



**What did we do
when the world around us
entered the worst recession
in decades? We grew.
We increased profits.
We introduced products.
And we made acquisition.**





MANAGEMENT DISCUSSION & ANALYSIS



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Overview

During the year under review, the Indian Economy grew at a much slower rate. Despite growth rates falling from the over of 9%, recorded over the last three years, India will still be the second fastest growing economy in the world next only to China. The robust growth demonstrated by the economy over the last 5 years has led to the average income of an Indian increasing vastly, to over Rs. 30,000 p.a. in 2008-09, from a little under Rs. 19,000 p.a. in 2002-03.

As rapid socio-economic changes sweep across India the country is witnessing the creation of many new markets and an expansion of the existing ones. Estimates indicate that over 300 million people will move up from the category of rural poor to rural lower middle class between 2005 and 2025. With this change, rural consumption levels are expected to rise to current urban levels by 2017. Such developments in India's markets are expected to create major opportunities for Indian Consumer Product companies.

According to a study by McKinsey Global Institute (MGI), Indian incomes are likely to grow threefold over the next two decades and as a result, India will become the world's fifth largest consumer market by 2025, moving up from the twelfth position in 2007.

Approximately 315 hyper markets are expected to be operational in tier-1 and tier-2 cities across India by the end of 2011, riding on the organised retail boom says a joint study by consultancy firm KPMG and industry body ASSOCHAM. The study states that 212 Indian towns are already capable of sustaining the development of such hyper markets.

Long-term growth projections aside, it is expected that the momentum in the economy will be revived by the three stimulus packages announced by the Union Government. Implementing the recommendations of the recent Pay Commission will help to increase the spending power of Government employees. Cuts in the REPO and CENVAT rates should also encourage spending.

GCPL continues to be amongst the fastest growing companies in the FMCG sector and has maintained strong growth momentum across its business categories. Your Company has enhanced its product portfolio over the last two to three years through a mix of organic and inorganic initiatives and we are now well established in major FMCG categories such as soap, hair colour, toiletries and liquid detergents.





During the year we introduced several new products and revamped some of our current offerings to better suit consumer tastes. During the year under review, we commenced production at the new Chemical and Soap Noodle Plant at Malanpur. We launched yet another variant of Godrej No. 1, namely 'Strawberry & Walnut'. The Godrej No.1 range now comprises of eight variants. We re-launched Godrej FairGlow with new variants and improved packaging and the product now contains moisturizing crème and fruit extracts. The Cinthol range was relaunched with new variants namely Cinthol Deo Musk & Cinthol Fresh Aqua soaps and graphics led by its new brand ambassador Hrithik Roshan. The year also saw the launch of a new range of colours in ammonia free powder and liquids under the 'Godrej Expert Hair colour' brand. We also launched a new liquid detergent, namely 'Ezee Bright and Soft' which protects colours on everyday clothes. Our new range of Cinthol Deo Sprays launched last year was also extended to compact 75 ml Cans.

In our international operations, the 'Cuticura' Hand Hygiene range was re-launched in UK featuring new products such as Hand Foamer, Kids Foamer, Kids Wipes and Crackling Mousse. The Hair colour brand 'Hint of Tint' was launched in Canada. In South Africa the two new colours under the 'Inecto' Powder Hair Colours have been extremely successful and so has the new Cinthol Deo Spray launched in the Middle East. Since its acquisition in April 2008, Kinky has opened 7 more stores across South Africa taking the total to 22. The acquisition by GCPL of the 50% stake held by SCA Hygiene Products has been approved by the Board of Directors of GCPL and post this transaction, the Joint Venture which owns the 'Snuggly' brand of baby diapers, will become a 100% subsidiary of GCPL.

GCPL's Sales mix:

Turnover	Turnover (Rs. crore)		
	FY 2008-09	FY 2007-08	Growth (%)
Toilet soaps	705.6	566.6	24.5%
Hair Colour	230.5	204.7	12.6%
Liquid detergents	42.9	38.5	11.4%
Toiletries	62.0	57.5	7.8%
Contract Manufacturing	8.1	-	-
By products	35.2	19.4	81.4%
Total	1084.3	886.7	22.3%

Soap

Toilet soaps

Your Company registered sales of Rs. 705.6 crore in this category during the financial year, an increase of 24.5% over the previous year. GCPL continues to be the second largest toilet soaps player with a market share of 9.6% for FY 2008-09.

