

# GODREJ CONSUMER PRODUCTS LIMITED

## Q2 FY 2014 – PERFORMANCE UPDATE

November 11, 2013



# PERFORMANCE UPDATE

EXECUTIVE SUMMARY : MAJOR HIGHLIGHTS

PERFORMANCE HIGHLIGHTS : CONSOLIDATED

BUSINESS OVERVIEW : INDIA

BUSINESS OVERVIEW : INTERNATIONAL

# OVERALL PERFORMANCE

Strong sales growth coupled with improved profit growth

Q2 FY 2014			
Growth (%)	Consolidated	India	International
Sales	23% (branded business - 17%)	14%	33%
Organic Constant Currency Sales	14%	14%	14%
EBITDA	20% (ex Indonesia's food distribution - 23%)	20%	21%

H1 FY 2014			
Growth (%)	Consolidated	India	International
Sales	23% (branded business - 19%)	16%	32%
Organic Constant Currency Sales	16%	16%	16%
EBITDA	16% (ex Indonesia's food distribution - 19%)	18%	15%

# PERFORMANCE UPDATE

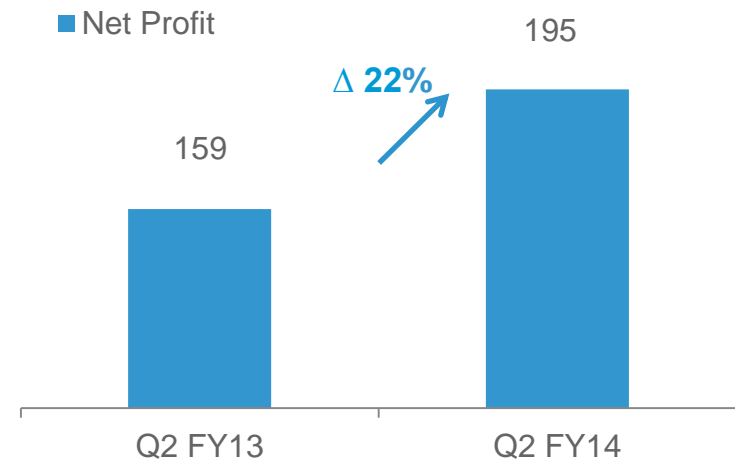
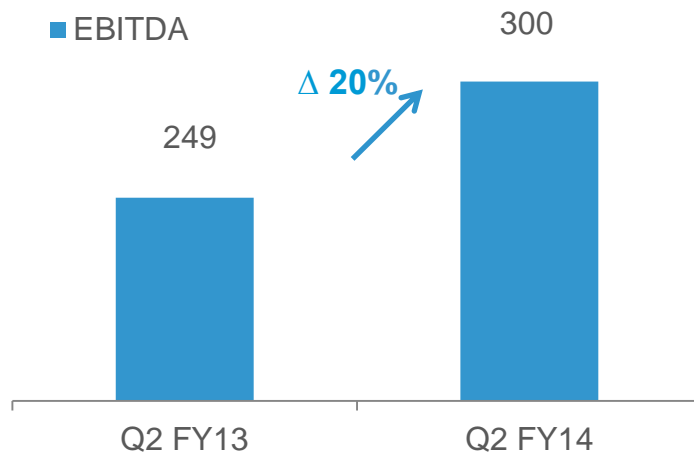
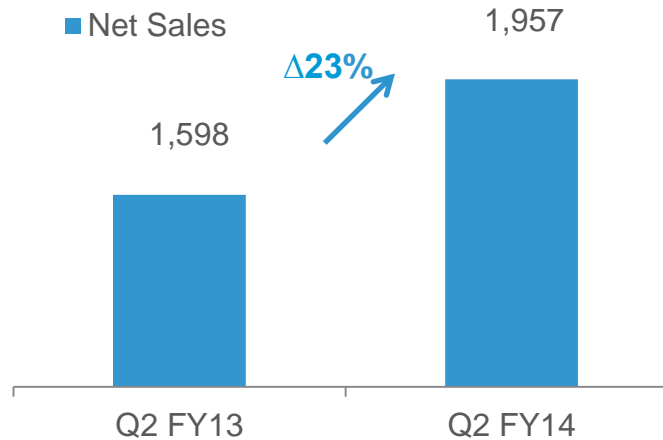
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# ROBUST GROWTH IN BOTH SALES AND PROFITS



