

BOARD OF DIRECTORS

Dr. A.C. MUTHIAH	CHAIRMAN
PETER KARDORFF	DIRECTOR
PETER K.SCHERER	DIRECTOR
Dr. RAINER SALZ	DIRECTOR
RAJENDRA S. LODHA	DIRECTOR
Dr. A. BESANT C. RAJ	DIRECTOR
D. ARUNACHALAM	DIRECTOR
A. SATISHKUMAR	MANAGING DIRECTOR

SECRETARY

N. RAJEEVA PRAKASH

REGD. OFFICE & PRINCIPAL OFFICE

TPL House, 1st Floor,
No.3, Cenotaph Road
Teynampet
Chennai - 600 018

FACTORY

Peralam Main Road
Thirunallar Commune
Karaikal - 609 607
Union Territory of Pondicherry

PROCESS LICENSOR

HENKEL KGaA
Germany

AUDITORS

M/s. CNGSN & Associates
Chartered Accountants
'Agastyar Manor'
No.20, Raja Street,
T. Nagar, Chennai - 600 017.

BANKERS

State Bank of India
Standard Chartered Bank
Deutsche Bank
Citibank N.A.

REGISTRARS & SHARE TRANSFER AGENTS

Cameo Corporate Services Ltd.
Subramanian Building, V Floor, 1, Club House Road, Chennai - 600 002.
Tel : (044) 2846 0390 (5 Lines) Fax : (044) 2846 0129 Grams : "CAMEO"

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OUR MISSION

“We are ready to meet the economic and ecological challenges of the 21st Century.

We assure Henkel’s position as a top international company.

This goal guides our actions.

Through applied chemistry and expert service, we make people’s lives easier, safer and better.

We are dedicated to helping our customers improve their own performance and meet their requirements.

We manage change and we are proud of our achievements.”

QUALITY POLICY

“HSIL is committed to the mission of manufacturing and marketing products that fulfill in toto the needs and expectations of its consumers.

HSIL will ensure that its products do not pose any threat to the environment both during manufacture and use.

HSIL will strive for upgrading its products / processes through appropriate technology inputs / motivation of its workforce to do things ‘right first time’. In achieving this objective, HSIL will in addition to its own endeavour draw upon the state-of-art technology inputs available to it from its promoter Henkel KGaA.”

ENVIRONMENTAL POLICY

“HSIL will strive for pollution prevention and continual improvement in Environmental performance by

- Minimizing air emissions, wastages.***
- Effectively utilizing available energy resources.***
- Developing environmental friendly products.***

HSIL will comply with relevant legislation and regulatory requirements.

HSIL will train all employees to make them conscious of their environmental responsibilities.

HSIL will in addition to its own endeavour make use of the expertise available from its promoter Henkel KGaA, for achieving these objectives and review periodically.

HSIL will maintain dialogue with the public and interested parties on pertinent environmental issues.”

YEAR AT A GLANCE

	(Rs in Crs.)
● Net Sales	361.52
● Operating Profit	54.49
● Profit before Tax and prior period/extraordinary items	5.02
● Total Assets	406.54
● Book Value per equity share (Rs.)	20.57

NOTICE FOR THE FIFTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held at Rajah Annamalai Hall, Esplanade (Near High Court), Chennai – 600 108, on Thursday the 29th July 2004 at 10.35 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31st December 2003, Profit and Loss Account for the year ended that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in the place of Mr.Peter Kardorff, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in the place of Mr.R.S.Lodha, who retires by rotation and being eligible offers himself for re-election.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

“RESOLVED THAT M/s. CNGSN & Associates, Chartered Accountants, Chennai the retiring auditors be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.5,50,000/- (Rupees five lakhs fifty thousand only) plus out-of-pocket expenses for travelling and other expenses incurred, in connection with the Company’s Audit”.

SPECIAL BUSINESS

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

RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 (hereinafter referred to as the Delisting Guidelines) and subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactments thereof for the time being in force], the Securities Contracts (Regulation) Act, 1956 and the

Rules, Regulations and Guidelines and Rules formed thereunder the Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approvals of the Securities and Exchange Board of India, Stock Exchanges where the Company’s shares are listed and other appropriate authorities, institutions or regulators as may be prescribed or imposed by any authority while granting such approvals (which may be deemed to include any Committee thereof constituted by the Board) the consent of the Members be and is hereby accorded to the Board of Directors to delist the equity shares of the company from all or any of the Stock Exchange where the equity shares of the Company are listed i.e., Madras Stock Exchange, Delhi Stock Exchange Association Limited and The Stock Exchange, Ahmedabad.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with the legal and/or procedural formalities, including authorizing any Committee of Directors or any of the Directors/Officers/ Executives of the Company to do all such acts, deeds or things to give effect to the above.

By order of the Board
for Henkel SPIC India Ltd.

Regd.Office:
No.3 Cenotaph Road
Teynampet
Chennai 600 018.

N RAJEEVA PRAKASH
SECRETARY

Dated : 29th April 2004

NOTES :

1. Members who hold shares in the dematerialised form are requested to indicate without fail their DP ID and client ID numbers in the attendance slip.
2. A Member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. The proxy need not be a member of the Company. Proxy to be valid shall be deposited with the company not later than 48 hours before the time for holding the meeting.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th July 2004 to 29th July 2004 (Both days inclusive).
4. Members are requested to immediately intimate any change in their addresses to the Registrars.
5. Members / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
6. Members are requested to quote their FOLIO/DP ID and Client ID Number, in all correspondences.
7. The documents referred to in this Notice / Explanatory Statements are open for inspection by any members at the Registered Office of the Company during the Company's business hours on any working day upto the last date of Annual General Meeting.

8. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT :

As required under the Listing Agreement, the particulars of the Directors who are proposed to be reappointed are furnished below:

i) Item No.2 of the Notice

Name : Peter Kardorff
Age : 46 years
Qualification : MBA from Mannheim University, Germany
Expertise : Marketing and Sales
Date of appointment : 26/02/2000

Mr. Peter Kardorff is holding a Master Degree for Business Administration from Mannheim University, Germany in 1984 and he joined Henkel KGaA in the same year. In different assignments within Henkel, Mr. Peter has 18 years business experience in marketing and sales in Germany as well as in Belgium/ Netherlands. From 1994-98, he held the position of International Marketing Director for Henkel's flagship brand "Persil". Since 1998, he is the Vice President of Detergents for the Emerging Markets, covering India, the Near/Middle East as well as the Maghreb region.

Mr. Peter Kardorff does not hold directorship in any of the Indian Companies.

ii) Item No. 3 of the Notice

Name : Rajendra S Lodha
Age : 61 years
Qualification : F.C.A.
Expertise : Leading Chartered Accountant
Date of appointment : 26/7/2002

Thiru. Rajendra Lodha, a well known Chartered Accountant was the President of Federation of Indian Chamber of Commerce & Industry (FICCI) in its Platinum Jubilee Year i.e., 2002 with the additional distinction of being the first professional from service sector to occupy this position.

Thiru. Lodha is a Senior Partner of the leading accounting and consulting firm M/s. Lodha & Co. which is the Indian Member firm of BDO International (5th largest international accounting firm having annual billing in excess of US \$ 2.4 billion). He has served on the Indian Prime Minister's Council on Trade & Industry, the Board of Trade, the Central Direct Taxes Advisory Committee etc. He is also the first Chairman of the South Asia Business Forum sponsored by the Asian Development Bank and a Director of the Board on the BOAO Economic Forum headquartered in China.

A past President of the Indian Chamber of Commerce, Calcutta, Thiru. Lodha has served for six years on the Central Board of the State Bank of India as well as on its Executive Committee. A gold medalist in his C.A. exams, he is presently the President of the Indian Council of Arbitration and the FICCI Socio Economic Development Foundation.

Thiru. Lodha is currently serving on the Boards of organizations inter alia, National Securities Depository Ltd. (NSDL), Indian Petrochemical Corporation, Tourism Finance Corporation, Oriental Insurance Co. Ltd. and on SEBI's Committees on Takeover Code Review, on Corporate Governance and on Disclosure in Offer Documents. He is a Trustee of Bharatiya Vidya Bhavan, U.K. and Bombay Hospital, Mumbai. He is the Chairman of BDO Lodha (P) Ltd.

Thiru. Lodha has been a pioneer in acting as the Advisor to prestigious GDR/Euro issues in excess US \$1 billion for several Indian Corporates and has personally supervised the statutory audit of organizations, inter alia RBI, LIC, IOC, ICICI, ONGC, SAIL, IFCI etc. He has served on the Boards of the Bank of India and the Unit Trust of India. He was a Member of the Working Group set up by the Government to totally recast the Companies Act and is currently serving on the first National Advisory Committee on Accounting Standards.

Thiru. Lodha is holding Directorship in the following Indian companies. This list does not include directorship in companies excluded as per Section 278 of the Companies Act, 1956.

SL No.	Name of the Company	Status	Committee Membership	
			Chairman	Member
1	Alfred Herbert (I) Ltd.	Chairman	-	-
2	Birla Corporation Limited	Co-Chairman	-	-
3	First Capital India Ltd.	Director	-	-
4	Hindustan Gums & Chemicals Ltd.	Director	-	-
5	Indian Petrochemicals Corporation Ltd.	Director	Audit Committee	Remuneration Committee
6	Lodha Capital Markets Ltd.	Director	-	-
7	National Securities Depository Ltd.	Director	Audit Committee	-
8	The Oriental Insurance Co.Ltd.	Director	-	i) Audit Committee ii) Investment Committee
9	The Punjab Produce Holdings Ltd	Director	-	-
10	SBI Life Insurance Co.Ltd.	Director	-	-
11	Toursim Finance Corporation of India Ltd.	Director	Audit Committee	-
12	21 st Century Printers Limited	Director	-	-
13	UTI Securities Exchange Ltd.	Director	-	-
14	Vindya Telelinks Ltd.	Director	-	-

EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

ITEM NO.5

The Company's Equity Shares are presently listed in Madras Stock Exchange (MSE), The Stock Exchange, Mumbai (BSE), The Delhi Stock Exchange Association Limited (DSE) and The Stock Exchange, Ahmedabad (ASE). As per clause 5.1 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Company is permitted to voluntarily delist the equity shares subject to the following conditions: a) The securities of the company have been listed for a minimum period of 3 years on any Stock Exchange (b) An exit opportunity has been given to the investors (c) obtained approval of shareholders by way of special resolution. The Guidelines further provide that an exit opportunity need not be given in cases where the securities continue to be listed in a stock exchange having national wide terminals viz., BSE.

The trading activity of the Company's equity shares is negligible in Ahmedabad, Delhi and Madras Stock Exchanges for the past few years. The voluntary delisting will not affect the liquidity of the company's shares since with the extensive networking of Bombay Stock Exchange, investors have access to online dealings with the company's securities across the country. Neither the

company nor the investors derive any particular benefits by continuing the listing on the said Stock Exchanges. Since the Company's equity shares have been listed for more than 12 years, the Company is entitled to seek voluntary delisting subject to the approval of shareholders and other statutory authorities.

Hence, it is proposed to voluntarily seek delisting of the equity shares from Madras, Delhi & Ahmedabad Stock Exchanges and the company's equity shares shall continue to be listed on BSE. The proposed resolution is in the interest of the company and the Board recommends the resolution for acceptance by the Members.

None of the directors is concerned or interested in the resolution.

By order of the Board
for Henkel SPIC India Ltd.

Regd.Office:
'TPL House,' 1st Floor,
No.3 Cenotaph Road,
Teynampet, Chennai 600 018.

N RAJEEVA PRAKASH
SECRETARY

Dated : 29th April 2004

DIRECTORS' REPORT

		Rs.Crs.	
		2003	2004
	Net Sales including excise duty	361.52	345.23
	Other Income	0.36	0.22
	Manufacturing & Other Expenses	300.60	291.96
	Interest	6.78	8.42
To	Gross Profit before depreciation & Deferred revenue charge	54.48	45.86
	Depreciation	6.44	5.80
	Gross Profit after depreciation before deferred revenue charges	48.04	39.98

The Shareholders

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company together with the Audited Accounts for the year ended 31st December 2003.

BUSINESS SCENARIO

The economic conditions prevailing in the country in 2003 was sluggish to begin with, but improved as the year progressed. Market conditions in the first half of the year remained tough for most sectors in the economy. During the later part of the year, the market sentiment brightened due to increased agricultural production. However, the trickle down effect of this "feel good" factor on the FMCG sector will take some time to accrue. The Indian FMCG industry witnessed marginal growth rates if not an actual decline in several categories of products.

PERFORMANCE

FINANCIALS

The year under review continued to be a bad year for the industry. The nets sales increased by 4% - while this is disconcerting, this should be viewed in the light of the fact that there was little growth for the industry and that volumes of most industry majors stagnated or came down marginally. Tough times call for tough measures. Your company's response to the changed environment was in the form of rationalization of the product mix, repositioning of brands, re-formulation of some major products and lower cost of procurement on key inputs resulted in controlling the cost of sales. Your company focused on cost reduction of controlling administrative costs and interest cost.

MARKETING

The FMCG sector continued to be plagued by factors which are both structural and cyclical in nature.

DETERGENTS

In line with the macro trends for the industry, Key Laundry and Home Care categories declined in volumes during 2003. The detergent powder and bar segment dropped reflecting lower realizations. The detergent category witnessed unprecedented activity with competition redefining price points, dropping price on small packs making them more affordable, and re-launching their lead brands with high spends on media and consumer offers. Despite the heightened competitive activity, your company's detergent market share improved from 3% in 2002 to 4% in 2003 in the Detergent Bars segment while the Detergent Powder segment achieved 5% market share. While the key national players lost market share the regional players gained.

The sales of the flagship brand *Henko Stain Champion* powder grew thereby its share in the premium powder market witnessed upward movement. Similarly, *Henko Bar* showed growth in value terms and its share in the premium bars market increased marginally. A strong restaging of the brand was made during April 2004 with a superior marketing mix to provide further sales momentum and to increase sales volumes.

Nevertheless, *Mr.White*, another key brand had a tough year in a declining mid-range segment. *Mr.White* volumes declined in line with the segmental decline. However *Mr. White bar* in May 2003 helped in bridging the sales drop to a certain extent. A strong relaunch was made in January 2004 to put the brand back to the high growth track. All elements of the Marketing Mix are being strengthened to establish superiority over competition.

The sales of Chek detergent bar suffered a set back since the sale of this brand was restricted only to states where it was profitable. The brand however remains a key carrier brand in your company's portfolio and it would be the company's endeavour to increase the volumes in the days ahead.

CLEANSERS

Your company has a significant presence in the utensil scourer market though it suffered drop in volume and value terms in the year 2003 compared to the year 2002. However, Pril Liquid Cleaner continues its market leadership and grew substantially during the year. Pril Bar launch during end 2003 received an excellent response from the market and has managed to gain shares from market leaders by entering 2.1 Lakh households within three months of launch.

COSMETICS & TOILETRIES

During the year, the overall toilet soap market continues to decline by 1.1% in value and 5.4% in volume over last year in the urban markets. The premium soap segment declined by 3.2% in value and 4.5% in volume over the last year 2002. Despite declining trends, premium soaps have increased their TV spends by 44% over 2002 intensifying the pressure on all the players. Margo Original Neem while maintaining its All India market share has gained market shares in the East. Consequent to the relaunch, Margo Original Neem has been able to gain share in key metropolitan cities. Nevertheless, there is still some way to go for variants like Margo Natural Moisturiser and your company believes that the future for the variants would indeed be bright.

