

Management discussion and analysis



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Overview

FY 2011 started on an encouraging note as the Indian economy continued to display remarkable resilience to the lingering effects of the global recession in 2008-2009. With estimated growth at 8.5%, the India growth story continued to outpace most other economies. The developed economies are only now beginning to turn around and demonstrate recovery. This outperformance was partly due to a consistent contribution from the services sector but largely driven by a “rebound in agriculture and continued momentum in manufacturing.” (State of the Economy and Prospects. Chapter 1. p.1)

In terms of domestic demand, a rise in savings and investment coupled with increased private consumption provide a critical component to the Indian growth story, contributing significantly towards GDP growth. However, higher interest rates and the disconcertingly high levels of inflation at the beginning of 2011 threatened to severely hamper the GDP growth. While a large part of the effects were contained by “the sequenced and gradual withdrawal of monetary accommodation.” (State of the Economy and Prospects. Chapter 1. p.10) inflation still remains an area of concern for policymakers.

The net inflows of FDI have remained disconcerting. From over USD 25 billion in April-November 2009, net inward FDI slowed down to USD 19 billion year-on-year. According to Moody's, India's local currency rating may be upgraded provided that the Government meets the medium term fiscal targets. The Union Budget 2011 underlined the Government's efforts to manage the fiscal deficit and it is expected that these actions “will sustain a faster deleveraging of government debt than originally forecast and is credit positive for the Indian government.” (Moody's Weekly Credit Outlook. 7 March 2011. p.34)

The outlook for the FMCG sector remains mixed with rising input costs and inflation creating their own pressures.

FMCG Companies continue to pursue expansion into Rural India. The sector is one of the country's fastest growing sectors as the population's nominal income rises and their purchasing power parity increases. An analysis carried out

by the Associated Chambers of Commerce and Industry in India (ASSOCHAM) shows that the FMCG sector will witness “more than 50% growth in rural and semi-urban segments by 2012, which in totality is projected to grow at a CAGR of 10% to ₹ 106,300 crore from ₹ 87,900 crore.” Mr. Dilip Modi, President of ASSOCHAM, commenting on the analysis, stated, “With 150 million households, the rural population is nearly three times the urban population. No FMCG company can afford to miss the opportunity.”

The recent Budget announcements have been largely neutral to the FMCG sector and especially GCPL. The reduction in surcharge from 7.5% to 5% coupled with a hike in the base MAT rate will keep the effective rate virtually the same. These actions prepare the pathway for the implementation of the GST.

Today, your Company has established itself as one of the leading companies in the FMCG sector, with a memorable brand name and a strong presence in the Personal and Household Care businesses. For the year under review, your Company continued its strong momentum and built on its initiatives of the last few years to consolidate business growth. Throughout the year, your Company has seen its brand outreach grow through the implementation of new initiatives focused on expansion, particularly in the rural space. In addition, your Company continues to advance outward, expanding its global reach to diverse regions around the world, and its international business has performed significantly well given the tough economic conditions within which that they had to operate.

The edifice of your Company's approach remains the 3 x 3 strategy, and as a result, FY 2011 has been a transformative year. The main emphasis of the strategy is to enhance its domestic and international presence and create a multinational business driven by growth in three categories “Hair Care, Home Care, and Personal Wash” across three regions of Africa, Latin America and Asia. As the global macroeconomic environment improves and its acquisitions continue to add value to growth across these diverse geographies, your Company's operations continue to improve substantially and its products become available to a broader spectrum of consumers.

Apart from healthy organic growth there were also a few developments on the inorganic front. Your Company acquired the remaining stake in Godrej Sara Lee Ltd. (GSL), the joint venture with Saralee Corporation USA. The acquisition was renamed as Godrej Household Products Limited (GHPL) and the resulting merger serves as an important milestone towards its development as a leading FMCG Company in India. The merger will enhance its focus on the 3 by 3 strategy and provide significant strategic and operational benefits.

Towards the second half of FY 11 your Company, acquired two brands, Genteel and Swastik, owned by Essence Consumer Care Products Pvt. Limited (EC) and Naturesse Consumer Care Products Pvt. Limited (NC) respectively. This acquisition will continue to strengthen the Company's commitment to India being one of the key drivers of revenues and profits. The acquisition extends our leadership presence specifically in the liquid detergents category and reaffirms its position as a domestic leader in the Personal Wash category.

