"Godrej Consumer Products Limited to discuss GAUM Business Performance and Strategy"

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Moderator: Ladies and gentlemen, good day and welcome to the conference call of GCPL to discuss GAUM Business Performance And Strategy hosted by ICICI Securities. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniket Sethi from ICICI Securities. Thank you and over to you Sir!

Aniket Sethi: Thanks Rutuja. Hi good afternoon everyone, thank you for joining in. It is our absolute pleasure to welcome you all to this call. I will just hand it over to Pratik Dantara, AVP, M&A and Investor Relations to do the introductions and take the call forward. Thank you and over to you Pratik!

Pratik Dantara: Thanks Aniket. Good afternoon everyone. We have on the call Dharnesh Gordhon - Cluster Head for GAUM, and Sameer Shah - CFO for GCPL. What we would like to do is straight away get into Q&A because we just have just an hour. We will wait for couple of minutes as people line up for the Q&A and then we can take them one-by-one.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Hi Dharnesh, it is a pleasure speaking with you again after a gap of almost a year. Dharnesh I just wanted to kind of take the strings back from there and pick it up from there, you had highlighted them that effective distribution was one of the most important lever that you had identified for driving growth, now since then obviously we have seen very strong constant currency growth span out, but competition has also normalized and I would assume that the easy gains from that investment are largely behind us, could you give us a sense on how do you see growth kind of trending as we move forward and what gives us confidence in sustaining the growth momentum?

Dharnesh Gordhon: Firstly, I think the view that competitive intensity has changed, I am not sure. I think what happened over time is the big players got stronger across the key geographies and for example we believe that driving availability of product, driving numeric distribution has definitely given us gains in the early days, but it is something we continue to sustain, so we have got more than two-and-a-half times the numeric distribution or outlet coverage that we had in the early days of 2020. So I think we are building a far more robust ecosystem of sales which goes back to availability of our product portfolio to consumers.

Avi Mehta: If I understand you said it is essentially availability of product that has been increased and, on the distribution, reach the gains are still to continue. Would that be fair or would you kind of be able to give us some guidance?

Dharnesh Gordhon: It is a journey., Building this ecosystem of having numeric distribution in very select geographies to having a wider expansion is a long-term investment, which we believe will certainly bear fruits because once you build an ecosystem and you carry on enhancing it, then you are really set in terms of portfolio etc., so building this is the key foundation to building the portfolio that way. We are more than just a hair business or a hair care business we have opportunities across a wider range of portfolios.

Avi Mehta: So sorry Dharnesh what I was trying to get to is if you remember, the last time when we had discussed in March 2021 you had said over the next 18 months we would be focusing on driving the distribution reach and then you would go to the next phase so I was trying to appreciate what the next phase would be that was what I was trying to kind of better understand?

Dharnesh Gordhon: I think the next phase is broadening our portfolio. For example, in our Africa businesses we have the hair extension business and our basic FMCG portfolio which includes hair care, household insecticide. These kind of product portfolios are very small contributors to the overall business, but these smaller contributors are definitely seeing massive acceleration within our FMCG portfolio.

Avi Mehta: The second bit was essentially on the margin kind of commentary and would you be able to give us some sense on how do you see EBITDA margins over the next two, three years or four, five years, last time you had said 17% to 18% but I believe things have changed from there on so any guidance over there?

Dharnesh Gordhon: I think there is two parts to this question, I think the whole world has gone crazy, commodity pricing, etc., and hopefully the stabilization happens with oil price, etc., because a lot of our product is oil based and managing pricing has been key. Obviously part of this whole margin issue is the issue of currency and managing the currencies in a careful way, so the view is there are things that we can control, we can control our own pricing, gross margin protection, etc., at the same time we balance our growth opportunity, but also look for internally in a business where are more efficiencies, how do we get scale from efficiencies, which absorbs fixed cost, operational cost, and I think we have actually reduced some of our operations because sweating more assets, utilizing more capacity rather than expanding capacity, challenging capacity norms. I think bottomline profitability is a mixture of managing your input pricing and your consumer pricing well, but it is a lot of effort in terms of optimizing or becoming more efficient in a way we run the business.