**EBITDA + A&P grows +28%**

*All values INR cr*

# ADVERSE FOREX IMPACT DUE TO DEVALUATION OF CURRENCIES

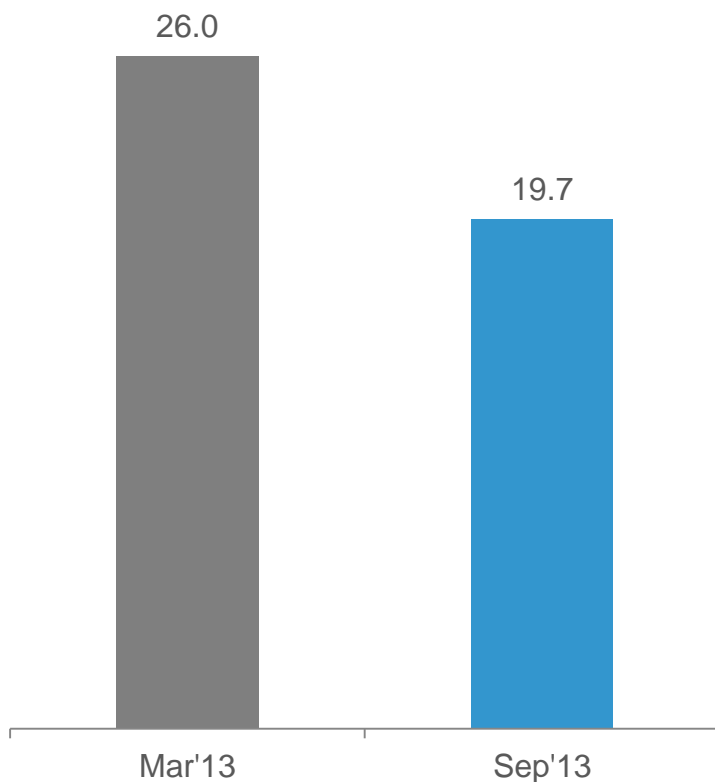
## India

- As on September 30, 2013 the net payables stood at US\$ 3.2 million. Net Forex loss for the quarter is INR 4.1 crore

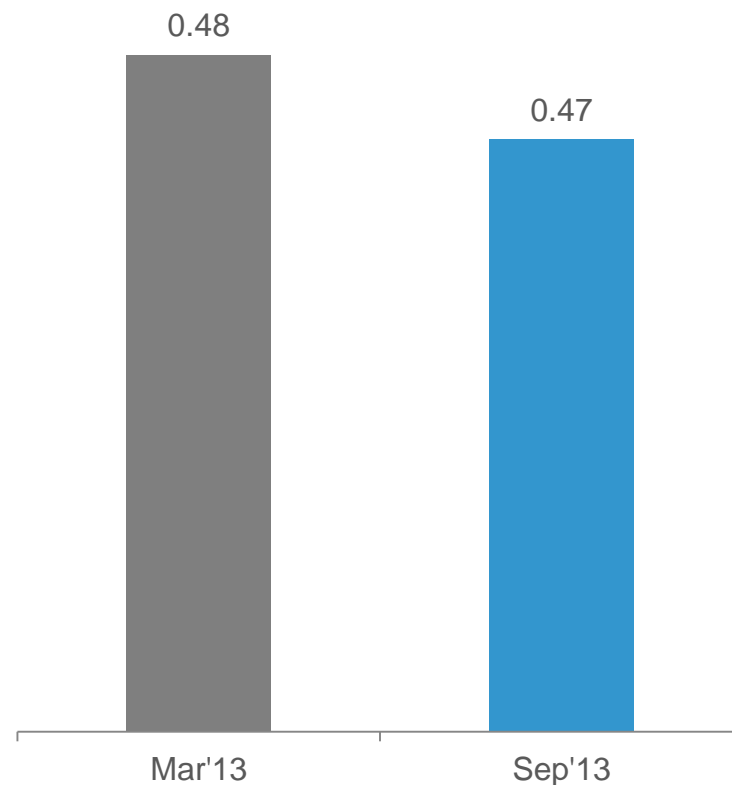
## Consolidated

- GCPL has adopted the notification issued by the ministry of corporate affairs on December 29, 2011 on amortization of forex impacts
- The total Net Forex loss for the quarter, including mark to market impact at consolidated level aggregates to INR 6.3 crore

# RIGOROUS FOCUS ON WORKING CAPITAL IMPROVEMENTS



NET WORKING CAPITAL (EX CASH) IN DAYS OF SALES



NET DEBT TO EQUITY RATIO

# HOLDING STRUCTURE RATIONALIZED DURING THE QUARTER

In order to simplify and streamline the holding structure of our businesses, we have made the following changes to our structure:

Godrej Hygiene Products Limited (GHPL), a 100% subsidiary has been merged with Godrej Consumer Products Limited vide scheme of amalgamation sanctioned by Hon'ble High Court of Bombay. The assets and liabilities of the erstwhile GHPL have been taken over at book value.

Two of the intermediate holding entities in the Netherlands that hold the Indonesia business have been merged vide scheme of amalgamation sanctioned by a Dutch court. The resultant revaluation of assets and liabilities amounting to about INR 38 crore has been adjusted in the reserves. Had this merger not taken effect during the period under consideration, the revaluation would have reflected in the P&L under the foreign exchange gain (loss) line item.



