

A photograph of a laboratory setting with several scientists in white lab coats. In the foreground, a man and a woman are looking at a laptop. In the background, other scientists are working with laboratory equipment, including flasks and tubes containing colored liquids.

ANNUAL REPORT

2016-17



Visit our GCPL
Annual Report microsite



This annual report is printed on **eco-friendly** paper

Contents

2	Our Company
4	From the desk of Adi Godrej
6	A message from Nisaba Godrej
7	In conversation with Vivek Gambhir
12	Board of Directors
18	Management Discussion & Analysis
90	Business Responsibility Report
116	Directors' Report
160	Report on Corporate Governance
176	Standalone Financials
248	Consolidated Financials
340	Corporate Information
341	Notice of the AGM



Our Company

Godrej Consumer Products is a leading emerging markets company. As part of the 120-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.

For us, it is very important that besides our strong financial performance and innovative, much-loved products, we remain a good company. Approximately 23 per cent of the promoter holding in our Group is held in trusts that invest 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 world.

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 also deeply recognise and value the diversity of our people.

From the desk of Adi Godrej



Adi Godrej

Chairman Emeritus

Dear Shareholders,

I am pleased to share with you that GCPL has delivered another year of competitive and profitable growth. Despite some category and geography specific challenges, we have done well, which is a reflection of our clear strategic portfolio choices, backed by strong execution. We have also delivered robust operating profits across businesses, while investing in our brands and innovations. We continue to outperform both the FMCG sector and the home and personal care categories that we participate in. Overall, this positions us well to achieve our ambitious growth aspirations of becoming an emerging markets FMCG leader.

As we look ahead, I feel confident of strong growth in the medium to long term. Over the last year, the government has made several efforts to further revive the Indian economy. Demonetisation, while causing challenges for a few months, has led to a significant push towards digital financial transactions, as well as improving compliance. Post the remonetisation of currency, we are seeing a good recovery in FMCG demand.

“New categories and new distribution channels will further drive penetration and increase consumption in our focus categories”

The passage of the Goods & Services Tax (GST) bill is a major achievement. As I have mentioned earlier, the implementation of the GST will be transformative for the Indian economy. A single national value added tax will be one of the most significant reforms since the liberalisation of the Indian economy in 1991. I expect this to result in a marked boost to consumption and GDP growth. Steps have also been taken to further digitise and streamline the economy, with initiatives such as Aadhar linked subsidy schemes, UPI and Startup India, that have improved transparency and reduced red tape.

Globally, the macroeconomic environment continues to be impacted by socio-political and economic uncertainty. As a result, our international geographies are grappling with the dual challenges of weakening growth and depreciating currencies. Our teams are addressing these concerns with a sharp focus on innovation, customer centricity and cost optimisation.

That said, we believe there continue to be tremendous opportunities in emerging markets, especially in Asia, Africa and Latin America. These are among the fastest growing consumer

markets in the world and home to around 80 per cent of the world's population. The emerging middle classes and rising per capita income will translate into more consumers seeking branded, quality products at affordable prices. New categories will emerge and new distribution channels will improve availability and enhance the buying experience. This will, in turn, further drive penetration and increase consumption in our focus categories.

I would like to take this opportunity to extend my gratitude to all our stakeholders for their continued interest, faith and encouragement through the years. My deep appreciation to all our business partners, vendors and other business associates for their support and contributions. Many thanks to all the various central and state government authorities, for their continuing support to our business. To all our team members, whose passion, commitment and hard work, have made us successful - a special thank you for building GCPL into a company that we can all be proud of.


It has been a privilege to serve as Chairman during a period when we have delivered strong results and transformed our company. I

am grateful to our Board for their thoughtful and planned approach to executing our succession plan. The foundations of GCPL are extremely strong. This is an opportune time to transition to a new Chairperson, who will work closely with Vivek to lead the company in its next phase of growth.

I feel very confident that Nisa will be an outstanding Executive Chairperson. As you know, she has been a key architect of GCPL's strategy and transformation over the last decade. I have worked closely with her and seen her deliver tremendous results. She is an inspiring leader who will always uphold our values.

I will continue to serve the GCPL Board and contribute in whatever way I can to GCPL's success and long term growth. I look forward to your continued partnership to help achieve our exciting aspirations.

Yours sincerely,



Adi Godrej
Chairman Emeritus

A message from Nisaba Godrej



Nisaba Godrej

Executive Chairperson

Dear Shareholders,

I am so honoured to be given the opportunity to lead your wonderful company. I would like to thank the Board for their support and confidence in me.

