



DIRECTORS' REPORT



To The Shareholders,

Your Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended on March 31, 2008

Operating Results

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

	This Year Rs. Crore	Last Year Rs. Crore
Sales (net of excise duty)	887.6	758.5
Other operating income		
Other Income	8.7	5.3
Total Income	896.3	763.8
Total Expenditure other than Interest and Depreciation	(702.6)	(611.1)
Profit before Interest, Depreciation and Tax	193.7	152.7
Depreciation	(15.7)	(12.5)
Profit before Interest and Tax	178.0	140.2
Interest and Financial Charges (net)	(8.8)	(5.8)
Profit before Tax	169.2	134.4
Provision for tax:		
Current tax	(19.3)	(15.1)
Deferred tax	(1.1)	(1.3)
Fringe Benefit Tax	(0.7)	(0.8)
Profit after tax	148.1	117.2
Extra ordinary item (net of taxes)	-	10.1
Tax adjustments in respect of previous years	-	4.8
Profit after tax and tax adjustments for previous years	148.1	132.1
Surplus brought forward	48.5	27.0
Amount available for appropriation	196.6	159.1

Appropriation

Your Directors recommend appropriation as under:-

	This Year Rs. Crore	Last Year Rs. Crore
Interim Dividend	73.4	84.7
Proposed Final Dividend	19.4	-
Tax on distributed profits	15.8	12.7
Transfer to General Reserve	14.8	13.2
Surplus Carried Forward	73.2	48.5
Total Appropriation	196.6	159.1

Rights Issue

During the year under review, your Board of Directors had approved an issue of 32,263,440 equity shares of Re.1 each at a premium of Rs.122 per equity share aggregating to an amount of Rs.396.84 crore, to the equity shareholders on a rights basis, in the ratio of 1 equity share for every 7 equity shares held on the Record Date March 19, 2008. The issue opened on March 31, 2008 and closed on April 30, 2008.

Dividend

For the year 2007-08, three interim dividends were paid – Rs.0.75 per share on August 22, 2007 on the shares of face value Re.1 each, Rs.0.75 per share on November 15, 2007 on shares of face value Re.1 each and Re.1 per share on February 11, 2008 on shares of face value Re.1 each.

In addition to the above, the Board of Directors has declared a fourth interim dividend on April 28, 2008 at the rate of Rs.0.75 per share on shares of face value Re.1 each. The record date for the same was May 6, 2008.

The Board of Directors has also proposed a final dividend of Rs. 0.75 per share on the post rights issue paid up capital. The payment of the final dividend is subject to the approval of the shareholders at the Annual General Meeting.

The total dividend payout for the year ended March 31, 2008 stands at Rs.4.00 per share (400% on the shares of the face value of Re.1).

Review Of Operations

During the year under review your Company earned Profit After Tax (PAT) of Rs.148.1 crore. Sales have increased by 17 per cent from Rs. 758.5 crore in 2006-07 to Rs. 887.6 crore in 2007-08.

The comparison of the current year's Sales with last year's is given in Table 1 below.

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

Table 1: Comparison of Current year sales with last year.

(Rs. Crore)

	Particulars	Year ended 31-Mar-08	Year ended 31-Mar-07	% Increase/ (decrease)
1.	Sales			
a)	Soaps	566.6	475.1	19
b)	Hair Colour	204.7	181.9	13
c)	Toiletries	57.5	47.4	21
d)	Liquid Detergents	38.5	38.8	(1)
2.	By-products	20.3	15.3	33
	Total	887.6	758.5	17

Acquisition

In October 2007, your Company acquired Godrej Global Mid East FZE (GGME). GGME was a 100% subsidiary of Godrej International Limited. Incorporated on November 1, 1997 in the Sharjah Airport Free Zone, Sharjah, UAE as a Free Zone Establishment, its principal activity consists of trading in soaps and toiletries in the UAE and other GCC countries.

During the post-acquisition period i.e. October 1, 2007 to March 31, 2008, GGME posted a turnover of AED 4.5 million and a profit after tax of AED 0.2 million.

With effect from April 1, 2008, your Company has acquired an 100% stake in Kinky Group Proprietary Ltd., South Africa. "Kinky", one of the leaders in the South African Hair Category, is a 36-year old business set up by a family of entrepreneurs in South Africa and has trademarks registered in South Africa. Kinky offers a variety of products which include hair, hair braids, hair pieces, wigs, wefted pieces. Kinky also offers hair accessories like styling gels, hair sprays, oil free shampoo. This acquisition gives your Company an opportunity to enter into a new line of business and diversify our hair product portfolio.

