

## Balance Sheet as at March 31, 2003

	Schedule		This Year Rs. Lac	Previous Year Rs. Lac
<b>SOURCES OF FUNDS</b>				
1. Shareholders' Funds				
(a) Share capital	1	2305.63		2364.50
(b) Reserves & surplus	2	<u>2248.92</u>	<b>4554.55</b>	<u>2952.42</u>
				5316.92
2. Loan Funds				
Secured loans	3		<b>1784.97</b>	2249.33
3. Deferred Tax Liability (net)			<b>465.00</b>	259.00
<b>TOTAL</b>			<b><u>6804.52</u></b>	<u>7825.25</u>
<b>APPLICATION OF FUNDS</b>				
4. Fixed Assets	4			
(a) Gross block		14902.09		14568.33
(b) Less : Depreciation		<u>6119.83</u>		<u>5245.73</u>
(c) Net block		8782.26		9322.60
(d) Capital work-in-progress		<u>0.59</u>	<b>8782.85</b>	<u>29.00</u>
				9351.60
5. Investments	5		<b>400.00</b>	245.64
6. Current Assets, Loans and Advances				
(a) Inventories	6	3733.50		3063.60
(b) Sundry debtors	7	2185.77		2180.56
(c) Cash and bank balances	8	714.53		1074.24
(d) Loans and advances	9	<u>854.18</u>		<u>1824.60</u>
		7487.98		8143.00
Less : Current Liabilities and Provisions				
(a) Liabilities	10	8089.34		7536.47
(b) Provisions	11	<u>1776.97</u>		<u>2378.52</u>
		9866.31		9914.99
Net Current Assets			<b>(2378.33)</b>	(1771.99)
7. Miscellaneous Expenditure (to the extent not written off or adjusted)	12		—	—
<b>TOTAL</b>			<b><u>6804.52</u></b>	<u>7825.25</u>
Notes to Accounts	18			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of

**Kalyaniwalla & Mistry**

Chartered Accountants

**Viraf Mehta**

Partner

Mumbai, April 28, 2003

Signatures to Balance Sheet and Schedules 1 to 12 and 18

**Adi Godrej** - Chairman and Managing Director

**Nadir Godrej** - Director

**Bala Balachandran** - Director

**Rama Bijapurkar** - Director

**Bharat Doshi** - Director

**Anupam Puri** - Director

**Hoshedar Press** - Executive Director and President

**Sunil Sapre** - Vice President (Finance & Commercial) and Company Secretary

## Profit &amp; Loss Account for the year ended March 31, 2003

	Schedule	This Year Rs. Lac	Previous Year Rs. Lac
<b>INCOME</b>			
Sales (gross)		52709.26	51420.29
Less : Excise duty		5700.67	5556.86
Sales (net)		47008.59	45863.43
Processing charges		593.20	627.00
Other income	13	140.20	162.69
		<b>47741.99</b>	<b>46653.12</b>
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods	14	22582.53	21312.09
Expenses	15	17260.05	16508.95
Inventory change	16	(275.61)	1120.76
Interest and financial charges (net)	17	270.63	449.45
Depreciation		898.65	939.34
		<b>40736.25</b>	<b>40330.59</b>
<b>Profit Before Tax</b>		<b>7005.74</b>	<b>6322.53</b>
Provision for taxation			
- Current tax		(1444.00)	(1540.00)
- Deferred tax		(206.00)	(585.00)
<b>Profit for the year after taxation</b>		<b>5355.74</b>	<b>4197.53</b>
Prior period expenses (net)		(28.20)	—
Surplus brought forward		402.94	—
<b>Profit after taxation available for appropriation</b>		<b>5730.48</b>	<b>4197.53</b>
<b>Appropriations :</b>			
Dividend on equity shares :			
- Interim (subject to tax)		3484.67	3247.54
- Proposed final		1150.71	—
Tax on distributed profits		147.41	122.05
Transfer to General Reserve		545.00	425.00
Surplus carried forward		402.69	402.94
<b>TOTAL</b>		<b>5730.48</b>	<b>4197.53</b>
Basic and diluted earnings per share of Rs. 4 each		9.21	7.02
Notes to Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached

For and on behalf of

**Kalyaniwalla & Mistry**

Chartered Accountants

**Viraf Mehta**

Partner

Mumbai, April 28, 2003

Signatures to Profit and Loss account and Schedules 13 to 18

**Adi Godrej** - Chairman and Managing Director

**Nadir Godrej** - Director

**Bala Balachandran** - Director

**Rama Bijapurkar** - Director

**Bharat Doshi** - Director

**Anupam Puri** - Director

**Hoshedar Press** - Executive Director and President

**Sunil Sapre** - Vice President (Finance & Commercial) and Company Secretary

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

### SCHEDULE 1 : SHARE CAPITAL

Authorised :

62,500,000 (Previous year 62,500,000) Equity shares of Rs. 4 each

Issued, Subscribed and Paid Up :

57,640,706 (Previous year 59,112,498) Equity shares of Rs. 4 each fully paid

Of the above

(i) 57,640,531 (Previous year 59,112,323) shares have been issued for consideration other than cash pursuant to the scheme of arrangement with Godrej Soaps Limited.

(ii) 30,267,522 (Previous year 39,147,052) shares are held by Godrej & Boyce Manufacturing Company Limited, the holding company.

