




Godrej Consumer Products Ltd

Industry	Cons. Staples
Bloomberg	GCPL IN
BSE CODE	532424

HI and Hygiene business will drive growth in medium term

RATING	HOLD
CMP	692
Price Target	768
Potential Upside	11%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	772/425
Mkt Capital (Rs Cr)	70781
Free float (%)	37%
Avg. Vol 1M (,000)	51
No. of Shares (Cr)	102
Promoters Pledged %	NA

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1QFY21 Result update

- ❑ GODREJCP's 1QFY21 result remained better than our estimates. Sales de-grew by 1% YoY to Rs. 2327 cr. (vs. our expectation of Rs. 2296 cr.) impacted on account of weak performance from Africa, USA and MENA business due to outbreak of COVID-19.
- ❑ Domestic volume grew by 3% YoY driven by strong growth of 27%/15% YoY from Home Insecticides and Hygiene business led by consumer divergence towards hygiene and safety while Soap and Hair colour business declined by 2%/18% YoY due to lockdown in the early part of quarter and lower discretionary spends by the consumers.
- ❑ On International business front, Indonesia business grew by 5% in cc terms led by Household Insecticides while the company's Africa, USA and Middle East business remained impacted due to COVID-19 led disruption and de-grew by 23% in cc terms.
- ❑ Gross margin deteriorated by 286 bps YoY to 54.3% YoY impacted due to adverse category mix and higher input prices while EBITDA margin improved by 91 bps YoY to 20.3% led by decline in Ad & P expense.
- ❑ PAT for this quarter de-grew by 3.1% YoY to Rs. 395 cr. (vs. expectation of Rs. 330 cr.) while PAT margin declined by 39 bps YoY to 17%.

View and Valuation

GODREJCP has reported numbers better than our expectations. New and differentiated launches in the Hygiene and Home Insecticides category coupled with focus on distribution and micro marketing initiatives led to domestic volume growth of 3% YoY during the quarter despite prevailing macroeconomic challenges. On the International business front, growth was supported by Indonesia business which grew by 5% in cc terms. Going forward, we expect company's Home Insecticides and Hygiene portfolio to perform better led by monsoon and consumer divergence towards hygiene and safety while Soaps are expected to recover slowly on the back of micro marketing initiatives while on International business front we expect growth trajectory to continue in Indonesia business while Africa business is expected to turn around on the back of appointment of new management. However, macros prevailing in domestic as well as International markets remains the concern. The Company will be judicious on A&P expenses considering sluggish macro condition; hence we have reduced our Ad expense but maintain our HOLD rating with a target price of Rs. 768.

Key Risks to our rating and target

- ❑ Sharp improvement in Africa, Middle East and USA business.
- ❑ Steep increase in input prices

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	9268	9843	10314	9911	10543
EBITDA	1898	2067	2118	2143	2483
EBIT	1756	1911	1948	1946	2283
PAT	1307	1633	2341	1496	1795
EPS (Rs)	38	24	23	15	18
EPS growth (%)	58%	-38%	-5%	-36%	20%
ROE (%)	25%	26%	32%	19%	21%
ROCE (%)	21%	22%	20%	19%	22%
BV	156	92	71	77	85
P/B (X)	11	12	9	9	8
P/E (x)	43	48	32	44	40

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1QFY21 Results

Better than expectation

Financials	Fig in Rs Cr									
	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	2,349	2,630	2,778	2,154	2,327	-0.9%	8.1%	10,221	9,827	-3.9%
Other Income	21	27	24	49	22	2%	-55.7%	109	112	3.3%
COGS	1,007	1,142	1,202	911	1,064	5.7%	16.9%	4,554	4,262	-6.4%
Gross Margin	57%	57%	57%	58%	54%	-2.9%	-3.5%	56%	57%	1.2%
Empl. Cost	265	267	269	224	262	-1.3%	17.0%	1,091	1,019	-6.6%
A&P expenses	193	213	206	127	105	-45.7%	-17.3%	-	-	-
Other Exp.	425	432	469	416	424	-0.2%	1.7%	2,552	2,487	-2.5%
EBITDA	456	572	631	477	473	3.8%	-0.8%	2,118	2,143	1.2%
EBITDA Mar.	19%	22%	23%	22%	20%	0.9%	-1.8%	21%	22%	1.1%
Depreciation	47	48	49	53	49	4.2%	-7.2%	170	197	16.1%
EBIT	408	524	582	423	423	3.7%	0.0%	1,948	1,946	-0.1%
Interest	55	53	48	62	48	-12%	-21%	224	217	-3.1%
PBT	375	498	557	411	397	5.9%	-3.5%	1,832	1,841	0%
Exceptional	(0)	4	4	73	(13)	4607.1%	-117.9%	253	(81)	-132%
Tax	(33)	80	108	107	15	-145.2%	-86.3%	(256)	264	-203%
PAT	408	414	445	230	395	-3.1%	71.8%	2,341	1,496	-36%
PAT Margin	17%	16%	16%	11%	17%	-0.4%	6.3%	23%	15%	-7.6%

