



“Godrej Consumer Products Limited
Q1 FY 21 Earnings Conference Call”

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MODERATOR: **MR. ASHIT DESAI – EMKAY GLOBAL FINANCIAL
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Moderator: Ladies and gentlemen, good day. And a welcome to the Godrej Consumer Products Limited Q1 FY '21 Earnings Conference Call, hosted by Emkay Global Financial Services 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. Ashit Desai from Emkay Global. Thank you and over to you, Mr. Desai.

Ashit Desai: Thanks, Neerav. Good evening, everyone. We would like to welcome the senior management team of Godrej Consumer Products and thank them for giving us this opportunity. I would now hand over the call to Pratik for initial introductions. Over to you, Pratik.

Pratik Dantara: Thank you, Ashit. Thanks everyone for joining us today to discuss the quarterly performance and the current business environment. The company is represented by Ms Nisaba Godrej – Chairperson and Managing Director; Mr. V. Srinivasan – CFO and Company Secretary; and Mr. Sameer Shah – Head, Investor Relations. We will now have Nisa share her thoughts on the performance. And then we can open up for Q&A. Over to you, Nisa.

Nisaba Godrej: Thank you, Pratik. Good evening, everyone. I hope you and your loved ones are safe and healthy during these difficult times. And thank you for being with us on this call today. In Q1FY21, GCPL's performance was resilient. Our overall sales growth was nearly flat, and EBITDA grew at 3%. Profit after tax also grew at 3%, excluding exceptional.

As 85% of our global portfolio is Household Insecticides, Hygiene and Value For Money products. These grew at 9%. Household insecticides and Hygiene combined had excellent growth at 20%. While Value For Money products declined, we have seen sequential improvement from April to June, and remain confident of stronger performance going ahead.

I had previously pointed out that our Indonesia business is very similar to India in product category and strength of its P&L. As an economy, Indonesia seems to be stronger than India at the moment. I am happy to report that both India and Indonesia, which account for 75% of our overall sales, grew at 5% each. In India, primary sales mirrored secondary sales in absolute terms, and rural grew much ahead of urban. Our performance in Africa, USA and Middle East was weak. But we have seen substantial improvement from April to June. Dharnesh Gordhon, who is our new CEO for the region has already got his hands around the business and we had a strong July. We remain committed to a turnaround in performance going forward.

One of the biggest growth pivots for us has been the resurgence in Household Insecticides which grew at 27%. We are reaping the benefits of a very strong innovation plan and product portfolio serving consumers at all price points. Consumers at a time like this, are extremely concerned about their health and insect borne diseases like malaria and dengue, so we are also investing more behind consumer education on disease prevention.

We have been laser focused on growth and innovation in our Hygiene portfolio which grew at 15%. I am extremely proud of our team that we were able to cut our new product development cycle times from months to weeks, and we will continue the agility we saw in launching 45 products. I am also happy to share that our teams have been on top of their execution game, and I believe we were agile in responding to the supply chain shocks that we faced. We are using this crisis as an opportunity to digitize more rapidly and grow more strongly in channels like e-commerce and chemists.

Working Capital days came down by six days. And net debt-to-equity ratio also came down. As always, our values matter the most at this time, and we are committed to the safety and well-being of all Godrejites and serving our consumers and communities with our full hearts and minds.

Thank you. We will take questions now.

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

Abneesh Roy: Congrats on good performance under Household Insecticides. Some questions I have on that is, one, how has the illegal incense stick industry done now, do you have any data there? And second, any impact on out-of-home consumption in Household Insecticides, because people are not going outside? So, these two are the main ones. If you could also highlight how much is the contribution from the new products launched in the last one year in Household Insecticides.

Nisaba Godrej: Thanks, Abneesh. Thank you for your questions. So, I will take the question on illegal incense sticks. I do definitely believe that illegal incense sticks are impacted for a couple of reasons during this time. One is, as we have seen that all of us have had supply chain issues and keeping our factories running and getting the right logistics and transport and costs have gone up. So, I think they have adversely been impacted by that. The second piece, which you might know that has happened, is the duty on raw bamboo sticks which come in from China or Vietnam, has been increased from 10% to 25%. So, this makes their business much less profitable or more unreliable. And I think the other piece is, which I have also been messaging about, we have got a lot more aggressive in terms of pushing them back, whether it's educating consumers, the PR media we are doing, or through the government and legal means. So, I think some of that has been playing out, and we will make sure that we use this time to fully push them back.

Abneesh Roy: So, one follow-up here. So in the bamboo sticks because of higher duty, can they shift to the domestic bamboo sourcing? And does it impact you also, in terms of the duty structure?

Nisaba Godrej: Yes, it would impact us also. But incense stick is a very small part of our Household Insecticides business and we have other products like Fast Card also. We have some new launches that are going to happen in this area. But I think my understanding is that, yes, you can use Indian sticks, but their bamboo is not of the same quality, which makes it challenging, and the cost would be higher.

Abneesh Roy: And my other question is on new products in the last one year and out-of-home consumption, how has that been impacted?

Sameer Shah: I think to begin with, Abneesh, we have had a meaningful contribution from Goodknight Gold Flash Liquid Vaporizer, something which got launched regionally to begin with last year, and then we scaled it up. So, it has had a big contribution to overall Household Insecticides sales as well as growth. I think out-of-home category, has been a relatively small play. And over the last two to three months, the consumption has been relatively lower as compared to the recent past years in terms of growth rates.

Abneesh Roy: My second question is on Soap. So, Dettol in their global presentation claimed that they have become number one in India. So, how do you play in this segment? Because Dettol is almost like a generic to that segment, of course, Protekt also can play there, but in FMCG new brand takes a lot of time. So, if you could tell what is the right-to-win for Protekt here? And have you lost any market shares because Dettol has become number one or is it a loss to the rest of the players?

Sameer Shah: So, Abneesh, I think to begin with, our scale-up in Protekt has been very encouraging, and that's something which got launched during this quarter. And we do expect even a meaningful scale-up of it over coming months and quarters, expect it to become very integral part of our Soap portfolio, to begin with. We don't share market share details, right, Abneesh. So, to that extent it would be very difficult for us to at this point in time call out that how the share trends have been. Also, the details coming in directionally on market shares are still not matching in with a lot of internal data points. So to that extent, we do feel that our market shares are quite stable, but I think the task for us will be to ensure scale-up of Protekt Soap as well as continue with our micro marketing initiatives, which over last two years have resulted in very meaningful share gains for us.

