

Financials

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, 2008 and also the Profit and Loss Account and the 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 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 annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Daraius Z. Fraser

Partner

M. No.: 42454

Mumbai

April 28, 2008.

Annexure to the Auditors' Report

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 further report that:

1. Fixed Assets:
 - 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, there have been no significant disposals of fixed assets during the year which affect the going concern assumption.
2. Inventory:
 - a) The Management has conducted physical verification of inventory at reasonable intervals. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories 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 and no material discrepancies were noticed on verification between the physical stocks and the book records.
3. Loans and Advances:
 - 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 purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. Transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956:
 - a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, 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 entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 500,000 in respect of any party during the year, have been made at prices which are reasonable, having regard to 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 the Companies Act, 1956 and the rules framed thereunder. No order has been passed by the Company Law Board, or National Company Law Tribunal, or Reserve Bank of India, or any Court, or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

Annexure to the Auditors' Report

8. We have broadly reviewed the books of account and records maintained by the Company in respect of manufacture of soaps, cosmetics and toiletries pursuant to the Rules made by the Central Government for maintenance of cost records, under Section 209(l)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any other products of the Company.
9. Statutory Dues:
- a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues, including dues pertaining to Investor Education and Protection Fund, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and any other statutory dues with the appropriate authorities. We have been informed that there are no undisputed dues which have remained outstanding as at the end of the financial year, 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 Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty or Cess outstanding on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty demands in respect of clearance of soap.	1212.82	1993-96	Supreme Court
	Rate differences on account of soap scrap.	61.54	2000-01	CESTAT
	Provisional Assessment of Goods	1.00	1996-99	Assistant Commissioner
	Improper Cenvat Document	0.72	2007-08	CESTAT
	Service Tax credit on outward freight on products removed u/s 4.SCN ref-IV(16)	4.24	2007-08	CESTAT
	Cenvat credit of Service Tax based on TR-6 challan SCN ref-IV(16)	9.76	2007-08	CESTAT
	Non-Computerised Printing of STI Excise	0.54	2007-08	CESTAT
	Excise duty claim in respect of non payment of education cess	114.41	2004 -08	Assistant Commissioner
Sales Tax Act	Interest on sales tax dues	12.07	2001-02	High Court
	Sales Tax dues	5.10	2002-03	Asst. Commissioner
	Sales Tax dues	6.50	2000-01	Sales Tax Authority
	Sales Tax dues	5.25	2003-04	Sales Tax Authority
	Sales Tax dues	106.41	2004-05	Sales Tax Authority
Income-tax Act, 1961	Deduction under Section 80-IB, 80-IC, 80-HHC, Depreciation Allowance, etc.	639.82	Assessment Year 2005-06	CIT(A)

Annexure to the Auditors' Report

10. The Company does not have accumulated losses as at the end of the financial year, nor has it incurred cash losses in the current financial year, or in the immediately preceding financial year.
11. According to the information and explanations given to us and based on the documents and records produced before us, there has been no default in repayment of dues to banks. There are no dues to financial institutions or debenture holders.
12. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or 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. The Company does not deal or trade in shares, securities, debentures and other investments.
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. According to the information and explanations given to us and on an overall examination of the Balance Sheet, the Cash Flow Statement and other records examined by us, the Company has not used funds raised on short term basis for long term investment.
18. The Company has not made any preferential allotment of shares to any 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 is in the process of making a rights issue of equity shares. However, it has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed by us, to the best of our knowledge and belief and according to the information and explanations given to us by the Management, no fraud on, or by the Company, has been noticed or reported during the year.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Daraius Z. Fraser
Partner
M. No.: 42454
Mumbai
April 28, 2008.

Balance Sheet as at March 31, 2008

	Schedule	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
SOURCES OF FUNDS				
1. Shareholders' Funds				
(a) Share capital	1	2258.44		2258.44
(b) Reserves & surplus	2	<u>12791.48</u>		<u>8832.02</u>
			15049.92	11090.46
2. Loan Funds				
(a) Secured loans	3	4059.28		4786.48
(b) Unsecured loans	4	<u>9400.00</u>		<u>6500.00</u>
			13459.28	11286.48
3. Deferred Tax Liability (net)	5		907.00	<u>797.00</u>
TOTAL			<u>29416.20</u>	<u>23173.94</u>
APPLICATION OF FUNDS				
4. Fixed Assets	6			
(a) Gross block		26556.21		24364.90
(b) Less: Depreciation		<u>11098.27</u>		<u>9552.09</u>
(c) Net block		15457.94		14812.81
(d) Capital work-in-progress		<u>7158.07</u>		<u>3981.35</u>
			22616.01	18794.16
5. Investments	7		7760.93	7179.07
6. Current Assets, Loans and Advances	8			
(a) Inventories		16491.01		11722.67
(b) Sundry debtors		1219.79		979.70
(c) Cash and bank balances		1984.63		2172.95
(d) Loans and advances		<u>6495.48</u>		<u>4563.62</u>
		<u>26190.91</u>		<u>19438.94</u>
7. Less : Current Liabilities and Provisions	9			
(a) Current Liabilities		24385.18		21416.90
(b) Provisions		<u>3053.01</u>		<u>821.32</u>
		<u>27438.19</u>		<u>22238.22</u>
8. Net Current Assets			(1247.28)	(2799.28)
9. Miscellaneous Expenditure (To the extent not written off or adjusted)			286.53	-
TOTAL			<u>29416.20</u>	<u>23173.94</u>
Notes to Accounts	16			

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

Darius Z. Fraser
Partner

Mumbai, April 28, 2008

Signatures to Balance Sheet and Schedules 1 to 9 and 16.

For and on behalf of the Board

Adi Godrej - Chairman and Managing Director
Jamshyd Godrej - Director
Nadir Godrej - Director
Bala Balachandran - Director
Rama Bijapurkar - Director
Bharat Doshi - Director
Aman Mehta - 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, 2008

	Schedule	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
INCOME				
1. Sales (Gross)		91804.47		79665.60
Less: Excise duty		<u>(3045.02)</u>		<u>(3814.04)</u>
			88759.46	75851.56
2. Other income	10		870.37	<u>530.37</u>
			89629.83	<u>76381.93</u>
EXPENDITURE				
3. Materials consumed and purchase of goods	11	43207.97		39242.35
4. Expenses	12	28445.56		24287.81
5. Interest and financial charges (net)	13	882.02		584.37
6. Depreciation		<u>1570.10</u>		<u>1249.46</u>
		74105.64		65363.99
7. Inventory change	14	<u>(1399.42)</u>		<u>(2422.24)</u>
			72706.22	<u>62941.75</u>
Profit Before Tax, Extraordinary and Prior Period Items			16923.61	<u>13440.18</u>
8. Provision for taxes				
- Current tax		1930.00		1507.99
- Deferred tax		110.00		134.00
- Fringe benefit tax		<u>72.00</u>		<u>76.00</u>
			2112.00	1717.99
Net Profit after Tax			14811.61	11722.19
9. Tax adjustments in respect of prior years			-	<u>480.71</u>
Net Profit after tax and before exceptional items			14811.61	12202.90
10. Exceptional Items (net of tax)	15		-	<u>1012.93</u>
Net Profit			14811.61	13215.83
11. Surplus brought forward			4849.59	<u>2696.56</u>
Profit available for appropriation			19661.20	<u>15912.38</u>
Appropriations :				
1. Dividend on equity shares				
- Interim			7339.93	8469.15
- Final (Proposed)			1935.81	-
2. Tax on distributed profit			1576.41	1271.64
3. Transfer to General Reserve			1485.00	1322.00
4. Surplus carried forward			7324.05	<u>4849.59</u>
TOTAL			19661.20	<u>15912.38</u>
Earnings per share (in Rupees)	16(24)			
(Face value Re. 1)				
Basic and Diluted (Before Extraordinary Items)			6.56	5.40
Basic and Diluted (Including Extraordinary Items)			6.56	5.85
Notes to Accounts	16			

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

As per our Report attached

Signatures to Profit & Loss Account and Schedules 10 to 16.

