

Financials

BALANCE SHEET as at March 31, 2005

	Schedule	This Year Rs. Lac	Previous Year Rs. Lac
SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share capital	1	2264.18	2274.49
(b) Reserves & surplus	2	2721.36	1961.83
		4985.54	4236.32
2. Loan Funds			
(a) Secured loans	3	413.40	1921.74
(b) Unsecured loans	4	200.00	500.00
		613.40	2421.74
3. Deferred Tax Liability (net)		794.00	760.00
TOTAL		6392.94	7418.06
APPLICATION OF FUNDS			
4. Fixed Assets	5		
(a) Gross block		17988.09	16982.62
(b) Less : Depreciation		7912.34	6897.41
(c) Net block		10075.75	10085.21
(d) Capital work-in-progress		65.56	314.95
		10141.31	10400.16
5. Current Assets, Loans and Advances			
(a) Inventories	6	7380.79	4917.38
(b) Sundry debtors	7	517.92	1324.67
(c) Cash and bank balances	8	896.74	1396.17
(d) Loans and advances	9	1515.53	828.20
		10310.98	8466.42
Less : Current Liabilities and Provisions			
(a) Liabilities	10	13297.93	11036.70
(b) Provisions	11	761.42	411.82
		14059.35	11448.52
Net Current Assets		(3748.37)	(2982.10)
TOTAL		6392.94	7418.06
Notes to Accounts	17		

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, 2005

Signatures to Balance Sheet and Schedules 1 to 11 and 17

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

PROFIT & LOSS ACCOUNT for the year ended March 31, 2005

	Schedule	This Year Rs. Lac	Previous Year Rs. Lac
INCOME			
Sales (gross)		60346.23	54658.54
Less : Excise duty paid		4078.95	5693.51
		56267.28	48965.03
Processing charges		—	201.45
Other income	12	641.11	213.03
		56908.39	49379.51
EXPENDITURE			
Materials consumed and purchase of goods	13	29323.65	24415.48
Expenses	14	18377.33	17016.65
Inventory change	15	(1480.03)	(894.12)
Interest and financial charges (net)	16	245.96	242.68
Depreciation		1065.90	939.52
		47532.81	41720.21
Profit Before Tax		9375.58	7659.30
Provision for taxation			
- Current tax		(735.00)	(880.00)
- Deferred tax		(34.00)	(295.00)
Profit for the year after taxation		8606.58	6484.30
Add : Prior period income (net)		—	1.52
Add : Tax adjustments in respects of previous years		352.55	—
Profit for the year after taxation and adjustments		8959.13	6485.82
Surplus brought forward		449.51	402.69
Profit available for appropriation		9408.64	6888.51
Appropriations :			
Dividend on equity shares :			
- Interim		6793.42	5131.52
(Details as per Directors Report)			
Tax on distributed profits		911.98	657.48
Transfer to General Reserve		900.00	650.00
Surplus carried forward		803.24	449.51
TOTAL		9408.64	6888.51
Basic and diluted earnings per share of Rs. 4 each (in Rupees)		15.81	11.35
Notes to Accounts	17		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached

for and on behalf of

Kalyaniwalla & Mistry

Chartered Accountants

Viraf Mehta

Partner

Mumbai, April 28, 2005

Signatures to Profit & Loss Account and Schedules 12 to 17

Adi Godrej

- Chairman and Managing Director

Jamshyd Godrej

- Director

Nadir Godrej

- Director

Bala Balachandran

- Director

Rama Bijapurkar

- Director

Anupam Puri

- Director

Hoshedar Press

- Executive Director and President

Sunil Sapre

- Executive Vice President (Finance & Commercial) and Company Secretary

SCHEDULES forming part of the Financial Statements for the year ended March 31, 2005

	This Year Rs. Lac	Previous Year Rs. Lac
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
62,500,000 (Previous year 62,500,000) Equity shares of Rs. 4 each	2500.00	2500.00
	2500.00	2500.00
Issued, Subscribed and Paid up :		
56,604,467 (Previous year 56,862,353) Equity shares of Rs. 4 each fully paid	2264.18	2274.49
	2264.18	2274.49
Of the above		
56,604,292 (Previous year 56,862,178) shares have been issued for consideration other than cash pursuant to the scheme of arrangement with Godrej Soaps Limited.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Investment Subsidy Reserve		
As per last balance sheet	15.00	15.00
Capital Redemption Reserve		
As per last balance sheet	118.67	87.53
Add : Transfer from General Reserve	10.31	31.14
	128.98	118.67
General Reserve		
As per last balance sheet	1378.65	1743.70
Add : Transfer from Profit and Loss account	900.00	650.00
	2278.65	2393.70
Less : Transfer to Capital Redemption Reserve on buy-back of shares	10.31	31.14
Less : Premium on buy-back of shares	494.20	983.91
	1774.14	1378.65
Profit & Loss Account	803.24	449.51
	2721.36	1961.83
SCHEDULE 3 : SECURED LOANS		
Sales tax deferment loan from MPSIDC	56.16	1484.91
Cash Credit - banks	157.24	436.83
Working Capital Demand Loan	200.00	—
	413.40	1921.74
SCHEDULE 4 : UNSECURED LOANS		
Short-term loan from bank	200.00	500.00
	200.00	500.00
Amount repayable within one year	200.00	500.00

