

October 28th, 2015

BSE Code: 532424 NSE Code: GODREJCP Reuters Code: GOCP.NS Bloomberg Code: GCPL:IN

Incorporated in the year 2000, Godrej Consumer Products Ltd. (GCPL) is an India based home-grown household and personal care company headquartered at Mumbai. GCPL operates as a Fast Moving Consumer Good (FMCG) company which manufactures and markets Home care products, Personal Care Products, Hair care, and Air Care products such as toilet soaps, detergents, hair colours, household insecticides etc. It has presence in countries like Indonesia, Africa, Latin America, UK, among others.

Key Developments

Prominent products and new launches by GCPL:

Godrej Consumer Products Ltd. (GCPL) introduced five new products in FY15 in its Household and Personal care segment. At present, almost 40% of GCPL's incremental growth is being driven by these new launches which are sold at 20% premium to the average prices of its other products. Likewise, GCPL has opted for cross pollination exercise to take products from one country to another.

Consolidated net profit surged by 38.9% YoY to Rs. 199.2 Crores in Q1FY16:

GCPL's consolidated net sales increased by 11.1% YoY to ~Rs. 2,098 Crores in Q1FY16 from ~Rs. 1,889 Crores in Q1FY15. Gross margin improved by 380 bps YoY during the quarter to 56.3%. EBITDA margin expanded by 220 bps YoY to 15.0%. Consolidated PAT grew 38.9% YoY to Rs. 199.2 Crores. PAT margin surged by 190 bps to 9.5% in Q1FY16 from 7.6% in the corresponding quarter of the last fiscal.

GCPL's overseas presence:

The company's activities are spread across many overseas countries viz. Indonesia, Africa, Latin America, UK, etc. The international segment of GCPL contributes ~47% to GCPL's top-line and has witnessed a 28% CAGR over the last five years. The most profitable geography has been the Indonesian air freshener and wet tissues market and hair colour segment across various countries in Africa and Latin America. GCPL has also undertaken many acquisitions in the past in the international markets.

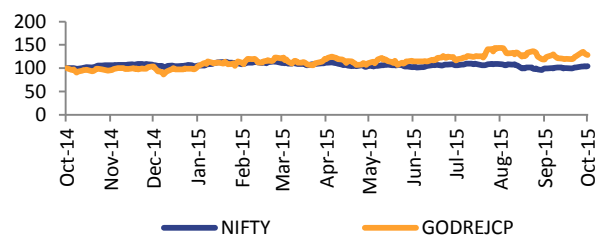
Market Data

| | |
|--------------------------|--------------|
| CMP (Rs.) | 1,287 |
| Face Value | 1 |
| 52 week H/L (Rs.) | 1,459/835 |
| Adj. all time High (Rs.) | 1,459 |
| Decline from 52WH (%) | 11.8 |
| Rise from 52WL (%) | 54.1 |
| Beta | 0.9 |
| Mkt. Cap (Rs. Cr) | 43,799 |
| Enterprise Value(Rs. Cr) | 45,078 |

Fiscal Year Ended

| | FY13A | FY14A | FY15A |
|-------------------------------|-------|-------|-------|
| Net Sales (Rs. cr) | 6,416 | 7,602 | 8,276 |
| Net Profit (Rs. cr) | 796 | 760 | 907 |
| Share Capital (Rs. Cr) | 34 | 34 | 34 |
| EPS (Rs.) | 23.4 | 22.3 | 26.6 |
| P/E (x) | 33.1 | 36.9 | 48.3 |
| P/BV (x) | 8.0 | 7.4 | 10.2 |
| ROE (%) | 46.3 | 21.4 | 22.4 |

One year Price Chart



| Shareholding | Sep15 | Jun15 | Diff. |
|------------------|-------|-------|-------|
| Promoters | 63.3 | 63.3 | 0.0 |
| DII | 1.7 | 2.0 | (0.3) |
| FII | 28.7 | 28.7 | 0.0 |
| Others | 6.3 | 6.0 | 0.3 |

