

**Decent numbers in-line with expectation; Maintain Buy**

Q2FY24 Result Update | Sector: FMCG | November 02, 2023

**BUY**

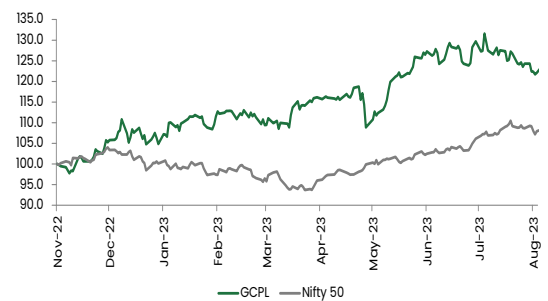
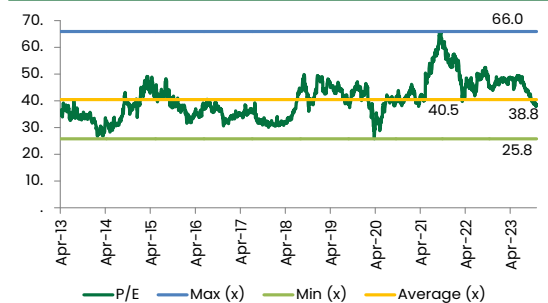
<b>CMP (Rs)</b>	<b>975</b>
<b>Target Price (Rs)</b>	<b>1,191</b>
<b>Potential Upside</b>	<b>22.2%</b>
<b>Sensex</b>	63,591
<b>Nifty</b>	18,989

**Key Stock data**

<b>BSE Code</b>	532424
<b>NSE Code</b>	GODREJCP
<b>Bloomberg</b>	GCPL:IN
<b>Shares o/s, Cr (FV 1)</b>	102.3
<b>Market Cap (Rs Cr)</b>	99,689
<b>3M Avg Volume</b>	785,997
<b>52 week H/L</b>	1,102/794

**Shareholding Pattern**

(%)	Mar-23	Jun-23	Sep-23
<b>Promoter</b>	63.2	63.2	63.2
<b>FII</b>	23.7	23.5	23.5
<b>DII</b>	7.1	7.4	7.7
<b>Others</b>	6.0	5.9	5.6

**1 Year relative price performance**

**1 year P/E Forward (x)**

**Research Analyst**
**Nirvi Ashar**

nirvi.ashar@religare.com

**Steady topline:** Godrej Consumer posted Q2FY24 revenue at Rs 3,602cr which grew by 6.2%/4.4% YoY/QoQ. Overall its volume grew in double digits by 10% and organic volume growth was at 6% YoY while growth in constant currency stood at 16% YoY. Amongst businesses, India business grew by 9.2%/8.1% YoY/QoQ to Rs 2,168cr with an underlying volume growth of 11% YoY and organic volume growth of 4% YoY. Organic volume growth could have been better than the posted number but it was impacted due to lower single digit growth in the personal care segment. Amongst international geographies, India, Indonesia, Latin America & SAARC region performed well while Africa, USA & Middle East region remain impacted.

**Robust improvement on margins:** Godrej's gross profit for Q2FY24 was at Rs 1,977cr, up by 21.8%/6.7% YoY/QoQ and strong improvement in margin to 54.9% by 702bps YoY and 115bps QoQ led by decline in raw material cost. Despite higher spends on advertisement, EBITDA too witnessed healthy improvement led by efficiencies and and so it grew by 29.9%/9.5% YoY/QoQ to Rs 704cr while margin was at 19.5%, an increase of 357bps/91bps YoY/QoQ. PAT stood at Rs 433cr, up by 20.6%/35.7% YoY/QoQ with improvement in margin by 144bps/277bps YoY/QoQ to 12%.

**Decent growth in India business but organic volume growth could be better:** GCPL's India business (~59-60% of revenue) overall volume grew by 11% YoY while organic volume grew by just 4% because of lower growth in the personal care segment. Its revenue grew by 9.2%/8.1% YoY/QoQ to Rs 2,168cr. Further, the India business growth was led by the Home Care segment while Personal Care segment growth was mixed. Home care volume grew in mid-single digit and revenue increased by 5.1%/21.4% YoY/QoQ to Rs 913cr led by Air freshner & non-mosquito portfolio while household insecticides growth was flat due to erratic monsoon season. Personal care volume came in lower single digit as hair colour growth remained impacted and personal wash delivered low-single digit growth while Magic hand wash continues to grow in double digit.

