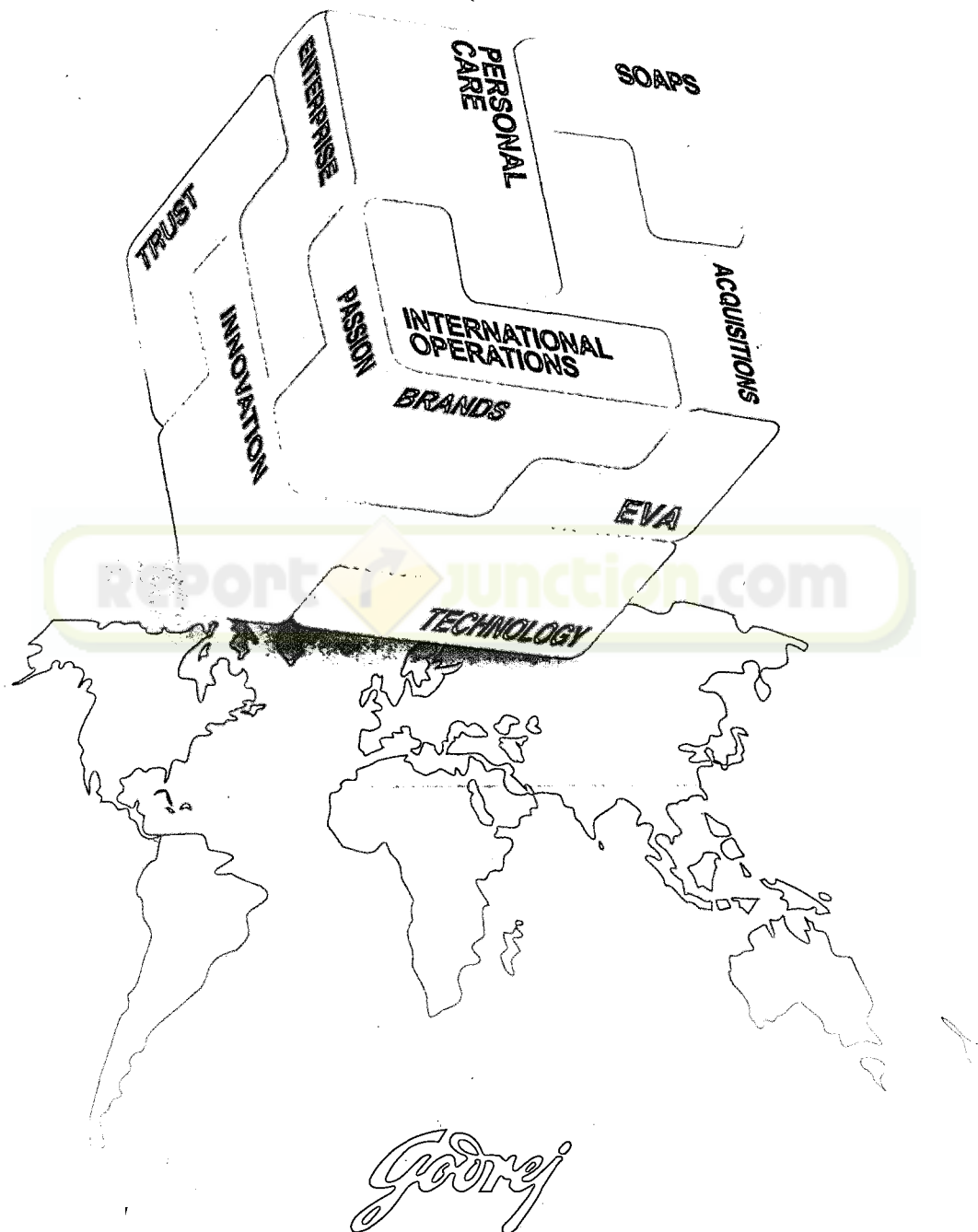


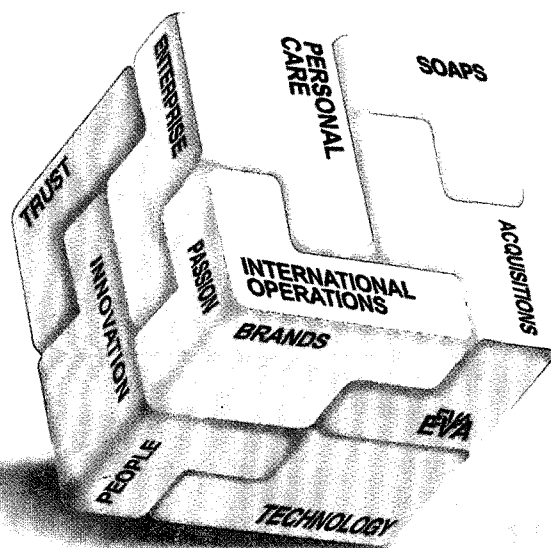
Leveraging Synergies. Growing Stronger.



