



The fame game:
why brands need
celebrities



Our perspective
Stay healthy,
feel good and
look better

Performance Report

EMAMI

www.emamigroup.com

Shareholders' copy. Not for sale

India's **FMCG**
success story
and Emami

Emami
and
a **global**
footprint

Why does a nation of
1.1 billion
consumers
trust Emami?

emami limited
Performance report



2006-2007

FIRST TIME EVER

INSTANT HAIR PACK

BEAUTIFUL HEALTHY HAIR IN **10** MINUTES

Emami Hair Life - a ready to use Instant Hair Pack. No soaking, grinding or even mixing. Just open, apply and wash off after 10 minutes.

Enriched with the goodness of Soya Proteins, Multivitamins and **KEPAHERB11**, its a perfect balance of rare herbs that dramatically vitalizes & strengthens your hair roots.








Get healthy and beautiful hair in **10** minutes.

emami*
HAIRLIFE™
INSTANT HAIR PACK

No Jhanjhat



Total Hair Solution

-  Amla: Prevents Greying
-  Mehendi: Strengthens & Conditions
-  Shikakai: Promotes Hair Growth
-  Methi: Checks Dandruff
-  Soya Proteins: Nourishes & Revitalizes
-  Green Almond: Prevents Hair Fall
-  Lemon: Gives Silk & Shine

We Guarantee
100%
Satisfaction
or
your money back

HERBAL





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Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

Readers should bear in mind that we cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and estimates taken as assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.



Cover story | 30 Why does a nation of 1.1 billion consumers trust Emami?



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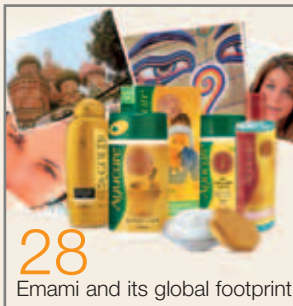
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Publisher's note

This performance report of Emami Limited is intended primarily for circulation among the Company's shareowners. This document also intends to address the information needs of other stakeholders, associates, industry analysts, fund managers and the media.

Emami Limited is the flagship outfit of the Kolkata-headquartered Emami Group. Promoted by Mr. R.S. Agarwal and Mr. R.S. Goenka, around 30 years back, with a meagre capital of Rs. 20,000 has now grown to over Rs. 500 cr in revenues in 2006-7.

Emami Limited is not just a beauty care company. It is one of India's most visible and popular health and personal care companies. What makes Emami special is that it has blended age-old ayurvedic concepts with modern laboratory practices.

Emami's product portfolio comprises over 20 products marketed across 59 countries. Its popular brands like Boroplus, Navratna, Mentho Plus, Fast Relief, Sona Chandi and Fair & Handsome are established names in the consumer market. The Company's manufacturing locations in Kolkata, Pondicherry and Guwahati are safety and consistency enhancing cGMP and ISO 9001:2000 compliant.

Emami's wide and deep pan-Indian distribution network comprises approximately 2600 distributors and 4 lac retail outlets and all the big retail chains.

The Company is listed on the BSE, NSE and the Calcutta Stock Exchange and enjoys a market capitalisation of Rs. 1300 cr.

Letters to the editor

To,
The R&D Head, Emami Limited

Dear Sir,

Why do people always talk about the challenge of street pollution? Is the challenge addressed by a housewife in the kitchen any less?

I spend nine hours in the kitchen – every single day. The humidity, the heat, the occasional burns and bruises take a toll on the skin.

Across time, the lustre on my skin dulled. Cuts affected the smoothness of my palms. Until I discovered Boroplus.

Your product very well cures cuts and burns on the one hand and protects my skin on the other. Even Susheela, my neighbour, commented the other day about how I was suddenly looking younger!

Sincerely,

Mrs. Rita Manchanda,
Chhattisgarh

To
Mr. S.K. Goenka
The Managing Director
Emami Limited

Dear Sir,

These days I read in the papers of how investors who invest in public issue inevitably erode their capital as the stock, post-listing, declines.

I have a slightly different story to tell. I invested in the Emami public issue in 2005, paying Rs. 70 per share. The share had appreciated to Rs. 200 towards the close of March 2007.

Considering that I had invested Rs. 7,000 in

the scrip, my Emami holding is now worth Rs. 20,000.

When I have a management as dynamic as yours working for me, why sell?

Regards,

Anurag Gupta,
Kolkata

Emami Limited
Dear Sir,
My grateful greetings to Emami.

I am a college student from a very poor family. My father was unable to bear my cost of education. But Emami offered me an opportunity to open a Small Village Shop in my residence and also sell products to households in my village. Over the last one-and-a-half years I have been associated with Emami and earning an amount of Rs. 800 to Rs.1000 per month, which helps me pursue my education and also meet some family expenses. Once I complete my education and get a job, my mother will take over the shop for extra earnings.

Thanks to Emami. May God bless it.

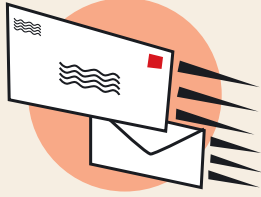
Gautam Das,
West Bengal

Dear Sir,

I am a student of Class V at Delhi Public School, Ranchi. I used to run away from chyawanprash everyday but mummy would eventually catch me and force it down my throat. But last month something interesting happened. An uncle from Emami came to our school with the new chocolate-flavoured



Opinions. Appreciation.



Sona Chandi Chyawanprash and invited us to try it. It tasted yum. When I went home I told mummy about it. Now we have reversed our roles – I chase her for my Chocoprash!

Sunidhi Chowhan,
Ranchi

To
The Joint Chairman
Emami Limited

Dear Sir,

We have been servicing Emami Group since last seven years and I must say that it has been a real pleasure working with you for one good reason: You value relationships. While you are conscious about costs, you have always been transparent and faster on decision making.

We find Emami Group to be a very aggressive, diversified and governance-friendly dynamic business house of Eastern India.

I wish Emami all the very best in its endeavour to excel.

Yours faithfully,

Ajay Saraf,
Senior General Manager and Country Head
Major Clients Group
ICICI Bank Ltd.

The year 2006-7 in a snapshot

Highlights

Financials

(Note: Since Emami's financial results for the financial year 2006-7 also include the performance of the amalgamating company, J.B. Marketing and Finance Limited, they are not comparable with previous year's figures. Hence, for comparison and better understanding, previous year's figures are also consolidated to derive growth numbers in this performance report)

- 26% growth in net sales to Rs. 516 cr
- 40% growth in exports to Rs. 56 cr
- 33% growth in PAT to Rs. 66 cr
- 28% increase in EBIDTA to Rs. 68 cr
- 22 basis point increase in EBIDTA margin to 13.2%

Brands

- Navratna Oil continued to be the market leader with an increased market share of 55.2%
- Boroplus Antiseptic Cream maintained its number one status with an increased market share of 69.7%
- Fast Relief and Menthoplus Balm continued to grow aggressively
- Sona Chandi grew reasonably well despite having the stagnant category growth
- Fair and Handsome fairness cream, launched in 2005, grew aggressively
- New products launched in 2005-6 and 2006-7 contributed 17% of domestic

turnover during the year under review

Operations

- R&D continued to deliver innovative and effective products
- Aggressive marketing through celebrity endorsements continued. Initiatives taken to extend 'Boroplus' to a global brand platform
- SAP implemented; led to a better control across all functions and locations in India
- Project 'Kaya kalp'; implemented in 24 depots, resulted in a decline in direct sales staff and increase in the distributors' field staff
- Institutional sales extended to Border Security Force (BSF), Central Reserve Police Force (CRPF) and Indian Naval Canteen Service (INCS)
- Around 80% of production was sourced from excise exempt zones
- More automated processes led to enhanced efficiency
- Units at all locations were cGMP and ISO 9001:2000 compliant



Continued on page 5



हिमाली
नवरत्न
तैल

जिन्दगी है वो प्राणवीड है.
धकान, सरसर्न,
अविद्या और टैशन है. मगर ...

सुकून है तो हर मंगिल है.

१ अड़ी-बूटियों वाला नवरत्न तेल.
धकी नसों को ठंडक दे, नई जान लाए.
तन-मन को सुकून पहुंचाए.

Twacha ka suraksha kawach



Bruised. Healed. Boroplus Antiseptic Cream

An antiseptic cream to prevent dryness and protect the skin from cuts, burns, scratches, nappy rash, insect bites and itchiness.

Brand performance, 2006-7

- Retained its market leader position with 69.7% market share in a total market size of Rs. 165.0 cr
- Growth of 12.6% as against growth of 6.9% for the category (as per ACN 2006-7 report)
- The largest selling antiseptic cream in India as well as in Ukraine, Russia and Nepal
- Introduced packaging changes in line with changing consumer preferences
- Tied up with Bengali TV channel STAR Ananda for the Shardotsav programme

during Durga Puja and with Kolkata TV for a Kishore Kumar retrospective called *Guru ke janai pranam*

Brand ambassadors

- Amitabh Bachchan
- Kareena Kapoor
- Rituparna Sengupta

Brand competitor

- Boroline

Brand extensions

- Boroplus Prickly Heat Powder
- Boroplus Antiseptic Light Cream
- Boroplus Body Lotion



- Initiation of Total Productive Maintenance (TPM) practices

- The plant at Kolkata got Hazard Analysis and Critical Control Points (HACCP) certification.

Corporate

- Listing on National Stock Exchange (NSE)
- Merger of a marketing company with wide distribution network
- Long-term rating of 'AA+' and short-term rating of "PR1+"
- Inauguration of the new corporate office in Kolkata

Board room

- Equity share capital of Emami increased from 611.5 lac to 621.45 lac shares of Rs. 2 each consequent to the merger of J.B. Marketing and Finance Limited

- Dividend increased from 100% to 200% (Rs. 2 to Rs. 4 per share)
- Return of over 190% to investors of the Company following a public issue in March 2005
- Market capitalisation touched Rs. 1800 cr in October 2006



Inauguration of the new corporate office

Emami Tower, the Emami's corporate office in Kolkata, was inaugurated by Amitabh Bachchan in March 2007, endorser of some of Emami's power brands. The 90,000 sq. ft office on the Eastern Metropolitan bypass is a modern hi-tech office designed by the renowned Hafeez Contractor.

Corporate information

Performance Report

For the year ended March 31, 2007

Released on June 29, 2007

Chairman

Shri R.S. Agarwal

Managing Director

Shri Sushil Kr. Goenka

Directors

Shri R.S. Goenka
Shri Viren J. Shah
Shri K.N. Memani
Shri S.K. Todi
Shri S.N. Jalan
Shri K.K. Khemka
Vaidya S. Chaturvedi
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
The Hongkong and Shanghai Banking Corporation Limited

Registered Office

687, Anandapur, EM Bypass
Kolkata 700 107, West Bengal
Phone: +91-33-6613 6264
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Works

Kolkata
Pondicherry
Guwahati

In India, there is an increasing brand consciousness as consumers gradually move away from loose and unbranded alternatives.

Our perspective

Stay healthy, feel good and look better



Mr. R.S. Agarwal and Mr. R.S. Goenka, founders of Emami

Our perception of health is changing dramatically. In the past, health was a state of 'no-illness'; today it is defined holistically and is a function of lifestyle, diet, fitness, physical, emotional and even spiritual well-being. The consumer is looking for a health and wellness quotient in each aspect of his/her life and this is a deciding factor influencing consumer choice: from the food they eat to, where they live to the products they use.

This preoccupation with wellness is especially witnessed within the personal care space, where health and beauty are now coming together. People are no longer satisfied with products that just make them look good or feel good, but also want them to 'do-good'. Moreover, the do-good aspect is understood in terms of a health rather than a cosmetic benefit. Another trend signaling the merging of health and beauty is the emergence of herbal, natural and organic products within personal care, which are considered safe, sensitive to the skin and free of side-effects by consumers. Since consumers actively seek health benefits from personal care products, they spend a lot of time researching the product before making a purchase decision. They want to know how a product works, what ingredients it contains, the properties and actions of these ingredients and results.

People still love to pamper themselves with silky smooth creams and lotions, but they also make sure that their favourite personal care products are not just making them feel good but are also keeping them healthy.

It is the convergence of these supposedly disparate developments that is growing the market for India's fast-moving consumer goods sector in general and Emami Limited in particular.

This is the result: Emami Limited reported a 26% increase in its topline and a 33% increase in its post-tax bottomline in 2006-7 over the previous year.

The fact that these numbers were achieved on a larger base reflected the strength of the industry rebound and the depth in the Company's performance.

Industry and the economy

The Indian FMCG sector with a market size

of USD13.1 billion is the fourth largest sector in the economy. A well-established distribution network and intense competition between the organised and unorganised segments characterise the sector. According to an HSBC report, the FMCG sector is expected to grow by over 60% by 2010.

The FMCG industry primarily consists of food products, personal care, hair care and fabric care. According to a 2006 Datamonitor study titled Wellness Trends in Personal Care, 45% of consumers believe, "Skin care products provide nutrition for the skin in the way that food and drinks provide nutrition internally," and that 50% of the respondents reported they viewed themselves as being "conscious of skin nutrition."

Consumer trends are blurring the line between beauty and health by viewing both industries as a part of an overall holistic

disposable income; in the personal care, fabric care and hot beverage categories, rural India accounts for more than 40% of the country's consumption. It is our understanding that as prosperity percolates across the lower levels of India's income pyramid, the FMCG industry will outperform its erstwhile annual growth average.

A basis for optimism

As the Indian economy is reporting highest-ever growth, there are a number of pockets of optimism:

- **Urban demand:** We feel that a 6-7% annual growth will continue to drive FMCG sector growth, especially in value terms.
- **Rural demand:** Around 12% of the world's population lives in Indian villages; the per capita consumption in these pockets is among the lowest. In our opinion, we have reached the tipping point and annual demand is now soaring.

We see modern retail stores accelerating FMCG offtake and leading to a greater proportion of the offtake of branded and value-added products.

approach to maintaining good health. India's beauty industry is worth around than USD 2 billion. It will grow due to the growing consciousness about looks and health amongst the Indian consumers. India will spend USD 45.76 billion on healthcare in the next five years as the country, on an economic upsurge, is witnessing changes in its demographic profile accompanied with lifestyle diseases and increasing medical expenses, says a CII-Mckinsey study on 'Health in India'.

There is another point worth considering. India's FMCG sector is an important GDP contributor. At present, much of this sectoral growth is coming out of the country's urban pockets (but as India's prosperity spreads wider and deeper across its B and C class centres as well as villages, we expect the skew to correct. This is not a far-fetched estimation: rural India accounts for 41% of India's middle-class and 58% of its total

- **Infrastructural development:** We feel that planned infrastructure development - roads, ports, railways and airports - will accelerate FMCG growth.
- **Low manufacturing base:** We foresee that India's low-cost manufacturing base will enable it to address the growing FMCG demand in Bangladesh, Sri Lanka, Middle East, Pakistan and similar countries; besides, non-resident Indians in the UK and the USA represent a prospective market.
- **Brand consciousness:** We see increasing brand consciousness as consumers gradually move away from loose and unbranded alternatives.
- **Favourable tax structure:** We feel that the introduction of VAT will reduce longstanding tax ambiguities; Companies in tax-exemption zones will benefit. The fringe benefit tax rationalisation on brand ambassadors, celebrity endorsement as well



as tours and travels will strengthen the FMCG sector.

- **Modern retail formats:** We see modern retail stores accelerating FMCG offtake and leading to a greater proportion of the offtake of branded and value-added products.

Emami's initiatives

We must inform our shareholders that Emami stands to capitalise on these industry opportunities through the following initiatives:

- **Aggressive marketing and distribution:** Emami continues to market its products aggressively. While huge resources are spent on new launches, existing power brands are marketed through endorsements from celebrities like super star Amitabh Bachchan, Shah Rukh Khan, Chiranjeevi, Kareena Kapoor, Govinda and Dharmendra. Distribution is also being strengthened and new channels of sales are being established to take care of rural markets and emerging new retail stores.
- **New product launches:** The Company continues to launch new products like Fair and Handsome fairness cream for men, Navratna cool talc, Boroplus light cream and lotion, Mr. and Mrs. Black kesh kala, Malai Kesar Cold Cream and Ayurvedic OTC products like Good Morning (an Ayurvedic laxative churna), Sardi Ja (a cough syrup and Vaporub) and Memo-plus (a memory booster).

- **Continuous innovation:** Emami's strong R&D and aggressive marketing capabilities enable it to identify emerging needs and aspirations of consumers and convert them into opportunities. Fairness cream for men, the first of its kind in India and the branding of Chyawanprash as 'Sona Chandi' Chyawanprash are results of such innovative R&D and marketing efforts.

- **Entry into new segments:** Emami forayed into hair care and baby care segments through the introduction of products like Mr. and Mrs. Black kesh kala and hair dye powder and Sona Chandi baby massage oil. It plans to come out with a full range of male grooming products as well.

- **Fresh capacity being commissioned:** The Company is in the process of commissioning another state-of-the-art factory in north-east India, enjoying fiscal benefits.

- **Wider international footprint:** The Company will widen the presence of its Fair and Handsome fairness brand in Asia and Africa; it will expand the global reach of its Naturally Fair brand in the Middle East and Asia. It has initiated efforts to globalise its power brands. Boroplus Antiseptic cream is the largest selling antiseptic cream not only in India but also in Ukraine, Russia and Nepal.

- **Emami Realty - another business opportunity:** While Emami Limited is on the

lookout for acquisitions in India and abroad for inorganic growth in the FMCG sector, it has identified realty as a potential business opportunity leveraging its resources. A wholly-owned subsidiary, Emami Realty Pvt. Limited, was formed in May 2007 to drive this business through an independent focus since it would be a 100% subsidiary of Emami Ltd. While aggressive growth in the FMCG business will continue, the realty segment will enhance profitability and shareholders wealth.

We must conclude on a note of unmistakable optimism. As a result of increased capacity, upcoming launches, product extensions, wider geographic coverage and growing servicisation, we expect to accelerate our topline and strengthen our margins.

In widening our revenue spread and climbing the value-chain, we expect to enhance value for our shareholders as well as other stakeholders in a more emphatic way over the foreseeable future.

R.S. Agarwal

R.S. Goenka

Jaded. Refreshed. Navratna Cool Talc

Product

A refreshing break from usual talcs, Navratna Cool Talc counters heat and humidity through its cooling property, beating sweat and undesired body odour. Aptly positioned as 'Duniya Ka Sabse Chota AC', Navratna Cool Talc's unique blend of mint and camphor with the goodness of essential herbs, renders the desired cooling effect, while the cool aroma rejuvenates the senses and keeps one vibrant and fresh throughout the day.

Performance in 2006-07

- The brand was ceremoniously launched across India after favourable response to test

marketing initiatives in the previous two years.

- A first of its kind, with coolness in talcum, it generated keen interest among consumers in summer
- The clutter-breaking communication 'Duniya Ka Sabse Chota AC', aptly reinforced by Shah Rukh Khan's endorsement, translated into satisfactory consumer offtakes.

Brand ambassador

- Shah Rukh Khan

Brand competitors

- Dermicool

The advertisement features a large image of Shah Rukh Khan on the right, wearing a red winter jacket and a white fur collar, with his hands clasped in a prayer-like gesture. In the center, a product shot shows a container of Navratna Cool Talc, which is orange and blue, with the brand name 'NAV RATNA' and 'Cool Talc' written on it. The background is a scenic view of snow-capped mountains. At the bottom, there are several large ice cubes. The text 'Duniya ka sabse chota AC' is written in blue at the bottom left. The Navratna logo is also visible at the bottom right.

Duniya ka sabse chota AC

Yesterday's wisdom, tomorrow's products

For a world that is often found scoffing at grandmother's formulations, here is an exception.

Ayurveda. It is grandmother's grandmother's grandmother's remedy.

Traditional, yes. But tried and trusted as well. Which makes for a compelling therapeutic argument.

Ayurveda - ayu means 'life' and ved means 'science' - has its origins in the Vedic India of more than 5,000 years ago. It is easily the longest unbroken medical tradition in the world and one of the most venerated.

Interestingly, ayurveda set about preaching something a few thousand years ago that modern man is struggling to come to grips with - stress. Ayurveda's preaching is that 'harmony is health' and in doing so, emphasises that it is not only just a medicinal system but indeed a way of life. So on the one hand, ayurveda reconciles the senses - mind, body and soul - while on the other it reconciles the physical with the spiritual.

Treatment through nature

Ayurveda is relevant because it plugs a yawning gap in modern science: that the human body often reacts to ever-changing moods. Even as much of medication is curative or system-regulating in nature, the preventive approach has hardly made any serious

progress except for a handful of vaccines.

Enter ayurveda. What makes this branch of medicine different is that it not only cures disease, but delves deep into the root cause. Its remedies are entirely nature-dependent. It cures disease not just from the physical aspect but from a more holistic - mental, emotional and spiritual - aspect as well. Its observational concepts have stood the test of thousands of years. It consists of five elements - earth, water, fire, air and space. Its medicinal sources contain the active principals in their natural forms without any side-effects. It recognises each individual as genetically unique with a special mode of interaction with the environment.

Ayurveda today

The good news is that modern man is finally taking serious note of ayurveda's long standing legacy. According to a recent study by the World Health Organization, health is not only represented by physical well being or the simple absence of disease but also by physical and mental well-being. As a result, the popularity of this vibrant tradition lies in its subtle, scientific and total healing, its real edge over other healing systems.

Ayurveda and Emami

Emami is one of the few Indian companies to have combined the deep and rich wisdom of the ages with modern scientific laboratory practices, emerging as a dependable producer of herbal health care and personal care products in India. This has been made possible through the Company's intensive Research and Development focus. The Research and Development facilities of the Company are located in Kolkata and Mumbai with modern in-house testing equipment certified by the National Accreditation Board for Testing and Calibration Laboratories (NABL), Government of India. Besides focussing on product development and

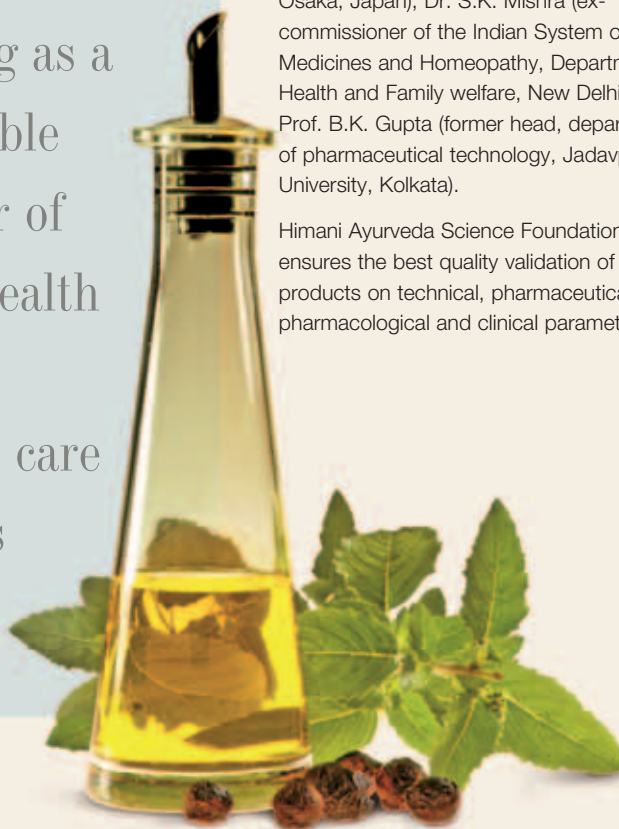
Emami is one of the few Indian companies to have combined the deep and rich wisdom of the ages with modern scientific laboratory practices, emerging as a dependable producer of herbal health care and personal care products in India.

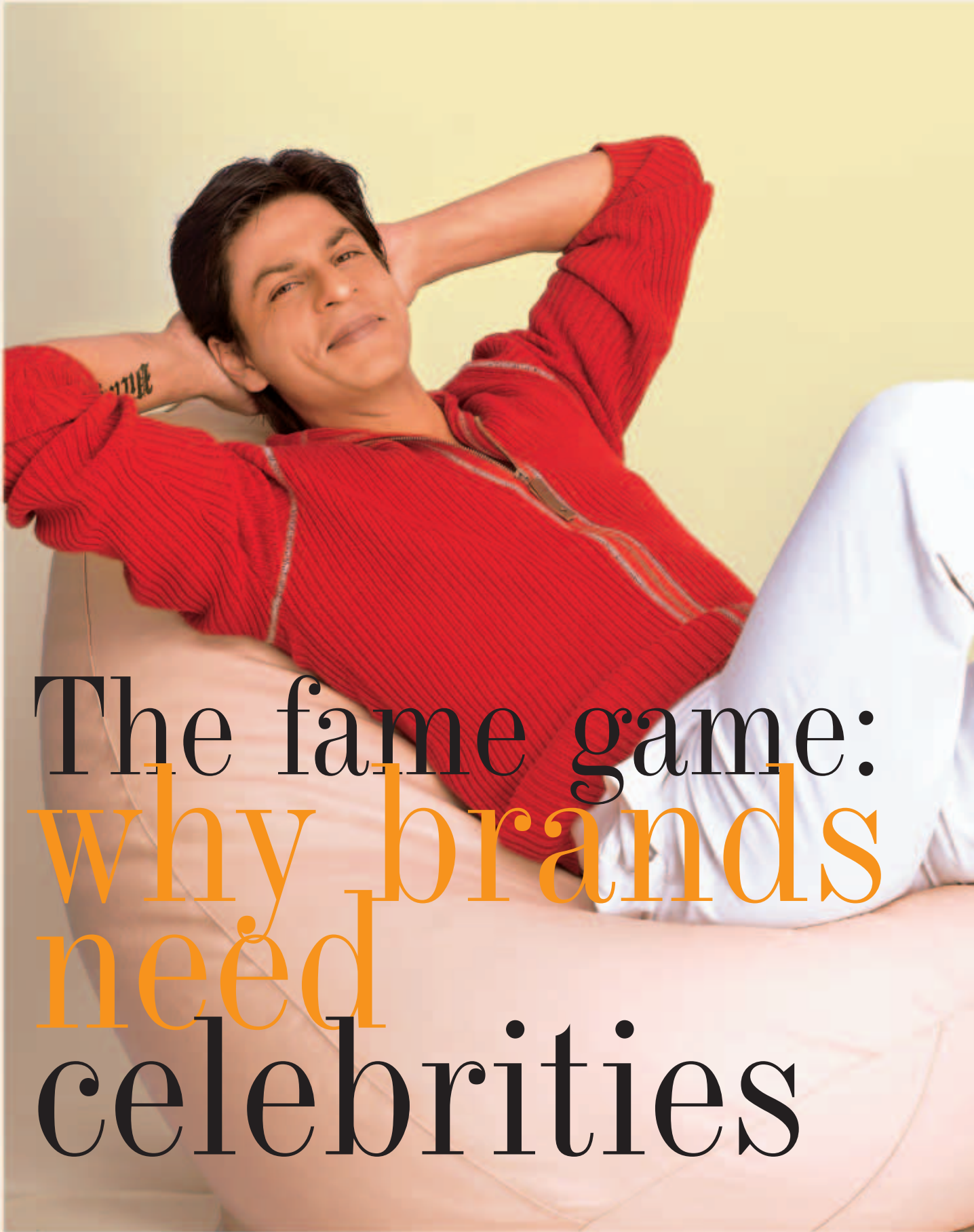
process improvement, it continuously endeavours to provide a culture of innovation and efficacy through research, training, seminars, workshops and the involvement of people across departments.

