CMP	:	INR 975
Reco	:	BUY ↔
Target Price	:	INR 1,194 ↑
Target Price Change	:	2%
Target 1HFY26(x)	:	45
EPS Change FY24/ 25	:	-4%/ -4%

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Market data

Sensex	:	63,591
Sector	:	FMCG
Market Cap (INR bn)	:	996.8
Market Cap (USD bn)	:	11.968
O/S Shares (mn)	:	1,022.8
52-wk HI/LO (INR)	:	1102/794
Avg. Daily Vol ('000)	:	647
Bloomberg	:	GCPL IN

Source: Bloomberg

Valuation

	FY24e	FY25e	FY26e
EPS (INR)	21.8	24.9	28.1
P/E (x)	44.7	39.1	34.7
P/BV (x)	6.6	6.1	5.7
EV/EBITDA (x)	31.3	26.6	23.7
Dividend Yield (%)	1.0	1.3	1.5

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	(2)	(4)	7	16
Relative	2	(1)	4	11

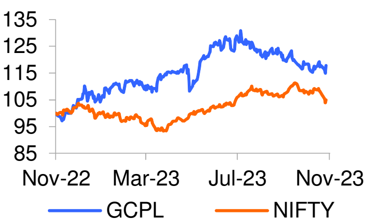
Source: Bloomberg

Shareholding pattern

Promoters	:	63%
Public	:	37%
Others	:	0%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Godrej Consumer Products

Performance impacted by one-offs

Godrej Consumer Products' (GCPL) 2QFY24 revenue performance was broadly in line while profitability was marginally ahead despite a step-up in investment on brands. Revenue performance was impacted due to a) Subdued performance in household insecticides (HI) and hair color, impacted by poor monsoon and Shravan month, and b) Currency devaluation in Africa business. Management's initiatives to improve performance of Indonesia business is playing out, driving revenue growth of 14% in constant currency (CC) and margin improvement, which should continue. Organic India's business volume grew 4% impacted by flat volume in HI and low single-digit growth in personal wash and hair color. GAUM business grew 17% CC, but currency headwinds led to a 5% decline in INR terms. Overall profitability continues to improve with receding input cost inflation and cost savings, part of which has been invested in brands (A&P spends up 29% YoY). GCPL's performance should improve with the recovery in HI and Indonesia business, and scaling up of the Raymond business. Factoring 2QFY24 performance, we have cut our estimates by ~4% for FY24/ 25 and roll forward our target price to 1HFY26. We maintain BUY recommendation with a revised target price of INR 1,194 based on 45x PER on 1HFY26E EPS.

Organic India volume grew 4%, Indonesia business continues to improve

India sales grew 6% YoY with 11% growth in volume while organic revenue grew 2% with volume growth of 4%. In India, the home care business grew by 5%, while personal care business declined by 1% during the quarter. HI performance was impacted by flat sales due to poor monsoon. Non-mosquito portfolio continues to perform well. Air fresheners continue to grow in double-digit (both value and volume) based on management initiatives. Personal care delivered low single-digit volume growth while value growth was 5% due to the benefits of lower input costs being passed on to consumers. Hair color volume grew in low single-digit while Magic hand wash delivered strong double-digit volume growth. Indonesia's business performance improved with sales growth of 14% in CC terms aided by media investments. GAUM delivered 17% growth in CC terms while in INR terms sales declined 5% impacted by the devaluation of NAIRA. Raymond's consumer care business reported revenue of INR 1.42 bn as integration is largely complete. Management expects synergy benefits in 2H and should be EBITDA positive.

