



“Godrej Consumer Products Limited Q4 FY ’21
Earnings Conference Call hosted by Kotak Securities
Limited”

May 12, 2021



MANAGEMENT: **MS. NISABA GODREJ – CHAIRPERSON AND MANAGING DIRECTOR, GODREJ CONSUMER PRODUCTS LIMITED**
MR. V. SRINIVASAN – CFO & COMPANY SECRETARY, GODREJ CONSUMER PRODUCTS LIMITED
MR. SAMEER SHAH – HEAD (INVESTOR RELATIONS), GODREJ CONSUMER PRODUCTS LIMITED
MR. PRATIK DANTARA – A VP (M&A & INVESTOR RELATIONS), GODREJ CONSUMER PRODUCTS LIMITED

MODERATOR: **MR. JAI DOSHI – ASSOCIATE VICE PRESIDENT, KOTAK SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Godrej Consumer Products Limited Q4 FY '21 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. I now hand the conference over to Mr. Jai Doshi from Kotak Securities Limited. Thank you and over to you, Sir.

Jai Doshi: Thank you Aisha. Good Afternoon everyone. On behalf of Kotak Institutional Equities, I Welcome you all to Godrej Consumer Products 4Q FY '21 Earnings Call. I will now hand over the call to Pratik Dantara – AVP (M&A & Investor Relations) for initial introductions. Over to you, Pratik.

Pratik Dantara: Thanks Jai. Good Afternoon everyone. We hope that you are staying safe and healthy. We will be covering this afternoon the results for the quarter and Financial Year ended March 31, 2021. On the call from GCPL, we have Ms. Nisaba Godrej – Chairperson and Managing Director; Mr. V. Srinivasan – CFO and Company Secretary; and Mr. Sameer Shah – Head (Investor Relations).

As is customary, we will start with Nisa sharing her perspective on the business and overview on how we are navigating the current environment.

Nisaba Godrej: Thank you Pratik. Good Afternoon everyone, I hope you and your families are safe and healthy during these very difficult times as possible and thank you so much for taking the time to be with us on this call today.

Let me start with sharing an update on the CEO succession plan which we announced yesterday effective October 18, 2021. Sudhir Sitapati will join GCPL as Managing Director and Chief Executive Officer. I will continue to serve our company as Executive Chairperson. Sudhir's significant experience and passion for building sustainable and profitable businesses allies very strongly with our purpose at GCPL. His value-based leadership style also makes him a great fit with Godrej culture. I look forward to his partnership in unlocking the amazing potential of our company and leading its next phase of growth.

Moving onto the business performance update, let me begin with GCPL's performance for the entire year. Financial Year 21 has been a challenging year for everyone; however, I am extremely proud of our team members and the remarkable agility and resilience they have demonstrated through these difficult times. During the year, GCPL has grown in double digits at 11% and has delivered an EBITDA growth of 14%. We have been able to drive resurgence in household insecticides and delivered full year INR sales growth of 15%. Hygiene (including soaps) continued its strong momentum and delivered a 24% growth for the year. Value for money products have witnessed sequential recovery both in India and Africa, USA, and the Middle East delivering sales growth of 14% for the year.

India also witnessed a double-digit sales growth of 14% led by strong performance in home insecticides, which grew at 16%, and hygiene including soaps, which grew at 15%. Performance in our Indonesian business was soft with a constant currency sales growth of 2%. This was backed by steady performance in household insecticides and significant scale up of our hygiene portfolio under the Saniter brand. Our Africa, USA, and Middle East business saw recovery and delivered constant currency sales growth of 9%. Specifically, in quarter 4, GCPL delivered a third consecutive quarter of double-digit sales growth. Our growth was broad based.

During the quarter, our overall sales grew by 27%, EBITDA grew by 21%, and PAT grew by 20% excluding exceptional items. Hygiene continued its strong growth momentum growing by 38% and we look forward to strongly building on this category in the years ahead. Value for money products grew by 27%. Growth in household insecticides was at 28%. We also saw continued strong growth momentum in the household insecticide and hygiene categories and sequential recovery in value for money products.

From a geography perspective, India recorded sales growth of 35% led by growth across the portfolio. Overall rural grew at 1.4X of urban. The scale-up of the E-commerce channel continues. Indonesia witnessed gradual recovery with 4% constant currency sales growth on a base quarter growth of mid-single digits. We had steady performance in household insecticides and a meaningful scale up of hygiene. We continue to see gradual recovery in air fresheners and are strategically addressing highly competitive intensity in wet wipes.

Our Africa, USA, and Middle East businesses delivered profitable sales growth of 36% in constant currency terms. I am pleased with the strategic focus and growth mindset of the team.

Our consolidated EBITDA margins at 20% decreased by a 110-basis points year-over-year due to a drop in the India and Latin America and SAARC margins. In India, margins decreased by 500 basis points year-on-year driven by the lag between increase in input cost and end consumer price increases, provision of slow-moving inventory on a conservative basis, and one-time variable manpower remuneration reversal in Q4FY21.

