

DIRECTOR'S
REPORT
AND
MANAGEMENT
DISCUSSION
& ANALYSIS

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DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2012.

1. Financial Highlights and Review of Operations

Your Company's financial performance for the year under review has been encouraging and is summarised below:

(₹ Crore)

Sr. No.	PARTICULARS	Consolidated		Standalone	
		Year ended 31-Mar-12	Year ended 31-Mar-11	Year ended 31-Mar-12	Year ended 31-Mar-11
1.	Income from Operations				
	Net Sales (Net of Excise Duty)	4,850.94	3,676.31	2,933.53	2,425.37
	Other Operating Income	15.22	17.29	46.55	43.53
	Other Income	52.00	46.96	63.05	37.14
	Total Revenue	4,918.16	3,740.56	3,043.13	2,506.04
2.	Total Expenses other than depreciation & Finance Cost	3,990.26	3,040.50	2,410.64	1,972.53
3.	Profit before Depreciation, Finance Cost & Exceptional Items	927.90	700.06	632.49	533.51
4.	Depreciation	64.44	49.92	25.83	21.98
5.	Profit before Finance Cost, Exceptional Items and Tax	863.46	650.14	606.66	511.53
6.	Foreign Exchange Gain / (Loss)	(20.50)	5.28	(15.16)	(1.18)
7.	Finance Cost	65.84	43.64	13.39	5.70
8.	Profit after Finance Costs but before Exceptional Items	777.12	611.78	578.11	504.65
9.	Exceptional Items	200.17	41.14	180.95	40.31
10.	Profit Before Tax	977.29	652.92	759.06	544.96
11.	Tax Expense	226.05	138.21	154.67	110.00
12.	Net Profit after Tax before Minority Interest	751.24	514.71	604.39	434.96
13.	Minority Interest	(24.52)	0.00	0.00	0.00
14.	Net Profit for the period	726.72	514.71	604.39	434.96
15.	EPS (Basic & Diluted)	22.34	16.11	18.58	13.62

2. Appropriation

Your Directors recommend appropriation as under:

(₹ Crore)

GCPL Standalone	Year ended 31-Mar-12	Year ended 31-Mar-11
Surplus as at end of previous year	407.91	174.20
Add : Net Profit for the year	604.39	434.96
Add : Addition on Amalgamation	-	60.44
Available for appropriation	1,012.30	669.60
Less : Interim Dividend	156.63	163.20
Less : Tax on distributed profits	25.41	33.39
Less : Transfer to General Reserve	60.44	65.10
Total Appropriation	242.48	261.69
Surplus Carried Forward	769.82	407.91

3. Dividend

For the year 2011-12, three interim dividends were paid on shares of face value ₹ 1/- each – as follows: ₹ 1/- per equity share on July 23, 2011, ₹ 1/- per equity share on October 23, 2011 and ₹ 1/- per equity share on January 21, 2012.

In addition to the above, the Board of Directors has also declared a fourth interim dividend on April 30, 2012 at the rate of ₹ 1.75 per equity share on shares of nominal value ₹ 1/- each. The record date for the same has been fixed as May 10, 2012.

Your Directors recommend that the aforesaid interim dividends aggregating to ₹ 4.75 per equity share on shares of face value ₹ 1/- each be declared as final dividend for the year ended on March 31, 2012.

4. Preferential Allotment of Equity Shares

During the year your Company issued 16,707,317 equity shares of face value ₹ 1/- each at a premium of ₹ 409 per equity share to Baytree Investments (Mauritius) Pte. Ltd. on a preferential basis. The pricing was higher than the floor price calculated as per the SEBI ICDR regulations. The issue proceeds aggregating ₹ 685 crore is proposed to be used for general corporate purpose including retirement of debts.

5. Issue of Non-Convertible Debentures

In November 2011, your Company has made a fresh issue of unsecured redeemable non-convertible debentures on a private placement basis, aggregating to ₹ 225 crore for a tenor of three years and the same is outstanding as at

the year end. The said debentures have a credit rating of ICRA AA.

Subsequent to the close of the financial year, your Company made a fresh issue of unsecured redeemable non-convertible debentures on a private placement basis, aggregating to ₹ 50 crore for a tenor of 18 months. The said debentures have a credit rating of ICRA AA.

During the year your Company redeemed debentures aggregating to ₹ 200 crore on their respective redemption dates.

6. Acquisitions

Your Company acquired a 51% stake in the Darling Group's business in South Africa, Nigeria & Mozambique, which represents about 45% of the Group's business. The acquisition of the balance stake will be completed in phases spread over the next 3 to 5 years.

Kinky will leverage Darling's efficient production facilities to considerably lower their costs while hair extensions including artificial hair, wigs and braids manufactured by Darling have a readymade consumer interface through the Kinky outlets.

During the year, your Company also entered into an agreement for acquisition of 60% stake in Cosmetica Nacional, a leading hair colourant and cosmetics company based in Chile and with important presence in Panama and Costa Rica as well. The Company also has a strong presence in the colour cosmetics segment - "Pamela Grant" is the second largest brand in the colour cosmetics market. Cosmetica Nacional also has popular heritage brands including "Illicit" and "U2". The Company exports to 7 countries in Latin America – this acquisition will enable your Company to strengthen its foothold in the LatAm region. The acquisition has been completed in April 2012.

7. Termination of Licenses

The Kiwi Manufacturing and Distribution license for the use of Kiwi Shoe Care and Kiwi Kleen Brands in India and Sri Lanka, granted to the erstwhile Godrej Household Products Ltd. by Sara Lee Corporation, USA, has been terminated with effect from April 3, 2011. Your Company received ₹ 156 crore and its wholly owned subsidiary Godrej Household Products Lanka (Private) Ltd. received ₹ 19 crore as a one-time exit compensation.