The hair care portfolio has seen considerable developments throughout the fiscal year. GCPL has maintained its market leadership position in Hair colour with 29% of the domestic market share throughout the fiscal year. Nupur continued to gain strong market share and now appears along with Godrej Expert amongst the top 5 brands in Hair colour category.

GCPL Standalone ₹ crore

Turnover (net)	FY 2010-11	FY 2009-10	Growth (%)
Soaps	795.9	828.4	(4%)
Hair Colour & Toiletries	388.2	357.7	9%
Repellents & Others	1102.7		
Liquid Detergents	64.4	53.3	21%
By-products	44.0	28.5	54%
Total	2395.2	1267.9	89%



Under Goodknight franchise-coils, electrics and naturals cream continue to outperform the category on the back of innovative products and successful marketing initiatives.



During the year under review, your Company relaunched Godrej No. 1, which has strengthened its branding and the visibility of the soaps business. Cinthol continued to perform well led by its premium offering in Southern part of the country. In the third quarter of the financial year, your Company relaunched FairGlow soap, specializing in fairness. For the year, your Company maintained a market share of 10 % in the Personal Wash category.

In the household insecticides business, Goodknight Advanced Low Smoke Coil was voted 'Product of the Year 2010' in the Insect Repellent category, making it the second consecutive Goodknight win followed by Goodknight Naturals Mosquito repellent cream being voted 'Product of the Year 2011'. HIT Aerosols have grown at healthy rates on the back of 360 degree activation drive awareness for the 'Kill Malaria' campaign. Under Goodknight franchise coils, electrics and naturals cream continue to outperform the category on the back of innovative products and successful marketing initiatives.

International operations have also performed robustly despite tough macroeconomic challenges globally. In Latin America, following GCPL's announcement of the acquisition of the Issue Group, your Company went on to acquire Argencos, a mid-sized Argentine hair company. In Q3 of the current financial year, your Company operationally merged both to create a consolidated business in Latin America, improving strategic reach and operational performance. In Africa, businesses continue to demonstrate strong growth as Rapidol continues to enjoy its market leadership in ethnic hair colour in South Africa. Your Company also launched its first Kinky 'Store within a Store' concept and established a hub in Nairobi. GCPL also completed the acquisition of Tura in the beginning of the fiscal year. Megasari continues to enjoy its number two position in household insecticides in Indonesia.

Domestic Business

Personal Wash

GCPL has retained its position as the second largest toilet soaps player in India with a market share of over

10%, aided by strong initiatives on the marketing and distribution front.

Godrej No. 1 is built on the proposition of natural beauty and is our leading brand in soaps. During the year, we relaunched it with a new shape and packaging and strengthened the promise of 'nature's way to beauty' with addition of natural oils. The enhanced product substantiates our promise to deliver premium value at an accessible price. We have a range of variants comprising Sandal and Turmeric, Lime and Aloe Vera, Jasmine and Coconut and Neem. The latest addition to the range is Saffron and Milk Cream. With this variant, Godrej No. 1 is offering its consumers the benefits of Saffron – a premium natural ingredient.

Godrej No. 1 maintained its leadership position in the North with a dominant position in the states of Punjab, Haryana, UP, Uttaranchal. We have also significantly increased our share in rural India through several initiatives launched over the year.

FairGlow, which is a fairness specialist soap, was in fact the first of its kind in India. It addresses the needs of a large section of consumers who drive the market for fairness products. It was also relaunched during the year with attractive new packaging and shape and the promise of fairness was strengthened with the addition of 'Fairness + Proteins'.

Cinthol, our other legendary brand is all about active, re-energising freshness and continues to perform well. We enjoy a stronghold in the southern states of Tamil Nadu and Andhra Pradesh, which complements our strength in North India with the Godrej No. 1 brand. Extending Cinthol soaps to lower unit price packs in the South has helped make the brand more accessible, while significantly increasing brand penetration. The expected improvements in disposable incomes, as a result of higher expected rural incomes and moderation in food price inflation, should boost stronger growth in rural markets. We will continue to ramp up our sales and distribution network to address these arising growth trends and are confident that our enhanced product portfolio will help drive growth.

Cinthol talcum powder continues to grow strongly and ahead of the market. It is available in five perfumed variants – Sport, Classic, Cologne, Musk and Lime. Cinthol deodorant continues to strengthen its presence through a range of six variants – Sport, Cologne, Classic, Musk, Unleash and Rainstorm. We anticipate healthy growth from this category, owing to the increased product range and the enhanced distribution base.

