



## Address at the Godrej Consumer Products Limited Annual General Meeting 2015-16

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## Unleashing the India promise

In 1991, our then Finance Minister, Dr. Manmohan Singh, quoted Victor Hugo in his iconic Budget address, saying that *“No power on earth can stop an idea whose time has come”*. That idea was for India to emerge as a major economic power in the world. 25 years of reforms later, India is now the third largest economy in the world in terms of purchasing power parity. Millions have risen above the poverty line. We also have a sizeable, growing middle class, whose aspirations are redefining our country.

While we have seen significant changes, India is a transformation in progress. A lot more needs to be done to address the aspirations and needs of millions of Indians. In recent years, growth has been dampened due to insufficient job creation and tepid growth in disposable income. So, the strong on-ground execution of our reform agenda is absolutely critical. ‘Make in India’ and investments in manufacturing and infrastructure should boost job creation. Focusing on skilling and education will make people more employable and provide the long-term backbone to sustain this trajectory.

The real game changer however, will be transformative structural reforms like the Goods and Services Tax. GST is the single most important reform since liberalisation. Following through on this successfully is imperative to unleash the India promise and fast-track economic growth. To give you an idea of what this could mean for us - GST alone will add between 1.5 to 2 percentage points to our GDP growth, other things being equal. Not just that, it could push our economy into double-digit growth. It is just what our country needs at this point.

In this 25 year period of India’s transformation, Godrej Consumer Products has also transformed itself. In 1991, the revenue of our soaps business was INR 262 crore. Today, we are 35 times larger, with revenues close to INR 9,000 crore. Our stock price has increased by 35 per cent CAGR since we were listed in 2001.

During this period, we have also used our India business as a platform to become a leading FMCG company in many emerging markets. Today, more than 50 per cent of our revenues comes from our international businesses.

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75 per cent of our team members are based outside India. We have operations in 18 countries, with a leading presence in our core categories in countries such as Indonesia, South Africa, Nigeria, Kenya, Argentina, Chile, Bangladesh and Sri Lanka. The Godrej Group enjoys the trust of 1.1 billion consumers, worldwide.

We are convinced about the tremendous potential of emerging markets. While we are navigating near term macroeconomic challenges, our portfolio includes some of the fastest growing consumer markets in the world. Emerging markets are also home to 80 per cent of the world's population, a majority of which is young people. A growing middle class and rising per capita income means that consumers with rising aspirations will seek new and exciting products. New categories will emerge. A large section of the population will also be able to afford branded consumer goods. They will look for quality products at accessible price points. New distribution channels will improve availability and enhance the buying experience. All of this will provide tremendous opportunities to drive penetration and increase consumption.

**Building the  
next emerging  
markets FMCG  
leader**

We want to build GCPL into an emerging markets FMCG leader. Our strategy is to drive growth in the categories where we are leaders and have a competitive advantage. We follow a 3 by 3 approach to international expansion - a focus on 3 categories (home care, hair care, personal care) in 3 geographies (Asia, Africa, Latin America). Our footprint now extends to a variety of geographies outside India, where we hold leading market positions.

Our operating model is quite unique and centered on values based partnering. Unlike traditional multi-nationals, we have a multi-local model, where operational accountability and P&L ownership rests with local country teams. This helps sustain the entrepreneurial spirit that has made these companies successful. At the same time, it offers benefits of strong processes and scale that Godrej brings.

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Our focus on innovation allows us to not just build on our core categories, but also find new, emerging footholds in adjacencies and thereby broaden our portfolio and drive additional sales. So, we are ramping up our innovation pipeline and investing significantly in technology and Research & Development. Today, almost 40 per cent of our incremental growth in India is being driven by our new product launches. In fact, GCPL was ranked number 26 on Forbes' list of *The World's 100 Most Innovative Growth Companies 2016*.

We absolutely believe in the importance of diversity at Godrej. We are very fortunate to draw from a strong legacy of trust, integrity and respect for others. Becoming more inclusive has, in many ways, made us who we are today. As we grow in scale, we are navigating different geographies, cultures and brands. So, diversity is an increasingly important part of our multi-local business strategy.

We also take much pride in creating a supportive work environment and offering great career opportunities across our teams. In India, we were ranked the number 1 FMCG company to work for by the Great Place to Work Institute. We are now extending this commitment to shaping culture and values and developing local talent, to our other geographies.

## Being a 'good' company

For us, it has always been most important that besides our strong financial performance and innovative, much-loved products, we remain a 'good' company. 24 per cent of our holding company is held in a trust. This invests in the environment, health and education. As part of our Vision 2020, we are bringing together our passion and purpose through our Good & Green approach of 'shared value' to create a more inclusive and greener India.

We have always actively championed social responsibility. We are deeply committed to driving the social progress of the communities that our businesses operate in. Building a presence in emerging markets ties in

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very closely with this commitment. It is absolutely our responsibility to drive a much stronger focus on doing good. We must co-create an approach to drive longer-term inclusive and sustainable growth in these markets.

There are different ways in which we can do this. Take malaria for example. 214 million new cases of malaria were reported worldwide, in 2015. 4,38,000 people died from malaria. 70 per cent of them were children under the age of 5.

95 per cent of our population in India resides in malaria prone areas. In rural areas in particular, the penetration of household insecticides is very low. 83 per cent don't use household insecticide products. This is because the options available are usually either expensive or require electricity.

A few years ago, we created Good knight Fast Card, a revolutionary paper-based mosquito repellent at one rupee, for the Indian market. Our idea was to launch a product that would break the price barrier, work instantly and not require electricity. We leveraged the idea of this format from our Indonesia business and substantially modified the product for the Indian market. Fast Card has been a runaway success. It became a 100 crore rupee brand in less than a year, which was a landmark for an FMCG product. We want to make similar great quality solutions available at more affordable prices, across other emerging markets.

Environmental sustainability is another big area of focus. As a Group, by 2020, in India, we want to achieve zero waste to landfill, carbon neutrality and positive water balance. We also want to reduce our specific energy consumption and increase the proportion of renewable energy resources. In line with this, we have introduced different sustainable manufacturing and supply chain practices. This has resulted in significant improvements in energy and water consumption, carbon footprint, waste generation and renewable energy. Our global strategic sourcing efforts have also contributed significantly to our bottom-line. We are working closely with our team members and partners in different geographies to find ways to ramp up these efforts.

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Einstein once said, *“No problem can be solved from the same level of awareness that created it”*. That holds very true for us, as we take a step back to reimagine our role and purpose, beyond business. Many global companies, including ours, have adopted a ‘shared value’ approach to business growth and innovation. Shared value is different from social responsibility or philanthropy. The idea is to link business success with social progress. To find ways to create business value that also creates social value. Our attempt is to use this framework as we explore the tremendous opportunity and responsibility we have, to address the biggest social and economic problems of our times.

## Looking ahead

We are relentlessly focusing on our strategy and investing strategically in creating new growth vectors for the future. At the same time, we are driving our core to full potential, ensuring execution excellence and building on our agile and high performance culture. We believe that this is what differentiates and allows us to delight our millions of consumers globally with superior quality, world-class products at affordable prices.

I would like to take this opportunity to acknowledge the many contributions, dedication and commitment of all our team members, which makes our company so successful. My deep appreciation to all our business partners, vendors and other business associates, for all their contributions. To the various central and state government authorities, many thanks for all the support that they continue to extend. Finally, a special thank you to all our stakeholders for their interest, faith and encouragement through the years. We look forward to your continued support in the years ahead.

Thank you.

This speech can also be accessed on our Godrej Consumer Products website [godrejcp.com](http://godrejcp.com)