

Godrej Consumer Products Limited

On an acquisition spree - ALERT

Neutral

GOCP.BO, GCPL IN

Price: Rs326.00

02 June 2010

- Godrej Consumer announced another acquisition in Latin America further strengthening its position in the hair color space in Argentina. GCPL announced acquisition of Argencos which dominates the hair styling spray segment (with 50% market share) and also has presence in the mid-price hair color space (17% market share in the kit format in hair colors) in Argentina.
- This follows GCPL's acquisition of Issue Group which was announced last month. Issue Group dominates the mass hair color segment in Argentina with over 20% volume market share. It also has dominant presence in hair colors in other Latin American markets like Peru, Uruguay and Paraguay and has emerging presence in Brazil. Issue Group had revenues of US\$33mn in 2009.
- With these two acquisitions GCPL will now command over 25% share in hair colorant market in Argentina which is estimated to be worth US\$200mn and growing at a CAGR of 22% over past two years. Management expects significant synergies from combination of these two businesses across the value chain which will be further leveraged to expand GCPL's presence in other Latin American markets particularly Brazil.
- Both these companies have combined turnover of US\$45mn and equity value of these transactions has been pegged at US\$43mn implying P/Sales of ~1x. While not much in the way of financial detail on profitability of these businesses has been disclosed so far, management has indicated that these are likely to be earnings accretive.
- These acquisitions fit well with GCPL's strategy of pursuing a global emerging market footprint. Over past few months, the company has announced the acquisition of Megasari, a leading household care company in Indonesia and acquisition of Tura, a leading personal care company with wide presence in soaps and skin care segment in Nigeria. These acquisitions provide GCPL a strong platform to launch and expand its portfolio of hair care and personal care products into African, Indonesian and now Latin American markets.
- GCPL is hosting an investor/analyst call on Monday June 7th to discuss recent acquisitions and company's strategies. Dial in numbers are 91 22 3065 0122/ 6629 0301.

Cosmetics & Personal Care

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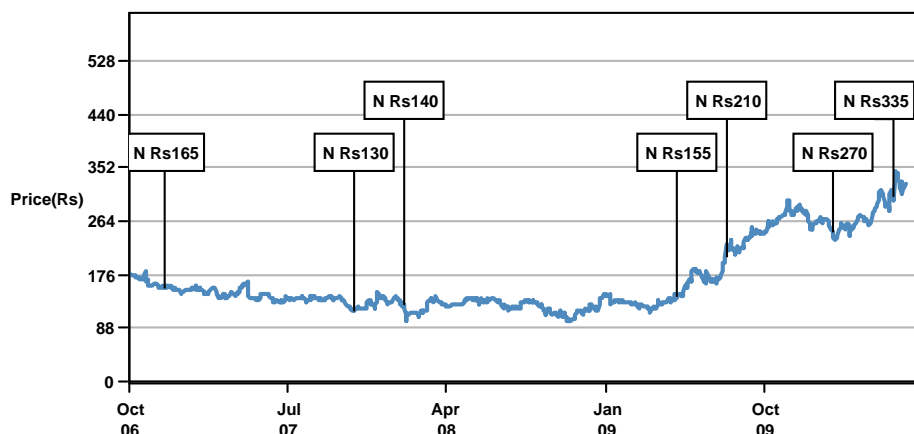
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Godrej Consumer Products Limited (GOCP.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
30-Nov-06	N	155.24	165.00
25-Oct-07	N	115.53	130.00
18-Jan-08	N	125.75	140.00
03-May-09	N	141.15	155.00
27-Jul-09	N	207.45	210.00
26-Jan-10	N	247.00	270.00
10-May-10	N	304.90	335.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
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