Avi Mehta: Okay perfect, I will come back with the other questions. Thank you very much for this.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi! Good afternoon. Before I can squeeze my question looking for some basic sales breakup of the GAUM business. Firstly, what percentage is US, secondly ex-US what is the split between the main segments which is your dry hair care, wet hair care and others and also if you can give some idea as to over the last two or three years which segment has grown faster and how this mix has changed that would be very helpful? Thank you.

Dharnesh Gordhon: Sure, if you do not mind I will let my colleague present some of that input to you.

Pratik Dantara: Broadly US is about 20%- 25% of our business and within the whole GAUM cluster the West Cluster which comprises of Nigeria and Ghana would be about 30%- 35% followed by South Africa which should be in the range of about 25%- 30% and the rest of it will comprise of primarily Kenya, but some of the other smaller markets as well and from a category perspective about 55% should be dry hair and the balance should be FMCG and within that wet hair is a big part. .

Percy Panthaki: This 55% dry hair the denominator here is only Africa right it does not include US right?

Pratik Dantara: Right.

Percy Panthaki: So basically within Africa it is 55%, 45% split between dry hair and FMCG?

Pratik Dantara: No, GAUM as a whole has 55% dry hair and 45% FMCG, hope that answers your question.

Percy Panthaki: I was looking for the category split ex-US?

Pratik Dantara: US is primarily wet hair so it will be a part of the 45%.

Percy Panthaki: Can you tell me how these categories have performed, has dry hair grown faster, has wet hair grown faster over the last three years and rough growth rates if you can give me over a CAGR basis?

Sameer Shah: So we do not selectively share the cuts of categories especially in terms of growth rates but we can share with you is in the last I think now 10 to 12 quarters both the categories which is dry hair and wet hair would be growing in double digits and I am just looking more at ex-US business because US per se would have grown at a growth rate which would be much lower than African markets, but in Africa both the categories were grown in double digits and directionally FMCG would have grown at much faster pace than dry hair.

Percy Panthaki: Dharnesh if you can just give me separately for the dry hair care and the wet hair care business what are your top three priorities or action points for each of these businesses separately?

Dharnesh Gordhon: Let me start with wet hair. I think when we talked about driving distribution we have a basket of what we call if you take the broader term of FMCG portfolio and within the FMCG portfolio one of the important consumer touch points is the ability to serve the needs of women of African origin the challenges they have on their hair. The hair challenges beyond the hair extensions. So caring for the hair, moisturizing, the issue of scalp health, etc., we have a very interesting portfolio which I think over years was developed originally out of the US, but we managed to translate that into Africa, so that portfolio is where we are seeing the biggest opportunity, but the play is very much a typical FMCG play, investing behind consumer communication, investing behind sales and distribution was obviously the right product portfolio that consumers value and it is strong double digit, it is very strong double digit growth across over the last 18 months. When it comes to the hair extension business there is a lot of changes in the market I think when you look at the impact of inflation you look at the impact on people's incomes, etc., they are part of the portfolio, there are more that changed the core of the portfolio is what we call braids and there is other part that is more discretionary more fashion-like and becoming more in the trials you face and the consumer challenges you face, you need to become much more smarter in the way you drive your scope of your portfolio. So improvement in sourcing of the raw materials, improvement in manufacturing, etc., and coming up with new styles that are more value-based styles rather than higher discretionary style. So we are seeing slight shifts in the hair extension portfolio, but it is going back to more core rather than more high fashion.

Percy Panthaki: Last question from my side household insecticides has been in Africa for quite a few years but has not really scaled up so what is really stopping this business from becoming larger than what it is today?

Dharnesh Gordhon: My first answer is that is nothing and if you guys see what we have done now in our West Africa business and Ghana and Nigeria were our trust markets and if you look at the growth in Nigeria, I was just there last week, it is really exceptional. Our Goodknight brand is growing very well, consumer acceptance has been really good, I think we also have a format that is differentiated, we have an offering that is very differentiated from the normal players and our share gains have been really, really very promising over the fairly short period that we have been strongly in the market. So the play has been around eight, nine months in totality, but the acceleration of the last six months our share of consumer recall on our marketing efforts very, very interesting and now also most of the products actually being produced in Nigeria in our factory which also give us a much more better advantage and it is a very different play to the usual household insecticide. So I think finding the right portfolio, finding a point of differentiation rather than being me too products with everyone else was key but we also realized that in some of these categories no one has done the category development work. In other words people know that household insecticide is something I need, but educating on choices is something that was not really done in fact all the players in and I am just using West Africa as a good example, South Africa is a different challenge, it is a much more developed category, but it is an underdeveloped category although the product availability is there so it is a very interesting dynamic and I think given our experience and category knowledge I think we have a role to play but definitely very promising results and maybe one day if you talk nicely to Sameer he can show you some of the numbers of where we are going and it is really for me quite encouraging.

