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January 30, 2012.

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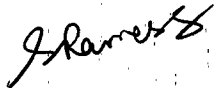
The National Stock Exchange of India Ltd
Exchange Plaza, 4th Floor,
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Dear Sir,

Sub: Transcript of Conference Call held on January 23, 2012

We enclose for your information, a transcript of the Conference Call held by the Management Team of the Company with financial analysts on January 23, 2012, post announcement of the Q3 results on January 21, 2012.

Yours faithfully
For Godrej Consumer Products Ltd



Ramesh Iyer
General Manager (Finance)

Encl : as above



Regd. Office: Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai 400 079

**Godrej Consumer Products Limited
Q3FY12 Conference Call Transcript
Monday, January 23, 2012, 12.00 noon**

- Moderator** Ladies and gentlemen good day and welcome to the Godrej Consumer Products Limited Q3 FY12 earnings conference call hosted by Quantum Securities Private Limited. As a reminder for the duration of this conference all participants' lines will be in the listen only mode and there will be opportunities for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Jignesh Makwana from Quantum Securities.
- Jignesh Makwana** Good afternoon and I would like to welcome you to the call on behalf of Quantum Securities and we would like to thank the management of Godrej Consumer for giving us the opportunity to host this call. We have with us Mr. Adi Godrej, Chairman and the senior management team of Godrej Consumer Product. Now I would like to hand over the call to Mr. Godrej for opening remarks. Over to you sir.
- Adi Godrej** Thank you Jignesh and good afternoon everyone. I welcome all of you to the Godrej Consumer Products Limited conference call to discuss the results for the Third quarter of financial year 11-12 and other significant corporate developments.
- Joining me today on this conference call are Mr. Mahendran, Managing Director, Ms. Nisaba Godrej, Director and President, Human Capital & Innovation of the Godrej Group, Vivek Gambhir, Chief Strategy Officer of the Godrej Group, Omar Momin, Executive Vice President, Shashank Sinha, President, International operations, P. Ganesh, Executive Vice President – Finance, Commercial and Company Secretary and Sameer Shah, General Manager Finance

I will start with my remarks on our performance for the third quarter fiscal year 11-12. We will then open the floor for your questions on our results. Post your questions, I will outline the highlights of our most recent acquisition, a majority stake in Cosmetica Nacional. We will then be happy to answer any questions that you may have about this acquisition.

We will begin with a refresher on our six key business imperatives and an assessment on how we have performed on these priorities during the quarter. After this, I will discuss the highlights of our financial performance during the quarter

One of our most important imperatives was to sustain leading positions in the three core categories that we participate in – home care, hair care and personal wash in India. Across these categories, our focus is on growing ahead of the market, driving consumption & penetration and strengthening our portfolio.

If we look at our domestic business, across categories, this has been yet another quarter of healthy sales growth and market share gains for most of the categories. Also, this is the third straight quarter of strong sales growth this fiscal year.

Our household insecticide category delivered yet another quarter of robust performance, with a 30% sales growth, far ahead of the category growth. We are reaping the benefits of strong marketing and promotional initiatives. We continue to gain market share and enjoy leadership positions across all formats of electrics, coils and aerosols. Our focus on innovation and the synergistic distribution opportunities from the GCPL-GHPL merger are enabling us to make continued gains in this category. We are very optimistic of the future growth opportunities in this category.

Our soaps business grew by a stellar 31% for the quarter. Volume growth of 19% was very impressive compared to the category, which degrew in volume terms. This is the third consecutive quarter of strong volume growth. We continue to be the second largest toilet soap player in the country. The success of our new launches and re-launches, along with our intensifying marketing and promotion focus, has contributed to this strong growth momentum. Gross margins for the category have expanded sequentially with full impact of price increase and efficient vegetable oil buying. While vegetables oil prices have remained stable over past few months and rupee depreciation to U S dollars have added pressure, we will be continue to be diligent about trying to protect our margins, along with

gaining volume market share, through efficient sourcing of vegetable oil, prudent cost management and calibrated price increases.

We continue to enjoy market leadership position in the hair colourant category. We grew by 9% during the quarter, which is below our expectations. However, we believe that have a differentiated strategy and sound plan in place that will yield strong results over the next few quarter. Our newly launched Expert Care and Advanced powder hair colors have begun to register good market response. Both of these products are very innovative and superior quality - and like many innovations, it takes a certain amount of time to build traction in the market. The winter season also affected the sale of mehendi based powder hair colors. We are working rigorously on several initiatives like launching a new media ad campaign; consumer offers and strengthening distribution reach etc. We are very confident of these initiatives and would expect much better sales growth in the coming quarters relative to the current quarter.

The second pillar of our strategy was to drive growth in our international business, guided by our 3x3 framework, of being in three core categories and in emerging geographies in Asia, Africa and Latin America. Our biggest international business, Megasari in Indonesia continues to grow at a strong pace of 35%, behind the success of new launches and distribution expansion. Local currency growth was around 20%. Megasari is the market leader for aerosol household insecticides, air care and wipes in the Indonesian market.

EBITDA margin of 20.6% (before payment of technical & business support fee) expanded sequentially by more than 120 basis points and year-over-year 190 basis points, led by favorable category sales mix change, new products performance and prudent cost management. Our last few quarter's new launches are performing very well, especially HIT Magic, which is a disruptive innovative paper format mosquito repellent and which continues to gain good traction replacing coils in the market. HIT extra power electric mosquito repellent was also successfully launched during the quarter.

Our African operations, which comprise Rapidol, Kinky, Tura and Darling, made steady progress during the quarter. Revenues stood at Rs 186 crore and EBITDA margin at 31%. EBITDA margins were relatively high this quarter, driven by a favorable popular to premium format mix sales in the hair extension category, a strong festive season sales across the continent, low cost inventory covers, prudent cost management and continuation of

the traditional model of the Darling business of relatively lower advertisement spends in the current quarter. On an ongoing basis, we expect EBITDA margins to be between 20-22%. The integration of the Darling businesses is going on quite smoothly and business registered real business growth of around 13% - 14%. Rapidol continues to grow strongly, behind expansion in distribution reach and entering newer geographies. Kinky will synergize on go to market and backward integration facilities of Darling South Africa operations. We expect stronger sales growths and steady state operating margins from this continent going ahead. We have also begun rigorous work on phase 2 of the Darling group acquisition.

Our Latin America business – the Issue Group and Argencos – reported sales growth of around 29%, with EBITDA margins of around 9%, which has expanded sequentially. Local currency growth was around 20%. We continue to invest in growing our business in the neighboring countries of Argentina. Initial response to the newly launched products over the last few quarters has been very positive. The new launches continue to be backed by strong marketing investments.

Our Europe business registered good revenue growth of 43%, with EBITDA margin of around 6%. Local currency growth was round 25%. Brands like Cuticura, Touch of silver and Bio-oil continue to grow well. This is our third running quarter of strong growth and we are optimistic about growth opportunities going ahead.

Our third strategic pillar was to accelerate the pace of innovation and to strengthen our brand portfolio. In this fiscal year, we have launched multiple innovative products across categories both in our domestic and international business. In domestic markets, we took a first step towards premiumization in the hair colour category, with launch of Expert care – a herbal based formulation and Expert advanced – a progel formulation with triple conditioners. We launched a new variant of Godrej No.1, the saffron and milk cream soap. Internationally, we launched HIT Magic paper, Hit extra power electric, Stella bathroom and car air fresheners, Mitu milk bath in Indonesia, and range of hair care products in Latin America. We will continue to step up our innovation intensity across categories both in domestic and international markets. These new launches will be backed with adequate marketing investments. We believe that we have a robust innovation pipeline across categories.

One of our other key imperatives was creating a future ready sales organization for the domestic business. We have been able to leverage our

scale, expand urban coverage and tap rural potential especially for the household insecticide category. We have also adopted best in class sales processes and practices. We will also continue to explore newer and untapped sales channels. Our fifth pillar was to create a global best in class supply chain. We have taken strong steps in this area by establishing centers of excellence in TPM, lean, six sigma and low cost automation. We have also set up a strategic sourcing team to leverage scale and reduce our procurement costs. Our final imperative relates to fostering an agile and professional entrepreneurial culture. In the domestic business, to harness the benefits of scale and scope from the GCPL-GHPL merger, we continue to streamline our operations and make our organization structure more effective.