Abneesh Roy: My last question is on Hair Colour. So, when do you see growth improving because of the work from home continuing? And second is, how much is the percentage coming from salon and barber shops? Because again, people are using the trimmer, etc., they are not going to barber shops. So any specific impact on B Blunt? Because my sense is that will be much more salon sales. Could you discuss all these?

Nisaba Godrej: I think both B Blunt and professional business, Abneesh, are very small and sort of very insignificant. The professional business has definitely been impacted. From a B Blunt point of view, that is not actually sold in salons, that is sold in retail, some beauty shops and some online. So that will have a different sort of trajectory. I think what we are seeing with Hair Colour is obviously we have seen some amount of sequential improvement, but also what we have realized is that from our consumer research, men seem to be a little bit more shabby at this time or willing to be shabby. No offence to any of the men on the call. But women still want to colour, and they say we don't want to sit around at home not looking good. And then we have these value for money products that are well distributed and stuff. So, we will see what happens. But this is not a category where the bottom is just totally falling out.

Moderator: Thank you very much. Next question is from Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Congratulations on a good result in the context. So, on the Household Insecticides business, this 27% growth is clearly a very exceptional number. So, as people go back to work and spend lesser time in home, which would be happening in June and July, what is the kind of growth rates you have seen sequentially in these months? Are you seeing it settle down at a lesser rate, or do you see the trends continuing to hold up at a very high growth rate in the immediate term?

Sameer Shah: Well, I think it's too early to call out, Arnab, at this point in time, whether the trends are continuing, or we are kind of settling down. Because it's very dynamic as we speak. I think what we have to understand to begin with is, there has been a strong reason to buy from a consumer perspective, which has been disease prevention. And we expect at least that trend to continue. And we would be investing in fact on that platform aggressively to ensure that the reason to buy is very much intact, and the growth rates are steady in Household Insecticides category, not just here and now but for many more years to come. We will also top it up with some of the innovations which we have launched over last six to twelve months, and also a few more innovations which could come in the rest of the year. So, no specific guidance in terms of what are the trends, but definitely I think we should continue to see sustainable stable performance in Household Insecticides category, both in India as well as Indonesia for rest of the year.

Nisaba Godrej: And I would break it up into two pieces, actually. Some of the growth issues that we were facing due to this illegal incense stick, what you will see us is also taking market share. We have also been very aggressive in Goodknight Gold Flash Liquid Vaporizer, we are not just saying, "Oh, India's most powerful visible vapors". We have really worked very hard from a technology front to get this product to be much superior. And we saw some years ago when we launched a much superior liquid vapouriser how our market share really grew strongly. So, I think one will be a market share, both from illegal incense sticks, penetration with some of these other burning formats. We have mentioned it, that we have this full portfolio play and already been doing and pushing forward. Also for the category like this, it is an opportune time, people are very concerned about their health. Just the way that they are washing their hands or using sanitizer, they do not want to take a chance of getting any sickness and having to go to a doctor or a hospital. So, I think that vigilance which we are seeing across categories of improve my immunity and keep me safe. And I don't think that is just going to drop off overnight. Our job as the category leader is to make sure that we are driving distribution, we are giving consumers the products that we really want, and are also educating them on how to keep themselves safe.

Arnab Mitra: Sure, thanks. My second question was particular to the launches you have made or the foray you have made into dish wash, toilet and floor cleaners. Now, these are obviously large categories, they have strong incumbents. So how should we see this? Is this an extension of what you have in terms of some brands in a time when these categories are seeing a pickup? Or is it something where GCPL now wants to be a broad-based homecare play, and therefore has gone through the process of development, thinking through what role you will play in these categories? How should we think about these tools, specifically, large categories in home care?

- Nisaba Godrej:** I think we are quite broad based in home care. And obviously, Household Insecticides dominates the story. But don't forget, we have also become over the last few years the leader in Air Care, very low penetration category with a good headroom for growth. We want to play strongly, obviously, in liquid detergents. And actually, these floor cleaners and all, it does seem quite opportunistic at this time. But these were categories that we had been looking at. And the way we look at it in a country like India is what the penetration is. I am sure you have very strong competitors in these categories, but we feel that the penetration story here is quite opportunistic. And it's a good time, both from a penetration viewpoint and what consumers want, again, with I want to keep my house as clean as possible, a good time to get into these categories.
- Arnab Mitra:** Okay. So, you would say that this is the not just an opportunistic foray, but you would think of developing this as a long-term growth vector for the Indian business?
- Nisaba Godrej:** Yes, I think any of these categories we are getting into, it's not just opportunistic. Obviously, look, even in a brand like Protekt, we know what are the products that are really differentiated, where are the products where we have cost advantage or other advantages, and we would probably over invest in those. But they are definitely not a short term play. I don't think that makes sense for a company of our scale.
- Moderator:** Thank you very much. Next question is from Percy Panthaki from India Infoline. Please go ahead.
- Percy Panthaki:** A couple of questions from me, the first is on the Soaps business. Despite a significant decline in Q4FY20, the Q1FY21 numbers in Soaps are just about flat. And this is very different from what the market leader have reported, double-digit growth in skin cleansing for Q1FY21. So, just wanted to understand what are the moving parts behind this? Why are sort of Q4FY21 plus Q1FY21 average decline in double-digits? If you can throw any light, any sort of particular geography or any particular brand? And also, if you can share if there is any initial signs of this normalizing and we going into a strong growth in Q2FY21 or not?
- Sameer Shah:** Over the last couple of years we feel we are very much heading in the right direction, in terms of share gains, as well as kind of our initiatives which have been largely micro marketing efforts driven. Going ahead, the strategy remains more of the same in terms of continuing to pick up kind of one state multiple districts, doubling down our 360 degree efforts to get strong foothold, eventually market share gains, settle the market, and then move on. Also, in parallel, as I was mentioning earlier, we have launched Protekt Health Soap, which we think should be a meaningful play for us going ahead. Not reading too much into the recent past performance, Percy, July has been quite robust and strong for us. But as I mentioned earlier it's very dynamic, we need to take one month at a time in terms of how we are progressing, in terms of understanding consumer behavior, demand as well as kind of structural and tactical initiatives. So, we remain quite confident of continuing the share gain momentum in Soap, and also, we should see much improved performance in Soaps going ahead.

