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Exchange Plaza, 4th Floor, Bandra-Kurla Complex,
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Dear Sir,

Sub: Concall Transcript

We attach herewith for your information, a transcript of the concall held on December 13, 2016 to discuss India Business.

For Godrej Consumer Products Limited

V. Srinivasan
Chief Financial Officer & Company Secretary

Analyst Conference Call to discuss India business

December 13, 2016

Moderator:

Good day, ladies and gentlemen, and a very warm welcome to the Godrej Consumer Products Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Shah from Godrej Consumer Products Limited. Thank you and over to you, Sir.

Sameer Shah:

Thank you. I welcome you all to the call discussing our India business performance and strategy. The call will be led by Sunil Kataria -- who heads our India and SAARC business. We will start with brief opening remarks by Sunil post which we will open the floor for Q&A. Over to you, Sunil.

Sunil Kataria:

Thank you, Sameer and thank you everybody for joining us on the call. A very good evening to all of you, and in some geographies it is may be morning. I will begin by sharing my thoughts on overall Indian economy and how we see the environment around us and comment on our recent performance.

As you all know that the demand environment in India for the last 18 months or so has been subdued. This is true especially for home and personal care business. Having seen this slowdown in the FMCG sector over the last 18 months or so, which was led mainly by rural economy, we at GCPL have been able to outperform the market and this is seen in our Q2 FY17 results as well. If you analyze our results over the last six quarters while the economy has been slowing down, except for one quarter we have been able to do a growth of around 9% whereas the Indian FMCG sector has been growing at almost the half the rate of this. We are happy about this performance thanks to a much better execution than the market.

In terms of market share in our all core categories, our market shares either have remained stable or have grown reflecting our superior execution. We have kept our focus on new product introductions on course. For example, from January 2016, we have done around four big innovations in the market and most of these innovations have done pretty well. In fact, a couple of them, at least out of these four, are clear disruptions in the segment itself. These successful innovations have also contributed to our ahead of market growth.

On the profitability front, we have been doing quite well and we have kept our focus on consistent and continuous cost improvement projects. Most of you are aware that our Project PI, which is now into its third year, has kind of become a cultural phenomenon in the organization. Across functions, across cross-functional teams, it has become a habit for us to keep on improving our cost structures. We have started looking closely at our working capital and this year, another focus has been on managing our fixed overheads much better. As a result of this three-pronged approach, we have been able to not only manage our gross margin, but have also managed our EBITDA well.

Before the questions open up, another thing that is the most talked topic in India right now is demonetization. Now this is clearly a black swan event. To be very honest, I do not think any one of us has seen or experienced such a phenomenon. What I am sharing is what we feel about the market and a lot of it could pan a bit differently as well. What we are seeing in the market is that the demand has not slowed down. It is just that the currency liquidity has hit and taken everybody by surprise because if you are going to take 86% of the currency notes out of circulation, then there is going to be a bit of standstill which is bound to come in. This is pan-India and across sectors.

As a result two things have started happening. One is that the consumers right now do not have cash in hand to spend and they are scrambling around for cash. The situation is improving for sure but in such a phenomenon what happens is that the consumer first goes for his basic necessities and essential commodities so the discretionary products do tend to take a hit. The second phenomena that is happening is very unique to Indian FMCG space and is related to the way Indian FMCG distribution structure is layered. Roughly, around 45% to 50% of Indian FMCG business is done through a multi layered indirect wholesale channel and that is how most of Indian FMCG reaches roughly 9 million odd outlets. Now, a large part of this business in wholesale has been happening in cash and that is the most impacted. The wholesale business is concerned as to how they will transact because there is hardly any currency for cash transactions and that is where the movement to the next layer of towns and rural areas, which are indirectly covered, is impacted. This is impacting the pipeline stocks as well. So, this is the channel that has been most impacted.

On the positive side, as the Prime Minister Modi pushes for a dream of, if not cashless, let us say a very small marginal cash economy. What we have started seeing is and we are leveraging that pretty well is that there is definitely uptick in modern trade and e-commerce channels in FMCG. We had already been doing pretty well on modern trade. I think as a company we were growing very strongly in modern trade. We were growing at a very healthy double-digit and now we are seeing that business almost move to 1.5x over the month and we expect modern trade and e-commerce both to continue to do well in the coming months.

