"Godrej Consumer Products Limited Q4 FY19 Earnings Conference Call"

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Moderator: Ladies and gentleman, good day. And welcome to the Godrej Consumer Products Limited Q4 FY19 Earnings Conference Call, hosted by Motilal Oswal Financial Services. 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 the 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. Krishnan Sambamoorthy from Motilal Oswal Financial Services. Thank you, and over to you sir.

Krishnan Sambamoorthy: Thanks, Lizzan. On behalf of Motilal Oswal Securities, I welcome you all to the 4Q FY19 post-results call of Godrej Consumer Products. We have with us the Senior Management Team of the company. Over to Mr. Pratik Dantara for introduction and opening comments.

Pratik Dantara: Thanks, Krishnan. Good afternoon, everyone. And thank you for joining us today to discuss the quarterly performance. We have with us Nisa Godrej – Executive Chairperson; Vivek Gambhir – Managing Director and CEO, V Srinivasan – CFO and Company Secretary; and Sameer Shah – Head (Finance – India and SAARC) and Investor Relations. Like all the previous quarters we will now have Vivek share his thoughts on our performance and then we can open up for Q&A. Over to Vivek.

Vivek Gambhir: Thank you, Pratik. Good afternoon, everyone. It's a pleasure to be speaking to all of you. As you would have seen in the results, it has been a relatively weak quarter for us. In the fourth quarter of fiscal year 2019, our India business remained soft on account of a general slowdown in staples consumption, on liquidity pressures that we saw in the channel and the adverse impact of the delayed summer for a lot of our portfolio, particularly the Soaps and the Household Insecticide portfolio.

In International businesses, Indonesia continued its strong profitable growth momentum. Africa had a soft performance,. Our sales did improve versus quarter three, so it is heading in the right trajectory. But the slowdown was led by a temporary sales pressure that we saw in Nigeria, because of elections. The markets were closed for two or three weeks because of elections. We saw a gradual recovery in South Africa.

The big challenge this quarter was our Latin America performance which continues to be impacted by some very adverse macroeconomic environment and hyperinflationary environment situations. And I think we have put in corrective measures in place to be able to turn around the performance at this year.

On the innovation side, the momentum continued very well. Mosquito incense sticks have been scaling up quite well in the pilot markets. We have been very pleased with the initial results that we have seen in our pilot launch and, therefore, we have decided to scale up the launch in a much more aggressive manner towards the middle of quarter one. In Indonesia, the innovation momentum continued with the long-lasting paper, doing very well and we have also cross-pollinated the Stella car twist from India to expand our presence in the Air Freshener category.

Across Africa, a lot of activity has happened as far as new launches are concerned, both in dry hair and wet hair. And these new launches will really fuel a lot of the growth that we are expecting in Africa. For fiscal year 2020, we are planning for much better sales growth in India on the back of continued focus on innovation, and some significant enhancements that we are making in our go-to-market model. In Indonesia, we are hoping to sustain our momentum. In Africa, the focus will be on profitable sales growth to improve both sales and profits. In Latin America, we are working hard towards ensuring a meaningful turnaround. Because this is the first call that we have in this fiscal year, we will also spend some time towards the end of the call, providing you with an outlook for our various geographies.

So, let me turn quickly to the slides and just give you a quick review of the highlights. On Slide #3, on an overall sales performance, as you can see, the comparable net sales growth was 2% for the quarter. For the year as a whole, the constant currency comparable growth was 8%. The net profit reported growth of 52% . And for the year as a whole, the net profit reported growth of 43%, so very strong reported net profits.

On the net profits this quarter, in particular, if you look at Slide #4, was driven by a certain amount of Minimum Alternate Tax (MAT) credit that we had received and Srini and Sameer can talk to you more in detail about those if you have any further questions on the exceptional items.

On Slide #5, if you take a look at our adjusted EBITDA margins, the margins are looking very healthy, both in India and Indonesia. In Africa, we do see significant opportunities to drive margins up and you would see better margin performance this year given the fact that last year was a year of a lot of investments that we made along with some cleanups that we had to do. Those investments in infrastructure and people and talent-building and some of the cleanups that we had to do with inventory are largely all over. And so, on the back of these, I believe this year should be a much better year as far as Africa profitability is concerned.

On Slide #6, generally across all the balance sheet parameters, I think the team has done some very good work to make strong progress. Working capital has reduced from 15 days to 10 days. If you recall, that was one of our big priority areas, and so we have made significant progress in that dimension. Return on capital employed was another area of focus for us. And there, again, you can start to see us making a decent amount of progress. While more needs to be done, it is trending in the right direction. And our net debt to equity is also in a very comfortable range.

So, on Slide #8, if we start talking a little bit about India. Generally, as we mentioned before, it was a flat quarter. It was a weak quarter. And in many ways, the results came as a surprise to us, too, as well. For the year as a whole, the growth was 7%, largely volume-driven, along with very strong 14% profit growth.

In some ways, this was a story of two halves because the first half of the year went very well for us. But particularly in quarter four, the market conditions, whether it is a slowdown in consumption or whether it was a channel liquidity that we faced came as a surprise, we are still hopeful that this was a temporary situation with market conditions and are still quite hopeful that post elections, we will start seeing consumer sentiment and consumer consumption again heading up in the right direction.

In the meantime, I think we have spent the last couple months taking some very significant course corrections as well and we have reflected a lot as a team and we have put in a strong plan in place for fiscal year 2020, and we do expect to come back very strongly this year. If I look at Slide #8, the other important point I want to just mention is that as we look at the slowdown in FMCG growth, the slowdown in FMCG growth unfortunately was most profound in the South, which is also our largest Household Insecticide market and overall 27% of our business. And so we also got impacted a fair amount by the exposure of both our category and our business towards the southern part of India.

On Slide #9, if you take a look at our growth rates. As you can see, generally, on a two-year CAGR basis, both Soaps and Hair Colors seem to be doing quite reasonably well. I think the problem for us and the challenge for us, clearly, has been home insecticides. And again, there, we have been talking about it for the last couple of quarters on some very strong corrective actions that we have been already been putting into place, and there are a few more actions that are planned this year. That should put us back on a recovery path as far as Household Insecticide is concerned.

So, on Slide #10, we talk a little bit about our Household Insecticide I business. We recognize fully that this has been a challenge persisting for quite some time now. Clearly, I think there had been 3 big drivers of the challenges that we have been facing. The first has been, I know, a very significant growth in incense sticks. Apart from incense sticks driving certain amount of penetration growth and new category recruiters, incense sticks have also been impacting some of our Liquid Vapouriser consumption. Our aerosol portfolio has continued to do quite well. And so the actions we have taken to expand the category and our presence, whether it's out-of-home, personal repellents, other roaches, I think they've been doing well, but the growth there has not been big enough to plug in some of the gap we have faced, because of incense sticks and the reduced Liquid Vapouriser consumption.

