

Godfrey Phillips India Limited (GPIL)

(BSE: 500163; NSE: GODFRYPHLP)

EARNINGS PRESENTATION

Q3 & 9 Months FY 2019-20



W E B U I L D U S



**GODFREY PHILLIPS
INDIA LIMITED**

9 Months FY2020 Highlights



GODFREY PHILLIPS
INDIA LIMITED

Company

Rs. 5,465 Cr.
Gross Sales Value

Rs. 1,257 Cr.
Gross Profit

23.0%
Gross Profit Margin

Rs. 340 Cr.
Net Profit

Tobacco

19.6% (Y-o-Y)
Cigarette Gross Sales Value increase

12.9%
Cigarette domestic market share

Rs. 530 Cr.
International Gross Sales Value

Consumer & Retail

Rs. 306 Cr.
TFS Gross Sales Value

100
TFS stores

Rs. 191 Cr.
Chewing Products Gross Sales Value

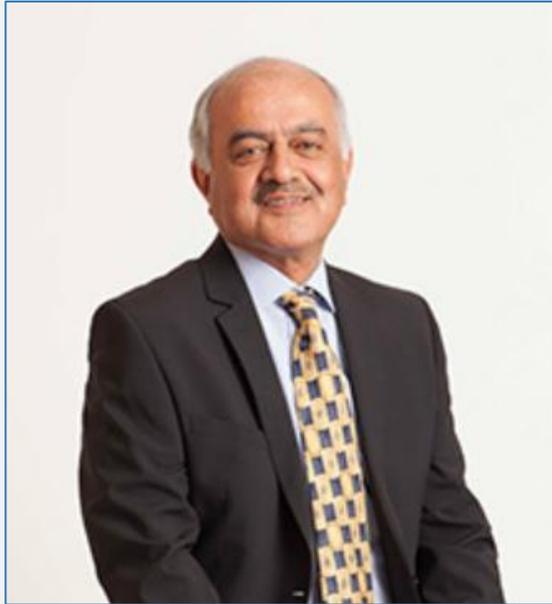
- 1 Above values are based on standalone financials
- 2 Gross Sales Value is inclusive of all applicable indirect taxes
- 3 Margins are calculated on Gross Sales Value
- 4 Market size and market share data are based on internal estimates

Godfrey Phillips Product Portfolio - 9 Months FY2020

Net Sales: Rs. 2,347 Cr



1 The ratios shown above are based on Net Sales



Mr. Bhisham Wadhera
Chief Executive Officer

“I am pleased to announce our nine months FY2019-20 financial results which reflect strong market and financial performance. The Company reported Gross Sales Value of Rs. 5,465 Crores and Net Profit of Rs. 340 Crores representing an increase of 18.5% and 65.0% respectively compared to the same period last year. Similarly, our Gross Profit margins increased to 23.0% from 22.7% and PAT margins increased to 6.2% from 4.5% compared to last year.

Godfrey Phillips delivered strong cigarette domestic volume growth of 13.1% during the nine months along with a better product mix and improved realizations. Our domestic cigarette market share also increased from 11.9% in 9MFY19 to 12.9% in 9MFY20. The Company topline performance has been supported by an increase in the export of unmanufactured tobacco and cigarettes resulting in the International Business contributing Rs. 530 Crores, registering a strong growth of 33.4% .

Gross Sales from 24Seven Convenience Stores (TFS) increased by 34.4% to Rs. 306 Crores with the number of stores now at 100. We continue to optimize our customer product offerings and seek operating efficiencies at all levels in pursuit of store level profitability.

Our team remains fully committed to its core business of tobacco and accordingly, has opted for geographic expansion into the high potential markets of southern India by developing local sales and distribution infrastructure. We have strong business plans going forward for each of our operating segment and the management team and myself remain fully focused on creating value for all stakeholders.”

It gives me immense pleasure to report that Godfrey Phillips was recognized amongst India’s Top 30 Manufacturing Places to Work For and this was in addition to the Great Place to Work certification received in 2019 by Great Place to Work Institute, India.



- **One of the leading FMCG Companies in India - flagship company of KK Modi Group**
- **Diversified business interests – Tobacco, Chewing Products, Convenience Stores & Confectionary**
- **Strong Credit Rating : CRISIL A1+ (Short Term Debt) and AA+/Stable (Long Term Loan)**
- **State-of-the-art Research & Development Facilities – ISO 17025 certification**
- **ISO 50001, ISO 14001, ISO 22000 and OSHAS 18001 certified manufacturing operations**