I will now cover the highlights of our financial performance this quarter. For the quarter ended December 31, 2011, our consolidated net sales stood at Rs. 1344 crore, with a growth of 36%. EBITDA margins strengthened to 20.2%, sequential expansion of around 290 basis points. EBITDA grew by 59% over quarter three of last year. Earnings per share non-annualized stood at Rs. 5.2 for the quarter. The Board of Directors has declared a third interim dividend of 100%, which translates to Re. 1 per share. Both our domestic and international businesses have performed well

Our net sales in the Indian sub-continent increased by 20% to Rs. 779 crore, with significant growth across all our three core categories. EBITDA margins strengthened to 20.4%, with a growth of 17% and sequential expansion of around 120 basis points. Our international operations, which accounted for 42% of our consolidated turnover during the quarter, reported revenues of Rs. 567 crore, an organic growth of around 30%. EBITDA margins strengthened to 19.9%.

As you can see, our operating performance has been very strong on all parameters. While the macroeconomic environment continues to be challenging, the GCPL team has worked very hard to deliver these excellent results. I believe that our strong operating performance is a reflection of a robust business model, a great team and our ability to manage risks and challenges effectively.

I am also pleased to welcome Temasek as an investor. We have accepted a binding offer from Baytree Investments (Mauritius) Pte Ltd (indirect wholly-owned subsidiary of Temasek, an Asia investment company), to subscribe to 1,67,07,317 equity shares of face value Rs 1 at a premium of Rs 409 per equity share, for an aggregate issue size of Rs 685 crore on a

preferential allotment basis pursuant to Chapter VII of SEBI ICDR Regulations. This investment will enable us to maintain a strong balance sheet.

As you know, Temasek is a leading investor globally. Apart from being one of the earliest investors in India, Temasek's focus geographies match very well with our global 3 X 3 strategy. The Temasek investment also reflects their bullishness in our robust strategy, strong team and execution capabilities.

I am very confident of the opportunities ahead for GCPL, both in India and overseas in the coming quarters and expect to close this fiscal year on a strong note.

We will carry the strong sales and profitability growth momentum in next quarter also. In the coming quarter we expect to have a favorable category mix, being the peak season for household insecticides. Higher sales and cost synergies are also expected to kick in arising out of the domestic business integration. Internationally, strong growth momentum would continue in Indonesia, Africa and Latam business. All of this should result in strong operational growth and healthy margins. Also, if the recent currency movements from December levels persist, it will result in higher profits.

In these uncertain times, our approach will remain to be close to our consumers, to respond to their needs, to strengthen our brands, to accelerate our innovation pipeline, and to invest in our talent. We will focus on strong execution in the near term while positioning ourselves for even greater successes in the longer term. As always, we will strive to enhance shareholder value and drive growth.

I now conclude my opening remarks on the quarter performance and open the floor for questions.

Moderator

We will now begin the question and answer session. We have the first question from the line of Abneesh Roy from Edelweiss.

Abneesh Roy

Sir congrats on great set of performance. My first question is on the domestic business, if you could give us a sense of any slowdown you expect in the coming quarters in terms of rural, urban, what is the gap now and what has been the trend in the past two quarters?

- Adi Godrej** Generally we are seeing very good momentum in the market and demand for FMCG continues to be strong, both in urban India and rural India. The confidence level of consumers continues to be good and of course this has been aided to a certain extent by some good macroeconomic signals coming during the month of January. So we expect strong momentum going forward, while overall GDP growth might be decelerating we don't see it affecting consumer sentiment or FMCG demand.
- Abneesh Roy** In the domestic HI and soaps we have seen very strong sales growth, if you could give us a sense of volume, price and how the industry has done we can get a better sense.
- Adi Godrej** Soaps volume growth was around 18-19% during the quarter. We have taken price increases so our value growth was much higher at 31% and we will continue to need price increases to meet raw material cost rise. Now raw material cost would rise because internationally vegetable oil prices could rise or it could be because of rupee depreciation. Of course, fortunately in the last 3 weeks rupee has appreciated quite considerably from what it was during December. HI growth has been around 30% and most of it is volume growth and we expect this will continue as January-March happens to be the best quarter for HI from a seasonality point of view.
- Abneesh Roy** What explains 18-19% volume growth in soaps, how much is the industry seeing in terms of volume growth?
- Adi Godrej** It is difficult to tell exactly how the industry is doing but AC Nielsen figures show hardly any volume growth if any, but I expect the volume growth might be a little higher than what AC Nielsen is predicting. I feel the volume growth in soap will be low because it's a fully penetrated category. We have grown very well because of a new No.1 variant, which has done exceedingly well, our No.1 brand has done very well, Cinthol growth during the quarter has also been very strong. So our marketing initiatives, despite the price increases, have paid good dividends.
- Abneesh Roy** On the hair business, that is only laggard in the domestic segment, we have seen the growth rate comedown for the past maybe 2-3 quarters from 15% last quarter, now you are down to 9%, so what is the price and volumes and why the growth rates are slowing down in this?
- Adi Godrej** Major part of the growth has been volume lead and we are very confident of our hair color business going forward because we have brought in very

innovative new products into the market. As you know, these innovative ideas usually take a little bit of time to settle down with consumers. We are starting a new advertising campaign and we feel the coming quarters will be strong growth for our hair color business. We are disappointed with Quarter 3 numbers, however, the year-to-date growth has been 14%.

Abneesh Roy What is the industry growth rate in Q3?

Adi Godrej Industry growth rate has been in the order of around 15%.

Abneesh Roy In the Indonesian business, we have seen our growth rate accelerate to 35%. How much would you attribute that to Megasari Paper business launch and this electrical launch how much of a delta it can provide FY13?

A. Mahendran I just want to add one point to the hair color before discussion on the Indonesian market. You have to understand that there are certain category, wherein the reaction to innovation is slightly slow, for example in the soaps our innovation when we brought in this new variant the reaction was quite quick from a consumer consumption point of view whereas the household insecticide also the reaction is quite good and quite fast, but in the hair color, as a category it takes little bit more time for a new product like the innovation what we did. Also the usage pattern for the consumer also plays a role here so it won't react fast, however in the coming quarter we expect to do well on the innovation that as far as the hair color is concerned.

Shashank Sinha Our Indonesian business has grown strongly mainly on the back of very strong volume growth across all our categories. I think the magic paper remains a very important new product but it is still a small part of the overall portfolio that we have in Indonesia. So our three core categories there, household insecticides, air fresheners and baby care wipes, have all grown quite well. That's the mix for both organic growth and innovation and we have had a strong innovation in each of these three categories over the last year.

Abneesh Roy But is this a sustainable growth you're looking at in Indonesia or was there any one off item, epidemic or something like that?

Shashank Sinha There has been no one off items, in fact if you look at it, the overall sustainable growth levels in Indonesia have been quite strong over the last couple of years and we are looking at a sustainable growth level of that magnitude.

- P Ganesh** Just one point I would like to add here while the INR growth reported is 35% for Indonesia, local currency growth is about 20% because Indonesian rupiah has not depreciated much to the dollar whereas Indian rupee has depreciated significantly.
- Adi Godrej** Even if you don't take magic paper into account the local currency growth was around 16 to 17%.
- Moderator** The next question is from the line of Arjun Khanna from Principle Mutual Fund.
- Arjun Khanna** My first question is in terms of the performance of the hair extension business, now that we have some experience with Darling, it's been with us for close to a quarter. How would you describe that experience? Is this market as much as we thought it would live up to?
- Adi Godrej** Yes the market is very strong; it's a very rapidly growing category. The total market we expected around a billion dollars in Sub-Saharan Africa, is growing very rapidly and we are very bullish on this category and also the Darling acquisition will help us very strongly in increasing the Kinky brand and profitability in South Africa. So we feel it will continue to do well. Of course this particular quarter was extremely strong, it's the seasonality quarter, also a quarter in which we benefited from some earlier low-cost raw material purchases but going forward we expect very strong growth and continued strong performance.
- Arjun Khanna** My second question is in terms of the global nature of our company right now. Could you give us some examples of strengthening the HR practices or how do we manage management bandwidth across these various regions?
- Shashank Sinha** We formed a strong international corporate centre at our head office and the big initiatives in the area of HR there have been first of all to extend the HR practices from our home business to all our international businesses which means that we have now standardized goal setting, we have standardized performance managing system, standardized channel management system. We have also had selectively, exchange of talent or we have filled some important vacancies in our international organization. So what we have done is we have integrated the HR practices of our international businesses with the strong domestic business that we have here and now we work as one unified company.

