



"Godrej Consumer Products Limited
Q4 FY20 Earnings Conference Call"

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MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentleman, good day. And welcome to the Godrej Consumer Products Limited FY20 Earnings Conference Call, hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you sir.

Manoj Menon: It's our absolute pleasure to host Godrej Consumers' 4Q FY20 and Fiscal 2020 Conference Call. The company is represented by Ms. Nisaba Godrej – Executive Chairperson; Mr. Vivek Gambhir – Managing Director and CEO; Mr. V Srinivasan – CFO and Company Secretary; and Mr. Sameer Shah – Head Investor Relations.

At ISec, we are long-term believers of the Godrej Consumer story for a very long period of time. We continue to recommend the Godrej Consumer story, the stock to investors with an outperformance thesis. Now over to Mr. Pratik for furthering the call.

Pratik Dantara: Thanks for joining us today to discuss the quarterly performance and the current business environment. We will have Vivek share his thoughts on our performance. And then we can open up for Q&A. Over to you, Vivek.

Vivek Gambhir: Thank you very much, Manoj. And thank you, Pratik. It's a pleasure to speak to all of you. Good evening. Hope all of you are safe and healthy. What I will try and do is spend a few minutes just talking about the overall performance and then turn it over to Q&A.

I think whichever way you look at it, it has been a weak performance overall in Q4FY20. The details are there with the presentation that has been shared. So rather than review what has already happened, we want to spend more time on discussing how we are preparing to deal with the evolving situation and share our perspectives on why we believe we are well positioned to emerge stronger.

As you all know, this quarter was an unprecedented period due to the spread of the COVID-19 epidemic across the globe, impacting all the geographies of our operations. And GCPL we worked on the safety-first principle, ensuring that our employees and business partners are safe, and taking all the necessary precautions to control the spread of COVID-19. The Godrej Group, in solidarity with people and government efforts, earmarked an initial outlay of INR 50 crores for community support and relief initiatives in India. We ensured adherence to the lockdown, and in parallel, worked with government authorities to revive supply chain operations for essential items.

During this quarter, we witnessed steady demand in the categories till mid-March 2020. Till that time, the teams were actually quite optimistic and hopeful of a decent quarter. However, the

spread of the virus and the eventual lockdown in many geographies of our operations resulted in virtually no sales in the later part of March 2020, significantly impacting our sales performance in the quarter. This resulted in a weak performance in our India and GAUM (Godrej Africa, US and Middle East) businesses, which got impacted the most due to the lockdown. In India, the impact was substantial as we typically have very high sales in the last two weeks of March, since it is the onset of the summer season for Soaps. We also saw a significant adverse impact on sales for our Household Insecticides in the later part of March 2020, which marks the onset of high mosquito infestation in North India.

In our International businesses, Indonesia, which did not see a full lockdown, continued its growth momentum with mid-single-digit profitable constant currency growth, in spite of the COVID-19 crisis, driven by consistent performance across categories, and several go-to-market initiatives. In GAUM, we witnessed a weak performance amidst disruptions caused by COVID-19 in all our countries of operation.

During this unprecedented quarter, what is encouraging is that we gained share across most categories. In fact, we gained share in almost 70% of our portfolio. What we are doing now is approaching the situation through three lenses, restart, recover and retool our business. So as part of restarting, we are safeguarding lives and livelihoods, we are starting operations wherever possible with the necessary clearances and permissions. We are also supporting our partners a lot. We are one of the first FMCG companies to provide a COVID-19 insurance scheme to our entire extended team, additional allowances, safety kit, documentation to our vendors so that they can operate as essential good manufacturers, giving advance payments to a few vendors who supply critical materials, etc. So, supporting our partners through this was extremely important. At the same time, we have been doing what we are calling smart cost management, with a closer look at our overheads. And we have been supporting our communities, as I mentioned to you, we know that this is a health and humanitarian crisis and with people working from home, we are stepping up connect and engagement with a lot of care and compassion and communication with our teams.

The second part of our approach has been to recover or the bounce back phase, where, as markets are opening up, as lockdowns are easing, we are ramping up operations in both production and distribution. We are also looking at third parties to augment production. We are trying to make it easier for our General Trade partners to order, to retail ordering processes enabled remotely, through web enabled ordering applications. We are partnering with other companies such as Udaan, Swiggy, Zomato, Shopkirana, Zoomcar, etc. The idea is to keep on ramping our operations. What is important right now is improving availability. And so, we are working very hard to ensure that our products are getting more and more available. This is also a good opportunity to drive market share. As I mentioned to you, in spite of a tough environment, our market shares have been increasing. And we do believe there are opportunities to further drive market share. We are also fast-tracking priority innovation; I think you will see a lot more innovations that will be launched by us over the next few weeks.

The channel dynamics are quite different right now. So, there are different channels thrusts that we are employing, with each channel requiring a different playbook whether it's the kirana stores, modern trade, ecommerce, chemists. So a much differentiated approach is being employed at the channel level. And then we are planning for different scenarios to prepare for life post lockdown. As part of the retool phase, we recognize that we need to prepare for a new normal, so we are understanding and analyzing new consumer needs and behavior, understanding channel shifts, looking at a much more flexible and adaptive supply chain, trying to forge a much more agile culture and also embracing digitization in a very big way. The idea is to be able to use this turbulence, this volatility to create more opportunities, and definitely emerge stronger.

So, there are three big areas of focus for us. One is around getting back growth, because we recognize growth has been a challenge for us. Second is to relentlessly execute. And then the third is to sustain a very high performance and winning culture. So as part of getting back growth, we are looking at sustaining and improving our market share in our key core categories. We are also accelerating some of our new categories, and we will talk a little bit more about that, to build additional growth vectors. The focus and innovation has worked well for us, we going to dive on more on disruptive innovation. And we do see, given the channel shifts, some very important opportunities to transfer our route-to-market and go-to-market models.

In terms of relentlessly executing, we do have a very unique multi local model for us, which has worked in the past for us. The need is to drive much more agility and entrepreneurialism on the ground. We also want to tighten cost controls and preserve our strong capital structure. The idea is to engage in smart cost management. We want to take a balanced view, where we want to be prudent, invest in the right areas, but also cut overheads. The third is around supply chain flexibility and resilience, where we are focusing a lot of automation, visibility and planning. The final area of focus for us is to sustain a high performance and winning culture, where the most important part for us is to live the Godrej way, which is our values and purpose. We recognize that this work to home, there will be new ways of working that will emerge, so we will accelerate that. And finally, this is a great time to build new capabilities such as digital, ecommerce and analytics.