Strong profitability improvement; A&P spends increased by 41% in India business

Consolidated gross margin expanded by 702 bps YoY to 54.9%, while the India business gross margin expanded by 970 bps YoY due to the softening of raw material prices. Consolidated EBITDA grew 26% YoY and margin expanded by 315 bps YoY to 20.1%. Employee costs grew 29% YoY, while other expenditures increased by 9% YoY. A&P spend increased by 29% YoY to 10.2% of sales vs. 8.4% last year. India EBITDA margin expanded by 415 bps YoY to 25.7%. In international business, Indonesia EBITDA margin improved by 80 bps YoY to 17.5% while GAUM EBITDA margin expanded 310 bps YoY to 8.5%. LATAM margin remained muted at 0.8%. Management indicated that profitability would continue to improve with moderation of inflation and cost savings.

Investment Summary

Post 2QFY24 performance, we have cut our earnings estimates by ~4% for FY24-25E and introduce FY26 estimates. Going ahead, GCPL's performance is expected to improve with recovery in HI (revamping marketing strategy, improving efficacy, launching affordable packs) and Indonesia (inventory correction and increasing brand investment). We expect GCPL to deliver sales/ earnings CAGR of 11%/ 18% with margin expansion of 330 bps over FY23-26E. We maintain BUY recommendation with a revised target price of INR 1,194 (previously INR 1,173) based on 45x PER on 1HFY26E EPS.

Consolidated quarterly financials

INR mn	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenues	**36,020**	**33,919**	**6.2**	**34,489**	**4.4**	**70,509**	**65,169**	**8.2**
Gross Profit	19,771	16,238	22	18,534	7	38,305	30,796	24
Gross Margin %	54.9	47.9	702 bps	53.7	115 bps	54.3	47.3	707 bps
Staff cost	3,356	2,593	29	3,140	7	6,496	5,190	25
% of Net sales	9.3	7.6	167 bps	9.1	21 bps	9.2	8.0	125 bps
Advertisement expenses	3,659	2,839	29	3,204	14	6,863	4,853	41
% of Net sales	10.2	8.4	179 bps	9.3	87 bps	9.7	7.4	229 bps
Other expenditure	5,521	5,064	9	5,372	3	10,894	9,685	12
% of Net sales	15.3	14.9	40 bps	15.6	-25 bps	15.5	14.9	59 bps
EBITDA	**7,234**	**5,742**	**26.0**	**6,818**	**6.1**	**14,052**	**11,069**	**27.0**
EBITDA Margin %	**20.1**	**16.9**	**315 bps**	**19.8**	**31 bps**	**19.9**	**17.0**	**295 bps**
Other income	659	399	65	691	-5	1,350	674	100
Depreciation	609	533	14	763	-20	1,372	1,104	24
Interest Expenses	773	483	60	740	4	1,513	833	82
PBT	**6,511**	**5,125**	**27**	**6,007**	**8**	**12,518**	**9,806**	**28**
Tax	1866	989	89	1611	16	3,477	2,081	67
effective tax rate %	**28.7**	**19.3**	**937 bps**	**26.8**	**184 bps**	**27.8**	**21.2**	**655 bps**
PAT	**4,645**	**4,137**	**12**	**4,396**	**6**	**9,041**	**7,724**	**17**
Foreign exchange gain/(loss)	(192)	(321)		(390)		(582)	(440)	
Extraordinary item	(125)	(227)		(818)		(943)	(245)	
Share of profit of equity investee	5	5	0	0	#DIV/0!	5	10	(50)
Reported PAT	**4,323**	**3,584**	**21**	**3,188**	**36**	**7,511**	**7,030**	**7**
Adjusted PAT	**4,430**	**3,770**	**18**	**4,130**	**7**	**8,560**	**7,240**	**18**
Profit Margin %	**12.3**	**11.1**	**118 bps**	**12.0**	**32 bps**	**12.1**	**11.1**	**103 bps**
EPS	**4.3**	**3.7**	**18**	**4.0**	**7**	**8.4**	**7.1**	**18**

