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June 3, 2013

BSE Limited

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The National Stock Exchange of India Ltd

Exchange Plaza, 4th Floor,
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Dear Sirs,

We enclose herewith for your information, a transcript of the proceedings of the Analyst Meet held on May 3, 2013, post the announcement of Q4 and annual results for 2012-13.

Yours faithfully

For Godrej Consumer Products Limited



Ramesh Iyer
Dy Company Secretary

Encl: as above



Investor and Analyst Meet FY 2013

May 03, 2013

								
								

Sameer Shah

Good afternoon. I welcome you all to our Annual Investors and Analyst Meet 2013. On the agenda, we will start with opening remarks by Mr. Godrej, followed by overview by Mr. A Mahendran. We will have a performance update and strategy review by Vivek, Darling business update by Omar and financial review by P. Ganesh, post which we will open the floor for Q&A session with the management on the dais. I would now request Mr. Adi Godrej to share his opening remarks. Thank you.

Adi Godrej - Chairman

Ladies and Gentlemen, I welcome you to the 2013 Investor and Analyst meet of Godrej Consumer Products Limited.

Political change and economic uncertainty continued to define the global environment last year. The Eurozone remains prone to political crises and high unemployment with austerity fatigue for some nations and bail out fatigue for others. In the US, employment data is looking encouraging but tough negotiations on debt ceiling and spending cuts remain. Geopolitical issues from the Middle East to North Korea have also hampered investor confidence levels in the recovery. Nonetheless, early signs of economic progress in several regions are being seen as a welcome sign that a recovery might be underway.

India has not been immune from the effects of the global uncertainty over the last few years. Concurrently, low manufacturing growth, slower than required pace of reforms, high current account and fiscal deficits and inflation have also made the last year a tough one for the Indian economy. The weak monsoon further exacerbated the situation by adversely impacting the agricultural sector. At 5%, the projected GDP growth rate in FY 2013 will be the lowest in a decade.

Key actions by the government in the last year such as the opening up of Foreign Direct Investment, postponement of GAAR and the formation of a Cabinet Committee on investment have all inspired confidence. The recent and much awaited rate cut by the RBI should also support economic growth. The Goods and Services Tax (GST) is long overdue and can be a game changer for the industry and economy. I hope that the government will continuously engage with state governments and ensure that it is implemented at the earliest. Restoring growth through reforms, policies geared for economic overhaul, and good governance will be a key imperative and will create a virtuous cycle of boosting production and consumption, enhancing investor confidence and reviving growth.

In spite of this challenging macroeconomic environment, GCPL has remained focused on executing the key elements of its strategy. We are well underway towards becoming an emerging markets FMCG company through our disciplined 3 by 3 approach. While our salience of international revenues has increased to 44%, we have also ensured strong growth momentum in our domestic business with a healthy 20 % organic growth.

								
								

A major focus area for us has been to accelerate our innovations and to back our new products with strong marketing investments. In the past year, in the domestic business, we have had five major launches). We have backed these new launches with strong investments. In fact, our ATL investments in our domestic business increased by 42% over the last year. In our international businesses, we have had many new launches as well and continue to unleash the entrepreneurial spirit in these businesses.

Our various launches have been received well by consumers and are gaining good traction. We believe that these launches will further enhance our competitiveness, improve the equity of our brands and drive increased penetration and consumption.

In the domestic business, we have gained both volume and value share and grown well ahead of the market. Our performance in household insecticides and toilet soaps has been excellent. In hair colors, while we have faced some challenges, we believe that we have turned the corner with our growth in the last quarter far ahead of category growth. We also continue to realize synergy benefits from the merger of GCPL with the erstwhile Godrej Sara Lee Limited and are rapidly expanding and deepening our distribution. We are also investing significantly in a future ready sales system and making our supply chain more agile.

The integration of our international acquisitions has gone well and many of our international businesses have performed well. Growth in our Indonesian business has been very strong and we remain very optimistic about the long-term prospects of the business. The potential of our Africa business is also tremendous. In the near term, however, we continue to navigate the near term volatility that is inherent to Africa given the economic and geo political intricacies of the various countries in the region. In our Latin America business, while top line growth has been strong, we have been dealing with some near term margin pressures given the economic environment. And our UK business has grown far ahead of a generally weak market environment.

We have a strong international center in place that works closely with our various international businesses to ensure optimal integration, to harness synergies and to cross pollinate our portfolio across geographies. We are clearly seeing the results of our value based partnering approach – in a lot of our acquisitions, the revenue and profit trajectory has improved measurably post – acquisition. Our acquisitions have been accretive for us and have been a key source of value creation.

Internationally, our focus in the near term will be on consolidating our position in our existing geographies rather than creating new beachheads. We will continue to work hard to integrate our acquisitions, drive additional top line and bottom line synergies and further accelerate the revenue and profit momentum in these markets. In addition, we will explore both organic and inorganic opportunities to add additional scale to our current footprint and to also enter attractive adjacent categories.

Going forward, we will remain focused on executing the key pillars of our strategy. We will provide additional details about our progress and plans on the key elements of our strategy in our session today.

								
								

Five years ago, we had initiated Project Leapfrog - to define a five-year roadmap for the business. Project Leapfrog defined specific initiatives and targets for us to become a more global company, to accelerate growth in our domestic business and to become innovative in our product offerings and processes. I am happy to inform you that we have exceeded the goals we had established in Project Leapfrog. Our teams are now working hard towards our next set of aspirational objectives – a 10X10 growth objective, that is 10X growth during this decade is a key aspect of our 2020 vision.

As a company, we have always been committed to strong and sustained value creation. Over the last 10 years, we have achieved 14X sales growth at a compounded annual growth of 30% and 12X profit growth with profit after taxes growth at a compounded annual growth of 29%. The market has also rewarded us well for our strong performance, with a 30X appreciation in share price delivering a compounded annual growth of 41% since year 2003 – making GCPL among the best performing FMCG stocks during this period. This is against the backdrop of the FMCG index which grew by a compounded annual growth rate of 24% over the same period.

All of this would not have been possible without the exemplary commitment shown by the GCPL team, ably driving our ambitious growth plans. We believe that the opportunities ahead of us are tremendous in spite of the near term economic uncertainties. We believe that we have a great team and sound strategy in place. We will remain laser focused on execution.

I would also like to use this opportunity to thank Mr. Mahendran and to wish Vivek Gambhir all the best in his new role. As you know, Mahendran has indicated that he would like to retire from his post when his current term expires on June 30, 2013 to devote time to his family businesses. Mahendran will continue to serve on GCPL's Board of Directors. Over the last eighteen years, Mahendran has provided tremendous leadership to the Group in different roles. As Managing Director of GCPL, he successfully guided the Company through the merger with Godrej Sara Lee Limited and our internationalization strategy. We are very appreciative that we will continue to benefit from his insights and experience as a member of the Board.

