Jyothy LABORATORIES LIMITED

Annual Report 2007-08

25 years of household magic

Cautionary statement

Statements in this report relating to the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based upon certain assumptions and expectations of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, selling prices, raw material costs and availability, changes in government regulations and tax structure, general economic developments in India and abroad, factors such as litigation, industrial relations and other unforeseen events.

The Company assumes no responsibility in respect of forward-looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.

Contents

25 years.

Just two-and-a-half decades for some.
A quarter of a century for many.
A lifetime for us at Jyothy Laboratories.

Of delighting consumers.
Enriching employees.
Supporting communities.

Profile

- Founded in 1983
- Engaged across the complete FMCG product cycle – management: research, manufacture, marketing and branding
- Marketing a range of daily household and personal care products.
- Headquartered in Mumbai with a nationwide office network

Product segments

- Fabric care
- Mosquito repellent and household insecticides
- Air care (incense sticks/aroma sticks)
- Surface cleaning preparations
- Personal care products

Prominent brands

- Ujala (flagship): Liquid fabric whitener
- Maxo: Mosquito repellent
- Exo: Dish washing soap and dish washing scrubber
- Ujala Stiff & Shine: Fabric enhancer
- Jeeva: Personal care toilet soap
- Maya: Incense sticks
- Ujala Detergent: Detergent washing powder

Plants

- 21 manufacturing facilities across 14 locations – Trichur, Wynad, Roorkee, Pondicherry, Chennai, Hyderabad, Bhubaneshwar, Bankura, Guwahati, Baddi, Silvassa, Salem, Jammu and Pithampur – proximate to consumer locations
- Most plants are ISO 9001 and ISO 1400-certified

People

- 40 depots to service customer requirements
- Network of more than 2,500 distributors
- Motivated team of more than 1,500 marketing and sales members
- Employee strength of over 3,500

Presence

- Pan-India presence across large population clusters
- Products accessible across more than 750,000 Indian households
- Exports to 14 countries including Sri Lanka, Bangladesh, Mauritius, Malaysia, UAE, Hong Kong and Saudi Arabia.

What have we truly achieved over 25 years?

This is our answer: a consumer buys vegetables to eat, clothes to wear and Jyothy products for hygiene and personal care.

Out of habit. Out of respect. Out of convenience.

So Jyothy products are not just products. They are a part of people's lives.

The result is that Jyothy Laboratories is among the fast growing FMCG companies in India today.

Simple everyday needs of people. These five words have represented the rationale of our existence. The result is that after one wakes up, there is a Jeeva soap to refresh with. When one turns to prayer, there is a Maya incense stick to deepen the reverence. When one turns to wash clothes, there is a Ujala liquid fabric whitener and Ujala Detergent washing powder to relieve the drudgery. After one has lunched or dined, there is an Exo dish washing soap and dish washing scrubber to clean up the mess. And when one has switched off for the day, one can always trust a Maxo mosquito repellent to protect through the night.

Jyothy refreshes.

Jyothy cleans.

Jyothy whitens.

Jyothy elevates.

Jyothy protects.

Chairman and Managing Director's overview

"At Jyothy, our principal contribution has been an entry into niche spaces occupied by the unorganised sector, introducing the discipline of the organised sector around the costs of the former, enhancing the consumer experience, widening the market and accounting for its significant share."

Mr. M P Ramachandran, *Chairman and Managing Director*, Jyothy Laboratories Limited, reviews the Company's performance in 2007-08

It is an opportune time to present this report to you for two reasons – this is the first report of our Company after having completed its IPO in 2007-08 and the completion of 25 years in business. This makes it relevant for me to highlight what Jyothy Laboratories has achieved and look forward to what it is yet to accomplish.

At Jyothy, our principal achievement has been an entry into niche spaces occupied by the unorganised sector, introducing the discipline of the organised sector around the costs of the former, enhancing the consumer experience, widening the market and accounting for its significant share. For instance, our EBIDTA to net sales over the last three years strengthened by 636 basis points to more than 18% in 2008.

Going ahead, we don't see a satiation in the areas of our presence but a widening opportunity for a number of reasons: consumers demand better quality, consumers are open to experimentation, consumers enjoy widening choice, consumers are upgrading their lifestyles to make the complementary use of our products a consistent reality while FMCG offtake at only 4-5% of India's household expenditure holds out a significant growth opportunity.

At Jyothy Laboratories, we are attractively positioned to address the widening opportunity for a number of reasons: our brands are trusted, they enjoy significant shares in the segments of their presence, they continue to emphasise the 'value-for-money' proposition and they address the everyday needs of people everywhere. It is our conviction that the chemistry of these factors will lead to sustainable revenues and surpluses across the coming years.

2007-08 review

This value proposition manifested during the year under review as well. Our sales increased 7% and our profit before tax increased 17%. This improvement at a time, when inflation began to assert, was a result of the following initiatives:

New categories: We were traditionally a single-product - Ujala Supreme liquid fabric whitener - company until 2000. We diversified into other everyday-use products - Ujala Stiff & Shine in fabric care segment, Exo in surface cleaning, Maxo in mosquito repellents, Jeeva in personal care and Maya in incense sticks – that accounted for a significant 61% of our revenues in 2007-08.

Brand leverage: We entered new and synergic categories like fabric detergent and fabric stiffener through a prudent leverage of the Ujala flagship brand, resulting in a quicker ownership of the market than the industry average.

Inorganic initiatives: We reinforced our longstanding organic approach through the inorganic acquisition of laundry care and after-wash brands (More Light and Ruby), which enabled us to address different products within a product category for diverse consumer segments around different price-points, resulting in a more clarified brand appeal.

Manufacturing investments: We continued to invest in manufacturing facilities either proximate to markets of

Our strategy

- Leverage our dominant Ujala brand with other branded fabric care products
- Increase Maxo's market share and presence
- Utilise our wide distribution network and marketing expertise
- Improve efficiencies and manage our costs
- Increase focus on supermarket and hypermarket sales
- Pursue selective acquisitions

consumption or in fiscally-friendly locations. The result is that we possess a manufacturing footprint of 21 manufacturing facilities across pan-India locations, eight in zones with income tax, excise duty and sales tax relief. In an attempt to increase the in-house manufacturing of Maxo coils (contributing approximately 34% of JLL's revenue in 2007-08), we invested Rs. 1118 lacs in a Jammu plant in 2007-08, which will translate into full excise and IT relief from 2008-09 onwards. Following the commissioning of this plant, we expect to manufacture almost 70% of Maxo coils in-house, resulting in attractive savings.

Outsourcing flexibility: We outsourced almost 70% of Maxo's production to third-party manufacturers, which enabled us to conserve capex, accelerate our market access and enhance volumes at a short notice – and all this without compromising quality.

Going forward

At Jyothy, we have identified a number of initiatives to accelerate our momentum:

- Leverage our dominant Ujala brand
- Make prudent Maxo brand extensions and launch new formats.
- Increase our presence in supermarkets and hypermarkets, capitalising on superior merchandising, visibility and cost saving opportunities.
- Acquire brands that strengthen our portfolio or market share.
- Rationalise the chain from material sourcing to product supply, to improve efficiency and manage costs.
- Enter into business-enhancing alliances that enable us to leverage our distribution network more effectively

We are optimistic that as the market widens for our products in India, we will carve out a disproportionately larger share, accelerating our growth and enhancing wealth in the hands of those who own shares in our Company.

M P Ramachandran
Chairman and Managing Director

Our business philosophy

- **We assess consumer needs and desires:** We believe it is essential to understand the needs and desires of the consumer and assess gaps between needs and available products. We take care to assess these needs and target need gaps and convert them into an opportunity to target customers.

- **Product attributes are tailored to meet customer needs:** We believe that the product should be an effective solution for the need gap, and the product attributes should be tailored accordingly.

- **We develop effective communication strategies:** We believe that our advertising and marketing strategy should effectively position the product so that the product attributes and their effectiveness in the targeted segment are appropriately communicated.

- **We believe in innovative products and positioning:** We believe in following the path of innovation in order to differentiate and effectively position ourselves in our targeted segments. We try to ensure that our products and our communication strategies are innovative and appropriate.

- **We draw inspiration from our achievements and seek to better ourselves:** We rely on our achievements to act as catalysts to reach greater heights and believe in perpetually drawing inspiration from our achievements and self-assessment for ongoing improvement.

Strengths

- **Strong local presence:** Our manufacturing facilities and sales offices in key markets as well as local recruitment enhances our terrain understanding.

- **Wide distribution reach:** Our pan-India distribution network comprises a sales staff of over 1,500 people servicing approximately 2,500 distributors and approximately 29,00,000 retail outlets.

- **Generic brands:** Some of our brands define their categories. For instance, the fabric whitener segment is synonymous with Ujala

- **Emotional connect:** Our products enjoy a strong association with 'value-for-money' and the 'common man'.

- **Strong market shares:** Our products lead their respective categories; the Ujala fabric whitener enjoys a market share in excess of 73% and Maxo nearly 22%

- **Rural focus:** Our rural focus has helped graduate consumers from unorganised and unbranded FMCG products

- **Innovation and product development:** We enjoy a consistent new product development tradition through the identification of project ideas, testing hypotheses, establishing prospects, implementing improvements and sustaining benefits.

- **Rich intellectual capital:** We employ more than 3,500 employees and a senior management team with a rich FMCG industry experience

- **Strong balance sheet:** We are a Rs. 46,553 lacs revenues company (2007-08) with no debt on our books

Our vision

Our vision is to develop innovative brands, to tap high growth categories and to reach underdeveloped markets and emerging categories to meet the day-to-day requirement of every Indian household. We also seek to promote our core values that include offering value for money products to the common man.

Jyothy Laboratories reported a higher turnover and profit in 2007-08 compared to the previous year.

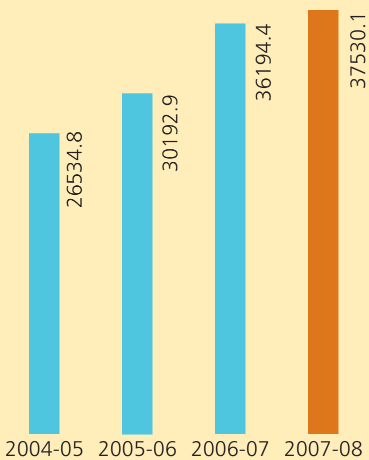
Financial

- 7% increase in gross sales to Rs. 465.5 cr
- 17% increase in profit before tax to Rs. 69.1 cr
- 2% increase in profit after tax to Rs. 52.4 cr
- 13% increase in EBIDTA to Rs. 70.8 cr

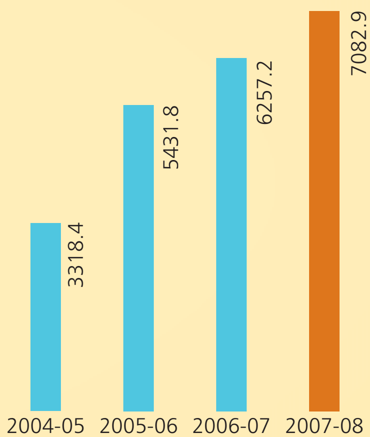
Corporate

- Commissioned two factories in Jammu and Uttarakhand for the manufacture of Maxo and Ujala brands respectively
- Inaugurated Ujala House, a new corporate office
- IPO subscribed 45.83 times. Offered shares of a face value of Rs. 5 each between Rs. 620 and Rs. 690 per equity share

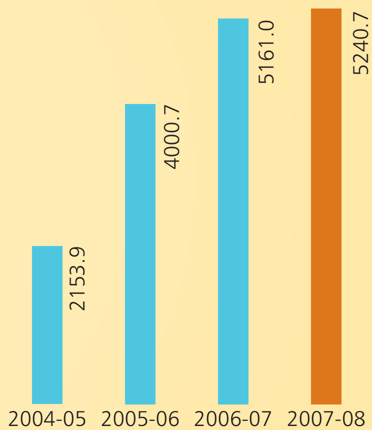
Net sales *(Rs. lacs)*



EBIDTA *(Rs. lacs)*



Profit after tax *(Rs. lacs)*



Milestones across 25 years

1983

- Mr. M. P. Ramachandran starts Jyothy Laboratories as a proprietary concern in Kerala
- Ujala is launched

1984

- Ujala is sold house-to-house through a team of six sales people in the Trichur and Malappuram districts of Kerala

1986

- Jyothy Laboratories releases its first print advertisement in the Kerala-based Mathrubhoomi newspaper

1987

- Starts advertising on radio
- Graduates to a formal distribution system
- Ventures out of Kerala into neighbouring Tamil Nadu

1992

- Chennai factory is commissioned to make Ujala
- Company is incorporated

1994

- Commissions the Pondicherry plant, our first in a backward area utilising government incentives

1995

- Launches Nebula, an oil-based antibacterial washing soap in Kerala

1997

- Launches Ujala all over India

2000

- Launches Maxo (mosquito repellent) in West Bengal
- Launches Exo (antibacterial dish wash bar) in Kerala, later launched across Karnataka, Tamil Nadu and Andhra Pradesh

2001

- Launches Maya incense sticks in selected states

2002

- Acquires subsidiary, Sri Sai Homecare Private Limited, which has a mosquito coil production facility in Hyderabad
- Launches Jeeva Ayurvedic Soap

2003

- Maxo awarded the 'AAA Brand Performance Award' by the All India Advertisers Association

2005

- Launches Exo Liquid and Ujala Stiff & Shine in South India

2007

- Enters into a deed of assignment of trademark and copyright for the More Light and Ruby brands

2008

- Launches Ujala Stiff & Shine all over India

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This sums up what we have achieved in 25 years

Look again. The number that you see is the total value of debt on our books. That's right. Not a rupee as term loan. Not a rupee as working capital borrowing. This is the secret: what we made earned respect. What we earned, we reinvested. What we reinvested grew faster. The result is a completely net worth-driven company that touched 29,00,000 retail outlets and generated Rs. 46,553 lacs in revenues in 2007-08.

<

This 'lesser than' sign is symbolic of our brand spend over the last few years

What's the most evident sign of a strengthening brand? Simple. Rising revenues and declining brand spend. Rising revenues and declining receivables. At Jyothy, we are pleased to report that both these instances transpired during 2007-08. Our marketing and promotional expenses declined 11.16% from Rs. 3,394 lacs in 2006-07 to Rs. 3,015 lacs in 2007-08 even as our revenues increased, which indicates that our brands had matured to the point where they did not need intensive advertising support but increasingly relied on trust and word of mouth instead. Our debtors declined from Rs. 4,074 lacs in 2006-07 to Rs. 2,533 lacs in 2007-08 even as our sales grew, which indicates that our primary customers - dealers - were willing to pay faster for our products.

At Jyothy, we don't just see ourselves as a company manufacturing diverse products. We see ourselves as a company enriching the lives of our consumers through products that make them feel better

Ujala	Maxo	Exo
Gross sales Rs. 22,181.4 lacs Contribution 47.7%	Gross sales Rs. 15,757.3 lacs Contribution 33.8%	Gross sales Rs. 52,53.4 lacs Contribution 11.3%
Maya	**Others**	**Total**
Gross sales Rs. 2,446.8 lacs Contribution 5.3%	Gross sales Rs. 914.6 lacs Contribution 1.9%	Gross sales Rs. 46,553.5 lacs

UJALA

Strengths

- Ujala enjoys significant brand equity across a 25-year presence.
- First-mover advantage in liquid whiteners led to category dominance.
- National preference for white clothes, especially in rural India.

Opportunities

- Brand extensions – Ujala Stiff & Shine and Ujala washing powder
- Proposed extension to stain removers, softeners, conditioners and liquid detergents.
- Acquired the third-largest competing fabric whitener brand (More Light)

Ujala was created with a simple perspective: there is a preponderance of the traditional use of white clothing across India. Often this 'white' would turn grey and blue; the Ujala whitener was created to address the growing need to resist this for middle-income and low-income consumers.

Today, 25 years later, Ujala has retained its position as the undisputed category leader in India, enjoying immediate unaided recall. In a market marked by unexpected preference changes, Ujala has retained its leadership for a number of reasons: efficacy, affordability, availability and emotional appeal. Ujala ranked 45th overall (19th in Tier II cities) among the 100 most trusted brands in India *(Source: Economic Times, May 2007)*.

The result is that Ujala has graduated from a brand to a generic name.

Habit-forming

The Ujala brand has been successful because it enjoys consistent loyalty across all income segments. This is the result of an ability to attract consumers with a low spending power, graduate them to consistent consumption and account for a complete share of their growing requirements. This has been facilitated by a prudent segregation across different sizes.

Brand extensions

JLL has extended its Ujala success to other products in the fabric-care category.

Ujala Stiff & Shine: JLL introduced Ujala Stiff & Shine in 2005 as a value-added replacement for starch, a post-wash product used to stiffen and brighten clothes. JLL initiated a national rollout in Q3FY'08 and is likely to emerge a significant contributor in extending the Ujala franchise.

Ujala washing powder: Ujala washing powder was launched in Kerala in 2003 and has emerged as one of the largest brands in that state.

JLL's proposed Ujala extensions comprise stain removers, softeners, conditioners and liquid laundry detergent, which will accelerate corporate revenues at a lower marketing cost.

Brand performance

The Ujala brand portfolio – fabric whitener, fabric stiffener and laundry detergent – recorded a two-year 11% CAGR, accounting for 48% of revenues in 2007-08. Ujala Supreme enhanced market share by 200 bps over three years in the

The Ujala brand portfolio – fabric whitener, fabric stiffener and laundry detergent – recorded a two-year 11% CAGR, accounting for 48% of revenues in 2007-08.

fabric whitener segment. Ujala fabric whitener commanded 73.5% and 58.4% market share in value and volume terms in 2007-08. Ujala not only dominates the market share but also the category penetration with over 70% outlets that carry liquid blue maintaining adequate Ujala inventory. Ujala Stiff & Shine and Ujala washing powder also reported improvements.

Consolidation through acquisition

JLL consolidated its fabric whitener category presence through acquisitions. The Company acquired the Ruby liquid blue brand from Bangalore Detergents and Plastic Company in April 2007 and More Light (third largest liquid whitener brand) from Modern Chemical India in May 2007. The acquisitions were justified for the following reasons: More Light possesses strong distribution and brand recall in Maharashtra, UP, Bihar, Gujarat and Orissa, a 3.4% industry market share and a robust presence across large SKUs (500 ml and 1,000 ml). The management intends to reinforce its fabric whitener portfolio with Ujala as a premium brand, More Light as a popular brand and Ruby for the economy segment.

Performance in 2007-08

- Sales growth of 13.1% over 2006-07.
- Accounted for 47.6% of the turnover against 41.92% in 2006-07
- Commissioned a state-of-the-art unit in Uttarakhand in April 2008 to capitalise on fiscal benefits.
- Launched a TV commercial to enhance visibility for Stiff & Shine.


UJALA
Supreme
FABRIC WHITENER
FOR SUPER WHITENESS
OF CLOTHES
NET CONTENTS 250 ml
MAXIMUM RETAIL PRICE RS 28.00
(INCLUSIVE OF ALL TAXES)
Jyothy Laboratories Ltd.

MAXO®

Cyclothrin Coils

Strengths

- Maxo enjoys the reputation of being safe and functional
- Driven by attractive consumer offers
- Rides Ujala's vast distribution network
- Enjoys strong rural reach

Opportunities

- Mosquito repellents are under-penetrated 27% in India as against more than 60% in other emerging markets
- Recent fallouts of dengue and chikungunya has created demand and awareness
- New formats (liquids) to drive consumption

The Maxo coil garnered a 22.3% market share by value and 25.8% by volume within seven years of launch, emerging as the Company's second-largest brand.

A mosquito repellent is a trusted health ally in a tropical country. In India, marked by inadequate physical infrastructure, it is virtually indispensable.

It is with this perspective that JLL entered the mosquito repellent segment in 2000. The Company launched its product under the Maxo brand name, riding the established distribution network of Ujala. Maxo's principal product in this category comprised a mosquito repellent coil, a slow burning spiralled insecticide. The non-electrical choice of this mosquito repellent was influenced by a low electricity connectivity in rural India.

Maxo coils were launched in three eastern states in September 2000, leading to a national launch in August 2001. The Company's key target markets now comprise rural and semi-urban regions (50:50).

Brand extensions

JLL extended from the coil to liquid/aerosol categories under the 'corner-to-corner protection' promise. Maxo liquid vapouriser is a bottled liquid repellent, using electricity. Maxo Cyclothrin Liquid provides 30-45 nights' protection. The liquid bottle is compatible with all types of vapourising appliances available in the market. Maxo aerosol addresses a niche category. The complement of these three categories is expected to address diverse and holistic demand, enhance overall market share, accelerate sales and enhance margins.

Brand performance

The Maxo portfolio comprises three variants (coils, liquids and aerosols). Maxo Green is the most commonly used coil, available in two sizes providing eight-hour and 10-hour protection tenures. Maxo Red Giant provides 12-hour protection, the largest coil available. The Maxo coil garnered a 22.3% market share by value and 25.8% by volume within seven years of launch, emerging as the Company's second-largest brand. An index of the brand's popularity is that Maxo coils are available across nearly 13 lacs retail outlets.

Performance in 2007-08

- Net sales lower by 5.6% compared with 2006-07
- Sales promotional expenses at 25.98% of sales, compared to 22.53% in 2006-07, to gain greater market share.
- Jammu unit commissioned in June 2008
- Established market share leadership in rural India

Exo™

Strengths

- Exo provides superior utensil cleanliness
- Enjoys high market penetration, riding attractive consumer offers
- Rides Ujala's distribution network, facilitating quick market entry
- Positioned as anti-bacterial dishwash cleaner

Opportunities

- Addresses the Rs. 7 billion dish wash segment growing at a 15% CAGR (CY'04 to CY'08)
- Category led by growth in bars, which accounts for 75% of the utensil cleaners category (rest being powder and liquid format)
- Enhanced share in southern India from 8% in 2004 to 18.4% in 2008

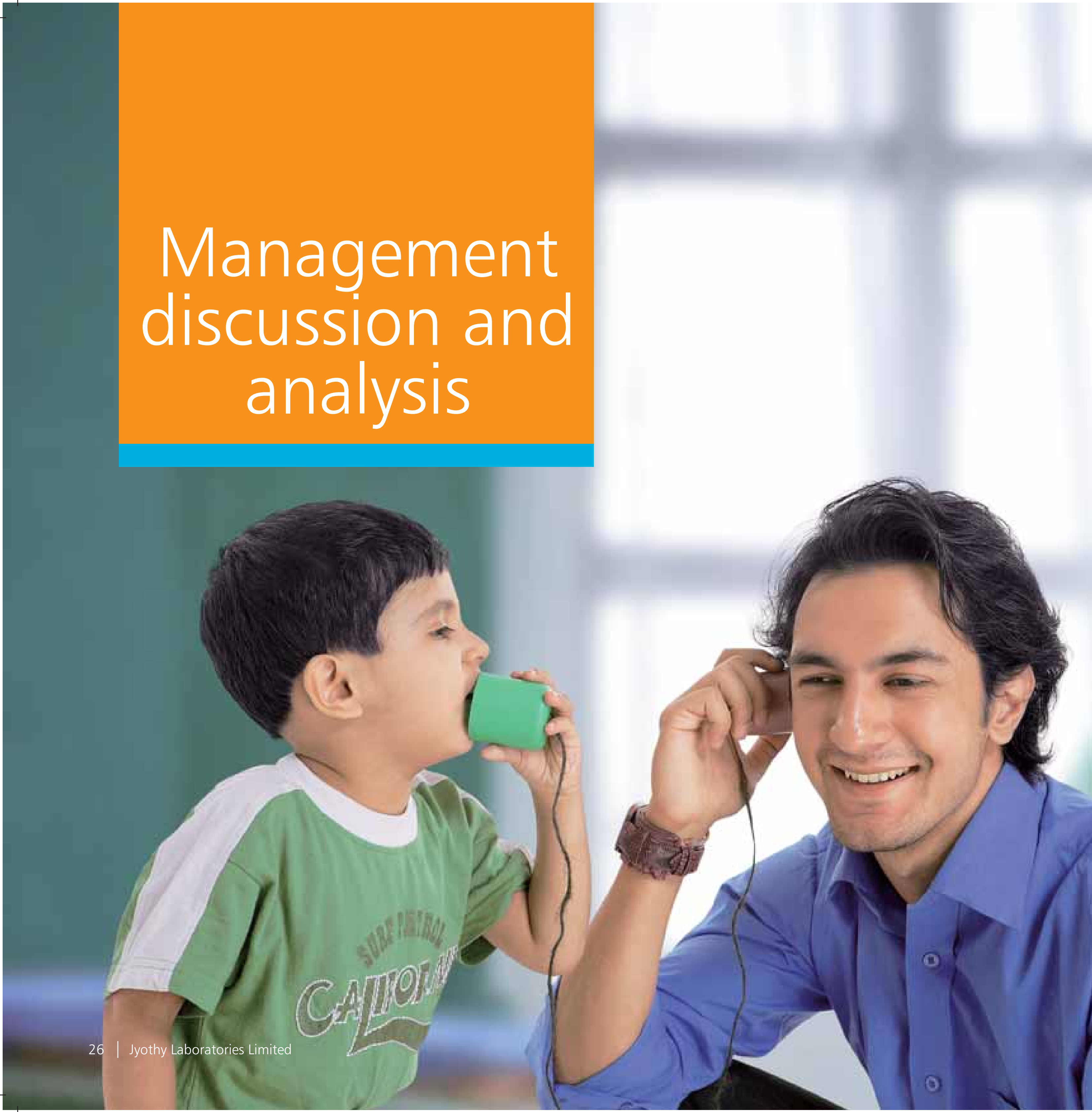
What makes Exo dishwash bar special is that it comprises Cyclozan, a protecting antibacterial agent with cleansing properties. JLL launched India's first antibacterial dishwash bars Exo in 2000. The Exo brand was extended to dish wash liquid as well as dishwash scrubber product Exo Safai. Currently marketed only in South India, the Exo dish wash bar will be available nationwide from Q1FY'09.

Performance in 2007-08

- Launched in South India through a campaign highlighting antibacterial positioning
- Over 65% growth in Exo and Exo Safai in 2007-08
- Growing at 58% CAGR for last three years


Exo
Anti-bacterial
Dishwash bar
Extra Shine. Extra Hygiene.

Management discussion and analysis



Industry overview

Economic overview

India retained its position as the second fastest growing economy with 9% growth in 2007-08. In the first half of 2007-08, India became one of 12 trillion dollar economies; its per-capita income increased 12.3% from Rs. 29,642 in 2006-07 to Rs. 32,299 in 2007-08 *(Source: IBEF)*. This put more money in the hands of consumers, catalysing FMCG offtake.

FMCG industry

Introduction: The fast moving consumer goods (FMCG) sector is the fourth largest in India with an estimated size of more than Rs. 700 billion *(Source: ASSOCHAM)*, accounting for 5% of the country's total factory employment and providing downstream employment for three million. The sector plays a constructive national role marked by low-priced products that contribute the majority of the country's sales volume and service the lower and middle-income groups who account for over 60% of the sector's sales.

Rural markets account for approximately 56% of the total Indian FMCG demand while 71% of the sales are derived from agro-based products. The sector is a significant value creator with a market capitalisation second only to the IT sector and is a key contributor to the exchequer *(Source:www.ciionline.org)*.

Household care products are a major segment of the FMCG industry. Household care comprises household cleaners, laundry care, toilet cleaners, air fresheners, insecticides, mosquito repellents, polishes and other products. The Indian FMCG industry is characterised by wide and deep distribution, intense competition between the organised and unorganised sector and low operational costs. Penetration level as well as per capita consumption in most product categories in India is low, indicating a large untapped potential. The burgeoning Indian population, particularly the middle class and the rural segments, present an opportunity to the manufacturers of branded products.

According to ASSOCHAM estimates ("Future of FMCG Products in India"), the total market size of FMCG products is expected to grow at a CAGR of 12% over five years to around Rs. 980 billion by 2010 and about Rs. 1,233 billion by 2012.

Industry characteristics: The Indian FMCG sector is marked by the following realities:

Extensive brand building: FMCG players need to develop customer insights, influencing strategy, product design, delivery format, pricing and communication. As brands get stronger, they are able to command a better price and reduce the proportion of advertising support to maintenance levels, thereby enhancing profitability.

Cost factors: Material costs, marketing and advertising represent the primary costs incurred by a company in the FMCG sector. In certain segments, companies that have large operations are able to negotiate lower input costs of raw materials. Given the importance of branding in the industry, advertising and sales promotion expenses comprise a significant cost element. By and large, the industry is characterised by relatively low manufacturing costs.

Manufacturing processes are typically simple and investments in manufacturing assets are also relatively low, yielding a high turnover to investment ratio. FMCG companies have reduced costs by setting up manufacturing facilities in designated tax free zones.

Extensive distribution networks: Delivering products to the point of consumer demand is a key determinant of success in the FMCG industry. The strength of the distribution network helps a brand grow volumes through increased penetration levels.

Large unorganised sector: Factors such as low entry barriers in terms of low capital investment, fiscal incentives from the government and low brand awareness in small towns and in rural India have led to the mushrooming of a strong unorganised sector offering localised brands as well as products in a loose unbranded form. Organised sector players face revenue losses due to counterfeit products. Estimates suggest that the FMCG sector may be losing 10% to 30% of revenues on this count.

Contract manufacture: Most FMCG companies outsource their production requirements to third party manufacturers. Moreover, with several items reserved for the small-scale industry and with these SSI units enjoying tax incentives, the contract manufacturing route has grown in importance.

