



directors'
report

Robust financial and operating performance that reflects the healthy macro economic growth.

Directors' Report

FOR THE YEAR ENDED ON MARCH 31, 2004

To The Shareholders,

Your Directors have pleasure in presenting their Report along with the audited Accounts for the year ended on March 31, 2004.

OPERATING RESULTS

Your Company's financial performance for the year under review has been encouraging and is as summarised below :

	This Year Rs. crore	Previous Year Rs. crore
Sales (net of excise duty)	489.6	470.1
Processing Charges	2.0	5.9
Other Income	1.1	1.4
Total Income	492.7	477.4
Total Expenditure other than Interest and Depreciation	404.3	395.6
Profit before Interest, Depreciation and Tax	88.4	81.8
Depreciation	9.4	9.0
Profit before Interest and Tax	79.0	72.8
Interest and Financial Charges (net)	2.4	2.7
Profit before Tax	76.6	70.1
Provision for Tax :		
Current tax	8.8	14.4
Deferred tax	2.9	2.1
Profit after tax	64.8	53.6
Adjustment in respect of prior years	0.0	(0.3)
	64.9	53.3
Surplus brought forward	4.0	4.0
Amount available for appropriation	68.9	57.3

APPROPRIATION

Your Directors recommend appropriation as under :-

	This Year Rs. crore	Previous Year Rs. crore
Interim Dividend	51.3	34.9
Proposed Final Dividend	—	11.5
Tax on Distributed Profits	6.6	1.5
Transfer to General Reserve	6.5	5.4
Surplus Carried Forward	4.5	4.0
Total Appropriation	68.9	57.3

DIVIDEND

For the year 2003-04, four interim dividends were declared. The first three interim dividends were declared on July 22, 2003, October 22, 2003 and January 31, 2004 at the rate of Rs. 2 per share each and the fourth interim dividend was declared on April 28, 2004 at the rate of Rs. 3 per share.

The total dividend payout for the year ended March 31, 2004 works out to Rs. 9 per share (225 % on the shares of the face value of Rs. 4/- each).

Your Directors recommend that the aforesaid interim dividends aggregating to Rs. 9 per share be declared as final dividend for the year ended on March 31, 2004.

REVIEW OF OPERATIONS

During the year under review your Company has recorded Profit after Tax of Rs. 64.9 crore.

The comparison of current year's sales with last year is as follows :

Amounts in Rs. crore			
Particulars	Year ended March 31, 2004	Year ended March 31, 2003	% Increase /(Decrease)
1. Godrej Brands (net of excise duty)			
a) Soaps	287.2	253.5	13
b) Hair Colour	114.8	117.4	(2)
c) Toiletries	26.1	28.4	(8)
d) Liquid Detergents	35.6	34.4	3
Total Godrej Brands	463.7	433.8	7
2. Contract Manufacturing	11.2	17.5	(36)
3. Other sales	14.7	18.8	(22)
Total	489.6	470.1	4

Sales of Godrej Consumer Products Limited (GCPL) brands have increased by 7 percent from Rs. 433.8 crore in 2002-03 to Rs.463.7 crore in 2003-04.

During the year under review, your Company improved its performance by focusing on its defined strategies for its two businesses, namely, enhancing margins and market share in the soap segment and, in line with its leadership status, by expanding the personal care segment with the introduction of new offerings.

A detailed analysis of your Company's performance is contained in the Management Discussion and Analysis Report.

ACQUISITION OF TRADEMARK AND COPYRIGHT

The Company acquired the trademark and copyright relating to the brand "Snuggly" in May 2003 for a total consideration of Rs. 5.9 crore. The Company has since relaunched it as "Godrej Snuggly" baby diapers in the market.

MANUFACTURING UNIT AT BADDI, HIMACHAL PRADESH

During the year under review, your Company commenced commercial production at its manufacturing unit at Baddi, Himachal Pradesh for manufacture of soaps. The factory enjoys excise and income tax benefits as announced by the Government.

FINANCIAL POSITION

The Company continues to enjoy strong financial and liquidity position and continues to operate on negative working capital.

PUBLIC DEPOSIT

The Company has not accepted any public deposit during the year.