Source: Company, Antique

Consolidated segment performance

Revenue (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
India	21,682	19,850	9.2	20,055	8.1	41,737	38,344	8.8
Indonesia	4,730	4,087	15.7	4,507	4.9	9,237	7,852	17.6
Africa	8,158	8,587	(5.0)	8,486	(3.9)	16,644	16,374	1.6
Others	1,826	1,744	4.7	1,808	1.0	3,634	3,285	10.6
Less: Intersegmental	(376)	(348)		(366)		(742)	(687)	
Total revenue	**36,020**	**33,919**	**6.2**	**34,489**	**4.4**	**70,509**	**65,168**	**8.2**

PBIT (INR mn)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
India	6,826	4,340	57.3	6,336	8	13,162	8,441	55.9
Indonesia	1,013	737	37.5	995	2	2,008	1,313	52.9
Africa	499	205	143.8	440	13	940	451	108.5
Others	35	80	(56.5)	79	(56)	114	105	8.7
Less: Intersegmental	(1,281)	(75)	1603.5	(1,494)	(14)	(2,775)	(110)	2413.1
Total PBIT	**7,092**	**5,287**	**34.2**	**6,357**	**12**	**13,449**	**10,199**	**31.9**

PBIT margin %	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
India	31.5	21.9	962	31.6	-11	31.5	22.0	952
Indonesia	21.4	18.0	339	22.1	-65	21.7	16.7	502
Africa	6.1	2.4	374	5.2	94	5.6	2.8	289
Others	1.9	4.6	-269	4.4	-248	3.1	3.2	-6
Total PBIT margin	**19.7**	**15.6**	**410**	**18.4**	**126**	**19.1**	**15.7**	**342**

Source: Company, Antique

Standalone quarterly financials

INR mn	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenues	**21,682**	**19,850**	**9.2**	**20,055**	**8.1**	**41,737**	**38,344**	**8.8**
Gross Profit	12,581	9,596	31	11,442	10	24,024	18,117	33
Gross Margin %	58.0	48.3	969 bps	57.1	97 bps	57.6	47.2	1031 bps
Staff cost	1,437	812	77	1,178	22	2,615	1,601	63
% of Net sales	6.6	4.1	253 bps	5.9	75 bps	6.3	4.2	209 bps
Advertisement expenses	2,794	1,985	41	2,467	13	5,261	3,242	62
% of Net sales	12.9	10.0	289 bps	12.3	59 bps	12.6	8.5	415 bps
Other expenditure	2,776	2,518	10	2,824	(2)	5,600	4,847	16
% of Net sales	12.8	12.7	12 bps	14.1	-128 bps	13.4	12.6	78 bps
EBITDA	**5,575**	**4,280**	**30.3**	**4,974**	**12.1**	**10,548**	**8,426**	**25.2**
EBITDA Margin %	**25.7**	**21.6**	**415 bps**	**24.8**	**91 bps**	**25.3**	**22.0**	**330 bps**
Other income	1,575	276	471	1,828	-14	3,403	489	596
Depreciation	325	217	50	453	-28	778	475	64
Interest Expenses	362	8	4480	247	47	609	13	4582
PBT	**6,463**	**4,331**	**49**	**6,101**	**6**	**12,565**	**8,427**	**49**
Tax	1,602	863	86	1,406	14	3,007	1,764	70
effective tax rate %	**24.8**	**19.9**	**485 bps**	**23.0**	**175 bps**	**23.9**	**20.9**	**300 bps**
PAT	**4,862**	**3,468**	**40**	**4,696**	**4**	**9,558**	**6,663**	**43**
Recurring profit	**4,862**	**3,468**	**40**	**4,696**	**4**	**9,558**	**6,663**	**43**
Profit Margin %	**22.4**	**17.5**	**495 bps**	**23.4**	**-99 bps**	**22.9**	**17.4**	**552 bps**
Extraordinary item	(13)	(186)		(791)		(804)	(186)	
Reported PAT	**4,849**	**3,282**	**48**	**3,905**	**24**	**8,754**	**6,477**	**35**
EPS	**5**	**3**	**40**	**5**	**4**	**9**	**7**	**43**