Growth Priorities

1

**Target New Markets
for Cigarettes**

2

**Focus on Exports /
International Business**

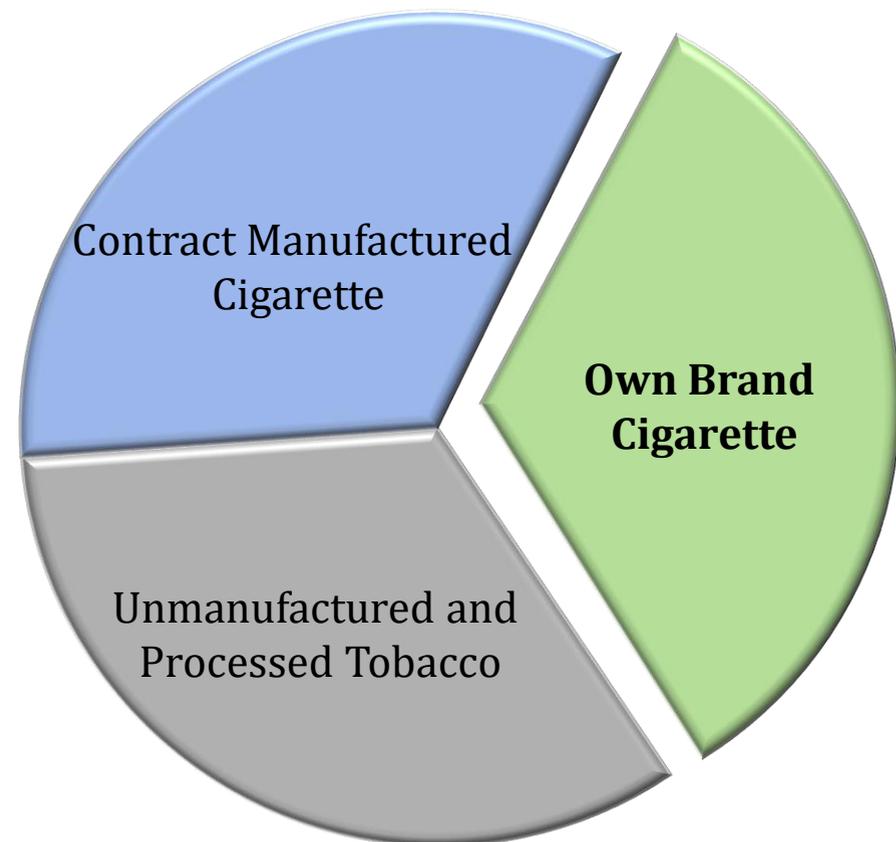
3

**24Seven Convenience
Stores (TFS)**

Strategic Direction

- ✓ Launch of own brands and Marlboro cigarettes in South India after careful evaluation of geographic expansion plans
- ✓ Launch series of successful new brands during the year to garner volume growth
- ✓ Strengthen partnership with Philip Morris International in the manufacture and distribution of Marlboro brand cigarettes in India
- ✓ Build on existing cigarettes export markets to enhance own brand sales
- ✓ Expand Consumer & Retail segment to significantly increase revenue contribution
- ✓ Continue to expand chewing and confectionary product offerings to suit varying consumer tastes and preferences
- ✓ Capitalise on the fast growing retail space through 24Seven's innovative approach
- ✓ Contributing to the socio-economic growth across the value chain through programs for tobacco farmers

Build on existing contract manufactured cigarettes export markets to enhance own brand sales



Rs. 530 Cr.
9 Months FY2019-20 Gross Sales Value
increased by 33.4%

23%
Contribution to 9 Months FY 2019-20 Net Sales



Global Operations
Significant market presence across Latin America,
Middle East, South East Asia and Eastern Europe

72 Countries
Exporting through more than 90 partners

Growth Priorities – 24Seven Convenience Stores (TFS)



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INDIA LIMITED

India's only organised retail chain in the 'round-the-clock' convenience store format

- The 24Seven chain of convenience stores are another example of Godfrey Phillips India's innovative approach to business
- 24Seven stores deliver an international shopping experience, stocking a wide variety of products and providing a range of services, round the clock
- Stores offer daily needs groceries, ready-to-eat foods, beverages, cosmetics and personal care products, music and movies, magazines, domestic and international courier services, instant photo development, bill payments, mobile phone recharges, movie tickets and several other offerings
- 24Seven stores are giving India's young working people new and more comfortable options that meet their requirements and also fulfil the needs of today's modern Indian work culture
- In FY2019, the company set up a large scale kitchen hub in Faridabad (Delhi NCR) to prepare all kinds of ready to eat food items in a highly quality controlled environment, to meet growing demand

**Rs. 306
Cr**

**9 Months FY2020 Gross Sales Value
Increased by 34.4%**

10.4%

**Contribution to 9 Months
FY2020 Net Sales**

100

Total stores as on 31-Dec-19



Growth Priorities – 24Seven Convenience Stores (TFS)



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Offering a range of food products fulfilling the needs of today's modern Indian work culture