**Concall highlights:** 1) Management remains positive on the growth prospect of the company and plan is to drive volume led growth. 2) Raymonds Brands, Park Avenue and KamaSutra witnessed a sharp improvement sequentially and clocked in sales of Rs 142cr. 3) The integration of Raymonds brand is almost completed and have scaled up advertisements and integrated distribution network which will aid in saving of ~400-500bps on distributor margins. 4) There was change in the organization team wherein Mr Vishal Kedia who currently heads strategy team will also lead the investor team in place of Mr Tapan Joshi. 5) The Board of Directors have declared an interim dividend of Rs 5/share and their plan is to maintain steady stream of dividend.

**Valuation:** GCPL continues to deliver yet another quarter of decent performance in-line with our expectation. Management strategy would be to drive volume led growth with emphasis on investing in brands, gaining market share by expanding distribution reach and spending more on media & advertisements. Also, their plan is to focus on margin improvement which would be driven by cost efficiency measures and further easing of raw material prices. Consequently, we expect revenue/EBITDA to grow at 15%/20% CAGR over FY23-25E and have maintain a **Buy** rating with a target price of **Rs 1,191**.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	12,277	13,316	15,180	17,609
EBITDA	2,395	2,431	2,855	3,506
EBITDAM (%)	19.5	18.3	18.8	19.9
APAT	1,783	1,703	2,029	2,615
APATM (%)	14.5	12.8	13.4	14.8
EPS (Rs)	17.4	16.6	19.8	25.6
PE (x)	55.9	58.6	49.2	38.2
RoE (%)	15.5	12.7	13.3	14.1

Source : RBL Research

**International business:** Its international business (40–41% of revenue) reported a constant currency growth of 16% with organic growth of 12% with Indonesia business leading the growth. Its Indonesia business (13% of revenue) revenue grew strongly by 15.9%/4.9% YoY/QoQ to Rs 473cr and 14% growth in constant currency. Growth was led by media investment, increase in general trade distribution, renovation of portfolio and addition of access packs. Besides, Africa, USA and Middle East (22.4% of revenue) constant currency growth was strong at 17% but due to devaluation of currency Naira the INR growth remained impacted which de-grew by 4.8%/3.9% YoY/QoQ to Rs 816cr. Its Latin America & SAARC region (5% of revenue) grew by 6.2%/1% YoY/QoQ to Rs 183cr. Gross margin expansion was seen amongst regions and going ahead it will continue its focus on category development, investment towards media and launching access packs.

Revenue grew by 6% YoY led by strong volume growth of 10% YoY

Gross & EBITDA margin improved because of decline in Raw material prices & better topline performance

#### P&L Account Quarterly – consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Net Sales &amp; Other Operating Income</b>	<b>3,602</b>	<b>3,392</b>	<b>6.2</b>	<b>3,449</b>	<b>4.4</b>
Cost of Raw Materials	1,297	1,705	-24.0	1,641	-21.0
Purchase of Finished Goods	256	101	153.8	126	102.2
(Increase) / Decrease In Stocks	73	(38)	-	(172)	-
<b>Total raw material expense</b>	<b>1,625</b>	<b>1,768</b>	<b>-8.1</b>	<b>1,595</b>	<b>1.8</b>
<b>Gross Profit</b>	<b>1,977</b>	<b>1,624</b>	<b>21.8</b>	<b>1,853</b>	<b>6.7</b>
Gross Margins %	54.9	47.9	702bps	53.7	115bps
Employee Cost	336	259	29.4	314	6.9
Advertisement Cost	366	284	28.9	320	14.2
Other Expense	571	539	6.1	576	-0.8
<b>Total Expenditure</b>	<b>2,898</b>	<b>2,850</b>	<b>1.7</b>	<b>2,806</b>	<b>3.3</b>
<b>EBITDA</b>	<b>704</b>	<b>542</b>	<b>29.9</b>	<b>643</b>	<b>9.5</b>
EBITDA Margins (%)	19.5	16.0	357bps	18.6	91bps
Depreciation	61	53	14.2	76	-20.2
EBIT	643	489	31.6	567	13.5
Other Income	66	40	65.4	69	-4.6
Interest	77	48	60.2	74	4.5
PBT	632	480	31.5	562	12.5
Exceptional Items	(13)	(23)	-	(82)	-
PBT (After Exceptional)	619	458	35.3	480	29.1
Tax	187	99	88.7	161	15.9
<b>PAT</b>	<b>433</b>	<b>359</b>	<b>20.6</b>	<b>319</b>	<b>35.7</b>
PAT Margin (%)	12.0	10.6	144bps	9.2	277bps
EPS (Rs)	4.2	3.5	20.6	3.1	35.7

