



Godrej Consumer Products Limited

Q3 FY26 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to Godrej Consumer Products Limited Q3 FY'26 Earnings Conference Call. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Kedia. Thank you, and over to you, sir.

Vishal Kedia: Good evening to all. We are happy to welcome you to the investor and analyst conference call for Godrej Consumer for Quarter 3 FY'26. Today, we have with us, Sudhir Sitapati; and Aasif Malbari. We will start with opening remarks from Sudhir, post which we will move to the Q&A.

I now hand over to Sudhir for his opening remarks.

Sudhir Sitapati: Good evening. Q3 FY'26 has been a quarter of strong broad-based performance for Godrej Consumer Products Limited, fully aligned with our expectations and strategic priorities. Our results demonstrate our belief in our goodness manifesto of driving market development and simplifying our business at a consolidated growth across all key financial metrics.

Revenues grew 9% in INR terms, underpinned by a healthy 7% underlying volume growth. EBITDA expanded by 16%, with margins reaching 21.6%. Our net profit before exceptionals grew by 14% underlying the quality and sustainability of our earnings growth. Our standalone India business delivered excellent performance, driven by high single-digit underlying volume growth of 9%.

EBITDA margins stood at a healthy 24.8%, supported by favourable input costs, disciplined cost management, calibrated pricing actions, and improved operating leverage. I think the few quarters that we had of margin challenges is probably behind us. Sales grew 11% with an underlying volume growth of 9%, aided by a supportive base and robust in-market execution.

In Home Care, we delivered 12% value growth led by strong performance in air fresheners and fabric care alongside continued market share gains in household insecticide, driven by our superior RNF based formulations. We continue to expect similar share gains going forward.

Personal Care witnessed a meaningful recovery, growing 7% with soaps demonstrating a positive trajectory, supported by improving affordability following the GST reduction and stable commodity prices. As guided earlier, margins have returned to normative levels, and we expect this trajectory to sustain through Q4 FY'26.

I am pleased to confirm that our acquisition of Muuchstac was successfully completed on 10th November, with operations now fully live and performance on plan. This strategic addition strengthens our portfolio in the fast-growing men's face wash segment and positions us well to capture emerging opportunities in this space.

Our international portfolio demonstrated resilience amidst a mixed operating environment. In Indonesia, while pricing pressures persist, we are encouraged by early signs of stabilization. The

business delivered a stable UVG of 5% led by shampoo, hair colour, baby care and with market share gains across all categories. Revenue was flattish, adjusting for the one-off changes in distribution adjustment.

Encouragingly, profitability improved by close to 100 bps over the same period last year. We expect recovery to start meaningfully from FY'27 as market conditions normalize. Our Africa, U.S.A. and Middle East GAUM business delivered outstanding results, with sales growth of 19% in INR terms. EBITDA grew 18%, led by strong performance in hair fashion and air fresheners. The launch of aer pocket has resonated strongly with consumers across these markets, reinforcing our innovation-led strategy.

For the year, we remain confident of achieving high single-digit revenue growth at a consolidated level. Our India business is expected to deliver continued growth performance while holding normative EBITDA margins in the coming quarter. GAUM continues to perform well and deliver on its stated objectives of double-digit revenue and profit growth for the year.

At a consolidated level, while temporarily macroeconomic and pricing pressure in Indonesia and Latam may have moderated the full year EBITDA growth, we remain confident of a robust exit trajectory and sustain profitability momentum into FY'27.

As our execution momentum builds, our unwavering focus on category development, cost discipline and operating excellence continues to translate into improving performance. With strengthening demand trends, consistent portfolio actions, and a clear strategic road map, we are increasingly confident in our ability to deliver sustained profitable growth and create long-term value for all stakeholders. Thank you very much.

Moderator: Sir, should we open the floor for questions?

Sudhir Sitapati: Yes.

Moderator: Our first question comes from the line of Abneesh Roy from Nuvama.

Abneesh Roy: Congrats on recovery in India business. My first question is on your two new businesses. So, first is on pet food, you had entered around 8 months back in Tamil Nadu. If you could tell us how the progress has been? And we are seeing many companies show interest here.

Reliance Consumer plans to be aggressive here with 20%- 40% lower pricing. So how do you see the overall pricing behaviour in this industry, medium, long term? And in Tamil Nadu, how has been the progress and any other states you plan to enter? That is the first question.

Sudhir Sitapati: Abneesh, we basically launched a test market in Tamil Nadu and as we speak, we have got a plant ready now in Nashik, which is ready to go. I think in Tamil Nadu, our results have been mixed. We've had some success in terms of consumer traction, distribution, etc. But I don't think we're still at a position where we can say we've got the mix 100% right.

But this is a long game, and we're willing to be patient and figure out where we should participate because what is clear to us is that this is a long game and a lot of value at the end of it. We've

understood a few things about this category. You must remember this is the first time we're entering this category. So, I would still say that not much to report except that we are very persistent and very committed to building a big business here.

Abneesh Roy:

And Sudhir, when you say mixed results, anything you want to change in terms of the positioning? Generally, we see Godrej Consumer being quite disruptive in a new category in terms of pricing or packaging. So, anything you want to tell us in terms of what is the reason for mixed results.

