



Godrej Consumer Products Ltd.
ANNUAL REPORT 2007-2008

POWERFUL BRANDS
FOR A BRIGHTER FUTURE



Contents

Performance Highlights	3
Board of Directors	6
Chairman's Statement	7
Executive Director & President's Statement	9
Management Discussion & Analysis	12
Corporate Governance	31
Economic Value Added	58
Directors' Report	61
Financials	73
Auditors' Report	74
Consolidated Financials	108



Vision

“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 Indian consumer now has a more demanding and youthful mindset. At Godrej we have always been at the helm of changing and redefining the marketplace and this will be reflected in a marketing and branding strategy that accelerates profitable growth.

For Godrej, consumer insight will drive us to even greater heights and remain instrumental in creating a unique consumer experience associated with each of our brands.

It is with this ambition that we will continue to create value for our investors.

By investing in our most valuable asset – the Godrej brand – we will unify our capabilities to deliver on our commitments to each of our stakeholders. As we implement a systematic plan to make our master brand franchise and its basket of product brands powerful, we are certain that our strategy will generate profitable growth now, and in the future.

Today, the personal care and grooming categories hold tremendous promise. With a consumer base that is young and vibrant, and an equally contemporary set of brands, Godrej Consumer Products is ideally poised to provide consumers with an emphatic expression of their progress. The ability of our products to empathize with consumer needs and offer them an unmatched experience promises our stakeholders an even brighter future than ever before.



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 and manufacturing.

Passion

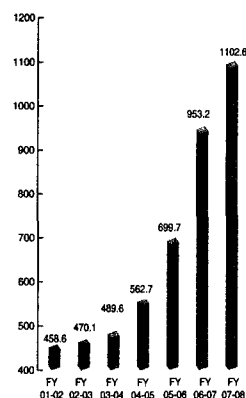
Our robust business performance is predominantly due to our passion for excellence. A motivating work environment and well-structured development programs have enabled us to attract and retain the best talent and expertise.

Entrepreneurial Spirit

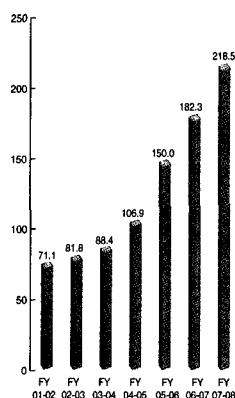
Our entrepreneurial spirit has helped us adapt and capitalize on the changing paradigms. This spirit has allowed us to establish ourselves as a “Business Superbrand”. The acquisition of Keyline Brands and Rapidol Pty. Ltd., a step towards our presence overseas is an example of our entrepreneurial spirit.

Performance Highlights

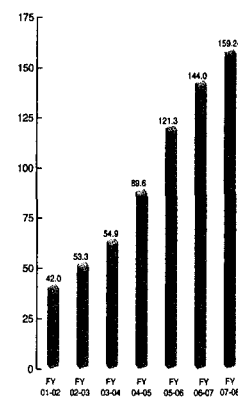
Net Sales (Rs. cr.)



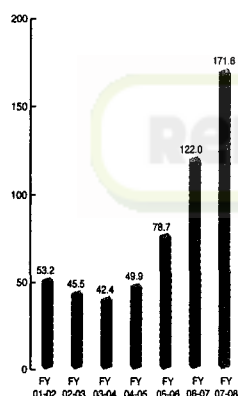
Operating Profit (Rs. cr.)



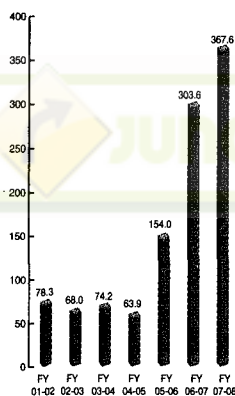
Net Profit (Rs. cr.)



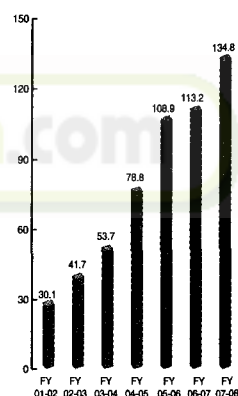
Networth (Rs. cr.)



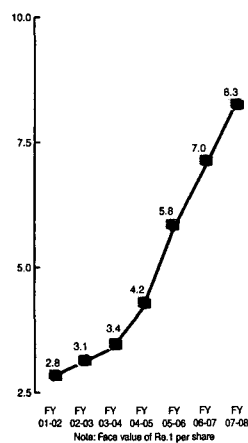
Capital Employed (Rs. cr.)



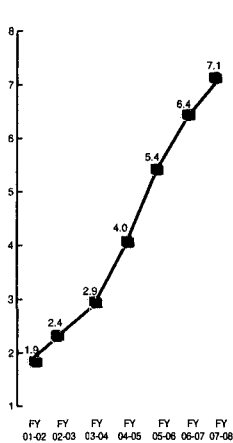
EVA (Rs. cr.)



