.06	9.2	9.2
Granted during the year ended June 30, 2010:						
	15-Sep-09	3 442	—	55.03	—	10.0
	26-Feb-10	12 124	—	63.28	—	10.0
	15-Sep-08	—	3 424	—	72.14	—
	27-Feb-09	—	17 474	—	48.17	—
Forfeited during the year	100	—	—	—	—	—
Transferred/Adjusted during the year	24 262	39 749	51.10	65.06	9.2	9.2
Exercised during the year	3 201	—	—	—	—	—
Outstanding at the end of the year	1 57 367	1 20 840	59.98	51.10	7.6	9.2
Exercisable at the end of the year	69 734	38 101	59.98	51.10	7.6	9.2

15. In terms of rules applicable to the employees whose services have been seconded to Procter & Gamble subsidiaries abroad, ₹2 96 875 (Previous year : ₹33 01 008) has been contributed to Provident Fund/Superannuation trusts in respect of Mr. P. Agarwal.

Also in terms of rules applicable to the employees retiring after the age of 50, ₹Nil (Previous year : ₹9 755) was paid as reimbursement of medical expenses to Mr. B. V. Patel, who was a director of the Company till March 31, 2009.

As these payments have been made in the capacity of a seconded employee/retired employee and not related to their directorship, provisions of Sections 198, 309, 310 and 314 of the Companies Act, 1956 are not applicable. Legal opinion confirms this position. Thus the same has not been considered as managerial remuneration.

16. Earnings per share (EPS)	2009-2010	2008-2009
	₹	₹
Calculation of Basic and diluted earnings per share (₹)		
Profit After Taxation	1 79 76 53 652	1 78 84 78 534
Weighted average number of equity shares outstanding for Basic/Diluted EPS	3 24 60 736	3 24 60 736
Nominal value of equity per share	10	10
Basic/Diluted Earnings per share	55.38	55.10

Schedules forming part of the accounts

17. Common service expenses paid/recovered include payments/recoveries on account of finance, personnel, secretarial, administration and planning services rendered under common services agreements with Procter and Gamble Home Products Limited and Gillette India Limited.
18. Salaries, wages and bonus under Schedule 15 include ₹2 38 61 880 (Previous year : ₹3 13 90 800) towards expenditure on Voluntary Retirement Scheme.
19. The Malabar Company – a Delaware Corporation, an Overseas Corporate Body (OCB) has merged with Rosemount LLC, a P&G group Company with effect from August 20, 2009.
As a result the overall shareholding of The Procter and Gamble Company, USA (the ultimate holding company) in the Company stands increased from 2 23 10 090 shares (68.73%) to 2 29 29 773 shares (70.64%).
20. Professional fees in Schedule 15 Operating and other expenses includes an amount of ₹71 695 (Previous year : ₹71 695) on account of fees to cost auditors.
21. No borrowing costs were capitalised during the year.
22. Previous year's figures have been regrouped/rearranged wherever considered necessary.

Signatures to Schedules 1 to 17

In terms of our report of even date attached

For DELOITTE HASKINS & SELLS

Chartered Accountants

K. A. Katki

Partner

Mumbai, August 18, 2010

For and on behalf of Board of Directors

R. A. Shah

Chairman

A. Vyas

Company Secretary

Mumbai, August 18, 2010

S. Khosla

Managing Director

T. Buch

Chief Financial Officer

Directors:

B. S. Mehta

D. Acharya

Additional Information as required under Part IV of Schedule VI of the Companies Act, 1956 for the year ended June 30, 2010

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details

Registration No.	11-12971
State Code	011
Balance Sheet Date	June 30, 2010

II. Capital Raised during the Year (₹)

Nil

III. Position of Mobilisation and Deployment of Funds

Amount
(In ₹ Thousands)

Total Liabilities 5 36 88 34

Total Assets 5 36 88 34

Sources of Funds :

Paid-up Capital 32 46 07

Reserves & Surplus 5 02 17 89

Secured Loans Nil

Unsecured Loans Nil

Application of Funds :

