

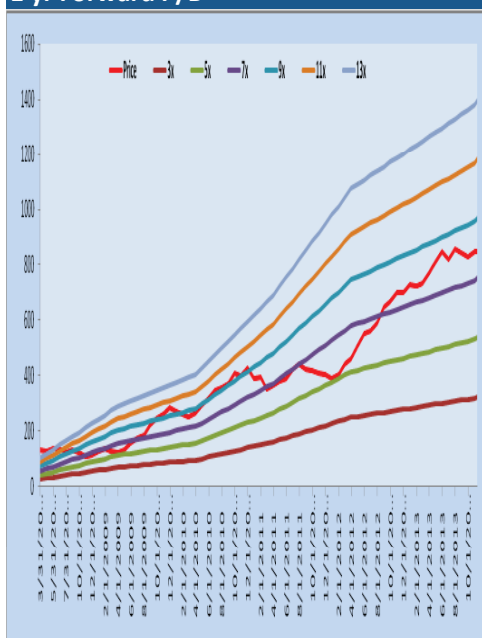
Result update	BUY
CMP	849
Target Price	960
Previous Target Price	725
Upside	13%
Change from Previous	32%

Market Data	
BSE Code	532424
NSE Symbol	GODREJCP
52wk Range H/L	977/661
Mkt Capital (Rs Cr)	28979
Average Daily Volume	120012
Nifty	6018

Stock Performance	1M	1yr	YTD
Absolute	5.1	33.9	25.4
Rel. to Nifty	7.7	24.9	17.2

Share Holding Pattern-%	Current	1QFY14	4QFY13
Promoters	63.3	63.3	63.5
FII	28.7	28.3	28.2
DII	1.2	1.2	1.2
Others	6.8	7.2	7.1

1 yr Forward P/B



Godrej CP reported better numbers than street expectations;

Despite a challenging environment, Godrej CP registered 22.7% sales growth led by 14% growth in domestic sales and 32% growth in International business (46% of sales) on YoY basis during the quarter. PAT grew by 22.4% on YoY basis.

Its strong focus on driving growth in the domestic and international market by expansion of products and distribution reach, we expect strong earning in near future. With launching new products in domestic as well as international mkt, Godrej CP will explore organic & inorganic growth. Along with its 3x3 strategy, it has 10x10 strategy also, which refers to 10x growth in 10 yrs.

Steady Margin: The company's EBITDA margin declined 30bps (YoY) to 15.3%, due to rise in A&P cost by 130 bps to 11.1%, staff cost by 190 bps to 10.19% and purchase of stock in trade by 130 bps to 8.5% of adjusted net sales. However, there was decline in RM cost by 410 bps to 38.29% of adjusted net sales.

On Category wise: During the Quarter, Household insecticides grew by +25%; again well ahead of the category. Both the key brands Hit and Good knight continue to gain share and strengthen market leadership positions across all formats. Soap sales growth was +3%, volume growth at +4%, ahead of the category growth. Sales growth was lower than expectations due to relatively slower ramp up of a key consumer offer and political turmoil in Andhra Pradesh. Hair Care sales growth was +24%; ahead of the category growth.

Geography wise performance: For 2QFY14, Business from India grew by 14% and contributed 52% of total revenue, Indonesia grew by 14% and contributed 18% of total revenue, Africa grew by 53% and contributed 13% of total revenue, Latin America grew by 21% and contributed 8% of total revenue and Europe grew by 15% and contributed 7% of total revenue.

Products strategy: The company continues to gain and enjoy market leader ship position across all three formats. The company is driving increase in penetration with launch of "Goodknight Advanced colour play". The company has launched Goodknight aerosol and coil in Nigeria.

Recent developments: The Company has entered into an agreement on Oct 7, 2013, to acquire a 30% stake in Bhabani Blunt Hair Dressing Pvt Ltd, a premier hair salon company with one of the strongest consumer franchises in this space.

View and Valuations: Its strong 20%+ growth in the domestic household insecticides business is the key growth driver. We expect strong momentum to continue in its international business led by Megasari and consolidation of Darling business. Despite some concerns related to higher leverage, lost domestic focus and currency risk, we remain confident of achieving the 20%+ sales growth with strong PAT growth for FY14E & beyond. At a CMP of Rs849, stock trades at 7x FY14E P/BV. We retain BUY with a price target of Rs 960.