Source: Company, Antique

Change in estimates

	FY24			FY25			FY26
INR mn	**New**	**Old**	**Chg (%)**	**New**	**Old**	**Chg (%)**	**New**
Revenue	146,789	152,165	(3.5)	165,404	171,317	(3.5)	182,172
EBITDA	31,515	33,130	(4.9)	36,733	38,868	(5.5)	40,746
EBITDA Margin, %	21.5	21.8	-30 bps	22.2	22.7	-48 bps	22.4
PAT	22,285	23,194	(3.9)	25,481	26,643	(4.4)	28,751
EPS	21.8	22.7	(3.9)	24.9	26.1	(4.4)	28.1

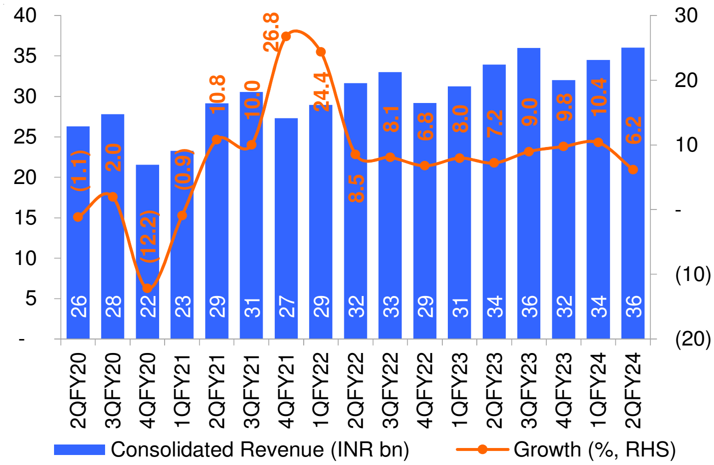
Source: Company, Antique

Balance sheet

Year ended, INR mn	1HFY24	1HFY23
Share Capital	1,023	1,023
Reserves & Surplus	143,976	125,760
Networth	**144,999**	**126,782**
Debt	32,001	10,615
Minority Interest	-	-
Net deferred Tax liabilities	638	572
Capital Employed	**177,638**	**137,969**
Net Fixed Assets	62,850	41,284
Goodwill	64,389	57,384
Investments	30,083	17,012
Current Assets, Loans & Advances	**48,870**	**49,588**
Inventory	15,945	19,906
Debtors	13,582	10,939
Cash & Bank balance	5,436	4,730
Loans & advances and others	13,907	14,013
Current Liabilities & Provisions	**28,553**	**27,299**
Liabilities	26,086	25,518
Provisions	2,468	1,781
Net Current Assets	**20,316**	**22,289**
Application of Funds	**177,638**	**137,969**