SCHEDULES forming part of the Financial Statements for the year ended March 31, 2005

SCHEDULE 5 : FIXED ASSETS

Rs. Lac

Assets	Gross Block				Depreciation				Net Block	
	As at 01.04.2004	Additions	Deductions	As at 31.03.2005	As at 31.03.2004	Deductions	For the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
Land										
- Freehold	385.51	—	—	385.51	—	—	—	—	385.51	385.51
- Leasehold	125.55	—	—	125.55	9.33	—	1.30	10.63	114.92	116.22
Buildings	3414.04	37.92	—	3451.96	565.09	—	76.84	641.93	2810.03	2848.95
Plant & Machinery	8773.18	1026.40	10.26	9789.32	4704.30	9.55	586.73	5281.48	4507.84	4068.88
Furniture & Fixtures	207.94	3.52	19.54	191.92	88.88	11.13	13.16	90.91	101.01	119.06
Office Equipment	339.89	32.06	12.12	359.83	140.12	5.57	17.36	151.91	207.92	199.77
Vehicles	216.45	13.79	66.30	163.94	67.68	24.72	18.50	61.46	102.48	148.77
Intangible Assets										
Trademarks	3520.06	—	—	3520.06	1322.01	—	352.01	1674.02	1846.04	2198.05
Total This Year	16982.62	1113.69	108.22	17988.09	6897.41	50.97	1065.90	7912.34	10075.75	10085.21
Total Previous Year	14902.09	2349.52	268.99	16982.62	6119.83	161.94	939.52	6897.41	—	—
Capital work-in-progress									65.56	314.95
Total									10141.31	10400.16

Note : Trademarks represent the cost of acquisition of certain Godrej brand soaps, toiletries and detergent brands acquired in pursuance of the scheme of demerger and snuggy brand. The remaining amortisation period of the trademarks is between six to eight years.

SCHEDULES forming part of the Financial Statements for the year ended March 31, 2005

	This Year Rs. Lac	Previous Year Rs. Lac
SCHEDULE 6 : INVENTORIES		
(at lower of cost and net realisable value)		
Stores and spares	193.74	127.89
Raw materials	2932.37	2014.84
Work-in-progress	607.21	795.29
Finished goods	3647.47	1979.36
	<u>7380.79</u>	<u>4917.38</u>
SCHEDULE 7 : SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered doubtful	37.91	77.73
Debts outstanding for a period less than six months		
– Considered good	517.92	1324.67
	555.83	1402.40
Less : Provision for doubtful debts	37.91	77.73
	<u>517.92</u>	<u>1324.67</u>
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash on hand	12.53	10.30
Cheques on hand	22.10	366.85
Balances with scheduled banks		
– on current accounts	853.58	1018.67
– on deposit accounts	8.53	0.35
	<u>896.74</u>	<u>1396.17</u>
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. 9.48 lac; previous year Rs. 26.51 lac)	698.12	480.80
Deposits and balances with		
– Customs & Excise authorities	642.86	161.42
– Other deposits	174.55	156.30
Advance payment of taxes (Net of provision for taxation)	—	29.68
	<u>1515.53</u>	<u>828.20</u>

SCHEDULES forming part of the Financial Statements for the year ended March 31, 2005

