

# Directors' Report

To the Shareholders,

Your Directors have pleasure in submitting the Annual Report along with the Audited Accounts for the year ended March 31, 2014.

## Review of Operations

Your Company's performance during the year as compared with that during the previous year is summarized below.

	(₹ Crore) Year Ended March 31	(₹ Crore) Year Ended March 31
	2014	2013
Revenue from Operations	1,453.55	1,464.63
Other Income	144.98	108.44
<b>Total Income</b>	<b>1,598.53</b>	<b>1,573.07</b>
Total Expenditure other than Finance Costs and Depreciation and Amortisation	1,354.20	1,387.97
Profit before Finance Costs, Depreciation and Amortisation and Tax	244.33	185.10
Depreciation and Amortisation Expenses	24.61	23.12
Profit before Finance Costs and Tax	219.72	161.98
Finance Costs (net)	94.84	64.82
Profit before Tax	124.88	97.16
Provision for Current Tax	0.09	1.79
Provision for Deferred Tax	5.10	(1.37)
<b>Net Profit</b>	<b>119.69</b>	<b>96.74</b>
Surplus brought forward	482.06	483.68
<b>Profit after Tax available for appropriation</b>	<b>601.75</b>	<b>580.42</b>
<b>Appropriation</b>		
Your Directors recommend appropriation as under:		
Dividend on Equity Shares	58.70	58.69
Tax on distributed profits	9.98	9.52
Proposed Dividend for on additional shares issued during the year	0.01	2.98
Credit for Dividend Distribution Tax on Dividend Received from Subsidiaries	(5.79)	(1.85)
Transfer to General Reserve	11.97	29.02
Surplus Carried Forward	526.88	482.06
<b>Total Appropriation</b>	<b>601.75</b>	<b>580.42</b>

## Dividend

The Board of Directors of your Company recommends a final dividend of ₹ 1.75 per equity share of ₹ 1/- each, aggregating ₹ 58.70 crore (previous year ₹ 1.75 per equity share).

## Management Discussion and Analysis

There is a separate section on Management Discussion and Analysis appended as Annexure A to this Report, which includes the following:

- Industry Structure and Developments
- Discussion on financial performance with respect to operational performance
- Segment wise performance
- Human Resources and Industrial Relations
- Opportunities and Threats
- Internal Control Systems and their adequacy
- Risks and Concerns
- Outlook

## Subsidiary and Associate Companies

Your Company has interests in several industries including animal feeds, poultry and agro-products, oil palm plantation, property development, personal and home care, etc. through its subsidiary and associate companies.

### Godrej Agrovet Limited (GAVL)

GAVL continued on its growth path during the year under review. GAVL's consolidated total revenue and net profit increased by 16% and 80% respectively, over last year.

The Animal Feed business recorded a growth of 10% in revenues and 19% in profitability. The strong performance in sales revenue and profitability was on account of increased volumes, innovative products backed by R&D efforts and efficiency in buying. This division of GAVL undertook Brand Consolidation with few strong brands having national presence. This division of GAVL arranged Calf competitions during the fiscal to support Heifer feed sales.

GAVL was the first company to organize such an event which created an impact at village level.

GAVL's Vegetable Oil operations registered a growth of 31% in revenues and 23% in profitability despite adverse impact of new formula for pricing of Fresh Fruit Bunches (FFB) on account of healthy growth in arrivals of FFBs, control over fixed costs and high Crude Palm Oil prices. This division of GAVL has completed the construction of oil mill in Mizoram and commercial production has started in April 2014.

The Agri inputs division of GAVL reported a growth of 38% in revenues and 34% in



Agri Input  
Animal Feed  
Oil Palm  
Godrej Tyson Foods



profitability over the previous year on account of healthy margins in plant growth promoters and herbicides. During the year, the Company launched new products, viz., "Impool" a herbicide and variants of "Zymegold", a micronutrient, which are innovative products.

GAVL continues to be the holding company of Godrej Seeds & Genetics Limited (GSGL). GSGL recorded a sales of ₹ 36 crore during the year under review. GAVL is also the holding company of Godvet Agrochem Limited (GAL), which was incorporated on January 22, 2014 and entire paid-up equity share capital of GAL is held by GAVL. Goldmuhor Agrochem & Feeds Limited and Golden Feed Products Limited have merged with GAVL.

GAVL continues to have joint venture arrangement with ACI Godrej Agrovet Private Limited, Bangladesh (ACI Godrej) and Godrej Tyson Foods Limited (GTFL). ACI Godrej achieved a turnaround despite volatile external environment on account of political uncertainty through premium pricing and innovative logistics solutions. GTFL also achieved a complete turnaround and registered a growth of 23% in total income and 195% in profit before tax over previous year on account of lower feed costs and control over fixed costs.



## Godrej Properties Limited (GPL)

GPL is the real estate development arm of the Godrej Group, with a pan-India presence. Despite the current uncertainties and challenges in the real estate environment, GPL has successfully demonstrated strong value addition to its development portfolio. GPL posted a total income of ₹ 1254 crore during the financial year ended March 31, 2014.