Godrej Protakt marked our foray into the health and hygiene category and promises the ‘freedom to touch’ through a range of hand sanitisers, hand wash and hand wipes in three fragrances – Original, Blossom and Citrus.

Hair Care

We continue to take strong strides in the hair colour business and enjoy market leadership in the domestic hair colour market. In the last year, we have witnessed a strong growth in off takes and have maintained a market share of 29%. This strong sales growth has been supplemented by successful marketing initiatives to improve market reach.





Our Hair Care category is led by Godrej Expert Powder Hair Dye, which is India's biggest name in hair colour. We have experimented with different offerings, both in format and colours to build on this position. Godrej Expert announced the re-launch of its brand to make its 4 crore consumer base happy and invites more people to colour their hair. Nupur, our leading mehendi brand adds to the natural aspect of this portfolio. We also have Kesh Kala Oil, Kali Mehendi and Anoop. While these products have mass appeal and are widely used across the country, we also cater to a more premium category through Renew and Coloursoft, our hair colour brands and are well placed to build our market share in the fast growing hair colour market in India.

Home Care

The Home Care bracket includes the iconic Goodnight brand with its interesting proposition built on 'protecting happy moments', which leads the Household Insecticides category in India. The Goodnight Advanced Range comprises three products, the first of which, Goodnight Active Plus was voted 'Product of the Year' in 2009 in the Household Insecticide category. Goodnight Advanced Low Smoke Coil is the world's first low smoke coil that emits 80% less smoke while being 25% more effective. Goodnight Naturals, our innovative tryst in this category is a great example of how we are constantly looking to evolve better consumer offerings. It is currently the only mosquito repellent with moisturizing and skin care benefits and comes in 50 ml and 125 ml packs. The Goodnight Care range includes the 75% market share, Goodnight Silver Mats. This product has been a pioneer in mats and currently comes in packages of 30 mats and 100 mats. Goodnight coils are the only coils with a special fragrance and they are the largest selling 12 hour coils in the Indian market. Goodnight also remains the fastest growing refills brand.

Hit is our other key brand which completes the cycle of building a happy and safe home. It is the undisputed leader in the fast growing aerosol format and we were able to drive further growth through enhanced visibility and focused marketing initiatives. Jet, a star regional player brand, has over 70% market share in the coil category in Andhra Pradesh.





Our liquid detergents business has performed very well. Ezee is India's leading liquid detergent brand and with our acquisition of the Genteel brand, we have extended our leadership in the Specialty Liquid Detergents category in India. Genteel has a 12% market share, largely in South India and the acquisition takes our share in the liquid wool wash category close to 90%.

Distribution and Supply Chain

Our integrated supply chain and the newly institutionalized global supply organization allows us to be an industry benchmark in end to end replenishment and TOC. We are building centers of excellence in TPM, lean, six sigma and low cost automation to augment our business. Debottlenecking initiatives in the last year have resulted in an additional 20% capacity created in coils, aerosols, soap making and finishing. Strategic sourcing of non commodity raw and packaging materials will play a distinguishing role ahead. We expect significant resultant cost efficiencies to show in the coming years. For example, the acquisition

of Megasari in Indonesia has contributed to enhanced scale and consequently, accessing inputs and packaging material at competitive rates. It has also widened our vendor base.

On the distribution front, the merger of GHPL with GCPL has contributed significantly to expanding our presence, especially in rural areas. The increase in number of touch points has been a key contributor to growth during the year. We enhanced our village coverage with about 8,000 additional villages during the year.

Human Resources

This transformative year has been defined by the creation of One GCPL. All HR processes, structures were successfully integrated across our combined business.

We continued our commitment to being an employer of choice and ranked 14 overall in the Great Places to Work Survey conducted by Great Place to Work Institute in association with Economic Times, and number 1 in the FMCG industry. We were also ranked the number 4 Best Employer in India by Aon Hewitt.

Our initiatives in leadership development and learning were further strengthened by the leadership series, launched this year in partnership with faculty from leading business schools from across the globe. This is a three part series with modules on leading self, leading others and leading business. We introduced the Godrej Sales Academy which focuses on strengthening sales capability in the organization and also launched 'Shifting Gears', an initiative for the assessment and development of members of the supply chain and manufacturing teams.



