

## GODREJ INDUSTRIES LIMITED

### DIRECTORS

A.B. Godrej	<i>Chairman</i>
J.N. Godrej	
N.B. Godrej	<i>Managing Director</i>
S.A. Ahmadullah	
V.M. Crishna	
K.K. Dastur	
V.N. Gogate	
K.N. Petigara	
F.P. Sarkari	
V.F. Banaji	<i>Executive Director (Group Corporate Affairs)</i>
T.A. Dubash	<i>Executive Director &amp; President (Marketing)</i>
M. Eipe	<i>Executive Director &amp; President (Chemicals)</i>
M.P. Pusalkar	<i>Executive Director &amp; President (Foods Div.)</i>

### COMPANY SECRETARY

S.K. Bhatt

### AUDITORS

Kalyaniwalla & Mistry, *Chartered Accountants*

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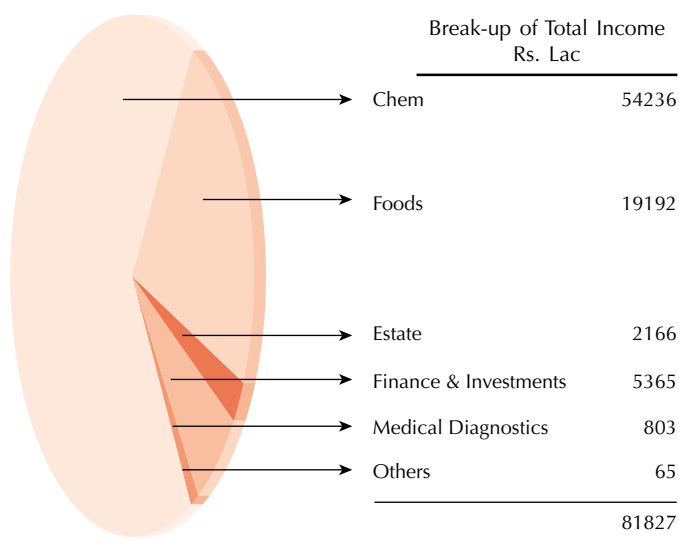
<b>REGISTERED OFFICE</b>	:	Pirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai 400 079. Phone : 022-2518 8010, 2518 8020, 2518 8030 Fax : 022-2518 8074, 2518 8066 website : <a href="http://www.godrejinds.com">http://www.godrejinds.com</a>
<b>FACTORIES</b>	:	Vikhroli Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079. Phone : 022 - 2518 8010, 2518 8020, 2518 8030 Fax : 022 - 2518 8068/2518 8074
	:	Valia Burjorjinagar, Plot No. 3, Village Kanerao, Taluka - Valia, District Bharuch, Gujarat 393 135. Phone : 02643 - 270756 to 270760 Fax : 02643 - 270018
	:	Wadala L.M. Nadkarni Marg Near M.P. T. Hospital Wadala (East), Mumbai 400 037. Phone : 022 - 2412 6320/23, 2414 6296 Fax : 022 - 2412 6204/2416 4599
	:	Mandideep Plot No. 5, New Industrial Area No. 1 Mandideep, District Raisen, Bhopal - 462 046, MP Phone : 07480 - 233405-6 Fax : 07480 - 233409
<b>BRANCHES</b>	:	Delhi 4th Floor, Delite Theatre Building, 4/1, Asaf Ali Road, New Delhi 110 002 Phone : 011 - 2326 1066/77/99 Fax : 011 - 2326 1088
	:	Kolkata Block GN, Sector-V, Salt Lake City, Kolkata 700 091. Phone : 033 - 2357 3556, 2357 3555 Fax : 033 - 2357 3945
	:	Chennai New No. 102, (Old No. 81), Chamiers Road, Chennai 600 028. Phone : 044 - 2431 5721/2431 5722 Fax : 044 - 2431 5723
	:	London 284A, Chase Road, Southgate, London N14 - 6HF, UK Phone : (004420) - 88860145 Fax : (004420) - 88869424
<b>BANKERS</b>	:	Central Bank of India State Bank of India Bank of India HDFC Bank Ltd. Citibank N.A.
<b>REGISTRARS</b>	:	Computech Sharecap Ltd. 147, Mahatma Gandhi Road, Opp. Jehangir Art Gallery, Fort, Mumbai 400 023. Phone : 022 - 2267 1824-26 Fax : 022 - 2267 0380 E-Mail : <a href="mailto:helpdesk@computechsharecap.com">helpdesk@computechsharecap.com</a>

## GODREJ INDUSTRIES LIMITED – FINANCIAL HIGHLIGHTS

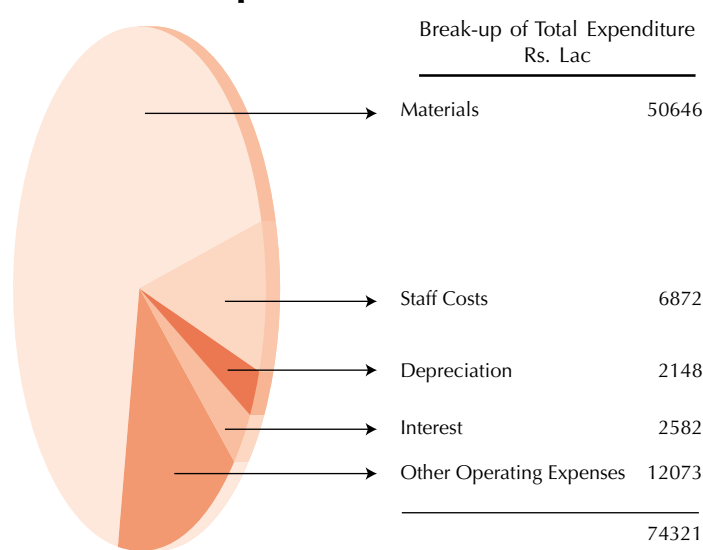
	(Rs. lac)				
	2004-05	2003-04	2002-03	2001-02	2000-01
<b>BALANCE SHEET</b>					
<b>SOURCES OF FUNDS :</b>					
Shareholders' Funds					
Share Capital	2919	2919	2919	3699	5979
Reserves & Surplus	30618	26197	21511	21030	27559
Loan Funds					
Secured Loans	22018	16814	14815	15051	16701
Unsecured Loans	3557	4235	7432	13456	9547
Deferred Tax Liability	2502	2972	3466	1347	—
	<b>61614</b>	<b>53137</b>	<b>50143</b>	<b>54583</b>	<b>59786</b>
<b>APPLICATION OF FUNDS :</b>					
Fixed Assets	25100	25656	28130	29099	33799
Investments	33577	26533	18646	14619	17075
Net Working Capital	2811	739	2944	9987	8076
Miscellaneous Expenditure	126	209	423	878	836
	<b>61614</b>	<b>53137</b>	<b>50143</b>	<b>54583</b>	<b>59786</b>
<b>INCOME AND PROFIT FIGURES</b>					
Total Income	81827	73355	67780	53465	79786
Expenditure other than Interest and Depreciation	69591	64243	57737	43408	65935
Profit before Interest, Depreciation and Tax	12236	9112	10043	10057	13851
Interest (net)	2582	580	2024	3218	3711
Profit before Depreciation and Tax	9654	8532	8019	6839	10140
Depreciation	2148	2150	2211	2154	2531
Profit before Tax and exceptional items	7506	6382	5808	4685	7609
Exceptional items - expense	—	—	—	624	3194
Provision for Current Tax	401	365	421	150	350
Net Profit after Tax	7105	6017	5387	3911	4065
Provision for Deferred Tax	(470)	(494)	2119	923	—
Adjustment in respect of prior years -(Income)	2	(57)	(153)	(121)	(25)
Net Profit after taxes and adjustments	7577	6568	3421	3109	4090

Note : The figures for FY 2002-03 are not comparable with those of the previous years in view of the schemes of arrangement with Godrej Consumer Products Limited and Godrej Foods Limited, in FY 2001-02.

## Total Income 2004-2005



## Total Expenditure 2004-2005



## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of the members of GODREJ INDUSTRIES LIMITED will be held on Tuesday, July 26, 2005 at 4.00 P.M. at Y B Chavan Centre, Nariman Point, Mumbai – 400 021, to transact the following business :

### ORDINARY BUSINESS :

1. To consider and adopt the Audited Profit and Loss Account and Cash Flow Statement for the year ended March 31, 2005, the Balance Sheet as at that date, the Auditors' Report thereon and the Directors' Report along with Management Discussion and Analysis Report and Statement of Corporate Governance.
2. To declare dividend for the financial year ended March 31, 2005.
3. To appoint a Director in place of Mr. V.M. Crishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.K. Dastur, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. K.N. Petigara, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. M.P. Pusalkar, who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration. M/s. Kalyaniwalla & Mistry, Chartered Accountants, the retiring Auditors are eligible for re-appointment.

### SPECIAL BUSINESS :

8. **To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :**

RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and the listing agreement with the stock exchanges, the consent of members of the Company be and is hereby accorded for the payment of sitting fees, as per the table given below, to the Non-Executive Directors of the Company for attending meetings of the Board of Directors of the Company and meetings of the Committees of the Board of Directors of the Company :

Type of meeting	Amount of sitting fees per meeting per director
Board Meeting	Rs.20,000
All Committee Meetings	Rs.5,000

9. **To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :**

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs.20 crore (Rupees Twenty crore only) in addition to the amounts already authorised to be invested, by way of subscription, purchase or otherwise in securities of **Godrej Consumer Products Limited**, notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

10. **To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :**

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs. 5 crore (Rupees five crore only) in addition to the amounts already authorized to be invested, by way of subscription, purchase or otherwise in securities of **Avestha Gengraine Technologies Pvt. Ltd.**, notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

11. **To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :**

RESOLVED THAT pursuant to Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) (hereinafter referred to as 'the Act'), and subject to any other approvals, as may be required, the Company be and is hereby authorised to further invest upto Rs.20 crore (Rupees Twenty crore only) in addition to the amounts already authorized to be invested, by way of subscription, purchase or otherwise in securities of **CBay Systems Limited, USA** notwithstanding that the aggregate of the loans and investments so far made in or to be made in, and the guarantees so far given or to be given to all bodies corporate, exceeds the limits laid down by the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investment including the timing, the type of investment, the amount and other terms and conditions of such investment and varying the same through transfer, sale, disinvestment or otherwise, either in part or in full, as it may, in its absolute discretion, deem appropriate.

By Order of the Board of Directors

**S. K. BHATT**

*Executive Vice-President*

(Corporate Services)

& Company Secretary

Mumbai, May 30, 2005

**Registered Office :**

Pirojshanagar, Eastern Express Highway,  
Vikhroli (East), Mumbai 400 079.

**NOTES :**

1. The relative Explanatory Statement in respect of business under Item Nos. 8 to 11 set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will be closed from July 19, 2005 to July 26, 2005 (both days inclusive) for ascertaining the names of the shareholders to whom the dividend which if declared at the Annual General Meeting is payable. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd., for this purpose.
4. Those Members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205C of the Companies Act, 1956 on the respective dates mentioned thereagainst. Please note that as per Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the aforesaid Fund in respect of individual amounts which remain unclaimed or unpaid for a period of seven years from the date the dividend became due for payment and no payment shall be made in respect of such claims.

Dividend for the Financial Year ended	Due date for transfer
31.03.1998	26.09.2005
31.03.2000	01.07.2007
31.03.2001	28.07.2008
31.03.2002	14.08.2009
31.03.2003	25.08.2010
31.03.2004	26.07.2011

5. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
6. Members are requested to send in their queries at least a week in advance to the Company Secretary at the Registered Office of the Company to facilitate clarifications during the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item 8**

Securities and Exchange Board of India has vide its Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004 amended the listing agreement with the stock exchanges, by substituting the existing clause 49 of the listing agreement with a new clause 49. The said amendment was initially made effective from April 1, 2005. However SEBI has vide its Circular No. SEBI/CFD/DIL/CG/1/2005/29/3 dated March 29, 2005 extended the effective date from April 1, 2005 to December 31, 2005.

According to Clause 1(B) of the new clause 49, all fees/compensation to non-executive directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.

At present, the Company pays sitting fees to its non-executive directors.

The sitting fees paid to non-executive directors has been fixed by the Board of Directors in terms of Section 309 of the Companies Act, 1956. In terms of the above new clause 49, which has to be complied by December 31, 2005, payment of sitting fees will also require the prior approval of shareholders.

Hence the above proposal is being placed before the members for their prior approval.

The following Directors, viz. Mr. A.B. Godrej, Mr. V.M. Crishna, Mr. S.A. Ahmadullah, Mr. V.N. Gogate, Mr. F.P. Sarkari, Mr. K.N. Petigara and Mr. K.K. Dastur are concerned or interested in the resolution to the extent of the sitting fees which they will receive for attending the meetings of the Board of Directors of the Company/Committee of the Board of Directors of the Company. Mr. N.B. Godrej and Ms. T.A. Dubash being relatives of Mr. A.B. Godrej, may also be deemed to be interested in this resolution.

No other Director of the Company is in any way concerned or interested in the resolution.

The Board of Directors recommends the passing of the resolution as set out at Item No. 8 of the Notice.

**Item Nos. 9 to 11**

Particulars of the company where investment is proposed to be made :

Name of the Company & address of Regd. Office	Investment as on date (Rs. crore) and % of holding	Amount of proposed additional investment (Rs. crore)	Principal business of the Company	Purpose of investment	Source of funds	Nature of concern or interest of directors
Godrej Consumer Products Limited Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079.	116.70 (12.94%)	20	Manufacturing and marketing of fast moving consumer products such as soaps, detergents, toiletries personal care products, etc.	A good investment opportunity	Internal generation of funds/ borrowings.	Except Mr. V.F. Banaji, all the other directors may be deemed to be interested in this resolution on account of their being directors and/or shareholders in Godrej Consumer Products Ltd.
Avestha Gengraine Technologies Pvt. Ltd. 'Discoverer' 9th Floor, International Technology Park, Whitefield Road, Bangalore 86.	4.50 (3.58%)	5	Biotechnology	A good investment opportunity	Internal generation of funds/ borrowings.	Mr. N.B. Godrej may be deemed to be interested on account of his being Director of Avestha Gengraine Technologies Pvt. Ltd. None of the other directors are concerned or interested.
CBay Systems, USA, 121, Cathedral Street, Suite No. 300, Annapolis, MD 21401	12.83 (6.49%)	20	Medical Transcription	A good investment opportunity	Internal generation of funds/ borrowings.	Mr. N.B. Godrej may be deemed to be interested on account of his being Director of Cbay Systems, USA. None of the other directors are concerned or interested.

Note: In CBay Systems, USA (Cbay), the Company holds 6.49% at present. In discharge of consideration for sale of equity shares in Godrej Remote Services Limited to CBay, CBay would allot shares to the Company to the extent of 3.26% of its capital.

The Board of Directors of the Company recommends the passing of the resolutions as set out at Item No. 9 to 11 of the Notice.

By Order of the Board of Directors

**S. K. BHATT**

*Executive Vice-President*  
(Corporate Services)  
& Company Secretary

Mumbai, May 30, 2005

**Registered Office :**

Pirojshanagar, Eastern Express Highway,  
Vikhroli (East), Mumbai 400 079.

**Details of the Directors seeking appointment/re-appointment in the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)**

**Mr. V.M. Crishna (60)** is B.A. (Economics) from St. Stephen's College, University of Delhi. He is a Director of the Company since January 3, 1995. He serves on the Board of Governors of National Institute of Industrial Engineering (NITIE), Mumbai, and also serves on the Board of Trustees of the Bombay Scottish Orphanage Society.

*Directorship in other Companies:*

Managing Director: Lawkim Ltd., Godrej Upstream Ltd.

Director: Godrej & Boyce Mfg. Co. Ltd., Godrej Agrovet Ltd., Godrej Hicare Ltd., Precision Wires India Ltd., Statomat Special Machines (India) Pvt. Ltd., Naoroji Godrej Centre for Plant Research.

*Committee position held :*

Member: Operations Committee, Godrej & Boyce Mfg. Co. Ltd.

**Mr. K.K. Dastur (63)** Mr. K.K. Dastur is a Chartered Accountant by profession. He headed the finance department of the Company, designated as Executive Director (Finance), before retiring from the services of the Company in 2002. Mr. Dastur was appointed as Additional Director of the Company with effect from May 1, 2002.

*Directorship in other Companies :*

Director: Godrej Infotech Ltd., Oil Field Instrumentation (India) Ltd., Cartini India Ltd., Godrej Appliances Ltd., Godrej Foods Ltd.

*Committee position held :*

Member, Remuneration Committee, Godrej Foods Ltd.

Member, Audit Committee, Godrej Foods Ltd.



**Mr. K.N. Petigara (56)** is a graduate in chemical engineering from Massachusetts Institute of Technology (MIT), USA. He has been associated with chemical and allied business activities in India and abroad for many years. He has been a Director of the Company since January 30, 2002.

*Directorship in other Companies :*

Director: Godrej & Boyce Mfg. Co. Ltd., Godrej Agrovat Ltd., Swadeshi Detergents Ltd., Vora Soaps Ltd., Godrej Global Solutions Ltd., The Zoroastrian Co-operative Bank Ltd.

*Committee position held :*

Chairman: Remuneration Committee – Godrej Global Solutions Ltd.

Member: Remuneration Committee – Godrej Industries Ltd.

Member: Audit Committee, Godrej & Boyce Mfg. Co. Ltd.

Member: Remuneration Committee, Godrej & Boyce Mfg. Co. Ltd.

Member: Audit Committee – Godrej Global Solutions Ltd.

**Mr. M.P. Pusalkar (54)** is B.Tech (Elec.) from Indian Institute of Technology (Kanpur) and MMS from JBIMS, Mumbai and has been in the Godrej group for over 28 years. Earlier he was the Managing Director of Godrej Foods Ltd. (GFL). He has handled various functions in manufacturing, marketing, etc. Upon the demerger of the Foods division of GFL into the Company, Mr. Pusalkar became President & Executive Director (Foods Division) of the Company with effect from April 1, 2002.

*Directorship in other Companies:* Director: Godrej Foods Ltd.

*Committee position held :*

Chairman: Shareholders' Committee, Godrej Foods Ltd.

Member: Shareholders' Committee, Godrej Industries Ltd.,

Member: Audit Committee, Godrej Foods Ltd.

Member: Remuneration Committee, Godrej Foods Ltd.

### GODREJ INDUSTRIES LIMITED

Registered Office : Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079.

#### **Abstract and Memorandum under Section 302 of the Companies Act, 1956**

To the Members of Godrej Industries Limited,

The Board of Directors had at its meeting held on May 28, 2003 approved the scale of basic salary and perquisites payable to the following Whole-time Directors during the period 1/4/2004 to 31/3/2007 and the shareholders had approved the same by Special Resolution passed at the Annual General Meeting on August 25, 2003.

1. Mr. M. Eipe, Executive Director & President (Chemicals)
2. Mr. V.F. Banaji, Executive Director & President (Group Corporate Affairs)
3. Mr. M.P. Pusalkar, Executive Director & President (Foods Division)

The Company has now moved to a Cost-to-Company (CTC) structure within the approved limits for structuring the compensation of the managerial cadre. Under this structure, the remuneration will have three elements i.e. Fixed Compensation, Flexible Compensation and Performance Linked Variable Remuneration (PLVR) :

1. The Fixed Compensation comprises Basic Salary and Company's contribution to Provident Fund and Gratuity.
2. PLVR is payable as per the Scheme of the Company.
3. Flexible compensation element comprises all the other payments made/incurred on account of House Rent Allowance (HRA) and/or furnished residential accommodation, medical/hospitalization, Leave Travel Assistance (LTA), car, food vouchers, telephones, supplementary allowance and any other item as per the Company's scheme in force from time to time. In this new structure, the entitlement under Flexible Compensation element is fixed by the Company, with option being given to the employee to choose the amount payable to him under each of the heads, within the limits set for each head.

In addition to the above, the aforesaid Directors will be eligible to encashment of leave, club facilities, group insurance cover, group mediclaim cover and/or any other allowances, perquisites and facilities as per the Rules of the Company.

A proposal was approved by the Remuneration Committee of the Board of Directors on June 20, 2005 for extending this structure to the aforesaid Whole-time Directors. The aggregate amounts payable to these Whole-time directors would fall within the limits earlier approved by the Board and the Shareholders. The Remuneration Committee of the Board of Directors approved the new structure with retrospective effect from April 1, 2005.

The cost to the Company per annum for all the heads of flexible compensation payable to the aforesaid directors would be as per the Company's Rules and as approved by the Board of Directors from time to time. The maximum limit of cost to the Company per annum for all the heads of flexible compensation payable to each of the aforesaid directors currently is Rs.12,58,000 plus 63.33% of the annual basic salary.

The Company shall now enter into Supplemental Agreements with the aforesaid Whole-time Directors for the new compensation structure. The draft Supplemental Agreements entered into with the Whole-time Directors are available for inspection at the Regd. Office of the Company from 10.00 A.M. to 12.00 Noon, Monday to Friday (except public holidays).

#### **Memorandum of concern or interest :**

Mr. M. Eipe, Mr. V.F. Banaji and Mr. M.P. Pusalkar may be deemed to be interested in the aforesaid, to the extent of the remuneration that may be received by them. None of the other directors of the Company are concerned or interested in the above.

By Order of the Board of Directors  
For Godrej Industries Limited

**S.K. BHATT**

Executive Vice-President (Corporate Services)  
& Company Secretary

Mumbai, June 20, 2005

## DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in submitting the Annual Report along with the Audited Accounts for the year ended March 31, 2005.

### REVIEW OF OPERATIONS

Your Company largely operates in the business of oleo-chemicals, edible oils, fats, processed foods, finance & investments and medical diagnostics, and has interests through its subsidiaries/ associates in several industries including animal feeds, poultry and agro-products, property development, household insecticides, pesticides, tea, infotech, etc.

Your Company's performance during the year as compared with that during the previous year is summarized below.

	(Rs. lac)	
	Year ended March 31, 2005	2004
Sales of products and services	76259	71666
Other Income	5568	1689
Total Income	81827	73355
Total Expenditure other than Interest and Depreciation	69591	64243
<b>Profit before Interest, Depreciation and Tax</b>	<b>12236</b>	<b>9112</b>
Depreciation	2148	2150
<b>Profit before Interest and Tax</b>	<b>10088</b>	<b>6962</b>
Interest and Financial Charges (net)	2582	580
<b>Profit before Tax</b>	<b>7506</b>	<b>6382</b>
Provision for Current Tax	401	365
<b>Profit after Current Tax</b>	<b>7105</b>	<b>6017</b>
Provision for Deferred Tax	(470)	(494)
<b>Profit after Current and Deferred Taxation</b>	<b>7575</b>	<b>6511</b>
Adjustments in respect of prior years	2	58
Surplus brought forward	15481	11215
<b>Profit after Tax available for appropriation</b>	<b>23058</b>	<b>17784</b>
<b>Appropriation</b>		
Your Directors recommend appropriation as under:		
Dividend on Equity Shares	1945	1459
Tax on distributed profits	273	187
Transfer to General Reserve	758	657
Surplus Carried Forward	20082	15481
<b>Total Appropriation</b>	<b>23058</b>	<b>17784</b>

The total income grew by over 11% from Rs. 73355 lac to Rs. 81827 lac and the Profit Before Tax rose to Rs.7506 lac from Rs. 6382 lac, in the previous year, an increase of 18%. Interest and financial charges include foreign exchange loss of Rs. 911 lac as a result of the steep depreciation of the Rupee vis-à-vis the US dollar during the quarter ended 30th June, 2004.

### DIVIDEND

The Board of Directors of your Company recommends a final dividend of Rs. 4/- per equity share of Rs. 6/- each, aggregating to Rs.1945 lac, as against final dividend of Rs. 3/- per equity share of Rs. 6/- each aggregating to Rs. 1459 lac in the previous year.

### MANAGEMENT DISCUSSION & ANALYSIS

There is a separate section on Management Discussion and Analysis in this Annual Report, which, *inter alia*, covers the following :

- Industry Structure and Development
- Opportunities and Threats
- Risks and Concerns
- Internal Control Systems and their adequacy
- Human Resources and Industrial Relations

- Discussion on financial performance with respect to operational performance
- Segment - wise performance
- Outlook

The same is appended as Annexure A to the Directors' Report.

### SUBSIDIARY AND ASSOCIATE COMPANIES

Your Company, as stated above, has interests in several industries including animal feeds, poultry and agro-products, property development, household insecticides, pesticides, tea, infotech, etc. through its subsidiary/ associate companies.

**Godrej Agrovet Limited (GAVL)** performed well during the year with its Total Income increasing to Rs. 56842 as compared to Rs. 49494 lac in the previous year and Profit After Tax growing from Rs. 896 lac to Rs. 1417 lac during this year. GAVL declared an interim dividend of 55% and a final dividend of 33% compared to 75% in the previous year.

GAVL has the following businesses, viz., Animal Feeds, integrated poultry business, Agri Inputs, oil palm plantations and plant Biotech. Animal Feeds Division has several brands in the segment of cattle feeds, aqua feeds and chicken feeds. "Real Good Chicken", in integrated poultry business has achieved good performance. The Agri Inputs Division has returned an excellent performance with growth in the top line of 49% and growth in the bottom line of 278% aided by a strong growth in Vipul Granules, Vipul Spray and other Plant Growth Promoters. The Division's initiative to provide Complete Solution to Agri Sector through "Aadhaars" also received good response from the rural community.

GAVL has formed a 50:50 Joint Venture with ACI Ltd, Bangladesh for carrying on businesses of Poultry Feeds, rearing of poultry birds, etc. Further, GAVL has made strategic investments in related lines of businesses, by acquiring 26% stake each in Hyderabad based Creamline Dairy Products Ltd. and Creamline Nutrients Ltd, both of which are into milk and milk products. GAVL has also acquired 26% stake in Pune based Polchem Hygiene Laboratories Pvt Ltd which manufactures and markets a wide range of bio-security products and novel biotechnology based products. These investments are expected to bring in substantial benefit through synergy.