The license for the use of Brylcreem brand in India and Sri Lanka granted to the erstwhile Godrej Household Products Ltd. by Sara Lee Corporation, USA has been terminated with effect from March 31, 2012. This is consequent to the sale of global rights of the Brylcreem brand by Sara Lee Corporation to Unilever. As a result of the termination, your Company received ₹ 24.76 crore and its wholly owned subsidiary Godrej Household Products Lanka (Private) Ltd. received ₹ 0.24 crore.

8. Subsidiaries

Your Company's focus is on emerging markets. The 3x3 strategy concentrates on three categories namely personal wash, hair care and home care in three geographies which comprise Asia, Africa and Latin America. In the past few years we acquired subsidiaries in the three continents in line with our '3 x 3' strategy.

The details of business of the subsidiaries are given in Management Discussion and Analysis section of the Directors' Report, under the heading 'International Businesses'. In line with the General Circular No. 2 /2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, the Board of Directors of your Company has passed a resolution for giving its consent for not attaching the financial

statements of subsidiaries of the Company to the Balance Sheet of the Company for the year ended March 31, 2012.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India, also forms part of the Annual Report and accounts of your Company. A one page financial summary for all the subsidiaries giving the required information is disclosed in the consolidated Balance Sheet.

As directed by the aforesaid circular the accounts of the subsidiary companies and the related detailed information will be made available to any shareholder seeking such information. The accounts of the subsidiary companies are also available for inspection by any shareholder at the registered office of the Company or at the registered offices of the subsidiary companies.

9. Directors

In accordance with Articles 130 and 131 of the Articles of Association of your Company, Prof. Bala Balachandran, Mr. Aman Mehta and Mr. D. Shivakumar retire by rotation and being eligible, offer themselves for re-appointment.

Accordingly, the proposals for their re-appointments are included in the notice of the Annual General Meeting.

10. Management Discussion and Analysis

In order to avoid duplication between the Directors' Report and Management Discussion and Analysis, your Directors give below a composite summary of the various business and functions of the Company.

10.1 Overview

Fiscal year 2012 began on a weak note with the debt crisis in the Eurozone and consequent challenges faced by economies across the world created further uncertainty and led to erosion of investor risk appetite globally. As developed economies struggle to revive their growths, it is becoming increasingly clear that emerging market economies will continue to play a vital role in the revival of the world economy and be greater influencers on policy going forward. According to the Indian Economic Survey, the global economy is expected to grow by 3.3%, while emerging economies are expected to grow by 6.2% in 2012.

India however continues to face its own internal challenges. High inflation, driven primarily by supply chain bottlenecks, combined with relatively slow policy actions are all playing their role in slowing down growth. Revenues of the Centre have been lesser than expected and reflect weak manufacturing activity and rising costs and, with higher than budgeted expenditure outgo, an expanding slippage on the fiscal side is evident. The Indian economy is predicted to grow at 6.5% in the year 2011-12 as compared to 8.5% in 2010-11.

The FMCG sector is the fourth fastest growing segment in the country with a CAGR of 11% over the last decade led by strong domestic consumption. FMCG companies continue to pursue expansion into rural India. The recent budget has proposed increasing allocation to the Bharat Nirman Programme, from ₹ 10,000 crore to ₹ 58,000 crore – a move that can be expected to further drive rural growth and in turn, boost FMCG companies. Overall, this sector is expected to maintain its robust growth rate.

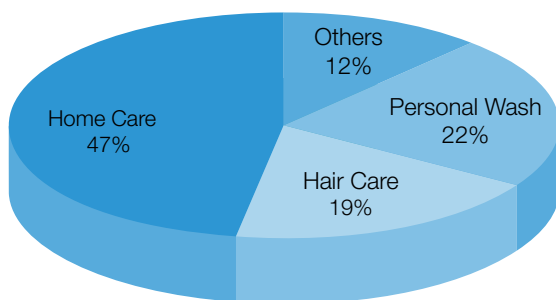


In line with the pattern of growing consumption, we have expanded volumes across all our businesses. Our growth has been a mix of organic and inorganic. On the organic front, our performance has been driven by innovations and a number of effective marketing, sales and supply chain initiatives. We have also leveraged accretive opportunities to enhance our scale and presence through inorganic growth.

We have also invested prudently to build on leadership in our core categories. Today, we are

the leaders in hair colour, home insecticides and liquid detergents and the number two player in toilet soaps in the Indian market, while also being the market 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. In addition to this, 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 category globally.

Category Mix (Consolidated) FY 11-12

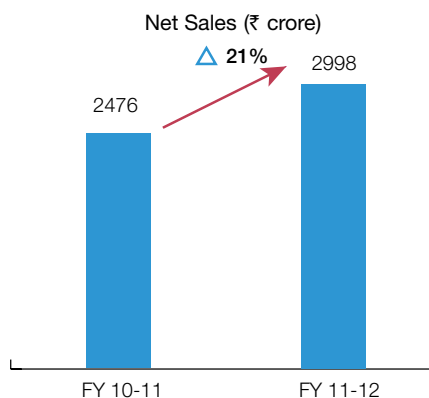


Profitability Perspective (Consolidated)

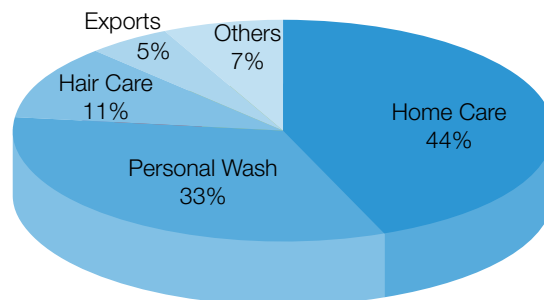
	FY 2011-12	FY 2010-11
PBDIT/Sales	19%	19%
PBT/Sales (before exceptional items)	16%	17%
PAT/Sales	15%	14%
EPS (₹)	22.34	16.11