(iii) 2,200,000 (Previous year NIL) shares are held by Godrej Industries Limited, a fellow subsidiary

### SCHEDULE 2 : RESERVES AND SURPLUS

#### Capital Investment Subsidy Reserve

As per last balance sheet 15.00

Addition pursuant to the scheme of arrangement —

**15.00**

#### Capital Redemption Reserve

As per last balance sheet 28.66

Add : Transfer from General Reserve 58.87

**87.53**

#### Debenture Redemption Reserve

Addition pursuant to the scheme of arrangement —

Less : Transfer to General Reserve —

782.56

782.56

—

#### General Reserve

As per last balance sheet 2505.82

Addition pursuant to the scheme of arrangement —

Add : Deferred tax asset as at April 1, 2001 —

Add : Transfer from Debenture Redemption Reserve —

Add : Transfer from Profit and Loss account 545.00

3050.82

—

1375.97

326.00

782.56

425.00

2909.53

Less : Transfer to Capital Redemption Reserve on buy back of shares 58.87

Less : Premium on buy-back of shares 1248.25

28.66

375.05

2505.82

402.94

2952.42

#### Profit & Loss Account

**2248.92**

### SCHEDULE 3 : SECURED LOANS

Sales tax deferment loan from MPSIDC

Overdrafts from banks

**1601.63**

**183.34**

**1784.97**

Previous Year  
Rs. Lac

2500.00

2500.00

2364.50

2364.50

—

15.00

15.00

—

28.66

28.66

782.56

782.56

—

—

1375.97

326.00

782.56

425.00

2909.53

28.66

375.05

2505.82

402.94

2952.42

1673.15

576.18

2249.33

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

## SCHEDULE 4 : Fixed Assets

Rs. Lac

Assets	Gross Block					Depreciation					Net Block	
	As at 01.04.2002	Additions pursuant to scheme of arrangement	Additions	Deductions	As at 31.03.2003	Upto 01.04.2002	Depreciation taken over pursuant to scheme of arrangement	Deductions	For the year	As at 31.03.2003	As at 31.03.2003	As at 31.03.2002
Land												
- Freehold	385.51	—	—	—	385.51	—	—	—	—	—	385.51	385.51
- Leasehold	58.22	—	—	—	58.22	7.57	—	—	0.59	8.16	50.06	50.65
Buildings	2859.80	—	10.50	—	2870.30	445.98	—	—	57.98	503.96	2366.34	2413.82
Plant & Machinery	7785.95	—	282.75	13.59	8055.11	3939.27	—	6.89	503.54	4435.92	3619.19	3850.65
Furniture & Fixtures	157.18	—	22.94	—	180.12	63.18	—	—	11.65	74.83	105.29	94.00
Office Equipment	167.76	—	21.47	4.95	184.28	47.75	—	0.54	10.15	57.36	126.92	116.04
Vehicles	223.55	—	69.99	55.35	238.19	60.09	—	17.12	21.71	64.68	173.51	163.46
Trademarks	2930.36	—	—	—	2930.36	681.89	—	—	293.03	974.92	1955.44	2248.47
Total This Year	14568.33	—	407.65	73.89	14902.09	5245.73	—	24.55	898.65	6119.83	8782.26	9322.60
Total Previous Year	—	14347.32	385.37	164.36	14568.33	—	4445.27	138.88	939.34	5245.73	—	—
Capital work in progress											0.59	29.00
Total											8782.85	9351.60

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

### SCHEDULE 5 : INVESTMENTS

Current Investments

Unquoted

Units of Mutual Funds

24,56,598 (Previous Year 24,35,452 ) units of Rs. 10 each of Birla SunLife Mutual Fund - Birla Cash Plus - Growth Option	<b>400.00</b>	295.11
Prudential ICICI Liquid Fund - Growth Option (36,270,858 units purchased and sold during the year)	—	—
Kotak Mahindra Liquid Scheme - Growth Option (4,358,598 units purchased and sold during the year)	—	—
Zurich India Liquidity Fund - Savings plan - Growth Option (5,109,973 units purchased and sold during the year) (Repurchase value Rs. 400.14 lac, previous year Rs. 245.64 lac)	—	—
Less : Provision for diminution in the value of investments	—	49.47
	<b>400.00</b>	<b>245.64</b>

### SCHEDULE 6 : INVENTORIES

(at lower of cost and net realisable value)

Stores and spares	<b>123.61</b>	100.30
Raw materials	<b>1729.36</b>	1358.38
Work-in-progress	<b>448.39</b>	288.03
Finished goods	<b>1432.14</b>	1316.89
	<b>3733.50</b>	<b>3063.60</b>

### SCHEDULE 7 : SUNDRY DEBTORS

(Unsecured)

Debts outstanding for a period exceeding six months considered doubtful	<b>170.86</b>	162.02
Debts outstanding for a period less than six months considered good	<b>2185.77</b>	2180.56
	<b>2356.63</b>	2342.58
Less : Provision for doubtful debts	<b>170.86</b>	162.02
	<b>2185.77</b>	<b>2180.56</b>

### SCHEDULE 8 : CASH AND BANK BALANCES

Cash on hand	<b>8.21</b>	10.98
Cheques on hand	<b>30.45</b>	138.89
Balances with scheduled banks		
- on current accounts	<b>675.52</b>	924.02
- on deposit accounts	<b>0.35</b>	0.35
	<b>714.53</b>	<b>1074.24</b>

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

**SCHEDULE 9 : LOANS AND ADVANCES**

(Unsecured and considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received  
(net of advances considered doubtful Rs. 36.31 lac; previous year  
Rs. 35.78 lac)Intercorporate deposits with Godrej Industries Limited,  
a company under the same management  
(maximum amount due during the year Rs. 500 lac)

