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GCPL 3Q FY 2019 results

29 January 2019

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ending December 31, 2018.

FINANCIAL OVERVIEW

3Q FY 2019 FINANCIAL PERFORMANCE SUMMARY:

- 3Q FY 2019 consolidated constant currency sales increased by 8%* year-on-year
 - India business sales grew 6% year-on-year
 - International business sales grew 10%* year-on-year, on a constant currency basis
- 3Q FY 2019 consolidated constant currency EBITDA grew 2%* year-on-year
- 3Q FY 2019 consolidated net profit and EPS (without exceptional items and one-offs) INR 418 crore and INR 4.09 respectively
- The board has declared an interim dividend of 200% (INR 2 per share)

**Adjusted for Europe business divestment (excluding October 2017 to December 2017 P&L in 3QFY18)*

CHAIRPERSON'S COMMENTS

Commenting on the financial performance of 3Q FY 2019, Ms. Nisaba Godrej, Executive Chairperson, GCPL, said:

"We delivered a mixed performance in the third quarter of fiscal year 2019. Our India business delivered single-digit sales growth on a high base and continued to grow EBITDA ahead of sales. In our international business, Indonesia continued its growth momentum with improvement in the Household Insecticides business. Africa showed signs of a gradual recovery with profitability improving sequentially. Latin America, however, recorded relatively weaker performance due to adverse macroeconomic conditions.

During the quarter, we continued our innovation momentum, with the pilot launch of mosquito repellent incense sticks in India. In Indonesia, we also cross pollinated the HIT anti roach spray from India to expand our presence in the Household Insecticides category. We also launched a naturals range of wet hair care products in the USA.

We continue to make healthy brand investments for sustainable future growth. With the scale up of our recent new launches and recovery in consumer demand, we expect to deliver much improved, profitable growth in the coming quarters.

Overall, we remain relentlessly focused on becoming more agile, increasing the pace of innovations, enhancing our go-to-market approach and investing in our key talent, to continue to outperform the market and deliver industry-leading returns."

BUSINESS REVIEW - INDIA

Performance Highlights

- 3Q FY 2019 India sales increased by 6% to INR 1,472 crore
- 3Q FY 2019 Adjusted EBITDA increased by 11% to INR 433 crore
- 3Q FY 2019 net profit increased by 11% to INR 332 crore

Category Review

Household Insecticides

Household Insecticides delivered a soft quarter. Sales were flat at INR 598 crore driven by an unfavourable season. We launched Goodknight Naturals Neem incense stick in Andhra Pradesh and Telengana. We continue to make effective brand and trade investments for scaling up growth.

Soaps

Soaps sustained a double-digit sales growth of 13% on 2 year CAGR basis; albeit sales growth in this quarter was in single-digit, off a high base. We have continued to gain market share. This performance was led by effective micro-marketing initiatives, focus on new states

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and strong on-ground execution.

Hair Colours

Hair Colours continues to deliver double-digit sales growth of 17% on a 2 year CAGR basis; albeit sales growth in this quarter was flat, off a high base. Godrej Expert Rich Crème continues to consistently deliver robust growth and has achieved the highest ever market share on an exit basis. We continue to focus on activations, effective media campaigns and price off's to recruit new consumers to the category. Godrej Nupur Herbal Based Powder hair colour continues to perform well.

BUSINESS REVIEW - INTERNATIONAL

Indonesia

Our Indonesia business continued its growth momentum and delivered a constant currency sales growth of 7%. This was driven by improvement in our Household Insecticides business. We maintained our market leadership position in Household Insecticides and continued to gain market share on a year-on-year basis. Adjusted EBITDA margin contracted by 160 bps, led by a temporary impact of crude oil and upfront marketing and trade promotion investments. During the quarter, we also cross pollinated the HIT anti roach spray from India to expand our presence in the Household Insecticides category.

GAUM (Africa, USA and Middle East)

Our GAUM cluster had mixed performance with a constant currency sales growth of 4%. Sales in the quarter was impacted by continued weakness in South Africa. The West and US cluster continued to deliver strong growth. Kenya is showing gradual signs of recovery. Operating profit margins for the cluster improved sequentially although adjusted EBITDA margins declined 80 bps year-on-year.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the 121-year young Godrej Group, we are fortunate to have a proud legacy built on the strong values of trust, integrity and respect for others. At the same time, we are growing fast and have exciting, ambitious aspirations.

Today, our Group enjoys the patronage of 1.15 billion consumers globally, across different businesses. In line with our 3 by 3 approach to international expansion at Godrej Consumer Products, we are building a presence in 3 emerging markets (Asia, Africa, Latin America) across 3 categories (home care, personal wash, hair care). We rank among the largest household insecticide and hair care players in emerging markets. In household insecticides, we are the leader in India, the second largest player in Indonesia and are expanding our footprint in Africa. We are the leader in serving the hair care needs of women of African descent, the number one player in hair colour in India and Sub-Saharan Africa, and among the leading players in Latin America. We rank number two in soaps in India and are the number one player in air fresheners and wet tissues in Indonesia.

But for us, it is very important that besides our strong financial performance and innovative, much-loved products, we remain a good company. Approximately 23 per cent of the promoter holding in our Group is held in trusts that invest in the environment, health and education. We are also bringing together our passion and purpose to make a difference through our 'Good & Green' approach to create a more inclusive and greener India.

At the heart of all of this, is our talented team. We take much pride in fostering an inspiring workplace, with an agile and high performance culture. We are also deeply committed to recognising and valuing diversity across our teams.

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Disclaimer:

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