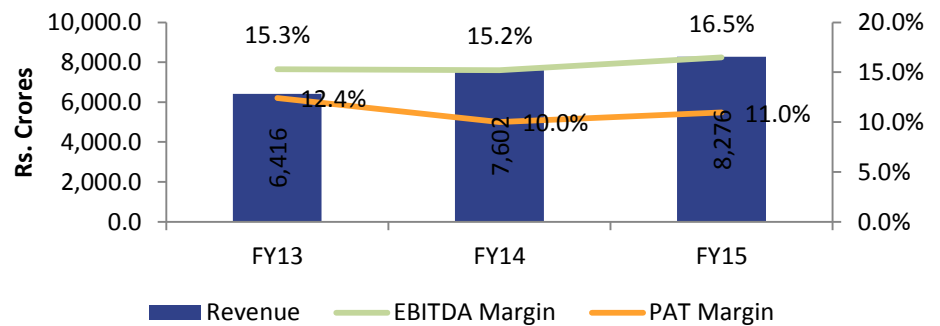
Godrej Consumer Products Ltd. (GCPL) is an India based FMCG company having operations across home-grown household and personal care segments.

Godrej Consumer Products Ltd. – Overview

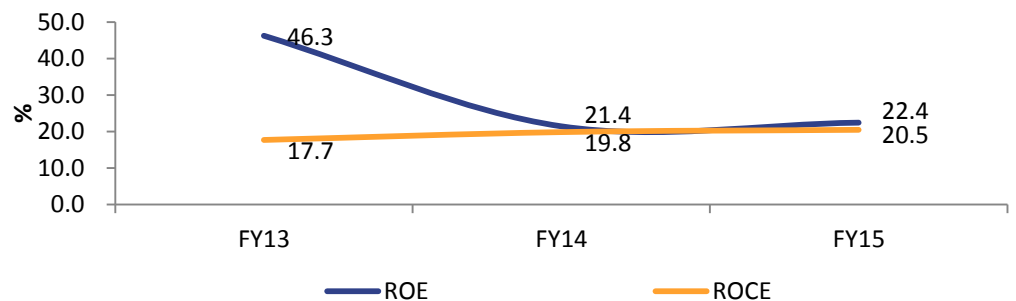
Godrej Consumer Products Ltd (GCPL) is one of India’s major home-grown household and personal care companies headquartered at Mumbai. It has presence in countries like Indonesia, Africa, Latin America, UK, among others. Its domestic operations contribute ~53% to the top-line. The company focuses on three business categories (personal care, hair care and home care) across three geographies (Asia, Africa and Latin America). Its portfolio is spread across Home Care (39%), Personal Wash (26%), Hair Care (24%) & Other categories (11%). It is the market leader in hair colors, household insecticides and liquid detergents, while, in soaps segment it is the second largest player in India.

GCPL has grown its international business through acquisitions with share of international revenues contributing 47% to the consolidated revenues. Geographies like Indonesia, Africa, LATAM, UK and Middle East are contributing 45%, 24%, 18%, 12% and 1% respectively to the international operations. Further, the company has leadership position in most geographies viz; hair colors in Sri Lanka, Bangladesh, Argentina, Uruguay, Paraguay, Bolivia, and Chile among others. Moreover, it is a dominant player in air fresheners and wet tissues segment in Indonesia and in stretch marks skin treatment cream in UK.

Financial snapshot for GCPL



Return ratios trend



Market share in key markets

GCPL operates in the Indian household insecticides and hair color market. As per the Indian Home & Personal Care Industry Association (IHPCIA), the Indian household insecticides (HI) market is currently valued at Rs. 3,800 Crores. Further, HI category has an overall penetration level of ~44%. Interestingly, GCPL holds more than 50% of the market share in the HI category. This category has grown at an average of ~13.5% over the last two years.

The company is launching new products to drive innovation. It also focuses on cross pollination exercise, wherein products are transferred from one country to another.

Some of the company's popular products in the HI category are Good knight Fast Card, Good knight Xpress liquid vaporizer and Neem Low Smoke Coil. Good night fast card, India's first paper-based mosquito repellent, became a Rs. 100 Crores brand in just 11 months – among the highest run ups for a new FMCG brand.

Likewise, in the hair color segment the penetration level in India stands at merely 37%. GCPL's recent launch Godrej Expert Rich Crème at just Rs. 30 has gained one-third of the total hair color market in India. Further, this category has posted an average growth of nearly 17% in the last two years.

