

- Consolidated net sales surged by 36% yoy to Rs9.5bn in FY07 driven by strong 21% and 29% growth in soaps and hair colour segment respectively.
- Keyline recorded revenues of Rs1.7bn and net profit of Rs139mn while Rapidol registered revenues of Rs276mn and net profit of Rs30mn.
- Margins down by 130bps to 18.9% due to higher raw material and overhead cost. EBIT margins in soaps and personal care segment were under pressure.
- Post extraordinary items net profit rose by 19% yoy to Rs1.4bn.

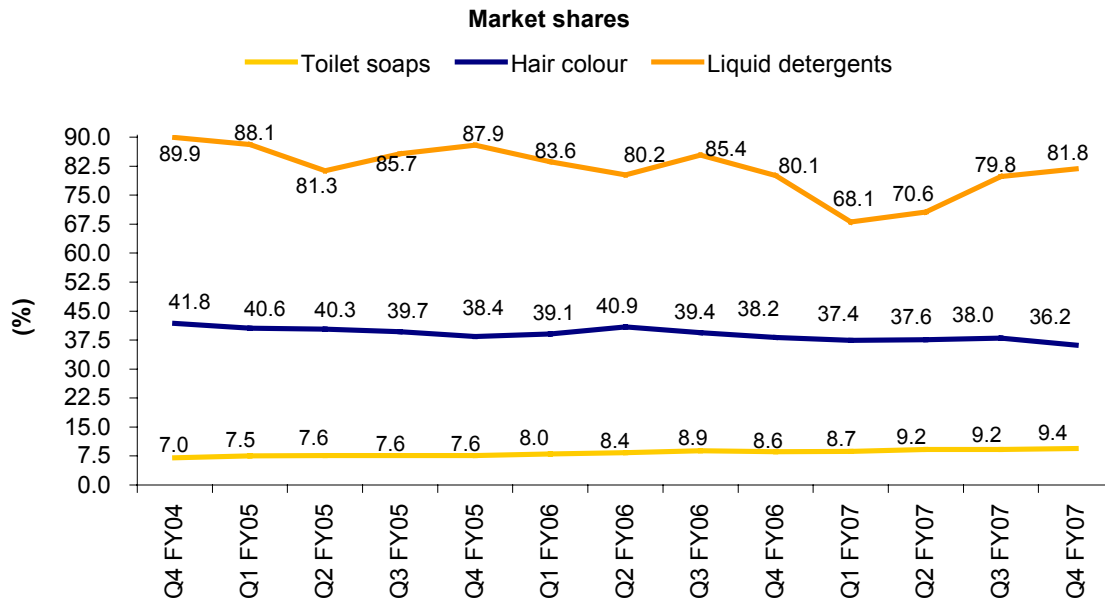
Financials Highlights

Period to	03/07	03/06	Growth	03/07	03/06	Growth
(Rs mn)	(3)	(3)	(%)	(12)	(12)	(%)
Gross sales	2,485	1,992	24.8	9,914	7,343	35.0
Excise duty	(61)	(77)	(20.7)	(381)	(346)	10.2
Net Sales	2,424	1,915	26.6	9,532	6,997	36.2
Expenditure	(1,993)	(1,534)	30.0	(7,735)	(5,585)	38.5
Operating profit	431	381	13.0	1,797	1,413	27.2
Other income	6	7	(4.5)	27	88	(69.8)
Interest	(20)	(21)	(6.5)	(96)	(65)	48.8
Depreciation	(45)	(31)	43.8	(142)	(115)	23.8
PBT	372	335	11.0	1,585	1,321	20.0
Tax	(64)	(34)	87.2	(243)	(113)	115.8
PAT	308	301	2.3	1,342	1,208	11.1
Extraordinary items	86	5	-	99	5	-
APAT	394	306	28.7	1,440	1,213	18.7
OPM (%)	17.8	19.9	-	18.9	20.2	-
Equity	226	226	-	226	226	-
Annualized EPS (FV - Re1)	7.0	5.4		6.4	5.4	
P/E (x), CMP-Rs139	20.0			21.9		

