



In conversation with our Managing Director and CEO, Sudhir Sitapati

Share with us your reflections on GCPL's performance this year. How does it position you to achieve your longer term ambitions?

I am pleased to share with you that your company delivered a strong performance in all four quarters of fiscal year 2023-24, despite challenging conditions across our markets. When I reflect on the last couple of years and the ambitions we had laid out in December 2021, it is very heartening to see how we have steadily delivered against those promises.

Our strategy is simple: category development. We focus on category development in underdeveloped categories through product innovation, building relevance, creating access and increasing marketing investments; and fund this through a digitally enabled radical simplification of how we work. We don't do many things, but instead choose a few winning things to double down on. UVG is our most important measure and we have taken calls to really drive UVG versus, for example, sales growth.

We prioritise spends on brands and less on cost to serve; more automation and less working capital. This journey is guided by our one page Goodness Manifesto on creating value for our various stakeholders, while continuing to live the Godrej values and serve our purpose of bringing the goodness of health and beauty to consumers in emerging markets.

The strategic focus on achieving double-digit volume growth in key markets like India and Indonesia is pivotal to driving our aspirations for sustainable growth. Despite challenges such as lower consumption levels in India, we successfully achieved an organic UVG of approximately 7%, aligning with our target of high single-digit growth in this fiscal year. The resilience in volume growth underscores our adaptability in navigating market dynamics and seizing growth opportunities.

We remain on track in our journey to reduce wasted cost and deploy it to drive profitable, sustainable volume growth. By setting consistent volume growth targets of 9-10% in the upcoming years for India, we aim to establish a robust trajectory for future expansion and market leadership.




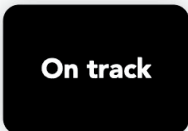
Your business has surpassed expectations by achieving EBITDA growth in the 20s, exceeding the initially projected high teens growth. If you exclude media, which we continue to invest in, growth has been in the mid-20s. This is a good example of capitalising on operational efficiencies and strategic decision-making to drive profitability in market challenges.

Revenue and EBITDA of the Raymond Consumer business remained on plan and stable compared to the previous fiscal year.

We remain committed to refining our product portfolio and optimising revenue streams for sustained growth and market competitiveness.

Innovation is the lifeblood of GCPL and I am excited that our investments are showing. Godrej Fab, democratises Liquid Detergents and transforms the laundry experience and Godrej Aer-O, a membrane format for your car becomes transparent the moment the fragrance goes away. Renofluthrin (RNF), the revolutionary new molecule we believe will significantly transform Household Insecticides, is active-based and 2x more effective than other molecules. We are using this in our portfolio, starting with Goodknight Agarbatti.

Our scorecard for fiscal year 2023-24

High single digit UVG in FY24*	
High teens EBITDA growth in FY24*	
Revenue and EBITDA of RCCL business in FY24 to be similar to FY23	
Double digit UVG in medium term	
*Organic business	

We increased our Total Addressable Market (TAM) in India by investing in categories of the future like Fragrance and Sexual Wellness. We are expanding our global reach and now serve consumers in over 80 countries globally. Products like Aer Pocket and Godrej Expert Shampoo Hair Colour, which are Indian innovations, are finding acceptance in global markets. We have set up a GCPL International business to take them across the world.

We are focused on embedding our Operating Philosophy across GCPL. Our guidance to our teams is that when faced with a decision, go back to the Operating Philosophy.

We are seeing actions showing results. 'Less is more': Our manufacturing footprint will reduce by 40% by fiscal year 2025-26. 'Consumer first, business second': Despite the cost inflation in fiscal year 2022-23, we didn't cut back on media spends. In Indonesia, we increased the dosage of active in Household Insecticides by 5x.

