

## Gillette India Limited

### Chairman's Speech 2010-2011

#### **Innovation & investment at the helm of continued growth**

##### **Introduction**

Good morning ladies and gentlemen. A warm welcome to the 27<sup>th</sup> Annual General meeting of Gillette India Limited. The year 2010-2011 was marked with unprecedented success, driven by holistic innovations that sought to fulfill our purpose of touching the lives & improving the lives of more consumers, more completely. Innovation is at the helm of your company's robust performance year-on-year, and has been the cornerstone of its investments and growth in India. This will be the focus of my address today, as I share with you results of the year gone by with pride and the year ahead with greater determination.

##### **Innovation at the helm**

Our unrelenting focus on innovation is at the heart of everything we do. Innovation is the primary way we fulfill our purpose and is the driving force behind our strategy. This has empowered us to reach more consumers, enabling them with superior product and value propositions. Our experience has proven that promotions may win consumers for quarters, but innovation wins them for decades.

We believe in "holistic innovation," at every point, where our brands touch consumers' lives and in every part of our business. We don't think only in terms of product innovation. We look for opportunities to innovate in way we communicate with our Consumers and Customers, our Manufacturing systems and our Organizational Capabilities. And we then support these innovations with appropriate Investments on a sustained basis so that we can fully unleash the potential of our innovation. These investments translate in to initiatives across Product and Capability Development – Be it capability initiatives like the Integrated Work System (IWS) at our Baddi & Bhiwadi Plants, that has helped enhance performance across key measures like Safety, Quality & Productivity; Or be it product initiatives, like the Gillette Guard that has provided Indian men with a safe and affordable shave at just Re.1.

Riding on our extensive global and more importantly local experience, we are innovating and expanding into newer geographies, touching and improving more lives to meet the fullest range of the needs of our under-served consumers. Innovation keeps our brands significant and relevant in the hearts and minds of consumers, underlining our market leadership. These steps are also critical for category development and long-term growth of the company, but are likely to impact margins and earnings in the short to medium term. This is a strategic choice that your company is making, in line with its purpose-driven growth strategy

and its commitment to deliver long term value to its stakeholders. My address today will highlight how our focus on radical innovation has enhanced consumer value and reinforced their faith in our brands.

### **Innovation's guiding power**

This year witnessed new business landmarks being established by your company.

#### ***Innovation guides our product success***

When we commit to touching and improving lives, we achieve higher performance levels. A sense of purpose captures our imagination. It inspires empathy. Empathy drives innovation, helping us to identify tensions in people's lives that we can help resolve, leading to insights...that inspire big ideas...making life-improving innovations...and grow our business. I will share a recent example of such inspiration - how deep consumer empathy led to the creation of Gillette Guard.

Gillette Guard is a breakthrough shaving system designed to provide a safe, high-quality shave at an affordable price for over one billion men in emerging markets, who use double-edge razors. Market immersion was critical to development, wherein a multi-functional innovation team spent thousands of hours with consumers in India and other emerging markets. We learned that they valued safety, ease-of-use and affordability above everything. Thousands of men helped shape the product – participating in interviews, in-home visits and test-shaves to fine tune the razor's performance. As the first Gillette product designed for men in emerging markets and especially India, Gillette Guard is one of the most significant launches in Gillette's history. The product provides Indian men the price of just Re.1 or a shave, via a product that is designed just for them.

Over 2010 – 11, Gillette also introduced its Skincare line-up in India, stimulated and designed based on Gillette's deep understanding of male skin. Inspired by the 600 million men globally, who trust their faces to Gillette, coupled with P&G's skincare R&D strength, the new line-up offers effective solutions to male skin, focusing on the core steps of cleansing and moisturizing. The Skincare range is an array of superior innovations and includes Foaming Wash, Face Scrub, Facial Moisturizer and Lotion. This is a significant milestone for Gillette and its consumers, as this will represent the entry of a male grooming brand leader into the skincare category in India.

With the introduction of such ground-breaking products across segments, we ensured that we reached out to a fresh category of consumers and fortified our commitment to existing consumers.

#### ***Innovation guides our communication success***

Innovation is not restricted to the products we deliver; it is also entrenched in our communication strategies. In this regard, I would like to highlight two very relevant examples for our brands Gillette and Oral-B.