Sudhir Sitapati:

I think mixed results in a sense that we've got a market share which is a little lower than what I would have hoped for or wanted and what gives us confidence of success. So, which means that the exact mix that we have got is not exactly right there, which is product, pricing, packaging. So, we kind of launched with this promise of immunity.

We've been pretty heavy on television. We've got a pretty good salience. Our Google share of search is now in double digits in Tamil Nadu. So good measures on mind measures. But still, I won't say that we've got that mix exactly right. When the moment we feel we've got that, we'll let you know.

But we are persisting with this. And we're building capability patiently. We've built a kennel. We've built manufacturing capability. We're building a sales team. We're building a vet contact program. So, we're doing the basic, this is going to be a slow burn for a few years, and then I suspect it will take off. And I think we'll leave it there.

Abneesh Roy:

Understood. My second question is on Muuchstac. So, if you could tell us what will be your FY'27 target and on the other new business of Raymond, how has been the progress in the 2 subsegments?

Sudhir Sitapati:

I think on Muuchstac it's probably not proper for us to give a target for Muuchstac, probably just to reinforce the rationale for Muuchstac, which is Muuchstac is very focused on a single SKU in face wash, having pretty rapid growth coming from just 1 or 2 channel partners and having a very high EBITDA margin.

So, I feel that with Godrej's, our capability across other channels, both in e-commerce, modern trade and even in general trade, this should give us a pretty disruptive growth number. It is hard to say exactly what, I mean, that business is INR70-odd crores. The total size of the market in men's face wash is INR1,000-odd crores, growing at 20%.

So, I would say, whatever happens, this acquisition does look like a pretty good deal at a good price. And we will kind of consolidate and try and become the number two player in this and I think that's how we'll take it. In the case of the Park Avenue acquisition, I mean, reasonably well, a little slower than what it was last year.

There's been a pretty sharp change in this market in terms of the market has upgraded from deodorants to EDPs, and that is a segment where there is a clear market leader, but we are now competing for number two and getting explosive growth actually in EDPs. So, there does seem

to be a market change from deodorants to EDPs. Again, this is one of those markets where I feel like the long-term growth will be there. Our short-term growth is a little bit lower than what is still respectable, but a little bit lower than what we want it to be, but we will accelerate it with time.

Abneesh Roy: Could you elaborate on the EDP? What constraint is there, if any, in terms of either technology or product?

Sudhir Sitapati: No, there isn't any constraint. I think it's just a market that has rapidly evolved in India. When we bought this business, we had next to nothing business in EDP. And now it is a pretty substantial amount in our gross sales value, almost INR100 crores odd. So that business is rapidly exploding.

There are some categories that are operating in like laundry liquids, incense sticks, EDPs which are all rapidly exploding. So, you've got to basically position yourself in super fast-growing categories and EDP certainly seems like a super fast-growing category in this segment.

Moderator: Your next question comes from the line of Nihal Mahesh Jham from HSBC.

Nihal Mahesh Jham: Sudhir, the first question was on HI. So, if you look at last quarter also, there was an impact of weather-related vagaries, and I think that has continued this quarter also with an excessive winter. Just wanted to understand at the time of the analyst meet, you said that with the launch of RNF, we are expecting at least the volatility of the index sort of reducing between, say, a 95 to 105 kind of range. So, are we seeing that kind of a reduction in volatility with, say, the launch of the new molecule? And if you could just give a sense if the growth were actually positive this quarter for the HI business?

Sudhir Sitapati: No growth was positive but see the last 3 quarters in India have been a cooler 9 months. The cooler 9 months, in quarter 1 positively benefited HI, but negatively benefited soaps. In quarter 2 and quarter 3 have actually had a negative impact on both soaps and HI. So, we've actually delivered these results in Q3 despite weather or not being, we have a mosquito index, infestation index and now for 6 or 7 months, it's been relatively poor, which is actually quite unusual. We are expecting, however, that this year, Holi is a bit early and an earlier summer onset. And we hope that, that will be positive for our business.

I think the RNF won't change the volatility of HI results because the volatility of HI results depends on the volatility of seasonality. It will change the mean from a business that was practically not growing. I think it is going to go and as our incense sticks business becomes bigger and bigger, and that business is now quite a profitable business. And we're having good success in market share in electric and also our non-mosquito business is doing well. This business, I think, is in the mid-single-digit range and will kind of, I think inch towards high single digit.

There will be a volatility of plus/minus 5% in any quarter. So going from 95-105, it may go to 100 to 110. This is how the volatility will be in HI going forward. So, I think there's a couple of percent improvement in our revenue rates after RNF, that I think is quite clear to us.

Nihal Mahesh Jham: Sure. The second question was on the incense sticks. One of the worries that at least last year was the fact that the margin profile of this subsegment is much lower and it could sort of end up cannibalizing at least the overall HI margins as such. So now at least with the way you are targeting, is it that, that kind of a lid in terms of cautiously growing the incense sticks is sort of out and just looking at expanding either incense sticks or LV?