During the said year, GPL added 8 new projects with a saleable area of 13.42 million sq. ft. to its portfolio. The new projects signed are located in Mumbai, the National Capital Region, Pune, Bengaluru and Chennai. The projects added are of substantial size and are in line with GPL's long term strategy of focusing on value accretive and risk efficient models. While real estate supply continues to outpace growth in demand across most cities in the country, GPL achieved its highest ever quarterly sales in the fourth quarter of the fiscal year, driven by successful new launches in Mumbai and Bengaluru. The highlight of the year was the successful launch of

in Mumbai, which registered bookings of over 200 apartments valued at over ₹ 400 crore on the day of its launch. Another milestone for GPL was the launch of Godrej United in Bengaluru. This launch was achieved within 12 months of the Development Agreement being signed. This project also witnessed strong uptake in the market, registering bookings worth over ₹ 100 crore over the span of a few weeks.

Despite the current challenges facing the Indian economy dampening commercial real estate sales across major cities in the country, GPL registered over 800,000 sq. ft. of bookings across three commercial projects in Mumbai and Kolkata.

Delivering on its customer commitments, GPL handed over 624 apartments across 13 towers in Godrej Garden City, GPL's first township project. The Global Indian International School at Godrej Garden City, Ahmedabad was also inaugurated in the fiscal year. This is the first school that GPL has built and marks an important milestone for the township.



GPL continues to deliver on its vision of being the most trusted name in the real estate industry, and has been recognized as such, winning the 'Developer of the Year' award at the Indian Realty Awards 2013 and the 'Ethical Brand for Real Estate' award by CMO Asia.

GPL also continues its focus to deliver on its commitments on the sustainability front, aiming for green building certifications for all ongoing and future projects. Godrej BKC is the first multi-occupant project in BKC to be awarded the LEED Platinum pre-certification. GPL also received the 'Sustainability Award' from the CII for its contribution to green building mission at the GreenCo Summit 2013.

### Natures Basket Limited (NBL)

NBL which operates in the gourmet food retail segment and is a wholly owned subsidiary of your Company has been increasing its foothold across cities. NBL is 'the' retail destination for gourmet and fine food in India. NBL had extended its footprint from 27 stores in Financial Year 2012-13 to 33 stores by the end of Financial Year 2013-14.

NBL's business grew by 36% and achieved a total income of ₹ 174 Crore. Greater focus on strengthening the gifting portfolio both in terms of dedicated presence in stores as well as creation of a distinctive and appealing gifting portfolio ensured that sales through gifting grew at a very healthy clip of 82% over last year.

NBL introduced 2 distinct brands – l'exclusif and Healthy Alternatives to introduce its own range of indulgence and health products respectively. About 150 SKUs introduced so far under these 2 labels have been well received by consumers and holds out great hope for FY 14-15.

The business was rewarded across retail platforms with wins at the Coca Cola Golden Spoon awards, India Retail Forum, Asia Retail Congress and several others as well.





## Godrej Consumer Products Limited (GCPL)

GCPL, an associate of your Company, has continued to grow ahead of the overall FMCG sector, as well as home and personal care categories that it participates in, despite a challenging macro environment. On a consolidated basis, GCPL reported Income from Operations of ₹ 7,583 crore and a Net Profit (after minority interest) of ₹ 760 crore for Financial Year 2013-14, compared to ₹ 6,400 crore and ₹ 796 crore respectively, for the previous year.

While GCPL's salience of international revenues increased to 47%, it also ensured strong growth momentum in its domestic business with a healthy 14% growth. GCPL's focus has been to accelerate innovation and back new products with strong marketing investments. In the past year, GCPL had several new launches in the domestic and international businesses. These launches, we believe, will further enhance GCPL's competitiveness, improve the equity of its brands and drive increased penetration and consumption.

Today, GCPL is one of the largest household and personal care companies in India; the leader in hair



colour, household insecticides and liquid detergents, the number two player in toilet soaps and a fast-growing new entrant in air care. Over a third of GCPL's growth now comes from new products and renovations, having invigorated its product portfolio with 12 launches and relaunches in India alone, in just over 18 months. Significant marketing investments have driven higher consumption and penetration across the board. GCPL's superior global supply chain and future-ready sales organisation leverage the latest technology for sharper execution and better decision making, thus strengthening market positions. It was ranked the number 1 FMCG Company to work for in the Great Place to Work survey 2014; its tenth consecutive year on the list.

GCPL's expanding footprint is driven by a focussed 3x3 strategy – a presence in three business categories (personal wash, hair care and home care) in three geographies (Asia, Africa and Latin America) – to become an emerging markets FMCG leader. GCPL has made good progress in the next phase of the integration of its Darling businesses, thus taking its presence in Africa to the next stage. It is now strengthening and building processes and talent infrastructure for sustainable growth. The UK business continues to outperform, while the Indonesia and Latin America businesses have also performed well, despite market challenges.

## Other Subsidiaries

Godrej International Limited (GINL), a wholly owned subsidiary of your Company, trades in vegetable oils worldwide. GINL continued its strong operating profit growth with a rise in turnover by 15% to US \$ 282 million. Palm oil prices did not fall as expected and were supported by greater use of palm in the manufacture of bio diesel.