Source : RBL Research

India & Indonesia business led the growth

#### Revenue Share – Geography-wise

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
India	2,168	1,985	9.2	2,005	8.1
% of total	59.6	58.0	157bps	57.5	204bps
Indonesia	473	408	15.9	451	4.9
% of total	13.0	11.9	107bps	12.9	6bps
Africa, USA and Middle East	816	857	-4.8	849	-3.9
% of total	22.4	25.0	-263bps	24.3	-193bps
Others (Latin America and SAARC)	183	172	6.2	181	1.0
% of total	5.0	5.0	-1bps	5.2	-17bps
<b>Total</b>	<b>3,640</b>	<b>3,422</b>	<b>6.4</b>	<b>3,486</b>	<b>4.4</b>
Less: Intersegment	38	30	25.1	37	2.7
<b>Total</b>	<b>3602</b>	<b>3392</b>	<b>6.2</b>	<b>3449</b>	<b>4.4</b>

Source : RBL Research

Both Home & Personal Care segments led the growth

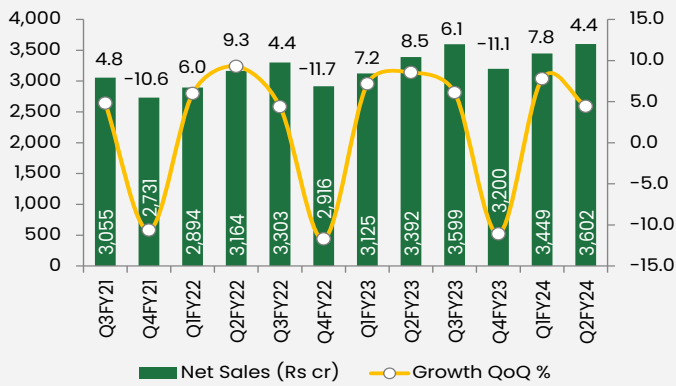
#### Segment-wise Revenue of India Business

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Home Care	913	869	5.1	752	21.4
% of total	42.9	44.5	-161bps	38.2	473bps
Personal Care	1,145	1,017	12.6	1,157	-1.0
% of total	53.8	52.1	171bps	58.7	-492bps
Unbranded & Exports	71	67	6.0	62	14.5
% of total	3.3	3.4	-10bps	3.1	19bps
<b>Total</b>	<b>2,129</b>	<b>1,953</b>	<b>9.0</b>	<b>1,971</b>	<b>8.0</b>

