



Godrej Consumer Products Limited

Q2 FY26 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Godrej Consumer Products Limited Q2 FY '26 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Kedia. Thank you, and over to you, sir.

Vishal Kedia: Good evening. Welcome, everyone, to the investor concall for Godrej Consumer Products. I'm Vishal from the management team. Firstly, we apologize for the delay in the upload of the result. This was due to a technical glitch at our end.

On today's call, we have Sudhir and Aasif. We will start with opening remarks from Sudhir, following which we will go into Q&A.

I now hand over to Sudhir for his opening remarks.

Sudhir Sitapati: Thanks, Vishal. Good evening to you all. I hope you and your family had a Safe and Happy Diwali. Q2 FY '26 has been a resilient quarter for Godrej Consumer Products Limited, given the transition of GST in India and the continued macroeconomic challenges in Indonesia.

Despite these headwinds, our India Business, excluding soaps, has delivered double-digit underlying volume growth, reflecting the strength of our core portfolio and execution. Our international portfolio faced macro and competitive pressures in Indonesia, which were offset by robust performance in Africa.

On a consolidated basis, our revenue grew 4% in INR terms, supported by 3% underlying volume growth. Our EBITDA margin stood at 19.3% and net profit before exception declined by 2%.

In India, sales grew by 4% and volumes by 3%. The recent GST rate reduction is a welcome structural reform that will strengthen long-term consumer demand. However, this transition led to short-term trade disruptions as the channel adjusted to new pricing and cleared old inventory, particularly impacting soaps and hair color. Despite this, we continue to gain market share in soaps and other key categories.

In Home care, we delivered 6% growth, led by strong performance in Air fresheners and fabric care. Personal care declined by 2%, largely reflecting the GST-related impact on soaps. As guided earlier, this was the last weak quarter for margins and we expect to return to normative levels in the second half of FY '26 for India.

Across our portfolio, our new launches are performing well and gaining traction. Godrej Fab and Goodnight Agarbatti are now among the leading players in their categories and continue to strengthen their market positions. Air Plug Amazon Woods 4X and Kama Sutra, INR99 have all met or exceeded launch expectations and are now being scaled up.

In October, we also entered the toilet cleaning category, a close to INR3,000 crores segment growing at strong double digits. Our new brand, Godrej Spic has been launched in select South Indian states, priced competitively at INR79 for 500 ml, marking an important step in expanding our home care portfolio.

Our Indonesia business continues to face macro and micro and pricing pressures, but delivered a stable UVG of 2% with market share gains across all key categories. Revenue growth remained negative due to on-going pricing challenges at minus 7%. This includes an impact of change in distributor arrangement contributing minus 4% and, what was accounted for cost is now being removed from top line.

In contrast, Africa, USA and the Middle East delivered 25% sales growth in INR terms and 15% in constant currency and EBITDA growth of 20%, led by hair fashion and air fresheners. The launch of air pocket has seen strong consumer response across these markets.

As shared during our Investor Meet, we expect our performance to strengthen sequentially through FY '26 with the second half delivering a stronger trajectory than the first. Demand trends are improving, and we remain confident of achieving high single-digit underlying volume growth in our stand-alone business and high single-digit revenue growth at a consolidated level.

On profitability, our India standalone and GAUM businesses are expected to deliver double-digit EBITDA growth for the full year. We faced unanticipated macroeconomic headwinds in both Indonesia and Latin America. Given the temporary pressures in these international markets, consolidated EBITDA growth may be marginally lower.

Nevertheless, we remain firmly confident in our strategy, the resilience of our portfolio and the strength of our brands. With disciplined execution and continued focus on innovation and operational excellence, we are well positioned to deliver sustainable and profitable growth in the periods ahead.

I'm also pleased to announce that we have signed a definitive agreement to acquire the FMCG business under the Muuchstac brand, one of India's fastest-growing men's grooming brand and a leader in the men's face wash space. Muuchstac has delivered roughly INR80 crores of revenue over the last 12 months and is already among the top two brands online and top three overall in men's face wash.

The total face wash market at around INR6,000 crores to INR7,000 crores is growing at 15% to 20%. While the men's segment, about INR1,000 crores is growing over 25% annually, driven by consumers upgrading from soaps to face wash, we expect this upgradation trend to continue, making face wash a structurally high growth category.

Muuchstac is a highly profitable business, delivering close to INR30 crores of EBITDA adjusted for one-offs in the last 12 months. We have acquired the brand at an attractive valuation, roughly 4x of sale and 10x of EBITDA, which is significantly below market benchmark transactions. This acquisition strengthens our presence in personal care and positions us well to capture the accelerating shift towards men's grooming. Thank you very much and I look forward to questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. 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. Again, to register for a question, please press star and then one.

Our first question comes from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah: Hi, Sudhir and team. Thank you for taking my question. So firstly...

Sudhir Sitapati: Hi, Mihir.

Mihir Shah: Hi. Firstly, on the margin guidance that you called out. Palm has gone through some volatile times and you reiterated that you will come back to your normative standalone brand. I believe it is 24% to 26%. So just checking on that once again. And do you think that 3Q, 4Q will be around these levels or with the higher palm oil prices that you've seen, there is a risk to that? I just wanted to check on that one first.

Sudhir Sitapati: No. I don't -- I mean, when we said normative that is what it is and it may be around normative, maybe on the slightly lower end of normative. Palm prices have been a bit volatile, but they have been range-bound between MYR4,000 and MYR4,500. In fact, in the last three days, four days, it had a sharp fall as well.