10.2 Domestic Business

Your Company's domestic growth story has been strongly aided by the acquisition of GHPL



Category Mix (Domestic Business*) – FY 11-12



* Domestic business includes Sri Lanka and Bangladesh operations also



10.2.1 Home Care

We continue to gain and enjoy market leadership positions across all three formats of coils, aerosols and electrics. Higher growth is being driven by innovative product launches, continuous brand building and distribution gains resulting from the GCPL-GHPL merger. Our home insecticides business grew by 31% as opposed to 10% for the category as a whole.

Goodknight, our iconic home care brand remains a leader in the Indian Home Insecticides category. It is also the fastest growing refill brand and enjoys a dominant market share. The Goodknight Advanced Range comprises three products—Goodknight Active Plus (which was voted ‘Product of the Year’ in 2009 in the Home Insecticide category), Goodknight Advanced Low Smoke Coil (the world’s first low smoke coil that emits 80% less smoke while being 25% more effective) and Goodknight Naturals. Our mosquito repellent is enriched with moisturizing and skin care benefits and is available in 50 ml and 125 ml packs. Goodknight Silver Mats has been developed in the mat format and is packaged in quantities of 30 mats and 100 mats.

HIT remains the leader in the aerosol format. This brand, which envisions ‘building a happy and safe home’ has grown impressively due to enhanced

visibility and focused marketing initiatives. Jet, another well regarded brand, today enjoys high market share in the coil category in Andhra Pradesh.



10.2.2 Personal Wash

Personal Wash contributed 33% of our business this year. The toilet soaps business delivered a growth of 27%, against the market category growth of 10%. We also maintained our position as the second largest soap player in India. Godrej No. 1 remains India's leading Grade 1 soap. Today it is a leading soap brand, with strong market positions in both urban and rural markets and is backed by excellent brand building and brand activation. During the year, the portfolio was expanded to include one more variant Godrej No. 1 Saffron and Milk Cream, which has been one of the most successful new variants in recent years in the Personal Wash category. We have been significantly strengthening the equity of this brand with the 'Prakriti ka Spars' campaign and see further opportunities to drive penetration.

Godrej FairGlow, our fairness specialist soap is the first of its kind in India and continues to grow

Our renowned Cinthol brand also continues to perform exceptionally well. Cinthol stands for activeness and re-energizing freshness. It holds a strong position in key states in the North, West and South. It is available in the following variants – Cinthol Deodorant and Complexion Soap, Cinthol Deo Soap – Aqua, Classic, Cologne, Musk, and

Sport; and Cinthol Fresh - Lime. We are also present in the fast growing deodorant segment in six variants – Sport, Cologne, Classic, Musk, Unleash and Rainstorm. Cinthol talcum powder is also available in five perfumed variants – Sport, Classic, Cologne, Musk and Lime.





10.2.3 Hair Care

We are leaders in the hair colour category in India and also the world's largest manufacturer of powder hair colour. We grew by 14% this year.

Godrej Expert Powder Hair Colour and Nupur Natural Mehendi led this healthy growth. We recently launched a new communication campaign for the Godrej Expert range of powder hair colours, which creatively communicates the brand positioning while highlighting the functional benefits of the new variants. Godrej Expert Original continues to be the category recruitment driver and the new variants, Godrej Expert Care Powder Hair Colour and Godrej Expert Advanced Powder Hair Colour, both of which were introduced during the year, are also becoming increasingly popular. The brand set a new benchmark by entering the Limca Book of Records 2012 when 1,511 people created history by colouring their hair with Godrej Expert within a span of 12 hours. Godrej Expert Care was also voted Product of the Year 2012, based on an independent survey by AC Nielsen amongst 30,000 people across India. Nupur Mehendi continued with strong growth, much ahead of the category and garnered the largest household base among henna users in India. Other products like Kali Mehendi have also performed encouragingly.



Our premium offerings, namely Renew and Colour Soft have faced some headwinds, but we are focused on strengthening our value proposition in this category and look forward to a better year going forward.



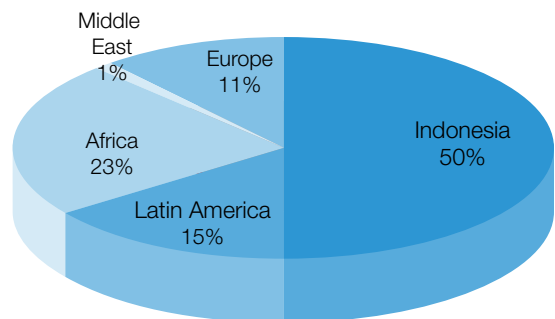
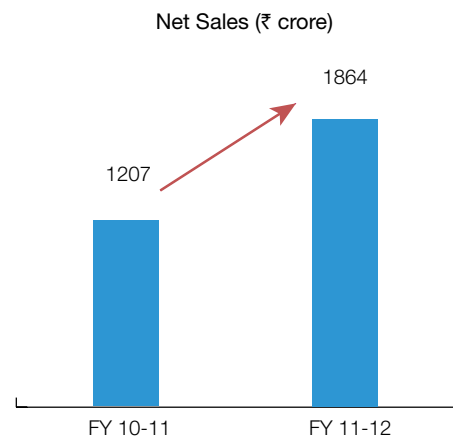
10.3 International Businesses

Our 3 X 3 strategy concentrates on three categories (Personal Wash, Hair Care and Home Care) in three emerging geographies (Asia, Africa and Latin America).