Many of you know Vivek well and have interacted a lot with him. He has been a key architect of GCPL's 3 by 3 growth strategy and has played a key role in the Group's overall value creation and transformation story over the last few years. Vivek is a proven leader who has shown the ability to attract, develop and retain top talent throughout his career. We are confident that he is the person to lead GCPL in its next phase of growth.

I am pleased to welcome you once again to this investor and analyst Meet. I now request Mr. Mahendran to come and give you an overview of the business. Thank you.

A. Mahendran

Thank you Mr. Godrej and thank you members of the family of Godrej and as Mr. Godrej said that I am moving on to my personal business from end of June. Welcome to all the analyst and I think this is my 18th year of service to the family and the group has done very well as Mr. Godrej said that I do not think any other FMCG Company has posted a 42% growth in the last 10-years and of

								
								

course market has been very good and rewarded, so this could be my last presentation to the analysts and we are quite confident that from next year Vivek Gambhir will be presenting this and the last three years of my association with Vivek as a Chief Strategy Officer, I am quite impressed with his knowledge particularly the macro knowledge and also his capability as Mr. Godrej said in talent building etc. We should wish Vivek for his future career as leading GCPL to further heights and also complete the task of 10 X 10 continuing to hold the 3 X 3 strategy and with that I will extend my support to Vivek for years to come on the board of the GCPL. So I will be talking about the overview and as you would know that Godrej Consumer Products Limited is the largest home grown HPC Company. HPC means Home and Personal Care Company, reporting a turnover of US\$ 1.2 billion in the year ending March 2013 and we have also been strong positions on core categories internationally, both in home care and hair care. We have over 44% of revenue coming from international businesses and the domestic market we are leading market share in core categories, particularly we are number one in hair colour, house hold insecticide and liquid detergent. We are number two in soaps and have an excellent track record of value creation among the FMCG companies in India. We have also a good scale presence across multiple geographies so if you look at Indian subcontinent which includes the SAARC country, we are reporting a turnover of Rs. 3,599 crore with a growth of 20% and holding a salience of 56% and at the growth rate in Indonesia is much higher than India at 35% and Africa of course 68% growth rate would include a portion of inorganic growth. Latin America's 84% would include inorganic growth and Europe is 41%, so excellent growth rate and with a saliency of Indian subcontinent of 56%. Our core categories contribute bulk of our revenues, so if you look at home care, it has a saliency of 44% and hair care is at 24% and personal wash at 21% and our other business are only 11% in the revenues stream. We are in leading market positions in most of our geographies. If you look at India, we are number one hair colour, house hold insecticide and liquid detergent and Indonesia we are number one in air freshener and wet tissues and number two in house hold insecticides and in SAARC countries we are number one hair colour in Sri Lanka and number three position in hair colour in Bangladesh and house hold insecticide, in number three position in Sri Lanka and Bangladesh and in UK, we are number one in stretch marks skin treatment, number two in sanitizer and number four in sun care and female deodorant. We are in leading market position in most of our geographies. In Latin America, we are number one in hair colour by volume and number two in hair colour and colour cosmetics in Chile. In Sub Saharan Africa we are number one in ethnic hair colour in 14 countries. In hair extensions, we are number one in about 10 countries. We are number three in Caucasian hair colour in South Africa. Our portfolio of leading brands of core and adjacent categories are like this: in India, we have home care, hair care and personal wash. Our core brands are Good Knight, Hit, Cinthol, Godrej No.1, Godrej Expert and Aer. In Indonesia, we have brands like Stella, Mitu and HIT. In UK we have a brand called Cuticura, Bio-oil and Soft & Gentle. Some portfolio leading brands in core and adjacent categories, in Africa we have brands which we acquired last year, Darling brand and Inecto brand and we have a brand called Kinky, another brand Tura is into medicated soaps, Issue in Latin America and in Chile we have brand called Illicit and Pamela Grant. These are the key portfolio brands in our core categories. I would now like to hand over to Vivek Gambhir for performance updates.

								
								

Vivek Gambhir

Thank you very much Mr. Mahendran, a very Good Afternoon to all of you. It is a pleasure to discuss with you our performance update and give you a brief review of our overall strategy. If you see over the last three years as Mr. Godrej was mentioning, we have been very focused on sustained profitable growth and on a net sales basis over the last three years, our sales have gone up by about 46% year on year CAGR and EBITDA has grown by about 35%. Across both sales and profitability, the performance has been quite robust and this is in a challenging environment where you know the economic environment has been quite tough but what is very important is that along with good results we have also been making significant investments to secure our future and make ourselves future ready. So this balance of delivering strong results today and becoming future ready now is what we believe will enable us to continue delivering profitable and sustained growth. What is also encouraging is that this growth has been a mix of both organic and inorganic growth. Organic growth has also been quite strong. One of the things you will notice of course is that over the past year, EBITDA growth has trailed sales growth. This is largely on the back of the marketing investments that we are making to support our significant new launches and we believe that this approach to intensify our investments is the right call to make. We are cementing the foundations for a much stronger future. We are building stronger brands; we are premiumizing some of our offerings and we are also trying to participate in the categories of the future. But as these launches scale up and as they gain traction, we are very hopeful that you will see better profit growth in the future. What is very encouraging is that the initial momentum on all of these launches has been very strong and the launch mile stones have exceeded all of our internal action standards. That gives us a lot of optimism and comfort that the longer term prospect of this investment is very promising. The other reason for some of the pressure on our operating margins last year has been because of the cost structure of some of our acquisitions. Some of these acquisitions tend to have relatively higher fixed cost and during periods of economic uncertainty that have gone through, it undoubtedly creates pressure on margins. But as these businesses scale up, and as we further stabilize and integrate these acquisitions, it will lead to margin improvement. Domestically we continue to deliver robust organic growth with 20% organic growth, along with that our mix of categories is very well balanced, home care is the largest category, followed by personal wash and hair care. We continue remaining largely a very focused 3 category home and personal care player. As mentioned, we are continuing to make strong marketing investments, last year our advertising spent went up by ~42% versus FY12, where we spent Rs. 236 crore on ATL, the corresponding number last year was Rs. 336 crore. As our new launches scale up and as we gain traction you will see a lot more of these benefits coming in the next couple of years. What we have also tried to do in this line is break apart our portfolio between the base portfolio and our portfolio which is new launches in our new products. What you see in the domestic portfolio, the base portfolio is that the sales growth has been 17%; the advertising growth on that portfolio was 18%, so largely for the base portfolio the A&P growth actually is tracking very well with sales growth. What we are doing is disproportionately spending on our new launches, and as these new launches gain traction, quite a few of these products have been in the market for less than 6 months. As these new launches again gain traction, you will see the benefits emerging. But our strategy again has been quite clear to disproportionately spend on a new launches to secure our future. Our international business is also scaling up well, we are seeing very healthy top line growth and if you look at the break up of our international businesses, Indonesia and Africa comprise about 70% of our portfolio and we are again betting heavily on Indonesia and Africa in

								
								

particular. Across Indonesia, Latin America, Africa and Europe growth has been very healthy in almost every single geography. That is a quick snap shot of our performance. What I will do now is spend a few minutes reviewing the key elements of our strategy. These are what we call the six guide posts that essentially help us figure out where to focus on and how to drive competitive advantage. I will review the progress against these 6 pillars and also tell you a little bit about our plans going forward. But as you will notice, our overall approach remains very focused and we are very clear in what we will do and how we will win.