	This Year Rs. Lac	Previous Year Rs. Lac
SCHEDULE 10 : CURRENT LIABILITIES		
Sundry creditors		
– Small scale industrial units	504.02	440.54
– Others	8883.81	7876.83
Unpaid dividend	136.36	155.64
(There are no amounts due and outstanding to be credited to Investor Education and Protection Fund)		
Other liabilities	550.49	522.60
Advances and deposits	369.87	322.61
Interest accrued but not due	23.16	12.99
Interim dividend payable	2830.22	1705.49
	<u>13297.93</u>	<u>11036.70</u>
SCHEDULE 11 : PROVISIONS		
Provision for tax on distributed profits	396.94	218.52
Provision for retirement benefits	263.44	193.30
Provision for Taxation (net of advance payment of taxes)	101.04	—
	<u>761.42</u>	<u>411.82</u>
SCHEDULE 12 : OTHER INCOME		
Dividend income	24.80	5.12
Profit on sale of investments	0.70	26.86
Claims received	30.88	22.59
Discount on pre-payment of deferred sales tax loan - an exceptional item	316.12	—
Provision for doubtful debts and advances written back	45.71	100.77
Miscellaneous Income	222.90	57.69
	<u>641.11</u>	<u>213.03</u>
SCHEDULE 13 : MATERIALS CONSUMED AND PURCHASE OF GOODS		
Raw materials consumed		
Stocks at the commencement of the year	2014.84	1729.36
Add : Purchases (net)	28714.68	21301.65
	30729.52	23031.01
Less : Stocks as at the close of the year	2932.37	2014.84
Raw materials consumed during the year	27797.15	21016.17
Purchase of goods for resale	1526.50	3399.31
	<u>29323.65</u>	<u>24415.48</u>

SCHEDULES forming part of the Financial Statements for the year ended March 31, 2005

	This Year Rs. Lac	Previous Year Rs. Lac
SCHEDULE 14 : EXPENSES		
Salaries, wages and allowances	2956.78	2264.05
Contribution to provident fund and other funds	122.06	104.38
Employee welfare expenses	211.30	187.43
Stores and spares consumed	435.99	261.49
Power and fuel	1643.49	1146.03
Processing charges & Other manufacturing expenses	612.96	2059.83
Rent	152.98	113.06
Rates and taxes	775.93	669.83
Repairs and maintenance		
– Machinery	119.40	86.43
– Buildings	44.63	34.70
– Other assets	22.63	19.16
Insurance	95.49	70.45
Establishment expenses	554.29	775.82
Travel & conveyance	525.72	494.56
Freight	1961.86	1601.45
Commission	38.77	37.02
Discount	85.70	22.76
Advertisement and publicity	4372.00	3448.95
Sales promotion	1786.74	1589.80
Selling and distribution expenses	696.26	925.23
Bad debts written off	4.86	112.15
Loss on fixed assets sold / discarded	23.61	53.64
Miscellaneous expenses	1133.88	938.43
	<u>18377.33</u>	<u>17016.65</u>
SCHEDULE 15 : INVENTORY CHANGE		
Stocks at the commencement of the year :		
Finished goods	1979.36	1432.14
Work-in-progress	795.29	448.39
	<u>2774.65</u>	<u>1880.53</u>
Less : Stocks at the close of the year :		
– Finished goods	3647.47	1979.36
– Work-in-progress	607.21	795.29
	<u>4254.68</u>	<u>2774.65</u>
Increase in Inventory	<u>(1480.03)</u>	<u>(894.12)</u>
SCHEDULE 16 : INTEREST AND FINANCIAL CHARGES (Net)		
Interest Paid		
– on short term loans and advances	17.82	5.14
– on bank cash credit	6.64	5.70
– other interest	111.96	70.99
	<u>136.42</u>	<u>81.83</u>
Less : Interest received		
– on customer balances	6.20	9.10
– other interest	57.65	4.48
	<u>63.85</u>	<u>13.58</u>
Interest paid (net)	<u>72.57</u>	<u>68.25</u>
Other financial charges	<u>173.39</u>	<u>174.43</u>
	<u>245.96</u>	<u>242.68</u>

NOTES TO ACCOUNTS

SCHEDULE 17 : 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 and marketing 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) Intangible Assets

The cost of acquisition of trademarks is amortised equally over a period of ten years.

d) 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.

e) Inventories

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

f) Provisions and Contingent Liabilities

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

g) 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.

h) 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.

i) 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.

j) Retirement Benefits

Retirement benefits to employees comprise payments under defined contribution plans like provident fund and family pension. Payments under defined contribution plans are charged to the profit and loss account. The liability in respect of defined benefit schemes like gratuity and leave encashment benefit on retirement is provided on the basis of actuarial valuation at the end of each year. The liability for retirement gratuity is funded through a trust created for the purpose.

k) Depreciation

Leasehold land is amortised equally over the lease period.

Depreciation is provided pro rata to the period of use, on the Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956, except for computer hardware which is depreciated over 4 years.

l) Taxes on Income

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 other than on unabsorbed tax losses and tax depreciation are recognised and carried forward only when there is a reasonable certainty of their realisation. The tax effect is calculated on the accumulated timing differences at the year end based on the tax rates and laws enacted or substantially enacted on the balance sheet date.

m) 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 balance is carried forward. Only the amount distributed out of notional bank is 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.

n) 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.