Our capabilities across these categories is well established, we have a strong understanding of the dynamics of these business and are well positioned to leverage our distribution and supply chain efficiencies as well as our strengths in terms of brand management, technology and manufacturing to create immense value.

Our key international businesses include Rapidol, Kinky, Darling Group, Tura in the African continent, Godrej Global Mideast FZE in UAE, Megasari Makmur Group in Indonesia, Issue Group and Argencos in Argentina and Keyline Brands in the United Kingdom.

Our international business has grown significantly



International business mix (FY 11-12)

Indonesia



The Indonesian economy is one of the largest in South East Asia, with a large middle class population that accounts for the major FMCG spends in the country. The FMCG sector in the country is expected to maintain its double-digit growth and consumers across classes have increased their spend significantly over the year. Overall though, the Indonesian consumer is a focused 'Value for Money' buyer, an attribute that fits in nicely with our strategy. Indonesia has been upgraded to the investment grade by leading international agencies and received strong FDI over the last year, which translated into improved market buoyancy.

The Megasari Makmur Group has performed extremely well as a result of a strong focus on innovation and impactful marketing. Megasari manufactures and distributes a wide range of household and personal care products, including home insecticides, wet tissues and air fresheners in Indonesia. It ranks first in Air Fresheners and Baby Wipes and is number two in the Home Insecticides market in Indonesia. Our major brands, HIT and Stella have delivered strongly during the year. We believe that this business has tremendous potential and look forward to building it further in the coming years.

Africa

The African continent has a population of over 1 billion and the expected GDP growth rates for the next decade is over 5%. Inflation has also witnessed a declining trend in the continent. Most of our core businesses grew ahead of their categories. We have done well in both the Caucasian and Ethnic hair colour markets. In fact, Rapidol is the market leader in the ethnic hair colour market in South Africa. Our Inecto hair colour range has also grown strongly during the year. The introduction of Renew in 2011 has enabled the brand to further expand its presence in the African market with a Caucasian hair colour offering. The business has also imbibed considerable learning from our Argentinian hair colourant business.

We have acquired a 51% stake in the Darling Group's business in South Africa, Nigeria & Mozambique, which represents about 45% of the Group's business. This partnership enables us to access major countries in sub-Saharan Africa and build other portfolio categories.

DARLING
la coiffure des Stars

Amigos
The Way You Love It

Our Kinky brand will leverage Darling's efficient production facilities to considerably lower their costs while hair extensions manufactured by Darling have a readymade consumer interface through the Kinky outlets.



Latin America

Proactive measures like controls on fiscal spends and a reduction in subsidies will help cement the future of the Argentinian economy, though there will be near-term pressures. In addition to this, government directives controlling imports have led to difficult manufacturing and trade environment for many businesses. Our Argentine businesses however see this as an opportunity, since many MNCs import their finished goods. Our performance here has been good, with 30% of the turnover comprising exports in the continent.

The combined businesses of Issue and Argencos have provided us with a strong entry and presence in South American markets, particularly in Argentina, Uruguay, Paraguay, Bolivia, Peru, Ecuador and Chile.

We have also acquired a 60% stake in Cosmetica Nacional, a leading hair colourant and cosmetics company based in Chile, with an important presence in Panama and Costa Rica as well. The company also has popular heritage brands like Illicit and U2. It exports to 7 countries in Latin America and this will help us to strengthen our foothold in the region.

Chile has the highest GDP per capita on PPP basis and is among the five most populated countries in Latin America and is expected to grow the fastest in Latin America in the next 5 years. It has also been rated as the country with best business environment in Latin America (EIU 2009).

United Kingdom

Our UK business has performed very well in an economy that has just entered a double dip recession, with challenges from high unemployment to low consumer confidence. This must be credited to our innovative sales and marketing efforts. Provoke Touch of Silver, our hair care range for blonde and grey consumers has nearly doubled in size in the last year and we continue to expand, by taking the brand to Canada, South Africa and other Caucasian markets. Cuticura, our hand sanitiser and skincare brand has also grown strongly.

We are very optimistic about growth in the UK and the potential of future innovations and strong marketing plans, across our well-regarded brand portfolio.



Middle East

Godrej Global Mideast FZE (GGME) continues to perform well, distributing soaps, hair colours, and toiletries in the UAE and other GCC countries.

10.4 Distribution and Supply Chain

Over the years, we have put in place a strong and effective supply chain. From sourcing raw materials to delivering the end product, we have established a supply chain management process across all businesses and have improved visibility, alignment and synchronization.

We have now developed a demand driven supply chain and our supply chain management system has resulted in value-added customer service experience, reduced inventories, agility, lower operating costs and prudent use of fixed assets. Our integrated supply chain follows the replenishment model, starting with customer demand, which is driven all the way down to the supplier who achieves it in the most effective manner. Our global supply organization allows us to be an industry benchmark in end-to-end replenishment and Theory of Constraints.

We have built centers of excellence in TPM, Lean, Six Sigma and low cost automation to expand our business. Additional cost efficiencies have been determined through energy conservation and deploying Lean and Six Sigma principles.

The merger of GHPL with GCPL has contributed meaningfully to expanding our distributor presence across India, especially in rural areas. This increased coverage of touch points across distant demographics has led to a wide distribution network. We also enjoy a significant competitive advantage due to our flexible and scalable IT systems.

10.5 Sales

In order to drive our initiatives to expand and enhance our urban and rural penetration, we have

been building a new and improved future ready sales system. Synergies, especially from the GCPL-GHPL merger have helped us streamline our operations and make our Company more efficient.

