"Godrej Consumer Products Limited

Q3 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Godrej Consumer Products Limited Q3 FY '25 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 this conference, 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 the senior management of Godrej Consumer Products Limited. Thank you, and over to you.

Vishal Kedia: Good evening, everyone. Welcome to the investor call for Godrej Consumer Products Limited. For GCPL, we will have Mr. Sudhir Sitapati and Mr. Aasif Malbari. We will start with opening remarks by Sudhir. Following that, we will go into Q&A. Now I welcome Sudhir for his opening remarks.

Sudhir Sitapati: Thanks, Vishal. Good evening to all. Q3 FY '25 has been a tough quarter for GCPL. In particular, our India business has had a poor performance, which has been somewhat compensated by our International business. On a consolidated basis, our organic revenues grew 6% in rupee terms, flat on volumes and minus 10% on reported EBITDA. It is important to note that despite these pressures on margins, as a company, we have held our advertising spend at about 10% and delivered a consolidated EBITDA margin of about 20%.

India has had an unusually tough quarter. Our volume growth was flat. Revenue growth was 4% and EBITDA growth was minus 21%. Our top line growth has been poor for 3 reasons. Firstly, there has been a slowdown in the macros and urban consumption. Secondly, high palm oil prices have necessitated sharp price increases, including grammage cuts and trade scheme reductions. This has led to trade destocking. Thirdly, we have had a poor season in our Household Insecticides category. Our bottom-line performance has been poor due to an unprecedented inflation in palm oil and due to a particularly high base in Q3 FY '24. Since these issues are mainly transitory, we have chosen not to cut our advertising spends and other investments to increase reach like the rural van program, etcetera.

Despite all this, there are several green shoots in our business. Firstly, we feel that despite this quarter, our Household Insecticide business is on a good trajectory. We are gaining rapid market share in Incense Sticks. Our Electrics has started gaining share, albeit in a market that has grown slowly last quarter. Our Laundry, Air Fresheners and Sexual Wellness businesses continue to grow double-digit volumes. Even in Soaps where we had a difficult quarter, our revenue growth of near flat is market beating and our EBITDA margins are at a healthy approximate 20%. We expect majority of these issues to be transitory and hope that in Q4 FY '25, both our volume and value growth will see sequential improvement and by H1 of next year, we should start seeing margin growth as well.

Our International businesses have broadly done well. Indonesia continues its solid performance with 6% volume growth, 9% revenue growth and 12% EBITDA growth. Our Africa business continued its solid performance on bottom line, growing at 9% though revenues declined at 8%. Our operating margins in GAUM are ~15% for the past 4 quarters. We expect that by Q4 FY

'25, we will start reporting positive organic revenue growth in GAUM. Latin America continues to do extremely well with volume growth of greater than 25% and EBITDA margin now in double digits. Both Argentina and Nigeria has suffered because of poor macros for past many years, may see some fundamentals improving as we enter FY '26.

We are also incredibly pleased to report that the Dow Jones Sustainability Index has included GCPL as the only FMCG company in India and one of the three worldwide to be part of their leadership of the Emerging Market Index and World Index. A score of 83 is one of the highest that consumer goods companies anywhere in the world have in terms of sustainability.

Thank you very much, and we'll now open the floor for questions.

Moderator: We have the first question from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: My first question is on the Soaps business in India. So one is, you did mention the destocking of the channels given the price changes. Second is the customer, of course, whenever inflation happens and price in Soaps did go up, buy a smaller pack. From your one-year perspective, would you expect all these to normalize? So what it means is, say, in Q1 FY '26 and you did say H1, you would expect normalization. Would you expect that for 1 year, your growth rate at least should be fully normalized? So whatever you're missing currently and even in Q4, although sequential recovery will happen. Does that get overcompensated in H1 of FY '26?

Sudhir Sitapati: Yes. I think we've seen this cycle many times, palm oil prices are on their way down, though PFAD, which is a derivative has still not fallen. So over a period of time, we end up taking prices up. We've been quite aggressive in price increases. As I said, our revenue growth on Soaps was near flat, which is very competitive in this current market. Price increases have to happen gradually hence we expect over the next 2-3 quarters margins will normalize. Even now with this situation, our EBITDA margins in Soaps are just short of 20%. So it's still a healthy margin at a time like this. In the last few years, we've genuinely improved our margins in Soaps. So even in a tough quarter like this, our margins are pretty good, but I expect them to come to better levels in the next 2-3 quarters.