Relatively low product penetration: Per capita consumption in most FMCG categories (including the high penetration categories) in India is low compared with developed and emerging economies, indicating room for growth.

New retail formats: There has been an emergence of new distribution formats like hypermarkets, supermarkets and large-scale retail malls, facilitating greater product penetration.

Large untapped rural market: Currently, just about 50% of the overall revenues of major FMCG companies come from rural areas although 70% of India's population lives there.

Economic growth: Robust economic growth has been accompanied by increased disposable incomes in urban and rural markets. Demand for FMCG products has grown on account of an increase in the middle-class (defined as the climbers and the consuming class).

Segments: The Indian FMCG industry is divided into five primary segments – personal care products, household care products (including laundry care products), packaged food products, branded spirit and tobacco products as well as health care products.

The Indian FMCG industry is estimated at Rs. 900 billion, making it the fourth largest sector in the economy and employment provider to over three million people *[Source: ENAM research report, IBEF-Great Indian Bazaar]*. The industry grew 16% in 2007-08 compared with 14.5% in 2006-07. The deodorant segments reported the highest growth, followed by hair dyes and mosquito repellents. The industry reported a growing consumer preference towards value-added products.

The average annual spending on FMCG by an Indian individual was estimated at Rs. 676, the major revenue being derived from the urban market (28% of the population). The vast under-penetrated rural segment provides attractive growth scope on account of relative under-penetration and the growing preference for organic products in the urban markets.

Penetration

Category	All India (%)	Urban (%)	Rural (%)
Deodorant	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin cream	22.0	31.5	17.8
Shampoo	38.0	52.1	31.9
Utensil cleaner	28.0	59.9	14.6
Instant coffee	6.6	15.5	2.8
Washing powder	86.1	90.7	84.1
Detergent bar	88.6	91.4	87.4
Toilet soap	91.5	97.4	88.9

(Source: MRUC, Hansa Research - Guide to Indian Markets 2006)

Household care segment: The current household-care segment in India is valued at Rs. 100 billion, accounting for 11% of the FMCG sector. This sector has been growing at 6% CAGR for the last five years. Its sub-segments comprise the following: laundry care products, toilet care products, insecticides including mosquito repellents, dishwashing products and surface care products, among others.

Laundry care sector: The laundry care segment is valued at Rs. 71 billion, comprising detergents, fabric whiteners, stain removers and other products. Fabric whitener commands the largest share with a market size of Rs. 4 billion.

Mosquito repellent segment: The mosquito repellent segment is growing on account of millions of Indians suffering from mosquito-borne diseases. Mosquito repellents are

Ujala was available in 2.9 million Indian outlets as on June 30, 2008 *(Source: A.C. Nielsen ORG-MARG)*. Ujala enjoyed a 37% household penetration as on March 31, 2007 *(Source: IMRB)*.

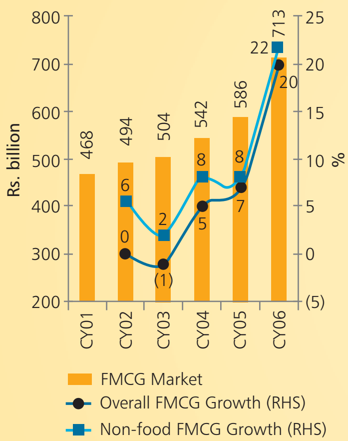
available in various formats (coils, liquid vapourisers, mats, creams and lotions). This segment is growing at a five-year CAGR of 16%. The penetration of mosquito repellents in India is only 27% compared with peers like Bangladesh and Indonesia.

Dish wash products: In India, dish washers are available in four forms – bar, detergent, liquid and paste. Most consumers prefer hand dish wash products over the automatic alternative as household labour is cheap and abundant.

Industry characteristics

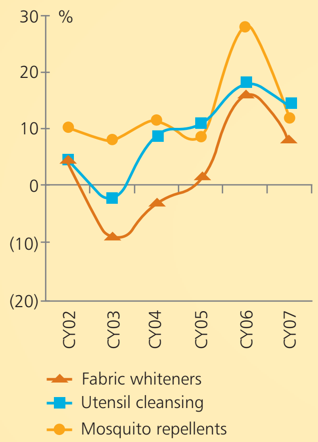
- **Branding:** Branding is imperative for FMCG success, enhancing mindshare and offtake.
- **Distribution network:** A strong distribution channel distributes products at the right time and place across India.
- **Cost factors:** Input and promotional cost management are critical in the FMCG business. Indian manufacturers leverage low-cost labour and simple manufacturing processes, resulting in high returns.
- **Unorganised presence:** A low-entry barrier and increasing number of small manufacturers have enhanced FMCG competition, marked by counterfeit products.
- **Contract manufacture:** FMCG majors are focusing on brand-building, product development and distribution strengthening while outsourcing core manufacture.
- **Low penetration:** The penetration of FMCG products is comparatively low in India when compared with developed and other emerging economies.

FMCG market growth trends



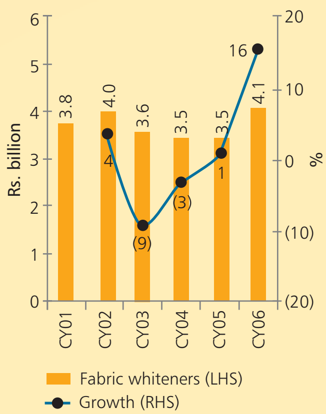
(Source: ENAM Research, A.C. Nielsen)

Select household care categories: Growth trends



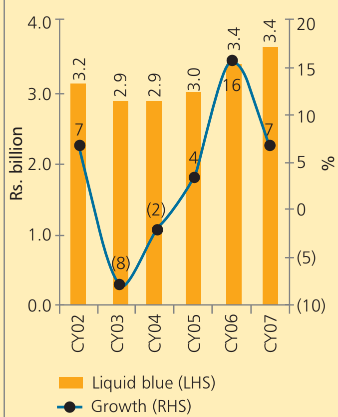
(Source: Euro monitor, AC Nielsen)

Fabric whitener category growth



(Source: A.C. Nielsen)

Liquid fabric whitener value



(Source: A.C. Nielsen)

The FMCG industry drivers

Increasing population: India's vast and growing population is creating a sustainable growth in FMCG demand (India is the twelfth largest consumer market). The 1.15 billion population is growing at 1.19% annually and is expected to touch 1.33 billion by 2020-21. Attractive economic growth will graduate 291 million people above the poverty line by 2025. Consequently, the proportion of deprived people to the total population will decline from the present 54% to 22% by 2025 and the proportion of deprived rural people is likely to reduce from 65% to 29% *(Source: McKinsey Global Institute)*.

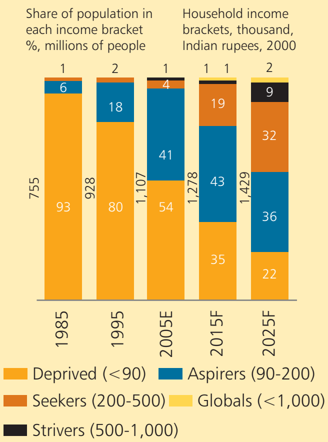
Per capita income: India's average annual salary increment was 14.5% in 2007-08 with a per capita income (at 1999-2000 price) of Rs. 24,321 (Rs. 22,553 in 2006-07), translating into a 7.8% growth in the country's FMCG sector.

Rising middle-class and incomes: The growth in disposable incomes is widening the country's middle-class families and consumer market. For instance, the average disposable income grew significantly in 2007-08. Consequently, India's middle-class segment is expected to grow from 13 million households (50 million people) or 5% of the population to 128 million households (583 million people) or 41% of the total population.

Change in consumer profile: Around 45% of the Indian population is below 20 years of age, whereas over 58% falls between 15 and 59. Aspirations in this particular age group are being fuelled by growing media exposure, widening the scope for FMCG offtake.

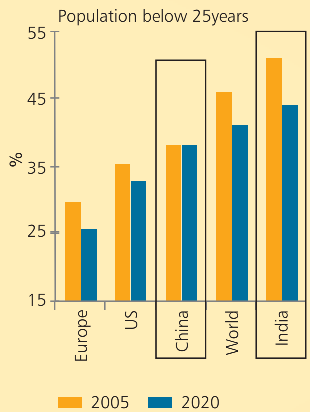
Rapid urbanisation: Following the developing world, India is experiencing rapid urbanisation; it has been predicted that

Share of population in income brackets



(Source: McKinsey Global Institute)

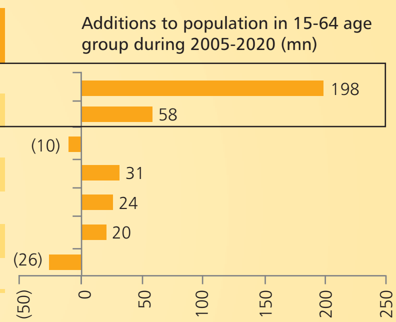
Global consumer profile



(Source: Family Budget Study)

Demographic additions

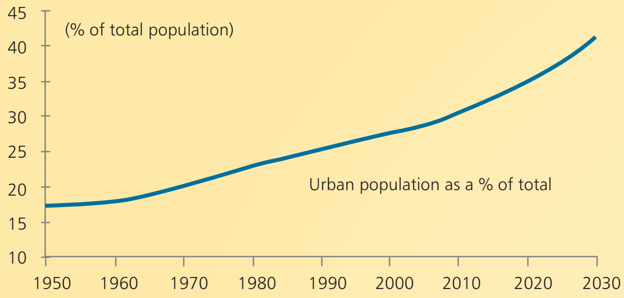
Country	People in 15-64 age group (mn)
India	691
China	934
Japan	85
Indonesia	147
Brazil	123
US	200
Europe	497



(Source: Family Budget Study)

The number of Indian homes using FMCG products increased from 13.6 crores in 2004 to 14.3 crores in 2007 and is projected to reach 15.3 crores by 2009-10.

50% of India's population will be urban by 2041 *(Source: FICCI)*. This trend will progressively drive FMCG growth.



(Source: Family Budget Study)

- **Large untapped rural market:** Rural India accounts for 72% of the country's population dispersed across more than 600,000 villages. Improving rural prospects and rural incomes will catalyse FMCG offtake.

- **Organised retail penetration:** Organised retail (US$6 billion) is projected to grow at 6% to US$17 billion by 2010 *(Source: ASSOCHAM)*.

- **Disease outbreak:** There is an increasing incidence of mosquito-borne diseases like malaria, chikungunya, dengue and others. In 2006, around 1.4 million people across the country were suspected to be affected by chikungunya; nearly 56,000 were affected by the deadly virus in 2007-08, mainly in West Bengal and Kerala, driving the demand for mosquito repellents and insecticides.

Challenges

- **Competition:** Low-entry barriers and attractive returns can attract new industry entrants and increase competition.

- **Higher input cost:** The industry experienced higher input costs due to spiralling commodity prices, which could affect sales in the long run.

- **Spurious goods:** The FMCG industry is threatened by an increasing incidence of spurious inferior goods.

Outlook

Rural India accounts for 33% of the national FMCG offtake; urban India accounts for a large proportion of value-added products. The number of Indian homes using FMCG products increased from 13.6 crores in 2004 to 14.3 crores in 2007 and a projected 15.3 crores by 2009-10 *(Source: Datamonitor)* with a probable industry growth of 16% in 2008-09 *(Source: FICCI)*.

Performance analysis

Manufacturing

The Company has 21 manufacturing units in 14 pan-India locations. Eight of the manufacturing units are tax-efficient. The Company strengthened its production through the following initiatives:

Commenced operations for the manufacture of Ujala Stiff & Shine at the Baddi plant in Himachal Pradesh.

- Installed automated CNC machines to produce 100,000 bottles a day
- Invested Rs. 1,118.6 lacs in the Jammu plant
- Commenced the production of Ujala fabric whitener at the Roorkee plant in Uttarakhand

Material management

Jyothy's material management ensures an uninterrupted supply of raw materials like HDPE, acid slurry, synthetic organic dye, Koylene, LABSA, Esbiothrin and brown saw dust through the following initiatives:

- The Company sourced raw materials from various suppliers to minimise uncertainty in raw material procurement. Vendor contracts were short-term in nature to capitalise on better value
- HDPE, the largest raw material quantity consumed by the Company, was sourced from a leading domestic supplier
- Esbiothrin was purchased from an Indian subsidiary of a Japanese company resulting in superior quality at a price discounted to the published rate
- Brown saw dust, a seasonal commodity, was stock-piled to ensure the year-round production of mosquito-repellent coils

Research and development

Jyothy focused on value-added productisation addressing unmet product and packaging needs. Relentless R&D made it possible for the Company to diversify into new product segments like fabric washing powder, fabric stiffener, mosquito repellent aerosol, dish wash bar (with cyclozan), dish scrubbers and incense sticks, as well as process improvements comprising a reduction in the weight of the Ujala bottles. The Company commissioned its R&D centre in Kerala, equipped with state-of-the-art equipment and managed by experienced professionals. Jyothy has its own machine fabricating units and state-of-the-art tool rooms.

Marketing

The Company invested 8% of its total income in product promotion across television, newspapers, radio and the internet in 2007-08. It strengthened its promotion through the following initiatives:

- Entered into an agreement with a leading advertisement agency
- Launched a new television commercial for the fabric stiffener brand
- Undertook retailer and distributor-centric schemes for product promotion and brand awareness
- Focused marketing activities on the under-penetrated rural market
- Conducted market surveys to sample consumer feedback and consumer behaviour

Quality

The Company adhered strictly to R&D-defined quality norms for superior products. The vendors' site and raw materials were checked to match desired quality. In-process quality checks monitored process effectiveness. End products were checked for proper packaging and leakages. The Company's strong quality discipline resulted in ISO 9001 and ISO 14001 certifications across most of its manufacturing units.

Human resource

Jyothy's human resource department facilitates a harmonious work environment through employee motivation and empowerment. The department charted a growth path for 3,500 employees, besides the following initiatives:

- Achieved excellent industrial relations
- Recruited professionals with expertise and experience
- Strengthened the performance appraisal system to motivate employees

Distribution

Wide and deep distribution channels drive FMCG success. In Jyothy, a robust distribution channel was developed to cater to customer demands through the following initiatives:

- Established 40 sales depots across India with a sales team of over 1,500 people
- Serviced 2,500 dealers and over one million retailers directly by the sales team; Jyothy's products are available in 2.9 million outlets across India.
- Recruited local people to understand the needs and demands of particular consumers
- Exported to 14 countries, including Sri Lanka, Bangladesh, Mauritius, and Malaysia, among others.
- Invested significantly in information technology to support the distribution network; the IT infrastructure connects 65 locations online to access real-time information.

Finance review

Accounting policy

The Company follows the Generally Accepted Accounting Principles (GAAP) in India, applicable accounting standards and other necessary requirements of the Companies Act, 1956 for the preparation of its financial statements. The Company uses accrual basis of accounting except in cases of assets for which provision for impairment is made.

2007-08 vs 2006-07

Our strengthening performance is reflected through the comparison of the following numbers:

- Increase in total income by 3.06% from Rs. 37,181.9 lacs in 2006-07 to Rs. 38,320.6 lacs in 2007-08
- EBIDTA increased by 13.20% from Rs. 6,257.2 lacs in 2006-07 to Rs. 7,082.9 lacs in 2007-08
- PBT grew by 17.11% from Rs. 5,897.6 lacs in 2006-07 to Rs. 6,906.5 lacs in 2007-08
- Cash profit increased by 17.39% from Rs. 6,514.5 lacs in 2006-07 to Rs. 7,647.3 lacs in 2007-08
- EBIDTA margin strengthened by 165 basis points over 16.83% in 2006-07 to 18.48% in 2007-08

Revenue analysis

Gross sales of the Company increased by 7.30% from Rs. 43,388.3 lacs in 2006-07 to Rs. 46,553.5 lacs in 2007-08. The Company recorded 13.20% growth in EBIDTA from Rs. 6,257.2 lacs in 2006-07 to Rs. 7,082.9 lacs in 2007-08.

Other income: Other income of the Company moderated from Rs. 872.1 lacs in 2006-07 to Rs. 790.5 lacs in 2007-08. Other income of the Company includes interest earned from fixed deposits, among the others. Other income forms 2.06% of the total income in 2007-08 against 2.35% in 2006-07, reflecting the strength of the Company's core business.

Cost analysis

Total cost (excluding interest and depreciation) of the Company grew by 1.01% from Rs. 30,924.6 lacs in 2006-07 to Rs. 31,237.7 lacs in 2007-08 on account of an increased operational scale. Though the total cost in absolute terms increased, total cost as a proportion of total income improved from 83.17% in 2006-07 to 81.52% in 2007-08.

Segmental break-up of expenses

	Absolute cost (in lacs)		Proportion of total cost (%)	
	2007-08	2006-07	2007-08	2006-07
Raw material cost (including adjustments for increase in stock)	18,437.9	18,955.4	59.02	61.30
Employee cost	4,791.2	4,075.4	15.34	13.18
Excise duty	318.5	351.9	1.02	1.13
Other expenses	7,690.1	7,541.9	24.62	24.39

Raw materials: : Raw material cost of the Company declined from Rs. 18,955.4 lacs in 2006-07 to Rs. 18,437.9 lacs in 2007-08 due to an efficient raw material management. Raw material cost as a proportion of total cost declined from 61.30% in 2006-07 to 59.02% in 2007-08.

Employee cost: Employee cost for the Company increased by 17.56% from Rs. 4,075.4 lacs in 2006-07 to Rs. 4,791.2 lacs in 2007-08. Employee cost as a proportion of total cost increased by 216 basis points from 13.18% in 2006-07 to 15.34% in 2007-08.

Excise duty: The Company spent Rs. 318.5 lacs in 2007-08 as excise duty against Rs. 351.9 lacs in 2006-07. Excise duty as a proportion of total income declined from 0.95% in 2006-07 to 0.83% in 2007-08. Out of total 21 manufacturing units of the Company, eight units are tax efficient resulting in various tax incentives for the Company.

Other expenses: Other expenses of the Company include power and fuel expenses, rent and advertisement expenses among the others. Other expenses increased by 1.96% from Rs. 7,541.9 lacs in 2006-07 to Rs. 7,690.1 lacs in 2007-08.

Advertisement and publicity expenses of the Company declined by 162 basis points from Rs. 2,914.5 lacs in 2006-07 to Rs. 2,867.4 lacs in 2007-08 as the Company is using selective media to market its products.

Margins

EBIDTA margin (EBIDTA/total income) of the Company improved by 165 basis points from 16.83% in 2006-07 to 18.48% in 2007-08. Pre-tax profit margin strengthened by 216 basis points from 15.86% in 2006-07 to 18.02% in 2007-08; while PAT margin moderated by 20 basis points over 2006-07 to 13.68%.

	2007-08 (%)	2006-07 (%)
EBIDTA margin	18.48	16.83
Pre-tax profit margin	18.02	15.86
PAT margin	13.68	13.88

Taxation

Total tax (including current tax, deferred tax, fringe benefit tax, wealth tax, short provision for current tax) outlay for the Company increased by 126.15% from Rs. 736.6 lacs in 2006-07 to Rs. 1,665.8 lacs in 2007-08 as Company's plant in Baddi, which manufactures Ujala fabric whitener, enjoyed 100% income tax exemption upto March 31, 2007. Effective tax rate (current tax/PBT) of the Company stood at 17.49%.

Capital employed

Total capital employed in the Company increased 12.05% from Rs. 29,394.3 lacs as on June 30, 2007 to Rs. 32,937 lacs as on June 30, 2008. The growth in capital employed was recorded due to an increase in reserves.

Own funds

The net worth of the Company grew by 12.06% from Rs. 29,376.9 lacs as on June 30, 2007 to Rs. 32,919.5 lacs as on June 30, 2008. Return on net worth of the Company stood at 15.92% in 2007-08 against 17.57% in 2006-07.

Equity: The equity share capital (issued and subscribed) of the Company consists of 14,513,760 equity shares of Rs. 5 each and remained the same throughout the year. The Company made an IPO in November 2007, however the money raised in this IPO was to provide EXIT to the PE investors and Company did not get any fund.

Reserves and surplus: The reserves and surplus of the Company enhanced by 12.36% from Rs. 28,651.2 lacs as on June 30, 2007 to Rs. 32,193.8 lacs as on June 30, 2008 on account of an increased balance transferred from the profit and loss account. Free reserves consist of 99.79% of the total reserves and surpluses which can be used by the Company as per requirements. The proportion of reserves and surplus to total capital employed stood at 97.74%.

Loan funds

The debt portfolio of the Company comprises of Deferred Sales tax. This remained same at Rs. 17.5 lacs in 2007-08 over

2006-07. Company has no borrowings for last few years.

Gross block

Effective utilisation of the gross block of a Company works as a strength for it. The gross block of the Company as on June 30, 2008 stood at Rs. 21,790.5 lacs against Rs. 13,528.7 lacs as on June 30, 2007. The increase in gross block is largely due to commissioning of a new plant at Baddi in Himachal Pradesh, Roorkee in Uttarakhand and Sambha at Jammu

The Company follows straight line method for charging depreciation as per the rate prescribed in the schedule XIV of the Companies Act, 1956. Accumulated Depreciation for the Company increased by 24.55% from Rs. 2,970.4 lacs as on June 30, 2007 to Rs. 3,649.7 lacs as on June 30, 2008 on account of an increase in the gross block.

Working capital

Total working capital of the Company increased by 7.87% from Rs. 13,479.6 lacs as on June 30, 2007 to Rs. 14,540.6 lacs as on June 30, 2008 due to an increased operational scale. The Company has commenced operation at the new plant at Baddi in Himachal Pradesh, Roorkee in Uttarakhand and Sambha at Jammu.

Working capital of the Company constitutes 44.15% of the total capital employed in the Company. The current ratio for the year under review stood at 3.59 against 4.22 in 2006-07.

	2007-08	2006-07
Current ratio	3.59	4.22
Liquid ratio	2.83	3.27

Inventory: Effective inventory management is an important driver for working capital efficiency. Inventory of the Company stood at Rs. 4,246.2 lacs as on June 30, 2008 against Rs. 3,965 lacs as on June 30, 2007. Inventory turnover for the Company stood at 83 days in 2007-08 against 75 days in 2006-07.

Sundry debtors: Sundry debtors for the Company declined from Rs. 4,073.6 lacs as on June 30, 2007 to Rs. 2,533.4 lacs as on June 30, 2008 on account of effective debtor management. Debtor turnover stood at 20 days in 2007-08 against 34 days in 2006-07. Among the total debtors 5.95% is more than six months old.

Cash and bank balances: Cash and bank balances for the Company increased from Rs. 7,678.2 lacs as on June 30, 2007 to Rs. 9,545.1 lacs as on June 30, 2008.

Loans and advances: Loans and advances for the Company increased by 97.60% from Rs. 1,927.5 lacs as on June 30, 2007 to Rs. 3,808.7 lacs as on June 30, 2008, following advances to wholly owned subsidiaries.

Current liabilities and provisions: The current liabilities and provisions of the Company stood at Rs. 5,614.9 lacs as on June 30, 2008 against Rs. 4,189 lacs as on June 30, 2007. The increase is mainly due to Rs. 1,705.8 lacs increase in the provisions. Sundry creditors for the Company as on June 30, 2008 declined to Rs. 3407.5 lacs against 3,687.4 lacs as on June 30, 2007.

Dividend

The Company declared final dividend @ 200% per share in 2007-08 against the final dividend of 125% per share in 2006-07.

Notice

NOTICE is hereby given that the next **Annual General Meeting** of the Company will be held on **Tuesday, November 11, 2008** at **10.30 a.m.** at **Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020** to transact the following business:

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at June 30, 2008 and Profit & Loss Account for the year then ended together with the reports of the Board of Directors and the auditors thereon.

2. To declare dividend for the financial year ended June 30, 2008

3. To appoint a Director in place of Mr. Nilesh B. Mehta, who retires by rotation and being eligible offers himself for re-appointment

4. To appoint a Director in place of Ms. M. R. Jyothy, who retires by rotation and being eligible offers herself for re-appointment

5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

   "**Resolved that** M/s S. R. Batliboi & Associates, chartered accountants, Mumbai, ('the Auditors') be and are hereby re-appointed as the statutory auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and they may be paid such remuneration as may be mutually agreed by and between the Board of Directors and the auditors plus reimbursement of out of pocket/travelling expenses plus Service Tax as may be applicable".

Special Business

6. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

   "**Resolved that** in terms of Article 148 of Articles of Association of the Company and pursuant to the provisions of Sections 198, 269, 309, 313, 349, 350 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time, all applicable guidelines for managerial remuneration issued by the Central Government from time to time and subject to such other approvals, as may be necessary, Mr. M. P. Ramachandran, be and is hereby re-appointed as a Managing Director of the Company for a further period of 5 (five) years commencing from April 1, 2009 to March 31, 2014 at a remuneration, perquisites and other terms and conditions set out in the draft Agreement to be executed between the Company and Mr. M. P. Ramachandran and the Board of Directors be and is hereby authorised to alter or vary his terms of remuneration as may be agreed upon with Mr. M. P. Ramachandran, subject however, to the overall ceiling on remuneration specified in the said Schedule XIII and other applicable provisions of the said Act, for the time being in force".

7. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

"**Resolved that** pursuant to Article 9 of the Articles of Association of the Company and to the provisions of Section 94(1)(d) and other applicable provisions, if any of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby sub-divided and the existing equity shares of Rs.5 each be subdivided into five equity shares of Re.1 each consequently the Clause V of the Memorandum of Association and Articles 1.1 and 3 of the Articles of Association be suitably amended".

8. To consider and if thought fit to pass with or without modification, the following resolution as a special resolution.

   "**Resolved that** Clause V of the Memorandum of Association of the Company be replaced with the new Clause V as under:

   Clause V

   The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crore Only) divided into 10,00,00,000 (Ten Crore) equity shares of Re.1 each, with rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being.".

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

   "**Resolved that** definition of 'Equity Shares' as appearing in Article 1.1 of the Articles of Association of the Company be amended to read as under

   'Equity Shares' means an Equity Share in the capital of the Company having face value of Re.1 each."

10. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution.

   "**Resolved that** Article 3 of the Articles of Association of the Company be amended to read as under

   The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees (Ten Crore Only) divided into 10,00,00,000 equity shares of Re.1 each."

By Order of the Board of Directors
For **Jyothy Laboratories Limited**

M. L. Bansal
Company Secretary

Mumbai, August 27, 2008
Registered Office:
'Ujala House', Ram Krishna Mandir Road,
Kondivita, Andheri (East), Mumbai 400059

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND, AND, ON A POLL, VOTE INSTEAD OF HIMSELF / HERSELF. A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the commencement of Annual General Meeting.

2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in regard to the business as set out in Item No. 6 to 10 above is annexed hereto. Explanatory statement in respect of Item No.6 may be treated as abstract of the terms of the contract for appointment of 'Managing Director' as required in terms of provisions contained under Section 302 of the Companies Act, 1956.

3. The documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays and holidays, between 11.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, November 1, 2008 to Tuesday, November 11, 2008 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend. The record date for sub-division of equity shares shall be decided after Annual General Meeting.

5. Dividend, if approved by the Members at the Annual General Meeting, will be paid to eligible members after November 11, 2008.

6. Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the Electronic Clearing Service (ECS) facility for distributing dividends. In this system, the investor's bank account would be directly credited with the dividend amount based on the information provided to the Company. In case of remittance in electronic form, an intimation of the dividend payment would be sent to the shareholders.

   The shareholders who are not covered by the ECS facility the dividend amounts will be remitted by means of dividend warrants which will be posted to their addresses with the particulars of the bank / branch and account number furnished by them.

7. Members holding shares in electronic form may note that as per the regulations of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), the Company is obliged to print the details on the dividend warrants as furnished by these Depositories to the Company and the Company cannot entertain any request for deletion / change of bank details already printed on dividend warrants as per information received from the concerned depositories.

8. Members are requested to notify immediately any change in their address/ Mandates/Bank details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.

9. Members holding shares in physical form and desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109A of the Companies Act, 1956 may fill Form 2B (in duplicate) and

send the same to the office of the Registrar and Transfer Agent of the Company. In case of shares held in dematerialised form, the nomination should be lodged with their Depository Participant.

10. Members are requested to correspond with Registrar and Transfer Agent of the Company for all matters relating to shareholding in the Company.

11. Members are requested to bring their copy of this Annual Report and Attendance Slip to the Meeting.

12. Members are requested to hand over the enclosed Attendance Slip, duly filled in and signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their client ID and DP ID Numbers for identification.

13. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.

14. As on date, the Company does not have any unpaid or unclaimed Dividend amounts. In terms of Section 205A and 205C of the Companies Act, 1956, any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the "Investor Education & Protection Fund" (IEPF). Members are requested to encash their Dividend Warrants promptly. It may be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie with the Company in respect of such amount.

15. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance.

16. As required under Clause 49 of the Listing Agreement executed with the stock exchanges, the details of Directors retiring by rotation and seeking re-appointment at the ensuing Annual General Meeting are provided in the Corporate Governance Report forming part of the Annual Report.

17. The shareholders can get more information on Investor Protection on SEBI/Stock Exchange sites, which are www.sebi.gov.in, www.bseindia.com, www.nseindia.com.