During the year, we introduced a new variant of our Godrej No. 1 soap, 'Strawberry and Walnut'. This is the first time that such a combination of strawberry, walnut and milk cream as ingredients in a soap has been launched in India. Your Company launched this product in 4 sizes –125 gm (pack of 4) priced at Rs. 50, 90 gm (pack of 4) priced at Rs. 39, 90 gm (pack of 3) priced at Rs. 29 and 70 gm (pack of 4) priced at Rs. 29. We believe that this product will help enhance the performance of the entire Godrej No. 1 range. This is the eighth variant of this range, with the other seven variants being Rose, Natural, Jasmine, Ayurvedic, Sandal, Lavender and Papaya and Lotus. During the year, Godrej No. 1 maintained its leadership position in Uttaranchal, Punjab, Haryana, Himachal and continues to be the largest selling Grade 1 soap in the country. During the year Godrej No. 1 became the market leader in Gujarat. For the first time Godrej No. 1 is the market leader in a non-northern state.

Godrej No.1 has now increased its share in rural India through several initiatives launched over the year.

We have also enjoyed robust sales from our flagship brand 'Cinthol' which was relaunched last year in a new range of soaps, namely Cinthol Regular, Fresh and Deo. Cinthol Regular has a deodorant formula with TCC, a special ingredient recommended by experts while Cinthol Fresh uses an ultra scent technology which provides long lasting fragrance. The newly launched Aqua Fresh soap has a skin hydration ingredient for dry skin, which is expected to do well during summer. The Cinthol Deo soap is available in Cologne, Classic and Sport variants and the recently launched Musk variant.

The Company has recently re-launched Godrej FairGlow soap in new variants and improved packaging and the product is performing well. The soap now contains moisturising crème and fruit extracts for soft, smooth and fair skin. The soap is available in 3 variants namely Floral Essence, Rose Wonder and Lily Sensation in 75 gm and 125 gm sizes.

Commercial production has commenced at the new Chemical and Soap Noodle Plant at Malanpur.

Going forward, GCPL plans to expand its product offerings further with the introduction of new and exciting products for the consumer.



Personal Care

Hair Colours

In this business, GCPL provides a variety of offerings across product formats and price points to cater to a large range of consumers. During the year, GCPL registered sales of Rs. 230.5 crore in this category, an increase of 12.6% over the financial year 2007-08. GCPL has a market share of 33.5% for FY 2008-09.

Your Company has launched a new range of colours, in powders and liquids, under the 'Godrej Expert Hair colour' brand. Godrej Expert Powder Hair Dye, in improved packaging, has a unique and innovative Colour Lock formulation wherein the colour is absorbed uniformly in each and every strand of the hair, thus ensuring a longer lasting, complete grey coverage. Godrej Expert is available in a convenient powder form with a wide presence in 25 lakh outlets across the nation. Godrej Expert Hair Colour offers a unique product especially formulated with five expert benefits, namely Colour Balance Technology, Shampoo based colour, No Ammonia, Nourishing conditioner and Perfume. Godrej Expert Hair Colour is also available in Liquid form as "Godrej Expert Liquid Hair Colour". Godrej Expert Liquid Hair Colour is available in 40 ml pack in 3 colours; Gentle Black, Natural Brown and Dark Brown. Godrej Expert Powder Hair Colour is extra safe because of its 'no ammonia' formulation and ensures 100% grey coverage. Godrej Expert Powder Hair Colour is available at Rs. 10 per packet and has been well accepted in distribution and share value.