The tooth paste market shrunk by 12.9% and was also more fragmented. Despite this, Neem Toothpaste registered substantial growth in volume over the year 2002 supported by markets like in neighbouring countries. Neem Active gained market share in volume particularly in the focus markets especially, the metro towns. Neem Active complete care was relaunched in Jan'04 with new packaging and improved taste supported by new communication creating excellent brand awareness.

Fa Toilet Soap continue to gain market shares and plans are also in the anvil for the re-launch to create more excitement and generate further trials. In the shrinking Talc market Fa Talcum lost market shares. The deo category registered a decline though Fa Classic Deos reached double digit Market Share. The grey market continued to affect the overall market growth and stunt the

profitability of the brand. Fa men range registered an impressive growth in volume over the last year. Both Fa Shaving Cream and After Shave Lotion gained reasonable market share over the previous year. Fa Men range is planned to be re-launched with improved product mix and new media communications. A new soap, Chek Beauty Soap was launched in Kerala with encouraging response and it was rolled forward to the other strong Chek Markets.

HAIR CARE DIVISION (SCHWARZKOPF PROFESSIONAL)

In the Hair-care segment a new range of products catering to the premium segment was successfully launched in 2003. In Mumbai, it was done through an *Essential Looks Show* for a select group of celebrities and top hairdressers of Mumbai and this received excellent response from the media. Currently, more than 1000 salons are being serviced by Schwarzkopf across India and bulk of these salons buy our products on a sustained basis.

The Hair-care division trained more than 1000 hairdressers under the ASK Education program and 30 salons tied-up with Schwarzkopf. Your company also initiated a programme for the launch of a News Letter to develop regular communication with the hairdressers and also for the launch of Professionalle Straight Therapy, Essential Looks 2004 with the Schwarzkopf Global Ambassador in the year 2004.

PRODUCTION

The Karaikal Plant was operated to cater to the market requirement of our branded products and export requirements and the production was an all time high in 2003. In addition zeolite was produced for captive, domestic and export requirements. The performance of all three plants was good with respect to on stream efficiency. The year also saw substantial improvement of HSC Bar and zeolite production.

SALES

The intense improvement in distribution hygiene and service in 24 towns of India lead to a significant sales growth of 12% in these markets. Your company has successfully launched Pril Bar and Mr. White Bar in 1 lakh + outlets within 30 days which would not have been possible without the highly effective distribution network. Notable achievements for the year include significant growth in the detergents business in the East and a good progress in

popular powder segment. Besides, there was good progress in the development of the cosmetics business in the north.

EXPORTS

During the year 2003, Zeolite was exported to various countries across Asia and Africa. Your Company also achieved considerable success in the export of branded products to various parts of the world.

HUMAN RESOURCES

Your company is assigning greater focus on developing Human Resources on a continuous basis for enhanced competency and development. Your company strives to create an organisation that nurtures the talents and enterprise of its employees, helping them to grow and find fulfillment in an open culture.

AWARDS

Migration to the revised standard of ISO 9001: 2000, International Quality Management system was carried out successfully and system elements are fully implemented. The ISO 14001, Environment Management system is under successful implementation.

The **“FICCI Awards 2002-2003”** for “Environmental Conservation and Pollution Control” was bestowed by an eminent jury headed by the former Chief Justice of the Supreme Court of India. The award was given away at New Delhi, by His Excellency - The President of India, Dr.A.P.J. Abdul Kalam in a glittering ceremony attended by the leaders of the Indian Industry.

Green belt development is one among our major activities with continual efforts towards effective environmental management. For consecutive 9th year, the Karaikal unit has been awarded the **“Best Industrial Garden Award-2003”** in X Flower Show, organised by Dept. of Agriculture, Govt. of Pondicherry.

For outstanding achievement in the field of Industrial Safety, for the factory at Karaikal has been bestowed with the honour of receiving the prestigious **“Industrial Safety Gold Award 2002-2003”** in Chemical sector from Greentech Foundation, a NGO promoting industrial safety and environment management in India.

In appreciation of the contribution towards the National objective of achieving environmental excellence, your company has been awarded with the prestigious **“Greentech Environment Excellence Gold Award – 2002-2003”**.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the Conservation of Energy, Technology Absorption, Foreign Exchange Earnings, outgo as required u/s 217 (1)(e) of the Companies Act, 1956 is enclosed as part of this Report.

SUBSIDIARY COMPANIES

The Audited statements of accounts of the two subsidiaries *The Calcutta Chemical Company Ltd.* and *Detergents India Ltd.* for the year ended 31/12/2003 (along with previous year figures) together with the reports of directors and the auditors, are enclosed as required u/s 212 of the Companies Act, 1956

● The Calcutta Chemical Company Ltd.

The company registered a turnover of Rs.83.18 Crs. compared to Rs.80.99 Crs. in the previous year reflecting 3% growth on period to period basis. The company has achieved a Net Profit from operations of Rs.123.77 lacs as against Rs.69.94 lacs in the previous year. The company's flag ship product, Margo, continues to enjoy a sustained and steady consumer support. The sales volume has registered impressive growth largely due to aggressive media spend and consumer promotions.

● Detergents India Ltd.

The company continued its focus on production of low cost detergents catering to the popular segment. During the year under review the company achieved a turnover of Rs.35.40 Crs. as against Rs.29.12 Crs. for the previous year recording a growth of 21% which is due to the launching of Chek beauty Toilet Soap. DIL produced 14732 MTs of Synthetic detergents at its own units as compared with 13340 MTs. in the previous year. It has sold 25313 MTs during the year as against 22375 MTs. in the previous year.

DIVIDEND

In the absence of adequate profit during the year, your Directors regret their inability to recommend dividend for the financial year 2003.

PUBLIC DEPOSITS

Your Company has not accepted any deposit from the public during the year.

DIRECTORS

Mr. Peter Kardorff and Mr. Rajendra S. Lodha, Directors who retire by rotation at this Annual General Meeting, being eligible, offer themselves for reappointment. A brief Profile, nature of expertise and directorship details are furnished to the members in the note accompanying the Notice convening the Annual General meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) that in the preparation of the annual accounts for the year ended 31st December 2003 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) that the Directors had 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;
- iv) that the Directors had prepared the accounts for year ended 31st December 2003 on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company always envisages the attainment of the highest levels of transparency, accountability and ethics in all facets of its operations and adhere to high standards of Corporate Governance and ensured its compliance both in spirit and law. As per the requirements of the Listing Agreement entered into with Stock Exchanges, a report on Corporate Governance and Management Discussion and Analysis Report together with the certificate from the Company's Auditors confirming the compliance of the Corporate Governance is attached to this report for information of the Shareholders.

PARTICULARS OF EMPLOYEES

A statement giving information and particulars of the employees as required u/s 217 (2A) of the Companies Act, 1956 is enclosed as part of this report. However as per the provisions of section 219 (1)(b) (iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all the shareholders excluding the aforesaid information. Any shareholder interested in obtaining the statement may write to the Company Secretary at the Principal Office of the Company.

AUDITORS

M/s CNGSN & Associates, Chartered Accountants, Chennai, the Statutory Auditors of the company, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment as Auditors of the Company for the financial year 2004.

Regarding the observations made by the Auditors in their report, the notes forming part of Accounts are self-explanatory.

ENVIRONMENT AND SAFETY MEASURES

In line with the global trend and Henkel's policy, the thrust given for Safety, Health and Environmental issues (SHE) was sustained, with recognition from various Governmental and non governmental organizations, and appreciation from local populace.

- Various Environmental programs were taken up under ISO 14001, the most notables, being the energy savings measures to save more than 12% compared to previous year.
- SHE systems and procedures were subjected to a stringent audit against Henkel's SHE guidelines by a Henkel SHE Audit Team. The unit successfully complied with all guidelines.
- Environmental programs to develop the surrounding farming community are continued during the year 2003, in collaboration with M/s SPIC and other Governmental and Non Governmental organizations.

Model farms proved to be good examples for the farmers to adopt the scientific way of farming for substantial increase in yields. Your company has extended help to educate the farmers to promote Cotton, Vegetable, Horticulture and Flower cultivation as

an alternative crop to Paddy, which is water intensive. This concept helped the farmers to survive with moderate income against the draught condition during the year.

Your company today enjoys good amount of goodwill among the local populace on account of the above and other such socio-welfare interactions.

FUTURE PROSPECTS

Whilst the competition in the sector is intense, your company is confident of forging ahead in winning customers given the product quality and value for money pricing. As the markets mature, customers become more discerning in their purchases and your company is well positioned to capitalize on the situation.

Future prospects for exports of Zeolite look very promising as your company confident that our new customers would continue to place larger orders based on quality commitment and competitive pricing strategies.

COST AUDIT

As per the requirement of the Central Government and pursuant to Section 233 B of the Companies Act, 1956 the Company carries out an audit of cost accounts relating to our products every year. The company has appointed Mr.A.N.Raman, Cost Accountants, Chennai as the Cost Auditors of the Company for the year 2004, subject to the approval of the Central Government.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their appreciation to all the employees for their dedication for the significant personal efforts and their collective contribution to enable the company to achieve good performance and maintain steady progress in a difficult year.

Your Directors wish to acknowledge the valuable guidance and support being received from your company's promoters M/s Henkel KGaA and Tamilnadu Petroproducts Ltd.

Your Directors wish to thank the shareholders for their continued support, encouragement and the confidence reposed in the Management.

On behalf of the Board

Chennai
Dated : 29th April 2004

Dr A.C.MUTHIAH
Chairman

ANNEXURE TO THE DIRECTORS'S REPORT

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the year ended 31st December 2003.

ENERGY CONSERVATION MEASURES TAKEN :

PART A

- a) As part of ISO 14001, Environmental program; the energy saving potentials are being continuously explored. The following activities were carried out in 2003.
- VFD for detergent spray tower fan
 - Air line survey and restricted running of Air compressor
 - Screw pump for LABSA 96%
 - Star connection for Silicate and Aluminate pump in Zeolite plant
- b) Energy audit was carried out using external agency – M/s TAC energy Audit Team.
- c) For the year 2004, proposals worth Rs.1.50 lakhs with savings of Rs.3.00 lakhs are proposed.

PART B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A) RESEARCH AND DEVELOPMENT (R&D)

- a) **Specific areas in which R & D carried out by the Company :**
- 1) Continuous formulation up-gradation of all brands was carried out as per market requirement.
 - 2) The following new development initiatives were undertaken.
 - Pril dish wash liquid orange variant was developed and commercialized.
 - Two variants of Pril scouring bar which were successfully developed earlier, commercialized in this year end.

b) Benefits derived as a result of the R & D :

- a) Product superiority could be maintained in relevant segments.
- b) New product-support for launch in the market as per marketing requirement.

c) Future plan of action :

1. Speckled white bar.
2. Hypo based floor cleaner
3. Henko Stain Champion and Henko Matic reformulation.

B) TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

The company continues to benefit from the R&D efforts of the parent company. The products and processes are adopted to suit Indian conditions for delivering superior value to customers at the right price.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange used : Rs.1024.65 lakhs

Foreign Exchange earned : Rs. 642.61 lakhs

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. PAST PERFORMANCE & FUTURE PROSPECTS

Growth continues to elude the FMCG industry in India over the past several quarters and this is evident from the financial results of the industry majors. The personal and home care segment has very low entry barriers of technology and capital requirements. This has resulted in an increase in the number of players and intensification of competition. Barring the personal care segment, no other product segment has seen the entry of so many players.

In the past decade, the personal care industry has witnessed a veritable consumer boom. This has been due to liberalization, urbanization, and an increase in the disposable incomes, and altered lifestyles. Even in the case of the FMCG industry, research estimates reveal that the industry grew by 1.4% in '03 and by 4.4% over five years beginning in 1999. It is expected that in the long term the growth would be much more robust given the low per capita consumptions prevailing in this country.

Unlike in the past, when domestic companies were not perceived as competitive vis-à-vis multinational corporations (MNCs), the scenario today is very different. The intensified competition has brought in its wake wider choices for the consumer. Additionally, this is being made available at lower rates than ever before. This is evidenced by the recent 15-20% price cuts across categories like toothpastes, shampoos and detergents by the likes of HLL, Colgate and P&G. The mantra of the day seems to be '*manage affordability*'. Since the volumes are the highest at the base of the income pyramid, industry majors have realigned strategies to address that segment. Thus, most players have introduced products with mass-market pricing, so as to build volumes. Low margins and high volumes have become the order of the day.

Strong distribution networks and heavy investments for brand building are therefore key to long term success in this industry. In order to survive and grow, industry players will have to cut costs, continue to invest in brand building and provide products that the consumer wants.

2. ANALYSIS OF CURRENT YEAR RESULTS

2.1 Revenues

Revenues for the year ended 31st December 2003 increased by 4.7% to Rs. 361.52 crores as compared to Rs. 345.23 crores in the previous year. The company managed this despite an overall de-growth in the FMCG industry and tough market conditions which was achieved through a focused and systematic approach adopted over the years.

2.1.1 Break up of Revenues by Business Segments

The detergents business accounted for 63% of our total turnover and the balance of 37% by the cosmetics division. In the cosmetics division Neem Toothpaste was re-launched during the year and the product portfolio of the hair care business was strengthened. In the detergents division, Pril Dishwash Bar was launched in the last quarter of the year and has contributed well to the division.

2.2 Operating Profit Margin

Operating Profit has improved from Rs 45.86 Crs to Rs. 54.49 Crs reflecting a growth of 18.8%. The operating profit margin has improved from 13.3% in 2002 to 15.1% in 2003. This improvement is on account of continuous and conscious measures undertaken towards cost efficiency across all facets of the company.

2.3 Costs & Expenses

2.3.1 Cost of Sales

The rationalization of the product mix and the reformulation of some of the major brands has helped in controlling the cost of sales, thereby contributing to the overall profitability.

2.3.2 Personnel Costs

The personnel costs as a percent of turnover increased marginally from 4.0 % in 2002 to 4.4 % in 2003. This is primarily due to absorption of the sales force of the subsidiary companies to strengthen our own sales setup – the annualised impact of which is seen in the year.

2.3.3 Selling & Distribution Expenses (including the portion of miscellaneous expenditure)

The company incurred a marginally higher marketing and sales charge during the year – Rs. 62 Crs vs Rs.61 Crs in the previous year. Nevertheless, the percentage of expenditure on this score reduced to 17.2% in the current year from 17.6% in the previous year.

2.3.4 Administration Expenses

The company has managed to control the administration expenses. This was achieved through a conscious cost reduction driven by the management.

2.3.5 Interest

Interest cost has reduced from Rs. 8.42 Crs in 2002 to Rs.6.78 Crs in 2003. This was possible despite overall increase in the debt position due to favourable interest rate regime throughout the year, optimal portfolio mix and External Commercial Borrowings from Henkel, Germany at very competitive rates.

2.4 Provision for Tax

As the amount of loss brought forward as per books of accounts is greater than the book profit during the year, provision for taxation was not considered necessary.

