



Swedish installation artist, Michael Johansson, created the Godrej heart art wall by juxtaposing different products from across our businesses

MANAGEMENT DISCUSSION & ANALYSIS

01

Overview

016

02

Our 6 Pillars

- I Extending leadership in our core categories and geographies 020
- II Accelerating innovation and renovation 046
- III Building a future ready sales system 060
- IV Making our supply chain best in class 064
- V Building an agile and high performance culture 068
- VI Beyond business – Good & Green 076

03

Other disclosures

080

Overview

Macroeconomic Environment

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.

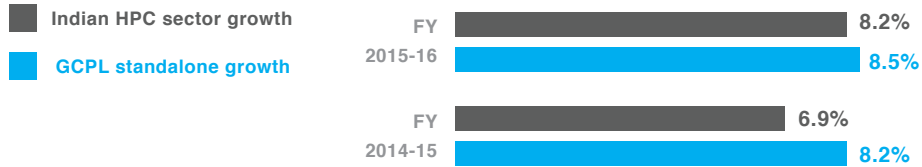
FMCG Sector

We are seeing signs of a recovery in consumer demand in the FMCG industry. While the progress has been subdued, we expect demand to pick up pace in fiscal year 2017. Pro-growth initiatives by the government, such as the passing of the Goods and Services Tax Bill, will be greatly beneficial for this. The fundamentals of the industry remain strong and there is still significant growth potential, given the low penetration and consumption rates for many FMCG categories.

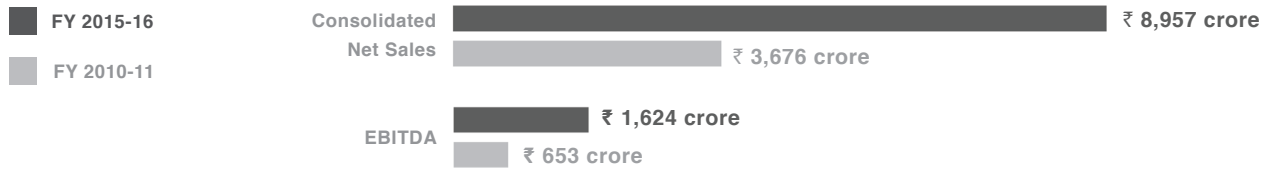
Our business has delivered strong and profitable growth, despite the challenges in the environment. Overall, we continue to outperform both the FMCG industry and the home and personal care categories that we participate in. We are driving a relentless focus on our strategy, and investing strategically in creating new

growth vectors for the future, while continuing to drive our core to full potential, enhancing our go-to-market infrastructure and driving execution excellence.

GCPL outperforms the Home and Personal Care sector in India

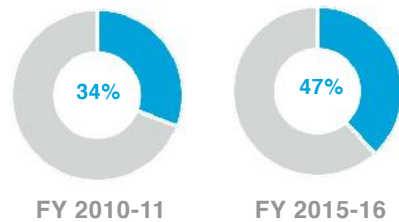


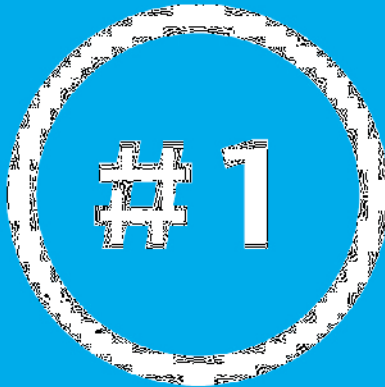
GCPL delivers a strong performance over the last 5 years



GCPL is becoming more international

International sales as a percentage of consolidated sales





**Extending leadership in
our core categories
and geographies**

India

Range of household and personal care products, household insecticides, hair colours, liquid detergents, soaps and air fresheners

Business outperforms FMCG sector despite a tough macroeconomic environment



#1 key modern formats of household insecticides (aerosols, liquid vapourisers, coils and mats)