Sudhir Sitapati: Yes, in incense sticks, we have taken a weighted average price increase of 30% since we launched, and we are seeing no slowdown in our volume growth. So now our margins are pretty good actually in incense sticks.

Nihal Mahesh Jham: Got that. My final question was just on the margin bit. Obviously, the HI performance has been a little moderate. But if I had to just look at the margin improvement in the India business from last quarter, would most of it be explained by the normalization in soaps or there were some other aspects you may want to highlight?

Sudhir Sitapati: No, I think there are 2, 3 causes for the margin improvement. One has been, relatively minor one has been normalization in soap because that actually played out only, will start playing out from next quarter or this quarter onwards. I think the biggest one has really been on cost savings. We've had an unusually high year in terms of cost savings.

I think we've had very significant savings in media cost. So actually, while our ATL looks optically lower, the number of GRPs that we are spending in the market is actually higher. And I think, we made a big decision to change to a very large new media house, and that has a significant media savings.

We've also got significant cost savings on the back of supply chain initiatives like the new factories that we launched. And also in both laundry and soaps, we've got some reasonable savings in terms of product changes that we have made which are more kind of giving us more blend flex because one of the things that did happen over the last 18 months is the relative price of kind of vegetable oil to fossil fuel that increased and so both in soaps and in detergents.

So, you can have reasonable blend flex. So, a combination of these three things: supply chain savings, blend flex in soaps and detergents, and media savings have been the big driver of margins. These will be structural savings they'll persist.

Nihal Mahesh Jham: Just a last quick follow-up that then can with soaps margin getting better, we can actually exceed the 24% to 26% guidance in Q4 or in FY'27?

Sudhir Sitapati: I doubt it because we also have all said and done with incense sticks and laundry growing the way they are growing. We also have a negative mix that is coming in. So, I would be surprised if we exceed this 24% to 26% range. This is also an annual range; on a quarter it may go up and down. The annual range of 24% to 26% is roughly where we will be is what I think.

Because look, our objective continues to remain something I had said 4 years ago, and we've not fully achieved it, which is to get to 10% volume growth. We feel we're in the 6% to 7% volume growth in India. We had two big objectives to kind of take India up to first high single digits and

then double-digit volumes and then to structurally improve our Africa margins. On both these, we made pretty substantial progress.

I feel in India, we can inch up volumes more. It will happen, simply because some of our growth drivers, which are aer, laundry to some extent, hair colour as well. Their growth rates are not slowing down despite their size becoming bigger. So, if you actually take this year ex of soaps, our volume growth is very, very high. So, I think soap volume growths will come back with GST, etc. So that's really, our intention is to get volume growth and to kind of keep margins range bound.

Moderator: Your next question comes from the line of Harit Kapoor from Investec.

Harit Kapoor: My question was on India volume growth only. So, if you look at this quarter, obviously, this performance has been extremely strong. But you also, as you have mentioned in your release, had the benefit of base. As the quarters progress over the next, say, 2 to 3 quarters, you're still fairly good base, a low base, but it is higher than quarter 3.

Just wanted to get a sense of what can help sustain volume growth number, given that base moves up and part of the soap benefits have started already to come in. So, if you could just shed some light on the moving parts, that would be very helpful. That's my first question.

Sudhir Sitapati: See, firstly, the soap volumes in this quarter were a little lower than my expectations. I think it took us October and actually half of November for all the old price stock to get cleared. We had a good December. So, it's not like this quarter has been driven by soap volumes.

It's actually been driven by aer care, laundry, hair care and incense sticks and actually non-mosquitoes and HI is also growing very fast. Premium HI, while we're gaining share still growth is muted, though it's still growing in terms of volumes. I feel like what will benefit GCPL is that some of these growth engines now have critical mass. And if they continue growing, there's a compounding effect of these.

So, I'm hoping that this compounding effect kind of takes our volume trajectory up by, let's say, 100 bps a year, which is what we are hoping. And it is a volatile business, thanks to HI. So, if you look at the annual growth numbers. See, in FY'24, our India volume growth was 7%, but it was driven by high soaps.

In FY'25, we actually did 5% volume with a poor soap and FY'26, I expect to do somewhere between 6% and 7% with a poor soap. FY'27, soaps should hopefully be a little better. So, if you look at our non-soap volume growth because soap was also fluctuating depending on palm oil prices, that has been steadily going up.

The contribution has been going up and the volume growth there have been. I don't think we declared those numbers in public. But if you calculate based on soap numbers, you see that those numbers have been in a strong uptick and soaps will normalize at 101, 102 kinds of volumes. So that's how I expect to see the future.