Himani Ayurveda Science Foundation

Himani Ayurveda Science Foundation is a state-of-the-art Kolkata-based research hub focused on promoting ayurveda as effective medicinal science, developing effective and innovative ayurvedic products, improving the efficacy of existing products and processes as well as developing material and testing protocols. The team comprises qualified doctors, specialised ayurveda scientists and an advisory panel comprising ayurvedic experts. It has on its panel eminent acharyas and doctors from India and abroad like Padmashri Vaidya Suresh Chaturvedi, Dr. Hari Shankar Sharma (former dean of Jamnagar University and Ayurvedacharya), Dr. Hiroe Inamura (Director of Ayurvedic Research Society, Osaka, Japan), Dr. S.K. Mishra (ex-commissioner of the Indian System of Medicines and Homeopathy, Department of Health and Family welfare, New Delhi) and Prof. B.K. Gupta (former head, department of pharmaceutical technology, Jadavpur University, Kolkata).

Himani Ayurveda Science Foundation also ensures the best quality validation of the products on technical, pharmaceutical, pharmacological and clinical parameters.





The fame game:
why brands
need
celebrities



A brand is a promise. It says you know the name, you can trust the promise. If one looks deeply, everything is a brand – the logo, the product, its packaging, the colours used. Similarly, people are brands too. The association of celebrity reinforces the communication of trust, the power of the brand and image recall.

In India, brand endorsements have a greater relevance for and important reason: India is a market of 1.1 billion people. A majority of this market is rural and at the bottom of the pyramid. Price-sensitive. Emotional.

This segment responds to the pull of a large idea. But more importantly, this segment responds to the pull of a visible celebrity. Making effective products is not all. Their effectiveness needs to be communicated suitably to capture the consumer's mind space and generally the best way to do so is to get products endorsed by celebrities. These celebrities enjoy public acceptance and are perceived to do no wrong. As a result, the use of these celebrities to endorse products is not just seen as advisable, it is considered absolutely necessary. Riding on their visibility, a number of product companies have achieved popular recall and sales surge.

The central goal of advertising is consumer

from the endorser to the product or brand. In contrast to anonymous endorsers, celebrities add value to the image transfer process by offering meanings of extra depth and power that is complemented by their lifestyles and personalities.

Celebrity endorsement in India

Over the decades, Indian marketers have been leveraging celebrity appeal across various categories. As soon as a new face becomes popular, advertisers queue up to enlist. Witness the spectacular popularity of Sania Mirza and Mahendra Singh Dhoni in a matter of months, even though eminent endorsers like Sachin Tendulkar, Shah Rukh Khan, Kareena Kapoor, Rani Mukherjee, Virendra Sehwag, Rahul Dravid and Amitabh Bachchan top the list.

Usually celebrities are super achievers at the peak of their professions. Typically, sportspersons are deluged with offers from marketers to endorse various products at

the height of their popularity – and vice versa. The most prominent endorser in India is Amitabh Bachchan, an exception to the normal celebrity lifecycle. An actor by profession, his best days at the box-office are well behind him without any impact on his endorsement popularity. What sets Bachchan apart from the others is his universal popularity across India, cutting across the barriers of age, income, region and language.

Emami and brand promotion

Turning a brand into a property is an art derived out of a combined chemistry of right segment selection, product efficacy, intelligent pricing, USP communication and prudent endorsement. This is an area where Emami has excelled.

Emami's brands are strongly celebrity-endorsed, the leading endorsers being Amitabh Bachchan and Shahrukh Khan. Other national celebrity Emami endorsers comprise actress Kareena Kapoor,

Continued on page 17

Emami's brands are strongly celebrity-endorsed, the leading endorsers being Amitabh Bachchan and Shahrukh Khan.

persuasion and the projection of a credible image in terms of expertise, persuasiveness, trustworthiness and objectiveness. To create effective messages, advertisers need to often consider the attractiveness of the endorser covering such aspects as physical appearance, personality, likeability and familiarity with the receiver, translating into the perceived social value of the source. The use of familiar and attractive endorsers make consumers see a human side of the product, brand or company emerging from such endorsement, which is critical from any marketing perspective that attempts to achieve a 'soft' and 'warm' feel. Celebrities are also useful in marketing because they provide a 'set of characteristics' that support consumers in brand evaluation. The meaning associated with the famous person moves



Rough. Smooth.

Boroplus Antiseptic Light Cream and Body Lotion



A variant of the normal Boroplus Antiseptic Cream, Boroplus Antiseptic Light is non-sticky, prepared specifically to counter the heat of the summer and to heal, protect and nourish.

Brand performance and initiatives, 2006-7

- Promoted in the media with Boroplus Antiseptic Cream
- Both, Light Cream and Body Lotion extensions, well received by consumers
- Increased product visibility by prominent display at shopping malls, multiplexes and in-shop promotions through danglers and posters



Stressed. Rejuvenated. Navratna Oil

Sardard, thakan, anidra aur tension hataye...sukun pohchaiye, life hit banaye

Product

A successful therapeutic oil meticulously prepared from a combination of nine ayurvedic herbs for a pure sensorial cooling. No wonder an increasing number of users are discovering the following remarkable properties of Navratna Oil:

- Stress/fatigue-busting capability
- Relief from insomnia and headache
- Prevention of premature greying and hair loss

Performance in 2006-7

- 55.2% market share in a total market size of Rs. 306.0 cr in 2006-7
- Growth of 27.5% as against growth of 21.1% for the category (as per ACN 2006-7 report)
- 30% CAGR growth over last three years
- Rated as one of the most trusted brands by ORG Marg
- Commissioned some of the most visible brand ambassadors (Amitabh Bachchan and Shah Rukh Khan as well as Surya, Chiranjeevi and Upendra for South)



Brand ambassadors

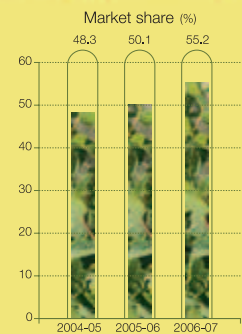
- Amitabh Bachchan
- Shah Rukh Khan
- Chiranjeevi
- Upendra
- Surya

Brand competitors

- Himgange
- Banphool

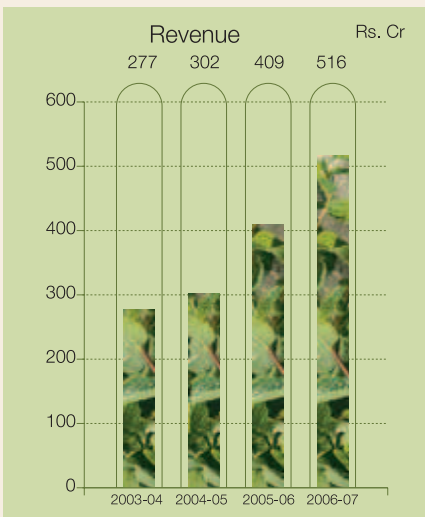
Brand extensions

- Navratna Cool Talc



Govinda, Sourav Ganguly, Sunny Deol, Dharmendra and Madhuri Dixit while the Company's regional superstars comprise Chiranjeevi, Surya, Upendra and Rituparna Sengupta.

The Company's successful selection, deployment and use of celebrity endorsers is reflected in the Company's increasing brand strength and growing revenues.



Emami and Navratna

Emami enjoys an enviable track record in the extension of small brands into successful blockbusters. Over the decades, the Company has established superior consumer value, product differentiation, product faithfulness, consistent quality, value-for-money proposition and is leveraging marketing and distribution strengths leading to growing success.

The one Emami brand that is a showcase of these initiatives is Navratna. Navratna Oil is a successful brand vindicating the Company's branding competence. It is the undisputed leader, commanding a 55% market share.

Initially endorsed by film star Govinda, the brand reached out to the great Indian middle-class as a therapeutic value-added oil driven by the familiar tag line of 'Thanda thanda cool cool'. The key product delivery being its 'cooling effect', Navratna has had a long and successful journey since its inception.

Emami enjoys an enviable track record in the extension of small brands into successful blockbusters. Over the decades, the Company has established superior consumer value, product differentiation, product faithfulness, consistent quality, value-for-money proposition and is leveraging marketing and distribution strengths leading to growing success.

Later, the brand was re-positioned as a stress-buster in addition to its 'cooling' proposition. Still endorsed by Govinda, the tag line was changed to 'Sar dard, tension, anidra jao bhool, raho thanda thanda cool cool'. In 2004, mega-star Amitabh Bachchan was also signed up to promote the brand as a stress-buster effective for symptoms like headache, insomnia, tension and fatigue.

This success was reinforced by the appointment of film star Shah Rukh Khan as brand ambassador, delivering the message *Sardard, thakan, anidra aur tension hataye...sukun pohchaiye, life hit banaye* to consumers.

Gradually, the product expanded its reach by roping in regional celebrities like Chiranjeevi in Andhra Pradesh, Surya in Tamil Nadu, Upendra in Karnataka and Sourav Ganguly in West Bengal.

In 2006, Navratna made the next big leap – from oil to talcum powder - following the launch of Navratna Cool Talc - as well as from one product to multiple, showcasing Emami's skill in managing product changes and consumer aspirations.

Result: In 2006, Navratna was ranked as the 6th Most Energised Indian Brand by DY&R Brand Asset Valuator. It witnessed another year of aggressive growth and has emerged as one of the most trusted brands in the Indian FMCG market across all categories. (Source: *The Economic Times Brand Equity*).





Modern retail formats are now growing exponentially in India

India's FMCG success story and Emami

It's quite amazing when you think about it, but the industry that markets the small shampoo sachets or hair oils or face creams is not really that small after all. The Indian FMCG sector is the fourth largest sector in India with a total market size in excess of USD 13.1 billion. *Source: ibef report, April 2007*



The bad news: India's FMCG sector has been significantly under-penetrated in India on account of depressed incomes and a high saving propensity.

The good news: India's FMCG market is set to treble from USD 11.6 billion in 2003 to USD 33.4 billion in 2015, marked by an increasing consumption in most product categories like jams, toothpaste, skin care, hair wash, etc.

Even better news: India's burgeoning population – middle-class and rural segments - presents an opportunity to convert non-branded consumers into branded users on the one hand and consumers 'upgrading' to matured product categories on the other.

Industry opportunity

India is the fastest growing democratically elected country in

It would be pertinent to indicate that the sector experienced a slowdown between 2002 and 2004, but staged a smart recovery since. The overall consumer market growth was 12%-plus in 2006 and is expected to stay buoyant in 2007, backed by robust demand across various product categories.

In spite of the prevalence of prominent brands, the Indian FMCG market remains highly fragmented, half of it dominated by unbranded and unpackaged home-made products.

India's FMCG industry is thus interestingly featured: a strong MNC presence, established distribution network, intense competition, the presence of organised and unorganised segments and a low operational cost. Modern retailing formats are now growing exponentially in India, prompting FMCG companies to enter into tie-ups with them in the area of product placement and co-branding. While margins on sales to organised retail are generally lower, the format encourages direct consumer interaction.

the world, its GDP growing at 9.4% in 2006-7. Besides, a good monsoon reinforced FMCG growth in India. The result of successive good monsoons and a corresponding growth in farm income have raised the purchasing power of rural households. This, in turn, has fuelled FMCG sales growth in rural markets.

Rapid urbanisation, increased literacy and rising per capita income influenced demand growth and change. Around 45% of the population in India is below 20 years of age, a proportion that is likely to increase. Besides, a growing media focus on

consumption is enhancing aspiration levels.

India is currently the twelfth largest consumer market in the world. According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer market by 2025, improving its position to the fifth.

Aggregate consumption in India is expected to grow four-fold in real terms during the period 2006-2025 to touch USD 1.73 trillion from USD 420.7 billion. Also, by then, the middle class will have grown almost 12 times from 50 million in 2006 to 583 million in 2025. Over 23 million Indians—more than the population of Australia—will number among the country's wealthiest citizens.

There is an emergence of 'call centre couples'- young, college-educated, stressed people who don't want their parents living with them and also don't want to shop at the kirana stores. This is a different middle class with high disposable income than what existed earlier. Companies are recognising this group and strategising accordingly to capitalise on the emerging opportunities.

India, a large consumer goods spender

An average Indian spends around 40% of his income on grocery and 8% on personal care products. A shift is now being noticed in the evolving spending pattern of the Indian consumers. With the expected rise in



the private consumption, spending on necessities (food and apparel) is going to decrease and discretionary spending (health care, personal products, education, communication, transportation, household products and utilities) is going to witness an increasing spend, thereby correcting the skew.

India's rural population clout

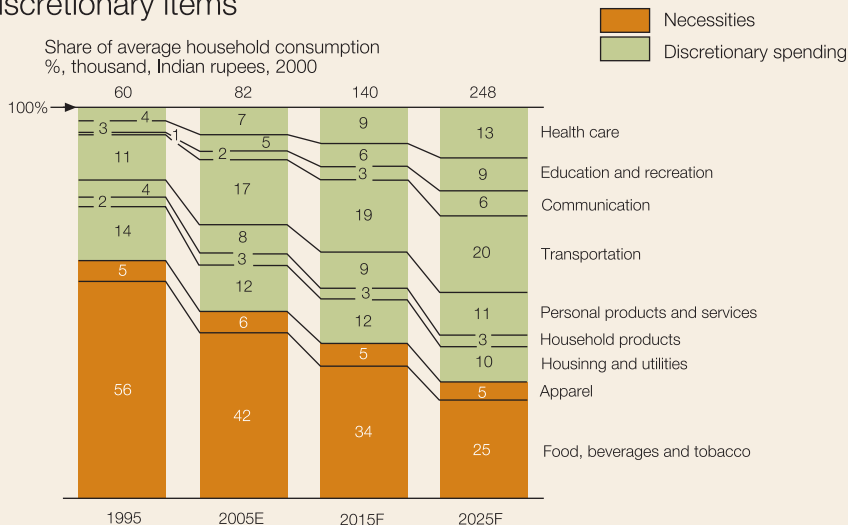
India's rural space, accounting for 12% of the world's population is possibly the largest relatively untapped market anywhere in the world. More than 750 million people live there. Most of these consumers enjoy a low ownership of most

products. They are earning more than ever before and, most importantly, are willing to spend more on enhancing the quality of their lives than they did in the past.

Result: Rural markets account for around 56% of total FMCG demand in India today, a clear indicator of the potential that the rural market has. The FMCG sector is expected to witness more than 50% growth in rural and semi-urban India by 2010 (Source: ASSOCHAM).

- The per capita income of India's rural population (currently at Rs. 7000 per annum as against Rs. 15,000 per annum for a semi-urban Indian) is expected to double by 2012 leading to a hike in their consumption patterns.
- The number of India's rural households is expected to rise from 135 million in 2001-02 to 153 million in 2009-10, creating the largest potential market in the world.

India's share-of-wallet is shifting from basic necessities to discretionary items



Note: Figures are rounded to the nearest integer and may not add up to 100%
Source: McKinsey Global Institute

Under penetration and scope in India's rural market

Although rural India accounts for more than 40% of the consumption of major FMCG categories like personal care, fabric care and hot beverages, the main problem is that in the rural and semi-urban areas, FMCG penetration is very low as against its total growth rate of about 6.2%. In some categories of basic goods, only 10% of the households are serviced, while these

“FMCG growth (in value terms) in rural markets has far outpaced the sector's growth in urban markets during the first nine months of FY 2006-7. Though rural markets are growing from a smaller base, the numbers are stark. In the case of chyawanprash, the whole of urban market has shrunk, while the rural market has grown as much as eight per cent.”

Source: Business Standard, February 13, 2006

goods could easily enjoy a penetration of 30% to 40%.

This presents a scope for immense growth in the sector as Indian retailers increasingly explore rural markets. Factoring the size of the rural population and agricultural income growth in rural India, the rural market is definitely an opportunity for retailers with an innovative retail proposition. Besides, following the improvement of road infrastructure and communications, there is a scope for adding as many as approximately 300 million new consumers to India's consumer basket.

The Indian advantage

Several reasons have helped the FMCG sector offer better value (price plus quality) to consumers, marked by cost-cutting and the use of world-class product formulation and packaging technologies. Other factors contributing to a superior value comprise the following:

The Indian FMCG industry is well placed for a number of reasons:

- **Raw material:** India enjoys diverse agro-climatic conditions leading to a large, wide-ranging raw material base suitable for FMCG and ayurvedic products.
- **Labour cost:** India's labour cost is among the lowest in Asia, encouraging multinationals to set up large low-cost production bases in the country.

- **Value chain presence:** Indian companies enjoy a presence across the entire value chain of the FMCG industry - from the supply of raw material to final processed and packaged goods in the personal care and food processing sectors.

- **Favourable tax structure:** This year's Union Budget removed the fringe benefit tax on free samples and product displays, strengthening below-the-line advertising (channels other than TV, print and outdoor). Besides, the sector enjoys tax exemptions on manufacturing investments in backward states. Value-added tax (VAT) is also a long-term positive, reducing tax ambiguity and making it difficult for unorganised players to compete with the organised sector.

Industry challenges

In spite of increasing strength and growing opportunities, the industry is marked with certain weaknesses that hamper the growth of related companies and affect margins.

- **Monsoon-related problems:** Since FMCG raw materials are sourced through

petroleum products, packaging materials and advertisements, narrowing margins.

- **Complex network of warehouses/depots, distributors and retailers:** Most FMCGs need to be sustained by a large network of warehouses/depots, distributors and retailers, making it imperative to provide products available to all distributors and retailers in the right numbers at the right time.

- **Increasing competition:** New entrants and new product launches in the sector have increased competition, depressing profitability.

- **Rural infrastructure:** India's 627,000 villages are spread over 3.2 million sq. km marked by fragmentation, a wide geographic spread and poor infrastructure. Delivering products to the 750 million Indians living in rural areas is therefore often difficult.

India's FMCG sector is now on a roll.

Over the last couple of years, the industry successfully corrected years of price

Rural markets account for around 56 percent of total FMCG demand in India today.



agricultural produce; adverse monsoons are generally inflationary for the business, affecting affordability. Moreover, rural consumption is also highly dependent on monsoonal vagaries.

- **Spurious products:** A large part of the branded FMCG market continues to be threatened by spurious products and illegal imports.

- **Cost escalation:** The costs of various inputs have been increasing, particularly

decline; the industry successfully passed on input price increases and strengthened profitability. Further, as per analysis, price hikes were spread across a large number of categories such as atta, beverages, chyawanprash, skin creams, detergent, ketchup, refined oil, shampoo, tea, toilet soap and toothpaste, indicating a general acknowledgement of the sector's attractive value proposition.

Emami's response to the growing opportunity

Emami enjoys an enviable track record in the extension of small brands into successful block busters. A number of its products enjoy market leadership in their respective segments. Over the decades, the Company established superior consumer value, product differentiation, product faithfulness, consistent quality, a value-for-money proposition, marketing and distribution strengths leading to growing success. The Company's Research and Development capabilities help it to constantly innovate and introduce new products in the market on one hand and improve the efficacy of existing

products on the other. In the process, the Company is able to not just maintain its leadership in the market but also widen its existing market.

To capitalise on the growing FMCG opportunity, the Company is strengthening its distribution network to reach its products wide and deep. It enjoys a wide distribution network comprising 24 depots, 2,600 distributors, and 4 lac retail outlets.

In response to changing industry trends, wherein large multinationals and retailers are gradually replacing intermediaries within in the supply chain, Emami has

initiated several new channel activities that strengthen its marketing and distribution network. The Company has widened its rural presence through initiatives like marketing tie-ups with ITC's e-choupals, Emami mobile traders, small village shops, government post offices, pan-biri shops, army camps and agreements with state governments.

Project Kaya Kalp: Emami restructured its sales force through a revamp in strategy, procedures, reporting structure, supervision methods and incentive policies. In this project, the Company will enlist only supervisory-level professionals while the

Continued on page 25

Emami has initiated several new channel activities that strengthen its marketing and distribution network.

**कील-मुंहासों से छुट्टी,
और बनो गोरी-चिट्टी.**

पहला रक्त और त्वचा शोधक
जो बनाए गोरा भी.

मनी बैक गारंटी।

हिमाळी
लालिमा
रक्त और त्वचा शोधक
विशेष रूप से तैयार किया गया

Weary. Energised.

Sona Chandi: Chyawanprash of the Kings

*Banaye Fit Bhi.
Smart Bhi*



An effective immunity builder, Sona Chandi Chyawanprash is fortified with super power of Gold, Silver and Saffron along with 51 rare herbs and minerals.

Brand performance, 2006-7

- A market share of 9.1% — third in the category - in a total market size of Rs. 175.0 cr
- Grew by 17.6% against category growth of 12% (as per ACN 2006-7 report)
- Launched Chocoprash, a new variant of Sona Chandi Chyawanprash, with chocolate flavour, targeting children and promoted in schools
- Introduced a one-time serving spoon pack

Brand ambassador

- Shah Rukh Khan

Brand competitors

- Dabur
- Baidyanath





Dus siron ka
dard bhagaye

Ache. Respite.

Mentho Plus Balm

Relieves pain through the use of natural extracts, especially effective in headaches, backaches, sprains and colds.

Brand performance, 2006-7

- A 15% market share in a total market size of Rs. 314.5 cr — number three in the category — with 79% CAGR over the last six years

- Grew by 30% against category growth of 12.9% (as per ACN Report for 2006-7)

Brand ambassador

- Imagery of Ravana with 10 heads

Brand competitors

- Zandu
- Amrutanjan





responsibility of the frontline field force will rest with the distributors. Even though this strategy will hypothetically divide the sales force, the project will inculcate a strong Emami work culture in every salesman, whether connected directly or indirectly. Besides, direct supervision and standardised reporting structures will help in transparent evaluation, linking performance and reward. Through this project, Emami expects to save substantially in costs and enhance the strength of the front line field force and revenues.

Merger of J.B. Marketing and Finance Limited: The marketing company, J.B. Marketing and Finance Ltd. merged with Emami Ltd. bringing the marketing as well as the selling network within Emami's fold.

With a distribution network of 24 depots, 2,600 distributors and a direct coverage of 4 lac outlets, this merger is expected to bring economies of scale into operations.

Modern retail outlets: Emami is targeting customers in shopping malls and lifestyle outlets directly or through specialised distributors on a case-to-case basis depending on their importance.

Emami Mobile Traders: Emami appointed rural youths who act as direct-to-consumer distributors, carrying products to rural households and strengthening the Company's rural penetration. These EMTs earn performance-based incentives and are entitled to additional benefits like personal accident insurance. The Company had around 8000 EMTs operating in seven

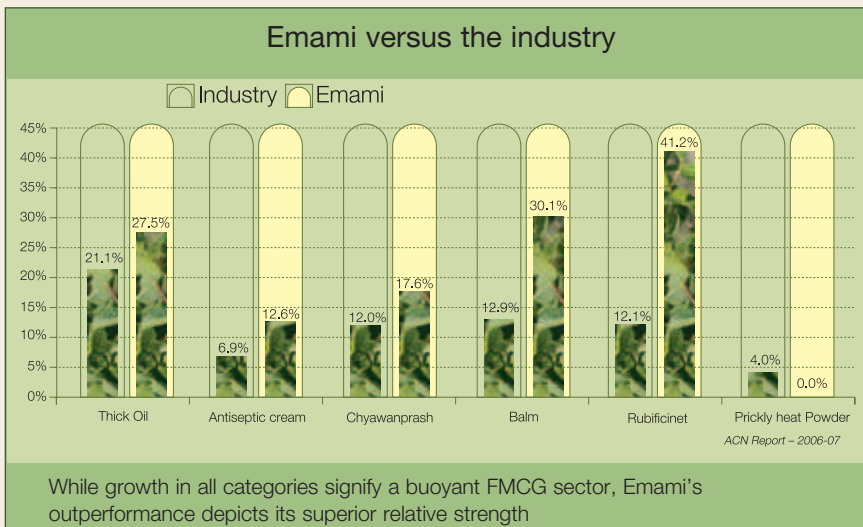
states (Karnataka, Andhra Pradesh, Madhya Pradesh, West Bengal, Chhattisgarh, Orissa and Assam) towards the close of 2006-7. The Company is planning to substantially increase the number of EMTs which, on the one hand, will help provide self-employment to rural youth and on the other will help it penetrate deeper into the rural market as the locals are well aware of the surrounding market mindset and conditions.

Small Village Shops (SVS): Approximately 400 small outlets were opened in several villages, run by local residents with no fixed income. In doing so, Emami served the dual purpose of community benefit and product penetration.

Paan-biri shops, army camps: Emami's distribution network is extensive enough to include local paan-biri shops to reach the lower and lower-middle income population segment. Besides, army camps have also served as a significant mode of penetration in otherwise inaccessible areas.

Agreements with state governments: Emami entered into an agreement with the Gujarat government to market products in fair-price shops and ration shops as a precursor of similar agreements with other states.

Special initiative in Andhra Pradesh: Emami appointed approximately 150 additional distributors in Andhra Pradesh targeting towns with a population of 10,000-plus.



Wealth at the bottom of the pyramid

Any marketing strategy is essentially influenced by the need to price high and cater to a niche segment or price value-for-money and cater to the bottom of the consumption pyramid. Which one should a company take? Ah, well, that's a billion rupee question.

In the opinion of the Company, it is the latter that represents the more attractive proposition towards sure, secure and sustainable success.

Based on an estimate by management guru C.K. Prahalad, more than four billion people live on less than \$ 2 per day, constituting the bottom of the consumption pyramid. Prahalad's argument is simple: the poor should not be dismissed because they have no purchasing power. On the contrary, any company that can price in an attractively affordable way for this vast segment would be able to leverage the power of numbers. The World Bank concurs; the bottom of the pyramid possesses a purchasing power of no less than \$5 trillion (Rs. 2,00,00,000 crore).

The Indian BOP market

India is one of the largest BOP markets in the world. A significant consumption under-penetration and extensive poverty are now in a state of correction across one of the largest population segments anywhere in the world. The base of the economic pyramid (BOP) in India, representing the masses is an over \$1.2-trillion market (Source: *The Economic Times* 27 April 2007) presenting opportunities for any serious marketing company.

Emami and BOP

As a future-looking company, Emami is positioned to capitalise on the transition gradually underway in India's BOP segment. Consider this:

- For long, Emami's brands have been principally BOP-positioned and the immediately higher consuming segments, keeping in mind the tremendous opportunity arising from the great Indian middle-class.
- Emami products are value-for-money, i.e; they are not only attractively priced to cater to BOP but also of good quality.
- The Company introduced affordably priced small packs keeping in mind the budgetary requirements of this segment. Some of the Company's LUPs, serving the needs of the markets, are Boroplus antiseptic cream 8 gm, Menthoplus 1.2 gm, Navratna oil 3.5 ml and Fast Relief 2 gm.
- Emami's brands are rurally directed, reaching the deepest segment of society. Emami has distribution channels like Small Village Shops and Emami Mobile Traders, which facilitate a deep rural penetration.

