



# “Godrej Consumer Products Limited Q2 FY-22 Earnings Conference Call”

**November 11, 2021**



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**MODERATOR:** **MR. JAYKUMAR DOSHI – KOTAK SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Q2 FY22 Earnings Conference Call of Godrej Consumer Products Limited hosted by Kotak 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. Jaykumar Doshi from Kotak Securities. Thank you and over to you Mr. Doshi.

**Jaykumar Doshi:** Thank you. Good evening, everyone. On behalf of Kotak Institutional Equities, I welcome you all to Godrej Consumer Products 2Q FY22 earnings calls. I'll now hand over the call to Pratik Dantara AVP M&A and Investor Relations for initial introductions. Over to your Pratik.

**Pratik Dantara:** Thanks Jay. Hi everyone. Good evening. We hope you are staying safe and healthy. We have on the call Nisaba Godrej – Executive Chairperson, Sudhir Sitapati – Managing Director and Chief Executive Officer and Sameer Shah – CFO and Head Investor Relations. We'll start with Nisa sharing her perspective on the business performance.

**Nisaba Godrej:** Thank you Pratik. Good evening, everyone. I hope you and your families are safe and healthy. Thank you so much for joining us on this call today. I'm delighted that Sudhir is here with me today. I've found his initial thoughts on strategy and operations excellent. We look forward to having him share them more broadly with you next quarter.

I would start with our performance in Quarter 2. Our overall sales grew by 9% with a 2-year CAGR of 10%. EBITDA de- grew by 1% with the 2-year CAGR of 9% and PAT grew by 5% excluding exceptional items. Home care delivered a growth of 5% led by steady performance in Household Insecticides and a gradual recovery in Air Fresheners. Our portfolio in home hygiene is scaling up well. Personal care continued a strong growth momentum growing at 10% led by personal wash and hygiene and a robust growth in our haircare portfolio in Africa, USA and Middle-east.

From a geography perspective India grew at a 10% with a 2-year CAGR of 10% led by broad-based growth within the home care and personal care categories. In home care, Household Insecticides delivered single digit sales growth. Air Fresheners and Fabric Care witnessed double digit growth. In personal care, Personal Wash and Hygiene continued its double-digit sales growth momentum with the 2-year CAGR also in double digits. Hair colors also witnessed growth in double digits.

Our innovation rate was in the early 20s. We continue to strengthen our e-commerce business which contributes approximately 4% of our branded sales. Overall, we remain cautiously optimistic on demand recovery in the near-term. Indonesia delivered a weak performance with the constant currency sales decline of 2%. This is impacted by challenging macro-economic variables, a gradual recovery in the air freshener category and high competitive intensity in the wet-wipes category. We continue to put building blocks in place to ensure gradual recovery during the course of the year and drive sustainable, profitable sales growth in the medium term.

Our Africa, USA and Middle East business continued its strong growth momentum and deliver a profitable double-digit sales growth of 16% in constant currency term. Our 2-year CAGR was also in double digits.

I'm pleased with the strategic focus and growth mindset of the team as we continue our focus on driving sustainable profitable sales growth. Our consolidated EBITDA margins at 21.6% decreased by 210 basis points year-over-year driven by decline in India and Latin American & SAARC margins. Our overall margins expanded sequentially by 30 basis points. In India margins decreased by 330 basis points year-on-year on a high base and driven by the lag between an increase input costs and end consumer price increases. This was partly mitigated through scale leverage and continuous cost saving initiatives. We continue to have a healthy balance sheet. Our return ratios continue to improve sequentially while the net debt to equity ratio continues to come down. We remain confident of leveraging growth opportunities to drive sustainable growth across our portfolio in fiscal year 2022. I'm very proud of the exceptional agility and resilience demonstrated by our teams.

We also continue to adopt a safety-first principle across our ecosystem, supporting our team members, their families and business partners across to get fully vaccinated. In India and Indonesia 90% of our people are fully vaccinated. In LATAM we have achieved a 75% vaccination rate. Unfortunately, our vaccination numbers in Africa are much lower due to the paucity of vaccines with 50% of white collar and 35% of blue collar fully vaccinated. As always, our values matter the most, so this time we remain committed to doing our best to truly live the Godrej way and serving our people and communities. Thank you.