- Nisaba Godrej:** And Percy, in skin cleansing, we will also be in growth. So, it's also how you bucket the products, we have not moved away from sharing categories that we have shared in the past. But if you plug in some of the other products, like hand wash and all in there, we too would be in growth.
- Percy Panthaki:** Understood. Secondly, just wanted to dig a little deeper on your gross margins, especially in the India business. It's a nearly 300 basis points contraction in gross margins. And of course, there is a mixed effect, because Hair Colours decline would have contributed some parts to that. So, if you could just call out what is the extent of mix impact driving this? And then apart from that, the remaining part, what is the reason behind that?
- Sameer Shah:** Sure. So there are a couple of reasons, Percy, and you kind of called it out. One is, obviously, adverse category mix. During the quarter we did have a decline in Hair Colour category, which is our highest gross margin earner, and hence you would see adverse category impact coming in, which also results in lower gross margins. The other is input cost. While crude has been benign, palm oil prices have been higher on year-over-year basis. And we are in process of taking calibrated pricing changes to mitigate that impact. So, it is a combination of both, input cost increase or a lag between actually end consumer price and input cost, and also adverse category mix. So, my sense is, in the coming quarter we should see a much improved gross margin as compared to Q1FY21 driven by this gap between input cost and consumer price getting partially bridged, as well as much improved favorable category mix from gross margin perspective.
- Percy Panthaki:** So, I was just looking at the palm oil prices, actually sequentially it has not moved much, and on a Y-o-Y basis I see the inflation is actually higher in March quarter versus the June quarter. So, what am I missing here?
- Sameer Shah:** No, I think the changes, especially if you look at the input cost, even on a Y-o-Y basis, I think in case of palm oil derivatives, they are higher by 20 to 25 percentage. And also, there is mix change. See, also you need to look at the weightages, right, we will have different quarters and different kind of saliency coming in from each of the categories. So, there are too many moving parts to look into it. And just a plain vanilla comparison of Q4FY21 to Q1FY21 may not give you all the answers.
- Percy Panthaki:** So how long will this margin remain under pressure?
- Sameer Shah:** As I shared with you, I think in Q2FY21 we will see much improved gross margins, baseline with Q1FY21 gross margins.
- Moderator:** Thank you very much. Next participant is Vivek Maheshwari from Jefferies India. Please go ahead.
- Vivek Maheshwari:** My first question is to Nisaba. So Nisaba, since we are speaking to you for the first time, post you taking charge as MD, and I do recognize that there is a huge continuity factor with you, still are there any areas which would gain more focus or the way in which you are looking at the business? I mean, just to give an example, if I drop a parallel, when you started the journey of

M&A, Mr. Adi Godrej guided that 10 times revenue over a 10-year period. Now, I know the time is not right to give those kinds of guidance, but how you would be approaching things differently, if at all, given that now you are at the helm as a Managing Director of the company?

Nisaba Godrej:

Yes. So, like I said, before, I was already at the helm, I think the problem with us has been growth. So, my job is to make sure we grow. Now, I am not going to give you any guidance on that, but hopefully you will see what we do this year and the years ahead. I think that is very critical that we get back to best-in-class growth. And I said, definitely India, Indonesia, are very strong businesses, good category portfolios, deep P&L. And in Africa along with Dharnesh Gordhon, we have already seen sequentially month-over-month things getting back. I think just having a lot of execution strength and making sure that that business needs to turn around in the short-term, so that we can realize our long-term vision for it. So, growth and just the execution will be the focus.

Vivek Maheshwari:

Thank you, that is very good to know. The other bit is again on the Household Insecticides bit, the 27% growth that you have reported. If I go back, this is probably the best quarter that we have seen in several, several years. What is, again, I know you wouldn't want to give necessarily a guidance, but what is a sustainable growth rate? Because, if I combined, let's say, Q4FY20 and Q1FY21 together, I get a 2% growth in this business, and there is a bit of a base issue. So, could you just highlight what will be the medium-term growth target or expectation from this business?

Sameer Shah:

So, again, no specific guidance. But the thought process would be to continue with new product launches, the scale up of the launches in the recent past year, as well as continue to invest on the disease prevention platform, and look for a more sustainable and stable growth growing ahead. I mean, see, Household Insecticides is close to around 40% of our India as well as Indonesia business, so we definitely need to have this category firing on all kind of cylinders, otherwise, it just leads too bigger a hole for all the categories to fill in. So, the thinking is to double down on this disease prevention platform, new product launches, continue to gain market share from incense sticks players and carry on with this sustainable growth for rest of the year. So, that's the thought process.

Vivek Maheshwari:

Okay. And just a follow-up to that, Sameer. So, what you have mentioned essentially is a supply side factor. From a demand side we have seen packaged foods companies, for example, being a natural beneficiary of this COVID crisis. Do you also think that Household Insecticides structurally, or not structurally but medium-term it alters the group profile of the category itself?

Nisaba Godrej:

Yes, I think like I told you a little bit earlier in the call, I said there are two things. Our innovation machine what we have been doing, pushing back illegal incense sticks, so some of that is kicking in. But I think there has been a big shift in consumer demand also to stay safe, manage your health. Look, now I would love to give you a guarantee of how much that shifts. It's like sanitizers or hand wash, correct? The baseline has definitely shifted much higher than it was before. Where will it level off? I don't think any of us can guess. What we will do is to make sure that all the input metrics on education on disease, efficacious products at a price point, increasing distribution, low cost manufacturing, all the inputs that we can control, we will

definitely control. And like I said, say that this is giving us a moment in time on this high demand and incense stick being impacted. So, from an execution perspective, we will do everything that we can, not to let this moment in time go, which will benefit the business in the long-term. And when you think of Household Insecticides, all these questions will be very India focused. One of the things that we have is, a lot of category know how and knowledge in this, so how do we grow exports, how do we use this time to expand in Africa. So we are looking at Household Insecticides a lot more. Obviously, we have a big Household Insecticides business in Indonesia. But I think you see more holistic thinking also on the growth of the overall category for the company from us.

Moderator: Thank you very much. Next participant is Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Some of my questions is partially answered, but let me just still ask for some clarification, if I may. The first actually, just a medium to long-term thought process on likely consumer behavior changes which you are finding in the market currently in Household Insecticides industry, which would allow you to diversify or build the non-mosquito businesses?

