



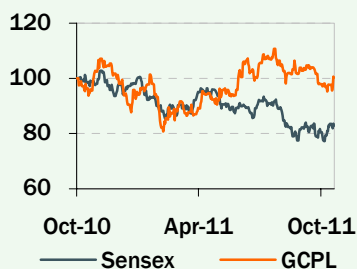
Godrej Consumer Products

 Relative to sector: **Outperformer**
Hemant Patel

 Executive Director – Consumer
 Email: hemantp@enam.com
 Tel: 9122 6754 7617

Ajay Thakur

 AVP – Consumer
 Email: ajay.thakur@enam.com

Relative Performance


Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 324 mn
Market cap	: Rs 130.7 bn
52 week high/low	: Rs 464/ Rs 325
Avg. daily vol. (6mth)	: 274,400 shares
Bloomberg code	: GCPL IB
Reuters code	: GOCP.BO

Shareholding (%)	Jun-11	QoQ chg
Promoters	: 67.3	0.0
FIs	: 19.3	(0.2)
MFs / UTI	: 1.8	0.5
Banks / FIs	: 0.4	(0.0)
Others	: 11.2	(0.3)

OUTSTANDING GROWTH ACROSS THE BUSINESSES

Godrej Consumer Products (GCPL) reported consol. revenue of Rs 11.9 bn ($\uparrow 23\%$), EBITDA of Rs 2.1 bn ($\uparrow 25\%$) and adj. PAT of Rs 1.5 bn ($\uparrow 22\%$) in Q2FY12 – in-line with our expectations. Reported PAT, however, declined 3% to Rs 1.3 bn due to forex MTM losses of Rs 165 mn. The EBITDA expansion of 240 bps in int'l operations and continued strong traction in the domestic biz have been the key highlights during the qtr. We have fine-tuned our EPS ests upwards for FY12E & FY13E by 4% & 2% resp. The stock currently trades at 20x 1-yr-fwd EPS, lower than its 5-yr upper quartile range of 22x. We maintain our **Buy Rating** on GCPL with a revised TP of Rs 485 (22x FY13E EPS).

Key highlights

- **Domestic biz (65% of consol. rev) on a firm footing with rev growth of 24% YoY** – led by 32% rev growth in soaps (vol growth of 19%) and 29% rev growth in Household insecticide (vol growth of 26%) – ahead of their respective category growth. Hair color grew 15% (vol growth of ~7-8%). The strong sales momentum in soaps & HI segments could be attributed to new launches, higher promotions, distribution synergy due from Godrej Sara Lee JV acquisition and increasing rural distribution. The management has indicated towards higher Ad spends to support its brands and new launches.
- **Operating margins for GCPL improved 24 bps YoY and 330 bps QoQ to 17.6% in Q2.** This was helped by lower palm oil prices and price hike taken by the company. However, depreciation of rupee and rebound in Palm oil prices pose risk to gross margins in the soaps segment. Our FY12E EBITDA margin of 17.4% is 20bps lower than FY11 EBITDA margin.

(Continued on Page 2...)
Financial Summary (Consolidated)

Y/E Mar	Net Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2010	20,437	3,389	-	11.0	60	-	44.5	46.9	-	4.6
2011	36,461	4,746	-	14.7	33	-	35.4	27.8	-	4.5
2012E	46,685	5,715	17.9	17.7	20	22.9	30.1	20.1	17.6	5.8
2013E	57,663	7,145	21.9	22.1	25	18.3	31.0	22.5	14.0	6.8

