

Godrej | CONSUMER PRODUCTS

ANALYST MEET 2023

May 11, 2023

Disclaimer

Some of the statements in this communication may be forward looking within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation, and labour relations.

Developing categories

GCPL's Strategy - A Progress Report

Sudhir Sitapati

**Recap
of FY23**

**Strategy
for FY24**

**Outlook
for FY24**

The December 2021 strategy

Double-digit volume growth

Led through category development

Funded by radical simplification



But, what does it mean in the short term?

The strategy led to a plan

Jan'22: Our plan for FY23

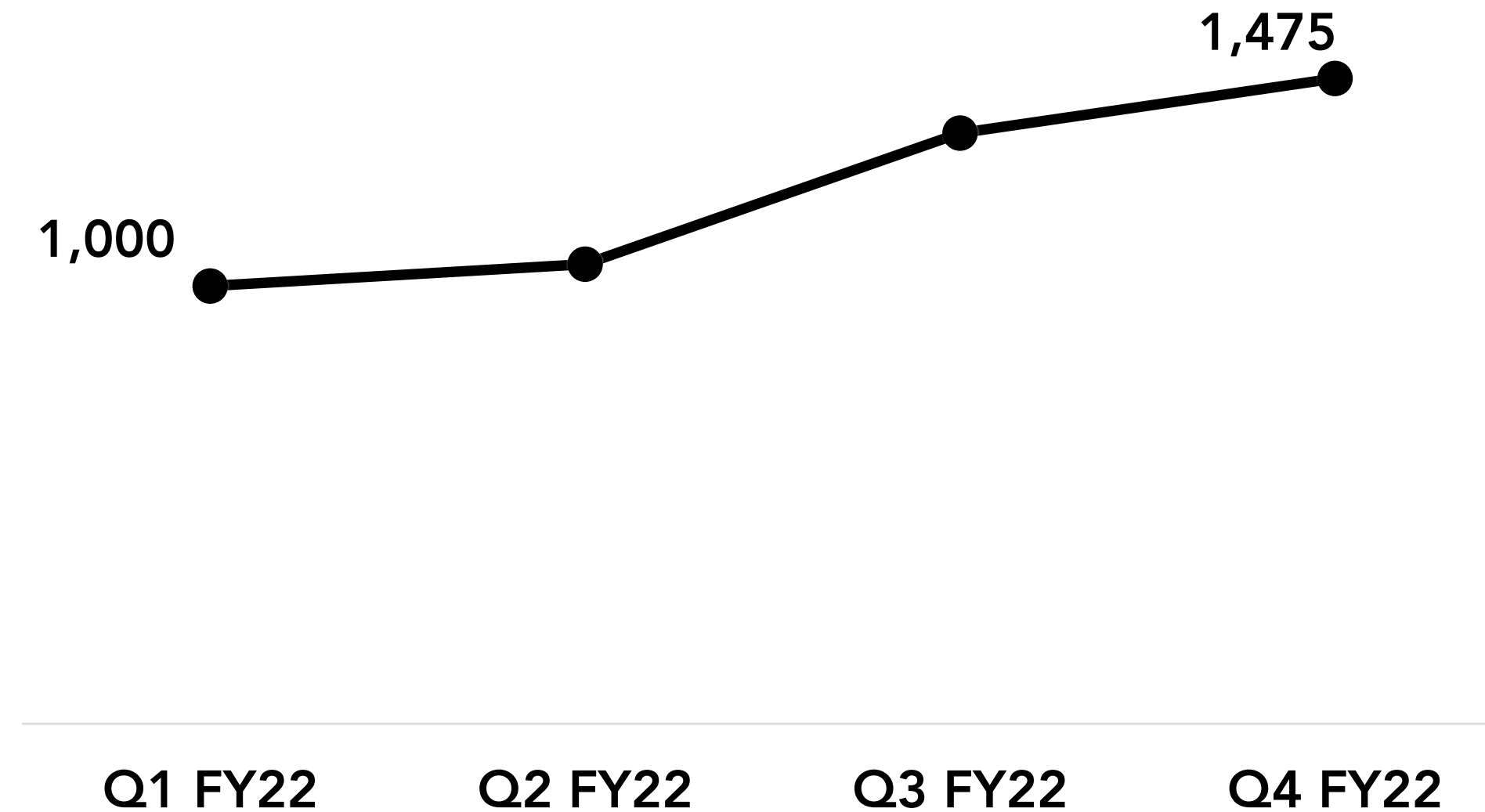
Moderate
volume growth

High price
growth

Good GM but moderate EBITDA
due to media investments

Feb'22: The Ukraine crisis

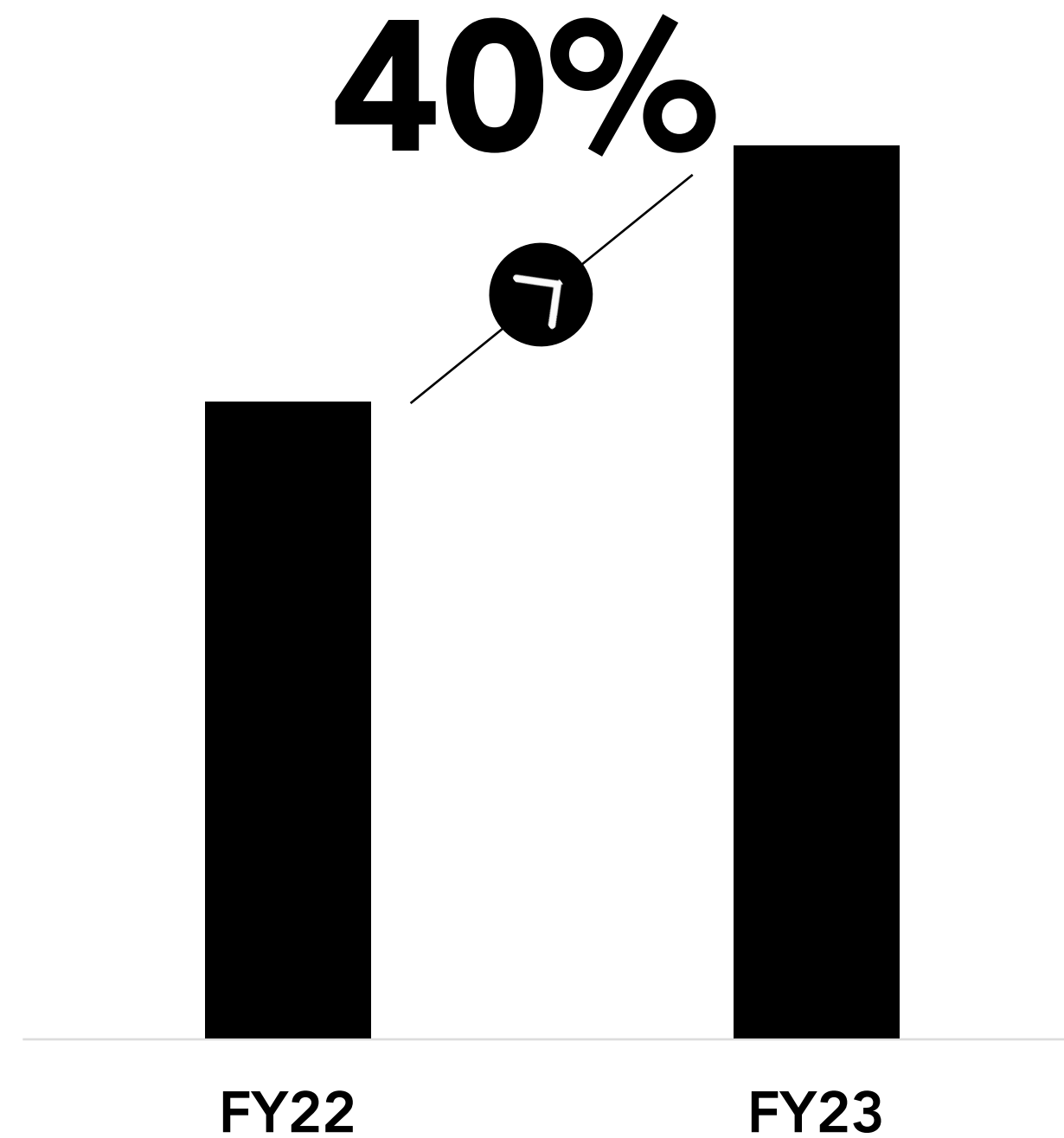
PFAD prices (USD/MT)



Question: How do you deal with a black swan event that occurs just after you've made a plan?

