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Pick of the Week

Godrej Consumer Products Ltd

January 06, 2025

RETAILRESEARCH

Godrej Consumer Products Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
FMCG	Rs 1,117	Buy in Rs 1097-1127 band and add on dips in Rs 992-1022 band	Rs 1217	Rs 1314	2-3 quarters

HDFC Scrip Code	GODCON
BSE Code	532424
NSE Code	GODREJCP
Bloomberg	GCPL:IN
CMP Jan 03, 2025	1,117
Equity Capital (Rs Cr)	102.3
Face Value (Rs)	1.0
Equity Share O/S (Cr)	102.3
Market Cap (Rs Cr)	1,14,065
Book Value (Rs)	123.0
Avg. 52 Wk Volumes ('000)	1,313
52 Week High	1,541
52 Week Low	1,055

Share holding Pattern % (Sep, 2024)	
Promoters	63.0
Institutions	31.6
Non Institutions	5.4
Total	100.00

* Refer at the end for explanation on Risk Ratings

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Our Take:

Navigating Headwinds, Building for the Future

GCPL's recent financial performance have shown some softness and management's near-term outlook appears conservative, we believe the sharp decline in the stock price significantly overstates fundamental concerns. The current valuation multiple has compressed to levels well below historical averages, suggesting the market has likely overreacted to temporary headwinds. Rural consumption trends in India are showing early signs of recovery, with rising farm incomes and improved sentiment ahead of the harvest season expected to drive demand acceleration. Given the company's strong competitive position and distribution, it is well-positioned to capitalize on the consumption rebound as it unfolds. We see compelling value at current levels, with potential for multiple re-rating as growth visibility improves and rural demand recovery gains momentum in the coming quarters.

GCPL's latest pre-quarter update for Q3FY25 was rather grim with the company indicating that the demand conditions in India have been subdued over the past few months and has been further dampened with a 20%-30% rise in palm oil prices keeping margins in check. While Q3 is impacted by overall slowdown in urban demand, muted volumes for soaps and impact of adverse monsoon in certain regions on Home Insecticides (HI), GCPL's ability to navigate headwinds in the past and a razor sharp focus on high single-digits to low double-digits volume growth in the longer term is encouraging. Moreover, its Indonesia business is on a steady footing, delivering ~7% underlying volume growth (UVG) and double-digit underlying sales growth (USG) over the past few quarters. Strategic interventions in Africa and LATAM have also yielded positive results in terms of improvement in profitability in these regions.

Palm Oil prices, one of the key ingredients in soaps, has witnessed a close to 70% jump since January 2024. With price increase passed on with a lag, volumes in the soaps category (~1/3rd of domestic business) have been impacted, the largest player in the category has relied on reformulation in order to mitigate the headwinds. However, GCPL does not intend to follow suit as it believes that reformulation may impact product quality and efficacy. The company delivered flattish volumes in the category with market share gains which is resilient in the backdrop of dampened demand environment in the category. Value growth in soaps is expected to be back-ended as the full effect from price hikes is expected to come with a lag. As palm oil prices stabilize, we believe that while the category may witness short term impact on margins, longer term growth trajectory is in-tact with green shoots visible in the rural areas. Historical patterns indicate a normalization in volume growth following price stabilization, which we anticipate occurring in the next few months. On the other end, GCPL's Magic Handwash continues to deliver double-digit volume growth in the personal wash segment.

Homes Insecticides segment is expected remain resilient with double-digit volume growth expected on the back of the introduction of the new RNF molecule through GCPL's new incense sticks and coils, launched a few quarter ago. The molecule which has 2x efficiency has received positive feedback from consumers on launch and the company expects to double, if not triple its distribution once it gets responses on the electrics as well. We believe HI to double-digit volume growth as the market gradually shifts from unorganized to organized, however, it may be impacted from seasonality across quarters.

Indonesia business has mirrored the Indian counterpart with high single digit volume growth over the past few quarters, with HI and hair wash receiving good traction in the market. For GAUM, the company's focus remains on margin expansion over topline growth.

Valuation & Recommendation:

GCPL has re-invented itself since the advent of its new MD and CEO Mr. Sudhir Sitapati in 2021 from HUL. He has since focused on delivering volume growth through category development, product innovation, increase of Total Addressable Market (TAM) and increased investments in advertising funded through cost savings. GCPL has since delivered consistent organic volume growth and improved profitability, especially in its international businesses. Going forward, the focus remains and achieving high single-digit to low double-digit growth through both category and market expansions. Acquisition of the consumer business from Raymond consisting of deodorants and sexual wellness brands in FY23 is an example of the same.

The company has also focused on simplification of SKUs, operations, processes and people in order to garner cost savings and invest the same in increased advertising and distribution reach. Moreover, it is also planning to significantly consolidate its manufacturing footprint by 2026 into 2 new integrated manufacturing facilities with a capex of Rs 900 cr. All the strategic interventions from the management seem to be in the right direction towards a leaner and more agile organization. We expect the company to wither the short term headwinds in softer demand environment and margin pressure and continue on its trajectory of volume growth in the mid to longer term. A sharp correction of ~30% from recent peak, provides valuation comfort at current levels.

