

DIRECTORS' REPORT

Dear Members,

Your Directors, with great pleasure, present the Annual Report for the year ended March 31, 2018.

1. Review of Operations

Your Company has delivered another year of competitive and profitable growth. Our focused approach and strong execution have enabled us to deliver an ahead-of-market performance over the past few years. During

the fiscal year 2017-18, we reported a sales growth of 3 per cent (on a consolidated basis) and an EBITDA growth of 10 per cent.

In India, we continued to deliver a superior performance, with a sales growth of 10 per cent (adjusted for GST), gaining shares across most key brands. We forayed into the professional hair care with the launch of Godrej Professional. In

Goodknight, we introduced Power Chip, an electric solution infused with unique gel technology, and a higher efficacy liquid vapouriser.

We were among India's 'Great Place to Work - Top 25 Best Workplaces in Manufacturing: 2018'. We also ranked number 20 on the 'Great Place to Work - Best Workplaces in Asia 2018' list and were among the Aon Hewitt Best Employers in India.

The financial performance of your Company for the fiscal year under review is summarised as follows:

Financials Abridged Profit and Loss Statement	₹ (Crore)			
	Consolidated		Standalone	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Total Revenue From Operations	9936.99	9608.80	5354.74	5088.99
Other Income	107.55	75.30	73.89	63.60
Total Income	10044.54	9684.10	5428.63	5152.59
Total Expenses including Depreciation and Finance Costs	8186.30	7997.87	4139.62	4045.42
Profit/(Loss) Before Exceptional Items, Share of Profit of Equity Accounted Investees, and Tax	1858.24	1686.23	1289.01	1107.17
Exceptional Items	179.56	0.08	-	-
Share of Profit of Equity Accounted Investees (Net of Income Tax)	1.08	0.82	-	-
Profit/(Loss) Before Tax	2038.88	1687.13	1289.01	1107.17
Tax Expense	404.70	379.16	289.14	259.45
Profit/(Loss) After Tax	1634.18	1307.97	999.87	847.72
Other Comprehensive Income	36.95	(83.41)	(1.97)	(5.94)
Total Comprehensive Income for the Period	1671.13	1224.56	997.90	841.78
Net Profit/(Loss) attributable to				
a) Owners of the Company	1634.18	1304.08	999.87	847.72
b) Non-Controlling Interests	-	3.89	-	-
Total Comprehensive Income Attributable to				
a) Owners of the Company	1671.13	1220.67	997.90	841.78
b) Non-Controlling Interests	-	3.89	-	-

2. Appropriation

Your Directors recommend appropriation as under:

Appropriation	Fiscal Year 2017-18	Fiscal Year 2016-17
	₹ (Crore)	₹ (Crore)
Surplus at the Beginning of the Year	2722.50	2115.62
Less: Remeasurements of Defined Benefit Plans	1.97	5.19
Add: Net Profit for the Year	999.87	847.72
Available for Appropriation	3720.40	2958.15
Less: Interim Dividends	613.12	195.78
Less: Tax on Distributed Profits	124.82	39.87
Surplus Carried Forward	2982.46	2722.50

3. Issue of bonus shares

During the year, pursuant to the Board approval received on May 09, 2017, the Company had issued and allotted bonus shares in the ratio of 1:1; that is, one bonus equity share of ₹ 1/- each for every one fully paid-up equity share held.

4. Dividend

A. Dividend declared

During the fiscal year 2017-18, the following interim dividends were declared on shares of face value of ₹ 1/- each. The details of the dividends are as follows:

Declared at the Board Meeting Dated	Dividend rate per share on shares of face value of ₹ 1/- each	Record Date
May 09, 2017	12.00 *	May 17, 2017
July 31, 2017	1.00	August 8, 2017
November 01, 2017	1.00	November 9, 2017
January 30, 2018	1.00	February 7, 2018

*Note: The dividend declared on May 9, 2017 is on the pre-bonus paid up capital and all the subsequent dividends are on the post-bonus paid up capital. Subsequent to the close of fiscal year 2017-18, the Board has declared an Interim Dividend of ₹ 7/- per equity share. The record date for the same is May 16, 2018. This dividend will be accounted in fiscal year 2018-19.