Apart from incense sticks, which will now get scaled up starting from June of this year, we are working on some very exciting innovations for this year. So, we are very confident that this will be the year of turnaround for the Household Insecticide business. So, far if you take a look at the category ex incense sticks, we have been growing ahead of the category, and on a MAT basis, we have actually been gaining share, but I think the challenge clearly has been to try and get our fair share of growth in incense sticks, which in turn will also help our other formats as well. Later on, in the year, as we launch some more innovations, we will really be able to also focus much more on category development.

On Slide #11, not much to say. I think at an overall category level, this quarter Soaps showed lower growth, largely impacted by the late summer. The good news is that we have continued to gain share, and continue to have our all-time highest share in Soaps. On a two-year CAGR basis the soap growth has been a healthy 9%.

On Hair Colors, our sales growth for the quarter was 7% with volume growth fairly ahead of value growth. Our Godrej Expert Rich, Creme continues to perform well. We are at our highest ever exit market share in that category. We had a temporary consumer price-off for a few quarters. And now that price-off has been rolled back. We have been focusing a lot on activations and media campaigns, the Nupur Herbal Based Powder hair, has been scaling up well, and we have just launched the Godrej Expert Easy 5 minute shampoo hair color. This is an important launch for us, where the effort is to make coloring as easy as shampoo, very quick colors in five minutes. It is enriched with the goodness of Amla and Shikakai and it is very affordable at Rs. 25 for 20 ml. So, that was a quick snapshot of our India business.

Turning to our international business:

On Slide #14. As you can see it was a mixed performance, where the business delivered a constant currency sales growth of 10%. Though, we did see a lot of margin pressures, primarily driven by our Latin America business, and to some extent by our Africa business. Indonesia business continued to perform well.

Slide #15, just details the performance by our various clusters and Slide #16, talks about the margins in a little bit more detail. But as you can see, the biggest margin pressure we saw, was from our Latin America business, just given the hyperinflation environment that we have been seeing there. We have taken a lot of corrective actions and again in Latin America, the good news is that, the brand equity and shares are holding up quite strong. But we have taken some very significant measures in terms of cost optimization, these efforts have already been taken over the last month or so and, so going forward from this quarter onwards, you should see a much better performance on the margin front from Latin America.

Slide #17 talks about our Indonesia business, 14% growth in constant currency. The growth was led by insecticide business and we maintained our leadership position and continued to gain share, along with strong growth there. Adjusted EBITDA margin, also expanded significantly, led by our cost savings program and scale leverage.

In Africa on Slide #18, I think the big challenge continued to be in South Africa. Aside from South Africa, our business grew in the high single digits on a constant currency basis. Nigeria was impacted temporarily by a few weeks of shutdown due to elections, but the Darling relaunch, the scale up of wet hair, all are progressing very well. We have launched a new fast fashion model for innovations, which will accelerate the pace of inventory that should be a new product development and better manage our inventory across dry hair. There is a lot of activity happening to create naturals-based wet hair products as well this year. So, if I look at the NPD pipeline and all the investments that we already made in infrastructure and talent, I feel that the worst is behind us, as far as Africa is concerned. And this year as a whole, you should see a much better performance from our Africa cluster for FY20.

If we take a quick look into our outlook for the year, as I mentioned to you, I think the team has spent a lot of time over the last few months putting together a very strong plan for the year. And the team is very charged up to be able to do things to get our performance back on track after a difficult quarter.

In India, the focus clearly will be on, as mentioned on Slide #20, , to drive ahead of category growth across all our categories. This year will be the year of revival for the Household Insecticide category. A lot of our success has been on accelerating innovation-led growth with New Product Developments (NPD). So, we will continue to scale up some of our launches from last year, along with a few other launches that we have planned this year. The third area of focus for us will be is that we are clearly seeing strong growth from our emerging channels, particularly in modern trade. We have always done well in modern trade. Our salience in modern trade is higher than the salience of the FMCG industry. But along with modern trade, whether it is cash and carry, I think there is a lot of investment that has been happening in being able to perform much better in a multi-channel approach. Lot of our focus has been to try and drive growth in multiple channels with differential service offerings and differential strategies across these channels. And I think the work is been all done. We should start to see results happening this year.

The other, big area of focus has been something which we call conquering middle markets, where historically, we have analyzed information and data at a micro level. For the first time this year, our planning has actually happened at a micro level, where brand tasks had been handled at what we are calling micro markets. These are almost at the district level. And if you prioritize these markets, and we have had a very clear playbook in terms of media, activations, sampling, distribution, shopper inciting with the right levers at those micro markets. And our belief is that this kind of micro planning will allow us to be far more targeted and far more agile in our go-to-market strategy.

The final element of India which has gone well for us and its part for the cost is to continue to find opportunities for us to scale up our cost savings program, which we call Project PI.

As far as Indonesia is concerned, on Slide #22, the focus will be is to continue driving value sales growth driven by marketing and strong NPD. Last year was the most active year as far as new launches in Indonesia are concerned. We intend to sustain that to fast-track growth in emerging categories like hair care, fabric care, and car cleaners along with driving the core. There is a fair amount of cross-pollination happening, between India and Indonesia, and we do expect further opportunities to cross-pollinate products across both of these geographies.

Last year, we started on our start program called Project Rise, to be able to build-on our general trade expansion and this year the pilots have worked well for us, and the coming year is when we will look at significantly accelerating Project Rise. Alongside Indonesia, we are looking at opportunistically investing in a few Southeast Asian markets, to be able to scale up our export growth, and depending on how this year goes, we will evaluate next year to see if we can further scale up these Southeast Asian markets.

The other parts are very similar to India, which is how do we leverage analytics for dialing our sales execution and how we continue the cost savings program in Indonesia to ensure profitable growth.

In Africa, as I was mentioning to you, the focus will be on driving aggressive sales growth across all formats of extensions. Along with focusing on braids, to also focus on a lot of other hair extension formats like crochets, weaves and wigs. The Darling brand re-launch started in Nigeria and Kenya, last year. In quarter one of this year, the Darling brand re-launch will also happen in South Africa. We expect a lot of positive momentum coming from this re-launch to be able to improve our performance in South Africa.

In the wet-hair, portfolio a lot of the building blocks, lot of the scale up, while it is underway our wet hair portfolio in terms of products and the infrastructure, is looking stronger by the day. With the increased distribution in wet hair and new launches that we will have in Nigeria, Kenya and South Africa across relaxers, treatments, nourishment and styling products, along with the more Naturals proposition, you will see fair amount of activity in this category.

We have continued to invest selectively in some of our smaller categories like Soaps, Hair Colors, Skin Products, and Air Fresheners. As we are building a broader pipe for distribution, there are lots of opportunities for us to be able to drive the products in other categories as well. And that process because the emphasis is looking better now, will get more intensified. To be able to enable all of these to happen, the go-to-market platform is critical, whether it is the salon networks, expansion and distribution, Darling, experience booths, work on all these has started last year and we continue to drive momentum with them this year.

