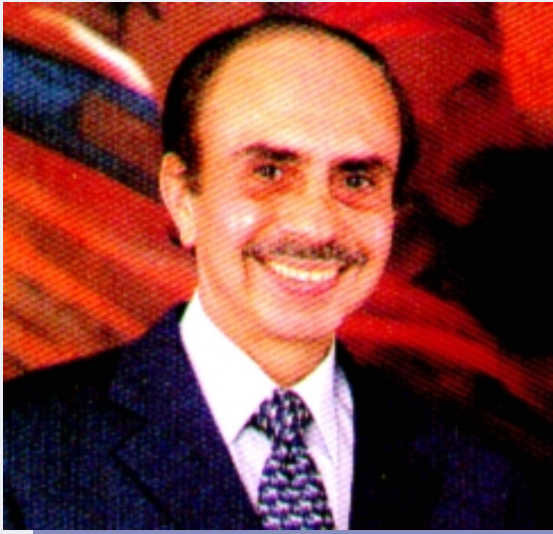


## Chairman's Statement



*Dear Shareholders,*

The ability to innovate and be different is valuable at all times. It is one of the key attributes that enable a company to perform and chart its growth path in all environments.

The just concluded financial year was a year of better than anticipated growth for the Indian economy, on the back of a good monsoon and strong performances by the agricultural and services sectors. The FMCG sector on the other hand appears to have enjoyed comparatively less success. I, however have always believed that while the performance of the economy and the sector may have some influence on performance, the best-positioned entities are those that negotiate challenges while simultaneously demonstrating the fleet footedness and flexibility to identify and appreciate the needs of their consumers thereby delivering value. This is exactly what Godrej Consumer Products has endeavoured to do over the just concluded financial year.

An unwavering approach with a strong focus on creating value for all stakeholders has been the cornerstone of our performance. Let me briefly share with you some developments which are the reasons why I believe your Company is today at an inflexion point - ready to demonstrate even stronger performance and deliver on its promises going forward.

### **Innovating and delivering affordable value to the consumer**

As you know, your Company believes in consistently delivering value to its consumers at an affordable price. "Godrej No. 1" continues to be the largest selling Grade 1 soap (by volume) in the country. The brand has consistently demonstrated impressive growth, which we are confident it will maintain. In the hair colour category too, the introduction of Godrej Renew, a cream based hair colour, enabled us to further expand the market by covering yet another price point.

### **Combating a demanding external environment**

The Toilet Soaps category is highly sensitive to the movement in the prices of vegetable oil. The second half of the financial year saw prices of this raw material touch extremely high levels. During these quarters, your Company's oil procurement expertise came to the fore – we succeeded in controlling input prices while at no stage compromising on quality. This has strengthened our confidence in our ability to control input costs, going forward.

### **Exploring inorganic growth opportunities**

Exploring organic and inorganic growth opportunities is as you know a key component of your Company's growth strategy. In May 2003 GCPL entered the promising Baby Products category, with the acquisition of the "Snuggly" brand. In time we propose to extend



our presence in the category with new introductions that will add to the present product range.

#### **Creating an invigorating work environment**

Godrej Consumer Products is highly performance driven but always eager to learn. The results of your Company's focused and well developed HR Policy was visible in it being recognised by the 'Great Place to Work Institute' as the best Indian Company to work in.

Numerous well-structured HR initiatives that include reverse mentoring, succession planning and coaching have not only contributed to a highly conducive working environment but also enabled identification of future leaders and some stimulating ideas.

#### **Ensuring the highest levels of transparency**

Your Company is committed to proactively and consistently ensuring the highest degree of

transparency to ensure clear and accurate perspectives with regard to the Company's strategies and developments. ICRA, post surveillance, upgraded the ratings for the Corporate Governance practices of your Company from CGR2 to CGR2+ and the rating for Stakeholders Value Creation and Governance practices from SVG2 to SVG2+ on a rating scale of 1 to 6 where 1 is the highest rating. The + sign indicates a relatively higher standing within the category indicated by the rating. Further, in an effort to enhance clarity of communication, the GCPL website now has a section that responds to frequently asked queries from various audiences.

Our product profile and growth strategy to a great extent insulates us from sectoral changes. In 'Personal care', being leaders, GCPL will continue to drive changes and expand the segment. In Toilet soaps there is significant opportunity to grow - we have achieved superior to sector growth since inception. Your Company, I believe is well positioned to continue to deliver growth and value.

Yours sincerely,

**Adi Godrej**

Chairman and Managing Director