Godrej
Godrej Consumer Products Ltd.
ANNUAL REPORT 2006-2007

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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."**

Godrej Consumer Products has exploited
evolving opportunities presented by changing
business paradigms to acquire critical mass.
Now poised for forays in the domestic and international playing fields,
the company is gaining momentum on its growth path.

International acquisitions,
Joint Ventures, expanded capacities,
new product launches, strong brands marked
a year of achievement and aspirations.
Consolidating these strengths with its core competence,
Godrej Consumer Products is geared
to leverage the synergies arising out of its acquisitions,
international distribution network,
healthy domestic business and quality products.

With the FMCG playfield growing and its growth strategies in place,
Godrej Consumer Products has great new potential waiting
to be leveraged both in the established domestic arena
and the exciting new international markets.

Our Promises

Deliver Superior Stakeholder Value

All our endeavours are focused towards delivering superior stakeholder value. This has enabled us to sustain our strong profit growth, the fruits of which are shared through superior returns to our shareholders, consumers, employees and associates.

Enduring Trust

We have a total commitment to transparency. Our stakeholders have incessantly maintained enduring trust in us and we seek to strengthen and build upon it continually. In doing this we ensure that we always maintain the highest levels of corporate governance and deliver safe, reliable and value for money product offerings.

Relentless Innovation

In line with our relentless innovation thrust, we are infrastructurally well-equipped with a full-fledged research and development centre to identify new products and variants. We are innovative in all areas of operations including marketing, manufacturing.

Passion

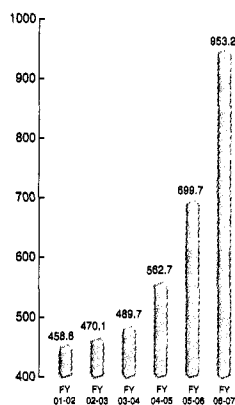
Our robust business performance is predominantly due to our passion for excellence. A motivating work environment and well-structured development programs have enabled us to attract and retain the best talent and expertise.

Entrepreneurial Spirit

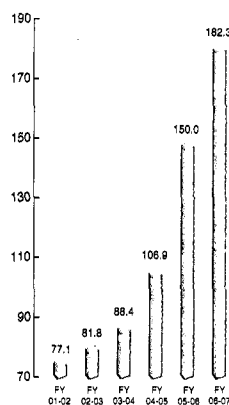
Our entrepreneurial spirit has helped us adapt and capitalize on the changing paradigms. This spirit has allowed us to establish ourselves as a "Business Superbrand". The acquisition of Keyline Brands and Rapidol Pty. Ltd., a step towards our presence overseas is an example of our entrepreneurial spirit.

Performance Highlights

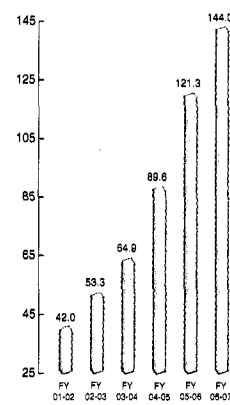
Net Sales (Rs. cr.)



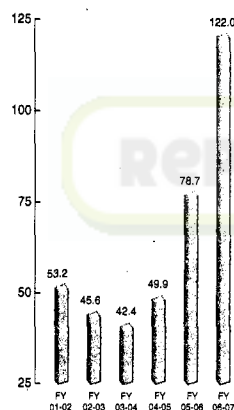
Operating Profit (Rs. cr.)



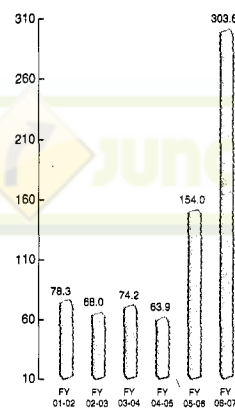
Net Profit (Rs. cr.)



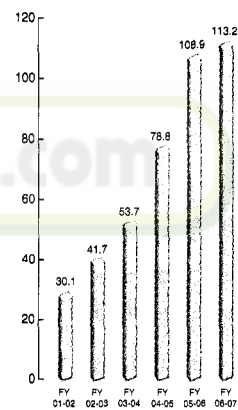
Networth (Rs. cr.)



