



**emami\* limited**  
Performance report 2005-6

New ideas, better results



## forward looking statements

Some of the statements in this report stating the Company's objectives, projections, estimates and expectation may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Important developments which could affect the operation of the Company, include changes in industry structure, significant changes in economic environment in India, tax laws, duties and litigations.

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Emami Limited is one of the fastest growing ayurveda-focused, health, beauty and personal care product companies in India today.





# new launches



Fair and Handsome Fairness Cream for men



Navratna Cool Talc



Boroplus Antiseptic Light Cream and Boroplus Body Lotion



Sona Chandi Healthy and Fair Baby Massage Oil



Good Morning Ayurvedic Laxative Churna



Memoplus Memory Booster Syrup



Sardi Ja Cough Syrup

# corporate information

## Chairman

Shri R. S. Agarwal

## Managing Director

Shri Sushil Kr. Goenka

## Directors

Shri R. S. Goenka

Shri Viren J. Shah

Shri K. N. Memani

(Joined on 15th May 2006)

Shri S. K. Todi

Shri S. N. Jalan

Shri K. K. Khemka

Vaidya S. Chaturvedi

Shri S. N. Bihani

(Resigned on 15th May 2006)

Shri Mohan Goenka

Shri A. V. Agarwal

Shri H. V. Agarwal

## Secretary

Shri A. K. Joshi

## Auditors

M/s S. K. Agrawal & 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.



# power brands



**Boroplus Antiseptic Cream:**  
Market share 66.5%;  
market position 1



**Navratna Oil:**  
Market share 50.1%;  
market position 1



**Boroplus Prickly Heat Powder:**  
Market share 21.8%;  
market position 2



**Sona Chandi Chyawanprash:**  
Market share 8.6%;  
market position 3



**Mentho Plus Balm:**  
Market share 13.6%;  
market position 3



**Fast Relief:**  
Market share 8.4%;  
market position 3

## Past

Flagship company of the Emami Group, headquartered in Kolkata

## Products

Portfolio of over 20 products derived from select and effective ayurvedic herbal ingredients

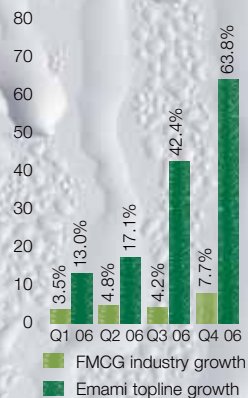
## Ownership

- Promoted by industrialists Mr. R. S. Agarwal and Mr. R. S. Goenka
- Market capitalisation of over Rs. 1000 cr (as on March 31, 2006)
- Shares listed on the Bombay and Kolkata Stock exchanges

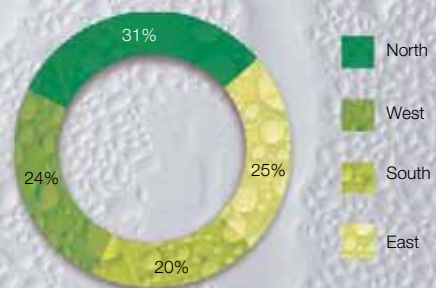
## Presence

- 53 countries across the globe
- Manufacturing facilities in Kolkata, Pondicherry and Guwahati with cGMP and ISO 9001:2000 certifications
- Strong pan-India presence with dedicated sales channels for rural and urban markets
- Wide and deep Indian distribution network with 2100 distributors, 1200 sub-distributors and 3.8 lac retail outlets

## FMCG industry growth vs. Emami growth



## Turnover contribution from different parts of India







## vision

A Company which, with the help of nature, caters to the consumers' needs and their inner craving for a better life, especially in the fields of personal and health care, both in India and throughout the world.

# mission

- To sharpen consumer insight, 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 recruit, develop and motivate the best talent in the country and provide them with a demanding and challenging environment
- To strengthen and foster in the employees a strong emotive feeling of oneness with the Company
- To uphold the principles of Corporate Governance and move towards de-centralisation to generate maximum return for all stakeowners
- To contribute wholeheartedly towards the environment and society and to emerge as a model corporate citizen
- To bring down the 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

plan to 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. We established the Emami National Institute for Bone-Marrow Transplantation at Bangalore to service under-privileged patients

## **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.





# founders' statement

*Dear Shareholders*

There used to be a theory that looking good and feeling healthier was a fundamental emotion that helped make the FMCG industry recession-proof; even as this theory was gaining currency, the industry lost its steam and slowed down inexplicably over the last five years.

Just when the other theory began to gain ground that even a feel-good in the present earnings environment and the emerging economic climate wouldn't enthruse people to buy more of personal and health care products, the FMCG industry made its sharpest rebound during the year. Buyout economy, consistently growing GDP, market sophistication, high disposable incomes and market penetration has helped the industry turnaround after half a decade.

Which is what makes the year under review a watershed in the recent history of India's FMCG industry:

- A majority of organised players registered a double-digit growth
- Prices began to inch up after years of decline
- Price cutting and freebies were progressively withdrawn

## Turnaround reasons

For every significant turnaround there is a plausible reason, and so there are a number of them to explain this turnaround as well:

- GDP growth at 8.4% in 2005-6
- All sectors of the economy - agriculture, industry and services - growing
- Institutional foundation for the faster development of physical infrastructure
- Implementation of VAT helping curb competition from the unorganised sector
- Growing literacy making people more health conscious
- Increasing reach of the media helping brands reach far-flung areas
- Growing disposable incomes among the Indian middle-class leading to the increased consumption of consumables

## Emami's growth

Emami capitalised on this improvement in industry fortunes. Emami's strong and innovative R&D supported by aggressive marketing and automated cost effective operations helped the Company beat all industry benchmarks and report:

- An increase in turnover by 37% to Rs. 301 cr

- An increase in net profit by 68% to Rs. 49 cr
- 200 basis points increase in EBITDA margin to 18%
- Increase in return on capital employed from 16% to 23%
- Increase in return on net worth from 20% to 27%

We are delighted that Economic Value Added, a key financial metric used to measure enhanced stakeholder value, strengthened from Rs. 16.70 cr in 2004-5 to Rs. 32.57 cr in 2005-6, indicating that your Company more than met shareholder expectations during the year under review.

## Innovation, value-for-money and efficiency

Our growth, as always, was driven by a focus on innovating around a 'value for money' proposition while reconciling asset sweating and cost competitive manufacture without compromising quality.

The following was the result:

- Introduced brand extensions like Boroplus Antiseptic light cream and lotion and Navratna Cool Talc



- An innovative launch of men's fairness cream – India's first – was a spectacular event during the year
- Explored two new sales channels for better reach into the rural markets, which enhanced rural sales
- Initiated e-procurement and hedging mechanisms to optimise raw material prices
- Established cost-effective operations with about 70% of the production being procured from excise-free zones
- Rating of our long-term issue of paper by CARE as AA+ and short-term issue PR1+, the highest rating
- Recognition of the Company as 'One star export house' by DGFT (Director General of Foreign Trade)

### Values

We are committed to responsible management and control while being consistently alert to emerging opportunities. The cornerstone of our Corporate Governance is mutual trust, efficient cooperation and transparent communication with the objective of safeguarding the interests of our stakeholders.

At the workplace we initiated 'WCM' norms, which will lead to the compliance of TQM practices across the organisation. We are installing SAP across different functions of the organisation for a better internal control, leading to streamlined processes and informed decision making.

### Going forward

Today, Emami possesses a strong product range, superior processes, established distribution system and an exciting set of enthusiastic and motivated people. Going ahead, your Company has lined up the following for 2006-7:

- Aggressive marketing of power brands targeting a higher-than-category growth
- Increasing the contribution from new launches by at least 15%
- Planning new launches in the OTC category
- Reinforcing exports as a thrust area including plans for the introduction of new products and addition of new countries
- Strengthening of the urban distribution channel (modern trade channels) and rural sales network
- Introducing real-time connectivity within the organisation with the implementation of SAP

### Looking ahead

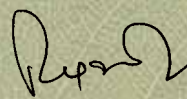
Robust economic growth and increasing urbanisation are driving aspiration levels and consumption. The categories we are present in are demonstrating strong growth, a trend expected to continue over the near future.

These developments bode well for your Company. We believe Emami will continue to outperform the sector through viable inorganic and organic initiatives.

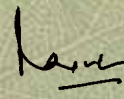
We thank our team and our business partners for their support and contribution in our performance and look forward to continuing cooperation. To our esteemed shareholders, we extend our appreciation for the confidence you have shown in us.

It will be our prime objective to strengthen this confidence in the years to come.

Yours sincerely,



R. S. Agarwal



R. S. Goenka

New ideas, better  
results







During a competitive 2005-6, Emami Limited grew its topline 37% and bottomline 68% over the previous year.

The performance demonstrated the company's capability to transform challenge into success through a timely and continuous address of evolving consumer needs.

Leading to improved financials, market leadership and enhanced customer satisfaction.

*New idea:*  
a fairness cream  
for men

*Better result:*  
creation of a  
new category





For decades, we as a people, had been indoctrinated that the attributes of 'fair' and 'lovely' referred to women just as 'tall, dark and handsome' applied to men.

At Emami, we dared to disagree.

We were convinced that in a tropically harsh country like India, marked by a predominance of dark skin, a fairness cream for men represented a completely unexplored opportunity for the following reasons:

- There was a genuine need for it: The male skin in India was three times more exposed to the sun's UV rays, five times more exposed to pollution, twice more

exposed to stress and considerably more abused by abrasive shaving blade action than women's skin; few cosmetic products addressed this reality

- The Indian man spent more time on grooming than ever before: An average 20 minutes in front of the mirror each morning compared with the average Indian woman's 18 minutes (source: Gillette India study)
- There was an increasing incidence of the fact that active earners linked presentability with career success: For instance, the high earning 21-40 age group across men accounted for 71% of the customers visiting Kaya Skin Care Clinic

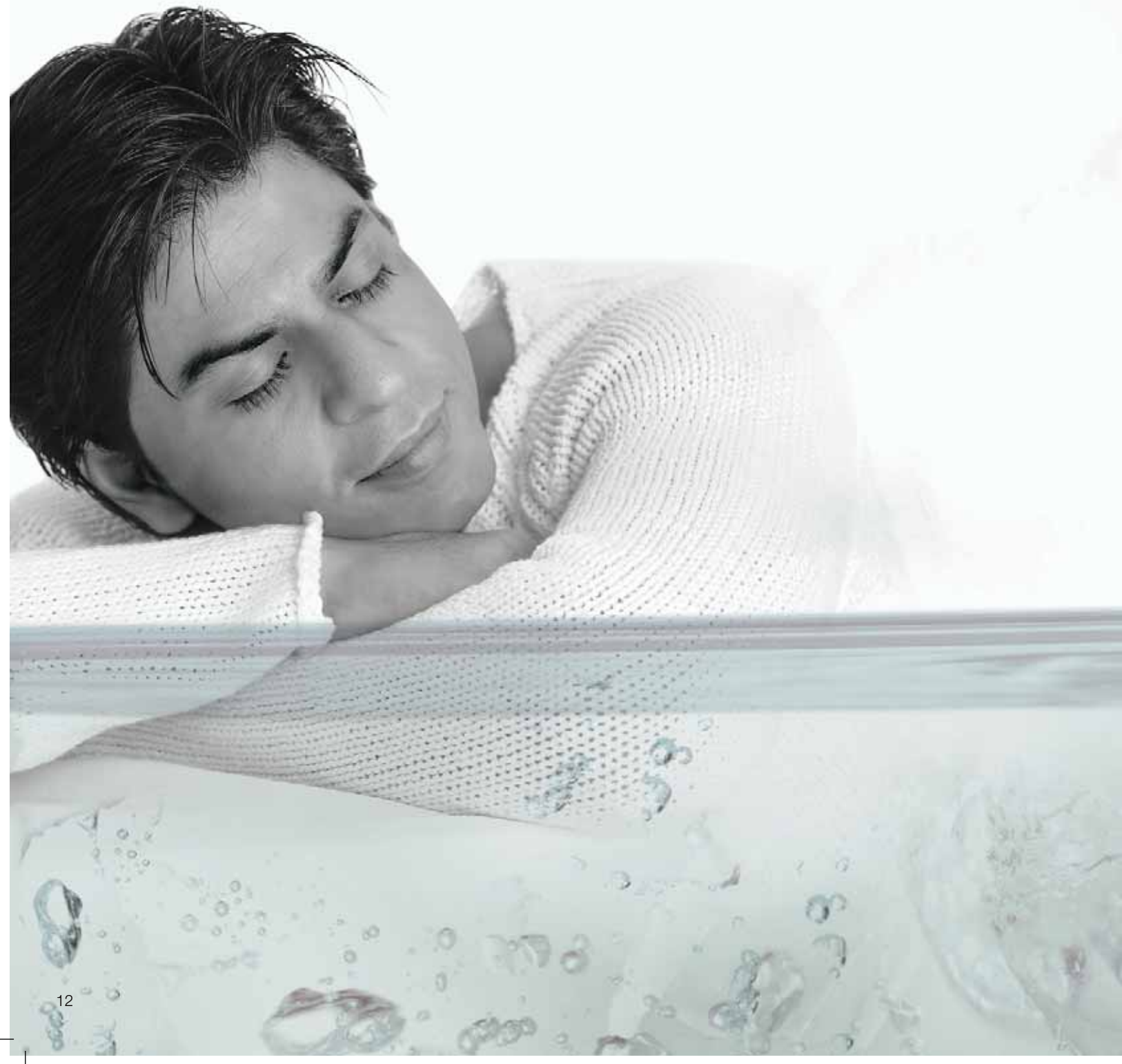
After a painstaking study, Emami introduced the 'Fair and Handsome' Cream, Asia's first male fairness cream, creating a new category in the process.



*New idea:*  
a talc for  
'coolness'

*Better result:*

unearthing  
untapped potential





For decades, personal health care product providers in India addressed defined and existing consumer realities.

At Emami, we preferred to walk the road less traveled. We dared to look beyond the existing to the emerging; from today's products to tomorrow's solutions.

Take talcum powder, for instance. We were convinced, through adequate consumer research, that even as India's mature Rs. 600 cr talcum powder demand was being addressed by products customised for disinfection (for children), medication and freshness, there was an absence of products that directly addressed the growing gap for 'coolness' in the general talc category.

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In response to this marketplace reality, in 2006 Emami launched the 'Navratna' cool talc, an extension of its hugely popular 'cool' oil brand, which proved to be highly successful.





*New idea:*  
making  
antiseptic cream  
all-season

*Better result:*

enhanced  
brand  
visibility



Consumers now want single products that come in a wider variety catering to different needs.

Boroplus antiseptic cream is one such product. This is an Ayurvedic cream that protects the skin from winter dryness and rash. Owing to its sticky nature, it was restricted to use only during the winter months between October and February. Even as consumers, mainly the youth, looked for a cream that would offer antiseptic properties all year round.

Responding to this evolving industry, Emami launched

two extensions of Boroplus – the body lotion and light cream. The light cream and body lotion offered multiple benefits like the antiseptic cream, but with one difference: It was usable all year round.

The products emerged as winners owing to their value-added attributes as available body lotions do not offer antiseptic properties while antiseptic creams are only used during the winter. Boroplus also reached out to a wider age group by offering more evolved products.

The widening of the product segment resulted in a greater brand visibility. Market share of Boroplus antiseptic cream increased from 63% to 67%.





*New idea:*  
making therapeutic  
oil upmarket

*Better result:*  
**increased  
market share**





For long, success was derived from timely product introduction followed by little or no onward innovation.

At Emami, we have been different - a 'live' brand, never completely satisfied with our portfolio, evolving our offerings in line with changes in moods, mindset and consumer requirements.

Take for instance, 'Navratna' oil, a therapeutic oil, that was launched many years ago. Emami constantly reinvented the product formulation and packaging, upgrading it for better efficacy.

Emami picked up its product reinvention cue from everyday urban and rural lives – a quicker pace of living leading to a sharp increase in stress. Emami gradually and strategically repositioned its successful product with the following initiatives:

- The brand extended from a therapeutic oil, which delivers pure sensorial cooling, to being promoted as a stress buster for common Indian masses with an appeal across all demographic segments
- The brand positioning evolved from 'Thanda thanda cool cool' to 'Sirdard (headache), Anidra (insomnia), tanao (mental tension) aur thakan (fatigue) jao bhool - raho thanda thanda cool cool'
- The brand image smoothly metamorphosed from a generic level to one with a considerable aspirational content, partly due to a successful association with leading Indian icons like Amitabh Bachchan and Shahrukh Khan
- The product's packaging evolved from a glass bottle to a PET bottle with a flip-top cap, providing a much acclaimed functional value proposition to the brand and the category

Strengthened leadership position with an increased market share of 50%.



*New idea:*  
new distribution  
channels

*Better result:*  
omnipresence  
across markets





Earlier, product loyalty went hand in hand with patience; if a product was not immediately available, the consumer could always return later to buy. Consumers today are less tolerant; they shift to alternative brands – often never to return.

This scenario is challenging in the FMCG business, especially in rural terrains.

Emami pioneered unique schemes like Emami Mobile Traders (EMT) and Emami Small Village Shops (SVS) to counter this threat. The EMT scheme provided self employment to the rural youth on the one hand and it catalysed the consumption of genuine FMCG products on the other.

The SVS scheme provided women and self-help groups with an attractive earning opportunity. The Company set up small shops for them, with a low SKU Emami products, thus driving drive offtake.

These schemes have been expanded from West Bengal, Andhra Pradesh, Madhya Pradesh and Chattisgarh; the Company is entering markets like Karnataka and Orissa.

Emami also pioneered a partnership with ITC's e-choupal to reach the remotest corners of the country. Besides this, ITC partnership, the Company entered into a similar tie-up with the Post and Telegraphs department of Maharashtra.

## Direct rural household coverage increased to 7.8 lac households in rural India

Emami extended beyond the Indian domain with an emphasis on anytime product availability through a number of initiatives:

- Customisation of its products in response to the climatic or broad consumer trends in the respective countries, increasing the number of international

distributors by 50%.

- Modification of SKUs to include more 'family size' economy packs for Africa
- Back-to-back alliances with departmental stores like Tesco and Azda in UK

Emami reported an international turnover growth of 44%, accounting for 13% of total revenues in 2005-6.

Ayurvedic OTC products, including Good Morning laxative churna, are available across all medicinal and druggist's outlets in UP, MP, Chattisgarh and Uttaranchal





Madhuri Dixit

Diya Mirza

Raima Sen

Sourav Ganguly

Sonali Bendre

Manisha Koirala

Dharmendra

Rituparna Sengupta

our brand  
ambassadors





Juhi Chawla

Meenakshi Seshadri

Raveena Tandon

Moon Moon Sen

Divya Bharti

Sridevi

Anita Raj

Zeenat Aman

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



Operational review by S. K. Goenka, Managing Director

“It was our ability to be different that resulted in an exceptional year for Emami”

### Were you pleased with the Company's performance in 2005-6?

We were pleased with the results for 2005-6 – not only because we achieved our target, but because we went well beyond it and outperformed the industry average. It was our ability to be different that resulted in an exceptional year for Emami.

Just consider: Whereas the Indian FMCG industry grew 5.5% during the year under review, we grew 37% during the period. The bottomline of the Company during the last quarter was 175% higher than what we reported in the corresponding quarter of the previous year and 68% higher in 2005-6 compared to the previous year.

This improvement, especially in the second half of the financial year – we reported 67% of our 2005-6 sales in the last two quarters – gives us the optimism that not only has the FMCG industry turned the corner, but that Emami possesses the capability to outperform the industry growth in a significant way.

