

Godrej Consumer Products Ltd	CMP Rs. 303.6 HOLD	Result Update Q4FY10
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Ruchak Mehta | ruchak@ppfas.com

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

On a quarterly consolidated basis, Y-o-Y, the company registered a topline growth of 48.1% from Rs.3,438.9 Mn to Rs.5,091.9 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.1,469.8 Mn and Rs.228.8 Mn respectively. The same has been included in the consolidated results. Keeping aside GSLI's portion, topline grew by 5.3%.

On the domestic front, Soaps increased its market share for Q4 FY10 at 10.3% v/s 9.4% in Q4FY09. Hair Colours market share stood at 33.8% (value). International business did well. It grew by 21% (rupee terms). On an annual basis, this comprises 19% of the total turnover.

Benefits from lower raw material prices continued further. Prices of vegetable oils were lower than Q4FY09, however on a sequential basis, they have started moving higher. Cost of Materials as a % of Sales was down 614 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 125.2% y-o-y. Overall, OPM registered a 154 basis points increase. Reported PAT stood at Rs.917.6 Mn, 56% higher from the same period a year ago. EPS stood at Rs.2.98 v/s Rs.2.31 y-o-y.

On an annual consolidated basis, the Company reported a strong performance. Topline increased by 47% (including 49% Sara Lee contribution) to Rs.20,412 Mn. Growth was strong in the domestic as well as international business. Domestic business grew by 17% while international business grew by 21%. Raw material benefits continued throughout the year. As a result, operating margins improved by 533 bps to 19.95%. PAT improved by 96% to Rs.3,395.9 Mn.

GCPL also made two acquisitions in the international arena. It acquired Tura, a market leading personal care company in Nigeria. Tura manufactures and distributes a range of products including soaps, moisturizing lotions and skin-toning creams. With this acquisition, GCPL intends to leverage Tura as a platform for introducing its portfolio of personal care products and home care products in Nigeria and other Western African countries.

The other acquisition was that of PT. Megasari Makmur Group (Megasari) and its distribution company. Megasari is a leading household care company in Indonesia. It manufactures and distributes a wide range of products including household insecticides, wet tissues and air fresheners. Management indicated that annual Sales of Megasari were in the range of Rs.5,000 Mn while PAT was about Rs.500 Mn.

The company has declared an interim dividend of Rs.1.25 for this quarter (i.e. a total of Rs.4.25 for FY10). At the CMP of Rs.303.6, GCPL trades at a PE(TTM) of 26.8. Looking forward, raw material costs are inching up once again and supernormal growth in PAT (yoy) may become a thing of the past. On a TTM basis, GCPL does seem to be expensively priced. However, the acquisition of Megasari will add considerably to the topline and bottomline of GCPL in FY11. Taking this into account the stock seems to be fairly priced. We recommend a Hold.

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q4FY10	Q3FY10	Q-Q(%)	Q4FY09	Y-Y(%)	FY10	FY09	Y-Y(%)
Net Revenues	5,091.9	5,175.7	-1.6%	3,438.9	48.1%	20,412.0	13,929.7	46.5%
Cost of Materials	2,267.7	2,459.4	-7.8%	1,742.8	30.1%	9,463.2	7,695.4	23.0%
Gross Profit	2,824.2	2,716.3	4.0%	1,696.1	66.5%	10,948.8	6,234.3	75.6%
Staff Costs	326.5	600.8	-45.7%	242.0	34.9%	1,876.7	875.5	114.4%
Ads and Sales Promotion	345.3	432.9	-20.2%	153.3	125.2%	1,720.8	997.4	72.5%
Other Expenses	1,077.2	668.4	61.2%	627.7	71.6%	3,278.2	2,324.2	41.0%
Total Expenditure	4,016.7	4,161.5	-3.5%	2,765.8	45.2%	16,338.9	11,892.5	37.4%
Operating Profit	1,075.2	1,014.2	6.0%	673.1	59.7%	4,073.1	2,037.2	99.9%
OPM (%)	21.12%	19.60%		19.57%		19.95%	14.62%	
Other Income	122.2	110.7	10.4%	103.2	18.4%	473.1	448.0	5.6%
EBITDA	1,197.4	1,124.9	6.4%	776.3	54.2%	4,546.2	2,485.2	82.9%
Depreciation	60.6	55.9	8.4%	40.4	50.0%	236.0	192.3	22.7%
EBIT	1,136.8	1,069.0	6.3%	735.9	54.5%	4,310.2	2,292.9	88.0%
Interest	27.0	20.2	33.7%	48.0	-43.8%	111.0	200.8	-44.7%
PBT	1,109.8	1,048.8	5.8%	687.9	61.3%	4,199.2	2,092.1	100.7%
Tax	192.2	197.6		100.7		803.3	366.0	
PAT	917.6	851.2	7.8%	587.2	56.3%	3,395.9	1,726.1	96.7%
Tax adjustments	-	-		(6.4)			(6.4)	
Net Profit	917.6	851.2	7.8%	593.6	56.3%	3,395.9	1,732.5	96.0%
Equity Capital (Fv Re 1)	308.2	308.2		257.0		308.2	257.0	
EPS	3.0	2.8	7.8%	2.3	28.9%	11.3	6.8	65.9%
Ratio Analysis								
Profitability								
YE March	Q4FY10	Q3FY10	Q-Q(bps)	Q4FY09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
OPM (%)	21.12%	19.60%	152.0	19.57%	154.3	19.95%	14.62%	533.0
EBITDA (%)	23.52%	21.73%	178.2	22.57%	94.2	22.27%	17.84%	443.1
EBIT (%)	22.33%	20.65%	167.1	21.40%	92.6	21.12%	16.46%	465.5
PAT (%)	18.02%	16.45%	157.5	17.26%	75.9	16.64%	12.44%	419.9
Operational Parameters								
YE March	Q4FY10	Q3FY10	Q-Q(bps)	Q4FY09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
RM Consumed	44.54%	47.52%	(298.3)	50.68%	(614.4)	46.36%	55.24%	(888.4)
Ads and Sales Promotion	6.78%	8.36%	(158.3)	4.46%	232.4	8.43%	7.16%	127.0
Staff Cost	6.41%	11.61%	(519.6)	7.04%	(62.5)	9.19%	6.29%	290.9
Other Expenditure	21.16%	12.91%	824.1	18.25%	290.2	16.06%	16.69%	(62.5)
Effective Tax Rate	17.32%	18.84%	(152.2)	14.64%	268.0	19.13%	17.49%	163.5

