



“Godrej Consumer Products Limited Investor and Analyst Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the conference call of Godrej Consumer Products Limited, hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ashit Desai of Emkay Global. Thank you, and over to you, Sir!

Ashit Desai: Thanks, Janis. Good afternoon, everyone. We welcome the management of Godrej Consumer on the call today. From the management we have Sunil Kataria, Business Head, India and SAARC and Mr. Sameer Shah, Head, Investor Relations. So we will directly begin with the Q&A session and Janis over to you to handle the Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks. My first question is on the health and hygiene platform. We are seeing companies’ reporting slowdown in the past few months. So wanted to understand if 100 was the base in Q2, how is the industry or your numbers shaping up in the health and hygiene products?

Sunil Kataria: First of all within hygiene categories there are multiple formats. The bulk of the hygiene category is obviously hand hygiene and that is one category which has seen the most traction in both soaps, which is itself the largest component of hand hygiene still in India and will remain so, and hand washes. Then there have been the new categories which have been emerging over the last six months, thanks to COVID, which are disinfectant sprays or let us say room freshener spray which are more hygiene related. I would put this into two parts, that there were core hand hygiene and then there are maybe just new categories within hygiene which are emerging. Now the way it is happening is, we are seeing in hand washes itself that the penetration of the category has changed pretty fundamentally over the last six months. Thanks to this whole outbreak which has happened, the category penetration of hand washes in India has roughly gone up by 1.5 to 1.7 times and that is the kind of traction which is happening in the category, in urban and rural areas. In terms of soaps, which again has seen a very significantly consumption and increase in traction, it is primarily because of two reasons, one more hand washing is happening and secondly maybe there are people taking more precautions and protection because of extra bathing which maybe happening as well. Soaps obviously is the 100% penetrated category, it is seeing a consumption increase. The third part which is the newer segments emerging are

very small right now and I would say it is little too early to call out as to where will they stabilized.

Abneesh Roy:

But are you not unduly worried on the third part?

Sunil Kataria:

It is difficult to say. It will stabilize but I would put two categories, which are emerging more in COVID, one is sanitizers which otherwise was always a very insignificant category in this country and the second one which has newly emerged is the disinfectant spray. I think they are both very small in the larger scheme of FMCG and hygiene itself. What will happen is that we may have seen a very abnormal spike in the last six months in these two categories, they have already started coming down sharply, but the good part is they were completely marginal and negligible. I think they will settle out at a space that they will have a reasonably decent threshold level in the country. So I am not too worried about it because in a pre-COVID period they never existed in this country. So even if this stabilizes at a reasonably lower threshold level than the spike, I think they will start to become meaningful categories for the future.

Abneesh Roy:

My second question is on distribution. Clearly customer is relying much more on Kiranas than pre-COVID so there are more products being catered to by Kiranas versus earlier including non-FMCG and within FMCG. Every company has come out with 30, 50, 70 new products and this is leading to FMCG companies rationalizing their portfolio because you have less shelf space available. How are you addressing SKU rationalization and on the other hand new products which we have also been launched plus now slowdown is being witnessed in some of the new products. Could you discuss that part?

Sunil Kataria:

Actually, I will handle this in two parts. One is that, in any case the whole GTM in India was pretty much operating in a partially broken system till let us say two months back. Modern trade for example is still to come out of the structural changes it is seeing, so in this time period obviously general trade and e-commerce are two channels which have really got the boom and general trade more because of the way they responded to it and the needs of the local neighborhood. Now coming to your question, yes there have been a flurry of NPDs which has happened across many portfolios. What will happen in this is that there will again be a 80/20 or a 70/30 principle which will shape up, where you find 70% of the traction is coming out 30% of the launches and I think those are the ones where further investments are going to go and that is something which is even the way we are seeing prioritization. There are some which are stabilizing to a decent threshold level. There could be categories emerging for the future or in some of the cases where the categories preexisted they would start seeing some threshold level of base. I think we will all be prioritizing in that 70/30 ratio in terms of categories and hence those will also start showing in as Kiranas opens up more in a more formal way like earlier, you will also see the shelf

space to start getting distributed in that way. So I think that is one principle which is panning out. The second piece which is happening in terms of SKU rationalization, an exercise which we do once in two years, but yes having said that we have actually ourselves also gone through this exercise in the last 60 days again because COVID also made us step back, are there any SKU which are main or any products which may not be required in the future new normal and we have done some SKU rationalization because we have decided to let go off a tail that we thought was not going to be relevant anymore. So I think these two pieces are the ones we have taken charge of.

Abneesh Roy: Thanks Sunil. That was quite helpful I will come back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Good afternoon. Couple of questions actually from my side, which is more clarificatory in nature, one is that when I was listening to Sunil in some other public forum wherein he was presenting, I remember Sunil you spoke about the changes which are actually happening in the GT distribution landscape and how companies like you which are actually market leaders in certain categories could take advantage. I remember one of the statements you made there was around GT today servicing a larger area than what it was doing previously, so that is question number one. Point number two on the Household Insecticides business in India specifically, what I find is that while there is a general consensus that health and hygiene habits which have changed in the last nine months, let us say hand wash for example, something which is sustainable in the medium-term, but I am not sure whether from an investing community point of view or the consensus point of view, is it appreciated well enough that is this something which sees a template to be applied even for Household Insecticides in India? For example, as a consumer if I had actually used mosquito repellent for more number of hours and in more number of rooms in the last six months, is it something that is sustainable? Have things changed in insecticides fundamentally?

Sunil Kataria: Manoj let me take the second question first then I will come to the GT one. Obviously, while I think there is one change which is definitely happening in new normal is that overall Indians now would be much more health conscious than we were ever before. As a country we have never had a very great sense of civic sanity and that is unfortunately the way our country has evolved, the way our society has evolved in terms of health. Also we tend to take a lot of things for granted and say okay it is more of reaction that will happen from us rather than any proactive moves from our end. So I think, in respect to the category what is happening is that there will be more proactive sensitivity towards health by and large. Now obviously what we are seeing right now in this template and what we may have experienced in the last eight months is something which is led by a lot of panic. I think that is something

which was in hand and hence I do not think that this template of panic led proactive actions apply to Household Insecticides per se. I do not think so that is something which as a template would apply to Household Insecticides. There are actions which we need to take from our end to leverage that. If earlier let us say on a scale of 10, Indians attitude towards proactive health conscious was let us say 4/10, my feeling is that move to a 6 now and that is a window of opportunity for all players to play in the health segment. Hence, in that sense Household Insecticides is all about vector-borne disease in this country. Now having said that, this is not something that will suddenly start playing out. What you will have to do obviously keeping the backdrop in mind, is to obviously create levers for category growth. For example, in these COVID times, the Household Insecticides penetration in the country has jumped significantly that is only an indication but that is because at this time, that lot of this preventive panic led action has happened and everybody obviously wanted to be vary of any kind of disease at that time, but this window since it comes our way we have to back it up with products which will drive category trials, because we are the category leader so that is a window of opportunity which comes our way and that is one area we will be very focused in. Secondly, there is clearly a window of opportunity coming our way in terms of launching products which are much more efficacious and able to drive premiumization in the category. These two are the levers that we will be focusing on and I can talk to you on this little bit. We are very clear that category trial generation responsibility lies on us as a leader and we know this category has its own seasonality that is a separate challenge all together, which we cannot wish our way, but we are working and in a matter of maybe next six to eight months, we will have one or two very disruptive launches which we believe can help us accelerate the category trials, new trials further. Secondly two launches which I can talk of which we have already done are Goodknight Gold Flash which is a premiumization and upgrade opportunity from the coil and the burning formats, this is a piece that is working very nicely for us and the second one which has just been rolled out and which I am pretty bullish about is a product called Goodknight Smart Spray and this we may not have shared right now too much publicly but I can talk about at this forum is because we just rolled this out around 30 days back as a test market in Andhra Pradesh. It is a product which in my mind is maybe the unique comprehensive complete solution of Household Insecticides which ever existed in this world. It is a spray which is a no gas. It is a non-gas formulation. It is instant like any other spray so it gives you SOS solution but unlike any other SOS aerosol spray, it helps in improving longevity, so actually it combines the longevity of our electric format or the burning format and the intensity of aerosol and all this come in a no gas formulation. So this is a very disruptive product that we have launched and we have launched this under Goodknight brand and not under HIT so this is the first Goodknight formulation which comes under the aerosol based non-gas formulation. So this kind of product I think can seriously lead to a very different consumer behavior in upgrade and premiumization.

