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**DIRECTORS' REPORT AND  
MANAGEMENT DISCUSSION  
& ANALYSIS**

# DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended on March 31, 2013.

## 1. FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

Your Company's financial performance for the year under review has been encouraging and is summarised below:

Figures in ₹ Crore

	Consolidated		Standalone	
	FY 2012-13	FY 2011-12	FY 2012-13	FY 2011-12
Net Sales	6390.79	4850.94	3520.93	2933.53
Other Operating Income	16.65	15.22	60.09	46.55
Total Income from Operations	6407.44	4866.16	3581.02	2980.08
Total Expenses other than Depreciation & Finance Cost	5392.28	3990.26	2938.94	2410.64
Profit from Operations before depreciation, Other Income, Finance Cost & Exceptional Items	1015.16	875.90	642.08	569.44
Depreciation	77.00	64.44	32.27	25.83
Profit from Operations before Other Income, Finance Cost & Exceptional Items	938.16	811.46	609.81	543.61
Foreign Exchange Gain / (Loss)	(32.78)	(20.50)	(12.01)	(15.16)
Other Income	67.78	52.00	50.65	63.05
Profit before Finance Costs and Exceptional Items	973.16	842.96	648.45	591.50
Finance Cost	77.45	65.84	15.49	13.39
Profit after Finance Costs but before Exceptional Items	895.71	777.12	632.96	578.11
Exceptional Items	128.90	200.17	0.00	180.95
Profit Before Tax	1024.61	977.29	632.96	759.06
Tax Expense	179.18	226.05	122.02	154.67
Net Profit after Tax before Minority Interest	845.43	751.24	510.94	604.39
Minority Interest	(49.33)	(24.52)	-	-
Net Profit for the period	796.10	726.72	510.94	604.39

## 2. APPROPRIATION

Your Directors recommend appropriation as under:

₹ Crore

GCPL Standalone	FY 2012-13	FY 2011-12
Surplus as at end of previous year	769.82	407.91
Add : Net Profit for the year	510.94	604.39
Available for appropriation	1280.76	1012.30
Less: Transfer to DRR	21.25	-
Less : Interim Dividend	170.16	156.63
Less : Tax on distributed profits	28.13	25.41
Less :Transfer to General Reserve	51.13	60.44
Total Appropriation	270.67	242.48
Surplus Carried Forward	1010.09	769.82

### 3. DIVIDEND

For the year 2012-13, three interim dividends were paid on shares of face value ₹ 1/- each – as follows: ₹ 1/- per equity share on August 4, 2012, ₹ 1/- per equity share on November 3, 2012 and ₹ 1/- per equity share on January 31, 2013.

In addition to the above, the Board of Directors has also declared a fourth interim dividend on April 30, 2013 at the rate of ₹ 2/- per equity share on shares of nominal value ₹ 1/- each. The record date for the same has been fixed as May 9, 2013.

Your Directors recommend that the aforesaid interim dividends aggregating to ₹ 5.00 per equity share on shares of face value ₹ 1/- each be declared as final dividend for the year ended on March 31, 2013.

### 4. NON-CONVERTIBLE DEBENTURES

In April 2012, your Company made an issue of Unsecured Redeemable 9.80% p.a. coupon Non-Convertible Debentures aggregating ₹ 50 crore for a tenor of 18 months, on a private placement basis and the same is outstanding as at the year end. The said Debentures have a credit rating of [ICRA] AA (Stable)

In October 2012, your Company has made a fresh issue of a Unsecured Redeemable Zero Coupon Non-Convertible Debentures on a private placement basis aggregating to ₹ 250 crore for a tenor of two years and the same is outstanding as at the year end. The said Debentures have a credit rating of [ICRA] AA (Stable)

The Unsecured Non-Convertible Debentures of ₹ 225 crore issued November 2011 on a private placement basis was redeemed by your Company in November 2012 by exercising the call option at the end of one year as per the terms of the issue.

### 5. SUBSIDIARIES

Your Company's focus is on emerging markets. Our 3x3 strategy concentrates on three categories namely home care, personal wash, hair care in three continents which comprise Asia, Africa and South America. In the past few years we acquired subsidiaries in the three continents in line with our '3 x 3' strategy.

During the year your Company completed the acquisition of 51% stake in Darling group operations

in Kenya and 60% stake in Cosmetica Nacional in Chile. During the year Godrej Nigeria Holdings Ltd merged with Godrej Consumer Products Mauritius Ltd (both wholly owned subsidiaries of GCPL) with effect from April 1, 2012.

In January 2013, your Company divested its non core food business in Indonesia together with the associated brands at a value of about USD 35 million. This business was operated by an Indonesian subsidiary of the Company viz PT Simba Indosnack Makmur. Consequently PT Simba Indosnack Makmur has ceased to be a subsidiary of your Company

The details of business of the subsidiaries are given in Management Discussion and Analysis section of the Directors' Report. In line with the General Circular No. 2 /2011 dated February 8, 2011 issued by the Ministry of Corporate affairs, the Board of Directors of your Company has passed a resolution for giving its consent for not attaching the financial statements of subsidiaries of the Company to the Balance sheet of the Company for the year ended March 31, 2013.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India, also forms part of the Annual Report and accounts of your Company. A one page financial summary for all the subsidiaries giving the required information is disclosed in the consolidated balance sheet.

As directed by the aforesaid circular the accounts of the subsidiary companies and the related detailed information will be made available to any shareholder seeking such information at any point of time. The accounts of the subsidiary companies are also available for inspection by any shareholder at the registered office of the Company or at the registered offices of the subsidiary companies.

### 6. MANAGEMENT DISCUSSION AND ANALYSIS

In order to avoid duplication between the Directors' Report and Management Discussion and Analysis, your Directors give below a composite summary of the various business and functions of the Company.

# OVERVIEW

## MACRO ECONOMIC ENVIRONMENT

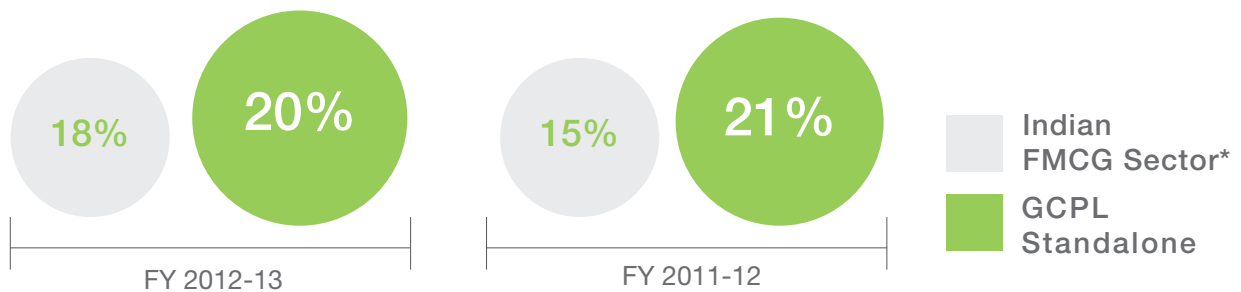
FY 2012-13 was a tough year for the Indian economy, particularly as compared to the strong growth seen in the preceding years. While continuing global uncertainty did impact growth in India, a number of other challenges were domestic. These included low manufacturing growth, slower than required pace of reforms, high current account and fiscal deficits and persistently high inflation. The weak monsoon further exacerbated the situation by adversely impacting the agricultural sector. At 5%, the GDP growth rate for FY 2012-13 is the lowest in a decade.

The prospects for FY 2013-14 are looking brighter. There is moderation in inflation rates, which should allow further cuts in interest rates, thereby spurring investments. Reductions in global oil and gold prices will also reduce pressures on India's current

account. Key actions by the government in the last year such as opening up of FDI in certain areas, postponement of GAAR and the formation of a Cabinet Committee on investment have all inspired confidence, and will hopefully be taken further in FY 2013-14.