GCPL's "Renew" cream hair colour is a unique cream hair colour which contains aloe and protein conditioners that protect and revitalize your hair. The product is available in six colours – Natural Black, Natural Brown, Burgundy, Cinnamon Red, Light Golden Brown and Light Brown. These are available in different packs of 20 ml and 50 ml. The product has done well during the year and the



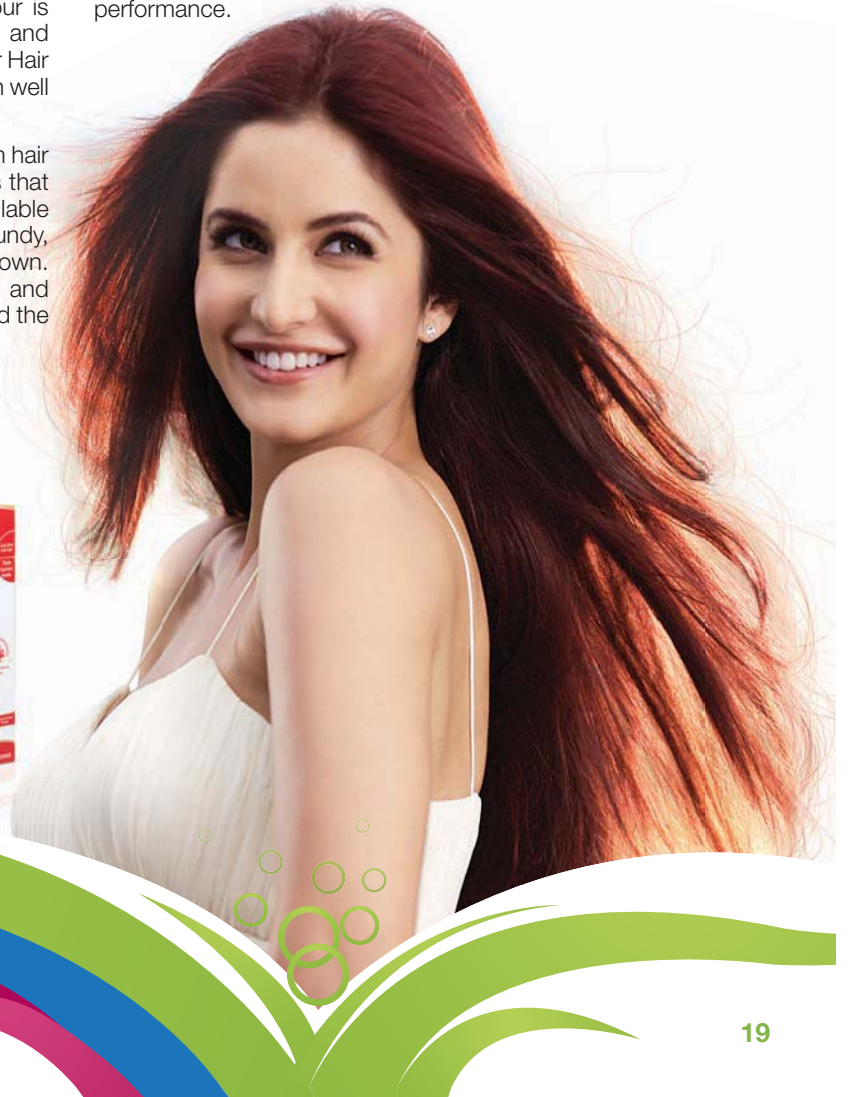
Company will look to introduce more colour variants to further drive growth.

Under the Renew brand, your Company also offers "Renew Highlights" which is a home use kit for permanent highlights. It is available in blonde and red colours. Renew highlights are suitable for consumers of all ages, are non-drip products and work on coloured as well as uncoloured hair.

Last year, we introduced 'Godrej Renew Powder Hair Colour' which is a first of its kind in the hair colour Category and is progressing well. Godrej Renew Powder Hair Colour is an aqua based, conditioning powder hair colour enriched with the herbal nourishment of henna and hibiscus. Henna protects the hair and hibiscus provides nourishment. The powder hair colour is ammonia free and hence is safe to use. This product is available in Burgundy, Auburn Red, Natural Dark Brown and Natural Black at a price of Rs. 20 per sachet in a carton pack containing three sachets. The advertising spend on this product was also increased.

Godrej Colour Soft, is a niche brand and has had steady sales in metros. It has "Double Conditioners" and no ammonia which gives visible and uniform colour to the hair.