### What challenges did the Company face during the year?

There were a number of challenges during the year under review: Increase in the cost of many of our ingredients and packaging material as well as counter launches to offset the impact of our

pioneering introductions to meet increasing demands, particularly in the last quarter of 2005-6.

### How did the Company address these challenges?

It would be fair to state that Emami accelerated offtake through the strengths of brands and capitalised on a turnaround in industry fortunes. We reported robust improvements in the following areas:

- Increase within a range of 10% to 59% in the offtake of every Emami power brand
- Robust growth of more than 25% across our most visible brands - Boroplus and Navratna
- Successful introduction of new brands like Fair and Handsome fairness cream for men
- Deeper penetration of rural markets due to the launch of a new sales channel
- 44% increase in exports

It was our ability to be different that made it an exceptional year for Emami.

### How did Emami succeed in enhancing margins and growing its volumes?

Let me first explain how we grew our margins:

- Increased production across each

product category, resulting in attractive economies of scale

- Concurrent with an increase in volumes, 70% of our production now comes from excise-exempt zones against 55% in the previous year
- Reduction in borrowing costs through the judicious use of foreign exchange loans, derivative and treasury products
- Reduction in packaging costs - spout pack for Boroplus Antiseptic cream, pet bottles for Navratna Oil and change in the cap design for Navratna Oil were relevant instances.

### How did Emami grow its volumes in a business where profit is sensitive to offtake?

At Emami, we recognised that good fortune would not just gravitate to the strong but also to the swift. In view of this, we made network expansion our priority during the year under review. And here, we recognised that to expand our network with a speed quicker than our competitors, we needed to move beyond our legacy mindset of creating this network ourselves from scratch to collaborating with non-competing brands who had done it comprehensively over time. So we entered into partnerships with the following:

- SVS and EMT: We partnered with unemployed youth of India and gained



### **What is the magic behind Emami's remarkable track record in making successful product launches?**

At Emami, a considerable science goes into the understanding of market and consumer realities – the smell of the marketplace - before a product is considered ripe for launch. For instance, before we introduce any new product, we work out a complete product approach extending from identification,

conceptualisation, designing to final communication strategy within the following guidelines:

- The need to create a wow with our product
- Identify gaps within an existing or emerging product segment
- Launch in under-penetrated markets addressed by weak and unorganised players

- Drive offtake around a value-for-money proposition

- Target reasonable growth within two years of launch

- Focus completely on market leadership

Apart from using the industry experience of its members, Emami takes the help of scientific tools for the refinement and customisation of industry data for actual implementation.

mileage from our existing rural channel. Our schemes of Emami Small Village Shops (SVS) and Emami Mobile Traders (EMT) received an encouraging response. The schemes were first started in some parts of West Bengal and are now rolled over to Madhya Pradesh, Chattisgarh, Andhra Pradesh, Orissa and Karnataka, resulting in an increase of direct rural household coverage from 50,000 to 7.8 lac households in two years.

- ITC e-choupal: We tied up with the MNC giant, which enabled us to move far and wide into the interiors of Madhya Pradesh and Uttar Pradesh.

- Indian post offices: We collaborated with the Post and Telegraphs Department of Maharashtra, which will now help us reach the remotest villages in certain districts of Maharashtra.

- Departmental stores / chain shops: We allied with large departmental chain stores, deploying our sales personnel to not only market value-for-money products but also create a point-of-sale contact with customers to understand their consumption patterns better.

### **Through what other initiatives did the Company strengthen the business during the last financial year?**

There was a broad realisation that an improvement here and an improvement there would not make much difference in

a business where standards kept tightening all the time. In view of this, the Company concluded that what we needed was a comprehensive and holistic approach to improvement. In view of this, the Company embarked on the implementation of a world-class manufacturing plan leading to sweeping improvements in logistics, energy consumption, wastage, packaging and consumables. I am proud to state that in a business where it is generally assumed that cost increases need to be passed on to customers, we actually reduced them during the year under review.

### **What other initiatives helped the Company strengthen competitiveness?**

During the year under review, we conducted an extensive audit of our errors; this insight prompted a timely implementation of corrective action, leading to a rationalisation in our overheads.

During the year under review, we also invested Rs. 9 cr in the upgradation of equipment, utilities and infrastructure in exchange for the following benefits: Increase in production capacity, standardised quality across batches and units, reduced raw material and end product wastage as well as a reduced down time and enhanced efficiency.

### **What were the new launches made during the year under review?**

In a market increasingly crowded by me-too brands with no distinguishing features, it became increasingly important to leverage research in exchange for a distinctive value-add. It is here that our strategy to launch niche products worked well:

Fair and Handsome Cream: This turned out to be one of our most popular successes in recent years and we do not think that its success was related only to the rebound in FMCG sentiment. We created – as opposed to filled – a niche, and this resulted in history and another successful brand from Emami. We also created brand extensions (like Boroplus Antiseptic light cream and body lotion as well as Navratna Talc) and ayurvedic OTC products (like Good Morning laxative churna and Sardi Ja cough syrup and vaporub).

### **What is the outlook for 2006-7?**

At Emami, existing brands are growing attractively and we expect to foray into the OTC market aggressively. We expect to earn the full potential from new launches like Fair and Handsome Cream as well as Navratna Cool Talc; we have invested in sophisticated equipment to enhance quality and reduce cost. In view of this, we expect to report a considerable increase in revenues.



# management discussion and analysis







# industry overview

## Global overview

- The global FMCG market is valued at USD 230 bn
- Almost 70% of the global FMCG market (by value) is accounted for by developed geographies like the US, Europe and Australia
- Interestingly, the top five contributors to the global market reported negative or nominal growth rates; the main industry driver was the attractive growth coming out of the developing market
- By 2010, consumer spending in developing and emerging markets will overtake the growth in developed countries in terms of purchasing power parity (PPP)
- According to projected growth rates, India is expected to be fourth largest economy after USA, China and Japan by 2005.

Composition of the global market (%) 2004



Source: Euromonitor 2003-4

There was an increase in retail prices indicating a return of the pricing power by brands. Margins expanded for almost all companies, partly as a result of an enrichment in the revenue mix and partly due to fiscal benefits.

An interesting demand transition was witnessed: Unbranded products yielded their demand base from around 40-50% (a few years ago) to 8-10% in 2005-6. Unlike earlier years, growth was attractive and sustained across product categories.

### Indian industry

The Indian FMCG market is valued at USD 1 bn (Rs. 45,000 cr), growing at 7-8% per annum. The industry achieved an overall growth of 8-8.5% in 2005-6, up 2-2.5% over the growth in the previous year. Interestingly, as consumption revived, the FMCG segment recorded a 10.6% growth in February 2006, its highest in five years.

There is a secular under-current behind this rebound:

- An increased consumer demand from urban as well as rural markets
- Increased disposable incomes prompting an upgrade in the product value chain
- Increased media penetration and literacy levels enhancing aspirations for better life
- Stronger organised retail formats

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enrichment in the revenue mix and partly due to fiscal benefits.

An interesting demand transition was witnessed: Unbranded products yielded their demand base from around 40-50% a few years ago to 8-10% in 2005-6. Unlike earlier years, growth was attractive and sustained across product categories. The following growth rates were witnessed:

- Biscuits and shampoos grew 10% to 15%
- Personal care products reported 'excellent' (20% plus) to 'high growth' (10-20%) rates across 12 products
- Urban market growth was faster at about 7% even as there was a revival in the rural markets at a relatively slower 4%

### Drivers of growth

Going ahead, a higher penetration (breadth) and per-capita consumption (depth) will influence sectoral performance.

**Breadth:** Number of people buying

FMCG products (from the organised sector as well as from rural markets)

**Depth:** Higher consumption by the existing consumer base (both in terms of moving up the value chain and increased usage)

The FMCG sector, therefore, is a play on 'India's consumption story', for which things are looking up due to higher disposable incomes and higher product realisations.

### Higher disposable incomes

- Robust economic growth, coupled with good monsoons, catalysing FMCG growth across urban and rural India
- Higher incomes in the rural areas along with an increased availability of consumer credit, especially in tier-two cities
- Smooth transition to a value-added tax (VAT) regime for most consumer product manufacturers

### Higher product realisations

- Attractive tax concessions due to manufacturing factories located in states





like Assam, Himachal Pradesh and Uttaranchal

- Reduction of freebies and increased pricing power

### Opportunities

The FMCG sector is all set to grow to over Rs. 1 lac cr by 2012 with more than 50% of the growth coming from rural and semi-urban segments (Assocham). The opportunities will arise from the following sectors:

#### Emerging Indian middle income group

One of the key reasons for increased consumption is the impressive growth of the middle class. At the beginning of 1999, the size of the middle class was unofficially estimated at 300 million people, larger than the entire population of the United States. This figure is expected to grow to 445 million by 2006.

#### The young and affluent

The age structure of India's population is favourable: The working population (19-60 years) is likely to increase from 485 million

to 615 million by 2010 with an educational base of 21 million professionals and 90 million graduates / post-graduates.

#### The sunrise sectors and the rise of the new Indian professional

A booming services sector, especially the IT, ITES and BPO segments, has generated large job volumes. The service sector professionals are younger, draw higher average salaries and have a greater spending power.

#### The Indian rural market

There are a number of consumption features that make India's rural market attractive for an FMCG company. It is estimated that if the per capita income of the urban household is Rs. 20,000 and the per capita income of the rural household is Rs. 10,000, the disposable income of the latter is higher.

In the rural and semi-urban areas, FMCG market penetration is only about 2%. Soaps, detergents, cold drinks, consumer durables, toothpastes, batteries, biscuits, namkeens, mosquito repellents, refined

oil and hair oil products drive the rural markets. With 130 million households, the rural population is nearly three times the urban population and FMCG companies are responding to this opportunity.

According to latest data released by the National Sample Survey Organisation (NSSO), rural India's spending on non-food items is on the rise. The sensitivity of India's rural demand to rainfall or agricultural production is weakening due to a steady rise in the share of non-farm income. The annual consumption of FMCG products in a rural household is Rs. 9400, while urban consumption is estimated at Rs. 13000, indicating adequate room for growth.

The younger generation has been deriving income from the service and manufacturing sectors and is not dependent only on agricultural income.

Within the circumstances, Emami's performance has been creditable; through strategic initiatives, the Company reported a strong performance in 2005-6.

# highlights, 2005-6

The highlights of Emami's performance during the year under review (2005-6) were:

## Financials

- 37% growth in revenue to Rs. 301 cr
- 44% growth in exports to Rs. 40 cr
- 200 basis points increase in EBIDTA margin to 18%
- 68% growth in PAT to Rs. 49 cr
- 55% increase in EBIDTA to Rs. 54 cr
- Rating of AA+ for long term borrowings and PR1+ for short-term borrowings from CARE.

## Brands

- Navratna Oil continued to be the market leader with an increased market share of 50%
- Boroplus Antiseptic Cream strengthened its number one status with an increased market share of 67%
- Fast Relief continued to grow aggressively with 55% growth
- Mentho Plus Pain Balm and Boroplus Prickly Heat Powder continued to outperform their respective category growth
- Despite stagnant category growth, Sona Chandi Chyawanprash grew reasonably

- New launches: Fair and Handsome fairness cream for men, Sona Chandi Healthy and Fair baby massage oil, Good Morning laxative churna, Boroplus Antiseptic light cream and lotion and Navratna Talc were well received by consumers.

## Inside our plants

- Outsourcing commenced from a third party manufacturing unit at Baddi, resulting in attractive fiscal benefits
- 70% of production from excise exempt zones
- cGMP and ISO 9001-2000 compliant units at all three locations – Kolkata, Pondicherry and Guwahati

## In the market place

- Fair and Handsome fairness cream for men created a sensation in the market place with an excellent performance within a few months of launch
- Enhancement of the Company's presence in Africa, CIS and SAARC countries
- Marketing through a stronger distribution network comprising 2200 distributors and 1200 sub-distributors, directly covering 3.8 lac outlets
- Collaboration with ITC e-choupals and

Post and Telegraphs Department of Maharashtra for a wide product distribution

- Thrust on rural penetration through innovative distribution schemes – Emami Mobile Traders and Emami Small Village Shops
- Increase in the direct rural household coverage from 50,000 to 780,000 households in West Bengal, Madhya Pradesh, Andhra Pradesh, Chattisgarh, Orissa and Karnataka

## In the Board room

- Market capitalisation crossed Rs. 1800 cr (as on May 15, 2006)
- Dividend increased from 50% to 100% (Rs. 1.14 to Rs. 2.28 per share)
- Return of over 320% to investors of the Company following a public issue in March 2005
- Approval of a merger of J. B. Marketing & Finance Limited, a marketing company, with Emami Limited subject to necessary approvals

The Company's creditable performance in 2005-6 can be attributed to its successful positioning as an FMCG player, leveraging the herbal specialist platform, and because of various sustainability measures.

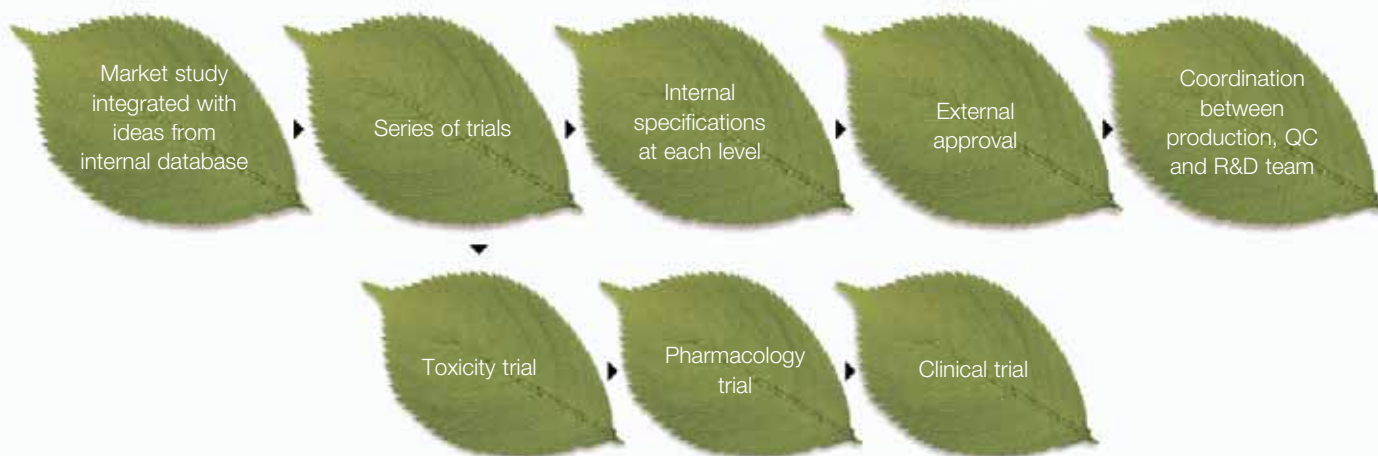




# research and development

In view of the fact that innovation represented the company's principal driver, the company continued to strengthen its research during the year under review.

The R&D department, located in Kolkata and Mumbai, followed an extensive process, introducing products that were safe, mild and effective.



## Priorities

The Company's research focus comprised the following priorities:

- Successful completion of a series of tests required to develop safe and effective products
- Extensive study of a database of age-old granths (tomes) leading to the identification of effective ayurvedic formulations
- Innovative introduction of differentiated or improved products, offering a superior

value-for-money proposition

- Adherence to specifications (raw material use, formulation development, flavour development, shelf-life testing, finished goods specification, validation protocols) apart from external certifications from the Drug Control Board
- Updated equipment in the laboratory certified by NABL
- cGMP compliant laboratory practices
- Conduct of clinical trials in association with renowned ayurvedic hospitals

and colleges.

## Strength

Emami's research team comprised experts from various fields. The Ayurvedic Advisory Panel consisted of ayurvedic experts from India and abroad; the Company also employed experienced professionals in each segment.

In 2006-7, the department is optimistic of making successful launches in the personal and healthcare segments.

# material management

During the year under review, the Company encountered an increase in the cost of some of its major raw materials. To optimise costs, the Company embarked on the following initiatives:

- Altered its packaging material, which helped improve outlook and reduce costs
- Changed the Boroplus 8 gm LUP from tube pack into spout pouch which helped save substantial costs

- Switched to the use of non-adhesive labels, reduced bottle weights judiciously, reduced the weight of the cap and fitted bottles with flip-top caps that enhanced packaging sophistication

In addition to these savings, the Company enhanced cost efficiency through the following initiatives:

- Hedged the inventory requirement of important commodities on the commodity exchanges (MCDX and NCDX)

- Initiated the e-procurement of raw material requirements

- Booked important ingredients in advance in an inflationary environment

Going ahead, the Company expects to reduce raw material costs through changes in packaging and product formulations as well as widen the number of hedged commodities as a risk minimising initiative.

# quality control

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, Emami aims to maintain the highest standards of quality across all products and services. These quality standards are upgraded regularly based on customer feedback and modifications suggested by the team. During the year, the Company implemented WCM norms across its processes which will now lead to the implementation of TQM.

The Company's quality system encompassed the following organisationally:

- Vendors are selected only after the team is satisfied with the product samples tested across various parameters
- The adherence to protocols and specifications is enforced when accepting raw materials from vendors
- In-process quality checks are incorporated at every process stage
- The finished products are checked by a

Quality Assurance team, testers and respective brand heads

- A customer feedback cell addresses quality led customer feedback and complaints

The Company is registered with regulatory bodies and its manufacturing facilities are cGMP and ISO 9001:2000 compliant. Emami's ayurvedic products received certification from the Vegetarian Society of UK, which is likely to generate a stronger response in Europe.





## sales and distribution

During 2005-6, the Company concentrated on increasing its presence by adopting pioneering methods:

For the rural areas, Emami strengthened its existing sales channel comprising Emami mobile traders (2600) and small village shops (130) across 4000 villages and 7.8 lac households through the following initiatives:

- Expanding from West Bengal, Andhra Pradesh, Madhya Pradesh and Chattisgarh; entering new markets like Karnataka and Orissa
- Increasing product visibility by participating in melas, haats and fairs, increasing dependence on direct

distributors for better customer relationships, ensuring round-the-clock product availability in remotest grocery shops

The distribution network was widened through a collaboration with ITC e-choupals as well as the Post and Telegraphs Department of Maharashtra.

For the urban areas, the Company created a 'modern trade' sales channel through the following initiatives:

- Selection of retail departmental chains and self-service stores for stocking its products
- Reaching customers directly by offering them the best bargains

- Support for the channel through a team of dedicated key account executives
- Reduction in the dependence on wholesalers and offering consumers wholesale prices

Going ahead, the Company is optimistic of widening and deepening its distribution reach through the following initiatives:

- Further strengthening its presence across 22 states
- Expansion across new sales channel outlets
- Aggressive ten-fold increase in the coverage of SVS and EMT channel, targeting the coverage of 40,000 villages.

## manufacturing efficiencies

Emami's state-of-the-art manufacturing facilities are located at Pondicherry, Guwahati and Kolkata. All these units are ISO 9001:2000 and cGMP compliant.

During the year, 70% of productions is catered by excise exempt zones. It also started a third party manufacturing in Baddi and Himachal Pradesh.

In spite of being dispersed over a large geography, each unit followed a standard operating procedures. During the year under review, the Company strengthened protocols and practices leading to a better absorption of world-class manufacturing practices on the shop floor and preparing the organisation for the implementation of TQM.

