



GCPL Q4FY12 Result Update

Recommendation

| | |
|--------------|---------|
| CMP | Rs. 540 |
| Target Price | Rs. 609 |
| Sector | FMCG |
| Return (%) | 13% |

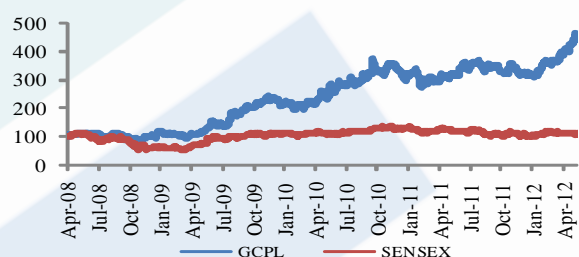
Stock Data

| | |
|------------------------|-----------|
| Bloomberg | GCPL |
| BSE Code | 532424 |
| NSE Code | GODREJCP |
| 52 Weeks High/Low | 583 / 370 |
| Market Cap (Rs in Cr.) | 18656 |

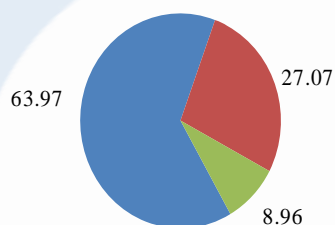
| Description | FY10 | FY11 | FY12 | FY13E |
|----------------|---------------|---------------|---------------|---------------|
| Revenue | 2044 | 3646 | 4851 | 6229 |
| EBITDA | 455 | 714 | 913 | 1461 |
| <i>EBITDAM</i> | <i>21.84%</i> | <i>19.16%</i> | <i>18.11%</i> | <i>22.82%</i> |
| PBT | 420 | 612 | 782 | 1304 |
| PAT | 340 | 482 | 556 | 985 |
| <i>PATM</i> | <i>16.31%</i> | <i>12.93%</i> | <i>11.04%</i> | <i>15.38%</i> |
| EPS | 11.02 | 14.88 | 16.36 | 28.94 |

Rs in Cr.

ITC v/s Sensex



Shareholding Pattern as on March 2012



■ Promoters ■ Institutions ■ Non-Institutions

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Result Highlights

GCPL clocked a quarter of strong growth of 31.59% on a consolidated basis. The Indian subcontinent posted a strong growth rate of 23% whereas the International business businesses grew even stronger with 49% organic sales. EBITDA grew by 39% to Rs. 247 Crs. on a consolidated basis, with margins going up by 102 bps to 18.9%. Net Profit jumped to Rs. 196 Crs., a rise of 46% y-o-y.

EBITDA Margins improve

EBITDA for the quarter grew by 39% yoy at Rs. 247 Crs against Rs. 178 Crs. in the same quarter previous fiscal. Improvement of 102bps was seen in the margins on account of favorable sales mix, cost effective measures led by integration, efficient commodity sourcing and effective advertising cost management. The company had a buying price 5% lower for PFAD than the average replacement rate in the current financial year. The company was successful in reducing freight cost.