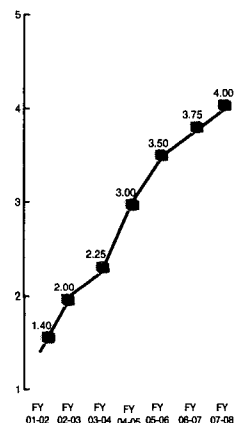
PBT Per Share (Rs.)



EPS (Rs.)



Dividend Per Share (Rs.)



Note : FY 05-06, FY 06-07 & FY 07-08 figures are for Consolidated business

The Year that was

Unrelenting Growth:

- FY 2007-08 consolidated sales revenue (net of excise) improve by 16% from Rs.951.5 crore to Rs.1,102.6 crore
- Consolidated Net Profit (After Extra Ordinary items) increases by 11% from Rs.144 crore to Rs.159.2 crore
- Consolidated EPS improves 15% from Rs.6.15 to Rs.7.05
- Consolidated Profit before Depreciation, Interest and Tax (PBDIT) improves 20% from Rs.182.3 crore to Rs.218.5 crore.

- During October 2007, the Snuggly brand was re-launched by our joint venture company, Godrej SCA Hygiene Ltd. as 'Snuggly Dry' in the states of Kerala and Tamil Nadu
- In December 2007, Godrej SCA Hygiene Ltd. launched Libero baby diapers
- In January 2008, Godrej SCA Hygiene Ltd. launched 'Tena', an adult incontinence product & also introduced its sanitary napkin brand 'Libresse' in April 2008
- Godrej SCA Hygiene Ltd. has purchased 10 acres of land at Sinnar for the construction of its factory.

All Round Business Strength:

- Your Company is the second largest toilet soap manufacturer in India
- GCPL's toilet soap market share improves to 9.7% from 9.1% in FY 2006-07
- Hair colours demonstrate 13% growth
- Toiletries improve by 21% with talcum powder, shaving cream and baby care all enjoying healthy consumer offtake.

Innovations to Further Improve Performance

- Your Company's flagship brand 'Cinthol' was re-launched in a new range of soaps, talc and deo sprays. Cinthol Regular and Fresh soaps were also launched in an attractive new packaging
- Your Company introduced the Godrej No. 1 soap in 'Papaya and Lotus' variant
- PHD was re-launched as 'Godrej Expert Powder Hair Dye'

- During the year, your Company introduced 'Godrej Renew Powder Hair Colour' – an aqua based, conditioning, powder hair colour enriched with the herbal nourishment of henna and hibiscus.

Expanding Global Presence:

- On October 01, 2007, GCPL acquired Godrej Global Mideast FZE
- Godrej Global Mideast FZE was a 100% subsidiary of Godrej International Limited and was established in Sharjah with the objective of distributing Godrej FMCG products in the Middle East
- Through this acquisition, your Company will have ownership of GGME's strong distribution network, obtain better insights into consumer needs and preferences & leverage GGME's distribution network to introduce Keyline products

Improved Share Holder Value:

- Consolidated EPS increases from Rs.6.38 to Rs.7.05
- Consolidated Economic Value Added (EVA) rises from Rs.113.2 crore to Rs.134.8 crore
- Dividend Rs.4 per share (400% on a face value of Re.1 per share)
- Return on Capital employed (ROCE) and Return on Net worth (RONW) high at 57% and 95% respectively on a consolidated basis.

Recognitions:

- Ezee recognized as a Superbrand in FY07
- Ranked 6th in the 'Best Employers Study' conducted by Hewitt Associate along with The Economic Times
- Ranked 9th in the Great Places to Work survey conducted by Great Places to Work Inc., USA in 2008
- Ranked 14th on the Best Companies to Work For in India Survey conducted by Business Today and Mercer TNS
- Business Week – Asia's Hot Growth Companies: 2007 – GCPL is the highest ranked FMCG in Asia's Hot Growth Companies list and is ranked 23rd
- Malanpur factory received a commendation certificate for Strong Commitment to Excel in the CII-EXIM Bank Award for Business Excellence
- The Company has been awarded the Platinum prize in the Hair Dye category by Readers Digest in the 'Trusted Brand – Asia 2007' awards
- Malanpur factory won the Platinum Award in the India Manufacturing Excellence Awards (IMEA) by Frost & Sullivan, in the Chemicals Category
- Malanpur factory presented by JIPM - Solutions, Japan with Award for TPM Excellence, 1st Category for improvement in operational efficiencies with TPM initiatives.

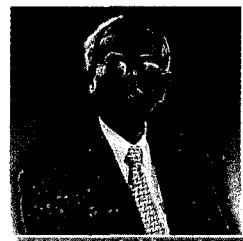
Board of Directors



Adi Godrej



Jamshyd Godrej



Nadir Godrej



Bala Balachandran



Rama Bijapurkar



Bharat Doshi



Aman Mehta



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 Hongkong & Shanghai Banking Corporation Limited

Chairman's Statement

Dear Shareholders,

I am delighted to be writing to you at the end of what has been an yet another successful year. The Indian economy has maintained its growth momentum, with the GDP growth rate exceeding 8% every year since 2003-04. The FMCG industry continues to do well due to changing demographic profiles, newer products, deeper rural area penetration and higher consumer spending. This year GCPL continued to perform encouragingly and entered new categories and geographies while expanding its existing business categories. The Godrej Group has unveiled its new corporate logo with new colours that are more relevant to today's young India. I am sure GCPL will benefit immensely from the increased focus and reinvigoration of the corporate brand identity.



