1+1=3

Emami Limited | Annual Report 2008-09

Corporate information

Chairman

Shri R.S. Agarwal

Managing Director

Shri Sushil Kr. Goenka

Directors

Shri R.S. Goenka
Shri Viren J. Shah
Shri K.N. Memani
Shri S.K. Todi
Shri S.N. Jalan
Shri K.K. Khemka
Padmashree Vaidya S. Chaturvedi
Shri Mohan Goenka
Shri A.V. Agarwal
Shri H.V. Agarwal

Company Secretary & Sr. 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
Vapi
Pantnagar
Talasari
Silvassa

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Notes: With a view to have better understanding of business, references and comparisons in this annual report have been made with respect to consolidated financial numbers except Directors' Report, unless mentioned otherwise.

↗ Emami, a prominent FMCG company, delivering innovative products based on holistic ayurvedic recipes, using modern scientific practices

↗ Zandu, a century-old company delivering ayurvedic, ethical and generic products based on strict ayurvedic protocols

↗ Emami and Zandu represent a synthesis of operational, marketing and cultural competencies, facilitating the delivery of innovative and effective products, converging modern-day technologies and strong ayurvedic wisdom and protocols

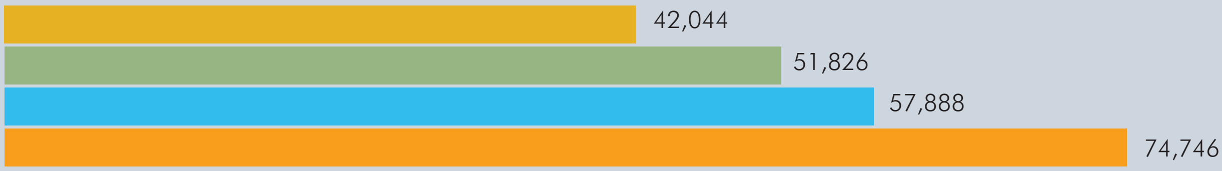
↗ The two brands complement each other's strengths

↗ The projected aggregate is larger than the sum of individual constituents, enjoying a multiplier effect on business and consequent shareholders' wealth

↗ Emami plus Zandu, one plus one. Not just two, but three.

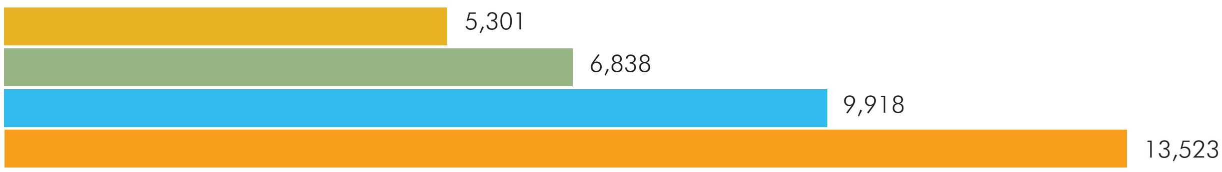
Reassuring numbers

Net sales (Rs. in lacs)



↗ Five-year CAGR: 19.5%

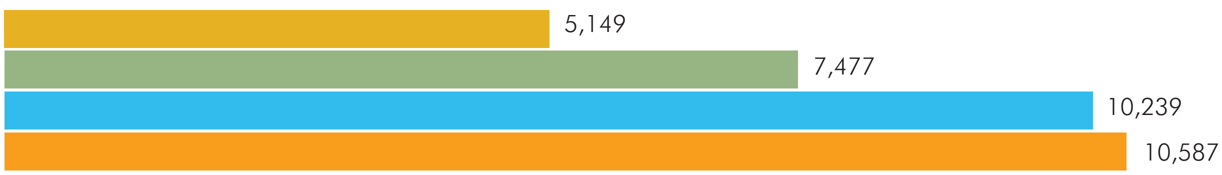
EBIDTA (Rs. in lacs)



↗ Five-year CAGR 38.9%

EBIDTA margin (%)

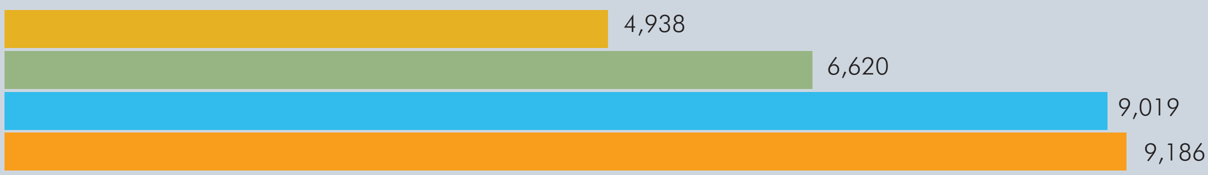
PBT (Rs. in lacs)



↗ Three-year CAGR 33.1%

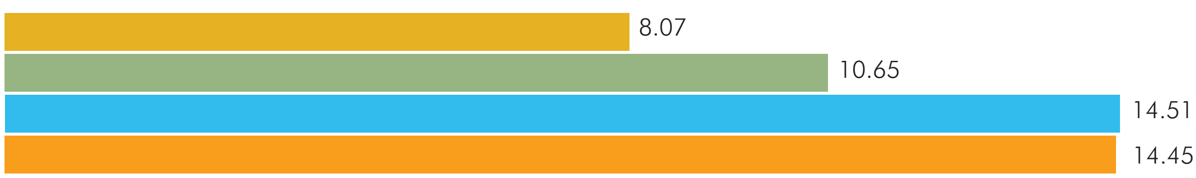
2005-06 2006-07 2007-08 2008-09

PAT after minority interest (Rs in lacs)



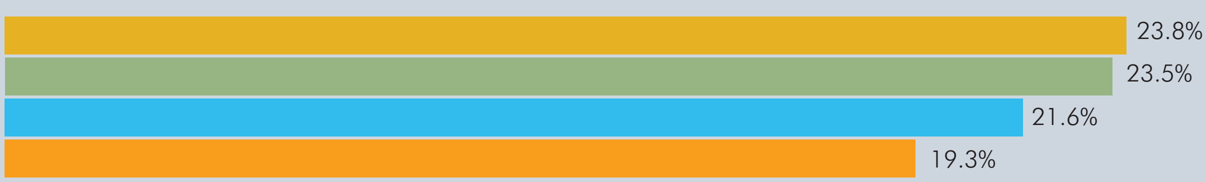
↗ Three-year CAGR: 33.1%

EPS (Rs.)



↗ Three-year CAGR 29.8%

Advertisement and sales promotion as a % of sales



Shareholder value (FY-2008-09)

Earnings per share (Rs)	Book value (Rs)	Dividend %
14.45	47.4	225%

2005-06 2006-07 2007-08 2008-09

India's FMCG industry grew 14.8% in 2008-09, Emami grew 29.1%

Corporate

- Turnover increased 29.1% from Rs. 578.9 cr in 2007-08 to Rs. 747.5 cr
- Exports grew 60% from Rs. 63.5 cr in 2007-08 to Rs. 101.6 cr, the slowdown notwithstanding
- EBIDTA grew 36.3% to Rs. 135.2 cr in 2008-09
- EBIDTA margin strengthened from 17.1% in 2007-08 to 18.1%
- Profit after tax at Rs. 91.9 cr increased marginally, despite higher incidence of interest on acquisition
- Acquired a controlling stake of 68.9% in The Zandu Pharmaceutical Works Limited in November 2008
- Consolidated FMCG and realty businesses of Emami and Zandu in separate listed entities through de-merger under a court sanctioned scheme of arrangement
- Ranked 179th among BT-500 most valuable companies of India in private sector as per a survey conducted by *Business Today* in November 2009
- Raised equity of Rs. 310 cr through QIP in July 09

Operations and marketing

- Navratna Oil, Boroplus Antiseptic Cream, Fair & Handsome fairness cream for men and Zandu Balm continued to enjoy number one status in their respective categories
- Boroplus Antiseptic Cream continues to be the largest selling antiseptic cream not only in India, but also in Ukraine, Russia and Nepal
- Fair & Handsome became the number one UAE brand in men's face care
- Launched new products like Navratna Extra Thanda Oil, Navratna Lite Oil, Boroplus Summer Lotion, Pureskin Glycerine Soap and Vasocare Petroleum Jelly across multiple categories
- Zandu balm and Boroplus ranked 62nd and 77th among India's most trusted brands across all categories (Source: Brand Equity Survey of *The Economic Times*, 2009)
- Himani Fast Relief's advertisement won the Goafest 2009 awards, the Oscars of Indian advertising
- Navratna was awarded the best packaging award by Paper Film & Foil Converters Association
- State-of-the-art manufacturing unit enjoying 10 years excise and income tax exemption started production at Abhoypur in Guwahati
- Abhoypur unit received ISO 9001:2008, ISO 14001:2004 and ISO 18001:2007 certification
- Zandu balm production commenced in a new plant in Pantnagar (Uttaranchal) in May 2009 with a 10-year excise and income tax exemption
- Roped in E&Y and initiated project 'Navodaya' for improved sales and distribution and supply-chain management
- Initiated steps for cost reduction and margin improvements in Zandu
- Commenced integrating each facet of Zandu's business – marketing, R&D, supply chain, sales and distribution, procurement, operations and HRD with Emami's

10-year highlights

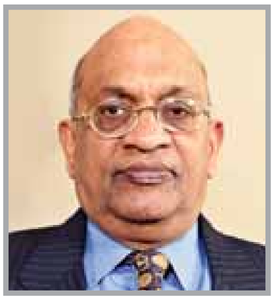
(Rs. in lacs)

Particulars	2008-9	2007-8	2006-7	2005-6	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0
OPERATING RESULTS										
Net Sales	74,746	57,888	51,826	42,044	31,125	30,678	29,515	24,728	23,596	14,719
EBIDTA	13,523	9,918	6,838	5,301	3,449	2,590	2,511	2,857	2,862	2,109
PBT	10,587	10,239	7,477	5,149	3,199	2,533	2,155	1,797	2,079	1,786
PAT (after minority interest)	9,186	9,019	6,620	4,937	2,975	2,199	1,867	1,712	2,070	1,706
Dividend incl Tax	3,983	3,272	2,853	1,395	697	190	158	129	160	162
FINANCIAL POSITION										
Fixed Assets (Net Block)	64,946	9,229	8,137	5052	4,975	4,712	3,353	3,185	2,554	1,666
Current Assets, Loans and Advances	24,232	33,748	17,318	14,161	11,829	11,509	10,087	10,465	11,407	5,996
Current Liabilities & Provisions	17,896	13,307	6,209	5,774	2,886	2,420	1,531	895	642	682
Net Current Assets	6,336	20,441	11,110	8,387	8,943	9,089	8,556	9,570	10,765	5,314
Liquid Investments	3,323	8,233	6,500	8,000	4,700	-	-	-	-	-
Other Investments	3,267	3,172	1,270	1,361	1,130	1,130	1,461	1,187	620	214
TOTAL ASSETS	75,216	41,075	27,016	22,800	19,748	14,931	13,369	13,942	13,939	7,194
Share Capital										
- Equity	1,313	1,243	1,243	1,223	1,223	1,123	562	582	582	562
- Preference	-	8	-	-	-	-	-	-	250	250
Reserves & Surplus	28,799	26,981	21,680	17,923	14,394	8,987	7,668	5,673	4,295	1,653
Equity Shareholders' Funds	30,112	28,224	22,923	19,146	15,617	10,110	8,230	6,255	4,877	2,215
Minority Interest	-	48	-	-	-	-	-	-	-	-
Loan Funds	44,508	12,580	3,836	3,369	3,624	4,364	4,775	7,401	8,812	4,729
Deferred Tax (Net)	596	215	258	285	506	457	364	286	-	-
CAPITAL EMPLOYED	75,216	41,075	27,016	22,800	19,747	14,931	13,369	13,942	13,939	7,194
KEY RATIOS										
Return on Shareholders' Funds (%)	30.38	31.96	28.88	25.79	19.01	21.72	24.81	27.37	42.42	77.03
Return on Capital Employed (%)	12.16	21.96	24.50	21.66	15.04	14.71	15.27	12.28	14.84	23.71
Debt - Equity Ratio	1.48	0.45	0.17	0.18	0.23	0.43	0.58	1.18	1.81	2.14
Total Outside Liabilities to Net Worth	2.07	0.92	0.44	0.51	0.44	0.70	0.80	1.37	1.94	2.44
EBIDTA Margin	18.09	17.13	13.19	12.61	11.08	8.44	8.51	11.55	12.13	14.33
Net Profit Margin	12.24	15.58	12.77	11.75	9.54	7.16	6.92	6.92	8.77	11.58
Interest Cover	6.44	N.A.	N.A.	N.A.	N.A.	N.A.	17.20	3.25	4.27	9.72
EQUITY SHARE DATA										
Earnings per Share (Rs)	14.45	14.51	10.65	8.06	5.23	3.92	3.32	3.05	3.69	3.04
Dividend per Share (Rs)	5.26	5.26	4.59	2.28	1.14	0.34	0.28	0.20	0.22	0.22
No. of Shares (In Lacs)	621.45	621.45	621.45	611.50	611.50	561.50	56.15	56.15	56.15	56.15
Book Value per Share (Rs)	47.38	45.42	36.89	31.31	25.54	18.01	14.66	11.14	8.69	3.94

Note:

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.

Board of Directors



Shri Radhe Shyam Agarwal, Executive Chairman, 63 years, is a chartered accountant, company secretary and LLB. Started his career as a senior executive in the Birla Group. In 1974, Joint-ventured with Shri R. S. Goenka to set up an ayurvedic medicine and cosmetic manufacturing unit in Kolkata, West Bengal. He is an eminent industrialist with vast experience in strategic planning, corporate affairs and finance.

Board member of several companies like The Zandu Pharmaceutical Works Ltd, Emami Paper Mills Ltd, Emami Realty Ltd, AMRI Hospitals Ltd, South City Projects (Kolkata) Ltd, Bengal NRI Complex Ltd, Rupa & Co Ltd, Committee Member of Shree Vishudhanand Hospital & Research Institute, Nagrik Swastha Sangha and Trustee of Emami Foundation, Maa Foundation, Anamika Kala Sangam Trust and Banshilal Janki Devi Agarwal Trust. Also served as a Director on the Board of West Bengal Industrial Development Corporation and President of Merchants' Chamber of Commerce (MCC)

Shri Radhe Shyam Goenka, Director, 62, is an MCom and an LLB. Started career in 1970 with the Birla Group. Expert in taxation, strategic planning, corporate affairs and financial planning. Joint-ventured with Shri R. S. Agarwal to set up an ayurvedic medicine and cosmetics manufacturing unit in Kolkata, West Bengal in 1974.

Board member of several companies such as The Zandu Pharmaceutical Works Ltd, Emami Paper Mills Ltd, AMRI Hospitals Ltd and South City Projects (Kolkata) Ltd, among others.

Trustee in Emami Foundation, Maa Foundation, Shree Vishudhanand Hospital Trust, Keshardeo Ratni Devi Goenka Trust, Banshilal Janki Devi Agarwal Trust, Bhagatram Charitable Trust, Maa-Rashtra Prathisthan, Mumbai and Vision Care Research & Education Foundation. He is the 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.

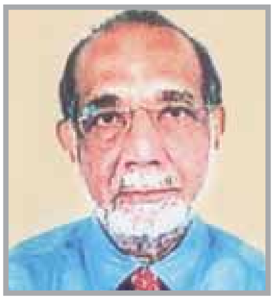
Shri Sushil Kumar Goenka, Managing Director, 53, is a commerce graduate. Joined Emami Group following graduation. Enjoys rich industry experience.

Secretary of Aradhana Trust, Vishwa Jagriti Mission Trust (Kolkata) and Vivekananda Hospital and Research Centre, Kolkata. Former president of Lions Club of North Calcutta and a member of Shri Ramkrishna Matrimangal Pratishthan, Ariadaha. Drives production, operations, human resources, distribution, public relations and strategy of Emami Limited.

Shri Viren J. Shah, Director, 83, is an AMP (Harvard Business School), U.S.A. with special expertise in General Business Management.

Served as Governor of West Bengal from December 1999 to December 2004. Member of Parliament (Lok Sabha and Rajya Sabha) for 16 years and several parliamentary committees. He was the Chairman of Mukund Limited for 27 years.

Former president of ASSOCHAM, IMC and other associations. Served as a Director on the Board of several companies, besides being a member on the Board of Trustee of the Asiatic Society. He is a Non-executive Independent Director of Emami Limited.



Shri K.N. Memani, Director, 70 is a senior chartered accountant. He is a former Chairman and Country Managing Partner of Ernst & Young, India, and was the member of Ernst & Young Global Council for a decade.

Specialises in business and corporate advisory, foreign taxation and financial consultancy, among others, and is consulted on corporate matters by several domestic and foreign companies. Was associated with several multinational companies in setting up businesses in India.

Member of several boards of public limited companies viz Chambal Fertilisers & Chemicals Ltd, DLF Ltd, Great Eastern Energy Corporation Ltd, HEG Ltd, HT Media Ltd, ICICI Venture Fund Management Company Ltd, India Glycol Ltd and JK Lakshmi Cement Ltd, among others, Chairman and member of audit committees and other committees of several companies.

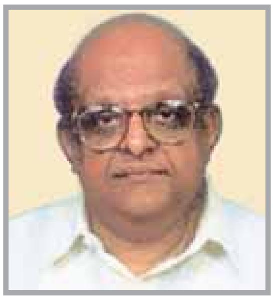
Co-Chairman of Expert Committee constituted by the Ministry of Corporate Affairs for the amendment of the Companies Act. Served in External Audit Committee (EAC) of the International Monetary Fund for two consecutive years and was appointed the Chairman of EAC for 1999-2000. The only Indian appointed in this committee by IMF.

Chairman of quality review board constituted by the Ministry of Company Affairs and associated with various Chambers of Commerce. Former President of PHD Chamber of Commerce and Industry, former Chairman of American Chamber of Commerce in India, former President of FIEO and Indo American Chamber of Commerce.

Currently, member of managing committees of PHD Chambers of Commerce, Assocham, FICCI, American Chamber of Commerce and Indo American Chamber of Commerce. Board member of reputed management schools, foundations and charity institutions. He is a Non-Executive Independent Director of Emami Limited

Shri Shrawan Kumar Todi, Director, 68, is a post-graduate in commerce. Chairman of Shrachi Group of Companies, and is a board member of AMRI Hospitals Ltd, Bengal NRI Complex Limited, Bengal Shrachi Housing Development Limited, Bengal Tools Limited, Emami Paper Mills Limited, Bhaskar Shrachi Alloys Limited, South City Projects (Kolkata) Limited, Khaitan (India) Limited, Pratidin Prakashani (P) Limited, Shrachi Securities Limited and Web Development Company Limited, among others.

Member of managing committee of Associated Chamber of Commerce and Industries, New Delhi, Executive Committee member of Merchants' Chamber of Commerce (MCC) and Chairman of Development Committee of Marwari Hospital. Trustee of Manovikas Kendra Rehabilitation & Research Institute for the Handicapped, a government body. He is a Non-Executive Independent Director of Emami Limited



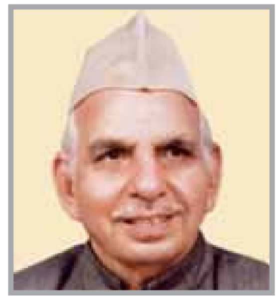
Shri Shyamanand Jalan, Director, 75, is a commerce graduate and an LLB. Attorney at Law and Member of Incorporated Law Society, India and the Bar Council of India. Authority in real estate, property matters, finance and infrastructure projects.

Won prestigious National Awards; former Vice-Chairman of the Central Sangeet Natak Academy and former Chairman of the Science City and the Birla Industrial & Technological Museum. Director of many other prominent companies. He is a Non-Executive Independent Director of Emami Limited.

Shri Krishna Kumar Khemka, Director, 76, is a science graduate. Set up many mega-sized projects in diverse industries (tyres, pulp and paper and heavy chemicals, among others). Former Chairman of Indian Paper Mills Association, former President of Rotary Club of Calcutta, Indo-American Chamber of Commerce, Indo-Italian Chamber of Commerce, etc. Committee Member of Bharat Chamber of Commerce and associated with other Chambers. He is also an Honorary Consul General of the Philippines.

Served as a Director of several companies, enjoying around 40 years of industrial experience. Associated with many cultural organisations like Anamika Kala Sangam, Sangeet Kala Mandir and Padatik, among others. He is a Non-Executive Independent Director of Emami Limited.

Padmashree Vaidya Suresh Chaturvedi, Director, 81, Kaviraj, Ayurvedacharya, BIMS, MAMS.



Held key positions in Rastriya Ayurveda Mandal, Indian Academy of Sexology, 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 Honorable Governor of Maharashtra, Consultant Physician of the Bombay Hospital. Advisor of Lupin Ltd, Chikistaka Guru of Rastriya Ayurveda Vidyapeeth, New Delhi, Chief Physician of Somaiya Ayurvedic Research Centre. Awarded the Padmashree by the Government of India and the Bharat Nirman Pracharya by the Government of Tripura. Felicitated at the International Conference on Alternative Medicines; authored authoritative articles in leading newspapers and numerous books on diet and health. He is a Non-Executive Independent Director of Emami Limited.

Shri Mohan Goenka, Whole-time Director, 36, is a commerce graduate and an MBA from the Cardiff University (UK).

Director of several companies including the Director of Emami Infrastructure Ltd and Joint Managing Director of The Zandu Pharmaceutical Works Ltd. Possesses extensive knowledge and experience in marketing and brand development. He is also Vice Chairman of the Marketing Committee of Confederation of Indian Industry (CII), Eastern Region and member of Merchants' Chamber of Commerce (MCC). Shri Goenka is also the Honorary Consul of Poland in Kolkata and former President of the Kolkata Chapter of Young Entrepreneurs' Organisation.

Shri Aditya Vardhan Agarwal, Whole time Director, 34, is a commerce graduate. Director of several companies and enjoys extensive experience in brand development and marketing. Shri Agarwal was the youngest President of the Merchants' Chamber of Commerce (MCC) and is a member of the Managing Committee of ASSOCHAM. He was on the board of West Bengal Industrial Development Corporation and is the Vice President of West Bengal Basketball Association. Besides, he is an advisor to the Academy of Ayurvedic Doctors of India, Kolkata and is the Honorary Consul of Ethiopia in Kolkata.

Shri Harsh Vardhan Agarwal, Whole time Director, 33, is a commerce graduate. Possesses extensive knowledge and experience in marketing and brand development and is Director of several companies including the Director of Emami Infrastructure Ltd and Joint Managing Director of The Zandu Pharmaceutical Works Ltd.

Member of CII National Committee on FMCG industry and the Board member of the Kolkata Chapter of Young Presidents' Organisation (YPO).

What has been our biggest business building initiative?

The acqui

The two words that describe Emami faithfully: entrepreneurial excellence.

In 1974, the Company's promoters – Shri RS Agarwal and Shri RS Goenka – gave up successful careers with the Birla Group to launch their own venture. Group Emami was born. What was a seed capital of Rs. 20,000 has since grown into a Rs. 3,000 cr (estimated for FY 2009-10) multi-business conglomerate, led by the flagship Rs. 1,000 cr Emami Ltd. (estimated for FY 2009-10).

Emami's entrepreneurial success has been derived from a culture of fearless risk-taking. Even as the world plunged into a downturn in 2008, Emami embarked on the biggest acquisition in India's FMCG space. The Company invested Rs. 713 cr in the acquisition of The Zandu Pharmaceutical Works Ltd.

The acquisition was a win-win for both the companies for the following reasons:

- A commonality of culture, values and product development. For decades, Zandu has been India's most trusted ayurvedic company owning popular brands (Zandu Balm, Zandu Chyawanprash , Zandu Kesari Jivan) and a host of ethical and generic products (Zandu Pancharishta, Trishun, Sudarshan, Triphala, Satavarex and Zandopa, among others). Emami, on the other hand, with powerful brands like Boroplus, Navratna, Fair & Handsome, Sona Chandi, Menthoplus and Fast Relief, is growing aggressively, thanks to strong brand equity, penetrative distribution network, innovative R&D, aggressive marketing and dynamic management. The combination of Zandu with Emami will help grow the trusted Zandu brands aggressively, extending synergic benefits to Emami as well
- Complementary opportunities, resulting in a mix of the traditional and modern ways of doing business. Zandu's age-old ayurvedic wisdom can be effectively applied with Emami's innovative and modern scientific practices to cater to growing consumer needs in health and the personal care segment, resulting in accelerated revenues
- Common real estate interests of Emami and Zandu, which, if given focused attention, can develop into significant revenue-generating segment

sition of Zandu

The result of one plus one in this case, therefore, will be more than a simple sum of the constituents.

Further, with a view to achieve the above mentioned benefits and optimise shareholders' wealth, a scheme of arrangement was proposed. Emami, besides its FMCG business also had an exposure towards realty through its subsidiary, Emami Realty Ltd. Zandu also possessed real estate as a part of its non-core business in addition to its longstanding FMCG business. To unlock value and synergise operations, consolidation of FMCG and real estate businesses of both the companies, separately, was crucial. Accordingly, a scheme of arrangement was proposed for the demerger of Zandu's FMCG business into Emami and simultaneous demerger of Emami's real estate undertaking comprising Emami Realty Ltd and Emami's interest into Zandu's non-core business including real estate into Emami Infrastructure Limited with effect from 5th November, 2008. The scheme was then approved by the stock exchanges, shareholders and the Hon'ble Calcutta High Court. The scheme was structured under the guidance and supervision of the experts of respective fields like M/s. J Sagar & Associates, M/s. Bansi S Mehta & Co, M/s. ICICI Securities Ltd, M/s. Microsec Capital Ltd, M/s. Anand Rathi Financial Services Ltd., M/s. Jhunjhunwala & Company, M/s. Vinod Kothari & Company and the auditors M/s. S. K. Agrawal & Co.

Following the merger of the FMCG and realty businesses under separate companies, aggressive and focused growth is expected for both businesses and the Emami team looks to the future with determination and confidence.

Why have we merged?

To grow faster

Over the preceding years, Emami grew attractively on account of its strong recall, cost-effective operations, ayurvedic product innovation and brand building. Zandu, on the other hand, grew steadily. To realise Zandu's potential and complementary synergies, Emami acquired and merged Zandu's FMCG business.

The merged entity is poised to grow faster as a result of deeper pan-Indian distribution channel, enhanced operational efficiency, stronger supply-chain, innovative productisation and functional integration. This will accelerate the growth of robust Emami brands on the one hand and evolve Zandu brands from the 'maintenance' to 'building' mode on the other.

The result: Emami's revenues are expected to strengthen from Rs. 579 cr in 2007-08 to a projected Rs. 1,000 cr-plus in 2009-10.

Revenues (Rs. in lacs)

2006-07	2007-08	2008-09	2009-10 (estimated)
51,826	57,888	74,746	1,00,000

Why have we merged?

To provide consumers a wider brand experience

Prior to the acquisition of Zandu, Emami provided a wide brand offering. Following the acquisition, the offering got wider and richer.

The consolidation will strengthen the value-for-money proposition.

For instance, Emami's power brands like Boroplus Antiseptic Cream, Navratna Oil, Fair & Handsome Fairness Cream, Sona Chandi Chyawanprash, Himani Fast Relief, MenthoPlus Balm and others will be complemented by the Zandu portfolio of robust ayurvedic products like Zandu Balm, Zandu Kesari Jivan, Zandu Chyawanprash and effective ethical and generic products like Sudarshan, Trishun, Pancharishta, Triphala, Satavarex and Zandopa, among others.

Besides, the consolidated distribution network will make it possible to place Emami and Zandu products across a wider format and footprint in India and 60 countries across the globe at a lower cost, leading to affordable anytime availability.

Why have we merged?

To enhance shareholder value

Emami's acquisition of Zandu was driven by the conviction that the strengths of Zandu's products, fused with Emami's marketing dynamism and fiscal discipline, would lead to increased market share, higher revenue and enhanced profitability with a multiplier effect on shareholder returns.

Following the Zandu acquisition, the Company's FMCG business was merged with Emami's FMCG business; meanwhile, the realty business of Emami, including the non-core business of Zandu was de-merged into Emami Infrastructure Ltd. While Zandu will continue to be a listed entity, Emami Infrastructure Limited will be subsequently listed to unlock shareholder value.

The business segregation will enhance focus, revenues, profits and market capitalisation. This is already evident: following the acquisition in November 2008, Emami's market capitalisation increased over 250% to Rs. 35 billion-plus.

Why have we merged?

To strengthen our sustain ability

Emami's Rs. 713-cr acquisition of Zandu – the largest in India's FMCG industry – leveraged the strength of the Company's balance sheet without compromising its ability to service the ongoing or prospective interests of its shareholders.

The acquisition was funded by a judicious mix of debt and internal resources. Thereafter, the mobilisation of QIP (Rs. 310 cr) neutralised a large part of debt. Going ahead, the enhanced earnings of 2009-10 are expected to pare net debt down to less than Rs. 100 cr in 2009-10 and completely eliminate all debt by 2010-11.

A significantly larger balance sheet with no debt will enhance the Company's borrowing capacity and fund its growth (organic or inorganic) in response to emerging opportunities.

Joint promoters' overview

"The merger rationale was vindicated. Our topline recorded aggressive growth, defying the downturn in 2008-09".

Shri R S Agarwal and Shri R S Goenka review the Company's performance and prospects

It is a measure of the resilience of India's fast moving consumer goods sector that even in the most challenging of years in 2008-09, when most observers felt that the country's FMCG sector would do well to merely maintain status quo – forget growth – the sector grew 14.8%.

The FMCG sector outperformed the market on account of growth arising out of consumer staples. There is a growing school of thought that subscribes to the view that during challenging periods, consumer staples represent 'safety harbours' for consumers; related sales increase as people do not make purchases on big ticket items like real estate and automobiles. Although limited, there is a possibility of consumer down-trading, making it imperative for markets to provide consumers with products across the price spectrum.

Stability

This is precisely where Emami Limited comes in. Our product range meets wide product needs; it is competent to duck under the wave and ride the storm. The merger rationale was vindicated. Our topline recorded aggressive growth, defying the downturn in 2008-09. So in what was a challenging year, we achieved a number of things:

- Our net sales of Rs. 747.5 cr grew 29.1% over Rs. 578.9 cr in 2007-08
- Exports grew 60% to Rs. 101.6 cr and institutional sales grew 36% to Rs. 28 cr
- EBIDTA grew 36.3% to Rs. 135.2 cr and EBIDTA margin increased 75 bps to 17.9%
- Our mega brands – Navratna Oil, Boroplus Cream, Fair & Handsome and Zandu Balm – accounted for a major portion of our domestic turnover
- We continued to launch new products like Navratna Extra Thanda Oil, Navratna Lite Oil, Boroplus Summer Lotion, Pureskin Glycerine Soap, Powder Hair Dye and Vasocare Petroleum Jelly across multiple categories
- We acquired a controlling stake of 68.9% in The Zandu Pharmaceutical Works Limited, a renowned ayurveda, OTC and healthcare products company listed on the BSE and NSE
- We consolidated the FMCG and realty businesses of Emami and Zandu in separate listed entities through a scheme of arrangement with effect from 5th November 2008
- To further strengthen the financials, equity capital of our Company was raised by the issue of 1 cr equity shares to QIBs in July 2009 for Rs. 310 cr.