Now coming to your first question which is around GT, what I has said was that GT is going to see an expanded coverage. The piece that I was referring to is that omni channel is a very large piece shaping in India right now, it is also one of the most confusing influx which we are seeing. It is changing maybe every six months. The boundaries between Modern Trade, General Trade and E-commerce are all becoming blurry. That is why it is being called omnichannel - for example Dunzo, if earlier a neighborhood Kirana was only servicing a catchment of say 1.5 kilometers to 2 kilometers at best around their outlets and that is the catchment and Kirana knew very well in terms of consumer preferences, inventory assortment, credit servicing, home delivery and everything. That was their business model. With things like Dunzo, Swiggy, Zomato as last mile delivery happening, we are very clearly seeing the opportunities that GT is grabbing – for the entrepreneurial Kiranawala this catchment is no longer restricted to 2 kilometers. The catchment is suddenly become 7 to 10 kilometers and the plan of the store is changing completely, if earlier it was assortment of 300 different items which was catered by the neighborhood Kirana, suddenly we are realizing the premiumization in that assortment happening because its boundaries have expanded so I think this is a very interesting change which is happening in urban GTM where the boundaries and the opportunity for a Kirana are going to be not limited by the physical distance of the catchment.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Thanks for taking the time to speak to all of us. My first question was on the ProClean platform that we have launched in the middle of COVID, so actually two subparts of the question, was it driven by COVID or was it something that you were already planning and working on? Secondly, in the past when GCPL has innovated, it has been based on some kind of a product differentiation which gives you a product advantage. Here it seems a little bit more of mainstream what is already there in the market. So just wanted to understand your thought process is it that if you could become a number two player in the longer run here if you have strong incumbents but not maybe strong number two player in some of these categories or do you think is it the platform that longer-term you will have differentiation on these product also?

Sunil Kataria: Yes. Arnab, we are pretty excited about these formats – both of them that we have launched under ProClean. If you see we have entered floor and toilets as the two segments and I can tell you interestingly we did not do it under Protekt because we see Protekt as a home and personal hygiene brand. So we have extended Protekt to a home and personal hygiene brand but we have kept toilets and floor part of home out of it because we have got that brand stretch requires a very different kind of efficacy and very different kind of brand itself. We had evaluated both these category as part of our long range planning exercise around six

month back itself and we have seen that these categories were growing pretty healthily in the country even during the slowdown of India and they were both low penetrated categories in India even though there have been incumbents who have done pretty well, overall penetration in this country is still low because there is a large unbranded play which existed in both these categories in the shape of phenol etc. So that is why this category attracted us. Having said that we always enter new category, you are right we normally come through the strong serious product disruption. When COVID happened we were already working on some products, but we decided that definitely this is a time to make an entry and take a threshold level space in this category even though products may not be highly differentiated so that is something which we preponed. Hence, we have launched new products because we believe that even if they are not fully differentiated or highly differentiated right now, given that the category has a huge penetration headroom to grow both the categories have maybe one very large branded player and no strong national player, strong brand which has distribution and trust behind it as well. We can grab a reasonable level of threshold market share. So I think that is the way I would answer your question. Having said that we are very clear that our DNA is innovation so we will parallelly keep on working towards identifying if there any disruption opportunities in this formats also from product angle and that is something which we hopefully will continue to do and if things work out yes maybe in a matter of next 12 months or so we could have some differentiation coming through in this category as well but yes this category very clearly we are seeing good early signs. We believe this category while it got heightened during COVID, it's a category which won't dip post COVID. It has got its own COVID agnostic headroom to grow and hence you believe this is a category to really invest in future. We want to start having a much more diversified portfolio to leverage our business. So what these categories do along with the other work that we have been doing on Protekt is that it makes us much more diversified home and personal care company and that is a very strong intent that we have put on the table and I think ProClean and Protekt both really help us to do that. So clearly we will be investing behind that and apart from this if you combine these two formats along with our continued thrust behind Air Care and Fabric Care. The vision for us is we will be a very different home and personal care company with presence across maybe 10 different segments than what we were a year back, maybe limited to let us say four segments so that is the way we see ourselves.

Arnab Mitra:

Yes, thanks that is very clear Sunil. My second and last question is on hair color. This is one segment where growth has been very erratic. We have seen some good quarters followed by some bad quarters. If you could just throw some light on what is happening within the category, the different moving parts we are having, why has the growth been a bit erratic, are there some changes happening within the category, why that is not

structurally growing as it was expected to grow and therefore how do you see the future for you going ahead here?

Sunil Kataria:

If you see the last nine months obviously this category has got impacted because of the discretionary nature. Two years back the category was growing at around double digits, then in the year 2019 what happened was that this category saw slowdown but that slowdown was nothing to do with this category alone. It was the way the whole Indian FMCG segment went into a serious slowdown led by primarily rural but even urban came under pressure and when the way GDP came down crashing from 8% to 3% during those four quarters, FMCG saw a fundamental slowdown and this category did see the impact but the same stress was also seen across all other categories within FMCG. Only thing now in the last two quarters what has happened is that all discretionary categories have come under pressure because the whole focus was towards prevention and hence essential so we have got impacted both from supply chain as well as consumer demand point of view. What is the good news for us is that in the pre-COVID period and I would say the two quarters pre-COVID, we were seeing huge traction happening in our hair colours business. Thanks to some of the marketing intervention that we had taken and we were seeing very sharp market share gains which were coming our way and reflecting also in our core business of hair colours. So I think we were actually on a positive trajectory and were disappointed that COVID happened in between that it in a way almost disrupted some of the brilliant work that we have started seeing results from. We have also launched shampoo hair colour during the same period so a lot of our hair colour pieces were actually falling in place and had started gaining traction. What has happened now, the positive side post COVID is that I personally expected this category which was tracking negative like any other discretionary category, it has gone into a negative growth and the penetration had also fallen, I expected it to take reasonable time to recover. I was myself mentally prepared for saying okay this is going to be maybe your post COVID six to nine-month kind of a recovery. What I am very surprised to see is the kind of recovery that I have seen in hair colour in the last three months. It is very sharp, I am still not very sure that this sharp V shape recovery that we are seeing in hair colour is actually going to stay but one thing that certain is that it is not going to take six months that I earlier envisaged. So this recovery is here to stay and maybe in India we have now seen a much more faster bounce back of discretionary but I would wait for a little bit more to see how the recovery shapes out. Having said that the good part is the two big pieces that we had put into play in the last two quarter of 2019 which is the new marketing mix of Godrej Expert Rich Crème and the launch of Shampoo Hair Colour and the way they were playing out very positively for us. I think we are seeing again they have continued from where we had left them and that is giving us very healthy times. It is also showing in the way our market share are moving in the last six months. So I am pretty positive and happy about hair colors right now actually.

Arnab Mitra: Thanks Sunil so much and all the best.

Moderator: Thank you. The next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Thank you for giving me this opportunity. I had a question so most of the FMCG companies especially in the health and hygiene category have launched a lot of products but at some point in time most of the companies will take a call on whether this is tactical, this is structural so if you were to call out some two, three brands or categories in which you are ready to pick up and do lots of disruptions and innovations which would be those two three categories and brands? Thank you.