Subsidiary Companies

Keyline Brands Limited, UK posted a turnover of GBP 20.6 million and a profit after tax of GBP 1.6 million.

Rapidol Pty. Limited, South Africa posted a turnover of ZAR 82.3 million and a profit after tax of ZAR 9.4 million.



During the year under review, Godrej Global Mid East FZE (GGME) registered in Sharjah became a subsidiary of your Company with effect from October 1, 2007. During the post-acquisition period i.e. October 1, 2007 to March 31, 2008, GGME posted a turnover of AED 4.5 million and a profit after tax of AED 0.2 million.

Godrej Consumer Products Mauritius Ltd. and Godrej Kinky Holdings Ltd. registered in the Republic of Mauritius, became subsidiaries of your Company on February 18, 2008 and March 7, 2008 respectively. Both are investment holding companies and did not have any operations during the year under review

The Board of Directors of Cuticura Laboratories Ltd., UK and Cosmetics That Care Limited, UK subsidiaries of your Company passed resolutions on August 11, 2006 for winding up. Accordingly the above companies have been wound up with effect from May 22, 2007 and July 24, 2007 respectively. These companies have not carried out any business during the year for the period till their date of winding up.

The Company has been granted exemption by the Ministry of Company Affairs, from attaching with its accounts the individual accounts of each of the subsidiaries. The accounts of the subsidiary companies and the related detailed information will be made available to any shareholder seeking such information at any point of time. The accounts of the subsidiary companies are also available for inspection by any shareholder at the registered office of the company or at the registered offices of the subsidiary companies.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India, forms part of the Annual Report and Accounts.

In accordance with the conditions stipulated by the Ministry of Company Affairs, while granting exemption from attaching the individual accounts of each of the subsidiaries, a one page financial summary for the above subsidiaries is disclosed in the consolidated Balance Sheet

Employee Stock Option Plan

The shareholders had vide a Special Resolution passed by postal ballot on March 14, 2007, approved Godrej Consumer Products Ltd. Employee Stock Option Plan (GCPL ESOP) for the grant of 20,00,000 stock options convertible into 20,00,000 equity shares of the nominal value Re. 1 each to the eligible employees/directors of the Company and of the Company's subsidiaries. The GCPL ESOP is administered by a trust set up for this purpose viz. Godrej Consumer Products Ltd. Employee Stock Option Trust.

Against the above shareholders consent, the trust has acquired till March 31, 2008, 1,642,420 equity shares of the Company against loans received from the Company. During the year, out of the shares acquired as aforesaid, the Compensation Committee has granted 1,615,000 options convertible into 1,615,000 shares of nominal value of Re. 1 each to certain eligible employees of the Company. The details of the Options allotted under GCPL ESOP, as

also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in **Annexure A** to this report.

Subsequent to the close of the financial year, the trust has till April 28, 2008 acquired 63,928 shares of your Company for giving stock options under the GCPL ESOP Scheme.

Your Company has also vide special resolutions passed on April 24, 2008, obtained the consent of the shareholders for the grant of further 25,00,000 stock options convertible into 25,00,000 equity shares of the nominal value Re.1 each to the eligible employees/directors of the Company and of the Company's subsidiaries.

Since the exercise price of GCPL options is the last closing price on the stock exchange, there is no compensation cost in Fiscal 2008 based on the intrinsic value of option.

Ratings

The Company continues to enjoy a Corporate Governance Rating of CGR2+ and the Stakeholder Value Creation and Governance Rating of SVG2+ assigned by ICRA. 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.

Directors

In accordance with Article 130 of the Articles of Association of your Company, Mr. Nadir Godrej and Mr. Hoshedar Press retire by rotation and, being eligible, offer themselves for re-appointment.

Listing

The shares of your Company are listed at The Bombay Stock Exchange Limited and The National Stock Exchange of India Ltd. The annual listing fees has been paid before the due date.

Auditors

The Auditors, Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, retire and offer themselves for re-appointment.

Pursuant to directions from the Department of Company Affairs, P. M. Nanabhoy & Co. Cost Accountants have been appointed as Cost Auditors for the year 2007-08. 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.

Additional Information

Annexure B to this Report gives the information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under Sec.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 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 the employee under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the 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.

Group For Interse Transfer Of Shares

As required under Clause 3(1)(e) 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 given in the **Annexure C** attached herewith and forms part of this Annual Report.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreements, the Management Discussion and Analysis Report and the 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 D** and forms part of this Annual Report.