NOTES TO ACCOUNTS

3. Contingent Liabilities

	This Year Rs. Lac	Previous Year Rs. Lac
a) Claims for excise duties, taxes and other matters :		
i) Excise duty demands aggregating Rs. 61.77 lac (Previous Year Rs. 131.93 lac) against which the Company has preferred appeals (net of tax)	39.17	84.60
ii) Sales tax demands aggregating Rs. 31.01 lac (Previous Year Rs. 18.94 lac) against which the Company has preferred appeals (net of tax)	19.66	12.15
iii) Other matters - Rs. 2.50 lac (Previous Year Rs. 379.08 lac) (net of tax)	1.59	243.09
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 CESTAT vide its order dated February 2002. The amount of duty and penalty which is to be quantified by the Commissioner of Excise in accordance with the findings of CESTAT is estimated at Rs. 1424.59 lac (Previous Year Rs. 1259.92 lac). The Company has filed an appeal against the order of CESTAT before the Supreme Court of India. By a subsequent CESTAT order passed in September 2004, all the assessments for the period April 1993 to March 1996 have been held to be provisional, thus negating the earlier stand of CESTAT. (net of tax)	1163.94	1033.92
c) Guarantees issued by banks, excluding guarantees issued in respect of matters reported in (a) above	171.88	103.55

4. Capital Commitments

	This Year Rs. Lac	Previous Year Rs. Lac
Estimated value of contracts remaining to be executed on Capital account, to the extent not provided	8.44	199.58

5. Share Capital

The Company has during the year extinguished the shares purchased by it under buyback schemes of the Company as per the details given below :

- a) In terms of the resolution passed by the Board of Directors at their meeting held on October 22, 2003, the Company had bought back 226,758 equity shares of Rs. 4 each at an average price of Rs. 161.55 per share aggregating Rs. 366.33 lac. Of the above, 213,914 equity shares have been extinguished up to March 31, 2004 and 12,844 have been extinguished during the year.
- b) In terms of the special resolution passed by the shareholders through Postal Ballot, the results of which were announced at the Extra Ordinary General Meeting held on April 19, 2004, the Company has bought back and extinguished 245,042 Equity shares of Rs. 4 each at an average price of Rs. 197.92 per share aggregating Rs. 484.99 lac.

The nominal value of the shares bought back and extinguished has been reduced from the paid up share capital and the premium paid for 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. 10.31 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 banks for working capital facilities.

During the year an amount of Rs.1308.78 lac has been prepaid at a discounted value of Rs.992.66 lac under the Madhya Pradesh Deferred Tax Pre-payment Yojana 2005.

- b) Bank cash credit, 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 :

	This Year Rs. Lac	Previous Year Rs. Lac
a) Godrej Industries Ltd.	76.87	117.29
b) Godrej Agrovet Ltd.	2.80	3.31
c) Godrej Global Mid East FZE	95.24	69.29
d) Godrej Properties Ltd.	—	0.01
e) Godrej Tea Ltd.	—	0.27

8. Loans and Advances

The Company has not granted any loans and advances in the nature of loans to its associates.

9. Investments

The Company has subscribed to and sold the following current investments during the year :

Mutual Funds - Liquid Schemes

	Face Value Rs.	This Year		Previous Year	
		No. of Units	Purchase Cost Rs. Lac	No. of Units	Purchase Cost Rs. Lac
Birla Cash Plus Liquid	10	8,32,14,543	8624.85	2,88,52,804	4475.89
Prudential ICICI Liquid	10	9,44,47,672	11193.57	6,03,07,332	8313.47
KMMF Liquid	10	4,41,22,134	5395.30	5,98,04,738	7380.93
JMMF Liquid	10	2,10,82,739	2111.42	1,14,64,688	1146.47

10. 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 exceeding Rs. 1 lac is outstanding for more than 30 days at the Balance Sheet date are as under :
- Meghana Laminates
 - Quality Industries
 - Shubhalachal Print & Pack
 - Sweet Industries, Daman

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.