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

**Abneesh Roy:** My first question is on India Household Insecticides. I understand the Q2 muted growth. My question is on the outlook. We are seeing very high dengue cases in many parts of the country. I see your HIT advertisement in fact mentioned the dengue word also. Second in this is Dabur has entered the in-home HI space. So if you could discuss, do you see a big impact of that longer term and essentially if you could discuss the margins in Household Insecticides in India?

**Sameer Shah:** So, I think the overall Household Insecticides performance so far has been steady for us. Of course, I mean we don't disclose specifically Household Insecticides but I'm very happy to share that for first half of the year, the overall Household Insecticides growth have been around double digits mark. We continue to put the building blocks in place in terms of either driving penetration in the category as well as driving premiumization, taking this category beyond mosquitoes as well as taking this category out of home. I would say the season has been mixed for us, we did see dengue breakouts in some of the cities where we had very strong growth. However, we also saw rain deficit in August and excessive rains in September which did impact the growth. So, let's see how the overall performance in medium terms shapes up but so far so good. We do feel that we should structurally remain in that zone of high single digits to low double-digit growth

something which we called out as our ambition on Household Insecticides in India over a period of time.

**Abneesh Roy:** Could you discuss the new competitor and margins?

**Sameer Shah:** I will take the margins question first Abneesh. I think the margins are largely intact. Thankfully Household Insecticides is one of those categories which does not have any major commodity inflation barring metals which does impact aerosols and little bit of LPG and solvent. But the inflationary impact is relatively lower as compared to rest of the portfolio, so the margins are up there. We have been also taking calibrated price increases in Household Insecticides to mitigate some of the inflationary impact.

**Abneesh Roy:** And the new player.

**Sameer Shah:** I think it's too early to call out. We have always mentioned in the past that in a very consolidated category like Household Insecticides every player will expand overall market. It's more of wait and watch at this point in time. We are very dominant in terms of our play. We have a very strong brand equity, so we are not too overly worried at this point in time.

**Abneesh Roy:** Just one follow up on Household Insecticides, jumbo fast card pan India launch has already happened?

**Sameer Shah:** It is just getting nationally rolled out Abneesh. It was more of a Maharashtra rollout over last 2-3 months. This is just now getting rolled out nationally including investment in media .

**Abneesh Roy:** My last question is on the India business. You have seen good growth in Air Freshener, Personal Wash, Hair Color on YOY basis, I understand that. But when I compare 2-years back to pre-COVID if you could give some sense where are the volume numbers in these?

**Sameer Shah:** I would give you directional input to appreciate the quality of growth Abneesh. I think the overall growth in personal wash, YOY as well on a 2-year CAGR basis have been robust. There is also pricing led growth over there. We need to also keep that at the back of our math. Hair color growth also have been good on a YOY basis as well as on a 2-year CAGR. Air Freshener as you know the 2-year CAGR is I would say relatively on the lower end which means that it's gradually recovering as you come out of COVID environment.

**Abneesh Roy:** Air freshener, Hair color are back to 2-year level, is that what you are saying?

**Sameer Shah:** No, not Air freshener. I would say Hair color is largely there.

**Moderator:** The next question is from the line of Percy Panthaki from IIFL Securities.

**Percy Panthaki:** Just wanted to understand on the inflationary scenario in Soaps. Your standalone gross margins are down very significantly. Firstly, what is the extent of price increases that you have taken and how much more do you think you required to offset or manage the cost inflation? And this is in

context of the fact that there is a cut in the ad spend and also employee costs due to Economic Value Add (EVA) calculation that I understand. But the ad spend cut would not sustain for long. I mean you would need to advertise. So, if you were to maintain this kind of EBITDA margin how much more price increase do you think would be required?