Source: *Consensus broker estimates, Company, ENAM estimates

Result Update

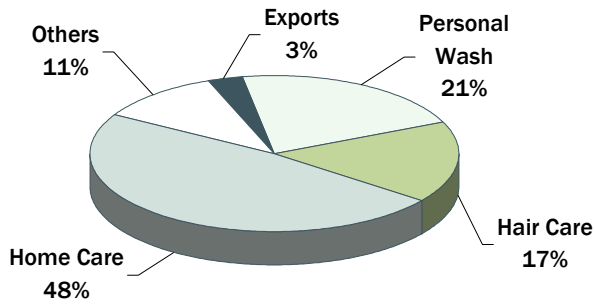
(Rs mn)	Quarter ended					12 months ended		
	Sep-11	Sep-10	% Chg	Jun-11	% Chg	Mar-12E	Mar-11	% Chg
Net Sales	11,860	9,615	23.3	9,978	18.9	46,685	36,461	28.0
EBITDA	2,088	1,670	25.1	1,428	46.2	8,557	6,793	26.0
Other income	220	120	83.0	214	2.4	350	273	28.1
PBIDT	2,308	1,790	29.0	1,642	40.5	8,907	7,066	26.1
Depreciation	159	151	5.9	159	0.2	593	499	18.9
Interest	241	89	171.2	192	25.5	891	519	71.6
PBT	1,908	1,550	23.0	1,291	47.7	7,422	6,048	22.7
Tax	432	338	27.7	305	41.4	1,707	1,302	31.1
Adjusted PAT	1,476	1,212	21.7	986	49.7	5,715	4,746	20.4
Extra ordinary income/ (exp.)	(199)	99	(301.6)	1,407	(114.1)	1,200	402	198.9
Reported PAT	1,277	1,311	(2.6)	2,393	(46.6)	6,915	5,147	34.4
No. of shares (mn)	324	324	-	324	-	324	324	-
EBITDA margin (%)	17.6	17.4	-	14.3	-	18.3	18.6	-
PBIDT margin (%)	19.5	18.6	-	16.5	-	19.1	19.4	-
EPS - annualized (Rs.)	18.2	15.0	21.7	12.2	49.8	17.7	14.7	20.4

Source: Company, ENAM Research

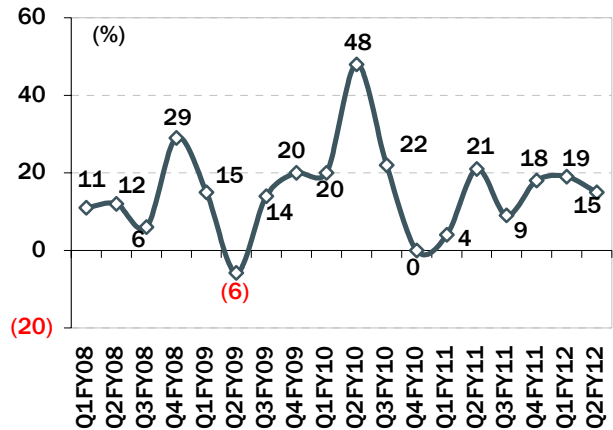
(... Continued from Page 1)

- **Int'l operations (35% of consol. rev) reported 24% growth in revenues** to Rs 4.2 bn in Q2. EBITDA grew 72% YoY with EBITDA margins improving by 240 bps to 15.8%. This could be attributed to successful new product launches, mix improvement and cost management.
- **Megasari (largest Int'l subsidiary, ~50% of Int'l biz revenues) witnessed 27% sales growth (20% growth in constant currency terms) through distribution expansion and NPD's.** During the quarter, Stella car fresheners, Stella Bathroom and Mitu milk bath were launched in Indonesia. African subsidiary reported strong 47% growth (including Darling acquisition) in sales with ~28% organic growth. The Darling acquisition could lead to improvement in EBITDA margins in Africa, due to the better margin profile of its products and synergistic benefit to Kinky from Darling group. We expect the Darling group acquisition to contribute Rs 2.3 bn to FY12E sales with Rs 306 mn of profit contribution. The outlook for the international business, as a whole, remains strong and we expect revenues to grow by 39% in FY12E.
- **Forex MTM losses of Rs 165 mn included:** a) impact of import exposure in standalone entity to the tune of Rs 850 mn and b) impact of revaluation of inter company loans in the overseas subsidiaries to the tune of Rs 800 mn

