

Godrej Consumer Products Limited
Q4 FY26 Earnings Conference Call
May 06, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to Godrej Consumer Products Limited Q4 FY'26 Earnings 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, then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Vishal Kedia, Global Head of Strategy, Planning, and Investor Relations. Thank you, and over to you, sir.

Vishal Kedia: Good evening to all. Welcome to the conference call for Godrej Consumer Products for quarter 4. We will start the call with an opening statement from our CEO, Mr. Sudhir Sitapati, following which we will go to a statement by our CFO, Mr. Aasif Malbari. We will then move to the questions. Post the questions, we also have an ending statement. Now, I hand over the call to Mr. Sudhir Sitapati, for his opening statement.

Sudhir Sitapati: Good evening, everybody. Q4 FY'26 has been a quarter of strong broad-based performance for Godrej Consumer Products Limited fully aligned with our expectations and strategic priorities. The quarter brings to a close a year in which the consistent execution of our goodness manifesto. Our focus on category development and our discipline on costs have come together to deliver profitable growth across our portfolio.

In Q4, at a consolidated level, revenues grew 11% in INR terms on the back of 6% underlying volume growth. EBITDA grew by 10%, with operating margin at 21.7%, and net profit after tax grew by 10% on a reported basis, reflecting the underlying quality of earnings being delivered by the business.

I would like to call out that while profit growth has been weaker over the last 2 years. This is driven by significantly stepped-up investments to ignite growth and expand into new categories. We have already seen parts of the portfolio that have started to significantly outstrip growth driven by investments and profitability driven by scale benefits and we expect this to happen across the portfolio.

Our standalone business delivered an excellent quarter, driven by 8% underlying volume growth and 10% sales growth. EBITDA grew 18%, with margins at a healthy 24.7%, supported by disciplined cost management calibrated pricing actions and improved operating leverage. Within the standalone business, Home Care delivered 12% value growth with strong momentum across household insecticide, air fresheners and fabric care and consistent market share gains in our key categories. Personal Care grew 3% with Personal Wash continuing gaining market share on the back of strong in-market execution.

Perfume & Deodorants delivered strong double-digit growth led by perfumes, with KS99, now scaled pan-India. Turning to our international portfolio. In Indonesia, the pricing pressures we have been calling out over the last several quarters have now largely bottomed out, and we are seeing increasingly clear signs of stabilization. The business delivered 4% underlying volume growth and 3% sales growth, and we continue to expect operating conditions to improve from FY 2027 as the market normalizes.

Our Africa, U.S.A. and Middle East business delivered another strong quarter with top line growth of 20%. EBITDA grew 2%, reflecting a deliberate doubling of media spend behind our FMCG categories to build a long-term franchise. We believe this is the right investment to make as the geography enters its next phase of growth. Our Latin America and others business delivered 26% sales growth. EBITDA was impacted by one-time costs in the quarter. We expect this to normalize over the coming quarters.

Looking ahead, we entered FY 2027 from a position of strength. Our India business is well placed to deliver continued calibrated growth as normative EBITDA margins, supported by improving demand trends. A strengthening innovation pipeline and consistent in-market execution. In Indonesia, we expect a meaningful step-up in performance as pricing pressure abates and our Africa, U.S. and Middle East business continues to deliver on its stated objective of double-digit revenue and profit growth over the medium term.

Before I close, I would like to briefly flag and then hand over to our Chief Financial Officer, Aasif Malbari an important presentational change that we are adopting from this quarter onwards in a manner in which we report revenue. I would also take the opportunity to personally invite you to our investor meet scheduled to take place on Monday, 11th May, the event will be held at our headquarters and will provide in-depth perspective on our strategic vision, recent business performance, and forward-looking initiatives. Our leadership team will share comprehensive updates on market trend innovation and the company's growth map.

As the year closes, our unwavering focus on category development, cost discipline and operational excellence continues to translate into improving performance with strengthening demand trends, consistent portfolio action 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 our shareholders.

I now hand over to Aasif.

Aasif Malbari:

Thank you, Sudhir. Good evening, everyone. I would like to take the next few minutes to walk you through an important change in the way we are presenting the revenue from the quarter ended 31st March 2026 onwards. To set the context, in the FMCG industry, companies incur a wide variety of customer related expenditure, like in-store visibility, display arrangements, mailers and other similar channel level spend. Industry practices on how to present these trends has historically been mixed. Some companies have rationalized them as expense on a gross basis, while others have netted them off against revenue.

GCPL till 2025 presented some of these spends as expenses. Our position rested on a set of considered judgment that these spends do not have a direct correlation with sales. Products would continue to be sold to our customers under existing commercial arrangements regardless of whether we incur these spends or not. The pricing remains unchanged irrespective of these arrangements and a fair value for the services received could be on reasonably demonstrated.

