

# Brighter Horizons



Godrej Consumer Products Limited  
Annual Report 2010-11



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## Contents

Performance Highlights	4
Board of Directors	6
Chairman's Address	8
Managing Director's Address	10
Management Discussion and Analysis	12
Corporate Governance	29
Economic Value Added	51
Director's Report and Annexures	53
Financials	65
Consolidated Financials	111
Subsidiary Information u/s 212	145
Notice of AGM	147



# Vision

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“We are dedicated to Deliver Superior Stakeholder Value by providing solutions to existing and emerging consumer needs in the Household & Personal Care Business. We will achieve this through Enduring Trust and Relentless Innovation delivered with Passion and Entrepreneurial Spirit.”

The world is moving at an extremely fast pace. Borders are being transcended, opportunities are arising in locations and businesses which many never cared to look at, a few years ago. Flexibility, swiftness and the ability to identify and quickly capitalize on these opportunities is becoming increasingly critical for companies to enhance their competitive position and grow.

At Godrej Consumer Products Limited (GCPL) we have during the year under review, endeavoured to put in place all the building blocks so that we are optimally prepared for the future and ensure that we are best placed to strengthen our growth and create value for all our stakeholders.

After extensive and in-depth research to enable us to better understand our target customers we have launched a range of exciting consumer centric offerings across all our key business categories. These have been supported by focused media, advertising and promotional campaigns.

It is also becoming increasingly clear that in India, growth will be driven by the relatively untapped rural and interior areas. We have as a result considerably expanded our presence in these regions, enhancing our sales and distribution infrastructure.

Further as you are aware, your Company, has been consistently exploring viable and accretive opportunities globally. Here too, the opportunities lie in the emerging and developing markets. We have identified three key geographies, namely Africa, Asia and Latin America and have made considerable progress in the first two. Not only are these geographies less tapped, they also have similar demographic profiles and behaviour as the average Indian – which is the consumer we best understand and cater to.

Last but not the least, your Company has and continues to look to optimise its fixed and variable costs to become more efficient and lean.

# Our Promises



## 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.



## 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.



## 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 Ltd., Rapidol Pty. Ltd., Godrej Global MidEast FZE, Kinky Group (Pty.) Ltd., Tura (Nigeria), Megasari (Indonesia), Argencos & Issue (Argentina), a step towards our presence overseas is an example of our entrepreneurial spirit.



## 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.

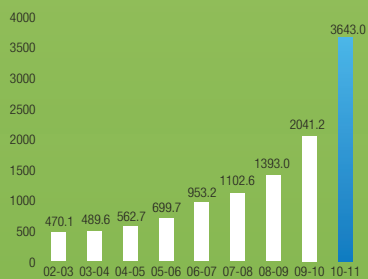


## Relentless Innovation

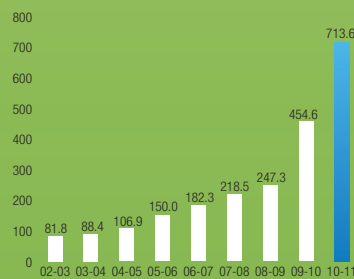
In line with our relentless innovation thrust, we are infrastructurally well-equipped with a full-fledged research and development centre to identify new products and variants. We are innovative in all areas of operations including marketing and manufacturing.



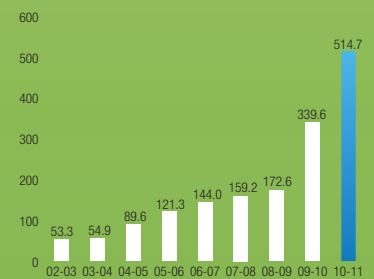
# Performance highlights



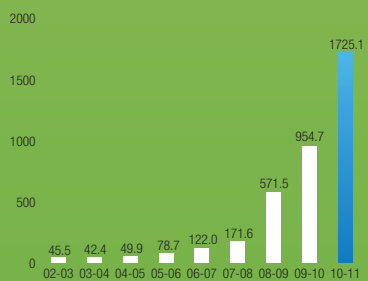
Net Sales (₹ cr.)



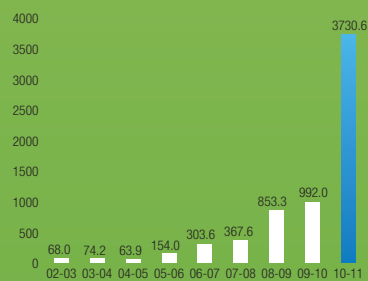
Operating Profit (₹ cr.)



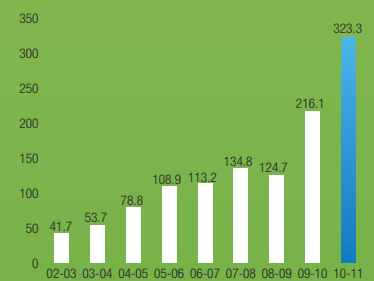
Net Profit (₹ cr.)