There are some smaller markets in Sub-Saharan Africa, where we are seeing decent amount of growth. There are gains which we expect without much investment and we will try and fast track growth in those markets. Then finally, as I mentioned to you before, I think the key in Africa is along with driving sales growth is to actually improve margins. A lot of it will come from scale leverage, along with the portfolio mix, because as we expand more into wet hair, it will drive higher gross margin. So, portfolio mix and improved sales will ensure better profitability, but along with that we will continue working very hard in terms of our fixed overheads, and managing our costs, to deliver a stronger profit this year.

Finally, on Latin America, as I mentioned, the situation has been quite turbulent. The biggest focus will be to turn around this business. And the most important priority will be to improve profitability by some very intense cost reduction programs. Along with that, we do see some opportunities to be able to scale up growth in some of our exports markets. We have a presence in Peru and Uruguay. From a profit perspective, it helps improve the margin. The brands are well-known there. And then in terms of, I think, go-to-market route to model, a lot of changes are being made to improve route to market, optimize trade spends, etc, to be able to deliver a stronger profit as far as Latin America is concerned.

So, that's the overall summary for the quarter. This was definitely weak quarter which sets out of our expectations. But the team has a lot of conviction and confidence that we have put in some strong corrective plans in place to be able to reverse the trajectory and deliver a much stronger performance in fiscal year 2020.

The team will now be very happy to answer your questions or take your feedback.

Moderator: Thank you. Ladies and gentleman, 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: My first question was on neem incense stick, high single-digit market share, which is a good start. My question is, are you already seeing repeat purchase? Why have you gained this market share? Is it largely because of better distribution because illegal incense sticks may not be available everywhere? Because in terms of efficacy, still illegal incense sticks are much better in terms of killing the mosquito, and your product doesn't kill mosquitoes. Second question is when do we see Pan India launch? You have mentioned a few states.

Nisa Godrej: Hi, thanks for your questions. This is Nisa here. So, I think, like we mentioned before, we have been working on a lot of natural and plant technologies for our product portfolio for a long time. And actually, we move faster now because of these illegal incense sticks. What we have been really surprised with actually is that in consumer testing between the illegal sticks and these natural-based sticks, their purchase intention and the likability of the product is as good as the illegal incense sticks. And I will just try and explain this to you. The illegal ones are very highly dosed with all sorts of things, including pesticides that are totally banned for in-home usage, and they don't create a drop-down effect but the way the natural incense stick works, it works by repelling the mosquito through smell.

Both these technologies are used across insecticides. And for the consumer, what really matters to them is that there is no mosquito around, not necessarily that the mosquito is dead at their feet. So, that is the insight on the natural incense stick. So, it does repel very well. I think the other piece that seems to be working very well and I hope people will take a look at our incense sticks and even use them, is that they last much longer. So, there are 3 hours versushalf an hour or45 minutes for incense sticks. And you are right about things like availability.In terms of our legal interventions we have definitely stepped up the ante there But I think at the end of the day, you don't win by legal action, you win the consumer's choice of buying at the store and I definitely think, this is going to get a lot of traction.

Vivek Gambhir: And Abneesh, I think, as you were asking, repeat rates have been very good. So, it's not just about these trials, but a lot of this data comes from repeat rates and clearly, I think, it will be multiple states in the next phase of launch and then I think, depending on how those states do, I think very quickly, we can do a Pan-India launch as well.

Nisa Godrej: And Abneesh, I think, the trick is that, it's not just natural, it's this particular formulation that works really well. And I have to be totally honest with you, we also didn't think the Naturals would work as well as an active based product, but we have been very happy with the lab results and what consumers are telling us.

Abneesh Roy: And I have two follow-ups here. One, is of course when you say FY20 in Household Insecticide, you plan to grow faster than category, does it include incense stick? Because on a MATt basis you have said ex incense stick, you are growing faster? **Vivek Gambhir:** I think, that's the hope, let's see how well incense sticks scale Clearly, I think, from a planning perspective, we would want to grow faster than the overall category including incense sticks.

Abneesh Roy: And last follow-up on in incense stick again, at 15% illegal, it's already quite high. We don't see this much of illegal, in lot of the other categories. So, will it be fair to say that almost it's stabilizing now, and now it can start coming down?

Vivek Gambhir: That's the effort, because I think, there are three different areas that we have been focusing on. One, is to be able to work with the government authorities to be able to actually go to the illegal factory, pick up illegal samples and start shutting the factories down. The initial focus of that was largely in Andhra Pradesh, but recently we have been doing in other parts of India as well, so Jodhpur, Gujarat, Maharashtra, some other states as well. We have been focusing on that piece. The second, and that's where our work is happening with our industrial association. The second, is actually to be able to influence the sellers and to be able to tell them that what they are selling is illegal and whether its wholesale markets, etc, there are drives happening in various parts of India, which are I think are showing results in terms of being able to alert the channel that this is an illegal product.

The third, is actually influencing the consumer and driving awareness, which is happening a little bit more through digital campaigns, etc, may even happen to vendor over time and that will probably take some more time but while it's hard to say that the illegal part is now plateaued, I think we are making it far more difficult for them and I think our belief is that as long as we can make it far more difficult for an illegal incense sticks to continue growing, along with having a much stronger product that's actually available in the market. I think the combination of these hopefully this year should allow us to be able to

Nisa Godrej: Yes. And I think, Abneesh, one of the reasons,we have not been able to react as fast and hard as we would like and rightfully so is that everything in this category has to be registered, So, we have, the Home Insect Control Association (HICA) and obviously all good companies follow the rules to the T. I think we have had our hands tied in the past, because of how the product registrations work . Over the last year, we have come up with registrations and all, and very soon, we feel that we will have our hands untied this year. So, I think, you will see not just a reaction back in incense sticks but in other product categories. And I can't tell you 100%, because we did tell you about Power Chip and some other things and they've not necessarily given us the growth that we had hopedObviously, the consumer doesn't have full information hereon that this is not natural, this is sort of illegal. But we really think how do we serve the consumer better and, in a way, to open the eyes in certain way. So, hopefully, with our hands being untied this year, we will get this back. And I think this is GCPL's bread-and-butter main business. So, just if people have confidence in this management team, I think all our hands-on deck to get back growth and bounce back very strongly.

Abneesh Roy: My last question is on hair color. So, here the problem is in terms of market share. L'Oréal is claiming #1 in urban, and they have claimed 50 bp gain in market share, while GCPL, they say it's down 230 bps, while you are also claiming that you are gaining market share in the Expert Rich Crème. So, if you could say what is the actual numbers in terms of market share?

Sameer Shah Nielsen would be the best case, honestly, to answer your questions. But as we do every time, we don't share, , market share details I mean, the share gains or loss. I think Vivek also mentioned, we continue to gain market share, driven by Rich Crème. In fact, we have gained value market share, which speaks for itself because of the recent price-off, which we had. That means the volume growth and volume market share gains would have been kind of stronger. So, that trajectory for us sort of continues. And now you add to that shampoo hair color, which has got launched and also the scale-up of Nupur Herbal Based powder should kind of accelerate the growth rates going ahead.

