"GCPL to Discuss Indonesia Business Performance and Strategy"

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Moderator: Ladies and gentlemen, good day and welcome to the conference call with Godrej Consumer and Indonesia business hosted by ICICI Securities. As a reminder all 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. Manoj Menon - Head of Research – ICICI Securities. Thank you and over to you Mr. Manoj Menon!

Manoj Menon: It is an absolute pleasure representing ISEC to host Godrej Consumer management today. Good morning, good afternoon, good evening depending on the part of the world you are joining from.

This call is specific for an Indonesia business update of Godrej Consumer Products Limited. The company is represented today from two senior management, Mr. Akhil Chandra – Cluster Head of Indonesia and Mr. Sameer Shah – CFO and Head, Investor Relations. Now over to the management for the opening remarks and then post that we will open it up for Q&A.

Akhil Chandra: Very good afternoon from Jakarta to everybody and I would like to thank everybody for being with us on the call today and I hope everybody and your families are all keeping safe at this time.

As far as Godrej Indonesia is concerned, the business has been witnessing a gradual recovery post a very tough second wave which we had and which has impacted a lot of businesses and companies in this country with a very tough macroeconomic environment. However, we are very actively putting into place the numerous building blocks and initiatives, which we are confident, will continue to drive sustainable profitable sales growth in the medium-term. From a category perspective all of you would be aware that Godrej Indonesia is a leader in all the four categories we are present.

Home Insecticides is our largest category and performance in our category so far has been steady and we have been focusing on both process of democratization as well as premiumization where we are looking to gradually occupy a lot of the white spaces that exists in the category. Those white spaces are quite substantial with coils being about 30% salience and with personal repellents being a 10% salience and our initiatives are basically all get to try and accelerate some of the switches from those categories to where the market is naturally growing, which is towards aerosol and towards electrical products, where we are, by far, the dominant leader. We are also focused to also try and accelerate a place in the non-mosquito space.

Air Fresheners, as you are aware is somewhat discretionary category and we can expect a gradual recovery in this category which we have already witnessed to a good extent in quarter one and we are seeing in quarter two as the COVID headwinds are abating. This discretionary category is recovering and we will also continue building on our leadership position in this category.

As far as Mitu is concerned which plays in wet wipes, we have seen a very significant increase in competitive intensity and have seen unabated price war in the wet wipes business, and we have put into place now a number of tactical initiatives in terms of sizing and pricing and looking at the competitive intensity including retail price indices to really blunt and mitigate that competitive onslaught and we are hopeful of gaining back a lost market share in this category in the coming quarters.

The hygiene space where we had been very opportunistic in terms of launching a new brand last year continues to do very well for us and hygiene is now contributing close to 10% of our portfolio and we are continuing to further scale up our Saniter brand where we are moving from typically the non-personal care part of hygiene to the more personal care side with our launches in soaps and power to liquid handwash, which is an innovation that Godrej has launched simultaneously across multiple geographies.

Equally our hair care portfolio is also scaling up extremely well and we are seeing robust growth in hair care.

As far as our go to market is concerned, we have been focusing on project RISE, which seeks to dramatically increase our direct distribution, but also within the outlets that we are covering, we are looking to further increase our throughput or our sales into outlets so that we are able to maximize the number of lines sold into outlets.

We are also building strongly on reaching the pharmacy outlets using national pharmacy distributors and we are also driving ecommerce maximization both in the B2C space but also a number of pilots are in play in the B2B space, and therefore we remain focussed on getting more direct consumers and this obviously will be complemented by the right portfolio strategy to drive our GT portfolio.

Net-net as we are putting this building blocks in place we are confident about the long-term potential of the cluster and we are confident that we will be able to drive sustainable profitable double-digit sales growth as these building blocks get seeded in and as the macro challenges in the Indonesia economy start to abate a little bit.

So that is an overview of the overall business. Of course from a people point of view the teams continue to remain very resilient and are coping quite admirably with all the stress and strains being produced with this COVID onslaught.

