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GCPL 3Q FY 2020 results

29 January 2020

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ending December 31, 2019.

FINANCIAL OVERVIEW

3Q FY 2020 FINANCIAL PERFORMANCE SUMMARY:

- 3Q FY 2020 consolidated constant currency sales increased by 6% year-on-year
 - India business sales grew 1% year-on-year; 7% year-on-year in volume terms
 - International business sales grew 11% year-on-year, on a constant currency basis
- 3Q FY 2020 consolidated constant currency EBITDA increased by 2% year-on-year; consolidated EBITDA margins maintained at 22.9%
- 3Q FY 2020 consolidated net profit and EPS (without exceptional items and one-offs) INR 423 crore and INR 4.14 respectively
- The board has declared an interim dividend of 200% (INR 2 per share)

CHAIRPERSON'S COMMENTS

Commenting on the financial performance of 3Q FY 2020, Nisaba Godrej, Executive Chairperson, GCPL, said:

"We delivered a steady performance in the third quarter of fiscal year 2020. Our India business delivered a robust volume growth of 7% alongside gaining market shares across major categories, amid further deterioration in staples consumption. We expect a gradual recovery in the coming quarters for the FMCG industry and also for our business."

In our international businesses, Indonesia continued its strong performance with high single digit profitable sales growth driven by a consistent performance across categories and several go-to-market initiatives. In GAUM (Godrej Africa, USA, Middle East), we saw a sales recovery with higher than mid single digit constant currency sales growth. The performance was driven by an improved performance in our South and West Africa cluster. We continue to drive the scale up of the wet hair care business and the relaunch of the Darling brand in the dry hair category, along with expansion in distribution across GAUM."

Going ahead, we expect steady volume growth in India, supported by our continued focus on innovations and enhancements to our go-to-market model. We will continue to drive profitable sales growth in Indonesia, while focusing on profitability in Africa, and ensuring a meaningful turnaround in our Latin American business."

BUSINESS REVIEW - INDIA

Performance Highlights

- 3Q FY 2020 India sales increased by 1% at INR 1,492 crore; 2 year sales CAGR of 4%
- 3Q FY 2020 India volumes increased by 7%
- 3Q FY 2020 Adjusted EBITDA was flat at INR 432 crore
- 3Q FY 2020 net profit without exceptions and one off items increased by 2% to INR 338 crore

Category Review

Household Insecticides

Household Insecticides continued its recovery, with higher than mid single digit volume growth resulting in 3% value growth. We continue to sequentially gain market shares in the overall category, including incense sticks. The initial response to the recently launched Goodnight Gold Flash Liquid Vapouriser in South India has been encouraging, and we plan to scale it nationally in Q4FY20. We will continue to have a strong new product development pipeline to help strengthen the portfolio going forward and drive growth in the near future.

Soaps

Soaps delivered mid single digit volume growth. However, price offs and consumer offers resulted in a sales decline of 4%. We continue to gain market shares driven by effective micro-marketing initiatives and impactful consumer offers.

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Hair Colours

Hair Colours delivered a soft performance on the back of general slowdown in the Hair Colour category due its discretionary nature and consumers stretching their consumption. We have maintained market share in Q3FY20. Godrej Expert Easy 5 minute shampoo hair colour is performing well in South India and has been scaled up nationally. We continue to focus on activations and effective media campaigns to recruit new consumers into the category.

BUSINESS REVIEW - INTERNATIONAL**Indonesia**

Our Indonesia business delivered a 9% constant currency profitable sales growth. The adjusted EBITDA margin expanded by 120 bps, led by gross margin expansion and cost saving programmes (Project CERMAT). We are stepping up innovation momentum across categories, along with the gradual expansion of our general trade distribution (Project RISE), to drive steady growth going ahead.

GAUM (Africa, USA and Middle East)

Our GAUM cluster had a mixed performance. We saw recovery in sales and achieved a constant currency sales growth of 6%. The South and West cluster recorded healthy low double digit growth rates. However, we witnessed a weak performance in the East cluster on account of liquidity challenges and the temporary impact of demonetisation. Adjusted EBITDA margins decreased 130 bps year-on-year. We continue to drive the scale up of the wet hair care business and the relaunch of the Darling brand in the dry hair category.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the 123-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, muchloved 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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