**Goldmohur Foods and Feeds Limited**, a wholly owned subsidiary of GAVL recorded Total Income of Rs. 30861 lac during the year as compared to Rs. 30021 lac during the previous year. GMFL earned Profit after Tax of Rs. 345 lac in the current year as compared to Rs. 661 lac in the previous year.

**Godrej Properties Limited (GPL)** recorded an increase in Total Income to Rs. 4184 lac from Rs. 4068 lac in the previous year and in Profit After Tax to Rs.583 lac from Rs. 282 lac in the previous year. GPL has declared a dividend (interim) of 39.56% as compared to a dividend (final) of 31.03% in the previous year.

GPL's Planet Godrej, at Mahalaxmi and its commercial project at Pune - Godrej Castlemaine had a very good response from the market. GPL is poised to take advantage of the massive growth in the Real Estate Industry. GPL also plans to enter into newer locations such as Kolkata, Hyderabad and Chennai and to expand in its current locations, namely Mumbai, Pune and Bangalore.

**Godrej International Limited (GINL)** has posted a net profit of US\$ 399262 in the current year as compared to US\$ 414799 in the previous year. GINL has proposed a final ordinary dividend of 10 US cents per ordinary share of £1 aggregating to US\$ 150500 as against a final ordinary dividend of 9 US cents aggregating to US\$ 135450 in the previous year.

**Godrej Global MidEast FZE (GGME)**, a 100% subsidiary of GINL has earned Net Profit of AED 190379 as compared to AED 196838 in the previous year.



**Godrej Hicare Limited (GHL)**, which is a service company in the Pest Management business became a subsidiary of the Company during the year. GHL, in the first full year of operations, earned Total Income of Rs. 1205 lac as compared to Rs. 113 lac in the previous year. GHL recorded loss of Rs. 113 lac as compared to a loss of Rs. 24 lac in the previous year.

During the year, your Company invested Rs.2884 lac in Godrej Global Solutions Limited, which is in the business of IT enabled services and back-office support functions.

**Godrej Remote Services Limited (GRSL)**, a back-office support company in the Medical Transcription business earned Total Income of Rs. 243 lac as compared to Rs. 245 lac in the previous year. GRSL was floated by us as one of the back-office support to Cbay, USA, for the medical transcription business procured by Cbay from USA. During the year, your Company has entered into a Share Purchase Agreement with Cbay Systems Ltd., USA (Cbay) for sale of 100% stake in GRSL to Cbay. The consideration for the sale of shares would be paid by issue of Common Stock in Cbay, USA. Necessary approvals from FIPB/ RBI are awaited.

**Godrej Tea Limited (GTL)** earned a Total Income of Rs. 1579 lac as compared to Rs. 3614 lac in the previous year. GTL recorded loss of Rs. 2142 lac as compared to loss of Rs. 844 lac in the previous year.

**Godrej Sara Lee Limited (GSL)**, which is in the Household Insecticides business earned Total Income of Rs. 44101 lac as compared to Rs. 40910 lac in the previous year, and a Profit after Tax of Rs. 3848 lac as compared to Rs. 4990 lac in the previous year. GSL has continued its dominant position in the Household Insecticide market. GSL is the market leader in India in two categories of Household insecticide market, viz. mats and aerosols. "Goodknight" brand has been recognised as a "super brand" in India. GSL has paid an interim dividend of 244% and has proposed a final dividend of 94% as compared to 331% and 56% respectively in the previous year.

**Godrej Consumer Products Limited (GCPL)**, a company in which your Company holds 12.94% stake has declared handsome dividends aggregating to 300% in the current year as compared to 225% in the previous year. GCPL is a focused FMCG Company. GCPL earned Total Income of Rs. 56908 lac in the current year, as compared to Rs. 49379 lac in the previous year. GCPL's PAT in the current year increased to Rs. 8606 lac as compared to Rs. 6484 lac in the previous year. Your Company has invested Rs. 55 crore during the current year in the shares of GCPL.

## FINANCIAL POSITION

The financial position of your Company continues to be sound. The loan funds as at the end of the year was at Rs. 25575 lac as compared to Rs. 21049 lac as at the end of the previous year. Your Company continues to hold the topmost rating of A1+ from ICRA for its commercial paper programme. The rating indicates that the prospect of timely repayment of debt/ obligation is the best.

## MANUFACTURING FACILITIES

The Chemicals Division of your Company has manufacturing facilities at Vikhroli and Valia.

Since the existing capacities at Valia are fully utilized, your Company has decided to expand its manufacturing facilities, by setting up an Export Oriented Unit (EOU) at Valia,. Necessary approvals have been received for setting up of the EOU. The EOU is expected to become operational in FY 2005-06.

The factories of the Chemicals Division at Vikhroli and Valia are already ISO 9001 certified for their quality management systems. Both factories have been certified to be ISO 14001 compliant by BVQI for their environment management system. Vikhroli factory has also been certified for OHSAS 18001 standards by BVQI. During the year both the factories had taken various initiatives for de-bottlenecking, reducing energy consumption and cost and quality improvement.

During the year, the factories undertook a scheduled periodic maintenance shutdown. Though this entailed additional repairs and

maintenance expenditure and loss of production, the de-bottlenecking resulted in increased throughput.

Foods Division has two manufacturing facilities; viz Wadala (Mumbai), and Mandideep near Bhopal. The factory at Mandideep is certified for ISO-14001.

## RESEARCH AND DEVELOPMENT

During the year under review, the achievements of R&D of your Company includes development of a process for upgrading low and medium chain Fatty Acids for export market and customization of the raw material and manufacturing process to suit the needs of high-volume customers. R&D efforts of your Company focused on understanding customer compromise and bringing in process-innovation to ensure business continuity. The R&D also conducted collaborative research along with a customer to develop a new chemical for the paper industry.

## INFORMATION SYSTEMS

Your Company's Information Systems Department ensures that the organization leverages the Internet to its competitive advantage. After the successful implementation of the e-CRM initiative for its domestic customers last year, the module for its international customers was launched during the year.

'Godrejite' the employee portal is a virtual platform for all employees to come together as one big family for sharing of news, views, opinions etc. The portal which can be accessed from anywhere using the Internet, also incorporates key workflows, thereby improving the operational efficiency.

The Department has won the First Runner-up prize for the 'CTO (Chief Technology Officer) of the year' 2005. The award recognizes the fact that your Company fully exploits Information Technology for its Business benefits.

## VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM CERTAIN STOCK EXCHANGES

Pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, your Company's shares have been voluntarily delisted from Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Limited and Madras Stock Exchange Limited with effect from March 8, 2004, February 11, 2004 and February 19, 2004 respectively. Your Company is awaiting the permission for delisting from Calcutta Stock Exchange Association Limited. The shares of the Company would continue to be listed on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE).

## "GROUP" FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting Group (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid SEBI Regulations are given in Annexure D attached herewith and the said Annexure D forms part of this Annual Report.

## ENVIRONMENT AND SOCIAL CONCERN

Your Company continues its efforts for the betterment of the environment and conservation of scarce natural resources.

Your Company has undertaken "Rain water harvesting" at its factories at Vikhroli and Valia and in the staff quarters at Vikhroli. "Rain water harvesting" is a process by which rain water is collected and channelised into tanks for domestic consumption. This process has resulted in saving water and consequently, the costs, thereof. Further, the re-charging of bore-wells done by "rain-water harvesting" reduces hardness and the dissolved salts in the water by 80%, which resulted in improvement in the quality of bore-well water. Your Company's factory at Valia has also received sanction from Gujarat Pollution Control Board for re-cycling of effluent water, which would result in conserving water.

To prevent pollution to environment, efforts are made to convert waste from the factories into an environment-friendly product and then dispose off the same safely. Your Company entered into an arrangement with Trans Thane Creek Waste Management Association (TTCWMA) for the treatment of solid waste being generated at the Company's factories at Vikhroli and Wadala. TTCWMA has set up an Integrated Hazardous Solid Waste Management Facility at Mahape, Navi Mumbai for treatment of solid wastes generated by various industries.

The factories focused on waste elimination and also continued their energy conservation measures.

#### **FIXED DEPOSITS**

Your Company has stopped accepting Fixed Deposits from the public. Public Deposits of an aggregate amount of Rs. 3200 lac which have matured have been repaid during the year.

#### **DEPOSITORY SYSTEM**

Your Company's equity shares have been made available for dematerialisation through National Securities Depository Limited & Central Depository Services (India) Limited. As of March 31, 2005, 99.04% of the equity shares of your Company were held in demat form.

#### **DIRECTORS**

In accordance with Article 127 of the Articles of Association of the Company, Mr. V.M. Crishna, Mr. K.K. Dastur, Mr. K.N. Petigara and Mr. M.P. Pusalkar retire by rotation at the ensuing Annual General Meeting. They are eligible and offer themselves for re-appointment.

#### **AUDITORS**

You are requested to appoint Auditors for the current year and fix their remuneration. The retiring auditors, Kalyaniwalla & Mistry, Chartered Accountants, are eligible for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Pursuant to directions from the Department of Company Affairs, P.M. Nanabhoy & Co., Cost Accountants, have been appointed as Cost Auditors for the year 2004-05. They are required to submit their report to the Central Government within 180 days from the end of the accounting year.

#### **AUDIT COMMITTEE**

The Audit Committee which was constituted pursuant to the provisions of Section 292A of the Companies Act, 1956 and the listing agreement, has reviewed the Accounts for the year ended March 31, 2005. The members of the Audit Committee are Mr. F.P. Sarkari (Chairman), Mr. V.N. Gogate and Mr. S.A. Ahmadullah.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

- b) that such accounting policies have been selected and applied consistently, and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company, for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis.

#### **CORPORATE GOVERNANCE**

As required by the existing clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. The Auditors have certified the Company's compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is annexed to the Report on Corporate Governance.

#### **ADDITIONAL INFORMATION**

Annexure B to this Report gives information in respect of Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forms a part of the Directors' Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of employees u/s 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

The Note to the Accounts referred to in the Auditors' Report is self-explanatory and therefore does not call for any further explanation.

#### **ACKNOWLEDGEMENT**

Your Directors thank the Union Government, the Governments of Maharashtra, Madhya Pradesh, Gujarat as also all the Government agencies, banks, financial institutions, shareholders, customers, employees, fixed deposit holders, vendors and other related organizations, who, through their continued support and co-operation, have helped as partners in your Company's progress.

For and on behalf of the Board of Directors

Mumbai, May 30, 2005.

**A.B. Godrej**  
Chairman

## ANNEXURE "A" TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The economy has maintained its growth momentum in the current financial year, despite a poor monsoon, hardening international prices of oil and steel and, its first recorded experience of tsunami which caused extensive damage to life and property. Led by a strong performance from the manufacturing sector, the overall industrial production, measured in terms of the Index of Industrial Production recorded a growth of 8.1% during April 04 - February 05 compared to 6.9% recorded during the corresponding period in the previous year. The Index of Industrial Production for the manufacturing sector rose to 8.7% during the period April 04 - February 05 as compared to 7.3% for the corresponding period in the previous year.

The overall performance of your Company too has been quite satisfactory. Your Company focused on increasing sales as well as profitability. Your Company largely operates in the Oleo-Chemicals, edible oils, fats and processed food industries. The division-wise performance and outlook have been covered separately in this report.

### FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The highlights of overall performance are as follows :

Particulars	2004-05	Rs. lac 2003-04
Sales	76259	71666
Total Income	81827	73355
Profit Before Taxation	7506	6382
Profit After Taxation	7575	6511
Earnings per Equity Share (Rupees)	15.58	13.50

#### Profitability ratios are as follows :

	2004-05	2003-04
PBDIT/Sales	16.05%	12.71%
PBT/Sales	9.84%	8.91%
PAT/Sales	9.93%	9.09%
Return on Capital Employed	18.15%	14.47%
Return on Net Worth	21.26%	22.52%
Basic EPS (Rs.)	15.58	13.50

#### The Financial risk ratios are as follows :

	2004-05	2003-04
Debt/Equity	0.72	0.73
Interest coverage	3.91	12.00

The operational performance of the various businesses of your Company is discussed in the following section of this report.

### SEGMENTAL PERFORMANCE

The segment-wise break-up of Revenue, PBIT (including prior period income) and capital employed for the year under review is as follows:

	(Amounts in Rs. lac)	
	2004-05	2003-04
<b>1. Segment Revenue (Income from Operations)</b>		
Chemicals	54236	49369
Foods	19192	19358
Estate	2166	2087
Finance & Investments	5365	1404
Others	868	1062
<b>Total</b>	<b>81827</b>	<b>73280</b>

(Amounts in Rs. lac)

	2004-05	2003-04
<b>2. Segment Results (Profit/(Loss) before interest &amp; tax)</b>		
Chemicals	6230	7312
Foods	(857)	(1489)
Estate	1361	1497
Finance & Investments	5365	1404
Others	115	111
<b>Profit Before Interest and Tax</b>	<b>12214</b>	<b>8835</b>
Less: Interest (Net)	(2582)	(580)
Unallocated expenses (Net)	(2124)	(1816)
<b>Profit Before Tax</b>	<b>7508</b>	<b>6439</b>
<b>3. Segment Capital Employed</b>		
Chemicals	17675	17255
Foods	4732	3752
Estate	2780	3185
Finance & Investments	36123	28613
Others	304	309
<b>Total</b>	<b>61614</b>	<b>53114</b>

### CHEMICALS DIVISION

The Chemicals Division operates in the oleo-chemical and surfactants industry. The strength of this Division is its strong manufacturing base, which delivers international quality products at competitive prices and its integrated systems which ensure quick delivery of products at competitive prices. The Division continued its position of leadership in the Indian market. The Division has a balanced blend of domestic and international operations. The Division achieved significant growth by addressing the needs of competition better than the market. Sales of the Division grew 14% in value over the previous year.

The important drivers of performance of this Division during the year have been consistent and strong demand for its products, coupled with efficient sourcing and coverage of raw material and exploiting capacity of the manufacturing facilities to their fullest level.

The Division received CHEMEXIL's "Lifetime Achievement Award" for its outstanding track record in exports. This award is an appreciation of the Division's role in developing far-flung markets for the export of oleo-chemicals. In the past, GIL has received the First Award for outstanding export performance, under the Cosmetics and Toiletries Panel, for three successive years 1998-99, 1999-2000 and 2000-01.

Product category-wise performance is reviewed below:

#### Fatty Alcohol

Fatty Alcohol has been a steadily growing category and has contributed 48% to the turnover of this Division. The growth in this category was 22% in value over previous year. Fatty Alcohols are mainly used in laundry and personal care applications in the domestic market, and for cosmetics and industrial applications in the international market. Significant growth in the domestic market this year has helped improve the revenue and contribution of this category. Your Company exports fatty alcohol to more than 50 countries all over the world.

#### Glycerin

Glycerin accounted for 7% of the turnover of this Division.

The value of sales in this category decreased by 11% over the previous year. This was mainly on account of the sharp drop in international prices of refined glycerin. However, the Division has maintained volumes in this product category and continued to maintain its leadership position in the domestic market.

### Alpha Olefin Sulphonate (AOS)

Your Company is the pioneer as well as the market leader in the production and marketing of AOS in India. AOS contributed 12% to the turnover of this Division. AOS has grown 11% in volume and 9% in value as compared to the previous year. Godrej AOS is incorporated in a number of well-known detergent and shampoo brands in the country. The product form and delivery is customized to suit the convenience of the end-users. This has helped in improving its usage as a cost effective alternative surfactant. Your Company continues to grow well in this segment on the strength of consistent quality and service.

### Fatty Acids

Fatty acids, comprising Stearic Acids, Oleic Acids, and other speciality Fatty Acids accounted for 33% of the turnover of this Division. With continuous cost reduction and new market development initiatives, the sales in this category showed an improvement of 13% in value and 9% in volume. There is increased availability and competition from small players in this category. Your Company is taking steps to counter competition and further strengthen its position in this category.

### FOODS DIVISION

The Foods Division recorded sales of Rs. 18252 lac during the year under review as compared to Rs. 18415 lac during the previous year.

There are two categories in the Division i.e., Edible Fats and Processed Foods.

#### Edible Fats

The turnover during the year was Rs. 14029 lac as compared to Rs. 15900 lac during the previous year, recording a decline of 12%. The Division produces and markets, edible oils, vanaspati and bakery fats.

The bearish trend in edible oil prices and setting up of large port-based refineries by competitors impacted the margins of this business during the year.

The Division continued to focus on increasing margins and selling only in profitable areas.

During the year, a new product "Kitchen's pride" in the pure ghee category, was launched by the Division.

#### Processed Foods

The turnover during the year was Rs. 4223 lac as compared to Rs.2515 lac during the previous year recording a growth of 68%. The Division produces and markets, fruit drinks, nectars and juices in Tetrapak, undertakes co-packing and sells fruit pulp.

The good growth in the fruit juices and nectars category, prompted the division to launch exotic fruit juice variants for the first time in the Indian market under the brand name Xs. The variants launched were "Kiwi Kraze" (Kiwi, Apple and Lemon) "Berry Blast" (Strawberry, Cherry and Apple) "Triple Tickle" (Apple, Apricot and Peach) and "Santra Swing"(Orange). In addition to this, the Division has also introduced 100% natural juices in Orange & Apple variants for the health conscious consumer.

The growing interest of the consumer towards health products prompted the Division to extend the Sofit brand to Ready-to-eat Cereals (Wheatflakes with Soya) at a very competitive price in the North.

Maiden exports of Mango pulp to European countries were carried out this year. However, due to high domestic mango prices, the margins in this business were impacted very severely.

Over all, the focus of the Division continued to be predominantly on improving the profitability in both the above categories throughout the year.

### ESTATE MANAGEMENT

The total income from this business was Rs. 2166 lac as compared to Rs. 2087 lac in the previous year.

Your Company this year also has continued to effectively utilize the available space in Vikhroli complex. The various available areas have been given out on leave and license basis to other reputed corporates for their office and other suitable usages and availability of such space and the new construction activity in central & western parts of Mumbai will keep the pressure on the revenue generated from this operation.

### MEDICAL DIAGNOSTICS

The Medical Diagnostics Division is in the business of distribution of diagnostic equipment and consumables to the medical community. This Division achieved a turnover of Rs. 803 lac for the year, recording a degrowth of 14% in value terms over the previous year. Sales to Government Institutions were lower compared to the previous year. The focus of the Division was on implementation of rigorous sales and operation planning (S & OP) process. The Division focussed on Customer Loyalty Programs as a part of customer relationship management.

### FINANCE

Dividend income for the year was at Rs. 2236 lac (previous year Rs. 1253 lac). During the year, your Company has made strategic investments in its subsidiaries and associate companies. Your Company has invested Rs. 5456 lac for acquisition of equity shares of Godrej Consumer Products Limited (GCPL). Your Company now holds 12.94% of the equity capital of GCPL. Further, your Company has also invested in equity shares of its subsidiaries, viz., Godrej Hicare Limited and Godrej Global Solutions Limited to the extent of Rs.96 lac and Rs.2885 lac respectively, to fund their business requirements. Your Company also sold 6.46% of its stake in Godrej Saralee Limited (GSLL) to its holding Company, viz. Godrej and Boyce Mfg. Co. Ltd. Your Company continues to hold 19.5% in GSLL.

### HUMAN RESOURCES, INDUSTRIAL RELATIONS

'Total Talent Management', the process of identifying and building leadership talent and organisational capability enabled the businesses to put in place succession plans for critical positions and groom the next generation of business leaders.

Industrial Relations at all locations were cordial. At the Chemicals' plant in Vikhroli a restructuring exercise was initiated and is in progress.

The total number of persons employed in your Company as on March 31, 2005 was 2057.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded and reported correctly.

The Corporate Audit & Assurance Dept. issues well documented Operating Procedures and Authorisations, with adequate built-in controls, at the beginning of any activity and any time there is any major change.

Your Company's ERP System, (viz. MFG/PRO), provides adequate level of system-based checks and controls. Your Company has also developed and adopted a formal Information Technology Policy (including IT Security), which is periodically reviewed.

The internal control is supplemented by documented policies, guidelines and procedures and an extensive programme of internal and external audit and periodic review by management. The system is designed to ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability for assets.

Last year, an **initiative on Business Continuity/Disaster Recovery** was launched with the help of Corporate Audit & Assurance Dept. Major risks affecting Business Continuity were identified. Documentation for



preventive/mitigation measures has been completed with the active support and help from business managers. Risk Mitigation measures identified during this process have been implemented. Your Company is now in the process of testing the same.

### OPPORTUNITIES AND THREATS

Increased global demand and your Company's reputation for its consistent supply and quality suited to the needs of the customers, provide good opportunity for growth and expansion for the Chemicals division. At the same time, new capacity addition in the industry is likely to increase competition from the supply side.

In the Edible Fats category, withdrawal of Excise duty on Edible Oil and Vanaspati and the proposed ban on loose oil sale in Maharashtra by the FDA, indicates good opportunity for growth for the Edible Fats Division, this year.

In the Medical Diagnostics Division, the opportunity is the large growing middle class medically aware consumer and the increasing focus on medical insurance. Threat could be obsolescence of technology/products which are more than 10 years old.

### RISKS AND CONCERNS

As a significant employer and chemicals producer, the key operational risk of your Company lies in the area of occupational safety, employment standards, production safety, and environmental protection. In addition to ensuring compliance with numerous national and international regulations and standards, your Company maintains strict safety, health, environmental protection and quality control programs to monitor and control these operational risks.

The commodity based businesses (Chemicals and Foods Divisions) are likely to be affected by vagaries of the weather, demand for edible oil, oilseed production, etc. The business is exposed to commodity price risks relating to raw materials which account for the largest portion of the costs of both these Divisions. The Chemicals business growth will also depend on the growth of end user industries like polymer, detergent, cosmetics and personal care.

Macro economic factors including economic and political developments, natural calamities which affect the industrial sector generally would also affect the businesses of your Company. Legislative changes resulting

in a change in the taxes, duties and levies, whether local or central, also impact business performance and relative competitiveness of the businesses.

### OUTLOOK FOR 2005-06

The year ahead seems to be very interesting and challenging. The world economy is on an upward trajectory and hence the outlook for the various product categories of the Chemicals Division remains positive. The expansion of international markets, coupled with tightness in the supply position of some of the finished products augur well for the business and also opens up opportunities for growth in niche markets. Retaining competitiveness in sourcing is a major challenge in the coming years. Your Company has undertaken several initiatives to strengthen and improve its Supply Chain Management. The EOU being set up at Valia would enable enhancement of production capacities.

The major focus area of the Foods Division would continue to be improving profitability in both the categories. In the Edible Fats category we would continue to sell only in profitable areas. In the Processed Foods category, the focus would be, to increase the trade sale of Jumpin' and to create consumer awareness for the new variants of Xs fruit nectars and Sofit cereals. With the growing interest of consumers in the health foods category, the Division has planned to promote SOFIT Soymilk and Cereals aggressively this year.

The prospects for Medical Diagnostics Division look good. The in-vitro diagnostic industry in India is growing at 12% per year and the same growth rate is expected for 2005-06. The key drivers for this industry will be increasing automation and accreditation of pathology labs by DST, Govt of India.

### CAUTIONARY STATEMENT

Some of the statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in domestic industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labour relations.

**ANNEXURE 'B' FORMING PART OF THE DIRECTORS' REPORT**

**INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

**A. Conservation of Energy****I. (A) Energy Conservation measures undertaken**

- Installation of Variable Frequency Drive (VFD) in Flaker Section, in transfer pumps in AOS Plant and in FADP-IV cold well pump, to improve the quality of products and to save electricity.
- Installation of sequential timer for ETP Aerators to save electricity.
- Installation of Temperature Controllers for Cooling Tower fan.
- Installation of energy-efficient transformer in power house.
- Installation of energy-efficient motors in Plants.
- Installation of E+ tube lights in Glycerin Distillation Plant.
- Upgradation of instrumentation in HP/LP Boiler to save energy and for better control of operational parameters.
- Installation of Steam Turbine in Co-generation Plant to optimise the utilisation of pressure energy.
- Installation of Steam Generator in Stearic Acid Plant to utilize the heat of evaporation. This has resulted in saving of cooling water in cooling product vapours.
- Installed heat recovery scheme for DG set from jacket and flue gas.
- Increase of contract demand from 550 KVA to 800KVA from MPSEB to reduce running of DG Set, thereby decreasing the consumption of HSD.
- Installation of high capacity cooling tower to reduce the consumption of chilled water, which reduces power consumption.
- Installation of Variable Frequency Drive (VFD) on fluid transfer pump in sterilizer to reduce power consumption and to enable optimum utilization of steam.
- Placement of energy efficient chokes in existing tube light fittings.
- Installation of capacitor panel to improve power factor.
- Conversion of TPO2 Thermic Fluid Heater from Light diesel oil to Furnace Oil.
- Using Pitch with LSHS in Boiler as Fuel.
- Using Fatty Alcohol with Light Diesel Oil in TPO2 as Fuel.
- Installation of Air Control Unit in Filling Section for Air Compressors for Power saving.
- Fitting Timers in Air Conditioners.

**(B) Proposed energy conservation measures**

- Getting Energy Audit done by CII.
- Setting up wind mills.
- Installation of Variable Frequency Drive in Plants.
- Installation of more energy efficient motors in Plants.
- Installation of power factor correction panel to improve power factor.
- Installation of Vapour Absorption Chiller in AOS Plant for power saving and additional production during summer.
- Installation of Steam Generator for waste heat recovery from hot air in AOS plant.

**II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods:-**

Saving in energy costs during the period under consideration.

**III. Details of energy consumption**

The details of energy consumption are given below. These details cover the operations of your Company's factories at Vikhroli, Valia, Wadala and Mandideep.

