

# Partners in growth



[www.emamigroup.com](http://www.emamigroup.com)

## Corporate Information

**Chairman**  
Shri R. S. Agarwal

**Managing Director**  
Shri Sushil Kr. Goenka

**Directors**  
Shri R. S. Goenka  
Shri Viren J. Shah  
Shri S. K. Todi  
Shri S. N. Jalan  
Shri K. K. Khemka  
Vaidya S. Chaturvedi

Shri S. N. Bihani  
Shri Mohan Goenka  
Shri A. V. Agarwal  
Shri H. V. Agarwal

**Secretary**  
Shri A. K. Joshi

**Auditors**  
M/s Saxena & Co.  
Chartered Accountants

**Cost Auditors**  
M/s V. K. Jain & Co.  
Cost Accountants

**Bankers**  
Canara Bank  
ICICI Bank Ltd.  
State Bank of India

**Works**  
Kolkata  
Pondicherry  
Guwahati

**Registered Office**  
Stephen House  
6A R. N. Mukherjee Road  
Kolkata 700 001.

## Contents

Vision and Mission	18
Highlights	20
Founders' Statement	22
Q & A Session with Managing Director	24
Brand Capital	28
International Business	34
Corporate Sustainability	36
Management Discussion and Analysis	40
Risk Management	48
Economic Value Added	50
10-Year Highlights	52
Profile of Directors	54
Corporate Governance	57
Directors' Report	68
Auditors' Report	73
Balance Sheet	76
Profit and Loss Account	77
Schedules	78
Cash Flow Statement	92
Balance Sheet Abstract	94
Consolidated Accounts	95
Statement Pursuant to Section 212 and Subsidiary Accounts	107



## Our brand ambassadors

We have some of India's famous personalities from across entertainment and sports fields endorsing our products.



Sunny



Madhuri Dixit



Sourav Ganguly



Manisha Koirala



Govinda



Sonali Bendre



Raima Sen



Rituparna Sengupta



Raveena Tandon



Juhi Chawla



Diya Mirza



Meenakshi Seshadri



Jyothika



Dipti Bhatnagar



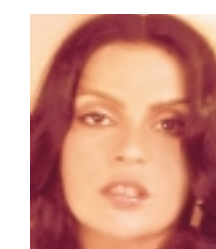
Divya Bharti



Moon Moon Sen



Sridevi



Zeenat Aman



Anita Raj



Emami Limited is one of India's prominent personal and health care companies, effectively fusing age-old herbal and Ayurvedic wisdom with modern scientific practices to develop innovative and effective products.



## Where we are

---

- Present in 27 cities across India
- Headquartered in Kolkata
- Manufacturing units are located at Pondicherry, Guwahati and Kolkata

## What we market

---

- A comprehensive portfolio of more than 20 products
- Carefully assimilated from herbs, natural extracts and essential ingredients

## Where we market

---

- Products found on retail shelves across India
- Also in 53 other countries including the CIS, SAARC, GCC and Africa

## How we market

---

- Through a wide and deep distribution network
- Sales made through 2200 distributors, 1200 sub-distributors and 3.7 lac retail outlets

## Who owns us

---

- Business promoted by Mr. R.S. Agarwal and Mr. R.S. Goenka in 1974
- Public holding increased from 3.9% to 11.8%, following a public offering in March 2005
- Company listed on the Stock Exchange, Mumbai and the Calcutta Stock Exchange

### PARTNERS IN GROWTH

Emami is not just about products but trust.

Its impact is not just cosmetic but intrinsic.

Its focus is not just the sale but enhanced value for all its stakeholders.

The result is not just attractive but sustainable growth.

# “I am Emami in rural West Bengal”

“I was a 26-year-old unemployed until I met Emami representatives in Ranirhat. They educated me about a self-employment scheme for rural unemployed youth.”

“So after an exhaustive 7-day training, I invested Rs. 200 and started selling Emami products door-to-door. Surprisingly, my products found a ready market in villages, especially those without a grocery shop, and my income grew from Rs. 600 a month to Rs. 1200-1400 a month.”

“Emami has equipped me with a cycle, a uniform, a pullover, a raincoat and an insurance against personal accidents, which make all-weather sale possible. Emami hasn't just given me a regular income; it has helped me believe in myself.”



Mr. Hari Mohan Barman,  
Emami mobile trader,  
Alok Ghari, West Bengal

## Our story

“The cost of distribution in rural India is high due to an inadequate infrastructure. Besides, villagers buy their necessities from nearby *haats* and markets.”

“These innocent consumers are cheated regularly through counterfeit products; the benefit of consumer schemes is seldom passed on to them.”

“Our Emami Mobile Traders cover these remote villages, provide a fair deal and address the product aspirations of these people. And in doing so, they integrate marketing with corporate social responsibility.”

*Mr. Bikash Padia, Area Sales Officer*



"In 1979, I purchased 200 shares in Emami, a Company promoting *swadeshi* products."

"Gradually, I increased my stake following its expansion, product restructuring, improved financial performance, rights issue and bonus issue."

"I was immensely pleased to see my trust in Emami being reflected in the overwhelming response to Emami's recent Public Offer, oversubscribed 36 times!"

"My total investment of Rs. 4000 in Emami for 400 shares has grown to 28,000 shares worth Rs. 22 lakhs. My investment has grown over 500 times in the last 26 years!"



Mr. Rajendra Kumar Nahata,  
businessman

"My investment and trust in Emami has grown over 500 times in the last 26 years"

#### Our story

"Even as a closely-held Company, it was always our endeavour to protect shareholder interests."

"As a result, our long-term shareholders always stood by us. We passed the public test when our recent Public Issue was oversubscribed 36 times in March, 2005, a reflection of the public's trust in us. The public issue proceeds will now be progressively invested in capital expenditure, strategic initiatives, brand acquisition and new corporate headquarters."

"Our profitability has increased by 36% in FY 2004-5 and we expect commensurate growth in FY 2005-6. We shall enhance shareholder wealth by leveraging our intangible strengths across the medium and long term."

"With public holding increasing to 12%, we have new responsibilities to shoulder."

Mr. Naresh Bhansali, Chief Financial Officer





"I run my household on a strict monthly budget and Emami's products always figure on my shopping list because they address all members of the family, are absolutely affordable and cover different varieties, sizes and price points."

"But what I truly value is Emami's 'extra': who else would think of adding 'kesar' for fairness in the baby oil? It is this sensitive understanding of a consumer's mind that makes this product a must with mothers."

"As a result, I trust the Emami brand for delivering value-for-money products with a distinctive edge over competing brands."



Mrs. Piyali Ghosal, housewife

## "The Emami brand is trusted across ages"

### Our story

"Emami's standing instruction to its scientists has always been 'Add a smile to the housewife's face'."

"So our scientists may be working out of a laboratory, but their focus is clearly the marketplace."

"Over the years, Emami's R&D team has always focused on new product development, better quality, lower costs, improved delivery and distinctive differentiation."

"As a result Emami's consumer-centric research has translated into consumer delight and a protected market share."

Dr. Neena Sharma, General Manager (R&D)



"I come from a poor family needing a sustainable income. One day, I attended a meeting which talked about how I could set up a shop at home to sell Emami products."

"So I went into business with Rs. 500. Since Emami products enjoyed a ready market, there was no real selling to do. And since Emami also encouraged me to stock *churis*, lipsticks, homemade soaps, biscuits etc, my total earnings gradually increased to Rs. 1200 a month."

"There is so much of work in the shop that I have had to enlist my family members' help. Thanks to Emami's Small Village Shop (SVS) scheme, I have been able to provide economic stability to my family."



Smt. Ranjana Pagare,  
unemployed woman.  
Dulhar, Madhya Pradesh

**"Emami's small village shop scheme guarantees me a fixed monthly income"**

#### Our story

"Emami's Small Village Shop (SVS) scheme encourages rural housewives, needy farmers and unemployed youth to become home-bound entrepreneurs before they can move on to establish a retail outlet."

"This scheme ensures a monthly income for them without disrupting their daily lives."

"As a result, Emami's SVS scheme has lived up to its social responsibility by catalysing rural development."

Mr. Rajendra Badnora, Area Sales Officer, New Channel Activity, Madhya Pradesh



“Emami’s decision to shift Navratna Oil from glass to PET bottles opened up new opportunities for us. But it was a difficult decision to make.”

“The decision entailed a fresh Rs. 70-lakh capital expenditure for us, packaging upgradation and cost saving for Emami.”

“At this point, Emami’s support and understanding was a big help. The Company assured us of a minimum purchase of 60% of our production for the first two years. It also promised to place larger orders in line with an increase in product sales by more than 25%, translating into a greater capacity utilisation of our proposed facility. Better still, Emami also contributed towards the incremental capital outlay.”

“Thanks to Emami, we have not only addressed our expansion with a greater confidence, but our new facility also enjoys a low capital cost.”



Mr. Manish Patel,  
Businessman.  
HGL Laboratoies (P) Ltd  
Bishnupur, West Bengal, supplier  
of Navratna Oil PET bottles

“Emami’s trust has enabled us to undertake new assignments even at a risk”

#### Our story

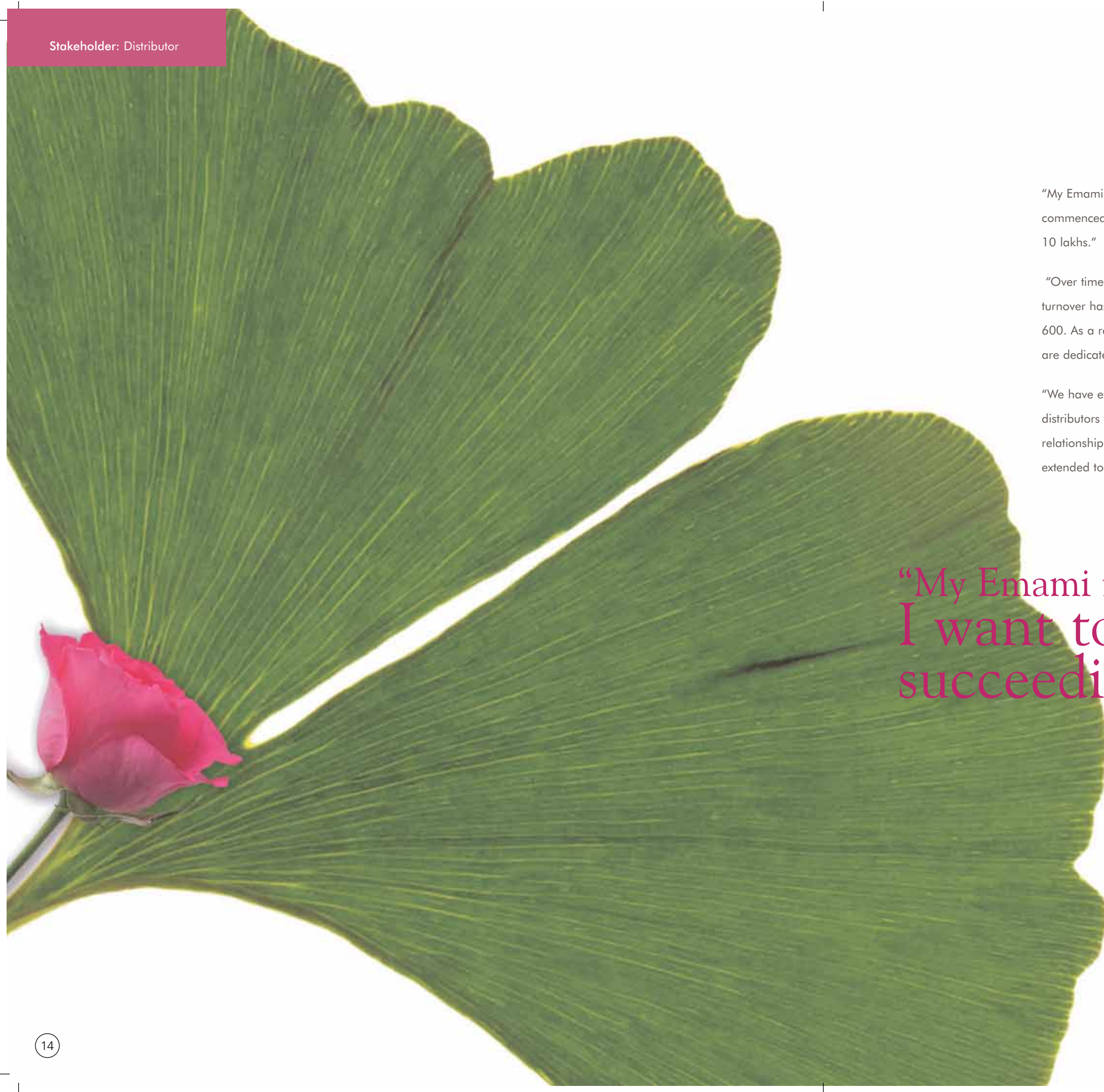
“Emami believes in mutually beneficial relationships. Our supply chain efficiency results in a shared prosperity for suppliers and the Company.”

“Our win-win supplier relationship entails that those located in tax-free zones pass on a part of their savings to us leading to lower product prices, which helps us expand the market and pass on greater volumes to the suppliers.”

“We have never discontinued relations with any of our longstanding suppliers; we have only added new contacts.”

Mr. R.S. Rathi, Purchase Manager





“My Emami relationship is a legacy I want to protect for my succeeding generations”

“My Emami distributorship across 150 Allahabad outlets commenced in 1994, my annual turnover then being only Rs. 10 lakhs.”

“Over time, this association has strengthened: annual turnover has increased seven-fold; the number of outlets to 600. As a result, two salespersons, two vans and a computer are dedicated to pushing Emami products today.”

“We have extended Emami’s excellent treatment of its distributors to our own wholesalers and retailers. Our relationship with the Emami family will continue and will be extended to the next generation of our family.”



Mr. Sunderlal,  
M/s Sundaram Agency,  
Distributor, Allahabad

#### Our story

“In 1994, I started working with Emami, at a time when M/s Sundaram Agency took over the distributorship of our products. At that time, I used to cover 150 outlets across Allahabad.”

“In a span of 10 years, I have witnessed how M/s Sundaram Agency has grown as a result of its Emami relationship and how we have reaped the benefits.”

“Earlier, we used to spend hours in making hand-written bills for the outlets, but now with the installation of computer, our job has become easier. Now we invest the valuable time on the field, strengthening our relationship with the retail outlets.”

Mr. Akhilesh Goel, Area Sales In-charge



“Emami’s vision, initiative and ‘can-do’ attitude helped me build my career.”



Mr. R.K. Surana,  
Senior Vice President

“In 1981, I joined Emami as a commercial executive, assigned to assist the Director in the manufacturing unit in Kolkata.”

“At that time Emami was a Rs. 66 lacs turnover Company manufacturing glycerine soaps, snow cream and talcum powder.”

“As the Company grew, I was given more responsibilities. Gradually, my job profile encompassed diverse departments like Production, Accounts, HR and Administration, resulting in a rich experience.”

“Over the years, Emami arranged for my on-the-job as well as external training and created a conducive environment that helped develop my career and personality.”

“As a result, as the head of Emami’s Central Purchase as well as Packaging Development Department, I helped reduce material procurement costs, developed new packaging ideas, changed SKUs, streamlined storage/transportation facilities and implemented AQL.”

“Emami rewarded my contribution and I scaled the hierarchical chain from a simple commercial executive at one unit to a senior vice president across the organisation.”

### Our story

“Emami is a values-based organisation which provides attractive opportunities for employee development. Emami’s efforts are directed towards training them, motivating them, inculcating a sense of belongingness and preparing them to recognise and address emerging challenges as a proof of a true ‘learning organisation’.”

“While our performance worksheet identifies training needs, our extensive programs on various subjects, plug the existing gaps.”

“Emami is always on the lookout for rewarding employees, be it through promotions, increments or even a letter of appreciation.”

“A success story like Mr. Surana’s is not only heartwarming, it is a vindication of our policies in achieving our HR vision.”

Ms. Ratna Sinha, HR head

# Vision

A Company which,  
with the help of nature,  
caters to the consumer needs  
and their inner cravings  
for dreams of better life  
in the fields of personal and health care,  
both in India and throughout the world



# Mission

- To sharpen consumer insights, to understand and meet their needs with value-added differentiated products that are safe, effective and fast
- To integrate our dealers, distributors, retailers and suppliers into the Emami family, thereby strengthening their ties with the Company
- To strengthen and foster in the employees a strong feeling of oneness with the Company
- To recruit, develop and motivate the best talent in the country and provide them with a demanding and challenging environment
- To uphold the principles of corporate governance and move towards decentralisation to generate maximum return for all stakeholders
- To contribute wholeheartedly towards the environment and society and to emerge as a model corporate citizen
- To bring down political boundaries, bridge the seas and emerge as a significant player in the market worldwide. To globalise, in real terms



# Values

## Respect for people

We treat individuals with dignity and respect. We are honest, open and ethical in all our interactions with dealers, distributors, retailers, suppliers, shareholders, customers and with each other.

## Consumer delight

We recognise that our business can succeed only if we can create and keep customers. We manufacture differentiated value-for-money products, and deliver safe, effective and fast solutions.

## Integrity

People at every level are expected to adhere to the highest standards of business ethics. Anything less is unacceptable. Our ethical conduct transcends policies and is integral to our corporate tradition, transferred from one generation of employees to

another. We comply with applicable government laws and regulations in the geographies where we are present.

## Quality

We are committed to excellence in everything we do. Our credo: There is always a better way. We must think creatively, continuously innovate and pursue new ideas to achieve uncommon solutions to common problems.

## Teamwork

Teamwork is the cornerstone of our business that helps deliver value to our customers. We work together across titles, jobs and organisational structure to share knowledge and expertise.

## Right environment

It is our responsibility to create an environment that helps employees realise their full potential.

## Leadership

We realise we can be a leading Company through active delegation and by creating leaders at every level of the organisation.

## Community development

We continue to contribute to the communities in which we operate and address social issues responsibly. Our products are safe to make and use. We conserve natural resources and continue to invest in a better environment.

## Transparency and shareholder value

We are committed to be driven by our conscience and regulatory standards to deliver value to our shareholders, commensurate with our management and financial strength.



# Highlights, 2004-5

## Financials

- 1% growth in revenue to Rs. 226 cr
- 36% growth in PAT to Rs. 29 cr
- 33% growth in exports to Rs. 28 cr
- 30% increase in EBIDTA to Rs. 35 cr
- 350 basis point increase in EBIDTA margin to 15.5%
- Rating of 'AA+' for long-term borrowings and 'PR1+' for short-term borrowings from CARE
- Recognition as a 'one-star export house' by the Director General of Foreign Trade

## Brands

- Boroplus Antiseptic Cream maintained its number one status with an increased market share of 63%
- Navratna Oil continued to be the market leader with an increased market share of 48%
- Despite de-growth in its category, Sonachandi Chyawanprash grew its sales by 51% in India, which helped increase its market share to 11%
- Fast Relief and Menthoplus Pain Balm continued to grow aggressively while Boroplus Prickly Heat Powder maintained its sales and market share

## Inside our plants

- First full-year of operations at the greenfield manufacturing unit in Amingaon (Guwahati)
- A tie-up with an outsourcing unit in Baddi (Himachal Pradesh), the fiscal benefits of which will be visible from 2005-6 onwards
- The commissioning of a pilot plant in the Kolkata unit to manufacture OTC products
- The initiation of a backward integration of plant biotechnology to cultivate medicinal plants/herbs



through organic means

- The automation of the manufacturing facility in Kolkata
- The ISO 9001:2000 certification and cGMP-compliance of the Company's manufacturing units

## In the market place

- An entry into the baby care segment with the launch of Sona Chandi Healthy and Fair Baby Massage Oil
- Enhancement of the Company's presence in Africa, Europe and the CIS countries
- A stronger distribution network through 2200 distributors (1700 distributors in 2003-4) and 3.67 lacs retail outlets (3.3 lacs retail outlets in 2003-4)
- A tie-up with the Post and Telegraph Services and ITC Limited for product distribution through the postal network in Maharashtra and 440 e-chaupals respectively
- An extension of the direct rural marketing initiative in West-Bengal, Chattisgarh, Madhya Pradesh and Andhra Pradesh, increasing direct household coverage from 50,000 to 5 lac homes

## In the board room

- A public offer of 50,00,000 equity shares at Rs. 70 per share (face value of Rs. 2 each) in line with Clause 40A of the listing agreement (minimum 10% non-promoter holding)
- Issue over-subscription by 36 times
- Public issue proceeds to be progressively invested in capital expenditure, strategic initiatives, brand acquisition and a new corporate headquarters



Sri R.S. Goenka

Sri R.S. Agarwal

## Founders' statement

Looking ahead, a growing economy with higher disposable incomes, a young population and growing aspirations provide a huge opportunity for the FMCG sector in general and Emami in particular.

### Dear Shareholders

A slowdown in the fast-moving consumer goods sector is the last thing any industry analyst would have predicted for a country suffering from a vast product under-penetration during a year of economic growth as in 2004-5.

But, a slowdown did transpire — a mere 1% to 1.5% annual growth rate in four years on account of some really un expected factors: as the telecom and entertainment boom transpired, consumer spending was progressively allocated towards low-cost mobile telephony and other consumer durables, staggering the offtake of FMCG products.

The year 2004-5 was a challenging one for your Company, characterised by unprecedented competition in the form of freebies, schemes, promotions

and discounts in a stagnant market. Emami successfully dealt with this situation by not only increasing the sales and market shares of its power brands, but also by substantially increasing its profits.

As an opportunity-focused organisation, Emami consolidated its operations and undertook strategic initiatives to exploit the full industry potential when growth revives, a trend that is already becoming visible.