Growth Priorities – Chewing Products & Confectionary

Chewing Products



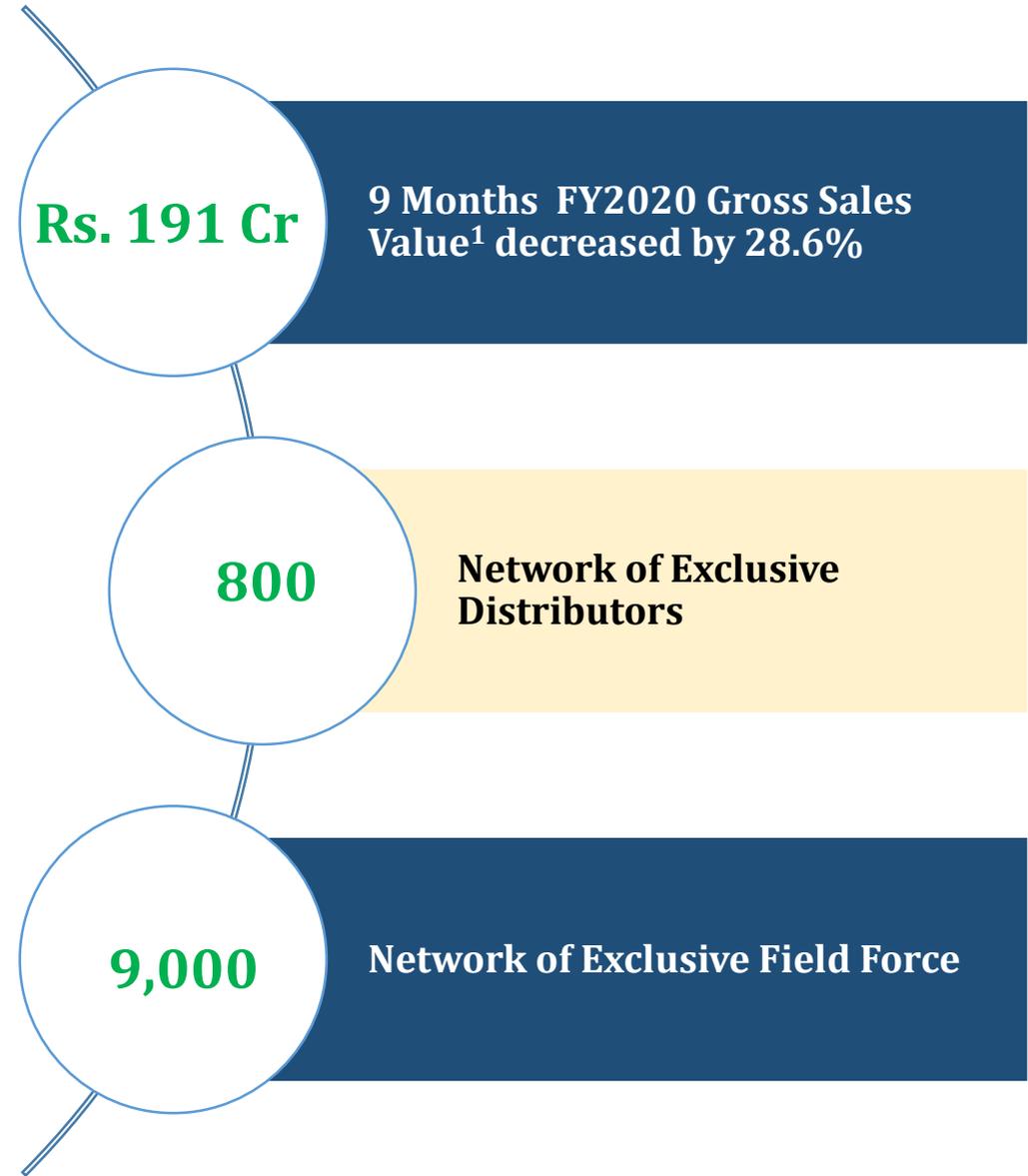
Pan Vilas

- The premium pan masala market size is estimated to be Rs. 2,800 Crore and Pan Vilas has a 20% share in its key market of Gujarat
- GPI is more focused on PAN Vilas as a key product offering and expected to further drive revenue and profitability



Pan Vilas Silver Dewz

- A premium mouth freshener made of silver-coated flavoured Elaichi – Silver Dewz is an extension of Pan Vilas brand’s offering in the competitive mouth freshener category



Confectionary



Funda Goli

- With the introduction of the Funda Goli range of candies, GPIL established a niche for itself as a unique confectionery brand
- Funda Goli’s fun range includes flavours like Kachha Aam, Refreshing Green Apple, Mast Guava, Orange Mints and Slurpy Lychee



Imli Naturalz

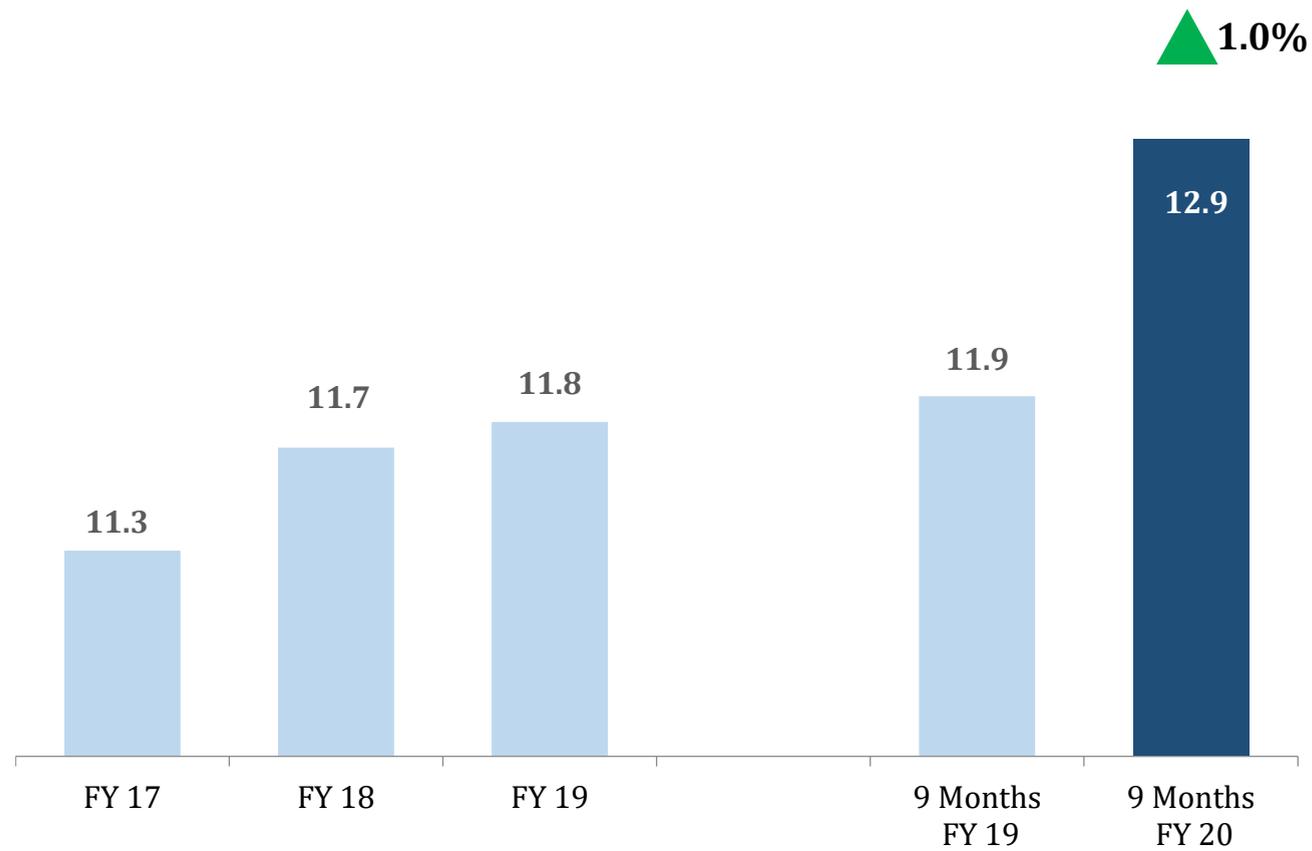
- First of its kind candy with natural ingredients and distinguished taste

