

Godrej Consumers

Strong comeback in HI

GCPL's 1QFY21 was broadly in line with revenue/EBITDA growth of -1/3% YoY. Domestic revenue/EBITDA growth was at +5/+22% YoY, while international revenue/EBITDA growth was -8/-36% YoY. Domestic revenue growth was led by HI (27% YoY), while soaps surprised with a 2% YoY decline (HSIE +7%). Hair colours remained weak and declined by 18% YoY. Within international, GUAM was heavily impacted (-23% YoY) by lockdowns while Indonesia maintained a healthy pace (+5% YoY), driven by HI. GCPL continued to drive penetration through innovative launches, and the company launched 45 new products in its hygiene portfolio. We expect HI and hygiene portfolio to sustain healthy growth while discretionary/OOH will be muted in FY21. We maintain our EPS estimates for FY21/FY22/FY23. We value GCPL at 35x P/E on Jun-22E EPS and derive a target price of Rs 628. Maintain REDUCE.

- **HI drives revenue:** Consolidated revenue declined by 1% YoY (-5% in 1QFY20 and -12% in 4QFY20) vs the HSIE estimate of 2% YoY dip. Domestic volume growth was at 3% YoY (+5% in 1QFY20 and -15% in 4QFY20). Rural growth was ahead of urban growth. HI was benefited by channel filling, share gain from the unorganised market and higher consumer focus towards health. HI primary growth and secondary growth was mostly in line in the last 6 months. Soaps remained muted, and the company is trying to drive through new launches (Protekt brand). GUAM markets saw the severe impact of COVID-led lockdowns, with Africa among the worst impacted markets. However, demand has sequentially improved since May, while the company has launched a range of HI in Africa. Indonesia is expected to sustain healthy growth.
- **Margins resilient:** Gross margin dipped by 286bps YoY to 54.3% (+133bps in 1QFY20 and -97bps in 4QFY20). The dip in margin was driven by an adverse product mix and RM inflation (palm oil). Employee expenses remained flat YoY while ASP/other expenses declined by 46/2% YoY, leading to an EBITDAM expansion of 77bps YoY to 20.3% (+140bps in 1QFY20 and -151bps in 4QFY20). EBITDA grew by 3% YoY to Rs 4.7bn (HSIE Rs 4.8bn). APAT (excluding exceptional item and normalized tax rate) up by 6% YoY to Rs 3.17bn (HSIE Rs 3.16bn).
- **Call takeaways:** (1) Factories are operating at 90% of capacity; (2) supply chain disruption and import duty dented illegal incense sticks; (3) inventory levels to remain lower than pre-COVID levels in FY21; (4) growth in domestic business will be driven by rural growth; (5) no significant capex is expected in the near term.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	23,273	23,488	(0.9)	21,538	8.1	99,108	104,558	112,516	120,893
EBITDA	4,727	4,589	3.0	4,765	(0.8)	21,433	22,973	25,031	27,310
APAT	3,174	2,997	5.9	3,288	(3.5)	14,725	15,952	17,787	20,067
Diluted EPS (Rs)	3.1	2.9	5.9	3.2	(3.5)	14.4	15.6	17.4	19.6
P/E (x)						47.4	43.8	39.3	34.8
EV / EBITDA (x)						33.5	32.9	30.2	27.5
RoCE (%)						19.0	18.7	21.0	23.6

Source: Company, HSIE Research

REDUCE

CMP (as on 04 Aug 2020)	Rs 692
Target Price	Rs 628
NIFTY	11,095

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 628	Rs 628
EPS %	FY21E	FY22E
	0%	0%

KEY STOCK DATA

Bloomberg code	GCPL IN
No. of Shares (mn)	1,022
MCap (Rs bn) / (\$ mn)	708/9,427
6m avg traded value (Rs mn)	1,232
52 Week high / low	Rs 772/425

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	31.5	5.7	13.1
Relative (%)	12.7	13.3	11.6

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	63.24	63.24
FIs & Local MFs	3.10	3.19
FPIs	26.34	26.79
Public & Others	7.32	6.78
Pledged Shares	0.42	0.42

Source : BSE

Pledged shares as % of total shares

Varun Lohchab

varun.lohchab@hdfcsec.com
+91-22-6171-7334

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Aditya Sane

aditya.sane@hdfcsec.com
+91-22-6171-7336

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com