# PERFORMANCE UPDATE

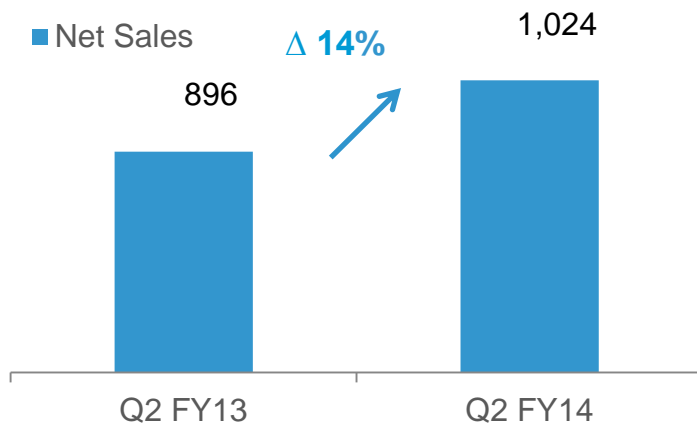
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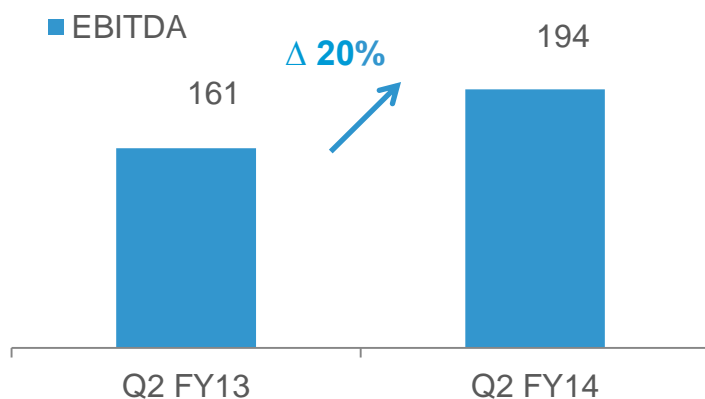
**BUSINESS OVERVIEW : INDIA**

BUSINESS OVERVIEW : INTERNATIONAL

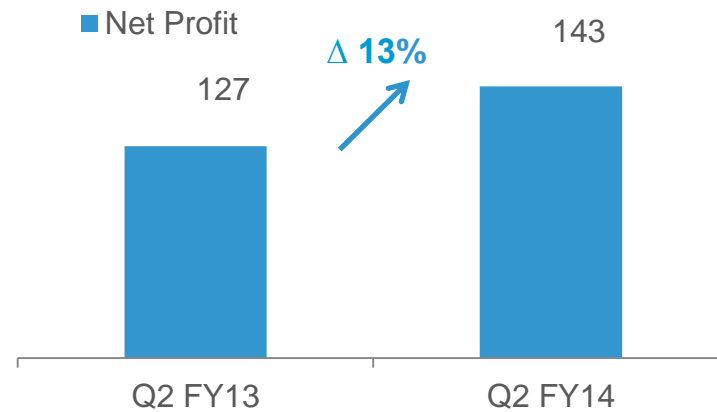
# STRONG SALES GROWTH CONTINUES IN INDIA BUSINESS



**India branded sales growth at 17%** (against reported growth of 14%), after taking into account discontinuation of third party contract manufacturing sales, which is in the base