1. Excludes sales value of chewing tobacco – ‘Raaga’

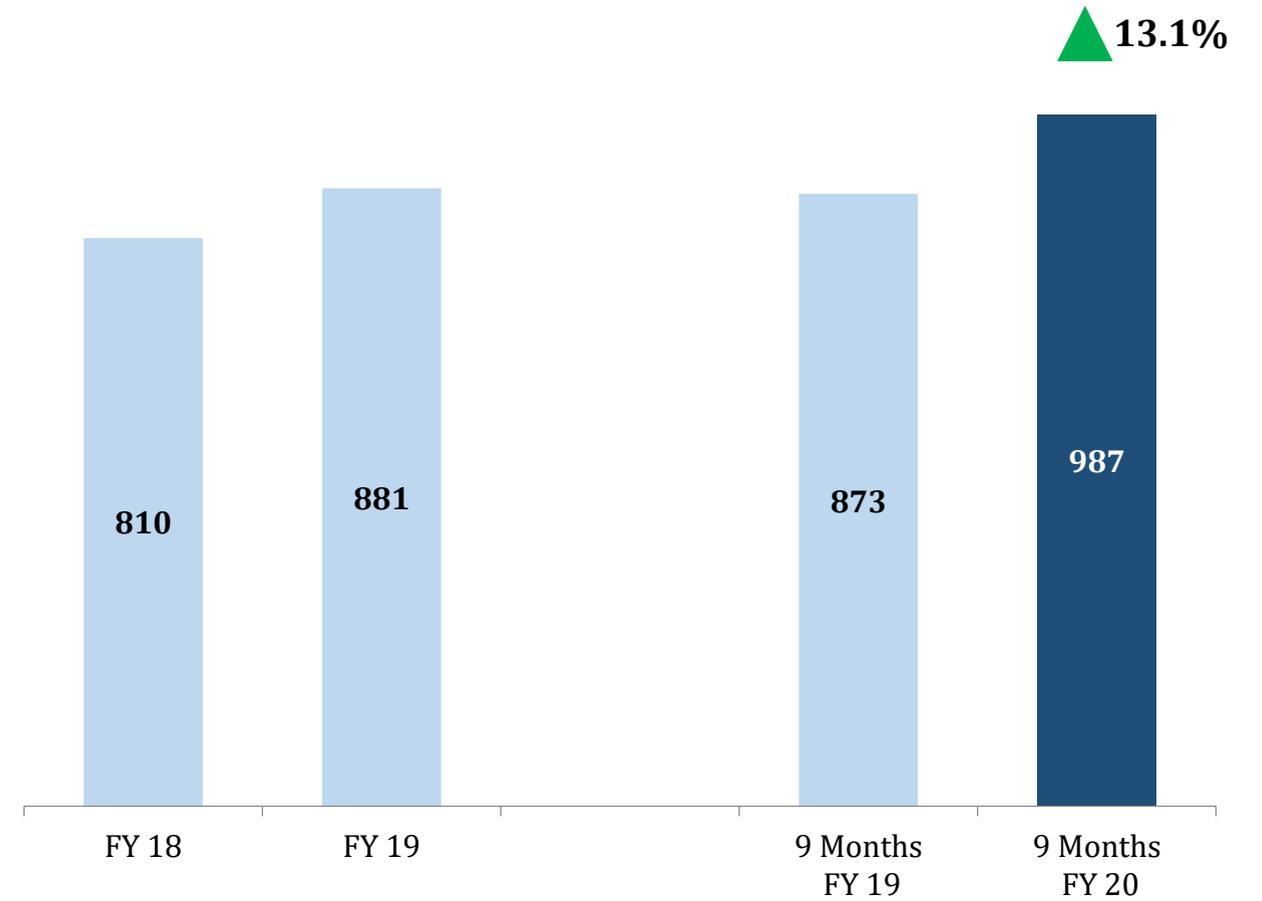
Cigarette Domestic Market Share and Volume Mix



Market Share (%)



Volumes (million per month)