2.5 Profit After Tax

Profit after taxation (PAT) has reduced from 1.7% to 1.4% as a percent of turnover. This is primarily on account of the higher charge taken on account of miscellaneous expenditure write-off which has increased to 11.9% of turnover in 2003 from 9.9% of turnover in 2002

3. Financial Status

3.1 Networth

The networth of the company has increased by Rs. 5.02 Crs. from the financial year 2002.

3.2 Debts

The overall borrowing of the company has increased by Rs. 24.19 Crs during the year on account of the sustained investments in the brand building exercise. Consequently debt as a component in the total capital employed has increased from 20% in 2002 to 24% in 2003.

3.3 Fixed Assets & Capital Expenditure

The Gross Fixed Assets has increased from Rs. 162.03 Crs in 2002 to Rs.162.63 Crs in 2003. A large part of the capital expenditure has been incurred mainly in the upgradation of the information systems setup through out the company resulting in increased efficiency due to high connectivity within the company and with the distributors, clearing and forwarding agencies and other channel partners across India.

3.4 Current Assets

3.4.1 Inventory

The overall Inventory level has been maintained at 48 days in 2003 as in 2002.

3.4.2 Sundry Debtors

Sundry debtors level has been reduced from 52 days in 2002 to 50 days in 2003 despite of tough market conditions.

3.4.3 Net Current Assets

Net current assets has been reduced from 40 days in 2002 to 24 days in 2003 indicating better utilisation of the resources.

4. TREND OF KEY FINANCIALS

Particulars	(Rs in Crores)				
	Year ended on	31.12.2003	31.12.2002	31.12.2001	31.12.2000
No. of Months	12	12	12	12	15
Sales Turnover	361.52	345.23	340.46	300.92	272.00
Other Income	0.36	0.21	0.31	0.93	1.34
Total Revenue	361.88	345.44	340.77	301.85	273.34
Manufacturing & Oth. Expenses	300.60	291.16	294.91	268.49	240.31
Interest	6.78	8.42	7.58	3.55	12.33
Depreciation	6.44	5.88	5.51	5.35	6.47
Misc. Expenses written off	43.02	33.99	26.94	21.42	20.09
PBDT& DRE Written / off	54.48	45.86	38.28	29.81	20.69
PAT (before extraordinary items)	5.02	5.99	5.83	3.04	(5.87)
Extra-ordinary items	-	(0.09)	(19.54)	-	-
PAT (after extraordinary items)	5.02	5.90	(13.71)	3.04	(5.87)
Balance Sheet					
Fixed Assets (Net)	109.02	113.22	115.13	117.44	120.75
Investments	23.80	23.80	23.80	23.78	0.07
Deferred Revenue Expenditure	249.98	202.63	164.45	155.47	122.39
Working Capital	23.74	37.68	25.57	12.26	14.90
Total Assets	406.54	377.33	328.95	308.95	258.11
Total Debts	99.14	74.95	72.46	38.74	41.27
Net Worth	307.40	302.38	256.49	270.21	216.84
Equity	116.39	116.39	116.39	116.39	110.75

Note :

Net worth does not include Miscellaneous expenses not written off or adjusted.

Net worth includes capital advance from promoters standing as of years ended 31.03.1997 & 31.03.1998.

5. VALUE ADDED STATEMENT

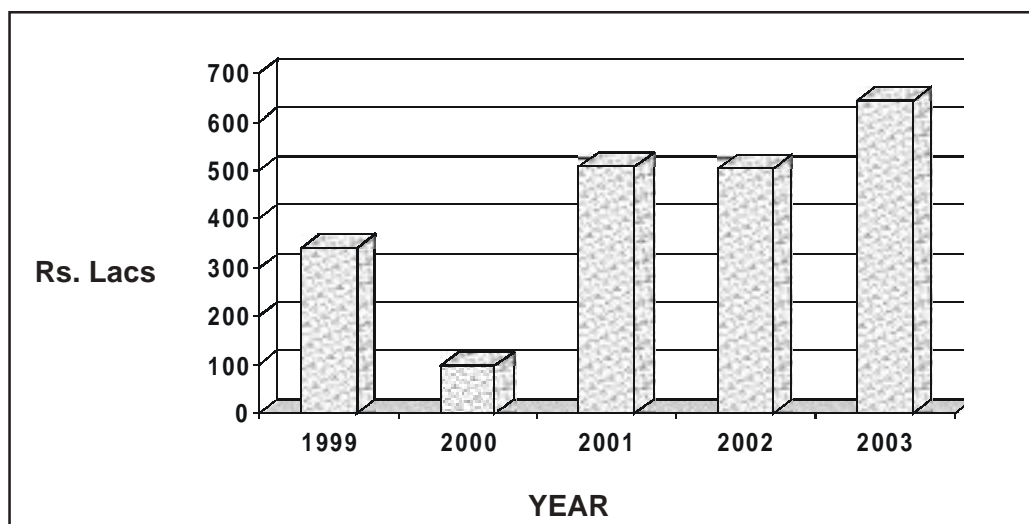
Value Added statement depicts the wealth a company has been able to create through the collective effort of capital, management and employees. In effect, this is the market value acquired by the company vis a vis the price of goods and services acquired by transfer. This can provide a useful measure to gauge the performance of the company in economic terms.

(Rs.Lakhs)

Year / Period ended on ->	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999
Total Income	36,152.44	34,544.00	34,077.05	30,184.88	27,333.99
Less:					
- Cost of Goods Sold	24,400.72	23,553.11	22,967.70	20,868.37	19,822.94
- Selling and Marketing Expenses	2,717.44	3,516.12	4,714.84	4,211.30	2,750.34
- Administration Expenses	1,360.92	1,256.57	1,200.04	1,174.24	1,108.32
TOTAL VALUE ADDED	7,673.36	6,218.20	5,194.47	3,930.97	3,652.39
Applied to meet					
- Employee Costs	1,581.31	1,378.29	1,159.20	1,130.14	996.36
- Income Tax	-	0.10	0.12	0.12	0.31
- Provision for Doubtful debts	-	-	-	-	-
- Dividends	-	-	-	-	-
- Payment of Interest	678.50	842.43	757.71	354.75	1,232.72
- Retained in business	5,413.55	3,997.38	3,277.44	2,445.96	1,423.00
Total Utilisation of Value Added	7,673.36	6,218.20	5,194.47	3,930.97	3,652.39

6. INTERNATIONAL OPERATIONS

The company has achieved a Export Turnover of Rs.642 lacs. as compared to Rs.504 lacs in the previous year registering a growth of 27%. In a small but steady way, HSIL has also been successful in exporting the products worldwide and the exports though dominates zeolite it has also met with significant success in exporting some branded goods.



7. RATIO ANALYSIS

(in %)

Year / Period ended on ->	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999
Financial Performance					
- Other Income to Total Turnover	0.10	0.06	0.09	0.31	0.49
- Personnel Cost to Total Turnover	4.37	3.99	3.40	3.74	3.65
- Cost of Goods sold to Total Turnover	67.43	68.18	67.40	69.13	72.52
- Selling & Marketing Expenses to Total Turnover	7.51	10.18	13.84	13.95	10.06
- Depreciation to Total Turnover	1.78	1.70	1.62	1.77	2.37
- Interest Cost to Total Turnover	1.87	2.44	2.22	1.18	4.51
Profitability Ratios					
- PBDIT & DRE to Total Turnover	16.93	15.71	13.46	11.05	12.08
- PBT to Total Turnover	1.39	1.73	1.71	1.01	(2.15)
- PBIT to (Networth + Total Debt)	2.90	3.82	4.08	2.13	2.50
- PBT to (Networth + Total Debt)	1.23	1.59	1.77	0.98	(2.27)
- Sales to (Networth + Total Debt)	89	92	104	98	106
Balance Sheet Ratios					
- Debt Equity Ratio	32	25	28	14	19
- Net Fixed Assets to networkth	35	37	45	43	56

8. MANAGEMENT RESPONSIBILITY STATEMENT

The Financial Statements prepared are in conformity with the Indian Accounting Standards and Generally Accepted Accounting Principles (GAAP) in India. The above statement fully meet the requirements of Companies Act, 1956.

The Management of Henkel SPIC India Ltd. accepts responsibility for the integrity and objectivity of these financial statements, as well as for estimates and judgement relating to matters not concluded by the year end. The management believes that the financial statements reflect fairly the form and substance of transactions and reasonably present the Company's financial condition, and results of operations.

To ensure the above, the Company has installed internal control system across the organisation which is reviewed, evaluated and updated on an regular basis. Periodic Internal Audits have been conducted to ensure that the Company's established system polices and procedures have been followed.

M./s CNGSN & Associates, Chartered Accountants, Chennai have audited the Financial Statements enclosed.

M/s Henkel KGaA has laid out procedures to ensure that the powers vested in the executive management are used with care and responsibility.

The Audit Sub-Committee periodically meets the Chief Financial Officer, the Internal Auditors/ representatives of Internal Audit Department and the Statutory Auditors to review the manner in which they are performing their responsibilities, and to discuss audit programmes and progress therein, internal controls and financial reporting issues. To ensure complete independence, Statutory Auditors, Internal Auditors / representatives of Internal Audit Department have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Company has adequate internal control procedures commensurate with its size and nature of business. The internal control manual defines detailed procedures and guidelines, authorisation and approval procedures. Audit Committee meets on a regular basis where the Internal Audit Reports are tabled and detailed discussion take place for implementing corrective actions and recommendation of the Audit Report.

CORPORATE GOVERNANCE REPORT

2. BOARD OF DIRECTORS

1. CORPORATE GOVERNANCE PHILOSOPHY

The Company is committed to the highest standards of corporate governance in all its activities and processes besides tooling Corporate Governance as cornerstone for sustained superior financial performance, for serving all its stakeholders and for instilling pride of association. The key elements in corporate governance are transparency, disclosure, supervision and internal controls, risk management, internal and external communications and high standards of safety, health, accounting fidelity, product and service quality.

The following is a report on the status and progress on major aspects of Corporate Governance.

The Board consists of 8 members comprising eminent personalities with knowledge and experience in different fields like manufacturing, technical, finance, law, banking and business management. The board has an appropriate mix of executive and non-executive directors to ensure better corporate governance and management. The Chairman, Dr.A.C.Muthiah, is a Non-executive director and represents the Promoter group. 90% of the Board comprises of Non-Executive directors and Mr.A.Satishkumar, the Managing Director of the company is the only Executive director on the Board. The business of the company is carried on by the Managing Director under the supervision and control of the Board of Directors.

The Company did not have any pecuniary relationship or transactions with the non-executive directors during the year under review.

Category of Director	No.of Directors	Name of Directors
Indian Promoter	2	Dr.A.C.Muthiah Mr.D.Arunachalam
Foreign Promoter	3	Mr.Peter Kardorff Mr.Peter Scherer Dr.Rainer Salz
Non-Executive	2	Dr.A.Besant C.Raj Mr.Rajendra S.Lodha
Executive	1	Mr.A.Satishkumar

3. AUDIT COMMITTEE

A system of good corporate governance promotes relationships of accountability between the constituents of sound financial reporting. The company has a qualified and an independent Audit Committee. The role of the Audit Committee includes overseeing the financial reporting process and disclosure of financial information, recommending appointment/removal of statutory auditors and fixing their remuneration, reviewing the financial statements before submission to the Board, reviewing

adequacy of internal control system and procedure and reviewing findings of internal investigations. The Committee periodically holds discussions with the Statutory Auditors

The Audit Committee was set up in the year 1992. The Committee comprises 3 members. During the year ended 31.12.2003, the Committee met on three occasions on 3.2.2003, 1.8.2003 and 22.10.2003 and Mr.Rajeeva Prakash, Company Secretary acts as the Secretary to the meetings of the Committee.

Name of the Committee Member	No.of meetings held	Attendance of Members
Dr. A.Besant C.Raj Chairman (Independent Director)	3	3
Mr. Peter K.Scherer, Member	3	2
Mr. D.Arunachalam, Member	3	3

4. REMUNERATION COMMITTEE:

The Committee was formed to decide the company's policy on specific remuneration packages for executive and non-executive directors on the Board. The Committee has also been empowered to recommend the periodic increments in salary and annual incentives of the Executive directors.

The Committee comprises two Independent Directors namely

1. Mr. R.S.Lodha
2. Dr. A.Besant C.Raj

The terms of reference of the Committee encompasses formulation of policy

- on remuneration to all Executive Directors including Managing Director
- selection criteria for directors
- compensation policy for directors
- role of directors
- duties of directors
- code of conduct
- code of ethics

6. BOARD PROCEDURES

Board Meetings

Board Meetings are held at least four times a year for each quarter with a maximum time gap of four months between two meetings. During the year ended 31st December 2003 the Board of Directors met 4 times viz., 7th February 2003, 28th April 2003, 30th June 2003 and 22nd October 2003.

The composition of Board and attendance of directors at the Board Meetings are as follows:

Name of Director	Status	Attendance in Board Meetings		Attendance in the Last AGM held on 30/6/03	Other Directorships [@]
		Held	Attended		
Dr.A.C.Muthiah	Chairman	4	4	Yes	11
Peter Kardorff	Director	4	3	Yes	-
Peter K.Scherer	Director	4	3	Yes	1
Dr.Rainer Salz	Director	4	3	Yes	-
Rajendra S.Lodha	Director	4	1	No	14
Dr.A.Besant C.Raj	Director	4	3	Yes	2
D.Arunachalam	Director	4	4	Yes	5
A.Satishkumar	Managing Director	4	4	Yes	3

As per the Listing Agreement, no Director of the Company is a member in more than 10 Committees or Chairman in more than 5 Committees across all the Companies in which he is a Director. Directors keep the Company duly informed of any changes in their Directorships or Committee holdings as and when they take place.

@ Does not include directorship in companies excluded as per Section 218 of the Companies Act, 1956.

7. MANAGEMENT

A Management discussion and Analysis report is annexed to the Directors' Report.

There were no material significant related party transactions during the year having conflict with the interests of the company. There has been no non-compliance on the part of the company and no penalty or strictures were imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authority, on any matter related to capital markets during the last three years.

8. SHAREHOLDERS

A) DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Mr. Peter Kardorff and Mr. R.S. Lodha are seeking re-appointment in the ensuing Annual General Meeting and a brief profile are furnished to the members in the note accompanying the Notice convening the Annual General Meeting.

B) DISCLOSURES

The company maintains two web sites, namely www.henkel-india.com and www.henkelwoman.com. The platform is also used to display official news releases

C) MEANS OF COMMUNICATION

The company ensures that Quarterly Results are published in widely circulated newspapers for information to the various stakeholders.

Details of publication of Quarterly Results during the year 2003 are as follows:

Quarter	News Paper	Date of Publication
31/3/2003	The Hindu Business Line Makkal Kural	30 - 04 - 2003
30/6/2003	The Hindu Business Line Makkal Kural	02 - 08 - 2003
30/9/2003	The Hindu Business Line Makkal Kural	24 - 10 - 2003
31/12/2003	The Hindu Business Line Makkal Kural	03 - 02 - 2004

D) LISTING ON STOCK EXCHANGES

The shares of the company are listed on Bombay, Madras, Delhi and Ahmedabad Stock Exchanges. The Annual Listing fees in respect of the shares of the company for the financial year 2003-2004 has been paid by the company promptly.