For and on behalf of

For and on behalf of the Board

Kalyaniwalla & Mistry

Chartered Accountants

Adi Godrej

- Chairman and Managing Director

Jamshyd Godrej

- Director

Nadir Godrej

- Director

Bala Balachandran

- Director

Rama Bijapurkar

- Director

Bharat Doshi

- Director

Aman Mehta

- Director

Hoshedar Press

- Executive Director and President

Sunil Sapre

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

Darius Z. Fraser

Partner

Mumbai, April 28, 2008

Cash Flow Statement for the year ended March 31, 2008

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
A. Cash Flow from operating activities:			
Profit Before Tax and Extraordinary Items		16923.61	13440.12
Adjustments for:			
Depreciation	1570.10		1249.46
Foreign Exchange (Gain)/Loss	2.26		79.08
(Profit)/Loss on Fixed Assets Sold/Discarded	8.89		14.87
Profit on Sale of Investment	(20.25)		(22.73)
Interest Income	(156.00)		(174.17)
Interest Expense	1038.02		758.53
Bad Debts Written off	0.15		0.64
Provision for Doubtful Debts and Advances	2.75		(8.90)
Write in of Old Balances	(34.21)		(34.42)
Others	(28.59)		18.75
		2383.11	1881.11
Operating Profit Before Working Capital Changes		19306.72	15321.23
Adjustments for:			
Inventories	(4768.34)		(2934.03)
Trade and Other Receivables	(2027.74)		(2982.06)
Trade Payables	5198.34		3118.67
		(1597.75)	(2797.42)
Cash Generated from/(used) in Operations		17708.97	12523.81
Adjustment for:			
Direct Taxes Paid		(2011.52)	(1762.18)
Net Cash Flow from Operating Activities		15697.45	10761.63
B. Cash Flow from investing activities:			
Purchase of Fixed Assets	(6314.90)		(9850.74)
Sale of Fixed Assets	8.13		71.90
Purchase of Investments	(24746.87)		(27378.00)
Sale of Investments	24185.25		25222.98
Interest Received	49.55		63.88
Sale Proceeds of "Snuggly" Trademark - an exceptional item	-		1500.00
Net Cash Flow From Investing Activities		(6818.83)	(10369.98)
Balance carried forward		8878.62	391.65

Cash Flow Statement for the year ended March 31, 2008

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Balance brought forward		8878.62	391.65
C. Cash Flow from financing activities:			
Proceeds from borrowings	30981.82		19199.08
Repayments of borrowings	(28923.33)		(8878.66)
Cash Credits (net)	100.07		472.79
Interest Paid	(1092.34)		(773.98)
Dividend Paid	(8407.28)		(8423.25)
Tax on Distributed Profits	(1439.34)		(1187.78)
Rights Issue Expenses not written off	(286.53)		-
Net Cash Flow from financing activities		<u>(9066.93)</u>	<u>408.20</u>
Net Increase/(Decrease) in Cash and Cash Equivalents:		<u>(188.32)</u>	<u>799.85</u>
Cash and Cash Equivalents:			
As at the beginning			
Cash and Bank Balances		2172.95	1373.10
As at the ending			
Cash and Bank Balances		1984.07	2172.39
Unrealised Foreign Exchange Restatement in Cash and Cash Equivalents		0.56	0.56
		<u>1984.63</u>	<u>2172.95</u>
Net Increase/(Decrease) in Cash and Cash Equivalents:		<u>(188.32)</u>	<u>799.85</u>

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Daraius Z. Fraser
Partner

Mumbai, April 28, 2008

For and on behalf of the Board

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

Schedules forming part of the Accounts for the year ended March 31, 2008

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
SCHEDULE 1: SHARE CAPITAL			
1. Authorised:			
290000000 Equity shares (Previous year 250000000 Equity shares) of Re. 1/- each		<u>2900.00</u>	<u>2500.00</u>
10000000 Preference shares (Previous year Nil preference shares) of Re. 1/- each		<u>100.00</u>	<u>–</u>
2. Issued, subscribed and paid up:			
225844076 Equity shares of Re. 1/- each (Previous year 225844076 Equity shares of Re. 1/- each) fully paid up		<u>2258.44</u>	<u>2258.44</u>
Total		<u>2258.44</u>	<u>2258.44</u>
SCHEDULE 2: RESERVES AND SURPLUS			
1. Capital investment subsidy reserve As per last Balance Sheet		15.00	15.00
2. Capital redemption reserve As per last Balance Sheet		134.72	134.72
3. General Reserve As per last Balance Sheet	3832.72		2510.72
Add: Transfer from Profit and Loss Account	<u>1485.00</u>		<u>1322.00</u>
		<u>5317.72</u>	<u>3832.72</u>
4. Profit & Loss Account		<u>7324.05</u>	<u>4849.59</u>
Total		<u>12791.48</u>	<u>8832.02</u>
SCHEDULE 3: SECURED LOANS			
1. Borrowings from Banks			
a) Term Loans	3000.00		3333.33
b) Cash Credit	1005.36		905.28
c) Working Capital Demand Loans	<u>–</u>		<u>500.00</u>
		<u>4005.36</u>	<u>4738.62</u>
2. Sales Tax deferment loan		<u>53.92</u>	<u>47.86</u>
Total		<u>4059.28</u>	<u>4786.48</u>
SCHEDULE 4: UNSECURED LOANS			
1. Term Loans and Advances			
a) From Banks		<u>9400.00</u>	<u>6500.00</u>
Total		<u>9400.00</u>	<u>6500.00</u>
Amount repayable within one year		<u>8100.00</u>	<u>3200.00</u>

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 5: DEFERRED TAX LIABILITY (NET)

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Deferred Tax Liability			
a) Difference Between Book and Tax Depreciation		1090.00	926.00
2. Deferred Tax Asset			
a) Expenditure Disallowable under Section 43B	(173.00)		(119.00)
b) Provision for Doubtful Debts	(10.00)		(10.00)
		<u>(183.00)</u>	<u>(129.00)</u>
Total		<u>907.00</u>	<u>797.00</u>