Outperformance

Even as India passed through a challenging year, Emami grew revenues by 29.1% for the following reasons:

- We consulted with Ernst & Young; we redefined our sales and distribution modules; we introduced innovative and incentive-oriented schemes
- We undertook ayurveda-based R&D initiatives to enrich our product mix
- We designed an effective strategy to leverage value from our Zandu acquisition
- We commissioned a state-of-the-art manufacturing unit in Guwahati
- We strengthened our vendor relations and optimised operating and marketing costs
- We widened and deepened our international footprint, enhancing revenues
- We blended our family-driven business with extensive professional autonomy and corporatisation
- We reinforced our ayurvedic research centres at Kolkata, Mumbai and Vapi to emphasise our product differentiation

Acquisition

Emami acquired Zandu to create an engine of its prospective medium-term growth.

The acquisition represented a strategic fit for Emami's business. Zandu is an enduring ayurvedic, herbal and healthcare company with strong R&D skills and owns popular brands like Zandu Balm, Zandu Chyawanprash, Zandu Kesari Jivan and other ayurvedic products. The acquisition presented attractive synergies; the rollout of Zandu products through Emami's larger distribution network, the production of common products in Emami's cost-efficient locations; the collective procurement strength and product complementariness of both companies will facilitate our leadership in respective categories.

Even as we made the largest acquisition in India's FMCG sector, shareholders will be happy to know that we did not compromise the integrity of our balance sheet in the process. This is why: the Rs. 713 cr acquisition was funded by a judicious combination of debt and internal resources; the former was significantly repaid from the proceeds of a QIP issue and the result is that we expect to finish 2009-10 with a net worth of no less than Rs. 700 cr and net debt no more than Rs. 100 cr with the prospect of emerging debt-free by 2010-11. The result is that, if we target a gearing of no more than 1.0, then we can still have a significant borrowing room should we entertain the prospect of opportunity-led organic or inorganic expansion.

Strategy

Emami expects to grow from Rs. 579 cr in revenues in 2007-08 to over Rs. 1,000 cr by 2009-10 through the following strategies:

Creating niche categories: Emami is established in categories like antiseptic creams, cooling oils, fairness and cold creams, talcums and prickly heat powders, chyawanprash, balms and rubificients, among others. We expect to sustain our momentum through low unit packs, deeper rural penetration and entry into nascent segments that could become large categories.

Strong R&D delivering innovative products: Emami's strong R&D is working relentlessly to come out with innovative and effective ayurvedic products based on age-old ayurvedic wisdom using modern laboratory practices. Emami expects to 'invent' new ayurvedic healthcare categories like we did with men's fairness cream, responding to emerging lifestyles.

International reach: Emami's exports to 60 countries grew 60% in 2008-09, accounting for 13.6% of revenues. We engaged distributors with modern retail formats, strong supply chain and distribution linkages in the GCC (Gulf Co-operation Council) countries. Mentho Plus Balm emerged as the number two brand in its category in Kenya; Boroplus Antiseptic Cream remained number one in Russia, Commonwealth of Independent States and SAARC countries. Fair & Handsome emerged as the numero uno brand in men's face care category in the UAE. We entered into alliances with private, government and semi-government organisations to reach customers in urban and even remote markets. Emami's international footprint is expected to further expand agressively.

Penetrative marketing and distribution: Emami redefined sales and distribution in consultation with Ernst & Young under project 'Navodaya'. It targeted consumers in shopping malls and lifestyle outlets. It tied up with ITC Limited to distribute products through rural *e-choupals*, commencing in Uttar Pradesh and extending to Maharashtra, Madhya Pradesh and Rajasthan. It appointed 11,000 rural individuals as direct-to-consumer distributors, carrying products to rural households in exchange for performance-based incentives.

Outlook

We hope to grow aggressively in the coming years. Growth to the tune of Rs. 579 cr in 2007-08 to over Rs. 1,000 cr in 2009-10 is expected to sustain. We intend to capture a larger pie of personal and healthcare markets globally through aggressive organic and inorganic growth.

RS Agarwal and **RS Goenka**

The Future on a fast track

Shri Mohan Goenka

Shri A. V. Agarwal

Shri Manish Goenka

Shri H. V. Agarwal

Smt. Priti Sureka

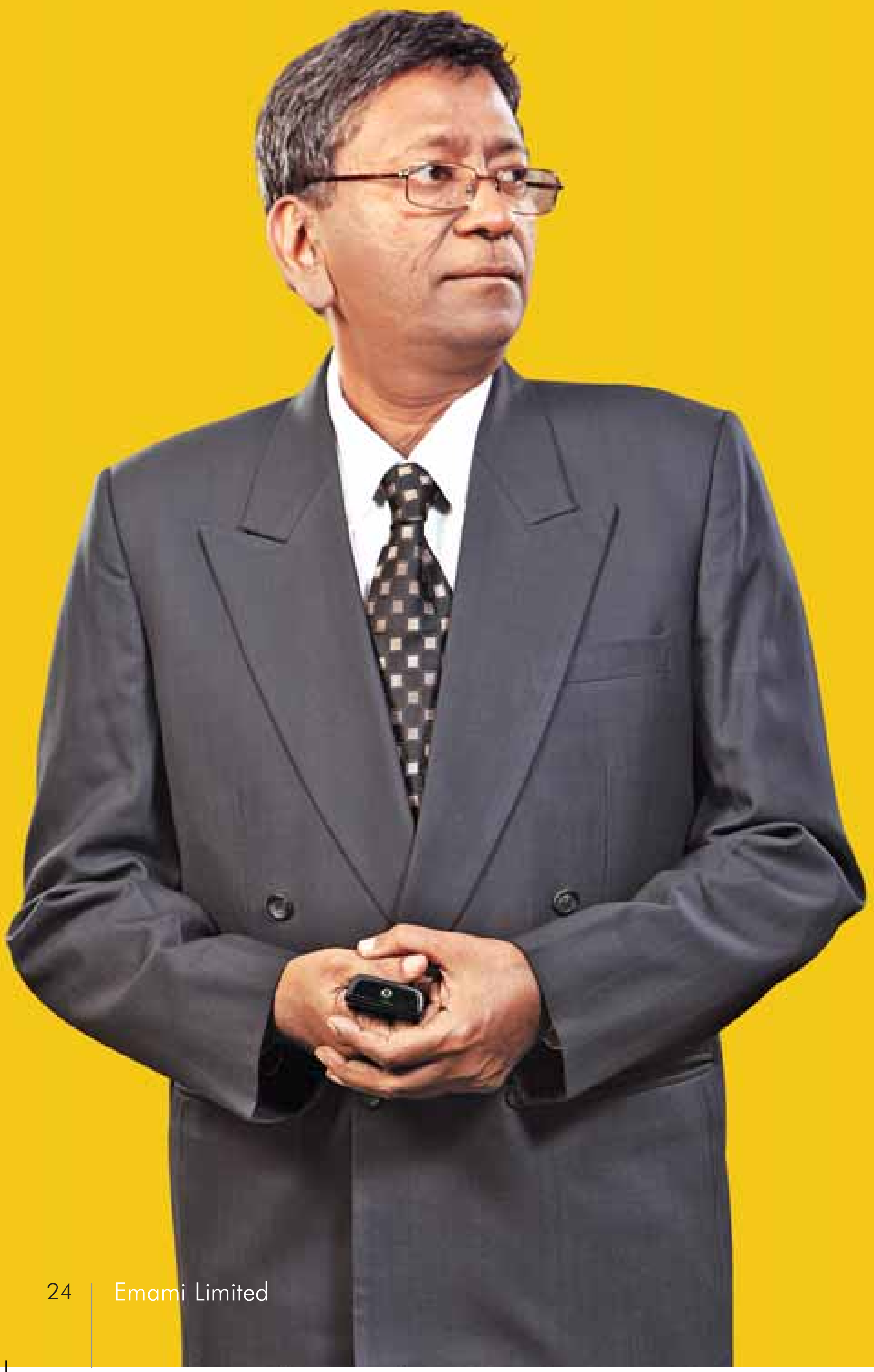
Shri Prashant Goenka

The young generation directors of the Emami Group blend professional management with promoter-ownership positions. Dissatisfied with maintaining the status quo, they drive business growth through innovation and a new way of doing things.

MD's review

"Our strategy will be to pursue growth, adopting both organic and inorganic routes, reinforcing our position as a rapidly growing corporate"

Shri S. K. Goenka, MD, Emami Limited, reviews the 2008-09 performance and looks ahead.



What was the reason behind Zandu's acquisition?

The ayurvedic segment in India is vast and growing and Zandu enjoyed leadership position across western and southern India. However, its brand equity far outperformed revenues and earnings, leaving enough scope to scale up Zandu's operations without making significant investments. This was the main purpose for our acquisition. Besides, we also felt that the acquisition would be a strategic fit as it might result in a win-win situation by exploiting the marriage between Zandu's brand maintenance mode and Emami's brand building mode.

Now that Zandu has been acquired, what will Emami do with it?

We will use both brands in strategic complementariness. Based on market dynamics, we will position either Emami or Zandu as the principal brand, while the other playing second fiddle to destabilise competitors. We are convinced that this combination – central and peripheral – will increase our market share. Besides, we are planning to launch more products under the Zandu brand in addition to growth-oriented consumer marketing and distribution initiatives.

Do you think Emami's growth drivers are expected to sustain?

Yes, very much. The Company will continue with all its growth drivers that worked to our advantage.

Our major growth drivers comprised aggressive and innovative marketing strategies, consistently coming up with new and innovative products, strong R&D set up, robust distribution channel, strong supply-chain management, robust IT infrastructure, maintaining high product quality standards, right understanding of the mindset of Indian consumers and offering value-for-money products.

We are now armed with 2,700-odd distributors, 1,200 sub-distributors and 60 super stockists and 400,000 direct outlets, ensuring deep pan-India product penetration.

We feel that these growth drivers will facilitate aggressive growth with even better forecasting, planning and integration across our various departments from raw material procurement to sales, resulting in increased productisation, consistent and effective launches, growing exports and effective cost reduction.

Talking about aggressive growth plans, what would be your focus area?

Emami is a fast growing FMCG company with building blocks: international business, product launches and brand management. Our big opportunity lies in unleashing the potential of select geographies through better advertising and marketing of brands like Boroplus, Navratna, Fair and Handsome, Zandu and other OTC, ethical and generic products.

For international business, the strategy would be country and product specific, instead of going everywhere with any product. For some products like Boroplus, Menthoplus and Fair & Handsome, an investment-oriented approach to marketing and sales are expected to maximise revenues.

Besides, we expect to look actively at acquisition opportunities both in India and abroad. Our strategy will be to pursue growth, adopting both organic and inorganic routes, reinforcing our position as a rapidly growing corporate.

There is a concern about stretching the Company's financials following the Zandu acquisition.

We must assure our shareholders that we possess a comfortable leverage to embark on more acquisitions. The promoters' holding in the Company's equity (post merger) is a strong 72.74%, we are relatively under-borrowed and besides, our debt is declining. By the end of 2008-09 we had Rs. 448 cr debt on our books but following our Rs. 310 cr Qualified Institutional Placement, we repaid a significant portion of our borrowings, and the result is that our net debt will be less than Rs. 100 cr by 2009-10-end as against a net worth of Rs. 700 cr plus. So, despite carrying out the biggest acquisition in the FMCG sector in India, we are relatively under leveraged.

The other point of note last year was the de-merger of the realty division.

It would be important to explain why a realty subsidiary of Emami Ltd was created in the first place. Emami's realty subsidiary was formed because the FMCG business generated a fair amount of cash. Rather than parking the cash in the bank or investing it in the capital market, a subsidiary was formed to invest in real estate.

However, the real estate business became volatile in 2008-09 and its risks were perceived as being significantly different from the FMCG business, which made it imperative to de-merge the business. Besides, the acquisition of Zandu made it necessary for Emami to mobilise resources for its core business. So the realty business of Emami comprising its interest into Emami Realty Limited and non-core undertaking of Zandu, have been demerged into Emami Infrastructure Limited. The implication is two separate listed entities focusing on the FMCG and realty businesses leading to enhanced business and investing clarity as well as empowering each business to grow based on their respective fundamentals.

What is the outlook for Emami?

The outlook is optimistic for a number of reasons: the herbal healthcare and personal care categories are growing attractively and we are in a position to corner a bigger slice of this pie through accelerated launches of personal and healthcare products, OTC product growth and even minimising our dependence on already popular brands. For instance, Himani ayurvedic OTC brands like Lalima and Sardi Ja can become large consumer products; Zandu's ayurvedic OTC products like Zandu Pancharishta and a host of generic products like Zandopa, Trishun and Sudarshan possess excellent potential. Our focus will be to extend from core healthcare to regular-use products and accelerate our growth.

Our strengths

Powerful brands: Emami's power brands enjoy leadership positions with considerable market shares in respective categories:

- Boroplus Antiseptic Cream (73% market share)
- Fair & Handsome fairness cream for men (63% market share)
- Zandu Balm and Mentho Plus Balm (61% market share)
- Navratna Oil (51% market share)
- Boroplus Prickly Heat Powder (18% market share)
- Sona Chandi Chyawanprash, Zandu Chyawanprash and Kesari Jivan (15% market share)
- Himani Fast Relief (13% market share)

Pan-India presence:

- Nationwide distribution: Direct coverage of over 4,00,000 retail outlets. Products available across 2.6 million outlets
- 30 depots and warehouses
- Rural coverage through a network of Emami Mobile Traders and Emami small village shops across seven states
- Urban promotion through malls, specialised distributors and kirana shops
- Supplies to Indian Army through major Defence depots, spread across 18 states

Young and dynamic team: Emami has established a young, energetic and creative team to work on future growth with a perfect blend of dynamic promoters and experienced professionals.

Celebrity brand ambassadors: Top-of-the-mind recall through endorsements by celebrities like Amitabh Bachchan, Shahrukh Khan, Madhuri Dixit, Kareena Kapoor, Sunny Deol and Mumbai Indians Team comprising Sachin Tendulkar, Zaheer Khan, Harbhajan Singh and others. Advertisement and sales promotion, as a proportion of revenues, stood at 19.3% in 2008-09, compared with 21.6% in 2007-08 owing to innovative positioning.

Efficient operations: Most of the manufacturing facilities are cGMP and ISO 9001 compliant and are aligned with Hazard Analysis and Critical Control Points (HACCP) guidelines. More than 80% of the production now comes from tax-exempt zones. Two further units enjoying fiscal benefits have started production, one at Guwahati and another at Pantnagar.

Global presence: We are consolidating our footprint in international geographies, especially GCC countries, Africa, Russia and SAARC countries. Emami is present in over 60 countries globally.

Innovative research: Himani Ayurveda Science Foundation and Zandu Foundation for Health Care are working actively on various researches. Our advisory panel comprises ayurvedic experts including Padmashree 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 Indian System of Medicines and Homoeopathy, Department of Health and Family Welfare, New Delhi), Dr Bhaswati Bhattacharya (MPH, MD, MA and practicing physician at New York) and Dr. Pawan Sharma (MD - Ayurveda and gold medallist).

Strong financials: Despite acquiring 68.9% stake in Zandu at a cost of Rs. 713 cr, Emami is expected to close 2009-10 with a net worth of over Rs. 700 cr and net debt of less than Rs.100 cr.

National spread

Management's discussion and analysis

Indian economy overview

The Indian economy is proving to be a global growth engine. The country represents one of the largest emerging economies in terms of purchasing power with a strong 300-million middle-class. The economy registered a robust 6.7% GDP growth in 2008-09 compared with 9% in the previous year, despite the global meltdown. The country's GDP is expected to grow 7.5% in 2009-10. India achieved its first trillion dollar of GDP in 2007; and is expected to achieve the next trillion dollars in about eight years (Source: *Business Standard*).

Industry overview

India's FMCG sector is the fourth largest sector with a USD 25-billion size in 2008. It is a key component of India's GDP and is a significant (direct and indirect) employer employing three million individuals in downstream activities across small towns and rural India. The FMCG industry in India witnessed strong double digit growth over the last three years owing to liberalisation, urbanisation, income increase, altered lifestyles and enhanced rural awareness. The sectoral growth has also been catalysed by a reduction in excise duty, de-reservation of the small-scale sector, enhanced marketing and innovative packaging.

The personal care segment accounts for 22% of the country's FMCG sector. The global market for herbal products (health supplements, herbal beauty and toiletry products) is estimated at around US$62 billion. It could grow to US$5 trillion by 2050 (Source: WHO). Emami enjoys a presence in personal and healthcare segments and reported a robust 29.1% growth in 2008-09 with a consolidated turnover of Rs. 747 cr. The Company is optimistic of aggressive growth in 2009-10, based on the reality of robust product demand at popular price points.

The industry is marked by growing investments in distribution and brand building, a hedge against intending competition. The FMCG sector addresses the needs of broad society; low-priced products account for over 60% of the sector's sales, rural markets account for 56% of domestic FMCG demand.

Salient industry features

Cost dynamics: The FMCG industry warrants growing investments in manufacturing, administration, marketing and advertising. The capital-to-sales ratio is low on account of outsourcing and relatively lower investments required in fixed assets. Supply chain and brand management are key factors. Advertisement costs range from 5% to 25% of revenues, depending on product life cycle, brand value, competition and marketing strategy.

Brand equity: Strong brands are integral to FMCG success and achieving product differentiation. Brand equities are reinforced through technological innovation, quality consistency and aggressive marketing. Brand building, positioning and extending drive product success. Demand slowdown and growing competition have forced players to reduce costs and market more aggressively. Occasionally products are re-launched by repositioning brands to extend product life cycle and extract better value.

Distribution channels: Product accessibility enhances success. Estimates show that there are around 700,000 FMCG outlets in urban India and over 300,000 outlets in rural areas. Industry players derive their strength from a high capital turnover, strong brand equity and effective logistics management. A combination of distribution network, innovative packaging and right pricing ensure success.

Demand drivers: A growing middle-class has enhanced awareness of health, hygiene and packaged foods leading to FMCG industry growth. An increase in disposable incomes, innovation, advertising and enhanced visibility have catalysed demand growth. Categories like skin care, shampoos, deodorants, anti-ageing solutions, fairness products and men's products are becoming popular.

Pricing: An average Indian consumer is price-conscious. Most brands have introduced products with mass-market pricing to build volumes. Stiff competition has restricted players from increasing sticker prices. With a rise in disposable incomes, players in the premium-product categories will be able to increase sales volume.

Costs: Companies incur sizable expenditure in new product launches. The process involves product development, market research and test marketing followed by brand building, franchise development, advertising, sample distribution and product promotion. Launch costs are initially high but progressively decline as the brand matures and turnover rises. Advertising expenditure for established brands varies 5-12% depending on the product. An occasional push through re-launch is common and involves repositioning.

Low capital intensive: The sector is not capital intensive requiring low investment in fixed assets. A high turnover-to-investment ratio is characteristic of this sector; turnover is typically five to eight times investment in a greenfield plant at full capacity. A bulk of sales takes place on a cash basis, reducing capital outlay.

Growth drivers

Population: India's population of 1.1 billion (growing annually at 1.5%) is expected to touch 1.33 billion by 2020-21. Concurrent economic growth is expected to reduce the country's population below the poverty line to 22% in urban areas and 29% in rural areas by 2025. Around 291 million people are expected to move out of the BPL category, even as 322 million people are likely to be added to the population.

Income: India's per capita income increased 12.2% to Rs. 37,490 in 2008-09. The country is expected to gradually move from being the 12^{th} largest consuming economy to the fifth largest consuming economy. Discretionary spending is expected to rise and household savings are expected to decline from 28% to 22% by 2025. Consequently, India's consumer market will touch USD 8.2 trillion.

Demographics: Around two-thirds of the Indian population is under 35. The Company responded to this reality through the launch of relevant products and endorsements by youth icons. By 2020, 882 million Indians will be in the age group of 15-64 years. High disposable income, easy credit availability of credit and a growing media-cum-brands exposure are major consumption drivers.

[Source: IBEF research]

Retail: India's retail sector is expected to grow 9% to touch USD 521 billion by 2012, catalysed by the FMCG segment. The current retail market is around USD 350 billion, of which organised retail constitutes around 4%. This is projected to increase to 9.52% in 2009-10. Modern retail format is expected to grow faster at about 30-35% annually. Rural retail is expected to be driven by unorganised segments. The penetration of organised retail is specifically low in rural India. Of 600,000 Indian villages, around 10,000 have access to organised retail.

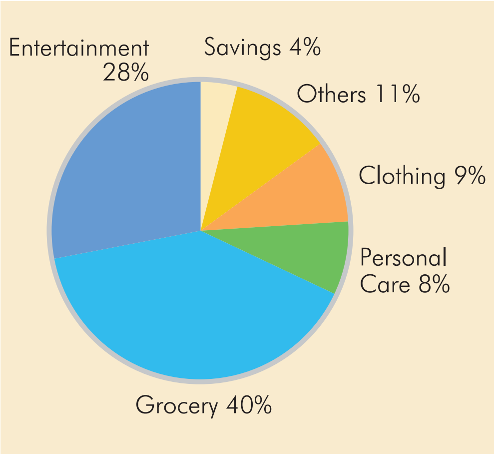
Rural India: Rural India is home to around two-thirds of its billion-plus population, which accounted for 34% offtake of FMCG products. Since urban markets are mature, rural markets are expected to drive the next phase of India's growth, as they account for nearly half the domestic retail market valued over USD 300 billion. It is experiencing an increase in income, consumption and production. Thus the USD 112-billion (Rs. 500,000 cr) rural market, growing at around 10%, is expected to double in the next five years [Source: ASSOCHAM]. The rural markets account for 56% of the total Indian FMCG demand. The per capita income in rural India has grown over 50% in 10 years due to improved productivity and rising commodity prices. Rural consumers spend around 13% of their income on FMCG goods, second highest after food (35%). The rural FMCG market posted a 20% growth, attributed to three good monsoon years, farm loan waivers and high produce realisations.

With the government set to spend USD 80.82 billion towards rural infrastructure income and demand level, the future in rural markets is quite optimistic.

Income-consumption cycle: India's FMCG sector is enjoying the positive impact of higher consumption due to rising incomes. Consumption has played a bigger role in the Indian growth story than in the case of any other developing country. The country has closely matched the proportion of consumption when compared with developed economies like China, the US and Japan (around 62% of GDP). With rising consumerism and changing lifestyles, the demand for value-added products is increasing. The lower-middle-income group in rural areas is almost double that in urban areas constituting 41% of the Indian middle class with 58% of the total disposable income [Source: *The Economic Times*]. The spending pattern of Indian consumers varies widely for FMCG products. An average Indian spends around 40% of his income on groceries and 8% on personal care products.

Low penetration: Due to the vast size of the Indian market, most FMCG products suffer from low penetration. A comparison between rural and urban areas reveals that average consumption among rural households is lower when pitted against urban households. The presence of this vast unsaturated rural market provides ample opportunities for the FMCG industry.

Spending pattern



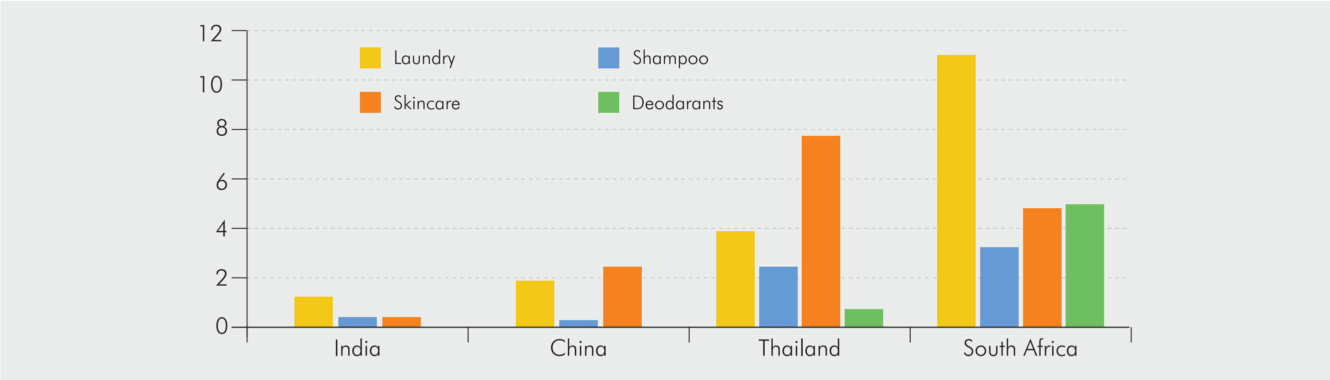
Penetration percentage

FMCG category	All India %	Urban %	Rural %
Deodorants	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin cream	22	31.5	17.8
Shampoo	38	52.1	31.9
Utensil cleaner	28	59.9	14.6
Instant coffee	6.6	15.5	2.8
Washing powder	86.1	90.7	84.1
Detergent bar	88.6	91.4	87.4
Toilet soap	91.5	97.5	88.9

[Source: http://in.biz.yahoo.com]

Per capita consumption of some FMCG products in India compared with other countries

Per capita daily consumption (US$)



Outlook

The FMCG industry is showing early signs of growth. Volume of sales for products like soaps, shampoos, detergents and toothpaste, among others, has increased following a reasonable correction in prices. Clearly, the tables have turned in favour of branded products. However, regional competition is fierce and rising costs represent a growing challenge.

India's FMCG segment is set to reach USD 43 billion by 2013 and USD 95 billion by 2018. The implementation of the Goods and Services Tax (GST) and FDI opening are expected to further boost the industry.

A billion-plus population makes India one of the world's largest markets for beauty, health and personal care products. The Indian ayurvedic and herbal market is also expected to grow attractively. Emami is suitably positioned to capitalise on this growing opportunity.

In the news

“We are open to buyouts in toiletries and soaps”

INCREASING LIQUIDITY

Emami may look to sell 10% stake to FIIs, collect Rs300 crore

BALM for the SOUL

Emami's old-school promoters were nimble enough to acquire Zandu. They need many more manoeuvres to become a major FMCG player

ট্রাম সংস্থাকে বায়ো-ডিজেল সরবরাহের মউ স্বাক্ষর অনুষ্ঠানে সিটিসি'র চেয়ারম্যান রাজদেও গোয়ালা ও ইমামি গ্রুপের দুই কর্ণধার মনীশ গোয়েঙ্কা ও আদিত্য আগরওয়াল। মঙ্গলবার।
—শঙ্কর দাশগুপ্ত

Emami sets up second unit in Assam

Emami award

Emami Group has been awarded the most enterprising company of the year by the Indian Institute of Planning and Management and *The Sunday Indian.*

Navratna Oil Lite — one

Business Standard

Brand Emami

Therapeutic healer

Navratna Oil

Category: Ayurvedic cool massage oil

Brand promise: Relief from stress and its symptoms like headache, tension, fatigue and insomnia

Essence of the brand: While 'cooling' is a sensory delivery for all brands in this category, for Navratna 'Cool' it is a core value associated with the brand.

Navratna is an ayurvedic cool oil, which provides multiple benefits like relief from physical and mental stress symptoms like insomnia, headache, tension and fatigue.

Navratna also reduces premature greying or hair fall.

Major competitors: The major competitors for Navratna Oil are Himgange and Rahat Rooh

Brand differentiation: The key differentiator is the unique 'feel-good' tingling and cooling effect which leads to 'do-good' stress busting.

Market share: Navratna Oil is the dominant and undisputed market leader with over 50% market share in the cool oil category of a size of over Rs. 500 cr.

Line extensions: Two strategic line extensions – Navratna Extra Thanda Oil and Navratna Lite Oil – have been launched on a national level and both the extensions have received positive response from the trade and the consumers.

Communication and advertising: This is the for the first time that the brand is presenting a separate campaign for its sachet SKU. The sachet, besides being considered as a trial generator, is meant to be an important growth driver for the brand in the long run. The campaign, highlighting Amitabh Bachchan, offers 'Parmanandam' (bliss) only at Re 1.

At the same time, a strategic theme campaign is in place to address specific triggers and barriers associated with the brand with the overarching objective of making the brand more relevant.

The campaigns will address the consumer through all possible touch points with a complete 360 degree communication approach.

Outlook: The brand is poised for phenomenal growth, over and above category growth rates, reinforcing its dominance in the category.

- Himani Navratna Oil, the largest and flagship brand from Emami Limited, is one of the fastest growing FMCG brands in the Indian market with a CAGR of 18% over the last seven years
- Navratna Oil almost defines the category of Ayurvedic cool oils, providing relief and a sense of rejuvenation from stress and its associated syndromes of headache, insomnia, fatigue and tension, along with other multipurpose benefits related to solving hair and body related ailments
- The only FMCG brand to be endorsed by two top Indian celebrities – Amitabh Bachchan and Shah Rukh Khan

- Catering to regional requirements, various regional celebrities have been roped in to endorse the brand. At present, Mahesh Babu is endorsing the brand in Andhra Pradesh after megastar Chiranjeevi, while Tamil superstar Surya has been the brand ambassador in Tamil Nadu since 2006
- Navratna's brand line 'Thanda Thanda Cool Cool' enjoys high recall and awareness and provides considerable salience to the brand, perhaps due to its high visibility across media vehicles and sustained endorsements by superstars and celebrities

Antiseptic

Boroplus Antiseptic Cream

The Brand: 'India's No.1 Antiseptic Cream'

Product ideology: Boroplus Antiseptic Cream is a preventive, curative and healing ointment with an ayurvedic base. It is positioned not only as an antiseptic cream to cure nicks, cuts, burns, nappy rash, etc, but also as a product that protects the skin from minor diseases and harsh weather conditions. The product is widely used for the treatment of chapped, cracked and dry skin during extreme winter.

Product attributes: The cream penetrates the skin gently. It has a rich aloe vera content, which, along with *neem*, cures minor burns. Other ingredients like *ushir* keep the skin cool and relaxed; *haridra* relieves chapped skin, whereas *yastimadhu* has anti-inflammatory attributes that ease sores. Special herbs – renowned for antiseptic properties, healing cuts, scratches, minor wounds and sores – like *chandan, neem* and *tulsi* enhance skin tone.

Major competitors: Boroline is the leading competitor.

Product differentiation: The product's value-added benefits comprise medicinal as well as antiseptic benefits.

Brand strategy: The strategy is to grow the category through brand extension and enhanced communication.

