



Ghar ghar mein... **emami!**

(Emami, a household name)

Emami Limited | Annual report 2007-08

Corporate

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

Valdya S. Chaturvedi

Shri Mohan Goenka

Shri A.V. Agarwal

Shri H.V. Agarwal

Company Secretary & GM-Legal

Shri A.K. Joshi

Auditors

M/s S.K. Agrawal & Co
Chartered Accountants

Bankers

Canara Bank

ICICI Bank Ltd.

State Bank of India

The Hongkong and Shanghai Banking
Corporation Limited

Registered Office

Emami Tower

687, Anandapur, EM Bypass

Kolkata 700 107, West Bengal

Phone: +91-33-6613 6264

Fax: +91-33-6613 6600

E-mail: contact@emamigroup.com

Works

Kolkata

Pondicherry

Guwahati

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Crores of Indian households.
A number of family members.
Multiple needs.
One choice.

emami



Joint promoters' statement

“A presence in every house, a recall in every mind – ‘ghar ghar mein Emami’ – has been our driving inspiration since inception”

Joint promoters Shri R.S. Agarwal and Shri R.S. Goenka, highlight the Company's direction and potential

Dear Shareholders,

There are a number of numerical parameters that one can use to demonstrate that we performed creditably during the financial year 2007-08, but the one that stands the test of industry, analysts and company is our performance compared with the broad industry average. For instance, the broad FMCG industry in India grew at a CAGR of about 6% in the last three years; Emami grew at a CAGR of 25%.

This stellar performance sends multiple messages that merit attention: first, we managed the variables affecting our business better than most of our competitors; second, we ensured an enhanced brand recall of our products over most competitors; third, we captured a market share across products and geographies faster than most of our peers.

The industry opportunity

Shareholders will be curious to know the secret of being able to showcase

another year of our successful growth. Our performance improved significantly as 2007-08 was a good year with our topline and bottomline growing by 13% and 41% respectively. We feel that there was a sustained growth in per capita income, riding on the ripple effect of India's economic growth which benefited a bigger concentration of households. As there was a perceptible increase in people's aspirations and purchasing power, our advertising and brand positioning influenced consumers in switching loyalties.

It was hardly a surprise that about 35% of the offtake for FMCG products was derived from rural India, which is traditionally discounted on the plea of poor purchasing power. The consumption of FMCG goods in these pockets grew 17% in the first 10 months (April-December) of 2007-08 [Source: FICCI], one of the highest levels of growth in any financial year.

Emami and growth

While apparently it appears that 2007-08 was tilted towards the industry, the fact remains that we confronted the biggest challenges in terms of an unprecedented increase in the cost of raw materials, a strong price-sensitivity across most product categories, a greater need for wider and deeper distribution to reach customers and the ever-lingering threat from counterfeit and unorganised products.

If Emami outperformed the broad FMCG sector, it was due to various reasons: we accelerated innovative application reflected in the launch of new products and sub-products; we engaged Ernst & Young to leverage enhanced value out of our supply chain, sales, distribution and human resource capabilities; we embarked on an investment in a new plant at Abhoypur in an investor-friendly location; we installed SAP across our factories and offices for quicker



information access and decision-making; we appointed various departmental heads; we strengthened our packaging; we reinforced our marketing and branding in the GCC (Gulf Cooperation Council) countries, Russia, CIS, Nepal, Bangladesh and Europe; we reinforced our brand recall through celebrity endorsements; we did precious ground work for entering product categories like baby care, hair care, new skin care innovations and food. Concurrently, we reached deeper into India through prudent distribution networking with a larger field force, the opening of depots and the appointment of executives with product management responsibilities right down to towns with a population of 10,000.

Emami and value

At Emami, during the year, we focused on enhancing shareholder value through organic initiatives, as discussed; business diversification and inorganic expansion.

During the year under review, the Company created a Realty subsidiary, which will leverage resident Group experience in real estate, resources and insights to capitalise on opportunities, create landmarks and enhance organisational value.

In May 2008, we acquired a substantial stake in The Zandu Pharmaceutical Works Ltd., the respected ayurvedic and health products company having brands like Zandu Balm (45% market share), Zandu Special Chyawanprash, Kesri Jeevan (10% market share), various other ayurvedic and ethical products, strong marketing, research and operating efficiencies.

These developments underline our ability to capitalise on industry opportunities with speed and extend to sectors that represent a stable long-term potential.

Outlook

A presence in every house, a recall in every mind – *ghar ghar mein Emami* –

has been our driving inspiration since inception. To fulfil this objective we took major initiatives in selling and distribution, aggressive brand promotions, new product developments, quality excellence, expansion and diversification.

This reality is further reinforced by Emami's universal brand strength: it addresses the growing needs of the entire family from toddlers to children to adolescents to the middle-aged to the aged gentry across urban, semi-urban and rural markets. Our products have been created for users in India and 60 countries across the world. It is for these reasons that we will continue to enhance value for all the stakeholders of our Company.

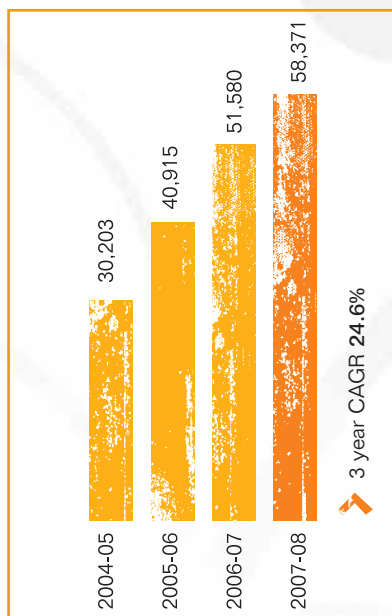
R.S. Agarwal and **R.S. Goenka,**
30.05.2008 *Joint Promoters*

Din duguni, raat chauguni tarakki karta... **emami**!

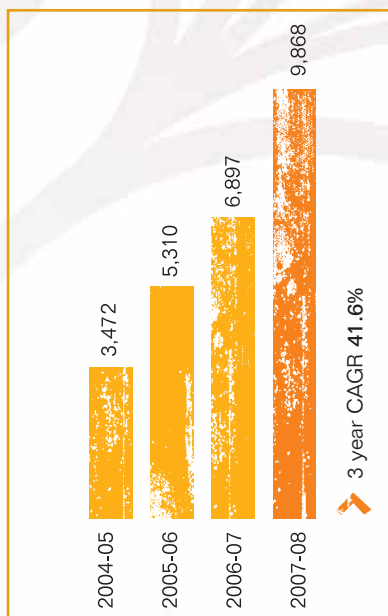
(Emami, growing leaps and bounds)

Emami is one of the fastest growing FMCG companies in India with a sales CAGR of 24.6% across the last three years.

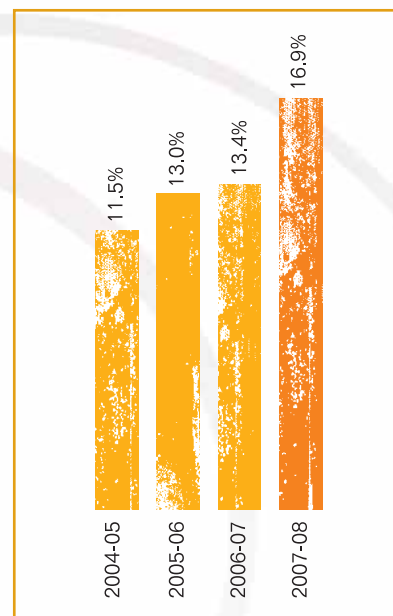
Net sales (Rs. in lacs)



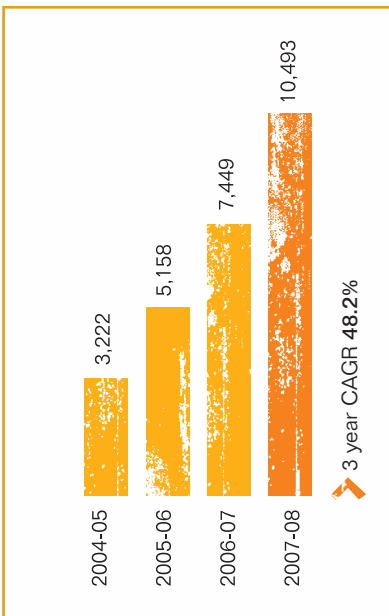
EBIDTA (Rs. in lacs)



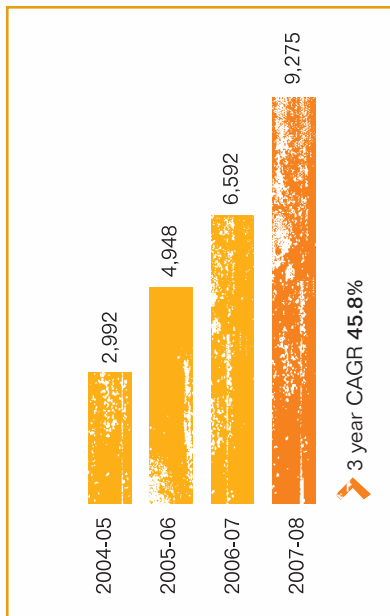
EBIDTA margin



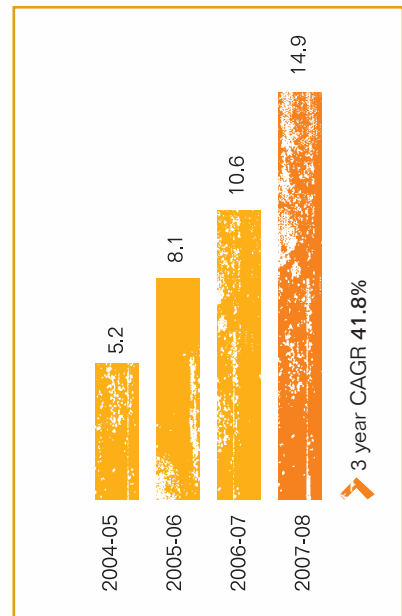
PBT (Rs. in lacs)



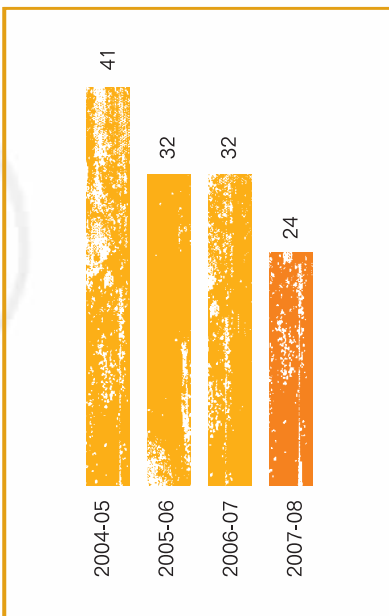
PAT (Rs. in lacs)



EPS



Receivables (in days of turnover equivalent)



Shareholder value

Earnings per share	Book value	Dividend
Rs. 14.9	Rs. 46.5	225%
2007-08	(March 31, 2008)	2007-08

Kaarobaar ko zimmedaari se chalaata...emami!

(Emami, a responsible business entity)



Increase in the ROCE from 25.6% in 2006-07 to 28.2% in 2007-08

Emami stands for aggressive top line growth and fiscal prudence, attractive profitability and enhanced shareholder value. This is reflected in the following realities:

Corporate

- * Increase in the ROCE from 25.6% in 2006-07 to 28.2% in 2007-08
- * Growth in the ROE from 28.7% in 2006-07 to 32.1% in 2007-08
- * Rise in the EBIDTA margin from 13.4% in 2006-07 to 16.9% in 2007-08
- * Debt-equity ratio of 0.12 in 2007-08 and interest cover of over 16 in 2007-08
- * Decline in receivables from Rs. 46 cr in 2006-07 to Rs. 34 cr in 2007-08 and decline in the receivables cycle (days of turnover equivalent) from 32 days to 24 days

Operations and marketing

- * The Company continued to secure its position as the largest player in the men's fairness cream category with a market share of around 59% of Fair And Handsome
- * Boroplus brand was ranked 87th in the Brand Equity Survey 2008 conducted by The Economic Times and the brand has been growing at a CAGR of 22% over the last three years
- * Navratna Oil was ranked 128th in the Brand Equity Survey 2008 conducted by The Economic Times and the brand grew at a CAGR of 20% over the last three years
- * Sona Chandi Chyawanprash grew by 4% despite a decline in the category growth
- * Emami Malai Kesar cold cream was launched last winter
- * Hair Life hair pack was launched in February 2008
- * Powder hair dye and hair pack colours were test marketed
- * State-of-the-art modern greenfield manufacturing unit is being initiated at Abhoypur in Guwahati
- * The number of distributors increased to 2,700 and the direct coverage of retail outlets increased to around 4,00,000 across the country.
- * Tied up with IOC for the distribution of Emami products in rural petrol pumps

Emami's products enjoy a favourable top-of-the-mind recall.

Sabke dimaag

Unique products and high growth drivers

Emami has focused on unique ayurvedic FMCG products in niche categories with high entry barriers.

Strong balance sheet

Emami enjoys an advantage over peers in the FMCG segment on account of a strong balance sheet (high retained surplus, attractive margins, low debt-equity ratio, declining receivables)

Strong research & development

Emami's research is not me-too; its resulting products deliver distinctive consumer value

Culture of innovation

Emami enjoys a long-standing tradition of category and product 'innovation'; its first-mover advantage has translated into growing market shares

Rising market shares

Emami's products have outperformed category

growth; a number of its products like Navratna Oil, Sona Chandi Chyawanprash, Boroplus Antiseptic Cream, Mentho Plus Balm and Himani Fast Relief have grown their market shares over the last few years

Strong celebrity endorsements

Emami's products enjoy a favourable top-of-the-mind recall, aided by celebrity endorsements

Strong brand equity lowers ad spend

Emami's marketing, positioning and innovation helped reduce advertising as a proportion of revenues from 20.4% in 2006-07 to 17.6% in 2007-08

Unlocking value through real estate

Emami's 100% subsidiary has identified 31 projects including IT parks, residential and commercial complexes encompassing around 17 mn sq.ft. of construction.





pe chhaya... Emami*

(Emami, enjoying a high brand recall)



Widespread Emami is present in the personal, health care, ayurvedic health supplement and OTC drug segments.

Jahan dekho

(Emami, just about everywhere)

The most remarkable thing about Emami is that it cannot be missed by any household as it enjoys a product coverage across most categories of everyday use.

- * **Skincare:** Boroplus Antiseptic Cream and Lotion and Prickly Heat Powder, Navratna Cool Talc, Fair And Handsome Fairness Cream and Malai Kesar Cold Cream
- * **Therapeutic:** Navratna Oil, Mentho Plus Balm and Himani Fast Relief
- * **Hair care:** Emami Hairlife and Mr. and Mrs. Black Hair Dye
- * **Ayurvedic food supplements:** Sona Chandi Chyawanprash and Amritprash
- * **OTC segment:** Sardija Cough Syrup, Lalima Blood Purifier, Femiplus Tonic and Memo Plus memory booster
- * **Proposed launches:** Oral care, baby care, hair care, new skin care and food product innovations



vahaan... emami*!



Brand review

Stressed?

Navratna Oil can rejuvenate.

Headache?

Mentho Plus can soothe.

Bruised?

Boroplus can heal.

Lack of immunity?

Chyawanprash can boost.

Pain?

Fast Relief can relieve.

Exhausted in summer?

Navratna Cool Talc can refresh.



Har zaroorat ke liye...emami*!

(Emami, a friend for every need)





Category

Therapeutic healers

Modern medicine provides superficial care rather than treat the root cause. Ayurveda acknowledges and addresses the uniqueness of each patient, helping the body heal itself naturally. Emami's ayurveda products leverage this therapeutic value, resulting in increased popularity of its products.

Emami's therapeutic presence

Navratna Oil

'Sirdard, Tension, Anidra aur Thakan Jao Bhool - Raho Thanda Thanda Cool Cool'

Product ideology: A potent therapeutic oil, prepared from a combination of nine ayurvedic herbs, provides stress relief, relaxation and a sense of rejuvenation.

While Navratna enjoys a strong association with 'cool' (its brand-line 'Thanda Thanda Cool Cool' has now found a place for itself in popular Indian parlance), its real strength lies in its sharply defined stress buster positioning, articulated by its unfailing promise: 'Sirdard, Tension, Anidra aur Thakan Jao Bhool; Raho Thanda Thanda Cool Cool'.

Navratna Oil is the undisputed leader in its category providing multi-purpose consumer benefits.

Product attributes: Its unique combination of nine ayurvedic herbs renders optimum cooling and relief from daily mental and physical stress as well as tension, headache, fatigue, insomnia and body-ache, among others. It not only solves specific hair and body-related ailments, but also delivers superlatively on all desired benefits sought from the category.

Major players: Himgange, Marico Maha Thanda, Dabur Super Thanda,

Banphool and Rahat Rooh.

Product differentiation: Stress buster as articulated by its promise 'Sirdard, Tension, Anidra aur Thakan Jao Bhul; Raho Thanda Thanda Cool Cool'

Brand strategy: Targets the great Indian mass across diverse demographic, psychographic and geographic segments.

Product extensions: Navratna has been discerning and successful in its extension efforts.

The oil portfolio was augmented recently through the introduction (in select test markets) of two strategic variants – Navratna Extra Thanda and Navratna Lite – around the same fundamental value proposition.

The only brand extension was in the form of the hugely successful Navratna Cool Talc, positioned as 'Duniya Ka Sabse Chota AC', presently the fastest growing brand in its category.

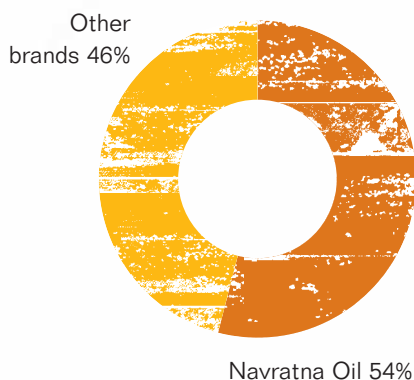
Advertising: Navratna was one of the leading above-the-line promoters in the category – across media and markets. Apart from ATL, the brand also invested heavily in below-the-line activities to enhance awareness.

Activation programmes widened the unique Navratna experience through product trials. These were conducted through rural vans, participation in rural festivals, congregations, wet sampling initiatives at railway stations, BPOs, religious places, factories, bus terminals, ghats etc to demonstrate efficacy. The brand continued to be promoted through extensive wall paintings, dealer boards, hoardings and shop presence.

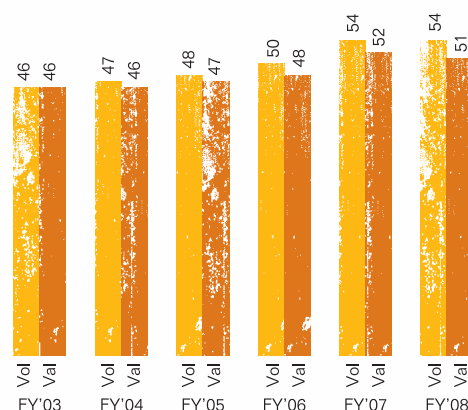
Emami was the only brand in the Indian brand-space, endorsed by Amitabh Bachchan and Shah Rukh Khan – the two Bollywood moguls. As Emami catered to regional requirements as well, various regional celebrities were enlisted as brand ambassadors – Chiranjeevi for AP, Surya for TN and Upendra for Karnataka. The brand also enjoyed an association with Sourav Ganguly and Govinda.

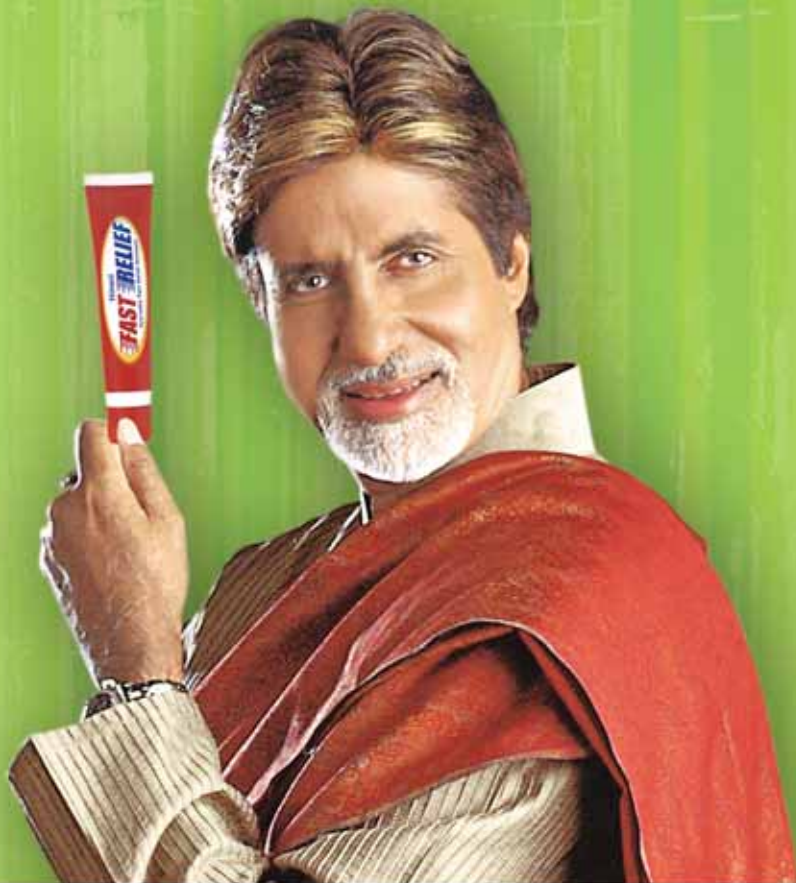
Outlook: Emami is confident of retaining the leadership status of its largest and flagship brand Navratna, while ensuring that its growth is considerably higher than the category performance.

Volume market share of Navratna Oil in ayurvedic cool oil category



Market share of Navratna Oil (%)





Himani Fast Relief

'Dard mitaye chutki mein'



Product ideology: Expert in pain management, providing instant relief.

Product attributes: Applied in instances of muscular, joints and shoulder pains.

Major players: Moov and Iodex.

Product differentiation: Enriched with active ingredients like *Gaultheria Ka Tel*, *menthol*, *clove*, *ajwain* and *dalchini*, Emami has created Fast Relief as a potent remedy for all kinds of pain. The Company targets chronic / acute muscular and joint pain patients as well as sportspersons. The Company's products are differentiated around varied price points and packaging; low unit packs

(SKUs) of 2 gm and 5 gm were available at Rs. 2 and Rs. 7, helping the product reach a wide consumer cross-section.

Brand strategy: The Company intended to target a 250-cr. market, characterised by a small number of players and low penetration. Moreover, sedentary lifestyles will create a fresh demand.

Category growth: While the category grew by around 0.8% and 4.9% in volume and value respectively in 2007-08, Himani Fast Relief grew by 6.2% and 16.9% respectively.

Market share: Himani Fast Relief market share rose to 11.5% by volume

and 11% by value with robust growth coming from MP (18%), UP (16%), Bihar (17%) and West Bengal (14%).

Competitive edge: The Company widened its scope from just a product for backaches to other applications, targeting a wider consumer base. The low-cost packs helped the Company penetrate deeper into rural India.

Outlook: Emami is extending its northern dominance to the southern, eastern and western markets. It is creating an extensive distribution network. It intends to introduce jars and an array of extensions to establish its brand appeal.



Mentho Plus Balm

'Dus siron ka dard bhagaye!'



Product ideology: Effective and superior headache reliever as well as an effective remedy for cough, cold, tiredness, backache, sprain and muscular pain.

Product attributes: A pain relief balm possessing double unified medication of *lavang* and *nilgiri*.

Major players: Competitor brands include Zandu balm, Amrutanjan balm, Tiger balm and Monison's balm

Product differentiation: The balm with the double-unified medication formula comprises *nilgiri*, *lavang*, *pudina* and *kapur*. Its unique positioning around the ten-headed Ravana enhances recall. The contents on the packaging declare the name of the manufacturer, providing authentic product formulation information, unlike competitors.

Brand strategy: Emami was a strong player in the Rs. 334-cr. segment with balm products to provide a quick and effective remedy against headaches, cold, backaches, sprains and muscular pains.