Percy Panthaki: Sure, thanks a lot that is all from me.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: My first question was that a few quarters back I think Sudhir in one of the presentations he made highlighted one of the key issues as complexity Could you kind of talk about what level of complexity reduction are you looking at and as you do that could there be some negative impact on growth because we will probably be looking at sales and some markets maybe moving into a different model so what does it mean for growth as well as profitability?

Dharnesh Gordhon: I think this issue about complexity and when you look at the portfolio that we have that we had over time across the different markets what does complexity brings you. I think we were trying to do many things, rightfully, wrongfully, but we are trying to figure out what and where are the areas that we could really expand, what are the opportunities, so when I look at portfolio complexity, SKU complexity, all of these things and just think about simply what is it that we have. Most companies across and I just used Africa in my previous experience most successful organizations have three or four hero categories with three or four hero SKUs itself, now given our portfolio and the breadth of our portfolio there was definitely a need to optimize, to rationalize the SKUs in order to drive simplification on the ground because if your goal is to drive availability you cannot have a sales guy taking 200 SKUs in a basket trying to drive into the outer lying regions of Northwest Nigeria for example. So I think to be honest most consumers in these markets they do not need 500 items to choose from, you need a value proposition in two or three SKUs and actually I feel yes we will do more because our ability to focus and I am using the most lowest rank of a sales guy his ability to sell 10 SKUs are far more powerful than when you start clouding him with 50 SKUs in your basket so I think that kind of complexity and obviously the manufacturing supply chain complexity is something that everyone fully understands it, if I could get high economies of scale driving one SKU and running a factory 24 hours and would let us change over time there is money on the table there so I think that kind of complexity we get it is very interesting actually it is about the share of mind as well of the teams and you see this over across a year the really successful multinationals have done the same if you look at each of them have a core range and ability to keep that focus and have the discipline has the positive results in the end, this has been my experience and I see that some of the stuff we are doing already now is beginning to play out in a right way.

Arnab Mitra: Just a followup on that, are you in the initial phase of that simplification and therefore lot more to happen in the next 12 months or have you already done a significant part of it?

Dharnesh Gordhon: I do not know if it will ever end but definitely we have got to take some really tough calls and in some of the markets and I am actually seeing the positive results of the tough calls. When you make these tough calls you are always like okay what will I lose but actually further accelerating your key SKUs and losing your bottom SKUs actually brings you more benefit and it is very interesting actually the consumer if you ask the consumer out of two or three packs maximum in this category and that brand is all they want so you have to understand what is your positioning of the SKU. In some brands to be honest we have 20, 30 SKUs in a particular category where we ask ourselves a simple question did any consumer even ask us for it or did we always have this because we always have the new brand manager who decides to launch a new SKU it is kind of the acid test of what you need to position yourself with.

Pratik Dantara: Just to add to what Dharnesh is saying. I think broadly for each cluster ex-US we probably will have about 2000 SKUs across dry and wet. I think the idea is that if I take one example of Kenya we kind of have reduced the number of SKUs to half from where it was and the plan is to kind of simplify and reduce it further. So I think the whole momentum around reducing complexity and improving productivity is very much on track though it is kind of differing across markets.

Arnab Mitra: One followup question on the Home Insecticide question that was previously asked so one is the initial two markets where you said the traction is pretty good versus rolling out in other markets in terms of registration timelines your plans over the next 24 months how would you see your geographical footprint?