SCHEDULE 6 : FIXED ASSETS

ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1-4-2007	Additions	Deductions	As on 31-3-2008	Upto 31-3-2007	For the Year	On Deductions	Upto 31-3-2008	As on 31-3-2008	As on 31-3-2007
Tangible Assets:										
Freehold Land	11.43	-	-	11.43	-	-	-	-	11.43	11.43
Leasehold Land	672.95	11.76	-	684.71	14.44	7.07	-	21.51	663.20	658.50
Buildings	3261.64	1252.16	65.01	4448.80	513.77	114.44	0.03	628.17	3820.62	2747.87
Plant and Machinery	12331.57	888.27	27.36	13192.48	6161.20	807.41	6.65	6961.96	6230.52	6170.37
Furniture, Fixtures and Fittings	139.84	41.15	6.57	174.42	56.85	8.93	0.47	65.31	109.11	82.99
Office Equipment	293.67	42.65	6.38	329.93	140.80	14.52	3.03	152.29	177.64	152.87
Computers	399.56	52.33	11.29	440.60	211.22	70.07	11.01	270.28	170.32	188.34
Vehicles	54.42	-	-	54.42	34.65	5.17	-	39.82	14.60	19.77
Intangibles:										
Computer Software	372.41	27.63	-	400.03	149.32	52.16	-	201.48	198.55	223.08
Trade Marks and Brands	6761.47	-	-	6761.47	2258.34	484.59	-	2742.93	4018.55	4503.14
Assets Under Finance Lease:										
Leased Vehicles	65.94	-	8.02	57.92	11.51	5.74	2.73	14.52	43.40	54.43
Total	24364.90	2315.94	124.63	26556.21	9552.09	1570.10	23.92	11098.27	15457.94	-
Previous Year	15921.11	9226.79	783.00	24364.90	8638.64	1249.46	336.02	9552.09	-	14812.81
Capital Work-in-Progress including Capital Advances									7158.07	3981.35
Total									22616.01	18794.16

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 7 : INVESTMENTS

Previous Year Nos.	Current Year Nos.		Face Value	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Long Term - At Cost						
1. IN EQUITY SHARES OF SUBSIDIARY COMPANIES						
Unquoted:						
200	200	Godrej Netherlands B.V.	€ 100	4912.57		4912.57
18,050,000	18,050,000	Rapidol (PTY) Ltd.	ZAR 1	1266.50		1266.50
1,000,000	1,000,000	Godrej SCA Hygiene Ltd.	Rs. 10	1000.00		1000.00
-	5	Godrej Global Mideast FZE	US\$ 250,000	573.80		-
-	1	Godrej Consumer Products Mauritius Ltd.	US\$ 1	8.07		-
					7760.93	7179.07
Current - At Cost						
2. IN UNITS OF MUTUAL FUNDS						
Unquoted:						
-	-	Birla Sunlife Mutual Fund	10	-		-
		- Birla Cash Plus Institutional Premium Growth Scheme				
78,432,381	57,651,312	• Purchased during the year				
79,333,022	57,651,312	• Sold during the year				
-	-	ICICI Prudential Institutional Liquid Plan				
		- Super Institutional Growth Scheme	10	-		-
115,648,343	105,172,962	• Purchased during the year				
115,648,343	105,172,962	• Sold during the year				
-	-	Kotak Liquid (Institutional Premium) Plan				
		- Growth Scheme	10	-		-
25,995,863	32,871,685	• Purchased during the year				
25,995,863	32,871,685	• Sold during the year				
					-	-
Total					7760.93	7179.07
Aggregate Book Value of Investments:						
Quoted						
					-	-
Unquoted						
					7760.93	7179.07
Total					7760.93	7179.07

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Inventories (At lower of cost and net realisable value)			
a) Raw Materials	6859.02		3559.90
b) Stores and Spares	310.77		240.96
c) Work-in-Progress	2055.71		2141.18
d) Finished Goods – Manufactured	7253.98		5531.20
– Trading	11.53		249.42
		16491.01	11722.67
2. Sundry Debtors (Unsecured - Considered good, unless otherwise stated)			
a) Debts outstanding for a period exceeding six months (Including doubtful debts Rs. 39.90 lac; previous year Rs. 27.34 lac)	37.10		27.34
b) Other Debts	1215.59		979.70
	<u>1252.69</u>		<u>1007.05</u>
c) Less : Provision For Doubtful Debts	<u>32.90</u>		<u>27.34</u>
		1219.79	979.70
3. Cash and Bank Balances			
a) Cash in Hand	12.87		11.36
b) Cheques on Hand	323.49		321.95
c) Balances with Scheduled Banks			
- In Current Accounts	1532.96		1772.23
- In Deposit Accounts	115.31		67.40
(Under Lien with the bank)			
		1984.63	2172.95
4. Loans and Advances (Unsecured - considered good unless otherwise stated)			
a) Advances Recoverable in Cash or in Kind or For Value to be Received	4479.48		3651.74
b) Balances With Excise Authorities	1288.30		680.48
c) Sundry Deposits	685.09		197.43
d) Advance Payment of Taxes (Net of Provision for Taxes)	42.61		33.97
		6495.48	4563.62
Total		26190.91	19438.94

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 9: CURRENT LIABILITIES AND PROVISIONS

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Current Liabilities			
a) Sundry Creditors			
- Small Scale Industrial Undertakings	755.27		530.42
- Others	11365.32		7829.21
b) Advances and Deposits	418.97		373.55
c) Unclaimed Dividends	358.24		296.37
d) Other Liabilities	9793.54		9509.98
e) Interim Dividend Payable	1693.83		2823.05
f) Interest Accrued but not Due on Loans	—		54.33
	<hr/>	24385.18	<hr/> 21416.90
2. Provisions			
a) For Proposed Dividend	1935.81		—
b) For Tax on Distributed Profits	616.86		479.78
c) For Leave Encashment	500.35		341.55
	<hr/>	3053.01	<hr/> 821.33
Total		<hr/> 27438.19	<hr/> 22238.22

SCHEDULE 10 : OTHER INCOME

1. Profit on Sale of Investments (Net)		20.25	22.73
2. Royalty Income		473.79	275.85
3. Claims Received		75.21	76.83
4. Miscellaneous Income		301.12	154.96
Total		<hr/> 870.37	<hr/> 530.37

SCHEDULE 11 : MATERIALS CONSUMED AND PURCHASE OF GOODS

1. Raw Materials Consumed			
Opening Inventory	3559.90		3065.90
Add : Purchases (Net)	44427.82		38523.00
	<hr/>		<hr/> 41588.89
Less : Closing Inventory	6859.02		3559.90
Raw material consumed during the year		41128.70	38028.99
2. Purchase of Goods for Resale		2079.27	1213.36
Total		<hr/> 43207.97	<hr/> 39242.35

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 12 : EXPENSES

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Salaries, Wages and Bonus		5133.08	3678.70
2. Contribution to Provident and Other Funds		243.02	165.76
3. Workmen and Staff Welfare Expenses		83.97	205.23
4. Stores and Spares Consumed		471.88	393.05
5. Processing Charges and Other Manufacturing Charges		1429.81	1246.40
6. Excise Duty Provision on Inventory		40.99	42.35
7. Power and Fuel		2452.60	2393.83
8. Repairs and Maintenance			
a) Plant and Machinery	175.45		106.32
b) Buildings	31.63		24.97
c) Others	<u>86.80</u>		<u>89.03</u>
		293.87	220.31
9. Establishment Expenses		723.99	692.38
10. Miscellaneous Expenses		926.20	939.59
11. Rent		460.57	397.20
12. Rates and Taxes		241.27	750.32
13. Travelling and Conveyance		877.25	831.67
14. Legal and Professional Charges		433.26	407.43
15. Insurance		137.73	149.40
16. Selling and Distribution Expenses		1306.84	777.00
17. Sales Promotion		2866.17	2290.36
18. Freight		3227.45	3070.28
19. Advertising and Publicity		6139.89	5377.63
20. Commission		38.58	33.04
21. Discount		25.45	18.87
22. Loss on Sale of Assets (Net)		8.89	14.87
23. Loss on Exchange Difference (Net)		877.09	191.49
24. Bad Debts Written Off		0.15	0.64
25. Provision for Doubtful Debts and Advances		5.55	—
Total		<u>28445.56</u>	<u>24287.81</u>