Abneesh Roy: My second related question is in detergent, we have seen the legacy players and the large players do quite well in Liquid Detergent. And when I see Body Wash, the numbers in Soaps, etcetera, don't reflect the same buoyancy what we see in Liquid Detergents. So in Body Wash, is it that the new players, say, we have seen ITC, Colgate-Palmolive, lot of D2C companies also make a lot of headways. They have started the advertising also. So, how is the performance of legacy companies, the larger soap companies in the liquid format of that? And when you compare that to detergent, why the difference is there?

Sudhir Sitapati: Abneesh, I don't want to comment on others. As far as we are concerned, we are behind the curve on Body Wash. The good thing is that Body Wash as a category is behind the curve on Liquid Detergents. Liquid detergents in India is exploding. Body Wash is growing fast but it is still a fraction of the overall Soap market, whereas now Liquid Detergents has become a substantial part of the detergent market. We hope that by the time Body Wash becomes a substantial part of the Soaps market, the actions that we take in the next few years will give us our fair share of Body Wash as well.

Abneesh Roy: And reason for that would be under investment by the legacy players or the washing machine helping in terms of the recommendation because that's the only difference between the 2 categories. What is the reason for liquids doing much better there?

Sudhir Sitapati: I don't know, Abneesh. I don't want to speculate. I mean, I think if you ask the question on why Laundry Liquids is doing well, it is a combination, as you correctly said, of washing machines and also there has to be a right price to the upgrading format. So Laundry Liquids in India are at the right price to detergents. Why body wash is not done as well as Laundry Liquids in India, I can't fully hazard a guess, or if I do have a guess then I'd rather keep it to myself so that we can act on it. But I think the important thing is its still early days in Body Wash, whereas it's not such early days in laundry. And I think the good news is that we are extremely pleased with our performance in Laundry Liquids. We are winning market share even in a quarter like Q3, which typically we lose a lot of market share. But Godrej Fab has been, certainly in the history of GCPL and probably in many companies, one of our most successful innovations.

Avneesh Roy: My last question is on the rural India. So clearly, gradual recovery is happening. You have spent significant amount of money in terms of the Van Operations. So, if you could talk about any benefits which are visible in the current overall numbers. So, if you could talk about your rural growth in all the 3 subcategories, how does that compare to urban. And in terms of Van Operations if you could talk about? And in terms of Soaps, again, is the rural India doing better in the Soaps business versus urban for you?

Sudhir Sitapati: On the Van Operation, you see the first half of this year, we grew volumes close to 7% and vans contributed a substantial part of this. Even in this quarter, if you leave Soaps and Household Insecticides which have had pretty sharp volume drops in this quarter, for the overall business to be zero, you can imagine what the rest of the portfolio has to grow, right? And again, van has contributed quite a lot there. I would certainly say that if you look at the full year, first half we grew roughly 7-7.5% volume, Q3 we've grown 0, Q4, I expect some kind of volume revival, the overall full year volume will still be very good for GCPL in the context of the market and van has definitely been a significant contributor. Our rural growths are significantly ahead of our urban growths, and van has been a big driver of that.

Moderator: The next question is from the line of Vivek from Jefferies.

Vivek: First question is on Household Insecticides. Now that reasonable time has passed, can you just give some feedback from the consumer on RNF and is there a noticeable or perceptible understanding that this product is, let's say, significantly superior compared to competition and what your earlier product was.

Sudhir Sitapati: I think the general progress in RNF is quite satisfying. First, we should take Incense Sticks, our share now is in high single digits of the overall Incense Stick market and our share of handler is close to 50%, which means that our distribution is still only in the late teens, but in those outlets where we are present, we get half the market there. So that's firstly good news for us that albeit comes not in great margins, but nonetheless, it's good news. In the other categories, which is largely Liquid Vaporizers, we launched in July, August, even as late as November, December, only 40-50% of the offtakes have been RNF but here also we have gained significant market share in our machines in November and December because typically, when you do a launch like this, what sells first are your LMD or your machines. So we have got significant share gains in Q3 and that as a combination of a bad Household Insecticides season, but also as a combination of general urban pressure on premium, that entire market has not done well in Q3. But within that, we have done well. So, we hope that by the end of Q1 when the next season comes in March, we should be more clear on how well it's working. But so far, we're quite enthused by it. Even in Coils, where we launched RNF 6-7 months ago, we are seeing market share gains. So I would say, generally, in a difficult situation in terms of consumption and seasonality, we are quite happy with RNF.