- Arjun Khanna** Lastly in terms of the Temasek acquiring stake, was it done some time back or this is recent and this option of them, by when does the money actually flow into the company?
- Adi Godrej** There is no option, it is a binding offer. It was concluded very recently and we expect everything to be concluded before March 31st 2012.
- Moderator** The next question is from the line of Percy Panthaki from Daiwa.
- Percy Panthaki** My first question is on the hair color's business, when you had taken over the Issue and Argencos business you had mentioned that they are leaders in this technology of creme in sachets and that is something you are looking to bring in to India, so can you let us know what is the development on that front and what kind of timelines you are looking for that? And also, not only the fact that it will now be packed in sachets but what are you thinking regarding the brand because if my understanding is correct, Renew is not having strong enough brand equity to build a creme business.
- Adi Godrej** We are working on our plans, for competitive reasons we would not like to disclose our plans in advance, but we are looking to bring all our strong international technology into India and we expect to roll things out pretty rapidly. In India we will enter using the strong Indian brands so we will work on our brand platform here. The strongest hair color brand is Godrej Expert.
- Percy Panthaki** Regarding the other two businesses on insecticides and on soaps, in soaps you have done very well in the last 2-3 quarter so just wondering where this market share is coming from, if you just look at the published A C Nielsen data which brands are actually losing market share so that you can gain?
- Adi Godrej** Some of the smaller brands are losing market share, some of the smaller brands which started within the last decade, have lost some share and by and large you must remember that through this growth, our marketshare has grown by 1 -2 % over a period of time
- Percy Panthaki** Also couple of housekeeping questions. On the African business can you tell us what is the organic sales growth both in INR and in local currency?
- Sameer Shah** There has been no major fluctuation in South African ZAR to INR and so the growths are more or less closer to the local currency or real business growth.

Percy Panthaki So what is that number?

Sameer Shah For Darling?

Percy Panthaki Not Darling, the African business organically speaking so excluding Darling all the other businesses in Africa.

Sameer Shah The growth has been around 12 – 13% range.

Percy Panthaki And Darling particularly can you tell me the sales figure for this quarter?

Sameer Shah There is sufficient data to calculate same indirectly, the Darling the real growth has been close to 13-14%.

Moderator The next question is from the line of Prithesh Chedda from Emkay Global.

Prithesh Chedda Just a clarification from the last question, the Africa's like to like growth rate is 13% in local currency, so you would exclude Darling this quarter?

Sameer Shah Yes

Prithesh Chedda Secondly on the domestic business side, for the nine months if you could give us the soaps, HI and hair color volume growth?

Adi Godrej In HI and hair color you can't compare volumes because of the different categories of products. What you can do is take the value growth and deduct an average price increase. For an HI most of the growth is thus volume led, I think you can deduct about 4-5 percentage points. In hair color bulk part of the growth is volume led.

Sameer Shah In soaps the volume growth has been close to around 16-17% for nine months period.

Prithesh Chedda One of the reasons that you have highlighted in the presentation for expansion in margins is also price hikes in soaps, if you could tell us when was the price hike taken with effect which month?

Adi Godrej The price hike has been taken across the year; we have just taken a further 2% average price increase very recently so price increases take place throughout. Each brand has its price increase at a particular point of time. It's not that we suddenly decide after 4 month that all soap prices will rise day after tomorrow.

- P Ganesh** But on an average over the calendar year 2011 the price increases were in the range of about 10%.
- Prithesh Chedda** Lastly since the complexity of the business is increasing, if you could give some idea on the geographies, a more stable growth rate which one should look at, which is the Indonesia business, the Africa business and the Latam business if one has to look for future?
- Adi Godrej** We don't wish to make any forward predictions, we think growth will continue to be strong, these economies continue to do well. Consumer confidence in the economy in these economies continues to remain strong but we certainly would not like to provide guidance.
- Vivek Gambhir** The other point to emphasize is that I don't think that business is getting more complex. I think part of our strategy will be much focused, on the categories that we have participated and in the category that we participate in, to be a leader in those categories. So fundamentally the formula for growth is actually relatively less complex and more competitive.
- Prithesh Chedda** Lastly a bookkeeping question. Could you tell us the debt in the balance sheet as on 31st December?
- P Ganesh** The net debt is about Rs 2200 crore.
- Moderator** The next question is from the line of Amnish Agarwal from Motilal Oswal Securities.
- Amnish Agarwal** My first question is regarding the African business where you have shown very strong margins of around 31%, so can you give us an idea that how this margin trajectory will pan out in future, because at the time of acquisitions, we were indicated around 20% margins on a sustainable basis but if we do some backhand calculations, the margins now in Darling business upwards of 35%?
- Adi Godrej** Darling margins have been exceedingly good in this quarter, in future these may moderate. The margin was very good because this is a strong seasonality quarter because of the festive season in Africa. It also was higher than normal because they had some very low price purchases of raw materials and other inputs, so the combination was a little favorable. It may be difficult to have such high margins going forward but the margins will be very strong and we expect strong growth in the Darling business going forward.

- Amnish Agarwal** Secondly you have indicated that in toilet soaps we have grown much ahead of the market due to some of our initiatives, so can you give us some idea about market share we are having currently and secondly how much of this increase in momentum in the domestic market is coming from the expansion in the distribution network?
- Adi Godrej** Some of it is certainly coming from distribution expansion, some of it is coming from the fact that we are leveraging synergies between the erstwhile GCPL and GHPL in distribution. However it is difficult to talk of market shares because we don't think the numbers we are getting on market shares are reliable, but clearly because our growth rate is much ahead of the category growth rate, we expect our market share to have gone up.
- Amnish Agarwal** There is a bit of dichotomy here because in the previous quarter all the listed players have reported very strong sales growth in toilet soap, may be upwards of 15-20% where the category growth stated was again at that time maybe in mid to high single digits only. So is it that un-organized sector is being wiped out completely or is there some other data correction?
- Adi Godrej** It's a good point, it is difficult for us to tell. We are also a little perplexed with the numbers that have come out from the market research but clearly some of the smaller players have been badly affected because of the high vegetable oil price.
- Amnish Agarwal** Is this some sort of a structural shift or volume and sales growth will come down to the long-term averages in the few quarters down the line?
- Adi Godrej** Difficult to predict, it depends on the success of marketing initiatives, it depends on the success of our new launches but over the last three quarters we have grown very well in our soap category. Of course last year our growth in soap was low.
- Vivek Gambhir** But if you look at within the last 5 to 7 years of our business while long-term growth in this industry being around 7 to 8%, our growth has been closer to 15%.
- Amnish Agarwal** You have stated just now that your net debt levels are at Rs 2200 crore so can you break it up between the rupee-denominated debt and dollar-denominated debt?
- Ganesh** Rupee-denominated debt is about Rs 200 crore.

- Moderator** The next question is from the line of P. S. Subramaniam from Sundaram Mutual Fund.
- P.S. Subramaniam** Could you just give us a sense on the seasonality in the business especially on the margin front for the different geographies? I mean which of the quarters are stronger in terms of margins and which are the weaker quarters?
- Shashank Sinha** If you look at individual country is there is seasonality but the way that our business is spread across geographies, so for Southern Hemisphere countries this tends to be a strong season linked to Christmas holidays and so on and so forth, for Northern Hemisphere countries it seems tends to be the opposite way. So if you look at it overall at a consolidated level it evens out quite a bit over the year.
- Moderator** The next question is from the line of Himani Singh form Elara Capital.
- Himani Singh** My question is on the African business where we have seen very smart recoveries in margins. To elaborate how was this done and how sustainable these are?
- Adi Godrej** These high margins in Africa in the October-December quarter are because of the acquisition of Darling. Darling has had very high margins and it will continue to have higher margin than our other African businesses, also once we integrate Kinky with Darling, we will see the Kinky margins also improve.
- Himani Singh** Regarding the phase 2 of Darling acquisition that you just touched upon, please elaborate how and when are we going to do that and what would be the financial impact of it.
- Adi Godrej** That is likely to take place around September of 2012 and clearly it will add very considerably to both our top-line and on our bottom line even after taking the acquisition cost into account, just as the first phase added considerably on to the top line and the bottom line and we expect the same with the third phase which is likely to be in September 2013.
- Moderator** The next question is from the line of Nikhil Vora from IDFC Mutual Fund.
- Nikhil Vora** Just one question specifically on the acquisitions that we have had, what is the next level of consolidation that is required? Is it about the ability to manage the multiple brands and multiple geographies or is it that longer term clearly we will need to consolidate these brands and thereby look at

maybe distribution into those markets and look at Indian brands becoming relevant there?