**a) Power and Fuel consumption**

	This Year	Previous Year
<u>Electricity</u>		
i) Purchased		
Units (kWh in lac)	<b>166.45</b>	147.29
Total Amount (Rs. in lac)	<b>849.27</b>	707.59
Rate per Unit (Rs.)	<b>5.10</b>	4.80
ii) Own generated through D.G. Sets		
Units (kWh in lac)	<b>47.10</b>	53.38
Cost (Rs. in lac)	<b>239.83</b>	236.15
Rate per unit (Rs.)	<b>5.09</b>	4.42
iii) Own generated through Steam Turbine Generator - Co-generation		
Units (KWh in lac)	<b>269.91</b>	315.73
Cost (Rs. in lac)	<b>900.87</b>	1091.66
Rate per Unit (Rs.)	<b>3.34</b>	3.46
<u>Fuel Oil (LSHS, FO and LDO)</u>		
Total Quantity (KL)	<b>3994.67</b>	6385.15
Total Amount (Rs. in lac)	<b>565.67</b>	679.41
Rate per unit (Rs. per litre)	<b>14.16</b>	9.40
<u>Natural Gas</u>		
Total Quantity (SM <sup>3</sup> lac)	<b>341.50</b>	245.50
Total Amount (Rs. in lac)	<b>2738.6</b>	2001.37
Rate per unit (Rs. per SM <sup>3</sup> )	<b>8.02</b>	8.15
<u>Pitches</u>		
Total Quantity (MT)	<b>294.00</b>	1149.00
Total Cost (Rs. in lac)	<b>21.40</b>	74.53
Rate per unit (Rs. per MT)	<b>7278.91</b>	6486.51

**b) Consumption per unit of production**

	Natural Gas (SM <sup>3</sup> /MT)		Electricity (kWh/MT)		Furnace Oil (Litre/MT)		Pitches	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Fatty Acid	78.12	57.37	86.88	85.50	5.34	16.99	4.931	17.51
Fatty Alcohol	79.88	74.48	369.11	362.77	3.93	4.38		-
Alpha Olefin								
Sulphonate	47.92	44.26	90.82	92.50	5.86	7.16	0.45	1.54
Fruit Juice/ Pulp	-	-	70.49	144.08	15.27	28.62	-	-
Oils/Vanaspati	-	-	160.36	147.21	74.00	84.80	-	-
Glycerin	524.18	461.80	610.02	618.86	32.37	82.28	13.56	55.21

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- I. Specific areas in which R & D carried out by the Company - During the year under review, Research and Development efforts in the following areas strengthened the Company's operations through technology absorption, adaptation and innovation :

- Oils & Fatty Acids
- Fatty Alcohols
- Surfactants
- Glycerin
- Product Application Group
- Fruit Juices/Soyamilk



2. Benefits derived as a result of the above R&D -	4. Expenditure on R&D	<b>This Year</b>	<b>Previous Year</b>
		<b>Rs. lac</b>	<b>Rs. lac</b>
a) Process developed for upgrading Low & Medium Chain Fatty Acids for the export market.	a) Capital	<b>Nil</b>	1.95
b) Visiting Personal Care & Detergent manufacturers in the South in order to satisfy their needs vis-à-vis Soap Noodles & AOS.	b) Recurring	<b>108.38</b>	115.03
c) Customization of the Raw Material & Manufacturing Process to suit the needs of a single high volume customer.	c) Total	<b>108.38</b>	116.98
d) Collaborative research along with a customer to develop a new chemical for the Paper industry. The results of laboratory trials at our end were corroborated by Pilot Trials at the customer's end.	d) Total R & D expenditure as a percentage of total sales turnover	<b>0.14%</b>	0.16%
3. Future Plan of Action -	<b>C. Foreign Exchange earnings and outgo</b>		
a) Collaborative Research with a detergent manufacturer to develop new generation Detergent Blends.	The Chemicals Division's exports improved from Rs. 13279 lac in the previous year (including deemed exports Rs. 742 lac) to Rs. 15254 lac in the current year (including deemed exports of Rs. 2716 lac). The Company continues to export refined glycerin, fatty alcohol and other chemicals to over 50 countries including U.S.A., U.A.E., Japan, South Africa, Germany, U.K., France, Malaysia, China, Australia, Mexico, Singapore and Srilanka.		
b) Tailor-making the current formulation used for wool scouring, in order to capture a share of the international market.			
c) Expand our Odour Profiling capabilities by incorporating or outsourcing the use of instrumental analytical tools.			
d) Focus on adding value to some of our by-products, in order to enter niche markets.			
No technology has been imported during the year.			
		<b>This Year</b>	<b>Previous Year</b>
		<b>Rs. lac</b>	<b>Rs. lac</b>
	Foreign exchange used	<b>18091</b>	22564
	Foreign exchange earned	<b>15373</b>	13339

## ANNEXURE C FORMING PART OF THE DIRECTORS' REPORT

The following is the list of persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the said Regulations"), as provided in Clause 3(e) of the said Regulations :

- |                                                 |                                 |
|-------------------------------------------------|---------------------------------|
| 1. Godrej & Boyce Mfg. Co. Ltd.                 | 26. Godrej Upstream Ltd.        |
| 2. Godrej Consumer Products Ltd.                | 27. Godrej Holdings Pvt. Ltd.   |
| 3. Ensemble Holdings & Finance Ltd.             | 28. Cartini India Ltd.          |
| 4. Godrej Hicare Ltd.                           | 29. Godrej Remote Services Ltd. |
| 5. Godrej Agrovat Ltd.                          | 30. Godrej (Vietnam) Co. Ltd.   |
| 6. Goldmohur Foods & Feeds Ltd.                 | 31. J T Dragon Pte Ltd.         |
| 7. Golden Feed Products Ltd.                    | 32. Mr. Adi B. Godrej           |
| 8. Godrej Properties Ltd.                       | 33. Mrs. Parmeshwar A. Godrej   |
| 9. Girikandra Holiday Homes & Resorts Ltd.      | 34. Ms. Nisa A. Godrej          |
| 10. Godrej Tea Ltd.                             | 35. Mr. Pirojsha A. Godrej      |
| 11. Godrej Global Solutions Ltd.                | 36. Mrs. Tanya A. Dubash        |
| 12. Godrej International Ltd.                   | 37. Mr. Jamshyd N. Godrej       |
| 13. Godrej Global Mid East FZE                  | 38. Mrs. Pheroza J. Godrej      |
| 14. Swadeshi Detergents Ltd.                    | 39. Ms. Raika J. Godrej         |
| 15. Vora Soaps Ltd.                             | 40. Mr. Navroze J. Godrej       |
| 16. Godrej Foods Ltd.                           | 41. Mr. Nadir B. Godrej         |
| 17. Tahir Properties Ltd.                       | 42. Mrs. Rati N. Godrej         |
| 18. Bahar Agrochem & Feeds Pvt. Ltd.            | 43. Mst. Burjis N. Godrej       |
| 19. Prashant Metal Forming Industries Pvt. Ltd. | 44. Mst. Sohrab N. Godrej       |
| 20. Godrej Investments Pvt. Ltd.                | 45. Mst. Hormuzd N. Godrej      |
| 21. Godrej Infotech Ltd.                        | 46. Mr. Vijay M. Crishna        |
| 22. Godrej (Malaysia) Sdn Bhd                   | 47. Mrs. Smita V. Crishna       |
| 23. Godrej (Singapore) Pte Ltd.                 | 48. Ms. Freyan V. Crishna       |
| 24. Godrej Appliances Ltd.                      | 49. Ms. Nyrika V. Crishna       |
| 25. Lawkim Ltd.                                 | 50. Mr. Rishad K. Naoraji       |

## REPORT ON CORPORATE GOVERNANCE

Clause 49 of the listing agreement with the Indian Stock Exchanges stipulates the norms and disclosure standards that have to be followed on the corporate governance front by listed Indian companies.

The Company is a part of the Godrej Group which has established a reputation for honesty and integrity. The Company's philosophy of corporate governance is to achieve business excellence by enhancing the long term welfare of all its stakeholders. We believe that corporate governance is much more than Rules, Boards, Committees. It is about creating outperforming organisations, i.e. organizations that consistently succeed in the marketplace against competition and thereby enhance the value of all its stakeholders.

### BOARD OF DIRECTORS

#### a) Board Structure

The Board of Directors of the Company comprises thirteen Directors, which include one Managing Director and four Whole-Time Executive Directors. The remaining eight are Non-Executive Directors, with five of them being Independent Directors. The details are given in Table 1.

#### b) Board meetings held & Directors' attendance record

The Board meets atleast once in a quarter to consider among other business, quarterly performance of the company and financial results. To enable the Board to discharge its responsibilities effectively and take informed decisions, the necessary information is made available to the Board. During the year four Board meetings were held on May 28, 2004, July 26, 2004, October 30, 2004 and January 21, 2005. The details are given in Table 1.

**Table 1: Details about GIL's Board of Directors & meetings attended by the Directors during the year**

Name of Director	Category	Board meetings held during the year	Board meeting attended during the year	Whether attended last AGM	Directorships held in public companies incorporated in India as at year end	Number of Chairmanship/ membership in other Board Committees as at the year end	Chairmanship	Membership
A.B. Godrej	Chairman – Non-Executive	4	4	Yes	12(3)	3	1	
J.N. Godrej	Non-Executive	4	3	Yes	14 (6)	2	4	
N.B. Godrej	Managing Director	4	4	Yes	13(4)	3	7	
S.A. Ahmadullah	Non-Executive - Independent	4	4	Yes	3(1)	1	1	
V.M. Crishna	Non-Executive	4	1	No	7(2)	Nil	Nil	
K.K. Dastur	Non-Executive - Independent	4	4	Yes	6(2)	Nil	2	
V.N. Gogate	Non-Executive - Independent	4	4	Yes	1(1)	Nil	2	
K.N. Petigara	Non-Executive - Independent	4	4	Yes	7(1)	1	4	
F.P. Sarkari	Non-Executive - Independent	4	2	No	3(1)	4	1	
V.F. Banaji	Whole-time	4	2	Yes	1(1)	Nil	1	
T.A. Dubash	Whole-time	4	3	Yes	6(1)	Nil	1	
M. Eipe	Whole-time	4	3	Yes	3(1)	Nil	1	
M.P. Pusalkar	Whole-time	4	4	Yes	2(2)	1	3	

#### Notes :

- Figures in ( ) denote listed companies.
- Board Meetings held during the year represent the no. of meetings held during the tenure of that Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

#### c) Information supplied to the Board

Among others, this includes:

- Annual operating plans and budgets, capital budgets, and any updates thereon,

- Quarterly results of the Company,
- Minutes of meetings of audit committee and other committees,
- Information on recruitment and remuneration of senior officers just below the Board level,
- Materially important show cause, demand, prosecution and penalty notices,
- Fatal or serious accidents or dangerous occurrences,
- Any materially significant 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 which involves possible public or product liability claims of a substantial nature,
- Details of any joint venture or collaboration agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Significant labour problems and their proposed solutions,
- Significant development in the human resources and industrial relations front,
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business,
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement,
- Risk assessment and minimization procedures, and
- Non-compliance of any regulatory, statutory nature or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of GIL is regularly presented with all information under the above heads, whenever applicable. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

#### d) Directors with materially significant related party transactions, pecuniary or business relationship with the Company

Except for drawing remuneration, none of the Directors have any other materially significant related party transactions, pecuniary or business relationship with the Company.

#### e) Remuneration of Directors: sitting fees, salary, perquisites and commissions

The details of remuneration package of Directors and their relationships with each other are given in Table 2.

**Table 2 : Remuneration in Rupees paid or payable to Directors for the year ended March 31, 2005**

Name of Director	Relationship with Directors	Sitting fees	Commission on profits	Salary	Perquisites	Provident Fund	Total
A. B. Godrej	Brother of N B Godrej Father of T A Dubash	200000	Nil	Nil	Nil	Nil	20000
J. N. Godrej	None	Nil	Nil	Nil	Nil	Nil	Nil
N. B. Godrej	Brother of A B Godrej	Nil	Nil	9585786	1381519	403200	11370505
S. A. Ahmadullah	None	105000	Nil	Nil	Nil	Nil	105000
V. M. Crishna	None	20000	Nil	Nil	Nil	Nil	20000
K. K. Dastur	None	80000	Nil	Nil	Nil	Nil	80000
V. N. Gogate	None	105000	Nil	Nil	Nil	Nil	105000
K. N. Petigara	None	85000	Nil	Nil	Nil	Nil	85000
F. P. Sarkari	None	50000	Nil	Nil	Nil	Nil	50000
V. F. Banaji	None	Nil	Nil	7469062	590621	244800	8304483
T. A. Dubash	Daughter of A B Godrej	Nil	Nil	7158786	841877	237600	8238263
M. Eipe	None	Nil	Nil	7711440	573609	302400	8587449
M. P. Pusalkar	None	Nil	Nil	2323200	556452	175680	3055332

**Notes :**

Salary to Mr. N.B. Godrej, Mr. V.F. Banaji, Ms. T.A. Dubash, Mr. M. Eipe and Mr. M.P. Pusalkar includes a performance linked variable remuneration of Rs. 4209786, Rs. 4817062, Rs. 4089786, Rs. 4435440 and Rs. 300000 respectively for the year ended March 31, 2005 payable in 2005-06.

The service contracts of the Whole-Time Directors are for a period of three years with a notice period of three months.

**f) Committees of the Board****Audit Committee**

GIL's audit committee comprises of three Independent & Non-Executive Directors. They are Mr. F.P. Sarkari (Chairman), Mr. S.A. Ahmadullah and Mr. V.N. Gogate. Mr. F.P. Sarkari is the Chairman of the Committee. Mr. Sarkari is a qualified Chartered Accountant and is knowledgeable in finance, accounts and Company Law. All the members of the committee are eminent professionals and draw upon their experience and expertise across a wide spectrum of functional areas such as finance and corporate strategy. Minutes of each of the audit committee meetings are placed before the Board meetings. The Company Secretary acts as secretary to the audit committee. The audit committee met four times during the year. Table 3 gives the attendance record.

**Table 3: Attendance record of audit committee members**

Name of Director	No. of meetings held	Meetings attended
Mr. F.P. Sarkari	4	2
Mr. S.A. Ahmadullah	4	4
Mr. V.N. Gogate	4	4

Mr. F. P. Sarkari, the Chairman of the Audit Committee could not attend the Annual General Meeting held on July 26, 2004, due to personal reasons. In his absence, Mr. V. N. Gogate, the former Chairman of the Committee was present, to answer shareholders queries.

The Audit Committee of GIL performs the following functions :

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focusing primarily on
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by the management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchanges and legal requirements concerning financial statements.
  - Any related party transactions, i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of Company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

- Discussing with internal auditors any significant findings and following it up.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussing with external auditors before the audit commences, nature and scope of audit as well as conducting post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- Looking into the reasons for substantial defaults in payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.

**Remuneration Committee**

Setting up of a remuneration committee for determining a company's policy on remuneration packages to Executive Directors constitutes a non-mandatory provision of Clause 49. GIL set up its remuneration committee on February 22, 2002 to review the human resources policies and practices of the Company and, in particular, policies regarding remuneration of Whole-Time Directors. The committee discusses human resources policies such as compensation and performance of management.

GIL's remuneration committee consists of the following directors: Mr. S.A. Ahmadullah (Chairman and Independent Director); Mr. N.B. Godrej (Managing Director); Mr. V.N. Gogate (Independent Director) and Mr. K.N. Petigara (Independent Director). During the year ended March 31, 2005, the committee met once on May 28, 2004, where all the members of the Committee attended, for fixing of basic salary for the year 2004-05 and performance linked variable remuneration (PLVR) for the year ended March 31, 2004 payable in Financial Year 2004-05 to Managing Director and Whole-time Directors.

GIL has adopted EVA as a tool for driving performance, and has linked improvements in EVA to performance linked variable remuneration (PLVR) of Managing Director, Whole-Time Directors, managers and officers of the Company.

**Shareholders Committee**

Among other functions, this committee looks into redressal of shareholder complaints regarding transfer of shares, non-receipt of balance sheet and non-receipt of declared dividends, as required in clause 49 of the Listing Agreement. The committee consists of the following members: Mr. A.B. Godrej (Chairman), Mr. N.B. Godrej, Mr. V.F. Banaji, Ms. T.A. Dubash, Mr. M. Eipe and Mr. M.P. Pusalkar. During the year, 16 meetings of the Committee were held.

**Name and designation of Compliance Officer**

Mr. S. K. Bhatt, Executive Vice-President (Corporate Services) & Company Secretary.

**Number of complaints from shareholders during the year ended March 31, 2005**

Complaints outstanding as on April 1, 2004	Nil
Complaints received during the year ended March 31, 2005	184
Complaints resolved during the year ended March 31, 2005	184
Complaints outstanding as on March 31, 2005	Nil

There are no pending share transfers as on March 31, 2005.

**MANAGEMENT****a) Management discussion and analysis**

This annual report has a detailed chapter on management discussion and analysis.

**b) Disclosures by management to the Board**

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

**SHAREHOLDERS****a) Disclosures regarding appointment or re-appointment of Directors**

According to the Articles of Association of GIL, at every annual general meeting of the Company one-third of the Directors are liable to retire by rotation. Thus, Mr. V.M. Crishna, Mr. K.K. Dastur, Mr. K.N. Petigara and Mr. M.P. Pusalkar shall retire at this Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Information about the Directors who are being appointed/re-appointed is given as an annexure to the Notice of the AGM.

**b) Communication to Shareholders**

All vital information relating to the Company and its performance, including quarterly results, official press releases are posted on the web-site of the Company. The Company's web-site address is [www.godrejinds.com](http://www.godrejinds.com). The quarterly and annual results of the Company's performance are published in leading English dailies like Business Standard/Financial Express.

**c) Investor grievances**

As mentioned before, the Company has constituted a Shareholders Committee to look into and redress Shareholder and investor complaints. Mr. S.K. Bhatt, Executive Vice-President (Corporate Services) & Company Secretary is the compliance officer.

**d) Share transfer**

GIL has outsourced its share transfer function to M/s. Computech Sharecap Ltd., which is registered with the SEBI as a Category 1 Registrar and Transfer Agent.

**e) Details of non-compliance**

There has been no instance of GIL not complying with any matter related to capital markets.

**f) General Body Meetings**

Year	Venue	Date	Time
2001-02	Udayachal Primary School Hall, Pirojshanagar, Vikhroli (East), Mumbai 400 079.	September 28, 2002	3.00 P.M.
2002-03	Y.B. Chavan Centre, Nariman Point, Mumbai 400 021.	August 25, 2003	3.00 P.M.
2003-04	- do -	July 26, 2004	4.00 P.M.

**g) Postal Ballot**

During the year, pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, certain resolutions were passed by shareholders by postal ballot results of which were announced on August 4, 2004 and January 6, 2005. The Notices of postal ballots were mailed to all shareholders along with postage prepaid envelopes. Mr. Bharat Shemlani, Chartered Accountant, had been appointed as scrutinizer for both the postal ballots, who submitted his reports to the Chairman, Mr. A.B. Godrej. The details of the postal ballots are given below :

Sr. No.	Date of announcement of results	Nature of resolution	Item	Total no. of votes polled	No. of votes in favour %	No. of votes against %	No. of invalid votes
1.	August 4, 2004	Special	To invest in the securities of and/or make loans/debt to CBay Systems Ltd., USA upto a limit of Rs. 8.50 crore	591	99.97	0.03	0.003
2.	August 4, 2004	Special	To give guarantees on behalf of Godrej Upstream Ltd. up to a limit of Rs. 13.5 crore.	500	99.90	0.10	0.004
3.	August 4, 2004	Special	To give guarantees on behalf of Bharuch Eco-Acqua Infrastructure Ltd. upto a limit of Rs. 70 lac.	495	99.97	0.03	0.004
4.	August 4, 2004	Special	To give guarantees on behalf of Godrej Foods Ltd. upto a limit of Rs. 15.00 crore.	500	99.88	0.03	0.004
5.	January 6, 2005	Special	To invest in the securities of and/or place intercorporate deposits with and/or give guarantee(s) to and/or make loans/debt to Godrej Global Solutions Ltd. in addition to the exposure of Rs. 53.80 crore till date, a further sum of Rs. 34 crore;	1210	99.95	0.03	0.02
6.	January 6, 2005	Special	To invest in the securities of and/or place intercorporate deposits with and/or give guarantee(s) to and/or make loans/debt to Godrej Properties & Investments Ltd. in addition to the exposure of Rs. 45.36 crore till date, a further sum of Rs.10 crore;	1163	99.95	0.02	0.03
7.	January 6, 2005	Special	To invest in the securities of and/or place intercorporate deposits with and/or give guarantee(s) to and/or make loans/debt to Goldmohur Foods & Feeds Ltd. subject to a maximum limit of Rs.10 crore outstanding at any point of time.	1122	99.94	0.03	0.03

**Auditors' Certificate on Corporate Governance**

To the Members of,  
Godrej Industries Limited

We have examined the compliance of conditions of Corporate Governance by Godrej Industries Limited, for the year ended on March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made to us by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that as per the records maintained by the Registrars and Share Transfer Agents of the Company and presented to the Shareholders/Investor Grievance Committee, no investor grievances received during the year ended March 31, 2005, were remaining unattended/pending against the Company for a period exceeding thirty days.

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

For and on behalf of  
**KALYANIWALLA & MISTRY**  
Chartered Accountants  
**V. R. Mehta**  
Partner  
M. No. 32083

Mumbai, May 30, 2005.



## SHAREHOLDERS' INFORMATION

### Annual General Meeting

**Date :** July 26, 2005  
**Time :** 4.00 P.M.  
**Venue :** Y.B. Chavan Centre, General Jagannath Bhonsle Marg, Nariman Point, Mumbai 400 021.

### Financial Calendar

Financial year: April 1 to March 31  
 For the year ended March 31, 2005, results were announced on:

- July 26, 2004 : First quarter
- October 30, 2004 : Half year
- January 21, 2005 : Third quarter
- May 30, 2005 : Fourth quarter and annual

### Record Date/Book Closure

A dividend of Rs. 4/- per share of Rs. 6/- each has been recommended by the Board of Directors of the Company. For payment of dividend, the book closure is from July 19, 2005 to July 26, 2005 (both days inclusive).

### Listing information

The Company's equity shares are listed and traded on the stock exchanges at Mumbai and the National Stock Exchange and Calcutta Stock Exchange.

Name of the Stock Exchange	Stock code
Stock Exchange, Mumbai	500164
National Stock Exchange	GODREJIND
Calcutta Stock Exchange	17038 (for physical) 10017038 (for demat)

The ISIN Number of GIL on both NSDL and CDSL is INE233A01027.

The Company had applied to Calcutta Stock Exchange for voluntary delisting of equity shares under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. The permission for delisting is awaited.

### Stock Data

Tables 1 and 2 respectively give the monthly high and low prices and volumes of equity shares of GIL at The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) for the year ended March 31, 2005. Chart A compares GIL's share price at the BSE versus the sensenx.

**Table 1 : Monthly high and low prices and trading volumes of equity shares of GIL at BSE for the year ended March 31, 2005**

Month	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April-04	55.65	44.05	87262
May -04	51.90	38.00	74447
June -04	51.75	45.45	227340
July -04	51.60	43.50	263864
August-04	57.00	43.55	227755
September-04	76.50	51.80	752236
October-04	91.00	70.50	1369662
November-04	96.60	73.00	638201
December-04	142.35	85.50	2987977
January-05	127.50	98.05	477277
February-05	124.00	104.05	486224
March-05	133.90	105.00	680531

### Note :

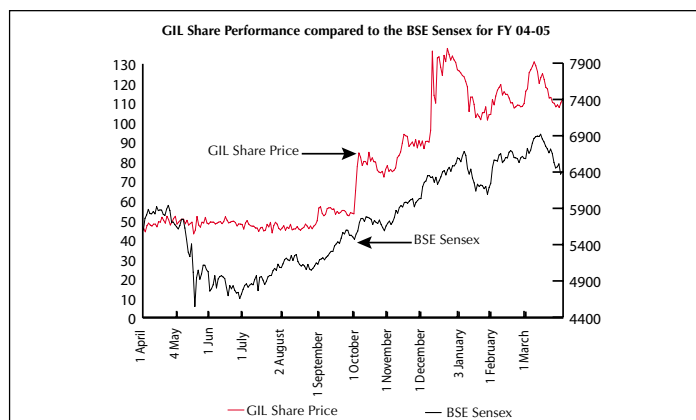
High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in equity shares of GIL on the BSE.

**Table 2 : Monthly high and low prices and trading volumes of equity shares of GIL at NSE for the year ended March 31, 2005**

Month	High (Rs.)	Low (Rs.)	Volume (No. of Shares)
April-04	52.35	43.40	82761
May-04	51.30	40.00	135558
June-04	52.00	46.85	185582
July-04	51.80	43.15	274482
August-04	57.80	38.00	452750
September-04	76.50	45.00	1475245
October-04	91.45	70.75	3167140
November-04	97.00	73.50	1879462
December-04	142.00	85.35	6744340
January-05	128.00	97.75	1706823
February-05	123.00	104.00	1414804
March-05	144.00	103.25	1660851

High and low are in rupees per traded share. Volume is the total monthly volume of trade (in numbers) in equity shares of GIL on the NSE.

**Chart A - GIL share performance compared to the BSE Sensex for FY 2004-2005**



### Distribution of shareholding

Tables 3 and 4 give the distribution pattern of shareholding of GIL by size class and ownership respectively as on March 31, 2005.