#1 hair colours

#2 soaps

#2 air fresheners

Source: Management estimates

Personal Care

Second largest toilet soaps company in India



CINTHOL

- Built on the high-energy proposition of 'alive is awesome', it inspires you to step out of the stale and embrace the fresh, the new
- With premium international fragrances and innovative designs, it is undoubtedly one of the most refreshing grooming experiences across soaps, deodorants, talcs and shower gels
- Introduces a range of female deodorants
- Launches Cinthol Deostick – 3x longer lasting than ordinary deodorant sprays and gentle on skin
- Online campaign #AlivelsOffline, wins at the *Effies 2015* for 'Best Digital Campaign'
- Ranks #17 in Personal Care in the *Economic Times – Brand Equity Most Trusted Brands Survey 2015*

Personal Care

Second largest toilet soaps company in India



- Leading Grade 1 quality soap in India (simply put: more soap in each soap)
- Offers you 'Nature's way to beauty' with carefully chosen ingredients to make your skin naturally beautiful
- Extends into value-added soaps – launches Godrej No.1 Glycerin & Honey soap
- Ranks #13 in Personal Care in the *Economic Times* – *Brand Equity Most Trusted Brands Survey 2015*

Our new health and wellness platform



- Delightful, differentiated and efficacious range of products across the health, wellness and personal protection platforms
- Naturally derived ingredients and unique design-led and recyclable packaging
- Range comprises three hand washes, a hand sanitiser and a personal mosquito repellent spray – including India's first instant foam hand wash and alcohol-free sanitiser with 8-hour germ protection

Hair Care

Leader in hair colour in India



- India's largest selling hair colour, used by over 40 million consumers
- Innovative solutions include crème hair colour in a sachet and powder hair colour with a unique gel technology, at unbelievably democratised prices
- Launches a multi-application pack of Godrej Expert Rich Crème, a value offering for frequent users
- Hosts successful integrated marketing campaigns, extensive engagement with salons, barber training, innovative approaches to media and communication
- Ranks #15 in Personal Care in the *Economic Times – Brand Equity Most Trusted Brands Survey 2015*



BBLUNT

Salons+Products+Expertise

- India's hottest salon, now in a bottle
- Premier Indian salon brand, redefining the face of Indian hairstyling and beauty
- Presence across shampoos, conditioners, men and women's styling, hair extensions and temporary hair colours
- 'Digital first' philosophy - wins *Nykaa Femina Beauty Awards* for customer reviews, engagement and a growing e-commerce business
- Wins *Silver Abby* at Goa Adfest 2016 for outstanding PR work; 5 beauty awards for product quality and packaging innovations

Home Care

Leader in household insecticides in India



- Built on the promise of 'protecting happy moments', aims to delight consumers through a deep understanding of their needs
- Good knight is the highest penetrated brand in the category in India, reaching 74 million households
- Good knight Fast Card, India's first paper-based mosquito repellent, continues to scale up
- Good knight liquid vapouriser crosses ₹ 1,000 crore
- Good knight Neem Activ+™ Low Smoke Coil is a runaway success in both urban and rural markets, within the first year of launch
- 'Subah bolo Good knight', an awareness building and habit changing campaign, wins at *Abbys 2016*
- Ranks #2 in Household Care in the *Economic Times – Brand Equity Most Trusted Brands Survey 2015*



- Leading player in the aerosols market, focuses on killing pests and offering great efficacy
- Innovating ways to make our products easy to use, safe and affordable to help every homemaker win the battle against pests
- Insightful new campaigns drive awareness and category growth
- HIT Track The Bite app, which helps users stay informed about dengue and malaria-prone areas in real-time, wins at *APAC Effies 2016*
- Ranks #7 in Household Care in the *Economic Times – Brand Equity Most Trusted Brands Survey 2015*

Home Care

Number 2 player in air care in India



- Delightful range of home, car and bathroom air fresheners
- Introduces aer pocket, a foray into the bathroom air freshener space
- Launches a delightful new fragrance, Rich Irish Cocktail, in aer twist and click gel formats
- Innovative gel format and consumer engagement aids sales and distribution ramp up
- Hosts successful integrated marketing campaigns, extensive engagement through innovative media; special focus on e-commerce

Leader in
liquid detergents
in India



- Refreshes brand identity, reinforcing its 'specialist for woollens' proposition and a new ergonomic design
- As part of the 'Ezee Hugs' initiative this winter, our team donated clean woollens, washed with Ezee, to over 70,000 underprivileged school-going children in Delhi and the NCR