That is the overview from Godrej Indonesia. I will be happy to take any questions from the group as there maybe.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Thanks for the opportunity. I had two broad questions. One was on the new categories that you have focused on, hygiene being one of them. Once COVID is behind us, do you see this as a long-term initiative now from your side? What are the kind of categories that we would have or do you expect the revenue that is created to kind of deplete therefore you start the building here and also a related question to that is, we have seen GCPL enter some of the home care segments in India like dish wash and floor cleaners and things like that. So is that also something that we are doing in Indonesia?

Akhil Chandra: Arnab, thank you very much for your question. Regarding the Saniter brand actually I think it has been quite remarkable that we were able to get into market with the completely new brand in a 30-day period and Saniter is now contributing close to 10% of our portfolio with a very healthy gross margin and actually strong positive NC in year one itself. Basically, our approach has been to very much use this reassessment of consumer choices because it is not very often that consumers get a chance to really reassess brands. So it is what has happened in this entire space was that there was a big need for, of course, sanitization products and that need was felt both in the home and out of the home and we were able to very nicely leverage our core competence in a number of areas particularly in the area of aerosol and launch into multiple categories using the Saniter brand. We do find that there are that some categories that are extremely sensitive to COVID but in the last six months we have been focusing on building parts of a portfolio especially under Saniter in the personal wash segment, which is soaps, power to liquid hand wash and those parts of the portfolio are going to be much more enduring. So our strategy all along has been to ride the momentum and the massive need that the consumer presented by introducing them to a strong brand and that brand having gained the trust of consumers in Indonesia and already established itself as a very substantial player we are now in a position and we have already initiated those launches to therefore move into the personal wash part which then gets us to play in segments which are less dependent on COVID. We are already seeing early green shoots of success and it is going to help us mitigate to a very large extent should COVID were to completely disappear next year which again remains to be seen, but we are future proofing our presence in this hygiene category by playing in a much bigger way in personal wash. On the second part, in terms of floor cleaners and dishwash at this point of time, we are not launching those segments. It could well be part of what we are evaluating. We do not have immediate active plans to do so because we think there are some trade offs for the brand as you go from personal wash into floor or in some cases you might even look at toilet for example Lizol as a brand has a very different equity so we have benchmarks of those. But at this point of time we are not actively pursuing an entry into floor cleaners but we remain open minded depending on what successes happen across other categories within the Godrej portfolio globally.

Arnab Mitra: Thanks Akhil. That is very helpful, and my second and last question after that I will go back in to the queue is in distribution. So I think three years back you had mentioned we were at about 100,000 direct distribution and plans were to kind of more than double that so if you could give us an update on where you are and also in the context of ecommerce becoming lot bigger in Indonesia now at both B2B, B2C do you see the need to expand distribution significantly any more or there are other ways to now make up for that distribution?

Akhil Chandra: Arnab they were about 100,000 direct earlier and what we have put into place is actually two types of initiatives; one is very structured bit where we are covering those as active outlets. We have moved from a 100,000 to 160,000 and on top of that we have also put into place, where we go directly into outlets, which outlets we still monitor for database, so we are covering between 40,000 to 50,000 outlets. So we were trying to understand really what is the cost to serve for some of the outlets, is there a viable business or not. We still believe that as we are looking to cover those 40,000 - 50,000 outlets through spreaders we are finding that the cost to serve is a little bit higher. So we are still trying to optimize our coverage. We believe for a market like Indonesia 200,000 direct coverage which we are now at about 160,000-ish is the right number and after that we believe that the cost to serve and the cost economics fall out very, very dramatically because even when I benchmark a company like Nestle, they covers about 250,000 directly and they are maybe about 6x of our size. We also know that for Unilever they are covering about 900,000 directly but the bottom 50% give them 5% of sales. So basically we are almost at the level where we think we are correct in terms of the total direct reach but we have a number of initiatives in place to see how we can be much more effective in our indirect coverage and that is looking at both active wholesale and some pilots with spreaders. We are looking an active wholesaler those who are actually got their own sales team because sometime these people are able to operate very cost effectively using multiple principles. We are also evaluating the efficacy of sub-dealers and lastly we have a couple of pilots now running with one with Bukalapak and then there is another company called Warung Pintar. So these are again dedicated B2B players so we are again trying to work out the relative efficacy or efficiency of enhancing distribution without necessarily going directly.

