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GCPL 2Q FY 2020 results

06 November 2019

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

FINANCIAL OVERVIEW

2Q FY 2020 FINANCIAL PERFORMANCE SUMMARY:

- 2Q FY 2020 consolidated constant currency sales increased by 3%* year-on-year
 - India business sales grew 1% year-on-year; 7% year-on-year in volume terms
 - International business sales grew 7%* year-on-year, on a constant currency basis
- 2Q FY 2020 consolidated constant currency EBITDA increased by 9%* year-on-year
- 2Q FY 2020 consolidated net profit and EPS (without exceptional items and one-offs) INR 384 crore and INR 3.8 respectively
- The board has declared an interim dividend of 200% (INR 2 per share)

**2Q FY2019 base quarter adjusted for Europe business divestment w.e.f September 18; SLOB provision of INR 51.7 crore in GAUM, receivables provision of INR 3.4 crore in Argentina.*

CHAIRPERSON'S COMMENTS

Commenting on the financial performance of 2Q FY 2020, Nisaba Godrej, Executive Chairperson, GCPL, said:

"We delivered a steady performance in the second quarter of fiscal year 2020. Our India business delivered a robust volume growth of 7%, broad based across categories, amidst a general slowdown 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 double digit profitable sales growth driven by a consistent performance across categories and several go- to-market initiatives. Africa had a mixed performance with weak sales growth and strong operating profits expansion. Growth was impacted by adverse macro economic conditions in West Africa. 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, to deliver profitable sales growth for the full year in Africa.

In fiscal year 2020 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

- 2Q FY 2020 India sales increased by 1% at INR 1,490 crore; 2 year sales CAGR of 6%
- 2Q FY 2020 India volumes increased by 7%; sequential pick up in volumes (1Q FY2020 was 5%)
- 2Q FY 2020 Adjusted EBITDA increased by 2% to INR 392 crore
- 2Q FY 2020 net profit without exceptions and one off items increased by 2% to INR 301 crore

Category Review

Household Insecticides

Household Insecticides showed a gradual recovery with a sales growth of 4% to INR 683 crore. Illegal incense sticks salience is plateauing at 11-12% over the last 8 months. Home Insect Control Association (HICA) has issued an advertisement on illegal incense sticks to safeguard consumer interest. We have recently launched Goodnight Gold Flash in South India, HIT Anti Mosquito Racquet in e-commerce and HIT Rat Glue pad in select markets. 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.

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Soaps

Soaps delivered a higher than 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 micromarketing initiatives and impactful consumer offers.

Hair Colours

Hair Colours delivered a soft performance on the back of a high base, general slowdown and a weaker performance of Godrej Expert Rich Crème. 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 is scaling up well in South India and has been launched all across India by the end of Q2FY 2020.

BUSINESS REVIEW - INTERNATIONAL**Indonesia**

Our Indonesia business delivered a 13% constant currency profitable sales growth. The adjusted EBITDA margin expanded by 50 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 decline of 2%. The Southern cluster continued its strong performance on the back of new product developments. However, we witnessed a slowdown in West Africa. Adjusted EBITDA margins expanded 380 bps year-on-year driven by gross margin expansion and cost savings. 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. We are also expanding our distribution network to deliver profitable sales growth for the full year in Africa.

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, 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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