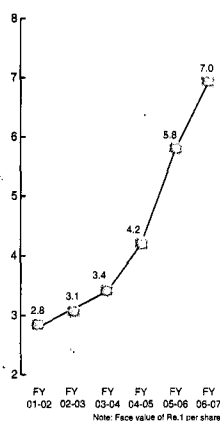
Capital Employed (Rs. cr.)



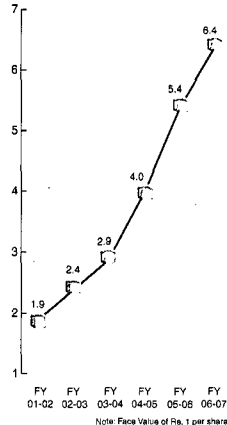
EVA (Rs. cr.)



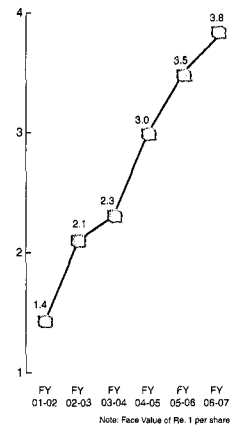
PBT Per Share (Rs.)



EPS (Rs.)



Dividend Per Share (Rs.)



Note : FY 05-06 & FY 06-07 figures are for Consolidated business

The Year that was

Unrelenting Growth

FY 2006-07 consolidated sales revenue (net of excise) improve by 36% from Rs. 699.7 crore to Rs. 953.2 crore.

Consolidated Net Profit (After Extra Ordinary items) increases by 19% from Rs.121.3 crore to Rs.144.0 crore.

Consolidated EPS improves 19% from Rs. 5.4 to Rs. 6.4.

Consolidated Profit before Depreciation, Interest and Tax (PBDIT) improves 22% from Rs.150.0 crore to Rs.182.3 crore.

All Round Business Strength

Your Company becomes the second largest toilet soap manufacturer in India.

GCPL's toilet soap market share improves to 9.1% from 8.5% in FY 2006-07.

Hair colours demonstrate 12% growth.

Toiletries sales improve by 20% with talcum powder, shaving cream and baby care all enjoying healthy consumer offtake.

Innovations and Supply Chain Enhancements Further Improve Performance

Godrej Vigil, the only Grade 1 health soap in India was launched in February 2007. It has an advanced Triple Control System formula that removes germs, is faster acting and longer lasting.

PHD re-launched with added conditioner and perfume.

SAP implemented in January 2007 providing a comprehensive range of IT applications to empower every aspect of the business across the supply chain.

Expanding Global Presence

In September 2006, GCPL acquired the South African business of Rapidol, U.K. as well as its subsidiary Rapidol International.

The Rapidol acquisition gives GCPL entry into a significantly sized hair colour market for black hair and ownership of strong ethnic hair colour and hair care brands such as INECTO and SOFLENE in several African countries.

It also gives GCPL an opportunity to enhance its global presence through the Modern Trade Network and the ownership of customer listings of the INECTO and SOFLENE brands. GCPL also gets an opportunity to introduce its toilet soaps and hair colour products, in the African continent.

During March 2007, GCPL formed a 50:50 joint venture known as Godrej SCA Hygiene Limited along with SCA Hygiene Products AB, Sweden. The joint venture company will manufacture and market paper based absorbent hygiene products especially sanitary napkins and baby diapers in India, Nepal and Bhutan.

This joint venture will provide GCPL the opportunity to gain entry into the feminine hygiene and adult incontinence market, which are still in a nascent stage in India. The joint venture has access to SCA's world leading technology and also enables it to introduce SCA brands into the Indian market.

The Year that was

Improved Shareholder Value

- Consolidated EPS increases from Rs.5.4 to Rs.6.4
- Consolidated Economic Value Added (EVA) rises from Rs.108.9 crore to Rs.113.2 crore.
- Dividend Rs. 3.75 per share (375% on a face value of Re.1 per share).
- Return on Capital Employed (ROCE) and Return on Net Worth (RONW) high at 54% and 109% respectively on a consolidated basis.

Recognitions

- Ezee recognized as a Superbrand in FY 2006-07.
- The Company has been awarded the Platinum prize in the Hair Dye category by Readers Digest in the 'Trusted Brand – Asia 2007' awards.

The Company was ranked 6th in the 'Best Employers Study' conducted by Hewitt Associate along with The Economic Times.

The Company was Ranked 15th in the Great Places to Work survey conducted by Grow Talent in partnership with Great Places to Work Inc., USA along with Business World.

The Company received a commendation certificate for Strong Commitment to Excel in the CII-EXIM Bank Award for Business Excellence.

Malanpur factory won the Platinum Award in the India Manufacturing Excellence Awards (IMEA) by Frost & Sullivan, in the Chemicals Category.

