



“Godrej Consumer Products Limited
Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Godrej Consumer Products Limited Q3 FY2021 Earnings conference call hosted by ICICI Securities Limited. 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 from ICICI Securities. Thank you and over to you, Sir!

Manoj Menon: A very good morning, good afternoon and good evening depending on which part of the world you are joining the call from. At ISEC, it is our absolute pleasure to host the Godrej Consumer management team on the 3Q FY2021 results call today. At ISEC, we have been long term believers in the GCPL value creation story. Particularly in Q3 FY2021, it has been a good performance in those parts of the business where we would have wanted to see growth as consensus and we have seen that kind of broad based growth. With that being said over the course of results presentation and the call, we would seek clarity on potential for long term double digit volume growth in let us say India Household Insecticides and also the new management driven turnaround in Africa. Those are couple of things you know if time permits, I would definitely want to engage with the management after we take the question queue later. Thank you and over to the GCPL team.

Pratik Dantara: Good evening everyone. We hope that you are staying safe and healthy. We will be covering this evening the results for the quarter ended December 31, 2020. 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. We will start with Nisaba sharing her perspective on the business performance. Over to you Nisaba.

Nisaba Godrej: Thank you so much Pratik. Good evening everyone. I hope you and your loved ones and families are safe and healthy in these times and thank you so much for being with us on this call today.

In Q3 FY2021, GCPL delivered a second consecutive quarter of double digit profitable sales growth. Our overall sales grew by 10%, EBITDA by 13% and profit after tax grew by 17% excluding exceptional items. 81% of our global portfolio comprises Household Insecticides, Hygiene and Value For Money products and had a combined growth of 14%. Hygiene continues its strong growth momentum growing by 19% and we look forward to strongly building on this category opportunity in the years ahead. Value for money grew by 22%. Growth in household insecticides was at 5%. From the geography perspective India recorded a sales growth of 11% lead by strong growth in Hygiene including Soaps and Hair Color and steady growth in Household Insecticide. Overall, rural grew much ahead of

urban. The scale up of the ecommerce channel continues and we have also seen a recovery in modern retail.

Indonesia delivered a soft performance with a 2% constant currency sales decline. This was impacted by adverse macroeconomic factors, gradual recovery in Air Fresheners and high competitive intensity in Wet Wipes. Africa, USA and Middle East business delivered profitable sales growth of 17% in constant currency terms. I am very happy with the strategic focus and growth mindset Dharnesh has brought to the team. We continue to have a strong balance sheet and remain more watchful on receivables management. Net debt to equity ratio continues to see a reduction to 0.14. I am pleased to share with you that our team remains resilient and we continue to be agile in serving our consumers. We are using this crisis as an opportunity to digitize more rapidly and build further distribution platform. As always our value matters the most and we remain very committed to enabling the safety and well being of all Godrejites and serving our consumers and communities with our full hearts and minds. Thank you. I am happy to take questions now.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss Financial Services Limited. Please go ahead.

Abneesh Roy: Thanks and congrats on second quarter of recovery. How does the recent pH controversy impact your communication? Do you see this as a serious issue medium to long term and because this does not directly impact you do you see this as a opportunity also?

Nisaba Godrej: Thank you for joining us. I do not think it really impacts us and you know we continue to be very confident of our soap quality. In fact, a lot of soaps are not grade one and we are grade one soap with very high oils in our soaps, so we are confident of our strategy and we do not see ourselves getting embroiled in this pH story right now. My sense is that it will blow over quite soon.

Abneesh Roy: Sanitizer sales have pulled for almost every player except two core players. How do you see taking advantage of this because many players are now exiting? Would you remain serious in this given two players are already there?

Nisaba Godrej: When we talk about hygiene somehow everyone comes very quickly just to the sanitizer category. The hygiene trend is very broad based whether it is on hand wash, soap, disinfectants, sprays, and toilet cleaners. We just had the world largest master class in immunity and hygiene and we will see that play across a number of categories. In terms of sanitizers, I do think that we will play in the category and you will see some amount of

innovation from us in sanitizers and we do think sanitizers as a category will grow and penetration will grow. We will play it with innovations in that category.

