

December 6, 2024

BSE Limited

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Mumbai 400 023.
Scrip Code: 532424

The National Stock Exchange of India Ltd

Exchange Plaza, 4th Floor,
Bandra-Kurla Complex, Mumbai 400 050.
Symbol: GODREJCP

Dear Sirs,

Update on business conditions and quarterly performance: Q3 FY25

We enclose herewith a communication which is self-explanatory.

Thank You.

Yours Faithfully,
For Godrej Consumer Products Limited

Aasif Malbari
Chief Financial Officer



Update on business conditions and quarterly performance: Q3 FY25

This update provides an overall summary of the demand conditions & trends and operating performance during the ongoing quarter. This will be followed by a detailed performance update, post the approval of the Q3 FY25 financial results by the Board of Directors.

The demand conditions in India have been subdued for the past few months which is evident in FMCG market growth. Despite the demand conditions, GCPL has over the past six quarters consistently delivered an average organic UVG of ~7% on the back of category development supported by innovations and media investments.

The surge in palm oil and derivatives prices to the extent of a y-o-y increase of 20-30% has impacted the soaps category, which represents ~1/3rd of our Standalone business revenue. To partly offset the cost increases we have taken price increases, reduced grammage of key packs and reduced various trade schemes. Such pricing actions typically have minimal impact on category consumption but do result in reduced inventory across wholesale and household pantry. Historical patterns indicate a normalization in volume growth following price stabilization, which we anticipate occurring in the next few months.

In parallel but unrelated, the weather conditions have not been supportive (delayed winters in North and cyclone in South India) to the Home Insecticides (HI) segment, contributing ~1/3rd to our Standalone business. This has impacted HI category growths in the current quarter.

The rest of the portfolio is demonstrating robust performance and expected to deliver double digit UVG. However, given the significant contribution of Soaps and HI to the overall business mix, the Standalone business is expected to report around flattish UVG and around mid-single digit sales growth in this quarter.

The Standalone business has historically had normative EBITDA margins in the range of 24-27%. The previous year's third quarter (Q3 FY24) had delivered exceptional margins of 29.7%, outside of our normative range, driven in part by favorable commodity prices. The current inflationary environment has created pressure on the margins. The Company maintains its commitment to strategic investments in media and other areas like rural van distribution etc. despite these challenging conditions. However, due to the confluence of factors discussed above, we anticipate a temporary downward breach of the normative margins this quarter.

Our international businesses continue to do well on their relevant strategic objectives.

Indonesia business is expected to deliver continued superior performance with mid-single digit volume growth and high single digit sales growth. In line with our earlier guidance, the GAUM (Godrej Africa, USA, and Middle East) organic business is expected to see volume decline due to reduction in trade stocks and portfolio simplification. The effects of these actions would be largely completed in Q3 FY 25. However, we continue to do well on our profitability journey, and this is likely to be the fourth consecutive quarter of healthy EBITDA margins for GAUM.

These are exceptional situations in Standalone business that the management believes are transitional and not structural. Hence the management remains focused on navigating these near-term challenges while maintaining strategic investments for long-term growth as these negative trends are likely to persist for a few months.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company, driven by the purpose of bringing the goodness of health and beauty to consumers in emerging markets. As part of the Godrej Industries Group, we are fortunate to have a proud legacy of over 125 years, 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, we enjoy the patronage of 1.4 billion consumers globally. We rank among the largest Household Insecticide and Hair Care players in emerging markets. In Household Insecticides, we are the leader in India, the second largest player in Indonesia and are expanding our footprint in Africa. We are the leader in 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.

We believe that we are only as good as what we do next. So, we strive to continuously improve how we do business, and how we live in the world, shaping a more sustainable and responsible future by placing our planet and people alongside profit. Through Godrej Good & Green, we are helping create a more inclusive and greener planet, in line with the United Nation's Sustainable Development Goals, and the needs of local communities. At the Godrej DEI (Diversity, Equity, Inclusion) Lab, we work on empowering inclusion, help build DEI ecosystems across corporate India and aim to bring ideas and innovation related to DEI to the mainstream.

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Disclaimer:

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