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We are continuously building for a brighter workplace – ‘JLT – Just Like That’ continues to be a great forum to interact, as is the new ‘Monday Mania’ which keeps up the fun and beats the Monday blues. We also launched the first employee magazine, ‘Connect’, which provides a platform for interaction and information sharing.

We have also been working on integrating and extending some of our best practices to our international subsidiaries. In the year gone by, we integrated four new companies from the three geographies of Indonesia, Nigeria and Argentina. Our manpower numbers in countries outside India has risen significantly and now comprises over 40 percent of our total workforce. A dedicated HR team has been set up in India to support the integration of new businesses and institutionalize critical HR processes such as performance management and employee engagement. We will continue to strengthen our commitment towards making our international subsidiaries great places to work at.

Information Technology

During this fiscal year, we have undertaken important IT initiatives to improve customer services, employee productivity and controls and cost optimization. The SAP integration project will help us to harmonize processes and reduce the cost of operation in supply chain, as well as improving controls. Going forward, we plan to implement SAP in all subsidiary units and integrate them into one SAP ERP system.



Our Business Intelligence Project which was also introduced this year, will provide significant benefits in improving information availability, analytics and the decision making processes. We have launched a Sales Force Automation initiative (providing handheld instruments to the distributor sales force) to provide high quality services to our retail customers. This initiative has been rolled out in 8 cities in India, the results are extremely encouraging and we will extend this to other cities in the coming year.

Research and Development

Our Research and Development (R & D) focus is to drive innovation in all areas of our business, resulting in 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.

We leverage R & D activities to keep abreast of changing consumer tastes. This includes consumer studies to gauge feedback on new products, modifying products to suit consumer tastes and adding features and variants to existing products to provide alternative solutions to our consumers.

In the last year, we have launched several products with benefits and features which have been formulated by in-house R & D activities. For example, in the Personal

Wash business, we launched a new variant of Godrej No. 1, Saffron and Milk Cream and relaunched FairGlow. We believe after considerable research that consumers are evolving and need more than just a hair colour. The re-launch of Godrej Expert delivers the most sought after benefits; long lasting colour, range of shades and the promise of soft and strong and happy hair!

We have also been working closely with the international businesses to cross sell products by modifying them to suit consumer tastes in different geographies. In Hair Care, there have been several international launches, including 10 new shades in Renew hair colour, 3 new shades in Inecto powder hair colour in South Africa and the launch of Abha Herbal Black Henna in Sri Lanka. The support to our South African business has led to cost synergies and in fact, at Rapidol, we have worked on minor adjustments to products to renew exports to African countries where we have an enhanced presence through recent acquisitions.

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



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International Businesses

Our business extends to over 60 countries, including Sudan, SAARC countries, European Union, South East Asia, Fiji, Nepal, UAE, Bangladesh, Thailand, Singapore, South Africa, Mauritius, Latin America, Indonesia and Nigeria to name a few.

We continue to strengthen our presence in the countries through mergers and acquisitions, creating new market initiatives and expanding our market share in existing categories.



Indonesia

We have acquired the PT. Megasari Makmur Group in Indonesia. The Megasari Group manufactures and distributes a wide range of household products, including household insecticides, wet tissues and air fresheners. The business continues to do well and enjoys a number 2 position in the household insecticides market in Indonesia. It is also a leader in the baby wipes markets. We are confident this business will continue to produce value through its leading positions in insecticides, air fresheners and baby tissues. Integration plans for this acquisition are well on schedule and we look forward to it playing a key role in our global portfolio.



The acquisition of Tura in Nigeria was completed this fiscal year. Tura is a household name in African markets and as a leading personal care company, enriches our portfolio handsomely by providing a range of products including soaps, moisturising lotions, and skin-toning creams. Their medicated bar soap is among the top three products in Nigeria for the soaps category.

Overall, we are pleased with our presence in the African markets. We will look to consolidate these operations by synergizing functions and then seek growth by cross selling products between different global operations.

Africa

Our Africa business comprises three companies, Rapidol, Kinky and Tura. Rapidol continues to enjoy its position as the market leader in the ethnic hair colour market in South Africa. The Inecto colour range continues to do well and its diverse variants provide for a broad range of consumers. Rapidol also entered the Caucasian hair colour market with Renew from GCPL India. This year however, sales growths were affected by slowing economy and local competition.