By Order of the Board of Directors
For **Jyothy Laboratories Limited**

M. L. Bansal
Company Secretary

Mumbai, August 27, 2008
Registered Office:
'Ujala House', Ram Krishna Mandir Road,
Kondivita, Andheri (East), Mumbai 400059

Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956

Item No. 6

Mr. M. P. Ramachandran as Promoter and as First Director has been associated with the Company from the date of its incorporation. He holds a postgraduate degree in Financial Management from University of Mumbai and began his career as an accountant in 1971 in Mumbai. He set up the Jyothy Laboratories business in 1983 and has steered the Company to its present level. He possesses rich experience of over 34 years in sales, production and general management. In 2003 and 2004, he was nominated by The Economics Times for "Entrepreneur of the Year Award".

Re-appointment of Mr. M. P. Ramachandran and remuneration payable to him were approved by the Board at their meeting held on August 27, 2008, as stated in the draft agreement. The material provisions of the draft Agreement with Mr. M. P. Ramachandran referred to in the resolution at Item No.6 of the Notice are as under.

Remuneration:

(a) Salary of Rs.18,00,000/- (Rupees Eighteen Lac Only) per month.

(b) Commission at the rate of 2% (two percent) of the net profits of year calculated in accordance with the provisions of Section 309 of the Companies Act, 1956.

Perquisites:

(a) **Housing:** Rent free unfurnished accommodation owned/ hired/ leased by the Company

(b) Reimbursement of expenses on actual basis, pertaining to gas, fuel, water, electricity and telephones as also reasonable reimbursement to upkeep and maintenance expenses in respect of such accommodation.

(c) **Medical Expenses:** Reimbursement of medical expenses incurred for self and family including hospitalisation, membership of any hospital/ doctors scheme.

(d) **Leave Travel Allowance:** For self and family subject to a maximum of one month's salary.

(e) Personal Accident Insurance coverage for self, as per Rules of the Company.

(f) Use of Company Car with Driver and telephones at the residence. Use of car with driver and telephones for office purposes shall not be considered as perquisites.

(g) Company contribution towards Provident Fund and Superannuation Fund; and Gratuity as per the Rules applicable to senior management staff of the Company.

(h) Leave and encashment of leave, in accordance with the Rules of the Company.

(i) Any other perquisites/ benefits that may become applicable to senior management staff in future.

Minimum Remuneration:

Where in any financial year comprised by the period of appointment, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid or given to the Managing Director in accordance with the applicable provisions of Schedule XIII to the Companies Act, 1956.

The aggregate of the salary, commission and perquisites in any financial year shall be subject to the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force, or otherwise as may be permissible at law.

The Board considers that the remuneration and perquisites proposed to be paid to Mr. M. P. Ramachandran upon his re-appointment as Managing Director are commensurate with his duties and responsibilities as Managing Director and therefore recommends the Resolution as set out at Item No.6 of the Notice for approval of the members.

The above terms and conditions are, and should be deemed to be an abstract of the draft Agreement between the Company and Mr. M. P. Ramachandran pursuant to Section 302 of the Companies Act, 1956.

A copy of the draft Agreement will be available for inspection at the Registered Office of the Company between 9.00 a.m. to 11.00 a.m. on any working day (Monday to Friday) up to the date of ensuing Annual General Meeting.

Mr. M. P. Ramachandran, Managing Director is interested in Item No.6 of the Notice since it relate to his re-appointment as the Managing Director of the Company and to his remuneration. No Director other than Mr. M. P. Ramachandran, Managing Director to whom this item pertains and Ms. M. R. Jyothy, Whole-Time Director of the Company, is deemed to be concerned or interested in the resolution.

Item No.7, 8, 9, & 10

At present the Authorised capital of the Company is Rs.10,00,00,000 divided into 2,00,00,000 Equity Shares of Rs.5 each. The Board of Directors of the Company has recommended sub-division of the Equity Shares of Rs.5 each into 5 Equity Shares of Rs.1 each. This would necessitate altering the provisions of Clause V of the Memorandum of Association and Article 1.1 & 3 of the Article of Association of the Company, which require the consent of the shareholders. The resolutions, if passed, would have the effect of entitling the shareholders to receive 5 Equity Shares of Re.1 each in place of 1 Equity Share of Rs.5 each on the record date to be determined in consultation with Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of the Company are listed. The sub-division of Equity Shares will make the Company's Equity Share more affordable and will increase the float of the Company's Equity Shares in the market. Consequently the Clause V and Article 1.1 and 3 of the Memorandum and Articles of Association are proposed to be to be altered for the purpose of sub-division of Equity Shares.

The Board recommends the resolutions for the approval of the members.

None of the Directors is in any way concerned or interested in the above resolutions.

By Order of the Board of Directors
For **Jyothy Laboratories Limited**

M. L. Bansal
Company Secretary

Mumbai, August 27, 2008
Registered Office:
'Ujala House', Ram Krishna Mandir Road,
Kondivita, Andheri (East), Mumbai 400059

Directors' report

Dear members

Your Board of Directors is pleased to present the 17th Annual Report of your Company for the year ended June 30, 2008 together with the Auditor's Report. The financial highlights for the year as well as the previous year are as follows:

(Rs. in lacs)

Financial results	For the year ended June 30, 2008	For the year ended June 30, 2007
Gross sales	**46,553.53**	**43,388.34**
Other income	790.52	872.09
Profit before depreciation and interest	**7715.52**	**6,532.31**
Interest	68.24	17.80
Depreciation, amortisation and impairment	740.78	616.90
Profit before tax	**6906.50**	**5,897.61**
Provision for tax		
– Current tax	1208.00	660.00
– Deferred tax (reversal)/charge	223.80	(26.14)
– Fringe benefit tax	88.00	100.00
– Wealth tax	1.69	2.74
– Short provision for current tax and deferred tax of earlier year	144.32	–
Net profit after tax	**5,240.69**	**5,161.01**
Balance as per the last Balance Sheet		
– Brought forward	1,049.33	928.04
Balance available for appropriations	6,290.02	6,089.05
Appropriations:		
Interim dividend on equity shares	–	725.69
Corp. dividend tax	–	101.78
Final dividend on equity shares (inclusive of special dividend for Silver Jubilee Year)	1451.38	181.42
Corp. dividend tax	246.66	30.83
Transfer to general reserve	4000.00	4000.00
Balance carried forward (Profit & Loss A/c)	591.98	1,049.33
Earning per share (face value Rs.5)	36.11	35.56
Dividend (inclusive of special dividend for Silver Jubilee Year) per share	10.00	6.25

Performance

During the year ended June 30, 2008, the Company's gross sales increased to Rs. 46,553.53 lacs from Rs.43,388.34 lacs in 2006-07, i.e., an increase of 7.30% over the previous year. All the products of the Company recorded an increase in sales; Ujala, Maya and Exo recorded the maximum growth. The profit before taxation showed a significant increase of 17.11% to Rs. 6,906.50 lacs, compared to Rs. 5,897.61 lacs in 2006-07. Profit after tax grew marginally by 1.50% over the previous year, to Rs.5,240.69 lacs, due to an increase in effective tax rate of 24.12% as against 12.50% in the previous financial year.

Net revenue for soaps and detergents segment grew by 13.35% to Rs.22,691.58 lacs. Homecare segment reduced by 6.51% to Rs.14,469.27 lacs. The reduction in homecare segment was mainly due to the decrease in sales of mosquito repellent coils because of extended winter and summer, category did not grow, we maintained our market share.

Dividend

The Board is pleased to recommend a dividend at the rate of 150%, i.e., Rs.7.50 per equity share of face value of Rs.5 each; aggregating to Rs.1088.53 lacs. Besides, the Board proposes a special dividend for the silver jubilee year-2008 at 50% i.e., Rs.2.50 per equity share of face value of Rs.5 each; aggregating to Rs.362.85 lacs.

Total dividend for the year under review work out to be 200%, i.e., Rs.10 per equity share of face value of Rs.5 each; aggregating to Rs.1451.38 lacs. The dividend will be paid to eligible members after its approval by the members in the Annual General Meeting.

Capital expenditure

During the year, your Company has commenced production in new manufacturing facilities at,

- Jammu in Jammu & Kashmir for making mosquito repellent coils
- Roorkee in Uttarakhand for making Ujala fabric whitener
- Baddi in Himachal Pradesh for Ujala Stiff and Shine.

The above units will be eligible for excise and income-tax concessions.

In 2007-08, the Company has shifted its registered office to its new building 'Ujala House' in Mumbai.

New business

Your Company ventured into new business, which are as follows

a) Launched Ujala Stiff & Shine nationally in March 2008, and,

b) Decided to enter into service sector through its new venture 'Jyothy Fabricare Services Limited' to provide world-class laundry at affordable price.

Initial public offer (IPO)

Initial public offer of the Company's 44,30,260 equity shares of Rs.5 each at a premium of Rs.685 per share, aggregating to Rs.690 per share, through an offer for sale by existing shareholders was held in November 2007. IPO was oversubscribed by 45.83 times and the Company's shares were listed on December 19, 2007 on The National Stock Exchange of India Limited and The Bombay Stock Exchange Limited.

Management discussion and analysis report

Management discussion and analysis report is attached and forms part of this Directors' Report

Corporate governance

As per Clause 49 of the Listing Agreement with the stock exchanges, a section on Corporate Governance is presented separately and forms part of this Report.

Subsidiary companies

In compliance with the provisions of Section 212 of the Companies Act, 1956, the audited statement of accounts along with the Directors' and Auditors' Reports for the year ended March 31, 2008 of Sri Sai Homecare Products Private Limited and Associated Industries Consumer Products Private Limited, the wholly-owned subsidiaries of the Company, are annexed hereto and form part of the Directors' Report.

Employee relations

Employee relations remained cordial during the period under review.

Fixed deposits

The Company did not take any fixed deposits from the public during the period under review.

Directors

Mr. Nilesh B. Mehta and Ms. M. R. Jyothy, Directors of the Company will be retiring at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

Auditors

M/s S. R. Batliboi & Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company, hold office until conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Directors' responsibility statement

Pursuant to an amendment to Section 217 of the Companies Act, 1956, your Directors provide hereunder the Directors' responsibility statement pertaining to the accounts of the Company;

1. that in the preparation of the annual accounts for the year ended June 30, 2008, the applicable accounting standards have been followed;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2008 and of the profit of the Company for the year ended on that date;

3. that the Directors have taken proper and sufficient care in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that Directors have prepared the annual accounts for the year ended June 30, 2008 on a 'going concern' basis.

Consolidated financial statements

In accordance with the Accounting Standard 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements have been provided in the Annual Report. These consolidated financial reports provide financial information about your Company and its subsidiaries as a single economic entity. The consolidated financial statements form a part of this Annual Report.

Conservation of energy and technology absorption

With regard to the requirements of 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, the Company has nothing specific to report.

Foreign exchange earnings and outgo

(Rs. in lacs)

	2007-08	2006-07
Foreign exchange earnings	516.27	475.37
Foreign exchange outgo	412.93	497.39

Particulars of employees

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, regarding the employees is given in Annexure - A attached herewith.

Risks and concerns

Despite expected slow down, the Indian Economy is still expected to grow by about 8.5% in 2008-09. The Company operates in certain segments of FMCG space. The Company's products are consumed more by lower and lower middle income groups. The demand for Company's products may not get impacted so much by the slower growth of economy as may be affected by the inflation and income levels of the said consumer groups, weather conditions, usage of white clothing and vagaries of weather. The Company is, in its own way, promoting the usage of white clothings.

The ongoing disruptions in global financial markets, volatility in foreign exchange and rise interest rates is unlikely to have any significant impact on the performance of the Company as the Company does not borrow and has never had any involvement in derivatives etc.

The sharp increases in crude oil prices in world market could, however, adversely impact its performance as it is a big consumer of plastics whose costs are directly linked to crude oil prices. The impact of these unprecedented price hikes may impact the profitability if the Company fails to pass on the cost increases to the consumer. Though the sale and consumption of the Company products is need based still any stiff price rise in its products could impact the performance.

The performance of the Company, Turnover and Profits, is dependent on a few products. Any adverse movement in sale or profitability of these products, could compromise the performance of the Company. In this connection, the Company would try to cushion its cost increases by greater efficiency of operations and judicious and balance increase in prices. The Company is consciously widening its product range and has introduced in new products like “Ujala Stiff & Shine” which appear promising.

The Company has set up plants in several areas where fiscal benefits like concession in excise duty, exemption of income tax on business profits are available. Any change in such schemes or laws may have an adverse bearing on the profits of the Company.

The management continue to monitor the risks concerning the Company and take actions as appropriate to the situation.

Internal control systems and its adequacy

The Company has adequate internal control systems and procedures for effective and smooth conduct of business and to meet exigencies of operation and growth. The key business processes have been documented. The transactions are recorded and reported in conformity with generally accepted accounting practices. The internal control systems and procedures ensure reliability of financial reporting, compliance with the Company’s policies and practices, governmental regulations and statutes. Internal Audit is conducted by independent firms of auditors. Internal Auditors regularly check the adequacy of the system, their observations are reviewed by the management and remedial measures, as necessary, are taken.

Cautionary note

Certain statements in the Management discussion and Analysis section may be ‘forward-looking’. Such ‘forward looking’ statements are subject to risks and uncertainties and therefore actual results could be different from what the Directors envisage in terms of the future performance and outlook.

Acknowledgement

The Board of Directors express their appreciation and gratitude for the services rendered by all employees, bankers, distributors, suppliers, service providers, media and shareholders during the year under review.

For and on behalf of the Board of Directors
For **Jyothy Laboratories Limited**

Place: Mumbai
Date: August 27, 2008

M. P. Ramachandran
Chairman & Managing Director

Annexure - A to the Directors' Report

Particulars of employees forming part of the Directors' Report for the year ended June 30, 2008. Information pursuant to Section 217(2A)(b)(ii) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975.

Name of the employees	Designation	Qualification	Age (yrs)	Date of joining	Experience	Gross remuneration per annum (Rs. In lacs)	Previous employment, designation
Mr. M. P. Ramachandran	Chairman and Managing Director	Postgraduate degree in Financial Management	62	January 15, 1992	34 years	Rs.224.52	Proprietor – Jyothy Laboratories
Mr. K. Ullas Kamath	Deputy Managing Director	M.com, F.C.A., C.S., L.L.B.	45	March 26, 1997	23 years	Rs.191.14	Practicing Chartered Accountant
Mr. M. L. Bansal	Chief Financial Officer and Company Secretary	B.com, F.C.A., F.C.S.	60	May 25, 2002	38 years	Rs.46.44	Asian Paints Limited – V. P. Finance & Company Secretary
Mr. T. V. Sunith Babu	R & D In-charge	–	40	October1, 2003	19 years	Rs.42.89	–

Notes:

1. Remuneration shown above include salary, allowances, commission, bonus (based on receipt), the Company's contribution to provident fund and superannuation fund and other perquisites valued as per Income Tax Rules, 1962.
2. Mr. M. P. Ramachandran holds 47.24% of the Company shares.

Report on Corporate Governance

Company's philosophy on Corporate Governance

The Company's philosophy is to conduct business and its dealings with all stakeholders in compliance with law and high standards of business ethics and to exceed the statutory requirements with regard to Corporate Governance. The Company would continue to strengthen its principles of transparency, fairness, and accountability to generate long-term value for its shareholders on a continuous and sustainable basis in harmony with the interests of all the other stakeholders.

The Company is in compliance with all the regulations stipulated by the Companies Act, 1956, and Securities Exchange Board of India (SEBI) with regard to Corporate Governance. The following together with the information contained in the Management Discussion and Analysis and other parts of Annual Report constitute the Company's compliance with the Corporate Governance.

Board of Directors

Composition

The Board comprises of six Directors, of whom three are Executive Directors and three Non-Executive/Independent Directors. Mr. M. P. Ramachandran is the Promoter and the Chairman & Managing Director of the Company. In accordance with the provision of Clause 49 of the Listing Agreement, not less than 50% of the Board consists of Non-Executive and Independent Directors.

The composition of the Board of Directors is as follows:

Name of the member of the Board	Relationship with other Directors
Mr. M. P. Ramachandran	Father of Ms. M. R. Jyothy
Mr. K. Ullas Kamath	None
Ms. M. R. Jyothy	Daughter of Mr. M. P. Ramachandran
Mr. Nilesh B. Mehta	None
Mr. K. P. Padmakumar	None
Mr. Bipin R. Shah	None

Attendance of Directors at Board meetings and Annual General Meeting

During the year under review, four Board meetings were held on August 31, 2007, December 19, 2007, January 21, 2008 and April 29, 2008. Details of attendance of Directors were as under:

Name of Directors	No. of Board meeting attended	Last Annual General Meeting attended
Mr. M. P. Ramachandran	4	Yes
Mr. K. Ullas Kamath	3	Yes
Ms. M. R. Jyothy	2	Yes
Mr. Nilesh B. Mehta	4	No
Mr. K. P. Padmakumar	4	No
Mr. Bipin R. Shah	3	No

Board members and their Directorship in other public limited companies:

Name of Directors	Executive/Non-Executive/ Independent	Directorship in other public limited companies	Committee positions in other public limited companies (as Chairman)
Mr. M. P. Ramachandran	Executive	2	–
Mr. K. Ullas Kamath	Executive	2	–
Ms. M. R. Jyothy	Executive	2	–
Mr. Nilesh B. Mehta	Non-Executive / Independent	5	8(3)
Mr. K. P. Padmakumar	Non-Executive / Independent	2	1(0)
Mr. Bipin R. Shah	Non-Executive / Independent	4	8(2)

Remuneration and shareholding of Directors

Remuneration and shareholding of the Company's Executive Directors are as under:

(Rs. in lacs per annum)

Sr. No.	Particulars	M. P. Ramachandran	K. Ullas Kamath	M. R. Jyothy
1.	Salary & Perquisites	108.00	100.08	16.80
2.	Provident Fund	12.96	12.01	2.02
3.	Superannuation Fund	Nil	10.01	1.44
4.	Commission	103.56	69.04	Nil
5.	No. of Shares held	6856822	145138	453560

Non-Executive Director's compensation

At the Annual General Meeting held on September 25, 2007 the members approved compensation payable to Non-Executive and Independent Directors on the Board of the Company.

Independent Directors are paid sitting fees and commission during the year under review. The Company does not have any stock option scheme provided to the Company's Directors or officers.

Details of sitting fees and commission paid to Independent Directors along with their shareholding with their relatives are as follows:

Sr. No.	Name of the Directors	Sitting fees (Rs.)	Commission (Rs.)	No. of shares held
1.	Mr. Nilesh B. Mehta	95000	700000	Nil
2.	Mr. K. P. Padmakumar	90000	700000	Nil
3.	Mr. Bipin R. Shah	65000	700000	10
	Total	**250000**	**2100000**	**10**

Audit Committee

The Audit Committee is duly constituted in accordance with Clause 49(II) of the Listing Agreement. The Committee members are Mr. Nilesh B. Mehta (Chairman), Mr. K. P. Padmakumar and Mr. K. Ullas Kamath. Mr. Nilesh B. Mehta and Mr. K. P. Padmakumar are Independent/Non-Executive Directors and Mr. Ullas Kamath is the Company's Deputy Managing Director. The Chairman and Managing Director – Mr. M. P. Ramachandran, Wholetime Director – Ms. M. R. Jyothy and Independent Director – Mr. Bipin R. Shah are the invitees to the meeting.

Members of the Audit Committee possess expert knowledge of accounts, audit and finance. The Company Secretary is acting as the secretary to the Audit Committee. The Audit Committee meetings were held on August 31, 2007, January 21, 2008 and April 29, 2008.

The attendance at these meetings was as follows:

Sr. No.	Name of the Directors	No. of meetings attended
1.	Mr. Nilesh B. Mehta	3
2.	Mr. K. P. Padmakumar	3
3.	Mr. K. Ullas Kamath	2

The power and role of the Audit Committee, in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, includes oversight of the Company's financial process, reviewing the financial statements, the adequacy of internal audit and periodic discussion with internal and statutory auditors about their scope of audit and adequacy of internal control systems.

In addition, the Committee also reviews the Management Discussion and Analysis of the financial condition and results of operations in respect of unlisted subsidiary companies, the financial statements, investments made and the minutes of the Board meeting.

Remuneration Committee

The Company's Board of Directors is yet to constitute Remuneration Committee.

Shareholders' and Investors' Grievance Committee

Shareholders' and Investors' Grievance Committee of the Company inter-alia reviews and considers the report of Intime Spectrum Registry Limited regarding number of various types of complaints/requests received, handled and balances if any. The Committee Members are Mr. Nilesh B. Mehta as Chairman, Mr. Bipin R. Shah and Mr. M. P. Ramachandran. The Committee meeting was held on April 29, 2008 and was attended by all the members.

Mr. M. L. Bansal, the Company Secretary is appointed as the Compliance Officer with effect from June 6, 2007.

During the year, the Company received 2,414 complaints and the same were disposed off. All complaints/queries were disposed of within one week of receipt of the complaint/ query. The Company does not have any pending share transfers/complaints, not attended at the closure of the year under review.

General Body Meeting

The Company's last three Annual General Meetings were held at 43 Shiv Shakti Industrial Estate, Andheri – Kurla Road, Marol, Mumbai 400059. Details are as under:

Year	Date of Annual General Meeting	Time of meeting	Number of special resolutions passed
2004-05	December 8, 2005	10.00 a.m.	Nil
2005-06	December 6, 2006	03.30 p.m.	3
2006-07	September 25, 2007	10.00 a.m.	3

All resolutions including the special resolutions at the above Annual General Meetings were passed by way of show of hands. No postal ballots were used for voting at these meetings.

Details of Directors seeking appointment / re-appointment:

a) Mr. Nilesh B. Mehta does not hold any shares of the Company. He is a qualified Chartered Accountant and holds a postgraduate diploma in management from the Indian Institute of Management, Ahmedabad. He is a Managing Partner of Aureos Capital and a General Partner of eIndia Venture Fund/Infinity II. He has over 21 years of experience in investment banking, private equity and fund related activities during which he occupied the position of Managing Director of Meghraj Financial Services (India) Private Limited and Executive Director of Anagram Financial Limited.

Details of the other companies in which directorships are held:

Name of the companies	Nature of interest
Shaily Eng. Plastics Limited	Director
Panchmahal Steel Limited	Director
Aavishkaar Venture Trustee P Ltd	Director
Infinity India Advisors Pvt. Ltd.	Director
Aureos India Advisors Pvt. Ltd.	Director
Aureos India Trustees Pvt. Ltd.	Director
Accutest Research Laboratories (India) Pvt. Ltd.	Director
E India Venture Holding Company Ltd.	Director
Vikalpa Financial & Management Services Pvt. Ltd.	Director
E India Venture Fund Limited	Director
E India Venture Fund Management Ltd.	Director
Venture India Advisors Pvt. Ltd.	Director

b) Ms. M. R. Jyothy holds 453560 shares of the Company. She holds a bachelor's degree in Commerce from the University of Mumbai and an MBA from Wellingker's Management Institute, Mumbai and has undertaken a course in Family Managed Business Administration from S. P. Jain Institute of Management, Mumbai. She handles sales administration, marketing and brand communication.

Details of other companies in which directorships are held:

Name of the companies	Nature of interest
Sahyadri Agencies Limited	Director
Continental Speciale (India) Pvt. Ltd.	Director
Jyothy Fabricare Services Ltd.	Director

Approval of the shareholders is sought for the re-appointment of all the above Directors on the Board of the Company.

Disclosures

(i) Details on materially significant transactions with related parties, viz. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with Company's interest are given/appended in Note No.8 of Schedule 21 - Notes Forming Part of the Accounts.

(ii) No penalties or strictures have been imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

(iii) Company has fully complied with mandatory requirements of the revised Clause 49 of the Listing Agreement.

Risk management

The Company has laid down procedures and appraised the Board of Directors regarding key risk assessment and risk mitigation mechanisms.

Code of Conduct

The Board has adopted the code of conduct for all its Directors and senior management, which has been displayed on the Company's website **www.jyothylaboratories.com**.

All Board Members and senior management personnel affirm compliance with the code on annual basis. Based on affirmations received from Board Members and senior management personnel, the Company's Managing Director has signed the certificate of compliance with the code of conduct and the same is attached to this report.

Whistle Blower Policy

The Company has adopted the Whistle Blower Policy and the same is posted on the Company website.

Means of communication

The Company publishes its quarterly, half-yearly and annual results in requisite newspapers. The said results are also available at the Company's website. During the year, the Company has not released any official news of the Company or any presentation to institutional investor/analysts.

CEO/CFO Certificate

A certificate from the Managing Director (CEO), Deputy Managing Director (COO) and Chief Financial Officer (CFO) in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held on August 27, 2008.

General shareholder information

a) Annual General Meeting

Annual General Meeting of the Company will be held on Tuesday, November 11, 2008 at 10.30 a.m. at Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020

b) Financial year of the Company is from July to June.

However, the Company's current financial year shall be for nine months from July 1, 2008 to March 31, 2009. Thereafter, the financial year of the Company will be from April to March.

c) Date of Book Closure: Saturday, November 1, 2008 to Tuesday November 11, 2008 (Both days inclusive)

d) Dividend Payment: After November 11, 2008.

e) Listing on Stock Exchange and Stock Code:

- The Bombay Stock Exchange Limited - 532926
- The National Stock Exchange of India Limited - JYOTHYLAB

f) Dematerialisation: ISIN Number INE668F01023

g) Registrar and Transfer Agents:

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound, L. B. S. Marg,
Bhandup (West), Mumbai 400078,
Phone: 0091-022-25963838, Fax: 0091-022-25946969
Contact Person: Mr. Mahadevan Iyer / Mr. Raghunath Poojary.

h) Share Transfer System

Transfers are registered and returned within a period of 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 15 days from the date of receipt.

i) Stock Market Price for the year

	BSE Market Price (Rs.)		NSE Market Price (Rs.)	
Month	High	Low	High	Low
December 2007	880.00	752.60	895.00	741.00
January 2008	964.00	651.10	960.00	649.00
February 2008	809.00	650.00	820.00	638.00
March 2008	782.00	464.00	800.00	500.00
April 2008	769.00	630.00	780.00	612.00
May 2008	658.00	485.00	688.00	489.00
June 2008	579.00	460.50	550.00	460.00

j) Shareholding Pattern as on June 30, 2008

	Category	No. of shares	%
1.	**Promoter and Promoter Group**	10083500	69.48
2.	**Institutions**		
	Mutual Funds/UTI	1402863	9.67
	Financial Institutions Banks	42875	0.30
	Venture Capital Funds	104	0.00
	Insurance Companies	1177463	8.11
	Foreign Institutional Investors	833511	5.74
3.	**Non-Institutions**		
	Bodies Corporate	176338	1.21
	Individuals	786947	5.42
	Clearing Member	4830	0.03
	Foreign Holding / Nationals	5119	0.04
	Trusts	210	0.00
	Total	**14513760**	**100.00**

k) Distribution of Shareholding as on June 30, 2008

Sr. No	Slab of shareholding No. of Equity shares held		Shareholders		Shares held	
	From	To	Nos.	%	Nos.	%
1.	1	5000	59518	99.8356	3578135	4.9307
2.	5001	10000	27	0.0453	194980	0.2687
3.	10001	20000	24	0.0403	344110	0.4742
4.	20001	30000	6	0.0101	132215	0.1822
5.	30001	40000	3	0.0050	110290	0.1520
6.	40001	50000	3	0.0050	124655	0.1718
7.	50001	100000	3	0.0050	187775	0.2588
8.	100001	Above	32	0.0537	67896640	93.5618
	Total		**59616**	**100.00**	**14513760**	**100.0000**

l) Dematerialisation

As on June 30, 2008, out of total of 14513760 shares, 14513757 (99.9999%) shares, are held in dematerialised form and the remaining three shares are held in physical form.

m) Outstanding GDRs / ADRs /Warrants or any convertible instruments

There has been no issue of GDR/ADRS warrants or any convertible instruments, hence no question of outstanding of any such instruments.

n) Plant locations

The Company's manufacturing plants are situated at following places.

(i) Baddi in the state of Himachal Pradesh

ii) Bishnupur in the state of West Bengal

(iii) Bangalore in the state of Karnataka

(iv) Chennai in the state of Tamil Nadu

(v) Bhubaneshwar in the state of Karnataka

(vi) Guwahati in the state of Assam

(vii) Jammu in the state of Jammu & Kashmir

(viii) Kandanassery, Pannissery in the state of Kerala

(ix) Mehboobnagar in the state of Andhra Pradesh

(x) Pithampur in the state of Madhya Pradesh

(xi) Pondicherry in the Union Territory of Pondicherry

(xii) Salem in the state of Tamil Nadu

(xiii) Silvassa in the Union Territory of Dadra & Nagar Haveli

o) Shareholders and Investors correspondence

Shareholders should address their correspondence to the Company's Registrar and Transfer Agent at the following address:

Intime Spectrum Registry Limited
Unit: Jyothy Laboratories Limited
C-13 Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (West), Mumbai 400078,
Phone: 0091 022 25963838, Fax: 0091 022 25946969
Contact Person(s): Mr. N. Mahadevan Iyer / Mr. Raghunath Poojary

CEO / CFO Certificate

We, M. P. Ramachandran, Chairman & Managing Director (CEO), K. Ullas Kamath Deputy Managing Director (COO) and Mr. M. L. Bansal, Chief Financial Officer (CFO) of Jyothy Laboratories Limited, to the best of our knowledge and belief, certify that :-

1. We have reviewed the balance sheet and profit and loss accounts (consolidated and unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report;

2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the statements made ;

3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations ;

4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;

5. The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the Company, and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) evaluated the effectiveness of the Company's disclosure, controls and procedures.