- Harit Kapoor:** Got it. Got it. And the second one was on gross margin. So, look, India business has seen an improvement on the gross margin now, second consecutive quarter sequentially, the GM has improved. But when we kind of compare this quarter 3 to say, the last 4 or 5 years of quarter 3 performance, we are still below our averages.
- So, is it explained by a same higher cost table? Or do you think it is explained more by how the mix has shifted in the business from a product category perspective? Because if mix is the factor, then we have to think of the similar kind of trajectory going forward as well.
- Sudhir Sitapati:** We had 1 exceptional gross margin year in FY'24 in quarter 3, where we had very, very high EBITDA. If you remove those numbers, those gross margins are where they are. I think there will be pressure, a little bit of pressure on gross margins, which I hope will get alleviated with scale and leverage there.
- So that may be where we may be. So, there will be pressure a little bit on see our gross margins are high, but we'll have to try and make those up through cost savings. But I'm not overly worried about gross margin numbers changing dramatically.
- Harit Kapoor:** Got it. And last thing is on cost saving itself. I mean, if you look at the other expenses this quarter in India, it's down almost 6%. I think you did mention that this year has been a year of good cost savings. And you see other expense number in India actually come down from double digit to now a negative number.
- If you could just highlight exactly what the opex piece is because the advertising bit is clearly visible in your advertising spend, the change of the media house, etc. Because I would assume that some of the blend changes would have reflected in the gross margin. So, the other expenses what would that low number contributor? And is that a one-off, which is it going to be lower growth going forward for the year?
- Aasif Malbari:** Yes. So, Harit, I think if you were to explain the reduction in other expenses this quarter, I would say 50% of it would be attributable to savings. There have been savings in other cost lines and part of it has to do with phasing.
- And then in a quarter, there is some phasing which happens quarter-to-quarter on cost, but we have managed to kind of save on to some of the other expenses, of course, is part of the total cost out plan, and some of it is just phasing between quarters. Sometimes some quarters have higher costs, some have lower.
- Harit Kapoor:** Got it. So, the way to think of it is that some of this is the sales, some of its basis pricing comes back.
- Aasif Malbari:** That's right.
- Moderator:** Your next question comes from the line of Karthik Chellappa from Indus Capital Advisors Limited.

- Karthik Chellappa:** My first question is on Personal Care. Given that majority of the GST-related adjustments are behind us, and it looks like the trajectory is starting to be positive again, assuming the commodity situation is stable. Can we expect the revenue growth in Personal Care to accelerate starting in the fourth quarter?
- Sudhir Sitapati:** Certainly, the volume growth will accelerate even revenue growth should on soaps because the GST has not been a real price drop. So yes, I was hoping, frankly, that October, November would be slightly better in soaps it's taken a little bit longer. But yes, I would hope that happens. It depends a little bit on the weather and it's been a very cold winter as well. So that's been the other reason soaps has been a bit soft. So yes, I hope it accelerates a little bit.
- Karthik Chellappa:** And is our pace of market share gains in soaps, is there any change at the pace of that market share gains?
- Sudhir Sitapati:** Yes. So, I think the pace of the market share gains is a little lower than what it was in the past, but we are still gaining market share, and that's important.
- Karthik Chellappa:** What would they attribute that to?
- Sudhir Sitapati:** It's too small to have any it's not a material difference. I mean tomorrow if you're growing 30, 40 bps a year and a year, you grow 10 bps, it's really hard to attribute it. If now for 2, 3 years in a row, if you grow 10 bps, then we can say, is there a change. But it's hard to attribute between in a 1-year period, what that reason is.
- Karthik Chellappa:** Okay, sir. My last question is on Indonesia. Given that you expect conditions to normalize in FY'27, how early do you think the revenue growth can revert to a positive territory?
- Sudhir Sitapati:** See, I think of this revenue growth is already positive. It's a bit optically negative because I think we did a change.
- Aasif Malbari:** We changed the arrangement, Karthik, in terms of how we used to kind of operate with some of the GT dealers. Because of the change in arrangement, some of the expenses, which were otherwise kind of historically getting booked as cost, now kind of is taken off the margin. As a result of which, the price growth is kind of negatively impacted. So that's kind of contributing to a few lines of lower sales growth.
- Sudhir Sitapati:** But I do expect we've grown 5% volume, which is actually pretty good. We may be in this region, maybe even a little less in this kind of hovering region. But I think the revenue growth will turn positive quite soon among other things because there's a currency base also coming and so on.
- So, I would say that the Indonesia at kind of the worst is probably behind us. This quarter, again, in Indonesia, optically, the results may not great because of the change in dates of Labaran, which is Ramzan for them. But the underlying 4%, 5% volume seems to be back, and it will follow in price soon.