There was a loss in gross margins, but we said we would absorb this and save cost elsewhere. It's the right thing to do for consumers. Much of the success in the category today has been driven by that decision. 'Tomorrow before today': This shows in the investments we are making in advertising and publicity. We have invested INR 1,000 crore of

CapEx in two manufacturing sites in India. These will be world-class manufacturing sites, serving not just India, but hopefully over a period of time, the globe. 'People and planet, alongside profit': While we are viewed in India as a highly sustainable and responsible company, there is work to be done for us to be seen as a sustainable company globally.

Godrej Fab democratises Liquid Detergents and transforms the laundry experience, and Godrej Aer-O Car Freshener, with a membrane format, becomes transparent the moment the fragrance goes away



The GCPL Goodness Manifesto, which links our purpose, vision, strategy, and operating philosophy, guides our choices and ways of working

OUR PURPOSE

Bringing the goodness of health and beauty to consumers in emerging markets

OUR VALUES



OUR STRATEGY

Lead through category development



Funded by simplification



OUR OPERATING PHILOSOPHY

- 1 Less is more; Much less is much more
- 2 Consumer first, Business second
- 3 Think local, Act global
- 4 Tomorrow before today
- 5 Better from within, Different from outside

OUR MEASURES

- 1 10% UVG
- 2 More spends on brands, Less on cost to serve
- 3 More automation, Less working capital
- 4 More diversity, Less environmental impact

Connecting with our teams on ground, along with members from our Global Management Committee



How is GCPL leveraging category development as the cornerstone of its strategy globally?

We have a four-pillar model for category development. The first is Relevance: Why should I use the category? That's the most fundamental question. The second is Access: I want to use this category. It's relevant, but it's too expensive. Can I try it? The third is Availability: There are many new categories and retailers are hesitant to keep new categories in their stores because they want their old categories. The fourth is Trials: Get consumers to try the category at least once.

Let's start with Relevance. Aer is a good example in India. The understanding was that people adopt the category when guests come home. So, we have single-mindedly used this idea of guest-ready rooms as the relevance trigger for Air Care. In Darling in South Africa, we have said that relevance for Hair Care means looking salon fresh on day one. We wanted to see if we can keep consumers from going to salons and instead choose to do it at home by themselves. For our HIT brand, we have moved both India and Indonesia, to relevance.

The big understanding on dengue is that mothers get really scared when children need to be taken to the hospital.

On Access, we have had a lot of success. In Indonesia, our new 150 ml HIT aerosol contributed to how the HIT business grew by 50% this year. Similarly, in Hair Colour, we launched the INR 15 SKU and it is now the most widely distributed hair colour brand in India.

We are investing significantly in Availability after a long time. We believe that we should invest in distribution only when we get the basic blocks on the brands right.

Our four-fold model for category development



Relevance



Access



Availability



Trials

We have done that now. There are about 3,00,000 to 4,00,000 rural outlets in India which are unviable to cover either directly or even through a sub-stocker system. So, we are creating one of the largest rural van operation programmes called Project Vistaar, where we will directly go in vans and sell products in ready stock to about 3,00,000 outlets in rural India. We directly cover around 4,00,000 outlets with proper rigour in rural. So, 3,00,000 means we are a little short of doubling our rural direct coverage. This is a significant investment in terms of direct distribution which will pay off in 2-3 years. For categories like Air Care, Liquid Vaporiser, etc., we need to do this to enter a virtuous cycle.

Lastly, there is Trials. Over the last two years we have done massive sampling exercises and reached 10 million households. We sampled for key categories like Household Insecticides. Growth has been better than the past with significant market share gains. We are confident that when new products are introduced, these market share gains will lead to category growth. In categories like Air Care and Hair Colour we were also doing direct sampling of consumers. This is not just in India. For the first time, we sampled a million households in Indonesia.

Across categories, we are seeing significant penetration gains where we used this category development playbook. In fact, we don't even measure our own penetration. We measure the penetration of the category because we are the drivers. In every single one, we have found substantial category gain.

We have been carrying out extensive door-to-door sampling exercises in India and Indonesia, helping us reach 10 million households



You mentioned that the investments you are making in category development are being funded by 'radical simplification'. Tell us more about this approach.