New launches and products

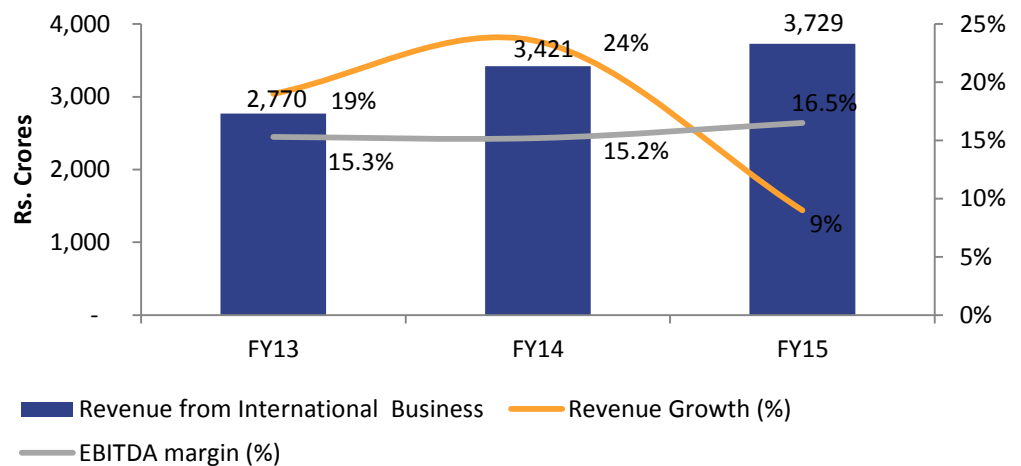
GCPL launched five innovative products in the market during FY15 which were largely driven towards the premium category of the Household and Personal care segment of the company. Currently, almost 40% of GPCL's incremental growth is being driven by these new launches which are sold at 20% premium to the average prices of its other products. Likewise, GCPL has opted for the cross pollination exercise to take products from one country to another. The hair colour cream in sachet which was the product based out of Argentina got launched in India in 2012. Further, the company has launched air freshner products based out of Indonesia under the brand 'aer'. Similarly, Good knight coils and aerosols from India have been launched in Nigeria.

International presence and acquisitions

GPCL has an active presence in the Indonesian air freshener, wet tissues market. Also, it operates in hair extensions in Africa and has operations in the household insecticides in Indonesia. The international operations have grown at a CAGR of 28% over last five years.

The company has undertaken various acquisitions in the past in the overseas market. It recently completed acquisition of remaining 40% stake in the Latin American company Cosmetica Nacional. It is a prominent operator in the hair color and cosmetics segment in Chile. It has also signed an agreement with African hair-care company - Darling Group Holdings to raise its stake in its two entities, in South Africa and Mozambique, to 90%.

GCPL's international markets performance

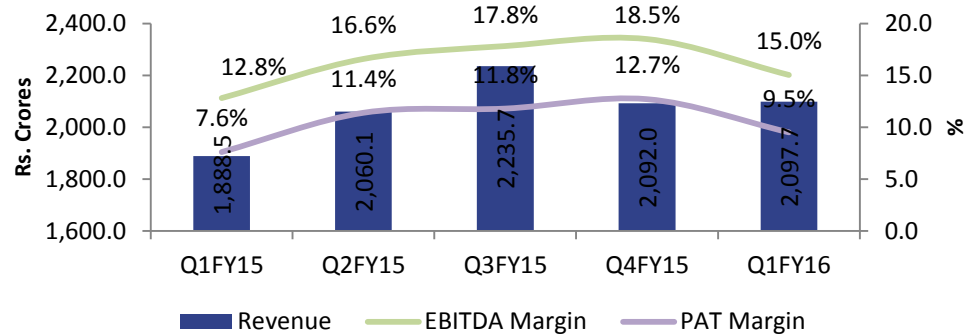


Q1FY16 performance

GCPL's consolidated net sales increased by 11% YoY to Rs. 2,098 Crores in Q1FY16. Domestic branded business grew 13% YoY translating into revenues of Rs. 1,095 Crores and international business grew 11% YoY reporting revenues worth Rs. 1,003 Crores (13% in organic constant currency terms). Domestic soap business grew 13% YoY to report revenues of Rs. 468 Crores. Household insecticide (HI) segment grew 15% YoY; Good Knight Fast Card crossed Rs. 1,500 mark and hair colors segment grew 12% YoY in volume terms. Positive constant currency (CC) growth was witnessed across International business except Europe; In CC terms, Indonesia (+8% YoY), Africa (+32% YoY), Latin America (+29% YoY) and Europe (-2% YoY). Gross margin improved by 380 bps YoY to 56.3% during the quarter.

For the quarter ended Q1FY16, GCPL's consolidated sales grew by 11.1% YoY to Rs. 2,098 Crores against Rs. 1,889 Crores in Q1FY15.

