

Godrej | CONSUMER PRODUCTS

A Hidden Jewel

Why GCPL bought RCCL

April 28, 2023

Disclaimer

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A quick Reminder of GCPL Strategy – Circa Dec'21

Double-digit Volume Growth



Led through category development



Funded by radical simplification



A simple strategy for the next 3-5 years

Our Category Development Capability has got much better in 2 years

Sharper Insights



Democratized Innovation



More and Better Media



An army on-ground



Saharanpur, Uttar Pradesh, India
402, Subhash Nagar, Saharanpur, Uttar Pradesh
247001, India
Lat 29.977284°
Long 77.545641°
01/09/22 12:00 PM

We feel confident of developing a few more underpenetrated categories

Increasing share of underpenetrated categories



Our strategy remains the same but with an addition

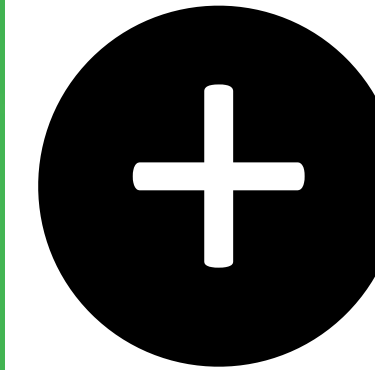
Category develop
existing portfolio



Funded by radical
simplification



People and Planet
alongside Profit



Develop a few more
underpenetrated
categories in India



Acquisition of Raymond Consumer Care Business



Overview of target business

Key brands



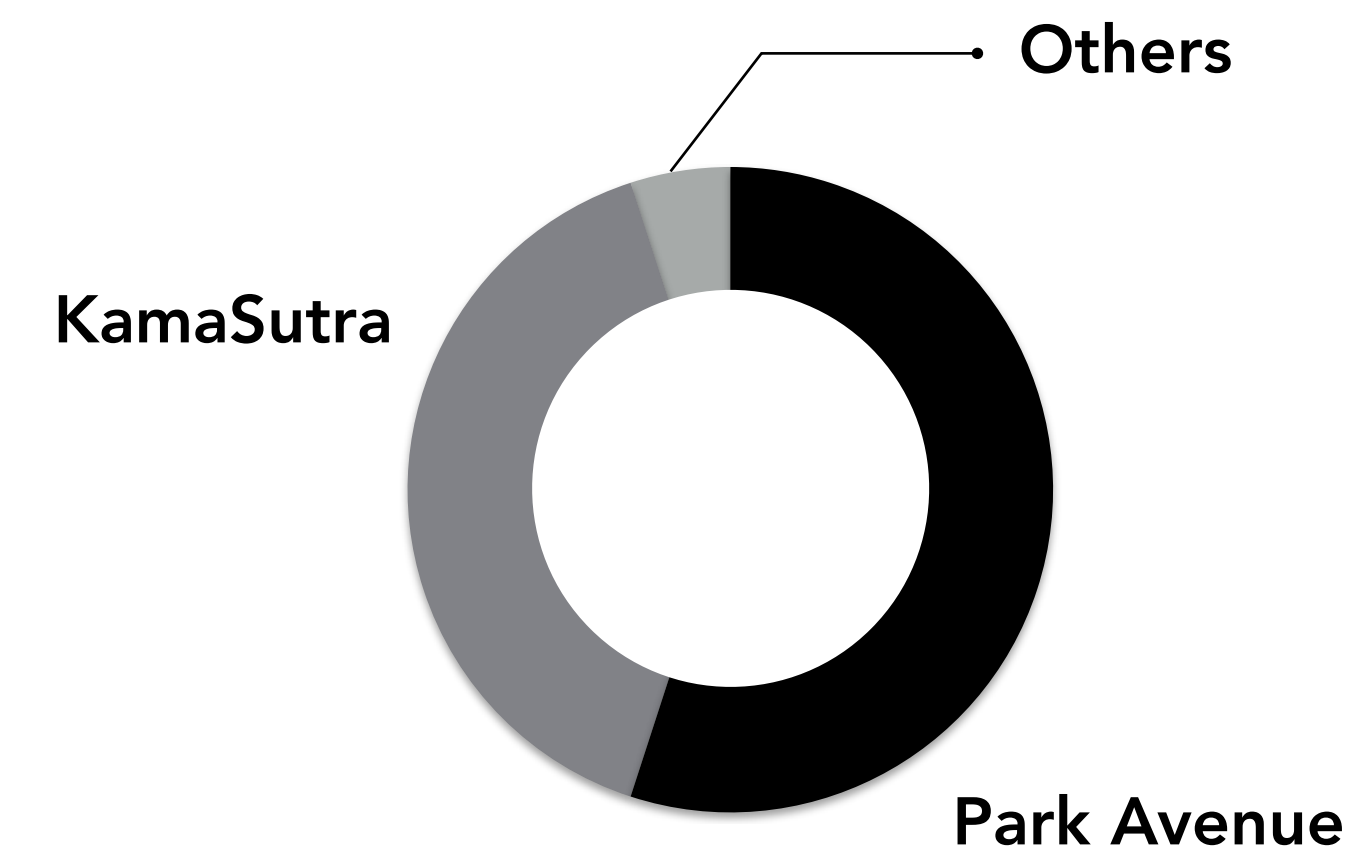
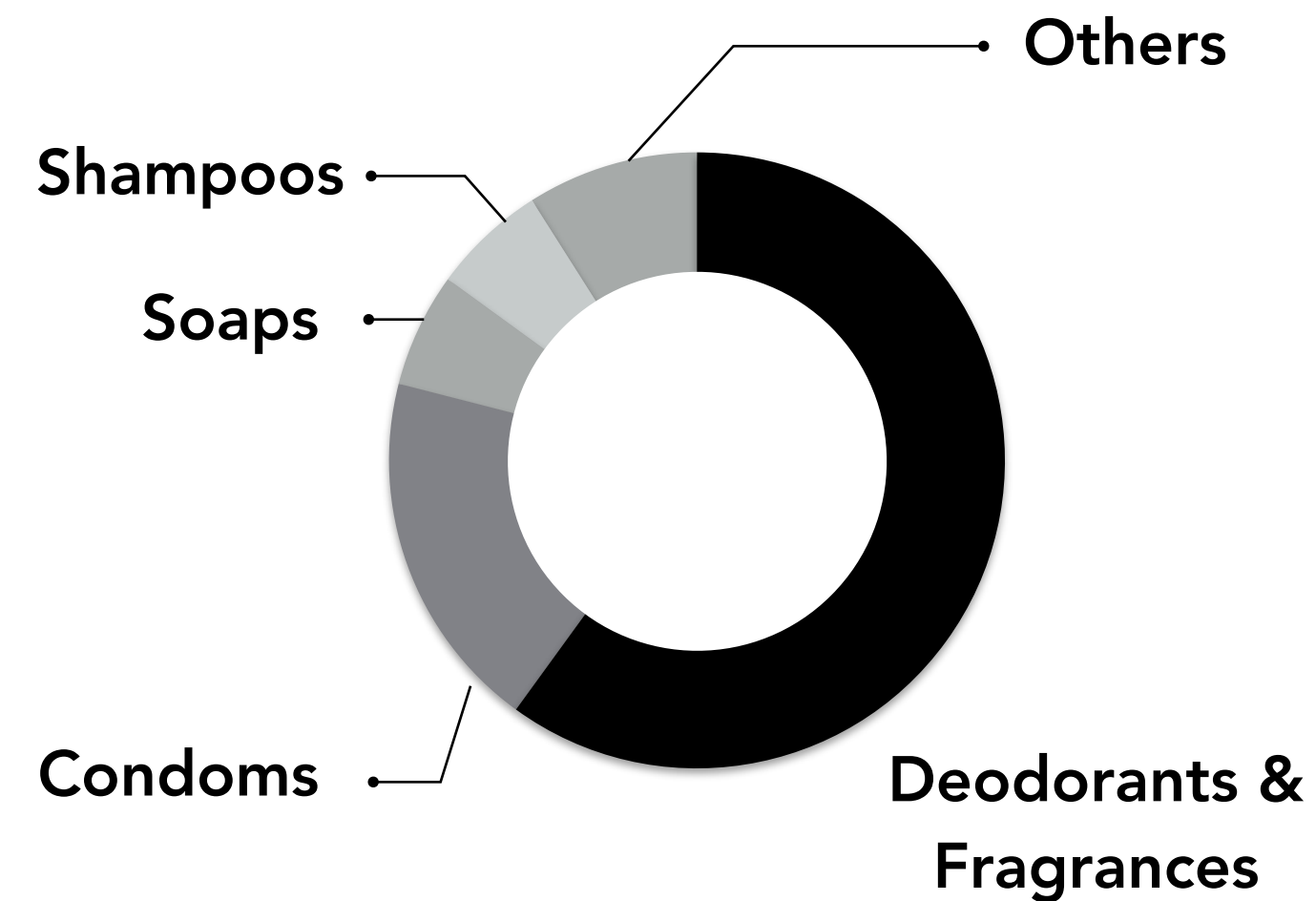
Market position