6. The Company's other certifying officers and we, have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors, any material weakness in internal controls;

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls;

   c) the Company's other certifying officers and we, have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent revaluation, including any corrective actions with regard to significant deficiencies and material weaknesses; and

d) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.

7. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

For Jyothy Laboratories Limited

	M. P. Ramachandran	**K. Ullas Kamath**	**M. L. Bansal**
Mumbai, August 27, 2008	*Chairman & Managing Director (CEO)*	*COO & Deputy Managing Director*	*CFO*

Declaration

As Provided under Clause 49 of the Listing Agreement, with the Stock Exchanges, the Board members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended June 30, 2008.

For Jyothy Laboratories Limited

M. P. Ramachandran
Chairman & Managing Director

Mumbai, August 27, 2008

Auditors' Certificate on Corporate Governance

To

The Members of Jyothy Laboratories Limited

We have examined the compliance of conditions of Corporate Governance by Jyothy Laboratories Limited ('the Company'), for the year ended on June 30, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

Auditors' Report

To
The Members of
Jyothy Laboratories Limited

1. We have audited the attached balance sheet of **Jyothy Laboratories Limited** ('the Company') as at June 30, 2008 and also the profit and loss account and the cash flow statement ('the financial statements') for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose 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 above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. 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 those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. 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;
   v. On the basis of the written representations received from the directors, as on June 30, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give 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:
      a) in the case of the balance sheet, of the state of affairs of the Company as at June 30, 2008;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date
Re: Jyothy Laboratories Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) 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 and no material discrepancies were noticed on physical verification.

(iii) As informed, the Company has not taken/granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) 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 that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposit from the public during the year.

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

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

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including investor education and protection fund, professional tax, wealth tax, customs duty, excise duty and generally regular in payment of provident fund, employees' state insurance, income tax, entry tax, service tax, sales tax and cess.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

					(Rs. in lacs)
Name of Statute (Nature of Dues)	Period to which the amount Relates	Forum where dispute is pending			
		Commissionarate	Appellate authorities & Tribunal	High Court	Total Amount
Sales Tax (Tax / Penalty/ Interest)	2000-01 to 2001-02	–	57.28	–	57.28
	2002-03 to 2004-05	0.52	60.31	–	60.83
	2005-06 to 2006-07	–	75.02	69.14	144.16
	2007-08	1,690.89	–	–	1,690.89
Sub-total (a)		**1,691.41**	**192.61**	**69.14**	**1,953.16**
The Central Excise Act, 1944	1999-2000 to 2001-02	–	11.88	–	11.88
	2003-04 to 2005-06	4.43	1.90	–	6.33
	2006-07 to 2007-08	3.09	–	–	3.09
Sub-total (b)		**7.52**	**13.78**	–	**21.30**
Total (a+b)		**1,698.93**	**206.39**	**69.14**	**1974.46**

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank. The Company has not taken any loan from the financial institutions. The Company has not issued any debentures.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised money through public issues during the year (refer note 1 of schedule 21 of the financial statements).

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

Balance Sheet As at June 30, 2008

	Schedule	2008	2007
			(Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	725.69	725.69
Reserves and surplus	2	32,193.84	28,651.19
		32,919.53	**29,376.88**
Loan Funds			
Unsecured Loans	3	17.45	17.45
		17.45	**17.45**
Deferred Tax Liability, Net	4	882.40	547.60
		33,819.38	**29,941.93**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		21,790.52	13,528.74
Less: Accumulated depreciation and impairment		(3,649.73)	(2,970.38)
Net Block		**18,140.79**	**10,558.36**
Capital work-in-progress (including capital advances)		907.36	5,730.32
		19,048.15	16,288.68
Investments	6	230.65	173.65
Current Assets, Loans and Advances			
Inventories	7	4,246.15	3,965.03
Sundry debtors	8	2,533.43	4,073.60
Cash and bank balances	9	9,545.05	7,678.22
Other current assets - Sales promotion items		22.20	24.28
Loans and advances	10	3,808.69	1,927.51
		20,155.52	17,668.64
Less: Current Liabilities and Provisions			
Current liabilities	11	3,407.50	3,687.41
Provisions	12	2,207.44	501.63
		5,614.94	4,189.04
Net Current Assets		14,540.58	13,479.60
		33,819.38	**29,941.93**
Notes to accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

M. P. Ramachandran
Chairman and Managing Director

M. L. Bansal
Company Secretary

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

K. Ullas Kamath
Deputy Managing Director

Place: Mumbai
Date: August 27, 2008

Profit and Loss Account For the year ended June 30, 2008

(Rs. in lacs)

	Schedule	2007-08	2006-07
INCOME			
Sales (gross)		46,553.53	43,388.34
Less: Sales tax recovered		(2,148.86)	(2,271.01)
Less: Excise duty recovered		(903.91)	(837.29)
Less: Trade discount		(5,970.67)	(3,970.27)
Net sales	13	37,530.09	36,309.77
Other income	14	790.52	872.09
		38,320.61	**37,181.86**
EXPENDITURE			
Material costs	15	18,982.25	19,253.72
(Increase)/ decrease in inventories	16	(544.33)	(298.29)
Excise duty		318.51	351.85
Employee costs	17	4,791.17	4,075.37
Other expenses	18	7,690.10	7,541.98
Depreciation and impairment	5	740.78	616.90
Interest and finance charges	19	68.24	17.80
		32,046.72	**31,559.33**
Profit Before Exceptional Items and Tax		**6,273.89**	**5,622.53**
Exceptional Items			
- Bad debts recovered		–	275.08
- Other Exceptional Income (refer note 13 of schedule 21)		632.61	–
Profit Before Tax		**6,906.50**	**5,897.61**
Provision for tax			
- Current tax		1,208.00	660.00
- Deferred tax charge / (credit)		223.80	(26.14)
- Fringe benefit tax		88.00	100.00
- Wealth tax		1.69	2.74
- Short provision for current tax and deferred tax of earlier year		144.32	–
Profit After Tax		**5,240.69**	**5,161.01**
Profit and Loss Account, beginning of the year		1,049.33	928.04
Profit Available for Appropriation		**6,290.02**	**6,089.05**
APPROPRIATIONS:			
Interim dividend		–	725.69
Dividend tax on interim dividend		–	101.78
Proposed dividend		1,451.38	181.42
Dividend tax on proposed dividend		246.66	30.83
Transfer to general reserves		4,000.00	4,000.00
Profit and Loss Account, end of the year		**591.98**	**1,049.33**
EARNINGS PER SHARE (EPS)			
Basic and Diluted (Rs.)		36.11	35.56
Nominal value per share (Rs.)		5	5
Weighted average number of shares outstanding for calculation of Basic and Diluted EPS		14,513,760	14,513,760
Notes to accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.
As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870
Place: Mumbai
Date: August 27, 2008

M. P. Ramachandran
Chairman and Managing Director

M. L. Bansal
Company Secretary

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

K. Ullas Kamath
Deputy Managing Director

Place: Mumbai
Date: August 27, 2008

Cash Flow Statement For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Profit before Tax	6,906.50	5,897.61
Adjustments for:		
Depreciation and impairment	740.78	616.90
Refund received from selling shareholders (refer note 13 of schedule 21)	(632.61)	–
Loss on discarded/sale of fixed assets, net	41.15	30.51
Provision for dimunition in the value of investments	40.00	–
Dividend received	(0.79)	(0.79)
Interest and finance charges	68.24	17.80
Interest income	(610.21)	(759.58)
Excess provision written back	(8.37)	(51.50)
Sundry advances written off (net of provision)	8.50	33.41
Provision for doubtful debts	–	7.29
Operating profit before working capital changes	**6,553.19**	**5,791.65**
(Increase) /Decrease in current assets, loans and advances		
Inventories (including sales promotion items)	(279.04)	(1,596.62)
Trade receivables	1,542.53	(1,136.10)
Loans and advances	(539.55)	(649.19)
Increase in current liabilities / provisions	(94.31)	1,306.71
Cash generated from operations	**7,182.82**	**3,716.45**
Taxes paid (net)	(1,296.58)	(763.13)
Net cash generated from operating activities	**5,886.24**	**2,953.32**
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets including capital work-in-progress and capital advances	(3,578.58)	(7,877.78)
Receipt of investment subsidy	–	1.40
Proceeds from sale of fixed assets	37.18	118.06
Purchase of investments in wholly owned subsidiary	(97.00)	–
Purchase of investments in Joint venture companies	–	(3.00)
Advances given	(1,344.13)	–
Investment in fixed deposits (net)	(2,156.50)	5,617.79
Interest received	610.21	759.58
Dividend received	0.79	0.79
Net cash used in investing activities	**(6,528.03)**	**(1,383.16)**

Cash Flow Statement (Contd.) For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Repayment of loan funds	–	(0.11)
Refund received from selling shareholders (refer note 13 of schedule 21)	632.61	–
Deferred sales tax loans	–	5.79
Interest and finance charges	(68.24)	(17.80)
Dividend paid	(181.42)	(907.11)
Dividend tax paid	(30.83)	(127.22)
Net cash generated from / (used in) financing activities	**352.12**	**(1,046.45)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(289.67)**	**523.71**
Cash and cash equivalents at the beginning of the year	1,349.27	825.56
Cash and cash equivalents at the end of the year	**1,059.60**	**1,349.27**
Cash and bank balances as per Balance Sheet	**9,545.05**	**7,678.22**
Less: Long term deposits considered in investing activities	8,485.45	6,328.95
Cash and cash equivalents considered for cashflows	**1,059.60**	**1,349.27**

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

M. P. Ramachandran
Chairman and Managing Director

M. L. Bansal
Company Secretary

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

K. Ullas Kamath
Deputy Managing Director

Place: Mumbai
Date: August 27, 2008

Schedules Forming Part of the Balance Sheet As at June 30, 2008

	2008	2007
		(Rs. in lacs)
1 SHARE CAPITAL		
Authorised Capital		
20,000,000 (2007 - 20,000,000) equity shares of Rs. 5 (2007 - Rs. 5) each	1,000.00	1,000.00
	1,000.00	1,000.00
Issued, Subscribed and Paid up Capital		
14,513,760 (2007 - 14,513,760) equity shares of Rs. 5 (2007 - Rs. 5) each fully paid	725.69	725.69
	725.69	725.69

	2008	2007
2 RESERVES AND SURPLUS		
Securities premium	10,653.13	10,653.13
Investment subsidy		
Balance, beginning of the year	67.29	65.89
Add: Subsidy received during the year	–	1.40
Balance, end of the year	67.29	67.29
General reserves		
Balance, beginning of the year	16,881.44	12,881.44
Add: Transferred from Profit and Loss Account	4,000.00	4,000.00
Balance, end of the year	20,881.44	16,881.44
Balance in Profit and Loss Account	591.98	1,049.33
	32,193.84	28,651.19

	2008	2007
3 UNSECURED LOANS		
Deferred sales tax loan	17.45	17.45
(Repayable within 1 year Rs. Nil, 2007 - Rs. Nil)		
	17.45	17.45

(Rs. in lacs)

	2007	Charge/(Credit) for the year	2008
4 DEFERRED TAX LIABILITY, Net			
a) Deferred tax liability			
Depreciation	783.63	400.99	1,184.62
	783.63	400.99	1,184.62
b) Deferred tax assets			
Technical royalty	11.64	2.91	8.73
Gratuity	40.90	(46.71)	87.61
Provision for doubtful debts	5.14	0.81	4.33
Provision for doubtful advances	6.80	2.04	4.76
Provision for leave encashment	25.39	(16.37)	41.76
Provision for impairment losses	146.16	–	146.16
Disallowance of 40 a (ia)	–	(8.87)	8.87
	236.03	(66.19)	302.22
	547.60	**334.80**	**882.40**

5 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				IMPAIRMENT			NET BLOCK	
Particulars	As at July 1, 2007	Additions	Deletions	As at June 30, 2008	As at July 1, 2007	For the Year	Deletions	As at June 30, 2008	As at July 1, 2007	For the Year	As at June 30, 2008	As at June 30, 2008	As at June 30, 2007
Intangible assets													
Goodwill	75.00	226.60	–	301.60	–	–	–	–	–	–	–	301.60	75.00
Knowhow, Trademarks and Copyrights$	264.68	362.75	–	627.43	64.60	47.81	–	112.41	–	–	–	515.02	200.08
Tangible assets													
Freehold land*	1,838.78	–	–	1,838.78	–	–	–	–	–	–	–	1,838.78	1,838.78
Leasehold land @	278.81	0.43	–	279.24	8.36	3.68	–	12.04	10.37	–	10.37	256.83	260.08
Building#	5,156.75	5,285.95	–	10,442.70	732.85	188.64	–	921.49	143.35	–	143.35	9,377.86	4,280.55
Plant and machinery	4,585.31	2,043.85	63.03	6,566.13	1,088.54	347.54	30.40	1,405.68	255.02	–	255.02	4,905.43	3,241.75
Dies and moulds	252.62	39.75	5.60	286.77	247.74	22.39	–	270.13	–	–	–	16.64	4.88
Furniture and fixture @	286.77	172.68	–	459.45	72.23	41.00	–	113.23	5.20	–	5.20	341.02	209.34
Office equipments @	407.13	212.99	–	620.12	199.41	57.01	–	256.42	12.55	–	12.55	351.15	195.17
Vehicle @	382.89	56.54	71.13	368.30	126.65	35.59	33.91	128.33	3.51	–	3.51	236.46	252.73
Total	**13,528.74**	**8,401.54**	**139.76**	**21,790.52**	**2,540.38**	**743.66**	**64.31**	**3,219.73**	**430.00**	**–**	**430.00**	**18,140.79**	**10,558.36**
Previous year	10,785.79	2,985.37	242.42	13,528.74	2,057.33	576.90	93.85	2,540.38	390.00	40.00	430.00	10,558.36	

* Includes land acquired from customer at agreed value of Rs. 10.00 against recovery of dues and is held for disposal.

Includes flats acquired from customer at agreed value of Rs. 195.00 against recovery of dues and is held for disposal.

$ Includes trademarks and copyrights of Rs. 315.63 pending for registration in the name of the Company.

Includes Rs. 452.19 (2007 Rs. 452.19) represented by unquoted fully paid shares at cost in various co-operative societies.

@ Depreciation for the current year charge includes depreciation on furniture and fixtures Rs. 0.44, vehicles Rs. 0.17, office equipment Rs. 0.11, leasehold land Rs. 2.16 pertaining to assets used for projects in progress and is capitalised.

Schedules Forming Part of the Balance Sheet As at June 30, 2008

(Rs. in lacs)

	2008	2007
6 INVESTMENTS (Long term, at cost)		
Trade Investments (Unquoted)		
Investment in wholly owned subsidiaries -		
Sri Sai Home Care Products Private Limited,	79.01	79.01
1,039,550 (2007 - 1,039,550) equity shares of Rs. 10 (2007 - Rs. 10) each fully paid up		
Associated Industries Consumer Products Private Limited,	97.00	–
970,000 (2007 - Nil) equity shares of Rs. 10 (2007 - Rs. Nil) each fully paid up		
Investment in Joint venture company -		
Balaji Teleproducts Limited	2.50	2.50
25,000 (2007 - 25,000) equity shares of Rs. 10 (2007 - Rs. 10) each fully paid up		
Continental Speciale (India) Private Limited	0.50	0.50
5,000 (2007 - 5,000) equity shares of Rs. 10 (2007 - Rs. 10) each fully paid up		
Total	**179.01**	**82.01**
Non Trade Investments		
Investment in Shares (Quoted)		
Contech Soft Limited	11.78	11.78
27,500 (2007 - 27,500) equity shares of Rs. 10 (2007 - Rs. 10) each fully paid up		
Shri Adhikari Brothers Ltd.	708.52	708.52
131,638 (2007 - 658,194) equity shares of Rs. 10 (2007 - Rs. 2) each fully paid up		
Sub Total	**720.30**	**720.30**
Less: Provision for dimunition in the value of investments	(670.00)	(630.00)
Total	**50.30**	**90.30**
Investment in Government Securities (Unquoted)		
Indira Vikas Patra	0.02	0.02
National Saving Certificates	1.32	1.32
	1.34	**1.34**
	230.65	**173.65**
Aggregate amount of unquoted investments	180.35	83.35
Aggregate amount of quoted investments	720.30	720.30
Market Value of quoted investments	53.42	120.00
There are no investments which were purchased and sold during the year.		

	2008	2007
7 INVENTORIES		
Raw and packing materials (including goods in-transit Rs. 11.99, 2007 - Rs. 19.74)	1,453.16	1,221.53
Work in progress	67.36	44.79
Finished goods (including goods in-transit Rs. 42.24, 2007 - Rs. 111.88)	2,571.34	2,534.49
Stores and spare parts	154.29	164.22
	4,246.15	**3,965.03**

Schedules Forming Part of the Balance Sheet As at June 30, 2008

(Rs. in lacs)

	2008	2007
8 SUNDRY DEBTORS		
Secured, considered good		
Outstanding for more than six months	132.57	132.57
Unsecured		
a) Outstanding for more than six months		
Considered good	18.13	18.13
Considered doubtful	12.74	15.11
Less: Provision for doubtful debts	(12.74)	(15.11)
	18.13	18.13
b) Other debts, considered good	2,382.73	3,922.90
	2,533.43	**4,073.60**

	2008	2007
9 CASH AND BANK BALANCES		
Cash in hand	24.40	21.09
Balance with scheduled banks - Current account	1,035.20	1,328.18
- Deposit account*	8,485.45	6,328.95
	9,545.05	**7,678.22**

* Includes deposits provided as securities against bank guarantees - Rs. 262.39, (2007 - Rs. 43.41).

	2008	2007
10 LOANS AND ADVANCES		
Unsecured, considered good		
Advances to wholly owned subsidiary (refer note 14 of schedule 21)	1,931.76	602.04
Advances to joint venture company	34.33	–
Deposits	172.97	146.21
Advances recoverable in cash or in kind or for value to be received (refer note 14 of schedule 21)	797.08	474.00
Quantity discount receivable	28.20	71.14
Advance to suppliers	637.81	463.29
Balance with excise authorities	128.23	102.57
Staff loans	78.31	68.26
	3,808.69	1,927.51
Unsecured and considered doubtful		
Advance to suppliers	14.00	20.00
Less: Provision for doubtful advances	(14.00)	(20.00)
	3,808.69	**1,927.51**

Schedules Forming Part of the Balance Sheet As at June 30, 2008

	2008	2007
		(Rs. in lacs)
11 CURRENT LIABILITIES		
Sundry creditors		
- Micro and Small Enterprises (refer note 6 (E) of schedule 21)	157.21	55.86
- Others	810.39	1,063.59
Other current liabilities	2,257.13	2,356.53
Security deposits	38.71	38.20
Advances from customers	144.06	173.23
	3,407.50	3,687.41

	2008	2007
12 PROVISIONS		
Provision for income tax (net of advance tax)	125.80	90.12
Provision for wealth tax	3.00	4.25
Provision for gratuity	257.75	120.32
Provision for leave encashment	122.85	74.69
Proposed dividend	1,451.38	181.42
Dividend tax on proposed dividend	246.66	30.83
	2,207.44	501.63

Schedules Forming Part of the Profit and Loss Account For the year ended June 30, 2008

	2007-08	2006-07
		(Rs. in lacs)
13 SALES, Net		
Sale of Company's branded products		
a) Manufactured at own facility	22,972.77	22,152.41
b) Procured under contract manufacturing arrangements	14,165.66	13,323.12
Sale of other traded products	391.66	834.24
	37,530.09	36,309.77

	2007-08	2006-07
14 OTHER INCOME		
Dividend received on long term non-trade investments	0.79	0.79
Interest on fixed deposit (tax deducted at source - Rs. 133.90, 2007 - Rs. 180.44)	610.21	759.58
Export incentives	17.37	0.65
Excess provision written back	109.37	51.50
Miscellaneous income	52.78	59.57
	790.52	872.09

(Rs. in lacs)

	2007-08	2006-07
15 MATERIAL COSTS		
Raw and packing materials consumed		
Opening stock	1,221.53	992.53
Add: Cost of purchases (net of freight subsidy Rs. Nil, 2007 - Rs. 38.69)	8,323.53	7,194.03
	9,545.06	8,186.56
Less: Closing stock	1,453.16	1,221.53
Sub-total (A)	**8,091.90**	**6,965.03**
Cost of trading goods*		
Opening stock	1,804.47	735.78
Add: Cost of purchases	10,415.69	12,747.30
	12,220.16	13,483.08
Less: Closing stock	1,329.81	1,804.47
Sub-total (B)	**10,890.35**	**11,678.61**
Provision for free products under sales promotion scheme	–	610.08
Sub-total (C)	**–**	**610.08**
Total (A+B+C)	**18,982.25**	**19,253.72**

* Including cost of Company's branded products procured under contract manufacturing arrangements.

	2007-08	2006-07
16 (INCREASE)/ DECREASE IN INVENTORIES		
(Increase)/ decrease in inventories		
Closing stock		
Finished goods	1,241.53	730.02
Work in progress	67.36	44.79
	1,308.89	774.81
Opening stock		
Finished goods	730.02	396.91
Work in progress	44.79	72.81
	774.81	469.72
Sub-total (A)	**(534.08)**	**(305.09)**
(Increase)/ decrease in excise duty		
Excise duty on closing stock	13.82	24.07
Excise duty on opening stock	24.07	17.27
Sub-total (B)	**10.25**	**(6.80)**
Total (A-B)	**(544.33)**	**(298.29)**

Schedules Forming Part of the Profit and Loss Account For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
17 EMPLOYEE COSTS		
Salaries, wages and bonus	3,575.79	2,856.74
Contribution to provident and other funds (refer note 5 of schedule 21)	369.85	278.65
Gratuity (refer note 5 of schedule 21)	137.43	147.62
Staff welfare expenses	249.11	206.19
Directors' remuneration	223.08	229.41
Commission to directors	199.61	168.20
Field staff incentives	36.30	188.56
	4,791.17	4,075.37

	2007-08	2006-07
18 OTHER EXPENSES		
Conversion charges	92.04	59.42
Power and fuel expenses	861.38	688.45
Rent	208.06	182.30
Insurance	11.59	21.44
Repairs and maintenance		
- Building	44.66	22.75
- Plant and machinery	114.84	247.34
- Others	97.28	61.53
Research and development	17.17	18.95
Printing and stationery	47.70	43.78
Communication costs	98.03	102.31
Legal and professional fees	350.02	377.05
Rates and taxes	251.04	245.49
Directors' sitting fees	2.10	1.50
Vehicle maintenance	70.92	72.65
Donation	8.30	4.04
Loss on discarded/sale of fixed assets, net	41.15	30.51
Provision for doubtful debts	–	7.29
Provision for dimunition in value of investments	40.00	–
Sundry advances written off	8.50	33.41
Exchange loss, net	–	14.09
Advertisement and publicity	2,867.42	2,914.46
Sales promotion and schemes (net of reimbursement)	147.71	479.46
Carriage outwards (net of freight subsidy Rs. Nil, 2007 - Rs. 32.15)	981.41	701.88
Field staff expenses	736.73	697.92
Traveling and conveyance	183.23	194.40
Brokerage on sales	111.26	87.15
Miscellaneous expenses	297.56	232.41
	7,690.10	7,541.98

Schedules Forming Part of the Profit and Loss Account For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
19 INTEREST AND FINANCE CHARGES		
Interest expense		
- on banks	0.94	7.66
- others	55.00	–
Bank charges and commission	12.30	10.14
	68.24	17.80

	2007-08	2006-07
20 CONTINGENT LIABILITIES		
Contingent liabilities not provided for in respect of:		
(i) Amount outstanding in respect of guarantees given by the Company to banks		
(a) as securities provided to NSE for filling of prospectus for its Initial Public Offering	152.84	–
(b) Others	35.78	31.68
(ii) Tax matters		
(a) Disputed liability in respect of income-tax demands matters under appeal	16.48	16.48
(b) Disputed sales tax demands – matters under appeal	641.93	535.78
(c) Disputed excise duty and service tax demand - matter under appeal	31.56	23.33
(iii) Claims against the Company not acknowledged as debt	147.60	120.00
	1,026.19	727.27

Schedules Forming Part of the Financial Statement For the year ended June 30, 2008

21 NOTES TO ACCOUNTS

1 Background

Jyothy Laboratories Limited ('the Company') was incorporated on January 15, 1992. The Company is principally engaged in manufacturing and marketing of fabric whiteners, soaps, detergents, mosquito coils and incense sticks.

During the year, the Company successfully completed an Initial Public Offer ('IPO') of 4,430,260 equity shares of face value of Rs. 5 each to the public for cash at a price of Rs. 690 per equity share aggregating Rs. 30,568.79 lacs through an offer for sale by selling shareholders other than the promoters of the Company. The Company's equity shares were listed on December 19, 2007 at Bombay Stock Exchange and National Stock Exchange.

2 Basis of preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the mandatory Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

21 NOTES TO ACCOUNTS (Contd.)

3 Summary of Accounting Policies

The significant accounting policies are as follows:

a) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Cost of shares of Co-operative society has been added to the cost of office building. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

b) Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

The estimated useful life of the assets is as follows:

Category	Estimated useful life (in years)
Buildings	30-60
Plant and machinery	3-21
Electrical installations	20
Furniture and fixtures	12
Dies and moulds	1-3
Computers	6
Office equipments	20
Vehicles	8-10
Knowhow	3
Trademarks and Copyrights	9-10

Leasehold land is amortised over the period of the lease on a straight-line basis. The Goodwill purchased is tested for impairment purposes every year.

c) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

d) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Lease payments on operating leases are recognised as expense in the Profit and Loss account on a straight-line basis, over the lease term.

21 NOTES TO ACCOUNTS (Contd.)

e) Government grants and subsidies

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

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

f) Investment

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

g) Inventories

Inventories of raw materials, packing materials, work-in-progress, finished goods, stores and consumables items are valued at cost or net realisable value, whichever is lower. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work in progress and finished goods includes materials and all applicable manufacturing overheads. The Company accrues for excise duty liability in respect of manufactured finished goods/intermediary inventories lying in the factory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty, Sales Tax and VAT deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arised during the year. Revenue includes the amount of excise duty refund received / due in accordance with incentive scheme.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

i) Foreign currency translation

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical

21 NOTES TO ACCOUNTS (Contd.)

cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

j) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation Fund are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

(ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

k) Sales promotion items

Sales promotion items are valued at cost or net realisable value, whichever is lower. Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition.

l) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion.

m) Income-tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

21 NOTES TO ACCOUNTS (Contd.)

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit & Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the period.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o) Excise duty

Excise duty on turnover is reduced from turnover. Excise duty relating to the difference between the opening stock and closing stock is recognised as income/expense as the case may be, separately in the Profit and Loss account.

p) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

It includes general corporate income and expense items which are not allocated to any business segment.

q) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year are adjusted for event of share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

21 NOTES TO ACCOUNTS (Contd.)

r) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

s) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

4 Change in Accounting Policy

Adoption of Accounting Standard AS 15 (Revised) 'Employee Benefits'

Till June 30, 2007, the Company was providing for retirement benefits based on acturial valuation. In the current year, the Company has gone for adoption of the Accounting Standard 15(Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the Company has provided for gratuity and leave encashment based on acturial valuation done as per projected unit credit method. The effect of transitional provision, being not material, has been given in the profit and loss account.

5 Employee Benefit:

(i) In the current year, the Company has adopted Accounting Standard 15 (Revised) 'Employee benefits' which is mandatory from accounting periods starting from December 7, 2006. The current year being the first year of adoption of Accounting Standard 15 (Revised) 'Employee benefits', by the Company, the previous year comparative information has not been furnished.

(ii) Defined Benefit Plans -

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Company. The Company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

	June 30, 2008
	Gratuity
	Funded
(A) Summary of the Acturial Assumptions	
Mortality	LIC (1994-96) Ult
Discount rate	8%
Rate of increase in compensation	8%
Withdrawal rates	10%
Rate of return (expected) on plan assets	6.50%
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.	

21 NOTES TO ACCOUNTS (Contd.)

	(Rs. in lacs) June 30, 2008
(B) Changes in present value of obligations (PVO)	
PVO at beginning of period	390.68
Interest cost	30.02
Current Service Cost	79.11
Benefits Paid	(30.86)
Actuarial (gain) / loss on obligation	42.84
PVO at end of period	511.79
(C) Changes in fair value of plan assets	
Fair value of plan assets at the beginning of period	270.36
Expected return on plan assets	13.24
Contributions	–
Benefit paid	(30.86)
Actuarial gain / (loss) on plan assets	1.30
Fair value of plan assets at end of period	254.04
(D) Net Assets/(Liabilities) recognised in the balance sheet	
PVO at end of period	(511.79)
Fair value of plan assets at end of period	254.04
Funded status	(257.75)
Unrecognised Actuarial Gain / (Loss)	–
Net assets / (Liability) recognised in the balance sheet	(257.75)
(E) Expenses recognised in the statement of profit and loss account	
Current service cost	79.11
Interest cost	30.02
Expected return on plan assets	(13.24)
Net Actuarial (Gain)/Loss recognised for the period	41.54
Expense recognised in the statement of profit and loss account	137.43
(F) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:	
Investment with insurer	100.00%

(iii) Defined Contribution Plans -

Amount of Rs. 369.85 (2007 - Rs. 278.65) is recognised as an expense and included in schedule 17 - "Contribution to provident and other funds" in the Profit and Loss account.

(iv) The Company expects to contribute Rs. 41.57 to gratuity fund in 2008-09 and Rs. 20.15 to Superannuation fund in 2008-09.