Abneesh Roy: One follow-up on shampoo hair color. It's priced very similar to the Crème at Rs. 30, which was at, in fact, Rs. 25. So, what is the time period efficacy of this product? Will there be any cannibalization?

Vivek Gambhir: Shampoo to begin with is priced at Rs. 25 and not at Rs. 30. Rich Crème in a sachet is actually at Rs. 30. We are also launching it in South. And South, to begin with, is not one of our biggest Crème. market. So, let's see how the response is in South. Coincidentally, South is also relatively big for shampoo-based hair colors. So, let's see what are the learnings from South, and then you will evaluate to sort of,

Nisa Godrej: And a big driver of Creme has always been powder upgrades. And what we have seen is in the North of India, especially with sort of Henna and other sort of users, the sort of conversion to Crème has been much higher. I think Northwest, East also tends to adopt new things faster than we see in the South. We have seen the stickiness to powder stronger in the South than in the other parts of India. But what we have seen is that shampoo seems sort of very, very attractive and simple to them in their usage. So, we feel that, that will drive stronger upgrades than Crème has been able to. So, I think that's the strategy that is not that you are going after the Crème market, but you are upgrading powder users. The same thing that we did a number of years ago in launching Crème. The idea was not to play in the Crème segment, but to really upgrade powder users.

Moderator: Thank you. We move on to the next question that is from the line of Percy Panthaki from IIFL Please go ahead.

Percy Panthaki: Hi. Sir, Just few questions from my side. So, yesterday, we saw on one of the other FMCG companies with an international exposure took a goodwill impairment in one of the geographies, because the currency movements had quite permanently damaged margins. Now it seems that we are in a similar situation in Latam. Also, in Africa, I mean, when you acquired the business six, seven years back, there was a 20% kind of margin expectation, which you had in your presentation of FY12. And margins have gone down to 11%, 12%, 13%. So, obviously, that business also on bottom line has probably missed the original sort of expectations at the time of acquisition. So, just some thoughts on how you evaluate this issue of whether any goodwill impairment in Africa or Latam need to be taken?

Sameer Shah: This is Sameer here. So, as a good practice, we almost every year, , do this evaluation in terms of impairment for all our investments as well as intangibles. We had just done it a few hours ago in our board meeting today. There is absolutely no necessity at this point in time to impair any of our investments, in any of our international businesses or wherever we have intangibles. We are far from that at this point in time.

Percy Panthaki: Okay, understood. Sir, second question on Indonesia, margins are at 31%. And although the YoY growth constant currency is healthy at 14%, since we look at two-year CAGR for several of our businesses, I am looking for two-year CAGR here also. It's just about 4% So, in this kind of situation, don't you think that with 26%, 27% kind of EBITDA margin it's fairly healthy and anything over and above that can be sort of reinvested to grow the business faster?

Vivek Gambhir: Clearly, the margin expansion is not coming because of reduced investments that we are making in marketing. So, if I look at the kind of A&P investments that are going on, this significantly increased it. What the team has done is a very good job through optimization of media spends, they've almost been able to double the GRP at the same level of spend and then they've added more spend as well. I think for us, the priority is absolutely clear. For new brands, new innovations, we will keep on ensuring the right level of marketing spend. Having said that, I think particularly as we look at General Trade (GT) expansion through Project Rise. GT, as we all know, tends to be of higher profit than modern trade. So, the channel mix will hopefully allow us to drive profitable growth. And then there is always further cost-reduction opportunities that the team continues to have and they are working on. So, at this stage I think the focus is on driving top line growth, launching some new innovations, extending categories and along with that, if we can drive profitable growth, that will be the intention, but we will not sacrifice investments for profit, because as you mentioned, the profits are quite strong, but I do believe, while there might be some quarterly fluctuations, for the year as a whole, we should be able to deliver profitable growth.

Percy Panthaki: Okay, sir. And very lastly, over the last 12 months, what would be the industry growth in Household Insecticides, including and excluding incense sticks?

Vivek Gambhir: I don’t have the number offhand per se, but if you just call up Sameer afterwards, we can just give that number to you.

Moderator: Thank you, the next question is from the line of Amit Sinha from Macquarie Group. Please go ahead.

Amit Sinha: My first question is on Household Insecticide again, and when you say that you will have more options in hand to counter the illegal incense stick growth. Are you referring to active based incense sticks of yours? Or you have more products in pipeline to follow-up?

Vivek Gambhir: No. I don't want to speculate too much on the specifics right now, but yes, the active incense sticks, long lasting paper and it's not just about incense sticks as I mentioned to you, we also had a challenge when incense sticks have been impacting some Liquid Vapouriser consumption as well. So, from an Liquid Vapouriser perspective also, as we look at various things, there are a bunch of innovative areas. So, across formats, across the various things in the category. I think the product pipeline is looking pretty healthy.

Nisa Godrej: Yes. And the way we look at it is, what is the consumer problem that we are trying to solve and the consumer if you see in this category, there is a lot of dual usage between products; burning formats are liked very much, but they don't want to sleep with them, because they don't like smoke and the risk of fire. We have gone to back to the drawing board and re-looked at our whole portfolio, because at the end of the day, this is a category that we know very well, we have our strength in this category. So, I think, you will see, not just an incense stick for an incense stick but a broader strategy coming and like I said because of registrations and stuff our hands will be a little bit more untied now. Obviously, we can't tell you exactly, what we are going to do, but hopefully you will see it playout during the year.

Amit Sinha: My question was also and just a follow-up on that. So, basically I believe that, one of the main issues in the category and why we lost market share is mainly because, of the efficacy of the organized pairs product versus the incense sticks which are available. So, are we saying that the new products which we will launch in the quarters or years to come, will have a better efficacy, compared to let us say the coils portfolio of ours?

Nisa Godrej: Yes, I think, we would be really stupid if we weren't doing that.

Vivek Gambhir: Amit, there are four things, which are important in this category from a consumer point of view- efficacy, convenience, safety, and affordability and consumers will choose one or multiple products depending on what they are trying to optimize for. So, as we look at the portfolio, I think, as Nisa was mentioning, there are different products in different formats which are going to address all four of these user consumer needs.

Amit Sinha: Right, but see I think, in the liquids, we have already launched a product, which was much higher in terms of efficacy last year. So, just wanted to understand that, how has the performance of that product been?There are various factors but clearly in terms of illegal incense sticks, I think, one of the bigger things to kind of which has taken away market share is the efficacy.

Nisa Godrej: No, I think, the one we launched last year was definitely, is more efficacious. And the consumer feedback, has been positive and that has been a replacement product, actually for the current Liquid Vaporizer. Power Chip which was a lower-priced coil upgrade, is actually a very efficacious product and in our consumer user tests and all came out very strongly. It's come out very strongly in multiple researches in other countries also. The problem that we have faced is that people were peeling off, the cover on the chip, which you are not supposed to do. This unfortunately did not come out in our research. It was a miss for us. We have corrected this so that they can't pull off this label now. If you use that product, it is very, very efficacious, more than some of the other current products in the market. That being said, you can't come with one product and then just pray. We understand efficacy and it's not just high dosage in these incense sticks that get you that efficacy. So, we have products that have been registered. And you will see some of them this year, of course in burning and an electric format.