I personally feel this event could change the trajectory of modern trade in India. Normally modern trade, after being in India for more than two decades, has struggled at around 7-8% of the salience in FMCG business. This could change that forever and I would not be surprised if over the next 12 to 18 months, modern trade moves into a 13% - 14% kind of salience and kind of stabilizes there. Even e-commerce now is likely to take a leap in India in terms of FMCG business. So, these are the two things which will happen on the channel on the positive side.

We believe demonetization in the long run is a good step, it is creating a short-term challenge as expected. We expect that the consumption of basic essential items, foods, staples, products like soap would bounce back faster while discretionary items will take some time to come back. There could also be one learning which will happen over a period for the wholesale channel wherein they will now have to figure out how to work in an economy where so much of cash is not going to be there. This would result in medium-term drop definitely in wholesale. But I guess some stability, some equilibrium and some new business model will be found in the wholesale over a period of time because finally India has 9 million outlets and they have to get serviced. There is no way these 9 million outlets are going to shrink. What we have been able to do as a counter measure, over the last six weeks or so, we moved pretty fast and we have extended certain credit lines to our channel, which means to our distributor partners, to our modern trade channel partners and we did that pretty quickly. We also looked at certain kind of incentive structure changes for our channel partners and as a result of that we have been able to mitigate some effects of the demonetization. It is still uncertain as to how fast this money is going to come back to consumer hands, how fast the wholesale channel replaces itself with a new model or at least reconciles itself to this new reality and that will determine the pace of recovery in the FMCG space.

I see some opportunities for us in this black swan event. It is a great time for us to look at expanding our direct distribution. We have got many initiatives already on the line and we will accelerate that.

The other opportunity, for most of the branded players, would be to take on certain price warrior regional brands in pockets of India because these brands are more likely to go through only wholesale and they do not have the direct distribution network of strong brands like us. This is where we could see some gains.

In terms of profitability, amidst demonetization like most of the industry players, we have rationalized our advertising spends in the last one month and we will do a bit more in this month because first we need to ensure availability across the supply chain. So, we will do a bit of moderation in line with the availability of stocks.

These are largely my remarks on demonetization and the way we see situation panning out. Overall, in terms of business as I said, we are outperforming the market and if we can execute well with this challenge of demonetization, given the strength of our brands and distribution, we will be in a much stronger position.

I would end my closing remarks and we can now open the call for questions.

Moderator:

Thank you very much. We will take the first question from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora:

Would like to understand the distribution strategy, going forward. How is the decision made on whether a retailer should be serviced by the distributor or not? And if you decide to increase your direct distribution, what are the cost implications for you as well as what could be the cost for the distributor?

Sunil Kataria:

There are two pieces to our distribution strategy. One is the direct distribution strategy, which we cover through our distribution channel and the other is how we can expand our indirect coverage in India because indirect coverage is also very important given that around 40 - 50% business of India FMCG is wholesale. So, we look at it in two buckets. For direct distribution, we have been using technology a lot and we have been doing a lot of analytic projects where we are looking at what we call as route or beat optimization models. Say, if we are covering 5,000 outlets in a city, then it is not about going to the next 500 outlets. Because there is a cost implication going to the next 500 marginal outlets. We have got segmentation done within our distribution system, we have certain outlets which we call as premium retail outlets, we have certain outlets which we call general retail outlets and then we have got the marginal outlets or the third segment of outlets. Now based on these models, we have been able to arrive at the frequency of our direct coverage that we need to give and how do we manage costs better as we go about expanding outlets. As we expand and go to the smaller outlets, we do not have to give them the same weekly frequency that we want to give to our premium and general outlets. We have been able to find that even if we visit these marginal outlets or the third segment of outlets, four times a month they give us an order of 1 to 1.5 times in a month only. As a result of this project, we have been able to optimize our coverage frequency with the smaller outlets. We released distributor manpower and utilized that to expand coverage. We are optimizing this very smartly through balancing and optimizing our frequency of coverage and in all the experiments that we have done, the pilots and now we are scaling it up, we have actually realized that by reducing frequency of coverage in smaller outlets, productivity tends to go up and not go down. In terms of our second piece on indirect coverage, which again is important in India, we have got wholesale programs across both our urban and rural areas. Over a period of time, we have been strengthening our rural wholesale feeder programs which we have named in Hindi as 'Pragati Wholesale Program' and that is something which we are very focused on. We have now got rural handheld terminals or mobile solutions for our ISRs or interim sales representatives who travel in rural. So, we are now able to get direct data on Pragati Wholesale as well. Earlier we were not able to get data on what we sell to them directly because that was going through a sub-stockist channel. Now, thanks to our mobile solutions and through our direct coverage we are able to map that. The second step is strengthening and focusing on the productivity of the rural wholesale feeder. These are the two areas where we looking at expanding more and more direct coverage.