But it does seem to be range bound between MYR4,000 and MYR4,500. And last quarter was the kind of last quarter that we had to price for this. Last year, Palm, we were MYR3,600, MYR3,700. So I would say that palm has relatively been stable. There have been some ups and downs in and out. And right now, for example, but we are roughly priced for this palm now.

Mihir Shah: Got it. That's clear. Thanks for that. Secondly, on Indonesia, how should we think about Indonesia now? I think while your volume seems to have been coming back and so is the market share. Margin pressures and the price cuts, should one expect this to continue as the competitive intensity would have -- will sustain for some time? And what is the new normal that one should think about the revenue construct and margin construct for Indonesia?

Sudhir Sitapati: I think we -- I mean I was just back from Indonesia two weeks ago and I think that there is a genuine kind of slowdown in the economy, I think, the government is aware of it, and they're taking appropriate action. But maybe for the next few quarters, our volume growth may be in this 2% to 4% range.

As I told you, in terms of NSV, about 4% of it is actually a restructuring of an agreement which -- between distributors. Some of it -- and the margins and the rest of it is due to pricing pressure, some of it will come off. My own impression is that what happened in Indonesia is three quarters ago, the market very sharply slowed down. And then to respond to it, there was a lot of price competition, both by retailers and by companies. That seems to have eased off a little bit. It goes up and down.

So I think there will be a little bit of improvement in delivery in Indonesia in the second half. But I would say, for us to go back to 4%, 5% volume, I mean, it may take a little bit more time. We'll let you know when we see that. But we should be in this low single-digit volume range.

Mihir Shah: Got it. On Africa, there are -- so volume -- margins are again back to around 14% levels, I believe, a very strong growth out there, making up for whatever you've missed out on the other businesses in international. How should -- I mean, is there a one-off in this? Can one expect a continuity of this performance or maybe going back to what it was growing at historically? So how -- Africa also, if you just can share the revenue and margin construct?

Sudhir Sitapati: Yes. See, I think, of this 25% revenue growth, about 10% is positive currency, which is a relatively rare occurrence for us. But 15% is the constant currency growth. This is a little high. It's lapping relatively low basis. It may come down to high single digits kind of revenue growth, we are hoping. It will not continue at this 25% revenue growth.

Margins should be in this mid-teens is a good margin for us to run the Africa business. So if in the medium-term, we can run a mid-teens EBITDA business kind of a high single-digit constant currency business or maybe even touching a double-digit constant currency. So in that kind of range and the currency moves up and down, I would say, that's probably what we should expect.

Mihir Shah: Understood. No. I was asking because we were expecting Africa margins to remain at around those mid-teens level, but they had moderated down. And then you highlighted that investments will continue, so it can stay there and you're again going back to those. So just wanted to...

Sudhir Sitapati: Yes. I think last quarter, we had one or two one-offs. I think these mid-teens -- I mean, look, we -- there's a caveat here, which is there's a structural volatility in Africa. So it won't be -- the range of this mid-teens may be a pretty wide range. But this is where we should kind of -- it's a good business if we can be at mid-teens here.

Mihir Shah: Got it. Last bookkeeping question. Any one-offs in the employee costs are there? And you had highlighted that you would see some savings from ad spends about 200 basis points because of the media changes that you have done. So that continues, right, both of these? And that's all for my side. Thank you for the question.

Aasif Malbari: Yes. Hi. Hi. Aasif here. Mihir, so I think the first one in terms of employee costs, nothing unusual in terms of write back, etcetera. It is regular true-ups, which we kind of keep doing from time to time, yes. So that's where on employee costs.

In terms of media savings, we kind of worked through a couple of levers to ensure that this year the overall ATLs will be lower, ensuring that the same effectiveness is delivered. We are on track on the larger projects. Spends are a function within that from a quarter perspective in terms of various activities, but we seem to be on track in terms of delivering all the efficiencies, which we set out to deliver.

Mihir Shah: Got it. Thank you very much.

Aasif Malbari: We should get more or less the savings, which we've spoken about.

- Mihir Shah:** 200 basis points. Got it. Got it. Thanks, Aasif and Sudhir, wishing you all the very best.
- Sudhir Sitapati:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Abneesh Roy from Nuvama. Please go ahead.
- Abneesh Roy:** Yes. Thanks and...
- Sudhir Sitapati:** Hi, Abneesh.
- Abneesh Roy:** Hi. Hi. Thanks and congrats on the Muuchstac acquisition. Legacy companies have been acquiring D2C, good to see Godrej do that. My specific question is male grooming always looks attractive. Five years also back, it was attractive. In last Five years, we haven't seen much scale up of any brand or any kind of category. So what is the thought process here? Why this brand, why male grooming, why face wash...
- Sudhir Sitapati:** No. No. I think, Abneesh, yes. I think especially male grooming is a bit of a misnomer sports brand. 95% of their revenue is one single SKU in male face wash. So we're grooming, but it's really a men's space wash brand. And within male grooming, face wash is a category which is very allied to soaps. Soaps is upgrading into body wash, hand wash and face wash. This is where soaps is moving.
- So we've got a strong play in hand wash, an increasingly strong play in body wash. And now we've got an entry into face wash. We're entering through the male market with the number two online and number three overall band, which has roughly got a 10% share of male face wash and growing rapidly. So I would look at this through the lens of face wash and not through the lens of male grooming.
- Abneesh Roy:** Understood. A specific question was what is the positioning here and versus your current face wash offerings, how does this gel in terms of, say, pricing positioning? And any synergy benefit long-term you would see versus, say, kirana outlets and on your own e-commerce business, what would be your synergy benefit?
- Sudhir Sitapati:** Yes. Look, we don't have a face wash today. This brand is positioned largely on anti-acne. It operates one of the really interesting things about Muuchstac, 80 crores of revenue, they make INR30 crores of EBITDA, which at least we see a lot of D2C brands that was quite unique about Muuchstac. And one of the reasons for it is they have a pretty unique influencer model. So I think GCPL can certainly learn a lot from Muuchstac on influencer models.
- I think Muuchstac is also unique that most of its sales comes from online customers. So there's an opportunity for us to expand distribution, both online and offline, both -- but also a lot of it comes from Tier 2 and Tier 3 cities. So in Tier 2 and Tier 3 cities with our distribution because that seems to be -- I think Muuchstac is operating at about 70, 75 RPI to the market leader. There's an opportunity for us to distribute it widely in Tier 2 and Tier 3 towns as well.

