

Godrejcp

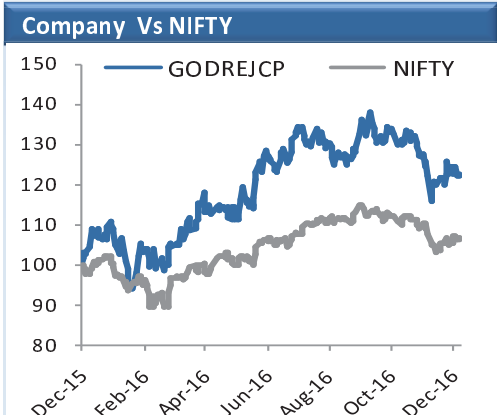
15th Dec 2016

Company Update	
CMP	1455
Target Price	1760
Previous Target Price	1760
Upside	21%
Change from Previous	-

Market Data	
BSE Code	532424
NSE Symbol	GODREJCP
52wk Range H/L	1710/1120
Mkt Capital (Rs Cr)	49,554
Av. Volume(,000)	266
Nifty	8182

Stock Performance			
	1M	3M	12M
Absolute	0.1	-10.2	16.7
Rel.to Nifty	1.5	-4.1	10.2

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoters	63.3	63.3	63.3
Public	36.7	36.7	36.7
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0



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The company has indicated that due to demonetization liquidity in market is stressed. The company is witnessing pressure at wholesale level where maximum cash transactions are involved. The company gets ~40-45% sales through wholesale network which is impacted by demonetization. On the positive side, it is getting upward traction from modern trade and e-commerce which is growing in double digits. To counter the effect of demonetization, GODREJCP is expanding its direct reach and extended the credit terms to different channel partners. Management is rationalizing ad expenses and has increased home insecticide products prices by 2% in the late September 2016 to counter upward movement of input prices. Going forward we expect relatively less impact on GODREJCP compared to other FMCG players, as company gets approx 46% of its revenue from international market. Secondly company's proactive initiatives of cutting promotions and increasing price of the products gives us confidence on margin side. Demonetization will help company to increase market share as compared to regional players which have more dependence on wholesale channels of distribution. Considering lesser dependence of company in Indian business, proactive approach towards maintaining the margin and relatively less penetrated product portfolio, we have positive view on this stock and we maintain 'BUY' with target price of Rs 1760.

Q2FY17_Result Update

Sales grew by ~11% YoY to Rs 2439 Cr led by 18% growth in domestic Household Insecticides business. Domestic Soap business declined by ~10% YoY to Rs 377 Cr and hair color business showed flat growth with Rs. 139 Cr of sales. International business grew by ~16% YoY to Rs.1120 Cr. Gross margin improved by 94 Bps YoY to ~57% due to declined in input prices. EBITDA margin improved by 43 Bps YoY to ~19%. PAT margin improved by 296 Bps YoY to ~13% led by lower exceptional item (in 2QFY17 (Rs 0.47 cr Vs Rs77.51 cr in 2QFY17). PAT grew by 44% YoY to Rs 318 Cr.

Concall Highlights(Demonetization)

- ◆ Demonetization: liquidity has hit. Situation is improving.
- ◆ Expects modern trade and e-commerce to do well going forward.
- ◆ The company has withdrawn consumer offers which in turn led to effective price increase in 3QFY17.
- ◆ Hair color is more impacted than home insecticide.
- ◆ Saving from Project pie in India is estimated to be Rs 100 cr in FY17.
- ◆ Retail is improving but wholesale is a question mark.

	Rs,Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	6416	7602	8276	8968	10258
EBITDA	982	1150	1365	1639	2007
Net Profit	796	760	907	1119	1406
EPS	23	22	27	33	41
ROE	24%	20%	21%	22%	23%