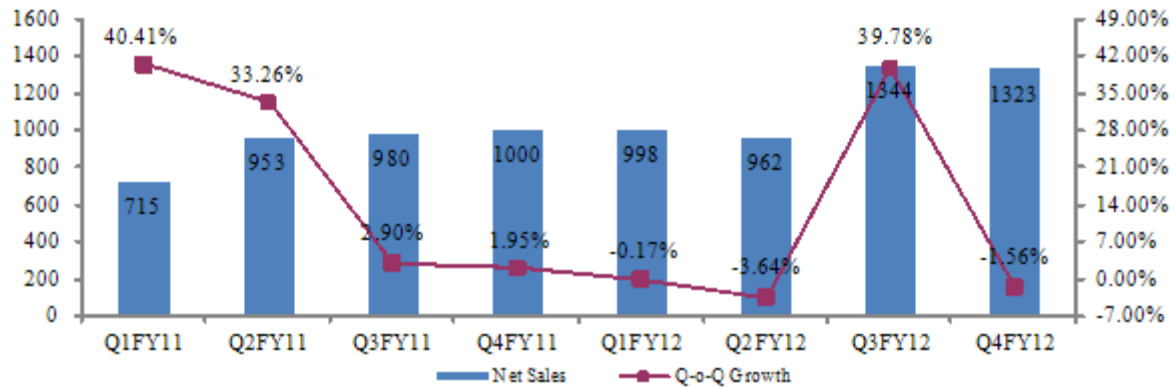
Q4FY12 - Result Update

| Particulars (INR in crore) | Q4FY12 | Q3FY12 | Q4FY11 | Q-o-Q (%) | Y-o-Y (%) |
|--------------------------------------|--------|--------|--------|-----------|-----------|
| Net Sales | 1325 | 1351 | 1007 | (1.92%) | 31.6% |
| Other Operating Income | 2 | 2 | 7 | (72.0%) | (74.18%) |
| Other Income | 18 | 18 | 29 | 2.1% | (35.9%) |
| Raw Material Cost | 638 | 556 | 409 | 14.7% | 55.8% |
| Raw Material Cost (% of Net Sales) | 48.2% | 41.4% | 41% | 697bps | 747bps |
| Employee Cost | 120 | 111 | 72 | 8.5% | 67.0% |
| Total Expenditure | 1076 | 1084 | 822 | (0.8%) | 30.9% |
| EBITDA | 247 | 260 | 178 | (4.78%) | 39.2% |
| EBITDA Margin | 18.7% | 19.3% | 17.8% | (56)bps | 102bps |
| Depreciation | 16 | 17 | 13 | (8.9%) | 17.0% |
| EBIT | 250 | 261 | 193 | (4.0%) | 29.5% |
| Interest | 19 | 29 | 19 | (32.6%) | 1.1% |
| PBT | 256 | 232 | 174 | 10.3% | 47.0% |
| Tax | 60 | 55 | 40 | 8.29% | 51.4% |
| Net Profit | 196 | 177 | 134 | 10.9% | 45.7% |



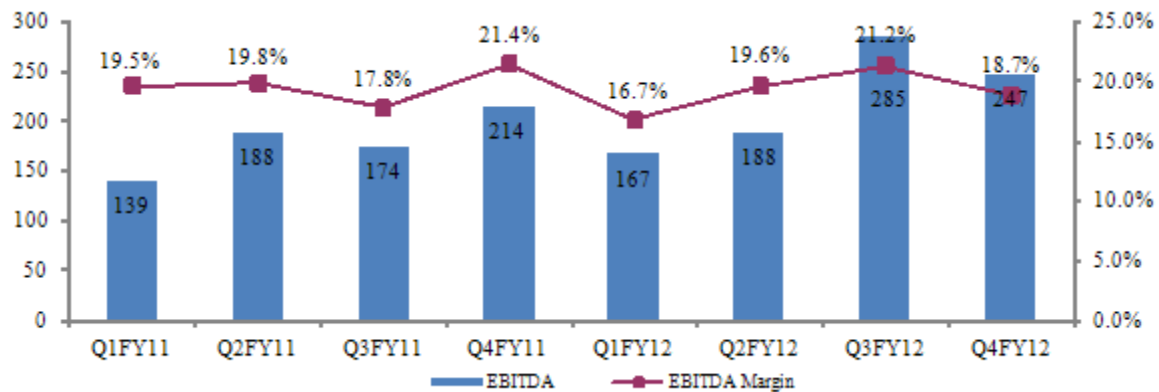
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Sales growth