**Table 3 : Distribution of shareholding by size class as on March 31, 2005**

Number of shares	Number of shareholders	Shareholders %	Number of shares held	Shareholding %
1 - 500	14370	92.95%	1442723	2.97%
501 - 1000	541	3.50%	441061	0.91%
1001 - 2000	246	1.59%	378059	0.78%
2001 - 3000	95	0.61%	247325	0.51%
3001 - 4000	42	0.27%	151879	0.31%
4001 - 5000	32	0.21%	153097	0.31%
5001 - 10000	53	0.34%	391275	0.80%
10001 & above	81	0.52%	45436523	93.41%
<b>Total</b>	<b>15460</b>	<b>100.00%</b>	<b>48641942</b>	<b>100.00%</b>

**Table 4 : Distribution of shareholding by ownership as on March 31, 2005**

Category (as being reported to stock exchanges)	Shares hold (Nos.)	% of holding
<b>Promoter's holding</b>		
Promoters	43099770	88.61%
Persons deemed to act in concert with promoters	0	0.00%
<b>Institutional investors</b>		
Mutual funds & UTI	607	0.00%
Banks, financial institutions & insurance companies	124252	0.26%
Foreign institutional investors	298655	0.61%
<b>Others</b>		
Private corporate bodies	1139513	2.34%
Indian public	3875444	7.97%
NRI/OCBs	103701	0.21%
<b>Total</b>	<b>48641942</b>	<b>100.00%</b>

**Shares held in physical and dematerialised form**

As on March 31, 2005, 99.04 per cent of GIL's shares were held in dematerialised form and the remaining 0.96 per cent in physical form. The break up is listed below:

No. of Folios in Physical Mode	No. of Folios in Demat Mode	No. of Shares in Physical Mode	No. of shares in Demat Mode	Total Folios	Total Shares
5539	9921	464779	48177163	15460	48641942

**Share Transfer**

Share transfers and related operations for GIL are conducted by Computech Sharecap Ltd, which is registered with the SEBI as a Category 1 Registrar.

**Investor correspondence should be addressed to:**

Computech Sharecap Ltd.  
147, M.G. Road, Opp. Jehangir Art Gallery,  
Mumbai 400 023.  
Tel : 022-22671824/22671825  
E-mail : [helpdesk@computechsharecap.com](mailto:helpdesk@computechsharecap.com)  
Fax : 022-22670380



## REPORT OF THE AUDITORS TO THE MEMBERS OF GODREJ INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **GODREJ INDUSTRIES LIMITED** as at March 31, 2005 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, both 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.
2. We conducted our audit in accordance with the 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. An 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.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's Report has been forwarded to us and has been appropriately dealt with.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) *Reference is invited to note 7 (b) of Schedule 22- Notes to Accounts, regarding the recoverability of advances given to certain individuals amounting to Rs. 1033 lac being contingent upon the transfer and/or disposal of the shares pledged against the loan. The said shares were lodged for transfer which application was rejected and the Company has preferred an appeal to the Company Law Board. The impact thereof on the profit for the year could not be ascertained.*
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to paragraph (e) above*, and read with the notes thereon, 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
  - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the directors of the Company as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of  
**Kalyaniwalla & Mistry**  
 Chartered Accountants

**V.R. Mehta**  
 Partner  
 M. No.: 32083

Mumbai, May 30, 2005

## ANNEXURE TO THE AUDITOR'S REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Godrej Industries Limited** for the year ended 31st March, 2005.

1. (a) The Company is generally maintaining proper records showing full particulars, including quantitative details and situation of fixed assets, except in case of certain continuous process plants where item-wise values are not available and in case of furniture, fittings and equipment at Vikhroli where the records maintained show quantitative details with their situation and values based on valuation by an approved valuer.
- (b) The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and physical inventory were reported for the assets verified during the year.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.
2. (a) The Management has conducted physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. (a) The Company had granted unsecured loans to four companies listed in the register maintained under Section 301 of the Companies Act, 1956, of which three loans aggregating Rs. 104.28 lakhs were outstanding at the year end. The maximum amount of loans granted to the said companies during the year was Rs. 1,217.78 lakhs.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of loans given are prima facie not prejudicial to the interest of the Company.
- (c) The loans outstanding at the year end are at call and have not been recalled during the year. The companies are generally regular in payment of interest.
- (d) There are no overdue amounts exceeding Rs. one lakh.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal controls.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under in respect of the deposits accepted from the public.
7. The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of manufacture of vanaspati pursuant to the order passed 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 maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any other products of the Company.
9. (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities.
- (b) According to the information and explanations given to us and the records examined by us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty or cess which have not been deposited on account of any dispute, other than those stated hereunder:

Name of statute	Amount Rs. in lac	Period to which the amount relates	Forum where dispute is pending
<b>Central Excise Act, 1944</b>	107.62	1999 – 2000	Assistant Commissioner
	4.79	2002 – 2004	Assistant Commissioner
	0.33	1992 – 1994	Commissioner (Appeals)
	2.24	1996 – 1997	Commissioner (Appeals)
	1,890.61	1993 – 1999	CEGAT
	166.25	1994 – 1999	Tribunal
	362.86	1978 – 1983	High Courts
	83.00	1997 – 1999	High Courts
	683.33	1986 – 1998	The Supreme Court of India
<b>Customs Act, 1962</b>	8.77	1978 – 1983	Asst. Commissioner
	111.88	1987 – 1993	Commissioner of Customs
	26.28	2003 – 2004	Dy. Commissioner
	109.12	1978 – 1993	High Court
	570.86	1991 – 1992	High Court
	8.23	1978 – 1979	CESTAT
<b>Central Sales Tax Act, 1956</b>	0.16	1997 – 1998	Appellate Tribunal
<b>Sales Tax</b>	37.02	2000 – 2005	Sales Tax Officer
	49.68	1991 – 2000	Dy. Commissioner (Appeals)
	29.82	1999 – 2001	Sales Tax Tribunal
	30.00	1990 – 1991	Sales Tax Tribunal
	47.12	1994 – 1996	Sales Tax Tribunal
<b>Others</b>			
Stamp Duty	182.23	2000	Controlling Revenue Authority
Municipal Taxes	722.01	1984 – 2005	The Bombay High Court
Entry Tax	27.73	1997 – 2003	Tribunal
	<b>5,261.94</b>		

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial years.
11. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders as at the balance sheet date.
12. The Company has maintained adequate documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares and other securities, *except that the shares in question have not been transferred in the name of the Company as stated in note 7(b).*
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
14. In our opinion, the Company has maintained proper records of the transactions and contracts in respect of investments purchased and sold during the year and timely entries have been made therein. The investments made by the Company are held in its own name *except for the shares referred to in note (a) of Schedule 6.*
15. According to the information and explanations given to us and the records examined by us, it is our opinion that the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
16. According to the information and explanations given to us and the records examined by us, on an overall basis, the term loans have been applied for the purpose for which the loans were obtained.
17. On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not issue any debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based on the audit procedures performed and information and explanations given by the management, we report that no material fraud on or any fraud by the Company has been noticed or reported during the year.

For and on behalf of  
**Kalyaniwalla and Mistry**  
Chartered Accountants

**V.R. Mehta**  
Partner

M. No. 32083

Mumbai, May 30, 2005.

**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	Rs. lac	This Year Rs. lac	Previous Year Rs. lac
<b>SOURCES OF FUNDS</b>				
1. Shareholders' Funds				
(a) Share capital	1	<b>2918.52</b>		2918.52
(b) Reserves & surplus	2	<b>30617.83</b>		26197.10
			<b>33536.35</b>	29115.62
2. Loan Funds				
(a) Secured loans	3	<b>22018.19</b>		16813.64
(b) Unsecured loans	4	<b>3557.13</b>		4235.76
			<b>25575.32</b>	21049.40
3. Deferred Tax Liability			<b>2502.00</b>	2972.00
TOTAL			<b>61613.67</b>	53137.02
<b>APPLICATION OF FUNDS</b>				
4. Fixed Assets	5			
(a) Gross block		<b>49728.83</b>		48949.68
(b) Less : Depreciation/Impairment		<b>26192.14</b>		23608.03
(c) Net block		<b>23536.69</b>		25341.65
(d) Capital work-in-progress		<b>1563.09</b>		313.93
			<b>25099.78</b>	25655.58
5. Investments	6		<b>33577.28</b>	26533.28
6. Current Assets, Loans and Advances				
(a) Inventories	7	<b>10751.76</b>		10944.35
(b) Sundry debtors	8	<b>8604.44</b>		7102.27
(c) Cash and bank balances	9	<b>1320.40</b>		558.37
(d) Loans and advances	10	<b>4132.23</b>		4656.60
		<b>24808.83</b>		23261.59
Less : Current Liabilities and Provisions				
(a) Liabilities	11	<b>17050.24</b>		18499.25
(b) Provisions	12	<b>4948.28</b>		4022.81
		<b>21998.52</b>		22522.06
Net Current Assets			<b>2810.31</b>	739.53
7. Miscellaneous Expenditure (To the extent not written off or adjusted)	13		<b>126.30</b>	208.63
TOTAL			<b>61613.67</b>	53137.02
Significant Accounting Policies	21			
NOTES TO ACCOUNTS	22			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

Signatures to Balance Sheet and Schedules 1 to 13, 21 and 22

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**A.B. Godrej**  
Chairman

**N.B. Godrej**  
Managing Director

**V.R. Mehta**  
Partner  
Mumbai, May 30, 2005

**S.K. Bhatt**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>INCOME</b>			
Sale of Products & Services	14	<b>76259.33</b>	71665.91
Other Income	15	<b>5567.76</b>	1689.36
		<b>81827.09</b>	73355.27
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods	16	<b>51528.11</b>	46236.15
Expenses	17	<b>18945.32</b>	17627.35
Inventory change	18	<b>(882.46)</b>	379.64
Interest and financial charges (net)	19	<b>2581.67</b>	580.18
Depreciation		<b>2148.43</b>	2149.87
(Net of transfer from Revaluation Reserve Rs. 223.80 lac, Previous year Rs. 235.89 lac)		<b>74321.07</b>	66973.19
<b>Profit Before Tax</b>		<b>7506.02</b>	6382.08
Provision for taxation			
— Current Tax		<b>401.00</b>	365.00
— Deferred Tax		<b>(470.00)</b>	(494.00)
		<b>(69.00)</b>	(129.00)
<b>Profit for the year after taxation</b>		<b>7575.02</b>	6511.08
Prior Period adjustments (net)	20	<b>2.20</b>	57.37
		<b>7577.22</b>	6568.45
Surplus brought forward		<b>15480.67</b>	11215.25
<b>Amount Available For Appropriation</b>		<b>23057.89</b>	17783.70
<b>APPROPRIATIONS</b>			
Proposed Dividend		<b>1945.68</b>	1459.26
Tax on distributed profits		<b>272.88</b>	186.97
Transfer to General Reserve		<b>757.72</b>	656.80
Surplus carried forward		<b>20081.61</b>	15480.67
<b>TOTAL</b>		<b>23057.89</b>	17783.70
Basic & Diluted Earnings per share (Face Value Rs. 6 per share) (refer note 18)		<b>15.58</b>	13.50
Significant Accounting Policies	21		
NOTES TO ACCOUNTS	22		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached

Signatures to Profit and Loss Account and Schedules 14 to 22

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**A.B. Godrej**  
Chairman

**N.B. Godrej**  
Managing Director

**V.R. Mehta**  
Partner  
Mumbai, May 30, 2005

**S.K. Bhatt**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>A. Cash Flow from operating Activities :</b>		
Profit before tax	<b>7506.02</b>	6382.08
Adjustments for :		
Depreciation	<b>2148.43</b>	2149.87
Foreign exchange	<b>939.30</b>	(909.85)
(Profit)/Loss on sale of investments	<b>(3491.26)</b>	51.02
Loss/(Profit) on sale of fixed assets	<b>123.78</b>	(16.14)
Dividend income	<b>(2236.06)</b>	(1253.32)
Interest income	<b>(115.87)</b>	(211.29)
Interest expense	<b>1745.16</b>	1336.59
Voluntary retirement compensation and other expenses deferred	<b>(100.42)</b>	(27.96)
Deferred expenditure written off	<b>182.75</b>	242.24
Provision for diminution in value of investments	<b>450.02</b>	—
Provision for doubtful debts and sundry balances written back (net)	<b>(87.96)</b>	(148.91)
Others	<b>2.99</b>	39.75
Operating profit before working capital changes	<b>7066.88</b>	7634.08
Adjustments for :		
Inventories	<b>192.59</b>	(65.34)
Trade and other receivables	<b>(1443.92)</b>	(953.83)
Trade payables	<b>(807.91)</b>	1364.19
Cash generated from operations	<b>5007.64</b>	7979.10
Direct taxes paid	<b>(547.32)</b>	(429.03)
Direct taxes refund received	<b>139.70</b>	21.97
<b>Net Cash from operating activities</b>	<b>4600.02</b>	7572.04
<b>B. Cash Flow from investing activities :</b>		
Purchase of fixed assets	<b>(2799.64)</b>	(964.73)
Proceeds from sale of fixed assets	<b>197.25</b>	1072.20
Purchase of investments	<b>(57714.35)</b>	(40348.51)
Proceeds from sale of investments	<b>53425.24</b>	32828.29
Intercompany deposits/Loans (net)	<b>456.50</b>	(38.88)
Interest received	<b>138.25</b>	204.63
Dividend received	<b>2236.06</b>	1253.32
<b>Net Cash used in investing activities</b>	<b>(4060.69)</b>	(5993.68)



	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>C. Cash Flow from financing activities :</b>		
Proceeds from borrowings	<b>23560.07</b>	19845.01
Repayments of borrowings	<b>(17995.22)</b>	(20570.09)
Bank overdrafts (net)	<b>(1977.88)</b>	416.11
Interest paid	<b>(1703.81)</b>	(1477.41)
Dividend paid	<b>(1473.49)</b>	(986.19)
Tax on distributed profits	<b>(186.97)</b>	(124.62)
<b>Net Cash from/(used) in financing activities</b>	<b>222.70</b>	(2897.19)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>762.03</b>	(1318.83)
Cash and cash equivalents (Opening Balance)	<b>558.37</b>	1877.20
Cash and cash equivalents (Closing Balance)	<b>1320.40</b>	558.37
Notes :		
1. Cash and Cash equivalents		
Cash on hand and balances with banks	<b>1327.49</b>	559.36
Effect of exchange rate changes	<b>(7.09)</b>	(0.99)
Cash and cash equivalents	<b>1320.40</b>	558.37

2. To finance working capital requirements, the Company's Bankers have sanctioned a total fund-based limit of Rs. 5800 lac. Of this, limits utilised as on March 31, 2005 is Rs. 1523.32 lac.
3. The figures of previous year have been regrouped wherever necessary.

As per our Report attached

Signatures to Cash Flow Statement

For and on behalf of  
**Kalyaniwalla & Mistry**  
*Chartered Accountants*

**A.B. Godrej**  
*Chairman*

**N.B. Godrej**  
*Managing Director*

**V.R. Mehta**  
*Partner*  
Mumbai, May 30, 2005

**S.K. Bhatt**  
*Company Secretary*

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005**

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
13,33,33,333 Equity shares of Rs.6 each	<b>8000.00</b>	8000.00
10,00,00,000 Unclassified Shares of Rs.10 each	<b>10000.00</b>	10000.00
	<b>18000.00</b>	18000.00
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>		
4,86,41,942 Equity shares of Rs.6 each fully paid	<b>2918.52</b>	2918.52
	<b>2918.52</b>	2918.52

**Of the above,**

- (i) 3,12,00,398 shares are held by Godrej & Boyce Mfg. Co. Limited, the holding Company  
(ii) 2,59,24,636 shares are allotted for consideration other than cash pursuant to schemes of amalgamation/arrangement  
(iii) 1,59,50,953 shares are allotted as fully paid bonus shares by way of capitalisation of Securities premium account.

	<b>Rs. lac</b>	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>			
<b>Securities Premium Account</b>			
As per last balance sheet		<b>8.51</b>	8.51
<b>Capital Investment Subsidy Reserve</b>			
As per last balance sheet		<b>25.00</b>	25.00
<b>Revaluation Reserve</b>			
As per last balance sheet	<b>3256.59</b>		3492.48
Less : Depreciation on revalued component and deduction due to sale/discard of fixed assets	<b>(224.83)</b>		(235.89)
		<b>3031.76</b>	3256.59
<b>Capital Redemption Reserve</b>			
As per last balance sheet		<b>3125.00</b>	3125.00
<b>General Reserve</b>			
As per last balance sheet	<b>4301.33</b>		3644.53
Add : Transferred from profit & loss account	<b>757.72</b>		656.80
Less : Accumulated impairment loss as on April 1, 2004	<b>(713.10)</b>		—
		<b>4345.95</b>	4301.33
<b>Profit &amp; Loss Account</b>		<b>20081.61</b>	15480.67
		<b>30617.83</b>	26197.10

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 3 : SECURED LOANS</b>		
Term loans from banks	<b>20494.87</b>	13319.63
Bank overdrafts	<b>1523.32</b>	3494.01
	<b>22018.19</b>	16813.64

Particulars of securities (refer note 4)

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Fixed deposits	<b>101.72</b>	3315.12
Short term loans from banks	<b>3455.41</b>	920.64
	<b>3557.13</b>	4235.76
Amount repayable within one year	<b>3557.13</b>	4221.16

**SCHEDULE 5 : FIXED ASSETS**

Rs. lac

ASSETS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT	NET BLOCK	
	As on 01.04.2004	Additions	Deductions/ Adjustments	As on 31.3.2005	Upto 31.03.2004	Deductions/ Adjustments	For the Year	Upto 31.3.2005	Upto 31.3.2005	As on 31.3.2005	As on 31.03.2004
Land	252.90	—	—	<b>252.90</b>	19.84	—	1.64	<b>21.48</b>	—	<b>231.42</b>	233.06
Buildings	8877.98	133.25	49.47	<b>8961.76</b>	2075.50	5.91	238.21	<b>2307.80</b>	—	<b>6653.96</b>	6802.48
Plant & Machinery	35963.10	950.94	325.50	<b>36588.54</b>	19830.93	170.48	1816.13	<b>21476.58</b>	<b>509.00</b>	<b>14602.96</b>	16132.17
Research Centre	116.64	—	3.13	<b>113.51</b>	42.48	2.37	3.30	<b>43.41</b>	—	<b>70.10</b>	74.16
Furniture & Fixtures	1132.99	85.38	100.53	<b>1117.84</b>	630.27	62.60	67.82	<b>635.49</b>	—	<b>482.35</b>	502.72
Office & Other Equipments	943.02	125.95	34.63	<b>1034.34</b>	435.02	15.26	52.48	<b>472.24</b>	—	<b>562.10</b>	508.00
Vehicles	667.16	73.69	109.16	<b>631.69</b>	275.80	40.50	59.58	<b>294.88</b>	—	<b>336.81</b>	391.36
Intangible Assets											
Trademarks	754.00	—	—	<b>754.00</b>	238.77	—	75.40	<b>314.17</b>	—	<b>439.83</b>	515.23
<u>Assets acquired under Finance Lease</u>											
Vehicles	241.89	33.28	0.92	<b>274.25</b>	59.42	—	57.67	<b>117.09</b>	—	<b>157.16</b>	182.47
<b>TOTAL - This Year</b>	<b>48949.68</b>	<b>1402.49</b>	<b>623.34</b>	<b>49728.83</b>	<b>23608.03</b>	<b>297.12</b>	<b>2372.23</b>	<b>25683.14</b>	<b>509.00</b>	<b>23536.69</b>	<b>25341.65</b>
- Previous Year	49699.03	1078.66	1828.01	48949.68	21974.28	752.01	2385.76	23608.03	—		
Capital Work-in-progress	313.93	2389.16	935.90	<b>1767.19</b>	—	—	—	—	<b>204.10</b>	<b>1563.09</b>	313.93
<b>TOTAL</b>									<b>713.10</b>	<b>25099.78</b>	25655.58

- Land includes leasehold land of Rs.136.18 lac (Previous Year Rs.137.82 lac) which is being amortised over the period of lease.
- Buildings, Plant & Machinery and Research Centre at Vikhroli Factory were revalued on 30th June, 1992 on the basis of a Valuation Report submitted by professional valuers.
- Depreciation for the year includes Rs. 223.80 lac (Previous Year Rs. 235.89 lac) being depreciation on revalued component of the fixed assets.
- Gross block deductions includes Rs. 1.03 lac (Previous Year Rs.Nil) being the revalued component of assets sold/discarded during the year.
- Buildings includes Rs. 0.01 lac (previous year Rs. 0.01 lac) being the value of investment in shares of Co-operative Housing Society.
- Buildings includes Rs. 2651.08 lacs (previous year Rs. 2651.08 ) being the cost of equity shares in Tahir Properties Ltd., representing the right of the Company to five flats in the property.

**SCHEDULE 6 : INVESTMENTS**

Investee	Company/Institutions	Face		Acquired during Year	Number Sold during Year	Qty. as on 31.03.05	Notes	Amount	
		Value	Qty. as on 01.04.04					As on 31.03.05 Rs. lac	As on 31.03.04 Rs. lac
		(Rs.)							
LONG TERM INVESTMENTS - At Cost									
A.	TRADE INVESTMENTS								
	Quoted :								
	Equity Shares : Fully Paid								
	Godrej Consumer Products Ltd.	4	49,00,000	24,24,027	—	73,24,027		11670.12	6214.03
	Unquoted :								
	Equity Shares : Fully Paid								
	Compass Connections Ltd.	£0.25	13,692	—	—	13,692		124.55	124.55
	Gharda Chemicals Ltd.	100	114	—	—	114	(a)	11.57	11.57
	Godrej Sara Lee Ltd	4	66,29,437	1,27,688	16,50,000	51,07,125		4729.79	5881.63
	Swadeshi Detergents Ltd.	10	2,09,370	—	—	2,09,370		191.33	191.33
	Avestha Gengraine Technologies Pvt. Ltd.	10	—	1,05,500	—	1,05,500		450.25	-
	Tahir Properties Ltd. (Partly Paid)	100	25	—	—	25	(b)	0.01	0.01
	Preference Shares : Partly Paid								
	Godrej Foods Ltd.	10	50,00,000	—	—	50,00,000	(b)	450.00	450.00
	(8% Redeemable Cumulative Preference Shares, 2012)								
	Tahir Properties Ltd (Class-A)	100	25	—	—	25	(b)	0.02	0.02
	Preferred Stock - Series E :								
	C Bay Systems Ltd.	\$0.01	8,91,394	12,404	—	9,03,798		845.70	845.70
	INVESTMENT IN SUBSIDIARY COMPANIES :								
	Unquoted :								
	Equity Shares: Fully Paid								
	Ensemble Holdings & Finance Ltd.	10	37,70,160	—	—	37,70,160		1318.14	1318.14
	Godrej Agrovet Ltd.	10	41,06,956	6,000	—	41,12,956		3377.34	3367.11
	Godrej Global Solutions Ltd.	10	2,49,50,000	3,27,46,500	—	5,76,96,500	(b)	5379.65	2495.00
	Godrej International Ltd.	£1	15,05,000	—	—	15,05,000		960.83	960.83
	Godrej Tea Ltd.	10	97,49,996	—	—	97,49,996		975.72	975.00
	Godrej Hicare Ltd.	10	9,71,100	21,36,000	—	31,07,100		193.23	97.11
	(formerly Hicare India Ltd.)								
	Godrej Properties & Investments Ltd.	10	50,73,965	—	—	50,73,965		3836.46	3836.46
	Godrej Remote Services Ltd.	10	77,12,642	—	—	77,12,642		771.25	771.25
Balance carried forward								35285.96	27539.74

Investee Company/Institutions	Face Value (Rs.)	Number Qty. as on 01.04.04	Amount Acquired during Year	Sold during Year	Qty. as on 31.03.05	Notes	As on 31.03.05 Rs. lac	As on 31.03.04 Rs. lac
Balance brought forward							35285.96	27539.74
<b>B. OTHER INVESTMENTS :</b>								
<b>Equity Shares : Fully Paid</b>								
Bharuch Eco-Aqua Infrastructure Ltd.	10	4,40,000	—	—	4,40,000		44.00	44.00
<b>Government Securities</b>								
<b>Unquoted :</b>								
Kisan Vikas Patra	—	—	—	—	—		0.32	0.32
National Plan Certificate	—	—	—	—	—		—	0.02
<b>Bonds of Unit Trust of India :</b>								
<b>Unquoted</b>								
6.75% Tax Free US-64 Bonds	100	2,52,193	—	2,52,193	—		—	252.20
<b>Shares in Co-operative Societies - Fully Paid</b>								
<b>Unquoted :</b>								
The Saraswat Co-op Bank Ltd	10	1,000	—	—	1,000		0.10	0.10
							35330.38	27836.38
Less : Provision for diminution in value of Investments							(1753.10)	(1303.10)
							33577.28	26533.28
<u>Aggregate Book Value of Investments</u>								
Quoted							11670.12	6214.03
Unquoted							21907.16	20319.25
							33577.28	26533.28
Market Value of Quoted Investments							22708.15	8018.85

**NOTES :**

- (a) The said shares have been refused for registration by the investee company
- (b) Uncalled liability on partly paid shares:
- Tahir Properties Ltd. - Equity - Rs. 80 per share.
  - Godrej Foods Ltd. - Preference - Re. 1 per share.
  - Tahir Properties Ltd. - Preference - Rs. 30 per share.
  - Godrej Global Solutions - Equity - Rs. 6.50 per share on 60 lac shares.
- (c) Investments acquired and sold during the year (refer note 8).