Answer: Stick to the strategy but rethink the metrics

Media spends



Invested in category development

Consolidated inventory

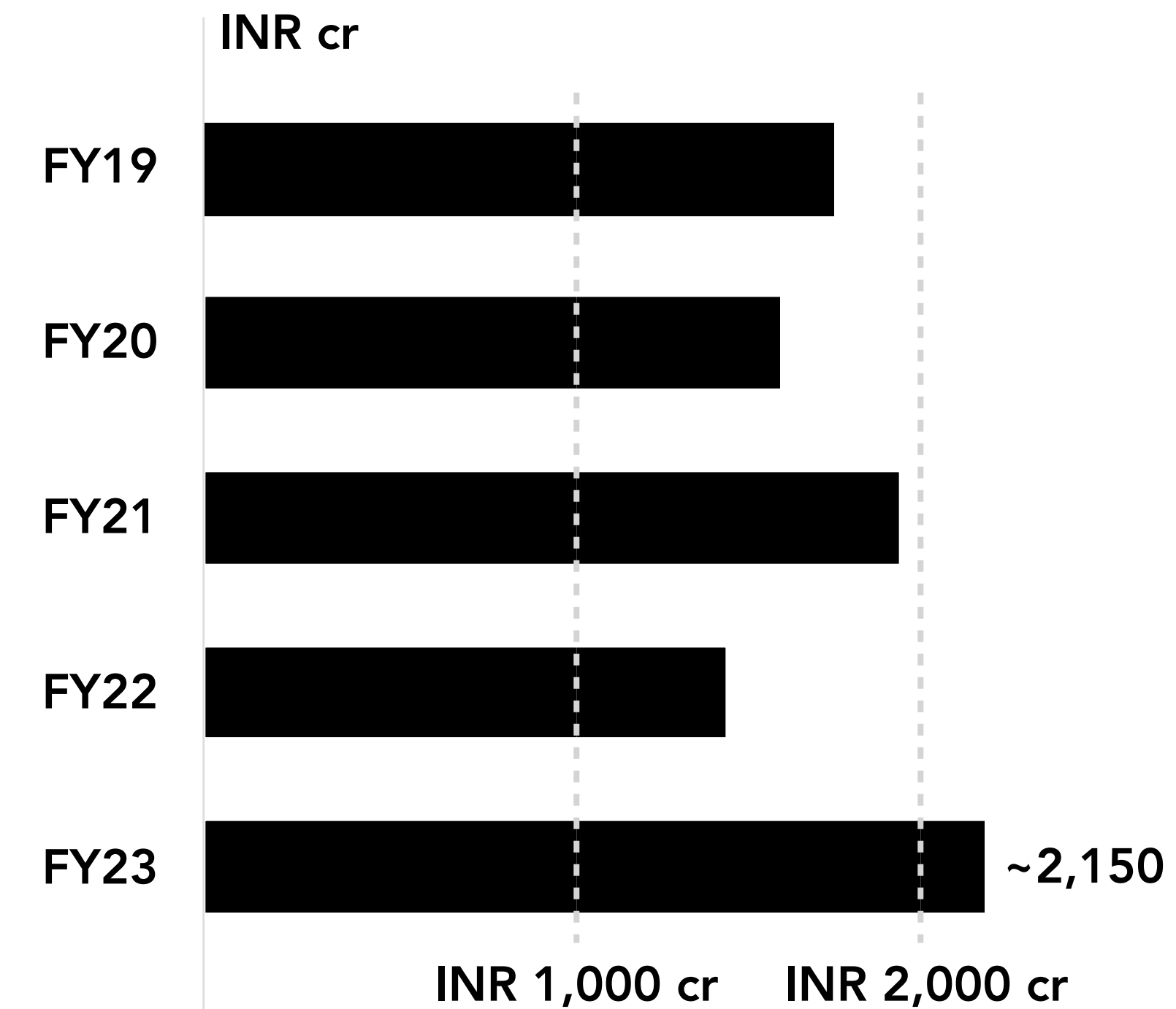
✓ 21 days Reduction

Indonesia MT channel inventory

✓ 24 days Reduction

Simplified business

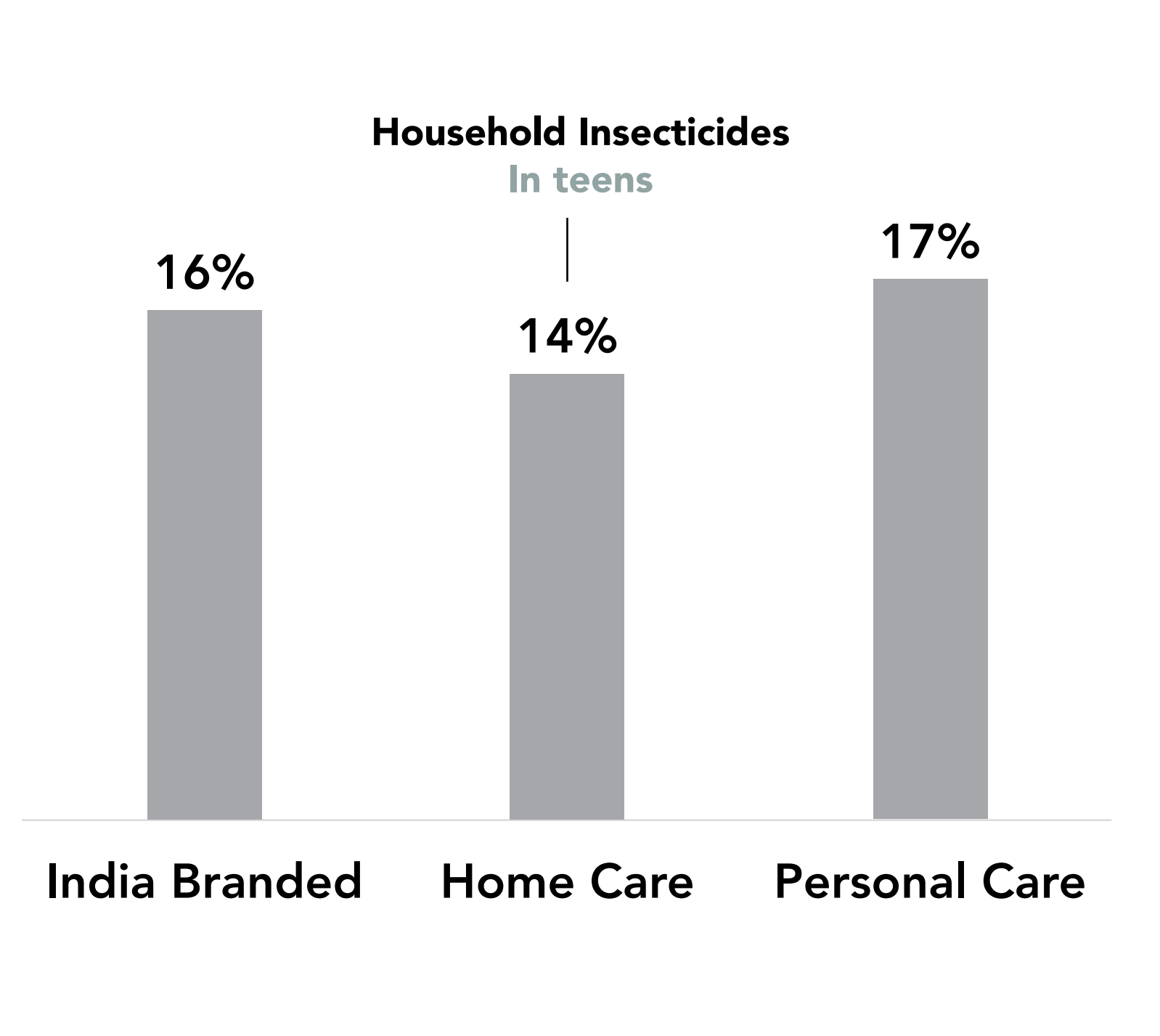
Cash flow from operations



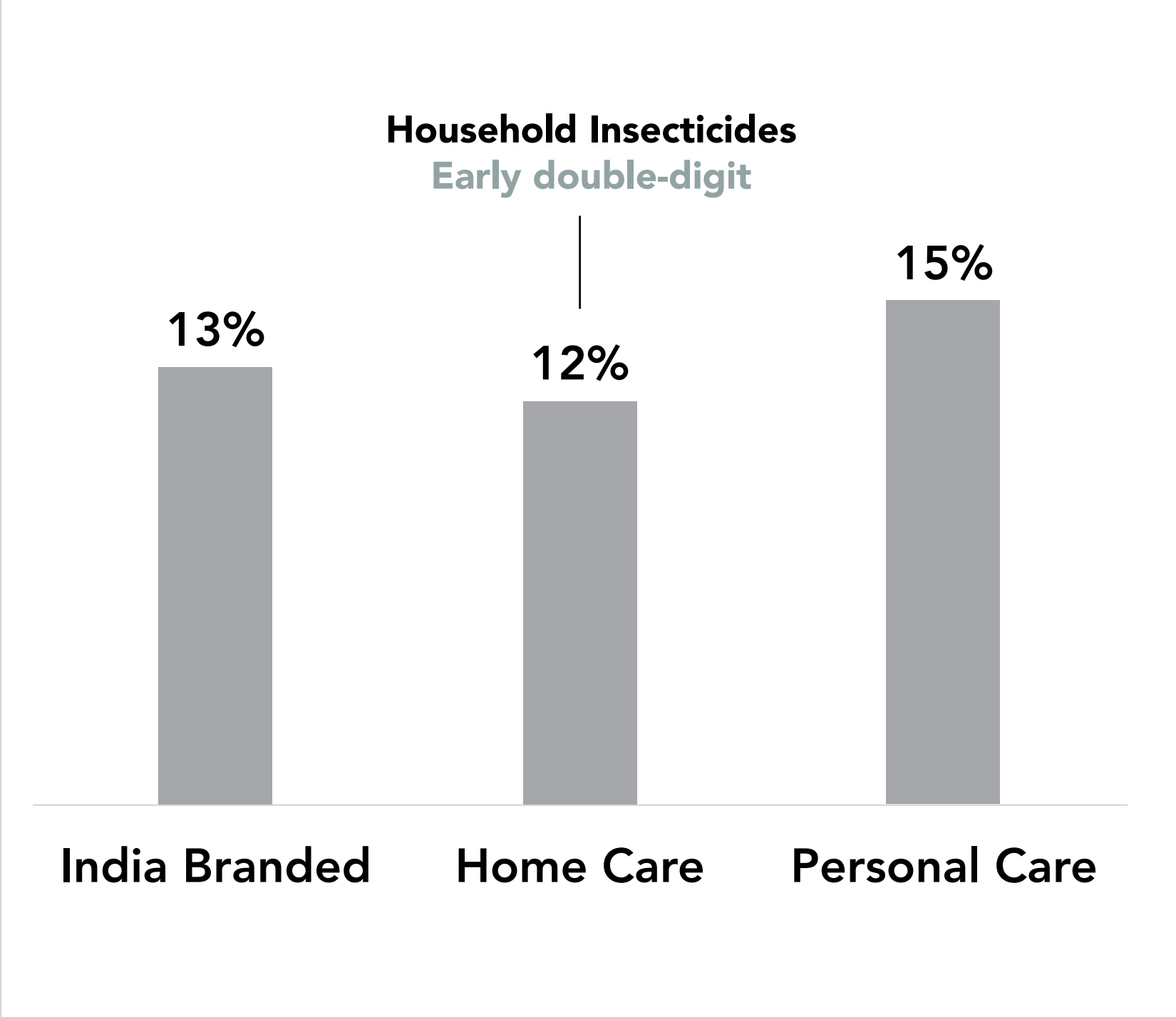
Cash, not margin, is King

Progressively stronger performance with a very strong Q4 (1/3)