We continue to have a healthy balance sheet. The return ratios continue to move up and the net debt-to-equity ratio came down. We are carefully navigating the challenges of the second wave of COVID-19 in India by ensuring seamless supply chain deliveries and closely tracking shifts in consumer behavior to respond to. We are leveraging our learning from the first wave and are better prepared to respond to any supply chain disruption given our ramped-up production capabilities. While localized lockdowns could impact frontline servicing and the replenishment of outlets in the very short term, the second wave is likely to be a tailwind for the hygiene category. Our teams do remain resilient and agile.

As always, our values matter the most at this time. We are committed to enabling the safety and well-being of all Godrejities and serving our consumers and communities with our full hearts and mind. Thank you.

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

Abneesh Roy: Thanks for the opportunity, my first question is on hygiene segment in India, you launched multiple products in wave one and you said in wave two also tailwinds will be there, could you tell us which are the products where you are getting more confidence and which are lagging products where you may take a call? Second, we have also seen lot of consolidation, lot of the new players who entered are exiting or have already exited, so do you see them coming back and you yourself are new in lot of these segments, so is there a long-term opportunity or is it more of a wave two or wave three opportunity?

Nisaba Godrej: Abneesh thank you for your question, I think I mentioned before also what we are seeing is definitely consumers need to stay protected and clean and protect from viruses or other things has become much stronger. We have seen penetration also grow in household insecticides. What we have done in hygiene over the year and as we go ahead is really double down in products where we feel we have strategic advantages whether it is soap, Magic Handwash, and some of the other categories we played in. Last year we had played a few parts of the business like we launched masks and a few other products that we are actually not even relaunching in wave two or focusing on wave two, so I think we have a lot of learning also from the last year on which are these products in hygiene that we should focus on.

Abneesh Roy: In terms of soap segment, market leader in India said two rounds of price hike have happened around 6% to 7%. In your case in the last one year, how much is the price hike that you have taken and are you also planning one more hike and your views on palm oil for the year?

Sameer Shah: I think we have taken 6 to 7 percentage price increase in soaps as you can see in Q4FY21 itself, I think sequentially our price increase would be to the tune of 3 to 4 percentage. The approach which we taken is more of a calibrated price increase and which has worked very well for us because we have seen strong growth as well as strong market share gains and that is the approach we will continue also at least in medium term. This also will be a good opportunity for us to gain market share from lot of small players because they normally sit on the fence in high inflationary environment, we will try to mitigate, I mean some of this kind of gap through structured costing program as well as evaluating pricing opportunities in rest of the portfolio in very short term. The vegetable oil prices are more or less at similar levels. Over next couple of months, we expect I mean those levels to sort of continue. It would be one of the longest sort of bull run for vegetable oil prices, I should say over last kind of 12 to 15 months now, let us see over next three to four months, eventually which direction it kind of takes.

Abneesh Roy: That is very helpful, my last quick question on Africa, any business or any region you have evaluated where it does not make sense from a core synergy, core focus perspective, long term anything you can share at this stage?

Sameer Shah: Nothing Abneesh, I mean if you look at our play, it is sort of in some of the large markets and the so-called kind of Tier-2 markets, so I think geographically and even category wise, the

portfolio looks pretty complete. At this point in time, the entire thinking is in terms of getting growth, putting in building block for growth whether it be marketing campaigns, whether it be filing in new future growth categories as well as kind of driving Go to Market (GTM) initiatives in most of the markets we are present in.

Moderator: Thank you. The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Good Afternoon everyone, couple of questions on this new appointment, so Nisaba what are the areas that you think should be the priority for the new CEO after he takes over are there any thoughts on that you can share at this stage?

Nisaba Godrej: The top three focuses would probably be growth, growth, and growth. I think what we have seen this year and last year I talked a little bit about getting to double digit growth, the resurgence in household insecticides, so I think we have made a good start to it. My expectation is that he comes in and now sort of takes this to the next level, I think we all know his background and sort of category management. He had turned the soap portfolio around at HUL at one point, so really bringing that more category management thinking across the GCPL clusters and strengthening that team is what we would really look forward to.

Vivek Maheshwari: Second on your role, you have been the MD for last few quarters and before that in the early regime as well you played an important role on the product launches and the new initiatives, how do you think about how your role would evolve after Sudhir takes charge this year?

Nisaba Godrej: I think we will have to wait to see how he, once he comes in but I will continue to play the Chairperson role and support him, obviously ultimate responsibility for governance, asking the hard question would still fall on me, but I am hoping that I can continue to support him on all the knowledge I have of the company and given that support, but really let him have the freehand in coming in and seeing what can be done differently. I am also looking forward, my history at GCPL also goes back many years so over a decade and I really felt at that time when I first came into GCPL, it was a wonderful opportunity to actually look at it with very outside-in lens and at the same time my father was the Chairperson at that time and I had a lot of backing from him to go ahead and sort of make bold changes, so I hope I can play that role for Sudhir where he can really come in with a transformation agenda together and I can really help enable it.

Vivek Maheshwari: One last thing since you mentioned about the transformation, so does that mean that the thought process is to expand and get into newer categories?