Note: Market share data is based on internal estimates

9 Months FY2020 Financial Summary



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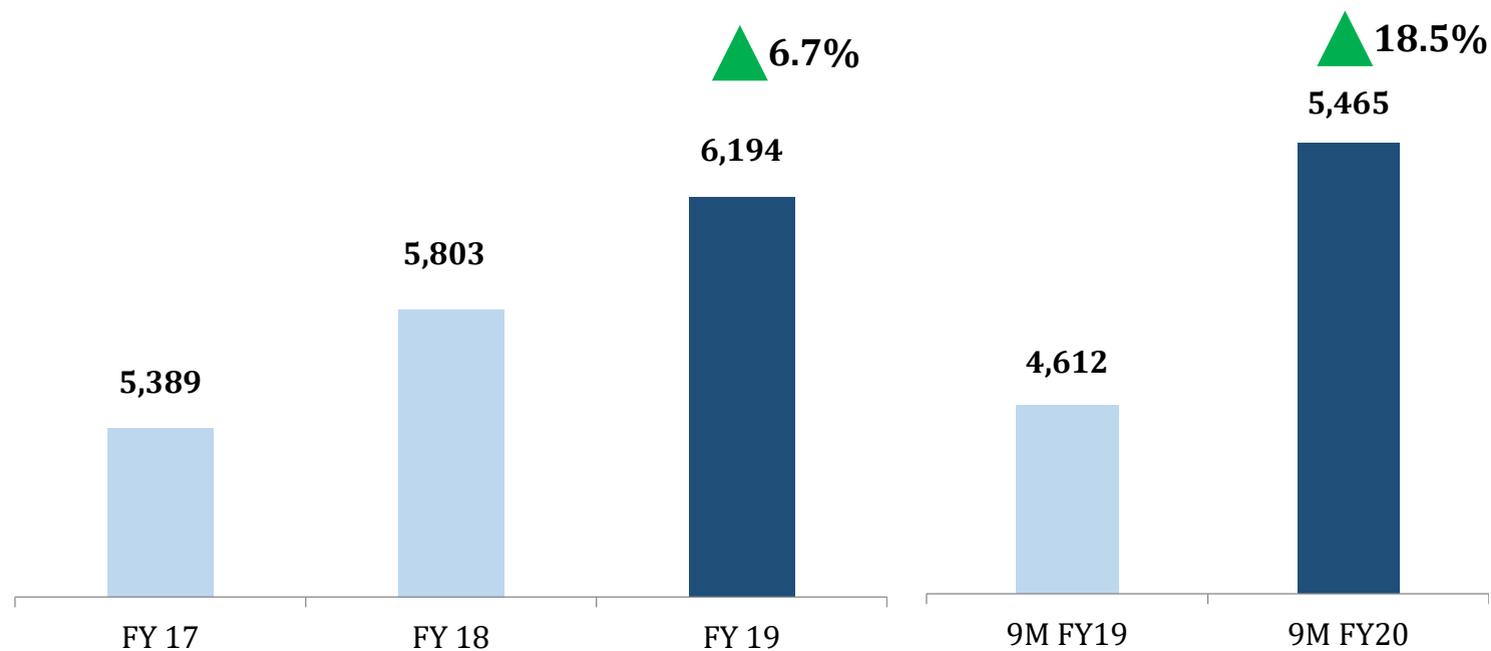
| Rs. Crore | | Standalone | | | | | | | | | Consolidated | | | | |
|-----------|-------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q3FY20 | Q3FY19 | Y-o-Y% | Q2FY20 | Q-o-Q% | 9 Months FY20 | 9 Months FY19 | Y-o-Y% | FY19 | FY18 | Y-o-Y% | FY19 | FY18 | Y-o-Y% |
| 1 | Gross Sales income | 1,844 | 1,650 | 11.8% | 1,769 | 4.2% | 5,465 | 4,612 | 18.5% | 6,194 | 5,803 | 6.7% | 6,209 | 5,813 | 6.8% |
| 2 | Gross Revenue | 788 | 690 | | 748 | | 2,367 | 1,948 | | 2,592 | 2,877 | | 2,612 | 2,891 | |
| | Less- Excise duty | 36 | 31 | | 35 | | 105 | 84 | | 115 | 565 | | 115 | 565 | |
| | Net Revenue | 752 | 659 | 14.1% | 713 | 5.5% | 2,262 | 1,864 | 21.4% | 2,477 | 2,312 | 7.1% | 2,497 | 2,326 | 7.4% |
| 3 | COGS | 335 | 291 | 15.1% | 308 | 8.8% | 1,005 | 819 | 22.7% | 1,070 | 1,191 | (10.2)% | 1,073 | 1,195 | (10.2)% |
| 4 | Gross Profit | 417 | 368 | 13.3% | 405 | 3.0% | 1,257 | 1,045 | 20.3% | 1,407 | 1,121 | 25.5% | 1,424 | 1,131 | 25.9% |
| | % to Sales | 22.6% | 22.3% | | 22.9% | | 23.0% | 22.7% | | 22.7% | 19.3% | | 22.9% | 19.5% | |
| 5 | Employee Benefits | 65 | 65 | 0.0% | 71 | (8.5)% | 195 | 196 | (0.5)% | 252 | 210 | 20.0% | 281 | 239 | 17.6% |
| | % to Sales | 3.5% | 3.9% | | 4.0% | | 3.6% | 4.2% | | 4.1% | 3.6% | | 4.5% | 4.1% | |
| 6 | Advertising & sales promotion | 39 | 29 | 34.5% | 37 | 5.4% | 116 | 85 | 36.5% | 146 | 131 | 11.5% | 146 | 132 | 10.6% |
| | % to Sales | 2.1% | 1.8% | | 2.1% | | 2.1% | 1.8% | | 2.4% | 2.3% | | 2.4% | 2.3% | |
| 7 | Other expenses (Net) | 152 | 158 | (3.8)% | 154 | (1.3)% | 444 | 434 | 2.3% | 614 | 522 | 17.6% | 595 | 502 | 18.5% |
| | % to Sales | 8.2% | 9.6% | | 8.7% | | 8.1% | 9.4% | | 9.9% | 9.0% | | 9.6% | 8.6% | |
| 8 | EBITDA (Operating) | 161 | 116 | 38.8% | 143 | 12.6% | 502 | 330 | 52.1% | 395 | 258 | 53.1% | 402 | 258 | 55.8% |
| | % to Sales | 8.7% | 7.0% | | 8.1% | | 9.2% | 7.2% | | 6.4% | 4.4% | | 6.5% | 4.4% | |
| 9 | Net Profit/(Loss)-Adj. | 109 | 78 | 39.7% | 115 | (5.2)% | 340 | 206 | 65.0% | 256 | 141 | 81.6% | 260 | 139 | 87.1% |
| | % to Sales | 5.9% | 4.7% | | 6.5% | | 6.2% | 4.5% | | 4.1% | 2.4% | | 4.2% | 2.4% | |

