



Vice Chairman's Statement

Dear Shareholders,

This has been another eventful year for your Company. To cope with a difficult external economic environment, GCPL has implemented a range of new initiatives, launched and re-launched a series of products and has grown through both organic and inorganic means in order to create further value for our stakeholders. Further international expansion has seen GCPL take a step closer to becoming a complete global FMCG player.

Commitment to create value

We are focused on growing the top-line in order to promote growth across our brand franchises and create a solid foundation for the ensuing years. With several schemes launched to cut costs and improve efficiencies we expect margin improvement and enhanced profitability in FY 10 and beyond.

Despite the challenging economic environment especially considering commodity price fluctuation and raw material inventory, your Company has continued to be profitable. We have been compelled to increase prices on the back of spiralling vegetable oil costs. However this has been done at a lag to market ensuring that GCPL retains its value for money advantage. Going forward, we expect a healthy uptick in margins as a result of the fall in input prices. The fourth quarter of the year under review is reflective of this change. Margin improvements will be used to further enhance performance in the coming year, mainly through additional spending on advertising and promotion.

Strong Performance Across the Board

All the business categories continue to perform well. This year has seen the launch and re-launch of several products, adding to both variety and increased desirability of our product ranges. We commenced production at the new Chemical and Soap Noodle Plant at Malanpur and we launched another variant of Godrej No. 1,

i.e. 'Strawberry & Walnut'. We re-launched Godrej Fair Glow with new and improved packaging with the addition of 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. All these initiatives were successful and our soap business grew sharply by 25% well ahead of the category. The year under review also saw the launch of 'Godrej Expert Hair colour' a new range of colours in ammonia free powder and liquids. We also launched 'Ezee Bright and Soft' a new liquid detergent formulated to protect colours of everyday clothes.

Enhanced Rural Presence

This period has seen the expansion of distribution coverage with a specific focus on increasing rural penetration. A series of new products, improved logistics, and an overall increase in presence across rural markets has seen excellent traction thus far. Advertising on Doordarshan has led to strong results and two regions have been selected for piloting a new rural organisation. Rural sales have now increased as a percentage of overall sales and our rural presence and strength has been further boosted by extended focused sales teams. Godrej No.1 has taken the market leadership position in Gujarat, the first time Godrej No.1 has become a market leader in a non-northern state.

Frugality and Efficiency

Your Company has increased focus on cost reduction and accordingly has launched a range of initiatives towards cutting fixed and variable costs. We have now increased the usage of video conferencing, reverse auctions while making purchases and we use the theory of constraints method in our manufacturing and logistics, activities, whilst re-engineering our products to reduce costs and at the same time maintaining quality and brand integrity. This has enabled us to optimise efficiencies and human capital and considerably lower our transport and purchasing costs. Implementing SAP has allowed your Company to centralise purchase and accounts function. We have also taken measures to protect ourselves from volatile oil prices by taking strategic coverage.

In a bid to further improve efficiencies GCPL has signed a 10-year strategic IT transformation services contract with

Hewlett Packard (HP). This involves shifting the entire IT infrastructure and the bulk of personnel over to HP. This initiative is expected to yield synergies and efficiency gains as well as significant cost savings through access to the latest technologies. HP also works with several other large corporates and this exposes the Company to industry best practices.

International Operations

The weak British Pound and South African Rand have impacted consolidation of results of the Subsidiaries while the weakening Rupee against the Dollar raised the cost of imports. The global meltdown is expected to affect UK and South Africa.

Keyline Brands Limited

Keyline Brands Ltd. has posted a better performance this year despite a challenging economic environment. The 'Cuticura' Hand Hygiene range was re-launched during the year featuring new variants such as Hand Foamer, Crackling Mousse, Kids Wipes and Kids Foamer. The hair colour brand 'Hint of Tint' was launched in Canada. The Aapri brand was re-launched in an advanced range at higher price points. P20 is the largest selling sun-care product to be sold in Duty Free stores.

Rapidol (Pty.) Limited

Rapidol's Inecto brand has maintained robust performance. Its market share has grown by 2.2%. Inecto Powder Hair Colour and Henna, launched in 2007-08 are also doing well. "Renew" Hair Colours sourced from India are doing well and are finding favour with the Caucasian market in South Africa.

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 retail chains.

Kinky Group (Pty.) Limited

Kinky which was acquired in April 2008, 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 and in order to further penetrate the market and create enhanced brand presence it has now opened an additional seven owned stores taking the total to 22.

Awards, Accolades & Recognition

GCPL is continually recognised and is regularly the recipient of awards and accolades from prestigious organisations. This year we received three recognitions, viz. ranked 6th in the “Best Companies to work for in India” survey done by Mercer Consulting & 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.

We have also been upgraded by ICRA with respect to 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.

Outlook

We believe that despite the harsh economic climate, GCPL is well placed to seek out and take advantage of several new opportunities. With the segment performing well, raw material prices falling and improving margins, GCPL is well placed to register improved top and bottom line growth in the ensuing year.

I would like to thank all our business partners, employees and shareholders for their continued support and commitment towards GCPL and look forward to the same in the future.

Yours sincerely,

Hoshedar Press
Vice Chairman