Kinky offers a variety of products, including hair, hair braids, hair pieces, wigs, and wefted pieces and hair accessories like styling gels, hair sprays and oil free shampoos. Some of the Kinky products are processed at a plant in South Africa, while cash-n-carry outlets and owned stores provide avenues for disbursement of products. During the year, we launched Kinky's 'Store within a Store' concept and set up the hub in Nairobi, Kenya.

As part of our strategy to integrate operations and improve production efficiency, we have combined the operations of Rapidol and Kinky. We have increased the number of stores to 29 and overall presence through the combined operation.

Latin America

We entered the Latin American market this year with the acquisition of two businesses: Issue and Argencos. We also merged the two businesses operationally to provide strategic and operational benefits. The acquisition of Argencos, a mid-sized Argentine hair care company focusing on hair colours, complements the Issue portfolio, a company that has strong presence in the mass category. We believe the combination of the two businesses will provide a firm footing and strong entrance into South American markets, particularly in Argentina, Uruguay, Paraguay, Bolivia and a very good participation in Peru, Ecuador and Chile.



We continue to strengthen our presence in the countries through mergers and acquisitions, creating new market initiatives and expanding our market share in existing categories.



We also expect significant synergies across the value chain and predict a strong thrust for a sizeable business in Brazil. The strategy is based on the time-tested method of developing international business through the acquisition of local brands. The hair colourants market in Argentina is estimated to be around USD 200 million growing at CAGR of 22% over the last two-three years. Argencos is the number 1 hair spray company in volume terms – the brand Roby has immense brand equity in Argentina. Subsequently, the Godrej hair colour portfolio will now enjoy a volume market share greater than 25% in hair colours and over 50% in hair styling sprays.

United Kingdom

Keyline Brands in the UK owns brands like Cuticura, the lead volume hand sanitizer in the UK market, and Provoke Touch of Silver which has doubled turnover in the three years since acquisition. In addition to this, Keyline distributes market leading skincare and sun care brands like Bio Oil and Reimann P20. The base effect of H1N1 (swine flu) epidemic has impacted and led to a decline in sales in the current fiscal year. There have also been exceptional onetime costs, like those associated with outsourcing warehouse and distribution, which have impacted profits in the year but will bring significant benefits going forward. During the year Keyline Brands acquired the worldwide trademarks (except North America) of the brand Salon



Selectives. We believe that Salon Selectives has outstanding potential in both the UK and global markets. This great business opportunity comes from the strength of the unique brand proposition, the success of the brand globally in the 90's, and immediate success of its recent introduction.

Middle East

Godrej Global Mideast FZE (GGME) continues to distribute soaps, hair colours, and toiletries in the UAE and other GCC countries. The products launched in the Middle East include Godrej Expert hair colour and Godrej Nupur Mehendi.

Corporate Social Responsibility

The Godrej Group has been at the forefront of philanthropic and social activities for several decades. 25% of the shares of the Godrej Group's holding company Godrej & Boyce are held in a trust that invests back in initiatives that support the environment, and improve the quality and availability of healthcare and education. Through the investment and oversight by the trust, a large tract of mangrove forests in Mumbai have been protected, developed and maintained for several years and have served as a second set of lungs for the city. The Godrej Group has supported education for all through its support of the Udayachal pre-primary and primary schools which focus on all round development of children.

Additionally, the Godrej Group has supported initiatives in healthcare, through its Godrej Memorial Hospital (GMH), which aims to provide quality healthcare at affordable costs. One such initiative is GMH's partnership with a US based NGO 'Smile Train' which helps in performing corrective cleft lip and palate surgeries for low income children. GMH offers surgery and hospitalization to the patients free of cost.

Through active employee engagement and involvement, the Group continues to support the Indian chapter of "Table for Two", which it initiated at the World Economic Forum India Summit in December 2009. The initiative is targeted at addressing hunger and malnutrition in the developing world by combining our organization's tradition of serving society and individual involvement.

The Godrej Group also continues to support Heroes AIDS Project (HAP). HAP is nationwide HIV/AIDS initiative launched in July 2004 to work with media organizations and societal leaders in India. It seeks to develop coordinated campaigns to address the spread of HIV/AIDS and reduce stigma and discrimination by influencing public perception and policy through two platforms, advocacy and communications.