Concall Highlights

- For the Company rural grew ahead of urban and the management expects the trajectory to continue led by the company's strong distribution and product portfolio.
- The Company witnessed sequential improvement in business in Africa, USA and Middle East in the months of May, June and July.
- With the change in management for Africa the company remains confident of positive performance from the Africa business.
- The Company's working capital days came down by 6 days while debt to equity ratio came down to 0.17 times in 1QFY21.
- The illegal incense stick market remained impacted due to supply chain disruption amidst COVID-19 and increase in duty of bamboo sticks which has been imported from China and Vietnam has increased from 10% to 25% in 1QFY21.
- The Company witnessed strong growth of 15% in Hygiene. The Company launched 45 products across geographies and will continue to focus on the category in coming quarters.
- Gross margin in domestic business declined by 300 bps on account of adverse category mix and higher input prices.
- The Company witnessed strong growth in burning and electric formats while Aerosol remained impacted due to supply chain disturbance in the HI category in 1QFY21.
- The Management expects sequential increase in Ad & P led by demand conditions in coming quarters.
- The Management expects gross margin to improve led by favorable category mix and pricing action in 2QFY21.
- The Company will continue investing in Godrej Protekt soap and will also continue micro marketing initiative in the portfolio which has helped the company in gaining market share.
- The Management does not expect any meaningful CAPEX for India and Indonesia business in the rest of the year.
- The Management expects stable performance from the Home Insecticide category for the rest of the year from both India and International markets and will also come up with new launches in the category.
- The Management expects the skin cleansing category to grow in coming months.

Exhibit: Domestic Soap Business growth

Domestic Soap business remained impacted due to nationwide lockdown in the first month of quarter amidst COVID-19.

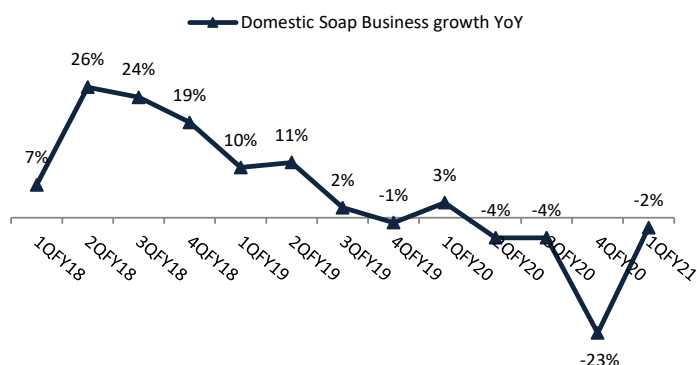


Exhibit: Domestic HI Business growth

Strong double digit growth led by consumer focus towards disease prevention amidst COVID-19.

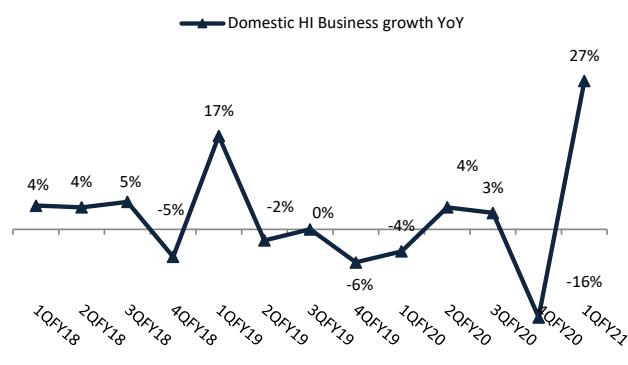


Exhibit: Domestic Hair colour Business growth

Hair colour business remained impacted on account of nationwide lockdown in April.

