

# Directors' Report



Directors' Report

## Directors' Report for the year ended on March 31, 2002

To The Shareholders,

Your Directors have pleasure in submitting their Report along with the Audited Accounts for the year ended on March 31, 2002.

### Operating Results

Your company achieved strong results during the year under review. This being the first year of operation after the demerger of the consumer products business from Godrej Soaps Limited to Godrej

Consumer Products Limited(GCPL) the figures for the last year are not comparable with that of the current year. Your company's performance during the year is summarised below:

	<b>This Year Rs. Crore</b>
Sales	514.2
Other operating income	6.3
Other Income	1.6
Total Income	522.1
Total Expenditure other than Interest and Depreciation	445.0
Profit before Interest, Depreciation and Taxation	77.1
Depreciation	9.4
Profit before Interest and Taxation	67.7
Interest and Financial Charges (net)	4.5
Profit before Taxation	63.2
<b>Provision for taxation:</b>	
Current tax	15.4
Deferred tax	5.8
Profit after tax available for appropriation	42.0
<b>Appropriation</b>	
Your Directors recommend appropriation as under:-	
Dividend on Equity Shares	32.5
Tax on distributed profits	1.2
Transfer to General Reserve	4.3
Surplus Carried Forward	4.0
<b>Total Appropriation</b>	<b>42.0</b>

Operational Review

**The Sales of GCPL as compared with the Consumer Products Division of the former Godrej Soaps Limited are as follows:**

(Rs. Crore)

PARTICULARS	Year ended 31-Mar -02 (Audited)	Year ended 31-Mar-01 (Audited)	% Increase /(decrease)
1 Godrej Brands			
a) Soaps	268.1	248.2	8
b) Hair Colour	107.5	91.9	17
c) Toiletries	36.3	38.3	(5)
d) Liquid Detergents	31.0	28.2	10
<b>Total Godrej Brands</b>	<b>442.9</b>	<b>406.6</b>	<b>9</b>
2 Contract Manufacturing	54.1	61.8	(13)
3 Other Sales	17.2	-	-
<b>Total</b>	<b>514.2</b>	<b>468.4</b>	<b>10</b>

During the year under review your Company has recorded Profit after Tax of Rs. 42.0 Crore.

Sales of Godrej Consumer Products Limited (GCPL) brands have increased by 9 percent from Rs.406.6 crore in 2000-01(at that time, part of the consumer products division of Godrej Soaps Limited) to Rs.442.9 crore in 2001-02.

During the year under review, your company increased top line sales through various sales and marketing initiatives and cost effective product offerings with clear value propositions. The year also saw the launch of a number of new products, all of which were received enthusiastically by the trade and consumers.

Dividend

For the year 2001-02 two interim dividends were declared. The first interim dividend was declared on October 15, 2001 at the rate of Rs. 2.0 per share and dividend distribution tax applicable thereon was paid. The second interim dividend was declared on April 29, 2002 at the rate of Rs. 3.5 per share. The second interim dividend will be subject to the provisions of tax deduction at source as per the provisions of the Finance Bill, 2002.

The total interim dividend for the year ended March 31, 2002 is Rs. 5.5 per share (137.5 % on the shares of the face value of Rs. 4.)

Your directors recommend that the aforesaid interim dividends aggregating to Rs. 5.5 per share be declared as final dividend for the year ended on March 31, 2002.

## Soaps

Prices of inputs remained at reasonable levels during the year allowing your Company to plough back cost savings into innovative trade and consumer offers. This helped your Company to defend and grow its brands. Your Company introduced a number of innovative schemes for the trade and consumers. A new Cinthol brand extension, Cinthol Skin Fresh soap, was launched and has met with favourable response from the consumer. As a result the sale of soaps grew by 8 percent in value, far outstripping category growth.

During the year the company generated an income of Rs. 54.1 crore from contract manufacturing of soap and Rs.6.3 crore from processing and conversion.