The Company formed several internal audit teams, comprising members from different departments. These members, after being trained by lead auditors, were sent to the shopfloor to inspect practices, following which they made suggestions by which to enhance efficiency in the areas of safety, raw material wastage, packaging and operational efficiency.

# corporate sustainability

## Environmental duties

- Installed a water effluent treatment plant to treat wastewater and reuse it in the manufacturing process
- Reduced water discharge through better designing of the manufacturing process
- Noise levels were maintained below the permitted decibel limits

The Company has never faced censure for non-compliance with statutory guidelines of the pollution control authority.

## Community development

### Rural Self-Employment Scheme

Emami's programme provides self-employment opportunities in rural interiors and supports small scale manufacture

- The scheme offered employment through Emami Mobile Traders (EMT) and Emami Small Village Shops (SVS)
- Emami traders marketed their products through haats and melas for additional income
- Special schemes and portable stalls were provided in addition to uniforms, winter care cloths and cycles to eligible members
- Free product samples were supplied for personal use to give prospective consumers a first-hand experience; a sales team monitored the performance of each new member
- Specially trained self-help groups encouraged members
- Marketing training was provided to villagers to help market homemade goods

The Company initiated projects in West Bengal, Andhra Pradesh, Madhya Pradesh, Chhattisgarh, Orissa, Karnataka.

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 an 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 medicine supplies, funding surgeries and hospital charges for the poor through trusts.





## human resource

In addition to training for WCM, the Company enriched its training schedule with the following introductions:

- Management programs for grooming middle management professionals: This comprised a business leadership program for the Managing Director, global management program for export executives and an international program for select executives with the objective to

strengthen a second line of leadership

- **Corporate training:** This comprised modules for secretaries and junior office persons conducted by professional agencies over six months followed by a refresher course

- **HR bulletin:** This was circulated between departments to enhance inter-departmental communication

- **Recreation:** Annual recreational activities like Emami family day, picnics and painting competitions for employees' families were organised.

Going ahead, the department will conduct a need-gap analysis, KRA identification for each department, a balanced scorecard, external training for brand directors and middle level managers and TQM implementation.

## information technology

Emami is in the process of implementing SAP, a world-class leading applications software. With the implementation, the following benefits are expected:

- A robust, online transactional system with a single data base

- Business process streamlining and automation across all locations

- Enhanced management control and online user-friendly management reporting

- Integrated supply chain management

- Operational efficiency to respond quickly to fast changing market realities.



# brand management

## Navratna Oil

*Thanda thanda cool cool*

**Product description:** Therapeutic value-added ayurvedic cool oil that provides relief from stress and its associated symptoms like fatigue, sleeplessness and headache; and also prevents premature greying and hair loss.

**Competition:** Distant followers include the likes of Himgange and Banphool in a market size of Rs. 247 cr.

**Emami's brand:** Enjoys market leadership in its category, endorsed by celebrities like Amitabh Bachchan and Shahrukh Khan. Considering due regional focus, megastar Chiranjeevi has been enrolled for endorsing the brand at Andhra Pradesh, while Upendra





continues his association with the brand at Karnataka.

### Highlights, 2005-6

- The product maintained its leadership in the therapeutic oil market with a 50% market share
- Brand growing at a CAGR of over 35% in the last four years
- Rated 'One of the Most Trusted Brands' in India, amongst all branded product categories

During the year under review, the following brand equity-enhancing initiatives were taken:

- The positioning and communication was strategically modified leading to a considerable improvement in the aspiration quotient for the brand

Navratna – thus taking the brand forward to an even higher rung in the consumer's perceptual benefit ladder – where stress free mind and body are pre-requisites for success and potential fulfillment.

- While Amitabh Bachchan endorsed the oil as a de-stresser, Shahrukh Khan was commissioned to promote it as an aspirational 'potential fulfiller'.
- The product was introduced in a 500ml bottle thus providing for an economical purchase option for heavy users and institutional consumers
- The 3.5 ml LUP emerged as a growth driver – especially in the rural markets, across the country
- Introduction of the brand extension called 'Navratna Cool Talc' across India

– evoked a positive consumer and trade response.

- Navranta Cool Talc was positioned as 'Duniya ka sabse chota AC' catering to the need-gap in the general talc category where there was no brand that offered 'Sheer Herbal Cooling' which refreshes and relaxed the mind and body, without any medical/clinical connotation.
- Strategic variant 'Navratna Extra Thanda' was introduced in select markets.

Considering Navratna Oil's consistent double-digit growth rate, even higher than that of its growing category, it is expected that the brand will deliver on all brand and corporate metrics in the foreseeable future.



# Boroplus Prickly Heat Powder

*Aag bujha de thandak la de*

**Product description:** Available in four variants, offers relief from itching, rashes and burning, cures prickly heat.

**Competition:** Nycil and Dermicool in a market size of Rs. 105 cr; enjoys market leadership by volume, after Nycil in this category.

**Brand endorsement:** Endorsed by Kareena Kapoor, a well known celebrity.

## Highlights, 2005-6:

- The Company maintained its second

lead position with a 22% market share

- Registered highest turnover growth in three years
- The packaging was changed in line with Kareena Kapoor coming in as the celebrity endorser, helping remove the image of the product being a 'scheme brand'
- A campaign was implemented to educate consumers about the product attributes





# Boroplus Antiseptic Cream

*Twacha ka suraksha kawach*

**Product description:** Ayurvedic antiseptic cream that protects the skin from winter dryness, cuts, burns, scratches, nappy rash, insect bites and itchiness.

**Competition:** The other major player is Boroline. Boroplus has been the market leader for the last 15 years with a share of 66.5% (size of Rs. 136 cr).

**Brand endorsement:** Amitabh Bachchan was joined by Kareena Kapoor in the previous year.

## Highlights, 2005-6:

- Market share increased from 63% (2004-5) to 66.5% (2005-6)
- Registered highest growth in the last six years, beating the category growth by a huge margin
- Accounted for 25% of domestic sales
- New TV commercial was aired, featuring Amitabh Bachchan and Kareena Kapoor
- Introduced a successful channel level 'stock lifting' scheme after two years
- Withdrew most consumer schemes
- Focused on increasing sales in West Bengal's rural markets through localised below-the-line and van promotions
- Marketed through pharmacy stores to highlight antiseptic properties

- Introduced two new products with an aim to complete the Boroplus skin care range

## Boroplus Antiseptic Light Cream

- A value-added, ayurvedic, non-sticky antiseptic cream that is expected to generate an increasing offtake
- Attractively priced between an antiseptic cream and body lotion
- Exceeded its targeted turnover within three months of our all-India launch
- Requisitioned the service of Kareena Kapoor in a new TV commercial

## Boroplus Body Lotion

- Introduced across India, possessing the same product offerings but catering to a select customer category



# Fast Relief

*Dard mitaye chutki mein*

**Product description:** Pain relieving ointment that incorporates the properties of seven herbs and promises quick relief.

**Competition:** Iodex and Moov in a market size of Rs. 126 cr.

**Brand endorsement:** Amitabh Bachchan was selected as the brand ambassador to enhance product credibility. Also endorsed by Delhi Cricket Association with Virendra Sehwag and Ashish Nehra among others.

## Highlights, 2005-6

- The product grew 55% while the category grew 10%
- Product was widely accepted in Delhi, Uttar Pradesh, Punjab, Haryana, Gujarat, Maharashtra and Tamil Nadu
- Market share increased from 6.6% (2004-5) to 8.4% (2005-6)





# Sona Chandi Chyawanprash & Amritprash

*Surakshit tan, tez dimag*

**Product description:** A pioneering product that offers the benefits of *chyawanprash* including the distinctive benefits of *sona* and *chandi*. Also

available in a summer variant called Sona Chandi Amritprash.

**Competition:** The market (Rs. 154 cr in size) is led by Dabur. Baidyanath and Zandu are the other competitors.

**Brand endorsement:** Shahrukh Khan was made brand ambassador in addition to Sunny Deol in 2005-6.

## Highlights, 2005-6

- Moderate increase in turnover

- Launched a brand extension called Sona Chandi Kesar Chyawanprash comprising dry fruits in December 2005. This premium product offered energising properties apart from the benefits of chyawanprash. Dharmendra, an icon of good health, was also commissioned as brand ambassador

- Ventured into the baby care segment with the introduction of Sona Chandi Healthy and Fair Baby Massage Oil, an extension of the Sona Chandi brand.



# Mentho plus balm

*Dus siron ka dard bhagaye*

**Product description:** Pain relieving balm comprising natural extracts, positioned as an effective headache reliever with rural focus.

**Competition:** Zandu and Amrutanjan. During the year, the Emami brand reinforced its third position in the market with an increased market share of 14% (market size of Rs. 229 cr).

**Brand endorsement:** The brand imagery of Ravana portrays a powerful and potent product.

## Highlights, 2005-6

- Market share increased six times in the last four years
- Brand growing at CAGR of 35% in the last four years
- Sustained its 'one for one' scheme for 9 gm SKU





# Fair and handsome fairness cream

*Hi handsome, hi handsome*

**Product description:** India's first fairness cream customised for men.

**Competition:** The Company's brand is a pioneer in this product category, earlier served by women's fairness products. The brand is the sole player in the category. Market size estimated at Rs. 206 cr (Source: MRUC).

**Brand endorsement:** The Company has deliberately avoided endorsing its product through any celebrity to impart the 'boy next door' image.

## Highlights, 2005-6

- The product was launched in Andhra Pradesh (June 2005), Karnataka (August 2005) and nationally (October 2005); the product is available across 900,000 outlets
- The Company plans to introduce the product in premium saloons apart from embarking on brand awareness programs
- The promotional campaign comprised the display of products across 5,000 outlets, display cum availability in 25,000 outlets and promotions in school and

college campuses

- The product was available at same price point as other fairness creams. The raw material 'Peptide' is under patent (owned by Activor Corpn, USA)
- The product also made its mark in the international market - Holland, Bangladesh, Nepal, Sri Lanka, Pakistan and Middle East

Other launches included Good Morning laxative churna, Sardi Ja cough syrup and vaporub and Memoplus syrup, a memory booster. All the launches generated encouraging responses and further launches in the ayurvedic OTC category will be made in a phased manner across the near future.



# international business

## Highlights, 2005-6

- Exports increased 44% from Rs. 27.5 cr to Rs. 39.6 cr
- The Company increased the number of direct distributors substantially
- The Company's international presence increased to 53 countries; new markets comprised Pakistan, Poland, Hungary, Spain, Italy and some African countries
- Boroplus antiseptic cream is the market leader not only in India but also in Russia, Ukraine and Nepal

Historically, the international market was divided among distributors who





marketed the Company's entire product range (300 brands), which created the following problems: Dependence on a small number of distributors, high transit time leading to a higher dealer working capital outlay and correspondingly low order levels.

During the year, the Company restructured its distributor portfolio: The international market was divided as per geography and products, the number of distributors was increased, responsibilities were earmarked for specific products and regions and there was a growing customisation as per regional needs. These translated into the

following initiatives:

- Brand promotional support for top 15 locations accounting for 80% of the business, especially in Africa, CIS and SAARC countries
- Detailed market research for better understanding of needs and changing trends
- Commissioning of a separate design house to customise packaging as per local preferences
- Hiring of an international advertising agency evolving the Company into a globally relevant brand
- Entering into an alliance with 45

departmental stores in UK for stronger offtake and distribution

- Opening of two international offices in Dubai and UK

Going ahead, the Company's export plans comprise the following:

- Increasing focus on direct sales rather than indirect sales
- Continuing with its strategy to increase its regional focus
- Introducing an ayurvedic line of products for non-resident Indians in UK
- Scouting for international partners for marketing and manufacturing alliances



# risk management

## 1 Risk identification New product risk

### Risk explanation

The Company depends significantly on the success of new products, which may not perform well in the market place.

### Risk mitigation

The Company has a structured approach in new product selection: It conducts an exhaustive research into consumer needs, product efficacy, raw material availability, affordability and differentiation room. The ground reality is closely assessed by the Company's brand managers, operations and research and development team. The strength of the Company's insight is reflected in the fact that it enjoys a successful track record in the introduction of differentiated products in niche categories. Each launch is supported by a pilot study in select markets, which is then replicated with mass promotions across the country.

### Mitigation measurement

During the year, Emami introduced the following with success:

- Fair and Handsome Fairness Cream, Boroplus Antiseptic light cream and lotion, OTC ayurvedic products like Good Morning laxative churna, Sardi Ja cough syrup and vaporub etc.

## 2 Risk identification Quality risk

### Risk explanation

The Emami brand rides on quality and even a marginal deviation could affect consumer perception, offtake and market share

### Risk mitigation

Emami follows a total quality approach – compliance with quality norms across every area of operation from raw material purchase to manufacturing processes to the delivery of finished goods.

### Mitigation measurement

The units of the Company are cGMP and ISO 9001: 2000 compliant. Internal processes improved with the initiation of implementation of WCM norms in 2005-6.

## 3 Risk identification Costs risk

### Risk explanation

Any increase in the price of raw materials and packaging materials may affect profitability.


### Risk mitigation

The Company procures raw materials from suppliers against forward contracts, protecting it from unforeseen price increases. During the year, it commenced e-procurement and hedging successfully. Many of Emami's suppliers derived benefits arising out of tax exemptions from units established in backward areas/states, which were passed on to Emami.

### Mitigation measurement

Despite a general increase in the cost of materials, Emami restricted cost increases and even reduced it in some cases due to raw material hedging, freight rationalisation and packaging efficiency.





## 4 Risk identification Geographical risk

### Risk explanation

Since the Company is present across 53 countries and all parts of India, it might be difficult to implement adequate management controls across each of these territories.

### Risk mitigation

The Company enjoys a pan-India presence with considerable presence in rural areas. Its rural trade channels – EMT and SVS - proved successful. With the launch of new trade channels and alliances with ITC e-choupals and Maharashtra's post office network, the Company will be able to penetrate deeper into rural pockets. In the urban markets, the Company is focusing on direct sales (modern trade sales channel) over the wholesale approach. To service exports, the Company has opened up new branch offices and restructured the portfolio of its distributors.

### Mitigation measurement

Emami's sales are also adequately distributed - 31% from the North, 25% from the East, 24% from the West and 20% from the South - with an increase in sales territories being accompanied by a corresponding increase in the strength of its distribution channel.

## 5 Risk identification Funding risk

### Risk explanation

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.

### Risk mitigation

A strong cash flow provides a substantial financial support to the Company, reducing Emami's dependence on external borrowings.

### Mitigation measurement

The Company' cash chest increased 70% from Rs. 47 cr in 2004-5 to Rs. 80 cr in 2005-6 in terms of investments in liquid funds. With this huge liquidity, the Company earned an interest on its deployment leading to a net interest income rather than an expense.

Besides, borrowing costs have been substantially reduced through the judicious use of foreign exchange loans, derivatives and treasury products.

## 6 Risk identification Brand awareness risk

### Risk explanation

The FMCG industry is crowded by an increasing number of brands and there is always the fear of a new product getting drowned in the clutter.

### Risk mitigation

The products were extensively promoted through above-the-line and below-the-line initiatives. The products are differentiated in terms of their offerings, which helped differentiate them from same-category brands. Emami brand managers focus on the following:

- Create greater visibility through timely brand extensions of popular brands
- Update packaging and promotional campaigns to make products look contemporary
- Introduce attractive consumer schemes
- Introduce value-added products
- Customise brands and promotions according to local preferences

### Mitigation measurement

All brands were marketed aggressively; besides, they were endorsed by celebrities like Amitabh Bachchan, Shahrukh Khan, Kareena Kapoor, Chiranjeevi, Sourav Ganguly, Sunny Deol, Govinda and Madhuri Dixit for enhanced recall.

# economic value-added statement

In 2005-6, the Company enhanced value for its shareowners as demonstrated by the use of the Economic Value-Added parameter, one of the modern benchmarks of value measurement.

The EVA is an internationally respected value measurement tool. It is unique in a number of ways: It accounts for the profit generated by a company in excess of the return that the company would have earned from a risk-free instrument. The number is arrived at through a unique

methodology: It factors in the cost of debt and equity through techniques that measure them separately, as opposed to the conventionally cumulative measurement.

The Company reported a positive EVA of Rs 32.57 cr for 2005-6, this being the surplus reported by the company after accounting for its cost of funds (debt and equity). The EVA grew a phenomenal 95% on account of the following initiatives:

- The successful introduction of brands such as Emami fair and Handsome cream and several OTC products helped grow revenue
- Better offtake through the introduction of brand extensions such as Navratna Cool Talc and Boroplus Body Lotion
- Cost rationalisation initiatives helped enhance the bottomline
- Higher operational efficiency and aggressive branding helped the company stay ahead of competition.