On that basis, we have presented some of these spends and operating expenses similar in substance to other marketing and promotional efforts undertaken by the company. To give an

example, visibility in store and visibility on the street has outperformed our 2 spend, which can be interchangeably used. In February 2026, the Expert Advisory Committee of the Institute of Chartered Accounts of India took up this matter for a detailed examination.

The committee considered multiple instances of customer-related arrangements typically encountered in the consumer goods sector and went through a detailed evaluation of the facts and circumstances of each instance. Having considered each of these in detail, the committee concluded that these customer-related spend should be netted off from revenue, rather than presented separately as operating expense. GCPL has carefully reviewed the opinion and presented the relevant spend accordingly. The company is implementing the opinion of the expert advisory committee in letter and spirit.

The impact is straightforward, revenue from operations and the corresponding lines within other expenses both reduced by the same amount period after period. There is no impact whatsoever on absolute EBITDA, PAT, profit after tax, total liquidity, or cash flow. Margin percentages would be optically higher under the new presentation simply because the denominator is smaller while the absolute profit pool is unchanged.

The underlying economics of the business are pricing, our competitive position, the cash we generate remain the same. Our strategy and the way of running our business remains the same. There will be no changes in the way we incur the spend going forward. Also to clarify, while A&P expenses optically look lower for the quarter, if you compare this after restated, the amounts are actually broadly similar Y-o-Y.

Restated revenue for the last 8 quarters and the last 5 years on the new presentation is set out in the investor communication accompanying our results. There is no material impact on growth or profit metrics. We are actually extremely pleased that ICA has released this EAC opinion to this effect, which will enable better consistency and competitively across all the players. Thank you. We will now move to questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Vivek M from Jefferies. Please go ahead. Vivek, your line is unmuted. Please proceed.

Vivek M:

Hi. Good evening, team. First question is on the personal care bit in India. So, Sudhir, can you just elaborate because the presentation slides talk about soaps have done well. And so is the case with perfume fragrances. And I think it looks like the powder hair dye has actually been under pressure. Can you just talk and elaborate a bit more on this?

Sudhir Sitapati:

Yes. I think there are two things, Bulk of our personal care businesses is soaps and then market sectors are muted despite GST. So, while we have gained some market share, our growths have been muted in soaps. Condom sexual wellness also has been quite muted, and we've declined but it's a small business. And hair colour has had an okay quarter, not a great quarter, but an

okay quarter. I think there was some seasonality impact of marriages, etc. So overall, I would say, a somewhat muted quarter only on our presence business.

Vivek M: Okay. And Sudhir, when you say India business is up, let's say, has grown by 10%, if Home Care and Personal Care have grown by 12% and 3%, respectively. I think the other portfolio has grown like 75%, which has added about 2.5, 3 percentage points, right? Can you just elaborate on what has happened there?

Sudhir Sitapati: I think, firstly, our Home Care business salience is increasing every quarter and it's becoming bigger and bigger on the back of some of these things. So that is one. The second is there has been a lot of explosive growth globally on our air freshener business, which we don't capture indeed, till next time onwards we'll capture it so far is a small number, but that I'll take you through on Monday, we are just having very high growth on air fresheners globally, which is broadly we make in India and we export it from here and that has been the delta contributor there.

Vivek M: Understood. And lastly, on Indonesia, how confident are you about the turnaround given that there has been certain, inflationary pressures also in the economy. How confident are you of the turnaround over there and outlook also in Africa business for FY'27?

Sudhir Sitapati: So, in Indonesia, I think even last quarter, we had about 4% volume growth. And this quarter also, we had 4% volume growth. In a steady state, if we can do 5% to 6% volume growth in Indonesia, this sales growth has to do with currency, that may turn actually in Q1, the other way around. So, I think revenue growth will now lead volume growth in Indonesia.

So, I think what we will get in Indonesia is kind of mid-single-digit volume, high single-digit value going forward. As far as Africa goes, we are having a very strong performance in Africa. I think, as I said one of the big drivers has been FMCG driven by air care in Africa. So, revenues have gone up that requires advertising spends. So, we have kind of investing ahead of the curve in building FMCG in Africa. Our Africa business now is looking more and more like a conventional FMCG business to us.

Vivek M: Okay. And just a follow-up on Africa. You think constant, given that the base has been higher in the last few quarters have been quite good in Africa on growth as well as margins. Do you think FY27, we should be mindful of the base given that the performance in the past few quarters. And this quarter also constant currency growth has been somewhat okay. It's the reported number, which has been very good, right, because of the currency moves?