#2
in Urban
Deodorants
(Men's)

#3
in Urban
Commercial
Condoms

Source: Nielsen

Sales mix



P&L overview

Revenue

INR **522** cr
(FY22)

INR **622** cr
(FY23)

INR **411** cr
(FY21)

Gross margin
**Largely in-line
with GCPL**

Advertising
and publicity
Mid single digits

Employee and
other expenses
Late thirties

High MRP to
NSV leakage in
the **fifties**

EBITDA margin
High single digits

Portfolio of Star SKUs



Why we bought the business

1

Categories have strong growth runway

2

Strong but under leveraged brands

3

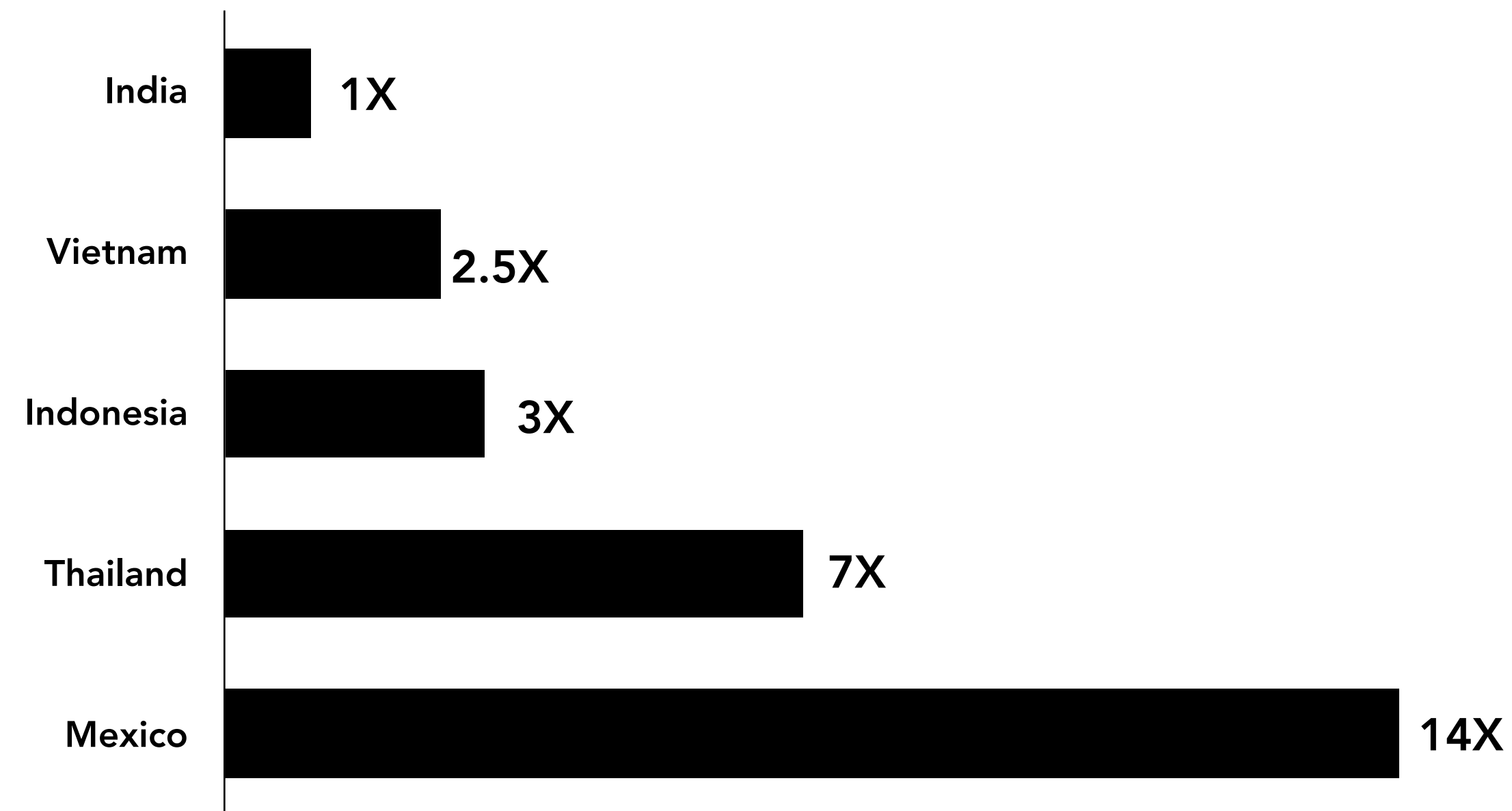
Significant cost synergies

1

**Categories have
strong growth
runway**

Deodorants category has the potential to deliver double-digit, multi-decade growth

Per capita consumption of deodorants (USD, 2022)