Nisaba Godrej: I am not launching a food business, that was not the point of getting him I still think it will be really sort of doubling down on growth in some of our core categories, household insecticides, hair care, newer categories like hygiene, air care and fabric care all quite new categories with low penetration across some of their pieces, so I think he can really come and help ignite on those categories. I do not think we potentially might get into new categories, there might be

acquisitions that come up, but I think what we are looking for is good, strong, double digit organic growth.

Vivek Maheshwari: Good to know that you do not want to get into food, so that focus is great, thank you and wish you all the best.

Nisaba Godrej: Thank you.

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

Percy Panthaki: Hi Nisa and team, Good Afternoon, my first question again is on the management change here so when Vivek left, I think as a firm we took a decision that we would not sort of hire anyone else in his place and you would be stepping into his shoes, now within such a short duration after his departure, what really was the thought process behind the change in that sort of decision that we had taken at that point of time?

Nisaba Godrej: Percy I think when we had taken the decision at that time, it was during the pandemic and I did feel that it was not a correct move to bring in someone from outside at that point and that I would run the company myself. We also obviously in these sorts of situations do have some very good internal candidates who could have also done the role. We eventually decided to go with Sudhir and I think the idea was that I would run it for a couple of years and in April '22 when anyway we were going to split, you have to legally also split the Chairperson and CEO role, we would have a successor appointed by then, sometimes it is seemingly good things are happening to you beforehand, you might as well go ahead and do them, so I think that has been the thinking behind this.

Percy Panthaki: Right and on a slightly related note if I look at the three senior positions in your company right now that is the MD and CEO which you recently filled as well as the Head of Indonesia and the Head of Africa, they are all outside hires, so just wanted to understand did you ever consider or do you think there is a concern in terms of what message that sends out internally and whether that is sort of a point that you could address in some way because we have been ranked as one of the best places to work etc., so we do have a very strong internal bench and in that context, three senior positions going to outside guys, how do you sort of look at that holistically?

Nisaba Godrej: Sure, I am happy to answer that, I think Percy if you look at those positions before we got the outside leadership, they were actually filled by internal positions and we have actually taken a lot of bets on very good, young people internally. I think Indonesia was not recent, it was four years ago and obviously the Africa piece was one year ago. I think what then happened is that we have become global as a company quite recently, so the thinking was then to get leadership because we had sent people from India to run these geographies and people who had a lot of experience in India and then at some point we felt when these businesses were not performing to the market we had obviously as you all know have put in a lot of money into these businesses that we wanted sort of the experienced people from those geographies to come and run those

businesses. I think so far those calls have been right and I think as long as people internally feel that we make the right decisions, we equally give people internally a chance but the senior roles we do tend to also benchmark from outside.

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

Arnab Mitra: Thanks for taking my question, my first question was on Household Insecticides, so I think last quarter you had specifically mentioned that we are seeing some return of the incense stick players into the market and that was pressurizing market share again, any update on how incense stick shares are now doing, I remember pre-pandemic these used to have a low double-digit share in the industry, how has that kind of now settled down at, and a related question is a lot of your innovation in Household Insecticides still seems very focused on premiumization like Gold Flash or new segments like the Roach gel, any thoughts on the penetration win, do you need a lot more there in terms of your efforts to drive penetration at the low-income segments?

Nisaba Godrej: I think incense sticks appear at the same level that they were basically pre pandemic. I think what we saw in Q1FY21 was that the supply chain shock was so big that they went out of business for few months; we continue to work very strongly on the sort of legal side, we have actually had a very senior person join us in corporate affairs in the group too and one of his key mandate is to help managing this issue, so that as you know that 80% of our portfolio is in the premium segment or say 20% of our portfolio is what we call non-mosquito where growths have been very high, penetration is very low, so even something like liquid vapouriser penetration went up in the category this year but it is still at about I think 26%-27%, so the headroom in these and the margin profile in these segments obviously gives us a reason to sort of cheer. Obviously, the burning format is not something that we will ignore, and we continue to be the market leaders in coils by far. I think this year I had mentioned it I think in previous call, we do have two products coming against these illegal sticks that sort of compete directly again. We had launched our natural sticks, but they did not perform well from an efficacy perspective (they did not have knock down effect) and hence we were not able to sort of effectively compete against the illegal incense sticks, but I think you will see more from GCPL this year on the burning format front.

Arnab Mitra: Thanks that is very helpful and my second and last question was on new product launched in FY21 under ProClean and Protekt. Could you help us understand how you are doing in terms of either an exit market share that you have or distribution or absolute shares, which can help us understand where you are in these brands and how the first year has gone, and how we should think of in the next two-three years in these two specific brands which you are scaling up?

Sameer Shah: We would refrain from giving very specific kind of inputs, but what I can share with you is that strategically this play of hygiene and extended hygiene within cleansing format is extremely critical for us. If you look at our hygiene portfolio other than India itself I mean last year in terms of saliency was close to around 4% so the cleansing format was off to a great start We will also back it up with more interesting innovation over a period of time to make this play very, very

kind of strategic, and hopefully big, so that is the thinking which we have and again these are the categories which are relatively underpenetrated where we do feel that we have to right to win, if we get the right product innovation and in parallel also leverage our distribution.

Arnab Mitra: So, 4% includes ProClean and the sanitizer, I am just trying to understand what all is counted in that hygiene segment?