Sudhir Sitapati: Yes. I think in FY25, we had a very depleted performance in Africa. So, the FY26 numbers come on a depleted base. I expect Africa performance to be quite strong, on Monday, we'll explain to you that there are some underlying drivers in FMCG, which are driving bulk of the growth in Africa, and those will continue to compound in FY27.

Vivek M: Got it, Sudhir. Look forward to seeing you on Monday. Thank you.

Moderator: Thank you. Next question is from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah: Hi, Sir. Thank you for taking my question. Sudhir, so when I look at your looking ahead Para, you've highlighted the India business is staged to deliver continued calibrated definitive EBITDA margins. Given the context of the West Asia world war, any inflation that we are seeing. Should one assume that what you're indicating is that you will be able to hold up that 21.5% normative margin in can console and '24, '25 on India business? Is that what is statement read?

Sudhir Sitapati: To be honest. This quarter and next quarter, I expect some pressure on EBITDA percentage margin, but we are seeing upside in a variety of other areas. We're seeing pricing growth higher than what we thought we get. We are seeing in certain categories like laundry and household insecticide, a lot of pressure on locals.

So overall, I am expecting lower margins still this oil remains at 100, 110, but higher revenue and kind of netting out at reasonably good levels as far as EBITDA goes. And I think it's just – it just if this oil remains USD100 to USD110, that's what we expect and that to for a few months because it USD100, USD110 as we had spent in the pre-note is not something that we can't price up for over 3, 4 months.

So, it may take 3 to 4 months again, of a little bit of a dip in percentage margins. But unlike in the case of very sharp palm oil prices were even if I have a 6%-7% inflation because of palm oil, it affects only one category and then that becomes really hard to take our price. So, in the case of crude oil, it affects all categories. So, the same 6% - 7% is spread out over every category. While we may have a percentage gross margin lower than Q1, we're also lapping a weak competitor. I think it will come back much sooner than it does when there's a palm oil crisis.

Mihir Shah: Understood. Got it. And again, on the personal care front, just wanted to get a sense of now we had some tailwind of restocking in third quarter that seems to have normalized. How should one think about the growth of Personal Care from here on? Is the flexibility of hair colour are just because of the marriage seasonal impact and the soaps are going to be remaining?

Sudhir Sitapati: Yes. we didn't have a bad quarter in hair colour, just a little lower than what we usually have. I think pricing growth will come into soaps pretty significantly going forward. So, I do expect this personal performance to improve.

Moderator: I'm sorry, sir, we are not able to hear if you are speaking.

Sudhir Sitapati: No, I was saying that pricing is coming back in soaps more than what we thought to the various cost inflation, both in soaps and in general Personal Care. So, I do expect higher revenue growth than this in FY27 and going forward. Can you hear me?

Mihir Shah: Yes, Sudhir. Thank you. Got it and that's all from my side. Wishing all the best.

Sudhir Sitapati: Thanks, Mihir.

Moderator: Thank you. Next question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Yes. Hi, good evening and thanks for the opportunity. So, two questions, firstly, on Home Care, we've seen fairly strong growth on what was a tough base as well. Can you just maybe throw some light on what's really work? The LV launch being pushed to wider and acceptance? And in similar vein, as we sort of get into summer and this year, there's an expectation of an extended summer, would that have any seasonal impact with the extended summer on the insecticide business?

Sudhir Sitapati: I think quarter 4 was pretty good and broad-based in terms of Home Care. All our businesses did well. Household insecticide, air fresheners, fabric care, both in terms of top line and bottom line, they did well. I think going forward, if the summer is a hotter summer last year was a cooler summer and actually the whole of last year cooler.

I think soap volumes have been a bit muted in the overall category because of sort of slightly cooler year. I think summer Q1 is typically a small quarter for HI. So yes, it's possible that the HI numbers aren't as great as they should be. But then on the other hand, there is a dynamic of local players not getting kerosene to make intrinsic and so on.

There are some complicated dynamics going on between the weather and West Asia. So, and equally, I'm expecting a better quarter in terms of soaps. So yes, there are two dynamics going on here. The short point is there's a weather dynamic and a West Asia dynamic, both of which are playing out positively and negatively. I think in soaps is largely the weather dynamic is positive in HI, whether maybe negative West Asia may be positive. Laundry also the West Asia thing may be positive.

Moderator: Thank you. Next question is from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy: Yes. Thanks. Two questions. My first question is on Muuchstac and your other recent acquisition, essentially in terms of the Raymond, what is the update and going ahead in terms of outlook, how do you see that given these two scenarios you mentioned in terms of West Asia impact on the, say, the cost inflation and say the summer, which is likely to be on the stronger side for these 2 businesses, how do you see that in terms of the outlook?