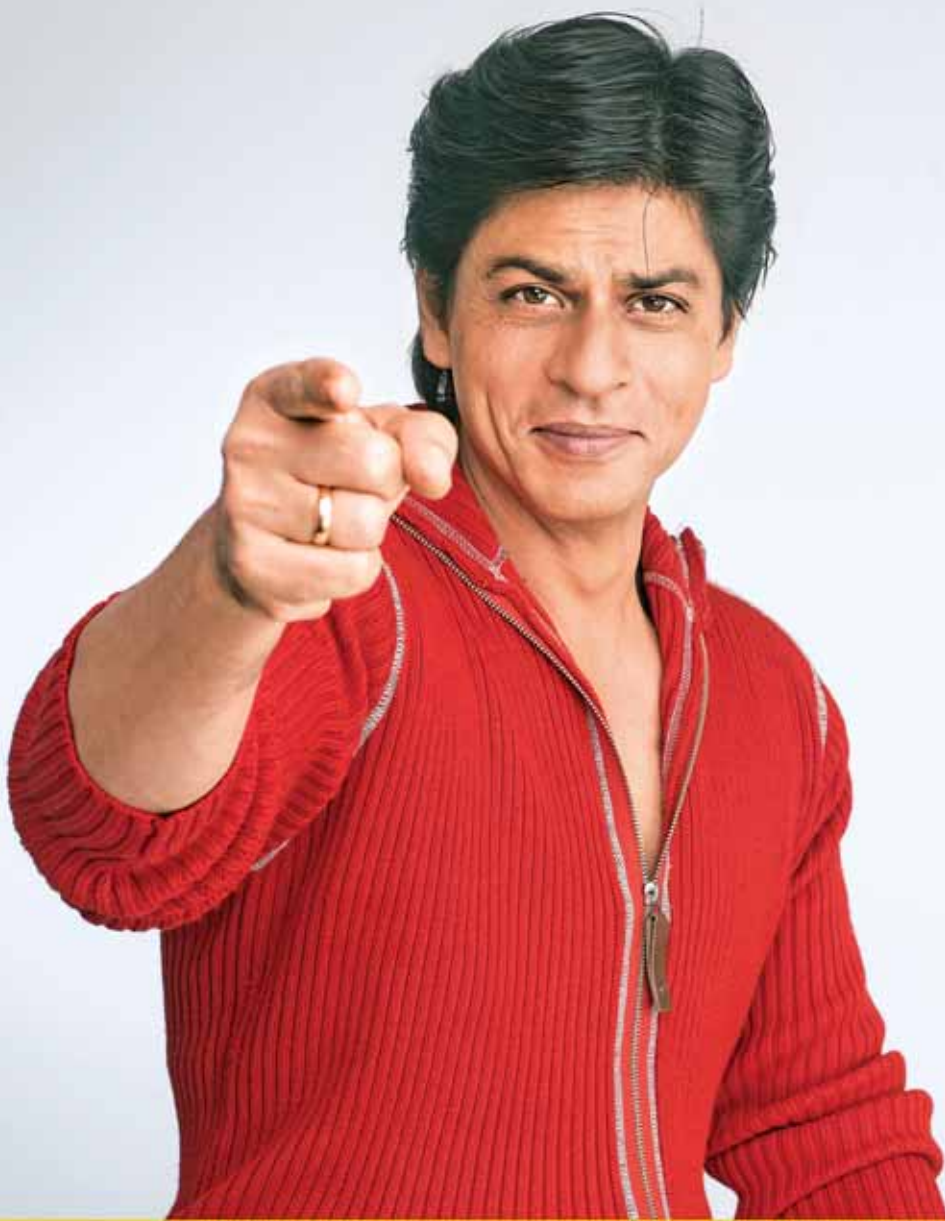
Category growth: This brand – with no celebrity endorsement – grew at a CAGR of 29% for three years. In 2007-08, the category grew by 0.2% in volume and 6.2% in value while the brand grew by 11.4% (volume) and 21.3% (value).

Market share: Market share at 16.6% grew by 160 basis points (volume) and 180 basis points (value) in 2007-08. The Company extended its product presence through an increase in 1,10,000 outlets. The highest growth was achieved in Haryana (167%), while Maharashtra, Andhra Pradesh, Tamil

Nadu and Karnataka accounted for 75% of revenues.

Competitive edge: The brand enjoys an edge through its DUM formulation. The Company introduced a trial pack, discount scheme (consumer promotion), packs of different denominations (1.2 grams, 4 grams and 9 grams) with attractive pricing.

Outlook: The Company aims to achieve an aggressive brand growth in 2008-09 with a growing presence in Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. It plans to tap the southern markets through its 1.2-gram pack. The Company expects to expand the market through SKUs, advertisement support, trade activities and a wider distribution.



Category

Personal care segment

The personal care segment comprises oral care, hair care and skincare products such as soaps, cosmetics, toiletries, deodorants, perfumes and feminine hygiene products. The category is increasingly relevant for important reasons: a general increase in pollution, challenging tropical climate, enhanced disposable incomes, rising beauty and personal hygiene awareness and the growing incidence of working women.

Skincare: The Indian skincare market is valued at USD 180 million, growing

attractively on account of safe and effective procedures, advances in medical technology and enhanced awareness. This market is segregated across toners, cleansers, sunscreens, anti-wrinkle creams, dark-circle removing creams, astringents, facial creams, moisturisers, fairness creams and day-and-night creams, among others. Facial creams, moisturisers, fairness creams and day-and-night creams etc. are the most popular, accounting for approximately 60% of the skincare segment.

The segment is still nascent on account of a lingering preference for home-made traditional products. However, the facial skincare segment has witnessed a rapid growth on account of evolving lifestyles, enhanced disposable incomes, greater product choice and the influence of satellite television. Result: creams and potions are used to fight acne, stress, dark circles and paleness. The annual growth in this space is expected to be around 25% over the next five years.

Emami's skincare presence

Fair And Handsome

'Hi handsome, hi handsome!'



Product ideology: Emami created a completely new market segment in introducing India's first fairness cream customised for men.

Product attributes: Emami (in collaboration with Activor Corp.) created a unique fairness cream for men with a breakthrough Double Strength Peptide complex patented in the US. This wonder peptide works on the collagen structure of male skin, visibly improving skin texture and fairness in just four weeks. Contains liquorice, vetiver and aloe vera, its pleasant cooling sensation provides a refreshing after-shave effect.

Major players: Competitors include Nivea Whitening, Menz Active, Fair One Man and Set Wet Get Fair.

Product differentiation: The product

improves fairness in four weeks, regulates melanin production and provides a natural sunscreen against UV rays. It moisturises the skin, leaving it fair and fresh with a cooling sensation.

Brand strategy: Compared to women's skin male skin is thrice more exposed to the sun's UV rays, five times more exposed to pollution and twice more exposed to stress. Besides, research revealed that more than 30% of fairness cream users were men with a growing interest in personal grooming. For instance, an Indian male spend an average 20 minutes in front of the mirror each morning compared with the average Indian woman's 18 minutes [Source: Gillette India], prompting the Company to develop a fairness cream for men — now a

growing market in the country.

Advertising: The Company invested aggressively in brand promotion. It enlisted Shah Rukh Khan as the national brand ambassador and actor Surya as the brand ambassador for Tamil Nadu and adjoining states.

Competitive edge: The brand — the first to introduce a fairness cream for men — captured consumer mind share. The enlistment of Shah Rukh Khan as brand ambassador enhanced nationwide brand recall. The pricing of the fairness cream helped; the product is available in sizes of 9ml, 30ml and 60ml, customised for various pockets.

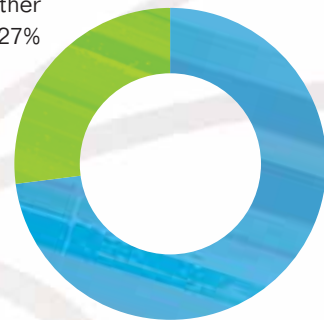
Outlook: The Company expects to report aggressive brand growth in 2008-09.

Boroplus Antiseptic Cream

'Twacha ka suraksha kawach'

Volume market share in Boro brands segment

Other brands 27%



Emami 73%

Product ideology: A preventive, curative and healing Ayurvedic ointment. Positioned not only as an antiseptic cream but also as a protector from minor skin diseases and harsh weather conditions. It moisturises the skin throughout the year.

Product attributes: Enriched with aloe vera. The cream penetrates the skin gently, deeply moisturising it. Aloe vera and neem help cure minor burns, while ushir keeps the skin cool and relaxed. Haridra relieves chapped skin, while the anti-inflammatory effect of yastimadhu eases soreness and soothes. Special herbs like



chandan, neem and tulsi are renowned for their antiseptic properties, healing cuts, scratches, minor wounds and cold sores, making the skin flawless and blemish-free.

Major players: Peer brands include Boroline and Borosoft.

Product differentiation: Boroplus antiseptic cream is a value-added cream, offering medicinal and cosmetic properties, with antiseptic and moisturising benefits.

Brand strategy: The Company focused on making this a mass brand through direct and indirect SKU distribution. It promoted the cream as an antiseptic cream with multiple benefits.

Category growth: In terms of volume, the antiseptic category (Boro brands) grew by 13.8% while sales of Boroplus grew 19.2%; in terms of value growth, the category grew 14.9%, while Boroplus sales value grew 19.7%.

Market share: The Boro brand

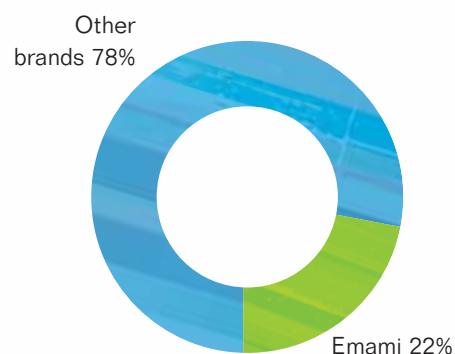
market size was worth Rs. 190 cr. during the year under review; the market share of the Company's brand grew to 73% in volume, an increment of 3.3% over the previous year; in value terms, the market share of the brand grew by 74%.

Advertising: Boroplus Antiseptic Cream is endorsed by superstar Amitabh Bachchan and Kareena Kapoor

Product extensions: To cater to different kinds of consumer needs, Boroplus has come up with a rich and differentiated product portfolio. It has Boroplus Winter Lotion, Boroplus Summer Lotion and Boroplus Prickly Heat Powder.

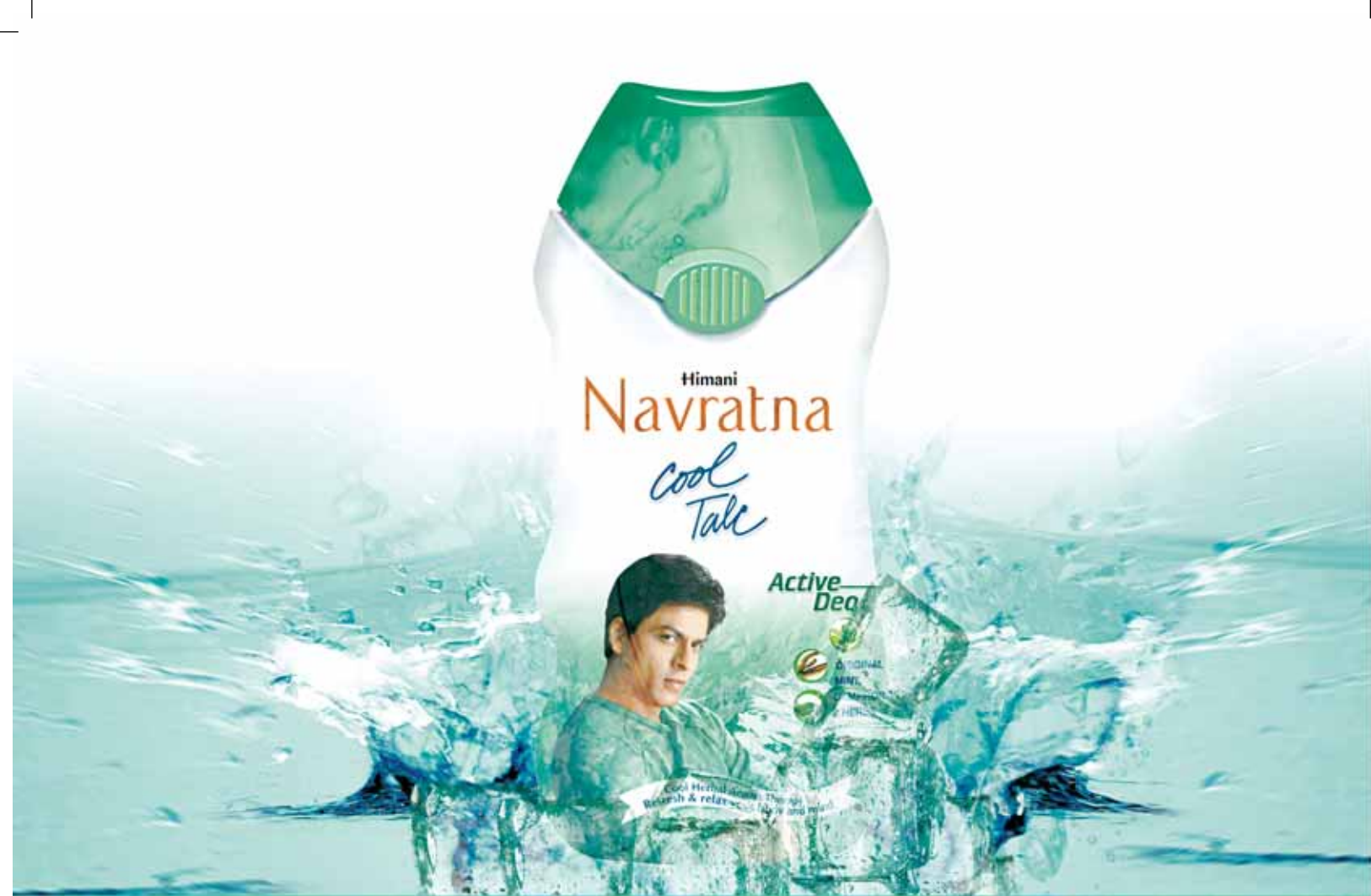
Boroplus Winter Lotion fulfils the skin care needs during winter, while Boroplus Triple Action Light Moisturising Lotion is a revolutionary product from the house of Emami. It is endowed with preventive, curative and healing properties and being an ayurvedic product is enriched with natural do-good ingredients.

Volume market share of Boro Plus prickly heat powder



Competitive edge: The Company enhanced product popularity with high advertising spend and brand endorsement through super star Amitabh Bachchan and Kareena Kapoor, supported by a comprehensive distribution network. The value-for-money cream provided the twin benefits of being antiseptic and cosmetic.

Outlook: The Company will explore national rural markets with an emphasis on West Bengal and South India.



Navratna Cool Talc

'Duniya Ka Sabse Chota AC'

Product ideology: Navratna Cool Talc provides a refreshing break from usual talcs. It counters heat and humidity through its cooling property, beating sweat and undesired body odour and keeps one cool and fresh all day long.

Product attributes: Heat, sweat and body odour bring discomfort and irritation. This is where Navratna Cool Talc steps in as a solution. The unique blend of mint and camphor, with the goodness of essential herbs, renders the desired cooling effect, while its aroma rejuvenates and keeps one fresh throughout the day.

Major players: Dermicool and Ponds

Product differentiation and competitive edge: No other general talc irrespective of their stature in terms of sales and brand equity, offered this unique 'cooling' benefit. Navratna Cool Talc, a first-of-its-kind, with the promise of coolness in general talcum category, has generated a keen interest among consumers. The brand communication, aptly reinforced by Shah Rukh Khan's endorsement over the past two years, has helped establish a loyalty.

Brand strategy: To make 'cooling' more relevant among general talc users, attracting new users.

Category growth: The brand

registered a volume growth of 33% over the previous year (as per ACN ORG MAT) on account of its contemporary packaging.

Product extension: The Company successfully launched a variant called 'Navratna Cool Talc – Active Deo'

Advertising: Aptly positioned as 'Duniya Ka Sabse Chota AC', the brand was endorsed by Shah Rukh Khan nationally and by the Tamil superstar Surya in southern India.

Outlook: The Company expects to achieve an aggressive volume growth year-on-year.

Category

Hair care

Hair care is integral to beauty treatment. India's hair care market — hair oils, shampoos, hair colourants and conditioners and hair gels — was valued at Rs. 4,000 cr in 2007-08.

Emami's hair care presence

Emami Hairlife

'No jhanjhat'

Product ideology: Emami Hairlife is the first ready-to-use instant hair pack. Packaged in convenient sachets, this hair pack comprises all trusted traditional ingredients (mehendi, shikakai, amla, ritha, tulsi, etc) fortified with soya proteins, jojoba oil, green almond and multivitamins. It also contains the KERAHERB11™ formula, a unique combination that provides visible results in just 10 minutes.

Product attribute: Emami Hairlife is

an instant hair pack that nourishes, revitalises, strengthens, conditions, imparts silk and shine, prevents hair fall, promotes hair growth and arrests dandruff.

Major players: The instant hair pack positioning represents a pioneering initiative.

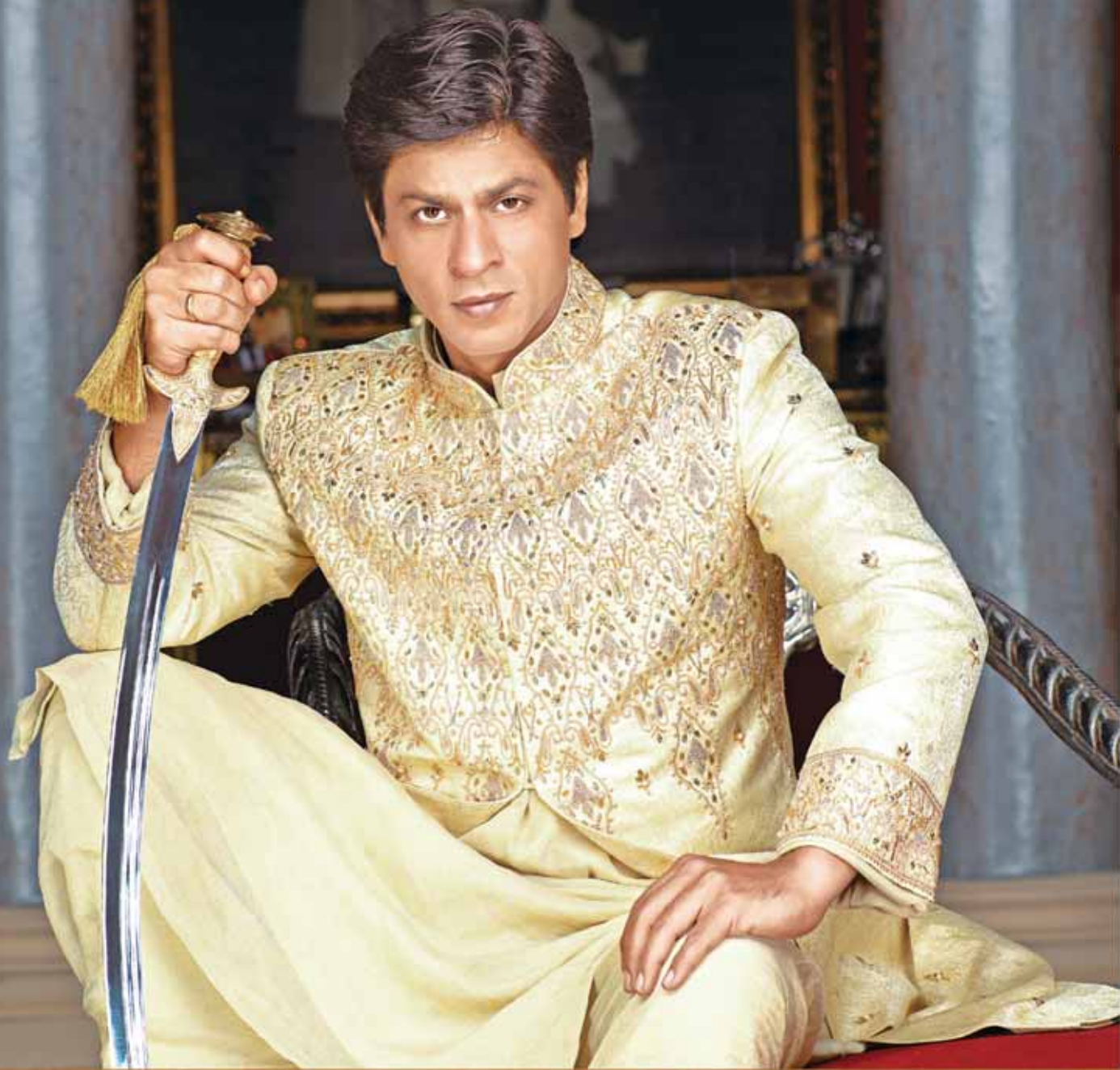
Product differentiation: The concept is a differentiator with no competition.

Brand strategy: Traditional

homemade packs comprise mehendi, reetha, amla, tulsi, neem, lemon, curd, etc., involving ingredient collection, overnight soaking, prudential mixing and post-application waiting. The Company's instant pack was positioned around convenience.

Competitive edge: The pioneering launch helped the Company monopolise recall.





Category

Ayurvedic Health Supplement

Since ancient times, Chyawanprash is considered to be the 'Elixir of life'. The combination of various wonder herbs and minerals has made Chyawanprash an ideal rejuvenator. It contains essential ingredients to combat all the ills of a stressed modern-day lifestyle. As a result, in Ayurveda,

Chyawanprash is considered to be a cure-all tonic for everyday consumption.

The all-India Chyawanprash market accounts for Rs. 200 cr (April 07 – March 08). For the October-December 07 quarter, Chyawanprash sales

declined by over 10%, the steepest volume degrowth for a long time.

In this challenging quarter, Himani Sona Chandi Chyawanprash sales grew about 17%, indicating brand strength, advertising recall and product efficacy.

Emami intends to reposition Sona Chandi as a health product for all ages

Emami's brand presence

Sona Chandi Chyawanprash



'Surakshit tan, tez dimag chaho, to Sona Chandi Chyawanprash khao'

Product ideology: A complete ayurvedic health supplement which enhances, rejuvenates health and builds immunity for year-round protection

Product attributes: Fortified with gold, silver, saffron and 51 rare herbs. Rich in vitamins A, C, D3, calcium, iron, protein and carbohydrates.

Major players: Dabur, Baidyanath and Zandu

Product differentiation: Sona Chandi is a unique formulation based on years of research by Himani Ayurveda Science Foundation. For the first time, the goodness of amla and other herbs have been fortified with the super power of precious metals like gold and silver benefiting body and mind, an excellent immunity builder. Distinctively positioned through communication, packaging and taste.

Category growth (ACN April 07 – March 08): While the overall market for Chyawanprash degrew 3.2% in volume and 0.8% in value, Sona Chandi grew 17% in volume and 13% in

value. Despite Chyawanprash being a mature category, the Company surpassed category growth and emerged as a major player.

Market share (volume): The market share of Sona Chandi grew 10%, on account of a strong following in UP, Uttaranchal (12%), MP (10%) and Maharashtra (8%). In the medium-sized markets of Delhi, Rajasthan, Punjab and Haryana, the brand enjoyed a market share of 16%, 21%, 11% and 22% respectively.

Product extensions: The Company introduced Sona Chandi Kesar Chyawanprash fortified with the superior nutritional power of extra saffron and dry fruits, targeted at the older gentry. It created a summer variant called Sona Chandi Amritprash and a chocolate variant for children (Chocoprash).

Advertising: During 2007-08, the Company invested aggressively in brand building of Sona Chandi Chyawanprash in both print and electronic media. The brand is

endorsed by Shah Rukh Khan.

Competitive edge: Scientific herbs collection and production methods preserved the natural goodness of herbs. Enriched by vitamins A, C, D3, calcium, iron, protein and carbohydrates, Sona Chandi Chyawanprash is recognised as an excellent immunity builder. The use of gold, silver and saffron enhance product efficacy, benefiting both body and mind. Other effective ingredients comprise brahmi, haritaki, amla, arjuna, apple juice and pippali, among others.

Outlook: The Company intends to introduce different product variants to penetrate rural and urban markets. It intends to attract health conscious and diabetic patients through less sweetened and zero-calorie product versions. It intends to position itself as a complete food supplement for pregnant women. It will launch powder and candy variations across chocolate and other flavours. In doing so, the Company intends to reposition Sona Chandi as a health product for all ages.



Category

Over-the-counter (OTC) products

Over-the-counter (OTC) drugs are medicines that may be marketed without a prescription (as opposed to prescription drugs that require prescriptions). These items can be found on the shelves of grocery or cosmetic stores and bought like any other packaged product in some

countries, or in others may be bought 'over-the-counter' from pharmacies.

In 2007, the Indian OTC segment was estimated at Rs. 6,000 cr. With a fast-paced life, people are shifting from doctors' prescriptions to OTC products, widening the prospect for Emami.

Emami's OTC presence

Emami's OTC products included Sardi Ja Cough Syrup and Vaporub, Lailima Blood Purifier, Femiplus Tonic and Nirog Dant Manjan Powder Lal.

New launches



Malai Kesar Cold Cream: It has the natural goodness of time-tested ingredients such as malai, kesar and aloe vera. It is the only cold cream that contains 'malai'-the proven traditional winter care ingredient for winter chapping and dryness. It also has kesar that imparts glow and aloe vera for sun protection.



Hair Life: Emami Hairlife Instant Hair Pack is a premixed, crème herbal hair pack enhanced with vitamins and proteins to make hair beautiful and healthy from within.



Navratna Oil Lite: It is a non-sticky, light, soothing, transparent green coloured oil, with mild fragrance. The unique combination of Mahabhringraj and green almonds with nine specially chosen herbs, nourishes the hair and also provides a cooling effect to reduce stress.



Navratna Cool Talc Active Deo: Emami has launched Navratna Cool Talc-Active Deo for summer. The unique blend of mint and camphor generates a cooling effect which rejuvenates the senses and keeps one vibrant and fresh throughout the day.



Boroplus Triple Action Light Moisturising Lotion: Boroplus Triple Action Light Moisturising Lotion is a revolutionary product endowed with preventive, curative and healing powers. It cools and refreshes the skin when applied and can be used in any season and at any time of the day. Its unique attributes include excellent perfume, easy absorption and non-sticky and non-oily features. The ingredients are fruits, sea minerals and active minerals.

Sitaro se chamke...

(Emami, trusted by celebrities)





emami* !

Brand ambassadors

Emami is recognised and identified with some of the most popular faces in India today. The positive recall catalysed sales, leading to attractive market status and share across its various products.

- * The Company's brand ambassadors comprised film and sports celebrities
- * The Boroplus Antiseptic Cream and Prickly Heat Powder brands are endorsed by icons like Amitabh Bachchan and Kareena Kapoor
- * Navratna Oil is endorsed by Amitabh Bachchan and Shah Rukh Khan throughout India and by Chiranjeevi, Surya and Upendra in South India
- * Navratna Cool Talc is endorsed by Shah Rukh Khan
- * The Fair And Handsome Cream ambassadors are Shah Rukh Khan and Surya
- * The Sona Chandi Chyawanprash brand ambassador is Shah Rukh Khan
- * The Himani Fast Relief ambassador is Amitabh Bachchan

Emami has a nationwide distribution dispersal of 28 depots and 4,00,000 retail outlets

Nukkad

(Emami, always round the corner)

Emami enhances convenience and consumption because it is never far away. Over the years, the Company widened and deepened its distribution network through the following initiatives:

- * Nationwide distribution dispersal of 28 depots and 4,00,000 retail outlets
- * The rural promotion of Emami products through Emami mobile traders, small village shops, alliances with ITC e-Choupal, IOC petrol pumps and the country's postal network
- * The urban promotion of Emami products through retail chains, malls, specialised distributors and small *kirana* stores
- * An agreement with the Gujarat government to market products through the state's fair price and ration shops

The result is that Emami posted a three-year 25% CAGR in its topline, higher than the industry growth.



nukkad pe... Emami!