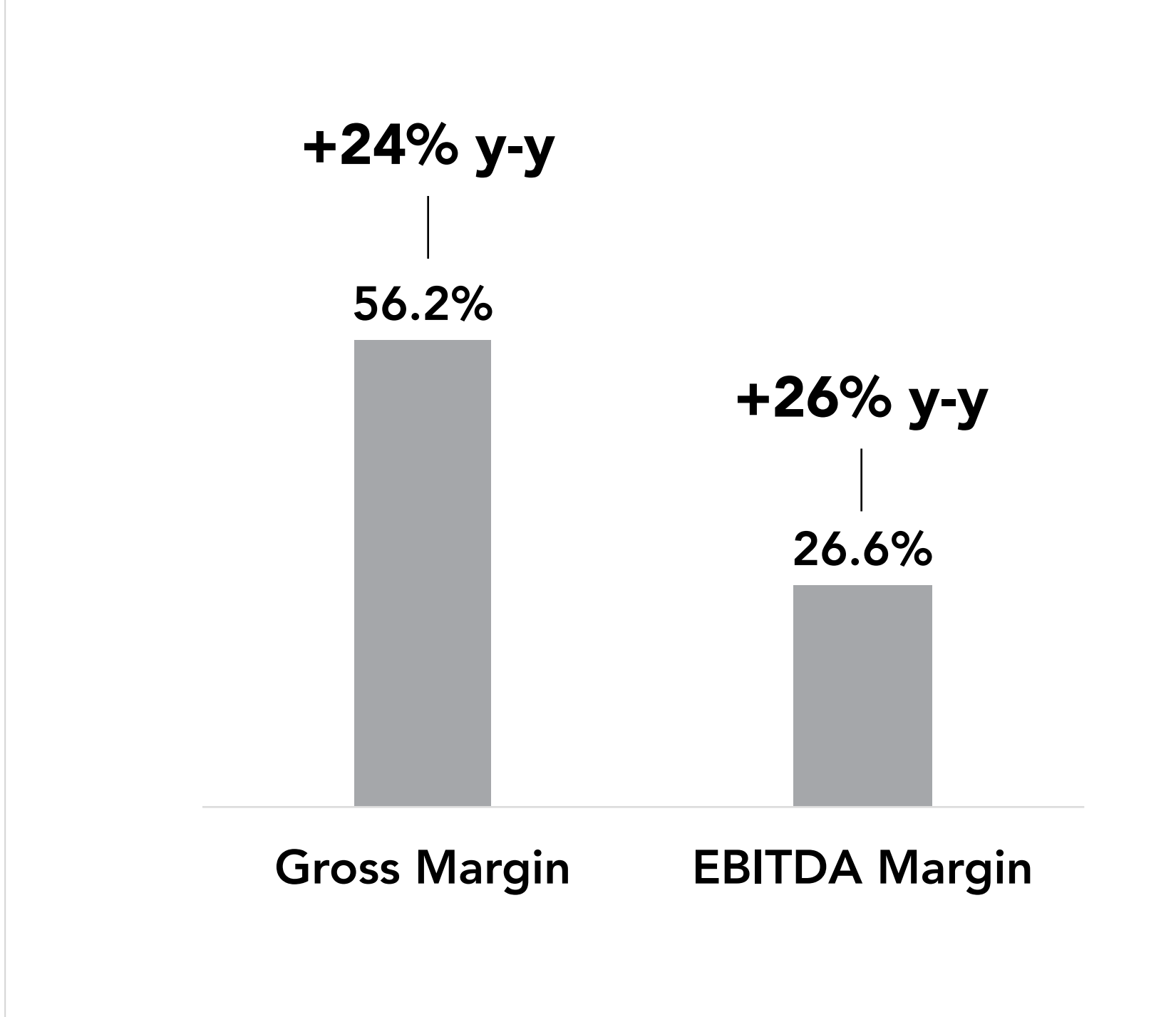
India Q4



Broad-based sales growth



Led by double-digit volume



Profitability despite 51% increase in media

Progressively stronger performance with a very strong Q4 (2/3)

Indonesia Q4

11% sales growth

Core business
(ex-Hygiene,
constant currency)

21.5%

EBITDA margin

Improving core business

GAUM Q4

8% sales growth

(constant currency)

**DOUBLE
DIGIT**

Africa FMCG
sales growth

Steady growth trajectory

Progressively stronger performance with a very strong Q4 (3/3)

Consolidated Q4

6%

UVG

10%

Sales growth

17%

Gross profit
growth

32%

EBITDA
growth

29%

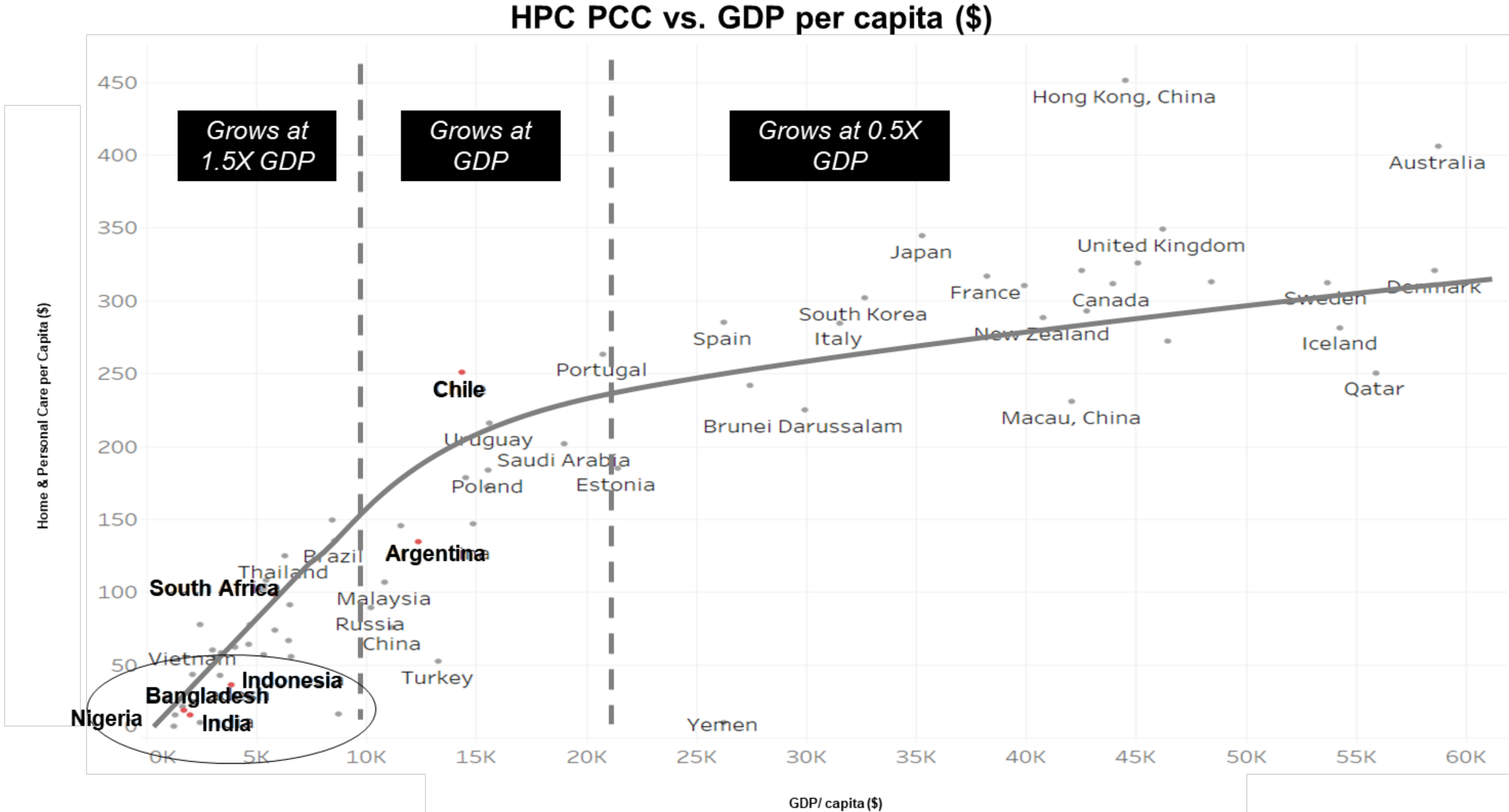
Net profit*
growth

Recap
for FY23

Strategy
for FY24

Outlook
for FY24

GCPL's key markets are at the cusp of explosive HPC growth



Our strategy responds to this big insight

OUR PURPOSE

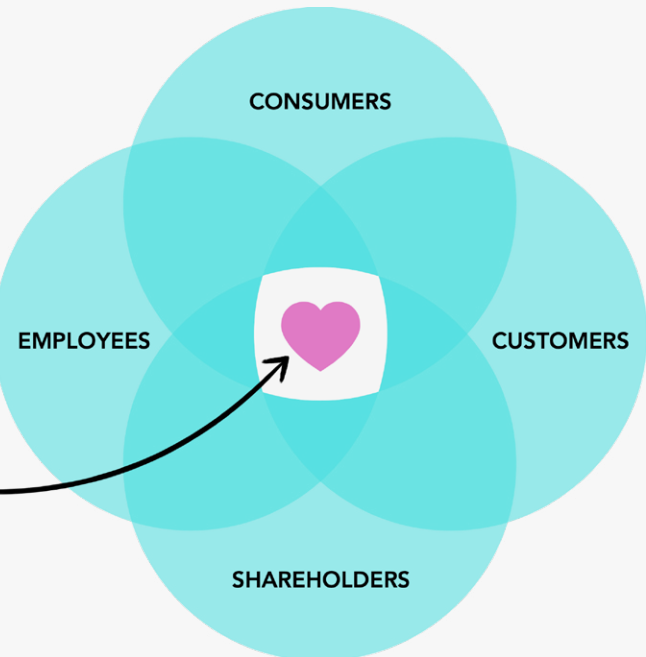
Bringing the goodness of health and beauty to consumers in emerging markets

OUR VALUES



OUR VISION

Delight 2 billion consumers by 2027



OUR STRATEGY

Category development in existing portfolio



Funded by radical simplification



People and Planet alongside Profit



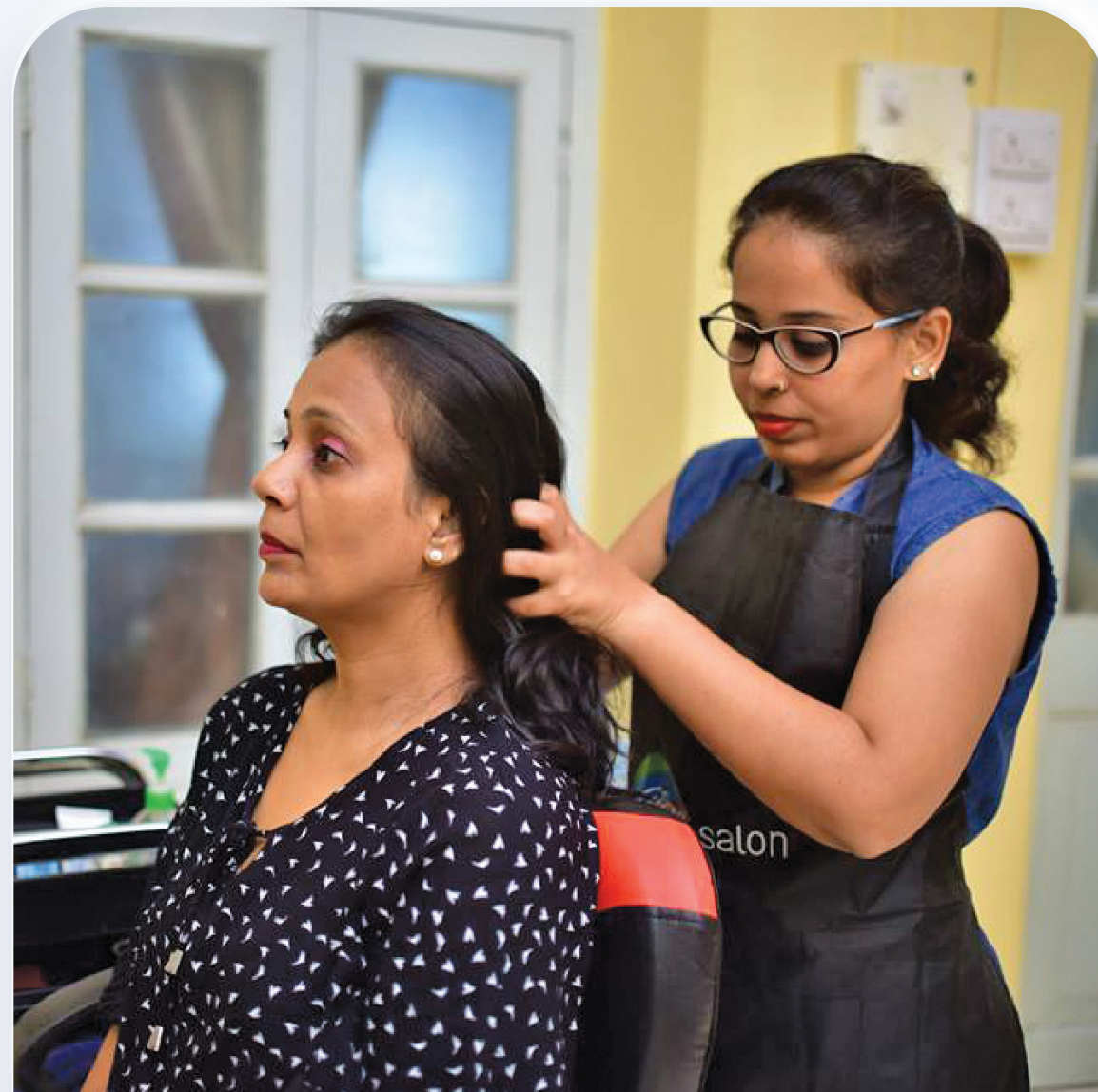
OUR OPERATING PHILOSOPHY

- 1 Less is more; Much less is much more
- 2 Consumer first, Business second
- 3 Think local, Act global
- 4 Tomorrow before today
- 5 Better from within, Different from outside