**Sameer Shah:**

If you look at India's gross margin, there has been contraction of around more than 800 basis points. If we double click into that, I think around 3/4<sup>th</sup> is led by Palm oil which has impacted Soaps and the rest is driven by basket of chemicals and metals as well as crude link inputs. What we have done is, in Soaps we have taken price increases that have been calibrated. Also what we have done now actually is taken further rounds of price increases in Soaps as well as non-soaps portfolio. The reason being that over the last couple of months we have seen generally inflation moving up even sequentially and hence to combat that we have taken price increases, they will be effective from somewhere late December. This high inflationary challenge especially on overall operating margins will remain for the next couple of months but our sense is come Quarter 4, we will see parity in overall operating margins.

To take your question on employee costs and ad spends, I would say employee cost is driven by genuine efforts to reduce down overall employee cost. Part is also driven by the performance variable remuneration which is in turn driven by part EVA and part sales. EVA because of profitability is relatively on the lower side. Ad spend sequentially have moved Percy, from around 5%-5.5% in 1Q, we are at 7%-7.5%. Though we will see ad spend also moving up in rest of the year. That's also one of the major reasons why we are taking some of these price increases. Honestly, I would say they are little bolder ones at this point in time which will be seen effective in the market somewhere late December. Lastly in category like Soaps I would say if the basket of taking calibrated price increases, consumer offers, spread offers in ad spend. So, we need to fine balance all these four types of investments together. You cannot go in with all the four investments at one go. There'll be some prioritization but the thinking is very clear for non-soaps portfolio especially where we're seeing good solid growth we will continue to invest ahead of all.

**Percy Panthaki:**

Secondly on Household Insecticide, I believe for this quarter the 2-year CAGR would be somewhere around 6%. That's a pretty lackluster growth considering that Household Insecticides is at least partially a COVID tailwind kind of a category. So, any comments you have there?

**Sameer Shah:**

That's what I shared earlier to Abneesh, this has been a mixed quarter for us in a way because we did see dengue breakout in cities where we saw very strong growth Percy but we also saw rain deficit and excessive rains which is not very good for mosquito breeding. We've call this out also in the past Percy that the best way to appreciate this category's performance is actually over a 3-4 quarter period and if you look at H1 we are there in terms of close to double digit growth rate. A quarter can always be very deceptive, whether it's exceptionally high growth or exceptionally low growth but the building blocks are very much in place in terms of driving a sustainable growth in this category, you'll know it in a period of time.

**Percy Panthaki:** Lastly since Sudhir is there on the call, Sudhir any thoughts that you would like to share in terms of diversifying the product portfolio in India so that the dependence on Household Insecticides as a category is reduced or it's too early for such questions for you?

**Sudhir Sitapati:** It is a bit early for that specific question Percy, but I think I can say this from the brief time that I've looked at the business is that of all the categories and countries that GCPL is present in, they offer terrific opportunities for growth including Household Insecticides. While Household Insecticides is a business that as Sameer said varies by quarter because of variety of reasons, penetrations for example of the liquid vaporizer and aerosols are low. I would say that while there will always be opportunities outside. I think there is a lot of opportunity for us to grow in the businesses we are in today.

**Moderator:** The next question is from the line of Arnab Mitra from Credit Suisse.

**Arnab Mitra:** My question was again on the input cost side. So, I know we are in pretty unprecedented times of commodity inflation but we have not seen this kind of a gross margin hit YOY in any other company or even in GCPL in the past. So, is the reason that there is a constraint in pricing because the market leader hasn't taken enough pricing or is it just a timing issue that is commodity run up too fast and therefore a pace would not be kept? Where I am coming from that if we assume that palm oil prices don't correct from here, is there a challenge of managing margins for the rest of the year also?

**Sameer Shah:** No, I think it's more of the latter to your point because we have been pretty competitive and honestly little ahead of curve. I mean as you are aware we have this micro marketing strategy. It's not one size fits all pricing approach which we take on a category like Soap. And also when we look at relative pricing index, we are perhaps a little higher than what historically we have been. The gap is huge, especially in category like Soap, between increase input costs and the end consumer prices and there is also a cap. I mean at the end of the day how much consumer can take that inflation. So as I was sharing earlier with Percy, is we have taken next round of price increases in Soaps and also in non-soaps category which will help mitigating the inflationary pressures which are largely in Soaps at this point in time. But because of our strong market standing as well as brand equity in rest of the portfolio, we feel that it should kind of sail through without any impact on the consumption and also cushion the overall operating margins in medium term.