- We identified power brands and consolidated our brand portfolio. This led to the discontinuation of some brands and a better resource allocation. Brands introduced in the recent past are expected to generate attractive returns over the near future
- We focused on research and development to create innovative and

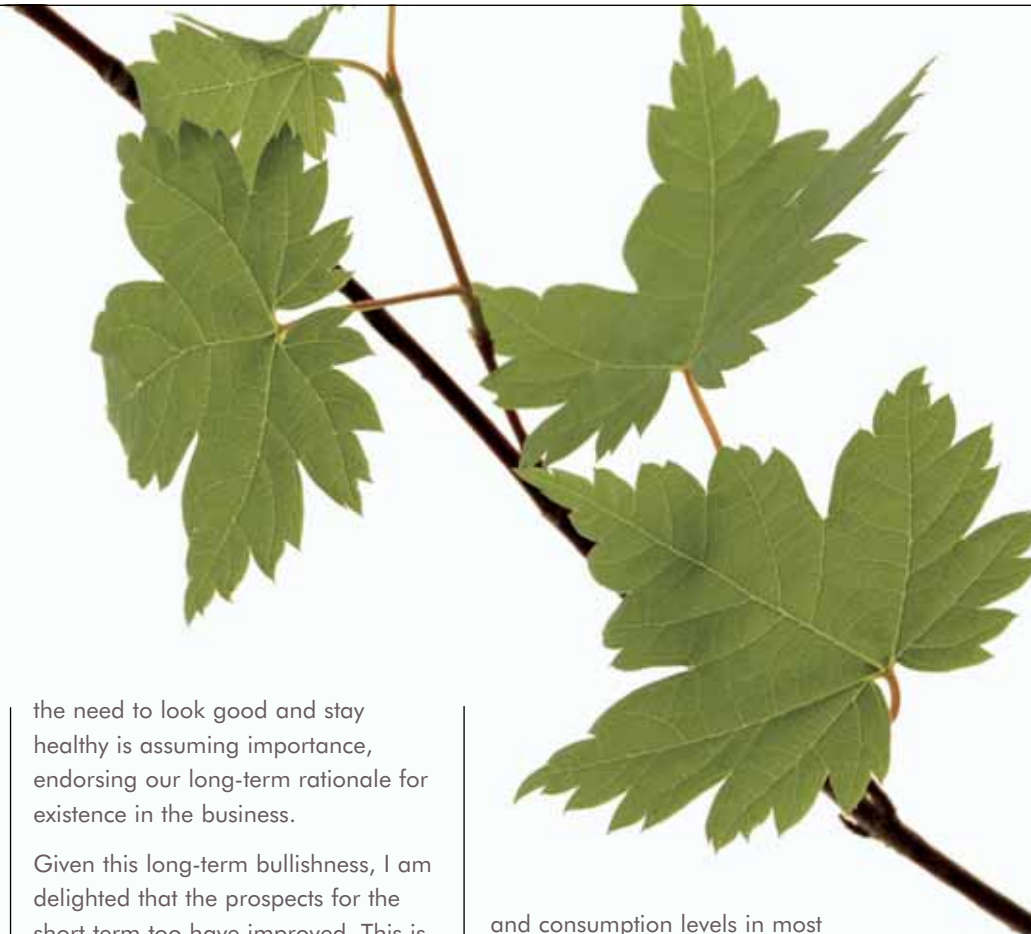
value-for-money products, many of which are in the pipeline and will be introduced at an appropriate junctures

- We invested heavily in enhancing the international quality of our packaging. Our brands are now available across all price points with introduction of low unit packs (LUPs) in almost all categories in sachets, *dibbis* and small tubes
- We increased our urban and rural market reach with the establishment of specialised teams for both our rural scheme — Emami Mobile Traders and Emami Small Village Shops — combining the twin objectives of community development and rural penetration
- We built sufficient manufacturing capacity in strategic locations to facilitate the smooth supply of goods

at a cheaper cost

- We installed ERP across all factories and offices for a faster dissemination of information, better decision-making as well as increased efficiency and cost rationalisation
- We put human resource development as the topmost priority of the enterprise in creating a young, dynamic and professional team geared to meet emerging challenges
- We reinforced our war chest by ploughing back profits and the proceeds of a recently concluded public offer aggregating Rs 35 crores, which will be progressively utilised in capital expenditure, strategic initiatives, brand development and acquisitions

As a Company with a long-term commitment, we are convinced that



the need to look good and stay healthy is assuming importance, endorsing our long-term rationale for existence in the business.

Given this long-term bullishness, I am delighted that the prospects for the short-term too have improved. This is evident in the numbers. In February 2005, the industry recorded an 8% growth rate, outperforming the 12-month moving annual total of 6.3%. Besides, in the first quarter of 2005, the FMCG industry recorded a 6.43% growth in sales, the highest since March 2001.

Looking ahead, a growing economy with higher disposable incomes, a young population and growing aspirations provide a huge opportunity for the FMCG sector in general and Emami in particular. Interestingly, the penetration levels in several categories

and consumption levels in most of our categories is low. In addressing its significant industry potential with a business that has drawn on the wisdom of the ages, Emami will exceed the aspirations of each of its stakeholders — shareholders, customers, suppliers, community, distributors and employees in a competent and comprehensive manner.

With best wishes,

R.S. Agarwal

R.S. Goenka





Sri S.K. Goenka, MD

## “Despite competition and a flat market, we grew our topline and bottomline - no mean achievement!”

Sushil Kumar Goenka, Managing Director, Emami Limited, reviews the Company's performance in 2004-5

### Were you pleased with the Company's performance in 2004-5?

The performance of a Company for any year must be judged against the context of its operating environment. In this respect, I have absolutely no complaints with Emami's performance in 2004-5. While our topline improved marginally, we grew our bottomline significantly through prudent cost-cutting — no mean achievement!

### Would you like to elaborate on this?

It was a particularly difficult year for the FMCG industry. A majority of the consumers staggered their purchases of personal and health care products due to a sustained distraction from the telecom and consumer electronic sectors. A number of companies pushed their products more aggressively in the marketplace,

marked by increased discounts and price declines. This proved counter-productive as some brands lost their sheen and were unable to recover.

As a brand-focused organisation, Emami did not follow suit. We not only protected our most valuable asset — brand recall and reputation — but also strengthened our competitive edge.

### How did this translate into an improved performance?

In a price-sensitive environment the big test is to maintain one's price line or reduce it in exchange for market share. I was delighted by the fact that Emami did extremely well in spite of the non-revision in prices. The Company was able to vindicate its consistent and distinctive branding. As a result, even as sales for most of its products like Navratna Oil, Sona Chandi Chyawanprash and

Amritprash, Fast Relief, Menthoplus Pain Balm etc. rose, so did its market share.

### What were the other positive developments during the last financial year?

We identified our power brands and rationalised non-remunerative ones. We extended our direct rural marketing to West-Bengal, Chattisgarh, Madhya Pradesh and Andhra Pradesh, increasing direct household coverage from 50,000 homes in 2003-4 to 500,000 homes in 2004-5 through the 'Emami Mobile Trader' and 'Small Village Shop' schemes. Besides, we recently entered into a rural marketing collaboration with the Post and Telegraphs Department of Maharashtra and e-chaupals of ITC Limited. As a result, while we focused on fewer brands we distributed them deeper and wider.

This is the secret of our success in a competitive year.

### The recent public offering represented a landmark for the Company, stepping out of a closely held to a wider-held status. How will it contribute to the business?

Even as the primary objective of the issue was to comply with Clause 40A of the Listing Agreement, we feel that it represents our first decisive step towards sustainable growth. The proceeds of the issue will be invested in organic and inorganic opportunities, leading to a stronger portfolio, income and profitability.

### What is the Company's overarching strategy for 2005-6?

Given the competitive FMCG industry scenario, Emami is convinced that two factors — rural penetration and

The Indian rural market is significantly under-penetrated and yet the FMCG industry struggled in 2004-5. What reasons would you ascribe this to?

The Indian FMCG industry witnessed a squeeze in profits with consumer spending patterns shifting to other segments like retail, entertainment and durables. As offtake staggered, manufacturers slashed prices and this affected the profitability and market share of most FMCG players.





## How did Emami protect its bottomline?

We protected our bottomline through proactive cost engineering, thereby replacing expensive raw material and packing material with lower priced alternatives without compromising efficacy and quality. Also, we indulged in a stronger branding initiative, which established our products in the minds of our prospects, resulting in a sustainable offtake. Finally, through a robust and deep distribution networking, we made sure that our products reached the closest points of consumption faster.

consistent innovation — will continue to be critical for growth. Towards this end, we will continue to extend our distribution to more remote population clusters of less than 20,000. We will continue to launch differentiated products with distinctive value-for-money consumer propositions that will increase our market share. We tested this strategy in 2004-5 through the launch of our baby oil – Sona Chandi Healthy and Fair Baby Massage Oil – with fairness-inducing herbs, a first of its kind in India, which was well received and will enable us to enlarge our presence in the segment during the current year.

### What is your outlook for the Company?

In view of the vast potential in the FMCG sector, we intend to embark on the following initiatives:

- Foray into the OTC Herbal category. The Healthy and Fair Sona Chandi Baby Massage Oil made its mark in the baby-care segment through its differentiated product offering at affordable price points.

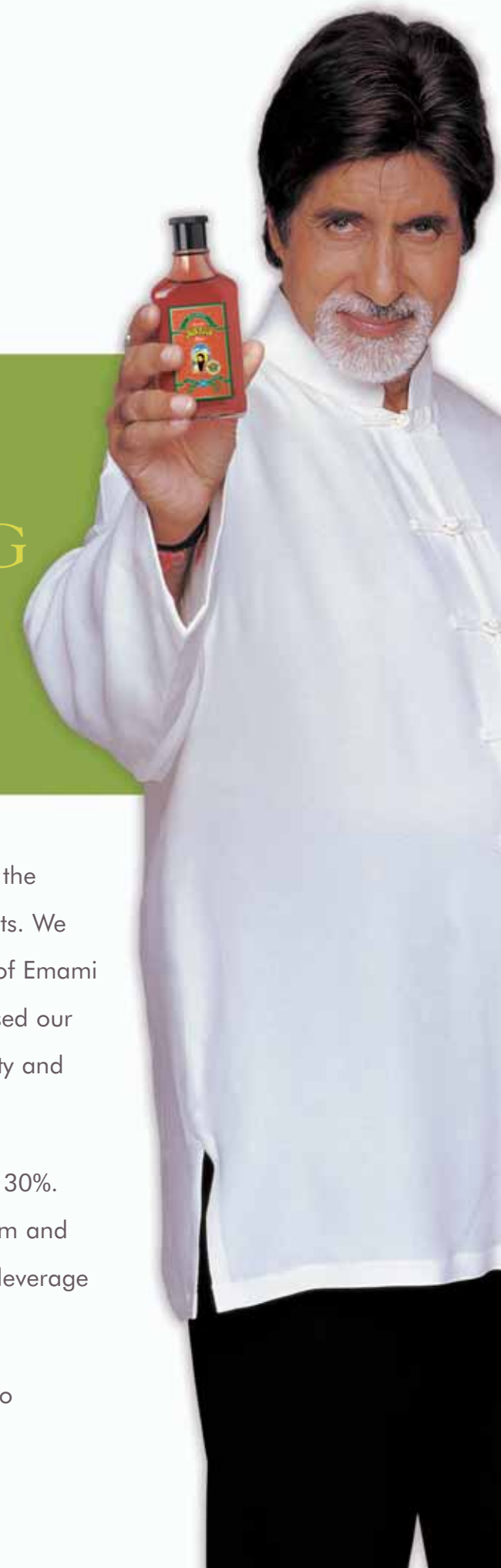
Research continues to focus on similar products at competitive prices.

- Capitalise on fiscal benefits applicable to backward integration and backward area benefits. For instance, an outsourcing unit in Baddi and the cultivation of quality herbs by a group Company represents a backward integration initiative, which is likely to ensure the competitive supply of finished goods and quality raw material. Owing to its presence in a backward area, the outsourcing unit will also enjoy fiscal benefits.
- Increase exports. The Company earned 12% of its revenue from exports in 2004-5, growing 33% over the previous year. Following the commissioning of the UK subsidiary and the Bangladesh subsidiary, the Company's international business is poised for phenomenal growth.

Coupled with the increasing growth trend of the existing power brands, the above initiatives will translate into an even better performance for the Company in the forthcoming year.

## How we countered the FMCG slowdown ?

1. We penetrated deeper, reaching the remotest parts of the country. Our direct reach increased to 3.7 lac retail outlets. We increased rural penetration through innovative schemes of Emami Mobile Traders and Small Village Shops. We also increased our international reach to 53 countries with enhanced visibility and focus in Africa, Europe and CIS countries.
2. We shrank the tenure for new product introduction by 30%. We commissioned a low-cost manufacturing unit in Assam and tied up with an outsourcing unit in Himachal Pradesh to leverage fiscal benefits
3. We entered the baby care segment and we now aim to introduce OTC herbal medicines






# Brand capital

## How we countered the FMCG slowdown ?

We invested aggressively in brand promotions – hiring strong brand ambassadors, keeping our evolving brand image. For instance, we introduced Amitabh Bachchan as the brand ambassador for Boroplus Antiseptic cream, Navratna Oil and Fast Relief while Sunny Deol, Sourav Ganguly and Govinda for Sona Chandi Chyawanprash and Amritprash

Navratna Oil Thanda Thanda Cool Cool	Brand characteristics	Brand competition	Brand performance, 2004-5	Brand image	Outlook
	<p>Ayurvedic, multi-purpose, cool oil providing relief from stress, headaches, insomnia, hair-loss and fatigue. Effective for mild scratches and burns.</p>	<ul style="list-style-type: none"> <li>• Market leader</li> <li>• Competitors are primarily localised brands like Banphool, Himgange, Himtaj and Rahatrooh in specific pockets of the Company</li> <li>• Almost all organised sector FMCG companies launched 'me-too' variants but failed</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained market leadership with an increased share of 48%</li> <li>• Increase in sales by 27%</li> <li>• Sold over 44 cr units of Navratna Oil</li> <li>• Selection of Amitabh Bachchan as the national brand ambassador and Upendra (superstar of the South Indian film industry) as the South Indian brand ambassador</li> <li>• Improved packaging through the replacement of glass bottles with PET containers with flip top caps</li> </ul>	<p>Positioned as a de-stresser, the brand is synonymous with the 'Thanda thanda cool cool' recall. Besides, Amitabh Bachchan lends credibility and elegance to the brand-image.</p>	<p>Considering its phenomenal growth rate and strong positioning, 'Navratna' enjoys a significant potential in the Indian FMCG space. Successful test launches of variants like the 'Navratna Extra Thanda' and brand extensions like 'Navratna Cool Talc' reinforced the identity that the brand enjoys</p>
	<p>Pain-relief balm containing lavang and nilgiri oil extracts.</p>	<ul style="list-style-type: none"> <li>• 'Mentho Plus' pain balm enjoys a market share of 14%</li> <li>• Comes a close third after Amrutanjana and Zandu</li> <li>• Supported by strong promotional and marketing activity</li> </ul>	<ul style="list-style-type: none"> <li>• Registered the highest growth rate of 12% in the 'pain-relief' category</li> <li>• Stronger rural focus; launched smaller dibbi (1.2 gm) priced at Rs.1.5</li> <li>• Aggressive promotional campaigns across the electronic and print media</li> <li>• Marketed 12 cr units during the year</li> <li>• Launched new schemes — '1+1' offer for the 9 gm category - for retailers and consumers</li> </ul>	<p>Used a powerful and successful brand image of Ravana.</p>	<p>Promotional strategy to remain unchanged with a greater focus on rural sales and a 65% penetration level.</p>

## Sona Chandi Chyawanprash

Surakshit Tan, Tez Dimag



### Brand characteristics

Chyawanprash comprises 'sona', 'chandi' and 52 special herbs

### Brand competition

- Number two position in the product category
- With 11% market share and an exit share of 14% (January 2005)
- Competitors are Dabur, Zandu and Baidyanath

### Brand performance, 2004-5

- Sales of Sona Chandi Chyawanprash grew 51%, which increased market share to 11%, despite de-growth in the category
- Appointment of Sunny Deol as the brand ambassador, enhancing a contemporary image in line with a new-age look; selection of Govinda as the co-ambassador

### Brand image

Chyawanprash represents the image of a healthy body and alert mind, fulfilling two most important needs of the present generation

### Outlook

The Company expects to increase its market share through continuous product / packaging upgradation and innovative marketing

## Fast Relief

Dard mitaye Chutki main



The ointment contains extracts of seven herbs (including Nilgiri, Lavang and Gaultheria) ensuring maximum relief from pain in minimum time

- Competes with Moov and Iodex
- The brand is growing faster with 7% market share (exit share of 9% in January 2005)

Aggressive turnover growth of 28%

An affordable product ensuring quick relief from pain

Selection of Amitabh Bachchan as the brand ambassador to enhance brand credibility

## Baby Massage Oil

Swastha ang-ang, gora gulabi rang



- Presence of 'sona', 'chandi' and 'kesar' to enhance health and fairness
- Transparent bottle to ensures ingredient visibility
- Targeted at the middle income group aspiring to use premium but modestly priced products

Competes with Johnson & Johnson and Dabur

- The Company has forayed into the 'baby care' category through the launch of 'Sona Chandi Healthy and Fair' baby massage oil
- The Company expects to grow its market share in this category from scratch

A product that is better placed than the premium ones available in the market, being priced affordably and offering fairness-inducing herbs for the first time in India

Promising outlook



## Boroplus Antiseptic Cream

Twacha ka suraksha kavach



Brand characteristics	Brand competition	Brand performance, 2004-5	Brand image	Outlook
An antiseptic and herbal cream to protect from cuts, wounds, burns and skin dryness	Boroplus market share grew from 59% in 2003-4 to 63% in 2004-5, making it the undisputed leader over Boroline	<ul style="list-style-type: none"> <li>Erratic climatic changes, as in a short winter in 2004-5, affected turnover growth</li> <li>The 8 gm SKU was the largest grosser among all product sizes</li> <li>Selection of Amitabh Bachchan as the brand ambassador enhanced product appeal</li> <li>Sale of 7 cr units in the domestic market and the export of 1.5 cr units</li> </ul>	Trusted, natural, reliable and value-for-money brand	The soft launch of Boroplus Light cream and lotion as a 'need gap strategy' was positive. These line extensions will now be launched over India. The Company is planning other strategies to extend the brand beyond its image as an antiseptic cream to make it a vital player in the skin care category

## Boroplus Prickly Heat Powder

Aag Bujha De Thandak La De



<ul style="list-style-type: none"> <li>The powder is available in four variants (Ice Regular, Ice Sandal, French Lavender and French Herbal)</li> <li>The natural herbal ingredients of Boroplus offer relief from itching, rashes and burning sensation; it cools prickly heat in no time</li> </ul>	<ul style="list-style-type: none"> <li>Competes with Nycil and Dermicool</li> <li>Boroplus enjoys second position after Nycil with a 23% market share</li> </ul>	Maintained its sales and market share by reintroducing the innovative 'buy one get one free' offer	Efficient and value-for-money brand	Aggressive marketing, wider distribution and a stronger rural focus are likely to push the brand further. Innovative packaging and product upgradation are likely to help the Company address competition
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------	-------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Why Amitabh?

Amitabh Bachchan is the most favoured brand ambassador in India today. This was the result of a study conducted across 10 celebrity personalities by Hansa Research, which was reported in The Economic Times on 22nd July, 2005.

This Bollywood celebrity scored a total of 6040 over Sachin Tendulkar's score of 5914 in terms of recognisability and likeability. Riding high on his magnetic screen persona, the Big B emerged as the most popular male brand ambassador, leaving behind other entertainment stalwarts like Shah Rukh Khan and Aamir Khan.

Amitabh Bachchan is the brand ambassador for three Emami brands.





# International business



## International market

- Presence in 53 countries worldwide.
- Focus in CIS, SAARC, GCC and Africa.
- Subsidiary companies comprise Emami UK Limited and Emami Bangladesh Limited
- Will set up its first overseas

manufacturing unit in Bangladesh in 2005-6

- Status of 'one star' export house

## Global industry overview

The global market for herbal products (comprising health supplements, herbal beauty and toiletry products) is estimated at around USD 62 bn.

## Performance

- Emami's international business contributes around 12% of its total

turnover.

- Launch of new products in the international market and efficient marketing lead to a 33 % growth over the previous year.

## Strategy

- New brands were launched in select international markets, keeping in mind specific consumer requirements assessed through local consumer research

- Each brand had a unique pricing strategy, customised for target segments. For instance, while 'Emma' was launched keeping in mind the choice of the masses, Ayucare products were positioned in a niche segment.
- The regional focus for each brand worked out as per each market characteristic. For instance, 'Emami' was promoted as a brand that reflected 'care' while 'Emma' was adapted to local market preferences.
- Having achieved a significant share in the international market, efforts are now on to strengthen the brands in key international markets.

Over the years, the Company strengthened its position in the international market due to its focus on the following:

- Quality, a business driver ensuring sustainability and existence. All Emami products were clinically tried and tested. Key manufacturing units practiced cGMP norms and were ISO certified.

- Key products were promoted in select countries aggressively. For example, promotional campaigns like the 'Boroplus' Peace Rally in Nepal and sponsorship of the Miss Myanmar beauty pageant helped create visibility. Besides, advertisements in the regional mass print/visual media helped generate awareness while exhibitions/trade shows were useful in market penetration and new product introduction in Europe and GCC.
- Research and Development (R&D) widened product variety. Regional product requirements were met successfully. For instance, the 'Emma' range addressed new products according to regional demands through a strong research focus leading to a short product development cycle.
- Constant monitoring and research of market trends, customer preferences, competing strategy and price movements helped the company's products evolve as per consumer requirements.
- Emami leveraged its deep

understanding of the international markets developed over the years in evolving successful international business model with a respective regional focus.

- The Company gained expertise from the team of experts in the field of Ayurveda and packaging development, gathered from across the world, in terms of product development and a timely launch of new products ahead of competitors.

## Outlook

Considering the huge international potential and strategic initiatives, the company's international business segment is expected to sustain its growth, enabling the company to emerge as a respected multinational company of Indian origin in the international arena.

## International brands

The Company identified four powerful brands for the international market:

Brands	Emami	Himani	Ayucare	Emma
Products	Cosmetic products pertaining mainly to the skin care range	Consists of products using principles of Ayurveda	Range of lifestyle enhancing products developed by Himani Ayurveda Science Foundation	Products as per regional preferences
Market	Across all regions	Across all regions	Europe & parts of GCC	Price sensitive markets across all regions
Target customer segment	Upper and Upper middle class	Middle income group	Niche segment	Mass markets







## Corporate sustainability



Emami provided a regular means of livelihood for villagers enrolled in the scheme.

### Environmental duties

Being a responsible environmental-friendly organisation, the Company initiated a number of measures to preserve and ensure the implementation of its 'Save-the-Earth' policy:

- At Emami, the responsible management of water and effluents were institutionalised in an effluent treatment plant where the effluents were adequately neutralised and responsibly disposed in line with statutory and community requirements.
- The Company ensures that noise levels are maintained below the permitted decibel limits.
- It has never faced problems regarding non-compliance with the statutory guidelines of the Pollution Control Board.
- An intelligent use of information technology in the corporate office has enabled the Company to gradually rationalise its consumption of paper.

### Community development

#### The rural self-employment scheme

Emami's rural programme provided self-employment opportunities in India's interiors especially West Bengal, Andhra Pradesh, Madhya Pradesh and Chhattisgarh.

The Company's focus was to help rural youth develop marketing and entrepreneurial skills, gain experience, consolidate their activity and extend it to various states.

Emami provided a regular means of livelihood for villagers enrolled in the scheme. Free product samples were supplied for personal use to give prospective consumers a first-hand experience. The sales team also monitored the performance of each new member. Besides, the specially trained Self Help Groups encouraged members to market self-made products along with the Emami range of products through training, in the process supporting small scale manufacture in rural India.