Sunil Kataria: I think in a way, to earlier question also, I talked about it, but I will repost this answer here, I think very clearly as I said that while many of us would have launched many multiple hygiene products during the COVID pandemic, clearly the 70/30 ratio is playing out and it will play out. So by and large I think the categories which will be the long-term categories within hygiene space for India, one very clear is going to be hand washes. I will give you a data also here and this is something which we have been telling very interestingly. Hand washes have been in India for around 15 years now. The penetration in 15 years moved from 0% to 19% as a category overall, and all led primarily by urban and what COVID has done it has taken the penetration in six months from 19% to 34% and that is a fundamental disruption of this category which has happened and maybe that is one silver lining out of that it is actually led to a fundamental habit change. Now even if let us say it does not sustain at 34%, it comes back to maybe of 30% hypothetically, the great piece it would have taken up maybe five years to move from 19% to 30% so in a way probably what has done is, it actually short-circuited the five year curve of hand washing in this country and that is the only one category which is definitely now going to go from strength-to-strength because even if it is let us say over the next three months corrects to a 30% penetration there is still a huge headroom to grow in this 30%. I mean you are talking of still maybe another 30% to go when we normally start seeing categories getting to slowdown when there are 65% penetration or so. So that is one category which is here to stay. The good thought process that we have disruption in this which we have launched two years back itself which is Godrej Protekt powder to liquid hand wash. Now this is a brand which has seen a huge traction expectedly like most hand washes brands but what it has done is that is occupying a very sweet spot that there is no Rs.15 hand wash available in this country. The only thing people use other than the hand wash is for cheap solution today is soaps. So we have Rs.10 soap in the market. And that is a very large segment in this country. Now this is a very easy price point to shift over and upgrade from a Rs.10 to a Rs.15 powder to liquid hand wash and this is only the head start. I cannot disclose the shares right now but we are seeing some very good strong volume share that we have gained in this segment and here we would like

to see volume share because we are obviously priced at one-third of the normal hand washes. I am interested in tracking my volume hand wash because that is what matters there that is what the number of homes I am reaching and my target would be to actually drive penetration in this category, if market share gains happen through conversion and downgrades from other hand washes that is a secondary task for us and that happens, our eyes are not on that. So this is one category here to stay. Secondly, I believe the another category which is going to evolve going forward in the hygiene is I think the pieces on disinfectant spray. This is going to be a niche premium category which will evolve primarily through e-commerce and modern trade I do not expect the frenzy to sustain, I expect it to come down but I think like the way aerosol category has emerged in Household Insecticides, I think this is an aerosol category which is emerged at a premium end of hygiene through premium niche channel. So I think that is another play which will happen. The third piece which has seen a huge frenzy during COVID but which I think the category is COVID agnostic are the toilet and the floor cleaners is a home hygiene category which is where we will play through ProClean. So between Protekt and ProClean the good news is I see us playing in five more home and personal care categories, all and obviously all by and large between personal and home hygiene. It opens up a window of five more categories for us and which will keep on disrupting and we have our own distribution and brand building also makes us very diversified.

Alok Shah: Thank you Sunil. That was really helpful.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec Capital. Please go ahead.

Harit Kapoor: I just had few questions. Firstly, is on the urban and rural mix. So you have launch of all these products most of them are probably catering to the urban middleclass kind of market I just wanted to understand, historically, GCPL has had a slightly lower share of their rural portfolio at about 28% of India business. The category is that we are looking at into the future mean that this ratio probably will not go up probably to 30%, 35% levels. How do we see this kind of mix moving. The reason I ask is because even over the next four, five years the expectations are that rural should do better than urban so that is the context?

Sunil Kataria: On this, two things again maybe panning out. Yes, there are some of these hygiene categories that we are talking about, let us say the toilet cleaners and the bathroom cleaners. We are obviously urban skewed and actually the question there is that the penetration of the category is so low in urban itself. That itself will see a huge amount of growth but having said that there are two or three interventions that we are doing which are very, very rural focused. The one big one intervention which is I just talked about is the powder to liquid hand wash which is sitting behind us. There the entire focus is to upgrade the Rs.10 soap

user and Rs.10 soap is a highly skewed, highly penetration category which is led by rural in India so that is very clear. Most of the soap market I mean it is roughly around a 60/40 ratio between Rs.10 soaps and the larger soaps in this country and that 40 itself is skewed towards the low tier and the rural part of India so I think powder to liquid task is very clearly to teach hand washing to the rural India and to upgrade the soap users. So that is one big brand for the rural which is happening. Secondly, as I said in Household Insecticides that we are looking at some disruptions over the next 12 months coming while and I have talked about Goodknight Smart Spray which is completely urban and completely premiumization story a very big one for us. I think there is a couple of innovations that we are working on and pretty close to this hopefully we should be able to tell in next three quarters or so which are going to be only focused on driving new trials to the category and they will be largely rural skewed. So there will be a balance of both happening. I would not say that we are going to be launching products skewed towards rural. I think we want to know the balance of both and I see maybe over five-year period our aspiration would be to take 29% to maybe a 34%, 35%. I would say that would be a four or to five-year horizon for us but yes I think we will have a balanced attack on both urban and rural.

Harit Kapoor:

The second question was on the soap side specifically Godrej No1. In the last six nine months my initial expectation was that it might suffer a little bit given the increased focus on hygiene and some of the more germ led products. Godrej No1 could actually lose some share, but over the last couple of quarters even we have actually done quite well while we have gained share from smaller players, regional players, how do we look at the performance going forward over the next 12, 18 months. There are two aspects, one is that consumers normalize their purchase to a product like No1 from a germ protection but on the other side even the smaller players are coming back so how do you see this the headwind tailwind combine how do you see the growth trajectory expected?

Sunil Kataria:

So let me tell you what has happened on the soap piece. The Godrej No1 story first of all is not a COVID story alone, soap business as all of you know has its own cycle. It can see commodity bull runs and it can see some of the commodity come down and that obviously has very clearly, given that it is 100% penetrated category, it has this whole linkage to the up and down of price warriors. So that does play out in the category and we are now used to the cycle and how to navigate those cycles. Now what has happened even in the two years pre-COVID when there was the soap segment was seeing a slowdown in line with the FMCG slowdown, Godrej No1 brand kept on doing the right things and one of the pieces which has worked well is this whole approach that we have adopted as a company called CMM or what we call micromarketing initiatives so consumer micromarketing and that is the culture which I think got ingrained in our things, which means that we today execute our strategy, which is not only for No1, we execute a strategy as what we call at a DDR

