

## Executive Director & President's Statement



*Dear Shareholders,*

It has been another eventful and action packed year at Godrej Consumer Products Limited. Numerous initiatives across all aspects of your Company's business have delivered encouraging results and show considerable promise for the forthcoming financial year. Some of the highlights of the year ending March 31, 2004 are :

- Sales of Godrej brands grew 7%.
- PAT increased 21% to Rs. 65 crore.
- EVA grew 29% to Rs. 54 crore.
- Market shares continue to be strong. The Company's market share in the Toilet soaps category stood at 6.6%, while the marketshare in the hair colour and liquid detergent categories were 43.1% and 88.6% respectively.
- GCPL's RoCE and RoNW ratios continue to be amongst the highest for corporate India. Your Company was ranked the highest across the RoCE parameter for the 2003 fiscal by Business India.
- Acquired the trademark and copyright of the "Snuggly" brand and relaunched it as "Godrej Snuggly" baby diapers.
- Launched 9 new products during the year.
- GCPL was ranked No. 6 in the "Great Place to Work" survey conducted by Business World – Grow Talent. It was the highest ranked Indian Company in the study.

These figures are encouraging and are even more impressive when looked at in the backdrop of the overall FMCG sector's performance. Let me share with you some of the key developments that have enabled this performance.

### **High Quality Research and Product Development**

As part of its consumer centric approach, your Company's R&D focus has been on delivering value at an affordable price. The various product launches across our product categories are consistent with this strategy. We have also initiated research on some new technical processes, the results of which have been highly encouraging.

Keeping our ear to the ground so as to identify and leverage opportunity is key in our business. Over the year under review, numerous first hand interactions between your Company's scientists and consumers, especially for products in the sub popular segments, have contributed to a much improved and in-depth understanding of their needs and aspirations, helping us to devise suitable products for this segment.

### **Improved operational capabilities**

GCPL's operational capabilities have been considerably enhanced. One of the highlights of the year was the setting up of a toilet soaps factory in Baddi, Himachal Pradesh, a project that was completed in less than 6 months. This plant, whose capacity is presently 15,000 tonnes (and will be doubled in FY 2005), presents us with the ideal platform to cater to



increasing demand and further drive growth in the Toilet Soaps category.

In the Personal Care segment too, our Hair Colour plant in Silvassa received ISO : 9001 2000 certification, further recognition of the high quality standards your Company adheres to. As you know, our toilet soaps manufacturing unit at Malanpur too complies with the ISO : 9002 Quality system and the ISO : 14001 Environmental Management System.

During the year under review, our Malanpur factory was also awarded the Qimpro Award for the International Quality Maturity Model (IQMM). The model designed by Qimpro Consultants, is a new age tool for measuring, benchmarking and certifying quality management performance. It is built around 15 business elements that are fundamental for world class quality management and is based on renowned management models that include the Malcolm Baldrige National Quality Award Model and the European Quality Award Model.

#### **Contribution to bottomline**

A number of across-the-board initiatives have contributed to our strong bottomline growth.

GCPL has also been a frontrunner in setting up manufacturing units in 'economically backward areas'. Both our Baddi and Guwahati plants enjoy income tax and excise benefits for upto ten years from the time of start-up. We propose to plough back a large proportion of these savings towards product and operational development.

Enhanced operational efficiencies have also contributed to improved profitability. This is reflected in the significant improvement in EVA.

#### **Robust sales and distribution infrastructure**

Training sessions designed in partnership with the faculty of a leading Management Institute have given our salesforce better insights, enhanced their analytical skills and broadened their perspectives.

As part of our thrust on expanding geographical presence, the direct sales coverage of your Company has significantly increased. Today GCPL products are available in all villages with a 10,000+ population. The process of appointing super and sub stockists has helped reach our products into the rural areas.

#### **Cutting edge IT support**

Project Sampark, the IT enabled process designed to integrate distributors with the Company has been extended to cover a larger number of distributors, greatly reducing costs and improving communication. On the procurement side too we have initiated Project Sahyog which keeps the Company in direct contact with select suppliers thereby facilitating increased transparency and co-ordination.

#### **Expanded presence**

Your Company, post the setting up of a third party manufacturing unit in Bangladesh, now has considerable opportunity in the SAARC Region. The Company is studying the opportunities offered by the various bilateral treaties proposed to be entered into by the Government of India.

The just concluded financial year has been an encouraging one for GCPL. We look upon it as a launching pad for the future. Going forward, I remain confident of your Company's continuing ability to enhance operational efficiencies and deliver superior value for all its stakeholders !

Yours sincerely,

**Hoshedar Press**

Executive Director and President