The scheme offered employment through Emami Mobile Traders (EMT) and Emami Small Village Shops (SVS) with the following benefits:

- Guaranteed earnings
- Cash incentives
- Winter and monsoon protection equipment
- Cycles at a subsidised rate
- Special gifts like jewellery sets

The Emami traders also marketed their products through 'haats' and 'melas' for additional income. The Company provided them with special schemes and portable stalls for participation.

Emami's rural self-development schemes were received favourably by villagers, self-help groups, NGOs and the government, supported by NABARD, regional rural banks, Nehru Yuva Kendra and farmer clubs.

#### Sheltering livestock

The Company helped tribal societies take care of their livestock. It also supported the animal care home at Liluah, which protected old cows that would otherwise have been slaughtered.

#### Providing medical help

The Company sponsored the subsidised treatment of the needy in

best-in-class hospitals like AMRI and Shree Vishudhanand Hospital and Research Institute in Kolkata. Donations were made in the form of free supplies of medicines, assistance for surgeries and hospital charges for the poor.

Emami established the 'Emami National Institute for Bone Marrow Transplantation' in the Narayana Hrudayalaya Institute, Bangalore, under the supervision of Dr Devi Shetty, the well-known cardiac surgeon. This institute provides treatment for bone marrow transplantation at free or affordable costs to the needy.





The self-employment across the country entails the following:

• Beneficiaries	1200
• Districts	25
• Households	5,48,000 approx.
• SVS	124
• Monthly per head earning range	Rs.500 - 1800

Emami success stories

Smt. Suman Trivedi, housewife, Bicholi Mardana, Indore district, is a contented woman, on her way to becoming a selfmade entrepreneur. She is earning Rs. 2000 as an EMT, a sub-distributor with an SVS at her home.

Miss Reena Rathore, student (class IX), Telikhera, Indore district, found the EMT assignment so profitable that she attracted five other friends to join. Together they cover 12 villages comprising 4000 households to sell Emami products. She has now become a sub-distributor for supplying Emami products, earning around Rs. 700 to Rs.1000 per month consistently.

Smt. Madhu Sharma, Moujbari village, Khandwa district, joined the Emami scheme and got 10 more ladies to enroll and train at Emami. Madhu has now become a sub-distributor for the area, besides being a field worker of an NGO under Swa Shakt, an organisation of Mahila Vittevam Vikas Nigam of the Government of M.P.

Smt. Renuka Basak, Husuldanga, Jalpaiguri district, West Bengal, together with four other women opted to join the self-employment scheme. Despite initial resistance from her family, the Emami scheme became an integral part of their lives. Their income of around Rs.1000 per month, inspired their husbands and 20 other women to also take up this novel project.

The youth in Ranirhat, a remote village in Cooch Behar district of West Bengal, who were mostly engaged in political and anti-social activities, opted to join the scheme. Their lives changed and they have helped change others. In total, 50 young men have been touched by Emami's project and presently earn Rs.2000 to Rs.2500 per month, contributing handsomely to their respective household incomes.

## What drives FMCG demand?

- 1 Increased disposable incomes:** Approximately 47% of India's one billion people are under the age of 20 and teenagers number about 160 million. Together, they wield INR 14,000 cr worth of discretionary income and their families spend an additional INR 18,500 cr on them every year. By 2015, Indians under 20 years are estimated to make up 55% of the population with higher spending power. Companies that are able to influence and excite such consumers would be the ones who are likely to win in a competitive market place.
- 2 Higher advertisement and promotional spending:** Only companies with strong brands have remained profitable.
- 3 Consistent product innovation:** FMCG companies that are able to spot trends early and those that are committed to continuous innovation that delight the consumer by meeting changing needs will prosper.
- 4 Relevant brand extension:** Opportunities are hidden in seemingly insignificant behavioural patterns, which are likely to open up new opportunities for the brand that might result in a spate of brand extensions.
- 5 Enhanced awareness of health and hygiene:** With consumers becoming more health conscious, effective, safe and quality products remain critical growth drivers. Discerning and fussy customers are forcing domestic FMCG companies to get their products certified from national and international agencies to enhance credibility and acceptability.
- 6 Product price-value based on efficacy:** Product superiority, along with a favourable price-value equation, will continue to form the basis of winning initiatives.







# Management discussion and analysis

## Industry overview

### Indian FMCG industry

- India's Rs. 600 bn FMCG sector is its fourth largest industrial segment, accounting for 5% of its factory employment
- India's FMCG sector is dominated by low-priced products. More than 60% of the sector's offtake is driven by the low income and lower middle-income groups; 56% of the country's offtake is derived from rural markets
- India's FMCG business strength is influenced by supply chain efficiency, brand management, proactive recognition of dynamic consumer trends, active product development and effective marketing
- Advertisement and promotion costs range from 5% to 25% of revenues

### Demand drivers

There has been no better time to be present in India's FMCG industry than the present. Advertising in the electronic media is affordable, liberalised and penetrating. As a

result, a number of companies widened and deepened their distribution networks, improved packaging and pricing, thus making an attractive proposition for them to drive sustainable growth.

What makes this business really attractive and lucrative is the huge potential that it has in India's rural and urban markets. For instance, with the positive change in lifestyle among India's rural population, affecting affluence and purchasing power, there has been the emergence of an entirely new generation of consumers. Understandably, marketing companies are no longer segmenting the market into a neat urban and rural divide. Instead, the divide is presently based on affordability and purchasing power. Steady migration from a low-income group to lower-middle and middle-income groups is a sure sign of India's vast and growing consumer base.

### Rural industry

India's rural FMCG market is characterised by the following:

- Frequent product sales

- Wide and deep distribution reach
- Increasing preference for value-for-money products as opposed to cheap products
- Number of brands in rural India is half of urban India leading to lower inter-brand rivalry
- Brand building is largely derived from brand visibility, not advertisements

Besides, a number of consumption features make India's rural market attractive for an FMCG Company:

- It is estimated that if the per capita income of an urban household is Rs.20,000 and the per capita income of a rural household is Rs.10,000, the disposable income of the latter is much higher
- According to the latest data on consumption expenditure released by the National Sample Survey Organisation (NSSO), rural India's spending on non-food items is on the rise
- The sensitivity of rural demand to rainfall or agricultural production is weakening due to a steady rise in the share of non-farm income. Moreover, the younger generation has been deriving income from the service and manufacturing sectors and is not dependent only on agricultural income

- The annual consumption of FMCG products in a rural household is Rs. 9400, the urban consumption is estimated at Rs. 13000, indicating adequate room for growth

### Indian herbal OTC market

- The Indian OTC healthcare market is competitive and fragmented, populated by a number of non-OTC products claiming to deliver the same efficacy as OTC products
- Brand proliferation and intensive marketing are characteristics of this segment. Since a number of these products use the same active ingredients, manufacturers choose to focus on unique product positioning instead of promoting active ingredients

### Company overview

#### Manufacturing

Emami's state-of-the-art manufacturing facilities at Pondicherry, Guwahati and Kolkata are ISO 9001:2000 and cGMP-compliant. These fully-automated plants ensure uniform raw material flow, automated product filling and packaging, resulting in an overall 40% greater efficiency than the older units. The Kolkata unit is equipped with a modern laboratory.

The Kolkata plant is also being used as a pilot plant for the manufacture of OTC products. Another outsourcing unit is being set up in Baddi, which will

be operational from 2005-6 onwards.

In spite of being dispersed over a large geography, each unit follows a standard operating procedure. The presence of manufacturing standards for operational procedures in the raw material preparation for each product, line-balancing for equipment validation and the validation of finished products have translated into better productivity, decline in wastage and enhanced supply chain efficiency.

The annual consumption of FMCG products in a rural household is Rs. 9400, the urban consumption is estimated at Rs. 13000, indicating adequate room for penetration growth.

### Research and development

Emami's state-of-the-art Himani Ayurvedic Science Foundation in Kolkata is engaged in the development of new and improved products. The Foundation's R&D, QA and QC teams of 21 professionals

comprises qualified doctors, engineers and specialised Ayurveda scientists. The team also has an advisory panel consisting of Ayurvedic experts from India and abroad, including Padmashri Vaidya Suresh Chaturvedi, Dr. Hari Shankar Sharma (former dean of Jamnagar University and Ayurvedacharya), Dr. Hiroe Inamura (Director of Ayurvedic Research Society, Osaka, Japan), Dr. S.K. Mishra (ex-commissioner of the Indian

The Company expects to strengthen its acceptable quality limits, standard operating procedures and standard testing procedures as well as benchmark products with competing products across quality, packaging and price parameters.

System of Medicines and Homeopathy, Department of Health and Family Welfare, New Delhi) and Dr. Pawan Sharma (MD-Ayurveda and gold medallist).

This commitment translated into the following advantages:

- Quicker mind-to-market: It takes 40% lesser time to introduce a product compared to the industry standard
- Application-oriented: Raw material substitution and reduction, resulting in lower costs
- Product differentiation: Development of innovative products and the upgradation of existing ones

#### Material management

Emami's proactive initiatives assured that the Company was not adversely affected by an increase in raw material costs, despite an across-the-board inflation.

The Company successfully neutralised this impact through the following initiatives:

- By entering into forward contracts and order bookings to counter rising prices
- By initiating the import of raw material against long-term price arrangements
- By replacing expensive raw and packing materials with lower priced alternatives without compromising on efficacy and quality
- By developing special floor

laminates for its Mentho Plus pouch packs to increase packet yield from each laminate floor

- By conducting regular training workshops for vendors

The Company developed special colours for its packaging boards to prevent counterfeit.

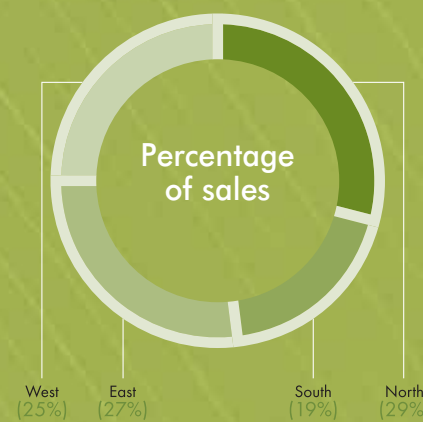
The Company expects to strengthen its acceptable quality limits, standard operating procedures, standard testing procedures, the benchmarking of its products with competing items across quality, packaging and price parameters.

#### Sales and distribution

- The distribution network of the Company's products comprises 2200 distributors, including 1200 sub-distributors
- Direct retail outlets increased by 10% in 2004-5, taking the total number to 370,000
- A 'new channel' was introduced to reinforce the Company's thrust for rural penetration, covering rural West Bengal, Madhya Pradesh, Andhra Pradesh and Chattisgarh across 500,000 rural households directly, generating 13 times more growth in revenues in 2004-5
- The Company collaborated with 440 ITC *e-chaupals* and 1200 post offices for the distribution of its products

- A scientific distribution evaluation system was developed, based on the index of investment capacity, coverage, stock keeping and service, a step towards better performance evaluation

#### Indian sales



#### Quality

Emami's quality policy states: "The Company aims at providing customer satisfaction for its personal care, skin care and health care range of products." In line with its policy, the Emami team aims to minimise rejects through a continuous re-working of processes based on customer feedback and modifications suggested by the internal team.

Emami's comprehensive quality approach covers the following stages of manufacture:

#### Emami's distribution points

- Wholesaler
- Departmental shops
- Pan biri shops
- Grocery shops
- Chemists
- Army camps
- Urban departmental stores
- Emami Mobile Traders
- Small Village Shops







## The rich potential of India's rural sector

- 53% of the total FMCG sales is derived from the rural sector
- 55% of LIC's policies were derived from rural India (2000-1)
- 55% of BSNL's mobile connections (total being 2 million) were sold in India's villages and small towns
- 5.22 lac villages in India (total being six lacs) have village public telephones

- Vendors were selected only after the team is satisfied with the product samples across various parameters
- Adherence to protocols and specifications was strictly enforced while accepting raw materials from various vendors. Besides, backward integration initiatives ensured the supply of best quality of raw materials. These measures translated into a standardised input. The team also tied up with suppliers and external agencies in testing formulations and cross checking materials
- In-process quality checks were incorporated at every stage
- Finished products were analysed by a Quality Assurance (QA) team, testers and respective brand heads
- A customer feedback cell was established to address quality led customer feedbacks and complaints

This commitment towards quality has translated into a lower reject rate at 50% of the industry standard.

The Company continued to be registered with regulatory bodies, its manufacturing facilities being cGMP and ISO 9001:2000 compliant. Emami's Ayurvedic products received certification from the Vegetarian Society of UK, which is likely to

generate better market response in the European countries.

### Backward integration

As a backward integration initiative, the Company initiated a pilot study for the captive cultivation of medicinal plants/herbs. An Emami Group Company ventured into plant biotechnology for the cultivation of medicinal plants, in collaboration with IIT, Kharagpur. The institute shall provide information on the means of organic cultivation, improved pest control and modern irrigation systems.

The captive cultivation will ensure:

- A consistent quality of medicinal plants/herbs
- Steady supply of plants, when the collection of herbs becomes restricted
- With the global demand for medicinal plants on the rise, a captive source of organically cultivated plants/herbs, a competitive edge

For the project, 50 acres of land was taken up at Balasore, Orissa, and 300 acres in Rajnagar, Birbhum. These plots will be used for producing medicinal plants / herbs like Aloe Vera, *Safed Musli* and *Amla*.

### Human resource

Emami is a value-based organisation

which provides opportunities for growth and development. It provides the right environment to motivate employees and develop an inner zeal to excel, passion to learn and commitment to meet existing and emerging challenges with a sense of integrity, warmth and belongingness.

This enables Emami employees to inculcate a culture of learning, creativity and teamwork while remaining focused on organisational objectives.

In an effort to improve the knowledge level of its human talent pool, the Company invested in various training programs, which strengthened its position as a 'learning organisation.' Some of the ongoing HR efforts and initiatives comprised:

- In-house training sessions on technical aspects such as 'safety on factory premises,' packaging and other manufacturing processes
- Training at reputed institutes for management development programs and other external programs
- Training by eminent professionals
- Active interest in training and development programmes, selecting members to attend self-development and management programs conducted by IIMs and

other prominent institutes

Besides, a number of initiatives were taken to ensure a proper nurturing of human resources, including scientific and in-depth recruitment process, effective performance appraisal systems, competency mapping in organisational climate survey, among others.

---

With the global demand for medicinal plants on the rise, a captive source of organically cultivated plants/herbs will offer Emami a competitive edge

---

### Threats

- Raw material price volatility made product planning and budgeting difficult.

Strategy to counter the threat:

Emami has been able to procure the best rates for raw materials by leveraging its negotiating skills with suppliers. Additionally, backward integration initiatives will enable the Company to use quality raw materials at competitive rates.



## The rich potential of India's rural sector

- 40 million Rural Kisan credit cards have been issued in rural India compared to 20 million credit cum debit cards in the urban areas, releasing a cumulative credit of Rs.977 billion
- 42 million rural households use the banking services as compared to 27 million urban households
- 60% of Rediffmail's sign-ups are derived from small towns
- 6.6 million rural households have invested in formal savings instruments as opposed to 6.7 million urban households

- The price-sensitive Indian market makes it difficult to pass on a rise in raw material costs to consumers.

### Strategy to counter the threat:

The Company's cost-cutting initiatives protected their margins.

- Imported products became cheaper following reductions in custom duties even as Indian products suffered from the burden of various taxes (VAT and Octroi).

### Strategy to counter the threat:

Domestic FMCG companies like Emami are manufacturing products comparable with international standards. Emami is taking steps to control its operating expenses and to keep the price of finished goods from shooting up.

- Counterfeit products threaten offtake.

### Strategy to counter the threat:

Safeguarded product formulations as well as specialised packaging to counter the threat of counterfeits.

- Decline in agricultural output is negatively impacting the FMCG sector's prospects in the short term

### Strategy to counter the threat:

As rural India reduces its dependence on agricultural output, cash rich farmers are less likely to reduce their FMCG consumption in case of a decline in

agricultural output.

### Outlook

The future of India's FMCG industry is bright for a number of reasons:

- Increasing focus on branded products
- Increasing disposable incomes

- Increasing consciousness about health, hygiene and quality products
- Increasingly younger profile of the Indian population
- Improving Indian infrastructure leading to faster transportation and communication

- Increased possibility of using Indian companies to manufacture on behalf of international brands
- A reduction in tax ambiguity, following the introduction of VAT
- A vast rural market and low penetration levels

### India's rural income dispersal is projected as below

Consumer class	Annual income	1995-96 (%)	2006-07 (%)
Very rich	Above 215000	0.3	0.9
Rich	45,001-215000	13.5	25
Climbers	22001-45000	31.6	49
Aspirants	16001-22000	31.2	14
Destitutes	16000 and below	23.4	11
<b>Total</b>		<b>100</b>	<b>100</b>

\* Projection as % of GDP based on 7.2% GDP growth

A growth in income along with a gap between the demand and supply of FMCG products, indicate a huge rural opportunity.

To leverage this optimism, the Company expects to initiate the following measures:

- Brand extensions in well

established, existing (antiseptic cream, cooling oils and Chyawanprash) and emerging segments

- Increased international reach through new innovative products (Emma and Ayurcare) and the extension of markets

- A stronger leverage of fiscal benefits through a greenfield unit in Amingaon (Guwahati) and an outsourcing unit in Baddi (Himachal Pradesh)
- Extension into OTC herbal products across various applications

## Emami strengths

### 1. Robust and visible brand

Emami's varied product range is represented by robust and visible brands. Over the years, the credibility of these brands has been reinforced by new and innovative ideas in quality, manufacturing, marketing and product communication. These have helped

the Company retain its strong brand-identity and strengthen its recall within the clutter of a competitive marketplace.

### 2. Strong research and development

A strong research and development initiative helps the Company achieve

two objectives: ongoing product upgradation and new product development.

### 3. Cost efficiency

Emami has commissioned a greenfield manufacturing unit at Amingaon (Guwahati) to leverage fiscal benefits, shift from expensive glass to food

grade packaging plastics and also move from costly aluminum collapsible tubes to lower cost plastic laminates.

### 4. Innovative packaging

Emami's sense of innovation is reflected in its use of low unit packaging, sachets, *dibbies* and small tubes, leading to an increased

market share across various segments.

### 5. Motivated people

Emami represents a prudent mix of rich promoter and professional management competencies in the personal care, healthcare and beauty care segments.

### 6. Backward integration

Emami has initiated captive organic cultivation of its medicinal plants/herbs like Aloe Vera, *Safed Musli* and *Amla*. A pilot study started in Balasore (Orissa) and Rajnagar (West Bengal) in 2004 is likely to ensure a consistent supply of quality herbs, enhancing Emami's competitive advantage.



# Risks and risk management

Risk identification	Risk explanation	Risk mitigation	Mitigation measurement
Ownership risk	The promoters of the Company offloaded around 8% of their stake in the 2005 public issue. They may not actively participate in driving the Company ahead.	The promoters hold a significant 88.2% stake in the Company following the issue. They still retain the ability to determine the outcome of all actions and directly influence major operational issues.	The Company increased its net margin to 13% from 9.7% in the previous year. The profit of Rs 29 cr represents a growth of 36% over the previous year, demonstrating managerial consistency.
Quality risk	The Emami brand rides on quality; even a marginal drop could affect consumer perception, offtake and market share.	Emami complies with quality norms in every sphere of operation — from raw material purchase to the delivery of finished goods – and following its entry into OTC products, the Company has applied for necessary certifications. To prevent counterfeit, it has adopted special measures.	The units of the Company are BIS, cGMP and ISO 9001: 2000 compliant. Besides, the Company has received the Vegetarian Society's (UK) approval to endorse its Ayurvedic products, with the objective to make a favourable impression on the European markets.
Costs risk	Any increase in the price of raw materials and packaging material may affect the Company's profitability.	The Company procures raw material from suppliers against forward contracts, protecting it from an unforeseen increase in prices. Most of Emami's suppliers derive benefits arising out of tax exemptions from units established in backward areas/states, which are passed on to Emami in the form of lower prices.	Despite a general increase in the cost of materials, Emami could restrict the costs from increasing and even reduce it compared to last year.
Geographical risk	If the Company is increasingly dependent on a particular market or geography for its sales, a downturn in any market could dent market share.	The Company enjoys a pan-Indian presence with its manufacturing facilities in proximity to raw material sources. It has selected to launch products only after ascertaining that its products will be accepted across the country.	The Company's products are manufactured across various locations — Kolkata, Pondicherry, Guwahati, Mumbai and now Himachal Pradesh — to competently address pan-Indian demand. Emami's sales are also adequately distributed: 29% from North, 27% from East, 25% from West and 19% from South India.
Funding risk	The Company is dependent on various banks and financial institutions for arranging its working capital requirements and term loans, among others. Any change in the banking policy or increase in interest rates could impact the Company's profitability.	A strong bottomline provide substantial financial support. This reduces Emami's dependence on external borrowings and helps it maintain its cost of capital. Following a downturn in interest rates, the cost of external borrowings is also low.	The Company's cash profits grew at a CAGR of 26% over 2001-2. Its effective fiscal management is evident in its reducing cost of borrowings: Rs. 7.5 cr in 2001-2 to Rs. 38 lacs in 2004-5. Strong negotiations with banks and a smooth loan repayment schedule enabled the sourcing of funds at a better rate.
New product risk	The new products of the Company may not perform well in the market place.	The Company conducts an exhaustive research into product need, efficacy, raw material availability, affordability and room for differentiation.	Sona Chandi Healthy and Fair Baby Massage Oil received an encouraging response following its test launch.
Brand awareness risk	The FMCG industry is populated with a number of brands and there is always the fear of a new product getting drowned in the clutter.	The Company's products are extensively promoted through above-the-line and below-the-line initiatives. The products are differentiated in terms of their offerings, which help to differentiate them from same-category brands.	All brands are marketed aggressively. To add to the credibility and increase brand recall, well-known celebrities like Amitabh Bachchan, Saurav Ganguly, Sunny Deol, Govinda, Madhuri Dixit etc. were appointed as the Company's brand ambassadors.

# Economic Value-Added

## Definition

Economic Value Added (EVA), designed by Stern, Stewart & Co., is a value-based framework that provides unique insights into value creation.

## Purpose

While debt holders of a firm expect a specific rate of return, the other stakeholders of the firm i.e. the shareholders, expect a higher rate of return for assuming investing risk. As a result, EVA has proved to be a popular, modern day measure of corporate performance that suffices the needs of its stakeholders.

It represents the difference between the return on capital and its cost i.e. it is Net Operating Profit After Tax (NOPAT) minus the Weighted Average Cost of Capital (WACC). In other

words, EVA is NOPAT minus an appropriate charge for the opportunity cost of all capital invested in a company.

## Application

EVA has a distinct application:

- To measure how much shareholder value the firm has created in the past

## Difference

A traditional measure like earning per share (EPS) is easily influenced by accounting practices and does not incorporate risk or the time value of money. It also does not help investors understand the intricate process of value creation.

