

MANAGING DIRECTOR'S ADDRESS

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A Mahendran
Managing Director

Dear Shareholders,

I am pleased to share my thoughts with you at the end of what has been an eventful year, marked by integrations, consolidation and growth. We continue to take strides towards becoming an emerging markets multinational, while focusing on our 3 X 3 strategy of building our presence in emerging markets in 3 continents (Asia, Africa and Latin America) through 3 core categories (Home Care, Personal Wash and Hair Care). We believe there is considerable opportunity to increase consumption and penetration in these categories and geographies that we operate in.

Let me share my perspectives on our performance against the six pillars of our business:

Achieving leadership in core markets

Our 3 X 3 strategy as you know, is aimed at achieving leadership or a position of strength in the categories or geographies that we are present in. I believe that we are doing well on this front and have consistently driven growth ahead of the market in most of the categories that we participate in. In India, GCPL is the leader in Hair Colours, Home Insecticides and Liquid Detergents and the number two player in Toilet Soaps. On the international front, we

are the market leader in Air Fresheners and Wet Tissues in Indonesia, in Hair Colours across several countries in Africa and Latin America and in Hair Extensions in Africa. We are also the number two player in Home Insecticides in Indonesia and in Medicated Soaps in Nigeria. Several of our brands are leaders or among the top 3 in their categories. Three Godrej brands featured in the 100 Most Trusted Brands 2011 by Brand Equity, a survey that is the largest and most diverse of its kind, with over 8,000 respondents from across the country. Moreover, GoodKnight was ranked 2nd in Household Care, Cinthol ranked 9th, Godrej No. 1 ranked 16th and Godrej Expert Powder Hair Colour ranked 25th in Personal Care. Bio-oil in the U.K. was also voted the best classic beauty product at coveted Cosmetic Executive Women CEW (UK) 2011 Beauty Awards.

Driving international growth

We have further expanded our international footprint and entered new geographies in Africa and Latin America this year. We acquired the rights for a 51% stake in a leading pan-African hair care company, Darling Group's business in South Africa, Mozambique and Nigeria which

represents about 45% of the group's business. The group's well spread manufacturing facilities also offer us significant production efficiencies. I strongly believe that the introduction of this business, aided by our brand Kinky opens up immense opportunities for us in the African continent.

We have also expanded our presence in Latin America, with the acquisition of a 60% stake in Cosmetica Nacional, a leading Hair Colourant and Cosmetics company in Chile. Apart from offering us a foothold in the continent's fastest growing economy, this has added some highly regarded heritage brands like Pamela Grant and Illicit to our portfolio.

Today, we have a presence in 4 continents and exports to 60 nations.

Innovation will continue to be a focus

We continue to innovate across our product portfolio. During the year, we re-launched our heritage brand, Godrej Expert powder hair colour in three variants, namely Original, Care and Advanced. All three continue to track well, post-launch. We also introduced a new variant under Godrej No. 1, Saffron and Milk Cream, as a response to an expressed consumer need for a soap with natural ingredients. In our international businesses, we focused on creating value and excitement for the consumer through meaningful new introductions. An example of this is HIT Magic Paper, a disruptive and innovative paper format repellent, which has been extremely well received in Indonesia. The introduction of the Renew range in Africa has also worked well and widened our presence across the Caucasian and Ethnic hair color markets.

Creating a Future Ready Sales System

The merger of GCPL and the erstwhile Godrej Household Products Ltd. (GHPL) has helped us capitalise on synergies and facilitate an improved sales system. It has also significantly contributed to helping expand and deepen our presence across urban and rural areas.

We have leveraged the strong GHPL presence in Modern Trade to introduce our hair colorants and toiletries. Concurrently, we have also introduced our Home Insecticides range across our outlets in the Tier 2 and Tier 3 regions. Our rural salience has increased over the year by over 8,000 villages.

This year, we also tapped into new channels and developed our sales teams in line with the increasing responsibility. Today, we reach out to more than 46 lakh outlets and our wide spread network is the result of efforts by our team, as well as efficiently synergizing distribution across our product portfolio.

In our international businesses too, we have explored opportunities to enhance our sales and time to market capabilities. The integration of our two businesses in Argentina, namely Argencos and Issue, has strengthened our sales and distribution networks and reduced the time to market. In Africa, we have leveraged Rapidol's strong presence in the continent to introduce the Renew range and are looking at this channel to further expand our portfolio presence.

Building a world-class global supply chain

We have successfully integrated our global supply chain and are concentrating on building centers

of excellence, leveraging strategic sourcing and driving cost efficiencies. In addition to this, we have also completed the integration of logistics and CFAs, leading to key synergy benefits and a far more streamlined organization.

Today, we are keen on further enhancing our Demand Driven Supply Chain. As a part of this effort, we have efficiently managed our relations with suppliers and dealers and reduced inventory and time to market. We have also implemented a lean supply chain through integrated planning, network optimization and a consumer centric supply chain. These initiatives, along with flexible and scalable IT systems, offer us immense benefits and savings.

Our supply chain enhancements have resulted in additional capacity across coils, aerosols and toilet soaps. Further, debottlenecking initiatives combined with the strategic sourcing of raw material and packaging material is also resulting in much improved productivity. Additional cost efficiencies are being driven through energy conservation and the deployment of lean and six sigma principles.

We have been effectively leveraging technology for all these initiatives. After having completed the domestic SAP integration, we are now in the process of a phased migration of our international operations to SAP. Our business intelligence and efficiencies have also been enhanced significantly by the use of hand held terminals across our sales force. Several of our distributor management systems have also been enhanced.

Ensuring Agility and Professional Entrepreneurism

Our biggest strength lies in our people and the time we invest in nurturing them and our

culture of professional entrepreneurship. We will continue to have this as a lead priority and provide tremendous learning opportunities to create an inspiring place to work.

Across the Group, we have embraced the 'Godrej Way', which involves rolling out common processes, practices and a culture of innovation and entrepreneurship. I believe that this helps ensure that we are well placed to create even greater value for all our stakeholders.

One of the focus areas of our Group is the Good and Green Vision 2020. As part of Good & Green, the group aspires by 2020 to create a more employable Indian workforce. In line with this, your Company proposes to train a significant number of rural youth and equip them with training on direct and indirect sales and marketing. This will help create a large set of employable young people who could either become a part of our talent pool or opt to start out on their own.

Going forward

An extension of our 3 X 3 strategy is the 10 X 10 objective, which defines our aspiration to be ten times our present size in ten years. In line with this objective, we will continue to invest prudently across all aspects of our business – R & D, advertising and promotion, people and supply chain. We are focused on building a larger and stronger GCPL. The building blocks are in place and I invite you to continue to partner with us on this exciting journey.

Best regards,

A. Mahendran
Managing Director