Adi Godrej We are not likely to take Indian brands into the countries we have acquired businesses in except when we introduced new categories. For example we have strong plans to our household insecticides portfolio into some of these geographies which could be taken with the Indian brands. But when we introduced for example new types of hair color products in Africa or Latin America and if the product ideas go from India we will use the local brand. Similarly if we bring our international technology into India we will use the Indian brands. So typically we will leverage the brands where we have strength in the particular geography.

Nikhil Vora You are perfectly comfortable to play small scale in small geographies with local brands rather than possibly over a period trying to migrate the same into maybe 5 or 7 key brands in the portfolio?

Adi Godrej For the moment we are comfortable and you must remember that we are not necessarily in small geographies. So in Africa we will be playing in a very large geography, overall Africa has almost the population of India, Indonesia is the fourth largest country in the world, even in Latin America we are across the continent which is a large continent. We will now be strongly manufacturing in at least three geographies in South America, so yes we are reasonably comfortable. Obviously over a period of time we will keep revisiting our brand strategy, it may be modified somewhat but as of now we're very comfortable with this strategy.

Vivek Gambhir The other important point to make out here is that this is not small scale. What we believe again is that the right determinant of scale is relative market share in the category and because we are acquiring brands in attractive geographies that have high relative market share in our chosen categories that is actually the single most important determinant of long term value creation.

Moderator The next question is from the line of Ashish Upganawar from Spark Capital.

Ashish Upganawar Sir just wanted to understand how much of an operating cash flow would consolidated entities generate in FY12, this comes from the back of the dilution that we have taken, are we not in a comfortable position to service debt or something like that, what was the objective?

- Adi Godrej** Reason we raised further equity at this point of time was twofold, one we were making a new acquisition and number two that the rupee having depreciated might add some stress to our balance sheet, of course the rupee has since appreciated quite considerably. Also we got and opportunities to raise capital at a relatively low cost so we have gone ahead with this.
- Ashish Uppanawar** But overall proposition behind all the acquisitions and expansions have been that we leverage on the lower cost overseas debt that has been available to us or the internal accruals. So that's why some concern on why would you go for it?
- Adi Godrej** We will continue to do that but at the same time our board feels that we should have a prudent debt equity ratio and especially in these times when global financial situation is not the very best, it is best to be prudent.
- Ashish Uppanawar** The A&Ps were pretty low on overall basis, even standalone and consolidated so any specific reasons this quarter for that?
- Sameer Shah** If you look at standalone results A&P in terms of absolute values has been more or less the same or marginally higher. You will also appreciate the fact that A&P is a factor of new product launches. We have had relatively lesser launches in Quarter 3 compared to Quarter 1 or Quarter 2. It's also the strong sales growth which is resulting in lower percentage A&P to sales spends in Quarter 3. Coming to consolidated again the spends across geographies has been more or less at the same level, it is only in Africa specifically in Darling where we are continuing with the traditional model of lower A&P spends which has again resulted in lower A&P spend as a percentage of sales. So just to add to it even sequentially absolute spends have actually increased.
- Ashish Uppanawar** On the debt repayment schedule wanted to know what is coming for repayments and the cost of debt as of now.
- P Ganesh** The dollar debt that we have is in the range of about 400 million and these are long-term debts with end maturities from now of between 4 to 5 years.
- Ashish Uppanawar** I asked for the operating cash flow and estimated figure for this year, can we share this?
- P Ganesh** We don't give forward guidance on this but then you have seen the last full-year numbers and the nine months number so that gives you a fairly good indication of the strong cash flows we continue to generate.

- Ashish Uppanawar** Any numbers for these nine-months on how much the cash flows, internal accruals would-be?
- P Ganesh** We can calculate same from our published results. Essentially the cash generation is more or less in line with the profits because we have very little incremental outflow on capex. As you know in FMCG you are not very capital intensive. Another point which I would like to highlight over here is that we also would be having an exceptional income of Rs 25 crore coming in Quarter 4 because of the onetime settlement charge we get for the last of the Sara Lee brands ,Brylcreem.
- Ashish Uppanawar** Finally on the Darling acquisition, it was to be in a staggered manner so does it progress in the same way as it was told to us earlier or any changes in these?
- Adi Godrej** It will progress in the same manner.
- Moderator** The next question is from the line of Ashith Desai from B&K Securities.
- Ashith Desai** Sir you talk about the benefits of GCPL, GHPL distribution synergies. Could you give us an idea of what is the distribution expansion for soaps in the southern markets or any kind of growth in the southern versus the overall market?
- Adi Godrej** Clearly our soap distribution has benefited in the south because household insecticide is very strong in the South. Similarly household insecticide has benefited in the north and some other geographies where Godrej Consumer Products is very strong., It is very difficult to put numbers onto this because both systems were reasonably strong even earlier but the synergistic effect makes them even stronger.
- Ashith Desai** And secondly are domestic HI margins seeing similar expansion to our Indonesian margins?
- Adi Godrej** I don't think there is no comparison between one and other, both margins have increased.
- Ashith Desai** Would they be similar to the Indonesian margins?
- Sameer Shah** They are not comparable directly because you will also understand that in Indonesia we don't play in the coil format of the market whereas in India we are leader in coil format of the market so to that extent they are not apple to apple comparable margins.

- Ashith Desai** So domestic margins would be lower than the Indonesian margins because of the product mix?
- Sameer Shah** I'm saying that they are not apple to apple comparable because it is not only the formats within the categories, but also pricing, lot of other elements put together.
- Ashith Desai** So the sequential improvement in gross margin is coming largely from HI or the soaps, if you can give some breakup on that?
- Sameer Shah** It is mainly driven on the back of a better favorable category mix; you will see HI and soaps growing by around 30%. HI is relatively higher gross margin category compared to soaps, also there has been sequential expansion in soaps margins on the back of lower oil cost cover. To add to these, we had very good season of liquid detergents which is seasonal in this quarter and which has very high gross margins relative to soaps category.
- Ashith Desai** Lastly could you give us the overall impact of a favorable currency movement on your sales growth?
- P Ganesh** On sales at an overall level of consolidation will be about 2.5 to 3%.
- Moderator** The next question is from the line of Utkarsh Kapadia from Alfa Enterprises.
- Utkarsh Kapadia** With contribution from hair care further increasing post this acquisition could you give us some sense of gross margins? Is it fair to say that gross margins could improve from here on, if hair care were to grow on a faster pace?
- Adi Godrej** Hair care generally overall for us is the highest margin category.
- Utkarsh Kapadia** If you could give us some sense on the new packaging law which is scheduled from July 2012, where it seems grammage can't be reduced so how does that affect industry volumes, what categories are covered? I believe only soaps is covered for us so, is it the true understanding?
- P Ganesh** Yes only soaps are covered in that order which is coming from July and our view is that it won't affect much except the low-cost SKUs which could have impact on sachets etc.
- Utkarsh Kapadia** So more of rural impact you would say?

- Adi Godrej** We have told the government to amend this and they should have this order only for SKUs which are above 50 gm and if that is done then it won't have much of an impact. Otherwise what will happen is for the Rs. 5 and Rs. 10 cakes of soap you can't take it up to Rs. 6 or Rs. 12 because loose change problems in the market create a problem, that is very good SKU for low income consumers. So we have suggested that this order be applicable only beyond 50 gm and hopefully the government will take a look because it covers a lot of categories but from our categories it's only the soap.
- Moderator** The next question is from the line of Aparna Karnik from DSP BlackRock.
- Aparna Karnik** My question is more of a balance sheet related query. Just wanted to get a sense of the total debt which you said net debt was around 2200 crore. How much of this would-be currently overseas denominated debt and also I want to get a sense of what sort of debt maturities are coming up over the next 6 to 12 months period over like the shorter to medium term, if you could just give an idea of that?
- P Ganesh** Out of the total debt about 200 crore is in India books, balance are overseas and dollar denominated and the debt is largely long-term with end maturities of between 4 to 5 years, between the different loans.
- Aparna Karnik** So there is no large refinancing which would have to be done over the near term is what you are saying, right?
- P Ganesh** No
- Aparna Karnik** And also wanted to understand one thing now with this equity coming into the picture from Temasek, what sort of impact on, how would we expect your overall debt levels to look like once this money has come in?
- P Ganesh** With the equity coming in it would obviously get utilized partly for bringing down some of the dollar debt, partly in acquisition, etc., so it will have the impact of having even stronger debt equity ratio.
- Adi Godrej** It will clearly reduce our net debt.
- Moderator** The next question is from the line of Deepak Rohra from Quest Investment Advisors.
- Deepak Rohra** I just want to get some sense when we have been talking about margin improvements, I'm just looking at the standalone figures and correct me if I

am wrong, I'm just looking at the numbers that are published which is profit from operations and if you do the figures for either on a 3 months basis for December or a 9 nine-month basis there actually seems to be a margins contraction. Why would that be sir?