Godrej International Trading & Investments Pte. Limited (GITI), a wholly owned subsidiary of your Company, incorporated in the Republic of Singapore, also continued to trade profitably. It has not been possible to expand its turnover and activity in the past year. The long term aim remains to consolidate all our vegetable oil trading activity in this geographic region.

Ensemble Holdings and Finance Limited (EHFL), a wholly owned subsidiary of your Company, is a Non-Banking Finance Company. The Gross Income of EHFL for the Financial Year ended March 31, 2014 was ₹ 0.99 crore as against that of ₹ 3.35 crore last year. The Net Profit of EHFL during the Financial Year ended March 31, 2014 was ₹ 0.82 crore as against that of ₹ 0.27 crore last year.

## Amalgamation

During the year under review, Swadeshi Detergents Limited (SDL) a wholly owned subsidiary of your Company, had been amalgamated with your Company in terms of the Scheme of Amalgamation sanctioned by the Hon'ble Bombay High Court vide its order dated August 16, 2013. The appointed date of the Scheme was April 1, 2013 and the effective date of the Scheme was September 6, 2013 i.e. the date on which your Company and SDL had filed a certified copy of the said High Court order with the Registrar of Companies, Maharashtra.

During the year under review, the Board of Directors of your Company had on February 7, 2014 approved the proposal of scheme of amalgamation of Wadala Commodities Limited (WCL) with your Company. BSE Limited and National Stock Exchange of India Limited had conveyed their 'No objection' for the said scheme of amalgamation. Your Company had approached the Hon'ble High Court of judicature at Bombay and the High Court had directed to seek the approval of the equity shareholders for the scheme of amalgamation. Accordingly, a court convened meeting of the equity shareholders of your Company has been called on June 13, 2014. Also pursuant to the terms of para 5.16 of Circular Number CIR/CFD/DIL/5/2013 dated February 4, 2013 issued by Securities and Exchange Board of India (SEBI) read with para 7 of Circular Number CIR/CFD/DIL/8/2013 dated May 21, 2013 issued by SEBI ("SEBI Circular") and Pursuant to Section 110 of the Companies Act, 2013 and applicable rules thereunder, your Company is seeking the approval of the equity shareholders for the scheme by way of Postal Ballot. The results of the said postal ballot will be declared by the Chairman of the Company on June 3, 2014.

## Financial Position

The loan funds at the end of the year stand at ₹ 1,327 crore as compared to ₹ 926 crore for the previous year. The debt equity ratio is 0.82 as compared to 0.56 last year. Your Company continues to hold the topmost rating of [ICRA]A1+ from ICRA for its commercial paper program (₹ 600 crore) (enhanced from ₹ 410 crore). ICRA has reaffirmed an [ICRA]A1+ rating for its short term debt instruments/other banking facilities (₹ 900 crore) (enhanced from ₹ 850 crore). This rating of ICRA represents highest-credit quality carrying lowest-credit risk. ICRA also reaffirmed [ICRA]

AA rating with stable outlook for long-term debt, working capital and other banking facilities (₹ 940 crore) (enhanced from ₹ 640 crore). This rating represents high-credit quality carrying low-credit risk. ICRA has also assigned a rating of MAA+ with stable outlook for our likely Public Deposit scheme (under the Companies Act, 2013) for ₹ 100 crore. The Public Deposit scheme under the Companies Act, 1956 has been discontinued. Instruments with this rating are considered to have the high-credit quality and low credit risk.

### **Manufacturing Facilities**

The chemicals division of your Company has manufacturing units at Ambernath and Valia.

The manufacturing operations of your Company at Vikhroli were discontinued with effect from February 28, 2014. Your Company has set up a state of the art new manufacturing facility at Ambernath, Maharashtra and the production has commenced. This factory has the facility to manufacture Surfactants, Fatty Acids (including specialty grades) and Refined Glycerin.

The Valia factory is ISO-9001:2008 and ISO 14001:2004 certified. It has also got OHSAS18001:2007 certificate of Bureau Veritas and ISO 27001:2005 certificate of British Standard Institution. The Valia factory won the CII Environmental Best Practices Award 2013 for Innovation for the Effluent Treatment Plant sludge reduction project.

The Vegoils Division (Wadala) continues as a contract processor of edible oils and vanaspati. The division recorded a turnover of ₹ 6 crore.

### **Research and Development (R&D)**

In the year under consideration the R&D activities have resulted in the launch of two new products, each of them being high value derivatives of fatty alcohols, having specialty applications in personal care products and textile auxiliaries. Innovations in existing processes and the endeavor to develop new processes and technologies will be an ongoing activity. So too, will be our efforts to manufacture premium quality fatty acids and fatty alcohols from alternate raw materials. Your Company will also continue to focus its attention on high value fractionated fatty acids and fatty alcohols for the polymer, oilfield, lubricant and paper industries. Parallel to all the above oleo chemicals projects, R&D continues its efforts in developing improved and customized specialty surfactants, focusing on the home, oral and personal care markets, thus delivering customer delight.