## FMCG SECTOR

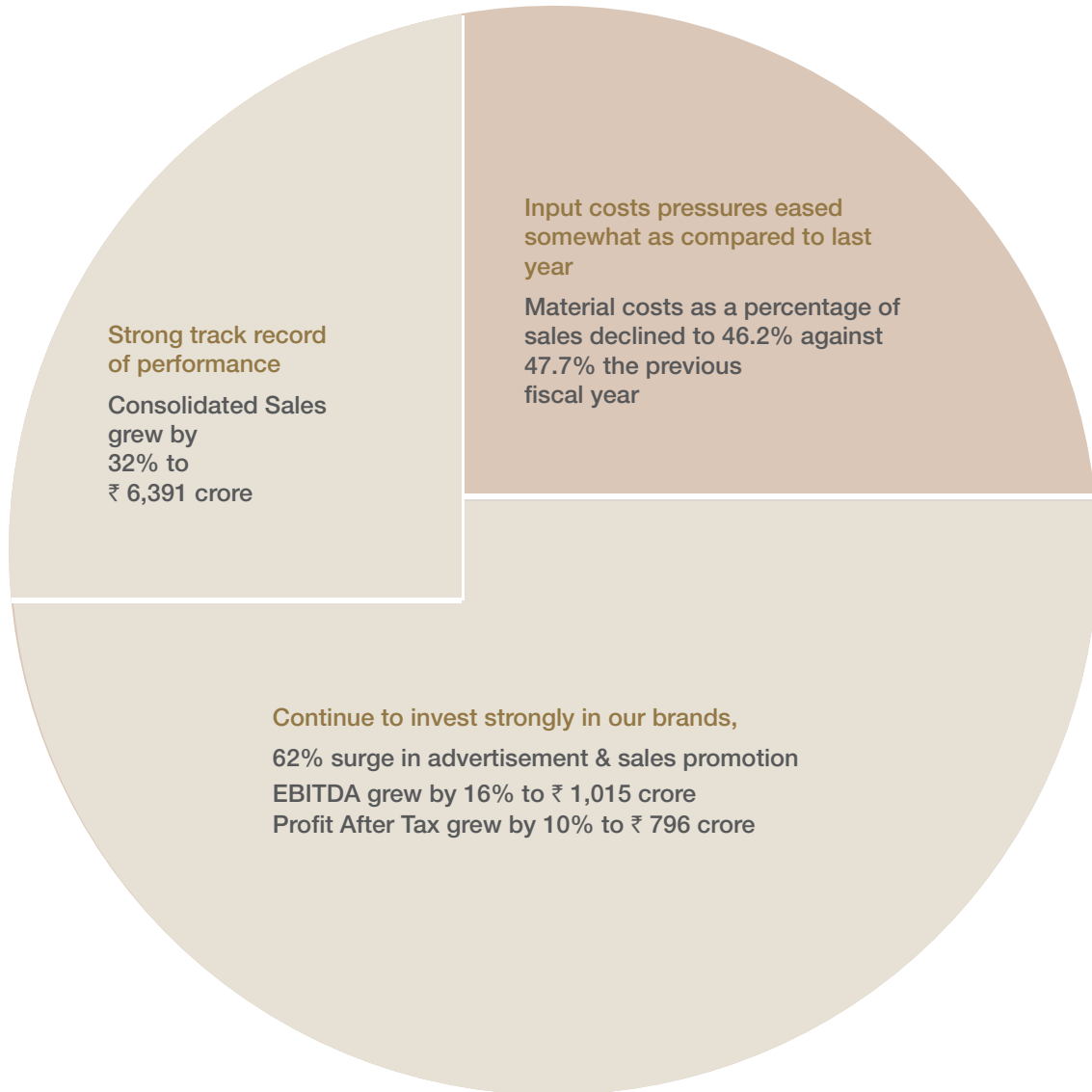
The FMCG sector registered good volume led growth in revenues during the year. Rural India, which contributes to a third of the overall FMCG sector, showed strong growth, driven by factors like higher minimum support prices for agricultural produce, employment guarantee schemes and a growth in services. To add to this, aspiration levels continue to trend upwards with rural consumers demanding branded products. Recent reports indicate that incremental consumption expenditure in rural India has been significantly ahead of urban India in the last few years.



DOMESTICALLY, WE HAVE DELIVERED CONSISTENT HEALTHY SALES GROWTH

\* Source AC Nielsen

## GCPL PERFORMANCE IN FY 2012-13





**EXTENDING LEADERSHIP  
IN OUR  
CORE CATEGORIES**

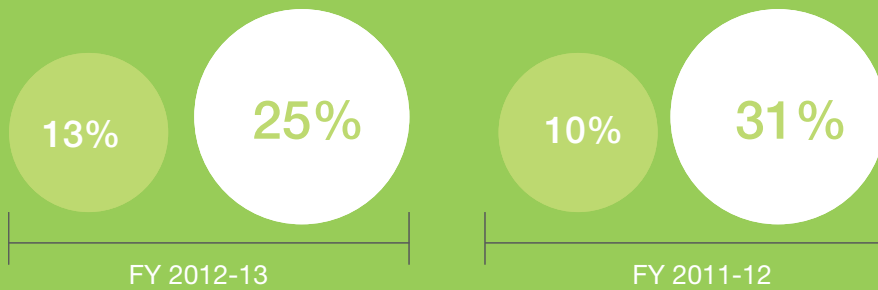
# HOUSEHOLD INSECTICIDES

Gained share across all major formats of coils, aerosols and electrics



- 1 Built on the promise of 'protecting happy moments', Goodknight aims to delight consumers through a deep understanding of their needs
- 2 Goodknight was ranked 1st, amongst the 'Most Trusted Brands' in Household Care in the Economic Times – Brand Equity Most Trusted Brands Survey this year





Category \*

GCPL

Business grew ahead of the category

\* Source: AC Nielsen



- 1 Clear leader in the aerosols market, focused on killing pests and offering undisputed efficacy
- 2 Launched HIT Anti Roach Gel, an innovative non-messy gel-based product that attracts and kills cockroaches and is effective for up to 45 days
- 3 HIT was ranked 8th, amongst the 'Most Trusted Brands' in Household Care in the Economic Times – Brand Equity Most Trusted Brands Survey this year



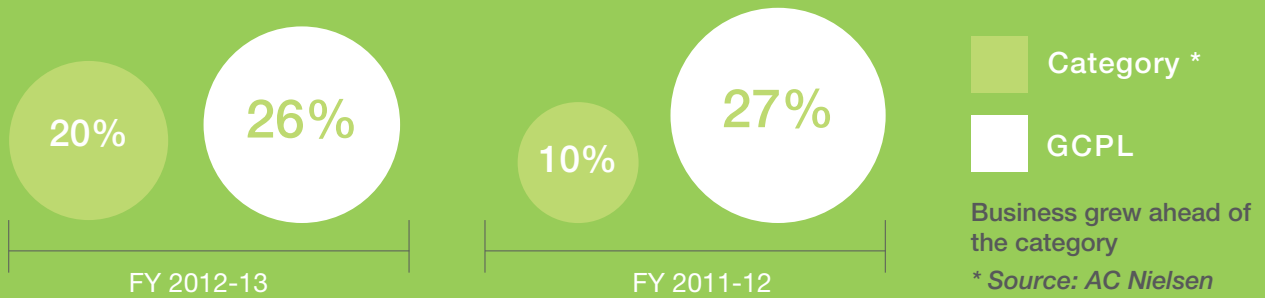
# PERSONAL WASH

Second largest toilet soaps company in India

*Godrej No.1*

- 1 Top Grade 1 soap in India
- 2 Increased innovations and strong brand presence in both urban and rural markets
- 3 Launched Godrej No. 1 Rosewater and Almonds this year





# CINTHOL

- 1 Refreshed product range and packaging in bath and fragrancing spaces
- 2 Its new personality is being communicated around the proposition of 'Alive is Awesome'
- 3 Aims to connect to the modern and changing demands of vibrant and young India
- 4 Extended the brand and made a foray into shower gels



# HAIR CARE

Leader in hair colour

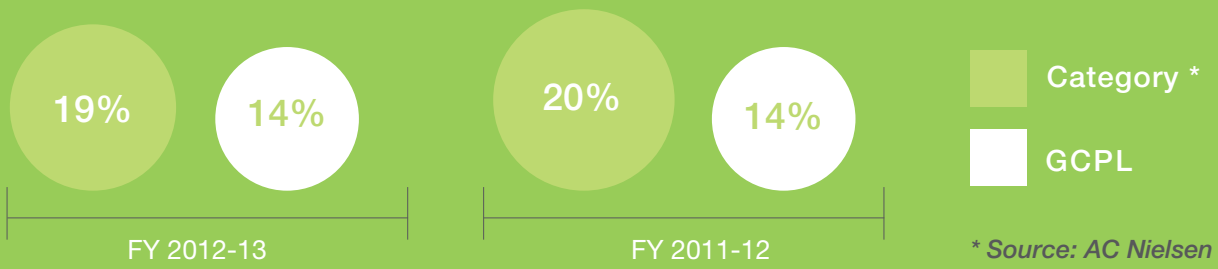
Largest manufacturer of powder hair colour in the world



