

Godrej Consumer Products Ltd

CMP Rs. 361.4
HOLD

Result Update
Q1FY11

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Godrej Consumer Products Ltd (GCPL) reported a decent set of numbers for the quarter ending June 2010.

On a yoy quarterly consolidated basis, the company registered a topline growth of 46.5% from Rs.4,388.5 Mn to Rs.6,430.9 Mn. While the previous quarter was one of acquisitions, this quarter saw more of those, along with consolidation of the same. Hence the results are not completely comparable.

On the domestic front, primary sales for soaps experienced a de-growth of 9% in volumes while for hair colors, volumes grew by 4%. However market share for both have increased for Q1FY11. Soaps increased its share from 9.8% to 10.4% (value) yoy while Hair Colours increased its share from 32.9% to 34% (value) yoy. Management indicated that such a paradoxical situation occurred due to higher quantity of stocking by wholesale trade in the earlier quarters followed by lower stocking in this quarter. Nevertheless, they expect domestic sales growth to be high for the second half of the year due to low base effect.

Godrej Household Products Ltd. (earlier Godrej Sara Lee) revenues grew strongly by 28%. GCPL has now acquired the remaining 51% stake in Godrej Sara Lee joint venture. Management expects synergies arising in the future due to a stronger distribution network of Godrej Consumer Products Ltd.

The Company made two more acquisitions, namely Issue Group and Argencos. Issue Group has a portfolio of hair color products while Argencos is a mid-size Argentine hair care company. With all these recent acquisitions, management expects PAT to increment by about Rs.600 Mn for FY11. This is excluding the increment from the Godrej Sara Lee business. All the above businesses experienced strong yoy growth for the quarter. Overall, International business now comprises 29% of the total turnover.

PAT for the quarter was up by 67% at Rs.1,163.9 Mn while EPS stood at Rs.3.8 an increase of 39% yoy. The company has declared an interim dividend of Re.1 for this quarter. At the CMP of Rs.361.4, GCPL trades at a PE(TTM) of 28.7. On a TTM basis, valuations seem to be rich however taking into account the inorganic growth, synergies associated therewith and the EPS accretive nature of the acquisitions, we recommend investors to keep holding onto the stock.

Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(%)	Q1FY10	Y-Y(%)
Net Revenues	6,430.9	5,091.9	26.3%	4,388.5	46.5%
Cost of Materials	3,167.8	2,267.7	39.7%	2,021.9	56.7%
Gross Profit	3,263.1	2,824.2	15.5%	2,366.6	37.9%
Staff Costs	438.8	326.5	34.4%	373.3	17.5%
Advertising and Sales Promotion	650.6	345.3	88.4%	433.1	50.2%
Other Expenses	982.4	1,077.2	-8.8%	696.0	41.1%
Total Expenditure	5,239.6	4,016.7	30.4%	3,524.3	48.7%
Operating Profit	1,191.3	1,075.2	10.8%	864.2	37.9%
OPM (%)	18.52%	21.12%		19.69%	
Other Income	105.9	122.2	-13.3%	101.4	4.4%
EBITDA	1,297.2	1,197.4	8.3%	965.6	34.3%
Depreciation	84.0	60.6	38.6%	51.9	61.8%
EBIT	1,213.2	1,136.8	6.7%	913.7	32.8%
Interest	104.8	27.0	288.1%	37.7	178.0%
Exceptional Items	403.1			-	
PBT	1,511.5	1,109.8	36.2%	876.0	72.5%
Tax	347.6	192.2		179.2	
PAT	1,163.9	917.6	26.8%	696.8	67.0%
Tax adjustments	-	-			
Net Profit	1,163.9	917.6	26.8%	696.8	67.0%
Equity Capital (Fv Re 1)	308.2	308.2		257.0	
EPS	3.8	3.0	26.8%	2.7	39.3%
Ratio Analysis					
Profitability					
YE March	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
OPM (%)	18.52%	21.12%	(259.1)	19.69%	(116.8)
EBITDA (%)	20.17%	23.52%	(334.4)	22.00%	(183.2)
EBIT (%)	18.87%	22.33%	(346.0)	20.82%	(195.5)
PAT (%)	18.10%	18.02%	7.8	15.88%	222.1
Operational Parameters					
YE March	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
RM Consumed	49.26%	44.54%	472.4	46.07%	318.6
Advertising and Sales Promotion	10.12%	6.78%	333.5	9.87%	24.8
Staff Cost	6.82%	6.41%	41.1	8.51%	(168.3)
Other Expenditure	15.28%	21.16%	(587.9)	15.86%	(58.3)
Effective Tax Rate	23.00%	17.32%	567.9	20.46%	254.0