Deposits and balances with

- Customs &amp; Excise authorities

- Other deposits

Advance payment of taxes

(Net of provision for taxation)

**This Year  
Rs. Lac**Previous Year  
Rs. Lac**462.71**

731.53

—

500.00

**217.90**

431.34

**173.57**

143.08

—

18.65

**854.18****1824.60****SCHEDULE 10 : CURRENT LIABILITIES**

Sundry creditors

- Small scale industrial units

- Others

Unpaid dividend

(There are no amounts due and outstanding to be credited to  
Investor Education and Protection Fund)

Other liabilities

Advances and deposits

Interest accrued but not due

**130.57**

7.74

**7131.53**

6808.81

**49.88**

—

**451.78**

337.98

**318.08**

375.32

**7.50**

6.62

**8089.34****7536.47****SCHEDULE 11 : PROVISIONS**

Proposed dividend

Provision for tax on distributed profits

Provision for gratuity

Provision for retirement leave benefits

Provision for taxation (net of advance payment of taxes)

**1150.71**

2050.96

**147.41**

—

**249.36**

218.58

**150.33**

108.98

**79.16**

—

**1776.97****2378.52****SCHEDULE 12 : MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Preliminary and Pre-operative expenditure

Balance at the beginning of the year

Less: Amount written off during the year

—

20.26

—

20.26

—

—

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

### SCHEDULE 13 : OTHER INCOME

	This Year Rs. Lac	Previous Year Rs. Lac
Dividend income	—	45.11
Loss on sale of investments	26.83	—
Less : Write back of provision for diminution in the value of investments	49.47	—
	<b>22.64</b>	45.11
Claims received	<b>55.56</b>	36.42
Miscellaneous Income	<b>62.00</b>	81.16
	<b>140.20</b>	162.69

### SCHEDULE 14 : MATERIALS CONSUMED AND PURCHASE OF GOODS

#### Raw materials consumed

Stocks at the commencement of the year	<b>1358.38</b>	1689.62
Add : Purchases (net)	<b>18939.59</b>	15080.04
	<b>20297.97</b>	16769.66
Less : Stocks as at the close of the year	<b>1729.36</b>	1358.38
Raw materials consumed during the year	<b>18568.61</b>	15411.28
<b>Purchase of goods for resale</b>	<b>4013.92</b>	5900.81
	<b>22582.53</b>	21312.09

### SCHEDULE 15 : EXPENSES

Salaries, wages and allowances	<b>2307.19</b>	2033.43
Contribution to provident fund and other funds	<b>96.09</b>	84.94
Employee welfare expenses	<b>146.81</b>	97.84
Stores and spares consumed	<b>227.79</b>	233.36
Power and fuel	<b>1115.63</b>	1093.26
Processing charges & Other manufacturing expenses	<b>2166.14</b>	1896.53
Rent	<b>99.05</b>	79.48
Rates and taxes	<b>514.55</b>	447.68
Repairs and maintenance		
- Machinery	<b>88.01</b>	64.68
- Buildings	<b>37.41</b>	136.56
- Other assets	<b>16.50</b>	16.73
Insurance	<b>63.95</b>	55.95
Establishment expenses	<b>791.90</b>	740.29
Travel & conveyance	<b>475.62</b>	384.26
Freight	<b>1386.20</b>	1120.64
Commission	<b>33.83</b>	78.06
<i>Carried forward</i>	<b>9566.67</b>	8563.69

## Schedules forming part of the Financial Statements for the year ended March 31, 2003

		<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
<b>SCHEDULE 15 : EXPENSES (Contd.)</b>			
	<i>Brought forward</i>	<b>9566.67</b>	8563.69
Discount		<b>42.37</b>	30.81
Advertisement and publicity		<b>3777.00</b>	5428.86
Sales promotion		<b>2068.64</b>	1246.35
Selling and distribution expenses		<b>872.95</b>	590.48
Bad debts written off		<b>4.90</b>	36.46
Provision for doubtful debts and advances		<b>20.28</b>	—
Loss on sale of fixed assets		<b>12.72</b>	0.22
Miscellaneous expenses		<b>894.52</b>	612.08
		<b><u>17260.05</u></b>	<u>16508.95</u>
<b>SCHEDULE 16 : INVENTORY CHANGE</b>			
Stocks at the commencement of the year:			
Finished goods	1316.89		2451.59
Work-in-progress	<u>288.03</u>		<u>274.09</u>
		<b>1604.92</b>	2725.68
Less : Stocks at the close of the year :			
– Finished goods	1432.14		1316.89
– Work-in-progress	<u>448.39</u>		<u>288.03</u>
		<b>1880.53</b>	1604.92
(Increase) / Decrease in Inventory		<b>(275.61)</b>	1120.76
<b>SCHEDULE 17 : INTEREST AND FINANCIAL CHARGES (Net)</b>			
Interest Paid			
- on short term loans and advances	36.09		92.81
- on bank overdrafts	16.62		48.13
- other interest	<u>41.90</u>		<u>109.57</u>
		<b>94.61</b>	250.51
Less : Interest received			
- on customer balances, etc.	15.59		28.96
- on deposits	<u>22.35</u>		<u>21.37</u>
		<b>37.94</b>	50.33
Interest paid (net)		<b>56.67</b>	200.18
Brokerage and other financial charges		<b>213.96</b>	249.27
		<b><u>270.63</u></b>	<u>449.45</u>

### SCHEDULE 18 : Notes to Accounts

#### 1. Background

Godrej Consumer Products Limited (the Company) was incorporated on November 29, 2000 to take over as a going concern the consumer products business of Godrej Soaps Limited (subsequently renamed as Godrej Industries Limited), pursuant to a scheme of arrangement as approved by the High Court, Mumbai. The Company is a focused fast moving consumer goods company, manufacturing toilet soaps, hair colour, liquid detergents and other toiletries.