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 13 : INTEREST AND FINANCIAL CHARGES (NET)

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
1. Interest Expense :			
i) Interest on Bank Loans	761.93		299.49
ii) Other Interest	53.99		303.45
		815.92	602.95
2. Interest Income :			
i) On Income Tax Refund	(0.14)		(156.91)
ii) Other Interest	(155.86)		(17.26)
(Tax Deducted at Source Rs. 3,408,030 previous year Rs. 91,362)			
		(156.00)	(174.17)
Net Interest Expense		659.92	428.78
3. Discounting and Other Finance Charges		222.09	155.59
Total		882.02	584.37

SCHEDULE 14 : INVENTORY CHANGE

1. Opening Inventory			
a) Finished Goods	5531.20		4438.69
b) Traded Goods	249.42		-
c) Work-in-Progress	2141.18		1060.87
		7921.80	5499.56
2. Less : Closing Inventory			
a) Finished Goods	7253.98		5531.20
b) Traded Goods	11.53		249.42
c) Work-in-Progress	2055.71		2141.18
		9321.22	7921.80
3. (Increase)/Decrease in Inventory		(1399.42)	(2422.24)

SCHEDULE 15 : EXTRAORDINARY ITEMS (NET OF TAX)

1. Profit on Sale of Trademark - "Snuggy"		-	1140.94
Less : Tax Thereon		-	(128.01)
Total		-	1012.93

Schedules forming part of the Accounts for the year ended March 31, 2008

SCHEDULE 16: NOTES TO ACCOUNTS

1. 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.

Direct financing cost incurred during the construction period on major projects is also capitalised. Exchange differences on repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets is adjusted to the carrying cost of the respective 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 trade marks is amortised equally over the best estimate of its useful life not exceeding a period of ten years, except in the case of 'Rapidol' brand which was acquired during the last year and where the brand is amortised equally over a period of twenty years.

d) Asset Impairment

Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

e) Investments

Investments are classified into current and long term investments. Long term investments are carried at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline, other than temporary. Current investments are stated at lower of cost and net realisable value.

f) 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, whenever considered necessary.

g) Provisions and Contingent Liabilities

As per Accounting Standard 29, 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

No Provision is recognized for –

- A. Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

Schedules forming part of the Accounts for the year ended March 31, 2008

B. Any present obligation that arises from past events but is not recognized because-

- a) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- b) A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed periodically and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

h) 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.

i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset till the date it is put to use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

j) Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Forward exchange contracts, remaining unsettled at the period end, backed by underlying assets or liabilities are also translated at period end exchange rates. Premium or discount on forward foreign exchange contracts is amortised over the period of the contract and recognised as income or expense for the period. Exchange gains/losses are recognised in the Profit and Loss Account. Non Monetary foreign currency items like investments in foreign subsidiaries are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of making the original investment.

k) 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.

l) Employee Benefits

Short-term Employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, performance incentives, etc., are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the employee renders the related service.

Schedules forming part of the Accounts for the year ended March 31, 2008

Post Employment Benefits:

Defined Contribution Plans:

Payments made to a defined contribution plan such as Provident Fund are charged as an expense in the Profit and Loss Account as they fall due.

Defined Benefit Plans:

Company's liability towards gratuity to past employees is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognized immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimate terms of the defined benefit obligations. During the current year end, the accrued liability towards such pension is provided on actuarial basis as on the Balance Sheet date as per revised Accounting Standard AS-15 'Employee Benefits' as issued by the Institute of Chartered Accountants of India.

Other Long Term Employee Benefits:

Other Long Term Employee Benefits viz., leave encashment and long service bonus are recognised as an expense in the Profit and Loss Account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with the actuarial valuation carried out as at the Balance Sheet date. Actuarial gains and losses in respect of such benefits are charged to the Profit and Loss Account.

m) 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.

Assets costing less than Rs. 5,000 are depreciated at 100% in the year of acquisition.

n) 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 difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on unabsorbed tax losses and tax depreciation are recognised only when there is a virtual certainty of their realisation and on other items when there is reasonable certainty of 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.

o) 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.

Schedules forming part of the Accounts for the year ended March 31, 2008

p) Segment Reporting

Based on a reconsideration of relevant factors – especially the nature of risks and returns, the Company is considered to be a single segment company – engaged in the manufacture of toilet soaps and other toiletries. As per AS-17 'Segment Reporting' if a single financial report contains both consolidated financial statements and the separate financial statement of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, information required to be presented under AS-17 Segment Reporting has been given in the consolidated financial statements.

2. 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.

3. Contingent Liabilities

	Current Year Rs. Lac	Previous Year Rs. Lac
a) Claims for excise duties, taxes and other matters:		
i) Excise duty demands aggregating Rs. 77.80 lac (previous year Rs. 31.77 lac) against which the Company has preferred appeals (net of tax).	51.36	21.08
ii) Excise duty demands and penalties in respect of toilet soaps cleared from Malanpur Factory during the period of joint venture with Procter & 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. 1212.82 lac (previous year Rs.1212.82 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).	1006.70	1008.70
iii) Excise duty claims in respect of non-payment of education cess for the period October 2004 to March 2005 at the Guwahati Factory.	114.41	97.72
iv) Entry tax levied by the State of Assam on the Guwahati factory which is being disputed by the Company. The amount has not been quantified.		
v) Sales tax demands aggregating Rs. 135.33 lac (previous year Rs. 35.88 lac) against which the Company has preferred appeals (net of tax).	89.33	23.80
vi) Income-tax matters:		
a) Demand notice issued by Additional Commissioner of Income-tax for assessment year 2004-2005 for disallowances of certain expenses and tax benefits. Against the above mentioned order of the Additional Commissioner of Income-tax, the Company has filed an appeal with CIT (Appeals) who has allowed the deductions claimed by the Company except an amount of Rs. 59 lacs.	–	668.48

Schedules forming part of the Accounts for the year ended March 31, 2008

	Current Year Rs. Lac	Previous Year Rs. Lac
b) Demand notice issued by Additional Commissioner of Income-tax for assessment year 2005-2006 for disallowances of certain expenses and tax benefits	639.82	–
vii) Other matters - Rs. 6.62 lac (previous year Rs. 6.62 lac) (net of tax).	4.39	4.39
b) Guarantees issued by banks, excluding guarantees issued in respect of matters reported in (a) above.	432.84	212.26
c) Guarantees of GBP 3 million given by the Company for securing loan availed by Godrej Netherlands B.V., a wholly owned subsidiary of the Company.	2387.40	2556.00
d) Guarantee of USD 40 million given by the Company for securing loan given by the Hong Kong and Shanghai Banking Corporation to Godrej Consumer Products Mauritius Limited – a wholly owned subsidiary of the Company.	16048.00	–
e) Guarantee of AED 1.4 million given by the Company to guarantee principal amount of credit facilities extended by HSBC Bank Middle East Ltd. to Godrej Global Mideast FZE– a wholly owned subsidiary of the Company.	152.14	–

4. Capital Commitments

Estimated value of contracts remaining to be executed on capital account to the extent not provided for Rs. 599.50 lacs (previous year Rs. 2516.10 lacs).