Vivek: Okay. And a couple of follow-ups, Sudhir. So one, when you say that you have high single-digit market shares in Incense Stick, that includes an estimate of unorganized, illegal incense sticks as well, right?

Sudhir Sitapati: Yes. I mean all Incense Sticks are illegal, so whatever Nielsen picks up is what I'm talking about now. I mean, that's roughly accurate or not, I don't know. But everything except us is illegal.

Vivek: Got it. And by end of March, do you think RNF on the electrical side will be all there in the market? And I'm guessing you're not manufacturing the earlier format? Or are you?

Sudhir Sitapati: See, in certain modern trade chains in e-commerce, we are still manufacturing the old product because the licenses even in distribution take time. But all of that by March should have got over. We are just, as we speak, launching a superior formulation on Aerosols. So, it is somewhat of a long game. Even in Incense Sticks, we launched it in February of last year, but it's only in Q3 of this year that we can decisively say it's working. It's taken us close to 8-9 months for us to get a clear sense. And here, I would say on Incense Sticks, I'm confident that we have got it right. So the others are taking time, as I think I told you guys also that it will only be till March that we really get a sense of this.

Vivek: Okay. And last follow-up, so once it is done in March, do you think that will be the time where the marketing bit will pick up quite a bit? Or do you think that you're already doing whatever it takes to push the products and make consumers aware?

Sudhir Sitapati: No, I think we're spending a lot of money and there's a lot of investment going behind it. I think the only caveat here is that across categories, we're seeing a little bit of a softness at premium end of portfolio. I hope that recovers. That's the only slight issue that we have.

Vivek: Okay. Got it. And lastly, the second question is on the Deos portfolio. Can you just give an update on that?

Sudhir Sitapati: I'll give you overall update on PA, KS. I think nothing more to update since the last update, which is that we are very happy with our performance in Condoms. Deos has been a mixed bag. In modern trade, we are gaining share but in general trade, we are losing share. I think we made a mistake in merging the 2 distribution systems, and we've now separated it. In terms of profitability, we are behind, but significantly ahead of what we inherited from but behind our business case and behind what I committed to you guys but significantly ahead of what we inherited in terms of EBITDA from RCCL. I think in May, we'll probably share the numbers comprehensively to you guys on total things. So I would say broadly good, some learning from it, but certainly value-creating so far in terms of assumptions of cost removal. And we've kind of significantly improved our EBITDA margin despite much high increases in advertising. But we've still got a GT issue to solve in the Deodorants.

Vivek: Got it. And with your permission Sudhir, one more last question. On the macro because you mentioned about in your earlier response. So you are one of the few companies who are a bit more biased towards urban. What is it that you are seeing on the urban, so in rural you have your own distribution and overall tailwinds on the market but on the urban side, can you just talk about the trends? And are you seeing any down-trading or anything in the market or in your category or product basket?

Sudhir Sitapati: I think a lot of commentary I've been seeing, and lot of articles I've been reading and also some commentaries of companies that there's definitely an urban slowdown. We're seeing it in modern trade. We're seeing it in premium brands. We're seeing some amount of down-grading. Many of our core categories are certainly not the kind of upgrading that one should see. And contrary to that, rural is doing generally well and for us, because of the van program, extremely well. So, in the context, if one excuses for Household Insecticides and Soap seasonality, we are definitely seeing an urban slowdown. Urban GT was anyway under pressure. Urban modern trade is a little slower than it used to be. We are seeing premium products not grow as fast as they were growing a few quarters ago. We are probably seeing some signs of down-trading in categories like Household Insecticides. I would say that we have to watch the space carefully in terms of urban consumption and respond to it as it goes along. But it is certainly a cause of concern.

Vivek: Okay. So that means March quarter, at least from a macro perspective, is something that we need to watch out for or need to be cautious or you are basically cautious about that, and we'll have to see how the rest of the calendar year progresses, right?

Sudhir Sitapati: Yes. I mean, look, one can say it could be an odd quarter so we look at March quarter. If March quarter turns out not so good in urban then we may have to change our plans a little bit for next year. But look, the good thing about GCPL is while what you're saying is true, which is bulk of our portfolio is urban, it also gives a bulk of our growth and opportunity for growth is rural. So it is on balance for GCPL better to have faster rural growth and a faster urban growth because in urban markets, we tend to largely be nondiscretionary. In rural markets, our categories are discretionary. So if we had to choose as a company, good rural growth is good for us because it expands our categories.

Moderator: We have the next question from the line of Harit from Investec.

