

Headline: 'We have clearly outperformed most of our industry peers'

Description: Our MD Vivek Gambhir shares his outlook for GCPL and how much demonetisation has impacted overall company growth

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ET Now: There is some bit of an impact of demonetisation that has been seen and felt by your company, what has happened in the quarter? Can it change in the quarters ahead?

Vivek Gambhir: Clearly, every single company has seen an impact because of demonetisation. Our performance has been better than the industry and from the results we have clearly outperformed most of the peers in the industry. We started the quarter on a strong note with double digit growth in October.

Post demonetisation we did experience acute pain for a couple of weeks but then December picked up nicely with positive growth so we did end the quarter with 2 per cent secondary growth and so far January has been much better than what we saw in December. So while there was pain from demonetisation, we have done a lot better than most of the players in the industry and the recovery has been faster than what we had anticipated.

ET Now: Some dealers and insiders are of the view that things will only normalise in the next one or two quarters, how much restocking will happen and what will happen to de-stocking, can you elaborate on these points?

Vivek Gambhir: We are seeing replenishment, we are seeing restocking by the dealers but the dealers are not going to restock unless they see improvement in off takes. So a lot of the growth does get driven by improved demand, improved off takes. As the off takes improve it creates more demand for inventories within the system so the entire chain actually reacts to consumer off takes. As off takes are improving, consumer demand will normalise quicker.

There are some challenges in rural areas where some of the smaller wholesalers might be struggling to reinvent their business model, but at the same time, we are seeing good growth in urban areas, particularly in modern trade. Our modern trade business grew by 33 per cent last quarter, that was the best ever growth we have seen in that channel.

Urban is picking up, rural also is now picking up though a little bit more gradual but we do believe that the situation will improve over the next couple of months. Our secondary growth rate was 2 per cent, our primary growth rate was flat,

which essentially means that our inventories are being managed quite tightly and the situation will improve over the next couple of months.

ET Now: Where do you see segmentally recovery coming in fastest or do you think it is going to be more lateral and across the board whenever you see a diminishing impact of demonetisation kick in?

Vivek Gambhir: The slowdown because of demonetisation impacted all the categories. We don't have a higher salient winter portfolio, which may have seen some near term benefits but across the board I think the bigger trend was a difference between urban and rural.

Urban, picked up faster than rural but there is no single category which has performed better than the others the pickup will be much more secular in nature and in January we are seeing a nice pickup across all our categories; in insecticides, in hair colours and soap, in air fresheners. Q4 will be much better than Q3.

ET Now: At this juncture, your global business which has been in a sweet spot, could that be a challenging bother in coming quarters?

Vivek Gambhir: The international business is on a very strong wicket and this is where our portfolio is playing relatively well for us, with 50 per cent of our business international, our business delivered a 28 per cent constant currency growth in spite of a lot of economic challenges that we are seeing across emerging markets.

Africa, 19 per cent organic constant currency growth, Latin America, 24 per cent constant currency growth, UK, 16 per cent constant currency growth, the one soft part of our portfolio was Indonesia. It has been soft for a couple of quarters but we expect that business to also improve over the quarters ahead. We have a fairly broad portfolio with some very interesting essential categories that we play in with very strong market positions, we believe that international will continue to perform very well for us.

ET Now: What the pricing strategy is going to be with the reeling effect of demonetisation and your input costs rebounding, so what would be the pricing scenario in say the next one to two quarters?

Vivek Gambhir: We will have to wait and watch and see if we can take some calibrated price increases. Focus will clearly be on volume growth and what is encouraging, in this quarter with 0 per cent of flat primary reported growth our gross margins increased quite nicely and even our EBITDA margins increased very nicely in our Indian business.

We are continuing to drive margin expansion on the back of gross margin improvements. As we look in the quarters ahead, as input costs go up the first focus will be on trying to reduce our costs but areas such as soap we have already begun taking some price increases and we expect a certain amount of price-led growth to return back in the market but the focus will be on volume shares.