levels or the dynamic district region which Nielsen gives us and our plans are very varied at a district dynamic region level. This paid up us even in a pre-COVID when for two consecutive years we kept on increasing market shares. Godrej No1 was already at a all time high share before COVID happened, and then what is happening in COVID is something which I never thought I would see in my lifetime happen to soaps because I always used to do joke about with the marketing team that I do not think so we can make India bath more like maybe it has been always very tough and I do not track oral care, but you guys would know that has been tough to get India to do tooth brushing twice. So I said we do not force people to have a bath twice, that is going to be a longer haul but what COVID has done and I know this will not sustain but I think it will sustain to some extent, this has taught India to maybe hand wash more, it is only teaching India to take maybe bath more while I think some of this will go away but I think some of this hand washing habit will stay and hence I would like to say that one misconception which at least I do not have in my mind, when we talk hygiene, the biggest hygiene category in this country is soaps. While we will be investing in the hand washes and the task of powder to liquid hand wash growing hand wash penetration from 30 forward would stay, but the fact is a large part of India will use soaps for hygiene and that is a brilliant context to be in. Now Godrej No1 is placed at a very, very strong position because high market share when this hand washing has panned out in soaps also and plus with combined with the CMM activations which we did not let go down during lockdown also and that is a complement to our marketing teams, I think the sales teams what they did in the ground we have seen the benefits coming out to very sharply in terms of Godrej No1 and I would say while No1 is being talked of here I think a very untold story in our soap portfolio is Cinthol, which is the premium end of portfolio, which also has been gaining steadily for last three years from here. We have seen the gains happening in both Cinthol and No1 very strongly in the last nine months. where we left it pre-COVID, the category tailwinds has benefited us and we have taken advantage of that. I can tell you one piece which is missing also in my soap portfolio which and that nobody is asking when this COVID happened, I also feel that while WHO tasked Indians and maybe not Indians, globally everybody that any soap is good enough for germ protection, so what has happened here is that initially while they may be friendly towards health soaps people are aware that yes every soap is good to take germ protection and after maybe three or four months people have made sure that they come back to the original brands so I think that is also playing out. Having said that we still believe health soap is a segment we need to invest further on and that is where we have now doubled our on investments behind two parts of our portfolio which is one we have launched a Cinthol health soap at a premium end which we believe will take time but we will be at it because that segment we believe we have opportunity to grow, we are weak on that and the second one is Protekt health soap. This though it is not magic in soaps to happen overnight, I see this is a three-year journey of health soaps. So we continue the great work that we are doing

in No1, we continue to do the great work of Cinthol Lime Fresh and Cinthol Original which are very strong portfolios and we start building the Cinthol Health and the Protekt Health Soap it is a three year journey. I know all soaps work you have to be hell lot of patients in soaps but I think that will make us a very complete soap company in that sense. When we talk hygiene India's hygiene starts with soaps. We should not forget that.

Harit Kapoor: That is very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Akshen Thakkar from Fidelity Investment. Please go ahead.

Akshen Thakkar: Thank you so much for taking my question. I do not know how does the board evaluate your performance maybe if you could just speak a little about it - over the next three to five years what are the areas that the board wants to have focus on and then obviously you would have formulated a plan to achieve whatever qualitative / quantitative numbers that are set out in front of you? Could you just help us maybe understand the two goals that you have along the way, is it market share gains, is it new product development. What does your dashboard on decision making looking like? That was one question. The second question really was that you touched upon that NPDs and that not all products will go up but the ones that will succeed given that the kind of markets that you entered in are fairly large right so you had a very good success track record in some of the past NPDs, so this NPDs in terms of pricing, can the new NPDs if and when they are successful as large as let us say air fresheners and sort of car fresheners or is the size or price a little lower in some of the new NPDs? Just wanted to get your thoughts on these two questions? Thank you.

Sunil Kataria: Let me take the first question, so I think clearly the performance parameters, the dashboard that we get evaluated on and where I personally evaluate myself very clearly it is a portfolio growth and it is the growth in terms of quantity and the second one which really for me is important is the quality of growth. What will happen in any company is that finally there are going to be cycles when one category goes through some draw back, other category will go through its ups and downs and I think sort of sustainable growth and at my level it is all about looking at a sustainable growth and not living only from quarter-to-quarter and that is what all of you are also interested in when we look at us from an investment point of view. What is the sustainable quality of growth that we are building for ourselves so that is one benchmark, apart from obviously delivering short-term results, which obviously goes without saying. So that is a one piece. Second piece obviously is that where you are category leaders your task is to grow the category, wherever you are not the category leader your task is to gain market shares so that is the second piece I would put as a second part of the dashboard. The third important piece is obviously the margins and the health of the business in terms of profitability and parameters like return of capital employed or the

EBITDA margins that is the third piece. The fourth is bench strength on talent that what are you building in terms of talent pipeline for the future across. So these are four parameters I think which we talk when we converse with the board and this is something which I look forward when I talk to my own teams and when I self reflect, so I hope that answers your first question.

The second piece on this NPD pipeline, yes I think we are a company which has innovation in its DNA, in past we have seen that almost one-third of our growth has always got driven by what we call as NPD which is a 36 month cycle from launch of a product and these new categories that we have launched, the beauty of these categories is that we are all pretty much underpenetrated or let us say less penetrated categories in this country so toilet cleaners and floor cleaners both would be in the range of although I do not have exact figures but anyway between 15% to 20% kind of penetration which is very, very low for nation of our size. Similarly if you see hand washing I just told you it is move from 19 to mid 30s due to COVID, a brilliant head start which has happened, a brilliant habit change which this country is seeing so now it is up to us as players to really grow this category over maybe next three years. All these categories are really, really I would say fertile grounds to do disruptions and hand washes have already done the disruption. While we are starting off with some not so differentiated products in some of these categories, we will be very clear that we will go ahead and place some disruptions going forward. So you will see that is how we will play all these categories given the size of this category actually it is anyway not small at all - floor clear and toilet clears are all in the range of around Rs 1500 crore plus categories and that is a very, very large category. Just to give an example air care in India is around 700-800 crores and we have seen that there where we have got market leadership or close to market leadership in last two years and built a brand which is maybe a Rs 300 crore plus brand. Just imagine if we can enter a category which is 1500 crore and I understand there maybe a market leader sitting at 50% market share there so we are not going to take it lightly but a Rs 1500 crore category is sitting at a 20% penetration with one single player of 60% market share, if a disruption can be done there I think you can get some share within the category. So I hope that we would come with disruptions as well and use our own strength to carve out, get strong meaningful NPDs in this as well which will be sizable. I am very clear that we are not entering in this category to create 50 crores brands.

Akshen Thakkar: Thank you for that.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Thanks for this session. My first question was on the distribution side, couple of times you mentioned about how ecommerce is going to be important and you talked about

omnichannel as well but just specific to ecommerce how are your market shares tracking for the core categories here and how are do the unit economics for this channel behave versus general trade, considering lot of your premium new launches might be in the ecommerce channel. How do you see the margin profile here panning out? That is the first question.

Sunil Kataria:

That is very interesting question which is a topic for a lot of debates within our organization. Thank you for asking me this. I will be pretty candid here. First of all, I will tell you about our e-com journey, I am breaking it into two parts. I think the last two years of this which is up when we have started on our e-com journey very seriously and there is one call that we have taken is that we are the only company which has not putting ecommerce under sales. The reason we have done that is that we do not see this as a channel in the future we see this as a business which encompasses a comprehensive thinking of the entire consumer journey. So that is one basic principle that we have put up i.e e-commerce in future has to start thinking first with consumer and then the channel piece of fulfillment plays out from there, while most companies have seen it as a channel of fulfillment or last mile delivery. What this means is in the last two years while we have been putting the basics into place and the intent was to just maybe do a bit of catch up to it some of the people who would have been ahead of us we have created a team which report s directly to me. And we have supported this team with supply chain, key account managers and finance professionals. So that is the way the business runs in itself what this gives us is the leeway to launch their own e-com first or e-com only NPDs, it makes them take their own budget in terms of influencing the entire consumer journey from top of the funnel to bottom of the funnel which means on the platform and it obviously gives them leeway in terms of their own financial calls. So I think that is the first place of our journey. Having said that let me tell you what has happened in this two years for us, the first focus of this two years have been to just get our growth up in this channel to a good level where we believe we should be and we have seen obviously very, very high traction in ecommerce and we will end this year at around 4% of our business in ecommerce. I know that still not may be the best of class that there are obviously players who maybe in 6%, 7% range but I think that also is a function of the kind of categories you have but yes five years down the line e-com even grocery skewed company or let us say the home personal care skewed company, I think the business is tracking for a 10% in five years that I am pretty clear even earlier I think maybe five years also maybe a late it could be even three years it could become a 10% business so that is now the second phase we are in. Now the second phase of e-com journey which is starting I would say from April this year is where we will start looking into the quality of growth in e-commerce and let me explain you what it that means. That means definitely about growing much more premium end or what we divided our portfolio of e-commerce into three parts now. One is we are calling as the core which is a brand which sell a lot in current GT and modern trade system which contribute maybe