Abneesh Roy: Second quick question, mosquito repellent, you were getting more confident and Q1 was a good quarter. Q2, season was not that favourable. So if you could talk about new formulation, intrinsically, how you think it's doing? And second, H2, it's supposed to be a harsh winter because of La Nina. Anything harsh is not good for mosquito. Against that, what will be the outlook on HI in terms of the H2 growth?

Sudhir Sitapati: So I think the first thing on HI is on every single segment within household insecticide where we've got the new molecule, we are continuing to gain market share. I think you are right about the fact that Q1 was a good season and Q2 has been a poor season. Q3, I don't know. I've also heard La Nina, though, of course, it is a transition from autumn to winter when really mosquito season happens, which is now. So it depends a little bit on how long the season is.

In any case, second half of December and Jan, we don't sell too much mosquito products in the North. So look, it's really hard to predict what will happen in terms of season. Typically, you have one good and one bad season. It's possible what you say, that Q3 -- I've also been reading La Nina and higher temperatures. So -- but it's difficult for me to predict that.

I think the important thing for us is to ask a very simple question, which is, are we growing competitively and are we spreading the season? We have a measure called spreading the season, which is our volume growth versus the seasonality index, which we have two, three ways of measuring the seasonality index. Are we doing better than the season, and on both counts, I think the answer is yes.

Abneesh Roy: Sir, last question on body wash soaps. So versus market leader, if you could tell us in Q1, Q2, how was the gap? And when would you expect to grow faster than the market leader? And PFAD is specifically -- Sudhir, palm oil, you did discuss, but ultimately, PFAD, I think, is more relevant. There, we understand that because of all this tariff issue, global tariff issue, etcetera, or whatever reason, we haven't seen much correction. So if you could comment how relevant is that from your margin perspective in H2?

Sudhir Sitapati: I think two, three questions. Abneesh, do you mean soaps or do you mean body wash in your first question?

Abneesh Roy: Soaps only, sorry, soaps.

Sudhir Sitapati: Soaps. Soaps because when we say body wash, we mean liquid. So in soaps, I mean...

Abneesh Roy: Market leader calls both similar, so, yes, sorry.

Sudhir Sitapati: Okay. Okay. Fine. Fair enough. In soaps, we have continued to gain market share in this quarter, and we are quite happy with our market share gains, in particular volume share, but...

Abneesh Roy: Yes.

Sudhir Sitapati: Sorry.

Abneesh Roy: Sorry to come here. Let us ignore the official market share data. From your understanding and you can easily make out what is their growth rate. What will be the gap in Q1, Q2? And when do you see you growing faster than them? So let's ignore the market share for now.

Sudhir Sitapati: That is not proper for me to answer, Abneesh, on individual competitors. I think we have to ask ourselves are we growing faster than the market. And do we believe we will continue to grow faster than the market. I feel that we have grown slightly -- see, it's also very hard to read Q2, Abneesh, because there's really been on soaps a lot of chaos in terms of pipeline.

Hard to look at October, September. So I would say that in soaps, we feel that like in the long-term, we continue to outperform the market and we will continue to outperform the market as we go forward. It is that -- the market growth is what it is, though, for the next four quarters, I am anticipating pretty sharp volume growth in soaps.

Abneesh Roy: And PFAD?

Sudhir Sitapati: On your question on PFAD, you are right about the fact that international PFAD prices haven't corrected, but domestic PFAD prices because of this duty reduction in crude versus refined palm oil. So a lot more crude palm oil is coming into India, and that is getting refined here and PFAD is being generated in India.

So domestic PFAD is actually quite attractively priced. So overall, it's not international PFAD that matters, but domestic PFAD and that is quite attractively priced relative to -- I mean, it's priced in the right ratios.

Abneesh Roy: Yeah, thanks. That's all from my side. Thank you.

Moderator: Thank you. Our next question comes from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Mahesh Jham: Hi, Sudhir. Good evening. Two questions. One is just generally checking possible to call out the impact of GST on the overall stand-alone top line. It's something that some of the other companies have also tried calling out?

Sudhir Sitapati: I think it will be 3% to 4%.

Nihal Mahesh Jham: Sure. That is helpful. So then second question is, I think when the Raymond acquisition also happened, we had discussed about the fact that Cinthol, obviously, is not something that could enter into deodorants. And Park Avenue obviously, had its own standing in the category. Similarly, when I look at Muuchstac also, I'm guessing maybe there was a possibility of trying to extend Cinthol, but we've obviously chosen to obviously acquire a brand.