NOTES TO ACCOUNTS

- c) The Company has acquired some vehicles under finance lease. The 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, 2005, in respect of vehicles leased are as under :

	Rs. Lac		
Maturity Profile	Total of future minimum lease payments outstanding as on March 31, 2005	Unmatured finance charges	Present value of future minimum lease payments
Within one year	20.97	2.00	18.97
Later than one year and not later than five years	23.48	0.84	22.64
TOTAL	44.45	2.84	41.61

- d) The Company's significant leasing agreements are in respect of operating lease for premises (office, godown, etc.) and the aggregate lease rentals payable, are charged as rent.
- e) Sundry creditors include overseas supplier credit amounting to Rs. 2964.80 lac (Previous Year Rs. 3262.60 lac).

11. Profit and Loss Account

- a) The exchange differences included in the Profit & Loss Account is a loss of Rs. 376.12 lac (Previous Year profit of Rs. 87.12 lac) and exchange differences in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 6.67 lac (Previous Year Rs. 1.76 lac).
- b) Research & Development Expenditure of revenue nature charged to the Profit & Loss Account amounts to Rs. 167.34 lac (Previous Year Rs. 143.75 lac).
- c) Establishment expenses represent 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.
- d) The Company has, effective this year, included the cost of primary freight incurred for transferring finished goods from factory to warehouses, in the value of finished goods inventory. The same was being charged to revenue upto the previous year. Consequent to this change, the value of finished goods inventory and profit for the year is higher by Rs. 124.31 lac.

12. Incentive Plans

The amount carried forward in notional bank after distribution of PLVR for the financial year 2004-05 is Rs. 1025 lac as on March 31, 2005. The said amount is not provided in the books of accounts and is payable in future, if performance so warrants.

13. Sales Turnover (net of excise duty)

Item	Unit	This Year		Previous Year	
		Quantity	Value Rs. Lac	Quantity	Value Rs. Lac
Soaps	MT	53830	35408.75	48998	29855.57
Detergents	MT	3399	3651.62	3375	3558.66
Hair Colour and other toiletries	MT	2960	15806.57	2171	14082.20
Others			1400.34		1468.60
TOTAL			56267.28		48965.03

Note :

Sales Turnover includes sales of :

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

NOTES TO ACCOUNTS

14. Inventories - Finished Goods

Item	March 31, 2005		March 31, 2004		March 31, 2003	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
a) Manufactured						
Soaps	5180	2610.59	2122	1161.16	1676	873.86
Detergents	428	176.35	—	—	—	—
Hair Colour and other toiletries	441	643.78	67	235.95	70	175.81
Chemicals	108	26.80	58	13.66	72	20.90
b) Purchased						
Soaps	16	16.60	13	12.54	9	9.00
Detergents	55	21.88	293	113.83	291	127.14
Hair Colour and other toiletries	105	151.47	218	442.22	198	225.43
TOTAL		3647.47		1979.36		1432.14

15. Raw Materials Consumed

	March 31, 2005		March 31, 2004	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
Oils & Fats	46328	14012.45	47428	11144.73
Chemicals, Perfumes, Colours and Catalysts	6783	8264.47	16489	5741.64
Packing Materials, etc.	—	5520.23	—	4129.80
TOTAL		27797.15		21016.17

16. Purchase of Goods

	March 31, 2005		March 31, 2004	
	Quantity MT	Value Rs. Lac	Quantity MT	Value Rs. Lac
Soaps	228	198.90	266	249.31
Detergents	174	70.39	3384	1313.46
Hair Colour and other toiletries	1192	1257.21	1210	1836.54
TOTAL		1526.50		3399.31

NOTES TO ACCOUNTS

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

	Rs. Lac	This Year Rs. Lac	Previous Year Rs. Lac
Profit for the year as per Profit & Loss Account		8606.58	6484.30
Add : Depreciation as per accounts	1065.90		939.52
Managerial remuneration	245.83		201.37
Provision / (write back) for doubtful debts and advances	(45.71)		(100.77)
Loss on fixed assets sold / discarded	23.61		53.64
Provision for Tax	769.00		1175.00
		2058.63	2268.76
		10665.21	8753.06
Less : Depreciation under Section 350 of the Companies Act, 1956	1056.68		923.08
Loss on fixed assets sold / discarded under Section 349	26.76		56.78
Profit on sale of investments	0.70		26.86
		1084.14	1006.72
Net profit as per Section 349 of the Companies Act, 1956		9581.07	7746.34
Maximum limit for commission to non-wholetime directors at 1% of above		95.81	77.46
Commission to non-wholetime directors		48.00	30.23
Maximum limit for managerial remuneration to wholetime directors at 10% of above		958.11	774.63
Managerial remuneration paid/payable to wholetime directors		192.13	167.49

18. Managerial Remuneration

	This Year Rs. Lac	Previous Year Rs. Lac
A) Remuneration paid / payable to the Chairman & Managing Director & Executive Director & President		
a) Salaries and allowances	64.70	56.90
b) Contribution to Provident Fund	6.55	5.76
c) Estimated monetary value of perquisites	50.69	52.13
d) Provision for Performance Linked Variable Remuneration	70.19*	52.70*
	192.13	167.49
B) Remuneration paid / payable to Non-Wholetime Directors		
a) Directors' Fees	5.70	3.65
b) Commission on Profits	48.00	30.23
	53.70	33.88
TOTAL of A + B	245.83	201.37

Note :

* Performance Linked Variable Remuneration has been calculated in accordance with the scheme of the Company.