## Cost of Capital Employed [COCE]

(Rs in lacs)

		2005-6	2004-5
1	Average debt	3345	3848
2	Average equity	8744	5936
3	Average capital employed (1+2)	12089	9784
4	Average cost of debt	7.75%	8.34%
5	Marginal tax rate	5.96%	3.65%
6	Post tax marginal cost of debt	7.29%	8.04%
7	Cost of equity	13.00%	16.90%
8	Weighted average cost of capital %	11.42%	13.41%
9	COCE (3 x 8)	1381	1312



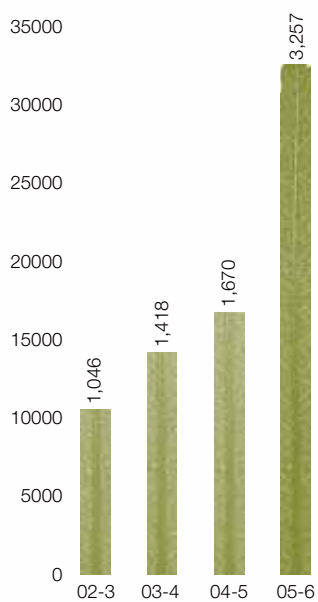


**Economic Value Added [EVA]**

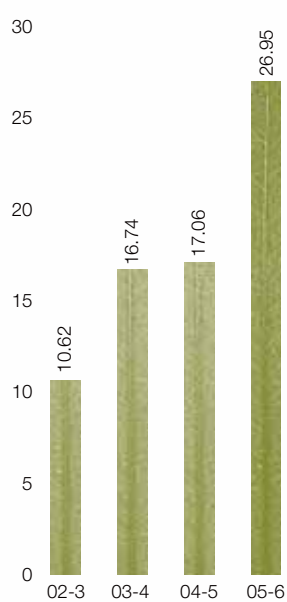
**( Rs in lacs)**

		2005-6	2004-5
10	PAT	4935	2944
11	Add : Interest	(297)	38
12	NOPAT	4638	2982
13	COCE as per (9) above	1381	1312
14	EVA	3257	1670
15	EVA as % of capital employed (14/3)	26.95%	17.06%

**EVA (Rs in lacs)**



**EVA as % of capital employed**



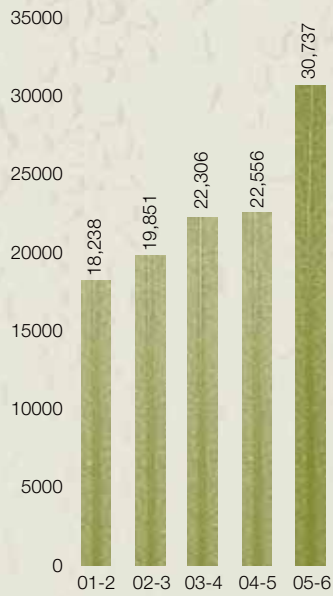
# 10-year highlights

Rs. in lacs

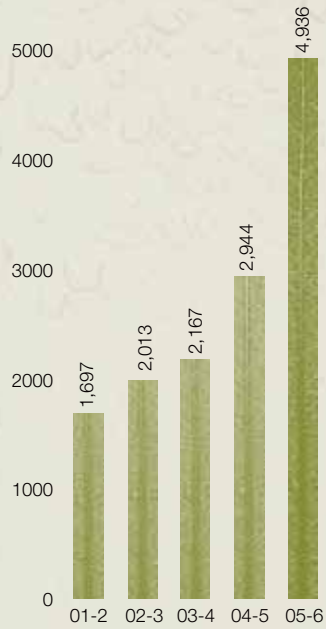
PARTICULARS	2005-6	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0	1998-9	1997-8	1996-7
<b>Operating Results :</b>										
Sales	30,737	22,556	22,306	19,851	18,238	21,009	14,719	10,808	5,944	5,772
EBIDTA	5,403	3,488	2,688	2,630	2,695	2,882	2,108	1,261	1,046	989
PBT	5,031	3,153	2,482	2,121	1,774	2,064	1,785	1,002	840	696
PAT	4,936	2,944	2,167	2,013	1,697	2,064	1,705	992	830	696
Dividend (including tax)	1,395	697	190	158	129	160	162	128	87	62
<b>Financial Position :</b>										
Fixed assets (net block)	4,907	4,822	4,547	3,149	3,014	2,408	1,666	1,291	1,128	1,031
Current assets, loans and advances	11,949	10,430	9,727	8,826	9,957	11,174	5,996	3,913	2,149	1,847
Current liabilities & provisions	3,905	2,047	1,154	644	776	689	682	643	280	352
Net current assets	8,044	8,383	8,573	8,182	9,181	10,485	5,314	3,270	1,869	1,495
Investments - Liquid	8,000	4,700	-	-	-	-	-	-	-	-
- Others	710	691	691	812	806	215	214	1,623	1,534	249
Total assets	21,661	18,596	13,811	12,143	13,001	13,108	7,194	6,184	4,531	2,775
Share capital										
- Equity	1,223	1,223	1,123	562	562	562	562	562	473	473
- Preference	-	-	-	-	-	250	250	250	250	-
Reserves & surplus	32,299	30,461	26,783	27,068	27,092	27,417	28,163	3,133	2,162	1,419
Less : Intangible assets	(15,338)	(17,042)	(18,746)	(20,451)	(22,155)	(23,859)	(26,510)	-	-	-
Equity shareholders' funds	18,184	14,642	9,160	7,179	5,499	4,120	2,215	3,695	2,635	1,892
Loan funds	3,217	3,474	4,222	4,628	7,241	8,737	4,729	2,239	1,646	884
Capital employed	21,401	18,116	13,382	11,807	12,740	13,107	7,194	6,184	4,531	2,775
<b>Key Ratios</b>										
Return on shareholders' funds (%)	27.14	20.11	23.66	28.04	30.86	50.09	77.00	26.85	31.51	36.80
Return on capital employed (%)	23.06	16.25	16.19	17.05	13.32	15.74	23.71	16.04	18.32	25.08
Debt - equity ratio	0.18	0.24	0.46	0.64	1.32	2.12	2.14	0.61	0.62	0.47
Total outside liabilities to net worth	0.39	0.40	0.62	0.97	1.96	2.83	3.00	1.00	1.04	0.85
Net profit margin	16.06	13.05	9.71	10.14	9.30	9.82	11.58	9.18	13.96	12.06
Cash profit margin	18.24	14.37	10.84	11.13	10.20	10.31	12.30	10.57	16.19	14.32
Interest cover	(18.19)	91.79	(59.73)	8.40	3.56	4.02	9.71	11.56	14.01	6.07
<b>Equity share data :</b>										
Earnings per share (Rs)	8.06	5.23	3.86	3.27	3.02	3.68	3.04	1.77	1.76	1.47
Dividend per share (Rs)	2.28	1.14	0.34	0.28	0.20	0.22	0.22	0.17	0.17	0.13
Book value per share (Rs)	29.74	23.94	16.31	12.78	9.79	7.34	3.94	6.58	5.57	4.00



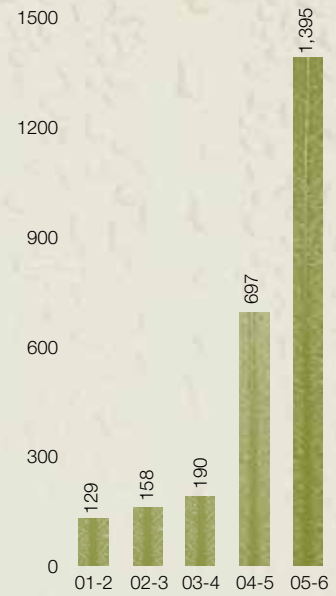
**Sales (Rs in lacs)**



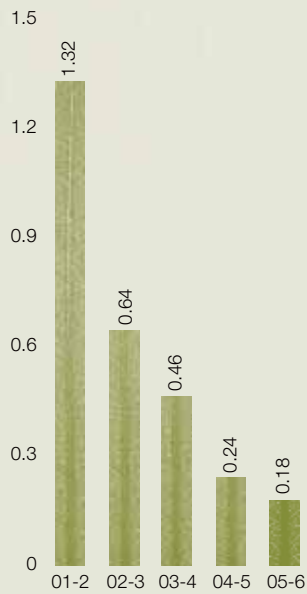
**PAT (Rs in lacs)**



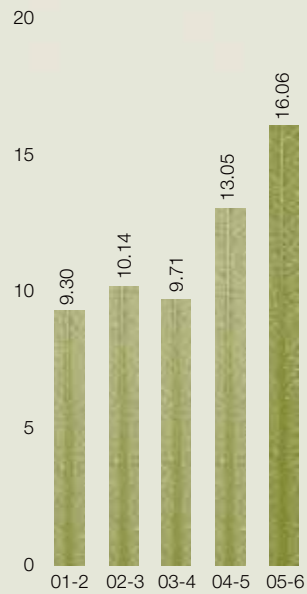
**Dividend including tax (Rs in lacs)**



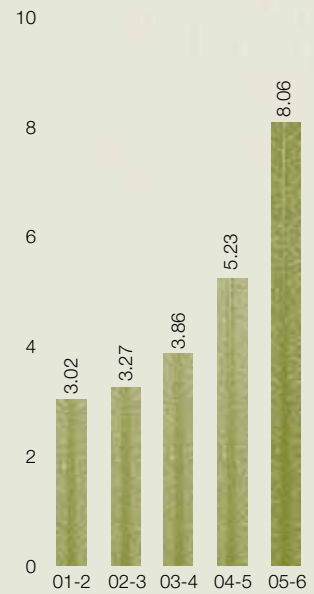
**Debt-equity ratio**



**Net profit margin (%)**



**Earnings per share (Rs)**



# report on corporate governance

**Emami Limited** believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, consumers, shareholders and society. Incorporating high standards of governance can ensure better interests for all these stakeholders. The governance framework therefore encourages an efficient use of resources and accountability towards efficient functioning of the Company.

Corporate Governance is a mechanism that helps the company to conduct its business more efficiently and meet its commitments to stakeholders with strong emphasis on transparency, accountability and integrity. It is a voluntary and self-disciplinary code which must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. An achievement of this balance will thereby help increase shareholder confidence in the company.

In line with this philosophy, Emami has been striving for excellence through the adoption of best governance and disclosure practices.

## Board of Directors

### Composition of Board

In compliance with Corporate Governance norms, the Board headed by its Executive Chairman, Shri R. S. Agarwal, has at present eleven other Directors, out of which six Directors are independent Directors, representing the optimum mix of professionalism, knowledge and experience.

### Board meetings and attendance therein

During the year 2005-6, five board meetings were held. The gap between any two meetings has not exceeded four months. The dates of the said Board meetings are furnished below: -

- May 16, 2005
- July 28, 2005
- August 25, 2005
- October 26, 2005
- January 23, 2006

**The attendance record of the Directors at the Board meetings and the Annual General Meeting (AGM) during financial year 2005-6 is as follows:**

Name of the Director	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	5	10	Member –2	Yes
Shri R. S. Goenka	Promoter Non – Executive	5	11	Member –3 Chairman–1	Yes
Shri S. K. Goenka (Managing Director)	Executive	5	5	–	Yes
Shri Viren J. Shah	Non – Executive Independent	3	–	–	Yes
Shri S. K. Todi	Non – Executive Independent	5	22	Member – 5	Yes
Shri S. N. Jalan	Non – Executive Independent	3	11	Member – 1 Chairman– 1	Yes
Shri K. K. Khemka	Non – Executive Independent	5	4	–	Yes
Shri S. N. Bihani	Non – Executive Independent	2	5	–	Yes
Vaidya Suresh Chaturvedi	Non – Executive Independent	3	–	–	Yes
Shri Mohan Goenka	Promoter Executive	3	3	–	No
Shri Aditya Vardhan Agarwal	Promoter Executive	4	9	–	Yes
Shri Harsha Vardhan Agarwal	Promoter Executive	4	3	–	Yes



### Information Placed Before Board of Directors

As required under the revised clause 49 all the information was placed before the Board.

### Code of Conduct

The Board has framed a Code of Conduct of the Company and displayed it on the Company's website, [www.emamigroup.com](http://www.emamigroup.com). It has designated the Managing Director of the Company as Chief Executive Officer (CEO) for the purpose of Corporate Governance.

The CEO has affirmed the Board that provisions of this Code have been complied with by the members of the Board and Committees and all employees working at level of Executives and above. A declaration signed by the CEO in this regard is annexed at the end of this Report.

### Audit Committee

The Committee comprises of three Non-Executive Directors of whom two are independent Directors. All the members of the Committee are financially literate including Shri S. K. Todi, Chairman of the Committee, has the relevant experience in the field of finance, banking and accounting. Shri A. K. Joshi, Company Secretary, is the Secretary of the Committee. During the year under review, the Committee held four meetings and the gap between two meetings has not exceeded four months.

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

Name of the member of the committee	No. of meetings attended
Shri S. K. Todi – Chairman	4
Shri R. S. Goenka	4
Shri K. K. Khemka	4

The above meetings were held on May 16, 2005, July 28, 2005, October 26, 2005 and January 23, 2006.

The purposes for which the Committee was constituted and the

general business transacted by the Committee was 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 & external 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

### Remuneration Committee

#### Description & Composition

The Remuneration Committee comprises of :

Shri K. K. Khemka, Chairman

Shri S. N. Jalan and

Shri S. K. Todi

as its members (all Independent Non-Executive Directors) and Shri A. K. Joshi as its Secretary.

#### Attendance during the year

During year 2005-6 one meeting of this Committee took place on January 21, 2006 and all the members attended the meeting.

#### Remuneration Policy

On recommendation of Remuneration Committee of the Company, the Board decides remuneration to be paid to Executive directors subject to approval of Shareholders in terms of provisions of the Companies Act, 1956 read with Schedule XIII thereof. The Remuneration Committee takes into account experience, qualification and industry knowledge of the director before giving its recommendation to the Board.

The Non-Executive Directors are entitled for payment of sitting fees for attending the Board Meetings and also for reimbursement of expenses incurred in this regard.

**Details of Remuneration****(Rs)**

Sl No	Name of the Director	Sitting fees	Salary	Contribution to PF	Value of perquisites	Total
1	Shri R. S. Agarwal (Chairman)	–	30,00,000	3,60,000	3,88,361	37,48,361
2	Shri R. S. Goenka	42,000	–	–	–	42,000
3	Shri S. K. Goenka (Managing Director)	–	22,50,000	2,70,000	2,56,906	27,76,906
4	Shri Viren J. Shah	22,000	–	–	–	22,000
5	Shri S. K. Todi	42,000	–	–	–	42,000
6	Shri S. N. Jalan	22,000	–	–	–	22,000
7	Vaidya Suresh Chaturvedi	22,000	–	–	–	22,000
8	Shri S. N. Bihani	20,000	–	–	–	20,000
9	Shri K. K. Khemka	42,000	–	–	–	42,000
10	Shri Mohan Goenka	–	15,00,000	1,80,000	5,20,444	22,00,444
11	Shri Aditya Vardhan Agarwal	–	15,00,000	1,80,000	4,48,124	21,28,124
12	Shri Harsha Vardhan Agarwal	–	15,00,000	1,80,000	2,36,839	19,16,839
	<b>Total</b>	<b>2,12,000</b>	<b>97,50,000</b>	<b>11,70,000</b>	<b>18,50,673</b>	<b>1,29,82,673</b>

**Criteria for payment to Non executive Directors**

Non-executive directors on the Board of a Company can bring in substantial benefit through their experience and knowledge and also safeguard the interest of investors at large by playing an appropriate control role. With such view, the Company has also inducted them in committees of the Board i.e. Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee.

Non-executive directors are paid sitting fees for attending the meetings of the Board within the prescribed limits.

**Shares held by the Non-Executive Directors (as on 31.3.2006)**

Sl No	Name of the Director	Status	No of Shares
1	Shri R. S. Goenka	Promoter/ Non executive Director	96,380
2	Shri Viren J. Shah	Independent Director	5,100
3	Shri S. K. Todi	Independent Director	100
4	Shri S. N. Jalan	Independent Director	Nil
5	Vaidya Suresh Chaturvedi	Independent Director	Nil
6	Shri S. N. Bihani	Independent Director	3500
7	Shri K. K. Khemka	Independent Director	1908
	<b>Total</b>		<b>106,988</b>

**Share Transfer & Shareholders'/Investors' Grievance Committee**

Share Transfer and Shareholders'/Investors' Grievance Committee comprises of:

Shri S. K. Todi, Chairman, Shri Mohan Goenka and Shri Aditya Vardhan Agarwal as its members and Shri A. K. Joshi as its Secretary and Compliance Officer of the Company.

During the year 2005-6, nine meetings were held by the Share



Transfer and Shareholders' / Investors' Grievance Committee.

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

Names of the member of the Committee	Category of Director	No. of meetings attended
Shri S. K. Todi, Chairman	Non – Executive Independent	9
Shri Mohan Goenka	Promoter Executive	8
Shri Aditya Vardhan Agarwal	Promoter Executive	9

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 1.04.2005 to 31.03.2006 is as under: -

Complaints/queries received	Pending as on 31.03.2006
1238 *	Nil

\* Includes complaints relating to non-receipt of refund order of Public Issue applicants.

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
- To do any allied matter(s) out of and incidental to these functions and such other acts assigned by the Board.

Minutes of all the Committee meetings were placed before the Board for information and noting.

## Management

### Management Discussion & Analysis Report

Annual Report has a separate section for detailed Management Discussion and Analysis.

### Disclosures

**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 20 of Schedule 18 to the Audited Accounts.

### 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

### Accounting treatment in preparation of financial statement.

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India in preparation of financial statements.

### Subsidiary Company

The Company does not have a material non-listed Indian subsidiary as defined by revised clause 49

### Risk Management

The Company has framed comprehensive management policy not only to manage the risk but also to minimise the risk. This policy is periodically reviewed by the management and updated as per requirement.

### Proceeds of Public Issue

The proceeds of the public issue have been used in terms of the objects of the Issue as detailed in the prospectus; please refer Note 6 of Schedule 18 to the Audited Accounts.

### CEO (Managing Director) / CFO Certification

The CEO and CFO certification as required by Clause 49 is enclosed at the end of the Report.

## Shareholders

### Details of Appointment/Reappointment of Directors:

Shri S. K. Goenka, Shri S. N. Jalan, Shri K. K. Khemka and Vaidya Suresh Chaturvedi, Directors would retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Shri R. S. Agarwal has been reappointed as Executive Chairman for a period of 3 years with effect from 1st April, 2006, subject to approval of shareholders. Shri S. N. Bihani has resigned from directorship from 15th May 2006. Shri K. N. Memani who has been appointed as an additional director, is proposed to be appointed as a director at the ensuing AGM in accordance with the provisions of the Companies Act, 1956.

The information pertaining to these directors is as follows:-

**Shri R. S. Agarwal** is aged about 60 years, M Com, LLB, FCA & FCS. He is a leading industrialist having experience in strategic planning, legal, corporate affairs and finance. He has about 40 years of business experience. He has played a major role in making Emami one of the most renowned brands in India.

**Shri S. K. Goenka** is aged about 50 years, Commerce Graduate and Managing Director of the Company. He has about 29 years of business experience and his contribution towards growth of the company is remarkable.

**Shri S. N. Jalan** is aged about 71 years, Commerce Graduate and L.L.B. He is an attorney at law and Member of Incorporated Law Society, India and Bar Council of India. He is Non-Executive independent Director of the Company.

**Shri K. K. Khemka** is aged about 73 years, Science Graduate and is having 41 years of Industrial experience. He is non-executive independent Director of the Company.

**Padamshree Vaidya Suresh Chaturvedi** is aged about 77 years, Kaviraj, Ayurvedacharya, BIMS, MAMS. He is a member of All India Ayurveda Congress, Medvisa International, Bhartiya Kalyan Manch and National Institute of Ayurveda.

**Shri K. N. Memani** is a Chartered Accountant. He is former Chairman and Country Managing Partner of Ernst & Young, India. He was also member of Ernst & Young Global Council for the last 10 years and is specialized in Business and Corporate Advisory, Foreign Taxation, Financial Consultancy etc.

## 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, 2005	"Vidya Mandir" 1, Moira Street, Kolkata- 700 017	August, 25, 2005	11.00 A.M.
March 31, 2004	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.	August 27, 2004	11.00 A.M.
March 31, 2003	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001.	August 23, 2003	11.30 A.M.

### Whether special resolutions were passed in previous 3 AGMs

Following special resolutions were passed in previous 3 AGMs

#### Year 2004-5

- Reappointment of Shri S. K. Goenka as Managing Director.
- Appointment of Shri Mohan Goenka as Whole Time Director
- Appointment of Shri A. V. Agarwal as Whole Time Director
- Appointment of Shri H. V. Agarwal as Whole Time Director

#### Year 2003-4

- Appointment of Shri Prashant Goenka as an Executive

#### Year 2002-3

- Re-appointment of Shri R. S. Agarwal as an Executive Chairman

- Enhancement of Salary of Smt Indu Goenka
- Enhancement of Salary of Smt Rashmi Goenka

### Whether any special resolution passed in last year through postal ballot - details of voting pattern ?

No

### Person who conducted the postal ballot exercise.

N.A.

### Are votes proposed to be conducted through postal ballot this year?

No such proposal as yet.

### Procedure for postal ballot: -

The Company adheres to the procedure for postal ballot in accordance with the provisions of Section 192A of the



Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001.

### **Compliance Report**

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

#### **Mandatory requirements**

The Company has been fully compliant with mandatory requirements of Clause 49

#### **Non-Mandatory Requirements**

##### **Maintenance of Chairman Office:**

The Company has Executive Chairman and as such does not require to maintain non-executive Chairman Office.

##### **Tenure for Independent Director:**

The Board has not decided specific tenure for Independent directors.

##### **Remuneration Committee:**

The Company has independent remuneration committee comprising of three members, all of them are non-executive independent directors. Other relevant details are given separately in this Report.

##### **Shareholders' Rights:**

The quarterly and half yearly financial results are published in widely circulating national and local dailies and are displayed on company's and SEBI website [www.sebidifar.com](http://www.sebidifar.com). Hence, these are not individually sent to the shareholders.