GCPL's other offerings in this category 'Godrej Permanent Liquid Hair Dye', 'Godrej ColourSoft Hair Colour', 'Godrej Kesh Kala Oil', 'Godrej Nupur Mehendi', Godrej Kali Mehendi' and 'Anoop' have all shown encouraging performance.



Toiletries

GCPL offers shaving cream, talcum powder and deodorant spray under this category.

Shaving creams

GCPL's deluxe range in shaving cream continues to do well in this category.

Talcum powder

Talcum powder is available as Cinthol Deo Talc in five variants namely Sport, Classic, Cologne Smooth Fresh and the newly launched Musk variant.

Deodorant spray

The Cinthol Deo Spray continues to grow well and is available in four variants namely Sport, Cologne, Classic and the newly launched Musk which is performing well in the market.

Liquid detergents

During the year, GCPL launched Ezee Bright and Soft, a new detergent which possesses a unique Colour Guard Technology which protects the colours of clothes. The detergent is available in 3 sizes – 18 gm sachet, 200 gm pack and a 500 gm pack.

Distribution and supply chain

This year we substantially expanded our distribution and supply chain by focusing mainly on rural areas. The result is a marked sales growth in these areas. Our products are available in 3,000,000 outlets 200,000 of which were added during the current year. Due to our improved distribution the acceptance of our new products has increased leading to a wider existence of our SKUs.

We have also focussed on rural areas through advertising on Doordarshan which has led to strong results. Two regions have been selected for rural organisation, the West and South of India.

The newly launched Expert Powder Hair Colour has also done well during the year. GCPL distributed the newly launched Cinthol Aqua Fresh, 60 gm packs through several new outlets in addition to current outlets.

Human Resources

Commitment to our people and community has been a hallmark of our Company through the years. This year, we continued to demonstrate our commitment with our Employee Commitment Surveys showing improved scores. Our Company was rated 6th in the "Best Companies to Work for" survey (conducted by Mercer). GCPL ranked 9th in "The Great Place to Work Survey" of 2008. GCPL was ranked in the top 25 company list of the Hewitt – Wall Street Journal "Best Employees in Asia". Our ranking of 11th in the "Best Employers in India" survey (conducted by Hewitt Associates) underlines our efforts to provide a consistent, best-in-class environment for our most important assets, our people.



Notably, this year, the Company launched the new Godrej initiative, encouraging employee involvement across all levels and locations during the launch. We conducted various initiatives to enhance employee engagement around the new brand such as the “Bedhadak Bolo” contest, career counseling for our employee’s children and preventive health check-ups for all employees.

This year, the Company continued our emphasis on training and development. We conducted “sharper training need analysis” to ensure higher ROI from our training and development activities, extensively utilized internal trainers, we launched the Inspirational Leadership program, which is branded “Torchbearers”.

Our continued commitment to providing better opportunities for the socially and economically underprivileged has led to the creation of our “Equal Opportunities statement” to provide leadership commitment to the cause. We believe that providing an inclusive culture to people from Scheduled Castes/ Scheduled Tribes as well as the physically challenged creates an uplifting and diverse environment which will have a positive impact on our operations and our business as a whole. As a part of this initiative, we have recruited over 30 people belonging to the Scheduled Castes/Scheduled Tribes or physically challenged in various parts of the organization. The Company has been active in the training and development of Scheduled Castes/Scheduled Tribes students, shown in our tie-up with the “Centre for Entrepreneur Development”, Madhya Pradesh. Our enhanced relationship with the “Dr. Ambedkar Institute of Technology for Handicapped, Kanpur” has been instrumental in our recruitment of physically challenged persons.

Our integration of our overseas subsidiaries, Keyline (UK), Rapidol (SA), GGME (UAE) and Kinky (SA), has led to a strengthening of their Management team. These companies provide expatriation opportunities for Indian managers which benefit the subsidiary and provide unique exposure to the manager.

Information Technology

We have signed a 10-year strategic IT transformation services contract with Hewlett Packard (HP). HP will help

us transform initiatives, grow our business and maintain a competitive edge. HP will implement software specifically designed for GCPL.

HP will lead a comprehensive infrastructure outsourcing and transformation project that will provide us with a scalable and reliable service delivery structure based on Information Technology Infrastructure Library (ITIL) standards.