OUR MEASURES

- 1 10% UVG
- 2 More spends on brands, Less on cost to serve
- 3 More automation, Less working capital
- 4 More diversity, Less environmental impact

As we enter FY24, our strategy remains unchanged Invest in India and simplify in International



**Category development
in existing portfolio**



**Funded by radical
simplification**



**People and Planet
alongside Profit**

As we enter FY24, our strategy remains unchanged Invest in India and simplify in International



**Category
development in
existing portfolio**



**Funded by radical
simplification**



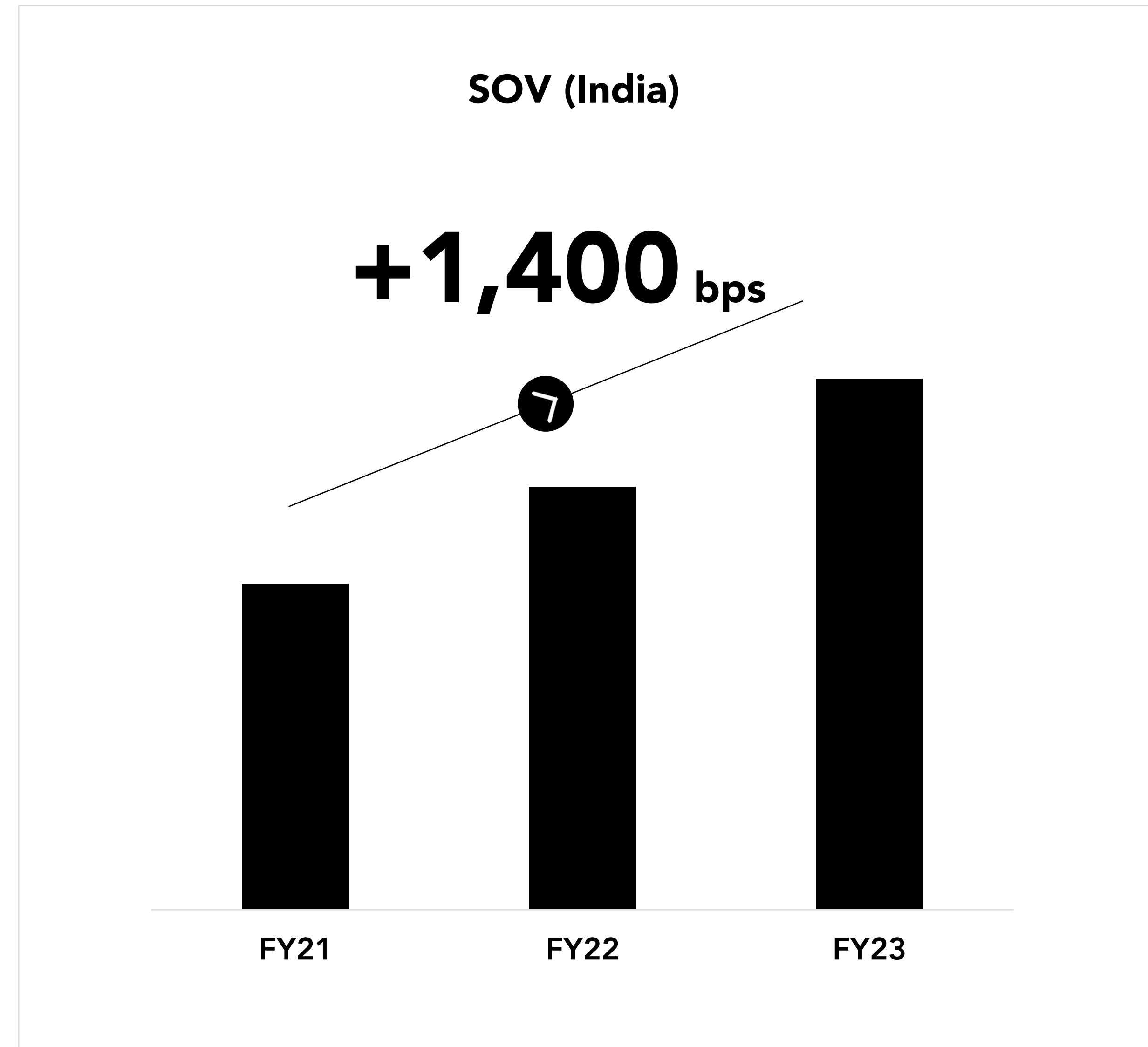
**People and Planet
alongside Profit**

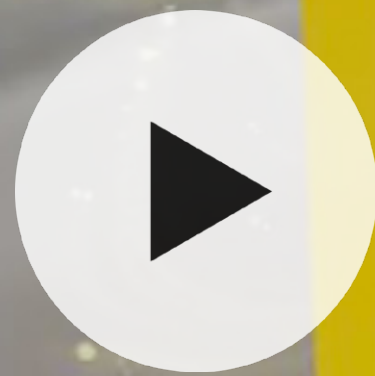
The category development playbook

Driving relevance



Investing in our brands





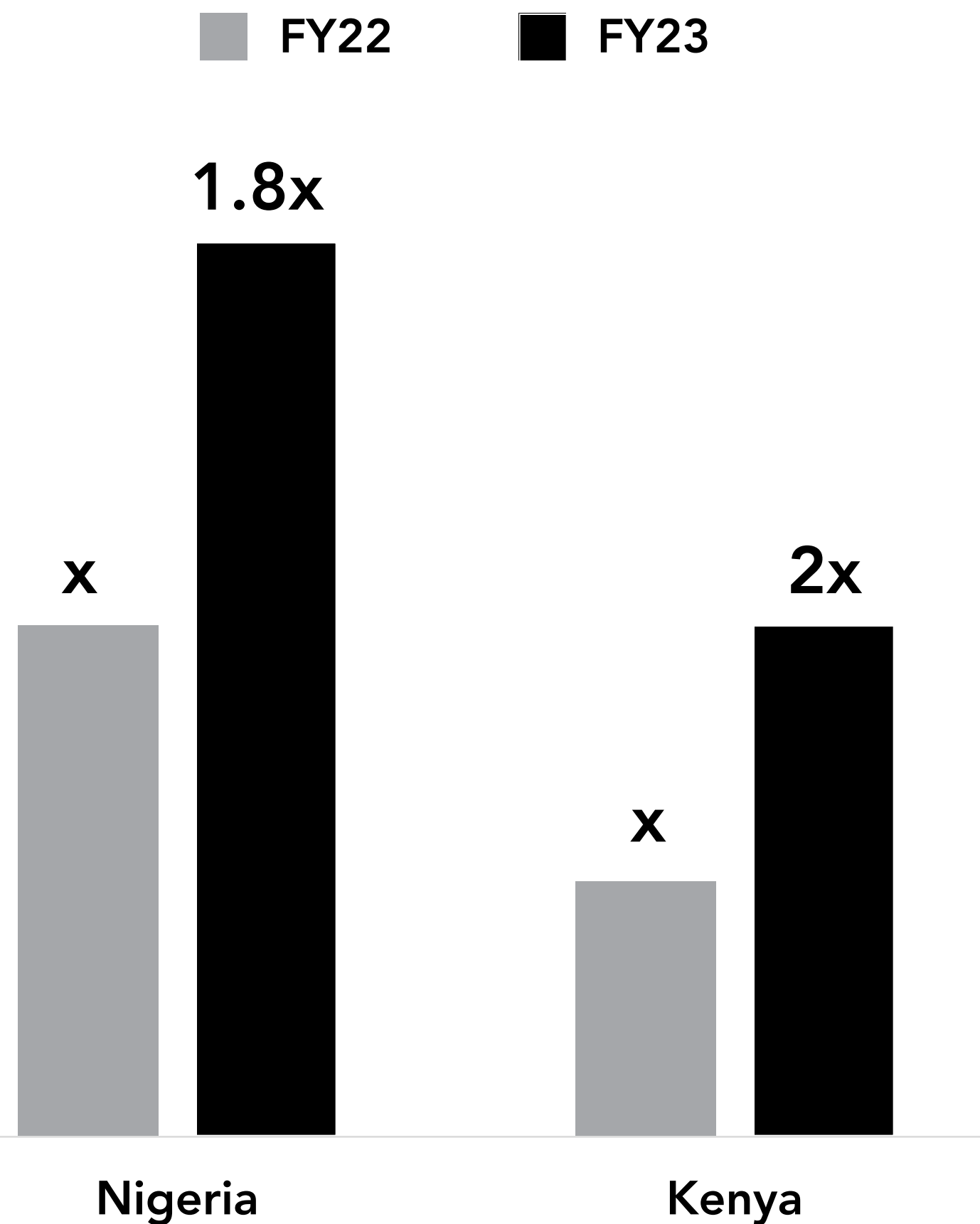
The category development playbook

Create access



Improve distribution

FMCG direct coverage in Africa



