

# CHAIRMAN'S ADDRESS



## CHAIRMAN'S ADDRESS

---



**Adi Godrej**  
Chairman

### Dear Shareholders,

I am delighted to address you at the end of what has been yet another eventful and action packed year for GCPL. The recently concluded fiscal year can be best described as one of both consolidation and growth – we have endeavored to put in place a strong foundation for growth, while continuing to explore accretive opportunities to enhance both our scale and competitive position. Today, we are prominently placed across the three geographies and business categories of our 3 X 3 strategy. All our global businesses have imbibed the Godrej philosophy of Brighter Living – we share common values and similar processes and are focused on driving accelerated growth and creating value for all our stakeholders.

2012 has been a year of uncertainty for both the global economy and the political environment. From the uprisings in the Middle East and North Africa, to increased unemployment across regions and the sovereign debt crisis in the Eurozone, the impact has been widespread – volatile commodity prices, disruptions in supply chains and overall uncertainty across the globe. The economic center of gravity has been shifting from the mature to the emerging or developing economies. These countries offer excellent

opportunities for growth, driven by low costs and a relatively nascent consumer base.

### The Indian Economy

The economic environment in India over the last year has been challenging. Surrounded by global uncertainties, the Indian economy has itself had a subdued performance over the last fiscal year with expected GDP growth of 6.5%. The reform programme has slowed down and governance issues have not been tackled as rapidly as they should be, but the opportunity is tremendous. Restoring growth through reforms and good governance is going to be very important and should be the main objective of the government. We expect the economy to get a push on the back of reforms such as the Goods and Services Tax, Direct Tax Code and opening up of FDI in key sectors. Progress on reforms will create a virtuous cycle of boosting production and consumption, improving India's image, attracting more investments and reviving growth.

### The FMCG Sector

Despite high interest rates, inflation and political uncertainty, the Indian FMCG market continued to grow at a healthy rate in the last fiscal year.

Consumer demand within India remains strong and we are hopeful of that continuing. The FMCG sector continues to offer considerable opportunity for growth, given the increasing rural penetration and development in tier 2 and tier 3 cities.

The sector has benefitted in the last few years from the rise in disposable income in rural areas, where 70% of the country resides. Through government programs such as National Rural Employment Guarantee Act (NREGA), and Minimum Support Prices (MSP), rural incomes and standards of living have improved. This has also led to increasing awareness and exposure to consumer products, and brand preferences in line with urban counterparts.

The rise in overall cost of living and concerns over decrease in social expenditure may have some impact on the growth in rural FMCG sales in the short run, but over the medium to long-term, wage increases and enhanced exposure to consumer products will lead to sustained demand. Companies that are innovative, agile and responsive to the needs of consumers will stand out.

## Perspectives on our Performance

Our performance for the year under review is a reflection of our focused endeavor to drive profitability and growth. Despite challenges on the economic front, I am delighted to report very strong operating performance, which is a reflection of our robust business model, a great team and our ability to manage risks and challenges effectively.

Our domestic business performed impressively, with strong growth in Toilet Soaps and Home Insecticides and we continue to be the largest

Indian Household and Personal Care Company. The focus continues to be on growing ahead of the market, driving consumption and penetration and strengthening our portfolio across product categories.

Our overall growth was also supported by the expansion of our international business, in line with our 3 X 3 strategy. This year, our international businesses delivered 38% of our total consolidated revenue, led by the Indonesia and Africa businesses.

We recently entered the Chilean market with the acquisition of 60% stake in Cosmetica Nacional, a leading hair colourant player with a presence in colour cosmetics. This has helped us expand our scale and strengthen our portfolio of offerings in the South American continent. We have also completed the first phase of our acquisition of the Darling Group, which significantly accelerates our plans in Africa.

I would like to welcome Temasek Holdings Pte. as an investor. In January 2012, we accepted a binding offer from Baytree Investments (Mauritius) Pte. Ltd. (an indirect wholly-owned subsidiary of Temasek) to subscribe to 16,707,317 equity shares of face value ₹ 1 at a premium of ₹ 409 per equity share, for an aggregate issue size of ₹ 685 crore on a preferential allotment basis. As you are aware, Temasek is a leading investor globally. Apart from being one of the earliest investors in India, Temasek's focus geographies match very well with our global 3 X 3 strategy. The entry of this large and respected group, further endorses our strategy, team and execution capabilities.

## Outlook

Going forward, we will continue to take strides towards executing our strategy. We believe there

are significant opportunities to create value and derive synergies across geographies and business categories and are working on several initiatives to drive this. I look forward to sharing the results of these efforts in the year ahead.

We will continue to strive to maintaining or extending our leadership in our core categories. We are leaders in Hair Colour, Home Insecticides and Liquid Detergents and the number two player in Toilet Soaps in the Indian market. We are also leaders in Air Fresheners and Wet Tissues in Indonesia, in Hair Colours in many countries in Africa and Latin America and in Hair Extensions in Africa, while holding the number two position in Home Insecticides in Indonesia and in Medicated Soaps in Nigeria.

We will continue to leverage innovation as a differentiator and have a strong innovation pipeline in place to introduce exciting and disruptive new products like Godrej Advanced Powder Hair Colour and Hit Magic Paper.

We are also simultaneously building a best in class supply chain and future ready sales organisation to support our business, while fostering a culture of professional entrepreneurship.

I would like to take this opportunity to acknowledge the contribution of all our people, who have contributed immensely to our success. I would also like to acknowledge our business partners, vendors and other business associates. Finally, I would like to thank all our stakeholders for their continuous interest, support, trust and encouragement.

We believe that the year ahead provides us with tremendous opportunities. While there will be challenges, we are confident that we have a sound strategy and a strong management team in place to capture the promise that lies ahead.

Yours sincerely

**Adi Godrej**  
Chairman