Category growth: In terms of volume, the category grew 9%, whereas Boroplus sales grew 11%. In terms of value, the category grew 13% compared with 14% growth for Boroplus (Source: AC Neilsen).

Market share: The market size of the Boro brand cream category is around Rs. 224 cr, of which Boroplus has a market share of around 73% (Source: AC Neilsen).

Brand extension of Boroplus: Boroplus has a rich and diversified portfolio.

In addition to the existing brand extension of Boroplus Prickly Heat Powder, the Company introduced Boroplus Winter Lotion and Boroplus Summer Lotion, which are milder and lighter; their non-greasy moisturising formula hydrates the skin without making it oily.

Highlights, 2008-09

- ↗ Following the cross-category shift, Boroplus outperformed industry growth
- ↗ Initiatives and media investments preceded entry into new markets like Karnataka and Andhra Pradesh
- ↗ Strong rural initiatives in West Bengal resulted in increased market share, supported by radio advertising and van promotion
- ↗ Boroplus invested in radio promotion across rural Orissa, Assam, Bihar, UP and MP – markets which prefer petroleum jelly

Advertising: The communication focused on product comprehensiveness. Amitabh Bachchan and Kareena Kapoor figured as brand ambassadors. Commercials in West Bengal will intensify following the enlistment of leading film stars.

Outlook: Boroplus targets the number one skin care slot and extend to the face and body care categories.

- ↗ India's number one antiseptic cream
- ↗ Leader with 73% market share
- ↗ Grew at a CAGR of 19% over four years

Personal care

Fair and Handsome

Promotional line: 'Hi handsome, hi handsome!'

Product ideology: Fair and Handsome is the first men's fairness cream to be launched in India, customised for men's skin.

Product attributes: The product contains a double-strength peptide complex that acts on the collagen present in the male skin, enhancing fairness. This peptide complex was developed by Emami in collaboration with Activor Corporation, a US-based skin care company. Apart from enhancing fairness, the product also contains liquorice, vetiver and aloe vera to provide a refreshing post-shave cooling.

Major competitors: Nivea Whitening, Menz Active, Fair One Man and Garnier Men are major competitors.

Product differentiation: The product contains five unique powers (double-strength peptide complex, sunguard, anti-bacplus, stress buster and herbocool) that improve fairness in just four weeks.

Brand strategy: The contract with Shahrukh Khan was renewed. The Company plans to launch new commercials, increase low unit pack (LUP) distribution and graduate LUP users to bigger packs. The target group comprises males between 15 to 24 years.

Category growth: The male fairness product category is estimated at around 25% - 30% of the Rs. 1,500-cr fairness product category. The category grew 14%, while the brand grew 45% and 43% in terms of value and volume respectively.

- Continues to be the largest player in the men's fairness cream category
- Launched the Rs. 5 spout pack of 8 ml and Rs. 10 pack of 12 ml, which were well received
- Commands 63% share of the male fairness cream market (Source: AC Neilsen)

Market share: In the fairness product category, Uttar Pradesh is the biggest market (Rs. 245 cr), followed by Maharashtra (Rs. 210 cr), Andhra Pradesh (Rs. 152 cr) and Karnataka (Rs. 125 cr). Fair & Handsome commands around 63% market share of the male fairness cream segment. (Source: AC Neilsen)

Product: The product currently has four SKUs – 7 ml, 12 ml, 30 ml and 60 ml.

Highlights, 2008-09

↗ The launch and success of the LUP packs at price points of Rs. 5 and Rs. 10, respectively.

Advertisement: The Company undertook promotional activities like event sponsorship and television commercials. Shahrukh Khan was the brand ambassador for the brand.

Outlook: The brand is expected to grow attractively.

Personal care

Navratna Cool Talc

Category: Talcum powder

Promotional line: 'Duniya Ka Sabse Chhota A.C.'

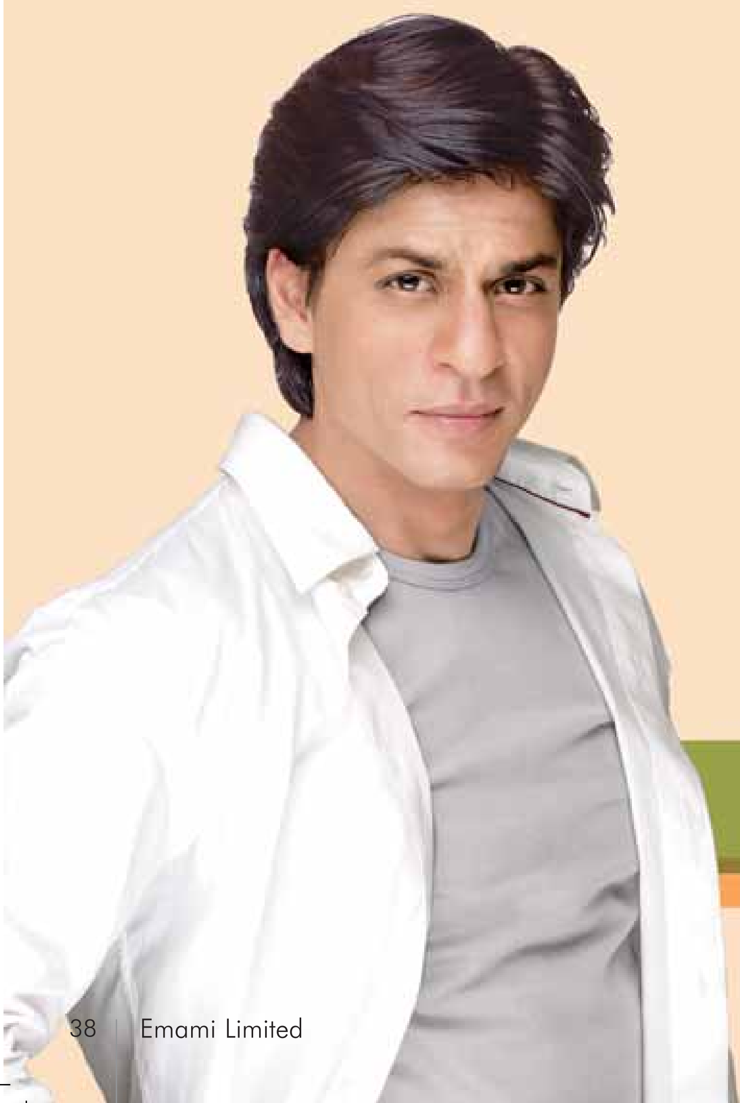
Product ideology: Navratna Cool Talc provides a refreshing break from other ordinary talcs. It counters heat and humidity through its cooling property, beating sweat and undesired body odour; it keeps one cool and fresh all day long.

Product attributes: The unique blend of mint and camphor, with the goodness of essential herbs, renders the desired cooling effect, while the cool aroma rejuvenates the senses and keeps one vibrant and fresh throughout the day.

Major competitors: Pond's and DermiCool

Product differentiation: No other general talc offers this unique 'cooling' benefit.

A first of its kind, offering coolness in the general talcum category, Navratna Cool Talc has generated a keen interest among consumers during the oppressive summer.



Brand strategy: To make 'cooling' more relevant among non-cooling talcs and widen consumer acceptance.

Product variants: Navratna Cool Talc is available across India with three attractive variants – the main and two new variants named 'Navratna Cool Talc – Active Deo' and 'Navratna Cool Talc – 24hour Fresh' that provide the desired cooling and refreshment in the scorching heat and sweat.

Communication and advertising

A mix of electronic and print media vehicles were used for the communication initiatives across India.

The advertisement campaigns for the brand featured a range of conventional and non-conventional media—print, TV, radio and ground level activities.

The clutter-breaking communication for the brand reinforced by Shahrukh Khan's enduring endorsement since launch has proved to be invaluable.

Additionally, various regional celebrities were roped in to endorse the brand across regions. The brand was endorsed by super stars like Surya in Tamil Nadu and Mahesh Babu in Andhra Pradesh.

Highlights, 2008-09

- ↗ The brand registered a primary volume growth of 54% over 2007-08
- ↗ An extensive TV campaign was conducted across India with the new 'Garmi Alvida' commercial
- ↗ Other successful product initiatives include the launch of a new variant called 'Navratna Cool Talc – 24hour Fresh' and the introduction of new pack sizes for the 'Active Deo' variant

Outlook: The brand expects to double its turnover in 2009-10, even as the talcum powder market remains stagnant.

Ayurvedic health supplement

Sona Chandi Chyawanprash

Promotional line: 'Sona De Surakshit Tan, Chandi De Tez Dimag'

Product ideology: Builds immunity, strengthens body, sharpens mind

Product attributes: Rich in vitamin A, C, D3, calcium, iron, protein and carbohydrates; contains gold, silver, saffron and 51 rare herbs

Major competitors: Dabur and Baidyanath

Product differentiation: The goodness of *amla* and herbs are strengthened by gold and silver, thanks to Himani Ayurveda Science Foundation.

Brand strategy: The brand focuses on big markets with strong visibility; spoon chyawanprash was recently test-launched, enhancing affordability and creating a niche.

Products: Sona Chandi Chyawanprash and Sona Chandi Kesar Chyawanprash (premium product with kesar and dry fruit). The chyawanprash portfolio widened with Zandu Chyawanprash and Zandu Kesari Jivan in the kitty.

Advertising: The Company's new television commercial with Shahrukh Khan emphasized the benefits of sona and chandi. In addition, door-to-door activity, wall painting, dealer boards, rural vans and participation in fairs and festivals along with regular point-of-purchase marketing collaterals (posters, danglers, banners, among others) are being done.

Outlook: Sona Chandi's strength will be complemented by Zandu's Chyawanprash and Kesari Jivan, rejuvenating these promising brands.

Highlights, 2008-09

- ↗ Introduction of Sona Chandi Chyawanprash in a dispensable spoon for Rs. 3 each

- ↗ 5.8% volume growth from Jan – Dec'08 (Source: AC Neilsen)
- ↗ Modern packaging

Rubificient

Zandu Balm

Promotional line: 'Ek Balm Teen Kam'

Product ideology: The balm, an effective headache reliever, also provides an effective solution for cough, cold, tiredness, backache, sprain and muscular pain.

Product attributes: A holistic pain reliever, the balm possesses the unique formulation of *Gaultheria ka Tel* and Menthol.

Major competitors: Its competitors include Amrutanjan balm, Tiger balm and Monison's balm.

Product differentiation: The product with its unique formulation has become the choice of millions and India's number one selling balm owing to its unique formulation with natural ingredients like *Gaultheria ka Tel* and Menthol. The inclusion of beneficial herbs ensures quick relief.

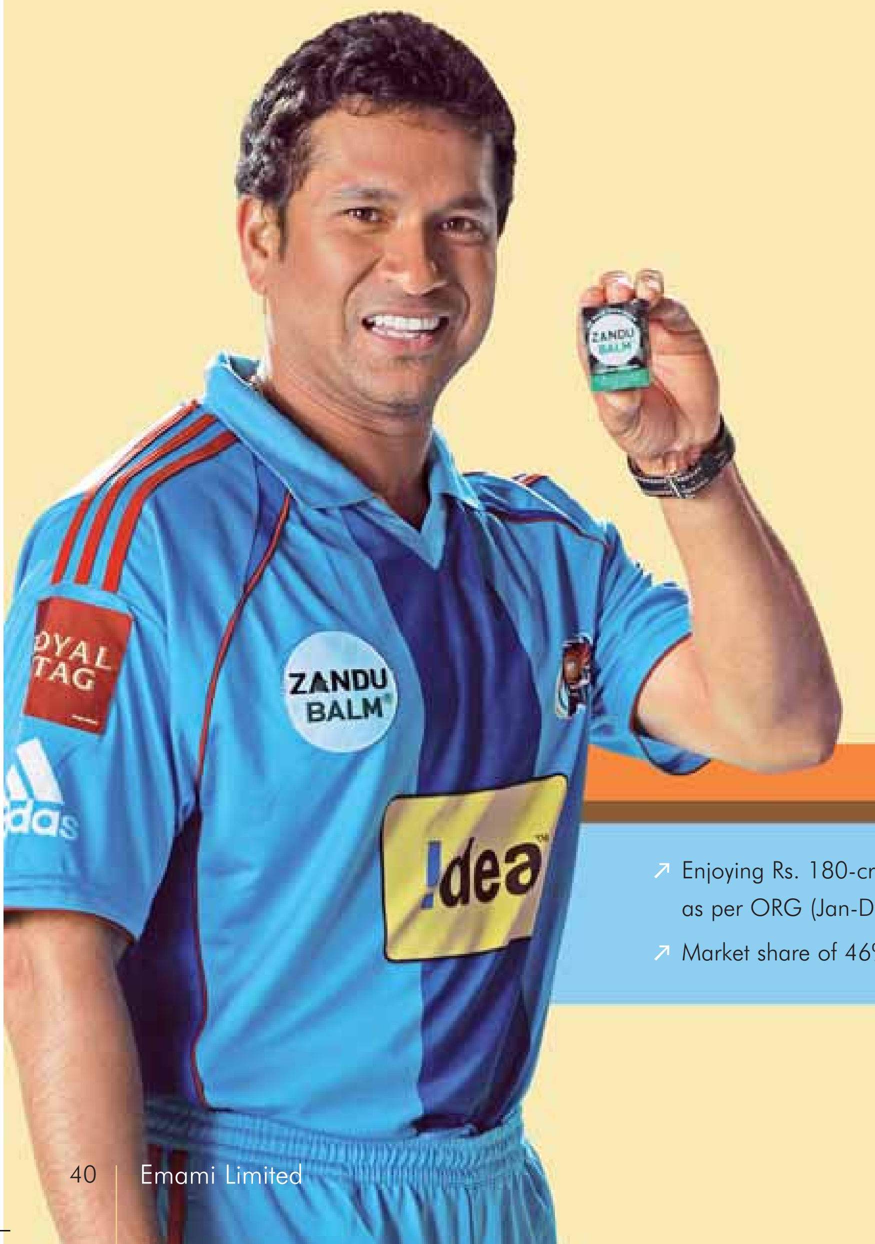
Brand strategy: Following the Zandu acquisition, Emami and Menthoplus Balm accounted for around 61% market share in the balm category with only Amrutanjan as the major competitor. The main aim for Zandu would be to grow the market and its share in it.

Product: There are three SKUs - 5gm, 10gm, and 30gm. A new SKU 1.2gm will be launched in due course.

Advertisement: The Company made a new commercial, keeping the positioning 'Desh Ka Dard Mitana Hai' around Sachin, Harbhajan and Zaheer Khan. A number of ATL and BTL activities are being carried out.

Highlight: With the acquisition of Zandu, Zandu balm is now a part of Emami's portfolio, making Emami the market leader in this category with a market share of around 61%.

Outlook: With a leadership position, Emami expects to drive the category and lead growth



- Enjoying Rs. 180-cr sales as per ORG (Jan-Dec'08)
- Market share of 46%

Rubificient

Himani Fast Relief

Promotional line: 'Dard Mitaye Chutki Mein'

Product attributes: Provides instant relief against muscular, joint, arthritic and shoulder pain

Major competitors: Moov, Iodex and Volini.

Product differentiation: Fastest pain reliever, re-launched with a new formulation; comprises ten active ingredients (*Gaultheria Ka Tel*, menthol, clove, camphor, cinnamon, eucalyptus oil, capsicum extract and ajwain, among others), far more than competing products; active ingredients in the new formulation have been strengthened

Brand strategy: Repositioned as the fastest pain relieving ointment, following re-formulation; capitalises on the fact that it provides instantaneous stress relief to modern lifestyle stressed individuals.

Category growth: Category grew 8% (value) and 1.9% (volume), while Himani Fast Relief grew 10% (value) and 17% (volume)

Market share: Rubs constituted a quarter of the Rs. 1,000-cr rubificient category market; Himani Fast Relief accounted for 13% market share. Bihar's second largest and Maharashtra's third largest brand, Himani Fast Relief performed creditably in West Bengal, Madhya Pradesh and Uttar Pradesh.

Product: Available in 2 ml, 5 ml, 10 ml, 15 ml, 25 ml and 50 ml SKUs; the 10 ml SKU are launched in a glass bottle, while other SKUs like 2 ml and 5 ml are present in dibbis; 15 ml, 25 ml and 50 ml are available in tubes.

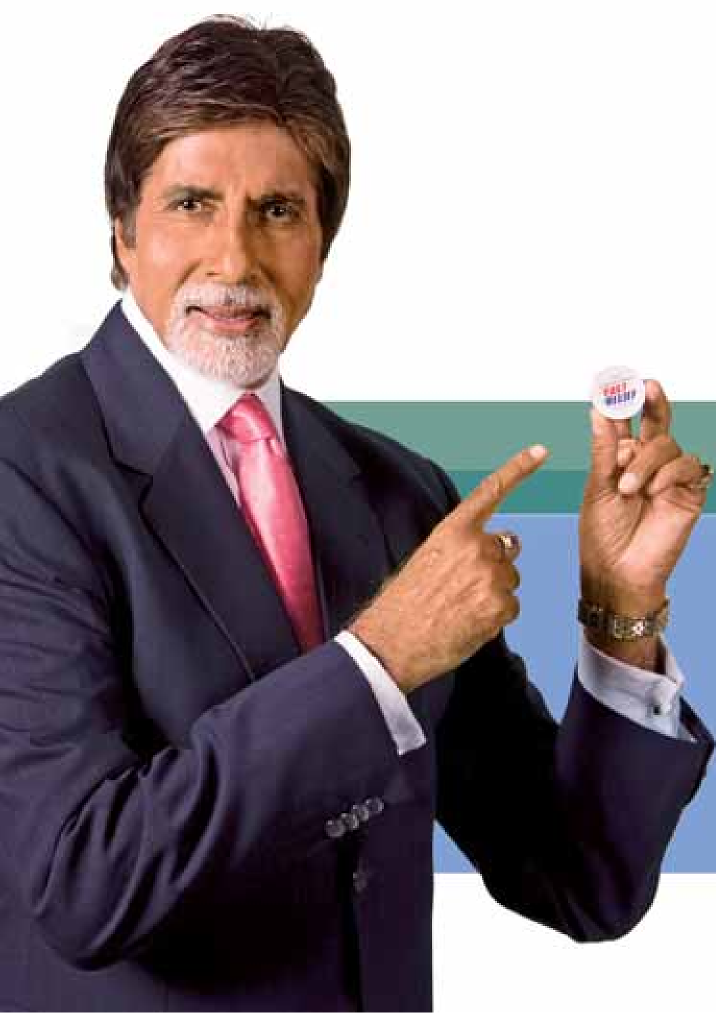
Highlights, 2008-09

- The product was re-launched as Himani Fast Relief Ultra Fast Formula in August 2008
- 10 active ingredients were included; enhanced the strength of key ingredients like *Gaultheria ka Tel*
- Given an attractive metallic look
- 10-ml SKU was launched to capture competitors' market share

Advertising: The Company's TV commercial illustrates the mechanical lifestyle of modern individuals, positioning the brand as a reliable remedy to relieve pain and cope with increasing pressure.

The Company also targets popular events (Sawan Mela in Bihar, Tarakeshwar Mela in West Bengal, Khatushyamji Mela and Ramdevra in Rajasthan, Adoni in Andhra Pradesh, Ganesh and Govinda Utsav in Maharashtra) to connect with consumers.

Outlook: Repositioned as a pain doctor, the brand intends to widen its presence across all pain relief verticals through creams, sprays and other formats.



- The brand was revamped around an enhanced formulation and new packaging as Himani Fast Relief Ultra-Fast Formula
- Grew 17% against 1.9% category growth; major brands except Volini de-grew
- Grew 25% in October-December 2008 against 10% category growth following re-launch (Source: ORG Retail Audit)
- Consistent 15% CAGR over three years
- Widely appreciated television commercial won three awards (two silvers for Best Film and Best Direction and a bronze for Music at the Goafest 2009)

Rubificient

Mentho plus Balm

Promotional line: 'Dus siron ka dard bhagaye'

Product ideology: The balm, an effective headache remover, also provides relief from cough, cold, tiredness, backache, sprain and muscular pain.

Product attributes: A holistic pain reliever, the balm is made out of a unique *lavang* and nilgiri formulation.

Major competitors: Competitors include Amrutanjan Balm, Tiger Balm and Monison's Balm.

Product differentiation: The product is a preferred choice of millions for its unique formulation derived out of natural ingredients like *Pudina ka Phool, Gaultheria ka Tel, Nilgiri ka Tel, Lavang ka Tel, Karpoor, Tarpin ka Tel, Ajwain ka Phool* and *Surasar*. The herbs facilitate quick relief.

Brand strategy: Following the Zandu acquisition, Emami gained a near 61% market share in the balm category, with only Amrutanjan as the major competitor. The aim of Zandu Balm is to grow with Menthoplus positioned as a fighter brand. Since Maharashtra is a huge market for balms, the Company plans to make in-roads with region-specific packaging.

Product: There are three SKUs 1.2 ml, 4 ml and 9 ml.

Advertisement: The Company launched a new commercial around the existing Ravana mascot coupled with promotional activities and presence in melas (Sawan and Ganesh Chaturthi).

Highlight: The acquisition of Zandu increased Emami's consolidated market share.

Outlook: The brand is growing aggressively with 80% of its revenues coming from Andhra Pradesh, Tamil Nadu and Karnataka. While Menthoplus will focus on capturing the competitor's market share, Zandu Balm will widen and deepen its existing market share. The combined strength will supplement each other's growth.

↗ Sales grew 24% CAGR over three years

Emami Healthy & Fair

Product ideology: Baby skin, being extremely delicate, needs specially formulated products for day-to-day care. Keeping this in mind, the range has been developed with natural and plant-derived ingredients, avoiding chemicals that are potentially harmful for babies.

Product attributes: The product's ingredients comprise gold, silver and saffron along with other ayurvedic ingredients like olive, almond, aloe vera, *neem, tulsi, chandan*, honey etc. While gold and silver rejuvenate gentle baby skin, saffron enhances skin fairness. Other ingredients take care of baby's growth and protects from germs and infections.

Major competitors: The sole major competitor in this category is Johnson & Johnson.

Product differentiation: The ayurvedic nature of the product and the fact that the products do not contain harmful chemicals are differentiators, with most ingredients derived from plants like *til* oil, almond oil, olive oil and herbs like neem, aloe vera and tulsi.

Brand strategy: The baby care category is dominated by an organised and few regional players leaving an evident gap being plugged by the Company.

Product: Emami was present in the baby care category through Himani Sona Chandi Healthy and Fair Ayurvedic Baby Massage Oil. Recently, an entire baby range was launched comprising Emami Healthy & Fair Herbal Baby Massage Oil, Emami Healthy & Fair Herbal Baby Soap and Emami Healthy & Fair Herbal Baby Powder. The packaging of the range is unique with its refreshing graphics of different animals, eye catching for mothers and babies. The Company is planning product extensions like creams, lotions, shampoos and other health products for babies.

Highlights: The new range was test-launched in Karnataka.

Advertisement: A campaign with three television commercials starring Madhuri Dixit – brand ambassador for the product range – was launched in Karnataka, featuring animated characters interacting with babies and the brand ambassador communicating the naturalness of the range devoid of harmful chemicals. The regional launch in Karnataka was backed by televisions, magazines, radio and below-the-line activity.

Outlook: The over Rs. 800 cr baby care category comprises massage oils, soaps, powders, creams, lotions, shampoos and hair oils. Following the response of the test-launch in Karnataka, a national launch is planned shortly. This niche segment is expected to provide another growth opportunity to Emami.

Personal care

Emami Malai Kesar Cold Cream

Product ideology: The perfect cold cream to boldly take on the harsh challenges of winter – 'Ab sardiyon mein bhi khul ke khilo!'

Product attributes: The only non-greasy cold cream with the '5 Power Winter Formula' to provide total winter skin care:

↗ **Moisturises:** Unique Triple Moisture Complex with aloe vera prevents winter moisture loss and replenishes the skin's hydrating process.

↗ **Nourishes:** Enriched with malai to provide 24-hour nourishment.

↗ **Protects:** Natural sunscreens protect against harmful UVA and UVB rays.

↗ **Revitalises:** Enhances the skin's renewal system to revitalise dull and lifeless skin. As a result, the skin gains new energy, resilience and vitality daily.

↗ **Adds glow:** Above all, *kesar* imparts long-lasting radiance.

The white and yellow pack with silver foil trim is warm, vibrant and enjoys 'pick-me-up' appeal.

Product: Emami Malai Kesar Cold Cream is available in 10 ml, 30 ml and 60 ml SKUs.

Major players: Peer brands include Pond's and Ayur.

Product differentiation: Emami Malai Kesar is the only cold cream that contains the goodness of *malai* – a proven traditional nourishing ingredient to protect the skin from the hazards of winter.

Brand strategy: The Company focused on promoting the brand's core winter care benefits – the softness of *malai* and the radiance of *kesar*. This was backed with distribution width and depth to ensure that the consumer could easily buy it from 'the nearest shop'.

Advertising: Emami Malai Kesar Cold Cream was advertised through TV on national and regional channels. Newspapers, magazines and radio were used to support the TV campaign.

Outlook: Considering the overwhelming consumer response, the Company intends to aggressively market the brand by offering more SKUs and innovative product extensions.

Other OTC products

Lalima

Promotional line: 'Keel muhaso se chutti aur ban jao gori chitti'

Lalima is a blood purifier with complete natural and ayurvedic formulation. It detoxifies blood impurities and prevents dermatological problems (pimples, spots and blemishes). The product is differentiated through better taste and provides a fair glowing skin.

Highlights: Lalima has created a niche around successful positioning and pricing. It is available in SKUs of 100 ml and 200 ml. This promising brand is growing aggressively.

Outlook: The product is showing promise and its growth is expected to continue.

Sardi Ja

Promotional line: 'Sardi khasi bhagao recharge bhi ho jao.'

Sardi Ja (vaporub, cough syrup and cough lozenge) has an ayurvedic base, the presence of chyawanprash providing immunity and vitality. The product differentiator is its ability to recharge and revitalise in addition to cough and cold management.

Highlights: The product registered reasonable growth due to a regional (northern) geographic penetration and marketing mix. The Company recently launched SKUs of 30 ml and 8 ml in addition to the existing 100 ml.

Outlook: Due to its success in North India, the product was launched in the eastern and western parts in 2009-10. Robust growth is expected from this brands.

Zandu Pancharishta

The product is unique, combining *asavas* and *aristhas* along with the goodness of herbal ingredients. It is a digestive, carminative and restorative tonic that cures the digestive system from appetite loss, hyper-acidity and other related ailments. It enjoys an all-India presence.

Highlights: The product is available in various SKUs (200 ml and 450 ml) and registered a 10% growth by value.

Outlook: The product witnessed sluggish growth under the Zandu portfolio, but following acquisition is being revamped through investments in packaging, promotion and repositioning. The brand is expected to do well considering its potential.

New launches

Emami Pure Skin Glycerine Bar: The product was test marketed with the support of TV advertising and below-the-line activities. The brand is targeted at younger consumers, offering three exotic variants (Swiss apple and almonds, olive and aloe vera, turmeric and saffron) and a new trendy shape. The 'Do the Gliss' campaign communicated contemporariness. Available in 75 gm bars, it is priced at par with Pears and is well received.

Emami Vasocare Petroleum Jelly: The product was launched with national and regional TV channels. The distinctive herbal green colour of the product, formulated with aloe vera, chamomile and *tulsi*, differentiates it from other brands. It is five times more effective in healing, and the pleasant fragrance enhances usage experience. The brand is available in 10 gm and 25 gm SKUs.

international business

Despite being the world's largest FMCG producer, India exports only a small proportion of its overall production. Bangladesh, Pakistan, Nepal, the Middle East and CIS countries represent up-coming markets for personal and healthcare products that will make a real impact on absolute value growth in the years to come. Multinationals are already attracted to the size and consumption habits of these markets.

Emami's global footprint spreads across 60 geographies (SAARC, the Middle East, Africa, CIS nations and Europe). In 2008-09, the contribution of international business towards Emami's total turnover increased from 11% in 2007-08 to 13.6%. Its four-year CAGR for export sales registered 38.4%, despite recessionary trends. Men's grooming proved to be one of the few bright spots in 2008-09.

The major brands of Emami that excelled in 2008-09 and boosted export turnover are Fair & Handsome, Naturally Fair Cream, Menthoplus Balm, Boroplus Cream, Himani Fast Relief, Navratna Oil and Amla Plus Hair Oil.

Growth with male skin care products

The Company's Fair & Handsome range offers the perfect skin care products for male of every age group. The entire line of pre and post-shave face care for men was launched successfully in the Gulf markets, making Fair & Handsome a strong player in men's grooming segment.

We are the leader in the men's whitening face care in India. Not only are we pioneers in this sector with Fair & Handsome, but we have also become the number one in UAE in the men's face care segment.

Successful strategy change in the Middle East

The Gulf represents an important market. We have reorganised our business here on the basis of the local strategy, concentrating on our core competencies in skin care with Fair & Handsome, Navratna and Fast Relief. Emami established local presence in The UAE with a dedicated sales and marketing team focused on growing business in the GCC countries.

This has laid the foundation for us to win over consumers in the Gulf and the region's most important skin and beauty care market. Here is a proof: Emami's subsidiary at The UAE, Emami International FZE, recorded 355% sales growth in the current year.

Other strategic initiatives

Emami is looking to start subsidiary operations in Bangladesh. Its holistic strategy comprises innovative branding clubbed with aggressive sales promotion (ATL and BTL activities), supported by a dedicated sales force strategically based across several international locations. This approach helped grow markets in northern and eastern parts of Africa.

Emami plans to introduce line extensions for some of its major brands – Fair & Handsome, Boroplus, Navratna, Naturally Fair and Himani Fast Relief to penetrate markets and drive international growth.

Highlights, 2008-09

- ↗ Exports touched Rs. 101.6 cr, a 60% year-on-year growth
- ↗ Fair & Handsome became the leading brand in men's face care in the UAE
- ↗ Sales in the Middle East increased 231%
- ↗ Sales in African countries increased 123%

Outlook

Going ahead, Emami expects to grow its international business exponentially through organic and inorganic growth.

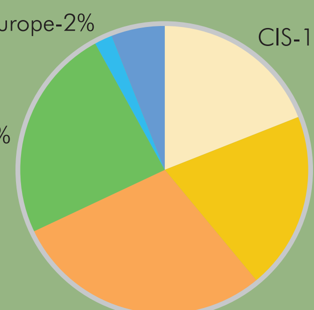
Exports

Rs. in lacs

Year	Exports
2004-05	2,766
2005-06	3,982
2006-07	5,569
2007-08	6,352
2008-09	10,160

Four year CAGR 38.4%

Global share of revenue *(FY-2008-09)*



Emami's success drivers

Sales and distribution

Distribution represents the lifeline of the FMCG business, where products must be available on shelves whenever consumers want them. It is therefore imperative for manufacturers to create supply pipelines that move products across the largest land area at the lowest possible cost in the quickest time.