Nisaba Godrej: Yes, so Manoj, I think building the non-mosquito business has always been a focus of ours. And we are seeing say, something like roaches actually, and when I talk about disease prevention and educating consumers, roaches are actually something that are known to increase health problems to people, to have asthma and to cause lung related problems. So, at this time there's bedbugs any other insects it is making sure that, you have the right products at the right price point, and then educating the consumer on it. Another thing, Manoj, that we are seeing is that in pest control, it's quite likely that people will want less people coming into their house to do this work, at least till social distancing remains. So, we have this product called HIT Roach Gel, which is a very effective product and actually competes against pest control. Overall we will see non-mosquito opportunities also grow out of this.

Manoj Menon: Okay. Now, the only follow-up on this particular aspect here - it appears a great opportunity to build those categories in a time like these, and then those habits you can build on later.

Nisaba Godrej: Yes, we already have a relatively large cockroach business, we have these rat products that have been doing quite well. So, we continue to invest in these products. We also launched our full natural range of Household Insecticides products where we have this amazing fly product. If you put it on the table, totally natural, it can be around food, flies won't come anywhere near the table for like three, four hours. So, we have the full portfolio and we are investing behind this.

Manoj Menon: Okay. Just two more questions on the Household Insecticides part of the business. One, when I look at the Indonesia overall growth, given the higher salience of Household Insecticides in that market, as we speak, in the shorter term is there a different consumer behavior of the Indonesian in Household Insecticides business versus India? And second question, is a little forward-looking in the context of, now Dharmesh being around since April, the thought process of Household Insecticides in Africa as well.

Nisaba Godrej: Sure. The consumer behavior that we have seen is quite similar across countries, that I want to avoid dengue and malaria. Obviously, people have different habits, a product category like aerosols is larger in Indonesia, is larger in salience to the category than in India. But the heightened awareness of health and more keeping my house clean, keeping my environment safe goes across. I think Dharnesh coming on board, it's just awesome to have someone who is so experienced on the continent, is already sort of driving sales in the short-term. From an execution perspective he will definitely drive Household Insecticides as well. Obviously, the know-how comes from GCPL. We have actually had a pretty successful launch in Africa. I actually took out the details of it from the presentation. But I am pretty confident. Obviously, you all shouldn't believe us till we do it, because we have been talking about it for a while, but I do think we have good innovation capabilities, and I think Dharnesh will come and really help us drive execution, not just in Household Insecticides but all the product categories.

Manoj Menon: Got it. Actually, on the Household Insecticides Africa piece, that's an extremely honest statement. I really appreciate it. And lastly, on the Protekt brand, which has been around for a while, which you are dialing up as we speak. Just some more qualitative commentaries, if you can, on the consumer acceptance and distribution. Just on the Protekt brand, I am trying to understand and get my head around, on one end there is a market opportunity, on the other end something which has been there in the market, you had had some very innovative products under that brand, etc. Yes, just some comments on Protekt brand and how should I kind of think about, let's say, with a three, five, ten-year view?

Nisaba Godrej: Yes. So, I think in Protekt, obviously, we have products like the Magic Handwash which is pretty innovative. This is again like a time where the demand is very high for these products, we are going where the demand is. We also feel there are lots of very strong competitors in this category, correct. If you take a name say like a Dettol, it literally stands for hygiene and the category. But we do feel that the Godrej brand name in itself is very strong and stands for trust. We do feel Protekt, with the kind of formulations, perfume, innovative products, has a lot of resonance with consumers. We have cost advantages in some of the product categories, because say in something like aerosol cans, both in Indonesia and India, because of our other portfolios, we are the largest producers of those types of products. And then we will use our distribution, marketing strengths to build up this category. We have launched a lot of products, but I think our focus will be where are we differentiated, where do we have a good margin profile? So, we will rely on our strengths in these areas. And the other thing we are doing what you might have seen is also that, say, in air care we are making category pivots to serve this need of consumers, like I want to perfume my bathroom, but I also want a bit of disinfection. So even in our other categories we are heightening the hygiene element. Cinthol is doing very well. It's always actually been a germ protection soap, so although we have not marketed it on that basis, but now we have heightened that on the packaging. So, I think one is Protekt, and a Goodknight and a HIT which plays directly into the categories, but also in the other brands what are consumers looking for at this time.

Manoj Menon: Understood. And thanks, and all the best. And the only reason I asked on Protekt is, because I was going through the presentation and I saw a snap of Cinthol's Tamil communication, which

essentially, what at least I understood, I can read a little bit of that, it appears to have been repositioned actually as a family sort of positioning. So, anyway, I also recalled...

Nisaba Godrej: Good, I can't read that ad, now I am quickly looking at what they have put in. But Manoj, this is a Tamil ad because the original Cinthol is a very strong brand just in Tamil Nadu and in little parts of Andhra Pradesh also. And the positioning of the brand there is different, it is focused in a different way to the consumer than the brand is in other parts of the country. We haven't changed the positioning, that's how it's always actually been, the original.

Manoj Menon: Very clear. No, I think I remember maybe listening to this 10 years or 12 years back, Mr. Godrej talking about I think the old Cinthol packaging I think has remained for some 30, 40 years if I am not wrong, right? I mean, in that part of India.

Nisaba Godrej: Yes. Actually, when we relaunched Cinthol, actually if you look at the packaging, and what we did is that we took the whole brand back to the original, in terms of the clean lines and the strength of the brand. Maybe we can connect offline on this any time.

Moderator: Thank you very much. Next question is from Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: So, my first question was on the advertising spend. So, obviously, if you look at the 45 new launches, it's probably the maximum you have done in a quarter in a very long time. Just wanted to get a sense from you, do you see a material step up now in your advertising intensity? Or do you still believe that this is more availability focused in terms of the way to sell the new portfolio in the current context? Because ad spend have come off quite sharply.

Sameer Shah: I think we will see generally our ad spends moving up, if you are base lining it with first quarter, right? In fact, we did see sequentially our ad spend moving up, but we also saw a substantial reduction in CPRP, where it's actually going to be a good mix of higher GRPs and lower CPRPs. And we will continue to invest, not just on kind of Protekt and the new launches, but even on other categories, whether it be select part of Hair Colours or Household Insecticides as well as Soap. So, we will continue to be in investment mode, but we will also be entirely judicious, categories where we see backend or frontend being a hurdle in terms of getting it to consumer, our ad spends will be relatively on the lower side, where the demand is kind of normal, we will continue to invest. And hence, to that extent, we will see step up in our advertisement spend coming months and quarter.

Harit Kapoor: So, I mean, a better way to look at it is a sequential pick up rather than a Y-o-Y look, at least for the next couple of quarters.

Sameer Shah: Absolutely.

