

Godrej Consumer Products Ltd

CMP Rs. 278.8
HOLD

Result Update
Q2FY10

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

On a Y-o-Y basis, consolidated results, the company registered a topline growth of 65.4% from Rs. 3,480.7 Mn to Rs.5,755.9 Mn. However this is not completely comparable since it also includes a proportionate part of Godrej Sara Lee Ltd (GSLI). 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. 1,397 Mn and Rs. 216 Mn respectively. The same has been included in the consolidated results. Keeping aside GSLI's portion, growth was achieved on the back of both, domestic as well as international business.

In the domestic business, Soaps and Hair Colours continued to impress. Soap sales grew by 28% to Rs. 2,351 Mn v/s an industry growth rate of 12% while Hair Colours grew by 47% v/s 19% industry growth. Market shares (value) for Soaps and Hair Colours stood at 10.9% and 34.7% respectively.

International business grew by 22% (rupee terms).

Benefits from lower raw material prices continued further. Cost of Materials saw a huge 957 bps drop as compared to the same period a year ago. On the other hand, the company increased investments in its brands through higher ASP spends. The same was up 108% y-o-y. Overall, OPM registered a 759 basis points increase. Reported PAT stood at Rs. 930 Mn, 168% higher from the same period a year ago.

EPS stood at Rs. 3.02 v/s Rs. 1.35 y-o-y.

The company has declared an interim dividend of Rs. 1 for this quarter. At a CMP of Rs. 278.8, GCPL trades at a PE (TTM) of 29.1. Looking forward, the company has a fair coverage of its raw materials and also does not expect input prices to rise by much. On the other hand, GCPL is on the move, increasing its rural reach. All of these put together, the company seems to be in good stead over the coming quarters. However given the high valuation that the stock is commanding, we recommend a Hold.

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(%)	Q2FY09	Y-Y(%)	H1FY10	H1FY09	Y-Y(%)
Net Revenues	5,755.9	4,388.5	31.16%	3,480.7	65.37%	10,144.4	7,110.2	42.67%
Cost of Materials	2,715.4	2,021.9	34.30%	1,975.4	37.46%	4736.1	3,954.3	19.77%
Gross Profit	3,040.5	2,366.6	28.48%	1,505.3	101.99%	5,408.3	3,155.9	71.37%
Staff Costs	576.2	373.3	54.35%	230.3	150.20%	949.5	452.4	109.88%
Ads and Sales Promotion	509.4	433.1	17.62%	244.0	108.77%	942.5	587.2	60.51%
Other Expenses	835.6	696.0	20.06%	618.3	35.14%	1,532.6	1,194.4	28.32%
Total Expenditure	4,636.6	3,524.3	31.56%	3,068.0	51.13%	8,160.7	6,188.3	31.87%
Operating Profit	1,119.3	864.2	29.52%	412.7	171.21%	1,983.7	921.9	115.18%
OPM (%)	19.45%	19.69%		11.86%		19.55%	12.97%	
Other Income	138.8	101.4	36.88%	107.4	29.24%	240.2	186.6	28.72%
EBITDA	1,258.1	965.6	30.29%	520.1	141.90%	2,223.9	1,108.5	100.62%
Depreciation	67.6	51.9	30.25%	46.3	46.00%	119.5	101.3	17.97%
EBIT	1,190.5	913.7	30.29%	473.8	151.27%	2,104.4	1,007.2	108.94%
Interest	26.1	37.7	-30.77%	45.4	-42.51%	63.8	91.9	-30.58%
PBT	1,164.4	876.0	32.92%	428.4	171.80%	2,040.6	915.3	122.94%
Tax	234.4	179.2		81.1		413.6	177.0	
PAT	930.0	696.8	33.47%	347.3	167.78%	1,627.0	738.3	120.37%
Equity Capital (Fv Re 1)	308.2	257.0		258.1		308.2	258.1	
EPS	3.0	2.7	11.30%	1.3	124.26%	5.6	3.0	89.49%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(bps)	Q2FY09	Y-Y(bps)	H1FY10	H1FY09	Y-Y(bps)
OPM (%)	19.45%	19.69%	(24.6)	11.86%	758.9	19.55%	12.97%	658.9
EBITDA (%)	21.86%	22.00%	(14.5)	14.94%	691.5	21.92%	15.59%	633.2
EBIT (%)	20.68%	20.82%	(13.7)	13.61%	707.1	20.74%	14.17%	657.9
PAT (%)	16.16%	15.88%	27.9	9.98%	617.9	16.04%	10.38%	565.5
Operational Parameters								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(bps)	Q2FY09	Y-Y(bps)	H1FY10	H1FY09	Y-Y(bps)
RM Consumed	47.18%	46.07%	110.3	56.75%	(957.7)	46.69%	55.61%	(892.8)
Ads and Sales Promotion	8.85%	9.87%	(101.9)	7.01%	184.0	9.29%	8.26%	103.2
Staff Cost	10.01%	8.51%	150.4	6.62%	339.4	9.36%	6.36%	299.7
Other Expenditure	14.52%	15.86%	(134.2)	17.76%	(324.6)	15.11%	16.80%	(169.1)

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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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