



## Overview

The year began on a slow note with a continued slowdown in the developed world due to sluggish export recovery and slowdown in financial flows. Yet over the span of a year the economy posted a remarkable recovery not only in terms of overall growth figures but also more importantly in terms of certain fundamentals which justify optimism for the Indian economy in the medium to long term. The real turnaround came in the second quarter when the economy grew by 7.9%. This was due to renewed momentum in the manufacturing sector and recovery in the growth rate of gross fixed capital formation. (Chapter 01 Economic Survey 09-10)

The Net inward FDI over the period April-December 2009 amounted to \$ 26.5 billion. India's local currency rating outlook has been raised to positive from stable by Moody's Investors Service on the back of the country's demonstrated resilience to the global crisis and

expectation that it will resume its high growth path. (IBEF and FICCI)

According to a FICCI-Technopak report, despite the economic slowdown, India's FMCG sector is poised to reach \$ 43 billion by 2013 and \$ 74 billion by 2018. The report states that implementation of the proposed GST and the opening up of FDI are expected to fuel growth further and raise the industry's size to \$ 47 billion by 2013 and \$ 95 billion by 2018. (IBEF)

"Bottom of Pyramid" consumer segment in Rural India is estimated at around 350 million and is the largest and the fastest growing sector in the country. Today, FMCG companies are focusing on the rural business with custom-made products and seeing considerable value in building presence in these geographies. Companies have stepped up hiring in small towns and rural India, primarily appointing sales staff to increase visibility and connect, and simultaneously boost sales. (IBEF)



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With higher disposable income in urban households and a significant portion of budget allocation towards the development of the rural sector and rural employment, the FMCG sector has a lot to gain from Union Budget 2010-11. While there was reason for concern on the back of rising food inflation and the effect it would have on demand for FMCG, the Finance Minister has outlined several proposals to help boost agriculture growth. Better access to rural areas through an improved road network will also enhance the distribution system of FMCG players.

Today, GCPL is one of the leading companies in the FMCG sector with a presence in the Personal and Household care business. During the year under review your Company has endeavoured to build on its strong foundation and to create an even stronger future. The year has seen the introduction of many new products combined with several other growth initiatives which included a focused expansion in the rural space. Our

international operations too performed very well inspite of tough economic conditions.

Our new product introductions span all our categories comprising soaps, hair colourants, toiletries and a new range of hand hygiene products. All these launches have been made after a rigorous amount of research and interaction with consumers.

Our efforts this year have also been dedicated towards the strengthening of our overall infrastructure and an enhancement of our reach and distribution. We have substantially increased the number of stockists and sub-stockists with whom we transact and the number of touch points in the rural markets has increased manifold. As a result, our products are now visible and available to a much broader spectrum of consumers.

We have also made progress on the inorganic front. We acquired a 49% stake in Godrej Sara Lee Ltd. (GSLL) which is a 49:51 unlisted joint venture between the

Godrej Group and Saralee Corporation USA. GSLL has a range of products that are complementary to our existing offerings and there is significant potential to derive synergies from the combined operations. Towards the end of the fiscal year we entered into an agreement to acquire Tura from the Tura Group. Tura, a household name in many African markets, is a market leading personal care Company that manufactures and distributes a range of products including soaps, moisturising lotions and skin-toning creams. This acquisition augments our existing operations in Africa.

In our soaps business we introduced two new variants of Godrej No. 1 namely 'Lime and Aloe Vera' and 'Moisturising Soap' with nourishment of Milk Cream & Almonds. With this the Godrej No. 1 portfolio now comprises nine variants. During the year, Godrej No. 1 maintained its leadership position in the States of Punjab, Haryana, Uttaranchal and attained leadership in Uttar Pradesh. Godrej No. 1 is one of the three core brands of your Company with sales of over Rs. 500 crore. The Cinthol brand, also a core brand, continues to do very well with strong growth in the soaps as well as in deosprays and talcs.

In the hair colourants business we re-launched our 'Godrej Expert Hair Colour' brand during the year. This is GCPL's third core brand. Godrej Expert Hair Colour is now available in Liquid form as well as Powder form. Nupur a natural henna brand grew very well on the back of strong activation and advertisement support. In our Renew brand we launched Godrej Renew's Ravishing Reds Collection with two new shades, Wine Red and Plum Crazy. Both these new launches have been very well liked. We export hair colour products to Bangladesh, Sri Lanka and Nepal.