### **Human Resource Development and Industrial Relations**

Your Company has been ranked 4th in Manufacturing & Production industry, and 57th in overall India's Companies To Work For 2013, in a survey conducted by Great Place To Work® Institute.

Industrial Relations at all plant locations remained harmonious. Your Company's one of the oldest manufacturing unit based at Vikhroli has been smoothly relocated to Ambernath. The transition has happened swiftly and the cutting edge technology at Ambernath will soon start reaping benefits. At Valia manufacturing unit, your Company has entered into a Long Term Wage settlement with workers' union.

Your Company emphasises on the safety of people working in its premises. Structured safety meetings were held and safety programmes were organized for them throughout the year. These efforts were recognized by an award for 'Meritorious Performance in Industrial Safety' at the Maharashtra Safety Awards won by Vikhroli Factory given away by 'National Safety Council – Maharashtra Chapter'.

### **Business Responsibility Report**

SEBI, vide its circular CIR/CFD/DIL/8/2012 dated August 13, 2012 had proposed to mandate inclusion of Business Responsibility Reports as part of the Annual Reports for listed entities. According to the proposal, the report should describe measures taken by the listed companies along with key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs. This is intended to be adopted by companies in India to report their Corporate Social Responsibility (CSR) activities and initiatives. Your Company had voluntarily published its first Sustainability Report last year. This year too your Company is publishing the Business Responsibility Report.

A detailed report on your Company's sustainability initiatives is published in the Business Responsibility Report, as Annexure B and forms a part of this report.

### **Information Systems**

Your Company has initiated implementation of new age Business Intelligence (BI) software for generation of reports, queries and executive dashboards. We have completely revamped our existing customer relationship portal to provide refreshing experience to our customers by providing online access of order status, dispatch details, financial history and analytical trend graphs. Customers can also access the information on the move by our new Mobile application.

Your Company is aggressively looking for new age technology solutions like Cloud Computing, Mobility Solutions & Business Analytics to leverage technology for smooth and efficient business operations. We integrated our new production facility at Ambarnath with existing systems and processes.

Your Company is using technology for various business activities including HR processes. We will continue to leverage technology and setup "Green Initiatives" through use of technology.

### **Employee Stock Grant Scheme 2011 (ESGS) and Employee Stock Option Plan (ESOP)**

On May 28, 2013 and August 10, 2013, the Compensation Committee approved a total of 1,73,560 stock grants equivalent to 1,73,560 equity shares of the Company to eligible employees in terms of the ESGS Scheme 2011. The exercise price is ₹ 1/- per equity share. As on March 31, 2014 and in terms of the ESGS Scheme, 2011, a total of 2,89,343 grants were vested, exercised and allotted.

During the financial year 2013-14, no ESOP's were granted. In the current year, in accordance with the opinion issued by the Expert Advisory Committee (EAC) of the ICAI in 2014 on Consolidation of ESOP Trust in the standalone financial statements, the Company has included the financial statements of the ESOP trust for preparation of the standalone financial statements. Consequently, the assets and liabilities of the Trust have been included in the financial statements of the Company

and investments in the equity shares of the Company held by the Trust has been reduced from the share capital and reserves & surplus.

Disclosure in compliance with clause 12 of the Securities and Exchange Board of India (Employees Stock Purchase Scheme) Guidelines, 1999 is given in Annexure C attached and forms a part of this report.

### **Public Deposits**

Your Company stopped accepting public deposits. The management of the Company is thankful to all the investors for their continued trust in the Company. During the year ended March 31, 2014, deposits aggregating to ₹ 15 crore have been mobilised and deposits aggregating to ₹ 37 crore have been repaid on maturity. The Company has no overdue deposits other than unclaimed deposits.

### **Depository System**

Your Company's equity shares are available for dematerialization through National Securities Depository Limited and Central Depository Services (India) Limited. As of March 31, 2014, 99.78% of the equity shares of your Company were held in demat form.

### **Directors**

Mr. J. N. Godrej and Ms. T. A. Dubash, both Director, retire by rotation at the Annual General Meeting and being eligible offer themselves for re-appointment. The Board of Directors recommend their re-appointment.

The Company had appointed Mr. S. A. Ahmadullah, Mr. A. B. Choudhury, Mr. K. K. Dastur, Mr. K. M. Elavia, Dr. N. D. Forbes and Mr. K. N. Petigara as Non-Executive Directors, liable to retire by rotation. They are also the Independent Directors pursuant to the provisions of Clause 49 of the Listing Agreements entered into with Stock Exchanges.

As per section 149 of the Companies Act, 2013 (Act), which came into effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors. These Independent Directors are not liable to retire by rotation. Accordingly, it is proposed to appoint Mr. S. A. Ahmadullah, Mr. A. B. Choudhury, Mr. K. K. Dastur, Mr. K. M. Elavia, Dr. N. D. Forbes and Mr. K. N. Petigara as Independent Directors, in accordance with the provisions of section 149 of the Act, to hold office as per their tenure of appointment mentioned in the Notice of the Annual General Meeting of the Company.

### **Auditors**

You are requested to appoint Auditors and to authorise the Board to fix their remuneration. The retiring auditors Kalyaniwalla and Mistry, Chartered Accountants, are eligible for reappointment. A certificate from the Auditors has been received to the effect that their reappointment, if made, would be within the prescribed limits.