To address the needs of the vast Indian BOP market, the Emami Group has undertaken various corporate social responsibility initiatives in recent years. These initiatives will in the long run help unleash the latent potential of the underprivileged section of society by enhancing their purchasing power capacity.

• Generating rural employment

Emami Mobile Traders, a regular income scheme, empowers the rural youth of the country. Beginners can enter into business with a capital as small as Rs. 300 without any deposit and the comfort of returning unsold stock. The youth are trained in marketing and selling, provided uniforms, raincoat, pullover, cycle and accident insurance cover. An EMT has to sell Emami products through door-to-door campaigns in interior villages. An initial trial in West Bengal showed encouraging results leading to financial independence of unemployed youth and the Company rolled out the schemes in Andhra Pradesh, Madhya Pradesh, Chattisgarh, Orissa, Karnataka and Maharashtra. The scheme's recent slogan is 'Sell worth Rs. 4,000 and earn a guaranteed income of Rs. 1,000.'

• Empowering rural women

The scheme — Emami Small Village Shops — is promoted to empower rural women

Emami: A responsible corporate citizen

At Emami, society is considered to be the most important stakeholder. In view of this, the Company undertakes various socially benefiting projects like the following:

Supporting medical treatment for the needy

Emami provides free/concessional medical treatment to the under-privileged sections of society through the following initiatives:

- Established the Emami National Institute for Bone Marrow Transplantation at Bangalore, under the supervision of Dr Devi Shetty, a well-known cardiac surgeon, to treat the needy for free or at affordable costs.
- Sponsored free or subsidised treatment at hospitals like AMRI and Shree Vishudhanand Hospital and Research Institute in Kolkata
- Organised free treatment of tuberculosis at camps
- Arranged free cataract operations for those who cannot afford
- Organised 'Bypass Surgery Camps' in association with qualified doctors every quarter at nominal fees

- Arranged free medical camps for treatment of the poor
- Distributed homeopathy and ayurvedic medicines
- Organised cancer awareness camps through Indian Cancer Society

Sponsoring education

Emami has been involved in promoting one-teacher schools with the help of an NGO.

One-teacher schools have been the main providers of State education to children living in the remote areas of India. In many instances, they have been the only means of education to children in isolated areas.

Other social initiatives

Some other social initiatives include the distribution of free food across rural India and supporting the activities of Vivekananda Vikash Parishad and Manovikas Kendra. These programmes are aimed at one's all-round personal growth, seeking to blossom the individual's full potential with an emphasis on conscious holistic living and personal self-development. The Company also organises Art of Living workshops.



in villages where there are no permanent shops. The housewives put up Small Village Shops in their homes and market Emami products to other villagers. The housewives are encouraged to take up this challenge with the help of rural NGOs and voluntary workers; no deposits are required and the unsold stocks are taken back, if required.

The above initiatives, besides addressing this growing market, serve the community, too. While on the one hand it helps increase the penetration of Emami's products; on the other it serves the purpose of generating employment for unemployed youth and underprivileged rural housewives.

कब्ज गैस बदहजमी एसिडिटी बवासीर फिस्टूला

हिमाली गुड मॉनिंग

खोल दो बंद दरवाजे

The international business of the Company generated revenues worth Rs. 56 cr during 2006-7, indicating a growth of 40% over the previous year's revenues of Rs. 40 cr. As a result, international revenues accounted for 11% of the Company's revenues during 2006-7.

Emami and its

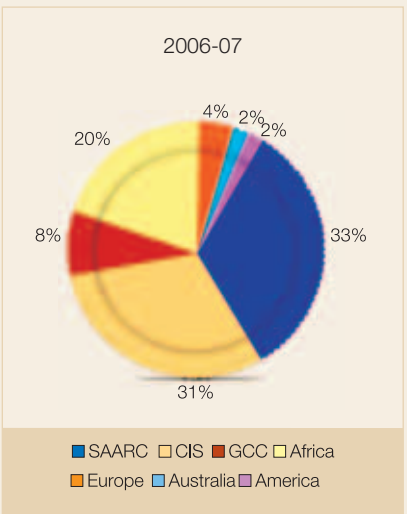
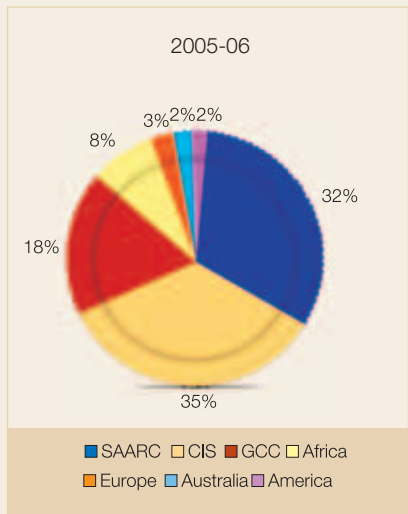


Emami expanded its global footprint with a presence in 59 countries and a focus on key markets like UK, Middle East, CIS, South Asia and Africa.

Two categories of the Company's products catered to the export market:

- Boroplus, Fairness range, Menthoplus, Fast Relief and Navratna constituted major part of the business in the mass markets in developing countries in CIS, Africa and SAARC nations.
- Ayucare range, targeting the niche and premium markets in Europe. Emami products are now available in the renowned retail chains of Europe – Tesco, J. Sainsbury and Asda.

Global distribution of revenue



global footprint



Emami's flagship brand — Boroplus Antiseptic Cream — commanded a leadership position in CIS and SAARC nations. Mentho Plus Balm was focused on the African markets, where it is among the category leaders in Kenya.

Fair And Handsome, Fair And Teens, Fair And Ageless and Naturally Fair Pearls range also enjoyed encouraging global results, especially from the Indian subcontinent.

During 2006-7, Emami embarked on the following strategic initiatives:

- **Initiated launch of Boroplus as a global brand:** Plans have been chalked out to launch Boroplus as a global brand. An international brand management agency will also be hired for the purpose. Brand promotion support in some 15 top international locations, accounting for

80% of the Company's export business, has also been planned.

- **Focus products in focus markets:** Emami plans to introduce an Ayurvedic line of products for Indians living in the UK. The Company is looking to strengthen its foothold in Nepal and Bangladesh. The Company is evaluating international partners for marketing and manufacturing alliances.

- **Other strategic initiatives:** The Company finalised the recruitment of international executives at senior levels to head country-wise/region-wise operations to support its global expansion.

The Company is strongly looking out for strategic alliances, tie-ups, acquisitions and other opportunities in the international markets.



Cover story



Why does a nation of 1.1 billion consumers trust Emami?

Management discussion and analysis

Prickly. Soothing.

Boroplus Prickly Heat Powder



*Aag bujha de,
thandak la de*

The powder is enriched with an advanced herbal formula to absorb sweat faster and neutralise undesired body odour. Available in four variants: Ice Regular, Ice Sandal, French Lavender and French Herbal, it provides relief from itching, heat rash and burning sensation. Also prevents skin infections

Brand performance, 2006-7

- A 21% market share in a total market size of Rs. 120.5 cr
- Sales affected in stagnant market

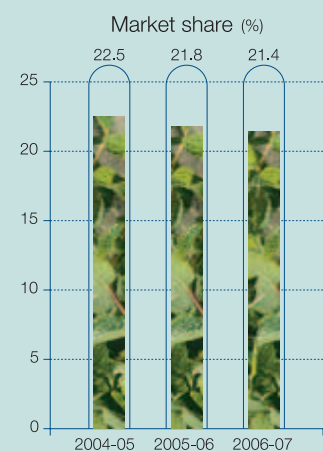
- Introduced new attractive packaging, enhancing customer appeal
- Promoted aggressively in the media to communicate the unique selling proposition: only anti-sweat formula to provide relief in 10 seconds (clinically proven and tested)

Brand ambassador

- Kareena Kapoor

Brand competitors

- Nycil
- Dermicool



Emami's strength is its values, foresight and focus on making people healthy and beautiful in a natural way.

The Company has selected the age-old science of ayurveda to reconcile nature's bounty with comprehensive scientific safeguards to address widening consumer needs at an affordable price. Over the years, the Company's focus on creating natural products free from side-effects (normally associated with chemicals) earned it the trust of millions of consumers.

This trust has been reinforced by the Company's governance, ethical practices and transparency in stakeholder interaction. A strong commitment to excellence, consumer delight, community service, teamwork and respect for people are values that the Company lives by.

We at Emami have clearly set out our vision, mission and values.



Our vision
Making people
healthy and
beautiful, naturally

Mission Statement

We would strive

- *To contribute whole heartedly towards the environment and society integrating all our stakeholders into the Emami family.*
- *To make Emami synonymous with natural beauty and health in the consumers mind.*
- *To effectively manage talents by building a learning organisation*
- *To strengthen and foster in the employees, strong emotive feelings of oneness with the Company through commitment to their future.*
- *To drive growth through quality and innovation in products and services*
- *To uphold the principles of corporate governance*
- *To encourage decision making ability at all levels of the organisation*

Emami would strive to be

- *A part of every household in the country*
- *A major player in every product category we venture in the country*
- *The most respected marketer in the country.*
- *Recognised as a global brand.*

Core values

Commitment and loyalty to institutional values and principles

A strong sense of ownership and commitment towards the organisation and the business as a whole is the basic premise of all our actions. We believe that every employee is a member of the Emami family and as a family we shall work in the larger interest of the organisation and for the benefit of all our stakeholders. The human dignity and worth of an individual is acknowledged and maintained at all times. Nothing shall impose upon the dignity and stature of the institution which has its roots in these articulated core values. We will not venture into any activity which is at a cross purpose to our values and principles.

Integrity

This is cherished above all within our organisation and whatever we say, do, and the way we do it, will emphasise our integrity and dependability. Our employees, products and services will clearly communicate this strength to all our stakeholders. We will practice integrity in its real sense in all our personal and business actions

Transparency and openness to protect stakeholder value

We are open and transparent in all that we do and say. This applies to all working relationships and at every level. Involvement, trust and willingness to listen are the guiding principles for decision making. We believe in open communication, offer freedom to speak one's mind & demonstrate openness & clarity in all our actions. We exercise transparency in dealing with all our stakeholders and we believe this is the only way to build their trust and value.

Customer orientation

The underlying principle is that progress can be mapped only in terms of customer orientation, both internal and external, in all its spheres of quality, service and reliability. Our 'Customer Processes' are proactive, relevant and perceived as such by our customers. Customer delight is the vital purpose of our business. This necessitates providing quality, reliability and a high level of service in all our business dealings.

Leadership and innovation

This stands firmly on a foundation of commitment and leadership in all that we do or say. Strong evidence is present in our actions, an emphasis laid on an opportunity providing freedom to individual which would help him set standards of excellence in performance. We strongly encourage and reward innovation at all levels. All these are manifested in an environment of innovation and leadership.

Attention to detail

Utmost importance is given to attention for details in all that we do or say. It is the diligence which provides us with the competitive edge and also ensures quality in all our activities.

Teamwork and team-oriented environment

Teamwork is the cornerstone of our business that helps deliver value to our customers. We work together across titles, jobs and organization structure to share knowledge and expertise for the growth of the individual and the organization. We provide an environment which will foster teamwork, cooperation and an urge to utilise knowledge and information.

Simple living, high thinking

As an organization we will imbibe the principles of leanness and agility of a small organisation, discourage extravagant expenses in all our dealings and strive towards becoming an organization worth emulating.

Social Responsibility

We shall continue to contribute to the communities in which we thrive and address all social issues responsibly. We will strive towards giving back to society as a responsible institution and aid in growing the resources around us for building a vibrant nation.

Environmental Safety

Environmental safety represents the framework of all our activity. We strongly believe that safety of an individual will lead to a safer society for our forthcoming generations. All our processes, products and services aim at safeguarding our environment.

At Emami, products are launched after stringent Research and Development tests, clinical trials and certifications. These products are manufactured in state-of-the-art manufacturing plants with strict quality controls. They enjoy contemporary packaging matching international standards and are endorsed by eminent personalities.

Emami's products, priced reasonably, offer an unbeatable value-for-money proposition for consumers, enhancing trust and loyalty. These products are relevant for a wide section of society – young or old, male or female, rich or middle-class, urban or rural.

Emami's consistent endeavour to innovate helps widen its consumer base through new product launches. It also results in enhanced efficacy of its existing products.

Industry overview

The Indian FMCG sector is valued at around USD 13.1 bn and expected to grow to USD 17.4 bn by 2010. The overall consumer market growth was 12%-plus in 2006 and is expected to stay buoyant in 2007, backed by robust demand across various product categories.

For detailed discussions on industry growth, opportunity and challenges, please refer to page 18 of this report.

The Company's operational performance

The Company sustained its robust growth through brand rejuvenation and successful launches in health and personal care products. Today, Emami is a major player in the country's health, personal and beauty care segments. Sales wise, its Navratna Oil is the biggest brand that enjoys a 55% market share. Despite being the premium oil, the brand almost doubled its sales in the last three years, a reflection of not just its superior price-value proposition but also consumer endorsements over competing brands. The Company's Boroplus Antiseptic Cream further strengthened its leadership position with 70% market share.

With brands such as Boroplus, Navratna, Sona Chandi, Menthoplus, Fast Relief and Fair & Handsome, Emami is present in profitable niche FMCG segments (cooling oils, antiseptic creams, fairness creams, chyawanprash, prickly heat powder, rubificients and pain relief) with a focus on aspirational categories like personal care, health and grooming.

New launches in 2006-7

The new launches accounted for 17% of turnover in 2006-7.

The new launches in the personal care category primarily include

- Fair and Handsome Fairness Cream for men, first of its kind in India
- Fair & Ageless Fairness Cream
- Boroplus Antiseptic Light Cream and Body Lotion – extensions of Boroplus Brand
- Navratna Cool Talc, extension of Navratna Brand.
- Mr. Black and Mrs. Black, herbal Hair Dye Powder and Malai Kesar Cold Cream,

Other new launches are Sona Chandi Healthy and Fair Baby Massage Oil, Good Morning, an Ayurvedic laxative Churna, Sardi Ja, a cough syrup and Vaporub and Memo-plus, a memory booster, Sanjeevan Dhara – a digestive.



The Company sustained its robust growth through brand rejuvenation and successful launches in health and personal care products.

Tanned.

Light..



*Hi handsome,
hi handsome*

Fair And Handsome Fairness Cream

Launched in October 2005, Fair And Handsome Fairness Cream is India's first fairness cream catering to the male category. The product continues to receive an enthusiastic consumer response.

Brand performance in 2006-7

- Market size estimated at Rs. 313.0 cr
- Contributed handsomely to the domestic turnover
- Recently inducted Shah Rukh Khan as the brand ambassador

Brand ambassador

- Shah Rukh Khan
- Tamil superstar Surya

Brand competitor

- Fair and Lovely Menz Active

Brand extensions

- Fair and Teen (Fairness cream for teenagers)
- Fair and Ageless (Fairness cream for 30+ women)

Pain. Relief. Fast Relief

Fast Relief integrates seven herbs to provide an instant pain solution for arthritis, muscular pain, backache, joint pains and sprains.

Brand performance, 2006-7

- Market share increased from 8.4% in the previous year to 10.9% in a total market size of Rs. 191.4 cr
- Grew by 41.2% against category growth of 12.1% (as per ACN 2006-7 report)
- Widely accepted in the states of Delhi, UP and Punjab

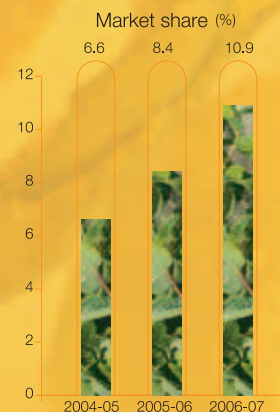
• Conducted live demonstration in health clubs, gyms and parks frequented by morning-walkers

Brand ambassadors

- Amitabh Bachchan
- Delhi Cricket Association (Virendra Sehwaq, Ashish Nehra, Gautam Gambhir, Amit Bhandari)

Brand competitors

- Iodex
- Moov



Rs. 6/- only



Dard mitaye chutki mein

Emami's innovative R&D, aggressive marketing, penetrating distribution, stringent quality controls, stronger procurement and operational efficiencies, young and responsive team and online information systems are driving Emami to newer heights and enabling it to win trust of 1.1 billion consumers

Drivers of trust

R&D and Marketing

Customers tend to trust brands that are safe, effective, innovative, attractive, fairly priced and properly communicated.

Emami believes in delivering effective and innovative products developed after intensive research, clinical tests, consumer study and trials. It develops products based on ayurveda, India's traditional science, using modern scientific practices. Products are rigorously tested and analysed for efficacy. Consumers are then offered innovative but effective products of international standards packed attractively and priced reasonably. Emami's products are then marketed through several brand promotion initiatives comprising brand extensions and celebrity endorsements.

Over the years, Emami selected to work with leading icons like Amitabh Bachchan and Shahrukh Khan supported by a number of national celebrity endorsers like Kareena Kapoor, Govinda, Sourav Ganguly, Sunny Deol, Dharmendra and Madhuri Dixit and regional stars like Chiranjeevi, Surya, Upendra and Rituparna Sengupta.

A combination of above-the-line and below-the-line activities strengthened Emami's brand recall, targeting different age groups with customised requirements. For instance, a chocolate flavoured Chyawanprash was promoted among children through the print, television, radio and hoarding media. Besides, the various brand promotion activities conducted by the Company comprised:

- Introduction of attractive packaging with changing consumer preferences enhancing customer appeal
- Tie-ups with TV channels leading to a larger viewership
- Increasing product visibility through prominent display at shopping malls and multiplexes and in-shop promotions through danglers and posters
- Live demonstration and product promotions in schools
- Participation in rural fairs, exhibitions, rural audio visual vans, trade merchandising and contact programmes across the length and breadth of the country
- Organisation of innovative consumer promotion programmes through the on-pack and in-pack route

Drivers of trust

Distribution

Customers tend to trust brands that are available when they want them.

Emami's distribution network ensures

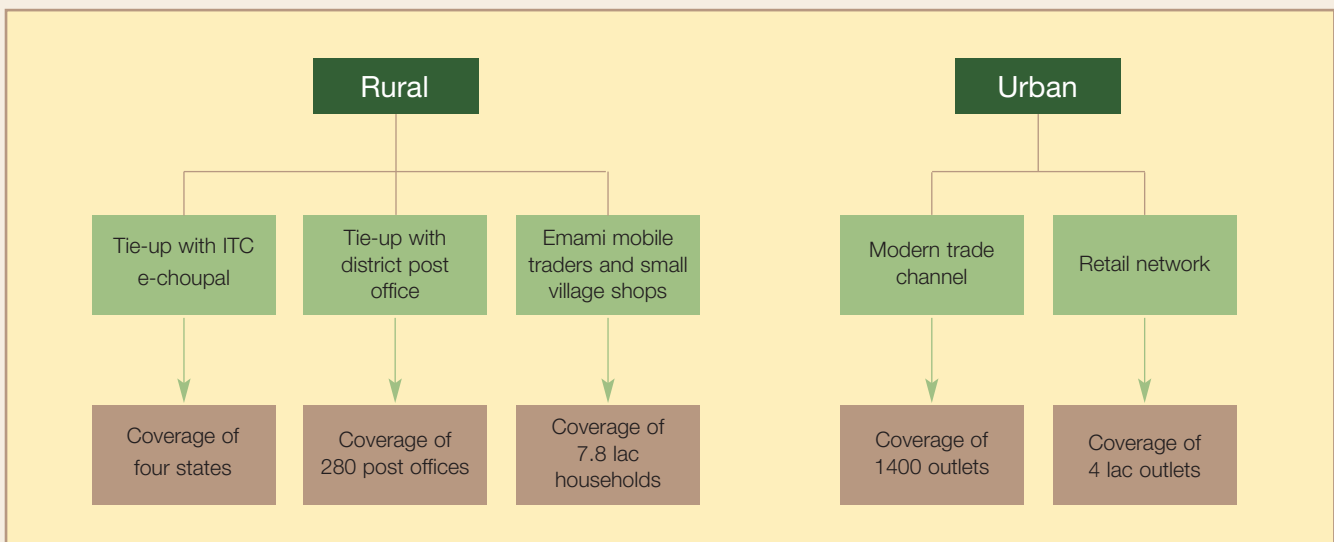
anytime availability of its brands across the country.

Emami's distribution network - 24 depots, 2,600 distributors, and 400,000 retail outlets - ensure that retailers never run out of stock and customers never return empty handed. To enhance the effectiveness of its distribution, the Company merged J. B. Marketing and Finance Ltd, its marketing company, with itself during the year under review.

Emami segregated its sales channels as per the changing requirement of urban and rural markets; while the products in the rural markets were promoted through Emami Mobile Traders, Emami small village shops, ITC e-choupal and the country's postal network, the urban markets were serviced through a modern trade channel that targeted customers in shopping malls and lifestyle outlets directly or through specialised distributors in addition to the regular retail network.

To strengthen its distribution, Emami entered into agreements with various state governments; an agreement with the Gujarat government helped market products in fair-price shops and ration shops. The Company appointed approximately 150 additional distributors in Andhra Pradesh targeting towns with a population of 10,000-plus. Through projects like Kaya Kalp, Emami inculcated a strong sales culture within its field force supported by direct supervision and standardised reporting structures.

Channel Architecture





The Company manufactures herbal and ayurvedic products

Drivers of trust

Quality control

Trust is derived from tests, certifications and global approval.

The Company manufactures herbal and ayurvedic products through a prudent leverage of modern scientific laboratory practices. Emami's comprehensive quality approach covers the following:

- Physical and physico-chemical testing (biological testing, microbiological testing and limit test) resulting in the manufacture of mild, safe and effective products
- Compliance with ISO 9001:2000 and GMP norms.
- Gradual evolution in quality control from material testing to a stringent, comprehensive and documented quality discipline across the production lifecycle - from vendor sites to factory gates to shop floor to packaging to dispatch points.
- Certification from the Vegetarian Society of UK for the Company's ayurvedic products, which will deepen EU penetration.
- Creation of a customer feedback cell to address quality issues

At the micro-level, the Company took the following measures to protect and enhance quality standards:

- An exhaustive master validation plan (comprising installation norms, process qualification and workflow charts) and standard operating procedures governed multi-step product manufacture at all the Company's units leading to quality manufacture.
- A validation protocol, deviation reporting, acceptance criteria, standard operating procedures and revalidation formed the basic content of the documented approach.
- A re-certification of ISO-9001:2000 was carried out at all the Company's factory units.

Drivers of trust

Manufacturing outfits

Trust comes from consistency. Emami's manufacturing plants (Pondicherry, Kolkata and Guwahati) are certified for ISO 9001:2000, follow Current Good Manufacturing Practices (cGMP) and are aligned with Hazard Analysis and Critical Control Points (HACCP). The Company's outsourcing units are located in Kolkata,

Guwahati, Baddi and Mumbai, which adhere to stringent quality requirements as well. The Company plans to set up another plant in Guwahati aligned with the highest standard comprising modern equipments.

Drivers of trust

Operating efficiencies

Consumers tend to trust companies employing the most efficient processes and practices. During 2006-7, Emami implemented changes in its packaging processes like changing the mould and standardisation processes leading to significant wastage reduction. Sophisticated packaging - thicker boards and switch from 'pad printing' to 'embossing' - was introduced with the objective to enhance presentability. Besides, Emami consistently improved machine efficiency. The introduction of 10-track machines over six-track alternatives reduced power and manpower costs on the one hand and improved productivity on the other. The production cycle of the power brands was reduced, enhancing production. A restructuring of the plant layout, equipment modernisation and upgrade strengthened operational efficiencies.

Drivers of trust

Material management

Shareholders tend to trust companies with a business model equipped to enhance margins.

Emami expects to enhance profitability through its value chain and an institutionalised cost management discipline.

Backward integration: The Company is contemplating a backward integration into the sourcing of vital raw materials like aloe vera, safed musli, amla and other medicinal herbs. It is ascertaining the cost-benefit analysis of entering into the captive herbal cultivation in conjunction with technical advice from IIT, Kharagpur. If successfully implemented, this endeavour will lead to lower cost and steady supply of quality raw materials.

Cost control: The year under review was a challenging one following sharp increases in the cost of materials like LLP, gold, silver, menthol and packaging materials. The Company cushioned itself from this inflationary effect through hedging on commodity exchanges and leveraging the power of long-standing supplier relationships.

As a policy, the Company procured approximately 90% of its primary raw materials from manufacturers and only 10% from traders, resulting in a stable cost structure. The Company entered into advance booking contracts covering a year's requirements, realising the most competitive material and freight costs.

Drivers of trust

Human resource

Stakeholders tend to trust companies that treat their employees well.

Emami's mission statement clearly reflects a respect for employees. The Company's mission involves recruitment, development and motivation of the best talents and providing them with a demanding environment. This mission statement is intended to strengthen an emotive feeling of oneness with the Company. In line with its stated mission, the Company expects to

undertake the following initiatives:

- Recruit candidates well-rounded in terms of family background with an all-round profile, extra-curricular orientation with room for knowledge, skill and attitude.
- Offer compensation comparable with the best in the industry.
- Conduct regular seminars, training and development programmes by eminent professionals to update employees about emerging industry trends.
- Organise recreational activities like picnics and family day, etc., which create an emotional bonding and sense of belonging among employees.

Drivers of trust

Information and technology

Suppliers and dealers – the two ends of the Company's supply chain – tend to trust companies where there is a respect for information integrity and availability at all times.

During the year under review, Emami completed the implementation of mySAP Business Suite solution across key locations. This solution will provide Emami with a tighter integration of important business functions and processes.

The Company integrated business processes across its head office, factories and depots in India. This solution will help the Company contribute significantly towards the optimisation of Emami's supply chain, boost user productivity and allow the manufacturer to roll out new products quicker and withstand competitive pressures.

Outlook

The growth of India's FMCG sector will depend on the following drivers: increasing penetration and consumption in rural areas, adapting to evolving urban aspirations and capitalising on emerging opportunities through innovative products. The increased investments in rural infrastructure, improvement in farm production and favourable monsoons are expected to drive rural incomes, while the robust non-farm GDP growth will strengthen urban incomes and changing lifestyles.

These are expected to strengthen the performance of Emami's product range. The Company's niche strategy and deep distribution reach have successfully insulated it from competitive pressures. Going ahead, Emami expects to reinforce its competitive position through new launches and product innovation in the ayurvedic category, grow existing markets and explore new markets in international domain and look for emerging opportunities through strategic initiatives for aggressive business growth.

Cautionary statement:

The statements describing the Company's estimates, expectations or predications in the Management discussion and analysis section, may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied, depending upon the economic and climatic conditions, government's policies and other incidental factors.



Enhancing returns, creating wealth

Over the years, Emami has created wealth not only for its vendors and distributors but also its shareholders. This wealth creation has been influenced by the Company's growing market capitalisation, reflecting industry buoyancy on the one hand and the Company's initiatives to capitalise on that bullishness.

The Company posted a 26% growth in its topline in 2006-7, while net profits expanded by 33%.