B. Dividend Distribution Policy

The Board of Directors adopted the Dividend Distribution Policy pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Regulations), which requires the top 500 listed companies (by market capitalisation) to formulate the same. The Company's Dividend

Distribution Policy may also be accessed through the following link^[1]

5. Board of Directors

A. Number of meetings and appointment of directors

Four board meetings were held during the year. The details of the meetings and the attendance record of the directors are in the Corporate

Governance section of the Annual Report. All the Independent Directors have given their declaration of independence, as required under Section 149(6) of the Companies Act, 2013 and the same has been noted by the Board of Directors. Ms. Pippa Armerding was appointed as an Additional Independent Director at the Board Meeting held on January 30, 2018, with effect

^[1] http://godrejcp.com/Resources/uploads/codes-and-policies/dividend_distribution_policy.pdf

from January 30, 2018. As per the provisions of Section 160 of the Companies Act, 2013, your Company has received a notice from a member specifying their intention to propose the appointment of Ms. Pippa Armerding as an Independent Director for a period of 5 years with effect from January 30, 2018.

B. Familiarisation programmes

Several familiarisation programmes for the Independent Directors were conducted during the year, including updates on Overview of Annual Operating Plan (AOP) for FY 2017-18, update on regulatory amendment to layers of subsidiaries which can be maintained as per the Companies Act, 2013, update on USA & Bangladesh Business, update on regulatory changes by Statutory Auditors etc. Apart from this, there were quarterly business presentations by Mr. Vivek Gambhir, Managing Director & CEO, and Mr. V Srinivasan, Chief Financial Officer & Company Secretary. Additional details of the familiarisation programmes may also be accessed through the following link^[2].

C. Audit Committee of the Board of Directors

Your Company has an Audit Committee in compliance with Section 177 of the Companies Act, 2013 and Listing Regulations. The Committee consists entirely

of the Independent Directors: Mr. Bharat Doshi as Chairman of the Committee and Mr. Narendra Ambwani, Dr. Omkar Goswami, Mr. Aman Mehta, Ms. Ireena Vittal, and Ms. Ndidi Nwuneli as members. Ms. Pippa Armerding was also appointed as a member of the Audit Committee with effect from January 30, 2018, consequent to her appointment on the Board as the Additional Independent Director.

D. Directors liable to retire by rotation

In the forthcoming AGM, Ms. Tanya Dubash and Mr. Vivek Gambhir will retire by rotation and will be considered for re-appointment because of their eligibility.

E. Board Diversity Policy

The Company has in place a Board Diversity Policy, which is attached as **Annexure 'A'**. The criteria for determining qualification, positive attributes, and independence of directors are as per the Board Diversity Policy, Listing Regulations, and the Companies Act, 2013.

F. Remuneration Policy

The Company's Remuneration Policy for Directors, Key Managerial Personnel, and other employees is attached as **Annexure 'B'**. The Company's total rewards framework aims at holistically using elements such as fixed and variable compensation,

long-term incentives, benefits and perquisites, and non-compensation elements (career development, work-life balance, and recognition). The Non-Executive Directors receive sitting fees and commission in accordance with the provisions of the Companies Act, 2013.

G. Remuneration to Directors

The disclosure on the details of remuneration to directors and other employees pursuant to Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given under **Annexure 'C'**. The information required under Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is not being sent along with this Report. However, this annexure is available on the Company website. Members who are interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company. The aforesaid annexure is also available for inspection at the Registered Office of the Company during working hours, up to the date of the AGM. Mr. Adi Godrej, Chairman Emeritus; Ms. Nisaba Godrej, Executive Chairperson; and Mr. Vivek Gambhir, Managing Director & CEO receive remuneration from your Company.