Indonesia

Range of household and personal care products, household insecticides, air fresheners and wet wipes

Business performs well despite a slow economic growth environment



#1 air fresheners and wet wipes

#1 key modern formats of household insecticides (aerosols, liquid vapourisers and mats)

Source: Management estimates

Stella, the number 1 player in air fresheners



Mitu, our leading range of wet wipes and baby toiletries



HIT, the number 1 brand in household insecticides



Africa

Range of products across hair extensions, hair care, hair colour, personal wash, home care and household insecticides

Continue scaling up of businesses; now have a presence in Angola, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, South Africa, Tanzania, Uganda and Zambia



#1 ethnic hair colours (14 countries) and hair extensions (11 countries)

#2 hair extensions (Nigeria)

#3 Caucasian hair colours (South Africa)

Source: Management estimates

Darling, the number 1 player in hair extensions across sub-Saharan Africa



Strength of Nature, a leading player (in hair care for women of African origin) in the US market, has a distribution network across 7 countries in Africa



Aliyana, our latest launch in hair care in Eastern Africa



Inecto, the market leader in ethnic hair care, has been offering African women up to 100% grey coverage for over 60 years



Renew is a leading player in the Caucasian hair colour market in South Africa



Argentina

Range of products across hair colour, hair care and styling in mass and professional markets

Sales growth led by value and volume market share gains



#1 hair styling sprays

#2 hair colours

#2 hair styling products

Source: Management estimates

Issue, the iconic leading hair colour in Argentina, offers a fun and stylish range of hair treatments



Roby, the leading hair styling spray in Argentina, is an over 30-year old heritage brand



Chile

Range of products across hair colour, colour cosmetics, depilation and skin care

Sales growth led by value and volume market share gains



#2 depilatory products

#2 hair colours

#3 colour cosmetics

Source: Management estimates

Ilicit, the number 1 hair colour brand in Chile, reaches out to over 1 million women and counting



Pamela Grant, a leading colour cosmetics and skin care player in Chile



United Kingdom

Range of products across skin care, sanitisers, sun care and female deodorants

Business continues to outperform; investments in innovation and brand development drive healthy growth in a challenging macroeconomic environment



#1 stretch marks treatment

#2 hand sanitisers

#3 sun care

#3 female deodorants

Source: Management estimates

Touch of Silver, a unique range of salon inspired products for blonde, white and silver hair



Liquid Blonde, a new proposition for warm blondes to enhance the multi tonal features of their hair



Cuticura offers anti-bacterial protection for the entire family



Our Soft & Gentle range of female deodorants and feminine hygiene products



Bangladesh, Sri Lanka & Nepal

Range of products across household insecticides, air fresheners and hair colour

Business performs well despite a tough macroeconomic environment



#1 household insecticides in Nepal

#1 hair colours in Sri Lanka

#2 powder hair colour in Bangladesh

Source: Management estimates

Our Good knight and HIT brands hold leadership positions in household insecticides in Nepal



Expert, Renew and Abha are leading players in their respective hair care segments in Bangladesh and Sri Lanka



Middle East

Range of household care, hair care and personal care products, including soaps, deodorant sprays, hair colour and air care

Business remains stable despite a tough geopolitical environment



Leading player in the henna and powder hair colour segments

Strong market position in soaps (among consumers from the Indian subcontinent)

Strong entry into the air care segment in the region

Source: Management estimates

Godrej aer, one of the UAE's fastest growing air care brands



Cinthol holds a strong market position among consumers from the Indian subcontinent



Leading player in the henna and powder hair colour segments



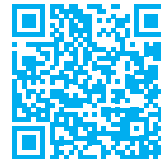


Accelerating innovation and renovation

Cinthol Deostick India



- Unique, cream based deodorant
- Lasts 3x longer than ordinary deodorant sprays
- Soft on skin
- Value for money, at just ₹ 69



Scan me to learn about our unique, cream based deodorant



long lasting* | soft on skin**



deo**reborn**

CINTHOL DEOSTICK



Rs. 69
only

Godrej aer pocket India



- Foray into the bathroom air freshener space
- Unique slim gel technology makes it last up to 30 days
- Innovative format, clutter breaking design
- Available in 3 amazing fragrances: bright.tangy.delight, morning.misty.meadows and violet.valley.bloom



Scan me to find out about our foray into the bathroom air freshener space

Hello, bathrooms.
We're here to keep you fragrant for 30 days.