In our toiletries business we introduced small packs of talcum powder range to address needs of both rural and urban consumers. In our Cinthol Deo Spray category we launched two new variants namely Unleash and Rainstorm. We introduced the Protekt range of hand hygiene products during the year. This includes a hand sanitizer, hand wash and hand hygiene wipes. Each of these products is available in three fragrances, viz., Original, Blossom and Citrus.

Our international operations have also done well. Keyline Brands' key offerings, namely the 'Cuticura' Hand Hygiene range, Bio-oil and P20 performed strongly. In South Africa 'Inecto' Powder Hair Colours have been relaunched. 'Cuticura' Hand Hygiene range, Godrej Expert hair colour and Godrej Nupur Mehendi were launched in the GCC and the Middle East in the current year. We also acquired during the year the 49% stake in GSLL. Godrej Sara Lee Ltd., is a 49:51 unlisted joint venture between the Godrej Group and Saralee Corporation USA. Godrej Sara Lee Ltd., is the market leader in household insecticides air care and hair cr em in India with popular brands like GoodKnight, JET, HIT, AmbiPur, Brylcreem and KIWI. During the year we entered into an agreement to acquire Tura from the Tura Group. Tura, a household name in many African markets, is a market leading personal care Company that manufactures and distributes a range of products including soaps, moisturising lotions and skin-toning creams. Its medicated bar soap is amongst the top three in its category in Nigeria. The acquisition will serve as a strong platform for introducing our products in Nigeria and other Western African countries.

### GCPL's sales mix: Turnover (Rs. crore)

Turnover	FY 2009-10	FY 2008-09	Growth (%)
Toilet Soaps	828.4	705.6	17%
Hair Colour	274.5	230.5	19%
Liquid Detergents	53.3	42.9	24%
Toiletries	83.2	62.0	34%
Branded Sales	1239.4	1041.0	19%
Contract Manufacturing	-	8.1	-
By products	28.5	35.2	(19%)
<b>Total</b>	<b>1267.9</b>	<b>1084.3</b>	<b>17%</b>

# Soap

## Toilet soaps

GCPL continues to be second largest toilet soaps player in India with a market share of 10.3%.

During the year, we introduced two new variants of our 'Godrej No. 1' soap. The first variant is 'Lime and Aloe Vera' which combines the freshness of lime with the nourishment of aloe vera. It is available in 5 pack sizes - 115 g (pack of 4) 90 g (pack of 4) 90 g (pack of 3) 70 g (pack of 4) 40 g singles. The second variant is a moisturising variant of 'Godrej No. 1', with the nourishment of milk cream & almonds to keep the skin naturally moisturised, smooth & soft in winter without using multiple winter care products. This was launched in October, prior to the onset of winter, and the USP of the product is its ability to keep skin soft.

We continue to offer the Godrej No. 1 range in 5 pack sizes - 115 g (pack of 4), 90 g (pack of 3), 90 g (pack of 4), 70 g (pack of 4) and 40 g (Jasmine, Natural, Sandal). With the addition of these two variants we now have Sandal & turmeric, Coconut & Neem, Jasmine, Lime and Aloe vera, Lavender, Strawberry & Walnut, Moisturising and Ayurvedic.

During the year, Godrej No. 1 maintained its leadership position in the States of Punjab, Haryana, Uttaranchal and gained leadership in Uttar Pradesh. Godrej No. 1 is one of the three core brands of your Company with sales of over Rs.500 crore. Godrej No.1 has also significantly increased its share in rural India through several initiatives launched over the year.

'Cinthol' continues to do well following its relaunch in FY 2007-08 in a new range of soaps, namely Cinthol Regular, Fresh and Deo. We witnessed strong growth in this brand following a focus on stronger advertising and marketing. We introduced a Cinthol 'Buy & Win' offer during the year wherein each wrapper contained an assured prize and participants were also eligible for mega prizes such as Television sets and refrigerators.