## Hair Colour

Your Company continues to be the country's biggest marketer of Hair Colours. The Company's hair colour sales have grown by 17 percent from Rs.91.9 crore (hair colour sales of Godrej Soaps Limited) in 2000-01 to Rs.107.5 crore in 2001-02. The company was successful in increasing its market share from 42.1 percent to 44.6 percent in 2001-02. In addition to the existing black hair dye sachets the company has during the year also launched a brown hair dye sachet. The Godrej Hair Care Institute continues to work closely with consumers and professionals to further the cause of hair care in India through training and product improvement by continuous interaction with professionals and consumers.

## Toiletries

The Toiletries business of the company comprises of talcum powders, shaving creams, fairness creams and a newly launched deodorant. The toiletries sales of the company declined by 5.2 percent from Rs.38.3 crore(toiletries' sales of Godrej Soaps Limited) in 2000-01 to Rs.36.3 crore in 2001-02. The company has made a foray into the deodorants business by launching Cinthol International Perfumed Deodorant. The company relaunched the Cinthol Deodorant Talc in a totally new pack.

## Liquid Detergents

During the year under review Ezee Liquid Detergent was relaunched with a new fabric conditioner and it continues to hold its position as India's largest speciality wool-wash detergent. The market share of this product has increased from 75.9 percent to 81.9 percent.

Your Company is working closely with the International Wool Secretariat to serve this segment of users.

## Demerger

Your Company was incorporated on November 29, 2000 in the State of Maharashtra, as a Public Company with the main object of taking over the Consumer Products Business of Godrej Soaps Limited as a going concern pursuant to a scheme of demerger which is in accordance with Section 2(19AA) of the Income Tax Act, 1961. All the liabilities and assets both movable and immovable pertaining to the consumer products business of Godrej Soaps Limited together with the factories situated at Malanpur and Silvassa alongwith the marketing, selling, distribution and related facilities have been transferred to your company after necessary approvals with effect from April 1, 2001.

## Manufacturing

During the year under review your company has set up a new factory at Guwahati, Assam for manufacture of hair colour and toiletries. The Company enjoys income tax and excise exemption in this factory.

## Research and Development

Research & Development worked in close co-ordination with the new product development group and played an important role in developing and launching new products such as the Cinthol Skin Fresh soap, Cinthol deodorant spray and hair conditioner. The revenue expenditure during the year on Research & Development was Rs. 0.9 crore, while the capital expenditure on R&D amounted to Rs. 0.05 crore.

## Financial Position

Your Company is in a strong financial position.

As per the Scheme of Demerger debt of Rs. 69.5 crore was transferred to your company from Godrej Soaps Limited on April 1, 2001. Till the end of the year, the debt was significantly reduced to Rs.22.5 crore. Good operating profits helped your Company to achieve this debt reduction. This will in turn help improve profitability in future by lowering interest charges.

The Company is currently working on a negative working capital, excluding cash and bank balances. This indicates the efficiency of the working capital management of the Company.

## Public Deposit

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

## Human Resources

Industrial Relations continued to be cordial throughout the year at all locations. Significant measurable benefits accrued to your company due to deployment of TPM.

Implementaion of EVA has brought about greater alignment between the interests of shareholders and employees through strong linkage of improvement in EVA with variable remuneration. This has led to a spectacular improvement in EVA during the year under review.

Sales Training has been considerably stepped up with the formation of a Sales Training Cell. This is expected to sharpen the selling skills of the field officers in the fiercely competitive market.

Human Resource development continues to receive focused attention. Your Directors wish to place on record their appreciation of the contribution made by your Company's employees at all levels during the year under review.

## Environment and Social Concern

Your company continues its efforts for the betterment of the environment through energy conservation, waste minimisation and conservation of resources through EMS. An audit for ISO – 14001 re-certification was successfully completed through BVQI at Malanpur.

To promote entrepreneurship among the village youth at Malanpur, organised skill development training programme on motor winding, refrigeration and air conditioning and help was given to them to start their own business.

