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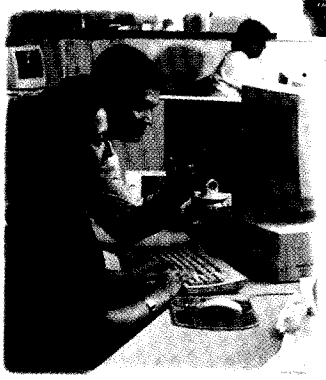
SPRINGBOARD FOR SUCCESS



Vibrant Economy



Growing Brands



Superior Processes

Godrej

Godrej Consumer Products Ltd.

Annual Report 2004 -2005

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Vision

"We are dedicated to Deliver Superior Stakeholder Value

by providing solutions to existing and emerging consumer needs in the

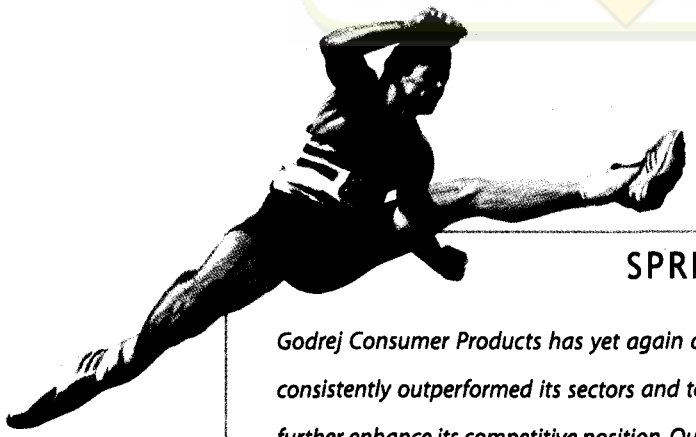
Household and Personal Care business.

We will achieve this through

Enduring Trust and Relentless Innovation

delivered with Passion and Entrepreneurial Spirit."

Report Junction.com



SPRINGBOARD FOR SUCCESS

Godrej Consumer Products has yet again demonstrated its ability to deliver sustained growth. The Company has consistently outperformed its sectors and today possesses the critical mass to improve upon this achievement and further enhance its competitive position. Our track record and confidence in our future stem from several factors. The first amongst these is our ability to fully understand the needs of the consumer and cater to them by consistently introducing quality and value for money offerings. Our operations have been effective and efficient with a significant increase in profits from operations as well as one of the highest Return on Capital Employed (RoCE) and Return on Net Worth (RoNW) ratios in Corporate India. The strong growth of the economy is heartening.

These factors combined with a highly energised and motivated team and a robust and growing macro economy will enable your Company to continuously grow and deliver stakeholder value.

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Our Promises

Deliver Superior Stakeholder Value

We develop all our strategies by keeping a firm focus on delivering superior stakeholder value. Our motivation in ensuring the continuous growth and success of the company translates into a strong mutual benefit and enhanced value for our shareholders, consumers, employees and associates.

Enduring Trust

Bolstered by the trust vested in us, all our actions are governed by the drive to achieve excellence so as to meet our stakeholders' expectations. By elevating transparency and work ethics to the forefront of all our actions, not only do we retain the enduring trust that our stakeholders have in us, but we also seek to build upon it with every decision that we make.

Relentless Innovation

Growth and success manifest by way of constant innovation. In order to hold the fort at the cutting-edge of our field, we adopt innovation as an integral element in our processes. Relentless innovation propels us forward, ensuring our perpetual growth, prosperity and ability to deliver the optimum value and satisfaction to our stakeholders and customers.

Passion

Our passion for the work we do is our primary impetus to attain ever-increasing levels of achievement. By forging together individual talents to form a team of highly motivated employees, our dedication and enthusiasm becomes apparent in the consistently superior quality of our products and actions.