Our most important pillar is to drive our categories to core potential by sustaining and extending leadership in these categories. What this means is that, we remain focused on three categories, home care, hair care and personal care and we are continuing to work to strengthen our position in these categories. We strongly believe that there is a lot of head room to increase both penetration and consumption in these three categories and we are simultaneously extending the core to adjacencies around the core business. These adjacencies might be small today but we expect them to be quite large in the next 5 to 10 years. So we believe that this two pronged approach, first of all to strengthen our core and then second of all extend it over time, will enable us to consistently deliver profitable growth ahead of the market growth. In hair colours and insecticides there is significant head room for growth in penetration. In particular there is significant potential to increase penetration in rural for hair colours and house hold insecticides and in the past year our rural growth has been over 2x of our urban growth. But beyond penetration we are also seeing significant upside in driving consumption and if you compare consumption per house hold, to other countries in Asia you will find is that versus other countries in Asia, per capita consumption in both hair colour and insecticides significantly lags in India. There are a lot of opportunities to drive consumption along with penetration in the categories that we operate in and because of this focused approach that we are following. If you take a look at our insecticides business, our insecticides business continues to perform well ahead of the market, growing at almost 2x of the category growth rate and we are also seeing significant increase in house hold penetration along with consumption in this category. Our toilet soaps business also continues to grow ahead of the market both in terms of value and volume terms. Over the last year our volume growth was about 9% whereas the category volume growth was 4%. A lot of you have also asked questions on the insecticides front, on the mix of value versus volume growth. While in the HI category, it is typically quite hard to strip out value versus volume, directionally in our 25% growth last year in insecticides about 20% of growth was volume growth and about 5% was price lead growth. On hair as Mr. Godrej mentioned in colours, we have had some challenges in the past, what is really encouraging to note here again is that we believe that we have turned the corner as far as hair colours are concerned. Last quarter, the category grew at about 13% and our growth was about 27%. Over the entire year I think our category growth was about 19%, we were little bit short at 14% but generally if the momentum over the last quarters any indication, we seem very confident that we have turned the corner and we should expect a lot better growth in the quarters ahead. The other key path of our strategy has been to really focus on a fewer set of brands and really scale up our key brands. So our top 5 brands are Good knight, Hit, Godrej No.1, Cinthol and Godrej expert. A couple of years ago, about 84% of our domestic revenues came from these five brands; it is about Rs. 2,000 crore in revenue last year 88%. So over Rs. 3,000 crore of our revenue came from these five brands, we are again focused on scaling up and building bigger and better brands and enhancing our brand equity. The second important pillar for us is to really capitalize on the huge amount of growth we see in emerging markets. Our 3 X 3 strategy starts with the premise that

<i>No.1</i>	CINTHOL	<i>FairGlow</i>		Nupur		Ezee		<i>genteel</i>
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apart from tremendous growth opportunities in India, there are plenty of attractive opportunities available for us in other emerging markets. These emerging markets in Asia, Africa and Latin America have characteristics that are quite similar to India. The economies of Indonesia, Africa and parts of Latin America are expected to grow upwards of 6% a year. We also believe that we can very effectively leverage GCPL's fundamental value proposition or superior quality affordable products in these markets, and our understanding of consumers to these international markets and we can add tremendous value to these acquisitions with Godrej way of working, our processes, our operational discipline, manufacturing technology and sourcing strengths. While we have been pursuing an M&A strategy, the approach tends to be extremely disciplined and we will continue to focus on synergistic, accretive acquisitions. The other hallmark of our approach is that we tend to partner very closely with the companies we acquire to ensure that the sum of the whole is greater than the parts. We integrate these companies in the Godrej way, making sure that we maintain the right balance between control and local empowerment. Local teams are very empowered to drive local decisions and we will drive synergies through value added support provided by the centre and we ensure adequate synergies across these geographies. Shashank heads up international operations and he will be happy to answer more questions on a 3 X 3 approach.

As I mentioned before, within international, Indonesia and Africa continue to be the lead growth drivers. On a FY13 yearly basis on both top line and bottom line, growth and margins have been very healthy. Indonesia is at 19% margin, Africa at 16% margin. In Latin America, as Mr. Godrej mentioned we have faced some challenges in margins driven by the high fixed costs nature of the business and some of the upheaval in the economic environment but we are confident that through specific initiatives that we are launching we will be able to improve the margin profile in Latin America as well. In UK, with double-digit growth in an economy that is growing at 0% I think that is a fairly good track record for the UK market as well.

The other key element that we have been focusing on has been to try and cross-pollinate the portfolio and cross-pollination does not necessarily mean taking brands from one geography to the other geography. A lot of cross-pollination happens to increase technology sharing, through best practice sharing but there are enough examples that you can now start seeing with its launch of Expert Crèmes in India, Good Knight in Nigeria, Renew in South Africa, Aer in India, that the journey of cross-pollination has begun and you will see a lot more efforts to cross-pollinate this portfolio that we have across our entire global footprint.

The key way that has allowed us to try and ensure good performance on the international front has been the role play by our international center. We put a strong cohesive structure in place. Our international center headed by Shashank works very closely with the international businesses to ensure optimal integration, to harness synergies and to cross-pollinate the portfolio. We have dedicated experts in supply chain, R&D, marketing, finance and human capital. We have audit teams in each of our major countries. All of our international operations have ERP systems in place and we also are focusing a lot on risk management, focusing on crisis management, other mechanisms to make sure that we have the right control mechanisms in place across our international footprint. To help us achieve our growth aspirations what is critical is to have the right talent engine in place and we have been significantly investing in talent management. We have a single EVA-linked performance and rewards program across the globe. We are investing a lot in training and developing talent and we are also adding a lot of talent in the international

								
								

operations. We have added about 24 new positions in our international senior teams. Out of the 24 senior positions there have been 10 people who move from India to these geographies. What this allows us to do is to create global opportunities for our top talent. And the result of this talent focus has meant that we retain over 90% of the management committee and the critical talents in all of these geographies.