Kunal Vora:

Do you see any impact of demonetization and GST in the market share? Is it fair to assume that the market leader would have a better direct distribution reach and could benefit while the smaller competitors might have higher wholesale dependence and may lose some market share? Are there any categories in which you see the market shifts swinging over the one year?

Sunil Kataria:

What we see as an opportunity is that there are many regional players in India across categories who tend to be located into a couple of districts or a couple of states and their entire distribution is primarily 80% - 90% through wholesale channel so that is something that will get disturbed. In this situation, all the big brand players and especially in many categories that we operate in where we have a strength of direct distribution we are likely to gain. For example, there are many regional players in hair colors. I think we will end up gaining through our Expert Crème brand. Similarly, there could be possibilities that there could be state by state regional players in soaps, which could see opportunities for our brands.

Moderator:

We will take the next question from the line of Nillai Shah from Morgan Stanley. Please go ahead.

Nillai Shah:

Could you shed some light on your comment on incentivizing the channel partners?

Sunil Kataria:

We have a program for our channel partners, in rural we have this program called Pragati and in urban wholesale program, we have a program called Parivar, wherein we have annual target set for wholesalers across various cities and they get some incentives or some loyalty bonus on completion of their targets. Demonetization is now changing the whole outlook on the target that we had set. Hence, we have gone to these people and we have told them that we are going to reiterate your targets and we are going to give you a leeway in terms of achieving may be slightly lesser but still being able to achieve your loyalty bonuses. That is the recalibration of the program we did within the first week of demonetization.

Nillai Shah:

On possible market share gains from warrior regional brands, would this entail you trying to increase competition in terms of either pricing promotions, media activations?

Sunil Kataria:

We have direct distribution strength in most of these geographies and what we ended up doing is recalibrating the wholesale program. These are smart things that you can do because these guys rely only on one channel and they are going to be absent in channel because of paucity of cash. So, our brand strength is there and our distribution is strong, we are going to leverage a lot of execution and distribution strength to really try to gain shares, it is not about increasing price intensity or promotion intensity at all.

Nillai Shah:

So has it already led to market share gains, at least in terms of retail sales?

Sunil Kataria:

Market share gains data does not come in three weeks time. Retail panel picks it up with a lag of around six weeks to eight weeks. So, we will have to wait for the December data.

Nillai Shah:

Amidst this environment of demonetization and general sluggishness in overall volume growth, also your input costs are moving up, so what is your strategy on pricing going forward?

Sameer Shah:

Breaking down the input cost into crude and palm oil derivatives. So, palm oil derivatives are already up 25% on a y-y basis. What we have seen is withdrawal of consumer offers, which in turn is effective price increase, which we will see in Q3 FY17 in terms of price led growth in the category. The other is crude impact which normally has a lag of six to eight months because it is an indirect derivative. In household insecticides, which is 45% of our business, we took a price increase of around 2% very late September so that will offset some increase in input cost going ahead.

Moderator:

We will take the next question from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva:

From some feedback that I am hearing about Patanjali doing well in soaps, so are you seeing some pressures with regards to that opportunity which could now also be shared by somebody who is pushing really hard on soaps now?

Sunil Kataria:

Patanjali except for certain pockets in some northern states, it is not becoming a very major challenge or threat for us as of now. They have their own regional pockets like some parts of Rajasthan, etc, which is not a very strong market for us traditionally as well. They have had some traction but there is no significant direct impact to us. We do not see a threat from Patanjali. Soap is the only category where we participate in the same category. Coming back on gains from regional players, what will happen is that players with 70% -80% of their business through pure wholesale channels are likely to see a stock availability issue because the stock will not be available to move in these markets as wholesale is not transacting business very actively right now. These players do not have back up channels or direct coverage, DSRs or distributor sales representatives to go and actively serve outlets which they do not directly cover. Now, the channel is going to have a demand for hair color or hair crème. There is a segment for price warriors and some small retailers will go for brands which sell on high margins but that availability is now going to get a bit impacted and that is where if the demand is stable we are going to fill in that demand. So, that is the whole way the mechanics, we hope, will work.