Arnab Mitra: Thanks Akhil. That is it from my side. All the best.

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

Abneesh Roy: Thanks for the opportunity and opening remarks. My first question is on the cost inflation and pricing. Last one year we have seen cost inflation in most countries so if you could discuss apart from raw material, the media inflation and the salary inflation also and given the macro has been tough and demand recovery is quite tough have you been able to take price hike across?

Akhil Chandra: Abneesh, Indonesia actually has been seeing much more pressure on overall FMCG growth. So if you were to compare what Nielsen is showing in terms of FMCG overall, even prior to COVID, FMCG growth rates were in the low single digit and post also we are seeing significant pressure continuing on overall FMCG across 55 categories. Whereas India is seeing 15%, 17%, 18% type of growths. We are not seeing anything close to that even in terms of bouncing back. We have also seen some situations were with the COVID crisis, because category penetrations are much higher in Indonesia as compared to India, the pain that has been felt has been somewhat greater because if you take a category like Air Freshener, it is almost a 30% type of penetration in Indonesia whereas India it is high single digit penetration and therefore with this COVID pandemic with the unemployment and also the impact that has happened due to citizens, reduced working hours, we have seen two trends happens here, number one is that consumers have either downtraded in terms of the pack sizes or they have downtraded in terms of their brand moving from more premium brand to more the discounters or some time even though the home or the private label brands. So in that context overall we are seeing somewhat limited opportunities to take price actions but of course we look at it in quite opportunistic way. So far we have foreseen the impact coming through in terms of commodities, some of the commodities that we operate in for example for tin cans, we have seen quite a spike in iron ore prices, iron ore prices have come down dramatically but China being a very large producer has actually cut production also very dramatically. So they have managed to keep prices up a little bit artificially and some of those impacts have been flowing to us. We are also seeing some trends in terms of cost inflation, in terms of LPG but other commodities which have spiked for example on the wipe side there is a lot of fundae base which will also use for PP and other products, those prices spiked last year and now they are almost back to the pre-COVID level. Fortunately for us Indonesian Rupiah currency remains strong and they are now in a position where we are seeing some currency tailwind coming through. So net-net there is obviously some margin pressure that we are seeing and we are very conscious about that and looking at how to manage the margin pressure and then we have equivalent of what India has Project Pi, we have got Project Cermat where we look at various initiatives. We are also very, very focused on the mix. So in terms of really looking at driving those parts of portfolio which have a better mix. General Trade (GT) is about 1000 basis points accretive to the modern trade so we continue to drive GT. We also have a much better margin profile on ecommerce surprisingly unlike India. Ecommerce in Indonesia is margin accretive and we are continuing to drive that quite hard. So in last year our ecommerce business grew 4.5x. This year we are running between 2x to 3x overall in terms of last year so we are building that business quite nicely. So those are areas where we expect some elements of the mix to help us and of course selectively were possible we are taking some limited price increases but those price increases are relatively modest where we can manage without and where the opportunity to down trade is somewhat limited. So in certain areas where that is possible we will look and take it so at some point we might consider again looking at the categories that we are playing in and particularly the formats and also where there is less switching opportunity, those are the areas where we are looking to take selective limited price increases. So net-net there is margin pressure. We are looking at our overhead lines very closely and therefore we will try and see how we make sure that we broadly maintain our margin profile as we look to build our business into the future.

Abneesh Roy: Right and on the media inflation?