In line with our strategy of category development, we have made significant investments in advertising. We were the fifth largest advertiser in India in 2023, from being number 17 in 2021. We are adding to this with investments in distribution. These investments are funded primarily by our keen focus on simplification. We are focusing on four elements of simplification: SKUs, People, Operations and Processes.

We have reduced our SKUs overall by roughly 30%. In Raymond Consumer Care, for example, we reduced 550 SKUs to just 100. On people, we also reduced the number of managers overall through creating larger, richer roles, and introducing more modern tools. So, we have actually physically reduced in size despite our growth.

Our Godrej Africa, USA and Middle East (GAUM) business is a really good example of continuous simplification of operations. In East Africa, Hair Extensions was a loss-making business and we exited it last quarter. In West Africa, our job is really to simplify and increase our EBITDA margins.

We don't do distribution directly anymore in this business. We are also reassessing our manufacturing footprint. We are questioning how much of what we make in international geographies can be made in India and exported out. In India and Indonesia, UVG is the most important metric. In other international businesses, cash flow is the most important metric. We hope that our ROCEs can keep rising to double digits in the next year or two in our international business. Our aim will also be to get to mid-teens very quickly in EBITDA margins.

There are several examples of how we are simplifying processes, like advertising. In India, we are now spending over INR 1,000 crore in advertising, from INR 350-400 crore a few years ago; a significant increase. We realised that our categories were being run differently across the world; advertising agencies were different, production was being done differently.

So, not only was it an additional cost, but we were also not taking the best from one part of the world to another part. Everyone was reinventing the wheel. So, we moved from multiple categories to a global category structure. From multiple briefs, we have a single brief, because consumer tasks are the same. From multiple agencies, we moved to a single agency, which is our own in-house agency, the LightBox. From multiple executions, we are moving to a single execution; shooting differently in the same location with different models for different countries. This is a very efficient process in the context of massive advertising increase and resulted in savings of 40 bps.

The LightBox, our
in-house creative studio



LIGHT BOX

GCPL
CREATIVE
STUDIO



What is GCPL doing differently to create a more inclusive, high-performing culture globally?

We have the privilege of working alongside an excellent team. Our people are highly capable and driven, and believe deeply in serving the purpose of GCPL. Some of my favourite moments are from my travels to our various countries; spending time in the markets and factories learning from our teams and partners on ground, and seeing our products being created and consumed. Our Global Management Committee too continues to spend extensive time travelling and we continue our tradition of visiting a couple of key GCPL locations together. In the last year, we visited Johannesburg to meet our South African team and our Malanpur factory in India, where we are making one of our biggest investments for the future. The insights and ideas from these visits shape our leadership.

We believe that the most impactful way to secure the future of Godrej is to focus on leadership development. 'Build from within' is one of our talent principles. So, the bar on talent remains unrelentingly high and we are ensuring top talent have meaningful roles, with market-leading opportunities for value creation. We bet on potential, offer stretch opportunities, and back our people to be successful through focused capability development. Through the Godrej Learning University, we offer specially tailored and best-in-class functional and behavioural learning inputs. Many of our global leadership team members, myself included, are personally involved in shaping the curriculum, participating in learning sessions, and mentoring our team members. We host customised leadership

development journeys for select cohorts with multidisciplinary elements for immersive learning experiences. Close to 90% of top talent globally were served with focused learning interventions this year.

One of our biggest priorities is to accelerate our commitment to building a more diverse and inclusive GCPL. Our strategy of 'Getting to Equal' is aimed at building more holistic representation, retention, and advocacy across all our countries and operations. We prioritise three pillars in our Diversity, Equity and Inclusion (DEI) strategy: serving as an equal opportunities employer, nurturing a supportive workplace environment for women, and spearheading LGBTQIA+ inclusion.