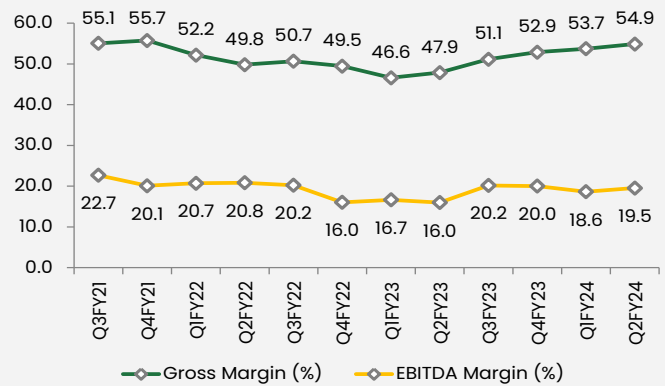
Source : RBL Research

Story in charts

Net Sales grew by 6.2% YoY and 4.4% QoQ

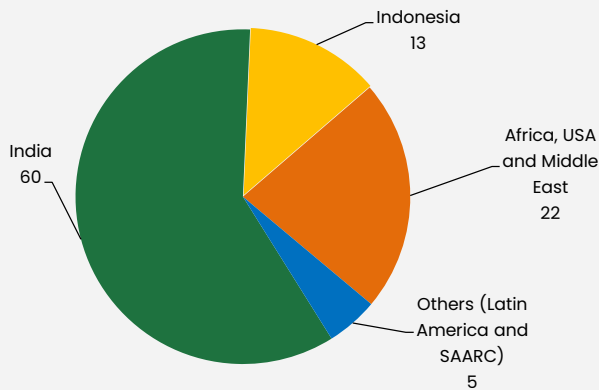


Gross/EBITDA margins came in at 54.9%/19.5% in Q2FY24

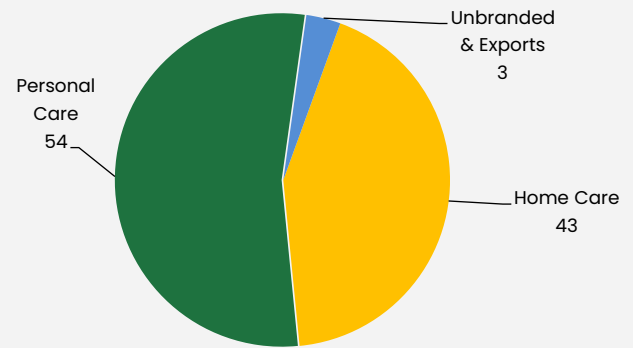


Source : RBL Research

Geography-wise Revenue Share (%)

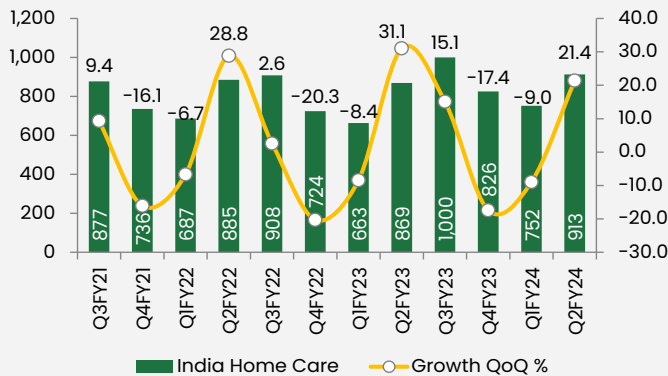


Segment-wise Revenue of India Business (%)