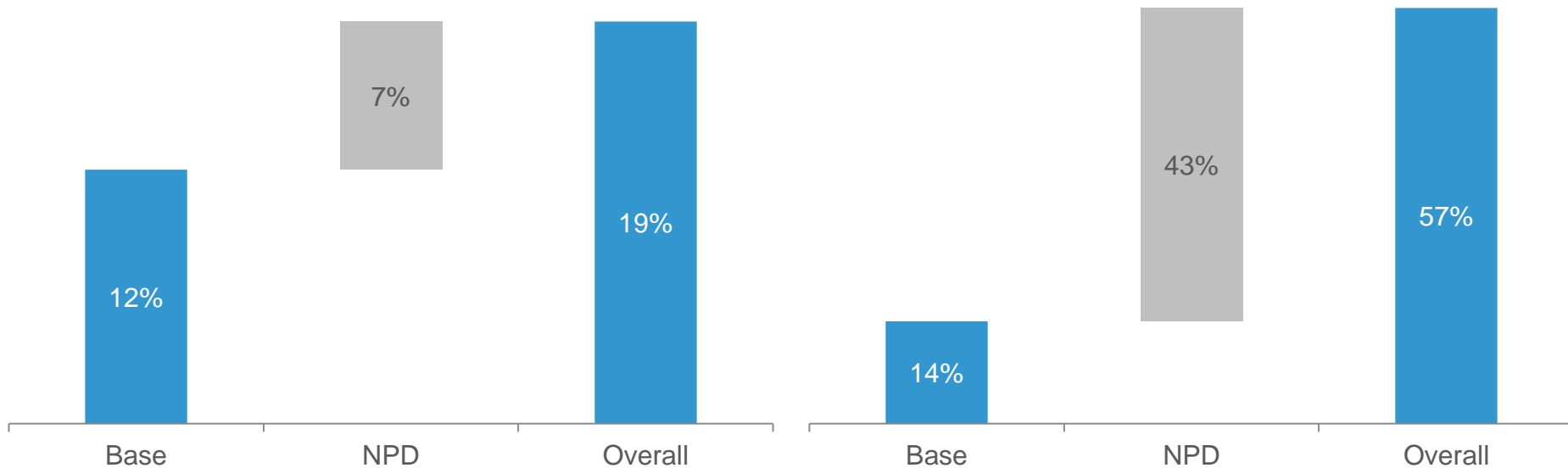


**EBITDA + A&P grows +26%**



# WE CONTINUE TO INVEST BEHIND OUR NEW LAUNCHES THAT ARE GAINING STRONG TRACTION

37% of incremental growth from new launches



BRANDED SALES GROWTH BREAKUP – H1 FY 2014

A&P GROWTH BREAKUP – H1 FY 2014

# WE LAUNCHED GOOD KNIGHT FAST CARD – A REVOLUTIONARY NEW PRODUCT THIS QUARTER



a **non-electrical format**, and is **easy to use**, using it is as simple as - **‘Fold’, ‘Fire’, and ‘Foo’**



starts working immediately - **‘3 min instant action’**  
provides **4 hours of protection**



has **‘TFT’** - one of the **safest active molecules**  
after **3 minutes** there is **no-smoke, no fire**



breaking the **price barrier**, **INR 1/-** per card

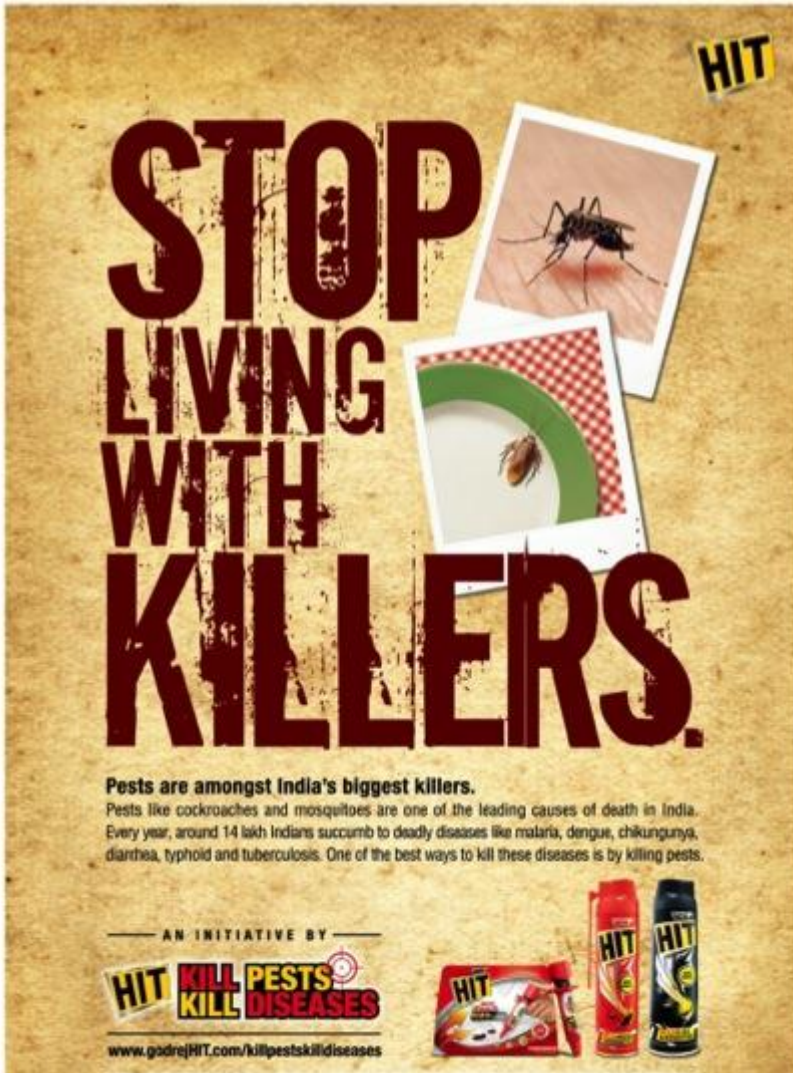


# HOUSEHOLD INSECTICIDES MAINTAINS ROBUST GROWTH TRAJECTORY

- Value growth at 25%, well ahead of the category
- Both the key brands HIT and Good knight continue to gain share and maintain market leadership position across all the three formats
- HIT Anti Roach Gel continues to do well



# WE LAUNCHED AN INNOVATIVE 'KILL PESTS KILL DISEASES' CAMPAIGN



**HIT**


# STOP LIVING WITH KILLERS.

Pests are amongst India's biggest killers.  
Pests like cockroaches and mosquitoes are one of the leading causes of death in India. Every year, around 14 lakh Indians succumb to deadly diseases like malaria, dengue, chikungunya, diarrhea, typhoid and tuberculosis. One of the best ways to kill these diseases is by killing pests.