Sameer Shah: Yes, it does include both ProClean as well as the entire basket of hand wash and sanitizer.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: I just was not clear on the last question, the burnings category, so is this pickup in HI or is the strength in HI largely on the back of category kind of remaining strong or is it because of market share changes in the incense stick segment, market share changes especially in the burning side?

Nisaba Godrej: We have done well across all the categories, so we have had good growth even in the burning format, like I said we still are the biggest player in coils which is still the biggest segment in burning format, so actually across all segments non-mosquito, electric, everything showed good growth this quarter and even across if we look at it at the full year basis.

Avi Mehta: Let me be little more pointed on this, what I was trying to understand is has there been any change in the competitive intensity from the incense stick manufacturers?

Nisaba Godrej: No.

Avi Mehta: The second bit was on your comment on the second wave, the question is are you seeing that change on the ground on the hygiene and on the discretionary portfolio, any changes yet?

Nisaba Godrej: Not so strongly, I mean April was strong, it was sort of continuation of Q4FY21, but the expectation is that you will have a little bit of a CAGR with some of the categories which have that health hygiene element. Household insecticides having some amount of tailwind and perhaps the discretionary categories having some amount of headwind, I mean given what the situation of the country is and what people are going through it is pretty hard, I do not know. We normally do not say it, but I do not expect people to be very bothered right now about coloring their hair and things like that. We have not seen it yet, but potentially in the first half. The other thing we have also seen is post the wave people eventually did not go back to some of their normal behavior. What we have seen in some of these categories is perhaps a penetration shift or a habit shift that would stay which would last number, so I have given the example of say hand wash before. Penetration might not stay at the highest absolute level because penetration went from 12% to 35%, but it is not coming down to 12% again, so I think we are going to see some of the strength play out.

Avi Mehta: Okay perfect and last just a clarification on the leadership change, if I hear you correctly in the start, the thought is that the focus would be to drive double digit growth and the portfolio

changes, or any changes would be something that would be on the table with Sudhir's kind of expertise?

Nisaba Godrej: No, I think what I said is that I do not see too many portfolio changes happening in some of the mandate that he is coming in with, but obviously not just because he is the new CEO but he will take a relook at the portfolio perhaps say here is where we want to invest more, double down, perhaps this is not an area we want to focus on so I think I will just try to clarify that I would say most of the double digit growth would come from our core categories and some of these new categories like hair care or even this liquid wash where there is a lot of opportunity because penetration is still low.

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

Percy Panthaki: Couple of questions on the performance, I will put them up front, Indonesia what really would it take for us to go back to double digit kind of growth there, and secondly, in Africa I know that apart from the top line growth you are concentrating on margins there also, so could you give some guidance on what kind of margins you would like to achieve over the next couple of years kind of timeframe and also in the longer run what is the stable state margin for the geography that you are foreseeing, I am asking this question in the slightly shorter term context where sequentially we have seen a dip in the EBITDA margins in Africa between Q3 and Q4?

Nisaba Godrej: I will answer the Indonesia question first and then I will also ask Sameer to jump in on the Africa EBITDA because he is someone who has worked on that quite closely. I think in Indonesia side, the growth has been disappointing this year. I think FMCG in Indonesia has not done particularly well this year but let us put that aside. I think where we have done exceptionally well this year is building this sort of 100 crore plus hygiene portfolio in one year and it has been quite strategic. The products have been quite strategic in an area where we have competitive advantage, so I really feel that this is a nice new growth lever for the Indonesia business. HI was relatively good, but again can we push on HI, we have a new sort of what we call long lasting paper burning format launch along with these big General Trade push and we are also doing Magic Hand Wash and bar soap there, so I think some interesting growth levers. I think on wet wipes we totally dropped the ball this year given what happened with the competitive intensity, so we must really recover that business going forward and even in hair care sort of doubled down in sort of the growth to which we had planned even before COVID, so I think if the recovery happens in some of these categories and we double down in growth and some of the others, we should see a good recovery.

Sameer Shah: Percy I think your question on Africa margin, we had shared that over next few years we would want it to be sort of mid-teens to high-teens, I mean those levels is what we would kind of plan for. Of course, it is going to be a journey, and this will perhaps shape up over next kind of three to four years. If we look at current year, I think we will end the year with close to around 10 percentage margins, but we need to also dissect current year into two halves. First is Quarter-1, which was a washout because of COVID and then Quarter-2 to Quarter-4 which was actually

very strong in terms of growth rates to begin with 25 percentage plus and even in terms of margins close to around 11.5 percentage up by I think 150 basis points, so that is the plan. I think it will be driven by scale, it will be driven by costing programs, it will be driven by favorable category or format mix which are going to be the larger drivers to that. In terms of sequential margins what we have to understand is there is a big seasonality in Africa business especially in Quarter-3 which is a festive period and hence in Quarter-3, there is significant scale leverage as a result of which margins historically and also going ahead will be higher compared to any other quarter. Quarter-4 tends to be seasonally weakest quarter and hence there is relative to Quarter-3 a scale deleverages and hence the overall margins would be lower in Quarter-4 compared to Quarter-3. If you look at net margin and that is the other matrix which we track internally sequentially impacting Quarter-4, the net margin which is your gross margins reduced by the trade and marketing investments were higher I think by around 100 basis points compared to Quarter-3, but the entire relative drop is completely driven by scale which in turn is completely driven by the seasonal current of quotient attached to the categories over there.