- Karthik Chellappa:** And so, the way I can interpret this is given the fact that your volume growth is quite healthy and has surprised and we have also expanded margins, which means the peak of competitive intensity is behind us. Is that a fair inference?
- Sudhir Sitapati:** I think the peak of competitive intensity is indeed behind us. It continues to be competitive like every other part, but there was a period of 6 months of very highly competitive activity on pricing which does seem to be a little bit behind.
- Moderator:** The next question comes from the line of Percy from IIFL.
- Percy:** A couple of questions from my side. So firstly, you mentioned that on media costs, you have a saving because you went with a big media house. But what I recollect from one of your analyst meets is that you actually had made a big effort to sort of completely in-source the media function, and you actually gave a sort of 15-20-minute presentation on that. So, what am I missing here?
- Sudhir Sitapati:** I think we made a presentation on insourcing the creative function. The media buying, we have actually bolstered our team in-house and there's a lot of use of technology. So, one reason for the reduction in media cost is the agency. Another reason is far better internal planning, but our media function is not an in-house function. We continue to work with Group M, and our advertising function is an internal function.
- Percy:** Okay. Got it. Secondly, on soaps, I just wanted to understand without giving any numbers or anything, but is the soap volume growth positive or negative?
- Sudhir Sitapati:** It's positive.
- Percy:** It's positive. Okay. And lastly, on HI, can you give some understanding on your market shares in HI over a 1-year as well as, let's say, a 3 or a 5-year period? What kind of market share in BPS you have done in this, let's say, if you exclude incense sticks because that was a problem in terms of that market itself growing faster until recently you were not participating?
- So, if you want, you can exclude incense sticks altogether and give some kind of flavour on the market share within the rest of the market. And also, again, without giving any numbers, hard numbers, but among the top 3, 4 players in the HI space, would you be able to call out sort of which are the ones which are doing relatively better, which are the ones who are sort of struggling? Just a flavour for our understanding.
- Sudhir Sitapati:** Percy, that last question, I can't answer on who is doing well and who is not doing well. It's not proper for me to answer that. But as far as we go, one of the things is that this year, in the HI has four segments, it has incense sticks, electrics, aerosols and coils. In each of these four segments, we've gained significant share.
- In each of these four segments, firstly, we have introduced a new molecule. And each of the segments, we have gained share. Overall, still in HI, we have not gained share, simply because

our share of incense sticks, which is such a fast-growing market is much lower in the other segment. And there's a mathematics of share gain. In a few years' time, we'll start gaining share.

Answer your question, in the short run, we have gained, if you remove incense sticks, we have gained very significant shares in HI. Even in the long run, we have gained significant shares if you remove incense sticks from the calculation. So, in other words, in terms of our share as a percentage of organized players in the medium and long term, it has been increasing. And in the short term, it has increased pretty rapidly.

Percy: Would I be right in assuming that excluding incense sticks, the market growth itself now 1 year or even on a 3-year basis is flat to negative?

Sudhir Sitapati: A little bit more than that, but yes, very marginally positive, excluding incense sticks. Including incense sticks that market is growing at kind of mid-single digits in value. But actually, in terms of volume, it's a very fast-growing market.

You may have seen that some of you had written to me there was a Times of India article on the fastest-growing categories in terms of penetration and hair colour was number one, but the number three category in India was Household Insecticides. So, a couple of you had written to me saying, what's the conundrum. And the conundrum is that the category is growing.

Moderator: Sorry to interrupt, sir, we lost your audio for 3 to 4 seconds in between right now at the end.

Sudhir Sitapati: Okay. Can you hear me now?

Moderator: Yes, sir.

Sudhir Sitapati: Okay. No. Percy, I was just saying that the category of incense sticks is having of HI is actually having very high consumption growth, one of the fastest-growing categories in FMCG in penetration and consumption terms, but very moderate value growth because of the price per night falling, thanks to incense sticks.

Percy: And last question if I might be allowed. In Africa, you have done very well over the last few quarters, and you're continuously growing EBITDA at sort of high teens. On this higher base, do you think you can keep up this kind of performance? Or should we moderate our expectations for the next year in terms of EBITDA growth to more low double-digit kind of a number?

Sudhir Sitapati: I think they're still, Aasif is here, but I'll answer for him because he's wears two hats and in the hat of GAUM, I still think that there is now the kind of sharp margin increases we saw in Africa may not happen. But I do think that there is still scope for us to have some kind of cadence of margin improvement in Africa going forward. And I hope that bottom line grows faster than top line in Africa for the next few years.

Percy: And top line growth, double digit is still the target in Africa, right?

Sudhir Sitapati: I don't know about that, Percy. It may or may not, depends a lot on currency and things like that, but we certainly will aim for that. But Africa is a little bit volatile and some of those things is

hard to predict. I would be quite happy if we can do high single-digit volumes in Africa and whatever happens to currency happens.

Moderator: Our next question comes from the line of Aditya Vikhram from DB Securities.

Aditya Vikhram: Good set of performance. Two things, right, a lot of conversation with previous analysts, right? It seems like the margin trajectory. Do you see it stabilizing here? Or do you see it up and down based on how things go? That's my first question.

Sudhir Sitapati: I think, look, see, one of the differences and in the way we kind of operate the business is that our business margins are quite dependent on oil price fluctuations. So, if oil prices don't fluctuate, our margins won't fluctuate. In the past, when oil prices went up, we would sharply cut advertising that we don't do these days.

We've got some savings in advertising which are structural. So, I would say that if there is a very sharp increase in oil prices again, and when I say very sharp, it has to be greater than 15-odd percent, then we will take another quarter or two to recover the margins. We won't react in the short term by cutting media just to cover up some margins optically.

This has happened in the last 5 years twice. I don't know when it will happen again. But and frankly, when oil prices go down, we end up passing -- so when we pass on the benefits to consumers quite fast. Whereas when they go up, we pass it down a little bit more slowly. So that is the only condition in which we may have a margin hit, but otherwise, I expect it to be in this kind of range, maybe a little lower in the summer months, a little higher in winter months.