International business

Desh ka naam roshan karta...**emami***!

(Emami, enhancing the nation's pride)

Even as India is one of the world's largest producers of FMCG products, FMCG exports account for a small share of the country's overall exports. Over the years, Indian companies focused on exports to the SAARC and GCC countries with similar lifestyle and consumption habits. Emami, however, looked beyond: it has concentrated on Russia and CIS and is one of the few Indian companies with a presence in the personal space in Russia.

The international cosmetic industry grew 5% during the year under review; mature categories were relatively stagnant while new categories in hair care, skin care and herbal / natural / organic cosmetics grew faster.

Emami's footprint extended across 60 countries which comprised a cluster of the SAARC, Gulf, African, European

and CIS countries. The Company's international business grew 12% in 2007-08, despite rupee appreciation against the USD. Exports contributed about 10% to revenues in 2007-08. The Company countered the decline in realisations through a reduction in packaging costs, superior raw material management, closer working with vendors and consolidation of key brands.

Highlights, 2007-08

- * The Navratna brand exports grew 80% and the Fair And Handsome brand exports grew 40%
- * In the GCC, the Company in 2007-08 tied up with strong distributors who focused on modern retail formats, stronger supply chain and distribution linkages. This is expected to grow the business in the Gulf
- * East Africa continued to be a strong market for Mentho Plus Balm and Naturally Fair. Mentho Plus emerged as the number two brand in its category in Kenya
- * Boroplus Cream continued to maintain its leadership position in Russia, CIS and SAARC countries

Going ahead, the Company intends to consolidate and enhance revenues of Fair And Handsome, Navratna and Boroplus in its focus market. It aspires to strengthen the positioning of its ayurvedic products, marked by growing demand and the Company's established leadership.

The Company will seek synergic strategic alliances, tie-ups, acquisitions and other opportunities in select international markets.



Corporate social responsibility

Bhavishya ujjwal karta... **emami***!

(Emami, a socially responsible entity)

At Emami, we extended our influence from our direct stakeholders (employees, vendors and customers) to the communities in which we work and live.

The community activities undertaken by the Company comprised a provision for the employment of the rural youth and women.

Emami's involvement: The Company instituted self-employment schemes for the rural population. Emami Mobile Traders (EMT) targeted rural youth while Emami Small Village Shops (SVS) contributed to the progress of rural women. The schemes comprised the following characteristics:

- Individuals were encouraged to enter business with the Company with amounts as small as Rs. 300 – with no deposit and the complete repurchase of all unsold stock
- They were supported by the slogan 'Sell worth Rs. 4,000 and earn a guaranteed income of Rs. 1,000'
- Individuals were trained in marketing skills
- The Company introduced the concept of a uniform and also

distributed raincoats, pullovers and cycles to eligible sales personnel

- They were also provided accident insurance cover and incentives for superior performance

The Company also sponsored medical treatments for the underprivileged, promoting health and happiness.

Emami's involvement: The Company introduced the following medical interventions:

- Emami National Institute for bone marrow transplantation in Bangalore under the supervision of Dr. Devi Shetty provides treatment to the needy at affordable costs
- Sponsored free or subsidised treatment for the poor at AMRI and Shree Vishudhanand Hospital and Research Institute in Kolkata
- Sponsored free treatment for TB, heart and cataract patients

The Company sponsored education and promoted ancient Indian art and culture.

Emami's involvement: The Company supported education and culture in the following ways:

- Promoted one-teacher schools through an NGO called Friends of Tribal Society
- Actively associated with prominent cultural organisations

Management discussion and analysis

The consumption-led economy

India is the second largest emerging market economy, fourth largest global economy and the second fastest growing economy. India emerged as a trillion-dollar economy in the first quarter of 2007-08 with its GDP hovering around USD 1,100 billion, graduating it to the elite list of 10 economic powerhouses to enjoy this distinction. By the end of the Eleventh Plan, India's annual GDP growth is expected to be in double-digits, reinforcing its position as an economic superpower. The country recorded an estimated GDP growth of 9% in 2007-08.

Indian economy (GDP)



There are a number of reasons supporting India's optimism story.

Population: The uninterrupted

population growth of the country indicates a sustainable increase in consumer demand, benefiting FMCG manufacturers. The 1.1-billion strong Indian population is growing annually at 1.19% [Source: *Businessworld*, April 7, 2008] and is expected to touch 1.33 billion by 2020-21.

Incomes: Incomes are rapidly rising in India, strengthening consumption prospects across various products, including FMCG. Indian salaries reported a double-digit hike of 14.5% for the fourth year running in 2007, the highest in the Asia-Pacific region [Source: *Hewitt Associates*]. The average Indian today is twice richer than in 1985 and in another 20 years, this pace is likely to accelerate; by 2025, per capita income is expected to almost treble from the 2005 level, graduating India from the 12th largest consuming economy to the fifth [Source: *McKinsey Global*]. Correspondingly, India's consumer market will grow to USD 8.2 trillion, raising the level of water for all FMCG companies.

In sync with industry dynamics

The Indian FMCG industry grew about 16% in 2007-08, almost twice the national GDP growth. Going ahead, the USD 17.36-billion Indian FMCG sector is projected to grow to USD 33.4 billion by 2015 [Source: *FICCI*].

Emami is attractively placed to capitalise on this transition. Just consider: personal care accounts for a 22% share of the country's FMCG pie. This is precisely one of the segments – accounting for a significant portion of the country's FMCG offtake – where Emami is present. Boroplus Antiseptic Cream is the market leader with a 73% market share; Navratna Oil is also a market leader with a 54% market share. Emami's other power brands are also either number two or three in their respective segments.

Around USD 9 billion of India's retail consumption is rural, a little more than half of the country's overall figure. Emami generated substantial revenues from India's rural markets through consistent capacity creation in distribution, supply chain, product customisation and value-for-money productisation. The Company added additional rural districts to its marketing footprint in 2007-08.

India's rural market represents a rich retail potential for some good reasons: 70 of 100 Indians live there, constitute a population of 790 million, equivalent to the size of a number of countries combined. However, only a marginal portion of this vast market is tapped by the FMCG companies. Going ahead, if Emami can capture even 5% of India's rural market, its revenues could increase significantly, indicating the potential of the market and

opportunity for the Company.

During 2007-08, the Indian FMCG sector invested Rs. 442.72 cr. in advertising and promotion. Emami invested aggressively in promotions and the launch of new products. To carve out a distinctive mindshare, the Company enlisted the support of leading national icons: Amitabh Bachchan, Shah Rukh Khan, Kareena Kapoor and Sunny Deol, as well as regional celebrities like Tamil superstar Surya and Bengal's ace cricketer Sourav Ganguly.

The Budget 2008 strengthened the overall FMCG industry sentiment through tax incentives pertaining to locational presence and overall infrastructure development. While Emami will leverage tax incentives to reduce costs, the national infrastructure development will translate into an increased number of malls where the Company's products will be merchandised.

To respond fittingly to this opportunity, the Company enlisted the consulting support of advisory firm Ernst & Young. Besides, the Project Navodaya will help Emami accelerate growth through distribution and working capital efficiencies.

Growth drivers

The FMCG industry is driven by the following realities:

Increasing households: The number of rural households using FMCG products increased from 136 million in 2004 to 143 million in 2007.

Higher incomes: Rural India's monsoonal dependence progressively declined due to better irrigation. Interestingly, around half of rural India's GDP is derived from non-agricultural activity, making the offtake of various products and services more stable. India's per capita income increased from Rs. 11,672 in 2003-04 to Rs. 24,321 in 2007-08. Rural India accounted for a 34% offtake of FMCG products and grew 17% in 2007 due to the following reasons:

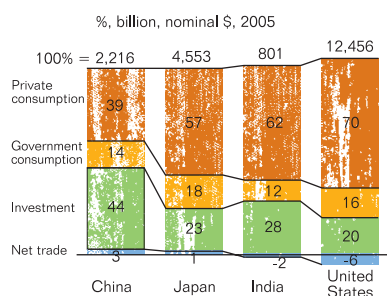
- **Rising aspirations:** Due to higher incomes and stronger television promotion, there is now a visible shift to higher-value branded products. A rise in disposable incomes has encouraged a higher spending on personal hygiene and grooming.
- **Demographics:** The FMCG growth in rural and semi-urban markets is catalysed by a decisive youth segment (estimated at 180 million), marked by a substantial increase in first-time earners. The Company responded to this reality through the launch of relevant products and endorsements by youth icons.

Retail boom: India's retail industry growth has grown FMCG volumes. The

Indian retail sector is dominated by more than 12 million small outlets – one of the highest in the world in any single country – even as there is a growing influence of the modern organised retail format (malls). Only 4% of India's retail industry is reportedly organised, limiting the reach of FMCG companies. With modern retail space now being commissioned faster than before and supermarkets, department stores and hypermarkets emerging as futuristic formats, Indian FMCG companies are partnering with retail outlets for distribution and last-mile advantages. The country is expected to have 400 malls by 2015 [Source: Cushman and Wakefield 2008], creating a vast potential for its FMCG sector. Emami products catered to both formats, leveraging value-for-money pricing through scale, efficiency, supply chain and distribution advantages.

Income-consumption cycle: The Indian FMCG sector is enjoying the positives arising out of a virtuous circle between consumption and income growth. India's lower level of investment relative to GDP reflects that consumption played a bigger role in the Indian growth story than other developing Asian nations. At 62% of GDP, India's consumption is proportionally closer to developed economies like Japan and the US.

India's consumption share of GDP is closer to Japan and the US than it is to China



Untapped rural areas: The government has invested more than USD 1 billion in Bharat Nirman, a four-year plan for strengthening India's rural infrastructure by building roadways, electrification, telecom and sanitation infrastructure. This will enhance rural employment opportunities and reduce the legacy dependence on agriculture. In turn, average household incomes in India are set to increase at 3.8% annually over the next 20 years.

Newer products: FMCG companies are focusing on key brands, cost efficiencies and rural markets, indicating market sophistication from the manufacturers and consumers' perspective.

Drivers of value

Sales and distribution

In the FMCG business, the most successful company is inevitably the one that is best dispersed. This makes it possible for companies to be proximate to consumers, resulting in the most effective capture of sales from different regions and products. During 2007-08, the Company strengthened its sales and distribution network through the following initiatives:

- * Opened three new depots in Varanasi, Siliguri and Jabalpur
- * Divided large areas into smaller territories for enhanced control
- * Introduced ASMs exclusively for metro towns like Hyderabad, Bangalore, Mysore, Mumbai, Kolkata and Chennai
- * Increased frontline salesmen and frontline supervisors for expanding direct coverage
- * Appointed managers for modern trade (new retail formats) accelerating mall sales; undertook mall promotions in metro cities
- * Tied up with the Indian Oil rural petrol pumps for extending its reach to untapped rural markets
- * Participated in the Sonapur mela, Meerut mela, Sravan mela, Rath Yatra and others for promoting products through demonstrations and activities
- * Provided professional training to frontline sales employees and assistant sales managers
- * Increased new channel activities such as Emami Mobile Traders and Emami Small Village Shops to enhance rural distribution. Jharkhand and Tamilnadu were the two new states where these activities were implemented

These initiatives translated into the following achievements: the Company widened its coverage through direct distributors, increased distributor strength to 2,700, sub-distributors to around 200 and van routes to around 450, resulting in a direct outlet coverage of 4,00,000 outlets. Revenues from modern trade increased by 107% and outlet coverage doubled to 2100.

Looking ahead, the Company expects

to widen its distribution network, increase direct outlet coverage to 6,00,000, deepen rural market coverage and create an energised marketing team that emerges as an industry model.

Drivers of value

Raw material management

In a world marked by volatile raw materials movement, their ongoing management is critical to protect profitability, generate adequate resources for reinvestment and sustain organisational growth.

Key inputs: At Emami, the principal raw materials during the year under review comprised petroleum-based LLP, vegetable oils (crude and refined til oil, rice bran oil) and agricultural products (herbs and menthol). Besides, the Company consumed commodities like sugar, mentha, gold and silver foil.

Costs: An unprecedented price rise in crude oil hardened the cost of petroleum-based LLP and vegetable oils as well as packaging material; a rise in the cost of raw materials like wax, menthol, soap stone powder, gold, herbs, etc. also increased input costs.

Hedging policy: The Company's price-based commodity hedging policy offset raw material cost fluctuations. For instance, an efficient mentha price discovery due to the delivery-based settlement system protected the Company from cost spikes.

Cost management: As opposed to an ad hoc and arbitrary response, the Company institutionalised its raw material cost management. The result was an intensive study of all existing cost influences, leading to proactive alterations and adaptations in raw

material sizes and specifications. This was reflected in the prudent use of input substitutes without affecting product yield or quality. For instance, the Company graduated to the use of alternative packaging plastic grades enjoying higher availability and lower costs. It switched from single blow mould to multi-cavity moulding, resulting in improved productivity and quicker bottle changeover.

Purchasing policy: As a deliberate strategy, the Company procured its raw materials from vendors in non-excisable areas i.e. Assam, Uttranchal and Himachal Pradesh at affordable costs. It leveraged its insight into global price-value opportunities through the timely import of nearly 12% of its total raw material requirements – micro crystal wax (MC wax), stearic acid, gultheriya oil (methyl salicylate), perfumes and liquid paraffin oil (LLP) – from China, Malaysia, Hungary, the US, UK and Germany, among others.

Vendor relationships: The Company created a dedicated vendor community in non-excisable zones, protecting its interests through assured offtake. It graduated from a multi-vendor to single-vendor focus within plant proximity, reducing freight. Consequently, inventory costs declined and working capital efficiency improved.

Farm forestry: The Company engaged in farm forestry initiatives to secure its raw material requirements of herbs in Orissa, UP and MP. Going ahead, this backward integration will protect the Company during volatile commodity periods.

Going ahead, the Company intends to institute a green channel system of

star suppliers where the quality assurance will be completed at the vendor's site, making it possible for the raw material to be sent directly to the Company's production line. Besides, the Company expects to counter raw material cost increases with a corresponding cost reduction through the use of alternative inputs and packaging adaptations.

Drivers of value

Operations

In a business marked by competitive margins, there was an ongoing priority to leverage operational efficiency and circumvent rising costs.

The Company responded through a number of initiatives: an increase in the number of manufacturing plants as well as an increase in their respective production capacities, an increasing preference to manufacture in tax-free zones, focus on operational efficiency, vendor proximity to production units, absorption of upgraded technologies and superior working capital management.

Tax benefits: The proportion of Emami's products manufactured in no-tax zones increased to around 80% as the Company strengthened its manufacturing presence in non-taxable zones.

Expansion: Emami is investing Rs. 40 cr in a new plant at Abhoypur (Guwahati), a tax-free zone. The Company enlarged the capacities of its other manufacturing units as well.

Contract manufacturing: The Company outsourced the production of talcum powder from units located near raw material manufacturing units, saving freight, capital investment and manpower.

Going ahead, the Company will continue to benchmark its cost management with the most demanding parameters like waste reduction, new technology, wider manufacturing base and graduation from single-cavity to multi-cavity equipment (reducing labour and processing time).

Drivers of value

Quality

At Emami, the principal objective of the quality agenda is to provide customer delight — every time.

This is particularly relevant in a business where a multitude of products are used every minute across several regions in various countries. These personal and health care products must be manufactured with a responsibility that makes their use safe, benign and effective.

At the Company, this quality commitment was the result of an overarching quality agenda – covering mindset, processes, inputs, vendors, products and standards. The result was, quality began from product conceptualisation and ended with the proof of our efficacy, months after the products had been manufactured.

A thorough check: The materials received at the factory were comprehensively sampled, checked against specifications and accepted only after addressing the required standards. The handling of these materials and their onward use for manufacture were supervised by qualified technical personnel and documented.

The Company's products were subjected to quality checks – on-line and terminal checking – during packing through sophisticated equipment. The

finished goods were released for dispatch only after satisfactory final checking against quality parameters.

As a result, quality endorsement by customers increased, resulting in stronger product acceptance and increased market share.

Quality initiatives: The Company's quality systems were reinforced through the following activities:

- * Workforce training leading to enhanced accountability and robustness
- * String systemic control using standard operating procedures and instructions for all activities
- * Continuous systemic monitoring through audit observations, corrective and preventive actions

Our certifications: Emami units were ISO 9001:2000 certified and HACCP and GMP-compliant.

Going ahead, the Company expects to deliver better products through training across different product categories and the use of quality tools in problem-solving.

Drivers of value

Human resource

In a business where the cost of quality lapses could be significant, recurring and enduring, Emami focused on right recruitment, training, encouragement, empowerment and retention.

Recruitment: The Company strengthened its recruitment through the following initiatives: a referral scheme where an employee could refer acquaintances for a vacancy in the organisation; the use of placement consultants for plugging organisational

vacancies; the use of the intranet (Encarna) for posting departmental vacancies; direct recruitment from business school campuses like IISWBM, Army Institute of Management, Globsyn Business School, etc. and from colleges affiliated to the Calcutta University; the creation of the Company's website to prepare a comprehensive database of potential candidates.

Training: Emami conducted various functional and motivational training programmes such as communication skills, self-development, information technology and SAP, among others.

The internal training was conducted by functional experts. The external training programmes for 2007-08 were imparted by experts from management schools and consultancy firms. The outdoor training was conducted quarterly through informal camping trips and yoga camps, among others, focusing on the softer aspect of professional growth aligned with organisational goals. Spiritual training – Art of Living, Brahmakumari's session, etc. – facilitated stress management and work-life balance. Informal coaching helped the Company understand employees with greater clarity, leading to better inter-personal workplace relationships. Emami sponsored employee to attend one-year programmes at reputed management institutes like IIMs.

Going ahead, the Company expects to strengthen HR standards through a greater empowerment of the HR across the organisation.

Drivers of value

Information Technology

In a business that demands informed decision-making as a response to a business presence across 28 states in India and 60 countries, there is a growing priority on information availability in an online/real-time mode.

Emami invested in a comprehensive information backbone, reflecting visibly in supply chain and working capital efficiencies. Besides, the SAP ECC 5.0 implementation project Udaan in the Company was rated as one of the top 10 studies in innovation in India by IBM.

Infrastructure: The Company invested in a robust IT infrastructure comprising large enterprise servers (IBM), state-of-the-art LAN (CISCO products) and WAN communication system using leased lines and VSATs. This made it possible for information to be transferred and accessed across 36 Emami locations throughout India. The Company instituted HR payroll software, MS project management, among others. It expects to complete 2nd phase of SAP implementation in 2008-09 through the active involvement of the core team and strong implementation partners.

Rationalising costs: The Company's IT system seamlessly integrated business partners – distributors and suppliers – into the organisation, reducing supply chain costs. The implementation of supply chain optimisation tools in 2008-09 will facilitate cost-effectiveness, better production scheduling and quicker dispatch, helping the Company leverage available resources better. In

turn, this will make the Company more competitive and enable it to capitalise on market opportunities faster.

Vendor relationships: The Company is extending its IT network to cover suppliers and distributors; the distributor will benefit from a greater say in what needs to be dispatched by the distribution outlet. This will evolve the distribution from 'push' to 'pull', translating into inventory efficiencies from the distributor stock point to the CFA [carrying and forwarding agents] and respective manufacturing locations. These, in turn, will generate a stronger return on invested capital for the distributor. Besides, access to the daily secondary sales data (from the distributor to the retailer) will translate into higher accuracy in forecasting and demand planning. The Company initiated a pilot-run programme for the automation of secondary sales, strengthening supply schedule transparency and delivery timeliness.

Going ahead, the Company intends to implement a disaster recovery management system that guarantees 100% uptime. It also aims to integrate SAP ECC 5.0 with bar code or Radio Frequency Identification (RFID); mobile or wireless devices for sales force automation will enable the ready availability of relevant information.

Drivers of value

Research and Development

In a business where consumer needs continuous change all the time, there is a growing emphasis on leveraging the power of research and development to create new products and categories.

Philosophy: To conduct pharmaceutical, pharmacognostical, pharmacological and clinical evaluation of innovative herbal concepts and products for creating best quality products on international parameters.

People: The Company's research and development team comprises qualified professionals from fields like cosmetics, nutraceutical, etc. as well as reputed Ayurveda experts 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 Dr. Pawan Sharma (MD-Ayurveda and gold medallist).

Emami established the Himani Ayurvedic Science Foundation, which is a state-of-the-art Kolkata-based research hub focused on new product development, promoting ayurveda as an effective medicinal science, developing effective and innovative ayurvedic products, improving the efficacy of existing products and processes and developing material and testing protocols.

Our focus: Besides focussing on product development and process improvement, the Company continuously endeavours to provide a culture of innovation and efficacy through research, training, seminars, workshops and involvement of people across departments.

Achievements in R&D, 2007-08

Emami received recognition from DST/CSIR (Department of Science and Technology/Council of Scientific and Industrial Research), Delhi, for its in-house research and development activities.

The Company conducted complete research on 20 new products and launched products like Keshkala, Navratna Extra Thanda Oil, Navratna Oil Lite, Malai Kesar Cold Cream and Hair Life.

It conducted Vaidya conferences across India to communicate our research capabilities.

Also received an approval of Good Manufacturing Practices from Drug Control, Government of West Bengal. It conducted clinical research across India and developed a wide range of ethical and healthcare products.

The Company conducted various surveys to evaluate consumer psychology and feedback in concepts and products, identifying suitable targets and modes.

Going ahead the Company intends to take the following initiatives:

Strong revenue growth to continue:

The Company expects to generate moderate growth in revenues, through new categories, products, SKUs and brand extensions.

New products to drive growth:

The Company expects to invent new categories as it did with men's grooming and toiletries. It will respond to evolving lifestyle and increasing stress by developing effective healthcare Ayurvedic medicines.

Risk management

There are a number of risks that influence Emami's business. The Company has responded with a risk-management approach to mitigate them and maximise returns. This approach reconciles vigilance, evaluation and action, ongoing reporting and control. This risk mitigation conforms broadly with the Company's direction, credit rating and risk appetite.

1 Industry risk

The Indian FMCG industry may fail to sustain its growth.

Risk mitigation

This is improbable considering the vast population, growth in aspirations and the relative FMCG under-penetration in the country. This is reflected in the numbers: the Indian FMCG industry grew by 16% in 2007-08 [Source: FICCI] compared with 14.5% in the

previous year. This growth is likely to sustain due to rising consumer demand, fiscal incentives, better branding, improved productisation, strengthened product mix, robust distribution, quicker reinvestment and inorganic initiatives.

2 Raw material risk

The Company might not be able to hedge against increasing raw material prices amid an unprecedented commodity boom.

Risk mitigation

The Company adopted a price-based commodity hedging policy to offset raw material cost fluctuations. During 2007-08, the Company engaged in efficient price discovery of mentha due to the delivery-based settlement, hedging successfully against an increase. The Company expects to leverage this experience across other

commodities to protect itself from volatile raw material movements. The Company's effective cost-management system also reduced costs through a prudent change in specifications, sizes and dimensions of raw materials as well as the introduction of substitutes. Despite an increase in raw material costs, the Company protected its raw material budget for the year under review.

3 Innovation risk

The time lag between the introduction of a new product and its market saturation is ever declining. This makes continuous innovation absolutely imperative.

Risk mitigation

The Company accelerated product and sub-category innovation. This was reflected in the introduction of the Fair and Handsome Fairness Cream for men, which captured a significant market share within months of launch. Subsequently, the Company extended the appeal of its fairness cream through the launches of 'Fair and Teen' and

'Fair and Ageless' for women consumers. The Company was the first to introduce a summer variation of chyawanprash named 'Amritprash'. It introduced the successful 'Emami Malai Kesar Cold Cream' that doubled up as a sunscreen. The revenues from products launched in the three preceding years amounted to a fair 15% of the domestic sales in 2007-08.

4

Quality risk

Any inconsistency in product quality can impact the brand, resulting in consumer action and lower profitability.

Risk mitigation

The Company invested in stringent quality control processes and practices in line with ISO 9001:2000 and WHO-GMP standards, protecting quality from a comprehensive perspective (vendor appraisal to raw material quality to process discipline and end-product appraisal). The Company's products are benign with no side-effects. The result is that Emami's products are used across 60 countries with an extended shelf life.

The Company's processes are internationally benchmarked to quality certifications like the ISO 9001:2000 and cGMP. It is a member of Quality Circle Association of India. The R&D department of the Company has been certified by CSIR (Council for Scientific and Industrial Research) and ISM (Indian System of Medicine). The increase in the Company's market share for all its top brands and the three-year CAGR of 25% in topline vindicated its superior quality standard.

5

Brand risk

The brand of Emami could be affected by the increased clutter of a competitive FMCG marketplace.

Risk mitigation

The Company strengthened its top-of-the-mind recall through accelerated product introduction, wider distribution presence, extensive print and electronic media advertising (prime time),

endorsements by celebrities from the Hindi, Tamil and Bengali film industries and an attractive product packaging. The result is that the Company's brand enjoys an attractive recall in the mid-market segment.

6

Competition risk

Competition in India's FMCG sector is growing.

Risk mitigation

Emami has historically invested in mass appeal value-for-money products catering to the growing needs of customers in the middle and bottom end of the consumption pyramid. This segment, marked by high margins and high promotion costs, is populated by

few organised FMCG players. As an effective hedge against competition, the Company accelerated the introduction of new products. It invested in an IT backbone to accelerate informed decision-making. The result was a market share of almost all its power brands in 2007-08.

