

Godrej Consumers

Healthy recovery in revenue, beat on margin

GCPL's 2QFY21 was healthy with revenue/EBITDA growth of 11/19% YoY (HSIE 11/12%). Domestic revenue/EBITDA grew by 11/17% YoY, while International revenue/EBITDA grew by 11/24% YoY. Domestic volume growth was at 5%, with market share gain. Secondary growth was ahead of primary growth for HI and Soaps, reflecting healthy demand at the consumer level. Hair colours witnessed sequential recovery, but overall demand remained muted during the quarter. Indonesia and LATAM led the International margin expansion. We expect healthy performance in 2HFY21, driven by demand and margin recovery in international business. We increase our EPS estimates for FY21/FY22/FY23 by 5/3/2%. We roll forward our target price to Sep-22E EPS and value GCPL at 35x P/E to derive a target price of Rs 663. Maintain REDUCE.

- **In-line revenue growth:** Consolidated revenue grew by 11% YoY (-1% in 2QFY20 and -1% in 1QFY21), in line with our estimates. Recovery was visible across both domestic and international markets. Soaps/HI clocked 18/4% YoY growth while Hair colours declined by 5% YoY. Hygiene and value for money products drove domestic recovery with 27/22% YoY growth. GCPL continued to scale up new launches in hygiene and drove penetration through improved rural distribution. GUAM clocked sharp recovery with 10% YoY cc growth after 3% YoY cc decline in 1QFY21. Indonesia/Others (LATAM) posted cc growth of 3/46% YoY.
- **Beat on margin:** GM dipped 61bps YoY (+381bps in 2QFY20 and -286bps in 1QFY21), as value for money products gained salience. Employee expenses remained flat YoY, ASP decline 2% YoY and other expenses grew by 9% YoY. EBITDA margin expanded by 156bps YoY (+362bps in 2QFY20 and +77bps in 1QFY21), ahead of the expectation of 30bps expansion. EBITDA clocked 19% YoY growth (HSIE 12%). PBT grew 22% YoY, while PAT grew 11% YoY due to lower tax rate in the base quarter.
- **Call takeaways:** (1) Hair colours are expected to gain traction in the near term; (2) palm oil inflation should not impact GM significantly; (3) Africa margins should improve in 2HFY21 with better product mix, (4) secondary growth of HI and Soaps were ahead of primary growth.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	29,151	26,302	10.8	23,273	25.3	99,108	107,254	115,773	124,398
EBITDA	6,844	5,765	18.7	4,727	44.8	21,430	24,099	26,112	28,110
APAT	4,836	3,981	21.5	3,174	52.3	14,725	16,742	18,366	20,364
Diluted EPS (Rs)	4.7	3.9	21.5	3.1	52.3	14.4	16.4	18.0	19.9
P/E (x)						46.4	40.9	37.2	33.6
EV / EBITDA (x)						32.8	32.2	28.2	25.8
RoCE (%)						19.0	19.7	21.9	24.2

Change in Estimates

(Rs mn)	FY21E			FY22E			FY23E		
	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)	OLD	NEW	Chg (%)
Net Sales	104,558	107,254	2.6	112,516	115,773	2.9	120,893	124,398	2.9
EBITDA	22,973	24,099	4.9	25,031	26,112	4.3	27,310	28,110	2.9
PAT	15,952	16,742	5.0	17,787	18,366	3.3	20,067	20,364	1.5
EPS	15.6	16.4	5.0	17.4	18.0	3.3	19.6	19.9	1.5

Source: HSIE Research

REDUCE

CMP (as on 05 Nov 2020)	Rs 669
Target Price	Rs 663
NIFTY	12,120

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 628	Rs 663
	FY21E	FY22E
EPS %	5%	3%

KEY STOCK DATA

Bloomberg code	GCPL IN
No. of Shares (mn)	1,022
MCap (Rs bn) / (\$ mn)	684/9,234
6m avg traded value (Rs mn)	1,104
52 Week high / low	Rs 772/425

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.2)	30.1	(7.2)
Relative (%)	(10.9)	(1.3)	(10.0)

SHAREHOLDING PATTERN (%)

	June-20	Sep-20
Promoters	63.24	63.23
FIs & Local MFs	3.19	3.07
FPIs	26.79	26.77
Public & Others	6.78	6.93
Pledged Shares	0.42	0.42

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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