The situation will remain challenging, there is no way to accurately predict the coming year, so we will have to plan for different scenarios, be adaptive and resilient. However, we believe that we are relatively well positioned and have several strengths that will hold us in good state during this time. First of all, it is our portfolio, a substantial portion of our portfolio in India and Indonesia in particular, consists of essentials or basic value-for-money products. Even within our Africa business, the portfolio is skewed towards value products. During this time, we do expect a flight-to-value, given potential job losses and incomes coming down. Our value portfolio should provide significant advantages. And in over 80% of our portfolio we have a top three position. The experience from past downturns indicates that once a downturn is over, the gap between leaders and followers widens. So, we do intend to capitalize on this downturn to be able to emerge stronger.

The second reason is that we believe this is an opportune time to drive resurgence in Household Insecticides. This is something that we have been working on for the last 12 to 18 months. During the COVID-19 crisis, there will be a larger focus and awareness on disease prevention in general, as consumers look towards protecting themselves more from all diseases. We have a great opportunity to play and win the full Household Insecticides portfolio in the burning, electrics, personal, naturals and non-mosquito portfolio. We have in our arsenal now the strongest ever portfolio in Household Insecticides. This is also a good time to intensify our pushback on illegal incense sticks, as a lot of those players are going to be in trouble. So, we definitely believe that this is the year for a resurgence in Household Insecticides.

The third very important aspect is a plan we have defined for the hygiene category. This is an area that fits in very well with the Godrej Company ethos. It's all about trust, good quality and affordability. Increasingly, consumers will give a lot more thought to cleanliness and purity. This will be true for your home, objects and surfaces, but equally so for your body. The health and well-being trend will continue to accelerate. And we have moved very quickly over the last month. Hygiene products have been launched in India, Indonesia, Bangladesh, Sri Lanka, Kenya, South Africa, USA, Argentina and Chile. And there has been a range of different products. This week for instance, we are launching Health+ Soap in India and reusable masks. More product launches are expected over the next 45 days. We recognize that a lot of players will be pursuing opportunities in hygiene, so we are planning for some very disruptive products as we have done in other categories. In fact, we are targeting for almost 5% of our revenue in Q1FY20 to come from hygiene.

The fourth and final reason is that we are very well positioned, and we are determined to not waste this crisis. We recognize that our performance had been below expectations even prior to the COVID-19 outbreak, pandemic just exacerbated it. We had begun putting corrective actions in place even before COVID-19. Several of our leading metrics, such as improvement in market share and the initial feedback from our launches gives us a lot of comfort that the business has been turning the corner. We have the humility to recognize that we perform below our expectations and have diagnosed what went wrong. We have the conviction, the commitment, and the ability to get back to delivering market leading returns. There is a huge fighting spirit in the organization and the team is charged up to prove that we can do much better. We are seeing daily examples of extraordinary agility, tremendous collaboration, and great creativity in the organization. We recognize the long drawn battle lies ahead, but we are fully gearing up and believe that we are well positioned to win.

So, one final word before we turn to Q&A. In April, we had positive growth in India. And the momentum and growth continued in Indonesia as well. GAUM saw a degrowth, but the performance was above our initial forecast. So, while its early days, the momentum in April is encouraging and we are hoping to continue to build on this in the months and quarters ahead.

I will now take a pause, and we will be happy to take your feedback and answer your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: My first question is on basically the path forward for recovery. Obviously, March quarter, the reason for the poor numbers was mainly the supply chain disruptions. We wouldn't have seen any COVID-19 related demand impact in March, obviously. But going ahead, we will see a mixture of supply and demand effects. So, my question is, even if we assume that supply bottlenecks are resolved completely, how much would you say would be the demand tapering versus your earlier conversations that you have had with the investor community, how much would you say would be the tapering down due to the demand impact of COVID-19?

Vivek Gambhir: Percy, I think at this stage its quite difficult to have a very accurate picture of what the demand scenario would look like, because there are so many unknown variables right now. One is, how long do the lockdowns continue for? How big is the stimulus package? Are there resurgence of COVID-19 in certain parts of India? So, I think till we get a better picture of what the overall implication as far as consumer incomes and job losses is concerned, the demand picture is a little bit difficult to have a clear sense of. Having said that, though, I think in the categories that we are in, particularly in a category like Household Insecticides, as I was mentioning, the entire focus on disease prevention should lead to growth in Household Insecticides. Similarly, in Soaps and Hygiene, we should start seeing growth. And even in discretionary categories like Hair Colors we have been able to now start seeing initial demand. Both in Hair Color and Air Fresheners we have done some consumer research and those are now coming up as categories where consumers are looking to be able to go and buy in the market. Nisa, would you want to add there?

Nisaba Godrej: Percy, thank you for your question. Right now, as far as we are seeing on April and even May to-date, there is quite decent, good growth, ahead of what we were sort of expecting in both India and Indonesia. And I think the way we are really thinking, again, I don't think we can have exact answers, but what is our portfolio? And if you look at our portfolio, about 70% is this sort of essentials, very high value-for-money and if I call out something like Mr. Magic Hand Wash, which is at \$0.20 or Rs. 15 powder-to-liquid hand wash, these are products that we already have and are seeing extremely high demand. We are also seeing a resurgence in Household Insecticides (30% of GCPL's portfolio) from a health point of view, people don't want to land up in the hospital for malaria and dengue at this time. 20% of our global portfolio is Soaps. So, I think one is, I am looking at it in terms of that we have a portfolio where the consumer demand is fully there. We are also pivoting both in Household Insecticides and in Soaps, and we are thinking of Hygiene very aggressively. So obviously, every company in the world is launching sanitizer right now, but we think consumer habits change very rapidly. And we have already launched a slew of products and we see more coming. And to these products we won't just bring name to, but we will bring our value-for-money, disruptive innovation. So, I think from a portfolio point of view, we find the demand quite strong, at least for the 70% of the portfolio.

Sameer Shah: I think just to add to that, Percy, one of the trends perhaps which will get played out over a period of time is surge for new value-for-money offerings. Or if you want to call it down trading, but I

think value-for-money offerings from consumers' end, we think our portfolio is quite well poised across clusters and across key countries where we claim to meet that kind of need from consumers to also eventually service the demand. So that's the other thing to note.

Percy Panthaki: Alright. Second question is on Indonesia. Till now we have not seen any effects of COVID-19 in terms of business and sales. On the ground you have a presence so you would have a better idea, what is the situation there? Is it sort of improving or is it deteriorating? And therefore, do you think there will be some sort of lockdown there also, any thoughts that you might have since you have a presence on the ground there?

Nisaba Godrej: Sure. So, Percy, I think our view is, again, obviously, we cannot tell 100% what will happen, we have seen countries recycle through this, Singapore being an example. But it seems Indonesia has taken a very good point of view on its context of who it is as a country and how it must handle it. It's not gone and copied the West blindly. And there is a lot of social distancing going on, your malls are closed, your schools are closed, but they have actually let economy run. They stopped people from going home for the Ramadan holidays and stuff, so it's been quite strict that way. But they have made sure that the economy is running and we hope that they continue to do that.