Entrepreneurial Spirit

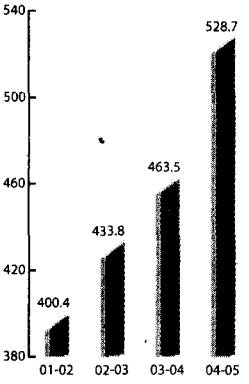
With an entrepreneurial spirit infusing our every action, we seek to continuously strengthen our business and the value we offer our stakeholders. It is this spirit that has enabled us to establish a distinct position in the domestic market, and equipped us to tap into the potent opportunities overseas. Powered by an entrepreneurial spirit, we are positioned to leap forward on the springboard of success.

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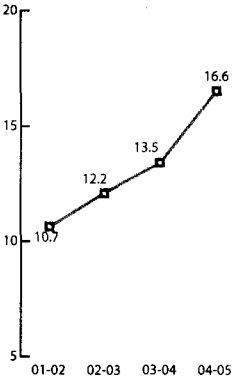
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Performance highlights

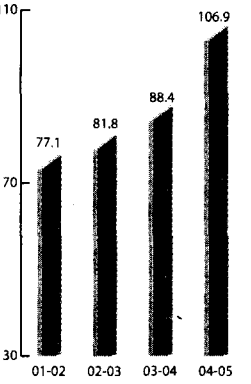
Sales - Godrej Brands (Rs. cr.)



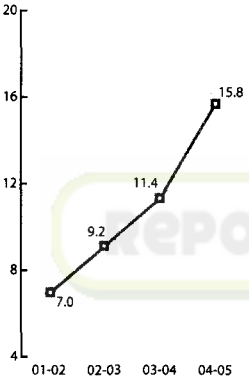
PBT Per Share (Rs.)



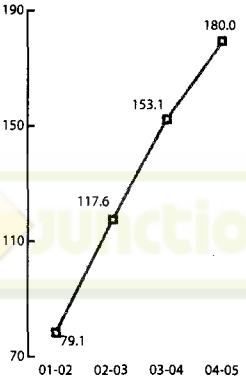
Operating Profit (Rs. cr.)



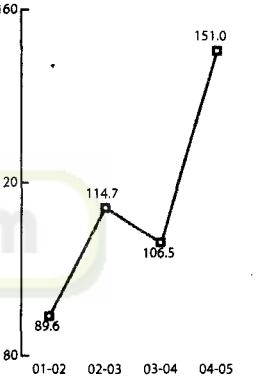
EPS (Rs.)



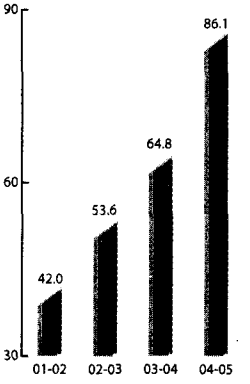
RONW (%)



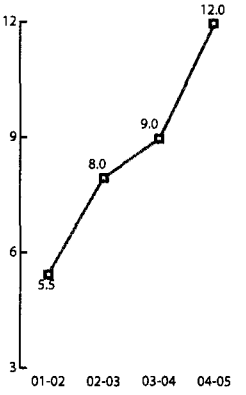
ROCE (%)



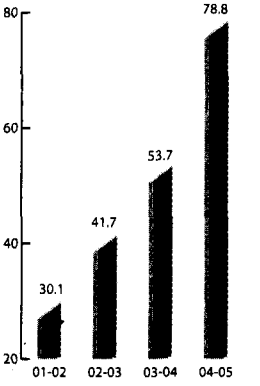
PAT (Rs. cr.)



Dividend Per Share (Rs.)



EVA (Rs. cr.)