E) REGISTRAR AND SHARE TRANSFER AGENT

Cameo Corporate Services, Registrar and Share Transfer Agent registered with SEBI is the Share Transfer Agent for processing the transfer of securities issued by the company.

The address of the Share Transfer Agent is as follows:

Cameo Corporate Services Ltd
Unit: Henkel SPIC
"Subramanian Building" 5th Floor,
No.1, Club House Road,
Mount Road, Chennai – 600 002.
Phone: 2846 0390 / Fax: 2846 0129

F) SHARE TRANSFER SYSTEM

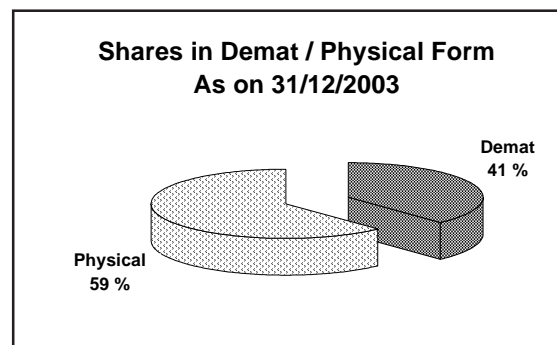
The company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares in physical mode which are lodged for transfer either with the company or with the Share Transfer Agent are processed and subject to exercise of option under compulsory transfer cum demat procedure, share certificates are either dematted or returned within the time prescribed by the authorities. All the information relating to the shares of the company are available on line.

G) STOCK CODE

STOCK EXCHANGE	STOCK CODE
MADRAS STOCK EXCHANGE LTD., CHENNAI	SFI
THE STOCK EXCHANGE, MUMBAI	500397
THE DELHI STOCK EXCHANGE ASSN.LTD	6231
THE STOCK EXCHANGE, AHMEDABAD	5670

H) DEMATERIALISATION /REMATERIALISATION

The Securities and Exchange Board of India (SEBI) mandated compulsory dematerialization of shares for all purpose of trading through registered channels. As of date, 5,78,15,886 Shares of the company held by the shareholders are in demat form aggregating 41% of the total equity Paid-up Capital. Out of balance 59% of shares, 51% of shares are held by the Company's Foreign Promoter M/s Henkel KGaA on physical mode and as such only 8% of shares are in the physical mode.



I) GENERAL BODY MEETINGS :

Location and time for last 3 years General Meetings:

Year	AGM/EGM	Location	Date	Time
2003	14 th AGM	Rajah Annamalai Hall, Esplanade, Chennai-108.	30/06/2003	10.15 AM
2002	13 th AGM	Kamaraj Memorial Hall, Teynampet, Chennai-06	26/07/2002	10.30 AM
2001	12 th AGM	Kamaraj Memorial Hall, Teynampet, Chennai-06.	16/07/2001	10.00 AM

J) DISTRIBUTION OF SHAREOWNERS AS ON 31/12/2003

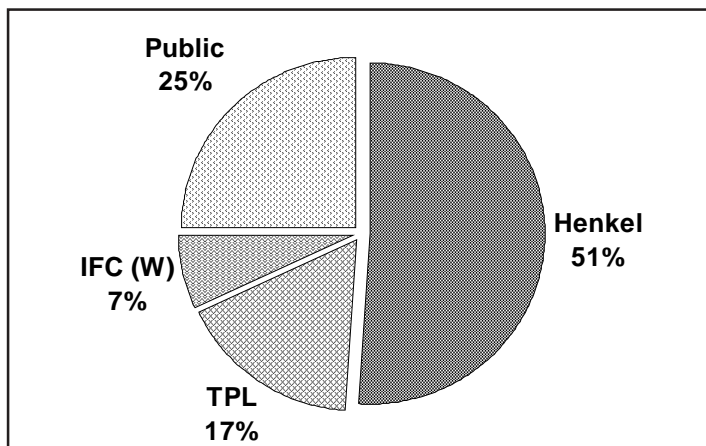
Category	No of Shareowners	% of Shareowners	Share amount	% to Total
Upto 500	75,465	90.92	13,62,51,750	11.70
501-1000	4,459	5.37	3,43,95,550	2.96
1001 – 2000	1,845	2.22	2,70,46,850	2.32
2001 – 3000	488	0.59	1,25,14,780	1.08
3001 – 4000	233	0.28	81,58,820	0.70
4001 – 5000	155	0.19	72,98,880	0.63
5001 – 10000	219	0.26	1,60,26,900	1.38
Over 10000	133	0.16	92,22,46,060	79.23
Total	82997	100.00	116,39,39,590	100.00

K) CATEGORIES OF SHAREOWNERS AS ON 31/12/2003

Category	No. of Shareowners	No. of Shares Held	Voting Strength (%)
Promoters, Relatives & Associates	2	7,87,56,103	67.67
Bodies Corporate (Domestic)	1098	24,30,936	2.09
Banks	6	8,745	0.01
Mutual Funds	5	4,600	0.00
Financial Institutions	3	6,19,155	0.53
Foreign Institutional Investors (FIIs)*	2	81,53,000	7.01
Non-Resident Indians [(NRIs/Overseas Corporate Bodies) (OCBs)]	481	1,54,858	0.13
Resident Individuals	81400	2,62,66,562	22.56
Total	82997	11,63,93,959	100.00

* includes 80,73,000 shares held by International Finance Corporation, Washington.

L) SHAREOWNING PATTERN AS ON 31/12/2003



M) TOP 10 SHAREOWNERS AS ON 31/12/2003

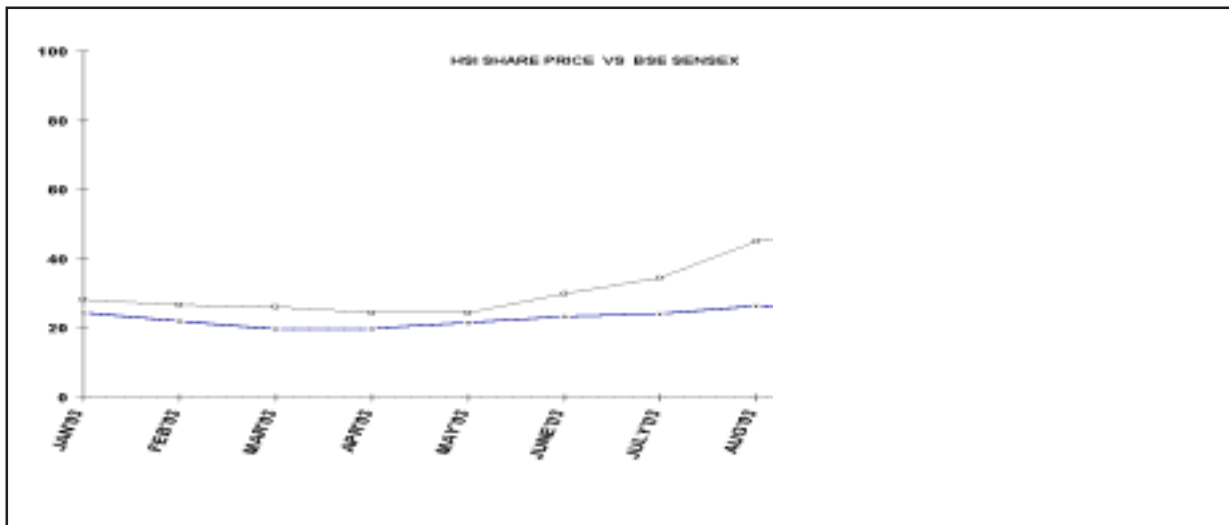
Name	Category	Shares	%
Henkel KGaA, Germany	Promoter	5,93,60,203	51.00
Tamilnadu Petroproducts Limited, Chennai	Promoter	1,93,95,900	16.67
International Finance Corporation, Washington	FII	80,73,000	6.94
Manan Nalin Shah	Public	5,28,389	0.45
Nalin Pravin Shah	Public	4,52,240	0.39
Administrator of the Specified Undertaking of the Unit Trust of India – C.G.G.F.1986	FI	4,03,615	0.35
Tara Chand Jain	Public	2,78,698	0.24
Damani Estates & Finance Pvt. Ltd.	Bodies Corporate	2,39,966	0.21
Administrator of the Specified Undertaking of the Unit Trust of India – MIP1999(II)	FI	2,15,484	0.19
Vireet Investment Pvt. Ltd.	Bodies Corporate	1,83,174	0.16

N) STOCK MARKET DATA

Monthly high and low of closing quotations of shares traded on the Mumbai Stock Exchange during 2003.

Month	Highest (Rs)	Lowest (Rs.)	Volume
Jan'03	24.50	20.70	1,17,734
Feb'03	22.00	18.25	1,48,500
Mar'03	19.60	16.00	4,85,727
April'03	19.90	16.00	1,88,437
May'03	21.60	16.30	6,29,873
Jun'03	23.80	18.80	10,89,523
Jul'03	24.00	18.20	10,98,528
Aug'03	26.35	19.85	15,36,191
Sep'03	24.00	17.90	12,10,150
Oct'03	21.00	16.50	10,82,582
Nov'03	23.15	16.75	17,88,452
Dec'03	37.00	22.05	68,91,813

O) HSIL SHARE PRICE VS. BSE INDEX – YEAR 2003



P) COMPANY SECRETARY’S RESPONSIBILITY STATEMENT

To The shareholders of Henkel SPIC India Ltd.

The Company Secretary confirms that the company has

1. Maintained all books of accounts and statutory registers.
2. Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies, and / or authorities as prescribed under the Companies Act, 1956.
3. Issued all Notices required to be given for Board Meetings and General Meetings within the time limit prescribed by the Act.
4. Conducted the Board Meetings and Annual General Meetings as per the Companies Act, 1956.

5. Effected Share Transfers and dispatched the certificates within the time limit prescribed by various authorities.

6. Not exceeded the borrowing powers.

The Company has also complied with the regulations prescribed by the Stock Exchanges, SEBI and other Statutory Authorities and also the Statutory requirements under the Companies Act, 1956 and other applicable statutes in force.

N. RAJEEVA PRAKASH
SECRETARY

Chennai
Dated : 29th April 2004

Q) AUDITORS’ CERTIFICATE ON CORPORATE GOVERNANCE

To The shareholders of Henkel SPIC India Ltd.

We have examined the compliance of conditions of corporate governance by Henkel SPIC India Ltd, for the year ended on 31st December, 2003 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 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 in all material respects with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholder Grievance Committee.

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

For M/s. CNGSN & ASSOCIATES
CHARTERED ACCOUNTANTS

Chennai
Dated : 29th April 2004

C.N. GANGADARAN
PARTNER

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Henkel SPIC India Ltd. as at 31st December 2003 and also the Profit and Loss account of the company for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. 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 overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs on 12th June 2003 in terms of sub-section 4(A) 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 to the extent applicable to the company.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanation, 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 those books.

- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of written representation received from the directors, as on 31st December 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2003 from being appointed as a director in terms of Clause (g) of Subsection (1) of Section 274 of the Companies Act, 1956.
- f) The company has not provided for the cess payable under section 441 A of the Companies Act, 1956 as the notification regarding rate and mode of payment has not been received.
- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required, subject to the Note 13 regarding capitalisation of interest on Term Loans and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) in the case of Balance Sheet of the state of affairs of the Company as at 31st December 2003 and
 - ii) in the case Profit and Loss Account, of the Profit for the year ended on that date.
 - iii) in the case of cash flow statement of the cash flows for the year ended on that date.

For M/s. CNGSN & ASSOCIATES
CHARTERED ACCOUNTANTS

C.N. GANGADARAN
PARTNER

Chennai
Dated : 2nd February 2004

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the report of even date of the Auditors to the members of Henkel SPIC India Limited on the accounts for the year ended 31st December 2003.

1. The Company is maintaining proper records, showing full particulars including quantitative details and situation of fixed assets.
2. The Company has a phased programme of physical verification of all fixed assets over a period of three years, which in our opinion reasonable having regard to the size of the Company and the nature of its business. In accordance with this program, a part of fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
3. No substantial part of the fixed assets have been disposed off during the year.
4. Physical verification of inventory was conducted at reasonable intervals by the management during the year.
5. In our opinion, procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
6. The company is maintaining proper records of inventory and the discrepancies noticed on verification were not material.
7. The Company has neither taken nor given loans, secured or unsecured from / to companies, firm or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
8. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regards to purchase of inventories and fixed assets and for the sale of goods.
9. The transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been duly entered.
10. According to the information and explanation given to us, transactions which have been entered in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating to Rs.5 lacs or more, have been made at prices which are reasonable, having regard to the prevailing market prices at the relevant time.
11. The Company has not accepted any Fixed Deposits from the public during the year and therefore, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under does not arise.
12. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
13. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed 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 made and maintained. We have not, however, made detailed examination of the records with a view to satisfy ourselves that the records are complete and correct.
14. According to the records of the company, undisputed statutory dues including Provident fund, employees state insurance fund, income-tax, wealth tax, sale tax, customs duty, excise duty and other statutory dues have been deposited regularly during the year with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable which are outstanding as on 31st December 2003 for a period of more than six months from the date they became payable.
15. Rs.3.3 lakhs in respect of excise duty relating to earlier years are under appeal before CESTAT and Commissioner (Appeals).
16. At the end of the financial year, the accumulated loss of the company is less than 50% of its Net Worth. The company has not incurred cash loss during the financial year and in the immediately preceding financial year also.
17. On the basis of examination of books of accounts carried out by us and according to information and explanation given to us, the company has not defaulted repayment of dues to Banks during the year.

18. No loans or advances have been granted by the company against pledge of securities.
19. According to the information and explanation given to us, the company has given a Corporate Guarantee during the year, the terms and conditions thereof are not prejudicial to the interests of the company.
20. The company has not received any Term Loan during the year and therefore the question of application for the purpose for which they were obtained does not arise.
21. According to the information and explanations give to us by the management, the funds raised on short term basis have not been used for long term investment and vice - versa.
22. During the year the company has not made any preferential allotment to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
23. The company has not issued any debentures during the year and therefore the question of creation of securities does not arise.

Chennai
Dated : 2nd February 2004

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N. GANGADARAN
PARTNER

BALANCE SHEET AS AT 31ST DECEMBER 2003

SCHEDULE	As at 31.12.2003	As at 31.12.2002
A) SOURCES OF FUNDS	Rs.Lakhs	Rs.Lakhs
1) Shareholders Funds		
Share Capital	1	18439.40
2) Reserves & Surplus		
Share Premium	1A	17808.36
3) Loan Funds		
Secured Loans	2	1549.64
Unsecured Loans	3	8363.64
4) Deferred Tax liability		11275.05
TOTAL	57436.09	45240.88
B) APPLICATION OF FUNDS		
1) Fixed Assets	4	
a) Gross Block	16263.15	16203.22
Less: Depreciation	5482.22	4897.43
Net Block	10780.93	11305.79
b) Capital work-in-progress	121.54	16.53
2) Investments	5	10902.47
3) Deferred Tax Asset		2380.44
4) Current Assets, Loans & Advances	6	11275.05
a) Inventories	3912.16	3822.75
b) Sundry Debtors	4903.84	4937.25
c) Cash & Bank Balances	668.14	631.04
d) Loans & Advances	1159.02	1451.43
	10643.16	10842.47
Less : Current Liabilities & Provisions	7	8268.88
Net Current Assets		2374.28
5) Miscellaneous Expenditure	8	24998.36
(To the extent not written off)		20263.28
6) Profit & Loss Account		
Opening Balance	6007.94	6597.99
Add: Prior-period / Extraordinary Items	-	9.06
Less Profit /(Loss) for the current year	502.45	599.11
	57436.09	45240.88

The Schedules from 1 to 8 and Notes on Accounts in Schedule 11 form an integral part of the Balance Sheet.