Amit Sinha: Got it. Thanks for the detailed answer. The second one from my side is, in the India business, it looks like the strategy has been to kind of step up on promotions. And there has been some curtailment in the advertisement spend side. So, should we expect a similar kind of a strategy going forward in FY20 as well?

Sameer Shah: I think the strategy, Amit, is going to be broadly driving sales growth, at much more faster pace than actually what we are seeing in FY19. There will be a mix of tactical strategies, whether it be consumer offers or price-off, as well as the medium / long-term investment drivers of media spend, awareness campaigns as well as trade inputs. So, I think it's going to be, all rounded kind of investment strategy to drive much stronger than FY19 growth in FY20. So, , in a span of three to four months or in a quarter, you will always see some mismatch in either of the line items. So, for example, in quarter four, one of the major reasons for our gross margins drop is the price-off, which we had actually on Crème, which we had on Soaps and which we had on Liquid Vaporizers. But some of them are temporary. Some of them have been rolled back. Some of them will continue. So, you will see a blend of all of this investment. The objective is to really aggressively invest to get stronger growth. And if in short term it comes at the cost of profitability, I think we are pretty much geared up for that.

Amit Sinha: Is it fair to assume that the volume growth is priority and pricing growth will take a backseat?

Sameer Shah: Yes, I would agree. So, at least at this point in time and with the going in strategies, which we have a couple of quarters, volume growth will be the priority, which will precede over pricing.

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

Arnab Mitra: A couple of questions. On insect trouble and I understand what you are trying to do on incense sticks. My question is that if you are able to execute well and the product is accepted well and it becomes a large format, what does it do to the value that you realize from a customer? I mean, if there is a three-hour mosquito repelling usage, is the value that you derive is significantly lower than in LV, because it could be actually a downtrading format from an Liquid Vapouriser if it's a big success? So, how do you think of that? Or is it that your first task is to get this up and only then you kind of think of the mix impact.

Nisa Godrej: First task is to solve for the consumers' need like I said, because it's what a lot of consumers even before insence sticks came, which is where you saw the big rise of fast card. Fast card got to a Rs. 100 crores in a year, was based on the fact that in the evening at around 6 p.m., they wanted a top-up format,? Fast Cards was a poor person's aerosol. So, even aerosols are used with Liquid Vapouriser So, there is especially in high mosquito infestations, you want this instant repellency or instant kill while you put your sort of Liquid Vapouriser machine on. Obviously, if these products are effective, you might put your Liquid Vapouriser as well.. So, I wouldn't say that there is, sort of no impact, but there is a different consumer need between electrics and the burning formats. And the burning formats don't solve for those needs, that's why you saw over quite a few years, very-very strong upgrades from coils to electrics. I think, we have been looking at the electric portfolio from an efficacy point of view. Saying that, is it possible that you don't need dual usage and you can only use a single product, which obviously, grows revenues very strongly and grows profit pool very strongly? So, we are, sort of looking at it. It is not in our interest for the market to become a 100% incense sticks saliency market, even if we sort of own that. But we have to offer the consumer, all formats that they want and they need and hopefully you are better, more profitable, safer formats, the ones start they continue to strongly upgrade to.

Vivek Gambhir: And I think, as Nisa was saying, over time, clearly, you will start seeing consumers using multiple products for multiple needs. There will be a need for the evening. There is a need when you go to sleep. There is a need for outdoor as well.So,all throughout, the idea would be to look at all the consumer needs, look at all the occasions, and find the right kind of products with right efficacy, the right price points, for the consumers to be able to pick and choose, what products they would actually end up using. ? So, I think, consumers are going to need various products, various formats at various price points.

Sameer Shah: And Arnab, just to add herein now, definitely incense sticks will also drive penetration, Penetration is still very low in household insecticide category, whether it be a rural more so and maybe a little less than urban. So, the task is to increase penetration and then over a period of time have consumers upgrading to more profitable formats.

Arnab Mitra: And secondly, on the overall mosquito infestation as a problem and I am sure this question has been asked to you even last quarter. Besides the incense stick issue, now that it's been two years of relatively soft growth. Do you see a headwind for the category overall with less amount of mosquito-borne diseases?

Nisa Godrej: No. Obviously, this is something that we look at it on even 20-year basis. Bill Gates, has said he's going to eradicate malaria completely. But if you actually follow the science and the news , this is not actually progressing very fast because even though there is a lot of research going on, climate change is actually creating more breeding and more issues. And I actually feel that this incense stick is giving you an idea that people have a very big problem and that they want higher efficacy dropdown sort of product. I don't think the incense sticks would have grown at this sort of pace without any top line marketing. Without that, people do have serious infestation problems and they are looking for solutions.

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

Aditya Soman: Just one question from my end. Following up on the previous question. Is the sort of increased prevalence of room air conditioners and even fans being a deterrent for consumers to use, I wouldn't say deterrent, but being a factor for consumers to use less of, say, LVsLiquid Vapourisers, because that would be a typical Liquid Vapouriser consumer that's moving on to using an air conditioner?

Nisa Godrej: I will check with Godrej Appliances, what is the penetration of air conditioners. I live on a very high floor and for someone who is in my business, it's very depressing, because you don't see any mosquitoes on the 45th floor and it is air-conditioned, but when I go to my father's house, very air-conditioned also, and they are all over the place. So if an area in infested, it's not going to be effective by the air conditioner or fan. Obviously, fan being on will distribute them a little bit. With an air conditioner, it doesn't sort of really affect them. So, I don't think the mosquito infestation is going down. Actually I think that it is almost an advantage with the kind of analytics and data access we have today is to get more into micro-marketing and being able to identify wherever dual products are needed and start making sure consumers understand that if they have this sort of a very intense product, what are the products that work for them. So, I think its really what area of a city you live in. In Mumbai, if you live in Juhu, there is a lot of Stillwater all over the place, like people have serious problems versus if you live in a very high-rise tower with not much infestation in the lower level. So, to answer your question, no, not air conditioning and fan and their penetration is not an issue. The advantage that we should do it with the kind of analytics, the kind of data, you can know what is malaria and dengue infection in 0.5 miles sort of radius, how do you take that into micro-marketing, micro-targeting with digital and the new tools that we have.

Vivek Gambhir: Without going in too much of the details on what attracts mosquitoes, it's actually far more driven by the Carbon dioxide that we exhale along with our body smells.

Nisa Godrej: That's why some people get more bitten than others.

Vivek Gambhir: Yes. Which is why, even those things don't change too much with fans and AC's. But those are, frankly, the two biggest reasons for what attracts mosquitoes to certain people.

Aditya Soman: So, my question was more from a perspective that you could just shutthe windows, which led mosquitoes inside a few if you use AC. And like you mentioned between a six and nine period, that was the key area. But yes. Right?

