





## **MANAGING DIRECTOR'S PERSPECTIVE**

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## DEAR SHAREHOLDERS,

I am pleased to share the highlights of what has been an exciting year, marked by consolidation, innovation, cross-pollination and growth. Our drive towards becoming an emerging markets FMCG leader continues, with a clear focus on our 3 X 3 strategy - building our presence in emerging markets in 3 continents through 3 core categories. We believe there is considerable opportunity to leverage demand and increase consumption and penetration in the categories and geographies that we operate in.

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**A. Mahendran**



## Extending leadership in our core categories

As you are aware, our 3 x 3 strategy aims at achieving market leadership in the categories and regions that we are present in. We continue to perform well and are market leaders in most of the categories. In India, we are the leaders in hair colour, home insecticides and liquid detergents and the number two player in toilet soaps, where we have outperformed category growth. On the international front, we are the market leaders in air fresheners and wet tissues in Indonesia, hair colours across several countries in Africa and Latin America and hair extensions in Africa. We are also the number two player in home insecticides in Indonesia.

Most of our brands are either leaders or among the top 3 in their categories. 5 of our brands were ranked in The Economic Times Brand Equity's 100 Most Trusted Brands 2012 survey this year, 2 more than the number featured in the previous edition.

In keeping with our endeavor to synergise our operations and products across geographies, we have made a conscious effort to cross-pollinate products. This has translated into well-received launches in newly entered market categories. A good example of this is the Stella brand of air fresheners from our Indonesia business that was leveraged to launch 'aer', a premium air care brand in India.

## Capitalizing on international growth potential

We expanded our international footprint and entered new geographies in Africa and Latin America last year. Since then, we have focused on consolidating our presence in these markets, while building on our growth in the other geographies where we are present.

The overall integration of the Darling Group continued on track. Phase 2 of the consolidation from November 2012 onwards has extended our reach to the sizeable Kenyan market. The acquisition of 60% stake in Cosmetica Nacional in Chile has resulted in significant synergies for us in the Latin America

market. We launched many new products through the year and relaunched Cosmetica's flagship brand, Ilicit. We also introduced new products in Indonesia and Africa to augment our portfolios. Our UK business has acquired the Soft & Gentle brand from Colgate-Palmolive. This is the 4<sup>th</sup> largest female deodorant brand (by market share) and has strong brand equity with retailers and consumers in the UK.

## Accelerating renovation and innovation

Design driven innovation will be key to our success and we have spent the last couple of years laying the foundation for a strong innovation pipeline. We had many launches, re-launches and brand renovations across our businesses this year. In India, we revamped our heritage brand, Cinthol, with a new personality around the 'Alive is Awesome' campaign. We have also forayed into shower gels. We also launched Godrej Expert Rich Crème Hair Colour, a unique innovation of a crème in a sachet, a first for the Indian market. Godrej aer, our new range of car and home air fresheners, cross pollinated from our Indonesia business, has also been very promising.

- 1 EXTENDING LEADERSHIP IN OUR CORE CATEGORIES
- 2 CAPITALIZING ON INTERNATIONAL GROWTH POTENTIAL
- 3 ACCELERATING RENOVATION AND INNOVATION
- 4 BUILDING A FUTURE READY SALES SYSTEM
- 5 MAKING OUR SUPPLY CHAIN BEST IN CLASS
- 6 BUILDING AN AGILE AND HIGH PERFORMANCE CULTURE

We also introduced a new variant of Godrej No 1, Rosewater and Almonds and Goodknight Advanced Colour Play. On the international front, in Nigeria, we entered the household insecticides space with the Goodknight brand in coils and aerosols. In Indonesia, we launched the Mitu Kids range of products and HIT one push aerosol. Our UK business launched Cuticura 8 hours hand sanitizer, a disruptive innovation with huge potential for the UK and our other markets, a new range of shampoo and conditioners for Touch of Silver and a skin care range for Aapri. In Latin America, we launched new products for Issue and introduced a host of products for the cosmetics brand, Pamela Grant. In Chile, we relaunched the Ilicit brand and in Argentina, added a sun protection range to the Villeneuve portfolio.

### **Building a future ready sales system**

The Godrej Household Products Limited (GHPL) merger has, over the last couple of years, greatly helped us capitalize on synergies and facilitate an improved sales system. We have also been focused on expanding our presence across rural and urban India. We have also implemented 'G-One', a state-of-the-art sales and distribution management software as the base for our sales infrastructure, to help streamline data analytics.

### **Making our supply chain best in class**

Having a best-in-class global supply chain is a core focus for us. We have set up centers of excellence, are engaging in strategic sourcing and improving cost efficiencies. This will significantly benefit us, given the ongoing volatility in the macro economic environment. Following the acquisition of the Darling Group in Africa, we leveraged synergies in the market and streamlined regional operations. We have centralized production for South Africa and Mozambique at our Mozambican facility and this has helped us acquire significant purchasing and manufacturing synergies. The FTZ status for Mozambique also translates into lower indirect taxes and corporate tax and should enhance cost efficiency for us.

In India, our Demand Driven Supply Chain has led to mutually beneficial relationships with our suppliers and dealers. We have extended this to include partnerships with key Modern Trade players. In line with our SAP integration from last year, we have started deploying SAP in most of our subsidiary units and are currently integrating them into one SAP ERP system.

### **Building an agile and high performance culture**

One of our key principles is to foster an inspiring workplace. We lay particular emphasis to developing, mentoring and training our team members. In the past year, we have paid special attention to enhancing our development planning and talent management processes. We have also invested significantly in upgrading our IT systems to support our HR processes. In addition, we continue to work on improving our employer brand to ensure that we attract the best employees. We conduct an employee engagement survey, Godrej In Tune, in collaboration with Aon Hewitt, to benchmark our people practices and understand internal perspectives on how our team members feel about Godrej and what can be improved. We have seen a significant shift in scores here and this has been very encouraging. Our commitment to a strong people proposition has been validated time and again in the form of various accolades such as the number one ranking in the FMCG category of the 'Great Place To Work' survey conducted last year. We were also number four in the 'Aon Hewitt Best Employers' survey and ranked among the 25 best employers in Asia. Employability continues to be high on our agenda. As part of our Good & Green Vision 2020, we aim to train 1 million rural and urban youth in skilled employment. Some of our recently introduced programmes to support this are showing encouraging results – Godrej SALONi, piloted in January 2012 to train young women in beauty and hair care, Godrej Vijay, started this year to train rural youth in channel sales and Godrej Sakhi, to train rural women to become entrepreneurs.

## The road ahead

We have the building blocks in place to deliver the promise of a larger and stronger GCPL and will continue to invest prudently across all aspects of our business, R&D, advertising and promotion, supply chain and most importantly, our people.

As you would know, I have decided to retire on June 30, 2013. It truly has been a privilege to be part of the Godrej Group for the last 19 years and I am proud of what we have accomplished. I believe that this

is an excellent time for a CEO transition. GCPL is in very good shape strategically, operationally and financially. We have a strong management team in place that is well equipped to capitalize on the great opportunities that lie ahead. Vivek and I have worked very closely over the past three years. I am confident that he will lead GCPL to greater successes in the future. On my part, as non-executive Director, I will continue to serve your company.

I encourage you to keep supporting us, as you have always done, and be a part of our future growth story.

Best Regards,



A. Mahendran  
Managing Director