	Rs. lac	This Year Rs. lac	Previous Year Rs. lac
<b>SCHEDULE 7 : INVENTORIES</b>			
(at lower of cost and net realisable value)			
Stores and spares		526.57	697.73
Raw materials		5192.87	6096.76
Work-in-progress		1126.27	1036.35
Finished goods		3906.05	3113.51
		10751.76	10944.35
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>			
(Unsecured)			
Debts outstanding over six months			
Considered good	1.67		39.10
Considered doubtful	262.05		234.44
		263.72	273.54
Other debts, considered good	8602.77		7063.17
Considered doubtful	33.53		—
		8636.30	7063.17
		8900.02	7336.71
Less : Provision for doubtful debts		295.58	234.44
		8604.44	7102.27

	<u>Rs. lac</u>	<u>This Year Rs. lac</u>	<u>Previous Year Rs. lac</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>			
Cash and cheques on hand		19.62	25.55
Balances with scheduled banks			
– on current accounts		563.62	504.57
– on deposit accounts (refer note 6)		737.16	28.25
		<u>1320.40</u>	<u>558.37</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>			
(Unsecured and considered good unless otherwise stated)			
Loans and Advances (refer note 7)		1127.86	1372.42
Advances recoverable in cash or in kind or for value to be received (net of provision for doubtful advances Rs. 656.49 lac, previous year Rs.668.18 lac)		1302.54	1124.46
Intercompany deposits			
– Subsidiary companies		46.48	244.50
– Others		51.80	101.28
Deposits and balances with			
– Customs & excise authorities		1008.60	1180.44
– Others		564.76	610.06
Advance payment of taxes		30.19	23.44
(Net of Provision for tax of Rs. 1,220 lac, Previous year Rs. 1,013.93 lac)		<u>4132.23</u>	<u>4656.60</u>
<b>SCHEDULE 11 : CURRENT LIABILITIES</b>			
(refer note 9)			
Acceptances		1429.49	319.55
Sundry creditors			
– due to small scale industrial undertakings	72.05		74.60
– others	<u>12271.13</u>		<u>13715.64</u>
		12343.18	13790.24
Advances from customers		964.05	479.09
Sundry deposits		951.76	958.62
Investor Education & Protection Fund *			
– Unclaimed dividend		51.70	65.93
– Unpaid Matured Deposits		103.17	92.50
– Unpaid Matured Debentures		—	147.61
– Interest accrued on above		58.70	50.90
Other liabilities		1055.20	2543.17
Interest accrued but not due		92.99	51.64
		<u>17050.24</u>	<u>18499.25</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund. (Previous year Rs. Nil).			
<b>SCHEDULE 12 : PROVISIONS</b>			
Proposed dividend		1945.68	1459.26
Provision for tax on distributed profits		272.88	186.97
Provision for retirement benefits		2729.72	2376.58
		<u>4948.28</u>	<u>4022.81</u>

	This Year Rs. lac	Previous Year Rs. lac
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Deferred revenue expenditure		
Voluntary retirement compensation		
Balance at the beginning of the year	208.63	411.91
Add : Deferred during the year	100.42	27.96
Less : Amortised during the year	(182.75)	(231.24)
	<b>126.30</b>	<b>208.63</b>
<b>SCHEDULE 14 : SALE OF PRODUCTS AND SERVICES</b>		
Sales (gross)	77275.62	70868.47
Less : Excise duty	5863.69	5211.91
Sales (net)	71411.93	65656.56
Processing charges	2125.86	3550.34
Export incentives	573.27	388.36
Licence fees and service charges	2148.27	2070.65
	<b>76259.33</b>	<b>71665.91</b>
<b>SCHEDULE 15 : OTHER INCOME</b>		
Interest :		
– Government Securities	16.90	24.71
– Income tax refund	8.10	75.08
Dividend		
– from subsidiary companies	646.66	421.99
– from long term investments	1,589.40	831.33
Miscellaneous income	265.46	239.41
Profit on sale of fixed assets (Net)	—	16.14
Profit/(loss) on sale of long term investments	3491.26	(51.02)
(Includes an exceptional item of Rs. 3,422.22 lac, Previous year Nil.)		
Provision for depletion in value of investments written back	(450.02)	131.72
	<b>5567.76</b>	<b>1689.36</b>
<b>SCHEDULE 16 : MATERIALS CONSUMED AND PURCHASE OF GOODS</b>		
Raw materials consumed :		
Stocks at the commencement of the year	6096.76	5861.24
Add : Purchases (net)	44741.01	38387.28
	<b>50837.77</b>	<b>44248.52</b>
Less : Stocks as at the close of the year	5192.87	6096.76
Raw Materials consumed during the year	45644.90	38151.76
Purchase of goods for resale	5883.21	8084.39
	<b>51528.11</b>	<b>46236.15</b>



	<u>Rs. lac</u>	<u>This Year Rs. lac</u>	<u>Previous Year Rs. lac</u>
<b>SCHEDULE 17 : EXPENSES</b>			
Salaries, wages and allowances		6004.11	5698.38
Contribution to provident fund and other funds		354.20	343.78
Employee welfare expenses		513.37	483.43
Stores and spares consumed		1222.38	914.20
Power and fuel		3569.68	3618.98
Processing charges		456.75	48.42
Rent		236.69	1159.82
(Previous year figure includes lease rent of Rs. 1,008 lac, an exceptional item.)			
Rates and taxes		447.83	526.69
Repairs and maintenance			
– Machinery		1200.36	583.08
– Buildings		247.19	235.54
– Other assets		23.56	28.09
Insurance		135.89	120.91
Freight		1606.78	1387.06
Commission		383.90	419.55
Discount		203.06	183.81
Advertisement and publicity		154.04	81.94
Sales promotion		97.55	337.76
Selling and distribution expenses		772.78	569.24
Bad debts written off		0.57	16.81
Provision for doubtful debts and advances		7.00	31.06
Loss on sale of fixed assets		123.78	—
Miscellaneous expenses		1761.58	1586.04
Less : Expenses recovered for cost sharing agreement		(577.73)	(747.24)
		<b>18945.32</b>	<b>17627.35</b>
<b>SCHEDULE 18 : INVENTORY CHANGE</b>			
Stocks at the commencement of the year			
Finished goods	3113.51		3349.14
Work-in-progress	1036.35		1180.36
		<b>4149.86</b>	<b>4529.50</b>
Less : Stocks at the close of the year :			
Finished goods	3906.05		3113.51
Work-in-progress	1126.27		1036.35
		<b>5032.32</b>	<b>4149.86</b>
(Increase)/Decrease in Inventory		<b>(882.46)</b>	<b>379.64</b>
<b>SCHEDULE 19 : INTEREST AND FINANCIAL CHARGES (Net)</b>			
Interest paid			
– on fixed loans	803.40		839.87
– on bank overdrafts	121.46		94.89
– other interest	497.72		123.03
		<b>1422.58</b>	<b>1057.79</b>
Less : Interest received			
– on loans & deposits	47.16		77.86
– on Customer balances, etc	43.71		33.64
		<b>90.87</b>	<b>111.50</b>
Net Interest		<b>1331.71</b>	<b>946.29</b>
Brokerage and other financial charges		<b>322.58</b>	<b>278.80</b>
Foreign exchange (gain)/loss		<b>927.38</b>	<b>(644.91)</b>
		<b>2581.67</b>	<b>580.18</b>
<b>SCHEDULE 20 : PRIOR PERIOD ADJUSTMENTS</b>			
Excess provision for Income-tax		<b>2.20</b>	<b>57.37</b>
		<b>2.20</b>	<b>57.37</b>

**SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India, and the Accounting Standards issued by the Institute of Chartered Accountants of India.

**2. Fixed Assets**

Fixed Assets are stated at cost or as revalued as the case may be, less accumulated depreciation. Cost includes expenses related to acquisition and installation of the concerned assets. Exchange differences arising on account of repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets from a country outside India is adjusted to the carrying cost of the respective assets.

Fixed Assets acquired under finance lease are capitalised at the lower of their face value and present value of the minimum lease payments.

**3. Asset Impairment**

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceed its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.

**4. Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition/construction of the underlying fixed assets are capitalised as a part of the respective asset, upto the date of acquisition / completion of construction.

**5. Investments**

Long term investments are carried at cost. Provision for diminution, if any, in the value of each long term investment is made to recognise a decline, other than of a temporary nature. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value.

**6. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost is computed on weighted average basis and is net of modvat. Finished goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision is made for the cost of obsolescence and other anticipated losses, wherever considered necessary.

**7. Provisions and Contingent Liabilities**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

**8. Foreign Exchange Transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities related to foreign currency transactions, remaining unsettled at the year end, are translated at the contracted rates, when covered under forward foreign exchange contracts and at year-end rates in other cases. The premium payable on forward foreign exchange

contracts is amortised over the period of the contract. Exchange gains and losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from a country outside India in which case they are adjusted to the carrying amount of such fixed assets.

**9. Revenue Recognition**

Sales are recognised when goods are supplied and are recorded net of returns, trade discounts, rebates, sales taxes and excise duties.

Income from processing operations is recognised on completion of production / dispatch of the goods, as per the terms of contract.

Export incentives receivable under the Duty Entitlement Pass Book Scheme and Duty Drawback Scheme are accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.

Interest income is recognised on a time proportion basis.

Income on assets given on operating lease is recognised on a straight line basis over the lease term.

**10. Research and Development Expenditure**

Revenue expenditure on Research and Development is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure incurred during the year on Research & Development is shown as additions to fixed assets.

**11. Depreciation**

Leasehold land is amortised equally over the lease period. Leasehold improvements are amortised over five years.

Intangible assets namely trademarks are amortised over a period of ten years.

Depreciation is provided on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956, except for computer hardware which is depreciated over its estimated useful life of 4 years.

Depreciation on assets acquired during the year is provided for the full accounting year and no depreciation is charged on the assets sold/discarded during the year, except in case of major additions and deductions exceeding rupees one crore in which case, proportionate depreciation is provided.

Depreciation on the revalued component is provided on the straight line method based on the balance useful life of the assets as certified by the valuers. Such depreciation is withdrawn from Revaluation Reserve and credited to Profit and Loss Account.

**12. Retirement Benefits**

Retirement benefits to employees comprise payments under approved provident fund plans, leave encashment and gratuity to eligible employees. Payments under approved provident fund plans are charged to revenue. The liability in respect of future payment of gratuity to retiring employees and leave encashment benefit on retirement is provided on the basis of an actuarial valuation at the end of each financial year.

**13. Incentive Plans**

The Company has a scheme of Performance Linked Variable Remuneration (PLVR) which rewards its employees based on Economic Value Addition (EVA). The PLVR amount is related to actual improvement made in EVA over the previous year when compared with expected improvements. The EVA awards flow through a notional bank whereby only the prescribed portion of the bank is distributed each year and the balance is carried forward. The amount distributed out of the notional bank is charged to profit & loss account. The notional bank is held at risk and charged to EVA of future years and is payable at that time, if future performance so warrants.

**14. Hedging**

Import of crude palm oil by the Company is being hedged by futures contract on offshore Commodities Exchange. Gains or losses on settled contracts is recognized in the profit and loss account and is included in the cost of materials consumed. Futures contracts not settled as on the Balance Sheet date are marked to market and losses, if any, are recognised in the profit and loss account, whereas, the unrealised profit is ignored.

**15. Deferred Revenue Expenditure**

The compensation payable under the Voluntary Retirement Schemes, the benefit of which is expected to accrue in future is deferred over its payback period. The compensation is generally amortised over three to five years depending on the pay back period.

**16. Taxes on Income**

Current tax is the amount of tax payable on the assessable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and accounting income

that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The tax effect is calculated on the accumulated timing differences at the year end and based on the tax rate and laws enacted or substantially enacted on the balance sheet date.

**17. Segment Reporting**

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from the operating activities of the business. Segment assets and liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income/Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income/expenses.

**SCHEDULE 22 : NOTES TO ACCOUNTS****1. Background**

The Company was incorporated under the Companies Act, 1956 on March 7, 1988 under the name of Gujarat-Godrej Innovative Chemicals Limited. The business and undertaking of the erstwhile Godrej Soaps Limited was transferred to the Company under a scheme of amalgamation with effect from April 1, 1994 and the Company's name was changed to Godrej Soaps Ltd. Subsequently, under a scheme of arrangement the Consumer Products division of the Company was demerged with effect from April 1, 2001 into a separate Company, Godrej Consumer Products Limited (GCPL) and the vegetable oils and processed foods manufacturing business of Godrej Foods Ltd was transferred to the Company with effect from June 30, 2001. The Company's name was changed to Godrej Industries Limited on April 2, 2001.

The Company is engaged in the businesses of manufacture and marketing of chemicals, vegetable oils and processed foods, trading in medical diagnostic products, estate management and investment activities.

**2. Contingent Liabilities**

	<b>This year Rs. lac</b>	<b>Previous Year Rs. lac</b>
a) Claims against the Company not acknowledged as debts :		
i) Excise duty demands relating to disputed classification, post manufacturing expenses, assessable values, etc. which the Company has contested and is in appeal at various levels	<b>3386.52</b>	2718.25
ii) Customs Duty demands relating to less charge, differential duty, classification, etc.	<b>1062.93</b>	1034.07
iii) Sales Tax demand relating to purchase tax on Branch Transfer/ Non availability of C Forms, etc. at various levels.	<b>200.96</b>	181.87
iv) Octroi demand relating to classification issue on import of Palm Stearine and interest thereon.	<b>722.01</b>	628.87

v) Stamp duties claimed on certain properties which are under appeal by the Company	<b>182.23</b>	182.23
vi) Income Tax demands against which the company has preferred appeals	<b>586.85</b>	508.76
vii) Industrial relations matters under appeal	<b>486.08</b>	434.13
viii) Others	<b>262.58</b>	891.57
b) Guarantees issued by banks, excluding guarantees issued in respect of matters reported in (a) above	<b>1789.77</b>	1389.96
c) Guarantees given by the Company in respect of credit/ guarantee limits sanctioned by banks to subsidiary and other companies	<b>5385.00</b>	3666.00
d) Uncalled liability on partly paid shares/debentures	<b>440.03</b>	50.03

**3. Capital Commitments**

	<b>This year Rs. lac</b>	<b>Previous Year Rs. lac</b>
Estimated value of contracts remaining to be executed on capital account, to the extent not provided	<b>2059.91</b>	80.58

**4. Secured Loans**

- Term loans from banks are secured by first charge by way of equitable mortgage of the immovable properties including land, building and plant & machinery at Vikhroli and Valia factory.
- Working capital facilities sanctioned by banks are secured by hypothecation of stocks and book debts.
- The Company had during the year raised Rs. 1000 lac (Previous year Nil) against the issue of commercial paper. The amount outstanding against there as on March 31, 2005 is Rs. Nil.

**SCHEDULE 22 : NOTES TO ACCOUNTS** (contd.)

	<b>This year</b>	Previous Year
	<b>Rs. lac</b>	Rs. lac
<b>5. Sundry Debtors</b>		
Sundry Debtors includes amount due from a Company under the same management :		
Godrej Consumer Products Ltd.	<b>19.60</b>	95.52
<b>6. Cash and Bank Balances</b>		
Balances with Scheduled Banks in Deposit Accounts include deposits held by bank as security against guarantees issued on behalf of suppliers of the Company	<b>36.04</b>	18.34
<b>7. Loans and Advances</b>		
a) Loans and Advances include an amount of Rs. 0.45 lac (Previous Year Rs. 5.61 lac) due from directors. Maximum balance during the year Rs. 5.61 lac (Previous year Rs. 6.89 lac).		
b) Loans and Advances include Rs. 1033 lac (Previous year Rs. 1033 lac) advanced by the Company to certain individuals against pledge by way of deposit of equity shares of Gharda Chemicals Ltd. The Company has enforced its security and lodged the shares for transfer in its name, however, the transfer application has been rejected by Gharda Chemicals Ltd. and the Company has filed an appeal before the Company Law Board against the rejection. Interest on the aforesaid loan and advances amounting to Rs. 315 lac was accrued upto March 31, 2000 and has been fully provided for, no interest is being accrued thereafter. The recoverability of the advance is contingent upon the transfer and/or disposal of the said shares. In the opinion of the management, the value of the said shares is greater than the amount of the loans and advances.		
	Maximum balance during the year	
	<b>This year</b>	Previous year
	<b>Rs. lac</b>	Rs. lac
<b>c) Loans and Advances to subsidiary companies</b>		
i) Ensemble Holdings & Finance Ltd.	244.50	<b>11.00</b>
ii) Godrej Properties Ltd.	800.00	—
iii) Godrej Hicare Ltd.	107.48	<b>35.48</b>
<b>d) Loans and Advances to associate companies</b>		
i) Swadeshi Detergents Ltd.	65.80	<b>57.80</b>
<b>e) Loans and Advances where there is no repayment schedule or repayment is beyond seven years :</b>		
i) D. Kavasmanek and Others (refer (b) above).	<b>1033.00</b>	1033.00

**8. Investments**

The Company has acquired and sold the following investments during the year :

**Mutual Funds - Liquid Funds - Growth Plan**

	<b>This Year</b>	Previous Year
	<b>No. of Purchase Units Cost Rs. lac</b>	No. of Purchase Units Cost Rs. lac
Birla Cash Plus Liquid	<b>34,54,371 600.00</b>	4,16,02,898 6980.00
Prudential ICICI Liquid	<b>2,76,48,845 4445.00</b>	1,93,22,924 2940.00
KMMF Liquid	<b>7,57,03,162 9791.00</b>	6,02,12,581 7506.00
Templeton India Liquid	<b>7,08,398 9994.00</b>	1,93,22,924 10030.00
ING Vysya Liquid	<b>5,88,05,678 6364.00</b>	Nil —
SBI Magnum Liquid	<b>11,41,25,847 11990.00</b>	Nil —
JMMF Liquid	<b>4,74,84,632 4970.00</b>	52,01,696 545.00

**Mutual Funds - Short Term Funds - Growth Plan**

	<b>This Year</b>	Previous Year
	<b>No. of Purchase Units Cost Rs. lac</b>	No. of Purchase Units Cost Rs. lac
Birla Bond Plus	<b>Nil —</b>	1,07,92,062 1220.00
Prudential ICICI Short Term Fund	<b>Nil —</b>	1,43,92,412 1660.00
KMMF K Bond Short Term Fund	<b>Nil —</b>	60,80,618 665.00
Templeton India Short Term Income Plan	<b>Nil —</b>	28,158 315.00
Deutsche Short Maturity Fund	<b>Nil —</b>	82,35,631 855.00

**9. Liabilities**

- a) No amount has been claimed from the Company under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.
- b) The names of small scale industrial undertakings to whom an amount is outstanding for more than 30 days are as under:
- |                                   |                               |
|-----------------------------------|-------------------------------|
| Akshay Inorganics                 | Pavitra Fabricators Pvt. Ltd. |
| Amelon Synthetics Corporation     | S. P. Fabricators             |
| ACI Industrial Organics Pvt. Ltd. | Sanjoo Printers               |
| Adage Automation Pvt. Ltd.        | Shree Diamond Silicates Co.   |
| Delite Tin Industries             | Svar Associates Pvt. Ltd.     |
| Jayant Packing Industry           | Trichem Enterprises Pvt. Ltd. |
| Mahawar Packaging Industries      | United Paper Industries       |
| N. R. Packaging Industries        | Vraj Packaging Pvt. Ltd.      |
| Neo Fab                           |                               |
- c) The above information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the company, and has been relied upon by the Auditors.
- d) The wage settlement agreement with the workmen at Vikhroli factory has expired in September 2003. Negotiations with the labour union have not yet commenced, in view of which the Company has provided for the probable liability on estimated basis.

**10. Incentive Plans**

The amount carried forward in notional bank as on March 31, 2005, after distribution of PLVR for the FY 2004-05 is Rs. 947.72 lac (Previous year Rs. 760.04 lac). The said amount is not provided in the books of account and is payable in future if performance so warrants.

**11. Leases :**

- a) The Company has entered into leave and licence agreements in respect of its commercial and residential premises. These are not non-cancelable and range between 11 months to 35 months and are renewable by mutual consent on mutually acceptable terms. Leave and licence arrangements being similar in substance to operating leases, the particulars of the premises under leave and licence arrangement are as under :

	<b>This Year</b>	Previous Year
	<b>Rs. lac</b>	Rs. lac
Gross carrying amount of premises	<b>3816.04</b>	3944.29
Accumulated depreciation	<b>957.72</b>	876.16
Depreciation for the period	<b>120.20</b>	132.63

**b) Finance Leases :**

The Company has acquired vehicles under Finance Lease. Liability for minimum lease payment is secured by hypothecation of the vehicles acquired under the lease. The minimum lease payments outstanding as on March 31, 2005, in respect of vehicles acquired under lease are as under :

Period	Total minimum lease payments outstanding as on March 31, 2005	Un-matured Interest	Present value of minimum lease payments
	<b>Rs. lac</b>	<b>Rs. lac</b>	<b>Rs. lac</b>
Within one year	86.80	18.20	81.69
Later than one year and not later than five years	113.19	13.69	94.32
	<b>199.99</b>	<b>31.89</b>	<b>176.01</b>

**12. Deferred Tax**

- a) Major components of deferred tax arising on account of timing differences as on March 31, 2005 are :

	<b>This Year</b>	Previous Year
	<b>Rs. lac</b>	Rs. lac
<b>Assets</b>		
Business Losses	—	186
Provision for retirement benefits	<b>806</b>	733
Provision for doubtful debts/advances	<b>307</b>	324
Others	<b>228</b>	166
	<b>1341</b>	1409
<b>Liabilities</b>		
Depreciation	<b>3798</b>	4338
VRS Expenses	<b>45</b>	43
	<b>3843</b>	4381
<b>Net Deferred Tax Liability</b>	<b>2502</b>	2972

- b) Provision for deferred tax for the year includes the effect of reversal of deferred tax liability amounting to Rs. 234 lac on account of reduction in the Income tax rate.

**13. Hedging**

Reserve Bank of India has permitted the Company to hedge its exposure on Crude Palm Oil on offshore exchanges to the extent of its imports. Accordingly, the Company is hedging import of crude palm oil on the Malaysian Commodities Exchange by way of futures contracts. The particulars of the futures contracts for the year are as under :

<b>Details</b>	<b>This Year</b>		Previous Year	
	<b>Purchase</b>	<b>Sale</b>	Purchase	Sale
Total number of contracts entered during the year	<b>12</b>	<b>11</b>	33	28
Number of units (25 MT per unit) under above contracts	<b>595</b>	<b>595</b>	1,401	1,281
Future contracts not settled as on March 31, 2005	—	—	—	—
Number of units under above contracts	—	—	—	—

**14. Profit and Loss Account**

- a) The amount of exchange loss on account of fluctuation of the rupee against foreign currencies and the net charges for forward foreign exchange contracts added to the carrying amount of fixed assets during the year is Rs. 0.90 lac (Previous year Rs. 14.77 lac). The exchange difference included in the Profit & Loss Account is a loss of Rs. 1,736.08 lac (Previous year profit of Rs. 1,129.12 lac). The exchange difference in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 715.88 lac (Previous year Rs. 44.33 lac).
- b) Research and Development Expenditure of revenue nature charged to the Profit & Loss Account amounts to Rs. 108.38 lac (Previous year Rs. 115.04 lac).
- c) The Company has changed its accounting policy for accrual of export incentives under the Advance License Benefit Scheme on the basis of its export performance. Effective this year, goods imported without payment of duty under the scheme are accounted at the landed cost and no benefit is accrued or liability provided for exports made or to be made. Consequent to the change, the profits for the year are higher by Rs. 125.86 lac.

**15. Impaired Assets**

In pursuance to Accounting Standard (AS) 28 Impairment of Assets coming into effect, the Company has identified certain assets at its Wadala factory and an asset under construction where the recoverable amount of the assets is lower than its value in use. The accumulated impairment loss relating to these assets amounting to Rs. 713.10 lac as on April 1, 2004 has been adjusted against the opening balance of General Reserve in accordance with the transitional provision of the standard.



**SCHEDULE 22 : NOTES TO ACCOUNTS** (contd.)**16. Segment Information****Information about primary business segments.****Rs. lac**

	Chemicals		Foods		Estate		Finance & Investments		Others		Total	
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
<b>Revenue</b>												
External Sales	54235.91	49368.60	19191.97	19358.07	2166.54	2087.88	5364.84	1403.55	867.83	1062.09	81827.09	73280.19
<b>Results</b>												
<b>Segment results before</b>												
<b>Interest and tax</b>	6230.43	7312.58	(856.81)	(1489.30)	1361.05	1497.36	5364.84	1403.55	114.87	111.73	12214.38	8835.92
Unallocated expenses net of unallocated income											(2124.49)	(1816.30)
Interest Expense (net)											(2581.67)	(580.18)
<b>Profit before tax</b>											7508.22	6439.44
Taxes											69.00	129.00
<b>Profit after taxes</b>											7577.22	6568.44
Segment Assets	34736.34	34687.52	8628.96	7623.64	3699.98	3970.98	36151.10	28919.10	365.52	434.39	83582.00	75635.63
Unallocated Assets											30.19	23.44
Total Assets											83612.19	75659.07
Segment Liabilities	17062.14	17432.62	3896.27	3871.75	950.20	786.08	27.85	306.35	62.06	125.26	21998.52	22,522.06
Unallocated Liabilities											28077.32	24021.40
Total Liabilities											50075.84	46543.46
Total Cost incurred during the year to acquire segment assets	915.21	741.29	426.08	136.79	61.20	200.58	7494.02	7755.55	—	—	8896.51	8843.21
Segment depreciation	1741.79	1727.52	240.22	256.06	133.06	132.85	450.02	(131.72)	33.36	33.45	2598.45	2018.16
<b>Information about Secondary Business Segments</b>												
<b>Revenue by Geographical markets</b>												
India											66453.74	59940.50
Outside India											15373.35	13339.69
<b>Total</b>											81827.09	73280.19
<b>Carrying Amount of Segment assets</b>												
India											83612.19	75659.07
Outside India											—	—
<b>Total</b>											83612.19	75659.07

Notes :

- The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the different risks and returns, the organisational structure and the internal reporting system.
- Chemicals segment includes Oleo Chemicals such as Fatty Alcohols, Fatty Acids, Alfa Olefin Sulphonates and Refined Glycerin.  
Foods segment includes refined vegetable oils and vanaspati, fruit and vegetable puree, pulp juices and fruit beverages.  
Estate segment comprises the business of giving premises on leave and license basis.  
Finance and investments segment comprises of investment in subsidiaries, associate companies and other investments.
- The geographical segments are as follows :
  - Sales in India represent sales to customers located in India
  - Sales outside India represent sales to customers located outside India.