#### 2. Significant Accounting Policies

##### a) Accounting Convention

The financial statements are prepared under the historical cost convention, on accrual basis, in accordance with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

##### b) Fixed Assets

Fixed Assets are stated at cost of acquisition or construction, less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets.

Fixed Assets acquired under finance lease are capitalised at the lower of their fair value and the present value of the minimum lease payments.

##### c) Investments

Investments are classified into current and long term investments. Long term investments are carried at cost. Current investments are stated at lower of cost and net realisable values.

##### d) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is computed on the weighted average basis and is net of MODVAT. Finished goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision is made for cost of obsolescence and other anticipated losses, wherever considered necessary.

##### e) Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of returns, trade discounts, rebates, sales taxes and excise duties.

Export incentives are accounted on accrual basis and include the estimated value of export incentives receivable under the Duty Entitlement Pass Book Scheme.

Dividend income is recognised when the right to receive the same is established.

Interest income is recognised on a time proportion basis.

##### f) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Assets and liabilities related to foreign currency transactions, remaining unsettled at the year end, are stated at the contracted rates, when covered under forward foreign exchange contracts and at year-end rates in other cases. The premium payable on forward foreign exchange contracts is amortised over the period of the contract. Exchange gains/losses are recognised in the Profit and Loss Account except for exchange differences relating to fixed assets, which are adjusted in the cost of the asset.

## Notes to Accounts

**g) Research and Development Expenditure**

Revenue expenditure on Research and Development is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure incurred during the year on Research and Development is shown as addition to fixed assets.

**h) Retirement Benefits**

Retirement benefits to employees comprise payments under approved provident fund plans, retirement leave encashment benefit and gratuity to eligible employees. The liability in respect of future payment of gratuity to retiring employees and leave encashment benefit on retirement is provided on the basis of an actuarial valuation at the end of each year.

**i) Depreciation**

Leasehold land is amortised equally over the lease period.

Trademarks are amortised over a period of ten years.

Depreciation is provided on the Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, except for computer hardware which are depreciated over 4 years. Depreciation on assets acquired during the year is provided for the full accounting year and no depreciation is charged on the assets sold/discarded during the year, except in case of major additions and sales exceeding rupees one crore, in which case proportionate depreciation is provided.

**j) Taxes on Income**

Provision for current income tax is made on the basis of the assessable income under the Income Tax Act, 1961.

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and laws enacted or substantially enacted on the balance sheet date.

**k) Incentive Plans**

The Company has a scheme of Performance Linked Variable Remuneration (PLVR) which rewards its employees based on Economic Value Addition (EVA). The PLVR amount is related to actual improvements made in EVA over the previous year when compared with expected improvements. The EVA awards flow through a notional bank whereby only pre-specified portion of the bank is distributed each year and the balance is carried forward. The amount distributed out of notional bank is only charged to profit and loss account. The notional bank is held at risk and charged to EVA of future years and payable at that time if future performance so warrants.

**l) Segment Reporting**

Segment revenue, results, assets and liabilities have been identified to represent segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated expenses." Unallocated assets mainly relate to fixed assets at corporate and regional offices not directly identifiable to any segment.

**3. Contingent Liabilities**

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
a) Claims for excise duties, taxes and other matters :		
i) Excise duty demands aggregating Rs.190.63 lac (Previous Year Rs.212.89 lac) against which the Company has preferred appeals (net of tax)	<b>120.00</b>	136.89
ii) Sales tax demands aggregating Rs. 73.25 lac (Previous Year Rs. 68.36 lac) against which the Company has preferred appeals (net of tax)	<b>46.33</b>	43.95
iii) Other matters - Rs. 489.23 lac (Previous Year Rs. 360.81 lac) (net of tax )	<b>309.44</b>	232.00
b) Excise duty demands and penalties in respect of toilet soaps cleared from Malanpur Factory during the period of joint venture with Proctor & Gamble, confirmed by CEGAT.The amount of duty and penalty which is to be quantified by the Commissioner of Excise in accordance with the findings of CEGAT is estimated at Rs.1259.92 lac.The Company has filed an appeal against the order of CEGAT before the Supreme Court of India (net of tax)	<b>1028.41</b>	1034.93
c) Guarantees issued by banks,excluding guarantees issued in respect of matters reported in (a) above	<b>67.40</b>	24.56

**4. Capital Commitments**

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
Estimated value of contracts remaining to be executed on Capital account, to the extent not provided	<b>119.29</b>	33.69

**5. Share Capital**

The Company purchased its shares under a buy-back programme authorised by the shareholders/the Board of Directors. Shares purchased and extinguished during the year are as under :

748,136 equity shares at an average price of Rs.69.86 per share aggregating Rs.522.66 lac pursuant to the special resolution passed by the shareholders through Postal Ballot, the results of which were announced at the Extra Ordinary General Meeting held on January 9, 2002.

411,962 shares at an average price of Rs.110.94 per share aggregating Rs.457.05 lac pursuant to the resolution passed by the Board of Directors in their meeting held on July 22, 2002.