1 Margins are calculated based on Gross Sales Value

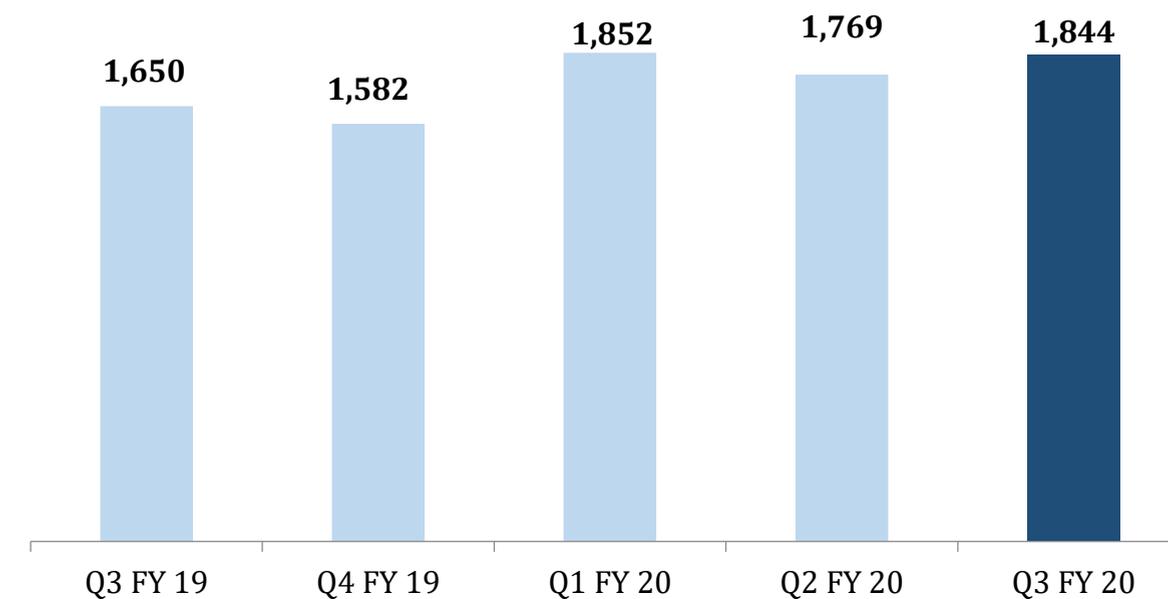
2 Net Profit and EBITDA for FY18 is adjusted for Rs. 20 Crore realized on sale/assignment of trademarks associated with packaged tea business of the Company

3 Net Profit and EBITDA for FY2019 is adjusted for Rs. 15.1 Crore charged as provision for decline in the value of non current investment

Gross Sales Value –Annual & 9 Months Standalone (Rs. Crore)



Gross Sales Value – Quarterly Standalone (Rs. Crore)



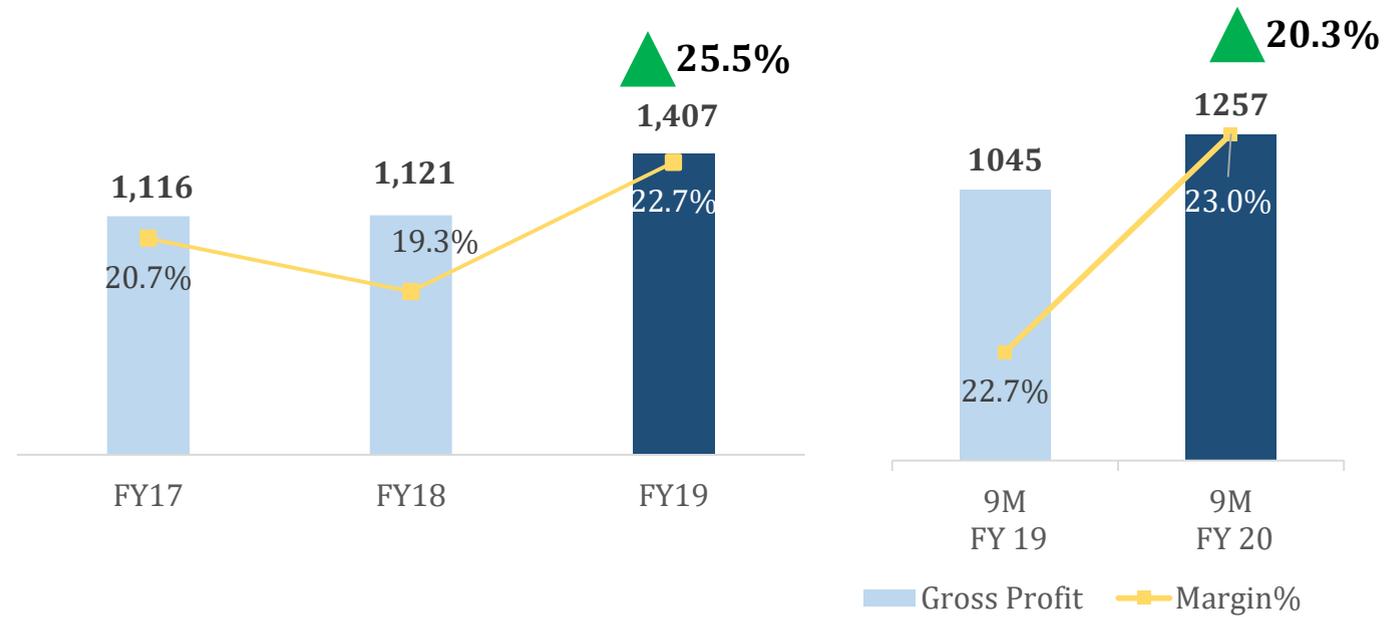
- Gross Sales Value includes Excise Duty, NCCD, GST, GST Compensation Cess and VAT as applicable in the corresponding reporting period
- Y-o-Y increase in 9 Months FY2019-20 Gross Sales was attributed to:
 - Increase in volume of cigarette sales mainly driven by new product launches
 - Increase in export of unmanufactured tobacco, cigarettes and processed tobacco
 - Better product mix and higher realization
- TFS convenience stores continued to perform well and registered a 34.4% growth in 9 Months FY 2019-20 Gross Sales Value to reach Rs. 306 Crore