Emami products were distributed seamlessly across India through the following sales and distribution initiatives:

- ↗ Introduction of a super stockist network in Andhra Pradesh, Uttar Pradesh, Maharashtra, Punjab and Rajasthan, making it possible to reach hitherto inaccessible markets, thereby widening reach
- ↗ Initiation of a project called Navodaya with Ernst & Young to revisit all sales and distribution strategies including processes and evaluation parameters that measure and improve sales efficiencies and effectiveness
- ↗ The Company is investing heavily in sales and distribution IT applications systems at the distributor's end to substantially improve information flows
- ↗ Tie-up with fuel retail chains like IOC through its Kisan Seva Kendras to increase rural distribution
- ↗ Started a wholesale loyalty program for key wholesalers across major cities to improve trade relationship
- ↗ Participation in *melas* (Sonepur, Baliyatra, Meerut, Shravan and Rath) to promote products
- ↗ Starting an internal sales training cell (Gurukul) to develop functional skills
- ↗ Initiated the concept of mother warehouse at Hyderabad in the last quarter of 2008-09; this will help improve controls on inventory and lower sales loss
- ↗ Merchandising at depots of canteen stores and sponsoring events in military campuses and programmes

These initiatives resulted in the following benefits:

- ↗ With the appointment of about 60 super stockists, almost 1,000 new villages and small towns were brought under direct coverage. Business from this channel is yielding around 7-8% turnover from the areas of presence
- ↗ The 1,000 member sales team worked exclusively to facilitate the distribution of Emami products through distributors. Training and standardized work practices helped improve efficiencies and effectiveness
- ↗ Measurement of trade promotion effectiveness helped control budgets and claims processes by distributors, enhancing efficiency
- ↗ Deeper presence in 400,000 direct outlets with corresponding standardized and organized coverage
- ↗ Availability of Emami goods at Indian military depots (CSD and other paramilitary forces)
- ↗ The contribution of organised retail at a consistent 3% of the turnover, despite the slowdown and consolidation witnessed in the retail sector during the later part of 2008-09

Going ahead, the Company aims to evolve its distribution network through Navodaya, widen its rural distribution network through super stockist and other rural initiatives.

Raw material management

In a business where raw material cost increases cannot always be passed on to consumers, it is imperative to create competencies that explore substitutes with the objective to cap costs.

Emami countered raw material volatility with innovative applications leading to stable profitability and organisational growth. The Company imported LLP, micro crystal wax, stearic acid, methyl salicylate and hard paraffin; it hedged commodities like sugar, mentha (menthol), gold and silver. The Company institutionalised the purchase of various raw materials with the objective to maintain the proportion of raw material costs in its overall cost structure. It succeeded through the following initiatives:

Hedging: We strengthened our hedging policy to mitigate the risk of volatile commodity prices.

Cost management: We substituted select inputs, improving product yield and quality. We introduced bio-diesel in our Kolkata plant, a fiscal saving. We

altered our packaging, saving weight and resources.

Purchasing policy: The Company procured raw materials from vendors in non-excisable areas – Assam, Uttaranchal and Himachal Pradesh – at affordable costs. It capitalised on global opportunities through forward contracts. By entering into forward contracts, raw materials were purchased at a low cost.

Some of the other initiatives taken by Emami comprised: Development of moulders at Guwahati for Navratna Oil Cap, vendor development for til oil and rice bran oil in North India, vendor consolidation especially for plastic items, cost-effective subscription to Commodity India Agri Watch for upgrading knowledge and taking real-time decisions.

Vendor relationships: Vendors of light material, pet jars, Navratna caps and bottles as well as moulding units were persuaded to establish plants close to Emami's facilities in Guwahati and Uttaranchal. The Company also attracted manufacturers like mono cartons and laminate producers within plant proximity, reducing freight.

Farm forestry: Although Emami engaged in farm forestry to meet raw material requirements, the benefits will only be gradually perceptible; it initiated amla plantation in Chhattishgarh and Jhansi.

Going ahead, the Company expects to counter rising raw material costs with corresponding cost reduction through the use of alternative inputs and packaging adaptations.

Operational excellence

In a business where product consistency is critical for the creation of brand trust, it is imperative to be operationally efficient.

Emami made this a reality through multiple measures:

- ↗ Established a shampoo manufacturing and packaging facility at the existing Amingoan unit
- ↗ Upgraded the LLP or *til* oil tank storage capacity in the Amingaon unit to hedge against probable downtime
- ↗ Automated the processes like filling, capping, labelling and cartoning
- ↗ Enhanced productivity by upgrading the utilities and removing bottlenecks wherever required
- ↗ Upgraded the 1.2 ml and 9 ml SKUs of Menthoplus Balm and 2 ml and 5 ml SKUs of Himani Fast Relief in terms of cooling efficiency to improve productivity
- ↗ Complied with cGMP and ISO 9001 and aligned with Hazard Analysis and Critical Control Points (HACCP) guidelines
- ↗ More than 80% of the production was derived from tax-exempt zones. Two more units (Guwahati and Pantnagar) enjoying fiscal benefits started production

Contract manufacture: The Company outsourced the manufacture of select products to reduce costs and focus on branding. This has resulted in low operational costs and higher flexibility. Many of the contract manufacturers were located in tax-exempt zones to leverage their low costs.

Quality

In a business where the end products must either be applied on the skin or ingested, the aspect of safety cannot be overestimated.

Emami invested in quality standards, infrastructure, processes and materials, resulting in a high quality from product conceptualisation to efficacy. The initiatives comprised the following:

Checking: The Company monitored all incoming raw materials, which were accepted only after sampling and compliance with established specifications. On-line and terminal quality checks were conducted during packaging through sophisticated instruments. This ensured that the Company's products meet customer expectations, resulting in enhanced awareness.

Other initiatives: The Company held the Technical Development Committee Meeting II in June 2009 to enhance operational uniformity and up-gradation; it identified reasons for product under-performance leading to corrective action; it trained to increase accountability and robustness; it

implemented instructions and standard operating procedures like string systematic control.

Certifications: Most manufacturing facilities were cGMP and ISO 9001 complaint and are HACCP aligned.

Human resource management

In a business where success is derived from competencies in product research, commercialisation, marketing, branding and finance, the key lies in prudent recruitment and retention.

Emami invested in intellectual capital through prudent recruitment, training and retention through the following initiatives:

Recruitment: The Company strengthened recruitment from reputed business schools.

Training: Employees underwent extensive training in communication, personality development, information technology and SAP. Aspirations were leveraged for mutual benefit. Spiritual training comprised Art of Living and Brahmakumari sessions, among others, emphasising stress management and work-life balance. Informal employee interaction enriched understanding, inter-personal relationships and a healthy work environment. Emami also sponsored employee one-year programmes at reputed management institutes like the IIMs.

These initiatives increased employee satisfaction, facilitated high retention and lowered attrition.

Information technology

In a business conducted across 38 locations in 28 states across India, the key to revenue growth lies in an insight into real-time marketplace realities. In view of this, Emami invested in state-of-the-art technologies.

Emami invested in information technology to increase its responsiveness through the following initiatives:

Infrastructure: The Company invested in a comprehensive information backbone that reinforced its supply chain. The SAP ECC 5.0 implementation project Udaan was rated among the top 10 innovative studies by IBM. The Company invested in large enterprise servers and high-speed LAN and WAN communication systems.

Rationalising cost: These IT investments have made it possible to connect all Emami locations across India on a real-time basis. The SAP implementation – an integrated ERP system and supply chain optimisation tool completed in 2008-09 – is expected to facilitate cost-effectiveness, enhance production, besides scheduling and quicker dispatch and resource optimisation. Going ahead, the Company aims to integrate SAP ECC 5.0 with bar codes or Radio Frequency Identification (RFID) as well as provide instruments to the sales force to facilitate real-time information sharing.

Research and development

In a business where consumer needs change all the time and competition matches one's existing product portfolio, the key lies in continuous research-led innovation.

Emami is recognised as a company built around pioneering products, features and conveniences derived from the following attributes:

Philosophy: We conducted pharmaceutical, pharmacognostical, pharmacological and clinical evaluation to expand our product range and experiment with innovative concepts, creating products in line with international standards.

People: We enlisted eminent global experts in Himani Ayurveda Science Foundation, comprising Padmashree Vaidya Suresh Chaturvedi, Dr. Hari Shankar Sharma, Dr Hiroe Inamura, Dr. S. K. Mishra, Dr. Bhaswati Bhattacharya and Dr. S. K. Mitra (CEO-Technical).

R&D Infrastructure: Emami sponsored research at Himani Ayurveda Science Foundation at Kolkata and Zandu Foundation for Health Care at Mumbai. They conducted active research developing new effective products, improving existing protocols, developing effective substitutes, farming rare plants and so on. A new, four-storied 20,000 sq. ft. R&D centre is being established in

Kolkata comprising a cosmetic centre, formulation development labs, centralised quality assurance cell and a Panchakarma centre.

Purpose: Our R&D centre focused on the creation of innovative products in the personal care and pharmaceutical spaces as well as improved product quality, standardised processes and reduced wastage.

In the personal care category Emami possessed 45 products that underwent trials certified by dermatologists (10 in 2008-09). In June 2009, a seminar on emerging ayurveda trends was organised, which was attended by over 200 experts with various R&D recommendations and ayurvedic role in contemporary research discussed.

Prospects: Emami will develop high-end scientifically proven personal care products and pharmaceutical products like anti-ageing creams, hair dyes, sun screens and face washes. The Company intends to commission medicinal plant gardens to maximise quality standards.

Corporate social responsibility

In a world where sustainability is the primary concern, the key lies in positively impacting stakeholders over the long-term.

Emami is a responsible corporate, dedicated in its mission to contribute towards the environment and address various social issues. Its plants are environment-friendly. Modern technologies are used to ensure that pollution is minimised. Some of the initiatives in this direction include the recycling of used water through distillation plant, installation of shock and noise absorbers to reduce noise pollution to minimum decibel levels, reduction in stationery usage by resorting to e-technology and enhancing automation. It continued its investments in socially viable projects in and around West Bengal. As a part of Corporate Social Responsibility program, the Company came out with various self-employment schemes for the unemployed rural youth. These schemes had their initial trials in West Bengal and following an encouraging response were introduced in Andhra Pradesh, Madhya Pradesh, Orissa, and Chhattisgarh in the last year.

- ↗ The Emami Mobile Traders scheme is one such initiative that covers villages with a population of 1,500-5,000. Individuals selected were given the responsibility of door-to-door selling of Emami products in interior villages; depending on their efforts, they earn between Rs. 500 to Rs. 2,000 per month. These individuals were provided adequate training on sales and marketing skills as well as facilities like uniforms, raincoats, personal accident insurance covers and the opportunity of buying bicycles at 50% on instalments
- ↗ The Emami Small Village Shops scheme encouraged housewives with the help of NGOs and voluntary workers to commission small village shops at their own residence and market Emami products to other villagers. Emami did not take deposits from them and took back unsold products, if any
- ↗ Emami sponsored subsidised treatment for the needy in hospitals like AMRI Hospitals limited and Shree Vishudhanand Hospital and Research Institute of Kolkata. It donated through trusts in the form of free medicine, assistance to surgery and hospital charges for the poor. Emami, under the supervision of a well known cardiac surgeon, Dr Devi Shetty established the Emami National Institute for Bone Marrow Transplantation in the Narayana Hrudayalaya Institute, Bangalore
- ↗ Emami's other community initiatives included promoting one-teacher schools with the help of NGOs. This initiative was the main provider of state education to children living in remote areas. The Company supported activities conducted by Vivekananda Vikash Parishad and Manovikas Kendra. These activities included programmes based on all-round personal growth with an emphasis on holistic living and self development. It also organised Art of Living workshops

Risk management

THE DYNAMIC AND VOLATILE ENVIRONMENT THAT THE COMPANY OPERATED IN PROMPTED IT TO COMPLY WITH VARIOUS RISK MITIGATION MEASURES, SUBJECTED TO PERIODIC CHANGE. OVER THE YEARS THE COMPANY ADOPTED VARIOUS RISK MITIGATION APPROACHES TO MINIMISE RISKS AND MAXIMISE PROFITS.

Industry risk

India's FMCG industry may fail to sustain growth, which may, in turn, affect the sustainability of the Company.

Risk mitigation

↗ India's 1.1 billion population is growing at 1.5% annually; the country is expected to emerge as the most populous nation in about 30 years.

↗ Rising disposable incomes have induced higher spending on personal hygiene and grooming.

↗ Higher incomes and greater visibility due to television promotion has created a shift towards high-value branded products.

↗ The FMCG sector in India is enjoying the positive impact of higher consumption due to rising incomes. India's consumption has played a bigger role in the Indian growth story than in the case of any other developing country. India has closely matched the proportion of consumption when compared with developed economies like China, the US and Japan (around 62% of GDP).

↗ With rising consumerism and changing lifestyles, demand for value-added products is increasing. The number belonging to the lower middle income group in rural areas is almost double that in urban areas. This is a large consuming class, constituting 41% of the Indian middle class with 58% of the total disposable income [Source: *The Economic Times*].

↗ Due to the vast size of Indian market, most FMCG products suffer from low penetration. The comparison between the rural and urban areas reveals that the average consumption among rural households is lower compared to urban households. The presence of this vast unsaturated market provides ample opportunities for the FMCG industry to tap the markets as income is on the rise. Income increase will see a shift from unbranded to branded products.

This reality will ensure a growing Indian FMCG industry, which is also expected to respond through ongoing innovation, closer linkage to consumer needs, product extensions and deeper distribution channels. The industry registered 14.8% growth despite the global downturn in 2008-09, indicating brighter prospects once economies rebound.

Counterfeit risk

Emami's products and packaging can be copied and counterfeited.

Risk mitigation

The Company is seized of this reality. It continues to evolve its packaging standards using a combination of aesthetics, technology and awareness creation.

It introduced pilfer-proof dual colour moulding packs for some products, which cannot be easily duplicated as such facilities are expensive and otherwise not present in India. The Company also invested extensively (Rs. 9 cr) in imported moulding technology with the support of an Italian company, who would be providing the technology.

The Company introduced this new packing for its latest product Zandu Balm and plans to launch it in October 2009. It also plans to introduce this new packaging technology for its other products.

Although this new packaging is costlier, Emami will be able to recover the packaging cost by checking the counterfeits in the market.

Raw material risk

Emami might find it difficult to hedge rising raw material costs, resulting in an increase in end-product cost.

Risk mitigation

Emami procures a number of raw materials (menthol, micro crystal wax, hard paraffin, stearic acid and methyl salicylate) through imports and forward contracts, booking them months in advance for an attractive discount after factoring in advances, funds cost, storage and transportation.

Purchasing through advance booking has helped the Company mitigate price fluctuations. As a result, it experienced a price advantage for menthol, LLP, micro crystal wax, hard paraffin, stearic acid and silver.

Metals used were purchased directly from processors, circumventing middlemen.

Innovation risk

Emami may not be able to respond to the growing needs and the changing aspirations of consumers.

Risk mitigation: Emami enjoys an ongoing culture of innovation.

The Company identified a potential gap in the men's fairness category, hitherto untapped in the country, and addressed the opportunity arising out of this genre with Emami Fair and Handsome.

It responded with two brand extensions (Navratna Lite and Navratna Extra Thanda) in the Navratna Oil category. Himani Fast Relief was re-launched in August 2008 as Himani Fast Relief Ultra Fast Formula.

Emami launched a new range of baby-care products comprising Emami Healthy Fair and Herbal Baby Massage Oil as well as Emami Herbal Baby Soap and Emami Herbal Baby Powder. It also launched Malai Kesar Cold Cream and Emami Pure Skin Glycerine Bar and Emami Vaso Care was launched in South India.

Quality risk

Emami's brand can be impacted by inconsistent quality leading to lower profitability.

Risk mitigation: Emami implemented Total Production Maintenance across all its units in addition to ISO 14001 certification and WHO-GMP. It has also established protocols for standardising herbs quality and procurement norms. Besides Emami's R&D team, Himani Ayurvedic Science Foundation and Zandu Foundation for Health Care are constantly working towards delivering innovative and effective products and also improving upon the existing formulations.

The Technical Development Committee Meeting II in June 2009 enhanced operational uniformity. The QM module in SAP was revisited for enhanced effectiveness. The Company continued to focus on an ayurvedic base for its products, eliminating the scope for side-effects.

Brand risk

Emami's brand could be affected by growing competition.

Risk mitigation

Emami enjoys a strong pan-India recall, a portfolio of products that address everyday needs, endorsements by celebrities, ayurvedic positioning and a distinctive value-for-money proposition. Emami continued to innovate; it acquired Zandu, strengthening its competitive position.

Some Emami products retained their position as category leaders (Navratna Oil in the cool oil category, Fair and Handsome in the men's skin whitening category, Boroplus in the antiseptic cream category and Zandu with Menthoplus in the balm category).

Apart from investing heavily in brands and advertising, Emami kept to its promise of a world-class quality product. Repeated advertising, newer commercials and innovative packaging entrenched its brands in the consumer mindset.

As a result, Emami strengthened its EBIDTA margin by 80 bps to 17.9% in a challenging 2008-09.

Consumer risk

An inefficient supply chain could result in product unavailability and loss in market share.

Risk mitigation

The Company's products were distributed through a 1,000-strong field force and 2,700 distributors. This ensured that the right product reached the right place at the right time.

The Company also enhanced its rural presence through engagements with established agencies like the e-choupal and the introduction of super stockists. Rural penetration was increased with the appointment of Emami Mobile Traders and Emami Small Village Shops.

As a result, the Company's revenues increased from an average Rs. 1.59 cr a day in 2007-08 to Rs. 2.05 cr a day in 2008-09.

Merger risk

A merger creates integration challenges, which, if not competently addressed, can lead to a sub-optimal return on employed capital, negating the reason for which the merger was conducted.

Risk mitigation

The strengths of Zandu and Emami are complementary, resulting in significant gains arising out of the merger.

To maximise gains, the functional heads of Zandu directly report to the Emami functional heads, leveraging respective competencies.

Emami is also upgrading and aligning Zandu's SAP platform, leading to business integration. The merger had myriad strengthening initiatives: sales systems have been aligned, procurement and purchases are centralised thus negating overlapping. The robust R&D focus of both companies in Ayurveda, with Zandu's being more rooted in the pure science and Emami following a healthy mix of science and modern technology, has been a synergic fit. Further, several cost reduction initiatives have been possible due to the merger, leading to an enhanced bottomline.

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 vis-à-vis all its stakeholders i.e. shareholders, creditors, employees and the State. 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 with 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.

1. Board of Directors

a. Introduction

The Board of Directors is the apex body for overseeing the overall functioning of the Company. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that the long term interests of the shareholders are being served. The Chairman, Managing Director and Whole Time Directors are assisted by the CEO/CFO/senior managerial personnel in overseeing the functional matters of the Company.

b. Composition of Board

As on March 31, 2009, the Board of Directors of Emami Limited comprised 12 Directors – an Executive Chairman, a Managing Director, three Executive Directors and seven Non-Executive Directors including six Independent Directors. The Board of the Company represents optimum combination of professional, knowledgeable and experienced persons. Composition of the Board and category of Directors are as under:

Name & Category of Directors

Promoter Directors	Non-Executive Independent Directors
1) Shri R S Agarwal	1) Shri Viren J Shah
2) Shri R S Goenka	2) Shri K N Memani
3) Shri S K Goenka	3) Shri S K Todi
4) Shri Mohan Goenka	4) Shri K K Khemka
5) Shri Aditya Vardhan Agarwal	5) Shri S N Jalan
6) Shri Harsh Vardhan Agarwal	6) Padmashree Vaidya Suresh Chaturvedi

c. Agenda papers distributed in advance

Agenda and notes on the agenda are circulated among the Directors, in advance, in the defined agenda format. All material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practical to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted.

d. Post meeting follow-up mechanism

The important decisions taken at the Board/Board Committee meetings are communicated to the departments/divisions concerned promptly. A report on the action taken on the decision/suggestion of the previous meeting(s) is placed at the immediately succeeding meeting of the Board for noting of the same by the Board.

e. Compliance

The Company Secretary, besides preparing the agenda, notes on agenda and minutes, among others, of the meeting(s), is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the rules issued thereunder.

f. Number of Board meetings and attendance therein

The Board of Directors held eight Board meetings during the year on May 28, 2008, May 29, 2008, July 25, 2008, August 25, 2008, October 03, 2008, October 21, 2008, January 28, 2009 and March 30, 2009. The maximum gap between any two meetings did not exceed four months.

g. Details of Composition, attendance of the Directors at the Board meetings and the last Annual General Meeting, outside Directorship and Committee positions held as at March 31, 2009

Sl No	Name of the Director	Position	No. of Board meetings attended during the year	No. of Directorship as on March 31, 2009*	No. of committee positions held	Attendance at the last AGM
1	Shri R S Agarwal (Chairman)	Promoter Executive	8	19	Member-2 Chairman-1	Yes
2	Shri R S Goenka	Promoter/Non – Executive	8	20	Member-5 Chairman-3	Yes
3	Shri S K Goenka (Managing Director)	Promoter Executive	5	8	Member-1	Yes
4	Shri Viren J Shah	Non – Executive Independent	6	1	Chairman-1	Yes
5	Shri K N Memani	Non – Executive Independent	5	14	Member-5 Chairman-4	Yes
6	Shri S K Todi	Non – Executive Independent	6	23	Member-2 Chairman-4	Yes
7	Shri S N Jalan	Non – Executive Independent	5	13	Member-2	Yes
8	Shri K K Khemka	Non – Executive Independent	8	6	Member-2 Chairman-1	Yes
9	Padmashree Vaidya Suresh Chaturvedi	Non – Executive Independent	6	1	-	Yes
10	Shri Mohan Goenka	Promoter Executive	6	7	Member-5	Yes
11	Shri Aditya Vardhan Agarwal	Promoter Executive	6	18	Member-2	Yes
12	Shri Harsh Vardhan Agarwal	Promoter Executive	4	9	Member-5	Yes

*Includes Directorship in Private Limited Companies

h. Information placed before Board of Directors

The following items are generally tabled for information and review of the Board:

- Quarterly & Yearly Financial Results of the Company and its subsidiary companies
- Minutes of meetings of all committees
- Minutes of meeting of subsidiary companies
- General Notices of Interest of the Directors
- Dividend data
- Information of recruitment and resignation of employees above and equivalent to the post of General Manager
- Materially important litigations, show cause, demand, prosecution and penalty notices
- Fatal or serious accidents, dangerous occurrences and material effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company
- Any issue that involves possible public or product liability claims of substantial nature
- Details of joint ventures, acquisitions of companies or collaboration agreements
- Transaction that involves substantial payment towards goodwill, brand equity or intellectual property
- Any significant development on the human resources front
- Sale of material nature, of investment, subsidiaries and assets, which are not in the normal course of business
- Transactions with the related parties
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer

The Board is presented with all information under the above heads whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board meetings, or are tabled in the course of the Board meetings or meetings of the relevant committees.

i. Code of conduct

The Board 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 is displayed on the Company's website, *www.emamigroup.com*. It designated the Managing Director of the Company as Chief Executive Officer (CEO) for the purpose of Corporate Governance.

The CEO affirmed to the Board that the members of the Board and committees and all the employees' working at the level of head of department 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 six Board level committees as follows:

1) Audit Committee
2) Remuneration Committee
3) Share Transfer and Shareholders'/Investors' Grievance Committee
4) Finance Committee
5) Executive Committee and
6) Business Reorganisation/Restructuring Committee

1) 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 & Sr. GM-Legal, is the secretary of the Committee. The Audit Committee met five times during the year on May 28, 2008, July 25, 2008, October 20, 2008, January 27, 2009 and March 5, 2009 and the gap between two meetings did not exceed four months.

The functions of the Committee include:

- 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
- Discussing with internal and external auditors any significant finding and follow-up on such issues
- Review of key accounting matters and developments
- Review of statutory compliance system
- Review of the related parties' transactions
- Review of the financials of the subsidiary companies and
- Other matters as directed by the Board

Following is the attendance of the members at the meetings:

Name of the member of the Committee	Category of Director	Number of meetings attended
Shri S K Todi - Chairman	Independent	5
Shri R S Goenka	Promoter/ Non-Executive	5
Shri K K Khemka	Independent	5

2) Remuneration Committee

The Remuneration Committee comprises three Non-Executive Independent Directors and Shri A K Joshi, Company Secretary and Sr.GM - Legal, as its secretary.

The functions of the Committee include

To evaluate, review and recommend to the Board, the remuneration of the Executive Directors so as 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, the Committee held one meeting on January 28, 2009.

Name of the member of the Committee	Category of Director	Number of meetings attended
Shri K K Khemka, Chairman	Independent	1
Shri S N Jalan	Independent	1
Shri S K Todi	Independent	1

Remuneration policy

Executive Directors

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 and reviews on a periodical basis.

Non-Executive Directors

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.

The Non-Executive Independent Directors are required to devote more attention and time in view of the requirement of the Corporate Governance policy. The Board, therefore, recognised the need to suitably remunerate the Non-Executive Independent Directors with a yearly commission, provided that the maximum amount of commission that may be paid to them in totality during a year shall not exceed 1% of the net profit computed in accordance with the provisions of Section 349 of the Companies Act, 1956. The shareholders have also approved payment of commission to Non-Executive Independent Directors.

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, Executive Committee, Finance Committee and Business Reorganisation/ Restructuring Committee.

Details of remuneration

Sl No	Name of the Director	Sitting fees	Salary	Commission	Contribution to PF	Value of perquisites	Total
1	Shri R S Agarwal (Chairman)	-	72,00,000	1,00,00,000	8,64,000	5,000	1,80,69,000
2	Shri R S Goenka	4,20,000	-	-	-	-	4,20,000
3	Shri S K Goenka (Managing Director)	-	48,00,000	-	5,76,000	1,000	53,77,000
4	Shri Viren J Shah	1,20,000	-	4,00,000	-	-	5,20,000
5	Shri K N Memani	1,00,000	-	4,00,000	-	-	5,00,000
6	Shri S K Todi	3,45,000	-	4,00,000	-	-	7,45,000
7	Shri S N Jalan	1,15,000	-	2,00,000	-	-	3,15,000
8	Padmashree Vaidya Suresh Chaturvedi	1,20,000	-	2,00,000	-	-	3,20,000
9	Shri K K Khemka	3,55,000	-	2,00,000	-	-	5,55,000
10	Shri Mohan Goenka Whole time Director	-	36,00,000	-	4,32,000	2,30,000	42,62,000
11	Shri Aditya Vardhan Agarwal Whole time Director	-	36,00,000	-	4,32,000	2,62,000	42,94,000
12	Shri Harsh Vardhan Agarwal Whole time Director	-	36,00,000	-	4,32,000	1,42,000	41,74,000
	Total	**15,75,000**	**2,28,00,000**	**1,18,00,000**	**27,36,000**	**6,40,000**	**3,95,51,000**

Shares held by the Non-Executive Directors as on March 31, 2009

Sl No	Name of the Director	Category of Director	Number of shares
1	Shri R S Goenka	Promoter/ Non executive	1,83,046
2	Shri Viren J Shah	Independent	5,100
3	Shri K N Memani	Independent	Nil
4	Shri S K Todi	Independent	100
5	Shri S N Jalan	Independent	Nil
6	Padmashree Vaidya Suresh Chaturvedi	Independent	Nil
7	Shri K K Khemka	Independent	Nil
	Total		**1,88,246**

3) 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 and Sr. GM-Legal, is the secretary of the Committee.

During the year , two meetings were held by the Share Transfer and Shareholders'/Investors' Grievance Committee on June 24, 2008 and December 02, 2008.

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 and satisfactorily responded to. The status of the complaints/queries received from the shareholders from April 01, 2008 to March 31, 2009 is as under:

Complaints/ queries received	Pending as on March 31, 2009
31	None

The functions of the Committee include :

- Approval of share transfers and transmissions
- Taking actions on routine complaints of shareholders
- Disposal of old stationeries of dividend warrants
- Issue of duplicate share certificates and
- Any other matter(s) out of and incidental to these functions and such other acts assigned by the Board

The details of attendance of the members are follows:

Name of the member of the Committee	Category of Director	Number of meetings attended
Shri S K Todi – Chairman	Independent	2
Shri Mohan Goenka	Promoter Executive	2
Shri Aditya Vardhan Agarwal	Promoter Executive	2

4) Executive Committee

The Executive Committee comprises four Directors of whom two are Independent Directors. Shri A K Joshi, Company Secretary & Sr. GM - Legal, is the secretary of the Committee. The Committee held five meetings during this year on May 29, 2008, September 11, 2008, October 02, 2008, October 15, 2008 and December 11, 2008.

The functions of the Committee include:

- To explore and evaluate the opportunities of acquisition/ takeover of companies or brands or business and to finalise the strategy and terms and conditions of the same
- To enter into all agreements including share purchase agreements and Memorandum of Understandings, etc., in connection with the acquisitions/takeovers/alliances, if required
- To invest Company's funds subject to permissible limit under section 372A of the Companies Act 1956, for such acquisitions/takeovers and alliances
- To appoint merchant banker, registrar, escrow bankers, advisors and any other agency or competent body which may be required in this regard under applicable SEBI regulations or any other statutory laws
- To do all such acts, deeds or things as may be necessary or incidental for doing the aforesaid acts and to do all other businesses as may be delegated by the Board of Directors of the Company from time to time

Following is the attendance of the members at the meetings:

Name of the member of the Committee	Category of Director	Number of meetings attended
Shri R S Agarwal, Chairman	Promoter Executive	5
Shri R S Goenka	Promoter/ Non-Executive	4
Shri S K Todi	Independent	4
Shri K K Khemka	Independent	4

The meetings were held on May 29, 2008, September 11, 2008, October 02, 2008, October 15, 2008 and December 11, 2008.

5) Finance Committee

The Finance Committee comprises five Directors, four of whom are Executive Directors. Shri A K Joshi, Company Secretary and Sr. GM - Legal, is the secretary of the Committee. The Committee held four meetings during year on July 11, 2008, August 12, 2008, December 02, 2008 and February 03, 2009.

The functions of the Committee include:

- To consider opening of bank accounts, modification in operation of bank accounts
- To review and consider periodical budgets of the Company and approve capital expenditures
- To execute power of attorneys for empowering the executives and/or authorised representatives for the business operations of the Company
- To open, modify, close trading and demat accounts in the name of the Company required for securities , derivatives and

all other options

- Any other business as may be delegated by the Board of Directors from time to time

Following is the attendance of the members at the meetings:

Name of the member of the Committee	Category of Director	Number of meetings attended
Shri R S Goenka, Chairman	Promoter/ Non executive Director	4
Shri S K Goenka	Promoter Executive	3
Shri Mohan Goenka	Promoter Executive	4
Shri Aditya Vardhan Agarwal	Promoter Executive	4
Shri Harsh Vardhan Agarwal	Promoter Executive	4

6) Business Reorganisation/Restructuring Committee

The Board of Directors decided in the meeting held on March 30, 2009, to constitute a committee to be called as Business Reorganisation/ Restructuring Committee.