Environmental Initiatives

GCPL is a signatory to the Confederation of Indian Industry's (CII) Mission of Sustainable Growth, which proposes to promote and champion conservation of natural resources in Indian industry without compromising on high and accelerated growth. Our commitment under the code is to reduce energy and water consumption by 2-6% on an annual basis, and we have been successful in doing that since signing two years ago. Initiatives undertaken to achieve this have included using more energy efficient motors at our factories, converting to LED lights, harvesting rain water, and using soil biotech technology to treat effluents for some processes.

GCPL has moved from PVC packaging of its products to the more environmentally sustainable PET packaging. Additionally, we have consciously reduced the plastic content in our packaging through a re-design process that has covered refill bottles and aerosol caps. Metal usage has also been decreased by using lower grammage coil stands and marginally reducing the height of aerosols cans. In several of our units we have also switched from furnace oil to natural gas or agro waste in order to reduce the emission of green house gasses. Efforts are underway to extend this to other units as well.

Your Company is also an active participant in the "Green Initiative in Corporate Governance" recently launched by the Ministry of Corporate Affairs. With a view to contribute its mite to a sustainable greener environment and conservation of precious resources, your Company has printed this Annual Report using eco friendly paper. Your Company has also encouraged shareholders to receive communications from the Company by electronic mode.

Social Initiatives

HIT undertook a numbers of social initiatives last year to increase awareness about household hygiene and health.

In August, HIT conducted the 'Kill Malaria' campaign, with the objective of spreading awareness on the causes, symptoms and prevention of deadly mosquito-borne diseases such as Malaria and Dengue. The campaign covered six metros (Mumbai, New Delhi, Kolkata, Chennai, Hyderabad and Bangalore) and reached approximately 5 lakh individuals.

Before Diwali, the festival of lights, HIT launched a clean-up drive for slum dwellers across the city of Mumbai. In order to gift cleaner surroundings to the less privileged citizens over the festive season, HIT squads undertook the "Saaf Ghar, Swach Tyohar" campaign which cleaned up the homes for 2200 families.

Inclusiveness

We continue to reinforce our commitment to Affirmative Action. GCPL also recognizes the importance of diversity in the workplace. As a result, it continues to endeavor to provide opportunities to socially and economically underprivileged persons, including those belonging to Scheduled Castes, Scheduled Tribes and other physically challenged individuals. Recruitment drives for prospective employees from each of the above mentioned categories were conducted in the last year. We recruited SC and ST candidates for close to 31% of the manufacturing vacancies this year. We also provided training, counseling and other facilities to students to help broaden their learning and improve their candidature for campus recruitments. We have also partnered with the Ambedkar Institute for handicapped in Kanpur for recruiting physically challenged individuals and have organized workshops at the Institute on industrial practices for skills development. We also created special provisions in purchase orders and vendor agreements to provide an equal opportunity to SC and ST and differently abled people in employment, entrepreneurship etc

In 2007, our Malanpur factory adopted a neighboring village “Singwari”, which is predominantly inhabited by people belonging to scheduled castes and scheduled tribes. The adoption started with assisting a school by granting scholarships, providing computers, and organizing an eye-check up in the school. The focus has continued with education and health care support for the village, including running a dispensary with regular doctor visits, free distribution of medicines, and an annual “Health Check-up camp” with assistance from the Government Block Health Centre. The development and welfare of Singwari village has become integral to the employees of GCPL Malanpur and they have undertaken self motivated initiatives including conducting sports and cultural activities in the school as well as training teachers on the use of computers. In order to promote the economic status of youth and women in Singwari, the Malanpur factory organizes an annual “Entrepreneur Development Programme” in association with Central Board for Workers Education.

Our other factories are also actively involved in improving the quality of life in surrounding communities through initiatives such as educational scholarships for underprivileged students and health and hygiene awareness drives.

Through a self-funded program - Godrej Rural Internship Program (GRIP), GCPL will strive to improve livelihoods in several under-developed communities. GRIP, which is currently under development, will focus on imparting training to rural Indians enabling them to work as our channel partners.

Looking forward:

Over the last year, through an even more strategic approach to corporate social responsibility, the Godrej Group has evaluated how it can drive more meaningful impact and further its commitment to the communities within which it operates through shared value initiatives that create both social and business benefits.

In conjunction with our vision for “brighter living” for all its stakeholders, we have developed a long-term vision for playing an active part in creating a more inclusive and greener India. This vision has been named “Godrej Good & Green”. As part of Good & Green, the Group aspires by 2020, to create a more employable Indian workforce, a greener India and innovate for good and green products.