Cinthol Deo & Complexion Soap has performed very well in the Southern States of Tamil Nadu and Andhra Pradesh. New pack sizes were introduced and the brand was extended into the talc format.

We anticipate stronger growth in the rural markets as we continue to ramp up our sales and distribution network and the increase in touch points will enable us to address previously under-penetrated areas.

## Personal Care

### Hair Colours

In the hair colour business, GCPL provides a variety of offerings including fashion colours, grey coverage solutions and natural solutions across different price points to cater to various types of consumers. GCPL continues to lead this category with a market share of 33.9%.

Godrej Expert Hair Colour is available in Liquid as well as Powder format. “Godrej Expert Powder Hair Dye” has a unique and innovative Colour Lock formulation wherein the colour is absorbed uniformly in each and every strand, thereby ensuring complete grey coverage. Godrej Expert has a presence in over 24 lakh outlets across the nation and is available in a 3 g sachet. “Godrej Expert Powder Hair Colour” is formulated with five expert benefits, Colour Balance Technology, Shampoo based colour, No Ammonia, Nourishing conditioner and Perfume. It is available in a 3 g sachet, and in four colours, namely Gentle Black, Dark Brown, Natural Brown and Burgundy.

A key initiative during the year was the Big B program which was taken to around 50,000 salons. Barbers are key influencers especially in the rural areas. We have had a special salon pack consisting of our shaving cream, hair colour and talcum powder. This initiative besides popularising the Expert brand contributed significantly by adding touchpoint to your Company’s rural reach.

GCPL also offers a cream hair colour under its “Renew” brand. Two new shades were launched in the Ravishing Reds Collection during the year – Wine Red and Plum Crazy. The two shades are available in packs of 50 ml (50 ml colourant, 50 ml developer, 15 ml conditioner), and 20 ml (20 ml colourant, 20 ml developer, 6 ml conditioner). containing aloe and protein conditioners to nourish and hydrate coloured hair. These are in addition to the existing six colours – Natural Black, Natural Brown, Burgundy, Cinnamon Red, Light Golden Brown and Light Brown. Your Company offers these cream hair colours in packs of 20 ml and 50 ml. The product has done well during the year and the Company will strive to grow this product further.

“Godrej Nupur Mehendi” has performed exceedingly well during the year under review. This product is mehendi based and makes the hair silky and shiny. “Godrej Nupur Mehendi” was relaunched in the month of May and has delivered growth in excess of 60% over the last year.

GCPL’s other offerings in this category ‘Godrej ColourSoft Hair Colour’, ‘Godrej Kesh Kala Oil’, Godrej Kali Mehendi’ and ‘Anoop’ have all also performed well.



# Toiletries

The GCPL toiletries portfolio comprises shaving cream, talcum powder and deodorant spray and we have during the year introduced a range of hand hygiene products in this category.

## Shaving Creams

GCPL's range of shaving creams continues to do well. As part of its enhanced distribution strategy, your Company has included shaving creams in the barber salon pack and have covered about 50,000 salons across India.

## Talcum Powder

Cinthol Talcum powder is available in six perfumed variants namely Sport, Classic, Cologne, Lime Fresh, Cinthol Skin Protection Fragranced talc & Musk. Your Company has introduced smaller packaged units of its talcum powder range to address needs of both rural and urban consumers.

## Deodorant Spray

Your Company added two variants of its Cinthol Deo Spray – Unleash, a fresh spicy woody fragrance for men and Rainstorm, an aquatic fragrance. This is in addition to the existing four variants namely Sport, Cologne, Classic and Musk. GCPL anticipates healthy growth from this category owing to the increased product range and the enhanced distribution base.

## Hand Hygiene

GCPL introduced the Protekt range of hand hygiene products during the year. This includes a hand sanitizer, hand wash and hand hygiene wipes. Each of these products are available in three fragrances, viz. Original, Blossom and Citrus. Godrej Protekt Instant Hand Sanitizer, kills 99.99% of most common germs that cause illness in 15 seconds. This is available in 3 sizes: 250 ml, 100 ml and 50 ml. Godrej Protekt Hand Wash is available in 250 ml bottle. Godrej Protekt Hand Hygiene Wipes come with an Insta Sanitize Technology, an ideal alternative to washing hands when soap and water are not available.