NOTES TO ACCOUNTS

19. Auditors' Remuneration

	This Year Rs. Lac	Previous Year Rs. Lac
Audit fees	16.53	16.20
Tax Audit fees	4.13	4.05
Taxation matters	2.00	2.45
Other services	11.39	10.25
Reimbursement of out of pocket expenses	0.75	1.17
TOTAL	34.80	34.12

20. Licensed, Installed and Utilised Capacity

Item	Unit	Licensed / Registered capacity	Installed Capacity		Actual Production	
			This Year	Previous Year	This Year	Previous Year
SCHEDULED						
Soaps	MT	N.A.	75000	60000	57002	51241
Hair Colour and other toiletries	MT	N.A.	2210	2030	2153	1044
Fatty Acids	MT	N.A.	52500	52500	1581	1660
Glycerine	MT	N.A.	2300	2300	2460	1737
Synthetic Detergents	MT	N.A.	—	—	3485	—

Notes :

- i) The licensed capacities are not applicable in view of the exemption from licensing granted under Notification SO 477(E) dated 25th July, 1991, issued under Industries (Development & Regulation) Act, 1951.
- ii) Actual production excludes production for captive consumption.
- iii) Actual production includes items produced by the Company for third parties and items processed for the Company by third parties.

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

	This Year Rs. Lac	Previous Year Rs. Lac
Raw Materials	7975.73	7462.00
Capital Goods	—	2.00
TOTAL	7975.73	7464.00

22. Expenditure in Foreign Currency

	This Year Rs. Lac	Previous Year Rs. Lac
Advertisement & Publicity	8.09	24.73
Travelling Expenditure	10.93	22.85
Consultancy	76.75	—
Other Expenditure	41.18	31.42
TOTAL	136.95	79.00

NOTES TO ACCOUNTS

23. Value of imported and indigenous materials consumed

	This Year		Previous Year	
	Rs. Lac	%	Rs. Lac	%
Raw Materials				
Imported (including duty content)	10479.09	38	9480.63	45
Indigenous	17318.06	62	11535.54	55
	27797.15	100	21016.17	100
Spares				
Imported (including duty content)	7.25	2	0.75	—
Indigenous	428.74	98	260.74	100
	435.99	100	261.49	100

24. Net Dividend Remitted in Foreign Currency

	This Year Rs. Lac	Previous Year Rs. Lac
Final Dividend for financial year 2002-03 and 1st Interim Dividend for financial year 2003-04 on 18245 shares @ Rs. 4.00 per share to 257 shareholders	—	0.73
2nd Interim Dividend for financial year 2003-04 on 18140 shares @ Rs. 2.00 per share to 255 shareholders	—	0.36
3rd Interim Dividend for financial year 2003-04 on 17683 shares @ Rs.2.00 per share to 251 shareholders	—	0.35
4th Interim Dividend for financial year 2003-04 on 18655 shares @ Rs. 3.00 per share to 265 shareholders	0.56	—
1st Interim Dividend for financial year 2004-05 on 22318 shares @ Rs. 2.00 per share to 266 shareholders	0.45	—
2nd Interim Dividend for financial year 2004-05 on 18395 shares @ Rs. 2.00 per share to 272 shareholders	0.37	—
3rd Interim Dividend for financial year 2004-05 on 19107 shares @ Rs. 3.00 per share to 275 shareholders	0.57	—
TOTAL	1.95	1.44

25. Earnings in Foreign Exchange

	This Year Rs. Lac	Previous Year Rs. Lac
Export of Goods (F.O.B. value : Rs. 1021.36 lac - Previous Year Rs. 762.59 lac)	1048.19	784.12

26. Deferred tax

	This Year Rs. Lac	Previous Year Rs. Lac
The breakup of net deferred tax liability as on March 31, 2005 is as under :		
Deferred tax liabilities :		
Difference between book and tax depreciation	895.00	846.00
	895.00	846.00
Deferred tax assets :		
Expenditure disallowable under Section 43B	83.00	57.00
Provision for doubtful debts	15.00	24.00
Preliminary expenses	3.00	5.00
	101.00	86.00
Net deferred tax liability	794.00	760.00

27. Related Party disclosures

a) List of Related parties

Enterprise having control over reporting enterprise

Godrej & Boyce Mfg. Co. Ltd.