Introducing **Godrej aer pocket** bathroom fragrances
Filled with unique slim gel technology | Fragrance lasts up to 30 days

HAPPY BATHROOMS!

Stella Car Perfume Indonesia



- Innovative membrane based, leak-proof car AC vent air freshener
- First adjustable car vent air freshener in Indonesia – suitable for all car AC vents
- Becomes the number 2 player in the car vent segment within 7 months of launch
- Attractive design options



Scan me to learn about our delightful #Care4UrCar campaign

Transform your second home with New Stella Car Perfume

• No Leakage • Easy to Adjust



AIR FRESHENER
STELLA[®]
Naturals



Frika Ombre Blend Grey Braids Africa



- Basic braids, with a new ombre blend
- Ideal for creative braiding, cornrows and tracks - the foundation of all weave styles
- Our Grey Yaki variant's high crimp allows braids to lock easily, making it good for twists
- Our Grey Hot Fibre variant's 100% Kanekalon quality fibre is soft on the fingers; hot water set, its tips curl when placed in hot water



Scan me to learn what makes us Afrika's quality hair company

FR!KA

AFRIKA'S QUALITY HAIR COMPANY



NEW
Ombre
BLEND

GREY BRAIDS

Millefiori hair removal cream Latin America



- With shea butter, chamomile oil and Vitamin E extract, it leaves skin hair free, smooth and moisturised
- Visible results in only 3 minutes
- Variants for normal and sensitive skin



Scan me to find out how Millefiori allows you to never stop doing what you like!

Millefiori

Makes you feel better

**NEVER
STOP**

NEW HAIR REMOVAL CREAMS



results after 3 minutes, depending on hair thickness.

NEVER STOP DOING WHAT YOU LIKE.

MILLEFIORI BRINGS YOU THE FREEDOM TO DO WHATEVER YOU WANT TO KEEP MOVING ON BECAUSE IT TURNS YOUR SKIN HAIR FREE, SMOOTH AND MOISTURIZED.

- 1 APPLY CREAM
- 2 WAIT 3 MINUTES
- 3 REMOVE WITH A SPATULA
- 4 NEVER STOP



Pro:Voke Liquid Blonde United Kingdom



- Our expertly created range specifically designed for highlighted, sun-kissed and warm blonde hair
- Colour activating technology helps maintain warm, honey blonde tones all year round
- Independently proven to give visible benefits in just one wash



Scan me to learn how our colour activating technology shows visible results in just one wash

#BOOSTYOURBLONDE

PRO:VOKE®
PROFESSIONAL HAIR CARE

LIQUID BLONDE



LIQUIDBLONDEHQ



@LIQUIDBLONDEHQ



@LIQUIDBLONDEHQ

NEW



**COLOUR ACTIVATING
TREATMENT SHAMPOO**

Golden pigments activate blonde
tones in just one wash

INTENSE SHINE CONDITIONER
Tamanu oil intensively repairs hair,
leaving a high gloss finish



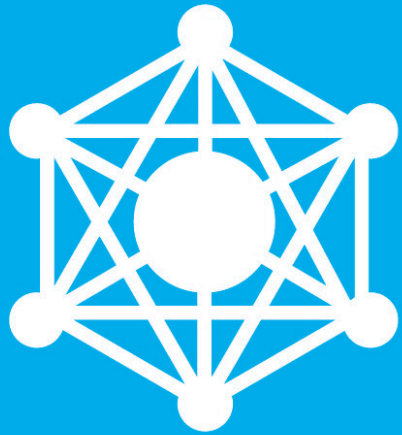
Building a future ready sales system

Building a future ready sales system

- Sharpening focus on volume growth across categories, through better go-to-market and technology utilisation
- Strengthening reach, leading to ~37% increase in the last 3 years
- Continuing improvements in urban go-to-market approach through split portfolio implementation
- Establishing a strong e-commerce presence; basis a customised product assortment for different portals
- Augmenting rural coverage quality through ~50% enhancement in direct distributor points
- Leveraging technology; over 1,100 rural sales team members utilise hand held devices for better decision-making
- Building competencies for the future, especially in data analytics, to drive sales process efficiency and leverage insights