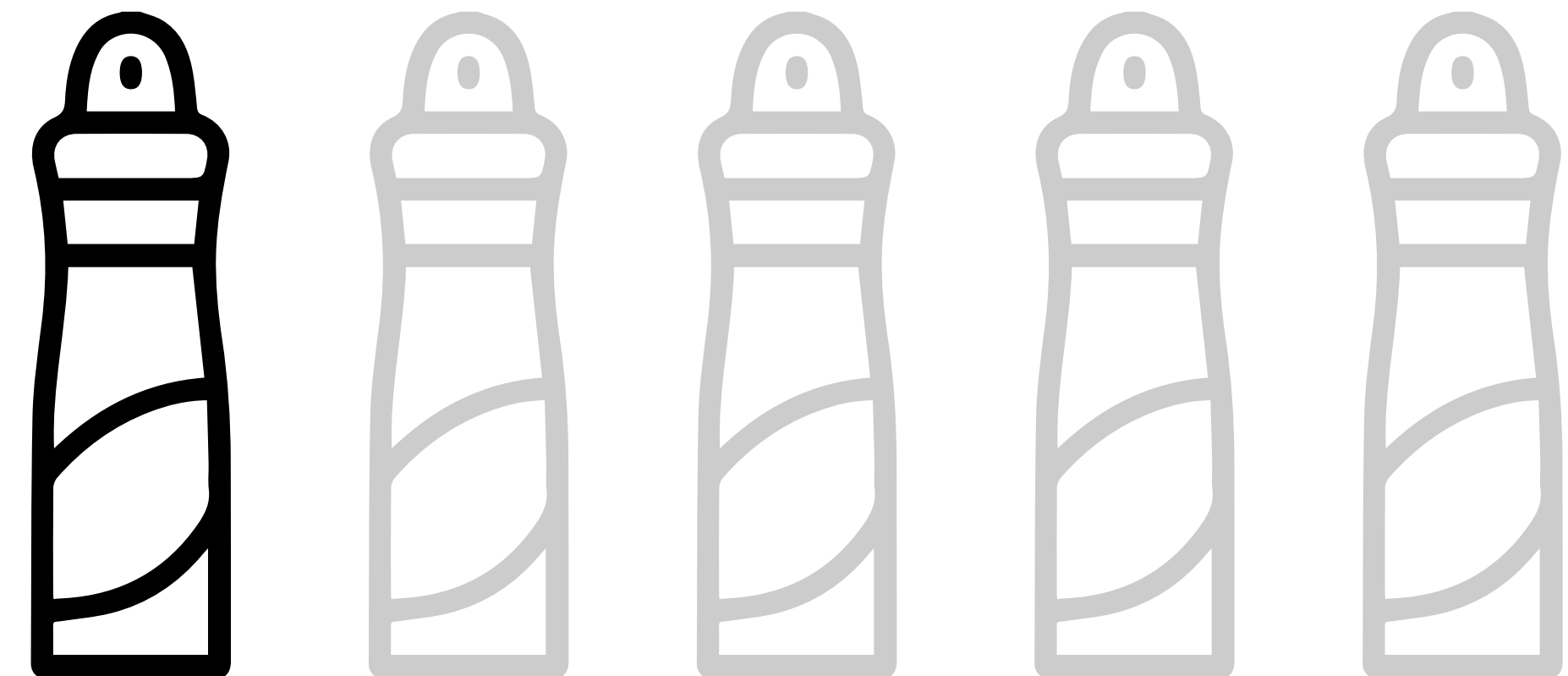
Deodorants category	2022	2032	2042
Per capita consumption (USD)	0.4	1.25	4.3
Market size (USD)	600 mn	~2 bn	~8 bn
CAGR		13%	14%

