

Godrej Consumer Products

Refer to important disclosures at the end of this report

Indonesia update – Growth recovering gradually

- GCPL hosted an interaction with Mr. Akhil Chandra, Business Head - Indonesia, to give an update on the company's performance and strategy in Indonesia. The Indonesia business, which contributes ~16%/20% to GCPL's revenues/EBITDA, slowed down in FY21 due to macroeconomic/Covid-related headwinds. GCPL expects the business to recover gradually and achieve double-digit growth.
- Management highlighted steady performance and market share gains in home insecticides (HI) and the success of its Saniter brand in the hygiene space, which contributes ~10% of revenues. Air fresheners, which were hit hard, have been recovering since Q1, while high competitive intensity in wet wipes has been addressed through price/pack interventions.
- GCPL expects to defend its high operating margins (28%) through savings in media costs and the rising GT/e-commerce share (more margin accretive vs. MT) which is likely to offset inflationary pressures. GT direct reach is likely to increase from 160,000 to 200,000.
- Our estimates are unchanged as we already factor in a recovery in the Indonesia business. At 49x FY23E EPS, the stock appears fairly valued. Retain Hold with a TP of Rs1030.

Business recovering post second wave; management targets double-digit growth:

Management indicated a steady HI business with market share gains. The focus is on democratization and premiumization in HI (upgrade consumers from coils) and also stepping up the non-mosquito portfolio. Saniter, its hygiene brand, has seen a wide success and now contributes ~10% of revenues. Management is expanding the hygiene portfolio under Saniter to sustain growth even after Covid-led demand wanes. The wipes business was affected by high competition, which was addressed through strategic sizing and pricing initiatives.

Margins expected to be steady: Management remains confident of maintaining high operating margins (28%; up 500bps in 5yrs). GCPL expects a consistent reduction in its media costs, currency gains, improving product mix and Project Pi-Cermat (cost savings initiative) to support operating margins ahead. The rising share of GT and e-commerce (margin accretive vs MT) is also expected to offset inflationary pressure and support margins.

Strengthening GT and E-commerce: Through Project Rise, management indicated an improvement in GT share by 200bps. GCPL expects to increase GT direct distribution from 160,000 to 200,000 while increasing its throughput in existing outlets. It remains focused on solidifying its pharmacy channel and driving e-commerce in both B2C and B2B segments. E-commerce is likely to contribute 2% (from zero) of sales in FY22 and 3% in FY23. The use of analytical software has improved order booking, promotion planning and execution quality.

Fairly valued; retain Hold: Our forecasts remain unchanged and factor in the gradual recovery in Indonesia. Valuations at 49x FY23E EPS offer limited upside. We retain Hold with a TP of Rs1,030 (45x Sept 23 EPS).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 7\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	99,108	1,10,286	1,22,992	1,35,171	1,48,574
EBITDA	21,430	23,883	26,286	29,832	33,745
EBITDA Margin (%)	21.6	21.7	21.4	22.1	22.7
APAT	15,776	17,653	18,727	21,805	24,873
EPS (Rs)	13.8	16.0	18.3	21.3	24.3
EPS (% chg)	(4.8)	15.5	14.7	16.4	14.1
ROE (%)	20.8	20.4	18.9	19.9	20.3
P/E (x)	75.3	65.2	56.9	48.8	42.8
EV/EBITDA (x)	50.7	44.8	40.3	35.2	30.7
P/BV (x)	13.5	11.3	10.2	9.2	8.2

Source: Company, Emkay Research

CMP	Target Price
Rs 1,042	Rs 1,030 (■)
as of (September 27, 2021)	12 months
Rating	Upside
HOLD (■)	(1.1) %

Change in Estimates

EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	18.3	21.3
Consensus	19.1	22.1
Mean Consensus TP (12M)	Rs 1,074	

Stock Details

Bloomberg Code	GCPL IN
Face Value (Rs)	1
Shares outstanding (mn)	1,022
52 Week H/L	1,139 / 644
M Cap (Rs bn/USD bn)	1,065 / 14.45
Daily Avg Volume (nos.)	15,20,271
Daily Avg Turnover (US\$ mn)	20.5