## **Audit Committee**

The Audit Committee, constituted pursuant to the provisions of the Companies Act and the listing agreement, has reviewed the Accounts for the year ended March 31, 2014. The members of the Audit Committee are Mr. K. K. Dastur, Mr. S. A. Ahmadullah, Mr. K. N. Petigara and Mr. A. B. Choudhury, all Independent Directors.

## **Directors' Responsibility Statement**

Pursuant to the provisions contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- a) that 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) that such accounting policies have been selected and applied consistently, and such judgments and estimates have been made 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 financial year and of the profit or loss of the Company for that period;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company, for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis.

The Directors of your Company further confirm that proper systems are in place to ensure compliance of all laws applicable to the Company.

## **Corporate Governance**

As required by the existing clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. The Auditors have certified the Company's compliance of the requirements of Corporate Governance in terms of clause 49 of the Listing Agreement and the same is annexed to the Report on Corporate Governance.

## **Additional Information**

Annexure D to this Report gives information in respect of Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forms a part of the Directors' Report.

In the context of a globalizing Indian economy, increased number of subsidiaries and the introduction of accounting standards on consolidated financial statements, the Ministry of Corporate Affairs vide its general circular no.2/2011 dated February 8, 2011 has granted a general exemption from publishing the accounts of subsidiaries provided certain conditions are fulfilled. In line with the above circular and as per the Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India, the consolidated financial statements of the Company forms a part of this Annual Report. Accordingly, this Annual Report of your Company does not contain the financial statements of its subsidiaries. The Audited Annual Accounts and related information of the Company's subsidiaries will be made available upon request. These documents will also be available for inspection during business hours at the Company's registered office in Mumbai,

India. The subsidiary companies' documents will also be available for inspection at the respective registered offices of the subsidiary companies during business hours.

The Ministry of Corporate Affairs (MCA) has vide its Circular No.8/2014 dated April 4, 2014 has clarified that the financial statements (and documents required to be attached thereto), auditors report and Board's report in respect of financial years that commenced earlier than April 1, 2014 shall be governed by the relevant provisions/schedules/rules of the Companies Act, 1956.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 forms a part of the Directors' Report. As per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Shareholders of the Company, excluding the statement of particulars of employees under section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the registered office of the Company.

### **Acknowledgement**

Your Directors thank the Union Government, the Governments of Maharashtra and Gujarat as also all the Government agencies, banks, financial institutions, shareholders, customers, employees, fixed deposit holders, vendors and other business associates, who, through their continued support and co-operation, have helped as partners in your Company's progress.

For and on behalf of the Board of Directors

**A. B. Godrej**  
Chairman

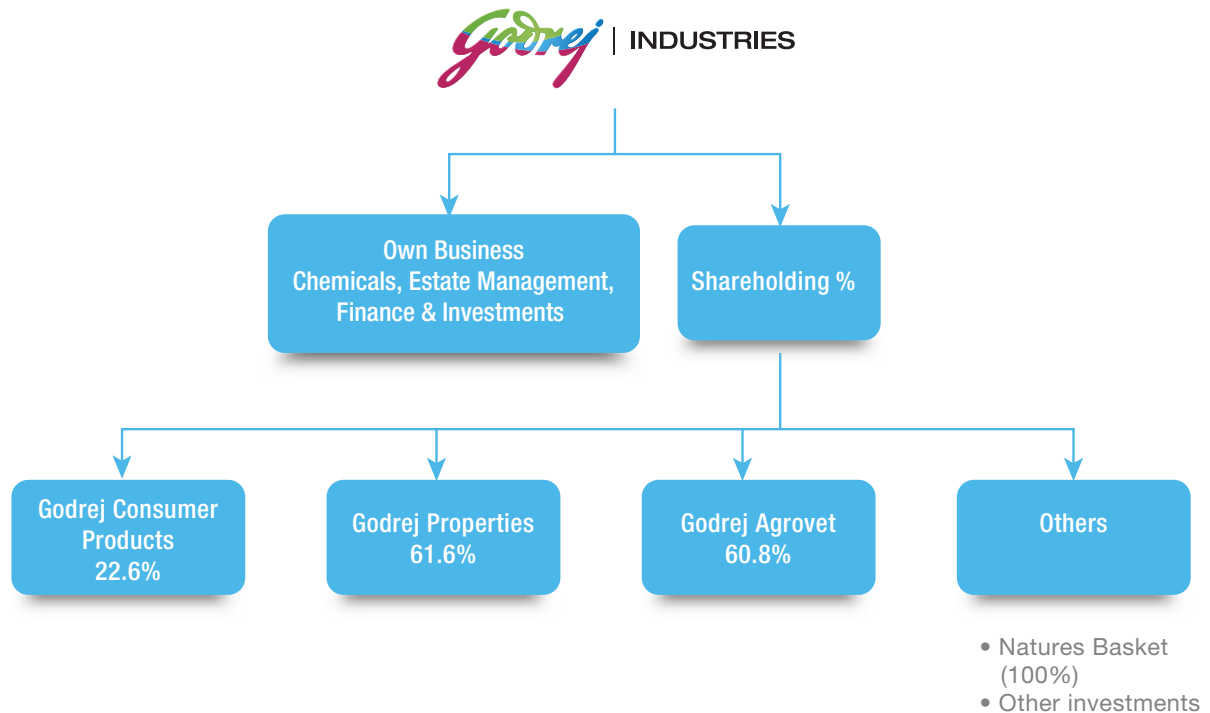
Mumbai, May 28, 2014.