Our team has been pushing micro-planning to the next level in order to address the needs of our consumers. We are now focusing on locally relevant activations and harnessing the power of technology to improve the quality of our coverage.

We have updated our IT systems and processes, which will help our front line sales force with advanced analytical information. The new sales technologies in urban markets and the MIS interface are designed to increase our sales efficiencies. We are also streamlining our sales operations to increase our coverage of modern trade.

10.6 Human Resources

Our greatest asset is our people and we are proud to be known as an employer of choice. We continue to provide several developmental opportunities for our teams and inspire a culture of professional entrepreneurship. Our 'One GCPL' culture is also playing a critical role in unifying our vision and focus by building a strong team with similar values and processes, driven by clearly defined goals. We are in the process of integrating all our businesses in the Godrej way making sure that we maintain the right balance. Local management teams are fully empowered to drive local decisions, while we continuously explore opportunities to enhance synergies and learning across geographies.

Our focus on developing leadership skills continues and we have launched different initiatives in collaboration with leading business schools from around the world. One of these is a



lecture series on our three pillars of Leading Self, Leading Others and Leading Business. We have also been building capabilities across teams and introduced 'Shifting Gears', to evaluate and develop the members of the supply chain and manufacturing teams.

'Just Like That' is a great informal platform for employees to interact and 'Monday Mania', our campaign against Monday morning blues is a favourite. Our in-house magazine, 'Connect' offers a space for sharing ideas.

Our focus for the year ahead will be on improving the talent pipeline and leadership, driving more engagement and cultural collaboration and building on rural employability.

10.7 Research and Development

Our R&D efforts are in line with changing consumer demand and preference. These include consumer studies to measure feedback on new products, modification of products to suit the changing consumer preferences and adding features and variants to our existing products as substitute solutions to offer our consumers.

Innovation continues to be our focus. It is imperative that we give consumers enough reasons to remain excited about our products and return to buy more. In line with this objective, we are dramatically strengthening our R&D

capabilities. Over the next three years, the endeavour will be to re-launch or innovate across our product portfolio and create products with meaningful differentiation. We have a dedicated design and innovation cell and are employing design driven thinking to accelerate the time to market and to improve the odds of success.

We have had a number of innovations and launches this year. In Personal Wash, we launched a new variant of Godrej No. 1, Saffron and Milk Cream. Both milk and saffron are natural ingredients that beautify the skin and respond to the expressed need of soap users looking for a product with limited artificial constituents. We have also introduced the Godrej Expert powder hair colour range in three variants – Original, Care and Advanced. Godrej Expert Original, trusted by over 40 million consumers, is now available in a new pack with the time-tested Colour Lock Formula. Godrej Expert Care is a herbal-based formulation with henna and amla. It cares for the hair and keeps it strong while colouring. This is available in three shades – Gentle Black, Natural Brown and Burgundy. Godrej Expert Advanced is available in three colours namely Gentle Black, Natural Brown and Burgundy and for the first time ever, introduces a Pro-Gel formula with a gel like consistency that does not drip and is easy to spread. It also packs in triple conditioners, which make hair soft and beautiful while adding an attractive coat of colour.

On the international front, we have been modifying our global products to suit consumer tastes in different geographies. HIT Magic is undisputedly the most innovative product that has been launched in Indonesia, a paper format mosquito repellent. HIT Extra is a power electric mosquito repellent which has been successfully launched this year. We have also introduced Stella Duo, an air freshener with a dual fragrance in the Indonesian market. In Hair Care, we have launched 10 new shades in Renew hair colour and 3 new shades in Inecto powder hair colour in South Africa. We have also launched Abha Herbal Black Henna in Sri Lanka. We have introduced an ammonia free hair colour under our Issue brand in Argentina – Issue Precious Secrets hair colour with a three dimensional gloss feature. We also launched Diamond Black, the first of the select new colours. Our new Salon Selectives brand in the UK has a range of shampoos, conditioners, mousses, sprays, gels and oils.

10.8 Promotional Activities

We have supported our new initiatives with extensive promotional activities. The Goodnight Soorya Festival, which has been successfully running for the last 35 years, included dance and theatre performances by renowned artists and movie screenings of regional feature films at various locations across India. Well-known artists Shobana, K. J. Yesudas and Pandit Ramesh Narayan performed at this one-of-a-kind cultural festival. It has been recognized by the Limca Book of Records as the cultural programme with the longest duration run (of 111 days).

We also partnered with Shah Rukh Khan to launch Cinthol's special edition Ra One Deo spray at Filmcity. The special edition can showed

pictures of Shah Rukh in his superhero character G One. Cinthol fans also had a chance to win exciting prizes like bikes, iPads, mobiles and mp3 players.

10.9 Good & Green

In conjunction with our vision for “brighter living” for all stakeholders, we have developed a long-term vision for playing an active part in creating a more inclusive and greener India. This vision has been named “Godrej Good & Green”.

Good & Green is founded on shared value initiatives. The concept of shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. As part of Good & Green, the Group aspires by 2020, to create a more employable Indian workforce, a greener India and innovate for good and green products. GCPL has made considerable progress on its Good & Green aspirations in the last year.

We kick started our initiatives around Employability, through the introduction of two shared value projects in Front Line Sales and Beauty and Hair Care.

The pilots in Front Line Sales have started in the Raisen district of Madhya Pradesh, Raipur district of Chattisgarh and in Cuttack in Odisha. This programme aims at training rural underprivileged youth in sales. Participants certified by Godrej through this programme will be given the opportunity to get a job with a Godrej distributor or sub-stockist in these areas. The Beauty, Hair Care and Mehendi programme, ‘Godrej Saloni’ has been launched in 5 community locations

in Mumbai, in partnership with NGOs. More than 350 women from nearby communities are expected to complete this three-month programme and receive their certification in May 2012. Post certification, the participants will be ready to operate as self-employed beauticians and hairdressers. In order to equip them for this, we will also aid with training in entrepreneurship and provide them with starter kits.