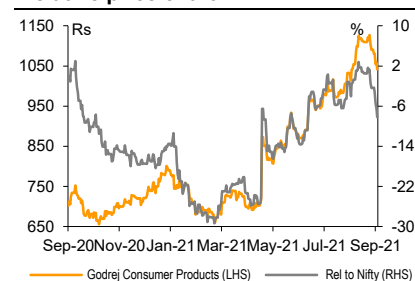
Shareholding Pattern Jun '21

Promoters	63.2%
FIIIs	27.0%
DIIIs	1.2%
Public and Others	8.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	20	52	51
Rel. to Nifty	(4)	6	24	(7)

Relative price chart



Source: Bloomberg

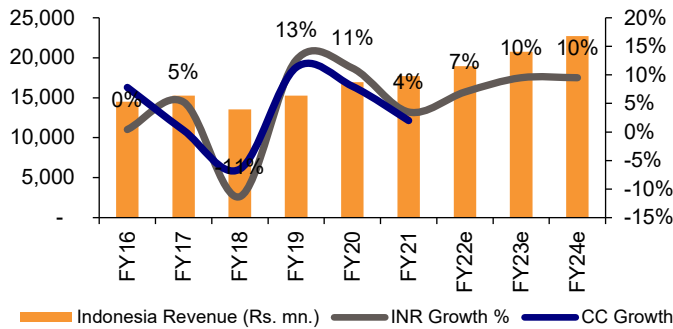
This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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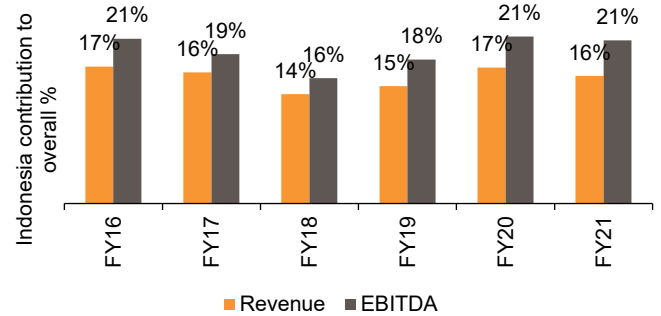
Story in Charts

Exhibit 1: Double-digit growth to continue going forward



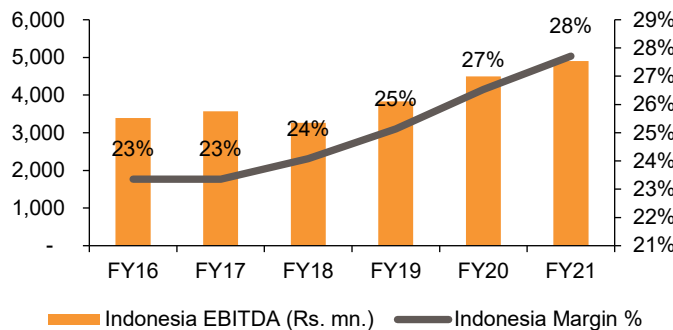
Source: Company, Emkay Research

Exhibit 2: Indonesia's contribution to overall revenue/EBITDA has been stable over the years