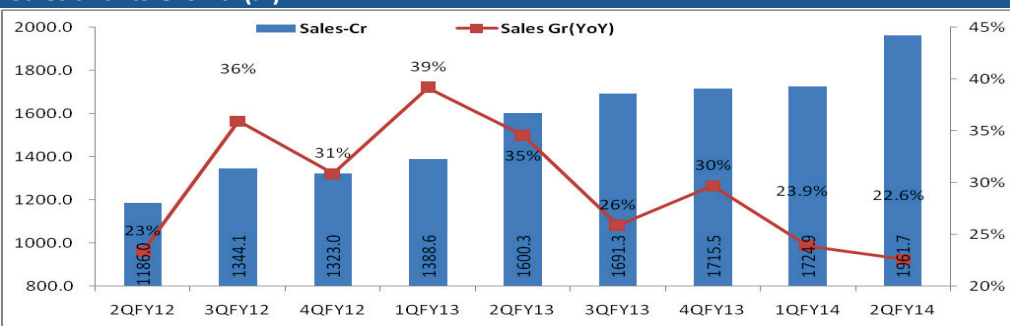
Financials

	2QFY14	1QFY14	(QoQ)-%	2QFY13	(YoY)-%
Revenue	1961.7	1724.9	13.7%	1600.32	22.6%
EBITDA	299.8	225.4	33.0%	248.96	20.4%
PAT	195	133	46.6%	159.31	22.4%
EBITDA Margin	15.3%	13.1%	210bps	15.6%	(30bps)
PAT Margin	9.9%	7.7%	220bps	10.0%	(10bps)

(Source: Company/Eastwind)

Godrej Consumer Product

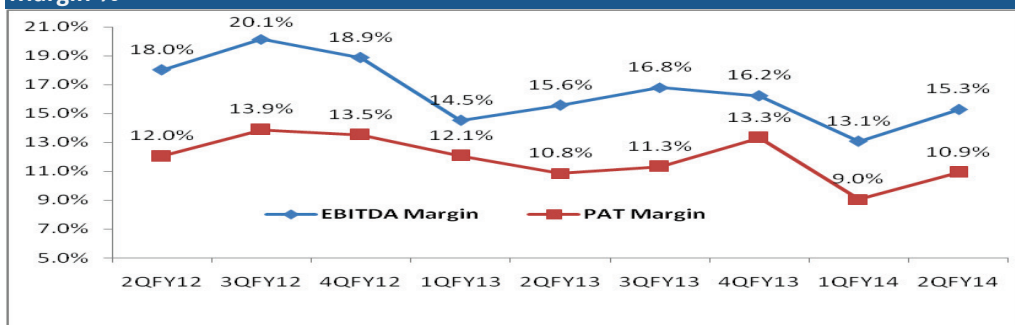
Sales and its Growth(%)



(Source: Company/Eastwind)

India branded business grows 17%, ahead of the market growth across core categories.

Margin-%



(Source: Company/Eastwind)

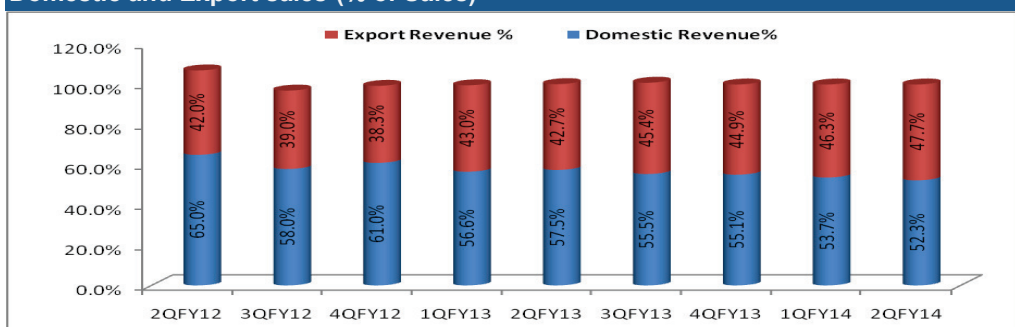
It expects expansion in gross margin, which will help it to fund new product launches.