We believe investors can buy the stock in Rs 1097-1127 band (37.0x FY27E EPS) and add on dips in Rs 992-1022 (33.5x FY27E EPS) band for a base case fair value of Rs 1217 (40.5 FY27E EPS) and bull case fair value of Rs 1314 (43.7x FY27E EPS) over the next 2-3 quarters.

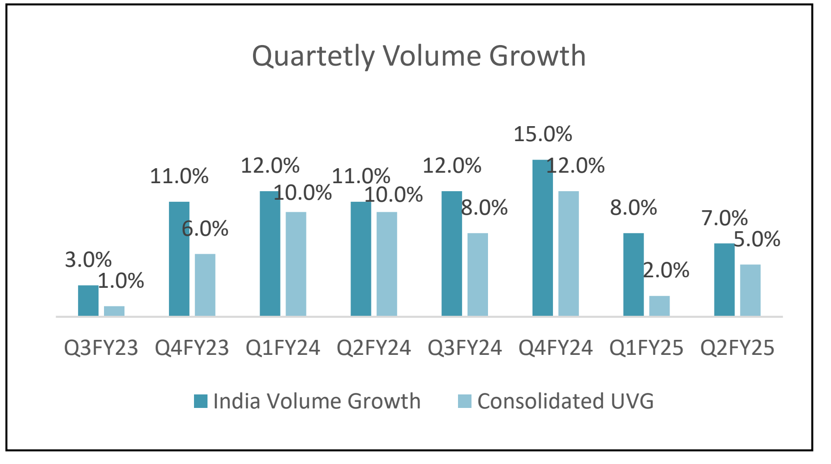
Financial Summary:

Particulars (Rs cr)	Q2FY25	Q2FY24	YoY-%	Q1FY25	QoQ-%	FY23	FY24	FY25E	FY26E	FY27E
Operating Income	3666	3602	2%	3332	10%	13316	14096	14812	16425	18224
EBITDA	762	723	5%	727	5%	2430	2943	3279	3706	4183
APAT	491	433	14%	452	9%	1757	1916	2199	2677	3075
Diluted EPS (Rs)	4.8	4.2	13%	4.4	9%	17.2	18.7	21.5	26.2	30.1
RoE-%						13.9	14.5	16.7	18.6	19.5
P/E (x)						64.9	59.5	51.9	42.6	37.1
EV/EBITDA (x)						46.3	39.1	34.8	30.6	26.8

(Source: Company, HDFC sec)

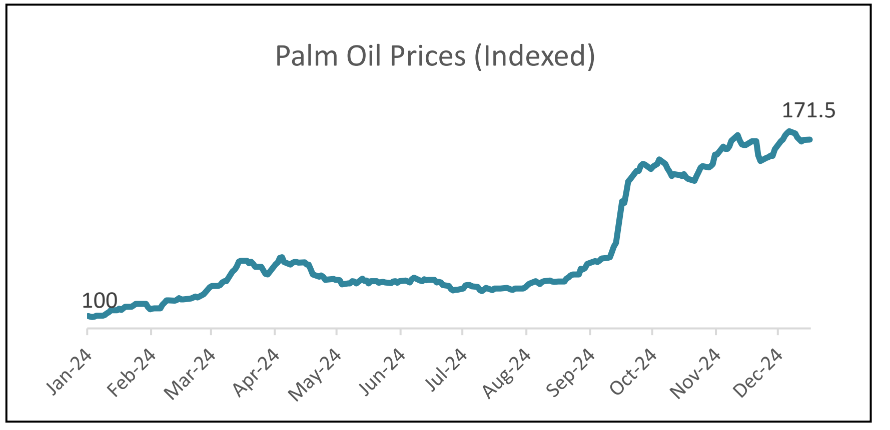
Charts in Focus

Sustained volume growth despite headwinds in soaps business

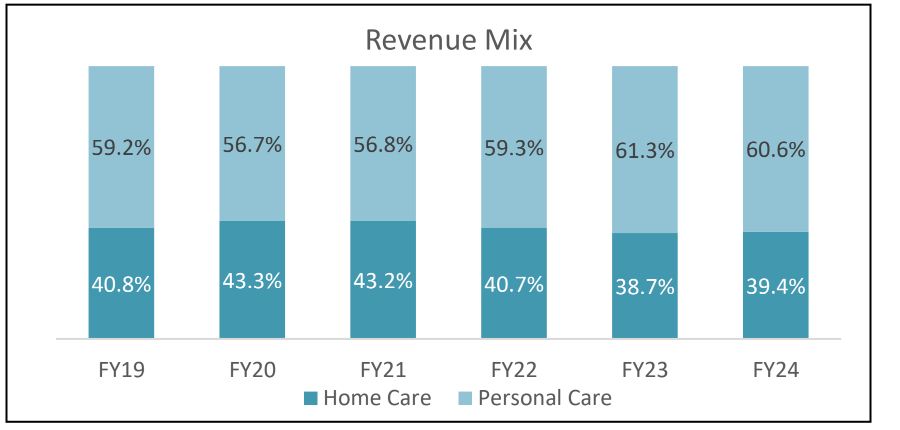


Indonesia business on a strong footing

Sharp increase in palm oil prices has impeded margin growth



Increasing salience of personal care portfolio in revenue mix



(Source: Company, HDFC sec)