Percy Panthaki: This mid-to-high teens versus your current levels of around 11% or whatever that is so that is about a 600-basis points kind of expansion over three to four years, do you think that is going to be back ended or should we like expect linear 200 basis points or 150 basis points every year?

Sameer Shah: Yeah, definitely it is not going to be back ended because you need to kind of demonstrate that right from the word go and I think we will see quite evenly spread out and internally the way we are thinking of it is honestly keeping it more front ended than leaving it to late in the day, but definitely it is not going to be back ended. If any it will be more evenly spread out across the years.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Good Afternoon, just had two questions, the first thing you have mentioned in your presentation that innovation rates is in high teens for this year, so just explain that and probably give a sense of on a global level or on India level new products as a percentage of business, how that has kind of tracked?

Nisaba Godrej: I think the rate is very high, around 18% for India and it is very high specifically driven by Gold Flash new machine that we have and that is our biggest product category and I think we mentioned before what we did is that we actually we are pleased because we believe in this product so much and think it is so good, we moved all the other machines we were selling and had kept this as the sole machine in the market.

Harit Kapoor: As a proportion of business, you are saying that how much would the innovation rate be in terms of the last one or two years, will that be low single digits or single digit?

Nisaba Godrej: Yeah, it would be like mid-single digit, depends on year to year and we calculate it, an innovation is an innovation for three years, so it will depend on year to year.

Harit Kapoor: The second question was on the India margins, this year has been a bit challenging, the second half also because you have seen a sharp inflation in vegetable oil, if you could just give a sense of what are the other categories facing in terms of inflation in India and how do you look at the medium term margins especially since you are talking about a calibrated approach, so specifically you know FY22 versus FY21 are there enough levers with you to kind of hold the margin at these levels or just wanted your sense on how you are looking at it?

Sameer Shah: I think the drop in gross margins especially if you look at Q4FY21 was because of one, increase in vegetable oil prices and the lag between increase in input price and then consumer price, I was voicing earlier that strategy had worked very well for us in soaps, reflected in strong growth as well as market share gains. We will continue with that strategy. We have seen relative increase in crude prices also, it is an indirect derivative, but we will be able to mitigate the increase in crude prices. We are also evaluating opportunities on pricing in rest of the portfolio beyond soaps, so let us see how it shapes up. In the interim, we will be also judicious and smart in terms of our spending right, whether it be trade promotion, sales promotion or even marketing investments to see how this overall kind of margin profile shapes up and last but not the least let us see, I mean how the overall commodity inflation especially vegetable oil itself is kind of going to shape up, I mean at least over the next couple of months we do feel that prices should remain at this elevated level, but this has been I mean a good long time of last 12 to 15 months, which is at least unusual compared to some of the previous cycles where this prices have been at such an elevated level for so long, so let us see how that eventually kind of moves ahead. Our sense is I mean at this point in time of course too many variables and moving parts, we should be able to sort of maintain our margins in India.

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

Latika Chopra: Thanks for the opportunity, I have two questions, the first is on the other businesses in the India portfolio which accounts roughly 15% and I believe this will include Protekt, ProClean, and Aer and Easy, could you give us a sense on the distribution footprint for these brands today and how do you see that filling up? Second question was on Indonesia margins, which have seen a healthy improvement despite whatever is happening on the top line, so do you anticipate or see scope of further improvement here on these margins or would you choose to reinvest some of these gains back into driving the top line growth momentum?

Sameer Shah: I think if you look at the entire basket of other categories as you rightly pointed out, it is actually a mix of air fresheners and liquid detergents and the new age hygiene formats. These are categories which are relatively underpenetrated and hence significant opportunity in terms of distribution, but it is not just distribution, it is also going to be kind of product innovation which will kind of get new consumers recruited into this category. Today, we are at overall GCPL level widely distributed in 6 million outlets, 1.3-1.4 million outlets is the direct reach, so I think distribution is quite good. We can very easily sort of have kind of cross sell of categories and brand within our portfolio, so it is going to be combination of both to answer your point in terms of driving strong sustainable kind of growth in some of this emerging basket or categories

moving ahead. In terms of Indonesia's margins, I think to begin with 35% is what was the margin in Q4, my sense is for FY '21, our margins would be hovering around 27-28 percentage mark still we feel there is opportunity in terms of expanding margins. If you track some of the listed FMCG companies, the margins will hover around 30 percentage, so I think a combination of driving sustainable sales growth cost saving programs, getting favorable category mix will be the drivers in terms of scaling up Indonesia margins in kind of years to come.

Latika Chopra: Thanks Sameer, any sense on what would be the reach of Protekt handwash today in terms of number of outlets?