Harit: Just wanted to understand your sequential improvement in volume growth comment in the context of a weakish urban environment. Is it largely stemming from the fact that this primary destocking in Soaps will be lower and the season in Household Insecticides will be a little better. Those are the 2, I think data points that you believe will get better?

Sudhir Sitapati: I think that's correct, Harit. I don't therefore think that Q4 will go back to H1 levels of volume growth. But it will be somewhere in between zero and where Q3 has been, I hope. So somewhere in between is where we will end up because 2 of these reasons are transitory, but 1 or 2 of them are slightly more permanent or slightly, I don't know where it will head. But my suspicion is that we will see a volume recovery over 2 quarters is what I hope. I don't think Q4 will go back to H1 levels. I hope that Q1 of next year, we do that.

Harit: Got it. And on the pricing side, given that you've seen the crude palm oil come out, but the derivative hasn't yet and you've also taken up pricing clearly in your portfolio, looks like a mid-single-digit kind of a number. Is there a requirement for further pricing now? Or you believe that PFAD also should come down and hence, the pricing is largely done with?

Sudhir Sitapati: I think there is requirement for another round of pricing in Soaps in particular. Of course, these are driven by looking at the market construct but we are not done with the pricing because at the end of the day, we have to get back to our nominative margins. This quarter, for example, our India business had ~22.5% margin which is not bad per se, but frankly, this business should be anywhere between 24-26%. So, we certainly feel that there is scope for one or two more rounds of pricing in Soaps.

Harit: Right. On the Soap side, the pricing that it looks like in Q3, which is mid-single digit. Does it reflect the full action that you've taken already? Since it's a weighted average, it doesn't reflect the full impact of the pricing yet?

Sudhir Sitapati: I think it's the latter. It doesn't reflect the full impact of the pricing. And therefore, we expect the pricing growth in Q4 to be higher than the pricing growth in Q3.

Harit: Got it. And lastly, I think on Africa, I think you're probably ahead of margin expectations in terms of how you achieve those numbers, close to like 15% on the GAUM side specifically. So how do you look at that market from a next, say, 12, 24-month context? Is it now largely going to be revenue growth driven once obviously, as you mentioned, from Q4, the divestment comes in the base and margins now are reasonably healthy or at least at your levels. How do we think about it from here?

Sudhir Sitapati: Yes, I think so. I think we're at about 15% EBITDA margins there. Maybe there's scope for another 100-200 bps of margin increase there. But certainly, now that we've got to mid-teens and we were quite brutal about getting to this mid-high teens kind of margins and even if it came at the cost of business, we said, it doesn't matter. Having now got to this kind of margin structure, I guess we've got to start growing now.

Harit: Got it. One last quick one is, apart from the PFAD issue, any other pockets of inflation which you're seeing in the portfolio, whether India or global?

Sudhir Sitapati: No. Nothing significant, except palm oil.

Moderator: We have the next question from the line of Avi from Macquarie.

Avi: So I just wanted to pick up from the last participant. What exactly is driving this divergent trend in palm and palm derivatives? And does this typically normalize?

Sudhir Sitapati: PFAD has a lot of interaction with biodiesels. It should, over a period of time, normalize. It varies in the short-term. And you must remember that the palm oil prices from a peak of MYR5,200 has now fallen to MYR4,200. That is almost a 20% drop from its peak. PFAD has only dropped 7-8% from its peak. So I mean, at some point of time, these have to normalize. And there are some complications there because of the India import duty and stuff like that. So there are various dynamics. But broadly speaking, in the long run, these do tend to normalize.

Avi: So it would be fair to say that if palm has corrected 'X', PFAD should logically correct with the same percentage, but it's just because of some one-off factors, that is the reason why it's not coming through. Is that the right way to read what you said?

Sudhir Sitapati: That's the right way to read it. The only thing is whether palm's correction is a proper correction or is it temporary? I don't know yet because typically the palm season in Malaysia, Indonesia is July to September. So this is a lean season for palm. So, I don't know whether this is a temporary blip. There's this B40 implementation in Indonesia, which is not so clear to us. But if palm remains lower, then at some point, PFAD has to fall.

Avi: Got it, sir. Very clear. And sir, just, Sudhir one more thing on just an understanding how should we look at 4Q in this context? Is 3Q the level from an India margin perspective? And second, when you say normalization, what level do you mean by that? Is it the 23-24%? Is it 26%? Would be useful if you could give us some understanding on those two aspects.