Harit Kapoor: My second question was on the promotional intensity part. As it has been with the other players as well, it has contributed to your revenue growth for the quarter. I just wanted to get a sense of, will you continue to see promotional intensity being fairly low in the marketplace given there

are still challenges in availability? And in that context, this was a driver or a reliever you were using to drive some growth in share gain as well. So, how do you see that in the current context?

Sameer Shah: Well, I think it is going to be a mix of availability as well as eventual scalability from our end. So, my sense is, at least in a very, very short-term this may continue, of course, driven by kind of a mix impact also across categories. However, the larger point is, we should continue with this pricing led growth, whether it comes in from lower trade sales promotion spends or packing mix or even premiumization, right? I think the whole of last year, especially for India, we did see a mismatch between value and volume. And I think in Q3FY20 call, we did call out that in 2021 we should see convergence of value and volume. My sense is, the way 2021 is shaping up at this point in time, we should continue to see a pricing led growth, with of course different drivers to it for full year, which will be backed with sustainable stable volume growth also.

Harit Kapoor: And the last one was on the rural side. I think in your initial remarks you mentioned that rural has done far ahead of urban. I just wanted to get a sense on how you are thinking about the portfolio currently, given that for the India business rural is still sub-30%. So, how do we kind of capture this opportunity in a larger manner? And what would be the key kind of categories or products that we are looking at to use this opportunity?

Nisaba Godrej: Yes. I think rural will continue to be a big growth vector for us, always has been. Because not just of having around 30 percentage of our play in rural, but also because of lower penetration in categories like Hair Colours as well as Household Insecticides. I mean, these categories have relatively low penetration in rural markets. And the other portfolio, whether it be Hair Colours, we have powders, whether it be Household Insecticides, we have the burning format, we have portfolio to recruit consumers, we have portfolio to upgrade consumers, and we will kind of continue to build and upgrade on all our distribution also. So, rural has been and will continue also to be one of the lead kind of growth pivot for us, Harit.

Moderator: Thank you very much. Next question is from Latika Chopra from JPMorgan Chase & Co. Please go ahead.

Latika Chopra: My question was more medium-term. Nisa, you mentioned execution and growth is the focus for you, and that would clearly support our revenue growth. But what are your thoughts on the margin front? Considering over the last few years, though the growth in domestic and maybe for initial few years even in Indonesia was subpar, but we continuously saw a momentum on the margin front. So, are you willing to invest disproportionately higher to drive the top-line growth and want to keep margins more or less stable? Or the focus is going to be still on profitability is going to be a key metric for you to evaluate when you take your decisions on the top-line?

Sameer Shah: No, I think the thought process is very clearly to drive sales growth, whether that be driven by new launches or distribution or communication strategies. And if we see opportunities of disproportionate growth, we won't even shy away from having upfront investments. But my point is that once you have a sustainable scale, you will see a natural fallout of it being a margin expansion. So, even as Nisa mentioned earlier, the big focus is driving growth across categories,

across countries. And I think with that in place, we should see margin expansion. Not necessarily, again, quarter after quarter, but at least on a nine to twelve-month basis.

Latika Chopra: Sure. The second was in Indonesia, I remember you had chalked out plans around expanding your product portfolio into more hair care categories, post wash hair colors. And then of course, there was this discussion around tapping into more markets in Southeast Asia using Indonesia as a hub. Any color on the strategic initiatives on that front, please?

Sameer Shah: Yes. So, I think to begin with, at least over the last six to eight months, the push in terms of the entire hair care space has honestly taken a little bit of backseat. While we remain extremely committed to scaling it up, because the overall growth opportunity itself in Indonesia is quite big one. So, we will continue to invest on new brands as well as getting new product launches, within the larger hair care space. Also, in Southeast Asian markets we are exploring export model. And it's not just plain vanilla export model, but also a model where you have feet on ground in terms of creating brand awareness alongside maybe strategic distributor, or arrangement who leads the entire go-to-market initiatives. So that's also happening, Latika, as we speak at this point in time.

Moderator: Thank you very much. Next question is from the line of Richard Liu from JM Financial Service. Please go ahead.

Richard Liu: Can I request a perspective on what do you think is going on at Strength of Nature? The reason I ask is that, this is a third write-back of the earnout liability for this acquisition. And of the Rs. 800 crores odd earnout that you originally estimated when you acquired it, half of it is already now written down. Can you just help us understand how much of the original forecast of this business has changed that necessitated this kind of a cut in the earnout?

And on a related point, Nisa, if I may, with Dharnesh at the helm now, what are the kind of changes to strategy that you envisage for SON in particular and also for Africa, in a general? Thank you.

Sameer Shah: Hi, Richard. So, let me take the first one and then I think Nisa will share her kind of thoughts on the second one in terms of strategy. I think we have shared this in the past that we had conservatively baked in a higher EBITDA as well as eventual financial liability, in the balance sheet for our erstwhile promoter to have enough skin in the game, right? So that was one thing which we have called out earlier. And also, honestly, the performance has been relatively weaker as compared to even our own internal expectations. And that is where we are working towards in terms of scaling it up to begin with kind of driving sustainable growth, and also deriving efficiencies from this as well.

Nisaba Godrej: Yes. And to add what Sameer said, the Strength of Nature business, while strategic to our overall Africa portfolio, because it lets us solve consumers needs on a full scale of what their hair needs are. We have extensions through Darling and through Strength of Nature we got all the know-how and styling products, relaxers, hair care products. The truth of the matter is that we have

executed in that business pretty terribly. So, in Africa there are two parts to this turnaround on both growth and the bottom-line. I think one is, there are some strategic choices to be made, but those are actually not that difficult, because we have some good categories. We mentioned that we need to build out something like Household Insecticides, which is a huge strength for us, and where you find actually not the kind of innovative value for money products that you find in India. So, I think while there will be some portfolio choice making, our execution needs to get much, much stronger. And that is where Dharnesh comes in. Because with his past experience he was the head of South Africa sales for Nestle, he was the CEO of Nestle Nigeria. His on-the-ground knowledge, whether it's from pricing to GTM to thorough run the factories more efficiently, that's really what we need to be doing much more strongly.

I think the other thing that would possibly be positive that, even while the last couple of years in Africa, our performance has not been good, we have not been sitting with our legs up, not doing anything about it. From our product portfolio strengthening the team, there has been quite a bit of work going on. We need to make it happen. But I will tell you, taking over as CEO of the company and having a strong operator who knows the markets in and out, definitely lets me sleep a little bit better at night. It's actually more execution than strategy for that business.

