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GCPL 1Q FY 2020 results

01 August 2019

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ending June 30, 2019.

FINANCIAL OVERVIEW

1Q FY 2020 FINANCIAL PERFORMANCE SUMMARY:

- 1Q FY 2020 consolidated constant currency sales increased by 4%* year-on-year
 - India business sales grew 1% year-on-year; 5% year-on-year in volume terms
 - International business sales grew 9%* year-on-year, on a constant currency basis
- 1Q FY 2020 consolidated constant currency EBITDA increased by 8%* year-on-year
- 1Q FY 2020 consolidated net profit and EPS (without exceptional items and one-offs) of INR 291 crore and INR 2.85 respectively
- The board has declared a interim dividend of 200% (INR 2 per share)

*Adjusted for Europe business divestment w.e.f Sept'18

CHAIRPERSON'S COMMENTS

Commenting on the financial performance of 1Q FY 2020, Nisaba Godrej, Executive Chairperson, GCPL, said:

"We delivered a relatively mixed performance in the first quarter of fiscal year 2020. Our India business delivered a steady volume growth of 5%, amidst a general slowdown in staples consumption. We expect a gradual recovery in the coming quarters for the industry and also for our business."

In our international businesses, Indonesia continues to have a strong outlook for the year, though this quarter was impacted by a soft demand environment. Africa had a subdued performance. The Southern Africa cluster is off to a strong start and recorded steady growth during the quarter. However, we witnessed a slowdown in some of the smaller markets in Africa."

In fiscal year 2020, for GCPL, we expect better volume growth in India, supported by our continued focus on innovations and enhancements to our go-to-market model. We will continue driving 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

- 1Q FY 2020 India sales increased by 1% at INR 1290 crore; 2 year sales CAGR of 8%
- 1Q FY 2020 India volumes increased by 5%; 2 year sales CAGR of 10%
- 1Q FY 2020 Adjusted EBITDA increased by 8% to INR 301 crore
- 1Q FY 2020 net profit without exceptions and one off items increased by 6% to INR 233 crore

Category Review

Household Insecticides

Household Insecticides sales declined by 4% to INR 427 crore (2 year sales CAGR of 7%), driven by an extended summer and the impact of a high base. Naturals neem incense stick has been scaled up to six states as of July 2019, backed by marketing investments and accelerated PR efforts on illegal incense sticks. We have a strong NPD pipeline to help strengthen the portfolio going forward and drive growth in the near future.

Soaps

Soaps delivered strong volume led value growth of 3%. We continue to gain market shares driven by effective micro-marketing initiatives and impactful consumer offers.

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Hair Colours

Hair Colours was flat on the back of a high base and general slowdown. We continue to focus on activations and effective media campaigns to recruit new consumers to the category. Our recently launched Godrej Expert Easy 5 minute shampoo hair colour in South India is scaling up well.

BUSINESS REVIEW - INTERNATIONAL**Indonesia**

Our Indonesia business delivered a constant currency sales growth of 4% in a soft demand environment. The adjusted EBITDA margin expanded by 140 bps, led by 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 with a constant currency sales growth of 2%. Africa delivered constant currency growth of 4%. The Southern cluster is off to a strong start. However, we witnessed a slowdown in some of the smaller markets in Africa. Adjusted EBITDA margins declined 140 bps year-on-year due to upfront marketing investments. The Darling brand re-launch and scale up of our wet hair care business is progressing well.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the 122-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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