AN INITIATIVE BY

**HIT KILL PESTS KILL DISEASES**

[www.godrejHIT.com/killpestskilldiseases](http://www.godrejHIT.com/killpestskilldiseases)



# कॉक्रोच न मारें.

अब नरा हिट ऐंटी रीच जैल से कॉक्रोच जाकर मारेग नुसारे कॉक्रोचों को, यह छुने हुए कॉक्रोच को भी आकर्षित कर गलता है. इसे खाकर कॉक्रोच मर जाता है और अपने साथी कॉक्रोचों को भी दुर्भिक्ष मरके मार डालता है. इस तरह जल्द ही पूरी रीच बस राखिया हो जाता है.

**HIT** **Anti-Reach GEL**

**Effect lasts UP TO 45 DAYS**

आएंगे, खाएंगे, जड़ से मर जाएंगे.

AN INITIATIVE BY

**HIT KILL PESTS KILL DISEASES**

हमारे केन्द्रिय वेब [www.facebook.com/GodrejHIT](http://www.facebook.com/GodrejHIT) से जवाब करते हैं: के  
विजय चंद्रन, विजय चिन्मय, जयदेव नंदा, जयदेव  
आज के दिन, हिट कोकरोच जैल में लगाने की जरूरत है. हिट कोकरोच जैल को 10-15 दिन में  
और हिट कोकरोच जैल में लगाने की जरूरत है. हिट कोकरोच जैल को 10-15 दिन में

# SOAPS CATEGORY FACED A CHALLENGING QUARTER

- Value growth at 3%; Volume growth at 4%, ahead of reported category growth
- Sales growth lower than expectations due to relatively slower ramp for one of our key consumer offers and political turmoil in Andhra Pradesh
- Godrej No 1 Saffron & Milk Cream variant selected as a Nielsen Breakthrough Innovation





# HAIR COLOURS CONTINUES EXCELLENT MOMENTUM

- Strong 24% value growth led by Godrej Expert Rich Hair Crème and Godrej Expert Advanced Hair Colour, well ahead of the category
- Launched Godrej Expert Rich Hair Crème in South India
- Salon engagement programme initiated to drive crème penetration in small towns and villages





# AIR FRESHENERS CONTINUE TO SCALE UP WELL

- New format introduced to provide consistent fragrance in a spill proof gel technology
- Launch of twin pack (2 refills and 1 click machine) for car accessories market
- Innovative marketing campaign on twitter leading to first ever twitter sourced song 'Don't Smoke Because' campaign (<http://goo.gl/kqITmU>)