## EVA

Your Company has adopted the Economic Value Added (EVA) framework to reinforce its commitment to shareholder value creation and for measuring and rewarding performance. The training and communication plans have been implemented with the assistance of Stern Stewart & Company, the US management consulting firm. EVA implementation is expected to complement your Company's other initiatives like TQM and TPM and add considerably to shareholder value. During the year your company has achieved an EVA of Rs. 30.1 crore.

## Buyback

The Board of Directors in its meeting held on October 15, 2001 gave an In-Principle approval for the buyback of shares in the Company. Subsequently the Board of Directors in its meeting held on November 13, 2001 passed a resolution for buyback of shares at a price not exceeding Rs.100 per share and subject to an aggregate amount of Rs.9.3 crore. Consent of the shareholders were obtained by means of Postal Ballot the results of which were announced in the Extra-ordinary General Meeting held on January 9, 2002.

Till the date of this report, your Company has bought back 12,29,945 shares at a total consideration of Rs. 7.4 crore.

The Board of Directors in its meeting held on April 29, 2002, approved a second buyback of shares through the open market after the completion/closure of the buyback as stated above. The second buyback of shares is proposed at a maximum price not exceeding Rs. 100 per share at an aggregate consideration not exceeding Rs.10 crore. The Management Committee

of the Board has been inter-alia authorised to examine the proposal further and take action within the overall limits set above. It is proposed to announce the results of the Postal Ballot in the forthcoming Annual General Meeting.

## Directors

In accordance with Article 127 of the Articles of Association of your Company, Mr. H.K.Press and Mr. J.N.Godrej retire by rotation and being eligible offer themselves for re-appointment.

## Auditors

You are requested to appoint Auditors for the current year and fix their remuneration. The retiring auditors, Kalyaniwalla & Mistry, Chartered Accountants are eligible 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 2001-02. They are required to submit the report to the Central Government within 180 days from the end of the accounting year.

## Audit Committee

Pursuant to the provisions of new Section 292A of the Companies Act, 1956, your Company constituted the Audit Committee of the Board of Directors comprising Mr. Bharat Doshi, Chairman of the committee, Mr. Bala Balachandran, Ms. Rama Bijapurkar, Mr. Anupam Puri and Mr. Nadir Godrej on April 28, 2001.

This Committee has reviewed the Accounts for the year ended March 31, 2002.

## Directors' Responsibility Statement

Pursuant to the provisions contained in section 217 (2AA) of the Companies Act, 1956, the Directors of your Company 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.

## Auditors' Certificate

The Auditors have certified the Company's compliance of the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement and the same is annexed to the Report on Corporate Governance.

## 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 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.

Annexure B to this report provides the particulars, required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forms a part of the Directors' Report.

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 and Dadra & Nagar Haveli , 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 B. Godrej**

*Chairman and Managing Director*

Mumbai, April 29, 2002

## Annexure to Directors' Report

### ANNEXURE A :

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 air controllers in compressed air circuits to save power.
  - ii) Installation of refrigerant air dryers to save power
  - iii) Installation of variable frequency drives/soft starters at various locations.

#### B. Technology Absorption, Adaptation and Innovation

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 :

Oils, Fats, Fatty Acids  
Soaps and Surfactants  
Cosmetics and Toiletries  
Naturals  
Packaging

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

Launch of a new Toilet Soap  
Launch of a Deodorant Spray  
Launch of a Fairness Cream Formulation  
Development of a new process for soap making

- iv) Installation of energy efficient boiler feed pump in LP boiler.
- (B) Proposed energy conservation measures
  - i) Replacement of brine chilling plant compressors with energy efficient compressors.
  - ii) Installation of thermic fluid heater with FO firing in new chemical plant.
  - iii) Installation of Air pre-heater in LP Boiler to reduce fuel consumption.
  - iv) Conversion of Distilled water plant from Electrical to Steam heating.

- 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.