Gross Profit and Net Profit Contribution

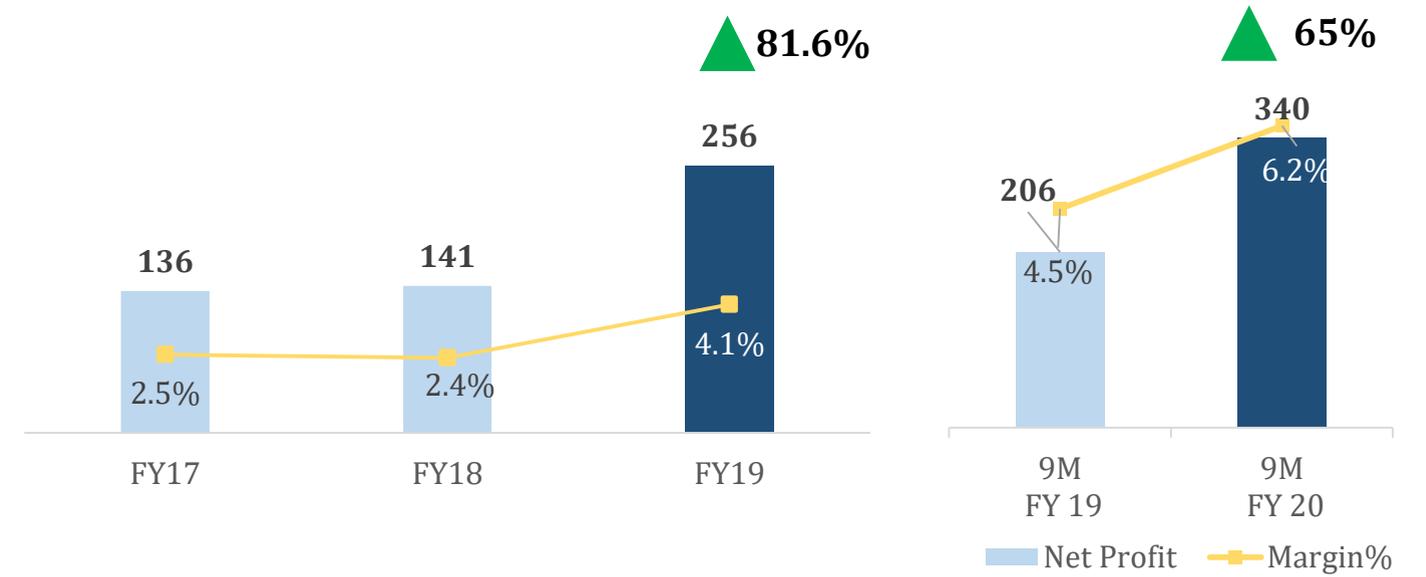


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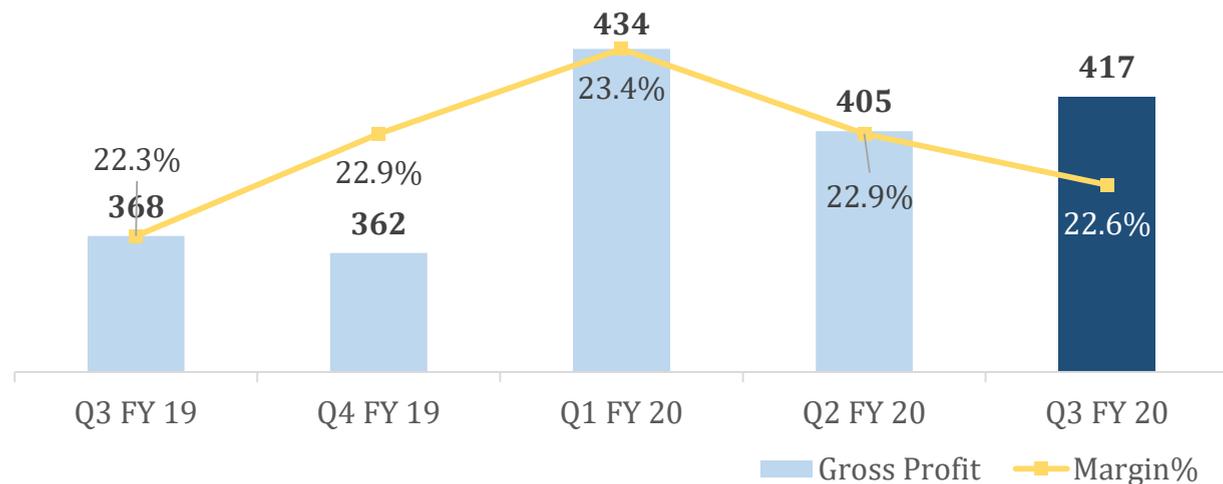
9M FY20 Gross Profit (Rs. Crore) and Margin (%)