So wanted to understand which are the other white space categories that we are looking at potentially evaluating? And is, say, an acquisition of preferred route rather than a brand extension for some of our existing names?

Sudhir Sitapati: No. I think it's just mix of launching extending brands, launching new brands organically and launching -- and doing acquisitions. Let me give you an example. We just recently extended

Park Avenue into a deo lotion in Tamil Nadu, which is kind of an antiperspirant. But equally, we launched two new brands ourselves, Godrej Spic and Godrej Bloq in toilet cleaners and antiperspirant categories, respectively.

And Muuchstac and Park Avenue are examples of inorganic. So, I guess we have to ask some basic question between organic and inorganic is. If the market has three to four players, it's a little bit overbaked, then it is better to buy out and if you get an attractive valuation.

I mean, firstly, the category has to be attractive, whether it's organic or inorganic, just to have a long runway of growth, ideally low penetration, good margin structures. That's the first question on entering new categories. And we are kind of -- one of the things you can see is like laundry and now toilet cleaner, we are kind of attempting an antiperspirants. We're attempting many new categories of pet care, etcetera.

The second question on organic versus inorganic largely to do with the competitive intensity of the category and the availability of an asset at the right price. Men's face wash has three, four brands. This one is the number three brand and very good margin profile, you know, we thought was an attractive valuation. So we went for it.

Nihal Mahesh Jham: Point taken. Just one final question on HI. We've obviously spoken about the benefit of the new molecule, if it's possible for you to call out the market share gain that we've seen since the launch, both for LVs and coils? And also the current ballpark scale of the incense sticks, which was, I think, INR100 crores number you had mentioned during the Analyst Day?

Sudhir Sitapati: See, I don't -- we don't specifically give out these numbers, but let me just say that our share gains in electrics on already very high shares is pretty significant. In coils on reasonably high shares is reasonable. On incense stick, it is very high. We have now become the market leader in incense sticks, and we are growing at roughly 100% on incense sticks.

Nihal Mahesh Jham: That is helpful, Sudhir. Wish you all the best. Thanks.

Moderator: Thank you. Our next question comes from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: Yeah, hi, Sudhir. First question was on the GST-related destocking. So do you expect the trade pipelines to normalize within December quarter from wherever they were before the GST transition? And the related question is, you know, when we talk about high-single-digit volume growth for the full year, we are effectively talking about a double-digit plus in the second half.

Is that delta largely going to come from soaps according to you where you've had a negative high-single-digit base you may have a strong growth going ahead? Or are you seeing other areas where these are also accelerating?

Sudhir Sitapati: So see, actually, Arnab, if you look at the last four quarters, our volume growth ex of soaps has been kind of double-digit only. In fact, including this quarter despite all the GST transitions. Soaps has been pretty sharply negative, as you can calculate. That will almost certainly turn

around quarters to -- I mean, I can't predict exactly what it will be, but I'll be surprised if that's not high single digits.

So between the two, we should kind of be in the high-single-digit, double-digit volume trajectory in India. I mean our volume growth in India, I think, in quarter 1 was 6%, in quarter 2 has been 3. So it's about 4.5. So we may end the year kind of at 7, 8. So you're right. It will -- I hope to be in that range. I mean hope to have the non-soap momentum continuing and soap being a very significant change.

Arnab Mitra: And the GST restocking, do you expect it to happen within a quarter itself or it could take more time?

Sudhir Sitapati: I think it will happen within the quarter. Most of it has happened within the month actually, but certainly everything will happen within the quarter.

Arnab Mitra: Understood. Sudhir, the second question was on toilet cleaners entering into the category. So like when you did Fab, there was, obviously, a disruption on pricing you did. Plus the product technology was slightly different. If you could just help us understand what's different in this product versus the existing what the market offers. And do you see a similar kind of potential here? Or this will be more of a slower ramp-up over the next 2 years?

Sudhir Sitapati: Yes. Look, as a philosophy, Arnab, we're looking at a lot of categories. Someone asked the question, when do you buy organically, when do you do inorganically. We do things organically if we believe we have a product. The starting point is not price. Starting point is product, which is a disruptive product.

This is a disruptive product and the proposition of the product, I think, Vishal will send you the ad, which is now running in Tamil Nadu is that not just cleans, but also prevents stains. So it's a formulation that is a distinct formulation.

It's not a me-too product. It's operating at roughly, I think, 75 RPI or 70 RPI to the market leader, which is roughly where Fab is operating today. And it has what we think is pretty clutter-breaking advertising. So, we are very hopeful that after Fab, this becomes a good growth driver for us.

Arnab Mitra: Understood. And then one last question on HI. So I think last quarter, you mentioned one of the things you are still tracking here that overall incense sticks share continues to go up in the category. So is that still holding true or is it plateauing? Any sense on that relative within the category between incense sticks and other formats?

Sudhir Sitapati: Incense sticks' growth as a category continues to be high, Arnab, which is one of our -- not an ideal situation. That continues to be high. So that growth doesn't seem to have slowed down. We continue to gain share in a fast-growing category. It would be ideal for us. It will happen at some point. And we're also doing various things to try and see how we can slow down incense sticks without slowing ourselves down. But I would say that that's not fully a solved problem yet.

Arnab Mitra: Sure. Thanks. That's it from my side. All the best.