**17. Related Party Disclosures**

## List of Related Parties and Relationships

**a) Parties where control exists :**

Godrej & Boyce Mfg Co. Ltd, the holding Company.

**Subsidiary companies :**

Ensemble Holdings & Finance Ltd.

Godrej Agrovet Ltd.

Goldmohur Foods & Feeds Ltd.

Golden Feed Products Ltd.

Godrej Global Solutions Ltd.

Godrej International Ltd.

Godrej Global Mideast FZE

Godrej Properties Ltd.

Girikandra Holiday Homes & Reso. Ltd.

Godrej Remote Services Ltd.

Godrej Hicare Ltd. (earlier known as Hicare India Ltd.)

Godrej Tea Ltd.

**b) Other related parties with whom the Company had transactions:**

Fellow Subsidiaries:

Godrej Appliances Ltd.

Godrej Consumer Products Ltd.

Godrej Foods Ltd.

Godrej Infotech Ltd.

**Associate/Joint Venture Companies :**

Tahir Properties Ltd.

Godrej SaraLee Ltd.

Godrej Upstream Ltd.

Swadeshi Detergents Ltd.

**Key Management Personnel :**

Mr. N.B. Godrej - Managing Director

Ms. T.A. Dubash - Director (Marketing)

Mr. Mathew Eipe - Executive Director & President  
(Chemicals)

Mr. V. Banaji - Executive Director & President  
(Group Corporate Affairs)

Mr. M.P.Pusalkar - Executive Director & President  
(Foods Division)

**Enterprises over which key management personnel exercise significant influence**

Bahar Agrochem & Feeds Pvt. Ltd.

Lawkim Ltd.

## SCHEDULE 22 : NOTES TO ACCOUNTS (contd.)

## c) Transactions with Related Parties

Rs. lac

Nature of Transaction	Holding Company	Subsidiary Companies	Fellow Subsidiaries	Associate/ Joint Venture Companies	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercise significant influence	Total
Sale of Goods	22.14	0.59	904.96	3.18	—	—	—	930.87
Previous Year	17.53	—	2539.42	3.88	—	—	—	2560.83
Sale of Fixed Assets	—	—	1.46	—	—	—	—	1.46
Previous Year	—	1.34	153.07	—	—	—	—	154.41
Purchase of goods & equipment	60.60	263.54	1086.77	11.49	—	—	—	1422.40
Previous Year	38.61	98.83	708.26	14.44	—	—	—	860.14
Processing charges received	—	—	—	—	—	—	—	—
Previous Year	—	—	2845.71	—	—	—	—	2845.71
Commission received	—	—	21.05	4.50	—	—	—	25.55
Previous Year	—	—	19.62	—	—	—	—	19.62
Recovery of establishment & Other Expenses	13.82	362.57	898.07	216.83	—	—	0.06	1491.35
Previous Year	10.46	395.47	1011.19	237.09	—	—	0.04	1654.25
Establishment & other exps paid	225.68	26.31	112.17	7.35	—	—	0.13	371.64
Previous Year	169.17	42.34	65.30	1.90	—	—	—	278.71
Refund of Deposit	—	16.95	3.08	24.10	—	—	—	44.13
Previous Year	—	3410.75	38.55	—	—	—	—	3449.30
Deposit Received	—	3.55	—	—	—	—	—	3.55
Previous Year	—	—	—	—	—	—	—	—
Sale of Investments	4950.00	—	—	—	—	—	—	4950.00
Previous Year	—	—	—	—	—	—	—	—
Purchase of Investments	—	—	—	—	—	—	10.20	10.20
Previous Year	—	—	—	—	—	—	—	—
Interest received	—	33.47	—	—	—	—	5.85	39.32
Previous Year	—	40.42	—	—	—	—	—	40.42
Interest paid	—	—	—	—	0.27	—	—	0.27
Previous Year	—	—	—	—	0.28	—	—	0.28
Finance provided including loans & equity contributions	—	4305.77	—	—	—	—	—	4305.77
Previous Year	—	7010.35	25.00	112.48	—	—	—	7147.83
Finance repaid during the year	—	1558.50	—	—	—	—	8.00	1566.50
Previous Year	—	11.00	—	28.60	—	—	—	39.60
Guarantees & collaterals given	—	(700.00)	—	1350.00	—	—	—	650.00
Previous Year	—	3666.00	—	—	—	—	—	3666.00
Dividend income	—	646.66	562.72	1010.33	—	—	—	2219.71
Previous Year	—	421.99	284.00	546.93	—	—	—	1252.92
Dividend paid	936.01	2.97	—	—	75.60	272.64	—	1287.22
Previous Year	716.51	1.98	—	—	8.58	—	—	727.07
Remuneration	—	—	—	—	402.01	—	—	402.01
Previous Year	—	—	—	—	338.66	—	—	338.66
Write-back of Provisions	—	—	—	—	—	—	—	—
Previous Year	—	—	0.18	0.11	—	—	—	0.29
Balance Outstanding as on March 31, 2005								
Receivables	69.12	91.92	19.76	10.67	—	—	—	191.47
Previous Year	69.93	289.82	191.30	106.04	—	—	0.02	657.11
Payables	4.33	198.98	61.80	35.29	—	—	0.11	300.51
Previous Year	0.36	148.90	195.52	206.28	—	—	0.11	551.17
Guarantees Outstanding	—	2967.00	—	1350.00	—	—	—	4317.00
Previous Year	—	3666.00	—	—	—	—	—	3666.00

**SCHEDULE 22 : NOTES TO ACCOUNTS (contd.)**

		<u>This Year</u>	<u>Previous Year</u>
<b>18. Earnings per share :</b>			
a) Calculation of weighted average number of equity shares			
Number of shares at the beginning of the year	Nos.	<b>4,86,41,942</b>	4,86,41,942
Number of equity shares outstanding at the end of the year	Nos.	<b>4,86,41,942</b>	4,86,41,942
Weighted average number of equity shares outstanding during the year	Nos.	<b>4,86,41,942</b>	4,86,41,942
b) Net profit after tax available for equity shareholders	Rs. lac	<b>7577.22</b>	6568.45
c) Basic and diluted earnings per share of Rs. 6 each	Rupees	<b>15.58</b>	13.50
	<u>Rs. lac</u>	<u>This Year Rs. lac</u>	<u>Previous Year Rs. lac</u>
<b>19. Computation of Profits under Section 349 of the Companies Act, 1956</b>			
Profit for the year after tax as per Profit & Loss Account		<b>7575.52</b>	6511.07
Add : Depreciation as per accounts	<b>2148.43</b>		2149.88
Managerial Remuneration	<b>402.01</b>		338.66
(Profit)/loss on sale of assets under Section 349	<b>(3.53)</b>		34.79
Provision for doubtful debts/advances and depletion in value of investments	<b>457.02</b>		(100.66)
Provision for Tax	<b>(69.00)</b>		(129.00)
		<b>2934.93</b>	2293.67
		<b>10510.95</b>	8804.74
Less : Losses of the earlier year	—		2117.65
Depreciation under Section 350 of the Companies Act, 1956	<b>2093.73</b>		2099.66
Profit/(loss) on sale of assets as per books	<b>(123.78)</b>		16.14
Profit/( loss ) on sale of investments	<b>3491.26</b>		(51.02)
		<b>5461.21</b>	4182.43
Net Profit for the purpose of Directors' Remuneration		<b>5049.24</b>	4622.31
Managerial remuneration to Managing and Executive Directors @ 10% of the net profits		<b>504.92</b>	462.23
Managerial remuneration paid/payable		<b>402.01</b>	338.66
		<u><b>This Year Rs. lac</b></u>	<u>Previous Year Rs. lac</u>
<b>20. Managerial Remuneration</b>			
Salaries and allowances		<b>342.48</b>	278.88
Contribution to Provident Fund		<b>13.64</b>	11.69
Estimated Monetary value of perquisites		<b>39.44</b>	44.74
Directors' Fees		<b>6.45</b>	3.35
TOTAL		<b>402.01</b>	338.66
<b>21. Auditors' Remuneration</b>			
Audit fees (including Rs. 0.98 lac to branch auditors, Previous Year Rs. 0.96 lac)		<b>25.48</b>	25.46
Tax audit fees		<b>4.50</b>	4.50
Certification and other services		<b>11.47</b>	11.48
Tax Consultation and representation		<b>3.15</b>	11.85
Consultation and management services		<b>2.99</b>	4.76
Out of pocket expenses		<b>0.13</b>	1.76
Service Tax		<b>1.15</b>	4.20
TOTAL		<b>48.87</b>	64.01

**SCHEDULE 22 : NOTES TO ACCOUNTS** (contd.)**22. Sales**

Item	Unit	This Year		Previous Year	
		Quantity	Value Rs. lac	Quantity	Value Rs. lac
Fatty Acids	MT	51369	17014.51	47241	15096.48
Glycerin	MT	8390	3796.68	8338	4262.86
Alpha Olefin and its precursors and derivatives	MT	71967	31446.99	68959	26327.26
Oils & Vanaspati	MT	27597	13652.66	34663	15900.63
Fruit & Vegetable Puree, Pulp & Juices	MT	3951	1611.06	2482	691.52
Fruit beverages and fruit based products	KL	8645	2264.50	7063	1823.29
Soya Milk	MT	591	224.64		—
Medical Diagnostic Products			803.33		935.91
Others			597.56		618.61
<b>TOTAL</b>			<b>71411.93</b>		<b>65656.56</b>

**23. Inventories - Finished Goods**

Item	Unit	March 31, 2005		March 31, 2004		March 31, 2003	
		Quantity	Value Rs. lac	Quantity	Value Rs. lac	Quantity	Value Rs. lac
Fatty Acids	MT	1665	629.54	2245	878.39	1959	731.61
Glycerin	MT	202	90.16	121	63.46	309	180.19
Alpha Olefin and its precursors and derivatives	MT	1649	499.65	1867	723.39	3256	1190.39
Oils & Vanaspati	MT	1075	509.64	1098	575.99	786	396.00
Fruit & Vegetable Puree, Pulp & Juices	MT	5338	1714.67	1576	343.99	1751	388.07
Fruit beverages and fruit based products	KL	748	165.04	650	153.89	944	262.10
Soya Milk	MT	68	15.45	—	—	—	—
Medical Diagnostic Products			180.20		307.60		177.60
Others			101.70		66.80		23.18
<b>TOTAL</b>			<b>3906.05</b>		<b>3113.51</b>		<b>3349.14</b>

**24. Raw Materials Consumed**

	Unit	This Year		Previous Year	
		Quantity	Value Rs. lac	Quantity	Value Rs. lac
Oils & Fats	MT	126151	33526.33	124477	27546.15
Chemicals and Catalysts	MT	21314	4546.98	17217	4319.94
Fruit Pulp & Concentrates	KL	5170	2639.87	5658	457.21
Packing Materials, etc.			4931.72		5828.46
<b>TOTAL</b>			<b>45644.90</b>		<b>38151.76</b>

Raw materials consumption includes consumption for production of captively consumed items.

**25. Purchase of Goods**

	Unit	This Year		Previous Year	
		Quantity	Value Rs. lac	Quantity	Value Rs. lac
Fatty Acids	MT	1002	380.73	65	20.48
Oils & Vanaspati	MT	11914	4292.97	18497	7190.64
Pulp	MT	254	112.18	—	—
Medical Diagnostic Products			379.51		709.10
Others			717.82		164.17
<b>TOTAL</b>			<b>5883.21</b>		<b>8084.39</b>

**SCHEDULE 22 : NOTES TO ACCOUNTS** (contd.)**26. Licensed, Installed and Utilised Capacity**

Item	Unit	Licensed Capacity	Installed Capacity		Actual Production	
			This Year	Previous Year	This Year	Previous Year
<u>SCHEDULED</u>						
Fatty Acids	MT	N.A	32000	32000	37014	39815
Glycerin	MT		8280	8280	8448	8316
Alpha Olefin and its precursors and derivatives	MT		35000	35000	72699	74714
Soaps	MT		26381	26381	10944	19864
Cosmetics	MT		1200	1200	–	–
Fruit Beverages & Fruit based products	KL		30000	30000	46509	6887
Fruit & Vegetable Puree,						
Pulp & Juices.	MT		5000	5000	8581	2616
Refined Oils & Vanaspati	MT		38700	38700	14390	15648
Dietetic & Geriatric foods	MT		250	250	0	21
U.H.T./Sweetened Flavoured Milk	KL		1800	1800	1,136	117
Instant Tea/Coffee Plant	MT		3000	3000	690	–
Synthetic Detergents	MT		11250	11250	16888	13506
Hydrogen (Captive consumption)	NM <sup>3</sup>		1224000	1224000	411412	448570
Oxygen (By-Product)	NM <sup>3</sup>		612000	612000	205706	224285

**Notes :**

- The Licensed capacities are not applicable in view of the exemption from licensing granted under Notification SO 477(E) dated 25th July 1991, issued under the Industries (Development & Regulation) Act, 1951
- Alpha Olefin and its precursors and derivatives includes Fatty Alcohols and A.O. Sulphonates.
- Installed capacity excludes the installed capacity for manufacture of intermediates which are intended to be used for internal consumption to manufacture A.O and its precursors and derivatives.

	This Year	Previous Year		This year	Previous year		
	Rs. lac	Rs. lac		Rs. lac	Rs. lac		
<b>27. Value of Imports on CIF Basis (includes only Imports directly made)</b>			<b>29. Value of Consumption of Raw Materials &amp; Spares</b>		%	%	
Raw materials	<b>15240.87</b>	20247.20	Raw Materials				
Goods for resale	<b>1136.45</b>	1224.94	Imported (including duty content)	<b>29087.56</b>	64	23954.60	63
Stores & spares	<b>270.46</b>	140.23	Indigenous	<b>16557.34</b>	36	14197.16	37
Capital goods	<b>36.89</b>	19.00		<b>45644.90</b>	100	38151.76	100
<b>TOTAL</b>	<b>16684.67</b>	21631.37					
<b>28. Expenditure in Foreign Currency</b>			Spares				
Interest	<b>833.15</b>	529.91	Imported (including duty content)	<b>373.04</b>	31	116.78	13
Travelling expenditure	<b>80.37</b>	85.76	Indigenous	<b>849.34</b>	69	797.42	87
Other expenditure	<b>353.17</b>	185.42		<b>1222.38</b>	100	914.20	100
Expenses for Foreign Branch:							
- Salaries and allowance	<b>84.91</b>	77.42					
- Rent	<b>21.96</b>	22.77					
- Others	<b>32.64</b>	31.49					
<b>TOTAL</b>	<b>1406.20</b>	932.77	<b>30. Dividends Remitted in Foreign Currency (subject to deduction of tax, as applicable)</b>				
			Final Dividend for Financial Year 2003-04 to 4 shareholders on 270 shares	<b>0.01</b>		—	
			<b>TOTAL</b>	<b>0.01</b>		—	

## SCHEDULE 22 : NOTES TO ACCOUNTS (contd.)

	This year Rs. lac	Previous year Rs. lac	This year Rs. lac	Previous year Rs. lac
<b>31. Earnings in Foreign Exchange</b>			<b>V. OTHER MATTERS</b>	
Export of goods (F.O.B. : this year Rs.14793.04 lac previous year Rs.12670.02 lac)	15309.42	13279.26	1. Contingent Liabilities	262.35
Dividend	62.21	48.26	2. Capital Commitments	0.52
Interest	—	12.17		
Others	1.72	—	<b>33. Figures for the previous year have been regrouped wherever necessary.</b>	
<b>TOTAL</b>	<b>15373.35</b>	<b>13339.69</b>	<b>34. Additional information as required under part IV of Schedule VI to the Companies Act, 1956</b>	
<b>32. Interest in Joint Ventures:</b>			<b>1. Registration Details</b>	
The Company's interests, as a venturer, in jointly controlled entities are:			Registration No	97781
<b>Name</b>	<b>Countries of Incorporation</b>	<b>Principal activities</b>	State Code	11
		<b>Percentage of Ownership interest as at 31st March, 2005</b>	Balance Sheet Date	31/3/2005
Godrej SaraLee Ltd.	India	Household Insecticides	<b>2. Capital raised during the year (Amount in Rs. lac)</b>	
ACI Godrej Agrovet Pvt. Ltd.	Bangladesh	Animal Feed & Poultry Operations	Public Issue	Nil
			Rights Issue	Nil
			Bonus Issue	Nil
			Private Placement (Preference)	Nil
The Company's interests in Joint Venture are reported as Long Term Investments (Schedule "6") and stated at cost less provision, if any, for permanent diminution in value of such investments. The Company's share of each of the assets, liabilities, income and expenses, etc. related to its interests in these joint ventures are:			<b>3. Position of mobilisation and deployment of funds (Amount in Rs. lac)</b>	
	<b>This year Rs. lac</b>	<b>Previous year Rs. lac</b>	Total Liabilities	61,613.67
<b>I. ASSETS</b>			Total Assets	61,613.67
1. Fixed Assets	1090.83	1274.37	<b>Sources of Funds</b>	
2. Investments	40.64	—	Paid-up Capital	2,918.52
3. Current Assets, Loans and Advances			Reserves & Surplus	30,617.83
a) Inventories	894.18	1278.71	Secured Loans	22,018.19
b) Sundry Debtors	250.86	374.07	Unsecured Loans	3,557.13
c) Cash and Bank Balances	990.71	944.14	Deferred Tax Liability	2,502.00
d) Other Current Assets	0.24	0.73	<b>Application of Funds</b>	
e) Loans and Advances	443.65	360.62	Net Fixed assets	25,099.78
<b>II. LIABILITIES</b>			Investments	33,577.28
1. Loan Funds			Net Current Assets	2,810.31
a) Secured Loans	96.19	148.61	Misc. Expenditure	126.30
b) Unsecured Loans	153.13	438.55	Accumulated Losses	—
2. Current Liabilities and Provisions			<b>4. Performance of Company (Amount in Rs.lac)</b>	
a) Liabilities	1644.78	1878.01	Turnover (Income from Operations)	76,259.33
b) Provisions	52.64	101.64	Total Expenditure	
3. Deferred Tax- Net	23.03	44.35	(Net of Other Income)	68,753.31
<b>III. INCOME</b>			Profit/(Loss) before tax	7,506.02
1. Sales and income from operations	9757.50	10654.76	Profit/(Loss) after tax	7,575.02
2. Other Income	124.16	122.01	Earning per Share in Rs. (on an annualised basis)	15.58
<b>IV. EXPENSES</b>			Dividend rate %	66.67%
1. Material consumed and purchase of goods	4837.66	4774.40	<b>Generic Names of three principal products/services of Company</b>	
2. Expenses	4039.40	4368.12	Item Code No.	38.23 *
3. Inventory change	(43.57)	74.66	Product description	Fatty Acids/Fatty Alcohols
4. Depreciation	137.11	171.52	Item Code No.	15.16 *
5. Interest	22.93	22.52	Product description	Vanaspati/Refined Oils
6. Provision for Taxation	63.77	83.88	Item Code No.	22.02 *
			Product description	Fruit Drinks

(\*represents Heading No. of the Harmonized Commodity Description and Coding System)



## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF GODREJ INDUSTRIES LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS

1. We have audited the attached Consolidated Balance Sheet of Godrej Industries Limited and its subsidiaries as at March 31, 2005, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, annexed thereto. These consolidated financial statements are the responsibility of Godrej Industries Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An 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.
3. We did not audit the financial statements of certain subsidiaries and a joint venture whose financial statements reflect the Group's share of total assets of Rs. 6,432 lac as at March 31, 2005 and the Group's share of total revenues of Rs. 27,298 lac and net cash inflows amounting to Rs. 48 lac for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries and joint venture is based solely on the report of the other auditors. The financial statements and other information of the associates for the year ended March 31, 2005 have not been audited, as stated in Note 2 of Schedule 22 - Notes to Accounts, and our opinion insofar as it relates to the Group's share of the associates' net profit of Rs. 59 lac for the year then ended included in the consolidated financial statements, is based solely on the management's certification.
4. We report that the consolidated financial statements have been prepared by the management of Godrej Industries Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27 – Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
5. *Reference is invited to note 9 of Schedule 22 - Notes to Accounts, regarding the recoverability of advances given to certain individuals amounting to Rs. 1033 lac being contingent upon the transfer and/or disposal of the shares pledged against the loan. The said shares were lodged for transfer which application was rejected and the Company has preferred an appeal to the Company Law Board. The impact thereof on the profit for the year could not be ascertained.*
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements, and the management's certification of the unaudited financial statements and other financial information of the components, in our opinion, the consolidated financial statements, subject to the observations in para (5) above, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Godrej Industries Limited Group as at March 31, 2005;
  - b) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations for the year ended on that date; and
  - c) in case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
 Chartered Accountants

**V.R. Mehta**  
 Partner

Mumbai, May 30, 2005

Membership No. 32083

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule	Rs. lac	This Year Rs. lac	Previous Year Rs. lac
<b>SOURCES OF FUNDS</b>				
1. Shareholders' Funds				
(a) Share capital	1	2912.58		2912.58
(b) Reserves & surplus	2	32177.16		29723.11
			35089.74	32635.69
2. Minority Interest			3390.95	2798.28
3. Loan Funds				
(a) Secured loans	3	27970.40		26835.31
(b) Unsecured loans	4	12295.52		11473.35
			40265.92	38308.66
4. Deferred Tax Liability			2409.81	3208.13
TOTAL			81156.42	76950.75
<b>APPLICATION OF FUNDS</b>				
5. Fixed Assets	5			
(a) Gross block		67005.19		65238.97
(b) Less : Depreciation/Impairment		32523.15		29137.21
(c) Net block		34482.04		36101.76
(d) Capital work-in-progress		1819.61		331.27
			36301.65	36433.03
6. Goodwill (on consolidation)			10967.94	11264.45
7. Investments	6		17479.52	10900.25
8. Current Assets, Loans and Advances				
(a) Inventories	7	22617.01		23959.73
(b) Sundry debtors	8	20744.80		19545.43
(c) Cash and bank balances	9	5343.12		4725.58
(d) Loans and advances	10	16320.74		15778.50
		65025.66		64009.24
Less : Current Liabilities and Provisions				
(a) Liabilities	11	43302.23		41500.65
(b) Provisions	12	5455.61		4399.49
		48757.83		45900.14
Net Current Assets			16267.82	18109.10
9. Miscellaneous Expenditure (To the extent not written off or adjusted)	13		139.49	243.92
TOTAL			81156.42	76950.75
Significant Accounting Policies	21			
Notes to Accounts	22			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

Signatures to Balance Sheet and Schedules 1 to 13, 21 and 22

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**A. B. Godrej**  
Chairman

**N. B. Godrej**  
Managing Director

**V. R. Mehta**  
Partner  
Mumbai, May 30, 2005

**S. K. Bhatt**  
Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	This Year Rs. lac	Previous Year Rs. lac
<b>INCOME</b>			
Sale of Products & Services	14	195059.57	183466.09
Other Income	15	4331.84	1388.81
		<b>199391.41</b>	<b>184854.90</b>
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods	16	143148.55	132841.77
Expenses	17	42607.03	40506.10
Inventory change	18	(967.83)	273.79
Interest and financial charges (net)	19	3496.47	1654.76
Depreciation		3360.55	3277.19
(Net of transfer from Revaluation Reserve Rs. 223.80 lac, Previous year Rs. 235.89 lac)			
		<b>191644.77</b>	<b>178553.61</b>
<b>Profit Before Tax</b>		<b>7746.65</b>	<b>6301.29</b>
Provision for taxation			
- Current Tax		1359.87	952.02
- Deferred Tax		(718.79)	(633.54)
<b>Profit For The Year After Taxation</b>		<b>7105.58</b>	<b>5982.80</b>
Prior Period adjustments (net)	20	4.17	112.69
		<b>7109.75</b>	<b>6095.49</b>
Share of Loss in Associates		(137.70)	(201.47)
Profit before Minority Interest		<b>6972.05</b>	<b>5894.02</b>
Share of Minority Interest		(504.91)	(43.05)
<b>Profit After Minority Interest</b>		<b>6467.14</b>	<b>5850.96</b>
Surplus brought forward		15317.18	12223.03
Adjustment for subsidiaries added/deleted		—	316.39
<b>Profit After Tax Available For Appropriation</b>		<b>21784.32</b>	<b>18390.38</b>
<b>APPROPRIATIONS:</b>			
Dividend on Equity Shares			
– Interim		209.00	225.90
– Final		2044.86	1493.56
Tax on distributed profits		547.10	447.90
Transfer to General Reserve		1069.56	905.85
Surplus carried forward		17913.79	15317.18
<b>TOTAL</b>		<b>21784.32</b>	<b>18390.38</b>
Basic and Diluted Earnings per share (Face Value Rs. 6 per share) (refer note 14)		<b>13.32</b>	<b>12.05</b>
Significant Accounting Policies	21		
Notes to Accounts	22		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached

Signatures to Profit & Loss Account and Schedules 14 to 22

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**A. B. Godrej**  
Chairman

**N. B. Godrej**  
Managing Director

**V. R. Mehta**  
Partner  
Mumbai, May 30, 2005

**S. K. Bhatt**  
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>A. Cash Flow from operating activities :</b>		
Profit before tax	7746.65	6301.28
Adjustments for :		
Depreciation	3360.55	3277.19
Foreign exchange	946.54	(959.66)
Loss/(Profit) on sale of investments	(3458.14)	51.00
Loss/(Profit) on sale of fixed assets	182.24	(30.37)
Dividend income	(580.27)	(286.39)
Interest income	(746.62)	(682.04)
Interest expense	3214.73	2816.96
Voluntary retirement compensation and other expenses deferred	(100.42)	(394.08)
Deferred expenditure written off	209.22	1435.17
Provision for diminution in value of investments	531.76	0.00
Provision for doubtful debts and sundry balances written off (net)	(99.86)	(125.14)
Others	(273.47)	5.95
Operating profit before working capital changes	10932.91	11409.87
Adjustments for :		
Inventories	1043.25	708.49
Trade and other receivables	(2545.85)	(2310.87)
Trade payables	2590.17	5112.77
Cash generated from operations	12020.48	14920.26
Direct taxes paid	(1392.52)	(1332.40)
Direct taxes refund received	140.11	22.22
<b>Net Cash from operating activities</b>	<b>10768.07</b>	<b>13610.08</b>
<b>B. Cash Flow from investing activities :</b>		
Purchase of fixed assets	(5270.97)	(2083.53)
Proceeds from sale of fixed assets	687.69	1228.76
Purchase of investments	(56076.53)	(39578.13)
Proceeds from sale of investments	53425.25	32828.63
Intercompany deposits/Loans (net)	457.08	(18.88)
Interest received	795.29	675.33
Dividend received	583.21	286.40
<b>Net Cash used in investing activities</b>	<b>(5398.98)</b>	<b>(6661.42)</b>
<b>C. Cash Flow from financing activities :</b>		
Proceeds from share capital	0.00	25.00
Proceeds from borrowings	25812.12	22750.31
Repayments of borrowings	(21935.24)	(25451.31)
Bank overdrafts (net)	(3379.95)	1107.60
Interest paid	(3227.87)	(2951.36)
Dividend paid	(1571.79)	(1144.06)
Tax on distributed profits	(448.82)	(323.97)
<b>Net Cash used in financing activities</b>	<b>(4751.55)</b>	<b>(5987.79)</b>
Net increase in cash and cash equivalents	617.54	960.87
Cash and cash equivalents (Opening Balance)	4725.58	3764.71
Cash and cash equivalents (Closing Balance)	5343.12	4725.58
(including share in jointly controlled entities - Rs. 865.31 lac)		
<b>Notes :</b>		
	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
1. Cash and Cash equivalents.		
Cash on hand and balances with banks	5350.21	4725.70
Effect of exchange rate changes	(7.09)	(0.12)
Cash and cash equivalents	5343.12	4725.58
2. The above cashflow statement includes share of cashflows from jointly controlled entities as under:		
a. Net cash from operating activities	1163.40	
b. Net cash used in investing activities	(48.09)	
c. Net cash from financing activities	965.63	

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants**V. R. Mehta**

Partner

Mumbai, May 30, 2005

Signatures to Cash Flow Statement

**A. B. Godrej**  
Chairman**N. B. Godrej**  
Managing Director**S. K. Bhatt**  
Company Secretary

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

### SCHEDULE 1 : SHARE CAPITAL

#### Authorised:

13,33,33,333	Equity shares of Rs. 6 each
10,00,00,000	Unclassified Shares of Rs. 10 each

#### Issued, Subscribed and Paid-up:

4,85,42,952	Equity shares of Rs. 6 each fully paid
-------------	----------------------------------------

Of the above 3,12,00,398 shares are held by Godrej & Boyce Mfg. Co. Limited, the holding Company

### SCHEDULE 2 : RESERVES AND SURPLUS

	As at 1.4.2004	Additions	Deductions	As at 31.03.2005
Securities Premium Account	1099.16	0.11	—	1099.27
	1099.16	—	—	1099.16
Capital Investment Subsidy Reserve	65.97	14.45	—	80.42
	51.55	14.42	—	65.97
Revaluation Reserve	3256.59	—	224.83	3031.76
	3492.48	—	235.89	3256.59
Capital Redemption Reserve	3125.00	—	—	3125.00
	3125.00	—	—	3125.00
General Reserve	6152.34	1069.56	912.00	6309.90
	4420.35	1731.99	—	6152.34
Foreign Exchange Fluctuation Reserve	—	12.29	—	12.29
	—	—	—	—
Profit & Loss Account	15317.18	2596.61	—	17913.79
	12223.01	3094.17	—	15317.18
Share in Jointly Controlled Entities	706.87	—	102.14	604.73
	577.07	129.80	—	706.87
<b>Total Reserves – This Year</b>	<b>29723.11</b>	<b>3693.02</b>	<b>1238.97</b>	<b>32177.16</b>
– Previous Year	24988.62	4970.38	235.89	29723.11

### SCHEDULE 3 : SECURED LOANS

Term loans from financial institutions
Term loans from banks
Bank overdrafts
Share in jointly controlled entities

This Year Rs. lac	Previous Year Rs. lac
1155.98	1448.92
23303.20	19360.40
3415.03	5877.38
96.19	148.61
<b>27970.40</b>	<b>26835.31</b>

### SCHEDULE 4 : UNSECURED LOANS

Fixed deposits
Intercorporate deposits
Short term loans from banks
Sales tax deferment facility
Share in jointly controlled entities

This Year Rs. lac	Previous Year Rs. lac
471.45	3751.20
3663.10	1780.00
7691.41	5237.14
316.43	266.46
153.13	438.55
<b>12295.52</b>	<b>11473.35</b>

### SCHEDULE 5 : FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT	NET BLOCK	
	As on 1.4.2004	Additions	Deductions/ Adjustments	As on 31.03.2005	Upto 31.03.2004	Deductions/ Adjustments	For the Year	Upto 31.03.2005	As on 31.03.2005	As on 31.03.2005	As on 31.03.2004
Land	1471.38	87.29	254.80	1303.87	54.57	–	5.93	60.50	–	1243.37	1416.81
Buildings	11323.62	209.09	102.09	11430.62	2634.71	25.57	379.85	2988.99	–	8441.63	8688.91
Plant & Machinery	41571.61	2724.09	446.10	43849.60	21843.25	199.98	2285.19	23928.46	707.90	19213.24	19728.36
Research Centre	153.21	0.31	3.13	150.39	56.57	2.37	5.05	59.25	–	91.14	96.64
Furniture & Fixtures	1474.82	128.03	119.50	1483.35	809.66	78.22	100.49	831.93	–	651.42	665.16
Office & Other Equipments	1368.80	220.74	185.63	1403.91	711.12	135.04	157.08	733.16	–	670.75	657.68
Vehicles	1296.95	198.77	231.10	1264.62	589.18	107.59	150.03	631.62	–	633.00	707.77
Trees Development Cost	454.69	0.00	0.00	454.69	178.89	0.00	30.33	209.22	–	245.47	275.80
Technical Know how Fees	200.00	0.00	0.00	200.00	162.36	0.00	33.33	195.69	–	4.31	37.64
Trademarks	3121.99	90.00	-	3211.99	751.84	(1.70)	242.28	995.82	–	2216.17	2370.15
Assets Acquired under Finance Lease											
Plant & Machinery	0.00	52.31	0.00	52.31	0.00	0.00	0.00	0.00	–	52.31	0.00
Vehicles	241.89	33.28	0.92	274.25	59.42	0.00	57.67	117.09	–	157.16	182.47
Share in jointly controlled entities	2,560.01	42.96	677.38	1925.59	1,285.64	359.23	137.11	1063.52	–	862.07	1274.37
TOTAL - This Year	65238.97	3786.87	2020.65	67005.19	29137.21	906.30	3584.34	31815.25	707.90	34482.04	36101.76
- Previous Year	65620.45	2422.35	2803.82	65238.97	26590.32	972.67	3519.56	29137.21	–		
Capital Work-in-progress	2023.71	2629.07	936.63	2023.71	–	–	–	–	204.10	1819.61	331.27
TOTAL									912.00	36301.65	36433.03

- Land includes leasehold land of Rs. 232.16 lac (Previous Year Rs. 236.93 lac) which is being amortised over the period of lease.
- Buildings, Plant & Machinery and Research Centre at Vikhroli Factory were revalued on 30th June, 1992 on the basis of a Valuation Report submitted by professional valuers.
- Depreciation for the year includes Rs. 223.80 lac (Previous Year Rs. 235.89 lac) being depreciation on revalued component of the fixed assets.
- Buildings includes Rs. 0.01 lac (Previous Year Rs. 0.01 lac) being the value of investment in shares of Co-operative Housing Society.
- Buildings includes Rs. 2651.08 lac (Previous Year Rs. 2651.08 lac) being the cost of equity shares in Tahir Properties Ltd., representing the right of the Company to five flats in the property.

**SCHEDULE 6 : INVESTMENTS**

Investee Company/Institutions	FACE		NUMBER			Notes	AMOUNT	
	Value (Rs.)	Qty As on 01.04.04	Acquired During Year	Sold During Year	Qty As on 31.03.05		As on 1.03.05 Rs. lac	As on 31.03.04 Rs. lac
LONG TERM INVESTMENTS - At cost								
A. TRADE INVESTMENTS								
Quoted :								
Equity Shares : Fully Paid								
Godrej Consumer Products Ltd.	4	49,00,000	24,24,027	—	73,24,027		11670.12	6214.03
Godrej Foods Ltd.	1	14,84,864	—	—	14,84,864		13.64	13.64
Others		—	—	—	—		1.08	0.31
B. INVESTMENT IN ASSOCIATE COMPANIES :								
Unquoted :								
Equity Shares : Fully Paid								
Compass Connections Ltd.	£0.25	13,692	—	—	13,692		142.99	107.62
Godrej Upstream Ltd.	10	9,00,000	—	—	9,00,000		591.86	774.86
Swadeshi Detergents Ltd.	10	2,09,370	—	—	2,09,370		49.54	48.50
Creamline Dairy Products Ltd.	10	—	23,90,911	—	23,90,911		971.88	—
Creamline Nutrients Ltd.	10	—	3,51,352	—	3,51,352		90.79	—
Polychem Hygiene Laboratories Pvt. Ltd.	10	—	4,55,000	—	4,55,000		178.72	—
Personalitree Academy Ltd.	10	3,89,269	—	—	3,89,269		68.24	68.24
C. OTHER INVESTMENTS :								
Unquoted :								
Equity Shares : Fully Paid								
Gharda Chemicals Ltd.	100	114	—	—	114	(a)	11.57	11.57
Avestha Gengraine Technologies Pvt. Ltd.	10	—	1,05,500	—	1,05,500		450.25	—
karROX Technologies Ltd.	10	2,50,000	—	—	2,50,000		100.50	100.50
View Group LP	—	—	—	—	—	(c)	802.44	691.50
Bharuch Eco-Aqua Infrastructure Ltd.	10	4,40,000	—	—	4,40,000		44.00	44.00
Tahir Properties Ltd. (Partly Paid)	100	25	—	—	25	(b)	0.01	0.01
Preference Shares : Partly Paid								
Godrej Foods Ltd.	10	50,00,000	—	—	50,00,000	(b)	450.00	450.00
(8% Redeemable Cumulative Preference Shares, 2012)								
Tahir Properties Ltd. (Class-A)	100	25	—	—	25	(b)	0.02	0.02
Preferred Stock - Series E :								
CBay Systems Ltd.	\$0.01	13,86,394	12,404	—	13,98,798		2177.23	2240.89
Government Securities								
Unquoted :								
Kisan Vikas Patra	31,600	—	—	—	—		0.32	0.32
National Saving Certificate	92,000	—	—	—	—		0.92	0.87
Indira Vikas Patra	2,000	—	—	—	—		0.02	0.03
National Plan Certificate	1,500	—	—	—	—		—	0.02
Units of Mutual Fund :								
Unquoted								
Templeton India Treasury Fund							200.55	—
Kotak Liquid Scheme							30.33	—
Franklin Templeton Mutual Fund							0.69	—
6.75% Tax Free US-64 Bonds	100	2,52,193	—	2,52,193	—		—	252.20
Shares in Co-operative Societies - Fully Paid								
Unquoted :								
Sachin Industrial Co-op. Society	500	3	—	—	3		0.02	0.02
The Saraswat Co-op. Bank Ltd	10	2,000	—	—	2,000		0.20	0.20
Less : Provision for diminution in value of Investments							18047.95 (568.41)	11019.35 (119.10)
							17479.52	10900.25
Aggregate Book Value of Investments							11684.84	6227.98
Quoted							5794.68	4672.27
Unquoted							17479.52	10900.25
Market Value of Quoted Investments							22958.08	8128.23

**Notes :**

- The said shares have been refused for registration by the investee company
- Uncalled liability on partly paid shares:
  - Tahir Properties Ltd. - Equity - Rs. 80 per share.
  - Godrej Foods Ltd. - Preference - Re. 1 per share.
  - Tahir Properties Ltd. - Preference - Rs. 30 per share.
- 7.2% of capital, of which 1.20% of capital acquired during the year.



**SCHEDULES FORMING PART OF THE CONSOLIDATED (contd.)**

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>		<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 7 : INVENTORIES</b> (at lower of cost and net realisable value)			<b>SCHEDULE 11 : CURRENT LIABILITIES</b>		
Stores and spares	650.05	801.59	Acceptances	6176.37	3383.47
Raw materials	10641.12	11924.42	Sundry creditors	24966.50	26060.16
Work-in-progress	1325.99	1340.45	Advances from customers	5231.65	3623.60
Finished Goods	6985.28	6208.03	Sundry deposits	2049.12	2073.01
Stock-in-trade	620.75	462.16	Investor Education & Protection Fund*		
Projects-in-progress	1499.64	1944.37	– Unclaimed Dividend	51.70	65.93
Share in jointly controlled entities	894.18	1278.71	– Unpaid Matured Deposits	139.24	139.20
	22617.01	23959.73	– Unpaid Matured Debentures	—	147.61
			– Interest accrued on above	58.70	50.90
			Other liabilities	2876.41	4009.74
<b>SCHEDULE 8 : SUNDRY DEBTORS</b> (Unsecured)			Interest accrued but not due	107.76	69.02
Debts outstanding over six months			Share in jointly controlled entities	1644.78	1878.01
Considered good	1525.81	1218.59		43302.23	41500.65
Considered doubtful	502.67	509.81	<b>SCHEDULE 12 : PROVISIONS</b>		
	2028.48	1728.40	Proposed dividend	2044.86	1493.56
Other debts			Provision for tax on distributed profits	305.83	186.97
Considered good	19001.66	17952.77	Provision for taxation	23.36	—
	21030.14	19681.17	(Net of advance tax of Rs. 3205.94 lac)		
Less : Provision for doubtful debts	(536.20)	(509.81)	Provision for retirement benefits	3028.91	2617.32
	20493.94	19171.36	Share in jointly controlled entities	52.64	101.64
Share in jointly controlled entities	250.86	374.07		5455.61	4399.49
	20744.80	19545.43	<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>			(To the extent not written off or adjusted)		
Cash and cheques on hand	138.48	1148.88	Deferred revenue expenditure		
Balances with scheduled banks			– Voluntary retirement compensation	126.30	208.63
– on current accounts	1685.51	2085.48	– Preliminary Expenses	9.59	28.77
– on deposit accounts	2528.41	547.09	– Others	3.60	6.52
Share in jointly controlled entities	990.71	944.14		139.49	243.92
	5343.12	4725.58	<b>SCHEDULE 14 : SALE OF PRODUCTS AND SERVICES</b>		
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)			Sales (gross)	185759.86	172182.82
Loans and Advances (refer note 6)	2166.54	2722.54	Less : Excise duty	5863.69	5262.04
Advances recoverable in cash or in kind or for value to be received (net of provision for doubtful advances Rs. 934.18 lac, Previous Year Rs. 917.66 lac)	8545.54	10361.99	Sales (net)	179896.17	166920.78
Intercompany deposits			Processing charges	2125.86	3550.34
– Associate companies	2148.69	—	Export incentives	573.27	388.36
– Others	55.76	424.01	Licence fees and service charges	2191.75	1829.95
Deposits and balances with			Project/Development Management Fees	515.02	121.91
– Customs & excise authorities	1008.65	1180.44	Share in jointly controlled entities	9757.50	10654.76
– Others	1951.90	694.07		195059.57	183466.09
Advance payment of taxes	—	34.83	<b>SCHEDULE 15 : OTHER INCOME</b>		
(Net of provision for tax Previous Year Rs. 2147.55 lac)			Interest :		
Share in jointly controlled entities	443.65	360.62	– Government Securities	16.90	24.71
	16320.74	15778.50	– Income tax refund	8.10	75.09
			– Others	53.05	54.61
			Provision for depletion in value of long term investments written back	(449.98)	92.47
			Provision for doubtful debts and advances written back	3.05	345.63
			Dividend	580.27	286.39
			Miscellaneous income	538.15	405.31
			Profit on sale of fixed assets (Net)	—	33.59
			Profit on sale of long term investments	3458.14	(51.00)
			Share in jointly controlled entities	124.16	122.01
				4331.84	1388.81

**SCHEDULES FORMING PART OF THE CONSOLIDATED (contd.)**

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>		<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
<b>SCHEDULE 16 : MATERIALS CONSUMED AND PURCHASE OF GOODS</b>			<b>SCHEDULE 19 : INTEREST AND FINANCIAL CHARGES (Net)</b>		
Raw materials consumed :			Interest paid		
Stocks at the commencement of the year	<b>14017.17</b>	14293.76	– on debentures and fixed loans	<b>816.32</b>	1126.28
Add : Purchases (net)	<b>124546.87</b>	116188.99	– on bank overdrafts	<b>755.63</b>	700.30
	<b>138564.04</b>	130482.75	– to Financial Institutions	<b>188.85</b>	55.32
Less : Stocks as at the close of the year	<b>12234.70</b>	14389.68	– on Inter Corporate Deposits	<b>176.40</b>	169.55
Raw Materials consumed during the year	<b>126329.34</b>	116093.07	– other interest	<b>770.29</b>	242.75
Purchase of goods for resale	<b>11981.55</b>	11974.30		<b>2707.49</b>	2294.19
Share in jointly controlled entities	<b>4837.66</b>	4774.40	Less : Interest received		
	<b>143148.55</b>	132841.77	– on loans & deposits	<b>285.90</b>	37.67
			– on Customer balances, etc.	<b>43.74</b>	35.29
			– projects and landlords	<b>335.77</b>	438.68
			– others	<b>3.16</b>	5.65
				<b>668.57</b>	517.29
<b>SCHEDULE 17 : EXPENSES</b>			Net Interest	<b>2038.92</b>	1776.90
Salaries, wages and allowances	<b>9995.87</b>	9,082.29	Brokerage and other financial charges	<b>507.24</b>	500.25
Contribution to provident fund and other funds	<b>608.71</b>	561.67	Foreign exchange (gain)/loss	<b>927.38</b>	(644.91)
Employee welfare expenses	<b>826.33</b>	797.92	Share in jointly controlled entities	<b>22.93</b>	22.52
Stores and spares consumed	<b>1934.57</b>	1320.50		<b>3496.47</b>	1654.76
Power and fuel	<b>5068.20</b>	5064.45	<b>SCHEDULE 20 : PRIOR PERIOD ADJUSTMENTS</b>		
Processing charges	<b>3838.17</b>	3154.94	Excess provision for Income-tax	<b>4.17</b>	122.63
Rent	<b>527.02</b>	1409.91	Depreciation	—	(6.39)
Rates and taxes	<b>692.40</b>	778.58	Excess provision for expenses (net)	—	(3.55)
Repairs and maintenance				<b>4.17</b>	112.69
– Machinery	<b>1363.37</b>	816.20	<b>SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES</b>		
– Buildings	<b>261.55</b>	254.02	<b>a) Accounting Convention</b>		
– Other assets	<b>45.47</b>	81.67	The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India.		
Insurance	<b>222.02</b>	179.36	<b>b) Fixed Assets</b>		
Freight	<b>2718.63</b>	2506.71	Fixed Assets are stated at cost or as revalued as the case may be, less accumulated depreciation. Cost includes all expenses related to acquisition and installation, of the concerned asset. Exchange differences arising on account of repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets are adjusted to the carrying cost of the respective assets.		
Commission	<b>3107.74</b>	2702.62	Fixed Assets acquired under finance lease are capitalised at the lower of their face value and present value of the minimum lease payments.		
Discount	<b>203.06</b>	217.97	<b>c) Asset Impairment</b>		
Advertisement and publicity	<b>1427.64</b>	2056.32	The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceed its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.		
Sales promotion	<b>280.52</b>	558.24			
Selling and distribution expenses	<b>819.63</b>	596.70			
Bad debts written off	<b>630.88</b>	784.09			
Loss on Sale of Fixed Assets	<b>182.24</b>	—			
Miscellaneous expenses	<b>3,813.61</b>	3213.82			
Share in jointly controlled entities	<b>4,039.40</b>	4368.12			
	<b>42607.03</b>	40506.10			
<b>SCHEDULE 18 : INVENTORY CHANGE</b>					
Stocks at the commencement of the year					
Finished goods	<b>6137.86</b>	6386.29			
Work-in-progress	<b>1340.45</b>	1280.43			
Share in jointly controlled entities	<b>897.58</b>	950.28			
	<b>8375.89</b>	8617.00			
Less : Stocks at the close of the year :					
Finished goods	<b>6892.88</b>	6127.14			
Work-in-progress	<b>1509.69</b>	1340.45			
Share in jointly controlled entities	<b>941.15</b>	875.62			
	<b>9343.72</b>	8343.21			
(Increase)/Decrease in Inventory	<b>(967.83)</b>	273.79			

**SCHEDULES FORMING PART OF THE CONSOLIDATED (contd.)****d) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition/construction of the underlying fixed assets are capitalised as a part of the respective asset, upto the date of acquisition/completion of construction.

**e) Investments**

Long term investments are carried at cost. Provision for diminution, if any, in the value of each long term investment is made to recognise a decline, other than of a temporary nature. The fair value of a long term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are carried at lower of cost and fair value.

**f) Inventories**

Inventories are valued at lower of cost and net realisable value. Cost is computed on weighted average basis and is net of modvat. Finished goods and work-in-progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Provision is made for the cost of obsolescence and other anticipated losses are provided for wherever considered necessary.

Construction Work-in-progress is valued at cost. Construction work-in-progress includes cost of land, premium for development rights, construction costs, allocated interest and expenses incidental to the projects undertaken by the Company.

**g) Provisions and Contingent Liabilities**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

**h) Foreign Exchange Transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities related to foreign currency transactions, remaining unsettled at the year end, are translated at the contracted rates, when covered under forward foreign exchange contracts and at year-end rates in other cases. The premium payable on forward foreign exchange contracts is amortised over the period of the contract. Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets from a country outside India in which case they are adjusted to the carrying amount of such fixed assets.

**i) Revenue Recognition**

Sales are recognised where goods are supplied and are recorded net of returns, trade discounts, rebates, sales taxes and excise duty.

Income from processing operations is recognised on completion of production/dispatch of the goods, as per the terms of contract.

Export incentives receivable under the Duty Entitlement Pass Book Scheme and the Duty Drawback Scheme are accounted on accrual basis.

Revenue from construction activity is recognised on "Percentage of Completion Method" of accounting. As per this method, revenue in Profit & Loss Account at the end of the accounting year is recognized in proportion to the actual cost incurred as against the total estimated cost of projects under execution with the Company.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, concerning, where relevant, the percentages of completion, costs to completion, the expected revenues from the project/activity and the foreseeable losses to completion. Such estimates have been relied upon by the auditors.

Dividend income is recognised when the right to receive the same is established.

Interest income is recognised on a time proportion basis.

Income on assets given on operating lease is recognised on a straight line basis over the lease term.

**j) Depreciation**

Leasehold land is amortised equally over the lease period. Leasehold improvements are amortised over five years.

Trademarks are amortised over a period of four to fifteen years depending on the expected utilisation.

Depreciation is provided on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956, except in some subsidiary companies, where depreciation has been provided on the written down value method. The impact of the differing method of depreciation has not been ascertained but is not likely to be material. Computer hardware is depreciated over its estimated useful life of 4 years.

Depreciation on assets acquired during the year is provided for the full accounting year and no depreciation is charged on the assets sold/discarded during the year, except in case of major additions and deductions exceeding rupees one crore in which case, proportionate depreciation is provided.

Depreciation on the revalued component is provided on the straight line method based on the balance useful life of the assets as certified by the valuers. Such depreciation is withdrawn from Revaluation Reserve and credited to Profit and Loss Account.

**k) Retirement Benefits**

Retirement benefits to employees comprise payments under approved provident fund plans, leave encashment and gratuity to eligible employees. Payments under approved provident fund plans are charged to revenue. The liability in respect of future payment of gratuity to retiring employees and leave encashment benefit on retirement is provided on the basis of an actuarial valuation at the end of each financial year.

**l) Deferred Revenue Expenditure**

The compensation payable under the Voluntary Retirement Schemes, the benefit of which is expected to accrue in future is deferred over its payback period. The compensation is generally amortised over three to five years depending on the pay back period.

Preliminary Expenses and Share issue expenses are amortised in ten equal instalments.

**SCHEDULES FORMING PART OF THE CONSOLIDATED .. (contd.)****m) Hedging**

Import of crude palm oil by the Company are being hedged by futures contract on offshore Commodities Exchange. Gains or losses on settled contracts is recognized in the profit and loss account and is included in the cost of materials consumed. Futures contracts not settled as on the Balance Sheet date are marked to market and losses, if any, are recognised in the profit and loss account, whereas, the unrealized profit is ignored.

**n) Taxes on Income**

Current tax is the amount of tax payable on the assessable income for the year determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The tax effect is calculated on the accumulated timing differences at the year end and based on the tax rate and laws enacted or substantially enacted on the balance sheet date.

**o) Segment Reporting**

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from the operating activities of the business. Segment assets and liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income/Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income/expenses.

**SCHEDULE 22 : NOTES TO ACCOUNTS****1. Principles of Consolidation :**

The consolidated financial statements relate to Godrej Industries Limited, the holding company, its majority owned subsidiaries, Joint ventures and Associates (collectively referred to as Group). The consolidation of accounts of the Company with its subsidiaries has been prepared in accordance with Accounting Standard (AS) 21 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiaries are combined on a line by line basis and intra group balances, intra group transactions and unrealised profits or losses are fully eliminated.