- 1 Introduced Godrej Expert Rich Crème, a breakthrough innovation at multiple levels
- 2 Aggressively supported our powder franchise with the innovative gel-based Godrej Expert Advanced Powder Hair Colour
- 3 Godrej Expert Powder Hair Colour maintained its leadership position



New design language on our premium brands, differentiated and clutter breaking



# FABRIC CARE

Leader in liquid detergents



Third largest brand in premium detergents







**CAPITALIZING ON  
INTERNATIONAL  
GROWTH POTENTIAL**

# OVERVIEW

## INTERNATIONAL BUSINESS

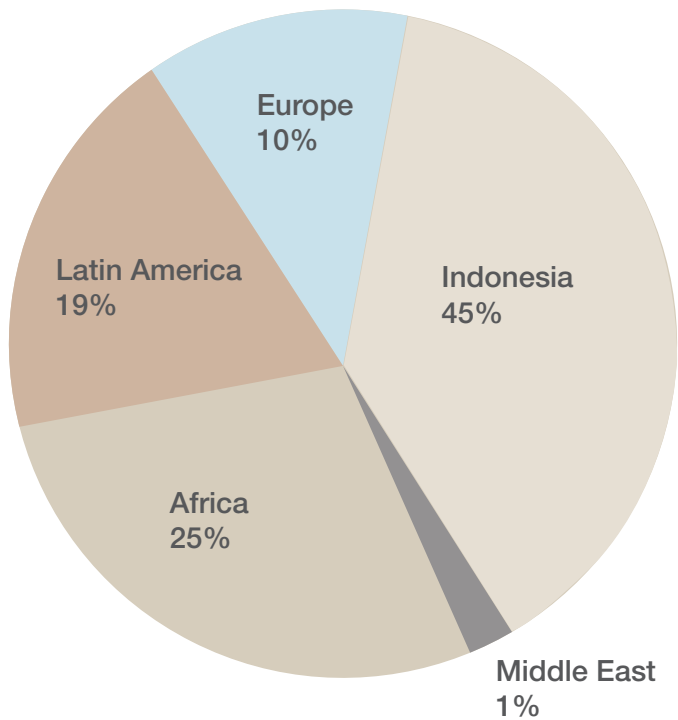


## 3X3 STRATEGY

- 1 3 categories (Home Care, Personal Wash and Hair Care) in 3 continents (Asia, Africa and Latin America)
- 2 Disciplined M&A approach
- 3 Value based partnering

Saliency of international business revenues: 44%

### International Sales breakup



# INDONESIA

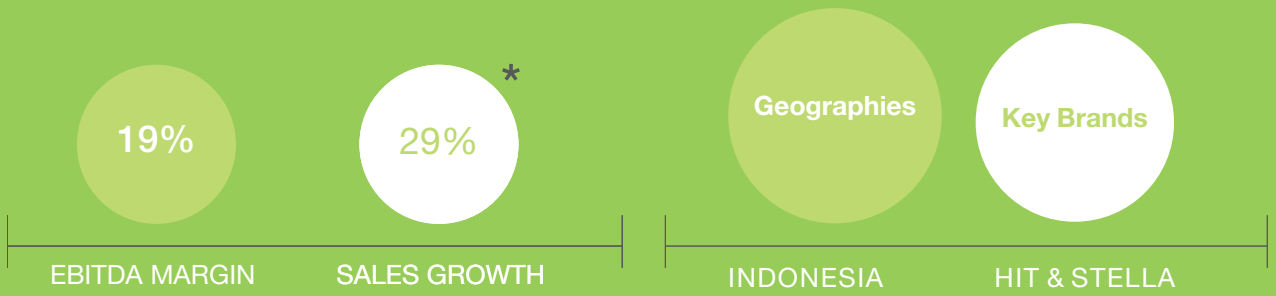
- 1 Range of household and personal care products, home insecticides, wet tissues, baby wipes and air fresheners
- 2 Business continues to outperform; market share gains across categories



Naveen and team members



HIT Magic, our game changing paper based mosquito repellent



\*Constant currency growth

- 1<sup>st</sup> in air fresheners & wet tissues
- 2<sup>nd</sup> in household insecticides



Mitu Kids, our range of baby care products



Stella, our category leading range of air fresheners

# AFRICA

- 1 Range of hair extensions, hair colours, household insecticides and personal wash
- 2 Scale up of business continues - presence in South Africa, Mozambique, Nigeria and Kenya



The Godrej South Africa team celebrates



Renew, our range of Caucasian hair colours in South Africa, a great example of successful cross-pollination from our India business



\*Constant currency growth

**1<sup>st</sup>** in ethnic hair colours (14 countries)  
hair extensions (10 countries)

**2<sup>nd</sup>** in hair extensions (1 country)

**3<sup>rd</sup>** in caucasian hair colours  
(1 country)



Tura, our legacy brand of medicated soap in Nigeria



Darling hair extensions is a market leader in Africa

# EUROPE

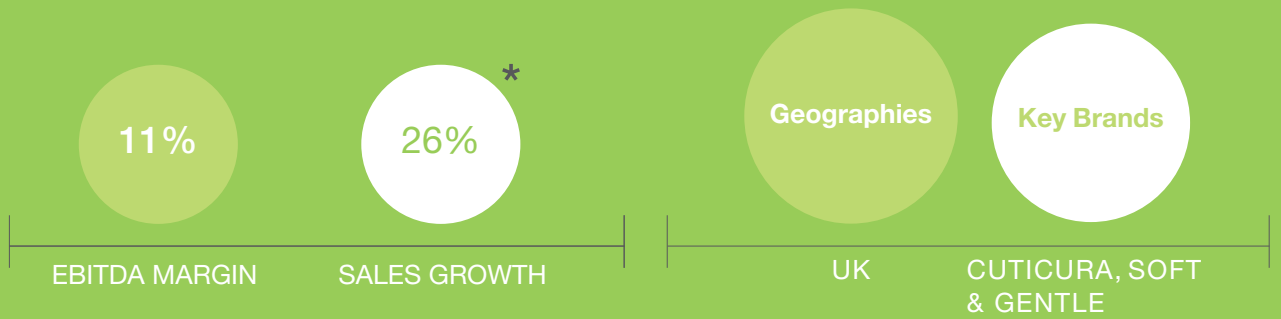
- 1 Range includes skin care, sanitisers, sun care and deodorants
- 2 Acquired the Soft & Gentle brand, the fourth largest by market share in female deodorants
- 3 Business continues to outperform – investments in innovation and brand development
- 4 Investments are driving healthy growth in a tough environment



Anand and team members



Soft & Gentle is the fourth largest by market share in the female deodorant market in UK



\*Constant currency growth

**1<sup>st</sup>** in stretch marks skin treatment

**2<sup>nd</sup>** in hand sanitisers

**3<sup>rd</sup>** in sun care



Cuticura, our range of hand sanitisers, had an innovative addition: the new anti bacterial hand serum with a promise of 8 hour protection



Touch of Silver, our range of salon inspired hair care products for blonde, white and grey hair

# LATIN AMERICA

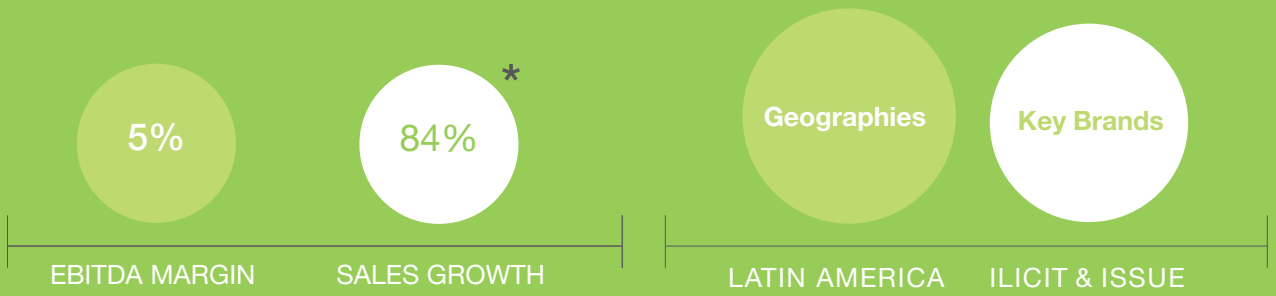
- 1 Range of products across hair colours, hair care, colour cosmetics, styling, professional and body care
- 2 New products launched are driving strong growth