Q2FY25 Result Update

GCPL reported a relatively subdued quarter in Q2FY25 with consolidated volume growth of 5.0% and consolidated sales value growth of 2.0% YoY mainly on account of subdued consumer segment, especially in the urban areas. Domestic business, which has impacted by slowdown in soaps business reported 7.0% volume growth with rest of the portfolio showing resilience. Gross margins improved YoY by 70 bps but declined by 26 bps sequentially, owing to sustained spike in palm oil prices and adverse portfolio mix. The company continued to invest in ad-spends (10% of sales Q2FY25) which resulted in higher other expenses during the quarter. Resultantly, EBITDA increased by 5.3% YoY and EBITDA margin improved by 70 bps YoY.

Domestic Business

GCPL's domestic business reported an underlying volume growth (UVG) of 7.0% during the quarter with mid-single digit volume growth in household insecticides business (HI) compensating for flattish volume growth in personal wash business. Domestic value growth mirrored its volume counterpart with 7.0% growth with price hikes in soaps expected to be effective with a lag of 1-2 quarters.

Personal Care

GCPL's personal care business (~52% of revenue) grew moderately by 2.7% YoY with personal wash delivering flattish volume growth with the category impacted by higher than anticipated palm oil inflation. This has also impacted margin erosion in the category, which is expected to persist in H2FY25 as well. However, while the volumes for soaps might remain under pressure in the near term, value growth is expected to revive in upcoming quarters as the effect of price hikes taken by the company comes to the fore. Magic Handwash however, continued to deliver strong double-digit volume growth and gain market share. Hair Colours' and Shampoo volumes also continued to grow in double-digits during the quarter. GCPL's new acquisitions in deodorants and sexual wellness also continued on a decent growth trajectory, registering market shares in Q2FY25. Overall, barring the headwinds in soaps (~32% of domestic revenue), the remainder of the personal care portfolio showed resilience in a rather subdued demand environment.

Home Care

The home care segment (~45% of revenue) registered a strong 12% YoY sales growth in Q2FY25. Household Insecticides volume grew in mid-single digits and the newly launched Liquid Vaporiser (LV) witnessed positive initial consumer feedback and is expected to expand to complete distribution over the next 1-2 quarters. Goodknight Agarbatti continues to perform well and gain market share (~5% market share) from illegal incense sticks players. Air Fresheners continue to consistently deliver strong double-digit volume growth with sustained market gains. Fabric Care also delivered double-digit volume growth during the quarter. Within the segment, the company witnessed rural growth at ~2x that of urban. The management is focused on increasing distribution for incense sticks, in order to gain market shares. The company expects the category to be a key volume driver, going forward. Management aims to increase operating margins to around 25% from the current 20%.

International Business

Indonesia – While GCPL has faced headwinds in the domestic market in the last 2 quarters, Indonesia business has been on a steady footing, delivering CC/USG growth of 11%/9% YoY during the quarter. Underlying volume growth remained strong at 7% YoY and EBITDA margin improved to 19.4% in Q2FY25 (18.0% Q2FY24). Within categories, air freshener and Hair Colours continues on double-digit growth trajectories whereas, Household Insecticides delivered healthy mid-teens volume growth on a 2-year CAGR basis.

Godrej Africa, US and Middle East (GAUM) and LATAM – Like-for-like Africa business declined by 12% in constant currency (CC) terms on account of Naira devaluation, impact from the Red Sea Crisis and structural interventions from the company to make the supply chain leaned. GAUM however posted 3rd consecutive quarter of margin growth with EBITDAM of 14.4% (8.5% 5Y average). On the back of macroeconomic stability returning in Argentina, GCPL's LATAM business performed well with 50% UVG, 46% USG and double-digit EBITDA margin. The management has indicated that it will prioritize margin expansion in international business over top line growth, over the next few years.

Key Drivers

Focus on double-digit volume growth

Since his appointment as MD and CEO of the company in 2021, Mr. Sudhir Sitapati had laid down his strategy with a razor sharp focus on double-digit volume growth through category development and process and product simplifications. Around the time of his appointment, GCPL's volume growth had witnessed a dip from around 15% in 2011-15 to 5% in 2016-20. The company has since focused on category development in underdeveloped categories through product innovation, building relevance, creating access and increasing marketing investments. Consequently, the company has maintained UVG in high-single digits in recent quarters despite challenges such as lower consumption levels in India. By setting consistent volume growth targets of 9-10% in the upcoming years for India, the management aims to establish a robust trajectory for future expansion and market leadership. The company continues to focus on its strengths of product innovation and robust in-market distribution to drive sustainable volume growth. Under its Vision 2040, the company is looking at increasing the total addressable market (TAM), entering new categories and focusing on fast-growing segments in order to achieve its double-digit growth target in the short term.