The functions of the Committee include:

- To examine and evaluate restructuring and reorganising of FMCG and realty businesses being carried on by Emami Limited and its subsidiaries through merger, demerger or any other arrangement
- To appoint advocates, legal advisors, valuers, merchant bankers and any other experts for taking their views and opinions in this respect
- To frame appropriate schemes and recommend to the Board of Directors of the Company
- To do all such acts and deeds which are necessary in this respect

Name of the member of the Committee	Category of Director
Shri R S Agarwal	Promoter Executive
Shri R S Goenka	Promoter Non Executive
Shri Viren J Shah, Chairman	Non-Executive Independent
Shri K N Memani	Non-Executive Independent
Shri S K Todi	Non-Executive Independent
Shri K K Khemka	Non-Executive Independent
Shri S N Jalan	Non-Executive Independent

Shri A K Joshi, Company Secretary and Sr. GM-Legal, is the secretary of the Committee. No meeting was held during the year.

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, among others 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 interests of the Company at large and are being carried out at an arm's length basis at fair market value.

Details of such transactions as per requirement of Accounting Standard 18 are disclosed in Note. B-23 of Schedule 17 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 the stock exchanges 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, 2009, the Company had the following non-listed overseas subsidiaries;

1. Emami UK Ltd
2. Emami Bangladesh Ltd
3. Emami International FZE

By virtue of the Scheme of Arrangement for demerger of FMCG undertaking of The Zandu Pharmaceutical Works Ltd into Emami Ltd and demerger of Realty Undertaking of Emami Ltd into Emami Infrastructure Ltd, following companies ceased to be subsidiaries with effect from November 05, 2008.

Sl No	Name of the Company	Sl No	Name of the Company
	Direct Subsidiary Companies	9	Emami Ashiana Pvt. Ltd.
1	Emami Realty Ltd.	10	Emami Properties Pvt. Ltd.
2	The Zandu Pharmaceutical Works Ltd	11	Orbit Realty Infrastructure Ltd
	Indirect Subsidiary Companies	12	Emami Constructions Pvt. Ltd.
3	Emami Rainbow Niketan Pvt. Ltd.	13	A Rajabasan Pvt. Ltd.
4	Emami Vridhi Commercial Pvt. Ltd.	14	Orbit Projects Pvt. Ltd.
5	Nathvar Tracon Pvt. Ltd.	15	Basera Enclave Makers Pvt. Ltd.
6	New Age Realty Pvt. Ltd.	16	Swastik Promoters Pvt. Ltd.
7	Octagon BPO Pvt. Ltd.	17	Delta PV Pvt Ltd
8	Emami Skyhigh Pvt. Ltd.		

Financial Statements of the Subsidiary Companies were reviewed by the Audit Committee of the Company and Minutes of the subsidiary companies were placed before the Company's Board.

Risk management

The Company framed comprehensive risk management policies for both the employees and the Company, not only to manage risks but also to minimise their effect. This policy is periodically reviewed by the management and updated as per requirement to ensure that risk is controlled.

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 re-appointed Shri R S Agarwal as Whole-time Director designated as Executive Chairman of the Company, for a further term of three years, after expiry of his present term, subject to the approval of members in the next Annual General Meeting.

Shri R S Goenka, Shri K N Memani, Shri K K Khemka and Padmashree Vaidya Suresh Chaturvedi, 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 R S Goenka, aged 62 years, is an M. Com and LLB. He is co-founder of the Company with 42 years of business experience. He is an expert in taxation, strategic planning, corporate affairs and financial planning. His contribution towards the Company's growth is remarkable.

Shri K N Memani, aged 70 years, is a senior chartered accountant. He was former Chairman and Country Managing Partner of Ernst & Young, India. He was also member of Ernst & Young Global Council for a decade and is specialised in business and corporate advisory, foreign taxation and financial consultancy, among others.

Shri K K Khemka, aged 76 years, is a science graduate and possesses 44 years of industrial experience.

Padmashree Vaidya Suresh Chaturvedi, aged 81 years, is a Kaviraj, Ayurvedacharya, BIMS and MAMS. He is a member of All India Ayurveda Congress, Medvisa International, Bhartiya Kalyan Manch and National Institute of Ayurveda.

General body meetings

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

For the year ended	Location	Date	Time	Special business transacted
March 31, 2008	"Vidya Mandir" 1, Moira Street, Kolkata-700 017	August 25, 2008	11.00 A.M.	Re-appointment of Shri S K Goenka as Managing Director
				Re-appointment of Shri Mohan Goenka as Whole Time Director
				Re-appointment of Shri A V Agarwal as Whole Time Director
				Re-appointment of Shri H V Agarwal as Whole Time Director
March 31, 2007	"Vidya Mandir" 1, Moira Street, Kolkata-700 017	September 25, 2007	11.00 A.M.	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
March 31, 2006	"Vidya Mandir" 1, Moira Street, Kolkata-700 017	August 25, 2006	11.00 A.M.	Re-appointment of Shri R S Agarwal as an Executive Chairman

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

Yes

Resolutions passed vide notice dated June 02, 2008

- Consent accorded to make investments up to a sum of Rs. 250 crores under Section 372A of the Companies Act, 1956
- Offer and issue of equity shares to QIBs under Section 81(1A) of the Companies Act, 1956
- Enhancement of Borrowing limit from Rs. 200 crores to Rs. 500 crores under Section 293(1)(d) of the Companies Act, 1956
- Alteration in Articles of Association for increase in the number of Directors from twelve to fifteen under Section 31 of the Companies Act, 1956
- Commencement of new business – real estate activities under Section 149(2A) of the Companies Act, 1956
- Payment of Commission to the Non-Executive Independent Directors under Section 309(4) of the Companies Act, 1956

All the resolutions were passed with requisite majority

Resolutions passed vide notice dated October 03, 2008

- Consent accorded to make investments up to a sum of Rs. 430 crores for acquisition of the shares of The Zandu Pharmaceutical Works Limited under Section 372A of the Companies Act, 1956
- Enhancement of Borrowing limit from Rs. 500 crores to Rs. 1500 crores under Section 293(1)(d) of the Companies Act, 1956
- Alteration in the Memorandum of Association of the Company for substituting Clause 21 of the "Other objects" clause of Memorandum of Association of the Company under Section 17 of the Companies Act, 1956
- Commencement of new business – coal mining and power generation and distribution under Section 149(2A) of the Companies Act, 1956

All the resolutions were passed with requisite majority.

Person who conducted the postal ballot exercise

1) Mr Vinod Kothari, practising Company Secretary for the postal ballot conducted the exercise vide notice dated June 02, 2008.

2) Mr Manoj Banthia, practising Company Secretary for the postal ballot conducted the exercise vide notice dated October 03, 2008.

Are votes proposed to be conducted through postal ballot this year

No such proposal as yet.

Procedure for postal ballot

The Company adheres to the procedure for postal ballot in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001.

Compliance report

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

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 on a 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.sebiedifar.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 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 for any formal training for such Directors. Nevertheless, in respect of Executive Directors, the Company arranges for training in the field of risk management of the Company's business, in order to make them well conversant in discharging 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.

Shareholders' information

a) Annual General Meeting

Day, Date and Time :

Thursday, December 31, 2009 at 11.00 am

Venue :

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

Last Date of receipt of Proxy :

December 29, 2009 till 11.00 am

Book Closure Dates :

December 24, 2009 to December 31, 2009 (both days inclusive)

b) Financial calendar

Financial Year : April 01, 2008 to March 31, 2009

The Board meetings for approval of financial results for financial year 2008-09 were held on the following dates:

First quarter	July 25, 2008
Second quarter	October 21, 2008
Third quarter	January 28, 2009
Fourth quarter	April 29, 2009
Annual	December 03, 2009

Financial Year: April 01, 2009 to March 31, 2010

The dates of the Board meeting for consideration of financial results for the financial year 2009-10 and tentative dates for the remaining period are as follows

First quarter	July 28, 2009
Second quarter	October 29, 2009
Third quarter	On or before January 31, 2010
Fourth quarter and annual	On or before May 30, 2010

c) Dividend Payment Date : December 31, 2009 onwards

d) Listing on stock exchanges and stock code

Sl 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	EMAMI LTD
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

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

Months	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
April 2008	314.00	245.00	300.00	248.40
May 2008	321.00	250.00	325.00	251.55
June 2008	334.00	235.00	332.00	218.25
July 2008	260.00	220.00	265.00	202.50
August 2008	316.00	226.50	317.70	235.25
September 2008	339.00	233.00	317.00	242.00
October 2008	310.00	211.00	290.50	212.00
November 2008	255.00	198.00	240.00	195.50
December 2008	269.95	195.15	240.50	210.00
January 2009	244.95	197.00	230.00	187.50
February 2009	206.80	180.25	217.00	182.70
March 2009	230.00	180.00	222.80	175.00

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

Registrar and share transfer agents

M/s Maheswari Datamatics Private Limited
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 the physical form are received at the office of the Registrar and share transfer agent of the Company. All valid transfers /requests 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 they are in order in all respect. Bad deliveries are immediately returned to depositing participants under advice to the shareholders.

Distribution of shareholding As on March 31, 2009

Category	Number of shares held	% of shareholding
A. Promoters' holding		
Promoters		
- Indian promoters		
Individuals	75,85,959	12.20
Corporate	4,43,55,678	71.38
- Foreign promoters	26,49,616	4.27
Sub-total	**5,45,91,253**	**87.85**

Distribution of shareholding As on March 31, 2009 (Contd.)

Category	Number of shares held	% of shareholding
B. Non-Promoters' holding		
1. Institutional investors		
a. Mutual Funds and UTI	6,31,020	1.01
b. Banks, financial institutions and insurance companies	100	-
c. Foreign institutional investors	3,26,941	0.53
Sub-total	**9,58,061**	**1.54**
2. Others		
a. Private corporate bodies	46,18,416	7.43
b. Indian public	19,70,268	3.18
c. NRI / OCBs	7,179	0.01
Sub-total	**65,95,863**	**10.61**
Grand total	**6,21,45,177**	**100.00**

Distribution of shareholding

Shareholding of nominal value (Rs.)	Shareholders		Share amount	
	Number	% of Total	In Rs.	% of total
Up to - 5,000	5,449	96.95	13,51,020	1.09
5,001 - 10,000	45	0.80	3,41,146	0.28
10,001 - 20,000	22	0.40	3,25,792	0.26
20,001 - 30,000	8	0.14	1,98,380	0.16
30,001 - 40,000	8	0.14	2,86,860	0.23
40,001 - 50,000	6	0.11	2,67,380	0.21
50,001 - 1,00,000	12	0.21	8,72,386	0.70
1,00,001 and Above	70	1.25	12,06,47,390	97.07
	5,620	**100.00**	**12,42,90,354**	**100.00**

Dematerialisation of shares and liquidity

Nature of holding	Holders	Shares	Percentage
Physical	212	4,00,812	0.65
Demat	5,408	6,17,44,365	99.35
Total	**5,620**	**6,21,45,177**	**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

13, B.T. Road, Kolkata - 700056

Pondicherry

CS – 46 & 47, PIPDIC Industrial Estate, Mettupalayam, Pondicherry - 605009

A – 83, 19th Cross, PIPDIC Industrial Estate, Mettupalayam, Pondicherry - 605009

A – 24 & 25, PIPDIC Industrial Estate, Mettupalayam, Pondicherry - 605009

A – 129, PIPDIC Industrial Estate, Mettupalayam, Pondicherry - 605009

Assam

EPIP Complex Amingaon, Guwahati - 781031

Abhoypur Plant P.O. College Nagar, Abhoypur, Guwahati, Assam - 781031

Maharashtra

Sanjan Village, Dongari, Taluka Talasari, Maharashtra - 401601

Gujarat

Plot No. 82,G I D C, Vapi, Gujarat - 396194

Uttaranchal

Plot no 40 & 41, Sector 5, IIE, Pantnagar, Udhamsingh Nagar, Uttarakhand 263 152

Dadra & Nagar Haveli

Survey No 61/2, Plot No 1, Village Masat, Silvassa, Dadra & Nagar Haveli 396230

Address for correspondence

Emami Limited

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

Email: investors@emamigroup.com, Tel: 033-6613-6264

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 March 31, 2009 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 for the current year.

	Sushil Kr Goenka	**N H Bhansali**
Kolkata	*Managing Director*	*President - CFO*
December 03, 2009	Emami Ltd.	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, 2009 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 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

S K Agrawal
Partner
Membership No.9067

Place : Kolkata
Dated : December 03, 2009

Directors' Report

Dear Shareholders

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, 2009.

Financial results

Consequent to the acquisition of 68.9% stake in The Zandu Pharmaceutical Works Limited (Zandu) in November, 2008, Zandu's FMCG business was demerged into Emami Limited. Simultaneously, real estate undertaking of Emami comprising of Emami's interest into Emami Realty Ltd and Zandu's non-core business comprising real estate was demerged into Emami Infrastructure Ltd w.e.f. November 05, 2008.

Audited accounts therefore include and exclude performances of Zandu's FMCG business and Emami's realty business respectively w.e.f. November 05, 2008. Previous years' figures are therefore not comparable with the current year's figures.

Financial results are summarised below: *(Rs. in Lacs)*

Particulars		2008-09		2007-08
Operating Income		72,235		57,282
Profit before interest, depreciation & taxation		**12,964**		**9,867**
Interest		1,963		(1,353)
Depreciation & Amortisation	1,789		728	
Less: Transferred from general reserve*	964	825	–	728
Profit before taxation		**10,176**		**10,492**
Less : Provision for taxation				
- Current tax (including FBT)		1,200		1,240
- Deferred Tax (net)		250		(22)
- Provision for taxation of earlier years		(26)		–
Profit after taxation		**8,752**		**9,274**
Balance brought forward		1,648		1,190
Profit available for appropriation		**10,400**		**10,464**
Appropriation				
General reserve		3,953		5,545
Proposed dividend		3,405		2,797
Corporate dividend tax		579		475
Balance carried forward		2,463		1,647
		10,400		**10,464**

*refer note no. B-20(e) of schedule 17

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 the members including the new members who will be allotted shares on demerger of Zandu FMCG undertaking in terms of clause 6.5 of Part III of the Scheme of Arrangement under Sections 391 to 394 of the Companies' Act, 1956. The total dividend for the year including dividend distribution tax amounts to Rs. 3,983.11 lacs and dividend pay out ratio works out at 45.51%.

Review of Operations

With a view to achieve inorganic growth through acquisition that provide significant cost and revenue synergies and enhance market position, the Company acquired 68.9% stake in The Zandu Pharmaceutical Works Ltd. (Zandu), a century old leading ayurvedic company at Rs. 713 crores. The Company believes that this acquisition will open up many more areas of growth and will be highly EPS accretive.

During the year under review, the turnover of the Company grew to Rs. 722.35 crores representing an overall increase of 26.11% (including inorganic growth of 13.51%). However, EBIDTA of the Company rose to Rs. 129.64 crores showing an increase of 31.39% over last year and after considering interest cost of Rs. 19.63 crores, due to utilisation of fund in acquisition, against income of Rs. 13.53 crores in previous year, profit after tax is arrived at Rs. 87.52 crores. Consolidated turnover of the Company, however grew to Rs. 747.46 crores representing an overall increase of 29.12% (including inorganic growth of 13.38%) over last year. And consolidated EBIDTA and profit after tax after minority interest of the Company at Rs. 135.23 crores and Rs. 91.86 crores grew by 36% and 2% respectively.

Despite sluggish economic and recessionary market conditions, your Company has posted one of its strongest performances. Emami continued to offer innovative, effective and value- added products based on traditional ayurvedic science with adoption of modern manufacturing technology. The Company focused on further strengthening brand equity through innovative ideas and differentiated offerings. It also increased the depth and breadth of distribution networks for robust sustainable growth.

Emami capitalised on every available opportunity. It acquired Zandu, consolidated its operations, undertook strategic initiatives coupled with a robust marketing strategy to exploit the full industry potential. Besides, Emami made efforts towards cost reduction and improved efficiency at all the levels. The margin improvement and cost reduction measures undertaken at Zandu yielded satisfactory results.

On a strategic front, the FMCG business of Emami and Zandu was Consolidated into Emami and the realty business into Emami Infrastructure Ltd through a scheme of arrangement sanctioned by the Hon'ble High Court at Kolkata. The Company has also raised Rs. 310 crores by issuing new shares to the qualified institutional bidders in July 2009, thereby further strengthening the Company's financial position.

With strong brand equity, penetrative distribution network, innovative R&D, a dynamic management team and aggressive business approach, your Company looks to the future with determination and confidence.

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 suggestions.

Listing

The equity shares of your Company are listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association Limited. The listing fees for the financial year 2008-09 have been paid.

Subsidiary Companies

As on March 31, 2009, the Company includes following wholly owned overseas subsidiary Companies;

Emami UK Ltd

Emami Bangladesh Ltd.

Emami International FZE

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

In terms of the approval granted by the Central Government 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, 2009, along with the report of the Board of Directors, have not been attached. 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, notified in Companies (Accounting Standards) Rules 2006, your Company has prepared its consolidated financial statements, which forms part of this Annual Report.

The following information in aggregate for each subsidiary is also being enclosed (a) Capital (b) Reserves (c) Total Assets (d) Total Liabilities (e) Detail of Investments (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.

Issue of shares to QIBs

In the month of July 2009, the Company has raised a sum of Rs. 310 crores through offer and issue of 1,00,00,000 equity shares of Rs. 2/ each at a premium of Rs. 308/- per share. Proceeds of the issue were used for repayment of debt outstanding in the books for acquisition of controlling stake in The Zandu Pharmaceutical Works Ltd.

Scheme of Arrangement

Upon approval at the court convened meeting, the scheme of arrangement for consolidation of FMCG business of Zandu with Emami Ltd and realty business into Emami Infrastructure Ltd was submitted before the Hon'ble High Court at Kolkata for its approval.

The Hon'ble Court has approved the said scheme and consequently the Zandu's FMCG business was demerged and transferred to and vested into Emami Limited, on a going concern basis. Simultaneously, real estate undertaking of Emami comprising Emami's interest in Emami Realty Ltd and Zandu's non-core business comprising real estate was transferred into Emami Infrastructure Ltd w.e.f. November 05, 2008. Certified copy of the order was filed with the Registrar of Companies, West Bengal on December 02, 2009 to make the scheme effective.

Consolidation of FMCG business will deliver business, cost and margin synergies, improve research & development base and provide a bigger basket of power brands and opportunity of entry into new segments in time to come.

Board of Directors

The Board of Directors have re-appointed Shri R S Agarwal as Executive Chairman of the Company with effect from April 01, 2009 subject to the approval of shareholders at the ensuing Annual General Meeting.

Shri R S Goenka, Shri K N Memani, Shri K K Khemka and Padmashree Vaidya Suresh Chaturvedi, Directors of the Company, retire by rotation and being eligible, offer themselves for reappointment. A brief resume of the Directors, proposed to be re-appointed as required under Clause 49 of the Listing Agreement, is 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.

M/s V Parekh and Associates, Chartered Accountants, auditors for the Units at Vapi, Talasari, Masat and Uttrakhand of FMCG undertaking of The Zandu Pharmaceutical Works Ltd offers themselves for reappointment as auditors of the aforesaid units for the financial year 2009-2010 under section 228 of the Companies Act 1956.

Responsibility statement

Pursuant to the requirement under section 217(2AA) of the Companies Act 1956 with respect to Directors' 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 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.

Considering the substance over the legal form, and with the approval of the shareholders of the transferor and transferee entities, the Company has obtained specific approval of the High Court of Kolkata and the consent of Regional Director, Ministry of Corporate Affairs, and has accounted for the transactions relating to acquisition of FMCG business of Zandu, under AS 14 (Accounting for Amalgamations).

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 the separate annexure 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 and forms part of this Annual Report.

Personnel

Information pursuant to Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies (Particulars of Employees) Amendment Rules 1999 forms part of this Report. Although in accordance with the provisions of Section 219(1)(b)(iv) of the Act such information has been excluded from the Report and Accounts sent to the Members, any member desirous of obtaining this information may write to the Company 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
December 03, 2009

R S Agarwal
Chairman

Annexure to the Directors' Report

I. 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 0.32 per cent.

The details of the consumption as per the prescribed format are as follows:

A. Power and Fuel Consumption

	2008-09	2007-08
1. Electricity		
a) Purchased units (lac KWH)	36.82	19.71
Total amount (Rs. in Lacs)	183.37	87.65
Average rate/Unit (Rs.)	4.98	4.45
b) Own generation		
i) Through diesel generator units (lac KWH)	2.67	1.41
Unit/Litre of Diesel	3.14	3.61
Cost/Unit (Rs.)	10.76	8.59
Total amount (Rs. in Lacs)	28.72	12.16
ii) Through steam turbine/Generator	N.A.	N.A.
2. Coal	-	-
3. Furnace oil		
Quantity (Kilo Litre)	104.57	-
Cost/Unit (Rs.)	0.26	-
Total amount (Rs. in Lacs)	26.87	-
4. Other/Internal generation	-	-

B. Consumption per Unit of Production

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

2. Particulars with Respect to Technology Absorption

A. Research & Development

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

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

3. 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 providing convenience to consumers.

4. Company's future plan includes putting greater emphasis on the Ayurveda science to increase the product range without compromising on quality.

5. **Expenditure in R&D :**

Rs. in Lacs

a)	Capital	–
b)	Recurring	231.72
c)	Total	231.72
d)	R&D as a percentage of total turnover	0.32%

B. Efforts in Brief Towards Technology Absorption, Adaptation and Innovation

1. The Company has always been aware of the latest technological development and adapted 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. Thus, it has helped the Company to satisfy 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. Activity relating to export : initiative taken to increase exports, development of new export markets for products and export plans.

Total export in foreign exchange for the financial year 2008-09 was Rs. 5,825.84 lacs. In order to expand overseas business, the Company has registered its various brands in a number of countries apart from obtaining registration of the respective products from the statutory authorities in those countries. The Company has also undertaken extensive marketing and advertising campaign in overseas market to increase its export business.

B. The total foreign exchange used during the year by the Company is apportioned under the following heads :

Rs. in Lacs

Raw Materials	419.76
Capital Goods	747.62
Professional Fees	83.92
Interest	9.28
Others	306.54
Total	**1,567.12**

Rs. in Lacs

C. Foreign Exchange earnings during the year (Export of goods on FOB basis)	5,825.84

II. "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	31	Smt. Rashmi Goenka	61	Emami Paper Mills Ltd.
2	Shri Radheshyam Goenka	32	Smt. Jyoti Goenka	62	Neelam Lefin Ltd
3	Smt Usha Agarwal	33	Shri Saswat Goenka	63	CRI Ltd
4	Shri Bajranglal Agarwal	34	Ms Shreya Goenka	64	New Way Construction Ltd
5	Smt Shanti Devi Agarwal	35	Ms Nimisha Goenka	65	Premier Ferro Alloys and Securities Ltd.
6	Smt. Savitri Devi Agarwal	36	Shri Prashant Goenka	66	South City Projects (Kolkata) Ltd.
7	Shri Madan Lal Agarwal	37	Shri Yogesh Goenka	67	Emami Realty Ltd
8	Smt. Kusum Agarwal	38	Smt. Puja Goenka	68	Emami UK Ltd
9	Shri Aditya Vardhan Agarwal	39	Shri Amitabh Goenka	69	Emami Bangladesh Ltd
10	Shri Harsh Vardhan Agarwal	40	Shri Ashish Goenka	70	Emami International FZE
11	Smt. Priti Sureka	41	Shri Jayant Goenka	71	AMRI Hospitals Ltd.
12	Smt. Richa Agarwal	42	Shri Sachin Goenka	72	EFL Foods Ltd
13	Smt. Mansi Agarwal	43	Ms Smriti Goenka	73	Auto Hitech Pvt Ltd
14	Shri Vibhash Vardhan Agarwal	44	Ms Sobhna Agagwal	74	Emami Rainbow Niketan Pvt Ltd
15	Ms Vidula Agarwal	45	Shri R S Agarwal (HUF)	75	Emami Vridhi Commercial Pvt Ltd
16	Ms Vidishree Agarwal	46	Shri R S Goenka (HUF)	76	Nathvar Tracon Pvt Ltd
17	Shri Rohin Raj Sureka	47	Shri Raj Kr. Goenka (HUF)	77	New Age Realty Pvt Ltd
18	Ms Avishi Sureka	48	Aviro Vyapaar Pvt Ltd	78	Octagon BPO Pvt Ltd
19	Shri D.D. Agarwal (HUF)	49	Bhanu Vyapaar (P) Ltd.	79	Emami Skyhigh Pvt Ltd
20	Smt. Saroj Goenka	50	Suraj Viniyog (P) Ltd.	80	Emami Ashiana Pvt Ltd
21	Shri Raj Kumar Goenka	51	Diwakar Viniyog (P) Ltd.	81	Emami Properties Pvt Ltd
22	Smt. Meena Goenka	52	Suntrack Commerce (P) Ltd.	82	Delta PV Ltd
23	Shri Suresh Kumar Goenka	53	Pan Emami Cosmed Ltd	83	Emami Constructions Pvt Ltd
24	Smt. Santosh Goenka	54	Emami Frank Ross Ltd.	84	A Rajabasan Pvt Ltd
25	Shri Sushil Kumar Goenka	55	EPL Securities Ltd.	85	Orbit Projects Pvt Ltd
26	Smt. Indu Goenka	56	TMT Viniyogan Ltd.	86	Basera Enclave Makers Pvt Ltd
27	Smt. Laxmi Devi Agarwala	57	Emami Capital Markets Ltd	87	Swastik Promoters Pvt Ltd
28	Shri Mohan Goenka	58	Emami Group of Comp. Pvt Ltd	88	Orbit Realty Infrastructure Ltd
29	Shri Manish Goenka	59	Emami International Pvt Ltd	89	The Zandu Pharmaceutical Works Ltd
30	Smt. Rachna Bagaria	60	Emami Biotech Ltd	90	Emami Infrastructure Ltd

III. Statement pursuant to exemption received under section 212(8) of the Companies Act, 1956 relating to subsidiary Companies

(Rs. in Lacs)

Sl. No.	Particulars	Emami UK Ltd	Emami Bangladesh Ltd	Emami International FZE
1	Capital	28.91	6.60	18.98
2	Reserves	3.05	0.80	260.20
3	Total Assets	195.25	29.30	2,983.50
4	Total Liabilities	163.29	21.90	2,704.32
5	Details of Investment (Except in case of Investment in Subsidiaries)	Nil	Nil	Nil
6	Turnover	326.65	Nil	4,295.30
7	Profit before taxation	0.91	Nil	209.36
8	Provision for taxation	0.71	Nil	Nil
9	Profit after Taxation	0.20	Nil	209.36
10	Proposed Dividend	Nil	Nil	Nil

For and on behalf of the Board

Kolkata
December 03, 2009

R S Agarwal
Chairman

Auditors' Report

To

The Members of **Emami Limited**

We have audited the Balance Sheet of Emami Limited as at March 31, 2009 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) The accounts of Zandu FMCG undertaking with effect from appointed date have been audited by the Statutory Auditors of The Zandu Pharmaceuticals Works Ltd and their report have been considered by us in preparing our report.

b) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

c) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.

d) The Balance Sheet, Profit & Loss Account & Cash Flow Statement referred to in this report are in agreement with the books of accounts and comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.

e) 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, 2009 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to, Note B-17 regarding change in accounting of foreign exchange differences and Note B-21 regarding change in accounting policy of government grants and reference is invited to Note B-20(e) regarding transfers from General Reserve to Profit & Loss Account equivalent to the amount of Goodwill amortised, read with other notes on accounts as per schedule 17 give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i. In the case of Balance Sheet of the State of Affairs of the Company as on March 31, 2009;

   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 procedures 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 has 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.

   b) The Company has taken unsecured loans from one company 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. 3,545 lacs and the year end balance is Rs. 32.63 lacs.

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

5) (a) According to the information and explanations given to us, particulars of contracts or agreements that needed to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.

(b) According to the information and explanations given to us, the Company has not entered into any transactions in pursuance of such contracts or arrangements aggregating during the year to Rs. 5,00,000 or more in respect of each party listed in the register maintained under section 301 of the Companies Act, 1956 for purchase of goods, materials and sales of goods.

6) The Company has not accepted any deposits as defined under section 58A & 58AA or other relevant provisions of the Companies Act, 1956.

7) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

8) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9) According to the information and explanations given to us in respect of statutory and other dues:

a) The Company has been generally regular in depositing undisputed statutory dues, including Provident 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 March 31, 2009 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
		14.27	2005-06	ADC
		95.34	2000-01 to 2003-04	Board of Revenue
		68.4	2004-05 to 2005-06	DC (A)
		0.81	1999-00	High Court
		209.08	2005-06 & 2006-07	
		85.63	2001-02	JC
		0.14	2000-01	Sr. DC (A)
		192.42	2001-02 to 2002-03	JC (A)
		297.95	2004-05 to 2005-06	
		211.12	2007-08	
		113.42	1997-98, 1999-00, 2000-01 to 2004-05	Tribunal
		14.91	1996-97 to 2000-2001	DC (A)
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
		16.14	2000-2001 to 2005-06	Commissioner of Central Excise (Appeals)
Entry Tax	Entry Tax	17.05	2001-02 to 2002-03	Board of Revenue
Trade Tax Unnao	Sales Tax	3.36	2004-05	Deputy Commissioner of sales tax (Assessment)

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 guarantees 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) Based on overall examination of Balance Sheet of the Company as at March 31, 2009, short term funds of Rs. 9,700 lacs have been utilised for long term application. As per the information and explanation given to us, the same is attributable to the then turbulent economic scenario. Further, company has informed that sufficient long term fund have been augmented by raising funds through placement with QIBs in the financial year 2009-10.

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. 3,500 lacs raised, the amount has been used as per the details given in Note no. B-4 of Schedule 17.