Dharnesh Gordhon: In the next few weeks we are going to have a strong rollout in Ghana as an example on Goodknight. We also need some interesting plans in other markets where we are growing I think the big one if we got to track is we can track South Africa which is a very tough Household Insecticide market obviously every player in the world is there, but if you look at the Middle East we are growing across our HIT portfolio. In the Democratic Republic of Congo we are growing and this is all new green shoots that are coming up but Nigeria is the one to win, if we really win there and the scale up, we would get there . The challenge is again this issue of while some of the markets have to fix the complexity issue, I do not want to throw new things at them to be honest because you need the muscle power, you need the brain power to drive the execution, but Nigeria so West Africa, Middle East we already for example number two player in the UAE already which is small market but it tells us what we can do and the fact that we have products that are winning proper consumer propositions. So I think it is a long road. We have just introduced liquid vaporizer which I think is another really interesting play and we are going to introduce this even in East Africa now so it is more the upper end but there is a consumer pain point that we think we have a solution for and if we put enough focus and investment behind it. We think there is another opportunity to have another winning portfolio.

Arnab Mitra: Thanks so much. That is it from my side.

Moderator: Thank you. The next question is from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah: I just wanted to check if you can talk a bit about the progress of building retail infrastructure in Nigeria specifically I recall you had highlighted that the numeric distribution that you aim to achieve in Nigeria was about 40% and about 85% to 90% in South Africa where are you in that journey currently that is my first question?

Dharnesh Gordhon: If I can take Nigeria in 2020 we were reaching directly about 10,000 stores, today we are about 80,000 stores, and by mid next year we have a plan to get to 120,000 stores. Now the way we are doing this is one is we are expanding our what we call key distributor model and related to the key distributor model is an ecosystem which includes sales motorcycles and salon ambassadors because we also have a salon program on the hair extension which we also expand into our hair care portfolio and I would say which then drive into sub distributor model, etc., so I think that will only take us to about 25% of the universe and this is over a three-year period but we were coming from the low teens, it comes with investment in sales distribution, it comes in obviously investment in brands, etc., also comes in investment in the right information technology system because once you are able to track and monitor your sales records and understand the cost to serve models that you are doing with the appropriate tools then we know where we are spending the money. I think this is one of the concerns, it is easy to just drive distribution but if you do not understand your cost to serve and you make sure that you are getting the right return on the sales investment and some of this is coming from a lot of training, we need to become more training organization in sales, so some of the efforts where we are building sales academy, we are building our sales people capabilities because it is more than just transactional play and I am very encouraged by what we have seen and I was there last week seeing some of them and to be honest one of the reasons why we succeeded in our Goodknight launch and why we continue to get traction is if we did not have this van sales model and the outreach program with these ambassadors walking the streets I do not think we could have achieved the numbers that we are getting.

Mihir Shah: Understood fantastic to hear that and I think there is a long way to go if you are only just doing 25% in the next year, so sustainable growth mid-teens can be granted right, it should be taken for granted that mid-teens growth is not going anywhere at least in the near future on an overall basis?

Dharnesh Gordhon: You sound like my boss who thinks just give me a target, I have been on this role before, the issue is that the opportunity is there I think it is about focus and it is about a very calibrated effort because I can get 50% growth in year one and I honestly mean that but is the sustainability, is the right governance in place, is it a healthy growth and I think being able to balance growth and governance when we grow is really important because many people become superstars in one year and they collapse the next year and I do not think that is what we want to do, sometimes you just got to say no, sometimes I tell my guys they will not sell and it is like the growth is there but let us make sure and I think that is what will define our success over a long period is also balancing the discipline because the opportunity is there, but you have to manage your cash right, you have to build a credible ecosystem that is not just opportunistic wholesaler who will buy 5000 cases of a product today and you do not see the guy for the next two years and I do not think that is kind of the business we want.

Mihir Shah: Secondly if you can talk a bit about earlier you had highlighted that you were implementing a centralized category management structure and that is also a very integral part of your core sustainable growth so how is it and as I recall that you were also highlighting that you are getting good talent now versus what Godrej Africa was earlier, so how is that really shaping up where are we in that journey, could you give some insights it will be very helpful?

