

Chairman's Statement

Dear Shareholders,

I am delighted to be writing to you at the end of what has been an yet another successful year. The Indian economy has maintained its growth momentum, with the GDP growth rate exceeding 8% every year since 2003-04. The FMCG industry continues to do well due to changing demographic profiles, newer products, deeper rural area penetration and higher consumer spending. This year GCPL continued to perform encouragingly and entered new categories and geographies while expanding its existing business categories. The Godrej Group has unveiled its new corporate logo with new colours that are more relevant to today's young India. I am sure GCPL will benefit immensely from the increased focus and reinvigoration of the corporate brand identity.



Indian Economy

The Indian Economy is expanding at an average rate of over 8%. Inflation though is becoming an increasing challenge on the back of spiraling commodity prices. The sharp depreciation of the U.S. dollar against the national currency resulted in a lot of hardship to certain sectors that are dependant on export earnings. The Government's counter measures to limit domestic inflation and the fear of recession in major markets like the US and Europe has seen a deterioration in GDP growth .

However, I feel that the recent budgetary announcements made by the Government will benefit all income groups and will give a boost to the FMCG industry. In my opinion the budget is an ideal opportunity to provide a fiscal stimulus to the economy. A major anti inflationary step taken by the government was the reduction in the CENVAT rate from 16% to 14%. This will benefit all consumers as goods will become cheaper. The increase in the exemption limit in direct taxes will also benefit a large number of consumers as there will now be more disposable income in the hands of the consumers. The significant relief provided to marginal and small farmers through a debt waiver is an important step in ensuring that the economic growth is sustainable and will increase

consumption. I believe that these measures will revive consumption levels that had witnessed a slow down over the past three months.

The FMCG Sector

Higher penetration, increasing per capita consumption, a rising population base and growing household incomes continued to drive growth in the sector. Foreign investments and growing demand from rural markets have allowed the sector to grow at a steady 12-13% in 2007.

This sector is the fourth largest sector in the economy and the total FMCG market is expected to reach \$ 33.4 billion in 2015 (source: IBEF). A surge in consumer spending along with changes in consumer tastes and improving penetration levels of the products is likely to ensure a high growth rate across a range of FMCG categories. The willingness to spend, backed by the ability to do so has been the most vital inputs to higher growth in the sector.

During the year, the sector witnessed a spate of acquisitions and alliances with several companies aggressively exploring global markets especially those that had a substantial population of Indian origin. The industry also witnessed a record number of product



launches during the year. However, key concerns in the sector continue to be rising input costs, new entrants in various segments and the threat of spurious goods.

Operating Performance

GCPL continues to be one of the leading FMCG companies in the country. We are the second largest toilet soap player in the country with our popular and sub popular brands continuing to drive growth. This year our flagship brand 'Cinthol' was revamped with a new range of soaps, talc and deo sprays. Cinthol is a 56 year old brand and we have relaunched these new products after extensive research and experience in the sector. We feel that due to the brand loyalty that Cinthol enjoys and our long standing in this sector, this range will do well. The new Cinthol range brings '24 hour confidence' through its Active Deo Formula. Our other soap brands too continue to do well and have received an encouraging response from the consumers. The rising vegetable oil prices compelled us to raise the price of our toilet soaps twice during the year by 5-8%. We continue to perform encouragingly in our hair colour category. A few highlights during the year were the relaunch of our Powder Hair Dye sachet as 'Godrej Expert Powder Hair Dye' in two sizes and the launch of Renew powder hair colour in four colours. This is a reflection of our consumer insight and progression of the market.

Keyline Brands and Rapidol South Africa continue to do well. Both have been accretive acquisitions for us and have a strong presence in their respective continents.

A major development during the year was the acquisition of Godrej Global Mideast FZE (GGME), a 100% subsidiary of Godrej International Ltd. GGME was established to distribute Godrej FMCG products in the Middle East. The benefits of this acquisition are three fold. Firstly, we strengthened access to the strong

distribution network that GGME enjoys in GCC countries and some other markets in the Middle East. Secondly, we gained control of a local service provider to get better insights into consumer needs and preferences and lastly, an opportunity to introduce Keyline products in those markets.

In FY 08, GCPL completed the acquisition of the 'Kinky' hair business in South Africa marking our entry into the natural and artificial hair business. The Kinky hair brand is one of the leaders in the South African hair category and will enable us to diversify our hair product portfolio. This is our fourth acquisition after Keyline, Rapidol and GGME and will allow us to significantly enhance our scale and size as a global FMCG player.

Outlook

Our financial performance continues to be encouraging and I believe that we will continue registering sustained growth going forward. We have gradually progressed from being a strong domestic FMCG player to becoming a global FMCG company. We intend to strengthen our growth momentum further, through domestic as well as international acquisitions which will augment our scale of operations to create value for the future.

I take this opportunity to thank all our employees, without whom these results would not have been possible. I also express gratitude towards all our consumers, suppliers and other business associates. To conclude, I would like to thank all our stakeholders for their constant support and encouragement, without whom we would not have reached where we are today.

Yours sincerely,

Adi Godrej

Chairman and Managing Director