Sameer Shah You are right, if you look at year over year there will be a slight margin contractions that's because on a Y-o-Y basis the soaps margins are still lower but we have been able to offset that to a greater extent with a favorable category mix.

Deepak Rohra If I adjust your advertising spends the margin contraction is even more severe so is this the fact that you had an ad expenditure coming in much earlier and the benefits coming now, I'm just trying to get a sense?

Sameer Shah As what stated earlier advertisements spends is driven by new product launches, we have a calendar in place and we proceed with the calendar the way it is scheduled.

Deepak Rohra One other question which I have in terms of you talked about the rural sales continuing to be strong so rural or small town sales, has there been any change that has been offered in terms of the terms to your distributors or to your stockist or whatever that you have seen over the last 9 months to 12 months, the calendar year 2011 for example?

A Mahendran Not really we have not done any changes in terms of the distribution market.

Moderator The next question is from the line of Vivek Maheshwari from CLSA

Vivek Maheshwari My first question is on Darling group, the first stage of consolidation was 45% so by when you say the September, phase 2 will be 70% of the overall revenues, is that correct?

Adi Godrej Approximately, yes.

Vivek Maheshwari Mr. Godrej you mentioned in the beginning that you are still not seeing any slowdown in FMCG growth rates but some of the companies in the sector have started saying that they are cautious in their outlook and two reasons they are sighting, one is the rural growth rates have come off and the second thing is even the urban growth rates are not as strong as they were perhaps a year back. To top it up most are saying that A&Ps will go up in the coming quarters so how do you see this from the overall sector perspective and particularly from your own A&P perspective.

- Adi Godrej** We are seeing good growth, we don't see a slowdown in our categories. There might be some differences in other categories which we don't operate in and clearly we will see a strong growth rate.
- Vivek Maheshwari** Do you think A&P is moving up considering that you have been growing faster than the market and then there can be step-up in A&Ps in some of the categories that you operate in or because of whatever reasons are concerned?
- Adi Godrej** A&P in addition depending on new product launches, depends upon how the competitive situation is in the particular category or brand so it is very difficult to predict whether it will move up or down and A&P is adjusted from time to time based on competitive and category responses.
- A. Mahendran** Just to add to that, for the next quarter it is as per our annual operating plan.
- Adi Godrej** We also feel that we will get better value for money in advertising as we go forward.
- Vivek Maheshwari** Similar question on A&P Megasari, how is the A&P spend if you can share that number and how is the competitive landscape over there?
- Shashank Sinha** The competitive landscape in Indonesia is similar to what we have in India because we operate in similar categories. So if you look at the home-care categories again we compete with the big international companies and one or two local companies. In terms of A&P spend again it is very similar to the Indian situation because the competitive dynamic is similar, it is relatively less seasonal market because it being a tropical country and therefore A&P tends to be quite smooth over the four quarters.
- Moderator** The next question is from the line of Kaustubh Pawaskar from Sharekhan,
- Kaustubh Pawaskar** Sir I just have two questions, first on debt because of this rupee depreciation on sequential basis what is the increase in debt portion?
- P. Ganesh** On a sequential basis it will translate to something like 250 crore ballpark but we should also bear in mind that the rupee has come off from the December levels, you will see a reversal if that trend continues.
- Kaustubh Pawaskar** That will happen in Quarter 4?
- P. Ganesh** Yes.

- Kaustubh Pawaskar** You just mentioned that because of the low cost inventory of raw material because of that you have seen improvement in the margins so just want to know this low cost inventory, till what period you have, is it till April or June?
- P Ganesh** We may see some impact of it going in Q4 as well but not in the same line as what has been seen in Q3.
- Kaustubh Pawaskar** So some impact would be there and Quarter 4 also?
- P Ganesh** Yes.
- Moderator** The next question is from the line of Ajay Thakur from Enam Securities
- Ajay Thakur** I wanted to know the reason for the exports decline in the standalone unit.
- Adi Godrej** Our exports are small and as we have more countries into our portfolio we are able to supply some of them from the local geographies.
- Sameer Shah** Also what you are actually looking at is not standalone but Indian subcontinent business and we do have some exports to our Sri Lanka and Bangladesh business which actually get knocked off as intercompany sales.
- Ajay Thakur** You were mentioning about the soap sales in South have been grown the ahead of the market largely because of the synergistic benefits from the distribution of household insecticide business, so just wanted to get some sense on that.
- Adi Godrej** I only mentioned that there has been distribution benefits, I have not said anything particular about sales.
- Ajay Thakur** But can we get some sense on what kind of sales growth have we seen?
- Adi Godrej** No we don't provide regional distribution of our sales.
- Ajay Thakur** Secondly what kind of strategic margins can we look for the Darling group?
- Adi Godrej** We don't want to provide future predictions but generally the margin should be good in Darling.
- Moderator** The next question is from the line of Jiten Doshi from Enam Asset Management.

- Jiten Doshi** What is the level at which the company is very comfortable with the debt-equity? What are the points, what is the trigger that will want you to dilute equity?
- Adi Godrej** Except for short periods we would like to keep the debt-equity ratio within 1:1.
- Jiten Doshi** So basically you are averse to going above 1?
- Adi Godrej** We would be averse to going above 1 for any long period of time.
- Jiten Doshi** So in the short-term what is the tolerance level, whether it would be 1.2 or 1.5?
- Adi Godrej** Short term it depends on the circumstances but clearly whenever we had projected a debt equity ratio beyond 1. Last time was about 1.5 years ago when we had acquired Sara Lee operations then too we had a QIP. Right now because of the rupee depreciation other acquisition on the cards and further acquisition phases in Darling, we decided that this was a good time to raise some equity.
- Jiten Doshi** You have a long-term vision that you want to grow the business 10 times in 10 years
- Adi Godrej** That's right.
- Jiten Doshi** And that amounted to roughly 25% compounded growth every year, how much of this would come from organic growth and how much of this you anticipate would come from acquisition?
- Adi Godrej** We expect about 15 to 20% of that growth to come from organic growth and the rest from acquisition.
- Jiten Doshi** Are you looking at consolidating within India also or you're looking at more outside in terms of your acquisition?
- Adi Godrej** No we are open to acquisition, in the long-term we are open to acquisitions both in India and outside. We have said our acquisitions are focused on Asia, Africa and Latin America so India is certainly part of Asia.
- Jiten Doshi** Any benchmark below which you don't want the management holding to drop to?

- Adi Godrej** I don't want to make any predictions or even now with the latest dilutions our promoter holding will remain at around 64% or so.
- Jiten Doshi** Would there be a threshold 51 at least?
- Adi Godrej** I don't want to make any such long-term commitment. That will be entirely up to the board but I doubt if we will get through anywhere near 51%.
- Moderator** The next question is from the line of Kuldeep Gangwar from HSBC, .
- Kuldeep Gangwar** My questions are on the debt side, first our understanding says that lastly you had taken this USD 350 million debt during Megasari acquisition. So first clarification whether you have paid certain installments so far regarding the same then how many and how much and what is impending in the Q4?
- P Ganesh** Very briefly I will tell you, yes there are certain repayments which have commenced and we have also taken further debt for funding phase 1 of Darling so net-net ballpark we are about \$400 million of debt.
- Kuldeep Gangwar** Okay second question like this 250 crore which you mention came because of the currency depreciation, it does not flow through the P&L so basically you are adjusting against the shareholder equity or some other way?
- P Ganesh** No it goes into the balance sheet by way of incremental debt and it gets reflected by way of higher goodwill.
- Adi Godrej** As and when the rupee appreciates that gets corrected.
- Kuldeep Gangwar** Okay and can you give something like in Q4 how much would be the repayment figure regarding this debt.
- P Ganesh** As far as quarterly repayments we have an average of about \$20 million repayments each quarter.
- Kuldeep Gangwar** So this particular financial year you have already plain three installments of \$20 million or so something like that.
- P Ganesh** We would have one more installment till the end of the quarter.
- Moderator** The next question is from the line of Abneesh Roy from Edelweiss.