The Malanpur factory was presented by JIPM - Solutions, Japan with Award for TPM Excellence, 1st Category for improvement in operational efficiencies with TPM initiatives.

Board of Directors



Adi Godrej



Jamshyd Godrej



Nadir Godrej



Bala Balachandran



Rama Bijapurkar



Bharat Doshi



Aman Mehta



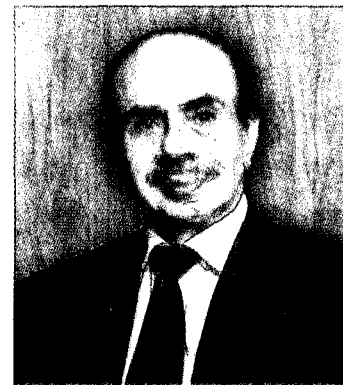
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Company Secretary : Sunil Sapre
 Auditors : Kalyaniwalla & Mistry
 Registrars : Computech Sharecap Ltd.
 Bankers : Central Bank of India
 State Bank of India
 Citibank N. A.
 HDFC Bank Limited
 The Honkong & Shanghai Banking Corporation Limited

Chairman's Statement

Dear Shareholders,

The Indian economy continues to be healthy, with positive indicators such as a strong growth rate, rising foreign exchange reserves and a booming capital market. The just concluded financial year saw your Company also perform strongly and create a sound platform for growth.



Indian Economy

While the economy continues to show promise, infrastructure bottlenecks and the slow pace of reforms remain hurdles.

I believe that the government's emphasis on agriculture rural development and education will certainly give a long-term boost to the growth of the economy. The reduction in the peak rate of customs duty is a welcome step and is an anti inflationary measure. The planned introduction of GST from 2010 is a very good step for boosting the economy. The increase in the dividend distribution tax will be a serious dampener for any new investment unless it is only levied on the net dividends of a company.

Overview on the FMCG Sector

Strong economic growth has brought in a new set of Indian consumers. The booming young adult population

with unprecedented levels of disposable income is more conscious of the latest trends and fashion. Enhanced media penetration and greater connectivity are making consumers more knowledgeable and discerning. These factors are rapidly changing the needs and aspirations of consumers. With schedules getting tighter, convenience has a major influence on purchase decisions. The sector is already gearing up to enter new categories with fresh marketing plans to change the consumer's mindset.

Favourable macro-economic factors like rising disposable incomes, changing consumer preferences, willingness to spend, have led to consumer uptrading. Major acquisitions have played a significant role in propelling the growth of the industry. To drive profits, players have also opted for price hikes during the year and this move has worked well for them. Companies have increased their promotion and advertising budgets to drive volumes in an increasingly competitive market. By investing behind brands, players have witnessed an increase in demand and in turn earnings growth.

Growth potential in the sector is huge as the per capita consumption of most products in the country is amongst the lowest in the world.

Operating Performance

Your Company continues to be amongst the fastest growing FMCG companies. We are currently the second largest toilet soaps player in the country with our Godrej No. 1 brand being the third largest brand in toilet soaps. *We continue to do well in the hair colour category and remain the largest player in the category.* We continue to introduce new brands and variants across all our categories.

As you know, we had acquired Keyline Brands last year which has contributed to our consolidated topline and bottomline during the year and proved to be a highly accretive acquisition for us. This acquisition will enable us to widen our reach into Europe, Australia and Canada.

During this year, we acquired the South African hair colour business of Rapidol U.K. as well as its subsidiary Rapidol International. The Rapidol acquisition along with its strong product portfolio helps us gain entry into a significantly sized hair colour market and facilitates entry for our other brands into South Africa and other African nations.

I am also pleased to inform you that our first shipments to Keyline and Rapidol were dispatched during the year.

We shipped our Powder Hair Dye in bottles to Keyline and Renew cream hair colour and Godrej No. 1 soap to Rapidol.

Another highlight during the year was the formation of a joint venture company known as 'Godrej SCA Hygiene Limited' along with SCA Hygiene Products AB, Sweden. The joint venture company will manufacture and market paper based absorbent hygiene products. We believe that there is tremendous potential for growth in the feminine hygiene protection and baby diaper market which are presently in a nascent stage.

Outlook

Your Company continues to perform well. Our strategy going forward will be to build on the strong growth platform we have created in the just concluded financial year and drive growth for our stakeholders. We will also explore both organic and inorganic opportunities so as to enhance growth and deliver value.

Let me end by expressing my thanks to all our stakeholders for their continued support. I look forward to the same in future.

Yours sincerely,

Adi Godrej
Chairman and Managing Director