Sameer Shah: Sorry Latika, we would want to keep it little inward at this point in time, we will be very happy to share more details on some of these emerging markets going ahead.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Good Afternoon team and thanks for the opportunity, Nisaba hearty congratulations that the market has cheered the stock price performance today, I have couple of questions. In my mind I was thinking and though you have said you have taken about 7% price increase on soap would you be able to share what is the weighted inflation we are seeing in HI in terms of cost inflation and also in soaps, and how much we have affected the price change?

Sameer Shah: I think in soaps if you just look at vegetable oil prices and look at the replacement rates, I think it is up by anywhere between 40 to 50 percentage. We have taken price increase of around 7 to 8 percentage on sale price. Theoretically, if we had to mitigate with our coverages at this point in time, the entire impact it would still call for 10 to 15 percentage price change. In household insecticides at this point in time as I was calling out to earlier, we are not too worried about inflation, yes there could be a crude impact over there, but I think it will get more than mitigated through driving favorable format mix and will be taking selective price increases in some of the formats within the category.

Shirish Pardeshi: Just related question on the follow-up, these two categories, it would be helpful if you can give this annual number in terms of market share?

Sameer Shah: Well, we have said directionally that we are the second largest soap manufacturers in the country with kind of low teens kind of market share and in household insecticides category, we are nearly half of the market in terms of our market share position.

Shirish Pardeshi: My last question on the Indonesia business again, I think we have seen you have taken lot of activations in terms of distribution and you have also taken some product intervention like you have taken soap last quarter, my broader question is that again where do we see Indonesia three years from now, I mean there are lot of expectation hopes which we had built and there are some things which are changing, but is there any confident answer if you can provide that, is it a product problem or is it a distribution problem or it is an overall economic problem?

Nisaba Godrej: Firstly I think our Indonesia, we have been in the business for 10 years, so I think it has been a very successful acquisition. The categories are very highly overlapped with what we do and we have very strong relative market positions there and a lot of growth opportunity whether it is through GT or like this new Saniter brand. I think as an economy Indonesia ever since we have been invested has also done quite well. I would say in the past year there has been a macro impact if you look at all the peer sort of results that we get, they have not been enthralling; that being said we have been quite open say on wipes, it has not been a great show and something like hair care we have gained share, but we are again over 50% of the category so we need to be actually driving category growth and hair care we have seen all over discretionary categories during COVID have reacted so I am very positive about Indonesia business and again if you look at the strategic position of the business, it is a scale business, high margins, good relative market shares from brands, so I think we can be confident about this business going forward.

Shirish Pardeshi: I completely agree with your thoughts on that business and my only worry is that 10 years we have seen, and we have seen at least many cycles of growth and downs and I think that is one of the important piece when I go back 10 years before when we acquired Megasari and I think it keeps on worrying that some or the other we have some disappointment there, so is it that you guys are continue focusing on that business or we will divest at some point of time?

Nisaba Godrej: No, we will definitely not divest the Indonesia business and I think let us see facts about the business, you guys come here and ask us every quarter about what is happening but there are business cycles correct, even the best companies sort of do not grow, I know how much you all hold HUL and Unilever sort of as the gold mark, but if you look at Unilever's results in Indonesia, they have not been particularly strong this year and please do not get me wrong, I am not trying to be defensive about our business and I do think that perhaps there were things that we could have done better internally, but certainly there is no question of divesting that business and certainly in our eyes that has been a very successful, value accretive, and wonderful acquisitions by any sort of measurement.

Shirish Pardeshi : Nisaba, do not take me wrong, I am not trying to push you to sell the business

Nisaba Godrej: I do not think you can push me to sell the business, I am just and please feel free to ask your questions and all your questions actually make us much stronger as a company. I was just commenting on the fact that keeping Indonesia as a strong business and over the next three-year period that you spoke of, I actually think it will do well and we are not thinking of divesting it.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Just one question from my side on India insecticide business or rather I would say the mosquito repellent business, given that we are at somewhere in the 50s market share, also given the context of the competitive landscape which has been around for the last two to three years, just curious to understand whether as a company we have pushed the market share driver opportunity as much as you would have liked to do. In the context of the thought process is it just the targeted

margin approach or are there any other constraints, because otherwise given the competitive landscape in a logical assumption from the outside is that you should see far higher share there?

Nisaba Godrej: Manoj I am not sure I fully understood your question and I share if you breakup household insecticides correct, if you look at things like electric or aerosol obviously our shares would be much, much higher there then it is in the burning format, but as a market leader I think we have to play in all segments of the market, I think the opportunity as we see is that in the more premium formats like say something like aerosol, penetration is less than 5%, it is non-mosquito penetration is about 8% or 9% and I think the opportunity is to play all formats and probably have a blended approach to growth, I do not expect our burning format even with where these new innovations are biggest hit ever than that will change, but we will see that burning format should grow in sort of mid-single digits and then you drive all the double digit growth through the other parts of the portfolio, I hope that answers your question.

Manoj Menon: Understood, Nisaba where I was coming from maybe I was probably wrong in phrasing my question actually appropriately, what I was looking at was when I look at Household Insecticides as an overall category, I was just looking at it and make that in the next let us say two to three years or even in the medium term. If there is market share gain vector has an added tailwind for you to grow, given the context that you have been the only player that is extreme honestly statement to make, or rather let me put this way, so you have been probably the player who has always been the most innovative in Household Insecticides category particularly with the mosquito repellent so to that extent your shares appear to be a little under indexed versus where it should be given the let us say awareness higher than availability or mindshare higher where it should be?