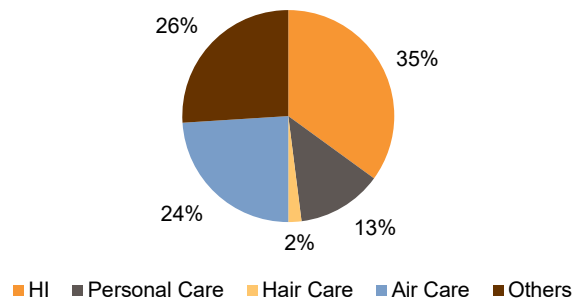
Source: Company, Emkay Research

Exhibit 3: Better product mix and cost savings driving operating margin gains



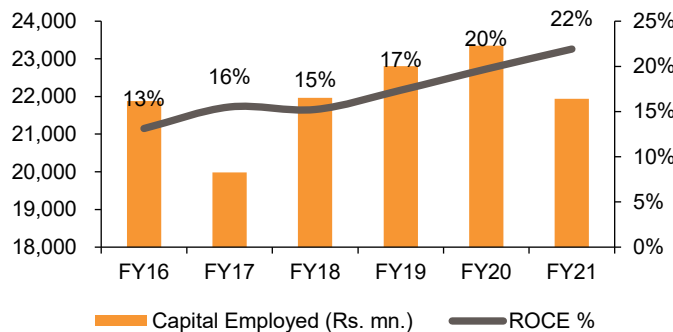
Source: Company, Emkay Research

Exhibit 4: GCPL Indonesia Product Mix (FY21)



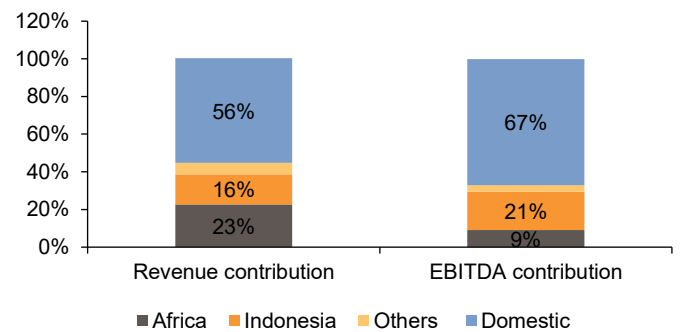
Source: Company, Emkay Research

Exhibit 5: Improvement in ROCE (Indonesia) over the years



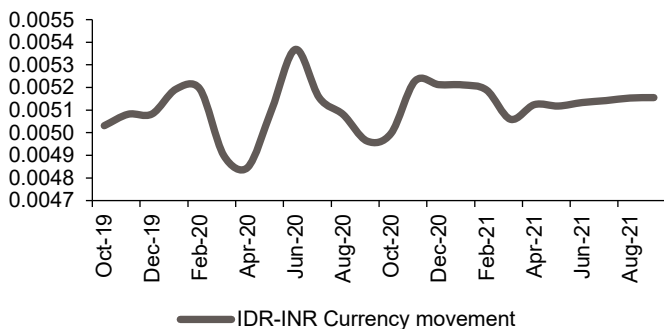
Source: Company, Emkay Research

Exhibit 6: GCPL region-wise Revenue and EBITDA mix (FY21)



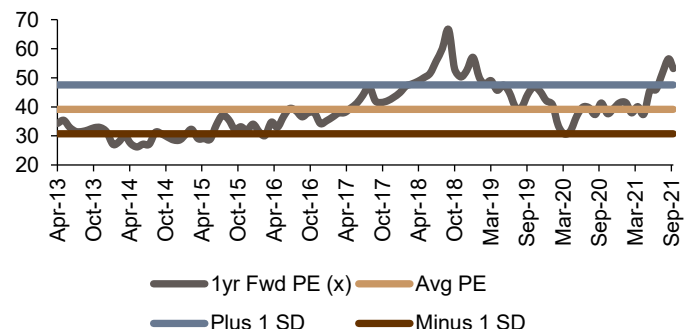
Source: Company, Emkay Research

Exhibit 7: Indonesia currency remains stable



Source: Company, Emkay Research

Exhibit 8: One-year forward P/E band chart



Source: Company, Emkay Research

Exhibit 9: Revenue Growth Assumptions

Rs mn.	FY20	FY21	FY22E	FY23E	FY24E
Domestic Revenue	53,610	61,330	69,466	76,849	85,021
Growth	-4%	14%	13%	11%	11%
International revenue	44,448	47,944	53,008	57,803	63,034
Growth	-4%	8%	11%	9%	9%
Total Revenue (excl OOI)	98,058	1,09,274	1,22,473	1,34,652	1,48,056

