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GCPL 1Q FY 2018 results

31 July 2017

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ended June 30, 2017.

FINANCIAL OVERVIEW

1Q FY 2018 FINANCIAL PERFORMANCE SUMMARY:

- 1Q FY 2018 consolidated constant currency sales increased by 8% year-on-year
 - India business sales growth of 6% year-on-year, led by flat volume growth
 - International business sales growth of 11% year-on-year, on a constant currency basis
- 1Q FY 2018 consolidated constant currency EBITDA + A&P declined by 2%
- 1Q FY 2018 consolidated net profit and EPS, without exceptional items, declined by 9%
- The board has declared an interim dividend of 100% (INR 1.00 per share)

CHAIRMAN'S COMMENTS

Commenting on the financial performance of 1Q FY2018, Ms. Nisaba Godrej, Executive Chairperson, GCPL, said:

"We had a mixed performance in the first quarter of fiscal year 2018, but are confident that we are putting the right building blocks in place to deliver stronger results in the quarters ahead."

In our India business, we delivered a secondary sales growth of 9 percent and have sustained our market shares across categories. While sales in April and May were strong, June sales growth dipped due to channel de-stocking in the run up to the implementation of the transformative Goods & Services Tax. Consumer demand, however, remains robust. We expect the situation to normalise during the course of the second quarter, as the channel adapts to the new tax system, and look forward to stronger growth in the second half of the year."

Our international business grew by 11% on a constant currency basis. Our Africa cluster continued to perform well with 26% constant currency growth. Indonesia delivered a weak performance with 11% decline but we expect gradual recovery in growth rates with improving macro-economic conditions. We are taking several actions to improve the growth trajectory for the quarters ahead."

Growth in operating profits trailed our sales growth, as we have invested in strengthening our brands and supporting several exciting recently launched innovations. Overall, our advertising spends (A&P) increased by 13% in the quarter. We believe that these upfront investments will set us up for stronger growth as the macro economic environment improves."

Overall, we remain relentlessly focused on becoming more agile, increasing the pace of innovation, 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

- 1Q FY 2018 India sales increased by 6% to INR 1,186 crore
- 1Q FY 2018 Adjusted EBITDA + A&P increased by 5% to INR 337 crore
- 1Q FY 2018 net profit declined by 2% to INR 150 crore

Category Review

Household Insecticides

Household Insecticides had a relatively soft quarter, with a primary sales growth of 4%. Secondary sales grew by 7%. Sales growth was impacted by GST led cautiousness in trade in June 2017. We continue to drive improvement in category penetration rates and make competitive brand investments. Our recently launched HIT Gel Stick is scaling up well in the market.

Soaps

Soaps delivered strong growth, with a primary sales growth of 7%. Secondary sales were stronger, with a growth of 10%. This superior performance was driven by effective micro marketing initiatives, a communication campaign supported by 360 degree activations, price increases and withdrawal of consumer offers. Cinthol continues to grow faster than Godrej No. 1 and premiumise our Soaps portfolio.

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Hair Colours

Hair Colours delivered a strong competitive performance with a primary sales growth of 5% and secondary sales growth of 9%. Sales growth was impacted by GST led cautiousness in trade in June 2017. Our crème hair colours growth was in the high teens, led by double-digit volume growth in Godrej Expert Rich Crème and the scale up of BBLUNT. Godrej Expert Rich Crème continues to consistently deliver double-digit growth, gain market share and increase penetration levels.

Air Fresheners

Godrej aer continues to maintain its leadership position in the overall Air Care market and gain share, aided by innovations and strong execution.

BUSINESS REVIEW - INTERNATIONAL**Indonesia**

Our Indonesia business delivered flat constant currency sales; however, constant currency sales growth (ex-household insecticides) increased by 9%. Our adjusted EBITDA margin increased by 60 bps year-on-year, led by better product mix and cost control initiatives. We continue to gain market in Household Insecticides and Air Fresheners on a MAT basis. The recently launched NYU range of Hair Colours continues to receive an encouraging response from trade and consumers. During the quarter, we cross-pollinated the aer pocket bathroom air freshener in Indonesia and launched Stella pocket.

Africa (including Strength of Nature and Middle East)

Our Africa business sustained its consistent and double-digit growth momentum, with an organic constant currency sales growth of 16%. Hair extensions continues to deliver double-digit growth. Our adjusted EBITDA margin declined by 80 bps year-on-year due to upfront investments in scaling up our Wet Hair Care portfolio. During the quarter, we started manufacturing Wet Hair Care products locally in East Africa.

Latin America

Our Latin America business had a relatively soft quarter, with constant currency sales growth of 4%. This was driven by growth in the high teens in Argentina and a decline in growth in double digits in Chile. Adjusted EBITDA margins declined by 610 bps year-on-year due to the scale de-leverage in Chile, upfront A&P investments and higher G&A expenses in Argentina. During the quarter, we re-launched our Issue hair colours range in Argentina and introduced a new range of cosmetic products and extensions in Chile.

Europe

Our Europe business delivered a robust performance. Constant currency sales increased by 24%, led by strong growth in our owned and distributed brands. Adjusted EBITDA margins increased by 260 bps year-on-year, driven by positive operating leverage.

MANAGEMENT CHANGES

Akhil Chandra has joined GCPL to assume the responsibility for leading the ASEAN cluster from Naveen Gupta. Akhil has worked with several global consumer companies for over two decades where he played various leadership roles across South East Asia and Europe. Akhil's prior roles include Global Category Head and Managing Director, India at Reckitt Benckiser. He has also had a significant stint at GSK Consumer Health Care. Akhil will be based in Jakarta.

Naveen Gupta will move to Dubai to lead the Africa cluster. Over the last 7 years, Naveen has done a great job leading our ASEAN cluster. He has been intimately involved in shaping our business there from making the acquisition in Indonesia, driving profitable growth and building a vibrant organisation.

Over the last 6 years, **Omar Momin** has been instrumental in defining our Africa growth blueprint and implementing our M&A agenda. Omar will continue to lead M&A at GCPL.

Note: The figures for the current quarter may not be comparable with those of the corresponding quarter of the previous year, because of the acquisitions made since then.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the 120-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 1.1 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.

For further information, please contact:

V Srinivasan

Email: v.srinivasan@godrejcp.com (mailto:v.srinivasan@godrejcp.com)

Tel: +91 22 2519 4316

Sameer Shah

Email: sa.shah@godrejcp.com (mailto:sa.shah@godrejcp.com)
Tel: +91 22 2519 4467

Tapan Joshi
Email: tapan.joshi@godrejcp.com (mailto:tapan.joshi@godrejcp.com)
Tel: +91 22 2519 5433

Disclaimer:

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