- Abneesh Roy** Sir lot of question have been answered one or two follow-ups, sir could you tell us in terms of HI in India within the three sub-segments of basically coil, electrical, and sprays are we still leading in all the three segments?
- Adi Godrej** We lead in all the segments and in every region.
- Abneesh Roy** And sir why would the growth rate in Indonesia and India be so different, in the past you have said that the two are comparable in terms of HI.
- Adi Godrej** We are not very different, we have grown very strongly in both the geographies.
- Abneesh Roy** 20% versus 30%.
- Adi Godrej** Yes, both you would agree are very good.
- Abneesh Roy** Sir what is the game plan on replacement for Brylcreem and Ambi Pur?
- Adi Godrej** We are looking at products which we need to launch, we have no non-compete so we look at the opportunities available and as and when we formulate our plans we will go into it.
- Abneesh Roy** And sir the last question is on the LATAM margins those have been a bit volatile 2%, 7%, 9% in the last three quarters what is the sustainable margins one should factor in for the full year?
- Shashank Sinha** The Latin American is quite a seasonal part of the business, if you see the first, second and third quarter, the third quarter is much more of the high season, as I mentioned earlier during the call that Christmas and season around Christmas tends to be the high spending seasons for consumers and I think that's where we see healthier margin. I think on a sustainable basis we are looking at a sustainable margin 8-10%.
- Adi Godrej** No but once we acquire new acquisition our overall Latin American margins will improve quite considerably both because of synergy and because of operations.
- Abneesh Roy** And sir one last one on the UK 43%, sales growth how much is it ex-currency.
- P Ganesh** Ex-currency is about 25.
- Abneesh Roy** And what is reason for the smart upticks here?

- Shashank Sinha** I think in the UK business while the economy has been quite tough we have had an excellent pipeline of local initiative including new products. I think as Mr. Godrej had mention during the introductory part of the speech. There are three key brands they have all done very well such as Touch of Silver, Bio-oil and Cuticura and in each one of them we have had very good trade reception. We have been able to lift our products. We have been able to bring very good promotions and new products in the market. So I think it is off a low base, I think you must understand that but clearly this kind of growth is exceptional in that economic environment.
- Abneesh Roy** And there is no one-off in this apart from the low base?
- Shashank Sinha** No.
- P. Ganesh** I would like to just add over here is that typically being winter months Q3 tends to be able the lower seasons as far as Keyline is concerned. Just as Q3 happens to be the main season being summer months for the Latin business, it is converse for Keyline.
- Moderator** The next question again a follow-up from the line of Amnish Agarwal from Motilal Oswal Securities, .
- Amnish Agarwal** Sir, my question is regarding the Darling acquisition where you had indicated that in the first phase you will be taking up 45% stake, which will increase to 70% in the second phase and 100% thereafter and you will also increase a stake from 51 to 100. So if you look at say the coming year or the current year that is FY12. So what will we be first doing, will we be increasing our stake from 55 to 100 or we will be moving from 45 to 70.
- Adi Godrej** Let's not confuse two different things, one is the salience of the total company that we will acquire. So we have acquired three countries in the first phase, we will acquire some more in the second phase and the rest in the third phase. Now in each of these phases we will acquire 51%. Next we have the option over 3-5 years to go from 51-100%.
- Amnish Agarwal** Okay and secondly sir for this second phase where we will be going from 45% onwards in terms of the size of total business, what could be the outlay?
- Adi Godrej** Unfortunately, we have our confidentiality clause with the sellers. So we can't talk about the valuation of the acquisition.
- Moderator** The next question is from the line of Prithesh Chedda from Emkay Global.

- Prithesh Chedda** This is just a follow-up question, if you could tell us the net working capital cycle in the Indonesia, Africa and the Latin America businesses in terms of days?
- P. Ganesh** At overall as well as the international businesses operate on positive working capital and country to country it does vary in terms of number of days. The basic differentiation versus an India business where we operate on negative working capital is a part that each of the geographies have a significant exposure to modern retail that is considerably credit
- Moderator** The next question is from the line of line Percy Panthaki from Daiwa.
- Percy Panthaki** You have been talking about the synergies on the merger of GCPL and GHPL. Can you tell us a little bit on what exactly has happened on the ground as in have you merged certain distributors or are you allowing both the distributors to continue and secondly on your own sales system as it affects the ASMs or the sales officers for each of these regions are concerned are they also continuing separately or have you made some redundancies on that front as well.
- A. Mahendran** As far as the process of merger goes, what we have done is at the managerial level, we have done integration within both businesses and we have also extended it at the officers level. We have not done anything at distributor level, but as we progress we might look at the distribution also but not at the moment. It was not a case to case basis
- Percy Panthaki** So basically you are saying that there have been some redundancies within the company but at the distributor level basically the number of distributors have not reduced.
- A Mahendran** Yes that is right.
- Percy Panthaki** And what is the way forward on this, as in do you think that whatever work you had to do on the ground as respect to the synergies or merger has already been done or do you think there is some way forward in terms of some more actions to be taken from your side and if so what are they?
- A. Mahendran** As far the synergies are concerned this process is set in motion and we are getting the benefits of both the businesses across distribution, penetration, and differentiation

- Adi Godrej** As work-in-progress we will continue to do more and it may continue for a while but however the synergistic benefits based on the strength of one business with the other for large retail is being already accomplished.
- Percy Panthaki** So in that case what else is pending to do from your side, I mean if most of the benefits have already come in?
- Adi Godrej** This is something which is confidential because a lot of people are involved, lot of our business partners are involved and we don't want to make public statement.
- Vivek Gambhir** There is a lot opportunity to leverage technology in a much better fashion and if we look at the last 12 months in spite of a fairly complex sales integration the good news here is that the team has shown that they can deliver very strong sales momentum while trying to integrate the platform and I think so we continue doing it in a more measure calibrated fashion while maintaining a sales momentum.
- Moderator** We will now move on the second segment of the call. I will like to hand the conference over to Mr. Godrej for opening remarks.
- Adi Godrej** I will now start with my remarks on the announcement of acquisition of the majority stake in Cosmetica Nacional. As we have discussed before, we have been following a very disciplined and focused globalization approach which we call our 3 by 3 strategy – presence in 3 continents – Asia, Africa and Latin America through 3 core categories - home care, hair care and personal wash. Our 3 by 3 strategy starts with the premise that apart from tremendous opportunities available for growth in India, there are attractive opportunities available in other emerging markets as well. These emerging markets have characteristics and consumer demographics similar to India. With the economies of Indonesia, Africa and LATAM all expected to grow at more than 5% in real terms, we expect strong brands and businesses in these geographies to grow in healthy double digits in nominal terms, both in revenue and even more so in profits.
- In general, the integration of all the acquisitions that we have made so far has gone very well and in most cases, ahead of plan. Through our learnings over the last few years, we have been able to put together a best in class post merger integration process. We also appointed Shashank Sinha, who has decades of experience in international FMCG markets, as our head of International Operations. Supporting Shashank is a dedicated International Centre with experts providing value added support on HR,

Finance, IT, Marketing and Supply chain optimization to our international businesses. Our acquisitions have been very value accretive for us.

Latin America is an important part of our 3 by 3 strategy. We continue to expect Latin America to continue to deliver robust GDP growth in the next decade. As you may know, we have previously made 2 acquisitions in the region. These businesses have performed well and we have learnt a lot on what it takes to be successful in Latin America. We believe that the timing is opportune for us to scale up our presence in the region. Amongst the Latin American countries, Chile has the highest GDP PPP per capita and is amongst the five most populated countries in the region. It is expected to grow the fastest in South America in the next 5 years.

Founded in 1979 by Fernando Garcia, Cosmetica Nacional is a Chilean hair color and cosmetics company, enjoying market leadership positions in Chile and Panama in the hair colourants category with strong heritage brand such as Ilicit and U2. Management estimates that the company has a volume share of about 33% and a value share of about 28% in the hair colourants category in Chile. The company also has a strong presence in the color cosmetics segment - Pamela Grant is the second largest brand in the colour cosmetics market with a value and volume share of about 16%.