##### **Audit qualification:**

There is no audit qualification given in the Auditors' Report

##### **Training of Board Members:**

At Emami all the members of Board of the Company are well experienced and professionals and are well acquainted with business knowledge of the industry. It is, therefore, prudent on the part the Company to think that there is no need of any formal training for such directors. However, in respect of executive directors, the Company arranges training in the field of risk management of the Company's business in order to make them well conversant to discharge their responsibilities as directors in the best way.

##### **Mechanism for evaluation of non-executive Directors:**

The role of non-executive directors of the Company is important and as such peer group comprising the entire Board except the

director being evaluated, evaluates his/her performance. On basis of such evaluation, it is decided as to whether his/her appointment should be extended or continued.

##### **Whistle Blower Policy:**

Any employee may report unethical attitude at the work place without fear and may access to the Chairman of the Audit Committee or alternatively may report to Head-HR.

### **General Shareholder Information**

#### **i) Annual General Meeting:**

##### **Date, Time & Venue:**

August 25, 2006 at 11.00 A.M.  
Vidya Mandir, 1 Moira Street, Kolkata- 700 017

#### **ii) Financial Calender:**

Financial Year : April 1, 2005 to March 31, 2006

Results were announced on:

- 1st Quarter : July 28, 2005
- 2nd Quarter : October 26, 2005
- 3rd Quarter : January 23, 2006
- 4th Quarter & Annual : May 15, 2006

Financial Year : April 1, 2006 to March 31, 2007

Results will be announced on: (Tentative & subject to change)

- 1st Quarter : July 25, 2006
- 2nd Quarter : October 30, 2006
- 3rd Quarter : January 30, 2007
- 4th Quarter & Annual : May 15, 2007

#### **iii) Book Closure Date:**

August 22, 2006 to August 25, 2006  
(both days inclusive).

#### **iv) Dividend Payment Date :**

25th August 2006 onwards

#### **v) Listing on Stock Exchanges :**

The Bombay Stock Exchange Ltd  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400 023

The Calcutta Stock Exchange  
Association Ltd  
7, Lyons Range, Kolkata-700001.

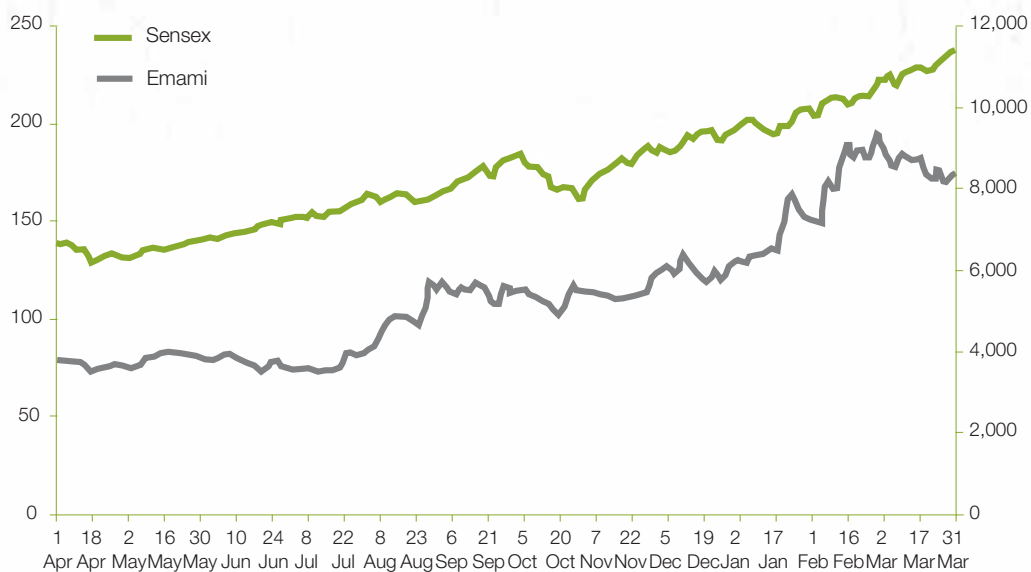
#### **vi) Stock Code**

Bombay Stock Exchange - 531162  
Calcutta Stock Exchange - 18136

vii) Market Price Data (Face Value of Shares Rs. 2/- each)

Months	Mumbai Stock Exchange		Calcutta Stock Exchange	
	High	Low	High	Low
April 2005	80.20	70.00	–	–
May 2005	84.95	72.05	–	–
June 2005	82.85	70.30	–	–
July 2005	89.00	71.50	–	–
August 2005	126.10	77.50	–	–
September 2005	121.50	95.00	–	–
October 2005	122.00	95.00	–	–
November 2005	129.70	107.40	–	–
December 2005	135.00	115.30	–	–
January 2006	169.50	125.00	–	–
February 2006	194.50	145.00	–	–
March 2006	199.00	166.00	–	–

Emami's Share Performance versus BSE Sensex





### 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 15 days from the date of receipt.

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.

### Distribution of Shareholding: [As on 31.3.2006]

Category	No. of Shares Held	% of Shareholding
<b>A. Promoters' Holding</b>		
<b>Promoters</b>		
- Indian Promoters		
Individuals	85,97,860	14.06%
Corporate	4,53,53,820	74.17%
- Foreign Promoters	Nil	Nil
<b>Sub – Total</b>	<b>5,39,51,680</b>	<b>88.23%</b>
<b>B. Non-Promoters' Holding</b>		
<b>1. Institutional Investors</b>		
a. Mutual Funds & UTI	13,43,667	2.20%
b. Banks, Financial Institutions and Insurance Companies	–	–
c. Foreign Institutional Investors	9,45,151	1.55%
<b>Sub – Total</b>	<b>22,88,818</b>	<b>3.75%</b>
<b>2. Others</b>		
a. Private Corporate Bodies	32,16,305	5.26%
b. Indian Public	16,50,874	2.70%
c. NRI / OCBs	42,323	0.06%
<b>Sub – Total</b>	<b>49,09,502</b>	<b>8.02%</b>
<b>Grand Total</b>	<b>6,11,50,000</b>	<b>100.00%</b>

### Distribution of Shareholding

Share Holding of Nominal Value (Rs)	Shareholders		Share Amount	
	Number	% of Total	In Rs.	% of Total
Upto – 5000	6,058	96.73	19,84,104	1.62
5001 – 10000	58	0.93	4,59,916	0.38
10001 – 20000	45	0.72	6,93,444	0.57
20001 – 30000	13	0.21	3,31,896	0.27
30001 – 40000	4	0.06	1,47,000	0.12
40001 – 50000	5	0.08	2,40,720	0.20
50001 – 100000	14	0.22	10,69,378	0.87
100001 and Above	66	1.05	11,73,73,542	95.97
	<b>6,263</b>	<b>100.00</b>	<b>12,23,00,000</b>	<b>100.00</b>

### Dematerialisation of Shares and liquidity

	Holder	Shares	Percentage
Physical	225	7,67,399	1.25
Demat	6,038	6,03,82,601	98.75
<b>Total</b>	<b>6,263</b>	<b>6,11,50,000</b>	<b>100.00</b>

### Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity.

None

### Means of communication

Quarterly results	Publication in Newspaper
In which newspapers are quarterly results normally published?	The Business Standard, Economic Times, Times of India (in English) and Dainik Statesmen (in Bengali)
On which websites are quarterly results displayed?	www.sebiedifar.com www.emamigroup.com
Whether it also displays official news releases	No
The presentations made to institutional investors or the analysts	No

### Plant Locations:

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	

### Address for Correspondence:

#### M/s Emami Limited,

6A, R. N. Mukherjee Road,  
Stephen House, Kolkata – 700001. West Bengal  
Email:emami@vsnl.com  
Tel: 033-2248 7651 – 54





# certification by managing director and president-chief financial officer of the company

We, Sushil Kr Goenka, Managing Director and N. H. Bhansali, President- CFO of Emami Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Accounts of the Company for the year ended 31st March 2006 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. To the best of our knowledge and information:
  - a. these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;
  - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violate the Company's code of conduct.
4. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, whichever applicable, to the Company's auditors and through them to the audit committee of the Company, the following:
  - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
  - b. Significant changes in internal control during the year;
  - c. Any fraud, which we have become aware of and that involves Management or other employees who have significant role in the Company's internal control systems;
  - d. Significant changes in accounting policies during the accounting year;

We further declare that all members of Board and Committees and all employees working at level of Executive and above have affirmed compliance with the Code of Conduct of the Company for the current year.

Kolkata  
May 15, 2006

**Sushil Kr Goenka**  
*Managing Director*  
Emami Ltd.

**N. H. Bhansali**  
*President- CFO*  
Emami Ltd.

# 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, 2006 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 **S. K. Agrawal & Company**  
*Chartered Accountants*

Kolkata  
Dated: May 15, 2006

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



# directors' report

For the year ended 31st March, 2006

*Dear Shareholders*

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended 31st March' 2006.

## Financial Results

The financial results are summarised below:

Rs. in lacs

	2005-6		2004-5	
<b>Operating Income</b>		<b>30088</b>		<b>21880</b>
Profit Before Depreciation and Taxation		5700		3450
Depreciation	2373		2001	
Less : Transferred from Reserves	1704	669	1704	297
<b>Profit Before Taxation</b>		<b>5031</b>		<b>3153</b>
Less : Provision for Taxation				
- Current Tax (including FBT)	314		115	
- Deferred Tax ( Net )	(219)	95	94	209
<b>Profit After Taxation</b>		<b>4936</b>		<b>2944</b>
Excess provision for Taxation of earlier years		1		6
Balance brought forward		396		320
<b>Profit available for Appropriation</b>		<b>5333</b>		<b>3270</b>
<b>Appropriation :</b>				
General Reserve		3704		2177
Proposed Dividend		1223		612
Corporate Dividend Tax		172		85
Balance Carried Forward		234		396
		<b>5333</b>		<b>3270</b>

### **Dividend**

Your Directors are pleased to recommend dividend @ 100% which amounts to Dividend payout ratio of 28%. The dividend, if approved, will be paid to members within the period stipulated under the Companies Act, 1956.

### **Business performance and prospects**

With growth in all sectors viz. agriculture, industry and services, economy is now on rapid growth path. FMCG industry has also started looking up after a lull of four years, due to increased demands on account of increasing disposable incomes, growing consumption and deepening of media and distribution penetration. Over the years, your Company has strengthened its competitive capabilities in all spheres of activities. This has enabled Emami report better results. All the focused brands have performed satisfactorily and grown beyond the growth of respective categories. International business also continues to grow aggressively. While turnover at Rs. 301 cr has grown by 37%, Profit After Tax at Rs. 49 cr has increased by 68%, compared to previous year. Our relentless thrust on providing innovative and value for money products, based on Ayurveda, using modern technologies along with aggressive marketing, improved quality standards and continuous efforts for cost reduction has helped deliver better results.

Almost all categories in which we are

operating are growing. And with strong brand equity of existing brands, launches of innovative and effective products and differentiated marketing and R&D capabilities, Emami is poised for continuous business growth. Your Board therefore looks to the future with confidence.

### **Internal control system**

The Company maintains a system of Internal Control including suitable monitoring process. The Internal Audit Department regularly conducts review to assess financial and operating controls at various locations of your Company. Any significant issue is brought to the notice of the Audit Committee.

### **Information technology (IT)**

Emami is in the process of implementing SAP, a world class leading application software. With the implementation, following benefits are expected:

1. A robust, online transactional system with single data base;
2. Business process streamlining and automation across all locations;
3. Enhanced management control and online user-friendly management reporting;
4. Integrated supply chain management; and
5. Operational efficiency to respond quickly to the fast changing market realities.

### **Listing**

The shares of your Company are listed at Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association Limited. The listing fees for the year have been paid. The Company has also made application to National Stock Exchange (India) Limited for enlistment of its shares so as to make available more liquidity to investors.

### **Subsidiaries**

The Company has during the year set up a wholly owned subsidiary, Emami International FZE, in UAE, to expand its foreign market. Accounts together with Directors' Report and particulars as required under section 212 of the Companies Act, 1956 in respect of all the Subsidiary Companies are appended.

### **Consolidated financial statement**

In accordance with the accounting standard 21 issued by the Institute of Chartered Accountants of India, your Company has prepared its consolidated financial statements, which form part of this Annual Report.

### **Directors**

Shri S. K. Goenka, Shri S. N. Jalan, Shri K. K. Khemka and Vaidya Suresh Chaturvedi, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

Shri R S Agarwal has been re-appointed as Executive Chairman for a period of 3



years with effect from 1st April 2006, subject to approval of shareholders in next general meeting.

Shri S. N. Bihani resigned as director of the Company with effect from May 15, 2006 and the Board places on record its gratitude for the service rendered by him during his tenure as member of the Board. Shri K. N. Memani has been appointed as additional Director with effect from May 15, 2006 to hold office upto ensuing Annual General Meeting. The Company has received notice from a member pursuant to section 257 of the Companies Act, 1956 signifying his intention to propose candidature of Shri Memani for office of the Director.

### **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. S. K. Agrawal & Co (Formerly known as 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 2005-6 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 for safeguarding 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 the consumers of its products for their continued support.

For and on behalf of the Board

Kolkata  
May 15, 2006

**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 0.39%.

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

### A. Power and fuel consumption

Rs. in lacs

	2005-6	2004-5
1. Electricity		
a) Purchased Units (lac KWH)	17.61	14.37
Total Amount (Rs. in lacs)	58.97	63.82
Average Rate/Unit (Rs.)	3.35	4.44
b) Own generation		
i) Through Diesel Generator Units (lac KWH)	0.64	0.94
Unit/Litre of Diesel	3.12	3.72
Cost/Unit (Rs.)	9.76	6.78
Total Amount (Rs. in lacs)	6.22	6.34
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

1. The R&D activities of the Company are specifically focused to the development of new products and improvement in existing products and analytical methods.

2. 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.

3. 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	55.45
c) Total	55.45
d) R&D as a percentage of total turnover	0.18%

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

1. 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.

2. Benefits derived as a result of the above efforts: The benefits derived by the Company for such adaptation has been evident in the reduction of cost, improvement in the products and development of new products.

3. Future Plan of Action: Emphasis will continue to be laid on main area: innovative products keeping in view of need and taste of consumers, innovative package and adoption of latest technology to make products more cost effective as well as of high quality.

### 4. 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	235.46
Capital Goods	59.28
Professional Fees	6.75
Interest	184.86
Others	838.23
	<b>1324.58</b>
B. Foreign Exchange earnings during the year (Export of goods on FOB basis)	2888.91

For and on behalf of the Board

Kolkata  
 May 15, 2006

**R. S. Agarwal**  
 Chairman

# financial section



# auditors' report

To  
The Members of **Emami Limited**

We have audited the Balance Sheet of Emami Limited as at 31st March, 2006 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:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books.
- c) The Balance Sheet, Profit & 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 31st March, 2006 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, subject to Note no. 5 of Schedule 18 regarding change in method of depreciation of Block, Dies and Moulds due to which Rs. 303.88 lacs of excess depreciation has been charged during the year, read with other notes on accounts as per schedule 18 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:
  - ii) In the case of the Profit & Loss Account of the Profit for the year ended on that date; and
  - iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

As required by the Companies (Auditors Report) order, 2003 issued by the Central Government 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:

- 1) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
  - (b) 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 noted 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 4,800 Lacs during the year, the rate of interest and other terms and 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 are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. 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 agreements 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 any 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 explanations 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:

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited Rs. Lacs	Financial Year to which the amount relates	Forum where the dispute is pending
Central Sales Tax and State Sales Tax	Sales tax including interest and penalty, as applicable	205.04	2002-03, 2003-04 2005-06	AC
		129.76	1998-99 to 2001-02	AC (Appeals)
		9.22	2005-06	ADC
		99.42	2000-01 to 2002-03	DC
		73.26	1994-95, 1996-97 to 1998-99 2001-02	DC (Appeal)
		189.01	2003-04, 2005-06	JC (Appeals)
		85.63	2001-02	JC Sales Tax
		11.21	1995-96	Revisional Board
		54.96	1997-98, 2000-01 2002-03 to 2004-05	Tribunal
Excise duty	Excise duty	75.68	1982-83 to 1993-94 1997-98, 1999-00	High Court
		4.83	1983-84 to 1990-91	Assistant Commissioner of Central Excise
		68.85	1981-82 to 1986-87 1989-90	Deputy Commissioner of Excise
Customs Duty	Penalty	11.31	1992-93	Custom, Excise, Service Tax Appellate Tribunal
		91.80	1989-90	Additional Director General of Foreign Trade
Income Tax	Interest	33.55	2000-01	Director General of Income Tax



- 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 and 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 preceding financial year. Out of Rs 3,500 lacs raised, Rs 1839.62 lacs have been used as per the details given in Note no. 6 of Schedule 18 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 **S. K. Agrawal & Company**  
*Chartered Accountants*

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

Place: Kolkata  
Dated: May 15, 2006

Membership No. 9067



## Balance Sheet

Rs in lacs

As at 31 March	Schedule	2006		2005	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,223.00		1,223.00	
Reserves & Surplus	2	32,298.63	33,521.63	30,460.74	31,683.74
<b>Loan Funds</b>					
Secured Loans	3	3,124.08		3,375.82	
Unsecured Loans	4	92.59	3,216.67	98.36	3,474.18
Deferred Tax (Net)	5		261.00		480.00
			<b>36,999.30</b>		<b>35,637.92</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	32,196.44		32,021.38	
Less : Depreciation		12,878.91		10,562.74	
Net Block		19,317.53		21,458.64	
Capital Work-in-Progress		927.95		405.35	
			20,245.48		21,863.99
<b>Investments</b>	7		8,709.80		5,391.05
<b>Current Assets, Loans and Advances</b>					
Inventories	8	3,662.46		3,674.58	
Sundry Debtors	9	3,667.52		3,524.79	
Cash & Bank Balances	10	82.12		34.43	
Loans & Advances	11	4,537.37		3,195.80	
		11,949.47		10,429.60	
Less :					
<b>Current Liabilities &amp; Provisions</b>	12	3,905.45		2,046.72	
<b>Net Current Assets</b>			8,044.02		8,382.88
			<b>36,999.30</b>		<b>35,637.92</b>
<b>Notes on Accounts &amp; Significant Accounting Policies</b>	18				

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. H. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary



## Profit and Loss Account

Rs in lacs

For the year ended 31 March	Schedule	2006		2005
<b>INCOME</b>				
Operating Income	13		30,087.56	21,879.75
Other Income	14		134.11	12.12
			<b>30,221.67</b>	<b>21,891.87</b>
<b>EXPENDITURE</b>				
Cost of Goods Sold/ Consumed	15		17,543.71	12,609.33
Manufacturing, Administrative & Selling Expenses	16		7,275.05	5,794.49
Interest & Finance Charges	17		(296.65)	38.07
			<b>24,522.11</b>	<b>18,441.89</b>
<b>PROFIT</b>				
Profit Before Depreciation & Taxation			5,699.56	3,449.98
Depreciation		2,373.19		2,001.53
Less : Transferred from General Reserve		1,704.21	668.98	1,704.21
<b>Profit Before Taxation</b>			<b>5,030.58</b>	<b>3,152.66</b>
Provision for Taxation				
- Current Tax		300.00		115.00
- Fringe Benefit Tax		14.00		-
- Deferred Tax (Net)		(219.00)	95.00	94.00
<b>Profit After Taxation</b>			<b>4,935.58</b>	<b>2,943.66</b>
Excess/(Short) Provision for Taxation of earlier years			1.05	5.51
Balance Brought Forward			396.07	320.73
<b>Available for Appropriation</b>			<b>5,332.70</b>	<b>3,269.90</b>
<b>APPROPRIATIONS</b>				
General Reserve			3,704.21	2,176.57
Proposed Equity Dividend			1,223.00	611.50
Corporate Dividend Tax			171.53	85.76
Balance Carried Forward			233.96	396.07
			<b>5,332.70</b>	<b>3,269.90</b>
<b>Notes on Accounts &amp; Significant Accounting Policies</b>				
<b>Earnings per share - basic &amp; diluted - Rs.</b>	18		8.07	5.23

