

A MESSAGE FROM OUR CHAIRMAN

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Dear shareholders,

I am very pleased to share with you that fiscal year 2014 has been yet another year of strong performance at GCPL. Your company is well on its way to becoming an emerging markets FMCG leader. We have continued to grow ahead of the overall FMCG sector, as well as the home and personal care categories that we participate in, despite a challenging macro environment. Our success can be attributed to a relentless focus on our strategy, execution excellence, exciting innovations to delight our consumers and an agile and high-performing team. This, in turn, allows us to generate strong value for all our stakeholders.



The Global economy

The global environment continues to be marked by political uncertainty and economic volatility. Several emerging economies are grappling with slowing growth, inflation, currency devaluations and high deficits. The impact of this slowdown is being felt on consumer sentiment and FMCG growth across India and other emerging markets that we operate in, including Indonesia, Argentina and South Africa.

There, however, continue to be significant long-term growth opportunities in all our markets. Our key geographies will contribute close to 36% of the estimated increase in the world's population in the next five years and consumption in these markets is slated to account for nearly half the global total.

The Indian economy

The last couple of years have not been very good for the Indian economy. Growth rates, which were as high as 9.3% in fiscal year 2011, have more than halved over the last three years. Stubbornly high consumer price inflation, which continues to remain around the 10% mark, has led to another recent rate hike. In the last three years, the Reserve Bank of India (RBI) has increased interest rates several times to combat inflation. Unfortunately, the impact of rate hikes has also been felt in lowered capital investment, stalled manufacturing growth and slower growth in the service sectors due to higher credit cost.

Furthermore, the lack of reforms has also had an adverse impact on the overall investment climate. A good monsoon in the last year did help farm output and along with some strong intervention by both the RBI and the government, the current account deficit has been reducing. Fortunately, the rapid drop in the rupee has also been arrested due to some timely measures from the RBI. Urgent policy measures and reforms are needed to revive sentiment and steer the economy out of the slowdown. Hopefully, the new government will take the necessary and urgent pro-growth and pro-industry steps to bring the economy back on the growth track.

The FMCG sector

Over the last year, the FMCG industry has witnessed a significant slowdown. This trend has been more pronounced across India and other emerging markets. The lag effect of deceleration in GDP growth and high food inflation has negatively impacted consumer sentiment in India. Consequently, consumption has taken a hit as consumers have been reducing their frequency of purchase.

We are confident that this is just a cyclical phenomenon. The fundamentals still remain positive, as there is still a lot of headroom for growth given the low penetration and consumption rates for many FMCG categories in India. With the new government coming in, we are hopeful that the economic environment will improve, consumer sentiment will turn positive and the industry will see better growth. We also expect new initiatives to be launched, which will boost foreign investment. The sector should also benefit from the implementation of the Goods & Services Tax and Direct Taxes Code, which will reduce bottlenecks and rationalise taxes.

Perspectives on our performance

We believe that uncertainties can offer much opportunity to propel forward and our success today is the result of us becoming much more agile as a company. We have been leveraging our understanding of consumer needs to become more innovative in our product offerings and processes, strengthen our leadership positions in the categories that we are present in and grow ahead of the market. We continue to make the right investments for the longer term, while managing our business more prudently in the short term. Our operational excellence in particular has held us in good stead, as has the great agility and resilience demonstrated by our teams, in what has been a turbulent market environment.

We have made good progress in our India business during this year. Today, we are one of the largest household and personal care companies in the

country; leaders in hair colour, household insecticides and liquid detergents, the number two player in toilet soaps and a fast-growing new entrant in air care. We strongly believe that our innovation pipeline is driving our currency for the future. Over a third of our growth now comes from new products and renovations – we invigorated our product portfolio with 12 launches and relauches in India alone, in just over 18 months. We are also making significant marketing investments to back these launches, which in turn, are driving higher consumption and penetration across the board.

Our international business has been a major driver of our growth. It now contributes about 47% of total consolidated revenues, from 15% back in 2010. This expanding footprint is driven by our focussed 3x3 strategy – a presence in three business categories (personal wash, hair care and home care) in three geographies (Asia, Africa and Latin America) – to become an emerging markets FMCG leader.

We want to continue to drive growth in the categories where we are leaders and have a competitive advantage, by providing our consumers with superior quality products at affordable prices. This approach helps us capitalise on the potential of the emerging middle class in India and other emerging markets where we are present. We are the number one player in air fresheners and wet tissues in Indonesia, and hair colour across various countries in Africa and Latin America. We are also leaders in hair extensions in Africa and the number two player in household insecticides in Indonesia.

We have made good progress on the next phase of the integration of the Darling businesses, which has enabled us to take our presence in Africa to the next stage. We are now strengthening and building processes and talent infrastructure for sustainable growth. Our UK business continues to outperform. Our Indonesia and Latin America businesses too have performed well, despite market challenges.

Our superior global supply chain and future ready sales organisation leverage the latest technology for sharper execution and better decision-making, and help fortify our market positions. We take much pride in being an inspiring place to work and are committed to building an agile and high performance culture globally. Our values of trust, integrity and respect for others have always been an integral, defining part of our business. We have been ranked the number 1 FMCG company to work for in the Great Place to Work survey. This is our tenth consecutive year on the list. We also featured among Aon Hewitt's top 17 Best Employers in India, and are one of the only two FMCG companies mentioned.

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Outlook

The global economic outlook continues to be turbulent and we remain watchful, agile and prudent. While the pace of economic recovery remains uncertain, we are hopeful that consumer sentiment will become more positive and we will see better growth in the year ahead. We have launched several operational excellence initiatives to further enhance our performance. We will also continue investing judiciously for the longer term to improve our position, create competitive advantage and emerge stronger than ever before. I am confident that with our clear strategic focus, superior execution and top-notch team, we will continue to deliver industry-leading results in the future.

I would like to take this opportunity to acknowledge the many contributions, dedication and commitment of all our team members, which makes GCPL so successful. My deep appreciation to all our business partners, vendors and other business associates, for all their contributions. To the various central and state government authorities, many thanks for all the support that they continue to extend. Finally, I thank all our stakeholders for their wholehearted interest, faith and encouragement through the years, and look forward to their continued support.

Yours sincerely,



Adi Godrej
Chairman