Antonio and team members



Issue, our leading hair colour brand in Argentina



\*Constant currency growth

**1<sup>st</sup>** in hair colours by volume  
(Argentina, Uruguay, Paraguay, Bolivia)

**2<sup>nd</sup>** in hair colours & colour cosmetics (Chile)



Pamela Grant, leader in colour cosmetics in Chile



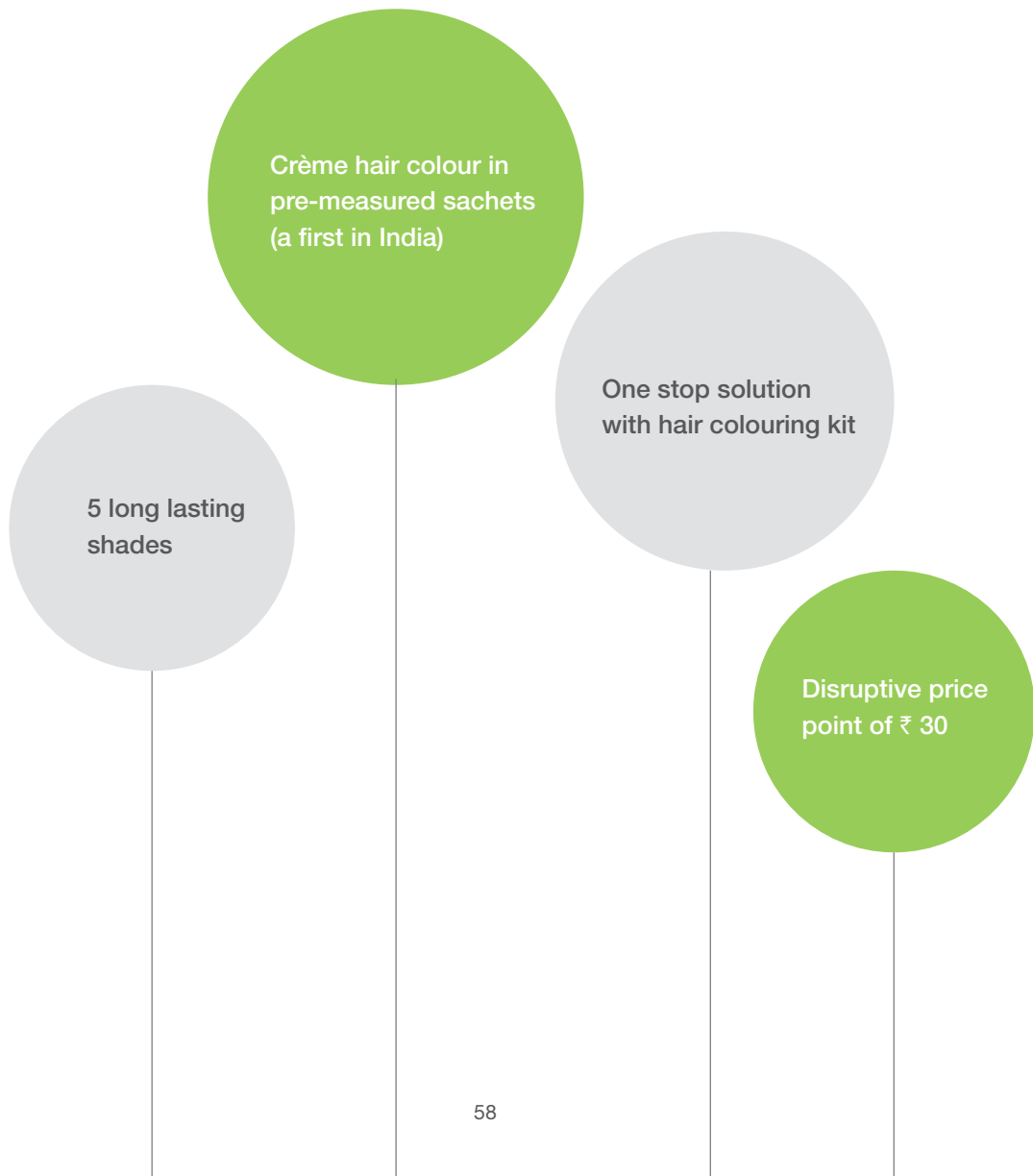
Illicit, the leading hair care brand in Chile was re-launched this year



**ACCELERATING  
RENOVATION AND  
INNOVATION**

# INDIA

## GODREJ EXPERT RICH CRÈME HAIR COLOUR





# think crème hair colouring is difficult? well, not anymore.

Whether you're new to hair colouring or not, the kit from Godrej Expert Rich Crème has everything you need to make hair colouring super easy - like **premeasured sachets**, a mixing bowl, a brush and much, much more. It has **Aloe Protein** that nourishes your hair, making it soft & shiny. And **no Ammonia<sup>#</sup>** means it's absolutely safe.<sup>#</sup>



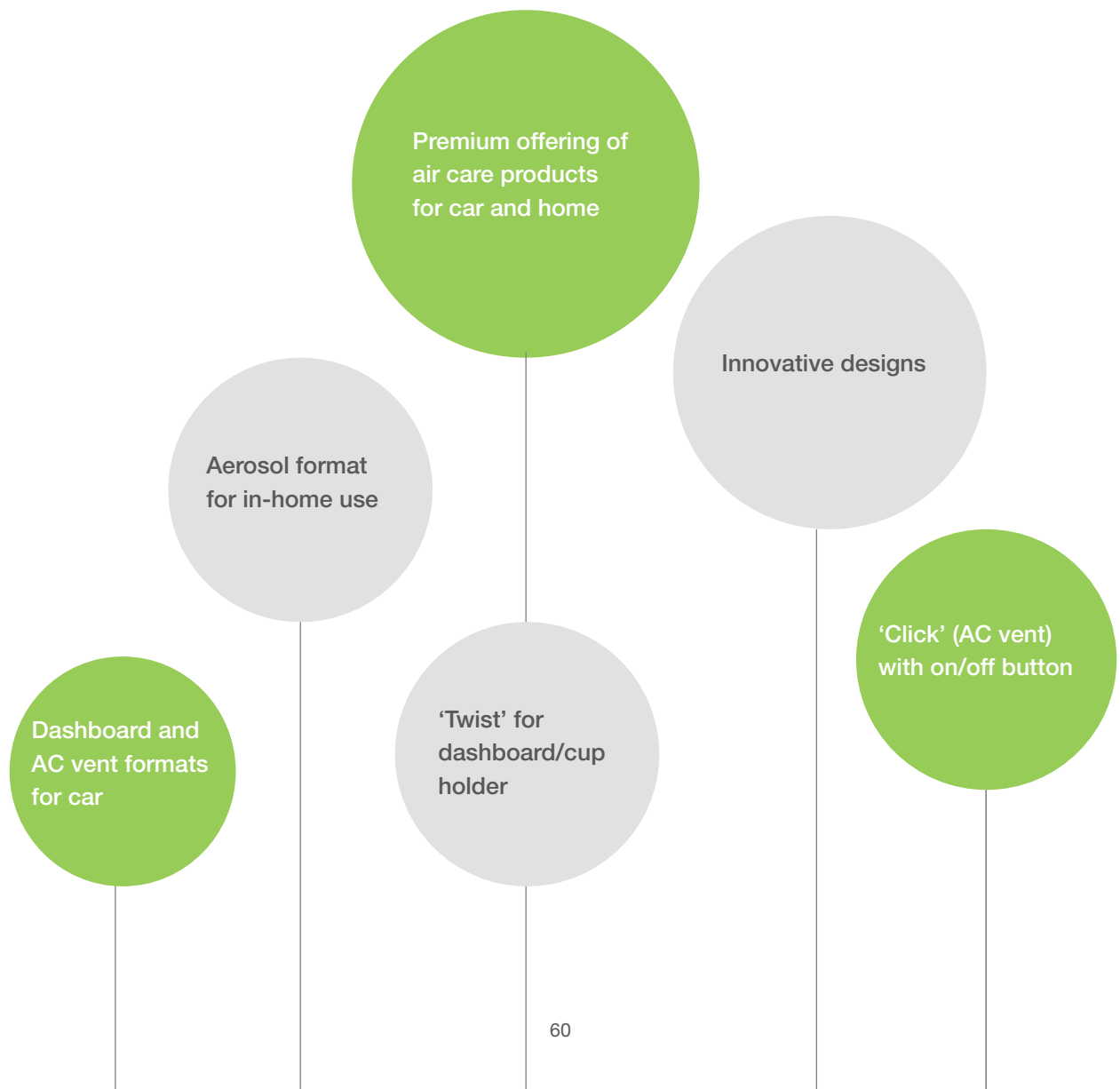
long lasting shades

\*20g+20ml+6g

<sup>#</sup> Based on third party evaluation data on conditioning properties & retention of hair strength, measured as per standard lab protocols versus ammonia containing crème hair colour.