**Arnab Mitra:** So basically, what you are saying is that you have been a little ahead of the curve which means that the overall market pricing growth is still lagging a little bit. There is a bit of reluctance in taking the full pricing by most of the other players also.

**Sameer Shah:** The gap is too huge. I mean to give you some data Arnab the overall palm inflation is around 50%-55% on a YOY basis. Now we cannot pass on as an industry the entire increase to the end consumers because the consumption may just fall flat. It has to be calibrated in nature. Yes, sometimes it could be a little more bolder which is what we have gone ahead with on soaps and

then they're leveraging the rest of the portfolio to drive pricing led growth in the non-soaps portfolio which will mitigate some of the inflationary impact in Soaps portfolio also.

**Arnab Mitra:** My second question was on the demand scenario. So second half last year we had seen your hair care business recover and even Household Insecticides after a soft 2Q had actually recovered in 3Q, 4Q, so you actually have a relatively tougher competitor. Overall how do you see the demand environment, we have heard mixed feedback from companies on potential rural slowdown and other things, so general sense of what outlook you are looking at from a growth point of view?

**Sameer Shah:** I think as Nisa called our earlier we remain cautiously optimistic in medium term. Its mixed to be very honest with you and it also differs from month to month in terms of what's happening, not just with channels but more importantly with consumers also. We remain at least at this point in time reasonably well placed to be close to the double-digit growth ambition which we had called out in India business. There will be some play between value and volume at least in very short term. But from overall demand perspective we feel largely it's more of the same. There've been no major changes especially at consumer's end which gives us a view to change our own point of view in terms of high demand or low demand.

**Moderator:** The next question is from the line of Avi Mehta from Macquarie.

**Avi Mehta:** Just wanted to continue with what you said last while you're clearly confident or looking at least to the double-digit growth ambition in India. Would we find it difficult to meet the flattish kind of margin expectations given the sharp inflation in input costs? Would that be a fair understanding?

**Sameer Shah:** Its very difficult to give a guidance on margins honestly because there's just too many moving parts, there could be a scale play, there could be generally how the demand is shaping up in either of the directions. As I mentioned earlier in very short term maybe for the next month or two, our sense is there will be little bit of operating margins contraction but again, equally we remain confident that maybe from January or so with all the price increases getting into the market, we will see at least margins maintenance. Also, we need to look at margins from a relatively longer period. So while in this quarter overall margins have contracted, if you look at first half, the margins contraction is only by around 60 or 70 basis points. Till the time the overall double-digit growth momentum continues, we don't mind in fact investing little ahead of curve to get sustainable sales growth even if it comes at the cost of very short term margin.

**Avi Mehta:** And the second bit on Indonesia. Earlier when we had a call with Indonesia head, what we were given to understand is there is a recovery that is panning out. Could you give us a sense on how is that coming through especially because the understanding that we had is even the competitive intensity on the wipes is now getting managed, so any update on that if you could please share?

**Sudhir Sitapati:** I will take that question if Sameer doesn't mind. I think Indonesia, there are a set of two or three issues. First is that the macroeconomic situation does seem to be very tough in Indonesia in the short term. Many companies have posted weak results, GDP growth is contracting etc. Having

said that again this is a very early read of the situation. I do feel that there are some things that we could have also done better in Indonesia and I hope we'll do them in the near future and we will see a recovery in the medium term, both because of the economy and some actions that we take.

**Avi Mehta:** Sudhir just last one for you. You obviously have settled in now to take some time to get to know the business well. When can we hear a roadmap from you on how do you want to look at growth rates from medium term point of view, any timelines would you be willing to share?

**Sudhir Sitapati:** I'm still just getting to understand the big picture. In a few months' time perhaps we can talk in more detail.

**Moderator:** The next question is from the line of Vivek Maheshwari from Jefferies.

**Vivek Maheshwari:** First on the gross margins again in India business. Do you think that second quarter marks the crux on margins or is it going to be the third quarter in your view assuming that input stays where it is?