5. Secured Loans

a) The Sales Tax Deferment Loan is secured by :

(i) Malanpur Location:

(a) a first charge by way of equitable mortgage of the immovable properties at Malanpur factory, and

(b) 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.

(ii) Baddi Location:

Bank guarantee in favour of the sales tax authorities.

During the year an amount of Rs. Nil (previous year Rs. 22.00 lac) has been prepaid at a discounted value of Rs. Nil (previous year Rs. 18.69 lac) under 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.

c) Term Loans from banks are secured against the Hypothecation of the Trademark and Copyright acquired from Rapidol (Pty) Ltd.

6. Fixed Assets

a) Trademarks represent the cost of acquisition of certain Godrej soaps, toiletries and detergent brands acquired in pursuance of a scheme of demerger. The remaining amortisation period of the trademarks is between four to six years. The Rapidol brand acquired during the year is amortised over a period of twenty years.

b) The Rapidol brand is being amortised over a period of twenty years. The major influencing factor behind amortising over a period of twenty years is that the Rapidol brand viz. Inecto has market share of about 80% in South African markets in respective category. It has been in existence for more than 80 years and has had a 30% growth during the period under review.

c) Net borrowing cost capitalised under fixed assets amounts to Rs. 277.70 lacs (previous year Rs. 134.66 lac).

Schedules forming part of the Accounts for the year ended March 31, 2008

7. Sundry Debtors

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

	Current Year	Previous Year
	Rs. Lac	Rs. Lac
a) Godrej Industries Ltd.	12.25	126.52
b) Godrej Agrovet Ltd.	0.49	52.08
c) Godrej Global Mideast F.Z.E.	125.79	73.09

8. Loans and Advances

- The Company has not granted any loans or advances in the nature of loans to its associates.
- The Company has granted a loan amounting to Rs. 2275 lac (previous year 1230 lac) to The Godrej Consumer Products Limited ESOP Trust, a Trust set up for administering the Employee Stock Option Plan of the Company set up for the employees/Directors of the Company and/or of the Company's subsidiaries. The aforesaid loan is repayable at the end of five years from the date of the loan agreement viz. March 21, 2008.

9. Investments

- In October 2007, the Company acquired Godrej Global Mideast F.Z.E. (GGME). GGME was a 100% subsidiary of Godrej International Limited. Incorporated on November 1, 1997 in the Sharjah Airport Free Zone, Sharjah, UAE, as a Free Zone Establishment, its principal activity consists of trading in soaps and toiletries in the UAE and other AGCC countries.
- In February 2008, the Company set up a wholly owned subsidiary Godrej Consumer Products Mauritius Limited in Mauritius to act as an investment holding company. The Company would be investing in the FMCG sector, manufacturing cosmetics or other personal care products.
- In March 2008, the Company set up Godrej Kinky Holdings Limited in Mauritius as a wholly owned subsidiary of Godrej Consumer Products Mauritius Limited to act as an investment holding company. The Company would be investing in the FMCG sector, manufacturing cosmetics or other personal care products.

10. Liabilities

- There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. The above information regarding Micro, Small and Medium Enterprises has 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.
- The Company has acquired some vehicles under finance leases. 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, 2008, in respect of vehicles leased are as under:

(Rs. in Lac)

Maturity Profile	Total Future Minimum Lease Payments Outstanding as on March 31, 2008	Unmatured Finance Charges	Present Value of Future Minimum Lease Payments
Not later than one year	11.72	1.16	10.56
Later than one year and not later than five years	15.09	0.65	14.44
Later than five years	-	-	-
Total	26.81	1.81	25.00

Schedules forming part of the Accounts for the year ended March 31, 2008

- c) 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.
- d) Sundry creditors include overseas supplier credit amounting to Rs. 7674.96 (previous year Rs. 4731.70 lac)

11. Hedging Contracts

The Company uses forward exchange contracts to hedge its foreign exchange exposure in accordance with its forex policy as determined by a Forex Committee. As at March 31, 2008, the Company had 38 outstanding forward exchange contracts to purchase foreign currency aggregating to US Dollars 221.43 lac at an average rate of Rs. 39.96 per US Dollar. The uncovered foreign exchange exposure as at March 31, 2008, is US Dollars 245.86 lac.

12. Profit and Loss Account

- a) The premium in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 48.53 lac (previous year Rs. 154.94 lac).
- b) Research and Development Expenditure of revenue nature charged to the Profit and Loss Account amounts to Rs. 275.72 lac (previous year Rs. 208.71 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.

13. Employee Stock Option Plan

In March 2007, the Company had instituted an Employee Stock Option Plan (GCPL ESOP) approved by the Board of Directors and shareholders, which provides for the allotment of 20,00,000 options convertible into 20,00,000 equity shares of Re.1 each to eligible employees of participating companies.

The scheme is administered by an independent ESOP Trust which purchases from the market, the Company's shares equivalent to the number of options proposed to be granted by the participating companies. Initially the Company had offered stock options to the members of the senior management cadre and other identified employees in the middle management cadre. Subsequently stock options have also been offered/proposed to be offered to all the other employees in middle management cadre as approved by the Compensation Committee.

In March 2007, 850,000 shares of the Company were purchased from the secondary market against finance provided by the Company. The options against these shares purchased were given during the year. Additionally 792,420 shares of the Company has been purchased from the secondary market during the year against finance provided by the Company. Thus against the total of 16,42,420 shares purchased by the trust since the setting of the GCPL ESOP, 16,00,000 options have been granted and outstanding as at the end of the year. The balance 42,420 shares are proposed to be granted as options to more employees in due course.

	No of Options	Weighted Average Exercise Price (Rs. in lac)
Options outstanding at the beginning of the year	Nil	N.A
Options Granted	1,615,000	138.69 plus interest
Less: Exercised	Nil	
Less: Forfeited/Expired	15,000	
Options outstanding at the year end	1,600,000	138.69 plus interest

The options shall vest after three years from the date of grant of options, provided the employee continues to be in employment and the option is exercisable within two years after vesting.

Schedules forming part of the Accounts for the year ended March 31, 2008

The employee share based payment plans have been accounted based on the intrinsic value method and no compensation expense has been recognized since the market price of the underlying share at the grant date is the same/less than the exercise price of the option, the intrinsic value therefore being Nil.

Had the fair value method of accounting been used, the employee compensation cost would have been higher by Rs. 237 lac

14. Incentive Plans

The amount carried forward in notional bank after distribution of PLVR for the financial year 2007-08 is Rs. 1777 lac (previous year Rs. 1530 lac) as on March 31, 2008. The said amount is not provided in the books of account and is payable in future, if performance so warrants.