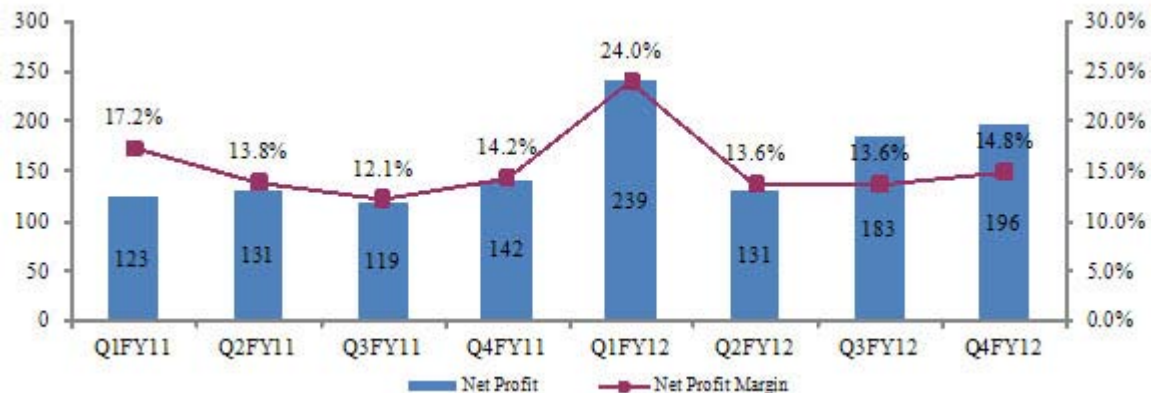
Source: Padmakshi Research

EBITDA Margin



Source: Padmakshi Research

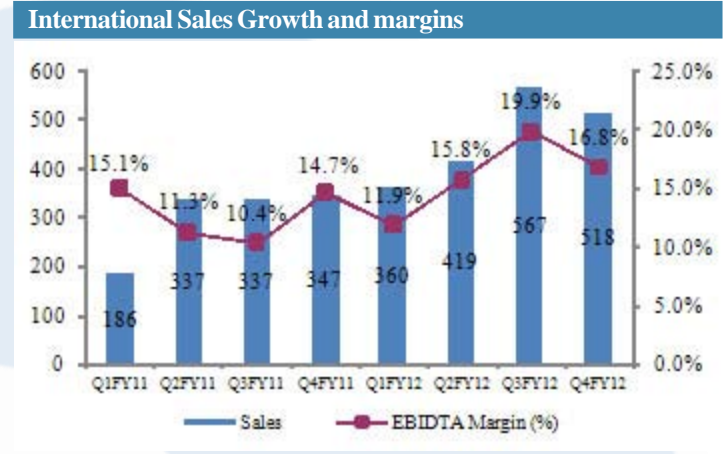
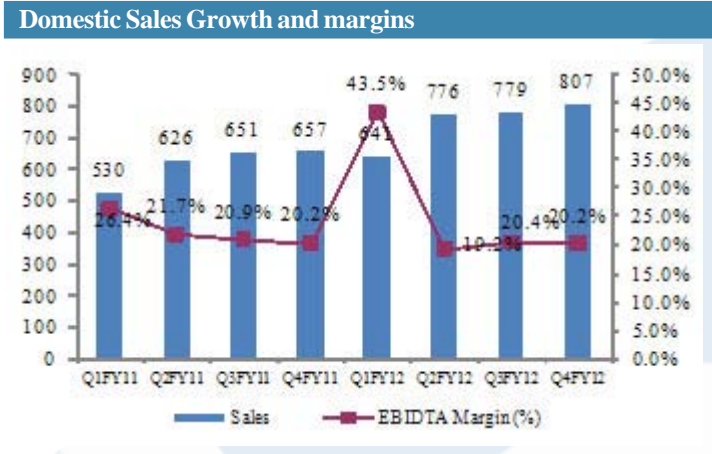
PAT



Source: Padmakshi Research



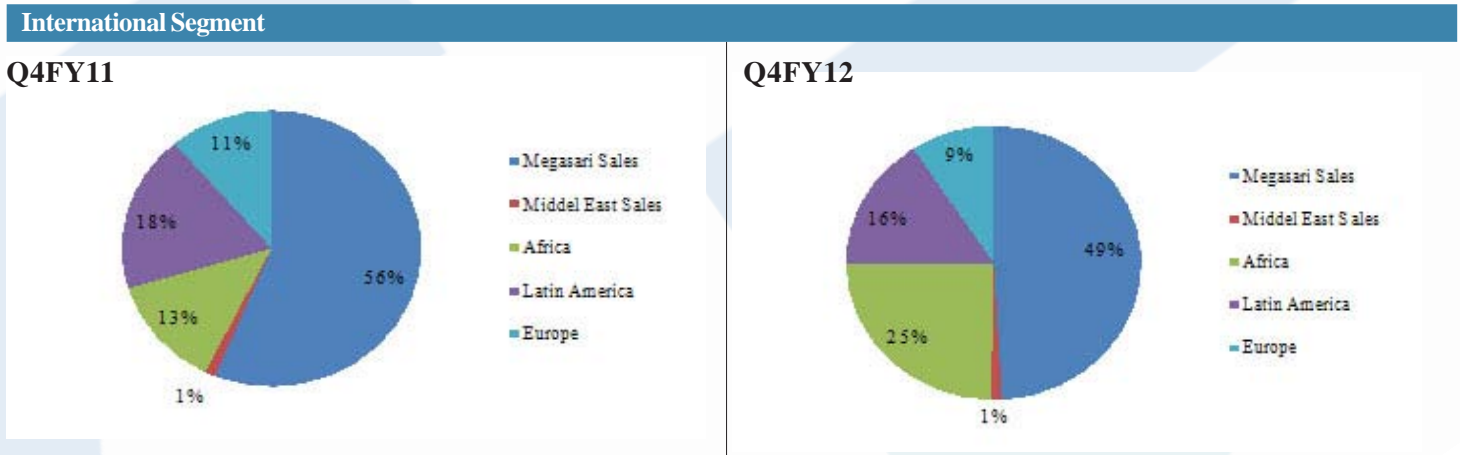
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Source: Padmakshi Research