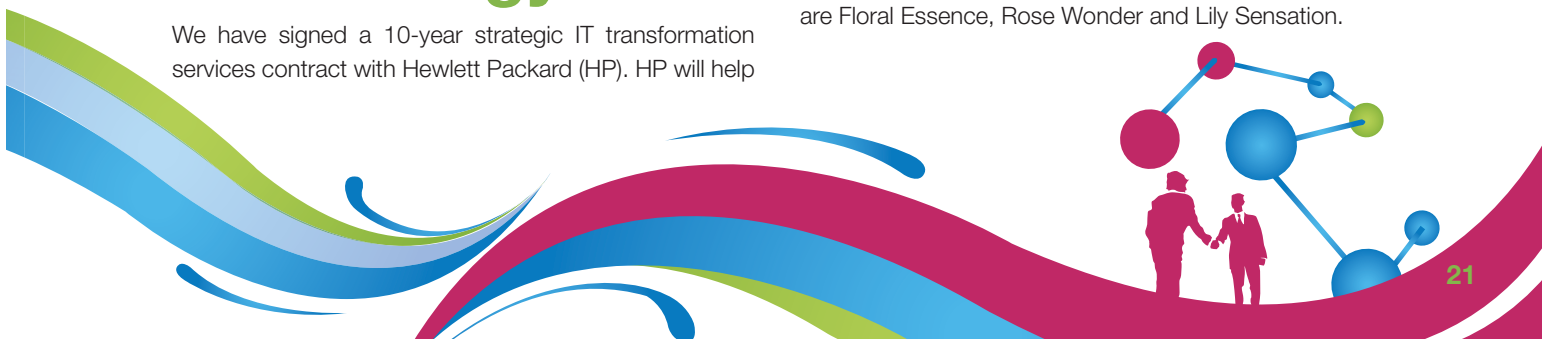
HP will deliver infrastructure solutions, along with consulting and outsourced services, which include management for SAP, PeopleSoft and other critical business applications. We expect great synergies and significant saving in the cost of operation due to the use of such robust tools.

In fact these initiatives are already showing results through efficiency enhancements across people and operations and more competitive vendor costs.

Research & Development

Research and Development has always played an integral role for GCPL. We have integrated our R & D practices to operate in tandem with our long-term strategy and cater to the demands of the market place. The focus of our R & D team is to implement knowledge management and drive quality assurance while maintaining customer centricity in the entire process. We encourage innovation in specific areas of development including Hair Care, Skin Care and Packaging.

During the financial year, your Company derived several benefits from its R & D operations, resulting in the launch and re-launch of several products. The Cinthol product range of soaps and talc has been re-launched with modified aesthetics and improved packaging. With that, new variants of Cinthol namely Cinthol Fresh Aqua & Cinthol Deo Musk soaps have been launched. The Cinthol deodorant range has also been restaged with local manufacturing bringing lower costs and improved efficiencies. Godrej No.1 soap has launched a new variant, namely Strawberry and Walnut. The year also saw the launch of three new variants of FairGlow soaps, these are Floral Essence, Rose Wonder and Lily Sensation.



Bright and Soft liquid fabric detergent was introduced into the market, formulated to protect the colour of garments. Keshkala re-launched with a new fragrance in order to increase its desirability amongst consumers. "Godrej Expert Hair Colour" launched a new range of colours, in ammonia free powders and liquids.

Going forward, your Company will seek to produce a variety of fashion hair colours with added benefits, hair colour highlights and newer formats for hair colouring. We will also explore new variants of soaps.

Your Company is working hard to keep itself inline with changing consumer tastes. With that regard we undertake in-depth consumer studies to gauge feedback on our new products. We then use the feedback to improve the product in line with the tastes of the consumer. In order to understand consumer experience, we are also exploring product recycling.

International Operations

GCPL currently exports to 33 countries and export income for FY09 was Rs. 19.4 crore.

Exports to UAE, Sri Lanka, Bangladesh, Thailand, Afghanistan, South Africa and Mauritius have done exceedingly well.

Performance by our International Operations has been encouraging though considering the macro environment we have adopted a 'wait and watch' approach. The strengthening Rupee to the GBP and ZAR has affected fiscal consolidation.