The third critical pillar is our focus on innovation and renovating our portfolio. As all of you know, we are witnessing a rapid change in the social and economic landscape in India and other emerging markets. As incomes rise, aspirations rise. There are some consumers who are becoming consumers for the first time. There are other consumers who will consume more and some who will look for more choices and different benefits. In this context, driving faster, quicker and more exciting innovations is a center piece of our strategy. For us there are three key imperatives. First of all, we want to add more sizzle to our existing portfolio and make sure we remain differentiated. The second imperative for us is to extend our edge on quality. We have always been known to provide superior quality at affordable prices. Going forward, the key task for us is how we even better the price-value equation. And third of all, through innovation, we want to make sure that we can participate in the categories of the future. We have begun the journey in earnest. Last year, we had an unprecedented blitz of five major launches in India across all categories. Internationally, the number is even higher. We had more than 10 major innovations and all of these innovations are in addition to the numerous packaging changes and incremental renovations that we have done across many more products in the portfolio.

Let me give you a quick snapshot of our major innovations. One of the key innovations we launched about seven months ago was an Expert Crème. And this is truly an unbelievable product. It is a 100% ammonia-free crème that keeps hair strong and makes hair soft and shiny. It beats all leading hair colours in blind consumer tests. It is packed in, easy to measure, easy to use sachets; the sachets are at an unbelievable price of Rs.30 per sachet. And for first time users, who have some apprehensions about using hair colours, we offer a starter kit for Rs.59; for Rs.59 you get a bowl, a brush, a creme and developer sachet, ear caps, gloves, stain removal wipes and conditioners. The results in the last 7 months have been very strong, which exceeded all our expectations. 2 lakh outlets have been reached in 6 months and we are at about 200% achievement on our plan. The best way to show this product is through our recent advertisement.

Along with of course focusing a launch with Crème product that we have also been renovating our powder portfolio and we have launched a little over year ago a very innovative Pro-Gel formulation in Godrej Advanced and we are also seeing very encouraging results from that as well. This is our most recent commercial from Godrej Advanced.

Moving away from hair to cockroaches – This is our most recent launch. We launched this in March 2013 -- HIT Anti-Roach Gel. Our category penetration for Anti-Roach Gel for roaches' protection is very low. People have been very hesitant to find solutions to kill roaches. A lot of products are available in the market but they are not very long lasting, they are very messy, inconvenient, people perceive them to be unsafe. So our strategy really here was to expand the crawling insect market through an innovative product that overcomes these barriers. This is a very innovative injection format with gel paste and the beauty of this product is that it even kills the

								
								

hidden cockroaches. The product attracts and kills cockroaches and the ad will explain this to you better. It is very non-messy and non-smelly and it actually kills the entire nest of cockroaches.

‘Aer’ was our foray into air fresheners about nine months ago and we approach the category in a very different manner. Most competitive products in this category tend to be very functional. But we wanted this brand to be an integral part of the consumers’ lifestyle and really enhance their home and out-home experiences to differentiated fragrances and we have quite good differentiated products. There is a click product, a twist product for the car. The last 8 or 9 months of results have exceeded our expectations. We had about 127% achievement on our plan. Generally, this is a category really carried by modern trade and within 8 or 9 months we have established a very strong presence with some of our modern trade partners.

Positioning is quite quirky, quite unique and we are optimistic about the long-term prospects of this brand.

Our fourth major launch last year was the repositioning of Cinthol. All of you know that Cinthol has a tremendous amount of brand equity. We decided about 9 months ago to re-launch Cinthol to build a strong personal grooming brand in the premium space. Our attempt with Cinthol was to try and connect to a more vibrant, more energetic young India. The formulation, packaging, the quality of the product have all been exceptional. We have extended the product into shower gels. The brand imagery scores over the last 9 months have gone up tremendously and we back Cinthol up with a very compelling ‘Alive is Awesome’ campaign that has again garnered rave reviews.

The fifth major focus of our innovation efforts was on Godrej No. 1. This is the brand that we feel very proud about. Godrej No. 1 is over Rs. 900 crore in size now. A few years ago, this was really viewed as nothing more than just a price warrior relook brand. But the team has done very well to strengthen the core brand proposition of nature’s touch to beauty. A lot of household consumption is being driven by people using multiple variants. A lot of consumers love the fragrances in this brand and this soap brand actually has one of the highest retention rates in the soap industry. We had launched Rosewater & Almonds about a year ago and we have just launched Aloe Vera and White Lily. The new variants are also receiving very strong reviews. With Rosewater & Almonds we achieved about 167 achievements versus plan, 39% weighted distribution in urban India within 8 months of a launch. A very successful launch but take a look at the ad, you will see how the brand is being positioned in a much warmer relationship-driven manner.

Apart from of course these major launches there have been a fair amount of renovations, packaging changes in other products- Renew, Colour Soft, etc. And while I have spent a fair bit of time talking about domestic innovations, we have had a lot of major innovations in our international businesses as well. And what is quite impressive is that the innovation rates in our international operations in a lot of cases are actually higher than India. We are learning a lot from international operations in terms of trying to accelerate our innovation pipeline as well. Whether it is one push aerosol in Indonesia, Villeneuve Sun Care range in Argentina, 8-hour sanitizer Cuticura in UK, our international portfolio also has its fair share of launches.

Let me show you a couple of ads from Indonesia. The first one is HIT Magic Paper. You can just see the whole proposition of instant killing through the Magic Paper. The second ad is for HIT

								
								

Aerosol Spray. This ad, it is a famous TV presenter who basically talks about how protecting a family is very important but she is not at home all the time and how HIT is the way, she feels very confident to protect her family and it is also the most cost-effective solution.

Apart from launches in Asia, if we go at Africa, Latin America, whether it is Pamela Grant Cosmetics in Chile, new hair extension products in Africa, Issue Hair Colour range in Argentina, in Ecuador hair colours in Africa, across the board you have seen a lot of launches. The final ad is from Chile. As mentioned earlier, we have had some fairly intense price competition with L'Oreal in Chile over the last few months. The team has responded quite well and coming out of this last six months was encouraging is that our share actually has gone up in the Chilean market. Take a look at this ad of Illicit.

Hopefully, this gives you a good sense of the kind of products we are launching and the kind of packaging and propositions we are redefining in a various markets. Our plans are very aggressive. We will continue to accelerate the pace of innovation in India. Our plan is to double our innovation rate over the next 3 years. What is important to point out is that for all of these launches at the heart of the launch were actually a very strong product innovation and around the product innovation were the team led by Sunil Kataria, has done very well, has been to ensure very strong execution focus, making sure that we are ready to launch the product, ensuring full post-launch support, and the investments have been truly 360 in nature whether it is compelling advertising, effective use of social media, a point-of-sale, material, print, the team has done a very good job of combining these.

We do expect that as we premiumize some of our offerings it will lead to expansion of gross margins and we will get scale benefit as these new launches gain traction which will allow us to fund a further new launches.

The fourth priority for us is to make sure that our sales system is future ready. And we are substantially strengthening our go-to-market approach. We are going wider; we are going deeper, expanding urban coverage, continuing a rural expansion, focusing on newer untapped channels such as chemists and colour cosmetics. We are strengthening distribution across the board. Our reach increased by about 10% last year. In the rural side of the business, we added 15,000 direct coverage villages. In fact, our growth in rural was 2x that of urban growth. We are also focusing a lot on modern trade. Our modern trade growth last year was about 29%. A very healthy growth and even the CSD channel actually gave us about a 23% growth in a difficult year. A lot of our focus has been on serving our customers better, getting the last feet execution right, improving visibility of our secondary sales, we have finished roll out of a new distribution management system, rolling out an advanced sales analytic module to facilitate sharper decision-making.