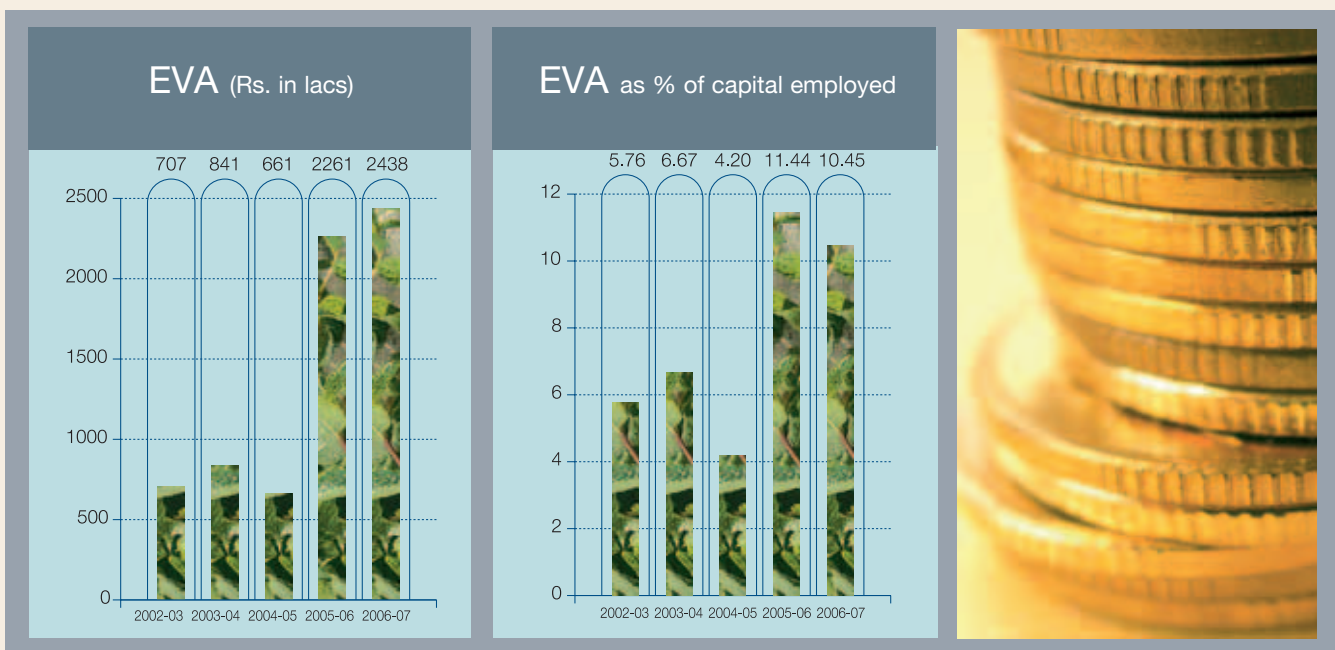
Emami came out with a public offer of 50,00,000 equity shares of Rs. 2 each in March 2005. While the primary objective of the issue was to maintain the minimum level of non-promoter holding, the net proceeds of the issue were utilised to fund the establishment of a corporate facility in Kolkata, ongoing capital expenditure and strategic acquisitions. The Emami stock was issued at Rs. 70 per share (face value Rs. 2 per share) and the issue was

oversubscribed 36 times.

Since then, Emami has outperformed its larger FMCG peers, emerging as a preferred industry proxy.

The Company sustained its robust growth through consistent brand leadership positions in segments like cooling oils and antiseptic creams. Today, Emami is a major player in the country's existing health, beauty and personal care market with a

presence in niche FMCG segments like cooling oils, antiseptic creams, fairness creams, prickly heat powder, chyawanprash and pain relief. A significant presence for Emami's brands in the SAARC region and Africa, CIS and GCC has also translated into accelerated growth in the Company's topline and earnings over the past two years. The Company posted a 26% growth in its topline in 2006-7, while net profits expanded by 33%.



Economic value-added

Economic value-added is a measure of shareholders' wealth and was devised by Stern Stewart & Co. which attempts to capture the true economic profit of a company.

EVA can be expressed as a simple formula: $EVA = NOPAT - WACC$ where NOPAT (net operating profits after tax adjustments) refers to the earnings left over after deducting all operating expenses, including depreciation and taxes but excluding interest since it is accounted for explicitly under cost of capital. WACC (weighted average cost of capital) refers to the appropriate charge for the opportunity cost

of capital invested in a company. It considers both the cost of debt as well as the cost of equity.

How does it help business?

EVA focuses on efforts and resources that can earn a return greater than the cost of capital. The functional and individual goals can be set which will help the Company to allocate resources in an efficient way for better evaluation of strategy.

How has Emami improved its EVA?

The Company reported a positive EVA of

Rs. 2438 lacs for 2006-7. The Company reported an EVA increase of Rs. 177 lac, an 8% increase over the previous year on account of the following initiatives:

- Prudent investment in working capital and production capacity
- Better offtake of power brands and their extensions
- Higher operating profit through efficient resource utilization
- Cost rationalisation across all departments

Emami forayed into the realty sector with the objective to deploy surplus resources and generate attractive returns.

Indian realty sector: Gaining visibility

One of the most fundamental interventions that a company can make in enhancing life quality is through an environment that promotes well-being. This represents the basic conviction behind Emami's decision to extend from personal and health care products into the business of real estate.



This business is also relevant in today's India. In the country's growing economy, the purest play is its real estate. India is the second fastest growing economy in the world, there is an excess of real estate demand over supply, the country's real estate penetration is well below that in peer countries and this dearth is extending to all the segments of the business (residential, commercial, retail).

India's real estate market is growing at a rapid pace on the back of improved real estate prices as well as sustained demand from end users and investors. In turn, robust economic growth, favorable demographics and socio-economic factors have translated into a sharp rise in demand for housing and commercial real estate in the country.

The residential segment continues to be a dominant segment in India. With a positive demand supply gap of around 20 mn units, housing growth will continue to drive the industry, although a growing IT/ITES segment, organised retail and improved corporate performance could increase the share of commercial real estate as well.

Nascent market

The Indian real estate market size of mere USD12bn and limited institutional participation do not truly reflect the true potential of the second most populous nation and the fastest growing democracy. Over the last few years, the picture has changed: robust economic growth, demographic changes, fiscal benefits, lower



The Emami Group possesses a rich experience of over 10 years in real estate.

interest rates and an improving institutional framework have helped the industry grow rapidly over the last few years. Going ahead, the industry is estimated to grow at a 33% CAGR to USD 50bn by 2010.

Source: Industry, India Infoline estimates

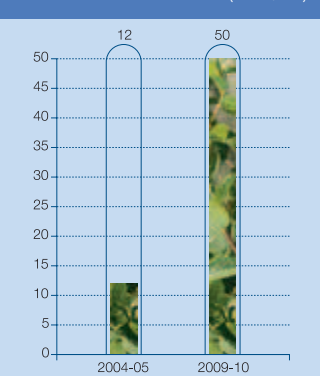
Emami and real estate

Emami Ltd. possesses substantial liquid resources of over Rs. 80 cr. The Company forayed into the rising Indian realty sector with the objective to adequately leverage experience, deploy surplus resources and generate attractive returns. In May 2007, the Company floated Emami Realty Pvt. Ltd. (ERPL), a wholly-owned subsidiary of Emami Ltd.

The Company's entry into the real estate business is not entirely untested. The Emami Group possesses a rich experience of over 10 years in real estate, an index of its expertise and has constructed projects involving residential, commercial and retail sectors.

Emami is focusing on projects with attractive returns. It identified ten projects comprising four IT parks, three shopping malls and three residential complexes in Kolkata, Coimbatore and Hyderabad covering more than 50 lac sq. ft. The Company plans to start construction soon and expects to generate an annual ROI of 35% with investment payback estimated at around three years. This extension into real estate will enhance earnings on the one hand and counter the cyclicity related with the FMCG business on the other.

Real estate market size (US \$bn)



Source: Industry, India Infoline estimates



Managing risks at Emami

How we managed risks at Emami

1 Brand risk

Brand clutter among consumers could affect offtake.

Risk mitigation

Emami's effective ayurved/herbal-based health and personal care products do not have side effects and meet consumer aspirations. The products come with contemporary packaging and are marketed aggressively through celebrities to rise above the market clutter.

Emami's power brands are strategically placed and aggressively marketed to gain competitive edge. The Company's popular, visible and national brand ambassadors highlight the product USPs.

Mitigation measurement

The success of Emami's branding was reflected in its 26% topline growth in 2006-7 compared to a 10 to 12% overall industry growth.

2 Competition risk

The Company's products face competition not just from domestic brands but with the economy opening up, the products are also exposed to the import threat of global brands.

Risk mitigation

The Company is countering this threat through the accelerated launch of new,

relevant, quality, ayurveda-centric products that are reasonably priced without any compromise on their efficacy, thereby offering a superior value-proposition consumers.

Mitigation measurement

Products launched in the last two years leading to 2006-7 accounted for 17% of the Company's turnover during the year under review.

3 Industry risk

Due to rising costs and changing industry dynamics, the business may cease to remain attractive.

Risk mitigation

A number of initiatives have strengthened Emami's competitiveness: effective cost-control, innovation, updated insight into industry developments and deeper rural penetration.

Mitigation measurement

EBIDTA margins are growing consistently over the five years from 9% to 13% indicating the Company's competitive edge.

4 Geographical risk

An over-dependence on any one region – domestic or global – could affect the business in the event of an unexpected downturn.

Risk mitigation

The Company introduces products in specific regions after studying the climatic conditions and consumer preferences. Emami's revenues are adequately spread across India (see table below).

Mitigation measurement

Region-wise revenue distribution

Region	2005-6	2006-7
North	31%	33%
South	20%	19%
East	25%	22%
West	24%	26%

Globally Emami's products are available in 59 countries.

5 Product risk

A drop in the off-take of a particular product could potentially affect the Company's business.

Risk mitigation

Emami's revenues are not dependent on any single product but are derived from a number of products across niche FMCG segments like cooling oil, antiseptic cream, pain relief, prickly heat powder and fairness creams. The Company also successfully implemented the mySAP Business Suite solution across all its Indian locations, keeping abreast of marketplace

developments in real-time, prompting immediate remedy in case of slowdown. Besides, test-launches, in-depth market study and regular consumer feedback analysis minimise risk.

Mitigation measurement

None of the Company's products accounted for more than 35% of revenues in 2006-7, an adequate protection against an unforeseen decline in the offtake of specific product. A sustained growth in the revenues of its power brands indicates the strength of the Company's product basket.

6 Quality risk

A quality inconsistency could result in consumer action.

Risk mitigation

Emami's quality consistency and dependability are the result of an organisation-wide stringent quality checks incorporated at all levels of functioning — starting from raw material procurement to final testing of the end product.

Mitigation measurement

The Company's processes are internationally benchmarked to quality certifications like the ISO 9001:2000 and cGMP. It has also obtained membership from Quality Circle Association of India. The Research and Development department of Emami also has been certified by the CSIR (Council for Scientific and Industrial Research) and the ISM (Indian System of Medicine). It has recently received certification from HACCP (Hazard Analysis and Critical Control Point) of the Netherlands as well for one of its units.

7 Liquidity risk

The Company could suffer liquidity crisis due to a slow inflow of receivables, heavy interest outflow and inventory over-stocking.

Risk mitigation

The Company instituted an efficient system to manage receivables, stock management and finance management, strengthened by the implementation of its mySAP Business Suite solution.

Mitigation measurement

Emami's debt equity ratio is as low as 0.11 and has liquid funds of over Rs. 80 cr with a net interest income of Rs. 13.9 cr signifying strong liquidity.

8 Environment risk

The Company may be affected due to environment infringements, inviting legal and financial risks.

Risk mitigation

The Company's plants are commissioned in line with best industry standards, reinforced by processes and raw materials that are considered environmentally safe.

Mitigation measurement

The Company's plants are confidence-enhancing, ISO 9001:2000 compliant. Its Kolkata unit has also received cGMP, HACCP accreditation resulting in safe and consistent environment policies.

हिमाली
सर्दी जा
आयुर्वेदिक कफ सीरप
मनी बैक वार्टी।

Sardi Ja

पहला कफ सीरप
जिसमें है
व्यावसाय की एनर्जी।
खांसी दूर, एनर्जी भरपूर!

Emami as a group

Emami Cement Limited

The Emami Group plans to set up a four-million tonne per annum cement plant and a 100-MW captive power plant in Chattisgarh. The group signed an MOU with the Chattisgarh government. A new company 'Emami Cement Limited' was incorporated to implement these projects. The Group requested the state government to allocate suitable limestone mines. The State Government recommended the Company's case to the Central Government for the allocation of a coal block.



FRANK ROSS PHARMACY
15, PANCHANANTALA ROAD, KOLKATA



Frank Ross Limited

Emami acquired Frank Ross Limited in 1993 when it was a sick unit with one pharmacy. Today, the Company has established 15 pharmacy outlets and some franchises. Aggressive business growth with more new pharmacies are planned.

Emami Paper Mills Limited

The only manufacturer of newsprint in eastern India and the second biggest in the country consequent to the recent expansion. The group supplies to all major newspapers of Eastern and Northern India such as Hindustan Times, Ananda Bazar Patrika, The Telegraph, The Statesman, Dainik Bhaskar, Dainik Jagran, Rajasthan Patrika, Bartaman, Samaj, Sanmarg, Prabhat Khabar etc. It also produces writing/printing paper.

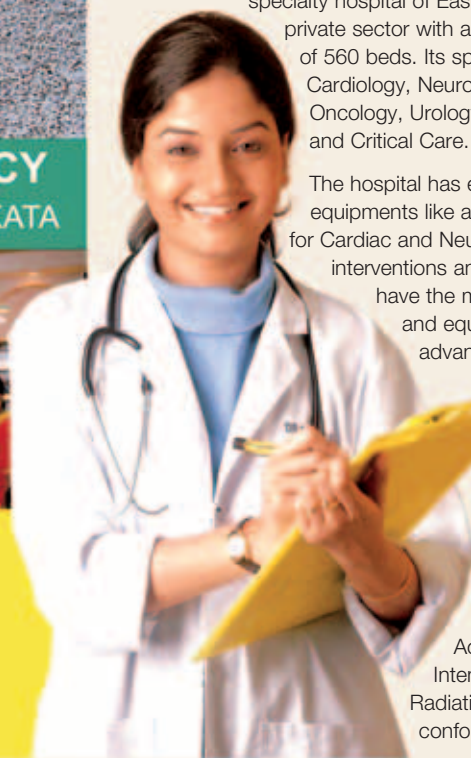
Advanced Medicare Research Institute Limited (AMRI)



Emami established AMRI Hospitals as a joint venture, with the Government of West Bengal and Shracchi Group, in 1996 with 160 beds. Today, AMRI is the largest multi specialty hospital of Eastern India in the private sector with a combined strength of 560 beds. Its specialties include Cardiology, Neurology, Orthopaedics, Oncology, Urology, Gastroenterology and Critical Care.

The hospital has excellent medical equipments like a Catheterisation lab for Cardiac and Neurological interventions and operation theatres have the most modern facilities and equipment to perform advanced surgeries.

It is the only hospital in Eastern India to offer complete cancer care of medical, surgical and radiation, equipped with state-of-art Linear Accelerators for Intensity Modulated Radiation Therapy and 3D conformal treatments.





CRI Limited

The business was established in 1995, and in 12 years it has become a major player in the tips industry. Adhering to strict quality control, it has created a niche of its own in the domestic and international markets. In the international market the Company is present in countries like Bangladesh, China, Taiwan, Malaysia, Myanmar, Indonesia and some countries of Europe and Africa. It is the fourth largest producer of ball pen tips in the world. It has achieved greater acceptance in the highly competitive market due to its product quality and customer service. The dedication to quality in all sphere has helped the Company achieve the prestigious ISO 9001-2000 certification in 1998.



Emami Realty Private Limited

Emami Realty Pvt. Ltd. has been made a wholly owned subsidiary of Emami Limited in May 2007. Ten projects were identified including four IT Parks, three shopping malls and three residential complexes in Kolkata, Coimbatore and Hyderabad. Construction of over 50 lacs sq. ft and a return of over 35% year on year was estimated.

Emami Bio-Tech Limited

The Emami Group initiated the establishment of one of the biggest bio-diesel projects in the country with a capacity of one lac tonnes per annum and the first clean project in eastern India. It entered into a technical collaboration with Desmet Ballestra Group Company, an Italian-Belgian joint enterprise. The bio-diesel project is another step in the Group's presence in a futuristic business.



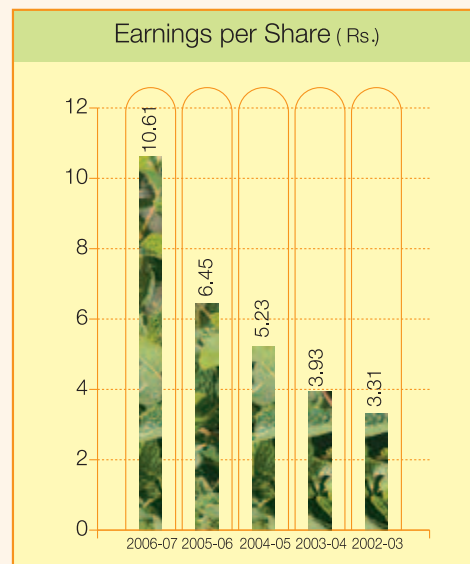
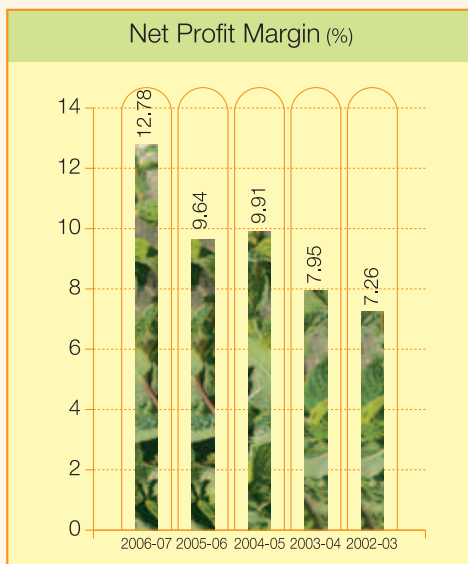
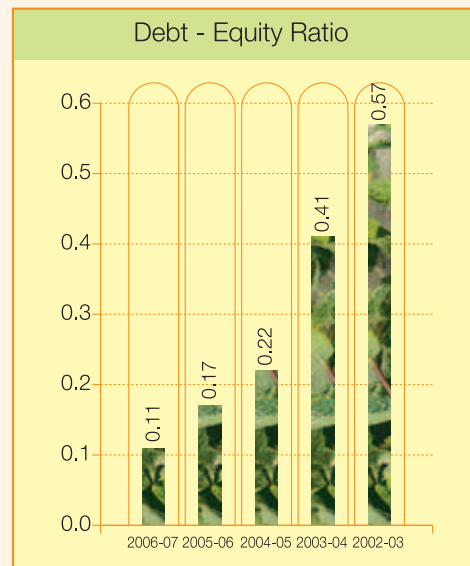
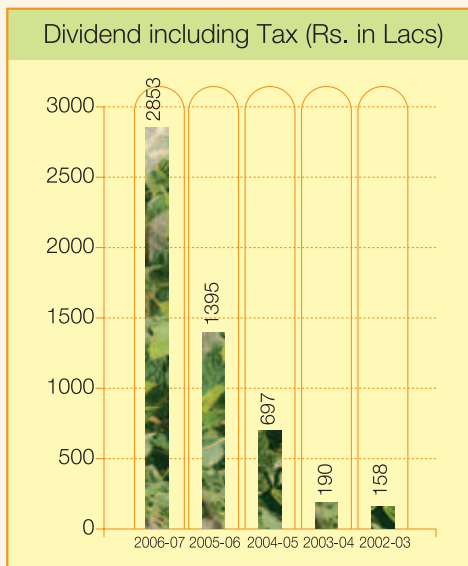
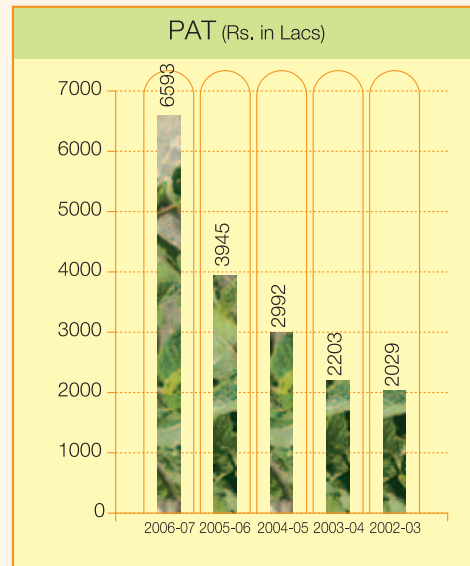
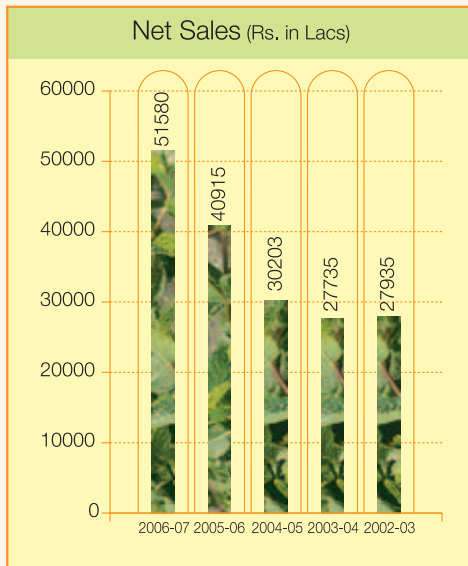
South City Projects Limited

Emami along with renowned real estate promoters of Kolkata started South City Projects, a mega construction venture, to create residential and Commercial complexes, shopping malls, IT Parks, SEZ, Industrial Park etc. including a mini-township spread over 31.14 acres involving construction of 40 lac sq. ft of an international standard in south Kolkata.

Emami Retail Private Limited

Emami Landmark Store Pvt. Ltd. was rechristened Emami Retail Pvt. Ltd. after the group recently assumed the total ownership and control of its 50:50 joint venture with the Chennai-based Landmark chain of bookstores. The store nameplate was changed to Starmark from Landmark. It plans to pump in Rs. 50 cr to expand the present store format (retailing of books, music, toys, stationery and gifts). Kolkata's second Starmark has come up in City Centre. The group expects to set up 10 more outlets (over a total area of 80,000 sq. ft) in Delhi, Mumbai, Hyderabad, Chennai and Bangalore by mid-2008.





10 years at a glance

Rs. in Lacs

PARTICULARS	2006-7	2005-6	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0	1998-9	1997-8
A OPERATING RESULTS :										
Net Sales	51580	40,915	30,203	27,735	27,935	24,728	23,596	14,719	10,808	8,180
EBIDTA	6,810	4,307	3,472	2,598	2,504	2,857	2,862	2,109	1,261	1,215
PBT	7,450	4,155	3,222	2,541	2,148	1,797	2,079	1,786	1,002	907
PAT	6,593	3,945	2,992	2,203	2,029	1,712	2,069	1,706	992	891
Dividend including tax	2,853	1,395	697	190	158	129	160	162	128	97
B FINANCIAL POSITION :										
Fixed Assets (Net Block)	8,129	5,050	4,974	4,712	3,352	3,185	2,554	1,666	1,291	1,202
Current Assets, Loans and Advances	15,891	14,136	11,821	11,487	10,067	10,465	11,407	5,996	3,913	2,987
Current Liabilities & Provisions	6,096	5,739	2,875	2,418	1,517	895	642	682	643	578
Net Current Assets	9,795	8,397	8,946	9,069	8,550	9,570	10,765	5,314	3,270	2,409
Liquid Investments	6,500	8,000	4,700	-	-	-	-	-	-	-
Other Investments	1,318	1,409	1,159	1,159	1,193	1,187	620	214	1,623	1,589
TOTAL ASSETS	25,742	22,856	19,779	14,940	13,095	13,942	13,939	7,194	6,184	5,200
Share Capital										
- Equity	1,243	1,243	1,243	1,143	582	582	582	562	562	562
- Preference	-	-	-	-	-	-	250	250	250	250
Reserves & Surplus	21,699	17,959	14,405	8,976	7,374	5,673	4,295	1,653	3,133	2,162
Deferred Tax (Net)	258	285	506	457	364	286	-	-	-	-
Equity Shareholders' Funds	23,200	19,487	16,154	10,576	8,320	6,541	4,877	2,215	3,695	2,724
LOAN FUNDS	2,542	3,369	3,625	4,364	4,775	7,401	8,812	4,729	2,239	1,646
CAPITAL EMPLOYED	25,742	22,856	19,779	14,940	13,095	13,942	13,939	7,194	6,184	4,620
C KEY RATIOS :										
Return on Shareholders' Funds (%)	28.42	20.24	18.52	20.83	24.39	26.17	42.42	77.03	26.85	32.71
Return on Capital Employed (%)	25.61	17.26	15.13	14.75	15.49	12.28	14.84	23.71	16.04	19.29
Debt - Equity Ratio	0.11	0.17	0.22	0.41	0.57	1.13	1.81	2.14	0.61	0.60
Total Outside Liabilities to Net Worth	0.37	0.56	0.48	0.77	0.90	1.44	2.40	3.00	1.00	1.11
Net Profit Margin (%)	12.78	9.64	9.91	7.95	7.26	6.92	8.77	11.58	9.18	10.88
Cash Profit Margin (%)	13.68	11.33	10.96	8.91	8.02	7.66	9.25	12.31	10.57	12.84
Interest Cover	(6.16)	(8.02)	(51.06)	(12.25)	17.15	3.25	4.27	9.72	11.57	8.15
D EQUITY SHARE DATA :										
Earnings per Share (Rs.)	10.61	6.45	5.23	3.93	3.31	3.05	3.69	3.04	1.77	1.59
Dividend per Share (Rs.)	4.59	2.28	1.14	0.34	0.28	0.20	0.22	0.22	0.17	0.16
No. of Shares (In Lacs)	621.45	611.50	611.50	561.50	56.15	56.15	56.15	56.15	56.15	56.15
Book Value per Share (Rs.)	37.33	31.87	26.42	18.84	14.82	11.65	8.69	3.94	6.58	4.85

Note :

- 1 The figures of 1998-99 includes figures of erstwhile Emami Limited which was amalgamated with the Company with effect from 1st April, 1998.
- 2 Consequent to merger of J. B. Marketing and Finance Limited with the Company with effect from April 1, 2006, figures for 1999-2000 and onwards also includes figures of J. B. Marketing and Finance for comparison purpose.
- 3 Reserves and Surplus and Fixed Assets are exclusive of Intangible Assets.

Corporate Governance Report

Your Company's philosophy of Corporate Governance is based on preserving core values, commitment towards maximising shareholders' value on a sustained basis and at the same time looking after the welfare of multiple stakeholders. Good corporate governance can be achieved by maintaining transparency in its dealings, integrity and strict regulatory compliances.

In this pursuit, your Company places strong emphasis on full regulatory disclosures coupled with efficient operational practices. These policies are directed towards enhancement of stakeholders' value while maintaining the highest levels of integrity and internal controls.

Board of Directors

Composition of the Board

In compliance with the Corporate Governance norms, the Board headed by its Executive Chairman, Shri R.S. Agarwal, has at present eleven other Directors, out of which six are Independent

Directors, representing the optimum mix of professionalism, knowledge and experience.