^[2] http://godrejcp.com/Resources/uploads/compliance_other_updates/FamiliarisationProgrammeForIDs201718.pdf

H. Performance evaluation of the Board of Directors, its individual members, and its Committees:

We conducted a formal Board Effectiveness Review, as part of our efforts to evaluate the performance of our Board and identify areas that need improvement, in order to enhance the effectiveness of the Board, its Committees, and Individual Directors. This was in line with the requirements of the Companies Act, 2013 and the Listing Regulations. The Corporate HR team of Godrej Industries Limited and Associate Companies (GILAC) worked directly with the Chairperson and the Nomination & Remuneration Committee of the Board to design and execute this process. It was later adopted by the Board.

Each Board Member completed a confidential online questionnaire, sharing vital feedback on how the Board currently operates and how its effectiveness could be improved. This survey included four sections on the basis of which feedback and suggestions were compiled:

- Board processes
- Individual Committees
- Individual Board Members
- Chairperson

The criteria for Board processes included Board composition, strategic orientation, and team dynamics. Evaluation of each of the Board Committees

covered whether they have well-defined objectives, the correct composition, and whether they achieved their objectives. The criteria for Individual Board Members included skills, experience, level of preparedness, attendance, extent of contribution to Board debates and discussion, and how each Director leveraged their expertise and networks to meaningfully contribute to the Company. The criteria for the Chairperson's evaluation included leadership style and conduct of Board meetings. The following reports were created as part of the evaluation:

- Board Feedback Report
- Individual Board Member
- Feedback Report
- Chairperson's Feedback Report

The overall Board Feedback Report was facilitated by Mr. Bharat Doshi with Independent Directors. The Directors were not only vocal regarding the Board functioning effectively but also identified areas that showed scope for improvement. Feedback from the Committees and Individual Board Members was shared with the Chairperson. Following her evaluation, a Chairperson's Feedback Report was compiled.

I. Directors' Responsibility Statement

Pursuant to the provisions contained in Section 134(5) of the Companies Act, 2013,

your Directors, based on the representation received from the Operating Management, and after due inquiry, confirm the following:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the fiscal year and of the profit of the Company for that period.
- c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) They have prepared the annual accounts on a going concern basis.
- e) They have laid down internal financial controls to be followed by the Company, and such internal financial controls are adequate and operating effectively.
- f) They have devised a

proper system to ensure compliance with the provisions of all applicable laws, and this system is adequate and operating effectively.

6. Transfer to IEPF

In terms of the provisions of Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016, Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, ₹ 7,738,044 of unpaid / unclaimed dividends and 1,671,258 shares were transferred during the financial year 2017-18 to the Investor Education and Protection Fund.

The Company has appointed a Nodal Officer under the provisions of IEPF, the details of which are available on the website of the Company which can be accessed through the following link^[3].

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on July 31, 2017 (date of last AGM) on the Company's website which can be accessed through the following link^[4] and of the Ministry of Corporate Affairs website at www.iepf.gov.in

7. Finance

A. Particulars of loans, guarantees, and investments

The details of loans, guarantees, and investments as required by the provisions of Section 186 of the Companies Act, 2013 and

the rules made thereunder are set out in the Notes to the Standalone Financial Statements of the Company.

B. Related Party Transactions and Policy

In compliance with the Listing Regulations, the Company has a policy for transactions with Related Parties (RPT Policy). The RPT Policy is available on the Company website which can be accessed through the following link^[5].

Apart from the Related Party Transactions in the ordinary course of business and at arm's length basis, the details of which are given in the notes to financial statements, no other Related Party Transactions require disclosure in the Directors' Report, for compliance with Section 134(3)(h) of the Companies Act, 2013. Therefore, a Nil Report is attached as **Annexure 'D'** in the format prescribed (i.e. Form AOC-2).

8. Subsidiaries, Associates and Joint Venture

During the year, the following companies became subsidiaries of your company:

- Godrej Peru Limited
- Godrej Consumer Products Malaysia Limited.