Abneesh Roy: Sure and the last question that Manoj already asked if you could elaborate on Household Insecticides. Are you happy with this growth given Q2 was disappointing? Customer is focusing on well-being and safety and in that context this growth seems lower than expectation. What is happening here and any comments on competition?

Nisaba Godrej: I am personally not happy with our Household Insecticides growth and I hope our Household Insecticides brand managers and Sunil are listening into this call right now. I think that being said, we are still at the beginning of the year in terms of Household Insecticides, in terms of consumer demand of wanting to be more healthy. We have seen a lot of penetration growth in the category. There has been significant penetration growth higher than in any of the other recent previous years. The other things that we are seeing is that our premium formats are growing well in the double digits. This would be electrics and aerosols growing well. In electrics, the new Good knight Gold Flash is definitely a transition for us to a much better machine and we will see that also play out over the next year. The other piece that again talks about the health piece for consumer is non-mosquitos. The products in cockroaches and rats are growing very rapidly. This is in the high 20s and so we are seeing that really take off. The only place where we are having a big issue is the burning format. That business is definitely dragging our whole Household Insecticides growths down. We have thoughts in place. In Q1, the illegal incense sticks were really very much on the back foot because their supplies were not available. They are back in the market now, so I think our fight from the burning format still continues and we still have some arsenal there in terms of what we are going to be doing in the next six months on burning formats with some other new products. Our natural incense stick strategy has worked to a certain extent, but not as well as we had hoped for. The burning format getting a better fix on it is important, while at the same time really concentrating on the penetration and preimmunization through Goodknight Gold Flash and aerosols. We launched one of our best products ever called Goodknight Smart Spray in aerosols, which is a no gas aerosol with very long lasting efficacy. Penetration is still lower in the premium format to drive that and definitely fight back the burning formats.

Abneesh Roy: Sure that is all for my side. Thanks a lot. All the best.

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

- Percy Panthaki:** Again a few questions on Household Insecticides. Could you give some idea for this quarter what percentage of your machine sales are the Goodknight Gold Flash machines and what percentage liquid sales are the Goodknight Gold Flash liquid?
- Sameer Shah:** This is Sameer here. Due to competitive reasons, we will shy away in terms of dissecting within our electric portfolio to what has been the mix between Goodknight Gold Flash and Goodknight Active plus refills, but as we talk the saliency of Goodknight Gold Flash has been moving up in terms of machines. Just to give you some data points, we have already seeded in close to 3 Crore machines and in very short term we are looking at seeding in incrementally 1 Crore more machines and once the machines are in, we do expect refills also to have strong presence. In Q3 we did see close to double digit sales growth in the entire electric format. So the going over there has been quite robust. Of course, there is a little bit of setback especially in the early part of COVID environment, but we do believe that with the kind of product Goodknight Gold Flash is in terms of its efficacy, it is a winner product and we will see preimmunization upgrades getting driven in electric format.
- Percy Panthaki:** Sure secondly on burning format you had applied for regulatory approvals for incense stick with active molecules. Can you give some update on where we are in the process and when are we likely to get approvals on that? Secondly in this presentation I see that in Indonesia, you have launched something in the burning format, which I think is an upgraded version of the magic card. Is there any plans to cross pollinate this product into India?
- Nisaba Godrej:** Percy again for competitive we do not want to share. You could expect something in burning format as an answer to be the illegal incense sticks and some of these things are in our portfolio as you said
- Sameer Shah:** And I think just to add Percy as Nisaba called out the premium format, which is aerosols and electrics have been doing quite well and with the incremental innovations as well as some very disruptive innovations, we do believe that the momentum should largely continue over there. With respect to soft performance in burning formats, we will be tactically also addressing in very short term. We are looking at driving our micro marketing initiatives especially in coils, something which has worked very well for us in soaps. In the medium term we will have some disruptive launches, which should get even burning formats to steady levels.
- Percy Panthaki:** Right and my last question is on Indonesia. In the wet wipes, you said there is a competitive issue. Could you give some idea of the quantum of that issue in terms of how much has your sales growth been dragged down by or rather if this issue was not there how much sales growth would you have clocked this quarter?