Nisaba Godrej: No, I think our shares are quite high Manoj, actually in some of the formats they are very, very high, so but I do think there is as an opportunity for share gain, now if you look at Gold Flash in terms of product innovation and stuff, we should be in the sort of medium to long-term gaining share in that product category. I think where our share is still in very, very high double digits is burning format, so obviously if you have a hit product coming against incense stick, that could work really well. We are also relooking at some of our coil strategy so there are products coming in there, so you could potentially see market share growth, but Manoj my bigger focus on with the 50% market share would be really driving penetration, because we want more people protecting themselves from insects and I think that is really the opportunity if you get it right, like I mentioned Liquid Vapouriser is the 25% sort of penetration, how do you drive that up, even I talk about the growth goals I would put that on a very profitable categories, one of our biggest how do you drive that 25% to 50% penetration.

Manoj Menon: Just one follow-up and that is the last question, on the Magic Gel launch couple of years back, which is essentially the was to take advantage of the increased electrification in villages, just the top-down thought process as well as the learnings from that which I think we have discussed in the past ...?

Nisaba Godrej: You are talking about the Magic or the Magic hand wash?

- Manoj Menon:** No, I was talking about the Magic gel essentially the cheaper electric format, the power gel?
- Nisaba Godrej:** That launch actually failed Manoj because people were peeling the power chip off. We corrected it, but then since we had Gold Flash that came about 18 months ago, we only wanted to focus on this piece one at a time but that is something that you might see us bring back again look at pricing in the electrics category to drive penetration.
- Moderator:** Thank you. The next question is from the line of Binoy from Sunidhi Securities. Please go ahead.
- Binoy:** Thank you for the opportunity, this question is on the LATAM business, now this business has been a challenging for us since the past two to three years, we have tried to correct it and then there are certain macro factors which pulls it down. I understand that there are cross pollination opportunities this business has brought for us, but nonetheless in our overall consolidated sales mix, it remains very, very small, so is there any thought to do away with this business?
- Nisaba Godrej:** Thanks for your question and actually over the last two years, this business has performed very well, so if you look at the rates both top line, we are at 17% in INR for this business and EBITDA was like 200 something percent growth, so I would disagree that it is not done well in the last couple of years. If I look at the last sort of five years, I will not say that it has done particularly well. I would rather not comment on any sort of acquisitions and divestments on a call like this, so thank you for your question.
- Binoy:** Second quick question is on the debt repayment; will that continue in FY 22 as well?
- Sameer Shah:** That is the plan I mean, we did see significant reduction in debt and the net debt equity ratio coming down to 0.07, I think in very short term the thinking is to sort of continue with that strategy of repayment of debt, whatever is sort of left from the books at this point in time.
- Binoy:** So, is there a target as to where we want to reach in terms of the gross debt level because right now in terms of the ratio, we are in a very comfortable space plus we are almost net debt-free?
- Sameer Shah:** As I said we would want to, of course for free cash flow you will have multiple avenues, one is to sort of kind of deploy it for growing organically through CAPEX or even inorganically. The other would be rewarding your shareholders and some would be towards repayment of debt Ceteris paribus, the debt I think will keep on sort of coming down.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Thanks for taking my question, most of the questions are answered just give one thing in the second wave, if you could comment on the rural markets in India, what kind of challenges are we seeing because this time seems to be far more penetrated in rural as compared to the last wave and what is the demand outlook for rural?

- Nisaba Godrej:** I do not think I commented earlier I think that April has sort of been a continuation of Q4FY21 so we will have to just wait and watch and see what happens. The situation is so dynamic on the ground and so different state by state, so it is very, very hard at this stage to comment on rural.
- Sameer Shah:** Prakash the other point is I mean while yes the kind of number of infections and cases have been relatively higher this time around in rural and small towns, but we also are expecting a good monsoon and again this with reverse migration should perhaps offset any negative impact coming out of it, so as Nisa said it is too dynamic and choppy but in a way you see tailwinds as well as headwinds right in terms of driving steady state growth. Our view is let us see how at least next few weeks and months kind of shape up, but directionally I think the recovery which we have seen in rural whole of last year should also continue going ahead.
- Moderator:** Thank you. The next question is from the line of Kiran Naik from Mody FinCap. Please go ahead.
- Kiran Naik:** Thank you for giving me an opportunity, I have two questions, first is do you though the company has some SKUs in small packets like to be sold in rural and urban areas, and any new products will be launched in FY22?
- Sameer Shah:** We do have very strong product pipeline and we will continue to see lot of new launches coming in from our end. We were talking earlier of the innovation rate, which is a good metric to track kind of new product launches and that will continue to be very robust. Going ahead, yes, we do have kind of very smart packed price architecture strategy and we also see lot of sachet kind of offerings from our end whether it be in hair color portfolio or whether it is even in the hand wash portfolio, the powder to liquid hand wash sachet which is priced at Rs. 15, so that helps us drive penetration in general and also get us kind of consumer belief in small towns and rural markets, so that strategy also will continue to be a strong growth vector for us in coming times.
- Moderator:** Thank you. The next question is from the line of Nilay Shah from Moon Capital. Please go ahead.
- Nilay Shah:** Thank you, just one question from me on dividends just curious to understand what is the thought process of not giving out a dividend this year and the context of this question is there was some talks last year that going forward the international business that would probably be paid down from the international business cash flows, so given the strong positioning of the company in terms of cash and reasonable performance this year, what is the reason for not giving out a dividend?
- Sameer Shah:** I think the intent was to kind of at least in the uncertain times as we were, I mean at the start of the year to see a mix of deployment over repayment of debt as well as sort of funding organic growth through CAPEX and then also evaluating in parallel I mean organic growth opportunity and alongside kind of reward shareholders. I think the strategy which we choose was during the course of the year to sort of use the cash for repayment of sort of debt, lot of cash also from our international businesses is getting up streamed, so that in a way sort of is getting used as we