Keyline Brands Ltd.

Keyline brands Ltd. has posted better performance this year despite a challenging economic environment. The 'Cuticura' Hand Hygiene range was re-launched during the year featuring new products such as Hand Foamer, Crackling Mousse and Kids Wipes which are individually wrapped in 10 per pack, available in Squeezy Orange and



Juicy Apple variants. Other new launches include Kids Foamer with moisturizing Aloe Vera which is available in 50 ml, Squeezy Orange and Juicy Apple variants. The hair colour brand 'Hint of Tint' was launched in Canada. Bio Oil achieved a 'Signature Brand Status' in Boots, one of the highest rated qualifications for a product finding excellent consumer franchise. P20 is the largest selling sun-care product to be sold in Duty Free stores.

The Aapri brand, established in 1985, was re-launched in an advanced range at higher price points. Aapri is a 'genuine skincare classic' that has evolved over the years for all kinds of skins exfoliation needs for women of all ages. Aapri's product range provides the goodness of Apricots in fresh and innovative formats like dual cleansing and exfoliating pillows and consists of five products: Aapri Scrub Cream, Aapri Scrub Gel, Aapri Dual Cleansing and Exfoliating Pillows, Aapri Blackhead Clearing Scrub and Aapri Micro-Dermabrasion Exfoliator. Aapri has proven its expertise by making expensive salon formats like Micro-Dermabrasion products available to consumers at very affordable prices.

Rapidol (Pty.) Ltd.

Rapidol's sales grew by 12%, despite the worldwide economic slowdown impacting South Africa also. Inecto Powder Hair Colour and Henna, launched in 2007-08 are doing exceedingly well. Inecto Colour Range is available in 10 variants and Inecto Plus in 7 variants. Inecto – Super

Black, the largest selling hair colour sub-brand in Rapidol portfolio, launched its 30 Years Birthday celebration promotions achieving a record growth in sales and launched two new variants under the "Inecto" Powder Hair Colours (PHC) range namely, Natural Brown and Auburn, both of which have been extremely successful.

Godrej Global Mideast FZE

Godrej Global Mideast FZE (GGME), distributes soaps, hair colours and toiletries in UAE and other GCC (Gulf Co-operation Council) countries. The newly launched Cinthol Deo Spray is doing well in GCC and the Middle East and is being listed in retails chains. The Company's sales grew by 11% despite the huge slowdown in the Gulf economy in this fiscal. GGME's sales in the hair colour category grew by 55% and its toilet soap sales by 28%.



Kinky Group (Pty.) Ltd.

Kinky offers a variety of products, which include hair, hair braids, hair pieces, wigs and wefted pieces. Kinky also offers hair accessories like styling gels, hair sprays and oil free shampoo. On acquisition Kinky had a presence of 15 Owned stores. During the year GCPL opened an additional seven stores, taking the total to 22 stores in all. We are confident this enhanced presence will help to drive up sales and provide an effective platform for the rollout

of new products. All Kinky products are manufactured at plants located in South Africa, Durban and final products are sold through Kinky owned stores as well as Cash-n-Carry outlets.



Social and Environmental Initiatives

GCPL, Malanpur has adopted 'Singwari' Village near Malanpur factory. The following Corporate Social Responsibility (CSR) activities are carried out at Singwari village:

- A Scholarship scheme has been implemented for SC & ST students from class V to VIII of the Singwari middle school.
- Provision of financial support to the school at Singwari for activities such as celebration of national festivals.
- Distribution of meritorious awards to students in classes I to VIII.
- Organized factory visits as well as visits to historical places at Gwalior for Singwari Middle School students.
- Computer awareness training programs have been organized for the school teachers and students.
- Organized sports and cultural activities for Primary and Middle school children.
- A four day empowerment program for Women was organized at Singwari Village with the association of Central Board for Workers Education, Gwalior.

We have also organized competitions for poetry, posters, slogans and essays for 55 children of our employees on World Environment Day 5th June, 2008.