Sameer Shah: In terms of data again Percy, Wet Wipes is roughly around 14% to 15% of our overall Indonesian business. A new player has come in the market and he is adopting a price warrior strategy at this point in time, though we have seen that in the past also. I mean you know players coming in, but over a period of time maturing out in terms of at least not being a price warrior. We are from our end planning tactically on how do we address it as well as in medium term how to get back on growth in wet wipes. My senses is the growth would be at least of 3% to 5% higher from what they have been, had this wet wipes issue not being there for us.

Percy Panthaki: This seems to be a pretty commoditized category in Indonesia. We have had I think two to three years ago also similar kind of heavy discounting, market share issues, etc?

Sameer Shah: Of course there has been innovation also Percy in this space over a period of time, but yes I mean it is like a pretty competitive category that is the way I would put it.

Nisaba Godrej: Percy one of the growth drivers for Indonesia is really building our General Trade (GT) much faster than we have in the past. I think that is very big opportunity for us there and taking those learnings from India also helps with some of these issues that happens in these areas and when discounting gets very rapid.

Percy Panthaki: Got you. That is all from me. Thanks and all the best.

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 Africa where last couple of quarters we have seen a good recovery in sales. This quarter margins also have recovered pretty strongly. I just wanted to understand, are there any short term factors, which have helped us because we hear about this container shortage globally and I know a lot of your competition is imported there. So I wanted to get some sense about the sustainable part of this and is there any kind of gains you have got in the short term, which could reverse as things normalize on the supply side?

Sameer Shah: I think to begin with, we did have significant competitive advantage especially in the early part of COVID and the teams have done a good job in terms of retaining those consumers. We are continuing to invest in terms of creating strong brand equity as well as executing some very low hanging go to market initiatives and combination of that has resulted in back to back two quarters of steady to strong growth rates. I think the building blocks are still getting in place. It will also get executed over next 6 to 12 months, but we do believe the growth rates are sustainable in the medium term. Some of the markets, especially West

Africa as well as parts of South Africa have been doing quite well and the point is to continue this momentum and also build on some opportunities in the medium term, so that is the way we are looking at multiple markets in Africa over a period of time. In some other markets like USA, we are seeing a lot of good news from partnership, which we have done with Walmart on similar kind of process of getting our hair extension categories. This could strategically over a period of time, be a big bet because hair extension in USA is around \$1 million size category. With the building blocks getting in place, getting executed, we remain relatively confident of continuing this momentum in medium term at least.

Nisaba Godrej:

Yes, like Sameer mentioned partnership with Walmart in the USA, that is an opportunity that has come because they want a certain type of partner and they want supply chains actually from Africa for these products versus just Asia, but these are the advantages yet to kick in. We know that in dry hair there are shortages in certain products and we are actually ramping up local manufacturing to meet those, but we feel that some of these advantages should also play out in the medium to long term.

Arnab Mitra:

Thanks. That is quite helpful and second and last question was on the India. New categories that you entered in home care like floor cleaners, toilet cleaners, dishwashers and things like that, so as a bucket if you want to take all new categories that you entered this year, if you could just give us a sense of how much does it contribute to revenues today and specifically in the home care categories, what is the initial feedback that you have in terms of your product acceptance, distribution and things like that?