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

S. K. Agrawal  
PartnerR. S. Agarwal  
ChairmanR. S. Goenka  
DirectorS. K. Todi  
DirectorKolkata  
May 15, 2006S. K. Goenka  
Managing DirectorN. H. Bhansali  
President - CFOA. K. Joshi  
Secretary



## Schedules forming part of the Accounts

Rs in lacs

As at 31 March	2006	2005
<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 *	1,223.00	1,223.00
	<b>1,223.00</b>	<b>1,223.00</b>

\* a. Includes 2,80,75,000 Equity Shares issued as fully paid Bonus Shares by capitalisation of Capital Redemption Reserve -

Rs. 250 lacs - and Revenue Reserves - Rs. 311.50 lacs

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

<b>2 RESERVES &amp; SURPLUS</b>			
<b>Capital Reserve</b>			
At commencement of the year	79.64	3.36	
Received during the year	-	79.64	76.28
			79.64
<b>Share Premium</b>			
At commencement of the year	3,126.03	-	
Received during the year	-	3,400.00	
Utilised towards Share Issue Expenses	-	3,126.03	273.97
			3,126.03
<b>Revaluation Reserve</b>			
		23,859.00	23,859.00
<b>General Reserve</b>			
At commencement of the year	3,000.00	2,600.00	
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	3,704.21	5,000.00	3,000.00
		2,176.57	
			3,000.00
<b>Profit &amp; Loss Account</b>		233.96	396.07
		<b>32,298.63</b>	<b>30,460.74</b>

<b>3 SECURED LOANS</b>			
<b>Cash Credits</b>		1,044.74	889.91
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.			
<b>Term Loans</b>		2,079.34	2,485.91
Secured by charge/mortgage of specific movable/immovable assets			
Term Loan of Rs. 2,007.90 lacs is further secured by personal guarantees of some of the Directors.			
		<b>3,124.08</b>	<b>3,375.82</b>

<b>4 UNSECURED LOANS</b>			
Trade Deposits		70.33	76.10
Interest Free Sales Tax Loan		-	0.92
Interest accrued & due		22.26	21.34
		<b>92.59</b>	<b>98.36</b>



## Schedules forming part of the Accounts

Rs in lacs

As at 31 March		2006	2005
<b>5</b>	<b>DEFERRED TAX (Net)</b>		
<b>Deferred Tax Liabilities</b>			
Tax impact due to difference between tax depreciation and book depreciation		403.00	505.00
<b>Deferred Tax Assets</b>			
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred		(142.00)	(25.00)
<b>Net Deferred Tax (Liability)</b>		<b>261.00</b>	<b>480.00</b>

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2005	Additions	Sales/ Adjustments	Total	As on 01.04.2005	For the Year	Sales/ Adjustments	Total	As on 31.03.2006	As on 31.03.2005
Brands	26,510.00	-	-	26,510.00	9,467.86	1,704.23	-	11,172.09	15,337.91	17,042.14
Land										
Leasehold	68.99	-	-	68.99	2.38	1.03	-	3.41	65.58	66.61
Others	307.70	-	38.47	269.23	-	-	-	-	269.23	307.70
Buildings	1,757.12	20.70	106.08	1,671.74	237.07	56.41	21.12	272.36	1,399.38	1,520.05
Plant & Machinery	2,533.50	327.65	90.83	2,770.32	555.16	522.63	30.37	1047.42	1,722.90	1,978.34
Furniture, Equipments & Computers	699.28	52.14	5.63	745.79	273.07	74.91	5.16	342.82	402.97	426.21
Motor Vehicles	144.79	17.92	2.34	160.37	27.20	13.98	0.37	40.81	119.56	117.59
<b>Total</b>	<b>32,021.38</b>	<b>418.41</b>	<b>243.35</b>	<b>32,196.44</b>	<b>10,562.74</b>	<b>2,373.19</b>	<b>57.02</b>	<b>12,878.91</b>	<b>19,317.53</b>	<b>21,458.64</b>
Capital Work-In-Progress	405.35	530.04	7.44	927.95	-	-	-	-	927.95	405.35
<b>Grand Total</b>	<b>32,426.73</b>	<b>948.45</b>	<b>250.79</b>	<b>33,124.39</b>	<b>10,562.74</b>	<b>2,373.19</b>	<b>57.02</b>	<b>12,878.91</b>	<b>20,245.48</b>	<b>21,863.99</b>
Previous Year's Figures	32,050.63	838.29	462.19	32,426.73	8,757.30	2,001.53	196.09	10,562.74	21,863.99	

As at 31 March		2006	2005
<b>7</b>	<b>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



## Schedules forming part of the Accounts

Rs in lacs

As at 31 March		2006	2005
<b>7</b>	<b>INVESTMENTS (Other than Trade) (Contd.)</b>		
<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	0.04
	Emami International FZE 1 Share of UAE Dirham 1,50,000/-	18.98	-
<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)	648.18	629.20
<i>Current</i>			
	HDFC Floating Rate Income Fund - Short Term Plan - Growth Opening 44,95,109.321 Units of Rs. 10/- each Sold 44,95,109.321 Units of Rs. 10/- each	-	500.00
	HDFC Cash Management Fund - Savings Plan - Growth Opening 50,84,881.195 Units of Rs. 10/- each Sold 50,84,881.195 Units of Rs. 10/- each	-	700.00
	Prudential ICICI Liquid Plan IP- Growth Opening 67,09,061.914 Units of Rs. 10/- each Sold 67,09,061.914 Units of Rs. 10/- each	-	1,100.23
	Reliance Floating Rate Fund Growth Plan - Growth Opening 68,08,090.219 Units of Rs. 10/- each Sold 68,08,090.219 Units of Rs. 10/- each	-	700.00
	ING Vysya Liquid Fund - Growth Opening 49,72,862.380 Units of Rs. 10/- each Sold 49,72,862.380 Units of Rs. 10/- each	-	700.00
	ABN AMRO Floating Rate Fund IP - Growth Opening 48,65,848.555 Units of Rs. 10/- each Sold 48,65,848.555 Units of Rs. 10/- each	-	500.00
	DSP Merrill Lynch Floating Rate Fund - Growth Opening 45,56,763.604 Units of Rs. 10/- each Sold 45,56,763.604 Units of Rs. 10/- each	-	500.00
	HDFC Liquid Plan - Growth Purchased 3,35,80,695.743 Units of Rs. 10/- each Sold 3,35,80,695.743 Units of Rs. 10/- each	-	-
	HDFC Liquid Fund - Premium Plan - Growth Purchased 2,00,63,630.371 Units of Rs. 10/- each	2,800.00	-
	Birla Cash Plus - Institutional Premium - Daily Dividend Purchased 5,18,98,797.345 Units of Rs. 10/- each	5,200.00	-
	(iii)	8,000.00	4,700.23
	<b>Total (i) + (ii) + (iii)</b>	<b>8,709.80</b>	<b>5,391.05</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>8,648.18</b>	<b>5,329.43</b>
	<b>Aggregate Market Value of Quoted Investments</b>	<b>77.03</b>	<b>77.03</b>



## Schedules forming part of the Accounts

Rs in lacs

As at 31 March	2006	2005
<b>8 INVENTORIES</b>		
Raw & Packing Materials	1,411.32	1,077.82
Work-in-progress	51.90	11.14
Finished Goods	2,170.00	2,397.58
Stores & Advertising Materials	29.24	188.04
	<b>3,662.46</b>	<b>3,674.58</b>

<b>9 SUNDRY DEBTORS</b>		
<i>Unsecured, Considered Good</i>		
Due over six months	103.00	172.16
Other Debts	3,564.52	3,352.63
	<b>3,667.52</b>	<b>3,524.79</b>

<b>10 CASH &amp; BANK BALANCES</b>			
Cash in hand		10.60	7.05
<i>With Scheduled Banks</i>			
– Current Accounts	67.73		22.68
– Margin Deposit	2.00		3.39
– Unpaid Dividend Account	1.79	71.52	1.31
		<b>82.12</b>	<b>34.43</b>

<b>11 LOANS &amp; ADVANCES</b>			
<i>Unsecured, Considered Good</i>			
Loans & Advances recoverable in cash or in kind or for value to be received		4,322.12	2,940.09
Deposits		122.46	222.03
Income Tax Net of Provisions		92.79	33.68
		<b>4,537.37</b>	<b>3,195.80</b>

<b>12 CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>Current Liabilities</b>			
Sundry Creditors	2,029.85		1,339.54
Interest Accrued but not due	12.61		8.61
Unclaimed Dividend	1.79	2,044.25	1.31
<b>Provisions</b>			
Proposed Equity Dividend	1,223.00		611.50
Corporate Dividend Tax	171.53		85.76
Sales Tax	466.67	1,861.20	–
		<b>3,905.45</b>	<b>2,046.72</b>



## Schedules forming part of the Accounts

Rs in lacs

For the year ended 31 March		2006	2005
<b>13</b>	<b>OPERATING INCOME</b>		
Sales	30,737.35		22,556.47
Less : Excise Duty	649.79	30,087.56	676.72
		<b>30,087.56</b>	<b>21,879.75</b>
<b>14</b>	<b>OTHER INCOME</b>		
Liabilities Written Back		5.61	10.12
Profit on Sale of Investments		40.03	0.23
Profit/(Loss) on Sale of Fixed Assets		48.36	(16.49)
Miscellaneous Receipts		40.11	18.26
		<b>134.11</b>	<b>12.12</b>
<b>15</b>	<b>COST OF GOODS SOLD / CONSUMED</b>		
Purchases/Materials Consumed		17,358.78	12,957.44
Add : Opening Stock			
Work-in-progress	11.14		31.23
Finished Goods (Net off Input VAT credit of Rs. 1.89 lacs)	2,395.69	2,406.83	2,029.38
		19,765.61	15,018.05
Less : Closing Stock			
Work-in-progress	51.90		11.14
Finished Goods	2,170.00	2,221.90	2,397.58
		<b>17,543.71</b>	<b>12,609.33</b>
<b>16</b>	<b>MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Salaries, Wages, Bonus & Gratuity		1,268.57	1,014.44
Contribution to Provident & Other Funds		116.15	112.27
Employees Welfare		62.08	62.68
Power & Fuel		120.61	102.80
Consumable Stores		26.42	23.33
Rent		72.98	108.25
Rates & Taxes		63.98	26.00
Insurance		59.72	48.36
Repairs & Maintenance			
Building	10.60		7.30
Machinery	72.65		64.08
Others	99.43	182.68	122.73
Freight & Forwarding		811.55	758.59
Directors' Fees		2.12	0.48
Advertisement & Sales Promotion		857.26	278.10
Commission		168.78	170.33
Discount		2.77	3.29
Taxes on Sales		2,464.16	2,024.19
Miscellaneous		995.22	867.27
		<b>7,275.05</b>	<b>5,794.49</b>
<b>17</b>	<b>INTEREST &amp; FINANCE CHARGES (Net)</b>		
Term Loans		140.73	199.51
Others		(437.38)	(161.44)
		<b>(296.65)</b>	<b>38.07</b>



## Schedules forming part of the Accounts

### 17 NOTES ON ACCOUNTS & 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

Depreciation is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except :

- a. Block, Dies & Moulds, which are depreciated @ 95% in the year of purchase itself on prorata basis.
- b. Lease hold land is amortised over the period of lease.
- c. Brands are amortised 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 & 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 as follows: Raw & Packing materials - FIFO Basis, Others - 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 as at the year end.
- c. Liability in respect of Gratuity is covered by appropriate scheme with Life Insurance Corporation of India.

##### (viii) Sales

Sales include duty drawback, license premium on exports, Sales Tax and Insurance Claims on stocks and are recorded net of Trade discounts and other rebates.

##### (ix) Provisions and Contingent Liabilities

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation.

##### (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.



## Schedules forming part of the Accounts

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

#### (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 asset 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.

- 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. Remaining period of amortisation is nine years.
- 5 The Company has changed the method of providing depreciation on Block, Dies & Moulds from straight line method at rates specified in Schedule XIV of the Companies Act, 1956 to 95% in the year of purchase itself on prorata basis. This has resulted in excess depreciation of Rs. 303.88 lacs for the year and reduction in Profit for the year and net value of fixed assets by equivalent amount.

## Schedules forming part of the Accounts

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

- 6 Out of Rs. 3,500 lacs raised through public offering, Rs. 1839.62 lacs have been used for meeting capital expenditure including corporate house and also in meeting share issue expenses. Details are as under : Rs in lacs

	As on 31.03.2005	For the Year	As on 31.03.2006
Corporate House	249.39	366.26	615.65
Other Capital Expenditure	548.86	401.14	950.00
Share Issue Expenses	273.97	–	273.97
	<b>1072.22</b>	<b>767.40</b>	<b>1839.62</b>

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

- 7 The Company has made a provision of Rs. 466.67 lacs towards Sales Tax resulting mainly from issues, which are under litigation/dispute requiring management judgement and provision for direct taxes as shown below :

Description	Direct Taxes	Sales Tax	Total
Opening Balance	379.87	–	379.87
Provisions during the year	315.57	466.67	782.24
Provisions reversed during the year	261.87	–	261.87
Closing Balance	433.57	466.67	900.24

- 8 Since external and internal sources of information do not provide for any indication for impairment of fixed assets based on cash generating unit concept, no further impairment was required during the year.
- 9 Foreign Exchange Fluctuation Loss / (Gain) has been considered in Accounts as under :

	31st March' 2006	31st March' 2005
Charged to the Profit & Loss Account		
– Interest	16.72	23.96
– Miscellaneous Income	(13.68)	9.91
Charged against the value of Fixed Assets	18.00	(7.43)

- 10 Sundry Creditors include amounts outstanding to SSI Units of Rs. 85.90 Lacs (Previous Year : Rs. 28.69 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.
- 11 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. 15.12 Lacs).
- 12 Loans & Advances include amount due from Subsidiaries as under :

	31st March' 2006		31st March' 2005	
	Balance	Maximum amount outstanding during the year	Balance	Maximum amount outstanding during the year
Emami UK Limited	65.72	69.45	53.40	53.40
Emami Bangladesh Limited	0.79	0.82	0.14	0.14
Emami International FZE	1,355.64	1,386.17	–	–
	<b>1,422.15</b>	<b>1,456.44</b>	<b>53.54</b>	<b>53.54</b>



## Schedules forming part of the Accounts

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

13 The Company has incurred a sum of Rs. 55.45 lacs on Research & Development which is charged to the Profit and loss account under Miscellaneous Expenses.

14 Contingent Liabilities not provided for in respect of :

*Rs in lacs*

	31st March' 2006	31st March' 2005
a) Excise Duty demands	84.99	86.12
b) Custom Duty	91.80	-
c) Sales Tax demands under appeal (Net of Advances)	857.87	596.22
d) Income Tax (Net of Advances)	33.55	9.10
e) Guarantees and counter guarantees given	99.57	53.42
<b>15</b> Estimated amount of commitments [net of advances of Rs. 320.50 lacs (Previous Year - Rs. 27.02 lacs)] on capital account not provided for	1,146.55	28.22
<b>16</b> Directors' Remuneration included in different heads of expenses :		
Salaries	97.50	78.19
Contribution to Provident and Other Funds	11.70	9.38
Perquisites	18.51	13.43
	<b>127.71</b>	<b>101.00</b>
<b>17 i. Payment to Auditors</b>		
Audit Fees	6.17	4.02
Tax Audit Fees	1.12	1.02
Certification Fees	1.79	2.44
Other Services	-	0.12
Out of Pocket Expenses	0.24	0.48
	<b>9.32</b>	<b>8.08</b>
<b>ii. Payment to Cost Auditors</b>		
Audit Fees	0.69	0.66

18 Amount due and outstanding to be credited to Investor Education and Protection Fund - Nil (Previous Year - Nil)

19 Additional Information

	31st March' 2006		31st March' 2005	
	Qty. M.T.	Value Rs. in Lacs	Qty. M.T.	Value Rs. in Lacs
<b>A. Licensed/Installed Annual Capacity and Production</b>				
i) Licensed capacity per annum				
Cosmetics & Toiletries	N. A.		N. A.	
Ayurvedic Medicines	N. A.		N. A.	
ii) Installed capacity per annum				
(On single shift basis as certified by a Director)				
Cosmetics & Toiletries	4,208.70		3,208.70	
Ayurvedic Medicines	23,094.00		22,094.00	
iii) Actual production during the year				
Cosmetics & Toiletries	419.49		350.14	
Ayurvedic Medicines	9,320.01		9,188.41	





## Schedules forming part of the Accounts

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

#### 20 Related Party Transactions :

##### A. Parties where Control exists :

Emami UK Limited	Subsidiary Company
Emami Bangladesh Limited	Subsidiary Company
Emami- International FZE	Subsidiary Company

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

Key Management Personnel	Relatives	Other Associates
Shri R. S. Agarwal	Smt. Usha Agarwal	Diwakar Viniyog (P) Limited
Shri R. S. Goenka	Shri A. V. Agarwal	Suntrack Commerce (P) Limited
Shri Sushil Kr. Goenka	Shri H. V. Agarwal	Emami Paper Mills Limited
	Shri Mohan Goenka	
	Shri Manish Goenka	
	Smt. Saroj Goenka	

##### C. Transactions

Rs in lacs

Particulars	Subsidiaries		Key Management Personnel & Relatives		Others		Total	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005	31.3.2006	31.3.2005	31.3.2006	31.3.2005
Salary	-	-	127.71	103.90	-	-	127.71	103.90
Directors Sitting Fees	-	-	0.42	0.12	-	-	0.42	0.12
Rent & Maintenance Charges Paid	-	-	6.05	6.42	2.69	2.63	8.74	9.05
Investment	18.98	0.04	-	-	-	-	18.98	0.04
Rent Received	-	-	-	-	0.61	1.08	0.61	1.08
Loan Given	1,388.81	53.56	-	-	-	-	1,388.81	53.56
Interest Received	19.12	-	-	-	-	-	19.12	-
Receivables	-	-	26.03	26.03	7.00	7.00	33.03	33.03

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

	31st March' 2006	31st March' 2005
Net Profit	4,935.58	2,943.66
Weighted average number of shares used in computing earnings per share	61150000	56300685
Earnings Per Share - Basic & Diluted (Rs.)	8.07	5.23

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

#### Signatories to Schedules 1 to 18

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. H. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary



# Cash Flow Statement

emami\* limited

Rs in lacs

For the year ended 31 March	2006	2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit before Tax and Extraordinary Items	5,030.58	3,152.66
Add: Adjustments for		
Depreciation (Net of transfer from Reserves)	668.98	297.32
Interest	(296.65)	38.07
Loss / (Profit) on sale of Fixed Assets	(48.36)	16.49
Loss / (Profit) on sale of Investments	(40.03)	(0.23)
Foreign Exchange Fluctuations	(13.68)	9.91
<b>Operating Profit before Working Capital Changes</b>	<b>5,300.84</b>	<b>3,514.22</b>
Add: Decrease / (Increase) in Working Capital		
Trade Payables	690.31	(137.78)
Inventories	12.11	(577.30)
Trade & other Receivables	(1,425.18)	557.63
Provision for Sales Tax	466.67	-
	(256.09)	(157.45)
<b>Cash Generated from operations</b>	<b>5,044.75</b>	<b>3,356.77</b>
Less: Direct Taxes Paid	372.05	183.12
<b>Net Cash Flow from Operating Activities</b>	<b>4,672.70</b>	<b>3,173.65</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Sale of Fixed Assets	234.68	94.21
Interest Received	356.97	282.79
Sale of Investments/Property	8,340.27	600.23
	8,931.92	977.23
Less: Purchase of Fixed Assets	941.01	798.24
Purchase of Investments including investments in Subsidiary	11,618.98	5,300.27
<b>Net Cash used in Investing Activities</b>	<b>(3,628.07)</b>	<b>(5,121.28)</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	190.83	641.85
	190.83	3,867.88
Less: Repayment of Loan	449.27	1,385.77
Interest Paid	55.40	346.29
Dividend Paid	611.02	168.38
Corporate Dividend Tax	85.76	21.58
	1,201.45	1,922.02
<b>Net Cash used in Financing Activities</b>	<b>(1,010.62)</b>	<b>1,945.86</b>
Effect of Foreign Exchange Fluctuation	13.68	(9.91)
Net Changes in Cash & Cash Equivalents (A+B+C)	47.69	(11.68)
* Cash & Cash Equivalents-Opening Balance	34.43	46.11
* Cash & Cash Equivalents-Closing Balance	82.12	34.43
* Represents Cash and Bank Balances as indicated in Schedule 10		

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. H. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary



# Balance Sheet Abstract

and Company's General Business Profile as per Schedule VI, Part (IV) of the Companies Act, 1956

## I. Registration Details

Registration No.       
 Balance Sheet Date          
 Date Month Year State Code

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

Public Issue    Rights Issue     
 Bonus Issue    Private Placement

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

Total Liabilities      Total Assets

### Sources of Funds

Paid-up Capital     Reserves and Surplus       
 Secured Loans     Unsecured Loans

### Application of Funds

Net Fixed Assets      Investments      
 Net Current Assets     Misc. Expenditure     
 Accumulated Losses

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

Total Income      Total Expenditure       
 Profit before Tax     Profit after Tax      
 Earnings Per Share (Rs.)     Dividend Rate %

## V. Generic Names of Principal Products / Services of the Company (As per Monetary Terms)

Items Code No. (ITC Code)	<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"/>	Items Code No. (ITC Code)	<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"/>
Product Name	Ayurvedic Medicines	Product Name	Talcum Powder (Cosmetics & Toiletries)
Items Code No. (ITC Code)	<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"/>	Items Code No. (ITC Code)	<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"/>
Product Name	Toilet Soaps (Cosmetics & Toiletries)	Product Name	Face Cream (Cosmetics & Toiletries)

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary

# Consolidated Auditors' Report

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

1. We have examined the attached Consolidated Balance Sheet of Emami Limited and its subsidiaries as at 31st March, 2006 and Consolidated Profit & Loss Account and Cash Flow Statement for the year ended on that date.
2. 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. 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.
3. i) 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 for the year ended March 31, 2006 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 Liabilities and Expenses in respect of Subsidiary are given below.

Total Liabilities	Total Expenses
Rs. 10.38 lacs	Rs.102.94 lacs
- ii) 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.
4. 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 Accountants 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.
5. On the basis of the information and explanations given to us and on the consideration of the separate reports on individual audited financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of Emami Limited and its subsidiaries as at 31st March, 2006;
  - b) 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
  - c) In the case of Consolidated Cash Flow, of the Consolidated Cash flows of Emami Limited and its subsidiaries for the year ended on that date.

For **S. K. Agrawal & Company**  
Chartered Accountants

**S. K. Agrawal**  
Partner

Kolkata  
Dated: May 15, 2006

Membership No. 9067





## Consolidated Balance Sheet

Rs in lacs

As at 31 March	Schedule	2006		2005	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,223.00		1,223.00	
Reserves & Surplus	2	32,258.10	33,481.10	30,429.55	31,652.55
<b>Loan Funds</b>					
Secured Loans	3	3,124.08		3,375.82	
Unsecured Loans	4	92.59	3,216.67	98.36	3,474.18
Deferred Tax (Net)	5		261.00		480.00
			<b>36,958.77</b>		<b>35,606.73</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	32,199.70		32,023.08	
Less : Depreciation		12,880.20		10,563.39	
Net Block		19,319.50		21,459.69	
Capital Work-in-Progress		927.95		405.35	
			20,247.45		21,865.04
<b>Investments</b>	7		8,661.87		5,362.10
<b>Current Assets, Loans and Advances</b>					
Inventories	8	3,687.31		3,689.21	
Sundry Debtors	9	3,725.85		3,567.32	
Cash & Bank Balances	10	536.32		38.90	
Loans & Advances	11	4,024.90		2,597.49	
		11,974.38		9,892.92	
Less :					
<b>Current Liabilities &amp; Provisions</b>	12	3,940.53		1,513.33	
<b>Net Current Assets</b>			8,033.85		8,379.59
<b>Miscellaneous Assets</b>					
Preliminary Expenses		3.80		-	
Preoperative Expenses		11.80	15.60	-	-
			<b>36,958.77</b>		<b>35,606.73</b>
<b>Notes on Accounts &amp; Significant Accounting Policies</b>	18				

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. H. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary

## Consolidated Profit and Loss Account

Rs in lacs

For the year ended 31 March	Schedule	2006		2005	
<b>INCOME</b>					
Operating Income	13		30,182.67		21,937.81
Other Income	14		133.33		12.12
			<b>30,316.00</b>		<b>21,949.93</b>
<b>EXPENDITURE</b>					
Cost of Goods Sold/ Consumed	15		17,563.54		12,619.35
Manufacturing, Administrative & Selling Expenses	16		7,358.25		5,864.97
Interest & Finance Charges	17		(296.65)		38.27
			<b>24,625.14</b>		<b>18,522.59</b>
<b>PROFIT</b>					
Profit Before Depreciation & Taxation			5,690.86		3,427.34
Depreciation		2,373.83		2,001.96	
Less : Transferred from General Reserve		1,704.21	669.62	1,704.21	297.75
<b>Profit Before Taxation</b>			<b>5,021.24</b>		<b>3,129.59</b>
Provision for Taxation					
- Current Tax		300.00		115.00	
- Fringe Benefit Tax		14.00		-	
- Deferred Tax (Net)		(219.00)	95.00	94.00	209.00
<b>Profit After Taxation</b>			<b>4,926.24</b>		<b>2,920.59</b>
Excess/(Short) Provision for Taxation of earlier years			1.05		5.51
Balance Brought Forward			364.88		312.61
<b>Available for Appropriation</b>			<b>5,292.17</b>		<b>3,238.71</b>
<b>APPROPRIATIONS</b>					
General Reserve			3,704.21		2,176.57
Proposed Equity Dividend			1,223.00		611.50
Corporate Dividend Tax			171.53		85.76
Balance Carried Forward			193.43		364.88
			<b>5,292.17</b>		<b>3,238.71</b>
<b>Notes on Accounts &amp; Significant Accounting Policies</b>					
	18				
<b>Earnings per share - basic &amp; diluted - Rs.</b>			<b>8.06</b>		<b>5.19</b>

As per our report of even date

For **S. K. Agrawal & Co.**

Chartered Accountants

S. K. Agrawal  
PartnerR. S. Agarwal  
ChairmanR. S. Goenka  
DirectorS. K. Todi  
DirectorKolkata  
May 15, 2006S. K. Goenka  
Managing DirectorN. H. Bhansali  
President - CFOA. K. Joshi  
Secretary



## Schedules forming part of the Consolidated Accounts

Rs in lacs

As at 31 March		2006	2005
<b>1</b>	<b>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 *		1,223.00	1,223.00
		<b>1,223.00</b>	<b>1,223.00</b>

\* a. Includes 2,80,75,000 Equity Shares issued as fully paid Bonus Shares by capitalisation of Capital Redemption Reserve

Rs. 250 lacs - and Revenue Reserves - Rs. 311.50 lacs

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

<b>2</b>	<b>RESERVES &amp; SURPLUS</b>			
<b>Capital Reserve</b>				
At commencement of the year		79.64	3.36	
Received during the year		-	76.28	79.64
<b>Share Premium</b>				
At commencement of the year		3,126.03	-	
Received during the year		-	3,400.00	
Utilised towards Share Issue Expenses		-	273.97	3,126.03
<b>Revaluation Reserve</b>				
				23,859.00
<b>General Reserve</b>				
At commencement of the year		3,000.00	2,600.00	
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		3,704.21	2,176.57	3,000.00
<b>Profit &amp; Loss Account</b>				
			193.43	364.88
		<b>32,258.10</b>		<b>30,429.55</b>

<b>3</b>	<b>SECURED LOANS</b>			
<b>Cash Credits</b>				
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.			1,044.74	889.91
<b>Term Loans</b>				
Secured by charge/mortgage of specific movable/immovable assets			2,079.34	2,485.91
Term Loan of Rs. 2,007.90 lacs is further secured by personal guarantees of some of the Directors.				
			<b>3,124.08</b>	<b>3,375.82</b>

<b>4</b>	<b>UNSECURED LOANS</b>			
Trade Deposits			70.33	76.10
Interest Free Sales Tax Loan			-	0.92
Interest accrued & due			22.26	21.34
			<b>92.59</b>	<b>98.36</b>



## Schedules forming part of the Consolidated Accounts

Rs in lacs

As at 31 March		2006	2005
<b>5</b>	<b>DEFERRED TAX (Net)</b>		
<b>Deferred Tax Liabilities</b>			
Tax impact due to difference between tax depreciation and book depreciation		403.00	505.00
<b>Deferred Tax Assets</b>			
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred		(142.00)	(25.00)
<b>Net Deferred Tax (Liability)</b>		<b>261.00</b>	<b>480.00</b>

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2005	Additions	Sales/ Adjustments	Total	As on 01.04.2005	For the Year	Sales/ Adjustments	Total	As on 31.03.2006	As on 31.03.2005
Brands	26,510.00	-	-	26,510.00	9,467.86	1,704.23	-	11,172.09	15,337.91	17,042.14
Land										
Leasehold	68.99	-	-	68.99	2.38	1.03	-	3.41	65.58	66.61
Others	307.70	-	38.47	269.23	-	-	-	-	269.23	307.70
Buildings	1,757.12	20.70	106.08	1,671.74	237.07	56.41	21.12	272.36	1,399.38	1,520.05
Plant & Machinery	2,533.50	327.65	90.83	2,770.32	555.16	522.63	30.37	1,047.42	1,722.90	1,978.34
Furniture, Equipments & Computers	700.98	53.70	5.63	749.05	273.72	75.55	5.16	344.11	404.94	427.26
Motor Vehicles	144.79	17.92	2.34	160.37	27.20	13.98	0.37	40.81	119.56	117.59
<b>Total</b>	<b>32,023.08</b>	<b>419.97</b>	<b>243.35</b>	<b>32,199.70</b>	<b>10,563.39</b>	<b>2,373.83</b>	<b>57.02</b>	<b>12,880.20</b>	<b>19,319.50</b>	<b>21,459.69</b>
Capital Work-In-Progress	405.35	530.04	7.44	927.95	-	-	-	-	927.95	405.35
<b>Grand Total</b>	<b>32,428.43</b>	<b>950.01</b>	<b>250.79</b>	<b>33,127.65</b>	<b>10,563.39</b>	<b>2,373.83</b>	<b>57.02</b>	<b>12,880.20</b>	<b>20,247.45</b>	<b>21,865.04</b>
Previous Year's Figures	32,051.52	839.10	462.19	32,428.43	8,757.52	2,001.96	196.09	10,563.39	21,865.04	

As at 31 March		2006	2005
<b>7</b>	<b>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



## Schedules forming part of the Consolidated Accounts

Rs in lacs

As at 31 March	2006	2005
<b>7 INVESTMENTS (Other than Trade) (Contd.)</b>		
<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 Opening 44,95,109.321 Units of Rs. 10/- each Sold 44,95,109.321 Units of Rs. 10/- each	–	500.00
HDFC Cash Management Fund - Savings Plan -Growth Opening 50,84,881.195 Units of Rs. 10/- each Sold 50,84,881.195 Units of Rs. 10/- each	–	700.00
Prudential ICICI Liquid Plan IP- Growth Opening 67,09,061.914 Units of Rs. 10/- each Sold 67,09,061.914 Units of Rs. 10/- each	–	1,100.23
Reliance Floating Rate Fund Growth Plan - Growth Opening 68,08,090.219 Units of Rs. 10/- each Sold 68,08,090.219 Units of Rs. 10/- each	–	700.00
ING Vysya Liquid Fund - Growth Opening 49,72,862.380 Units of Rs. 10/- each Sold 49,72,862.380 Units of Rs. 10/- each	–	700.00
ABN AMRO Floating Rate Fund IP - Growth Opening 48,65,848.555 Units of Rs. 10/- each Sold 48,65,848.555 Units of Rs. 10/- each	–	500.00
DSP Merrill Lynch Floating Rate Fund - Growth Opening 45,56,763.604 Units of Rs. 10/- each Sold 45,56,763.604 Units of Rs. 10/- each	–	500.00
HDFC Liquid Plan - Growth Purchased 3,35,80,695.743 Units of Rs. 10/- each Sold 3,35,80,695.743 Units of Rs. 10/- each	–	–
HDFC Liquid Fund - Premium Plan - Growth Purchased 2,00,63,630.371 Units of Rs. 10/- each	2,800.00	–
Birla Cash Plus - Institutional Premium - Daily Dividend Purchased 5,18,98,797.345 Units of Rs. 10/- each	5,200.00	–
(iii)	8,000.00	4,700.23
<b>Total (i) + (ii) +(iii)</b>	<b>8,661.87</b>	<b>5,362.10</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>8,600.25</b>	<b>5,300.48</b>
<b>Market Value of Quoted Investments</b>	<b>77.03</b>	<b>77.03</b>

## Schedules forming part of the Consolidated Accounts

Rs in lacs

As at 31 March		2006	2005	
<b>8</b>	<b>INVENTORIES</b>			
	Raw & Packing Materials	1,411.32		1,077.82
	Work-in-progress	51.90		11.14
	Finished Goods	2,194.85		2,412.21
	Stores & Advertising Materials	29.24		188.04
		<b>3,687.31</b>		<b>3,689.21</b>
<b>9</b>	<b>SUNDRY DEBTORS</b>			
	<i>Unsecured, Considered Good</i>			
	Due over six months	103.00		172.16
	Other Debts	3,622.85		3,395.16
		<b>3,725.85</b>		<b>3,567.32</b>
<b>10</b>	<b>CASH &amp; BANK BALANCES</b>			
	Cash in hand	11.35		7.12
	With Scheduled Banks			
	- Current Accounts	521.18	27.08	
	- Margin Deposit	2.00	3.39	
	- Unpaid Dividend Account	1.79	1.31	31.78
		<b>536.32</b>		<b>38.90</b>
<b>11</b>	<b>LOANS &amp; ADVANCES</b>			
	<i>Unsecured, Considered Good</i>			
	Loans & Advances recoverable in cash or in kind or for value to be received	3,809.35		2,341.78
	Deposits	122.76		222.03
	Income Tax Net of Provisions	92.79		33.68
		<b>4,024.90</b>		<b>2,597.49</b>
<b>12</b>	<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
	<b>Current Liabilities</b>			
	Sundry Creditors	2,064.93	806.15	
	Interest Accrued but not due	12.61	8.61	
	Unclaimed Dividend	1.79	1.31	816.07
	<b>Provisions</b>			
	Proposed Equity Dividend	1,223.00	611.50	
	Corporate Dividend Tax	171.53	85.76	
	Sales Tax	466.67	-	697.26
		<b>3,940.53</b>		<b>1,513.33</b>





## Schedules forming part of the Consolidated Accounts

Rs in lacs

For the year ended 31 March		2006	2005
<b>13</b>	<b>OPERATING INCOME</b>		
	Sales	30,832.46	22,614.53
	Less : Excise Duty	649.79	676.72
		<b>30,182.67</b>	<b>21,937.81</b>
<b>14</b>	<b>OTHER INCOME</b>		
	Liabilities Written Back	5.61	10.12
	Profit on Sale of Investments	40.03	0.23
	Profit/(Loss) on Sale of Fixed Assets	48.36	(16.49)
	Miscellaneous Receipts	39.33	18.26
		<b>133.33</b>	<b>12.12</b>
<b>15</b>	<b>COST OF GOODS SOLD / CONSUMED</b>		
	Purchases/Materials Consumed	17,388.83	12,982.09
	Add : Opening Stock		
	Work-in-progress	11.14	31.23
	Finished Goods (Net off Input VAT credit of Rs. 1.89 lacs)	2,410.32	2,029.38
		19,810.29	15,042.70
	Less : Closing Stock		
	Work-in-progress	51.90	11.14
	Finished Goods	2,194.85	2,423.35
		<b>17,563.54</b>	<b>12,619.35</b>
<b>16</b>	<b>MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
	Salaries, Wages, Bonus & Gratuity	1,298.73	1,043.56
	Contribution to Provident & Other Funds	116.15	112.27
	Employees Welfare	62.08	62.68
	Power & Fuel	120.61	102.80
	Consumable Stores	26.42	23.33
	Rent	84.80	119.43
	Rates & Taxes	64.71	27.62
	Insurance	59.72	48.36
	Repairs & Maintenance		
	Building	10.60	7.30
	Machinery	72.65	64.08
	Others	105.85	128.95
	Freight & Forwarding	814.11	759.43
	Directors' Fees	2.12	0.48
	Advertisement & Sales Promotion	865.69	283.65
	Commission	168.78	170.33
	Discount	2.77	3.29
	Taxes on Sales	2,464.16	2,024.19
	Miscellaneous	1,018.30	883.22
		<b>7,358.25</b>	<b>5,864.97</b>
<b>17</b>	<b>INTEREST &amp; FINANCE CHARGES (Net)</b>		
	Term Loans	140.73	199.51
	Others	(437.38)	(161.24)
		<b>(296.65)</b>	<b>38.27</b>

## Schedules forming part of the Consolidated Accounts

### 18 NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES

#### 1 Significant Accounting Policies

- i Significant Accounting Policies are as set out in the Significant Accounting Policies under Schedules of "Notes on Accounts & Significant Accounting Policies" of the Financial Statements of "Emami Limited" and its Subsidiaries.
- 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.
- iii The consolidated financial statements have been prepared on the basis of AS-21, issued by The Institute of Chartered Accountants of India read with the following basic assumption :

The financial statements of the parent company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting in unrealized profits or losses.