With a strong stable of heritage brands, we believe Cosmetica Nacional will significantly add value to our Latin American portfolio and will also provide valuable learnings to our India business. As you may know, per capita spend on personal care and cosmetics in many Latin American countries far exceeds the per capita spend in India. So, along with product learnings for the India portfolio, we hope to enhance further our understanding of the evolving role of beauty and personal care in consumer's lives across different emerging markets.

Additionally, we believe that we will be able to exploit synergies of scale between our Argentina business and Cosmetica; across procurement, manufacturing and some customer relationships. On the marketing front, Pamela Grant has been successfully extended from the colour cosmetics space into the hair colour space in Chile and we plan to leverage its strengths across Latin America. Similar, we believe the Issue sachet hair colour proposition could create a new price point in the belly of the Chilean hair colour market.

The Cosmetica Nacional business had revenues of 36 million US dollars in calendar year 2011 and an EBITDA of 7.3 million US dollars. GCPL plans

to purchase a 60% stake in Cosmetica Nacional for an equity value of 38 million US dollars. We hope to close this transaction by early April. GCPL will get to 100% ownership in the business through a combination of call and put options in a 3-5 year period.

Just like in some of our earlier acquisitions, the seasoned management of the Cosmetica will continue to manage the business. We will form cross-functional teams in HR, Finance, Brand Management and Supply Chain. These teams will consist of both Cosmetica and GCPL international center team members who will work together to share learnings and find ways to further accelerate the growth trajectory. We will also initiate the process of evaluating the potential of taking other products from the Godrej portfolio to Chile. Finally, we will put the necessary control systems and processes in place so that these operations are well harmonized with our global operations.

We are confident that we have the right building blocks in place to propel GCPL towards its goal of becoming an emerging markets FMCG leader. Along with continuing to drive our domestic India business to full potential, we remain committed to capitalizing on the huge potential available to us in other attractive geographies.

I now conclude my remarks and open the floor for questions.

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| Moderator | Thank you very much sir. |
| Moderator | We have the first question from the line of Mr. Abneesh Roy from Edelweiss. |
| Abneesh Roy | We have bought 60% in this new acquisition and in Darling also our stake was lesser than 50% in the first phase. |
| Adi Godrej | Versus 51% in Darling. |
| Abneesh Roy | Correct, so is that a conscious decision that in all future acquisitions we will go like this so that the existing management also plays a big role in expansion is the conscious strategy from you or is that how the seller is selling. |
| Adi Godrej | No this is basically based on the seller's preference. So we are quite willing to take 100% share in many of our acquisitions. In some cases we may prefer do it phases but by and large as you know most of the |

acquisition we have done 100% and we have to take into account the seller's preferences too.

Vivek Gambhir

We also pay very close attention to set up the local team and in cases where the local team is very strong we are happy to do a phase wise acquisition as well.

Abneesh Roy

Sir we have existing businesses in South America, could you tell in terms of synergy how this acquisition adds value in terms of distribution, in terms of product knowledge.

Adi Godrej

I think there will be a lot of synergy across the geographies, there would be synergies in the export market. There will be synergies in product, technology, and procurement. So we see a lot of synergies and it will be very difficult for us to fully predict the synergies at this stage. We feel we will be able to harness a lot these synergies 6-9 months after we have taken over the Chilean operation.

Abneesh Roy

And is there any redundancy in terms of either manufacturing or say in distribution because of these foreign employees.

Adi Godrej

No we don't expect any redundancy in fact we will be expanding our operations.

Abneesh Roy

There is a difference between your market share in value and volume terms. So is it because we are stronger in the mid to lower end of the segments?

Adi Godrej

To a certain extent I said there is not much difference between the value and volume shares but yes typically the international players such as L'Oreal tend to be have a higher shares at the very top end most countries including India and many other countries we operate.

Vivek Gambhir

And I think what is also interesting with this company is they actually have a range of brands that actually straddle all the various price points in the consumers segment and so you have Pamela Grant which is more of a premium hair color product launched recently doing quite well. In the mid segment they Illicit and U2 and in the bottom segment they have Addictive. So they have four very good brands that allow us to straddle the entire consumer pyramid.

Abneesh Roy

Sir in the recent acquisition if you see most of the focus in South America has been on hair care and hair color. We are kind of missing on the HI and

completely on the soaps what is the reason for this does it mean that the gap of HI and soaps can get closed in the coming acquisition?

Adi Godrej Soaps is not a category we use to expand very much in, while it is part of our platform; however, HI is, but it also depends on what are the opportunities in these countries. So basically say in Latin America the international HI, the multinational HI players are very strong.

Moderator The next question is from the line of Amnish Agarwal from Motilal Oswal Securities.

Amnish Agarwal My first question is regarding the color cosmetics business which is say around 24% of the segment, so this is first entry of GCPL into color cosmetics. So where do you see this business going forward and how is the competitive intensity in Chile and some of the other markets in Latin America in this business. So is there scope to take this business to some of these countries and also are you planning to bring it to India?

Vivek Gambhir It is a very interesting category and we will evaluate very closely what the potential of this category seems to be in India. Across Latin America, Pamela Grant is very well known name for premium cosmetics. The brand is doing quite well outside Chile as well, even our Argentina team has expressed their excitement in bringing Pamela Grant to Argentina, so definitely all across we see a lot of potential in expanding the brand. I think on India that is an open question but we will look at it very closely to see what the potential here might be. The quality of product is very strong for this brand.

Amnish Agarwal And sir which is the key competitor for this brand in that market?

Vivek Gambhir L'Oreal and some of the other MNC's. It is the only major local player in color cosmetics in this segment in Chile.

Moderator The next question is from the line of Kuldeep Gangwar from HSBC.

Kuldeep Gangwar 86% of your revenue is coming from hair color and color cosmetics. Can you give value and volume market share in the respective categories.

Shahshank Sinha The value market share in hair color is 28%. The volume market share is 33%. In color cosmetics both value and market shares are 15% each.

Moderator We have the next question from the line of Himani Singh from Elara Capital

- Himani Singh** Sir I wanted to know, that in the first phase of this deal we are acquiring 60% at \$38 million, what would be the Phase-2, would we go completely 100% or would it be Phase-2 and Phase-3 on this one?
- Vivek Gambhir** No I think phase 2 will get to 100%.
- Himani Singh** Sir I wanted to know since this company has presence in Chile and we have Argencos in Argentina and some parts of Brazil, how are we planning to synergize our presence of Argencos cost in Chile and Cosmetica in the rest of Latin America?
- Vivek Gambhir** Both the teams will start working on developing a harmonized go-to market strategy, in some countries they may end up having much tighter collaborations, in some other countries it might be a very low level of collaboration, but I think the teams are going to be in close steps with each other and Argentinian team was activity involved in the diligence for this acquisition as well and I think that is something which they will work on to figure out how to best optimize their go-to-market strategy across the various Latin American markets.
- Shashank Sinha** From our preliminary evaluation we see two big opportunities the Cosmetica business has a premium hair color brand which is Pamela Grant. We look to have that brand come into the Argentine business in the premium space and similarly as we said in the opening remarks we see an opportunity for the Issue sachet offering to be introduced into Chile.
- Vivek Gambhir** And I think both of these operations believe that there is strong potential to grow outside the home markets and we believe that the more these businesses collaborate they will be able to accelerate the growth plan further in these markets outside the home markets.
- Himani Singh** You see this acquisition consolidating by which quarter?
- Shashank Sinha** Q1FY13.
- Himani Singh** And do you see seasonality in the Cosmetica business in the Latin American space?
- Shashank Sinha** Typically the Christmas season as it were October, November, and December would be the strongest period of the year and January, February, and March would be relatively weaker.
- Moderator** The next question is from the line of Nillai Shah from Morgan Stanley.