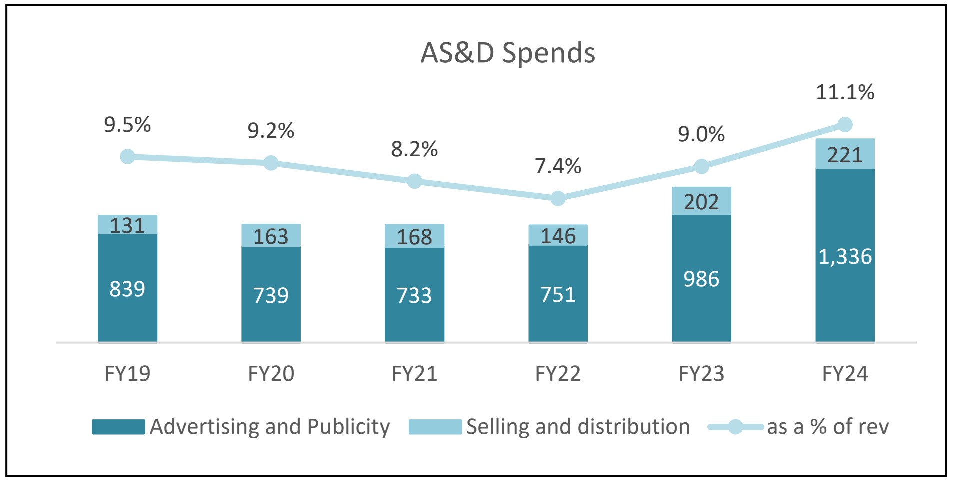
Product Innovations – GCPL's recent investments in product innovations have yielded positive response from consumers. Products like Godrej Fab in the liquid detergent category, Godrej Aer-O in fragrance and Renofluthrin (RNF), the new molecule in Home Insecticides are expected to be future volume drivers.

TAM – GCPL has increased its TAM in India by investing in categories of the future like Fragrance and Sexual Wellness (acquired from Raymond). The company has also expanded its global reach and now serve consumers in over 80 countries globally. Products like Aer Pocket and Godrej Expert Shampoo Hair Colour, which are Indian innovations, are finding acceptance in global markets.

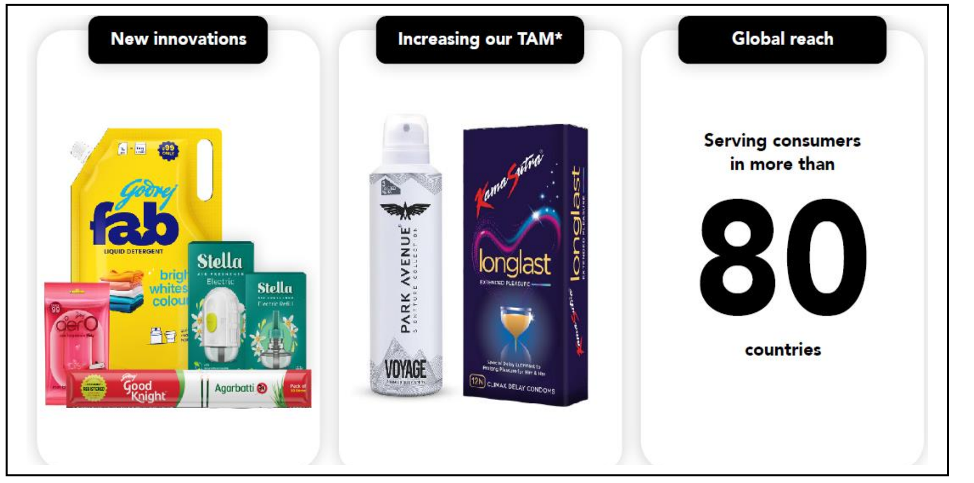
Category Development – GCPL has focused on investments in advertising and distribution expansion for category development. GCPL is now the 5th largest advertiser in India from being 17th in

2021. Spends in advertisements have increased from ~6% in FY22 to ~10% in FY24 and the incremental investment is funded through savings in supply chain costs.

Increased investment in advertising and distribution to drive future growth



Striving for volume growth through product innovations and category development



(Source: Company, HDFC sec)

Simplification across organization to improve efficiency and reduce costs

GCPL has taken various steps in order to focus on four elements of simplification - SKUs, People, Operations and Processes and use the process from the same to invest in its focus areas.

SKUs – The company has reduced its SKUs by nearly 30% in FY24 from what it were in FY22. In Raymond Consumer Care business, for example, it has reduced 550 SKUs to just 100.