Akhil Chandra: On the media inflation, two years back we have had a history of significantly reducing our media cost. We have had two rounds of media pitches and the first round we actually reduced our CPRPs about 30%, 35% and the second round by about 15%. So net-net it is something that we are quite focussed on. We tend to do CPRP deals with our media houses. So if you take the largest media station in this country it is called RCTI, with RCTI basically it is part of the pitch that we have done with Havas where we agree on a CPRP base and we give them what is the tier I channels they should buy, what is the tier II, what is the position and break, how much is prime time how much is non-prime time and then it is up to the station once they sign those deals, so then deliver to the CPRP. So if GRPs are not delivered it is up to the station to make good by giving us bonus cost so we tend to be quite well protected there. It is an area we have leverage very, very strongly I would say we are punching very much over and above our weight regarding the negotiation side.

Abneesh Roy: Sir my second and last question, do you need a bolt on acquisition in the next two years to ramp up and on the macro you mentioned Indonesia has been challenging. When do you see Indonesia FMCG growth faster than India FMCG for the industry I am not commenting on GCPL but any insights you have and what is required for that?

Akhil Chandra: Regarding a bolt on acquisition was we have been looking for the last two, three years and I think it is a question of being able to find an opportunity that would really be suitable because clearly there is a playbook in place and Sameer you might want to jump in here and say something about the acquisition side but we are definitely always in the lookout. Over to you Sameer if you can comment on that?

Sameer Shah: Abneesh I think we will be open in terms of evaluating a strategic asset. The objective is to organically driving double digit sales growth and we do feel that a little bit of macro favor, I mean, in medium-terms a lot of building blocks which we are putting in place we should be close to the double digit growth aspiration which we have. In a very short-term I mean nothing honestly to call out in terms of anything to give upon M&A in Indonesia but in medium, long-term we would be open in terms of potential assets which strategically make sense for us and also fast tracks our overall growth and vision there.

Akhil Chandra: The second part of your question, Abneesh I think was really on when we expect FMCG growth rates in Indonesia to grow faster than India. So I would not want to warrant on what the India trajectory would be vis-à-vis the Indonesia trajectory into the future in a way. If we look back at Indonesia and if I have understand what really started the massive growth rate in FMCG actually there is a point in 2011-2012 when minimum wages were hiked by 25% and suddenly there was a huge rush of cash which is going into the working capital combined with somewhat advertising and the growth in modern trade. Now that was when Indonesia FMCG was growing at the 18%, 20% whether those macroeconomic condition will come back really I doubt it but in terms of where we are today definitely I would imagine that this is a country which is now undertaken very significant reforms so the omnibus bill that they have put into place and some of those corrections that they are doing regarding the economic policies that also either doing business has been the entire focus of the government and the type of reform that has been put into place regarding job creation, the type of focus to try and get that the relocation of global supply chain away from China and all the pressure that is being put into this world, this country is actually very nicely positioned to benefit from some of those longer-term macroeconomic trends and we area already seeing a country and a government which is quite responsive to taking very bold moves regarding this type of reform. So I would think that the medium-term after the COVID headwinds are beginning to wear off which I think to probably next one, to two years is when I would see the impact of COVID getting milder and milder is when I would expect to see much stronger FMCG growth because that is also roughly when some of these investments and bigger changes should start kicking in so that is probably what I would warrant to get at this point of time, Abneesh.

Abneesh Roy: Thanks Sir. That was very helpful. Thank you.

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

Percy Panthaki: Sir very surprised to note this one statistics that you gave that the hygiene category under the Saniter brand is now around 10% of your overall sales, if you can give some idea on the total category size and therefore if we can derive some kind of market share that the brand is currently tracking and this market share gain has been at the cost of any of the large players or is it the small unorganized guys which are seeding the market share and what have you done right to ramp this brand up so meaningfully in just one year. What have been the learning's and what was the key success factor or factors which led to this?