Sudhir Sitapati: So Avnish, may be the Muuchstac question and the Raymond question, I would take on Monday when you guys are here because you have some slides on how to Muuchstac and Raymonds are doing. But let me answer because what we wanted to do was to use this call to really answer our Q4 questions and Q1 questions and kind of more portfolio questions answered it on Monday if that's okay by you.

But short point is we're very happy with Muuchstac. I think we are also quite happy with PAKS, a little bit of, we had early successes in sexual wellness, which seem to have dried off but good consistent volume growth on deodorants. I think as I told you the way we're looking at the year, there's a negative in terms of cost. There's a positive in terms of middle distillate prices, which are basically linear alkyl benzene and kerosene, used in detergents and household insecticides, those prices are going up significantly and with lot of locals coming on it, from our business point of view, this is a positive of West Asia.

As far as weather goes, if the predictions of El Nino are right, there will be impact and Q1 will be a difficult quarter for HI because for a good quarter when it's hot and reasonably wet, actually, it's reasonably good for Q2 and Q3 should be okay. Soap should generally be good. Indonesia does quite well during El Nino in general, but general consumption, if monsoons are poor, I don't know how Q4 will be.

But overall, in the last El Nino year, I think we had was FY24, if I'm not mistaken. And that turned out as a reasonably good year for us. So, this is the sum of moving parts between West Asia and hotter summer in El Nino.

Avnish Roy:

Understood. My second question is on soaps. In Q4, Sudhir, we have seen that in most of the FMCG categories, GST has had some benefits. I do understand in soaps local players is not a very big number. But if you could tell us from a compliance side, at least, is there some improvement because at least at 5% the degree of bypassing the system is much lower.

So are you seeing some evidence of that, it may not translate to number as yet. And your optimism on soap volume recovery, say, in Q1, Q2 based on say, El Nino, etc. Is that the main reason? Or because of inflationary conditions, you and say the market leader will gain market share? Is that the main reason?

Sudhir Sitapati:

No, there are 2-3 questions you're asking. On the second question on why I'm reasonably bullish as last year. pretty cold summer, as you know, in various beverages categories, etc, and ice cream categories and this one is expected to be the other way around. On your second question on the impact of GST to be honest, the overall impact on GST has been quite good. I think the consumption we've seen results. We are also quite happy with 8% volume growth in India. So, the overall consumer sentiment certainly seems to have improved after GST, and that is benefiting a lot of discretionary categories like laundry liquid and air care, which may not have had a direct reduction in GST prices.

As far as soaps itself goes, it doesn't seem to have shown at least for us and from what I'm able to read from reported results, significant improvement in volumes, unlike some GST categories, I think categories, which are slightly underpenetrated or which have heavy locals, but certainly underpenetrated categories really have benefited from the GST price cut, but soaps and a few other universally penetrated categories, the impact has been limited of the GST, though we've passed on all the benefits to consumers.

Avnish Roy:

Because hair oil has seen a very good benefit, and that's also very well penetrated.

Sudhir Sitapati:

I don't know whether is hair oil or premium?

Avnish Roy:

Yes, premium has also grown strongly VAHO has grown very strong.

Sudhir Sitapati:

That's what I also believe that it's a premium phenomenon where, so when you have a very premium brand when prices come down, so other categories, you know there are other penetrated categories like oral, etc, but I don't know what the impact has been on GST.

Avnish Roy: Understood. And last question in terms of the pet food, any update or you want to share that in the Analyst Day, given it's a big sector from a longer term but may not be that relevant currently. Any update on that?

Sudhir Sitapati: No, I think we are in the quest of product market fit and getting increasingly convinced we have it. We've set up a state-of-the-art plant in Nasik, and we've shipped our volumes from there. So, the more we understand this category. Firstly, is going to be a long burn. There's going to be a lot of value to feel that I'll again share this on Monday, but we do feel that this is a category that has a good odd for us to really become a big business in a few years' time. I think we may have entered this is the right time.

Avnish Roy: Right. One last follow-up on palm oil. So, the feedback given was palm oil and crude oil, the linkage has been broken, but we have seen fantastic linkage this time also, so your thoughts. And second, on the soap, new formulation, which number 1 player has taken. What is the current stance you have given there is a big palm oil inflation. It makes much more sense now than ever. So, what is your stance now?