Vivek Gambhir: Right. I think Percy, the watch-out there in Indonesia, as Nisa was saying, is that they have enforced large scale social distancing rather than shutdowns. The watch out there is that there are obviously some concerns about COVID-19 spreading to some of the smaller cities. But you will have to wait and watch. So far, they have managed to, not fully shut down the country, but enforce logical social distancing.

Percy Panthaki: Right. Lastly on Africa cluster basically, you are into hair care there. Now, I know it's a very ingrained habit to use hair extensions, etc. But do you think because of whatever economic disruptions, loss of income, etc., there could be an impact in that category, which is more long lasting (three to four quarters). Not that people stop using extensions, but instead of, let's say, changing it every four weeks, they change it every five or six weeks, that also would have a material impact on your sales, so any thoughts on that?

Nisaba Godrej: Yes, I think, Percy, one of the big things that will happen is down trading. And the biggest part of our portfolios is braids there, which is the most value-for-money. But we definitely see some impact happening there because the salons are all closed. But we have a good do-it-yourself portfolio also which you can do by yourself at home. So, we are sort of pivoting on some of those fronts. Also, I think because we have this full portfolio of products between dry and wet at these value price points, you do have to take care of your hair in some sort of way. So, I think we are just going to have to be really agile in terms of what consumer demand is, putting the right products in front of them. We are also making sure that at this time we are also looking at increasing distribution, increasing distribution into the smaller retail stores that are closer to consumers' houses. And also, you might see the building society effect in India where now building societies are coming together to buy products, those consumer buying groups have existed for a long time in Africa, so doing more work there. But I wouldn't say that portfolio is as strong as our Household Insecticides or Soaps portfolio at this time.

I just wanted to make another comment. In Africa, we also have a product that used to be coming in from Chinese imports, we see those sales channels quite impacted. So, there is also that opportunity to get market share, and we are the sort of biggest player in Africa so we also see the market share opportunity.

Sameer Shah: And just to add, Percy, a lot of African countries are still in lockdown, and in different phases of lockdown. So, there is lag actually in many of these African countries compared to what we are seeing, say, in India, at this point in time. So, to that extent we do expect performance to be soft in the near-term, but definitely a big opportunity in terms of gaining market share from lot of cheap importers. And also, as Nisa and Vivek were sharing earlier, we are also scaling up our hygiene portfolio in multiple countries in Africa, so that also should be a big growth vector during the course of the year.

Nisaba Godrej: Yes. And we also have new leadership in Africa, we have someone called Dharnesh Gordhon who has just taken over in April. And he is South African, 30 years of experience on the continent. His last role in Africa was CEO of Nestle's Nigeria business, which in Nestle is like what HUL is in India. So, I think having someone who is very experienced with the continent, we feel will give us advantage at this time.

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

Abneesh Roy: Thanks. My first question is on the two data points which you mentioned, that in 70% of the portfolio, there is a gain in market share. Similarly, 70% of the portfolio is either essential or its value-for-money. So, my question is on the balance 30% in both these segments, so if you could define what is non-essential / not value-for-money, which product? And similarly, which are the segments of products which have lost market share?

Sameer Shah: So, Abneesh, we would shy away at this point in time from sharing very micro details country by country and category by category. But definitely even within, just for example and better understanding, category like Hair Colors, which is very close to discretionary or at least sounds very close to discretion, there are formats and those price points which do qualify in value-for-money sort of offering. Even in category like, say, hair extensions in multiple countries in Africa, braid is something which is very much at the bottom of the pyramid. And we are seeing that, in fact, for example, in markets like Kenya, which are relatively open as compared to some of the other African markets. So that's the way we have called out these essentially, plus kind of VFM space. So, it's a cut not actually only across categories, but even within categories, formats and price points, and things like that.

Abneesh Roy: Right. My second question is to Vivek. Vivek, you mentioned pre-COVID-19 also there were some issues. So, if I see the data point of Godrej Consumers in the first three quarters was in the higher tier, in the top tier in terms of volume growth in India. This quarter if you see, even hair oil companies have seen a better growth than your overall growth in India. So, if you could elaborate what is the reason, pre-COVID-19 what were the issue? And surprisingly, in April,

when almost every FMCG company has seen below par factory utilization, you seem to have grown, you said you have grown. So, could you explain both the bits?

Vivek Gambhir: Yes. I think, Abneesh, if you were to look at our performance till February, our year-to-date volume growth was about 5% or so. And if I look at the plans that the team had put into place, say, in India, I think we would have likely ended the year at about a 5% volume growth, which would have been good in these circumstances. So, what ended up happening was, in the last couple of weeks of March we probably lost about Rs. 250 crores of sale in India. And that is really what ended up dampening our performance, which from a volume perspective at least was looking quite a healthy trend till then.

Sameer Shah: Just to add also, Abneesh, we have shared this in our performance update that we did see a secondary sales decline around 10%, 11%. I think one of the other reasons also for decline in reported/primary numbers was that we were walking into the season for category like Soap as well as for Household Insecticides in North. So, after chaos of around two to three weeks on supply chain front end as well as back end, we more than got our acts back in place to sort of ensure that we are able to, at least partially, if not fully, get into the season for key categories like Soaps, as well as House and Insecticide category in north. That's the reason why, I mean, April is a growth for us.

Abneesh Roy: No, but April factories were nowhere near even 60%, 70% capacity utilization was there for 20 days. And second, pre-COVID-19 I still couldn't understand, you had made an opening statement wherein you said pre-COVID-19 also the growth was lower. So that I still didn't get.

Sameer Shah: So just on the latter part first, Abneesh, it's not just factories but also the stocks which were lying in kind of plant warehouses and regional warehouses and caring and forwarding agents (CFAs), which was completely at standstill for a period of two to three weeks. So, a lot of those stocks have also gone out eventually in the hands of consumers. And once the factory started its operations gradually, which I think started in a way from first or second week of April, and as we have geared up with every passing day, we were able to produce in the backend as well as sort of fill in channel partners, inventories and eventually get the products in the hands of end consumers. Just to quantify this, as of today we would be close to around 70% to 75% of capacity utilization across our factories in India.

Vivek Gambhir: And Abneesh, my comment around pre-COVID-19 was a reflection of the last couple of quarters, right, where our volume growths have been very strong. But we recognize that our value growth has been below some of our expectations.

Abneesh Roy: But is there any deterioration in the Soaps, you were gaining market share first three quarters of this year. And when I see the number one player which reported just a 7% overall, they don't give obviously soap separately, is there any deterioration there and now are you coming back, some colour? I know these are very sensitive things, but some colour if you can give, that will be useful.

Sameer Shah: Abneesh, I think we can share what we have shared actually in our performance update, which is, we have gained shares in not just in last quarter, but consistently over the last couple of years with our initiatives and micro marketing initiatives which has been one of the key pivot for us in driving growth in Soap category, we remain very confident of share gains even going ahead. And something like this Health Soap, which Vivek was just talking earlier will definitely give a boost, to the overall soaps performance, hopefully.