EVA stands for a company's true 'economic profit' - the amount by which earnings exceeded or fell short

of the required minimum rate of return that investors could get by investing in other securities of comparable risk. The capital charge is a distinctive aspect of EVA. It not only takes into account the debt cost – a normal practice – but also cost of equity.

## Calculation

EVA measures how much net operating profit (adjusted for taxes) or NOPAT exceeded the capital charge (WACC \* Invested capital).

For the calculation of EVA, the cost of equity and WACC is taken into account. The firm's invested capital is multiplied by WACC to give the minimum level of operating profits the firm should generate to satisfy stakeholders.

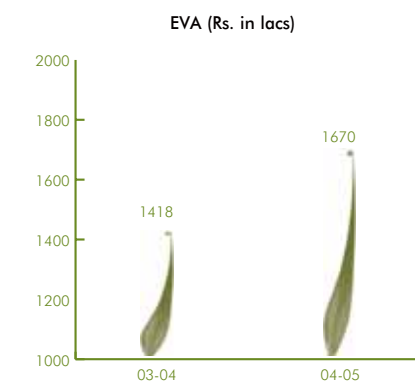
Rs. in Lacs

	2004-5	2003-4
<b>COST OF CAPITAL EMPLOYED [COCE]</b>		
a Average debt	3848	4425
b Average equity	5936	4046
c Average capital employed (a+b)	<b>9784</b>	<b>8471</b>
d Average cost of debt	8.34%	3.44%
e Marginal tax rate	3.65%	8.80%
f Post tax marginal cost of debt	8.04%	3.13%
g Cost of equity	16.90%	14.00%
h Weighted average cost of capital %	13.41%	8.32%
i COCE (c x h)	<b>1312</b>	<b>705</b>
<b>ECONOMIC VALUE ADDED [EVA]</b>		
j PAT	2944	2168
k Add : Interest	38	(45)
l NOPAT	2982	2123
m COCE as per (i) above	1312	705
n EVA	<b>1670</b>	<b>1418</b>
o EVA as % of capital employed ( n/c )	17.06%	16.74%

## Performance, 2004-5

In 2004-5, the Company reported an EVA of Rs. 1670 lacs, an increase Rs. 252 lacs - 18% - over last year. The growing EVA reflects that the company enhanced value of its shareholders through the following:

- Higher operating profit through the efficient utilisation of resources
- Investments that generated a return higher than the industry average
- Focus on power brands and a discontinuation of unproductive ones
- Cost rationalisation across all departments
- Increased market share
- Enhanced confidence among all stakeholders





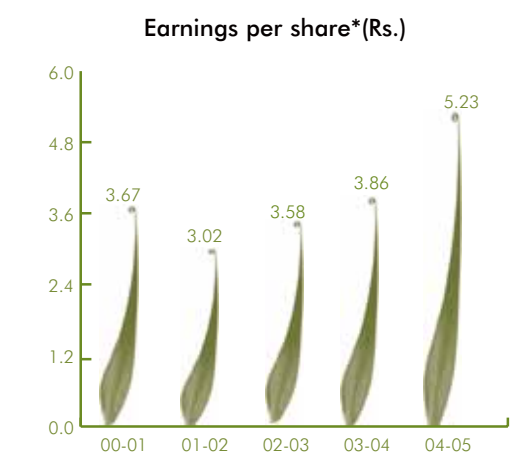
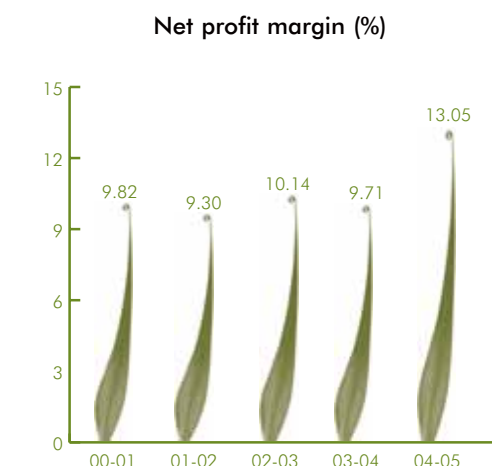
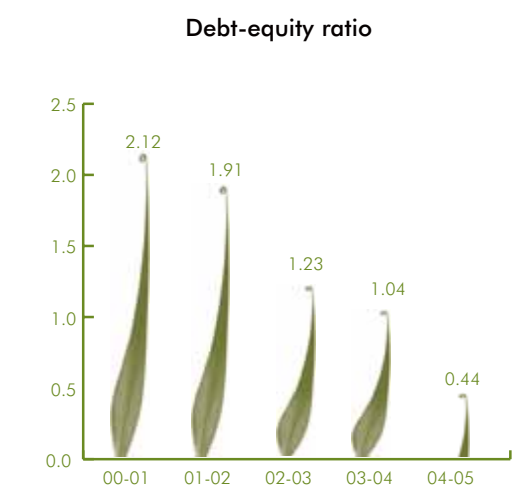
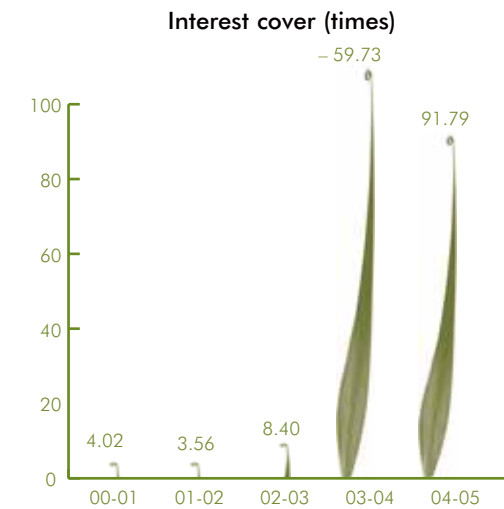
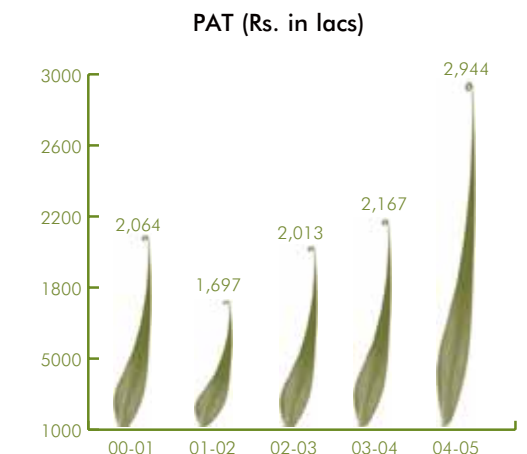
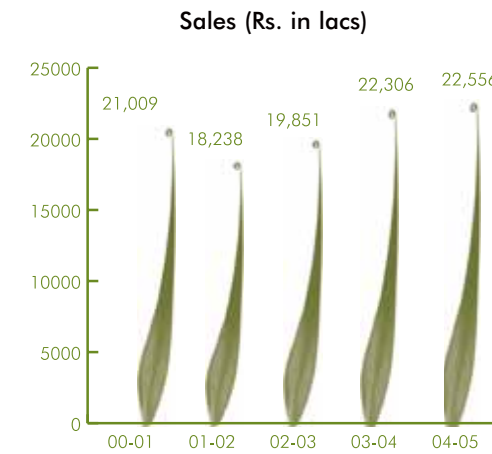
# 10-year Highlights

Rs. in lacs

PARTICULARS	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0	1998-9	1997-8	1996-7	1995-6
<b>A Operating results</b>										
Sales	22,556	22,306	19,851	18,238	21,009	14,719	10,808	5,944	5,772	4,094
PBDIT	3,488	2,688	2,630	2,695	2,882	2,108	1,261	1,046	989	669
Interest	38	(45)	313	757	716	217	109	75	163	200
PBT	3,153	2,482	2,121	1,774	2,064	1,785	1,002	840	696	345
PAT	2,944	2,167	2,013	1,697	2,064	1,705	992	830	696	341
<b>B Financial position</b>										
Fixed assets (Net block)	4,822	4,547	3,149	3,014	2,408	1,666	1,291	1,128	1,031	1,063
Net current assets	8,383	8,573	8,182	9,181	10,485	5,314	3,270	1,869	1,495	1,185
Investments	5,391	691	812	806	214	214	1,623	1,534	249	207
Total assets	18,596	13,811	12,143	13,001	13,107	7,194	6,184	4,531	2,775	2,455
Share capital										
- Equity	1,223	1,123	562	562	562	562	562	473	473	473
- Preference	-	-	-	-	250	250	250	250	-	-
Reserves & surplus	6,602	2,924	3,209	3,233	3,558	1,653	3,133	2,162	1,419	784
Equity shareholders' funds	7,825	4,047	3,771	3,795	4,120	2,215	3,695	2,635	1,892	1,257
Loan funds	3,474	4,222	4,628	7,241	8,737	4,729	2,239	1,646	884	1,198
Capital employed	11,299	8,269	8,399	11,036	13,107	7,194	6,184	4,531	2,776	2,455
<b>C Key ratios</b>										
Return on shareholders' funds(%)	37.62	53.55	53.39	44.72	50.10	76.98	26.85	31.50	36.80	27.15
Return on capital employed(%)	26.06	26.21	23.97	15.38	15.75	23.71	16.04	18.32	25.08	13.90
Debt - Equity ratio	0.44	1.04	1.23	1.91	2.12	2.14	0.61	0.62	0.47	0.95
TOL : Net worth	0.67	1.40	1.85	2.84	2.83	3.00	1.00	1.04	0.85	1.87
Net profit margin	13.05	9.71	10.14	9.30	9.82	11.58	9.18	13.96	12.06	8.33
Interest cover	91.79	(59.73)	8.40	3.56	4.02	9.71	11.56	14.01	6.07	3.35
<b>D Equity share data</b>										
Earnings per share ( Rs )	5.23	3.86	35.85	30.22	36.76	30.37	17.67	17.55	14.72	7.21
Dividend per share ( Rs )	1.14	0.34	2.81	1.99	2.21	2.24	1.65	1.66	1.32	1.00
No. of shares ( In Lacs )	611.50	561.50	56.15	56.15	56.15	56.15	56.15	47.29	47.29	47.29
Book Value per share ( Rs )	12.80	7.21	67.15	67.59	73.37	39.45	65.81	55.72	40.00	26.57

Notes :

- The figures of 1998-99 includes figures of erstwhile Emami Limited which was amalgamated with the Company, with effect from April 1, 1998.
- The figures of 1999-2000 does not include the figures of the Investment Undertaking of Emami Limited which was demerged to Pan Emami Cosmed Limited on March 31, 2000.
- Fixed assets includes only tangible fixed assets.
- Reserves and surplus is exclusive of Revaluation Reserves.
- General reserve was reduced by Rs. 17.04 cr every year from 2001-02 towards depreciation on brands.



\* Earning Per Share (EPS) has been adjusted for split and bonus issue of shares.



## Profile of the Directors

**Shri Radhe Shyam Agarwal**, Chairman, aged 59 years, is a qualified Chartered Accountant, Company Secretary and LLB. He began his career as a Senior Executive of the Birla Group. Gradually, he became associated with other projects of the Birla Group including Industrial Plants Ltd., and foreign projects in Indonesia and Bangkok. In 1974, he left the job and started a joint venture with Shri R.S. Goenka by setting up an ayurvedic medicine and cosmetic manufacturing unit in Kolkata. He has wide interest in business and is on the Board of several companies such as Emami Paper Mills Ltd., Shree Cement Ltd., Advanced Medicare & Research Institute Ltd, South City Projects (Kolkata) Ltd., Rupa & Co Ltd., Merchants Chambers of Commerce and others. He is closely associated in various capacities with many Chambers, Cultural, Charitable and

Social Service Organisations and is regarded as one of the most promising industrialists in Kolkata. He is the past President of the Merchants Chambers of Commerce, served as Director on the Board of the West Bengal Industrial Development Corporation, past President of Aradhana Trust and Committee Member of Shree Vishudhanand Hospital & Research Institute, Nagrik Swastha Sangha and Trustee of Banshilal Janki Devi Agarwal Trust.

**Shri Radhe Shyam Goenka**, Director, aged 58 years, is a Master of Commerce and LLB. He started his career in 1970 with the Birla Group of Industries. He has a very deep understanding of taxation and financial planning of industries. In the year 1974, he left the Birlas and started a joint venture with Shri R.S. Agarwal by setting up an ayurvedic

medicine and cosmetics manufacturing unit in Kolkata. He has wide interest in business and is on the Board of several companies such as Emami Paper Mills Ltd., Advanced Medicare & Research Institute Ltd, South City Projects (Kolkata) Ltd., Khaitan (India) Ltd., the Merchants Chambers of Commerce, etc. He is the Honorary Consul General of the Republic of Poland. He is closely associated in various capacities with many cultural, charitable and social service organisations. He is the trustee in Shree Vishudhanand Hospital Trust, Keshardeo Ratni Devi Goenka Trust, Banshilal Janki Devi Agarwal Trust, and Bhagatram Charitable Trust. He is the past President of the Aradhana Trust, Aradhana Cultural Organisation, Bajrang Parishad and President of Calcutta Pinjrapole Society. He is the Chairman (Research & Seminar) of Shree Vishudhanand

Hospital & Research Institute. He is a Committee member of Shri Shikshayatan Secondary School, Nagrik Swastha Sangha and Indian Cancer Society.

**Shri Sushil Kumar Goenka**, Managing Director, aged 49 years, is a Commerce graduate. Shri Sushil Goenka is the younger brother of Shri R.S. Goenka. He joined the Emami Group after completing his graduation. He has spent almost 28 years in the business and has served as Director of several other leading Indian companies. He is secretary of the Aradhana Trust, Vishwa Jagriti Mission Trust (Kolkata) and Vivekananda Hospital and Research Center, Kolkata. He is a past president of the Lions Club of North Calcutta and a member of Shri Ramkrishna Matrimangal Pratishtan, Ariadaha. He looks after the production, operations, human resources, distribution, and public relations of Emami.

**Shri Viren J. Shah**, Director, aged 79 years, is an AMP (Harvard Business School) U.S.A. with special expertise in General Business Management. He has served as the Governor of West Bengal from December 1999 to December 2004. Prior to that he was the Chairman of Mukund Limited for 27 years. He is a past president of ASSOCHAM, IMC and other

Associations. He was a Member of Parliament for 16 years in Lok Sabha and Rajya Sabha and of several Parliamentary Committees. He has also served as Director on the Board of several companies in the past. He is a non-executive Independent Director of Emami.

**Shri Shrawan Kumar Todi**, Director, aged 63 years, is a Master of Commerce. He has wide interest in business. Shri Shrawan Kumar Todi is the Chairman of the Shraichi Group of Companies and is on the Board of several Companies such as Advanced Medicare & Research Institute Limited, Bengal NRI Complex Limited, Bengal Shraichi Housing Development Limited, Bengal Tools Limited, Emami Paper Mills Limited, Bhaskar, Shraichi Alloys Limited, South City Kolkata Projects Limited, Khaitan (India) Limited, Pratidin Prakashani (P) Limited, Shraichi Securities Limited, Web Development Company Limited and others. He is closely associated, in various capacities, with many chambers, cultural, charitable and social service organisations and is regarded as one of the most promising industrialists in Kolkata. He is a member of the managing committee of the Associated Chamber of Commerce and Industries, New Delhi, Executive Committee member of the Merchants' Chamber of Commerce

( MCC ) and Chairman of the Development Committee of Marwari Hospital. He is also associated with the various Institutions, as Treasurer of Refugee Handicrafts, Trustee of Manovikas Kendra Rehabilitation & Research Institute for Handicapped, a government body, Chairman of Building Committee, Hindustan Club Limited and Member and past President of the Managing Committee of the Marwari Balika Vidyalaya Society of Shri Sikhshayatan School. He is a non-executive Independent Director of Emami.

**Shri Shyamanand Jalan**, aged 71 years, is a Commerce Graduate and an LLB. Shri Jalan is an Attorney at Law and Member of Incorporated Law Society, India and the Bar Council of India. He is an authority in real estate, property matters, finance and infrastructure projects. He is also prominent in the cultural field having won important National Awards and has been the Vice-Chairman of the Central Sangeet Natak Academy. He is presently the Chairman of the Science City and the Birla Industrial and Technological Museum. He is a Director of many other prominent companies and is a non-executive Independent Director of Emami.

**Shri Krishna Kumar Khemka**, Director, aged 72 years, is a Science



Graduate. He has set up many mega size projects in the fields of tyres, pulp and paper, heavy chemicals etc. He had been the Chairman of Indian Paper Mills Association, past President of Rotary Club of Calcutta, past President of the Indo-American Chamber of Commerce, past President of the Indo-Italian Chamber of Commerce etc. He is Committee Member of Bharat Chamber of Commerce and associated with other Chambers. He is the Honorary Consul General of Philippines. He has served as Director of several companies and has nearly 40 years of industrial experience. He is presently associated with manufacturing and exporting of gold bronze and other metal powder, mineral mining and processing and also manufacturing of cosmetics. He is also associated with many cultural organizations like the Anamika Kala Sangam, the Sangeet Kala Mandir, Padatik, etc. He is a non-executive Independent Director of Emami.

**Padmashree Vaidya Suresh**

**Chaturvedi**, aged 77 years, Kaviraj, Ayurvedacharya, BIMS, MAMS. He has held key positions in Rastriya Ayurveda Mandal, India Academy of Sexology, Indian Association of Traditional Asian Medicines. He is a member of Occult India, All India Ayurveda Congress, Medvisa International, Bharata Kalyan Manch and National Institute of

Ayurveda. He is a Honorary Physician to the Honorable Governor of Maharashtra, Consultant Physician of the Bombay Hospital. He was awarded the Padmashree by the Government of India, the Bharat Nirman Pracharya award by the Government of Tripura and was felicitated at the International Conference on Alternative Medicines. Shri Chaturvedi has written authoritative articles in leading newspapers and numerous books on diet and health. He is a non-executive Independent Director of Emami.

**Shri Shree Narayan Bihani**, Director, aged 59 years, is a Master of Commerce and a Law Graduate from the University of Calcutta. He is associated with the steel industry for the last 35 years through companies like Tisco, Essar Steel, Ispat Industries, Jindal Steel and other steel majors as their authorised distributors, dealers, and C&F Agents, sprawling a number of states in India. He is also connected with many social and charitable organisations. He is a non-executive independent Director of Emami.

**Shri Mohan Goenka**, Director, aged 32 years, is a Commerce graduate and has done MBA from the United Kingdom. He has wide knowledge and interest in business and Industries and has served as Director of several other companies. He has extensive knowledge and experience in

marketing as well as Brand development. He is the Vice Chairman of the Marketing Committee of Confederation of Indian Industry (CII), Eastern Region. He is also a member of the Merchants' Chamber of Commerce (MCC) and Young Entrepreneur Organisation, an international forum of entrepreneurs.

**Shri Aditya Vardhan Agarwal**, Director, aged 30 years, is a Commerce graduate. He has wide knowledge and interest in business and industries and has served as Director of several other companies.

He has extensive knowledge and experience in marketing as well as brand development. He is the President of the Merchants' Chamber of Commerce (MCC), Director of West Bengal Industrial Development Corporation, Committee Member and Chairman (FMCG) of ASSOCHAM, Vice President of West Bengal Basketball Association and an advisor of Academy of Ayurvedic Doctors of India, Kolkata.

**Shri Harsha Vardhan Agarwal**, Director, aged 28 years, is a Commerce graduate. He has wide knowledge and interest in business and industries and has served as Director of several other companies. He is having extensive knowledge and experience in marketing as well as brand development.



## Report on Corporate Governance

### 1. Company's philosophy

At Emami, Corporate Governance is not just the adherence to mandatory rules and guidelines. But it lies in ensuring truth, transparency, accountability and responsibility in all our dealings with our employees, shareholders, consumers and the community at large. Emami's mission to become the worlds most valued Company to consumers, dealers, retailers, investors, employees, colleagues, business partners and the community where it works and operates is enshrined in nine core values: Respect for people, Consumer

delight, Integrity, Quality, Team work, the Right environment, Leadership, Community development and transparency and Shareholder value.

Emami conducts its business by adhering to the aforesaid nine core values.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Indian stock exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance format.

### 2. Board of Directors

In compliance with the Corporate Governance norms, in terms of constitution of the Board, headed by its Executive Chairman, Shri R. S. Agarwal, the Board currently has 11 other Directors, out of which six are Independent Directors, representing the optimum mix of professionalism, knowledge and experience.

None of the Directors are members in more than ten committees formed as per the principles of Corporate Governance and neither acts as chairman of more than five such committees.

### 3. Board meetings and attendance therein

During the year 2004-5, 6 (six) board meetings were held. The gap between any two meetings has not exceeded

four months. The dates of the Board meetings are furnished below: --

- May 21, 2004
- July 23, 2004

- October 28, 2004
- December 13, 2004
- January 15, 2005
- March 22, 2005

The attendance record of the Directors at the Board meetings and the Annual General Meeting (AGM) during F.Y. 2004-5 is as follows: --

Names of the Directors	Category	No. of Board meetings attended during the year	No. of outside Directorship	No. of outside Committee Positions Held	Attendance at the last AGM
Shri R. S. Agarwal (Chairman)	Promoter Executive	6	10	Member – 2	Yes
Shri R. S. Goenka	Promoter Non – Executive	6	11	Member – 3 Chairman – 1	Yes
Shri R. K. Goenka #	Executive	4	2	Member – 1	Yes
Shri Suresh Kumar Goenka #	Executive	4	1	–	Yes
Shri S. K. Goenka (Managing Director)	Executive	5	5	–	Yes
Shri Viren J. Shah ##	Non – Executive Independent	1	–	–	N.A.
Shri S. K. Todi ##	Non – Executive Independent	1	22	Member – 6 Chairman – 2	N.A.
Shri S. N. Jalan	Non – Executive Independent	3	11	Member – 1 Chairman – 1	No
Shri K. K. Khemka	Non – Executive Independent	3	5	Member – 1 Chairman – 1	Yes
Shri S. N. Bihani	Non – Executive Independent	1	5	Member – 1	No
Vaidya Suresh Chaturvedi	Non – Executive Independent	1	–	–	No
Shri Mohan Goenka ##	Executive	1	3	Member – 1	N.A.
Shri Aditya Vardhan Agarwal ##	Executive	1	9	Member – 1	N.A.
Shri Harsha Vardhan Agarwal ##	Executive	1	3	-	N.A.
Shri M. L. Jain #	Non – Executive Independent	4	6	Member – 1 Chairman – 5	Yes
Shri P. S. Patwari #	Non – Executive Independent	4	1	Member – 3	Yes

# Resigned with effect from January 15, 2005

## Appointed with effect from January 15, 2005

### 4. Audit Committee

The Audit Committee was re-constituted by the Board in its meeting held on January 15, 2005. The Committee comprises three non-

executive Directors of whom two are also independent Directors. Sri S. K. Todi is the Chairman of the Committee and has the relevant experience in the field of finance, banking and

accounting and Sri A. K. Joshi, Company Secretary, is the Secretary of the Committee. During the year under review, the Committee held five (5) meetings.