**Sameer Shah:** Again, I think it's difficult to call out at this point in time in terms of what could be the quantum of margins contraction. I mean there are too many moving parts Vivek, there is going to be incremental pricing led growth in Q3 compared to Q2, there is going to be also shift in category mix. We have a big season especially on liquid detergents which is relatively high gross margins. But to say the least there will be gross margin pressure, hopefully flows what we have seen in Q2 especially on a YOY contraction and with some of this price increases getting into the market we should see outward trend in terms of contraction of gross margins in coming months and quarters.

**Vivek Maheshwari:** But I'm saying if you just eliminate the category mix part and just look at Soaps, can you just give your views or basically the other way of asking this is when we look at second quarter numbers, the consumption of input versus exit gross margins, is there a big difference between the two?

**Sameer Shah:** Vivek to answer your question, my sense is the Soaps gross margins will continue to move up from hereon.

**Vivek Maheshwari:** The other thing Sameer on price hike when you say that in Soaps, you have affected next round of price, are you following the market leader over here or for that matter in the past I'm guessing you would have but this one when you say that you have been bold? Does that mean that you have taken prices ahead of what the market leader has done?

**Sameer Shah:** I don't know what the answer you've got from the market leaders but as I mentioned to you, we continue to take calibrated price increases. The approach which we have adopted Vivek over last many years is what we call as capturing micro-markets in terms of taking those calls in specific states, in specific bunch of districts rather than taking a pan India one size fits all, pricing approach and that has worked very well for us. We realize that in so many markets and districts

we compete with so many different players and hence there is no question of one-on-one comparison for a lot of our brands as well as SKUs. It's not straight to our specific player but yes, we have been little bit more bolder is what I can share in terms of our Soaps pricing generally, over last 2 weeks because the commodity inflation is relatively on the higher side.

**Vivek Maheshwari:** One question for Sudhir. Sudhir can you just give your initial thoughts on how do you contrast let's say GCPL with HUL both a few points which let's say are on the positive side and a few points where you think GCPL can do better. The way in which you mentioned about Indonesia for example.

**Nisaba Godrej:** Why don't you wait for Sudhir to give you his full strategy in a couple of months. I don't think this is a comparison between HUL and GCPL. Sorry Sudhir but you might want to do it.

**Sudhir Sitapati:** I think the interesting thing Vivek is there's something which are common to the two companies. They are both I think great places to work. They have got a great value system. They have been around for a long time, very strong brands. There are some things that GCPL does really well and there are somethings that it could probably do better but maybe I will answer that question in a few months.

**Moderator:** The next question is from the line of Harit Kapoor from Investec.

**Harit Kapoor:** Just one thing regarding India innovation pipelines where you mentioned your outlook as well that there are a lot more exciting product innovations etc. I just wanted to understand that does the timing of some of these launches that you are planning from a medium-term perspective get pushed out given the unprecedented inflation that you are seeing or is one of the reasons that you are taken this aggressive price increases to keep your launch timeline consistent?

**Sameer Shah:** We are not going to compromise in terms of our launches. Timing also is a factor of readiness and readiness even from an end consumer perspective. Honestly in medium term no big bang launches also planned at this point in time but strategically and directionally will continue, to drive innovation led growth and not compromise in terms of pausing on innovation for a long time because there is shorter term margin pressure.

**Harit Kapoor:** Just a follow-up on that. Do you also believe that given that you are cautiously optimistic on the demand environment; this may also be a time for you to just keep focusing on what you have already done and may not look at something more big bang. Does the market warrant that kind of an outer right now?

**Nisaba Godrej:** I think we already have some big bang innovations in place and like what Sudhir said earlier even say in Household Insecticides, there's a whole penetration game, whether you look at electrics. So, something like Jumbo Fast Card is also a very big innovation for us in India. So, I think we will focus in terms of what we have already launched for the next quarter to two.

**Harit Kapoor:** The second question is on the hygiene portfolio both on Personal and Home. Now that these categories seem to have normalized a little bit more in terms of demand and from consumer

penetration etc. Is there something more than others in terms of what you are willing to invest in? Regarding say for example what you launched in the last 12-15 months, are there two-three focused sub sections that you are going to look at slightly closer or invest more behind? On both the Home Hygiene and the Personal hygiene side in terms of new launches?