7

Consumer risk

The Company's inability to supply the right product at the right time could lead to a shift in consumer loyalty.

Risk mitigation

The Company possessed a balanced customer portfolio comprising reputed institutions like Canteen Stores Department, Border Security Force and millions of off-the-shelf retail clients. It possessed 2,700 distributors and

dealers as well as 200 sub-dealers and around 4,00,000 retailers. This complement of the Company's product quality, pricing range, distribution, pricing and availability, strengthened repeat offtake.



Shareholder ki poonji badhaata...**emami***!

(Emami, enhancing shareholder value)

Over the years, Emami has significantly increased shareholder wealth by catering to the domestic and the international customers through the launch of superior products, enhancing their delight.

Economic value-added

The financial performance, based on the residual wealth, is calculated by deducting the cost of capital from operating profit (adjusted for taxes on a cash basis). Also referred to as 'economic profit', EVA is expressed by a simple formula of net operating profit after taxes (NOPAT) – (capital x cost of capital).

In 2007-08, the Company enhanced value for its shareowners as demonstrated by the economic value-added parameter, a modern value measurement benchmark.

The Company reported an EVA (devised by Stern Stewart & Co.) of Rs. 37 cr in 2007-08 – the surplus reported by the Company after accounting for its cost of funds (debt and equity). This EVA measure grew by 48% in 2007-08 over that of the previous year, on account of the following realities:

- * High operating profit through efficient resource utilisation
- * High interest cover of over 16 times
- * Decline in raw material consumption as a proportion of net sales from 43.8% in 2006-07 to 42.5% in 2007-08
- * Increase in the return on capital employed (ROCE) by 247 basis points over that of the previous year
- * Cost rationalisation across all functions

Return on equity

The Company also enhanced value in terms of shareholder returns in 2007-08, increasing the ROE by 336 basis points.

ROE (%)



Return on investments made in public issue in March 2005

The Company enhanced shareholders' returns by more than 300% over a period of three years based on a rise in share price from Rs. 70 in March 2005 to Rs. 300 in May 2008.

EVA (Rs. lacs)



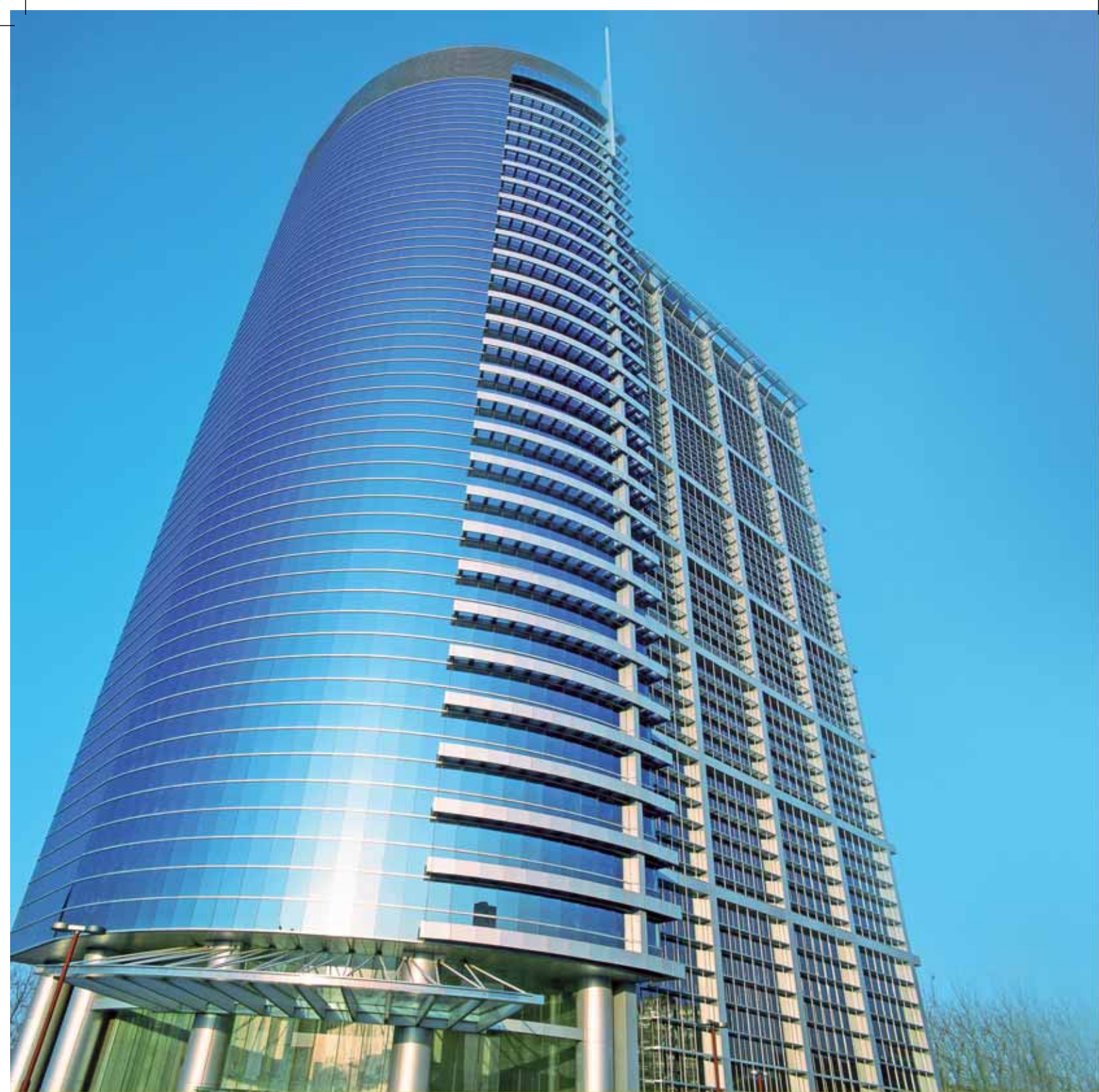
EVA as a % of capital employed



Return on investments to initial investor

The maiden public issue of Emami was subscribed in 1979-80 and capital was raised to Rs. 16 lacs. Thereafter, shareholders were offered rights shares in the ratio of 1:1 in 1983-84 and then again in 1987-88. Shareholders were further given seven shares in lieu of one, following the amalgamation with AMP Udyog Ltd. Thereafter, the shares of Rs. 10 each were split into shares of Rs. 2 each followed by a bonus issue (1:1) in March 2004.

Accordingly, a subscriber of 100 shares in 1979-80 is a proud owner of 28,000 shares today. The holdings of the original subscriber (who had availed of the rights offer having invested Rs. 4,000 for 28,000 shares during 1980 to 1988) are now valued at Rs. 84 lacs as per the prevailing market price of Rs. 300 (as on May 28, 2008).



Emami Realty

Oonchi imaaratein banaata...emami*!

(Emami, now a real estate name)

The Indian real estate sector, estimated at USD 15 billion, is growing annually at 35% on account of economic growth, favourable demographics and liberalised foreign direct investment environment. Emami, with 31 projects, is attractively positioned to capitalise on this industry opportunity.

Industry reality

India's real estate market has emerged as a prominent consumption and investment destination for a number of reasons: economic growth, increasing aspirations, multiple choices, growing families, dispersed employment opportunities and nuclear families. These social realities have strengthened the demand for residential, official and retail space, catalysing the growth of India's realty industry.

As a result, India's booming realty industry will attract around USD 30 billion FDI over 10 years with a 30% annual growth [Source: Assocham]; the industry is expected to grow from USD 15 billion to USD 102 billion during the period [Source: Assocham].

Residential: Currently, there is a dearth of 24.71 million dwelling units in India of which urban India alone needs 12 million dwelling units with the scope for 400 townships in five years, across 30-35 cities. There will be a demand of over 24.3 million new dwellings in urban India alone by 2015.

Consequently, this segment is likely to offer huge investment opportunities.

An estimated USD 25 billion investment will be required over the next five years in urban housing [Source: Merrill Lynch].

Commercial: India's booming information technology sector, especially the business process outsourcing industry, projects a demand for 200 million sq. ft and 20 million dwelling units. Besides, India's retail revolution, growing at 30% annually, is catalysing realty growth; Assocham estimates that around 30 million sq. ft of organised retail space is currently available in India, while another 90 million sq. ft is likely to be added by 2008, with over 265 planned mall projects [Source: Assocham].

Following market saturation across metros like Delhi, Mumbai and Bangalore, Tier-I and Tier-II cities are fast emerging as realty hubs, transforming the face of modern India.

Emami's response

Capitalising on the industry buoyancy, Emami embarked on the realty sector with ambitious plans. The Company enjoys multi-locational project

experience, industry respect and a balanced income mix (short-term development income and long-term lease).

Emami's realty business model entails leveraging available resources of the Company and also derisking the projects through joint ventures and development agreements.

Emami Realty and its joint venture partners undertook 31 projects:

- * Four IT parks, two shopping malls, one residential by plotting, 17 residential, four mixed and three commercial complexes across Kolkata, Hyderabad, Coimbatore, Ahmedabad and Chennai
- * Total estimated construction of around 17 mn sq.ft.
- * 70% of the projects expected to commence in FY 2008-09 and completed within three years time

Going ahead, Emami Realty will focus on accelerated real estate development across India, reconciling superior design, architecture, intellectual capital and green technologies.



Emami Tower, Kolkata



Samaaj ki izzat paata ... **emami**!

(Awards and Accolades)

As Emami grew, its accomplishments were increasingly being acknowledged.

* In 2007, the Company was conferred the Institute of Cost and Works Accountants of India (ICWAI) Award for Excellence in Cost Management, in the category of Private Sector – Manufacturing Organisation. This ICWAI award was given to Emami by the Hon'ble Union Minister for Corporate Affairs, in May 2008

* Boroplus was ranked 87th in the Most Wanted Brands, by *The Economic Times*, Brand Equity survey

10 Year Highlights

Rs. in Lacs

PARTICULARS	2007-8	2006-7	2005-6	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0	1998-9
A OPERATING RESULTS										
Net Sales	58,371	51,580	40,915	30,203	27,735	27,935	24,728	23,596	14,719	10,808
EBIDTA	9,868	6,897	5,310	3,472	2,598	2,504	2,857	2,862	2,109	1,261
PBT	10,493	7,449	5,158	3,222	2,541	2,148	1,797	2,079	1,786	1,002
PAT	9,275	6,592	4,948	2,992	2,203	2,029	1,712	2,069	1,706	992
Dividend including Tax	3,272	2,853	1,395	697	190	158	129	160	162	128
B FINANCIAL POSITION										
Fixed Assets (Net Block)	9,129	8,129	5,050	4,974	4,712	3,352	3,185	2,554	1,666	1,291
Current Assets, Loans and Advances	22,961	15,891	14,136	11,821	11,487	10,067	10,465	11,407	5,996	3,913
Current Liabilities & Provisions	9,448	6,096	5,739	2,875	2,418	1,517	895	642	682	643
Net Current Assets	13,513	9,795	8,397	8,946	9,069	8,550	9,570	10,765	5,314	3,270
Liquid Investments	8,000	6,500	8,000	4,700	-	-	-	-	-	-
Other Investments	2,297	1,318	1,409	1,159	1,159	1,193	1,187	620	214	1,623
TOTAL ASSETS	32,939	25,742	22,856	19,779	14,940	13,095	13,942	13,939	7,194	6,184
Share Capital										
– Equity	1,243	1,243	1,243	1,243	1,143	582	582	582	562	562
– Preference	-	-	-	-	-	-	-	250	250	250
Reserves & Surplus	27,657	21,699	17,959	14,405	8,976	7,374	5,673	4,295	1,653	3,133
Equity Shareholders' Funds	28,900	22,942	19,202	15,648	10,119	7,956	6,255	4,877	2,215	3,695
LOAN FUNDS	3,826	2,542	3,369	3,625	4,364	4,775	7,401	8,812	4,729	2,239
Deferred Tax (Net)	213	258	285	506	457	364	286	-	-	-
CAPITAL EMPLOYED	32,939	25,742	22,856	19,779	14,940	13,095	13,942	13,939	7,194	6,184
C KEY RATIOS										
Return on Shareholders' Funds(%)	32.09	28.73	25.77	19.12	21.77	25.50	27.37	42.42	77.03	26.85
Return on Capital Employed(%)	28.16	25.61	21.65	15.13	14.75	15.49	12.28	14.84	23.71	16.04
Debt - Equity Ratio	0.13	0.11	0.18	0.23	0.43	0.60	1.18	1.81	2.14	0.61
Total Outside Liabilities to Net Worth	0.46	0.38	0.47	0.42	0.67	0.79	1.33	1.94	2.44	0.78
Net Profit Margin	15.89	12.78	12.09	9.91	7.94	7.26	6.92	8.77	11.58	9.18
Cash Profit Margin	17.14	13.68	13.78	10.96	8.91	8.02	7.66	9.25	12.31	10.57
Interest Cover	(7.29)	(6.78)	(9.89)	(51.06)	(12.25)	17.15	3.25	4.27	9.72	11.57
D EQUITY SHARE DATA										
Earnings per Share (Rs.)	14.92	10.61	8.09	5.23	3.93	3.31	3.05	3.69	3.04	1.77
Dividend per Share (Rs.)	5.27	4.59	2.28	1.14	0.34	0.28	0.20	0.22	0.22	0.17
No. of Shares (In Lacs)	621.45	621.45	611.50	611.50	561.50	56.15	56.15	56.15	56.15	56.15
Book Value per Share (Rs.)	46.50	36.92	31.40	25.59	18.02	14.17	11.14	8.69	3.94	6.58

Note :

- 1 With J. B. Marketing and Finance Limited merging with the Company with effect from April 1, 2006, figures for 1999-2000 and thereafter includes J. B. Marketing and Finance figures also for comparison
- 2 Reserves and Surplus and Fixed Assets are exclusive of Intangible Assets

Our Board of Directors

1. Shri Radhe Shyam Agarwal, *Executive Chairman*, 62, is a Chartered Accountant, Company Secretary and LLB. Started career as a senior executive of the Birla Group. Started a joint venture with Shri R.S. Goenka by setting up an ayurvedic medicine and cosmetic manufacturing unit in Kolkata, West Bengal. Eminent industrialist with experience in strategic planning, corporate affairs and finance. Board member of several companies like Emami Paper Mills Limited, Emami Realty Limited, Advance Medicare & Research Institute Limited, Susruta Clinic & Research Institute for Advance Medicine Pvt. Limited, South City Projects (Kolkata) Limited, Bengal NRI Complex Limited, Rupa & Co Limited, Committee Member of Shree Vishudhanand Hospital & Research Institute, Nagrik Swastha Sangha and the trustee of Emami Foundation, Maa Foundation and Banshilal Janki Devi Agarwal Trust. Served Director on the Board of the West Bengal Industrial Development Corporation and president of MCC.

2. Shri Radhe Shyam Goenka, *Director*, 61, is an M.Com and LLB. Started career in 1970 with the Birla Group of Industries. Expert in taxation, strategic planning, corporate affairs and financial planning. Started a joint venture with Shri R. S. Agarwal by setting up an ayurvedic medicine and cosmetic manufacturing unit in Kolkata, West Bengal. Board member of several companies such as Emami Paper Mills Limited, Susruta Clinic & Research Institute for Advance Medicine Pvt. Limited, Advance Medicare & Research Institute Limited, South City Projects (Kolkata) Limited, Khaitan (India) Limited and others. Trustee in Emami Foundation, Maa Foundation, Shree Vishudhanand Hospital Trust, Keshardeo Ratni Devi Goenka Trust, Banshilal Janki Devi Agarwal Trust and Bhagatram Charitable Trust. Chairman (Research & Seminar) of Shree Vishudhanand Hospital & Research Institute and committee member of Shri Shikshayatan Secondary School, Nagrik Swastha Sangha and the Indian Cancer Society.

3. Shri Sushil Kumar Goenka, *Managing Director*, 52, is a commerce graduate, who joined the Emami Group following graduation. Rich industry experience. Secretary of Aradhana Trust, Vishwa Jagriti Mission Trust (Kolkata) and Vivekananda Hospital and Research Centre, Kolkata. Former president of the Lions Club of North Calcutta and a member of Shri Ramkrishna Matrimangal Pratishtan, Ariadaha.

Drives production, operation, human resource management, distribution and public relations of Emami Limited.

4. Shri Viren J. Shah, *Director*, 82, is an AMP from the Harvard Business School, USA, with a special expertise in general business management. Served as West Bengal Governor from December 1999 to December 2004. He was the Chairman of Mukund Limited for 27 years. Former President of ASSOCHAM, IMC and other associations. Member of the Parliament for 16 years in the Lok Sabha and Rajya Sabha and of several parliamentary committees. Served as a Director on the Boards of several companies, besides being a member on the Board of Trustees of the Asiatic Society. Non-Executive Independent Director of Emami Limited.

5. Mr. K.N. Memani, *Director*, 69, is a senior chartered accountant. Former Chairman and country managing partner of Ernst & Young, India. Was the member of Ernst & Young Global Council for a decade. Specialises in business and corporate advisory, foreign taxation, financial consultancy, etc. and is consulted on corporate matters by several domestic and foreign companies. Was associated with several MNCs establishing businesses in India. Member of several Boards of public and private limited companies. Chairman of the Audit Committee and other committees in DLF Limited, Hindustan Times, ICICI Venture Funds Management Company Limited, HEG, Indo Rama, NEI, Aegon, etc. Former member of the Expert Committee constituted by the Ministry of the Company Law for the amendment of the Companies Act for two consecutive years. Served in the External Audit Committee (EAC) of the International Monetary Fund and was appointed the Chairman of EAC for 1999-2000 — the only Indian appointed in this committee by the IMF. He is Chairman of Quality Review Board constituted by Ministry of Company Affairs. Associated with various chambers of commerce. Former president of the PHD Chamber of Commerce and Industry, former Chairman of the American Chamber of Commerce in India, former President of FIEO and Indo-American Chamber of Commerce. Member of managing committees of the PHD Chamber of Commerce, Assocham, FICCI, American Chamber of Commerce, Indo-American Chamber of Commerce, Foundation for Innovation and Technology Transfer and IIT, Delhi.

6. Shri Shrawan Kumar Todi, *Director*, 67, is an M.Com. Chairman of the Shracchi Group of Companies and Board member of Advance Medicare & Research Institute Limited, Bengal NRI Complex Limited, Bengal Shracchi Housing Development Limited, Bengal Tools Limited, Emami Paper Mills Limited, Bhaskar Shracchi Alloys Limited, South City Kolkata Projects Limited, Khaitan (India) Limited, Pratidin Prakashani (P) Limited, Shracchi Securities Limited and Web Development Company Limited, among others. Member of the managing committee of Associated Chamber of Commerce and Industries, New Delhi, Executive Committee Member of Merchants' Chamber of Commerce (MCC) and the Chairman of the Development Committee of Marwari Hospital. Trustee of Manovikas Kendra Rehabilitation & Research Institute for handicapped, a government body. Non-Executive Independent Director of Emami Limited.

7. Shri Shyamanand Jalan, 74, is a commerce graduate and LLB. Attorney and member of the Incorporated Law Society, India, and the Bar Council of India. Authority in real estate, property matters, finance and infrastructure projects. Won prestigious National Awards. Former Vice-Chairman of the Central Sangeet Natak Academy. Formal Chairman of the Science City and the Birla Industrial & Technological Museum. Director of many other prominent companies. Non-Executive Independent Director of Emami Limited.

8. Shri Krishna Kumar Khemka, *Director*, 75, is a science graduate. Set up many mega projects in the fields of tyres, pulp and paper, heavy chemicals, etc. Former Chairman of the Indian Paper Mills Association, former president of the Rotary Club of Calcutta, Indo-American Chamber of Commerce, Indo-Italian Chamber of Commerce, etc. Committee member of the Bharat Chamber of Commerce and associated with other chambers. Honorary Consul General of the Philippines. Served as a Director of several companies with around 40 years of industrial experience. Associated with many cultural organisations like Anamika

Kala Sangam, Sangeet Kala Mandir, Padatik, etc. Non-Executive Independent Director of Emami Limited.

9. Padmashree Vaidya Suresh Chaturvedi, *Director*, 80, is a Kaviraj, Ayurvedacharya, BIMS and MAMS. Held key positions in the Rastriya Ayurveda Mandal, India Academy of Sexology and the Indian Association of Traditional Asian Medicines. Member of Occult India, All India Ayurveda Congress, Medvisa International, Bharata Kalyan Manch and the National Institute of Ayurveda. Honorary physician to the Governor of Maharashtra, consultant physician of the Bombay Hospital. Awarded the Padmashree by the Government of India and the Bharat Nirman Conference on alternative medicines. Authored authoritative articles in leading newspapers and wrote books on diet and health. Non-Executive Independent Director of Emami Limited.

10. Shri Mohan Goenka, *Wholetime Director*, 35, is a commerce graduate with an MBA from UK. Director of several companies. Possesses extensive knowledge and experience in marketing and brand development. Vice-Chairman of the Marketing Committee of the Confederation of Indian Industry (CII), eastern region. Member of the Merchants' Chamber of Commerce (MCC) and Young Entrepreneur Organisation, an international forum of entrepreneurs.

11. Shri Aditya Vardhan Agarwal, *Wholtime Director*, 33, is a commerce graduate. Director of several companies. Extensive knowledge and experience in marketing and brand development. Past Ex. Director, Committee Member and Chairman (FMCG) of ASSOCHAM, vice-president of West Bengal Basketball Association and an advisor of the Academy of Ayurvedic Doctors of India, Kolkata.

12. Shri Harsh Vardhan Agarwal, *Wholetime Director*, 31, is a commerce graduate. Possesses extensive knowledge in marketing and brand development and served as a Director of several companies.

Corporate Governance Report

Company's Philosophy on Corporate Governance

At Emami, corporate governance has always been a focal point of attention with emphasis on the complete well-being of all constituents. Good corporate governance encompasses law, procedures, practices and implicit rules that determine the management's ability to take sound and informed business decisions to maximise shareholders' value on a sustained basis and at the same time looking after the interest of other stakeholders. The Company has endeavoured to make corporate governance a way of life through the formation of a Board comprising reputed experts. The Company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability, integrity and equity in all facets of its operations and in its interaction with stakeholders.

The objective of good corporate governance in global consensus is maximising the shareholders' value in long term. In this pursuit, the Company's objective and that of its management and employees is to manufacture and market its products in such a way as to create a value that can be

sustained over the long term for the consumers, shareholders, employees, business partners and the national economy. At the same time, your Company also ensures full compliance to regulatory disclosure requirements. The Company is resolutely dedicated to the attainment of growth by complying with the highest national and international standards of corporate governance.

Board of Directors

Composition of Board

As on March 31, 2008, the Board of Directors of Emami Limited comprises 12 Directors, an Executive Chairman, a Managing Director and three Executive Directors. There are seven Non-Executive Directors incorporating six Independent Directors.

Number of Board Meetings and attendance therein

The Board of Directors held four board meetings during the year on June 29, 2007, July 31, 2007, November 1, 2007 and January 31, 2008. The maximum gap between any two meetings did not exceed four months.

Composition, attendance of the Directors at the board meeting and the last Annual General Meeting, outside Directorship and Board Committee

Sl No	Name of the Director	Category	No. of board meetings attended during the year	No. of outside Directorship	No. of outside committee positions held	Attendance at the last AGM
1	Shri R. S. Agarwal (Chairman)	Promoter Executive	4	14	Member - 1	Yes
2	Shri R. S. Goenka	Promoter Non – Executive	3	16	Member –3 Chairman–1	Yes
3	Shri S. K. Goenka (Managing Director)	Promoter Executive	4	6	-	Yes
4	Shri Viren J. Shah	Non – Executive Independent	1	-	-	No
5	Shri K N Memani	Non – Executive Independent	2	14	Member- 6 Chairman -5	No.
6	Shri S. K. Todi	Non – Executive Independent	3	24	Chairman - 2	Yes
7	Shri S. N. Jalan	Non – Executive Independent	3	12	Chairman – 1	No.
8	Shri K. K. Khemka	Non – Executive Independent	4	6	-	Yes.
9	Vaidya Suresh Chaturvedi	Non – Executive Independent	3	-	-	No
10	Shri Mohan Goenka	Promoter Executive	4	4	-	Yes
11	Shri A. V. Agarwal	Promoter Executive	3	15	-	Yes
12	Shri H. V. Agarwal	Promoter Executive	3	4	-	Yes.

Information placed before Board of Directors

As required under the Clause 49 of the Listing Agreement, all the information are regularly provided to the Board as a part of the agenda papers, well in advance of the board meetings.

Code of Conduct

The Board has adopted a Code of Conduct for the members of the Board and the Management Committee in compliance with the provisions of Clause 49 of the Listing Agreement. The said Code of Conduct has been displayed 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 the members of the Board and committees and all the employees' have complied with the provisions of this Code. A declaration signed by the CEO in this regard is annexed at the end of this report.

Committees of the Board

Emami Limited has four Board level committees- the Audit Committee, the Remuneration Committee, the Share Transfer and Shareholders' / Investors' Grievance Committee and the Executive Committee.

Audit Committee

The Audit Committee comprises three Non-Executive Directors of whom two are Independent Directors. All the members have accounting and financial management expertise. Shri S. K. Todi, Chairman of the Committee is knowledgeable in finance, accounts and laws and has vast experience in corporate affairs. Shri A. K. Joshi, Company Secretary, is the Secretary of the Committee. The Committee held four meetings during this year and the gap between two meetings did not exceed four months.

Following is the attendance of the members at the meetings:

Name of the member of the Committee	No. of meetings attended
Shri S. K. Todi –Chairman	4
Shri R. S. Goenka	3
Shri K. K. Khemka	4

The meetings were held on June 28, 2007, July 31, 2007,

November 1, 2007, and January 31, 2008.