Indian Economy

The Indian Economy is expanding at an average rate of over 8%. Inflation though is becoming an increasing challenge on the back of spiraling commodity prices. The sharp depreciation of the U.S. dollar against the national currency resulted in a lot of hardship to certain sectors that are dependant on export earnings. The Government's counter measures to limit domestic inflation and the fear of recession in major markets like the US and Europe has seen a deterioration in GDP growth .

However, I feel that the recent budgetary announcements made by the Government will benefit all income groups and will give a boost to the FMCG industry. In my opinion the budget is an ideal opportunity to provide a fiscal stimulus to the economy. A major anti inflationary step taken by the government was the reduction in the CENVAT rate from 16% to 14%. This will benefit all consumers as goods will become cheaper. The increase in the exemption limit in direct taxes will also benefit a large number of consumers as there will now be more disposable income in the hands of the consumers. The significant relief provided to marginal and small farmers through a debt waiver is an important step in ensuring that the economic growth is sustainable and will increase

consumption. I believe that these measures will revive consumption levels that had witnessed a slow down over the past three months.

The FMCG Sector

Higher penetration, increasing per capita consumption, a rising population base and growing household incomes continued to drive growth in the sector. Foreign investments and growing demand from rural markets have allowed the sector to grow at a steady 12-13% in 2007.

This sector is the fourth largest sector in the economy and the total FMCG market is expected to reach \$ 33.4 billion in 2015 (source: IBEF). A surge in consumer spending along with changes in consumer tastes and improving penetration levels of the products is likely to ensure a high growth rate across a range of FMCG categories. The willingness to spend, backed by the ability to do so has been the most vital inputs to higher growth in the sector.

During the year, the sector witnessed a spate of acquisitions and alliances with several companies aggressively exploring global markets especially those that had a substantial population of Indian origin. The industry also witnessed a record number of product

launches during the year. However, key concerns in the sector continue to be rising input costs, new entrants in various segments and the threat of spurious goods.

Operating Performance

GCPL continues to be one of the leading FMCG companies in the country. We are the second largest toilet soap player in the country with our popular and sub popular brands continuing to drive growth. This year our flagship brand 'Cinthol' was revamped with a new range of soaps, talc and deo sprays. Cinthol is a 56 year old brand and we have relaunched these new products after extensive research and experience in the sector. We feel that due to the brand loyalty that Cinthol enjoys and our long standing in this sector, this range will do well. The new Cinthol range brings '24 hour confidence' through its Active Deo Formula. Our other soap brands too continue to do well and have received an encouraging response from the consumers. The rising vegetable oil prices compelled us to raise the price of our toilet soaps twice during the year by 5-8%. We continue to perform encouragingly in our hair colour category. A few highlights during the year were the relaunch of our Powder Hair Dye sachet as 'Godrej Expert Powder Hair Dye' in two sizes and the launch of Renew powder hair colour in four colours. This is a reflection of our consumer insight and progression of the market.

Keyline Brands and Rapidol South Africa continue to do well. Both have been accretive acquisitions for us and have a strong presence in their respective continents.

A major development during the year was the acquisition of Godrej Global Mideast FZE (GGME), a 100% subsidiary of Godrej International Ltd. GGME was established to distribute Godrej FMCG products in the Middle East. The benefits of this acquisition are three fold. Firstly, we strengthened access to the strong

distribution network that GGME enjoys in GCC countries and some other markets in the Middle East. Secondly, we gained control of a local service provider to get better insights into consumer needs and preferences and lastly, an opportunity to introduce Keyline products in those markets.

In FY 08, GCPL completed the acquisition of the 'Kinky' hair business in South Africa marking our entry into the natural and artificial hair business. The Kinky hair brand is one of the leaders in the South African hair category and will enable us to diversify our hair product portfolio. This is our fourth acquisition after Keyline, Rapidol and GGME and will allow us to significantly enhance our scale and size as a global FMCG player.

Outlook

Our financial performance continues to be encouraging and I believe that we will continue registering sustained growth going forward. We have gradually progressed from being a strong domestic FMCG player to becoming a global FMCG company. We intend to strengthen our growth momentum further, through domestic as well as international acquisitions which will augment our scale of operations to create value for the future.

I take this opportunity to thank all our employees, without whom these results would not have been possible. I also express gratitude towards all our consumers, suppliers and other business associates. To conclude, I would like to thank all our stakeholders for their constant support and encouragement, without whom we would not have reached where we are today.

Yours sincerely,

Adi Godrej

Chairman and Managing Director