Source: Euromonitor, Internal estimates, Nielsen

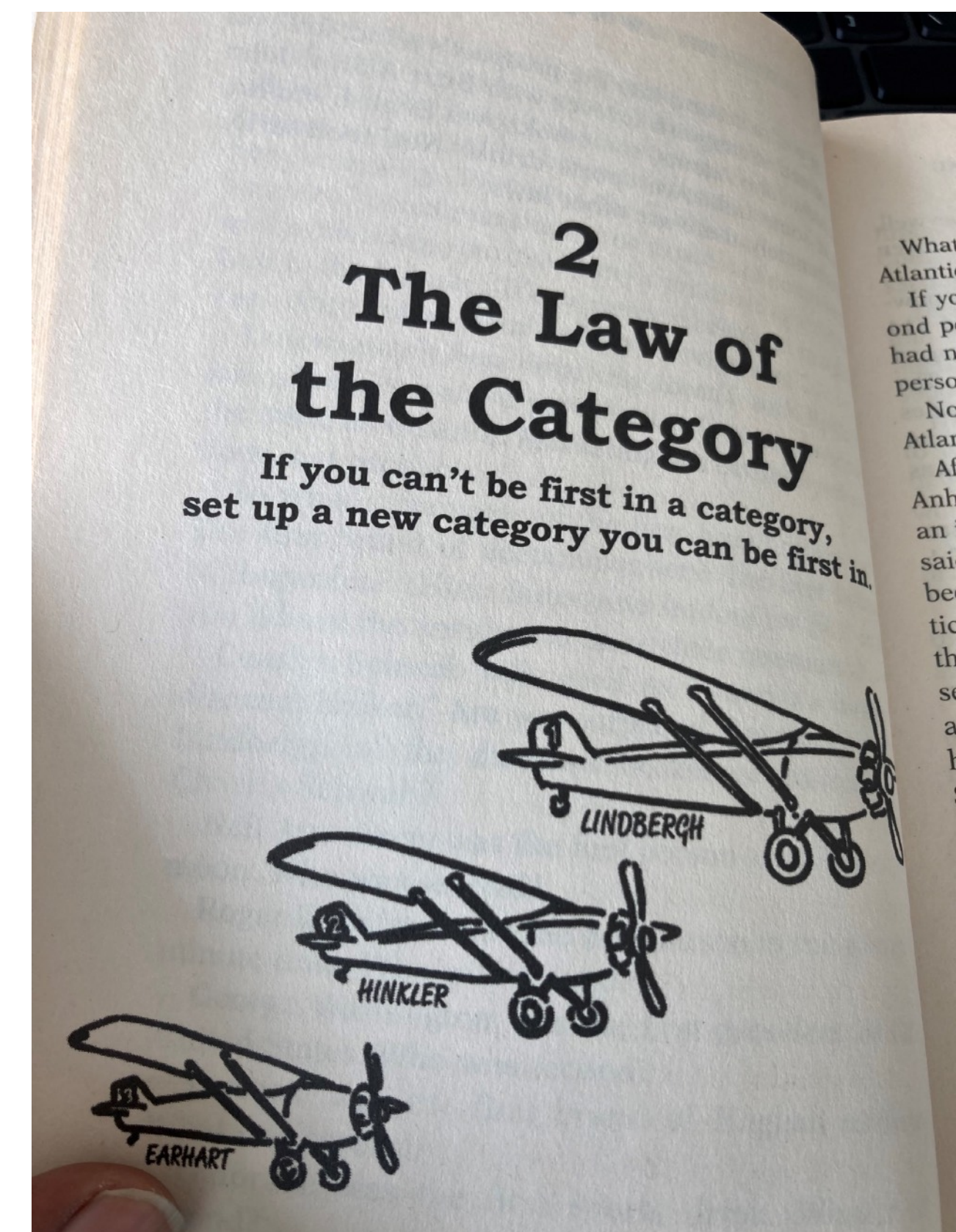
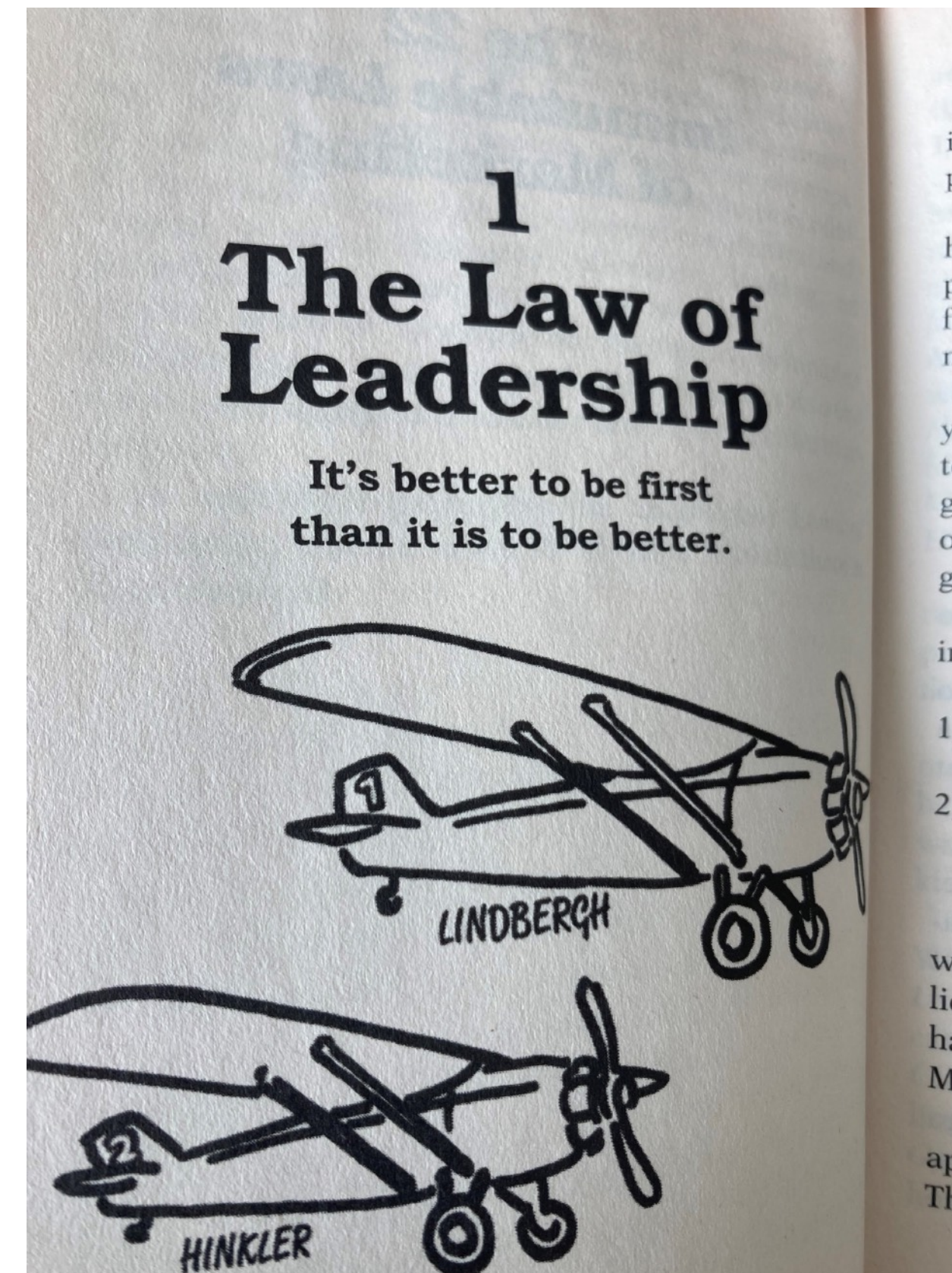
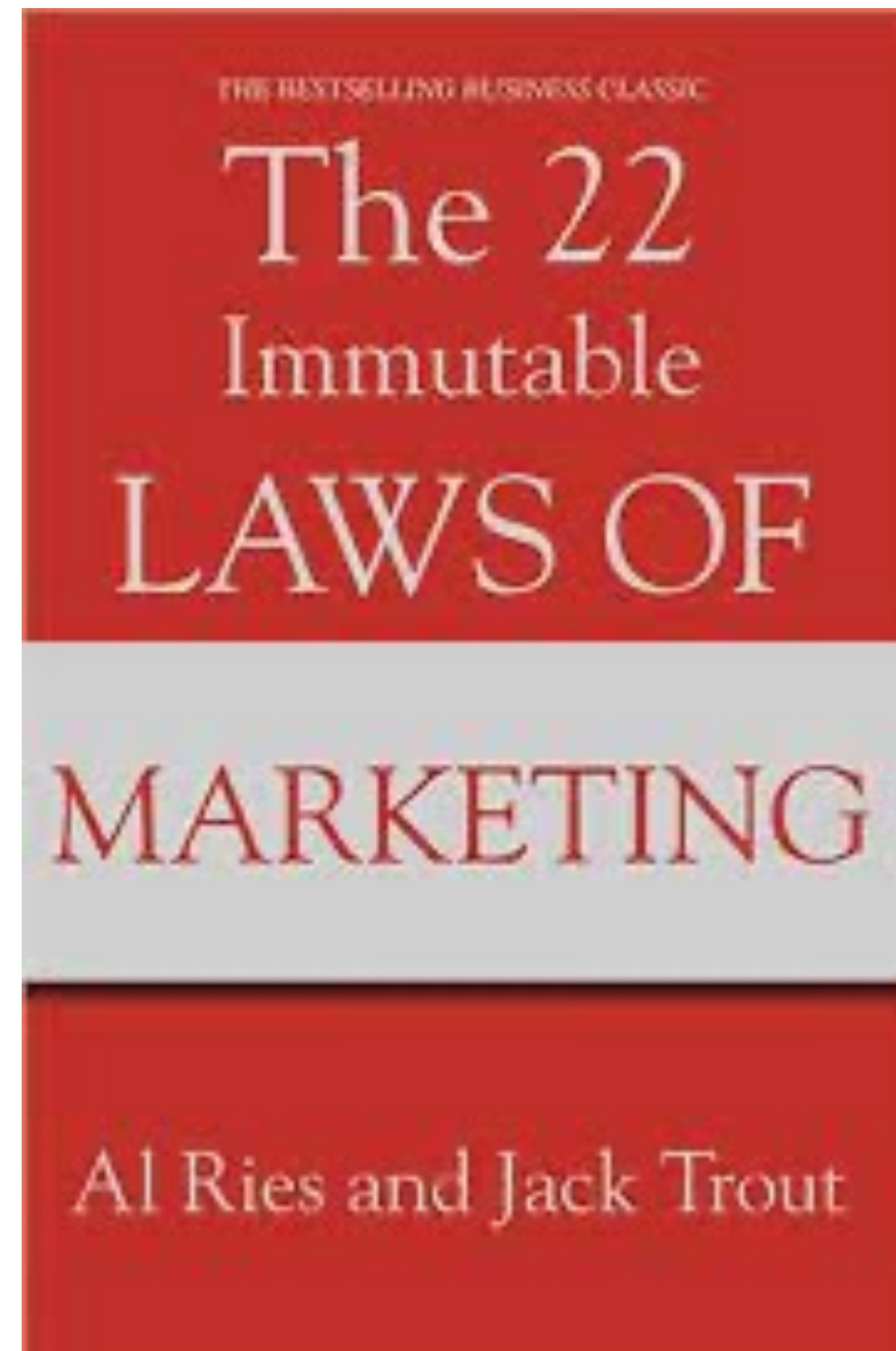
Deodorants category penetration (male, urban)