speak for repayment of debt which was largely taken to kind of fund those international sort of businesses and we will continue with that approach, we will continue with that mix in terms of ensuring that the debt goes down if there is any kind of interesting inorganic growth opportunity, I mean it could get deployed towards that as well as in parallel ensuring that our shareholders continue to get rewarded. It is going to be a cocktail of all these three in line in terms of deployment of free cash flows.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Two quick follow-ups, so one is on chemist channel and e-commerce, how do you benchmark yourself against the market leader, both are very important in the current context, so how do you shape up versus the market figure?

Sameer Shah: Both channels are kind of growth channels for us. I think chemist was a big retail initiative which the team took last year, and I think they have done a fantastic job. I think in the channel, we saw close to 20 percentage growth in whole of last year, so I think that is shaping up very well. We will very soon get into the Phase-2 of this project. In terms of e-commerce, we have had a great year, again in terms of saliency, we are close to around 4 percentage marginally ahead, you know of that 4-percentage mark and it continues to sort of fire on all cylinders, so that also is going to be a very important channel for us not just in current times, but also for many, many years to sort of come ahead.

Abneesh Roy: Last question on direct reach for India what will be the target next one to two years any target /you can share with us?

Sameer Shah: I think it is going to be a mix of both Abneesh, because as of now we reached close to around 1.3 million outlets. It continues to see an increase, historically we have seen anywhere between 6 to 8 percentage increase in the direct reach, but trust me it is also not just direct reach but increase in the throughput, in the outlets in which you sort of reach out, so it is going to be a mix of both, increase in direct reach as well as how do we increase our throughput in the existing outlets and that is going to kind of drive the overall kind of growth for us.

Moderator: Thank you. The next question is from the line of Binoy from Sunidhi Securities. Please go ahead.

Binoy: Thanks for the follow up, this question is on the recent hire of Sudhir Sitapati, so you know Nisaba you said that in the opening remarks that the top priority is growth and doubling down on growth, now when I look at GCPL as a franchisee, we have done extremely well, the execution has been very good over the past one year? Second is that on the product innovation front, we have been an industry leader, we have a portfolio which straddles the pricing pyramid, so where do you think Sudhir would really add value and how, just to get a better understanding on which are the areas where you are looking at him adding more value?

Nisaba Godrej: I think like I said in the beginning and thank you for your question, I think what I said in beginning same category management, if we look at our household insecticides it is 30% of our

portfolio, it grew 15% this year but if I look at the say last five years growth is below what our aspirations would be for this category and it is now we had a very successful launch in Nigeria this year in household insecticides, so when you have these product capabilities you have this knowhow in this category how do you really sort of build on that in country after country, so I am looking for him to bring some of those category management, academy management, marketing skills to really sort of build on that. I know the market has responded very positively, I cannot account for how the market responds to these things for something that is not even happened yet, but really it is not like Sudhir, I have a very, very high respect for Sudhir, have had wonderful interactions with him and wonderful feedback and frankly today what enthused me was much less the sort of market reaction, worked with him in the past who knows me, who has sent really strong messages of support, but what GCPL does is not only about Sudhir, correct. He has very good experience, he has worked on categories, transformed categories, so to use his leadership skill, to use his insights on consumers and you know combined with our wonderful team and put us on to this sustainable growth path, that is how I am thinking about this.

Binoy: Just one follow-up on this, so are you looking at any changes in the go to market or distribution with him also coming in?

Nisaba Godrej: Look even someone comes from the outside, they will come with an outside-in sort of perspective and I think the best leaders who want to transform the best very clearly understand where are the strengths of the company, what must I not change, what much I nurture really well and where are the things where I see more efficiency or productivity and for a consumer product's company, go to market is our lifeline, so I am sure he will come and steady these in a different markets and have value to add in that area also, and also across the company. As the CEO, you cannot be just adding value on category growth, you have to be looking at it from sort of all angles.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Pratik Dantara for closing comments.

Pratik Dantara: I like to thank you all for joining the call today. With that we would like to draw this call to a close. Stay safe, stay well, thank you.

Nisaba Godrej: Thank you so much everyone, take care.

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