Sudhir Sitapati: Yes, look, I think the margins in Q4 may be more of the same because, all said and done, PFAD still high and we are still consuming oil that was bought in Q3. So that may not materially change. In fact, we've taken some prices up, but in Q3, we consumed Q2 oil also, in Q4, we're entirely consuming Q3 oil. So margins may be more of the same, plus, minus, little bit here there. I think volumes will definitely improve and pricing also should go up. In terms of the normal margins, this 24-26% is the kind of I feel normal range that our business right now should aim for. So let's say, 150 bps higher than where we are today. I don't know when we'll go to it. That's hard for me to say. But that's the kind of number that we need to get to. I mean, firstly, look for an FMCG business, 24% margin is a very healthy margin. So we got to get to that. I hope we get to that in the next 6-8 months.

Avi: Fairly clear. Sir, and last, if I may, just on this premium end weakness that you were seeing across different core categories, is Hair Colours also witnessing this? Or is this largely in Household Insecticides that you were referring to?

Sudhir Sitapati: No, we don't operate at the premium end of Hair Colour. We operate in the mass end of Hair Colour. So Hair Colour is not seeing it. But certainly, Household Insecticide is seeing it, certainly, some parts of Deodorants are seeing it. Even in Air Care, we are growing quite fast but even there, I mean, we are seeing a little bit of stress. I mean we're able to manage by democratizing the category, etcetera. But in general, we are seeing or the kind of ease at which premium was growing, last quarter doesn't seem to be the case.

Moderator: We have the next question from the line of Karthik Chellappa from Indus Capital Advisors (Hong Kong) Limited.

Karthik Chellappa: So just 2 questions from my side. Firstly, if I were to look at our presentation, both in the first and the second quarter, in the Personal Wash category, we had explicitly called out market share gains. But this time, I do not see a similar comment in Personal Wash, anything to read into that? And how did our market share trend in that category for this quarter?

Sudhir Sitapati: We don't usually give market share numbers, but it is true that in this particular quarter, our market shares have roughly been flat. Though I must say that our growth of near flat, from what we hear from market seems to be higher. So, our growth seems to be market beating. Nielsen reported market share was not negative, but it was flattish in this quarter. Of course, for the full year it is gaining still. So you'll have to read into this in 2 aspects. One is what is an externally reported share. And second is, you'll have to look at our internal growths versus the growths of others, many of whom are reported, some of whom are not.

Karthik Chellappa: Got it. And when we spoke about the slowdown in urban consumption, you specifically called out modern trade. Now apart from the general slowdown, are there any other trends that you're observing, which caused the slowdown in modern trade? I mean the context in which I asked this question is we are seeing quick commerce grow almost exponentially. So is there more salience towards those formats, which is at the margin impacting modern trade?

Sudhir Sitapati: I think, look, it may be affecting modern trade at the margin, but one has to remember that total e-commerce sales are growing at the same 30-40% range. So a lot of quick commerce has come at the expense of e-commerce. It may affect modern trade at the margin, but I think if you take the totality of urban - which is urban GT, which is doing badly, modern trade, which is less than before and e-commerce, which is roughly where it was and quick commerce within that is doing extremely well. One can only conclude that the overall urban picture is a little weaker than it's been in the past.

Karthik Chellappa: Got it. One last question for me. Is there anything to read into Household Insecticides in Indonesia growth-wise, any softness or slowdown that you are observing?

Sudhir Sitapati: A little bit, but I've got to also say that Q3, when we look at 2-year CAGRs, they're very, very healthy. See I think last year, what happened in Indonesia and the benefit of hindsight is in Q3 because of El Nino they had a bumper season. So, we are not particularly worried about our Indonesia business, our Indonesia business now is getting driven primarily by Electrics. That's what's driving growth, that growth continues. A little bit of optical softness in this quarter on Household Insecticides, but nothing structural on a 2-year CAGR and market shares. Everything seems okay there in terms of Household Insecticides. So nothing to read there.

Moderator: The next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question was on Incense Sticks where you mentioned the 50% share amongst handler and high-single digit overall market share. So how do you increase the market share from here on in the sense that my understanding was that there's a pushback from trade due to a lower trade margin, are we looking to increase trade margins?

Sudhir Sitapati: No, I think we just have to be at the game, Arnab. I think we like to get to wholesale, build awareness. These things take a little bit of time once demand builds up. So, it won't happen overnight. I think we may not increase trade margins and that because we don't make too much money. I think we just have to be patient. Gradually, direct distribution will go up, wholesale demand goes up, every couple of months we'll do a wholesale activation and temporarily reduce prices in wholesale to get it through. So, we have a toolkit on how to do it. Because what we've noticed in the past is that once you cross 20% distribution, the game becomes wholesale. The first 20% value-weighted distribution, you can get through retail. After that, you have to go to wholesale in these kind of categories.