The functions of the Committee includes:

- ◆ Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- ◆ Review of the quarterly, half-yearly and annual financial statements before submission to the Board
- ◆ Reviewing with the management, external and internal auditors, the adequacy of internal control systems
- ◆ Reviewing the adequacy of internal audit function
- ◆ Reviewing the Company's financial and risk management policies.
- ◆ 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

The Remuneration Committee comprises three Non-Executive Independent Directors and Shri A. K. Joshi as its Secretary.

The Committee evaluates, recommends, and approves to the Board, the remuneration of the Executive Directors to bring about the objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

During the year under review, the Committee held three meetings on June 28, 2007, November 01, 2007 and January 28, 2008.

Name of the member of the Committee	No. of meetings attended
Shri K.K.Khemka	3
Shri S.N.Jalan	3
Shri S.K.Todi	3

Remuneration Policy

The Remuneration Committee takes into account experience, qualification and prevailing industry practices before giving its recommendation to the Board. On recommendation of the Remuneration Committee, the Board decides remuneration to be paid to Executive Directors, subject to approval of shareholders in terms of provisions of the Companies Act,

1956, read with Schedule XIII thereof. The Committee aims towards rewarding, on the basis of performance, reviewed on a periodical basis.

The Non-Executive Directors are paid sitting fees for attending the meetings of the Board of Directors and Committees and also reimbursement of expenses incurred in this regard.

Details of Remuneration

Sl No	Name of the Director	Sitting fees	Salary	Commission	Contribution to PF	Value of perquisites	Total (Rs.)
1	Shri R. S. Agarwal (Chairman)	-	66,00,000	1,00,00,000	10,08,000	15,000	1,76,23,000
2	Shri R. S. Goenka	1,20,000	-	-	-	-	1,20,000
3	Shri S. K. Goenka (Managing Director)	-	42,00,000	-	5,04,000	8,142	47,12,142
4	Shri Viren J. Shah	20,000	-	-	-	-	20,000
5	Shri K N Memani	40,000	-	-	-	-	40,000
6	Shri S. K. Todi	3,20,000	-	-	-	-	3,20,000
7	Shri S. N. Jalan	1,05,000	-	-	-	-	1,05,000
8	Vaidya Suresh Chaturvedi	60,000	-	-	-	-	60,000
9	Shri K K Khemka	2,05,000	-	-	-	-	2,05,000
10	Shri Mohan Goenka	-	30,75,000	-	3,69,000	2,28,307	36,72,307
11	Shri Aditya Vardhan Agarwal	-	30,75,000	-	3,69,000	2,61,908	37,05,908
12	Shri Harsh Vardhan Agarwal	-	30,75,000	-	3,69,000	1,43,801	35,87,801
	Total	8,70,000	2,00,25,000	1,00,00,000	26,19,000	6,57,158	3,41,71,158

Criteria for payment to Non Executive Directors

Non-Executive Directors are paid sitting fees for attending the meetings of the Board within the prescribed limits. They bring with them significant professional expertise and substantial benefit through their rich experience in the fields of finance, information system, marketing and

corporate strategy. Through their experience and knowledge, they safeguard the interest of investors by playing an appropriate role of control at various levels. The Company has also inducted them in Committees of the Board i.e. Audit Committee, Remuneration Committee, Shareholders'/Investors' Grievance Committee and Executive Committee.

Shares held by the Non-Executive Directors (as on 31.3.2008)

SI No	Name of the Director	Status	No. of shares
1	Shri R. S. Goenka	Promoter/ Non executive Director	101380
2	Shri Viren J. Shah	Independent Director	5100
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	Nil
	Total		106480

Share Transfer and Shareholders' / Investors' Grievance Committee

The Share Transfer and Shareholders' / Investors' Grievance Committee comprises one Non-Executive Independent Director and two Promoter Executive Directors. Shri A. K. Joshi, Company Secretary, is the Secretary of the Committee.

During the year 2007-08, nine meetings were held by the Share Transfer and Shareholders' / Investors' Grievance Committee.

The details of attendance of the members are follows:

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

The Committee reviews the status of investors' grievances on a periodical basis. All the complaints and/or grievances as received from the investors are promptly responded to and satisfactorily replied. The status of the complaints / queries received from the shareholders from April 1, 2007 to

March 31, 2008 is as under:

Complaints / queries received	Pending as on March 31, 2008
105	Nil

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

- ◆ Approval of share transfers and transmissions
- ◆ Taking note of the re-materialisation of shares
- ◆ Issue of share certificates on re-materialisation
- ◆ Taking actions on routine complaints of shareholders
- ◆ To do any allied matter(s) out of and incidental to these functions and such other acts assigned by the Board.

Executive Committee

At the Board Meeting held on January 31, 2008, the Company constituted separate Executive Committee for the purpose of exploring possibilities of acquisitions, takeovers, business alliances, tie-ups etc. in addition to the other business as may be delegated by the Board of Directors from time to time. The Committee consists of:

Names of the member of the Committee	Category of Director
Shri R S Agarwal – Chairman	Executive Chairman
Shri R S Goenka	Non – Executive Director
Shri Mohan Goenka	Whole time Director
Shri Harsh Vardhan Agarwal	Whole time Director

During the financial year 2007-08, the Committee did not convene any meeting.

The Board of Directors has assigned various jobs to this new Committee including availing of opportunities of acquisition / takeover of companies or brands or business and investment and financial matters.

Management

Management discussion and analysis report

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

Disclosures

Disclosures on materially significant related-party transactions, i.e. transactions of the Company of material nature, with its Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

All contracts with our affiliates entered into during the said period have no potential conflict with interest of the Company at large and are being carried out at an arm's length basis at fair market value.

Details of such transaction as per requirement of Accounting Standard- 18 are disclosed in Note 20 of Schedule 18 to the Audited Accounts. A statement of these transactions was also placed before the Audit Committee and in the Board meetings from time to time.

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

There has been no non-compliance.

Accounting treatment in preparation of financial statement

The Company has followed the guidelines as laid down in Accounting Standards, prescribed by the Institute of Chartered Accountants of India, for the preparation of financial statements.

Subsidiary Companies

As on March 31, 2008, the Company has the following non-listed Indian and overseas subsidiaries as defined by Clause 49.

SI No	Name of the Company	SI no	Name of the Company
1	Emami UK Ltd	4.6	Emami Skyhigh Pvt Ltd
2	Emami Bangladesh Ltd	4.7	Emami Ashiana Pvt. Ltd
3	Emami International FZE	4.8	Emami Properties Pvt. Ltd
4	Emami Realty Ltd	4.9	Sri Mohamaya Investments Pvt. Ltd
4.1	Emami Rainbow Niketan Pvt Ltd	4.10	Emami Constructions Pvt Ltd
4.2	Emami Vridhi Commercial Pvt Ltd	4.11	A Rajabasan Pvt Ltd
4.3	Nathvar Tracon Pvt Ltd	4.11.1	Orbit Projects Pvt Ltd
4.4	New Age Realty Pvt Ltd	4.11.2	Basera Enclave Makers Pvt Ltd
4.5	Octagon BPO Pvt Ltd	4.11.3	Swastik Promoters Pvt Ltd

Risk Management

The Company has framed comprehensive risk management policy for both the employees and the Company, not only to manage the risk but also to minimize them. This policy is

periodically reviewed by the management and updated as per requirement to ensure that risk is controlled.

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. The statement for use of proceeds of Public Issue was placed before the Audit Committee meetings on quarterly basis.

CEO (Managing Director) / CFO Certification

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

Shareholders

Details of appointment/reappointment of Directors:

During the year, the Board of Directors have re-appointed Shri Sushil Kr. Goenka, Managing Director, Shri Mohan Goenka, Shri A. V. Agarwal and Shri H. V. Agarwal as whole-time Directors of the Company, for a further term of three years, after expiry of their present term, subject to the approval of members in the next Annual General Meeting.

Shri S.N. Jalan, Shri S.K. Goenka, Shri A.V. Agarwal and Shri H.V. Agarwal, Directors, would retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The information pertaining to these Directors is as follows:-

Shri Shyamand Jalan, is a Commerce Graduate and an LLB. Shri Jalan is an Attorney at Law and Member of Incorporated Law Society, Indian and Bar Council of India. He is an Independent non-executive Director of the Board and also a member of the Remuneration Committee

Shri Sushil Kumar Goenka, Managing Director, is a Commerce Graduate. He looks after the production, operation, human resources, distribution, and public relations.

Shri Mohan Goenka, whole-time Director, is a Commerce graduate and has done MBA from United Kingdom. He has wide knowledge and experience in business and he plays the key role in all power bands development.

Shri Aditya Vardhan Agarwal, whole-time Director, graduated in Commerce from St. Xavier's College. He has wide knowledge and interest in business and industries. Mr. Agarwal has extensive knowledge and experience in marketing as well as brand development.

Shri Harsh Vardhan Agarwal, whole-time Director, is a Commerce graduate. He has extensive knowledge and experience in marketing as well as brand development.

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, 2007	"Vidya Mandir" 1, Moira Street, Kolkata- 700 017	September 25, 2007	11.00 A.M.
March 31, 2006	"Vidya Mandir" 1, Moira Street, Kolkata- 700 017	August, 25, 2006	11.00 A.M.
March 31, 2005	"Vidya Mandir" 1, Moira Street, Kolkata- 700 017	August 25, 2005	11.00 A.M.

The following special resolutions were passed in the last three AGMs

Year 2006-07

- ◆ Contribution to charitable institutions or other funds under section 293(1)(e) of the Companies Act, 1956
- ◆ Alteration of Articles of Association, insertion of new article titled " Buyback of Shares"
- ◆ Revision of remuneration of Shri R.S. Agarwal, Executive Director,

- ◆ Revision of remuneration of Shri S.K. Goenka, Managing Director,
- ◆ Revision of remuneration of Shri Mohan Goenka, whole-time Director
- ◆ Revision of remuneration of Shri A.V. Agarwal, whole-time Director
- ◆ Revision of remuneration of Shri H.V. Agarwal, whole-time Director

Year 2005-06

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

Year 2004-05

- ◆ Reappointment of Shri S.K. Goenka as Managing Director
- ◆ Appointment of Shri Mohan Goenka as whole-time Director
- ◆ Appointment of Shri A.V. Agarwal as whole-time Director
- ◆ Appointment of Shri H.V. Agarwal as whole-time Director

Any special resolution passed during the last year through postal ballot-details of voting pattern?

No.

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 maintaining non-executive Chairman Office.

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

Remuneration Committee: The Company has an independent Remuneration Committee comprising 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 SEBI website www.sebidifar.com. Hence, these are not individually sent to the shareholders.

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

Training of Board Members: At Emami all the members of Board of the Company are well experienced and professionals and are well acquainted with business knowledge of the industry. It is therefore prudent on the part the Company to think that there is no need of any formal training for such Directors. However, in respect of Executive Directors, the Company arranges for needful trainings to make them well conversant to discharge their responsibilities as Directors.

Mechanism for evaluation of Non-Executive Directors: The role of Non-Executive Directors of the Company is important. The peer group, comprising the entire Board, except the Director being evaluated, evaluates his performance. On basis of such evaluation, it is decided as to whether his appointment should be extended or not.

Whistle Blower Policy: The Company has formulated a Whistle Blower Policy and procedure with an aim to deter and detect misconduct and to ensure that genuine concerns of misconduct/unlawful conduct, which an individual believes may be taking place, are raised at an early stage in a responsible and confidential manner. Any employee may report such incident without fear to the Chairman of the Audit Committee or alternatively may report to Head-HR.

General Shareholder Information

i) Annual General Meeting :

Date and Time :

Monday, August 25, 2008 at 11.00 A.M.

Venue :

Vidya Mandir, 1, Moira Street, Kolkata- 700 017

ii) Financial Calendar:

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

Results were announced on:

- ◆ 1st Quarter : July 31, 2007
- ◆ 2nd Quarter : November 1, 2007*
- ◆ 3rd Quarter : January 31, 2008
- ◆ 4th Quarter and Annual : May 28, 2008

* The Board Meeting was called on October 31, 07, but it could not be held due to strike called on that day in West Bengal.

Financial Year : April 1, 2008 to March 31, 2009

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

◆ 1st Quarter : July 31, 2007

◆ 2nd Quarter : October 31, 2008

◆ 3rd Quarter : January 31, 2009

◆ 4th Quarter and Annual : May 15, 2009

iii) Book Closure Date : August 21, 2008
to August 25, 2008.

iv) Dividend Payment Date : Monday, August 25, 2008
onward

v) Listing on Stock Exchanges and Stock Code

SI no	Name and address of the exchange	Stock code
1	The National Stock Exchange of India Ltd. Exchange Plaza, Bandra- Kurla Complex, Bandra (E), Mumbai 400 051, India	EMAMILTD
2	The Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 023, India	531162
3	The Calcutta Stock Exchange Association Ltd 7, Lyons Range, Kolkata-700001, India	18136

iii) Market price data (Face value of shares Rs.2 each)

Months	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
April 2007	207.80	180.00	205.00	188.00
May 2007	233.00	181.00	234.70	188.10
June 2007	230.00	199.00	239.95	198.50
July 2007	228.05	197.10	252.00	198.00
August 2007	268.00	195.00	267.95	195.00
September 2007	245.00	210.00	241.00	212.00
October 2007	294.00	204.00	296.00	212.00
November 2007	338.70	236.30	314.90	256.30
December 2007	323.90	256.00	325.00	262.10
January 2008	388.00	206.00	392.00	210.15
February 2008	349.95	236.65	315.00	266.10
March 2008	294.00	215.00	295.00	202.00

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

Emami's Share Performance versus BSE Sensex



Registrar and Share Transfer Agents

M/s Maheswari Datamatics Pvt. Ltd.

6, Mangoe Lane, Kolkata – 700001, West Bengal, India

Tel: 91-033-2248 2248, 2243 5809 / 5029

Fax No 91-033-2248 4787, Email : mdpl@cal.vsnl.net.in

Share Transfer System

Applications for transfer of shares held in physical form are

received at office of the Registrar and Share Transfer Agent of the Company. All valid transfers are processed and come to effect within 15 days from the date of receipt.

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

Distribution of Shareholding:

[As on March 31, 2008]

Category	No. of shares held	% of shareholding
A. Promoters holding		
Promoters		
– Indian Promoters		
Individuals	6948015	11.18
Corporate	44552622	71.69
– NRI Promoter	3090616	4.97
Sub – Total	54591253	87.84

Distribution of Shareholding:

[As on March 31, 2008]

Category	No. of shares held	% of shareholding
B. Non-Promoters holding		
1. Institutional investors		
a. Mutual Funds and UTI	1732482	2.79
b. Banks, Financial Institutions and Insurance Companies	–	–
c. Foreign Institutional Investors	1023372	1.65
Sub – Total	2755854	4.44
2. Others		
a. Private Corporate Bodies	3361455	5.41
b. Indian Public	1423214	2.29
c. NRI / OCBs	13401	0.02
Sub – Total	4798070	7.72
Grand Total	62145177	100.00

Distribution of shareholding

Shareholding of nominal value(Rs.)	Shareholders		Shares	Share amount	
	Number	% of Total	Number	In Rs.	% of Total
Upto - 5000	4920	96.11	740662	14,81,324	1.19
5001 - 10000	57	1.11	218754	4,37,508	0.35
10001 - 20000	32	0.63	241205	4,82,410	0.39
20001 - 30000	15	0.29	185292	3,70,584	0.30
30001 – 40000	7	0.14	121875	2,43,750	0.20
40001 – 50000	6	0.12	132916	2,65,832	0.21
50001 – 100000	15	0.29	519927	10,39,854	0.84
100001 and Above	67	1.31	59984546	11,99,69,092	96.52
	5119	100.00	62145177	12,42,90,354	100.00

Dematerialisation of shares and liquidity

Nature of Holding	Holders	Shares	Percentage
Physical	216	400954	0.65
Demat	4903	61744223	99.35
Total	5119	62145177	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?	The Business Standard, Economic Times, Times of India (in English) and Dainik Statesmen (in Bengali)
On which websites are quarterly results displayed?	www.sebiedifar.com www.emamigroup.com
Whether it also displays official news releases	No
The presentations made to institutional investors or the analysts	No

Plant Locations:

West Bengal	Pondicherry	Assam
13, B.T. Road, Kolkata –700056	CS – 46 & 47, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	EPIP Complex Amingaon, Guwahati - 781031
	A – 83, 19th Cross, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	Abhoypur Plant P.O. College Nagar, Abhoypur, Guwahati, Assam - 781031 (A new Unit not started commercial production)
	A – 24 & 25, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	
	A – 129, PIPDIC Industrial Estate, Mettupalayam, Pondicherry – 605009	

Address for Correspondence:

Emami Limited,

Emami Tower, 687, Anandapur, E M Bypass, Kolkata – 700107. West Bengal

Email: investors@emamigroup.com Tel: 91-033-6613-6264 Fax: 91-033-6613 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 Accounts of the Company for the year ended 31st March 2008 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 contains statement that might be misleading ;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violate the Company's code of conduct.
4. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5. The Company's have disclosed, whichever applicable, to the Company's auditors and to the audit committee of the Company, the following:
 - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control during the year ;
 - c. Any fraud, which we have become aware of and that involves Management or other employees who have significant role in the Company's internal control systems ;

We further declare that all members of Board and Committees and all employees working at level Head of the department have affirmed compliance with the Code of Conduct of the Company.

Kolkata
May 28, 2008

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, 2008 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: May 28, 2008

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

Directors' Report

For the year ended March 31, 2008.

Dear members

Your Directors have pleasure in presenting their report on the business and operations of the Company and Audited Accounts for the year ended March 31, 2008.

Financial Results

The financial results are summarised below:

Rs. in Lacs

Particulars	2007-08	2006-07
Operating income	58,371	51,580
Profit before depreciation and taxation	11,220	7,914
Depreciation	727	465
Profit before taxation	10,493	7,449
Less : Provision for taxation		
- Current tax (including FBT)	1,240	884
- Deferred tax (net)	(22)	(27)
Profit after taxation	9,275	6,592
Excess provision for taxation of earlier years	-	1
Balance of the profit and loss account of amalgamating company transferred	-	221
Balance brought forward	1,190	234
Profit available for appropriation	10,465	7,048
Appropriation :		
General reserve	5,545	3,005
Interim dividend	-	1,864
Proposed dividend	2,797	622
Corporate dividend tax	475	367
Balance carried forward	1,648	1,190
	10,465	7,048

Dividend

The Board of Directors has recommended a dividend of Rs. 4.50 per share (i.e. 225%) to the members for their approval. The dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 1956. The total dividend for the year including dividend distribution tax amounts to Rs. 3272 lacs and dividend payout ratio is 35%.

Review of Operations

During the year under review, the turnover of the Company grew to Rs. 583.7 cr. representing an overall increase of 13.2% in turnover in comparison with the last year. However, the profit after tax of the Company rose to Rs. 92.7 cr., showing an increase of 40.7% over the last year's profit.

Despite high inflationary and cost pressures throughout the year, Emami capitalised on every available opportunity. Emami consolidated its operations and undertook strategic initiatives coupled with a robust marketing strategy to exploit the full industry potential, besides making efforts towards cost reduction and improved efficiency at the plant level which enabled the Company to grow reasonably well.

In continuation of its efforts towards offering innovative, more effective and value-added products to the consumers for providing them with value for money, Emami continued combining traditional Ayurvedic science with adoption of the modern manufacturing technology, achieving a growth of 13.2% in net sales. The Company also emphasises on brand equity and the sales and distribution network to expand its coverage and make a leeway for new products in the pipeline.

To diversify its activities, the Company is also considering introduction of brand extensions and new products to widen its product portfolio. It is always seeking suitable opportunities for growing inorganically through acquisition in India and abroad, for which the Company has plans of inorganic growth in the pipeline.

Realising its growth potential, the Company has ventured into the realty business through its wholly owned subsidiary company. The progress of the realty business is quite satisfactory and the Company is optimistic about overall growth in the years to come, enhancing the overall profitability as well as maximisation of shareholders' wealth.

A detailed analysis of the performance of the Company during the year under review and its analysis for the coming year are given under the heading Management Discussion and Analysis Report.

Internal Control System and Information Technology

Internal control systems, established by your Company throughout the organisation are in operation and working properly. These systems have been designed keeping in view the nature of activities carried out at each location and the various business operations. The Company's in-house internal audit department carries out the internal audit at all manufacturing locations, head office and sales depots situated across the country. Their objective is to assess the existence and operation of financial and operating control set up by the Company. A summary of all audit reports containing significant findings by the audit departments along with the follow-up action thereon, is placed before the Audit Committee for review. The Audit Committee reviews the comprehensiveness and effectiveness of the report and provides valuable suggestion.

Listing

The equity shares of your Company are listed at National Stock Exchange of India Limited, Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association

Limited. During the year, 995,177 equity shares of Rs. 2 each, issued pursuant to the Scheme of Amalgamation, got listed.

The listing fees for the financial year 2008-09 have been paid.

Subsidiary Companies

As on March 31, 2008, the Company includes the following subsidiary Companies.

SI No	Name of the Company	SI no	Name of the Company
	Direct Subsidiary Companies	9	Octagon BPO Pvt. Ltd.
1	Emami UK Ltd.	10	Emami Skyhigh Pvt. Ltd.
2	Emami Bangladesh Ltd.	11	Emami Ashiana Pvt. Ltd.
3	Emami International FZE	12	Emami Properties Pvt. Ltd.
4	Emami Realty Ltd.	13	Sri Mohamaya Investments Pvt. Ltd.
	Indirect Subsidiary Companies	14	Emami Constructions Pvt. Ltd.
5	Emami Rainbow Niketan Pvt. Ltd.	15	A Rajabasan Pvt. Ltd.
6	Emami Vridhi Commercial Pvt. Ltd.	16	Orbit Projects Pvt. Ltd.
7	Nathvar Tracon Pvt. Ltd.	17	Basera Enclave Makers Pvt. Ltd.
8	New Age Realty Pvt. Ltd.	18	Swastik Promoters Pvt. Ltd.

A statement pursuant to Section 212 of the Companies Act 1956, relating to subsidiary Companies, is attached to the accounts.

In terms of the Central Government approvals under Section 212(8) of the Companies Act 1956, the Audited Statements of account of the subsidiary companies and the Auditors' Reports thereon, for the year ended March 31, 2008, along with the report of the Board of Directors, have not been attached. However, an approval in respect of five subsidiary companies serial no.14 to 18 as above is awaited. The Company will make the documents available upon request by any member interested in obtaining the same.

However, 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 forms part of this Annual Report.

The following information in aggregate for each subsidiary are also being enclosed (a) Capital (b) Reserves (c) Total assets (d) Total liabilities (e) Detail of investment (except in the case of investment in subsidiaries) (f) Turnover (g) Profit before taxation (h) Provision for taxation (i) Profit after taxation and (j) Proposed dividend.

Board of Directors

Shri S.N. Jalan, Shri S.K. Goenka, Shri A.V. Agarwal and Shri H.V. Agarwal, Directors of the Company, retire by rotation and being eligible, offer themselves for reappointment. Brief resume of the Directors, proposed to be re-appointed as required under Clause 49 of the Listing Agreement, are provided in the Notice of the Annual General Meeting forming

part of the Annual Report.

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 reappointment.

Responsibility Statement

The Directors confirm that:

- i) In the 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 annual accounts were prepared on a going concern basis.

Corporate Governance

The information pursuant to the provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement are hereby presented in a separate report and annexed along with this report.

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, 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 given in Annexure 'A' attached herewith and forms part of this Annual Report.

Energy, Technology And Foreign Exchange

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956, in respect of the conservation of energy, technology absorption and the foreign exchange earning, is annexed along with this report in Annexure 'B' which forms part of this Annual Report.

Executive Committee

During the year, the Board of Directors of the Company constituted an Executive Committee for the purpose of exploring possibilities of acquisitions, takeovers, business alliances, tie ups etc in addition to the other business as may be delegated from time to time. The Committee comprised Shri R.S. Agarwal, Executive Chairman, Shri R.S. Goenka, Non –Executive Director, Shri Mohan Goenka and Shri H.V. Agarwal, whole-time Directors of the Company.

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 including its subsidiary companies at all levels and also express their sincere thanks and appreciation to financial institutions, banks, Government authorities, business associates, distributors, retailers, stakeholders and the consumers of its products, for their continued support.