Deos

1 out of 5



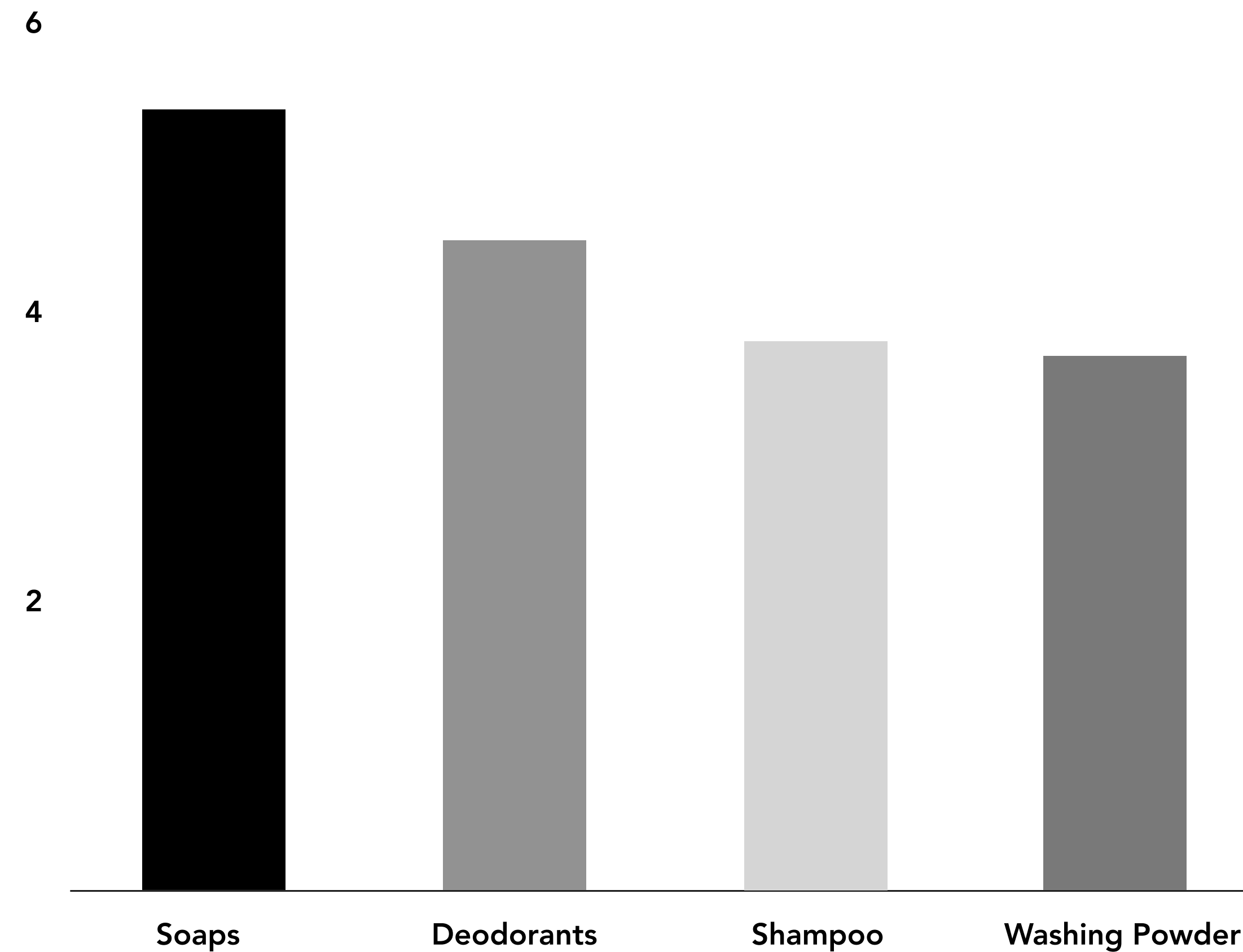
But why not Cinthol as a play in Deodorants?



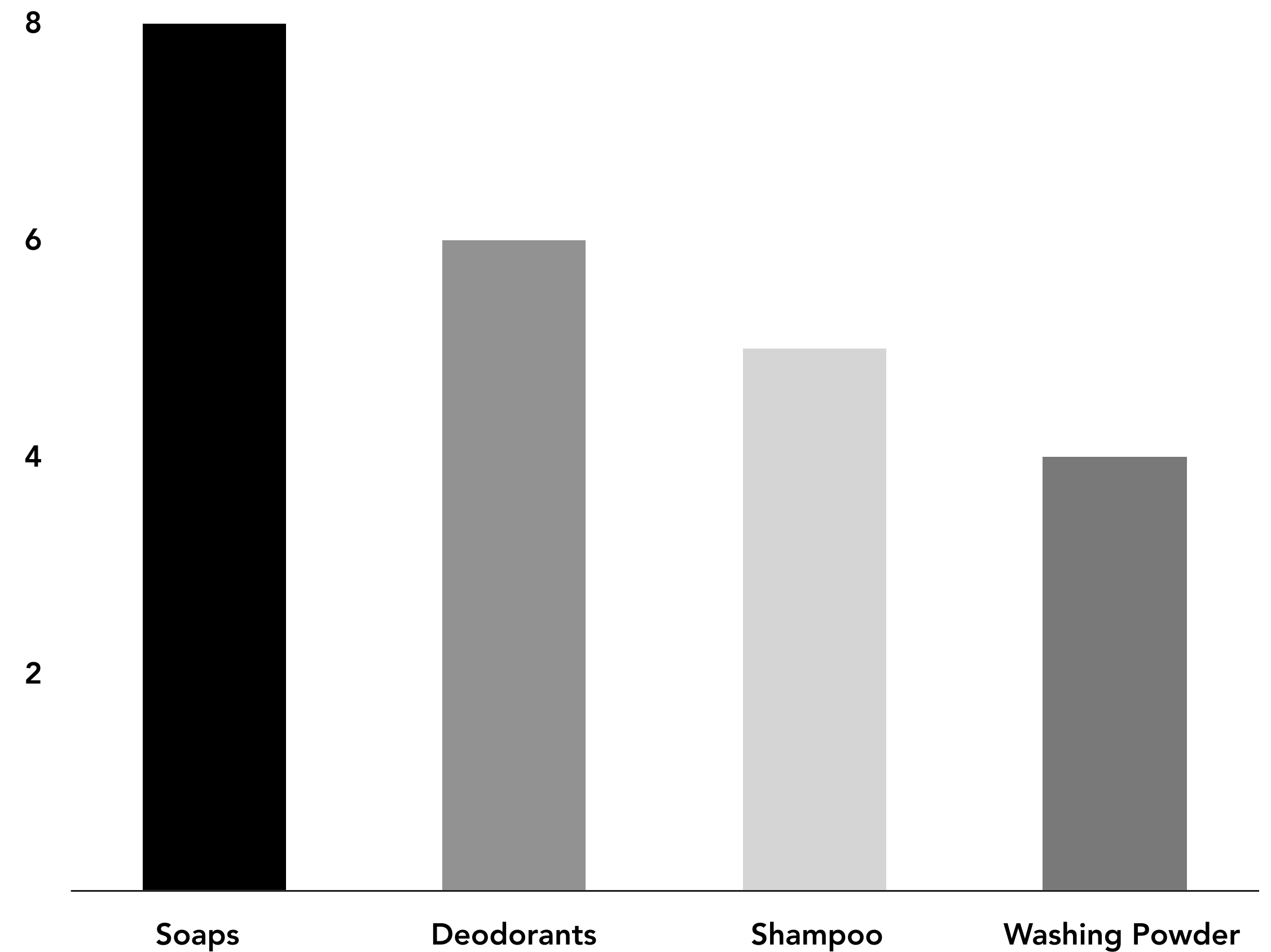
If you are not among the first few entrants, you can only enter if you have a seriously disruptive product