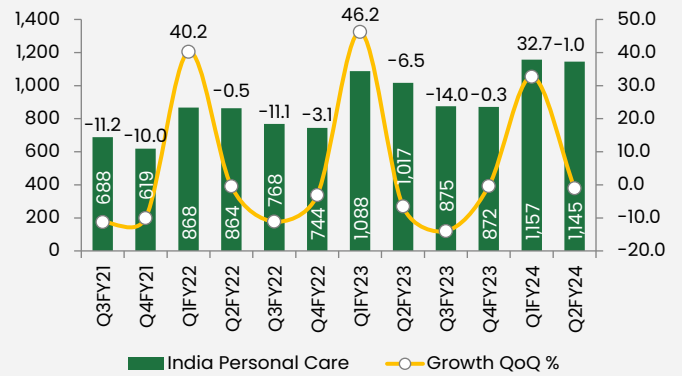


Source : RBL Research

India Home care business grew by 5.1% YoY and 21.4% QoQ

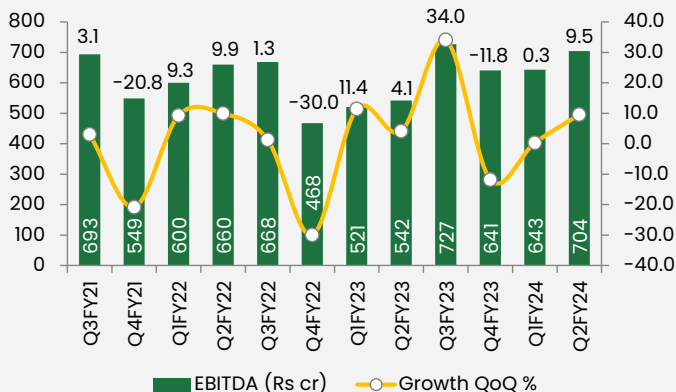


India Personal care business grew by 12.6% YoY but was down marginally by 1% QoQ

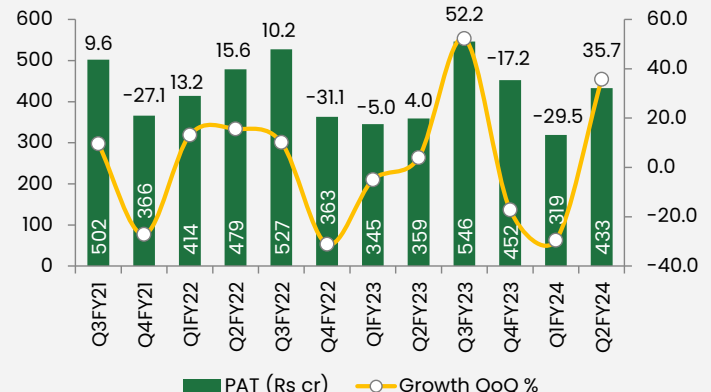


Source : RBL Research

EBITDA grew by 29.9% YoY and 9.5% QoQ



PAT grew by 20.6% YoY and 35.7% QoQ



Source : RBL Research

## P&amp;L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>12,277</b>	<b>13,316</b>	<b>15,180</b>	<b>17,609</b>
<b>Expenditure</b>				
Cost of materials	5,783	6,185	6,892	7,836
Purchase of stock in trade	354	305	348	404
(Increase) / Decrease In Stocks	(62)	213	182	176
<b>Total raw materials</b>	<b>6,075</b>	<b>6,703</b>	<b>7,422</b>	<b>8,416</b>
<b>Gross Profit</b>	<b>6,201</b>	<b>6,613</b>	<b>7,758</b>	<b>9,193</b>
Gross Margins %	50.5	49.7	51.1	52.2
Employee cost	1,104	1,111	1,260	1,462
Advertisements cost	751	986	1,214	1,409
Other expenses	1,951	2,086	3,643	4,226
<b>Total expenditure</b>	<b>9,881</b>	<b>10,885</b>	<b>12,325</b>	<b>14,103</b>
<b>EBITDA</b>	<b>2,395</b>	<b>2,431</b>	<b>2,855</b>	<b>3,506</b>
EBITDAM (%)	19.5	18.3	18.8	19.9
Depreciation	210	236	243	282
PBIT	2,185	2,194	2,612	3,224
Other income	90	168	192	223
Interest expenses	110	176	177	191
PBT	2,165	2,187	2,627	3,255
Tax	372	430	517	640
<b>Reported PAT</b>	<b>1,793</b>	<b>1,757</b>	<b>2,111</b>	<b>2,615</b>
Exceptional Income / Expenses	(10)	(54)	(82)	-
<b>PAT (after Exceptional)</b>	<b>1,783</b>	<b>1,703</b>	<b>2,029</b>	<b>2,615</b>
PAT Margin %	14.5	12.8	13.4	14.8
EPS (Rs)	17.4	16.6	19.8	25.6

Source : RBL Research

## Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	102.3	102.3	102	102
Reserves & Surplus	11,454	13,692	15,802	18,417
<b>Total Shareholder's Fund</b>	<b>11,556</b>	<b>13,794</b>	<b>15,905</b>	<b>18,520</b>
Long term borrowings	381	189	216	250
Short term borrowing	1,227	845	963	1,117
<b>Total Debt</b>	<b>1,608</b>	<b>1,034</b>	<b>1,179</b>	<b>1,367</b>
Deferred tax liabilities	74	76	87	101
Long term provision	107	103	118	137
Other long term liabilities	67	59	67	78
<b>Total</b>	<b>248</b>	<b>239</b>	<b>272</b>	<b>316</b>
<b>Current Liabilities</b>				
Trade payables	2,163	1,823	2,078	2,411
Short term provisions	76	75	86	99
Other current liabilities	487	533	608	705
<b>Total</b>	<b>2,726</b>	<b>2,432</b>	<b>2,772</b>	<b>3,216</b>
<b>Total liabilities</b>	<b>16,138</b>	<b>17,499</b>	<b>20,128</b>	<b>23,418</b>
<b>Application of Assets</b>				
Net Block	3,846	4,115	4,938	5,926
Current work in process	115	42	42	42
Goodwill on consolidation	5,377	5,822	5,822	5,822
Non current investment	172	839	987	1,145
Tax assets	822	804	917	1,063
Other non-current assets	119	70	80	93
<b>Total</b>	<b>10,449</b>	<b>11,693</b>	<b>12,786</b>	<b>14,091</b>
<b>Current Assets</b>				
Current investments	845	2,190	2,732	3,170
Inventories	2,130	1,537	1,752	2,033
Trade receivables	1,117	1,245	1,420	1,647
Cash balance	751	358	921	1,881
Bank balance	357	33	12	12
Other current assets	489	443	505	586
<b>Total</b>	<b>5,688</b>	<b>5,806</b>	<b>7,342</b>	<b>9,328</b>
<b>Total assets</b>	<b>16,138</b>	<b>17,499</b>	<b>20,128</b>	<b>23,419</b>