- Sudhir Sitapati:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Yeah. Good evening. So, the first question is just a clarification. The comment in the press release and on this call on the remaining confident of achieving high-single-digit underlying volume growth in India is for the full year, right? I mean it's...
- Sudhir Sitapati:** That's right. That's right.
- Harit Kapoor:** The second thing was on soaps. So, as we have seen this GST transition, if you could just help us understand what's the part of the -- what percentage of that portfolio have we had to take price cuts? And what percentage of the portfolio will eventually -- which is low unit tax will eventually see grammage changes? That will just help us gauge what incremental kind of volume you can see in that space.
- Sudhir Sitapati:** I mean all grammage packs will see grammage increases. All non-grammage packs will see price cuts. So roughly two-third, one-third ratio.
- Harit Kapoor:** Two-third, one-third ratio. Okay. Okay. And, you know, the last thing was on...
- Sudhir Sitapati:** I mean two-third is large package, and one-third is grammage, Harit.
- Harit Kapoor:** Yes, of course, of course. I get that. Yeah. And the last thing was on Africa. I think there's already a question here. But I just wanted to understand that this kind of early to mid-teens kind of a number in the near to medium-term, do you see any -- apart from obviously season and quarterly volatility on -- in terms of cycling, in terms of base, etcetera, do you see any negative impact on this in the near-term? And I'm talking more on currency, on certain countries, on certain other headwinds. Any headwinds in that margin expectation at least in the next 2, 3 quarters?
- Aasif Malbari:** Hi, Harit. So I think some of these pieces like currency movements, etcetera, are difficult to forecast because they happen without kind of -- you can't read these signs and you suddenly kind of get a movement. And hence, it's better to kind of see it more at an annualized level. So I think from a year perspective, we know we'll kind of get margins broadly at those levels.
- So we also kind of spoke about our guidance in terms of ensuring that GAUM and India will kind of work towards delivering double-digit EBITDA growth for the year. So I think those are the two pieces which are kind of more robust in terms of guidance. You can have a few months or a quarter where you could see kind of some currency headwind or tailwind and difficult to forecast that. But yes, broadly, we should kind of -- we try to stay in these kind of things.
- Harit Kapoor:** Right. And one last, if I may. On India, this quarter, the volume value has been fairly close, about 4% and 3%. Is that kind of mix that we expect even going forward, like a very small kind of pricing/whatever else sort of value growth there is. So pretty much revenue growth and volume growth will mirror each other in India business. Is that the way to think about it?

- Sudhir Sitapati:** Yes. It is similar to the previous quarter. Soaps will continue to have UPG, but there are some other parts of the business and mix, etcetera, which are operating the other way around. So I think this is roughly you will get 1%, 1.5% UPG.
- Harit Kapoor:** Got it. Those are my questions. Thank you. Thank you very much.
- Moderator:** Thank you. A reminder to all the participants, if you wish to register for a question, please press star and then one. Thank you. Our next question comes from the line of Karthik Chellappa from Indus Capital Advisors Limited. Please go ahead.
- Karthik Chellappa:** Yeah. Thank you for the opportunity. Just two questions from my side. The first one is apart from palm oil, what are the other variables or risks that you actually see to your normative margin band in the second half?
- Sudhir Sitapati:** See, the big -- there are three risks in GCPL structurally. One is palm prices, second is seasonality for household insecticide and third is currency volatility. So, I think palm is now pretty much under the bag. I mean, unless -- even if there's some -- it's not -- I mean, if anything, it's a little bit softer now.
- Currency volatility, yes, I mean, Argentina, this year, currency volatility looks to be in our favor, lower than before. Household insecticide seasonality, somebody asked the question on, you know, if it's a very cold winter, what happens, then I don't know. But that is really the only remaining risk at any point in time.
- Karthik Chellappa:** Got it. My second question is on Indonesia. Despite the macro being bad and competitive intensity being high and a low UVG and even a negative constant currency growth, the margins have held up pretty well. So what would explain that? And how should we think about margins in Indonesia going forward?
- Sudhir Sitapati:** Part of the margin reason maybe, Aasif...
- Aasif Huseini Malbari:** Yes. So I think, firstly, margins are, I would say, improved but mildly below the normative level. And some of it, when this reclass happens in terms of some costs going through and the price growth goes down, it also kind of gives us mild boost to margins. But that's really very mild because it's only around 4% movement between the lines. But yes, I think margins are within the range, but it's on the lower side of the range.
- Sudhir Sitapati:** Both in India and Indonesia, we have a lot of cost savings. So part of it is reclassification, then some of it has been -- all of it has been plowed back into pricing. So that explains the negative UPG and flat margins.
- Karthik Chellappa:** Okay, perfect. Thank you very much and wish you and the team all the very best for the rest of the year.
- Moderator:** Thank you. Our next question comes from the line of Amit Purohit from Elara. Please go ahead.

Amit Purohit: Yes. Hi, sir. Thank you for the opportunity. On the guidance, you highlighted in the end, could you just give some clarification on the consolidated margin? You said marginally, we lower EBITDA growth. So what does that mean? I mean, are we looking at high single-digit...

Sudhir Sitapati: What I mean to say is that, we'll have good EBITDA growth for the full year. And see, we had at the beginning of the year, guided for double-digit EBITDA growth this year. We had a slight bit of a bump in Q2. Q1 was actually roughly on plan. So I think India and Indonesia. India, I'm sorry, GAUM will roughly be on plan. LatAm certainly looks like a very volatile situation right now. And Indonesia, we're having some issues. So the consolidated number may be a little lower than what we originally guided at the beginning of the year. But if we have a little bit of luck, not too much lower.

Amit Purohit: Sure. And sir, when you say that the GST impact of 3%, 4% for the quarter and we did 3% in volumes. So is it a fair way to think that next quarter, the stocking up will happen and effectively, you will have a high single-digit growth in volumes and plus if the demand improves, then probably a double-digit growth. Is that the way to think or...?