For and on behalf of the Board

Kolkata
May 28, 2008

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	34	Ms. Shreya Goenka	67	Emami Realty Ltd
2	Shri Radheshyam Goenka	35	Ms. Nimisha Goenka	68	Emami UK Ltd
3	Smt Usha Agarwal	36	Shri Prashant Goenka	69	Emami Bangladesh Ltd
4	Shri Bajranglal Agarwal	37	Shri Yogesh Goenka	70	Emami International FZE
5	Smt Shanti Devi Agarwal	38	Smt. Puja Goenka	71	Advanced Medicare & Research Institute Ltd.
6	Smt. Savitri Devi Agarwal	39	Shri Amitabh Goenka	72	EFL Foods Ltd
7	Shri Madan Lal Agarwal	40	Shri Ashish Goenka	73	Auto Hitech Pvt Ltd
8	Smt. Kusum Agarwal	41	Shri Jayant Goenka	74	Emami Rainbow Niketan Pvt Ltd
9	Shri Aditya Vardhan Agarwal	42	Shri Sachin Goenka	75	Emami Vridhi Commercial Pvt Ltd
10	Shri Harsh Vardhan Agarwal	43	Ms. Smriti Agarwal	76	Nathvar Tracon Pvt Ltd
11	Smt. Priti Sureka	44	Ms. Sobhna Agagwal	77	New Age Realty Pvt Ltd
12	Smt. Richa Agarwal	45	Shri R.S. Agarwal (HUF)	78	Octagon BPO Pvt Ltd
13	Smt. Mansi Agarwal	46	Shri R.S. Goenka (HUF)	79	Emami Skyhigh Pvt Ltd
14	Shri Vibhash Vardhan Agarwal	47	Shri Raj Kr. Goenka (HUF)	80	Emami Ashiana Pvt Ltd
15	Ms. Vidula Agarwal	48	Shri D.D. Agarwal (HUF)	81	Emami Properties Pvt Ltd
16	Ms. Vidishree Agarwal	49	Bhanu Vyapaar (P) Ltd.	82	Sri Mohamaya Investments Pvt Ltd
17	Shri Rohin Raj Sureka	50	Suraj Viniyog (P) Ltd.	83	Emami Constructions Pvt Ltd
18	Ms. Avishi Sureka	51	Diwakar Viniyog (P) Ltd.	84	A Rajabasan Pvt Ltd
19	Smt. Ratni Devi Goenka	52	Suntrack Commerce (P) Ltd.	85	Orbit Projects Pvt Ltd
20	Smt. Saroj Goenka	53	Pan Emami Cosmed Ltd	86	Basera Enclave Makers Pvt Ltd
21	Shri Raj Kumar Goenka	54	Emami Frank Ross Ltd.	87	Swastik Promoters Pvt Ltd
22	Smt. Meena Goenka	55	EPL Securities Ltd.		
23	Shri Suresh Kumar Goenka	56	TMT Viniyogan Ltd.		
24	Smt. Santosh Goenka	57	Emami Capital Markets Ltd		
25	Shri Sushil Kumar Goenka	58	Emami Group of Comp. Pvt Ltd		
26	Smt. Indu Goenka	59	Emami International Pvt Ltd		
27	Smt. Laxmi Devi Agarwala	60	Emami Biotech Ltd		
28	Shri Mohan Goenka	61	Emami Paper Mills Ltd.		
29	Shri Manish Goenka	62	Neelam Lefin Ltd		
30	Smt. Rachna Bagaria	63	CRI Ltd		
31	Smt. Rashmi Goenka	64	New Way Construction Ltd		
32	Smt. Jyoti Goenka	65	Premier Ferro Alloys and Securities Ltd.		
33	Shri Saswat Goenka	66	South City Projects (Kolkata) Ltd.		

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

The power consumption of the Company as a percentage of the total turnover comes to a negligible 0.22 %.

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

A. Power And Fuel Consumption

	2008-09	2007-08
1. Electricity		
a) Purchased Units (lac KWH)	19.71	19.15
Total Amount (Rs. in lacs)	87.65	82.76
Average Rate/Unit (Rs.)	4.45	4.32
b) Own generation		
i) Through Diesel Generator Units (lac KWH)	1.41	1.21
Unit/Litre of Diesel	3.61	3.51
Cost/Unit (Rs.)	8.59	9.08
Total Amount (Rs. in Lacs)	12.16	10.96
ii) Through Steam Turbine/Generator	N.A.	N.A.
2. Coal	-	-
3. Furnace Oil	-	-
4. Other/Internal Generation	-	-

B. Consumption per Unit of Production

Product (with details)	Since the Company manufactures several formulations and having regard to the records and other books maintained by the Company it is impracticable to apportion the utilities.
Unit	
Electricity	
Furnace	
Coal (Specify quality)	
Other (Specify)	

2. Particulars with Respect to Technology Absorption

A. Research & Development

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

2. The result of such dedicated research work is the constant and innovative expansion in the range of products and achieving greater levels of quality by improved consumption of raw materials and reduction in wastage.

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

5. Expenditure in R&D :

	<i>Rs. in lacs</i>
a) Capital	–
b) Recurring	81.14
c) Total	81.14
d) R&D as a percentage of total turnover	0.22

B. Efforts In Brief Towards Technology Absorption, Adaptation And Innovation

1. The Company has always been aware of the latest technological and know-how development and adapted to the best possible extent to make the product more cost effective and to attain high levels of quality.

2. Benefits derived as a result of the above efforts: The benefits derived by the Company for such adaptation 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 in satisfying consumer needs as well as business requirement of introducing new products.

3. Future Plan of Action: Emphasis will continue to be laid on 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 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 :

	<i>Rs. in lacs</i>
Raw Materials	313.80
Capital Goods	6.94
Professional Fees	91.46
Interest	65.89
Others	295.18
	773.27

B. Foreign Exchange earnings during the year (Export of goods on FOB basis)	3613.29
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Statement pursuant to exemption received under section 212(8) of the Companies Act, 1956 relating to subsidiary companies

Sl. No.	Name of the Company	Capital	Reserves	Total Assets	Total Liabilities	Detail of investment (except in the case of investment in subsidiaries)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend %
	Direct Subsidiary										
1	Emami UK Ltd.	28.91	2.29	172.99	141.79	NIL	229.37	2.63	0.53	2.10	NIL
2	Emami Bangladesh Ltd.	0.04	(0.45)	0.46	0.87	NIL	NIL	NIL	NIL	NIL	NIL
3	Emami International FZE	18.98	23.31	1022.07	979.78	NIL	944.93	10.68	NIL	10.68	NIL
4	Emami Realty Ltd	200.00	1014.98	10673.14	11339.95	1881.79	463.19	18.92	0.72	18.20	NIL
	Indirect Subsidiary										
5	Emami Rainbow Niketan Pvt. Ltd.	1.00	(0.26)	1196.64	1195.90	NIL	NIL	(0.18)	0.03	(0.21)	NIL
6	Emami Vridhi Commercial Pvt. Ltd.	1.00	(37.78)	1134.98	1171.76	NIL	0.25	(0.30)	NIL	(0.30)	NIL
7	Nathvar Tracon Pvt. Ltd.	1.00	2.86	238.53	234.67	NIL	NIL	(0.11)	0.10	(0.21)	NIL
8	New Age Realty Pvt. Ltd.	5.00	(0.90)	576.36	572.26	NIL	NIL	(0.41)	0.10	(0.51)	NIL
9	Octagon BPO Pvt. Ltd.	3.10	(1.11)	190.34	188.35	NIL	NIL	(0.58)	NIL	(0.58)	NIL
10	Emami Skyhigh Pvt. Ltd.	1.00	2.83	899.27	895.44	NIL	0.44	0.13	0.24	(0.11)	NIL
11	Emami Ashiana Pvt. Ltd.	1.00	(0.29)	42.51	41.80	NIL	NIL	(0.22)	NIL	(0.22)	NIL
12	Emami Properties Pvt. Ltd.	1.00	(0.39)	607.59	606.98	NIL	NIL	(0.39)	NIL	(0.39)	NIL
13	Sri Mohamaya Investments Pvt. Ltd.	18.35	(7.69)	26.07	37.71	22.30	0.80	(0.29)	NIL	(0.29)	NIL
14	Emami Constructions Pvt. Ltd.	10.00	(0.49)	1045.02	1036.06	0.55	NIL	(0.49)	NIL	(0.49)	NIL
15	A Rajabasan Pvt. Ltd.	25.13	3.87	84.96	57.20	1.24	3.74	0.05	0.15	(0.10)	NIL
16	Orbit Projects Pvt. Ltd.	49.03	(20.51)	2200.96	2403.30	230.86	14.23	(29.65)	2.37	(32.02)	NIL
17	Basera Enclave Makers Pvt. Ltd.	12.50	104.70	1694.34	1577.26	0.12	2842.71	184.24	43.38	140.86	NIL
18	Swastik Promoters Pvt. Ltd.	3.02	(1.35)	667.54	665.87	NIL	0.11	(0.64)	NIL	(0.64)	NIL

Auditors' Report

To
The Members of **Emami Limited**

We have audited the Balance Sheet of Emami Limited as at March 31, 2008 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 March 31, 2008 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 March 31, 2008;
 - 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 of 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 granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- b) The company has taken unsecured loans from three companies covered 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 170 lacs. The year end balance is nil.
- c) The rate of interest and other terms and conditions in respect of above loans are prima facie not prejudicial to the interest of company.
- d) The payment of the principal amount and interest are also regular.

- 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 and services. 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 generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, there were no undisputed amount payable in respect of these statutory dues which have remained outstanding as at 31st March 2008 for the period of more than six months from the date they became payable.
- b) Contingent dues on account of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise 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	34.66	2004-05	AC
		14.59	2002-03 to 2003-04	AC(A)
		14.27	2005-06	ADC
		75.89	2000-01 to 2002-03	Board of Revenue
		281.14	1996-97 to 1998-99 2002-03, 2005-06	DC(A)
		722.81	2000-01 to 2005-06 2007-08	JC (Appeals)
		85.63	2001-02	JC
		15.71	1994-95 to 1995-96	Revisional Board
		183.61	1997-98	Tribunal
		280.32	1999-00 to 2004-05 1982-83 to 1993-94 1999-00, 2005-06 to 2006-07	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	12.40	2000-01	Director General of Income Tax & High Court
Entry Tax	Entry Tax	17.05	2001-02 to 2002-03, 2003-04	Board of Revenue JC(A)
		9.04		

- 10) The Company does not have accumulated losses as at the end of the year and the company has not incurred cash losses during the current and the immediately preceding financial year.
- 11) Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of dues to financial institution and banks.
- 12) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 14) According to the information given to us, the company has given a guarantee for loan taken by others from a Bank. As explained the terms and conditions thereof are not prejudicial to the interest of the company.
- 15) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were applied by the company for the purposes for which the loans were obtained.
- 16) According to the cash flow statement and other records examined by us and the information and explanations given to us on an overall basis, funds raised on short term basis have, prima-facie, not been used during the year for long term investment.
- 17) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act 1956, during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- 18) The company concluded its public offering during the financial year 2004-05. Out of Rs 3500 lacs raised, Rs 2969.97 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: May 28, 2008

Membership No. 9067

Balance Sheet As at March 31, 2008

Rs. in lacs

	Schedule	As at March 31, 2008		As at March 31, 2007	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,242.90		1,242.90	
Reserves & Surplus	2	27,657.32	28,900.22	21,699.43	22,942.33
Loan Funds					
Secured Loans	3	3,519.46		2,281.35	
Unsecured Loans	4	306.36	3,825.82	260.57	2,541.92
Deferred Tax (Net)	5		212.90		258.17
			32,938.94		25,742.42
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	10,572.60		6,859.14	
Less : Depreciation		2,790.74		2,178.88	
Net Block		7,781.86		4,680.26	
Capital Work-in-Progress		1,347.48		3,448.54	
			9,129.34		8,128.80
Investments	7		10,296.53		7,817.91
Current Assets, Loans and Advances					
Inventories	8	4,009.97		4,119.85	
Sundry Debtors	9	3,402.93		4,577.19	
Cash & Bank Balances	10	280.27		1,841.81	
Loans & Advances	11	15,267.63		5,352.26	
			22,960.80		15,891.11
Less :					
Current Liabilities and Provisions	12	9,447.73		6,095.40	
Net Current Assets			13,513.07		9,795.71
			32,938.94		25,742.42
Significant Accounting Policies & Notes on Accounts					
	18				

As per our report of even date
For **S. K. Agrawal & Co.**
Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

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, 2008

Rs. in lacs

	Schedule	Year ended March 31, 2008	Year ended March 31, 2007
INCOME			
Operating Income	13	58,371.04	51,579.82
Other Income	14	266.03	348.85
		58,637.07	51,928.67
EXPENDITURE			
Cost of Goods Sold/ Consumed	15	24,836.24	22,580.20
Manufacturing, Administrative & Selling Expenses	16	23,933.02	22,451.22
Interest & Finance Charges	17	(1,352.63)	(1,017.50)
		47,416.63	44,013.92
Profit			
Profit Before Depreciation & Taxation		11,220.44	7,914.75
Depreciation		727.57	465.37
Profit Before Taxation		10,492.87	7,449.38
Provision for Taxation			
- Current Tax		1,200.00	841.25
- Fringe Benefit Tax		40.00	43.00
- Deferred Tax (Net)		(22.00)	(27.00)
Profit After Taxation		9,274.87	6,592.13
Excess Provision for Taxation of earlier years		-	0.93
Balance of Profit & Loss Account of Amalgamating Company transferred		-	220.95
Balance Brought Forward		1,189.69	233.96
Available for Appropriation		10,464.56	7,047.97
APPROPRIATIONS			
General Reserve		5,545.18	3,005.39
Interim Dividend		-	1,864.35
Proposed Dividend		2,796.53	621.45
Corporate Dividend Tax		475.27	367.09
Balance Carried Forward		1,647.58	1,189.69
		10,464.56	7,047.97
Significant Accounting Policies & Notes on Accounts			
	18		
Earnings Per Share - Basic & Diluted		Rs. 14.92	Rs. 10.61

As per our report of even date
For **S. K. Agrawal & Co.**
Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
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				
6,21,45,177 (6,11,50,000) Equity Shares of Rs. 2/- each fully paid up *		1,242.90		1,223.00
Share Capital Suspense		–		19.90
		1,242.90		1,242.90

*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 2,78,25,177 (2,68,30,000) Equity Shares allotted for consideration other than cash.

2 RESERVES AND SURPLUS				
Capital Reserve		79.64		79.64
Share Premium				
At commencement of the year	3,161.72		3,126.03	
Added on Amalgamation	–	3,161.72	35.69	3,161.72
Amalgamation Reserve				
At commencement of the year	268.38		–	
Added on Amalgamation	–	268.38	268.38	268.38
Revaluation Reserve				
At commencement of the year	–		23,859.00	
Adjusted with Intangible Assets	–		(15,337.93)	
Transferred to General Reserve	–	–	(8,521.07)	–
General Reserve				
At commencement of the year	17,000.00		5,000.00	
Added on Amalgamation	–		473.54	
Transferred from Revaluation Reserve	–		8,521.07	
Employee benefits adjusted (net off deferred tax)	(45.18)		–	
Transferred from Profit & Loss Account	5,545.18	22,500.00	3,005.39	17,000.00
Profit & Loss Account		1,647.58		1,189.69
		27,657.32		21,699.43

3 SECURED LOANS				
Term Loans				
Secured by charge/mortgage of specific fixed assets		3,500.00		980.78
Cash Credits				
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets		19.46		1,300.57
		3,519.46		2,281.35

4 UNSECURED LOANS				
Trade Deposits		306.36		260.57
		306.36		260.57

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2008	As at March 31, 2007
5 DEFERRED TAX (NET)		
Deferred Tax Liabilities		
Tax impact due to difference between tax depreciation and book depreciation	546.52	506.52
Deferred Tax Assets		
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred *	(333.62)	(248.35)
* Includes deferred tax of Rs. 23.27 lacs on Employee benefits adjusted as per AS-15 (Revised)		
Net Deferred Tax (Liability)	212.90	258.17

6 FIXED ASSETS										
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2007	Additions during the Year	Sales/ Adjust-ments	Total	As on 01.04.2007	For the Year	Sales/ Adjust-ments	Total	As on 31.03.2008	As on 31.03.2007
Land										
Leasehold	68.99	135.14	3.68	200.45	4.45	2.44	0.03	6.84	193.61	64.54
Others	269.46	-	-	269.46	-	-	-	-	269.46	269.46
Buildings	1,738.84	2,345.44	34.83	4,049.45	335.91	97.69	8.11	425.49	3,623.96	1,402.93
Plant & Machinery	3,169.77	624.11	82.77	3,711.11	1,254.08	368.12	39.99	1,582.21	2,128.90	1,915.69
Furniture, Equipments & Computers	1,156.69	732.30	113.15	1,775.84	501.53	194.45	59.34	636.64	1,139.20	655.16
Motor Vehicles	199.35	127.18	16.43	310.10	62.32	23.37	8.23	77.46	232.64	137.03
Intangible Assets										
Software	256.04	0.15	-	256.19	20.59	41.51	-	62.10	194.09	235.45
Total	6,859.14	3,964.32	250.86	10,572.60	2,178.88	727.58	115.70	2,790.74	7,781.86	4,680.26
Capital Work-in-Progress	3,448.54	812.59	2,913.65	1,347.48	-	-	-	-	1,347.48	3,448.54
Grand Total	10,307.68	4,776.91	3,164.51	11,920.08	2,178.88	727.58	115.70	2,790.74	9,129.34	8,128.80
Previous Year's Figures	33,124.39	4,095.85	27,182.24	10,307.68	12,878.91	465.37	11,292.96	2,178.88	8,128.80	

	As at March 31, 2008	As at March 31, 2007
7 INVESTMENTS (Other than Trade)		
Long Term		
A. Quoted - Fully Paid up		
Emami Paper Mills Limited 79,46,000 (79,55,000) Equity Shares of Rs. 2/- each	368.47	368.89
Creative Eye Limited 10,000 Equity Shares of Rs. 10/- each	6.41	6.41
Hindustan Unilever Limited 220 Equity Shares of Re. 1/- each	-	-
Tata Motors Limited 10 Equity Shares of Rs. 10/- each	-	-
(i)	374.88	375.30

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
7 INVESTMENTS (Other than Trade) (Contd..)				
B. Unquoted - Fully paid up				
In Subsidiary Companies				
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
Emami Realty Limited				
20,00,000 Equity Shares of Rs. 10/- each		980.00		-
Others				
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		27.17
Susruta Clinic & Research Institute For Advanced Medicine Pvt. Ltd.				
8,00,000 Equity Shares of Rs. 10/- each		264.66		264.66
6 Years' National Savings Certificate (Lodged With Government Authority)		0.35		0.35
Indira Vikas Patra (Lodged With Government Authority)		-		-
(ii)		1,920.11		940.11
Current (Quoted)				
Birla Cash Plus - Institutional Premium - Daily Dividend		8,001.54		6,500.00
Opening 6,48,93,825.484 Units of Rs. 10/- each				
Sold 6,48,93,825.484 Units of Rs. 10/- each				
Purchased 7,98,59,643.718 Units of Rs. 10/- each				
Closing 7,98,59,643.718 Units of Rs. 10/- each				
(iii)		8,001.54		6,500.00
C. Investment in Partnership Firms				
North City Developers		-		2.50
(iv)		-		2.50
Total (i) + (ii) + (iii) + (iv)		10,296.53		7,817.91
Aggregate Book Value of Quoted Investments		8,376.42		6,875.30
Aggregate Book Value of Unquoted Investments		1,920.11		942.61
Aggregate Market Value of Quoted Investments		8,845.77		7,346.61

8 INVENTORIES

Raw & Packing Materials		1,552.89		1,558.97
Work-in-progress		75.90		87.93
Finished Goods		2,327.72		2,367.50
Stores & Advertising Materials		53.46		105.45
Total		4,009.97		4,119.85

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
9 SUNDRY DEBTORS				
Unsecured, Considered Good				
Due over six months		226.55		218.05
Other Debts		3,176.38		4,359.14
		3,402.93		4,577.19

10 CASH AND BANK BALANCES				
Cash in hand		15.53		14.28
With Scheduled Banks				
Current Accounts	258.54		125.29	
Fixed Deposit	3.56		1,503.86	
Unpaid Dividend Account	2.64	264.74	198.38	1,827.53
		280.27		1,841.81

11 LOANS AND ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		15,050.73		5,101.90
Deposits		135.79		120.13
Income Tax				
[Net of Provisions : Rs. 2,563.80 lacs (PY : Rs. 1,323.80 lacs)]		81.11		130.23
		15,267.63		5,352.26

12 CURRENT LIABILITIES AND PROVISIONS				
Current liabilities				
Sundry Creditors	4,765.59		4,063.29	
Unclaimed Dividend	2.64		198.38	
Interest Accrued but not due	–	4,768.23	6.35	4,268.02
Provisions				
Proposed Dividend	2,796.53		621.45	
Corporate Dividend Tax	475.27		105.62	
Sales Tax	1,200.00		1,035.97	
Gratuity and Leave Encashment	207.70	4,679.50	64.34	1,827.38
		9,447.73		6,095.40

13 OPERATING INCOME				
Sales	58,590.09		51,922.44	
Less : Excise Duty	219.05	58,371.04	342.62	51,579.82
		58,371.04		51,579.82

Schedules forming part of the accounts

Rs. in lacs

	Year ended March 31, 2008		Year ended March 31, 2007	
14 OTHER INCOME				
Profit/(Loss) on Sale of Current Investments		2.04		4.90
Profit/(Loss) on Sale of Long Term Investments		(0.24)		–
Profit/(Loss) on Sale of Fixed Assets (Net)		71.51		(34.83)
Dividend on Current Investments		5.73		–
Dividend on Long Term Investments		15.90		103.31
Rent Received [TDS : Rs. 11.22 lacs (PY - Rs. 17.53 lacs)]		51.97		84.53
Income from Partnership Firm		4.70		57.07
Foreign Exchange Fluctuation		57.27		86.22
Miscellaneous Receipts		57.15		47.65
		266.03		348.85

15 COST OF GOODS SOLD / CONSUMED				
Purchases/Materials Consumed		24,784.43		22,515.45
Add : Opening Stock				
Work-in-progress	87.93		51.90	
Finished Goods	2,367.50	2,455.43	2,468.28	2,520.18
		27,239.86		25,035.63
Less : Closing Stock				
Work-in-progress	75.90		87.93	
Finished Goods	2,327.72	2,403.62	2,367.50	2,455.43
		24,836.24		22,580.20

16 MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES				
Salaries, Wages, Bonus etc.		2,804.77		1,921.84
Contribution to Provident & Other Funds		221.40		169.54
Employees' Welfare		92.09		103.60
Power & Fuel		128.75		115.02
Consumable Stores		29.10		40.10
Rent		158.99		114.27
Rates & Taxes		36.17		28.83
Insurance		82.28		121.24
Repairs & Maintenance :				
– Building	35.58		19.43	
– Machinery	125.88		98.96	
– Others	237.33	398.79	152.82	271.21
Freight & Forwarding		1,486.28		1,350.71
Directors' Fees		8.70		8.25
Advertisement & Sales Promotion		10,291.98		10,505.37
Selling Expenses		2,092.26		1,635.35
Commission		475.60		332.06
Cash Discount		178.20		205.51
Taxes on Sales		3,178.25		3,297.83
Miscellaneous		2,269.41		2,230.49
		23,933.02		22,451.22

Schedules forming part of the accounts

Rs. in lacs

	Year ended March 31, 2008	Year ended March 31, 2007
17 INTEREST & FINANCE CHARGES (NET)		
Paid		
Term Loans	46.53	195.10
Others	496.68	181.35
Less :		
Received		
Subsidiaries [TDS : Rs. 64.89 lacs (PY - Nil)]	(302.09)	(23.11)
Others [TDS : Rs. 422.64 lacs (PY - Rs. 303.09 lacs)]	(1,593.75)	(1,370.84)
	(1,352.63)	(1,017.50)

18 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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. The Cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

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.

Schedules forming part of the accounts

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

- b. Provision for Leave encashment and Gratuity is made on the basis of actuarial valuation as at the year end as per the requirements of Accounting Standard –15 (revised 2005) on “Employee Benefits”.
- c. The Company has defined benefit plan comprising of Gratuity fund with Life Insurance Corporation of India.
- d. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions are recognised immediately in the profit and Loss Account as income or expense.

viii) Sales

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

ix) Provisions and Contingent Liabilities

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

- 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.
- c. In respect of foreign currency option contracts which are entered into to hedge highly probable forecasted transactions the cost of these contracts, if any, is expensed over the period of the contract. Any profit or loss arising on settlement or cancellation of currency options is recognised as income or expenses for the period in which settlement or cancellation takes place. The effect of this currency options contracts outstanding at the year end, in the form of unrealised gains/ losses, is not recognised.

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

Schedules forming part of the accounts

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

income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

xvi) Impairment of Assets

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

- 2 Based on guiding principles given in Accounting Standard on "Segment Reporting" (AS 17 - issued by the Institute of Chartered Accountants of India) the Company's primary business segment is Personal and Healthcare. The Personal and Healthcare business incorporates product groups viz. Medicinal products, Food Product, Cosmetics and Toiletries, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment, the disclosure requirements of AS-17 in this regard are not applicable.

3 Defined Benefit Plans

As per actuarial valuations as on March 31, 2008 and recognised in the financial statements in respect of Employees benefit schemes.

Rs. in lacs

	Gratuity Funded	Leave Encashment Unfunded
A Components of Employer Expenses		
1 Current Service Cost	45.85	1.12
2 Interest Cost	28.39	6.31
3 Expected Return on Plan assets	21.54	-
4 actuarial Losses	36.67	51.33
5 Total Expenses recognised in the Statement of Profit & Loss	89.37	58.76
B Net asset/(liability) recognised in balance sheet as at March 31, 2008		
1 Present value of Defined Benefit Obligation	422.33	90.98
2 Fair value of plan assets	305.62	-
3 Funded Status [Surplus/(deficit)]	(116.71)	(90.98)
4 Net asset/(liability) recognised in balance sheet	(116.71)	(90.98)
C Change in Defined Benefit Obligation during the year ended March 31, 2008		
1 Present value of PBO at beginning of period	334.81	66.89
2 Current Service Cost	45.85	1.12
3 Interest Cost	28.39	6.31
4 Actual Losses	40.31	51.33
5 Benefits Paid	(27.04)	(34.67)
6 Present value of PBO at the end of period	422.32	90.98
D Change in Fair Value of Assets		
1 Plan Assets at beginning of period	268.91	-
2 Expected Return on Plan assets	21.54	-
3 Actuarial Gains	3.64	-
4 Actual company contributions	38.56	-
5 Benefits paid	(27.04)	-
6 Plan assets at the end of period	305.61	-
E Actuarial Assumptions		
1 Discount Rate (%)	7.50	7.50
2 Expected Return on Plan Assets (%)	7.50	-

Schedules forming part of the accounts

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

4 Derivative Instruments

The Company uses Forward Exchange Contracts and Options to hedge its risk associated with fluctuations in foreign currency and interest rates relating to foreign currency liabilities and some forecasted transactions related to foreign currency trade. The use of forward contracts and options is governed by companies overall strategy. The company does not use forward contract and options for speculative purposes.