In the consolidated financial statements, 'Goodwill' represents the excess of the cost to the Company of its investment in the subsidiaries and/or joint ventures over its share of equity, at the respective dates on which the investments are made. Alternatively, where the share of equity as on the date of investment is in excess of cost of investment, it is recognised as 'Capital Reserve' in the consolidated financial statements.

Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at

the respective dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investment as stated above.

Investments in Joint Ventures are dealt with in accordance with Accounting Standard (AS) 27 'Financial Reporting of Interests in Joint Ventures'. The Company's interest in jointly controlled entities are reported using proportionate consolidation, whereby the Company's share of jointly controlled assets and liabilities and the share of income and expenses of the jointly controlled entities are reported as separate line items.

Investments in Associates are dealt with in accordance with Accounting Standard (AS) 23 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. Effect has been given to the carrying amount of investments in associates using the 'Equity method'. The Company's share of the post acquisition profits or losses is included in the carrying cost of investments.

- The financial statements of the subsidiaries, joint ventures and associates used in the consolidation are drawn upto the same reporting date as of the Company i.e., year ended March 31, 2005, except in respect of Personalitree Academy Ltd, an associate company whose accounts for the year ended March 31, 2005 have not been received till date. The investment not being significant and fully provided for in the previous year, there is no impact on the profit and loss account.

The accounts of Compass Connections Ltd., UK, Ceramline Dairy Products Ltd, Creamline Nutrients Ltd & Polychem Hygiene Laboratories Pvt. Ltd., associate companies have not been audited for the year ended March 31, 2005 as of date and have been consolidated on the basis of the accounts as certified by their respective management.

**3. Information on subsidiaries, joint ventures and associates :**

- The subsidiary companies considered in the consolidated financial statements are :

S. No.	Name of the Company	Country of Incorporation	Percentage of Holding This Year	Previous Year
1.	Godrej Agrovet Ltd.	India	57.78%	57.69%
2.	Goldmohur Foods & Feeds Ltd. (100% subsidiary of Godrej Agrovet Ltd.)	India	57.78%	57.69%
3.	Golden Feed Products Ltd. (100% subsidiary of Godrej Agrovet Ltd.)	India	57.78%	57.69%
4.	Godrej Properties Ltd.	India	82.85%	82.85%
5.	Girikandra Holiday Homes & Resorts Ltd. (100% subsidiary of Godrej Properties & Investments Ltd.)	India	82.85%	82.85%
6.	Godrej Hicare Ltd.	India	86.44%	—
7.	Godrej Remote Services Ltd.	India	99.99%	99.99%
8.	Ensemble Holdings & Finance Ltd.	India	99.95%	99.95%
9.	Godrej International Ltd., UK	U.K.	100.00%	100.00%
10.	Godrej Global Mid-East FZE, UAE (100% subsidiary of Godrej International Ltd.)	U.A.E.	100.00%	100.00%
11.	Godrej Tea Ltd.	India	70.91%	70.91%
12.	Godrej Global Solutions Ltd.	India	100.00%	100.00%



**SCHEDULES FORMING PART OF THE CONSOLIDATED (contd.)****Note :**

Tahir Properties Ltd. has been excluded from the consolidated financial statements as the shareholding in the Company represents certain rights in the property and does not necessarily represent control over the Company.

**(b) Interests in Joint Ventures:**

S. No.	Name of the company	Country of Incorporation	Percentage of Ownership Interest <b>This Year</b>	Previous Year
i)	Godrej SaraLee Ltd.	India	<b>19.50%</b>	25.96 %
ii)	Godrej Hicare Ltd. (earlier known as Hicare India Ltd.)	India	—	40.46%
iii)	ACI Godrej Agrovet Pvt. Ltd. Bangladesh (held by Godrej Agrovet Ltd.)		<b>50.00%</b>	—

**(c) Investments in Associates:**

S. No.	Name of the company	Country of Incorporation	Percentage of Holding	Percentage of Holding
i)	Swadeshi Detergents Ltd.	India	<b>41.08%</b>	41.08%
ii)	Godrej Upstream Ltd. (held by Godrej Global Solutions Ltd.)	India	<b>40.43%</b>	42.33%
iii)	Compass Connections Ltd.	U.K.	<b>21.16%</b>	21.16%
iv)	Personalitree Academy Ltd. (held by Ensemble Holdings & Finance Ltd.)	India	<b>26.00%</b>	26.00%
v)	Creamline Dairy Products Ltd. (held by Godrej Agrovet Ltd.)	India	<b>26.00%</b>	—
vi)	Creamline Nutrients Ltd. (held by Godrej Agrovet Ltd.)	India	<b>26.00%</b>	—
vii)	Polychem Hygiene Laboratories Pvt. Ltd. (held by Godrej Agrovet Ltd.)	India	<b>26.00%</b>	—

**4.** The accounting policies of certain subsidiaries, joint ventures & associates especially regarding the method of depreciation, amortisation of technical knowhow and accounting for retirement benefits are not in consonance with the group accounting policies. No effect has been given in the consolidated financial statements on account of such differing accounting policies, where the impact is not expected to be significant.

**5. The break-up of Investment in Associates is as under:**

	Cost of Acquisition	Goodwill included in cost of acquisition	Share in profits/ (loss) of associates in post acquisition investments	Provision for diminution of value of investments	Rs. in lac Carrying cost of Investments
(i) Swadeshi Detergents Ltd.	191.34	91.48	(141.80)	49.54	—
(ii) Godrej Upstream Ltd.	900.00	95.27	(308.14)	—	591.86
(iii) Compass Connections Ltd.	124.54	79.66	18.45	—	142.99
(iv) Personalitree Academy Ltd.	110.28	42.84	(42.04)	68.24	Nil
(v) Creamline Dairy Products Ltd.	950.16	358.84	21.72	—	971.88
(vi) Creamline Nutrients Ltd.	87.84	28.40	2.95	—	90.79
(vii) Polychem Hygiene Lab. Pvt. Ltd.	162.75	87.40	15.97	—	178.72
<b>Total</b>	<b>2526.91</b>	<b>783.89</b>	<b>432.89</b>	<b>117.78</b>	<b>1976.24</b>

**6. Contingent Liabilities**

	<b>This year Rs. lac</b>	Previous Year Rs. lac
<b>a) Claims against the Company not acknowledged as debts:</b>		
i) Excise duty demands relating to disputed classification, post manufacturing expenses, assessable values, etc. which the Company has contested and is in appeal at various levels.	<b>3386.52</b>	2941.10
ii) Customs Duty demands relating to less charge, differential duty, classification, etc.	<b>1036.65</b>	1034.07
iii) Sales Tax demand relating to purchase tax on Branch Transfer/ Non availability of C Forms, etc. at various levels.	<b>532.21</b>	181.87
iv) Octroi demand relating to classification issue on import of Palm Stearine and interest thereon.	<b>722.01</b>	628.87
v) Stamp duties claimed on certain properties which are under appeal by the Company	<b>182.23</b>	182.23
vi) Income Tax demands against which the company has preferred appeals	<b>726.95</b>	508.76
vii) Industrial relations matters under appeal	<b>486.08</b>	434.13
viii) Others	<b>649.69</b>	508.84
<b>b) Guarantees issued by banks, excluding guarantees issued in respect of matters reported in (a) above</b>	<b>2207.42</b>	1516.40
<b>c) Guarantees given by the Company in respect of credit/guarantee limits sanctioned by banks to subsidiary and other companies.</b>	<b>14855.00</b>	12166.00
<b>d) Uncalled liability on partly paid shares/debentures</b>	<b>534.85</b>	126.11
<b>e) Share in Jointly Controlled Entities</b>	<b>262.35</b>	299.64

**7. Capital Commitments**

Estimated value of contracts remaining to be executed on capital account, to the extent not provided	<b>3105.92</b>	181.96
Share in Jointly Controlled Entities	<b>0.52</b>	11.16

**8. Deferred Tax**

Major components of Deferred Tax arising on account of timing differences as at March 31, 2005 are :

**Assets**

Business Losses	<b>1123.50</b>	1515.80
Provision for retirement benefits	<b>806.00</b>	733.00
Provision for doubtful debts/advances	<b>399.24</b>	428.31
Others	<b>334.95</b>	164.26
Share in Jointly Controlled Entities	<b>60.17</b>	57.81
	<b>2723.86</b>	2899.18

**Liabilities**

Depreciation	<b>5005.47</b>	5533.45
VRS Expenses	<b>45.00</b>	43.00
Deferred Revenue Expenditure	—	428.70
Share in Jointly Controlled Entities	<b>83.20</b>	102.16
	<b>5133.67</b>	6107.31
<b>Net Deferred Tax Liability</b>	<b>2409.81</b>	3208.13

**SCHEDULES FORMING PART OF THE CONSOLIDATED (contd.)****9. Loans and Advances :**

Loans and Advances include Rs. 1033 lac (Previous Year Rs. 1033 lac) advanced by the Company to certain individuals against pledge, by way of deposit, of equity share of Gharda Chemicals Ltd. The Company has enforced its security and lodged the shares for transfer in its name, however, the transfer application has been rejected by Gharda Chemicals Ltd. and the Company has filed an appeal before the Company Law Board. Interest on the aforesaid loans and advances amounting to Rs. 315 lac was accrued upto March 31, 2000 and has been fully provided for, no interest is being accrued thereafter. The recoverability of the advance is contingent upon the transfer and/ or disposal of said shares. In the opinion of the management, the value of the said shares is greater than the amount of the loans and advances.

**10. Leases :**

- a) The group has entered into leave and licence agreements in respect of its commercial and residential premises. These are not non-cancelable and range between 11 months to 35 months and are renewable by mutual consent on mutually acceptable terms. Leave and licence arrangements being similar in substance to operating leases, the particulars of the premises under leave and licence arrangement are as under:

	<b>This Year Rs. lac</b>	<b>Previous Year Rs. lac</b>
Gross carrying amount of premises	<b>4253.85</b>	<b>3959.07</b>
Accumulated depreciation	<b>965.30</b>	<b>883.36</b>
Depreciation for the period	<b>120.58</b>	<b>133.03</b>
b) The total of future minimum lease payments under non cancelable operating leases for each of the following periods :		
Period	Minimum future lease rentals	Jointly controlled entities
	<b>Rs. lac</b>	<b>Rs. lac</b>
Within one year	109.53	56.59
Later than one year and not later than five years	64.11	70.23
Later than five years	—	3.71
<b>Total</b>	<b>173.64</b>	<b>130.53</b>
Amount recognised during the year	215.24	58.28

**c) Finance Leases :**

The group has acquired assets under Finance Lease. Liability for minimum lease payment is secured by hypothecation of the vehicles acquired under the lease. The minimum lease payments outstanding as on March 31, 2005, in respect of vehicles acquired under lease are as under :

Period	Total minimum lease payments outstanding as on March 31, 2005	Un-matured Interest	Present value of minimum lease payments
Within one year	86.80	18.20	81.69
Later than one year and not later than five years	113.19	13.69	94.32
	<u>199.99</u>	<u>31.89</u>	<u>176.01</u>

**11. Hedging :**

Reserve Bank of India has permitted the Company to hedge its exposure on Crude Palm Oil on offshore exchanges to the extent of its imports. Accordingly, the Company is hedging import of crude palm oil on the Malaysian Commodities Exchange by way of futures contracts. The particulars of the futures contracts for the year are as under:

<b>Details</b>	<b>This Year</b>		<b>Previous Year</b>	
	<b>Purchase</b>	<b>Sale</b>	<b>Purchase</b>	<b>Sale</b>
Total number of contracts entered during the year	<b>12</b>	<b>11</b>	33	28
Number of units (25 MT per unit) under above contracts	<b>595</b>	<b>595</b>	1,401	1,281
Future contracts not settled as on March 31, 2004	—	—	—	—
Number of units under above contracts	—	—	—	—

**12. Profit and Loss Account**

The amount of exchange loss on account of fluctuation of the rupee against foreign currencies and the net charges for forward foreign exchange contracts added to the carrying amount of fixed assets during the year is Rs. 0.90 lac (Previous year Rs. 14.77 lac). The exchange difference included in the Profit & Loss Account is a loss of Rs. 1,806.29 lac (Previous year profit of Rs. 989.33 lac). The exchange difference in respect of forward exchange contracts to be recognised in subsequent accounting periods is Rs. 739.48 lac (Previous year Rs. 86.23 lac).

**13. Related Party Disclosures :**

List of Related Parties and Relationships

**a) Parties where control exists**

Godrej & Boyce Mfg Co. Ltd, the holding company.

**b) Other related parties with whom transactions have taken place during the year.****Fellow Subsidiaries :**

Godrej Consumer Products Ltd.

Godrej Infotech Ltd.

Godrej Appliances Ltd.

Godrej Foods Ltd.

**Associate/Joint Venture Companies**

Godrej SaraLee Ltd.

Tahir Properties Ltd.

Swadeshi Detergents Ltd.

**Key Management Personnel**

Mr. N. B. Godrej - Managing Director

Ms. T. A. Dubash - Director (Marketing)

Mr. Mathew Eipe - Executive Director & President (Chemicals)

Mr. V. Banaji - Executive Director & President (Group Corporate Affairs)

Mr. M.P. Pusalkar - Executive Director & President (Foods Division)

**Enterprises over which key management personnel exercise significant influence**

Bahar Agrochem & Feeds Pvt. Ltd.

Lawkim Ltd.



## c) Transactions with Related Parties

Rs. lac

Nature of Transaction	Holding Company	Fellow Subsidiaries	Associate/Joint Venture Companies	Key Management Personnel	Relative of Key Management Personnel	Enterprises over which Key Management Personnel exercise significant influence	Total
Sale of Goods	22.14	988.80	—	—	—	—	1010.94
Previous Year	20.02	2606.48	21.85	—	—	0.88	2649.23
Sales of Fixed Assets	—	1.46	—	—	—	—	1.46
Previous Year	—	153.07	—	—	—	—	153.07
Purchase of goods & equipment	79.59	1385.88	3.84	—	—	—	1469.31
Previous Year	92.12	713.37	5.04	—	—	696.26	1506.79
Processing charges received	—	—	—	—	—	—	—
Previous Year	—	2845.71	—	—	—	—	2845.71
Commission received	—	21.05	4.50	—	—	—	25.55
Previous Year	—	19.62	—	—	—	—	19.62
Recovery of establishment & Other Expenses	13.94	898.07	—	—	—	0.06	912.07
Previous Year	10.46	1012.13	—	—	—	0.04	1022.63
Establishment & other exps paid	551.38	118.21	—	—	—	0.13	669.72
Previous Year	395.48	86.60	17.11	—	—	—	499.13
Refund of Deposit	—	3.08	—	—	—	—	3.08
Previous Year	—	—	8.00	—	—	—	8.00
Interest received	—	—	251.32	—	—	5.85	257.17
Previous Year	—	—	0.06	—	—	—	0.06
Interest paid	—	—	—	0.27	—	—	0.27
Previous Year	—	—	—	0.28	—	—	0.28
Finance provided including loans & equity contributions	—	—	2792.00	—	—	10.20	2802.20
Previous Year	8.00	25.00	115.48	—	—	—	148.48
Sale of Investments	4950.00	—	—	—	—	—	4950.00
Previous Year	—	—	—	—	—	—	—
Finance repaid during the year	—	—	1350.00	—	—	8.00	1358.00
Previous Year	—	—	28.60	—	—	—	28.60
Guarantees & collaterals given	—	—	1350.00	—	—	—	1350.00
Previous Year	—	—	—	—	—	—	—
Dividend income	—	562.72	—	—	—	—	562.72
Previous Year	—	284.00	—	—	—	—	284.00
Dividend paid	936.01	—	—	83.21	272.64	5.63	1297.49
Previous Year	716.51	—	—	14.55	—	4.46	735.52
Remuneration	—	—	—	402.51	—	—	402.51
Previous Year	—	—	—	338.66	—	—	338.66
Write-back of Provisions	—	—	—	—	—	—	—
Previous Year	—	0.18	0.11	—	—	—	0.29
Provisions for doubtful advances/investments	—	—	—	—	—	—	—
Previous Year	—	—	113.28	—	—	—	113.28
Balance Outstanding as on March 31, 2005							
Receivables	69.12	20.64	—	—	—	—	89.76
Previous Year	70.24	200.94	332.81	—	—	0.02	604.01
Payables	4.85	84.66	—	—	—	0.11	89.62
Previous Year	0.51	195.60	201.52	—	—	0.11	397.74
Guarantees Outstanding	—	—	1350.00	—	—	—	1350.00
Previous Year	—	—	—	—	—	—	—

## 14. Earnings Per Share

		This Year	Previous Year
a) Calculation of weighted average number of equity shares			
Number of shares at the beginning of the year	Nos.	4,85,42,952	4,85,42,952
Shares bought back pursuant to the scheme of arrangement	Nos.	-	-
Number of equity shares outstanding at the end of the year	Nos.	4,85,42,952	4,85,42,952
Weighted average number of equity shares outstanding during the year	Nos.	4,85,42,952	4,85,42,952
b) Net profit after tax available for equity shareholders	Rs. lac	6,467.14	5,850.96
c) Basic and diluted earning per share of Rs.6 each	Rupees	13.32	12.05

# 15. Segment Information

Information about primary business segments	Chemicals		Animal Feed		Foods		Estate & Property Development		Household Insecticides		Tea		Finance & Investments		Others		Total	
	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year	This Year	Previous Year
(A) Revenue	54160.45	49364.25	65399.74	65549.07	19191.97	19358.07	6138.94	4763.57	11087.50	10776.77	1579.13	3507.11	3674.60	407.77	37822.54	29351.77	199054.87	183078.38
External Sales	37.99	4.15	1,559.05	-	-	-	212.39	247.24	-	-	-	104.76	1694.44	995.98	72.04	0.88	3575.91	1353.01
Intersegment Sales	54198.44	49368.40	66958.79	65549.07	19191.97	19358.07	6351.33	5010.81	11087.50	10776.77	1579.13	3611.87	5369.04	1403.75	37894.58	29352.65	202630.78	184431.39
Total Sales	(37.99)	(4.15)	(1,559.05)	-	-	-	(212.39)	(247.24)	-	-	-	(104.76)	(1694.44)	(995.98)	(72.04)	(0.88)	(3575.91)	(1353.01)
Less: Intersegment Sales	54160.45	49364.25	65399.74	65549.07	19191.97	19358.07	6138.94	4763.57	11087.50	10776.77	1579.13	3507.11	3674.60	407.77	37822.54	29351.77	199054.87	183078.38
Total Revenue																		
(B) Results																		
Segment result before interest, exceptional items and tax	6192.44	7311.51	2157.42	2916.73	(856.81)	(1391.41)	2391.61	1886.72	839.89	1388.27	(1353.58)	(2200.34)	3636.65	408.32	517.22	(78.72)	13524.84	10241.08
Unallocated expenses net of unallocated income																	(227.55)	(2172.33)
Interest Expense (net)																	(3496.47)	(1654.77)
Profit before tax (including prior period adjustments)																	7730.82	6413.98
Taxes																	(641.07)	(318.49)
Profit after taxes																	7109.75	6095.49
Share of loss in associates																	(137.70)	(201.47)
Profit before Minority Interest																	6972.05	5894.02
Share of Minority Interest																	(504.91)	(43.05)
Net Profit after Minority Interest																	6467.14	5850.97
Segment Assets	34736.34	34687.52	16883.73	16833.19	8628.96	7623.64	17422.14	16886.69	4056.21	4232.40	1554.11	2744.05	25455.30	19159.70	17967.95	15382.66	126704.74	117549.85
Unallocated Assets																	3209.53	35.72
Total Assets																	129914.27	117585.57
Segment Liabilities	17062.14	17432.62	14699.04	12649.47	3896.27	3871.75	11283.63	10169.59	3646.09	2566.81	5208.61	4312.46	27.85	306.35	4344.58	5934.06	60168.21	57243.11
Unallocated Liabilities																	34656.31	28959.69
Total Liabilities																	94824.52	86202.80
Total Cost incurred during the year to acquire segment assets	915.21	747.04	333.95	302.65	426.08	136.79	94.78	288.51	184.80	138.32	34.97	57.25	-	-	1797.08	751.79	3786.87	2422.35
Segment depreciation	1741.79	1778.46	498.70	479.06	240.22	300.00	166.26	126.81	149.15	133.60	32.53	17.57	-	-	531.89	414.05	3360.54	3249.55
Information about Secondary Business Segments																		
Revenue by Geographical markets																		
India																	This Year	Previous Year
Outside India																	179568.15	151798.27
Total																	19486.72	31280.11
Total																	199054.87	183078.38
Carrying Amount of Segment assets																		
India																	This Year	Previous Year
Outside India																	127218.51	115005.68
Total																	2695.76	2579.89
Total																	129914.27	117585.57

Notes :

- The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the different risks and returns, the organisational structure and the internal reporting system.
- Chemicals segment includes the business of Oleochemicals such as Fatty Acids, Fatty Alcohols and Alfa Olefin Sulphonates and Refined Glycerin. Animal Feed segment includes the business of compound feed for cattle, poultry, aquatic animals, Foods segment includes the business of refined vegetable oils and vanaspathi, fruit and fruit beverages, Estate segment comprises the business of developing commercial and residential property and giving premises on lease and licence basis. Household Insecticides segment includes the business of household and environmental pest control solutions. Finance and Investments includes, investments in subsidiaries, associates companies and other investments. Others includes Medical Diagnostics, Agri Inputs, Integrated Poultry, Oil Palm Plantations and Medical Transcription business.
- The geographical segments are as follows :
  - Sales in India represent sales to customers located in India.
  - Sales outside India represent sales to customers located outside India.

## STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the Company	Godrej Agrovet Limited	Godrej Properties Limited	Godrej Remote Services Limited	Ensemble Holdings & Finance Limited	Godrej International Limited	Godrej Global Solutions Limited	Godrej Tea Limited	Godrej Hicare Limited	Golden Feed Products Limited	Godrej Global MidEast FZE	Goldmohur Foods & Feeds Limited	Girikandra Holiday Home & Resorts Limited
2. The company's interest in the subsidiaries as on March 31, 2005												
a. Number of Equity Shares	4112956	5073965	7712642	3770160	1505000	57696500	9749996	3107100	(See note 7 below)	(See note 8 below)	(See note 9 below)	(See note 10 below)
Total Number of Shares	7118752	6444545	7723525	3774160	1505000	57746500	13750000	3600000				
b. Face Value	10	10	10	10	£1 (US\$1.52)	10	10	10				
c. Extent of Holding	57.78%	78.73%	99.86%	99.89%	100%	99.91%	70.91%	86.31%				
3. Net aggregate profit/(Loss) of the subsidiary company so far it concerns the members of the Company	Rs. lac	Rs. lac	Rs. lac	Rs. lac	US\$	Rs. lac	Rs. lac	Rs. lac	—	—	—	—
A. For the financial year ended on March 31, 2005												
i. Not dealt with in the books of Account of the Company	592.59	260.04	(264.21)	20.51	399,262	10.31	(1,519.28)	(97.56)	—	—	—	—
ii. Dealt with in the books of Account of the Company	226.21	200.77	Nil	Nil	Nil	Nil	Nil	Nil	—	—	—	—
B. For the subsidiary company's previous financial years since it became a subsidiary												
i. Not dealt with in the books of Account of the Company	1,750.15	612.13	(482.95)	(762.17)	1,834,292	(173.38)	(598.52)	N.A.	—	—	—	—
ii. Dealt with in the books of Account of the Company	1,857.53	1,004.99	Nil	Nil	977,405	Nil	Nil	N.A.	—	—	—	—

### Notes:

- The Financial Year of all subsidiary companies have ended on March 31, 2005.
- 2,67,410 Equity Shares of Rs.10 each fully paid up in Godrej Properties Ltd. are held by Ensemble Holdings & Finance Ltd., a subsidiary of the Company.
- 10,883 Equity Shares of Rs.10 each fully paid up in Godrej Remote Services Ltd. are held by Ensemble Holdings & Finance Ltd., a subsidiary of the Company. The Company and Ensemble Holdings and Finance Ltd. have entered into an Agreement with Cbay Systems Ltd., USA, for sale of 100% stake in Godrej Remote Services Ltd. FIPB approval for the same is awaited.
- 4,000 Equity Shares of Rs.10 each in Ensemble Holdings & Finance Ltd., are held by Godrej Agrovet Ltd., a subsidiary of the Company.
- 49,940 equity shares of Rs. 10 each in Godrej Global Solutions Ltd. are held by Ensemble Holdings & Finance Ltd.; a subsidiary of the Company. 60,00,000 equity shares of Rs. 10/- each in Godrej Global Solutions Ltd. are partly paid-up to the extent of Rs. 3.50 per share.
- 4,800 Equity Shares of Rs.10 each in Godrej Hicare Ltd. are held by Ensemble Holdings and Finance Ltd., a subsidiary of the Company.
- 50,000 Equity Shares of Rs. 10 each fully paid up in Golden Feed Products Ltd. (representing 100% of the Share Capital) are held by Godrej Agrovet Ltd., a subsidiary of the Company.
- 5 Ordinary Shares of US\$ 2,50,000 each fully paid up in Godrej Global MidEast FZE. (representing 100% of the Share Capital) are held by Godrej International Ltd., a subsidiary of the Company.
- 18,38,170 equity shares of Rs.10 each fully paid up in Goldmohur Foods & Feeds Ltd. (representing 100% of the share capital) are held by Godrej Agrovet Ltd, a subsidiary of the Company. During the year, 3,20,000 equity shares were bought back by Gold Mohur Foods & Feeds Ltd. under a buyback scheme.
- 500 equity shares of the face value of Rs.1000 each fully paid up in Girikandra Holiday Homes and Resorts Ltd. ( representing 100% of the share capital) are held by Godrej Properties Ltd., a subsidiary of the Company.

**A. B. GODREJ**  
Chairman

**N. B. GODREJ**  
Managing Director

**S. K. BHATT**  
Company Secretary

Mumbai, May 30, 2005