International Growth higher than the Domestic

International business segments posted a strong quarter with a growth of 49%. The major contributor to this growth was Indonesia with a growth of 31% at Rs. 255 Crs. from the Megasari business. The African business posted revenues of Rs. 128 Crs. on account of Rapidol, Kinky, Tura and Darling businesses. The growth was strong due to the newly added Darling business and an effect of low base in the previous year. The LATAM business grew by 28% at Rs. 82 Crs. followed by the European business that grew by 23% at Rs. 48 Crs. The company expects that in the next couple of years the business of Africa and LATAM will start contributing more than the current figures of 25% and 16%. By this the company says that these emerging markets will start contribution higher in the international business segment pie. On the EBITDA front; Megasari continued to post higher EBITDA margins to the tune of 20.7%, the African business registered margins of 19.3% LATAM at 16.3% and European business at 10.5%



Source: Padmakshi Research



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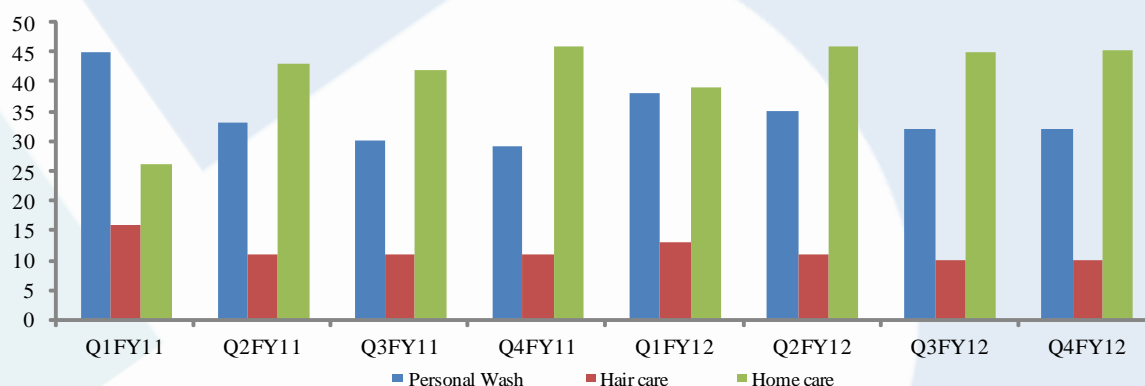
Household Insecticides and Personal Wash lead; Hair care drags

Household insecticide segments under the brands Goodknight and HIT posted 3 times more than the industry growth rate of 9%. A growth of 28% was achieved on account of market leadership which was achieved through better distribution efforts and effective marketing strategies.

Personal care segment too posted a growth of 30%; as compared to the industry growth of 20%. This growth was mainly a volume growth of 17% as against the industry volume growth of mere 4%.

The hair care segment posted growth of 13% less than the industry average of 20%.

Segmental Revenues



Source: Padmakshi Research

Key Takeaways from the management meet

GCPL has had high penetration levels across all its business areas. It has a penetration level of 15.5% in the Home insecticide; 6.7% in the Soaps category and a mere 0.2% in the Hair care segment. The company intends to focus on emerging markets and an intention to drive international growth. The company for the same has increased its reach by addition of 20000 direct outlets in Indonesia, innovation driven products which contribute to 5% sales. The coils business in Indonesia has gained a market share of 9% against 1% in FY11. The working capital cycle has also reduced by 30 days in this geographical market. In Argentina, there have been expansions of 200 bps in gross margins and 160 bps in the EBITDA margin under the Issue and Argencos businesses. Modern trade contributed to 5.5% of the Indian business. The Debt-Equity ratio now stands at 0.43 as compared to 0.96 in FY11. The company has managed to achieve low cost debt and has its debt repayment spread over the next 6 years.

Valuation

With the successful integration of the darling group, the newly acquired cosmetica group in Chile and the potential with which the company has crossed the 5 bn sales mark in this financial year, we believe its growth story is gradually unfolding. We expect the company's revenues to post a CAGR of 30% over FY 11- FY 13E. At CMP of Rs. 555, the stock is trading at 19x FY13E EPS of Rs. 28.94. We continue to maintain our HOLD view on the stock with a target price of Rs. 609.



