



Chairman's Statement

Dear Shareholders,

I am pleased to write to you after what has been another good year despite an environment which has been challenging and volatile and I dare say, like never before. Despite a fall in the growth rates of both the Indian and global economies, the Indian FMCG segment remains more resilient and to some extent immune to the global crisis than most other industries. With a continuing change in the demographic profile of the country, those entities that are able to innovate and introduce relevant new offerings that excite consumers are bound to do well. Moreover, we have seen a steep decline in commodity prices at almost the same pace that they increased earlier in the year. This will enable us to reduce input and packaging costs, placing your Company in a comfortable position. This year Godrej Consumer Products Limited (GCPL) has continued to expand its operations, both domestically and internationally. We have seen the launch of several new products and the re-launch of several more. We have implemented several cost saving initiatives designed to streamline and maximise productive efficiency and with changes at board level designed and implemented to drive growth at a faster pace, we expect strong progress in the coming year.

Indian Economy

The year 2008-09, has seen the growth rate of the Indian Economy fall from its highs of over 9% recorded over the last three years to less than 7%. The Indian Government has attempted to curb the effects of the global recession through several fiscal and monetary stimulus packages, including additional spending, repo rate cuts and excise duty cuts.

FMCG Sector

The FMCG sector is the fourth largest sector in the Indian economy and has grown strongly during FY 09. Estimates indicate that the sector will grow to Rs. 140,000 crore by 2015.

The FMCG sector has outperformed the market through the financial hardship with sales driven by consumer staples. It is believed that at such a time consumer staples create "Safety Harbours" for investors. Despite difficult conditions, consumer spending towards the

FMCG segment may actually increase as people are not making big ticket purchases on items such as real estate and automobiles. Though limited, there is a possibility of the consumer down-trading in certain segments making it imperative for markets to provide consumers with a range of products across the price spectrum. As you know both our soap and hair colorant ranges meet such criteria. With this in mind, the FMCG business will be well poised for the economic upturn as and when it comes.

Management Change

I am pleased to share with you the appointment of Dalip Sehgal as Managing Director effective April 1, 2009. Dalip was previously the Managing Director of Godrej Hershey Limited. Dalip brings to the position a strong reputation and a wealth of industry experience and I look forward to his accelerating our growth.

Operating Performance

GCPL remains one of the leading FMCG companies in India. Our focus during the year was on growing the topline and the results are there to see. Sales growth was driven by strong demand and newly launched products across our soaps, deodorants, hair colour and liquid detergent ranges. The year saw a range of new product launches such as Godrej No. 1 Strawberry and Walnut soap, Godrej Expert Hair Colours, the re-launch of Godrej FairGlow soap as also the introduction of two new variants of Cinthol namely Cinthol Deo Musk & Cinthol Fresh Aqua soaps.

Your Company is well placed to negate the effects of the economic downturn. All our products have retained healthy demand growth. GCPL has also made great strides in penetrating the rural markets. With large untapped demand there, GCPL has set up focused sales teams and opened up a significant number of outlets in the rural parts of India.

In our International Operations Keyline Brands Ltd. has posted a better performance this year and Rapidol's Inecto brand maintained its robust performance. Godrej Global Mideast FZE saw the launch of Cinthol Deo Spray and the product is performing well. Kinky Group (Pty.) Ltd. increased its presence from 15 to 22 owned stores with the aim of increasing sales and providing an improved base for the rollout of new products

Accretive EVA positive Approach Pays

GCPL has been strong in its inorganic expansion and looks for acquisitions that deliver from the word go. Choosing acquisitions that are accretive has held us in good stead thus far. We feel that this approach has helped in safeguarding us in this harsh economic climate.

In line with the focus on accretive initiatives, your Company has entered into an agreement with Hewlett Packard to outsource its entire IT infrastructure to them. The 10 year contract is expected to generate significant synergies and cost savings, while exposing your Company to industry best practices and access to the latest technological advances.

Outlook

With easing commodity prices, greater rural penetration and a dynamic and continuously evolving range of products, GCPL is well set for a successful year. Concurrent with our several organic growth initiatives we will, continue to explore viable opportunities to enter into new business avenues or geographies through strategic and accretive acquisitions. We have the capabilities and the appetite to take forward fairly large inorganic growth opportunities, should they be seen to be attractive. Your Company is financially sound and continues to operate on negative working capital in the domestic market.

I would like to take this opportunity to thank all our employees, who have contributed to the successful performance. I would also like to thank our business partners, vendors and other business associates. Finally I would like to thank all our stakeholders for their continuing encouragement and support.

Yours sincerely,

Adi Godrej
Chairman