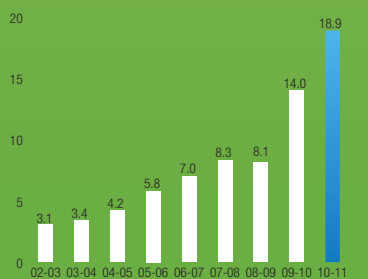
Network (₹ cr.)



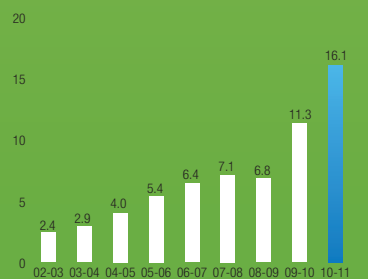
Capital Employed (₹ cr.)



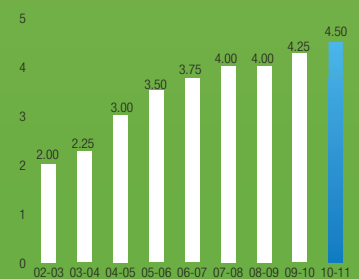
EVA (₹ cr.)



PBT Per Share (₹)



EPS (₹)



Dividend Per Share (₹)

Note: Figures from FY 05-06 onwards are on a Consolidated business.

# The year that was

## Unrelenting Growth

- FY 2010-11 consolidated sales revenue (net of excise) improve by 78% from ₹ 2041.2 crore to ₹ 3643.0 crore.
- Consolidated Net profit increases by 52% from ₹ 339.6 crore to ₹ 514.7 crore.
- Consolidated EPS increases to ₹ 16.1 from ₹ 11.3.
- Consolidated Profit before Depreciation, Interest and Tax (PBDIT) and exceptional items improved by 57% from ₹ 454.6 crore to ₹ 713.6 crore.

## All Round Business Strength

- Your Company is the largest Indian Personal and Home Care Company

**1** in hair colours (Market share: 29.4%)\*  
 in home insecticides (Market share: 36.6%)\*  
 in liquid detergents (Market share: 86.3%)\*

**2** in soaps (Market share: 10.1%)\*  
 \*(Source : Ac Nielsen)

- Your Company also has leading positions in its International Operations

**1** in air fresheners and wet tissues in Indonesia  
 in hair colours in many countries in Africa  
 in hair colours in several countries in Latam

**2** in home insecticides in Indonesia  
 in hair extensions in South Africa  
 in medicated soaps in Nigeria

## Innovations to Further Improve Performance

- Godrej No.1 Saffron and Milk Cream launched.
- FairGlow relaunched during the year with attractive new packaging and shape and the promise of fairness was strengthened with the addition of 'Fairness + Proteins'.
- GCPL launched a range of hair colours under Godrej Expert, offering multiple benefits. It has also initiated 'happy hair happy you' campaign for the launch.
- Goodknight Advanced Low Smoke Coil is the world's first low smoke coil that emits 80% less smoke while being 25% more effective.
- Goodknight coils are the only coils with a special fragrance and they are the largest selling 12 hour coils in the Indian market.
- Goodknight also remains the fastest growing refills brand.

- Strong marketing campaigns – HIT 'Kill Malaria' and 'Swach Tyohar' initiatives and Goodknight Advanced Active + system media burst on 'Push Karo Khush Raho' communication.

## Consolidating Global Presence

- Successfully completed the acquisition of Tura-Nigeria, Megasari-Indonesia, Issue Group and Argencos-Argentina.
- Projects commissioned to deliver benefits of increased distribution reach and sales processes.
- Successful operational integration of the Issue and Argencos businesses. Focus on expanding across Latam.
- Projects underway to launch other categories through the Tura infrastructure.

## Improved Shareholder Value

- Consolidated EPS increases to ₹ 16.1 from ₹ 11.3.
- Consolidated Economic Value Added (EVA) rises from ₹ 216.1 crore to ₹ 323.30 crore.
- Dividend ₹ 4.50 per share (450% on a face value of ₹ 1 per share).