Dharnesh Gordhon: The first thing is that the kind of talent we have and honestly I was last week in Ghana and Nigeria and the privilege of having Nisa joined me there and I think she herself is also excited because the kind of talent we are bringing in now, the level of professionalism, the experience it is really, really encouraging and it shows you that with the right people anything is possible, but at the same time we cannot always have to look for talent outside we have got to and I think we need to invest more in capability developing and when you build local talent just to tell you for example my new CEO in Ghana he has been three months in the job and he has done an amazing what I saw from hygiene, from the right things being done, the right focus areas and he is a Nigerian he was Head of our FMCG marketing he is now taking up the CEO job, so really giving local talent opportunities and especially people with the kind of experience that they come with is such a positive. I think this issue with the central teams it goes back to what is your ability to focus and just to give you a reason and I think when we talked about the number of SKUs and at some stage we have such a proliferation of SKUs for example in Kenya one of the reasons why it happened is the local team were just developing stuff without having maybe a broader category knowledge or having the discipline, so I think a lot of that is can we focus on a category of SKU, etc., and scale it across the continent number one. Number two is if the communication has to change for example a piece of communication marketing communication in Nigeria is very different to the way a Ghanaian will accept the communication so we rather tailor that part but the actual product why do we need a different formulation unless there is a regulatory reason so I think centralization has brought that has brought what we need to build was more deep category knowledge and not everybody is being a hustler without really understanding why does somebody use it this category, what are the triggers to consumption, what are the triggers to purchase, that kind of depth of knowledge was something that was being kind of diluted across the way we were operating in before. Now what we are doing is creativity must be in execution not in developing products, etc., so the local teams focus on driving execution on agreed activity. on agreed launches, etc., and the other team really figures out what is the best household insecticide which will have the most efficacy, what is the right piece of communication, what kind of value proposition, what is the competitor set, all of those things can come from a central repository of knowledge rather than trying to be dissipated over across so many geographies and we found that we were not getting enough knowledge we got really good hustlers who are trying their best but did not have the depth of knowledge that you should have to be a category champion in markets.

Mihir Shah: Given that you were anyway having a structure and you are trying to normalize the SKU and reduce the complexity I am not entirely sure if this my next question will be fair but I just want to understand how are you looking at the cross pollination opportunity you already have an existing portfolio and I recollect last year when we spoke to you, you had just launched Mr. Magic handwash in South Africa so would it be fair to understand the cross pollination opportunity maybe at the backseat at this point of time as you kind of reducing the supply chain complexity and driving all that you just highlighted or will it also run parallelly along with it?

Dharnesh Gordhon: I think this is the key for example if I have a head of household insecticide from a total Africa, US, Middle East who is basically looking for category opportunity, sizing the opportunity, building the playbook for a country to launch. So for example let me give an hypothetical case if we think that across Africa there are five key countries that we should launch Goodknight, what is the size of price, where the white spaces, what are the right pricing, so this kind of work is done in a central level and I think if you ask each country to go and search for their own opportunities we would not have the kind of depth of knowledge or the kind of weight of team working on it because it will be diluted then the playbook is that each of my market heads will have to sign up a contract where we say the central team serves the idea, the local team says okay we are good with this we commit to execution these are the timelines. So I think that working together has been not so easy because you are changing the way people watching the past, but I think with the team I have today and especially recently I am feeling more comfortable that there is a level of cohesiveness, what necessary positive attention that you need in teams to get that focus so I think it is kind of somebody is studying far apart and looking for the opportunities and going hey you know what by the way in Ghana we think you have an opportunity we have a value proposition that makes sense we have a kind of a communication piece that could be tailored to the local market do you miss the customer want to buy it that is how the kind of way I am getting the teams to work together.

Mihir Shah: My last question is on margins, we know that the aspirations are somewhere in mid teens and your glide path to margin is called out by Sameer and team that there will be 150 basis points of margin expansion in GAUM region; however, I just want to understand if your wet hair care portfolio has been growing quite well I am assuming your wet hair care portfolio margins and your HI margins are far superior than your dry hair care but then the mix improvement in the margins is still not visible as much is there anything that we are getting it wrong, are we triangulating in a wrong manner, what is the real reason for margins to continue to remain in a subdued despite the sales portfolio mix improving?

Dharnesh Gordhon: Look my simple answer and I will let Sameer and the team answer more but my simple answer is this. If in my ideal dream world I had the currency where it was two years ago in most of my key markets today we will be celebrating 600, 700 basis points improvement of margin and I think this is a challenge. So what isnt within our control in input costs, what is within our control is controllable cost , driving efficiencies, driving a better mix because actually on a like-for-like basis we have a far more profitable mix today; however, when you are buying something that is like raw material that are dollar based when you are having a currency devaluing 25% - 30% you can imagine the challenge, but look I also understand that is how business is. I think the reason why you are not seeing it now is if we have more stability on key oil pricng, etc., and if you look at just freight cost thousands of containers going all over in any month we look at freight costs the container was 7000 dollars a container to 21000 at the peak, we expected a freight increase but nobody thought it would be three times more, so it is not an excuse, but I think that is something that we are very, very well aware of and sometimes we just got to know the long game is definitely having a portfolio that consumers value but also have a higher better profit mix because that gives us more money to invest behind the consumer and driving more distribution.