Quarterly performance trend



EBITDA margin expanded by 220 bps YoY to 15.0%. Ad expenditure was down 130 bps YoY to 12%, while other operating expenses increased by 80 bps YoY and Employee expenses went up by 210 bps YoY. Among International subsidiaries, margin expansion was reported by Indonesia (21%, +560 bps YoY), Latin America (9%, +570 bps YoY), Europe (9%, +70 bps YoY) and Africa (13%, -130 bps). Consolidated PAT grew 38.9% YoY to Rs. 199.2 Crores. PAT margin surged by 190 bps to 9.5% in Q1FY16 from 7.6% in the corresponding quarter of the last fiscal.

Balance Sheet (Consolidated)

| (Rs. Cr) | FY13 | FY14 | FY15 |
|---------------------------------------|--------------|--------------|--------------|
| Share Capital | 34 | 34 | 34 |
| Reserve and surplus | 3,279 | 3,741 | 4,277 |
| Net Worth | 3,313 | 3,775 | 4,311 |
| Minority Interest | 210 | 225 | 162 |
| Total Debt | 1,949 | 1,702 | 2,170 |
| Other non-current liabilities | 27 | 29 | 31 |
| Total Equity & Liabilities | 5,498 | 5,732 | 6,673 |
| Fixed Assets | 4,637 | 5,288 | 5,776 |
| Investments | 121 | 136 | 186 |
| Net current assets | 531 | 128 | 472 |
| Deferred tax assets | 14 | 20 | 31 |
| Other non-current assets | 196 | 159 | 208 |
| Total Assets | 5,498 | 5,732 | 6,673 |

Cash Flow (Consolidated)

| Y/E (Rs. Cr) | FY13 | FY14 | FY15 |
|---|------------|--------------|--------------|
| Net profit/loss before tax & extraordinary items | 896 | 1,030 | 1,266 |
| Net cashflow from operating activities | 820 | 1,116 | 1,005 |
| Net cash used in investing activities | (865) | (495) | (1,214) |
| Net cash used from financing activities | 282 | (621) | (12) |
| Net inc/dec in cash and cash equivalents | 237 | 1 | (221) |

Financial performance snapshot

For the year ended Mar'15, net sales of the company stood at Rs. 8,276 Crores reporting a growth of ~9% over last year. The HI, HC and soaps segment witnessed 9%, 11% and 10% growth over FY14. With regards to the international operations, the company's sales growth was reported at 9% as compared to 24% growth in FY14. EBITDA for FY15 stood at Rs. 1,365 Crores reporting a growth of 18% YoY. EBITDA margin expanded by 128 bps to 16.5% during the year. PAT was reported at Rs. 907 Crores, a growth of 19.4% over FY14. PAT margin expanded by 97 bps over FY14 and stood at 11.0% in FY15.

Profit & Loss Account (Consolidated)

| (Rs. Cr) | FY13 | FY14 | FY15 |
|--------------------------|--------------|--------------|--------------|
| Net Sales | 6,416 | 7,602 | 8,276 |
| Expenses | 5,434 | 6,446 | 6,911 |
| EBITDA | 982 | 1,157 | 1,365 |
| Other Income | 68 | 63 | 92 |
| Depreciation | 77 | 82 | 91 |
| EBIT | 973 | 1,138 | 1,366 |
| Interest | 77 | 107 | 100 |
| Profit Before Tax | 896 | 1,030 | 1,266 |
| Exceptional Item | 129 | (1) | (17) |
| Tax | 179 | 210 | 272 |
| PAT | 845 | 819 | 976 |
| Minority interest | 49 | 60 | 69 |
| Share of associates | 0 | (0) | 0 |
| Net Profit | 796 | 760 | 907 |

Key Ratios (Consolidated)

| | FY13 | FY14 | FY15 |
|-------------------|------|-------|-------|
| EBITDA Margin (%) | 15.3 | 15.2 | 16.5 |
| EBIT Margin (%) | 15.2 | 15.0 | 16.5 |
| NPM (%) | 12.4 | 10.0 | 11.0 |
| ROCE (%) | 17.7 | 19.8 | 20.5 |
| ROE (%) | 46.3 | 21.4 | 22.4 |
| EPS (Rs.) | 23.4 | 22.3 | 26.6 |
| P/E (x) | 33.1 | 36.9 | 48.3 |
| BVPS(Rs.) | 97.4 | 110.9 | 126.6 |
| P/BVPS (x) | 8.0 | 7.4 | 10.2 |
| EV/EBITDA (x) | 28.1 | 25.1 | 33.0 |



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