Aditya Vikhram: And the second question I have is around the new section on the Home Care, specifically around toilet cleaners and everything, right? The Spic brand if I'm not wrong. How is that doing? And is there some sort of a strategy where you're going to move out from Tamil Nadu and cover most of the Southern sector.

Moderator: Sorry to interrupt, Aditya sir, your line was breaking at the end of your question, if you could please repeat that one.

Sudhir Sitapati: I have understood the question. So, I can answer it. I think we launched Spic, a toilet cleaner in Tamil Nadu two months ago. Usually, the results are quite positive. We usually don't decide anything before 6 to 8 months. So, we will wait for 6 months before deciding what to do next.

Aditya Vikhram: But the initial action does you see it...

Sudhir Sitapati: I think these things are best decided 6 months because sometimes you can have good performance in the first month or two, then it slows down or vice versa. So, a good call on this is 6 months. I would say that we are quite encouraged with Spic, it's a good product, and we're quite happy with consumer response. But before we take a call on national rollout or even South rollout, I think we must wait for 6 months to pass.

Moderator: Our next question comes from the line of Akshen from Fidelity.

Akshen: Congratulations on a good set of numbers here. Just 1 question around how should we be thinking about India volume growth going ahead? Just overall for FY'27 and also in near term because you have quarters now, next couple of quarters where the bases are sort of weak, right?

So, soaps have a negative base, HI has a high base. Just wanted to get gauge your confidence and ability to sustain sort of this broad trajectory of high single digit to low double digit that you've been able to deliver this quarter. That's question one, I'll wait for you to answer and then ask my second one.

Sudhir Sitapati: No, I don't think we'll grow at 9% volume at all going forward. But the 6% to 7% volume gradually inching up is what I think the India business, and it will inch up. It will inch up because I told you, one of the things that maybe in the May analyst meet will talk a lot about is our portfolio has changed quite dramatically in the last 3, 4 years.

And the fast-growing part of our portfolio continues to grow fast, even though it's becoming bigger. So, there is a compounding effect that is happening for our portfolio, which we'll talk about. So, I do expect kind of sequential gains in volume growth. But right now, I think we're at a kind of rough level of 6%. I hope we can take it to 7%, 8% and so on over the next maybe 18 to 24 months. That's what I hope we do with volatility, yes.

Akshen: By I mean reported volume growth is higher this quarter and not sort of 6%. Is your stripping off the adjustments of the GST stock-up that you would have seen -- is that...

Sudhir Sitapati: Yes. So, we had a relatively last quarter, we grew 4% volume, which is also okay, this quarter, we've grown 9%, so you average out the two, it's 6.5%. I mean on a base last year, this Q3 was a lower volume, but Q2 was high volume. So, all in all, we're in the 6% to 7% range, give or take, which we've got to inch up.

And I think actually, India, the good thing is, for the last 3 years, we've consistently been on this range. It's not like when you take the annual number of Indian volumes, it consists not that 6% to 7% is sort of outstanding or anything, but given the context of the market in India, it's quite respectable.

Akshen: Yes. So that was going to be my second question, that a lot of volume goodness that we've seen has been self-help for you. What's been lacking is a broader pickup in consumption. Just wanted to get your perspective on that front if you've seen broader consumption trends starting to improve.

Sudhir Sitapati: I can't say that still with full confidence. I think we'll have to see the results of the various peers this quarter. Then this quarter, of course, has everyone's results will be better than last quarter, thanks to GST. So, we will have to wait and watch. In our particular case, the category that's been affected has been soaps, which as I told you, was actually slightly disappointing this quarter, but it picked up quite well towards the end of the quarter.

So, both a very cold winter and kind of GST transitions meant that we really got bank for the buck only by December. So, I would still kind of wait but look, honestly, we want to shape

ourselves that our volume growth trajectory is pretty independent, we still want to kind of move towards with aspirational double digit, and we constantly think about it regardless of what the market is growing at.

Moderator: Our next question comes from the line of Anurag Dayal from Phillip Capital.

Anurag Dayal: So basically, the first question is on Africa business. So, we have seen the constant currency terms growth moving to single digits in this quarter after three quarters very strong numbers. Now going forward, the two questions here. One is, could you just help us understand category-wise, like we had got a lot of different international brands in global markets.

So, we did it with hair care I understand, which has done well, which segments you are eyeing for better growth in Africa and which segments we are still seeing some disappointment despite, for example, if we have input there, how that has performed? That's one question. And secondly, is how we see this growth trajectory? Would it be still around high single digits we have to forecast over the next 2, 3 quarters?

Aasif Malbari: So, Anurag, firstly, I think in this quarter also, we had a strong underlying volume growth. Currencies, as Sudhir said, keep fluctuating. You have some currency appreciation, depreciation. So, it keeps moving up and down. There is also some play of pricing when you get kind of better deals in terms of input materials, etc, you do kind of pass on some of the pricing benefit to the consumers.