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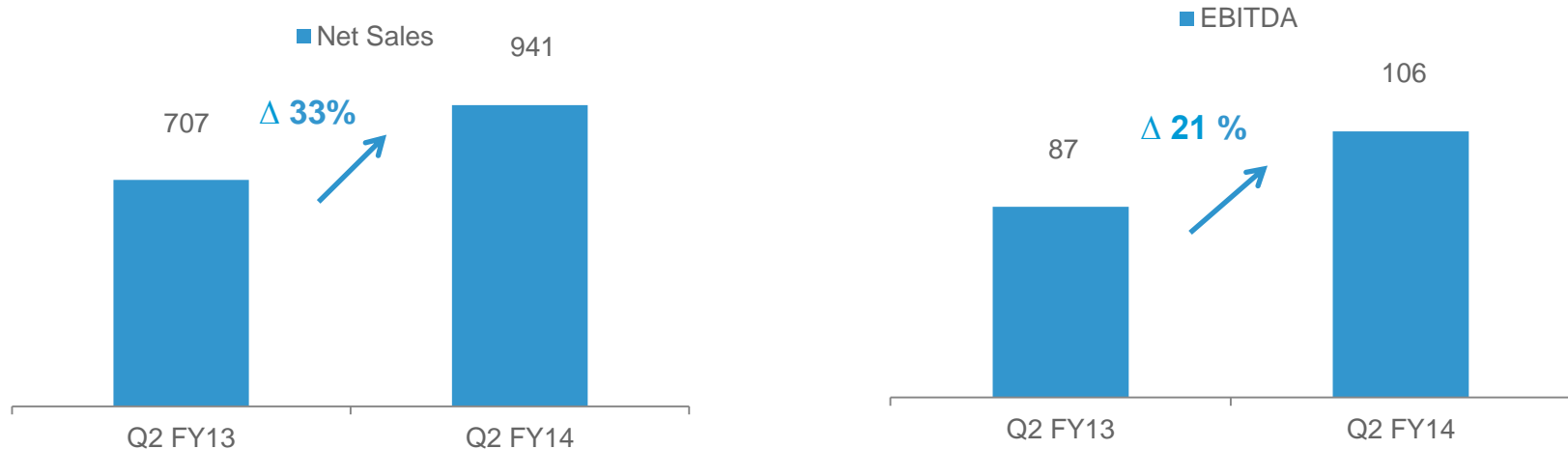
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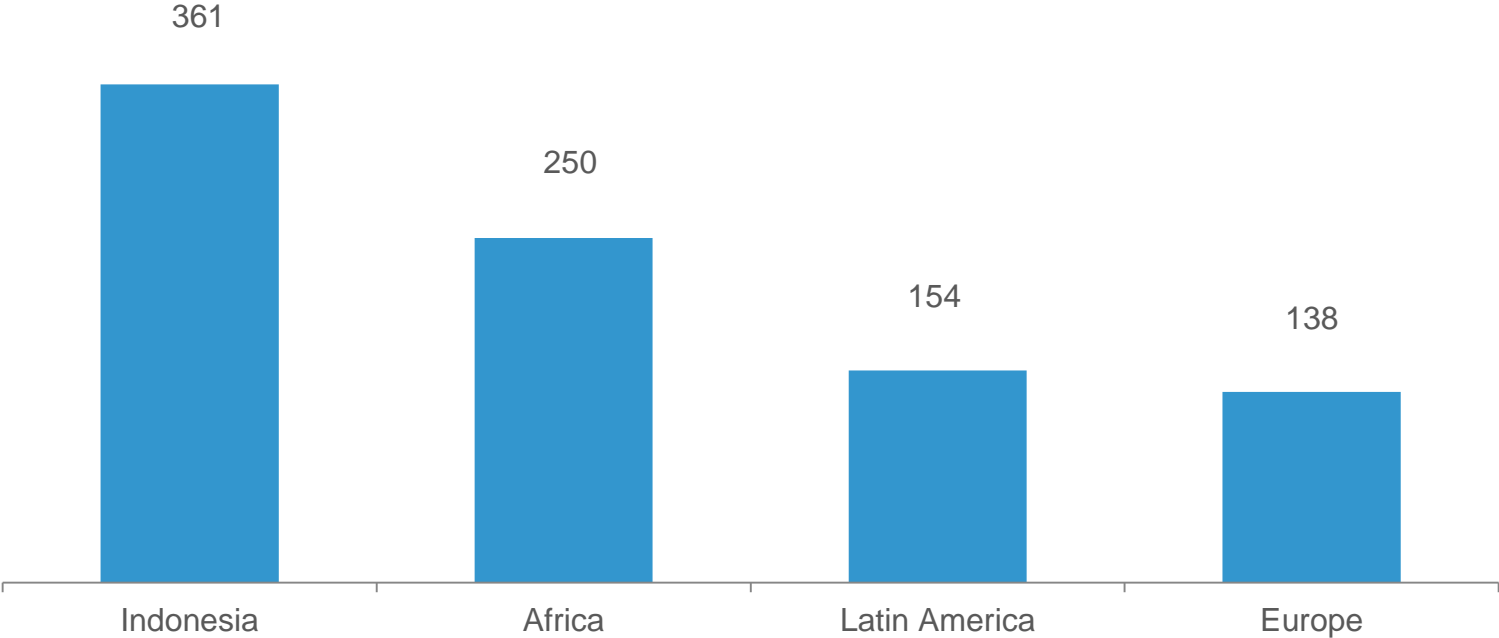
BUSINESS OVERVIEW : INTERNATIONAL

# GROWTH MOMENTUM MAINTAINED DESPITE CHALLENGING MACRO ENVIRONMENT



- 14% organic constant currency growth
- 11.3% EBITDA margins (down by 110 bps y/y) driven by foods business distribution (60 bps impact) and lag in price hikes for 33% fuel price hike and 58% wage price hike (70 bps impact) in Indonesia