Sameer Shah: Just to add I think the strategy of simplifying dry hair and amplifying the FMCG portfolio is working very well actually over the last two years both in terms of mix and also its impact on profitability but we are also by the way in the period of inflation generally which has resulted in lag between increase in input cost as well as end consumer pricing and in some of the African markets who also have currency depreciation which is part of your inflation so that has actually taken away the entire shield from otherwise what would have been highly profitable mix and a meaningful kind of expansion in margins over the past couple of years.

Mihir Shah: Got it that is clear Sameer thanks so much and thank you Mr. Gordhon wishing you all the very best.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Hi Dharnesh thanks for the insight so far. You talked a lot about reducing SKU complexity I was just wondering if you have plans to reduce footprint or exit any of the smaller markets to reduce geographical complexity here?

Dharnesh Gordhon: Actually my answer would be no and no means I am not going to reduce geographic footprint but I am going to reduce complexity and I think the way to answer this is we do not have to be colonialists we do not have to put a flag operation in every country and I think we have done some of that not so well in the past I think the fact that our category and our products have value in a market we have to find other business models and one of the big steps we are taking right now is doing a thorough revision for example today in the DRC and I just use a simple example hypothetically we are selling x amount it does not stack up that you would have to put a CEO, a supply chain person, a sales person, etc., but if we find credible distributors the right business partners who can take in the product I think there is a light touch model that we are working on but definitely our play in the geography from a flag operation but at the same time accelerating our play from a category opportunity it is kind of the model that we are working on and we have a very clear idea of which countries we should not be have we had a flag operation in, in many of these markets why do you even need a factory in some market it depends on the trading block, it depends on the customs union in East Africa or Southern Africa or West Africa, so a lot of that stuff is happening right now. Obviously from a manufacturing perspective it is not just customs duties, etc., but it is also sometimes it is easier to get a product from Europe into one place in West Africa then from one place in West Africa given the challenges of road connectivity, etc. To answer your question simply absolutely we are reducing, we have a plan for reduce our flag operations in some of the smaller markets but at the same time we are also doing a parallel play of expanding distribution of our portfolio with other kind of distributor partners, etc.

Latika Chopra: The second question if I may you did mention that you get targets from your boss and we all do as well but I was just curious to know what are the key asks you have from Sudhir for scaling up the Africa business, is it more investments, is it more flexibility, it could be more technology, data analytics imports, any thoughts there?

Dharnesh Gordhon: It is everything I think the point is that the more even I myself try to understand this business and has been just over two-and-a-half years understand the portfolio and realize the opportunities we have had and the question is what has stopped us from really accelerating or seizing these opportunities I think one thing is we were complex from multiple levels about who are the key decision makers to decide to move into a market, what is the range, so it was more kind of a wholesaler mindset rather than a strategic FMCG player mindset and all of this comes I think if you ask me singularly what Sudhir really is do we know the consumer firstly meaning what do we invest in with the right product portfolio what is the right consumer investment in marketing spend, in communication, in sales and distribution. So the rest will fall into play and definitely the technology has a big role I think in many aspects of our operations embracing the right level of technology and I think I mentioned the issue about sales selling blind is not a very smart thing to do if you really understand your cost to serve, understand where your SKU optimization, where are the portfolio gaps in your retailer, etc. I think when you start looking at that you realize where the opportunities are so we are doing a lot of these things it is multiple things happening at one time so I think building a sustainable business over period is one but also being faster because these gaps would not stay for long because everybody seize the opportunity and everybody who want to come and seize the opportunity and in many of these markets being a strong first mover has a lot of value.

Latika Chopra: Just a followup since you said being a first mover is definitely advantageous we talked about hair care; we talked about HI any other category from Godrej's portfolio globally that you may want to bring in Africa you see is a business case over next three to five years?