Richard Liu: Sure. Thanks, Nisa. And Sameer, one follow-up on this if I may. The earn out liability that you originally provided, that has now halved. I mean, if I consider the three rounds of write-offs or write-back that you took, does this also mean that your expectation from the business in terms of, let's say, five, six, seven years profitability, is actually half of what you originally estimated?

Sameer Shah: Well, I think earn out is more of reflecting the past performance. It is not necessarily an indicator of how the future performance would be. Or say, if you see the recent past financial liability, it is just 6%, if I am not mistaken, what it originally was close to around 30%. So yes, it's more reflective of how the performance had been over the last kind of three, four years. Which we shared that has been relatively lower than our own internal expectations, but not at all reflective of what the future performance will be.

Moderator: Thank you very much. Next question is from Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: My question was on the cost structure of both the India business and the Africa business. Last quarter, you had highlighted that on the cost management side there will be accelerated savings, at least, which you will initiate. Now, I understand that this quarter there could have been some incremental cost coming in because of the business environment, etc. Just wanted to understand from a years perspective, how should we look at the overall cost structure, both in the India business and Africa business particularly. I mean, obviously, there is a deleverage disadvantage during the quarter, but even on an absolute basis, I don't see a significant cost savings in the consolidated financials. So, just want some perspective there. Thank you.

Sameer Shah: So, we should see meaningful cost reduction in SG&A expenses, and across the board, not just India or African markets, as well in Indonesia. Yes, I think in the last quarter, some of the reductions are getting offset by maybe a couple of one-offs, especially in India which I can think

of. But absolute terms, we have seen a significant reduction on a year-over-year basis in the controllable SG&A spends across countries of our operations. And that is something which we will also continue going ahead. Experience over the last three, four months, has taught us many things that we can work virtually, need not necessarily excessively travel. So, we are making all those pieces into our ways of working going ahead, and essentially that will get reflected in the overall cost, how they will pan out for many more years to come from here on.

- Amit Sinha:** And you said there is some one-off in the cost.
- Sameer Shah:** Yes, in India business, in other expenses we did have a couple of one-offs, which were providing for fixed assets and also providing for one-off customers balance.
- Amit Sinha:** I understand. Okay. My second question is, you have highlighted in the results that there is a sale of certain brands within the group entities. Just wanted some details around that.
- Sameer Shah:** So, this is basically intangible sales, which also happened in the Q1 of last fiscal year, so it is obviously nothing different this time around. It is a sale of assets happening in from SPVs eventually to Indonesian based entities, because it is eventually the assets which belong to the Indonesian business. So, we saw that, and that creates basically a deferred tax asset, because we do get those tax benefits over a period of time in Indonesia, or the recipient sort of country. It happened in Q1FY20 of last year, Amit, and it also happened in Q1FY21 of this fiscal year.
- Moderator:** Thank you very much. Next question is from Abneesh Roy from Edelweiss Financial Service. Please go ahead.
- Abneesh Roy:** A few follow-up questions. One is, how has been the mix in Household Insecticides? You mentioned, India mix overall margins were impacted. But within Household Insecticides have coils grown faster, has the lower end of Household Insecticides grown faster? And is that the reason why rural is also doing much better?
- Sameer Shah:** Yes. So, if we look at our format mix, Abneesh, within Household Insecticides category, we did see very strong growth in burning format as well as in electric. Aerosol is actually into two halves, the mosquito part of aerosols did grow quite well. However, we had significant back end supply chain challenges in roaches' part of portfolio, which struggled just because of the back-end supply chain issues. But those have got resolved and we have seen, again, meaningful growth coming in that part of portfolio also over past 30 to 40 days now.
- Abneesh Roy:** So, does it impact the Household Insecticides margin? So, is the margin down Y-o-Y?
- Sameer Shah:** I would say, yes. In Q1FY21, yes, because of adverse format mix which we had in Household Insecticide category, that to me gets more than corrected now in the coming quarters. And also, one of the reasons why we will see better gross margins baseline with first quarter gross margins.

- Abneesh Roy:** My second question is on CAPEX in India, Indonesia, you are seeing very good growth in Household Insecticides plus multiple new products. So, are you outsourcing these currently? And what would be the plan for in-sourcing medium longer term?
- Sameer Shah:** Yes. It's very dynamic, Abneesh, to begin with. And there are different models from purely in-sourcing or outsourcing even hybrid ones actually. We have historically shared this that none of our categories, barring Soap, are very capital intensive. So, to that extent, even in terms of scaling up or having new launches, assuming for a moment that we are in-sourcing it, we do not expect any meaningful capital expenditure, whether it be India or Indonesia in rest of the year as well as the years thereafter
- Abneesh Roy:** My last question to Nisaba. So, multinational companies are exiting the fairness world, not necessarily the proposition, but obviously Fair & Lovely and all those. So, you do have a so-called Fair Glow, I do see that on Amazon selling. It is not a focused brand, I understand that, but with these changes in the sector, would you scale up in terms of aggression, maybe not just in Soaps but even in medium longer term?
- Nisaba Godrej:** No, we wouldn't. So actually, we didn't invest behind Fair Glow, we moved away from that brand for the very reason that other companies are doing that now, we have done it a while ago. And actually, even the miniscule brand is actually changing the name, so we are taking even on the miniscule brand that it is, we are changing the name from Fair to something else. So, no, we don't want to take advantage of the situation. I think it's the right thing for the consumer, for us, all consumer product companies not really doing this.
- Moderator:** Thank you very much. Next participant is Shirish Pardesi from Centrum Broking Limited. Please go ahead.
- Shirish Pardesi:** It's a phenomenal growth, which we have seen in Household Insecticide. Would you be able to share this growth is more of a pipeline filling or ahead of season loading with lots of promotions? Or it is a natural demand which has come up in this quarter?
- Nisaba Godrej:** Yes, I think we are happy to report that it is natural demand, it is none of the other things. And frankly, like Sameer mentioned, in aerosols we didn't even have enough supply earlier in the quarter. There is a high consumer demand, people do not want to get sick and they want to protect themselves. Sameer, do you want to add something?
- Sameer Shah:** And just to add and build on what Nisa mentioned, not just for Household Insecticides but even for rest of the portfolio and entire India business, our primary and secondary sales have mirrored largely. So, there has been absolutely no change, I mean, in a way between primaries and secondary's from our end in the first quarter. So, it has been all consumer demand and consumption led.
- Shirish Pardesi:** So, Sameer, if I understand correctly, the rural is driven by the burning format, and urban is more of an electric format, which has driven this kind of growth.