Enterprises under common control with whom transactions have taken place during the year

Godrej Appliances Ltd.

Godrej Industries Ltd.

Goerej Sara Lee Ltd.

Godrej HiCare Ltd.

Godrej Agrovat Ltd.

Godrej Tea Ltd.

Godrej Global Mid East FZE

Lawkim Ltd.

Key Management Personnel

Adi Godrej

Hoshedar Press

NOTES TO ACCOUNTS

b) Transactions with Related Parties

Rs. Lac

Particulars		Enterprise having control over reporting enterprise	Enterprise under common control	Enterprise over which key management personnel exercise significant influence	Key Management Personnel	Total
Sale of goods	Current Year	13.62	1145.27	—	—	1158.89
	Previous Year	11.42	1159.81	—	—	1171.23
Purchase of materials, spares and capital equipment	Current Year	197.97	2855.88	—	—	3053.85
	Previous Year	700.07	2387.97	—	—	3088.04
Processing charges paid	Current Year	—	—	—	—	—
	Previous Year	—	2847.89	—	—	2847.89
Establishment and other expenses	Current Year	37.28	816.98	—	—	854.26
	Previous Year	19.99	1102.73	—	—	1122.72
Raw material taken on loan and returned during the year	Current Year	—	406.90	—	—	406.90
	Previous Year	—	—	—	—	—
Deposit placed against material loan and returned back	Current Year	—	421.00	—	—	421.00
	Previous Year	—	—	—	—	—
Dividend remitted	Current Year	2645.50	607.27	—	0.16	3252.93
	Previous Year	2298.06	284.00	—	0.09	2582.15
Managerial Remuneration	Current Year	—	—	—	192.13	192.13
	Previous Year	—	—	—	167.49	167.49
Advances against contract	Current Year	—	—	—	—	—
	Previous Year	119.61	—	—	—	119.61
Outstanding balances as at March 31, 2005						
Receivables	Current Year	0.99	174.92	—	—	175.91
	Previous Year	152.22	190.16	—	—	342.38
Payables	Current Year	0.58	76.34	—	70.19	147.11
	Previous Year	19.65	228.03	—	52.70	300.38

NOTES TO ACCOUNTS

c) The significant related party transactions are as under :

Nature of transactions	Enterprise having control over reporting enterprise	Amount (Rs. lac)	Enterprise under common control	Amount (Rs. lac)	Key management personnel	Amount (Rs. lac)
Sale of goods	—	—	Godrej Global Mid East FZE	276.16	—	—
			Godrej Industries Ltd.	851.14	—	—
Purchase of materials, spares and capital equipment	—	—	Godrej Industries Ltd.	2805.66	—	—
Establishment and other expenses	—	—	Godrej Industries Ltd.	819.87	—	—
Raw material taken on loan and returned during the year	—	—	Godrej Industries Ltd.	406.90	—	—
Deposit placed against material loan and returned back	—	—	Godrej Industries Ltd.	421.00	—	—
Dividend remitted	Godrej & Boyce Mfg. Co. Ltd.	2645.50	Godrej Industries Ltd.	607.27	—	—
Managerial Remuneration	—	—	—	—	Adi Godrej Hoshedar Press	119.88 72.25

28. 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	56862353	57640706
Shares bought back and extinguished	257886	778353
Number of equity shares outstanding at the end of the year	56604467	56862353
Weighted average number of equity shares outstanding during the year	56655202	57165428
b) Net profit after tax available for equity shareholders (Rs. Lac)	8959.13	6485.82
c) Basic and diluted earnings (in Rupees) per share of Rs. 4 each (Rupees)	15.81	11.35