Sample

Households

0	3 mn	6 mn
FY22	FY23	FY24







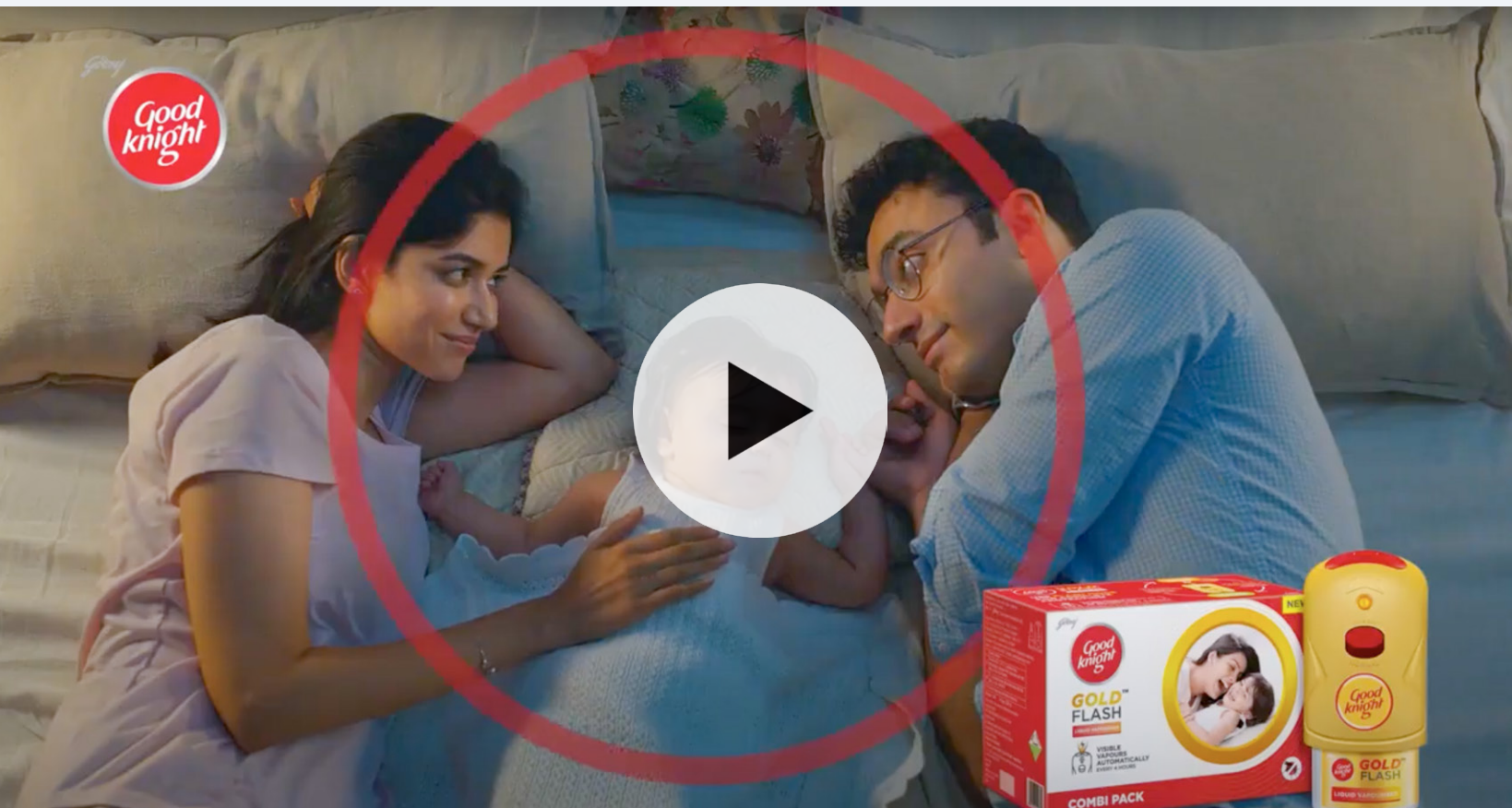
10 SPRAYS IN A ROOM

Kill mosquitoes instantly Under standard lab testing

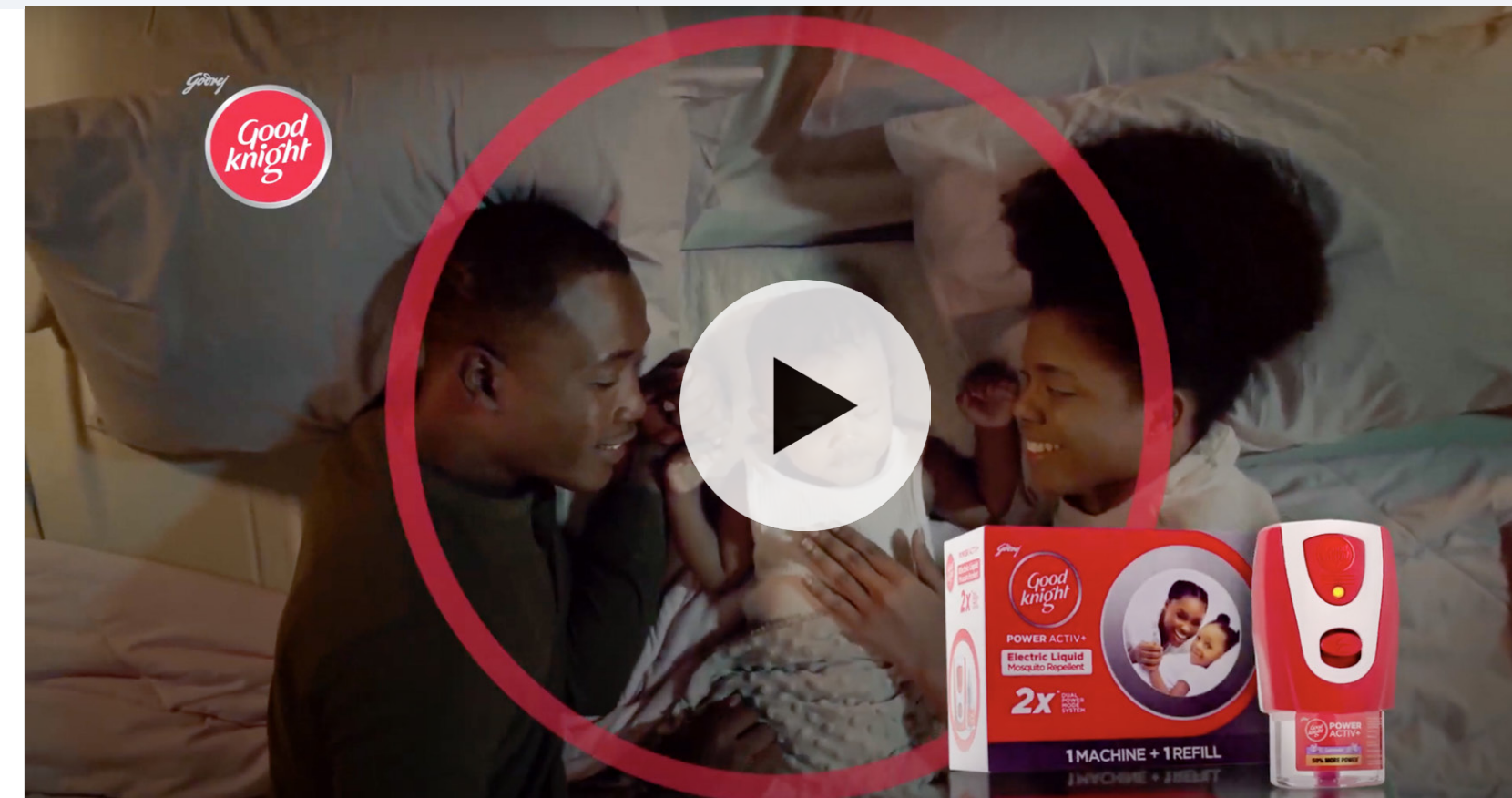
The capabilities for market development: Global categories (1/2)

Advertisements for Goodknight Liquid Vapouriser

Communication idea: Equal parenting
Fathers putting their child to sleep



India



Nigeria



Indonesia

The capabilities for market development: Global operations (2/2)

~70 USD
mn

FY23

16

Markets larger
than \$1mn

5 Business
clusters

LATAM, USA, Africa &
Middle East, India & Indonesia

87

Active markets

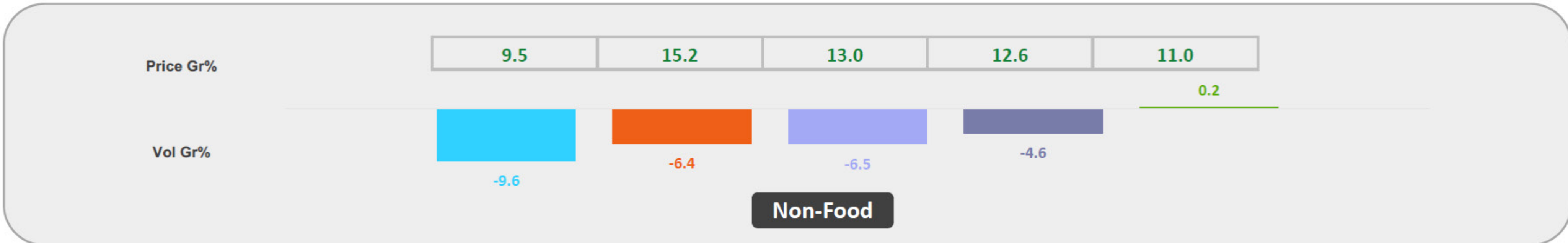
Expand to
120+
countries

Focus on building
core
portfolio

2X
business in
3 years

Setting up Godrej International, a dedicated team to scale up Global Exports

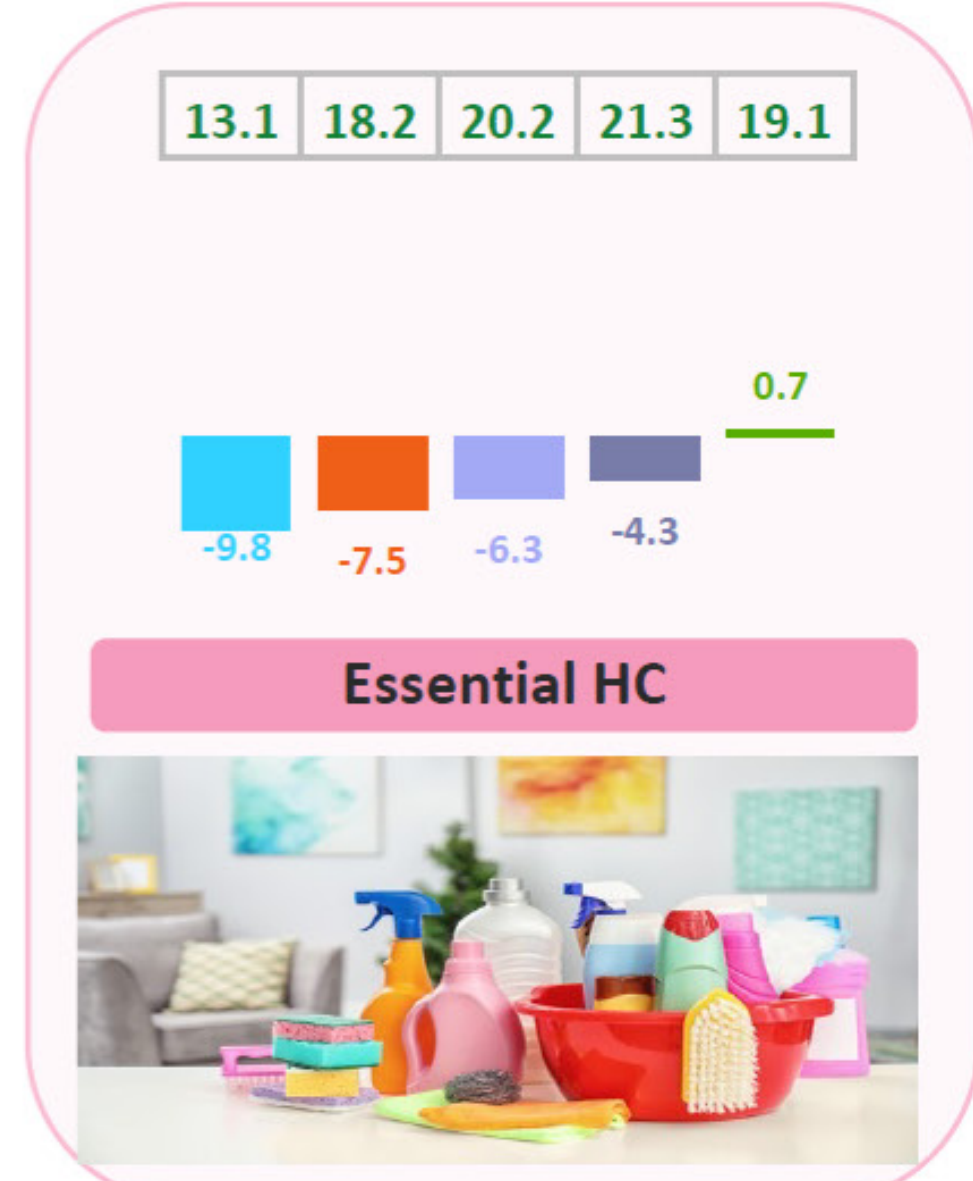
We think our market development strategy is working