RESEARCH AND DEVELOPMENT

During the year, the Research & Development efforts of the Company were targeted at oils, fats, fatty acids, soaps and surfactants, cosmetics and toiletries and packaging. This has resulted in the development and launch of several new products such as a novel soap with "Beads" technology, a new shaving gel and a hair colour in cream form. The Research & Development continued to work on developing innovative processes, rendering support to marketing, sales, legal and manufacturing departments and understanding consumer needs.

HUMAN RESOURCES

Your Company continues to pay focused attention on its human resources. During the year under consideration, your Company was ranked 6th in "Great Place to Work" survey conducted by Business World – Grow Talent. It was the highest ranked Indian Company in the survey.

The Godrej Sales Academy was formed for recruiting and training fresh graduates in the art of selling.

A Talent Review Process was instituted. Plans for leadership development and succession plans for key positions were also finalised.

Learning and development continued with white-collared employees receiving an average of 45 hours of training inputs.

Cordial relations continued at all the manufacturing locations.

ENVIRONMENT AND SOCIAL CONCERN

The Company has four modern manufacturing facilities at Malanpur, Baddi, Silvassa and Guwahati. The Company is committed to preserving the environment. It has efficient pollution control and effluent treatment systems in place.

Surveillance audit for ISO-14001 was successfully completed through Bureau Veritas Quality International(BVQI) at the Malanpur Factory, Madhya Pradesh.

The Company's Malanpur factory won the National Safety Council of India Award. It also won the second prize in the QIMPRO Awards assigned by QIMPRO Foundation.

BVQI has awarded ISO-9001 certificate to the Company's Silvassa factory.

All GCPL offices / factories are no tobacco-no smoking zones.

EVA

Your Company continues to take initiatives that would lead to improvement in EVA. During the year, your Company achieved an EVA of Rs. 53.7 crore as against Rs. 41.7 crore in the previous year.

RATINGS

This year, post surveillance, ICRA upgraded your Company's Corporate Governance Rating from CGR2 to CGR2+ and the Stakeholder Value Creation and Governance Rating from SVG2 to SVG2+. The + sign indicates relatively higher standing within the category indicated by the rating. The above ratings are on a rating scale of 1 to 6, where 1 is the highest rating.

BUYBACK

The ongoing buyback as at the beginning of the year was closed on September 12, 2003. The Company bought 8,76,133 shares from the open market for a total consideration of Rs. 9.96 crore under this buyback (including 3,66,330 shares for a total consideration of Rs. 3.85 crore bought upto March 31, 2003).

The Board of Directors, in their meeting held on October 22, 2003, approved another proposal for buyback of shares, pursuant to the first proviso to Section 77A(2)(b) i.e. under the authority of the Board, at a maximum price not exceeding Rs. 200/- per share at an aggregate consideration not exceeding Rs. 3.70 crore. The Public Announcement cum Public Notice, as per SEBI Regulations, for the buyback was made on October 23, 2003. The Company bought 226,758 shares from the open market under this buyback. The buyback was closed on March 31, 2004.

On January 31, 2004, the Board of Directors in its meeting approved another proposal for buyback of shares at a maximum price not exceeding Rs. 200/- per share at an aggregate consideration not exceeding Rs. 8.40 crore subject to the approval of shareholders by means of Postal Ballot. The approval of shareholders was so received and the results of postal ballot were announced on April 19, 2004. The Public Announcement as per SEBI Regulations for the buyback was made on April 27, 2004.

DIRECTORS

In accordance with Article 130 of the Articles of Association of your Company, Mr. Bharat Doshi and Mr. Anupam Puri retire by rotation and being eligible offer themselves for re-appointment.

LISTING

The shares of your Company are listed at The Stock Exchange, Mumbai, National Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange, Delhi Stock Exchange and Calcutta Stock Exchange. The listing fee for the year 2004-05 has been paid before the due date.

AUDITORS

The statutory auditors, Kalyaniwalla and Mistry, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Pursuant to directions from the Department of Company Affairs, P. M. Nanabhoy & Co. Cost Accountants have been appointed as cost auditors for the year 2003-04. They are required to submit the report to the Central Government within 180 days from the end of the accounting year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

ADDITIONAL INFORMATION

Annexure A to this Report gives the information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Annexure B to this report provides the particulars, required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forms a part of the Directors' Report.

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.



CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements, a Management Discussion and Analysis Report and a Report on Corporate Governance are included in the Annual Report. The Auditor's Certificate certifying the Company's compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement is attached as Annexure C and forms part of this report.

