

TO THE MEMBERS OF GODREJ CONSUMER PRODUCTS LIMITED

1. We have audited the attached Balance Sheet of Godrej Consumer Products Limited, as at March 31, 2003, the Profit and Loss Account of the Company for the year ended on that date and the Cash Flow Statement for the year ended on that date 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto 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 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 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 read with the notes thereon, 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 March 31, 2003;
 - 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 for the year ended on that date.
5. On the basis of confirmations received from the companies in which the Directors are directors or in their absence the written representations received from the Directors as on March 31, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
Mumbai, April 28, 2003

Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

1. The Company has maintained adequate records showing particulars including quantitative details and situation of fixed assets. Some fixed assets have been verified by the management during the year in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies between the book records and the physical inventory were noticed in respect of the assets physically verified during the year.
2. The fixed assets have not been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
6. On the basis of our examination of the stock records, in our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles.
7. In our opinion, the rate of interest and other terms and conditions of deposits accepted by the Company from companies listed in the register maintained under Section 301 of the Companies Act, 1956 and from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
8. The Company has granted loans to/placed deposits with companies listed in the register maintained under Section 301 of the Companies Act, 1956 and to companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956. In our opinion, the rates of interest and other terms and conditions of such loans/deposits are not prima facie prejudicial to the interest of the Company.
9. The parties to whom loans and advances in the nature of loans have been given are repaying the principal amounts as stipulated and are also generally regular in payment of interest, wherever applicable.
10. In our opinion and according to the explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and for sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services in respect of transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000 or more in respect of each party, are reasonable having regard to prevailing market prices for such goods, materials or services, where available, or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits from the public within the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.
15. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company in respect of the manufacture of soaps, cosmetics and toiletries pursuant to the order passed by the Central Government for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
17. According to the records of the Company, the Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at March 31, 2003 for a period of more than six months from the date they became payable.
19. In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the trading activities of the Company, damaged goods have been determined and adequate provision for the loss, if any, has been made in the accounts.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
Mumbai, April 28, 2003