



Dear Shareholders,

As a result of a variety of strategic initiatives, Godrej Consumer Products Ltd. has achieved significant operational progress in the financial year. In a difficult and demanding market, the superior value proposition of our products, coupled with focused efforts to enhance efficiencies has resulted in GCPL delivering superior stakeholder value.

The following are the highlights of our operations :

- Sales of GCPL brands have grown 8%
- PAT grew 28%
- EVA grew 39%
- GCPL's ROCE and RONW ratios at 115% and 118% respectively continue to be amongst the highest in corporate India.

While the Indian consumer continues to favour value for money offerings and demands quality products at competitive rates, there is a significant and growing opportunity for niche and high value offerings. Happily, GCPL is strongly positioned in both these areas.

Our soap business performed strongly with the Godrej No. 1 range leading the way, enjoying extremely high consumer offtake during the year under review. At the same time, GCPL's premium hair colour range ColourSoft has demonstrated a high degree of success in the urban markets. Building on the enthusiastic response the brand received, the Company launched three new fashion colour variants in this financial year.

Let me share with you some of the initiatives your Company has taken across various functions in 2002-03.

Market Research and Product Development

At the core of GCPL's business is relentless consumer centric innovation based on feedback received through ongoing extensive market research and analysis. All employees are focused on identifying and satisfying consumer needs via superior insights generated by continuous interactions.

During 2002-03, the R & D Team has focused its efforts on developing solutions for skin and hair care, exploring methods of enhancing the efficacy of the company's products and identifying cost competitive raw material and packaging options.

As a result of their efforts, the team has, among others, developed a shaving gel, a new oil based hair colour, a white Fairness Soap, a hand sanitiser and a shower gel. Some of these products are part of the Company's international offerings.

Marketing

As with any growing FMCG entity, marketing is at the forefront of all our initiatives.

Consistent with its objective of being a consumer centric company, GCPL introduced a range of new product offerings across its chosen categories.

- In the soap segment, we introduced Godrej No. 1 Ayurvedic, a quality product that combines the goodness of 21 herbs – optimal ingredients to holistic skincare.
- Three new variants were added to the range of offerings in our premium hair colour brand ColourSoft. All ColourSoft shades are specially developed at the Godrej Hair Care Institute keeping in mind Indian hair and skin tones.

The Company has also developed distinctive communication strategies in an effort to reach its target audience. Month long competitions around the Cinthol, ColourSoft and Godrej FairGlow brands were also conducted on the GCPL website. These competitions received a highly enthusiastic response and resulted in a tremendously positive rub off for the brands.

GCPL also strengthened its international presence by introducing its Hair Colour and Toilet Soaps range in Afghanistan, Somaliland and South Africa during the year.

Supply Chain Management

Supply Chain Management is another important ingredient in our strategy to efficiently service distributors at an optimal cost.

To optimise the efficiency of GCPL's distributors and minimize inventory levels, your company introduced Sampark, an IT enabled process that integrates the operations of major GCPL distributors with those of the Company, thereby facilitating accurate planning and improved inventory management across the supply chain.

Production

GCPL possesses state-of-the-art manufacturing facilities with cutting edge infrastructure to ensure optimal performance.

All three GCPL manufacturing facilities at Malanpur, Silvassa and Guwahati continue to perform at strong efficiency levels, delivering a range of high quality product offerings.

During the year, we consolidated our Guwahati operations, such that the Company was able to make best use of its strong distribution presence in the region as well as benefit from tax and excise incentives offered by the Government.

People

Our people are our greatest asset. We strengthen our teams through a stimulating work environment and structured training programmes that keep them abreast of global best practices.

Building on the success of the 'Chairman's Tea', we have also introduced the 'President's Tea' wherein once a month I have informal feedback discussions with officers and managers across functions, to understand their views on the strengths and weaknesses of the business and receive suggestions on the way forward as well as to respond to any concerns they may have.

Our teams have also benefited greatly from cross-functional learning sessions with other departments. This programme has given our employees an appreciation of the challenges faced by other departments and helps improve internal customer supplier relationships.

We strongly believe that for a company to realise its objectives and consistently deliver value, it is of paramount importance to provide an energized environment for all its people together with an atmosphere of alignment with and commitment to the overall goals. It is refreshing to note that today GCPL is amongst the top ranking companies that management graduates from leading institutions aspire to join.

These initiatives and developments reiterate my conviction in our ability to consistently create value for all our stakeholders. With your support we can look forward to an even better 2003-04.

Yours sincerely,

Hoshedar Press
Executive Director and President