Sudhir Sitapati: See I think palm oil inflation after this, see Avnish the best way to look at this is, crude went up from, give or take, \$70 let's say to \$100, right, which is 40%, 50% increase in crude. Palm has gone from 4,000 MYR to about 4,500 MYR, which is a 10%, 11% increase in palm. Some of the middle distillates, which is kerosene linear alkyl benzene, which is basically the stuff that competes with jet fuel, costs have more than doubled.

So, in the scheme of things, you know palm oil of 10% is not like a deal breaker the way 20%-25% inflation is. It is, of course, not going to be, it is okay. In the overall scheme of things, as I said, we are anticipating at \$100 Brent and 4,500 MYR palm oil. It still seems to be roughly where we are, kind of 7% to 9% inflation, which between costs and some cuts and pricing we should be able to recover.

As far as the formulation and competitor it not proper for me to comment on that, I think it is important to say that we are on our path on soaps, I think we're happy with the margins that we have on soaps. A little bit the volume in the soaps category is a little lower than what it's typically been we wonder whether it's because of a colder last year and structural is going on but it is not an alarming change in volumes either you know. So, I think there's a little bit of wait and watch in soaps. It doesn't seem to be, from what I see a game changer 1 way or the other for FY27.

Avnish Roy: Sure, thank you that's all from my side.

Moderator: Thank you next question is from the line of Siddhesh Deshmukh from IIFL Capital. Please go ahead.

Percy Panthaki: This is Percy Panthaki here. I just wanted to understand, in light of the inflation while there are going to be moving parts in terms of the percentage margin and the top line. If I just look at the rupee's crore in terms of the growth Y-o-Y of the EBITDA level, do you think because of all these events, there is any need for us as analysts to relook at the rupee million EBITDA figure?

Or do you think you will be able to sort of manage what you had in mind before the war started out?

Sudhir Sitapati:

Percy, we'll give you guidance on Monday. But at this current stage, this is not an alarming inflation because it has spread out over all categories evenly versus a typical 20%, 25% palm oil inflation, which then one category takes and can't price up and there's a limit to watch. And you can't really take prices on other categories on palm oil inflate.

So, it's hard exactly given, you know, you can see there are 2 variables we are playing with here. there's one fundamental variable which we'll talk on Monday, which is we believe our business is on a compounding effect of a couple of our categories like hair care and actually some parts of HI and laundry, etc.

There's, so that's one underlying variable where we just see volume momentum building quarter after quarter. There's another compounding factor of potential El Nino and a third one in West Asia. These are the 3 dimensions we're looking at. Given, so that does put a little bit more difficulty. But I would not say that this is an alarming number as things stand today.

Percy Panthaki:

Got it. Any question on soaps. Typically, what happens in the soaps category is that when there is a price increase, there is a significant and measurable sort of volume impact of that price increase. Do you think that this time around that volume impact will not happen because what has happened is because of the GST, the prices have got cut and now because of inflation, they will go back again, but if you see point-to-point over the last 5, 6 months, for the consumer, the price would not have changed at all. It goes down and then comes in a period of less than half a year or so.

So, from a consumer point of view, if he is seeing that the MRP is roughly unchanged, does that mean that there will be no volume backlash and whatever pricing you take will be purely incremental to the top line?

Sudhir Sitapati:

In fact, it may be the other way around, which is GST went from 18% to 5%, as I told you, palm oil is up 10%. We may not take up the full head. palm oil is not the only thing we may put into soaps.

So, the chances of the price increase we take will be less than the GST benefit that we passed on to consumers. So, if anything, compared to October, the consumer will see pre-October, pre-GST, in fact, is slightly lower prices on soaps. Though our realization will improve because the GST doesn't obviously affect our realization.

Percy Panthaki:

Yes, exactly. That's what I was saying. Okay. Got it. We'll catch up on Monday.

Moderator:

Next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor:

Yes. Hi, good evening. You mentioned some price increases already in place. So, any indication on what's the kind of range of price hikes on weighted average basis that have already gone through the market?

Sudhir Sitapati: In soaps, we have taken our prices by 5%. In detergents, we have taken up prices again by 6% or 7%, which is now a meaningful part of our business, maybe 7%. In household insecticide, we have taken up prices again by 4%, 5%. That's the kind of range.

Harit Kapoor: Got it. So, it's already a meaningful price increase which is monitor the market as well?

Sudhir Sitapati: Yes. Like some of those price increases just happened in April, but all of them just happened in April. So, they're not reflected in the results of last quarter.

Harit Kapoor: Got it. And the second question is on Indonesia. you've slowly kind of been building back the margin also in this quarter, again, at 28% plus operating margin. Just wanted to get your sense on whether the issues on competitive intensity, etc, kind of completely behind us because it doesn't reflect like that, at least in your margin delivery over the last few quarters?