Strong growth in soaps and hair colour sales drives topline

Godrej Consumer Product Ltd (GCPL) recorded 36.2% yoy growth in net sales at Rs9.5bn during FY07, driven by 21% yoy growth in toilet soaps at Rs4.8bn. The hair color revenues jumped by 28.7% yoy to Rs2.1bn (standalone Rs1.8bn). Toiletries sales increased sharply to Rs2.1bn from Rs818mn in FY06. The company had taken a price hike of ~5-8% in soaps and 12.5% in hair dyes during Q3 FY07. On yoy basis, GCPL's market share in soaps and liquid detergents segment improved by 80bps and 170bps to 9.4% and 81.8% respectively. However, market share of hair colour segment dipped by 200bps to 36.2%.

Segmentwise trend in market shares



Source: Company, India Infoline Research

Godrej brands record strong 39% growth

Godrej brands sales grew by 38.6% yoy to Rs9.4bn, driven by continued growth in toilet soaps and hair color segment and sharp rise in toiletries sales. Toilet soap sales recorded a 21% yoy growth aided by strong growth in Cinthol, FairGlow and Godrej No. 1 (recorded sales of over Rs3bn). Hair colour segment recorded 28.7% yoy (standalone 12%) growth during the year. Toiletries sales increased significantly by 162.7% yoy (standalone 20.3% growth) driven by strong growth in talcum powder, shaving cream and Snuggly diapers. Revenues from the liquid detergent's (Ezee) segment declined by 2.2% yoy to Rs388mn mainly due to delayed winter season.

Segmental breakup

Segments	Q4 FY07	Q4 FY06	% yoy	FY07	FY06	% yoy
Soaps	1,179	985	19.7	4,751	3,927	21.0
Hair Colour	541	430	25.8	2,091	1,625	28.7
Toiletries	612	418	46.5	2,149	818	162.7
Liquid Detergents	53	44	19.4	388	397	(2.2)
Godrej Brands	2,386	1,878	27.0	9,380	6,768	38.6
Contract Manufacturing	0	0	-	0	78	-
By products sale	39	37	3.5	153	151	1.2
Total	2,424	1,915	26.6	9,532	6,997	36.2

International operations gaining momentum

Keyline Brands Ltd (KBL) recorded net sales of Rs1.7bn driven by the strong growth in major brands - Cuticura & Inecto and a net profit of Rs139mn during the year. KBL introduced the Inecto hand hygiene range in UK and Ireland and also re-launched Aapri in the face care segment and Erasmic in men's grooming portfolio. GCPL has started

exports of Godrej powder hair dye to Keyline brands with a EU compliant product. Rapidol (acquired on September 01, 2006) recorded revenues of Rs276mn and net profit of Rs30mn during the seven months ended March 2007. The company launched Inecto Plus colour cream in six variants in Africa and commenced sourcing Inecto powder hair colour in 10gms bottle from GCPL during Q4 FY07.

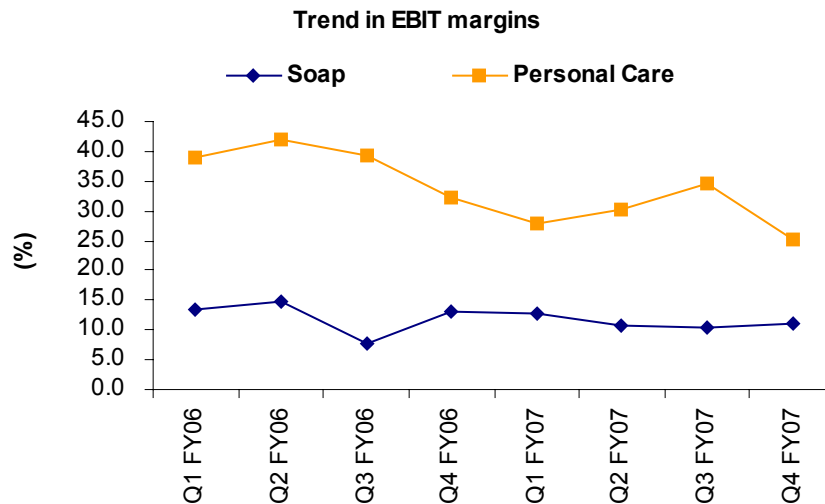
Margins continue to remain under pressure