Akhil Chandra: Thanks for the question Percy. Absolutely, I think as far as Indonesia is concerned really the Saniter has been quite a saviour because otherwise our results would have been not to dissimilar from what you would have seen for our peers. I was speaking to the University of Indonesia Business School and walking them through this because in a way this example best exemplifies the multi-local operating model that Godrej has because you spot an opportunity, you have the empowerment to move at speed and the agility to exploit it and then that really helps you then circumvent what would have been a much more significant impact and decline more in line with our FMCG players. As far as the business is concerned roughly we have used the Saniter brand to enter a number of different categories. If you recall, hygiene there is no universal definition of what is hygiene. Under Saniter brand, more than half of saliency comes from the aerosol product and the aerosol product is largely into surface and air sanitation. It is primarily used by surface but we also say it can be used for air sanitation and it is the aerosol pressurized product that went in it is really very actively meeting the need that people had to kind of that there is a fear that can I open the door, what happens on the door knobs, hotels, somebody coming to the house if somebody deliver the parcel how do I disinfect that and I step into the car the drivers sat on it or what do I do? So this product was really one of the key anchors for the Saniter brand and it is in that category of course we were far ahead of any other large brand or any of the local players. At one stage we were at 80% or 90% market share and number of other companies have followed suit but we hold approximately 50% market share for the last six months, been stable with the last COVID wave that market share went up but it is more or less stable at about 45% to 50%. So that is one thing. We also play in hand sanitizing gels and sprays. We are playing in other non-aerosol disinfectants. We are playing in fabric disinfectant. We are playing in wipes, we are playing in our white portfolio to also launch a disinfectant wipes and therefore the saliencies of those categories and of course there are soaps and liquid hand wash as well. So those are all sort of different parts of the hygiene segment that we are playing in. Even in fabric one of the large player launched two brands and we have another brand under Stella which is our fabric spray. Between us, we are at about 40-60% market share across the two brands. In the hand sanitizing gel when we last practiced few months ago we were the number two player ahead of two large brands but lower than the local brand called Antis which was the dominant number one player. So it has basically been a pace here where the multinationals focus much more on the established portfolio and the emerging needs where the consumer felt for hygiene outside the bathroom was something that was not that clearly felt and therefore products were not available to meet that need. By launch of Saniter we were able to very quickly exploit that opportunity and therefore occupy quite a dominant position and pleased to say that our brand is very, very visible and strong and we have a very dominant presence in the retail outlets. Even in some of the malls, and individual shops that we are now supplying to, they are stocking our products. You can go into any other premium malls and they are stocking those Saniter brand. I think it is the fact that again the packaging that we have worked on has very actively focused on developing a very clinical, reassuring medicinal imagine which gives you the assurance, product which is a serious player in the hygiene category. So basically that is the overview on Saniter.

Percy Panthaki: My second question is if you can give some flavor on the evolution of GCPL in a couple of parameters, let us say today versus three years ago what is the evaluation of your category split, your evolution of your channel split GT, Modern Trade (MT), Ecommerce and also I know you will not be able to give any numbers but any kind of directional flavour as to let us say if I look at three years from now how these things will look both in terms of the category split and the channel split?