Arnab Mitra: Understood. My second question was on Fab. So while you're obviously very happy with the growth there, you've seen a lot of players, including the other brands like Rin lower prices and enter this category. So any challenge you'll see there in terms of your home markets like Tamil Nadu and all where you had first launched, but now others may be catching up? Or do you think the category growth itself is such that you would keep expanding here. And in terms of distribution, where are you in the Fab journey?

Sudhir Sitapati: Yes, the category is growing fast. We are growing share, we're growing distribution. Tamil Nadu we are bigger than South, South we're bigger than the whole of the country. So, everything is going quite well for us in Fab. And I think we've done reasonably well actually this quarter even on Ezee. This kind of tells you that all the investments in Fab are paying off in overall liquids as well. So, I think there's just more of the same in Fab, we just have to persist with this model and it will continue to grow at exponential rates, and our Laundry Liquids will continue to grow very fast.

Arnab Mitra: And one last question on the Soap category. At the beginning, I think the price hikes GCPL has taken were higher than that of the market leader. Now are you seeing pricing hikes equally happening from all the leading players? Or there is still a gap and price competitiveness may have slightly gone down in that category for you?

Sudhir Sitapati: Well, I mean, in Q3, maybe our competitor was a little lower, but we've now seen other players take up prices as well in the category. So, I mean, definitely, first 6 months of the year, we were leading prices, but now I think everyone in the category has been taking up prices.

Moderator: We have the next question from the line of Percy from IIFL.

Percy: Sudhir, just my question is on continuation with what you discussed with Vivek. When you told him that, currently about 40-50% rollout has happened for the new molecule formulation in the LV, what exactly did you mean by that? Are you talking about the end consumer buying half of the new product, half of the old product approximately? Or are you talking about your shipments or how do I read this statement?

Sudhir Sitapati: No, no, we're talking of the end consumer, Percy.

Percy: Okay. But see, generally, trade pipelines are what, about 2 to 3 months. It's been 6 months. So how is it that the trade pipeline is still not sort of dried up.

Sudhir Sitapati: It's not been 6 months, Percy, because we launched in end July and we launched it sequentially. Even now modern trade, which is about 20-25% continues to carry the old stock because licenses haven't come. And there is a distributor pipeline, there's a secondary pipeline. So it's a long tail. Every month, this is going up by 10%, but I'm just stating the facts, and I don't know if Nielsen is right or wrong. Our only source of use is Nielsen on this. But this is a number that they give us in terms of what proportion of our offtakes are RNF and what's the portion of it is TFT. It is 50-50 as things stand. It's a seasonal category, Percy, so you can carry quite a lot of inventory. It doesn't move at the same pace every month.

Percy: Sure. But what is the reason that you have been from your end, rolling it out sequentially and not at one go?

Sudhir Sitapati: See, on modern trade there are issues of licenses. Then there is also an issue of season. So for example, the season in West India starts in July, the season in North India starts in August, September. So we wanted to roll this out with season in North India as well. So, a combination of wanting to roll out in season. And the third thing is, of course, closing stock of the old product. So I think by September, we had started selling everywhere except modern trade.

Percy: Okay. And when do you expect the modern trade licenses to come through?

Sudhir Sitapati: As we speak, they're coming through. They typically take a 6-month period after we launch. So in most Household Insecticides launches, after you launch it, it takes 6 months to get because they have to apply for the license.

Percy: Understood. And secondly, on communication for this product, and correct me if I'm wrong, but I would hazard a guess that a lot of consumers are actually not aware that this is a new formulation. Is that true?

Sudhir Sitapati: I don't think so, Percy. We do a dipstick. We just did one to check the awareness of the product, and it is very high. The awareness of the product is high. November market shares were good, December was even better. So I feel we'll just have to give this a few more months to call this.

Percy: No. I understand the product recall or the product rating might be high but what I'm saying is are consumers aware that, versus a few months ago, what is there in the market is a new formulation which is more effective. And it's clearly a sort of new chemical or whatever they might not know the name of the molecule or whatever. But is there an awareness that this is a new sort of chemical, which is more efficacious than the old one, which was available just a few months ago.