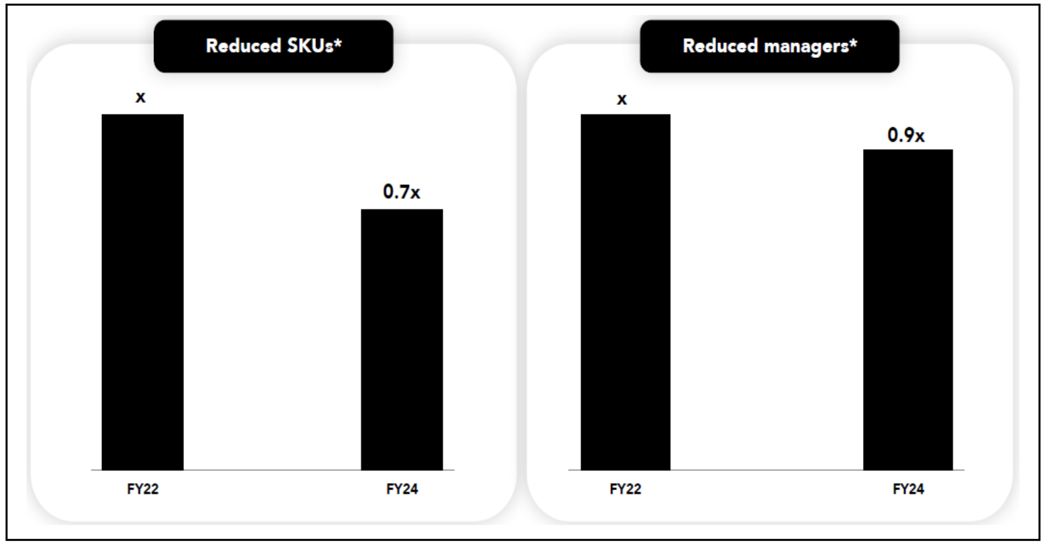
People – The company has also become more agile buy reducing 10% managers in FY24 as compared to that in FY22 by creating larger, richer roles, and introducing more modern tools

Operations – GCPL undertook various measures in its GAUM business such as exit in East Africa, closing down direct distribution in West Africa and reassessment of its manufacturing footprint in the region in order to focus on improving profitability and in turn its ROCE.

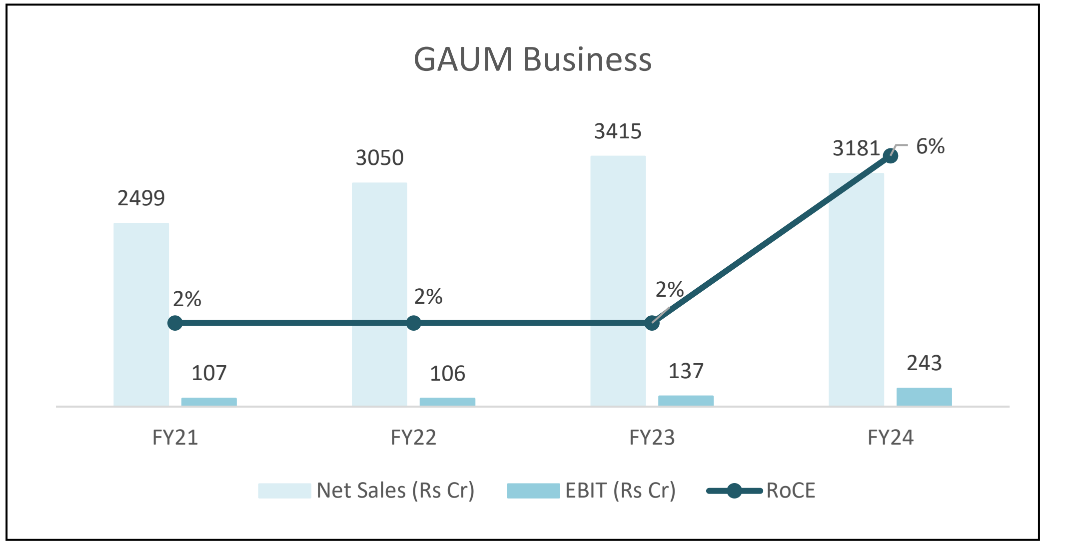
Processes – GCPL is using in-house capabilities for creativity and designing in order to simplify number of categories, agencies and executions, resulting in ~40 bps of savings in media

The company is further looking to pare down its manufacturing footprint by ~40% and focus on increasing product efficiency and innovation by shifting to 2 integrated facilities in Chennai and Madhya Pradesh with a capex of Rs 900 cr, which would entail ~100 bps cost savings in 2 years. So far its simplification processes have resulted in 140 bps savings in supply chain costs between FY22-24. The company has also increased capex with and aim to focus on automaton and reduce working capital.