GCPL Q4FY12 Result Update

| Income Statement (INR Crs.) | | | | | |
|-------------------------------------|------|------|------|------|-------|
| | FY09 | FY10 | FY11 | FY12 | FY13E |
| Net Revenues | 1397 | 2044 | 3646 | 4851 | 6229 |
| Add:- Non operating Income | 36 | 44 | 70 | 52 | 64 |
| EBITDA | 247 | 455 | 714 | 913 | 1461 |
| Less :- Depreciation & Amortization | 19 | 24 | 50 | 64 | 72 |
| EBIT | 228 | 431 | 664 | 848 | 1389 |
| Less:- Interest Expenses | 19 | 11 | 52 | 66 | 85 |
| PBT | 209 | 420 | 612 | 782 | 1304 |
| Less :- Taxes | 36 | 80 | 130 | 226 | 320 |
| Net Profit | 173 | 340 | 482 | 556 | 985 |
| Add/Less: - Extra-ordinaries | 0 | 0 | 33 | 176 | 0 |
| Consolidated Net Profit | 173 | 340 | 515 | 732 | 985 |

| Balance Sheet (INR Crs.) | | | | | |
|---------------------------------|------|------|------|------|-------|
| | FY09 | FY10 | FY11 | FY12 | FY13E |
| Share Capital | 26 | 31 | 32 | 34 | 34 |
| Reserves | 546 | 924 | 1693 | 2490 | 3221 |
| Borrowings | 278 | 37 | 2005 | 1558 | 1804 |
| Total Liabilities | 853 | 998 | 3732 | 4180 | 5071 |
| Gross Block | 337 | 415 | 1915 | 1584 | 2200 |
| Less:- Accumulated Depreciation | 110 | 153 | 377 | 442 | 514 |
| Net Block | 227 | 262 | 1537 | 1142 | 1686 |
| Investments | 8 | 67 | 0 | 0 | 0 |
| Net Working Capital | 403 | 357 | 639 | 425 | 738 |
| Total Assets | 853 | 998 | 3732 | 4180 | 5071 |



GCPL Q4FY12 Result Update

Cash Flow Statement (INR Crs.)

| | FY09 | FY10 | FY11 | FY12 | FY13E |
|--|-------|-------|--------|-------|-------|
| Profit Before Tax | 209 | 420 | 612 | 782 | 1304 |
| Cash profit adjusted for non cash items | 2 | 10 | 68 | 118 | 140 |
| Changes In working Capital | (35) | (13) | (373) | 189 | 34 |
| Cash Flow after changes in Working Capital | 176 | 416 | 307 | 1089 | 1478 |
| Cash From Operating Activities | 143 | 338 | 206 | 1089 | 1472 |
| Cash Flow from Investing Activities | (142) | (24) | (2364) | (274) | (723) |
| Cash from Financing Activities | 334 | (361) | 2237 | (784) | (378) |
| Net Cash Inflow / Outflow | 336 | (47) | 79 | 31 | 376 |
| Opening Cash & Cash Equivalents | 43 | 378 | 305 | 227 | 258 |
| Closing Cash & Cash Equivalent | 378 | 305 | 227 | 258 | 634 |

Ratio Analysis

| | FY09 | FY10 | FY11 | FY12 | FY13E |
|--|---------|---------|--------|--------|--------|
| Income Statement Ratios(%) | | | | | |
| Revenue Growth | 26.51% | 46.33% | 78.41% | 33.05% | 28.41% |
| EBITDA Growth | 12.16% | 83.82% | 56.97% | 27.89% | 60.10% |
| PAT Growth | 880.63% | -15.64% | 1.85% | 2.90% | 19.58% |
| EBITDA Margin | 17.19% | 21.81% | 19.14% | 18.10% | 22.81% |
| Net Margin | 12.04% | 16.29% | 12.92% | 11.03% | 15.38% |
| Return & Liquidity Ratios | | | | | |
| Net Debt/Equity (x) | 0.49 | 0.04 | 1.16 | 0.62 | 0.55 |
| ROE (%) | 46.63 | 44.50 | 35.94 | 26.19 | 34.09 |
| ROCE (%) | 37.36 | 46.56 | 28.06 | 21.44 | 30.03 |
| Per Share data & Valuation Ratios | | | | | |
| EPS (INR/Share) | 6.74 | 11.02 | 14.88 | 16.35 | 28.94 |
| DPS (INR/Share) | 3.26 | 4.08 | 5.04 | 6.54 | 13.02 |
| P/E Ratio (x) | 80.09 | 49.01 | 36.28 | 33.03 | 18066 |
| EV/EBITDA (x) | 55.70 | 36.02 | 26.98 | 22.45 | 13.39 |
| EV/Net Sales (x) | 9.86 | 8.01 | 5.28 | 4.04 | 3.14 |
| P/BV (x) | 24.28 | 17.43 | 10.13 | 7.28 | 5.65 |



GCPL Q4FY12 Result Update

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