Abneesh Roy: One follow-on question on Indian business, hygiene, you said is the next Household Insecticide. So, what does it mean? Second is, hygiene is 5% you mentioned in Q1 likely, so what products come in hygiene? Obviously, soaps is not there. Now, if you see, you yourself said that almost every company is entering there, we have seen liquor and paint company enter. So, currently it's dominated by one unlisted player and then we have got Hindustan Unilever also very aggressive. Who will win here out of the new players, apart from the top two?

Nisaba Godrej: So, your guess is as good as anyone's. But I think the way we are seeing it, definitely everyone launched a sanitizer. And right now, I think it's much more a supply side issue than a demand issue, because the demand seems pretty much limitless. I don't think COVID-19 is here and then gone in two months. And we feel something like hand wash, which is supposed to do for every disease will have finally been built forever. So, I think what we are looking at is both on the personal care and the homecare front, what are the products that consumers need to keep clean, correct? Some of these were already extremely good at, which is wipes, because we have one of the lowest cost manufacturing models in Indonesia. The other things are things like spray, disinfectant, aerosol. We have a very big aerosol business and we have big cost advantages there. So in hygiene, like Vivek said, we have launched now, it's a big portfolio. And I think we are thinking something like hand wash also like holding out in our hygiene portfolio. So, like I said, having a value-for-money product like Mr. Magic, it's Rs. 15, this is the year for these products and we know how to do these health products. We definitely have Dettol, you have Lifebuoy who are sort of big boys in these categories already. But especially in India, Godrej, our brand name, our distribution, so we do feel that more than other players we will have that opportunity if we are agile, and we innovate and distribute well. So, we are quite excited about the opportunity, but we do realize that there are a number of people who are equally excited where it is going to be focused on serving the consumer well during this time.

Abneesh Roy: And last question on Africa, this quarter also much lower than Indonesia. So, what will be the brief for the Nestle Nigeria head who has joined? Why I am asking this is, Africa saw COVID-19 much later than even India and we know the severe lockdown is not really there, at least in Q4. So, what is required to be done here? We have seen the Chinese imports, etc., but still we are not seeing consistent good numbers like Indonesia there.

Nisaba Godrej: So he has just come and there are two things here, one is to obviously step back and fundamentally look at the business and see where our basic good are or bad in terms of priorities, in terms portfolio where do we push. So that's slightly longer term. The other work is, because he is still running a month-to-month, quarter-to-quarter business, and I think some of the things he is very quickly focused on, one is, GTM, clearly, he had many sales roles on the African

continent, so he is using, his thinking and his contacts to just push that right now as hard as possible. And don't forget, even in Africa, things like this hygiene portfolio and stuff becomes pretty important, we have also launched products in the U.S. and in other countries on the continent. So, I don't think our portfolio in Africa is as resilient as our India and Indonesia portfolio, but there are still opportunities there. So, he has two tasks, one is the short-term and obviously the longer term.

Vivek Gambhir: And I think, Abneesh, to build on what Nisa was saying, along with go-to-market, I think his second big mandate will be complexity reduction. I think there are going to be lots of opportunities for simplification, looking at our manufacturing footprint, and trying to see how we can optimize it further. Because I think the margins in that business are below what we would like to, so definitely there will be a stronger focus on margin improvement there.

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

Latika Chopra: My first question was on the resurgence of Household Insecticides that you talked about, and just stepping away a little bit from COVID-19. The launch of Goodknight Gold flash, we have now seen it for a few quarters, at least in South India. How are you feeling now about the acceptance of the product? How is the consumer feedback now? What is the status on the national distribution reach? And you have talked about value for money, so should we expect more launches in the affordable categories here?

Nisaba Godrej: So, let me answer on Gold Flash. In terms of our distribution norms and consumer acceptance norms, the product has been very good. We first launched in the South and then we moved the launch nationally. We are very pleased that actually our Household Insecticides portfolio right now, from whether its price points to whether it is consumer job to be done, is doing well. In burning format we have incense sticks, we have fast card, Rs. 1 price point products, and our coils have been doing extremely well. We have put in new Liquid Vaporizer which is highly efficacious and we have launched a new Goodknight fully naturals range. So, we feel very confident that our portfolio is full and this is really the year to play our advantage of being a very large market share leader. We have been gaining market share in a Household Insecticides, whether it's against illegal incense sticks, or other players. And look, we are coming off the back foot, so we do realize that we are on this call not having performed up to the mark. But I think this is we are using it to say, this is an opportunity because there is really strong demand for these products. And we have to give it our all and to make sure we are serving our consumers.

Your second question was, sorry Latika, what was the second question?

Latika Chopra: It was more to do with do we expect more launches in affordable categories. And if I may just add to your comments, you did say that April, May year-to-date we have seen growth, I believe this is more about your sales from channels stocking up. But any colour specific to Household Insecticides at the retail end, particularly in North India where mosquito infestation season was about to start. How the initial feedback has been, if any, any concrete color that you have?

- Nisaba Godrej:** Latika, it has been very strong. People are spending more time at home, no one wants to take a chance on their health. We are also pivoting a lot of our advertising and communication also to focus more on the health issues right now. Sameer, you want to add something?
- Sameer Shah:** Latika, just to add to that, I think the secondary growth, especially for Household Insecticides, has been very close to the primary growth, so that answers your question of reported sales growth, whether just filling in the channel pipeline. I think the other reference over here is also what we are seeing in Indonesia and actually seeing over last six to seven weeks. I mean, there is significant higher consumption demand for Household Insecticide products in Indonesia, because of its disease prevention platform or association, because consumers do not want to take a chance of getting infected by malaria, dengue and having to visit hospitals where there is a high possibility of any other infection. So, definitely we are seeing that trend in Indonesia, we wanted to definitely take up that positioning of disease prevention, in an environment which is very cautious on health and hygiene at this point in time in India and scale up the overall growth over a period of time in India. So that's the thought process actually.
- Nisaba Godrej:** Latika, if you see something like, say, the cockroach, the roach business, which is still a small percentage of our business. The focus that cockroaches cause respiratory diseases and asthma has become much heightened in this environment. We are in a very intensified demand for protection and safety, not just against COVID-19 but other diseases, because you don't want to risk your family members at this time.
- Latika Chopra:** This is helpful. And just a second aspect I wanted to get some thoughts was, distribution channels. You definitely talked about or you made some comments there, but just we are hearing or picking up from a lot of companies that it seems semi-urban, rural has been relatively less affected, it seems a lot of government initiative are also going to be aligned towards that segment. In your view, should we expect a more accelerated push towards expanding rural reach? And that will be coupled with probably more value-for-money products also being launched in your portfolio? Any initial thoughts there?
- Vivek Gambhir:** Latika, I don't think it will be a question of either or. I think what will be required in a situation like this is a far higher level of dynamism. Because what you will find over the next 12 months is lock-ins and lock-outs and lockdowns are going to be a fact of life. The key will be in what we call micro cracks, can you actually find small opportunities, some of them will be urban, some of them will be rural, they will spread across kirana channels, I think online, across chemists, across rural. So, the playbook gets far more like micro and far more nuanced. The good news is, we have put the technology backbone to be able to actually go down to the micro level to be able to try and see where the demand pockets are. We have a project called GTM 3.0 which we had kick started a few months ago. A lot of those pilots are being run. I think rural will be a very important part of our strategy, as Nisa was saying, affordable flight-to-value will again be part of it, but we do see opportunities in urban as well. We just don't know in what parts of India the opportunities will come, again, depending on what it takes to actually control the pandemic.