# STRONG SALES GROWTH ACROSS KEY GEOGRAPHIES

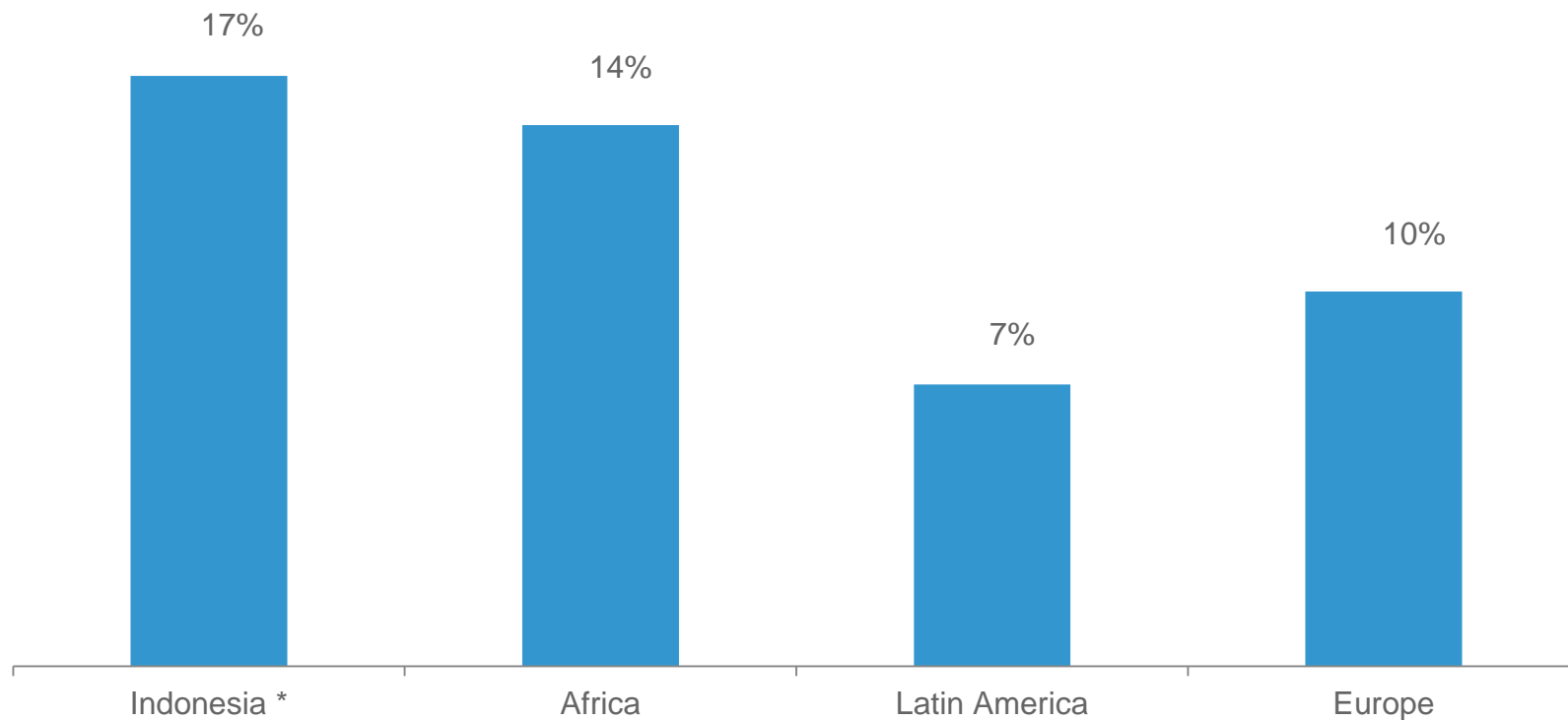


## Net Sales Growth (%)

Constant currency	+ 13	+ 53	+ 23	+ 88
Exchange	+ 1	0	(4)	+ 14
YOY Reported	+ 14	+ 53	+19	+ 102

Constant currency includes inorganic growth  
All values in INR crore

# MARGINS HAVE IMPROVED SEQUENTIALLY



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YoY change	(170) bps
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(160) bps
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+ 390 bps
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+ 60 bps
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Q1 FY14
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15%
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13%
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3%
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9%
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\* Before payment of technical & business support fee and non food business

# INDONESIAN BUSINESS MAINTAINS GOOD TRAJECTORY

- Sales growth excluding foods distribution of 17% led by

- Continued marketing investments
- New product launches
- Distribution expansion



- HIT continues to gain market share
- Stella is also strengthening market position aided by new product launches



# MARGINS IN THE INDONESIA BUSINESS HAVE BEEN ADVERSELY IMPACTED IN THE NEAR-TERM

- Distribution arrangement (for one year) for divested foods business at break even margins
  - As a result, while sales from that business is recorded as earlier, EBITDA contribution is zero leading to lower margins
  - Impact on EBITDA margins by ~140 bps
- Minimum wage increase of 58% and fuel price increase of 33% creating pressure on margins. Calibrated price increases have been taken to absorb these cost increases
  - Margins have improved 150 bps sequentially
  - We expect margins to normalize gradually

# AFRICA BUSINESS CONTINUES TO SCALE UP AS PER PLAN

- Business presence in South Africa, Mozambique, Nigeria and Kenya across hair extensions, hair colours, household insecticides and personal wash
- Business momentum impacted due to lower consumer confidence in South Africa. Worsening macro environment - sales de-growth in key retail chains, auto workers strike, and consumer spending at 10 year low
- Recently launched wet hair care products portfolio in Kenya and household insecticides launch in Nigeria progressing well
- Godrej South Africa (Rapidol and Kinky) certified as a 'Top Employer 2014' in South Africa





# LATAM BUSINESS DELIVERS GOOD QUARTER

- Sales growth led by continued marketing investments and new product launches
- Margins improved on a y/y basis. Projects underway to further improve margin profile of the business.
- In Argentina, Issue and 919 continue to strengthen market share in hair colors
- In Chile, Pamela Grant re-launched with improved packaging and a new brand ambassador
- New Issue 3D Gloss marketing campaign launched in Peru, Bolivia and Paraguay