Earlier this year, we signed an MoU with the Tamil Nadu Government to establish a state-of-the-art manufacturing facility. We hope to employ 50% women at the facility, along with 5% from the LGBTQIA+ and PwD communities.



Our operations span sales and manufacturing in over 15 countries and we are making efforts to embody the diversity of our global members and consumers. We have 52% gender diversity globally and hope to continue to improve this.

Our DEI commitment takes an intersectional approach. Our global teams are working towards inclusion goals that are relevant to their regions. In our GAUM business our focus is not just on gender diversity, but also race and ethnic representation. In Latin America, we champion gender equality, advocate for LGBTQIA+ rights, embrace disability inclusion, recognise the importance of age diversity, and intensified efforts to amplify the voices of individuals

from brown identity backgrounds. Our Indonesia team is focusing on enabling gender parity, disability inclusion, and the empowerment of indigenous communities from eastern Indonesia.

In India, we signed a Memorandum of Understanding (MoU) with the Tamil Nadu Government to establish a 'lighthouse factory' and set benchmarks in sustainability, safety, and automation while championing diversity and inclusion. We will make an investment of INR 515 crore over the next five years in this state-of-the-art manufacturing facility in Thirupurur taluk, Chengalpattu, near Chennai.

We hope to create our most inclusive and gender-balanced workforce yet and employ 50% women at this facility, along with 5% from LGBTQIA+ and PwD communities.

Through Aarambh, a focused initiative to hire women for entry-level sales roles in India, our team aims to double the number of women in sales in India to 100 in the next two years. The programme currently has 22 trainees. In addition to focused training programmes, our team is also identifying women-friendly territories within each division to help match personal requirements.

Aarambh, our initiative that focuses on hiring women for entry-level sales, aims to double the number of women in sales in India to 100 within the next two years



Our learning programmes are specially tailored with multidisciplinary elements for immersive learning experiences



Our Global Management Committee spends time travelling across key GCPL locations learning from our teams and partners on ground



Action on climate change is increasingly being split into optimist and pessimist factions. Where does GCPL fall? Do you lean toward a more pessimistic view – emphasising risk reduction, or embrace the positive perspective – seeing climate action as an opportunity for innovation?

The answer is a bit of both; we are centrist in our approach. 2023 was the warmest year on record, and undoubtedly climate change, extreme weather events and biodiversity loss are some of the biggest challenges of our time. We understand that climate-related impacts are non-linear and have the potential to trigger larger socio-environmental risks.

We have taken stock of the financial and physical impacts of climate change on our operations through the climate risks scenario analysis based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We have integrated climate change risks in our Enterprise Risk Management (ERM) system. Priority climate-related risks such as decreased efficiency of workforce due to rising temperatures, and suppliers unable to meet requirements that align with low-carbon transition among others, are included in our risk registers.

Climate change, biodiversity loss and water scarcity are closely linked and together they threaten food security, livelihoods, and lead to extreme weather events.

We invested in afforestation programmes and carbon sequestration initiatives within our watershed projects that capture water, store carbon and preserve biodiversity of the region, while boosting livelihoods. Through this, we recharge over 15x the water we use. We plan to restore 15 hectares of land through local indigenous species and develop local nurseries through biodiversity restoration projects in India. Moreover, we are undertaking biodiversity risk assessments across our manufacturing plants and creating a biodiversity register and risk rating for each site to inform our actions and manage impact.

Along with what we do as a business, we also have a responsibility to our people and shareholders to represent what is in their best interest on climate change and its impact on our operations. We acknowledge climate change risks and have been advocates of the goals of the Paris Agreement. Our trade association memberships and public policy advocacy are aligned with limiting average global warming to 1.5 degrees Celsius. We ensure our support for all decarbonisation policies that are aligned to our areas of operation

and also welcome policies that incentivise reducing carbon emissions and help us transition to a net-zero future.

As we navigate the risks associated with climate change, I also see a lot of potential in sustainability-led product innovation. Our climate change action extends to our suppliers and entire value chain. We assess their ESG performance, share industry best practices, and train them on key priority areas such as emissions and human rights.