- Nisaba Godrej:** Sure. And I think, Latika, you had a question on the value-for-money new products, just quickly if you go through our portfolio, like I was saying in Household Insecticides, you have fast card at Rs. 1, you have incense sticks at that price point, you have Godrej Nupur herbal powder based Hair Color at Rs. 10, we have our Godrej Expert Easy 5 minute shampoo Hair Color which has been doing amazingly well. Godrej Experts Rich Creme which we had done or relaunch has hit its highest ever market share. Its Rs. 30 price point and the relaunch has gone very successfully. And then, obviously, our big brands like Godrej No 1 are sort of value players. So, one is the portfolio we play in, and then where in that portfolio do we play in. And if you think even something like Aer Pocket, which is the biggest sort of bathroom freshener actually has germ protection properties, we have actually gone and put that in front of pack in sort of our air sprays. We are doubling them up, we have relooked at some of the formulations and making them freshener plus spray. So, we are doing a lot of that, but we do actually feel that we play in the category and already have the value-for-money price point. I think where you will see a lot of the innovation happening across price points is on hygiene.
- Moderator:** Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.
- Aditya Soman:** Two questions from my end. Firstly, we see a very sharp reduction in the ad spends and employee cost. And the employee cost in particular were quite surprising. Any perspective on why we have these sharp reduction, Q-o-Q and Y-o-Y?
- Sameer Shah:** So, I think the reason for drop in employee cost is because of the performance linked variable remuneration, which in turn is driven by delta EVA. A good surrogate for delta EVA could be the EBITDA in absolute terms, which we have had in Q4FY20 versus Q4FY19. So, the entire drop in manpower cost is completely driven by the lower performance linked variable remuneration, driven by the delta EVA. I think in terms of advertisement spends, if you look at on a Y-o-Y basis, we did see a drop. But there is also a little bit of phasing, we had most of our launches during the course of the year, whether it was Goodknight Gold Flash in South or Godrej Expert Easy 5 minute shampoo Hair Color, or even Expert Creme relaunch. So, to that extent, in Q4FY20 there were not many launches as such, and hence heavy marketing investment, and some part of marketing investments in very late March were also sort of held back just because of the uncertainty surrounding COVID-19.
- Aditya Soman:** Understand. So just following up on the employee cost question, so is this just a function of basically the Q4FY20 seeing the entire variable comp, and which is why that is lower? Or this is just the comp for the quarter that was cut?
- Sameer Shah:** Absolutely.
- Aditya Soman:** All right. Thanks. And second question, just in terms of your gross margins or input costs, we saw that sort of reduction in input cost was much lower than or was flattish compared to with sort of a significant reduction in your top-line. Any reason why that happened?

- Sameer Shah:** Yes. So, I think if you look at gross margins in India, if I am getting numbers right, we dropped to around 50 basis points, that I think was largely to do with the unfavorable category mix. We saw a decline of 23% in Hair Colors and that's the highest gross margin on a category for us. Internationally also there was a little bit of drop in gross margins, my sense is around 100 to 150 basis points, that was driven by category mix, country mix. However, going ahead, we do expect, at least at this point in time a benign commodity environment, whether it palm oil derivatives or whether it be even crude oil. So, definitely there would be more in the kitty to sort of drive growth. Of course, alongside being very prudent on many controllable cost, especially in this uncertain time. So, we are not too worried about the commodity environment, at least in which we are in. And we expect it also to be the same, especially if you look at medium-term.
- Aditya Soman:** Thanks, Sameer. So, what you are essentially saying is majority of this was just mix and not so much to do with any specific input cost?
- Sameer Shah:** Absolutely.
- Aditya Soman:** Understand, fair enough. And lastly, just to comment on the dividend statement that you make on sort of skipping the dividend for preserving cash. Anything we need to read into this? Or it's just that you are maybe seeing or buying potential opportunity?
- Sameer Shah:** I think there is nothing much to read into it in a way because this is more of a timing issue than anything else. At this point in time, the management and the board importantly felt that let's be conservative, there could be opportunities of growth organically and hence preserve cash and deploy basically for growth vector. So, for us, it's more of a postponement. As we see also there are multiple ways of rewarding investor, which also over a period of time we would be closely evaluating. So, for us, at this point in time, at least it's more of a postponement than anything else.
- Aditya Soman:** Fair enough. And no cash flow issues in that?
- Sameer Shah:** Absolutely not. We have shared the details in terms of cash balances as well as other balance sheet matrix, so absolutely no cash flow issues at all.
- Moderator:** Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.
- Arnab Mitra:** My first question was on Soaps, the one gap in your portfolio is the germ protection Soap, which is where Lifebuoy and Dettol are the market leaders. And are you seeing that play out in the last couple of months that there is any shift in the category towards these kind of soaps? And Protekt being a very new product in the market, will it be able to take some share here in a very short span of time?
- Nisaba Godrej:** So, two points here. I think one is that if you look at our Cinthol portfolio, it's actually always been a germ protection portfolio. We never sort of really called it out in the packaging, we have done that quickly. The pictures were shared in the presentation, so I think that's one lever. And

we do think while Protekt is a relatively new brand, Godrej is definitely one of the most powerful brands in Soaps, so we do see an advantage there. I think we will see how Soaps play out. But we don't feel that we will lose share. And whatever we have been doing, we will continue to do and continue to be agile on our sort of district level marketing initiatives that have played out really well for us in Soaps.

Arnab Mitra:

Okay. And now my second question was on Household Insecticides incense sticks. So theory, I think Vivek touched upon it in the initial comments that these smaller players who rely on indirect distribution may have a problem. So, in theory, that sounds fine, on the ground are you seeing actually that Household Insecticides incense stick availability from these players has dropped in the last couple of months? How is your own supply of your own incense sticks which have been launched? How do you see that whole 12%, 13% of the industry going in this period?