To increase environmental awareness among locals and the society in general, advertisements were published in all local newspapers and banners were displayed on buses and other prominent places. We also held a rally which was attended by employees, employees' children and contract workers. The rally was organized at Malanpur and Singwari Village. Other initiatives include a tree plantation in both the factory premises and at Singwari Village School. Further environmental initiatives included a guest lecture titled "Towards a low carbon economy". The seminar was organized by M. P. Pollution Control Board.

At our Thana & Katha factories, several new initiatives have been implemented. Added importance has been given to the recruitment of individuals from the under privileged categories. At the Thana factory, 24% of our employees fall under the SC/ST categories and at Katha, 41% of our blue collared employees fall in the SC/ST category. While recruiting your Company gave preference to the SC/ST and physically challenged categories. Both units at Thana and Katha are certified for Integrated Management System covering environmental Management and Safety Management by Bureau Veritas Certification (formerly known as BVQI).

In order to increase the awareness of social evils like Tobacco and Alcohol and on infections like HIV-AIDS your Company organised a series of street plays.



Financials (Consolidated)

Abridged Profit & Loss Statement

All figures in Rs. crore

	FY 2008-09	FY 2007-08
Sales	1393.0	1102.6
Other income	43.6	6.0
Total income	1436.6	1108.6
Material costs	769.5	518.0
Staff costs	86.5	72.5
Advertising & sales promotion	137.9	131.0
Other expenditures	195.4	166.6
Total expenditure	1189.3	888.1
PBDIT	247.3	220.5
Depreciation	19.2	18.2
PBIT	228.10	202.3
Interest and financial Charges	18.9	14.8
PBT	209.2	187.5
Provision for taxation	36.6	28.3
PAT	172.6	159.2
Tax adjustment of previous year	0.6	-
Net Profit	173.2	159.2

GCPL's net sales in FY 2008-09 were Rs. 1393 crore, representing a growth of 26% over FY 2007-08.

GCPL has consistently registered high growth rates.

Profit before Interest, depreciation and tax (PBDIT) increased by 12% to Rs. 247.3 crore.

Your Company generated a Profit before tax (PBT) of Rs. 209.2 crore and a Net Profit after tax (PAT) of Rs. 172.6 crore, displaying a 11.6% and 8.4% growth respectively over the Company's FY 2007-08 performance.

Profitability Perspective

	FY 2008-09	FY 2007-08
PBDIT/Sales	15.3%	19.8%
PBT/Sales	15.0%	17.0%
PAT/Sales	12.4%	14.4%
RoCE	23%	55%
RoNW	30%	93%
EPS (Rs.)	6.8	7.1
EVA (Rs. crore)	124.7	134.8

In May 2008, your Company completed a rights issue. The total amount raised through this issue was Rs. 396 crore. As part of the issue, an additional 32,232,316 shares were issued and upon completion, the total amount of shares outstanding are 258,076,392 equity shares. Of the total proceeds, around Rs. 65 crore has been deployed towards repaying high cost debt. The unutilised issue money amounting to around Rs. 329 crore is temporarily invested by the Company in fixed deposits with Banks. The Rights Entitlement Ratio decided upon by the Company was the issue of 1 equity share of face value of Re.1 each to be issued for every 7 equity shares of the face value of Re.1 each. The record date for this rights issue was March 19, 2008. The Rights were priced at Rs.123 per equity share of face value Re.1 including a premium of Rs.122 per share.



Internal control systems and their adequacy

Your Company has a proper and adequate system of Internal Controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

Your Company's Corporate Audit & Assurance Dept. which is ISO 9001:2000 certified, issues well documented operating procedures and authorities with adequate built-in controls at the beginning of any activity and any time during the continuation of the process, if there is a major change.

The internal control is supplemented by an extensive programme of internal, external audits and periodic review by the management.

The system is designed to adequately ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets.

During the year the Corporate Audit & Assurance Department was involved in leveraging the benefit of SAP so as to ensure that the existing processes are adequately captured with in-built control mechanisms.

Information Security

Your Company has accorded adequate importance to the security of its information assets. To ensure that this initiative gets the desired focus and attention, a Chief Information Security Officer, who is attached to the Corporate Audit & Assurance Dept., is entrusted with the task of ensuring that your Company has the requisite security posture.