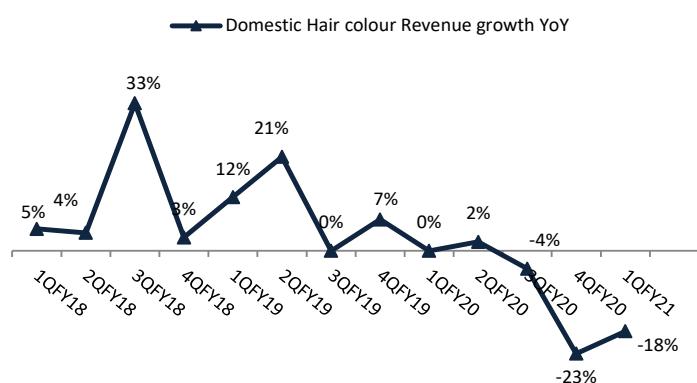


Exhibit: Indonesia Market CC Growth

Indonesia business growth was led by improvement in Household Insecticide business with market share gain.



Exhibit: Sales and Sales Growth

Sales remained impacted on account of weak performance from Africa, USA and Middle East business amidst COVID-19.

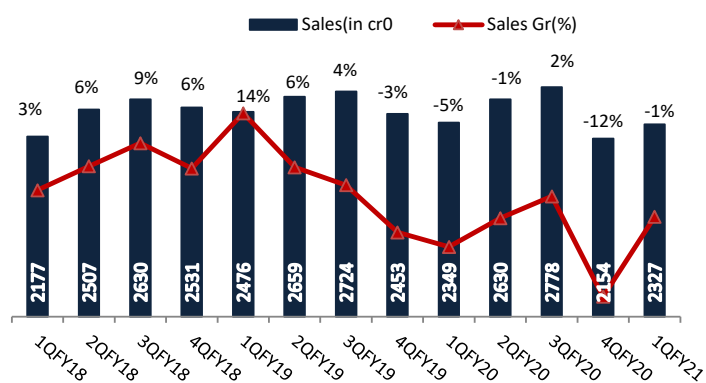
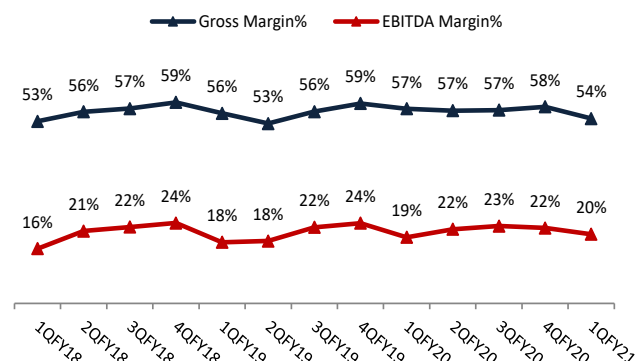


Exhibit: Gross margin and EBITDA margin

Gross margin declined on account of adverse category mix and higher input prices in 1QFY21.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	34	34	34	34	68	102	102	102
Reserves	3,741	4,277	4,233	5,268	6,190	7,165	7,796	8,606
Networth	3,775	4,311	4,267	5,302	6,258	7,267	7,898	8,708
Debt	1,702	2,170	2,631	3,341	2,521	2,876	2,664	2,064
Other Non Current Liab	34	34	313	1,238	1,159	407	367	367
Total Capital Employed	5,477	6,480	6,898	8,643	8,779	10,143	10,562	10,772
Net Fixed Assets (incl CWIP)	1,736	1,732	1,831	3,524	3,680	3,804	3,949	3,973
Non Current Investments	34	34	-	-	-	-	-	-
Other Non Current Assets	3,736	4,287	4,339	4,969	4,884	5,521	6,031	6,031
Non Current Assets	5,506	6,052	6,259	8,814	8,795	9,482	10,149	10,172
Inventory	1,082	1,072	1,307	1,413	1,578	1,559	1,703	1,812
Debtors	711	805	1,118	1,029	1,246	1,293	1,157	1,231
Cash & Bank	705	894	613	895	898	862	603	1,151
Other Current Assets	320	319	305	830	1,182	784	1,010	878
Current Assets	2,818	3,090	3,494	4,217	5,168	4,688	4,808	5,250
Creditors	1,234	1,087	1,485	1,724	2,357	2,540	2,480	2,639
Provisions	56	98	70	90	48	51	56	60
Other Current Liabilities	1,298	1,281	315	307	311	167	85	90
Curr Liabilities	2,588	2,466	2,533	3,150	4,024	3,621	4,028	4,283
Net Current Assets	230	624	962	1,067	1,143	1,068	780	967
Total Assets	8,325	9,142	9,754	13,031	13,963	14,170	14,957	15,422

