

## Executive Director's Message to Shareholders

### *Dear Shareholders,*

The year has been an exciting one for your Company. All our businesses performed encouragingly. Several business initiatives have helped us put in place a sound growth platform. During the year, we acquired the South African business of Rapidol U.K. as well as its subsidiary Rapidol International, which has helped us further expand our international presence. With this, we are now present across several countries in the African continent.

We have formed a joint venture company known as Godrej SCA Hygiene Limited with SCA Hygiene Products AB Sweden. Through this joint venture we will be better positioned to enter the feminine hygiene business and improve our position in the baby diaper market which are both still in the nascent stage in India. During the year, we also introduced new distribution and supply strategies to increase our presence in smaller towns and ensure optimal stocks with our distributors. Technology, we know, is critical in ensuring efficiency and competitiveness and towards this end we changed our ERP system to SAP in January 2007.

This year we commenced production of toilet soaps and hair colour and toiletries at our new factories in Himachal Pradesh and Sikkim respectively. This will enable us to cater to the increasing demand.

Our sales revenues for the year improved by 36% while Net Profit increased by 19%. All our business initiatives are undertaken with a strong EVA focus and during the year EVA improved by 4% even though EVA improvement was impacted this year by the increase in the MAT rates



& increased capital expenditure in new factories. This year we declared a dividend of 375% on the share capital, with a dividend payout of 74% of the net profit.

### Awards & Recognition

We received various awards during the year. These include, being recognized as one of the best employers in the country by being ranked 6 in the list of Top 25 companies in the Best Employer Survey conducted by Hewitt Associates, being recognized as a "Great Place to Work" in the Great Places to Work Survey conducted by Businessworld and Grow Talent, where we were ranked 16 in the list of top 25 companies and receiving a commendation certificate for Strong Commitment to Excel in the CII-Exim Bank for Business Excellence. This reinforces my belief that we have strong processes in place to maintain excellence in everything we do.

Now let me highlight some of the key initiatives and developments that have taken place in GCPL during the year.

## Business Segments

We are the second largest toilet soaps player in the country with sales improving by 21%. Our Godrej No. 1 soap is the third largest brand in India. Due to an increase in vegetable oil prices we increased the prices of our toilet soaps by 5-8%. In February, we introduced Vigil, India's first and only Grade 1 health soap, which has been accepted well by trade & consumers. All our soap brands continue to drive growth.

In the hair colour category, we increased the price of our Powder Hair Dye sachet by Re. 1 to Rs 9. This product now has added conditioner and perfume and we continue to witness strong demand with steady volume growth. We are the first Company to introduce this feature in a powder hair dye and I see it as a great opportunity to enhance our sales. We also relaunched Renew cream hair colour in new attractive packaging. Renew cream hair colour is now also available in a 20 ml package for consumers who require to use only a small amount for touch up. In keeping with fashion trends, we launched 'Renew Highlights' which is available in blonde and red colours. This introduction was well accepted at the distributor as well as consumer level. We will continue to introduce new products which will help us enhance our presence in this segment.

Sales from our toiletries segment have increased significantly with growth being witnessed across all our categories namely Talcum Powder, Shaving cream and Diapers. Our Deluxe version in the shaving cream category continues to do well and during the year we introduced this variant in the Eastern region and in Madhya Pradesh. The luxury shaving cream was also introduced in a new 7 gm travel pack tube for Rs. 5 and the response

towards this has been tremendous. Our continuing promotional schemes have struck a chord with the consumers and have been instrumental in enhancing our growth in this segment. Snuggly continued to do well and is now a dominant player in southern states such as Kerala and Tamil Nadu.

## International Operations

Keyline Brands Limited continues to witness steady growth in the European market. During the year we relaunched 'Aapri' in the skin care segment, and the 'Erasmic' men's grooming portfolio. We also introduced a hand hygiene range in 'Cuticura'.

During the year, we acquired the South African business of Rapidol U.K. as well as its subsidiary Rapidol International. This transaction gives us an entry into a significantly sized black hair colour market along with ownership of strong ethnic hair colour brands. It also enables us to expand our presence into the African continent and provides us an opportunity to introduce GCPL products in the African market which has similar consumer demography.

A highlight of the year was the receipt of all EU clearances and certifications for Godrej Powder Hair Dye. As a result we completed our first shipment of Powder Hair Dye to Europe. We also exported Renew cream hair colour and Godrej No. 1 soap to South Africa, which is another sign of the synergies derived from our recent acquisitions being implemented.

Both our acquisitions have been highly accretive for the Company and have contributed to the consolidated topline as well as bottomline.

## Godrej SCA Hygiene Limited

During March 2007, GCPL formed a 50:50 joint venture known as Godrej SCA Hygiene Limited along with SCA Hygiene Products AB, Sweden. SCA is a global company that develops, produces and markets absorbent paper based personal care products and packaging solutions. Through this joint venture we will gain access to world-class technology for manufacture of paper based absorbent hygiene products and will also enable us introduce world renowned brands in the Indian market. This joint venture will manufacture and market paper based hygiene products in India, Nepal and Bhutan. Our 'Snuggy' brand was sold to the joint venture company to align its interests and give it a head start.

## Information Technology

During the year we changed our ERP system to SAP and this has enabled us to improve transparency and communications in our manufacturing, accounting & finance processes. 'Sampark', our supply chain management initiative was upgraded. It enables us

to minimize inventory levels, achieve timely stock replenishment and get access to information at the right place and time. Due to our robust infrastructure, our Sampark initiative continues to contribute significantly to control costs in our distribution and supply chain.

## Outlook

With a healthy economic environment and continuous increase in consumer spend, I am confident of our ability to build on the initiatives taken in the just concluded year. We will drive growth by continuous improvements in our products & processes and by entering new categories and geographies.

To conclude, I would like to thank all our employees and business associates for their continuous support and efforts in making GCPL a leading FMCG player.

Yours sincerely,

**Hoshedar Press**

Executive Director and President