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The Year that was

Robust growth in topline and bottomline

- *FY 2004-05 sales revenues (net of excise) grew by 15% at Rs. 563 crore*
- *Godrej Brands sales up 14% from Rs. 464 crore to Rs. 529 crore*
- *FY 2004-05 Profit After Tax higher by 33 % at Rs. 86 crore*
- *Net Profit (after tax adjustments of previous years) up 38% to Rs. 90 crore translating to an EPS of Rs. 15.81*
- *Profit before Interest, Depreciation and Tax (PBIDT) improves 21% to Rs. 107 crore. Operating (PBIDT) margins also improve from 18% to 19%*

Performance in business segments surpass expectations

- *Marketshare in Toilet soaps grows to 8.0% in FY 2004-05 from 6.8% in FY 2003-04. All three Power brands have begun to perform strongly*
- *GCPL, as category leader continues to identify new hair colour opportunities - sales grow strongly by 16%*
- *Introduction of several new variants and product lines reflects the Company's strong innovative ability, widens presence*

Efficient operations delivering tangible results

- *Both manufacturing lines at Baddi fully operational. Excise and income tax savings ploughed back into the business via increased A&P spends, enhanced distribution and new products*
- *Information technology enables enhanced supply chain efficiencies and widens and deepens distribution reach and penetration*

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The Year that was

Enhanced Shareholder value

- *Economic Value Added (EVA) rises 47% to Rs 79 crore*
- *Dividend of Rs:12 per share: 300%(on a face value of Rs 4 per share)*
- *Return on Capital Employed (RoCE) and Return on Net Worth (RoNW) continue to be high at 151% and 180% respectively*
- *EPS increases from Rs.11.35 to Rs.15.81 per share*

All round recognition

Branding and marketing

- Cinthol recognised as a 'Superbrand'
- Godrej Consumer Products Limited (GCPL) recognised as "Business Superbrand"

Operations

- Baddi manufacturing unit was one of the few facilities to have applied for and received completely integrated ISO recognition i.e. BVQi for ISO: 9001:2000 (Quality Management System), ISO: 14001:1996 (Environmental Management System) and ISO: 18001:1999 (Occupational Health & Safety Management System)
- Recognised by Business India as part of the magazine's 'Super 100' ranking as the Company with the highest RoCE in Corporate India for the second year in a row

People

- The Company was ranked seventh in the 'Great Place to Work' survey conducted by Businessworld and Grow Talent
- CNBC/ Hewitt Associates, based on their Best Employers Survey acknowledged the GCPL team as the 'Best Managed Workforce'

Shareholder value

- ICRA reaffirmed GCPL's Corporate Governance rating at CGR2+
- Rating for Stakeholders Value Creation and Governance practices also retained at SVG2+ : amongst the highest in the category – yet another validation of the high level of corporate governance practices in GCPL

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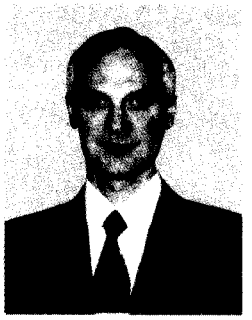
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Godrej

Board of Directors



Adi Godrej



Jamshyd Godrej



Nadir Godrej



Bala Balachandran



Rama Bijapurkar



Bharat Doshi



Anupam Puri



Hoshedar Press

Company Secretary	:	Sunil Sapre
Auditors	:	Kalyaniwalla & Mistry
Registrars	:	Computech Sharecap Ltd.
Bankers	:	Central Bank of India
		State Bank of India
		Citibank N. A.
		HDFC Bank Limited
		The Honkong & Shanghai
		Banking Corporation Limited

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Chairman's Statement

Dear Shareholders,



The year 2004-05 was a good year for the Indian economy which grew at about 7% notwithstanding a sub normal monsoon and increasing commodity prices. Your Company has delivered industry-outperforming growth in the past in a challenging environment, and so it is only natural that it has performed even more creditably in a more conducive environment.

Godrej Consumer Products' strategy of enhancing margins and increasing market share in the Toilet Soaps category while investing in expanding the Personal Care market, wherein we are leaders, is clearly showing results with smart increases in both revenues and profits.

