Headline: Volume growth will become critical for firms in future

Description: Our MD Vivek Gambhir speaks to the Business Standard on results for Q3 FY16 and how the focus for the FMCG sector will be on reviving volume growth

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Godrej Consumer's revenue growth for the December quarter was below street estimates, though profit growth was in line with estimates. The company's managing director Vivek Gambhir tells Viveat Susan Pinto in an interview that he sees the current environment as a temporary blip. Excerpts:

GCPL's volume growth of nine per cent for the Indian business is ahead of the market. But is this sustainable given that consumer sentiment is not too strong?

I beg to differ with this view. Compared to a year ago, volume growth is higher for the home and personal care market. It was flat to negative 12 months ago, now it is around four per cent for home and personal care. This figure will get better in the coming quarters. While commodity deflation is hitting value growth, higher promotion expenditure should aid sales offtake. This is why the metric of volume growth will become critical not only for us, but for most companies operating in the home and personal care space.

How do you propose to tackle the current environment? Do you see any other levers of growth besides sales volumes?

There are four focused areas. One is we will continue to invest behind our brands. That is the most important thing in an environment like this. Second, our innovation pipeline remains robust. We will launch products that have an element of differentiation in them because it will help us stand out. We will also continue to invest in expanding both urban and rural distribution. The fourth is that we will continue to manage our costs prudently. I think these four attributes should help us course through the current market environment.

GCPL benefited at the operating level, thanks to lower commodity costs. But with spends on promotion increasing in the coming quarters, won't operating profit get impacted?

If you look at the past nine months of the current financial year, operating profit growth was over two time's sales growth for us. To some extent, gains on the commodity front have aided it. But we've also managed our operations quite prudently to achieve these gains. We will continue to keep our eye on costs even as the pressure to invest behind brands grows. I don't think it will be disproportionate to our needs.

The Indonesian market is a key one for you. It saw only a three per cent sales growth this quarter. What happened?

The Indonesian fast moving consumer goods market is mirroring the trend seen in India some 18 months ago. Value growth in Indonesia was one per cent and volume growth declined two per cent in the December 2015 quarter. In that sense, the three per cent sales growth we reported was good. While it is below what this market has traditionally delivered, in a challenging environment, our performance has been good. Also, there is a high base effect that crept into this quarter. In the December 2014 quarter, the Indonesian market delivered a 27 per cent sales growth, which has resulted in low single-digit growth in this quarter.

Hair colour sales degrew in the third quarter for GCPL. This is an emerging category for the company. What went wrong?

The slowdown has more to do with our portfolio and execution. We are addressing it. At an industry level, hair colour growth was in mid-single digits. So one cannot say there is a slowdown in the market.