NOTES TO ACCOUNTS

29. 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

	Rs. Lac							
	Soap		Personal Care		Unallocated		Total	
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
Revenue								
External Sales	36552.79	31268.13	19714.49	17898.35	—	—	56267.28	49166.48
Total Revenue	36552.79	31268.13	19714.49	17898.35	—	—	56267.28	49166.48
Segment result before interest and taxation	3681.15	3061.85	7522.05	6491.56	—	—	11203.20	9553.41
Unallocated expenses net of unallocated income	—	—	—	—	1581.66	1651.43	(1581.66)	(1651.43)
Interest expense (net)	—	—	—	—	—	—	(245.96)	(242.68)
Profit before tax	—	—	—	—	—	—	9375.58	7659.30
Taxes	—	—	—	—	—	—	(769.00)	(1175.00)
Net Profit							8606.58	6484.30
Segment Assets	12548.67	10918.62	3696.01	3356.04	4106.62	4591.92	20351.30	18866.58
Segment Liabilities	6230.65	5977.90	1783.17	1127.57	5944.54	4343.05	13958.36	11448.52
Total cost incurred during the year to acquire								
Segment assets	977.71	1612.40	38.36	632.03	97.62	105.09	1113.69	2349.52
Segment depreciation	651.13	530.23	307.40	301.33	107.37	107.96	1065.90	939.52

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.

30. Figures for the Previous Year have been regrouped wherever necessary.

NOTES TO ACCOUNTS

31. Cash Flow Statements for the year ended March 31, 2005

	This Year Rs. Lac	Previous Year Rs. Lac
A. Cash Flow from operating activities :		
Profit before tax	9375.58	7659.30
Adjustments for :		
Depreciation	1065.90	939.52
Foreign exchange	128.38	(118.35)
Loss on sale of fixed assets	23.61	11.75
Loss on fixed assets discarded	0.76	41.89
Profit on sale of investment	(0.70)	(26.86)
Dividend income	(24.80)	(5.12)
Discount on prepayment of Deferred Sales Tax Loan	(316.12)	—
Interest income	(63.85)	(13.58)
Interest expense	309.81	256.26
Write off of bad debts	4.86	112.15
Provision for doubtful debts and advances	(45.71)	(100.77)
Write in of old balances	(218.79)	(48.96)
Others	23.00	24.52
Operating profit before working capital changes	10261.93	8731.75
Adjustments for :		
Inventories	(2463.41)	(1183.88)
Trade and other receivables	539.01	880.30
Trade payables	1282.51	1014.36
Cash generated / (used) from operations	9620.04	9442.53
Direct taxes paid	(775.17)	(1015.86)
Direct taxes refund received	129.85	4.02
Net Cash from operating activities	8974.72	8430.69
B. Cash Flow from investing activities :		
Purchase of fixed assets	(836.85)	(2595.98)
Proceeds from sale of fixed assets	32.88	33.18
Purchase of investments	(27325.14)	(21316.76)
Sale of investments	27325.84	21743.62
Interest received	8.84	13.58
Dividend received	24.80	5.12
Net Cash generated / (used) from investing activities	(769.63)	(2117.24)
C. Cash Flow from financing activities :		
Buyback of equity share capital	(484.99)	(977.18)
Proceeds from borrowings	6846.43	4388.72
Repayments of borrowings	(8065.20)	(3988.72)
Cash credits (net)	(279.59)	253.49
Interest paid	(299.64)	(250.77)
Dividend paid	(5687.97)	(4470.98)
Tax on distributed profits	(733.56)	(586.37)
Net Cash generated / (used) from financing activities	(8704.52)	(5631.81)
Net increase / (decrease) in cash and cash equivalents	(499.43)	681.64
Cash and cash equivalents (Opening Balance)	1396.17	714.53
Cash and cash equivalents (Closing Balance)	896.74	1396.17

NOTES TO ACCOUNTS

Notes :

- | | This Year
Rs. Lac | Previous Year
Rs. Lac |
|--|----------------------|--------------------------|
| 1. Cash and Cash equivalents : | | |
| Cash on hand and balances with banks | 897.64 | 1397.07 |
| Effect of exchange rate changes | (0.90) | (0.90) |
| Cash and cash equivalents | 896.74 | 1396.17 |
| 2. 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, 2005 is Rs. 157.24 lac. | | |

As per our Report attached

for and on behalf of

Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta

Partner

Mumbai, April 28, 2005

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

NOTES TO ACCOUNTS

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

1. Registration Details

Registration No.	129806
State Code	11
Balance Sheet Date	March 31, 2005.

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	639294
Total Assets	639294
Sources of Funds	
Paid up Share Capital	226418
Reserves & Surplus	272136
Secured Loans	41340
Unsecured Loans	20000
Deferred Tax Liability	79400
Application of Funds	
Net Fixed Assets	1014131
Investments	NIL
Net Current Assets	(374837)
Miscellaneous Expenses	NIL
Accumulated Losses	NIL

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

Turnover (Income from operation)	5690839
Total Expenditure	4753281
Profit / (Loss) before tax	937558
Profit / (Loss) after tax	860658
Earnings per share	15.81
Dividend Rate	300%

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)