With the Sara Lee merger, we called it "Project Neo." We have already reaped significant benefits of leveraging geography and channel synergies across our core categories. We expect that these synergies will continue. We still see a lot of opportunities. There are a fair amount of geographic imbalances in our portfolio and over the next 3 or 4 years we will continue reaping benefits from combining the two companies.

								
								

Our fifth priority is to make sure that our supply chain is efficient, flexible and dynamic. We have a global supply organization in place, headed by Dr. Rakesh Sinha and we are pursuing a lot of initiatives to maintain a competitive edge. We are driving productivity improvements in manufacturing, reducing costs, areas such as modern trade have actually been a big focus area. We have been very focused in achieving improving fill rates and achieving best-in-class levels. We have actually been consistently ranked amongst the “Top Five FMCG Companies in Modern Trade” which includes all household personal care and food companies. With some modern trade retailers, we are No. 1 and in a few we are No. 2, but on average we are among the preferred partners for modern trade among all FMCG companies and this will continue to be a big focus area for us.

Through “Project Neo” we have delivered a lot of cost synergies but we will continue to try and find opportunities to drive further our cost improvement opportunities. A lot of initiatives are being worked on, debottlenecking of capacity, strategic sourcing, integrated procurement, production and logistics planning. Internationally also, the team is focusing a lot on trying to improve our international operations through low cost automation, debottlenecking, replenishment models, etc. So a lot of work has been going on in the supply chain front.

Our final priority is all about agility and creating a high performance culture. At the end of the day, we are what we are because of our brand and because of our people. And for us to sustain our tremendous results track record, we need to make sure that we remain agile and nimble. So our ability to move faster than our competitors, the empowerment that we provide to our team, our entrepreneurial culture, and a strong Godrej value system, has been strong differentiators for us. We now need to raise the bar further and become much more dynamic in terms of how we manage and operate a global business and make sure that we can attract, develop, retain and develop the right kind of talent for our future success.

On the domestic front, our integration has gone very well. We are successfully integrating all of our international businesses, maintaining the right balance between localization and the right Godrej culture, strong international center has been in place. What is very comforting is that in spite of all these transformational changes our regrettable attrition has been less than 5% across our various operations. One of the things we pay very close attention to is how well do we engage and communicate with our employees. We work very closely with Aon Hewitt; Hewitt has an engagement survey tool that is actually used by hundreds of companies around the world and what is great to see is how well our engagement scores have been doing. The global best employers have an engagement score of about 79%. GCPL India is at 78% and our international operations which are newly acquired entities are at 63%. But across the board, what you are seeing is the significant improvements we are making in our engagement scores with our employees. Rahul Gama who heads up HR is here with us and we will be happy to answer some of your questions on our people proposition.

A few words on social responsibility – As you know, the Godrej Group has always been known for its commitment to our communities and society. We have a group wide initiative called, “Good and Green.” Through “Good and Green” we have three key objectives. One is to train 1 million Indians in skilled employment. Second is goals around creating a greener India. And the third of

								
								

all is around creating more good and green products. GCPL has played a key role as part of good and green.

A few sample projects on employability. We have a program called “Godrej Saloni” where we train unemployed urban and rural women to become beauticians. Last year we trained over 2,500 women. We have a program called “Godrej Sakhi” to train rural women to start micro enterprises in the local markets. Last year we trained over 1,500 women. We have “Godrej Vijay” to train rural youth in sales for wage employment in the FMCG and other sectors. Last year we trained over 10,000 youths. And then finally, we have just launched “Godrej Prerna” to train retailers and retail associates in general trade to improve business. “Good and Green” is the key part of GCPL’s mission for responsibility and our teams are very focused on these goals.

What is gratifying of course is that through a lot of these efforts we have been recognized, whether it is the most trusted brand in India, various product brands have also been given a lot of accolades as far as brand equity is concerned.

So that is a quick snapshot of our overall strategy. In summary, I would like to point out that one of our key hallmarks has been that we have been very focused and we will remain very focused, we are very clear in the choices we made in what we will do and how we will win.

We are adopting a two-pronged strategy. One is to deliver strong results today but at the same time we are building capabilities for the future and investing for a brighter future. Thanks for your time and I will now request Omar to come and talk about our Darling operations.

Omar Momin

Good afternoon, everybody. Over the last few years, we have been trying to get the investor and analyst community accustomed to some of our international operations. Last year we shared an update on our business in Indonesia. This year what we thought we will do is have an update on our Hair Extensions business. This is a category which is very difficult to identify with or to understand unless you see it in action and over the next 15 minutes, what I will try and do is give you both a visual flavor of what this category is about, the opportunities that we see from medium-term timeframe of 3-4 years, as well as an update on the business as it is today.

Ethnic hair care unlike hair care in many other parts of the world is very a specialized category in Africa. It is basically unique because African hair is very unique in its texture, it is short, curly and very brittle, which means that the products that get used on African hair are not the usual shampoos and conditioners which make up a huge part of hair care anywhere else in the world, but is comprised of two broad categories; dry hair products and wet hair products. Wet hair products are basically relaxers which are used to relax the curly hair and then you have treatments which help to provide nourishment as well as styling post relaxing. A category that has developed in the last two decades is the category of dry hair. And this basically provides the African women an opportunity to completely transform the way she looks, and more interestingly, transform it with a frequency that was not possible earlier and a frequency which is also much higher than any other

								
								

hair type in the world. So broadly this is about a \$2.5 billion opportunity including dry and wet products across Africa. It is moving from the use of relaxers to heavy use of hair extensions as more people use the category as well as people use the category more frequently. It is amongst the highest involvement categories as you will see later. Because it literally transforms the look of a woman and what that means is the potential for branding, potential for creating a brand that is not just about a product category but a brand that is about beauty and identity is the challenge that we have taken upon ourselves to create the Darling brand into.

Just to give you a visual feel of what this category does to people. People started off in Africa initially with the use of relaxers. So, if I take you through before and after picture, the hair on the left is what natural hair or an African woman looks like. Post the use of relaxers which are pretty harsh chemicals that help straighten your hair you have a look that is similar on the right hand side. The downside of use of these products is hair becoming weaker, you could have scalp damage and this is something that is advised for use with much less frequency than it has been. What it has meant is the rise of the category of hair extensions and you have two broad products here. The first is more familiar for a lot of us as we see African-American individuals as well as pop stars across the world. This is the category of braids. And what this provides people is an opportunity to have many different hair styles and the frequency of use for these products is about once in six weeks. So every six weeks you will see women wanting to change their hair style, they switch between different hair styles with braids or between braids and weaves as well.

