



Executive Director & President's Statement



Dear Shareholders,

It has been yet another exciting and high energy year at GCPL. The strong financial results have been driven by improvements and innovations in marketing in both our business segments, significant improvement in the supply chain and a significant increase in distribution and penetration levels. To cap it all, the Company completed its first overseas acquisition which has enabled it to commence the building of a global FMCG presence.

The all round business growth achieved combined with the accolades and recognitions received reinforce my belief that we are on the right path. Your Company's FY '06 revenues improved 17% while PAT increased 40%. Economic Value Added (EVA) which is a key evaluation parameter to measure enhancement of shareholder value also improved by an impressive 38%. Among other recognitions, your Company was recognized as a Business 'Superbrand' during the year under review and India's "Best Managed Medium Cap Corporate" by a leading Asian Financial Magazine.

I would like to take this opportunity to share with you some of the initiatives undertaken by your Company during the year.

Brands

Your Company has become the second largest player in toilet soaps by value with sales improving by 18%. This growth was spurred by strong improvements across all

brands especially No.1, as well as new product introduction. 'Evita', an age control soap was introduced during the last quarter of the year. A Lavender variant was added to the 'Godrej No. 1' soap range. We also launched Godrej No. 1 talc with Sandal & Jasmine variants.

The hair colour category also saw the launch of Powder Fashion Hair Colours. As part of our "Cover Up to Colour Up" strategy, we continuously identify products and applications across the hair colour range with a focus on the mainstream population which we believe is the largest and fastest growing segment. The Re. 1 increase in the consumer price of Godrej Hair Dye Sachets that was executed in the first quarter was seamless and well accepted by the consumer with no slow-down in volume growth.

Toiletries too demonstrated encouraging growth. All initiatives including the Cinthol Talcum Powder 'Buy one, get one free' offer, the Snuggly trial offer at Rs. 10 per diaper and the launch of Godrej Shaving Cream Lather Deluxe continue to deliver strong results.

Distribution & Supply Chain

'Sampark' our supply chain management initiative contributed greatly in providing timely stock replenishment and minimizing inventories. We have consequently transitioned from a 'push' operation to a 'pull' operation. Let me elaborate. In earlier years as is the practice across most players the focus was on maximizing sales to distributors. This would lead to inventory build-ups and resulted in product obsolescence and slow response to market changes. With Sampark we are now able to track sales at the distributor level on a continuous basis and ship out stocks on a replenishment basis. As demand increases correspondingly larger volumes are dispatched. The advantages are manifold. Among them, stock levels have come down without any stock outs and we are able to respond faster to market expectations.

Acquisition of Keyline Brands, U.K.

With the acquisition of Keyline Brands, one of the admired FMCG Companies in the UK which owns international brands and trademarks across different countries we expect

to spur growth. It gives us the opportunity to establish a presence in these geographies as well as introduce some of the brands in India.

Outlook

All the external indicators such as economic growth, consumer spend etc. continue to be encouraging. The outlook for the FMCG sector is very positive. We will continue to innovate, improve our distribution network and exploit our assets to enhance productivity and create value for our stakeholders.

We are also consistently exploring acquisition opportunities in the personal and household care segments both in India and overseas.

I thank all our shareholders, the Board of Directors, employees and business partners for all their efforts and look forward to their continued participation in our growth.

Yours sincerely,

Hoshedar Press

Executive Director & President