around let us say already two-thirds of our business. The second portfolio which we have identified which is called a growth brands, which are all NPDs that have happened in the last two three years which we believe have huge affinity for e-com for example HIT Antiroach Gel, Goodknight Fabric Roll On or let us say Goodknight Naturals Premium Liquid Vaporizers to just to give you few examples or Hit Racket, so all the stuff which we are calling as a growth brands and the third one is the future NPD which we are going to be having digital native NPDs. The next two year journey of e-com encompassing building future capabilities of e-com marketing, e-com supply chain and also e-com on platform consumer engagement. I think these are three capabilities that we are building. The second bucket that we are going to work on is quality of sales which would mean that we would like more and more of our sales to come out of growth and NPDs and these growth and NPD brands obviously will have a much higher, future margin profile for us and that is why currently our margins on ecommerce are less than the margins in our GT business understandably so that is where we believe over a period of maybe next three years would it try to come on par with GT . I honestly want to see is how do I grow my growth and NPD portfolios and premiumize on mix because that is a great opportunity which e-com throws for you, which is not easy to do in a GT . So I think that is the role of channel in my mind going forward.

Latika Chopra:

Sure this is quite comprehensive thanks for that. Second thing I wanted to check was on Household Insecticides. I heard you talking about lot of innovations, the new launch of Goodknight has done very well, we heard you on Smart Spray as well does it mean you are now more confident that this category growth rates could move back to more stable and less volatile trend going ahead and what kind of growth outlook you anticipate and also will you comment on what is the status on this competitive landscape from the intrinsic space today?

Sunil Kataria:

The answer to this question should cover most of the questions around Household Insecticides. So I think first of all this category will have a firm seasonality I think that is something which we all have to innovate pretty much on the same ground because that is a nature of the beast here that this category is a problem solution category, it has its own cycles of mosquito infestations which are linked to seasons and just like a flu or a fever happens during weather changes this is proven to weather changes and hence one thing which maybe from a long-term perspective we should see this category that we should not get too picked out from maybe a season shifting from one quarter to another. I think this category should be seen from maybe a long-term period of what is happening over an 18 months period or so, that is my first perspective and that I think I would request all of us to maybe evaluate this category from that perspective. The second part, this category has two components, one is which I talked which is the play where we have really struggled over the last two years is of getting fair share of recruiters, which is where the intrinsic phenomena

happened, illegal piece happened and they obviously disrupted their equipment part which always was coming to let us say the branded players and we were playing the big role in that which obviously got hit across for all branded players. So there I think I would say we have still not nailed it fully because while they have come down a little post COVID, I expect some of them to come back to some levels may not be the older level. Here two fold action is going to happen from us, the one is that we have done a very strong legal and PR action in the last eight months on this industry and that is something which has paid some dividends to us, we have worked out a very strong regulatory and legal team which will be consistently added so I think that is one task. The second is we need to get products and answers to incense stick, which will get us a fair share of category improvement, because that is our task and this is when I told you that in the next maybe two to three quarters, we have something lined up if we believe while we launched natural incense sticks already 18 months back, I believe that is where we will have some very strong penetration opportunity coming our way. So that is the part on the incense sticks or the recruitment for the category. The last part is premiumization and upgrades, which I think Gold Flash is doing pretty well for us that we are seeing good growth is happening. More than the growth I think the first part which is happening there is the seeding. In Gold Flash, we are on track for our seeding targets that we set out despite COVID breakdown. We saw the seeding target on track and the second piece which is going to happen is premiumization category through some very disruptive solutions. Maybe in four months' time we should be having a much better point of view on the Goodknight Smart Spray but that in itself I think is a pretty comprehensive premium solution and between Gold Flash, the Smart Spray and the Goodknight Natural range which we launched in ecommerce, I think there is a portfolio emerging for us which is about premiumization in the category and then there is a bottomline which is about burning formats which drives the category penetration. The outlook on Household Insecticides for us, volatility is part of the game but I think what we are looking at is at least driving high single to low double digit growth in this category I think is a place where I would look for in this category.

Latika Chopra: Thank you so much Sunil and all the best.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Good afternoon. Sunil my first question again sorry to harp on this but it's on Household Insecticides. There are some categories which are COVID tailwind categories and some which are COVID headwind. Now where Household Insecticides would fall I would assume is that given higher emphasis on health and hygiene it would be a marginal tailwind category with respect to COVID but despite that if I see your CY2020 growth rate assuming some number for Q4 which will not change the overall number materially but the entire

CY2020 that is four quarters put together which should take care of all pipeline up and down would be approximately 5% growth in Household Insecticides which is not an exciting figure that especially given that because of COVID the supply chains of these incense stick guys were disrupted etc. So there has been hardly any benefit at all or any major sort of change in trajectory from the earlier growth rate so am I looking at this in a wrong way or what am I missing really here?

Sunil Kataria:

I can tell you that you can add 2% to it straightaway which I think is the loss we have got because of supply shortages so let me first put it that way. I think this numbers could have been higher by another 2% to 3% straightaway, so what I am talking is Household Insecticides in any case would be a high single digit to a low double digit kind of a growth aspiration, which we are looking at going forward definitely. I would like to definitely play in the low double-digit pieces here. Now this is a category which I would say is as I said it is not a category which has got a huge tailwind because of COVID, it is a marginal tailwind category because the health consciousness in the country has gone up and that is something which is going to play and hence I said that the way you have to see the number is not a 5% kind of a number, it is a number which could have easily been on the high single digit kind of number had we got things right. Our NPDs roll out has looked good, Gold Flash being one, Smart Spray early days and then there are couple rolling out in maybe another two quarters time from now so I think this if I put together I would say the expectation on Household Insecticides is very clearly that we will have to drive the category growth in the backdrop of a post COVID scenario which is marginal tailwind and we will have to do it at both bottom end that will permit premiumization and a category recruitment the critical one for it is definitely would be how we get fair share of category recruitment which has always been our foray so I think this is where this is and this is how we look at the category going forward.

Percy Panthaki:

Just a follow up on this one, there was a disruption in supply on account of Assam being shut I understand that but in any FMCG category the total pipeline including retail, wholesale, distributor everything put together is generally anywhere between one and a half to two months, I mean if you pickup any product on the retail shelf the most common package date that you will see is at least about 60 days old right so do you actually have consumer level loss sales because of a production disruption in this?

Sunil Kataria:

Yes, I will explain this to you Percy. Shortage to us did not happen in April, May and June, the lockdown which really hit Assam actually happened in between July 15 to August 15, so if you see what has happened this was coming after three months of lockdown anyway so in between March 15 to let us say July 15 that pipeline had run out in the country across all commodities we all seeing that the shelf of Kiranas were empty by that time. That is one thing which has happened. Second piece which has happened which at that time was if you

can see our first quarter results of Household Insecticides itself was something around 120 plus kind of growth. That time the season was extraordinarily big so what happened at that time was four months of huge disruption in this Kirana stock shelves, panic in the country combined with the extraordinary season, huge sensitivity maybe towards anyone not falling ill, I do not want to go to hospitals at this time, the stocks just ran out across the country. Another thing is that every factory despite us taking all precautions (I think our team did brilliant in opening up all factories) saw some COVID cases happen in the factories factory or some COVID case will happen in the third party factory and then the district commissioner was operating at his or her discretion and every district was taking their own call. So if one case would happen some commissioners will come and say okay I want to take a 7-day quarantine some commissioners will come and want you to take a 21-day quarantine. So in that frenzy what happened was that we were operating from hand to month on two of our formats, which were coils and aerosols and in aerosol I can tell you more detail also what happened in aerosol, the challenge never happened in our factory in aerosol, the biggest hit which happened was in April to July, the largest can supplier in this country was in Bengaluru outskirts and if you can go and check the data the urban Bengaluru saw one of the most stringent lockdown in this country saw and that supplier did not get open permissions. So we got into struggle because we could not get the supply of cans. It is not a problem in my factory at that time because my HIT factory is in not in Guwahati so the burning format got impacted from Guwahati. The aerosol format got impacted because of the can supplies and with both these were happening in the period of July and August. I would say in April, May and June the supplies would not have got impacted because those two months would have taken care of it. The pain point sort of happen in July, August, and September. I hope that clarifies that point.