Rs. in lacs

i) The following are the outstanding forward contracts and options as on March 31, 2008:-	
For hedging currency risks :-	
Forward Covers :-	
Receivables	199.85
Loan Given	607.54
Options :-	
Receivables	159.88
ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :-	
Receivables	793.90
Loan	799.40

- 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 :

Rs. in lacs

	As per Prospectus	Utilisation		
		As on March 31, 2007	For the year	As on March 31, 2008
Corporate House	1,746.00	1,746.00	-	1,746.00
Other Capital Expenditure	950.00	950.00	-	950.00
Share Issue Expenses	245.00	273.97	-	273.97
General Corporate purpose including strategic initiatives and acquisitions	559.00	-	-	-
	3,500.00	2,969.97	-	2,969.97

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

- 6 The Company has made a provision of Rs. 254.50 Lac towards Sales Tax resulting mainly from issues, which are under litigation/dispute requiring management judgement as shown below :

Rs. in lacs

Description	
Opening Balance	1,035.97
Provisions during the year	254.50
Provisions reversed during the year	90.47
Closing Balance	1,200.00

- 7 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.
- 8 The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid /payable as required under the said Act have not been given
- 9 Loans & Advances include Security Deposit of Rs. 15.01 Lac due from Directors of the Company against tenancies. (Maximum amount outstanding during the year - Rs. 15.01 Lac).

Schedules forming part of the accounts

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

10 Loans & Advances include amount due from Subsidiaries as under :

Rs. in lacs

	March 31, 2008		March 31, 2007	
	Balance	Maximum amount outstanding during the year	Balance	Maximum amount outstanding during the year
Emami UK Limited	83.51	96.49	89.81	96.01
Emami Bangladesh Limited	0.70	0.82	0.75	0.81
Emami International FZE	607.55	616.53	–	1,380.63
Emami Realty Limited	6,474.14	6,836.00	–	–
	7,165.90	7,549.84	90.56	1,477.45

11 The Company has incurred a sum of Rs. 81.14 Lac (Previous Year - Rs. 70.92 Lac) on Research & Development which is charged to the Profit and loss account under Miscellaneous Expenses.

12 Contingent Liabilities not provided for in respect of :

Rs. in lacs

	March 31, 2008	March 31, 2007
a) Excise Duty demands	73.68	73.68
b) Entry Tax	26.09	–
c) Sales Tax demands under appeal (Net of Advances)	1,204.90	817.25
d) Income Tax (Net of Advances)	12.40	33.55
e) Guarantees and counter guarantees given	250.74	1,531.34

Note : Contingent Liability disclosed above represent possible obligations where the possibility of cash outflow to settle the obligation is remote.

Rs. in lacs

	March 31, 2008	March 31, 2007
13 Estimated amount of commitments [net of advances of Rs. 940.84 Lacs (Previous Year - Rs. 1,078.25 Lacs)] on capital account not provided for	1,077.51	466.86

14 The Company has entered into a Put Option Contract Agreement with ICICI Bank and Emami Paper Mills Limited in connection with the External Commercial Borrowings facilities availed of by Emami Paper Mills Limited from ICICI Bank for a sum of US\$ 16.50 million

15 Directors' Remuneration included in different heads of expenses :

Rs. in lacs

	March 31, 2008	March 31, 2007
Salaries	200.25	117.00
Commission	100.00	70.00
Contribution to Provident and Other Funds	26.19	11.88
Perquisites	6.57	6.19
	333.01	205.07

Schedules forming part of the accounts

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

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

Rs. in lacs

	March 31, 2008		March 31, 2007	
Profit Before Taxation		10,492.87		7,449.38
Add:				
a) Remuneration paid to the Directors	333.01		205.07	
b) Director's Fees	8.70		8.25	
c) Loss on sale of Fixed Assets	84.75	426.47	34.83	248.15
		10919.34		7697.53
Less:				
a) Profit on sale of Fixed Assets as per Sec 349	148.74		-	
b) Profit on sale of Investments	1.80	150.54	4.90	4.90
Net Profit for the purpose of Director's Commission		10,768.80		7,692.63
Commission @ 2% of Net Profit		215.38		153.85
Commission approved by the Board		100.00		70.00

17 Payment to Auditors

Rs. in lacs

	March 31, 2008	March 31, 2007
i. Payment to Auditors		
Audit Fees	7.29	7.29
Tax Audit Fees	1.37	1.37
Certification Fees	1.31	2.17
Other Services	3.98	3.50
Out of Pocket Expenses	0.35	0.06
	14.30	14.39
ii. Payment to Cost Auditors		
Audit Fees	0.67	0.67

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

19 Additional Information

A. Licensed/Installed Annual Capacity and Production

	March 31, 2008		March 31, 2007	
	Qty. M.T.	Value Rs. in Lacs	Qty. M.T.	Value Rs. in Lacs
i) Licensed capacity per annum				
Cosmetics & Toiletries	N. A.		N. A.	
Ayurvedic Medicines	N. A.		N. A.	
ii) Installed capacity per annum (On single shift basis as certified by a Director)				
Cosmetics & Toiletries	4,208.70		4,208.70	
Ayurvedic Medicines	23,094.00		23,094.00	
iii) Actual production during the year				
Cosmetics & Toiletries	535.06		539.79	
Ayurvedic Medicines	9,506.06		9,184.26	

Schedules forming part of the accounts

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

B. Purchase of goods

	March 31, 2008		March 31, 2007	
	Qty. M.T.	Value Rs. in Lacs	Qty. M.T.	Value Rs. in Lacs
Cosmetics & Toiletries	2,607.69	3,403.45	2,493.96	2,879.08
Ayurvedic Medicines	4,889.24	7,258.83	3,808.38	5,744.20
Others		19.10		164.75
		10,681.38		8,788.03

C. Turnover, Opening & Closing stock of goods

	March 31, 2008		March 31, 2007	
	Qty. M.T.	Value Rs. in Lacs	Qty. M.T.	Value Rs. in Lacs
Turnover				
Cosmetics & Toiletries	2,981.77	9,839.20	3,145.62	9,378.78
Ayurvedic Medicines	14,468.96	48,200.79	13,075.97	42,153.29
Others		550.11		390.37
		58,590.10		51,922.44
Opening Stock				
Cosmetics & Toiletries	420.36	605.60	532.23	728.53
Ayurvedic Medicines	1,299.94	1,740.95	1,383.27	1,730.04
Others		20.95		9.71
		2,367.50		2,468.28
Closing Stock				
Cosmetics & Toiletries	581.34	647.75	420.36	605.60
Ayurvedic Medicines	1,226.28	1,678.02	1,299.94	1,740.95
Others		1.95		20.95
		2,327.72		2,367.50

D. Raw & Packing Materials consumed

	March 31, 2008		March 31, 2007	
	Qty. M.T.	Value Rs. in Lacs	Qty. M.T.	Value Rs. in Lacs
Indigenous (96.89%) (P.Y.98.03%)				
Oil & Essential Oils	6,977.72	5,046.09	5,795.76	4,719.74
Chemicals & Fats	4,914.55	2,395.56	3,727.38	2,759.22
Tubes & Containers		2,767.82		2,849.49
Other Packing Materials		3,207.85		2,751.67
Others		246.79		377.29
		13,664.11		13,457.41
Imported (3.11%) (P.Y. 1.97%)				
Oil & Essential Oils	8.76	12.52	6.79	7.71
Chemicals & Fats	478.28	426.43	607.59	262.29
		14,103.06		13,727.41

E. Expenditure in Foreign Currency (On Payment Basis)

	Rs. in lacs	
	March 31, 2008	March 31, 2007
Professional Fees	91.46	27.51
Interest	65.89	205.94
Others	295.18	483.24
	452.53	716.69

Schedules forming part of the accounts

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

F. Value of Imports on CIF basis

Rs. in lacs

	March 31, 2008	March 31, 2007
Raw Materials	313.80	288.62
Capital Goods	6.94	29.23
	320.74	317.85

G. Earning in Foreign Exchange for

Rs. in lacs

	March 31, 2008	March 31, 2007
Export of goods calculated on FOB basis (Including Nepal and Bhutan)	3,613.29	3,781.30

20 Related Party Transactions

A. Parties where Control exists :

Subsidiaries

- i) Emami UK Limited
- ii) Emami Bangladesh Limited
- iii) Emami- International FZE
- iv) Emami Realty Limited and its Subsidiaries
 - 1 Emami Rainbow Niketan Private Limited
 - 2 Emami Vridhi Commercial Private Limited
 - 3 Nathvar Tracon Private Limited
 - 4 New Age Realty Private Limited
 - 5 Octagon BPO Private Limited
 - 6 Emami Skyhigh Private Limited
 - 7 Emami Ashiana Private Limited
 - 8 Emami Properties Private Limited
 - 9 Sri Mohamaya Investments Private Limited
 - 10 Emami Constructions Private Limited
 - 11 A Raj Abasan Private Limited and its Subsidiaries
 - Orbit Projects Private Limited
 - Basera Enclave Makers Private Limited
 - Swastik Promoters Private Limited

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

- i) Key Management Personnel
 - Shri R. S. Agarwal
 - Shri R. S. Goenka
 - Shri Sushil Kr. Goenka
- ii) Relatives of Key Management Personnel
 - Smt. Usha Agarwal
 - Shri A. V. Agarwal
 - Shri H. V. Agarwal
 - Shri Mohan Goenka
 - Shri Manish Goenka
 - Smt. Saroj Goenka
 - Smt. Priti Sureka
- iii) Associates
 - North City Developers (Ceased w.e.f. 31.03.2008)
- iv) Entities where Key Management Personnel and their relatives have significant influence
 - Diwakar Viniyog Private Limited
 - Suntrack Commerce Private Limited
 - Bhanu Vyapaar Private Limited
 - Emami Paper Mills Limited

Schedules forming part of the accounts

18 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)**C. Disclosure of Transactions between the Company and Related parties and the status of Outstanding Balance as on 31.03.2008**

Rs. in lacs

Particulars	Subsidiaries		Key Management Personnel & Relatives		Associates		Entities where Key Management Personnel and their relatives have significant influence		Total	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
1. Remuneration										
- Directors	-	-	333.01	205.07	-	-	-	-	333.01	205.07
- Others	-	-	10.77	18.21	-	-	-	-	10.77	18.21
2. Sales	551.18	445.07	-	-	-	-	-	-	551.18	445.07
3. Directors Sitting Fees	-	-	1.20	1.50	-	-	-	-	1.20	1.50
4. Rent & Maintenance Charges Paid	-	-	5.32	6.05	-	-	3.13	2.73	8.45	8.78
5. Rent Received	2.49	-	-	-	-	-	41.30	5.14	43.79	5.14
6. Hire Charges Received	-	-	-	-	-	-	-	1.46	-	1.46
7. Maintenance Charges Received	3.74	-	-	-	-	-	41.30	-	45.04	-
8. Loan Given	8080.00	17.54	-	-	-	-	-	-	8080.00	17.54
9. Loan Received	-	-	-	-	-	-	2740.00	-	2740.00	-
10. Corporate Guarantee	-	1293.68	-	-	-	-	-	-	-	1293.68
11. Interest Received	302.09	23.11	-	-	-	-	-	-	302.09	23.11
12. Interest Paid	-	-	-	-	-	-	72.53	-	72.53	-
13. Receipt Towards Loan Given	1000.00	1336.52	-	-	-	-	-	-	1000.00	1336.52
14. Repayment of Loan Received	-	-	-	-	-	-	2740.00	-	2740.00	-
15. Income From Partnership	-	-	-	-	4.70	57.07	-	-	4.70	57.07
16. Investment	975.00	-	4.00	-	-	-	-	-	979.00	-
17. Security Deposit Received	14.94	-	-	-	-	-	41.30	-	56.24	-
18. Balance As on 31st March										
- Investment	1027.93	47.93	-	-	-	2.50	368.48	368.90	1396.41	419.33
- Loan Given	7165.89	90.56	-	-	-	-	-	-	7165.89	90.56
- Interest Receivable	237.25	6.77	-	-	-	-	-	-	237.25	6.77
- Debtors	290.79	114.90	-	-	-	-	-	-	290.79	114.90
- Security Deposit Paid	-	-	28.14	26.03	-	-	7.00	7.00	35.14	33.03
- Security Deposit Received	14.94	-	-	-	-	-	41.30	-	56.24	-

21 Information for Earnings Per Share as per AS-20

	March 31, 2008	March 31, 2007
Net Profit (Rs. in Lacs)	9,274.87	6,592.13
Weighted average number of shares used in computing earnings per share	6,21,45,177	6,21,45,177
Earnings Per Share - Basic & Diluted (Rs.)	14.92	10.61

22 Previous year's figures have been rearranged/regrouped wherever necessary**Signatures to Schedules 1 to 18**

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner**R. S. Agarwal**
Chairman**R. S. Goenka**
Director**S. K. Todi**
DirectorKolkata
May 28, 2008**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, 2008

Rs. in lacs

	2007-2008	2006-2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary Items	10492.87	7449.38
<i>Add : Adjustments for</i>		
Depreciation	727.57	465.37
Interest	(1352.63)	(1017.50)
Loss/(Profit) on sale of Fixed Assets	(71.51)	34.83
Loss/(Profit) on sale of Investments	(1.80)	(4.90)
Foreign Exchange Fluctuations	(57.27)	(86.22)
Dividend Received	(21.63)	(103.31)
Operating profit before working capital changes	9715.60	6737.65
<i>Add : Decrease/(Increase) in working capital</i>		
Trade & other Payables	702.27	233.64
Inventories	109.88	(87.97)
Trade & other Receivables	(8388.15)	(430.32)
Provision for Sales Tax	164.03	569.29
Provision for Gratuity and Leave Encashment	74.91	31.00
	(7337.06)	315.64
Cash generated from operations	2378.54	7053.29
Less : Direct Taxes Paid	1190.88	926.95
Net Cash Flow from Operating Activities	1187.66	6126.34
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	206.67	87.43
Interest Received	1493.77	1393.95
Dividend Received	21.63	103.31
Sale of Investments	6504.72	8096.14
	8226.79	9680.83
Less : Purchase of Fixed Assets	1863.26	3666.74
Purchase of Investments	8001.54	6500.00
Purchase of Investments in Subsidiary	980.00	-
Net Cash used in Investing Activities	(2618.01)	(485.91)

Cash Flow Statement (Contd...)

	<i>Rs. in lacs</i>	
	2007-2008	2006-2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	3543.37	271.54
	3543.37	271.54
Less : Repayment of Loan	2261.87	1098.56
Interest Paid	547.16	382.52
Dividend Paid	817.19	2890.76
Corporate Dividend Tax	105.62	433.00
	3731.84	4804.84
Net Cash Used In Financing Activities	(188.47)	(4533.30)
Effect of Foreign Exchange Fluctuation	57.27	86.22
Net Changes In Cash & Cash Equivalents (A+B+C)	(1561.55)	1193.35
* Cash & Cash Equivalents-Opening Balance	1841.82	648.46
* Cash & Cash Equivalents-Closing Balance	280.27	1841.81

* Represents Cash and Bank Balances as indicated in Schedule 10

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

A. 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.
 Balance Sheet Date
 Date Month Year State Code

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

Public Issue Rights Issue
 Bonus Issue Private Placement

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

Total Liabilities Total Assets
Sources of Funds
 Paid-up Capital Reserves and Surplus
 Secured Loans Unsecured Loans
Application of Funds
 Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

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

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

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

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

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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

Consolidated Auditors' Report

To The Board of Directors of Emami Limited on the Consolidated Financial Statements of Emami Limited, its Subsidiaries and Associates.

1. We have examined the attached Consolidated Balance Sheet of Emami Limited, its subsidiaries and Associates as at March 31, 2008 and Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year ended on that date.
2. These financial statements are the responsibility of Company's management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
3. 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 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.
4. We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of Rs. 1,753 lacs as at March 31, 2008, total revenue of Rs. 230 lacs and net cash outflows of Rs. 75 lacs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of others auditors.
5. As stated in 3(ix) of Schedule 18, in case of certain associates, the audited financial statements as at March 31, 2008 are not available. The investment in these associates valued at Rs. 509 lacs in the financial statement of the Company, have not been adjusted in the Consolidated Financial Statements in the absence of their audited financial statements as at March 31, 2008.
6. We report that consolidated financial statements have been prepared by the Company's management in accordance with requirements of Accounting Standard AS-21, "Consolidated Financial Statements", Accounting Standard AS-23, "Accounting for investments in Associates" in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
7. Based on our audit and on the consideration of separate audit reports on individual financial statements of the components, and to the best of our information and explanations given to us, we are of the opinion that the consolidated 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, its subsidiaries and associates as at March 31, 2008;
 - b) In the case of Consolidated Profit & Loss Account, of the Consolidated Profit of Emami Limited, its subsidiaries and associates for the year ended on that date, and
 - c) In the case of consolidated Cash Flow, of the Consolidated Cash flows of Emami Limited, its subsidiaries and associates for the year ended on that date.

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

S. K. Agrawal
Partner

Kolkata
May 28, 2008

Membership No. 9067

Consolidated Balance Sheet As at March 31, 2008

Rs. in lacs

	Schedule	As at March 31, 2008		As at March 31, 2007	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,250.40		1,242.90	
Reserves & Surplus	2	27,393.25	28,643.65	21,693.00	22,935.90
Minority Interest			48.11		–
Loan Funds					
Secured Loans	3	4,602.45		3,575.03	
Unsecured Loans	4	7,977.83	12,580.28	260.57	3,835.60
Deferred Tax (Net)	5		214.60		258.17
			41,486.64		27,029.67
APPLICATION OF FUNDS					
Goodwill on Consolidation			400.81		–
Fixed Assets					
Gross Block	6	10,711.85		6,870.01	
Less : Depreciation		2,830.46		2,181.82	
Net Block		7,881.39		4,688.19	
Capital Work-in-Progress		1,347.48		3,448.54	
			9,228.87		8,136.73
Investments	7		11,404.96		7,769.98
Current Assets, Loans And Advances					
Inventories	8	9,762.97		4,226.50	
Sundry Debtors	9	3,782.46		4,539.26	
Cash & Bank Balances	10	661.85		2,317.89	
Loans & Advances	11	19,444.56		6,234.75	
		33,651.84		17,318.40	
Less : Current Liabilities & Provisions	12	13,210.96		6,208.85	
Net Current Assets			20,440.88		11,109.55
Miscellaneous Expenditure					
Preliminary Expenses		3.89		3.31	
Preoperative Expenses		7.23	11.12	10.10	13.41
			41,486.64		27,029.67
Significant Accounting Policies & Notes on Accounts	19				

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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

Consolidated Profit and Loss Account For the year ended March 31, 2008

Rs. in lacs

	Schedule	Year ended March 31, 2008		Year ended March 31, 2007	
INCOME					
Operating Income	13		61,803.35		51,825.64
Other Income	14		337.73		348.85
			62,141.08		52,174.49
EXPENDITURE					
Cost of Goods Sold/ Consumed	15		22,948.32		22,569.93
Project Expenses	16		4,531.64		–
Manufacturing, Administrative & Selling Expenses	17		24,541.12		22,679.00
Interest & Finance Charges	18		(1,012.31)		(1,018.40)
			51,008.77		44,230.53
PROFIT					
Profit Before Depreciation, Taxation & Minority Interest			11,132.31		7,943.96
Depreciation			740.42		467.02
Profit Before Taxation			10,391.89		7,476.94
Provision for Taxation					
- Current Tax		1,243.36		841.25	
- Fringe Benefit Tax		42.58		43.00	
- Deferred Tax (Net)		(20.30)	1,265.64	(27.00)	857.25
Profit After Taxation Before Minority Interest			9,126.25		6,619.69
Share of Pre Acquisition Profit transferred to Goodwill			(64.30)		–
Share of Minority Interest			(42.78)		–
Share of Loss in Associate			(0.50)		–
Profit After Minority Interest			9,018.67		6,619.69
Excess Provision for Taxation of earlier years			0.03		0.93
Balance of Profit & Loss Account of Amalgamating Company transferred			–		220.95
Balance Brought Forward			1,176.72		193.43
Available for Appropriation			10,195.42		7,035.00
APPROPRIATIONS					
General Reserve			5,545.18		3,005.39
Interim Dividend			–		1,864.35
Proposed Dividend			2,796.53		621.45
Corporate Dividend Tax			475.27		367.09
Balance Carried Forward			1,378.44		1,176.72
			10,195.42		7,035.00
Significant Accounting Policies & Notes on Accounts	19				
Earnings per Share - Basic & Diluted			Rs. 14.51		Rs. 10.65

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
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				
6,21,45,177 (6,11,50,000) Equity Shares of Rs. 2/- each fully paid up *		1,242.90		1,223.00
Share Capital Suspense		–		19.90
7,500 4% Non Cumulative Redeemable Preference Shares of Rs. 100/- each		7.50		
		1,250.40		1,242.90

* 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 2,78,25,177 (2,68,30,000) Equity Shares allotted for consideration other than cash.

2 RESERVES AND SURPLUS				
Capital Reserve		79.64		79.64
Share Premium				
At commencement of the year	3,161.72		3,126.03	
Added on Amalgamation	–	3,161.72	35.69	3161.72
Amalgamation Reserve				
At commencement of the year	268.38		–	
Added on Amalgamation	–	268.38	268.38	268.38
Revaluation Reserve				
At commencement of the year	–		23,859.00	
Adjusted with Intangible Assets	–		(15,337.93)	
Transferred to General Reserve	–	–	(8,521.07)	–
General Reserve				
At commencement of the year	17,000.00		5,000.00	
Added on Amalgamation	–		473.54	
Transferred from Revaluation Reserve	–		8,521.07	
Employee benefits adjusted (net off deferred tax)	(45.18)		–	
Transferred from Profit & Loss Account	5,545.18	22,500.00	3,005.39	17,000.00
Foreign Currency Translation Reserve		5.07		6.54
Profit & Loss Account		1,378.44		1,176.72
		27,393.25		21,693.00

3 SECURED LOANS				
Term Loans				
Secured by charge/mortgage of specific fixed assets		3,500.00		2,274.46
Secured against assignment of Lease Rentals receivable against Property and Personal Guarantee of Directors of Subsidiary		1,082.99		–
Cash Credits		19.46		1,300.57
Secured by hypothecation of stocks, book debts and second charge on specific fixed assets.				
		4,602.45		3,575.03

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
4 UNSECURED LOANS				
From Bodies Corporates		4,813.74		–
From Others		446.73		–
24,110 Optionally Convertible Debentures of Rs. 10,000/- each		2,411.00		–
Trade Deposits		306.36		260.57
		7,977.83		260.57

5 DEFERRED TAX (NET)				
Deferred Tax Liabilities				
Tax impact due to difference between tax depreciation and book depreciation		548.22		506.52
Deferred Tax Assets				
Tax Impact of expenses charged off in financial statements but allowance under tax law deferred *		(333.62)		(248.35)
* Includes deferred tax of Rs. 23.27 lacs on Employee benefits adjusted as per AS-15 (Revised)				
Net Deferred Tax (Liability)		214.60		258.17

6 FIXED ASSETS										
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2007	Additions during the Year	Sales/ Adjust-ments	Total	As on 01.04.2007	For the Year	Sales/ Adjust-ments	Total	As on 31.03.2008	As on 31.03.2007
Land										
Leasehold	68.99	135.14	3.68	200.45	4.45	2.44	0.03	6.86	193.59	64.54
Others	269.46	–	–	269.46	–	–	–	–	269.46	269.46
Buildings	1,738.84	2,345.44	34.83	4,049.45	335.91	97.69	8.11	425.49	3,623.96	1,402.93
Plant & Machinery	3,169.93	632.46	82.77	3,719.62	1,254.10	368.31	39.99	1,582.42	2,137.20	1,915.69
Furniture, Equipments & Computers	1,188.03	786.01	113.22	1,860.82	511.61	202.48	59.39	654.70	1,206.12	633.09
Motor Vehicles	234.41	137.88	16.43	355.86	78.17	28.95	8.23	98.89	256.97	137.03
Intangible Assets										
Software	256.04	0.15	–	256.19	20.59	41.51	–	62.10	194.09	235.45
Total	6,925.70	4,037.08	250.93	10,711.85	2,204.83	741.38	115.75	2,830.46	7,881.39	4,688.19
Capital Work-in-Progress	3,448.54	812.59	2,913.65	1,347.48	–	–	–	–	1,347.48	3,448.54
Grand Total	10,374.24	4,849.67	3,164.58	12,059.33	2,204.83	741.38	115.75	2,830.46	9,228.87	8,136.73
Previous Year's Figures	33,127.65	4,103.46	27,182.24	10,318.55	12,880.20	467.02	11,292.96	2,181.82	8,136.73	

Note : Balance as on 1.4.2007 includes opening balance of subsidiaries, which became subsidiary during the year.