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	7,602	8,276	8,424	9,268	9,843	10,314	9,911	10,543
Change (%)	18%	9%	2%	10%	6%	5%	-4%	6%
EBITDA	1,150	1,365	1,636	1,898	2,067	2,118	2,143	2,483
Change (%)	17%	19%	20%	16%	9%	2%	1%	16%
Margin (%)	15%	16%	19%	20%	21%	21%	22%	24%
Depr & Amor.	82	91	101	142	156	170	197	200
EBIT	1,068	1,275	1,535	1,756	1,911	1,948	1,946	2,283
Int. & other fin. Cost	107	100	119	145	161	224	217	199
Other Income	63	92	84	75	108	109	112	127
EBT	1,024	1,266	1,500	1,686	1,858	1,832	1,841	2,211
Exp Item	6	(17)	(334)	0	180	253	(81)	13
Tax	210	272	336	379	405	(256)	264	430
Minority Int & P/L share of Ass.	60	69	3	1	1	-	1	1
Reported PAT	760	907	828	1,308	1,634	2,341	1,497	1,796
Adjusted PAT	755	921	1,086	1,308	1,494	2,053	1,566	1,785
Change (%)	9%	22%	18%	20%	14%	37%	-24%	14%
Margin(%)	10%	11%	13%	14%	15%	20%	16%	17%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	20%	21%	19%	25%	26%	32%	19%	21%
ROCE	20%	20%	23%	21%	22%	20%	19%	22%
Asset Turnover	1	1	1	1	1	1	1	1
Debtor Days	34	35	48	41	46	46	43	43
Inv Days	52	47	57	56	59	55	63	63
Payable Days	59	48	64	68	87	90	91	91
Int Coverage	10	13	13	12	12	9	9	11
P/E	38	30	46	43	48	32	44	40
Price / Book Value	8	6	12	11	12	9	9	8
EV/EBITDA	26	21	31	31	36	32	33	29
FCF per Share	10	8	6	16	14	15	14	20
Div Yield	1%	1%	1%	1%	1%	2%	1%	1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	1,024	1,266	1,500	1,687	1,859	1,833	1,841	2,225
(inc)/Dec in Working Capital	199	(113)	(486)	301	(16)	1	(261)	39
Non Cash Op Exp	59	63	116	140	196	199	211	200
Int Paid (+)	107	100	119	145	161	224	217	199
Tax Paid	(238)	(257)	(336)	(407)	(393)	(435)	(344)	(430)
others	(23)	(54)	(66)	(61)	(84)	(105)	(89)	-
CF from Op. Activities	1,129	1,005	847	1,805	1,723	1,729	1,588	2,233
(inc)/Dec in FA & CWIP	(133)	(190)	(208)	(180)	(311)	(208)	(152)	(223)
Free Cashflow	996	814	639	1,625	1,412	1,521	1,436	2,010
(Pur)/Sale of Inv	74	(450)	210	(393)	214	329	(512)	156
others	(436)	(574)	(605)	(1,597)	(146)	178	306	-
CF from Inv. Activities	(495)	(1,214)	(602)	(2,170)	(340)	252	(533)	(67)
inc/(dec) in NW	0	-	0	0	0	0	0	(0)
inc/(dec) in Debt	(321)	300	142	1,024	(488)	(345)	-	(600)
Int. Paid	(113)	(119)	(119)	(124)	(158)	(215)	(152)	(199)
Div Paid (inc tax)	(170)	(179)	(187)	(196)	(613)	(1,227)	(818)	(986)
others	(29)	(14)	(38)	(40)	(125)	(252)	(168)	-
CF from Fin. Activities	(633)	(12)	(202)	665	(1,384)	(2,039)	(1,295)	(1,785)
Inc(Dec) in Cash	1	(221)	43	300	(0)	(58)	(240)	381
Add: Opening Balance	624	625	570	595	898	895	855	770
Closing Balance	625	404	613	895	898	862	603	1,151

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