Nisaba Godrej:

I cannot give you any large numbers, but we are there in particular categories in hygiene where we are very excited about. One is the Godrej brand name as you know is extremely strong, which gives us an advantage and some of them we have really cracked very good formulation. We also think some categories are low on penetration and that we can with our distribution really build it well. I have been watching the news or people keep asking are hygiene off its high. I think sanitizer is off. The consumer's awareness on taking care of their health has fundamentally shifted and in that their consumption basket has also shifted. A company like us that can be really advantageous. Another example of that I will give you in Indonesia, which has been a difficult year. Our teams have built this new brand called Saniter and they are doing a fantastic job with it and it is actually nothing really built on hand sanitizer. So biggest category that they have built is the sanitizing sprays because we have an advantage both from hit aerosols and from seller space so we have a cost advantage and they have done a great job there. Now we are going into bath soap category. We know well in India, we see an opportunity in the market there. So I think hygiene as a categories and brands is well positioned in hygiene. There is a very strong opportunity going forward.

Arnab Mitra:

Okay thanks so much and wish you all the best.

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

Vivek Maheswari: Good evening everyone. My first question is can you just talk about the gross margins and EBITDA margins and the way in which you see it in the next few quarters?

Sameer Shah: In India, we have seen gross margins decline and that is largely driven by contraction in soaps gross margins, which in turn is driven by the high palm oil derivative prices and the lag between increase in input cost and increase in end consumer pricing. So we are quite calibrated in terms of our pricing approach and that has paid off very well. Look at our performance over the last two to three quarters, the growth has been in double digits. Over the last two quarters the growth has been in mid-teens and we continue to gain significant market share and this is in the context of category generally seeing uptick in consumption because of higher hygiene needs. There has been increase in frequency of bathing, hand washing and also very small players are quite stressed because of increase in commodity cost and they are normally operating on wafer thin margins, so we would definitely continue with this strategy in very short term. What we will also do in parallel is something what we did in last quarter itself, gross margin contraction will be mitigated through costing programs. We saw that in India wherein the overall EBITDA margins declined by 70 to 80 basis points and then by leveraging our global portfolio, we sort of ensured that at global consolidated levels, the overall effective margin expands. We will continue, I mean to have that strategy wherein we prioritize growth over margins especially in soaps category, but the overall profitability level, there should be multiple levers to ensure that we do see at least margin maintenance if not expansion in short term.

Vivek Maheswari: I see and just a follow up Sameer in the context of the low advertising and promotion base that you have starting Q4 last year and of course some part of that was understandable, but let us say in the context of advertising expenses I would imagine will move up, do you still think that margin should sustain?

Sameer Shah: We will see Vivek. In very short term, if there is very serious trades off in terms of growth over margins, we will skew more towards growth. At this point in time, there are no such very serious trade off, but we will continue to invest, because in medium to long term investing on new product launches and investing in creating brand equity has always paid off and to sustainable growths. So that is the way we will continue our approach even on A&P investments. I mean in very short term for margin maintenance, the last thing, which we will do is tinker around with A&P spends.

Vivek Maheswari: The second question is on Household Insecticides. The burning format what Nisaba mentioned about has not worked out as well and I remember that you have had done a lot of

work on the product and the value that you are giving to the customer, etc. What is the reason, is it the pricing, which was an issue? Is it let us say active ingredients not being there? What is the issue and why would you say today that the product has not worked out despite you taking all the efforts at that point of time of launch and thereafter?

Nisaba Godrej:

It is a natural product. So some people absolutely love it, but the natural product does not give you the drop down efficacy of mosquitoes falling in front of you. That was a play against an active incense stick that was the challenge, but that was our best option at the time. We will now you know go in with other burning formats that you know take on the illegal incense sticks with efficacy head on. We launched Fast Card and had such an amazing run with it and it did very well and then this illegal incense stick is almost like fast card 2.0 to the consumer. It is a better version and it works better for them, but you know we will have 3.0, 4.0 and 5.0 of this version. We are restricted a little bit by the Indian Government in terms of registration and timelines. We have been below our own expectations and I think this is something that we will not give up on until we get right share of growth and we have a lot of confidence in our product portfolio and our distribution to get this right.