# Annexure “A”

Forming Part of the Directors’ Report

## Management Discussion and Analysis

### Business Structure



### INDUSTRY STRUCTURE AND DEVELOPMENTS

The global economy appears to be in increasingly good shape, with recovery in developed economies such as the USA and UK contributing an increased share to GDP growth. The US Federal Reserve has indicated its intention to maintain interest rates at historically low levels for a year and will continue its bond purchase tapering program, which should serve to support continued growth in the US and global economy. However, growth remains highly dependent on China – approximately half of incremental GDP globally was contributed by China in 2013, despite the slowdown in economic growth that it is experiencing. In addition, growth remains low in several Eurozone economies and at risk to

disruptions such as the conflict in Crimea.

India experienced its lowest growth in a decade this year, with overall GDP growth at less than 5%. Industrial GDP growth was particularly weak and dipped into negative territory in the third quarter. However, there have been some brighter spots - the monsoon this year was relatively good, leading to improving growth in the agricultural sector and inflation has moderated over recent months. Additionally, good progress was made on the current account deficit thanks to factors such as the Government restrictions on gold imports and the boost to exports provided by the weaker Rupee.

The recently concluded election will have a major bearing on the economy going forward, with

many commentators hopeful that it will lead to the implementation of further policies designed to spur economic growth. Nonetheless, the majority of forecasts are for improved economic growth, albeit still well short of the high growth rates achieved in prior years, and with some vulnerability to potential external shocks such as high oil prices or a weak monsoon.

The agriculture sector grew at ~5% this year, versus 1.4% in FY13, driven by the good monsoon, as well as ongoing Government investment in improved productivity, distribution and storage and access to credit. Looking forward, agricultural growth is expected to moderate towards its long term trend, depending on the impact of this year's El Nino effect on the monsoon.

India is among the largest livestock producing countries in the world and is experiencing strong growth in protein consumption, which results in corresponding growth in the animal feed business. Organized players are benefiting from increased penetration of commercial feeds, which are replacing home-mixes, but remain vulnerable to increases in the cost of key inputs such as soymeal and other commodities.

More than half of India's edible oil consumption comes from imports. Palm oil plantation is the most productive among all oilseed crops and plantations in India have a potential oil yield of ~4 MT/hectare and higher. Hence there is a strong rationale for increased domestic production of palm oil. However the prospects for the sector

remain sensitive to the Government CACP (Commission for Agricultural Costs and Prices) formula, which affects the economic incentives for farmers and animal feed producers.

Macro-economic situation was difficult, which impacted the oleo-chemicals business. Oleo-chemicals are used in a variety of applications including personal care (hair care, skin care, oral care, cosmetics), home care (laundry detergents), and pharmaceuticals. Looking forward, demand for oleo-chemicals is set for healthy growth both in India and globally, driven by growth in end-use industries and increasing preference for vegetable oil based chemicals in place of synthetic equivalents.

Growth in the real estate sector continued to be weak in FY14 with residential absorption rates declining significantly, resulting in a sharp increase in residential overhang, which now exceeds three years in many markets. High interest rates have been a constraint this year, given the strong dependence of consumer demand on the availability of affordable financing. Office space absorption has been weak overall in FY14, albeit with marginal improvements seen in certain markets. Costs of key inputs such as cement and steel have continued to rise, putting further pressure on developer margins. However, in the longer term the prospects for the real estate sector remain good, as urbanization and migration are likely to support strong growth in underlying demand.

## FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The highlights of overall performance are as follows:

Particulars	₹ Crore	
	2013-14	2012-13
Sales	1,453.55	1,464.63
Total Income	1,598.53	1,573.07
Profit Before Taxation	124.88	97.16
Profit After Current Taxation	124.79	95.37
Profit After Current & Deferred Taxation	119.69	96.74
Earnings per Equity Share (₹) - Basic	3.5693	2.9631
Earnings per Equity Share (₹) - Diluted	3.5643	2.9568

₹ Crore

Particulars	2013-14	2012-13
<b>Profitability ratios are as follows:</b>		
PBDIT/Total Income	15.28%	11.77%
PBT/Total Income	7.81%	6.18%
PAT/Total Income	7.49%	6.15%
Return on Capital Employed *	7.96%	7.43%
Return on Net Worth *	7.32%	6.61%
Basic EPS (₹)	3.5693	2.9631
Diluted EPS (₹)	3.5643	2.9568
<b>The Financial risk ratios are as follows:</b>		
Debt/Equity *	0.82	0.56
Interest coverage *	2.32	2.50

\* The above figures are without consolidation of ESOP Trust.