The macro environment

In the year under review, the manufacturing and services sectors enjoyed healthy growth while the performance of the agricultural sector was moderate. Agriculture's contribution to the economy, relative to previous years was lower on the back of a delayed monsoon. What is important to note, however, is that the Indian economy overall and the FMCG segment in particular has gradually transitioned from being 'monsoon critical' to 'monsoon sensitive'. I say this for two reasons. Firstly, increasing water tables and better storage mechanisms have contributed to increased and timely availability of water in a number of regions. Additionally, an increasing proportion of agricultural income has begun to come from non-crop activity like animal husbandry, farm management, etc.- pursuits that are economically viable while at the same time not influenced by the vagaries of the monsoon.

The trends in consumer response, appetite and demand have also been highly encouraging. GDP measured at Purchasing Power Parity (PPP) of the Indian economy has appreciated significantly, as a result of which India presently stands 4th globally in terms of GDP (PPP) and can be expected to further improve its position in the near future. What is even more heartening for the FMCG sector is that while consumer spend was earlier seen to be shifting towards consumer durables and other non-FMCG items, the year under review has witnessed an increase in spend on the FMCG sector.

Robust financial and operating performance

In 2004-05, your Company's revenues increased 15% to Rs. 563 crore while Net Profit after Tax increased an impressive 33% to Rs. 86 crore. Our operating profits too have registered an improvement of 21% with operating margins continue to be strong at 19%.

Our highly efficient utilization of assets and capital is reflected in our maintaining triple digit Return on Capital Employed (RoCE) and Return on Net worth (RoNW) both of which are amongst the highest in the Indian industry. We also continue to operate on negative net working capital.

Economic Value Added (EVA) is a key financial metric used to measure GCPL's creation of stakeholder value. In the year under review, your Company's EVA improved 47% to Rs. 79 crore, another indication of GCPL's endeavour and ability to create enduring value for its stakeholders.

Innovation, Value for Money and Efficiencies

Our growth, as always has been driven by a focus on innovating and creating quality and 'value for money' products for our consumers while at the same time sweating our assets and identifying cost competitive manufacturing options without compromising on quality.

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The introduction of new soap variants while maintaining an affordable price has enabled us to widen our consumer base and considerably expand our market share. In the Hair colour category too, in line with being leaders and providing direction to the category we have identified offerings at new price points, which are enjoying healthy consumer offtake.

From an operational viewpoint, we remain highly efficient. Our expertise in vegetable oil procurement is evidenced in our ability to optimise raw material prices. As you are aware, your Company was amongst the first to set up a manufacturing facility in the economically backward region of Baddi in Himachal Pradesh. A second line has become fully operational during the year, resulting in greater excise and income tax benefits for your Company.

Values

We are committed to responsible management and control while being consistently agile to take advantage of various opportunities. The cornerstones of our corporate governance are mutual trust, efficient cooperation and transparent communication, all with the objective of safeguarding the interests of our stakeholders. A 'Code of Conduct' and 'Prevention of Sexual Harassment Policy' are in place.

Your Company's 'people' approach resulted in it being recognized by the 'Great Place to Work Institute' as one of the best Indian Companies to work in for the second year in a row. CNBC/Hewitt Associates too acknowledged GCPL as having the 'Best Managed Workforce'.

ICRA too, reaffirmed its ratings for the Corporate Governance practices of your Company at CGR2+ and the rating for Stakeholders Value Creation and Governance practices at SVG2+ which is a reflection of the high quality of Corporate Governance practices followed by your Company.

Going forward

Today, Godrej Consumer Products possesses a strong product range, superior processes, a well established distribution system and a great set of enthusiastic and motivated people, all requirements for continued sector outperforming growth.

Robust economic growth and increasing urbanization are driving aspiration levels, which in turn is increasing consumption. The categories we are present in are demonstrating strong growth and are expected to continue to do so. All this bodes extremely well for your Company.

I believe we will continue to outperform the sector. We are aggressively exploring viable inorganic and organic growth opportunities to deploy the cash our business generates and further accelerate our growth.

I thank our team and our business partners for their support and contribution in our performance and look forward to continuing cooperation. To our esteemed shareholders, I extend our thanks for the confidence you have shown in us. It will be our prime objective in FY2005-06 to further strengthen that confidence.

Yours sincerely,

Adi Godrej
Chairman and Managing Director

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