Vivek Maheswari:

Sure and is there any challenge from a Household Insecticides margin perspective. On one hand you have to target the illicit market where price points will be far lower and on the other hand you have your own priorities on the margin.

Nisaba Godrej:

A lot of our portfolio in Household Insecticides about 75% and above is in the premium format where I do not think margin is an issue. But there you have to play both the preimmunization and penetration for the premium product, but you have to also play in the mass segment as we are also a mass player, so we have to get burning format strategy right and do not forget we are also the biggest coil player and that is also something where we you will see some innovation and strategy from us on coils.

Vivek Maheswari:

Got it. Wishing you all the very best. Thank you.

Moderator:

Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh:

So a couple of questions. Firstly the balance sheet is now almost deleverage with net debt to equity at about 0.1. So historically we have built businesses at such times through inorganic roots, so in this context would you like to comment as to you know if the company is exploring such routes again and if so what are the criteria this time?

- Nisaba Godrej:** Sure. So I mentioned on a few calls before. One, at the current stage, my focus and the company's focus will definitely be on organic growth and making sure that it has been double digit organic growth. But we do know inorganic as we did grow five years ago very significantly with inorganic growth and we have a lot of learnings from that time. So in India and Indonesia, we definitely look at interesting acquisition. We might do interesting acquisitions say in a place like Bangladesh also. We have seen markets like Bangladesh, Nigeria, and South Africa with the potential to be like our Indonesia business. So in India, Bangladesh, and Indonesia, we are actively looking at inorganic growths. In Africa, like I mentioned before, the current business growth and margins need to be stronger. So yes, we are always looking at M&A.
- Sameer Shah:** I think we had Prasad asking one question, but he was requested to go back in the queue and we had Amit Sachdeva on the line, I think we can go ahead with Amit's question first and then we may have Prasad coming back in the queue. Sorry guys for the glitch.
- Amit Sachdeva:** Thanks so much for taking my question and a very good set of numbers in Africa, so congratulations for that. First question is on soaps business, obviously, there is a clear inflation, which is necessitating price hikes and constraining some amount of gross margin expansion at the domestic level, but having come this far in terms of marketing mix, entire soaps business, how do you feel conceptually whether this inflationary environment suits you better or some amount of deflation helps you more, as you sort of maximize and optimize the EBITDA growth and gross margins and also volume growth, as a strategic construct? Why I am asking this is that given that the base of this year will be very high and we are going into the next year with some amount of inflation building up, how we should anticipate next year for soaps?
- Sameer Shah:** I think on a lighter note, we would love both the kind of environment to be beneficial to us, but historically we have always gained significant market share especially in high inflationary environment because that is where a lot of the small local players may become stressed because they typically operate on wafer thin margins and in high inflationary environment, they just move away temporarily from the category. But having said that, we have always called out that we are a distant number two player. We continue to gain share and this is not phenomena of last two to three quarters. This is something, which has been kind of going our way over the last 18 to 20 months. The micro marketing initiative has worked very well for us. So I think continuing in a steady state performance in soaps even next year is the way we are sort of planning for at this point in time and despite having base, you sort of called it out, we do not expect any mismatch between what should be a normative volume growth, value growth, in soap categories for us even in the next year.

Amit Sachdeva: Sure. So if I read correctly, maybe you are looking for a double digit soaps growth, maybe like a mid to mid teens type of thing? I am not asking for guidance, but I am just thinking of how we should think about domestic business and maybe a flat margin, that is a good scenario for you?

Sameer Shah: Yes. So I think, I am not getting into guidance, Amit, but there will be some carryforward pricing also. It is not one off cost. Definitely, next year, there will be some carryforward pricing impact. We will continue to gain market share, that is for sure and that is the way we are planning on multiple initiatives within soap category. I did call out earlier that in very short term, if you have to prioritize growth over margins, especially in soaps, it is a no brainer that we will prioritize growth, but we will sort of mitigate the soaps gross margin whole through other revenues, whether it be driving favorable category mix, whether it be cost-saving programs or even leveraging our global portfolio. Rather we will we think of overall profitability and balancing growths and margins in this way.