# EUROPE BUSINESS DELIVERS STRONG PERFORMANCE

- Healthy growth rates supported by good performance of organic business as well as Soft & Gentle acquisition
- Strong gross margin expansion supported higher investments in brands
- Active media and trade investments in Soft & Gentle brand to boost the brand's equity
- Touch of Silver range registers excellent growth doubling market share on a y/y basis

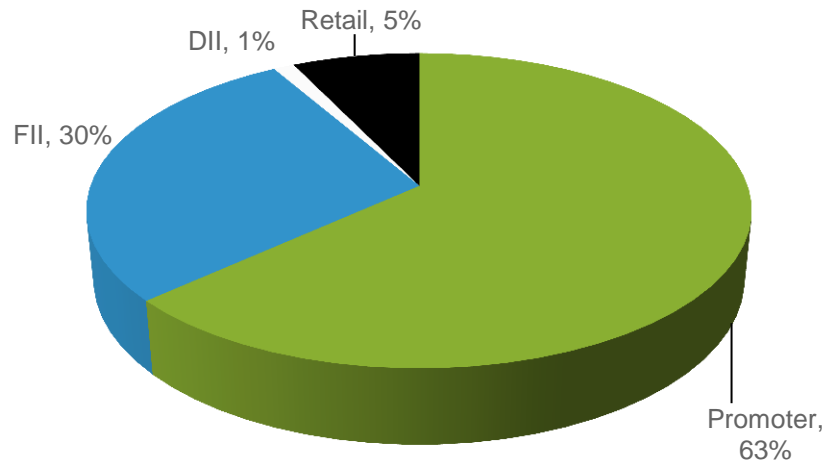


# Q2 FY 2014 PERFORMANCE SNAPSHOT

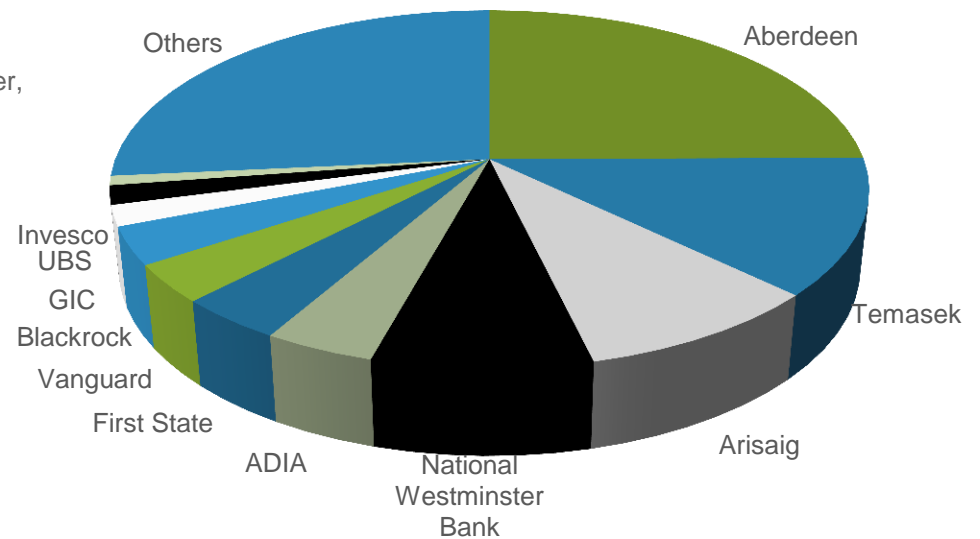
	India			International			Consolidated		
In ₹ Cr	Q2FY14	Q2FY13	Y/Y	Q2FY14	Q2FY13	Y/Y	Q2FY14	Q2FY13	Y/Y
Sales	1,024	896	14%	941	707	33%	1,957	1,598	23%
Gross Profit	535	419	28%	517	391	32%	1,052	810	30%
Gross Margin(%)	52.3%	46.8%	546	54.9%	55.2%	(35)	53.7%	50.7%	303
EBITDA	194	161	20%	106	87	21%	300	249	20%
EBITDA Margin(%)	18.9%	18.0%	94	11.3%	12.4%	(108)	15.3%	15.6%	(27)
EBITDA+A&P	303	240	26%	218	168	29%	520	408	28%
EBITDA+A&P(%)	29.6%	26.7%	283	23.1%	23.7%	(63)	26.6%	25.5%	107
Net Profit	143	127	13%	52	33	60%	195	159	22%
Net Profit Margin(%)	13.9%	14.1%	(21)	5.6%	4.6%	95	10.0%	10.0%	(1)

Y/Y change in margins is in bps

# STOCKHOLDING PATTERN



## MAJOR FIIs



# WE REMAIN LASER FOCUSED ON EXECUTING OUR KEY PRIORITIES

- Extending leadership in our core categories
- Capitalizing on international growth potential
- Accelerating renovation and innovation
- Building a future ready sales system
- Making our supply chain best in class
- Building an agile and high performance culture

# CONTACT US

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