Percy Panthaki:

Thanks very much for this very detailed answer. Second question is just sort of a query on one of the earlier answers that you had given on ecommerce so you had mentioned because of Dunzo, Swiggy, etc., the addressable radius of a particular store goes up from 2 kilometers to 7, 8 kilometers. I am a little sort of confused as to why this would be the case because if you look at I mean if you are at your house within a 1 kilometer radius of your own house there would be at least 20 Kiranas maybe so Swiggy why would it sort of want to get a product from 7 kilometers away when it can easily supply it from somewhere closer to where the customer is based?

Sunil Kataria:

I will tell you two things were happening on that Percy, one thing is that in majority of homes at least in urban India and there use to be this phenomena of home delivery which use to happen from a local neighborhood Kirana within 2 kilometers, so one thing which has happened is that the assortment at that time will always cater to the local taste which in fact has been a strength of our neighborhood Kirana. Now what these last eight nine months

have done is that because of lot of people not wanting to step and stand in front of Kiranas or let us say the modern trade stores, what has happened is especially the modern trade phenomena that you are now wanting much more different kind of assortment, which we have got used to let us say when you use to go to a modern trade or which you were maybe earlier not even aware of. So what has happened is ecommerce is giving you a window into very different kind of assortments. Modern trade assortments have disappeared because you are very scared to step into a modern trade store and your neighborhood Kiranas till now never had that assortment. I can tell you an example I know the sample around my own home and I will take some names of some of the products which has suddenly started asking this neighborhood Kirana and has done some maybe 20 such samples myself. There is a product a brand called Veeba I do not know whether you guys have heard of it I am not be very honest heard it with pre-COVID, it is a brand into mayonnaise, sauces, and all kind of this pizza sauces, pasta sauces I mean and suddenly I saw in having huge stocks of this and I told him what is happening, you would have never stocked it so I asked them question what was our assortment earlier. Here assortment of 350. I asked him what the assortment here is now. It is 750 and I said why you told me I am becoming one of the largest Dunzo players around my assortment and I have done this survey is around 10, 15 people around if staying at home has given people exposure to a much larger assortment category, a) which is not otherwise available to them in their neighborhood Kirana, b) modern trade substitution has happened and c) there is a definite comfort and adoption of distance which is happening that I go to just the Swiggy or the Zomato or the Dunzo app and I just press the button and the fact is in the next 30 minutes delivery happens. Combined with this there is a lot of local neighborhood Kirana which will not have this assortment and you are okay saying I am getting to wait a 30 minutes and get it from a Kirana which is in a 6 kilometers away so I think this is a very clear phenomena which is there that the catchment areas are disappearing.

Percy Panthaki:

Sunil do you think that there is a sort of a permanent damage to modern trade in the sense that even when the fear of the virus and the cases drop and the modern trade stores are open fully, some people who have tried ecommerce either through this Kirana tie-up or direct inventory model whatever they would be happy, with this kind of an arrangement and therefore some of those sort of consumers would not go back to modern trade at all. Do you think that is a possibility?

Sunil Kataria:

I will tell you that obviously there is I do not see it doomsday scenario for modern trade. We are already seeing some revival happening but there is one structural change. The structural change is that earlier maybe Indians and I want to give an analogy of saying let us say maybe when ecommerce happened in this country seven, eight years back, the first thing which I ask myself that any of you are so used to trying out clothes in a trial room we

are so used to trying out shoes in a trial room, would we ever change a habit to ordering that online and two phenomena happened, one is cash on delivery and one is return policy that changed the whole traction and the first phase of e-com structural change happen through both apparel and shoes and maybe the electrical appliances. The curve which never took place which is changing in the last 12 months is the grocery shopping online. Now the structural change for modern trades will get impacted and the modern trade always served as a point of experiential shopping that you would go there, that you will spend time there, you will actually like to move through the aisle, you will experience a few products plus you look for promos so it was a kind of leisure shopping of both promo and the experience. Now what is happening with ecommerce is that you have got used to not the leisure part but definitely a much better assortment and promotion experience on ecommerce and there is that amazing convenience of the stocks coming to your doorstep in anywhere between 24 to 48 hours. I believe the structural changes this will have definitely some amount of stickiness and hence modern trade has to invent at least one more new pillar for growth. The pillar for them were always about promotions, assortment, experience, and the experience only in some cases obviously I mean there are some store which are only about pricing they do not say about the experience, but let us say broadly these are three pillars of propositions. In this promotion and assortment are both now getting tested and they have got tasted by consumers online. The piece which they have to change now is that, if the experience going to be enough to get the entire growth back. I think that will require some rethinking and I think the change there is not about experience. The change for modern trade is going to be omnichannel so you would see all modern trade players would evolve into omnichannel players. I personally do not think so of anybody does not evolve into omni channel will see same kind of growth. So I think the change for me is not structural damage, it is a structural change of modern trade player also becoming omnichannel. The question is what percent of the business will be physical and what percent of the business will be digital, difficult to predict but if I were the CEO of a modern trade chain I would see the future is to become omnichannel.

Percy Panthaki:

Thanks a lot Sunil. That is all from me. Thanks.

Moderator:

Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Securities. Please go ahead.

Krishnan S:

Just you have mentioned that there has been an increase in the penetration in the Household Insecticides category. I remember about three, four years ago in one of your sessions in your office so you have mentioned that the penetration that in the mid-30. How much is it now?

Sunil Kataria: No the HI overall penetration was when you said mid 30s that was rural, that is only rural. So the rural penetration in India has now moved to 50% plus. So it is around 50:50 you can say around 52% so that is a change which has happened over the last two years or so. The urban penetration was always in the range of around 75% and so it is hovering around maybe 77% or 78% in that sense so that is a change which is there. We will see a 2% to 3% increase in the penetration in the last 7, 8 months. And which will go by both urban and rural.

Krishnan S: Yes, similar to what you said in terms of hand washes what is the level you would think would sustain? Would you think that this could be until your new product start kicking in? Would it come back and would we lose 200 to 300 bps once the sales start tapering out a bit?

Sunil Kataria: I think as I said some part of this jump that we have seen in the last six months is definitely maybe because of the frenzy that may have happened in the first three to four months, but the rural penetration increase of Household Insecticides is little COVID agnostic in our mind. I think that got to do with overall sensitivity the consumer which has happened towards vector borne diseases so I expect that to be by and large stabilizing at this level with a 1% here and there, do not expect a drop which could happen in very sharp COVID led categories.

Krishnan S: At the same time, what is the experience in the two categories where the growth has been a bit disappointing primarily the out of home Household Insecticides category as well as the non-mosquito category? Have you seen a jump up there as well, we used to grow what was not growing earlier?