Amit Sachdeva: Okay. Very clear Sameer thank you so much. Second, very quickly, if I may, ask on Latin America? The growth has been very impressive. If I may observe on the constant currency terms, this looks like a structurally business on a roll, it seems and we get to discuss less of it, but why margins are so volatile in that business? If the business even in local currency is structurally growing it so impressively, why margins are all over the place for that business? What would be the sustainable margins and how should we think about this and so just help me understand that, please?

Sameer Shah: Sure. No, I think Latin American business has been very robust for us over last year to a year and a half. Typically, this used to be the cluster or a bunch of countries, which were in mid single digit EBITDA margins. It is actually an inflationary economy, Argentina. That said, we do see, I mean, some part of growth also driven by inflation, but there is also very robust volume growth. I think the intent is, on average annualized basis to have double digit margins and we think we are very much on track. There is scale leverage playing in our favor. There is also stringent costing program, which is playing in our favor. So we should continue to see again this steady to strong performance holistically in Latin American business even in medium to long term.

Amit Sachdeva: Sure. No, that is very helpful and are you planning to bring any more products from there other than the Creme that was inspired, but are there any more cross pollination opportunities exist from that business?

Sameer Shah: Yes. So we continue to explore multiple cross pollination opportunities, obviously, not just on LATAM, but any other countries within our pool. So we very much continue to work on this potential cross pollination and in turn growth opportunities.

- Nisaba Godrej:** I think in hair color, there is a lot of sharing on formulations and different types of innovations which go from different teams to teams.
- Amit Sachdeva:** Okay great. Thanks so much and all the best.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital Limited. Please go ahead.
- Shirish Pardeshi:** Good evening and thanks for the opportunity. I have two specific questions. In the domestic market. We have reported 14% growth in soaps. Can you help me to understand how much is the price and volume and if there is any price increase that has happened and affected in the quarter, which has gone by?
- Sameer Shah:** Yes, two thirds would be volume and a third would be price, Shirish. I mean that would be the composition in the overall soaps value growth.
- Shirish Pardeshi:** What I wanted to understand Sir, the followup on that, we all know that the inflation is inching up because of palm oil and PFAD, has it covered the price increases what we have effected or it is not yet covered or you will take some more price increases going forward?
- Sameer Shah:** No, Shirish, even if you look at category level, the overall increase in PFAD, PKFAD has been anywhere between 30% to 50%. So we would be theoretically looking at 30% to 50% price increase on soaps, I mean, which is not practical. So we will have to be calibrated. We will have pack price mix architecture through, which we play pretty smartly. As again, we called out earlier, we would want to gain market share. We want to continue this momentum. We are seeing tailwinds in category and opportunity to gain share even from small local players. So we will have to balance both such that we continue on this strong growth momentum as well as in parallel and have an eye on how the overall margins are shaping up for the global business.
- Shirish Pardeshi:** Sure, Sameer. My second and last question on the Indonesia business. I see that there are challenges and we have come over every time we have some other issues crop up. What I really want to understand, now we have gone into Saniter Health Soap, so is that the growth, which one can look at growing the Indonesia business? And more specifically, how big is and what is the winning thoughts we have about launching our Saniter Health Soap?
- Sameer Shah:** So I think there are multiple growth vectors to Indonesia. And again, to set the context, the overall FMCG space in Indonesia over last two to three quarters has declined by high single digits to low double digits. So in that context, I think the performance is not that bad. But of course, there are some areas which we need to double click upon. In terms of growth

