

Chairman's Statement

Dear Shareholders,

It gives me great pleasure, to address all of you, at the conclusion of a very eventful year. The Indian economy has performed very creditably despite a challenging macroeconomic environment which it faced at the start of the year. The adverse impact of the global financial crisis and the subsequent recessionary trend in major economies of the world had stressed demand in several developed world economies. India, along with many other developing countries, was able to respond with pre-emptive measures and has actually posted encouraging growth. This, I believe, is testimony of India's strong domestic consumption story. In fact, a continued focus on infrastructure enhancement and effective policy implementation will sustain this domestic consumption story leading to strong growth for our country and your Company. Your Company's performance is clearly a reflection of this potential. During the year under review we have placed considerable emphasis on expanding our rural presence through focus on low unit price packs and a significant scaling up of our rural reach. We also launched several new offerings and implemented several initiatives that will streamline our productivity and help us accelerate our growth. This has enabled us to deliver strong and profitable growth across our Indian and African businesses and also perform encouragingly in a challenging geography like Europe. The macro-environment is stabilising and is definitely a lot stronger than the same time last year. There are challenges on account of higher commodity prices, high food inflation and rising interest rates but we believe your Company is extremely well positioned to drive growth and create sustained value for all its stakeholders.

Indian Economy

India's GDP growth has bounced back and is estimated to average 9% plus in the next decade. Fundamental factors like a young population, a growing middle-class section, rising income levels with growing household savings make India's medium to long-term growth secure. The Indian Government has been diligent in its attempt to curb the effects of the global slowdown through some well thought out policy reforms and stimulus packages, including additional spending, and excise duty cuts. All of these have contributed to higher spends and consumption. While talking of policy change, I would like to touch upon the implementation of GST which has unfortunately been delayed. Speedy implementation of GST will be extremely beneficial to consumers, producers as well as the government. This tax will replace multiple indirect taxes levied on products and would lead to a

uniform, simplified and single-point taxation. It would help to reduce prices, improve supply chain efficiencies and is expected to increase tax collections.

FMCG Sector

The FMCG sector, which is the fourth largest sector in India, has performed encouragingly. It is heartening that a large amount of the growth is contributed by volume expansion which is an indication of rising demand and consumption. Higher raw material prices, rising food inflation and increasing competition may impact margins of some products but overall I still believe that there is significant opportunity in this space.

There is some concern with regard to the monsoon after last year's low rainfall. However, we have seen that less number of people working directly in farming or other related areas has reduced dependence on the monsoon. Further, improved infrastructure in the form of greater penetration of irrigation systems will gradually reduce the



degree of dependence on monsoon. Another genuine concern is that of rising commodity and input prices. This is a perennial challenge and I believe companies that have efficient sourcing mechanisms in place will be capable of managing these costs efficiently, while still delivering quality products.

Performance Perspective

Our performance during the year under review has been extremely strong on the back of some strategic organic and inorganic initiatives. Sales growth was driven by a strong and steady demand of recently launched products across our soaps, hair colourants and toiletries categories. The year saw a range of new product launches across all our product lines and introduction of new ranges like our hand hygiene products. Concurrently, we have aggressively expanded our presence in rural and interior India. As you may be aware, we have also identified international markets where we believe there is significant opportunity. These comprise the emerging markets of Africa, Latin America and Asia. We will look to expand and entrench our presence in these geographies through organic as well as inorganic initiatives.

In March 2010 we entered into an agreement to acquire the worldwide rights of Nigeria-based Tura of the Tura Group, a leading personal care brand. Tura is our fifth acquisition in less than five years.

In April 2010 we entered into an agreement to acquire PT. Megasari Makmur Group and its distribution company in Indonesia. Megasari group manufactures and distributes a wide range of household products including household insecticides, wet tissues and air freshners. Megasari groups products are market leaders in Indonesia in most of the categories that the Company participates in.

In May 2010 we entered into an agreement to acquire the balance 51% Sara Lee shareholding in Godrej Sara Lee Limited. Since mid-2005, GCPL has acquired Keyline brands Limited (UK), Rapidol (Pty.) Limited (South Africa), Godrej Global Mideast FZE (GCC), Kinky Group (Pty.) Limited (South Africa) and a 49 percent stake in Godrej Sara Lee Limited. You will be happy to know that each of these acquisitions have been strongly accretive and have given your Company a tremendous strategic advantage. The acquisition of Tura, Megasari and the balance holding in Godrej Sara Lee Limited is no different and should further boost GCPL's domestic and international revenues.

Leadership Change

Mr. Dalip Sehgal, Managing Director has resigned from the Board with effect from the close of business hours of June 30, 2010, to pursue opportunities outside the Godrej Group. I'd like to thank Dalip for the excellent job done by him in steering your Company and wish him all the best in his future endeavours .

Mr. A Mahendran, currently a non executive director on the Board of your Company, has been appointed as Managing Director of your Company with effect from July 1, 2010, subject to the approval of the shareholders. Mr. Mahendran has been associated with the Godrej Group for 16 years and has been the Managing Director of Godrej Sara Lee Ltd.(GSL) since its inception and the Director of the FMCG portfolio cell (FPC) guiding the FMCG businesses in Godrej Consumer Products, Godrej Sara Lee and Godrej Hershey and driving M&A since April 2008. At GSL, he has demonstrated a tremendous track record of value creation. I am confident that Mr.Mahendran will take your Company to even greater heights.

Outlook

Our emphasis going forward will be to drive growth both organically and inorganically. An expansion in our product portfolio with a focus on introducing consumer relevant quality offerings at the appropriate price, while simultaneously expanding our reach and presence in target geographies, both domestic and international will drive our organic growth. On the inorganic front, we will continue to explore strategic opportunities in the personal care, hair care, household insecticides, and toilet soaps categories. The Board and the shareholders have passed an enabling resolution allowing us to raise equity/debt up to Rs.3,000 cr to fund these initiatives. We will ensure this money is raised and deployed in the best possible manner so as to maximise stakeholder value.

Your Company enjoys a rich heritage. We are focused on building on this platform by putting in place all the ingredients for a strong future.

I would like to take this opportunity to thank all our employees, who have contributed to the successful performance. I would also like to thank our business partners, vendors and other business associates. Finally I would like to thank all our stakeholders for their trust and encouragement.

Yours Sincerely,

Adi Godrej
Chairman