GROUP FOR INTER SE TRANSFER OF SHARES

As required under Clause 3(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure D attached herewith and forms a part of the Directors' Report.

ACKNOWLEDGEMENT

Your Directors wish to place their sincere thanks to the Union Government and the Governments of Maharashtra, Madhya Pradesh, Assam, Dadra & Nagar Haveli and Himachal Pradesh, as also to all the Government agencies, banks, financial institutions, customers, shareholders, vendors and other related organisations who, through their continued support and co-operation, have helped, as partners, in your Company's progress.

For and on behalf of the Board of Directors

Adi Godrej

Chairman

Mumbai, April 28, 2004

Annexure to Directors' Report

ANNEXURE A FORMING PART OF THE DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

A. Conservation of Energy :

I. (A) Energy Conservation measures undertaken :

- i) Installation of energy efficient grundfos water feed pumps in Low Pressure Boiler.
- ii) Installation of invertors on roll mills of a soap finishing line to save power consumption.

(B) Proposed energy conservation measures :

- i) Installation of screw compressor in brine chilling plant.
- ii) Installation of invertors on Fat Splitting Plant plunger pumps and low pressure boiler blower.

- II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods :
Saving in energy costs during the period under consideration.

B. Technology Absorption :

Research and Development (R & D)

I. Specific areas in which R & D was carried out by the Company :

During the year under review, Research & Development efforts in the following areas strengthened the Company's operations through technology absorption, adaptation and innovation :

- i) Skin Care
- ii) Hair Care
- iii) Customer Centricity
- iv) Competition
- v) Patents
- vi) Knowledge Management
- vii) Cost saving efforts in raw materials and packaging materials

II. Benefits derived as a result of the above R&D efforts :

- i) A skin stimulating deodorant soap with "Beads" technology
- ii) A new shaving gel
- iii) A hair colour in a cream form

III. Future Plan of Action :

- i) Focus on innovative hair care products
- ii) Energy Efficient processes
- iii) Quality standardisation at all manufacturing units
- iv) Understanding the consumer
- v) Focus on innovative packaging

IV. Expenditure on R & D :

- (a) Capital
- (b) Recurring
- (c) Total
- (d) Total R & D expenditure as a percentage of total sales turnover

This Year Rs. crore	Previous Year Rs. crore
0.01	0.02
1.44	1.40
<u>1.45</u>	<u>1.42</u>
0.30%	0.30%

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

- i) The Company has developed a totally novel soap with "Beads" technology.
- ii) The Company has developed a new shaving gel.
- iii) The Company has developed a hair colour in cream form.

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. :

The above efforts helped in satisfying consumer needs, as well as business requirements of introducing new products.

3. Imported Technology :

The Company has not imported any technology since incorporation.

C. Foreign Exchange Earnings and Outgo :

The total exports of your Company's products continued to show good growth during the current year. During the year under consideration, the Company started exporting its products to Mozambique and Angola. Godrej RENEW has been successfully launched in Nepal, Bangladesh, Middle East, UK and Australia. During the year, several initiatives have been taken to increase exports including registration of hair colours in Thailand and Malaysia and identifying distributors in Pakistan and Philippines. The Company has tied up with a third party manufacturer for manufacture of Powder Hair Dye and Black Henna in Bangladesh.

- I. Foreign exchange used
- II. Foreign exchange earned

This Year Rs. crore	Previous Year Rs. crore
75.43	55.00
7.84	7.06

ANNEXURE B FORMING PART OF THE DIRECTORS' REPORT

STATEMENT UNDER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF THE EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2004.

