

CMP: INR 694
Buy at CMP and Upto 670

Outlook: Positive

Technical TP: INR 800-850-900

Stop-loss: INR 640

Stock Info

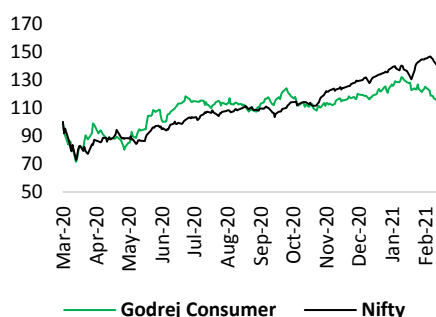
BSE	532424
NSE	GODREJCP
Bloomberg	GCPL IN
Reuters	GOCP.BO
Sector	Personal Care
Face Value (Rs)	1
Equity Capital (Rs Cr)	29
Mkt Cap (Rs Cr)	70,239
52w H/L (Rs)	808/ 425
Avg Yearly Vol (in 000')	1740

Shareholding Pattern %

(As on Dec, 2020)

Promoters	63.23
FII	26.77
DII	3.09
Public & Others	6.91

Godrej Consumer Vs Nifty



Godrej Consumer Products Ltd (GCPL) is one of the leading Fast Moving Consumer Goods (FMCG) companies in India. The company has five product segments namely Household Insecticides, Soaps, Hair Colours, Liquid Detergents and Air Fresheners. The company has manufacturing facilities at Malanpur in Madhya Pradesh Baddi in Himachal Pradesh Guwahati in Assam and Namchi in Sikkim. The company has established a strong international presence through a slew of acquisitions over the years. GCPL is among the largest household insecticide and hair care players in emerging markets. In household insecticides it is the leader in India and the second largest player in Indonesia.

Key Highlights of Q3FY21:

- In 3QFY21, GODREJCP sales remained largely in-line. Revenue stood at INR.3055 cr. with 10% YoY growth led by beer performance across portfolio from both domestic and International markets Sharp Expansion seen on margin front.
- Domestic volume** grew by 7% YoY driven by strong growth of 15%/14% YoY from Soaps and hair colour categories led by consumer divergence towards hygiene and increased mobility while Home insecticide posted steady performance and grew by 7% on account of company's intensity in burning format from unorganized players.
- On the **International business** front, Indonesia business remained flat on account of adverse macroeconomic factors while the company's Africa, USA & Middle East and LATAM business grew by 15%/12% in cc terms.

Valuation & View:

- Going forward, we expect the company's Hygiene and hair colour portfolio to continue its growth trajectory led by consumer divergence towards hygiene, while opening up offices, colleges and more mobility will ensure good traction in hair colour.
- In Home insecticide portfolio, Aerosols and liquid formats are showing good traction and are expected to maintain its positive trends while burning format are facing company issues from unorganized players, thus in order to overcome the same the company is focusing on bringing in differentiated products in the category coupled with higher penetration.
- On the International business front, we expect Indonesia business to regain its momentum on the back of changing consumer sentiments while Africa, USA & Middle East and LATAM business are expected to maintain its growth trajectory led by various initiatives which the company undertook to make these geographies profitable.
- Margin will be taken care of on the back of cost saving measures and pricing action. Thus, we continue to remain positive, considering company's traction in Home insecticide portfolio and we expect Indonesia business to regain its momentum on the back of changing consumer sentiments. At a CMP of 694, GCPL is trading at a PE of 37x/33x to its FY22/FY23 Bloomberg consensus estimates. **We have a positive outlook on the stock.**

Key Risk:

- Steep increase in input prices**
- Steep increase in Ad & P spends**
- Aderse macros continues in Indonesia market.**

Highlights from the conference call

Operating environment

- In terms of growth, rural continues to be much ahead of urban.
- The management said modern trade has seen a gradual recovery.
- New categories entered in FY21 will continue to see good growth, Hygiene in particular.
- It will continue to prioritize growth over margin, which may be maintained at current levels. The company has taken gradual price increases in Soaps.

Segments and geographies

- Indonesia was affected by weak macro and high competitive intensity due to new players adopting a price-volume strategy in the Wet Wipes segment. The
- FMCG market has declined by high single-digits or early double-digits in each of the last three quarters.
- In Indonesia, it currently distributes from ~120,000 outlets v/s 80,000 four years ago. The management is targeting ~200,000 outlets.
- GCPL has launched a health soap in Indonesia to add to its product portfolio. It may also look at the niche Fabric Care business in Indonesia.
- The management is disappointed by the 5% growth in HI in India. The burning format did not work as well as it had expected. Innovation will play a big part of incremental growth.
- **Africa:** The management was happy to see growth over the past couple of quarters. Expansion in distribution has helped as has its Dry Hair portfolio. West Africa is doing particularly well.
- The Management expect Latin America business to continue its steady to strong performance in medium to long term

Q3FY21 Result Snapshot:

in Cr.	Q3FY21	Q3FY20	YoY	Q2FY20	QoQ
Revenue	3055	2778	9.97%	2915	4.80%
EBITDA	693	631	9.83%	673	2.97%
EBITDAM (%)	23%	23%	0bps	23%	0bps
PAT	502	445	12.8%	458	9.6%
PATM (%)	16%	16%	0bps	16%	0bps

Key Financial:

in Cr.	FY19	FY20	FY21E*	FY22E*	FY23E*
Revenue	10314	9911	10896	11900	13072
EBITDA	2118	2143	2430	2691	2995
EBIT	1948	1946	2442	2460	2784
PAT	2341	1496	2196	2517	2811
EPS (INR)	23	15	17	19	21
CMP	694	-	-	-	-
PE	30	46	41	37	33

*Bloomberg estimates

Technical Chart & View



Technical View :

- The current price action suggests that the stock is showing sign of Inverse Head and shoulder pattern in making.
- Further, the momentum indicator v.i.z the RSI had gone in overbought zone in Aug-2018 (marked in black circle) and then stock started its corrective move. However, in this sell off the RSI never went below 30 reading. This suggests that we have seen a pullback of entire up move.
- At present 641 is **Major** support. As long as the stock holds above 641 level there is fair chance that the stock may head higher and test 800 – 850 – 900 levels in 6-12months.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880