Board meetings and attendance therein

During the year 2006-7, six 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 15, 2006
- July 24, 2006
- August 25, 2006
- October 27, 2006
- January 31, 2007
- March 17, 2007

The attendance record of the Directors at the Board meetings and the Annual General Meeting (AGM) during the financial year 2006-7 is as follows:

Name of the Director	Category	No. of Board meetings attended during the year	No. of outside directorships	No. of outside committee positions held	Attendance at the last AGM
Shri R.S. Agarwal (Chairman)	Promoter Executive	6	12	Member - 4	Yes
Shri R.S. Goenka	Promoter Non-Executive	6	13	Member - 3 Chairman - 1	Yes
Shri S.K. Goenka (Managing Director)	Promoter Executive	6	6	-	Yes
Shri Viren J. Shah	Non-Executive Independent	3	-	-	No
Shri K.N. Memani	Non-Executive Independent	4	14	Member - 13 Chairman - 4	Yes
Shri S.K. Todi	Non-Executive Independent	6	19	Member - 2 Chairman - 1	Yes
Shri S.N. Jalan	Non-Executive Independent	6	11	Member - 1	Yes
Shri K.K. Khemka	Non-Executive Independent	5	5	-	No
Shri S.N. Bihani (Resigned on 15th May 2006)	Non-Executive Independent	-	-	-	No
Vaidya Suresh Chaturvedi	Non-Executive Independent	5	-	-	No
Shri Mohan Goenka	Promoter Executive	5	3	-	Yes
Shri Aditya Vardhan Agarwal	Promoter Executive	6	12	-	Yes
Shri Harsha Vardhan Agarwal	Promoter Executive	5	2	-	No

Information placed before the 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. 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 the level of head of department. A declaration signed by the CEO in this regard is annexed at the end of this Report.

Audit Committee

The Committee comprises 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 fields 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 six 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 members of the Committee	No. of meetings attended
Shri S.K. Todi –Chairman	6
Shri R.S. Goenka	6
Shri K.K. Khemka	6

The above meetings were held on 15th and 16th May 2006, 19th June 2006, 24th July 2006, October 27, 2006 and January 31, 2007.

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 and 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 and composition

The Remuneration Committee comprises:

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 2006-7, no meeting of this Committee took place.

Remuneration policy

On the recommendation of the Remuneration Committee of the Company, the Board decides the remuneration to be paid to Executive Directors subject to the approval of shareholders in terms of provisions of the Companies Act, 1956, read with Schedule XIII thereof. The Remuneration Committee takes into account the 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.

Sr. no.	Name of the Director	Sitting fees	Salary	Commission	Contribution to PF	Value of perquisites	Total
1	Shri R.S. Agarwal (Chairman)	-	48,00,000	70,00,000	3,60,000	5,101	1,21,65,101
2	Shri R.S. Goenka	1,50,000	-	-	-	-	1,50,000
3	Shri S.K. Goenka (Managing Director)	-	24,00,000	-	2,88,000	2,340	26,90,340
4	Shri Viren J. Shah	60,000	-	-	-	-	60,000
5	Shri K.N. Memani	70,000	-	-	-	-	70,000
6	Shri S.K. Todi	2,15,000	-	-	-	-	2,15,000
7	Shri S.N. Jalan	1,10,000	-	-	-	-	1,10,000
8	Vaidya Suresh Chaturvedi	90,000	-	-	-	-	90,000
9	Shri S.N. Bihani Resigned on 15th May 2006	-	-	-	-	-	-
10	Shri K.K. Khemka	130,000	-	-	-	-	130,000
11	Shri Mohan Goenka	-	15,00,000	-	1,80,000	2,16,542	18,96,542
12	Shri Aditya Vardhan Agarwal	-	15,00,000	-	1,80,000	2,77,008	19,57,008
13	Shri Harsha Vardhan Agarwal	-	15,00,000	-	1,80,000	1,17,696	17,97,696
	Total	8,25,000	117,00,000	70,00,000	11,88,000	6,18,687	2,13,31,687

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 31.3.2007)

Sr. 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 K.N. Memani	Independent Director	Nil
4	Shri S.K. Todi	Independent Director	100
5	Shri S.N. Jalan	Independent Director	Nil
6	Vaidya Suresh Chaturvedi	Independent Director	Nil
7	Shri K.K. Khemka	Independent Director	900
	Total		1,02,480

Share Transfer and Shareholders'/Investors' Grievance Committee

Share Transfer and Shareholders'/Investors' Grievance Committee comprises 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 2006-7, 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 members 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 complaints and/or grievances received from investors were promptly responded to and satisfactorily replied. The status of the complaints/queries received from shareholders from 1.04.2006 to 31.03.2007 is as under:

Complaints/queries received	Pending as on 31.03.2007
101	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 matter(s) related or 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 and analysis report

The 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 the 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 exchanges 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 statements.

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 the revised Clause 49 as on 31st March 2007.

However, the Board of Directors of the Company decided to make an existing company, Emami Realty Private Limited as its wholly-owned subsidiary company.

Risk management

The Company has framed a 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 5 of Schedule 18 to the audited accounts.

Amalgamation of JB Marketing & Finance Ltd with the Company

As per the order of Hon'ble Calcutta High Court, JB Marketing & Finance Ltd (JBMF) has been merged with the Company with effect from 1st April 2006. The merger has helped the Company achieve the benefits of vertical integration as JBMF was engaged in the business of marketing the Company's products with a wide sales network all over India.

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/re-appointment of Directors

Shri R.S. Goenka, Shri Viren J. Shah, Shri S.K. Todi and Shri Mohan Goenka, Directors, would retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Information pertaining to these Directors is as follows:

Shri R.S. Goenka is aged about 59 years. He is a Master of Commerce and an LLB. He is the Honorary Consul General of the Republic of Poland. He is co-founder of the Company with 40 years of business experience. His contribution towards the growth of the Company is remarkable.

Shri Viren J. Shah is aged about 80 years. He is an AMP (Harvard Business School), USA, with special expertise in general business management. He has served as Governor of West Bengal, prior to

that he was chairman of Mukund Limited for 27 years. He is a non-executive independent Director of the Company.

Shri S.K. Todi is aged about 65 years. He is a Master of Commerce and an LLB. He is a Non-Executive Independent

Director of the Company with extensive business experience.

Shri Mohan Goenka, aged about 35 years, is a Commerce Graduate and an MBA from UK and working as a Wholetime Director of the Company.

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, 2006	'Vidya Mandir' 1, Moira Street, Kolkata 700 017	August 25, 2006	11.00 am
March 31, 2005	'Vidya Mandir' 1, Moira Street, Kolkata 700 017	August 25, 2005	11.00 am
March 31, 2004	Somany Conference Hall, Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata 700 001.	August 27, 2004	11.00 am

Whether special resolutions were passed at the previous three AGMs

The following special resolutions were passed at the previous three AGMs:

Year 2005-06

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

Year 2004-05

- Re-appointment of Shri S.K. Goenka as Managing Director.
- Appointment of Shri Mohan Goenka as Wholetime Director
- Appointment of Shri A.V. Agarwal as Wholetime Director
- Appointment of Shri H.V. Agarwal as Wholetime Director

Year 2003-04

- Appointment of Shri Prashant Goenka as an Executive

Whether any special resolution was passed last year through postal ballot and details of voting pattern?

No.

Person who conducted the postal ballot exercise.

NA.

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 an Executive Chairman and as such does not require to maintain a non-executive Chairman's office.

Tenure of Independent Directors: The Board has not decided specific tenure for Independent Directors.

Remuneration Committee: The Company has an 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 the Company's website www.emamigroup.com and on SEBI website www.sebidifar.com. Hence, these are not individually sent to shareholders.

Audit qualification: There is no audit qualification given in the Auditors' Report.

Training of Board members: At Emami, all members of the Board of the Company are well experienced and professionals and are well-acquainted with the business knowledge of the industry. It is, therefore, prudent on the part the Company to think that there is no need for any formal training of 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 the 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 the chairman of the Audit Committee or alternatively may report to Head-HR.

General shareholder information

i) Annual General Meeting :

Date and time :

Tuesday, September 25, 2007 at 11.00 am

Venue :

Vidya Mandir, 1, Moira Street, Kolkata 700 017

ii) Financial calendar:

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

Results were announced on:

- 1st quarter: July 24, 2006
- 2nd quarter: October 27, 2006
- 3rd quarter: January 31, 2007
- 4th quarter and annual: June 29, 2007

Financial year : April 1, 2007 to March 31, 2008

Results will be announced on: (tentative and subject to change)

- 1st quarter: July 25, 2007
- 2nd quarter: October 30, 2007
- 3rd quarter: January 30, 2008
- 4th quarter and annual: May 15, 2008.

ii) Book closure date:

September 21, 2007 to September 25, 2007 (both days inclusive)

iii) Dividend payment date: 25th September 2007 onwards

iv) Listing on stock exchanges:

- The National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E)
Mumbai 400 051
- The Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 023
- The Calcutta Stock Exchange Association Ltd
7, Lyons Range,
Kolkata 700 001

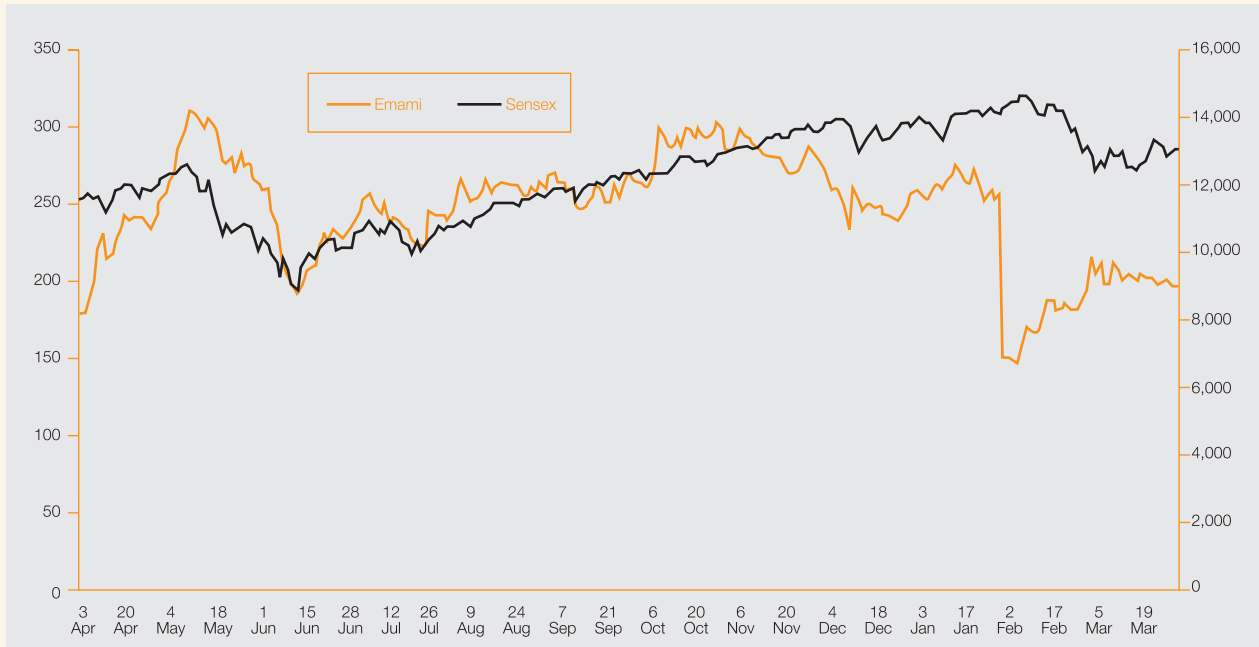
v) Stock code

National Stock Exchange EMAMILTD
Bombay Stock Exchange – 531162
Calcutta Stock Exchange – 18136

vi) Market price data (face value of shares Rs. 2 each)

Months	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
April 2006	-	-	245.90	177.35
May 2006	-	-	315.00	241.25
June 2006	-	-	275.00	182.40
July 2006	-	-	264.00	208.00
August 2006	279.00	244.00	276.00	241.00
September 2006	275.80	238.00	278.90	240.30
October 2006	350.00	254.00	310.00	256.50
November 2006	304.80	265.00	304.95	265.00
December 2006	308.90	232.00	287.95	230.00
January 2007	278.00	236.80	299.90	243.05
February 2007	265.00	186.25	268.00	204.00
March 2007	235.00	181.10	223.80	189.95

As there is no trading of securities at the Calcutta Stock Exchange, thus no information is available.



Registrar and Share Transfer Agents

M/s Maheswari Datamatics Pvt. Limited
 6, Mangoe Lane, Kolkata 700 001
 Tel: 2248 2248, 2243 5809/5029
 Fax: 2248 4787
 Email: mdpl@cal.vsnl.net.in

Share transfer system

Applications for transfer of shares held in physical form are

received at the office of the Registrar and Share Transfer Agent of the Company. All valid transfers are processed and effected within 15 (fifteen) 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 31.3.2007]

Category	No. of shares held	% of shareholding
A. Promoters' holding		
Promoters		
- Indian promoters		
Individuals	8592860	14.05
Corporate	45353820	74.17
- Foreign promoters	Nil	Nil
Sub-total	53946680	88.22
B. Non-promoters' holding		
1. Institutional investors		
a. Mutual funds and UTI	2685548	4.39
b. Banks, financial institutions and insurance companies		
c. Foreign institutional investors	1078216	1.76
Sub-total	3763764	6.15
2. Others		
a. Private corporate bodies	2338957	3.82
b. Indian public	1096461	1.79
c. NRIs/OCBs	4138	0.01
Sub-total	3493556	5.62
Grand total	61150000	100.00

Distribution of shareholding

Shareholding of nominal Value (Rs)	Shareholders		Share amount	
	Number	% of total	In Rs.	% of total
Upto - 5000	4976	96.90	14,67,736	1.20
5001 - 10000	39	0.76	3,09,536	0.25
10001 - 20000	25	0.49	3,67,690	0.30
20001 - 30000	14	0.27	3,51,930	0.29
30001 - 40000	4	0.08	1,34,444	0.11
40001 - 50000	5	0.10	2,30,710	0.19
50001 - 100000	15	0.29	11,57,526	0.95
100001 and above	57	1.11	11,82,80,428	96.71
Total	5135	100.00	12,23,00,000	100.00

Dematerialisation of shares and liquidity

	Holders	Shares	Percentage
Physical	221	7,18,951	1.18
Demat	4,914	6,04,31,049	98.82
Total	5,135	6,11,50,000	100.00

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?	<i>Business Standard, The Economic Times, The Times of India</i> (in English) and <i>Dainik Statesman</i> (in Bengali)
On which websites are quarterly results displayed?	www.sebiedifar.com www.emamigroup.com
Whether it also displays official news releases?	No
Presentations made to institutional investors or the analysts.	None

Plant locations:

West Bengal	Pondicherry	Assam
13 BT Road, Kolkata 700 056	CS-46 & 47, PIPDIC Industrial Estate Mettupalayam Pondicherry 605 009	EPIP Complex Amingaon, Guwahati 781 031
	A-83, 19th cross, PIPDIC Industrial Estate, Mettupalayam, Pondicherry 605 009	Abhoypur Plant P.O. College Nagar, Abhoypur Guwahati, Assam 781 031 (New unit – being commissioned)
	A-24 & 25, PIPDIC Industrial Estate Mettupalayam, Pondicherry 605 009	
	A-129, PIPDIC Industrial Estate, Mettupalayam Pondicherry 605 009	

Address for correspondence

Emami Limited

Emami Tower, 687, Anandapur, EM Bypass, Kolkata 700 107, West Bengal

Email: emami@vsnl.com, investors@emamigroup.com

Tel: 033 6613 6264, Fax: 033 6613 6600

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 Account of the Company for the year ended 31st March 2007 and all its schedule 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 contain statements 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 of 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 the management or other employees who have a 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 the Board and Committees and all employees working at the level of Executive and above have affirmed compliance with the code of conduct of the Company for the current year.

Kolkata
June 29, 2007

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, 2007 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 further viability of the company nor the efficiency nor effectiveness with which the management has conducted the affairs of the company.

For S. K. Agrawal & Company
Chartered Accountants

Place: Kolkata
Dated: June 29, 2007

(S. K. Agrawal)
Partner
Membership No. 9067.

Directors' Report

For the year ended 31st March, 2007

Dear members

Your Directors have pleasure in presenting their Report and audited accounts of the Company for the year ended 31st March 2007.

Financial results

The financial results are summarised below:

Rs. in lacs

		2006-07		2005-06
Operating income		51580		30088
Profit before depreciation and taxation		7914		5700
Depreciation	465		2373	
Less: Transferred from reserves	-	465	1704	669
Profit before taxation		7449		5031
Less: Provision for taxation				
- Current tax (including FBT)	884		314	
- Deferred tax (net)	(27)	857	(219)	95
Profit after taxation		6592		4936
Excess provision for taxation of earlier years		1		1
Balance of the Profit and Loss account of amalgamating company transferred		221		-
Balance brought forward		234		396
Profit available for appropriation		7048		5333
Appropriation:				
General Reserve		3005		3704
Interim dividend		1864		-
Proposed dividend		622		1223
Corporate dividend tax		367		172
Balance carried forward		1190		234
		7048		5333

Dividend

The Board of Directors declared and paid an interim dividend of Rs. 3 per share, i.e., 150 per cent (100 per cent interim and 50 per cent special dividend) during the year. The shareholders of JB Marketing & Finance Limited, which has been merged with the Company, have also been paid dividend on shares allotted to them as per the scheme of amalgamation. The Board of Directors has recommended a final dividend of Re 1 per share (i.e. 50 per cent) to the members for their approval. The final dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 1956. The dividend payout ratio will be 43 per cent.

Amalgamation of JB Marketing & Finance Limited with the Company

The scheme of amalgamation of JB Marketing & Finance Limited (JBMF) with the Company has been approved by the Hon'ble Calcutta High Court on 23rd February, 2007. Pursuant to the said scheme of amalgamation, 9,95,177 equity shares of Emami Limited were allotted to the shareholders of JBMF on 24th April, 2007, being the record date. The amalgamation has helped the Company achieve the benefits of vertical integration as JBMF was engaged in the business of marketing and selling the Company's products through its extensive domestic network.

Review of operations

With GDP growth in excess of 9%, India is the fastest-growing democratically elected country in the world. Such economic growth is led by growth in all sectors viz. agriculture, industry and services. Since 2005, the FMCG sector has staged a smart recovery and is currently growing at an average rate of around 12%. Higher disposable incomes, a favourable consumer profile with 45% population below 20 years

of age, developing infrastructure, deepening media and distribution penetration and organised tax structure like VAT are contributing to such aggressive growth. Emami has strengthened its competitive capabilities in all spheres of activities. Almost all brands have grown faster than the category growth.

Since Emami's financial results for the financial year 2006-07 also include the performance of the amalgamating company, JBMF, they are not comparable with the previous year's figures. However, if the previous year's figures are consolidated for comparison purpose, then the net sales at Rs. 516 cr and PAT at Rs. 66 cr reflect growth of 26% and 33% respectively.

Emami's continuous endeavour of providing innovative, effective and value-for-money products based on ayurveda, using modern laboratory practices has helped deliver better results. Equipped with strong power brands and coupled with innovative new launches, Emami is poised for continuous business growth. Your Board therefore takes optimistic view of the future.

Further, while Emami Limited is on the lookout for acquisitions in India and abroad for inorganic growth in FMCG sector, it has also identified realty as another potential business opportunity. With Emami's resources, it can easily take these opportunities. A wholly-owned subsidiary, Emami Realty Pvt. Limited, was formed in May 2007 to take up this business. Apart from utilization of Emami's war chest, it would also give the realty business an independent and separate focus since it would be a 100 per cent subsidiary of Emami Ltd. While aggressive growth in FMCG business continue, realty would further enhance profitability and shareholders' wealth.

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

Internal control system and information technology

The Company maintains an adequate system of internal control including a suitable monitoring process. The internal audit department regularly conducts reviews to assess financial and operating controls at various locations of your Company. Any significant issue is brought to the notice of the Audit Committee.

Emami has successfully implemented SAP, a world-class leading application software. This software will increase the operational efficiency of the Company.

Registered office

The registered office of the Company has been shifted from Stephen House, 6A, RN Mukherjee Road, Kolkata 700 001 to the newly-constructed corporate house of the Company at Emami Tower, 687, Anandapur, Kasba Golpark, EM Bypass, Kolkata 700 107. All the departments of the Company have been shifted to the corporate office. A unified corporate office will help to further integrate business processes and leverage scale and synergies across the organization.

Listing

During the year under review, the shares of your Company got listed on the National Stock Exchange of India Limited (NSE). This will give more liquidity to investors. Besides NSE, the shares of your Company are also listed on the Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association Limited. The listing fees for the year have been paid.

Subsidiaries

The accounts together with the 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 compliance with the Accounting Standard 21 on consolidated financial statements 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 R.S. Goenka, Shri Viren J. Shah, Shri S.K. Todi and Shri Mohan Goenka, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

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, chartered accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Directors' responsibility statement

Your Directors wish to inform that the audited accounts containing financial statements for the year 2006-7 are in conformity with the requirements of the Companies Act, 1956. We 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 result of operations.

Your Directors further confirm that:

- i) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

Group for inter se transfer of shares

As required under Clause 3(1) (e) of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulation, 1997, names of persons constituting 'Group' (within the meaning as defined in the Monopolies and Restrictive Trade Practice Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid regulations are annexed herewith.

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 earning

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956, in respect of conservation of energy, technology absorption and 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, names and other particulars of 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
June 29, 2007

R.S. Agarwal
Chairman

Annexure 'A' to the Directors' Report

Group for inter se transfer of shares

'Group' for inter se transfer of shares under Clause 3(1) (e) of the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulation, 1997.

1	Shri Radheshyam Agarwal	24	Smt. Santosh Goenka	47	Shri Raj Kr. Goenka (HUF)
2	Shri Radheshyam Goenka	25	Shri Sushil Kumar Goenka	48	Shri D.D. Agarwal (HUF)
3	Smt Usha Agarwal	26	Smt. Indu Goenka	49	Pan Emami Cosmed Ltd
4	Shri Bajranglal Agarwal	27	Smt. Laxmi Devi Agarwala	50	Bhanu Vyapaar (P) Ltd.
5	Smt Shanti Devi Agarwal	28	Shri Mohan Goenka	51	Suraj Viniyog (P) Ltd.
6	Smt. Savitri Devi Agarwal	29	Shri Manish Goenka	52	Diwakar Viniyog (P) Ltd.
7	Shri Madan Lal Agarwal	30	Smt. Rachna Bagaria	53	Suntrack Commerce (P) Ltd.
8	Smt. Kusum Agarwal	31	Smt. Rashmi Goenka	54	Emami Paper Mills Ltd.
9	Shri Aditya Vardhan Agarwal	32	Smt. Jyoti Goenka	55	Frank Ross Ltd.
10	Shri Harsh Vardhan Agarwal	33	Shri Saswat Goenka	56	EPL Securities Ltd.
11	Smt. Priti Sureka	34	Ms. Shreya Goenka	57	TMT Viniyog Ltd.
12	Smt. Richa Agarwal	35	Ms. Nimisha Goenka	58	Emami Realty Pvt Ltd
13	Smt. Mansi Agarwal	36	Shri Prashant Goenka	59	Emami Capital Markets Ltd
14	Shri Vibhash Vardhan Agarwal	37	Shri Yogesh Goenka	60	Emami Group of Companies Pvt Ltd
15	Ms. Vidula Agarwal	38	Smt. Puja Goenka	61	Emami International Pvt Ltd
16	Ms. Vidishree Agarwal	39	Shri Amitabh Goenka	62	Emami Biotech Pvt. Ltd
17	Shri Rohin Raj Sureka	40	Shri Ashish Goenka	63	Neelam Lefin Ltd.
18	Ms. Avishi Sureka	41	Shri Jayant Goenka	64	Newway Constructions Ltd.
19	Smt. Ratni Devi Goenka	42	Shri Sachin Goenka	65	Premier Ferro Alloys and Securities Ltd.
20	Smt. Saroj Goenka	43	Ms. Smriti Goenka	66	Emami UK Ltd.
21	Shri Raj Kumar Goenka	44	Ms. Sobhna Agarwal	67	Emami Bangladesh Ltd.
22	Smt. Meena Goenka	45	Shri R.S. Agarwal (HUF)	68	Emami International FZE
23	Shri Suresh Kumar Goenka	46	Shri R.S. Goenka (HUF)	69	EFL Foods Ltd.

For and on behalf of the Board

Kolkata
June 29, 2007

R.S. Agarwal
Chairman

Annexure 'B' 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

Power consumption of the Company as a percentage of the total turnover comes to a negligible 0.22 per cent.

Details of the consumption as per the prescribed format are as under:

A. Power and fuel consumption

	2006-07	2005-06
1. Electricity		
a) Purchased units (lac KWH)	19.15	17.61
Total amount (Rs. in lac)	82.76	58.97
Average rate/unit (Rs)	4.32	3.35
b) Own generation		
i) Through diesel generator units (lac KWH)	1.21	0.64
Unit/Litre of diesel	3.51	3.12
Cost/unit (Rs.)	9.08	9.76
Total amount (Rs. in lac)	10.96	6.22
ii) Through steam turbine/generator	NA	NA
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 impractical to apportion the utilities.

2. Particulars with respect to technology absorption

A. Research and Development

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

2. The result of such dedicated research work is 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. The Company's efforts are also directed towards creating value-added products and packs for all consumer segments. It is focusing on innovative packaging to achieve consumer appeal as well as convenience to consumers.

4. The Company's future plan includes putting greater emphasis on ayurveda to come out with newer additions in the product range without compromising on quality.

5. Expenditure on R&D:

Rs. in lac

a) Capital	-
b) Recurring	70.92
c) Total	70.92
d) R&D as a percentage of total turnover	0.14%

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 from such adaptation have been evident in the reduction of cost, improvement in packaging, upgradation in existing products and development of new products. It has thus helped the Company satisfy consumer needs as well as business requirement of introducing new products.

3. Future plan of action: Emphasis will continue to be laid on the main area-innovative products – keeping in view the need and taste of consumers, innovative package and adoption of latest technology and know-how to make products more cost-effective as well as of a 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 lac

Raw materials	288.62
Capital goods	29.23
Professional fees	27.51
Interest	205.94
Others	483.24
	1034.54

B. Foreign exchange earnings during the year 3781.30
 (Export of goods on FOB basis)

For and on behalf of the Board

Kolkata
 June 29, 2007

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, 2007 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, 2007 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with 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:
 - i) In the case of Balance Sheet of the State of Affairs of the Company as on 31st March, 2007;
 - 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.
 - c) Fixed assets disposed off during the year were not substantial, and therefore, do not effect the going concern assumption.
- 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, against whom the maximum amount outstanding at any time during the year is Rs. 12751 Lacs, and the rate of interest and other terms and conditions of which are not prima facie prejudicial to the interest of the company. Receipt of principal amount of such loan and interest are regular. As at year end the said

company is no longer listed in the register maintained under section 301 of the Companies Act.