15. Employee Benefits

a) The Company has adopted the revised Accounting Standard AS15 - Employee Benefits with effect from April 1, 2007.

b) Defined Contribution Plans

i) Provident Fund:

The Company manages the Provident Fund plan through a Provident Fund Trust for its employees which is permitted under The Employees' Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by the employer and employees and guarantees interest at the rate notified by the Provident Fund authority. The contribution by employer and employee, together with interest, are payable at the time of separation from service or retirement, whichever is earlier.

c) Defined Benefit Plans

i) Gratuity:

The Company makes annual contribution to the Employees' Group Gratuity-cum-Life Assurance Scheme of HDFC Standard Life Insurance Co. Ltd., a funded defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on death or on separation/termination in terms of the provisions of the Payment of Gratuity (Amendment) Act, 1997 or as per the Company's scheme whichever is more beneficial to the employees.

d) Basis Used to Determine Expected Rate of Return on Assets

The expected return on plan assets of 8% has been considered based on the current investment pattern in Government securities.

e) Amounts Recognised as Expense

i) Defined Contribution Plan

Employer's Contribution to Provident Fund amounting to Rs. 190.96 lac has been included in Schedule 12 under Contribution to Provident and Other Funds.

ii) Defined Benefit Plan

Gratuity cost amounting to Rs. 21.60 lac has been included in Schedule 12 under Contribution to Provident and Other Funds.

Schedules forming part of the Accounts for the year ended March 31, 2008

f) The amounts recognised in the Company's financial statements as at the year end are as under:

	Current Year Rs. in Lac
i) Change in Present Value of Obligation	
Present value of the obligation at the beginning of the year	561.17
Current Service Cost	27.88
Interest Cost	44.89
Actuarial (Gain)/Loss on Obligation	4.46
Benefits Paid	(35.39)
Present value of the obligation at the end of the year	<u>603.02</u>
ii) Change in Plan Assets	
Fair value of Plan Assets at the beginning of the year	568.02
Expected return on Plan Assets	45.44
Actuarial Gain/(Loss) on Plan Assets	10.19
Contributions by the Employer	21.00
Benefits Paid	(35.39)
Fair value of Plan Assets at the end of the year	<u>609.26</u>
iii) Amounts Recognised in the Balance Sheet	
Present value of Obligation at the end of the year	603.02
Fair value of Plan Assets at the end of the year	609.26
Net Obligation at the end of the year	<u>(6.25)</u>
iv) Amounts Recognised in the statement of Profit and Loss	
Current Service Cost	27.88
Interest cost on Obligation	44.89
Expected return on Plan Assets	(45.44)
Net Actuarial (Gain)/Loss recognised in the year	(5.73)
Net Cost Included in Personnel Expenses	<u>21.60</u>
v) Actual Return on Plan Assets	<u>55.64</u>
vi) Estimated contribution to be made in next financial year	99.85
vii) Major categories of Plan Assets as a % of total Plan Assets	
i) Insurer Managed Funds	100%
viii) Actuarial Assumptions	
i) Discount Rate	8% P.A.
ii) Expected Rate of Return on Plan Assets	8% P.A.
iii) Salary Escalation Rate	5% P.A.
iv) Employee Turnover	2% P.A.
v) Mortality	L.I.C (1994-96) Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

* This being the first year of implementation of AS-15 Employee Benefits (Revised 2005) previous year figures have not been furnished.

Schedules forming part of the Accounts for the year ended March 31, 2008

16. Annual Capacities and Production

	Item	Units	Installed Capacity*		Actual Production	
			Current Year	Previous Year	Current Year	Previous Year
1.	Soaps	M.T.	137333	137333	76648	72961
2.	Hair Colour and Other Toiletries	M.T.	16080	4080	1339	1186
3.	Fatty Acids	M.T.	52500	52500	805	886
4.	Glycerine	M.T.	2300	2300	2475	4827
5.	Detergents	M.T.	12000	–	2869	–

* As certified by the management and relied on by the Auditors, being a technical matter.

Notes :

- 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.
- Actual production excludes production for captive consumption.
- Actual production includes soaps produced by the Company for third parties - 1,491.73 MT (previous year Nil MT).
- Actual production excludes items processed for the Company by third parties, viz. Hair colour and other toiletries 3,805.35 MT (previous year 3,496 MT) and Detergents 89.60 MT (previous year 3,590 MT).

17. Inventory of Finished Goods

Item	Quantity Units	March 31, 2008		March 31, 2007		March 31, 2006	
		Quantity	Value Rs. in Lac	Quantity	Value Rs. in Lac	Quantity	Value Rs. in Lac
Manufactured:							
1. Soaps	M.T.	9400	5850.56	8244	4391.36	6861	3431.53
2. Hair Colour and Other Toiletries	M.T.	656	944.43	658	880.87	450	615.58
3. Detergents	M.T.	171	75.55	619	262.45	389	150.23
4. Fatty Acids and Glycerine	M.T.	1	0.21	–	–	148	28.77
Purchased:							
1. Soaps	M.T.	10	12.16	31	27.24	21	19.58
2. Hair Colour and Other Toiletries	M.T.	164	382.60	121	218.70	162	191.10
3. Detergents	M.T.	–	–	–	–	4	1.90
Total			7265.51		5780.62		4438.69

Schedules forming part of the Accounts for the year ended March 31, 2008

18. Sales Turnover (Net of Excise Duty)

Item	Current Year		Previous Year	
	Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Soaps	73,383	56661.66	71,017	47509.04
2. Hair Colour and Other Toiletries	5,548	26219.20	5,024	22930.47
3. Detergents	3,368	3846.63	3,370	3883.68
4. Fatty Acids and Glycerine		2031.96		1528.37
Total		88759.46		75851.56

19. Raw Materials Consumed

Item	Current Year		Previous Year	
	Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Oils and Fats	65,616	19821.18	66,606	17600.45
2. Chemicals, Perfumes, Colours and Catalysts	82,671	12859.06	54,465	12526.64
3. Packing Materials, etc.		8448.45	–	7901.90
Total		41128.70		38028.99

20. Purchase of Goods

Item	Current Year		Previous Year	
	Quantity	Value Rupees in Lac	Quantity	Value Rupees in Lac
1. Soaps	255	219.57	243	184.44
2. Hair Colour and Other Toiletries	880	1859.70	715	1028.91
Total		2079.27		1213.36

Schedules forming part of the Accounts for the year ended March 31, 2008

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

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
Profit for the year as per Profit and Loss Account		14811.61	12202.90
Add:			
Depreciation as per Accounts	1570.10		1249.46
Managerial Remuneration	492.39		440.34
Loss on sale of Assets as per Accounts	8.89		14.87
Provision for Doubtful Debts	5.55		-
Provision for Taxation	2112.00		1237.28
	<hr/>	4188.93	<hr/> 2941.96
		19000.54	15144.85
Less:			
Depreciation under Section 350	1737.02		1345.57
Profit on sale of investments as per accounts	20.25		22.73
Loss as per Section 349(3)			
- on sale of fixed assets	-		14.97
Write Back of Doubtful Debts/Advances	-		8.90
	<hr/>	1757.27	<hr/> 1392.17
Eligible Net Profit as per Section 349 of the Companies Act, 1956.		17243.27	<hr/> 13752.69
Maximum limit of remuneration payable as per Section 198 read with Schedule XIII of the Companies Act, 1956:			
a) To Wholetime Directors @10% of Eligible Profit:	1724.32		1375.27
b) To Non-wholetime Directors @1% of Eligible Profit:	172.43		137.53
Managerial Remuneration to Wholetime Directors	426.04		383.82
Commission to Non-wholetime Directors	60.00		50.12
22. Managerial Remuneration			
Remuneration to the Chairman & Managing Director and Executive Director & President:			
a) Salary and Allowances	147.19		116.59
b) Contribution to Provident Fund	11.53		9.98
c) Estimated Monetary Value of Perquisites	166.20		164.65
d) Provision for Performance Linked Variable Remuneration	101.12		92.60
	<hr/>	426.04	<hr/> 383.82
Remuneration to Non-wholetime Directors:			
a) Commission on Profits	60.00		50.12
b) Directors' Sitting Fees	6.35		6.40
	<hr/>	66.35	<hr/> 56.52
Total		492.39	<hr/> 440.34