Sunil Kataria: One maybe factual correction, actually I have not talked about it which is a very strong story of Household Insecticides. I think the non-mosquito part of Household Insecticides is a very underleveraged part of our business and it can now maybe when in all our conversation some of the narrative always seem to be around mosquito part but the fact is the non-mosquito part of HIs are very, very large opportunity in India. It forms around roughly 12% to 13% of our business of Household Insecticides only so that is the hell of a lot of opportunities which sits in table. Indians have as much problem of cockroaches and other pests as they have mosquitoes and that is where the work is happening, there in this last eight, nine months. Actually this part of a portfolio has performed very well. In fact it is a outperforming part of our Household Insecticides portfolio so that is one thing which I want to clarify. The piece which is the hit which is expected is the out of home which is only 1% part of our portfolio or even less than that actually it actually not at 1%, 0.5% is part of our portfolio which is expected because out of home has linked a lot to school usage and kids playing out of home. When they go out in the evening when they step out for

schools, that is where the moms are very concerned and what we have seen is obviously this is almost behaved like cosmetics that kids were not allow to step out in the buildings for the first six months, the schools are still not open but it is a very small part of portfolio, which is more of long-term category creation and habit change pivot for us. So that I think while I am obviously not happy that got hit badly because that is a future growth even but I think that sector temporary hit once schools open, once people start stepping out more that will come back to normal but that is a three-year growth horizon pivot for us. The non-mosquito segment has done very well and we hope to grow that in strong double digits in fact.

Krishnan S: Even in the out of home as people will step out more even if it is in their own compounds because of the fear of getting sick, is there not an opportunity for you as well?

Sunil Kataria: Very clearly. In fact, I fully agree with your view. As the kids step out in the compound and as people step in the compound we have to start investing and communication that at least take a protection against any mosquito bite because there is a window of opportunity which is coming the HI way is that right now you don't want to have any kind of fever or any kind of vector borne disease and that is what mothers are very sensitive about children right now. In India, as adults, we do not get too bothered about what happens to us. We have seen for entry consumer who enters the category also or for that matter who upgrade also, the two biggest wonderful points are the birth of a child and hence essentially towards children, or essentially towards older parents. And hence to my mind, that is the opportunity, which is very clearly going to come back on the table after this disruption of no schools, no playing outside, that as India is normalizing and hopefully with vaccines around the corner maybe in the next year the schools opening everything and even now with people going and start playing downwards we should see a reversal in our fabric roll-on business also.

Krishnan S: Just one final question on that in the Indonesia business, how much would be the proportion of out of home as well as non-mosquito?

Sameer Shah: So at this point in time Krishnan the out of home space is largely weakened for us in Indonesia. There are plans to have new product launches to fill in that opportunity and beyond mosquito would be somewhere in low to mid-single digits of the overall portfolio. We got into that space with launches of cockroach aerosol solutions and that is something which we will continue to scale up over there.

Krishnan S: Sameer my question was more from an opportunity perceptive what it could be right...

Sameer Shah: I think if you look at the category in Indonesia Krishnan I think the out of home is anywhere between 15% to 20% and if you look at some of the Asian markets just from a comparative perceptive this could be anywhere between 15% to as high as 40%.

Krishnan S: Thanks Sameer.

Moderator: Thank you. The next question is from the line of Richard Liu from JM Financial. Please go ahead.

Richard Liu: Thanks for taking my question. Sunil, actually I have two questions, one is specific to GCPL and the other one is more general for the sector and I am sorry GCPL one is again relating to Household Insecticides and I am happy you touched upon some of this in the remarks that you just gave. What I wanted to understand from you is that the last we have heard from you on such analyst forums, you have spoken some fantastic things what you called reimaging Household Insecticides which is this whole non-mosquito data and use and out of home use take that and then you have some big plans for it. I just wanted to understand your progress. I know you gave some data about non-mosquito being 12% out of home some 1% etc., but I remember the conversation we had earlier you had much, much bigger plans for some of these non-mosquitoes categories. If you can just give an update on what is the plan now, what stunted that delivery etc.?

Sunil Kataria: The progress in the non-mosquito business for us is pretty decent across over the last 24 months. That business has grown up pretty much high single digit to in fact double digit this year and two things have happened for us. One is, in this space we are the category, we are sitting in that category with over 90% shares in HIT. So we have that category completely and it depends a lot on how we build that non-mosquito part. So what we have done is a) our aerosol business has done very well in terms of penetration in fact we have seen, with while Nielsen, Kantar, household panel does not track penetration of this format very well because it is very, very premium format. We have seen our own internal numbers growing at pretty strong overall trajectory. Second piece which has happened for us is that we have just now two months back launched a mass end NPD which will just as which also is that maybe I did not mention that earlier. Just the way we have done our smart spray at which the premium end in mosquito segment, we have launched a product called Hit Roach Bomb. I mean it is a very local name that we put Hit Roach Bomb this is the product we launch at Rs.25 in Karnataka right now. It has just been around 45 days in the market. The intent here is that can we start increasing penetration of anti-roach usage in India. India still where the penetration of roach products is very low. The only lowest cost product actually chalk which is why we are also playing in chalk and we do reasonably well there but it is pretty much undifferentiated commodity category and this product has a very, very big differentiation that this actually once and let me just came to little technical at Rs.25 what it does is that it is a why we call it a bomb is that it go as a nest buster so this product once a roach eats it, it goes the action press the whole nest gets busted so that is the product that we have launched. We obviously are test marketing it and actually I mean this also tells us about journey that we have been launching this test market even during COVID times. So I

am really hopeful that if this product start showing some traction for us in terms of consumer education and penetration gains then this is something we could take towards building the category over the next year in India and that is one progress which has happened that we never had in the roach another power taken the mass product and that is the product which is now getting test marketed. I think so that is on the journey. On the other journey if you recall what I told you that the two pieces I have already talked I think Goodknight Gold Flash is the way of premiumising and there is a Goodknight Smart Spray which I think could become a very efficacious solution and the fourth part which is the top end of the piece is we have launched a 100% natural Goodknight Electricals and a Goodknight Fly Spray which is primarily for e-com.

Richard Liu: In out of home still you think that is a great near-term opportunity and also when you talk about a high single digit and low double digit growth for the category how much are we banking up on these non-mosquito bit to deliver that?

Sunil Kataria: I would expect the non-mosquito categories in fact is smaller for us also and it has huge opportunity to be the lead driver in fact that category segment I would expect to do a high double digit growth.

Richard Liu: Is that an important contributor to this high single digit or this high single digit early double digit if there is spectrum of the non-mosquito part?

Sunil Kataria: No I think it will be a mix of both where it is because it was finally for us both are pretty important brands Goodknight and HIT and HIT has a play both in mosquito and non-mosquito. Goodknight even there is a non-mosquito play. So we really created and crafted our architecture deliberately that HIT would be more of the non-mosquito driver and Goodknight will be the more the non-killer brand. So I think I see the growth happening from both one will be led by very high double digits where you will actually drive more and more penetration of the category because that is very small right now in this country. Globally aerosols are a very large format. In India aerosols have not become so larger format because India has seen liquid vaporizer becoming very big. Globally there are no liquid vaporizer so big so India is structurally different in term of Household Insecticides so I think there is a huge opportunity in terms of building the non-mosquito segment a) through aerosol itself and b) through mass solutions. So that will drive high double digits plus as I said the mosquito piece will have to do its own agenda which I have just talked of.

Richard Liu: Sunil, we would love to hear your thoughts on this full digitization of Kirana bit right which Jio is spearheading, especially in the context of how you think the equation with the brand owners will evolve over a period in time between the distributor and have the brand owner? Thank you.