Nisaba Godrej:

Yes. So, we do see supplies having been affected. And don't forget, these are very illegal outfits also, so this is again legally a good time, even once things settle down to continue to go after them on that. One interesting trend we have seen is very high sales of Fast Card. So obviously, placing some of our supply of incense sticks is good. And don't forget, for consumers, it's not just incense stick or Liquid Vaporizer or aerosol, a lot of the usage that's happening is dual usage. So actually, I don't have an incense stick and now I have this very efficacious Liquid Vaporizer, I am just going to put it on earlier in the night. We will have to almost see what happens on a month-to-month basis. I think the other very powerful thing right now which we are going to up our messaging and our investment on, which we were already doing was, you don't know what sort of pesticides and stuff you are inhaling in these illegal incense sticks. There are cocktail of anything, I think consumers, again, are much more sensitive to that message of what they are using in terms of protecting their health. So, I think we are not going to lose this opportunity to push them back. Obviously, the initial signs are good, this is our initial thinking, and it's going to depend on how we execute these.

Arnab Mitra:

And my last question is on Africa, so if the revenue declines continue there, is there anything on the cost side you can do to avoid this extreme level of margin? Or is it kind of a derivative that if revenue declines are at this level, margins in Africa for that period of time will remain so low?

Sameer Shah:

So, yes, there are controllable cost even in Africa, U.S. cluster, but the quantum is relatively on the lower side as compared to Indian and Indonesia, and hence the scale deleverage could have relatively higher impact on the margin. Having said that, I mean, even on a normative basis, Africa's operating profits have been around 15% thereabouts to the overall GCPL's consolidated operating profits. While the revenue contribution is close to around 23% to 25%. So, it should not move the needle too dramatically. But yes I would concur with you that there will be margin drop, at least in short-term or very near-term because of scale deleverage and it is largely happening because of extended lockdown more than anything else. But as I mentioned, in some parts of African countries the lockdown is getting relaxed, it's not completely lifted, but it's getting relaxed in a gradual way.

Moderator:

Thank you. And next question is from the line of Amit Sinha from Macquarie. Please go ahead.

- Amit Sinha:** My question is, again, on India Household Insecticides business, and you have touched upon some of these arguments, especially on illegal incense sticks. So, just wanted to understand, when you say that on Household Insecticides, this year can be a year of resurgence for the business, is it fair to assume that the decimation of illegal incense stick, at least in the near-term, can be the biggest growth driver for the business?
- Nisaba Godrej:** It could be a big one if they are not able to resurge and we can push them back. But I think the biggest one is actually going to be demand. See, our focus on health has totally changed, whether it's washing our hands, being careful, protecting ourselves, one of the worries people are now talking about is that kids are not getting vaccinated because in this situation no one wants to go to the doctor and things like that. So, I think this heightened, I was mentioning about how we are thinking of cockroach marketing differently and stuff. So, I think that this heightened need to protect myself and protect my family. And it's not just on the germ hygiene but it's on all lifestyle. You all have been on other calls where we are seeing immunity products also, things like Chawanprash and all growing. So, you will see a broad based health trend. And then if you think about something like Household Insecticides, it very clearly protects you from disease, obviously, it gives you a good night sleep, but it also protects you from disease. So, I think we are seeing both the demand side and this is an opportunity in this environment to really push back on these illegal incense sticks. And if you see our portfolio, our guns are fully loaded up with all the products that we could name. So, I think it would be around those three things.
- Amit Sinha:** Sure. And is there any market share gain within the organized players also?
- Nisaba Godrej:** I think that we voiced over. Look, we focused on volume growth, we focused on market share gain, and I think that will continue. So, in Soaps, Hair Color, Household Insecticides, March exists were all gain.
- Sameer Shah:** And the market share gain details on it which we have shared in the presentation, I think it's close to around 90 basis points, is including the illegal incense sticks in the category. So, it's not just some organized players baking in the illegal incense sticks players in the category, we have been gaining share not just last quarter but I think over the last couple of quarters now. And hence, if we remove for the moment, illegal incense sticks the share gains even would be much bigger than the 90 basis points in share gains which we have had in the last quarter.
- Nisaba Godrej:** And I just wanted to add one thing, because someone might not ask me the question, and I am sort of dying to blurt it out, because we have been asked about India and GAUM, and then we talked about India and the international business. But our Indonesia business is coming off a couple of strong year. Again, over there Household Insecticides portfolio is very large, we have value-for-money and Air Fresheners. Again, very suited to this environment. And again, it's highly profitable business. So, we feel that the same health trends that we are seeing in India will really take off there. We launched a full range of hygiene products under the brand Saniter very quickly. So, I think that's no one's asked it, but I just wanted to put that out there that we see that also as far as the story of a stronger portfolio and value-for-money pricing.

- Amit Sinha:** Sure. My second question was on the sales versus volume trends last year in FY20. The sales growth was significantly behind volume. How should we expect that to play out in the next year and this year?
- Sameer Shah:** So, look we had shared this, our desire was to bridge this value volume gap starting Q4FY20 itself. But for the right reasons we actually paused on the second round of price increases in category like Soap. However, my sense is, for FY21 the value and volume growth could be very close to each other. Maybe on a full year basis if all goes well, we could even see a little bit of pricing led growth. But at this point in time, for FY21 the value volume growth should mirror each other.
- Amit Sinha:** Sure. And lastly on the cost management side, I mean you were already under, basically if I look at the focus on the cost management and the cost cutting, it was already there in the business since last two years. Incrementally, which are our areas you think you can squeeze further savings, especially in India and Indonesia?
- Vivek Gambhir:** I think for us, the focus will be far more on overheads. There are always opportunities to be able to look at how to better utilize the overheads. I think, Amit, we will be more balanced here, recognize that this is a need to also invest in new growth and innovation. And so, we would shy away from the significant reductions in advertising. But there will be opportunities to optimize the advertising spend more. So, we will focus for more on optimizing, improving productivity, reducing unproductivity spends. But I think our EBITDA margins are quite high. The focus still will be again on getting back growth. At the same time, I think it is prudent for us to do what we say is smart cost management.
- Moderator:** Thank you. We have the next question from the line of Vivek Maheshwari from Jefferies. Please go ahead.
- Vivek Maheshwari:** A couple of questions. First, your presentation talks about the new categories and disruptive innovation. If I look at your FY20, you have done quite a bit on new launches across your portfolio. And at this point of time, while pretty much most companies are talking about consolidating, except for, let's say, hygiene segment, I mean, nobody is talking about launches as much. So, what is giving you the confidence that it's the right time to launch? Case in point being, for example range which you have just unveiled which is health and hygiene range. So, do you not think it's, given that you have already done so much in FY20, just makes sense to build on that rather than doing more disruptive innovations and focusing on your category?
- Nisaba Godrej:** So, I think, look, the baby range was being launched anyways, it was already with the CFAs and we also have seen commerce as a big growth vector, we saw after SAARS what that did to China and Alibaba taking off. So that was something that was already in the pipeline, and the stock was there, so we decided to sort of go ahead with it. I think, I mentioned earlier on that our guns are sort of loaded when it comes to things like Household Insecticides and stuff, so we don't necessarily see new launches happening since we have done so many. So, we are just going to

focus on the current portfolio. And even new launches will just be across hygiene. So that will be the major focus.