So structurally, the underlying volume growth have been strong in this quarter. And as Sudhir said, we will kind of work through to ensure we deliver high single-digit underlying volume growth going forward, yes. So, there is a plus minus, which will keep happening on price, local currency and in INR terms.

And in terms of margin, he's already kind of spoken about the guidance. When it comes to new categories, there are multiple categories where we have a global right to win, and we will sequentially kind of build our presence across the entire continent in these categories. So, you will see action from us going forward.

Anurag Dayal: Okay. So, you can't call out any segment where you could see a better, I mean we are building in something which have tried hasn't scaled that well till now, but we hope it does well.

Aasif Malbari: No. So, I think we've spoken about hair category, which we launched, yes, in this year. There is still a lot of runways in terms of taking that to a particular size and scale. We do have a presence in terms of wet hair category. There is still a huge runway to kind of grow there. As to these 2 are definitely levers which we have.

Yes, as we kind of get into new categories, we are definitely working on and targeting a few more as we launch them, we'll definitely kind of share. But yes, there are reasonable plans to kind of get into few new categories over the next 2 to 3 years.

- Anurag Dayal:** And one last question is pertaining to this litigation charge costs that you have paid, especially on strength of nature of around INR 23 crores odd. So, is it a onetime or will it be recurring? And where we are in this class action suit if you could give some.
- Aasif Malbari:** I mean there is, some of the costs are getting incurred in terms of legal expenses, which are being incurred. We will have to see how the suit progresses. But yes, it's likely to kind of continue for a few quarters.
- Moderator:** Our next question comes from the line of Ajay Thakur from Anand Rathi Securities.
- Ajay Thakur:** I have two questions. One was more on the personal wash segment, while we indicated that there has been a small positive volume growth in the personal wash segment this quarter. Wanted to understand more on the aspect in terms of which, what kind of a portfolio is driving that? Is it more of a LUPs, which is kind of driving the growth? Or is it across the portfolio that we are seeing that kind of growth coming through?
- Sudhir Sitapati:** Actually, the unit growth is pretty robust in the quarter because we're still lapping despite GST and grammage increases on the small packs. Our small pack grammage is still significantly lower than what it was in Q3 last year. So actually, our unit growths are significantly higher than our volume growth, which is why all this will anniversarize and we'll go back to reasonable volume growth.
- The turnaround has been everywhere, if you compare it with the previous quarter, the turnaround is pretty sharp in most parts of the portfolio. I don't think there's any specific portfolio story on soaps. I think the GST price drops have helped and it will only help further in the subsequent quarters.
- Ajay Thakur:** Quite helpful. The second question was more on Spic, which you have just kind of introduced more in Tamil Nadu market. I wanted to get a sense in terms of what is our proposition over there. What makes us stand out in that segment?
- Will it be more of the pricing disruption that we are looking at? Or is it going to be more than that? And also, if you can share some insights into the toilet cleaner market. How is it standing? You had indicated that it's a INR3,000 crores kind of a market. But in terms of the players, in terms of the dynamics, how it is shaping up in that segment?
- Sudhir Sitapati:** So, one of the things in our launches is we don't just launch products with a price disruption. Otherwise, we would have launched a lot more Home Care products that we've launched. We are very cautious on launching products which are perceivably better than what consumers are using.
- And Fab, contrary to what a lot of people think is not just a price disruption. It's structurally a different product. Here too, in Spic, it's a different product. Our promise here not just cleans but also prevent stains from forming. And you have to use the product, and you'll see that it's a differentiated product.

We are selling at a price index of about 70 to be market leader. So that's the kind of cherry on the cake. It's early days to say how good this is, how it's doing. We are reasonably encouraged with it. But we are pretty patient on these things. We wait for 6 months, study it carefully, then ask the question is it worth doing nationally, which is how we'll do it.

Moderator: The next question comes from the line of Pankaj Murarka from Renaissance Investment Managers.

Pankaj Murarka: Sudhir, just to delve a little more, when you talk about sustained 10% volume growth, obviously, a meaningful part of the portfolio is soaps, which if we take the long-term averages, we know where the growth is. Then effectively, we would need the rest of the portfolio to be growing at low to mid-teens on a sustained basis.

So, from a slightly more medium-term perspective, if you can articulate the strategy there in terms of while I took a point that the existing categories even on a large scale are growing at a pretty high rate. But at some point, of time, these categories will be some -- will get into some sort of a base effect. So how should we think about the whole construct of the business from a medium-term perspective as you're driving it?

Sudhir Sitapati: So, I think your math is correct. The rest of the categories have to grow at teens, which they're growing, by the way, at. And as they become bigger, the impact of them will become more. So that's what I was talking about the compounding effect. The three big categories that have been growing very fast for us have been air care, laundry liquid, and incense sticks.

These are the three that have really and they're now becoming all of them are material size and rapid growth. All of them have very large TAMs. I think that's and there's a fourth one that seems to be emerging by the way, it's still not large enough, which is perfumes, EDP. So, there are but EDP is not of the same size and scale as these 3.