During the year, the following companies have ceased to be the subsidiaries of your Company:

- Plasticos Nacional (on account of its merger with Cosmetica

Nacional)

- Godrej Consumer Products Mauritius Ltd (on account of its merger with Godrej Consumer Products Limited)
- Godrej Consumer Products US Holding Ltd (on account of its merger with Godrej Consumer Products Limited)

A. Report on the performance of the subsidiaries and associates:

The business details of the key subsidiaries are provided in the Management Discussion & Analysis section of this Annual Report. While the Review of Operations section mentions the details regarding the performance of your Company's India Business, we provide brief details on the performance of other clusters below:

Indonesia

Fiscal year 2018 was a challenging year for our Indonesia business. Unprecedented competitive intensity in Household Insecticide resulted in a significant share loss on HIT by the end of Q1, with simultaneously peaking trade spends. Muted FMCG growth further challenged us, culminating in 11% topline decline, in constant currency terms, at the end of Q1. However, we focused on strengthening our fundamentals against this market construct: trade spend optimization & cost control,

^[3] <http://godrejcp.com/dividend-IEPF.aspx>

^[4] <http://godrejcp.com/unclaimed-dividend.aspx>

^[5] <http://godrejcp.com/Resources/uploads/codes-and-policies/RelatedPartyTransactionsPolicy.pdf>

innovation priorities, and talent & capabilities. We have seen signs of recovery with fiscal year 18 closing at 6% topline decline, in constant currency terms, despite continued market challenges through the year and inventory reduction with key modern retail channel partners in Q4. HIT exit shares are back to earlier high levels of 50%+, and the recently launched premium range of HIT Expert is receiving encouraging traction. We continue to sharply focus on category development with breakthrough innovation and driving business efficiencies.

Africa, Middle East, and USA

Our Africa, Middle East, and USA business grew by 14% in constant currency terms driven by a strong performance in South Africa and Rest-of-Africa market. While the year saw some economic and political challenges across countries, our business has weathered the environment to post healthy growth. We continued to expand our presence with the launch of our Wet Hair product portfolio through local manufacturing operations in Nigeria and Kenya, launch of a Natural Hair Care range for black hair in the USA, and set up a state of the art hair extensions plant in Mozambique during the year. We have maintained sharp focus on building a strong innovation pipeline and continue engaging in

deep consumer connect and research. We are committed to talent development and building local talent pools for our operations in Africa.

Latin America and UK

Our Latin America business grew by 17 per cent in constant currency terms, backed by healthy growth in Argentina despite an inflationary economy. Our core brands—Roby (styling spray) and Millefiori (depilatories)—maintained market leading volume share. Our UK business grew at 15% in constant currency terms, with our key brands Inecto and Pro:Voke growing at >30%. We continue to focus on growing distribution and driving profitability.

B. Policy on Material Subsidiaries

In compliance with the Listing Regulations, the Board has adopted a policy for determining material subsidiaries. This policy is available on the Company website which can be accessed through the following link^[6].

9. The Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013

In compliance with Section 4(3) of the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013, your Company reconstituted

its 'Internal Complaints Committee' (Committee), during the year. During the year, e-learning workshops were conducted to create awareness regarding sexual harassment among employees. Because there were no complaints during the calendar year 2017, the Committee filed a NIL complaints report with the concerned authorities, in compliance with Section 22 of the aforementioned act.

10. Policies and Annexures

A. Extract of Annual Return

Annexure 'E' of this Report provides the Extract of Annual Return to be filed by the company under the Companies Act, 2013.

B. Disclosure on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings, and Outgo

Annexure 'F' of this Report provides information on the conservation of energy, technology absorption, and foreign exchange earnings and outgo, required under Section 134 (3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, which forms a part of the Directors' Report.

C Risk Management

Elements of risks to the Company are listed in the Management Discussion & Analysis section of the Annual Report under the heading 'Enterprise Business Risk

^[6] <http://godrejcp.com/Resources/uploads/codes-and-policies/PolicyonMaterialSubsidiaries.pdf>

Management'.