Source: Company, Emkay Research

Exhibit 10: Relative Valuation

	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Asian Paints	3,430	3,185	Hold	2,960	38.4	48.8	57.4	89.2	70.3	59.7
Berger Paints	830	798	Sell	650	9.5	12.0	14.2	87.3	69.4	58.5
Britannia	4,001	974	Buy	4,300	73.0	85.5	97.1	54.8	46.8	41.2
Colgate	1,683	463	Buy	1,880	39.0	44.2	48.9	43.1	38.1	34.4
Dabur	633	1,145	Hold	625	10.8	12.6	14.5	58.6	50.2	43.8
Emami	589	260	Buy	620	15.9	17.9	20.2	37.0	32.9	29.2
GCPL	1,039	1,082	Hold	1,030	18.3	21.3	24.3	56.7	48.7	42.7
HUL	2,710	6,536	Hold	2,330	39.1	45.6	51.9	69.2	59.5	52.2
ITC	239	2,985	Buy	270	11.6	13.6	15.1	20.6	17.6	15.9
Marico	547	732	Buy	630	10.6	12.3	14.0	51.4	44.5	39.0
Nestle	19,642	1,913	Hold	17,200	255.3	301.0	351.0	77.0	65.3	56.0
Pidilite	2,406	1,237	Sell	1,730	25.5	32.2	36.6	94.4	74.7	65.7
Radico Khaitan	901	120	Buy	1,000	23.2	28.6	33.6	38.9	31.5	26.8
United Breweries	1,556	437	Buy	1,570	18.5	31.9	37.2	84.3	48.7	41.8
United Spirits	822	602	Buy	750	12.3	17.1	20.0	66.6	48.0	41.2

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	99,108	1,10,286	1,22,992	1,35,171	1,48,574
Expenditure	77,678	86,404	96,705	1,05,339	1,14,829
EBITDA	21,430	23,883	26,286	29,832	33,745
Depreciation	1,973	2,039	2,041	2,147	2,270
EBIT	19,458	21,844	24,245	27,685	31,475
Other Income	1,123	671	671	771	910
Interest expenses	2,174	1,266	950	550	550
PBT	18,406	21,248	23,966	27,906	31,835
Tax	2,638	3,595	5,249	6,111	6,972
Extraordinary Items	(811)	(445)	0	0	0
Minority Int./Income from Assoc.	8	0	10	10	10
Reported Net Income	14,966	17,208	18,727	21,805	24,873
Adjusted PAT	15,776	17,653	18,727	21,805	24,873

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	1,022	1,023	1,023	1,023	1,023
Reserves & surplus	77,961	93,367	1,02,892	1,14,473	1,29,122
Net worth	78,984	94,389	1,03,915	1,15,496	1,30,145
Minority Interest	0	0	0	0	0
Loan Funds	35,184	17,683	12,683	7,683	2,683
Net deferred tax liability	(5,960)	(6,538)	(7,284)	(8,105)	(9,007)
Total Liabilities	1,08,207	1,05,534	1,09,314	1,15,074	1,23,820
Net block	91,795	88,136	88,095	88,748	89,278
Investment	6,720	6,791	6,791	6,791	6,791
Current Assets	43,275	39,865	51,903	60,779	73,144
Cash & bank balance	7,702	6,722	10,897	15,711	23,605
Other Current Assets	6,345	5,638	7,673	8,434	9,272
Current liabilities & Provision	34,153	29,833	38,049	41,819	45,967
Net current assets	9,122	10,033	13,854	18,960	27,177
Misc. exp	0	0	0	0	0
Total Assets	1,08,207	1,05,534	1,09,314	1,15,074	1,23,820