Operating margins dipped by 130bps to 18.9% due to sharp increase in raw material cost (46.6% of net sales in FY06 to 48.5% in FY07 - on account of firm palm and vegetable oil prices), higher overheads (up 60bps) and faster growth in low margin soap segment. In absolute terms adspend increased sharply by 34.8% yoy to Rs771mn. Lower staff cost (down 110bps) restricted further margin erosion.

Cost analysis

Period	03/07	03/06	Inc/Dec	03/07	03/06	Inc/Dec
As % of net sales	(3)	(3)		(12)	(12)	
RM/Stk	46.2	44.9	1.4	48.5	46.6	1.9
Staff	5.3	7.6	(2.4)	5.7	6.8	(1.1)
Advertisement	8.9	9.7	(0.8)	8.1	8.2	(0.1)
Other	21.8	17.9	3.9	18.9	18.2	0.6

Segment results reveal that EBIT margins in both the soaps and personal care division remained under pressure during the year. Margins in the soaps segment (contributing 51.2% to revenues and 28.8% to profitability) were down by 110bps to 11.3%. While, personal care segment (contributing 48.8% to revenues and 71.2% to profitability) recorded a sharp dip in margins by 780bps to 29.4%.



Source: Company, India Infoline Research

Adjusted net profit up 19%

PBT for the year grew by 20% yoy to Rs1.6bn. The growth could have been higher but for lower other income and higher interest and depreciation cost. Effective tax rate was at 15.4%, resulting in a tax outgo of Rs243mn. Net profit for the year increased by 11.1% yoy to Rs1.3bn. Adjusted net profit after extraordinary items (profit from Snuggy sale - Rs50.7mn, tax adjustments in respect of previous years - Rs48.1mn) rose by 18.7% yoy to Rs1.4bn translating into an EPS of Rs6.4. GCPL announced a final dividend of Rs1.25 per share resulting in a total dividend of Rs3.75 per share for the year.

Quarterly performance

GCPL recorded 26.6% yoy (1.8% qoq) growth in net sales at Rs2.4bn during Q4 FY07, driven by 19.7% yoy growth (against 7.7% industry growth) in toilet soaps at Rs1.2bn. Revenues in the hair color and toiletries segment increased by 25.8% yoy and 46.5% yoy to Rs541mn and Rs612mn respectively. Operating margins dipped by 210bps (down 390bps qoq) to 17.8% due to sharp rise in raw material cost (44.9% of net sales in Q4 FY06 to 46.2% in Q4 FY07) and overheads (up 390bps) cost. EBIT margins in the soaps and personal care segment dipped by 180bps and 680bps respectively. Adjusted net profit after extraordinary items grew by 28.7% yoy to Rs394mn

GCPL & SCA Hygiene Products JV

GCPL has formed a joint venture (50:50) with SCA Hygiene Products AB, Sweden. Godrej SCA Hygiene Ltd will manufacture and market paper based absorbent hygiene products, specifically sanitary napkins and baby diapers in India. GCPL has sold its Snuggy brand (profit from sale - Rs50.7mn) to this company. The JV plans to introduce SCA's global brands and set up manufacturing operations in India. It also plans to market the products in India, Nepal and Bhutan while the distribution will be managed by GCPL.

Outlook

GCPL commenced commercial production of hair colour and toiletries at its new Sikkim facility during March 2007 and toilet soaps in its new facility at Katha from December 14, 2006. The additional capacities will help the company to meet the increasing demand and enhance efficiencies.

GCPL has recorded strong growth in toilet soaps segment however slower growth the high margin hair colour segment remains an area of concern. The steep price hike taken by the company has resulted in drop in volumes. GCPL is also facing severe competition from players like Emami, L'Oreal and Garnier. On the international business front the company expects Rapidol (robust) and Keyline (high single digit or low double digit) to record strong growth going forward.

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