21 NOTES TO ACCOUNTS (Contd.)

6 Supplementary Information

A) Directors remuneration

(Rs. in lacs)

	2008	2007
Salaries	223.08	229.41
Commission	199.61	168.20
Contribution to Provident fund	26.77	–
Contribution to Superannuation fund	11.45	–
	460.91	**397.61**

Note:- As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore is not included above.

Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors

Profit before tax as per profit and loss account	6,906.50	5,897.61
Add: (Profit) / Loss on discarded/sale of fixed assets, net	41.15	30.51
Add: Provision for dimunition in value of long term investments	40.00	–
Less: Amount received from selling share holders (capital receipt) (refer note 13 of schedule 21)	(544.32)	–
	6,443.33	**5,928.12**
Add: Directors' remuneration	460.91	397.61
Net profit as per Section 349 of the Companies Act, 1956	**6,904.24**	**6,325.73**
Commission to Whole time directors at 2.5 % of the net profits as calculated above	172.61	162.20
Commission to Non-Executive Independent directors	27.00	6.00

B) Earnings in foreign currency (accrual basis):

FOB value of exports	516.27	475.37

C) Expenditure in foreign currency (cash basis):

a) CIF value of imports		
(i) Raw material/components	29.36	63.21
(ii) Capital goods	76.88	113.40
b) Professional fees/expenses	–	6.81
c) Traveling expenses	6.05	10.25
d) Other expenses	23.75	26.83

21 NOTES TO ACCOUNTS (Contd.)

D) Net Dividend remitted in foreign currency (cash basis):

(Rs. in lacs)

Period to which it relates	Final dividend for the year 2006-07	Interim dividend for the year 2006-07
Number of non-resident shareholders	5	5
Number of equity shares held on which dividend was due	4,430,260	4,430,260
Amount remitted *	276.89	276.89

* Remitted in equivalent United States Dollars

E) Unhedged foreign currency exposure:

(Rs. in lacs)

		2007-08		2006-07	
Particulars	Foreign Currency	Rs. in Lacs	Amount in Foreign Currency	Rs. in Lacs	Amount in Foreign Currency
Export debtors	US $	52.26	121,698	124.73	306,076
Advance for capital goods	US $	–	–	33.43	82,000
Advance from export debtors	US $	17.48	40,831	–	–
Creditors for import of capital goods	US $	–	–	12.54	30,772
Creditors for import of capital goods	Euro	–	–	22.19	40,500

F) Sundry Creditors include principal amount of Rs. 157.21 (2007 - Rs. 55.86) due to the suppliers covered by Micro and Small Enterprise Development Act, 2006.

There is no interest paid/payable during the year by the Company to such suppliers.

Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at June 30, 2008 are as under -

Allied Electrical Services, Hima Chillers, Best Hydraulics and Suhner India Pvt. Ltd.

The above information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

G) Payment to auditors (including service tax)*

(Rs. in lacs)

	2008	2007
Audit fees	47.47	41.53
Tax audit fees	8.71	8.98
Certification	–	0.63
Taxation matters	–	1.17
Reimbursement of expenses	1.74	1.65
	57.92	53.96

* Excludes expenses amounting Rs. 45.00 for services related to Initial Public Offering reimbursed by the Selling Shareholders

21 NOTES TO ACCOUNTS (Contd.)

H) Donations to political parties

(Rs. in lacs)

Name of the Party	2008	2007
Democratic Youth Front of India	–	0.09
Communist Party of India	0.10	0.05
Asomiya Yuba Mancha	0.05	0.10
Pattali Makkal kakshi (PMK)	0.11	–
Others	0.30	0.07
	0.56	0.31

I) Licensed Capacity, Installed Capacity and Actual Production

	Unit	Licensed Capacity*		Installed Capacity*		Actual Production	
		2008	2007	2008	2007	2008	2007
Detergents & Soaps	Tons/Ltrs	NA	NA	238,359	192,984	38,292	37,036
Home Care	No (1000's)	NA	NA	570,000	375,000	380,172	288,570

* As certified by the management

J) Consumption of Raw and Packing material

(Rs. in lacs)

Particulars	Units	Consumption			
		Quantity		Value	
		2008	2007	2008	2007
Synthetic Dye	Tons	967	1,011	677.45	642.53
Dyes & Chemicals	Tons	6,494	6,335	1,186.36	897.22
Fatty Oils & Perfumes	Tons	13,760	13,619	1,791.86	1,707.11
Plastic	Tons	3,091	3,090	2,205.65	2,128.65
Others	Tons	2,103	1,591	815.31	500.34
Packing materials	Tons	186	208	250.42	245.97
	Rolls (1000s)	77	66	20.89	16.84
	No (1000s)	186,503	133,866	1,143.96	826.37
Total				**8,091.90**	**6,965.03**

1. It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

21 NOTES TO ACCOUNTS (Contd.)

K) Value of Imported and Indigenous Raw Materials, Components and Spare Parts Consumed

(Rs. in lacs)

Particulars	Raw Materials				Component and Spare parts			
	2007-08		2006-07		2007-08		2006-07	
	Value	%	Value	%	Value	%	Value	%
Imported	34.54	0.43%	79.44	1.14%	–	–	–	–
Indigenous	8,057.36	99.57%	6,885.59	98.86%	170.31	100.00%	480.68	100.00%
Total	8,091.90		6,965.03		170.31		480.68	

L) Opening and closing inventories, production, purchases and sales in respect of each class of goods manufactured and traded

Item	Traded / Mfg	Units	Opening Inventory		Production	Purchases		Sales		Closing Inventory	
			Quantity	Amount	Quantity	Quantity	Amount	Quantity	Amount	Quantity	Amount
Home Care	Traded	Dozen	8.51	226.02	–	56.74	1,943.17	59.47	2,044.97	5.78	184.13
			5.10	*134.02*	–	*58.01*	*1,598.32*	*54.60*	*1,720.16*	*8.51*	*226.02*
	Traded	Nos	1,124.72	1,319.05	–	8,080.83	7,369.49	7,987.90	12,111.93	1,217.65	1,221.15
			670.11	*540.92*	–	*11,136.32*	*10,249.07*	*10,681.71*	*11,676.38*	*1,124.72*	*1,319.05*
	Manufactured	Nos	329.55	235.58	3,703.75	–	–	3,742.90	283.61	290.40	225.35
			61.07	*37.17*	*2,885.71*	–	–	*2,617.23*	*2,061.52*	*329.55*	*235.58*
Soaps & Detergents	Traded	Kgs	–	–	–	33.74	822.05	29.84	8.76	3.90	111.61
			–	–	–	–	–	–	–	–	–
	Manufactured	Kgs	16.05	472.71	357.46	–	–	356.38	22,689.16	17.13	646.49
			10.46	*302.08*	*351.06*	–	–	*345.47*	*20,017.47*	*16.05*	*472.71*
Others		Kgs	0.53	154.79	–	1.27	252.97	1.37	336.58	0.43	103.52
			1.09	*118.50*	–	*6.46*	*782.25*	*7.02*	*813.57*	*0.53*	*154.79*
		Nos	0.58	126.34	–	0.03	28.01	0.18	55.08	0.43	79.09
			–	–	–	*0.60*	*117.66*	*0.02*	*20.67*	*0.58*	*126.34*
Total			1,479.94	2,534.49	4,061.21	8,172.61	10,415.69	12,178.04	37,530.09	1,535.72	2,571.34
			747.83	*1,132.69*	*3,236.77*	*11,201.39*	*12,747.30*	*13,706.05*	*36,309.77*	*1,479.94*	*2,534.49*

1. Figures in italics are in respect of the previous year
2. Sales quantities are netted off for sales promotion items and other adjustments
3. All quantities are in lacs.

7 Segment Reporting

Business segments:

The primary segment of the Company has been determined on the basis of business segment. The Company is organised into two business segments -

Soaps and Detergents and Home Care. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and the internal reporting system.

Soaps and Detergents includes fabric whiteners, fabric detergents, dishwash bar and soaps including ayurvedic soaps. Home Care products include incense sticks, dhoop and mosquito coils.

Secondary segment:

The Company mainly caters to the needs of the domestic market. The export turnover is not significant in the context of total turnover. As such, there are no reportable geographical segments.

(Rs. in lacs)

21 NOTES TO ACCOUNTS (Contd.)

Segment revenue and result:

The income/ expense that are not directly attributable to the business segments are shown as unallocated corporate costs.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories, advances and fixed assets. Assets at corporate level are not allocable to segments on a reasonable basis and thus the same have not been allocated.

Segment liabilities include all operating liabilities and consist principally of creditors and accrued liability.

Information about Business Segments

	Soaps and Detergents		Home care		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	22,691.58	20,018.57	14,469.27	15,476.13	369.24	815.07	37,530.09	36,309.77
Results	6,774.19	6,361.84	131.18	(95.16)	31.99	(20.50)	6,937.36	6,246.18
Unallocated expenditure							(1,317.39)	(1,090.98)
Income							722.16	483.66
Interest & finance expenses							(68.24)	(16.33)
Profit before exceptional items and tax							6,273.89	5,622.53
Exceptional Items								
- Bad debts recovered							–	275.08
- Other Exceptional Income (refer note 13 in schedule 21)							632.61	–
Profit before tax							6,906.50	5,897.61
Provision for tax							(1,665.81)	(736.60)
Profit after tax							5,240.69	5,161.01
Other Information								
Segment assets	16,508.60	13,581.19	6,436.72	6,588.90	127.06	247.02	23,072.38	20,417.11
Unallocated assets							16,361.94	13,713.86
Total assets							39,434.32	34,130.97
Segment liabilities	2,419.68	1,452.16	924.64	1,804.65	125.80	195.81	3,470.12	3,452.62
Unallocated liabilities							3,044.67	1,301.47
Total liabilities							6,514.79	4,754.09
Segment capital expenditure (including capital work in progress)	1,716.27	2,061.23	617.39	724.42	–	–	2,333.66	2,785.65
Unallocated capital expenditure (including capital work in progress)							1,244.91	5,092.13
Total capital expenditure (including capital work in progress)							3,578.57	7,877.78
Segment depreciation	534.41	434.47	93.83	58.73	–	–	628.24	493.20
Unallocated depreciation							112.54	83.70
Total depreciation							740.78	576.90
Impairment loss	–	40.00	–	–	–	–	–	40.00
Segment non cash expenses other than depreciation	1.41	8.13	4.64	6.66	0.10	0.35	6.15	15.14
Unallocated non cash expenses other than depreciation							48.50	72.73
Total non cash expenses other than depreciation							54.65	87.87

21 NOTES TO ACCOUNTS (Contd.)

8 Related Party Disclosures

a) Parties where control exists

Individual having control

M.P. Ramachandran	Chairman and Managing Director

As the Managing Director of the Company is an individual having control and hence not separately disclosed as a Key management personnel.

Wholly Owned Subsidiary

Sri Sai Home Care Products (P) Limited

Associated Industries Consumer Products Pvt Ltd

b) Related party relationships where transactions have taken place during the year

Joint venture companies

Balaji Teleproducts Limited

Continental Speciale (India) Private Limited

Firm / HUF in which the relatives of individual having control are partners / members / proprietor.

Beena Agencies

Quilon Trading Co.

Travancore Trading Corp.

Sree Guruvayurappan Agencies

M.P. Agencies

Tamil Nadu Distributors

Deepthy Agencies

Sahyadri Agencies

Sreehari Stock Suppliers

Sujatha Agencies

M. P. Ramachandran - H.U.F.

M.P. Divakaran - H.U.F.

M.P. Sidharthan - H.U.F.

Relative of individual having control

M.P. Sidharthan

M.P. Divakaran (Director up to June 7, 2007)

M.R. Jyothy (Director)

M.R. Deepthy

Ananth Rao T

Enterprises significantly influenced by key management personnel or their relatives

Sahyadri Agencies Ltd.

Jyothy Fabricare Services Limited

Key management personnel (includes directors of the Company)

K. Ullas Kamath	Deputy Managing Director

21 NOTES TO ACCOUNTS (Contd.)

c) Transactions with related parties during the year

		(Rs. in lacs)
	2008	2007
Individual having control		
Remuneration*	120.96	108.00
Commission	103.56	97.32
Dividend	685.68	435.80
Wholly owned subsidiary		
Sri Sai Home Care Products (P) Limited		
Purchase of finished goods	1,581.62	1,032.94
Purchase of raw material	1.76	3.83
Purchase of packing material	1.07	0.42
Purchase return	7.56	–
Purchase of fixed assets	–	8.69
Sale of plant and machinery	–	73.73
Associated Industries Consumer Products Pvt Ltd		
Investment in shares	97.00	–
Sales of packing material	68.09	–
Sales of Fixed assets	24.12	–
Sales of Finished goods	60.49	–
Rent received	1.47	–
Purchase of raw material	0.79	–
Deposit received	0.51	–
Joint venture companies		
Balaji Teleproducts Limited		
Investment in shares	–	2.50
Purchase of finished goods	10.77	127.48
Supply of sales promotion materials	1.40	0.21
Continental Speciale (India) Private Limited		
Investment in shares	–	0.50
Enterprises in which relatives are interested		
Sale of finished goods		
Beena Agencies	874.09	763.75
Sreehari Stock Suppliers	1,226.13	968.07
Sujatha Agencies	1,055.71	731.97
Sree Guruvayurappan Agencies	533.22	581.45
Quilon Trading Company	580.88	576.78
Others	2,814.99	2,079.00

21 NOTES TO ACCOUNTS (Contd.)

c) Transactions with related parties during the year (Contd.)

(Rs. in lacs)

	2008	2007
Claims for reimbursement for sales promotion expenses / discounts given		
Sreehari Stock Suppliers	29.64	32.25
Sujatha Agencies	23.68	15.47
Tamil Nadu Distributors	10.07	11.35
Others	55.04	37.12
Dividend	32.24	37.65
Enterprises significantly influenced by key management personnel or their relatives		
Sale return of finished goods		
Sahyadri Agencies Ltd.	–	1.20
Claims for reimbursement for sales promotion expenses / discounts given		
Sahyadri Agencies Ltd.	–	0.12
Advance given		
Jyothy Fabricare Services Limited	170.95	–
Relatives of individuals having control		
Remuneration*		
M R Jyothy	16.80	12.60
M P Sidharthan	7.92	12.00
M P Divakaran	–	8.73
M R Deepthy	5.99	2.48
Ananth Rao T	6.51	2.23
Dividend	275.91	154.95
Contribution to Superannuation fund		
M R Jyothy	1.44	–
Ananth Rao T	0.23	–
Key management personnel		
Remuneration*	112.09	100.08
Commission	69.04	64.88
Dividend	14.51	1.81
Contribution to Superannuation fund	10.01	–

* As the future liabilities for gratuity is provided on an acturial basis for the Company as a whole, the amount pertaining to individual basis is not ascertainable and therefore not included above.

21 NOTES TO ACCOUNTS (Contd.)

d) Related party balances

(Rs. in lacs)	2008	2007
Amounts receivable		
Subsidiary Companies	1,931.76	602.04
Joint venture company	34.33	–
Enterprises significantly influenced by key management personnel or their relatives	170.95	–
	2,137.04	602.04
Amounts payable		
Joint venture company	–	44.96
Individual having control	103.56	184.84
Key management personnel	69.04	64.88
Relatives of individual having control	0.50	31.64
Enterprises in which relatives of individual having control are interested	67.92	75.38
Enterprises significantly influenced by key management personnel or their relatives	6.20	6.20
	247.22	407.90

9 Operating Leases

The Company has entered into Lease agreements for premises, which expire at various dates over the next five years. Certain agreements provide for increase in rent. Lease rental expense for the year ended June 30, 2008 was Rs. 208.06 (2007 – Rs. 182.30)

(Rs. in lacs)	2008	2007
Future lease payment under non - cancellable operating leases are as follows:		
Payable not later than one year	26.67	25.16
Payable later than one year and not later than five years	43.60	70.27
Payable later than five years	–	–
	70.27	95.43

10 Capital Commitments (Net of advances)

(Rs. in lacs)	2008	2007
Estimated amount of contracts remaining to be executed on capital account and not provided for	166.61	974.55
	166.61	974.55

(Rs. in lacs)

21 NOTES TO ACCOUNTS (Contd.)

11 **Interest in Joint Ventures :**

The Company's interest, as a venturer, in jointly controlled entities (Incorporated Joint Venture) is:

Name	Country of Incorporation	Percentage of ownership interest	
		As at June 30, 2008	As at June 30, 2007
Balaji Teleproducts Limited	India	50%	50%
Continental Speciale (India) Private Limited	India	50%	50%

The Company's interest in the Joint Ventures is reported as long term investment (Schedule 6) and stated at cost. However, the Company's share of each of the assets, liabilities, income and expenses etc. (each without elimination of the effect of transaction between the Company and joint venture) related to its interests in these joint ventures are:

		As at June 30, 2008	As at June 30, 2007
I	**Assets**		
	Current Assets, Loans and Advances		
	(a) Inventories	–	–
	(b) Sundry debtors	–	22.49
	(c) Cash and bank balances	0.65	15.21
	(d) Loans and advances and deposits	2.03	8.03
	(e) Deferred tax assets, net	–	2.78
II	**Liabilities**		
	Unsecured loans	17.13	46.13
	Current liabilities and provisions		
	(a) Liabilities	24.44*	9.62
	(b) Provisions	–	0.61
III	**Miscellaneous Expenditure**	7.22*	7.59
	(To the extent not written off or adjusted)		
		For the period ended	
		June 30, 2008	June 30, 2007
IV	**Income**		
	Sales	5.39	63.85
V	**Expenses**		
	(a) (Increase)/Decrease in stock	–	–
	(b) Purchases	5.03	43.08
	(c) Administrative and other expenses	28.41	24.85
	(d) Miscellaneous expenditure w/off	0.37	0.46
	(e) Provision for taxation	2.98	(1.28)

There are no contingent liabilities and capital expenditure commitment of the joint venture companies.

* Includes Rs. 5.71 and Rs. 6.21 for liabilities and miscellaneous expenditure respectively relating to Continental Speciale (India) Private Limited, based on unaudited financial statements.

(Rs. in lacs)

21 NOTES TO ACCOUNTS (Contd.)

12 During the earlier years, depreciation/ impairment on assets include impairment losses representing the amount by which the carrying amount of the asset exceeds its recoverable amount. Such impairment losses were due to adverse market conditions for one of its Cash Generating Unit pertaining to the 'Soaps and Detergents' segment.

The pre-discount rate used for evaluation of the present value was 8% per annum.

13 Pursuant to the completion of the IPO, the Company has received an amount of Rs. 544.54 and interest of Rs. 88.07 thereon in accordance with the terms of Investment Agreement entered with some of the selling shareholders. As per the expert advice obtained, the amount of Rs. 544.54 has been treated as capital receipt and accordingly, no provision for tax has been made for the same.

14 Details of loan / advances given to subsidiaries and parties in which directors are interested -

Particulars	As at June 30, 2008	Maximum balance during the year	As at June 30, 2007	Maximum balance during the previous year
(a) To subsidiaries -				
Sri Sai Home Care Products (P) Limited	758.58	770.38	602.04	638.88
Associated Industries Consumer Products Pvt Ltd	1,173.18	1,173.18	–	–
(b) Jyothy Fabricare Services Limited	170.95	170.95	–	–

15 There are no amounts payable / due to Investor Education and Protection Fund.

16 The prior year figures have been reclassified where necessary to confirm with current year's presentation.

Signatures to Schedules 1 to 21

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Deputy Managing Director

M. L. Bansal
Company Secretary

Place: Mumbai
Date: August 27, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	1 2 8 6 5 1
State Code	1 1
Balance Sheet Date	30 06 2008

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

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	3381938
Total Assets	3381938

Sources of Funds

Paid-up Capital	72569
Secured Loans	NIL
Reserves and Surplus	3219384
Unsecured Loans	1745
Share application pending allotment	NIL
Deferred Tax Liability	88240

Application of Funds

Net Fixed Assets	1904815
Investment	23065
Net Current Assets	1454058
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

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

Turnover/Gross Receipt (including other incomes)	3832061
Total Expenditure	3204672
Profit/Loss before Tax	690650
Profit/Loss after Tax	524069
Basic earning per share (Rs.)	36.11
Dividend Rate (%)	200%

V. Generic Names of Principal Products/Services of the Company

Product Description	:	Fabric Whitener
Item Code No. (ITC Code)	:	NA
Product Description	:	Mosquito Repellant
Item Code No. (ITC Code)	:	380890.01
Product Description	:	Washing Preparations
Item Code No. (ITC Code)	:	340220 00.10

Statement Pursuant To Section 212 Of Companies Act, 1956

1. Name of the Subsidiary Company	Sri Sai Homecare Products Private Limited	Associated Industries Consumer Products Private Limited
2. Financial Year of the Subsidiary Company ended on	31st March 2008	31st March 2008
3. Numbers of shares in the subsidiary company held by Jyothy		
Laboratories Ltd at above date.	1,039,550	970,000
Extent of the holdings	100%	100%
4. Net aggregate amount of profits/(losses) of subsidiary's company so far it concerns the members of Jyothy Laboratories Limited		
	Rs. Lacs	Rs. Lacs
a) Not dealt with in the accounts of Jyothy Laboratories Limited		
i) For the subsidiary's financial year ended March 31,2008	(66.18)	(122.22)
ii) For the previous financial years of subsidiary since it became subsidiary of Jyothy Laboratories Limited	40.93	Nil
b) Dealt with in the accounts of Jyothy Laboratories Limited		
i) For the subsidiary's financial year ended March 31,2008	Nil	Nil
ii) For the previous financial years of subsidiary since it became subsidiary of Jyothy Laboratories Limited	Nil	Nil
Changes in the interest of Jyothy Laboratories Ltd between the end of the subsidiary's Financial Year and 30th June 2008		
Nos of Shares acquired	Nil	Nil
Material changes between the end of the subsidiary's financial year and 30th June 2008		
I) Fixed asset	2.32	611.40
II) Investments	Nil	Nil
III) Moneys lent by the subsidiary	Nil	Nil
IV) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil

	M. P. Ramachandran	K. Ullas Kamath	M. L. Bansal
Mumbai, August 27, 2008	*Chairman and Managing Director*	*Deputy Managing Director*	*Company Secretary*

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors
Jyothy Laboratories Limited

1. We have audited the attached consolidated balance sheet of **Jyothy Laboratories Limited** ('the Company') and its subsidiaries and the joint venture companies (together referred to as 'the Group'), as at June 30, 2008 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto (together referred to as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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. We did not audit the financial statements of the subsidiaries and the joint venture companies, whose financial statements reflect total assets of Rs. 2,106.74 lacs as at June 30, 2008, the total revenue of Rs. 1,714.10 lacs, and the cash inflows amounting to Rs. 25.37 lacs for the year then ended which are included in these financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 – 'Consolidated Financial Statements' and Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at June 30, 2008;

   b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

   c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

Consolidated Balance Sheet As at June 30, 2008

(Rs. in lacs)

	Schedule	2008	2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	725.69	725.69
Reserves and surplus	2	31,823.50	28,534.00
		32,549.19	**29,259.69**
Loan Funds			
Unsecured loans	3	51.74	77.67
		51.74	**77.67**
Deferred Tax Liability, Net	4	831.81	500.62
		33,432.74	**29,837.98**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		23,501.61	14,327.04
Less: Accumulated depreciation and impairment		(4,006.92)	(3,281.48)
Net Block		**19,494.69**	**11,045.56**
Capital work-in-progress (including capital advances)		938.58	5,730.62
		20,433.27	16,776.18
Investments	6	51.64	91.64
Current Assets, Loans and Advances			
Inventories	7	4,785.98	4,141.42
Sundry debtors	8	2,540.16	4,073.61
Cash and bank balances	9	9,600.28	7,696.20
Other current assets - Sales promotion items		22.20	24.28
Loans and advances	10	1,888.20	1,378.33
		18,836.82	17,313.84
Less: Current Liabilities and Provisions			
Current liabilities	11	3,680.68	3,842.19
Provisions	12	2,215.53	509.08
		5,896.21	4,351.27
Net Current Assets		12,940.61	12,962.57
Miscellaneous Expenditure (To the extent not written off or adjusted)	13	7.22	7.59
		33,432.74	**29,837.98**
Notes to consolidated accounts	22		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870
Place: Mumbai
Date: August 27, 2008

M. P. Ramachandran
Chairman and Managing Director

M. L. Bansal
Company Secretary

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

K. Ullas Kamath
Deputy Managing Director

Place: Mumbai
Date: August 27, 2008

Consolidated Profit and Loss Account For the year ended June 30, 2008

(Rs. in lacs)

	Schedule	2007-08	2006-07
INCOME			
Sales (gross)		47,126.04	43,383.14
Less: Sales tax recovered		(2,149.80)	(2,273.64)
Less: Excise duty recovered		(959.00)	(835.11)
Less: Trade discount		(6,061.48)	(3,970.27)
Net sales	14	37,955.76	36,304.12
Other income	15	789.75	872.42
		38,745.51	**37,176.54**
EXPENDITURE			
Material costs	16	18,918.12	18,922.16
(Increase)/ decrease in inventories	17	(652.81)	(306.83)
Excise duty		331.32	359.98
Employee costs	18	5,095.00	4,188.27
Other expenses	19	8,164.49	7,729.79
Depreciation and impairment	5	797.54	658.99
Interest and finance charges	20	68.47	17.94
		32,722.13	**31,570.30**
Profit Before Exceptional Items and Tax		**6,023.38**	**5,606.24**
Exceptional Item			
- Bad debts recovered		–	275.08
- Other Exceptional Income (refer note 12 of schedule 22)		632.61	–
Profit Before Tax		**6,655.99**	**5,881.32**
Provision for tax			
- Current tax		1,208.00	660.00
- Current tax - Share of Joint Ventures		0.20	1.50
- Deferred tax charge / (credit)		217.41	(23.24)
- Deferred tax charge/(credit) - Share of Joint Ventures		2.78	(2.78)
- Fringe benefit tax		91.86	101.37
- Wealth tax		1.69	2.74
- Short provision for current tax and deferred tax of earlier year		146.52	–
Profit After Tax		**4,987.53**	**5,141.73**
Profit and Loss Account, beginning of the year		974.51	872.50
Profit Available for Appropriation		**5,962.04**	**6,014.23**
APPROPRIATIONS			
Interim dividend		–	725.69
Dividend tax on interim dividend		–	101.78
Proposed dividend		1,451.38	181.42
Dividend tax on proposed dividend		246.66	30.83
Transfer to general reserves		4,000.00	4,000.00
Profit and Loss Account, end of the year		**264.00**	**974.51**
EARNINGS PER SHARE (EPS)			
Basic and Diluted (Rs.)		34.36	35.43
Nominal value per share (Rs.)		5	5
Weighted average number of shares outstanding for calculation of Basic and Diluted EPS		14,513,760	14,513,760
Notes to consolidated accounts	22		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Profit and Loss Account.
As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Deputy Managing Director

M. L. Bansal
Company Secretary

Place: Mumbai
Date: August 27, 2008

Consolidated Cash Flow Statement For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Net profit before taxation	6,655.99	5,881.32
Adjustments for:		
Depreciation and impairment	797.54	658.99
Refund received from selling shareholders (refer note 12 of schedule 22)	(632.61)	–
Loss on discarded/sale of fixed assets, net	40.33	33.67
Miscellaneous expenditure written off	0.37	0.46
Dividend received	(0.79)	(0.79)
Interest and finance charges	68.47	17.94
Interest income	(610.21)	(759.65)
Excess provision written back	(8.37)	(51.50)
Sundry advances written off (net of provision)	8.50	33.41
Provision for dimunition in value of investments	40.00	–
Provision for doubtful debts	–	7.29
Operating profit before working capital changes	**6,359.22**	**5,821.14**
(Increase) / Decrease in current assets, loans and advances		
Inventories (including sales promotion items)	(642.48)	(1,637.27)
Trade receivables	1,535.82	(1,118.79)
Loans and advances	(425.36)	(464.81)
Increase in current liabilities / provisions	25.03	1,409.79
Cash generated from operations	**6,852.23**	**4,010.06**
Taxes paid (net)	(1,303.01)	(766.01)
Net cash generated from operating activities	**5,549.22**	**3,244.05**
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work-in-progress and capital advances)	(4,538.32)	(8,195.40)
Receipt of investment subsidy	–	1.40
Proceeds from sale of fixed assets	43.23	119.42
Advances given	(87.01)	–
Investment in fixed deposits (net)	(2,156.50)	5,617.79
Interest received	610.21	759.65
Dividend received	0.79	0.79
Net cash used in investing activities	**(6,127.60)**	**(1,696.35)**

Consolidated Cash Flow Statement (Contd.) For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Repayment of loan fund	–	(0.11)
Refund received from selling shareholders (refer note 12 of schedule 22)	632.61	–
Borrowing of loan fund	(29.01)	46.13
Deferred sales tax loans	3.08	5.79
Interest and finance charges	(68.47)	(17.94)
Dividend paid	(181.42)	(907.11)
Preliminary Expenses	–	(8.05)
Dividend tax paid	(30.83)	(127.22)
Net cash generated from/(used in) financing activities	**325.96**	**(1,008.51)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(252.42)**	**539.19**
Cash and cash equivalents at beginning of year	1,367.25	828.06
Cash and cash equivalents at end of year	**1,114.83**	**1,367.25**
Cash and bank balances as per Balance Sheet	**9,599.64**	**7,680.99**
Less: Long term deposits considered in investing activities	8,485.45	6,328.95
	1,114.19	1,352.04
Share of Joint Ventures	0.64	15.21
Cash and cash equivalents considered for cashflows	**1,114.83**	**1,367.25**