Akhil Chandra: On that one Percy I will give you some generalities right so give you the broad trends basically. Three years ago we were slightly more than 70% in terms of MT and GT was maybe around 28% approximately. There we have now evolved our channel split where GT has grown by about 200 basis points. We basically three years ago did not have any play in Ecommerce. Our ambition here is to by the next year to get to approximately about 3%. This year, we are hoping we will be around 2% in terms of ecommerce contribution so basically we have gone from nothing to around 3% by next year. The ambition of course if I was to say what is the stretch plan that I did with my team, in three years it should be at least 10% right. Now again on that split we are actively driving it but we are also confident that we do not want ecommerce is to be a price play and therefore it is going to be something where we do not want to create too much of disruption in the market and therefore we are trying to reach a new set of consumers regarding ecommerce. In terms of categories clearly by having now about 10% of hygiene where that did not exist we have seen that the contribution of the other categories has come down but basically especially the primary categories almost 40%, used to be Home Insecticides. Now Home Insecticides will be about in the mid 30%. We used to be about 30% for Air Fresheners and would be around 27%, 28% now. I will have to look at the exact number so that has come down a little bit. In terms of wipes as of this year because of the loss of market share, we used to be about 15% is what I remember and we would see about at least a 400 basis points valuation on the wipes side. So basically what has declined has been in meaningful terms where we have lost market share has been on the wipe side and that has been particularly linked to the last 8 to 12 months with the very vicious competition, price competition coming through and therefore the other parts our sale portfolio largely is more or less static and we have seen growth coming through on hygiene on top of that. In terms of what we have been trying to do all across, we have been really building, the basics of the business in terms of the way we are looking at analytics, the way we are looking at the entire digital disruptions across multiple segments or multiple function. For example let us take the sales, so earlier when it came to say GT we were not using the data as well to segment a different type of outlets, now we did not have a clear idea when I take my grocery outlets what is the grocery A, B, C, or D, what is my call frequency, what is my group adherence, what is my call compliance, what is my effective call and what is the total lines sold, we did not have NSL, we could not track what time the salesman did his first call, we could not track whether the salesman was actually at the location when he booked the order or not. Now those are all things that now we are doing and we are able to ensure that we are enhancing our retailer facing time and we can do a proper 80:20 approach where the sales guy is spending the time, having a proper NSL so he can do proper range selling and he is also spending more time with the A&B class retailers which will give him the corrective response that we need. Again in modern trade for example what we have done is we have now gone in for a complete image recognition software so the whole idea of perfect store was something that was very clearly articulated in the past so now we are saying that look it is very clearly linked to on-shelf availability, we have clear metrics over past, we have very clear metric for visibility for planogram compliance for price compliance, for FOMO compliance and we have also now just rolled out in half of Indonesia a software which will only be used by two or three companies including one of the large HPC player which is in its image recognition software which gives you the on-shelf availability straight away. It is using to tell you recognize our pack, recognizes the competition pack and then we can say this is our own stock and movement then you have a metric to say okay if the next day that is not made or the missing pack is not updated there is an automatic figure a lot will go down to the team so then make sure that on-shelf availability is managed. This of course is because even now 55% of our business is on MT and therefore we are trying to make sure that we are executing very, very strongly against the pillar so strengthening very significantly the quality of our execution has been one of the key things we are doing. Looking at analytics to drive the pending, the promotion plan is also something that we are doing very, very strongly. So that is some examples of what we are doing in the sales side. In terms of the future, definitely the specialist categories would keep growing in the sense that we see that we are largely now playing in 40% of the Home Insecticides market. Home insecticides is $5 trillion as a category and 40% of that is where we have relatively weak presence and where we are not there. So coils is 30% of the market, personal repellants is 10% of the market. Hence how we continue a multi-formed approach to accelerate the upgradation of the coil consumer to both aerosol and electric and also how we use our pyramid of product to further yield share from coils is the way we see our opportunity to keep growing in say Home Insecticides. So we expect to bring in some of the play there and of course we are looking at other place which are non-mosquito play so we already have the rodent portfolio, which we are developing we has also got a rodent portfolio another brand called Cap Gajah which we are also then innovating and further looking to drive. So we do have sort of multipest plays going on, and similarly when it comes to the likes of Air Freshener we are looking at both premiumization and democratization. Air Fresheners are only about 30% here in this country while more developed markets tend to be 60% to 70%. We are now focusing on both the premium part of our portfolio which consists of the Matic machine which is about 40% of our Air Fresheners and we are trying to say how we can keep driving penetration there with our seeding approach and a lot of the work that we are doing with different devices and gadgets but on the democratized side we are also now getting very focused on getting consumers to upgrade from the naphthalene and the camphor balls which have used in a very big way in bathrooms. So we are looking at penetration amongst living spaces. So tracking what is our home penetration, but if somebody is buying something for the bathroom how do we both provide superior solution and shorter-term marketing initiatives to be able to gain a much larger share of the bathroom space and therefore the people to switch away from the likes of the naphthalene balls and the camphor that they use. So that is just an example of what we are trying to do in the Air Freshener space so we see led that a pretty significant building opportunities in all of our categories and category growth of course we expect to continue in the future.