Simplification of portfolio and people to lead to savings



Simplified operations in GAUM business and focused on improving profitability



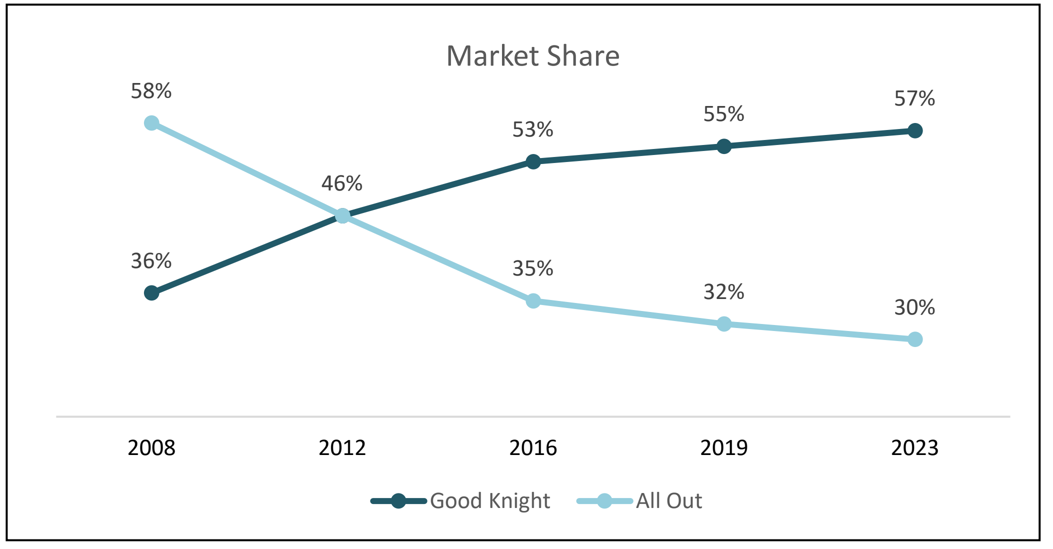
(Source: Company, HDFC sec)

HI business to continue to deliver growth on the back of new innovations

HI witnessed extremely strong sales growth (19% CAGR) over FY10-16 while growth tapered off in the latter half, falling to just >2% CAGR over FY16-22. The category had been under pressure due to exponential growth in the illegal incense sticks market and irregular and poor monsoon, which resulted in low mosquito infestation. However, the company has been reporting an improved performance over past couple of quarters.

Further, with goal to democratize the category, the company has recently announced the introduction of Renofluthrin (RNF) molecule, which is 2x more effective than any other registered molecule. GCPL has exclusive access to it in the medium term and that gives us a very powerful competitive edge. GCPL launched the new Goodknight Agarbatti with the RNF molecule India. RNF has been received positively by the customers, especially in the form of incense sticks and coils. The company is awaiting responses in electrics to further roll out the molecule across all formats. The management has a keen focus on increasing distribution in HI, in order to gain market share, going forward.

Market leadership in home insecticides segment in electrics (Molecule change + Machine)



Introduction of RNF molecule with 2x more effective to provide competitive edge

(Source: Company, HDFC sec)

Volume growth headwinds in soaps to be offset by value growth

Significant increasing palm oil prices in recent quarters have impacted the volume growth in soaps across the industry. Introduction of new superior formulation by the market leader has resulted in increased competition and further impeded volume growth. However, despite the headwinds, the company delivered flattish volumes in soaps and continued to gain market share in Q2FY25. The management intends to take steady price hikes, maintain pricing at a competitive spot and focus on volume growth and market share gains. It does not intend to follow suit on reformulation as the management believes that it would hamper the product quality. While margins in the segment are expected to be muted in upcoming quarters, long-term growth trajectory remains intact.

Category diversification through Raymond Consumer Care acquisition

GCPL in FY23, acquired the FMCG business of Raymond Consumer Care through slump sale at a consideration of Rs 2,825 cr. Raymond is a leading player in the Deodorants and Sexual Wellness categories in India with brands like Park Avenue and KamaSutra. The acquisition was in line with company's strategy to build a sustainable and profitable personal care business in India by leveraging the categories of personal grooming and sexual wellness. This acquisition allows the Company to complement its business portfolio and growth strategy with under-penetrated categories that offer a long runway of growth. The company expects high double-digit volume growth and neutral EPS from these categories in FY25.

International business on the path to recovery

Indonesia: Indonesia business has witnessed consistent sales growth in high single digits over the last 7 quarters barring Q1FY25. UVG over the last few quarter have also been in high single digits.

GCPL's inherent strength in the Indonesia business include long runway for growth and its market leadership in the categories in which it operates. Over the last 3 years the company has shifted from deep discounting in Indonesia to Every Day Low Promotion (EDLP), which has led to improved throughput. GCPL also moved from brand and distributor model to direct distribution model, which has led to increased reach, driving volume growth. Outlets have increased by ~10% between FY22-24. Increased media spends from ~4% to ~6% has also yielded positive results. As a results GCPL's UVG in Indonesia improved from a CAGR of 1% between FY18-23 to 11% in FY24 and revenue growth improved from 4% to 14% during the same period. With strong performance in HI and Hair Colour, the company continues to pursue high single digit volume growth and double-digit volume growth in the country, while maintaining robust EBITDA margins.

GAUM (Godrej Africa, the US, and the Middle East): GAUM business has undergone a tough phase from FY17-20 with sales CAGR of 3% YoY and EBITDA CAGR of -11%, largely due to weak macroeconomic conditions and liquidity challenges. However, it has shown a tremendous recovery over the past few quarters, a part of which can be attributed to the appointment of Mr. Dharnesh Gordhon as CEO of GAUM in April 2020. He has built a strong van distribution model. In Africa, GCPL has been moving away from wholesale and this has yielded great results in its FMCG business. The objective for GAUM is to pivot further towards the FMCG business in terms of salience. This will entail focusing on the braids part of the hair extension business to achieve scale.

