



Robust financial and operating performance that reflects the healthy macro economic growth.

Directors' Report

FOR THE YEAR ENDED ON MARCH 31, 2005

To The Shareholders,

Your Directors have pleasure in presenting their Report along with the audited accounts for the year ended on March 31, 2005.

OPERATING RESULTS

Your Company's financial performance for the year under review has been encouraging and is as summarised below :

	This Year Rs. crore	Previous Year Rs. crore
Sales (net of excise duty)	562.7	489.7
Other operating income	—	2.0
Other Income	6.4	2.1
Total Income	569.1	493.8
Total Expenditure other than Interest and Depreciation	(462.2)	(405.4)
Profit before Interest, Depreciation and Tax	106.9	88.4
Depreciation	(10.7)	(9.4)
Profit before Interest and Tax	96.2	79.0
Interest and Financial Charges (net)	(2.5)	(2.4)
Profit before Tax	93.8	76.6
Provision for tax :		
Current tax	(7.4)	(8.8)
Deferred tax	(0.3)	(2.9)
Profit after Tax	86.1	64.9
Tax adjustments in respect of previous years	3.5	0.0
Profit after tax and tax adjustments for previous years	89.6	64.9
Surplus brought forward	4.5	4.0
Amount available for appropriation	94.1	68.9

APPROPRIATION

Your Directors recommend appropriation as under :

	This Year Rs. crore	Previous Year Rs. crore
Interim Dividend	68.0	51.3
Proposed Final Dividend	—	—
Tax on distributed profits	9.1	6.6
Transfer to General Reserve	9.0	6.5
Surplus Carried Forward	8.0	4.5
Total Appropriation	94.1	68.9



DIVIDEND

For the year 2004-05, three interim dividends were paid – Rs. 2 per share on August 12, 2004, Rs. 2 per share on November 19, 2004 and Rs.3 per share on February 11, 2005.

In addition to the above, the Directors have declared a fourth interim dividend on April 28, 2005 at the rate of Rs. 5 per share. The record date for the same has been fixed as May 5, 2005.

The total dividend payout for the year ended March 31, 2005 works out to Rs.12 per share (300% on the shares of the face value of Rs. 4/-).

Your Directors recommend that the aforesaid interim dividends aggregating to Rs.12 per share be declared as final dividend for the year ended on March 31, 2005.

REVIEW OF OPERATIONS

During the year under review your Company has recorded Profit After Tax (PAT) of Rs. 86.1 crore and Net Profit (after tax adjustments) of Rs. 89.6 crore.

The comparison of the current year's Sales with the previous year is as follows :

Rs. crore

Particulars	Year ended March 31, 2005	Year ended March 31, 2004	% Increase /(Decrease)
1. Godrej Brands (net of excise duty)			
a) Soaps	334.1	287.1	16
b) Hair Colour	133.6	114.8	16
c) Toiletries	24.5	26.1	(6)
d) Liquid Detergents	36.5	35.6	3
Total Godrej Brands	528.7	463.6	14
2. Contract Manufacturing	20.0	11.4	75
3. Other Sales	14.0	14.7	(5)
Total	562.7	489.7	15

Sales of Godrej Consumer Products Limited (GCPL) brands have increased by 14 percent from Rs. 463.6 crore in 2003-04 to Rs. 528.7 crore in 2004-05.

During the year under review, your Company maintained performance that was superior to the industry in the soap segment, with sales of GCPL brands increasing by 16%. The performance of the personal care segment was also encouraging led by a 16% sales growth in hair colour. Both segments also had new offerings during the year.

A detailed analysis of your Company's performance is contained in the Management Discussion and Analysis Report.

FINANCIAL POSITION

The Company's financial position continues to remain strong and enjoys high liquidity, with a negative net working capital. During the year, the Company availed of Madhya Pradesh Deferred Prepayment Yojana, 2005 and prepaid a loan liability of Rs.13.1 crore under the scheme at a discounted value of Rs. 9.9 crore resulting in an income of Rs. 3.2 crore, which has been included in Other Income.