V Srinivasan: So, actually practically, if you see as a consumer, I want to add one perspective to it. The awareness of what one mosquito can do to you or your kid, creating a disease like a dengue, you wouldn't want to take the chance. And people in this segment who have fans and air conditioners would prefer to keep a safety net on rather than let that risk kind of take on.

V. Srinivasan: That's about fans and mosquitoes. Let's move on.

Nisa Godrej: We are happy to talk about it all day.

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

Latika Chopra: Hi. My first question was if you could share the progress or share some numbers around how some of the new segments have behaved like air care, handwash, professional hair color segment. Have they become sizable enough to provide more details here?

Sameer Shah: So, Latika, as you are aware, , we cocktail everything into the others segment, which has been consistently growing at close to 20%, 30%. What I can share with you is air fresheners has been doing quite well quarter-after-quarter, year-after-year. We have become the market leader, it's not just some key leadership position, because the huge growth opportunity, which this category has, even though in the next kind of two, three years. And you will see a lot of action for our brands, driven by new product launches and leveraging brand equity and distribution to kind of continued strong growth momentum.

In this quarter, we also saw a little bit of favorable extended winter impact, liquid detergents portfolio, which is more positioned as winter care. So, we did see again a very strong kind of growth in this quarter, something which you will not see, I mean, normally. But yes, I mean, we have been on the other side of kind of season in a couple of our categories. In these categories, we had a favorable impact. Hand wash is doing quite well. I mean, we will share a little bit more details at the right point in time in terms of market shares, in terms of how it's evolving. Male grooming at this point in time, internally we have decided to kind of keep it more restricted to alternate channels as well as premium-generated outlets rather than taking it to the mass. Maybe during the course of the year, we will evaluate taking it to general trade and maybe mass like that you. And during the course of the year, as we have shared in the outlook, we will see multiple new launches in existing category and maybe in adjacency.

Latika Chopra: All right. And secondly, on Africa business, is it right to expect that FY19 was the worst in terms of profitability? And probably, now you have a certain comfort from Darling relaunch and wet hair care scale up, that margins should start looking up from FY20 onwards?

Vivek Gambhir: Well, absolutely. I think you know some of these were conscious choices that we made to invest ahead of the market and infrastructure andbrand building. The scale up for wet hair took longer than what we had expected, compounded with the significant down turn that we saw in the South African market. But I think given the kind of building blocks we have to put into place, I think for the year as a whole, we are very confident that this was probably the worst is behind us. And FY20, there might be quarterly fluctuations a little bit, but for the year as a whole, I think FY20 should be a much stronger year for Africa.

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

Prasad Deshmukh: Two questions. Firstly, you talked of some liquidity pressures in the channel. Could you just give some color on what these pressures are, and what gives you confidence that they are likely to ease in FY20?

Sameer Shah: Prasad, hi. Sameer here. So, I think what is coming out is largely from channel partners in terms of liquidity pressures. As a result of these pressures, they are basically postponing or delaying their purchases. And then in turn of course, I mean, distributors and wholesalers and the retailers eventually. So, that's what is something happening over last three-four months. The understanding we have basis discussions with other partners is there is a lot of uncertainty in the run up to elections. Also, as a result of this, they are a little shy in terms of committing, or having upfront investment, in their purchases from most of the companies. So, the thinking is that hopefully this uncertainty level will subside once election outcomes are out. And then, I guess this liquidity should if not completely, partly get addressed,

Prasad Deshmukh: Okay. Second question, is actually to you Vivek. So, when you came into the company that time, you started this 3/3 strategy and the whole growth in the last five years has been basically result of this. Now in the last two-three years, we have seen home insecticides, actually not going anywhere, we have also had a situation where Indonesia for last two years is actually a drag. Now in this backdrop do you think that, GCPL should be adding couple more categories at the center of the strategy and not just like seed the category like air freshener and so on, in another's business but aggressively pursue growth in maybe a couple of such categories?

Vivek Gambhir: Yes. You know but I think it's a great question Prasad, which we think a lot about. And I think strategically if you look at the way 3/3 is evolving over time, first of all, as I mentioned to you while we have had two bad years in insecticides We have had 15 very good years as well in the past Rightly so, I think for us there is a fair amount of learning that we have had structurally we have seen some challenges and new format emerging, but insecticides will get back on the track. But across the board if I look at all our categories, today for instance air fresheners is meaningfully large. Liquid detergents are also meaningfully large for us. So, as we continue the journey from say bar-soaps to personal wash, which includes liquid soap, we have started with hand washers, there could be other liquid soaps that we end up doing, that journey continues. I think with insecticides also, whether it's outperformed other pests over about 12% to 13% of our business today is other pests, so that journey will continue as well. There still is a lot of penetration growth again in these categories, , even in the core, whether I look at liquid soaps, whether I look at insecticides or even hair color. First of all, there is tremendous opportunity for us to drive growth through penetration. But along with that I think we are creating a lot of other growth factors. These get clubbed into say, personal care or home care but within these there are definitely new growth vectors that we have been creating, which I think are of fairly decent size now.

Nisa Godrej: Yes, and I think, whether it's like in hair color, we have also expanded into hair care with BBlunt or Godrej Professional. If you look at something like HI, we have also expanded. We are market leaders in air care in India. So, we see it much more as home care now. We also have this niche sort of play. So, we are definitely looking at what is our next Household Insecticide also in terms of category size.

Prasad Deshmukh: Yes. Actually, the questions were more from the perspective of the three categories which were focus areas for you. There, you went organically as well as inorganically, tried to built a portfolio, which eventually delivered growth over three, four years. Now, in air freshener or say, even BBLUNT, beyond more than retail, I doubt whether it is available that freely. So, the question from that perspective, are you going to be very aggressive? Like, okay, if tomorrow there is an opportunity in air fresheners, inorganic opportunity, are you going to look at it? Or just because it is not a part of three by three, you will not look at it?

Nisa Godrej: No. But when we bought Indonesia, Stella was the air fresheners brand.And previously in Sara Lee, when we joint ventured with Sara Lee, we had some air care knowledge. And that brand is Ambi Pure to P&G, I am just saying that Household Insecticide right now is much bigger than air care. But the way we look at it internally is home care? Household Insecticide plus air care plus some other opportunities that we are working on.

Vivek Gambhir: Prasad, the evolving interpretation of three by three is actually now personal care, hair care and home care. And with these three, I think actually are much broader now. And within these, I think the focus will be again on categories, where we have a clear path towards leadership and where we can really come up with differentiated products. But across this, I think we are very open.

Nisa Godrej: Yes. And don't forget the exciting part is, if you look at some of the slower growth in our bigger categories, but in others, you are growing at 20%. And others together is what Rs. 700 crores, Rs 800 crores. It's not small. So, you are saying to foresee something like air pocket in air fresheners, it's very well GT distributed and the majority of sales would come through general trade not modern trade. The exciting thing there is that 5% penetrated. More money you invest, the more it grows. So, these are like emerging categories,? And the same way we saw emerging categories, people build in face wash or other things, we are now building these categories out.