A number of initiatives have been undertaken at GCPL on Greener India. GCPL is striving towards reducing specific energy consumption, utilizing a higher proportion of renewable energy sources, becoming carbon neutral and water positive and eliminating solid waste sent to landfills.

10.10 Internal Control and Adequacy

We have a proper system of Internal Controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

Our Corporate Audit & Assurance Department which is ISO 9001: 2008 certified, issues well documented operating procedures and authorities, with adequate built-in controls at the beginning of any activity and during the continuation of the process, if there is a major change.

The internal control is supplemented by an extensive programme of internal, external audits and periodic review by the management. This system is designed to adequately ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets.

The GCPL Head Office and all major factories and offices across India operate on an Information Security Management System which is ISO/IEC 27001 certified.

10.11 Corporate Social Responsibility

The disclosure on your Company's and the Godrej Group's commitment to fulfill its Environment, Social and Economic responsibilities on the key principles enunciated in the guidelines issued by the Ministry of Company Affairs and mandated by SEBI is included separately in this Annual Report in the section titled "Business Responsibility Statement".

10.12 Awards and recognition

- a) Brand Equity's Most Trusted Brand Survey 2011.
- GoodKnight ranked 2nd in Household Care.
 - Cinthol ranked 9th in Personal Care.
 - Godrej No. 1 ranked 16th in Personal Care.
 - Godrej Powder Hair Colour ranked 25th in Personal Care.
 - 3 of GCPL's Brands viz. Cinthol, GoodKnight and Godrej No.1 ranked in 100 Most Trusted Brands.

Source: Brand Equity - Nielsen Survey

- b) Godrej Expert Care Powder Hair Colour – voted Product of the year 2012 in powder hair colour category.
- c) Malanpur factory won the famous Bhamashah Award in 2011 by the M. P. Govt.
- d) Malanpur factory won 14 awards at the 25th National Convention of Quality Circle 2011, held at Hyderabad.
- e) Malanpur factory won the prestigious National Level Knowledge Test on Quality Circle concepts and tools organised by NCQC.

- f) At a Legal Risk Assessment conducted by M/s. Chess Management Services, Malanpur factory was awarded the 'Best legally complied factory.'
- g) Godrej Consumer Products awarded NDTV Profit Business Leadership Awards 2011 in 'Consumer Product Goods' category

10.13 Risk and Concerns

As we expand our global reach, we will be exposed to an increasing degree of risks. These risks can adversely impact our operating performance, cash flows, financial performance, management performance and overall sustainability. We have an active risk management strategy in place and a Risk Committee, whose role is to identify potential risks, create mitigation strategies and monitor the occurrence of risk.

The risks that may affect us include, but are not limited to:

- Economic conditions.
- Inflationary pressures and other factors affecting demand for our products.
- Increasing costs of raw material, transport and storage.
- Supplier and distributor relationships and retention of distribution channels.
- Competitive market conditions and new entrants to the market.
- Labour shortages and attrition of key staff.
- Exchange rate fluctuation and arbitrage risk.
- Integration risks for acquired companies.
- Compliance and regulatory pressures including changes to tax laws.
- Seasonal fluctuations.

- Political risks associated with unrest and instability in countries where we have a presence or operate.

10.14 Outlook

The coming year provides us with tremendous opportunity and we are motivated by the thought of building a stronger GCPL. While there will undoubtedly be challenges, we believe that we have a sound strategy and strong management team to lead this change.

10.15 Cautionary Statement

Some of the statements in this Management Discussion & Analysis, describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation and labour relations.

11. Employee Stock Option Plan

The shareholders of the Company vide special resolution passed on March 14, 2007 approved the setting up of Godrej Consumer Products Ltd. Employee Stock Option Plan (GCPL ESOP). Pursuant to the approvals received in the above meeting and in the meeting dated April 24, 2008, the Company can grant 4,500,000 stock options convertible into 4,500,000 equity shares of the nominal value ₹ 1/- each to the eligible employees/directors of the Company and of the Company's subsidiaries.

The GCPL ESOP is administered by a trust set up for this purpose viz. Godrej Consumer Products Ltd. Employee Stock Option Trust.

As on March 31, 2012, 419,925 options convertible into 419,925 shares of nominal value of ₹ 1/- each are outstanding in respect of options granted under the GCPL ESOP to employees of the Company.

No fresh options have been granted during the year.

The details of the Options allotted under GCPL ESOP, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in **Annexure A** to this report.

Since the exercise price of GCPL options is the last closing price on the stock exchange, there is no compensation cost in Financial Year 2011-12 based on the intrinsic value of the options. Under the Scheme of Amalgamation between your Company and Godrej Household Products Limited (GHPL), the Employee Stock Option Scheme of the erstwhile unlisted GHPL has now become part of your Company. The equity shares of 'Godrej Industries Limited' are the underlying equity shares for the stock option scheme. As at March 31, 2012, 1,462,000 options convertible into 1,462,000 equity shares of Godrej Industries Ltd. are outstanding.

12. Employee Stock Purchase Plan

The Board of Directors at its meeting held on January 22, 2011 had approved an Employee Stock Purchase Plan (GCPL ESPL) under the provisions of Section 77 of the Companies Act, 1956. The GCPL ESPL is administered by the GCPL ESOP Trust. Employees in the cadre of

Vice Presidents and above, are eligible to be covered under the plan.