The second category is weaves which is far more transformational and is more time consuming in terms of how it is put on. These pictures in the presentation give you a sense of before, after on what kind of transformation this category provides. So literally this has changed the way people identify with beauty in Africa, and it is a fast growing category especially in terms of penetration. As income levels in Africa rise, the frequency of the use of this category is on the rise.

Going on to a sense of just a very broad category overview – As you could imagine like most other categories in Africa, it is skewed far more towards parts of Africa that have higher incomes as well as a certain sense of evolution in the category. So this category started off in West Africa which is largely Nigeria and French Africa but big chunks of this category are today in East Africa which is the fastest growing Southern Africa and West Africa. Central Africa is far less penetrated and is also much poorer and this maps very well with how the key parts of our Darling business are today split across the different parts of Africa.

Going on to some key macroeconomic indicators, as you look at the countries that make up the first two phases of our Darling partnership, you will see that a lot of these countries, Nigeria, Kenya, Mozambique, GDP growth are very comparable with those in India. You are seeing an emerging middle-class aspiring to use higher end consumer products. Inflation is on the higher side in Uganda and Tanzania but those are smaller countries and the one thing that we do watch out in this business is currency movements because these have been the most volatile for African countries in the last two decades and you will see regions like Nigeria, Kenya driving the stability as exchange rates stabilize across these key markets. The one negative that we have seen in terms of currency movements has been the Rand in South Africa but this has been a very volatile currency and you could expect a bounce back within an equally short time.

								
								

Going on to the Darling group, we have a footprint in terms of existing manufacturing locations across about 14 countries and exports would include another 7 countries from these manufacturing bases. Just as a recap, this is 51-49 partnership as the starting point. We have a set of call options and put options between the two parties for GCPL to get to 100% ownership between 3 and 5 years from the date of a country coming into the joint venture. So far we have 4 countries into the joint venture but these countries already account for a significant bulk of the business and we will see more countries coming into the joint venture in the next 2-3 years.

Overview of the current business – in Southern Africa, the biggest competitive advantage we have and this is quite common to operating in Africa is the advantage of manufacturing base that is local and proximity to market. There is a fair amount of fashion element in this business and being close to your consumers and distributors, is critical for success in terms of managing the supply chain, as well as responding to changing styles. This manufacturing base provides us a unique footprint. There is no other manufacturing facility of the size across all of Southern Africa and it provides us a strong footprint to serve the entire region. We also have strong relationships with the cash-and-carry chains in South Africa and it is the largest pan South Africa brand in the country. Nigeria has been one of our oldest markets and we are working very strongly now on introducing a sense of innovation as we ramp to many more styles introduced in this country. The big opportunity here is many parts of the country of a population of 160 million are still underserved. Most of the focus historically has been on Lagos and the east and as we get our go-to-market strategies in place we will see a lot more of growth coming in through reaching new consumers and customers. Kenya is one of the strongest markets in terms of market share. We have one of the best salon relationship and engagement programs in this geography and we hope to build on that in the coming years.

Just to share, this is a topic that comes often in terms of what have we learnt so far from operating in Africa and what do we see as some of the opportunities going forward in the next 2 to 3 years. There is clearly because of less evolved media as well as reach, a very strong comparative advantage to brands already existing in the market. So building on an existing equity is far easier and more advantageous than trying to create a new brand. Understanding of local practices obviously is critical and it is often a myth to think of Africa as one monolithic entity, it has very different countries, very different cultures, equally arguably as diverse as India and understanding how each country works is an equal part of success. Scale is very important and having a brand that works across 14 and more countries provides you a certain amount of scale right across the value chain and that is an important source of competitive advantage. Just like in India, there is tremendous local entrepreneurial spirit, partnering with that, building relationships with trade, as well as creating an employee base that is local and future ready is a big part of success for companies that have done well in Africa. I spoke about local manufacturing earlier.

Going on to some of the challenges that we are trying to convert to advantages is of course local talent. It is very important that we create a base that is sustainable for the future and rather than having a model that is expat-driven we are focusing increasingly on grooming talent that will take this business to the next level. Infrastructure bottlenecks not very unfamiliar for us but they can be a significant challenge as we try and get to the kind of penetration and distribution reach that we enjoy in India.

								
								

To share with you, this has been a joint venture wherein we have spent the first six months, trying to understand both the business as well as the category as also outlined products that we will use to build on the current existing business and some of the initiatives that we have put in place as you would imagine from the strengths that GCPL as a company brings to this group, the first is go-to-market plan. From a largely wholesale-led model, we have started direct distribution to a lot of the salons in Lagos and the east and we will use this as the base for increasing and creating a direct distribution model as we have in India and Indonesia. The salon is critical as I will refer to later in the value chain in this business and building a program that engages with as well as builds on the strength of the salon business is critical and we have put a lot more attention on the new product development process which has many more launches in the last 12 months than previously was the trend for this business.

A key part, as Vivek mentioned is building a sustainable organization in a lot of our acquisitions and especially so in joint ventures. We have gone from what would be a typical entrepreneurial local business to a business where we have key controls in place, we have ERP systems now in place, we have professional finance and audit teams, we have business MIS that comes to us every month rather than what it was earlier which was usually once a year. We are building a talent pipeline both through having people from India as well as local talent being groomed to take on positions across the group, encouraging talent movement across the different countries, and most importantly, putting in place a leadership pipeline that will take over the management of these countries in the next 1 to 2 years.

It is important to understand the seasonality or the salience of business to the different quarters in this business. Since there is significant seasonality between October to December quarter as well as January to March quarter, so October to December is the largest quarter for this business as you will see in terms of salience, it is almost 30% of total sales and correspondingly, the next quarter is the weakest quarter. So what this does mean is in terms of margins you have significant difference between the margins in the third quarter and the fourth; margins in the fourth quarter being lower than the annualized number. This is just to give you a sense of how A&P are influencing the consumer works in this business. It is a slightly detailed chart which talks about how the consumer is influenced through a mix of media right from digital as well as TV and print.

The most important point being here that the consumer is completely sandwiched here between the salon both pre as well as post purchase. So when the consumer goes to a salon she will take very seriously the advice of the stylist on what looks good on her and equally once she has the hair piece put on her, the stylist dictates how she eventually looks with the use of that style. So unlike traditional A&P here the focus is on engaging with salons and stylist to build a brand amongst these professionals and they in turn influence the consumer. A&P is far more of the nature of loyalty programs, promotions, and activations around the consumer events and less so with TV or print media. What we are doing therefore is moving from a model where the consumer was the last leg in the chain with little access from a company perspective to a system where we create a connect both with salons as well as consumers in parallel and make sure that the Darling brand is present through all the touch point that the consumer goes through.