Acknowledgement

Your Directors wish to place their sincere thanks to the Union Government and the Governments of Maharashtra, Madhya Pradesh, Assam, Himachal Pradesh and Sikkim, as also to all the Government agencies, banks, financial institutions, 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, May 12, 2008

Annexure A forming part of the Directors' Report

As per the Securities & Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 following information is disclosed in respect of Godrej Consumer Products Limited Employee Stock Option Plan :

Sr. No.	Heading	Particulars
a	Options granted	1,615,000
b	The pricing formula	Market Price plus Interest at such a rate not being less than the Bank Rate then prevailing compoundable on an annual basis for the period commencing from the date of Grant of the Option and ending on the date of intimating Exercise of the Option to the Company
c	Options vested	NIL
d	Options exercised	NIL
e	The total number of shares arising as a result of exercise of option	NIL
f	Options lapsed/forfeited	15000
g	Variation of terms of options	NIL
h	Money realized by exercise of options	NIL
i	Total number of options in force	1,600,000
j	Employee wise details of options granted to: <ul style="list-style-type: none"> i) senior managerial personnel ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. 	<ul style="list-style-type: none"> } As per statement attached Nil
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with <i>Accounting Standard (AS) 20 'Earnings Per Share'</i> .	There is no fresh issue of shares hence, not applicable.

Sr. No.	Heading	Particulars
l	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted the employee compensation cost would have been higher by Rs. 2.37 crore, Profit after tax lower by Rs. 2.37 crore and basic EPS would have been lower by Rs. 0.11
m	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Exercise price Rs. 137.8 plus interest as mentioned in pricing formula Fair Value Rs. 44.2
n	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair value of the options granted has been calculated using Black – Scholes Options pricing formula and the significant assumptions made in this regard are as follows:
	i) risk-free interest rate,	8%
	ii) expected life,	4
	iii) expected volatility,	54%
	iv) expected dividends, and	2.62% - 2.93%
	v) the price of the underlying share in market at the time of option grant	Rs. 129.65 – Rs. 145.26

Statement attached to Annexure A to the Directors' Report for the year ended March 31, 2008.

Name of senior managerial persons to whom stock options have been granted	Number of options granted
Dr. R. K. Sinha	110000
Mr. Sunil Sapre	100000
Mr. A. Rangarajan	100000
Mr. B. S. Sodhi	100000
Mr. Jimmy Anklesaria	100000
Mr. Rajesh Tiwari	100000
Mr. Sumit Mitra	100000
Dr. Sunder Nurani Mahadevan	50000
Mr. Raj Shahaney	50000
Mr. V. Suresh	50000

Annexure B 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:

1. Provided Variable frequency drives to reduce the inductive load on following equipments.
 - a) Flaker
 - b) Air Compressor (In two nos)
 - c) Wrapping machines (In four nos.)
2. Provided energy efficient pumps for the following
 - a) Sweet water evaporation plant cooling tower pumps
 - b) In TP-10 thermic fluid heater
3. Provided Air pre heaters in TP-25 & TP-15 Thermic fluid heaters for Chemical Complex # 3 to reduce the fuel consumption.
4. Provided on-line oxygen analyzer in L.P. Boilers to monitor & improve the boiler efficiencies.

(B) Proposed energy conservation measures:

1. Provision of Variable frequency drive to reduce the inductive load on following equipments:

- a) Wrapping machines of Soap Finishing Line # 3 (4 nos.)
 - b) Roll mills of line # 3
 - c) Upper Duplex plodder of Soap Finishing Line 1 & 2
2. Provision of energy efficient pumps for the followings:
 - a) Brine Chilling plant
 - b) RO section
 - c) L.P. Boilers
 3. Provision of Solar lights for street lightening.
 4. Provision of Air pre heaters for TP-25 of Chemical Complex # 2 to reduce the fuel consumption.
 5. Replacement of old air compressor with Energy Efficient Atlas Capco 'GA 45+' compressor.

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. Skin Care
3. Customer Centricity
4. Packaging Development
5. Fabric care

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

1. Relaunch of Cinthol Soap
2. Relaunch of Cinthol Talc
3. Launch of new Cinthol Deodorant spray
4. New look packaging for Powder Hair Dye
5. Launch of new Shampoo
6. New products for Rapidol

III. Future Plan of Action:

1. Focus on new categories
2. Exploration of new technologies in existing categories

IV. Expenditure on R & D

		This Year Rs. Crore	Last Year Rs. Crore
(a)	Capital	1.53	0.00
(b)	Recurring	2.75	2.36
(c)	Total	4.28	2.36
(d)	Total R & D expenditure as a percentage of total sales turnover	0.48%	0.36%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

- i) Established new manufacturing location for Shampoos.
- ii) Established new manufacturing location for Liquid Detergent.