Under the GCPL ESPL, the Company provides loan to the GCPL ESOP Trust at an interest rate which is not less than the bank rate, to enable the GCPL ESOP Trust to acquire upto 1,000,000 shares of the Company from the secondary market.

Under the GCPL ESPL 1,000,000 shares have been granted, which have vested on March 30, 2012. Within the exercise period of two years, the shares shall be compulsorily exercised by acquiring them from the GCPL ESOP trust. The exercise price shall be the market price on the day prior to the date of grant plus interest at a rate not less than the bank rate till the date of exercise.

13. Employee Stock Grant Scheme

The shareholders have on March 18, 2011, approved a new Employee Stock Grant Scheme (ESGS 2011). The scheme envisages the issue of up to 2,500,000 fully paid equity shares at a nominal value of ₹ 1 each in the Company to certain eligible employees of the Company and/or its subsidiaries. In terms of the scheme, 94,966 grants are outstanding and not vested as at March 31, 2012.

The eligible employees shall be entitled to exercise the options vested in them, within one month from the date of vesting or such dates as may be determined by the HR & Compensation Committee. The exercise price shall be ₹ 1/- per equity share. The equity shares vested in the eligible employees shall be allotted on payment of the exercise price.

The details of the grants allotted under GCPL ESGS, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in **Annexure A** to this report.

14. Directors' Responsibility Statement

Pursuant to the provisions contained in Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

15. Listing

The shares of your Company are listed at the BSE Limited and the National Stock Exchange of India Ltd.

2,250 unsecured redeemable non-nonvertible debentures of face value ₹ 10 lac each aggregating to ₹ 225 crore issued in November 2011 on private placement basis are listed in the whole sale debt segment of the National Stock Exchange of India Ltd.

500 unsecured redeemable non-convertible debentures of face value ₹ 10 lac each aggregating to ₹ 50 crore issued in April 2012 on private placement basis are listed in the whole sale debt segment in of the National Stock Exchange of India Ltd.

The applicable annual listing fees have been paid to the stock exchanges before the due date.

16. Auditors

The Auditors, Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, retire and offer themselves for re-appointment.

Pursuant to directions from the Department of Company Affairs, M/s. P. M. Nanabhoy & Co., Cost Accountants have been appointed as Cost Auditors for the applicable products of the Company for the year 2011-12. They are required to submit the report to the Central Government within 180 days from the end of the accounting year. M/s. P. M. Nanabhoy & Co., Cost Accountants have also been appointed as Cost Auditors for the year 2012-13 for the applicable products of the Company.

17. Additional Information

Annexure B to this Report gives the information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the

Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 forms part of this Report. As per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of the employee under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

18. Corporate Governance

The Company continues to enjoy a Corporate Governance Rating of CGR2+ (pronounced as CGR2 plus) and a Stakeholder Value Creation and Governance Rating of SVG1 (pronounced as SVG 1). The + sign indicates relatively higher standing within the category indicated by the rating. The above ratings are on a rating scale of 1 to 6, where 1 is the highest rating. The two ratings evaluate whether a Company is being run on the principles of Corporate Governance and whether the practices followed by the Company lead to value creation for all its shareholders.

The CGR2 rating is on a rating scale of CGR1 to CGR6 where CGR1 denotes the highest rating. The CGR2+ rating implies that in ICRA's current

opinion, the rated Company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance.

The SVG1 rating is on a rating scale of SVG1 to SVG6 where SVG1 denotes the highest rating. The SVG1 rating implies that in ICRA's current opinion, the Company belongs to the highest category on the composite parameters of stakeholder value creation and management as also corporate governance practices.

Pursuant to Clause 49 of the Listing Agreements, the Management Discussion and Analysis Report and the Report on Corporate Governance are included in the Annual Report. The Auditors' Certificate certifying the Company's compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement, is attached as **Annexure C** and forms a part of this Annual Report.

19. Acknowledgement

Your Directors wish to place their sincere thanks to the Union Government and the various State Governments as also to all the Government agencies, banks, customers, shareholders, vendors and other related organisations who, through their continued support and co-operation, have helped, as partners, in your Company's progress.

For and on behalf of the Board of Directors

Adi Godrej
Chairman
Mumbai, April 30, 2012

Annexure A forming part of the Directors' Report

As per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, following information is disclosed in respect of employee stock benefit plans are given below:

Sr. No.	Heading	Godrej Consumer Products Limited Employee Stock Option Plan	Employee Stock Grant Scheme
a	Options granted	3,667,000	114,102
b	The pricing formula	Market Price plus interest at such a rate not being less than the Bank Rate then prevailing compoundable on an annual basis for the period commencing from the date of Grant of the Option and ending on the date of intimating Exercise of the Option to the Company	₹ 1 per equity share
c	Options vested up to March 31, 2012	2,744,000	Nil
d	Options exercised up to March 31, 2012	2,450,075	Nil
e	The total number of shares arising as a result of exercise of option	Nil - Since no fresh issue of shares by the Company	Nil
f	Options lapsed	797,000 lapsed and forfeited (on account of employees leaving the service of the company before the date of vesting)	19,136 on account of employee leaving service before vesting
g	Variation of terms of options	None	None
h	Money realized by exercise of options	₹ 471,894,683	None
i	Total number of options in force	419,925	94,966
j	Employee wise details of options granted to:- i) senior managerial personnel ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil- Outstanding Nil Nil	As per note 1 below Nil Nil
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	There is no fresh issue of shares arising on account of exercise of options. Hence, not applicable.	₹ 18.58 per share

Continued....