Specifically, our goals at the Group level for 2020 as part of this vision are:

- Training 1 million rural and urban youth in skilled employment
- Achieving zero waste, carbon neutrality, positive water balance and a 30% renewable energy source
- Having a third of our portfolio revenues comprising and/or green products and services – defined as products that are environmentally superior or addresses a critical social issue (e.g., health, sanitation, disease prevention) for consumers at the bottom of the income pyramid

The Good and Green vision and continued execution against that vision will be a strong focus for the GCPL going forward.

Financials (Consolidated)

Abridged Profit and Loss statement

All figures in ₹ crore

	FY 2010-11	FY 2009-10
Net sales	3,643.0	2,041.2
Other income	72.9	46.8
Total income	3,715.9	2,088.0
Total expenditure other than interest and depreciation	3,002.3	1633.4
Profit before interest, depreciation and tax and exceptional items	713.6	454.6
Depreciation	49.9	23.6
Profit before interest, tax and exceptional items	663.7	431.0
Interest and financial charges	51.9	11.1
Profit before tax and before exceptional items	611.8	419.9
Tax expenses	130.2	80.3
Profit after tax before exceptional items	481.6	339.6
Exceptional items (net of tax)	33.1	-
Profit after tax	514.7	339.6

GCPL's net sales in FY2010-11 were ₹ 3,643 crore, representing a growth of 78% over FY2009-10. Profit before Interest, depreciation, tax and exceptional items (PBIDT) increased by 57% to ₹ 713.6 crore. Your Company generated a Profit before tax (PBT) & before exceptional items of ₹ 611.8 crore and a Net Profit after tax (PAT) of ₹ 514.7 crore, displaying a 46% and 52% growth respectively over the Company's FY 2009-10 performance.

Profitability perspective

	FY 2010-11	FY 2009-10
PBDIT/Sales	20%	22%
PBT/Sales (before exceptional items)	17%	21%
PAT/Sales	14%	17%
EPS (₹)	16.1	11.3
EVA (₹ crore)	323.3	216.1

Internal Control Systems and their Adequacy

Your Company has a proper and adequate 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.

Your Company's Corporate Audit and Assurance Dept which is ISO 9001: 2000 certified, issues well documented operating procedures and authorities with adequate built-in controls at the beginning of any activity and any time 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.

The 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.

During the year the Corporate Audit and Assurance Dept was involved in facilitating the SAP implementation so as to ensure that the existing processes are adequately captured with in-built control mechanisms.

GCPL Head Office and all major factories & offices across India operate an Information Security Management System which are ISO/IEC 27001 certified



Your Company has a defined risk management strategy and has constituted a Risk Committee whose role is to identify potential risks, creates mitigation strategies and monitors the occurrence of risk.

Awards & Recognitions

- GCPL features among the top 25 best employers in the Outlook Business - Hewitt Study
- Goodknight advanced Low smoke coil voted Product of the Year 2010
- Brand Equity's Most Trusted Brands Survey 2010
 - Goodknight continued its fine run registering its highest 12th rank in the survey
 - Godrej No. 1 leap-frogged from 103rd position to the 69th rank
 - Godrej Expert Powder Hair Colour made its debut in the survey at the 100th position and also features along with Cinthol and Godrej No. 1 in the most trusted personal care brand in India survey
 - In the city-wise rankings which lists 10 most popular brands in the 5 metros, Godrej No. 1 has been ranked at the 6th position in Delhi and Cinthol features at the 10th spot in Chennai
- Godrej Expert and Goodknight Advanced Activ+ awarded Bronze medal at EFFIE's 2010 Awards.
- Godrej Ezee Commercial Features in the 'Best Ads on TV' Survey
- Godrej Consumer Products awarded NDTV Profit Business Leadership Award in 'Consumer Product Goods' category
- Godrej Consumer Products awarded the Pitch Top 50 Marketers 2010 award in the 'Globetrotters' category
- Goodknight Naturals Mosquito Repellent Cream voted Product of the Year 2011

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 factor 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 operates

Your Company has a defined risk management strategy and has constituted a Risk Committee whose role is to identify potential risks, creates mitigation strategies and monitors the occurrence of risk.

Outlook for FY 2011-2012

Your Company is extremely well positioned to maintain and accelerate its growth. Over the last 2 years we have put in place several building blocks and create a stronger platform to support this growth while concurrently successfully combating various external challenges. 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 home care, personal wash and hair care 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 and 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 industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labour relations.