Sudhir Sitapati: Yes. Actually, we've been selling this proposition under the proposition of works even if the electricity goes off for 2 hours. And we have seen the recall of the ads, the investments in the ads, the recall of the message, all these are higher than our benchmarks.

Percy: Yes. So my fear is that people might just be treating this as a new communication rather than as a new product?

Sudhir Sitapati: The machine design also has changed, by the way. So it's not just a packaging that has changed. The machine design, if you buy it versus the old one has changed as well. So often, consumers may or may not understand the liquid has changed but when they buy the machine for the first time, the machine looks different and it's advertised differently.

Percy: But there would be lot more of consumers who would just be buying refills versus a machine consumer, right?

Sudhir Sitapati: But new consumers, when they come in, if a job to be done is to win market share or is to grow from Incense sticks and Coils, new consumers will have to come in via machines only.

Percy: Sure. Sure.

Sudhir Sitapati: And old consumers who are buying it, will anyway see the product and see the efficacy of the product. So I mean our personal view is that the advertising is working.

Percy: Got it. Secondly, on margins. For the India margins, 24-26% is a decent band, which you mentioned. Given where input prices are today, would you say that a fair assumption would be that for the full year FY '26, which is starting from April, for us, analysts, we should be going with the lower end of that margin for the full year?

Sudhir Sitapati: I think probably unless something dramatically changes in terms of oil prices.

Percy: Yes. So where the prices are today, the lower end of the band for FY '26 is a reasonable assumption to go with right now, correct?

Sudhir Sitapati: I think that's probably right.

Moderator: The next question is from the line of Jitendra Arora from ICICI Prudential Life Insurance Company Limited.

Jitendra Arora: Just a quick question. Given that the e-commerce and quick commerce has been growing at a pretty healthy pace versus let's say GT, how is it affecting our distribution per se? Are we looking to perhaps change the distribution taking into account this pace of growth?

Sudhir Sitapati: I mean, look, GT distribution and our GT business overall, we still want it to grow. Urban GT is a problem. It's something we'll have to grapple with. Overall, GT is still growing because rural is growing. So urban GT, especially metros in order to improve the return on investment of GT distributors, we will have to consolidate, reduce inventory, basically work with them in order to get their ROIs up. It is certainly an issue, big city urban GT.

Jitendra Arora: Okay. And if quick commerce continues to take share away from urban GT, which is I think what is also expected by a certain section of the market then how do we propose to handle the situation?

Sudhir Sitapati: Nothing to handle I think, each individual distributor has to make a good return on investment. So, if you have, let's say, 30 distributors in Bombay and the business shrinks, you may have to bring it down to 20-22. All you may have to kind of get them on to 0 inventory, you have to work out the overall thing. Ultimately, we've got to get 20-30% return on investment for the distributor. That's the important thing, right, for them to be interested in the business. So you'll have to use technology, you'll have to scale to really make sure that urban GT distributor ROIs remain.

Moderator: The next question is from the line of Akshen from Fidelity.

Akshen: If we just disaggregate the India portfolio, what's the aggregate portion of portfolio where you feel comfortable that irrespective of the market, the growth is good. So you may have called out Fab, Air Fresheners, Hair Colour, etcetera in the past. Together, how large is this business where you feel very comfortable on the growth currently?

Sudhir Sitapati: I think our business is actually quite neatly structured roughly as 1/3 Soaps, 1/3 Household Insecticide, and 1/3 all others. The last one is where even this quarter has done actually very well for us, though we've had bad luck on both Soaps and Household Insecticides. And this 1/3, the salience has significantly gone up over the last 2-3 years.

Akshen: On the last quarter, we had a lot of claims and counterclaims around soap, on what happens with TFM, etcetera. Now that competitor product has been in the market for a very long time. How have you seen difference in terms of market share, if at all?

Sudhir Sitapati: No, I think our philosophy continues to remain what it is, which is we've got to design for best consumer value and nothing really changes in terms of philosophy. I mean, I have a suspicion we are growing faster than the market even in this quarter. So there's nothing that has happened, which makes us want to change our views on the subject.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: In the Raymond business, how has been the margin journey after the acquisition? When you acquired the margins were in mid-single digits, where are you now?

Sudhir Sitapati: Yes. EBITDA margins have moved to the mid-teens. There's still some work to do.

Kunal Vora: But your aspiration was about 25%, if I'm not mistaken.

Sudhir Sitapati: In the fullness of time, but we'll first have to get to 20-odd. We are sometimes a little bit time away from that. We've made, I mean, significant progress on EBITDA margins, but more and more needs to be done here.