Sr. No.	Heading	Godrej Consumer Products Limited Employee Stock Option Plan	Employee Stock Grant Scheme
l	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted the employee compensation cost would have been higher by ₹ 0.66 crore, Profit after tax lower by ₹ 0.52 crore and basic EPS would have been lower by ₹ 0.00	The company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted the employee compensation cost would have been lower by ₹ 0.01 crore, Profit after tax higher by ₹ 0.01 crore and basic EPS would have been higher by ₹ 0.00
m	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Exercise price ₹ 192.60 plus interest as mentioned in pricing formula Fair Value ₹ 34.10	Exercise price ₹ 1.00 Fair Value ₹ 369.90
n	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair value of the options granted has been calculated using Black Scholes Options pricing formula and the significant assumptions made in this regard are as follows:	The fair value of the options granted has been calculated using Black – Scholes Options pricing formula and the significant assumptions made in this regard are as follows:
	i) risk-free interest rate,	7.42%	7.50%
	ii) expected life,	4 years	2 years
	iii) expected volatility,	38%	36%
	iv) expected dividends, and	0.95% - 3.01%	1.01%-1.20%
	v) the price of the underlying share in market at the time of option grant	₹ 129.65- ₹ 418.85	₹ 376.20- ₹ 447.50

Note 1- Employee wise details of stock grants

Name of senior managerial persons to whom stock options have been granted	Number of options outstanding
Rakesh Sinha	7,176
P Ganesh	7,176
Sunder Nurani Mahadevan	4,784
Rahul Gama	3,189
Tarun Arora	4,784
Shashank Sinha	14,352
Sunil Kataria	4,784
Naveen Gupta	10,764
Jatin Brahmecha	7,176
R Anand	3,189
Ravi Venkateswar	7,176

Annexure B forming part of the Directors' Report

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of Energy

I. (A) Energy Conservation measures undertaken:

1. Energy consumption reduction in coil lines through debottlenecking and moisture improvement. Savings in FY 11-12 – ₹139 Lac
2. Reduced steam consumption of SWEP3 by increasing the inlet temperature of sweet water through utilizing of waste heat of steam drum. Savings in FY 11-12 - ₹ 11.5 Lac.
3. Optimized lighting load in chemical plant and also provided transparent sheets to utilize sunlight in chemical plant # 1. Savings in FY 11-12 ₹ 1.2 Lac.
4. Unified high pressure steam network of high pressure steam generators in order to optimize steam generators loading in turn to reduce fuel consumptions in fat splitting plants. Savings in FY 11-12 - ₹ 2.8 Lac.

(B) Proposed energy conservation measures:

1. Provision of heat recovery units in coil factories.
2. Provision of energy efficient motors in place of low efficiency motors.

3. Provision of LED lights in place of conventional lights in plant area and street lights.
4. Provision of energy efficient air compressors equipped with VFD.
5. Provision of boiler feed water heating from waste heat of distiller condenser.
6. Provision of waste heat recovery from condensate.
7. To reduce feed water percentage by 10% in fat splitting plant for low FFA feed stock to reduce the thermal load.
8. Provision of thermostatic traps in place of thermodynamic traps for the jacketed lines to reduce the steam consumption.

II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods:

Saving in energy costs during the period under consideration.

B. Technology Absorption

Research and development (R & D)

The Research & Development function of your Company, working in tandem with internal and external customers, continued to play a key role in ensuring successful launches during the year. These include the launch of the following new products during the year.

1. Godrej No. 1 'Saffron and Milk Cream' Soap
2. Godrej Expert Powder Hair Colour Care – 3 shades
3. Godrej Expert Powder Hair Colour Advanced - 3 shades

The current year also saw a sharper focus on Consumer Centric and relevant, design led innovation.

I. Specific areas in which R & D was carried out by the Company -

1. Hair Care
2. Skin Care
3. Household Insecticides
4. Customer Centricity
5. Packaging Development
6. Fabric care
7. Hygiene Products

II. Benefits derived as a result of the above R & D efforts -

Strong R & D initiatives have led to a number of new products being launched successfully in the market in the current financial year.

III. Future Plan of Action:

Your R & D will systematically plan to come out with newer innovations in the market place. Your R & D shall endeavour to delight both our domestic and international customers by:

1. Ensuring successful commercial launches for the coming year.
2. Focusing on newer consumer relevant product experiences.
3. Maintain strong focus on R & D training needs and people development.

We believe that the three key pillars of Consumer Centricity, NPD process and training led skill up-gradation will continue to propel your Company ahead of competition in its strategy of innovation led value creation.

IV. Expenditure on R & D

(₹ Crore)

		FY 2011-12	FY 2010-11
(a)	Capital	0.4	-
(b)	Recurring	8.0	7.9
(c)	Total	8.4	7.9
(d)	Total R & D expenditure as a percentage of total sales turnover	0.28%	0.32%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

Commercialisation of new products such as Godrej No.1 Soap – Saffron & Milk Cream, Godrej Expert Powder Hair Colour – “Care & Advanced”

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

The above efforts helped in cost reduction, customer satisfaction and top line and bottom line improvements.

3. Imported Technology:

The Company has not imported any technology since incorporation.

C. Foreign Exchange earnings and outgo:

(₹ Crore)

		FY 2011-12	FY 2010-11
I.	Foreign exchange used	284.45	177.33
II.	Foreign exchange earned	372.15	201.90

Annexure C forming part of the Directors' Report

Auditors' Certificate on Corporate Governance

To the Members of
Godrej Consumer Products Limited,
Mumbai.

We have examined the compliance of conditions of Corporate Governance by Godrej Consumer Products Limited (the Company) for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges in India.

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 compliance with 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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants
Firm Regn. No. 104607W

Daraius Z. Fraser
Partner
Membership No.: 42454

Mumbai, April 30, 2012