								
								

In the medium-term we have a few priorities clearly laid out in terms of what we want to focus on. We are highly focused on creating and taking the salon engagement program to the next level. We are working on activation properties across the different countries and creating a calendar where we will interact with the consumers, much deeper distribution and go-to-market strategy and interestingly, in the next year, we will look at launching wet products in East Africa as the first step towards building a larger play in ethnic hair care wherein we will address the other half of the opportunity which is wet hair care products for the very same consumer that we are serving today. A slightly more medium term objective is of course today is for home insecticides to have a footprint that is much larger than the one we have in Africa today. We believe with the platform we have, we should be able to reach all of those 20 countries with our products in the HI space.

Key plans again, we will consolidate our businesses in South Africa and Nigeria. We are looking at opening up the few markets that have not been organically tapped as yet, Ethiopia being the largest of them. We are planning to evaluate that opportunity in the next one to two years. We believe wet hair care products could be a huge growth driver for this business going forward, and then look at how we add on the remaining set of countries to this joint venture in the next 18 to 24 months.

In terms of the key risks that we foresee, currency plays a very important role for us, both in terms of margins as well as translation and of course political unrest which is often a past feature of the landscape in Africa but we see that improving a lot steadily in the next few years. That is a very quick overview of the category as well as our business and plans in this space. Thank you.

P. Ganesh

We looked at the business performance which Mr. Mahendran, Vivek and Omar took us through. We will spend the next few minutes in terms of what this meant to us, in terms of financial performance.

About 10 years back we had revenue of about Rs. 470 crore and over a 10 year period we have grown at a strong CAGR of 30%; aided by inorganic growth as well, and the EBITDA margins have also kept pace. Another way of looking at it is, 10 years back our revenues was Rs. 470 crore, it took around 7 years for this revenue number to become our EBITDA number. At presently, our current EBITDA number was more or less our sales number about five years back. It actually points to acceleration when it comes to growth. The net profit growth has also kept pace and has been growing at around 29%. The P&L performance has remained very strong, the focus has also remained on the balance sheet because none of the P&L performance will come through unless we continue to have a strong balance sheet. While we have been staging our comfort zone, our debt-equity ratio has stayed well within 1:1, we are currently much below that at 0.48 in terms of our debt-equity ratio.

The other major element in our balance sheet today is working capital. While the India business continues to operate on negative working capital, given that about 44% of our revenues come from outside of India where the business environment, the salience of modern retail are all different

								
								

when compared to India and this means that at a consolidated level we operate on a positive working capital. While working capital is expected to remain positive, optimization of working capital, looking at reduction opportunities continues to be a key focus area. During the current year FY12-13, working capital in absolute numbers on the back of strong organic growth as well as addition of new geographies has moved up. In terms of working capital days, that has continued its trend of coming down. Also, while we have about US\$ 372 million of debt in our books, the repayment schedule is fairly well spread out. This in turn means that we do not have pressure in terms of cash flows. While the cash flows continue to be strong, a good part of it goes into debt servicing which again is phased out over the few years. In 2013-14, we have a relatively large payout of more than US\$100 million, part of it is also on account of a prepayment we are making of an amount of about US\$35 million. This is the revenue which we generated by selling the non-core business in Indonesia. That is going to bring down our debt because that amount is going to be utilized to prepay some of our loans. When we look at returns to shareholders, absolute return to shareholders continues to inch up. The return in terms of absolute dividends paid out has been consistently increasing. But given that the profits have been increasing at a much faster pace, the payout ratio is actually coming down. What this also reflects is in a sense, prudent financial management, where given that we have close to a US\$400 million of debt. The primary focus currently is in terms of utilizing a good part of the cash towards debt servicing. So the investor community, the markets have been quite appreciative of our strategy and in terms of what it means for the Company and we have had a whooping 43x increase in our market cap over the last 10 years. Today we are also part of various key indices like the BSE 100, the NIFY Junior, FTSE, and MSCI. On this note, I would like to open the floor for questions. Thank you.

Continue: - Q&A...

								
								

Questions and Answers:

Moderator

The first question is from Percy Panthaki of India Infoline

Percy Panthaki

I wanted to understand the synergy benefits between the merger of erstwhile Sara Lee and Godrej, you have mentioned that your target is Rs. 250 crore of synergy benefits, what exactly does this mean and how is it measured? Is it like a reduction in cost; is it extra sales and how much you have achieved as of now? In your presentation you had mentioned that in spite of having so many launches last year, you want to further accelerate your launches and innovations in the coming years, how does that impact in terms of ad spends and margins going ahead and you say that you will have some benefit in terms of gross profit margins, one of the leading competitors has taken substantial effective price cuts on the soaps category, don't you think that you will have to do the same and the margin benefits might turn out to be lower than what you estimate?

Vivek Gambhir

On project Neo per se these savings were the historic savings, so the targets over the last few years was about Rs. 200 crore and we have exceeded that target and have achieved the savings sooner than planned. The savings came from multiple buckets, a lot of savings came from the supply chain front whether it is strategic sourcing, integrated procurement, supply chain management, logistics and distribution consolidation. Going forward the pace of savings will obviously be lower from the integration but the bulk of opportunity will be on the distribution side in terms of deepening and expanding our coverage is going to be the focus.

Sunil Kataria

On the second question regarding what kind of growth do we see on the soap segments and margins? We see two upsides, we are going to get a benefit of better commodity prices this year, so if you are seeing that certain benefits are being passed on to consumers there is going to be offset by better commodity prices, I do not see any major pressure on soaps margins. In terms of soaps growth, there are two upsides, we have always seen that whenever we have come with a strong variant, that strategy has worked for us, as Vivek mentioned above the Rose Water Almond variant we launched last year and new variant - Aloe Vera White Lilly this month, we believe that this strategy of launching variants in No. 1. goes a long way and that is one area where we see an upside and secondly the relaunch of Cinthol in the last six months is premiumization and restage, so there is a scope for price led growth in Cinthol, which we did not have earlier and we also entered premium end soap segment in Cinthol which again was missing and that is a segment we see room for growth. Overall between No.1. variants and Cinthol premiumization there is headroom for growth which is much ahead of the category.

								
								

Vivek Gambhir

We also see ultimately the pace and intensity of launches is in our control, that depends on our feeling about the market environment and as long as the market environment remains healthy we will have a certain planned pipeline but certainly that can be adjusted as necessary depending on our viewpoints in terms of how the market is developing.

Percy Panthaki

If your innovation calendar is as full or even fuller than last year, are you going to see any kind of savings in ad spends-to-sales ratio and if you do not see that savings then how is that going to impact your overall margin delivery for the overall business and not only soaps?

Vivek Gambhir

Our intention again would be to try and keep the profit growth in line with sales growth going forward. There might be couple of quarters where that imbalance happens but largely one of the things we will try and work towards is trying to ensure a balance between profit growth and sales growth and make the right calls accordingly.

Adi Godrej

One should remember that last year was very high raw material cost year for the entire industry and not just for us but very certainly vegetable oil prices were very high last year, it is cyclical, we had years in the past also, now when vegetable oil prices come down soap prices do not come down as much, we must remember that with MRP it is very difficult to change soap prices downwards because you have to give benefits to the retailers, etc., who have stock, so generally we have noticed that does not happen by and large and therefore margins improve when vegetable oil prices go down.