- Sameer Shah:** That's right. So, as I mentioned earlier, we did see very strong growth, both in electric as well as burning format, nothing much to pick and choose in terms of growth rate between both the formats. Rural, I would say it's also alongside burning format upgradation play, right? I mean, consumers do sort of upgrade from intense sticks perhaps to coils and then gradually from coils to kind of electric over a period of time. So that is the other growth vector which is very evident.
- Nisaba Godrej:** And one other thing, obviously, the penetration of liquid vaporizers or the electrics is much, much lower than the overall category. And obviously, that would be lowest in rural. And one other thing we need to think about is how is electrification also changed in India over the years. And burning formats, whichever ones they are, the main reason for people's upgradation is, obviously, electrics are more put down price, although on a per night basis they work out quite economical if people do want to avoid smoke, correct. So, there is a strong after upgradation story there and definitely there is a long run for that in rural India.
- Shirish Pardesi:** Thank you, Nisa. My related question on this, if we have a value growth at 27%, how large would be our volume growth in Household Insecticides?
- Shirish Pardesi:** Well, I think for us there is nothing much to choose in the last quarter, Shirish, in terms of value and volume. I think again value and volume growth would largely be more of the same.
- Shirish Pardesi:** Okay. One question on Household Insecticides business to Nisa. What is the penetration level and what is the lever we seen in terms of penetration growth in India versus Indonesia? And if you can specify what is the penetration level.
- Nisaba Godrej:** So, the penetration, I am not going to give you the exact numbers right now here, but I think, obviously, rural penetration is behind urban penetration. And then say something like liquid vaporizer penetration in urban India would be much ahead of what it is in rural India. So, our business has always been on this coil upgradation business. I think having this new liquid vaporizer in our portfolio was much needed, because I think the efficacy ask from consumers has been going up, correct? They are actually saying we have more of a problem, mosquitoes are getting to be more resistant. So, I think this highly efficacious LV product will let us drive penetration.
- Shirish Pardesi:** And any thoughts on Indonesia?
- Nisaba Godrej:** Indonesia, again, it's a similar story, the aerosol penetration would be behind coil penetration. So, there is always an upgradation story. And in these markets the value for money really matters. So, while you upgrade consumers, you still need to give it to them at affordable price, which is what we are good at. Actually, what we are seeing that electrics now in Indonesia is growing very strongly, so that's also very good opportunity for us.
- Shirish Pardesi:** Okay. And my last question on the new products. So not this one or two quarter, where do you see these new products? And you really have done a phenomenal work on this, so where do you see these new products maybe after three, four or five years in terms of size and scale?

- Nisaba Godrej:** Which one are you referring to?
- Shirish Pardesi:** Yes, Household Insecticides.
- Nisaba Godrej:** Yes, I think we see these as extremely big total opportunities, correct. And these are value for money, high on sustainability, they have a good margin to us, so really feel that there is a very large opportunity to build them out.
- Moderator:** Thank you very much. Next question is from Percy Panthaki from India Infoline. Please go ahead.
- Percy Panthaki:** Just a follow-up from me. Sameer, you mentioned that the primary and secondary for this quarter is the same. So, if that is so, it means that at the end of March, was your pipeline normal? And if it was normal, then what was the reason that Q4FY20 saw sales decline?
- Sameer Shah:** Yes. So, Q4FY20 what we had mentioned, if I get it kind of correct, is we had primary decline of around 17%, 18% and secondary to about 12%, 13%. I think if you look at our distributor inventory, I would say it is relatively on the lower side, especially as sort of June end, compared to at least what it has been over past few years. The way to also look at combined quarters, if that is what you are getting towards, the seasonality piece attached to the categories. Because at times some of the categories are seasonal and once you are out of the season then the customers don't come back. Of course, there were ups and downs in terms of distributor stock, especially because of the supply chain disruptions, both in the backend and frontend, but we wanted to sort of keep distributors stock as much low as we can, which is what we did as of July. And if we sense that the supply chain is perhaps getting disrupted again, we will be, again, very dynamic in terms of ensuring that there is no eventual sales loss, whether it be servicing to the channel partners or even to the end consumers.
- Percy Panthaki:** Sameer, March, obviously, was a little lower than normal in terms of the distributor inventory, and you are saying that June is continuing at that low level. So, is it that you are comfortable with this level and this is like a permanent cut in the distributor days? Or is it that you haven't got a chance to fill in the pipeline and therefore in July or August, or somewhere in those months you will actually see some amount of distributor inventory filled in?
- Sameer Shah:** Well, I think for us, distributor inventory will be more driven by, if any, supply chain disruptions, especially if it has to move up from June end level. So that is going to be the single largest driver for distributor inventory to baseline with June level to more up from here on. As I told you, the distributor level in June was relatively on the lower side as compared to, say, averages of last 18 to 24 months, Percy.
- Percy Panthaki:** Understood, Sameer. I am just saying that is a lot of people are taking opportunity of this kind of disruption to relook at their entire business model. And if they believe that it is possible to do business at lower inventory levels, they are saying, okay, we do not want to fill in the pipeline anymore, whatever cut has happened we are comfortable with that level. So, I am just asking,

are you comfortable with the June level? Or do you plan to take it back to a more normalized level, which was there pre-COVID?

Sameer Shah: No, at this point in time we are quite comfortable. We are also managing the stock levels with our distributors and stockiest to ensure much improved ROI for our channel partners, which is also extremely important in terms of handholding channel partners in such tough times. So yes, my sense is, we should stick to those levels for the rest of the year, unless we see again some disruption happening on the back end and front end.

Percy Panthaki: And one last small sub point on this. While for the overall India business, the primary and secondary were equal. Was it different for any of the main categories?

Sameer Shah: Yes, I think there would have been some mismatches across categories, but I would say nothing meaningfully different, Percy, I mean across categories. But, yes, it would not be exactly mirroring all the categories in which we play in.

Percy Panthaki: Yes. But nothing to call out?

Sameer Shah: No, nothing to call out, Percy.

Moderator: Thank you very much. Next question is from Sangeeta Purshottam from Cognito Advisors. Please go ahead.

Sangeeta Purshottam: I was hoping if you could give a little bit more color in terms of how you expect the performance of the Africa business to shape up in the months to come? And what are going to be the themes which have been taken there to turnaround the business?