Kunal Vora: Understood. And how should we look at Africa revenue from here, you've seen 5 quarters of decline. You did mention it will start going up. It will happen now or it might take some more time?

Sudhir Sitapati: I think we should start seeing a better picture of growth from this quarter and certainly next quarter in Africa.

Kunal Vora: Understood. And lastly, you mentioned that you've seen share gains in LV and Coils after the RNF launch. What's the kind of market share gains? And are you banking mostly on market share gains through RNF? Or do you see it also boosting the category growth in anyway?

Sudhir Sitapati: We don't usually give out our market share numbers, but we expect both market share gains and hopefully, to grow the market.

Moderator: The next question is from the line of Aditya Soman from CLSA.

Aditya Soman: Just one question for me, actually. So when you're comparing this market share, is this also Nielsen? And the reason I ask is because I think if I look at the data from Nielsen last quarter, I haven't seen the 3Q numbers. But in 2Q, there was a clear difference in sort of urban metro and non-metro, where metros seems to be decelerating. And the reason I ask is because I suspect that a lot of urban, metro deceleration is basically just not capturing the quick commerce data accurately. So is there more light you can throw on this?

Sudhir Sitapati: No, I think that is accurate. Certainly, as I said, the urban growths are slower. Nielsen may not capture quick commerce, is also correct. But as I told you, even after accounting for quick commerce and so on, urban metros are a bit slower last quarter than they were before that.

Moderator: The next question is from the line of Lokesh Gusain from BOB Capital Markets.

Lokesh Gusain: Just one question from me. So how much in advance do you buy palm oil? Like how many months in advance do you buy palm oil?

Sudhir Sitapati: We may not want to answer that. This kind of question is a bit specific in terms of the inventory that we hold, etcetera, on palm oil.

Lokesh Gusain: So you mentioned you're still using the third quarter inventory. So I assume 3 months is a good timeframe. So I just want to clarify one more thing regarding market share. So when you mentioned your market share is flat and so for the third quarter, do you mean volume market share or value market share?

Sudhir Sitapati: Yes, both.

Lokesh Gusain: Would you say your pricing was ahead of the market?

Sudhir Sitapati: Nielsen doesn't fully capture some of these things with that kind of accuracy to be honest. So you have to look at our volumes and our pricing. Nielsen pickup on all these things is hard to read on these.

Moderator: The next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Just one follow-up to one of the participant's question on market share with respect to Nielsen data. So what I understand Sudhir, you mentioned that Nielsen doesn't capture the e-commerce market share. And I believe for all companies, the e-commerce growth has been the fastest in the last many quarters. Is there a means to start capturing the e-commerce market share also over time? I mean how is the company thinking about it on this aspect?

Sudhir Sitapati: We right now have internal ways of doing it. But this is something that we have to find a way of doing it properly. Because it is now becoming quite big, so we'll have to find a way of doing it.

Sheela Rathi: So are we already doing something?

Sudhir Sitapati: We do internal, but these are all like our own measures, calling through some data. Not something which is as formal as Nielsen.

Sheela Rathi: Okay. And just to be clear, is the MT trend captured in the Nielsen data? Or is it just the GT trend?

Sudhir Sitapati: MT is also captured in Nielsen.

Sheela Rathi: Okay. And just a second question, Sudhir, how are you thinking about in-sourcing of palm oil? I mean, is this an opportunity to localize palm oil sourcing over a period of time? Or do you think it's just too early to think about it?

Sudhir Sitapati: What do you mean Sheela by local in-sourcing of palm oil?

Sheela Rathi: I mean recently, one of the competition has acquired a palm oil manufacturing company. So they are thinking of over a period of time because it takes long to grow the seeds and the crop. But is there an opportunity for us to also think about getting into the space where we can distribute our sourcing of palm oil between international and locally. I mean the government is promoting a palm oil production.

Sudhir Sitapati: I mean, the largest palm oil plantation company in India is Godrej Agrovet with about 1/3 of the market share of palm oil locally, but that's still a fraction of the total palm oil requirement of the country. And as a consequence, the PFAD that is produced from local plantations is very, very small for Soaps. And it's a long way off. But I mean, as a group, we are very much in this ecosystem.

Moderator: Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Vishal Kedia: Thank you, everyone, for attending the call. We hope we have been able to answer all queries. Please reach out to us on our Investor Relations contact details for any further queries you have. Thank you, and good evening.

Moderator: Thank you. On behalf of Godrej Consumer Products Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.