# Liquid Detergents Distribution and Supply Chain

GCPL's liquid detergent brand - Ezee continued to perform strongly during the year. Its performance was aided by newer packaging whereby GCPL offered 2 kgs (2 packs of 1 kg each), amounting to the entire years consumption for an average consumer, at a discount of 10%. This resulted in a growth of 24% over the previous financial year. Sales of Ezee are stronger in the winter months owing to use of woollens in those months.

The year under review was characterised by a concerted thrust on building presence in the rural areas. Your Company continued to expand its distribution and supply chain with a focus on increasing its presence in rural areas. The increase in number of touch points has been a key contributor to growth during the year. Our products are now available in about 37 lac outlets.

GCPL enhanced its reach in number of villages by 70% during the year. Your Company also increased



the number of superstockists and sub-stockists for its products by 30% and 50%, respectively, 96 Super stockist & 1,593 substockist were added during the year. There was a significant increase in village coverage achieved, about 6,200 additional villages were covered during the year.

We have also introduced new packaging and smaller price packs across several of our products to better address needs of our rural consumers and distributors. We now offer Cinthol Regular in 35 g packs through several outlets in Tamil Nadu and Andhra Pradesh.

Project 100 was another key initiative undertaken in the year under review. This initiative aims at significant savings over the three years starting FY10 and is spearheaded by a cross-functional team, analyzing all cost elements and working on cost reduction opportunities. Significant savings have been achieved in packaging materials, production and logistics costs. The emphasis is on cost optimization while maintaining high product quality standards.



# Human Resources

Our reinforced commitment to Affirmative Action is a priority and we have been recognized as the leader in this regard within the Godrej Group. We take pride in our leadership commitment to provide better opportunities to uplift the living conditions of the socially and economically underprivileged persons belonging to Scheduled Castes and Scheduled Tribes and create an inclusive culture by giving opportunities to Physically Challenged persons. As a part of this initiative, we have recruited over 30 people belonging to the Scheduled Castes/Scheduled Tribes and Physically Challenged in various parts of the organization. We have also partnered with various Government organizations and NGOs, like Centre for Entrepreneur Development, Ambedkar Institute of Technology for Handicapped, ADAPT, Shehalaya and many more, to provide entrepreneurship support, jobs, trainings and other monetary/non-monetary assistance to these sections of the society.

Your Company considers its people to be its most important asset. We have endeavoured to maintain a positive working environment with equal opportunity for all.

We continue to pledge our commitment to people and society and this has been further honed by our new brand values of Expression, Progression, Empathy and Experience. Brighter Living underlines our Employee Value Proposition and is the driving force behind our improved Employee Commitment Survey scores.

Learning and Development has been at the helm of activities. We adopted a more structured approach this

year, led by a competency assessment and development need analysis, culminating in individual development plans. The newly introduced online Learning Management System is slated to magnify outreach and builds on the increased connectivity drive across the company – operating staff in factories are now linked on the company intranet and the sales force have been given netbooks to keep them connected, while on the move.

We added to our Reward and Recognition initiatives this year. In keeping with the drive for excellence, the MD's Club was created, it is an exclusive club of high performers who set high standards for themselves and their teams. Members are selected each quarter to interact with top management and get together to foster the spirit of shared achievements.

Launched earlier this year, 'Just Like That' is exactly what the name suggests – a fun get-together, because we don't need a reason to have a good time! This is a fun evening of games, food and laughter, celebrated every month, while 'Echo', the in-house magazine, is a platform for employees – past and present to communicate and share experiences. These have added considerably on Engagement and Communication fronts.

Our global acquisitions have given us access to new markets and have also provided us with a global workforce. We are focused on managing and integrating our global workforce and positioning our resources in the region and business where they can deliver their very best. We feel that the exposure to different markets, cultures, product lines, systems, etc., has enhanced the knowledge and skill sets of our Management team.



# Research & Development

Your Company views its Research and Development activities as an integral component of its growth plans. Our R&D focus is to drive innovation in all areas of our business leading to improvements in product quality, cost savings, higher efficiencies, and improvements in packaging. We have integrated our R&D practices to operate in tandem with all our businesses and various product categories.