Sudhir Sitapati: Yes. I think the margin delivery has a little bit to do with revenue recognition which in Indonesia, actually, we already did a round last before this Expert Advisory Committee recommendation came up. We already did some reclassifications.

So broadly, Indonesian margins are where they are, it's not 28, it's a competitively and then quarter 4 also, we generally have a spike because it's the month of Labaran which is Ramadan there, etcetera. So, I would say Indonesia margins are steady.

Volumes are back to being steady, 2 quarters in a row of 4, probably potential to go to 5% to 6%. But I really do think that some of the businesses which we'll talk about again on Monday, which is Africa international business, even Latin America, etcetera, we may be in the cusp of much higher growth there.

Harit Kapoor: Got it. And last was bookkeeping was on business sense on what your tax rate outlook is for FY'27?

Aasif Huseini Malbari: So, the tax ETR is likely to remain the same as this year. The one-offs which you've taken and we've clarified separately.

Harit Kapoor: Got it.

Moderator: Hari does that answer your question?

Harit Kapoor: Yes. Thank you.

Moderator: Thank you. Next question is from the line of Awais Bakshi from Sundaram Mutual Fund. Please go ahead.

Awais Bakshi: Hi Sudhir, and team. Am I audible?

Sudhir Sitapati: Yes.

Awais Bakshi: Just 2 questions from my side, specifically to your Godrej fab portfolio. Firstly, in terms of your ARR, where are we tracking versus the INR500 crores exit aspiration. And part to it would be the south and north out split of that current ARR number? And secondly, at what revenue scale does the fab portfolio turn EBITDA positive for us at a bank level, I think those are the 2 questions from mine? Thanks.

Sudhir Sitapati: I think our ARR is about on GSV terms, about INR500 crores in quarter 4 and maybe INR450 crores in NSV terms. So, it's very, of course, internally look at our gross sales value is about INR500 crores. Is a very, very fast tailed brand.

Every quarter is kind of doing better than the previous quarter. It's also kind of broken even in quarter 4. Again, there will be some issues in quarter 1 because laundry does get pretty badly affected by crude.

But we have a good solid path to profitability on fab. And look, we just think that the sky is the limit. This is a INR4,000 crores market in India very rapidly. we've come from nowhere to becoming INR500 crores. And we feel this market is a hypergrowth market, and we have a lot to gain and very little to lose here.

Awais Bakshi: Sure. And just a follow-up here. Would it be fair to assume that the INR500 crores growth is more or less to do with South, so more than 50%?

Sudhir Sitapati: No, fab is now across the country doing extremely well in most states, North Maharashtra, it has gone significantly beyond being a South player. South is leading it. So, everything is bigger. We started there in the South, but this is a national player. We're very excited with the scale opportunity this provides us in the future.

Awais Bakshi: Sir, thanks for taking my question. That's it. Thank you.

Moderator: Thank you. Next question is from the line of Aditya Vikhram from DB Securities Pvt Ltd. Please go ahead.

Aditya Vikhram: Hi Sudhir, thank you for taking my question. So, if I understand it correctly, you will see margin pressures over the next 2 quarters because of wherever the crude is. Is that a correct interpretation of what you said?

Sudhir Sitapati: I think percent in margins, we will absolute EBITDA also we may or may not, but we will try and see the way we can recover because we do expect both pricing growth and some kind of share growth in a few categories.

Aditya Vikhram: Okay. Thanks for that. However, just 1 thing, Sudhir, it has been a couple of quarters now where if 1 category performs, something else doesn't and specifically on personal care, things are not going as planned, right?

So, what is the long-term strategy because it does not, the roadblocks now or the blockers which we will see in the next 2 quarters will only amplify anything which doesn't perform. So, what is the thought on that front?

Sudhir Sitapati: Look, in every quarter, you will have some category performing. I think you have to look at the overall numbers. In India, we delivered 8% volume, 10% sales growth and 18% EBITDA across the world, we delivered 11% revenue and 10% EBITDA.

There will always be some category in some quarter that doesn't do well. I think as long as most geographies are range bound and more, then 1 should be okay with it because these things, they do change a little bit. So, the personal care number is a bit lower than what we thought, but this 3 can go to 7, 8.

Personal care structurally is a slightly slower growing business for us than home care because of the weightage of soaps. But I'm not unduly worried about Personal Care. It's at the lower end of what it should be, it may be a little bit higher than this on the long term. We do expect our home care businesses to really grow much faster.