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 cost reduction, customer satisfaction and top line and bottom line improvements.

3. Imported Technology:

The Company has not imported any technology since incorporation.

C. Foreign Exchange earnings and outgo:

During the year the Export sales growth was substantially affected due to strengthening of the Rupee by 10% between April 2007 and March 2008. The increase in prices of toilet soaps on account of very high increase in the palm oil prices also affected business growth.

During the year, your Company started exports to Libya. The Company also started exports to Egypt through its subsidiary Godrej Global Mideast FZE.

	This Year Rs. Crore	Last Year Rs. Crore
I. Foreign exchange used	184.62	131.44
II. Foreign exchange earned	17.27	14.38

Annexure C forming part of the Directors' Report

“Group” for interse transfer of shares under clause 3(1)(e) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1	Godrej & Boyce Mfg. Co. Ltd.	32	Golden Feed Products Ltd.
2	Godrej Industries Ltd.	33	Goldmohur Foods & Feeds Ltd.
3	Cartini India Ltd.	34	Aadhaar Retailing Services Ltd.
4	Godrej Investments Pvt. Ltd.	35	Godrej Oil Plantations Ltd. (formerly Godrej Acquafeed Ltd.)
5	Godrej Efacec Automation & Robotics Ltd.	36	Godrej Gokarna Oilpalm Limited (fomerly Godrej Oilpalm Ltd.)
6	Godrej Holdings Pvt. Ltd.	37	Wadala Commodities Ltd. (formerly Godrej Commodities Ltd.)
7	Godrej Infotech Ltd.	38	Godrej Hicare Ltd.
8	Geometric Ltd. (formerly Geometric Software Solutions Co. Ltd.)	39	Godrej Global Solutions Ltd.
9	Mercury Manufacturing Co. Ltd.	40	Godrej Global Solutions (Cyrpus) Ltd.
10	Lawkim Ltd.	41	Godrej Global Solutions Inc.
11	Godrej Upstream Ltd.	42	Godrej Sara Lee Ltd.
12	Prashant Metal Forming Industries Pvt. Ltd.	43	Mr. Adi B. Godrej
13	Statomat Special Machines India (Pvt.) Ltd.	44	Mrs. Parmeshwar A. Godrej
14	Godrej (Malaysia) Sdn. Bhd.	45	Mrs. Tanya A. Dubash
15	Godrej (Singapore) Pte. Ltd.	46	Ms. Nisa A. Godrej
16	J. T. Dragon Pte. Ltd.	47	Mr. Pirojsha A. Godrej
17	Ensemble Holdings & Finance Ltd.	48	Mr. Jamshyd N. Godrej
18	Swadeshi Detergents Ltd.	49	Mrs. Pheroza J. Godrej
19	Vora Soaps Ltd.	50	Ms. Raika J. Godrej
20	Godrej International Ltd.	51	Mr. Navroze J. Godrej
21	Godrej Properties Ltd.	52	Mr. Nadir B. Godrej
22	Girikandra Holiday Homes & Resorts Ltd.	53	Mrs. Rati N. Godrej
23	Godrej Reality Pvt. Ltd.	54	Master Burjis N. Godrej
24	Godrej Waterside Properties Pvt. Ltd.	55	Master Sohrab N. Godrej
25	Godrej Real Estate Pvt. Ltd.	56	Master Hormuzd N. Godrej
26	Godrej Developers Pvt. Ltd.	57	Mr. Vijay M. Crishna
27	Godrej Seaview Properties Pvt. Ltd.	58	Mrs. Smita V. Crishna
28	Happy Highrises Ltd.	59	Ms. Freyan V. Crishna
29	Tahir Properties Ltd.	60	Ms. Nyrika V. Crishna
30	Godrej Agrovet Ltd.	61	Mr. Rishad K. Naoraji
31	Bahar Agro Chem & Feeds Pvt. Ltd.		



Annexure D 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 on March 31, 2008, as stipulated in clause 49 of the Listing Agreements of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit, nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As per the records of the Company, there were no investor grievances remaining unattended for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the 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

Darius Z. Fraser
Partner
M. No.: 42454

Place : Mumbai
Date : April 28, 2008.