Schedules forming part of the Accounts for the year ended March 31, 2008

23. Auditors' Remuneration

	Rs. in Lac	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Statutory Audit Fees		38.00	26.75
b) Audit Under Other Statutes		7.50	4.50
c) In Other Capacity:			
Taxation Matters	4.00		3.00
Certification	1.54		0.88
Other Charges	6.50		5.79
		12.04	9.66
d) Rights Issue Audit Fees		20.00	-
e) Reimbursement of Expenses		1.36	1.70
f) Service Tax		9.87	5.22
Total		88.76	47.83

24. Earnings per share

a) Net Profit After Tax (Before Extraordinary Items)		14811.61	12202.90
Net Profit After Tax (Including Extraordinary Items)		14811.61	13215.83
b) Number of Equity Shares:			
As at the commencement of the year		225,844,076	225,844,076
As at the end of the year		225,844,076	225,844,076
Weighted Average Number of Equity Shares during the year:			
Basic		225,844,076	225,844,076
Diluted		225,844,076	225,844,076
c) Earning per Equity Share of Re. 1/- each.			
Before Extraordinary Items:			
Basic and Diluted		6.56	5.40
Including Extraordinary Items:			
Basic and Diluted		6.56	5.85

Schedules forming part of the Accounts for the year ended March 31, 2008

25. Dividends Remitted in Foreign Currency

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) 4th Interim Dividend for the year ended March 31, 2007, to 270 non-resident shareholders on 74,580 shares @ Rs. 1.25 per share	0.93	
1st Interim Dividend for the year ended March 31, 2008, to 263 non-resident shareholders on 72,152 shares @ Rs. 0.75 per share	0.54	
2nd Interim Dividend for the year ended March 31, 2008, to 261 non-resident shareholders on 71,592 shares @ Rs. 0.75 per share	0.54	
3rd Interim Dividend for the year ended March 31, 2008, to 259 non-resident shareholders on 70,872 shares @ Re. 1 per share	0.71	
b) 4th Interim Dividend for the year ended March 31, 2006, to 237 non-resident shareholders on 66,600 shares @ Rs. 1.50 per share.		0.83
1st Interim Dividend for the year ended March 31, 2007, to 319 non-resident shareholders on 99,408 shares @ Rs. 0.75 per share		0.75
2nd Interim Dividend for the year ended March 31, 2007, to 284 non-resident shareholders on 78,860 shares @ Rs. 0.75 per share		0.59
3rd Interim Dividend for the year ended March 31, 2007, to 279 non-resident shareholders on 74,280 shares @ Re. 1 per share		0.74
Total	2.72	2.91

26. Consumption of Raw Materials and Stores

	Current Year Rs. in Lac	%	Previous Year Rs. in Lac	%
a) Raw Materials				
- Imported	18163.64	44.16	16496.15	43.38
- Indigenous	22965.06	55.84	21532.64	56.62
	41128.70	100.00	38028.99	100.00
b) Stores and Spare Parts				
- Imported	3.62	0.77	9.55	2.43
- Indigenous	468.26	99.23	383.50	97.57
Total	471.88	100.00	393.05	100.00

27. Value of Imports on C.I.F. Basis

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Raw Materials	18288.69	12867.55
Total	18288.69	12867.55

Schedules forming part of the Accounts for the year ended March 31, 2008

28. Expenditure in Foreign Currency

	Current Year Rs. in Lac	Previous Year Rs. in Lac
a) Travelling Expenses	59.97	79.44
b) Consultancy	45.35	108.08
c) Trade Mark Registration	9.49	17.36
d) Sales Promotion	22.33	36.30
e) Others	36.15	35.49
Total	173.29	276.67
29. Earnings in Foreign Currency		
a) F.O.B. Value of Exports	1253.28	1159.55
b) Royalty	236.93	275.85
c) Interest on Loan to Subsidiary	-	2.76
Total	1727.07	1438.16

30. Related Party Transactions

A) List of Related Parties:

a) Enterprise having control over reporting enterprise:

- i) Godrej & Boyce Mfg. Co. Ltd.

b) Subsidiaries:

- i) Godrej Netherlands B.V.
- ii) Godrej Consumer Products (UK) Limited (a subsidiary of Godrej Netherlands B.V.)
- iii) Keyline Brands Limited (a subsidiary of Godrej Consumer Products (UK) Limited)
- iv) Inecto Manufacturing Limited (a subsidiary of Keyline Brands Limited)
- v) Rapidol (Pty) Limited
- vi) Godrej Global Mideast FZE (from October 1, 2007)
- vii) Godrej Consumer Products Mauritius Limited (from February 15, 2008)
- viii) Godrej Kinky Holdings Ltd. (a subsidiary of Godrej Consumer Products Mauritius Limited - from March 7, 2008)
- ix) Inecto Limited (a subsidiary of Keyline Brands Limited - wound up w.e.f. May 23, 2007)
- x) Cosmetics That Care Limited (a subsidiary of Keyline Brands Limited - wound up w.e.f. May 21, 2007)
- xi) Cuticura Laboratories Limited (a subsidiary of Keyline Brands Limited - wound up w.e.f. July 23, 2007)

c) Joint Venture:

- i) Godrej SCA Hygiene Limited

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

- i) Godrej Industries Limited
- ii) Godrej HiCare Limited
- iii) Godrej Agrovat Limited
- iv) Godrej Global Mideast F.Z.E. (upto September 30, 2007)
- v) Godrej Properties Limited
- vi) Godrej Hershey Limited
- vii) Godrej International Limited
- viii) Godrej Infotech Limited

e) Enterprise over which Key Management Personnel exercise significant influence:

- i) Godrej Investments Private Limited
- ii) Godrej Sara Lee Limited

f) Key Management Personnel and Relatives:

- i) Mr. Adi B. Godrej, Chairman and Managing Director
- ii) Mr. Hoshedar K. Press, Executive Director and President
- iii) Mrs. Parmeshwar A. Godrej, Wife of Mr. Adi B. Godrej

Schedules forming part of the Accounts for the year ended March 31, 2008

B) Transactions with Related Parties

(Rs. in Lac)