And so, 1 can expect in the long term, our Home Care business will grow faster than our personal care business is basically the weightage of soaps. But it's not 1 of those things that if you have 1 part of the business doing where another part doing badly and the overall business doesn't do well, then it's a problem. But if the overall business is the 2 big numbers for us are India, UVG, which had 8 is good and overall EBITDA, which 10 is okay. So, I guess, that's how we look at it.

Aditya Vikhram: Okay. And just one, basically on personal care itself, right? You have been bullish in your commentary for the past couple of quarters on soap doing well or soap picking up, right? But is it not doing as well as we thought and it's impacting the overall growth? If you look at it because this year rate of soaps right, is there any plan from the management side to increase the marketing spend or increase the awareness? Or is there some sort of a strategy?

Because this apparently is 1 pain point, which has been there for the past couple of quarters, at least to, if I can recollect it properly, right? So, if there is any strategy around this that we will spend more on the marketing side to enhance the visibility or enhance fee performance?

Sudhir Sitapati: See, there are a couple of things on soaps. One is last year, we genuinely think was the temperature has affected the overall category volumes because when we look at the data, it is a bit anomalous. FY24 was a good year in terms of volumes, FY25 was okay, FY26 actually okay in a couple of months. So, there is a temperature impact there.

And also, there is a movement of soaps to liquid. So again, we talk about it on Monday. The biggest thing that we have to do is to look at the overall skin cleansing business. We're having a lot of green shoots on Cinthol body wash.

We're doing extremely well on Magic handwash and now with Muuchstac we have an acquisition in face wash, which is also kind of very promising. So really, we have to change our lens from soaps to cleansing and look at the growth there.

Aditya Vikhram: But nothing more to do on the marketing expense or visibility or anything else, right?

Sudhir Sitapati: It's just about how you gain and gain market share consistently and not to lose market share, but the growth of the market is the growth of the market. So, between cleansing and other categories, we'll have to compensate.

And as we show you on Monday, there are some categories which are on hyper growth and those are compounding every quarter. So, the impact of that is becoming bigger and bigger every quarter.

Aditya Vikhram: Okay. Thanks so much, Sudhir. Best of luck.

Moderator: Thank you. Next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Thank you. A question on margins. In the previous two instances when groups crossed \$100 in FY2022 saw about 200 bps-controlled margin contraction. Your comments indicate that this time the margin contraction will not be meaningful what's different their time? Is there any change in business or raw material mix or is it palm oil already high in the days, or GST rate cut is making it easier to raise prices? Any comments on this.

Sudhir Sitapati: I think combination in the palm oil hike so far is a 10% palm oil hike in '22 and all, it had gone up 20%, 25%. So that is not the extent of palm oil inflation we're seeing today. And I think the relative salience of soaps is lower than what it used to be.

Because we are now becoming a larger and larger home care business. So, it's a combination of all these. I still expect, as I told you, lower than normative margins on Q1 and probably Q2, though it may not be very different from what it was last year, but I think that's the reason.

Kunal Vora: Understood. And secondly, detergent, you've taken the single-digit price hike against 50% increase in RM cost. Is there more pricing action required?

Sudhir Sitapati: Sorry, that question wasn't clear.

Kunal Vora: Question was on detergent price hike, the raw material cost has gone up meaningfully, 50%. So, I wanted to understand if there is more pricing hike.

Sudhir Sitapati: Yes, we will kind of do this in a couple of steps. We are, of course, committed to pricing drive. The one is we're still not a market leader in this category. So, we will be led by the market leader here.

Kunal Vora: Understood. Lastly, on RNF molecule has been around now for a year. How has it impacted the HI categories, market share growth acceleration? Or like what kind of gains, you see what kind of traction you see in both in case of incense stick as well as in case of LV. And let's say, do you expect continued acceleration continued gains from this? Or now it's in the base?

Sudhir Sitapati: Yes. again, talk about this with Monday in detail, but having looked at our numbers now for a few quarters, we conclude that, in general, RNF has worked better in some places than others. But overall, it has worked, and we feel reasonably confident that from a kind of zero to low single-digit growth category household insecticide side is at least a high single-digit strategy.

And over a period of time, can compound into a double-digit category. So, we do feel that the household insecticide problem that plagued us for 10 years is probably behind us. Though, of course, there will be, whether you like it or not, be volatile category in terms of season. So, there will be ups and downs in seasons. But that entire mean is, going to change pretty meaningfully.

That's what we've been observing because we've been observing the spread over season. We have a seasonality index on household side. And we've been observing a meaningful variance on our total business over seasonality since we launched RNF. it's taken bit of time to happen. But we do see a lot of our main themes on Monday to show you in detail on why we believe the HI issues may be behind us.

Kunal Vora: Understood. Thank you. That's it for me.