Percy Panthaki: Thanks very comprehensive Akhil thank you very much.

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

Latika Chopra: Thanks for your time today. My first question was regarding the market share dynamics in your core HI and Air Freshener category, if you could throw some more light on how the dynamics are playing out and if you could comment on market share trends for Godrej there? My second question was on the hair care category you did touch upon that in your opening remarks, if you could talk about some of the initiatives you are taking there and what is the salience of this portfolio in your overall mix today? Thank you.

Akhil Chandra: Let me start off with share overall. Market share we look at not just the categories that we are playing, the measure market share in the whole market that is including coils as well as personal care. When we take the whole IDR 5 trillion market we are the dominant number one player and our share if you take the last three to four years we have grown approximately 50-100 bps on a year-on-year basis for last three years. So net-net we have gained market share overall in Home Insecticides. In terms of the number two player, they have seen share decline on a longer-term basis in this category. As far as the most when we of course look at our portfolio the salience of aerosols and electrics is very high in our portfolio about 85% plus and our share in aerosol and electrics tends to be much higher. We are between 45% and 50% in aerosols with at least three, four other players there but we tend to fight significantly in the case of aerosol with them but we have been gaining share in this space as well. In the area of electric we have liquid vaporizer and the mats business.

Whereas in the salience to Indonesia for LV and MAT is about the same but in our portfolio we are much more dominant on MAT so we have close to a 90% market share on MAT whereas in the case of liquid vaporizers we are more in the 50s type of range. In the MAT segment there is really no competition for us and I think the team will surely share with a running ahead of 90s in certain channels and therefore that is really that business is quite stable but it is not a segment that is growing that rapidly. We have seen LV as a segment which has seen last three years maybe slightly mid single digit to low double digit type of growth and in the past we have been kind of growing along side with the market. In the last 12 months we have seen one player becoming much more aggressive in this space and we have seen other players loose significant share and we are taking corrective action. In this segment where we had not advertised in liquid vaporizers since 2015, last five years, we have already started advertising now. So we are looking to shore up our business and see LV as a strategic play which can also help us further keep recruiting from coils. So we are advertising obviously to further accelerate the growth in the LV segment. Sorry I missed your other question what is the second part?

Latika Chopra: My second question was around your presence in the hair care portfolio what kind of progress you have made and any initiatives if you could share.

Akhil Chandra: Hair care actually as a business has done extremely well for us. We witnessed close to about 70%-80% growth last year, H1 this year has also been 50% plus growth and we would expect to really grow very significantly this year over last year. The growth really has come on the basis of some of the changes to our strategy that we made last year. We decided that now we will be getting into a head to head battle with the number two player here which is much of the MT focused. We felt we should shift our strategy to some of the local players, brands. Miranda as a brand is still the number one player here which has largely the home hair portfolio so we made a switch to our focus area last year and therefore we started going after much more of the vibrant color market or what we call out the color of segment and also in terms of driving the business in GT. So that approach is paying very strong dividends to us and we also launched the shampoo hair color to drive the whole convenience a part of the segment. That also to sort of recruit from some of the herbal based products, shampoo hair color is already there but we have extended our brand from just Crème into shampoo hair color as well. So as a pivot we expect that to continue doing very well. The shampoo hair color launch is doing extremely well. We are running about much further ahead in terms of our overall projection that the targets for more so we are beating our record numbers there. In terms of salience, NYU would be ~2-3% of our business overall.

Latika Chopra: Thank you Akhil.

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

Avi Mehta: I just wanted to check on this expansion with GT. Would that entail an increase in the mass end of our portfolio? Would you see an expansion because of that as we kind of look to go into that channel and if yes which category would it will also be focussed primarily on, is that where Saniter comes in? Thank you.