366,330 equity shares at an average price of Rs.105.04 per share aggregating Rs.384.80 lac pursuant to the special resolution passed by the shareholders through Postal Ballot, the results of which were announced at the Extra Ordinary General Meeting held on January 8, 2003. Of the above, 54,636 equity shares are in the process of extinguishment as on March 31, 2003.

The nominal value of the shares bought back and extinguished has been reduced from the paid up share capital and the premium paid for the buy-back has been appropriated from the General Reserve account. Consequently, the Issued, Subscribed and Paid-up capital of the Company has been reduced by Rs.58.87 lac.

## Notes to Accounts

**6. Secured Loans**

- a) The Sales tax deferment loan is secured by :
- a first charge by way of equitable mortgage of the immovable properties at Malanpur factory, and
  - hypothecation of movable assets at Malanpur factory, save and except book debts and subject to charges already created by the Company in favour of the bankers for working capital facilities.
- b) Bank overdrafts, working capital demand loans and guarantees issued by banks are secured by hypothecation of stocks and book debts.

**7. Sundry Debtors**

Sundry Debtors include amounts due from companies under the same management as under :

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
a) Godrej Industries Ltd.	<b>95.36</b>	255.25
b) Godrej Appliances Ltd.	—	0.02
c) Godrej Agrovet Ltd.	<b>0.27</b>	0.36

**8. Loans and Advances**

Loans and advances include an amount of Rs.Nil due from an Officer of the Company towards housing loan under the Company's scheme for loans to employees. (Maximum debit balance during the year - Rs.7.23 lac).

**9. Liabilities**

- a) No amount has been claimed from the Company under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.
- b) The small scale industrial undertakings to whom an amount is outstanding for more than 30 days at the Balance Sheet date are as under :

Varad Packing  
Sanskar Industries  
Shubhankan  
Bharat Packaging  
Chem Org  
Hind Packaging  
Swati Plastics  
York Print & Pack

The above information regarding small scale industrial undertaking have 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.

- c) The Company has acquired vehicles under finance lease. Liability for minimum lease payment is secured by hypothecation of the vehicles acquired under the lease. The minimum lease payments outstanding as on March 31, 2003, in respect of vehicles leased are as under :

Date	Total minimum lease payments outstanding as on March 31, 2003	Interest due	Present value of minimum lease payments
Within one year	11.31	3.90	10.32
Later than one year and not later than five years	30.97	5.07	22.26
<b>TOTAL</b>	<b>42.28</b>	<b>8.97</b>	<b>32.58</b>

### 10. Profit and Loss Account

- The amount of exchange gain / loss on account of fluctuation of the rupee against foreign currencies added to the carrying amount of fixed assets during the year is Rs. Nil.
- The exchange differences included in the Profit & Loss Account is a loss of Rs.66.01 Lac (Previous Year Rs.31.42 lac) and exchange differences in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 12.40 lac (Previous Year Rs.6.87 lac.)
- Research & Development Expenditure of revenue nature charged to the Profit and Loss Account amounts to Rs. 140.14 lac (Previous Year Rs. 90.96 lac).
- Establishment expenses represents the Company's share of various expenses incurred by Godrej Industries Ltd., a company under the same management for sharing of services and use of common facilities.

### 11. Incentive Plans

The amount carried forward in notional bank after distribution of PLVR for the FY 2002-03 is Rs. 423 lac as on March 31, 2003. The said amount is not provided in the books of accounts and is payable in future if performance so warrants.

### 12. Sales Turnover (net of excise duty)

Item	Unit	This Year		Previous Year	
		Quantity	Value Rs. Lac	Quantity	Value Rs. Lac
Soaps	MT	<b>43771</b>	<b>27102.06</b>	47578	27567.84
Detergents	MT	<b>3264</b>	<b>3444.13</b>	3121	3106.81
Hair Colour and other toiletries	MT	<b>1936</b>	<b>14582.42</b>	2009	13669.80
Others			<b>1879.98</b>		1518.98
<b>TOTAL</b>			<b>47008.59</b>		45863.43

#### Note :

Sales Turnover includes :

- Items processed for the Company by third parties and
- Items purchased by the Company for resale.

## Notes to Accounts

## 13. Inventories - Finished Goods

Item	March 31, 2003		March 31, 2002	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
a) Manufactured				
Soaps	1676	873.86	1188	598.28
Hair Colour and other toiletries	70	175.81	82	154.21
Chemicals	72	20.90	60	13.87
b) Purchased				
Soaps	9	9.00	18	17.19
Detergents	291	127.14	119	55.29
Hair Colour and other toiletries	198	225.43	194	478.05
<b>TOTAL</b>		<b>1432.14</b>		<b>1316.89</b>

## 14. Raw Materials Consumed

	This Year		Previous Year	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
Oils & Fats	45049	9954.13	47093	7282.71
Chemicals, Perfumes, Colours and Catalysts	14090	5054.64	15384	5700.98
Packing Materials, etc.	—	3559.84	—	2427.59
<b>TOTAL</b>		<b>18568.61</b>		<b>15411.28</b>

## 15. Purchase of Goods

	This Year		Previous Year	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
Soaps	331	259.69	198	177.48
Detergents	3665	1532.21	3114	1505.36
Hair colour and other toiletries	1093	2222.02	1273	4217.97
<b>TOTAL</b>		<b>4013.92</b>		<b>5900.81</b>

