



ANNUAL REPORT

2015-16



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Annual Report [microsite](#)

"We are relentlessly focusing on serving our consumers
superior home and personal care products
at affordable prices, and delivering
market-leading performance."

Adi Godrej

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OUR COMPANY

Created by Godrej Properties and Pelli Clarke Pelli Architects, Godrej One is our new global headquarters at Vikhroli in Mumbai. The name is symbolic of the convergence of several Godrej Group companies under one roof for the first time. It also draws from the fact that this is the first unit of The Trees, our larger redevelopment plan for Vikhroli.

Godrej Consumer Products is a leading emerging markets company. As part of the 119-year young Godrej Group, we are fortunate to have a proud legacy built on the strong values of trust, integrity and respect for others. At the same time, we are growing fast and have exciting, ambitious aspirations.

Today, our Group enjoys the patronage of 1.1 billion consumers globally, across different businesses. In line with our 3 by 3 approach to international expansion at Godrej Consumer



Products, we are building a presence in 3 emerging markets (Asia, Africa, Latin America) across 3 categories (home care, personal wash, hair care). We rank among the largest household insecticide and hair care players in emerging markets. In household insecticides, we are the leader in India, the second largest player in Indonesia and are expanding our footprint in Africa. We are the leader in serving the hair care needs of women of African descent, the number one player in hair colour in India and Sub-Saharan Africa, and among the

leading players in Latin America. We rank number two in soaps in India and are the number one player in air fresheners and wet tissues in Indonesia.

But for us, it is very important that besides our strong financial performance and innovative, much-loved products, we remain a good company. 24 per cent of the holding company of our Group is held in a trust that invests in the environment, health and education. We are also bringing together our passion and purpose to make a difference through our 'Good &

Green' approach to create a more inclusive and greener India.

At the heart of all of this, is our talented team. We take much pride in fostering an inspiring workplace, with an agile and high performance culture. We are also deeply committed to recognising and valuing diversity across our teams.

A MESSAGE FROM OUR CHAIRMAN



Adi Godrej

Chairman

Dear Shareholders,

I am very pleased to share with you that GCPL has delivered yet another strong and profitable performance in fiscal year 2016. This is despite the macroeconomic challenges we faced in many of our geographies. Overall, we continue to outperform both the FMCG sector and the home and personal care categories that we participate in. This positions us well to achieve our ambitious growth aspirations of becoming an emerging markets FMCG leader.

This is a very exciting time for our company. We are driving a relentless focus on our strategy, and investing strategically in creating new growth vectors for the future, while continuing to drive our core to full potential, ensuring execution excellence and building on our agile and high performance culture. We believe that this is what differentiates us and allows us to continue to innovate and delight our millions of consumers across the world with superior quality, world-class products at affordable prices.

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The global economy

The global environment continues to be marked by economic and socio-political uncertainty. Emerging markets are grappling with tougher conditions, given depreciating currencies and slower growth. The consequent slowdown in consumer sentiment has, in turn, impacted growth in the FMCG industry.

That said, we believe that there are significant medium and long-term growth prospects in India and our other emerging markets in the rest of Asia, South America and Africa. Today, emerging markets account for around 80 per cent of the world's population. They are also growing fast, with a relatively young working age population. This, combined with an emerging middle class, ensures that a majority of the increase in global consumption in the years ahead, will come from these markets.

The Indian economy

Over the last year, the government has launched a series of initiatives to revive the Indian economy, including building infrastructure in

roads and railways, improving the ease of business, creating a more investor-friendly FDI policy regime, introducing banking reforms and targeting inflation.

Consequently, our macroeconomic indicators have started to look better, with GDP growth increasing to 7.6 per cent in fiscal year 2016, from 7.2 per cent in fiscal year 2015. Inflation is largely under control. The Consumer Price Index is expected to fall within the range of 5-6 per cent and Wholesale Price Index, virtually nil. Our Current Account Deficit is also under control. The implementation of transformative structural reforms such as the Goods and Services Tax, however, is imperative to fast track economic growth and boost consumer confidence.

We are seeing signs of a recovery in consumer demand in the FMCG industry. The progress has however been subdued. We expect demand to pick up pace in the months ahead. The fundamentals of the sector remain strong and there is still significant growth potential, given the low penetration and consumption rates for many FMCG categories.

Perspectives on our performance

One of our most important imperatives is to extend leadership in our core categories and geographies. Our approach to international expansion is defined by a focused 3 by 3 strategy – a presence in three business categories (personal care, hair care and home care) in three geographies (Asia, Africa and Latin America). Our strategy will be to drive innovation led growth in the categories where we are leaders and have a competitive advantage.

Today, we rank among the largest household insecticide and hair care players in emerging markets. In household insecticides, we are the leader in India, the second largest player in Indonesia and are expanding our footprint in Africa. We are the leader in hair extensions in Africa, the number one player in hair colour in India and Sub-Saharan Africa, and among the leading players in Latin America. We rank number two in soaps in India and are the number one player in air fresheners and wet tissues in Indonesia. We

6 Pillars of our strategy



Extending
leadership in our
core categories
and geographies



Accelerating
innovation
and renovation



Building a
future ready
sales system

are also a leading player in hand sanitisers and female deodorants in the UK.

Our India business has continued to deliver a competitive performance, with industry-leading volume growth. Indonesia, our largest international business, grew well ahead of the FMCG market in the country. We have made good progress on the next phase of the integration of the Darling businesses in Africa. We also acquired Strength of Nature, a leading company of hair care products for women of African descent. This catapults us to become one of the largest players globally, serving the hair care needs of women of African descent. Our businesses in Latin America and the UK too, have performed well.

Accelerating the pace of innovation is a key strategic pillar and driver of our growth strategy. Over the last few years, we have rearchitected our approach. We are using design thinking to accelerate our innovation pipeline, reimagine our brands (Cinthol, Godrej Expert, Good knight) and create new ones (Godrej aer, protekt, BBLUNT).

We are ramping up capabilities, investing significantly in Research & Development and Design, and leveraging learnings from across our geographies. We have added to our product portfolio with a number of launches and relaunches, across India and our international businesses. Through this, we are driving penetration and increasing consumption in our core categories, as well as extending into attractive adjacencies. Our new products have been very well received in the market. In fact, close to 40 per cent of our growth in India now comes from new products and renovations. GCPL was ranked number 26, on Forbes' list of *The World's 100 Most Innovative Growth Companies 2016*.

We have introduced multiple initiatives to enhance our go-to-market approach and create a future ready sales organisation for our India business – strengthening our presence in rural, driving category penetration, increasing rural salience, leveraging technology for better decision-making and establishing a strong footprint in emerging channels like e-commerce.

“We will continue to invest competitively in our brands, build on our strong sales and profitability growth momentum, and enhance our go-to-market infrastructure”

Leveraging a best-in-class global supply chain to become more agile is imperative for us. We have established centres of excellence in TPM, lean, six sigma and low cost automation across our businesses. We are also strengthening and enhancing our supply chain processes, planning and replenishment capabilities to respond to constantly changing consumer demand patterns. We have made significant improvements in labour productivity through effective shop floor engagement and are leveraging our global scale to optimise procurement