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
Membership No. 9067

Place: Kolkata
Dated: December 03, 2009

Balance Sheet As at March 31, 2009

Rs. in lacs

	Schedule	As at March 31, 2009		As at March 31, 2008	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,313.11		1,242.90	
Reserves & Surplus	2	28,603.84	29,916.95	27,657.32	28,900.22
Loan Funds					
Secured Loans	3	37,306.08		3,519.46	
Unsecured Loans	4	7,512.90	44,818.98	306.36	3,825.82
Deferred Tax Liability (Net)	5		595.54		212.90
			75,331.47		**32,938.94**
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	70,644.40		10,572.60	
Less : Depreciation and Amortisation		9,386.63		2,790.74	
Net Block		61,257.77		7,781.86	
Capital Work-in-Progress		3,669.80		1,347.48	
			64,927.57		9,129.34
Investments	7		3,989.36		10,296.53
Foreign Currency Monetary Item Translation Difference			313.76		–
Current Assets, Loans and Advances					
Inventories	8	7,319.81		4,009.97	
Sundry Debtors	9	5,074.98		3,499.34	
Cash & Bank Balances	10	1,077.07		280.27	
Loans & Advances	11	7,687.71		15,267.63	
		21,159.57		23,057.21	
Less :					
Current Liabilities & Provisions	12	15,058.79		9,544.14	
Net Current Assets			6,100.78		13,513.07
			75,331.47		**32,938.94**
Significant Accounting Policies & Notes on Accounts	17				

As per our report of even date

For **S K Agrawal & Co.**

Chartered Accountants

S K Agrawal	**R S Agarwal**	**R S Goenka**	**S K Todi**
Partner	*Chairman*	*Director*	*Director*
Kolkata	**S K Goenka**	**N H Bhansali**	**A K Joshi**
December 03, 2009	*Managing Director*	*President - CFO*	*Company Secy. & Sr. GM-Legal*

Profit and Loss Account For the year ended March 31, 2009

Rs. in lacs

	Schedule	Year ended March 31, 2009		Year ended March 31, 2008	
INCOME					
Sales			73,959.87		58,205.48
Less : Excise Duty			1,724.96		923.95
			72,234.91		57,281.53
Other Income	13		735.94		338.90
			72,970.85		**57,620.43**
EXPENDITURE					
Cost of Goods Sold/ Consumed	14		30,876.88		23,746.73
Manufacturing, Administrative & Selling Expenses	15		29,129.98		24,005.88
Interest & Finance Charges (Net)	16		1,963.58		(1,352.63)
			61,970.44		**46,399.98**
PROFIT					
Profit Before Depreciation & Taxation			11,000.41		11,220.45
Depreciation & Amortisation		1,789.39		727.57	
Less : Transferred from General Reserve		964.54	824.85	–	727.57
Profit Before Taxation			**10,175.56**		**10,492.88**
Provision for Taxation					
- Current Tax		1,120.00		1200.00	
- Excess Provision for Taxation of Earlier Year		(25.94)		–	
- Fringe Benefit Tax		80.00		40.00	
- Deferred Tax (Net)		250.00	1,424.06	(22.00)	1,218.00
Profit After Taxation			**8,751.50**		**9,274.88**
Balance Brought Forward			1,647.58		1,189.69
Available for Appropriation			**10,399.08**		**10,464.57**
APPROPRIATIONS					
General Reserve			3,953.49		5,545.18
Proposed Dividend			3,404.51		2,796.53
Corporate Dividend Tax			578.60		475.27
Balance Carried Forward			2,462.48		1,647.58
			10,399.08		**10,464.57**
Significant Accounting Policies &					
Notes on Accounts	17				
Earnings Per Share - Basic & Diluted			Rs. 13.77		Rs. 14.92

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
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

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Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
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 Equity Shares of Rs. 2/- each fully paid up *		1,242.90		1,242.90
Share Capital Suspense		70.21		–
		1,313.11		**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 Equity Shares allotted for consideration other than cash.

2 RESERVES & SURPLUS				
Capital Reserve		79.64		79.64
Security Premium		3,161.72		3,161.72
Amalgamation Reserve				
At commencement of the year	268.38		268.38	
Utilised for demerger	(268.38)		–	268.38
General Reserve				
At commencement of the year	22,500.00		17,000.00	
Utilised for demerger	(2,555.08)		–	
Adjustment with regard to Foreign exchange Gain of earlier years (refer note no.B-17 of Schedule 17)	(33.87)		–	
Employee benefits adjusted (net off deferred tax)	–		(45.18)	
Transferred to Profit & Loss Account	(964.54)		–	
Transferred from Profit & Loss Account	3,953.49	22,900.00	5,545.18	22,500.00
Profit & Loss Account		2,462.48		1,647.58
		28,603.84		**27,657.32**

3 SECURED LOANS				
Term Loans				
- From Banks		11,142.50		3,500.00
- Secured by first charge/mortgage on movable and immovable assets including plant and machinery (present and future) situated at Abhoypur (Guwahati) plant and at Kolkata Office.				
- From Others		20,000.00		–
- Secured by hypothecation of stocks, book debts and all movable assets on subservient charge basis				
- Pledge of specific investments				
- Personal Guarantee of some of the Directors				
(Repayable within 12 months - Rs. 3,106.80 lacs)				

Schedules forming part of the accounts

Rs. in lacs

		As at March 31, 2009		As at March 31, 2008
3 SECURED LOANS (Contd.)				
Cash Credits		6,163.58		19.46
- From Banks				
- Secured by hypothecation of stocks, book debts on first charge basis ranking parri passu among State Bank of India, Canara Bank, ICICI Bank and Hongkong and Shanghai Banking Corporation				
		37,306.08		**3,519.46**

4 UNSECURED LOANS				
Trade Deposits		810.71		306.36
Long Term Loans				
From Others		6,136.41		–
(Repayable within 12 months - Rs. Nil)				
Short Term Loans				
From Banks		514.50		–
From Others		51.28		–
		7,512.90		**306.36**

5 DEFERRED TAX LIABILITY (Net)				
Deferred Tax Liabilities				
Tax impact due to difference between tax depreciation and book depreciation		902.16		546.52
Deferred Tax Assets				
Tax Impact of expenses charged off in financial statement but allowance under tax law deferred*		(306.62)		(333.62)
* Includes deferred tax of Nil (PY - Rs. 23.27 lacs) on Employee benefits adjusted as per AS-15 (Revised)				
		595.54		**212.90**

Schedules forming part of the accounts

Rs. in lacs

6 FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK	
	As on April 01, 2008	Added in Terms of Scheme of Arrangement	Additions during the Year	Sales/ Adjust-ments	Total	As on April 01, 2008	Added in Terms of Scheme of Arrangement	For the Year	Sales/ Adjust-ments	Total	As on March 31, 2009	As on March 31, 2008
Land												
Leasehold	200.45	139.92	–	12.66	327.71	6.84	13.21	3.11	8.68	14.48	313.23	193.61
Freehold	269.46	132.05	555.06	–	956.57	–	–	–	–	–	956.57	269.46
Buildings	4,049.45	2,076.02	2,358.59	51.20	8,432.86	425.49	1,350.16	152.73	9.37	1,919.01	6,513.85	3,623.96
Plant & Machinery	3,692.38	3,745.52	2,335.20	479.78	9,293.32	1,577.49	3,107.63	368.94	306.86	4,747.20	4,546.12	2,114.90
Furniture, Equipments & Computers	1,794.58	714.70	411.88	16.54	2,904.62	641.36	570.10	219.41	14.43	1,416.44	1,488.18	1,153.21
Motor Vehicles	310.10	211.75	54.41	77.11	499.15	77.46	153.02	37.34	50.33	217.49	281.66	232.64
Intangible Assets												
Goodwill	–	–	47,899.11	–	47,899.11	–	–	964.54	–	964.54	46,934.57	–
Software	256.19	–	74.87	–	331.06	62.10	–	45.37	–	107.47	223.59	194.09
Total	**10,572.60**	**7,019.96**	**53,689.13**	**637.29**	**70,644.40**	**2,790.74**	**5,194.12**	**1,791.44**	**389.67**	**9,386.63**	**61,257.77**	**7,781.86**
Capital Work- In-Progress	1,347.48	3,279.07	387.27	1,344.02	3,669.80	–	–	–	–	–	3,669.80	1,347.48
Grand Total	**11,920.08**	**10,299.03**	**54,076.40**	**1,981.31**	**74,314.20**	**2,790.74**	**5,194.12**	**1,791.44**	**389.67**	**9,386.63**	**64,927.57**	**9,129.34**
Previous Year's Figures	10,307.68	–	4,776.91	3,164.51	11,920.08	2,178.88	–	727.57	115.70	2,790.74	9,129.34	

Notes :- (i) In Zandu, Capital work in Progress includes capital advances paid, Machinery under installation, Building under Construction and errection materials and Preoperative expenses.

(ii) In Zandu, depreciation for the year includes Rs. 2.05 Lakhs in respect of New project at Pantnagar, Uttarakhand.capitalised as part of pre-operative expenses.

Rs. in lacs

	As at March 31, 2009	As at March 31, 2008
7 INVESTMENTS		
Long Term		
A. Quoted - Fully Paid up		
Emami Paper Mills Limited		
79,46,000 Equity Shares of Rs. 2/- each	368.47	368.47
Creative Eye Limited		
10,000 Equity Shares of Rs. 10/- each	6.41	6.41
Hindustan Lever Limited		
220 Equity Shares of Re. 1/- each	–	–
Tata Motors Limited		
10 Equity Shares of Rs. 10/- each	–	–
(i)	**374.88**	**374.88**
B. Unquoted - Fully paid up		
In Subsidiary Company		
Emami UK Limited*	28.91	28.91
38,704 Ordinary Shares of £ 1 each		
Emami Bangladesh Limited*	7.19	0.04
10,000 (50) Ordinary Shares of Taka 100 each		
Emami International FZE*	18.98	18.98
1 Share of UAE Dirham 1,50,000/-		
Emami Realty Limited*	–	980.00
Nil (20,00,000) Equity Shares of Rs. 10/- each		

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
7 INVESTMENTS (Contd.)				
Others				
CRI Limited Nil (6,00,000) Redeemable Preference Shares of Rs. 100/- each		–		600.00
CRI Limited 95,630 Equity Shares of Rs. 10/- each		27.17		27.17
Bengal Emami Infrastructure Limited * 1 Equity Share of Rs. 10/- each		–		–
AMRI Hospitals 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
(ii)		**347.26**		**1,920.11**
Current (Unquoted) (Units of Rs. 10/- each)				
Birla Cash Plus - Institutional Premium - Daily Dividend		–		8,001.54
Opening 7,98,59,643.718 (6,48,93,825.484) Units				
Purchased Nil (7,98,59,643.718) Units				
Sold 7,98,59,643.718 (6,48,93,825.484) Units				
Closing Nil (7,98,59,643.718) Units				
ICICI Prudential Institutional Liquid Plan - Super Institutional Growth		3,267.22		–
Purchased 2,51,63,044.315 (Nil) Units				
Closing 2,51,63,044.315 (Nil) Units				
(iii)		**3,267.22**		**8,001.54**
Total (i) + (ii) + (iii)		**3,989.36**		**10,296.53**
Aggregate Book Value of Quoted Investments		**374.88**		**374.88**
Aggregate Book Value of Unquoted Investments		**3,614.48**		**9,921.65**
Market Value of Quoted Investments		**843.16**		**844.24**

***Note :** All the above investments except those marked with an asterix (*), are other than Trade

8 INVENTORIES				
Raw & Packing Materials		2,891.75		1,552.89
Work-in-progress		89.28		75.90
Finished Goods		4,269.84		2,327.72
Stores & Advertising Materials		68.94		53.46
		7,319.81		**4,009.97**

Schedules forming part of the accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
9 SUNDRY DEBTORS				
Due over six months				
- Secured		12.31		–
- Unsecured		259.96		226.55
Other Debts				
- Secured		23.51		–
- Unsecured		4,813.85		3,272.79
		5,109.63		3,499.34
Less : Provision		34.65		–
		5,074.98		**3,499.34**
Notes:				
Considered Good		5,074.98		3,499.34
Considered Doubtful		34.65		–
		5,109.63		**3,499.34**

10 CASH & BANK BALANCES				
Cash in hand		27.23		15.53
With Scheduled Banks				
- Current Accounts	1,029.99		258.54	
- Exchange Earners Foreign Currency Account	9.86		–	
- Fixed Deposit	6.37		3.56	
- Unpaid Dividend Account	3.62	1,049.84	2.64	264.74
		1,077.07		**280.27**

11 LOANS & ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		7,221.59		15,050.73
Deposits		204.54		135.79
Income Tax [Net of Provisions : Rs. 3,327.25 lacs (PY : Rs. 2,563.80 lacs)]		261.58		81.11
		7,687.71		**15,267.63**

12 CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors				
Micro, Small & Medium Enterprises	5.86		–	
Others	9,189.00		4,765.59	
Advance from Customers	658.44		96.41	
Unclaimed Dividend	3.62	9,856.92	2.64	4,864.64
Provisions				
Proposed Dividend	3,404.51		2,796.53	
Corporate Dividend Tax	578.60		475.27	
Taxes on Sales	904.26		1,200.00	
Compensated Absences	26.41		–	
Gratuity and Leave Encashment	288.09	5,201.87	207.70	4,679.50
		15,058.79		**9,544.14**

Schedules forming part of the accounts

Rs. in lacs

	Year ended March 31, 2009		Year ended March 31, 2008	
13 OTHER INCOME				
Profit on Sale of Current Non-Trade Investments		–		2.04
Profit on Sale of Current Non-Trade Investments-Subsidiaries		2.59		–
Profit on Sale of Long Term Non Trade Investments		–		(0.24)
Profit on Sale of Fixed Assets		150.16		156.27
Dividend from Current Non Trade Investments		49.67		5.73
Dividend from Long Term Non Trade Investments		162.18		15.90
Dividend from Long Term Trade Investments-Subsidiaries		47.60		–
Rent and Maintenance Received [TDS : Rs.15.74 lacs (PY - Rs. 13.56 lacs)]		127.43		97.35
Income from Partnership Firm		–		4.70
Provision for Doubtful Loans Written Back		160.00		–
Miscellaneous Receipts		36.31		57.15
		735.94		**338.90**

14 COST OF GOODS SOLD / CONSUMED				
Purchases/Materials Consumed		32,035.12		23,694.92
Add: Opening Stock*				
Work-in-progress	95.10		87.93	
Finished Goods	3,105.78	3,200.88	2,367.50	2,455.43
		35,236.00		26,150.35
Less: Closing Stock				
Work-in-progress	89.28		75.90	
Finished Goods	4,269.84	4,359.12	2,327.72	2,403.62
		30,876.88		**23,746.73**

*Note : Includes Rs. 797.26 lacs transferred in terms of Scheme of Arrangement

15 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES				
Salaries, Wages & Bonus		3,975.00		2,704.77
Contribution to Provident & Other Funds		312.09		221.40
Workmen and Staff Welfare Expenses		182.34		92.09
Power & Fuel		341.60		128.75
Consumption of Stores and Spare Parts		82.16		29.10
Rent		184.84		158.99
Rates & Taxes		80.15		36.17
Insurance		106.45		82.28
Repairs :				
- Building	59.01		35.58	
- Machinery	174.57		125.88	
- Others	358.79	592.37	237.33	398.79

emami

Schedules forming part of the accounts

Rs. in lacs

		Year ended March 31, 2009		Year ended March 31, 2008
15 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES (Contd.)				
Freight & Forwarding		1,847.24		1,486.28
Directors' Fees and Commission		133.75		108.70
Advertisement & Sales Promotion		10,931.26		10,291.98
Selling Expenses		1,890.63		2,092.26
Commission		699.30		475.60
Cash Discount		194.54		178.20
Taxes on Sales		2,898.49		3,178.25
Loss on Sale of Fixed Assets		56.28		84.75
Loss on Sale of Long term Non Trade Investments		160.00		–
Foreign Exchange Fluctuations (Net)		966.59		(57.27)
Legal and Professional Fees		1,183.29		409.30
Travelling and Conveyance		890.15		663.97
Miscellaneous		1,421.46		1,241.52
		29,129.98		**24,005.88**

16 INTEREST & FINANCE CHARGES (Net)				
Paid				
Term Loans		2,654.04		46.53
Others		502.62		496.68
Received				
Subsidiaries [TDS : Rs. 133.15 lacs (PY - Rs. 64.89 lacs)]		(630.56)		(302.09)
Others [TDS : Rs. 150.30 lacs (PY - Rs. 358.21 lacs)]		(562.52)		(1,593.75)
		1,963.58		**(1,352.63)**

17 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A Significant Accounting Policies

(i) General:

These accounts have been prepared under historical cost convention in accordance with generally accepted accounting principles and provisions of the Companies Act, 1956 and the Accounting Standards notified in Companies (Accounting Standards) Rules 2006, to the extent applicable.

(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) Intangible Assets :

Intangible Assets are recognised, only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Schedules forming part of the accounts

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

(iv) Depreciation and Amortisation :

Tangible Assets :

Depreciation is provided on straight line method, except for the assets of Zandu for which depreciation is provided on written down value method, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except:

a. Block, dies & moulds of Emami are depreciated @ 95% in the year of purchase itself on pro-rata basis.

b. Lease hold land is amortised over the period of lease.

Intangible Assets :

a. Goodwill - Consequent to the scheme of arrangement being accounted for under Purchase Method by adopting book value method, the Company has not recognised certain other assets not identified and accounted for separately in the books of Zandu and the economic benefits flowing from such assets, including Zandu brand is being reflected in the recognition of Goodwill. Cost representing Goodwill so recognised is being amortised to profit and loss account over, the presently estimated useful life of 20 years, commencing from the effective date of November 05, 2008.
The estimated useful life of Goodwill will be reviewed by the management periodically and changes there in will be taken cognizance of, by accelerating or decelerating the pace of amortisation.

b. Software is depreciated @ 16.21% on Straight Line Method except for Zandu which is amortised over a period of five years.

(v) 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.

(vi) 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. In Zandu the Raw and Packing Materials, Stores and Spares are computed on First In First Out (FIFO) basis or net realisable value, which ever is lower. 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.

(vii) Research & Development :

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

(viii) Retirement benefits :

a. The Company makes contributions towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. Both the employees and the Company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. In Zandu, the superannuation fund is administered by the Life Insurance Corporation of India (LIC). Under the plan, the Company is required to contribute a specified amount to the retirement benefit plan to fund the benefits.

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.

e. Short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised undiscounted during the period employee renders services. In Zandu these benefits include compensated absences.

(ix) 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.

(x) 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.

Schedules forming part of the accounts

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

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.

(xi) Government Grants :

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset. Government grant in the nature of promoters' contribution is credited to the capital subsidy reserve.

(xii) Revenue Recognition :

Income & expenditure are recognised on accrual basis.

(xiii) 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. Monetary Assets & Liabilities in foreign currency that are outstanding at the year end and not covered by forward contracts are translated at the year end exchange rates.

c. The exchange differences arising from long term foreign currency monetary items relating to the acquisition of a depreciable asset are added to or deducted from the cost of the depreciable capital assets. Other exchange differences arising from Long-Term Foreign Currency Monetary Items are transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortised over the life of such monetary items but not beyond March 31, 2011. Other exchange differences are recognised as income or expense in the Profit & Loss Account.

d. 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.

(xiv) Excise Duty :

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

(xv) 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.

(xvi) 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.

(xvii) Impairment of Assets :

The Company identifies impairable assets at the year end in accordance with the guiding principles of Accounting Standard 28, notified in Companies (Accounting Standards) Rules 2006, 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 crystallizes, are charged against revenues for the year.

Schedules forming part of the accounts

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

B NOTES ON ACCOUNTS

1 A. **Business Segment**

As the Company's business activity falls within a single primary business segment,viz."Personal and Healthcare", the disclosure requirements of Accounting Standard-17 "Segment Reporting", notified in Companies (Accounting Standards) Rules, 2006 are not applicable.

B. **Geographical Segment**

The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and overseas operations as under :

Rs. in lacs

Revenue – Gross Sales	2008-09	2007-08
India	66,180.77	52,542.64
Overseas	7,779.10	5,662.84
Total	**73,959.87**	**58,205.48**

The following table shows the carrying amount of segment assets and additions to segment fixed assets by geographical area to which the assets are attributable:

Rs. in lacs

	Carrying amount of Segment Assets		Additions to Fixed Assets including CWIP	
	2008-09	2007-08	2008-09	2007-08
India	86,971.42	40,781.75	52,732.38	1,863.28
Overseas	3,418.84	1,701.32	–	–
Total	**90,390.26**	**42,483.07**	**52,732.38**	**1,863.28**

2 **Defined Benefit Plans :** As per actuarial valuations as on March 31, 2009 and recognised in the financial statements in respect of Employees benefit schemes.

Rs. in lacs

	March 31, 2009		March 31, 2008	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded
A Components of Employer Expenses				
1 Current Service Cost	76.89	15.65	45.85	1.12
2 Interest Cost	47.15	8.74	28.39	6.31
3 Expected Return on Plan assets	34.13	–	21.54	–
4 Actuarial Losses	47.74	45.08	36.67	51.33
5 **Total Expenses recognised in the the Statement of Profit & Loss**	**137.65**	**69.47**	**89.37**	**58.76**
B Net asset/(liability) recognised in balance sheet as at March 31, 2009				
1 Present value of Defined Benefit Obligation (DBO)	939.16	142.05	422.17	90.98
2 Fair value of plan assets	793.13	–	305.62	–
3 Funded Status [Surplus/(deficit)]	(146.04)	(142.05)	(116.72)	(90.98)
4 **Net asset/(liability) recognised in balance sheet**	**(146.04)**	**(142.05)**	**(116.72)**	**(90.98)**

Schedules forming part of the accounts

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

2 **Defined Benefit Plans (Contd.)**

Rs. in lacs

	March 31, 2009		March 31, 2008	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded	Unfunded	Funded	Unfunded
C Change in Defined Benefit Obligation during the year ended March 31, 2009				
1 Present value of DBO at beginning of period	422.17	90.98	334.66	66.89
2 Current Service Cost	76.89	15.65	45.85	1.12
3 Interest Cost	47.15	8.74	28.39	6.31
4 Acturial Losses	59.54	45.08	40.31	51.33
5 Benefits Paid	(70.88)	(18.40)	(27.04)	(34.67)
6 **Present value of DBO at the end of period**	**534.87**	**142.05**	**422.17**	**90.98**
D Change in Fair Value of Assets				
1 Plan Assets at beginning of period	305.62	–	268.92	–
2 Expected Return on Plan assets	34.13	–	21.54	–
3 Acturial Gains	11.80	–	3.64	–
4 Actual company contributions	240.16	18.40	38.56	–
5 Benefits paid	(70.88)	(18.40)	(27.04)	–
6 **Plan assets at the end of period**	**520.83**	**–**	**305.62**	**–**
E Acturial Assumptions				
1 Discount Rate (%)	* 7.50 / 7.00	7.50	7.50	7.50
2 Expected Return on Plan Assets (%)	7.50	–	7.50	–

* Note: Discount Rate % for Emami - 7.50 and for Zandu - 7.00

3 **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 Company's overall strategy. The Company does not use forward contract and options for speculative purposes.

Rs. in lacs

	March 31, 2009	March 31, 2008
i) The following are the outstanding forward contracts and options as on March 31, 2009		
For hedging currency risks		
Forward Covers		
Receivables	1,019.00	199.85
Loan Given	–	607.54
Options		
Receivables	280.23	159.88
ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below		
Receivables	1,142.40	793.90
Loan Given	–	84.21
Loan	7,642.50	799.40

Schedules forming part of the accounts

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

4 Rs. 3,500.00 lacs, raised through public offering, has been used for meeting capital expenditure including corporate house and also in meeting share issue expenses and strategic investments. Details are as under :

Rs. in lacs

	As per Prospectus	Utilisation		
		As on March 31, 2008	For the Year	As on March 31.03.2009
A. Specific Requirements				
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
	2,941.00	**2,969.97**	**-**	**2,969.97**
B. General Corporate Purpose (investments in possible acquisitions, joint ventures or strategic alliances)	559.00	–	530.03	530.03
C. **Total**	**3,500.00**	**2,969.97**	**530.03**	**3,500.00**
D. Public Issue Proceeds		3,500.00	–	3,500.00
E. Balance funds (used in reducing working capital borrowings temporarily)		530.03	(530.03)	–

5 The Company has made a provision of Rs. 35.72 lacs (Previous Year - Rs. 254.50 lacs) towards Taxes on Sales resulting mainly from issues, which are under litigation/dispute requiring management judgement as shown below :

Rs. in lacs

Description	**March 31, 2009**	**March 31, 2008**
Opening Balance	1,200.00	1,035.97
Provisions during the year	35.72	254.50
Provisions reversed during the year	331.46	90.47
Closing Balance	904.26	1,200.00

6 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.

7 There were no dues outstanding for more than 45 days to any Micro, Small and Medium Enterprises Creditor. The above information regarding Micro, Small and Medium Enterprise has been determined to the extent such communication has been received from the respective parties by the Company. This has been relied upon by the Auditors.

8 Loans & Advances include Security Deposit of Rs. 15.01 lacs (Previous Year - Rs. 15.01 lacs) due from Directors of the Company against tenancies. (Maximum amount outstanding during the year - Rs. 15.01 lacs) (Previous year - Rs. 15.01 lacs).

emami

Schedules forming part of the accounts

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

9 **Loans & Advances include amount due from Subsidiaries as under :** *Rs. in lacs*

	March 31, 2009		March 31, 2008	
	Balance	Maximum amount outstanding during the year	Balance	Maximum amount outstanding during the year
Emami UK Limited	2.91	83.51	83.51	96.49
Emami Bangladesh Limited	20.77	20.77	0.70	0.82
Emami International FZE	–	607.55	607.55	616.53
Emami Realty Limited	–	7,949.14	6,474.14	6,836.00
	23.68		**7,165.90**	

10 The Company has incurred a sum of Rs. 231.72 lacs (Previous Year - Rs. 81.14 lacs) on Research & Development which is charged to the Profit and loss account under Miscellaneous Expenses.

11 **Contingent Liabilities not provided for in respect of :** *Rs. in lacs*

	March 31, 2009	March 31, 2008
(a) i) Excise Duty demands	89.82	73.68
ii) Sales Tax demands under appeal (Net of Advances)	834.23	1,204.90
iii) Income Tax (Net of Advances)	–	12.40
iv) Other Taxes	34.22	26.09
v) Claim against Company not acknowledged as Debts	166.74	–
Note : Contingent Liability disclosed above represent possible obligations where the possibility of cash outflow to settle the obligation is remote		
(b) Guarantees and counter guarantees given	10,251.39	250.74

12 Against an order of Income Tax Appelate Tribunal in favour of the Company, the Income Tax Department has filed an appeal before the Honorable Kolkata High Court against a demand of Rs. 438.87 lacs for the A.Y.2000-01. The Company has been legally advised that no adverse order is likely to come against the same.

Rs. in lacs

13 Estimated amount of commitments [net of advances of Rs. 718.39 lacs (Previous Year - Rs. 940.84 lacs)] on capital account not provided for	372.87	1,077.51

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 USD 16.50 million.

15 **Directors' Remuneration included in different heads of expenses :** *Rs. in lacs*

	March 31, 2009		March 31, 2008	
Salaries		239.68		200.25
Contribution to Provident and Other Funds		27.36		26.19
Perquisites		8.15		6.57
Directors Fees & Commission				
Directors Fees	15.75		8.70	
Commission to the Executive Chairman	100.00		100.00	
Commission to Non Whole time Directors	18.00	133.75	–	108.70
		408.94		**341.71**

Schedules forming part of the accounts

17 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 & Non wholetime Directors :

Rs. in lacs

	March 31, 2009		March 31, 2008	
Profit Before Taxation		**10,175.56**		**10,492.88**
Add :				
(a) Remuneration paid to the Directors	275.19		233.01	
(b) Commission & Directors Fees	133.75		108.70	
(c) Loss on Sale of Long term Non Trade Investments	160.00		–	
(d) Loss on sale of Fixed Assets	56.28	625.22	84.75	426.47
		10,800.78		10,919.35
Less:				
(a) Profit on sale of Fixed Assets as per Sec 349	146.13		148.74	
(b) Provision for Doubtful Loans Written Back	160.00		–	
(c) Profit on sale of Investments - Subsidiaries	2.59		–	
(d) Profit on sale of Investments	–	308.72	1.80	150.54
Net Profit for the purpose of Director's Commission		**10,492.06**		**10,768.81**
Maximum amount permissible for Executive Chairman & Whole time Directors under section 309 of the Companies Act ,1956.		1,049.21		1,076.88
Commission @ 2% of Net Profit for Executive chairman		209.84		215.38
Commission @ 1% of Net Profit for Non Wholetime Directors		104.92		–
Remuneration to Executive Chairman & Whole time Directors		275.19		233.01
Commission approved for Executive chairman by the Board		100.00		100.00
Commission approved for Non wholetime Directors by the Board		18.00		–

17 The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 notified by Government of India on March 31, 2009.

Foreign exchange gain of Rs. 33.87 lacs was credited to Profit & Loss Account in Financial Year 2007-08. As per the above notification, the same has now been Credited to Fixed Assets under respective heads and the effect of the same has been debited to General Reserve. Due to the above, depreciation has been reduced by Rs. 1.46 lacs for the year.

As per the above notification foreign exchange loss of Rs. 341.10 lacs chargeable to Profit & Loss Account has been amortised over the period of the loan. Therefore, a sum of Rs. 27.34 lacs has been charged to Profit & Loss Account and balance of Rs. 313.76 lacs has been transferred to Foreign Currency Monetary Item Translation Difference Account to be amortised in subsequent periods,but not beyond March 31, 2011.

As a result of this change in accounting for exchange differences, profit before tax for the year ended is higher by Rs. 315.22 lacs.