PUBLIC DEPOSIT

The Company has not accepted any public deposit during the year.

RESEARCH AND DEVELOPMENT

During the year, the Research & Development efforts of the Company were focused on oils, fats, fatty acids, soaps and surfactants, cosmetics and toiletries and packaging. The Research & Development continued to work on developing innovative processes, rendering support to marketing, sales and manufacturing departments and understanding consumer needs.

HUMAN RESOURCES

Your Company continues to pay focused attention on its human resources. The Company has for the second year running, in December 2004 been recognized as a "Great Place to Work" in the Great Places to Work Survey conducted by Businessworld and Grow Talent. The Company was ranked seventh in the list of Top-25 companies. These 25 companies were selected from the 179 companies which competed for the recognition. Your Company is the highest ranked FMCG company on the list.

Your Company has been ranked first in the Best Managed Workforce 2004 category, in a survey conducted by Hewitt Associates in association with CNBC, for judging the Best Employers in India 2004. A record 272 companies participated in the survey out of which five were selected in the Best Managed Workforce Category.

Learning and development continued with white-collared employees receiving an average of 48 hrs. of training inputs. Cordial relations with the workforce continued at all the manufacturing locations.

ENVIRONMENT AND SOCIAL CONCERN

The Company has four modern manufacturing facilities at Malanpur (Madhya Pradesh), Baddi (Himachal Pradesh) Silvassa (Dadra & Nagar Haveli) and Guwahati (Assam). The Company is committed to protecting the environment. It has efficient pollution control and effluent treatment systems in place.

The Company's factory at Malanpur is operating Quality Management System (QMS) as per ISO-9001:2000 and ISO-14001 certified by Bureau Veritas Quality International (BVQi). GCPL's Malanpur factory is the first Toilet Soaps manufacturing unit in the country certified for ISO-14001. The Company's factory at Silvassa has been awarded ISO-9001 certificate by BVQi.

The Company's factory at Baddi has been certified by BVQi for ISO: 9001:2000 (Quality Management System), ISO: 14001:1996 (Environmental Management System), ISO: 18001:1999 (Occupational Health & Safety Management System).

The World famous Kaziranga National Park situated at Assam celebrated its centenary year in February 2005. To celebrate the centenary, the Forest Department of the State organized a cultural event coupled with the panoramic view of the forest. Your Company extended financial and other support to the event to boost the concept of conservation of natural resources as well as protection of wild life.

All GCPL offices / factories are no tobacco-no smoking zones.

EVA

Your Company continues to take initiatives that lead to improvement in EVA. During the year, your Company achieved an EVA of Rs. 78.8 crore as against Rs. 53.7 crore in the previous year.

RATINGS

This year, post surveillance, ICRA has reaffirmed your Company's Corporate Governance Rating at CGR2+ and the Stakeholder Value Creation and Governance Rating at SVG2+. The + sign indicates relatively higher standing within the category indicated by the rating. The above ratings are on a rating scale of 1 to 6, where 1 is the highest rating.

BUYBACK

On January 31, 2004, the Board of Directors in its meeting approved a proposal for buyback of shares at a maximum price not exceeding Rs.200/- per share at an aggregate consideration not exceeding Rs.8.4 crore subject to the approval of shareholders



by means of Postal Ballot. The approval of shareholders was so received and the results of postal ballot were announced on April 19, 2004. The Public Announcement, as per SEBI Regulations, for the buyback was made on April 27, 2004. Till August 3, 2004, the Company bought back 245,042 shares at a total consideration of Rs. 4.85 crore. Since then, the share price has been quoting above Rs.200 and hence the buyback was closed on October 15, 2004.

DIRECTORS

In accordance with Article 127 of the Articles of Association of your Company, Mr. Nadir Godrej and Mr. Hoshedar Press retire by rotation and, being eligible, offer themselves for reappointment.