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
7 INVESTMENTS (Other than Trade)				
Long Term				
A. In Associates				
Companies (Unquoted- Fully paid up)				
Roseview Developers Private Limited 5,000 Equity Shares of Rs. 10/- each	0.24			
Add: Goodwill on consolidation	0.26			
	0.50			
Less: Provision for Loss in Associate	0.50	–		–
Palace Properties (India) Private Limited 24,500 Equity Shares of Rs. 10/- each		2.45		–
Rosedale Developers Private Limited 17,750 Equity Shares of Rs. 10/- each		17.80		–
Prajay Urban Private Limited 4,000 Equity Shares of Rs. 10/- each	0.40			–
(a)	20.65			–
Partnership Firms				
P.S. Srijan Projects	488.50			–
(b)	488.50			–
(i) = (a+b)	509.15			–
B. Quoted - Fully Paid up				
Emami Paper Mills Limited 79,46,000 (79,55,000) Equity Shares of Rs. 2/- each	368.47			368.89
Creative Eye Limited 10,000 Equity Shares of Rs. 10/- each	6.41			6.41
Hindustan Unilever Limited 220 Equity Shares of Re. 1/- each	–			–
Tata Motors Limited 10 Equity Shares of Rs. 10/- each	–			–
(ii)	374.88			375.30
Unquoted - Fully paid up				
Others				
Ideal Heights Private Limited 1,900 Equity Shares of Rs. 10/- each	0.57			–
Bengal NRI Complex Limited 10,57,500 Equity Shares of Rs. 10/- each	530.07			–
Short Developers Private Limited 1800 Equity Shares of Rs. 10/- each	0.18			–
Satyam Housing Maintenance Limited 99300 Equity Shares of Re. 1/- each	0.99			–
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			27.17
Susruta Clinic & Research Institute For Advanced Medicine Pvt Ltd 8,00,000 Equity Shares of Rs. 10/- each	264.66			264.66

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
7 INVESTMENTS (Other than Trade) (Contd..)				
6 Years' National Savings Certificate (Lodged With Government Authority)		0.35		0.35
Indira Vikas Patra (Lodged With Government Authority)		–		–
(iii)		1423.99		892.18
Debenture (Unquoted - Fully paid up)				
Prajay Urban Private Limited 8,415 Optionally Convertible Debentures of Rs.10000/- each		841.50		–
(iv)		841.50		–
Current (Quoted) (Units of Rs.10/- each)				
7,98,59,643.718 Birla Cash Plus - Institutional Premium - Daily Dividend		8,001.54		6,500.00
3,237.408 ING Vysya Liquid Fund Retail		0.55		–
7,500 ING Fixed Maturity Fund Series 42		0.75		–
21,34,911 ING Vysya Liquid Fund-Institutional		230.30		–
(v)		8,233.14		6,500.00
C. Investment in Partnership Firms				
North City Developers		–		2.50
(vi)		–		2.50
D. Land & Buildings (vi)		22.30		–
Total (i) + (ii) + (iii) + (iv) + (v) + (vi)		11,404.96		7,769.98
Aggregate Book Value of Quoted Investments		8,608.02		6,875.30
Aggregate Book Value of Unquoted Investments		2,796.94		894.68
Market Value of Quoted Investments		9,077.38		844.57

8 INVENTORIES

Raw & Packing Materials		1,552.89		1,558.97
Work-in-progress		4,640.62		87.93
Finished Goods		3,516.00		2,474.15
Stores & Advertising Materials		53.46		105.45
		9,762.97		4,226.50

9 SUNDRY DEBTORS

Unsecured, Considered Good				
Due over six months		228.03		218.05
Other Debts		3,554.43		4,321.21
		3,782.46		4,539.26

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2008		As at March 31, 2007	
10 CASH AND BANK BALANCES				
Cash in hand		25.00		16.24
With Scheduled Banks				
Current Accounts	630.65		243.13	
Fixed Deposit	3.56		1,860.14	
Unpaid Dividend Account	2.64	636.85	198.38	2,301.65
		661.85		2,317.89

11 LOANS AND ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		15,200.92		5,982.15
Deposits		4,066.42		122.37
Income Tax [Net of Provisions : Rs. 2,632.44 lacs (PY : Rs. 1,323.80 lacs)]		177.22		130.23
		19,444.56		6,234.75

12 CURRENT LIABILITIES AND PROVISIONS				
Current liabilities				
Sundry Creditors	8,528.82		4,170.78	
Unclaimed Dividend	2.64		198.38	
Interest Accrued but not due	–	8,531.46	12.31	4381.47
Provisions				
Proposed Dividend	2,796.53		621.45	
Corporate Dividend Tax	475.27		105.62	
Sales Tax	1,200.00		1,035.97	
Gratuity and Leave Encashment	207.70	4,679.50	64.34	1,827.38
		13,210.96		6,208.85

13 OPERATING INCOME				
Sales	61,915.64		52,168.26	
Less : Excise Duty	219.05	61,696.59	342.62	51,825.64
Rent and other Charges		106.76		–
		61,803.35		51,825.64

Schedules forming part of the Consolidated accounts

Rs. in lacs

	Year ended March 31, 2008		Year ended March 31, 2007	
14 OTHER INCOME				
Profit/(Loss) on Sale of Current Investments		8.73		4.90
Profit/(Loss) on Sale of Long Term Investments		(0.24)		–
Profit/(Loss) on Sale of Fixed Assets (Net)		71.51		(34.83)
Dividend on Current Investments		7.65		–
Dividend on Long Term Investments		15.90		103.31
Rent Received [TDS : Rs. 11.22 lacs (PY - Rs. 17.53 lacs)]		51.97		84.53
Income from Partnership Firm		23.50		57.07
Foreign Exchange Fluctuation		57.27		86.22
Miscellaneous Receipts		101.44		47.65
		337.73		348.85

15 COST OF GOODS SOLD / CONSUMED				
Purchases/Materials Consumed		24,802.03		22,586.98
Add : Opening Stock *				
Work-in-progress	3,815.22		51.90	
Finished Goods	2,487.69	6,302.91	2,493.13	2,545.03
		31,104.94		25,132.01
Less : Closing Stock				
Work-in-progress	4,640.62		87.93	
Finished Goods	3,516.00	8,156.62	2,474.15	2,562.08
		22,948.32		22,569.93

* Includes stocks of subsidiaries (which became subsidiary during the year) on consolidation

16 PROJECT EXPENSES				
Land Purchased		2,847.20		–
Materials		496.30		–
Work executed by contractors		73.26		–
Labour Charge		2.94		–
Salary		59.68		–
Contribution to Provident & other Funds		0.69		–
Rent		3.58		–
Repair & Maintenance		3.16		–
Interest & Finance Expenses		621.67		–
Other Construction Expenses		314.28		–
Project Promotion Expenses		50.04		–
Site Overhead Expenses				
Depreciation	0.96		–	
Miscellaneous Expenses	57.88	58.84	–	–
		4,531.64		–

Schedules forming part of the Consolidated accounts

Rs. in lacs

	Year ended March 31, 2008		Year ended March 31, 2007	
17 MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES				
Salaries, Wages, Bonus e		3,001.66		1,986.76
Contribution to Provident & Other Funds		222.52		169.54
Employees' Welfare		95.64		106.56
Power & Fuel		128.75		115.02
Consumable Stores		29.10		40.10
Rent		217.09		143.53
Rates & Taxes		39.23		36.61
Insurance		97.56		121.24
Repairs & Maintenance :				
Building	35.58		19.43	
Machinery	125.88		98.96	
Others	264.99	426.45	163.71	282.10
Freight & Forwarding		1,491.35		1,356.84
Directors' Fees		8.70		8.25
Advertisement & Sales Promotion		10,405.07		10,533.16
Selling Expenses		2,092.26		1,635.35
Commission		475.60		332.54
Cash Discount		179.20		205.87
Taxes on Sales		3,194.73		3,310.72
Miscellaneous		2,436.21		2,294.81
		24,541.12		22,679.00

18 INTEREST & FINANCE CHARGES (NET)				
Paid				
Term Loans		119.33		232.02
Others		617.73		163.72
Received				
Others [TDS : Rs. 456.50 lacs (PY - Rs. 303.09 lacs)]		(1,749.37)		(1,414.14)
		(1,012.31)		(1,018.40)

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1 Principles of Consolidation

The Consolidated Financial Statements relates to EMAMI LIMITED ("the Company") and its Subsidiary Companies and Associate Companies ("the group") (Refer Note 3 (i) for details of the subsidiaries). Subsidiary Companies and Associate Companies have been consolidated as per Accounting Standards on Accounting for Consolidated Financial Statements (AS 21), and Accounting for Investments in Associate Companies (AS 23) respectively issued by the Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis:

- Consolidated financial statements 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 eliminating all significant intra-group transactions/balances and resulting unrealised profits in full.
- The difference between the cost of investment in the Subsidiaries over its proportionate share in the net assets value at the time of acquisition of stake in subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be. For this purpose, the company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

- of such financial statements and the date of respective acquisition. Capital reserve on consolidation is adjusted against Goodwill.
- iii. Minority interest in net profit/loss of the Subsidiaries for the year is identified and adjusted against income in order to arrive at the net income attributable to shareholder's of the company. Minority interest in net assets of the subsidiaries is identified and presented separately in Consolidated Financial Statements.
 - iv. In case of Associates, where the Company holds more than 20% of equity capital, Investment in Associates are accounted for using the equity method.
 - v. The difference between the cost of investment in the Associates and the share of net assets at the time of acquisition of shares in the Associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be and included in the carrying value of the investment in the Associates.
 - vi. 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 financial statements.
 - vii. The financial statements of the entities used for the purpose of consolidation are drawn up to the same reporting date as that of the company.

2 Significant Accounting Policies

i) General

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

ii) Fixed Assets

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

iii) Depreciation

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

- a. Block, Dies & Moulds are depreciated @ 95% in the year of purchase itself on prorata basis.
- b. Lease hold land is amortised over the period of lease.
- c. Software is depreciated over a period of six years on Straight Line Method.
- d. In Emami Realty Limited and its subsidiaries, depreciation is provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.
- e. In Emami UK Limited, depreciation is provided on written down value method @ 25%.

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. The Cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

Construction Work in Progress is valued at cost and includes Construction costs, allocated interest and expenses incidental to the implementation and promotion of the project.

vi) Research & Development

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

vii) Retirement benefits

- a. Contribution to Provident Fund is made at a predetermined rate and charged to revenue on accrual basis.
- b. Provision for Leave encashment and Gratuity is made on the basis of actuarial valuation as at the year end as per the requirements of Accounting Standard –15 (revised 2005) on “Employee Benefits”.
- c. The Company has defined benefit plan comprising of Gratuity fund with Life Insurance Corporation of India.
- d. Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions are recognised immediately in the Profit and Loss Account as income or expense.

viii) Sales

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

ix) Provisions and Contingent Liabilities

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

In case of Real estate Business, revenue is recognised on the completion of projects.

xii) Foreign Currency Transactions

- 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.
- c. In respect of foreign currency option contracts which are entered into to hedge highly probable forecasted transactions the cost of these contracts, if any, is expensed over the period of the contract. Any profit or loss arising on settlement or cancellation of currency options is recognised as income or expenses for the period in which settlement or cancellation takes place. The effect of this currency options contracts outstanding at the year end, in the form of unrealised gains/ losses, is not recognised.

xiii) Excise Duty

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

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

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.

xvii) Preliminary expenses

Preliminary Expenses in case of existing companies has been written off over a period of 5 years, and for the companies which has been incorporated in this year, it is fully written off in the year of incorporation.

3 Notes on Accounts

i List of Subsidiaries and Associates included in the Consolidated financial statements are as under:-

Names of Subsidiary Companies	Country of Incorporation	Period of Holding	Extent of Holding
Emami UK Limited	United Kingdom	13.09.2000 - 31.03.2008	100%
Emami Bangladesh Limited	Bangladesh	25.11.2004 - 31.03.2008	100%
Emami International FZE	UAE	12.11.2005 - 31.03.2008	100%
Emami Realty Limited	India	31.05.2007 - 31.03.2008	100%
Emami Rainbow Niketan Private Limited *	India	06.08.2007 - 31.03.2008	100%
Emami Vriddhi Commercial Private Limited *	India	06.08.2007 - 31.03.2008	100%
Nathvar Tracon Private Limited *	India	06.08.2007 - 31.03.2008	100%
New Age Realty Private Limited *	India	05.06.2007 - 31.03.2008	60%
Octagon BPO Private Limited *	India	10.04.2007 - 31.03.2008	100%
Emami Skyhigh Private Limited *	India	20.07.2007 - 31.03.2008	100%
Emami Ashiana Private Limited *	India	20.07.2007 - 31.03.2008	100%
Emami Properties Private Limited *	India	28.02.2008 - 31.03.2008	100%
Sri Mohamaya Investments Private Limited *	India	11.03.2008 - 31.03.2008	100%
Emami Constructions Private Ltd *	India	28.03.2008 - 31.03.2008	80%
A. Raj Abasan Private Limited *	India	31.03.2008	60%
Basera Enclave Makers Private Limited #	India	31.03.2008	60%
Swastik Promoters Private Limited #	India	31.03.2008	60%
Orbit Projects Private Limited #	India	31.03.2008	60%

* subsidiary of Emami Realty Limited

100% subsidiary of A. Raj Abasan Private Limited

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

ii Names of Associate Companies

Names of Associate Companies	Country of Incorporation	Period of Holding	Extent of Holding
Rose View Developers Private Limited	India	31.05.2007 - 31.03.2008	50%
Palace Properties (India) Private Limited	India	31.05.2007 - 31.03.2008	49%
Rosedale Developers Private Limited	India	01.08.2007 - 31.03.2008	25%
P.S.Srijan Projects	India	31.05.2007 - 31.03.2008	50%
Prajay Urban Private Limited	India	01.03.2008 - 31.03.2008	40%

iii The Company has entered into partnership agreement with the P. S. SRIJAN PROJECTS - w.e.f. 22nd February, 2007. The profit sharing ratio and the details of other partners are as under:

Rs. in lacs

Name of the Partners	Profit Sharing Ratio	Capital (Rs.)
a) Srijan Projects Private Limited	25%	12.50
b) P.S.Housing Finance Private Limited	25%	12.50
c) Emami Realty Limited	50%	75.00

iv 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 segments are Personal & Healthcare and Real Estate. Information about Business Segments for the year ended March 31, 2008 is as follows.

i) Primary Segment

Rs. in lacs

Particulars	Personal & Healthcare	Real Estate	Unallocated	Total
Revenue excluding excise duty				
External	58,969.67	2,833.68	-	61,803.35
Inter-segment				
Total Revenue	58,969.67	2,833.68	-	61,803.35
Result				
Segment Result	9,200.98	178.60	-	9,379.58
Interest income	1,893.98	141.76	(286.37)	1,749.37
Interest expense	(569.20)	(167.86)	-	(737.06)
Profit before tax (PBT)	10,525.76	152.50	(286.37)	10,391.89
Provision for current taxes	(1,200.53)	(42.83)	-	(1,243.36)
Provision for tax on fringe benefits	(40.00)	(2.58)	-	(42.58)
Provision for deferred taxes	22.00	(1.70)	-	20.30
Profit after tax	9,307.23	105.39	(286.37)	9,126.25
Share of Pre Acquisition Profit transferred to Goodwill	-	(64.30)	-	(64.30)
Minority Interest	-	(42.78)	-	(42.78)
Share of Loss in Associates	-	(0.50)	-	(0.50)
Profit after Tax and Minority Interest	9,307.23	(2.19)	(286.37)	9,018.67
Other information				
Segment assets	41,258.74	20,123.35	6,695.61	54,686.48
Total assets	41,258.74	20,123.35	6,695.61	54,686.48
Segment Liabilities	13,610.04	19,139.52	6,695.61	26,053.95
Total liabilities	13,610.04	19,139.52	6,695.61	26,053.95
Capital expenditure	1,876.32	59.70	-	1,936.02
Depreciation (including obsolescence, amortisation, impairment included in segment expenses)	729.51	10.91	-	740.42

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

ii) Secondary Segment			<i>Rs. in lacs</i>
Particulars	Domestic	Overseas	Total Revenues
External revenue by location of customers	55,541.88	6261.47	61,803.35
Carrying amount of segment assets by location of assets	51,852.42	2834.06	54,686.48
Cost incurred on acquisition of tangible and intangible fixed assets	1,922.96	13.06	1,936.02

v) Contingent Liabilities not provided for in respect of :			<i>Rs. in lacs</i>
	March 31, 2008	March 31, 2007	
a) Excise Duty demands	73.68	73.68	
b) Entry Tax	26.09	–	
c) Sales Tax demands under appeal (Net of Advances)	1,204.90	817.25	
d) Income Tax (Net of Advances)	15.70	33.55	
e) Guarantees and counter guarantees given	250.74	1,531.34	

Note :

Contingent Liability disclosed above represent possible obligations where the possibility of cash outflow to settle the obligation is remote.

- vi) The Company has entered into a Put Option Contract Agreement with ICICI Bank and Emami Paper Mills Limited in connection with the External Commercial Borrowings facilities availed of by Emami Paper Mills Limited from ICICI Bank for a sum of US\$ 16.50 million.

vii) **Related Party Transactions :****A. Related Parties with whom transactions have taken place during the year :**

- | | |
|---|---|
| a) Key Management Personnel | Shri R. S. Agarwal
Shri R. S. Goenka
Shri Sushil Kr. Goenka
Shri Rajesh Bagaria (Subsidiaries)
Shri Raj Kumar Sureka (Subsidiaries)
Shri B.K Parakh (Subsidiaries) |
| b) Relatives of Key Management Personnel | Smt. Usha Agarwal
Shri A. V. Agarwal
Shri H. V. Agarwal
Shri Mohan Goenka
Shri Manish Goenka
Smt. Saroj Goenka
Smt. Priti Sureka |
| c) Associates | North City Developers (Ceased w.e.f. 31.03.2008)
P.S. Srijan Projects
Palace Properties (India) Private Limited
Roseview Developers Private Limited
Prajay Urban Private Limited
Rosedale Developers Private Limited |
| d) Entities where Key Management Personnel and their relatives have significant influence | Diwakar Viniyog Private Limited
Suntrack Commerce Private Limited
Bhanu Vyapaar Private Limited
Emami Paper Mills Limited
Auto Hitech Private Limited
New Age Malls Private Limited
Emami Nirman Private Limited |

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

A. Disclosure of Transactions between the Company and Related parties and the status of Outstanding Balance as on 31.03.2008

Rs. in lacs

Particulars	Key Management Personnel & Relatives		Associates		Entities where Key Management Personnel and their relatives have significant influence		Total	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
1. Remuneration								
- Directors	333.01	205.07	-	-	-	-	333.01	205.07
- Others	10.77	18.21	-	-	-	-	10.77	18.21
2. Sales	-	-	-	-	-	-	-	-
3. Directors Sitting Fees	1.20	1.50	-	-	-	-	1.20	1.50
4. Rent & Maintenance Charges Paid	5.32	6.05	-	-	3.13	2.73	8.45	8.78
5. Rent Received	-	-	-	-	41.30	5.14	41.30	5.14
6. Hire Charges Received	-	-	-	-	-	1.46	-	1.46
7. Maintenance Charges Received	-	-	-	-	41.30	-	41.30	-
8. Loan Given	-	-	-	-	200.07	-	200.07	-
9. Loan Received	-	-	-	-	3,204.57	-	3,204.57	-
10. Corporate Guarantee	-	-	-	-	-	-	-	-
11. Interest Received	-	-	41.16	-	10.09	-	51.25	-
12. Interest Paid	-	-	1.16	-	84.06	-	85.22	-
13. Receipt Towards Loan Given	-	-	-	-	16.35	-	16.35	-
14. Repayment of Loan Received	-	-	74.35	-	3,214.89	-	3,289.24	-
15. Income From Partnership	-	-	23.50	57.07	-	-	23.50	57.07
16. Investment	4.00	-	1,273.19	-	-	-	1,277.19	-
17. Security Deposit Received	-	-	-	-	41.30	-	41.30	-
18. Balance As on 31st March								
- Investment	-	-	1,351.14	2.50	368.48	368.90	1,719.62	371.40
- Loan Given	-	-	-	-	193.70	-	193.70	-
- Loan Received	-	-	1.04	-	1.96	-	3.00	-
- Advances	-	-	70.21	-	-	-	70.21	-
- Interest Receivable	-	-	-	-	-	-	-	-
- Debtors	-	-	-	-	-	-	-	-
- Security Deposit Paid	28.14	26.03	-	-	7.00	7.00	35.14	33.03
- Security Deposit Received	-	-	-	-	41.30	-	41.30	-

viii) Information for Earnings Per Share as per AS-20

	March 31, 2008	March 31, 2007
Net Profit (Rs. in Lacs)	9,018.67	6,619.69
Weighted average number of shares used in computing earnings per share	6,21,45,177	6,21,45,177
Earnings Per Share - Basic & Diluted (Rs.)	14.51	10.65

- ix) Profit/(Loss) for the year in case of the following Associates - Palace Properties (India) Private Limited, Rosedale Developers Private Ltd., Prajay Urban Private Limited and P.S. Srijan Projects have not been included for consolidation as the audited accounts for the same are not available. However Profit/(Loss) for the year are not significant to have any material effect.
- x) 7,500, 4% Non-Cumulative Redeemable Preference shares of Rs. 100/- each fully paid issued by a Subsidiary company are Redeemable at par at any time between 3-5 years at the option of the company from the date of allotment i.e. February 15, 2005.

Schedules forming part of the Consolidated accounts

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS (Contd...)

xi) 24,110 Optionally Convertible Debentures of Rs. 10,000/- each are redeemable at par/premium on expiry of 3 years from the date of allotment i.e. March 31, 2008 with an option for early redemption in full or in parts.

xii) Current investments Purchased and sold during the year :-

Name of Funds	Opening No. of Units	Purchased No. of Units	Sold No. of Units	Closing No. of Units
RLF Treasury Plan - Retail option Daily Dividend Option	-	476,120.75	476,120.75	-
ING Liquid Fund Institutional - Growth Option	-	3,503,445.93	3,503,445.93	-
ING Liquid Fund - Daily Dividend Option	-	789,486.06	789,486.06	-
ING Short Term Income Fund Institutional - Growth Option	-	8,498,375.74	8,498,375.74	-
Birla Cash Plus - Institutional Premium	64,893,825.48	79,859,643.72	64,893,825.48	79,859,643.72
ING Vysya Liquid Fund Retail		3,237.41	-	3,237.41
ING Fixed Maturity Fund Series 42		7,500.00	-	7,500.00
ING Vysya Liquid Fund-Institutional Daily Dividend Option	1,801,186.00	12,425,094.13	12,091,369.38	2,134,910.75

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

Signatures to Schedules 1 to 19

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

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, 2008

Rs. in lacs

	2007-2008	2006-2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax And Extraordinary Items	10,391.89	7,476.94
<i>Add : Adjustments For</i>		
Depreciation	740.42	467.02
Interest	(10,12.31)	(1,018.40)
Loss / (Profit) on sale of Fixed Assets	(71.51)	34.83
Loss / (Profit) on sale of Investments	(8.49)	(4.90)
Foreign Exchange Fluctuations	(57.27)	(86.22)
Dividend Received	(23.55)	(103.31)
Operating Profit Before Working Capital Changes	9,959.18	6,765.96
<i>Add : Decrease / (Increase) In Working Capital</i>		
Trade & other Payables	1,035.48	306.20
Inventories	(1,720.39)	(169.77)
Trade & other Receivables	(6,041.16)	(1,729.02)
Provision for Sales Tax	164.03	569.30
Provision for Gratuity and Leave Encashment	74.91	31.00
	(6,487.13)	(992.29)
Cash Generated From Operations	3,472.05	5,773.67
Less : Direct Taxes Paid	1,285.46	926.76
Cash Flow Before Extraordinary Items	2,186.59	4,846.91
Extraordinary Items	-	-
Net Cash Flow From Operating Activities	2,186.59	4,846.91
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale of Fixed Assets	206.87	87.43
Interest Received	1,611.52	1,430.13
Dividend Received	23.57	103.31
Sale of Investments	6,725.10	8,096.14
	8,567.06	9,717.01
Less : Purchase of Fixed Assets	1,936.02	3,674.35
Purchase of Investments	10,763.64	6,500.00
Preoperative and Preliminary Expenses	(4.37)	(2.19)
Net Cash Used In Investing Activities	(4,128.23)	(455.15)

Cash Flow Statement (Contd...)

	<i>Rs. in lacs</i>	
	2007-2008	2006-2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	5,033.47	1,565.22
Share Capital Raised	54.00	-
	5,087.47	1,565.22
Less : Repayment of Loan	3,558.23	1,098.56
Interest Paid	579.63	411.85
Dividend Paid	817.19	2,890.76
Corporate Dividend Tax	105.62	433.00
	5,060.67	4,834.17
Net Cash Used In Financing Activities	26.80	(3,268.95)
Effect of Foreign Exchange Fluctuation	55.80	92.76
Net Changes In Cash & Cash Equivalents (A+B+C)	(1,859.04)	1,215.57
* Cash & Cash Equivalents-Opening Balance #	2,520.89	1,102.32
* Cash & Cash Equivalents-Closing Balance	661.85	2,317.89

* Represents Cash and Bank Balances as indicated in Schedule 10

Including opening balances of subsidiaries, which became subsidiary during the year.

As per our report of even date

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

Chartered Accountants

S. K. Agrawal
Partner

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

Kolkata
May 28, 2008

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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

Section 212

Statement regarding Subsidiary Company Pursuant to Section 212 of the Companies Act, 1956

Rs. in lacs

	Emami Bangladesh Limited	Emami UK Limited	Emami International FZE	Emami Realty Limited	Emami Rainbow Niketan Pvt. Ltd.	Emami Vridhi Commercial Pvt. Ltd.	Nathvar Tracon Pvt. Ltd.	Octagon BPO Pvt. Ltd.	Emami Sky High Pvt. Ltd.	Emami Ashiana Pvt. Ltd.	Emami Properties Pvt. Ltd.	Sri Mohamaya Investments Pvt. Ltd.	A Rajabasan Pvt. Ltd.	Orbit Projects Pvt. Ltd.	Basera Enclave Makers Pvt. Ltd.	Swastik Promoters Pvt. Ltd.	Emami Constructions Pvt. Ltd.	New Age Realty Pvt. Ltd.
1. Name of the Subsidiary Company	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	60%
2. Holding Company's Interest																		
3. Net aggregate amount of Subsidiary's Profit not dealt with in the Holding Company's Accounts																		
i) For the Financial Year of the Subsidiary ended as on March 31, 2008	Nil	2.10	10.68	18.20	(0.21)	(0.30)	(0.21)	(0.58)	(0.11)	(0.22)	(0.39)	(0.29)	(0.10)	(32.02)	140.86	(0.64)	(0.39)	(0.31)
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	(4.03)	20.94	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	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 March 31, 2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Kolkata
May 28, 2008

R. S. Agarwal
Chairman

R. S. Goenka
Director

S. K. Todi
Director

S. K. Goenka
Managing Director

N. H. Bhansali
President - CFO

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



Cautionary 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 – written and oral – 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.

We cannot guarantee that these forward-looking statements will be

realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate 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. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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