Following is the attendance of the members in the above-mentioned meetings:

Name of the member of the committee	No. of meetings attended
Sri M. L. Jain - Chairman #	5
Sri R. S. Goenka	5
Sri P. S. Patwari #	5
Shri S. K. Todi – Chairman ##	–
Shri K. K. Khemka ##	–

# Resigned with effect from January 15, 2005

## Appointed with effect from January 15, 2005

The purposes for which the Committee was constituted and the general business transacted by the Committee were as follows: --

- Review of the quarterly, half-yearly and annual financial statements
- Reviewing with the management and external and internal auditors, the adequacy of internal control systems
- Reviewing the adequacy of internal

audit function

- Discussing with internal auditors any significant finding and follow-up on such issues
- Review of key accounting matters and developments and
- Other matters as directed by the Board

### 5. Share transfer and shareholders' / investors' Grievance Committee

Share Transfer and Shareholders / Investors Grievance Committee was reconstituted by the Board in its meeting held on January 15, 2005, with Sri S. K. Todi, Chairman, Sri Aditya Vardhan Agarwal and Sri Mohan Goenka as its members and Sri A. K. Joshi as its Secretary. During the year 2004-5, 14 meetings were held by the Share Transfer and Shareholders / Investors Grievance Committee.



The record of attendance of the members in the said meetings are as follows:

Names of the member of the Committee	No. of meetings attended
Sri M. L. Jain - Chairman #	11
Sri R. K. Goenka #	11
Sri P. S. Patwari #	10
Shri S. K. Todi – Chairman ##	3
Shri Aditya Vardhan Agarwal ##	3
Shri Mohan Goenka ##	3

# Resigned with effect from January 15, 2005

## Appointed with effect from January 15, 2005

During the year all the complaints and/or grievances as received from the investors were promptly responded to and satisfactorily replied. The status of the complaints / queries received from the shareholders' from 14.04.2004 to 31.03.2005 are as under: -

Complaints / queries received	Pending as on 31.03.2005
5	1

The business usually transacted by the Committee during the year was as follows:

- Approval of share transfers and transmissions
- Taking note of the rematerialisation of shares

- Issue of share certificates on rematerialisation
  - Taking actions on routine complaints of shareholders
- Minutes of all the Committee meetings were placed before the Board for information and noting.

#### 6. Remuneration Committee

The Remuneration Committee of the board was reconstituted by the Board of Directors in its meeting held on January 15, 2005, with Shri K. K. Khemka, Chairman, Shri S. N. Jalan and Shri S. K. Todi as its members (all Independent Non-Executive Directors) and Sri A. K. Joshi as its Secretary. During year 2004-5 one meeting of this Committee took place on January

15, 2005 and all the members attended the said meeting.

The purposes for which the Committee has been formed:

- to determine and recommend to the Board of Directors the remuneration package of the Managing Director and the Wholetime Directors.
- to approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director and the Wholetime Directors within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956.

## 7. General body meetings

Location and time of the last three Annual General Meetings are as follows:

For the year ended	Location	Date	Time
March 31, 2004	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.	August 27, 2004	11.00A.M.
March 31, 2003	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.	August 23, 2003	11.30A.M.
March 31, 2002	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.	August 23, 2002	11.30A.M.

7.1 Whether special resolutions were put through postal ballot last year?

Yes,

Shri T. R. Tibrewal, Chartered Accountant was appointed as scrutiniser for conducting the postal ballot voting process in a fair and transparent manner and he submitted his report thereon. The result of the said voting by postal ballots (by which special resolutions were passed) was announced in the last AGM held on August 27, 2004.

7.2 Are votes proposed to be conducted through postal ballot

this year?

No

7.3 Procedure for postal ballot: -

The Company has adopted the procedure for postal ballot in accordance with the provision of Section 192A read with the Company's (Passing of the Resolution by Postal Ballot) Rules 2001.

#### 8. Disclosure

8.1 Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their

subsidiaries or relatives etc. that may have potential conflict with the interest of Company at large.

The transactions did not have any potential conflict with the interests of the Company. In this respect, please refer Note 17 of Schedule 17 to the Audited Accounts.

8.2 Details of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

### 8.3 Means of communication

Are half yearly reports sent to each household of shareholders?	No
In which newspapers are quarterly results normally published in?	The <i>Financial Express</i> (in English) and <i>Pratidin</i> (in Bengali)
On which websites are quarterly results displayed?	www.sebiedifar.com
Is the Management Discussion & Analysis part of the Annual Report?	Yes

### 9. General shareholders' information:

a) Annual General Meeting :	
Date & Time	: August 25, 2005 at 11.00 A.M.
Venue	: 'Vidya Mandir', 1 Moira Street Kolkata 700 017
b) Book Closure Date	: August 20, 2005 to August 25, 2005 (both days inclusive).
c) Dividend Payment Date	: August 25, 2005 onwards.
d) Financial Calendar	: Financial Year : April 1, 2004 to March 31, 2005.
	Results were announced on :-
• 1st Quarter	: July 23, 2004
• 2nd Quarter	: October 28, 2004
• 3rd Quarter	: January 15, 2005
• 4th Quarter & Annual	: May 16, 2005
	Financial Year: April 1, 2005 to March 31, 2006.
	Results will be announced on: - (Tentative and subject to change)
• 1st Quarter	: July 30, 2005
• 2nd Quarter	: October 29, 2005
• 3rd Quarter	: January 30, 2006
• 4th Quarter & Annual	: May 15, 2006
e) Listing of equity shares at	: The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata-700001.
	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 023.

The Company has paid annual listing fees to the above stock exchanges and has complied with the listing requirements like intimating about the un-audited as well as audited financial results to the stock exchanges immediately after they were taken on record by the Board.

f) Stock code	: Mumbai Stock Exchange - 31162 Calcutta Stock Exchange - 18136
g) Stock data	: ( Equity Shares of Rs. 2/- each )

Market Price Data : High, low during each months in the last financial year.

Market Price Data : High, low during each month.

Months	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2004	86.35	58.15	–	–
May 2004	58.10	45.20	–	–
June 2004	49.00	38.00	–	–
July 2004	44.55	36.45	–	–
August 2004	43.85	38.15	–	–
September 2004	47.75	41.00	–	–
October 2004	47.60	38.00	–	–
November 2004	87.00	43.55	–	–
December 2004	97.65	65.00	–	–
January 2005	104.00	75.85	–	–
February 2005	95.55	74.05	–	–
March 2005	112.00	73.15	–	–

h) Address for correspondence:

M/s Emami Limited, 6A, R. N. Mukherjee Road,  
Stephen House, Kolkata – 700001.  
Tel: 033-2248 7651 – 54



i) Shareholders' distribution: [As on 31.3.2005]

**Distribution of shareholding**

Category	No. of Shares held	% of shareholding
<b>A. Promoters holding</b>		
<b>Promoters</b>		
- Indian Promoters		
Individuals	8597860	14.06
Corporate	45353820	74.17
- Foreign Promoters	Nil	Nil
<b>Sub-total</b>	<b>53951680</b>	<b>88.23</b>
<b>B. Non Promoters holding</b>		
<b>1. Institutional investors</b>		
a. Mutual funds & UTI	1452286	2.38
b. Banks, financial institution	19864	0.03
Insurance companies		
c. FIs	467496	0.76
<b>2. Others</b>		
a. Private corporate bodies	2510798	4.11
b. Indian public	2683442	4.39
c. NRI / OCBs	26734	0.04
<b>Sub-total</b>	<b>7160620</b>	<b>11.71</b>
3. Demat in transit	37700	0.06
<b>Grand-total</b>	<b>61150000</b>	<b>100.00</b>

**Distribution of shareholding**

Shareholding of nominal Value (Rs)	Share holders		Share amount	
	Number	% of total	In Rs.	% of total
Upto - 5000	13660	98.19	3773452	3.09
5001 - 10000	67	0.48	509022	0.42
10001 - 20000	52	0.37	766452	0.63
20001 - 30000	22	0.16	562640	0.46
30001 - 40000	14	0.10	498636	0.41
40001 - 50000	13	0.09	583874	0.48
50001 - 100000	23	0.17	1695248	1.38
100001 and Above	61	0.44	113910676	93.13
	13912	100.00	122300000	100.00

j) Change in Capital Structure:

- i. The Authorised Capital of the Company has not been changed during the year under review.
- ii. Issued & Subscribed capital of the Company has been increased to Rs 12,23,00,000 by issue of 50,00,000 Equity Shares of Rs 2/- each as fully paid up through Public Issue.

**10. Share transfer system and dematerialisation of shares and liquidity**

Registrar and Share Transfer Agents  
M/s Maheswari Datamatics Pvt. Limited

6, Mangoe Lane, Kolkata – 700001  
Tel:2248 2248, 2243 5809 / 5029  
Fax No 2248 4787  
Email : mdpl@cal.vsnl.net.in

**Share Transfer System**  
Applications for transfer of shares held in physical form are received at office of the Registrar and Share Transfer Agent of the Company. All valid transfers are processed and effected within 30 days from the date of receipt.

Shares held in the dematerialised form are electronically traded in the Depository and the Registrar and Share Transfer Agent of the Company

periodically receive from the Depository the beneficiary holdings so as to enable them to update their records and send all corporate communications, dividends cheques/warrants etc.

Physical shares received for dematerialisation are processed and completed within a period of 21 days from the date of receipt provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

At present 98.64 % of the Company's Shares are held in an electronic form.

**11. Plant location:**

West Bengal :	Pondicherry :	Assam:
13 , B.T.Road , Kolkata – 700056 .	CS – 46 & 47, PIPDIC Industrial Estate , Mettupalayam, Pondicherry – 605009.	EPIP Complex Amingaon Guwahati - 781031
	A – 83, 19th Cross, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	
	A – 24 & 25, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	
	A – 129, PIPDIC Industrial Estate , Mettupalayam, Pondicherry – 605009	

**12. Remuneration of Directors - sitting fees, salary & perquisites**

Remuneration of the Executive Directors are decided by the Board of Directors subject to approval of the

shareholders and the Remuneration Committee and in accordance with the provisions of Schedule XIII of the Companies Act, 1956. Non-Executive Directors do not receive any

remuneration from the Company except the sitting fees for the Board meetings attended by them.

## Remuneration of Directors

(Rs.)

Sl. No.	Name of Directors	Sitting Fees	Salary	Contribution to PF	Value of Perquisites	Total
1	Shri R.S. Agarwal (Chairman)	–	30,00,000	3,60,000	3,81,197	37,41,197
2	Shri R.S. Goenka	12,000	–	–	–	12,000
3	Shri R.K. Goenka #	–	11,81,452	1,41,774	2,01,846	15,25,072
4	Shri Suresh Kumar Goenka #	–	11,81,452	1,41,774	3,63,638	16,86,864
5	Shri S.K. Goenka (Managing Director)	–	15,00,000	1,80,000	2,15,468	18,95,468
6	Shri Viren J. Shah ##	2,000	–	–	–	2,000
7	Shri S.K. Todi ##	2,000	–	–	–	2,000
8	Shri S.N. Jalan	6,000	–	–	–	6,000
9	Shri K.K. Khemka	6,000	–	–	–	6,000
10	Shri S.N. Bihani	2,000	–	–	–	2,000
11	Vaidya Suresh Chaturvedi	2,000	–	–	–	2,000
12	Shri Mohan Goenka ##	–	3,18,548	38,226	89,055	4,45,829
13	Shri Aditya Vardhan Agarwal ##	–	3,18,548	38,226	49,620	4,06,394
14	Shri Harsha Vardhan Agarwal ##	–	3,18,548	38,226	40,679	3,97,453
15	Shri M.L. Jain #	8,000	–	–	–	8,000
16	Shri P. S. Patwari #	8,000	–	–	–	8,000
	<b>Total</b>	<b>48,000</b>	<b>78,18,548</b>	<b>9,38,226</b>	<b>13,41,503</b>	<b>1,01,46,277</b>

# Resigned with effect from January 15, 2005

## Appointed with effect from January 15, 2005

The Company has entered into Agreements for three years as the case may be, with each of the Executive Directors with approval of the

Shareholders and Remuneration Committee. For the prior termination of the Agreement, a six months' notice is required to be given from either side

and no compensation is payable at the time of termination. The Company does not have a stock option scheme.

## Auditors' report on Corporate governance

### TO THE MEMBERS OF EMAMI LIMITED

We have reviewed the records of EMAMI LIMITED for the year ended on March 31, 2005 relating to compliance with the requirements of Corporate Governance as stipulated in Clause 49 of the Listing Agreements of the company with the stock exchanges.

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

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

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

For **Saxena & Company**  
Chartered Accountants

**Mr. S.K. Agrawal**  
Partner  
Membership No. 9067

Kolkata  
May 16, 2005



# Directors' report

Dear shareholders,

Your Directors have the pleasure in presenting their report and audited accounts of the Company for the year ended March 31, 2005.

## Financial results

The financial results are summarised below:

Rs. in lacs

	2004-5	2003-4
<b>Operating Income</b>	21885	21613
Profit before depreciation and taxation	3450	2733
Depreciation	2001	1955
Less : Transferred from reserves	1704	1704
<b>Profit before taxation</b>	3153	2482
Less : Provision for taxation	115	222
<b>Profit before deferred taxation</b>	3038	2260
Less : Deferred tax ( Net )	94	93
Short/(Excess) provision for		
Taxation of earlier years	(6)	(3)
Balance brought forward	320	256
<b>Profit available for appropriation</b>	<b>3270</b>	<b>2426</b>
<b>Appropriation :</b>		
General reserve	2177	1916
Proposed dividend	612	168
Corporate dividend tax	85	22
Balance carried forward	396	320
	<b>3270</b>	<b>2426</b>

## Dividend

Your Directors are pleased to recommend dividend @ 50% on the post public issue — increased equity capital for financial year 2004-5.

## Capital structure

During the year, 50 lacs equity shares of Rs. 2 each at a price of Rs. 70 per share were allotted under the Public Issue. The object of the issue was to finance the capital expenditure, including construction of a corporate house and also to meet the requirement of funds for general corporate purposes, including strategic initiatives and acquisitions.

## Business performance and prospects

Your Company has performed satisfactorily despite adverse market conditions. With increased competition and lower consumer spent, market conditions continued to be sluggish. The concerns and confusions in the trading community, over the impact of the implementation of VAT w.e.f. April 1, 2005, also affected the offtake

towards the end of the year.

Nonetheless, almost all focused brands have performed satisfactorily. Exports have also grown considerably. The continuous thrust on cost reduction, technology upgradation, faster communication systems, innovative R&D and improvement in product manufacturing process and quality standards has helped deliver a healthy bottomline with 36% growth in Profit after tax (PAT) at Rs. 29.44 cr against Rs. 21.67 cr in the previous year, despite smaller growth in turnover.

Industry has started looking up. With its trusted brands, new products in the pipeline, innovative R&D and strong marketing capabilities, Emami is poised to realise the benefits of its strengths and prominent market position for future business growth.

## Subsidiaries

Accounts, together with Directors' Report and particulars as required under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Companies are appended.

## Directors

During the year, Shri Raj Kumar Goenka, Shri Suresh Kumar Goenka, Shri P. S. Patwari and Shri M.L. Jain have resigned. The Board places on record its gratitude for the services rendered by them during their tenure as members of the Board.

Shri Viren J. Shah, Shri S.K. Todi, Shri Mohan Goenka, Shri Aditya Vardhan Agarwal and Shri Harsha Vardhan Agarwal were appointed as additional Directors with effect from January 15, 2005 and they hold office up to the ensuing Annual General Meeting of the Company. The Company has received notices from members pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Shri Viren J. Shah, Shri S. K. Todi, Shri Mohan Goenka, Shri Aditya Vardhan Agarwal and Shri Harsha Vardhan Agarwal for the office of the Director.

Shri R.S. Goenka and Shri S.N. Bihani retire by rotation and, being eligible, offer themselves for reappointment.

### Auditors' Report

The observations made in the Auditors' Report are self explanatory and therefore, do not call for any further comments.

### Auditors

The Auditors, M/s. Saxena & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

### Directors' responsibility statement

Your Directors wish to inform members that the audited accounts containing financial statements for the year 2004-5 are in conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations.

Your Directors further confirm that:

- i) In the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) The Directors had selected such accounting policies and applied

them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors had prepared the annual accounts on a going concern basis.

### Corporate Governance

The information pursuant to the provisions of Corporate Governance are hereby presented in a separate report and annexed along with this report.

### Energy, technology and foreign exchange

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956, in respect of the conservation of energy, technology absorption and the foreign exchange earning, is annexed along

with this report.

### Personnel

As required by Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report and the accounts are being sent to all members of the Company, excluding the aforesaid information. Any member interested in obtaining such particulars may write to the secretary at the registered office of the Company.

### Acknowledgement

Your Directors wish to appreciate the dedication and commitment displayed by the employees of the Company at all levels and also express their sincere thanks and appreciation to financial institutions, banks, government authorities, business associates, distributors, retailers, stakeholders and consumers of its products for their continued support.

For and on behalf of the Board

Kolkata  
May 16, 2005

**R.S. Agarwal**  
Chairman

## Annexure to the Directors' report

*Statement of particulars under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.*

### 1. Particulars with respect to conservation of energy

The power consumption of the Company, as a percentage of the total turnover, comes to a negligible 0.46%.

The details of the consumption, as per the prescribed format, is as under:

#### A. Power and fuel consumption

	2004-5	2003-4
1. Electricity		
a) Purchased Units (lac KWH)	14.37	7.84
Total Amount (Rs. in lacs)	63.82	38.37
Average Rate/Unit (Rs)	4.44	4.89
b) Own generation		
i) Through Diesel Generator Units (lac KWH)	0.94	0.28
Unit/Litre of Diesel	3.72	2.58
Cost/Unit (Rs.)	6.78	7.93
ii) Through Steam Turbine/Generator	N.A.	N.A.
2. Coal	-	-
3. Furnace Oil	-	-
4. Other/Internal Generation	-	-

#### B. Consumption per unit of production

##### Product (with details)

Unit  
Electricity  
Furnace  
Coal (Specify quality)  
Other (Specify)

Since the Company manufactures several formulations and having regard to the records and other books maintained by the Company it is impracticable to apportion the utilities.



## 2. Particulars with respect to technology absorption

### A. Research & development

- The R&D activities of the Company are specifically focussed to the development of new products and improvement in existing products and analytical methods.
- The result of such dedicated research work is the constant and innovative expansion in the range of products and achieving greater levels of quality by improved consumption of raw materials and reduction in wastage.
- Company's future plan includes putting greater emphasis on the Ayurveda science to come out with newer additions in the product range without compromising on quality.

### 4. Expenditure in R&D : Rs. in lacs

a) Capital	-
b) Recurring	59.13
c) Total	59.13
d) R&D as a percentage of total turnover	0.26%

### B. Efforts in brief towards technology absorption, adaptation and innovation

- The Company has always been aware of the latest technological and know-how development and adapted to the best possible extent to make the product more cost effective and to attain high levels of quality.
- Benefits derived as a result of the above efforts: The benefits derived by the Company for such an adaptation has been evident in the reduction of cost, improvement in the products and development of new products.
- Imported Technology :

Technology imported	None
Year of import	Not applicable
Has technology been fully absorbed?	Not applicable

### 3. Foreign exchange earnings and outgo

A. The total foreign exchange used during the year by the Company is

apportioned under the following heads :

	Rs. in lacs
Raw materials	153.79
Capital goods	12.40
Professional fees	24.08
Interest	173.65
Others	209.20
<b>Total</b>	<b>573.12</b>

B. Foreign Exchange earnings during the year 1851.89  
(Export of goods on FOB basis)

For and on behalf of the Board

Kolkata  
May 16, 2005

**R. S. Agarwal**  
Chairman

## Auditors' Report

To

The Members of **EMAMI LIMITED**

We have audited the Balance Sheet of Emami Limited as at March 31, 2005 and also the Profit & Loss Account and the cash flow statement 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.

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. 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.

We further report that:

- 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.
- In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books.
- The Balance Sheet, Profit & Loss Account & Cash flow Statement referred to in this report are in agreement with the books of accounts and comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.

(d) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March, 2005 from being appointed as a director in terms of Section 274 (1) (g) 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 on accounts as per schedule 17 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:

- In the case of Balance Sheet of the State of Affairs of the Company as on 31 March, 2005;
- In the case of Profit & Loss Account of the Profit for the year ended on that date; and
- In the case of cash flow statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditors Report) order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - The fixed assets were physically verified during the year by the management in accordance with a

program of verification, covering all fixed assets over a period of three years, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

- (2) (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not significant and the same have been properly dealt with in the books of accounts.
- (3) (a) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has granted unsecured loans to a Company listed in the register maintained under section 301 of the Companies Act, 1956, amounting to Rs 200 Lacs during the year, the rate of interest and other terms & conditions of which are not prima facie prejudicial to the interest of the company.
- (4) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale

of goods. We have not observed any continuing failure to correct major weaknesses in the internal control system.

- (5) (a) According to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
- (b) According to the information and explanations given to us, the company has not entered into transactions in pursuance of such contracts or arrangements aggregating during the year to Rs 5,00,000 or more in respect of each party listed in the register maintained under Section 301 of the Companies Act, 1956 for purchase of goods, materials and sales of goods.
- (6) The Company has not accepted any deposits as defined under section 58A & 58AA or other relevant provisions of the Companies Act, 1956.
- (7) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (8) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (9) According to the information and explanation given to us in respect of statutory and other dues:
- (a) The company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year.
- (b) Contingent dues on account of Sales Tax, Income

Tax, Customs Duty, Cess disputed by the company and not being paid vis-à-vis forums where such disputes are pending are mentioned below:

*(Rs. in lacs)*

Name of the Statute	Amount – Net of Advances	Forum where dispute is pending
Sales Tax	323.78	Appeal before Tribunal
Sales Tax	70.43	Appeal before High Court
Sales Tax	75.21	Appeal before DC (Appeal)
Sales Tax	12.66	Appeal before Revisional Board
Sales Tax	32.51	Appeal before AC (Appeal)
Sales Tax	81.63	Appeal before JC (Appeal)
Income Tax	9.10	Appeal before CIT (Appeal)

- (10) The Company does not have accumulated losses as at the end of the year and the company has not incurred cash losses during the current and the immediately preceding financial year.
- (11) Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of dues to financial institution and banks.
- (12) According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (14) According to the information given to us, the company has given a guarantee for loan taken by others from a bank. As explained the terms and conditions thereof are not prejudicial to the interest of the company.
- (15) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were applied by the company for the purposes for which the loans were obtained.
- (16) According to the cash flow statement and other

records examined by us and the information and explanations given to us on an overall basis, funds raised on short term basis have, prima-facie, not been used during the year for long term investment.