# INDIA

## GODREJ AER - HOME & CAR FRAGRANCES



*Goodie*  
**aer**  
HOME & CAR FRAGRANCES

Hello! We are here to  
change the air.  
The way it smells, and the way it spells.



aer it out

# INDIA

## CINTHOL

Brand relaunch with premium international fragrances, innovative designs and distinctive packaging

Entered shower gel category with 4 variants

5 variants of soap;  
5 variants of non-alcohol based deos  
and revamped talcs

CINTHOL  
ALIVE IS AWESOME

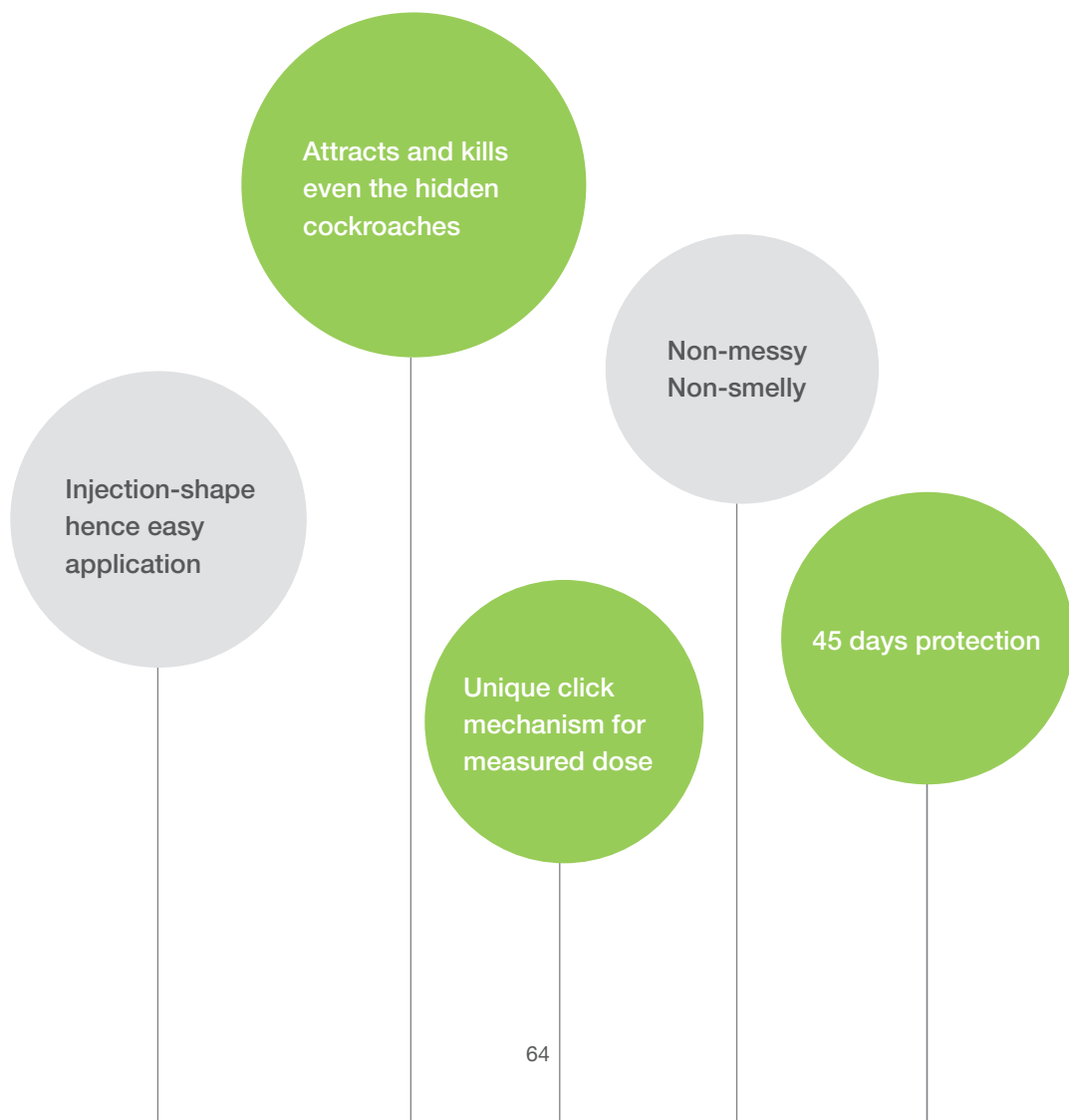
GIGIGIVE SUSUMMERR  
THTHTHE  
SHSHSHIVERRS.



**NEW CINTHOL COOL SOAP AND SHOWER GEL.**  
Feel alive with cooling menthol and refreshing deodorant.

# INDIA

## HIT Anti Roach Gel





# DON'T KILL COCKROACHES.



Let cockroaches kill other cockroaches with the new HIT Anti roach gel. It attracts and kills even the hidden ones. Other cockroaches come in contact with the dead ones, get infected & die, thereby, eradicating the entire nest.



**AAYENGE, KHAYENGE, JADD SE MAR JAYENGE.**

## CLICK TO KILL COCKROACHES :



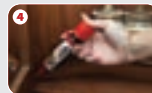
1 Hold the injector as shown.



2 Click once to use



3 With one click,  
one dose comes out.



4 Apply gel at 5-10 cm  
interval



5 Gel attracts cockroaches.  
After ingesting, cockroaches  
die in few hours.



6 Poisoned cockroaches infect  
and kill other cockroaches,  
thus eliminating the nest.

# ARGENTINA

## ISSUE HAIR COLOUR

First 'home' hair colour powered with unique technology - 'luminy system' - to provide extra shine and tri-dimensional brightness

New colour with three-dimensional technology that penetrates the hair fibre and reflects a three-dimensional light

A revealing colour experience in 12 glossy shades

# ISSUE

The **Nº1** hair color seller of Argentina\* presents:



3D  
gloss

A new hair color generation with **three-dimensional** gloss technology and an excellent grey coverage