LISTING

The shares of your Company are listed at The Stock Exchange, Mumbai and The National Stock Exchange. The listing fee for the year 2005-06 has been paid before the due date.

As approved by the shareholders at the AGM held on July 22, 2004, the Company had made applications to the The Stock Exchange, Ahmedabad, Madras Stock Exchange Ltd., Delhi Stock Exchange Association Ltd. and The Calcutta Stock Exchange Association Ltd. for delisting of the equity shares of the Company. The equity shares of the Company have been delisted from the above stock exchanges.

The shares of the Company will continue to be listed at The Stock Exchange, Mumbai and The National Stock Exchange.

AUDITORS

The Auditors, Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, retire and offer themselves for reappointment.

Pursuant to directions from the Department of Company Affairs, P.M. Nanabhoy & Co. Cost Accountants have been appointed as Cost Auditors for the year 2004-05. They are required to submit the report to the Central Government within 180 days from the end of the accounting year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in Section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements, a Management Discussion and Analysis Report and a Report on Corporate Governance are included in the Annual Report. The Auditors Certificate certifying the Company's compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement is attached as Annexure C and forms part of this report.

GROUP FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are named in the Annexure B attached herewith and forms part of this Annual Report.

ADDITIONAL INFORMATION

Annexure A to this Report gives the information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the same statement may write to the Company Secretary at the Registered Office of the Company.

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

ACKNOWLEDGEMENT

Your Directors wish to place their sincere thanks to the Union Government and the Governments of Maharashtra, Madhya Pradesh, Assam, Dadra & Nagar Haveli and Himachal Pradesh, as also to all the Government agencies, banks, customers, shareholders, vendors and other related organisations who, through their continued support and co-operation, have helped, as partners, in your Company's progress.

for and on behalf of the Board of Directors

Adi Godrej
Chairman

Mumbai, April 28, 2005

ANNEXURE A FORMING PART OF THE DIRECTORS' REPORT

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

A. Conservation of Energy

I. (A) Energy Conservation measures undertaken :

- i) Installation of invertors on FMC pumps in a Fat Splitting Plant.
- ii) Installation of stepless modulation on TP 10 Thermic fluid heater in a Fatty Acid Distillation Plant.
- iii) Improved the productivity of the line.
- iv) Provided the variable frequency drives in soap wrapping machines.
- v) Provided interlocking in all the line equipments.

(B) Proposed energy conservation measures :

- i) Replacement of water chilling plant compressor with screw compressor to reduce power consumption.
 - ii) Replacement of old non-return valves with new design non-return valves in cooling tower pumps to reduce power consumption.
 - iii) Replacement of existing tube lights with energy efficient tube lights.
- II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods :
- Saving in energy costs during the period under consideration.

B. Technology Absorption

Research and Development (R&D)

I. Specific areas in which R&D carried out by the Company :

During the year under review, Research & Development efforts in the following areas strengthened the Company's operations through technology absorption, adaptation and innovation :

1. Hair Care
2. Customer Centricity
3. Skin Care
4. Knowledge Management
5. Quality Control

II. Benefits derived as a result of the above R&D efforts :

1. Launch of three Cinthol Deo Soap variants
2. Launch of a Godrej No.1 Soap variant
3. Launch of four more exciting fashion colours in cream form in the Hair Colour category
4. Developed & launched Fashion Hair Colours in Powder form

III. Future Plan of Action :

- i) Focus on innovative hair care products
- ii) Understanding the consumer
- iii) Focus on innovative packaging

IV. Expenditure on R & D :

- (a) Capital
- (b) Recurring
- (c) Total
- (d) Total R & D expenditure as a percentage of total sales turnover

This Year Rs. crore	Previous Year Rs. crore
0.03	0.01
1.67	1.44
<u>1.70</u>	<u>1.45</u>
0.30%	0.30%

Technology Absorption, Adaptation and Innovation**1. Efforts, in brief, made towards technology absorption, adaptation and innovation :**

- i) Expansion of product range to meet the growing market needs.
- ii) Upgradation in existing products.

