



*Dear Shareholders,*

**M**arch 31, 2003 marks the completion of two years for Godrej Consumer Products as a focused FMCG company.

In 2002-03 the economic environment was mixed. While a number of infrastructural initiatives have made us optimistic about the future, growth in the agricultural and manufacturing sectors continues to be subdued. However, I believe that individual companies that are able to minimize their sensitivity to market cyclicity by internally enhancing their own efficiencies and identifying growth opportunities despite perceived constraints are the ones that will deliver superior shareholder returns. Our performance in the just concluded financial year has strengthened my conviction that we will be able to consistently respond proactively and positively to our consumers, demonstrate growth and deliver value to our shareholders.

In October 2002, we took a significant strategic initiative to restructure GCPL into two businesses– ‘Soap’ and ‘Personal Care’. The Company’s objectives and priorities in both these categories are very distinct - in the soap segment, which is highly fragmented, we will look to increase margin and marketshare, while in ‘Personal Care’ where GCPL is a leader; our thrust will be on expanding the category. This structure is a step towards establishing clarity of focus and better defining and targeting growth opportunities, going forward.

During 2002-03, GCPL has endeavored to deliver the very best value to all its stakeholders, with clearly defined goals and strategies. Allow me to take you through some of these initiatives.

### **Our consumers**

*Our consumers are our focus. All our initiatives are taken with the objective of comprehending their needs and delivering true value.*

In an effort to enhance the consumer centric focus of our teams, structured ‘Go to Market’ programs were initiated wherein all GCPL employees interacted with dealers, retailers and consumers to obtain a first hand feel of consumer sentiment and demand.

Based on consumer feedback, our Market Research and R & D teams have contributed significantly towards enabling the Company to deliver far beyond consumer needs and expectations through relentless innovation.

### **Our business partners**

*Our distributors, stockists and retailers are an integral part of all our operations. Their contribution towards the Company’s success cannot be underestimated.*

We have strengthened our relationship with our stockists, dealers and retailers and expanded our presence in the fast growing interior locations.

Project Sampark, a component of the Collaborative Planning Forecasting and Replenishment (CPFaR) model has

been a huge success with the successful integration of our major distributors through the implementation of a Company - Distributor management software solution.

### **Our employees**

*Our people, through their passion, initiative, creativity and a compelling desire to improve and win in the marketplace are our biggest asset.*

The Company has implemented a Performance Management System along with other companies of the Godrej Group. The Company has also undertaken a coaching initiative to enhance individual performance and harness organisational talent. Senior personnel across functions undertake the role of coaching high potential employees in the company so as to successfully enhance their skills and drive the business strategy of the organisation. This has not only enabled us to identify and train budding talent at a very early stage, but also contributed towards igniting dormant potential in these employees.

### **Our shareholders**

*Our shareholders are the most important supporters of the company's growth. I am confident that our strategy of keeping stakeholder value enhancement uppermost in everything we do will vindicate your trust and more than repay your faith in the company.*

EVA continues to be a strong financial metric that evaluates our ability to augment both operational and human resource efficiencies thereby delivering enhanced shareholder value. GCPL has outperformed the FMCG sector on fundamentals; with EVA having improved 39% over last year resulting in improved wealth creation for its shareholders.

The importance the company places on delivering value to its shareholders can also be gauged from the fact that GCPL's dividend yield in 2002-03 is amongst the highest in the industry.

My belief in our abilities and initiatives was vindicated when ICRA assigned an SVG2 rating on Stakeholder Value Creation and Governance practices to GCPL. The SVG2 rating implies that in ICRA's current opinion, GCPL belongs to the 'High Category' across the said composite parameters. Furthermore, this is the highest rating awarded by ICRA to any company, till date.

The Corporate Governance practices of GCPL were also assigned a CGR2 rating by ICRA. 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.

When we set out in 2001, our objective was to be a focused FMCG player, whose thrust is on enhancing efficiencies, responding to our consumers and enhancing shareholder value. I am happy to say that the year 2002-03 has been one more step towards realising these objectives. Going forward, we will consistently pursue both organic and inorganic growth opportunities that deliver EVA positive returns over a medium term framework.

Yours sincerely,

**Adi Godrej**  
Chairman and Managing Director