

Annexure to “Quarterly Update: 3Q FY24”
Understanding the impact of the currency devaluation in Argentina

This note provides an explanation of hyperinflation accounting and impact of devaluation of the Argentine Peso on the operating performance for the quarter ended December 31, 2023.

1. The recently elected new Argentinian Government is taking various measures to improve the economic conditions. One of them was the decision to devalue Argentine Peso to US Dollar. In December 2023, the Argentine Peso to US Dollar was devalued from 361 to 808.
2. We believe the larger actions being taken by the Argentinian Government are progressive as they will aid economic growth in the long run, thereby further improving consumption. These steps would also improve forex availability, easing economic activities in the Country.
3. **Hyperinflation accounting procedure:**

Argentina economy has been in hyperinflation accounting since FY 2019.

- a. As per IndAS 29, “current cost statement of profit and loss, before restatement, generally reports costs current at the time at which the underlying transactions or events occurred.” **“Therefore, all amounts need to be restated into the measuring unit current at the end of the reporting period by applying a general price index.”**
- b. As per IndAS 29, “parent that reports in the currency of a hyperinflationary economy may have subsidiaries that also report in the currencies of hyperinflationary economies.” **“Its financial statements are translated at closing rates.”**
- c. Following the IndAS 29, the below points are ensured while preparing the consolidated financial statements for the company:
 - i. The base local currency numbers are restated with a hyperinflation index to bring them at current price levels.
 - ii. Base numbers plus hyperinflation impact computed in point (i) above in local currency, is converted at a closing exchange rates, as mentioned in point (b) above, for presentation in consolidated financial statements.
- d. For detailed explanation, please access the IndAS 29 on the link provided – [Click here](#)

4. Impact of devaluation on consolidated sales performance:

- a. As the Argentinian Economy is facing hyperinflationary pressures, accounting regulations require the YTD Statement of Profit and Loss to be translated at the closing rate for presentation in Consolidated Financial Statements. Hence, the impact of the devaluation of the Argentine Peso of the financial statement for 9MFY24 has been recorded in the 3QFY24. This has resulted in a negative mid-single digit impact on consolidated sales performance in 3QFY24.

5. Impact of devaluation on operating profit:

- a. As disclosed in the previous quarterly performance updates, the profitability of the Latin America and SAARC business has been flat in 1HFY24. Hence, the overall impact of devaluation on profitability remains minimal.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the over 125-year-young Godrej Group, we are fortunate to have a proud legacy built on the strong values of trust, integrity, and respect for others. At the same time, we are growing fast and have exciting, ambitious aspirations.

Today, our Group enjoys the patronage of 1.2 billion consumers globally, across different businesses. GCPL ranks among the largest Household Insecticides, Air Care and Hair Care players in emerging markets of India, Indonesia, and Africa. In Household Insecticides, we are the leader in India, the second largest player in Indonesia, and are expanding our footprint in Africa. We are at the forefront of serving the hair care needs of women of African descent, the number one player in Hair Colour in India and Sub-Saharan Africa, and among the leading players in Latin America. We rank number two in Soaps in India and are the number one player in Air Fresheners and Wet Tissues in Indonesia.

But for us, it is very important that besides our strong financial performance and innovative, much-loved products, we remain a good company. Approximately 23 per cent of the promoter holding in our Group is held in trusts that invest in the environment, health, and education. We are also bringing together our passion and purpose to make a difference through our 'Good & Green' approach to create a more inclusive and greener India.

At the heart of all of this, is our talented team. We take much pride in fostering an inspiring workplace, with an agile and high-performance culture. We are also deeply committed to recognising and valuing diversity across our teams.

For further information, please contact:

Institutional investors:

Vishal Kedia

Email: vishal.kedia@godrejcp.com

Tel: +91 22 2519 5721

Retail investors:

R Shivshankar

Email: r.shivshankar@godrejcp.com

Tel: + 91 22 2519 4359

Disclaimer:

The financials disclosed above may differ from the reported financials to reflect the real business financial performance. Some of the statements in this communication may be forward looking within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India and overseas, tax laws, import duties, litigation, and labour relations.