Financials

Earnings Statement				
Particulars (Rs Mn)	FY07	FY08	FY09	FY10
Total Revenues	9,515.2	11,025.7	13,929.6	20,412.0
- Growth (%)		15.9%	26.3%	46.5%
Total Expenditure	7,718.3	8,880.7	11,892.6	16,338.9
Operating Profit	1,796.9	2,145.0	2,037.0	4,073.1
Other Income	26.5	60.0	436.1	473.1
EBITDA	1,823.4	2,204.9	2,473.1	4,546.2
Depreciation	142.1	181.7	192.3	236.0
EBIT	1,681.3	2,023.2	2,280.9	4,310.2
Interest	96.3	148.3	188.6	111.0
PBT	1,585.0	1,874.9	2,092.3	4,199.2
Tax	243.4	282.6	366.1	803.3
PAT Before EI	1,341.6	1,592.4	1,726.2	3,395.9
- Growth (%)		18.7%	8.4%	96.7%
Tax adjustments	48.1	-	6.4	-
Exceptional Items	50.6	-	-	-
Reported PAT	1,440.3	1,592.4	1,732.6	3,395.9

Ratio Analysis			
Particulars	FY07	FY08	FY09
OPM (%)	18.9%	19.5%	14.6%
EBITDA (%)	19.2%	20.0%	17.8%
PBIT (%)	17.7%	18.4%	16.4%
PAT (%)	14.1%	14.4%	12.4%
Interest Cover (x)	17.5	13.6	12.1
EPS (Rs.)	6.4	7.1	6.7
P/E (x)	23.1	17.6	19.7
P/BV (x)	27.2	16.3	6.0
BVPS (Rs.)	5.4	7.6	22.1
Market Cap (Rs. Mn.)	33,210.4	27,993.4	34,136.3
M Cap/Sales (x)	3.5	2.5	2.5
EV (Rs. Mn.)	34,471.5	29,438.5	33,128.8
EV/EBITDA (x)	18.9	13.4	13.4
EV/Sales (x)	3.6	2.7	2.4
ROCE (%)	55.4%	55.0%	26.9%
RONW (%)	118.1%	92.8%	30.6%
Debt/Equity Ratio (x)	1.4	1.1	0.5
Inventory T/o Days	51.2	62.5	43.3
Debtors T/o Days	18.3	16.6	15.6
Advances T/o Days	17.6	21.8	30.4
Creditors T/o Days	95.3	94.8	75.4
Working Cap T/o Days	6.0	9.5	104.1
Fixed Assets T/o (Gross)	3.5	3.8	4.1
DPS (Adjusted)(Rs.)	3.8	4.0	4.0
Dividend Payout (%)	58.8%	56.7%	59.3%
Dividend Yield (%)	1.2%	1.3%	1.3%

Balance Sheet			
Particulars (Rs Mn)	FY07	FY08	FY09
Equity Capital	225.8	225.8	257.0
Reserves	994.1	1489.8	5411.5
Shareholders Funds	1220.0	1715.6	5668.5
Minority Interest	-	-	-
Loan Funds	1736.1	1871.0	2775.7
Deferred Tax Liability, Net	79.8	89.1	42.1
Total Liabilities	3035.9	3675.7	8486.3
Fixed Assets	1992.1	2399.1	2296.9
Goodwill on Consolidation	885.7	956.0	2085.7
Investments	0.1	0.1	75.1
Current Assets			
Inventory	1352.3	1915.6	1674.7
Sundry Debtors	483.2	509.6	601.9
Loans & Advances	464.8	667.7	1177.6
Cash & Bank Balance	474.9	425.9	3783.2
Other Current Assets	-	-	90.1
Current Liabilities			
Liabilities	2520.0	2904.5	2918.6
Provisions	97.3	322.4	380.3
Net Current Assets	158.1	291.8	4028.6
Miscellaneous Exp not W/Off	-	28.7	-
Total Assets	3035.9	3675.7	8486.3

Disclaimer

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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Contact

Ruchak Mehta

Analyst - Investment Research

ruchak@ppfas.com

91 22 2284 6555 Extn 202

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Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com