- 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. in 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	1.35	2001-02	AC
		14.59	2002-03 to 2003-04	AC(A)
		12.98	2000-01, 2005-06	ADC
		82.39	2000-01 to 2002-03	Board of Revenue
		285.12	1994-95, 1996-97 to 1998-99, 2002-03, 2005-06	DC(A)
		126.04	2000-01	JC (Appeals)
		85.63	2001-02	JC Sales Tax
		11.21	1995-96	Revisional Board
		127.51	1997-98, 1999-00 to 2004-05	Tribunal
		70.43	1982-83 to 1993-94	High Court
Excise duty	Excise duty	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
Income Tax	Interest	33.55	2000-01	Director General of Income Tax (High Court)

- 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 its subsidiaries and 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 financial year 2004-05. Out of Rs. 3500 lacs raised, Rs. 2969.97 lacs (PY Rs. 1839.62 lacs) have been used as per the details given in note no. 5 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: June 29, 2007

Membership No. 9067



Balance Sheet As at March 31, 2007

Rs. in lacs

	Schedule	As at March 31, 2007		As at March 31, 2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,242.90		1,223.00	
Reserves & Surplus	2	21,699.43	22,942.33	32,298.63	33,521.63
Loans Funds					
Secured Loans	3	2,281.35		3,124.08	
Unsecured Loans	4	260.57	2,541.92	92.59	3,216.67
Deferred Tax (Net)	5		258.17		261.00
			25,742.42		36,999.30
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	6,859.14		32,196.44	
Less : Depreciation		2,178.88		12,878.91	
Net Block		4,680.26		19,317.53	
Capital Work-in-Progress		3,448.54		927.95	
			8,128.80		20,245.48
Investments	7		7,817.91		8,709.80
Current Assets, Loans and Advances					
Inventories	8	4,119.85		3,662.46	
Sundry Debtors	9	4,577.19		3,667.52	
Cash and Bank Balances	10	1,841.81		82.12	
Loans and Advances	11	5,352.26		4,537.37	
		15,891.11		11,949.47	
Less :					
Current Liabilities and Provisions	12	6,095.40		3,905.45	
Net Current Assets			9,795.71		8,044.02
			25,742.42		36,999.30
Notes on Accounts & Significant Accounting Policies	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

Kolkata
June 29, 2007

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

A. K. Joshi
Company Secy. & GM-Legal

Profit and Loss Account For the year ended March 31, 2007

Rs. in lacs

	Schedule	Year ended March 31, 2007		Year ended March 31, 2006	
INCOME					
Operating Income	13		51,579.82		30,087.56
Other Income	14		212.93		80.14
			51,792.75		30,167.70
EXPENDITURE					
Cost of Goods Sold/ Consumed	15		22,580.20		17,543.71
Manufacturing, Administrative & Selling Expenses	16		22,402.85		7,221.08
Interest & Finance Charges	17		(1,105.05)		(296.65)
			43,878.00		24,468.14
PROFIT					
Profit Before Depreciation & Taxation			7,914.75		5,699.56
Depreciation		465.37		2,373.19	
Less : Transferred from General Reserve		-	465.37	1,704.21	668.98
Profit Before Taxation			7,449.38		5,030.58
Provision for Taxation					
- Current Tax		841.25		300.00	
- Fringe Benefit Tax		43.00		14.00	
- Deferred Tax (Net)		(27.00)	857.25	(219.00)	95.00
Profit After Taxation			6,592.13		4,935.58
Excess Provision for Taxation of earlier years			0.93		1.05
Balance of Profit & Loss Account of Amalgamating Company transferred			220.95		-
Balance Brought Forward			233.96		396.07
Available for Appropriation			7,047.97		5,332.70
APPROPRIATIONS					
General Reserve			3,005.39		3,704.21
Interim Equity Dividend			1,864.35		-
Proposed Equity Dividend			621.45		1,223.00
Corporate Dividend Tax			367.09		171.53
Balance Carried Forward			1,189.69		233.96
			7,047.97		5,332.70
Notes on Accounts & Significant Accounting Policies	18				
Earnings Per Share - Basic & Diluted (Rs.)			10.61		8.07

As per our report of even date

For S. K. Agrawal & Co.

Chartered Accountants

S. K. Agrawal
PartnerR. S. Agarwal
ChairmanR. S. Goenka
DirectorKolkata
June 29, 2007S. K. Goenka
Managing DirectorN. H. Bhansali
President - CFOA. K. Joshi
Company Secy. & GM-Legal

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2007		As at March 31, 2006	
1 ■■■ SHARE CAPITAL				
Authorised				
7,50,00,000 Equity Shares of Rs. 2/- each		1,500.00		1,500.00
		1,500.00		1,500.00
Issued & Subscribed				
6,11,50,000 Equity Shares of Rs. 2/- each fully paid up *		1,223.00		1,223.00
Share Capital Suspense		19.90		–
		1,242.90		1,223.00

* 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

2 ■■■ RESERVES & SURPLUS				
Capital Reserve		79.64		79.64
Share Premium				
At commencement of the year	3,126.03		3,126.03	
Added on Amalgamation	35.69	3,161.72	–	3,126.03
Amalgamation Reserve				
Added on Amalgamation		268.38		–
Revaluation Reserve				
At commencement of the year	23,859.00		23,859.00	
Adjusted with Intangible Assets	(15,337.93)		–	
Transferred to General Reserve	(8,521.07)	–	–	23,859.00
General Reserve				
At commencement of the year	5,000.00		3,000.00	
Added on Amalgamation	473.54		–	
Transferred to Profit & Loss Account	–		(1,704.21)	
Transferred from Revaluation Reserve	8,521.07		–	
Transferred from Profit & Loss Account	3,005.39	17,000.00	3,704.21	5,000.00
Profit & Loss Account		1,189.69		233.96
		21,699.43		32,298.63

3 ■■■ SECURED LOANS				
Term Loans		980.78		2,079.34
Secured by charge/mortgage of specific movable/immovable assets and by personal guarantees of some of the Directors				
Cash Credits		1,300.57		1,044.74
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets				
		2,281.35		3,124.08

4 ■■■ UNSECURED LOANS				
Trade Deposits		224.58		70.33
Interest accrued & due		35.99		22.26
		260.57		92.59

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2007	As at March 31, 2006
5 ■■■ DEFERRED TAX (Net)		
Deferred Tax Liabilities		
Tax impact due to difference between tax depreciation and book depreciation	506.52	403.00
Deferred Tax Assets		
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred	(248.35)	(142.00)
Net Deferred Tax (Liability)	258.17	261.00

6 ■■■ FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 01.04.2006	Additions on Amalgamation	Additions during the year	Sales/ Adjustments	Total	As on 01.04.2006	Additions on Amalgamation	For the Year	Sales/ Adjustments	Total	As on 31.03.2007	As on 31.03.2006
Land												
Leasehold	68.99	-	-	-	68.99	3.41	-	1.04	-	4.45	64.54	65.58
Others	269.23	0.23	-	-	269.46	-	-	-	-	-	269.46	269.23
Buildings	1,671.74	56.51	18.53	7.94	1,738.84	272.36	11.86	53.32	1.63	335.91	1,402.93	1,399.38
Plant & Machinery	2,770.32	13.55	550.81	164.91	3,169.77	1,047.42	9.69	266.77	69.80	1,254.08	1,915.69	1,722.90
Furniture, Equipments & Computers	745.79	154.92	300.87	44.89	1,156.69	342.82	93.17	104.21	38.67	501.53	655.16	402.97
Motor Vehicles	160.37	44.47	19.90	25.39	199.35	40.81	12.84	19.44	10.77	62.32	137.03	119.56
Intangible Assets												
Brands	26,510.00	-	-	26,510.00	-	11,172.09	-	-	11,172.09	-	-	15,337.91
Software	-	-	256.04	-	256.04	-	-	20.59	-	20.59	235.45	-
Total	32,196.44	269.68	1,146.15	26,753.13	6,859.14	12,878.91	127.56	465.37	11,292.96	2,178.88	4,680.26	19,317.53
Capital Work-In-Progress	927.95	-	2,949.70	429.11	3,448.54	-	-	-	-	-	3,448.54	927.95
Grand Total	33,124.39	269.68	4,095.85	27,182.24	10,307.68	12,878.91	127.56	465.37	11,292.96	2,178.88	8,128.80	20,245.48
Previous Year's Figures	32,426.73	-	948.45	250.79	33,124.39	10,562.74	-	2,373.19	57.02	12,878.91	20,245.48	-

	As at March 31, 2007	As at March 31, 2006
7 ■■■ INVESTMENTS (Other than Trade)		
Long Term		
A. Quoted - Fully Paid up		
J .B. Marketing & Finance Limited 5,13,514 Equity Shares of Rs. 10/- each	-	61.62
Emami Paper Mills Limited 79,55,000 Equity Shares of Rs. 2/- each	368.89	-
Creative Eye Limited 10,000 Equity Shares of Rs. 10/- each	6.41	-
Hindustan Lever Limited 220 Equity Shares of Re. 1/- each	-	-
Tata Motors Limited 10 Equity Shares of Rs. 10/- each	-	-
(i)	375.30	61.62

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2007	As at March 31, 2006
7 INVESTMENTS (Other than Trade) (contd.)		
B. Unquoted - Fully paid up		
<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	18.98
<i>Others</i>		
CRI Limited 6,00,000 Redeemable Preference Shares of Rs. 100/- each	600.00	600.00
CRI Limited 95,630 Equity Shares of Rs. 10/- each	27.17	-
Susruta Clinic & Research Institute For Advanced Medicine Pvt Ltd 8,00,000 Equity Shares of Rs. 10/- each	264.66	-
6 Years' National Savings Certificate (Lodged With Government Authority)	0.35	0.25
Indira Vikas Patra (Lodged With Government Authority)	-	-
(ii)	940.11	648.18
<i>Current</i>		
HDFC Liquid Fund - Premium Plan - Growth Opening 2,00,63,630.371 Units of Rs. 10/- each Sold 2,00,63,630.371 Units of Rs. 10/- each	-	2,800.00
Birla Cash Plus - Institutional Premium - Daily Dividend Opening 5,18,98,797.345 Units of Rs. 10/- each Sold 5,18,98,797.345 Units of Rs. 10/- each Purchased 6,48,73,496.682 Units of Rs. 10/- each	6,500.00	5,200.00
(iii)	6,500.00	8,000.00
C. Investment in Partnersip Firms		
North City Developers	2.50	-
(iv)	2.50	-
Total (i) + (ii) + (iii) +(iv)	7,817.91	8,709.80
Aggregate Book Value of Quoted Investments	375.30	61.62
Aggregate Book Value of Unquoted Investments	7,440.11	8,648.18
Aggregate Market Value of Quoted Investments	844.57	77.03

8 INVENTORIES		
Raw & Packing Materials	1,558.97	1,411.32
Work-in-progress	87.93	51.90
Finished Goods	2,367.50	2,170.00
Stores & Advertising Materials	105.45	29.24
	4,119.85	3,662.46

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2007		As at March 31, 2006	
9 SUNDRY DEBTORS				
Unsecured, Considered Good				
Due over six months		218.05		103.00
Other Debts		4,359.14		3,564.52
		4,577.19		3,667.52
10 CASH & BANK BALANCES				
Cash in hand		14.28		10.60
<i>With Scheduled Banks</i>				
Current Accounts	125.29		67.73	
Fixed Deposit	1,503.86		2.00	
Unpaid Dividend Account	198.38	1,827.53	1.79	71.52
		1,841.81		82.12
11 LOANS & ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		5,101.90		4,322.12
Deposits		120.13		122.46
Income Tax Net of Provisions		130.23		92.79
		5,352.26		4,537.37
12 CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors	4,127.63		2,029.85	
Interest Accrued but not due	6.35		12.61	
Unclaimed Dividend	198.38	4,332.36	1.79	2,044.25
Provisions				
Proposed Equity Dividend	621.45		1,223.00	
Corporate Dividend Tax	105.62		171.53	
Sales Tax	1,035.97	1,763.04	466.67	1,861.20
		6,095.40		3,905.45
13 OPERATING INCOME				
Sales	51,922.44		30,737.35	
Less : Excise Duty	342.62	51,579.82	649.79	30,087.56
		51,579.82		30,087.56

Schedules forming part of the accounts

Rs. in lacs

	Year ended March 31, 2007		Year ended March 31, 2006	
14 OTHER INCOME				
Profit on Sale of Investments		4.90		40.03
Dividend		103.31		–
Income from Partnership Firm		57.07		–
Miscellaneous Receipts		47.65		40.11
		212.93		80.14

15 COST OF GOODS SOLD/CONSUMED				
Purchases/Materials Consumed		22,515.45		17,358.78
Add : Opening Stock				
Work-in-progress	51.90		11.14	
Finished Goods*				
*(Including stock of Amalgamating company and Net off Input VAT credit of Rs. 3.16 lacs)	2,468.28	2,520.18	2,395.69	2,406.83
		25,035.63		19,765.61
Less : Closing Stock				
Work-in-progress	87.93		51.90	
Finished Goods	2,367.50	2,455.43	2,170.00	2,221.90
		22,580.20		17,543.71

16 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES				
Salaries, Wages, Bonus & Gratuity		1,921.85		1,268.57
Contribution to Provident & Other Funds		169.54		116.15
Employees' Welfare		103.60		62.08
Power & Fuel		115.02		120.61
Consumable Stores		40.10		26.42
Rent		114.27		72.98
Rates & Taxes		28.83		63.98
Insurance		121.23		59.72
Repairs & Maintenance :				
- Building	19.43		10.60	
- Machinery	98.96		72.65	
- Others	152.82	271.21	99.43	182.68
Freight & Forwarding		1,350.70		811.55
Directors' Fees		8.25		2.12
Advertisement & Sales Promotion		10,505.37		722.59
Selling Expenses		1,635.36		134.67
Commission		332.06		168.78
Discount		205.51		2.77
Taxes on Sales		3,297.82		2,464.16
Loss/(Gain) on sale of Fixed Assets		34.83		(48.36)
Miscellaneous		2,147.30		989.61
		22,402.85		7,221.08

Schedules forming part of the accounts

Rs. in lacs

	Year ended March 31, 2007	Year ended March 31, 2006
17 INTEREST & FINANCE CHARGES (Net)		
Term Loans	107.54	140.73
Others	(1,212.59)	(437.38)
	(1,105.05)	(296.65)

18 |||| 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:

- 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.
- All pre-operative and trial run expenditure (net of realisation, if any) are capitalised.
- 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 :

- Block, Dies & Moulds are depreciated @ 95% in the year of purchase itself on prorata basis.
- Lease hold land is amortised over the period of lease.
- Software is depreciated over a period of six years on Straight Line Method.

(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:

- Contribution to Provident Fund is made at a predetermined rate and charged to revenue on accrual basis.
- Provision for Leave encashment is made on the basis of actuarial valuation as at the year end.
- 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.

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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. Provisions & Contingent Liabilities are revalued at each Balance Sheet date.

(x) Government Grants:

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

(xi) Revenue Recognition:

Income & expenditure are recognised on accrual basis.

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

a. Transactions in foreign exchange which are covered by forward contracts are accounted for at the contracted rates, the difference between the contracted rate and the exchange rate at the date of transaction is recognised in Profit & Loss Account. Difference relating to transactions involving more than one financial year are carried over the period of transaction. Transactions other than those covered by forward contracts are recognised at the exchange rate prevailing on date of transaction. Gains & losses arising on account of realisation are accounted for in Profit & Loss Account.

b. Assets & Liabilities in foreign currency which are outstanding at the year end and not covered by forward contracts are translated at the year end exchange rates. Gains and losses arising on account of such deviations are accounted for in the Profit & Loss Account.

Fixed Assets

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

(xiii) Excise Duty:

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

(xiv) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. All other borrowing costs are charged to revenue. A qualifying 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.

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

- 2 Based on guiding principles given in Accounting Standard on "Segment Reporting" (AS 17 - issued by the Institute of Chartered Accountants of India) the Company's primary business segment is Personal and Healthcare. The Personal and Healthcare business incorporates product groups viz. Medicinal products, Food Product, Cosmetics and Toiletries, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment, the disclosure requirements of AS-17 in this regard are not applicable.
- 3 The Board of Directors has approved the adjustment of self-generated Brand, as appearing in the books of accounts with Revaluation Reserve. Balance remaining in Revaluation Reserve after adjusting brands value which is equivalent to depreciation to such Brands not charged to this Reserve in earlier years, has been transferred to General Reserve.
- 4 a. Pursuant to the Scheme of amalgamation sanctioned by the Hon'ble High Court at Kolkata, vide order dated 23rd February, 2007, J. B. Marketing & Finance Ltd. has been amalgamated with the Company with effect from 1st April, 2006 and the Assets and Liabilities of the said J. B. Marketing & Finance Ltd. have been transferred at book value from the said date.
- b. Pursuant to the Scheme referred to in para 4a above, 9.95 lacs Equity Shares of Rs. 2/- each are to be allotted to the shareholders of J. B. Marketing & Finance Ltd. in the ratio of one Equity Share of Rs. 2/- each of Emami Ltd. for every three equity shares of Rs. 10/- each of J. B. Marketing & Finance Ltd. after netting the holding in J. B. Marketing & Finance Ltd. by Emami Ltd. Pending allotment the amount has been transferred to Share Capital Suspense Account.
- c. The excess of the net asset of J. B. Marketing & Finance Ltd. as on 1st April, 2006, over the paid up value of shares of the Company to be allotted in pursuance to the Scheme referred to in para 4a amounts to Rs. 268.38 lacs and has been shown under "Amalgamation Reserve". Further balance lying in Securities Premium, General Reserve & Profit & Loss Account amounting to Rs. 730.18 lacs has been credited to respective accounts of the amalgamated company.
- 5 Out of Rs. 3,500 lacs raised through public offering, Rs. 2,969.97 lacs have been used for meeting capital expenditure including corporate house and also in meeting share issue expenses. Details are as under:

	As on 31.03.2006	For the Year	As on 31.03.2007
Corporate House	615.65	1,130.35	1,746.00
Other Capital Expenditure	950.00	-	950.00
Share Issue Expenses	273.97	-	273.97
	1,839.62	1,130.35	2,969.97

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

- 6 The Amalgamating Company has entered into partnership in a firm named " NORTH CITY DEVELOPERS". The profit sharing ratio and the details of other partners are as under:

Name of the Partners	Profit Sharing Ratio	Capital (Rs. in Lacs)
a) Suntrack Commerce Pvt Ltd.	10.00%	2.5
b) J.B. Marketing & Finance Ltd.	10.00%	2.5
c) Bhanu Vyapar Pvt Ltd.	10.00%	2.5
d) Pan Emami Cosmed Ltd.	10.00%	2.5
e) Basant Kumar Parakh	10.00%	NIL
f) Arvind Kumar Neotia	5.00%	NIL
g) Vijay Narayan Rathi	5.00%	NIL
h) Emami Realty Pvt Ltd.	40.00%	10.0

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

- 7 The Company has made a provision of Rs. 607.74 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 *	575.19	466.67	1,041.86
Provisions during the year	887.61	607.74	1,495.35
Provisions reversed during the year	139.00	38.45	177.45
Closing Balance	1,323.80	1,035.96	2,359.76

* Includes figures of amalgamating Company.

- 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 is required during the year.
- 9 Foreign Exchange Fluctuation Loss / (Gain) has been considered in Accounts as under:

	March 31, 2007	March 31, 2006
Charged to the Profit & Loss Account		
- Interest	(87.55)	16.72
- Miscellaneous Income	1.34	(13.68)
Charged against the value of Fixed Assets	(3.80)	18.00

- 10 Sundry Creditors include amounts outstanding to SSI Units of Rs. 46.72 Lacs (Previous Year : Rs. 85.90 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. 15.02 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:

	March 31, 2007		March 31, 2006	
	Balance	Maximum amount outstanding during the year	Balance	Maximum amount outstanding during the year
Emami UK Limited	89.81	96.01	65.72	69.45
Emami Bangladesh Limited	0.75	0.81	0.79	0.82
Emami International FZE	-	1,380.63	1,355.64	1,386.17
	90.56	1,477.45	1,422.15	1,456.44

- 13 The Company has incurred a sum of Rs. 70.92 lacs on Research & Development (Previous Year : Rs. 55.45 lacs) which is charged to the Profit and loss account under Miscellaneous Expenses.
- 14 Contingent Liabilities not provided for in respect of:

	March 31, 2007	March 31, 2006
a) Excise Duty demands	73.68	84.99
b) Custom Duty	-	91.80
c) Sales Tax demands under appeal (Net of Advances)	817.25	857.87
d) Income Tax (Net of Advances)	33.55	33.55
e) Guarantees and counter guarantees given	1,531.34	99.57

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

Rs. in lacs

	March 31, 2007	March 31, 2006
15 Estimated amount of commitments		
[(net of advances of Rs.1078.25 lacs (Previous Year - Rs. 320.50 lacs)] on capital account not provided for	466.86	1,146.55
16 a) Directors' Remuneration included in different heads of expenses :		
Salaries	117.00	97.50
Commission	70.00	-
Contribution to Provident and Other Funds	11.88	11.70
Perquisites	6.19	18.51
	205.07	127.71

- b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956, and Commission payable to the Executive Chairman:

	March 31, 2007
Profit Before Taxation	7,449.38
Add:	
a) Remuneration paid to the Directors	205.07
b) Director's Fees	8.25
c) Loss on sale of Fixed Assets	34.83
	248.15
	7,697.53
Less:	
Profit on sale of Investments	4.90
Net Profit for the purpose of Director's Commission	7,692.63
Commission @ 2% of Net Profit	153.85
Commission approved by the Board	70.00

	March 31, 2007	March 31, 2006
17 i. Payment to Auditors		
Audit Fees	7.17	6.17
Tax Audit Fees	1.37	1.12
Certification Fees	2.17	1.79
Other Services	3.61	-
Out of Pocket Expenses	0.06	0.24
	14.38	9.32
ii. Payment to Cost Auditors		
Audit Fees	0.67	0.69

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

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

19 Additional Information

	March 31, 2007		March 31, 2006	
	Qty. M. T.	Value Rs. in Lacs	Qty. M. T.	Value Rs. in Lacs
A. Licensed/Installed Annual Capacity and Production				
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	4208.70		4208.70	
Ayurvedic Medicines	23094.00		23094.00	
iii) Actual production during the year				
Cosmetics & Toiletries	539.79		419.49	
Ayurvedic Medicines	9184.26		9320.01	
B. Purchase of goods				
Cosmetics & Toiletries	2493.96	5,744.20	2345.26	2,451.49
Ayurvedic Medicines	3808.38	2,879.08	1824.95	2,873.25
Others		164.75		3.59
		8,788.03		5,328.33
C. Turnover, Opening & Closing stock of goods				
Turnover				
Cosmetics & Toiletries	3145.62	9,378.78	2977.97	4,720.18
Ayurvedic Medicines	13075.97	42,153.29	11500.00	25,655.75
Others		390.37		361.42
		51,922.44		30,737.35
Opening Stock*				
Cosmetics & Toiletries	532.23	728.53	697.94	599.37
Ayurvedic Medicines	1383.27	1,730.04	1621.93	1,701.96
Others		9.71		94.36
*Includes stock of amalgamating Company and net off Input VAT of Rs. 3.16 Lacs.				
		2,468.28		2,395.69
Closing Stock				
Cosmetics & Toiletries	420.36	605.60	484.72	615.25
Ayurvedic Medicines	1299.94	1,740.95	1266.89	1,545.06
Others		20.95		9.69
		2,367.50		2,170.00
D. Raw & Packing Materials consumed				
Indigenous (98.03%) (P.Y. 98.58%)				
Oil & Essential Oils	5795.76	4,719.74	4460.36	3,520.62
Chemicals & Fats	3727.38	2,759.22	4400.46	2,412.01
Tubes & Containers		2,849.49		2,783.52
Other Packing Materials		2,751.67		2,594.10
Others		377.29		549.65
		13,457.41		11,859.90
Imported (1.97%) (P.Y. 1.42%)				
Oil & Essential Oils	6.79	7.71		
Chemicals & Fats	607.59	262.29	373.24	170.55
		13,727.41		12,030.45

Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

	March 31, 2007 Value Rs. in Lacs	March 31, 2006 Value Rs. in Lacs
E. Expenditure in Foreign Currency		
Professional Fees	27.51	6.75
Interest	205.94	184.86
Others	483.24	838.23
	716.69	1,029.84
F. Value of Imports on CIF basis		
Raw Materials	288.62	235.46
Capital Goods	29.23	59.28
	317.85	294.74
G. Earning in Foreign Exchange for Export of goods calculated on FOB basis (Including Nepal and Bhutan)	3,781.30	2,888.91

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	
	Smt. Priti Sureka	

C. Transactions

Rs. in lacs

Particulars	Subsidiaries		Key Management Personnel & Relatives		Others		Total	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006
Salary	–	–	223.28	127.71	–	–	223.28	127.71
Sales	445.07	–	–	–	–	–	445.07	–
Directors Sitting Fees	–	–	1.50	0.42	–	–	1.50	0.42
Rent & Maintenance Charges Paid	–	–	6.05	6.05	2.73	2.69	8.78	8.74
Investment	–	18.98	–	–	–	–	–	18.98
Rent Received	–	–	–	–	5.14	0.61	5.14	0.61
Hire Charges Received	–	–	–	–	1.46	–	1.46	–
Loan Given	17.54	1,388.81	–	–	–	–	17.54	1,388.81
Corporate Guarantee	1,293.68	–	–	–	–	–	1,293.68	–
Interest Received	23.11	19.12	–	–	–	–	23.11	19.12
Receivables	212.22	–	26.03	26.03	7.00	7.00	245.25	33.03



Schedules forming part of the accounts

18 ■■■ NOTES ON ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES (contd.)

21 Information for Earnings Per Share as per AS-20

	March 31, 2007	March 31, 2006
Net Profit (Rs. in Lacs)	6,592.13	4935.58
Weighted average number of shares used in computing earnings per share*	62145177	61150000
Earnings Per Share - Basic & Diluted (Rs.)	10.61	8.07
* Includes shares to be issued pursuant to the Amalgamation		

22 Previous year's figures have been rearranged/regrouped wherever necessary and the same is not comparable as previous year's figures do not include figures of Amalgamating Company, J.B.Marketing & Finance Ltd.