Gillette's third edition of the Shave India Movement, sought to introduce the concept of shaving everyday as an essential part of male grooming by introducing a variant of the widely-acclaimed Mach3 family – Gillette Mach3 Turbo Sensitive, containing aloe that enables men to shave the most sensitive areas of their face with less irritation. The campaign success lay in its ability to generate widespread conversations among men and women around the topic of shaving everyday. The resoundingly successful campaign has won two Silver Medals at the prestigious international Cannes Festival, strengthening Gillette's market leadership.

Oral-B partnered with dentists across India to launch the Smile India Movement, raising a debate on the lack of basic oral hygiene in India, seeking to create awareness about improvement through simple measures like brushing twice daily, brushing for a minimum of two minutes and visiting the dentist regularly. The partnership also provided Free Dental Check-Ups to consumers. In fact, the campaign was so successful that 10 million consumers pledged and 10,000 dentists came on-board to support Smile India. The initiative resulted in the highest-ever share for Oral-B, as well as stronger equity amongst Indian consumers.

These simple yet powerful examples are testimony of our commitment to our purpose to leverage innovation to touch and improve the lives of more consumers in India.

### ***Innovation guides our sustainability success***

Innovation also guides our sustainability efforts. I would like to re-iterate that your company is committed to growing sustainably through our flagship Corporate Social Responsibility Program – Shiksha; helping millions of underprivileged children access their right to education. I am proud to announce that your company's brands Gillette, Oral-B and Duracell are an integral part, enabling Shiksha to nearly double its reach this year, touching and improving the lives of over 280,000 underprivileged children across India, by building tangible educational assets of schools. Shiksha now supports 140+ schools, making a cumulative donation of Rs 22 crores in the last seven years.

Speaking of sustainability, I would like to highlight the environmental sustainability efforts of our Bhiwadi Plant that we are present at today. Our innovation process is focused on reducing environmental impact across entire product life-cycle, with a focus on our operations and manufacturing processes. For instance, the Bhiwadi plant has today achieved milestones such as being a 100% Water Discharge Free Plant, 100% elimination of solid waste disposal & land filling and over 20% reduction in Energy and CO2 consumption.

### **Our Results**

Thanks to these holistically innovative efforts, we have ended another successful year. I would like to share this with you, our valued shareholders.

Your company has once again delivered robust business performance during the year, delivering sales growth of 24%, higher at Rs 1, 057 crores from Rs 852 crores previously. The PAT stood at Rs 86 crores (vs. last

year's Rs 137 crores) and PBT stood at Rs 134 crores (vs last year's Rs 213 crores). The profit decline was due to significant investments in distribution expansion for future growth opportunities.

### ***Beginning with our personal grooming business***

The personal grooming business recorded yet another exceptional year of high growth with sales recording Rs 709 crores vs last year's Rs 593 crores, increasing by 20%, marked with the introduction of new products and strengthening our distribution network to reach out to newer consumer categories. In addition, the company's commitment to innovation has been rewarded by consumers with Gillette achieving a value market share of almost 50% for the first time ever in the Indian shaving market.

### ***Our oral care business***

The oral care business showed significant growth with sales at Rs 293 crores vs Rs 218 crores in the previous year, delivering a 35% increase, again, driven by distribution network expansion and heightened consumer communication, enabling the brand to grow across different price tiers.

### ***And finally the portable power business***

The Portable Power business stood at Rs 55 crores from the previous year's Rs 41 crores, registering robust growth of 34%. The continued demand enabled Duracell to maintain its leadership in the alkaline segment.

### **In Conclusion**

The power of innovation lies in its ability to turn even strangers into consumers and consumers into advocates and I do believe that our efforts have been successful. This bedrock of success makes us confident of seizing opportunities to further consolidate our position as one of the fastest growing companies in India. Innovation will continue to be at the helm as we serve more consumers more completely. And we will continue to invest in propositions with a long term potential in mind.

Lastly, I would like to thank our consumers, customers, employees, business partners and YOU, our valued shareholders for your staunch trust and confidence as we continue to maximize shareholder value. Together, we will continue our journey towards touching and improving more lives in more parts of India.