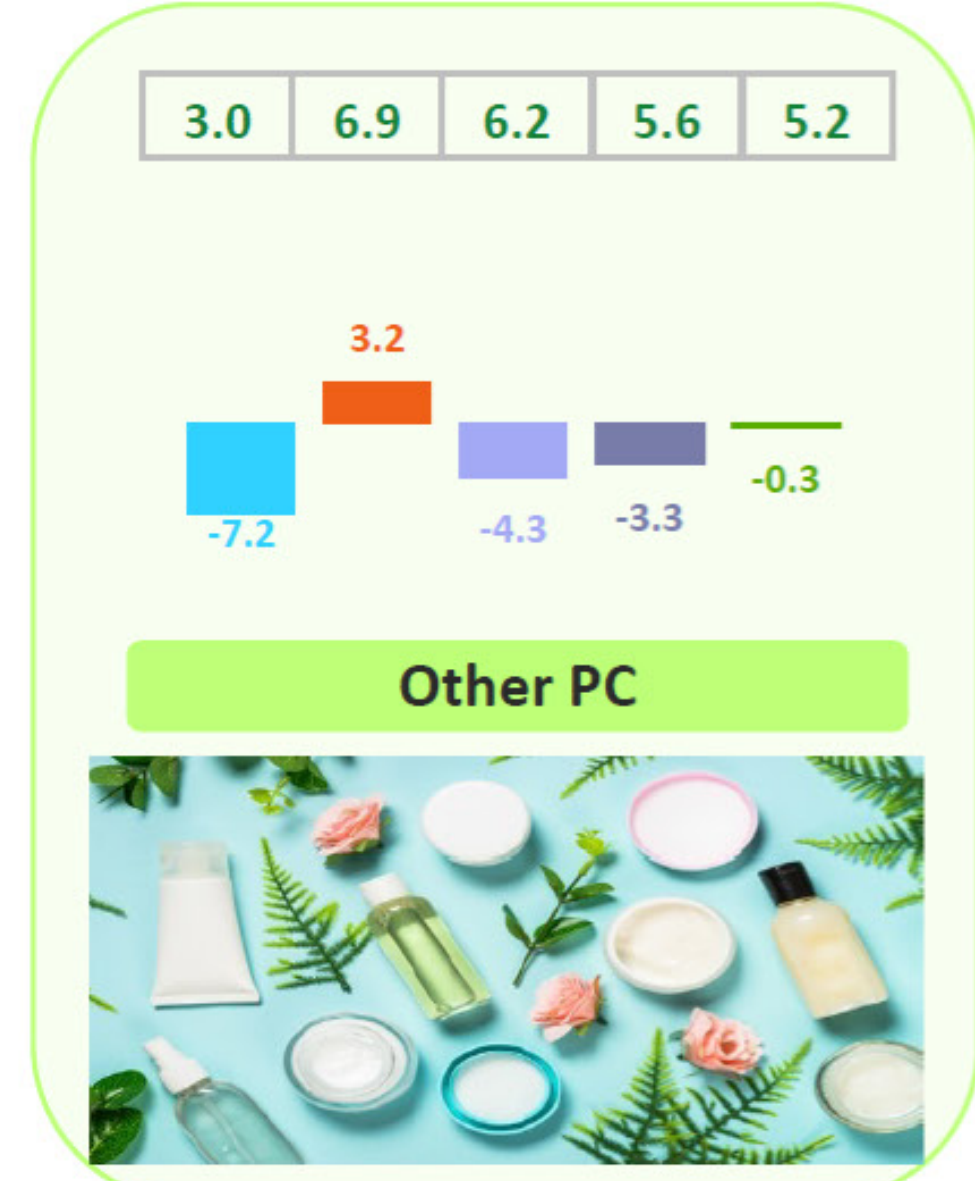
JFM'22 AMJ'22 JAS'22 OND'22 JFM'23



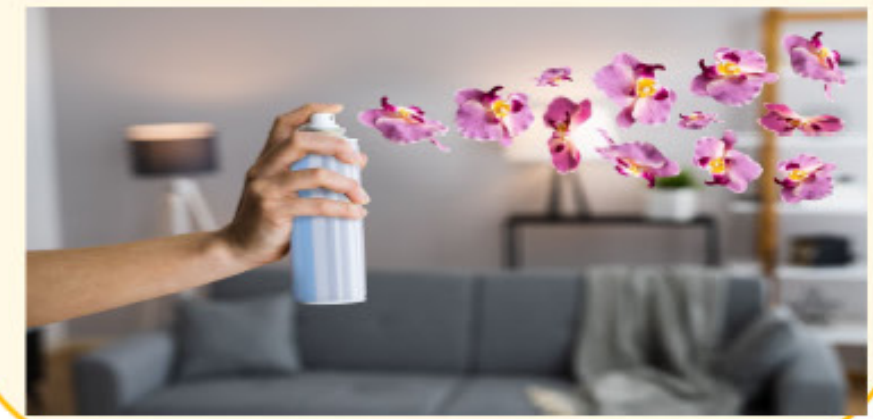
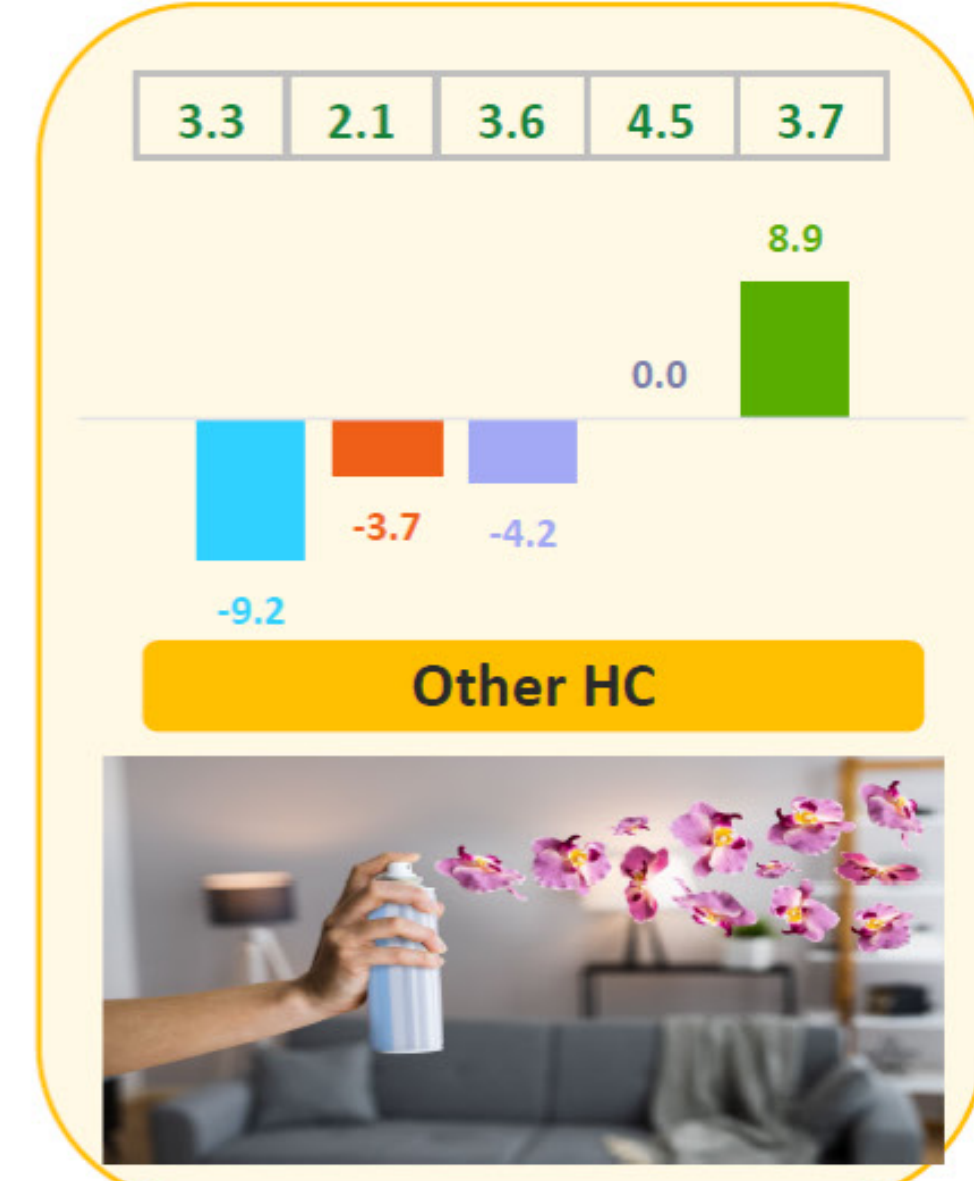
Toilet Soaps, Toothpaste



Washing Powders/Liquids, Cleaners – Utensils



Personal Care - Women Skin Creams, Hair Care Hair Oils Pktp



Mosquito repellents ctg, Batteries, Home insecticides ctg, Air Freshener



Consumer Connect

As we enter FY24, our strategy remains unchanged Invest in India and simplify in International