Financials

Earnings Statement					Balance Sheet				
Particulars (Rs Mn)	FY07	FY08	FY09	FY10	Particulars (Rs Mn)	FY07	FY08	FY09	FY10
Total Revenues	9,515.2	11,025.7	13,929.6	20,412.0	Equity Capital	225.8	225.8	257.0	308.2
- Growth (%)		15.9%	26.3%	46.5%	Reserves	994.1	1489.8	5411.5	9238.7
Total Expenditure	7,718.3	8,880.7	11,892.6	16,338.6	Shareholders Funds	1220.0	1715.6	5668.5	9546.9
Operating Profit	1,796.9	2,145.0	2,037.0	4,073.4	Minority Interest	-	-	-	-
Other Income	26.5	60.0	436.1	473.1	Loan Funds	1736.1	1871.0	2775.7	368.7
EBITDA	1,823.4	2,204.9	2,473.1	4,546.4	Deferred Tax Liability, Net	79.8	89.1	42.1	65.9
Depreciation	142.1	181.7	192.3	236.0	Total Liabilities	3035.9	3675.7	8486.3	9981.5
EBIT	1,681.3	2,023.2	2,280.9	4,310.4	Fixed Assets	1992.1	2399.1	2296.9	2625.7
Interest	96.3	148.3	188.6	111.0	Goodwill on Consolidation	885.7	956.0	2085.7	3118.6
PBT	1,585.0	1,874.9	2,092.3	4,199.4	Investments	0.1	0.1	75.1	670.0
Tax	243.4	282.6	366.1	803.3	Current Assets				
PAT Before EI	1,341.6	1,592.4	1,726.2	3,396.0	Inventory	1352.3	1915.6	1674.7	2644.3
- Growth (%)		18.7%	8.4%	96.7%	Sundry Debtors	483.2	509.6	601.9	1152.6
Tax adjustments	48.1	-	6.4	-	Loans & Advances	464.8	667.7	1177.6	2189.3
Exceptional Items	50.6	-	-	-	Cash & Bank Balance	474.9	425.9	3783.2	3051.6
Reported PAT	1,440.3	1,592.4	1,732.6	3,396.0	Other Current Assets	-	-	90.1	57.5
					Current Liabilities				
					Liabilities	2520.0	2904.5	2918.6	5326.2
					Provisions	97.3	322.4	380.3	201.9
					Net Current Assets	158.1	291.8	4028.6	3567.2
					Misc. Exp not W/Off	-	28.7	-	-
					Total Assets	3035.9	3675.7	8486.3	9981.5

Ratio Analysis				
Particulars	FY07	FY08	FY09	FY10
OPM (%)	18.9%	19.5%	14.6%	20.0%
EBITDA (%)	19.2%	20.0%	17.8%	22.3%
PBIT (%)	17.7%	18.4%	16.4%	21.1%
PAT (%)	14.1%	14.4%	12.4%	16.6%
Interest Cover (x)	17.5	13.6	12.1	38.8
EPS (Rs.)	6.4	7.1	6.7	11.0
P/E (x)	23.1	17.6	19.7	23.7
P/BV (x)	27.2	16.3	6.0	0.8
BVPS (Rs.)	5.4	7.6	22.1	309.8
Market Cap (Rs. Mn.)	33,210.4	27,993.4	34,136.3	80,576.3
M Cap/Sales (x)	3.5	2.5	2.5	3.9
EV (Rs. Mn.)	34,471.5	29,438.5	33,128.8	77,893.4
EV/EBITDA (x)	18.9	13.4	13.4	17.1
EV/Sales (x)	3.6	2.7	2.4	3.8
ROCE (%)	55.4%	55.0%	26.9%	43.2%
RONW (%)	118.1%	92.8%	30.6%	35.6%
Debt/Equity Ratio (x)	1.4	1.1	0.5	0.0
Inventory T/o Days	51.2	62.5	43.3	46.6
Debtors T/o Days	18.3	16.6	15.6	20.3
Advances T/o Days	17.6	21.8	30.4	38.6
Creditors T/o Days	95.3	94.8	75.4	93.9
Working Cap T/o Days	6.0	9.5	104.1	62.9
Fixed Assets T/o (Gross)	3.5	3.8	4.1	4.9
DPS (Adjusted)(Rs.)	3.8	4.0	4.0	4.3
Dividend Payout (%)	58.8%	56.7%	59.3%	38.6%
Dividend Yield (%)	2.6%	3.2%	3.0%	1.6%

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1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
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GCPL

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