Focus on Africa will be on pricing-led growth, up front investments in FMCG, and driving profitability. The company witnessed a meaningful margin expansion, and in the medium-term, margins are expected to improve to the mid-teens in 2-3 years.

Risks & Concerns:

Competition risk can arise in the form of product pricing strategy, aggressive pricing by competitors, entry of new players, emergence of e-com/digital first brands and dependency on a few product categories to drive sales. The likely disruption in the grocery retail market and the growth of the hyper-local formats of Reliance Retail and the new e-commerce hypermarkets pose a risk to the industry dynamics in the medium term.

The company faces currency risk as it has over 40% of its revenue from foreign operations and has a presence in five continents. Currency fluctuations in its key international markets, including Africa and Indonesia, will affect its earnings performance**.**

Commodity risk exists as volatility in commodity prices (like palm oil, crude oil derivatives etc.) can impact GCPL's revenue and margins**.**

Business slowdown risk exists. GCPL saw muted sales, EBITDA and PAT growth in FY18-20 due to a combination of factors (including consumer spending slowdown/downtrading in various geographies, volatility in raw material prices, geopolitical issues in some countries, nil growth/de-growth in insecticides business for some quarters, heightened competition in some categories, etc.) and, hence, its stock price underperformed. Any resurgence of such a slow-growth scenario could hurt its growth, going forward.

Structural fall in demand for HI in India could be a risk for the company.

Company Background

Godrej Consumer Products Ltd (GCPL) is a part of the 124-year-old Godrej Group; it was formed by the de-merger of the consumer products division of the erstwhile Godrej Soaps Ltd in April 2001. Although it was formed in its current form in 2001, it has been operating as Godrej Soaps for over 100 years, in the personal care segment. GCPL, today, has a strong presence in the FMCG industry—across three core categories - personal care, home care and hair care – with focus on three geographies - Asia, Africa and Latin America. Its brands such as Goodknight and Hit in home care, Godrej Expert in the hair colouring segment and Cinthol and Godrej No 1 in the personal care segment enjoy market leading positions in the domestic market. Similarly, in international markets, its brands Darling in the dry hair care segment in Africa and Mitu wet wipes and Stella air fresheners in Indonesia enjoy established market positions in their respective regions.

Financials

Income Statement

Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	**12277**	**13316**	**14096**	**14812**	**16425**	**18224**
Growth (%)	***11.3***	***8.5***	***5.9***	***5.1***	***10.9***	***11.0***
Operating Expenses	9881	10886	11153	11533	12719	14041
EBITDA	**2395**	**2430**	**2943**	**3279**	**3706**	**4183**
Growth (%)	***0.3***	***1.5***	***21.1***	***11.4***	***13.0***	***12.9***
EBITDA Margin (%)	***19.5***	***18.3***	***20.9***	***22.1***	***22.6***	***23.0***
Depreciation	210	236	241	228	241	255
Other Income	90	168	269	363	399	439
EBIT	**2275**	**2363**	**2971**	**3414**	**3864**	**4368**
Interest expenses	110	176	296	317	285	257
PBT	**2155**	**2133**	**198**	**3097**	**3579**	**4111**
Tax	372	430	759	898	902	1036
PAT	**1783**	**1702**	**-561**	**2199**	**2677**	**3075**
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	**1793**	**1757**	**1916**	**2199**	**2677**	**3075**
Growth (%)	***1.6***	***-2.0***	***9.1***	***14.8***	***21.7***	***14.9***
EPS	17.5	17.2	18.7	21.5	26.2	30.1

Balance Sheet

Particulars (in Rs Cr) - As at March	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCE OF FUNDS						
Share Capital	102	102	102	102	102	102
Reserves	11454	13692	12496	13595	14933	16473
Shareholders' Funds	**11556**	**13794**	**12599**	**13698**	**15035**	**16576**
Minority Interest	0	0	0	0	0	0
Total Debt	1704	1130	3222	2222	1722	1222
Other Non-Curr. Liab	109	105	167	167	167	167
Net Deferred Taxes	52	62	104	104	104	104
Total Sources of Funds	**13422**	**15090**	**16092**	**16191**	**17029**	**18069**
APPLICATION OF FUNDS						
Net Block & Goodwill	9219	9934	10430	10652	10861	11057
CWIP	116	45	83	83	83	83
Investments	1015	3029	3514	3514	3514	3514
Other Non-Curr. Assets	940	874	624	624	624	624
Total Non-Current Assets	**11291**	**13882**	**14651**	**14873**	**15082**	**15278**
Inventories	2130	1537	1271	1804	2000	2219
Debtors	1116	1245	1535	1607	1783	1978
Cash & Equivalents	1108	391	547	348	845	1543
Other Current Assets	489	443	492	492	492	492
Total Current Assets	**4843**	**3616**	**3845**	**4251**	**5119**	**6232**
Creditors	2163	1823	1675	2204	2445	2713
Other Current Liab & Provisions	550	585	728	728	728	728
Total Current Liabilities	**2713**	**2408**	**2404**	**2933**	**3173**	**3441**
Net Current Assets	2130	1208	1441	1318	1946	2791
Total Application of Funds	**13422**	**15090**	**16092**	**16191**	**17029**	**18069**