Region-wise EBITDA Margin

Regions	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14
India	18.9%	20.4%	20.2%	15.1%	17.6%	18%	16.7%	15.8%	18.9%
Indonesia	19.4%	20.6%	20.7%	18%	19%	20%	19%	15%	17%
Africa	26.0%	31%	19.3%	19%	16%	20%	7%	13%	14%
Latin America	7.4%	9%	16.3%	3%	4%	8%	9%	3%	7%
Europe	11%	5%	10.5%	13%	9%	5%	13%	9%	10%

(Source: Company/Eastwind)

Domestic and Export sales-(% of Sales)



(Source: Company/Eastwind)

Godrej Consumer Product

Key facts from Conference call;

- (1) The management stated that the company is continue to be aggressive in launching new innovations that have been well accepted by consumers. They are backing new launches with strong investments.
- (2) The mgmt said that due to seasonality, international business has grown softly, which will see good growth in Q3 and Q4.
- (3) The company is continue to intensify its efforts in enhancing distribution and improving productivity through technology.
- (4)The company will continue investing judiciously for the longer term to improve position, create competitive advantage and emerge stronger than ever before.

Financials and Valuation

Rs in Cr,	FY10	FY11	FY12	FY13	FY14E	FY15E
Sales	2041.2	3693.6	4866.16	6390.79	7823.32	9198.58
Other Operating Income	2.5	28.11	45.93	16.58	20.30	23.86
Total income from operations	2043.7	3721.71	4912.09	6407.37	7843.62	9222.44
RM Cost	619.59	1458.28	2174.67	2640.31	3176.67	3781.20
Purchases of stock-in-trade	367.16	294.12	356.11	451.03	552.13	649.19
WIP	-40.45	-45.22	-212.26	-118.06	-183.50	-224.07
Employee Cost	151.81	284.51	391.91	590.68	723.08	850.19
Ad Spend	132.8	352.85	449.86	660.35	808.37	950.47
Other expenses	402.98	695.96	850.47	1196.46	1459.0	1689.7
Total expenses	1633.89	3040.5	4010.76	5420.77	6535.8	7696.7
EBITDA	409.81	681.21	901.33	986.6	1307.9	1525.7
Depreciation and Amortisation	23.6	49.92	64.44	77	94.3	102.1
Other Income	44.81	24.13	6.07	67.78	47.8	56.2
Exceptional Item	0	41.14	200.17	96.12	78.4	92.2
EBIT	386.21	631.29	836.89	909.6	1213.6	1423.6
Interest	11.1	43.64	65.84	77.45	61.1	53.2
PBT	419.92	652.92	977.29	996.05	1278.8	1518.9
Tax Exp	80.33	138.21	226.05	179.18	242.96	303.78
PAT	339.59	514.71	751.24	816.87	1035.8	1215.1
Growth-% (YoY)						
Sales	46.3%	81.0%	31.7%	31.3%	22.4%	17.6%
EBITDA	95.2%	66.2%	32.3%	9.5%	32.6%	16.7%
PAT	97.0%	51.6%	46.0%	8.7%	26.8%	17.3%
Expenses on Sales-%						
RM Cost	30.3%	39.2%	44.3%	41.2%	40.5%	41.0%
Ad Spend	6.5%	9.5%	9.2%	10.3%	10.3%	10.3%
Employee Cost	7.4%	7.6%	8.0%	9.2%	9.2%	9.2%
Other expenses	19.7%	18.7%	17.3%	18.7%	18.6%	18.3%
Tax rate	19.1%	21.2%	23.1%	18.0%	19.0%	20.0%
Margin-%						
EBITDA	20.1%	18.3%	18.3%	15.4%	16.7%	16.5%
EBIT	18.9%	17.0%	17.0%	14.2%	15.5%	15.4%
PAT	16.6%	13.8%	15.3%	12.7%	13.2%	13.2%
Valuation:						
CMP	261.0	365.0	559.0	836.0	849.0	849.0
No of Share	30.8	32.4	34.0	34.0	34.0	34.0
NW	954.7	1725.2	2815.2	3313.0	4149.8	5165.8
EPS	11.0	15.9	22.1	24.0	30.4	35.7
BVPS	31.0	53.2	82.8	97.4	121.9	151.8
RoE-%	35.6%	29.8%	26.7%	24.7%	25.0%	23.5%
Div- Payout-%	30.6%	38.3%	22.6%	23.0%	19.2%	16.4%
P/BV	8.4	6.9	6.8	8.6	7.0	5.6
P/E	23.7	23.0	25.3	34.8	27.9	23.8

(Source: Company/Eastwind)