Particulars	Enterprise Having Control Over Reporting Enterprise	Enterprise Under Common Control	Subsidiary Companies	Joint Venture Company	Enterprise over which Key Management Personnel Exercise Significant Influence	Relatives of Key Management Personnel	Key Management Personnel	Total
Sale of Goods	16.48	811.81	361.44		469.95			1659.68
	<i>12.24</i>	<i>1075.26</i>	<i>37.32</i>		–			<i>1124.82</i>
Purchase of Materials, Spares and Capital Equipment	122.96	803.06	114.05	1286.19				2326.26
	<i>757.70</i>	<i>1185.63</i>		–				<i>1943.33</i>
Establishment and Other Expenses	49.45	1203.65		(178.04)	(3.97)			1071.10
Paid/(Received)	<i>38.46</i>	<i>1108.47</i>		<i>(3.03)</i>				<i>1143.90</i>
Investments Made		573.74	8.07	–				581.81
		–	<i>1200.33</i>	<i>1000.00</i>				<i>2200.33</i>
Sale of Brand				–				–
				<i>1560.00</i>				<i>1560.00</i>
Gain on Forex			–					–
			<i>10.54</i>					<i>10.54</i>
Royalty			473.79					473.79
			<i>275.85</i>					<i>275.85</i>
Loan Given			–					–
			<i>365.48</i>					<i>365.48</i>
Loan Repaid			–					–
			<i>365.48</i>					<i>365.48</i>
Interest Received on Loan			–					–
			<i>2.76</i>					<i>2.76</i>
Guarantees Given			16263.14					16263.14
		–	–					–
Dividend Remitted	3786.38	867.60			88.50	12.75	0.38	4755.61
	<i>3786.38</i>	<i>1587.78</i>			<i>88.50</i>	<i>12.75</i>	<i>0.38</i>	<i>5475.79</i>
Managerial Remuneration							426.04	426.04
							<i>381.50</i>	<i>381.50</i>
Lease Rentals paid						129.07		129.07
						<i>129.07</i>		<i>129.07</i>
Outstanding Balances as at year end								
Receivable	0.01	–	264.97		2.52			267.50
	–	<i>1.98</i>	<i>131.48</i>		–			<i>133.46</i>
Payable	–	99.96		57.90			101.12	258.97
	<i>8.92</i>	–		–			<i>92.60</i>	<i>101.52</i>
Guarantees Outstanding			18587.54	–				18587.54
			<i>2556.00</i>					<i>2556.00</i>

Note: Figures in italics denote figures for previous year.

Schedules forming part of the Accounts for the year ended March 31, 2008

C) The significant related party transactions are as under :

Nature of Transaction	Enterprises under Common Control	Amount Rs. in Lac	Subsidiary Companies	Amount Rs. in Lac	Enterprise over which Key Management Personnel Exercise Significant Influence	Amount Rs. in Lac	Key Management Personnel and Relatives	Amount Rs. in Lac
Sale of Goods			Keyline Brands Ltd.	4.81	Godrej Sara Lee Limited	469.95		
		719.12	Rapidol (Pty) Ltd.	99.15				
		92.69	Godrej Global Mideast F.Z.E.	257.46				
Purchase of Materials, Spares and Capital Equipment	Godrej Industries Ltd.	803.06	Godrej Global Mideast F.Z.E.	114.05				
Establishment and Other Expenses	Godrej Industries Ltd.	1205.33						
Investments Made	Godrej International Ltd.	573.74	Godrej Consumer Products Mauritius Ltd.	8.07				
Royalty			Rapidol (Pty) Ltd.	473.79				
Dividend Paid	Godrej Industries Ltd.	867.60			Godrej Investments Ltd.	88.50	Mr. Adi B. Godrej	-
							Mr. Hoshedar K. Press	0.38
							Mrs. Parmeshwar A. Godrej	12.75
Managerial Remuneration							Mr. Adi B. Godrej	274.21
							Mr. Hoshedar K. Press	151.83
Lease Rentals							Mrs. Parmeshwar A. Godrej	129.07

Schedules forming part of the Accounts for the year ended March 31, 2008

31. Interest in Joint Venture

The Company's interest, as a venturer, in a jointly controlled entity is as under:

- Name of Company: Godrej SCA Hygiene Ltd.
- Country of Incorporation: India
- Principal Activities: Manufacture of Sanitary Napkins and Baby Diapers
- Percentage of Ownership Interest as at the year end: 50%

The Company's interest in a jointly controlled entity is reported as Long Term Investments in Schedule 7 and stated at cost less provision, if any, for permanent diminution in value of such investments.

The Company's share of each of the assets, liabilities, income and expenses (without elimination of the effect of transactions between the Company and the joint venture), related to its interest in this joint venture is as under:

	Current Year Rs. in Lac	Previous Year Rs. in Lac
I. ASSETS		
1. Fixed Assets	135.71	779.36
2. Current Assets,		
Inventories	195.43	–
Sundry Debtors	77.40	–
Cash and Bank Balances	54.98	218.66
Loans and Advances	5.88	–
II. LIABILITIES		
1. Unsecured Loans	100.00	–
2. Current Liabilities	430.77	1.05
3. Provisions	1.63	–
III. INCOME		
Sales	557.78	–
Other Income	7.61	–
IV. EXPENSES		
1. Materials Consumed and Purchase of Goods	529.79	–
2. Expenses	420.90	2.39
3. Interest and Finance Charges	3.00	–
4. Depreciation	60.83	0.64
5. Inventory Change	124.31	–
6. Provision for Taxation	1.20	–

32. Miscellaneous Expenditure

Miscellaneous Expenditure (to the extent not written off) comprises of share issue expenses incurred in connection with the proposed rights issue of the Company.

33. General

- Other information required by Schedule VI to the Companies Act, 1956, has been given only to the extent applicable.
- Figures for the previous year have been regrouped / restated wherever necessary to conform to current year's presentation.

Schedules forming part of the Accounts for the year ended March 31, 2008

Statement Pursuant to Part IV, Schedule VI to the Companies Act, 1956 :
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details :		
Registration No.	:	129806
State Code	:	11
Balance Sheet Date	:	March 31, 2008
II. Capital Raised During the Year : (Amount in Rs. Thousand)		
Public Issue	:	—
Right Issue	:	—
Bonus Issue	:	—
Private Placement	:	—
III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousand)		
Total Liabilities	:	5685439
Total Assets	:	5685439
Sources of Funds		
Paid-up Capital	:	225844
Reserves and Surplus	:	1279148
Secured Loans	:	405928
Unsecured Loans	:	940000
Deferred Tax Liability	:	90700
Application of Funds		
Net Fixed Assets	:	2261601
Investments	:	776093
Deferred Tax Asset	:	—
Net Current Assets	:	(124727)
Misc. Expenditure	:	28653
Accumulated Losses	:	—
IV. Performance of Company : (Amount in Rs. Thousand)		
Turnover	:	8962983
Total Expenditure	:	7270622
Profit/(loss) Before Tax	:	1692361
Profit/(loss) After Tax	:	1481161
Earnings Per Share in Rs.	:	
Basic	:	6.56
Diluted	:	6.56
Dividend Rate %	:	400%
V. Generic Names of 3 Principal Products/Services of Company : (As per monetary terms)		
a) Item Code No. (ITC Code)	:	34.01*
Product Description	:	Soaps
b) Item Code No. (ITC Code)	:	33.07*
Product Description	:	Cosmetics
c) Item Code No. (ITC Code)	:	34.02*
Product Description	:	Detergents

* Represents Heading No. of the Harmonised Commodity Description and Coding System