Sunil Kataria:

This is a piece which I talked in pretty much detail I think last week it has one of the CII's panel I do not know whether some of you gone through that. One thing I want to put on the table for all people in the industry is this is going to be a piece which all have to navigate very fluidly because it is evolving like crazy right now. We have models like Udaan happening at one stage. We obviously have JioMart and Amazon and Flipkart wholesale happening parallelly so I think the evolution of the GT stage that GTM in India is happening on both traditional Kirana, it is happening on B2B and it is definitely happening in modern trade. So I think these pieces are becoming very hazy. One thing which I am pretty sure in terms of brand owners that one piece which we all have to be ahead of the curve and I am keeping ecommerce out because ecommerce is one of those glamorous pieces that we love to talk of and we all are investing in that. I think one piece which the brand owners have to be very ahead of the curve is digitization of Kiranas and how we support the new Kirana and I think two, three things which we are planning to do which is what I talked in our presentation is, one is we need to support the Kirana to become more tech savvy with our own supply chain. So that is where one change which will happen is we are reevaluating the role of distributor in future, what it will be. It is a very large scheme in itself. I cannot obviously talk here but I will just tell you the headline. What is the role of the future distributor in supply chain in a digitized world is something which is very important. It is not going to be the same which it was till now. The future distributor will have a very different digitized role. That is one because that will lead to a very different service level for the Kirana because the future Kiranas will expect a very different service level. Second role will be the assortments which you will sell through these digital Kirana which will link to that other topic that I talked of the catchment changing so the assortments will no longer be limited to the local neighborhood consumer profile, the assortments will become more and more premium. I think that is what will happen so the second part which brand owners have to do is that we will have to keep a very nimble agile supply chain in mind and also will have to do a lot of science which we are already doing and we can have a separate session on what we are doing in terms of GCPL of building a very artificial intelligence led selling of planogramming and assortment in Kirana stores and the third piece definitely it will link to the return on investment in commercials because this will be a different kind of commercial which will pan out in both omni channel as well as in Kirana. So I think these are three cases that brand owners have to see and that is what we are doing right now.

Richard Liu:

Thank you so much for doing this. Thank you.

Moderator:

Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Sir firstly on hair colour. I think you have indicated that I mean there is some impact with the discretionary nature, a large proportion would just be basic coverage right the basic hair color and here I would expect that you were seeing maybe some sort of pent up demand as people start getting out, going to offices, as hair salons open up. Is that something that playing out in 3Q or you expect that to play out going ahead?

Sunil Kataria: Yes, so that is something which we are clearly seeing signs and when I said we are seeing almost like maybe a V shape has happened in hair color which I was pretty much surprised so I think this happened with the two phenomena. One is we have played it pretty strongly because our marketing mixes which are falling into place pre-COVID had actually put us in a good shape. Secondly we have also got one benefit that since we are a company which is compared to a competition we are multi category company and a lot of our categories were essential. We were able to actually put our whatever little stretching distribution but we were able to get the last mile up in April itself while many of our competitors which were primarily discretionary led could not do that so I think we got advantage of that as well. It translated into share gains and the third clearly there is I think as India open up there is some kind of a I would not call it revenge consumption right now but maybe signs of people wanting to make up for the lockdown and they want to celebrate a bit more and I think they are definitely wanting to indulge which is playing out in hair colors. Having said that how much it will sustain as a question right now I am not very clear in that.

Aditya Soman: Sir what would be the proportion which is basically nondiscretionary and discretionary within hair color?

Sunil Kataria: We sell crème of 30 bucks. I would say the whole category by and large if you see there is a discretionary element to it because when you had a lockdown, whether you are a Rs.20 powder user or whether you are a Rs.30 or a Rs.37 crème user which are at various price point in a category, if you want to just step by saying what is the cost of 37 bucks or 35, there are many other food products which will be expensive than that so I think it is not that it is just that in this category you evaluate a thing that can I do without it and hence this is the category where it falls that all the triggers of hair coloring are social. That when you go to a party, when you step out, when you are going on weekend somewhere, when you are seeing by others by and large, whether relatives are coming home you are going to relatives' places so that is why it is discretionary in nature by and large I would say.

Aditya Soman: What proportion would be the Rs.20 powder versus crème of the overall mix of hair color?

Sunil Kataria: For us this would be I mean the powder versus crème for us would be 40/60, 40 would be powder, 60 would be crème.

Aditya Soman: Fair enough. I think that is very clear. And secondly in terms of this Goodknight Smart Spray that you have launched. Is there any risk of cannibalization to your existing to the vaporizer?

Sunil Kataria: Yes in fact that is one of the reason we are doing the test market for that. I want to check out that. Obviously there will be some cannibalization but what we have seen from all our researches that our net gains will be much, much larger and overall it will lead to a huge amount of net gain for us that is one thing. I am okay with some cannibalization because I think it is a very, very superior format. I would not be bothered about it. I think overall we will be happy.

Aditya Soman: And you said it is a more premium format right overall?

Sunil Kataria: Yes it is a premium format. Yes it is a aerosol it is a no gas aerosol and it is a aerosol format which is instant, no gas, and 8 hours. I mean no aerosol form in the country I mean the current aerosol the HIT has are gas aerosols and they have instant SOS effect which lasts from one and a half to two hours, but this is a no gas formulation, water based instant effect and last eight hours.

Aditya Soman: Lastly, you mentioned also for floor cleaners and toilet cleaners was potentially being a new category but is there a risk that as modern trade comes back that these are sort of the first categories that you see private labels come in from modern trade especially the likes of Reliance we are seeing them being very aggressive and is part of the reason these categories are doing well in modern trade?

Sunil Kataria: Already what we are seeing in this category let us say of floor clear or toilet clear or that for that matter hand washes, they have been around for long, but there are only two players there. There is one large market leader which is 60% plus and then you will see modern trade channels with lot of private labels, which is coming there. The bigger thing in this category if you ask me which is missing is that there is no strong number two in general trade or so there has been no strong number two in either ecommerce or modern trade also because consumer what we believe is to happen and people are now going to be more and more brand loyal in a post COVID world that is another change it is going to happen, specially in hygiene category which have got to be safety. If earlier I was okay that any floor cleaner will do what I expect hopefully in future would happen is that I am not going to be okay with any phenol, I am not going to be okay with any private label, I would rather be okay paying some premium but I wanted trust of complete germ protection or complete safety in terms of hygiene and I think that is somewhere maybe even if modern trade comes at I do not think so that is a very big variable. I think there is enough room there is overall to get the brand moving.

Aditya Soman: Just following up that is there a risk that we could be over emphasizing the value of the brand in a sense that I mean obviously we have seen modern trade get disruptive price movement during the last two to three quarters and traditional trade obviously the top two or three players benefit because these is where the consumer does not have the whole bouquet of products to look at, so could that be a reality as well?

Sunil Kataria: Sorry just explain me what is the reality, the last part of your question?

Aditya Soman: In modern trade obviously the consumer has a choice of looking at multiple products in a shelf in traditional trade we know what we want because you know that you will ask for a brand or maybe if you get availability of one of two brands, so is that one of the reasons why the brands are doing especially well in the COVID period and as modern retail comes back maybe some of these brands trends we are seeing over the last six months will reverse?

Sunil Kataria: The large part of modern trade business obviously shifting to ecommerce also and I can tell you between modern trade and ecommerce the ability of consumer to search any kind of brand assortment and brand itself and then the assortment is even more higher. So I think that test is going to happen for a brand in any case whether it is ecommerce or modern trade and I do not think so brands can control the evolution of channels in this country. What the brands have to do is they have to make sure that you make your proposition stronger and stronger. Channel plays today honestly is not in the hand of brand owners and even if modern trade comes back and I expect modern trade to come back in a very different avatar. The roles for us is to make sure that you have differentiated products or if you do not have a very differentiated product you are in a category which has huge rating to play and you have brand equity and GTM to make it the work for you.

Aditya Soman: Thanks Sunil. I think that was very clear.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. I would now like to hand the conference back to Mr. Ashit Desai for closing comments. Thank you Sir.

Ashit Desai: Thanks Sunil and Sameer for the detailed discussion thanks everyone for participating we will close the call now.

Sameer Shah: Thank you.

Sunil Kataria: Thank you everyone.



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Moderator:

Thank you. On behalf of Emkay Global Financial Services, we conclude today's conference. Thank you all for joining you may now disconnect your lines.