Vivek Maheshwari: I see. Okay. And sorry for asking the same question again, but on the April growth number, because when they talk to other companies, everybody is talking about April perhaps being the trough, whereas it looks like Q4FY20 will be the trough for you. And when I look at Q1FY21, I think most companies will have a trough there. Does it have to do something with the base, because of which the growth is looking, because last year, I think, for the first few months you have had a bit of challenges. So how do you explain that, given that there were serious challenges from the manufacturing perspective? Or was it that your inventory at the warehouse level or CFAs level was higher? I mean, because managing that the production would, I am guessing, would be far more difficult, right. So, how do you explain that anomaly, between you and almost every of your other competitors?

Sameer Shah: I think one of the reasons for our growth in April, and also to some extent in May, what we were sharing earlier is Household Insecticide category. We have seen very smart growth in the category over the last sort of 40 days. Yes, we have seen also adverse impact in some of our other categories, but Household Insecticide category with close to around 40%, 45% weightage has more than sort of offset that impact. So, let's see how the momentum goes ahead on housing insecticide category. And hopefully within passing time even in this quarter, the non- Household Insecticide portfolio also should sort of kind of, if not completely come back on track but it will be close to kind of that.

Nisaba Godrej: And don't forget, we have a big Soaps portfolio. And it's not like our hygiene portfolio, we have hand wash, we have sanitizer, so obviously that's also adding significantly to growth at this time.

Vivek Maheshwari: Sure. And the other bit is on FY21 margins, given the fact that input prices are down quite a bit, how are you thinking about, let's say, operating margins in FY21?

Sameer Shah: I think it's too early to call out, right, I mean as to what would be the margins good forward in FY21. Definitely, we would want to drive growth, but also in parallel be even more judicious as compared to what we have been over past many years on cost. We definitely want to be ruthless on actually a lot of controllable cost, but also in parallel ensure that cost which is very important and needed for driving growth continues. I mean, and we increase the productivity over there. We are also in benign commodity environment, right, whether it be crude or whether it be palm oil derivatives. So, let's see how the margins shape up during FY21. But at this point in time, we are not too worried about the margins part of it, because the entire focus is on driving growth on a full year basis, as well as now coming out of what Vivek shared earlier, the retool part of emerge stronger playbook.

Vivek Gambhir: And Vivek, we will have to wait and watch. Because, ultimately what we still don't have a good sense of is the increased costs of social distancing? What does it mean to productivity in factories? And this is something no one actually knows, because no one's dealt with this before. But I think there are enough opportunities, as Sameer was saying, for us to be ruthless about cost

control in the right areas. But the margin situation I think will evolve over the next couple of quarters as we understand better what it takes to actually deal with this pandemic in a post lockdown scenario.

Vivek Maheshwari: Got it. And the last question, Sameer, this Rs. 400 crores increase in goodwill, March 2019 versus 2020, that is just because of currency movement

Sameer Shah: Absolutely.

Moderator: Thank you. The next question is from the line of Aman Rathi from Morgan Stanley. Please go ahead.

Aman Rathi: I kind of have a similar question. So, my first question is basically, not only margin but what is based on the revised business plan that the company would have developed to tackle COVID-19, what is the growth that the company is targeting in terms of volume or in terms of value for a FY21?

Vivek Gambhir: Honestly, we don't know. I wish we had a crystal ball gaze to be able to, the situation is so dynamic, the situation is dependent on so many variables, I think what we are focusing on is ensuring we can gain market share. We are working on ensuring that we can provide the consumers with good innovations and good products, we are ensuring on availability, ensuring that our distribution gets improved. But ultimately, I think the actual growth will depend on so many things beyond our control. The key for us is to actually focus on the leading metrics that will allow us to actually outperform the market. But I think beyond that at this stage, very difficult to give you a specific number as far as the target for the year is concerned.

Nisaba Godrej: I think we are hopefully conveying our attitude at this time. And in this sort of situation, there is always a choice on attitude. I think our attitude comes a little bit from the portfolio we have. But I must compliment you all, while everything in the world has changed, you guys are still holding on to the same questions. So, you give us hope that things will remain the same in some ways.

Aman Rathi: So, are you still seeing opportunity for growth, given the sales loss in April and May? Or a flattish demand for the whole year as compared to the previous year?

Sameer Shah: I think, again, it's too early to call out at this point in time. Definitely our hope would be, and more than the hope, the initiatives, I mean, would be here now to gain market share, scale up new categories, capitalize on the opportunities in Household Insecticide and definitely build on that platform for the rest of the years. But it is too early to call out here.

Nisaba Godrej: And it is really a situation, guys, where we could take best guess, estimates and stuff. But it is a situation where I think companies that navigate point to point, and point to point literally mean week to week right now, to navigate the situation. Because we have not dealt with something this chaotic, both from the supply and the demand side. Right now, we are seeing more of the supply side than the demand side, but I really think it's a week to week basis. I think we have given you

a broad thinking on portfolio and advantage that we feel that we have and we are constantly looking for more advantage and to build that out.

Sameer Shah: Our learning has been here to focus on inputs. Honestly, we don't know what the output will be. But as long as we focus on the right inputs, and you can out execute, that is what we are trying to focus on here and then let's see what the output is.

Aman Rathi: And my second question is related to transportation and logistics. So, have you faced an issues or foresee any issues related to transportation of materials to the retailer point, and the rural market?

Vivek Gambhir: We have definitely seen lots of issues. But the issues are getting better by the day. I think we have certainly also seen about a 1% increase in some of our freight expenses over the last couple of months, again, given the shortage of trucks, etc. It is getting better. We are collaborating more with some of our partners to try and see how to best address this. But yes, this has definitely been a challenge. But the government has issued more clarifications now, but because of also some labour availability on the ground things are gradually getting back on track, but this is still a challenge.

Aman Rathi: Okay. So, there is still a labour and maybe driver availability issue as of now on the ground?

Vivek Gambhir: Yes, absolutely. I think it's taking some time for things to get back to normal.

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

Kunal Bora: First question on Africa, in Africa cluster, growth has slowed down over the last few quarters and not just this quarter. Can you share the top two, three problems which you are facing in Africa cluster? And how do you see the Africa opportunity going forward, considering that some of the markets are commodity driven and the might see some structural weakness?