As per our Report of Even Date

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

DR. A.C.MUTHIAH
CHAIRMAN

PETER KARDORFF
DR. A.BESANT C RAJ

CHENNAI
DATED : 2nd February 2004

A.SATISHKUMAR
MANAGING DIRECTOR

D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2003

	SCHEDULE	Year Ended 31.12.2003	Year Ended 31.12.2002
INCOME		Rs.Lakhs	Rs.Lakhs
Sales		36,152.44*	34,522.87
Other Income	9	35.77	21.57
		<u>36,188.21</u>	<u>34,544.44</u>
EXPENDITURE			
Manufacturing & other expenses	10	30,060.39*	29,116.55
Interest		678.50	842.43
Depreciation		644.46	587.64
Misc. Expenditure written off		4,302.41	3,398.71
		<u>35,685.76</u>	<u>33,945.33</u>
Profit before taxation		502.45	599.11
Provision for taxation		-	-
Prior period Items		-	(9.06)
Profit after taxation and prior period items		502.45	590.05
Add : Profit/(Loss) brought forward		(6,007.94)	(6,597.99)
Balance carried to Balance Sheet		<u>(5,505.49)</u>	<u>(6,007.94)</u>
Earnings per Share (Basic & Diluted)		0.43	0.51

Notes on Accounts 11

The Schedules 9,10 & 11 form an integral part of Profit & Loss A/C

* Refer item 23 of Notes to Accounts

As per our Report of even Date

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

CHENNAI
DATED : 2nd February 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

PETER KARDORFF
DR. A.BESANT C RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

SHARE CAPITAL
SCHEDULE 1

	As at 31.12.2003	As at 31.12.2002
	Rs.Lakhs	Rs.Lakhs
AUTHORISED		
17,20,00,000 Equity Shares of Rs.10/- each (Previous year 17,20,00,000 Equity shares of Rs.10/- each)	17200.00	17200.00
6,80,00,000 Redeemable Non cumulative Preference Shares of Rs.10/- each (Previous year - 6,80,00,000)	6800.00	6800.00
	<u>24000.00</u>	<u>24000.00</u>
ISSUED		
11,63,93,959 Equity Shares of Rs.10/- each (Previous year 11,63,93,959 Equity Shares of Rs.10/- each)	11639.40	11639.40
2,80,00,000 9% Redeemable Non cumulative Preference Shares of Rs.10/- each (Previous year - 2,80,00,000)	2800.00	2800.00
4,00,00,000 4% Redeemable Cumulative Preference Shares of Rs.10/- each (Previous year - 4,00,00,000)	4000.00	4,000.00
	<u>18439.40</u>	<u>18439.40</u>
SUBSCRIBED AND PAID UP		
11,63,93,959 Equity Shares of Rs.10/- each (Previous year 11,63,93,959 Equity Shares of Rs.10/- each)	11639.40	11639.40
2,80,00,000 9% Redeemable Non cumulative Preference Shares of Rs.10/- each (Previous year - 2,80,00,000)	2800.00	2800.00
4,00,00,000 4% Redeemable cumulative Preference Shares of Rs.10/- each (Previous year - 4,00,00,000)	4000.00	4,000.00
	<u>18439.40</u>	<u>18439.40</u>

RESERVES & SURPLUS
SCHEDULE 1 A
SHARE PREMIUM ACCOUNT

As per Last Balance Sheet	17808.36	17808.36
	<u>17808.36</u>	<u>17808.36</u>

SECURED LOANS

SCHEDULE 2

	As at 31.12.2003	As at 31.12.2002
	Rs.Lakhs	Rs.Lakhs
a) From banks	1500.00	1500.00
b) Others	49.64	65.94
	<u>1549.64</u>	<u>1565.94</u>

Note

- 1 The loans from Banks are secured /to be secured by way of hypothecation and first charge pari passu on inventories both on hand and in transit, book debts and other receivables both present and future in favour of the participating banks and second charge over the immovable properties of the company.
- 2 Loans from others are secured by hypothecation of vehicles.

UNSECURED LOANS

SCHEDULE 3

Loan from Banks	1866.14	3,928.59
Commercial Paper	1000.00	2,000.00
Loan from Promoter	5497.50	-
	<u>8363.64</u>	<u>5928.59</u>

SCHEDULE 4
(Rs. in Lakhs)

FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31.12.2002	Addn. \ Adjust.	(Deduc.) \ (Adj.)	As at 31.12.2003	For the Year	(Deduc.) \ (Adj.)	As at 31.12.2003	As at 31.12.2002	
Goodwill	4819.51	-	-	4819.51	-	-	4819.51	4819.51	
Free hold land	97.68	-	-	97.68	-	-	97.68	97.68	
Buildings	2094.42	7.87	-	2102.29	67.02	-	1401.95	1461.10	
Plant & Machinery	8080.49	75.15	-	8155.64	427.90	-	3782.03	4134.78	
Furniture & Fixtures	118.16	41.56	-	159.72	8.31	-	109.79	76.54	
Office & Other Equip.	891.15	172.23	229.27	834.11	132.02	57.49	496.81	628.38	
Vehicles	101.81	3.84	11.45	94.20	9.21	2.18	73.16	87.80	
TOTAL	16203.22	300.65	240.72	16263.15	644.46	59.67	10780.93	11305.79	
PREVIOUS YEAR	15704.18	532.85	33.81	16203.22	587.64	13.30	11305.79	11381.09	
CAPITAL WORK-IN-PROGRESS (Including expenditure during construction, materials at site and advance against capital expenditure)								121.54	16.53
TOTAL								10902.47	11322.32

INVESTMENTS
SCHEDULE 5

	As at 31.12.2003	As at 31.12.2002
	Rs. Lakhs	Rs. Lakhs
Non Trade (at cost)		
Investment in Government Securities		
National Savings Certificate	0.30	0.30
In shares (Fully paid)		
2,000 shares of Rs.100/- each in the Henkel SPIC Employees Co-operative Thrift and Credit Society Limited (Unquoted)	2.00	2.00
In unsecured, Redeemable, Subordinated, Floating Interest Rate Bonds of State Bank of India, 500 bonds of Rs.1000/- each (Unquoted)	5.00	5.00
Investments in The Calcutta Chemical Company Ltd		
7,29,488 Equity Shares @ Rs.267 each (Previous Year 7,29,488)	1947.74	1,947.74
19,775 Nos 9% Redeemable Cumulative Preference Shares @ Rs.10 each	1.98	1.98
23,941 Nos 7% Redeemable Cumulative Preference Shares @ Rs.10 each	2.39	2.39
Investments in Detergents India Ltd		
8,25,550 Equity Shares @ Rs.51 each (Previous Year 8,25,550)	421.03	421.03
TOTAL	2380.44	2380.44

CURRENT ASSETS, LOANS & ADVANCES
SCHEDULE 6

	As at 31.12.2003	As at 31.12.2002
	Rs.Lakhs	Rs.Lakhs
Current Assets :		
a. Inventories		
Raw materials	631.39	464.08
Work-in-Process	101.39	126.84
Finished goods	3066.55	3137.62
Stores & spares	112.83	94.21
	<u>3912.16</u>	<u>3822.75</u>
b. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	257.71	260.10
Considered doubtful	140.36	90.36
Other Debts :		
Considered good	4646.13	4677.15
	<u>5044.20</u>	<u>5027.61</u>
Less: Provision for Doubtful Debts	140.36	90.36
	<u>4903.84</u>	<u>4937.25</u>
c. Cash & Bank Balances		
Cash on hand	1.94	1.34
With Scheduled Banks		
On Current Accounts	656.83	625.11
On Deposit Account	9.37	4.59
	<u>668.14</u>	<u>631.04</u>
d. Loans & Advances		
(Unsecured considered good)		
Advance recoverable in cash or in kind or for value to be received	983.48	1302.66
Tax deducted at Source	16.54	15.18
Deposit - Others	129.95	107.55
Balance with Statutory authorities	29.05	26.04
	<u>1159.02</u>	<u>1451.43</u>

CURRENT LIABILITIES & PROVISIONS

SCHEDULE 7

	As at 31.12.2003	As at 31.12.2002
	Rs.Lakhs	Rs.Lakhs
Current Liabilities		
Sundry Creditors & Accrued Expenses	7637.69	6545.55
Statutory & Other Liabilities	631.19	528.61
	<u>8268.88</u>	<u>7074.16</u>

MISCELLANEOUS EXPENDITURE

SCHEDULE 8

(To the extent not written off or adjusted)

Preliminary expenses	26.40	26.40
Share Issue expenses	176.15	176.15
Deferred Revenue Expenditure	43419.21	34381.72
Rights Issue-99 Expenses	195.51	195.51
	<u>43817.27</u>	<u>34779.78</u>
Less : Written off - upto 31.12.02	14516.50	
Written off during the year	<u>4302.41</u>	
	18818.91	14516.50
	<u>24998.36</u>	<u>20263.28</u>

OTHER INCOME

SCHEDULE 9

Interest Income	0.60	0.60
Other Income	35.17	20.97
	<u>35.77</u>	<u>21.57</u>

MANUFACTURING & OTHER EXPENSES

SCHEDULE 10

	For the Year Ended 31.12.2003	For the Year Ended 31.12.2002
	Rs. Lakhs	Rs. Lakhs
Raw materials & Intermediates consumed (Net of discounts)	6,078.92	5,868.80
Purchase of Goods	15,818.98	15,422.74
Excise duty paid on finished goods	1,810.01	1,725.97
Power & Fuel	319.44	294.80
Chemicals & Consumables	33.67	34.05
Consumption of Stores and Spares	20.01	50.94
Payments to and provisions for employees		
Salaries & allowances	1,413.64	1,270.02
Contribution to Provident and other funds	67.69	50.94
Staff Welfare	99.98	57.33
Travel & Conveyance	209.61	299.86
Insurance	42.71	43.17
Rent	151.17	84.66
Rates & Taxes	286.20	356.77
Wealth Tax	-	0.10
Repairs & Maintenance		
Building	8.50	8.21
Machinery	53.99	58.34
Others	51.74	61.80
Royalty	692.15	610.73
Directors sitting fees	0.36	0.33
Auditors remuneration	5.72	5.55
Cost audit fees	0.32	0.30
Loss on Sale of Fixed Assets	12.31	8.78
Assets written - off	96.63	-
Postage & Telephones	151.01	156.54
Professional and Consultancy charges	91.10	37.53
Selling & Marketing Expenses	1,975.27	2,815.03
Provision for Doubtful Debts	50.02	90.36
Miscellaneous Expenses	422.72	271.86
(Increase) / Decrease in stocks		
Opening Stock		
Work in process	126.84	
Finished goods	3,137.62	
	3,264.46	
Closing Stock		
Work in process	101.39	
Finished goods	3,066.55	
	3,167.94	
	96.52	(568.96)
	30,060.39	29,116.55

NOTES ON ACCOUNTS

SCHEDULE 11

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

The Significant accounting policies followed by the company are as stated below.

i) FIXED ASSETS AND DEPRECIATION

Fixed assets are capitalised at acquisition cost, including directly attributable cost of bringing the assets to its working condition for the intended use. Initially financing costs incurred upto the date of commissioning of the assets were capitalised (See also note 13). Depreciation on all Fixed assets is provided on straight line method as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

ii) LONG TERM INVESTMENTS ARE VALUED AT THEIR ACQUISITION COST.

iii) INVENTORIES

The method of valuation of various categories of inventories are as follows :

- i. Raw materials, Stores and spares are valued at monthly moving weighted average rates.
- ii. Work in progress is valued at cost.
- iii. Finished goods are valued at lower of cost or net realisable value.

iv) REVENUE RECOGNITION

Revenue is recognised at the time of Invoicing of materials to customers from plant and stock points.

v) RETIREMENT BENEFITS

Contributions to provident fund is made monthly at a predetermined rate to the Provident Fund Trust, and debited to the Profit & Loss account on accrual basis.

The Company has an arrangement with Life Insurance Corporation of India to administer its Gratuity Schemes. The Premium paid / payable are debited to the Profit & Loss Account on accrual basis.

Provision for Leave Encashment has been made on accrual basis.

vi) SEGMENTAL ACCOUNTING

Identification of Segments

The Company has identified that its operating segments are the primary 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.

Allocation of common costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and Expense, which relate to the enterprise as a whole and not allocable to a segment on a reasonable basis, have been included under the head "Unallocable-Common".

The accounting policies adopted for segment reporting are in line with those of the Company.

vii) CONTINGENT LIABILITIES

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the Notes on Accounts.

viii) FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are translated at exchange rates prevailing on the Balance Sheet date and Foreign Exchange fluctuation loss/gain arising is adjusted in the Profit & Loss Account.

SCHEDULE 11 (Contd.)

	AS AT 31.12.2003 Rs. lakhs	AS AT 31.12.2002 Rs. lakhs	
2	Estimated value of Contracts remaining to be executed on capital account and not provided for	22.15	20.32
3	Contingent liabilities in respect of		
	(a) Counter Guarantees given to banks/others	1,651.65	729.56
	(b) Demand for Excise duty disputed and under appeal	5.21	9.54
	(c) Claims against the Company not acknowledged as debts	10.05	10.05
	(e) Export Bills Discounted	52.76	81.47
	(f) Letters of Credit	220.04	320.48
4	Payments to Directors		
	Managerial Remuneration	38.00	27.70
	Director's Sitting Fees	0.36	0.33
5	CIF Value of Imports		
	Raw Materials	607.63	903.82
	Stores & Spares	18.70	9.56
6	Expenditure in Foreign Currency		
	Travel & Training	62.49	55.31
	Interest	114.89	278.35
	Others	-	8.15
7	Earnings in foreign Currency		
	FOB value of Exports	642.61	504.20
8	Auditors' Remuneration (Including Service Tax)		
	Audit Fee	5.40	5.25
	Tax audit	0.32	0.30

9. Capacity and Production

				Actual Production		
Class of Goods: Synthetic Detergents		Licensed	Installed	Y.E 31.12.2003	Y.E 31.12.2002	
*	Powder	MT/Annum	15000	15000	12854	13107
++	Bar	MT/Annum	15000	15000	13241	9351
@	Zeolite	MT/Annum	10000	10000	5696	4209
**	Cleansers	KL	3000	-	1128	1018

* Excludes captive consumption and third party processing 16053 MT (previous year 19759 MT)

++ Excludes third party processing 20213 MT (Previous year 17367 MT)

@ Excludes captive consumption

** Excludes third party processing of cleansers 1821 MT (Previous year 2208 MT)

SCHEDULE 11 (Contd.)