Category development
in existing portfolio



Funded by radical
simplification



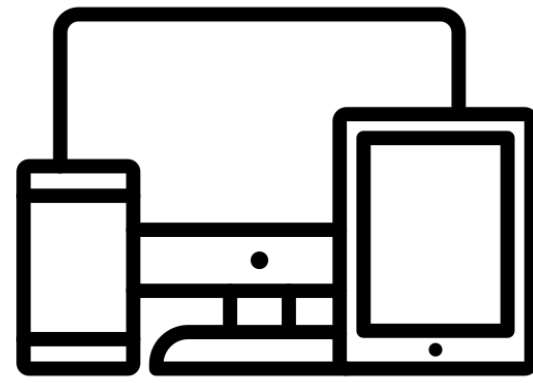
People and Planet
alongside Profit

The cost principles

Costs consumers see

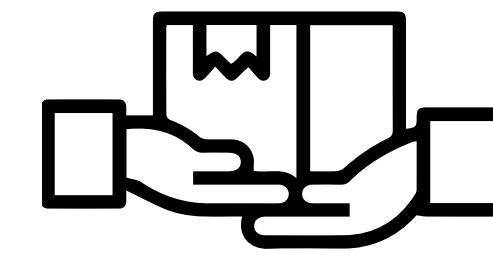


Material cost

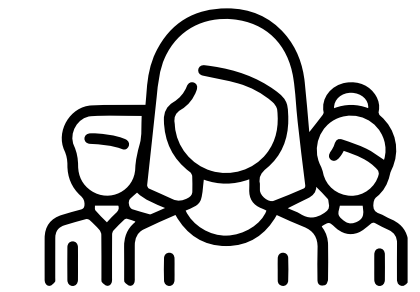


Media

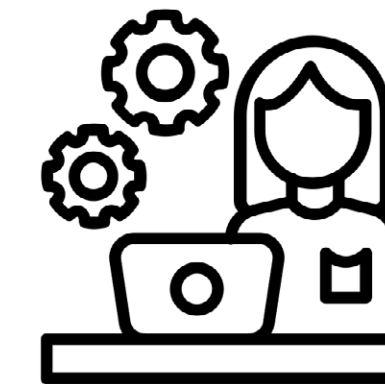
Costs consumers don't see



Selling &
Distribution cost



Employee
cost



General & Administration cost

Reduce costs that consumers don't see

Simplification in sales and distribution in Indonesia

A three tier distribution system moves to a two tier in 4 months



40%

of sales through 10
modern trade chains

30%

of sales through
110 distributors

30%

of sales through
60,000 outlets

60%

of sales through
140 distributors

Simplification in sales and distribution in GAUM

Partnered with a National Distributor in Nigeria



**Leverage
National
Distributor's
strong reach**

Increase
outlets by
~2X

**Increase
warehouse
footprint**

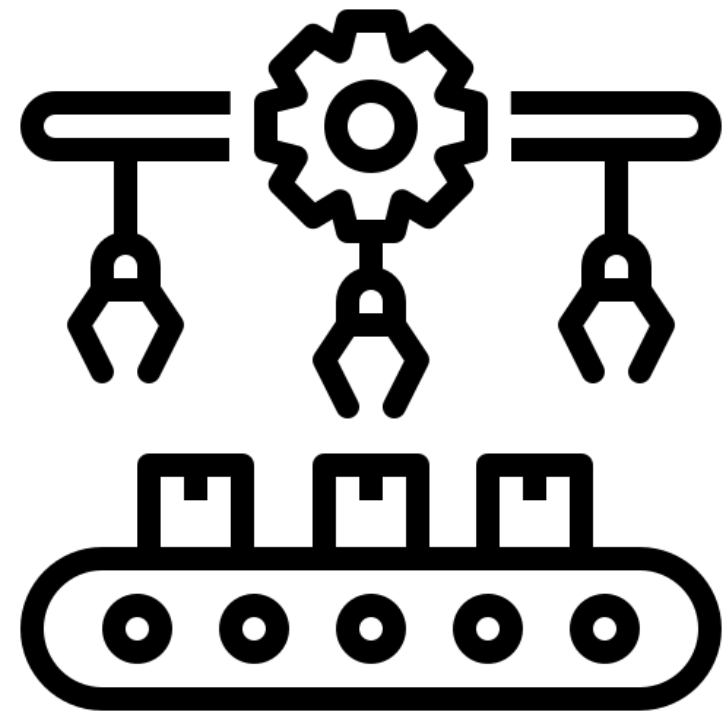
Reduce lead
times by
~4X

**Benefit from
National
Distributor's
larger presence**

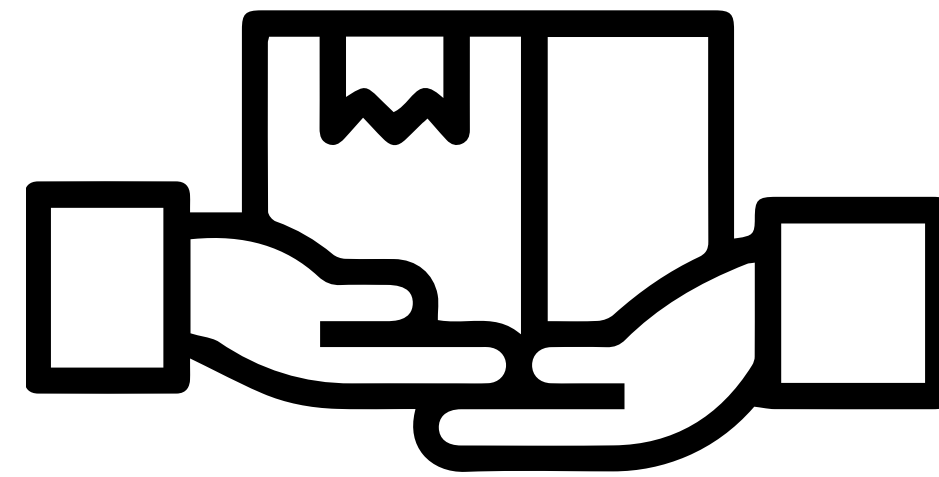
Better working
capital
management

Simplification in supply chain in GAUM

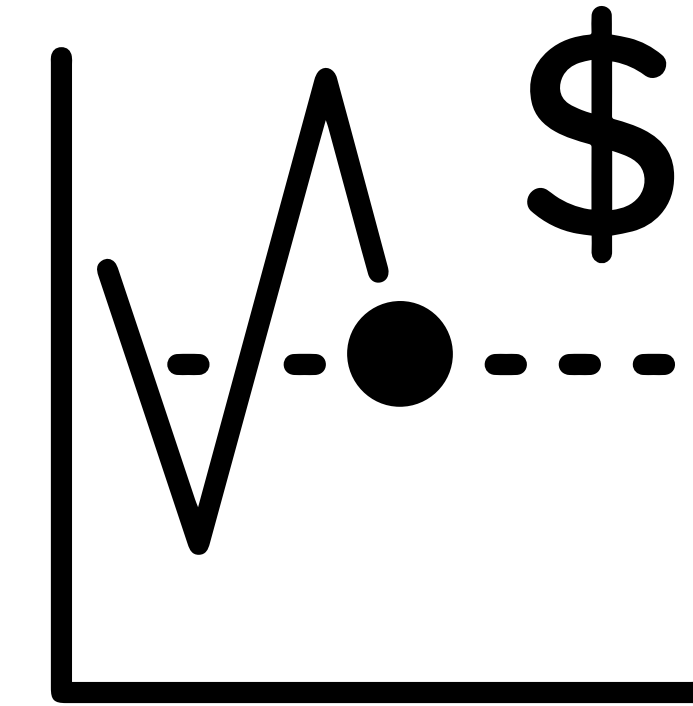
Consolidate manufacturing in Nigeria for part of the USA business



Lower net manufacturing cost



Simplify USA to a marketing and distribution focused business



Higher USD availability in Nigeria = lower forex expenses

Integrating technology in decision making

Algorithms over judgement

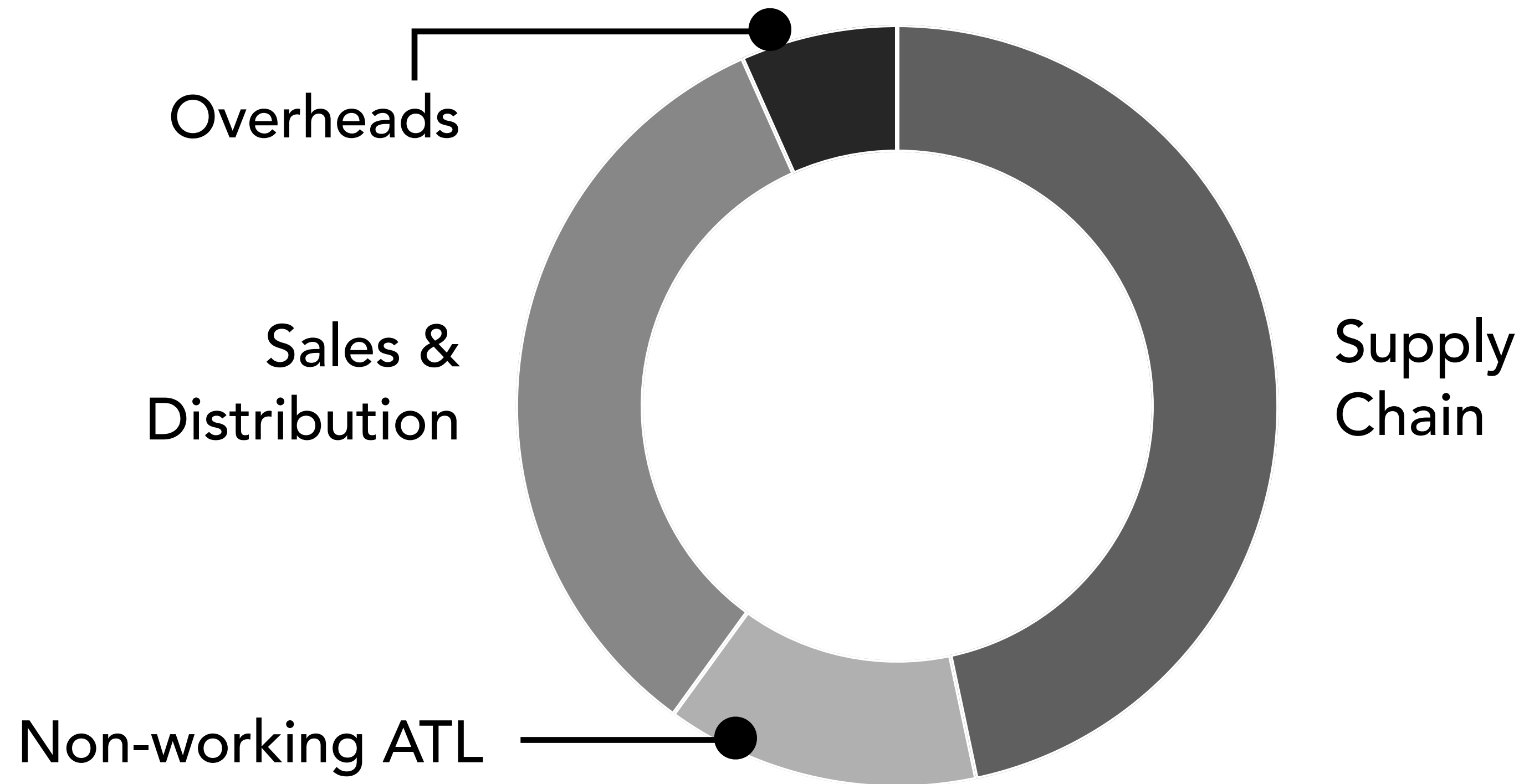
	From	To
Demand forecasting	Heuristics based	Data analytics
Cost assumptions	Current trend	Future outlook
Media planning	Judgement based	Algorithmic model
Forecasting horizon	Next 3 months	Next 12 months
Financial forecasting	Bottoms up	Integrated model
Decision making	Reactive	Proactive