Vivek Gambhir: I think, clearly the biggest challenge has been macroeconomic. But we don't want to externalize that. But clearly if you look at the growth rates, the growth rates have been a significant challenge across all of Africa. And when we compare our market shares in the categories that we are in, I think we have been doing reasonably well. Our innovations are working, but certainly we have seen a huge amount of macroeconomic volatility. The second piece, I think, is on the scale of our wet portfolio. I think the scale up of our wet portfolio has gone slower than expected. We still believe that there is a tremendous potential in that business. But the second big reason for our shortfall actually has been the scale up of the wet hair business. I think, having said that, we have new leadership in place. We still remain extremely excited about the long-term potential of Africa. Sameer was mentioning, I think this year could be challenging, at least in the first couple of quarters, given that COVID-19 hit Africa a little bit later and most countries are still in some stages of a lockdown. And also given the nature of the category and dependence on salon, it will certainly go through its sets of challenges. But I think this is also a good opportunity with a new leader, to be able to better digress where the issues are, and really figure out how to drive a go-

to-market in a very different manner altogether. And also see if we can pivot our portfolio to do it yourself products, etc. So, we do still feel confident about the Africa potential, but recognize that over the near-term we could still see some challenges there.

Kunal Bora: Will it be fair to say that you are more excited about India compared to Africa? Not only let's say in the immediate but even in the medium-term? Africa opportunity seems to have weakened compared to what you might have thought two years ago.

Vivek Gambhir: You are asking us to choose a child we love more, right. So as parents, honestly, it's a difficult to say that we prefer. Each country has different stages of evolution, different road dynamics and different stages of growth. I think Africa is clearly a longer term bet. India is a much bigger business for us, so it's our oldest child. But certainly, I think Africa needs an equal amount of love and attention.

Nisaba Godrej: Yes. If I can jump in here, we love all our businesses passionately, but we can still look at them with critical eyes. I think the idea that we got Dharnesh on board for Africa, he is an extremely senior leader. I can tell you we hustled a lot to pull that one off. And I think the idea is that, we are doing the same things in Africa, slightly different categories, which is probably why we have had some problems we have had in the past. But this value-for-money, well distributed, well-grounded low cost manufacturing, the long-term play is there. And look, the African continent, these countries are not easy to do business, correct. So, you need resiliency. I am not saying any way there is no long-term without a short-term also, but we are fully committed to getting it right. And then there are lots of advantages to have on the continent.

Kunal Bora: Best wishes for that. Second question on Household Insecticides, how is the mix of sales between Goodknight Gold Flash and Active Plus now? Is it mostly the new product selling now, or the old ones also are doing good numbers? And as a part of the overall base, how large will Goodknight Gold Flash be now?

Nisaba Godrej: Honestly, we can't give those numbers out to you exactly. But as you know, we stopped feeding in Active Plus machines, obviously we are still supplying the refill. So, all the new machines that are going in are sort of Gold Flash machine. So, it's literally we are just fully upgrading the consumer to the better technology, but if they have old machines, we are obviously supplying those refills to them.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Just had two short questions. One was on the India business. So, if you could just tell me, as of date how much of our distribution has been reactivated? You had spoken about manufacturing capacity utilization, could you give a similar colour on distribution as well?

Vivek Gambhir: So about almost 80% of our distributors are up and running, Harit. But the challenge still is actually them visiting the market. So, a lot of them are still doing counter sales, doing tele-ordering. We have put in ordering applications for them to work on the phone. So, the number of

actually people visiting the market are still on the lower side, but we do expect that to keep on improving as time goes on. But by and large, all our CFAs and almost all our distributors are actually now operational.

Nisaba Godrej: One of the interesting things about the last few months is that all our longer term digitization plans all got implemented in a couple of months. So, our NPD cycles went from months to weeks. So, we are also, and I think I am sure a lot of companies are talking about this, their ability to do with less, faster and quicker. We actually have a joke internally that we should just shut Godrej One forever so that we can keep working like this.

Sameer Shah: Nisa, you forgot the ad creation.

Nisaba Godrej: Yes, and then we have been making advertising, on-point advertising for the health and hygiene products and what consumers are facing right now in the lakhs versus in crores. So, a lot of do more with less things right now.

Harit Kapoor: My second question was on the international business, if you look at Indonesia, Africa and Latin America over the last, say, two months or so, you have seen a bit of a currency depreciation vis-à-vis the rupee. Is there a way to mitigate this in terms of price increases? I would assume in the current environment that would be difficult, but just wanted to kind of, I know it's not in your control in terms of the translation, but just wanted to hear your thoughts on that.

Sameer Shah: I think it's a balance between currency depreciation and inputs cost. So, we have seen benign commodity environment, let's say, crude, which is one of the major input for Indonesian business, the drop in crude is much bigger than actually the currency depreciation seen in Indonesian rupiah over the last two to three months. It's going to be a balanced call in markets where we do see opportunity of driving pricing increases, like for example, in Nigeria. We have rolled out recently pricing increases, we have sort of executed it. So, it will be a very balanced called keeping an eye on growth, because the last thing which you would want is taking price increases, which comes at the cost of growth eventually. But again, I think cocktailing in the commodities and currency depreciation, we feel we are still quite comfortably placed in terms of overall net input cost.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: I hope all of you are doing well. Just two quick ones from my side. One is, from the Liquid Vaporizer portfolio I believe there was a 10% odd kind of a price-off and we were to sort of kind of remove that over a period of time, have we already started doing that?

Sameer Shah: Yes. So, that basically was the price off which was run in few select markets across the country on Active Plus. It was an actual premiumization strategy with launch of Goodknight Gold Flash, because Gold Flash was at kind of premium to otherwise Active Plus full price as well as

discounted Active Plus. So, with passing time, the premiumization will get played out and the discounted liquid vaporizer, especially the Active Plus also will keep on kind of fading out.

Rohit Dokania: Sure. And the last one quick one, can you talk about what kind of inventory do we have, rather we had at the end of March in terms of finished goods? There was total Rs. 1,700 crores of inventory at the consol level, end of March, what could it be in terms of finished goods?

Sameer Shah: So, at this point in time we would shy away from sharing very specific details, because all of those details will come out eventually over a period of time. But yes, I mean, directionally the inventory levels, whether it be raw material and purchased material or whether it be finished products were on the higher side, because over the last 12 to 15 days there was hardly any movement. And all our vendors, whether it be an input as well as finished product, mostly ship it out and reduce on the inventory. So, yes, inventory would be on the higher side, which in a way also helps us at this point in time to kind of get, I mean, our products to channel partners and eventually to consumers. And please don't forget, in markets or many countries in Africa, having inventory at a relatively lower cost, especially with this currency depreciation again becomes a competitive advantage.

Moderator: Thank you. As that was the last question for the day, I now hand the conference over to the management for closing comments.

Vivek Gambhir: Thank you very much for your feedback and suggestions. I think clearly, this is a very challenging situation. But as Nisa was mentioning, we are fighting point-to-point. And I think we are putting in all the right efforts in place, along with really making sure that our portfolio can deliver. This is the year for resurgence for Household Insecticides. We do want to make a strong play in the hygiene segment as well, intensify our go-to-market efforts so that we can learn from this crisis and emerge stronger. Thank you very much for your feedback.

Nisaba Godrej: Thank you so much, everyone, for your time. Stay safe and be well.

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