I promise all of you that I will serve GCPL wholeheartedly and assure you that the values our Chairman has taught us, combined with his disciplined, results-driven and humble approach, will always be the core of our DNA. The Board, Vivek, our GCPL team and I look forward to the continued guidance of our Chairman Emeritus as we drive GCPL forward with deep ambition, hard work and a strong sense of purpose.

Over the last decade, GCPL has transformed into a global and dynamic company, with a set of team members who consistently vote for it as one of the best places to work. Since 2007, our market capitalisation has increased twenty-fold, from INR 3,000 crore to INR 60,000 crore today. While I am very proud of our collective achievements, I do believe that we are only as good as what we do next. So, let's move forward together, with speed and stretch dreams, and build on the wonderful legacy we have. Our best days are yet to come.

A handwritten signature in black ink, reading "N. Godrej", with a horizontal line underneath.

Nisaba Godrej
Executive Chairperson

In conversation with Vivek Gambhir



Vivek Gambhir

Managing Director & CEO

How do you feel about GCPL's performance in the last year?

We delivered a resilient and reasonably good performance last year. The environment was challenging across most of our operating geographies and consumer demand was sluggish. However, we continued to outperform the market and sustained market share across our categories. We expanded our gross margins and operating margins, while investing competitively to further strengthen our brands. Our company has also become stronger in many areas; this will enable us to deliver a more robust performance as the macroeconomic environment in many of our operating geographies improves. Overall, while we did well, we have the ambition, potential and ability to do much better.

What were the highlights of the performance of the India business?

We adapted well to the changing dynamics in the Indian environment. In particular, we navigated the adverse impact of demonetisation relatively well. We outperformed the market and delivered robust growth in profits. Our focus on premiumisation and cost optimisation helped ensure that our EBITDA growth was ahead of sales growth.

We sustained or extended our market share in our core categories. We invested competitively in strengthening our brands. We also continued to make our go-to-market approach more robust. In the latter half of the year, we launched some exciting innovations such as the range of Good knight personal repellents, the bathroom air

freshener aer pocket, HIT Gel Stick and the BBLUNT Salon Secret crème hair colour.

We are making a big push in our journey towards building 'Future Now' capabilities, strengthening go-to-market, developing alternate channels, investing in predictive analytics and increasing our digital footprint, to support our growth ambitions.

How are your Africa plans progressing?

Establishing a strong foothold in Africa is a key part of our strategy, both in terms of business size today, as well as potential for the future. Africa has one of the fastest growing consumer markets in the world, with a young population. This provides tremendous opportunities for both driving penetration and increasing consumption across our core categories. Over time, we aspire to become one of the leading home and personal companies in several geographies in Sub-Saharan Africa.

Today, catering to the hair care needs of women of African descent contributes to almost 20 per cent of our revenues. We intend to double this in the next four years. In general, this is a very underserved market

that provides significant opportunities for us, globally. The acquisition of Strength of Nature in the USA, a leading player in ethnic hair care, catapulted us to become one of the largest players globally, serving the hair care needs of women of African descent. It will, over time, also provide a platform for us to further build and drive global leadership.

The integration of Strength of Nature is progressing well. We plan to scale up our wet hair care portfolio in Sub-Saharan Africa. So, later this year, we will localise manufacturing and relaunch the Strength of Nature products in Africa.

We are investing significantly in brand building and innovation. Our teams are currently doing a lot of exciting work on formulating a new brand architecture for our Darling brand, which is the leader in hair extensions. Over the next year or so, we will relaunch this as a more modern, fashion-forward brand.

We are ramping up communication across platforms, experimenting with digital and distinctive category development initiatives, making continuous improvements in our supply chain, and creating a stronger employer brand, to support our plans. We are also investing a lot in

building strong local talent, making the organisation more effective and bringing on board capable senior team members to support our exciting plans.

Are you pursuing any new vectors of growth?

Our innovation approach is two-pronged. We believe that there is significant headroom for growth in the core categories we play in. So, we are building on and extending our leadership positions. At the same time, we are also pursuing attractive adjacencies and creating new vectors of growth to broaden our portfolio. Our new products launched in the last 5 years account for approximately 20 per cent of our global growth and 35 per cent of India's growth.

Take air fresheners for example, which is a relatively new category for us. We launched air fresheners in India in 2012. We have more than doubled this category in the last year. We are now leaders in air fresheners in India and Indonesia. Air care has evolved into a fourth core category for us, globally.

In India, we are also extending into hair styling products. Last year, we forayed into hair colour in Indonesia,