Schedules forming part of the accounts

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

18 i. **Payment to Auditors**

Rs. in lacs

	March 31, 2009	March 31, 2008
Audit Fees	12.80	7.29
Tax Audit Fees	2.21	1.37
Certification Fees	5.41	5.29
Out of Pocket Expenses	0.37	0.35
	20.79	**14.30**
ii. Payment to Cost Auditors		
Audit Fees	0.67	0.67

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

20 a) In terms of the Scheme of Arrangement (hereinafter referred as "the Scheme") pursuant to provisions of sections 391 to 394 of the Companies Act, 1956, between the Company (Emami), its subsidiary company, The Zandu Pharmaceutical Works Limited (Zandu) and Emami Infrastructure Limited (EIL) and their respective share holders, as approved by the shareholders of the respective Companies in the Court convened meeting held on September 11, 2009 and sanctioned by the Honourable High Court, Kolkata vide its order dated November 17, 2009. Zandu FMCG undertaking of Zandu is demerged into Emami and simultaneously Realty Undertaking of Emami, including Emami Realty Limited and Emami's interest in Zandu's Noncore Business including Real Estate, is demerged into EIL with effect from the appointed date i.e. November 05, 2008. The aforesaid scheme is effective from December 02, 2009, being the date of filing of the certified copy of the Order of the High Court, with the Registrar of Companies, West Bengal. The scheme has accordingly been given effect to in these financial statements.

b) i Pursuant to the Scheme, Zandu FMCG undertaking with all the asset and liablities pertaining to this division is demerged into the Company and transferred to and is vested in the Company on a going concern basis.

ii In terms of the Scheme, out of the carrying value of investment in the equity shares of Zandu in the books of Emami a sum representing the proportion of the net book value of the assets of Zandu FMCG undertaking to the networth of Zandu is treated as the cost of acquisition of the shares of Zandu FMCG undertaking and the carrying value that remains after reducing such Zandu FMCG cost is treated as the cost of aquisition of Zandu Non Core Undertaking.

iii In terms of the Scheme, the excess of Zandu FMCG cost over book value of net assets of Zandu FMCG undertaking transferred to and vested in Emami, after reckoning the par value of shares to be issued by Emami to the shareholders of Zandu, is considered as goodwill amounting to Rs. 47,899.11 lacs.

iv In terms of the Scheme, Emami has to issue Equity shares of the Company to the shareholders of Zandu in proportion to 14 new Equity shares of the Company of Rs. 2/- each fully paid up for every one equity share of Zandu of Rs. 100/- each fully paid up aggregating to 35,10,696 equity shares amounting to Rs. 70.21 lacs. Pending allotment of these shares the aggregate paid up value thereof is credited to share capital suspense account.

v Accounts of Zandu FMCG undertaking with effect from the appointed date to March 31, 2009 have been accounted for in the books of the Company as certified and audited by the statutory auditors of Zandu. The same have been relied upon by the auditors of the Company.

c) i Emami Realty undertaking with all its assets and liabilities pertaining to this division is demerged from the Company on a going concern basis into EIL in terms of above scheme.

ii In terms of the Scheme, the book value of the net assets of Emami Realty undertaking are transferred to EIL by adjusting Amalgamation Reserve of Rs. 268.38 lacs and General Reserve of Rs. 2,555.08 lacs.

iii The Company has carried on the business and activities of the Demerged Emami Realty undertaking from the appointed date onwards till the effective date and has held and possessed all the assets and properties of the Emami Realty undertaking for and on account of and in trust of EIL. All profit or income accruing or arising to the Company or expenditure or losses arising or incurred by it relating to Emami Realty undertaking are for all purposes, treated and deemed to be accrued as the profit or income or expenditure or losses, as the case may be, of EIL. After the "Effective Date", EIL will take necessary steps for transfer of all the assets and properties of Emami Realty undertaking in its name.

Schedules forming part of the accounts

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

d) Order of the Honourable High Court of Kolkata confirming the reduction in the Capital Redemption Reserve account of Zandu pursuant to clause 12.3 of the scheme has not yet been passed.

e) In terms of the Scheme of arrangement, a sum of Rs. 964.54 lacs equivalent to the amount of Goodwill amortisation has been transferred from General Reserve to Profit and Loss Account.

21 There is a change in accounting policy for accounting for Government Grants related to acquisition of Fixed Asset which were earlier credited to Capital Reserve & now credited to Fixed Asset. However due to the above change in accounting policy there is no impact on profits since no capital subsidy has been accounted for during the year.

22 Additional Information

A. Licensed/Installed Annual Capacity and Production

	March 31, 2009		March 31, 2008	
	Qty.	Value	Qty.	Value
	M.T.	Rs. in lacs	M.T.	Rs. in lacs
i) Licensed capacity per annum	N. A.		N. A.	
ii) Installed capacity per annum				
(On single shift basis as certified by a Director)				
Cosmetics & Toiletries	11,800.00		4,208.70	
Ayurvedic Medicines	45,389.00		23,094.00	
Other Ayurvedic (Tablets & Pills) - Nos in lacs	22,500.00		–	
iii) Actual production during the year				
Cosmetics & Toiletries	1,395.35		535.06	
Ayurvedic Medicines	10,553.19		9,506.06	
Other Ayurvedic (Tablets & Pills) - Nos in lacs	1,183.02		–	

B. Purchase of goods

	March 31, 2009		March 31, 2008	
	Qty.	Value	Qty.	Value
	M.T.	Rs. in lacs	M.T.	Rs. in lacs
Cosmetics & Toiletries	3,262.58	4,543.85	2,607.69	3,403.45
Ayurvedic Medicines	5,089.33	8,115.76	4,889.24	7,258.83
Other Ayurvedic (Tablets & Pills) - Nos in lacs	91.52	13.62	–	–
Others		11.44		19.10
		12,684.67		**10,681.38**

C. Turnover, Opening & Closing stock of goods

	March 31, 2009		March 31, 2008	
	Qty.	Value	Qty.	Value
	M.T.	Rs. in lacs	M.T.	Rs. in lacs
Turnover				
Cosmetics & Toiletries	4,569.26	15,364.88	2,981.77	9,839.20
Ayurvedic Medicines	15,018.47	57,620.42	14,468.96	48,200.79
Other Ayurvedic (Tablets & Pills) - Nos in lacs	1,595.79	788.59	–	–
Others		185.98		165.49
		73,959.87		**58,205.48**

Schedules forming part of the accounts

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

C. Turnover, Opening & Closing stock of goods (Contd.)

	March 31, 2009		March 31, 2008	
	Qty.	Value	Qty.	Value
	M.T.	Rs. in lacs	M.T.	Rs. in lacs
Opening Stock*				
Cosmetics & Toiletries	581.34	647.75	420.36	605.60
Ayurvedic Medicines	1,599.27	2,192.66	1,299.94	1,740.95
Other Ayurvedic (Tablets & Pills) - Nos in lacs	816.67	187.94	–	–
Others		77.43		20.95
		3,105.78		**2,367.50**
* includes Rs. 797.26 lacs transferred in terms of Scheme of Arrangement				
Closing Stock				
Cosmetics & Toiletries	670.01	834.03	581.34	647.75
Ayurvedic Medicines	2,223.32	3,085.05	1,226.28	1,678.02
Other Ayurvedic (Tablets & Pills) - Nos in lacs	495.42	132.18	–	–
Others		218.58		1.95
		4,269.84		**2,327.72**

D. Raw & Packing Materials consumed

	March 31, 2009		March 31, 2008	
	Qty.	Value	Qty.	Value
	M.T.	Rs. in lacs	M.T.	Rs. in lacs
Indigenous (99.59%) (P.Y.96.63%)				
Oil	7,943.10	5,881.57	6,809.36	3,340.46
Essential Oils	154.21	1,645.65	148.16	1,616.12
Chemicals	3,135.03	3,364.18	2,670.15	2,122.58
Fats	712.43	515.19	732.98	272.98
Herbs		292.65		201.74
Tubes & Containers		2,490.36		2,267.82
Other Packing Materials		4,772.05		2,707.86
Others		309.86		45.05
		19,271.51		12,574.61
Imported (0.41%) (P.Y. 3.37%)				
Oils	11.47	17.77	8.76	12.52
Chemicals & Fats	53.82	61.17	478.28	426.41
		19,350.45		**13,013.54**

E. Expenditure in Foreign Currency (On Payment Basis)

Rs. in lacs

	March 31, 2009	March 31, 2008
Professional Fees	83.92	91.46
Interest	9.28	65.89
Others	306.54	295.18
	399.74	**452.53**

F. Value of Imports on CIF basis

Rs. in lacs

	March 31, 2009	March 31, 2008
Raw Materials	419.76	313.80
Capital Goods	747.62	6.94
	1,167.38	**320.74**

Schedules forming part of the accounts

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

G. Earnings in Foreign Exchange for

Rs. in lacs

	March 31, 2009	March 31, 2008
Earning in Foreign Exchange for Export of goods calculated on FOB basis (Including Nepal and Bhutan)	5,825.84	3,613.29

23 Related Party Transactions :

A. Parties where Control exists :

Subsidiaries	% of Holding
i) Emami UK Limited	100.00%
ii) Emami Bangladesh Limited	100.00%
iii) Emami International FZE	100.00%
iv) Emami Realty Limited and its Subsidiaries (Ceased w.e.f. November 05, 2008)	100.00%
1 Emami Rainbow Niketan Private Limited	100.00%
2 Emami Vridhi Commercial Private Limited	100.00%
3 Nathvar Tracon Private Limited	100.00%
4 New Age Realty Private Limited	60.00%
5 Octagon BPO Private Limited	100.00%
6 Emami Skyhigh Private Limited	100.00%
7 Emami Ashiana Private Limited	100.00%
8 Emami Properties Private Limited	100.00%
9 Orbit Realty Infrastructure Limited (w.e.f. April 01, 2008)	60.00%
10 Emami Constructions Private Limited	80.00%
11 Delta PV Private Limited (w.e.f. September 02, 2008)	55.00%
12 Sri Mohamaya Investments Private Limited	100.00%
13 A Raj Abasan Private Limited and its Subsidiaries	60.00%
- Orbit Projects Private Limited	60.00%
- Basera Enclave Makers Private Limited	60.00%
- Swastik Promoters Private Limited	60.00%
v) Zandu Chemicals Limited (w.e.f November 05, 2008 to January 27, 2009)	93.84%

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

i) Key Management Personnel
1 Shri R S Agarwal
2 Shri R S Goenka
3 Shri Sushil Kr. Goenka

ii) Relatives of Key Management Personnel
1 Smt. Usha Agarwal
2 Smt. Saroj Goenka
3 Shri Mohan Goenka
4 Shri A V Agarwal
5 Shri Manish Goenka
6 Shri H V Agarwal
7 Smt. Priti Sureka

iii) Entities where Key Management Personnel and their relatives have significant influence
1 Diwakar Viniyog Private Limited
2 Suntrack Commerce Private Limited
3 Bhanu Vyapaar Private Limited
4 Emami Paper Mills Limited
5 Emami Foundation

Schedules forming part of the accounts

17 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 March 31, 2009

Rs. in lacs

Particulars	Subsidiaries		Key Management Personnel & Relatives		Associates		Entities where Key Management Personnel and their relatives have significant influence		Total	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
1. Remuneration										
- Directors	-	-	361.76	333.01	-	-	-	-	361.76	333.01
- Others	-	-	8.07	10.77	-	-	-	-	8.07	10.77
2. Sales	2,116.20	551.18	-	-	-	-	46.79	-	2,162.99	551.18
3. Directors Sitting Fees	-	-	4.20	1.20	-	-	-	-	4.20	1.20
4. Rent & Maintenance Charges Paid	-	-	4.80	5.32	-	-	1.68	3.13	6.48	8.45
5. Rent Received	6.07	2.49	-	-	-	-	41.30	41.30	47.37	43.79
6. Maintenance Charges Received	9.11	3.74	-	-	-	-	41.30	41.30	50.41	45.04
7. Loan / Advance Given	2,395.29	8,080.00	-	-	-	-	19.53	-	2,414.82	8,080.00
8. Loan Received	-	-	-	-	-	-	3,545.00	2,740.00	3,545.00	2,740.00
9. Interest Received	641.08	302.09	-	-	-	-	-	-	641.08	302.09
10. Interest Paid	-	-	-	-	-	-	32.63	72.53	32.63	72.53
11. Receipt Towards Loan Given	11,890.19	1,000.00	-	-	-	-	-	-	11,890.19	1,000.00
12. Repayment of Loan Received	-	-	-	-	-	-	3,545.00	2,740.00	3,545.00	2,740.00
13. Income From Partnership	-	-	-	-	-	4.70	-	-	-	4.70
14. Investment	7.15	975.00	-	4.00	-	-	-	-	7.15	979.00
15. Security Deposit Received	-	14.94	-	-	-	-	-	41.30	-	56.24
16. Donation Paid	-	-	-	-	-	-	80.00	205.00	80.00	205.00
17. Balance as on March 31, 2009										
A) Investment	55.07	1,027.93	-	-	-	-	368.48	368.48	423.55	1,396.41
B) Loan /Advances Given	20.66	7,165.89	-	-	-	-	19.53	-	40.19	7,165.89
C) Interest Receivable	3.02	237.25	-	-	-	-	-	-	3.02	237.25
D) Interest Payable	-	-	-	-	-	-	30.78	-	30.78	-
E) Debtors	1,428.56	290.79	-	-	-	-	-	-	1,428.56	290.79
F) Security Deposit Paid	-	-	28.14	28.14	-	-	7.00	7.00	35.14	35.14
G) Security Deposit Received	-	14.94	-	-	-	-	41.30	41.30	41.30	56.24

24 Information for Earnings Per Share as per Accounting Standard-20

	March 31, 2009	March 31, 2008
Net Profit (Rs. in lacs)	8,751.50	9,274.88
Weighted average number of shares	6,35,59,074	6,21,45,177
Earnings Per Share - Basic & Diluted (Rs.)	13.77	14.92

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

Signatories to Schedules 1 to 17

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
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

Cash Flow Statement For the year ended March 31, 2009

Rs. in lacs

	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax and Extraordinary Items	**10,175.56**	**10,492.87**
Add : Adjustments For		
Depreciation	824.85	727.57
Interest	1,963.58	(1,352.63)
Loss / (Profit) on sale of Fixed Assets	(93.88)	(71.51)
Loss / (Profit) on sale of Investments	157.41	(1.80)
Foreign Exchange Fluctuations	966.59	(57.27)
Dividend Received	(259.45)	(21.63)
Operating Profit Before Working Capital Changes	**13,734.66**	**9,715.60**
Add : Decrease / (Increase) in Working Capital		
Trade & other Payables	5123.95	702.27
Inventories	(3,309.86)	109.88
Trade & other Receivables	5201.32	(8,388.15)
Provision for Sales Tax	(295.74)	164.03
Provision for Compensated Absences	26.41	–
Provision for Gratuity and Leave Encashment	80.39	74.91
	6,826.47	**(7,337.06)**
Cash Generated from Operations	**20,561.13**	**2,378.54**
Less : Direct Taxes Paid	1,354.53	1,190.88
Net Cash Flow from Operating Activities	**19,206.60**	**1,187.66**
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	307.63	206.67
Interest Received	2,176.52	1,493.77
Dividend Received	259.45	21.63
Sale of Investments	8,444.13	6,504.72
	11,187.73	8,226.79
Less : Purchase of Fixed Assets	57,835.24	1,863.26
Purchase of Investments	3,274.37	8,001.54
Purchase of Investment in Subsidiary	–	980.00
Net Cash Used in Investing Activities	**(49,921.88)**	**(2,618.01)**

Cash Flow Statement (Contd.) For the year ended March 31, 2009

Rs. in lacs

	2008-09	2007-08
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	40,676.00	3,543.37
Issue of Equity Share Capital	70.21	–
	40,746.21	3,543.37
Less :		
Repayment of Loans	–	2,261.87
Adjustment of Reserves	1,843.46	–
Interest Paid	3,153.26	547.16
Dividend Paid	2,795.55	817.19
Corporate Dividend Tax	475.27	105.62
	8,267.54	3,731.84
Net Cash Used In Financing Activities	**32,478.67**	**(188.47)**
Effect of Foreign Exchange Fluctuation	(966.59)	57.27
Net Changes in Cash & Cash Equivalents (A+B+C)	**796.80**	**(1,561.55)**
* Cash & Cash Equivalents-Opening Balance	280.27	1,841.82
* Cash & Cash Equivalents-Closing Balance	1,077.07	280.27
* Represents Cash and Bank Balances as indicated in Schedule 10		

Note: The cash flow includes the accounting adjustments made pursuant to the scheme of arrangement sanctioned by Honourable High Court of Kolkata on November 17, 2009.

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 December 03, 2009	**S K Goenka** *Managing Director*	**N H Bhansali** *President - CFO*	**A K Joshi** *Company Secy. & Sr. GM-Legal*

Balance Sheet Abstract

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

I. Registration Details

Registration No.	L63993WB1983PLC036030	State Code	2 1
Balance Sheet Date	3 1 (Date) 0 3 (Month) 2 0 0 9 (Year)		

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

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

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

Total Liabilities	9 0 3 9 0	Total Assets	9 0 3 9 0
Sources of Funds			
Paid-up Capital	1 3 1 3	Reserves and Surplus	2 8 6 0 4
Secured Loans	3 7 3 0 6	Unsecured Loans	7 5 1 6
Application of Funds			
Net Fixed Assets	6 4 9 2 8	Investments	3 9 8 9
Net Current Assets	6 1 0 1	Misc. Expenditure	N I L
Accumulated Losses	N I L		

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

Total Income	7 2 9 7 1	Total Expenditure	6 2 7 9 5
Profit before Tax	1 0 1 7 6	Profit after Tax	8 7 5 2
Earnings Per Share (Rs.)	1 3 . 7 7	Dividend Rate %	2 2 5

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

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

R S Agarwal
Chairman

R S Goenka
Director

S K Todi
Director

Kolkata
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

A K Joshi
Company Secy. & Sr. 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, 2009 and Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the period 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 one subsidiary, whose financial statements reflect total assets of Rs. 736.71 lacs as at November 04, 2008, total revenue of Rs. nil and net cash inflows amounting to Rs. 0.55 lacs for the period ended on that date. We also did not audit the financial statements of two associates whose financial statements reflect as on November 04, 2008 total profit after tax of Rs. 83.11 lacs for the period 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. 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.

6. 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, 2009;

   b) In the case of Consolidated Profit & Loss Account, of the Consolidated Loss of Emami Limited, its subsidiaries and associates for the period 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 period ended on that date.

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

S K Agrawal
Partner
Membership No. 9067

Place: Kolkata
Dated: December 03, 2009

Consolidated Balance Sheet As at March 31, 2009

Rs. in lacs

	Schedule	As at March 31, 2009		As at March 31, 2008	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	1,313.11		1,250.40	
Reserves & Surplus	2	28,812.31	30,125.42	27,393.25	28,643.65
Minority Interest			–		48.11
Loan Funds					
Secured Loans	3	37,306.08		4,602.45	
Unsecured Loans	4	7,516.14	44,822.22	7,977.83	12,580.28
Deferred Tax Liability (Net)	5		595.54		214.60
			75,543.18		**41,486.64**
APPLICATION OF FUNDS					
Goodwill on Consolidation			–		400.81
Fixed Assets					
Gross Block	6	70,671.60		10,711.85	
Less : Depreciation and Amortisation		9,395.16		2,830.46	
Net Block		61,276.44		7,881.39	
Capital Work-in-Progress		3,669.80		1,347.48	
			64,946.24		9,228.87
Investments	7		3,934.28		11,404.96
Foreign Currency Monetary Item Translation Difference			313.76		–
Current Assets, Loans and Advances					
Inventories	8	7,379.93		9,762.97	
Sundry Debtors	9	7,103.78		3,878.87	
Cash & Bank Balances	10	1,410.74		661.85	
Loans & Advances	11	8,337.10		19,444.56	
		24,231.55		33,748.25	
Less : Current Liabilities & Provisions	12	17,895.95		13,307.37	
Net Current Assets			6,335.60		20,440.88
Miscellaneous Expenditure					
Preliminary Expenses		2.16		3.89	
Preoperative Expenses		11.14	13.30	7.23	11.12
			75,543.18		**41,486.64**
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
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

Consolidated Profit and Loss Account For the year ended March 31, 2009

Rs. in lacs

	Schedule	Year ended March 31, 2009		Year ended March 31, 2008	
INCOME					
Operating Income	13		74,901.16		57,887.90
Other Income	14		781.42		399.77
			75,682.58		**58,287.67**
EXPENDITURE					
Cost of Goods Sold/ Consumed	15		26,708.96		20,623.36
Project Expenses	16		4,127.77		3,221.19
Manufacturing, Administrative & Selling Expenses	17		31,322.99		24,525.18
Interest & Finance Charges (Net)	18		2,100.74		(1,052.66)
			64,260.46		**47,317.07**
PROFIT					
Profit Before Depreciation, Taxation & Minority Interest			11,422.12		10,970.60
Depreciation & Amortisation		1,799.68		731.66	
Less : Transferred from General Reserve		964.54	835.14	–	731.66
Profit Before Taxation			**10,586.98**		**10,238.94**
Provision for Taxation					
- Current Tax		1,125.92		1,200.82	
- Excess Provision for Taxation of Earlier Year		(25.89)		–	
- Fringe Benefit Tax		81.99		41.01	
- Deferred Tax (Net)		230.46	1,412.48	(22.00)	1,219.83
Profit After Taxation Before Minority Interest			**9,174.50**		**9,019.11**
Share of Minority Interest			(11.74)		0.09
Share of Profit in Associate			23.23		(0.50)
Profit After Minority Interest			**9,185.99**		**9,018.70**
Adjustment of Surplus on Cessation of Subsidiary			34.22		-
Balance Brought Forward			1,378.44		1,176.72
Available for Appropriation			**10,598.65**		**10,195.42**
APPROPRIATIONS					
General Reserve			3,953.49		5,545.18
Proposed Dividend			3,404.51		2,796.53
Corporate Dividend Tax			578.60		475.27
Balance Carried Forward			2,662.05		1,378.44
			10,598.65		**10,195.42**
Significant Accounting Policies & Notes on Accounts	19				
Earnings Per Share - Basic & Diluted			Rs. 14.45		Rs. 14.51

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
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
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 Equity Shares of Rs. 2/- each fully paid up *		1,242.90		1,242.90
Nil (7,500) 4% Non Cumulative Redeemable Preference Shares of Rs. 100/- each		–		7.50
Share Capital Suspense		70.21		–
		1,313.11		**1,250.40**

* 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 Equity Shares allotted for consideration other than cash.

	As at March 31, 2009		As at March 31, 2008	
2 RESERVES & SURPLUS				
Capital Reserve		79.64		79.64
Security Premium		3,161.72		3,161.72
Amalgamation Reserve				
At commencement of the year	268.38		268.38	
Utilised on demerger	(268.38)	–	–	268.38
General Reserve				
At commencement of the year	22,500.00		17,000.00	
Utilised on demerger	(2,555.08)		–	
Adjustment with regard to Foreign exchange gain of earlier years (refer note no. 3 (xi) of Schedule 19)	(33.87)		–	
Employee benefits adjusted (net off deferred tax)	(0.30)		(45.18)	
Transferred to Profit & Loss Account	(964.54)		–	
Transferred from Profit & Loss Account	3,953.49	22,899.70	5,545.18	22,500.00
Foreign Currency Translation Reserve		9.20		5.07
Profit & Loss Account		2,662.05		1,378.44
		28,812.31		**27,393.25**

	As at March 31, 2009		As at March 31, 2008	
3 SECURED LOANS				
Term Loans				
- From Banks		11,142.50		3,500.00
- Secured by first charge/mortgage on movable and immovable assets including plant and machinery (present and future) situated at Abhoypur (Guwahati) plant and at Kolkata Office				
- From Others		20,000.00		1,082.99
- Secured by hypothecation of stocks, book debts and all movable assets on subservient charge basis				
- Pledge of specific investments				
- Personal Guarantee of some of the Directors				
(Repayable within 12 months - Rs. 3,106.80 lacs)				

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
3 SECURED LOANS (Contd.)				
Cash Credits		6,163.58		19.46
- From Banks				
- Secured by hypothecation of stocks, book debts on first charge basis ranking parri passu among State Bank of India, Canara Bank, ICICI Bank and Hongkong and Shanghai Banking Corporation				
		37,306.08		**4,602.45**

	As at March 31, 2009		As at March 31, 2008	
4 UNSECURED LOANS				
Trade Deposits		810.71		306.36
Long Term Loans				
From Others		6,136.41		–
(Repayable within 12 months - Rs. Nil)				
Short Term Loans				
From Banks		514.50		–
From Others		54.51		7,671.47
		7,516.14		**7,977.83**

	As at March 31, 2009		As at March 31, 2008	
5 DEFERRED TAX LIABILITY (Net)				
Deferred Tax Liabilities				
Tax impact due to difference between tax depreciation and book depreciation		902.16		548.22
Deferred Tax Assets				
Tax Impact of expenses charged off in financial statement but allowance under tax law deferred*		(306.62)		(333.62)
* Includes deferred tax of Nil (PY - Rs. 23.27 lacs) on Employee benefits adjusted as per AS-15 (Revised)				
		595.54		**214.60**

Schedules forming part of the Consolidated accounts

Rs. in lacs

6 FIXED ASSETS

PARTICULARS	GROSS BLOCK						DEPRECIATION AND AMORTISATION						NET BLOCK	
	As on April 01, 2008	Added in Terms of Scheme of Arrangement	Additions during the Year	Demerged in Terms of Scheme of Arrangement	Sales/ Adjust-ments	Total	As on April 01, 2008	Added in Terms of Scheme of Arrangement	For the Year	Demerged in Terms of Scheme of Arrangement	Sales/ Adjust-ments	Total	As on March 31, 2009	As on March 31, 2008
Land														
Leasehold	200.45	139.92	-	-	12.66	327.71	6.86	13.21	3.11	-	8.68	14.50	313.21	193.59
Others	269.46	132.05	555.06	-	-	956.57	-	-	-	-	-	-	956.57	269.46
Buildings	4,049.45	2,076.02	2,358.59	-	51.20	8,432.86	425.49	1,350.16	152.73	-	9.37	1,919.01	6,513.85	3,623.96
Plant & Machinery	3,719.62	3,745.52	2,335.20	8.51	479.78	9,312.05	1,582.42	3,107.63	368.94	0.21	306.86	4,751.92	4,560.13	2,137.20
Furniture, Equipments & Computers	1,860.82	714.70	415.15	71.75	16.54	2,902.38	654.70	570.10	228.49	20.45	14.43	1,418.41	1,483.97	1,206.12
Motor Vehicles	355.86	211.75	54.41	35.06	77.11	509.85	98.89	153.02	38.55	20.82	50.33	219.31	290.54	256.97
Intangible Assets														
Goodwill	-	-	47,899.11	-	-	47,899.11	-	-	964.54	-	-	964.54	46,934.57	–
Software	256.19	-	74.87	-	-	331.06	62.10	-	45.37	-	-	107.47	223.59	194.09
Total	**10,711.85**	**7,019.96**	**53,692.40**	**115.32**	**637.29**	**70,671.60**	**2,830.46**	**5,194.12**	**1,801.74**	**41.48**	**389.67**	**9,395.16**	**61,276.44**	**7,881.39**
Capital Work-in-Progress	1,347.48	3,279.07	387.27	-	1,344.02	3,669.80	-	-	-	-	-	-	3,669.80	1,347.48
Grand Total	**12,059.33**	**10,299.03**	**54,079.67**	**115.32**	**1,981.31**	**74,341.39**	**2,830.46**	**5,194.12**	**1,801.74**	**41.48**	**389.67**	**9,395.16**	**64,946.24**	**9,228.87**
Previous Year's Figures	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	

Notes :- (i) In Zandu, Capital work in Progress includes capital advances paid, Machinery under installation, Building under Construction and errection materials and Preoperative expenses.

(ii) In Zandu, depreciation for the year includes Rs. 2.05 Lakhs in respect of New project at Pantnagar,Uttarakhand.capitalised as part of pre-operative expense.

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
7 INVESTMENTS				
Long Term				
A. In Associates				
Companies (Unquoted- Fully paid up)				
Palace Properties (India) Private Limited Nil (24,500) Equity Shares of Rs. 10/- each		–		2.45
Rosedale Developers Private Limited Nil (17,750) Equity Shares of Rs. 10/- each		–		17.80
Prajay Urban Private Limited Nil (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 Equity Shares of Rs. 2/- each		368.47		368.47
Creative Eye Limited 10,000 Equity Shares of Rs. 10/- each		6.41		6.41
Hindustan Lever Limited 220 Equity Shares of Re. 1/- each		–		–
Tata Motors Limited 10 Equity Shares of Rs. 10/- each		–		–
(ii)		**374.88**		**374.88**

Schedules forming part of the Consolidated accounts

Rs. in lacs

		As at March 31, 2009		As at March 31, 2008
7 INVESTMENTS (Contd.)				
Unquoted - Fully paid up				
Others				
Ideal Heights Private Limited Nil (1,900) Equity Shares of Rs. 10/- each		–		0.57
Bengal NRI Complex Limited Nil (10,57,500) Equity Shares of Rs. 10/- each		–		530.07
Short Developers Private Limited Nil (1800) Equity Shares of Rs. 10/- each		–		0.18
Satyam Housing Maintenance Limited Nil (99,300) Equity Shares of Re. 1/- each		–		0.99
CRI Limited Nil (6,00,000) Redeemable Preference Shares of Rs. 100/- each		–		600.00
CRI Limited 95,630 Equity Shares of Rs. 10/- each		27.17		27.17
Bengal Emami Infrastructure Limited* 1 Equity Share of Rs. 10/- each		–		–
AMRI Hospitals 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
(iii)		**292.18**		**1,423.99**
Debenture (Unquoted - Fully paid up)				
Prajay Urban Private Limited Nil (8,415) Optionally Convertible Debentures of Rs.10,000/- each		–		841.50
(iv)		**–**		**841.50**
Current (Unquoted) (Units of Rs. 10/- each)				
Nil (7,98,59,643.718) Birla Cash Plus - Institutional Premium - Daily Dividend		–		8,001.54
Nil (3,237.408) ING Vysya Liquid Fund Retail		–		0.55
Nil (7,500) ING Fixed Maturity Fund Series 42		–		0.75
Nil (21,34,911) ING Vysya Liquid Fund-Institutional		–		230.30
2,51,63,044.315 (Nil) ICICI Prudential Institutional Liquid Plan Super Institutional Growth		3,267.22		–
(v)		**3,267.22**		**8,233.14**
C. Land & Buildings (vi)		**–**		**22.30**
Total (i)+(ii)+(iii)+(iv)+(v)+(vi)		**3,934.28**		**11,404.96**
Aggregate Book Value of Quoted Investments		**374.88**		**374.88**
Aggregate Book Value of Unquoted Investments		**3,559.40**		**11,030.08**
Market Value of Quoted Investments		**843.16**		**844.24**

* Note : All the above investments except those marked with an asterix (*), are other than Trade

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
8 INVENTORIES				
Raw & Packing Materials		2,891.75		1,552.89
Work-in-progress		89.28		4,640.62
Finished Goods		4,329.96		3,516.00
Stores & Advertising Materials		68.94		53.46
		7,379.93		**9,762.97**

9 SUNDRY DEBTORS				
Due over six months				
- Secured		12.31		–
- Unsecured		493.52		228.03
Other Debts				
- Secured		23.51		–
- Unsecured		6,609.09		3,650.84
		7,138.43		3,878.87
Less : Provision		34.65		–
		7,103.78		**3,878.87**
Notes:				
Considered Good		7,103.78		3,878.87
Considered Doubtful		34.65		–
		7,138.43		**3,878.87**

10 CASH & BANK BALANCES				
Cash in hand		32.76		25.00
With Scheduled Banks				
Current Accounts	1,081.50		630.65	
Exchange Earners Foreign Currency Account	9.86		–	
Fixed Deposit	283.00		3.56	
Unpaid Dividend Account	3.62	1,377.98	2.64	636.85
		1,410.74		**661.85**

11 LOANS & ADVANCES				
Unsecured, Considered Good				
Loans & Advances recoverable in cash or in kind or for value to be received		7,863.92		15,200.92
Deposits		212.40		4,066.42
Income Tax [Net of Provisions : Rs. 3,350.25 lacs (PY : Rs. 2,623.44 lacs)]		260.78		177.22
		8,337.10		**19,444.56**

Schedules forming part of the Consolidated accounts

Rs. in lacs

	As at March 31, 2009		As at March 31, 2008	
12 CURRENT LIABILITIES & PROVISIONS				
Current liabilities				
Sundry Creditors				
Micro, Small & Medium Enterprises	5.86		–	
Others	12,007.14		8,528.82	
Advance from Customers	675.76		96.41	
Unclaimed Dividend	3.62	12,692.38	2.64	8,627.87
Provisions				
Proposed Dividend	3,404.51		2,796.53	
Corporate Dividend Tax	578.60		475.27	
Sales Tax	904.26		1,200.00	
Compensated Absences	26.41		–	
Gratuity and Leave Encashment	289.79	5,203.57	207.70	4,679.50
		17,895.95		**13,307.37**

Rs. in lacs

	Year ended March 31, 2009		Year ended March 31, 2008	
13 OPERATING INCOME				
Sales	76,471.12		58,811.56	
Less : Excise Duty	1,724.96	74,746.16	923.95	57,887.61
Rent and other charges		155.00		0.29
		74,901.16		**57,887.90**
14 OTHER INCOME				
Profit on Sale of Current Non- Trade Investments		33.52		8.73
Profit on Sale of Current Non- Trade Investments- Subsidiaries		2.59		–
Profit on Sale of Long Term Non Trade Investments		–		(0.24)
Profit on Sale of Fixed Assets		150.49		156.27
Dividend from Current Non Trade Investments		57.32		6.69
Dividend from Long Term Non Trade Investments		162.75		15.90
Dividend from Long Term Trade Investments - Subsidiaries		47.60		–
Rent and Maintenance Received [TDS : Rs.15.74 lacs (PY - Rs. 13.56 lacs)]		127.43		97.35
Income from Partnership Firm		–		23.50
Provision for Doubtful Loans Written Back		160.00		–
Miscellaneous Receipts		39.72		91.57
		781.42		**399.77**

Schedules forming part of the Consolidated accounts

Rs. in lacs

	Year ended March 31, 2009		Year ended March 31, 2008	
15 COST OF GOODS SOLD / CONSUMED				
Purchases/Materials Consumed		32,242.56		23,712.52
Add : Opening Stock *				
Work-in-progress	4,817.67		521.32	
Finished Goods	4,294.06	9,111.73	2,474.19	2,995.51
		41,354.29		26,708.03
Less : Transferred in terms of Scheme of Arrangement		10,226.09		–
Less : Closing Stock				
Work-in-progress	89.28		3,720.38	
Finished Goods	4,329.96	4,419.24	2,364.29	6,084.67
		26,708.96		**20,623.36**

*Note: Includes Rs. 797.26 lacs transferred in terms of Scheme of Arrangement and includes Rs. 157.85 lacs of stocks of subsidiaries, which became subsidiary during the year, on consolidation.

