GODREJ | CONSUMER PRODUCTS

GCPL 4Q FY 2020 results

13 May 2020

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ending March 31, 2020.

FINANCIAL OVERVIEW

4Q FY 2020 FINANCIAL PERFORMANCE SUMMARY:

- 4Q FY 2020 consolidated constant currency sales declined by 11% year-on-year
  - India business sales declined 18% year-on-year led by 15% year-on-year decline in volume
  - International business sales declined 2% year-on-year, on a constant currency basis
- 4Q FY 2020 consolidated constant currency EBITDA declined by 15% year-on-year; consolidated EBIDTA margins declined to 22.3%
- 4Q FY 2020 consolidated net profit and EPS (without exceptional items and one-offs) INR 316 crore and INR 3.09 respectively

CHAIRPERSON'S COMMENTS

Commenting on the financial performance of 4Q FY 2020, NisabaGodrej, Executive Chairperson, GCPL, said:

"This quarter was an unprecedented period due to the spread of the COVID-19 pandemic across the globe, impacting all the geographies of our operations. At GCPL, we have been working on a safety first principle, ensuring that our employees and business partners are safe and taking all necessary precautions to control the spread of COVID-19. The Godrej group, which always stands in solidarity with people and government efforts, has earmarked an initial outlay of INR 50 crore for community support and relief initiatives in India. We have ensured complete adherence to the lockdown and in parallel, are working with government authorities to revive supply chain operations for essential items.

During this quarter, we had witnessed steady demand in our categories till mid-March 2020. However, the spread of the virus and the eventual lockdown in many geographies of our operations resulted in virtually no sales in the later part of March 2020, significantly impacting our sales performance in the quarter. This resulted in a weak performance in our India business, although we have continued to gain market shares across categories.

In our international businesses, Indonesia continued its strong growth momentum with mid-single digit profitable constant currency sales growth inspite of the COVID-19 crisis, driven by a consistent performance across categories and several go-to-market initiatives. In GAUM (Godrej Africa, USA, Middle East), we witnessed a weak sales performance amidst disruptions caused by COVID-19 in many of our countries of operations

Going forward, we are ramping up our supply chain operations and distribution, in line with the prescribed safety measures and easing of lockdowns in various countries. Since the situation is very dynamic, our teams are continuing to manage our business prudently, while assessing various scenarios for business recovery. We will continue to focus on driving our market share and launch relevant innovations to enhance our competitiveness. The situation calls for an extraordinary level of adaptability, resilience and agility – and our teams are well-geared to embrace this challenge."

BUSINESS REVIEW - INDIA

Performance Highlights

- 4Q FY 2020 India sales declined by 18% to INR 1,089 crore; volumes declined by 15%
- 4Q FY 2020 secondary sales (sales from distributors to retailers) declined by 11%
- 4Q FY 2020 Adjusted EBITDA declined by 23% to INR 301 crore
- 4Q FY 2020 net profit without exceptions and one off items declined by 25% to INR 222 crore

Category Review

Household Insecticides

Household Insecticides declined by 16% due to loss of sales in the later part of March 2020, which marks the onset of high mosquito infestation in North India. We continue to sequentially gain market shares in the overall category, including incense sticks. Goodknight Gold Flash Liquid Vapouriser has been scaled up nationally, following an encouraging response in South India.

Soaps

Soaps declined by 23% due to loss of sales in the last fortnight of March 2020 owing to the impact of the COVID-19 outbreak. This is usually a high growth period with the onset of the summer season. We continue to gain market shares driven by effective micro-marketing initiatives. We have launched the Protekt Health Soap and plan to prioritise the health and hygiene categories to drive future growth.

Hair Colours

Hair Colours delivered a weak performance on the back of general slowdown in the Hair Colour category due its discretionary nature and consumers stretching their consumption. We have gained market share over last few months. Godrej Expert Rich Crème clocked its highest ever value market share. Godrej Expert Easy 5 minute shampoo Hair Colour is performing well in South India and has been scaled up nationally.

BUSINESS REVIEW - INTERNATIONAL

Indonesia

Our Indonesia business continued with its growth momentum, delivering a 6% constant currency profitable sales growth. The adjusted EBITDA margin expanded by 210 bps, led by cost saving programmes (Project CERMAT). We have launched a health and hygiene range amidst increased need for sanitation.

GAUM (Africa, USA and Middle East)

Our GAUM cluster had a weak performance driven by underperformance across clusters due to the COVID-19 outbreak. Overall, we witnessed a constant currency sales decline of 13%. The South cluster has recorded a marginal decline in sales, while the West cluster has recorded a marginal improvement in sales. However, we witnessed a weak performance in the East cluster on account of continued liquidity challenges and the impact of demonitisation. Adjusted EBITDA margins decreased 670 bps year-on-year mainly driven by scale deleverage. We continue to drive the scale up of the wet hair care business.

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 SubSaharan 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:

The financials disclosed above may differ from the reported financials to reflect the *real business financial performance. Some of the statements in this communication may be forward looking statements 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.*

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