Dharnesh Gordhon: We have a hair color business in South Africa which we have never scaled and obviously we have a hair color business in India. My recent visit to West Africa now and we have never seen it play out as strongly as we are seeing it now I think given the inflationary, the consumer pressure people are even going natural for periods of a time in other words let us say I will put my hair extensions and I replace it every four weeks but I decide that after four weeks I take a week's break and what is happening is that people are coloring and coloring for vibrancy not coloring for gray cover and I think there is some really interesting opportunity and I spoke to the team about this after the visit so I think there is a lot of that kind of opportunity. I think hair color is a very different need for the African consumer but as a product so I cannot cut and paste the India model in terms of the way we market or the way the communication but the product portfolio is something that I can leverage on and I think up to now we have not really understood how to deal with it but it is like very interesting you talk to consumers and they say I want my black to be blacker I do not want my gray to be covered and I think it is a very different play so there is definitely a play there and for me that is exciting definitely, HI is the one that we have to track the most. Honestly I am not sure about soap and I think there is just too many players I am not sure for me it is not my personal focus maybe we decide someday but definitely I think hair color, HI and wet and to be honest I just need this for the next five years I do not want to add anything else because we have enough challenges anyway.

Latika Chopra: Great. Thank you so much for your time today.

Moderator: Thank you. The next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Thanks for this opportunity to interact with you again. I have two questions, one is with respect to HI Market in the GAUM Cluster just wanted to get a sense how big that category size is and what could be the larger split between aerosols and LVs and if you have a coil also over there that is my first one?

Dharnesh Gordhon: I do not know the answers to all your questions except to tell you total HI is probably about $800 million what we can establish the key market is actually South Africa by far the most developed and the most competitive and it is mainly in aerosol. LV is very new and is very upper income in if I take South Africa or even Kenya or a little bit in Nigeria. What I do think is really interesting is our play which is we have launched this thing called Goodknight Power Shots which is a very different play and it is really exciting because it really sets us a platform the regular aerosol player, it is also the kind of campaign and maybe at some stage you can present this kind of portfolio to you guys so you have an understanding what we are playing in, in my dream world I would love to get a share of the South African market but it is going have to come up with something different is the regular aerosol everyone is doing it, I grew up in South Africa and I know how strong the players are whether it is Tiger Brands or any of the other players all are strong and they all are focused because it was the money to be made. Nigeria is for me still the big opportunity and if we crack it in the right way I think we have got something now in our portfolio that is so differentiated and the traction we are getting already is very encouraging.

Alok Shah: Just a followup to that so what sort of distribution changes that we will need to do in order to run this or is there sufficient overlap with respect to that?

Dharnesh Gordhon: If I could quadruple my current van operations and I am just using Nigeria as an example South Africa is a very different place, South Africa is a modern retailer I think you guys know this anyway I think South Africa is more a product portfolio play rather than a sales distribution play, Nigeria, Ghana, Kenya, etc., is still a sales distribution play and we are long way off and if you look it comes with money I need investment even my idea is well I could have another 500 sales vans and another 5000 people but we also got to calibrate this in the right way, we have to find the right partners and we also have to build a competence because it is just deploying an army and sending them all over and not getting understanding our return and what the cost is we wake up with a headache from another day.

Alok Shah: Second question was we have spoken a bit about how do we plan to reduce the complexity focus on core brand than the fashion styling, etc., so any sense, any number, any percentage that you can give in terms of working capital release that has happened over the last 12, 18 months and what sort of capital deployment that we have been doing from that working capital release?

Dharnesh Gordhon: I do not know if the India team wants to discuss this.

Pratik Dantara: The things around working capital inventory reduction is definitely happening while we are not kind of giving out specific numbers but we should kind of see inventory to start off with going down significantly and then the focus there is also on receivables. So overall, its inventory reduction, and secondly focus is on receivables reduction especially in certain parts of Africa where it is pretty high.

Alok Shah: Got it, alright thank you.

Moderator: Thank you. Ladies and gentlemen as this was the last question for today I would now like to hand the conference over to Mr. Pratik for closing comments.

Pratik Dantara: Guys I am sorry but I think Dharnesh got logged off up and we are not able to reach him, but I think it is time to wind up. Thanks everyone for joining the call, if you have any further questions do reach out to the IR team and we will be happy to answer them. Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.