

Godrej Consumer Products LtdCMP Rs. 247.2
HOLDResult Update
Q3FY10

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Godrej Consumer Products Ltd (GCPL) reported a decent set of numbers for the December quarter FY10.

On a Y-o-Y basis, consolidated results, the company registered a topline growth of 53.1% from Rs.3,380.5 Mn to Rs.5,175.7 Mn. Since this also includes a proportionate part of Godrej Sara Lee Ltd (GSLI), the results are not completely comparable. Effective June 1st, 2009, GCPL acquired 49% stake in GSLI. Accordingly GCPL's share in the Revenues and PAT for the quarter stands at Rs.1,208.5 Mn and Rs.195 Mn respectively. The same has been included in the consolidated results. Keeping aside GSLI's portion, topline grew by 17.4%. On the whole, growth was achieved on the back of both, domestic as well as international business while profitability enhanced due to improving sales mix as well as raw material cost benefits.

This quarter also saw the launch of a new product line, Godrej 'Protekt' – hand sanitizers, hand wash and wipes. Apart from this, the company also added a Moisturizing soap variant for 'Godrej No. 1'. In the soaps market, GCPL tends to lose market share during the winter months since it did not have any specific variants for the season. With this new launch, management expects to reduce this effect.

On the domestic front, Soaps and Hair Colours continued the good show. Soap sales grew by 13% v/s an industry growth rate of 5.5% while Hair Colours grew by 17% v/s 11% for the industry. Market shares (value, YTD) for Soaps and Hair Colours stood at 10.3% and 33.1% respectively. International business, though on a low base, continued to grow well. It registered a 26% increase y-o-y.

Benefits from lower raw material prices continued further. Cost of Materials was down 1160 bps as compared to the same period a year ago. The company continued to increase investments in its brands through higher ASP spends. The same was up 68.5% y-o-y. Overall, OPM registered a 652 basis points increase. Reported PAT stood at Rs.851.2 Mn, 112.5% higher from the same period a year ago. EPS stood at Rs.2.76 v/s Rs.1.55 y-o-y.

The company has also received an approval from the Board to raise an amount of upto Rs.30,000 Mn. Management indicated that they are looking at acquisitions in the hair care/insecticides space.

The company has declared an interim dividend of Re.1 for this quarter. At a CMP of Rs.247.2, GCPL trades at a PE(TTM) of 22.9. Looking forward, the company has a fair coverage of its raw materials (beyond April 2010). GCPL's focus on increasing its rural reach is on track and saw the addition of 6,200 villages in its coverage this year. On the other hand, the management has indicated that the high growth experienced in the last few quarters was also aided by price increases and will normalize from hereon as it will primarily be volume driven. Taking into account all the above factors, we recommend a Hold.

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9 mths FY10	9 mths FY09	Y-Y(%)
Net Revenues	5,175.7	5,755.9	-10.1%	3,380.5	53.1%	15,320.1	10,490.6	46.0%
Cost of Materials	2,459.4	2,715.4	-9.4%	1,998.4	23.1%	7,195.6	5,952.7	20.9%
Gross Profit	2,716.3	3,040.5	-10.7%	1,382.1	96.5%	8,124.5	4,537.9	79.0%
Staff Costs	600.8	576.2	4.3%	181.1	231.8%	1,550.2	633.5	144.7%
Ads and Sales Promotion	432.9	509.4	-15.0%	256.9	68.5%	1,375.4	844.1	62.9%
Other Expenses	668.4	835.6	-20.0%	502.0	33.1%	2201	1,696.4	29.7%
Total Expenditure	4,161.5	4,636.6	-10.2%	2,938.4	41.6%	12,322.2	9,126.7	35.0%
Operating Profit	1,014.2	1,119.3	-9.4%	442.1	129.4%	2,997.9	1,363.9	119.8%
OPM (%)	19.60%	19.45%		13.08%		19.57%	13.00%	
Other Income	110.7	138.8	-20.2%	158.7	-30.2%	351.0	344.8	1.8%
EBITDA	1,124.9	1,258.1	-10.6%	600.8	87.2%	3,348.9	1,708.7	96.0%
Depreciation	55.9	67.6	-17.3%	50.6	10.5%	175.4	151.9	15.5%
EBIT	1,069.0	1,190.5	-10.2%	550.2	94.3%	3,173.5	1,556.8	103.8%
Interest	20.2	26.1	-22.6%	61.3	-67.0%	84.0	152.6	-45.0%
PBT	1,048.8	1,164.4	-9.9%	488.9	114.5%	3,089.5	1,404.2	120.0%
Tax	197.6	234.4		88.3		611.2	265.3	
PAT	851.2	930.0	-8.5%	400.6	112.5%	2,478.3	1,138.9	117.6%
Equity Capital (Fv Re 1)	308.2	308.2		258.0		308.2	258.0	
EPS	2.8	3.0	-8.5%	1.55	77.9%	8.35	4.51	85.1%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
OPM (%)	19.60%	19.45%	14.9	13.08%	651.7	19.57%	13.00%	656.7
EBITDA (%)	21.73%	21.86%	(12.3)	17.77%	396.2	21.86%	16.29%	557.2
EBIT (%)	20.65%	20.68%	(2.9)	16.28%	437.9	20.71%	14.84%	587.5
PAT (%)	16.45%	16.16%	28.9	11.85%	459.6	16.18%	10.86%	532.0
Operational Parameters								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
RM Consumed	47.52%	47.18%	34.2	59.12%	(1159.7)	46.97%	56.74%	(977.5)
Ads and Sales Promotion	8.36%	8.85%	(48.6)	7.60%	76.5	8.98%	8.05%	93.1
Staff Cost	11.61%	10.01%	159.7	5.36%	625.1	10.12%	6.04%	408.0
Other Expenditure	12.91%	14.52%	(160.3)	14.85%	(193.6)	14.37%	16.17%	(180.4)
Effective Tax Rate	18.84%	20.13%	(129.0)	18.06%	78.0	19.78%	18.89%	89.0

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

GCPL

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