<b>Segment Performance</b>		₹ Crore	
<b>1. Segment Revenue</b>			
Chemicals	1,294.54	1,324.36	
Estate	63.22	74.34	
Finance & Investments	228.25	162.01	
Others	12.52	12.36	
<b>Total</b>	<b>1,598.53</b>	<b>1,573.07</b>	
<b>2. Segment Results (PBIT)</b>			
Chemicals	49.19	65.80	
Estate	49.30	61.77	
Finance & Investments	228.25	151.53	
Others	(4.53)	(8.75)	
<b>Total</b>	<b>322.21</b>	<b>270.35</b>	
Less: Finance Costs (Net)	(94.84)	(64.82)	
Less: Unallocated expenses (Net)	(102.49)	(108.37)	
<b>Profit Before Tax</b>	<b>124.88</b>	<b>97.16</b>	
<b>3. Segment Capital Employed</b>			
Chemicals	102.25	154.72	
Estate	207.59	285.73	
Finance & Investments	1,933.75	1,424.86	
Others	14.63	15.58	
Unallocated	(823.29)	(256.77)	
<b>Total</b>	<b>1,434.93</b>	<b>1,624.12</b>	

## CHEMICALS DIVISION

The Chemicals division operates in the oleo-chemical and surfactant industries. The division has a blend of domestic and international operations and is one of the leading players in the Indian market. The division achieved export turnover of ₹ 521 crore in this fiscal, accounting for about 40% of its turnover.

The Product categorywise review follows:



**OUR CHEMICALS HELP  
MAKE LIFE BEAUTIFUL**

# OUR CHEMICALS HELP MAKE YOUR LIFE BEAUTIFUL



## Fatty Acids

The Fatty Acids portfolio, comprising stearic acid, oleic acid, as well as value added fatty acids, accounted for about 37% of the turnover of the division. The division plans to enhance the sales of its value added fatty acids in the domestic as well as export markets.

## Fatty Alcohol

Fatty alcohol contributed 41% to turnover of this division. Our GINOL grades have been approved internationally by leading multinational corporations. With customer centric business strategies, it is expected that the revenues and margins from this segment will be maintained and improved.

## Surfactants

Surfactants contributed 16% to the turnover of the division.

We have continued to grow our Sodium Lauryl Sulphate (SLS) sales in the domestic as well as international markets.

Sales of SLS grew by 4% in value terms as compared to the previous year. Our products have been approved by several multi-national companies and we can now strongly participate in their global sourcing programs. Effective sourcing of raw material and increasing customer base are important for improving margins and division has done fairly well on both the counts.

## Glycerin

Glycerin accounted for 6% of the turnover of this division. Revenues increased by 18% in view of higher unit price of Glycerin. Being largely a byproduct, additional sales are mostly opportunistic, depending on market conditions.

## Other Initiatives

Your Company's continued strong focus on cost

reduction and operational efficiency improvement initiatives, which included reduction in the net working capital employed and reduction in the variable costs of production have been yielding good results.

The value added products have contributed to the improvement in the margins and expected to improve further going forward in terms of volume as well as margins. It accounted for 43% of the turnover of the division.

## Outlook

The outlook for the coming year 2014-15 is good for the value added fatty acids at this point in time. International demand is showing signs of improvement and with advantage of Indian raw material having an edge over the overseas competition.

Your Company is also focusing on value added fatty acids and fatty alcohol, which will improve its leadership position in terms of market share as also profitability.

With commencement of state of the art new facility at Ambarnath there will be an improvement in efficiencies, increase in volumes and reduction in variable costs and locational benefits which will improve the margins going forward.

## Estate Management

Your Company, having foreseen the potential of maximizing the value from the real estate development activity in Mumbai city and its suburbs, had entered into an agreement with Godrej Properties Ltd., for joint development of the area around the registered office of your Company at Vikhroli. The Limited Liability Partnership vehicle created for this joint development, Godrej Vikhroli Properties LLP, has commenced the development on the 34.2 acres of prime land. A mixed use project, "The Trees", comprising Grade A commercial office buildings, residential apartments, high street retail and a five Star hotel, is in 3 phases and would be completed in about 4 years' time.

The site, due to its strategic location, has excellent

connectivity to the airports, railway networks and other public services - current and as well as ones being planned with easy access to the east-west corridor. "Godrej One" is the first office building of about 7,50,000 sq. ft., now under construction in an advanced stage, and would be the new corporate headquarters for several of the Godrej group companies. This building would also accommodate other corporate clients apart from the Godrej group.

In order to facilitate this development, your Company has gradually phased out the renewal of leave and license arrangements resulting in decline of revenues from the estate management business. Your Company however continues to ensure optimum usage of available space and is maximizing the revenue during this transition phase.

The total income from this business for the year was ₹ 63 crore compared to ₹ 74 crore, in the previous year.

## Finance and Investments

During the year, your Company continued to earn return from its investments in the form of Dividend of ₹ 86 crore (previous year ₹ 61 crore) and realised capital appreciation of ₹ 75 crore (previous year ₹ 74 crore).