Moderator: Thank you. Before we take the next question, a reminder to all the participants, if you wish to ask a question, please press star and one. The next question is from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Jham: Hi Sudhir. Good evening. I have 2 questions. The first is on soaps, again, that in Q3, you commented that the packet growth was better than the volume growth. So just trying to understand that with the full impact of the grammage increase sort of playing out in what led to maybe the growth not accelerating versus Q3? Is it that in the packet to the unit growth to service or deceleration?

Sudhir Sitapati: We're still sitting on very high grammage range growth last year at the same period. So, what happened in soaps is between Q4, Q1 and Q2, basically Q4 of FY'25, Q1 and Q2, we've had very sharp grammage cuts.

So, we're still lapping basis where our grammage on small packs is significantly lower than what it was in Q4 of last year. So, 1 of the reasons why volumes are still a little bit muted on large packs were better than they are on small packs.

Nihal Jham: Even adjusting for the GST Y-o-Y the grammages for the small packs are lower is what you essentially mean?

Sudhir Sitapati: Yes. Because the kind of hike that we took in or drops we took in soaps between Q3 of FY'25 and Q2 of FY'26 when palm prices shot up, if I'm not mistaken, for example, Godrej #1, INR10 well from something like 55 grams to 40 grams, then we took it back up to, I think, 46 or 47 So it's still a good 15%, 20% lower than what it was last year.

Nihal Jham: Understood. That's helpful.

Sudhir Sitapati: The second question is you alluded ...

Moderator: I'm sorry Nihal, can you use the handset mode please. You are not audible properly.

Nihal Jham: Sorry for that. Is this better?

Moderator: Yes, please proceed. Thank you.

Nihal Jham: Sudhir, you alluded to the individual components of RM of how they've inflated, whether it was LAP or for palm, but on a blended basis, what is the inflation we are at present facing for the company as a whole?

Sudhir Sitapati: I think we put that out in our result 7% to 9% is what we're seeing.

Nihal Jham: Even on the spot prices.

Sudhir Sitapati: Even on the spot, spot is changing every day, but even on an average, spot price. Let's just say a USD 100 to USD 105 Brent and 4,500 MYR CTO that's what we see.

Nihal Jham: Got that. And just 1 final question on Fab. If I heard you right, you mentioned that obviously, the pricing choices that you plan to take will be more determined by how the market reacts rather than how the RM sort of behaves.

Sudhir Sitapati: Yes. see, when we are leaders, we lead price when we have followers were to follow price.

Nihal Jham: So that's it. Thank you so much.

Moderator: Thank you. Next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Yes. Hi, Sudhir. Thanks for the opportunity. You know, just at once in basic question, most of the others have been answered. You know, while you're seeing margin under stress over the next coming quarters, you do have price hikes that are leading sales growth. In such a scenario, do you see consolidated EBITDA growth also following a similar trajectory as margin that is moderating from 4Q levels in the first term? Or how should I see that?

Sudhir Sitapati: Yes. I think so because, of course, India gets hit the most. But I think the same principle will be the percentage margin and we will have absolute EBITDA margins are quite high.

Avi Mehta: Got it. Okay. That's all from my side. Thank you very much.

Moderator: Thank you. Next question is from the line of Aditya Vikram from DB Securities. Please go ahead.

Aditya Vikram: So, Sudhir, one just follows up. You are alluding that you will take some price hikes and have already taken some over the last 2 years, right? I just wanted to understand in the specific categories like you are taking a price hike, are you seeing some sort of a price in laxity or you are seeing some sort of a drying up on volume based on whatever we have done so far.

Sudhir Sitapati: I don't expect drying up on volumes, to be honest, because I told you, I've seen a couple of these hyperinflations in crude before so there are market share gains versus local in some categories you get.

So maybe volumes will be a little lower than what we wanted at the beginning of the year, maybe revenue growth would be a little higher than what we thought we'd get at the beginning of the year. Maybe EBITDA will be as things stand slightly lower than what we thought, but still pretty good or maybe to be where it is. But that's what I'm anticipating at current costs.

Aditya Vikram: Okay. Thank you. That's all. Appreciate it.

Moderator: Thank you. That was the last question for today. I now hand the conference over to Mr. Vishal Kedia for closing comments. Over to you, sir.

Vishal Kedia: Thank you, everyone. We hope we have been able to answer all your queries. In case of any further queries, please reach out to us on our IR contact details. Again, I would like to invite you all to our Analyst Investor Meet on Monday, and we hope to see you there. Thank you, and good evening.

Moderator: Thank you very much. On behalf of Godrej Consumer Products Limited, that concludes this conference. Thank you all for joining us today, 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.