Sudhir Sitapati: I mean, I'd be disappointed if we don't come to somewhere near that because some of it has to come from pipeline, some of it one hopes the soap trajectory changes. See, roughly, we are running a volume trajectory in India of about 6%, if you kind of remove the noise, including Q2, actually, if you move the noise.

I'm hoping that, that underlying number goes to 7%, 8% at least for the next four quarters with soap and then with some pipelines here and there. You may be right about Q3 and maybe in Q4, it may again go back to a slightly lower number than that.

Amit Purohit: Sure. And just on this Muuchstac acquisition. So you talked about the overall size of the market close to about INR1,000-odd crores. We are number three player with a INR80 crores kind of a run rate roughly. So I mean, I just wanted to understand the number one player, what is the share and is it that fragmented or the difference is so huge? Just -- and hence, this could be a risk with respect to scaling up this brand because then after INR150 crores, INR200 crores, again, there will be a challenge to scale up this brand. Is that the right we think or what am I missing?

Sudhir Sitapati: I mean, look, INR80 crores is NSV and INR1,000 crores is MRP. So these are slightly different numbers we're looking at. So our market share may be closer to 11%, 12%. Anything over 10% is -- and this is -- we are getting double-digit market share being present only in online. So our online share is close to 30%.

So it's a one-third player, which kind of shows you the strength of the equity. So our job is to expand it nationally. In one or two channels, we're actually market leaders in face wash. So it is clearly a kind of expand -- it clearly got something to it in terms of kind of consumer traction in most measures. You can go to Flipkart and just check out the reviews and you'll get a sense of the scale of the brand there.

Amit Purohit: Okay. And what is the share of the number one player in this?

Sudhir Sitapati: We don't usually give out

- Amit Purohit:** Okay.
- Sudhir Sitapati:** Even our own shares, we're only giving it indicatively for this purpose.
- Amit Purohit:** Sure. Sure. Thanks a lot. Thank you.
- Moderator:** Thank you. Before we take the next question, a reminder to all the participants, you may press star and then one to ask a question. Our next question comes from the line of Manoj Menon from ICICI Securities. Please go ahead.
- Manoj Menon:** Hi, team. Just a few clarifications. One actually on the insecticide business, particularly on the electrics. Now when I look at top down, a lot of data I read about electrification improvement. Point number two, you have improved the affordability with the INR50 pack. Point number three, you've improved efficacy with the launch of the new formulation about 18 months back.
- Now I understand that overall, you have done double-digit volume growth, which is a credible performance in the context of the macros, etcetera. But HI specifically, If I'm to look at the overall growth, is there any other interventions you need for this category to grow faster?
- Sudhir Sitapati:** No. Manoj, I think, we shared -- this was -- the monsoon, a lot of people have told -- spoken about it. It has been a very different monsoon, temperatures have been lower, monsoon has been widespread. So this has been pretty -- and see it's also the largest season of the year. No, it's a large season, not the largest, it's actually coming up now. But this has been largely a seasonality hit number on incense sticks.
- Our spreads are roughly what they've been for the last two quarters, three quarters, a little lower, but roughly what they've been for the few quarters in the past. So I just feel like we'll continue to grow household insecticide faster than in the past. There will come a time in which incense sticks slows down and premium grows. We'll try and mediate that as soon as we can, and then we'll have the next level of growth here.
- Manoj Menon:** Okay. So is it fair to say that the electrics are all growing, let's say, in line with your internal targets, plans, aspirations, etcetera. I guess that the rest of the portfolio is growing faster so that it probably doesn't reflect in the overall scheme of things?
- Sudhir Sitapati:** Yes. I mean we are quite happy with the RNF relaunch. Q1, the numbers are very good in electric. Q2, the numbers have been lower, but higher than the seasonal impact, Q3 goes. I mean, overall, I feel like HI is still over a year period because you have to look at -- HI must be looked at over a year's period, our HI business from being a low single-digit growth business will probably move to being a kind of a high-ish single-digit growth business. I think that's what the relaunch has done for us over a longer period.
- Manoj Menon:** Understood. Looking on the soap business, given the benefits from the GST cuts, etcetera, I mean, in the medium-term from a category growth, particularly from your vantage point of view for your brands, because you have the, let's say, market leadership, let's say, with Godrej number one in that particular segment, which is probably more price sensitive across the other segments in soaps.

How do we think about beyond the noise of extra grammage in the next few quarters, which honestly in my opinion, is not that relevant? But beyond that, how should we think about, let's say, is there an opportunity to, let's say, grow faster with a two-year, three-year point of view?

Sudhir Sitapati:

I probably think so, Manoj, from my own experience in the past, GST is that while soaps doesn't have a huge amount of locals, it does have what we call sub-pops and players below Godrej number one. And some of them, I don't know what is the tax compliance and various issues there. So having a 5% GST certainly helps in upgradation from Chattisgarh players, sub-pop players. So I am a little hopeful that the soaps category will grow a little faster than it's grown in the last few years.

Manoj Menon:

Loud and clear. And Sudhir, thank you. And then the third one is on the bolt-on acquisition. I don't know I'm getting the conversation correctly with Muuchstac. Could you just talk a little bit more about the brand? I'll give you the reason I'm asking this question. So I just did a quick poll in my internal group, which is about 100 people in my company.