**16. Computation of Profits under Section 349 of the Companies Act, 1956**

Profit for the year as per Profit & Loss Account

Add : Depreciation as per accounts

Managerial remuneration

Provision for depletion in value of investments

Provision for doubtful debts and advances

Provision for Tax

Less : Depreciation under Section 350 of the Companies Act, 1956

Provision for doubtful debts and advances written back

Profit on sale of investments

Net profit as per Section 349 of the Companies Act, 1956

Maximum limit for commission to non-whole-time directors at 1% of above

Maximum limit for managerial remuneration to whole-time directors at 10% of above

Total Managerial remuneration paid

Rs. Lac	This Year Rs. Lac	Previous Year Rs. Lac
	<b>5355.74</b>	4197.53
898.65		939.34
178.66		142.14
—		49.47
20.28		—
1650.00		2125.00
	<b>2747.59</b>	3255.95
	<b>8103.33</b>	7453.48
898.65		939.34
—		23.28
22.64		—
	<b>921.29</b>	962.62
	<b>7182.04</b>	6490.86
	<b>71.82</b>	64.90
	<b>718.20</b>	649.08
	<b>178.66</b>	142.14

**17. Managerial Remuneration**

	This Year Rs. Lac	Previous Year Rs. Lac
a) Salaries and allowances	<b>50.58</b>	40.67*
b) Contribution to Provident Fund	<b>5.07</b>	4.01
c) Estimated monetary value of perquisites	<b>41.65</b>	30.25
d) Directors' Fees	<b>1.70</b>	1.65
e) Provision for Performance Linked Variable Remuneration	<b>55.66**</b>	41.56***
f) Commission	<b>24.00</b>	24.00
<b>TOTAL</b>	<b>178.66</b>	142.14

**Notes :**

\* An amount of Rs.5.93 lac towards Performance Linked Bonus pertaining to the year 2000-01, was included last year.

\*\* Performance Linked Variable Remuneration has been calculated based on provision made in the books of account.

\*\*\* Performance Linked Variable Remuneration pertaining to F.Y. 2001-02 and paid in the F.Y.2002-03.

## Notes to Accounts

**18. Auditors' Remuneration (excluding service tax)**

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
Audit fees	<b>12.50</b>	12.50
Tax Audit fees	<b>2.70</b>	2.70
Taxation matters	<b>1.75</b>	1.75
Other services	<b>3.00</b>	3.00
Certifications	<b>2.58</b>	3.50
Reimbursement of out of pocket expenses	<b>1.09</b>	0.48
<b>TOTAL</b>	<b>23.62</b>	23.93

**19. Licensed, Installed and Utilised Capacity**

Item	Unit	Licensed / Registered capacity		Installed Capacity		Actual Production	
		<b>This Year</b>	Previous Year	<b>This Year</b>	Previous Year	<b>This Year</b>	Previous Year
<b>SCHEDULED</b>							
Soaps	MT	<b>45000</b>	45000	<b>45000</b>	45000	<b>34378</b>	36902
Hair colour and other toiletries	MT	<b>2650</b>	2650	<b>1910</b>	1840	<b>862</b>	611
Fatty Acids	MT	<b>52500</b>	52500	<b>52500</b>	52500	<b>3691</b>	4074
Glycerine	MT	<b>3000</b>	3000	<b>2300</b>	2300	<b>1533</b>	1686
Synthetic Detergents	MT	<b>30000</b>	30000	—	—	—	—

**Notes :**

Actual production excludes production for captive consumption.

**20. Value of Imports on CIF Basis (includes only Imports directly made)**

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
Raw Materials	<b>5383.36</b>	3711.95
<b>TOTAL</b>	<b>5383.36</b>	3711.95

**21. Expenditure in Foreign Currency**

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
Advertisement & Publicity	<b>47.16</b>	31.99
Travelling Expenditure	<b>27.46</b>	10.62
Other Expenditure	<b>42.15</b>	12.84
<b>TOTAL</b>	<b>116.77</b>	55.45

**22. Value of Consumption of Raw Materials & Spares**

	This Year		Previous Year	
	Rs. Lac	%	Rs. Lac	%
<b>Raw Materials</b>				
Imported (including duty content)	<b>7519.94</b>	<b>40</b>	6384.12	41
Indigenous	<b>11048.67</b>	<b>60</b>	9027.16	59
	<b>18568.61</b>	<b>100</b>	15411.28	100
<b>Spares</b>				
Imported (including duty content)	<b>0.20</b>	—	4.83	2
Indigenous	<b>227.59</b>	<b>100</b>	228.53	98
	<b>227.79</b>	<b>100</b>	233.36	100

**23. Net Dividend Remitted in Foreign Currency**

	This Year Rs. Lac	Previous Year Rs. Lac
1st Interim Dividend for the year 2001-02 on 10026 shares at Rs.2.00 per share to 141 shareholders	—	0.20
2nd Interim Dividend for the year 2001-02 on 9472 shares at Rs.3.50 per share to 152 shareholders	<b>0.23</b>	—
1st Interim Dividend for the year 2002-03 on 9749 shares at Rs.2.00 per share to 140 shareholders	<b>0.15</b>	—
2nd Interim Dividend for the year 2002-03 on 9749 shares at Rs.2.00 per share to 140 shareholders	<b>0.15</b>	—
3rd Interim Dividend for the year 2002-03 on 9644 shares at Rs.2.00 per share to 138 shareholders	<b>0.15</b>	—
	<b>0.68</b>	0.20

**24. Earnings in Foreign Exchange**

	This Year Rs. Lac	Previous Year Rs. Lac
Export of Goods (F.O.B. : Rs.667.28 lac - Previous Year Rs.656.25 Lac)	<b>705.96</b>	680.29