Our sales team members use hand held devices to facilitate decision-making





**Making our supply chain
best in class**

Making our supply chain best in class

- Leveraging and rolling out best-in-class practices across international geographies to become more agile: Demand-driven Supply Chain, Theory of Constraints, Total Productive Maintenance, Lean, Six Sigma and Low Cost Automation
- Cutting-edge replenishment practices now mapped to the Advanced Planning and Optimisation module of SAP
- Ability to respond to constantly changing consumer demand patterns, leading to high fill rates; now an industry benchmark, with 95%+ customer service levels across key geographies
- Global strategic sourcing with significant benefits to the bottom-line; Godrej Green Purchase Policy rolled out to key vendors
- Project on bar coding shippers is progressing well; improves 'freshness' of products at time of sale, better logistics practices and product traceability
- Enhancing manufacturing capacity, across geographies
- Gearing up for the implementation of the Goods and Services Tax in India
- Strengthening supply chain processes in international businesses: integration into one SAP ERP, Lean and Kaizen implemented
- Driving sustainable manufacturing and supply chain practices results in significant improvements in energy and water consumption, carbon footprint, waste generation and renewable energy
- 'Internet of Things' piloted in manufacturing and logistics

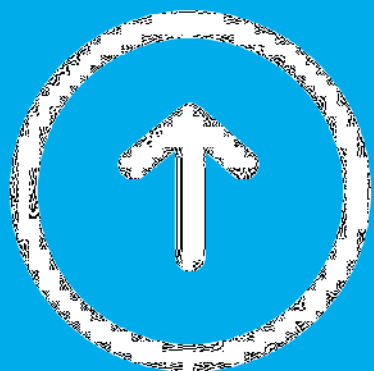
(Top) Inside GCPL's largest soap manufacturing facility at Malanpur
(Bottom) Inside the Gunung Putri factory in Indonesia, where we produce our popular Hit and Mitu products



We are the first company in the world to receive TOC ICO's 'Platinum Level International Achievement Award'

Scan to read our Sustainable Procurement Policy





Building an **agile** and **high performance culture**

Building an agile and high performance culture

Strengthening our employer brand across geographies

We take much pride in fostering an inspiring workplace with an agile and high performance culture to attract, develop and retain the best global talent. As part of the over 115-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, our exciting and ambitious growth plans allow us to offer unparalleled career opportunities relatively early on in your career.

Core to our employer brand, is the philosophy of tough love. We expect a lot from our team members, differentiate on the basis of performance and potential through career opportunities and rewards and lay particular emphasis on developing, mentoring and training. We believe that passionate, rounded individuals with diverse interests make for better Godrejites. And we understand that our team members play multi-faceted roles. This is why we encourage them, not just to explore their whole selves, but also create an enabling space for them to do so.

Innovative approach to recruitment

Godrej LOUD (Live Out Ur Dream), our radically different approach to business school recruitment, encourages students to live out their unfulfilled personal dreams and offers sponsorship and summer internships with Godrej. This year, we extended the programme to our Indonesia business.

Strong focus on careers

100 Leaders Programme, with individually tailored development plans, runs across geographies

Investing in leadership development

World class training programmes with professors from global business schools

(Centre) We introduced Godrej Indonesia LOUD to help young and talented university students realise their personal dreams
(Bottom) The Godrej Leadership Forum brings together senior leaders from across our businesses

Your Canvas



Tough Love



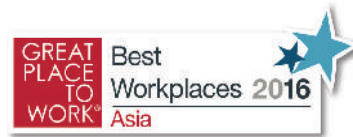
Whole Self



Building an inspiring place to work



Rank among the top 25 Best Employers in India in the 'Aon Hewitt Best Employers 2016' survey