- Nillai Shah** Sir when I look at this dilution which you are doing effectively to pay down these acquisition debt you are basically saying that you are ready to dilute at cost of equity of about 13-14% to pay down acquisition debt which is probably yielding at present sub-10% ROCE. How would you respond to this in terms of value creation for the future? Why dilute and sell down equity at what effectively is very close to the current market price when in the previous presentation and previous forums you have indicated a very strong synergistic opportunities for your acquisitions?
- Adi Godrej** No, we continue to believe that our acquisitions will be strong will be synergistic, will be very accretive, and we continue to believe that this raising of capital from Temasek will add very considerably to our earnings per share, improvement. So overall it would be extremely beneficial for our continuing shareholders. It would be extremely beneficial for the company and it is very important that as we are growing very rapidly we follow prudent financial practices so sometimes perhaps in the interest of prudence it is better to be safe than sorry.
- Nillai Shah** So 1:1 debt-equity is a little too high for your liking at this point in time based on the current macroeconomic environment.
- Adi Godrej** No because we are concerned that since the rupee might fluctuate we don't want to get into a situation of a very high debt-equity ratio, also we are planning for our second and third phases of the Darling acquisition.
- Nillai Shah** Okay got you sir and in terms of the ROCEs how do you see this panning out over the next 3-5 years?
- Adi Godrej** We expect ROCEs will keep improving over the next few years.
- Nillai Shah** So definitely above the cost of capital which you diluted at right now.
- Omar Momin** Absolutely, if you look at each of our acquisition to date for the operating businesses the ROCEs are well and excess of 35-40% which is typical for FMCG businesses as soon as we have our acquisition debt paid down, the ROCEs for each of these businesses as well as overall GCPL as a whole will be back to the levels they were before we started without these acquisitions.
- Moderator** The next question is from the line of Ashish Urganawar from Spark Capital.

- Ashish Upganawar** Just wanted to know what are the put and call options that have been mentioned in the presentation on this Chilean acquisition?
- Omar Momin** There is mix of put and call option from both the sellers and GCPL in a 3-5 year period and the evaluation is at a pre-agreed formula. So that is the basis for the second phase of the 40% acquisition.
- Ashish Upganawar** So the valuation for the next 40% ,it would be benchmark to something and would it be near the 60% stake that we have taken 9-10 EV/EBITD,A with that kind of number, or it could vary considerably from that.
- Omar Momin** It will allow similar line but we can't disclose the exact formula.
- Ashish Upganawar** Okay what would be historical growth rate on revenues and historical EBITDA margins may be for last 3-4 years for this company.
- Omar Momin** The historical revenues have been growing in at about 15% in the last 3-5 years. EBITDA margin have improved to the current 20% from about 15% as they have acquired and integrated successfully the Pamela Grant business into their company.
- Ashish Upganawar** Okay and you have given category growth rates for the two bigger categories hair color and cosmetics. So is it safe to assume this 15% growth would continue or anything else to share on that.
- Adi Godrej** It is difficult for us to project future growth but we expect growth to be good. Now it's very difficult to project future growth and we avoid projecting anything in our company as you know we don't give guidance.
- Moderator** The next question is from the line of Kuldeep Gangwar from HSBC, .
- Kuldeep Gangwar** Yes one clarification, USD 38 million is being paid for this 60% stake is it right?
- Omar Momin** Yes.
- Kuldeep Gangwar** Second question - the 19% YOY growth which is being mentioned, is local currency growth or INR growth?
- Omar Momin** Local currency.
- Kuldeep Gangwar** So that means if company is going at about 2x rate of the industry growth over there because you have mentioned hair color industry is going at 9%,

color cosmetics 15%. So they are showing a double the rate of the industry over there?

Omar Momin That is right because of the success of the recent launches that they have made.

Moderator The next question is from the line of Deepak Rohra from Quest Investment Advisors.

Deepak Rohra Thank you sir, thanks for taking the question, just coming back to this put and call option over a 3-5 period, is it possible that the existing owners for whatever reasons, since there is a pre-agreed formula and let's say the GCPL management decides not to exercise the entire right to buyout, is it possible that they will end up earning a small equity as such or it is that you are just going to go head and buy it.

Adi Godrej It is entirely up to us, they have a put option to a certain timing and we have a call option. It's entirely up to us, we can ensure that it goes to 100% based on our call option.

Moderator The next question is from the line Kaustubh Pawaskar from Sharekhan, .

Kaustubh Pawaskar Sir is there any debt on the books of Comestica and what kind of tax rate Latin America has?

Omar Momin Yes, there is a debt of \$5 million on the books of the company and the tax rate in Chile is about 18%.

Moderator We have the next question from the line of Sundar S from Spark Capital .

Sundar S My first question is regarding Fernando Garcia, what was the reason for a sell-out, we know previously you told us it is for expansion but if we look at this particular company they have sustained market share despite MNC presence. So what exactly was the reason to sell?

Omar Momin I think it is a mix of two things, one as a family they wanted to cash out of the business that they have created and the second thing is that in terms of technology a partnership with the global player will create much more value for them in the future than it has in the past. Hence to capitalize on a combination of these, they are looking at a staggered exit.

Sundar S The "do it yourself market", the one reason we don't see cosmetics growing in India is basically because we do not have a high 'do it yourself'

market base, we are still parlor oriented. So I was just trying to get this perspective between what is the percentage of saloon-oriented and what is the percentage of "do it yourself" market in that particular country, Chile?

Adi Godrej I don't think that is the major reason, the major reason why the cosmetics business is very large in South America and the per capita consumption is very high, is the proclivity of the women there to cosmetics, and in India many women do not yet use cosmetics. Also the per capita income in Latin America is considerably higher than in India, that also adds to the high consumption. I don't think the difference between professional parlor based consumption and at-home consumption is the reason for the difference.

Shashank Sinha And I might like to add a point here The percentage of women in the workforce is significantly higher than in India and as women enter the workforce the propensity to use cosmetics on a day-to-day basis is significantly higher and therefore you have a much higher consumption of cosmetic per capita for example where they have higher percentage of women in the workforce.

Sundar S And will the Chilean market be similar to the Argentinian market in case of inflation numbers that we are looking at?

Omar Momin No it is very different inflation in Chile in the last 4-5 years has been in the range of about 4-5% in Chilean pesos which is very different from the Argentine case.

Sundar S And is there is any backward integration between Cosmetica Nacional and Argencos sir?

Omar Momin There are synergies in the manufacturing and procurements space there is no backhand integration.

Sundar S Okay sir my final on the distribution if you could just shed some light out there as to how are these products distributed and what is the percentage of modern trade in it?

Omar Momin In Chile modern trade that is responsible for this business is about 30% of the total and rest of the business is conducted through a mix of drug store and wholesalers.

Sundar S So we do not have personal selling, as they want as it?

Omar Momin Not in this business.

Moderator The next question is from the line Himani Singh from Elara Capital .

Himani Singh Sir I just wanted to clarify the modern Trade is how much percentage.

Omar Momin 30%, for our business.

Himani Singh And the rest is how?

Omar Momin Perfumeries, drug store and wholesalers.

Himani Singh And what would be the indicators for distributor margin there?

Adi Godrej That varies a lot but generally distribution cost in Latin America are considerably higher than in India but gross margins also are much higher.

Himani Singh Sir how is the pattern of A&P spends there?

Adi Godrej A&P spend currently is not very high but we expect, we will try and grow the business faster and probably invest more in A&P.

Himani Singh What is the growth that we would be targeting at since Mr. Godrej mentioned that we would be spending by A&P, what is the growth that you are more comfortable with?

Adi Godrej I have mentioned we don't provide guidance but we expect to try and accelerate the growth.

Moderator We have the next question from the line of Deepak Rohra from Quest Investment.

Deepak Rohra I just want to check in terms of the balance ownership of 40% that is owned by the family is it? Or there are other shareholders, institutional or something?

Omar Momin Just the family.

Deepak Rohra Just the family, okay the other thing is in terms of acquisition you were saying that you are likely to use overseas debt for funding, there is no case for using internal accruals.

Adi Godrej We will use our combination.

- Moderator** As there are no further questions I would now like to hand the conference over to Mr. Godrej for closing comments.
- Adi Godrej** Well I would like to thank all of you for joining the call. I know it has been a long call because of the special announcements that we had besides our results we had the Temasek announcement and we had the Comestica Nacional acquisition announcement. Thank you for your patience and if you have any further questions, we would be very happy to answer them.
- Moderator** I would also like to hand the conference over to Mr. Makwana for closing comments.
- Jignesh Makwana** Thank you all for joining the call. We thank the management for giving this opportunity to host the call and we wish them good luck for the future. Thank you that is all.
- Adi Godrej** Thank you Jignesh.
- Moderator** On behalf of Godrej Consumer Products Limited that concludes this conference. Thank you for joining us, you may disconnect your lines.
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