## Recognitions

- GCPL features among the top 25 best employers in the Outlook Business-Hewitt Study.
- Goodknight advanced Low smoke coil voted Product of the Year 2010.
- Brand Equity's Most Trusted Brands Survey 2010.
  - o Goodknight continued its fine run registering its highest 12<sup>th</sup> rank in the survey.
  - o Godrej No. 1 leapfrogged from 103<sup>rd</sup> position to the 69<sup>th</sup> rank.
  - o Godrej Expert Powder Hair Colour made its debut in the survey at the 100<sup>th</sup> position and also features along with Cinthol and Godrej No. 1 in the most trusted personal care brand in India survey.
  - o In the city-wise rankings which lists 10 most popular brands in the 5 metros, Godrej No. 1 has been ranked at the 6<sup>th</sup> position in Delhi and Cinthol features at the 10<sup>th</sup> spot in Chennai.
- Godrej Expert and Goodknight Advanced Activ+ awarded Bronze medal at EFFIE's 2010 Awards.
- Godrej Ezee Commercial Features in the 'Best Ads on TV' Survey.
- Godrej Consumer Products awarded NDTV Profit Business Leadership Award in 'Consumer Product Goods' category.
- Godrej Consumer Products awarded the Pitch Top 50 Marketers 2010 award in the 'Globetrotters' category.
- Goodknight Naturals Mosquito Repellent Cream voted Product of the Year 2011.

# Board of Directors

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Narendra Ambwani

D. Shivakumar

Bharat Doshi

Nadir Godrej

Tanya Dubash

Adi Godrej

Jamshyd Godrej

Nisaba Godrej

Bala Balachandran

Aman Mehta

A. Mahendran

Dr. Omkar Goswami

**Company Secretary** P Ganesh **Auditors** Kalyaniwalla & Mistry  
**Registrars** Computech Sharecap Ltd.

**Bankers** Central Bank of India, State Bank of India, Citibank N. A.,  
HDFC Bank Limited, The Hongkong & Shanghai Banking Corporation Limited.



# Management Speak

# Chairman's address

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## Dear Shareholders,

I am delighted to address you on what has been another successful and eventful year for your Company. Fiscal year 2011 has been a transformative year for GCPL on many fronts. In May 2010 we acquired the remaining 51% share in Godrej Sara Lee Limited and with the merger of the two businesses, GCPL is now the largest Indian Household and Personal Care company. We believe that this merger provides us a unique opportunity to significantly change the trajectory of our FMCG business as we leverage the complementary strengths of the two companies to create one GCPL. The potential for value creation, simply put, is huge.

Along with becoming the largest Indian Household and Personal Care company in fiscal year 2011, we also continued our evolution from an Indian FMCG company to a leading emerging markets FMCG company. Through our numerous acquisitions outside of South Asia, GCPL now has operations in Indonesia, South Africa, Nigeria, Argentina, Uruguay, UK and the Middle East. Our products are now available in 55 countries around the globe and about a third of our revenues in fiscal year 2011 came from our international operations.

I believe that the lagging impact of the economic crisis is reversing and barring unforeseen developments, especially on the political front, the global environment is returning to normalcy. India, along with the other emerging market economies, has demonstrated encouragingly strong growth and continues to show resilience to external market fluctuations such as high inflation and interest rates. Indeed, for the next fiscal year, the Government has predicted healthy growth rates, a testament to India's remarkable growth story. The increased focus on developing infrastructure, particularly in roads and rail, is expected to boost the consumption story of India, supplementing both the country and your Company's growth in the years ahead.

In line with this growth story, your Company has continued to develop expansion into the rural space, while at the same time reaching outward to different regions across the world and consolidating our international business. Simultaneously, implementation of new initiatives and

innovations for additions in our brand categories has improved efficiency, productivity and profitability through the year. The macroeconomic environment has faced some roadblocks in the last year, but we are confident that India's overall growth story will continue and that your Company is well positioned to build growth drivers, capitalize on global opportunities and create sustained value for all its shareholders.

## FMCG Sector

Most concerns about the FMCG sector revolve around increasing commodity prices, which has led to limited purchasing power. Due to high inflation during the year, low income households have tightened their belts. However, improved irrigation techniques and agricultural infrastructure have to some extent freed agricultural production from its dependency on the monsoons and this should lower food prices going forward.

Despite this, the FMCG sector has demonstrated a strong picture of growth, performing encouragingly through the year. The expansion in volumes in most of our businesses has been indicative of increasing consumer demand and consumption, as also our enhanced marketing and distribution efforts. While increasing competition, high inflation, and inflated input cost prices may temporarily impact margins, I believe that the viability of the sector will hold and we will continue to foresee significant prospects in this sector.

## Perspectives on our Performance

The Godrej Sara Lee acquisition has tremendous game changing potential and as a result of it, we now have a broader category portfolio. Home Care now comprises 43% of our portfolio and Personal Wash is 32% of our portfolio, as opposed to 65% of the portfolio resting on Personal Wash in fiscal year 2009. Apart from a broader category portfolio, our domestic scale has increased significantly. Over the last year, our domestic business reported a growth of 89% to reach ₹ 2395 crores. This increased scale enables GCPL to further expand distribution in India and improve penetration in channels such as chemists, modern trade and rural markets. It will allow us to compete more effectively in terms of investing in creating new platforms to develop innovative solutions to