## Notes to Accounts

## 25. Deferred tax

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
i) The breakup of net deferred tax liability as on March 31, 2003 is as under :		
Deferred tax liabilities :		
Difference between book and tax depreciation	<b>638.00</b>	372.00
R & D Capital Expenditure	—	2.00
	<b>638.00</b>	374.00
Deferred tax assets :		
Expenditure disallowable under Section 43B	<b>42.00</b>	26.00
Provision for Gratuity	<b>92.00</b>	78.00
Provision for doubtful debts	<b>23.00</b>	5.00
Provision for loss on sale of investment	<b>10.00</b>	—
Preliminary expenses	<b>6.00</b>	6.00
	<b>173.00</b>	115.00
Net deferred tax liability	<b>465.00</b>	259.00

## 26. Related Party disclosures

## a) List of Related parties

**Parties where control exists**

Godrej & Boyce Mfg. Co. Ltd., the holding company

**Related Parties with whom transactions have taken place during the year****Fellow subsidiaries :**

Godrej Industries Limited

Godrej Appliances Limited

Godrej Agrovet Limited

Godrej Properties & Investments Ltd.

Godrej Tea Ltd.

Ensemble Holdings & Finance Ltd.

Godrej Global Mid East FZE

**Enterprises over which key management personnel exercise significant influence**

Bahar Agrochem & Feeds Pvt. Ltd.

**Key Management Personnel**

Adi Godrej

Hoshedar Press

## Notes to Accounts

### b) Transactions with Related Parties

Amounts in Rs. Lac

Particulars		Holding Company	Fellow Subsidiaries	Enterprise over which key management personnel exercise significant influence	Key Management personnel	Total
Sale of goods	Current Year	12.54	1338.42	0.14	—	1351.10
	Previous Year	11.85	1371.53	—	—	1383.38
Purchase of materials, spares and capital equipment	Current Year	12.65	2824.22	—	—	2836.87
	Previous Year	15.41	1248.92	—	—	1264.33
Processing charges paid	Current Year	—	3377.34	—	—	3377.34
	Previous Year	—	2961.71	—	—	2961.71
Establishment and other expenses	Current Year	8.22	1074.99	—	—	1083.21
	Previous Year	3.05	830.40	—	—	833.45
Interest paid	Current Year	—	0.19	—	—	0.19
	Previous Year	—	20.08	—	—	20.08
Interest received	Current Year	—	3.51	—	—	3.51
	Previous Year	—	—	—	—	—
Intercompany Deposits accepted	Current Year	—	37.00	—	—	37.00
	Previous Year	—	—	—	—	—
Intercompany Deposits placed	Current Year	—	—	—	—	—
	Previous Year	—	1300.00	—	—	1300.00
Dividend remitted	Current Year	3239.75	88.00	—	0.11	3327.86
	Previous Year	782.94	3.83	—	0.02	786.79
Managerial Remuneration	Current Year	—	—	—	152.97	152.97
	Previous Year	—	—	—	80.86	80.86
Advances against contract	Current Year	67.50	—	—	—	67.50
	Previous Year	—	—	—	—	—
Outstanding balances as at March 31, 2003						
	Receivables	Current Year	68.27	130.63	—	—
	Previous Year	4.19	131.51	—	—	135.70
Payables	Current Year	—	437.86	—	56.64	494.50
	Previous Year	—	199.64	—	—	199.64
Shares issued pursuant to scheme of arrangement (No. of shares)	Current Year	—	—	—	—	—
	Previous Year	40116502	—	—	80312	40196814

## Notes to Accounts

## 27. Earnings per share

	This Year	Previous Year
a) Calculation of weighted average number of equity shares of Rs.4 each		
Number of shares at the beginning of the year	<b>59112498</b>	59828955
Shares bought back and extinguished	<b>1471792</b>	716457
Number of equity shares outstanding at the end of the year	<b>57640706</b>	59112498
Weighted average number of equity shares outstanding during the year	<b>58175460</b>	59772828
b) Net profit after tax available for equity shareholders (Rs. Lac)	<b>5355.74</b>	4197.53
c) Basic and diluted earnings (in Rupees) per share of Rs.4 each	<b>9.21</b>	7.02

## 28. Segmental Reporting

The Company operates in two business segments : Soap and Personal Care. Soap includes Godrej brand and other brand toilet soaps. Personal Care includes Hair colour, Shaving cream and gel, Talcum powder, Deodorant, Fairness cream, liquid detergent and other toiletries.

## Information about primary business segments (2002-03)

Rs. Lac

	Soap	Personal Care	Unallocated	Total
<b>Revenue</b>				
External Sales	29277.53	18324.26	—	47601.79
Total Revenue	29277.53	18324.26	—	47601.79
<b>Segment result before interest and taxation</b>	<u>2370.36</u>	<u>6349.32</u>	<u>—</u>	<u>8719.68</u>
Less : Unallocated expenses net of unallocated income			1443.31	-1443.31
Less : Interest expense (net)				-270.63
<b>Profit before tax</b>				<b>7005.74</b>
Less : Taxes				-1650.00
<b>Net Profit</b>				<b>5355.74</b>
Segment Assets	9179.94	3191.00	4299.89	16670.83
Segment Liabilities	4583.58	1194.38	4088.35	9866.31
Total cost incurred during the year to acquire				
Segments assets	125.33	49.76	232.56	407.65
Segment depreciation	540.13	244.02	114.50	898.65

Segments have been identified taking into account the nature of the products, the different risks and returns, the organisational structure and the internal reporting system.