- (17) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act 1956, during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (18) The Company concluded its public offering during the year. Out of Rs 35 crore raised Rs 10.72 crores have been used as per the details given in note no. 5 of schedule 17 and the balance funds have been used in reducing working capital borrowings temporarily.
- (19) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Saxena & Company**  
*Chartered Accountants*

**S. K. Agrawal**  
*Partner*

Kolkata  
May 16, 2005

Membership No. 9067



## Balance Sheet

Rs in lacs

As at 31 March	Schedule	2005		2004	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,223.00		1,123.00	
Reserves & Surplus	2	30,460.74	31,683.74	26,783.09	27,906.09
Deferred Tax (Net)			480.00		429.00
<b>Loan Funds</b>					
Secured Loans	3	3,375.82		4,104.48	
Unsecured Loans	4	98.36	3,474.18	117.15	4,221.63
			<b>35,637.92</b>		<b>32,556.72</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	32,021.38		31,893.39	
Less : Depreciation		10,562.74		8,757.30	
Net Block		21,458.64		23,136.09	
Capital Work-in-Progress		405.35	21,863.99	157.24	23,293.33
Investments	6		5,391.05		690.78
<b>Current Assets, Loans and Advances</b>					
Inventories	7	3,674.58		3,097.26	
Sundry Debtors	8	3,524.79		4,405.70	
Cash & Bank Balances	9	34.43		46.11	
Loans & Advances	10	2,650.84		2,177.66	
			9,884.64		9,726.73
Less :					
Current Liabilities & Provisions	11	1,501.76		1,154.12	
Net Current Assets			8,382.88		8,572.61
			<b>35,637.92</b>		<b>32,556.72</b>
Notes on Accounts & Significant Accounting Policies	17				

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

S. K. Agrawal Partner  
R. S. Agarwal Chairman  
R. S. Goenka Director  
Viren J. Shah Director  
S. K. Todi Director

S. N. Jalan Director  
K. K. Khemka Director  
Vaidya S. Chaturvedi Director  
Mohan Goenka Director

Kolkata  
May 16, 2005  
H. V. Agarwal Director  
S. K. Goenka Managing Director  
A. K. Joshi Secretary

## Profit and Loss Account

Rs in lacs

For the year ended 31 March	Schedule	2005		2004	
<b>INCOME</b>					
Operating Income	12	21,885.20		21,612.94	
Other Income	13	33.07		67.74	
		<b>21,918.27</b>		<b>21,680.68</b>	
<b>EXPENDITURE</b>					
Cost of Goods Sold/ Consumed	14	12,609.33		13,708.36	
Manufacturing, Administrative & Selling Expenses	15	5,820.89		5,283.91	
Interest & Finance Charges	16	38.07		(45.08)	
		<b>18,468.29</b>		<b>18,947.19</b>	
<b>PROFIT</b>					
Profit Before Depreciation & Taxation			3,449.98		2,733.49
Depreciation		2,001.53		1,955.08	
Less : Transferred from General Reserve		1,704.21	297.32	1,704.21	250.87
Profit Before Taxation			3,152.66		2,482.62
Provision for Taxation			115.00		222.00
Profit Before Deferred Tax			3,037.66		2,260.62
Deferred Tax (Net)			(94.00)		(93.30)
Excess/(Short) Provision for Taxation of earlier years			5.51		3.44
Balance Brought Forward			320.73		255.71
Available for Appropriation			<b>3,269.90</b>		<b>2,426.47</b>
<b>APPROPRIATIONS</b>					
General Reserve			2,176.57		1,915.71
Proposed Equity Dividend			611.50		168.45
Corporate Dividend Tax			85.76		21.58
Balance Carried Forward			396.07		320.73
			<b>3,269.90</b>		<b>2,426.47</b>
Notes on Accounts & Significant Accounting Policies	17				
Earnings per share - Basic & Diluted - Rs.			5.23		3.86

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

S. K. Agrawal Partner  
R. S. Agarwal Chairman  
R. S. Goenka Director  
Viren J. Shah Director  
S. K. Todi Director

S. N. Jalan Director  
K. K. Khemka Director  
Vaidya S. Chaturvedi Director  
Mohan Goenka Director

Kolkata  
May 16, 2005  
H. V. Agarwal Director  
S. K. Goenka Managing Director  
A. K. Joshi Secretary

## Schedules forming part of the Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>1 SHARE CAPITAL</b>		
<b>Authorised</b>		
7,50,00,000 Equity Shares of Rs. 2/- each	1,500.00	1,500.00
	<b>1,500.00</b>	<b>1,500.00</b>
<b>Issued &amp; Subscribed</b>		
6,11,50,000 Equity Shares of Rs. 2/- each fully paid up * (Previous Year : 5,61,50,000 Equity Shares)	1,223.00	1,123.00
	<b>1,223.00</b>	<b>1,123.00</b>

\* a. Includes 2,80,75,000 Equity Shares issued as fully paid Bonus Shares

b. Includes 2,68,30,000 Equity Shares allotted for consideration other than cash.

**2 RESERVES AND SURPLUS**

<b>Capital Reserve</b>				
At commencement of the year	3.36		3.36	
Received during the year	76.28	79.64	-	3.36
<b>Share Premium</b>				
Received during the year	3,400.00		-	
Utilised towards Share Issue Expenses	273.97	3,126.03	-	-
<b>Capital Redemption Reserve</b>				
At commencement of the year	-		250.00	
Utilised for issuing Bonus Shares	-	-	(250.00)	-
<b>Revaluation Reserve</b>		23,859.00		23,859.00
<b>General Reserve</b>				
At commencement of the year	2,600.00		2,700.00	
Utilised for issuing Bonus Shares	-		(311.50)	
Impairment of Fixed Assets (Net of Deferred Tax of Rs. 43 lacs)	(72.36)		-	
Transferred to Profit & Loss Account	(1,704.21)		(1,704.21)	
Transferred from Profit & Loss Account	2,176.57	3,000.00	1,915.71	2,600.00
<b>Profit &amp; Loss Account</b>		396.07		320.73
		<b>30,460.74</b>		<b>26,783.09</b>

**3 SECURED LOANS**

<b>Cash Credits</b>	889.91	273.17
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.		
<b>Term Loans</b>	2,485.91	3,831.31
Secured by charge/mortgage of specific movable/immovable, tangible / intangible assets etc.		
The above loans are further secured by personal guarantees of some of the Directors.		
	<b>3,375.82</b>	<b>4,104.48</b>

## Schedules forming part of the Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>4 UNSECURED LOANS</b>		
Loans	-	10.00
Trade Deposits	76.10	78.41
Interest Free Sales Tax Loan	0.92	3.87
Interest accrued & due	21.34	24.87
	<b>98.36</b>	<b>117.15</b>

**5 FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.4.2004	Additions	Sales/ Adjust-ments	Total	As on 01.4.2004	For the Year	Sales/ Adjust-ments	Total	As on 31.3.2005	As on 31.3.2004
Brands	2,6510.00	-	-	26,510.00	7,763.63	1,704.23	-	9,467.86	17,042.14	18,746.37
Land										
<i>Leasehold</i>	68.99	-	-	68.99	1.35	1.03	-	2.38	66.61	67.64
<i>Others</i>	307.70	-	-	307.70	-	-	-	-	307.70	307.70
Buildings	1,734.19	53.24	30.31	1,757.12	183.03	55.58	1.54	237.07	1,520.05	1,551.16
Plant & Machinery	2,472.42	375.73	314.65	2,533.50	555.29	158.35	158.48	555.16	1,978.34	1,917.13
Furniture, Equipments & Computers	681.62	62.09	44.43	699.28	225.02	72.42	24.37	273.07	426.21	456.60
Motor Vehicles	118.47	59.09	32.77	144.79	28.98	9.92	11.70	27.20	117.59	89.49
<b>Total</b>	<b>31,893.39</b>	<b>550.15</b>	<b>422.16</b>	<b>32,021.38</b>	<b>8,757.30</b>	<b>2,001.53</b>	<b>196.09</b>	<b>10,562.74</b>	<b>21,458.64</b>	<b>23,136.09</b>
Capital Work-In-Progress	157.24	288.14	40.03	405.35	-	-	-	-	405.35	157.24
<b>Grand Total</b>	<b>32,050.63</b>	<b>838.29</b>	<b>462.19</b>	<b>32,426.73</b>	<b>8,757.30</b>	<b>2,001.53</b>	<b>196.09</b>	<b>10,562.74</b>	<b>21,863.99</b>	<b>23,293.33</b>
Previous Year's Figures	30,423.41	1,822.10	194.88	32,050.63	6,823.49	1,955.17	21.36	8,757.30	23,293.33	

**Note :**

- Adjustments includes Rs. 271.28 lacs in Gross Block and Rs. 155.92 lacs in Depreciation on account of impairment of fixed assets.
- Depreciation of Nil (Previous Year : Rs. 0.09 lacs) capitalised as preoperative expenses.



## Schedules forming part of the Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>6 INVESTMENTS (Other than Trade)</b>		
<b>Long Term</b>		
<b>A. Quoted - Fully Paid up</b>		
J .B. Marketing & Finance Limited		
5,13,514 Equity Shares of Rs. 10/- each	61.62	61.62
	(i)	61.62
<b>B. Unquoted - Fully paid up</b>		
<i>In Subsidiary Companies</i>		
Emami UK Limited		
38,704 Ordinary Shares of £ 1 each	28.91	28.91
Emami Bangladesh Limited		
50 Ordinary Shares of Taka 100 each	0.04	-
<i>Others</i>		
CRI Limited		
6,00,000 Redeemable Preference Shares of Rs. 100/- each	600.00	600.00
6 Years' National Savings Certificate (Lodged With Government Authority)	0.25	0.25
	(ii)	629.20
<b>Current</b>		
HDFC Floating Rate Income Fund - Short Term Plan - Growth		
44,95,109.321 Units of Rs. 10/- each	500.00	-
HDFC Cash Management Fund - Savings Plan - Growth		
50,84,881.195 Units of Rs. 10/- each	700.00	-
Prudential ICICI Liquid Plan IP- Growth		
67,09,061.914 Units of Rs. 10/- each	1,100.23	-
Prudential ICICI Liquid Plan - Growth		
Purchased : 36,87,587.580 Units of Rs. 10/- each	-	-
Sold : 36,87,587.580 Units of Rs. 10/- each	-	-
Reliance Floating Rate Fund Growth Plan - Growth		
68,08,090.219 Units of Rs. 10/- each	700.00	-
ING Vysya Liquid Fund - Growth		
49,72,862.380 Units of Rs. 10/- each	700.00	-
ABN AMRO Floating Rate Fund IP - Growth		
48,65,848.555 Units of Rs. 10/- each	500.00	-
DSP Merrill Lynch Floating Rate Fund - Growth		
45,56,763.604 Units of Rs. 10/- each	500.00	-
	(iii)	4,700.23
<b>Total (i) + (ii) + (iii)</b>	<b>5,391.05</b>	<b>690.78</b>
<b>Aggregate Book Value of Quoted Investments</b>	<b>61.62</b>	<b>61.62</b>
<b>Aggregate Book Value of Unquoted Investments</b>	<b>5,329.43</b>	<b>629.16</b>
<b>Aggregate Market Value of Quoted Investments</b>	<b>77.03</b>	<b>77.03</b>

## Schedules forming part of the Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>7 INVENTORIES</b>		
Raw & Packing Materials	1,077.82	1,010.74
Work-in-progress	11.14	31.23
Finished Goods	2,397.58	2,029.38
Stores & Advertising Materials	188.04	25.91
	<b>3,674.58</b>	<b>3,097.26</b>
<b>8 SUNDRY DEBTORS</b>		
<i>Unsecured, Considered Good</i>		
Due over six months	172.16	54.15
Other Debts	3,352.63	4,351.55
	<b>3,524.79</b>	<b>4,405.70</b>
<b>9 CASH AND BANK BALANCES</b>		
Cash in hand	7.05	5.53
<i>With Scheduled Banks</i>		
- Current Accounts	22.68	28.16
- Margin Deposit	3.39	11.19
- Unpaid Dividend Account	1.31	1.23
	<b>34.43</b>	<b>46.11</b>
<b>10 LOANS AND ADVANCES</b>		
<i>Unsecured, Considered Good</i>		
Loans & Advances recoverable in cash or in kind or for value to be received	2,395.13	2,036.82
Deposits	222.03	180.78
Income Tax Net of Provisions	33.68	(39.94)
	<b>2,650.84</b>	<b>2,177.66</b>

## Schedules forming part of the Accounts

Rs in lacs

As at 31 March	2005		2004	
<b>11 CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current liabilities</b>				
Sundry Creditors	794.58		932.36	
Interest Accrued but not due	8.61		30.50	
Unclaimed Dividend *	1.31	804.50	1.23	964.09
* This does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.				
<b>Provisions</b>				
Proposed Equity Dividend	611.50		168.45	
Corporate Dividend Tax	85.76	697.26	21.58	190.03
		<b>1,501.76</b>		<b>1,154.12</b>

For the year ended 31 March	2005		2004	
<b>12 OPERATING INCOME</b>				
Sales	22,556.47		22,305.62	
Less : Excise Duty	676.72	21,879.75	695.71	21,609.91
Commission (TDS - Rs. 0.20 lac, Previous Year - Rs. 0.08 lac)		5.45		3.03
		<b>21,885.20</b>		<b>21,612.94</b>

<b>13 OTHER INCOME</b>				
Liabilities Written Back		10.12		11.24
Profit on Sale of Investments		0.23		36.02
Miscellaneous Receipts		22.72		20.48
		<b>33.07</b>		<b>67.74</b>

<b>14 COST OF GOODS SOLD / CONSUMED</b>				
Purchases/Materials Consumed		12,957.44		12,723.90
Add : Opening Stock				
Work-in-progress	31.23		204.65	
Finished Goods	2,029.38	2,060.61	2,840.42	3,045.07
		15,018.05		15,768.97
Less : Closing Stock				
Work-in-progress	11.14		31.23	
Finished Goods	2,397.58	2,408.72	2,029.38	2,060.61
		<b>12,609.33</b>		<b>13,708.36</b>

## Schedules forming part of the Accounts

Rs in lacs

For the year ended 31 March	2005		2004	
<b>15 MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES</b>				
Salaries, Wages, Bonus & Gratuity		1,014.44		947.29
Contribution to Provident & Other Funds		112.27		102.63
Employees Welfare		62.68		71.43
Power & Fuel		102.80		85.16
Consumable Stores		23.33		16.75
Rent		108.25		101.30
Rates & Taxes		26.00		30.39
Insurance		48.36		41.96
Repairs & Maintenance				
<i>Building</i>	7.30		31.18	
<i>Machinery</i>	64.08		59.98	
<i>Others</i>	122.73	194.11	110.55	201.71
Freight & Forwarding		758.59		710.74
Directors' Fees		0.48		0.84
Advertisement & Sales Promotion		278.10		357.50
Commission		170.33		213.18
Discount		3.29		4.83
Taxes on Sales		2,024.19		1,651.71
Loss/(Profit) on Sale of Fixed Assets		16.49		(9.20)
Miscellaneous		877.18		755.69
		<b>5,820.89</b>		<b>5,283.91</b>

<b>16 INTEREST AND FINANCE CHARGES (Net)</b>				
Term Loans		199.51		22.56
Others		(161.44)		(67.64)
		<b>38.07</b>		<b>(45.08)</b>



## Schedules forming part of the Accounts

**17 | NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES****1 Significant Accounting Policies****(i) General**

These accounts have been prepared on historical cost basis and on the accounting principles of a going concern to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**(ii) Fixed Assets**

- a. Fixed Assets are stated at cost less Depreciation. Interest and other financial charges on loans borrowed specifically for acquisition of capital assets are capitalised till the start of commercial production.
- b. All pre-operative and trial run expenditure (net of realisation, if any) are capitalised.
- c. Projects under commissioning and other Capital Work in Progress are carried at cost, comprising direct cost, related incidental expenses and interest on borrowings there against.

**(iii) Depreciation**

- a. Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- b. Lease hold land is amortised over the period of lease.
- c. Brands are depreciated over a period of fifteen years.

**(iv) Investments**

Long Term Investments are stated at cost. Current Investments are stated at cost or fair value whichever is lower. Diminution in value of long term investments other than temporary in nature is charged to Profit and Loss Account.

**(v) Inventories**

The inventories are valued at cost or net realisable value whichever is lower except for advertising material which are valued at cost. Cost is computed on First In First Out basis and is net of modvat except for Trading Goods and Advertising Materials which are valued on weighted average basis.

**(vi) Research & Development**

Revenue expenditure on Research and Development is charged against the Profit of the year.

**(vii) Retirement benefits**

- a. Contribution to Provident Fund is made at a predetermined rate and charged to revenue on accrual basis.
- b. Provision for Leave encashment is made on the basis of actuarial valuation.
- c. Liability in respect of Gratuity is covered by appropriate scheme with Life Insurance Corporation of India.

**(viii) Sales**

Sales includes Sales Tax and Insurance Claims on stocks and are recorded net of Trade discounts and other rebates.

**(ix) Contingent Liabilities**

Contingent Liabilities are not provided for in the accounts but are disclosed by way of notes.

## Schedules forming part of the Accounts

**17 | NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)****(x) Government Grants**

Capital Subsidies are credited to Capital Reserve and Revenue Subsidies are credited to Profit & Loss account by adjusting from respective expenses.

**(xi) Revenue Recognition**

Income & expenditure are recognised on accrual basis.

**(xii) Foreign Currency Transactions****Other than for Fixed Assets**

- a. Transactions in foreign exchange which are covered by forward contracts are accounted for at the contracted rates, the difference between the contracted rate and the exchange rate at the date of transaction is recognised in Profit & Loss Account. Difference relating to transactions involving more than one financial year are carried over the period of transaction. Transactions other than those covered by forward contracts are recognised at the exchange rate prevailing on date of transaction. Gains & losses arising on account of realisation are accounted for in Profit & Loss Account.
- b. Assets & Liabilities in foreign currency which are outstanding at the year end and not covered by forward contracts are translated at the year end exchange rates. Gains and losses arising on account of such deviations are accounted for in the Profit & Loss Account.

**Fixed Assets**

- c. Exchange difference in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.

**(xiii) Excise Duty**

Excise duty on manufactured goods at factory pending clearance is accounted for at the time of manufacture.

**(xiv) Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. All other borrowing costs are charged to revenue. A qualifying assets is one that necessarily takes substantial period of time to get ready for intended use.

**(xv) Taxation**

Provision for tax is made for both current and deferred taxes. Provision for current tax is made at the current tax rates based on assessable income. Deferred income tax reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xvi) Impairment of Assets**

The Company identifies impairable assets at the year end in accordance with the guiding principles of Accounting Standard 28, issued by the Institute of Chartered Accountants of India, for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, when crystallises, are charged against revenues for the year.

## Schedules forming part of the Accounts

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

- 2 Based on guiding principles given in Accounting Standard on "Segment Reporting" (AS 17 - issued by the Institute of Chartered Accountants of India) the Company's primary business segment is Personal and Healthcare. The Personal and Healthcare business incorporates product groups viz. Medicinal products, Food Product, Cosmetics and Toiletries, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment, the disclosure requirements of AS-17 in this regard are not applicable.
- 3 Intangible assets of the Company have been valued as on 31st March, 2000 by Messers Ernst & Young at Rs. 42,300 lacs which includes the valuation of Company's Brands at Rs. 26,510 lacs. Based on the said valuation, the Company's Brands were accounted for in the books of accounts in the year 1999-2000. The resulting amount was credited to Revaluation Reserve.
- 4 The Company's Products are developed on the principles of ayurveda / herbal science applying modern technologies which has a great demand world over and is expected to grow aggressively for next 15- 20 years. The view is further supplemented by independent assessments and accordingly Brands are amortised over a period of 15 years.
- 5 Out of Rs. 35 crores raised through public offering, Rs. 1072.23 lacs have been used for meeting capital expenditure including corporate house and also in meeting share issue expenses. Details are as under:

	<i>Rs in lacs</i>
Corporate House	249.39
Other Capital Expenditure	548.87
Share Issue Expenses	273.97
	<b>1,072.23</b>

Balance funds have been used in reducing working capital borrowings temporarily.

- 6 The Company has impaired its assets in terms of AS 28 issued by the Institute of Chartered Accountants of India. Impairment loss, being the difference between the book value and recoverable value of relevant assets, was arrived as on April 1, 2004 and adjusted against opening balance of General Reserve as per transitional provision which led to reduction of Reserves and Surplus, Net Worth and Fixed Assets by Rs. 115.36 lacs.

The above impairment loss in terms of different categories of assets is as follows:

	<i>Rs in lacs</i>
Building	4.89
Plant & Machinery	105.75
Furniture, Equipments and Computers	4.68
Motor Vehicles	0.04
	<b>115.36</b>

No further impairment was required during the year.

- 7 Foreign Exchange Fluctuation Loss / (Gain) has been considered in Accounts as under :

	<i>Rs in lacs</i>	
	31st March, 2005	31st March, 2004
Interest	23.96	(264.83)
Miscellaneous Expenditure	9.91	7.48
Fixed Assets	(7.43)	(24.53)

## Schedules forming part of the Accounts

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

- 8 Sundry Creditors include amounts outstanding to SSI Units of Rs. 28.69 Lacs (Previous Year : Rs. 92.75 Lacs). There were no dues outstanding for more than 30 days to any SSI Creditor. The above information regarding small scale industrial undertakings 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.
- 9 Loans & Advances include Security Deposit of Rs. 15.12 Lacs due from Directors of the Company against tenancies. (Maximum amount outstanding during the year - Rs. 15.22 Lacs).
- 10 Loans & Advances include amount due from Subsidiary companies - Rs. 53.56 lacs.
- 11 Contingent Liabilities not provided for in respect of

	<i>Rs in lacs</i>	
	31st March, 2005	31st March, 2004
a) Excise Duty demands	86.12	86.12
b) Sales Tax demands under appeal ( Net of Advances)	596.22	760.72
c) Income Tax ( Net of Advances)	9.10	520.52
d) Guarantees and counter guarantees given	53.42	9.22

Against relief allowed by CIT (A), the department has preferred appeal before Income Tax Appellate Tribunal for the A.Y. 2000-1 & 2001-2 for a demand of Rs. 545.52 Lacs.

However the company has been advised that such demand is likely to be deleted.

