

Chairman's address



Dear Shareholders,

I am delighted to address you on what has been another successful and eventful year for your Company. Fiscal year 2011 has been a transformative year for GCPL on many fronts. In May 2010 we acquired the remaining 51% share in Godrej Sara Lee Limited and with the merger of the two businesses, GCPL is now the largest Indian Household and Personal Care company. We believe that this merger provides us a unique opportunity to significantly change the trajectory of our FMCG business as we leverage the complementary strengths of the two companies to create one GCPL. The potential for value creation, simply put, is huge.

Along with becoming the largest Indian Household and Personal Care company in fiscal year 2011, we also continued our evolution from an Indian FMCG company to a leading emerging markets FMCG company. Through our numerous acquisitions outside of South Asia, GCPL now has operations in Indonesia, South Africa, Nigeria, Argentina, Uruguay, UK and the Middle East. Our products are now available in 55 countries around the globe and about a third of our revenues in fiscal year 2011 came from our international operations.

I believe that the lagging impact of the economic crisis is reversing and barring unforeseen developments, especially on the political front, the global environment is returning to normalcy. India, along with the other emerging market economies, has demonstrated encouragingly strong growth and continues to show resilience to external market fluctuations such as high inflation and interest rates. Indeed, for the next fiscal year, the Government has predicted healthy growth rates, a testament to India's remarkable growth story. The increased focus on developing infrastructure, particularly in roads and rail, is expected to boost the consumption story of India, supplementing both the country and your Company's growth in the years ahead.

In line with this growth story, your Company has continued to develop expansion into the rural space, while at the same time reaching outward to different regions across the world and consolidating our international business. Simultaneously, implementation of new initiatives and

innovations for additions in our brand categories has improved efficiency, productivity and profitability through the year. The macroeconomic environment has faced some roadblocks in the last year, but we are confident that India's overall growth story will continue and that your Company is well positioned to build growth drivers, capitalize on global opportunities and create sustained value for all its shareholders.

FMCG Sector

Most concerns about the FMCG sector revolve around increasing commodity prices, which has led to limited purchasing power. Due to high inflation during the year, low income households have tightened their belts. However, improved irrigation techniques and agricultural infrastructure have to some extent freed agricultural production from its dependency on the monsoons and this should lower food prices going forward.

Despite this, the FMCG sector has demonstrated a strong picture of growth, performing encouragingly through the year. The expansion in volumes in most of our businesses has been indicative of increasing consumer demand and consumption, as also our enhanced marketing and distribution efforts. While increasing competition, high inflation, and inflated input cost prices may temporarily impact margins, I believe that the viability of the sector will hold and we will continue to foresee significant prospects in this sector.

Perspectives on our Performance

The Godrej Sara Lee acquisition has tremendous game changing potential and as a result of it, we now have a broader category portfolio. Home Care now comprises 43% of our portfolio and Personal Wash is 32% of our portfolio, as opposed to 65% of the portfolio resting on Personal Wash in fiscal year 2009. Apart from a broader category portfolio, our domestic scale has increased significantly. Over the last year, our domestic business reported a growth of 89% to reach ₹ 2395 crores. This increased scale enables GCPL to further expand distribution in India and improve penetration in channels such as chemists, modern trade and rural markets. It will allow us to compete more effectively in terms of investing in creating new platforms to develop innovative solutions to

meet customer needs. The merger also provides the ability to drive significant synergies in our operations. Finally, we believe that we now have a strengthened ability to attract and retain top notch talent for future business growth. The integration process is well on track. Over 100 of our team members have been working very hard in cross functional teams to cross pollinate ideas, to share learnings and to chart the path of a bigger and better GCPL. This intensive effort has been code-named Project Neo.

We have been following a very disciplined and focused globalization approach which we call our 3 by 3 strategy – presence in 3 continents – Asia, Africa and Latin America through 3 core categories - home care, hair care and personal wash. Our 3 by 3 strategy starts with the premise that apart from tremendous opportunities available for growth in India, there are attractive opportunities available in other emerging markets as well. These emerging markets have characteristics and consumer demographics similar to India. With the economies of Indonesia, Africa and Latin America all expected to grow at more than 5%, we expect healthy organic growth in our international businesses, both in top line and even more on the bottom line.

We believe that we can very effectively leverage GCPL's fundamental value proposition of superior quality affordable products and our understanding of consumers to our international markets. We can also add tremendous value to these acquisitions through the rigor of the Godrej processes, operational discipline, manufacturing, technology and sourcing strengths. Our acquisitions have been very value accretive for us.

Apart from expanding our geographic presence, our other key priority is to continue driving leadership in our core categories. We are the leaders in hair colour, home insecticides and liquid detergents and the number two player in soaps in the Indian market. We are also the market leaders in air fresheners and wet tissues in Indonesia, in hair colours in many countries in Africa and Latin America. We are also the number two player in home insecticides in Indonesia and hair extensions in South Africa.

To capitalize on the growth potential in our categories, innovation is a key area of focus. We are actively building our innovation platforms of the future. We will be investing heavily in these platforms and the projects undertaken will guide the future trajectories of our categories. The recent relaunch of Godrej Expert, one of our heritage brands, in an exciting new avatar with multiple benefits, is an example of this.

All of this would not have been possible without the exemplary commitment shown by the GCPL team. Under the leadership of Mr. Mahendran, we have a strong team in place ably driving our ambitious growth plans. GCPL today provides tremendous growth and development opportunities for its employees. In recognition of its strong people proposition, AON Hewitt ranked GCPL as the #4 best employer in India, moving 7 notches up from the #11 rank we held previously.

Outlook

As a company, we have always been committed to strong and sustained value creation. Over the last 10 years, we have achieved sales growth at a compounded annual growth of 23% and profit after taxes at a compounded annual growth of 28%. The market has also rewarded us well for our strong performance, with our share price delivering a compounded annual growth of 37% during this 10-year period – making GCPL the best performing FMCG stock during this period. This is against the backdrop of the FMCG index which grew by a compounded annual growth rate of 15% over the same period.

Going forward, we will continue to emphasize driving inorganic and organic growth. As we continue to expand our product portfolio and expose our customers to our broad range of quality products, we will also focus on enhancing our presence in target geographies, both domestically and internationally. On the inorganic front, we will continue to analyze personal wash, hair care and home care sectors and capitalize on available growth opportunities.

Your Company today is intimately linked with both the Indian growth story and the increasing opportunities in developing markets and enjoys a position as a trusted brand leader and household name. We will continue to build our reputation as a domestic leader by positioning ourselves strategically and operationally to consolidate and build for a bright future.

I would like to take this opportunity to thank our employees, whose consistently admirable work helps deliver strong performance. I would also like to thank our business partners, our vendors, and our other business associates. Finally, I would like to thank all our stakeholders for their continued interest, support, trust and encouragement.

Yours Sincerely,

Adi Godrej
Chairman