#### 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%
Emami International FZE	UAE	100%

- ii The Notes on Accounts are as set out in the Notes on Accounts under Schedule of "Notes on Accounts and Significant Accounting Policies" of the financial statements of Emami Limited and its Subsidiaries except the following :

##### a. Related Party Transactions :

Related Parties with whom transactions have taken place during the year :

Key Management Personnel	Relatives	Other Associates
Shri R. S. Agarwal	Smt. Usha Agarwal	Diwakar Viniyog (P) Limited
Shri R. S. Goenka	Shri A. V. Agarwal	Suntrack Commerce (P) Limited
Shri Sushil Kr. Goenka	Shri H. V. Agarwal	Emami Paper Mills Limited
	Shri Mohan Goenka	
	Shri Manish Goenka	
	Smt. Saroj Goenka	

#### Transactions

Rs in lacs

Particulars	Key Management Personnel & Relatives		Others		Total	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	Salary	127.71	103.90	-	-	127.71
Directors Sitting Fees	0.42	0.12	-	-	0.42	0.12
Rent & Maintenance Charges Paid	6.05	6.42	2.69	2.63	8.74	9.05
Rent Received	-	-	0.61	1.08	0.61	1.08
Loan Given	-	-	-	-	-	-
Receivables	26.03	26.03	7.00	7.00	33.03	33.03



## Schedules forming part of the Consolidated Accounts

### 18 NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (Contd.)

a. Information for Earnings Per Share as per AS-20

	31st March' 2006	31st March' 2005
Net Profit	4,926.24	2,920.59
Weighted average number of shares used in computing earnings per share	61150000	56300685
Earnings Per Share - Basic & Diluted (Rs.)	8.06	5.19

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#### Signatories to Schedules 1 to 18

As per our report of even date

For **S. K. Agrawal & Co.**

*Chartered Accountants*

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

**R. S. Agarwal**  
*Chairman*

**R. S. Goenka**  
*Director*

**S. K. Todi**  
*Director*

Kolkata  
May 15, 2006

**S. K. Goenka**  
*Managing Director*

**N. H. Bhansali**  
*President - CFO*

**A. K. Joshi**  
*Secretary*



## Consolidated Cash Flow Statement

For the year ended 31 March	2006	2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax and Extraordinary Items</b>	5,021.24	3,129.59
<i>Add: Adjustments for</i>		
Depreciation (Net of transfer from Reserves)	669.62	297.75
Interest	(296.65)	38.27
Loss / (Profit) on sale of Fixed Assets	(48.36)	16.49
Loss / (Profit) on sale of Investments	(40.03)	(0.23)
Foreign Exchange Fluctuations	(13.68)	9.91
<b>Operating Profit before Working Capital Changes</b>	5,292.14	3,491.78
<i>Add: Decrease / (Increase) in working capital</i>		
Trade Payables	1,258.79	(128.17)
Inventories	1.90	(591.95)
Trade & other Receivables	(1,526.83)	589.13
Provision for Sales Tax	466.67	-
	200.53	(130.99)
<b>Cash Generated from Operations</b>	5,492.67	3,360.79
<i>Less: Direct Taxes Paid</i>	372.06	183.12
<b>Net Cash Flow from Operating Activities</b>	<b>5,120.61</b>	<b>3,177.67</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	234.68	94.21
Interest Received	356.97	282.79
Sale of Investments/Property	8,340.27	600.23
	8,931.92	977.23
<i>Less: Purchase of Fixed Assets</i>	942.57	799.05
Purchase of Investments	11,600.00	5,300.23
Preoperative and Preliminary Expenses	15.60	-
<b>Net Cash Used in Investing Activities</b>	<b>(3,626.25)</b>	<b>(5,122.05)</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	190.83	641.85
	190.83	3,867.88
<i>Less: Repayment of Loan</i>	449.27	1,385.77
Interest Paid	55.40	346.48
Dividend Paid	611.02	168.38
Corporate Dividend Tax	85.76	21.58
	1,201.45	1,922.21
<b>Net Cash Used in Financing Activities</b>	<b>(1,010.62)</b>	<b>1,945.67</b>
Effect of Foreign Exchange Fluctuation	13.68	(9.91)
<b>Net Changes in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>497.42</b>	<b>(8.62)</b>
* Cash & Cash Equivalents-Opening Balance	38.90	47.52
* Cash & Cash Equivalents-Closing Balance	536.32	38.90
<b>* Represents Cash and Bank Balances as indicated in Schedule 10</b>		

As per our report of even date

For **S. K. Agrawal & Co.**  
Chartered Accountants

**S. K. Agrawal**  
Partner

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. H. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary



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

1. Name of the Subsidiary Company	Emami Bangladesh Limited	Emami UK Limited	Emami International FZE
2. Holding Company's Interest	100%	100%	100%
3. Net aggregate amount of Subsidiary's Profit not dealt with in the Holding Company's Accounts	Taka	£	Dirham
i) For the Financial Year of the Subsidiary ended as on 31st March, 2006	Nil	(10709)	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	(41435)	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, 2006	Nil	Nil	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	Nil	Nil

**R. S. Agarwal**  
Chairman

**R. S. Goenka**  
Director

**S. K. Todi**  
Director

Kolkata  
May 15, 2006

**S. K. Goenka**  
Managing Director

**N. Bhansali**  
President - CFO

**A. K. Joshi**  
Secretary

## Emami Bangladesh Limited

### Directors' Report for the year ended March 31, 2006

The Directors present their report with the financial statement of the Company for the year ended 31st March, 2006.

#### 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, 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 : Kolkata  
Date : April 3, 2006

**P. Goenka**  
Director

## Emami Bangladesh Limited

### Auditors' Report on the Accounts for the year ended on 31 March, 2006

We have examined the annexed Balance Sheet as at 31 March, 2006 along with notes thereto 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:
- a) The Balance Sheet and notes thereto exhibits a true and fair view of the company's affairs as at 31 March, 2006 and that Balance Sheet contain all the information in the manner required by the Companies Act, 1994;

b) Proper books of Accounts as required by law were maintained by the Company so far as appeared from our examinations:

c) The Balance Sheet is in agreement with the books of accounts maintained by the Company and examined by us; and

d) The Balance Sheet has been drawn-up in conformity with the Companies Act, 1994.

Place :Dhaka  
Date: April 3, 2006

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

## Balance Sheet

As at 31 March	Note	Rs. in lacs	Taka
<b>PROPERTY &amp; ASSETS</b>			
<b>Preliminary expenses</b>			
As per last Account	3.00	0.17	26,000
<b>Pre-operating expenditures</b>	4.00	0.11	17,169
<b>Current Assets</b>			
Cash in hand	5.01	0.06	9,000
Cash at bank	5.02	0.51	77,962
		<b>0.85</b>	<b>130,131</b>
<b>CAPITAL &amp; LIABILITIES</b>			
<b>Share Holders' Equity</b>			
Share Capital	6.00	0.03	5,000
<b>Current Liabilities</b>			
Creditors for finance	7.01	0.79	120,131
Creditors for expenses	7.02	0.03	5,000
		0.82	125,131
		<b>0.85</b>	<b>130,131</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

**P. Goenka**  
Director

**Ashish Goenka**  
Director

Place : Dhaka  
Date : April 3, 2006





**Notes to the Accounts for the Period Ended on 31 March, 2006**

**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 year under audit.

**2.00 Accounting Policies**

**2.01 Accounting period**

The accounts of the company have been drawn for the year from 1st April, 2005 to 31 March, 2006.

**2.02 Accounting Statements**

The company could not start its commercial production in the year 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, 2006.

**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, 2006 Taka 26,000 (Rs. 0.17 lacs)**

This represents expenditures incurred relating to incorporation of the company and the figure has been brought forward from last Accounts.

**4.00 Pre-Operating Expenditure As on 31 March, 2006 Taka 17,169, Rs. 0.11 lacs**

Revenue expenditures incurred upto 31 March, 2006 listed under the head Pre-Operating Expenditures as under:

	Rs. in lacs			Taka		
	As on 31.03.05	Incurred in the year	As on 31.03.06	As on 31.03.05	Incurred in the year	As on 31.03.06
Audit Fees	0.01	0.03	0.04	2,000	5,000	7,000
Fees, Forms & Renewals	-	0.05	0.05	-	7,500	7,550
Bank charge	-	0.02	0.02	-	2,619	2,619
	<b>0.01</b>	<b>0.10</b>	<b>0.11</b>	<b>2,000</b>	<b>15,169</b>	<b>17,169</b>

**5.00 Current Assets as on 31 March, 2006**

**5.01 Cash in hand Taka 9,000 (Rs. 0.06 lacs)**

This represents cash on hand as on 31 March, 2006 which has been certified by the Management of the Company.

**5.02 Cash at Bank Taka 77,962 (Rs. 0.51 lacs)**

This represents balance on CD Account No. 5923 with Dhaka Bank Limited, Foreign Exchange Branch, which was in agreement with the balance appearing in the statement of accounts obtained from the bank.

**6.00 Share Holders Equity**

**Share Capital As on 31 March, 2006 Taka 5,000 (Rs. 0.03 lacs)**

Authorized Capital Taka 1,000,000 (Rs. 0.66 lacs)

This consists of 10,000 ordinary shares of Taka 100/- each.

**Issued, Subscribed & Paid-up Capital Taka 5,000 (Rs. 0.03 lacs)**

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, 2006**

**7.01 Creditor for Finance Taka 120,131 (Rs. 0.79 lacs)**

The represents excess money remitted by Emami Ltd., India over the paid-up value of share Subscription and the figure has been arrived at as under:

	Rs. in lacs	Taka
Balance b/f	0.13	20,131
15.06.05 Remittance	0.66	100,000
	<b>0.79</b>	<b>120,131</b>

**7.02 Creditors for Expenses Taka 5,000, Rs. 0.03 lacs**

This represents payable for Audit fees only.

Note: Figure in Indian Rupees are given as required by Ministry of Finance, New Delhi.

INR 1 = Taka 1.515

## Directors' Report for the year ended 31st March 2006

The Directors present their report and the financial statements for the year ended 31 March, 2006.

### 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.

The 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect of fraud and other irregularities.

### Principal Activity

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

### 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.

### Small company provisions

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:

Kolkata,  
April 19, 2006

**P. Goenka**  
Director

## Profit and Loss Account

For the year ended 31 March 2006		Rs. in Lacs		£	
		Note	2006	2005	2006
<b>Turnover</b>	2	95.11	54.98	122,245	70,674
Cost of Sales		(21.61)	(10.29)	(27,779)	(13,221)
<b>Gross Profit</b>		73.50	44.69	94,466	57,453
Administrative Expenses		(82.05)	(67.32)	(105,464)	(86,532)
<b>Operating Loss</b>	3	(8.55)	(22.63)	(10,998)	(29,079)
Other interest receivable and similar income		0.22	0.14	289	177
Loss on Ordinary activities before taxation		(8.33)	(22.49)	(10,709)	(28,902)
<b>Retained Loss brought forward</b>		(32.24)	(9.75)	(41,435)	(12,533)
<b>Retained Loss carried forward</b>		<b>(40.57)</b>	<b>(32.24)</b>	<b>(52,144)</b>	<b>(41,435)</b>



## Balance Sheet

As at 31 March 2006	Note	Rs. in Lacs				£
		2006	2005	2006	2005	
<b>Fixed Assets</b>						
Tangible Assets	6	1.93	1.01	2,482	1,301	
<b>Current Assets</b>						
Stocks		24.85	13.85	31,946	17,804	
Debtors	7	58.33	40.29	74,974	51,781	
Cash at bank and in hand	8	5.16	4.17	6,630	5,356	
		88.34	58.31	113,550	74,941	
<b>Creditors: Amounts falling due within one year</b>	9	(100.73)	(61.45)	(129,472)	(78,973)	
<b>Net current Liabilities</b>		(12.39)	(3.14)	(15,922)	(4,032)	
<b>Net Liabilities</b>		<b>(10.46)</b>	<b>(2.13)</b>	<b>(13,440)</b>	<b>(2,731)</b>	
<b>Capital and Reserves</b>						
Called up share capital	10	30.11	30.11	38,704	38,704	
Profit and loss reserve		(40.57)	(32.24)	(52,144)	(41,435)	
<b>Equity Shareholder's deficit</b>		<b>(10.46)</b>	<b>(2.13)</b>	<b>(13,440)</b>	<b>(2,731)</b>	

For the financial year ended 31 March 2006, 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 January 2005).

On behalf of the Board

**P. Goenka**  
Director

Approved by the Board on 19 April 2006.

## Notes to the Financial Statement for the year ended 31 March 2006

### 1 Accounting Policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

#### 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.

#### Going concern

These financial statements have been prepared on a going concern basis.

#### 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 before.

#### Stock

Stock is 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, excluding value added tax, of goods and services supplied to customers during the year.



## Notes to the Financial Statement for the year ended 31 March 2006 (Contd.)

	Rs. in Lacs		£	
	2006	2005	2006	2005
<b>3 Operating loss</b>				
Operating profit is stated after charging / (crediting) :				
Depreciation of tangible fixed assets	0.64	0.41	827	527
<b>4 Directors' emoluments</b>				
No emoluments were paid to the directors during the year (2005 - £nil).				
<b>5 Taxation</b>				
Analysis of current period tax charge:				
Total tax on loss on ordinary activities	-	-	-	-

	Rs. in Lacs		£	
	Office equipment		Office equipment	
<b>6 Tangible fixed assets</b>				
<b>Cost</b>				
As at 1 April 2005		1.64		2,108
Additions		1.56		2,010
As at 31 March 2006		<b>3.20</b>		<b>4,118</b>
<b>Depreciation</b>				
As at 1 April 2005		0.63		808
Charge for the year		0.64		828
As at 31 March 2006		<b>1.27</b>		<b>1,636</b>
<b>Net book value</b>				
As at 31 March 2006		1.93		2,482
As at 31 March 2005		<b>1.01</b>		<b>1,300</b>

	Rs. in Lacs		£	
	2006	2005	2006	2005
<b>7 Stock and work in progress</b>				
Stocks	24.85	13.85	31,946	17,804
<b>8 Debtors</b>				
Trade debtors	54.62	37.53	70,202	48,244
Other debtors	3.71	2.75	4,772	3,537
	<b>58.33</b>	<b>40.28</b>	<b>74,974</b>	<b>51,781</b>
<b>9 Creditors: Amounts falling due within one year</b>				
Trade creditors	33.66	8.95	43,265	11,501
Amounts owed to group undertakings	66.13	50.57	85,000	65,000
Accruals and deferred income	0.94	1.92	1,207	2,472
	<b>100.73</b>	<b>61.44</b>	<b>129,472</b>	<b>78,973</b>
<b>10 Share Capital</b>				
Authorised				
200,000 Ordinary shares of £1 each	115.60	115.60	200,000	200,000
Allotted, called up and fully paid				
38,704 Ordinary shares of £1 each	30.11	30.11	38,704	38,704

### 11 Related parties

Controlling entity

The ultimate holding company is Emami Limited, a company incorporated in India

Note: Figure in Indian Rupees are given as required by Ministry of Finance, New Delhi.

£ 1 = INR 77.80



## Directors' Report for the period 12th November 2005 to 31st March 2006

The directors present their report and the financial statements for the period 12th November to 31st March 2006.

### Directors Responsibilities

Directors are required 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 judgments and estimates that are reasonable and prudent;
- 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 rules and regulations applicable. 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.

### Incorporation

The company was incorporated on 12th November, 2005 under a licence issued by the Government of Sharjah, Hamriyah Free Zone Authority.

### Principal Activities

The principal objectives of the company is to carry on the business of Import / Export / Trading in Perfumes & Cosmetics, Beauty and Baby Care products, Gift & Novelties, Health Food (subject to Ministry of Health Approval).

### Directors and their interests

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

- P Goenka
- A Goenka
- S S Agarwalla

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

### Election to dispense laying accounts

The company has elected to dispense with laying accounts before the members in general meeting. Members, may however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting.

Approved by the Board and signed on its behalf by:

Date: April 20, 2006

Place: Kolkata

**A. Goenka**

*Director*

**P. Goenka**

*Director*

## Auditors' Report

To

The Members of

### EMAMI INTERNATIONAL FZE LIMITED

We have audited the Balance Sheet of **Emami International FZE Limited** at Hamriyah Free Zone, Sharjah (UAE), as at 31st March 2006 annexed hereto. 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:

a) We have conducted our audit pursuant to request from Company's holding Company for the purpose of consolidation of

subsidiary's accounts with its own accounts.

b) 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.

c) The Balance Sheet referred to in this report is in agreement with the books of accounts.

d) 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 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 31st March, 2006.

For **S. K. Agrawal & Company**

*Chartered Accountants*

Place: Kolkata

**Sandeep Agrawal**

Dated:

*Partner*

Membership No. 58553

# Emami International FZE

## Balance Sheet

As at 31 March	Schedule	Rs in lacs	AED
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital (1 share held by Emami Limited of AED 150000)		18.07	150,000
<b>Loan</b>			
Unsecured Loan from Emami Limited		1,355.64	11,250,117
		<b>1,373.71</b>	<b>11,400,117</b>
<b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans &amp; Advances</b>			
Advance for land	736.74		6,114,065
Loans & Advances recoverable in cash or in kind or for value to be received	172.63		1,432,654
Deposits	0.30		2,500
Bank balance	448.47		3,721,640
	<b>1,358.14</b>		<b>11,270,859</b>
<i>Less:</i>			
<b>Current Liabilities and Provisions</b>			
Current Liabilities	0.03		215
<b>Net Current Assets</b>		<b>1,358.11</b>	<b>11,270,644</b>
<b>Miscellaneous Expenses</b>			
<i>Preliminary expenses</i>	3.80		31,535
<i>Preoperative expenses</i>			
Bank Charges	0.02		160
Interest (net)	5.81		48,218
Licence Fees	0.13		1,055
Loan processing fees	4.99		41,420
Office rent	0.79		6,520
Printing & Stationery	0.01		112
Telephone & Internet	0.05	15.60	453
		<b>1,373.71</b>	<b>11,400,117</b>

Notes on accounts is attached herewith as per our report of even date

For **S. K. Agrawal & Co.**  
Chartered Accountants

**Sandeep Agrawal**  
Partner

**A. Goenka**  
Director

**P. Goenka**  
Director

Date: 20-04-2006  
Place: Kolkata





## Accounting Policies

### **AP 1 Basis of Accounting**

The accounts have been prepared on a going concern basis under generally accepted accounting principles on historical cost convention.

### **AP 2 Preliminary Expenses**

This represents expenditures incurred relating to incorporation of the company; the same is to be written off in a period of five years from commencement of commercial operations.

### **AP 3 Preoperative Expenses**

Revenue incomes and expenditures upto 31st March 2006

is grouped under preoperative expenses to be accounted for in the respective accounts after commencement of commercial operations.

**AP 4** Provisions are recognized when the company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the company has a possible obligation or a present obligation and it is probably that a cash flow will not be required to settle the obligation.

## Notes to the Accounts

### **1 Accounting Period**

The accounts of the company have been drawn since inception, i.e., 12th November 2005 upto 31st March 2006. The accounting year followed by the company is 1st April to 31st March.

### **2 Accounting Statements**

The company could not start its commercial activities in the financial year; as such no revenue accounts have been drawn-up.

**3** The company is a wholly owned subsidiary of Indian Company, Emami Ltd. formed and having its registered office at Hamriyah Free Zone, Sharjah (UAE).

**4** The Financial statements are prepared as per the Indian Accounting Standards to enable consolidation of accounts between Holding Company and Subsidiary Company.

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

Note: Figure in Indian Rupees are given as required by Ministry of Finance, New Delhi.

AED 1 = INR 12.05

For **S. K. Agrawal & Co.**  
*Chartered Accountants*

**Sandeep Agrawal**  
*Partner*

Date: 20-04-2006  
Place: Kolkata

**A. Goenka**  
*Director*

**P. Goenka**  
*Director*



Amitabh Bachchan, the most popular personality in India, is the brand ambassador for three of our power brands - Navratna oil, Boroplus antiseptic cream and Fast Relief.





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