Net Fixed Assets 1 96 83 41

Investments Nil

Net Current Assets 3 40 04 93

Misc. Expenditure Nil

Accumulated Losses Nil

IV. Performance of Company :

Turnover & other income 9 33 11 18

Total Expenditure (including Exceptional items) 6 99 48 75

Profit Before Tax 2 33 62 43

Profit After Tax 1 79 76 54

Earning Per Share (₹) 55.38

Dividend Rate 225%

V. Generic Names of Two Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) 5601.10

Product Description Feminine Hygiene Products

Item Code No. (ITC Code) 3003.39

Product Description Ointment

TEN YEAR FINANCIAL HIGHLIGHTS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
YEAR END FINANCIAL POSITION (₹ Crores)										
Gross Fixed Assets	224.2	221.5	177.9	170.9	178.8	127.0	163.6	203.1	221.8	243.0
Net Fixed Assets	124.4	106.7	74.3	80.2	79.1	65.4	94.0	123.1	132.3	130.4
Net Worth	273.2	217.9	230.4	249.1	225.7	272.7	291.2	346.6	440.0	534.6
SUMMARY OF OPERATIONS (₹ Crores)										
Gross Sales	448.0	449.8	474.3	616.0	738.1	596.8	553.0	652.6	773.0	913.5
Profit before Tax	102.3	102.0	92.6	127.2	177.8	193.3	145.5	180.6	231.7	233.6
Profit after Tax	82.7	77.0	68.0	92.1	124.6	139.5	89.8	131.4	178.8	179.8
Dividend	86.5	43.3	43.3	64.9	129.8	81.2	64.9	64.9	73.0	73.0
PER SHARE DATA										
EPS (₹)	38.21	35.59	31.44	28.39	38.39	42.98	27.67	40.48	55.10	55.38
Dividend (%)	400	200	200	200	400++	250	200	200	225	225
NUMBER OF SHARES										
Shares (Lakhs)	216.40	216.40	216.40	324.61	324.61	324.61	324.61	324.61	324.61	324.61
NUMBER OF EMPLOYEES										
Employees	472	431	350	345	368	251	273	250	282	324

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

Procter & Gamble Hygiene And Health Care Limited

Regd Office: P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai 400 099

ATTENDANCE SLIP

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Forty-sixth ANNUAL GENERAL MEETING of the members of the Company at Yashwantrao Chavan Pratishthan (Y. B. Chavan Centre), General Jagannath Bhosle Marg, Mumbai 400 021 on Friday, October 8, 2010 at 3.30 p.m.

Name of the attending member.....
(in Block letters)

Member's Folio No.

Name of Proxy.....
(in Block Letters, to be filled in if the proxy attends instead of the member)

No. of Shares held

.....
*Member's/Proxy's Signature

* To be signed at the time of handing over the slip.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP AT THE MEETING. NO DUPLICATE WILL BE ISSUED.

CUT HERE

Procter & Gamble Hygiene And Health Care Limited

Regd Office: P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai 400 099

PROXY FORM

Folio No.....

I/We.....of.....

in the district ofbeing a member/members of

Procter & Gamble Hygiene and Health Care Limited hereby appoint.....

ofin the district of

or failing himof

in the district ofas my/our proxy to attend and vote for me/us, on my/our behalf at the Forty-sixth ANNUAL GENERAL MEETING of the members of the Company to be held on Friday, October 8, 2010 at 3.30 p.m. at Yashwantrao Chavan Pratishthan (Y. B. Chavan Centre), General Jagannath Bhosle Marg, Mumbai 400 021 and at any adjournment thereof.

Signed thisday of 2010

Signature(s).....

Affix
₹ 1.00
revenue
stamp

Note: This proxy form duly completed and signed, should be deposited at the registered office of the Company not later than 48 hours before the time of the meeting.

The diagram features three colored circles: an orange circle at the top labeled 'Consumers', a green circle on the left labeled 'P&G Brands', and a blue circle on the right labeled 'P&G People'. In the center, the text 'P&G Values' is followed by a list of values: 'Integrity', 'Leadership', 'Ownership', 'Passion for Winning', and 'Trust'. Below this, a paragraph states that 'P&G Brands and P&G People are the foundation of P&G's success.' and another paragraph states that 'P&G People bring the values to life as we focus on improving the lives of the world's consumers.' The background consists of light blue, swirling, concentric-like lines.

Consumers

P&G Values

Integrity

Leadership

Ownership

Passion for Winning

Trust

P&G
Brands

P&G
People

P&G Brands and P&G People are the
foundation of P&G's success.

P&G People bring the values to life
as we focus on improving the lives
of the world's consumers.



Procter & Gamble Hygiene and Health Care Limited

Registered Office :

P&G Plaza, Cardinal Gracias Road, Chakala,
Andheri (East), Mumbai-400 099.

Tel. : (91-22) 2826 6000 Fax : (91-22) 6693 9696