During the year gone by, your Company has launched several products which have been introduced with benefits / features derived from our R&D activities. These include the Lime Aloe Vera and Moisturising variants of 'Godrej No. 1' in our soaps business, the 2 new shades 'Wine Red and Plum Crazy' variants of Renew Hair Colour in the hair colour business, the 2 new variants of Cinthol deodorant – 'Unleash' and 'Rainstorm' and the entire range of 'Protekt' hand hygiene products in the form of hand wash, hand sanitizers and wipes.

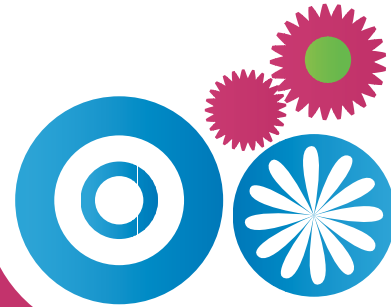
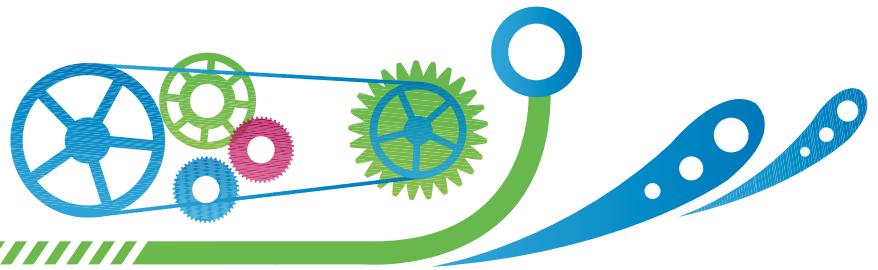
Our Powder Hair Dye is ammonia free. We have also been able to replicate the fragrances of our entire range of Cinthol Soaps into our range of Cinthol perfumed talcum powder.

We have also utilised feedback from our R&D team to improve packaging of products through enhanced safety and improved imagery. It has also helped us to modify aesthetics of our products and explore areas that can be outsourced leading to lower costs and improved efficiencies.

R&D also plays an important role in our international business. It is aligned with our initiatives to cross sell products by modifying products to suit consumer tastes in different geographies. In our South African business, the R&D support is provided by us leading to cost synergies. At Rapidol, we are working on minor change to products to renew exports to African countries.

Your Company leverages R&D activities to keep abreast of changing consumer tastes. The process starts with consumer studies to gauge feedback on our new products, modifying products to suit consumer tastes and adding features and variants to existing products to provide alternative solutions to our consumers.





## Information Technology

Your Company has entered into a 10-year strategic IT transformation services contract with Hewlett Packard (HP). We have outsourced all IT functions to HP and this besides being extremely cost effective has exposed us to the latest developments in technology. There is also a visible increase in efficiency and response time effectivity.

New Initiatives taken up this year were Business Intelligence, and enhanced MIS systems which ensure availability and timely delivery of right information to the team. New application delivery is at higher levels, i.e., on-time and complete deliverables.

We are in the process of setting up a disaster recovery system which will help us to transition our key business process in case of any man-made or natural disaster and ensure uninterrupted flow of business transactions.

We expect several synergies and cost savings from our investments in technology. We already see favourable results accruing to your Company from the adoption of such initiatives and are confident that there will be greater benefits following the completion of all initiatives outlined.

## International Operations

GCPH currently exports to 31 countries, including Jordan, Egypt, Sudan, SAARC countries, UAE, Bangladesh, Thailand, Singapore, Afghanistan, Iraq, South Africa, Mauritius, Port of Spain to name a few.

We have augmented our presence in Africa through the recent acquisition of the Tura Brand from the Tura Group.

## Keyline Brands Ltd.

Keyline brands has posted a healthy performance amid a difficult economic environment this year. The 'Cuticura' Hand Hygiene range performed exceptionally well during FY2009-10 due to the H1N1 or 'swine-flu' epidemic. Topline grew by 9% while PAT grew by 39% during the year. Cuticura hand hygiene gel became the volume leader in the UK this year.