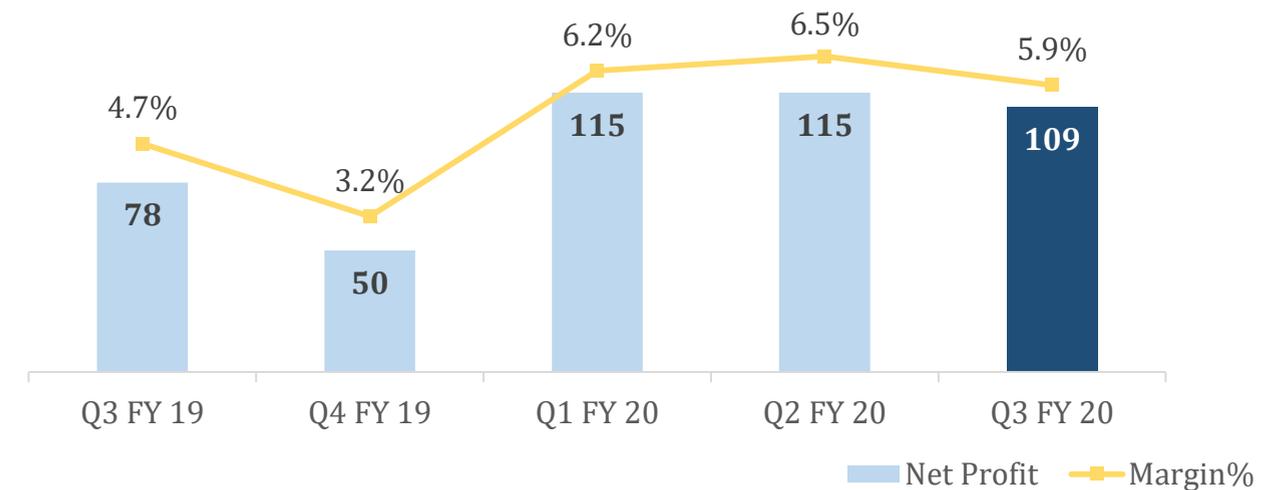
9M FY20 Net Profit (Rs. Crore) and Margin (%)



Q3 FY20 Gross Profit (Rs. Crore) and Margin (%)



Q3 FY20 Net Profit (Rs. Crore) and Margin (%)



GPI as India's Best Companies to Work For



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INDIA LIMITED

Godfrey Phillips India is now recognized amongst India's Top 30 Manufacturing Places to Work For



Godfrey Phillips India is now recognized amongst India's Top 30 Manufacturing Places to Work For



- GPI ranked among 900 companies that participated in the GPTW survey
- Of the 900, 100 were recognized as 'Best Companies to Work For'



In the FMCG industry, GPI is one of the three Best Workplaces

Modicare Foundation

Founded in 1996, Modicare Foundation's core focus areas are empowerment of children, adolescents and women by developing a holistic approach towards education, life skills and leadership

Vision

Modicare foundation strongly believes that every individual has the potential to transform his / her to life to grow and develop as an active citizen

Mission

Empower the marginalised population specially women, adolescents, youth and children with skills and knowledge to work as change agents for themselves and their community

Key Projects

Khwabgah



- Provide comprehensive development opportunities to children, adolescents / young adults and their families
- Over 1,500 children are directly benefitting while over 100,000 people are receiving services and support
- Location: Slums of South Delhi

Ambassadors of Change (AOC)



- Flagship programme since 2000, provides life skill education for in and out of school adolescents
- Empower 4200 adolescents every month and till date it has reached over 1.5 lakh adolescents and 130 institutions

Ehsaas



- Supported by Clinton Foundation, USA and works as coordinating agency on the National Pediatric Program which linked HIV+ children with government ART centres
- Supported over 1000 affected families and provided HIV related counselling services to 11,000 people

Partners in Change



- Provides training / capacity building on gender, sexual harassment at workplaces, reproductive health, HIV/AIDS
- Support includes activities such as awareness generation through community based camps, forming internal committees, master trainers

Program for Tobacco Grading Women



Program

- About 650 women, engaged into tobacco leaf grading activity for cigarettes and tobacco exports in Ongole, Andhra Pradesh are direct beneficiaries
- The program was held over 3 tobacco grading units and 4 villages where majority of the women worker reside

Initiatives

- Edugundlapadu is now a model village - 100% open defecation free with toilets for all families, health camps, tree plantation, Community RO for safe water, child education and infrastructure of 2 primary school and Angaanwadi
- This village was officially recognized by the Govt. of Andhra Pradesh and awarded a **Certificate of Merit** by the Collector and District Magistrate on **26th January 2019**
- We received the Greentech Foundation CSR Gold Award in 2018

Program for Burley Tobacco Farmers

Program

- Burley tobacco producing farmers are important stakeholders of the Company and there is a direct impact on the business due to the various issues impacting the farmers
- CSR objectives are integrated with the Tobacco Leaf Division to facilitate stringent standards and expectations from farmers under the agriculture labor practices

Initiatives

- Since 2014 over 3,200 families in 60 villages have been directly impacted and 2 lakh population are enjoying the community initiatives
- Water and soil conservation through farm ponds, water harvesting and desiltations
- Reducing debt through Farmers Development Societies (FDS) and support to farmers with curing sheds that help protect the crop
- Access to safe water with community RO, health camps and toilets
- Solar power and watershed program to deliver sustainable comprehensive development
- An After School Program to eliminate child labour





Godfrey Phillips India Limited

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