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

Kolkata
June 29, 2007

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

A. K. Joshi
Company Secy. & GM-Legal

Cash Flow Statement For the year ended March 31, 2007

Rs. in lacs

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax and Extraordinary Items	7,449.38	5,030.58
Add : Adjustments for		
Depreciation (Net of transfer from Reserves)	465.37	668.98
Interest	(1,105.05)	(296.65)
Loss / (Profit) on sale of Fixed Assets	34.83	(48.36)
Loss / (Profit) on sale of Investments	(4.90)	(40.03)
Foreign Exchange Fluctuations	1.34	(13.68)
Operating Profit Before Working Capital Changes	6,840.97	5,300.84
Add : Decrease / (Increase) in Working Capital		
Trade Payables	264.64	690.31
Inventories	(87.97)	12.11
Trade & other Receivables	(430.32)	(1,425.18)
Provision for Sales Tax	569.29	466.67
	315.64	(256.09)
Cash Generated From Operations	7,156.61	5,044.75
Less : Direct Taxes Paid	926.95	372.05
Net Cash Flow from Operating Activities	6,229.66	4,672.70
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	87.43	234.68
Interest Received	1,393.95	356.97
Sale of Investments/Property	8,096.14	8,340.27
	9,577.52	8,931.92
Less : Purchase of Fixed Assets	3,666.74	941.01
Purchase of Investments including investments in Subsidiary	6,500.00	11,618.98
Net Cash used in Investing Activities	(589.22)	(3,628.07)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	271.54	190.83
	271.54	190.83
Less : Repayment of Loan	1,098.56	449.27
Interest Paid	294.97	55.40
Dividend Paid	2,890.76	611.02
Corporate Dividend Tax	433.00	85.76
	4,717.29	1,201.45
Net Cash Used in Financing Activities	(4,445.75)	(1,010.62)
Effect of Foreign Exchange Fluctuation	(1.34)	13.68
Net Changes in Cash & Cash Equivalents (A+B+C)	1,193.35	47.69
* Cash & Cash Equivalents-Opening Balance #	648.46	34.43
* Cash & Cash Equivalents-Closing Balance	1,841.81	82.12

* Represents Cash and Bank Balances as indicated in Schedule 10

Including Balance of Amalgamating Company

As per our report of even date

For S. K. Agrawal & Co.
Chartered AccountantsS. K. Agrawal
PartnerR. S. Agarwal
ChairmanR. S. Goenka
DirectorKolkata
June 29, 2007S. K. Goenka
Managing DirectorN. H. Bhansali
President - CFOA. K. Joshi
Company Secy. & GM-Legal



Balance Sheet Abstract

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

I. Registration Details

Registration No. **L63993WB1983PLC036030** State Code **2 1**
 Balance Sheet Date **3 1 0 3 2 0 0 7**
 Date Month Year

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

Public Issue **N I L** Rights Issue **N I L**
 Bonus Issue **N I L** Private Placement **N I L**

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

Total Liabilities **3 1 8 3 7** Total Assets **3 1 8 3 7**

Sources of Funds

Paid-up Capital **1 2 4 3 *** Reserves and Surplus **2 1 6 9 9**
 * Including Share Capital Suspense
 Secured Loans **2 2 8 1** Unsecured Loans **2 6 1**

Application of Funds

Net Fixed Assets **8 1 2 9** Investments **7 8 1 8**
 Net Current Assets **9 7 9 6** Misc. Expenditure **N I L**
 Accumulated Losses **N I L**

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

Total Income **5 1 7 9 2** Total Expenditure **4 4 3 4 3**
 Profit before Tax **7 4 4 9** Profit after Tax **6 5 9 2**
 Earnings Per Share (Rs.) **1 0 . 6 1** Dividend Rate % **2 0 0**

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

Items Code No. 3 0 0 4 9 0 0 1 (ITC Code)	Product Name Ayurvedic Medicines	Items Code No. 3 3 0 4 9 2 0 2 (ITC Code)	Product Name Talcum Powder (Cosmetics & Toiletries)
Items Code No. 3 4 0 1 1 1 0 3 (ITC Code)	Product Name Toilet Soaps (Cosmetics & Toiletries)	Items Code No. 3 3 0 4 9 9 0 1 (ITC Code)	Product Name Face Cream (Cosmetics & Toiletries)

R. S. Agarwal
Chairman

R. S. Goenka
Director

Kolkata
June 29, 2007

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

A. K. Joshi
Company Secy. & GM-Legal

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 31 st March, 2007 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. 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, 2007;
 - 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

Place: Kolkata
Dated: June 29, 2007

Membership No. 9067

**Consolidated Balance Sheet** As at March 31, 2007

Rs. in lacs

	Schedule	As at March 31, 2007		As at March 31, 2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,242.90		1,223.00	
Reserves & Surplus	2	21,693.00	22,935.90	32,258.10	33,481.10
Loan Funds					
Secured Loans	3	3,575.03		3,124.08	
Unsecured Loans	4	260.57	3,835.60	92.59	3,216.67
Deferred Tax (Net)	5		258.17		261.00
			27,029.67		36,958.77
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	6,870.01		32,199.70	
Less : Depreciation		2,181.82		12,880.20	
Net Block		4,688.19		19,319.50	
Capital Work-in-Progress		3,448.54		927.95	
			8,136.73		20,247.45
Investments	7		7,769.98		8,661.87
Current Assets, Loans and Advances					
Inventories	8	4,226.50		3,687.31	
Sundry Debtors	9	4,539.26		3,725.85	
Cash & Bank Balances	10	2,317.89		536.32	
Loans & Advances	11	6,234.75		4,024.90	
			17,318.40		11,974.38
<i>Less :</i>					
Current Liabilities & Provisions	12	6,208.85		3,940.53	
Net Current Assets			11,109.55		8,033.85
Miscellaneous Assets					
Preliminary Expenses		3.31		3.80	
Preoperative Expenses		10.10	13.41	11.80	15.60
			27,029.67		36,958.77
Notes on Accounts & Significant Accounting Policies	18				

As per our report of even date

For S. K. Agrawal & Co.
Chartered AccountantsS. K. Agrawal
PartnerR. S. Agarwal
ChairmanR. S. Goenka
DirectorKolkata
June 29, 2007S. K. Goenka
Managing DirectorN. H. Bhansali
President - CFOA. K. Joshi
Company Secy. & GM-Legal

Consolidated Profit and Loss Account For the year ended March 31, 2007

Rs. in lacs

	Schedule	Year ended March 31, 2007		Year ended March 31, 2006	
INCOME					
Operating Income	13		51,825.64		30,183.98
Other Income	14		212.93		79.36
			52,038.57		30,263.34
EXPENDITURE					
Cost of Goods Sold/ Consumed	15		22,569.93		17,563.54
Manufacturing, Administrative & Selling Expenses	16		22,630.63		7,305.59
Interest & Finance Charges	17		(1,105.95)		(296.65)
			44,094.61		24,572.48
PROFIT					
Profit Before Depreciation & Taxation			7,943.96		5,690.86
Depreciation		467.02		2,373.83	
Less : Transferred from General Reserve		-	467.02	1,704.21	669.62
Profit Before Taxation			7,476.94		5,021.24
Provision for Taxation					
- Current Tax		841.25		300.00	
- Fringe Benefit Tax		43.00		14.00	
- Deferred Tax (Net)		(27.00)	857.25	(219.00)	95.00
Profit After Taxation			6,619.69		4,926.24
Excess Provision for Taxation of earlier years			0.93		1.05
Balance of Profit & Loss Account of Amalgamating Company transferred			220.95		-
Balance Brought Forward			193.43		364.88
Available for Appropriation			7,035.00		5,292.17
APPROPRIATIONS					
General Reserve			3,005.39		3,704.21
Interim Equity Dividend			1,864.35		-
Proposed Equity Dividend			621.45		1,223.00
Corporate Dividend Tax			367.09		171.53
Balance Carried Forward			1,176.72		193.43
			7,035.00		5,292.17
Notes on Accounts & Significant Accounting Policies	18				
Earnings Per Share - Basic & Diluted Rs.			10.65		8.06

As per our report of even date

For S. K. Agrawal & Co.

Chartered Accountants

S. K. Agrawal
PartnerR. S. Agarwal
ChairmanR. S. Goenka
DirectorKolkata
June 29, 2007S. K. Goenka
Managing DirectorN. H. Bhansali
President - CFOA. K. Joshi
Company Secy. & GM-Legal

Schedules forming part of the consolidated accounts

Rs. in lacs

	As at March 31, 2007		As at March 31, 2006	
1 ■■■ SHARE CAPITAL				
Authorised				
7,50,00,000 Equity Shares of Rs. 2/- each		1,500.00		1,500.00
		1,500.00		1,500.00
Issued & Subscribed				
6,11,50,000 Equity Shares of Rs. 2/- each fully paid up *		1,223.00		1,223.00
Share Capital Suspense		19.90		-
		1,242.90		1,223.00

* 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.

2 ■■■ RESERVES & SURPLUS				
Capital Reserve		79.64		79.64
Share Premium				
At commencement of the year	3,126.03		3,126.03	
Added on Amalgamation	35.69	3,161.72	-	3,126.03
Amalgamation Reserve				
Added on Amalgamation		268.38		-
Revaluation Reserve				
At commencement of the year	23,859.00		23,859.00	
Adjusted with Intangible Assets	(15,337.93)		-	
Transferred to General Reserve	(8,521.07)	-	-	23,859.00
General Reserve				
At commencement of the year	5,000.00		3,000.00	
Added on Amalgamation	473.54		-	
Transferred to Profit & Loss Account	-		(1,704.21)	
Transferred from Revaluation Reserve	8,521.07		-	
Transferred from Profit & Loss Account	3,005.39	17,000.00	3,704.21	5,000.00
Foreign Currency Translation Reserve		6.54		-
Profit & Loss Account		1,176.72		193.43
		21,693.00		32,258.10

3 ■■■ SECURED LOANS				
Term Loans		2,274.46		2,079.34
Secured by charge/mortgage of specific movable/immovable assets and by personal guarantees of some of the Directors.				
Cash Credits		1,300.57		1,044.74
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.				
		3,575.03		3,124.08

4 ■■■ UNSECURED LOANS				
Trade Deposits		224.58		70.33
Interest accrued & due		35.99		22.26
		260.57		92.59

Schedules forming part of the consolidated accounts

Rs. in lacs

	As at March 31, 2007	As at March 31, 2006
5 ■■■ DEFERRED TAX (Net)		
Deferred Tax Liabilities		
Tax impact due to difference between tax depreciation and book depreciation	506.52	403.00
Deferred Tax Assets		
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred	(248.35)	(142.00)
Net Deferred Tax (Liability)	258.17	261.00

6 ■■■ FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As on 01.04.2006	Additions on Amalgamation	Additions during the year	Sales/ Adjustments	Total	As on 01.04.2006	Additions on Amalgamation	For the Year	Sales/ Adjustments	Total	As on 31.03.2007	As on 31.03.2006
Land												
Leasehold	68.99	-	-	-	68.99	3.41	-	1.04	-	4.45	64.54	65.58
Others	269.23	0.23	-	-	269.46	-	-	-	-	-	269.46	269.23
Buildings	1,671.74	56.51	18.53	7.94	1,738.84	272.36	11.86	53.32	1.63	335.91	1,402.93	1,399.38
Plant & Machinery	2,770.32	13.55	550.81	164.91	3,169.77	1,047.42	9.69	266.77	69.80	1,254.08	1,915.69	1,722.90
Furniture, Equipments & Computers	749.05	154.92	308.48	44.89	1,167.56	344.11	93.17	105.86	38.67	504.47	663.09	404.94
Motor Vehicles	160.37	44.47	19.90	25.39	199.35	40.81	12.84	19.44	10.77	62.32	137.03	119.56
Intangible Assets												
Brands	26,510.00	-	-	26,510.00	-	11,172.09	-	-	11,172.09	-	-	15,337.91
Software	-	-	256.04	-	256.04	-	-	20.59	-	20.59	235.45	-
Total	32,199.70	269.68	1,153.76	26,753.13	6,870.01	12,880.20	127.56	467.02	11,292.96	2,181.82	4,688.19	19,319.50
Capital Work-In-Progress	927.95	-	2,949.70	429.11	3,448.54	-	-	-	-	-	3,448.54	927.95
Grand Total	33,127.65	269.68	4,103.46	27,182.24	10,318.55	12,880.20	127.56	467.02	11,292.96	2,181.82	8,136.73	20,247.45
Previous Year's Figures	32,428.43	-	950.01	250.79	33,127.65	10,563.39	-	2,373.83	57.02	12,880.20	20,247.45	

	As at March 31, 2007	As at March 31, 2006
7 ■■■ INVESTMENTS (Other than Trade)		
Long Term		
A. Quoted - Fully Paid up		
J. B. Marketing & Finance Limited 5,13,514 Equity Shares of Rs. 10/- each	-	61.62
Emami Paper Mills Limited 79,55,000 Equity Shares of Rs. 2/- each	368.89	-
Creative Eye Limited 10,000 Equity Shares of Rs. 10/- each	6.41	-
Hindustan Lever Limited 220 Equity Shares of Re. 1/- each	-	-
Tata Motors Limited 10 Equity Shares of Rs. 10/- each	-	-
(i)	375.30	61.62

Schedules forming part of the consolidated accounts

Rs. in lacs

	As at March 31, 2007	As at March 31, 2006
7 INVESTMENTS (Other than Trade) (contd.)		
B. Unquoted - Fully paid up		
<i>Others</i>		
CRI Limited 6,00,000 Redeemable Preference Shares of Rs. 100/- each	600.00	600.00
CRI Limited 95,630 Equity Shares of Rs. 10/- each	27.17	–
Susruta Clinic & Research Institute For Advanced Medicine Pvt. Ltd. 8,00,000 Equity Shares of Rs. 10/- each	264.66	–
6 Years' National Savings Certificate (Lodged With Government Authority)	0.35	0.25
Indira Vikas Patra (Lodged With Government Authority)	–	–
(ii)	892.18	600.25
<i>Current</i>		
HDFC Liquid Fund - Premium Plan - Growth Opening 2,00,63,630.371 Units of Rs. 10/- each Sold 2,00,63,630.371 Units of Rs. 10/- each	–	2,800.00
Birla Cash Plus - Institutional Premium - Daily Dividend Opening 5,18,98,797.345 Units of Rs. 10/- each Sold 5,18,98,797.345 Units of Rs. 10/- each Purchased 6,48,73,496.682 Units of Rs. 10/- each	6,500.00	5,200.00
(iii)	6,500.00	8,000.00
C. Investment in Partnership Firms		
North City Developers	2.50	–
(iv)	2.50	–
TOTAL (i) + (ii) + (iii) + (iv)	7,769.98	8,661.87
Aggregate Book Value of Quoted Investments	375.30	61.62
Aggregate Book Value of Unquoted Investments	7,394.68	8,600.25
Market Value of Quoted Investments	844.57	77.03
8 INVENTORIES		
Raw & Packing Materials	1,558.97	1,411.32
Work-in-progress	87.93	51.90
Finished Goods	2,474.15	2,194.85
Stores & Advertising Materials	105.45	29.24
	4,226.50	3,687.31
9 SUNDRY DEBTORS		
Unsecured, Considered Good		
Due over six months	218.05	103.00
Other Debts	4,321.21	3,622.85
	4,539.26	3,725.85

Schedules forming part of the consolidated accounts

Rs. in lacs

	As at March 31, 2007		As at March 31, 2006	
10 CASH & BANK BALANCES				
Cash in hand		16.24		11.35
<i>With Scheduled Banks</i>				
Current Accounts	243.13		521.18	
Fixed Deposit	1,860.14		2.00	
Unpaid Dividend Account	198.38	2,301.65	1.79	524.97
		2,317.89		536.32
11 LOANS & ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		5,982.15		3,809.35
Deposits		122.37		122.76
Income Tax Net of Provisions		130.23		92.79
		6,234.75		4,024.90
12 CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors	4,235.12		2,064.93	
Interest Accrued but not due	12.31		12.61	
Unclaimed Dividend	198.38	4,445.81	1.79	2,079.33
Provisions				
Proposed Equity Dividend	621.45		1,223.00	
Corporate Dividend Tax	105.62		171.53	
Sales Tax	1,035.97	1,763.04	466.67	1,861.20
		6,208.85		3,940.53
13 OPERATING INCOME				
Sales	52,168.26		30,833.77	
Less : Excise Duty	342.62	51,825.64	649.79	30,183.98
		51,825.64		30,183.98
14 OTHER INCOME				
Profit on Sale of Investments		4.90		40.03
Dividend		103.31		-
Income from Partnership Firm		57.07		-
Miscellaneous Receipts		47.65		39.33
		212.93		79.36

Schedules forming part of the consolidated accounts

Rs. in lacs

	Year ended March 31, 2007		Year ended March 31, 2006	
15 COST OF GOODS SOLD/CONSUMED				
Purchases/Materials Consumed		22,586.98		17,388.83
Add : Opening Stock				
Work-in-progress	51.90		11.14	
Finished Goods *	2,493.13	2,545.03	2,410.32	2,421.46
*(Including stock of Amalgamating Company and Net off Input VAT credit of Rs. 3.16 lacs)		25,132.01		19,810.29
Less : Closing Stock				
Work-in-progress	87.93		51.90	
Finished Goods	2,474.15	2,562.08	2194.85	2,246.75
		22,569.93		17,563.54
16 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES				
Salaries, Wages, Bonus & Gratuity		1,986.77		1,298.73
Contribution to Provident & Other Funds		169.54		116.15
Employees' Welfare		106.56		62.08
Power & Fuel		115.02		120.61
Consumable Stores		40.10		26.42
Rent		143.53		84.80
Rates & Taxes		36.61		64.71
Insurance		121.23		59.72
Repairs & Maintenance :				
- Building	19.43		10.60	
- Machinery	98.96		72.65	
- Others	163.71	282.10	105.85	189.10
Freight & Forwarding		1,356.83		814.11
Directors' Fees		8.25		2.12
Advertisement & Sales Promotion		10,533.16		731.02
Selling Expenses		1,635.36		134.67
Commission		332.54		168.78
Discount		205.87		2.77
Taxes on Sales		3,310.71		2,465.47
Loss / (Profit) on sale of Fixed Assets		34.83		(48.36)
Miscellaneous		2,211.62		1,012.69
		22,630.63		7,305.59
17 INTEREST & FINANCE CHARGES (Net)				
Term Loans		144.47		140.73
Others		(1,250.42)		(437.38)
		(1,105.95)		(296.65)

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 represent 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 Schedules 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	
	Smt. Priti Sureka	

Transactions

Rs. in lacs

Particulars	Key Management Personnel & Relatives		Others		Total	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006	31.03.2007	31.03.2006
Salary	223.28	127.71	-	-	223.28	127.71
Directors Sitting Fees	1.50	0.42	-	-	1.50	0.42
Rent & Maintenance Charges Paid	6.05	6.05	2.73	2.69	8.78	8.74
Rent Received	-	-	5.14	0.61	5.14	0.61
Hire Charges Received	-	-	1.46	-	1.46	-
Receivables	26.03	26.03	7.00	7.00	33.03	33.03



Schedules forming part of the consolidated accounts

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

	March 31, 2007	March 31, 2006
Net Profit - Rs. in Lacs	6,619.69	4,926.24
Weighted average number of shares used in computing earnings per share *	62145177	61150000
Earnings Per Share - Basic & Diluted - Rs.	10.65	8.06

* Includes shares to be issued pursuant to the Amalgamation

3 Previous year's figures have been rearranged/regrouped wherever necessary and the same is not comparable as previous year's figures do not include figures of Amalgamating Company, J.B. Marketing & Finance Ltd.

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

Kolkata
June 29, 2007

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

A. K. Joshi
Company Secy. & GM-Legal

Consolidated Cash Flow Statement For the year ended March 31, 2007

Rs. in lacs

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax and Extraordinary Items	7,476.94	5,021.24
Add : Adjustments For		
Depreciation	467.02	669.62
Interest	(1,105.95)	(296.65)
Loss / (Profit) on sale of Fixed Assets	34.83	(48.36)
Loss / (Profit) on sale of Investments	(4.90)	(40.03)
Foreign Exchange Fluctuations	17.07	(13.68)
Operating Profit Before Working Capital Changes	6,885.01	5,292.14
Add : Decrease / (Increase) in Working Capital		
Trade Payables	337.20	1,258.79
Inventories	(169.77)	1.90
Trade & other Receivables	(1,729.02)	(1,526.83)
Provision for Sales Tax	569.30	466.67
	(992.29)	200.53
Cash Generated From Operations	5,892.72	5,492.67
Less : Direct Taxes Paid	926.76	372.06
Net Cash Flow from Operating Activities	4,965.96	5,120.61
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	87.43	234.68
Interest Received	1,430.13	356.97
Sale of Investments/Property	8,096.14	8,340.27
	9,613.70	8,931.92
Less : Purchase of Fixed Assets	3,674.35	942.57
Purchase of Investments	6,500.00	11,600.00
Preoperative and Preliminary Expenses	(2.19)	15.60
Net Cash used in Investing Activities	(558.46)	(3,626.25)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	1,565.22	190.83
	1,565.22	190.83
Less : Repayment of Loan	1,098.56	449.27
Interest Paid	324.30	55.40
Dividend Paid	2,890.76	611.02
Corporate Dividend Tax	433.00	85.76
	4,746.62	1,201.45
Net Cash Used in Financing Activities	(3,181.40)	(1,010.62)
Effect of Foreign Exchange Fluctuation	(10.53)	13.68
Net Changes In Cash & Cash Equivalents (A+B+C)	1,215.57	497.42
* Cash & Cash Equivalents-Opening Balance #	1,102.32	38.90
* Cash & Cash Equivalents-Closing Balance	2,317.89	536.32

* Represents Cash and Bank Balances as indicated in Schedule 10

Including Balance of Amalgamating Company

As per our report of even date

For S. K. Agrawal & Co.

Chartered Accountants

S. K. Agrawal
PartnerR. S. Agarwal
ChairmanR. S. Goenka
DirectorKolkata
June 29, 2007S. K. Goenka
Managing DirectorN. H. Bhansali
President - CFOA. K. Joshi
Company Secy. & GM-Legal



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, 2007	Nil	47427	192287
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	(52143)	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, 2007	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

Kolkata
June 29, 2007

S. K. Goenka
Managing Director

N. Bhansali
President - CFO

A. K. Joshi
Secretary

Emami Bangladesh Limited

Directors' Report

The Directors present their report and the financial statements for the period from 1st April, 2006 to 31st March, 2007.

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 25th November, 2004 under a licence issued by the Government of Bangladesh.

Principal Activities

The Principal objectives of the company is to carry on the business of manufacturing, 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.

Directors and their interests

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

- S. K. Goenka
- A. V. Agarwal
- P. Goenka
- 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

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 : June 15, 2007
Place : Kolkata

P. Goenka
Director

A. V. Agarwal
Director

Auditors' Report

To
The Members of
EMAMI BANGLADESH LIMITED

We have verified the attached Balance Sheet of **Emami Bangladesh Limited** incorporated at Bangladesh, as at 31st March, 2007, being made in accordance with the requirements of Indian Companies Act, 1956, from the audited accounts of the body corporate under the statute of the country of its incorporation and additional certified returns which have been relied upon by us. 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 and Cash Flow referred to in this report are 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 other notes on accounts as per schedule 6 give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet of the State of Affairs of the Company as on 31st March, 2007;
 - ii) In the case of Cash Flow statement, of the Cash Flows for the year ended on that date.

For S. K. Agrawal & Company
Chartered Accountants

(Radhakrishnan Tondon)
Partner

Place: Kolkata
Dated: June 15, 2007

Membership No. 60534.



Balance Sheet As at March 31, 2007

Amount in Rs

	Schedule	As at March 31, 2007		As at March 31, 2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1		4,021.00		4,021.00
Unsecured Loan	2		81,244.11		79,280.00
			85,265.11		83,301.00
APPLICATION OF FUNDS					
Current Assets, Loans And Advances					
Cash & Bank Balances	3	50,310.16		57,400.00	
		50,310.16		57,400.00	
Less :					
Current Liabilities & Provisions	4	14,356.00		3,300.00	
Net Current Assets			35,954.16		54,100.00
Miscellaneous Assets					
Preliminary Expenses		16,281.20		17,160.00	
Preoperative Expenses	5	32,138.75		11,320.00	
			48,419.95		28,480.00
Foreign Currency Translation Reserve			891.00		721.00
			85,265.11		83,301.00
Notes on Accounts & Significant Accounting Policies	6				

As per our report of even date

For S. K. Agrawal & Co.

*Chartered Accountants*Radhakrishnan Tondon
*Partner*P. Goenka
*Director*A. V. Agarwal
*Director*Kolkata
June 15, 2007

Schedules to the Accounts

Amount in Rs

	As at March 31, 2007		As at March 31, 2006	
1 ■■■ SHARE CAPITAL				
Authorised				
Share Capital (10000 shares of Taka 100/- each)		6,60,000.00		6,60,000.00
		6,60,000.00		6,60,000.00
Issued & Subscribed				
Share Capital (50 shares of Taka 100/- each held by Emami Ltd.)		4,021.00		4,021.00
		4,021.00		4,021.00
2 ■■■ UNSECURED LOAN				
Loan from Emami Ltd	75,226.03			79,280.00
Interest Accrued and due	6,018.08			
		81,244.11		
		81,244.11		79,280.00

Schedules to the Accounts

Amount in Rs

	As at March 31, 2007		As at March 31, 2006	
3 CASH & BANK BALANCES				
Cash in hand	2,504.80		5,940.00	
Current Account with Bank	47,805.36		51,460.00	
		50,310.16		57,400.00
		50,310.16		57,400.00
4 CURRENT LIABILITIES & PROVISIONS				
Creditors For Expenses		14,356.00		3,300.00
		14,356.00		3,300.00
5 PREOPERATIVE EXPENSES				
Audit Fees	18,738.40		4,620.00	
Fees, Forms & Renewals	4,727.81		4,980.00	
Interest Accrued & due	6,018.08			
Bank Charges	2,654.46		1,720.00	
		32,138.75		11,320.00
		32,138.75		11,320.00
6 ACCOUNTING POLICIES				

AP 1 Basis of Accounting

These accounts have been prepared on historical cost basis and on the accounting principles of a going concern basis 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.

AP 2 Preoperative Expenses

Revenue incomes and expenditures upto 31st March 2007 is grouped under preoperative expenses to be accounted for in the respective accounts after commencement of commercial operations.

AP 3 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.

AP 4 Preliminary Expenses

This represent expenditure incurred relating to incorporation of the company and the figures has been brought forward from last accounts.

AP5 Translation of accounts of the Company from the currency of country of it's Incorporation Bangladesh Taka to Indian Rupees

- All outside liabilities have been recognized in accounts at exchange rate ruling at the year end.
- Preoperative expenses have been recognized in accounts at exchange rate ruling at the year end.
- Equity Shares has been recognized in accounts at the exchange rate ruling at the time of their issuance.