But these are 4, what I would call very, very fast-growing segments. All of them have all these 4 have very large TAMs. Aer per capita our market share in India is high, but our per capita consumption in India is a fraction of what it is in Southeast Asia. So, it's got a long runway of growth.

Laundry liquids have got a very long runway of growth because it's nothing it's still only 6% or 7% of the total laundry market, and it is growing, volumes in that category are growing 30%, we are gaining share on top of that. So that market, we continue to expect actually multi-decade growth. I think it will grow like this for at least 10 to 15 years.

Incense sticks, we're a very small part still. We're only 10% share of the market. So, we've got a long runway of growth on incense sticks. And EDP, perfumes and deodorants become a very large category, again, we are a relatively small player in a small market.

So, I would say all these 4 categories that are rapid growth categories have very high TAMs which should have hyper growth. There are two other categories, which are also growing quite

fast, which is hair colour, driven by penetration and also non-mosquito household insecticide, but both these should have kind of double-digit volume growth.

So, you have 4 categories, give or take, should cumulatively grow at 30-odd percent, and 2 categories kind of growing at 10% to compensate for soaps and even premium -- yes, so that's really the math of it.

Pankaj Murarka: It is very interesting. And should we also then presume that you'll keep adding products or getting into new categories, let's say, every 2 to 3 years to sustain this?

Sudhir Sitapati: Yes. We've had a strong success on innovations in the last few years. So, you look at the drivers of growth, it's actually been one of the things that has really kept us growing at 6% to 7% despite, frankly, a lot of HPC markets growing at 2% to 3% has been the delta that we've got on innovation. We are a bit slow about it and methodical. So, we've just launched Spic, it will take some time.

And as and when we find opportunities, we will innovate within kind of this HPC, in particular Home Care kind of area. But I think we've got to have products that are materially better than what is available to consumers because otherwise, we don't see a point in entering a category with me-too products. So that does limit the number of innovations we can do. But we will certainly continue to do that as we've been doing.

Pankaj Murarka: And do you think within the next few years, we'll get to aggregate 10% growth as you're targeting for the company from where we are at 6% to 7%?

Sudhir Sitapati: Certainly, that's what we're working towards systematically. And because you see the reason I'm saying this is really independent of Indian growth, GDP growth and general growth and consumption, etcetera, 4 or 5 categories I'm talking about are very, very large TAMs.

Pankaj Murarka: And at some point, of time, you think we'll also benefit given some of these categories are a higher discretionary in nature when you talk about EDP and some of the even aer for that matter and this thing. So, it should benefit at some point of time in terms of much nonlinear growth as the economy scales. Would you put it that way?

Sudhir Sitapati: Yes. it's already nonlinear right now, but I don't know if rates will further accelerate, but I hope that even with size and scale, these growths persist. That's what the bet is based on. Why am I sort of hoping that we can get to first 7%, 8% and then 9%, 10% volume is that I don't see why these categories should slow down materially with size. They're quite very, very far away from hitting a ceiling.

Moderator: The next question comes from the line of Abhijeet Kundu from Antique Stock Broking.

Abhijeet Kundu: My first question was, sorry for being repetitive. But in soaps, what is the kind of value growth that you could see over the next 2 years? Or I mean would it be mid 5% to 6% just on that? Or is there an opportunity to see improvement? Or is it that we could get better clarity from Q4? First question is that.

And second question is that in personal wash per se, there is also a hand wash, face wash, and body wash market, which is very small but that has been growing at a decent rate. So, you have also launched your products there. So, how do you look at this opportunity? I mean, would you put enough of effort in scaling up in hand wash, face wash, and body wash?

Sudhir Sitapati:

I think it's a good question. I expect soap value to grow at between 4% and 6% in the long-term basis, low single-digit volume growth and low single-digit pricing as well. That's what I expect in soaps. I expect personal wash to grow faster, first, just a little faster, but then much faster because of the compounding effect.

And if you see three categories that soaps upgrade into as you correctly said, are body wash, hand wash, and face wash. In all these three categories we've made differentiated players. In handwash, we've actually got a very differentiated player, which is gaining share, which is Magic Handwash.

In in body wash, we've got a very differentiated share on Cinthol Bodywash, which is doing very well for us in modern trade, quick commerce, and channels of the future. And we've just entered face wash with Muuchstac.

So, all these put together today, maybe less than 10% contribution to this business. But if they continue to grow at 30% to 40%, they will start giving 2% to 3%, 4% to 5% over a soap. So, in this period of 3 to 4 years, they may not materially make a difference.

So, if soap grows at 4%, personal wash may grow at 6% to 7% but I do see in 3, 4 years as these become bigger and as we kind of also, we need a little bit more to be done to consolidate market share. I mean we must get to reasonable market shares in each of these segments. I do see a compounding effect on these in the future as well.

Moderator:

Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Vishal Kedia for closing comments.

Vishal Kedia:

Thank you, everyone, for an exciting discussion. We hope we have been able to answer all questions. In case of any further questions, please reach out to us on our Investor Relations contact details. Thank you, and good evening.

Moderator:

Thank you, all the members of the management. On behalf of Godrej Consumer Products Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

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