Consol. revenue mix – FY11

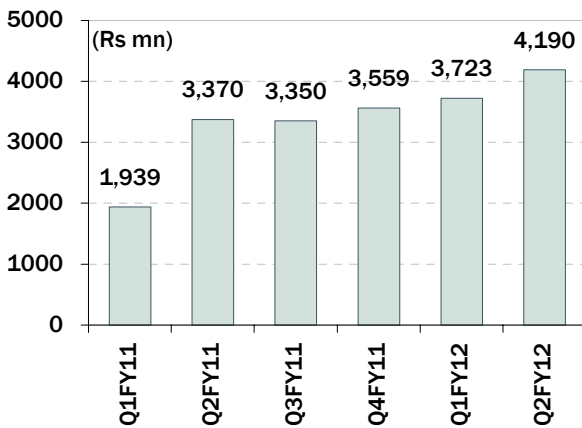


Hair Colour: Sales growth

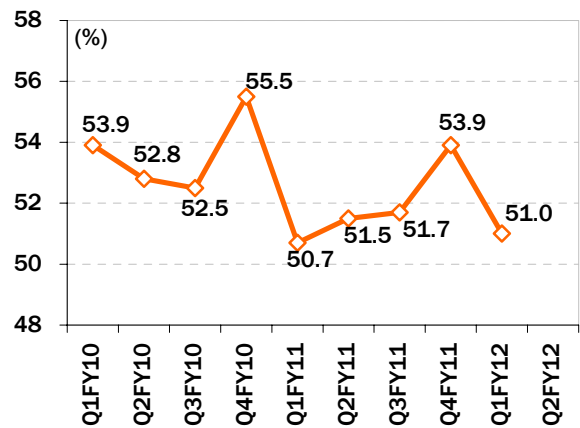


Source: Company

International biz revenues

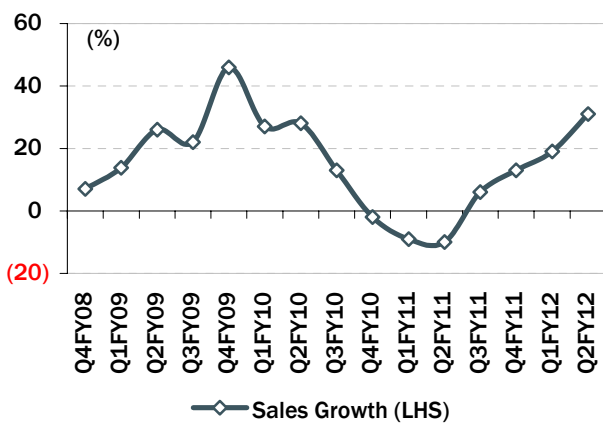


Gross margins

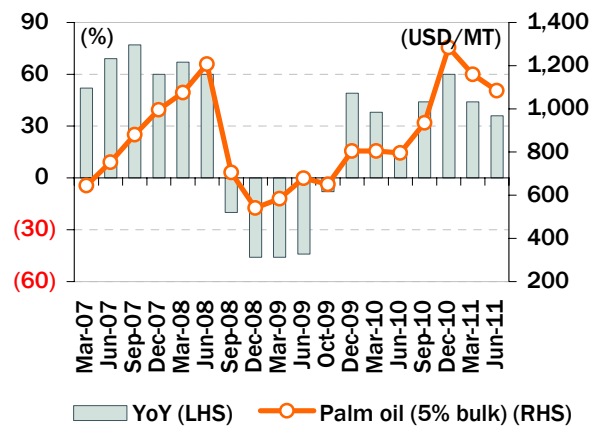


Source: Company, ENAM Research

Soaps: Sales growth

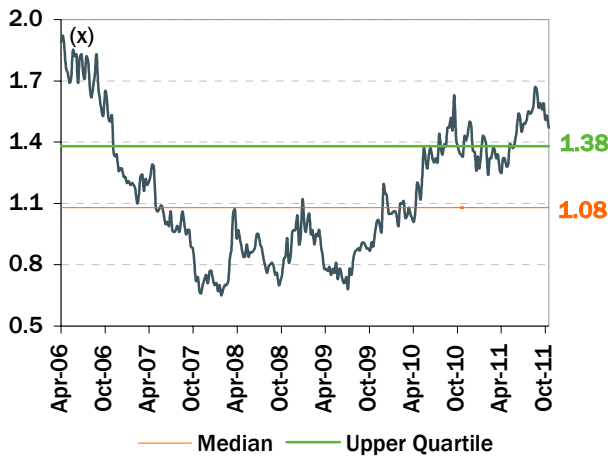


Palm oil prices

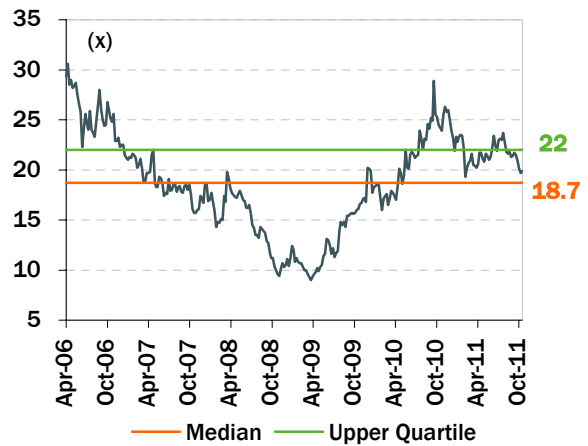


Source: Company, ENAM Research

GCPL P/E relative to Sensex P/E



GCPL – 1-yr rolling forward P/E



Source: ENAM Research, Bloomberg

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with ENAM Securities Private Limited.