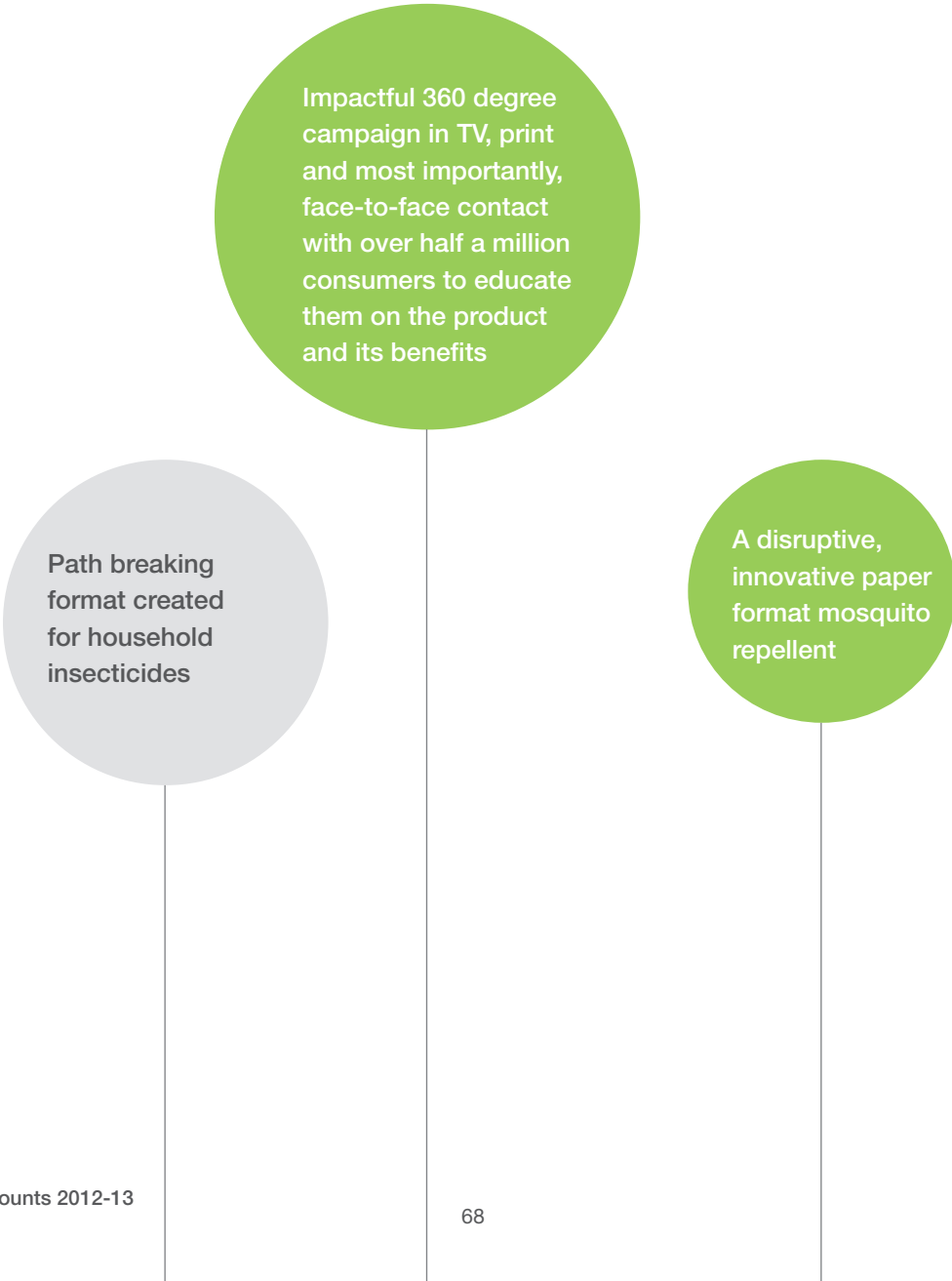
AVAILABLE IN 12 SHADES

\* Quantitative study of the Argentinian hair color category

*Change  
your color  
and everything  
changes.*

# INDONESIA

## HIT MAGIC MOSQUITO REPELLENT



Impactful 360 degree campaign in TV, print and most importantly, face-to-face contact with over half a million consumers to educate them on the product and its benefits

Path breaking format created for household insecticides

A disruptive, innovative paper format mosquito repellent

Rp500,-

Generasi **TERBARU**



1 MV **HIT-MAGIC**<sup>®</sup>

**AKSI  
INSTAN**



wangi floral



**3**  
lembar

anti nyamuk



Sunil and team members

## BUILDING A FUTURE READY SALES SYSTEM

Significant benefits of leveraging geography and channel synergies across our core categories

Strengthening rural distribution and developing under tapped channels – expanded our distribution reach by 10% in FY 2012-13

Strong investment in Sales IT systems

# MAKING OUR SUPPLY CHAIN BEST IN CLASS

Cost synergies tracking ahead of plan  
– Post merger of GHPL into GCPL,  
delivered cost synergies in excess of  
₹ 200 crore through integrated marketing,  
supply chain, international operations, IT  
infrastructure and support functions

Best in class practices – Demand Driven  
Supply Chain, TOC, TPM, Lean, Six Sigma  
and Low Cost Automation

Global strategic sourcing

Deploying SAP in most subsidiary units  
and integrating them into one SAP ERP  
system

Significant support to international  
business continues



Rakesh and team members



**BUILDING AN AGILE  
AND HIGH  
PERFORMANCE CULTURE**

# BUILDING AN AGILE & HIGH PERFORMANCE CULTURE

An inspiring place to work

Strong focus on Careers and Learning

Building our employer brand

Ranked No. 1 in the FMCG category of the 'Great Place To Work' survey conducted last year

No. 4 in the 'Aon Hewitt Best Employers' survey and ranked among the 25 best employers in Asia



Godrej LOUD, our radically different approach to business school recruitment encouraged students to live out their unfulfilled personal dreams and offered sponsorship and summer internship opportunities



In house employee engagement survey, Godrej In Tune, in collaboration with Aon Hewitt

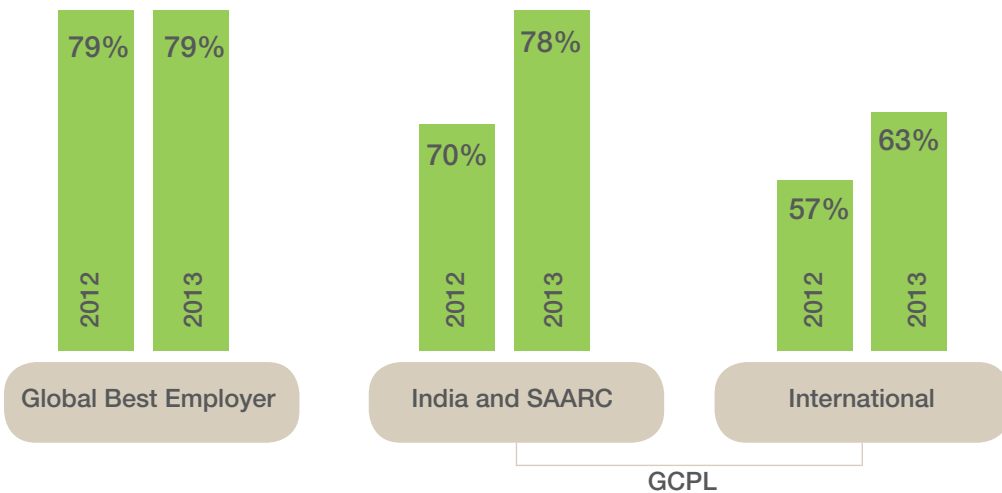
Successful integration of international businesses and International Center in place

Significant investment in upgrading our IT systems to support our HR processes

Benchmark our people practices and understand internal perspectives on how our team members think about Godrej and what can be improved



*Godrej* in t((u))ne



## INTERNAL CONTROL AND ADEQUACY

We have a proper system of Internal Controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

Our Corporate Audit & Assurance Department which is ISO 9001: 2008 certified, issues well documented operating procedures and authorities, with adequate built-in controls at the beginning of any activity and during the continuation of the process, if there is a major change.

The internal control is supplemented by an extensive programme of internal, external audits and periodic review by the management. This system is designed to adequately ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets.

The GCPL Head Office and all major factories and offices across India operate on an Information Security Management System which is ISO/IEC 27001 certified.

## RISKS AND CONCERNS

As we expand our global reach, we will be exposed to an increasing degree of risks. These risks can adversely impact our operating performance, cash flows, financial performance, management performance and overall sustainability. We have an active risk management strategy in place and a Risk Committee, whose role is to identify potential risks, create mitigation strategies and monitor the occurrence of risk.

The risks that may affect us 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 we have a presence or operation.

## OUTLOOK

The coming year provides us with tremendous opportunity and we are motivated by the thought of building a stronger GCPL. While there will undoubtedly be challenges, we believe that we have a sound strategy and strong management team to lead this change.

## CAUTIONARY STATEMENT

Some of the statements in this Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments in India and overseas, political instability, change in international oil prices and input costs and new or changed priorities of the trade.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

## 8. EMPLOYEE STOCK OPTION PLAN

The shareholders of the Company vide special resolution passed on March 14, 2007 approved the setting up of Godrej Consumer Products Ltd. Employee Stock Option Plan (GCPL ESOP). Pursuant to the approvals received in the above meeting and in the meeting dated April 24, 2008, the Company can grant 4,500,000 stock options convertible into 4,500,000 equity shares of the nominal value ₹ 1/- each to the eligible employees/directors of the Company and of the Company's subsidiaries.

The GCPL ESOP is administered by a trust set up for this purpose viz. Godrej Consumer Products Ltd. Employee Stock Option Trust.

As on March 31, 2013, 74,050 options convertible into 74,050 shares of nominal value of ₹ 1/- each are outstanding in respect of options granted under the GCPL ESOP to employees of the Company.

The details of the Options allotted under GCPL ESOP, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in **Annexure A** to this report.

Since the exercise price of GCPL options is the last closing price on the stock exchange plus interest till the date of exercise, there is no compensation cost in Financial Year 2012-13 based on the intrinsic value of the options.