Sameer Shah: I think to begin with, as Nisa was mentioning earlier, execution is going to be one of the key focus area. And also, our thought process is to drive gradual recovery to begin with on the sales growth. And the drivers to that would be market initiatives, select launches. One other thing which we should remember, and that's something which is playing out in June and July at least, is a significant competitive advantage, especially in dry air portfolio for us, in multiple African market. Because the competition over there is more of import, and sell in the market. And their backbone, especially on supply chain is very, very disrupted at this point in time. And we are seeing that getting played out, especially if we look at June wherein the performance was nearly flattish on sales, as well as in July when the performance was quite kind of robust to begin with. But it's just more of how we play this over a period of time. So, execution to begin with, go-to-marketing initiatives, launches, scale up of wet hair portfolio, scale up for Household Insecticides and very tight control on cost. So, these are the four, five drivers which we are working on. And that should result in gradual recovery in Africa, US business for the rest of the year and make it strong base for us to take the growth to the next leg over next few years.

Sangeeta Purshottam: So you mentioned that supply chain of your competitors who are importing products has actually helped you, because your supply chain has been relatively intact. So, has this helped you gain share? That's one question. And the second thing is, you are talking a lot about the execution

challenges, but this business has been in the portfolio for a while. So, what exactly have been the execution challenges and why has it taken so long to fix them?

Sameer Shah:

Yes. I think to begin with, on your first question, we do have kind of on-ground manufacturing setup as compared to a lot of our competition with imports, and that is a significant competitive advantage which is playing to our favor at this point in time. I think execution is basically basics. There is a renewed focus and also very precise do's and don'ts in terms of how do we go ahead executing lot of tactical as well as medium term strategy, which we have charted out on the ground, whether it be go-to-market initiatives, whether it be within go-to-market channel prioritization, feet on ground and leveraging technology and stuff like that. Whether it be even launches, how do we go ahead with some of the launches and pricing and the margin profile of it. So, it's all that we are baking in and making it happen on ground.

Sangeeta Purshottam:

Sir, I am actually just trying to link a more before and after picture. I mean, many of the things you are talking about should be like a normal part of running a consumer business. And I am sure you are doing a lot of this in India, in Indonesia, the other markets where you have been successful. Sir, I am still not getting a handle on what were the challenges. Was it a leadership challenge? Was it an issue of not having the right people in place? What exactly was it that went wrong? And what is it that's going to be fixed now?

Nisaba Godrej:

Can I come in? So, I think the execution challenges have happened in the Africa business over the last couple of years. Some of our execution challenges, even in India have been over the last 18 months or so. And we have seen a turnaround on that. And you are asking, obviously, running a company, we are not sending rockets to the moon. So, it is some basic stuff that we have not got fully right. And it's a mixture of leadership, it's a mixture of getting your GTM right. So, I think there is a lot of pieces to that. I mean, we have a new CEO, Dharnesh Gordhon, who is very experienced on the Africa market. So, this actually tells you about our commitment to the geography and what we should do. So look, I have been sharing the bad news and stuff, but the bad news has not been there for 10 years, the bad news is from the last 18 months to couple of years, and we are pulling up our socks, rolling our sleeves, and getting it done. And just to the best of my capabilities or this company's capabilities, we are not going to now say, "Oh COVID came and that means we couldn't grow". The idea is to focus on growth, make sure we are brutally honest with ourselves. And it's a lot like the illegal incense stick thing that happened to us. It is a difficult situation, but perhaps from an execution point of view we hadn't pushed back hard enough, we hadn't brought our full muscle to it. And that is what we really are trying to do at this time. So, I think some of it might be leadership, some of it might be other things. But I think it's also our attitude at this time is to say we don't want to externalize things, because there are always external issues, including a global pandemic. But we are a strong company, we have products in categories that consumer wants. And let's go for growth.

Sangeeta Purshottam:

And once you set the business right, would you be introducing the Household Insecticides product in Africa post that? Or is that going to be in parallel?

Nisaba Godrej: It's happening right now. Like I said, we took it off the slide because we didn't really want to fully tell our competitors what exactly we were doing, but we are at it as we speak.

Moderator: Thank you very much. Next question is from Sejal Kapoor . Please go ahead.

Sejal Kapoor: Most of my questions have been answered, I have just got one, which is a slightly medium to longer term. So, I understand that as an organization today our focus is firmly on driving operational efficiencies and on earnings growth. And we got that message in the annual report and we have been hearing through yourself, Nisa and Sameer, so that is very encouraging. And on the back of that earnings growth, hopefully using our better innovation engine that kind of offers or formulates the products that benefits the bottom of the pyramid people, because that's where the majority of our consumers are internationally, and give them those products, superior quality products at a price point which is very appealing. So that kind of gives our business some stickiness.

My question mainly is around the return on capital on a consolidated basis. Can it revert back to where it used to be or close to that before we started diversifying internationally? So, driving both earnings growth and making the balance sheet leaner, perhaps by faster deleveraging? So, what aspirational target do you have maybe on a five-year basis for this consolidated ROCE? Thank you.

Sameer Shah: Sure. So, I think to begin with, we are quite focused in terms of driving ROCE. No targets, to be honest, at this point in time. Of course, ROCE as what we see today, which was seen high teens is also deflated because of the capital employed or the capital, which you invested, I mean, in buying businesses. The operating ROCEs would be close to around (+60%). Our ROCE has been improving over the last few years. Working capital has improved, margins have also improved driven by not just by cost projects, but also by more sustainable sales growth levers. So, there is absolutely a big focus in terms of driving ROCE up, pressing up on some of these growth levers as well as reduction in working capital.

Sejal Kapoor: So, that's helpful, Sameer. Just to clarify, so directionally our aim is to drive the margins upwards. We, of course, cannot quantify what that number would be, let's say, in 2025. But given the fact that we accept the mistakes and we are putting in place the remediation plan, and the message was very clear even on the annual reports and several places, directionally I think come 2025, and it should be a much better than leaner business. Is that the message we can take away?

Sameer Shah: Absolutely.

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

Sameer Shah: Thank you all for taking the time out for the call. In case of any incremental questions or suggestions, feel free to revert to any one of us within the investor relations team. Thank you so much.

Nisaba Godrej: Yes. A big thank you for being with us on the call today. And we look forward to continuing talking to you and please stay safe and stay healthy. Take care.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services Limited, that conclude this conference. Thank you for joining us. You may now disconnect your lines.