## One Africa Rapidol

Rapidol's sales grew by 42% p.a. during the year to deliver a robust performance. Rapidol's Inecto Colour Range was re-launched during the year and has done well. The Inecto Colour Range is available in 10 variants, Inecto Plus is available in 7 variants while Inecto Powder Hair Colors are available in 2 variants namely, Natural Brown and Auburn.

## Kinky

Kinky offers a variety of products, which include hair, hair braids, hair pieces, wigs and wefted pieces. Kinky also offers hair accessories like styling gels, hair sprays and oil free shampoo. Kinky has delivered strong growth during the year and we see potential to sustain this rate of growth going forward.

All Kinky products are manufactured in plants located in South Africa and final products are sold through Cash-n-Carry outlets and owned stores.

As part of our strategy to integrate operations, we have combined the operations of Rapidol and Kinky to create a 'One Africa' platform. Operationally the teams have been combined and there will be cost synergies arising from running the business as a single operation.

The 'One Africa' platform will create four hubs in Africa viz., Western, Eastern, Central and Southern Africa.

## Tura

Towards the end of the financial year, GCPL entered into an agreement to acquire Tura from the Tura Group. Tura, a household name in many African markets, is a market leading personal care company that manufactures and distributes a range of products including soaps, moisturising lotions and skin-toning creams. Its medicated bar soap is amongst the top three in its category in Nigeria. The acquisition will serve as a strong platform for introducing GCPL's portfolio into Nigeria and other Western African countries.

## Godrej Global Mideast FZE

Godrej Global Mideast FZE (GGME), which distributes soaps, hair colours and toiletries in UAE and other GCC (Gulf Co-operation Council) countries has also performed well. The products launched in these countries include Godrej Expert hair colour and Godrej Nupur Mehendi. We have also launched the 'Cuticura' Hand Hygiene range in these countries.



# Godrej Sara Lee Ltd.

GCPL acquired 49% stake in GSLL during this year. Godrej Sara Lee Ltd., is a 49:51 unlisted joint venture between the Godrej Group and Saralee Corporation USA. Godrej Sara Lee Ltd., owns brands like GoodKnight, JET, HIT, AmbiPur, Brylcreem and KIWI.

## Social and Environmental Initiatives

GCPL has always had a strong commitment towards Corporate Social Responsibility and has always put a conscious and dedicated effort to raise the living standards of society at large. Our Malanpur factory has adopted the nearby Singwari village and has conducted various health and hygiene awareness programs, Eye Check-up camps, Women awareness camps and other such initiatives. We have also built a health centre and

a school building for the residents of Singwari. Our Baddi units also organized an 'Awareness Programme' to educate people on epidemics like HIV/AIDS and other issues like Swine Flu, the usage of alcohol and tobacco. We also provide scholarships to meritorious needy students and in the year gone by we had given scholarships to 48 meritorious students in schools around our manufacturing units.

GCPL has been organizing an annual winter wear donation campaign, Godrej Ezee Raahat – Ek Abhiyan project, in association with the Rotary Club of Delhi. We have designated a number of dealers and commercial establishments in the NCR where people can drop blankets and clothes for donation. These collections are then distributed to the needy through our partner NGO Goonj.

Our International subsidiary Kinky, undertook an awareness programme on HIV amongst its employees.



# Financials (Consolidated)

## Abridged Profit & Loss statement

All figures in Rs. crore

	FY 2009-10	FY 2008-09
Sales	2041.2	1393.0
Other income	47.3	40.1
<b>Total income</b>	<b>2088.5</b>	<b>1433.1</b>
Material costs	946.3	769.5
Staff costs	151.8	86.5
Advertising & sales promotion	201.5	137.9
Other expenditures	334.3	191.9
<b>Total expenditure</b>	<b>1633.9</b>	<b>1185.8</b>
PBDIT	454.6	247.3
Depreciation	23.6	19.2
PBIT	431.0	<b>228.1</b>
Interest and financial services (net)	11.1	18.9
<b>PBT</b>	<b>419.9</b>	<b>209.2</b>
Provision for taxation	80.3	36.6
<b>PAT</b>	<b>339.6</b>	<b>172.6</b>
Tax adjustment of previous year	-	0.6
<b>Net Profit</b>	<b>339.6</b>	<b>173.2</b>

GCPL's net sales in FY 2009-10 were Rs.2041.2 crore, representing a growth of 47% over FY 2008-09.