**Sudhir Sitapati:**

It will be giving away too much to say what our strategy in terms of investments are. I think that during COVID both in India and Indonesia we got a lot of new launches in the Home and Hygiene space and many of them have done well. Since we have got this tailwind of the pandemic, we will continue to build on the gains that we have got during the pandemic. I have a suspicion that many of these products may or may not do as well this year as they did last year because of the pandemic but I think the equity is strong and these are long-term plays both Saniter in Indonesia and Magic in India. Both of them have done extremely well. These are long-term bets for the company, I would suspect.

**Moderator:**

The next question is from the line of Richard Liu from JM Financial.

**Richard Liu:**

My question is on Africa. Can you talk a little about that region because that's definitely one of the bright spots here? Would you say that we have now reached a higher-level steady state that we wanted after all the actions taken by Dharnesh and team in recent months. Any perspectives on what more actions are in store and what should we look forward to from the region going forward?

**Nisaba Godrej:**

Thanks Richard for your question. I think in Africa with Dharnesh coming in and now with Sudhir also, we had put a strong turnaround plan to that business and what we are seeing is that it is playing through and we had actually put a 5-year plan in place both on top line growth and EBITDA margins moving sequentially up. We have been quite happy with what's happening in that business. As we voiced over before there's quite a lot of back to basics there in terms of driving distribution and focus on core categories and also in Nigeria, we have talked about building out categories like Household Insecticides.

**Moderator:**

The next question is from the line of Shirish Pardeshi from Centrum Capital.

**Shirish Pardeshi:**

The first question is broadly on the rural part. I think there is intermittent noise that has happened over last 45 days and companies have been saying that rural sale is one of the data points out that there will be a slowdown but, in your lens, how do you see this is a challenge because what I see that last four to five quarters, COVID gradient has given you a strong impetus and you would have grown to rural. My question is in two parts. What is our rural contribution today and how do you see this is as a challenge or as an opportunity or you really see that rural slowdown is visible in the last 45 days?

**Sudhir Sitapati:**

I will pass on the question on rural contribution to Sameer. But the honest answer is when I looked at the data, I am not able to in real terms see a rural slowdown. See there are lot of optics in data both externally and internally because of COVID base, right? Like for example during the COVID lockdown, the first COVID lockdown, urban cities were closed but business in rural

continued. So, you have different competitors and so on. So, when I look at these quarterly and annual data movements, I don't see a specific rural slow down even though optically the rural numbers are lower. So, both in Nielsen and our own numbers rural is now not growing as fast as urban but I don't see this when I adjust for a 2-year period or I don't see very obviously in any case, Shirish. So, I am not able to read this data clearly but I am going to pass on to Sameer on what our rural contribution is for our business.

**Sameer Shah:** Directionally Shirish, rural is going to be a big growth sector for us right because couple of our categories are under-penetrated in rural especially Hair Colors as well as Household Insecticides. Contribution is shade below 30% for us which is lower than generally what the contribution would be within the overall FMCG space. It's definitely going to be actually a big growth space for us in medium to long-term.

**Shirish Pardeshi:** I agree with Sudhir and the specific question is that, in your erstwhile organization, you were the guy who really pushed for GSK portfolio. And you have done a wonderful job there and in that understanding I wanted to have your opinion. But from the Godrej perspective, do you really see that the product profile which we have customized as per the rural requirement, there is a penetration led growth which we can expect in next four-five quarters?

**Sudhir Sitapati:** 100%, certainly in Household Insecticide which is electrics and in Hair Color; these two core categories they are very under penetrated. Soaps is well penetrated in rural, perhaps air care is a bridge too far right now for rural but these two large categories I would say a bulk of the growth have already been coming actually when I look over the numbers of the last few years and will continue to come from rural.

**Shirish Pardeshi:** My second and last question again on Indonesia business. Since I have been tracking this business from long time, I think last five-six quarter this business has always been volatile either in terms of top line or the bottom line or something. I just want to have a candid answer. If there is real problem in this business in terms of marketing, in terms of sales, in terms of channel, in terms of mix or in terms of category. What is the real problem in Indonesia business?