Amit Sachdeva:

So the opportunity will be more in the hair color segment than soaps, is it correct?

Sunil Kataria:

Within insecticides business, a segment that is more prone to these price warrior and wholesale in certain markets is the coil business. For example, coil is a very high wholesale driven and has regional brands so, we see that could be a big opportunity for us now. We could actually gain a significant share in coil and that could be a big play for us.

Amit Sachdeva:

In terms of revenue throughput, can you quantify some demonetization impact?

Sunil Kataria:

It is very early to quantify it. We ourselves are trying to understand some of the data which is coming internally. Some pieces are surprising to us, some pieces were expected. Secondly, I do not know whether this trend will pan out the same way in December. As currency starts getting replaced, how fast the channel will come back.

I think that modern trade will strengthen; there could be a salience change permanently in India. What modern trade could not do to itself, demonetization will do it for them.

Moderator:

We will take the next question from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra:

Are you worried that the end demand could get impacted for a few months or based on what you have seen, it still looks more like a cash shortage issue and therefore the recovery can be fast as that shortage goes away?

Sunil Kataria:

It is not a very big demand issue in basic essential categories. What we are sensing is that the discretionary categories are definitely taking a hit, which is visible, so there is a mix of both. One is that overall there is currency availability impact. You do not have cash and as a result of that what is happening is even though there is pent up demand in terms of essentially commodities but it is not getting serviced because the supply chain is not getting serviced. The second thing is that there is some kind of postponement in discretionary category. How long that will last is a bit of a question mark. What has happened in the first five - six weeks has impacted rural more than urban. There are two reasons for that, in urban a lot of modern trade has made up for a lot of loss of retail, but in rural, we have seen that the currency also started going to rural in towards the latter part of November only. The first, three weeks it was urban areas which were getting serviced for currency replacement. So, rural which was reeling under drought and was just about recovering got impacted because of that. So, to sum-up, definitely some demand postponement on discretionary categories, but for basic essential categories, it is by and large a currency availability issue.

Arnab Mitra:

Based on whatever you have seen in the last five weeks, does it intuitively look to you that Q4 FY17 will also be impacted because the channel itself especially wholesale might continue to have some issue? Does Q4 look like a normal quarter to you?

Sunil Kataria:

We are definitely seeing improvement happening in the currency replacement and retail is also improving. How far wholesale improves is a question mark. We are not able to predict it right now because the wholesale has to reconcile itself to a new way of doing business and that is something which will take time, I think. But Q4 will be much better than what we are seeing in the last six weeks. It is difficult to quantify it.

Arnab Mitra:

In a situation, where supply is an issue, what happens to your new market launches? Are you going to postpone some of your new launches to H2 FY17 or how do you look at the traction on the very important launches which you have recently done?

Sunil Kataria:

We did not have NPDs planned in H2 FY17. New products were all scheduled to be launched by September because we wanted to focus on ramping them up in H2 FY17. There is no major launch that is going to be impacted or postponed because of this. We have already done these four launches and most of them have been very successful. In this situation, it is a challenge on how we continue the buildup. Interestingly, what we are seeing is that wherever we have done disruptive launches, although they are getting hit in line with what is happening in the industry, but wherever there is disruption, the brand differentiation is very strong, the demand has not gone down that sharply. So, if you do something which is very, very unique then in a tough situation also the consumer will still go for it. Secondly, what we are going to do is we have moderated spends like everybody else. So moderation of spends will happen in NPDs also but we are consciously doing a differentiated moderation of spends category wise. We have a basic threshold level of distribution reach where we feel that there is a basic threshold spends required, we are not withdrawing the support from NPDs but we are definitely moderating it. It is a very calculated and segregated kind of moderation that we are doing.

Moderator:

We have the next question from the line of Tanmay Sharma from Edelweiss. Please go ahead.

Tanmay Sharma:

Do you think GST can also lead to a short-term destocking happening in the trade?

Sunil Kataria:

GST will be a big change for most of the Indian retail and wholesale because there will be very transparent transactions under GST. But on the other hand, demonetization has given a shock treatment to India's wholesale and retail business. It is a kind of precursor, which is much difficult than what GST would have been and given that GST may get delayed, we clearly see a gap of may be six to seven months between the demonetization and GST. So, what will happen is thanks to demonetization, the whole channels in India would already get used to the model of much more transparent transaction. Hence, the impact of destocking for GST may not be as severe.

