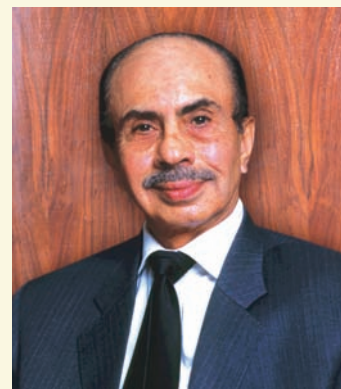


## Chairman's Statement

### Dear Shareholders,

*The Indian economy continues to be healthy, with positive indicators such as a strong growth rate, rising foreign exchange reserves and a booming capital market. The just concluded financial year saw your Company also perform strongly and create a sound platform for growth.*



### Indian Economy

While the economy continues to show promise, infrastructure bottlenecks and the slow pace of reforms remain hurdles.

I believe that the government's emphasis on agriculture rural development and education will certainly give a long-term boost to the growth of the economy. The reduction in the peak rate of customs duty is a welcome step and is an anti inflationary measure. The planned introduction of GST from 2010 is a very good step for boosting the economy. The increase in the dividend distribution tax will be a serious dampener for any new investment unless it is only levied on the net dividends of a company.

### Overview on the FMCG Sector

Strong economic growth has brought in a new set of Indian consumers. The booming young adult population

with unprecedented levels of disposable income is more conscious of the latest trends and fashion. Enhanced media penetration and greater connectivity are making consumers more knowledgeable and discerning. These factors are rapidly changing the needs and aspirations of consumers. With schedules getting tighter, convenience has a major influence on purchase decisions. The sector is already gearing up to enter new categories with fresh marketing plans to change the consumer's mindset.

Favourable macro-economic factors like rising disposable incomes, changing consumer preferences, willingness to spend, have led to consumer uptrading. Major acquisitions have played a significant role in propelling the growth of the industry. To drive profits, players have also opted for price hikes during the year and this move has worked well for them. Companies have increased their promotion and advertising budgets to drive volumes in an increasingly competitive market. By investing behind brands, players have witnessed an increase in demand and in turn earnings growth.

Growth potential in the sector is huge as the per capita consumption of most products in the country is amongst the lowest in the world.

## Operating Performance

Your Company continues to be amongst the fastest growing FMCG companies. We are currently the second largest toilet soaps player in the country with our Godrej No. 1 brand being the third largest brand in toilet soaps. We continue to do well in the hair colour category and remain the largest player in the category. We continue to introduce new brands and variants across all our categories.

As you know, we had acquired Keyline Brands last year which has contributed to our consolidated topline and bottomline during the year and proved to be a highly accretive acquisition for us. This acquisition will enable us to widen our reach into Europe, Australia and Canada.

During this year, we acquired the South African hair colour business of Rapidol U.K. as well as its subsidiary Rapidol International. The Rapidol acquisition along with its strong product portfolio helps us gain entry into a significantly sized hair colour market and facilitates entry for our other brands into South Africa and other African nations.

I am also pleased to inform you that our first shipments to Keyline and Rapidol were dispatched during the year.

We shipped our Powder Hair Dye in bottles to Keyline and Renew cream hair colour and Godrej No. 1 soap to Rapidol.

Another highlight during the year was the formation of a joint venture company known as 'Godrej SCA Hygiene Limited' along with SCA Hygiene Products AB, Sweden. The joint venture company will manufacture and market paper based absorbent hygiene products. We believe that there is tremendous potential for growth in the feminine hygiene protection and baby diaper market which are presently in a nascent stage.

## Outlook

Your Company continues to perform well. Our strategy going forward will be to build on the strong growth platform we have created in the just concluded financial year and drive growth for our stakeholders. We will also explore both organic and inorganic opportunities so as to enhance growth and deliver value.

Let me end by expressing my thanks to all our stakeholders for their continued support. I look forward to the same in future.

Yours sincerely,

**Adi Godrej**  
Chairman and Managing Director