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Deputy Managing Director

M. L. Bansal
Company Secretary

Place: Mumbai
Date: August 27, 2008

Schedules Forming Part of the Consolidated Balance Sheet As at June 30, 2008

(Rs. in lacs)

	2008	2007
1 SHARE CAPITAL		
Authorised Capital		
20,000,000 (2007 - 20,000,000) equity shares of Rs. 5 (2007 - Rs. 5) each	1,000.00	1,000.00
	1,000.00	**1,000.00**
Issued, Subscribed and Paid up Capital		
14,513,760 (2007 - 14,513,760) equity shares of Rs. 5 (2007 - Rs. 5) each	725.69	725.69
	725.69	**725.69**

2 RESERVES AND SURPLUS

	2008	2007
Securities premium	10,653.13	10,653.12
Investment subsidy		
Balance, beginning of the year	67.29	65.89
Add: Subsidy received during the year	–	1.40
Balance, end of the year	67.29	67.29
General reserves		
Balance, beginning of the year	16,839.08	12,839.08
Add : Transfer from profit and loss account	4,000.00	4,000.00
Balance, end of the year	20,839.08	16,839.08
Balance in profit and loss account	298.67	977.77
Share of Joint Ventures	(34.67)	(3.26)
	264.00	974.51
	31,823.50	**28,534.00**

3 UNSECURED LOANS

	2008	2007
Deferred sales tax loan	34.62	31.54
(Repayable within 1 year Rs. Nil, 2007 - Rs. Nil)		
	34.62	**31.54**
Share of Joint Ventures	17.12	46.13
	51.74	**77.67**

(Rs. in lacs)

	2007	Charge/(Credit) for the year	2008
4 DEFERRED TAX LIABILITY, Net			
a) Deferred tax liability			
Depreciation	815.85	438.58	1,254.43
	815.85	438.58	1,254.43
b) Deferred tax assets			
Technical royalty	11.64	2.90	8.74
Gratuity	41.62	(47.45)	89.07
Provision for doubtful debts	5.14	0.81	4.33
Provision for doubtful advances	6.80	2.04	4.76
Provision for leave encashment	25.37	(16.83)	42.20
Provision for impairment losses	146.16	–	146.16
Business Loss	75.20	(43.00)	118.20
Disallowance of 40(a)(ia)	0.52	(8.64)	9.16
	312.45	(110.17)	422.62
	503.40	**328.41**	**831.81**
Share of Joint Ventures	(2.78)	2.78	–
	500.62	**331.19**	**831.81**

5 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION AND AMORTISATION					IMPAIRMENT			NET BLOCK	
Particulars	As at July 1, 2007	Additions ##	Deletions	As at June 30, 2008	As at July 1, 2007	Adjust-ment	For the Year	Deletions	As at June 30, 2008	As at July 1, 2007	For the Year	As at June 30, 2008	As at June 30, 2008	As at June 30, 2007
Intangible assets														
Goodwill	75.00	226.60	–	301.60	–		–	–	–	–	–	–	301.60	75.00
Goodwill arising on consolidation	99.63	1.80	–	101.43	99.63		1.80		101.43	–		–	–	–
Knowhow, Trademarks and Copyrights$	264.68	362.75	–	627.43	64.60		47.81	–	112.41	–	–	–	515.02	200.08
Tangible assets														
Freehold land*	1,838.78	33.23	–	1,872.01	–		–	–	–	–	–	–	1,872.01	1,838.78
Leasehold land @	278.81	0.43	–	279.24	8.37		3.68	–	12.05	10.37	–	10.37	256.82	260.07
Building#	5,251.41	5,934.04	–	11,185.45	745.87	0.08	199.06	–	945.01	143.35	–	143.35	10,097.09	4,362.19
Plant and machinery	5,164.11	2,268.11	79.04	7,353.18	1,276.49	0.05	388.31	41.17	1,623.68	255.02	–	255.02	5,474.48	3,632.60
Dies and moulds	263.72	43.25	5.60	301.37	255.09		24.34	–	279.43	–	–	–	21.94	8.63
Furniture and fixture @	291.90	181.83	–	473.73	73.64		41.75	–	115.39	5.20	–	5.20	353.14	213.06
Office equipments @	416.09	217.31	–	633.40	201.15		57.85	–	259.00	12.55	–	12.55	361.85	202.39
Vehicle @	382.91	61.01	71.15	372.77	126.64		35.81	33.93	128.52	3.51	–	3.51	240.74	252.76
Total	**14,327.04**	**9,330.36**	**155.79**	**23,501.61**	**2,851.48**	**0.13**	**800.41**	**75.10**	**3,576.92**	**430.00**	–	**430.00**	**19,494.69**	**11,045.56**
Previous year	11,274.58	3,302.69	250.23	14,327.04	2,329.63	–	618.99	97.14	2,851.48	390.00	40.00	430.00	11,045.56	

* Includes land acquired from customer at agreed value of Rs. 10.00 against recovery of dues and is held for disposal.

\# Includes flats acquired from customer at agreed value of Rs. 195.00 against recovery of dues and is held for disposal.

$ Includes trademarks and copyrights of Rs. 315.63 are pending for registration in the name of the Company.

\# Includes Rs. 452.19 (2007 Rs. 452.19) represented by unquoted fully paid shares at cost in various co-operative societies.

@ Depreciation for the current year charge includes depreciation on furniture and fixtures Rs. 0.44, vehicles Rs. 0.17, office equipment Rs. 0.11, leasehold land Rs. 2.16 pertaining to assets used for projects in progress and is capitalised.

\## Includes fixed assets of Rs. 303.27 pertaining to subsidiary acquired during the year. Out of which legal formalities relating to registration of land & building are pending completion.

Schedules Forming Part of the Consolidated Balance Sheet As at June 30, 2008

(Rs. in lacs)

	2008	2007
6 INVESTMENTS (Long term, at cost)		
Non Trade Investments		
Investment in Shares (Quoted)		
Contech Soft Limited	11.78	11.78
27,500 (2007 - 27,500) equity shares of Rs. 10 (2007 - Rs. 10) each fully paid up		
Shri Adhikari Brothers Ltd	708.52	708.52
131,638 (2007 - 658,194) equity shares of Rs. 10 (2007 - Rs. 2) each fully paid up		
Sub Total	**720.30**	**720.30**
Less: Provision for dimunition in the value of investments	(670.00)	(630.00)
Total	**50.30**	**90.30**
Investment in Government Securities (Unquoted)		
Indira Vikas Patra	0.02	0.02
National Saving Certificates	1.32	1.32
	1.34	**1.34**
	51.64	**91.64**

	2008	2007
7 INVENTORIES		
Raw and packing materials (including goods in-transit Rs. 11.99, 2007 - Rs. 20.04)	1,772.67	1,350.91
Work in progress	87.82	71.62
Finished goods (including goods in-transit Rs. 42.24, 2007 - Rs. 111.88)	2,770.14	2,554.26
Stores and spare parts	155.35	164.63
Closing Stock - Packing Material		
	4,785.98	**4,141.42**

	2008	2007
8 SUNDRY DEBTORS		
Secured, considered good		
Outstanding for more than six months	132.57	132.57
Unsecured		
a) Outstanding for more than six months		
Considered good	18.13	18.13
Considered doubtful	12.74	15.11
Less: Provision for doubtful debts	(12.74)	(15.11)
	18.13	18.13
b) Other debts, considered good	2,389.46	3,922.91
	2,540.16	**4,073.61**

(Rs. in lacs)

	2008	2007
9 CASH AND BANK BALANCES		
Cash in hand	27.10	21.41
Balance with scheduled banks - Current account	1,087.09	1,330.63
- Deposit account *	8,485.45	6,328.95
	9,599.64	7,680.99
Share of Joint Ventures	0.64	15.21
	9,600.28	7,696.20

* Includes deposits provided as securities against bank guarantees - Rs. 262.39, (2007 - Rs. 43.41).

	2008	2007
10 LOANS AND ADVANCES		
Unsecured, considered good		
Advances to joint venture company	17.17	–
Deposits	251.57	169.06
Advances recoverable in cash or in kind or for value to be received	730.21	490.71
Quantity discount receivable	28.20	71.14
Advance to suppliers	643.40	464.53
Balance with excise authorities	136.71	105.95
Staff loans	78.91	68.91
	1,886.17	1,370.30
Unsecured and considered doubtful		
Advance to suppliers	14.00	20.00
Less: Provision for doubtful advances	(14.00)	(20.00)
	1,886.17	1,370.30
Share of Joint Ventures	2.03	8.03
	1,888.20	1,378.33

	2008	2007
11 CURRENT LIABILITIES		
Sundry creditors		
- Micro and Small Enterprises (refer note 8 of schedule 22)	166.49	79.10
- Others	968.18	1,161.61
Other current liabilities	2,356.48	2,379.82
Security deposits	38.20	38.20
Advances from customers	144.06	173.23
	3,673.41	3,831.96
Share of Joint Ventures	7.27	10.23
	3,680.68	3,842.19

Schedules Forming Part of the Consolidated Balance Sheet As at June 30, 2008

(Rs. in lacs)

	2008	2007
12 PROVISIONS		
Provision for income tax (net of advance tax)	125.69	90.32
Provision for wealth tax	3.00	4.25
Provision for gratuity	263.60	127.00
Provision for leave encashment	125.20	75.26
Proposed dividend	1,451.38	181.42
Dividend tax on proposed dividend	246.66	30.83
	2,215.53	**509.08**

	2008	2007
13 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses		
Share of Joint Ventures	7.22	7.59
	7.22	**7.59**

Schedules Forming Part of the Consolidated Profit and Loss Account For the year ended June 30, 2008

(Rs. in lacs)

	2007-08	2006-07
14 SALES, Net		
Sale of Company's branded products		
a) Manufactured at own facility	23,416.07	22,146.76
b) Procured under contract manufacturing arrangements	14,165.65	13,323.12
Sale of other traded products	374.04	834.24
	37,955.76	**36,304.12**

	2007-08	2006-07
15 OTHER INCOME		
Dividend received on long term non-trade investments	0.79	0.79
Interest on fixed deposit (tax deducted at source - Rs. 133.90, 2007 - Rs. 180.44)	610.21	759.65
Export incentives	17.37	0.65
Excess provision written back	109.37	51.50
Miscellaneous income	52.01	59.83
	789.75	**872.42**

(Rs. in lacs)

	2007-08	2006-07
16 MATERIAL COSTS		
Raw and packing materials consumed		
Opening stock	1,350.91	1,072.09
Add : Opening stock of subsidiary acquired during the year	31.45	–
Add: Cost of purchases (net of freight subsidy Rs. Nil, 2007 - Rs. 38.69)	9,672.86	7,733.19
	11,055.22	8,805.28
Less: Closing stock	1,773.17	1,350.91
Sub-total (A)	**9,282.05**	**7,454.37**
Cost of trading goods*		
Opening stock	1,787.81	726.67
Add: Cost of purchases	9,184.65	11,875.88
	10,972.46	12,602.55
Less: Closing stock	1,341.42	1,787.81
Sub-total (B)	**9,631.04**	**10,814.74**
Provision for free products under sales promotion scheme	–	610.08
Sub-total (C)	–	**610.08**
Total (A+B+C)	**18,913.09**	**18,879.19**
Share of Joint Ventures	5.03	42.97
	18,918.12	**18,922.16**

* Including cost of Company's branded products procured under contract manufacturing arrangements.

	2007-08	2006-07
17 (INCREASE)/ DECREASE IN INVENTORIES		
(Increase)/ decrease in inventories		
Closing stock		
Finished goods	1,428.72	766.45
Work in progress	87.82	71.62
	1,516.54	838.07
Opening stock		
Finished goods	766.45	455.10
Work in progress	71.62	79.59
	838.07	534.69
Add : Stock of subsidiary acquired during the year	13.59	–
	851.66	534.69
Sub-total (A)	**(664.88)**	**(303.38)**
(Increase)/ decrease in excise duty		
Excise duty on closing stock	43.82	31.75
Excise duty on opening stock	31.75	35.20
Sub-total (B)	**(12.07)**	**3.45**
Total (A-B)	**(652.81)**	**(306.83)**

(Rs. in lacs)

	2007-08	2006-07
18 EMPLOYEE COSTS		
Salaries, wages and bonus	3,801.96	2,959.85
Contribution to provident and other funds (refer note 5 of schedule 22)	382.58	281.98
Gratuity (refer note 5 of schedule 22)	136.68	149.90
Staff welfare expenses	314.79	210.37
Directors' remuneration	223.08	229.41
Commission to directors	199.61	168.20
Field staff incentives	36.30	188.56
	5,095.00	4,188.27

	2007-08	2006-07
19 OTHER EXPENSES		
Conversion charges	92.04	63.24
Power and fuel expenses	1,097.79	788.31
Rent	234.33	198.24
Insurance	12.46	21.44
Repairs and maintenance		
- Building	56.04	33.77
- Plant & Machinery	133.44	254.57
- Others	106.43	65.90
Research and development	17.17	18.95
Printing and stationery	50.78	44.94
Communication costs	101.03	103.69
Legal & professional fees	380.79	381.51
Rates & taxes	255.68	246.11
Directors' sitting fees	2.10	1.50
Vehicle maintenance	73.43	73.86
Donation	8.31	4.12
Loss on discarded/sale of fixed assets, net	40.33	33.67
Provision for doubtful debts	–	7.29
Provision for dimunition in value of investments	40.00	–
Sundry advances written off	8.50	33.41
Exchange loss, net	–	14.09
Advertisement and publicity	2,867.42	2,914.46
Sales promotion and schemes	154.58	479.46
Carriage outwards (net of freight subsidy - Rs Nil, 2007 - Rs 32.15)	1,007.78	703.15
Field staff expenses	736.73	697.92
Traveling and conveyance	228.10	195.26
Brokerage on sales	111.26	87.15
Miscellaneous expenses	319.19	238.47
	8,135.71	7,704.48
Share of Joint Ventures	28.78	25.31
	8,164.49	7,729.79

(Rs. in lacs)

	2007-08	2006-07
20 INTEREST AND FINANCE CHARGES		
Interest expense - on banks	0.94	7.66
- others	55.00	–
Bank charges and commission	12.53	10.28
	68.47	**17.94**

	2007-08	2006-07
21 CONTINGENT LIABILITIES		
Contingent liabilities not provided for in respect of:		
(i) Amount outstanding in respect of guarantees given by the Company to banks		
(a) As securities provided to NSE for filling of prospectus for its Initial Public Offering	152.84	–
(b) Others	35.78	31.68
(ii) Tax matters		
(a) Disputed liability in respect of income-tax demands - matters under appeal	171.30	59.18
(b) Disputed sales tax demands – matters under appeal	641.54	535.78
(c) Disputed excise duty and service tax demand - matter under appeal	31.56	23.87
(iii) Claims against the Company not acknowledged as debt	147.60	120.00
	1,180.62	**770.51**

Schedules Forming Part of the Consolidated Financial Statement For the year ended June 30, 2008

22 NOTES TO CONSOLIDATED ACCOUNTS

1 **Background**

Jyothy Laboratories Limited ('JLL' or 'the Company') together with its wholly owned subsidiary Sri Sai Homecare Products (P) Ltd and Associated Industries Consumer Products (P) Ltd., and the joint venture companies Balaji Telebrands Limited and Continental Speciale (India) Private Limited collectively referred to as 'the Group', is principally engaged in manufacturing and marketing of fabric whiteners, soaps, detergents, mosquito coils and incense sticks and dhoop.

During the year, the Company successfully completed an Initial Public Offer ('IPO') of 4,430,260 equity shares of face value of Rs 5 each to the public for cash at a price of Rs 690 per equity share aggregating Rs 30,568.79 lacs through an offer for sale by selling shareholders other than the promoters of the Company. The Company's equity shares were listed on December 19, 2007 at Bombay Stock Exchange and National Stock Exchange.

2 **Basis of preparation of Financial Statements**

The financial statements have been prepared to comply in all material respects with the mandatory notified accounting standard by the Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

made. The accounting policies have been consistently applied by the Group and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

The consolidated financial statements of the Group have been consolidated on a line-by-line basis by adding together the book values of subsidiary companies like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealised profits / losses on intra-group transactions.

The excess/shortfall of cost to the Company of its investments in the subsidiary companies is recognised in the financial statement as goodwill/capital reserves, as the case may be. The goodwill amount so arised is written off in the same year.

Investment in Joint venture is dealt with in accordance with Accounting Standard (AS) 27 "Financial Reporting of interest in Joint Ventures". The Group's interest in Joint Venture is accounted for using proportionate consolidation method.

The Consolidated Financial Statement for the year ended June 30, 2008 includes the financial statements of the following subsidiary companies and Joint Venture Companies :

Name of the Company	Country of Incorporation	Percentage of voting power as on	
		June 30, 2008	June 30, 2007
(A) Subsidiaries			
1. Sri Sai Homecare Products (P) Limited	India	100	100
2. Associated Industries Consumer Products Pvt Ltd*	India	100	–
(B) Joint Ventures			
1. Balaji Teleproducts Limited	India	50	50
2. Continental Speciale (India) Private Limited	India	50	50

* On September 12, 2007, the Company has acquired 100% share capital of Associated Industries Consumer Products (P) Limited, engaged in business of manufacturing and selling of Soaps, Detergents etc. Accordingly, the accounts of the same has been consolidated from September 12, 2007.

As the financial year of the Subsidiary Companies and the Joint Venture Companies are different from that of the Company, the financial statements of these Companies have been drawn up so as to be aligned with the financial year of the Company. The Audited financial statements of the Joint Venture Company, Continental Speciale (India) Private Limited, are not available as of the reporting date and thus have been consolidated on the basis of unaudited accounts drawn upto June 30, 2008.

The Consolidated financial statements includes Rs 5.71 lacs and Rs 6.21 lacs for liabilities and miscellaneous expenses respectively, relating to the Joint Venture Company, Continental Speciale (India) Private Limited.

3 Summary of Accounting Policies

The significant accounting policies adopted by the Group, in respect of the consolidated financial statements are as follows:

a) **Fixed assets**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Cost of shares of Co-operative society has been added to the cost of office building. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

b) Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

The estimated useful life of the assets is as follows:

Category	Estimated useful life (in years)
Buildings	30-60
Plant and machinery	3-21
Electrical installations	20
Furniture and fixtures	12
Dies and moulds	1-3
Computers	6
Office equipments	20
Vehicles	8-10
Knowhow	3
Trademarks and Copyrights	9-10

Leasehold land is amortised over the period of the lease on a straight-line basis. The Goodwill purchased is tested for impairment purposes every year.

c) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

d) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Lease payments on operating leases are recognized as expense in the Profit and Loss account on a straight-line basis, over the lease term.

e) Government grants and subsidies

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

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

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

f) Investment

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

g) Inventories

Inventories of raw materials, packing materials, work-in-progress, finished goods, stores and consumables items are valued at cost or net realizable value, whichever is lower. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work in progress and finished goods includes materials and all applicable manufacturing overheads. The Company accrues for excise duty liability in respect of manufactured finished goods/intermediary inventories lying in the factory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods :

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty, Sales Tax and VAT deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arised during the year. Revenue includes the amount of excise duty refund received / due in accordance with incentive scheme.

Interest :

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

i) Foreign currency translation

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

j) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation Fund are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

(ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

k) Sales promotion items

Sales promotion items are valued at cost or net realizable value, whichever is lower. Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition.

l) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion.

m) Income-tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit & Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the period.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o) Excise duty

Excise duty on turnover is reduced from turnover. Excise duty relating to the difference between the opening stock and closing stock is recognized as income/expense as the case may be, separately in the Profit and Loss account.

p) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

It includes general corporate income and expense items which are not allocated to any business segment.

q) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year are adjusted for event of share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

r) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

s) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

t) **Miscellaneous expenditure**

Miscellaneous expenditure comprises preliminary expenses for incorporation of the joint venture company and is written off over a period of five years starting from the year in which commercial activity begins.

4 **Change in Accounting Policy**

Adoption of Accounting Standard AS 15 (Revised) Employee Benefits

Till June 30, 2007, the Group was providing for retirement benefits based on acturial valuation. In the current year, the Group has gone for adoption of the Accounting Standard 15(Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the Group has provided for gratuity and leave encashment based on acturial valuation done as per projected unit credit method. The effect of transitional provision, being not material, has been given in the profit and loss account.

5 **Employee Benefit**

(i) In the current year, the Group has adopted Accounting Standard 15 (Revised) 'Employee benefits' which is mandatory from accounting periods starting from December 7, 2006. The current year being the first year of adoption of Accounting Standard 15 (Revised) 'Employee benefits' by the company, the previous year comparative information has not been furnished.

(ii) Defined Benefit Plans -

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company. The Group has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

		(Rs. in lacs)
		June 30, 2008
		Gratuity
		Funded
(A)	Summary of the Acturial Assumptions	
	Mortality	LIC (1994-96) Ult
	Discount rate	8%
	Rate of increase in compensation	8%
	Withdrawal rates	10%
	Rate of return (expected) on plan assets	6.50%
	The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.	
	The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.	
(B)	Changes in present value of obligations (PVO)	
	PVO at beginning of period	397.36
	Interest cost	30.55
	Current Service Cost	81.49
	Benefits Paid	(30.94)
	Actuarial (gain) / loss on obligation	39.18
	PVO at end of period	517.64

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

	(Rs. in lacs) June 30, 2008
(C) Changes in fair value of plan assets	
Fair value of plan assets at the beginning of period	270.36
Expected return on plan assets	13.24
Contributions	–
Benefit paid	(30.94)
Actuarial gain / (loss) on plan assets	1.30
Fair value of plan assets at end of period	253.96
(D) Net Assets/(Liabilities) recognised in the balance sheet	
PVO at end of period	(517.64)
Fair value of plan assets at end of period	254.04
Funded status	(263.60)
Unrecognised Actuarial Gain / (Loss)	–
Net assets / (Liability) recognised in the balance sheet	(263.60)
(E) Expenses recognised in the statement of profit and loss account	
Current service cost	81.49
Interest cost	30.55
Expected return on plan assets	(13.24)
Net Actuarial (Gain)/Loss recognised for the period	37.88
Expense recognised in the statement of profit and loss account	136.68
(F) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:	
Investment with insurer	100.00%

(iii) Defined Contribution Plans -

Amount of Rs 382.58 (2007 - Rs 281.98) is recognised as an expense and included in schedule 17 - "Contribution to provident and other funds" in the Profit and Loss account.

(iv) The Company expects to contribute Rs 41.57 to gratuity fund in 2008-09 and Rs 20.15 to Superannuation fund in 2008-09.

6 Segment Reporting

Business segments:

The primary segment of the Group has been determined on the basis of business segment. The Group is organized into two business segments - Soaps and Detergents and Home Care. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organization structure and the internal reporting system.

Soaps and Detergents includes fabric whiteners, fabric detergents, dishwash bar and soaps including ayurvedic soaps. Home Care products include incense sticks, dhoop and mosquito coils.

Secondary segment:

The Group mainly caters to the needs of the domestic market. The export turnover is not significant in the context of total turnover. As such, there are no reportable geographical segments.

(Rs. in lacs)

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

Segment revenue and result:

The income/ expense that are not directly attributable to the business segments are shown as unallocated corporate costs.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of debtors, inventories, advances and fixed assets. Assets at corporate level are not allocable to segments on a reasonable basis and thus the same have not been allocated.

Segment liabilities include all operating liabilities and consist principally of creditors and accrued liability.

Information about Business Segments

	Soaps and Detergents		Home care		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	23,134.88	20,018.57	14,469.27	15,470.48	351.61	815.07	37,955.76	36,304.12
Results	6,666.24	6,361.84	72.81	(111.45)	31.99	(20.50)	6,771.04	6,229.89
Unallocated expenditure							(1,401.35)	(1,090.98)
Income							722.16	483.66
Interest & finance expenses							(68.47)	(16.33)
Profit before exceptional items and tax							6,023.38	5,606.24
Exceptional Items								
- Bad debts recovered							–	275.08
- Other Exceptional Income (refer note 13 in schedule 21)							632.61	–
Profit before tax							6,655.99	5,881.32
Provision for tax							(1,668.46)	(739.59)
Profit after tax							4,987.53	5,141.73
Other Information								
Segment assets	16,492.72	13,581.19	6,425.46	6,641.48	132.76	252.73	23,050.94	20,475.40
Unallocated assets							16,278.01	13,713.86
Total assets							39,328.95	34,189.26
Segment liabilities	2,515.14	1,452.16	1,139.03	2,021.40	131.51	201.52	3,785.68	3,675.08
Unallocated liabilities							2,994.08	1,254.49
Total liabilities							6,779.76	4,929.57
Segment Capital expenditure (including capital work in progress)	2,669.32	2,061.23	624.08	1,042.04	–	–	3,293.40	3,103.27
Unallocated capital expenditure (including capital work in progress)							1,244.92	5,092.13
Total capital expenditure (including capital work in progress)							4,538.32	8,195.40
Segment depreciation	546.85	434.47	136.35	100.82	–	–	683.20	535.29
Unallocated depreciation							114.34	83.70
Total depreciation							797.54	618.99
Impairment loss	–	40.00	–	–	–	–	–	40.00
Segment non cash expenses other than depreciation	1.41	8.13	4.19	10.28	0.10	0.35	5.70	18.76
Unallocated non cash expenses other than depreciation							39.34	78.41
Total non cash expenses other than depreciation							45.04	97.17

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

7 Related Party Disclosures

a) Parties where control exists

Individual having control

M.P. Ramachandran	Chairman and Managing Director

As the Managing Director of the Company is an individual having control and hence not separately disclosed as a Key management personnel.

b) Related party relationships where transactions have taken place during the year

Joint venture company

Balaji Teleproducts Limited

Continental Speciale (India) Private Limited

Firm / HUF in which the relatives of individual having control are partners / members / proprietor.

Beena Agencies

Quilon Trading Co.

Travancore Trading Corp.

Sree Guruvayurappan Agencies

M.P. Agencies

Tamil Nadu Distributors

Deepthy Agencies

Sahyadri Agencies

Sreehari Stock Suppliers

Sujatha Agencies

M.P. Ramachandran - H.U.F.

M.P. Divakaran - H.U.F.

M.P. Sidharthan - H.U.F.

Relative of individual having control

M.P. Sidharthan

M.P. Divakaran (Director upto June 7, 2007)

M.R. Jyothy (Director)

M.R. Deepthy

Ananth Rao T

Enterprises significantly influenced by key management personnel or their relatives

Sahyadri Agencies Ltd.

Jyothy Fabricare Services Limited

Key management personnel (includes directors of the Company)

K. Ullas Kamath	Deputy Managing Director

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

c) Transactions with related parties during the year

		(Rs. in lacs)
	2008	2007
Individual having control		
Remuneration*	120.96	108.00
Commission	103.56	97.32
Dividend	685.68	435.80
Joint venture company		
Balaji Teleproducts Limited		
Purchase of finished goods	5.39	63.74
Supply of sales promotion materials	0.70	0.11
Enterprises in which relatives are interested		
Sale of finished goods		
Beena Agencies	874.09	763.75
Sreehari Stock Suppliers	1,226.13	968.07
Sujatha Agencies	1,055.71	731.97
Sree Guruvayurappan Agencies	533.22	581.45
Quilon Trading Company	580.88	576.78
Others	2,814.99	2,079.00
Claims for reimbursement for sales promotion expenses / discounts given		
Sreehari Stock Suppliers	29.64	32.25
Sujatha Agencies	23.68	15.47
Tamil Nadu Distributors	10.07	11.35
Others	55.04	37.12
Dividend	32.24	37.65
Enterprises significantly influenced by key management personnel or their relatives.		
Sale return of finished goods		
Sahyadri Agencies Ltd.	–	1.20
Claims for reimbursement for sales promotion expenses		
Sahyadri Agencies Ltd.	–	0.12
Advance given		
Jyothy Fabricare Services Limited	87.01	–
Relatives of individuals having control		
Remuneration*		
M R Jyothy	16.80	12.60
M P Sidharthan	7.92	12.00
M P Divakaran	–	8.73
M R Deepthy	5.99	2.48
Ananth Rao T	6.51	2.23
Dividend	275.91	154.95

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

c) Transactions with related parties during the year (Contd.)

(Rs. in lacs)

	2008	2007
Contribution to Superannuation fund		
M R Jyothy	1.44	–
Ananth Rao T	0.23	–
Key management personnel		
Remuneration*	112.09	100.08
Commission	69.04	64.88
Dividend	14.51	1.81
Contribution to Superannuation fund	10.01	–
* As the future liabilities for gratuity is provided on an actuarial basis for the company as a whole, the amount pertaining to individual basis is not ascertainable and therefore not included above.		
d) **Related party balances**		
Amounts receivable		
Joint venture company	17.16	–
Enterprises significantly influenced by key management personnel or their relatives	87.01	–
	104.17	–
Amounts payable		
Joint venture company	–	22.48
Individual having control	103.56	184.84
Key management personnel	69.04	64.88
Relatives of individual having control	0.50	31.64
Enterprises in which relatives of individual having control are interested	67.92	75.38
Enterprises significantly influenced by key management personnel or their relatives	6.20	6.20
	247.22	**385.42**

8 **Supplementary Information**

Sundry Creditors include principal amount of Rs 166.49 (2007 - Rs 79.10) due to the suppliers covered by Micro and Small Enterprise Development Act, 2006.

There is no interest paid/Payable during the year by the Group to such suppliers.

