

September 21, 2012

**GODREJ CONSUMER PRODUCTS LTD.**

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

Godrej Consumer Products Limited (GODREJCP), incorporated on 29<sup>th</sup> November 2000, is a leading Fast Moving Consumer Goods (FMCG) company whose product portfolio includes soaps, hair colorants, toiletries and liquid detergents. The company, through its strategic decisions, has completed the acquisition of 60.0% stake in Cosmetica Nacional, a market leader of hair colorant and cosmetics company in Chile. Further, it has made relentless efforts in launching the new products supported by higher marketing investments.

### Investor's Rationale

#### Net profit declined by 45.5% YoY on account of higher interest and depreciation cost

GODREJCP posted a decline in its consolidated net profit by 45.5% to ₹1.3 billion mainly due to growth in interest and depreciation by 48.3% and 25.0% YoY to ₹0.2 billion and ₹0.2 billion respectively. However, other income, grew by 53.2% YoY to ₹0.2 billion and taxation charges declined by 83.3% YoY to ₹0.1 billion but they were not able to turn the profits above the positive line. Consequently, NPM contracted by 1,439bps YoY to 9.3% against 23.7%.

#### Net sales grew by 39.2% YoY on overall strong international business sales

GODREJCP witnessed a growth of 39.2% YoY in its net sales at ₹13.9 billion on account of rise in overall international business sales by 68.0% to ₹6.0 billion. Indonesia registered strong sales growth of 40.0% to ₹2.7 billion aided by strong marketing investments and distribution expansion. Further, Latin America sales grew by 94.0% to ₹1.1 billion, Europe sales, up by 17.0% to ₹0.7 billion. The surge in revenues was further assisted by the strong sectorial performance which includes the sales growth of 42.0% in soap segment, home care sale grew by 27.0% and hair care sales up by 5.0%.

#### EBITDA margin fell by 9bps YoY on lower operating expenses

GODREJCP reported a rise in EBITDA by 38.2% YoY to ₹2.0 billion as against ₹1.5 billion due to a decline (as a % of sales) in cost of raw material consumed and advertising & publicity charges by 836bps and 72bps to 39.4% and 11.0% respectively. Consequently, OPM fell by 9bps YoY to 14.5% from 14.6%.

#### New launches helped in strong growth

During the current quarter, the company has launched various products including 'aer', air fresheners in India, Godrej No.1 rosewater & almonds soap. Besides, it has also launched a range of products for kids in Indonesia and several hair colour products in Argentina. These launches will surely help the company to form a strong brand base globally.

### Market Data

CMP (₹)	658.0
Target Price	<b>740.0</b>
Stop Loss	626.0
Duration	Short-term
52-week High-Low (₹)	702.0 / 355.0
Rise from 52WL (%)	85.4
Correction from 52WH (%)	(6.3)
Beta	0.04
1 year Average Volume (mn)	0.3
	3M- 18.7
Stock Return (%)	6M- 36.7
	9M- 68.2
Market Cap (₹bn)	224.6
Enterprise Value (₹bn)	234.8

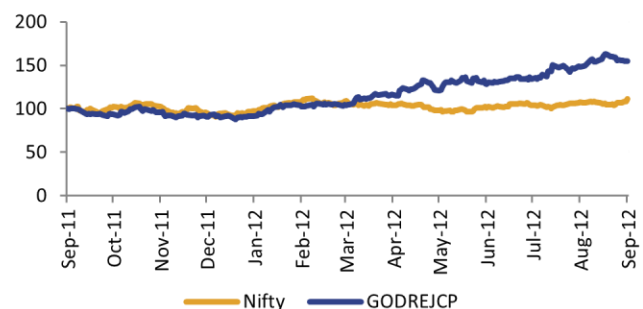
### Shareholding Pattern

	Jun'12	Mar'12	Chg
Promoters (%)	64.0	64.0	-
FII (%)	27.2	25.3	1.9
DII (%)	1.0	1.7	(0.7)
Public & Others (%)	7.8	9.0	(1.2)

### Quarterly Performance

(₹ bn)	Q1 FY'13	Q1 FY'12	Q4 FY'12	YoY Change(%)	QoQ Change(%)
Revenue	13.9	10.0	13.2	39.2	5.0
Op. exp	11.9	8.6	10.7	39.1	10.7
EBITDA	2.0	1.5	2.5	38.2	(19.1)
OPM	14.5	14.6	18.9	(9bps)	(434bps)
Net profit	1.3	2.4	1.9	(45.5)	(32.3)
NPM (%)	9.3	23.7	14.3	(1439bps)	(507bps)
EPS	3.8	7.4	5.8	(48.2)	(34.3)

### One Year Price Chart





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