Prasad Deshmukh: Okay, if I can could squeeze in just one more question,

Nisa Godrej: I am sorry. I just want to say one more thing. Air care just globally is a much bigger category than household in size. The size by a big, big margin. So, I think that's a good point to note. No one built it actually out in India

Prasad Deshmukh: Sure. Just as one more question. As a category, which is one more question. As a category growth, home insecticides, last two periods, what is the number? And that's last question for me.

Sameer Shah: So, we will come back to you, Prasad. I don't have actually insecticides category growth. My estimate is that over the last two to three years it is in the high single digits.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Financial Services. Please go ahead.

Krishnan Sambamoorthy: Yes. You had a bit of a self-imposed moratorium on big ticket acquisitions over the last year or so. Any relook at this strategy or the timeframe that you were looking at?

Vivek Gambhir: Yes. I still would not look at any big acquisitions, simply because as we have talked before, our return on capital is on the lower side largely driven by Africa. And I think within India and Indonesia, we are open to small bolt-on acquisitions. We haven't found anything interesting yet. I think there is still plenty of opportunities that we have to drive organic growth for innovation and penetration and the categories that we are in. So, the bulk of the focus and attention of the team will be on driving organic in the portfolio. But if there are small acquisitions that we find in India and Indonesia, we are open to it. Proactively, we are not looking at any large acquisitions at this stage.

Krishnan Sambamoorthy: Okay. Just one more question. You mentioned about disruptions on account of elections in Nigeria. What causes these disruptions? And is that also an indication that there could be some disruption in some region in any category in India, given what is happening in India as well?

Vivek Gambhir: You know what tends to typically happen in situations like that is that, given the market gets shut for a few weeks, people then go back to their villages to vote, etc. But it's not more than two or three weeks, but what ends up happening is that the month’s numbers gets significantly affected. I think India is far more mature where I haven't seen any instance of markets actually being closed for even a day, actually we may have pockets of markets getting closed in India. But generally, I think India has far more evolve and stable. In parts of Africa, typically you might find that because I think some election-related violence, some of the major markets can get shut or supplies get impacted. I think given the market will open, other times, trucks find it difficult to move, etc. Happens for a week or two or three and then it gets come back to normal. But it does have an impact at least for that particular quarter. But the things come back to normal again.

Moderator: Thank you. The next question is from the line of Kuldeep Gangwar from ESG Investment Managers. Please go ahead.

Kuldeep Gangwar: Just one question regarding this deferred tax credit which has been taken in this particular quarter, can you please just give some highlight like a how such a big number has come?

V Srinivasan: Yes, Kuldeep. So, as you know, there were fiscal incentives that the government of India has given. And many of the FMCG companies had opened up production centers in some of these geographies, where there is still fiscal incentive. So, once we started the requirement came up that you have to pay minimum alternate tax, the provision was that for 10 years, whatever MAT you pay in excess of normal taxable profit, would be available for you to set off.

Now this regulation of 10 years usage has increased last year to 15 years. And secondly, post-GST, many of these incentives were grandfathered, and you didn't have the opportunity for further unspecified period of tax-free profit from these geographies. And therefore, when we reassessed the potential for us to utilize some of the credit that we had accumulated so far, it came out that we would be able to do that in the foreseeable future. And as per the requirement of the standard, we had to account for it in this year.

Kuldeep Gangwar: Is it across most of the FMCG company which will be having this benefit, will be doing the same exercise?

V Srinivasan: It depends on their tax profile. Yes.

Kuldeep Gangwar: Having this MAT benefit available to whichever FMCG

V Srinivasan: Yes. Yes. It will depend on their tax profile as I said, depending on how much of their profit came from some of these geographies where there was this fiscal benefit.

Moderator: Thank you. So, next question is from the line of Harit Kapoor from Investor Capital, please go ahead.

Harit Kapoor: Just two questions. Firstly, on the Africa piece, I know you said that, the focus in the wet hair is more on the natural side. I just want to understand if naturals is picking up there as well or do you also have to kind of relook at the way you do dry hair as well in that market?

Sameer Shah: The focus is both of the relaxers and in Naturals.

Nisa Godrej: The same on dry hair.

Harit Kapoor: Well, naturals that impact on dry hair.

Nisa Godrej: Naturals, it does not have an impact on dry hair, because dry hair is not chemical based, it's an extension you put onto your current base. From straightening technology, you do need a certain amount of chemicals to straighten your hair. There has definitely been a big movement more in the US but also on the African continent, for women to keep their texture natural, which mean not to necessarily use a chemical straightener to get it blown straight, but straight as a style or manageability of hair is sort of very important. So, in our wet hair, what we call wet hair portfolio, we cater to every need, both the chemically straightened hair with safest, most productive solution, and then for cleansing, for styling, for a whole host of other things. This category is much-much more, what you do with your hair is actually much-much more complex than say what an Indian woman would do with their hair. And style, style is almost like how clothing and fashion works in the rest of the world.

Bharat Kapoor: And now, you just to make it, clear since this is very complicated. Just because the category, not just because someone is going natural, doesn't mean they don't get extensions. It is about relaxed versus non-relaxed hair. But a lot of women who want to go natural will still use hair extensions.

Nisa Godrej: Yes, actually hair extensions, if you talk to a woman from Africa, they call it protective styling so the word protective means of protect your natural hair. Their natural hair is also very-very dry, so if you put it into an extension it's almost like covering your own hair with protection from like say when it's winter, or cold, or from the sun.

Bharat Kapoor: Understood. My second question was on the India piece. So, in an environment where you are looking at volume growth as the key priority and pricing is not an import, I mean, secondary. Would be safe to assume that even from operating margin standpoint, you'd look to maintain margins and keep looking to drive any cost benefits into driving volume growth. This is specifically for FY20.

Sameer Shah: Hi, this is Sameer, here. So, I think thought process is to drive the stronger volume growth. Honestly at this point in time there are no serious trade-offs on a full-year basis for us to come out, stating that, we will not see a profitable growth. I think, we will a take it the way, kind of evolves over a period of time. So, , no reason to believe that why at least we should not be able to maintain our margins but again I mean if at that point in time in those categories we see, the growth opportunity coming the cost of short-term, margin pressure we are geared up for that.

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

Binoy Jariwala: My question is on Household Insecticide and the Soaps category in India. On Household Insecticide, what would be personal repellents within the Household Insecticide portfolio? And second is that how do we plan to scale the non-mosquito Household Insecticide portfolio going forward for the next two, three years?

Sameer Shah: So, I we will shy from actually sharing specifics of saliency of personal repellents, I mean to our overall housing insecticides business. Those are non-mosquito part of Household Insecticide portfolio has been doing quite well over last many years now actually. And there are plans which we have in place to have new launches to scale it up ahead

Binoy Jariwala: Are we aggressively looking to energize this portfolio in the next couple of years? Or it's going to be a natural progression?

Sameer Shah: No. We will see.