Contrary to perception, Deos neither disloyal nor fragmented

Average # of brands purchased per household per year



Number of brands contributing 2/3rds of the category

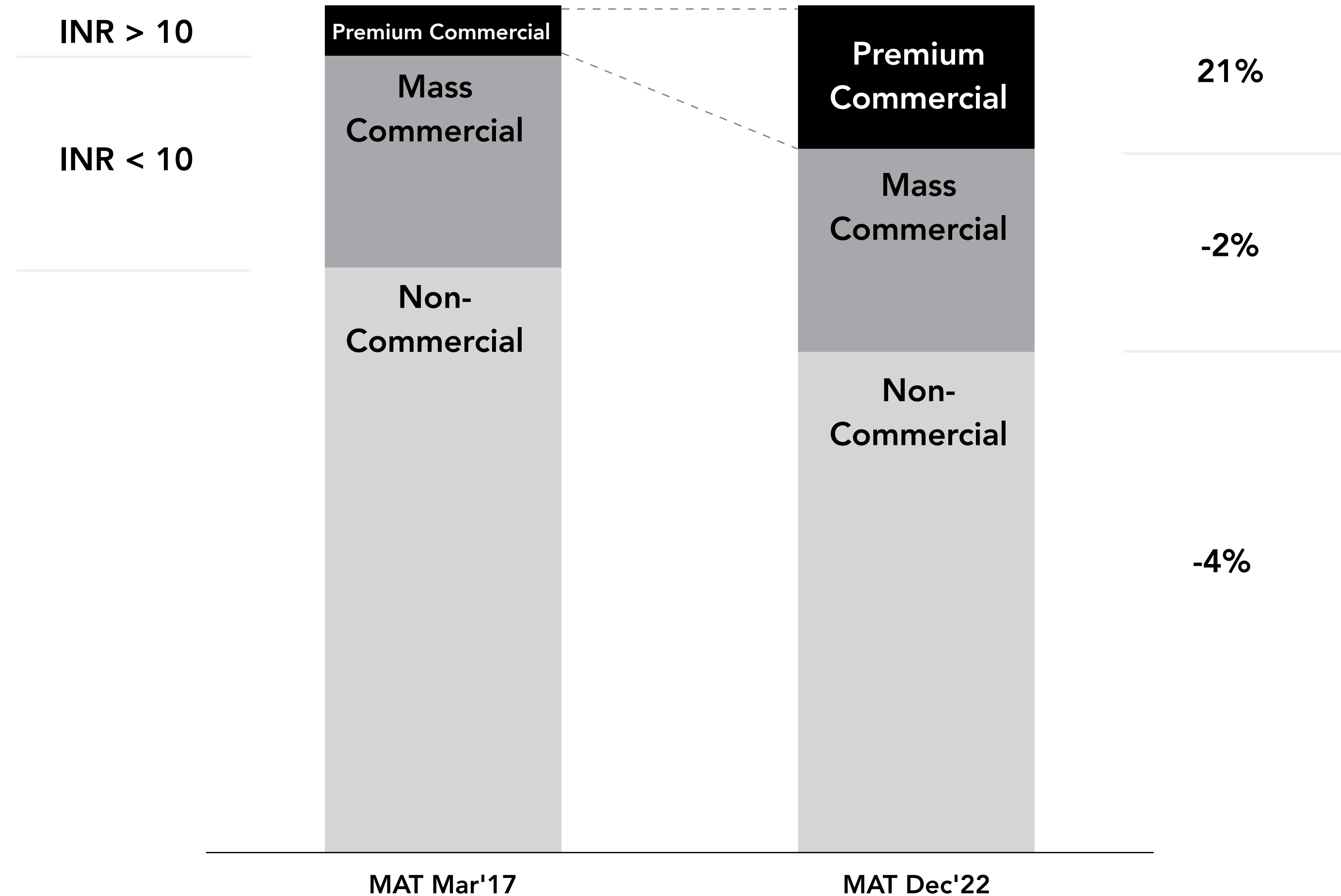


Condoms market is premiumising fast

% of commercial urban male condom volume sales

Price range
(INR per condom)

CAGR
(2017-2022)