Tanmay Sharma:

What percentage of total trade would be wholesale for us?

Sameer Shah:

For us, it would be around 40-45%.

Tanmay Sharma:

What is the reason behind such a high wholesale?

Sameer Shah:

In urban, you have urban wholesalers, you either reach out directly to your retail outlets or you reach out indirectly through urban wholesalers and then top it up with rural channel partner which would be super stockist, sub-stockist and then eventually retailer which is more like a wholesale model, so that goes to around 40-45%.

Moderator:

We will take the next question from the line of Richard Liu from JM Financial. Please go ahead.

Richard Liu:

Regarding direct distribution, can you help me understand how the cost of the whole exercise will play out? Do you see an interim period of margin pressure on discount and is there some way you can help us decode the way in which we can fathom the cost pressure that could come by before the benefits start to flow in?

Sunil Kataria:

We are not going for just pure number driven distribution expansion, it is not about saying that now we have 1.1 million to 1.2 million direct outlets and we want to grow by another 30% straight away in one year. It is not that kind of game because one needs to evaluate the cost and benefit of reaching out to the next level of marginal outlet. We are doing route optimization or beat optimization exercise at least in key priority states and that is something that we have already started implementing in this current year. Typically, you analyse the productivity of the last quartile of the total outlet coverage. So, if you are covering 1 lakhs outlets, what kind of bill productivity do last 20,000 or last 15,000 outlets give you. You invariably find there is a pattern which comes that the productivity of the marginal or last 15% - 20% outlets is much lower compared to your top 40% outlets, and then you can actually do a very simple exercise where you can decide how much frequency of coverage you should give to which segment of your outlets. This rationalizes our distributor man power cost and distributor servicing cost. We reduce frequency of coverage in the smaller outlets and as we save money out of those distribution cost, we ask distributors to redeploy that behind doing smart selective distribution expansion. Our attempt is to make it cost neutral, we are able to do it in most of the cases and in some cases we do not do, we see some escalation but that is not significant.

Moderator:

We will take the next question from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha:

What will be the medium-term to long-term impact on working capital or the trade margin because of the wholesale disruption?

Sameer Shah:

Temporarily, we have extended the credit lines, but it is relatively less number of days than what we extended. On comparable basis, our credit has gone up by around four to five days from pre-demonetization kind of level. This depends on what option the wholesaler chooses. Assuming that wholesaler chooses the option of being 100% tax compliant, then back of the envelop calculation suggests that the effective cost structure movement and perhaps the expectation of compensating it could be anywhere between 25 – 75 bps. We do not expect anything incremental to that kind of margin and this is again assuming that they are 100% complaint and with some assumptions on the margins.

Moderator:

The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor:

For our product portfolio, in terms of the highest versus lowest impact, would hair colors be the most impacted followed by repellents and then soaps?

Sunil Kataria:

There are two pieces to this, for example, there are categories like powder which go a little bit more through wholesale for us while there is crème which is again a very significant part of our portfolio, which is still not so much of wholesale. So, hair colors will get more impacted but even within that there has been a positive impact for us which has been the festival season i.e. the wedding season. What we have seen normally is that during wedding season, the hair color sales go up so that part has negated some bit of this discretionary pressure for us. But within that, piece which is going to be more wholesale will be more impacted. Coming to your question comparatively with other categories clearly, we are seeing household insecticides which is more of a problem solution category becoming more of an essential need because if you are going to be under the fear of dengue and malaria you are going to put in money to protect yourself. We are clearly seeing household insecticides segment negating the effect of demonetization. So, definitely hair color is more impacted than household insecticides.

Moderator:

We will take the next question from the line of Gabor Sitanyi from Charlemagne Capital. Please go ahead.

Gabor Sitanyi:

On the impact on the wholesale and retail channel, if that channel was to become 100% tax complaint, should we expect a major share count and lot of them potentially going under and how would that impact your reach? Secondly, the 25 basis points - 75 basis points impact if they were to become 100% tax compliant, then is that the cost for the wholesaler or is that the cost for the whole channel or is that cost on your side in terms of margin impact?