	Y.E 31.12.2003		Y.E 31.12.2002	
	Qty (MT)	Value (Rs. lakhs)	Qty (MT)	Value (Rs. lakhs)
(b) Purchase of Products (including free issues - Qty)				
Synthetic Detergents	36,267	6,707.34	37,126	6,579.64
Cleansers	1,821	356.39	2,491	534.43
Soaps	8,371	6,403.29	8,610	6,382.99
Tooth pastes	806	926.30	479	521.66
Deodorants	307	660.28	235	552.26
Cosmetics	187	336.40	205	364.31
Others	-	428.98	-	487.45
	<u>47,759</u>	<u>15,818.98</u>	<u>49,146</u>	<u>15,422.74</u>
10. (i) Raw materials and Intermediates Consumed				
a) Labsa	5367.081	2141.38	4605.510	1795.41
b) Chemicals	7102.870	761.23	6383.132	759.59
c) Perfumes	61.114	465.40	58.452	485.83
d) Others		2710.91		2827.97
		<u>6078.92</u>		<u>5868.80</u>
(ii) Consumption of imported and indigenous raw materials, stores & spare parts and percentage of each to the consumption	% to total consumption	Value (Rs. Lakhs)	% to total consumption	Value (Rs. Lakhs)
(a) Raw materials consumed				
Imported	9.36	568.75	10.24	600.95
Indigenous	90.64	5448.76	89.76	5267.85
	<u>100.00</u>	<u>6078.92</u>	<u>100.00</u>	<u>5868.80</u>
(b) Stores & Spare Parts				
Imported	21.94	12.04	6.41	2.98
Indigenous	78.06	42.84	93.59	43.50
	<u>100.00</u>	<u>54.88</u>	<u>100.00</u>	<u>46.48</u>
11. Sales	Qty (MT)	Value Rs.lakhs	Qty (MT)	Value Rs.lakhs
Synthetic Detergents	56191	19461.58	56298	19437.07
Cleansers	6022	2006.23	3247	1111.78
Soaps	8371	9158.37	8221	8834.08
Tooth pastes	787	1278.98	453	803.50
Deodorants	246	1060.44	237	1009.29
Cosmetics	628	1114.04	509	1077.88
Others	7509	2072.80	7178	2249.27
	<u>79753</u>	<u>36152.44</u>	<u>76143</u>	<u>34522.87</u>

SCHEDULE 11 (Contd.)

12 Stock Particulars	Closing Stock Y.E 31.12.2003		Closing Stock Y.E 31.12.2002	
	Qty (MT)	Value Rs.lakhs	Qty (MT)	Value Rs.lakhs
Finished Goods	6191.950	3066.55	5797.590	3137.62

13 The interest pertaining to the loans drawn from Financial Institutions upto 31st March 1994, for the acquisition of Fixed assets computed for the entire period of loan, has been capitalised on the basis that the interest accrues at the time the loans are availed of. Had such future interest which relates to the period after commissioning of respective assets not being treated as a part of acquisition cost of these assets and instead treated as expenditure in the year to which it relates, the net book value of the fixed assets as at 31 st December 2003 would have been lower by Rs.1180.17 lacs and in the profit & loss account, depreciation would have been lower by Rs.119.38 lacs which would have resulted in the profit being higher by Rs.119.38 lacs.

14 9% Redeemable Non-cumulative Preference shares were allotted on Private placement basis to one of the Promoters by conversion of unsecured loan and are redeemable at the end of 10 Years from 1999, being the year of allotment thereof, or earlier if the Board of Directors so determine. 4% Redeemable Cumulative Preference shares were allotted at Rs 10/- each for cash at par, and redeemable after 10 years from 2002, being the year of allotment thereof at such premium as may be decided by the board at the time of redemption.

15 Out of the total shares issued in 1999 on Rights basis, 10,200 shares have been kept in abeyance pending settlement of disputes on title.

16 Sundry Creditors includes Rs.82.18 Lacs due to small scale and ancillary undertakings to the extent such parties have been identified from the available documents / information. The names of small scale units to whom amount in excess of Rs.1 Lac is due for more than 30 days are M/s Kumaravel Packaging (P) Ltd, Southern Packaging Industries, G.S.Minerals , Chidambaram Polybags, Sakthi Traders, Hobby screens Basker Lime Industries, Bismi Polymers, Prakash Flexibles Pvt., Ltd., Sivasakthi Offset Printers, Speciality Valves, Tamilnadu Minerals, Sandhvi Gramodyog Samiti, Eaphel Industries, GEM Minerals, Maharashtra Impex Corporation, SEN Minerals, Valanarasu Chemicals.

17 As regards recognition of deferred tax , in accordance with the Accounting Standard 22 - "Accounting for Taxes on Income" issued by ICAI, the total deferred tax asset/liability as on 31.12.2003 are as under

	Year Ended 31 st Dec. 2003	Year Ended 31 st Dec. 2002
	Rs. lakhs	Rs. lakhs
Deferred tax asset :		
- Tax losses	13,128.29	1,491.64
- Leave encashment provision	8.08	7.85
- Bonus provision	2.94	-
- Doubtful debts provision	51.59	32.26
	13,190.90	1,531.75
Deferred tax liability :		
- Depreciable fixed assets	2,090.86	125.89
- Deferred revenue expenses	9,184.19	1,372.70
	11,275.05	1,498.59

As a matter of prudence the company has recognised Deferred Tax Asset of Rs.11275.05 lacs (Previous year: Rs.1498.59 lacs) to the extent of the Deferred Tax Liability, out of which Rs.8101.96 lacs pertains to Deferred tax asset of previous years which were not recognised earlier.

SCHEDULE 11 (Contd.)

18. Segment information:

The Company's Segment information for the year ended 31st December 2003 are as below

	Year ended 31/12/2003	(Rs. in Crores) Year ended 31/12/2002
1. Segment Revenue :		
a) Detergents & Cleansers	229.45	221.65
b) Cosmetics	132.07	123.58
Total	361.52	345.23
Less : Inter segment revenue	-	-
Net Sales/income from operations	361.52	345.23
2. Segment Results :		
Profit before Tax and Interest from each segment		
a) Detergents & Cleansers	7.26	9.11
b) Cosmetics	4.18	5.08
Total	11.44	14.19
Less :		
Interest	6.78	8.42
Other un-allocable expenditure net of un-allocable income	(0.36)	(0.22)
Total Profit Before Tax	5.02	5.99
3. Capital Employed		
(Segment Assets - Segment Liabilities)		
a) Detergents & Cleansers	90.26	104.87
b) Cosmetics	71.59	70.45
Total	161.85	175.32

a) Business segment: The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified 1. Detergents & Cleansers and 2. Cosmetics as the operating segments. All the segments deal with manufacturing and selling of product for customers.

b) Geographical segment: Exports constitute less than 10% of the total revenue, hence Geographical segmentation has not been considered

19. Related party Disclosure :

a) Name of the related parties

Subsidiary Companies

1. Detergents India Limited
2. The Calcutta Chemical Co. Limited

Promoters

1. Henkel KGaA, Germany
2. Tamilnadu Petroproducts Limited

Key Management Personnel

Mr. A. Satishkumar (Managing Director)

b. Aggregate related party disclosures for the period ended 31st December 2003

(Rs.In Lakhs)

	Subsidiaries		Promoter		Key Management Personnel	Total
	The Calcutta Chemical Co. Ltd.	Detergents India Ltd	Tamilnadu Petroproducts Ltd.	Henkel KGaA	Mr.A.Satishkumar (Managing Director) HSIL	
Purchase of goods	7,121.32	3,426.64	159.94	315.88	-	11,023.78
	(7,649.50)	(3,469.18)	(224.50)	-	-	(11,343.18)
Sale of goods	161.22	40.24	-	-	-	201.46
	(188.53)	(60.93)	-	-	-	(249.46)
Royalty payable	-	-	-	692.16	-	692.16
	-	-	-	(610.73)	-	(610.73)
Royalty received	10.36	-	-	-	-	10.36
	(11.85)	-	-	-	-	(11.85)
Rental payments	6.48	-	-	-	-	6.48
	(6.48)	-	-	-	-	(6.48)
Reimbursement received						
Salaries for seconded employees	58.47	-	-	-	-	58.47
	(51.06)	-	-	-	-	(51.06)
Salaries for seconded employees	37.27	-	-	-	-	37.27
	(70.13)	-	-	-	-	(70.13)
Services	-	-	-	57.50	-	57.50
	-	-	-	-	-	-
Finance - Loan	-	-	-	5,497.50	-	5,497.50
	-	-	-	-	-	-
Creditors at the Balance sheet date	1,692.10	20.58	20.01	2,565.53	-	4,298.22
	(1,411.15)	(85.28)	(14.37)	(1,947.44)	-	(3,458.24)
Remuneration	-	-	-	-	38.00	38.00
	-	-	-	-	(27.70)	(27.70)

Note: Figures in Brackets represents previous year 2002

20 Basis for calculation of basic and diluted earning per share is as under:

(Rs.Lakhs)

Year ended	31.12.2003	31.12.2002
Net Profit for the year	502.45	599.11
Profit used as Numerator	502.45	599.11
Weighted Average Number of Equity Shares used as Denominator (Nos)	116,393,959	116,393,959
Nominal Value per Share (Rs.)	10.00	10.00
Earnings per Share (Basic and Diluted)	0.43	0.51

- 21 As the amount of loss brought forward as per books of accounts is greater than the book profit during the year, provision for taxation was not considered necessary.
- 22 Cost Audit has been ordered for the Company under Section 233B of Companies Act,1956. The Company has appointed a Cost Auditor for the year ended 2002 and the Cost audit is completed.
- 23 Sales and Manufacturing expenses includes transactions of Subsidiaries done on behalf of the Company.
- 24 The basis and method for valuation of inventories, is as certified by the Management.
- 25 Previous years' figures have been regrouped / recast wherever necessary to conform to classification adopted for the current year.
- 26 Figures have been rounded off to the nearest Rupees in Lacs.
-

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

CHENNAI
DATED : 2nd February 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

PETER KARDORFF
DR. A.BESANT C RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
 Balance Sheet Date

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

Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

ACADEMIC GUIDANCE

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

Total Liabilities Total Assets

Source of Funds

Paid-up-Capital Reserves & Surplus
 Secured Loans Unsecured Loans
 Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses Deferred Tax Asset

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

Turn Over Total Expenditure

+ - Profit/Loss before Tax + - Profit/Loss After Tax

Earnings Per Share in Rs.

Dividend Rate %

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

Item Code No. (ITC Code)

		3	4	0	2	9	0
--	--	---	---	---	---	---	---

Product Description

D	E	T	E	R	G	E	N	T		P	O	W	D	E	R
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

Item Code No. (ITC Code)

		3	4	0	1	2	0
--	--	---	---	---	---	---	---

Product Description

D	E	T	E	R	G	E	N	T		B	A	R
---	---	---	---	---	---	---	---	---	--	---	---	---

Item Code No. (ITC Code)

		3	4	0	1	1	1
--	--	---	---	---	---	---	---

Product Description

T	O	I	L	E	T		S	O	A	P
---	---	---	---	---	---	--	---	---	---	---

As per our Report, of even date :

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

CHENNAI
DATED : 2nd February 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

PETER KARDORFF
DR. A.BESANT C RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31/12/2003

	Year-2003	Year-2002
	(Rs. Lakhs)	(Rs. Lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
(i) Profit / (Loss) before Tax and Interest	1180.95	1432.48
(ii) Adjustment for Depreciation	644.46	587.64
(iii) Provision for doubtful debts	50.00	90.36
(iv) Operating Profit /(Loss) before Working Capital	1875.41	2110.48
Adjustment for :		
a. Trade and Other Receivables	275.82	(1952.72)
b. Inventories	(89.41)	(462.85)
c. Creditors and other payables	1194.72	626.52
Net Cash from operating activities	3256.54	321.43
B. CASH FLOW FROM INVESTING ACTIVITIES		
i) Purchase of Fixed Assets (Net)	(224.61)	(396.42)
ii) Miscellaneous Expenditure for Brand and Product Development etc	(4,735.08)	(3,818.20)
Net Cash used in Investing Activities	(4,959.69)	(4,214.62)
C. CASH FLOW FROM FINANCE ACTIVITIES		
i) Proceeds from Issue of Share Capital / Capital Advance	-	4000.00
ii) Acceptance /(Repayment) of Unsecured Loans	2435.05	201.01
iii) Acceptance /(Repayment) of Secured Loans	(16.30)	47.73
iv) Interest Paid	(678.50)	(842.43)
Net Cash generated from Financing Activities	1,740.25	3,406.31
Net Increase / (Decrease) in Cash and Bank Balance (A+B+C)	37.10	(486.88)
Cash and Cash equivalent (Opening Balance)	631.04	1117.92
Cash and Cash equivalent (Closing Balance)	668.14	631.04

AUDITORS REPORT

We have examined the attached Cash Flow Statement of Henkel SPIC India Limited, derived from Audited financial statements and the books and records maintained by the Company for the year ended 31st December 2002 and 31st December 2003 and found the same in agreement there with.

As per our Report of Even Date

For **M/s. CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

CHENNAI
DATED : 2nd February 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

PETER KARDORFF
DR. A.BESANT C RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

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

a. Name of the Subsidiary Company	Detergents India Limited	The Calcutta Chemical Company Limited
b. Financial year of the Subsidiary ended on	31st December 2003	31st December 2003
c. Holding Company's Interest		
(i) No. of Equity Shares	825550	729488
(ii) Extent of Holding	96%	91%
d. Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :		
(i) for subsidiary's financial year	Rs. 53,30,266	Rs. 49,15,162
(iii) for its previous financial years	Rs. (69,00,154)	Rs. (1,52,48,434)
e. Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts :		
(i) for subsidiary's financial year	Nil	Nil
(iii) for its previous financial years	Nil	Nil
f. Changes in the interest of the Holding company between the end of the subsidiary's financial year ended 31st December 2002 and 31st December 2003		
(i) Holding Company's interest as on 31st December 2003	Not Applicable	Not Applicable
(ii) Extent of shareholding	Not Applicable	Not Applicable
g. Material changes between the end of the subsidiary's financial year ended 31st December 2002 and 31st December 2003 in respect of.		
(i) Subsidiary's Fixed Assets	Not Applicable	Not Applicable
(ii) Subsidiary's Investments	Not Applicable	Not Applicable
(iii) Monies lend by subsidiary	Not Applicable	Not Applicable
(iv) Monies borrowed by the subsidiary, other than for meeting current liabilities	Not Applicable	Not Applicable

CHENNAI
DATED : 29th April 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

PETER KARDORFF
DR. A. BESANT C. RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

Consolidated Financial Statements
of
Henkel SPIC India Limited
and
its Subsidiaries
2003

**AUDITORS REPORT TO THE BOARD OF DIRECTORS OF HENKEL SPIC INDIA
LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF HENKEL SPIC INDIA LIMITED**

We have audited the attached consolidated balance Sheet of Henkel SPIC India Ltd. and its subsidiaries, as at 31st December 2003, and also the consolidated Profit and Loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Henkel SPIC India Ltd.'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.

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.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.195.61 lacs as at 31st December 2003, the total revenue of Rs.3610.26 lacs and cash flows amounting to Rs.16.78 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Henkel SPIC India Ltd.'s management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, issued by the Institute of Chartered Accountants of India.