Cash Flow Statement

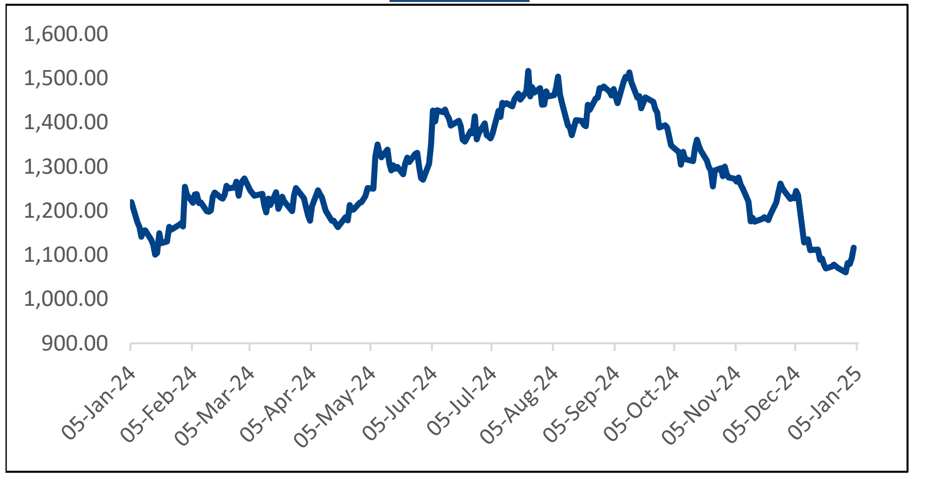
Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	2,155	2,133	198	3,097	3,579	4,111
Non-operating & EO items	-41	-69	2,164	0	0	0
Interest Expenses	110	176	296	317	285	257
Depreciation	210	236	241	228	241	255
Working Capital Change	-536	93	-456	-76	-132	-147
Tax Paid	-448	-418	-374	-898	-902	-1,036
OPERATING CASH FLOW (a)	**1,451**	**2,151**	**2,070**	**2,668**	**3,072**	**3,440**
Capex	-277	-220	-277	-450	-450	-450
Free Cash Flow	1,174	1,931	1,793	2,218	2,622	2,990
Investments	-338	-1,638	-613	0	0	0
Non-operating income	-250	99	-2,473	0	0	0
INVESTING CASH FLOW (b)	**-864**	**-1,758**	**-3,363**	**-450**	**-450**	**-450**
Debt Issuance / (Repaid)	-260	-675	2,185	-1,000	-500	-500
Interest Expenses	-119	-119	-267	-317	-285	-257
FCFE	207	-402	625	901	1,836	2,233
Share Capital Issuance	0	0	0	0	0	0
Dividend	0	0	-511	-1,100	-1,339	-1,535
Others	0	0	0	0	0	0
FINANCING CASH FLOW (c)	**-380**	**-794**	**1,406**	**-2,417**	**-2,125**	**-2,292**
NET CASH FLOW (a+b+c)	**207**	**-402**	**113**	**-199**	**497**	**698**

Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profitability Ratios (%)						
EBITDA Margin	19.5	18.3	20.9	22.1	22.6	23.0
EBIT Margin	18.5	17.7	21.1	23.1	23.5	24.0
APAT Margin	14.6	13.2	13.6	14.8	16.3	16.9
RoE	17.1	13.9	14.5	16.7	18.6	19.5
RoCE	18.5	16.8	19.3	21.5	23.6	25.3
Solvency Ratio (x)						
Net Debt/EBITDA	0.2	0.3	0.9	0.6	0.2	-0.1
Net D/E	0.1	0.1	0.2	0.1	0.1	0.0
PER SHARE DATA (Rs)						
EPS	17.5	17.2	18.7	21.5	26.2	30.1
CEPS	19.6	19.5	21.1	23.7	28.5	32.5
BV	113.0	134.9	123.1	133.9	146.9	162.0
Dividend	0.0	0.0	10.0	10.8	13.1	15.0
Turnover Ratios (days)						
Debtor days	32	32	36	39	38	38
Inventory days	57	50	36	38	42	42
Creditors days	62	55	45	48	52	52
Valuation (X)						
P/E	63.6	64.9	59.5	51.9	42.6	37.1
P/BV	9.9	8.3	9.1	8.3	7.6	6.9
EV/EBITDA	47.5	46.3	39.1	34.8	30.6	26.8
EV / Revenues	9.3	8.5	8.2	7.7	6.9	6.1
Dividend Yield (%)	0.0	0.0	0.9	1.0	1.2	1.3
Dividend Payout (%)	0.0	0.0	53.4	50.0	50.0	49.9

(Source: Company, HDFC sec)

Price chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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