Micro and Small Enterprises to whom the Group owes dues, which are outstanding for more than 45 days as at June 30, 2008 are as under - Allied Electrical Services, Hima Chillers, Best Hydraulics and Suhner India Pvt. Ltd.

The above information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

9 **Operating Leases**

The Group has entered into Lease agreements for premises, which expire at various dates over the next five years.

Certain agreements provide for increase in rent. Lease rental expense for the year ended June 30, 2008 was Rs 234.33 (2007 - Rs 198.24)

(Rs. in lacs)

22 NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

(Rs. in lacs)

	2008	2007
Future lease payment under non - cancellable operating leases are as follows:		
Payable not later than one year	26.67	25.16
Payable later than one year and not later than five years	43.60	70.27
Payable later than five years	–	–
	70.27	**95.43**

10 Capital Commitments (Net of advances)

(Rs. in lacs)

	2008	2007
Estimated amount of contracts remaining to be executed on capital account and not provided for	166.61	974.55
	166.61	**974.55**

11 During the earlier years, depreciation/ impairment on assets include impairment losses representing the amount by which the carrying amount of the asset exceeds its recoverable amount. Such impairment losses were due to adverse market conditions for one of its Cash Generating Unit pertaining to the 'Soaps and Detergents' segment. The pre-discount rate used for evaluation of the present value was 8% per annum.

12 Pursuant to the completion of the IPO, the Company has received an amount of Rs 544.54 and interest of Rs 88.07 thereon in accordance with the terms of Investment Agreement entered with some of the selling shareholders. As per the expert advice obtained, the amount of Rs 544.54 has been treated as capital receipt and accordingly, no provision for tax has been made for the same.

13 There are no amounts payable / due to Investor Education and Protection Fund.

14 Figures pertaining to the subsidiary and joint venture companies have been reclassified wherever necessary to bring them in line with the Group financial statements.

15 The prior year figures have been reclassified where necessary to confirm with current year's presentation.

Signatures to Schedules 1 to 22

As per our report of even date

For **S.R. Batliboi & Associates**
Chartered Accountants

Per Sudhir Soni
Partner
Membership No.: 41870

Place: Mumbai
Date: August 27, 2008

For and on behalf of the Board of Directors of
Jyothy Laboratories Limited

M. P. Ramachandran
Chairman and Managing Director

M. L. Bansal
Company Secretary

K. Ullas Kamath
Deputy Managing Director

Place: Mumbai
Date: August 27, 2008

Directors' Report

To,
The Members,

Your Directors have pleasure in presenting the Twelvth Annual Report of your Company together with the Audited Statements of Accounts for the year ended 31st March 2008.

		(Rs. in lacs)
Financial Results	For the year ended 31st March 2008	For the year ended 31st March 2007
Income (including Other Income)	1177.38	730.91
Loss Before Tax	(82.27)	59.62
Current Tax	2.20	0.00
Provision for Tax (Deferred)	(18.85)	2.90
Fringe Benefit Tax	0.56	1.27
Net Loss After Tax	(66.18)	55.45
Brought forward balance of previous year losses	(76.77)	(132.23)
Cumulative Losses	(142.95)	(76.77)

Dividend

In view of losses incurred in current year and brought forward losses from the earlier years, the Board is unable to declare any dividend for the year under review.

Performance

Income during the year was Rs.1177.38 lacs (previous year Rs.730.91 lacs), reporting a growth rate of about 61%, which was attributed to increased orders from the holding Company. Net Profit was reported negative of Rs.66.18 lacs (previous year Profit of Rs.55.45 lacs) due to tremendous increase in operational cost of the Company.

Fixed Deposits

The Company has not taken any fixed deposits from the public during the year.

Directors

Mr. T. G. Pradosh, Director of the Company retires by rotation and being eligible offer himself for re-appointment.

Directors' Responsibility Statement

In compliance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 and of the Loss of the Company for the year ended 31st March 2008;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Directors have prepared the annual accounts on a going concern basis.

Foreign exchange Earnings and Outgo.

		(Rs. in Lacs)
Particulars	2007-08	2006-07
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo (Capital Goods)	9.03	Nil

Auditors

The present Auditors of the Company, namely, M/s. Namboodiri Associates, Chartered Accountants, Thrissur, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange

In accordance with the requirements of 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, being measures of conservation of energy are not applicable as our company does not fall within the ambit of any of the industries listed under the schedule to the rules.

Particulars of Employees

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, regarding the employees is reported to be Nil.

Compliance Certificate

The required Secretarial Compliance Certificate as required under Section 383A(1) is attached separately, for the year ended 31st March 2008.

Acknowledgement

The Board of Directors wishes to express their deep sense of appreciation and gratitude to all employees, bankers, clients and shareholders for assistance, support and co-operation extended by them.

For and on behalf of the Board of Directors

Sri Sai Homecare Products (P) Limited

K. Ullas Kamath

Mumbai, July 29, 2008 *Chairman*

Auditors’ Report

To
The Members
Sri Sai Home Care Products Private Limited
Plot No. 47, Phase – 1, I.D.A,
Jeedimetla
Hyderabad – 500 055

1. We have audited the attached Balance Sheet of **Sri Sai Home Care Products Private Limited** as at 31st March 2008, the Profit & Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These Financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 over all 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 of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

   Further to our comments in the Annexure referred to 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.

   c. The company's Balance sheet, the Profit & Loss Account and Cash flow statement referred to in this report are in agreement with the books of account.

   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 Section 211(3C) of the Companies Act, 1956.

   e. On the basis of the written representations received from the directors of the Company as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon appearing in Schedule of Accounting Policies and Notes on Accounts 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 31st March 2008;

      II. in the case of the Profit & Loss Account, of the loss 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.

For Namboodiri Associates,
Chartered Accountants

C.S. Narayanan Namboodiri
Proprietor
Membership No. 201525

Place: Trichur
Date: July 29, 2008

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date
Re: Sri Sai Home Care Products Private Limited

1. The company is properly maintaining fixed assets records showing full particulars including quantitative details and situation of fixed assets. The management at reasonable intervals has physically verified them and no material discrepancies were noticed on such verification. No substantial fixed assets have been disposed off during the year.

2. The management has conducted physical verification of inventory at reasonable intervals during the year. 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. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3. As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, Clauses 4(iii)(b), 4(iii) (c) and 4(iii)(d) of the Companies (Auditors Report) Order, 2003 is not applicable for the company.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

5. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or agreements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at relevant time.

6. The Company has not accepted deposits from the public during the year.

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

8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

9. Undisputed statutory dues including provident fund, or employees' state insurance, income tax, sales-tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.

   According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

10. *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth.* The Company has incurred cash loss during the year.The company has not

incurred any cash lossess during the year immediately preceding financial year

11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank.

12. According to the information and the explanations given to us, the Company has not granted loans/advances on the basis of security by way of pledge of shares, debentures or other securities.

13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

15. According to the information and the explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.

16. The company does not have any term loan outstanding during the current financial year.

17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment and no long-term funds have been used to finance short-term assets (excludes permanent working capital).

18. The Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

19. The Company has issued no debentures.

20. The Company has not raised any money by public issue during the year.

21. Based upon the audit procedures and on the basis of information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For Namboodiri Associates,
Chartered Accountants

C.S.Narayanan Namboodiri
Proprietor
Membership No. 201525

Place: Trichur
Date: July 29, 2008

Balance Sheet As at March 31, 2008

(Amount in Rs.)

	Schedule	2008	2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	10,395,500	10,395,500
		10,395,500	**10,395,500**
Unsecured Loan	2	1,716,675	1,408,816
TOTAL		**12,112,175**	**11,804,316**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	68,733,485	65,427,770
Less : Accumulated Depreciation		23,255,310	20,259,430
Net Block		**45,478,175**	**45,168,340**
Capital work -in - progress		–	1,759,522
		45,478,175	**46,927,862**
Deferred Tax Asset (Refer note no 4.6 of schedule 16)		6,305,252	4,420,029
Current Assets, Loans & Advances			
Inventories	4	17,159,913	11,149,315
Sundry Debtors	5	19,953	–
Cash and Bank Balances	6	1,030,696	1,004,516
Loans and Advances	7	7,951,642	7,583,965
	(A)	26,162,204	19,737,796
Less: Current Liabilities and Provisions			
Current Liabilities	8	79,726,118	66,395,482
Provisions	9	560,795	807,620
	(B)	**80,286,913**	**67,203,102**
Net Current Assets/ (Liabilities)	**(A-B)**	**(54,124,709)**	**(47,465,306)**
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	10	157,700	244,245
Profit and Loss Account		14,295,757	7,677,486
Total		**12,112,175**	**11,804,316**
Significant accounting policies and Notes to accounts	16		

The schedules referred to above and notes to accounts form an integral part of the financial statement.

As per our report of even date

For **Namboodiri Associates**
Chartered Accountants

For Sri Sai Homecare Products (P) Ltd

C.S.Narayanan Namboodiri
Proprietor
Membership No. 201525

K. Ullas Kamath
Director

T.G.Pradosh
Director

Trichur
July 29, 2008

Mumbai
July 29, 2008

Mumbai
July 29, 2008

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

(Amount in Rs.)

	Schedule	2007-08	2006-07
INCOME			
Sales(gross)		155,285,063	96,096,868
Less: Sales Tax		(4,795,592)	(4,123,997)
Less: Excise duty		(32,834,422)	(18,893,396)
Net Sales		**117,655,049**	**73,079,475**
Other income	11	82,959	12,059
Total		**117,738,008**	**73,091,534**
EXPENDITURE			
Material Costs	12	77,485,771	41,165,299
Excise duty		884,030	20,143
Employee Costs	13	15,555,934	9,458,068
Other Expenses	14	27,662,632	14,070,598
Miscellaneous Expenditure written off	10	86,544	86,543
Depreciation	3	4,279,220	2,318,096
Interest and finance charges	15	11,353	10,807
Total		**125,965,484**	**67,129,554**
Profit Before Tax		**(8,227,476)**	**5,961,980**
Provision for Taxation: -			
- Current Tax (including Rs 220,018/-, 2007 - Rs.Nil Short Provision for earlier year)		220,018	–
- Deferred Tax charge/ (credit) (Refer note no 4.6 of schedule 16)		(1,885,223)	289,824
- Fringe Benefit Tax (including Rs Nil, 2007- 64933 Nil Short Provision for earlier year)		56,000	126,579
		(1,609,205)	**416,403**
Profit After Tax		**(6,618,271)**	**5,545,577**
Balance brought forward from previous year		(7,677,486)	(13,223,063)
Balance Available for Appropriation		**(14,295,757)**	**(7,677,486)**
APPROPRIATIONS			
Transfer to general reserves		–	–
Balance carried to Balance Sheet		**(14,295,757)**	**(7,677,486)**
EARNINGS PER SHARE			
Basic and Diluted (Rs)		-6.37	5.33
Nominal value per share (Rs)		10	10
Weighted average number of shares outstanding for calculation of Basic and Diluted EPS		1,039,550	1,039,550
Significant accounting policies and Notes to accounts	16		

The schedules referred to above and notes to accounts form an integral part of the financial statement.

As per our report of even date

For **Namboodiri Associates**
Chartered Accountants

C.S.Narayanan Namboodiri
Proprietor
Membership No. 201525

Trichur
July 29, 2008

For Sri Sai Homecare Products (P) Ltd

K. Ullas Kamath
Director

Mumbai
July 29, 2008

T.G.Pradosh
Director

Mumbai
July 29, 2008

Cash Flow Statement For the year ended March 31, 2008

(Amount in Rs.)

	2007-08	2006-07
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Net Profit /(Loss) before tax	(8,227,476)	5,961,980
Adjustments to reconcile net profit before tax to cash provided by operating activities:		
Depreciation	4,279,220	2,318,096
Miscellaneous expenditure written off	86,544	86,543
Loss on sale of fixed assets, net	102,776	131,156
Interest Expenses	11,353	10,807
Interest income	(1,140)	(6,280)
Operating profit/(Loss) before working capital changes	**(3,748,723)**	**8,502,302**
(Increase) /Decrease in current assets, loans and advances		
Inventories (including sales promotion items)	(6,010,598)	(669,107)
Trade receivables	(19,953)	–
Loans and advances	(363,560)	(2,933,171)
Increase in current liabilities / provisions	13,110,397	24,654,161
Cash used in operations	**2,967,563**	**29,554,185**
Taxes paid	(306,720)	(125,634)
Net cash generated by operating activities	**2,660,843**	**29,428,551**
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets including capital work-in-progress	(3,628,364)	(28,583,881)
Sale of fixed assets	696,055	49,350
Interest received	1,140	5,639
Net cash used in investing activities	**(2,931,169)**	**(28,528,892)**

Cash Flow Statement (Contd.) For the year ended March 31, 2008

(Amount in Rs.)

	2007-08	2006-07
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Deffered sales tax loan	307,859	–
Interest paid /Bank Charges	(11,353)	(10,807)
Net cash used in financing activities	**296,506**	**(10,807)**
Net increase / (decrease) in cash and cash equivalents	26,180	888,852
Cash and cash equivalents at the beginning of year	1,004,516	115,664
Cash and Cash Equivalents at the end Of Year	**1,030,696**	**1,004,516**
Components of cash and cash equivalents		
Cash in hand	363,357	89,693
Balance with scheduled banks - Current account	667,339	452,434
- Deposit account *	–	462,389
* Fixed Deposit is given as security agnst. LC	**1,030,696**	**1,004,516**
Notes on the statement of cash flows		

The notes form an integral part of the Cash flow statement.

As per our report of even date

For **Namboodiri Associates**
Chartered Accountants

For Sri Sai Homecare Products (P) Ltd

C.S.Narayanan Namboodiri
Proprietor
Membership No. 201525
Trichur
July 29, 2008

K. Ullas Kamath
Director
Mumbai
July 29, 2008

T.G.Pradosh
Director
Mumbai
July 29, 2008

1 Notes on the statement of cash flows

1.1 Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past of future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated.

1.2 The previous year's figures have been recast / restated, wherever necessary, to conform to the current year's presentation.

Schedules Forming Part of the Balance Sheet As at March 31, 2008

(Amount in Rs.)

	2008	2007
1 SHARE CAPITAL		
Authorised Capital		
12,00,000 (PY-12,00,000) equity shares of Rs.10/- each	12,000,000	12,000,000
Issued, Subscribed and Paid up capital		
10,39,550 (PY-10,39,550) equity shares of Rs.10/- each fully paid up	10,395,500	10,395,500
	10,395,500	10,395,500
2 UNSECURED LOANS		
Deferred sales tax loan	1,716,675	1,408,816
	1,716,675	1,408,816

3 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
Particulars	As at April 1, 2007	Additions	Deductions	As at March 31, 2008	As at April 1, 2007	Current year depreciation	Depreciation on deletions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007
Factory Building	8,315,937	1,149,157	–	9,465,094	1,230,221	311,848	–	1,542,069	7,923,025	7,085,716
Plant & Machinery	55,199,844	3,381,700	2,082,171	56,499,373	18,098,704	3,628,009	1,283,340	20,443,373	36,056,000	37,101,140
Dies & Moulds	1,070,456	157,750	–	1,228,206	675,704	199,359	–	875,063	353,143	394,752
Furniture & Fixtures	271,036	355,862	–	626,898	133,028	34,761	–	167,789	459,109	138,008
Office Equipments	568,577	343,417	–	911,994	119,853	105,243	–	225,096	686,898	448,724
Cycle	1,920	–	–	1,920	1,920	–	–	1,920	–	–
Total	**65,427,770**	**5,387,886**	**2,082,171**	**68,733,485**	**20,259,430**	**4,279,220**	**1,283,340**	**23,255,310**	**45,478,175**	**45,168,340**
Previous Year	38,903,411	26,824,359	300,000	65,427,770	18,060,829	2,318,096	119,495	20,259,430	45,168,340	

(Amount in Rs.)

	2008	2007
4 INVENTORIES		
Raw Materials	10,855,047	10,040,039
Work in progress	1,493,377	243,730
Finished goods	4,749,649	826,053
Stores and spares parts	61,840	39,493
	17,159,913	11,149,315
5 SUNDRY DEBTORS		
Unsecured		
a) Outstanding for more than six months	–	–
b) Other debts, considered good	19,953	–
	19,953	–

Schedules Forming Part of the Balance Sheet As at March 31, 2008

(Amount in Rs.)

	2008	2007
6 CASH AND BANK BANK BALANCES		
Cash in hand	363,357	89,693
Balance with scheduled banks	667,339	452,434
Fixed Deposit With Bank *	–	462,389
* Fixed Deposit is given as security agnst. LC	1,030,696	1,004,516
7 LOANS AND ADVANCES		
Deposits	5,564,400	2,285,300
Advances recoverable in cash or in kind	819,949	1,532,857
Advances to suppliers	64,665	366,772
Balance with excise authorities	1,472,920	3,318,944
Staff loans	19,902	74,402
Advance fringe benefit tax (net of provisions)	4,000	–
Advance tax (net of provisions)	5,806	5,690
	7,951,642	7,583,965
8 CURRENT LIABILITIES		
Sundry Creditors		
- Micro and Small Enterprises (refer note 4.4 of schedule 16)	953,855	519,801
- Others	11,955,775	8,083,550
Due to Holding Company	64,590,004	56,685,910
Other Current Liabilities	2,226,484	1,106,221
	79,726,118	66,395,482
9 PROVISIONS		
Provision for gratuity	431,351	646,924
Provision for leave encashment	129,444	134,110
Provisions fringe benefit tax (net of advance)	–	26,586
	560,795	807,620
10 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses		
Balance, beginning of the year	244,244	330,788
Less : Written off During the year	86,544	86,543
Balance, end of the year	157,700	244,245

Schedules Forming Part of the Profit and Loss Account For the year ended March 31, 2008

(Amount in Rs.)

	2007-08	2006-07
11 OTHER INCOME		
Miscellaneous income	82,959	12,059
	82,959	**12,059**

	2007-08	2006-07
12 MATERIAL COSTS		
Raw and packing material consumed		
Opening Stock	10,040,039	8,136,661
Add: Cost of Purchases	82,689,574	42,318,728
	92,729,613	50,455,389
Less: Closing Stock	10,855,047	10,040,039
Sub-Total (A)	**81,874,566**	**40,415,350**
(Increase) / Decrease in stock		
Closing Stock		
Finished Goods	4,749,649	826,053
Work in progress	1,493,377	243,730
	6,243,026	1,069,783
Opening Stock		
Finished Goods	826,053	1,924,912
Work in progress	243,730	386,568
	1,069,783	2,311,480
(Increase)/ decrease in excise duty		
Excise duty on closing stock	938,517	154,069
Excise duty on opening stock	154,069	645,817
	(784,448)	491,748
Sub-Total (B)	**(4,388,795)**	**749,949**
Total (A-B)	**77,485,771**	**41,165,299**

	2007-08	2006-07
13 EMPLOYEE COSTS		
Salaries, wages, bonus etc.	14,719,215	8,432,103
Contribution to provident and other funds	452,992	356,150
Gratuity (Refer note no 4.8 of schedule 16)	(207,738)	234,789
Staff & workers welfare expenses	591,465	435,026
	15,555,934	**9,458,068**

Schedules Forming Part of the Profit and Loss Account For the year ended March 31, 2008

(Amount in Rs.)

	2007-08	2006-07
14 OTHER EXPENSES		
Power and fuel expense	19,612,655	9,004,534
Rent	2,137,879	1,653,340
Insurance	35,833	10,721
Repairs and maintenance		
- Building	565,311	1,015,778
- Plant & Machinery	2,616,894	511,244
- Others	737,127	185,448
Printing, Stationery & Software Licenses	164,905	141,569
Communication Costs	145,033	142,278
Legal & Professional fees	405,889	370,790
Rates & taxes	204,416	27,267
Vehicle Maintenance	88,084	129,171
Donation	1,101	7,904
Carriage outwards	81,930	70,259
Traveling and conveyance	121,994	78,736
Loss on Sale of Fixed Assets, net	102,776	131,156
Miscellaneous expenses	640,805	590,403
	27,662,632	**14,070,598**

15 INTEREST AND FINANCE CHARGES		
Bank charges and commission	11,353	10,807
	11,353	**10,807**

Schedules to Accounts

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. **Background**
   Sri Sai Homecare Products Private Limited ('the Company') was incorporated at Hyderabad on December 11,1996. The Company is principally engaged in manufacturing mosquito coils and repellants.

2. **Basis of Preparation of Financial Statement**
   The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

3. Summary of Accounting Policies

The significant accounting policies are as follows:

I. Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use if any, are also included to the extent they relate to the period till such assets are ready to be put to use.

II. Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

The estimated useful life of the assets is as follows:

Category	Estimated useful life (in years)
Buildings	30-60
Plant and machinery	3-21
Electrical installations	20
Furniture and fixtures	12
Dies and moulds	1-3
Computers	6
Office equipments	20
Vehicles	8-10

III. Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

IV. Operating Leases

Lease payments on operating leases are recognized as expense on a straight-line basis, over the lease term.

V. Government grants and subsidies

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

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

VI. Inventories

Inventories of raw materials, packing materials, work-in-progress, finished goods, stores and consumables items are valued at cost or net realizable value, whichever is lower. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

condition. Cost of work in progress and finished goods includes materials and all applicable manufacturing overheads. The Company accrues for excise duty liability in respect of manufactured finished goods/intermediary inventories lying in the factory.

VII. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty, Sales Tax and VAT deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arised during the year. Revenue includes the amount of excise duty refund received / due in accordance with incentive scheme.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

VIII. Foreign currency translation

i. Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India are capitalized as a part of fixed asset.

IX. Retirement and other employee benefits

i. Retirement benefits in the form of Provident Fund are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other then the contribution payable to the respective trusts.

ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

X. Income-tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit & Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the period.

XI. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion.

XII. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

XIII. Excise duty

Excise duty on turnover is reduced from turnover. Excise duty relating to the difference between the opening stock and closing stock is recognized as income/expense as the case may be, separately in the Profit and Loss account.

XIV. Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

4. Notes to the accounts

4.1. Additional Information pursuant to the provision of Paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956:

A. Capacity, Production

Particulars		2007-08	2006-07
Licensed Capacity	Cases	N.A	N.A
Installed Capacity	Cases	600,000	300,000
Actual Production	Cases	276,422	149,533

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

B. Raw Material Consumed

(Amount in Rs.)

Particulars	UOM	2007-08 Qty	2007-08 Amount	2006-07 Qty	2006-07 Amount
Material Consumed					
Esbiothrin	Kgs	3,219	14,497,876	1,632	8,765,649
Guargum	Kgs	182,809	10,568,756	56,612	3,300,035
Brown Saw Dust	Kgs	1,495,474	8,940,140	676,631	4,191,574
Coconut Shell Powder	Kgs	1,046,074	6,409,990	618,024	3,929,905
Other Material	Kgs	952,952	11,612,084	317,939	6,065,431
Packing Material			29,845,720		14,162,756
Total			**81,874,566**		**40,415,350**

C. Particulars of Opening, Closing Inventories, Production and Sales of goods manufactured

(Amount in Rs.)

Mosquito Coils		2007-08 Qty	2007-08 Amount	2006-07 Qty	2006-07 Amount
Opening Stock	Cases	1,315	826,053	5,120	1,924,912
Closing Stock	Cases	8,799	4,749,649	1,315	826,053
Produced	Cases	276,422	–	149,533	–
Sold	Cases	268,938	117,655,049	153,338	73,079,475

D. C.I.F Value of Imports

(Amount in Rs.)

Particulars	2007-08	2006-07
Capital Goods	903,262	Nil

4.2. Operating Leases

The company has leasing agreements for the factory premises & building. During the year, lease payments (excluding service tax) recognized in profit and loss account are Rs. 2,137,879/- (Previous Year – Rs. 1,653,340/-)

These leasing agreements are for period not exceeding five years and are cancelable and renewable by mutual consent and on mutually agreeable terms.

4.3 Related Party Disclosure

a) Parties where control exists :

Holding Company : Jyothy Laboratories Ltd.

b) Name of related parties and description of relationship, where transaction have taken place during the year :

Particulars	Holding Company (Jyothy Laboratories Ltd) 2007-2008 (Rs)	Holding Company (Jyothy Laboratories Ltd) 2006-07 (Rs)
Sales of Finished goods, Raw materials, packing material	154,834,727	96,674,721
Sale of Fixed Asset	67,186	869,497
Purchase of Finished goods, Raw materials, packing material	29,654	Nil
Purchase of Fixed Asset	Nil	7,373,492
Balance Payable to holding company at the end of the year	64,590,004	56,685,910

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

4.4 Information furnished under Notification No. GSR 129 (E) dated 22.02.1999 of the Companies Act, 1956 based on the information available with the company: -
Sundry Creditors include principal amount of Rs. 953,855/- (2007 Rs. 519,801/-) due to the suppliers covered by Micro, Small and Medium Enterprise Development Act, 2006.

There is no interest paid/Payable during the year by the Company to such suppliers.

The above information takes into account only those suppliers who have responded to enquires made by Company for this purpose.

4.5 Auditor's Remuneration

		(Amount in Rs.)
	2007-08	2006-07
For Statutory Audit	50,000	50,000
For Tax Matters	25,000	25,000
For Others	–	–
Audit fees (Excluding service tax)	**75,000**	**75,000**

4.6 The company has accounted taxes on income in accordance with Accounting Standard 22 issued by the Institute of chartered Accountants of India. During the year the company has recognised Deferred tax Credit amounting to Rs. 18,85,222/- (Previous Year: Deferred Tax charge Rs. 2,89,824/-) as shown below :-

			(Amount in Rs.)
	March 31 2008	Charge/(Credit) for the year	March 31 2007
Deferred Tax Liability:-			
Depreciation on Fixed Assets	5,734,181	2,512,551	3,221,630
(A)	**5,734,181**	**2,512,551**	**3,221,630**
Deferred Tax Asset:-			
Unabsorbed Losses	11,820,174	4,300,568	7,519,606
Gratuity	1,46,616	74,066	72,550
Leave Encashment	43,998	46,574	(2,576)
Expenses disallowed	28,645	(23,434)	52,079
(B)	**12,039,433**	**4,397,774**	**7,641,659**
Net Deferred Tax Asset (A-B)	**6,305,252**	**(1,885,223)**	**4,420,029**

4.7 Change in Accounting Policy
Adoption of Accounting Standard AS 15 (Revised) Employee Benefits
Till March 31, 2007, the Company was providing for retirement benefits based on actuarial valuation. In the current year, the company has gone for adoption of the Accounting Standard 15(Revised) which is mandatory from accounting periods starting from December 7, 2006. Accordingly, the Company has provided for gratuity based on actuarial valuation done as per projected unit credit method.

4.8 Employee Benefit:
(i) In the current year, the Company has adopted Accounting Standard 15 (Revised) 'Employee benefits' which is mandatory from accounting periods starting from December 7, 2006. As this is the first year of adoption of Accounting Standard 15 (Revised) 'Employee benefits', the disclosure for the previous year data has not been given.

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

(ii) Defined Benefit Plans –

The Company has provided for gratuity and long term leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

The following tables summarise the components of net benefit/expense recognised in the profit and loss account and amounts recognised in the balance sheet for the respective plans.

Defined Benefit Plans/Long term Compensated Absences – As per actuarial valuation on March 31,2008.	2007- 2008	
	Gratuity	Leave Encashment
(A) Summary of the Actuarial Assumptions		
Mortality	LIC (1994-96) Ult	LIC (1994-96) Ult
Discount rate (p.a)	8%	8%
Rate of increase in compensation (p.a)	10%	10%
Withdrawal rates (p.a)	1%	1%
Rate of return (expected) on plan assets (p.a)	N.A	N.A
(B) Changes in present value of obligations (PVO)		
PVO at beginning of period	6,46,924	48,617
Interest cost	51,754	3,889
Current Service Cost	59,210	1,32,103
Benefits Paid	(7,835)	Nil
Actuarial (gain) / loss on obligation	(3,18,702)	(55,165)
PVO at end of period	4,31,351	1,29,444
(C) Net Assets/(Liabilities) recognised in the balance sheet		
PVO at end of period	4,31,315	1,29,444
Fair value of plan assets at end of period	Nil	Nil
Funded status	Nil	Nil
Unrecognised Actuarial Gain / (Loss)	Nil	Nil
Net assets / (Liability) recognised in the balance sheet	4,31,315	1,29,444
(D) Expenses recognized in the statement of profit and loss account		
Current service cost	59,210	1,32,103
Interest cost	51,754	3,889
Expected return on plan assets	Nil	Nil
Net Actuarial (Gain)/Loss recognised for the period	(3,18,702)	(55,165)
Expense/(Gain) recognised in the statement of profit and loss account	(2,07,738)	80,827
(E) Movement in the Asset / liability recognised in Balance Sheet		
Opening net liability	6,46,924	48,617
Expenses/(Gain) as above	(207,738)	80,827
Contribution paid	7,835	Nil
Closing net liability	4,31,351	1,29,444

(iii) Defined Contribution Plans –

Amount of Rs. 4,52,992/- (2007 –Rs. 3,56,150/-) is recognised as an expense and included in schedule 11 - "Contribution to provident and other funds" in the Profit and Loss account.

Schedules to Accounts

(Amount in Rs.)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

4.9 Contingent Liabilities not provided for, in respects of :

(Amount in Rs.)

Nature of Liabilities	2008	2007
1. Disputed Income Tax matters which are contested by the Company	15,481,580	Nil

4.10 Segment information

The Company is exclusively engaged in the manufacturing and selling of Mosquito Coils, thus the Company has only one business segment.