Under the Scheme of Amalgamation between your Company and Godrej Household Products Limited

(GHPL), the Employee Stock Option Scheme of the erstwhile unlisted GHPL has become part of your Company. The equity shares of 'Godrej Industries Limited' are the underlying equity shares for the stock option scheme. As at March 31, 2013, 1,120,000 options convertible into 1,120,000 equity shares of Godrej Industries Ltd are outstanding.

## 9. EMPLOYEE STOCK PURCHASE PLAN

The Board of Directors at its meeting held on January 22, 2011 had approved an Employee Stock Purchase Plan (GCPL ESPL) under the provisions of Section 77 of the Companies Act, 1956. The GCPL ESPL is administered by the GCPL ESOP Trust. Employees in the cadre of Vice Presidents and above, are eligible to be covered under the plan.

Under the GCPL ESPL, the Company has provided loan to the GCPL ESOP Trust at an interest rate which is not less than the bank rate, to enable the GCPL ESOP trust to acquire upto 1,000,000 shares of the Company from the secondary market.

Under the GCPL ESPL, 1,000,000 shares have been granted, which have vested on March 30, 2012. The grants shall be compulsorily exercised by acquiring the shares from the GCPL ESOP trust within the exercise period as per the scheme. The exercise price shall be the market price on the day prior to the date of grant plus interest at a rate not less than the bank rate till the date of exercise.

## 10. EMPLOYEE STOCK GRANT SCHEME

The shareholders have on March 18, 2011, approved a new Employee Stock Grant Scheme (ESGS 2011). The scheme envisages the issue of up to 2,500,000 fully paid equity shares at a nominal value of ₹ 1 each in the Company to certain eligible employees of the Company and / or its subsidiaries. In terms of the ESGS 2011, 126,193 grants are outstanding and not vested as at March 31, 2013.

The eligible employees shall be entitled to exercise the options vested in them, within one month from the date of vesting or such dates as may be determined by the HR & Compensation Committee. The equity shares vested in the eligible employees shall be allotted on payment of the exercise price of ₹ 1.

The details of the grants allotted under GCPL ESGS, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India

(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure A to this report

## 11. UNCLAIMED SHARES

With respect to the unclaimed shares in the Company, in compliance with clause 5A of the listing agreement with the stock exchanges, your Company had sent three reminders to the addresses given in the application form asking for the correct particulars. In respect of the folios for

which no response was received, the said shares were transferred to a newly opened demat account during the year viz. "Unclaimed-Suspense Account". As and when an allottee approaches the Company, the Company shall, after proper verification, either credit the shares lying in the Unclaimed Suspense Account to the demat account of the allottee to the extent of the allottee's entitlement, or deliver the physical certificates after re-materialising the same, depending on what has been opted for by the allottee.

Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year;	Nil
Number of shareholders and aggregate shares transferred to Unclaimed Suspense Account during the year;	5,889 shareholders for 901,078 shares
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year and aggregate shares transferred	27 shareholders for 6,113 shares
Number of shareholders to whom shares were transferred from the Unclaimed Suspense account during the year and the aggregate shares transferred	27 shareholders for 6,113 shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year.	5,862 shareholders for 894,965 shares

## 12. DIRECTORS

In accordance with Article 130 and 131 of the Articles of Association of your Company, Mr. Nadir Godrej, Mr. Bharat Doshi and Dr. Omkar Goswami retire by rotation and being eligible, offer themselves for re-appointment.

The Board has at its meeting held on April 30, 2013 appointed Ms. Nisaba Godrej as a whole-time Director designated as Executive Director, Innovation for a period of three years with effect from July 1, 2013 to June 30, 2016. The appointment is subject to the approval of the shareholders

The Board of Directors at its meeting held on April 30, 2013 also made the following appointments

- Mr. Vivek Gambhir as an Additional Director with effect from April 30, 2013 and as the Managing Director for a period of three years with effect from July 1, 2013 to June 30, 2016.
- Ms. Ireena Vittal as an Additional Director with effect from April 30, 2013.
- Mr. A Mahendran as a Non Executive Additional Director with effect from July 1, 2013.

The Additional Directors appointed as above will hold office upto the date of the Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice from a member signifying his intention to propose the candidatures of Mr. Vivek Gambhir, Ms. Ireena Vittal and Mr A Mahendran as Directors in the ensuing Annual General Meeting

Accordingly the proposals for the aforesaid appointments/reappointments of Directors are included in the notice of the Annual General Meeting.

## 13. LISTING

The shares of your Company are listed at The BSE Limited and The National Stock Exchange of India Ltd.

2500 Non-Convertible Debentures of face value ₹ 10 each aggregating ₹ 250 crore issued in October 2011 on private placement basis is listed in the whole sale debt segment in The National Stock Exchange of India Ltd

500 Unsecured Redeemable 9.80% p.a. coupon Non-Convertible Debentures aggregating ₹ 50 crore

issued in April 2012 on private placement basis is listed whole sale debt segment in The National Stock Exchange of India Ltd

The applicable annual listing fees have been paid to the stock exchanges before the due date.

## 14. AUDITORS

The Auditors, Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, retire and offer themselves for reappointment.

Pursuant to directions from the Department of Company Affairs, M/s. P. M. Nanabhoy & Co., Cost Accountants have been appointed as Cost Auditors for the applicable products of the Company for the year 2012-13. They are required to submit the report to the Central Government within 180 days from the end of the accounting year. M/s. P. M. Nanabhoy & Co., Cost Accountants have also been appointed as Cost Auditors for the year 2013-14 for the applicable products of the Company

## 15. ADDITIONAL INFORMATION

Annexure B to this Report gives the information in respect of conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 forms part of this Report. As per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of the employee under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

## 16. CORPORATE GOVERNANCE

The Company continues to enjoy a Corporate Governance Rating of CGR2+ (pronounced as

CGR2 plus) and a Stakeholder Value Creation and Governance Rating of SVG1 (pronounced as SVG 1). The + sign indicates relatively higher standing within the category indicated by the rating. The above ratings are on a rating scale of 1 to 6, where 1 is the highest rating. The two ratings evaluate whether a Company is being run on the principles of Corporate Governance and whether the practices followed by the Company lead to value creation for all its shareholders.

The CGR2 rating is on a rating scale of CGR1 to CGR6 where CGR1 denotes the highest rating. 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.

The SVG1 rating is on a rating scale of SVG1 to SVG6 where SVG1 denotes the highest rating. The SVG1 rating implies that in ICRA's current opinion, the Company belongs to the highest category on the composite parameters of stakeholder value creation and management as also corporate governance practices

Pursuant to Clause 49 of the Listing Agreements, the Management Discussion and Analysis Report and the Report on Corporate Governance are included in the Annual Report. The Auditors Certificate certifying the Company's compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement, is attached as Annexure C and forms a part of this Annual Report.

## 17. ACKNOWLEDGEMENT

Your Directors wish to place their sincere thanks to the Central and State Governments as also all the Government agencies, banks, customers, shareholders, vendors and other related organisations who, through their continued support and co-operation, have helped, as partners, in your Company's progress.

For and on behalf of the Board of Directors

Adi Godrej  
Chairman  
Mumbai, April 30, 2013

## ANNEXURE A FORMING PART OF THE DIRECTORS' REPORT

As per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, following information is disclosed in respect of employee stock benefit plans are given below:

S r. Heading No.	Godrej Consumer Products Limited Employee Stock Option Plan	Limited Employee Stock Grant Scheme
a	Options granted	184,361
b	The pricing formula	₹ 1 per equity share
c	Options vested up to March 31, 2013	2,870,000
d	Options exercised up to March 31, 2013	2,745,950
e	The total number of shares arising as a result of exercise of option	Nil - Since no fresh issue of shares by the Company
f	Options lapsed	29,464
g	Variation of terms of options	29,464
h	Money realized by exercise of options	29,464
i	Total number of options in force	126,193
j	Employee wise details of options granted to:-	
	i) senior managerial personnel	None
	ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	28,704 on account of employee leaving service before vesting
	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	₹ 15.01 per share

Sr. No.	Heading	Godrej Consumer Products Limited Employee Stock Option Plan	Godrej Consumer Products Limited Employee Stock Grant Scheme
l	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted the employee compensation cost would have been higher by ₹ 0.08 crore, Profit after tax lower by ₹ 0.06 crore and basic EPS would have been higher by ₹ 0.002	The company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted the employee compensation cost would have been higher by ₹ 0.08 crore, Profit after tax lower by ₹ 0.06 crore and basic EPS would have been lower by ₹ 0.002
m	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Exercise price ₹ 263.20 plus interest as mentioned in pricing formula Fair Value ₹ 46.50	Exercise price ₹ 1 Fair Value ₹ 448.25
n	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: i) risk-free interest rate, ii) expected life, iii) expected volatility, iv) expected dividends, and v) the price of the underlying share in market at the time of option grant	The fair value of the options granted has been calculated using Black Scholes Options pricing formula and the significant assumptions made in this regard are as follows: 7.39% 4 years 39% 0.95% - 3.01% ₹ 129.65- ₹ 418.85	The fair value of the options granted has been calculated using Black Scholes Options pricing formula and the significant assumptions made in this regard are as follows: 7.5% 2 years 35% 0.74% - 1.20% ₹ 376.2 ₹ 608.70

Note 1 - Employee wise details of options granted under ESGs.