Just honestly -- like, honestly, I never heard about this brand actually. So even then I was telling that probably I'm old enough or maybe not young enough to know the brand from an awareness point of view. If you just talk about the brand, you explained the rationale and which geographies, which TAM which they currently address and then what -- where you could take this brand in the medium- to long-term? Thank you.

Sudhir Sitapati:

Okay. So one thing, Manoj, rather than asking 100 people in office, just, as I said, look at Flipkart and see the reviews, you'll get, I think, 10 lakh reviews. So that's a lot more than 100 that will give you a sense obviously. I must be honest that when the deal came to me from my head, I had also not heard of Muuchstac and what caught my attention were two things.

One is that it was -- I mean, the category was an attractive category for us, because one of the reason soaps is it's upgrading to liquids and one of the liquids in which it's upgrading to is face wash. So certainly, to be present in all the upgradations of soaps is strategically important for us being a cleansing business. So that immediately caught our eye.

But two things caught our eye on Muuchstac. The first was that 90%, 95% of their sales came from one SKU, which is always a good thing. It tells you that one SKU has some kind of brand power. And the second thing is that they have very unusually high profitability, which again tells you that there's consumer demand. So on INR80 crores of revenue, if you do INR30 crores of EBITDA, there's something clearly going through.

And when we dug deeper, there were a couple of interesting things about the brand. One is that they're purely influencer-led brand with no performance marketing. So that's a really interesting model. Two is most of the sale comes in Tier 2 and Tier 3 terms, which might answer why are we using it. So the number, disproportionate number came from small towns.

So clearly, our growth hypothesis is that the face wash -- men's face wash category does have long legs. It's expanding beyond the urban towns. Meesho and Flipkart are the big customers for Muuchstac. And I think probably a combination, this is one of those things that sounds like GT expansion, rural expansion may actually help this category.

It's also a unique product. If you buy it, and I'll get Vishal to send it across to all of you. It's also a uniquely formulated product and has pretty high stickiness among its users. So it was a relatively rare DTC brand. I think we've been looking at a lot of DTC brands, a relatively rare one and picks many boxes for us.

Manoj Menon: Understood. Thanks. Do you have time for a follow-up quickly on this?

Sudhir Sitapati: I have the time, yes, yes.

Manoj Menon: Sure. Sure. No. Just depending on the queue actually which you have. So just, Sudhir, on this brand again, so thanks for the detailed comments on this. Is it like south over-indexed, the north over-indexed? Just some color on which part of, let's say, India Tier 2, Tier 3?

And point number two, the -- what is the use case actually? Is it just like, let's say, what the Himalaya did with the soap to face wash earlier? So what exactly the use case, which, let's say, the brand has been solving in currently till date?

Sudhir Sitapati: So look, it's a reasonably widespread brand. I think it's slightly bigger relatively in the South. But it is certainly over-indexed in Tier 2 and 3 cities. The proposition of the brand is around anti-acne. So when you speak to consumers, and again, you will be able to read the comments on Flipkart. A lot of it is anti-acne.

It's got reasonable polarization, which is a good thing for a brand. A lot of consumers like it. A lot of consumers, it doesn't suit them because it's a pretty unique formulation with a sharp fragrance, a distinct product. So those are really the contours of the brand.

Manoj Menon: Thank you. One very last question or a clarification. In your opinion, in the medium term, do you think this product would, let's say, need to stay online because of the specific influencer-led marketing, which it has gone through till date maybe from the incubation? Or is there a GT play as well you see as an upside or you may say that we don't want to do that for the time?

Sudhir Sitapati: No, I certainly think that given where it's selling, we must make it available to whichever consumer type is buying it and Tier 2, Tier 3 consumers. Many, of course, shop online. Now online has gone well beyond Tier 1. But there will be a reasonable -- I think there will be a reasonable GT player.

So I think -- but even in terms of channels right now, it's only in two e-commerce. See, all this business is coming effectively from two customers in e-comm or 2.5, 3 customers in e-comm. So there is scope to expand within e-comm, scope to expand in modern trade, scope to expand in GT.

They're only doing influencer marketing, certainly scope to see whether conventional marketing works on it. So I think there are many kind of vectors. The good thing is right from day one, this is an EPS-accretive acquisition. So it gives us that much breathing space on this.

Manoj Menon: Thank you. Thank you, team. Good luck. Yeah, thank you.

- Moderator:** Thank you. Our next question comes from the line of Hozefa Cutlerywala from JAF Management Company. Please go ahead.
- Hozefa Cutlerywala:** Hi, team. Actually, my previous participant asked the question, it was on the recent acquisition. Just wanted to understand, means if we spend on the R&D, is it that difficult to have a brand like Muuchstac built right from scratch in-house than buying a brand, which is according to me, only going to work in Tier 2 and Tier 3? I don't see any urban user having stickiness to a brand like this. I would like to know your thoughts. I mean what's the skin in the game from our side in buying a brand for INR300 crores, which Godrej itself can maybe do a far better job?
- Sudhir Sitapati:** It's not that easy to build a new brand. I mean there's a large cost of a new brand and low probability of success of a new brand. So, you know, any new brand to build will cost you crores and one in five, one in six succeeds. So you're effectively looking at a couple of hundred crores even to launch a new brand off to moderate success and even to get to the scale of Muuchstac.
- Now when you're looking at the kind of margin profile, EBITDA profile of Muuchstac, the retention rates of the product, it's not easy. Otherwise, nobody would buy any brand, right? So it's not always easy to build new brands, especially in categories where there are three or four players.
- So in this particular category, see, in body wash, we decided to extend Cinthol into body wash because it's a category that we know and we can do it. In some categories, we've launched our own brand. But in some others, the -- I mean, when you have a great deal come your way, you're always comparing, yet, this kind of economics will be hard to do it organically.
- Hozefa Cutlerywala:** I completely understand that. It's difficult to do it organically with the time and everything. But only thing is, have any one of us actually tried this product and are 100% convinced about the ability to scale this brand to another level in Tier 1 towns as well, basically urban cities?
- Sudhir Sitapati:** We can never be 100% convinced. What we know is that face wash, men's face wash is a INR1,000 crore category growing at 25%. It is likely to grow for a reasonable amount of time. We know that this brand is a double-digit market share brand within men's face wash. And we feel that it is only available in a few online channels. With some expansion, with some marketing money, probably the share can increase a little bit or can increase. So if you go to, like, you know, kind of high-teen share, 20 share in a INR1,000 crores, 25% growth category, you are in for a lot of good value creation.
- Hozefa Cutlerywala:** Okay. All the best with this. We shall see over time how this turns out for us, all the best. Thank you.
- Sudhir Sitapati:** Thank you.
- Moderator:** Thank you. Participants, you may press star and then one to ask a question. Our next question comes from the line of Percy Panthaki from IIFL Securities. Please go ahead.

