

Godrej Consumer Products Ltd

CMP Rs. 220.45

Result Update

Q1FY10Ruchak Mehta | ruchak@ppfas.com

Godrej Consumer Products Ltd reported a stellar set of numbers for the June quarter FY10.

On a Y-o-Y basis, consolidated results, the company registered a strong topline growth of 21.4% from Rs 3,616.3 Mn in Q1 FY09 to Rs 4,388.5 Mn. This was on the back of a strong 22% growth in the domestic business as well as a 20% growth in the international business.

With the raw material prices cooling off, overall expenditure increased by only 12.9% from Rs 3,120.5 Mn to Rs 3,524.3 Mn. This, inspite of an increase in Employee Costs (due to performance linked remuneration) and a planned spike in Advertising and Promotional Spends. Consequently, OPM registered a 600 basis points increase. Reported PAT stood at Rs 696.8 Mn, 78.2% higher from the same period a year ago, of Rs 391 Mn.

On the Q-o-Q front too, Revenues were higher by 28.1%, from Rs 3427.1 Mn in Q4 FY09 to Rs 4,388.5 Mn. While low Advertising spend last quarter kept the expenditures low, the company still managed to increase its OPM slightly as compared to the last quarter. This was inspite of an almost three-fold increase in Advertising spends. Reported PAT increased by 17.4% from Rs 593.6 Mn last quarter to Rs 696.8 Mn. The company has declared an interim dividend of Re 1 per share.

In product categories, GCPL improved its market share in the toilet soaps category from 9.1% to 10.1% for June '09. Market share for the hair colours category too, increased to 34.8% in June '09. Both these categories grew much faster than the industry growth rate.

On the 49% stake of Saralee that was merged with GCPL, Adi Godrej, Chairman, mentioned that this will give it a larger portfolio and excellent growth opportunities. He also shed some light about the company being very similar to GCPL in terms of the financial ratios, working with negative working capital and good profitability. Saralee are market leaders in all the categories that they operate except one, shoe care, which is no 2.

On the whole, the company continues to maintain its focus on penetrating rural India. The management mentioned that it aims at taking its present reach from 15,000 villages to 50,000 villages. The company also emphasized its focus on growth and backed this up with the current results inspite of higher advertising spends, staff costs and taxes.

At a CMP of Rs 220.45, GCPL trades at a PE(TTM) of 30.2. With the palm oil prices well in check and the company having a good cover for the same, looking forward, the company is in a strong position to maintain its margins for the current year. This coupled with the rural thrust and the emphasis on growth should see GCPL in good stead.

[Quarterly Financials >>](#)

GCPL : Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q110	Q409	Q-Q(%)	Q109	Y-Y(%)
Net Revenues	4,388.5	3427.1	28.1%	3,616.3	21.4%
Cost of Materials	2,021.9	1,742.8	16.0%	1,979.0	2.2%
Gross Profit	2,366.6	1,684.3	40.5%	1,637.3	44.5%
Staff Costs	373.3	242.0	54.3%	222.2	68.0%
Advertising and Sales Promotion	433.1	153.3	182.5%	343.2	26.2%
Other Expenses	696.0	627.7	10.9%	576.1	20.8%
Total Expenditure	3,524.3	2,765.8	27.4%	3,120.5	12.9%
Operating Profit	864.2	661.3	30.7%	495.8	74.3%
OPM (%)	19.69%	19.30%		13.71%	
Other Income	101.4	7.4	1270.3%	92.6	9.5%
EBITDA	965.6	668.7	44.4%	588.4	64.1%
Depreciation	51.9	40.4	28.5%	55.0	-5.6%
EBIT	913.7	628.3	45.4%	533.4	71.3%
Interest	37.7	(59.6)	-163.3%	46.5	-18.9%
PBT	876.0	687.9	27.3%	486.9	79.9%
Tax	179.2	100.7		95.9	
Tax Adjustments		(6.4)			
PAT	696.8	593.6	17.4%	391.0	78.2%
Equity Capital (Fv Re 1)	257.0	257.0		257.0	
EPS	2.7	2.3	17.4%	1.5	78.2%
Ratio Analysis					
Profitability					
YE March (Rs. Mn.)	Q110	Q409	Q-Q(bps)	Q109	Y-Y(bps)
OPM (%)	19.69%	19.30%	39.6	13.71%	598.2
EBITDA (%)	22.00%	19.51%	249.1	16.27%	573.2
EBIT (%)	20.82%	18.33%	248.7	14.75%	607.0
PAT (%)	15.88%	17.32%	(144.3)	10.81%	506.6
Operational Parameters					
YE March (Rs. Mn.)	Q110	Q409	Q-Q(bps)	Q109	Y-Y(bps)
RM Consumed	46.07%	50.85%	(478.1)	54.72%	(865.2)
Advertising and Sales Promotion	9.87%	4.47%	539.6	9.49%	37.9
Staff Cost	8.51%	7.06%	144.5	6.14%	236.2
Other Expenditure	15.86%	18.32%	(245.6)	15.93%	(7.1)
Effective Tax Rate	20.46%	14.64%	581.8	19.70%	76.1

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Disclosure of Interest Statement

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

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