

GODREJCP

BUY
10th May 2016

Result Update

CMP	1352
Target Price	1500
Previous Target Price	1500
Upside	11%
Change from Previous	0%

Market Data

BSE Code	532424
NSE Symbol	GODREJCP
52wk Range H/L	1457/1040
Mkt Capital (Rs Cr)	46040
Av. Volume(,000)	280
Nifty	7866

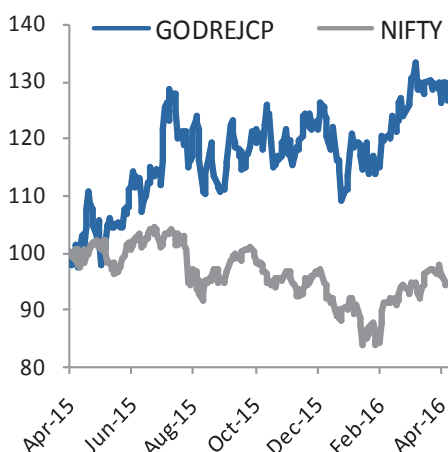
Stock Performance

	1M	3M	12M
Absolute	-2.0	6.5	21.4
Rel.to Nifty	-3.7	3.2	28.6

Share Holding Pattern-%

	4QFY16	3QFY16	2QFY16
Promoters	63	63	63
Public	37	37	37
Others	0	0	0
Total	100	100	100

Company Vs NIFTY



Godrejcp is well placed to take advantage of urban domestic demand recovery. It gets approx. 70% of its domestic revenue from urban market which makes it less dependent on monsoon. Secondly, GODREJCP is dominant player in relative less penetrated high margin category like home insecticide and hair color.Strong growth in these segments will add company's profitability and gross margin going forwards. Thirdly the company is launching new products which will boost company's revenue going forwards. The company is facing some risks also. The company is facing headwinds in Indonesian market . The company's major market witnessing depreciation of currency in respect to INR is a cause of concern. But as these companies are locally run so currency depreciation effect will be minimal. Hence considering urban demand recovery, company's dominant position is relatively less penetrated market and new launches, we maintain 'BUY' rating on stock with target price of Rs1500.

4QFY16 result update

The company has reported relatively strong numbers for 4QFY16 keeping eye on sluggish growth in FMCG sector and tepid rural demand scenario. For 4QFY16, revenue grew by 8% YoY to Rs 2269 cr led by better performance from international market. International business delivers organic constant currency sales growth of 18%driven by robust performance across geographies. In this quarter business from Indonesia and Africa grew by 16% and 20% respectively. Indian business clocked 7% growth YoY to Rs Rs1281 cr in this quarter. EBITDA for this quarter grew by 16% YoY to Rs 449 cr led by lower advertisement and other expenses. Gross margin improved by 155 bps YoY to 57.1% and EBITDA margin improved by 121 bps YoY to 19.8%. PAT margin improved by 42 bps YoY to 13.7%. PAT grew by 12% YoY to 310 cr. The company launched Cinthol Deostick in cream format in this quarter.

Result for full year FY16

For full year, revenue grew by 8% to Rs 8968 cr led by better Indian as well as International business performance. EBITDA grew by 20% to Rs 1639 cr led by lower raw material and other expenses. Gross margin improved by 353 bps , EBITDA margin by 178 bps and PAT margin improved by 152 bps to 57.1%,18.3% and 12.5% respectively. PAT grew by 23% to Rs 1119 cr in FY16.

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	4866	6416	7602	8276	8968
EBITDA	855	982	1150	1365	1639
Net Profit	727	796	760	907	1119
EPS	21	23.39	22.32	26.6	32.9
EBITDA%	18%	15%	15%	16%	18%

(Source: Company/Eastwind)

Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue	6416	7602	8276	8968
Other Income	68	63	92	67
Total Revenue	6484	7665	8368	9035
EBITDA	982	1150	1365	1639
EBITDA Margin (%)	15.3%	15.1%	16.5%	18.3%
Depreciation	77	82	91	103
EBIT	905	1068	1275	1536
Interest	77	107	100	100
PBT	896	1024	1266	1503
Tax	179	210	272	317
Tax Rate (%)	20%	21%	22%	21%
Reported PAT	796	760	907	1119
Dividend Paid	188	199	211	219
No. of Shares	34	34	34	34

Source: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16
EPS	23.4	22.3	26.6	32.9
Book Value	97.3	110.9	126.6	149.7
DPS	5.5	5.8	6.2	6.4
Payout	24%	26%	23%	20%
Valuation(x)				
P/E	33.3	38.2	30	41
Price / Book Value	8.0	7.7	6.4	9.0
Dividend Yield (%)	0.7%	0.7%	0.8%	0.5%
Profitability Ratios				
RoE	24%	20%	21%	22%
RoCE	17%	20%	20%	20%
Turnover Ratios				
Asset Turnover (x)	0.8	0.9	0.9	0.9
Debtors (No. of Days)	41	34	35	35
Creditors (No. of Days)	59	59	48	48

Source: Eastwind/Company

BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	34	34	34	34
Reserves	3279	3741	4277	5064
Net Worth	3313	3775	4311	5098
Long term Debt	1866	1590	2023	2449
Short term Debt	82	111	147	182
Deferred Tax	6	5	3	2
Total Capital Employed	5179	5366	6334	7547
Net Fixed Assets	1728	1736	1732	1780
Capital WIP	141	167	225	0
Debtors	729	711	805	1118
Cash & Bank Balances	748	705	894	746
Trade payables	1035	1234	1087	1037
Provisions	80	80	124	100
Net Current Assets	652	230	624	1244
Total Assets	7701	8325	9142	10153

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	896	1024	1266	1503
Depreciation	77	82	91	103
Direct Taxes Paid	-207	-238	-257	-317
Opert. profit bef. WC cha	1009	1162	1400	1706
CF from Op. Activity	820	1129	1005	711
Purch. of Non Curr. Inves	0	34	34	34
Capital expenditure on fi	-264	-133	-190	455
CF from Inv. Activity	-865.2	-494.8	-1213.8	148.0
Interest Paid	-84	-113	-119	-100
Divd Paid (incl Tax)	-188	-199	-211	-219
CF from Fin. Activity	282	-633	-12	-319
Inc/(Dec) in Cash	237	1	-221	540

Source: Eastwind/Company