Sr. No.	Name	Designation	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of commencement of employment	Age (Years)	Particulars of previous employment
A. Persons employed throughout the financial year under review and each of whom was in receipt of remuneration for that financial year which, in the aggregate, was not less than Rs. 24,00,000.								
1.	Adi B. Godrej	Chairman & Managing Director	10993598	B.S., M.S., (Massachusetts Institute of Technology, U.S.A.)	40	01/04/2001	62	Godrej Soaps Limited for 37 years
2.	Hoshedar K. Press	Executive Director & President	6034826	B.Tech.(Hons) (IITB), P.G.D.-B.A. (IIMA)	32	01/04/2001	54	Godrej Soaps Ltd. for 5 years
3.	Dr. Rakesh K. Sinha	Vice President (Soap)	2844337	B.Tech.(Mech.) P.G.D.I.E, A.I.C.W.A, C.F.A, Ph.D.	24	01/04/2001	46	Godrej Soaps Ltd. for 20 years and 9 months
4.	A. Rangarajan	Vice President (Research)	3554937	B.Sc, B.Tech	32	01/04/2001	55	Godrej Soaps Ltd. for 2 years & 5 months
5.	Sunil S. Sapre	Vice President (Finance & Commercial) & Company Secretary	3376074	B.Com, A C A, A.I.C.W.A, A.C.S	17	01/04/2001	40	Godrej Soaps Ltd. for 14 years
B. Persons employed for a part of the financial year under review and each of whom was in receipt of remuneration for that part which, in the aggregate, was not less than Rs. 2,00,000 per month.								
1.	Jayant G. Khandeparkar	General Manager (Personal Care)	3198436	B.Com, M.B.A	14	01/04/2001	42	Godrej Soaps Ltd. for 10 years & 10 months
2.	Prafulla J. Bhat	Dy. General Mgr. (Logistics)	891764	B.E, M.M.S	11	01/04/2001	39	Godrej Soaps Limited for 7 years & 3 months
3.	Parshuram M. S. Ghag	Junior Officer	429520	XI Std.	40	01/04/2001	62	Godrej Soaps Limited for 36 years & 7 months

NOTES :

1. Nature of Employment whether Contractual or otherwise :
 - a) The appointment of Mr. Adi B. Godrej, Chairman and Managing Director and Mr. Hoshedar K. Press, Executive Director & President, are contractual and terminable by three months' notice on either side.
 - b) The appointments of the remaining employees are non-contractual and are terminable by three months' notice from either side.
2. Other terms and conditions :
 - a) In case of the Chairman and Managing Director and the Executive Director & President, gross remuneration as shown above, includes salary, performance linked variable remuneration, house rent allowance wherever applicable, leave travel assistance wherever applicable, Company's contribution to Provident Fund and monetary value of perquisites which are given in terms of the agreement entered into with them.
 - b) In case of all other employees, gross remuneration shown above, includes salary, bonus (wherever applicable), reimbursement of medical expenses, gratuity, compensation on voluntary retirement (wherever applicable), house rent allowance (wherever applicable) other allowances, monetary value of perquisites (wherever applicable) as per Income Tax Rules, leave travel assistance, Company's contribution to Provident Fund and other funds. All these are as per Company's Rules and Regulations in force.
 - c) The designations represent the nature of duties performed by the employees.
 - d) In the case of all the employees, the age shown is as of last birth date and the particulars of previous employment pertain to the immediate past employment.
3. Relatives of Directors :
 - a) Mr. Adi B. Godrej, Chairman & Managing Director and Mr. Nadir B. Godrej, Director are related to each other.
 - b) None of the other employees listed above is related to any Director of the Company.
4. There is no employee in respect of whom details are required to be given under sub-clause a(iii) of Section 217(2A) of the Companies Act, 1956.



ANNEXURE C FORMING PART OF THE DIRECTORS' REPORT

Auditors' Certificate on Corporate Governance

To the Members of
Godrej Consumer Products Limited,
Mumbai.

We have reviewed the relevant records of Godrej Consumer Products Limited (the Company) for the year ended on March 31, 2004 relating to compliance with the requirements of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management.

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

In our opinion and according to the information and explanations given to us, we state that to the best of our knowledge, the Company has complied with the conditions of Corporate Governance in Clause 49 of the above mentioned Listing Agreement.