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	17,283	20,578	23,295	27,135	30,925
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,221)	(2,468)	(392)	(1,113)	(1,225)
Operating Cashflow	16,892	18,045	21,326	23,388	26,468
Capital expenditure	(7,115)	1,616	(2,000)	(2,800)	(2,800)
Free Cash Flow	9,777	19,661	19,326	20,588	23,668
Investments	(1,560)	(71)	0	0	0
Other Investing Cash Flow	3,090	(2,765)	(671)	(771)	(910)
Investing Cashflow	(4,462)	(550)	(2,000)	(2,800)	(2,800)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	1,363	(17,500)	(5,000)	(5,000)	(5,000)
Dividend paid (incl tax)	(9,859)	0	(9,202)	(10,224)	(10,224)
Other Financing Cash Flow	(3,005)	292	0	0	0
Financing Cashflow	(13,675)	(18,475)	(15,152)	(15,774)	(15,774)
Net chg in cash	(1,246)	(979)	4,175	4,814	7,894
Opening cash position	8,947	7,702	6,722	10,897	15,711
Closing cash position	7,702	6,722	10,897	15,711	23,605

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	21.6	21.7	21.4	22.1	22.7
EBIT Margin	19.6	19.8	19.7	20.5	21.2
Effective Tax Rate	14.3	16.9	21.9	21.9	21.9
Net Margin	15.9	16.0	15.2	16.1	16.7
ROCE	19.7	21.1	23.2	25.4	27.1
ROE	20.8	20.4	18.9	19.9	20.3
RoIC	21.7	23.7	26.6	30.2	34.1

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	13.8	16.0	18.3	21.3	24.3
CEPS	17.4	19.3	20.3	23.4	26.5
BVPS	77.3	92.3	101.6	113.0	127.3
DPS	8.0	0.0	9.0	10.0	10.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	75.3	65.2	56.9	48.8	42.8
P/CEPS	57.0	51.3	48.7	42.2	37.3
P/BV	13.5	11.3	10.2	9.2	8.2
EV / Sales	11.1	9.8	8.7	7.8	7.0
EV / EBITDA	50.7	44.8	40.3	35.2	30.7
Dividend Yield (%)	0.8	0.0	0.9	1.0	1.0

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	0.3	0.0	0.0	(0.1)	(0.2)
Net Debt/EBIDTA	1.0	0.2	(0.2)	(0.5)	(0.8)
Working Cap Cycle (days)	5.2	11.0	8.8	8.8	8.8

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	(3.9)	11.3	11.5	9.9	9.9
EBITDA	1.2	11.4	10.1	13.5	13.1
EBIT	(0.1)	12.3	11.0	14.2	13.7
PAT	(36.1)	15.0	8.8	16.4	14.1

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue	23,273	29,151	30,554	27,307	28,945
EBITDA	4,727	6,844	7,112	5,748	6,111
EBITDA Margin (%)	20.3	23.5	23.3	21.0	21.1
PAT	3,949	4,580	5,021	3,658	4,137
EPS (Rs)	3.9	4.5	4.9	3.6	4.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	63.2	63.2	63.2	63.2	63.2
FII	26.8	26.8	26.8	26.6	27.0
DII	3.2	3.1	3.1	3.1	1.2
Public and Others	6.8	6.9	6.9	7.1	8.6