	<i>Rs in lacs</i>	
	31st March, 2005	31st March, 2004
12 Estimated amount of commitments (net of advances) on capital account not provided for	28.22	39.67
13 Directors' Remuneration included in different heads of expenses :		
Salaries	78.19	75.00
Contribution to Provident and Other Funds	9.38	9.00
Perquisites	13.43	12.22
	<b>101.00</b>	<b>96.22</b>

	<i>Rs in lacs</i>	
	31st March, 2005	31st March, 2004
14 Payment to Auditors		
Audit Fees	4.02	3.94
Tax Audit Fees	1.02	1.00
Certification Fees	2.44	0.54
Other Services	0.12	0.11
Out of Pocket Expenses	0.48	0.21
	<b>8.08</b>	<b>5.80</b>

	<i>Rs in lacs</i>	
	31st March, 2005	31st March, 2004
15 Payment to Cost Auditors		
Audit Fees	0.66	0.65



## Schedules forming part of the Accounts

## 17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)

	31st March' 2005		31st March' 2004	
	Qty. M.T.	Value Rs. in lacs	Qty. M.T.	Value Rs. in lacs
<b>16 Additional Information</b>				
<b>A. Licensed/Installed Annual Capacity and Production</b>				
i) Licensed capacity per annum				
Toiletries		N. A.		N. A.
Medicines		N. A.		N. A.
ii) Installed capacity per annum (On single shift basis as certified by a Director)				
Toiletries	3,208.70		2,391.70	
Medicines	22,094.00		22,261.00	
iii) Actual production during the year				
Toiletries	350.14		18.01	
Medicines	9,188.41		7,911.32	
<b>B. Purchase of goods</b>				
Toiletries	2,553.32	2,116.57	3,585.49	3,055.75
Medicines	557.89	632.32	1,136.72	1,671.27
Others		96.01		86.81
		<b>2,844.90</b>		<b>4,813.83</b>
<b>C. Turnover, Opening &amp; Closing stock of goods</b>				
Turnover				
Toiletries	3,075.20	2,770.14	3,371.63	4,999.75
Medicines	9,279.92	19,683.20	9,508.37	17,247.81
Others		103.13		58.06
		<b>22,556.47</b>		<b>22,305.62</b>
Opening Stock				
Toiletries	869.68	756.25	635.21	843.62
Medicines	1,155.55	1,257.78	1,618.48	1,625.05
Others		15.35		371.75
		<b>2,029.38</b>		<b>2,840.42</b>
Closing Stock				
Toiletries	697.94	599.85	869.68	756.25
Medicines	1,621.93	1,703.30	1,155.55	1,257.78
Others		94.43		15.35
		<b>2,397.58</b>		<b>2,029.38</b>

## Schedules forming part of the Accounts

## 17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)

	31st March' 2005		31st March' 2004	
	Qty. M.T.	Value Rs. in lacs	Qty. M.T.	Value Rs. in lacs
<b>D. Raw &amp; Packing Materials consumed</b>				
Indigenous (98.52%) (P.Y. 98.86%)				
Oil & Essential Oils	3,447.83	2,802.84	1,503.84	1,645.97
Chemicals & Fats	5,153.60	2,170.25	5,790.43	1,955.77
Tubes & Containers		2,698.29		2,032.97
Other Packing Materials		1,889.00		1,495.37
Others		402.30		689.82
		<b>9,962.68</b>		<b>7,819.90</b>
Imported (1.48%) (P.Y. 1.14%)				
Chemicals & Fats	394.26	149.86	209.95	90.17
		<b>10,112.54</b>		<b>7,910.07</b>
<b>E. Expenditure in Foreign Currency</b>				
Professional Fees		24.08		55.18
Interest		173.65		154.79
Others		209.20		185.94
		<b>406.93</b>		<b>395.91</b>
<b>F. Value of Imports on CIF basis</b>				
Raw Materials		153.79		99.86
Capital Goods		12.40		0.55
		<b>166.19</b>		<b>100.41</b>
<b>G. Earning in Foreign Exchange for Export of goods calculated on FOB basis (Including Nepal and Bhutan)</b>				
		<b>1,851.89</b>		<b>1,150.06</b>

## Schedules forming part of the Accounts

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

## 17 Related Party Transactions :

## A. Parties where Control exists :

Emami UK Limited	Subsidiary Company
Emami Bangladesh Limited	Subsidiary Company
J .B. Marketing & Finance Limited	Associate Company (upto 14-03-2004)

## B. Other Related Parties with whom transactions have taken place during the year :

Key Management Personnel	Relatives	Other Associates
Shri R. S. Agarwal	Shri R. K. Goenka (Resigned on 14-01-2005)	Diwakar Viniyog (P) Limited
Shri R. S. Goenka	Shri Suresh Kr. Goenka (Resigned on 14-01-2005)	Suntrack Commerce (P) Limited
Shri Sushil Kr. Goenka	Smt. Usha Agarwal	Emami Paper Mills Limited
	Shri A. V. Agarwal	
	Shri H. V. Agarwal	
	Shri Mohan Goenka	
	Shri Yogesh Goenka (Upto 14-01-2005)	
	Shri Prashant Goenka (Upto 14-01-2005)	
	Shri Amitabh Goenka (Upto 14-01-2005)	
	Shri Manish Goenka	
	Smt. Saroj Goenka	

## C. Transactions

Rs in lacs

Particulars	Subsidiaries		Key Management Personnel & Relatives		Others		Total	
	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2004
Salary	-	-	103.90	97.42	-	-	103.90	97.42
Directors Sitting Fees	-	-	0.12	0.16	-	-	0.12	0.16
Rent & Maintenance Charges Paid	-	-	6.42	6.05	2.63	5.64	9.05	11.69
Commission Paid	-	-	-	-	-	2.59	-	2.59
Sales	-	-	-	-	-	15490.19	-	15490.19
Investment	0.04	22.93	-	-	-	-	0.04	22.93
Rent Received	-	-	-	-	1.08	1.08	1.08	1.08
Sale of Fixed Assets	-	-	-	-	-	4.70	-	4.70
Sale of Investments	-	-	-	2.25	-	136.50	-	138.75
Interest Received	-	-	-	-	-	101.77	-	101.77
Loan Paid	53.56	-	-	-	-	-	53.56	-
Receivables	-	-	26.03	13.49	7.00	7.00	33.03	20.49

## Schedules forming part of the Accounts

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

## 18 Information for Earnings Per Share as per AS-20

	31st March' 2005	31st March' 2004
Net Profit (Rs. in lacs)	2,943.66	2,167.32
Weighted average number of shares used in computing earnings per share	56300685	56150000
Earnings Per Share - Basic & Diluted (Rs.)	5.23	3.86

## 19 Breakup of Deferred Tax (Assets) &amp; Liabilities into major components are as under :

Rs in lacs

	As on 31.03.2004	For the Year	As on 31.03.2005
Tax impact due to difference between tax depreciation and book depreciation	444.00	* 61.00	505.00
Tax Impact of expenses charged off in financial statement but allowance under tax law deferred	(15.00)	(10.00)	(25.00)
<b>Total</b>	<b>429.00</b>	<b>51.00</b>	<b>480.00</b>

\* Net of deferred tax, on impairment of fixed assets, of Rs. 43 lacs.

## 20 Previous year's figures have been rearranged/regrouped wherever necessary.

Signatories to Schedules 1 to 17

As per our report of even date  
For **Saxena & Co.**  
Chartered AccountantsS. K. Agrawal  
PartnerR. S. Agarwal  
ChairmanR. S. Goenka  
DirectorViren J. Shah  
DirectorS. K. Todi  
DirectorS. N. Jalan  
DirectorK. K. Khemka  
DirectorVaidya S. Chaturvedi  
DirectorMohan Goenka  
DirectorKolkata  
May 16, 2005H. V. Agarwal  
DirectorS. K. Goenka  
Managing DirectorA. K. Joshi  
Secretary



## Cash Flow Statement

For the year ended 31 March	Rs in lacs	
	2005	2004
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and extraordinary Items	3,152.66	2,482.62
<i>Add: Adjustments for</i>		
Depreciation (Net of transfer from Reserves)	297.32	250.96
Interest	38.07	(45.08)
Loss / (Profit) on sale of Fixed Assets	16.49	(9.20)
Loss / (Profit) on sale of Investments	(0.23)	(36.02)
Foreign Exchange Fluctuations	9.91	7.48
<b>Operating profit before working capital changes</b>	<b>3,514.22</b>	<b>2,650.76</b>
<i>Add: Decrease / (increase) in working capital</i>		
Trade Payables	(137.78)	450.71
Inventories	(577.30)	880.36
Trade & other Receivables	557.63	(1,917.34)
	(157.45)	(586.27)
<b>Cash generated from operations</b>	<b>3,356.77</b>	<b>2,064.49</b>
<i>Less : Direct Taxes Paid</i>	183.12	177.58
<b>Net cash flow from operating activities</b>	<b>3,173.65</b>	<b>1,886.91</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	94.21	81.34
Interest Received	282.79	197.36
Sale of Investments/Property	600.23	180.27
	977.23	458.97
<i>Less: Purchase of Fixed Assets</i>	798.24	1,720.72
Purchase of Investments including investments in Subsidiary	5,300.27	22.93
<b>Net cash used in investing activities</b>	<b>(5,121.28)</b>	<b>(1,284.68)</b>

For the year ended 31 March	Rs in lacs	
	2005	2004
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Share Capital & Premium	3,500.00	–
Share Issue Expenses	(273.97)	–
Proceeds from Borrowings	641.85	1,993.03
	3,867.88	1,993.03
<i>Less: Repayment of Loan</i>	1,385.77	2,397.66
Interest Paid	346.29	126.95
Dividend Paid	168.38	140.22
Corporate Dividend Tax	21.58	17.99
	1,922.02	2,682.82
<b>Net cash used in financing activities</b>	<b>1,945.86</b>	<b>(689.79)</b>
Effect of Foreign Exchange Fluctuation	(9.91)	(7.48)
<b>Net Changes in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(11.68)</b>	<b>(95.04)</b>
* Cash & Cash Equivalents-Opening Balance	46.11	141.15
* Cash & Cash Equivalents-Closing Balance	34.43	46.11
* Represents Cash and Bank Balances as indicated in Schedule 9		

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

S. K. Agrawal  
Partner

R. S. Agarwal  
Chairman

R. S. Goenka  
Director

Viren J. Shah  
Director

S. K. Todi  
Director

S. N. Jalan  
Director

K. K. Khemka  
Director

Vaidya S. Chaturvedi  
Director

Mohan Goenka  
Director

Kolkata  
May 16, 2005

H. V. Agarwal  
Director

S. K. Goenka  
Managing Director

A. K. Joshi  
Secretary

# Balance Sheet Abstract

and Companies General Business Profile as per Schedule VI, Part (iv) of the Companies Act, 1956

# Consolidated Auditors' Report

## I. Registration Details

Registration No.      State Code    
 Balance Sheet Date          
 Date Month Year

## II. Capital Raised during the year (Amount in Rs. lacs)

Public Issue     Bonus Issue     
 Right Issue    Private Placement

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. lacs)

Total Liabilities	<input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/>	Total Assets	<input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/>
<b>Sources of Funds</b>			
Paid-up Capital	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="3"/>	Reserves & Surplus	<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="1"/>
Secured Loans	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="6"/>	Unsecured Loans	<input type="text" value="9"/> <input type="text" value="8"/>
<b>Application of Funds</b>			
Net Fixed Assets	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="4"/>	Investments	<input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="1"/>
Net Current Assets	<input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/>	Misc. Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

## IV. Performance of Company (Amount in Rs. lacs)

Total Income	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/>	Total Expenditure	<input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="5"/>
Profit before Tax	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="3"/>	Profit after Tax	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="4"/>
Earning per share (Rs.)	<input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="3"/>	Dividend Rate (%)	<input type="text" value="5"/> <input type="text" value="0"/>

## V. Generic Names of Principal Products/ Services of Company (as per monetary terms)

Product Description:	Item Code No.
i) Ayurvedic Medicines	<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/>
ii) Toilet Soaps	<input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/>
iii) Talcum Powder	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="2"/>
iv) Face Cream	<input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/>

R. S. Agarwal  
Chairman

R. S. Goenka  
Director

Viren J. Shah  
Director

S. K. Todi  
Director

S. N. Jalan  
Director

K. K. Khemka  
Director

Viadya S. Chaturvedi  
Director

Mohan Goenka  
Director

Kolkata  
May 16, 2005

H. V. Agarwal  
Director

S. K. Goenka  
Managing Director

A. K. Joshi  
Secretary

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF EMAMI LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENT OF EMAMI LIMITED AND ITS SUBSIDIARIES

- We have examined the attached Consolidated Balance Sheet of Emami Limited and its subsidiaries as at 31 March, 2005 and Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year ended on that date.
- These financial statements are the responsibility of Companies management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 the reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and 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.
- We further report that the financial statements of EMAMI UK LIMITED have been certified by the management and have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the certified financial statements. Since the financial statements for the financial year ended March 31, 2005 of EMAMI UK LIMITED which was compiled by the Management of the subsidiary were not audited, any adjustment to the balances could have consequential effects on the attached consolidated financial statements. However, the size of the subsidiary, in the consolidated position is not significant in relative terms. The details of Assets and Expenses in respect of Subsidiary are given below.
  - We did not audit the financial statements of the company's subsidiary Emami Bangladesh Limited which have been audited by Mandal & Company, Chartered Accountants whose report has been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the above auditor.
- We report that Consolidated financial statements have been prepared by the Company in accordance with requirements of Accounting Standard AS- 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountant of India and on the basis of separate audited financial statement of EMAMI LIMITED and aforesaid Financial Statements of its subsidiaries included in the Consolidated Financial Statements
- On the basis of the information and explanations given to us and on the consideration of the separate reports on individual audited financial statements of the Company and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of Emami Limited and its subsidiaries as at 31 March, 2005;
  - In the case of Consolidated Profit & Loss Account, of the Consolidated profit of Emami Limited and its subsidiaries for the year ended on that date, and
  - In the case of Consolidated Cash flow, of the Consolidated Cash flows of the Emami Limited and its subsidiaries for the year ended on that date.

Total Assets    Total Expenses  
Rs. 62.63 lacs    Rs. 81.81 lacs

For Saxena & Company  
Chartered Accountants

S. K. Agrawal  
Kolkata  
May 16, 2005

S. K. Agrawal  
Partner  
Membership No. 9067



## Consolidated Balance Sheet

As at 31 March	Schedule	Rs in lacs			
		2005		2004	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,223.00		1,123.00	
Reserves & Surplus	2	30,429.55	31,652.55	26,774.97	27,897.97
Deferred Tax (Net)			480.00		429.00
<b>Loan Funds</b>					
Secured Loans	3	3,375.82		4,104.48	
Unsecured Loans	4	98.36	3,474.18	117.15	4,221.63
			<b>35,606.73</b>		<b>32,548.60</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	32,023.08		31,894.28	
Less : Depreciation		10,563.39		8,757.52	
Net Block		21,459.69		23,136.76	
Capital Work-in-Progress		405.35	21,865.04	157.24	23,294.00
Investments	6		5,362.10		661.87
<b>Current Assets, Loans and Advances</b>					
Inventories	7	3,689.21		3,097.26	
Sundry Debtors	8	3,567.32		4,426.37	
Cash & Bank Balances	9	38.90		47.52	
Loans & Advances	10	2,597.49		2,177.66	
			9,892.92		9,748.81
Less :					
Current Liabilities & Provisions	11	1,513.33		1,156.08	
Net Current Assets			8,379.59		8,592.73
			<b>35,606.73</b>		<b>32,548.60</b>
Notes on Accounts & Significant Accounting Policies	17				

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

S. K. Agrawal Partner	R. S. Agarwal Chairman	R. S. Goenka Director	Viren J. Shah Director	S. K. Todi Director
	S. N. Jalan Director	K. K. Khemka Director	Vaidya S. Chaturvedi Director	Mohan Goenka Director
Kolkata May 16, 2005		H. V. Agarwal Director	S. K. Goenka Managing Director	A. K. Joshi Secretary

## Consolidated Profit and Loss Account

For the year ended 31 March	Schedule	Rs in lacs	
		2005	2004
<b>INCOME</b>			
Operating Income	12	21,943.26	21,612.94
Other Income	13	33.07	87.59
		<b>21,976.33</b>	<b>21,700.53</b>
<b>EXPENDITURE</b>			
Cost of Goods Sold/ Consumed	14	12,619.35	13,708.36
Manufacturing, Administrative & Selling Expenses	15	5,891.37	5,311.86
Interest & Finance Charges	16	38.27	(45.22)
		<b>18,548.99</b>	<b>18,975.00</b>
<b>PROFIT</b>			
Profit Before Depreciation & Taxation		3,427.34	2,725.53
Depreciation		2,001.96	1,955.30
Less : Transferred from General Reserve		1,704.21	1,704.21
Profit Before Taxation		3,129.59	2,474.44
Provision for Taxation		115.00	222.00
Profit Before Deferred Tax		3,014.59	2,252.44
Deferred Tax (Net)		(94.00)	(93.30)
Excess/(Short) Provision for Taxation of earlier years		5.51	3.44
Balance Brought Forward		312.61	262.87
Available for Appropriation		<b>3,238.71</b>	<b>2,425.45</b>
<b>APPROPRIATIONS</b>			
General Reserve		2,176.57	1,915.71
Proposed Equity Dividend		611.50	168.45
Corporate Dividend Tax		85.76	21.58
Share of Profit on Deassociation		-	7.10
Balance Carried Forward		364.88	312.61
		<b>3,238.71</b>	<b>2,425.45</b>
Notes on Accounts & Significant Accounting Policies	17		
Earnings per Share - Basic & Diluted - Rs.		5.19	3.85

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

S. K. Agrawal Partner	R. S. Agarwal Chairman	R. S. Goenka Director	Viren J. Shah Director	S. K. Todi Director
	S. N. Jalan Director	K. K. Khemka Director	Vaidya S. Chaturvedi Director	Mohan Goenka Director
Kolkata May 16, 2005		H. V. Agarwal Director	S. K. Goenka Managing Director	A. K. Joshi Secretary

## Schedules forming part of the Consolidated Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>1 SHARE CAPITAL</b>		
<b>Authorised</b>		
7,50,00,000 Equity Shares of Rs. 2/- each	1,500.00	1,500.00
	<b>1,500.00</b>	<b>1,500.00</b>
<b>Issued &amp; Subscribed</b>		
6,11,50,000 Equity Shares of Rs. 2/- each fully paid up * (Previous Year : 5,61,50,000 Equity Shares)	1,223.00	1,123.00
	<b>1,223.00</b>	<b>1,123.00</b>

\*a. Includes 2,80,75,000 Equity Shares issued as fully paid Bonus Shares.

b. Includes 2,68,30,000 Equity Shares allotted for consideration other than cash.

**2 RESERVES AND SURPLUS**

<b>Capital Reserve</b>				
At commencement of the year	3.36		3.36	
Received during the year	76.28	79.64	-	3.36
<b>Share Premium</b>				
Received during the year	3,400.00		-	
Utilised towards Share Issue Expenses	273.97	3,126.03	-	-
<b>Capital Redemption Reserve</b>				
At commencement of the year	-		250.00	
Utilised for issuing Bonus Shares	-		(250.00)	-
<b>Revaluation Reserve</b>		23,859.00		23,859.00
<b>General Reserve</b>				
At commencement of the year	2,600.00		2,700.00	
Utilised for issuing Bonus Shares	-		(311.50)	
Impairment of Fixed Assets (Net of Deferred Tax of Rs. 43 lacs)	(72.36)		-	
Transferred to Profit & Loss Account	(1,704.21)		(1,704.21)	
Transferred from Profit & Loss Account	2,176.57	3,000.00	1,915.71	2,600.00
<b>Profit &amp; Loss Account</b>		364.88		312.61
		<b>30,429.55</b>		<b>26,774.97</b>

**3 SECURED LOANS**

<b>Cash Credits</b>	889.91	273.17
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.		
<b>Term Loans</b>	2,485.91	3,831.31
Secured by charge/mortgage of specific movable/immovable, tangible / intangible assets etc.		
The above loans are further secured by personal guarantees of some of the Directors.		
	<b>3,375.82</b>	<b>4,104.48</b>

## Schedules forming part of the Consolidated Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>4 UNSECURED LOANS</b>		
Loans	-	10.00
Trade Deposits	76.10	78.41
Interest Free Sales Tax Loan	0.92	3.87
Interest accrued & due	21.34	24.87
	<b>98.36</b>	<b>117.15</b>

**5 FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.4.2004	Additions	Sales/ Adjust- ments	Total	As on 01.4.2004	For the Year	Sales/ Adjust- ments	Total	As on 31.3.2005	As on 31.3.2004
Brands	26,510.00	-	-	26,510.00	7,763.63	1,704.23	-	9,467.86	17,042.14	18,746.37
Land										
<i>Leasehold</i>	68.99	-	-	68.99	1.35	1.03	-	2.38	66.61	67.64
<i>Others</i>	307.70	-	-	307.70	-	-	-	-	307.70	307.70
Buildings	1,734.19	53.24	30.31	1,757.12	183.03	55.58	1.54	237.07	1,520.05	1551.16
Plant & Machinery	2,472.42	375.73	314.65	2,533.50	555.29	158.35	158.48	555.16	1,978.34	1917.13
Furniture, Equipments & Computers	682.51	62.90	44.43	700.98	225.24	72.85	24.37	273.72	427.26	457.27
Motor Vehicles	118.47	59.09	32.77	144.79	28.98	9.92	11.70	27.20	117.59	89.49
<b>Total</b>	<b>31,894.28</b>	<b>550.96</b>	<b>422.16</b>	<b>32,023.08</b>	<b>8,757.52</b>	<b>2,001.96</b>	<b>196.09</b>	<b>10,563.39</b>	<b>21,459.69</b>	<b>23,136.76</b>
Capital Work- In-Progress	157.24	288.14	40.03	405.35	-	-	-	-	405.35	157.24
<b>Grand Total</b>	<b>32,051.52</b>	<b>839.10</b>	<b>462.19</b>	<b>32,428.43</b>	<b>8,757.52</b>	<b>2,001.96</b>	<b>196.09</b>	<b>10,563.39</b>	<b>21,865.04</b>	<b>23,294.00</b>
Previous Year's Figures	30,423.41	1,822.99	194.88	32,051.52	6,823.49	1,955.39	21.36	8,757.52	23,294.00	

**Note :**

- Adjustments includes Rs. 271.28 lacs in Gross Block and Rs. 155.92 lacs in Depreciation on account of impairment of fixed assets.
- Depreciation of Nil (Previous Year : Rs. 0.09 lacs) capitalised as preoperative expenses.