D. Corporate Social Responsibility

Your Company has a well-documented Corporate Social Responsibility (CSR) Policy. Details of CSR projects are provided in **Annexure 'G'** in the prescribed format.

E. Vigil Mechanism

Your Company has adopted a Whistle Blower Policy as a part of its vigil mechanism. The purpose of the policy is to enable employees to raise concerns regarding unacceptable improper practices and/ or any unethical practices in the organisation without the knowledge of the management. All employees shall be protected from any adverse action for reporting any unacceptable or improper practice and/or any unethical practice, fraud, or violation of any law, rule, or regulation. This Policy is also applicable to

the Directors of the Company.

Mr. V Swaminathan, Head-Corporate Audit & Assurance, has been appointed as the 'Whistle Blowing Officer', and his contact details have been mentioned in the Policy. Furthermore, employees are also free to communicate their complaints directly to the Chairman/Member of the Audit Committee, as stated in the Policy. The Policy is available on the internal employee portal. On a quarterly basis, the Audit Committee reviews reports made under this policy and implements corrective actions, wherever necessary.

F. Employee Stock Grant Scheme

The details of the grants allotted under Godrej Consumer Products Limited Employee Stock Grant Scheme, 2011, as also the disclosures in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014,

and Section 62 1(b) read with Rule 12(9) of the Companies (Share Capital & Debentures) Rules, 2014, are set out in **Annexure 'H'**. Your Company has not given loan to any person under any scheme for or in connection with the subscription or purchase of shares in the Company or the holding Company. Hence, there are no disclosures on voting rights not directly exercised by the employees with respect to the shares to which the scheme relates.

11. Unclaimed shares

In compliance with the Listing Regulations, your Company has transferred the unclaimed shares into a demat account, namely the 'Unclaimed-Suspense Account'. As and when an allottee approaches the Company, after proper verification, the shares are rematerialized, and physical certificates are delivered to the allottee.

Unclaimed Shares Table

Particulars	No. of Shareholders	No. of Shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed-Suspense Account at the beginning of the year	5,549	834,945
Number of shareholders and aggregate shares transferred to Unclaimed- Suspense Account during the year on account of Bonus issue by the Company	-	8,29,931
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed-Suspense Account during the year and aggregate shares transferred	99	41,678
Number of shareholders to whom shares were transferred from the Unclaimed-Suspense Account during the year and the aggregate shares transferred	99	41,678
Number of shareholders to whose shares were transferred from the Unclaimed-Suspense Account to the IEPF Account during the year and the aggregate shares transferred	3,950	10,10,406
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed-Suspense Account at the end of the year	1,500	6,12,792

12. Listing

The shares of your Company are listed at the BSE Limited and the National Stock Exchange of India Limited. The applicable annual listing fees have been paid to the Stock Exchanges before the due dates. Your Company is also listed on the Futures & Options Segment of the National Stock Exchange of India.

thereunder, M/s. B S R & Co., LLP, Chartered Accountants (Firm Regn. No. 101248W/W-100022) has been appointed as the statutory auditor to hold office from the conclusion of the 17th AGM on July 31, 2017 until the conclusion of the 22nd AGM in the year 2022, at a remuneration as may be approved by the Board.

Practising Company Secretary, to conduct a secretarial audit for the fiscal year 2017-18. The Secretarial Audit Report for the fiscal year ended March 31, 2018, is attached herewith as **Annexure 'I'**. The Secretarial Audit Report does not contain any qualification, reservation, or adverse remark.

13. Business Responsibility Report

Pursuant to Regulation 34 of the Listing Regulations, the Business Responsibility Report highlighting the initiatives taken by the Company in the areas of environment, social, economical and governance, is available on the website of the Company which can be accessed through the following link^[7].