**Note :** During the Previous Year, the Company was managed organisationally as a unified entity with various functional heads reporting to the top management and was not organised along product lines. During the year, the Company divisionalised its business into two focused groups, Soap and Personal Care, with each group having separate manufacturing, purchase and marketing responsibilities. Consequently, no business segments were reported for the Previous Year.

## 29. Figures for the Previous Year have been regrouped wherever necessary.

### 30. The Balance Sheet Abstract and Company's General Business Profile as required by Part IV to Schedule to the Companies Act, 1956 as given below :

#### 1. Registration Details

Registration No	129806
State Code	11
Balance Sheet Date	March 31, 2003.

#### 2. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

#### 3. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	680452
Total Assets	680452

##### Sources of Funds

Paid up Share Capital	230563
Reserves & Surplus	224892
Secured Loans	178497
Unsecured Loans	NIL
Deferred Tax Liability	46500

##### Application of Funds

Net Fixed Assets	878285
Investments	40000
Net Current Assets	(237833)
Miscellaneous Expenses	NIL
Accumulated Losses	NIL

#### 4. Performance of the Company (Amount in Rs.Thousands)

Turnover (Total Income)	4774199
Total Expenditure	4073625
Profit/ (Loss) before tax	700574
Profit / (Loss) after tax	535574
Earnings per share	9.21
Dividend Rate	200%

#### 5. Generic Name

Item Code No.	34.01*
Product Description	Soaps
Item Code No.	33.07*
Product Description	Cosmetics
Item Code No.	34.02*
Product Description	Detergents

(\*represents Heading No. of the Harmonised Commodity Description and Coding System)

## Cash Flow Statement for the year ended March 31, 2003

	<b>This Year Rs. Lac</b>	Previous Year Rs. Lac
<b>A. Cash Flow from operating activities :</b>		
Profit before tax	<b>7005.74</b>	6322.53
<b>Adjustments for :</b>		
Depreciation	898.65	939.34
Foreign exchange	25.93	8.30
Loss on sale of fixed assets	12.72	0.22
Profit on sale of investment	(22.64)	—
Dividend income	—	(45.11)
Interest income	(37.94)	(50.33)
Interest expense	308.57	499.78
Deferred expenditure written off	—	20.26
Write off of bad debts	25.18	36.46
Write in of old balances	(31.36)	(67.35)
Others	(4.20)	72.48
Operating profit / (loss) before working capital changes	<b>8180.65</b>	7736.58
<b>Adjustments for :</b>		
Inventories	(669.90)	1450.46
Trade and other receivables	411.02	(670.66)
Trade payables	570.64	910.01
Cash generated / (used) from operations	<b>8492.41</b>	9426.39
Direct taxes paid	(1370.19)	(1581.65)
Net Cash from operating activities	<b>7122.22</b>	7844.74
<b>B. Cash Flow from investing activities :</b>		
Purchase of fixed assets	(359.84)	(374.79)
Proceeds from sale of fixed assets	36.62	25.12
Purchase of investments	(9455.00)	(295.11)
Sale of investments	9323.28	—
Intercorporate deposits	500.00	(500.00)
Interest received	37.94	49.67
Dividend received	—	45.11
Net Cash used in investing activities	<b>83.00</b>	(1050.00)
<b>C. Cash Flow from financing activities :</b>		
Buy-back of equity share capital	(1307.12)	(403.71)
Proceeds from borrowings	9587.14	2073.73
Repayments of borrowings	(9665.72)	(5521.41)
Bank overdrafts (net)	(385.78)	(47.42)
Interest paid	(307.69)	(512.90)
Dividend paid	(5485.76)	(1196.58)
Tax on distributed profits	—	(122.05)
Net Cash (used in) / generated from financing activities	<b>(7564.93)</b>	(5730.34)
Net increase / (decrease) in cash and cash equivalents	<b>(359.71)</b>	1064.40
Cash and cash equivalents (Opening Balance)	1074.24	9.84
Cash and cash equivalents (Closing Balance)	714.53	1074.24

## Cash Flow Statement for the year ended March 31, 2003

### Notes :

- Cash and Cash equivalents  
Cash on hand and balances with banks  
Effect of exchange rate changes  
Cash and cash equivalents
- To finance working capital requirements, the Company's Bankers have sanctioned a total fund-based limit of Rs. 1900 lac. Of this, limits utilised as on March 31, 2003 is Rs. 183.34 lac.

This Year Rs. Lac	Previous Year Rs. Lac
<b>714.89</b>	1074.04
<b>(0.36)</b>	0.20
<b><u>714.53</u></b>	<u>1074.24</u>

- Adi Godrej** - *Chairman and Managing Director*  
**Nadir Godrej** - *Director*  
**Bala Balachandran** - *Director*  
**Rama Bijapurkar** - *Director*  
**Bharat Doshi** - *Director*  
**Anupam Puri** - *Director*  
**Hoshedar Press** - *Executive Director and President*  
  
**Sunil Sapre** - *Vice President (Finance & Commercial) and Company Secretary*

Mumbai, April 28, 2003

### AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of Godrej Consumer Products Limited derived from the Audited Financial Statements for the year ended March 31, 2003 and found the same to be drawn in accordance herewith and also with the requirements of Clause 32 of the listing agreements with stock exchanges.

For and on behalf of  
**Kalyaniwalla & Mistry**  
*Chartered Accountants*

**Viraf Mehta**  
*Partner*

Mumbai, April 28, 2003