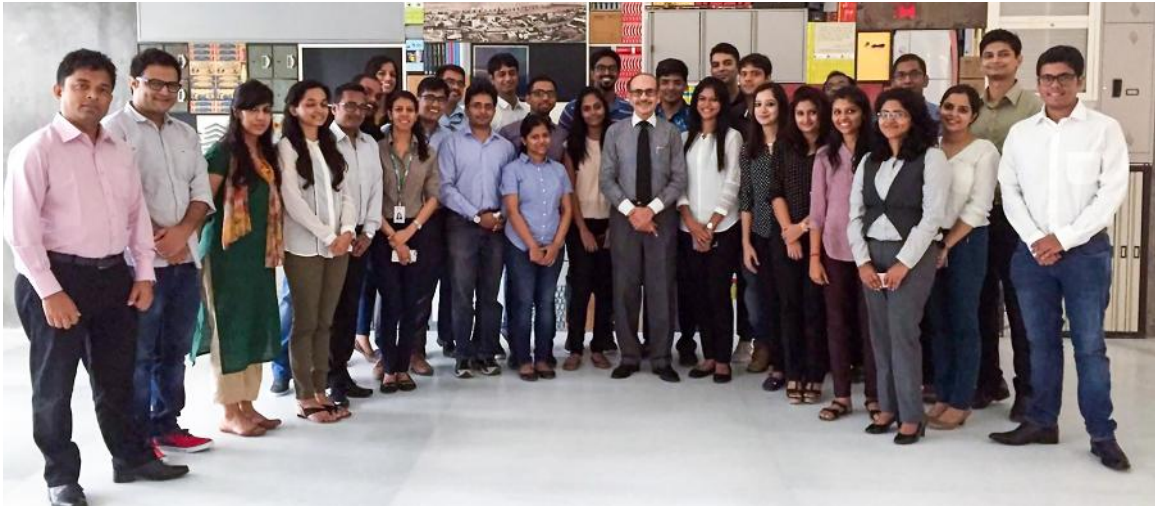


Rank #9 on the 'Great Place to Work – Best Workplaces in Asia 2016' list



Rank #1 in the FMCG category in the 'Great Place to Work – Best Workplaces in India 2015' list; we have featured on this list for 12 years in a row

(Top) The GALLOP management trainee batch of 2016 meets Adi Godrej on their first day at Godrej
(Centre) Our Learning & Development team hosts the 'Leading Self workshop' series in East Africa
(Bottom) Facebook at Work allows Godrejites across geographies to create their own social networks



Diversity

Fostering an inclusive Godrej

We take pride in being an equal opportunities employer

"We recognise merit and perseverance and encourage diversity at Godrej. We do not tolerate any form of discrimination on the basis of nationality, race, colour, religion, caste, gender identity or expression, sexual orientation, disability, age or marital status and will allow for equal opportunities for all our team members."

We understand that our team members play multiple roles and our policies like flexi time are designed to enable them to do so.

Godrej Resource Groups

Godrej Alliance for Parents

Our team members, along with their partners, share experiences on child care and work-life balance through meetings, parenting sessions and workshops

Godrej Women's Leadership Network

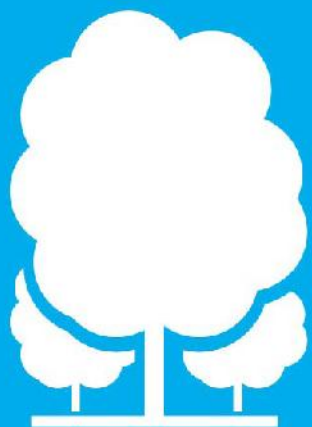
We aim to make Godrej a workplace of choice for women and offer mentoring, leadership development and regular networking opportunities through this platform

Careers 2.0

Our second careers programme provides women who have taken a career break, a chance to return to the workplace. We offer aspirational and challenging projects across sectors and functions, with added flexibility to help them balance their career and personal needs.

(Top) Farah Nathani-Menzies, Head - Diversity & Inclusion at Godrej, speaks at a women's leadership conference, 'Break the Ceiling, Touch the Sky' (Centre) 'Breaking Free', hosted at our head office, brought together India Inc. and activists to talk about creating a welcoming work environment for all (Bottom) Vivek Gambhir, MD, GCPL, and Pirojsha Godrej, MD, Godrej Properties, discuss the role of men in the gender equality journey





Beyond business - Good & Green

Good & Green

Building a more inclusive and greener India



As a Group, we have always actively championed social responsibility. We are now exploring ways to further this commitment through 'shared value' initiatives that create both social and business benefits.