How do you ensure human rights fits harmoniously within your business operations? How do GCPL's CSR initiatives balance human rights and climate change?

At GCPL, we are committed to ensuring that everyone across our business value chain is treated fairly and with respect. Our Human Rights Policy and human rights due diligence process is aligned with the United Nations Guiding Principles on Business and Human Rights. We recognise the important role we play to address human rights issues such as child labour, forced labour and fair treatment, among others, especially in emerging markets and impoverished communities.

In the last two years, we completed our human rights due diligence process covering close to 20,000 employees and workers across 31 manufacturing plants in nine countries. We assessed suppliers covering 76% of our procurement spends for human rights impact. These assessments covered our own employees, third-party and contract employees, women, children, migrant workers and local communities. Through this we identified 10 salient human rights issues in our operations and have developed action plans in line with best-in-class standards and international laws on human rights.

Our CSR initiatives focus on human rights and climate change impacts. As a global FMCG company, we are committed to reducing waste across our value chain and contributing positively to the communities we operate in. A good example is our community waste management initiative. We partner with five municipal corporations in India and established scientific waste management systems. This resulted in diverting over 7,200 MT of waste from landfills, lowering the impact of emissions as well as bringing dignity to the work of sanitation workers on ground.

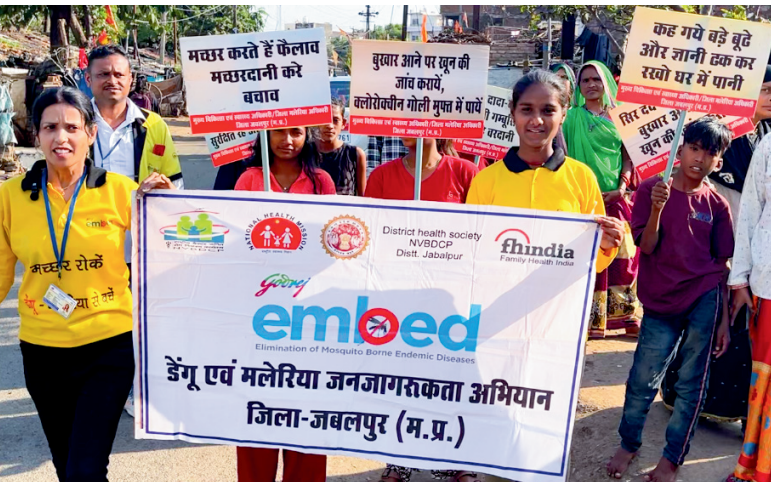
Our EMBED (Elimination of Mosquito Borne Endemic Diseases) programme has been equally impactful. Since 2016, it has been supporting the Government of India's mission to eliminate malaria by 2030. Despite being preventable, malaria continues to be a significant health burden in India, accounting for 85% of malaria cases in Southeast Asia. EMBED has made a difference to the lives of over 28.4 million people at a high risk for malaria. These individuals, most of whom reside in disadvantaged and hard-to-reach

communities, have directly benefited from our initiative. The expansion of EMBED to an urban dengue programme in 11 Indian districts has resulted in 65% reduction in positive dengue cases.

Climate action, human rights, and other sustainability initiatives are all possible only when our leaders have specific ESG-linked goals as part of our annual business plans. The executive compensation of all leaders, including myself, is linked to a set of goals of which 15% weightage is on 'People and Planet' goals.

These goals are linked to our vision to foster an inspiring workplace and build an equitable and greener planet. We believe that leading by example will foster a culture of accountability and commitment towards our ESG ambitions.

Project EMBED has been supporting the Government of India's mission to eliminate malaria by 2030, and has made a difference to the lives of 28.4 million people at a high risk of the disease



Through our community waste management initiative in India, we diverted over 7,200 MT of waste from landfills, lowering the impact of emissions as well as bringing dignity to the work of sanitation workers on ground