Shared Services



And it's working | Reduction in controllable costs

Break up of controllable cost savings



FY23 controllable cost savings of

150 bps

As we enter FY24, our strategy remains unchanged Invest in India and simplify in International



Category development
in existing portfolio




Funded by radical
simplification




**People and Planet
alongside Profit**

Building a stronger performance culture


Input metrics	Output metrics
UVG	USG
EBITDA + Media	EBITDA
Less working capital	Cash from operations



Higher
fixed
compensation



Lower
in year
variable pay



Higher
salience of long
term incentives

When you focus on input, output happens

Aligning reward structure to long-term performance

Planet alongside profit

FY23

Emissions

Reduced by 48%
from FY11 baseline

Renewables

32% of energy

Plastics

Plastic neutral
34% recyclable

FY26

Emissions

Net zero by 2035*

*Scope 1 and 2

Renewables

60% of energy

Plastics

Remain neutral
80% recyclable



Recap
for FY23

Strategy
for FY24

Outlook
for FY24

Double-engine of FMCG

Driving multi-year sustainable
Volume Growth and Gross Margin

Sameer Shah

Our macro prognosis for FY24



Continue volume-led growth momentum



Expect minimal price growth



Continue momentum (FMCG in Africa, Air Fresheners and Hair Colours in India)



Scale up Household Insecticides in India



Recovery in Indonesia



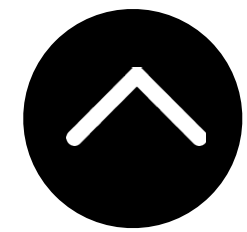
Gross margins revert to normative levels

Aim to deliver sustainable volume-led profitable growth

Quality of profits



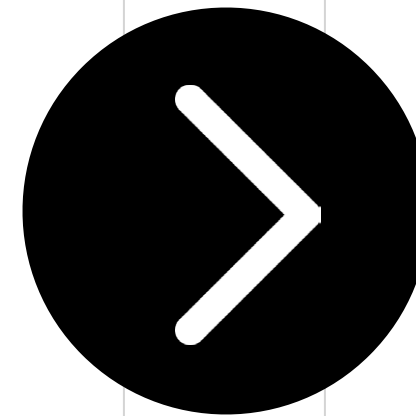
Gross margins



Media investments



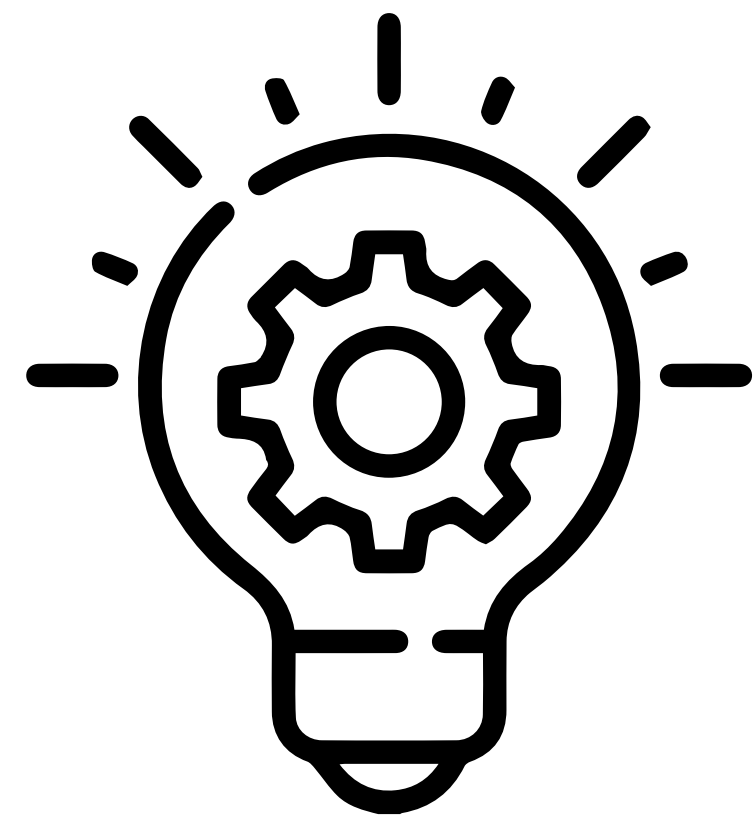
Controllable cost



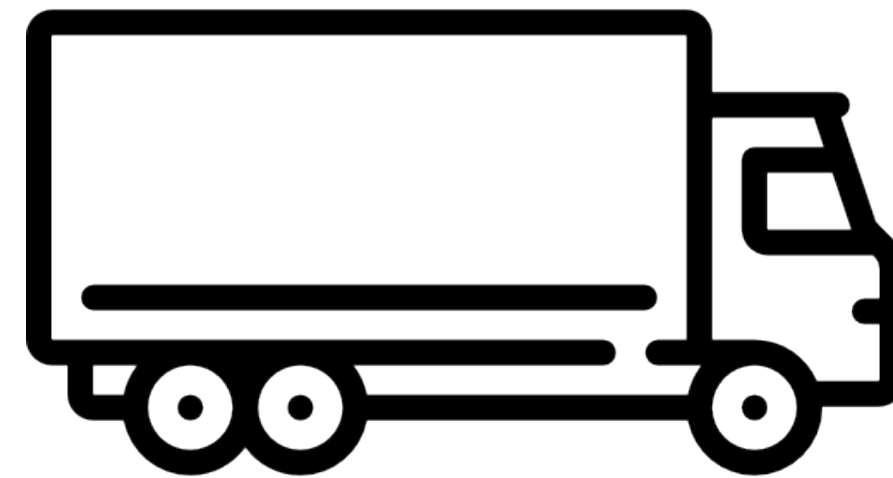
High single-digit UVG*

High teens EBITDA growth*

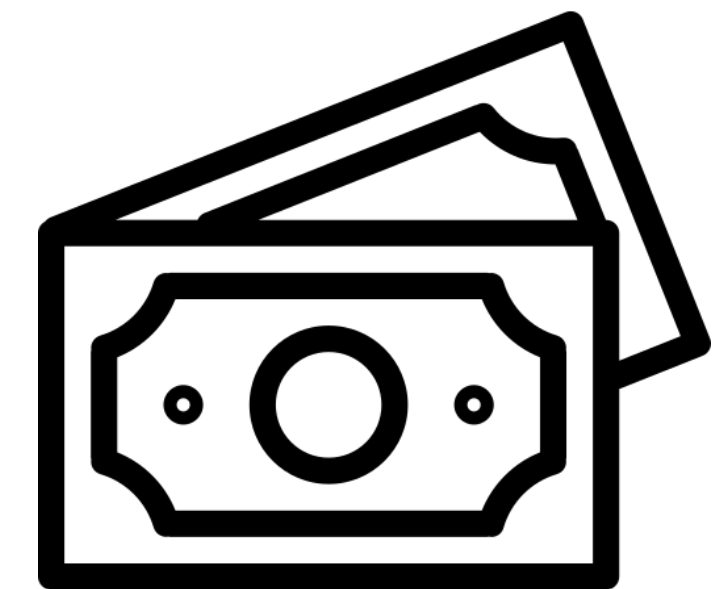
Continued focus on improving cash flow from operations



Optimise controllable
cost across value chain



Reduce complexity
in operations



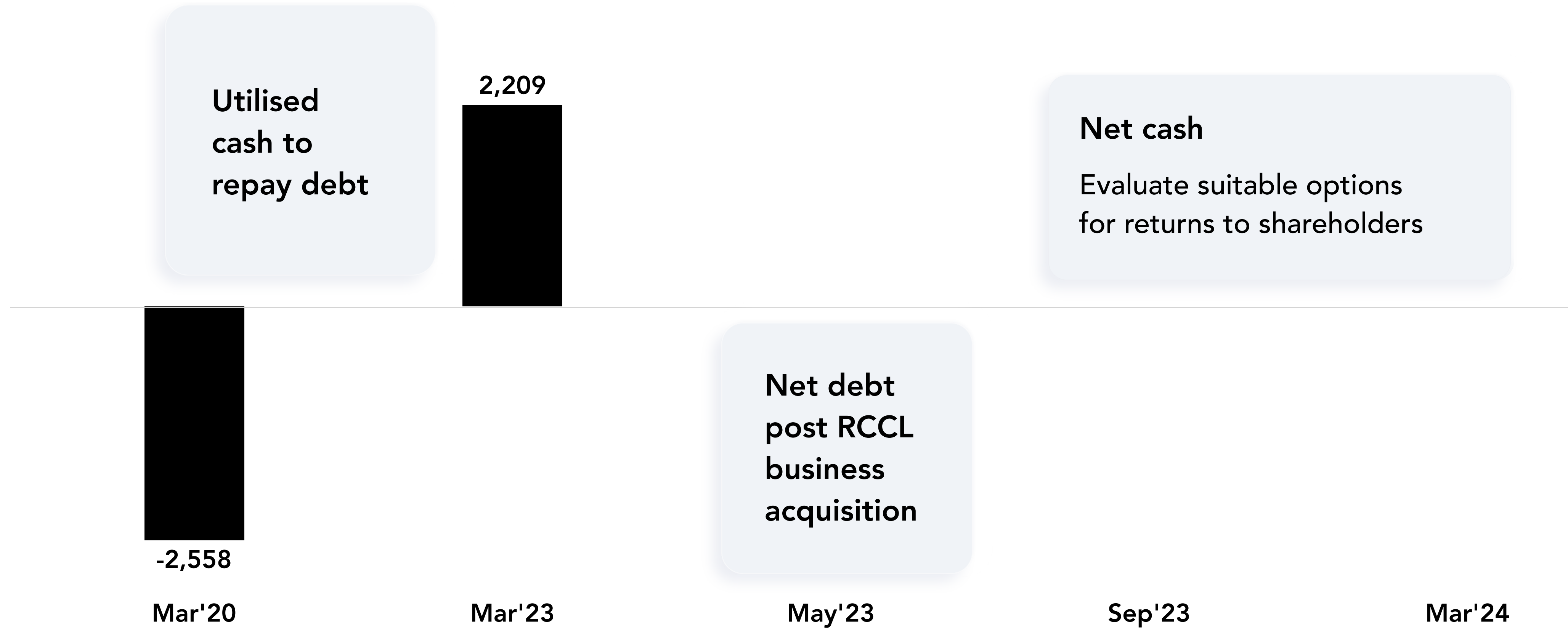
Working capital
reduction



Cash flow from operations growth > EBITDA growth*

Capital deployment plans

Net cash (₹ crore)



Journey so far and looking ahead

FY23*

H1

Weak volumes

Low gross margins

H2

Stable volumes

Recovering gross margins

High media investments

Low controllable cost

High cash from Operations

FY24*

Strong volumes

High gross margin

High media investments

Low controllable cost

Cash from Operations growth > EBITDA growth

FY25*

Pricing growth

Healthy volumes

Scale benefits driving healthy EBITDA growth



Q&A

Thank you

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