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-

- (i) Note 13 regarding capitalization of interest by the parent company and
- (ii) In respect of the Calcutta Chemical Co. Ltd., "the opening balance of Capital Reserve amounting to Rs.84,318,822 includes amount of Rs.83,600,000 transferred from the Profit and Loss account of the period of ten months ended 31st March 1997. This amount represents the amount of a loan waived in the preceding accounting period. The then auditors of the company had made a qualification in their audit report stating that of the amount of the loan waived and credited to Capital Reserve, an amount of Rs.45,100,000 related to funds provided for business purposes other than for the acquisition of fixed assets. It was further stated that the transfer of the amount of Rs.45,100,000 was not in keeping with the generally accepted accounting practices. Since the aforesaid position has not been rectified, it impacts the relevant opening and closing amounts in the current year also".

Subject to the above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Henkel SPIC India Ltd.'s and its subsidiaries, as at 31st December 2003.
- (b) in the case of the consolidated profit and loss account, of the profit / loss 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 M/s. CNGSN & ASSOCIATES
CHARTERED ACCOUNTANTS**

Chennai
Date : 2nd February, 2004

C. N. GANGADARAN
Partner

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2003

(Rs. Lakhs)

	Schedules	As at 31st December 2003	As at 31st December 2002
SOURCE OF FUNDS			
Shareholders Fund			
Equity Share Capital	1	11,639.40	11,639.40
Preference Share Capital	1	6,800.00	6,800.00
Reserves & Surplus	1A	17,808.36	17,808.36
Profit & Loss Account		-	-
Total		36,247.76	36,247.76
Minority Interests			
Equity Share Capital	1B	10.50	10.50
Preference Share Capital		6.46	6.46
Reserves & Surplus		136.60	135.01
Profit & Loss Account		(2.02)	(12.31)
Total		151.54	139.66
Loan Funds			
Secured Loans	2	2,813.02	2,646.18
Unsecured Loans	3	8,510.29	6,235.17
Deferred Tax Liability		11,275.05	1,593.44
Total		58,997.66	46,862.21
APPLICATION OF FUNDS			
I Fixed Assets			
Gross Block	4	18,448.51	18,799.71
Less: Depreciation		6,520.12	6,372.97
Net Block		11,928.39	12,426.74
Add: Capital Work-in-Progress		140.67	67.08
		12,069.06	12,493.82
II Goodwill on Consolidation	4A	858.56	858.56
III Investments	5	48.33	52.41
IV Deferred Tax Asset		11,369.66	1,653.38
V Current Assets, Loans and Advances			
Inventories		5,638.59	5,152.18
Sundry Debtors		5,014.80	5,016.57
Cash and Bank Balances		746.93	763.36
Loans & Advances		1,453.35	1,838.44
		12,853.67	12,770.55
Less: Current Liabilities and Provisions	7	8,700.13	7,387.92
Net Current Assets		4,153.54	5,382.63
VI Miscellaneous Expenditure	8	25,058.66	20,363.01
(To the extent not written off)			
Profit & Loss Account			
- Henkel SPIC India Ltd.		5,505.49	6,007.92
- The Calcutta Chemical Co. Ltd.		(305.40)	(177.27)
- Detergent India Ltd.		239.76	227.75
		5,439.85	6,058.40
Total		58,997.66	46,862.21

The Schedules from 1 to 8 and Notes on Accounts in Schedule 11 form an integral part of the Balance Sheet

for M/s. S. CNGSN & Associates

CHARTERED ACCOUNTANTS

C.N.GANGADARAN

PARTNER

CHENNAI

 DATED : 2nd February, 2004

DR. A.C.MUTHIAH

CHAIRMAN

A.SATISHKUMAR

MANAGING DIRECTOR

DR. A. BESANT C. RAJ

D.ARUNACHALAM

DIRECTORS

N.RAJEEVA PRAKASH

SECRETARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2003

	Schedules	Year ended 31st December 2003	Year ended 31st December 2002
		(Rs. Lakhs)	(Rs. Lakhs)
INCOME			
Sales		36,777.90	34522.87
Other Income	9	<u>178.54</u>	<u>259.20</u>
Total		<u>36,956.44</u>	<u>34782.07</u>
EXPENDITURE			
Manufacturing & Other Expenses	10	30,449.39	28969.15
Interest		815.84	1017.09
Depreciation		732.83	
Less: Transfer from Revaluation Reserve		<u>(20.99)</u>	
		711.84	656.25
Miscellaneous Expenditure written off		4,354.04	3451.44
Total		<u>36,331.11</u>	<u>34,093.93</u>
Profit Before Taxation		625.33	688.14
Prior Period Items		-	9.06
Provision for Tax		4.00	4.60
Profit After Taxation		621.33	674.48
Provision for Deferred Tax - release/(charge)		(30.12)	(25.12)
Profit After Taxation		651.45	699.60
Less: Minority interest in Net Profit		13.17	-
Add: Profit/(Loss) brought forward		(6,178.86)	(6,716.99)
Less : Transitional Adjustment for AS22		-	(41.01)
Less :Proposed dividend on preference shares		-	
Less: Dividend Tax on proposed dividend		-	
Less: Transfer to General Reserve		<u>32.74</u>	
Balance carried to Balance Sheet		<u>(5,573.32)</u>	<u>(6,058.40)</u>
NOTES ON ACCOUNTS	11		

The Schedules 9, 10 & 11 form an integral part of Profit & Loss Account.

for M/s. S. CNGSN & Associates
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

CHENNAI
DATED : 2nd February, 2004

DR. A.C.MUTHIAH
CHAIRMAN

A.SATISHKUMAR
MANAGING DIRECTOR

DR. A. BESANT C. RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

SHARE CAPITAL
SCHEDULE 1

	Year ended 31st December 2003	Year ended 31st December 2002
	(Rs. Lakhs)	(Rs. Lakhs)
Authorised		
17,20,00,000 Equity Shares of Rs.10 each	17,200.00	17,200.00
6,80,00,000 Redeemable Non-Cumulative Preference Shares of Rs.10 each	6,800.00	6,800.00
Total	<u>24,000.00</u>	<u>24,000.00</u>
Issued, Subscribed & Paid - up		
11,63,93,959 Equity Shares of Rs.10 each	11,639.40	11,639.40
2,80,00,000 9% Redeemable Non-Cumulative Preference Shares of Rs.10 each	2,800.00	2,800.00
4,00,00,000 4% Redeemable Cumulative Preference Shares of Rs.10 each	4,000.00	4,000.00
Total	<u>18,439.40</u>	<u>18,439.40</u>

RESERVES & SURPLUS
SCHEDULE 1A

Share Premium Account	17,808.36	17,808.36
Total	<u>17,808.36</u>	<u>17,808.36</u>

MINORITY INTEREST AS AT 31ST DECEMBER 2003
SCHEDULE 1B

Rs. Lakhs

	The Calcutta Chemical Co. Ltd.		Detergents India Ltd.		Total		
	Total 100%	Minority 9%	Holding 91%	Total 100%		Minority 4%	Holding 96%
Equity Share Capital	80.00	7.05	72.95	86.00	3.45	82.55	10.50
Reserves & Surplus							
Capital Reserve	843.19	74.32	768.87	15.18	0.61	14.57	74.93
Revaluation Reserve	623.77	54.98	568.79	80.97	3.25	77.72	58.23
General Reserve	32.75	2.89	29.86	4.23	0.17	4.06	3.06
Share Premium	0.28	0.02	0.26	-	-	-	0.02
State Subsidy	-	-	-	9.22	0.37	8.85	0.37
Total Reserves & Surplus	1,499.99	132.21	1367.78	109.60	4.39	105.21	136.60
Profit & Loss Account	3.59	0.32	3.27	(58.25)	(2.34)	(55.91)	(2.02)
Total Equity Shareholder's Equity	1,583.58	139.58	1444.00	137.55	5.51	131.84	145.08
Preference Share Capital	10.83	6.46	4.37	-	-	-	6.46
Total Minority Interest	1,594.41	146.04	1448.37	137.35	5.51	131.84	151.54

SECURED LOANS

SCHEDULE 2

	As At 31st December 2003	As At 31st December 2002
a. From Banks	2,722.64	2,521.97
b. Sales Tax Loan from West Bengal Government	37.83	56.75
c. From Others	52.55	67.46
Total	<u>2,813.02</u>	<u>2,646.18</u>

UNSECURED LOANS

SCHEDULE 3

Loan from Banks	1,866.14	3,928.59
Commercial Paper	1,000.00	2,000.00
Loan from Promoter	5,497.50	-
Sales Tax deferred loan	146.62	306.58
Total	<u>8,510.26</u>	<u>6,253.17</u>

SCHEDULE 4

FIXED ASSETS

Rs. Lakhs

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 31.12.2002	Addn. \ Adjst.	(Deduc.) \ (Adj.)	As at 31.12.2002	For the Year	(Deduc) \ (Adj.)	As at 31.12.2003	As at 31.12.2002
Goodwill	4,819.51	-	-	-	-	-	4,819.51	4,819.51
Free hold land	660.37	-	-	-	-	-	660.37	660.37
Lease hold land	12.32	-	-	3.71	0.30	-	8.31	8.61
Buildings	2,743.78	28.75	-	1,032.84	92.70	-	1,646.99	1,710.94
Plant & Machinery	9,373.49	181.08	546.92	4,975.69	485.74	525.51	4,071.73	4,397.80
Furniture & Fixtures	184.05	47.30	0.49	81.29	11.28	0.49	138.78	102.76
Office & Other Equip.	891.17	172.23	229.27	262.77	132.02	57.49	496.83	628.40
Vehicles	115.02	7.57	11.45	16.67	10.78	2.18	85.87	98.35
TOTAL	18,799.71	436.93	788.13	6,372.97	732.82	585.67	11,928.39	12,426.74
PREVIOUS YEAR	18,251.80	628.11	80.20	5,742.46	678.07	47.56	12,426.74	12,509.34
CAPITAL WORK-IN-PROGRESS								
(Including expenditure during construction, materials at site and advance against capital expenditure)								
							140.67	67.08
TOTAL							12,069.06	12,493.82

CALCULATION OF GOODWILL / CAPITAL RESERVE ON ACQUISITION SCHEDULE 4A

(Rs. Lakhs)

Description	The Calcutta Chemical Co. Ltd.	Detergents India Ltd.	Total
Cost of Equity Shares	1947.74	421.03	2368.77
Cost of Preference Shares	4.37	-	4.37
Total Cost of Investment	1952.11	421.03	2373.14
Less :			
Nominal Value of :-			
Equity Shares held	72.95	82.55	155.50
Preference Shares held	4.37	-	4.37
Capital Profits (Reserves as on 22-01-99)	1065.65	289.06	1354.71
Total	1142.97	371.61	1514.58
Goodwill on Acquisition	809.14	49.42	858.56

INVESTMENTS (OTHER THAN TRADE)

SCHEDULE 5

	As at 31st December 2003	As at 31st December 2002
		Rs. in lakhs
Quoted - long term (At Cost)		
<i>In Government Securities</i>		
3% Govt of India conversion loans (1946)	0.01	0.01
National Savings Certificate	0.30	0.30
Quoted - Current (at lower of cost and market value)		
Units of Unit Trust of India		
- Under 1964 Scheme	40.96	41.32
- Under 2002 Scheme	-	3.72
Unquoted (at cost)		
In unsecured, Redeemable, Subordinated, Floating		
Interest Rate Bonds of State Bank of India (500 Bonds of Rs.1000/- each)	5.00	5.00
2000 Shares of Rs.100/- each in Henkel Spic		
Employees Co-operative Thrift and Credit Society Ltd	2.00	2.00
Capexil (Agencies) Ltd	0.05	0.05
Madras Industrial Co-operative Analytical Laboratory Ltd	0.01	0.01
Total	48.33	52.41

CURRENT ASSETS, LOANS & ADVANCES
SCHEDULE 6

	As at 31st December 2003	As at 31st December 2002
		Rs. Lakhs
CURRENT ASSETS		
a. Inventories		
Raw materials	1,773.94	1,224.92
Work-in-Process	127.03	172.50
Finished Goods	3,608.78	3,642.27
Stores & Spares	128.84	112.49
Total	<u>5,638.59</u>	<u>5,152.18</u>
b. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months :		
Considered good	2,024.42	1,724.88
Considered doubtful	140.36	90.36
Other Debts :		
Considered good	2,990.38	3,291.69
Less : Provision for Bad debts	(140.36)	(90.36)
Total	<u>5,014.80</u>	<u>5,016.57</u>
c. Cash & Bank Balances		
Cash on hand	3.67	5.24
With Scheduled Banks		
On Current Account	680.44	640.36
On Unpaid Dividend Account	8.17	8.17
On Deposit Account	54.65	109.59
Total	<u>746.93</u>	<u>763.36</u>
d. Loans & Advances		
(Unsecured considered good)		
Advances Recoverable in cash or in kind or for a value to be received	1,136.04	1,618.58
Tax Deducted at Source	16.54	15.18
Deposit - Others	156.00	134.77
Balances with Statutory Authorities	144.77	69.91
Total	<u>1,453.35</u>	<u>1,838.44</u>
Total	<u>12,853.67</u>	<u>12,770.55</u>

CURRENT LIABILITIES & PROVISIONS

SCHEDULE 7

	As at 31st December 2003	As at 31st December 2002
		Rs. Lakhs
Sundry Creditors & Accrued Expenses	8,013.37	6,153.16
Statutory & Other Liabilities	686.76	1,234.76
Total	<u>8,700.13</u>	<u>7,387.92</u>

MISCELLANEOUS EXPENDITURE

SCHEDULE 8

(To the extent not written off or adjusted)

Preliminary expenses	26.40	26.40
Share Issue expenses	176.15	176.15
Deferred Revenue Expenditure	43,811.80	34,762.11
Rights Issue-99 Expenses	195.51	195.51
	<u>44,209.86</u>	<u>35,160.17</u>
Less : Written off - upto 31.12.02	14797.16	-
(Written off during the year)	<u>4354.04</u>	-
Total	<u>19,151.20</u>	<u>14,797.16</u>
	<u>25,058.66</u>	<u>20,363.01</u>

OTHER INCOME

SCHEDULE 9

Interest Income	7.57	13.05
Other Income	170.97	246.15
Total	<u>178.54</u>	<u>259.20</u>

MANUFACTURING & OTHER EXPENSES

SCHEDULE 10

	For the Year ended 31.12.2003	For the Year ended 31.12.2002
		Rs. Lakhs
Raw materials & Intermediates consumed (Net of discounts)	11889.18	10913.90
Purchase of Goods	7832.19	7076.07
Excise duty paid on finished goods	3017.96	3567.11
Power & Fuel	490.75	456.42
Chemicals & Consumables	40.45	36.64
Consumption of Stores and Spares	44.91	86.99
Payments to and provisions for employees		
Salaries & allowances	1890.73	1788.78
Contribution to Provident and other funds	142.24	118.71
Staff Welfare	129.90	107.69
Travel & Conveyance	230.60	316.92
Insurance	55.81	56.91
Rent	164.62	109.98
Rates & Taxes	292.93	427.05
Wealth Tax	-	0.10
Repairs & Maintenance		
Building	19.48	26.59
Machinery	86.47	90.73
Others	63.11	71.67
Royalty	692.15	610.73
Directors sitting fees	0.83	0.96
Auditors remuneration	7.60	7.05
Cost audit fees	0.32	0.30
Loss on Sale of Fixed Assets	21.94	8.78
Assets written off	96.63	-
Postage & Telephones	158.60	165.51
Professional and Consultancy charges	97.86	47.57
Selling & Marketing Expenses	2333.69	3079.69
Provision for Doubtful Debts	50.02	90.36
Bad debts Written off	-	3.33
Dimunition in the value of Investments	0.36	18.00
Miscellaneous Expenses	519.10	361.02
(Increase) / Decrease in stocks	78.96	(676.41)
Total	30449.39	28969.15

NOTES ON ACCOUNTS

SCHEDULE 11

1. Subsidiaries

The Consolidated Financial Statements present the consolidated accounts of Henkel SPIC India Ltd., with its following subsidiaries:

Name of the Subsidiary	Proportion of ownership	Year ending	Audited by
The Calcutta Chemical Company Limited	91%	31.12.2003	CNGSN & ASSOCIATES
Detergents India Limited	96%	31.12.2003	A. RAMACHANDRA RAO & CO.

