

Godrej Consumer Products LtdCMP ₹ 566.75
EXITResult Update
Q4FY12

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- Strong topline and bottomline growth
- International businesses growing well
- Domestic Hair colours business - lacklustre

Godrej Consumer Products Ltd (GCPL) reported a strong set of numbers for the quarter and the year ended March 2012.

On a quarterly consolidated basis, Y-o-Y, the company registered a topline growth of 31% from ₹10,110.4 Mn to ₹13,230.4 Mn. The numbers are not fully comparable because of the acquisitions during the course of last 12 months.

At the domestic level, the household insecticides and soaps business continued to grow well while hair care continued to face headwinds. Household insecticides sales have grown by 28% while the category grew at 9%. Domestic soaps business grew by 30% over Q4FY11. 17% of this was volume-led. Hair Colors business however grew slower than the category. It grew by 13% while category growth was 22%.

The Indonesian business (Megasari Group) continued its impressive performance. Sales grew by 30% (20% in local currency). EBITDA stood at 20.7% with Revenues of ₹ 2,550 Mn. Business did well in Africa, Latin America and Europe too. Africa registered sales of ₹ 1,280 Mn. Overall EBITDA (Africa) stood at 19.3%. Sales in Latin America grew by 29% to ₹ 820 mn with EBITDA at 16.3%. Revenues for Europe grew by 21% to ₹ 480 Mn and EBITDA was 10.5%.

Overall Expenditure has been lower than the sales growth. This was partly due to expanded Gross margins. Operating Profits were up by 44% at ₹ 2,481 Mn as compared to the same period last year. Interest costs continued to be high. This should come down over the coming quarters as the Company has reduced its debt partially. Consolidated PAT increased by 36% at ₹1,926.5 Mn. EPS stood at ₹ 5.8.

On an annualized consolidated basis, the Company registered a topline growth of 32% from ₹ 36,763.1 Mn to ₹48,509.4 Mn. Operating margins stood at 17.74%, higher by 45bps than FY11. The year also saw some inflows through exceptional items due to termination of license of Kiwi and Brylcreem brands. Overall PAT was higher by 41% at ₹7,267.2 Mn. EPS stood at ₹ 22.3.

The company has declared a final dividend of ₹ 1.75. This takes the total for the year to ₹ 4.75. At the CMP of ₹566.75, GCPL trades at a PE(TTM) of 25.4 times. Excluding the one time exceptional gain during the year, adjusted PE however would be in excess of 34. Even if one were to account for the earnings that will get added from the acquisitions in the last 12 months and which do not yet show up in the TTM numbers, PE would still be around 31 times. Valuations are very high.

To understand future growth, on the domestic front, household insecticides business is doing well and may continue the good run. However soaps is a mature category and this may not grow at rates experienced for most part of this year. Hair colors too has become very competitive with the entry of MNCs. Growth here may be uncertain. On the international front, all the businesses seem to be in good stead. Excluding the currency aspect though, their growth rates (based on last 3 to 5 year data) may be in the range of 15%-20%. We believe that valuations are too high for the kind of growth that we may see in the near to mid-term. Hence recommend investors to 'Exit'.

Quarterly Financials

Earnings Statement								
YE March (₹Mn.)	Q4FY12	Q3FY12	Q-Q(%)	Q4FY11	Y-Y(%)	FY12	FY11	Y-Y(%)
Net Revenues	13,230.4	13,440.6	-1.6%	10,110.4	30.9%	48,509.4	36,763.1	32.0%
Cost of Materials	6,143.6	6,244.0	-1.6%	4,946.1	24.2%	23,185.2	17,071.8	35.8%
Gross Profit	7,086.8	7,196.6	-1.5%	5,164.3	37.2%	25,324.2	19,691.3	28.6%
Staff Costs	1,201.5	1,107.8	8.5%	719.4	67.0%	3,919.1	2,845.1	37.7%
Advertising and Publicity	1,096.0	1,121.1	-2.2%	750.4	46.1%	4,498.6	3,528.5	27.5%
Other Expenses	2,308.3	2,315.0	-0.3%	1,973.6	17.0%	8,299.7	6,959.6	19.3%
Total Expenditure	10,749.4	10,787.9	-0.4%	8,389.5	28.1%	39,902.6	30,405.0	31.2%
Operating Profit	2,481.0	2,652.7	-6.5%	1,720.9	44.2%	8,606.8	6,358.1	35.4%
OPM (%)	18.75%	19.74%		17.02%		17.74%	17.29%	
Other Income	195.3	193.0	1.2%	333.8	-41.5%	467.2	695.3	-32.8%
EBITDA	2,676.3	2,845.7	-6.0%	2,054.7	30.3%	9,074.0	7,053.4	28.6%
Depreciation	155.3	170.5	-8.9%	132.7	17.0%	644.4	499.2	29.1%
EBIT	2,521.0	2,675.2	-5.8%	1,922.0	31.2%	8,429.6	6,554.2	28.6%
Interest	193.6	287.2	-32.6%	108.7	78.1%	658.4	436.4	50.9%
Exceptional Items	250.0	-		-		2,001.7	411.4	
PBT	2,577.4	2,388.0	7.9%	1,813.3	42.1%	9,772.9	6,529.2	49.7%
Tax	600.8	554.8	-	396.7		2,260.5	1,382.1	
PAT before MI	1,976.6	1,833.2	7.8%	1,416.6	39.5%	7,512.4	5,147.1	46.0%
Minority Interest	(50.1)	(162.2)		-		(245.2)	-	
PAT	1,926.5	1,671.0	15.3%	1,416.6	36.0%	7,267.2	5,147.1	41.2%
Equity Capital (Fv ₹1)	340.3	323.6		323.6		340.3	323.6	
EPS	5.8	5.2	12.9%	4.4	33.2%	22.3	16.1	38.7%
Ratio Analysis								
Profitability								
YE March	Q4FY12	Q3FY12	Q-Q(bps)	Q4FY11	Y-Y(bps)	FY12	FY11	Y-Y(bps)
OPM (%)	18.75%	19.74%	(98.4)	17.02%	173.1	17.74%	17.29%	44.8
EBITDA (%)	20.23%	21.17%	(94.4)	20.32%	(9.4)	18.71%	19.19%	(48.0)
EBIT (%)	19.05%	19.90%	(84.9)	19.01%	4.4	17.38%	17.83%	(45.1)
PAT (%)	14.56%	12.43%	212.9	14.01%	55.0	14.98%	14.00%	98.0
Operational Parameters								
YE March	Q4FY12	Q3FY12	Q-Q(bps)	Q4FY11	Y-Y(bps)	FY12	FY11	Y-Y(bps)
RM Consumed	46.44%	46.46%	(2.1)	48.92%	(248.5)	47.80%	46.44%	135.8
Ads and Sales Promotion	8.28%	8.34%	(5.7)	7.42%	86.2	9.27%	9.60%	(32.4)
Staff Cost	9.08%	8.24%	83.9	7.12%	196.6	8.08%	7.74%	34.0
Other Expenditure	17.45%	17.22%	22.3	19.52%	(207.4)	17.11%	18.93%	(182.1)
Effective Tax Rate	23.31%	23.23%	7.7	21.88%	143.3	23.13%	21.17%	196.2

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1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
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GCPL

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