As part of Good & Green by 2020, as a group we will aspire to:

Employability

Train 1 million youth in skills that will enhance their earning potential

As of March 31, 2016, GCPL has trained 1,36,422 youth in skills that will enhance their earning potential.

These programmes include:

- Beautician training for low income women
- Channel sales training
- Rural entrepreneurship training for women
- Sales training in general trade

Greener India

Achieve zero waste to landfill, carbon neutrality and a positive water balance, while reducing specific energy consumption and optimising the use of renewable energy

At a Group level, the progress achieved by our factories in improving environmental sustainability performance, compared to a 2011 baseline, is as follows:

Greener India Goal 2020	Achievement to date
Become carbon neutral	44% reduction in greenhouse gas emissions
Have a positive water balance	30% reduction in specific water consumption
Have zero waste to landfill	50% reduction in waste to landfill
Reduce specific energy consumption by 30%	36% reduction in specific energy consumption
Increase renewable energy sources by 30%	42% of total energy consumption from renewable resources

(Top) Godrej Saloni, our beautician training programme for low income women in India



Product Innovation

Generate a third of our portfolio revenues from ‘good’ and/or ‘green’ products

Through innovation in our product pipeline, we are developing products that are safe and environmentally sustainable.

Good knight Fast Card

About 3.3 billion people are at risk of malaria, worldwide. India alone sees 24 million cases of malaria each year, with 90 per cent of our population residing in malaria prone areas.



In rural India, in particular, penetration of household insecticides is very low because current products are either expensive or require electricity. With Good knight Fast Card, our idea was to launch a product that would break the price barrier (available at just ₹ 1 per card), work instantly and not require electricity.

We leveraged the idea of this revolutionary paper-based mosquito repellent from our Indonesia business and substantially modified the product for the Indian market.

(Below) We own and care for the largest privately managed belt of mangroves in Mumbai

(Right) On International Volunteer Day, over 1,500 Godrejites from nine countries worldwide spread the word on health, hygiene and sanitation





Other disclosures

Internal control systems and their adequacy

We have an Internal Control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition; and transactions are authorised, recorded and reported correctly.

Our Corporate Audit & Assurance Department, which is ISO 9001:2008 certified, issues well-documented operating procedures and authorities, with adequate built-in controls to be carried out at the beginning of any activity and during the interim of the process, to keep track of any major changes.

The internal controls are tested for effectiveness, across all our locations and functions. These are carried out through internal external audits and periodic review of the controls is undertaken by the management.

The GCPL Head Office and all major factories and offices across India follow an Information Security Management System, and are ISO/IEC 27001:2013 certified.

Risks and concerns

With a presence across three continents - Asia, Africa and Latin America - we are exposed to risks that can adversely impact our operating performance, cash flows, financial performance, management performance and overall sustainability. We have an active risk management strategy in place. Additionally, we have a Risk Committee, whose role is to identify potential risks, create mitigation strategies and monitor the occurrence of risk.

The risks that may affect us include, but are not limited to:

- Economic conditions
- Inflationary pressures and other factors affecting demand for our products
- Increasing costs of raw material, transport and storage
- Supplier and distributor relationships, and the retention of distribution channels
- Competitive market conditions and new entrants to the market
- Labour shortages and attrition of key staff
- Exchange rate fluctuation and arbitrage risk

- Integration risks for acquired companies
- Compliance and regulatory pressures including changes to tax laws
- Seasonal fluctuations
- Political risks associated with unrest and instability in countries where we have a presence or operations

Apart from domestic operations, the exercise of risk assessment is now getting extended to international geographies. The Risk Committee meets on a quarterly basis to review the status of risks, any new risks that may have emerged, as well as mitigation plans.

Opportunities and threats

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 fundamentals of the sector remain strong and there is still significant growth potential, given the low penetration and consumption rates for many FMCG categories.

In terms of threats, the key threats are compliance and regulatory pressures including changes to tax law, seasonal fluctuations and unrest and instability in countries where we have a presence or operation.