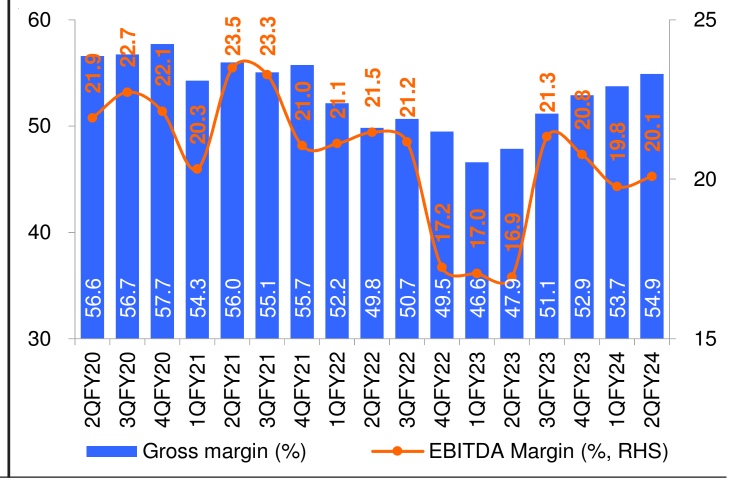
Source: Company, Antique

Consolidated revenue 6% and with volume growth of 10%



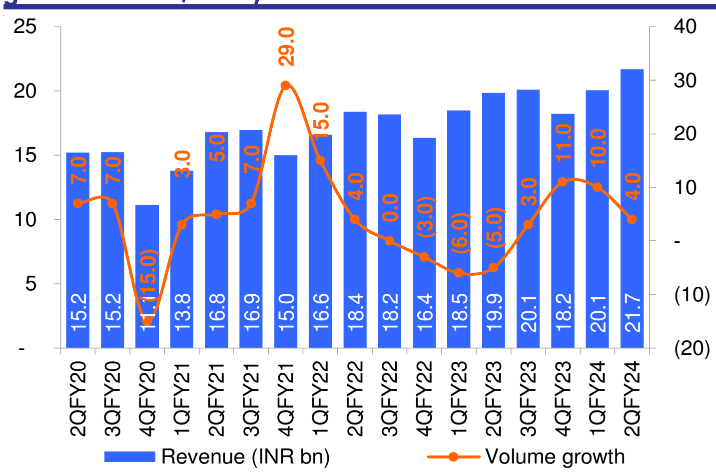
Source: Company, Antique

Consolidated gross margin/ EBITDA margin expanded 702 bps/ 315 bps YoY



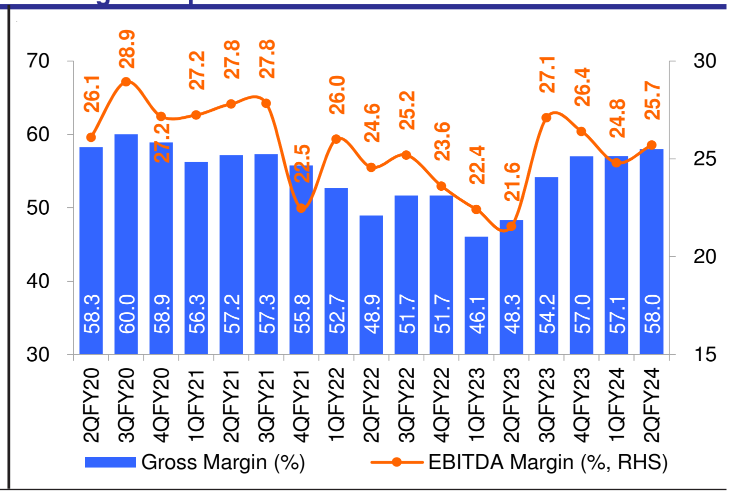
Source: Company, Antique

Organic domestic business grew 2% with volume growth of 4% (including Raymond business revenue/ volume growth was 6%/ 11%)



