

'Govt must provide stimulus to the urban poor segment'

Suneera Tandon
suneera.t@livemint.com
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In the first quarter of the current fiscal year, Godrej Consumer Products Ltd (GCPL) reported a 4.75% jump in consolidated net profit to ₹413.66 crore. In an interview, Sunil Kataria, CEO, India & SAARC, said GCPL will launch internet-first brands and is open to acquisitions in the home and personal care segments at the right price. Edited excerpts:

GCPL has expanded its digital first brands. Is e-commerce becoming a key channel for you?

For us, e-commerce is not a channel. The way we've structured it, we have kept it as a separate business unit which reports to me. So, we have given it its own innovation pipeline, in its own supply chain, etc. We've rolled out some very niche e-commerce products like detergent pods under Ezee, and dishwasher tablets under Godrej Protekt. Our focus in the third quarter would be to stabilize these launches. Towards Q4 we have a couple of more products lined up across critical categories, which I cannot disclose, but could be household insecticides or air care.

Did rural demand see a significant dent in the second wave?

Definitely this time rural got impacted in May. Our biggest concern at the time was that rural may be structurally hit and may take a longer time to come back. Thankfully, for all of us, I think the impact of covid seems to have been very limited in rural on both the health and the demand side.

Two factors played positively. In the budget itself, the rural stimulus was significant, and last year rural led the growth for FMCG companies. Last year rural grew almost 1.4 times urban. A very strong stimulus has been the allocation towards MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act). Second, the monsoon has been consecutively brilliant. The momentum of last year, a good stimulus, and a very



good sowing season is leading to a positive rural momentum. Rural is still not back to the pre-second wave delta, but I think it will be there soon. All these are subject to the fact that we don't see anything else happening on the covid front. **Is rural growing ahead of urban for GCPL?**

Yes, marginally. I'm seeing the trajectory going back up.

Are there any pockets of concern still from a demand point of view?

One segment which I have called out, which I think the government should definitely work on providing a stimulus for, is the urban poor. As I said, rural demand seems to be reasonably well placed. Within urban, I'm seeing the momentum coming back pretty strongly in the middle class and the upper segment. The urban rich never got really impacted by covid because they have enough disposable incomes to sustain. The segment which definitely would need help in this country is the urban poor.

How do you view the action in the direct-to-consumer (D2C) brands segment?

We are not looking at any D2C brands, per say. What we are focusing on right now is on marketplace e-commerce and digital-first launches. Our strategy is two-fold. Everybody's obviously selling their core brands on e-commerce because the starting point is the consumer has become an omni-shopper. The consumer can interact and get to know the product in general trade and end up hunting for a bargain online.

Parallely, we see that there are certain growth brands which have a very high potential of business trajectory on e-commerce. And the third set is what we call e-commerce-first brands which we believe are premium products, which we can build on e-commerce, and if they succeed, we bring them to general trade.

But is e-commerce a profitable channel?

That is a piece one has to be smart

about. We obviously do not want it to be a channel which ends up discounting versus other channels. The trick here is picking stock keeping units among your core brands which actually have high gross margins. We want to make sure that our e-commerce channel throughput is by

and large in line with our general trade and modern trade channel throughput.

Does GCPL have an appetite for acquisitions?

We are open to inorganic opportunity which has to fulfil two things for us. One, it has to be strategic, it has to fit into this whole portfolio that we have defined for ourselves being a full-fledged

home and personal care company over the long-range period. Second, we obviously believe it has to come at the right value for us. We have a team which keeps on looking at opportunities and while I can't talk about anything which is specific, this is something which obviously would be on the radar.

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Sunil Kataria
CEO (India & SAARC), GCPL

 **INTERVIEW**