P&G announces Inter-Company Transfer of its Detergents' Manufacturing Business

July 11, 2005: At a Board Meeting held today, the Board of Directors of Procter & Gamble Hygiene & Health Care Limited (PGHH) recommended transfer by way of sale of its detergent manufacturing business (comprising of land, building, plant & machinery and other assets at its Mandideep Plant situated in District Raisen, Madhya Pradesh) to Procter & Gamble Home Products Limited (PGHP) – a fully owned subsidiary of The Procter & Gamble Company (P&G) USA, for a consideration of Rs. 101 crores, i.e. Rs. 38.90 crores towards tangible and intangible assets of the detergent manufacturing business; and Rs. 62.50 crores being the value of the inventory of raw material and finished goods – which may vary according to the inventory on hand on the date of transfer. The sale is not expected to have a significant impact on PGHH's profits.

P&G is present in India via two companies: PGHH, whose core categories are Feminine Hygiene (i.e. the Whisper range of feminine protection products), and Health Care (i.e. the Vicks range of cough and cold remedies); and PGHP, whose core categories include Hair Care (i.e. Rejoice, Pantene and Head & Shoulders range of shampoos), and Fabric Care (i.e. Ariel and Tide detergents).

Mr. Bharat Patel, Non Executive Chairman, PGHH commented, *"The transfer via sale will benefit PGHH in three ways: reduce complexities, ensure that each company is focused on growing its core categories; and in effect, free up Rs. 101 crores of cash for productive use in PGHH's core businesses and for augmenting company's distributable profits."*

The Company will also transfer its employees together with severance liability to PGHP, which will protect the present terms and conditions of employment of these employees.

As the transfer of business is between two subsidiaries of P&G, USA, the Company has taken three steps to arrive at a fair value for transfer of the detergent manufacturing business: one, Company obtained an item-wise market valuation of the assets of the said detergent plant from a reputed Consultant & Valuer, Radbin Consultants Private Limited; two, Company obtained Fair Valuation of the detergent business from Bansi S. Mehta & Co., Chartered Accountants; three, the Company has also obtained an Opinion from a leading merchant banker, Lazard India Private Limited, who have reaffirmed fair valuation carried out by Bansi S. Mehta & Company.

The proposed transfer of business, i.e., an undertaking, requires approval of shareholders, under the Companies Act, 1956 (Act), which will shortly be sought by means of a postal ballot. Upon approval of the shareholders and the concerned Authorities, the transfer by way of sale or otherwise of the said detergent manufacturing business is expected to be effective from October 1, 2005.

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