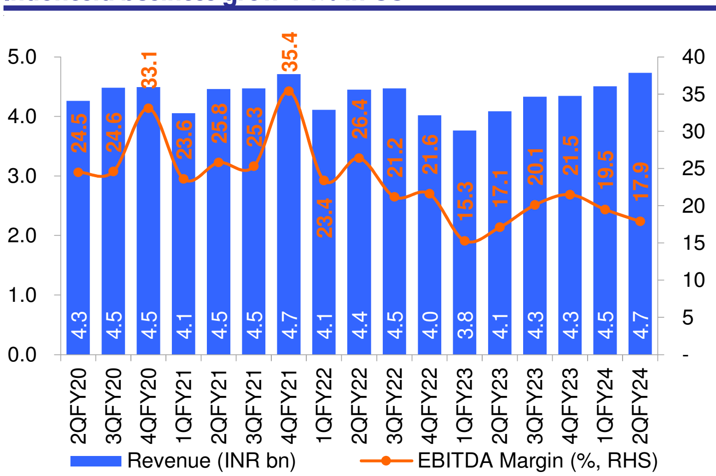
Source: Company, Antique

GM and EBITDA margin expanded 970 bps and 415 bps due to softening of RM prices



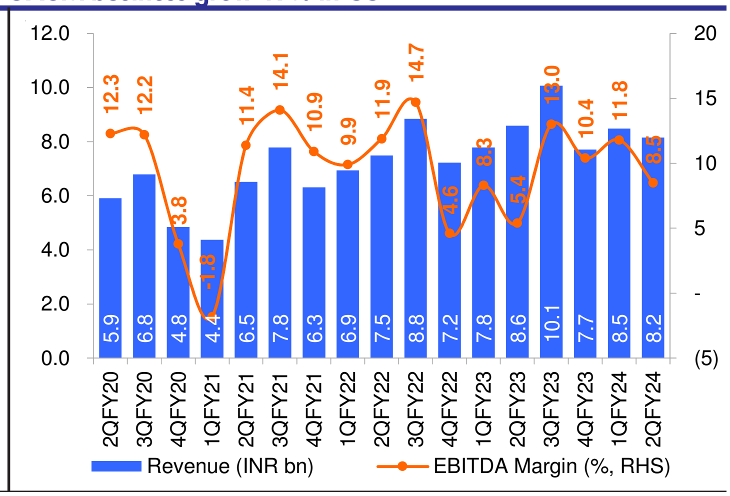
Source: Company, Antique

Indonesia business grew 14% in CC



Source: Company, Antique

GAUM business grew 17% in CC



Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net Revenue	**122,765**	**133,160**	**146,789**	**165,404**	**182,172**
Op. Expenses	(97,848)	(107,768)	(115,274)	(128,671)	(141,426)
EBITDA	**24,917**	**25,392**	**31,515**	**36,733**	**40,746**
Depreciation	(2,099)	(2,363)	(2,735)	(3,375)	(3,484)
EBIT	**22,818**	**23,029**	**28,781**	**33,358**	**37,262**
Other income	897	1,684	2,358	2,594	2,853
Interest Exp.	(1,102)	(1,757)	(2,197)	(1,977)	(1,779)
Extra Ordinary Items -gain/(loss)	(966)	(1,087)	-	-	-
Reported PBT	**21,647**	**21,868**	**28,942**	**33,974**	**38,335**
Tax	(3,719)	(4,303)	(6,657)	(8,494)	(9,584)
Reported PAT	**17,831**	**17,025**	**22,285**	**25,481**	**28,751**
Minority Int./Profit (loss) From Asso.	(98)	(541)	-	-	-
Net Profit	**17,929**	**17,566**	**22,285**	**25,481**	**28,751**
Adjusted PAT	**17,480**	**17,460**	**22,285**	**25,481**	**28,751**
Adjusted EPS (INR)	**17.1**	**17.1**	**21.8**	**24.9**	**28.1**

Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	1,023	1,023	1,023	1,023	1,023
Reserves & Surplus	114,537	136,920	148,983	161,175	174,593
Networth	**115,559**	**137,942**	**150,005**	**162,198**	**175,616**
Debt	12,196	10,340	24,340	4,340	4,340
Net deferred Tax liabilities	(6,796)	(7,279)	(8,006)	(8,807)	(9,688)
Capital Employed	**120,959**	**141,003**	**166,339**	**157,730**	**170,268**
Gross Fixed Assets	49,727	55,095	85,145	87,945	90,745
Accumulated Depreciation	(11,618)	(13,981)	(16,716)	(20,091)	(23,575)
Capital work in progress	1,164	454	454	454	454
Net Fixed Assets	**39,273**	**41,568**	**68,884**	**68,308**	**67,624**
Goodwill	54,084	58,223	46,626	46,626	46,626
Investments	10,154	30,290	22,290	22,290	22,290
Non Current Investments	1,711	8,393	8,393	8,393	8,393
Current Investments	8,443	21,897	13,897	13,897	13,897
Current Assets, Loans & Adv.	**50,514**	**36,866**	**71,664**	**69,041**	**87,179**
Inventory	21,299	15,372	24,130	27,190	29,946
Debtors	11,163	12,453	18,499	20,845	22,959
Cash & Bank balance	11,078	3,907	20,178	11,046	23,307
Loans & advances and others	6,974	5,135	8,857	9,959	10,968
Current Liabilities & Provisions	**33,066**	**25,944**	**43,124**	**48,534**	**53,451**
Liabilities	31,012	24,158	40,481	45,586	50,205
Provisions	2,054	1,786	2,643	2,948	3,245
Net Current Assets	**17,447**	**10,923**	**28,540**	**20,507**	**33,729**
Application of Funds	**120,959**	**141,003**	**166,339**	**157,730**	**170,268**

Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	1,022	1,022	1,022	1,022	1,022
Diluted no. of shares (mn)	1,022	1,022	1,022	1,022	1,022
BVPS (INR)	113.0	134.9	146.7	158.7	171.8
CEPS (INR)	19.5	19.0	24.5	28.2	31.5
DPS (INR)	0.0	0.0	10.0	13.0	15.0

Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	20.3	19.1	21.5	22.2	22.4
EBIT Margin (%)	18.6	17.3	19.6	20.2	20.5
PAT Margin (%)	14.1	12.9	14.9	15.2	15.5

Source: Company, Antique

Key assumptions

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross margin (%)	50.5	49.7	54.5	55.0	55.0
Employee cost (% of sales)	9.0	8.3	8.7	8.7	8.6
Advertisement (% of sales)	6.1	7.4	9.5	9.5	9.5
Other expenditure (% of sales)	15.1	14.8	14.8	14.6	14.5

Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	**21,647**	**21,868**	**28,942**	**33,974**	**38,335**
Depreciation & amortization	2,099	2,363	2,735	3,375	3,484
Interest expense	1,102	1,757	2,197	1,977	1,779
(Inc)/Dec in working capital	(12,292)	(2,217)	1,518	(301)	(250)
Tax paid	(3,719)	(4,303)	(6,657)	(8,494)	(9,584)
Less: Interest/Div. Income Recd.	(897)	(1,684)	(2,358)	(2,594)	(2,853)
CF from operating activities	**7,941**	**17,785**	**26,377**	**27,939**	**30,912**
Capital expenditure	(3,425)	(5,368)	(30,050)	(2,800)	(2,800)
Inc/(Dec) in investments	(3,363)	(20,136)	8,000	-	-
Add: Interest/Div. Income Recd.	897	1,684	2,358	2,594	2,853
CF from investing activities	**(5,891)**	**(23,820)**	**(19,692)**	**(206)**	**53**
Inc/(Dec) in debt	4,600	(1,856)	14,000	(20,000)	-
Dividend Paid	-	-	(10,222)	(13,289)	(15,333)
Others	(2,295)	720	5,808	(3,575)	(3,371)
CF from financing activities	**2,306**	**(1,136)**	**9,586**	**(36,864)**	**(18,704)**
Net cash flow	**4,356**	**(7,171)**	**16,271**	**(9,132)**	**12,261**
Opening balance	6,722	11,078	3,907	20,178	11,046
Closing balance	**11,078**	**3,907**	**20,178**	**11,046**	**23,307**

Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	11.3	8.5	10.2	12.7	10.1
EBITDA	2.0	1.9	24.1	16.6	10.9
Adj PAT	7.0	-0.1	27.6	14.3	12.8
Adj EPS	7.0	-0.1	27.6	14.3	12.8

Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	57.0	57.1	44.7	39.1	34.7
P/BV (x)	8.6	7.2	6.6	6.1	5.7
EV/EBITDA (x)	39.7	38.6	31.3	26.6	23.7
EV/Sales (x)	8.1	7.4	6.7	5.9	5.3
Dividend Yield (%)	-	-	1.0	1.3	1.5

Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	16.7	13.8	15.5	16.3	17.0
RoCE (%)	21.9	18.9	20.3	22.2	24.5
Asset/T.O (x)	2.6	2.4	2.0	1.8	1.9
Net Debt/Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
EBIT/Interest (x)	(21.5)	(14.1)	(14.2)	(18.2)	(22.5)

Source: Company Antique

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