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

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner

Mumbai, April 28, 2004

ANNEXURE D FORMING PART OF THE DIRECTORS' REPORT

"Group" for inter se transfer of shares under clause 3(e)(i) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1.	Godrej & Boyce Mfg. Co. Ltd.	28.	Godrej Global Solutions Ltd.
2.	Godrej Industries Ltd.	29.	Godrej Global Mid East FZE
3.	Cartini India Ltd.	30.	Godrej International Ltd.
4.	Godrej (Malaysia) Sdn. Bhd	31.	Mr. Adi B. Godrej
5.	Godrej (Singapore) Pte. Ltd.	32.	Mrs. Parmeshwar A. Godrej
6.	Godrej (Vietnam) Co. Ltd.	33.	Ms. Nisa A. Godrej
7.	Godrej Appliances Ltd.	34.	Mr. Pirojsha A. Godrej
8.	Godrej Holdings Pvt. Ltd.	35.	Mr. Arvind Darab Dubash
9.	Godrej Infotech Ltd.	36.	Mrs. Tanya A. Dubash
10.	Godrej Investments Pvt. Ltd.	37.	Master Aaryan A. Dubash
11.	Godrej Upstream Ltd.	38.	Master Azaar A. Dubash
12.	J T Dragon Pte Ltd.	39.	Mr. Jamshyd N. Godrej
13.	Lawkim Ltd.	40.	Mrs. Pheroza J. Godrej
14.	Prashant Metal Forming Industries Pvt. Ltd.	41.	Ms. Raika J. Godrej
15.	Ensemble Holdings & Finance Ltd.	42.	Mr. Navroze J. Godrej
16.	Godrej Remote Services Ltd.	43.	Mr. Nadir B. Godrej
17.	Swadeshi Detergents Ltd.	44.	Mrs. Rati N. Godrej
18.	Vora Soaps Ltd.	45.	Master Burjis N. Godrej
19.	Girikandra Holiday Homes & Resorts Ltd.	46.	Master Sohrab N. Godrej
20.	Godrej Properties & Investments Ltd.	47.	Master Hormuzd N. Godrej
21.	Tahir Properties Ltd.	48.	Mr. Vijay M. Crishna
22.	Bahar Agro Chem & Feeds Pvt. Ltd.	49.	Mrs. Smita V. Crishna
23.	Godrej Agrovet Ltd.	50.	Ms. Freyan V. Crishna
24.	Golden Feed Products Ltd.	51.	Ms. Nyrika V. Crishna
25.	Goldmohur Foods & Feeds Ltd.	52.	Mrs. Dosibai K. Naoroji
26.	Godrej Foods Ltd.	53.	Mr. Rishad K. Naoroji
27.	Godrej Tea Ltd.		



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, 2004 and also the Profit and Loss Account and Cash Flow Statement of the Company 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 Companies (Auditors' Report) Order, 2003, issued by the Central Government 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 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 it appears from our examination of the books.
 - c) The Balance Sheet and the Profit and Loss Account 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 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, 2004,
 - 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 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 as on March 31, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2004 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 Mehta
Partner
M. No. 32083

Mumbai, April 28, 2004

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of Godrej Consumer Products Limited ended 31st March, 2004.

1.
 - a) The Company is maintaining 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 have been properly dealt with in the books of accounts.
 - c) In our opinion, the disposal of fixed assets during the year does 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) 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. The Company has not granted or 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.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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. During the course of our audit no major weakness has been noticed in the internal controls.
5.
 - a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that all the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.
 - b) These transactions 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 and 58AA of the Companies Act, 1956, 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.
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, Wealth Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth Tax, Customs Duty and Excise Duty were outstanding, at the year end for a period of more than six months from the date they became payable.
 - b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty or cess outstanding on account of any dispute, other than those stated in the statement attached herewith.
10. The Company does not have 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 years.
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.
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 investment 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 record examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us and, the record examined by us, the Company has not obtained any term loans.
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 utilised the funds raised on short-term basis for long-term investment and vice-versa.

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 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 Mehta

Partner

M. No. 32083

Mumbai, April 28, 2004

Statement of statutory dues outstanding on account of disputes, as on March 31, 2004, referred to in para 9(b) of the Annexure to the Auditors' Report.

Name of Statute	Nature of Dues	Amount (In Rs.Lac)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise duty demands in respect of clearances of soap	1,259.92	1993-1996	Supreme Court
The Central Excise Act, 1944	PME deductions	70.16	1991 – 1996	Commissioner (Appeals)
The Central Excise Act, 1944	Rate difference on account of Soap Scrap	30.77	2000 – 2001	Commissioner
The Central Excise Act, 1944	Provisional Assessment of Goods	31.00	1996-1999	Assistant Commissioner
Madhya Pradesh Land Revenue Act	Diversion tax	340.56	1989-1991	Sub-district Magistrate
Sales Tax Act	Sales Tax dues	5.10	2001 - 2002	Assistant Commissioner (Appeals)
Sales Tax Act	Sales Tax dues	5.92	2002 – 2003	Deputy Commissioner