Development and launch of a Hair Conditioner  
Development of Fashion Hair Colours

III. Future Plan of Action -

Thrust will continue to be on quality  
Continuous effort to identify ways to optimise costs  
New product development activities will focus on consumer needs  
No technology has been imported during the year

IV. Expenditure on R & D

	<b>This Year</b> Rs. Crore
a) Capital	0.05
b) Recurring	0.91
c) Total	<u>0.96</u>
d) Total R & D expenditure as a percentage of total sales turnover	0.19%

**C. Foreign Exchange earnings and outgo :**

The Company has during the year made exports mainly of hair colour, fairness soaps & creams and toiletries. Your Company exported to 36 countries including USA, Australia, Sri Lanka, Nepal, Bangladesh, Malaysia, Fiji, Egypt, Ethiopia, UAE, Saudi Arabia and other parts of West Asia. Studies are being made to manufacture/repackage the brands in some of the countries and also special initiatives have been taken along with the distributors in various countries for brand building.

The Company began exporting to USA for the first time in the current year and is very optimistic about the export prospects to the market in the coming years.

	<b>This Year</b>
	Rs. Crore
I. Foreign exchange used	37.67
II. Foreign exchange earned	6.80

**Annexure B :**

STATEMENT UNDER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF THE EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2002.

**in receipt of remuneration for that financial year which, in the aggregate, was not less than Rs. 24,00,000.**

**A. Persons employed throughout the financial year under review and each of whom was**

**B. Persons employed for a part of the financial year under review and each of whom was in receipt of remuneration for that part which, in the aggregate, was not less than Rs. 2,00,000 per month.**

Sr. No.	Name	Designation	Gross Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of commencement of employment	Age (Yrs)	Particulars of previous employment
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**A. Persons employed throughout the Financial Year :**

1	Adi B. Godrej	Chairman & Managing Director	5455522	B.S., M.S., Massachusetts Institute of Technology, U.S.A.	38	01/04/2001	60	Godrej Soaps Limited for 37 years
2	Hoshedar K. Press	Executive Director & President	2630869	B.Tech.(Hons) (IIT, Bombay), P.G.D.B.A. (IIM, Ahmedabad)	30	01/04/2001	53	Godrej Soaps Ltd. for 5 years

**A. Persons employed for part of the Financial Year :**

1	Mrs. M. Charles	Secretary to Mr. Adi B. Godrej	1968304	B.A., B.T.	39	01/04/2001	61	Godrej Soaps Ltd. for 34 years
2	R. S. Bhandarkar	Executive Contract (Mfg.)	577577	B.Sc., D.I.M., Cert. Excise Mgt., PGDEM	39	01/04/2001	62	Godrej Soaps Ltd. for 38 years

**Notes :**

1. Nature of Employment, Contractual or otherwise :

The appointment of Mr. Adi. B. Godrej, Chairman and Managing Director and Mr. Hoshedar K. Press, Executive Director & President, are contractual and terminable by three month's notice on either side.

2. Other terms and conditions :

(a) In case of the Chairman and the Managing Director and the Executive Director & President, gross remuneration as shown above, includes salary, house rent allowances wherever applicable, Company's contribution to Provident Fund and monetary value of perquisites which are given in terms of the agreement entered into with them.

(b) In case of all other employees, gross remuneration shown above, includes salary, bonus (wherever applicable), reimbursement of medical expenses, gratuity, compensation on voluntary retirement (wherever applicable), house rent allowances (wherever applicable), other allowances, monetary value of perquisites (wherever applicable) as per Income Tax Rules, leave travel assistance, Company's contribution to Provident Fund and other funds. These are as per the Company's Rules and Regulations in force.

(c) The designations represent the nature of duties performed by the employees.

(d) In the case of all the employees, the age shown is as of last birthday and the particulars of previous employment pertain to the immediate past employment.

3. Relatives of Directors :

(a) Mr. Adi B. Godrej, Chairman & Managing Director and Mr. Nadir B Godrej, Director are related to each other.

(b) None of the other employees listed above are related to any Director of the Company.

4. There is no employee in respect of whom details are required to be given under sub-clause a (iii) of section 217 (2A) of the Companies Act, 1956.