GCPL has consistently registered high growth rates.

Profit before Interest, depreciation and tax (PBIDT) increased by 84% to Rs.454.6 crore.

Your Company generated a Profit before tax (PBT) of Rs. 419.9 crore and a Net Profit after tax (PAT) of Rs.339.6 crore, displaying a 101% and 97% growth respectively over the Company's FY 2008-09 performance.



## Profitability Perspective

	FY 2009-10	FY 2008-09
PBDIT/Sales	22%	18%
PBT/Sales	21%	15%
PAT/Sales	17%	12%
RoCE	42%	23%
RoNW	34%	30%
EPS (Rs.)	11.3	6.8
EVA (Rs. crore)	216.1	124.7

## Internal Control Systems and their Adequacy

Corporate Audit and Assurance department during the year, facilitated a review of your Company's risk management program for domestic and international businesses. The risks and mitigation measures were reviewed by your Company's Risk committee and corrective measures initiated.

During the year the Corporate Audit and Assurance department carried out various reviews and provided

assurance on compliances with laid down policies, processes and internal controls.

Your Company accords great importance to the security of its information assets. To ensure that this gets desired focus and attention, a Chief Information Security Officer, part of the Corporate Audit and Assurance team, is entrusted with task of ensuring that your Company has the requisite security posture.

Your Company has in place, all the procedures and practices that are in line with the ISO Security Standards. Your Company is now ISO 27001 certified.

# Rewards and Recognitions

- GCPL was ranked 15th in India's Best Companies to work for Survey 2009 conducted by The Great Places to Work Institute, India & *Economic Times*.
- GCPL was ranked one of best 25 employers in Asia in the *Wall Street Journal Asia*.
- Malanpur Unit based on the improvement initiatives and systems, got "Manufacturer of the Year Award" (Large Organisation Category) organised by Stars of the Industry group.
- GCPL's Head of Finance Mr. P Ganesh was awarded the "Best CFO" award under the mid-size company category, organised by *Business Today* – Yes Bank.
- ICRA has confirmed GCPL's rating of stakeholder value and governance practices SVG1. The rating implies that, in ICRA's current opinion the rated Company belongs to the highest category on the composite parameters of stakeholder value creation and management, as also corporate governance practices.
- ICRA has also reaffirmed the CGR2+ rating to the Corporate Governance practices of GCPL. This rating implies that in ICRA's current opinion the rated Company, has adapted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance.

# Risk and Concerns

As your Company expands its global reach, it is exposed to an increasing degree of risks. These risks can adversely impact the functioning of the Company through their effect on operating performance, cash flows, financial performance, management performance and overall sustainability of the Company. GCPL has in place an active risk management system to identify and mitigate potential risks to the organisation.

The risks that may affect the functioning of the Company include, but are not limited to:

- Economic conditions
- Inflationary pressures and other factors affecting demand for our products
- Increasing costs of raw material, transport and storage
- Supplier and distributor relationships and retention of distribution channels
- Competitive market conditions and new entrants to the market
- Labour shortages and attrition of key staff
- Exchange rate fluctuation and arbitrage risk
- Integration risks for acquired companies
- Compliance and regulatory pressures including changes to tax laws
- Seasonal Fluctuations
- Political risks associated with unrest and instability in countries where the Company has a presence or operations



Your Company has a well defined risk management strategy and has constituted a Risk Committee whose role is to identify potential risks, creates mitigation strategies and monitor the occurrence of risk. This committee continuously reviews existing and new risks and suggests various risk mitigation measures.

## Outlook for FY 2010-2011

Your Company is extremely well positioned to maintain and accelerate its growth. The last year has enabled us put in place several building blocks and create a stronger platform to support this growth. As we go forward we will explore opportunities both organic and inorganic. We will look to expand our presence both domestically and internationally primarily in emerging markets and in the personal wash, hair care and household insecticide

spaces. There is tremendous opportunity in these businesses and your Company is well equipped and ready to leverage this opportunity and establish its position as an Emerging Market FMCG Powerhouse.

## Cautionary Statement

Some of the statements in this Management Discussion & Analysis, describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the domestic and overseas industry, significant changes in political and economic environment in India and abroad, tax laws, import duties, litigation and labour relations.