Name of senior managerial persons to whom stock options have been granted	Number of options outstanding (Granted in 2011-12)	Number of options outstanding (Granted in 2012-13)	Total
Rakesh Sinha	4784	4851	9635
P Ganesh	4784	3234	8018
Sunder Nurani Mahadevan	3189	3234	6423
Rahul Gama	2127	3234	5361
Shashank Sinha	9568	9701	19269
Sunil Kataria	3189	4851	8040
Naveen Gupta	7176	4851	12027
Jatin Brahmehcha	4784	3880	8664
R Anand	2126	3234	5360

## ANNEXURE B FORMING PART OF THE DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN

### EXCHANGE EARNINGS AND OUTGO

#### A. Conservation of Energy

##### I. Energy Conservation measures undertaken:

###### At Malanpur Unit

- 1) Provided a Heat exchanger for the pre-heating of boiler feed water through waste heat of contaminated condensate. Accrued Saving during 2012-13 35,000 KWH, Annual Saving Potential 400,000 KWH.
- 2) Provided an additional Heat Exchanger in the pre-concentrator Vs. steam drum waste Heat to increase concentration of sweet water and to reduce steam load on evaporation plant .Accrued Saving during 2012-13 20,000 KWH, Annual Saving Potential 100,000 KWH.
- 3) Provided direct feeding arrangement of CFA for direct feed from FSP-3 to FADP-3, thus utilized discharge heat of CFA and eliminated pre-heating of CFA. Accrued Saving during 2012-13 120,000 KWH, Annual Saving Potential 200,000 KWH
- 4) Provided TIC in cooling tower of Soap Finishing line 4 to optimize cooling tower fan running. Accrued Saving during 2012-13 4,500 KWH, Annual Saving Potential 6,000 KWH.
- 5) Provided line across chemical plants for condensate to have total water balance and to reduce wastage. Accrued Saving during 2012-13 5,000 KL Annual Saving Potential 13,000 KL.
- 6) Provided Rain water harvesting of 3,000 SQM roof area for the recharging into ground water

- 7) Optimization of cooling tower pumps by replacement of multiple pumps with single pump . Accrued Saving during 2012-13 nil, Annual Saving Potential 140,000 KWH.

###### At Baddi Units

- 1) Optimization of chilling system load through rerouting of lines to reduce power consumption at Katha. Accrued Saving during 2012-13 10,000 KWH Annual Saving Potential 70,000 KWH.
- 2) Provided VFD in Sigma Mixer at Katha. Accrued Saving during 2012-13, 4,000 KWH Annual Saving Potential 12,000 KWH.
- 3) Provided Energy efficient lights (CFL in place of conventional lights) at Thana unit. Accrued Saving during 2012-13 2,000 KWH Annual Saving Potential 12,000 KWH.

###### At North East Units

- 1) Provided Natural draft Air Ventilators in place of exhaust fan in Lokhra and K-5 refill & Sikkim. Accrued Saving during 2012-13 30,000 KWH
- 2) Provided Energy efficient lights (CFL in place of conventional lights). Accrued Saving during 2012-13 15,780 KWH
- 3) Replaced plastic bags with Crates at Lokhra. Accrued Saving during 2012-13 is 4 MT.
- 4) Recycled CFBs and replacement of CFB with of plastic crates. Accrued Saving during 2012-13 is 130 MT.
- 5) Use of treated Sewage water for toilet flushing. Accrued Saving during 2012-13 120 KL.

###### At South Units

Provided Waste Heat recovery unit in HAG at Coil 9. Accrued Saving during 2012-13 45,000 KWH.

Apart from above other common initiatives were productivity improvement, de-bottlenecking of capacities and imparting awareness to all

employees for energy, water conservation and waste reduction.

Results are as under

**Specific Energy Consumption/MT of production**

2011-12	2012-13	% Reduction
863 KWH	824 KWH	5

**II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods:**

Saving in energy costs during the period under consideration

**B. Technology Absorption**

Research and development(R & D)

The Research & Development function of your Organization continued to play a key role in ensuring the following successful commercial launches during the year.

1. AER Fresheners for Car and Home.
2. Godrej No.1 'Rosewater and Almond' Soap
3. Godrej Expert Hair Colour Crème (five different shades)
4. Cinthol Restage for Soap, Deo Sprays, Shower Gel and Talc ( total of 19 sku's )
5. Genteel Washomatic Packaging led relaunch
6. HIT Anti Roach Gel

The current year, as like the previous years, also saw a sharp focus on Consumer Centric and relevant, design led innovation. Godrej's entry into the premium air freshener category through its brand AER, as well as, the introduction of an affordable, yet, functionally superior hair colouring crème format for the consumer are noteworthy innovations.

**I. Specific R & D Product Categories carried out by the Company –**

1. Hair Care
2. Skin Care
3. Household Insecticides
4. Customer Centricity
5. Packaging Development
6. Fabric care
7. Hygiene Products

**II. Benefits derived as a result of the above R & D efforts –**

Strong R&D led initiatives with Innovation projects have led to the successful launches of several new products in market place in the current financial year.

**III. Future Plan of Action:**

R&D shall continue to play a key role in development and successful execution of newer innovations in the market place for both the domestic and international business. R&D shall constantly endeavour to deliver superior innovative products thereby delighting, both, our domestic and international customers by:

1. Ensuring successful commercial launches within personal wash and home insecticides categories for the coming year.
2. Engaging in providing support on defining global innovation strategies for CP and HI product categories within our international businesses, and, extending support on relevant product development for international markets.
3. Focussing on newer consumer relevant product experiences within CP and HI categories.
4. Maintaining strong focus on R&D training needs and people development.

We believe that the three key pillars of Consumer Centricity, NPD Process and Training led skill up-gradation will continue to propel your company ahead of competition in its strategy of innovation led value creation.

#### IV. Expenditure on R & D

₹ Crore

		FY 2012-13	FY 2011-12
(a)	Capital	0.6	0.4
(b)	Recurring	8.9	8.0
(c)	Total	9.5	8.4
(d)	Total R & D expenditure as a percentage of total sales turnover	0.27%	0.29%

#### Technology absorption, adaptation and innovation

##### 1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

Commercialisation of new products such as

Godrej No.1 Soap – Rose Water & Almonds

Godrej Expert Crème for Hair colouring

AER Air freshener brand for closed spaces and home

Relaunch of Cinthol Range (Soap Bars, Shower Gels, Talc's and Deo Sprays)

Genteel Packaging led Relaunch.

HIT Anti Roach Gel

##### 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

R&D led efforts towards successfully commercialising the above innovations in market place greatly assisted your company's image and credibility by providing customer satisfaction while being optimal on costs, whilst retaining strong focus on maintaining top line and bottom line improvements.

##### 3. Imported Technology:

The Company has not imported any technology since its incorporation

#### C. Foreign Exchange earnings and outgo:

₹ Crore

	FY 2012-13	FY 2011-12
I. Foreign exchange used	290.54	284.45
II. Foreign exchange earned	205.45	372.15

## ANNEXURE C FORMING PART OF THE DIRECTORS' REPORT

### Auditors' Certificate on Corporate Governance

To the Members of  
Godrej Consumer Products Limited,  
Mumbai.

We have examined the compliance of conditions of Corporate Governance by Godrej Consumer Products Limited (the Company) for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit, nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants  
Firm Regn. No. 104607W

**Daraius Z. Fraser**  
Partner  
Membership No.: 42454

Mumbai, April 30, 2013