## Schedules forming part of the Consolidated Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>6 INVESTMENTS (Other than Trade)</b>		
<b>Long Term</b>		
<b>A. Quoted - Fully Paid up</b>		
J .B. Marketing & Finance Limited		
5,13,514 Equity Shares of Rs. 10/- each	61.62	61.62
(i)	61.62	61.62
<b>B. Unquoted - Fully paid up</b>		
<b>Others</b>		
CRI Limited		
6,00,000 Redeemable Preference Shares of Rs. 100/- each	600.00	600.00
6 Years' National Savings Certificate (Lodged With Government Authority)	0.25	0.25
(ii)	600.25	600.25
<b>Current</b>		
HDFC Floating Rate Income Fund - Short Term Plan - Growth		
44,95,109.321 Units of Rs. 10/- each	500.00	-
HDFC Cash Management Fund - Savings Plan - Growth		
50,84,881.195 Units of Rs. 10/- each	700.00	-
Prudential ICICI Liquid Plan IP- Growth		
67,09,061.914 Units of Rs. 10/- each	1,100.23	-
Prudential ICICI Liquid Plan - Growth		
Purchased : 36,87,587.580 Units of Rs. 10/- each	-	-
Sold : 36,87,587.580 Units of Rs. 10/- each	-	-
Reliance Floating Rate Fund Growth Plan - Growth		
68,08,090.219 Units of Rs. 10/- each	700.00	-
ING Vysya Liquid Fund - Growth		
49,72,862.380 Units of Rs. 10/- each	700.00	-
ABN AMRO Floating Rate Fund IP - Growth		
48,65,848.555 Units of Rs. 10/- each	500.00	-
DSP Merrill Lynch Floating Rate Fund - Growth		
45,56,763.604 Units of Rs. 10/- each	500.00	-
(iii)	4,700.23	-
<b>Total (i) + (ii) + (iii)</b>	<b>5,362.10</b>	<b>661.87</b>
<b>Aggregate Book Value of Quoted Investments</b>	<b>61.62</b>	<b>61.62</b>
<b>Aggregate Book Value of Unquoted Investments</b>	<b>5,300.48</b>	<b>600.25</b>
<b>Market Value of Quoted Investments</b>	<b>77.03</b>	<b>77.03</b>

## Schedules forming part of the Consolidated Accounts

As at 31 March	Rs in lacs	
	2005	2004
<b>7 INVENTORIES</b>		
Raw & Packing Materials	1,077.82	1,010.74
Work-in-progress	11.14	31.23
Finished Goods	2,412.21	2,029.38
Stores & Advertising Materials	188.04	25.91
	<b>3,689.21</b>	<b>3,097.26</b>
<b>8 SUNDRY DEBTORS</b>		
<i>Unsecured, Considered Good</i>		
Due over six months	172.16	54.15
Other Debts	3,395.16	4,372.22
	<b>3,567.32</b>	<b>4,426.37</b>
<b>9 CASH AND BANK BALANCES</b>		
Cash in hand	7.12	5.53
<i>With Scheduled Banks</i>		
- Current Accounts	27.08	29.57
- Margin Deposit	3.39	11.19
- Unpaid Dividend Account	1.31	1.23
	<b>38.90</b>	<b>47.52</b>
<b>10 LOANS AND ADVANCES</b>		
<i>Unsecured, Considered Good</i>		
Loans & Advances recoverable in cash or in kind or for value to be received	2,341.78	2,036.82
Deposits	222.03	180.78
Income Tax Net of Provisions	33.68	(39.94)
	<b>2,597.49</b>	<b>2,177.66</b>

## Schedules forming part of the Consolidated Accounts

Rs in lacs

As at 31 March	2005		2004	
<b>11 CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current liabilities</b>				
Sundry Creditors	806.15		934.32	
Interest Accrued but not due	8.61		30.50	
Unclaimed Dividend *	1.31	816.07	1.23	966.05
* This does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.				
<b>Provisions</b>				
Proposed Equity Dividend	611.50		168.45	
Corporate Dividend Tax	85.76	697.26	21.58	190.03
		<b>1,513.33</b>		<b>1,156.05</b>

For the year ended 31 March	2005		2004	
<b>12 OPERATING INCOME</b>				
Sales	22,614.53		22,305.62	
Less : Excise Duty	676.72	21,937.81	695.71	21,609.91
Commission (TDS - Rs. 0.20 lac, Previous Year - Rs. 0.08 lac)		5.45		3.03
		<b>21,943.26</b>		<b>21,612.94</b>

13 OTHER INCOME	2005		2004	
Liabilities Written Back		10.12		11.24
Profit on Sale of Investments		0.23		36.02
Miscellaneous Receipts		22.72		40.33
		<b>33.07</b>		<b>87.59</b>

14 COST OF GOODS SOLD / CONSUMED	2005		2004	
Purchases/Materials Consumed		12,967.46		12,723.90
Add : Opening Stock				
Work-in-progress	31.23		204.65	
Finished Goods	2,029.38	2,060.61	2,840.42	3,045.07
		15,028.07		15,768.97
Less : Closing Stock				
Work-in-progress	11.14		31.23	
Finished Goods	2,397.58	2,408.72	2,029.38	2,060.61
		<b>12,619.35</b>		<b>13,708.36</b>

## Schedules forming part of the Consolidated Accounts

Rs in lacs

For the year ended 31 March	2005		2004	
<b>15 MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES</b>				
Salaries, Wages, Bonus & Gratuity		1,043.56		959.49
Contribution to Provident & Other Funds		112.27		102.63
Employees Welfare		62.68		71.43
Power & Fuel		102.80		85.16
Consumable Stores		23.33		16.75
Rent		119.43		106.26
Rates & Taxes		27.62		30.39
Insurance		48.36		41.96
Repairs & Maintenance				
<i>Building</i>	7.30		31.18	
<i>Machinery</i>	64.08		59.98	
<i>Others</i>	128.95	200.33	115.74	206.90
Freight & Forwarding		759.43		710.74
Directors' Fees		0.48		0.84
Advertisement & Sales Promotion		283.65		357.89
Commission		170.33		213.18
Discount		3.29		4.83
Taxes on Sales		2,024.19		1,651.71
Loss/(Profit) on Sale of Fixed Assets		16.49		(9.20)
Miscellaneous		893.13		760.90
		<b>5,891.37</b>		<b>5,311.86</b>

16 INTEREST AND FINANCE CHARGES (Net)	2005		2004	
Term Loans		199.51		22.56
Others		(161.24)		(67.78)
		<b>38.27</b>		<b>(45.22)</b>



## Schedules forming part of the Consolidated Accounts

## Schedules forming part of the Consolidated Accounts

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES****1 Significant Accounting Policies**

- i Significant Accounting Policies are as set out in the Notes to Accounts under "Notes on Accounts & Significant Accounting Policies" of the Financial Statements of "Emami Limited", "Emami UK Limited" and "Emami Bangladesh Limited".
- ii As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

**2 Notes on Accounts**

- i The Consolidated Financial Statements represents consolidation of Accounts of Emami Limited with its Subsidiaries as below:

Name of Company	Country of Incorporation	Extent of Holding
Emami UK Limited	United Kingdom	100%
Emami Bangladesh Limited	Bangladesh	100%

- ii The Notes on Accounts for the Consolidated Financial Statements are as set out in the Notes on Accounts given in Schedule 17 to the Audited Accounts of Emami Limited for the financial year ended 31st March, 2005 except Note number 17 & 18 of the said notes which stands substituted by the undermentioned notes :

**a. Related Party Transactions :****A. Parties where Control exists :**

J. B. Marketing & Finance Limited Associate Company (Upto 14-03-2004)

**B. Other Related Parties with whom transactions have taken place during the year :**

Key Management Personnel	Relatives	Other Associates
Shri R. S. Agarwal	Shri R. K. Goenka (Resigned on 14-01-2005)	Diwakar Viniyog (P) Limited
Shri R. S. Goenka	Shri Suresh Kr. Goenka (Resigned on 14-01-2005)	Suntrack Commerce (P) Limited
Shri Sushil Kr. Goenka	Smt. Usha Agarwal	Emami Paper Mills Limited
	Shri A. V. Agarwal	
	Shri H. V. Agarwal	
	Shri Mohan Goenka	
	Shri Yogesh Goenka (Up to 14-01-2005)	
	Shri Prashant Goenka (Up to 14-01-2005)	
	Shri Amitabh Goenka (Up to 14-01-2005)	
	Shri Manish Goenka	
	Smt. Saroj Goenka	

**17 NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES (Contd.)****C. Transactions***Rs in lacs*

Particulars	Key Management Personnel & Relatives		Others		Total	
	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2004
Salary	103.90	97.42	-	-	103.90	97.42
Directors Sitting Fees	0.12	0.16	-	-	0.12	0.16
Rent & Maintenance Charges Paid	6.42	6.05	2.63	5.64	9.05	11.69
Commission Paid	-	-	-	2.59	-	2.59
Sales	-	-	-	15,490.19	-	15,490.19
Rent Received	-	-	1.08	1.08	1.08	1.08
Sale of Fixed Assets	-	-	-	4.70	-	4.70
Sale of Investments	-	2.25	-	136.50	-	138.75
Interest Received	-	-	-	101.77	-	101.77
Receivables	26.03	13.49	7.00	7.00	33.03	20.49

**b. Information for Earnings Per Share as per AS-20**

	31st March' 2005	31st March' 2004
Net Profit - Rs. in Lacs	2,920.59	2,159.14
Weighted average number of shares used in computing earnings per share	56300685	56150000
Earnings Per Share - Basic & Diluted (Rs.)	5.19	3.85

## Signatories to Schedules 1 to 17

As per our report of even date  
For **Saxena & Co.**  
Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**Viren J. Shah**  
Director

**S. K. Todi**  
Director

**S. N. Jalan**  
Director

**K. K. Khemka**  
Director

**Vaidya S. Chaturvedi**  
Director

**Mohan Goenka**  
Director

Kolkata  
May 16, 2005

**H. V. Agarwal**  
Director

**S. K. Goenka**  
Managing Director

**A. K. Joshi**  
Secretary

## Consolidated Cash Flow Statement

## Statement Pursuant to Section 212 of the Companies Act, 1956

For the year ended 31 March	Rs in lacs	
	2005	2004
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extraordinary Items	3,129.59	2,474.44
Add: Adjustments for		
Depreciation (Net of transfer from Reserves)	297.75	251.18
Interest	38.27	(45.22)
Loss / (Profit) on sale of Fixed Assets	16.49	(9.20)
Loss / (Profit) on sale of Investments	(0.23)	(36.02)
Foreign Exchange Fluctuations	9.91	7.48
<b>Operating Profit Before Working Capital Changes</b>	<b>3,491.78</b>	<b>2,642.66</b>
Add: Decrease / (Increase) in Working Capital		
Trade Payables	(128.17)	452.22
Inventories	(591.95)	880.35
Trade & other Receivables	589.13	(1,937.99)
	(130.99)	(605.42)
<b>Cash Generated from Operations</b>	<b>3,360.79</b>	<b>2,037.24</b>
Less: Direct Taxes Paid	183.12	177.58
<b>Net Cash Flow from Operating Activities</b>	<b>3,177.67</b>	<b>1,859.66</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	94.21	81.34
Interest Received	282.79	197.36
Sale of Investments/Property	600.23	180.27
	977.23	458.97
Less: Purchase of Fixed Assets	799.05	1,721.61
Purchase of Investments	5,300.23	-
<b>Net Cash used in Investing Activities</b>	<b>(5,122.05)</b>	<b>(1,262.64)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Share Capital & Premium	3,500.00	-
Share Issue Expenses	(273.97)	-
Proceeds from Borrowings	641.85	1,993.03
	3,867.88	1,993.03
Less : Repayment of Loan	1,385.77	2,397.66
Interest Paid	346.48	126.82
Dividend Paid	168.38	140.22
Corporate Dividend Tax	21.58	17.99
	1,922.21	2,682.69
<b>Net Cash Used in Financing Activities</b>	<b>1,945.67</b>	<b>(689.66)</b>
Effect of Foreign Exchange Fluctuation	(9.91)	(7.48)
<b>Net Changes in Cash &amp; Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(8.62)</b>	<b>(100.12)</b>
* Cash & Cash Equivalents-Opening Balance	47.52	147.64
* Cash & Cash Equivalents-Closing Balance	38.90	47.52
<b>* Represents Cash and Bank Balances as indicated in Schedule 9</b>		

As per our report of even date  
For Saxena & Co.  
Chartered Accountants

S. K. Agrawal Partner	R. S. Agarwal Chairman	R. S. Goenka Director	Viren J. Shah Director	S. K. Todi Director
	S. N. Jalan Director	K. K. Khemka Director	Viadya S. Chaturvedi Director	Mohan Goenka Director
Kolkata May 16, 2005		H. V. Agarwal Director	S. K. Goenka Managing Director	A. K. Joshi Secretary

	Emami UK Limited	Emami Bangladesh Limited
1. Name of the Subsidiary Company		
2. Holding Company's Interest	100%	100%
3. Net aggregate amount of Subsidiary's Profit not dealt with in the Holding Company's Accounts	£	Taka
i) For the Financial Year of the Subsidiary ended as on 31st March, 2005	(28902)	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	(12533)	Nil
4. Net aggregate amount of Subsidiary's Profit dealt with in the Holding Company's Account		
i) For the Financial Year of the Subsidiary ended as on 31st March, 2005	Nil	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	Nil

Kolkata  
May 16, 2005

## Directors' Report for the Year Ended 31 March 2005

The Directors present their report and the financial statements for the year ended 31 March, 2005 .

### Directors' Responsibilities

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Reporting Standard for Smaller Entities has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Principal Activity

The principal activity of the company is the distribution of perfumes and toiletries .

### Charitable and Political Donations

During the year the company made no donations exceeding £200 .

### Directors and their interests

The Directors who held office during the year were as follows:

- P Goenka
- A V Agarwal
- A Goenka

None of the Directors had an interest in the shares of the company at any time during the year .

### Election to dispense laying accounts

In accordance with s.252, Companies Act 1985, the company has elected to dispense with laying accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting. This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board and signed on its behalf by:

April 21, 2005  
P. Goenka  
Director

Emami UK Limited



## Profit and Loss Account

For the year ended 31 March	Note	2005 £	2004 £
Turnover	2	70,674	25,000
Cost of sales		(13,221)	–
<b>Gross Profit</b>		<b>57,453</b>	<b>25,000</b>
Administrative expenses		(86,532)	(37,067)
<b>Operating Loss</b>	3	<b>(29,079)</b>	<b>(12,067)</b>
Other interest receivable and similar income		177	177
<b>Loss on Ordinary Activities before Taxation</b>		<b>(28,902)</b>	<b>(11,890)</b>
Retained loss brought forward		(12,533)	(643)
<b>Retained Loss Carried Forward</b>		<b>(41,435)</b>	<b>(12,533)</b>

## Balance Sheet

As at 31 March	Note	2005 £	2004 £
<b>Fixed Assets</b>			
Tangible Assets	4	1,301	843
<b>Current Assets</b>			
Stocks	5	17,804	–
Debtors	6	51,781	26,025
Cash at bank and in hand		5,356	1,775
		74,941	27,800
<b>Creditors: Amounts falling due within one year</b>	7	<b>(78,973)</b>	<b>(2,472)</b>
<b>Net Current (Liabilities)/Assets</b>		<b>(4,032)</b>	<b>25,328</b>
<b>Total Assets Less Current Liabilities</b>		<b>(2,731)</b>	<b>26,171</b>
		<b>(2,731)</b>	<b>26,171</b>
<b>Capital and Reserves</b>			
Called up share capital		38,704	38,704
Profit and loss reserve		(41,435)	(12,533)
<b>Shareholders (Deficit)/Funds</b>		<b>(2,731)</b>	<b>26,171</b>

For the financial year ended 31 March 2005, the company was entitled to exemption from audit under section 249A(1) of the Companies Act 1985; and no notice has been deposited under section 249B(2) requesting an audit.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Act and preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the year and of its profit or loss for the financial year in accordance with the requirements of section 226 and which otherwise comply with the Companies Act 1985, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

On behalf of the Board

P. Goenka  
Director

These accounts were approved by the Directors on 21 April 2005

## Notes to the Financial Statement for the Year Ended 31 March 2005

### 1 Accounting Policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### Cash flow statement

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirements to prepare such a statement.

#### Turnover

Turnover represents the invoiced value of sales of goods.

#### Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Office equipment – 25% reducing balance

#### Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs

### 2 Turnover

The company's turnover represents the value of goods and services supplied to customers during the year.

### 3 Operating loss

Operating loss is stated after charging/(crediting):

	31.3.2005 (£)	31.3.2004 (£)
Depreciation of tangible fixed assets	527	281

### 4 Tangible fixed assets

#### Cost

	Office equipment
As at 1 April 2004	1,124
Additions	985
As at 31 March 2005	<b>2,109</b>

#### Depreciation

As at 1 April 2004	281
Charge for the year	527
As at 31 March 2005	<b>808</b>

#### Net book value

As at 31 March 2005	1,301
As at 31 March 2004	<b>843</b>

### 5 Stock and work in progress

	31.3.2005 (£)	31.3.2004 (£)
Stocks	17,804	–

### 6 Debtors

Trade debtors	48,244	25,000
Other debtors	3,537	–
Prepayments and accrued income	–	1,025
	<b>51,781</b>	<b>26,025</b>

### 7 Creditors: Amounts falling due within one year

Trade creditors	11,501	–
Amounts owed to group undertakings	65,000	–
Accruals and deferred income	2,472	2,472
	<b>78,973</b>	<b>2,472</b>

### 8 Other financial commitments

There were no other financial commitments contracted for but not provided at the year end.

## Directors' Report for the period November 25, 2004 to March 31, 2005

The Directors present their report with the financial statement of the Company for the period November 25, 2004 to March 31, 2005.

### Incorporation

The Company was incorporated on November 25, 2004 under the Companies Act, 1994.

### Principal Activity

The principal activity of the Company is to carry on business of manufacturing, processing, re-packing, packing, selling and distribution of any raw, semi-finished or finished product, merchandise of all types and kinds of Ayurvedic medicinal products, Herbal products, Cosmetic products and By-products.

The Company could not start its commercial activities in the above period.

### Auditors

M/s. Mandal & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of the Company.

For and on behalf of the Board

Place : Dhaka

Date : April 10, 2005

**P. Goenka**  
*Director*

**R. C. Gattani**  
*Director*

## Auditors' Report on the Accounts for the period ended on 31 March, 2005

We have examined the annexed Balance Sheet as at 31 March, 2005 of EMAMI BANGLADESH LIMITED as prepared and produced to us for our verification and we report that:

- A) To the best of our knowledge and belief we have obtained all the information and explanations which were necessary for the purpose of our audit;
- B) in our opinion:
- The Balance Sheet exhibits a true and fair view of the company's affairs as at 31 March, 2005 and that Balance Sheet contain all the information in the manner required by the Companies Act, 1994;
  - Proper books of Accounts as required by law were

maintained by the Company so far as appeared from our examinations:

- The Balance Sheet is in agreement with the books of accounts maintained by the Company and examined by us; and
- The Balance Sheet has been drawn-up in conformity with the Companies Act, 1994.

Place : Dhaka

Date: April 10, 2005

**G. C. Mandal, FCA**  
**Mandal & Company**  
*Chartered Accountants*

## Balance Sheet

As at 31 March	Note	Taka 2005
<b>PROPERTY &amp; ASSETS</b>		
Preliminary expenses	3.00	26,000
Pre-operating expenditures	4.00	2,000
<b>Current Assets</b>		
Cash in hand	5.00	10,000
<b>Taka</b>		<b>38,000</b>
<b>CAPITAL &amp; LIABILITIES</b>		
<b>Share Holder's Equity</b>		
Share Capital	6.00	5,000
<b>Current Liabilities</b>		
Creditors for finance	7.01	20,131
Creditors for expenses	7.02	12,869
<b>Taka</b>		<b>38,000</b>

### Note:

No Manufacturing, Trading and Profit & Loss Accounts have been prepared as there was no trading during the period under review.

These should be read in conjunction with the annexed notes which form an integral part of accounts.

For and on behalf of Board

**G.C Mandal, FCA**  
**Mandal & Company**  
*Chartered Accountants*

Place : Dhaka

Date : April 10, 2005

**P. Goenka**  
*Director*

**R. C. Gattani**  
*Director*



Notes to the Accounts for the Period Ended on 31 March, 2005

1.00 Nature and Legal Status

1.01 Legal Status

The company was incorporated on 25 November, 2004 under the companies Act, 1994 Vide Registration No. C-54994 (1679)/04 as a Private Company Limited by Shares.

1.02 Nature of Business

The principal objectives of the Company is to carry on the business of manufacturing,. Processing, Re-packing, packing, Selling & Distribution of any Raw, Semi - finished or finished products, merchandise of all types and kinds of Ayurvedic medicinal products, Herbal products, Cosmetic products and By-products. The company could not start its commercial activities in the period under audit.

2.00 Accounting Policies

2.01 Accounting period

The accounts of the company have been drawn for the period from 25 November, 2004 to 31 March, 2005.

2.02 Accounting Statements

The company could not start its commercial production in the period under audit as such no revenue account have been drawn-up for the period but only a Balance sheet, incorporating therein the revenue expenditures under the head "Pre-operating Expenditure" has been drawn as on 31 March, 2005.

2.03 Basis of Accounting

The Accounts have been prepared on a going concern basis under generally accepted accounting principles on historical cost convention, wherever appropriate the policies are explained in the succeeding notes as per Bangladesh Accounting Standards.

2.04 Fixed Assets

Fixed assets are recorded in the books at cost including installation and other attributable charges.

2.05 General

Figures have been rounded off to the nearest Taka.

3.00 Preliminary expenses as on 31 March, 2005 Taka 26000

This represents expenditures incurred relating to incorporation of the company. Break up of the figure is as under.

	Taka
Printing & Drafting of MA.	6,000
Stamps & Registration	3,850
Solicitation Fee & Others Incidental Charges	16,150
<b>Taka</b>	<b>26,000</b>

4.00 Pre-Operating Expenditure As on 31 March, 2005 Taka 2000

Revenue expenditures incurred upto 31 March, 2005 listed under the head Pre-Operating Expenditures as under:

	Taka
Audit Fees	2,000
<b>Taka</b>	<b>2,000</b>

5.00 Current assets as on 31 March, 2005

	Taka
Cash in hand	10,000

This represents cash on hand as on 31 March, 2005 which has been certified by the Management of the Company.

6.00 Share holders Equity

	Taka
Share Capital As on 31 March, 2005	5,000
<b>Authorized Capital</b>	<b>1,000,000</b>
This consists of 10,000 ordinary shares of Taka 100/- each.	
<b>Issued, Subscribed &amp; Paid-up Capital</b>	<b>5,000</b>
This represents 50 ordinary shares of Taka 100/- each issued as fully paid-up subscribing the Memorandum of Association of the company.	

7.00 Current Liabilities as on 31 March, 2005

	Taka
<b>7.01 Creditor for Finance</b>	<b>20,131</b>
The represents excess money remitted by Emami Ltd., India over the paid-up value of share Subscription.	

	Taka
<b>7.02 Creditors for Expenses</b>	
This represents:	
– Payable for Audit fees	2,000
– Payable for preliminary Expenses	10,869
<b>Taka</b>	<b>12,869</b>