potential, as Nisaba called out earlier, the entire hygiene scale up has been phenomenal. The entire play, which started eight to nine months back, has been pretty interesting and meaningful now in terms of being key growth pivot over a medium, long term period of time. There are opportunities in terms of white spaces even within the existing Household Insecticides category because our play is largely into aerosols and electric and not in burning format. So the long lasting paper, which we have launched recently, gives us a meaningful presence in the burning format, which will be more than one fourth of the overall category in Indonesia. We need to tactically navigate through the challenges in wet wipes and then continue to, last, but not the least, build on the go-to-market opportunity, especially on the general trade, which is only 1/3 of our overall business, but for the industry, this could be anywhere between 50% to 60% thereabout. So there are multiple growth levers and we remain extremely optimistic in terms of medium to long term growth sector in Indonesia and we have seen Indonesia over last decade or so has been a home run for us whether it be strong sales growth, whether it be margin scale up, we remain quite confident. In the very short term, we would work towards getting it at least in positive growth zone from what was a very marginal decline, at least in the last quarter.

Shirish Pardeshi: And on Saniter Soap, is that to improve the distribution because, I guess, health care is a bigger opportunity and there is a penetration, which is happening, so is that the thought?

Nisaba Godrej: So I think bar soap in general is large and the bar soap is not the only launch. We have some others also happening in the personal wash category. We feel that there is a space for a brand like Saniter and we believe we have the strength of the company to go into that market. So that is where the thinking has come from and we see that the demand for health soaps is quite high.

Shirish Pardeshi: Thank you Nisaba and thank you team for the good results.

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

Alok Shah: Congrats on a good performance. I have two questions. So first is on the Africa cluster, can you elaborate if the strong growth is essentially backed by distribution led initiatives, whether the rain selling now is happening versus the prior periods or is it purely market share gains led growth that is coming? That is number one.

Nisaba Godrej: I think it is a mixture of a number of things and definitely distribution has been a big push across the different geographies and we are looking very closely to how much direct distribution versus wholesale distribution. We have had our market share gains. Although in dry hair, Nielsen does not cover it, so we do our own sort of market share estimation and we

have also had some good success especially in West Africa with new category development whether it is in dry hair, with the restyleables and with Household Insecticides, so I think it is a mixture of factors playing in.

Alok Shah:

Got it and my second question is on the India Household Insecticides business. I wanted to check how is the innovation pipeline now? What would be the time line for the launch and specifically, I would ask, if there is some breakthrough innovation that you are closer to launching and that can meaningfully be in your kitty?

Nisaba Godrej:

The innovation pipeline is pretty strong and innovation for us is both in the active molecule side and on the product delivery side. So whether it is on naturals or an active base, I think one thing we can be assured of is the product pipeline and you will see more stuff coming from us next year also. We have actually had a number of launches this year also. I do not know if people have picked up on it, but we talked about Goodknight Smart Spray. We have done HIT Roach Bomb in cockroach. Like I said, this non-mosquito portfolio given the health concerns people have is really moving fast. So we will double down in all these. One big pivot for us was personal repellent. Like I have mentioned many times before that in other markets, personal repellent tends to be 25% to 30% saliency. Like in Indonesia, I think it is like it is close to 30% saliency where India it is like 3% to 4% saliency and this year that business has taken a real beating because people not going out of home. So that is something that we really need to resurrect, but again, we feel that as kids go back to school and people go out fully, will be a good opportunity to reignite that business.

Alok Shah:

Right. No, I was just trying to ask because if till now we have been talking about competition from the illegal incense sticks, etc., but if tomorrow, one of the competition were to heat up or some new player were to enter, how is it that we are planning to hold that tough? Would it be more through innovation and new launches? Would it be more through ad spend and promos or how is it that you would look at this category against the competition?

Nisaba Godrej:

I think it is a mixture of all and we have about 50% of the category and in the premium format, we have very high shares. So really, it is our job to be educating, marketing to consumers, getting them to upgrade, convert them and giving them that value for money with efficacy and protecting them from these diseases and mosquitoes and as competition, I always encourage good competition that serves the consumer well. It keeps us all on our toes and if that were to happen, there is good competition many times. So we will think at this time how to serve the consumer better.