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. :

The above efforts helped in satisfying consumer needs, as well as business requirements of introducing new products.

3. Imported Technology :

The Company has not imported any technology since incorporation.

C. Foreign Exchange Earnings and Outgo:

The total exports of your Company's products during the current year grew by 25% over the previous year. During the year under consideration, the Company started exporting its products to six new countries. The Company's products are now available in more than 40 countries around the world. The Company has already initiated steps to enter into a few more countries and the registration process and identification of suitable business partners is being aggressively pursued.

- I. Foreign exchange used
- II. Foreign exchange earned

This Year Rs. crore	Previous Year Rs. crore
81.13	75.41
10.48	7.84



ANNEXURE B FORMING PART OF THE DIRECTORS' REPORT

"Group" for inter se transfer of shares under clause 3(e)(i) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1.	Godrej & Boyce Mfg. Co. Ltd.	26.	Golden Feed Products Ltd.
2.	Godrej Industries Ltd.	27.	Goldmohur Foods & Feeds Ltd.
3.	Cartini India Ltd.	28.	Godrej Foods Ltd.
4.	Godrej Appliances Ltd.	29.	Godrej Tea Ltd.
5.	Godrej Holdings Pvt. Ltd.	30.	Godrej Hicare Ltd.
6.	Godrej Infotech Ltd.	31.	Godrej Global Solutions Ltd.
7.	Godrej Investments Pvt. Ltd.	32.	Mr. Adi B. Godrej
8.	Godrej (Malaysia) Sdn. Bhd.	33.	Mrs. Parmeshwar .A. Godrej
9.	Godrej (Singapore) Pte Ltd.	34.	Ms. Nisa A. Godrej
10.	Godrej (Vietnam) Co. Ltd.	35.	Mr. Pirojsha A. Godrej
11.	J T Dragon Pte Ltd.	36.	Mrs. Tanya A. Dubash
12.	Lawkim Ltd.	37.	Mr. Jamshyd N Godrej
13.	Godrej Upstream Ltd.	38.	Mrs. Pheroza J. Godrej
14.	Prashant Metal Forming Industries Pvt. Ltd.	39.	Ms. Raika.J.Godrej
15.	Ensemble Holdings & Finance Ltd.	40.	Mr. Navroze J. Godrej
16.	Godrej Remote Services Ltd.	41.	Mr. Nadir B. Godrej
17.	Swadeshi Detergents Ltd.	42.	Mrs. Rati N. Godrej
18.	Vora Soaps Ltd.	43.	Master Burjis N. Godrej
19.	Godrej Global Mid East FZE	44.	Master Sohrab N. Godrej
20.	Godrej International Ltd.	45.	Master Hormuzd N. Godrej
21.	Godrej Properties Ltd.	46.	Mr. Vijay M. Crishna
22.	Girikandra Holiday Homes & Resorts Ltd.	47.	Mrs. Smita V. Crishna
23.	Tahir Properties Ltd.	48.	Ms. Freyan V. Crishna
24.	Godrej Agrovet Ltd.	49.	Ms. Nyrika V. Crishna
25.	Bahar Agro Chem & Feeds Pvt. Ltd.	50.	Mr. Rishad K. Naoroji

ANNEXURE C FORMING PART OF THE DIRECTORS' REPORT

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Godrej Consumer Products Limited
Mumbai.

We have examined the compliance of conditions of Corporate Governance by Godrej Consumer Products Limited (the Company) for the year ended March 31, 2005 as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the Company's management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements.

In our opinion and according to the information and explanations given to us, we state that to the best of our knowledge the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that as per the records maintained by the Registrars and Share Transfer Agents of the Company and presented to the Shareholders' Committee, no investor grievances received during the year ended March 31, 2005, were remaining unattended/ pending against the Company for a period exceeding thirty days.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
M.No.32083

Mumbai, April 28, 2005