- Percy Panthaki:** Yes. Sudhir, just wanted to understand, you did give a lot of clarity on how the top line growth will pan out in the second half of the year. But can you give some clarity on margins, both on a consol as well as India level? How do we see India margins?
- I mean, see, you said palm oil is more or less sort of peaked out, no pressure hence forth. So, shall we just take the Q2 India margins for the second half? Or is that a wrong approach because there is seasonality, etcetera? And similarly, on consol also, do we do the same thing or not?
- Sudhir Sitapati:** No, no. I think we'll do better than Q2 EBITDA margins in second half. There's a pricing curve, there's a cost savings curve, there's media savings. So -- and also, we did lose -- I mean, we also got deleveraged in Q2 because of GST. GST was not just a 3%, 4% top line hit. It also hits your bottom line.
- Last 20 days, if your sales suddenly don't go through, you can't remove your fixed costs. So I would say that the guidance that we've given, we kind of hold to, which is this maybe at the lower end of our normative margins, 24% to 26%, but that's where we will be.
- Percy Panthaki:** Okay. So in second half, you will be within that 24% to 26% band, probably at the lower level. That is for the India business?
- Sudhir Sitapati:** That's for the India business. And correspondingly, the global businesses may at these margins of Q2.
- Percy Panthaki:** Understood. But there is some seasonality there also like Africa typically, it gives a high margin, right?
- Sudhir Sitapati:** So that's right. There's seasonality in Africa. So that -- you will get that seasonality in Africa. I think Indonesia and LatAm will roughly be the same. India will see a sequential jump, we think.
- Percy Panthaki:** Understood. And you mentioned that there is a GST impact because there is a deleverage, etcetera. But this quarter, we saw the staff cost going down 13% Y-o-Y. And that's because I think you follow that EVA-based compensation, etcetera. So as the profits come up, the staff costs will also grow. So, I mean, is that something we need to sort of consider...?
- Sudhir Sitapati:** No. We've considered that, Percy. We've considered all that. The deleverage is in excess of the staff costs. And we have considered the staff cost on basically on, you know, we haven't -- we analyzed it and roughly, it will be there because there are also some cost savings coming our way in second half. So -- which have already gone into the market, so we'll get those benefits as well.
- Percy Panthaki:** Understood. And going into FY '27 versus the 24 to 26 that you'll do in second half, what are the drivers for further margin expansion, assuming that palm oil remains where it is today?
- Sudhir Sitapati:** I think if palm oil remains where it is today, there are cost savings -- the tree is not, you know, I think, is one driver of margins. The second is that there are some relatively low-margin parts of our portfolio for which we are taking up margins pretty sharply sequentially. Laundry is one of

them, incense sticks is other. So these will be the two big drivers, cost savings and margin improvement on certain parts of our portfolio, which are relatively lower.

Percy Panthaki: Understood. And lastly, on Indonesia, you said that for now, this will be a low-single-digit volume growth. But on the top line, there is a significant negative pricing. So do you have any clarity on when that pricing negativity goes away or it will only go away once it anniversarizes?

Sudhir Sitapati: See, about 4% of negative pricing will continue for another three quarters because, as I said, we've reclassified some costs into the top line because we've agreed -- entered into some agreements with distributors. So that negative 4% is optical. That will continue. The other negativity, which is largely because of BTL increase for pricing competition, that should kind of reduce over the next one or two quarters.

Percy Panthaki: And if that BTL reduces, it should also show up in terms of EBITDA margin expansion or that has other moving parts...?

Sudhir Sitapati: Yes. It will show up in terms of some EBITDA margin expansion a little bit because see, right now in Indonesia -- for me to give as specific that can be more specific because it's still a little bit shaky. But I would say that one must expect mid-single -- so the way I'm looking at it is, we don't lose market share do what it takes to hold market share. And, you know, probably, market may grow at low single digits for the next few quarters, you know, be okay with that and figure out what to do elsewhere.

Percy Panthaki: Understood. Understood. Yeah, that's all from me, Sudhir and team. Thanks a lot. All the best.

Sudhir Sitapati: Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Vishal Kedia for closing comments.

Vishal Kedia: Thank you all for your participation in today's call. We hope we have been able to satisfactorily answer all questions. For any further questions, please reach out to us on our IR contact details. Thanks again, and have a good evening.

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