2. (i) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed when referred from the individual financial statements.
- (ii) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India.
- (iii) The financial statements of the Parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group transactions and unrealised profits.

3. Significant Accounting Policies

(i) Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis.

(ii) Fixed Assets and Depreciation

Fixed assets are capitalised at acquisition cost, including directly attributable cost of bringing the assets to its working condition for the intended use. Depreciation on all Fixed Assets is provided on straight line method as per the rates prescribed in Schedule XIV of the companies Act, 1956.

(iii) Investments

Investments are stated at cost

(iv) Inventory Valuation

The method of valuation of various categories of inventories as follows:

Raw material and Packing materials	-	Monthly moving weighted average
Stores & Spares	-	Monthly moving weighted average
Work-in-progress	-	at cost
Finished goods	-	at lower of cost or net realisable value

(v) Revenue Recognition

Revenue is recognised at the time of Invoicing of materials to customers from factories and stock points

SCHEDULE 11 - Continued

(vi) Retirement Benefits

Contribution to provident fund and social security is made monthly, at a predetermined rate and accounted on an accrual basis. Henkel SPIC India Ltd and its subsidiaries have an arrangement with Life Insurance Corporation of India to administer its Gratuity Schemes. The premium paid/payable are debited to the Profit & Loss Account on accrual basis. Provision for Leave encashment has been made on an accrual basis.

(vii) Segmental Reporting

Identification of Segments

The Company has identified that its operating segments are the primary 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.

(viii) Allocation of common costs

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and Expense, which relate to the enterprise as a whole and not allocable to a segment on a reasonable basis, have been included under the head "Unallocable-Common".

The accounting policies adopted for segment reporting are in line with those of the Company except in the case of Detergents India Limited, wherein Deferred Tax assets are not recognised in view of lack of virtual certainty that the same would realized against future taxable income.

(ix) Foreign Currency Transactions

Foreign currency assets and liabilities are translated at exchange rates prevailing on the Balance Sheet date and Foreign fluctuation loss/gain arising is adjusted in the Profit & Loss account.

4 Contingent Liabilities

All liabilities have been provided for in the accounts except liabilities of a contingent nature which has been listed below (Rs in lacs)

	Year 2003	Year 2002
- Arrear dividend on cumulative preference shares	Nil	2.32
- Sales Tax matters	857.82	843.41
- Excise duty matters	147.32	63.02
- Counter guarantees to a bank in respect of guarantees given by it to sales tax / Central excise authorities / Others	1,664.15	742.06
- Income Tax demands against which the Company has preferred appeal before appropriate authorities	45.45	13.31
- Claims against the Company pending in court of law	11.54	11.54
- Export Bills discounted	52.76	81.47
- Letters of Credit	220.04	320.48
- Estimated value of contracts remaining to be executed on capital account and not provided for	22.15	20.32

5. In respect of The Calcutta Chemical Company Ltd., the operations at the Company's Magarwara (Kanpur) division remain suspended since 1991-92 in view of pending legal dispute with the concerned licensee. The Original cost of Fixed Assets in Schedule - 5 includes cost of machinery amounting to Rs. 1.3 lacs (written down value of Rs. 0.43 lacs) lying with the aforesaid licensee, which could not be physically verified by the management since 1991-92.

6. In respect of The Calcutta Chemical Company Ltd, in terms of the scheme of arrangement/compromise sanctioned by the Hon'ble High Court of Kolkata vide its order 27th February 1990, the Company had made payments to its unsecured creditors upto 27th August 1991. However, it obtained a stay order from the Honourable High Court of Kolkata on 27th August 1991 for payments due on that date and further orders in this regard are still pending. In the meantime, based on a legal opinion, the Company has repaid/settled (out of court) the liability of certain creditors to the extent of Rs.69.74 lacs by way of full and final settlement and the resultant surplus of Rs.52.99 lacs arising out of such repayment/settlement has been recognised as income in the account in earlier years, as an extraordinary item.

SCHEDULE 11 - Continued

7. In respect of The Calcutta Chemical Company Ltd., the company had received several show cause notices from the Commissioner of Central Excise, Kolkata and Chennai, seeking to know why demands of Rs.240.29 lacs and Rs. 386.60 lacs respectively could not be raised on the Company on account of differential central excise duty alleged to have been short paid/not paid during the period 1st June 1991 to 31st March 1995 for Kolkata factory and 1st June 1991 to 30th April 1998 for Chennai factory.

Replies to all the above show cause notices have been filed by the Company and personal hearings have also been completed both at Kolkata and Chennai. In the mean time, the Central Excise authorities had confirmed the demand of Rs. 402.60 lacs (including penalty of Rs. 16 lacs) for the period upto 30th April 1998 for Chennai factory and Rs. 260.29 lacs (including penalty of Rs. 20 lacs) for the period upto 31st March 1995 for Kolkata factory. The Company had preferred appeals to the appropriate authorities against the above demands and in both the cases, the appellent authority has set aside the demands for a de-novo consideration of the issue. In view of the above, the Company contends that the above demands are not sustainable and accordingly no provision thereof has been considered in these accounts.

8. In respect of Detergents India Ltd., the Company has adopted FIFO method of valuation in respect of stores & spares and Raw material/packing material whereas the parent company and the other subsidiary the Calcutta Chemical Company Ltd., has adopted weighted average method of valuation. Out of the total inventories of Rs.1902.78 lacs, included in the Consolidated Balance Sheet 23.5% of that amount is determined based upon the FIFO method.
9. In respect of Detergents India Ltd., the Company has disclosed sales net of Excise duty, whereas the parent company and the other subsidiary The Calcutta Chemical Company Ltd, has disclosed sales including Excise duty. Out of the total sales of Rs. 36777.90 lacs, included in the Consolidated Profit & Loss account, 9.6% of that amount is determined based upon Sales net of Excise duty and balance is determined based on sales including Excise duty method.
10. In respect of The Calcutta Chemical Company Ltd., the company has adopted WDV method of Depreciation in respect of certain assets as against straight line method of Depreciation adopted by the parent company, the effect of which is not quantifiable.
11. In respect of The Calcutta Chemical Company Ltd., the company had proposed dividend on Cumulative preference shares amounting to Rs.3.17 lacs which is inclusive of arrears of Rs.2.32 lacs pertaining to earlier years. In the books of the parent company the proportionate proposed dividend of Rs.1.30 lacs on the cumulative preference shares held by them in The Calcutta Chemical Company Ltd., was not taken as income pending ratification of the same at the Annual General Body meeting by CCCo. In the Consolidation the proposed dividend of Rs. 3.17 lacs and dividend tax thereon of Rs.0.42 lacs was added back to Profit & Loss account.
12. In respect of Detergents India Ltd., in line with Accounting Standard 19, issued by The Institute of Chartered Accountants of India, the details of obligation on long-term non-cancelable operating leases are furnished below. Lease represents lease of factory land and premises situated at Coimbatore.

	(Rs in lacs) 31st Dec. 2003	(Rs in lacs) 31st Dec. 2002
Lease Rentals paid during the period/year	6.16	5.54
Lease obligations		
- Due within one year of the Balance Sheet date	6.92	6.88
- Due in a period between one and five years	0.86	8.53
- Due after five years	Nil	Nil

13. In the case of the parent company, the interest pertaining to the loans drawn from Financial Institutions upto 31st March 1994 for the acquisition of Fixed assets computed for the entire period of loan, has been capitalised on the basis that the interest accrues at the time the loans are availed of. Had such future interest which relates to the period after commissioning of respective assets not being treated as a part of acquisition cost of these assets and instead treated as expenditure in the year to which it relates, the net book value of the fixed assets as at 31st December 2003 would have been lower by Rs.1180.17 lacs and in the profit & loss account, depreciation would have been lower by Rs.119.38 lacs which would have resulted in the profit being higher by Rs.119.38 lacs.

SCHEDULE 11 - Continued

14. In the case of the parent company, 9% Redeemable Non-cumulative Preference shares were allotted on Private placement basis to one of the Promoters by conversion of unsecured loan and are redeemable at the end of 10 Years from 1999, being the year of allotment thereof, or earlier if the Board of Directors so determine. 4% Redeemable Cumulative Preference shares were allotted at Rs.10/- each for cash at par, and redeemable after 10 years from 2002, being the year of allotment thereof at such premium as may be decided by the Board at the time of redemption.
15. In the case of the parent company, out of the total shares issued in 1999 on Rights basis, 10,200 shares have been kept in abeyance pending settlement of disputes on title.

16. Deferred Tax

Consequent to Accounting Standard 22 "Accounting on Taxes on Income" issued by the Institute of Chartered Accountants of India, becoming mandatory in respect of accounting periods commencing on or after 1st April 2001, the company has recognised Deferred Tax Asset and Deferred Tax Liability as on 31.12.2003, and the net effect of which is a net Deferred Tax Asset amounting to Rs.94.61 lacs (Previous year Rs. 59.94 lacs). Also, the Management based on the future profitability projections feels that there would be sufficient taxable income in future to claim the above tax benefits.

17. Segment information :

The Company's Segment information for the year ended 31st December 2003 are as below

	(Rs in Crores) Year ended 31/12/2003	(Rs in Crores) Year ended 31/12/2002
1. Segment Revenue		
a) Detergents & Cleansers	231.70	221.65
b) Cosmetics	136.08	123.58
Total	367.78	345.23
Less : Inter segment revenue	-	-
Net Sales/income from operations	367.78	345.23
2. Segment Results :		
Profit before Tax and Interest from each segment		
a) Detergents & Cleansers	7.95	9.13
b) Cosmetics	4.67	5.45
Total	12.62	14.58
Less :		
Interest	8.16	10.17
Other un-allocable expenditure net of un-allocable income	(1.79)	(2.59)
Total Profit Before Tax	6.25	7.00
3. Capital Employed		
(Segment Assets - Segment Liabilities)		
a) Detergents & Cleansers	95.64	101.84
b) Cosmetics	67.03	77.43
Total	162.67	179.27

a) Business segment: The business segments have been identified on the basis of the products of the Company. Accordingly, the Company has identified 1. Detergents & Cleansers and 2. Cosmetics as the operating segments. All the segments deal with manufacturing and selling of product for customers.

b) Geographical segment: Exports constitute less than 10% of the total revenue, hence Geographical segmentation has not been considered.

18. a) **Name of the related parties**

Promoters

1. Henkel KGaA, Germany

2. Tamilnadu Petroproducts Ltd.

Key Management Personnel

Mr. A. Satishkumar (Managing Director)

b) **Aggregate related party disclosure for the period ended 31st December 2003**

(Rs. in lakhs)

	Promoter		Key Management Personnel	Total
	Tamilnadu Petroproducts Ltd.	Henkel KGaA	Mr. A.Satishkumar (Managing Director) HSIL	
Purchase of goods	159.94 (224.50)	315.88 -	- -	475.82 (224.50)
Royalty payable	- -	692.16 (1,704.37)	- -	692.16 (1,704.37)
Services	- -	57.50 -	- -	57.50 -
Finance - Loan	- -	5,497.50 -	- -	5,497.50 -
Creditors at the Balance sheet date	20.01 (14.37)	2,565.53 (1,947.44)	- -	2,585.54 (1,961.81)
Remuneration	- -	- -	38.00 (27.70)	38.00 (27.70)

Note: Figures in Brackets represents previous year 2002

19. Basis for calculation of basic and diluted earning per share is as under:

Rs. in Crores)

	Year ended 31/12/2003	Year ended 31/12/2002
Net Profit after tax & extraordinary items	638.28	699.60
Less: Dividend on Preference Shares	-	-
Less: Corporate Dividend Tax on Preference shares	-	-
Profit used as Numerator	638.28	699.60
Weighted Average Number of Equity Shares used as Denominator (Nos)	116,393,959	116,393,959
Nominal Value per Share (Rs.)	10.00	10.00
Earnings per Share (Basic and Diluted)	0.55	0.60

20. The basis and method of valuation of inventories, is as certified by the Management

21. Figures have been rounded off to the nearest Rupees in Lacs.

22. Previous year's figures have been regrouped/recast wherever necessary to confirm to the current years classification.

for M/s. CNGSN & ASSOCIATES
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

DR. A.C.MUTHIAH
CHAIRMAN

CHENNAI
DATED : 2nd February 2004

A.SATISHKUMAR
MANAGING DIRECTOR

DR. A. BESANT C. RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31-12-2003

	Year-2003
	(Rs. Lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES	
(i) Profit / (Loss) before Tax and Interest	1441.17
(ii) Adjustment for Depreciation	711.84
(iii) Provision for doubtful debts	50.00
(iv) Operating Profit /(Loss) before Working Capital	2203.01
Adjustment for :	
a. Trade and Other Receivables	336.86
b. Inventories	(486.41)
c. Creditors and other payables	1308.21
Networking Capital	1158.66
Net Cash from operating activities	3361.67
B. CASH FLOW FROM INVESTING ACTIVITIES	
i) Purchase of Fixed Assets (Net)	(308.06)
ii) Miscellaneous Expenditure for Brand and Product Development etc	(4,695.65)
Cash Flow used in Investing Activities	(5,003.71)
C. CASH FLOW FROM FINANCE ACTIVITIES	
i) Proceeds from Issue of Share Capital / Capital Advance	-
ii) Acceptance /(Repayment) of Unsecured Loans	2,275.12
iii) Acceptance /(Repayment) of Secured Loans	166.84
iv) Interest Paid	(816.35)
Net Cash generated from Financing Activities	1,625.61
Net Increase / (Decrease) in Cash and Bank Balance (A+B+C)	(16.43)
Cash and Cash equivalent (Opening Balance)	763.36
Cash and Cash equivalent (Closing Balance)	746.93

AUDITORS REPORT

We have examined the attached Consolidated Cash Flow Statement of Henkel SPIC India Limited, derived from Audited financial statements and the books and records maintained by the Company for the year ended 31st December 2002 and 31st December 2003 and found the same in agreement there with.

As per our Report of Even Date

for M/s. **CNGSN & ASSOCIATES**
CHARTERED ACCOUNTANTS

C.N.GANGADARAN
PARTNER

DR. A.C.MUTHIAH
CHAIRMAN

CHENNAI
DATED : 2nd February 2004

A.SATISHKUMAR
MANAGING DIRECTOR

DR. A. BESANT C. RAJ
D.ARUNACHALAM
DIRECTORS

N.RAJEEVA PRAKASH
SECRETARY