

Quarterly Update: 1QFY23

This update provides an overall summary of the operating performance and demand trends during the quarter ended June 30, 2022. This will be followed by a detailed performance update, post the approval of the 1QFY23 financial results by the Board of Directors.

Some of our short-term challenges such as continued unprecedented global commodity inflation and the performance of our Indonesia business, as highlighted in the previous quarter, continued to play out in this quarter as well, impacting consumption and margins.

The Indian FMCG industry continued to remain soft during the quarter. It continued to be hit hard by inflation levels aggravating due to geopolitical tensions, leading to successive price increases and impacting volumes. Rural markets witnessed slower growth compared to urban. However, the recent correction in commodity prices and the forecast of a good monsoon are encouraging. We remain competitive given the relatively non-discretionary mass pricing of our portfolio.

In India, we expect to deliver early double-digit sales growth on a high base. Our 3-year CAGR remains robust and in early double-digits. We would have mid-single digit volumes drop on a high base, with a 3-year volume CAGR close to mid-single digits. We witnessed a mixed performance in our Personal Care and Home Care categories. Personal Care sustained its strong double-digit growth trajectory with a 2-year CAGR also in double-digits, led by both Personal Wash and Hair Colours. Home Care witnessed a low single-digit sales drop on a high base. However, the 2-year CAGR remained at a high single digit figure.

In Indonesia, with Hygiene performance waning after COVID-19 and a large Hygiene comparator in base, we expect a high single-digit sales decline. The sales performance excluding Hygiene was largely flat. While reported sales were weak, we continued to reduce stocks with channel partners, resulting in positive sales growth on sell-outs excluding Hygiene during the quarter. We are putting building blocks in place to drive category development and general trade distribution to ensure gradual recovery in the medium term.

In Godrej Africa, USA, and Middle East, we continued our growth momentum across most of our key countries of operations. We expect to deliver double-digit sales growth, with a continued focus on driving sustainable, profitable sales growth.

Furthermore, we are also expecting a constant currency sales growth in the high teens in our Latin America business.

At a consolidated level, we continue to leverage our category and geographic portfolio. We expect to deliver high single-digit sales growth and a 3-year CAGR in double-digits.

On the profitability front, we expect lower year-on-year EBITDA margins during the quarter. This is due to input inflation, upfront marketing investments to drive category development and weak performance in Indonesia. However, with inflationary pressures abating and significant correction in palm oil derivatives and crude oil, which are some of our key raw materials, we do expect recovery in consumption and gross margins in the upcoming quarters.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products is a leading emerging markets company. As part of the 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 1.15 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.

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Disclaimer:

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