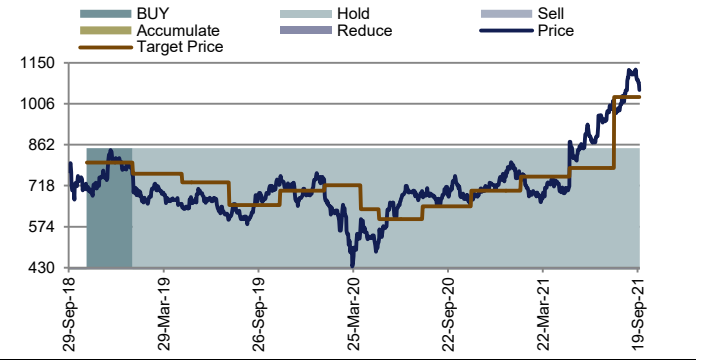
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
05-Aug-21	976	1,030	12m	Hold	Ashit Desai
12-May-21	873	780	12m	Hold	Ashit Desai
08-Feb-21	735	750	12m	Hold	Ashit Desai
20-Dec-20	720	700	12m	Hold	Ashit Desai
05-Nov-20	669	700	12m	Hold	Ashit Desai
04-Aug-20	692	645	12m	Hold	Ashit Desai
13-May-20	534	600	12m	Hold	Ashit Desai
14-Apr-20	557	635	12m	Hold	Ashit Desai
08-Apr-20	600	635	12m	Hold	Ashit Desai
30-Jan-20	684	720	12m	Hold	Ashit Desai
25-Dec-19	691	700	12m	Hold	Ashit Desai
06-Nov-19	742	700	12m	Hold	Ashit Desai
20-Sep-19	685	650	12m	Hold	Ashit Desai
01-Aug-19	604	650	12m	Hold	Ashit Desai
03-May-19	641	730	12m	Hold	Ashit Desai
09-Apr-19	665	760	12m	Hold	Ashit Desai
29-Jan-19	751	760	12m	Hold	Ashit Desai
02-Nov-18	714	800	12m	Buy	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	10.63	10.63	0%	0	100.00
Asian Paints	1.51	0.54	-64%	-97	5.10
Berger Paints	0.20	0.00	-100%	-20	0.00
Britannia Industries	0.46	0.61	32%	15	5.75
Colgate-Palmolive	0.22	0.24	11%	2	2.28
Dabur India	0.37	0.39	5%	2	3.63
Emami	0.12	0.13	9%	1	1.19
Godrej Consumer Products	0.38	0.38	0%	0	3.60
Hindustan Unilever	2.38	1.95	-18%	-43	18.32
ITC	2.02	2.10	4%	8	19.79
Marico	0.28	0.34	22%	6	3.20
Nestle India	0.69	0.51	-25%	-18	4.83
Pidilite Industries	0.36	0.00	-100%	-36	0.00
Radico Khaitan	0.00	0.26	NA	26	2.42
United Breweries	0.11	0.49	361%	39	4.65
United Spirits	0.00	0.29	NA	29	2.74
Varun Beverages	0.13	0.14	9%	1	1.36
ABFRL	0.06	0.17	163%	11	1.59
Jubilant FoodWorks	0.31	0.27	-12%	-4	2.54
Page Industries	0.19	0.28	50%	9	2.63
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.85	1.09	29%	25	10.29
TCNS Clothing	0.00	0.20	NA	20	1.90
Westlife Development	0.00	0.23	NA	23	2.17
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	25-Sep-20	26-Mar-21	25-Jun-21	25-Aug-21	24-Sep-21
EAP - Consumer Goods & Retail	100.0	101.3	120.0	130.4	137.5	149.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	97.1	114.8	124.3	130.9	142.1

*Performance measurement base date 1st April 2019

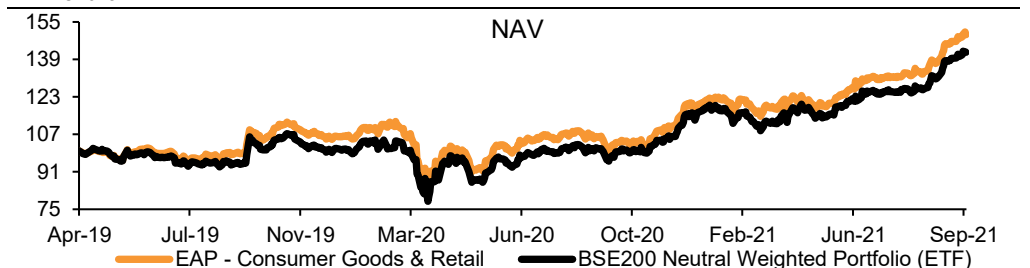
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	8.8%	14.7%	24.7%	47.7%
BSE200 Neutral Weighted Portfolio (ETF)	8.6%	14.3%	23.8%	46.4%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 28 Sep 2021 01:21:21 (SGT)

Dissemination Date: 28 Sep 2021 01:22:21 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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