Sunil Kataria:

It is very difficult to predict how many of them will go under. Given the way India is structured, there are total 9 million outlets including those spread in small villages and where basic demand is still going to be there. So, what could possibly happen is that there could be some wholesalers who may say that they will not become tax compliant and who may say that this business is not as lucrative as earlier and they may shift out the business. But the smaller retailers from these outlets who come to these feeder markets will have a choice of going from one wholesaler to another. In case that happens, we will see aggregation of wholesale. Let us say in a market there are 40 wholesalers in a city, if say 10% go down under, the business will shift to the rest of them because the basic demand from the 9 million outlets doesn't go away. I would say reach is not getting restricted because of this, since reach comes from the basic last mile outlet, wholesale is just an interface to service them.

Sameer Shah:

On your second question, this is purely for wholesalers. Our distributors are 100% tax complaint. Also to our understanding, retailers if not completely, but are more tax complaint as compared to wholesalers, but we do not have the data on retailers at this stage.

Gabor Sitanyi:

Will you have to share some of that burden with the wholesalers?

Sunil Kataria:

I do not think that is going to happen because finally, the business model has to make sense for everybody and there will be some kind of equilibrium or some kind of stability which will happen. If wholesalers become tax compliant they will find that if a couple of wholesalers go out of business, like you said, by some percentage the business will increase for other wholesalers and that could make up for the overall business model.

Moderator:

The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor:

Given the fact that rural in the near-term is going have more impact than urban, would there be slight deferment on One Rural especially on adding direct sales channels?

Sunil Kataria:

We will definitely take a look at the ramp up and calibrate. We definitely will not defer it because what demonetization does is it actually provides an opportunity to accelerate in pockets where there is a bigger opportunity. We will do a bit prioritization where you want to go double down on One Rural and decide where we want to just rationalize it. So, recalibration and reprioritization may happen but definitely not deferment.

Moderator:

We will take the next question from the line of Latika Chopra from J. P. Morgan. Please go ahead.

Latika Chopra:

Beyond the whole demonetization impact, could you provide sense on what levers you have on fixed cost, which could help to protect or mitigate the adverse impact coming on various cost lines on the input side on margins?

Sameer Shah:

Lot of spends on new media have been postponed. There are few semi-variable costs, if not completely variable, which are also in a way controllable. Also, what we are doing in parallel is fast tracking our cost saving initiative Project PI. We have certain kind of targets and certain initiatives on which teams are working but now we are really accelerating pre-ponement either of some of the existing initiatives or even brainstorming or adding to some of the new initiatives to ensure that there is not much of deleverage behind scale.

Latika Chopra:

What's the fixed overhead savings one could look through over next 12 to 18 months?

Sameer Shah:

The cost savings project, Project PI, we expect saving to cross more than Rs. 100 crore this year in India. Even the aspiration for next 12 months or next fiscal year would be to do even better than Rs. 100 crore of banked savings.

Latika Chopra:

Sales growth for hair color portfolio has been moderate in the past few quarters, so what in your view is required to step up the growth rates here post we look through the demonetization related impact?

Sunil Kataria:

We are having very healthy and strong double-digit growths within the crème segment which is an upgrade from the powders. There is no cause of worry for that part of the hair color portfolio. One of the things which we have seen is that as we upgrade more and more of powder users, which although is a good sign for us, the powders sales are definitely coming bit under pressure and leading to moderation of hair color growth. We have clearly set out a bit of dual task, wherein on one hand we keep on doing category recruitment on powders and secondly, we simultaneously keep on doing a good job of upgrading powders to crème and I think on the second piece, we are doing very well. The first piece is where the focus is and if you see the campaign that we launched around four months back - we did a recruitment campaign using two brand ambassadors and we decided to spend money on powders after a gap of around four years. We took Anil Kapoor as a brand ambassador for North and East markets and we had Madhavan as a brand ambassador for South. After three months post roll out of those campaigns, all our lead parameters had started moving up pretty positively. Unfortunately, now wholesale plays a larger role in powders and the demonetization is making everybody look at moderation of spends so there is obviously a break in that but we are stimulating the category recruitment in powders on the right path and we are clear that is also a task that we have to do simultaneously with upgrades.

Moderator:

Thank you very much. As we there are no further questions from the participants, I now hand the conference over to Mr. Sameer Shah for closing comments.

Sameer Shah:

Thank you, everyone. In case you have any follow on or incremental questions, we will be happy to get back to you. Thank you.

Sunil Kataria:

Thank you, everybody.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Godrej Consumer Products Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.

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