14. Auditors and Auditors' Report

A. Statutory Auditors

In accordance with Section 139 of the Companies Act, 2013 and the rules made

B. Cost Auditors

Pursuant to directions from the Department of Company Affairs, M/s. P. M. Nanabhoy & Co., Cost Accountants, were appointed as cost auditors for the applicable products of the Company for the fiscal year 2017-18. They are required to submit the report to the Central Government within 180 days from the end of the accounting year.

C. Secretarial Auditors

The Board had appointed M/s. A. N. Ramani & Co., Company Secretaries,

15. Corporate Governance

Your Company continues to enjoy a Corporate Governance Rating of CGR2+ (pronounced CGR 2 plus) and a Stakeholder Value Creation and Governance Rating of SVG1 (pronounced SVG one). The '+' sign indicates a relatively high standing within the category indicated by the rating. The aforementioned ratings are on a scale of 1 to 6, where 1 is the highest rating. The two ratings indicate whether a company is being run on the principles of Corporate Governance and whether the practices followed by the company lead to value creation for all its shareholders.

^[7] <http://www.godrejcp.com/annual-reports.aspx>

The CGR2 rating is on a scale of CGR1 to CGR6, where CGR1 denotes the highest rating. The CGR2+ rating implies that according to ICRA's current opinion, the rated company has adopted and follows such practices, conventions, and codes that would provide its financial stakeholders a high level of assurance of the quality of corporate governance.

The SVG1 rating is on a scale of SVG1 to SVG6, where SVG1 denotes the highest rating. The SVG1 rating implies that according to ICRA's current opinion, the company belongs to the highest category of the composite parameters of stakeholder value creation and management as well as corporate governance practices.

Pursuant to the Listing Regulations, the Management Discussion & Analysis Report and the Report on Corporate Governance are included in the Annual Report. The Practising Company Secretary's Certificate certifying the Company's compliance with the requirements of Corporate Governance, in terms of the Listing Regulations, is attached as **Annexure 'J'**.

16. Acknowledgement

Your Directors wish to extend their sincere thanks to the Central and State Governments as well as the Government agencies, banks, customers, shareholders, vendors, and other related organisations that have helped in your Company's progress, as partners, through their continued support

and co-operation.

For and on behalf of the Board of Directors

sd/-
Nisaba Godrej
Executive Chairperson

Mumbai, May 08, 2018

ANNEXURE 'A'

BOARD DIVERSITY POLICY

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of nationality, race, colour, religion, caste, gender, gender identity or expression, sexual orientation, disability, age, or marital status. The Company recognises merit and continuously seeks to enhance the effectiveness of its Board. The Company believes that for effective corporate governance, the Board should have the appropriate balance of skills, experience, and diversity of perspectives. Board appointments will be made on a merit basis, and candidates will be considered on the basis of objective criteria, with due regard for the benefits of diversity on the Board. The Board believes that such merit-based appointments will best enable the Company to serve its stakeholders. The Board will regularly review this policy to ensure its effectiveness.

ANNEXURE 'B'

GCPL TOTAL REWARDS POLICY

GCPL's Total Rewards Framework aims at holistically using elements such as fixed and variable compensation, long-term incentives, benefits and perquisites, and non-compensation elements (career

development, work-life balance, and recognition).

Highlights

The rewards framework offers employees the flexibility to customise different elements based on need. The framework is also integrated with GCPL's performance and talent management processes and is designed to ensure sharply differentiated rewards for our best performers.

The total compensation for a given position is influenced by the following three factors: position, performance, and potential. As a broad principle, for high performers and potential employees, GCPL strives to deliver total compensation at the 90th percentile of the market.

Total Cash Compensation

The employees' total cash compensation has the following three components:

1. 'Fixed Compensation' comprising the basic salary and retirement benefits such as the provident fund and gratuity.
2. 'Flexible Compensation' comprising a fixed predetermined component of the employees' compensation. Employees can allocate this amount to different components, as per their grade eligibility, defined at the start of each fiscal year.
3. 'Variable Compensation (Performance-Linked Variable Remuneration)' comprising employee rewards for delivering superior business results and individual performance. It is designed to provide a significant