Alok Shah:

Thanks a lot Nisaba for the detailed answer.

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

Percy Panthaki: Thanks for taking my question again. My question is on the Indonesia business, especially the GT rollout? I have been tracking GCPL since long, so basically, we have been now talking about this for almost five years, so just if you can give me an idea of what progress has happened on this point of GT rollout over the last several years, I mean, some point to point data you can share, let us say, your direct reach now versus what it was two years ago or any other kind of data, which would help us understand what is the progress on this point?

Sameer Shah: So to begin with, this has been kind of a structural growth pivot for us. In terms of data points, say, two years back, we would be reaching out to 80,000 to 85,000 outlets and now we reach out to close to 120,000 outlets and the intent is to reach out to close to 200,000 outlets. I think what also happened is because of COVID at least over last eight to nine months and the extreme social distancing on; this took a backseat, because we could not get the feet on ground, we could not connect with channel partners, and hence, there was a little bit of pause in the journey, but now we are again back to having this build up on. In fact, there are more than 10 to 12 new initiatives, which we are working with and we have called this out again, in the past that general trade is around one third of our business, whereas for other companies within Indonesia, this will be anywhere between 50% to 60%. So it remains a big growth vector and also, it is something, which will result in a favorable impact on the margin, but it is more of a growth initiative other than anything else.

Nisaba Godrej: Percy, if I can add to that. Thank you for the question. I think our portfolio also for GT has improved quite significantly in the last two years. I will even say for something like bar soap and long lasting paper, really GT is the market for it. So I think we have a better portfolio of products and this push hopefully post the pandemic gets stronger.

Percy Panthaki: Right, which brings me to my next question, which is on the portfolio for Indonesia. You have launched soap organically. What is your medium term objective in Indonesia as far as categories are concerned? Would you like to become a broad based diversified FMCG company in Indonesia and if so, would it be largely organically and also, which are the other categories over the next three years or so, where you think it is adjacent or you have some right to go into those categories on your own or through an acquisition?

Nisaba Godrej: Sure. Thanks. Like we said and someone asked the question on M&A and we are tracking other companies in Indonesia, so we would look at acquisitions for that business. I think organically, the categories that we look at are quite global also, where we have some level of product and nuance strength. So bar soap is something that we sold quite successfully in

India for many years and we saw the opportunity at this time given some of the market shifts we are seeing. We are seeing hygiene, both in home care and personal care, as very interesting categories. If you look at what I mentioned in Saniter was doing very well in disinfectant cum freshener spray. So in the home care area, we already have Household Insecticides, we have air care and we are looking at these other home care potentials between both Indonesia and India very seriously. We have fabric care in India. We have a bit of a fabric care business in Indonesia and we look at scaling those businesses up. So, wherever we feel that we have a product differentiation advantage to offer the consumer, we would definitely look at those areas and build on our strength.

Operator: Percy do you have any followup question?

Percy Panthaki: Yes, sorry. I just wanted to ask you on your hair care business you launched three to four years ago in Indonesia. What is the kind of success that you have seen there and what percentage of the sales does it contribute today?

Nisaba Godrej: So that business, actually, this year has surprised all of us doing extremely well and we have had good momentum there with sachet hair color. We are also launching shampoo hair color there and we see that as a good opportunity. Also interestingly, it is quite a bit of a fashion business in Indonesia and not just grey coverage. So that is also definitely a good pivot of growth.

Percy Panthaki: So that is all from me. Thanks and all the best.

Operator: Thank you very much. Ladies and gentlemen, that would be the last question for today. I will now hand the conference over to the management for closing comments.

Pratik Dantara: Thank you everyone. With that, we would like to draw this call to a close. Thanks for your participation and have a great evening. Stay safe and stay healthy.

Nisaba Godrej: Thank you, everyone. Thank you for being with us.

Sameer Shah: Thank you all.

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