Akhil Chandra: Definitely so on GT you got to have absolutely the right portfolio and hence you got to have a GT portfolio to really make an impact on GT and like in India you would tend to think such a candidate that are the most appropriate ones will anything that is Rs.10 and less. So as far as the Indonesia is concerned that gives us really products which are true GT products but GT again in Indonesia is that we have got a spectrum of GT outlets here also. So the very bottom of GT will be not very different from the farm berry outlets that you have in India, whereas the top end of the GT might even be classified as something that is like a decent neighborhood Kirana in a good market locality and there where you can go in and sub-select. It is a varied picture in terms of GT. We are not truly choosing now the farm berry outlet because we have a portfolio of course which is at about 2000 Rupiah. So we have got products but we are really looking to drive more that hence much through indirect distribution and the wholesale trade. In terms of the parts of GT that we are looking to cover the main push of course is coming from bar soap, 2700, 3000 Rupiah per piece is where we have fixed our bar soap and we have also got our LLP portfolio which is about 2000 Rupiah price point which are the two leads there. But from our point of view because we are looking to gain share from coils we are also now getting increasingly focussed on driving some of our other brands into GT in a much more focussed way so even aerosol with the likes of 200 ml cans which is of course priced at 50 Rupiah but we think is a big opportunity to drive especially the A&B class retail grocery outlet is where we are looking to drive our distribution for aerosol product and also some parts of our air freshener products. But for the mass GT products which are going across A, B, C, D those is part of our portfolio which will be approximately at 4000 Rupiah and lower and those are across some of the class I have just outlined including Saniter and both HIT Magic Paper and HIT Piramida. Those are important parts of the portfolio and of course we have some Stella products also which go in there.

Avi Mehta: It is primarily HI, bit of air fresheners and hygiene under Saniter. That is what you are saying?

Akhil Chandra: Yes it will be HI and Saniter and some of these enterprise portfolio as well.

Avi Mehta: So in that sense I see that would it be fair to say those are the categories that would be the driver for the medium-term target that you indicated as is that how you kind of envisage growth double digit kind of going through?

Akhil Chandra: Yes, so our growth is not just coming from democratization also. Our growth also comes from premiumization. We would expect some growths to come through even our mainline aerosol product. So if I take aerosol that growth would come from GT and from Minimarkets. We will be in a very focused way driving penetration amongst SEC C class consumers in that space that SEC C class would not only buy from GT they can also buy from the MT that is the way Indonesia is structured.

Avi Mehta: I meant the heavy lifting would be done by these two is that correct or no that will not be correct?

Akhil Chandra: Yes, GT heavy lifting is definitely going to be done there so now if you ask me three years from now how much will come from there we would expect there will be an increase in GT salience. Now is it going to go in three years from 30% to say 50% that is unlikely but we are hoping that we get about 200 basis points sort of improvement on a year-on-year basis would be roughly what we would be hoping for.

Avi Mehta: Just a last bit from a margin standpoint and I understand the near-term pressures but that notwithstanding, as we move towards GT while there is a margin that flows through is that offset by the mix change. How does that work if you could share that would be helpful?

Akhil Chandra: You see margin obviously we are not overly concerned about our ability to defend our margin. There is a natural benefit we are getting by moving the business into GT, we are getting a natural benefit by actually also reducing our dependence on hypermarket which has been declining channel here as well as little bit on mini mart so even if I am moving towards the modern trade independent because Indonesia unless we have been here about 17000 island there is a lot of MT, which exists where the trading terms are not as bad, as you would expect from the large national chains. So essentially by driving some of our higher GC products and also get in some margin benefits by pushing into modern trade impairment into GT and ecommerce we are expecting some benefits to come through essentially on our trade spending and that will offset any pressure that we are expecting and something that we can start driving our advertising a little bit harder also because that will also go along with the GT push that we are looking to get. So net-net the ability to maintain margin is something that we are quite confident on.

Avi Mehta: Thank you very much Sir. I will come back in the question queue. Thank you.

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

Pratik Dantara: I would like to thank everyone for joining the call today. With that we would like to draw this call to an end. If there are any unanswered questions we would be happy to take them offline. Stay safe. Stay well. 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.