Premiumise Mass commercial market

Massive opportunity to upgrade non-commercial market

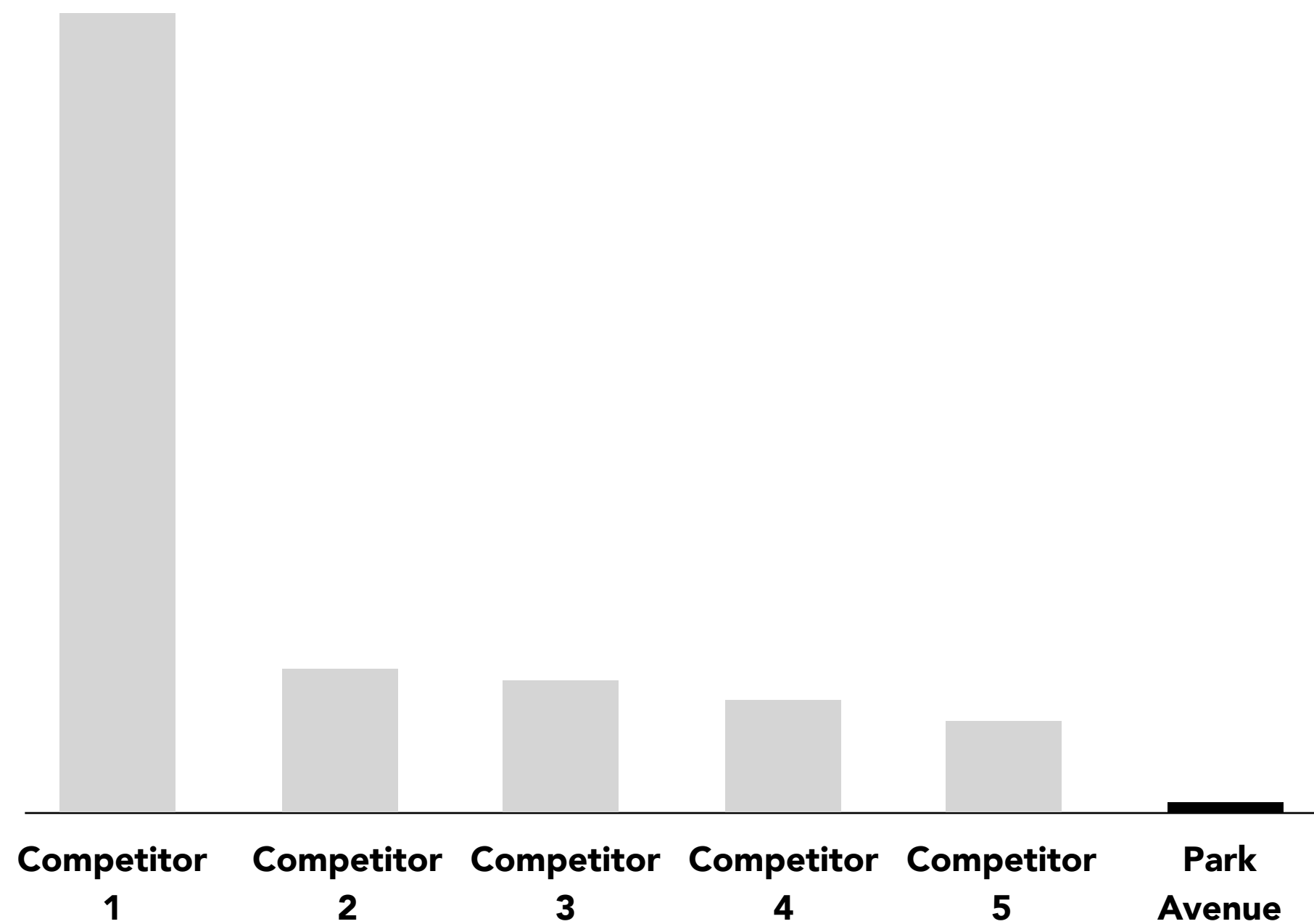
2

**Brands are
strong but under
leveraged**

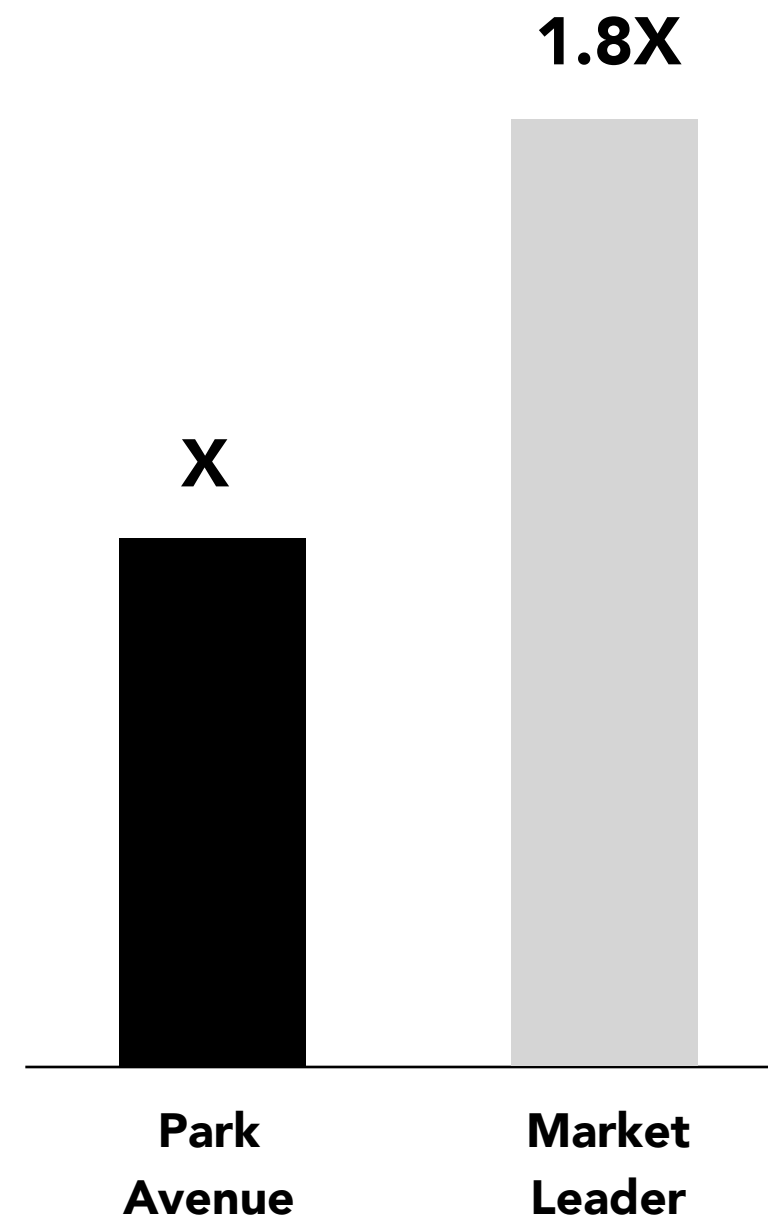
Park Avenue: An underleveraged but strong equity

Low media investments and average distribution reach...

Media investments
(INR cr, MAT Dec'22)

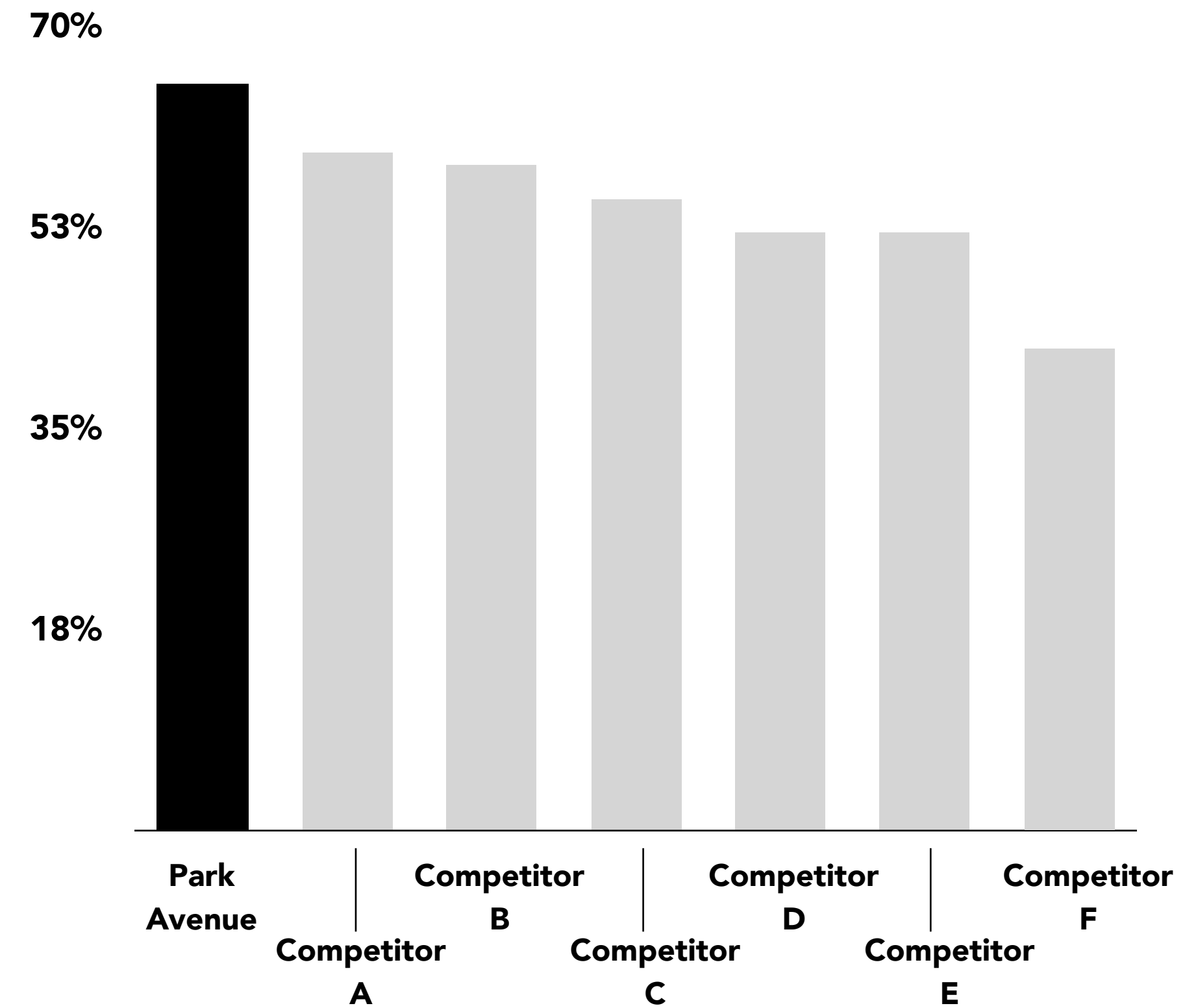


Distribution reach
(ND %)