Source : RBL Research

## Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	2,155	2,133	2,627	3,255
Add: Depreciation	210	236	243	282
Add: Interest cost	110	176	177	191
<b>Operating profit before working capital changes</b>	<b>2,434</b>	<b>2,476</b>	<b>2,855</b>	<b>3,506</b>
Changes in working capital	(536)	93	(200)	(261)
Cash from Operations	1,898	2,569	2,655	3,245
Less: Taxes	(448)	(418)	(517)	(640)
<b>Cash flow from Operations</b>	<b>1,451</b>	<b>2,151</b>	<b>2,138</b>	<b>2,604</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(277)	(227)	(1,066)	(1,269)
Purchase of investments	(1,244)	(1,663)	(690)	(595)
Sales of fixed assets	593	33	-	-
Dividend Income	4	-	63	74
Other Income /Interest Received	59	111	129	149
<b>Cash flow from Investing</b>	<b>(864)</b>	<b>(1,758)</b>	<b>(1,564)</b>	<b>(1,642)</b>
<b>Cash flow from Financing</b>				
Purchase of borrowings	1,278	(634)	145	189
Sales of borrowings	(1,497)	-	-	-
Interest cost	(112)	(112)	(177)	(191)
<b>Cash flow from Financing</b>	<b>(380)</b>	<b>(794)</b>	<b>(32)</b>	<b>(3)</b>
<b>Net cash Inflow/Outflow</b>	<b>207</b>	<b>(402)</b>	<b>542</b>	<b>960</b>
Opening cash	524	750	357	899
Other	(1)	-	22	22
Exchange gain/loss	20	9	-	-
<b>Closing Cash</b>	<b>750</b>	<b>357</b>	<b>921</b>	<b>1,881</b>

Source : RBL Research

## Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
<b>Per share Data</b>				
EPS (Rs)	17.4	16.6	19.8	25.6
Book value per share (Rs)	112.9	134.8	155.4	181.0
Dividend per share (Rs)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
<b>Profitability Ratios</b>				
EBITDAM(%)	19.5	18.3	18.8	19.9
PBTM (%)	17.6	16.4	17.3	18.5
NPM (%)	14.5	12.8	13.4	14.8
RoE (%)	15.5	12.7	13.3	14.1
RoCE (%)	16.6	14.8	15.3	16.2
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.1	0.1	0.1	0.1
Interest Cover Ratio	20.7	13.4	15.9	18.0
Fixed Asset Ratio	0.3	0.3	0.3	0.3
Debtors (Days)	33.2	34.1	34.1	34.1
Inventory (Days)	63.3	42.1	42.1	42.1
Payable (Days)	64.3	50.0	50.0	50.0
WC (Days)	32.2	26.3	26.3	26.3
<b>Valuation</b>				
P/E (x)	55.9	58.6	49.2	38.2
P/BV	8.6	7.2	6.3	5.4
EV/EBITDA	42.0	41.3	35.0	28.3
EV/Sales	8.2	7.5	6.6	5.6

Source : RBL Research

## Research Team

Name	Email ID
Siddarth Bhamre	<a href="mailto:siddarth.bhamre@religare.com">siddarth.bhamre@religare.com</a>
Ajit Mishra	<a href="mailto:ajit.mishra@religare.com">ajit.mishra@religare.com</a>
Manoj Vayalar	<a href="mailto:manoj.vayalar@religare.com">manoj.vayalar@religare.com</a>
Nirvi Ashar	<a href="mailto:nirvi.ashar@religare.com">nirvi.ashar@religare.com</a>
Gaurav Arora	<a href="mailto:gaurav.arora3@religare.com">gaurav.arora3@religare.com</a>
Akshay Tiwari	<a href="mailto:akshay.tiwari@religare.com">akshay.tiwari@religare.com</a>
Abhijeet Banerjee	<a href="mailto:abhijeet.banerjee@religare.com">abhijeet.banerjee@religare.com</a>
Gaurav Sharma	<a href="mailto:gauravsharma2@religare.com">gauravsharma2@religare.com</a>
Rohan Shah	<a href="mailto:rohan.shah@religare.com">rohan.shah@religare.com</a>
Riddhika Mirajkar	<a href="mailto:riddhika.mirajkar@religare.com">riddhika.mirajkar@religare.com</a>
Ashwani Harit	<a href="mailto:ashwani.harit@religare.com">ashwani.harit@religare.com</a>

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

**[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]**

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

**[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]**

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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