## Material developments after the date of adoption of the Financial Statements by the Board of Directors

### Completion of Acquisition of Megasari

On May 17, 2010, your Company completed the acquisition of Megasari, Indonesia.

### Acquisition of balance 51% stake in Godrej Sara Lee Ltd

On May 28, 2010, your Company acquired the balance 51% stake in Godrej Sara Lee Ltd.(GSL) from the JV Partner Sara Lee Corporation, U.S.A. With the acquisition of the balance 51% stake, GSL has become a wholly owned subsidiary of your Company. This acquisition catapults GCPL to becoming one of the strongest performers in the home and personal care space in India. Along with the Megasari acquisition in Indonesia, this purchase makes GCPL the second largest household insecticide player in Asia (outside Japan). The name of GSL will be changed to Godrej Household Products Ltd.

### Acquisition of Issue Group, Argentina and Argencos, Argentina

On June 2, 2010, your Company acquired a 100% stake in Laboratoria Cuenca, Consell SA and Issue Uruguay and Issue Brazil (Collectively referred to as 'Issue Group'). The Issue brand enjoys volume leadership in Argentina with a market share in excess of 20%. Argentina and Brazil are leading vanguards of hair trends and innovations in hair care. This acquisition provides your Company a perfect platform for establishing a strong presence in the fast growing hair colour markets in Latin America.

On June 2, 2010, your Company has also entered into an agreement to acquire 100% stake in Argencos, a mid-sized Argentine hair care company. The Company has a strong portfolio of brands in the hair care space. "Roby" enjoys market leadership in hair styling sprays while '919' occupies the mid-premium space.

The two companies provide us with a tremendous platform for establishing a strong presence in the fast growing hair colour markets in Latin America.

The above two acquisitions represents another important step towards your Company becoming a leading emerging markets multinational and dovetails well with our global 3 by 3 strategy – presence in 3 continents – Asia, Africa and Latin America through 3 core categories – home care, personal wash and hair care.

### Financial Position

The unutilized proceeds of the rights issue made in May 2008, which were kept in fixed deposits with banks, pending their deployment in the various objects of the issue and within the time frame approved by the shareholders have been fully utilized.

In the EGM held on February 10, 2010, the consent of the shareholders was received through a postal ballot for various proposal including raising equity/debt upto an amount of Rs.3,000 crore. The funds so raised will enable the Company to fund its requirements including expansion, acquisitions, investment, capital expenditure, working capital, repayment of borrowings and other general corporate purposes.

ICRA has assigned a rating of "A1+" (pronounced as A one plus) for the Company's commercial paper programme of Rs.100 crore. This rating is the highest-credit-quality rating assigned by ICRA to short term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term.

ICRA has assigned a rating of "A1+" (pronounced as A one plus) for the Company's non convertible debenture programme of Rs.700 crore. This rating is the highest-credit-quality rating assigned by ICRA.

Your Company has on May 25, 2010, successfully placed commercial paper amounting to Rs.100 crore and issued unsecured non convertible debentures aggregating to Rs.700 crore on private placement basis. The proceeds of these issues have been used to fund the acquisition of the balance 51% stake in Godrej Sara Lee Ltd.

### Directors

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. The Board places on record its appreciation of the excellent job done by Mr. Dalip Sehgal in steering your Company.

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. Though Mr. A Mahendran is currently the Managing Director of Godrej Sara Lee Ltd (proposed to be renamed as Godrej Household Products Ltd) and also Godrej Hygiene Products Ltd, he has indicated that he will step down as Managing Director from one of these companies before his appointment in Godrej Consumer Products Ltd takes effect.

### "Group" for interse transfer of shares under clause 3(1)(e) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations,1997.

In addition to the names given in Annexure C to the Directors' Report, the following Limited Liability partnerships which have been formed by some of the promoters also constitutes part of the "Group" for interse transfer of shares under clause 3(1)(e) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations,1997.

ABG Venture LLP  
NBG Enterprise LLP  
JNG Enterprise LLP  
SVC Enterprise LLP  
RKN Enterprise LLP  
Godrej & Boyce Enterprise LLP