Vivek Gambhir

The final point I want to mention here is ultimately a lot of innovations are around existing brand platforms, so the idea would be to take our platforms and extend it and when you start thinking from a platform perspective that actually helps us to optimize our marketing investments over time as well as these platforms gain more traction over time.

Moderator

The next question is from Amit

								
								

Amit

You are facing margin pressure due to certain fixed costs especially in Latin America, could you give details about those fixed expenses and how do we see this costs going forward?

Vivek Gambhir

Couple of drivers are, one is typically manufacturing costs as a percentage of total costs are higher in Latin American countries. Second of all because of some political uncertainties, there have been a lot of export import restrictions imposed which have fundamentally raised the cost of doing business, so our response is that we are now embarking on projects which is low-cost automation and trying to find ways to reduce our overall cost structure.

Shashank Sinha

On the overall EBITDA margins front, because fixed cost is just a part of it and if we look at last year two different things have happened in Latin America. In Chile, we actually increased our A&P to defend our market share, during the year we ended up with higher market share under attack from L'Oreal, in fact we have strengthened our market share position and that was our discretionary spend that we included last year and it has already shown results. In Argentina there was margin compression because of high inflation and delays in taking price increases because of certain government policies that was also temporary. Normally in an inflationary economy we adjust prices every quarter just to keep price in line with inflation but this was not possible because of certain restriction imposed by the government over the last two quarters, now that has kicked in, there were two factors in addition to what Vivek mentioned, fixed costs are high and we are actually working on an initiative to go for low-cost automation to restructure the fixed cost base in Latin America

Vivek Gambhir

The one thing that I wanted to point out though is that even after having made these margin improvements, fundamentally, the margin profile of Latin America will not be same as the one we can see in India or in Indonesia.

Moderator

The next question is from Nigel Gonsalves

Nigel Gonsalves

GCPL has got a number of subsidiaries overseas; what would be the contribution to the consolidated profits and sales of these overseas subsidiaries in 3 to 5 years? Second, I am seeing a number of products which are marginal products like fringe products, the major focus of this Company should be on hair dyes, hair colours, soaps and insecticides, you are in geographies like

								
								

Argentina and Nigeria, what is the population of the African continent, the entire population of Africa is one billion, we in India are more than the entire population of the African continent, so you should focus more on India, you are playing second fiddle in the domestic soaps sector for such a long time, what are the steps taken to increase your market share over and focus on the main products the instead of going into small fringe products. What steps have been taken to increase your market share in soaps?

Adi Godrej

We are going very strongly in India. We throw up a lot of cash in India because we work on negative working capital, growth in India is not curtailed in any way by the availability of investment, there is no lack of manufacturing capacity, we can certainly advertise more and perhaps grow a little faster but that would certainly dent profitability, so we are growing optimally in India, we are growing faster than most FMCG companies in India, we still throw up a lot of cash, for many years we paid very high dividends, we did 10 buybacks, now we find that if we acquire similar businesses in other developing countries, the earnings per share growth for our shareholders improved much better than by giving higher dividends or by doing further buybacks and that has borne fruit, the EPS of the Company has improved dramatically and these international acquisitions have been very accretive and if you see the performance of our stock price, it has been very strong, our stock price has a CAGR of over 40% per annum, so the strategy has paid very good dividends, it is very accretive and it is not at the cost of growth in India in any way, it is additional growth.

Nigel Gonsalves

No what I'm trying to say is focus more on the soap sector?

Adi Godrej

Our soap market share has doubled in the last five years and we are the fastest growing soap Company in India today. We are making good profits in our soaps business.

Vivek Gambhir

There is always a dilemma in terms of whether you chase growth for growth sake or whether you actually go after profitable growth and that is the tension we always have, so even in the soap category we have been gaining about 0.5 to 0.7% share every year. We are in the world where we are competing against some extremely strong global competitors in every single segment and if you want to pursue profitable growth and not growth for growth sake, you have to try and make the right kinds of trade-offs and choices. About expanding internationally, I would disagree with you a little bit about Africa. The size of the middle class in Africa is almost as large as in India, so as we look at these international markets like Indonesia, whether its per capita income, GDP growth rates in some ways is more attractive than even India and so as we look at our opportunities and across both Indonesia and Africa we see massive opportunities for us to replicate the Godrej model to drive sustainable profitable growth.

								
								

Nigel Gonsalves

What will be the contribution few years down the line from these subsidiaries overseas?

Vivek Gambhir

It is very difficult to say at the end of the day, it depends again on how fast both India and internationally grow, the good news is that organic growth in India is very healthy and Mr. Godrej said 20% of organic growth in India is amongst the best in FMCG companies in India, so the growth internationally will not come at the expense of growth in India, both of them are equally important and we will drive growth in both those markets pretty aggressively.

Moderator

The next question is from Suruchi Jain from Morning Star

Suruchi Jain

The market share gain as you mentioned increased by 0.5 and 0.7% in the soap segments? Could you also share the absolute numbers at the end of the year?

Adi Godrej

I think our market share in soaps by value is something like 10.8% and by volume about 12-12.5% roughly.

Vivek Gambhir

That is the official Nielsen's reports number but there are some reporting issues.

Suruchi Jain

I will be happy to have the Nielsen's numbers and what about home insecticides and hair care, would you have those numbers too?

Vivek Gambhir

We do not share our market shares as a policy, category growth rate gives enough indication in terms of the market share movements.

Moderator

The next question is from Sunita Sachdev from UBS Securities

								
								

Sunita Sachdev

Definitely there has been a big move to innovate and create platforms for the future, is pretty obvious from the presentation. Just wanted to find out more about the insecticides launch in Nigeria? Omar mentioned that these markets are very close and it is very difficult to create brands there, how are we countering this in the home insecticide business?

Shashank Sinha

The insecticides launch in Nigeria is progressing as per plans, the products are already in the market, we are going to be advertising them on television starting from this quarter. There are two aspects, one is just the brand, the market share objectives which is relatively modest; we expect to hit those market share objectives. The bigger one is that we want to expand the market; consumer research indicates the biggest cause of deaths in Nigeria is malaria and we have seen how effective home insecticides have been in countering that in countries like India and Indonesia. We have a lot of experience, working with civic bodies, city authorities, local councils in educating consumers and thereby building strong equities and trust for our brand. That is the longer-term objective, it is going to be a couple of years before you really see the full impact of what we are doing, because some of these are pretty fundamental but we have gone there with long-term plans, what you will see is the initial launch plans, the initial market share results over the next two or three quarters and then we looked to expand the category in Nigeria.

Adi Godrej

Thank you, I'd like to invite you to join us for Hi Tea outside.

Disclaimer - The following transcript has been edited for language and grammar, it however may not be a verbatim representation of the call.

								
								