

Auditors' Report

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, 2006 and also the Profit and Loss Account and 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 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 Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give 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 that:
 - a) We have obtained all the information and explanations 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, 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 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, 2006,
 - ii) in the case of the Profit and Loss Account, of the profit 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 the written representations received from the Directors of the Company as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2006 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 and Mistry
Chartered Accountants

Viraf R. Mehta
Partner
M. No. 32083

Mumbai
April 26, 2006

Annexure to the Auditors' Report

Referred to in paragraph (3) of our report of even date on the accounts of **Godrej Consumer Products Limited** for the year ended 31st March, 2006.

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies reported on such verification are not material and have been properly dealt with in the books of account.
(c) In our opinion, the fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.
2. (a) The Management has conducted physical verification of inventory at reasonable intervals.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical inventories and 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.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets, and for the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding rupees five lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of Act and the rules framed thereunder.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
8. 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.

Annexure to the Auditors' Report

9. (a) According to the records examined by us, the Company is generally 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, Customs duty, Excise duty, Cess and other statutory dues applicable to it with the appropriate authorities.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty or cess which have not been deposited on account of any dispute, other than those stated hereunder:

Name of Statute	Nature of Dues	Amount (in Rs. Lac)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty demands in respect of clearances of soap	1,212.82	1993-1996	Supreme Court
	Rate difference on account of soap scrap	30.77	2000-2001	Commissioner
	Provisional Assessment of Goods	31.00	1996-1999	Assistant Commissioner
Sales Tax Act	Interest on sales tax dues	12.07	2001-2002	High Court
	Sales Tax dues	11.02	2002-2003	Assistant Commissioner
	Sales Tax dues	0.95	2005-2006	Assistant Commissioner
	Sales Tax dues	6.50	2000-2001	ST Authority
	Sales Tax dues	0.68	2001-2002	ST Authority

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders as at the balance sheet date.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
14. In our opinion, the Company has maintained proper records of the transactions and contracts in respect of investments purchased and sold during the year and timely entries have been made therein. The investments made by the Company are held in its own name.
15. According to the information and explanations given to us and the records examined by us, the terms and conditions of guarantee given by the Company for loans taken by its subsidiary from banks are not prima facie prejudicial to the interest of the Company.
16. According to the information and explanations given to us and the records examined by us, on an overall basis, the term loans were applied by the Company for the purpose for which they were obtained.
17. On the basis of an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long term investment.

Annexure to the Auditors' Report

18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not issue any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based on the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
Kalyaniwalla and Mistry
Chartered Accountants

Viraf R. Mehta

Partner

M. No. 32083

Mumbai

April 26, 2006