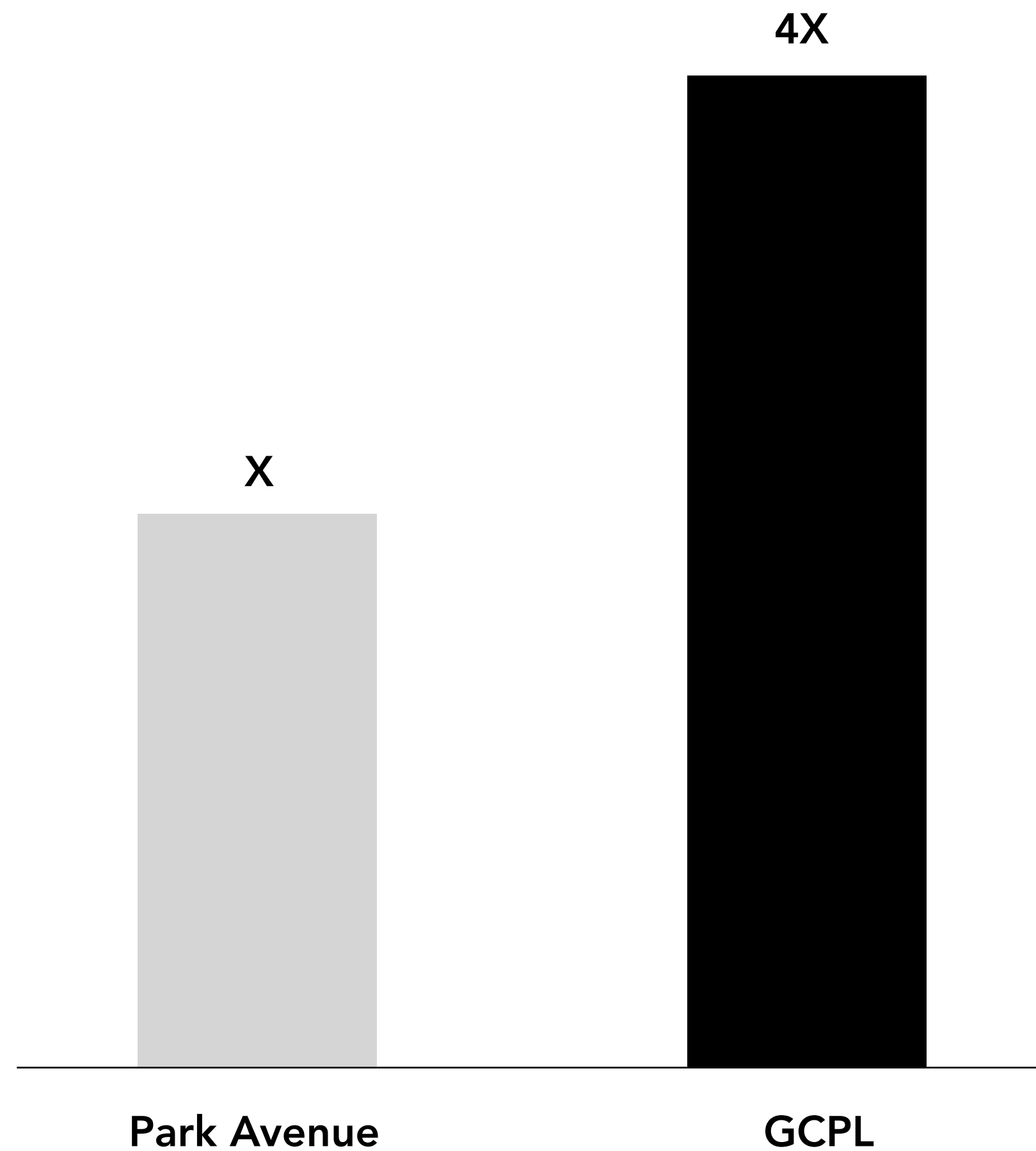
...but high consumer advocacy

NPS
(% respondents)

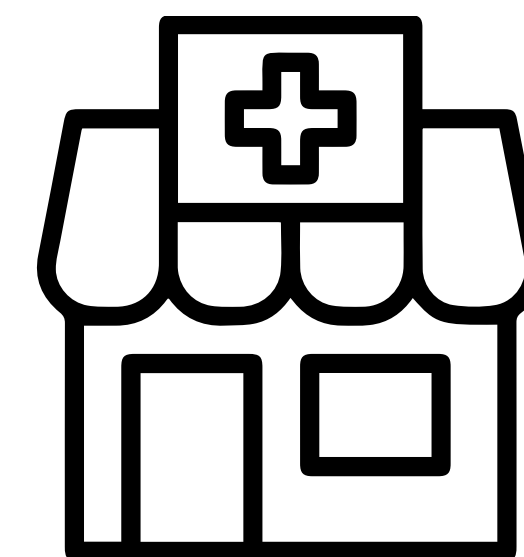


Massive distribution opportunity exists; GCPL well placed to capitalise

of urban outlets reach



Leverage GCPL's extensive general trade footprint



Leverage KamaSutra's and Park Avenue's chemist footprint

3

Significant Cost Synergies

Unlocking cost synergies

Trade promotion and distribution

Reduce MRP to NSV leakage from current elevated levels

Manufacturing

In house soaps manufacturing

Procurement

Better negotiations on combined aerosols volume and palm oil derivatives

Fixed Overheads

Meaningfully reduce the cost from current elevated levels

Radical simplification

Rationalise non-core and low margin SKUs

Business Case and Valuation

Business case

	FY23	FY24	FY25 onwards
Revenue	INR 622 cr	Expect revenue and EBITDA margin to be similar to FY23*	Low double digits to Mid-teens growth
EBITDA margin	High single digit		Mid twenties
EPS		Dilutive	Neutral

*Driven by category development and simplification initiatives (SKU rationalisation, discontinuation of non-core categories) and one-time costs

Valuation

Gross valuation of INR 2,825 crore including ~ INR 100 crore of cash

Slump Sale structuring will result in availing tax depreciation on brands, thus reducing cash tax. The NPV of cash tax savings will be ~ INR 400 crore.

Net valuation of ~ INR 2,325 crore implying ~3.75x FY23 sales

Investing one year cash flow to roughly get 10% India sales

Funding

Acquisition to be funded via short-term financing

Expect to be in net cash position by mid FY24

Thank you

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