	Year ended March 31, 2009		Year ended March 31, 2008	
16 PROJECT EXPENSES				
Land Purchased		2,215.09		2,844.13
Architect Fees		49.20		55.30
Materials		301.76		1.36
Work executed by contractors		51.88		0.20
Labour Charge		–		0.01
Salary & Bonus		58.21		15.23
Contribution to Provident & other Funds		2.47		0.50
Rent		7.76		3.58
Repair to Others		7.14		3.16
Interest & Finance Expenses		887.43		261.99
Other Construction Expenses		419.84		21.72
Project Promotion Expenses		63.78		1.93
Site Administrative Expenses		56.80		–
Depreciation	6.41		0.96	
Miscellaneous Expenses	–	6.41	11.12	12.08
		4,127.77		**3,221.19**

	Year ended March 31, 2009		Year ended March 31, 2008	
17 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES				
Salaries, Wages & Bonus		4,312.96		2,977.80
Contribution to Provident & Other Funds		313.84		222.40
Workmen and Staff Welfare Expenses		188.46		95.64
Power & Fuel		341.60		128.75
Consumption of Stores and Spare Parts		82.16		29.10
Rent		220.93		214.94
Rates & Taxes		83.41		39.09
Insurance		109.71		82.32
Repairs :				
- Building	59.01		35.58	
- Machinery	174.57		125.88	
- Others	377.30	610.88	263.56	425.02

Schedules forming part of the Consolidated accounts

Rs. in lacs

	Year ended March 31, 2009		Year ended March 31, 2008	
17 MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES (Contd.)				
Freight & Forwarding		1,856.60		1,491.35
Directors' Fees and Commission		133.75		8.70
Advertisement & Sales Promotion		12,519.55		10,404.21
Selling Expenses		1,890.63		2,092.26
Commission		699.30		475.60
Cash Discount		195.58		179.20
Taxes on Sales		2,909.83		3,194.73
Loss on Sale of Fixed Assets		56.28		84.75
Loss on Sale of Long term Non Trade Investments		160.00		–
Foreign Exchange Fluctuations (Net)		957.63		(57.27)
Legal and Professional Fees		1,245.19		409.30
Travelling and Conveyance		939.26		663.97
Miscellaneous		1,495.44		1,363.31
		31,322.99		**24,525.18**

18 INTEREST & FINANCE CHARGES (Net)				
Paid				
Term Loans		2,732.00		72.85
Others		1,007.02		615.44
Received				
Others [TDS : Rs. 169.18 lacs (PY - Rs. 456.50 lacs)]		(1,638.28)		(1,740.95)
		2,100.74		**(1,052.66)**

19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1 **Principles of Consolidation**

The Consolidated Financial Statements relate to EMAMI LIMITED ("the Company") and its Subsidiary Companies and Associate ("the group) (Refer Note 3 (i). Subsidiary Companies and Associates 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 notified in Companies (Accounting Standards) Rules 2006. The Consolidated Financial Statements have been prepared on the following basis:

i 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.

ii 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 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.

Schedules forming part of the Consolidated accounts

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

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 under historical cost convention in accordance with generally accepted accounting principles and provisions of the Companies Act, 1956 and the Accounting Standards notified in Companies (Accounting Standards) Rules 2006, to the extent applicable.

(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) Intangible Assets :

Intangible Assets are recognised,only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprises and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

(iv) Depreciation and Amortisation :

Tangible Assets :

Depreciation is provided on straight line method, except for the assets of Zandu for which depreciation is provided on written down value method, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except :

a. Block, dies & moulds of Emami are depreciated @ 95% in the year of purchase itself on pro-rata basis.

b. Lease hold land is amortised over the period of lease.

c. In Emami UK Limited depreciation is provided on reducing balance method@ 25% or based on the useful life of the assets, which ever is higher.

Intangible Assets :

a. Goodwill - Consequent to the scheme of arrangement being accounted for under Purchase Method by adopting book value method, the Company has not recognised certain other assets not identifed and accounted for separately in the books of Zandu and the economic benefits flowing from such assets, including Zandu brand is being reflected in the recognition of Goodwill. Cost representing Goodwill so recognised is being amortised to profit and loss account over, the presently estimated useful life of 20 years, commencing from the effective date of November 05, 2008.

The estimated useful life of Goodwill will be reviewed by the management periodically and changes there in will be taken cognizance of, by accelerating or decelerating the pace of amortisation.

b. Software is depreciated @ 16.21% on Straight Line Method except for Zandu which is amortised over a period of five years.

Schedules forming part of the Consolidated accounts

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

(v) 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.

(vi) 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. In Zandu the Raw and Packing Materials, Stores and Spares are computed on First In First Out (FIFO) basis or net realisable value, which ever is lower. 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.

(vii) Research & Development :

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

(viii) Retirement benefits :

a. The Company makes contributions towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. Both the employees and the Company make monthly contributions to the Provident Fund Plan equal to a specified percentage of the covered employee's salary. In Zandu, the superannuation fund is administered by the Life Insurance Corporation of India (LIC). Under the plan, the Company is required to contribute a specified amount to the retirement benefit plan to fund the benefits.

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.

e. Short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised undiscounted during the period employee renders services.In Zandu these benefits include compensated absences.

(ix) 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.

(x) 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.

(xi) Government Grants :

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset. Government grant in the nature of promoters' contribution is credited to the capital subsidy reserve.

Schedules forming part of the Consolidated accounts

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

(xii) Revenue Recognition :

Income & expenditure are recognised on accrual basis.

(xiii) 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. Monetary Assets & Liabilities in foreign currency that are outstanding at the year end and not covered by forward contracts are translated at the year end exchange rates.

c. The exchange differences arising from long term foreign currency monetary items relating to the acquisition of a depreciable asset are added to or deducted from the cost of the depreciable capital assets. Other exchange differences arising from Long-Term Foreign Currency Monetary Items are transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortised over the life of such monetary items but not beyond March 31, 2011. Other exchange differences are recognised as income or expense in the Profit & Loss Account.

d. 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.

(xiv) Excise Duty :

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

(xv) 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.

(xvi) 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.

(xvii) Impairment of Assets :

The Company identifies impairable assets at the year end in accordance with the guiding principles of Accounting Standard 28, notified in Companies (Accounting Standards) Rules 2006, 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 crystallizes, are charged against revenues for the year.

(xviii) 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.

Schedules forming part of the Consolidated accounts

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

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	Extent of Holding
Emami UK Limited	United Kingdom	100%
Emami Bangladesh Limited	Bangladesh	100%
Emami International FZE	UAE	100%
Emami Realty Limited and its Subsidiaries (Ceased w.e.f. November 05, 2008)	India	100%
1 Emami Rainbow Niketan Private Limited	India	100%
2 Emami Vridhi Commercial Private Limited	India	100%
3 Nathvar Tracon Private Limited	India	100%
4 New Age Realty Private Limited	India	60%
5 Octagon BPO Private Limited	India	100%
6 Emami Skyhigh Private Limited	India	100%
7 Emami Ashiana Private Limited	India	100%
8 Emami Properties Private Limited	India	100%
9 Orbit Realty Infrastructure Limited (w.e.f. April 01, 2008)	India	60%
10 Emami Constructions Private Limited	India	80%
11 Delta PV Private Limited (w.e.f. September 02, 2008)	India	55%
12 Sri Mohamaya Investments Private Limited	India	100%
13 A Raj Abasan Private Limited and its Subsidiaries	India	60%
i. Orbit Projects Private Limited	India	60%
ii. Basera Enclave Makers Private Limited	India	60%
iii. Swastik Promoters Private Limited	India	60%

Names of Associates	Country of Incorporation	Extent of Holding
Ceased w.e.f. November 05, 2008		
Rose View Developers Private Limited	India	50%
Palace Properties (India) Private Limited	India	49%
Rosedale Developers Private Limited	India	25%
Prajay Urban Private Limited	India	40%
Emami Canopy Projects Private Limited (w.e.f. September 02, 2008)	India	50%
P.S. Srijan Projects	India	50%
Shraddha Niketan Private Limited (w.e.f. June 28, 2008)	India	50%

ii. a) **Business Segment**

Based on guiding principles given in Accounting Standard on "Segment Reporting" (AS 17) notified in Companies (Accounting Standards) Rules 2006, the Company's primary business segments are Personal & Healthcare and Real Estate.

Information about Business Segments for the year ended March 31, 2009 is as follows. *Rs. in lacs*

Particulars	Personal & Health Care	Real Estate	Unallocated	Total
Revenue excluding excise duty				
External	74,743.16	158.00	–	74,901.16
Total Revenue	**74,743.16**	**158.00**	**–**	**74,901.16**

Schedules forming part of the Consolidated accounts

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

Information about Business Segments for the year ended March 31, 2009 is as follows. (Contd.)

Rs. in lacs

Particulars	Personal & Health Care	Real Estate	Unallocated	Total
Result				
Segment Result	12,360.73	40.62	286.37	12,687.72
Interest income	1,152.09	486.20	–	1,638.28
Interest expense	(3,156.66)	(582.36)	–	(3,739.02)
Profit before tax (PBT)	**10,356.16**	**(55.54)**	**286.37**	**10,586.98**
Provision for current taxes	(1,094.77)	(5.26)	–	(1,100.03)
Provision for tax on fringe benefits	(80.00)	(1.99)	–	(81.99)
Provision for deferred taxes	(250.00)	19.54	–	(230.46)
Profit after tax	**8,931.39**	**(43.25)**	**286.37**	**9,174.50**
Minority Interest	–	(11.74)	–	(11.74)
Share of Loss in Associates	–	23.23	–	23.23
Profit after Tax and Minority Interest	**8,931.39**	**(31.76)**	**286.37**	**9,185.99**
Other information				
Segment assets	93,425.83	–	–	93,425.83
Total assets	**93,425.83**	–	–	**93,425.83**
Segment Liabilities	63,313.71	–	–	63,313.71
Total liabilities	**63,313.71**	–	–	**63,313.71**
Capital expenditure	52,735.65	–	–	52,735.65
Depreciation (including obsolescence, amortisation, impairment included in segment expenses)	1,793.03	6.65	–	1,799.68

B. Geographical Segment

The Company primarily operates in India and therefore the analysis of geographical segments is demarcated into its Indian and overseas operations as under :

Rs. in lacs

Revenue – Gross Sales	2008-09	2007-08
India	64,744.36	51,626.43
Overseas	10,156.80	6,261.47
Total	**74,901.16**	**57,887.90**

The following table shows the carrying amount of segment assets and additions to segment fixed assets by geographical area to which the assets are attributable:

Rs. in lacs

	Carrying amount of Segment Assets		Additions to Fixed Assets including CWIP	
	2008-09	2007-08	2008-09	2007-08
India	86,814.78	51,948.83	52,732.38	1,922.96
Overseas	6,611.05	2,834.06	3.27	13.06
Total	**93,425.83**	**54,782.89**	**52,735.65**	**1,936.02**

Schedules forming part of the Consolidated accounts

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

iii **Defined Benefit Plans :** As per acturial valuations as on March 31, 2009 and recognised in the financial statements in respect of Employees benefit schemes.

Rs. in lacs

		March 31, 2009		March 31, 2008	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Unfunded	Funded	Unfunded
A	**Components of Employer Expenses**				
	1 Current Service Cost	76.89	15.65	45.85	1.12
	2 Interest Cost	47.15	8.74	28.39	6.31
	3 Expected Return on Plan assets	34.13	–	21.54	–
	4 Acturial Losses	47.74	46.78	36.67	51.33
	5 **Total Expenses recognised in the Statement of Profit & Loss**	**137.65**	**71.17**	**89.37**	**58.76**
B	**Net asset/(liability) recognised in balance sheet as at March 31, 2009**				
	1 Present value of Defined Benefit Obligation (DBO)	939.16	143.75	422.17	90.98
	2 Fair value of plan assets	793.13	–	305.62	–
	3 Funded Status [Surplus/(deficit)]	(146.04)	(143.75)	(116.72)	(90.98)
	4 **Net asset/(liability) recognised in balance sheet**	**(146.04)**	**(143.75)**	**(116.72)**	**(90.98)**
C	**Change in Defined Benefit Obligation during the year ended March 31, 2009**				
	1 Present value of DBO at beginning of period	422.17	90.98	334.66	66.89
	2 Current Service Cost	76.89	15.65	45.85	1.12
	3 Interest Cost	47.15	8.74	28.39	6.31
	4 Acturial Losses	59.54	46.78	40.31	51.33
	5 Benefits Paid	(70.88)	(18.40)	(27.04)	(34.67)
	6 **Present value of DBO at the end of period**	**534.87**	**143.75**	**422.17**	**90.98**
D	**Change in Fair Value of Assets**				
	1 Plan Assets at beginning of period	305.62	–	268.92	–
	2 Expected Return on Plan assets	34.13	–	21.54	–
	3 Acturial Gains	11.80	–	3.64	–
	4 Actual company contributions	240.16	18.40	38.56	–
	5 Benefits paid	(70.88)	(18.40)	(27.04)	–
	6 **Plan assets at the end of period**	**520.83**	**-**	**305.62**	–
E	**Acturial Assumptions**				
	1 Discount Rate (%)	*7.50 / 7.00	7.50	7.50	7.50
	2 Expected Return on Plan Assets (%)	7.50	–	7.50	–

*Note: Discount Rate % for Emami - 7.50 and for Zandu - 7.00

Schedules forming part of the Consolidated accounts

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

iv **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

		March 31, 2009	March 31, 2008
a	**The following are the outstanding forward contracts and options as on March 31, 2009**		
	For hedging currency risks		
	Forward Covers		
	Receivables	1,019.00	199.85
	Loan Given	–	607.54
	Options		
	Receivables	280.23	159.88
b)	**The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below**		
	Receivables	1,142.40	793.90
	Loan Given	–	84.21
	Loan	7,642.50	799.40

v Rs. 3,500.00 lacs, raised through public offering, has been used for meeting capital expenditure including corporate house and also in meeting share issue expenses and strategic investments. Details are as under :

Rs. in lacs

			Utilisation		
		As per Prospectus	As on March 31, 2008	For the Year	As on March 31, 2009
A.	**Specific Requirements**				
	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
		2,941.00	**2,969.97**	**-**	**2,969.97**
B.	**General Corporate Purpose** (investments in possible acquisitions, joint ventures or strategic alliances)	559.00	–	530.03	530.03
C.	**Total**	**3,500.00**	**2,969.97**	**530.03**	**3,500.00**
D.	**Public Issue Proceeds**		3,500.00	–	3,500.00
E.	**Balance funds** (used in reducing working capital borrowings temporarily)	530.03	(530.03)	–	–

vi 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.

emami

Schedules forming part of the Consolidated accounts

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

vii **Contingent Liabilities not provided for in respect of :**

Rs. in lacs

		March 31, 2009	March 31, 2008
a)	i) Excise Duty demands	89.82	73.68
	ii) Sales Tax demands under appeal (Net of Advances)	834.23	1,204.90
	iii) Income Tax (Net of Advances)	–	15.70
	iv) Other Taxes	34.22	26.09
	v) Claim against Company not acknowledged as Debts	166.74	–
	Note: Contingent Liability disclosed above represent possible obligations where the possibility of cash outflow to settle the obligation is remote.		
b)	**Guarantees and counter guarantees given**	10,251.39	250.74

viii Against an order of Income Tax Appelate Tribunal in favour of the Company, the Income Tax Department has filed an appeal before the Honorable Kolkata High Court against a demand of Rs. 438.87 lacs for the A.Y. 2000-01. The Company has been legally advised that no adverse order is likely to come against the same.

Rs. in lacs

ix	Estimated amount of commitments [net of advances of Rs. 718.39 lacs (Previous Year - Rs. 940.84 lacs)] on capital account not provided for	372.87	1,077.51

x 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 USD 16.50 million.

xi The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 notified by Government of India on March 31, 2009.

Foreign exchange gain of Rs. 33.87 lacs was credited to Profit & Loss Account in Financial Year 2007-08. As per the above notification, the same has now been Credited to Fixed Assets under respective heads and the effect of the same has been debited to General Reserve. Due to the above, depreciation has been reduced by Rs. 1.46 lacs for the year.

As per the above notification foreign exchange loss of Rs. 341.10 lacs chargeable to Profit & Loss Account has been amortised over the period of the loan. Therefore, a sum of Rs. 27.34 lacs has been charged to Profit & Loss Account and balance of Rs. 313.76 lacs has been transferred to Foreign Currency Monetary Item Translation Difference Account to be amortised in subsequent periods,but not beyond March 31, 2011.

As a result of this change in accounting for exchange differences, profit before tax for the year ended is higher by Rs. 315.22 lacs.

xii A) In terms of the Scheme of Arrangement (hereinafter referred as "the Scheme") pursuant to provisions of sections 391 to 394 of the Companies Act, 1956, between the Company (Emami), its subsidiary company, The Zandu Pharmaceutical Works Limited (Zandu) and Emami Infrastructure Limited (EIL) and their respective share holders, as approved by the shareholders of the respective Companies in the Court convened meeting held on September 11, 2009 and sanctioned by the Honourable High Court, Kolkata vide its order dated November 17, 2009. Zandu FMCG undertaking of Zandu is demerged into Emami and simultaneously Realty Undertaking of Emami, including Emami Realty Limited and Emami's interest in Zandu's Noncore Business including Real Estate, is demerged into EIL with effect from the appointed date i.e. November 05, 2008. The aforesaid scheme is effective from December 02, 2009, being the date of filing of the certified copy of the Order of the High Court, with the Registrar of Companies, West Bengal. The scheme has accordingly been given effect to in these financial statements.

B) a) Pursuant to the Scheme Zandu FMCG undertaking with all the asset and liablities pertaining to this division is demerged into the Company and transferred to and is vested in the Company on a going concern basis.

Schedules forming part of the Consolidated accounts

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

b) In terms of the Scheme, out of the carrying value of investment in the equity shares of Zandu in the books of Emami a sum representing the proportion of the net book value of the assets of Zandu FMCG undertaking to the networth of Zandu is treated as the cost of acquisition of the shares of Zandu FMCG undertaking and the carrying value that remains after reducing such Zandu FMCG cost is treated as the cost of aquisition of Zandu Non Core Undertaking.

c) In terms of the Scheme, the excess of Zandu FMCG cost over book value of net assets of Zandu FMCG undertaking transferred to and vested in Emami, after reckoning the par value of shares to be issued by Emami to the shareholders of Zandu, is considerd as goodwill amounting to Rs. 47,899.11 lacs.

d) In terms of the Scheme, Emami has to issue Equity shares of the Company to the shareholders of Zandu in proportion to 14 new Equity shares of the Company of Rs. 2/- each fully paid up for every one equity share of Zandu of Rs. 100/- each fully paid up aggregating to 35,10,696 equity shares amounting to Rs. 70.21 lacs. Pending allotment of these shares the aggregate paid up value thereof is credited to share capital suspense account.

e) Accounts of Zandu FMCG undertaking with effect from the appointed date to March 31, 2009 have been accounted for in the books of the Company as certified and audited by the statutory auditors of Zandu. The same have been relied upon by the auditors of the Company.

C) a) Emami Realty undertaking with all its assets and liabilities pertaining to this division is demerged from the Company on a going concern basis into EIL in terms of above scheme.

b) In terms of the Scheme, the book value of the net assets of Emami Realty undertaking are transferred to EIL by adjusting Amalgamation Reserve of Rs. 268.38 lacs and General Reserve of Rs. 2,555.08 lacs.

c) The Company has carried on the business and activities of the Demerged Emami Realty undertaking from the appointed date onwards till the effective date and has held and possessed all the assets and properties of the Emami Realty undertaking for and on account of and in trust of EIL. All profit or income accruing or arising to the Company or expenditure or losses arising or incurred by it relating to Emami Realty undertaking are for all purposes, treated and deemed to be accrued as the profit or income or expenditure or losses, as the case may be, of EIL . After the "Effective Date", EIL will take necessary steps for transfer of all the assets and properties of Emami Realty undertaking in its name.

d) Order of the Honourable High Court of Kolkata confirming the reduction in the Capital Redemption Reserve account of Zandu pursuant to clause 12.3 of the scheme has not yet been passed.

e) In terms of the Scheme of arrangement, a sum of Rs. 964.54 lacs equivalent to the amount of Goodwill amortisation has been transferred from General Reserve to Profit and Loss Account.

xiii There is a change in accounting policy for accounting for Government Grants related to acquisition of Fixed Asset which were earlier credited to Capital Reserve & now credited to Fixed Asset. However due to the above change in accounting policy there is no impact on profits since no capital subsidy has been accounted for during the year.

xiv Emami Realty Limited and its subsidiaries have ceased to be the subsidiaries of the Company w.e.f. November 05, 2008, hence the previous year figures are not comparable to that extent.

xv 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
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

Schedules forming part of the Consolidated accounts

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

c) **Associates**	Palace Properties (India) Private Limited Roseview Developers Private Limited Prajay Urban Private Limited Rosedale Developers Private Limited Emami Canopy Projects Private Limited P.S. Srijan Projects Shraddha Niketan 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 Emami Foundation

B. Disclosure of Transactions between the Company and Related parties and the status of Outstanding Balance as on March 31, 2009

Rs. in lacs

Particulars	Key Management Personnel & Relatives		Associates		Entities where Key Management Personnel and their relatives have significant influence		Total	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
1. Remuneration								
- Directors	361.76	333.01	-	-	-	-	361.76	333.01
- Others	8.07	10.77	-	-	-	-	8.07	10.77
2. Sales	-	-	-	-	46.79	-	46.79	-
3. Directors Sitting Fees	4.20	1.20	-	-	-	-	4.20	1.20
4. Rent & Maintenance Charges Paid	4.80	5.32	-	-	1.68	3.13	6.48	8.45
5 Rent Received	-	-	-	-	41.30	41.30	41.30	41.30
6. Maintenance Charges Received	-	-	-	-	41.30	41.30	41.30	41.30
7. Loan / Advance Given	-	-	-	-	19.53	200.07	19.53	200.07
8. Loan Received	-	-	-	-	3,545.00	3,204.57	3,545.00	3,204.57
9. Interest Received	-	-	-	41.16	-	10.09	-	51.25
10. Interest Paid	-	-	-	1.16	32.63	84.06	32.63	85.22
11. Receipt Towards Loan Given	-	-	-	-	-	16.35	-	16.35
12. Repayment of Loan Received	-	-	-	74.35	3,545.00	3,214.89	3,545.00	3,289.24
13. Income From Partnership	-	-	-	23.50	-	-	-	23.50
14. Investment	-	4.00	-	1,273.19	-	-	-	1,277.19
15. Security Deposit Received	-	-	-	-	-	41.30	-	41.30
16. Donation Paid	-	-	-	-	80.00	205.00	80.00	205.00
17. Balance as on March 31, 2009								
- Investment	-	-	-	1,351.14	368.48	368.48	368.48	1,719.62
- Loan Given	-	-	-	-	19.53	193.70	19.53	193.70
- Loan Received	-	-	-	1.04	-	1.96	-	3.00
- Advances	-	-	-	70.21	-	-	-	70.21
- Interest Payable	-	-	-	-	30.78	-	30.78	-
- Security Deposit Paid	28.14	28.14	-	-	7.00	7.00	35.14	35.14
- Security Deposit Received	-	-	-	-	41.30	41.30	41.30	41.30

Schedules forming part of the Consolidated accounts

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

xvi Information for Earnings Per Share as per Accounting Standard-20

	March 31, 2009	March 31, 2008
Net Profit (Rs. in lacs)	9,185.99	9,018.70
Weighted average number of shares	6,35,59,074	6,21,45,177
Earnings Per Share - Basic & Diluted (Rs.)	14.45	14.51

xvii Profit/(Loss) for the year in case of the following Associates - Palace Properties (India) Private Limited, Prajay Urban Private Limited 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.

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

Signatories to Schedules 1 to 19

As per our report of even date

For **S K Agrawal & Co.**

Chartered Accountants

S K Agrawal	**R S Agarwal**	**R S Goenka**	**S K Todi**
Partner	*Chairman*	*Director*	*Director*
Kolkata	**S K Goenka**	**N H Bhansali**	**A K Joshi**
December 03, 2009	*Managing Director*	*President - CFO*	*Company Secy. & Sr. GM-Legal*

Consolidated Cash Flow Statement For the year ended March 31, 2009

Rs. in lacs

	2008-09	2007-08
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax and Extraordinary Items	**10,586.98**	**10,391.89**
Add : Adjustments For		
Depreciation	835.14	740.42
Interest	2,100.74	(1,012.31)
Loss / (Profit) on sale of Fixed Assets	(94.21)	(71.51)
Loss / (Profit) on sale of Investments	123.89	(8.49)
Foreign Exchange Fluctuations	957.63	(57.27)
Dividend Received	(267.67)	(23.55)
Operating Profit Before Working Capital Changes	**14,242.50**	**9,959.18**
Add : Decrease / (Increase) In Working Capital		
Trade & other Payables	4,214.02	1,035.48
Inventories	2,383.04	(1,720.39)
Trade & other Receivables	6,982.68	(6,041.16)
Provision for Sales Tax	(295.74)	164.03
Provision for Compensated Absences	26.41	–
Provision for Gratuity and Leave Encashment	81.79	74.91
	13,392.20	**(6,487.13)**
Cash Generated from Operations	**27,634.70**	**3,472.05**
Less : Direct Taxes Paid	1,265.58	1,285.46
Net Cash Flow from Operating Activities	**26,369.12**	**2,186.59**
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Sale of Fixed Assets	381.80	206.87
Interest Received	2,621.71	1,611.52
Dividend Received	267.67	23.57
Sale of Investments	11,195.67	6,725.10
	14,466.85	**8,567.06**
Less : Purchase of Fixed Assets	57,838.51	1,936.02
Purchase of Investments	3,267.22	10,763.64
Preoperative and Preliminary Expenses	2.18	(4.37)
Net Cash Used in Investing Activities	**(46,641.06)**	**(4,128.23)**

Consolidated Cash Flow Statement (Contd.) For the year ended March 31, 2009

Rs. in lacs

	2008-09	2007-08
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	31,924.77	5,033.47
Issue of Equity Share Capital	70.21	54.00
	31,994.98	5,087.47
Less :		
Repayment of Loan	–	3,558.23
Preference Share Capital	7.50	–
Adjustment of Reserves	1,843.46	–
Cessation of Subsidiary	1,163.25	–
Interest Paid	3,735.62	579.63
Dividend Paid	2,795.55	817.19
Corporate Dividend Tax	475.27	105.62
	10,020.65	5,060.67
Net Cash Used in Financing Activities	**21,974.33**	**26.80**
Effect of Foreign Exchange Fluctuation	(953.50)	55.80
Net Changes in Cash & Cash Equivalents (A+B+C)	**748.89**	**(1,859.04)**
* Cash & Cash Equivalents-Opening Balance	661.85	2,520.89
* Cash & Cash Equivalents-Closing Balance	1,410.74	661.85
* Represents Cash and Bank Balances as indicated in Schedule 10		

Note: The cash flow includes the accounting adjustments made pursuant to the scheme of arrangement sanctioned by Honourable High Court of Kolkata on November 17, 2009

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
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

Statement Regarding Subsidiary Company

Pursuant to Section 212 of the Companies Act, 1956

(Rs. in lacs)

1. Name of the Subsidiary Company	Emami Bangladesh Limited	Emami UK Limited	Emami International FZE
2. Holding Company's Interest	100%	100%	100%
3. Net aggregate amount of Subsidiary's Profit not dealt with in the Holding Company's Accounts			
i) For the Financial Year of the Subsidiary ended as on March 31, 2009	Nil	0.20	209.36
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	2.10	10.68
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, 2009	Nil	Nil	Nil
ii) For the previous Financial Years of the Subsidiary since it became Holding Company's Subsidiary	Nil	Nil	Nil

R S Agarwal
Chairman

R S Goenka
Director

S K Todi
Director

Kolkata
December 03, 2009

S K Goenka
Managing Director

N H Bhansali
President - CFO

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

Notes

The entrepreneur builds an enterprise;
the technician builds a job.

- Michael Gerber

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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