**Nisaba Godrej:** I think we have voiced over this. Obviously if you look at the macro-economic, it is not supporting the business. But if we look at it under the hood of the business, what Sudhir also mentioned, there have been missteps by us also which we are very conscious of and focused on correcting in over the next few quarters. But I think fundamentally the business is a strong one which we have said before. We have a strong relative market shares in categories that we are strong in, good margins and again both from a penetration and distribution, lots of opportunities. I don't think we have been executing as well as we should have, Saniter has been a big success there but definitely on the core we need to be doing much better.

**Shirish Pardeshi:** I agree but the last call which we did on the Indonesia business, I was pretty excited but I think again after seeing the quarter number again the worry is that whether this business will show some momentum in next four to five quarters?

**Nisaba Godrej:** I appreciate your worry but I think we are quite focused on that. We are not happy with the numbers so we are focused on turning the ships there. I think one thing that you would probably acknowledge about GCPL is that we are not going to just put this on macro-economic factors and say that's the only reason is. It's definitely there if you see the other company's performance but it is something that we are focused on bringing back to good growth as soon as possible.

**Moderator:** The next question is from the line of Latika Chopra from JP Morgan.

**Latika Chopra:** First one was on the Household Insecticides side, with the markets opening up, how do you see the salience of incense sticks as a format in this category shaping up now and your own play here. Jumbo Fast Card is something that you are rolling out across the country. How has been the response so far and do you anticipate or do you see a need to introduce more formats in the economy end to tap into the whole Rural play. And the second question was again on the new launches that you have done on ProClean and Ezee 2-in-1 for regular clothes. What is the update on distribution scale-up for both these products?

**Nisaba Godrej:** Latika the salience of incense stick has remained stable over the last year or so also. We don't see it growing, it's not gaining that much salience. That being said as we have said before it has a big job to be done for the consumer. And our real response to that has been the Goodknight Jumbo Fast Card which is an excellent product. It is a bit early to comment on this. I think like Sameer said media has just started in October, the pan-India launch has just happened in September and October. I think we will be able to voice over more on that over the next 6 months and any other jobs to be done also is to drive electrics penetration which is at about 25%. So that's going to be a really big strong focus of Sudhir and the team going forward. I don't think it's a one-pronged approach. In terms of new launches and innovation, while we have things in the pipeline, I think between Goodknight Gold Flash and the Goodknight Jumbo Fast Card, we already have quite a lot in the pipeline. We are really focusing less is more type of strategy because there is these big penetration gains for us to have with what we already have in hand. Think your other question was on ProClean and the Ezee 2-in-1, that's doing decently well.

**Moderator:** The next question is from the line of Anand Shah from Axis Capital.

**Anand Shah:** Firstly, on the hygiene part I mean you had done a lot of launches over the last 15-18 months. Can you give some update or what are the salience of these new launches to overall India revenues and particularly which ones would you continue to focus on or may continue to discontinue because the COVID has stabilized?

**Sameer Shah:** I think the overall hero format I would say within the hygiene has been hand-wash and within that actually Magic powder to liquid handwash which has been consistent growth vector for us. Some of the formats like mask and sanitizers have either normalized or moved away. That's how the hygiene portfolio is shaping up at this point in time. I think we are the second largest market players in terms of volumes when it comes to hand wash, thanks to the powder to liquid, hand wash format. So that's a great news for us. We need to drive penetration as well as drive consumer awareness and the way we are looking at this space. It is not just hand wash but it's

actually soaps, right? So that's the way we are looking at getting share within the overall hand wash space.

**Sudhir Sitapati:** I think the other big thing that has worked well for us is Saniter in Indonesia which is the disinfectant aerosol in the hygiene space Saniter has been a blockbuster success in Indonesia.

**Anand Shah:** My last question is on Hair Colors. Correct me we are now back to pre-COVID, right?

**Sameer Shah:** Largely there Anand in terms of sales what it used to be pre-COVID levels the growth rates as well as 2-year CAGRs are very much on track. Hair Colors are kind of firing on all cylinders.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Pratik Dantara:** Thank you everyone. Thanks for joining. Stay safe, stay healthy. Thank you.

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