The Company sells its products within India, And does not have any operation in economic environments with different risk and returns. Hence, It is considered operating in a single geographical segment.

4.11 Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's presentation.

Signatures to Schedules 1 to 16

The schedules referred to above and notes to accounts form an integral part of the financial statement.

As per our report of even date

For Namboodiri Associates
Chartered Accountants

For Sri Sai Homecare Products (P) Ltd

C.S.Narayanan Namboodiri
Proprietor
Membership No. 201525
Trichur
July 29, 2008

K. Ullas Kamath
Director
Mumbai
July 29, 2008

T.G.Pradosh
Director
Mumbai
July 29, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. U24240AB1996PTC025928 State Code 1

Balance Sheet Date 31 03 2008

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

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	12112
Total Assets	12112

Sources of Funds

Paid-up Capital	10395
Share application money	NIL
Reserves and Surplus	NIL
Secured Loans	NIL
Unsecured Loans	1717

Application of Funds

Net Fixed Assets	45478
Exp. Prior to Commercial Production	NIL
Investment	NIL
Net Current Assets	(54125)
Misc. Expenditure	158
Accumulated Losses	14296
Deferred tax Assets	6305

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

Turnover/Gross Receipt (including other incomes)	117738
Total Expenditure	125965
Profit/Loss before Tax	(8227)
Profit/Loss after Tax	(6618)
Earning per share (Rs.)	(6.37)
Dividend Rate (%)	–

V. Generic Names of Principal Products/Services of the Company

Product Description : Mosquito Repellant Coils

Item Code No. (ITC Code) : 380890.01

Directors' Report

To,

The Members,

Your Directors have pleasure in presenting the First Annual Report of your Company together with the Audited Statements of Accounts for the year ended 31st March 2008.

	(Rs. in lacs)
Financial Results	For the year ended 31st March 2008
Income (including Other Income)	192.46
Profit / (Loss) Before Tax	(111.00)
Current Tax	–
Provision for Tax (Deferred)	8.56
Fringe Benefit Tax	2.66
Net Profit / (Loss) After Tax	(122.22)
Profit and (Loss) Appropriations	(122.22)
Appropriations	
Balance Carried Forward to Balance Sheet	(122.22)

Dividend

In view of losses incurred in the Financial Year under review, the Board is unable to declare any dividend for the period.

Performance

Income during the first year was Rs.192.46 lac and net loss was reported at Rs.122.22 due to higher operational expenses and higher cost incurred in establishing network of employees outside the state of Assam. The prime object of establishing network of employees outside the State was to marketing of Company's products in rest of India.

Fixed Deposits

The Company has not taken any fixed deposits from the public during the year.

Directors

During the first year of operations, First Directors of the Company resigned since the entire business was taken over by Jyothy Laboratories Limited (JLL) and made your Company as wholly owned subsidiary Company of JLL. Now, present Directors of the Company are (a) Mr. K. Ullas Kamath and (b) Mr. T. G. Pradosh. The Board of Directors appointed them as Additional Directors with effect from September 12, 2007. Both these Directors hold office till the date of ensuing Annual General Meeting and are proposed to be appointed as Director, subject to approval of the members in the Annual General Meeting.

Directors' Responsibility Statement

In compliance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 and of the Loss of the Company for the year ended 31st March 2008;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Directors have prepared the annual accounts on a going concern basis.

Foreign Exchange Earnings and Outgo

	(Rs. in Lacs)
Particulars	2007-08
Foreign Exchange Earnings	Nil
Foreign Exchange Outgo	22.56

Auditors

The present Auditors of the Company, namely, M/s. K. P. Sarda & Co., Chartered Accountants, Guwahati, First Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange

In accordance with the requirements of 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, being measures of conservation of energy are not applicable as our company does not fall within the ambit of any of the industries listed under the schedule to the rules.

Particulars of Employees

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, regarding the employees is reported to be Nil.

Compliance Certificate

The required Secretarial Compliance Certificate as required under Section 383A(1) is attached separately, for the year ended 31st March 2008.

Acknowledgement

The Board of Directors wishes to express their deep sense of appreciation and gratitude to all employees, bankers, clients and shareholders for assistance, support and co-operation extended by them.

For and on behalf of the Board of Directors
Associated Industries Consumer Products Private Limited

K. Ullas Kamath
Chairman

Mumbai, July 29, 2008

Auditors' Report

To
The Members of
Associated Industries Consumer Products Private Limited

1. We have audited the attached Balance Sheet of **M/S. Associated Industries Consumer Products Private Limited** as at 31st March 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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 above, we report that :

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii) 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 those books;

   iii) The Balance Sheet, Profit and Loss Account & Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv) In our opinion, the Balance Sheet, Profit and Loss Account & 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;

   v) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

      (a) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2008 ;

      (b) In the case of the profit and loss account, of the loss for the year ended on that date ; and

      (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For K. P. Sarda & Co.
Chartered Accountants

K. P. Sarda
Partner
Membership No. 054555

Place : Guwahati
Date : 29/07/2008

Annexure to the Auditors' Report

With Reference to paragraph 3 of the report of the Auditors to the members of M/s. Associated Industries Consumer Products Private Limited on the accounts for the year ended on 31st March, 2008 we report that:

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As per information and explanation given to us, physical verification of fixed assets was carried out by the management during the year and no material discrepancies were noticed by the management on such verification. In our opinion, the frequency of verification is reasonable.

ii) (a) Inventory has been physically verified by the management at reasonable intervals.

(b) The procedures followed by the management for physically verification of inventory are reasonable and adequate in relation to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.

iii) (a) The company has taken over loans amounting to Rs. 89,24,320/- from 5 (five) persons covered in the register maintained under Section 301 of the Companies Act, 1956 at the time of takeover of the business of M/s Associated Industries and the said loans was repaid in full during the year.

(b) The company has not paid any interest on the loans taken over. The other terms and conditions of the loans taken by the company are prima facie not prejudicial to the interest of the company.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. We have not observed any continuing failure to correct major weakness in internal control system.

v) According to the information and explanations given to us, we are of the opinion that there are no transactions with parties covered in the register maintained under section 301 of the Companies Act, 1956.

vi) The company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sec 58A, 58AA or any other relevant provision of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from the public are not applicable to the Company.

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

viii) We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for the 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 and are being made. We have not however made a detailed examination of the records.

ix) (a) The company is generally regular in depositing with appropriate authorities undisputed material statutory dues applicable to it.

(b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute.

x) The Company was incorporated on 30th May 2007. since a period of five years has not elapsed from the date of incorporation as at balance sheet date, we are of the opinion that no comment is required under clause (x) of Para 4 of the Order regarding the erosion of 50% or more of net worth and cash losses in the current year and immediately preceding financial years.

xi) In our opinion and according to the information and explanations given to us, the Company has not borrowed any amounts from banks and financial institutions or by issue of debentures and hence the question of default in repayment of dues does not arise.

xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.

xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (iv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xv) On the basis of information and explanations given to us, the Company has not given any guarantee for loans taken from financial institutions and/or banks by others.

xvi) The Company has not taken any term loan during the year and hence the question of applying term loans for the purpose for which they were obtained does not arise.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima-facie, not been used for long-term investment.

xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

xix) The Company has not issued any debentures during the year, hence the question of creation of security or charge in respect of debentures issued does not arise.

xx) The Company has not raised any money by way of public issues during the year.

xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For K. P. Sarda & Co.
Chartered Accountants

K. P. Sarda
Partner
Membership No. 054555

Place : Guwahati
Date : 29/07/2008

Balance Sheet As at March 31, 2008

	Schedule	(Amount in Rs.) 2008
SOURCES OF FUNDS		
Shareholders' funds		
Share Capital	1	9,700,000
		9,700,000
Deferred tax liability		856,073
(Refer Note No 4.7 of Schedule 15)		
Total		**10,556,073**
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	2	30,861,751
Less : Accumulated Depreciation		598,048
Net Block		**30,263,703**
Capital work -in - progress		62,188,640
		92,452,343
Current Assets, Loans & Advances		
Inventories	3	19,305,657
Sundry Debtors	4	393,700
Cash and Bank Balances	5	2,070,266
Loans and Advances	6	6,366,928
	(A)	**28,136,551**
Less: Current Liabilities and Provisions		
Current Liabilities	7	121,806,391
Provisions	8	448,703
	(B)	**122,255,094**
Net Current Assets/ (Liabilities)	(A-B)	**-94,118,543**
Profit and Loss Account		12,222,273
Total		**10,556,073**
Significant Accounting policies and Notes to the Accounts	15	

The schedules referred to above and notes to accounts form an integral part of the financial statements.

As per our report of even date

For **K. P. Sarda & Co.**
Chartered Accountants

For Associated Industries Consumer Products Pvt Ltd

K. P. Sarda
Partner
Membership No. 054555

K. Ullas Kamath
Director

T. G. Pradosh
Director

Guwahati
July 29, 2008

Mumbai
July 29, 2008

Mumbai
July 29, 2008

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

	Schedule	(Amount in Rs.) 2007-08
INCOME		
Sales (gross)		25,391,737
Less: Trade Discount		(2,492,497)
Less: Sales Tax		(126,395)
Less: Excise duty		(3,528,271)
Net Sales		**19,244,574**
Other income	9	1,579
		19,246,153
EXPENDITURE		
Material Costs	10	20,716,534
(Increase)/ decrease in inventories	11	(3,100,084)
Employee Costs	12	9,644,985
Other Expenses	13	2,477,065
Depreciation	2	598,048
Interest and finance charges	14	10,378
		30,346,926
Profit Before Tax		**(11,100,773)**
Provision for Taxation: -		
- Current Tax		–
- Deferred Tax (Refer Note No 4.7 of Schedule 15)		856,073
- Fringe Benefit Tax		265,427
		1,121,500
Profit After Tax		**(12,222,273)**
Balance brought forward from previous year		–
Balance Available for Appropriation		**(12,222,273)**
APPROPRIATIONS		
Transfer to general reserves		–
Balance carried to Balance Sheet		**(12,222,273)**
Earnings per Share		
Basic and Diluted (Rs)		-12.60
Nominal value per share (Rs)		10
Weighted average number of shares outstanding for calculation of Basic and Diluted EPS		970,000
Significant Accounting policies and Notes to the Accounts	15	

The schedules referred to above and notes to accounts form an integral part of the financial statements.

As per our report of even date

For **K. P. Sarda & Co.**
Chartered Accountants

For Associated Industries Consumer Products Pvt Ltd

K. P. Sarda
Partner
Membership No. 054555

K. Ullas Kamath
Director

T. G. Pradosh
Director

Guwahati
July 29, 2008

Mumbai
July 29, 2008

Mumbai
July 29, 2008

Cash Flow Statement For the year ended March 31, 2008

	(Amount in Rs.) 2007-08
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	
Net Loss before taxation	(11,100,773)
Adjustments for:	
Depreciation	598,048
Operating Loss before working capital changes	**(10,502,725)**
(Increase) /Decrease in current assets, loans and advances	
Inventories	(14,801,839)
Trade receivables	1,105,634
Loans and advances	(5,236,728)
Increase in current liabilities / provisions	121,989,813
Cash generated from / (Used in) operations	**92,554,155**
Taxes paid	(17,000)
Net cash generated/ (Used in) from operating activities	**92,537,155**
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES	
Purchase of fixed assets including capital work-in-progress and capital advances	(62,723,985)
Net cash used in investing activities	**(62,723,985)**
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES	
Payment of unsecured loan	(28,824,320)
Receipt from Issue of Shares	200,000
Net cash used in financing activities	**(28,624,320)**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**1,188,850**
Cash and cash equivalents taken over from the Firm acquired during the year.	881,416
Cash and cash equivalents at end of year	**2,070,266**
Components of cash and cash equivalents	
Cash in hand	188,073
Balance with scheduled banks - Current account	1,882,193
	2,070,266

Notes :

1. The above Cash Flow Statement has been prepared under the 'Indirect Method" set out in Accounting Standard - 3 Issued by the Institute of Chartered Accountants Of India.
2. The above Cash Flow Statement excludes assets (Other than Cash & Cash Equivalents) / Liabilities acquired from the Firm taken over during the year. (refer note 4.8 of schedule 15 'Notes to the Accounts')

As per our report of even date

For **K. P. Sarda & Co.**
Chartered Accountants

For Associated Industries Consumer Products Pvt Ltd

K. P. Sarda
Partner
Membership No. 054555
Guwahati
July 29, 2008

K. Ullas Kamath
Director
Mumbai
July 29, 2008

T. G. Pradosh
Director
Mumbai
July 29, 2008

Schedules Forming Part of the Balance Sheet As at March 31, 2008

	(Amount in Rs.)
	2008
1 SHARE CAPITAL	
Authorised Capital	
1,000,000 Equity shares of Rs.10/- each	10,000,000
Issued, Subscribed and Paid up capital	
9,70,000 Equity shares of Rs.10/- each fully paid up	9,700,000
(Out of above 9,50,000 shares were issued for consideration other than cash)	
	9,700,000

2 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK
Particulars	As at May 30, 2007	Additions	Deductions	As at March 31, 2008	As at May 30, 2007	Current year depreciation	Depreciation on deletions	As at March 31, 2008	As at March 31, 2008
Land	–	3,322,500	–	3,322,500	–	–	–	–	3,322,500
Factory Building	–	18,301,987	–	18,301,987	–	345,727	–	345,727	17,956,260
Plant & Machinery	–	8,201,987	–	8,201,987	–	220,345	–	220,345	7,981,642
Furniture & Fixtures	–	335,761	–	335,761	–	11,409	–	11,409	324,352
Office Equipments	–	252,050	–	252,050	–	8,764	–	8,764	243,286
Vehicles	–	447,466	–	447,466	–	11,803	–	11,803	435,663
Total	–	**30,861,751**	–	**30,861,751**	–	**598,048**	–	**598,048**	**30,263,703**

Notes :

1) Addition in gross block includes the carrying value of the fixed asset acquired from the Firm. (Refer Note No 4.8 of Schedule 15)

2) Legal formalities relating to registration of Land and building are pending completion.

3 INVENTORIES

Raw Materials	15,658,513
Work in progress	51,495
Finished goods	3,568,592
Stores and spares parts	27,057
	19,305,657

4 SUNDRY DEBTORS

a) Secured	–
b) Unsecured	
Outstanding for more than six months	–
Other debts, considered good	393,700
	393,700

Schedules Forming Part of the Balance Sheet As at March 31, 2008

	(Amount in Rs.) 2008
5 CASH AND BANK BALANCES	
Cash in hand	188,073
Balance with scheduled banks	1,882,193
	2,070,266

6 LOANS AND ADVANCES	
Deposits	299,723
Advances recoverable in cash or in kind	231,294
Advances to suppliers	4,279,371
Balance with excise authorities	1,556,540
	6,366,928

7 CURRENT LIABILITIES	
Sundry Creditors	2,538,597
Due to Holding Company	117,141,842
Other Current Liabilities	2,125,952
	121,806,391

8 PROVISIONS	
Provision for gratuity	85,320
Provision for leave encashment	114,956
Provision for Fringe Benefit Tax (net of advance tax)	248,427
	448,703

Schedules Forming Part of the Profit and Loss Account For the year ended March 31, 2008

	(Amount in Rs.) 2007-08
9 OTHER INCOME	
Miscellaneous income	1,579
	1,579

	2007-08
10 MATERIAL COSTS	
Raw and packing material consumed	
Opening Stock	–
Add: Cost of Purchases	36,109,979
	36,109,979
Less: Closing Stock	15,685,570
Sub-total (A)	**20,424,409**
Cost of trading goods	
Opening stock	–
Add: Cost of purchases	292,125
	292,125
Less: Closing stock	–
Sub-total (B)	**292,125**
Total (A+B)	**20,716,534**

	2007-08
11 (INCREASE)/ DECREASE IN INVENTORIES	
Closing Stock	
Finished Goods	3,568,592
Work in progress	51,495
	3,620,087
Opening Stock	
Finished Goods	–
Work in progress	–
	–
Sub-total (A)	**(3,620,087)**
(Increase)/ decrease in excise duty	
Excise duty on closing stock	520,003
Excise duty on opening stock	–
Sub-Total (B)	**(520,003)**
Total (A-B)	**(3,100,084)**

Schedules Forming Part of the Profit and Loss Account For the year ended March 31, 2008

(Amount in Rs.)

	2007-08
12 EMPLOYEE COSTS	
Salaries, wages, bonus etc. staff	5,211,909
Contribution to provident and other funds	511,234
Gratuity	85,320
Staff & workers welfare expenses	3,836,522
	9,644,985

	2007-08
13 OTHER EXPENSES	
Power and fuel expense	539,448
Rent	84,825
Repairs and maintenance	
- Building	228,041
- Plant & Machinery	45,810
- Others	383,389
Printing & Stationery	106,351
Communication costs	76,068
Legal & Professional fees	85,922
Rates & taxes	140,765
Vehicle maintenance	93,863
Donation	350
Sales Promotion expenses	89,663
Carriage outwards	259,832
Traveling and conveyance	49,695
Miscellaneous expenses	293,043
	2,477,065

	2007-08
14 INTEREST AND FINANCE CHARGES	
Bank charges and commission	10,378
	10,378

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Background

The company was incorporated on 30th May 2007. with one of the main objective to take over the running business of the firm M/s Associated Industries on going concern basis, an Industrial undertaking engaged in manufacturing Soaps and Detergents.

2. Basis of Preparation of Financial Statement

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. The financial statements have been prepared under the historical cost convention on an accrual basis.

3. Summary of Significant Accounting Policies

The significant accounting policies are as follows:

I. Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Cost of shares of Co-operative society has been added to the cost of office building. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

II. Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

The estimated useful life of the assets is as follows:

Category	Estimated useful life (in years)
Buildings	30-60
Plant and machinery	3-21
Electrical installations	20
Furniture and fixtures	12
Dies and moulds	1-3
Computers	6
Office equipments	20
Vehicles	8-10

III. Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

iii. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

IV. Operating Leases

Lease payments on operating leases are recognized as expense on a straight-line basis, over the lease term.

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

V. Government grants and subsidies

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

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

VI. Inventories

Inventories of raw materials, packing materials, work-in-progress, finished goods, stores and consumables items are valued at cost or net realizable value, whichever is lower. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition. Cost of work in progress and finished goods includes materials and all applicable manufacturing overheads. The Company accrues for excise duty liability in respect of manufactured finished goods/intermediary inventories lying in the factory.

VII. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty, Sales Tax and VAT deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arised during the year. Revenue includes the amount of excise duty refund received / due in accordance with incentive scheme.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

VIII. Foreign currency translation

i. Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India are capitalized as a part of fixed asset.

IX. Retirement and other employee benefits

i. Retirement benefits in the form of Provident Fund are defined contribution schemes and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other then the contribution payable to the respective trusts.

ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

iv. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

X. Income-tax

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternate tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit & Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the period.

XI. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion.

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

XII. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

XIII. Excise duty

Excise duty on turnover is reduced from turnover. Excise duty relating to the difference between the opening stock and closing stock is recognized as income/expense as the case may be, separately in the Profit and Loss account.

XIV. Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

4. Notes to the Accounts

4.1. Additional Information pursuant to the provision of Paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956:

A. Capacities, Production

Particulars	March 31, 2008
Licensed Capacity	N.A
Installed Capacity	
Soaps (Per Annum)	9,72 (MT)
Detergent (Per Annum)	2,190, (MT)
Actual Production	
Soaps	322 (MT)
Detergent	329 (MT)

B. Raw Material Consumed

(Amount in Rs.)

		2007-08	
Material Consumed	UOM	Qty	Value
Soaps & Detergent			
Soap Noodles	MT	232	10,431,549/-
Perfumes	MT	3	1,199,689/-
Soda Ash	MT	72	1,153,917/-
*Others			4,966,150/-
Packing Material			2,673,104/-
Total			**20,424,409/-**

* The Other figure includes Rs. 1,358,877/- for the stock of finished goods transferred from the firm acquired during the year.

(Amount in Rs.)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

C. Particulars of Opening, Closing Inventories, Production, Purchase and Sales of goods manufactured, Traded

(Amount in Rs.)

		2007-08	
Manufactured	UOM	Qty	Value
Soaps			
Opening Stock	MT	Nil	Nil
Closing Stock	MT	33	1,952,550/-
Produced **	MT	322	
Sales (Gross)	MT	289	19,001,798/-
Detergent			
Opening Stock	MT	Nil	Nil
Closing Stock	MT	64	1,616,042/-
Produced**	MT	329	
Sales (Gross)	MT	265	5,846,155/-
Traded			
Mosquito Coils			
Opening Stock	Cases	Nil	Nil
Closing Stock	Cases	Nil	Nil
Purchase	Cases	600	292,125/-
Sales (Gross)	Cases	600	543,784/-

** The manufactured goods transferred from the Firm taken over during the year are included in the quantity produced (Soaps -17 M.T. and Detergent-43 M.T.)

Difference in quantitative tally is on account of shortage, captive consumption etc.,

D. C.I.F Value of Imports

1. Raw Materials 2,256,747/-

E. **Consumption of Imported and Indigenous Raw Material (Including Packing Materials) and Stores and Spares and percentage of each to total consumption.**

	2007-2008	
	Value (Rs.)	% of Total Consumptions
Raw Material (Including Packing Material)		
Imported (Net Landed Cost)	2,579,400/-	12.63
Indigenous	17,845,009/-	87.37
Total	**20,424,409/-**	**100.00**

4.2 Employee Benefit:

(i) Defined Benefit Plans –

The Company has provided for gratuity and long term leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

(Amount in Rs.)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

The following tables summarise the components of net benefit/expense recognised in the profit and loss account and amounts recognised in the balance sheet for the respective plans.

Defined Benefit Plans/Long term Compensated Absences – As per actuarial valuation on March 31, 2008	2007- 2008	
	Gratuity	Leave Encashment
(A) Summary of the Actuarial Assumptions		
Mortality	LIC (1994-96) Ult	LIC (1994-96) Ult
Discount rate (p.a)	8%	8%
Rate of increase in compensation (p.a)	10%	10%
Withdrawal rates (p.a)	1%	1%
Rate of return (expected) on plan assets (p.a)	N.A	N.A
(B) Changes in present value of obligations (PVO)		
PVO at beginning of period	Nil	Nil
Interest cost	Nil	Nil
Current Service Cost	1,43,038/-	4,23,018/-
Benefits Paid	Nil	Nil
Actuarial (gain) / loss on obligation	(57,718/-)	(3,08,062/-)
PVO at end of period	85,320/-	1,14,956/-
(C) Net Assets/(Liabilities) recognised in the balance sheet		
PVO at end of period	85,320/-	1,14,956/-
Fair value of plan assets at end of period	Nil	Nil
Funded status	N.A	N.A
Unrecognised Actuarial Gain / (Loss)	Nil	Nil
Net assets / (Liability) recognised in the balance sheet	85,320/-	1,14,956/-
(D) Expenses recognized in the statement of profit and loss account		
Current service cost	1,43,038/-	4,23,018/-
Interest cost	Nil	Nil
Expected return on plan assets	N.A	N.A
Net Actuarial (Gain)/Loss recognised for the period	(57,718/-)	(3,08,062/-)
Expense/(Gain) recognised in the statement of profit and loss account	85,320/-	1,14,956/-
(E) Movement in the Asset / liability recognised in Balance Sheet		
Opening net liability	Nil	Nil
Expenses/(Gain) as above	85,320/-	1,14,956/-
Contribution paid	Nil	Nil
Closing net liability	85,320/-	1,14,956/-

(iii) Defined Contribution Plans –

Amount of Rs. 5,11,234/- is recognised as an expense and included in schedule 12 - "Contribution to provident and other funds" in the Profit and Loss account.

(Amount in Rs.)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

4.3 Operating Lease

The Company has leasing arrangement for taking factory premises. The aggregate lease rentals of Rs 81,000/- payable on this leasing arrangement are charged as rent under Other Expenses in Schedule 13.

This leasing agreement are for period not exceeding five years and are cancelable and renewable by mutual consent and on mutually agreeable terms.

4.4 Related Party Disclosure

a) Parties where control exists :

Holding Company : Jyothy Laboratories Ltd.,

b) Name of related parties and description of relationship, where transaction have taken place during the year :

Particulars	Holding Company (Jyothy Laboratories Ltd)
	2007-2008 (Rs)
Purchase of Finished goods, Raw materials, packing material	26,83,136/-
Lease Rent Paid	84,000/-
Lease Deposit Paid	51,000/-
Purchase of Fixed Asset	22,14,937/-
Balance Payable to holding company at the end of the year	11,71,41,842/-

4.5 The Company has amounts due to Suppliers under Micro, Small and Medium Enterprises Development Act.2006 (MSMED ACT) as at 31-03-2008. The disclosure pursuant to the said act is as under :

(Amount in Rs.)

Particulars	March 31, 2008
Principal amount due to the suppliers under MSMED Act,2006 beyond appointed date.	Nil
Payment made to the suppliers (other than interest) beyond appointed date during the year.	Nil
There is no interest paid /payable during the year by the Company to such suppliers.	

Note : The information has been given in respect of such vendor on basis of information available with the Company.

4.6 Auditor's Remuneration

(Amount in Rs.)

Particulars	2007-2008
For Statutory Audit	16,854
For Tax Audit Fees	11,236
For Others Matters	24,270
	52,360

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

4.7 The company has accounted taxes on income in accordance with Accounting Standard 22 issued by the Institute of chartered Accountants of India. In view of the Income Tax Exemption available to Industrial undertaking, The Company has not recognized any deferred tax asset during the year.

	(Amount in Rs.)
Deferred Tax Liabilities	**2008**
Depreciation	8,56,073/-

4.8 The Company, in pursuance of one of the main objective has taken over Assets/Liabilities of the Firm Associated Industries, An Industrial Undertaking engaged in manufacturing household products.

The assets and liabilities relatable to Associated Industries have been transferred at value appearing in the books of account as on the day of transfer.

Particulars	*(Amount in Rs.)*
Fixed Asset	30,326,406/-
Security Deposit	208,223/-
Loan & Advances	921,977/-
Sundry Debtors	1,499,334/-
Inventories	4,503,818/-
Balances in bank accounts	711,471/-
Cash Balance	169,945/-
(A)	**38,341,174/-**
Less :	
Current Liabilities	16,854/-
Unsecured Loan	25,000,000/-
(B)	**25,016,854/-**
Net assets taken over	**13,324,320/-**

The net consideration of asset taken over was paid by issuing 9,50,000 shares at face value of Rs 10/- each fully paid up, And balance amount of Rs 38,24,320/- was taken over as unsecured loan which was repaid during the year.

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

4.9 Segment information

Primary Segment

The company is exclusively engaged in the manufacturing and selling of house hold products like Soaps, Detergent, etc., This products do not have any different risk and returns and thus the Company has only one reportable business segment..

Secondary Segment

The Company sells its products mostly within India and does not have any operation in economic environments with different risk and returns. Hence, It is considered operating in a single geographical segment.

4.10 Contingent Liabilities :

The Company does not have any material contingent liabilities existing on the date of financial statement and requiring disclosure.

4.11 The company was incorporated on May 30, 2007. This being the first year, the Company's accounts are prepared from the day of incorporation till the end of the year and as such the previous year figures are not given.

For K. P. Sarda & Co.
Chartered Accountants

For Associated Industries Consumer Products Pvt Ltd

K. P. Sarda	K. Ullas Kamath	T. G. Pradosh
Partner	*Director*	*Director*
Membership No. 054555		
Guwahati	Mumbai	Mumbai
July 29, 2008	July 29, 2008	July 29, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	U24246AS2007PTC008392	State Code	2
Balance Sheet Date	31 03 2008		

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

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	9700

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
10556	10556

Sources of Funds

Paid-up Capital	Share application money
9700	NIL
Reserves and Surplus	Secured Loans
NIL	NIL
Deferred Tax Liabilities	Unsecured Loans
856	NIL

Application of Funds

Net Fixed Assets	Investment
92452	NIL
Net Current Assets	Misc. Expenditure
(94118)	NIL
Accumulated Losses	
12222	

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

Turnover/Gross Receipt (including other incomes)	Total Expenditure
19246	30347
Profit/Loss before Tax	Profit/Loss after Tax
(11101)	(12222)
Earning per share (Rs.)	Dividend Rate (%)
(12.60)	–

V. Generic Names of Principal Products/Services of the Company (As per monetary terms)

Product Description	:	Toilet Soaps
Item Code No. (ITC Code)	:	34011190
Product Description	:	Washing Powder / Detergents
Item Code No. (ITC Code)	:	34022010

Corporate information

Board of Directors

Executive Directors

M.P. Ramachandran	*Chairman & Managing Director*
K. Ullas Kamath	*Deputy Managing Director*
M.R. Jyothy	*Director*

Non Executive Directors

Nilesh B. Mehta	*Director*
K.P. Padmakumar	*Director*
Bipin R. Shah	*Director*

Company Secreatary

M.L. Bansal

Solicitors and Advocates

Law & Prudence

V. Lakshmikumaran

Vaish Associates

Registered Office

UJALA HOUSE

Ramkrishna Mandir Road, Kondivita, Andheri (East)

Mumbai – 400 059

Statutory Auditors

S.R.Batliboi & Associates

Bankers

The Federal Bank Ltd.

ICICI Bank Ltd.

Registrars and Share Transfer Agent

Intime Spectrum Registry Limited

C-13 Pannalal Silk Mill Compound

L. B. S. Marg, Bhandup (West),

Mumbai – 400 078.

“Magic is believing in yourself, if you can do that,
you can make anything happen.”

Johann Wolfgang von Goethe

A TRISYS PRODUCT
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