During the year, your Company invested in the rights issue of its subsidiary company, Godrej Properties Limited to the tune of ₹ 436 crore. Your Company acquired an additional stake in Godrej Consumer Products Limited by investing ₹ 277 crore. The stake of your Company in Godrej Consumer Products Limited now stands at 22.63%. Your Company also invested ₹ 34 crore in Natures Basket Limited to support their growth plans. Your Company has realized capital appreciation by encashing a small stake through inter-se amongst promoters in Godrej Agrovet Limited. Post the sale, the stake of your Company in Godrej Agrovet Limited now stands at 60.80%.

## Human Resource Development and Industrial Relations

Your organisation has been ranked 4th in

Manufacturing & Production industry, and 57th in overall India's Companies To Work For 2013, in a survey conducted by Great Place To Work® Institute.

Industrial Relations at all plant locations remained harmonious. Your Company's one of the oldest manufacturing unit based at Vikhroli has been smoothly relocated to Ambernath. The transition has happened swiftly and the cutting edge technology at Ambernath will soon start reaping benefits. At Valia manufacturing unit, your Company has entered into a Long Term Wage settlement with workers' union.

Your Company always emphasized on the safety of people working in its premises. Structured safety meetings were held and safety programmes were organized for them throughout the year. These efforts were recognized as an award for 'Meritorious Performance in Industrial Safety' at the Maharashtra Safety Awards won by Vikhroli Factory given away by 'National Safety Council – Maharashtra Chapter.

Industrial Relations at all locations were cordial. The total number of persons employed in your Company as on March 31, 2014 were 1346, of which 14.12% are from affirmative category.

### **Policy to Prevent Sexual Harassment at the work place**

Your Company is committed to creating and maintaining an atmosphere in which employees can work together, without fear of sexual harassment, exploitation or intimidation. Your Company has strengthened its existing Policy on Prevention of Sexual Harassment at the Workplace. Every employee is made aware that the Company is strongly opposed to sexual harassment and that such behaviour is prohibited both by the law and the Group. A Complaints Committee, which is headed by Tanya Dubash, Executive Director & Chief Brand Officer exists to redress any complaints of sexual harassment.

### **Internal Control Systems and Their Adequacy**

Your Company has a proper and adequate system

of Internal Controls, to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposal and that transaction are authorized, recorded and reported correctly. Your Company's Corporate Audit and Assurance Department which is ISO 9001 certified, issues well documented operating procedures and authorities with adequate built-in controls at the beginning of any activity and revised procedures if there is any major change. The internal control is supplemented by an extensive programme of internal, external audits and periodic review by the management. The system is designed to adequately ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets.

Corporate Audit & Assurance Department during the year, facilitated a review of your Company's risk management programme. The risks and mitigation measures were reviewed by your Company's Risk Committee and corrective measures initiated.

During the year the Corporate Audit & Assurance Department carried out various reviews and provided assurance on compliances to laid down policies, process and internal controls.

### **Information Security**

Your Company accords great importance to the security of its information assets. To ensure that this gets desired focus and attention, a Chief Information Security Officer, who is attached to the Corporate Audit and Assurance Department, is entrusted with the task of ensuring that your Company has the requisite security posture.

Your Company has in place, all the procedures and practices that are in line with the ISO Security Standards. Your Company is ISO 27001:2005 certified.

### **Opportunities and Threats**

The improvement in the global economic and liquidity situation, the stimulus/incentives package by the Indian Government and various Governments globally, provides an opportunity for growth for the Chemicals division. At the same

time, if new capacity additions announced earlier go on stream, there could be an over-supply situation in the market which can put pressure on margins. Specialty products are expected to improve margin and strengthen your Company's position in the oleo chemicals space.

The Estate management business revenue would depend upon development of property at Vikhroli under the mixed use project, "The Trees".

## Risks and Concerns

Your Company had put a risk management framework in place post a comprehensive review of its risk management process. Your Company has taken a fresh look at the risk management framework. The review involved understanding the existing risk management initiatives, zero-based identification and assessment of risks in the various businesses as also the relative control measures and arriving at the desired counter measures keeping in mind the risk appetite of the organization. The Risk Committee has periodically reviewed the risks in the various businesses and recommended appropriate risk mitigating actions.

The Commodity based businesses are likely to be affected by vagaries of the weather, demand for edible oil, oilseed production, etc. The increase in bio-diesel manufacturing capacity is expected to impact vegetable oil prices. The business is exposed to commodity price risks relating to raw materials which account for the largest portion of the costs of the Chemicals business. The Chemicals business growth will also depend on

the growth of end user industries like polymer, detergent, cosmetic and personal care.

As a significant employer and chemicals producer, to ensure occupational safety, employment standards, production safety and environmental protection, your Company maintains strict safety, health, environmental protection and quality control programs to monitor and control these operational risks.

Macro economic factors including economic and political developments, natural calamities which affect the industrial sector generally would also affect the businesses of your Company. Legislative changes resulting in a change in the taxes, duties and levies, whether local or central, also impact business performance and relative competitiveness of the businesses.

## Cautionary Statement

Some of the statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in industry, significant changes in political and economic environment in India and abroad, tax laws, import duties, litigation and labour relations.

*View of Ambernath Factory*