Your Company has in place, all the procedures and practices that are in line with the ISO Security Standard. It is in the process of getting the reputed ISO 27001 Security Certification and towards this end, has successfully completed Phase I of this Certification for its Head Office at Vikhroli, Mumbai.



Awards & Recognitions

GCPL received three recognitions during the year. These were 6th in the “Best company to work for in India” survey done by Mercer Consulting and Business Today, 9th in the “Great place to work survey” for 2008. and ranked 11th in the “Hewitt Best Employers in India” and ranked one of the 25 Best Employers in Asia in a study conducted by Hewitt India.

ICRA has upgraded GCPL's rating of stake holder value and governance practices from SVG2 + to SVG1. This rating implies that, in ICRA's current opinion the rated Company belongs to the highest category on the composite parameters of stake holder value creation and management, as also corporate governance practices.

ICRA has also reaffirmed the CGR2+ rating to the Corporate Governance practices of GCPL. This rating implies that in ICRA's current opinion the rated Company, has adapted and follows such practices, conventions and codes as would provide its financial stake holders a high level of assurance on the quality of corporate governance.

GCPL, Malanpur factory has received 25 awards at the National Convention of Quality Circles-2008 held at Baroda. The Malanpur plant also received the first prize for the case study presented in the 10th National Suggestions Summit, organized by the Indian National Suggestion Scheme Association in New Delhi.

Risks and Concerns

As a global organization, your Company is subject to a diverse set of risk areas. These risks can adversely affect and influence the financial position, operating results, cash flows and stability of GCPL. These risks have been considered and the Company is aware of the potential for these risks to occur. Utmost care is being taken to plan and mitigate known risks as well as proactively identify new risks that may occur.

The key risks that affect the functioning of the Company and are actively considered for risk management activities are:

- Seasonal Fluctuations
- Political risks associated with unrest and instability in countries where the Company has a presence or operates
- Economic depression and inflation
- Labour shortages and attrition of key staff
- Exchange rate fluctuation and arbitrage risk
- Increasing costs of raw material, transport and storage
- Competitive market conditions and new entrants to the market



- Compliance and regulatory pressures including changes to tax laws
- Supplier and distributor relationships and retention of distribution channels

The Company has a defined risk management strategy in place which includes a Risk Committee that identifies risks, creates mitigation plans and monitors the occurrence of risk. Appropriate mitigation plans for different risks are created and operationalised across the Company.

Exploring opportunities in adversity – frugality, efficiency & growth

In the light of domestic and global financial hardship, your Company has taken several steps to strengthen its position and seek out opportunities in adversity. With this in mind the approach has been on containing costs and growing brands and franchises. The Company has been taking measures to keep its brands relevant to the consumer as also ensuring that they remain competitively priced. It is also exploring all possible avenues to reduce costs of inputs and raw materials without compromising on the quality of the end product. This year the price increases taken have been at a lag to competition. With the quest to become a truly global FMCG player your Company is constantly investing and driving acquisitions, increasing its market share and evolving its product line. In the Domestic market your Company is expanding its distribution with added focus on rural areas with amplified marketing and advertising initiatives.

In addition to investing and maintaining competitiveness, GCPL has taken many cost reduction initiatives to help preserve margins. It is rationalising fixed and variable costs through measures like video conferencing, entering into reverse auctions to get best prices from vendors and looking at alternative means like railways for transportation of goods, which has proved to be more cost effective. Besides this, the use of SAP to centralise functions like purchase, accounting etc. is making your Company more efficient and would help reduce turnaround time and drive down costs. With the help of such initiatives your Company is on a strong footing to deliver enhanced profitability going forward.

Outlook For FY 2009-2010

GCPL is well positioned to create and enhance value despite a challenging macro environment. Several new offerings and other growth initiatives give the Company that confidence. On an operational front, raw material and input prices have also declined. Our endeavour to drive organic growth is driven by a two pronged strategy. Firstly, we are focusing on expanding the number and variety of products offered to customers across categories based upon focused research and consumer feedback. Secondly, our thrust is on enhancing distribution and presence both internationally and in the country. Additionally we continue to identify opportunities for accretive and value creating acquisitions.

Cautionary Statement

Some of the statements in this Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the domestic industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labour relations.