Nisa Godrej: On HI?

Sameer Shah: Yes. under non-mosquito part of Household Insecticide portfolio. So, we would love both mosquito part of Household Insecticide as well as non-mosquito part of Household Insecticide to grow a stronger growth rates. But at least, over last two, three years, a non-mosquito part of Household Insecticide portfolio has done quite well. And as I mentioned earlier, we do have kind of strong plans in terms of continuing the strong growth momentum going ahead.

Nisa Godrej: We also have a naturals portfolio that we will be launching beyond incense stick and it will be both mass and also premium. And in that besides our other cockroach, rat, , we will also be addressing other insects in that portfolio.

Binoy Jariwala: Okay. Understood. And on the Soaps part, are there any distribution gaps that we can address over the next, in the next two-three-year timeframe. Can that really drive volumes?

Vivek Gambhir: Absolutely. I think we have two ways. Certainly, what we have been doing with No.1 and that's been quite successful for us is looking at additional expansion opportunities from a coverage perspective. I think the second big thing will be, as I was mentioning earlier, is that as we apply our micro-planning approach, what we will find also is opportunities to, within our existing coverage area, to be able to deepen distribution. So, personally, I think both in terms of, more newer geographic expansion, as well as within our existing coverage area, optimizing distribution are opportunities that we definitely see in the Soap category.

Binoy Jariwala: Anything to quantify on this?

Vivek Gambhir: I wouldn't want to, at this stage, give you any specific numbers.

Binoy Jariwala: Understood. Okay. And lastly on bookkeeping questions. Could you quantify the amount of cost savings that we did would close this year with at a consolidated level and as well as India level? And second is on the debt repayment plan for FY20?

Sameer Shah: I think directionally cost savings were down, have been pretty muted level, both in India and Indonesia. And on average, we have been getting 2% of our sales to quantum to cost savings both in India and Indonesia. It's going to get scaled up in Africa and US cluster this fiscal year, which is also going to be one of the key pivots to our profitable growth and ambition over there. The debt repayment will happen with its own kind of schedule. So, we do have debt which is for a four - five year payments are in every quarter. This plan, at this point in time, the quantum of debt repayment in FY20 is relatively lower as compared to the quantum in the subsequent years. But we do have the flexibility of repayment or even postponing the quarterly payouts.

Binoy Jariwala: Can you quantify the debt repayment for FY20?

Sameer Shah: So, Binoy, as I said, I been evolving right, so we now have a number to begin with, but at the end of the year that could be in either of the direction.

Moderator: Thank you. The next question is from the line of Kunal Vora with BNP Paribas. Please go ahead.

Kunal Vora: Yes. Just like a bookkeeping question fiscal 2019? And what are the plans for fiscal 2020? What would be the main investment?

Vivek Gambhir: I think the investments would be towards expansion for new product launches during the course of the year. We are also planning to invest in R&D facilities. We will be expanding our R&D facility in India business and then there will be some CAPEX towards IT systems. That's lastly going to be what our CAPEX is going to be in FY20 in India, and again there is not going to be very meaningful CAPEX in international business.

Kunal Vora: Sure. What's the number for fiscal 2019?

Sameer Shah: So, for fiscal 2019 in India

V Srinivasan: Rs. 250 crores was the total CAPEX in fiscal.

Sameer Shah: Yes. Overall consolidated level year.

Kunal Vora: Sure. And like next year, can you provide a number

Sameer Shah: I think, should be around that range.

Kunal Vora: Sure. Okay. 2%, 3%. And just one last question. Like two quarters back, you'd mentioned where it was growing about 600 bps ahead of urban should have slowed down. But how much has it slowed down now? How is it compared to urban now?

Sameer Shah: So, I think this quarter, honestly, I don't actually agree to looking at the rural and urban split. I mean obviously there is nothing much to choose between the rural and urban in this quarter. But if I look at trends of last three, four quarters, the gap between rural growth multiplied to urban growth has sort of come down.

Kunal Vora: Sure. And any initial indications for this quarter going on, like how things improved after March or…?

Sameer Shah: Too early to call out. You need to have to call us for those payments again, right? So, we will keep it.

Kunal Vora: No. Like actually, like other reason was that in January, in Jan the last call, Jan, Feb like you seemed confident that this quarter would go well. But somehow in Feb, March, things slowed down. So, just like wanted to get an initial sense of, yes.

Sameer Shah: Too early to call out for now.

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

Binoy Jariwala: Thanks for the opportunity once again, the question is on the Lat Am business. Is that pricing now running in line with the hyper-inflation? Or is it running at lag of hyper-inflation in Argentina?

Vivek Gambhir: No, what we have done is actually, over the last couple of months, we have taken some price increases, both in Argentina and in Chile. Too early to say, but their overall price increases are still trailing inflation because inflation is still running at about 45% to 50% levels. And our price increases have been somewhere in the 50s range. So, still not at the point, but we are now taking pricing actions more aggressively than what we were doing about say, a couple of quarters back.

Binoy Jariwala: So, what is the plan to turn this geography around? How do we plan? Because I believe COGS would be the most important and critical component, right? If you need to improve profitability in this

Vivek Gambhir: It's two or three things, right? One is, at an overall portfolio level, there is some higher margin incremental innovations that we can launch, which doesn't change the answer completely but provides more cushion for the business. Second of all, in Argentina, also almost 25% of the business now is exposed. So, can we dial up at both meaningfully because that's higher-margin. The third is actually taking a much more rigorous look at manpower cost and trying to reduce overheads. There is no silver bullet answer, but the combination of I think some portfolio changes to drive higher gross margin, along with expanding geographically exports, which is higher margin and a much tighter rein in terms of manpower cost is the way I think we will be able to improve the margins.

Binoy Jariwala: Is there a cost savings target for Argentina in specialty that you can share?

Vivek Gambhir: Because there are targets, but because of inflation there're pretty dynamic, right? There are certainly certain aspirations we have that represent improvement but not something I want to communicate because the situation is quite dynamic as we speak.

Binoy Jariwala: Understood. And last question is, is it possible to hold on to the 25% odd Indonesia business margin?

Sameer Shah: I don't see any problem we are devoted to that.

Binoy Jariwala: Because the outlook is specifically to drive sales growth, that's the reason I am asking.

Sameer Shah: The reason is as I mentioned, first of all, our expansion with GT, which will gain far much of momentum this year because last year was the year of experimentation and piloting will enable us to actually drive higher profitability, and then there is enough projects that the teams will work on. It might be more back loaded this year, because typically cost reduction projects tend to happen in the latter half of the year, but for the year as a whole while there might be some quarterly fluctuations. For the year as a whole I think the team is feeling quite confident to deliver profitable growth.

Moderator: Thank you. Ladies and gentleman, that was the last question. I now hand the conference over to Mr. Pratik Dantara, for his closing comments.

Pratik Dantara: Thanks, everyone for joining.

Moderator: Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services. That concludes today's conference. Thank you for joining us. And you may now disconnect your lines. Thank you.