NOTES TO THE ACCOUNTS

1 Accounts of the Company (a wholly owned subsidiary of Emami Ltd., a company incorporated in India) incorporated at Bangladesh having its principal place of business in Dhaka, Bangladesh, originally audited by the overseas auditors pursuant to law of the country of its incorporation have been made out as per requirements of Indian Companies Act in due adherence to 2(a) and 2(b) of section 212 of Companies Act, 1956. This entailed drawing up the balance sheet (including the Auditor's report thereon) of the subsidiary in a manner so as to make it appear conforming to requirements of Indian Companies Act, 1956 for the purpose of annexing the particulars of the company with its holding company under section 212(1) of the Companies Act, 1956

Schedules to the Accounts

- a) Translation of various heads of accounts has been done in terms of accounting standards referred to in section 211(3C) of the Companies Act, 1956
- b) Presentation of accounts are in terms of schedule VI of Companies Act, 1956 including disclosure of necessary information as laid down under section 211(1) and 211(2) of Companies Act, 1956

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

4. Transactions with Related Parties for the year ended March 31, 2007 are as follow:

Particular	Holding Co.Emami Ltd.		Total Outstanding	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Loan A/C	75,226.03	79,280.00	75,226.03	79,280.00
Interest	6,018.08	-	6,018.08	-

5. Previous year's figures have been regrouped/rearranged where ever necessary.

As per our report of even date

For S. K. Agrawal & Co.
Chartered Accountants

Radhakrishan Tondon
Partner

Kolkata
June 15, 2007

P.Goenka
Director

A. V. Agarwal
Director

Cash Flow Statement For the year ended March 31, 2007

Amount in Rs

	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax & extraordinary items	-	-
Operating Profit before working capital changes	-	-
Net Cash flow from operating activities	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Preoperative Expenses	(4,145.44)	(15,206.60)
Net Cash Used in Investing Activities	(4,145.44)	(15,206.60)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from unsecured loans from Emami Ltd.	-	66,006.60
Net Cash Used in Financing Activities	-	66,006.60
Effect of Foreign Exchange Fluctuation	(2,944.40)	1,600.00
Net Increase(+)/Decrease(-) in cash & cash equivalents (A+B+C)	(7,089.84)	52,400.00
*Cash and Cash equivalents in opening balance	57,400.00	5,000.00
*Cash and Cash equivalents in closing balance	50,310.16	57,400.00
*Represent Cash & bank Balance as indicated in Schedule 3		

As per our report of even date

For S. K. Agrawal & Co.
Chartered Accountants

Radhakrishan Tondon
Partner

Kolkata
June 15, 2007

P.Goenka
Director

A. V. Agarwal
Director

Directors' Report

The directors present their report and the financial statements for the period April 1, 2006 to March 31, 2007.

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 13th September, 2000 under a licence issued by the Government of U.K.

Principal Activities

The principal activities 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:

- A.V.Agarwal
- P Goenka
- A Goenka

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

Election to dispense lying 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:

P. Goenka
Director

A. V. Agarwal
Director

Date: June 19, 2007

Place: Kolkata

Auditors' Report

To
The Members of **Emami UK Limited**

We have audited the Balance Sheet of **Emami UK Limited** at United Kingdom, as at 31st March, 2007 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 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) In our opinion proper books of accounts have been kept by the Company so far as appears from our examination of such books.
- d) 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.



Auditors' Report

e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with other notes on accounts as per schedule 9 give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Balance Sheet of the State of Affairs of the Company as on March 31, 2007;
- 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 have been physically verified by the management at regular intervals. No material discrepancies between book records and the physical inventories have been noticed on such verification.
(c) No fixed assets have been disposed off during the year.
- 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) 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.

- 4) (a) According to information and explanations given to us, the Company is depositing with appropriate authorities undisputed statutory dues applicable to it.
(b) We have been informed that there are no undisputed statutory dues as at the year end which are outstanding for a period of six months from the date the same became applicable.
(c) According to information and explanations given to us, there have been no undisputed dues which have not been deposited.
- 5) No term loan has been availed by the Company.
- 6) 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.
- 7) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 8) According to the information given to us, the Company has not given a guarantee for loan taken by others from Banks or a financial institution.
- 9) 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.
- 10) Other clauses of the order are not applicable to the Company.

For S. K. Agrawal & Company
Chartered Accountants

(Radhakrishan Tondon)

Partner

Place: Kolkata

Dated: June 19, 2007

Membership No. 60534

Balance Sheet As at March 31, 2007

(Rs. in '000)

	Schedule	As at March 31, 2007		As at March 31, 2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1		2,891.00		2,891.00
Foreign Currency Translation Reserve			654.52		120.17
Loan Funds					
Unsecured Loans	2		9,477.13		6,613.00
			13,022.65		9,624.17
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	3	518.32		320.33	
Less : Accumulated Depreciation		268.98		127.33	
Net Block			249.34		193.00
Current Assets, Loans and Advances					
Inventories	4	3,187.24		2,485.40	
Sundry Debtors	5	1,800.57		5,832.98	
Cash & Bank Balances	6	7,630.48		515.81	
Loans & Advances	7	553.21		-	
			13,171.50		8,834.19
Less :					
Current Liabilities & Provisions	8	801.68		3,459.92	
Net Current Assets			12,369.82		5,374.27
Profit & Loss Account			403.49		4,056.90
			13,022.65		9,624.17
Notes on Accounts & Significant Accounting Policies	12				

As per our report of even date

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

Radhakrishnan Tondon
Partner

Kolkata
June 19, 2007

P. Goenka
Director

A. V. Agarwal
Director

Profit and Loss Account For the year ended March 31, 2007

(Rs. in '000)

Schedule	Year ended March 31, 2007	Year ended March 31, 2006
INCOME		
Sales	24,501.80	9,642.40
	24,501.80	9,642.40
EXPENDITURE		
Cost of Goods Sold 9	6,485.36	2,160.91
Administrative & Selling Expenses 10	13,598.66	8,336.84
Interest & Finance Charges 11	622.72	(22.45)
	20,706.74	10,475.30
PROFIT		
Profit Before Depreciation & Taxation	3,795.06	(832.90)
Depreciation	(141.65)	–
Net Profit	3,653.41	(832.90)
Balance Brought Forward	(4,056.90)	(3,224.00)
Available for Appropriation	(403.49)	(4,056.90)
APPROPRIATIONS		
Balance Carried Forward	(403.49)	(4,056.90)
	(403.49)	(4,056.90)
Notes on Accounts & Significant Accounting Policies 12		

As per our report of even date

 For S. K. Agrawal & Co.
 Chartered Accountants

 Radhakrishan Tondon
 Partner

 P. Goenka
 Director

 A. V. Agarwal
 Director

 Kolkata
 June 19, 2007

Schedules to the Accounts

(Rs. in '000)

	As at March 31, 2007	As at March 31, 2006
1 ■■■ SHARE CAPITAL		
Authorised		
200,000 Equity shares of £1 each	11,560.00	11,560.00
	11,560.00	11,560.00
Issued & Subscribed		
38,704 Equity shares of £1 each fully paid Held by Emami Ltd.	2,891.00	2,891.00
	2,891.00	2,891.00

2 ■■■ UNSECURED LOAN		
Loan from Emami Ltd.	8,980.65	6,613.00
Interest accrued and due	496.48	–
	9,477.13	6,613.00

Schedules to the Accounts

(Rs. in '000)

3 ■■■ FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2006	Additions	Sales/ Adjustments	Total	As on 01.04.2006	For the Year	Sales/ Adjustments	Total	As on 31.03.2007	As on 31.03.2006
Furniture & Fittings	320.33	197.99	–	518.32	127.33	141.65	–	268.98	249.34	193.00
Total	320.33	197.99	–	518.32	127.33	141.65	–	268.98	249.34	193.00
Previous Year	164.00	156.38	–	320.33	62.86	64.42	–	127.33	193.00	–

	As at March 31, 2007		As at March 31, 2006	
4 ■■■ INVENTORIES				
Finished Goods		3,187.24		2,485.40
		3,187.24		2,485.40

5 ■■■ SUNDRY DEBTORS				
<i>Unsecured, Considered Good</i>				
Due over six months		–		–
Other Debts		1,800.57		5,832.98
		1,800.57		5,832.98

6 ■■■ CASH & BANK BALANCES				
Cash in hand	–		69.48	
Current Accounts-with banks	7,630.48		446.33	
		7,630.48		515.81
		7,630.48		515.81

7 ■■■ LOANS & ADVANCES				
<i>Unsecured, Considered Good</i>				
Deposits		224.35		–
Loans & Advances recoverable in cash or kind for value to be received		328.86		–
		553.21		–

8 ■■■ CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors		801.68		3,459.92
		801.68		3,459.92

Schedules to the Accounts

(Rs. in '000)

	Year ended March 31, 2007		Year ended March 31, 2006	
9 COST OF GOODS SOLD				
Purchase	7,187.12		3,261.24	
Add:Opening Stock	2,485.48		1,385.15	
	9,672.60		4,646.39	
Less:Closing Stock	3,187.24		2,485.48	
		6,485.36		2,160.91
10 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES				
Salaries		3,425.05		3,016.31
Employees Welfare		288.62		-
Freight & Forwarding		464.69		256.20
Rent		1,110.64		1,182.40
Rates & Taxes		777.75		72.66
Repairs & Maintenance-others		1,061.91		642.08
Professional Fees		481.61		-
Electricity		60.97		-
Audit Fees		28.06		-
Taxes on Sales		1,289.69		131.84
Telephone & Internet		255.44		-
Advertisement & Sales Promotion		1,322.62		842.89
Miscellaneous		3,031.61		2,192.46
		13,598.66		8,336.84
11 INTEREST & FINANCE CHARGES				
Interest Charges (Net)		547.49		(22.45)
Bank Charges		75.23		-
		622.72		(22.45)

Schedules to the Accounts

12 |||| ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

1 Basis of Accounting

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.

2 Fixed Assets

Fixed Assets are stated at cost less Depreciation.

3 Depreciation

Depreciation is provided on Reducing Balance Method as per Companies Act, 1956 or Based on the useful life of the assets whichever is higher

Rates of depreciation are as follows :-

Furniture & Other assets – 25%

4 Inventories

The inventories are valued at cost or net realizable value whichever is lower. After due regards for obsolete and slow moving stocks.

5 Revenue Recognition

Income & Expenditure are recognized on accrual basis.

6 Sales

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

7 Provisions & Contingent Liabilities

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.

8 Foreign Currency Transactions

Receivables/Payables (including for fixed assets) in foreign currencies are translated at the exchange rate ruling at the year end and resultant gain/loss, is accounted for in the profit & loss Account

9 Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized 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.

10 Translation of accounts of the body corporate from the currency of country of its Incorporation Pound to INR :

- a) Fixed assets are translated to INR in terms of the exchange rate ruling at the year end.
- b) Current assets have been recognized in accounts at exchange rate ruling at the year end.
- c) All outside liabilities have been recognized in accounts at exchange rate ruling at the year end.
- d) Income and expenses have been recognized in accounts in simple average of exchange rate ruling at the beginning and the end of the year.
- e) Equity Shares has been recognized in accounts at the exchange rate ruling at the time of their issuance.

NOTES TO THE ACCOUNTS

1 Accounts of the company (a wholly owned subsidiary of Emami Ltd., a company incorporated in India) incorporated at U.K have been made out as per requirement of Indian Companies Act in due adherences to sub section 2(a) and 2(b) of section 212 of Companies Act, 1956. This entailed drawing up the balance sheet & Profit and Loss account (including the Auditor's report thereon) of the subsidiary in a manner so as to make it appear conforming to requirements of Indian Companies Act, 1956 for the purpose of annexing the particulars of the body corporate with its holding company under section 212(1) of the Companies Act, 1956.

- a) Translation of treatment of various heads of accounts has been done in terms of accounting standard referred to in section 211(3C) of the Companies Act, 1956
- b) Presentation of accounts are in terms of schedule VI of Companies Act, 1956 including disclosure of necessary information as laid down under section 211(1) and 211(2) of Companies Act, 1956

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

3 Income & Expenditure in foreign Currency

This being a company incorporated in UK. Information relating to expenditure in foreign currency, CIF value of Imports and Earnings in foreign exchange are not applicable, hence not reported.

4 All the figures have been expressed in Rupees in Thousands unless stated otherwise.



Schedules to the Accounts

5 Transactions with Related Parties for the year ended 31st March 2007 are as follows:

(Rs. in '000)

Particular	Holding Co.Emami Ltd.		Total Outstanding	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Purchases	7,187.12	–	446.96	–
Interest Expenses	590.19	–	590.19	–
Loan A/C	8,980.65	6,613.00	8,980.65	6,613.00

6 Information Pursuant to Part II of Schedule VI

	2007		2006	
	M.T.	Value ('000)	M.T.	Value ('000)
1) Opening Stock				
Toileteries	7.91	1,799.53	4.88	898.50
Medicine	2.09	575.51	3.19	486.65
Others	0.24	110.44	–	–
2) Purchase				
Toileteries	23.74	6,517.04	7.19	2,087.07
Medicine	2.32	670.08	1.89	810.81
Others	–	–	1.14	363.36
3) Sales				
Toileteries	21.56	22,624.41	4.16	3,215.61
Medicine	2.12	1,576.80	2.99	2,307.33
Others	0.16	300.59	0.90	4,119.46
4) Closing Stock				
Toileteries	10.09	2,480.39	7.91	1,799.53
Medicine	2.29	671.65	2.09	575.51
Others	0.08	35.20	0.24	110.44

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

For S. K. Agrawal & Co.
Chartered Accountants

Radhakrishan Tondon
Partner

Kolkata
June 19, 2007

P. Goenka
Director

A. V. Agarwal
Director

Cash Flow Statement

For the year ended March 31, 2007

(Rs. in '000)

	Year ended March 31, 2007		Year ended March 31, 2006	
A CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax & extraordinary items		3,653.41	(832.90)	
Add Adjustments for:				
Depreciation		141.65	64.42	
Foreign Currency Translation Reserve		534.35	-	
Interest		622.72	45.20	
Operating Profit before working capital changes		4,952.13		(723.28)
Working Capital Changes				
Inventories	701.84		(1,100.24)	
Trade and Other receivables	(3,479.20)		(1,804.34)	
Trade payables	2,658.24	(119.12)	2,372.82	(531.76)
Cash generated from operating activities		5,071.25		(1,255.04)
Net Cash flow from operating activities		5,071.25		(1,255.04)
B CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets		(197.99)		(156.38)
Net Cash Used in Investing Activities		(197.99)		(156.38)
C CASH FLOW FROM FINANCING ACTIVITIES:				
Interest Paid		(126.24)		(45.20)
Proceeds from Borrowings from Emami Ltd.		2,367.65		1,556.00
Net Cash Used in Financing Activities		2,241.41		1,510.80
Net Changes in cash & cash equivalents (A+B+C)		7,114.67		99.38
*Cash and Cash equivalents in opening balance		515.81		416.43
*Cash and Cash equivalents in closing balance		7,630.48		515.81
*Represent Cash & bank Balance as indicated in Schedule 6				

As per our report of even date

For S. K. Agrawal & Co.
Chartered AccountantsRadhakrishan Tondon
PartnerKolkata
June 19, 2007P. Goenka
DirectorA. V. Agarwal
Director



Directors' Report

The directors present their report and the financial statements for the period from April 1, 2006 to March 31, 2007.

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 November 12, 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:

- A. V. Agarwal
- 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 lying 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:

P. Goenka
Director

A. V. Agarwal
Director

Date: June 18, 2007

Place: Kolkata

Auditors' Report

To

The Members of **Emami International FZE**

We have audited the Balance Sheet of **Emami International FZE** at Hamriyah Free Zone, Sharjah (UAE), as at March 31, 2007 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 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) In our opinion proper books of accounts have been kept by

Auditors' Report (Contd.)

the Company so far as appears from our examination of such books.

- d) 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.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with other notes on accounts as per schedule 11 give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet of the State of Affairs of the Company as on March 31, 2007;
 - 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 have been physically verified by the management at regular intervals. No material discrepancies between book records and the physical inventories have been noticed on such verification.
 - (c) No fixed assets have been disposed off during the year .
- 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) 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.
- 4) 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.
- 5) 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 banks.
- 6) 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.
- 7) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 8) According to the information given to us, the Company has not given a guarantee for loan taken by others from Banks or a financial institution.
- 9) 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.
- 10) Other clauses of the order are not applicable to the Company.

For S. K. Agrawal & Company
Chartered Accountants

Place: Kolkata
Dated: June 18, 2007

(Radhakrishnan Tondon)
Partner
Membership No. 60534



Balance Sheet

 As at March 31, 2007

(Rs. in '000)

	Schedule	As at March 31, 2007		As at March 31, 2006	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,898.00		1,898.00	
Reserves & Surplus	2	2,095.11	3,993.11	–	1,898.00
Loan Funds					
Secured Loans	3	1,29,963.52		–	
Unsecured Loans	4	50.71	1,30,014.23	1,35,563.91	1,35,563.91
			1,34,007.34		1,37,461.91
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	563.00		–	
Less : Depreciation		23.19		–	
Net Block			539.81		–
Current Assets, Loans and Advances					
Inventories	6	10,470.18		–	
Sundry Debtors	7	5,895.96		–	
Cash & Bank Balances	8	39,927.80		44,845.76	
Loans & Advances	9	97,304.56		90,968.09	
		1,53,598.50		1,35,813.85	
Less :					
Current Liabilities & Provisions	10	21,424.09		2.59	
Net Current Assets			1,32,174.41		1,35,811.26
Miscellaneous Assets					
Preliminary Expenses		314.96		380.00	
Preoperative Expenses		978.16	1,293.12	1,270.65	1,650.65
			1,34,007.34		1,37,461.91
Notes on Accounts & Significant Accounting Policies	14				

As per our report of even date

For S. K. Agrawal & Co.

Chartered Accountants

Radhakrishnan Tondon
PartnerKolkata
June 18, 2007P. Goenka
DirectorA. V. Agarwal
Director

Profit and Loss Account

For the year ended March 31, 2007

(Rs. in '000)

	Schedule	Year ended March 31, 2007		Year ended March 31, 2006	
INCOME					
Sales			39,539.96		-
			39,539.96		-
EXPENDITURE					
Cost of Goods Sold	11		28,955.61		-
Administrative & Selling Expenses	12		9,030.24		-
Interest & Finance Charges (Net)	13		(562.78)		-
			37,423.07		-
PROFIT					
Profit Before Depreciation			2,116.89		-
Depreciation			(23.19)		-
Net Profit			2,093.70		-
Available for Appropriation			2,093.70		-
APPROPRIATIONS					
Balance Carried Forward			2,093.70		-
			2,093.70		-
Notes on Accounts & Significant Accounting Policies	14				

As per our report of even date

For S. K. Agrawal & Co.
Chartered AccountantsRadhakrishnan Tondon
PartnerKolkata
June 18, 2007P. Goenka
DirectorA. V. Agarwal
Director

Schedules to the Accounts

(Rs. in '000)

	As at March 31, 2007		As at March 31, 2006	
1 ■■■ SHARE CAPITAL				
Authorised				
1 Share of AED 150000		1,898.00		1,898.00
		1,898.00		1,898.00
Issued & Subscribed				
1 Share held by Emami Ltd of AED 150000		1,898.00		1,898.00
		1,898.00		1,898.00
2 ■■■ RESERVES & SURPLUS				
Profit & Loss Account		2,093.70		-
Foreign Currency Translation Reserve		1.41		-
		2,095.11		-

Schedules to the Accounts

(Rs. in '000)

	As at March 31, 2007		As at March 31, 2006	
3 ■■■ SECURED LOAN				
Term Loans				
Loan from ICICI Bank -				
Secured by way of corporate guarantee of Holding company		1,29,367.50		-
Interest Accrued but not due		596.02		-
		1,29,963.52		-

4 ■■■ UNSECURED LOAN				
Loan from Emami Limited		-		1,33,651.62
Interest Accrued and due to Emami Limited		50.71		1912.29
		50.71		1,35,563.91

5 ■■■ FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2006	Additions	Sales/ Adjustments	Total	As on 01.04.2006	For the Year	Sales/ Adjustments	Total	As on 31.03.2007	As on 31.03.2006
Furniture, Equipments & Computer	-	563.00	-	563.00	-	23.19	-	23.19	539.81	-
Total	-	563.00	-	563.00	-	23.19	-	23.19	539.81	-
Previous Year	-	-	-	-	-	-	-	-	-	-

	As at March 31, 2007		As at March 31, 2006	
6 ■■■ INVENTORIES				
Finished Goods		10,470.18		-
		10,470.18		-

7 ■■■ SUNDRY DEBTORS				
Unsecured, considered goods				
Due over six months		-		-
Other Debts		5,895.96		-
		5,895.96		-

8 ■■■ CASH & BANK BALANCES				
Cash in hand		193.58		-
With Banks				
- Current Account		4,106.07		44,845.76
- Fixed Deposit		35,628.15		-
		39,927.80		44,845.76

Schedules to the Accounts

(Rs. in '000)

	As at March 31, 2007		As at March 31, 2006	
9 ■■■ LOANS & ADVANCES				
Unsecured, Considered good				
Loans & Advances recoverable in cash or in kind or for value to be received		20,756.06		17,263.48
Advance for Land		76,548.50		73,674.48
Deposits		-		30.13
		97,304.56		90,968.09
10 ■■■ CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors		21,424.09		2.59
		21,424.09		2.59
11 ■■■ COST OF GOODS SOLD				
Purchases		39,425.79		-
		39,425.79		-
Less : Closing Stock		10,470.18		-
		28,955.61		-
12 ■■■ ADMINISTRATIVE & SELLING EXPENSES				
Salaries		3,067.81		-
Employees Welfare		7.25		-
Freight & Forwarding		148.03		-
Rent		1,815.26		-
Repairs & Maintenance-others		26.67		-
Professional Fees		439.07		-
Electricity		24.41		-
Advertisement & Sales Promotion		1,456.70		-
Commission		47.68		-
Audit Fees		28.06		-
Discount		35.54		-
Miscellaneous		1,666.86		-
Preliminary Exp Written Off		65.06		-
Preoperative Exp Written Off		201.84		-
		9,030.24		-
13 ■■■ INTEREST & FINANCE CHARGES (Net)				
Term Loans	3,693.39		-	
Less: Interest received	(4,330.38)	(636.99)	-	-
Bank Charges		74.21		-
		(562.78)		-

Schedules to the Accounts

14 |||| ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

1 Basis of Accounting

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.

2 Fixed Assets

Fixed Assets are stated at cost less Depreciation.

3 Depreciation

Depreciation is provided on straight line method at the rates specified in schedule XIV of the Companies Act, 1956.

4 Inventories

The inventories are valued at cost or net realizable value whichever is lower.

5 Revenue Recognition

Income & Expenditure are recognized on accrual basis.

6 Preliminary & Preoperative 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.

7 Provisions & Contingent Liabilities

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.

8 Foreign Currency Transactions

Receivables/Payables (including fixed assets) in foreign currencies are translated at the exchange rate ruling at the year end and resultant gain/loss, is accounted for in the profit & loss Account.

9 Borrowing Cost

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

10 Translation of accounts of the Company from the currency of country of it's Incorporation AED to INR :

- a) Fixed assets are translated to INR in terms of the exchange rate ruling at the year end.
- b) Current assets have been recognized in accounts at exchange rate ruling at the year end.
- c) All outside liabilities have been recognized in accounts at exchange rate ruling at the year end.
- d) Income and expenses have been recognized in accounts in simple average of exchange rate ruling at the beginning and the end of the year.
- e) Equity Shares has been recognized in accounts at the exchange rate ruling at the time of their issuance.

NOTES TO THE ACCOUNTS

- 1 Accounts of the Company (a wholly owned subsidiary of Emami Ltd., a company incorporated in India) incorporated at Hamriyah Free Zone, Sharjah (UAE) have been made out as per requirement of Indian Companies Act in due adherences to sub section 2(a) and 2(b) of section 212 of Companies Act, 1956. This entailed drawing up the balance sheet & Profit and Loss account (including the Auditor's report thereon) of the subsidiary in a manner so as to make it appear conforming to requirements of Indian Companies Act, 1956 for the purpose of annexing the particulars of the company with its holding company under section 212(1) of the Companies Act, 1956.
 - a) Translation of various heads of accounts has been done in terms of accounting standards referred to in section 211(3C) of the Companies Act, 1956
 - b) Presentation of accounts are in terms of schedule VI of Companies Act, 1956 including disclosure of necessary information as laid down under section 211(1) and 211(2) of Companies Act, 1956
- 2 There were no other financial commitments contracted for but not provided at the year- end.
- 3 **Income & Expenditure in foreign Currency.**

This being a Company incorporated in Hamriyah Free Zone, Sharjah (UAE), Information relating to expenditure in foreign currency, CIF value of Import and Earnings in Foreign Exchange are not applicable, hence not reported.
- 4 All the figures have been expressed in Indian Rupees in Thousands unless stated otherwise.

Schedules to the Accounts

14 ■■■ ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

5 Transactions with Related Parties for the year ended March 31, 2007 are as follows:

(Rs. in '000)

Particular	Holding Co. Emami Ltd.		Total Outstanding	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Purchases	37,281.45	-	11,043.05	-
Interest Expenses	199.95	1,912.29	50.71	1,912.29
Loan A/C	1,33,651.62	1,33,651.62	-	1,33,651.62
Guarantee for Secured loan	1,29,367.50	-	1,29,367.50	-

6 Information Pursuant to Part II Of Schedule VI Of Companies Act, 1956.

	2007		2006	
	M.T.	Value ('000)	M.T.	Value ('000)
1) Opening Stock				
Toileteries	-	-	-	-
Medicine	-	-	-	-
2) Purchase				
Toileteries	240.74	21,622.81	-	-
Medicine	77.15	16,678.85	-	-
3) Sales				
Toileteries	177.71	21,262.61	-	-
Medicine	52.40	18,277.35	-	-
4) Closing Stock				
Toileteries	65.39	5,498.07	-	-
Medicine	22.39	4,972.11	-	-

7 Previous year's figures have been regrouped/rearranged where ever necessary.

8 Miscellaneous expenditure includes Rs. 946.62 as foreign exchange fluctuation.

For S. K. Agrawal & Co.
Chartered Accountants

Radhakrishan Tondon
Partner

Kolkata
June 18, 2007

P. Goenka
Director

A. V. Agarwal
Director



Cash Flow Statement

For the year ended March 31, 2007

(Rs. in '000)

	Year ended March 31, 2007		Year ended March 31, 2006	
A CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax & extraordinary items		2,093.70		–
Add Adjustments for:				
Depreciation		23.19		–
Preliminary Exp.Written Off		65.06		–
Preoperative Exp.Written Off		201.84		–
Foreign Exchange Fluc.		1,038.67		–
Interest		(562.78)		–
Operating Profit before working capital changes		2,859.68		–
Add Changes in Working Capitals				
Inventories	10,470.18			
Trade and Other Receivables	12,232.43			
Trade payables	(21,421.50)			2.59
		1,281.11		
Cash generated from operating activities		1,578.56		2.59
Net Cash flow from operating activities		1,578.56		2.59
B CASH FLOW FROM INVESTING ACTIVITIES:				
Other Preliminary & Preoperative Expenses		–		(480.02)
Advance for land		–		(73,674.48)
Purchase of fixed assets		(563.00)		–
Net Cash Used in Investing Activities		(563.00)		(74,154.50)
C CASH FLOW FROM FINANCING ACTIVITIES:				
Issue of Share Capital		–		1,898.00
Repayments / Proceeds from secured / unsecured loans		(4,284.12)		1,17,190.17
Interest Paid		(702.78)		–
Net Cash Used in Financing Activities		(4,986.90)		1,19,088.17
Effect of Foreign Exchange Fluctuation		(946.62)		(90.50)
Net Increase(+)/Decrease(-) in cash & cash equivalents (A+B+C)		(4,917.96)		44,845.76
*Cash and Cash equivalents in opening balance		44,845.76		–
*Cash and Cash equivalents in closing balance		39,927.80		44,845.76
*Represent Cash & Bank balance as indicated in Schedule 8				

As per our report of even date

For S. K. Agrawal & Co.

Chartered Accountants

Radhakrishnan Tondon
PartnerKolkata
June 18, 2007P. Goenka
DirectorA. V. Agarwal
Director

मैं तैयार हूँ।
सर्दियों के लिए।

मलाई की
कोमलता
और
केसर की रंगत।



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