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GCPL 4Q FY 2016 results

03 May 2016

Godrej Consumer Products Limited (GCPL), a leading emerging markets FMCG company, today announced its financial results for the quarter ended March 31, 2016.

FINANCIAL OVERVIEW

OVERALL FY 16 FINANCIAL PERFORMANCE SUMMARY:

- FY 2016 consolidated organic constant currency net sales increased by 11%
 - India business net sales increased by 9%, driven by 11% volume growth
 - International business grew by 14% on an organic constant currency basis
- FY 2016 consolidated organic constant currency EBITDA increased by 21%, driven by 17% growth in the India business and 28% growth in the international business
- FY 2016 consolidated net profit and EPS increased by 23%

4Q FY 2016 FINANCIAL PERFORMANCE SUMMARY:

- 4Q FY 2016 consolidated organic constant currency net sales increased by 12%
 - India business net sales increased by 7%, driven by 9% volume growth
 - International business grew by 18% on an organic constant currency basis
- 4Q FY 2016 consolidated organic constant currency EBITDA increased by 18%, driven by 15% growth in the India business and 23% growth in the international business
- 4Q FY 2016 consolidated net profit and EPS increased by 17%
- GCPL continues to deliver competitive performance, outperforming the market in its core categories, across geographies
- The board has declared an interim dividend of 275% (INR 2.75 per share)

CHAIRMAN'S COMMENTS

Commenting on the financial performance of 4Q FY 2016, Mr. Adi Godrej, Chairman, Godrej Group, said:

"We have continued to deliver double-digit, ahead of the market performance in fiscal year 2016. During the year, consolidated sales of our business increased by 11% and EBITDA by 21%, in organic constant currency terms. Volume growth in our India business was 11%. In our international business, our sales growth of 14%, in organic constant currency terms, was led by strong growth in Africa and Latin America.

We delivered another quarter of competitive performance in the fourth quarter of fiscal year 2016. This was driven by the successful scale up of new launches, penetration and distribution gains, and sound execution. Our consolidated sales performance was healthy, with a growth of 12%, in organic constant currency terms. This was led by a growth of 18% in our international business. Our India business sales grew by 7%, with a branded business volume growth of 9%. Our cost saving initiatives and lower commodity prices supported a consolidated EBITDA growth of 18%, in organic constant currency terms.

We are investing strategically in creating new growth vectors for the future, while continuing to drive our core to full potential. The response to our new launches, introduced over the last few months, has been very encouraging and we will continue to build on this momentum. We will continue to invest competitively in our brands and enhance our go-to-market infrastructure. Going forward, we remain confident of growing ahead of the market and delivering a stronger operating performance in fiscal year 2017.

The medium and long-term growth prospects in India and our other emerging markets remain robust. I am confident that with our clear strategic focus, differentiated product portfolio, superior execution and top-notch team, we will continue to deliver industry-leading results in the future."

BUSINESS REVIEW - INDIA

Performance Highlights

- 4Q FY 2016 India net sales increased by 7% to INR 1,208 crore
- 4Q FY 2016 EBITDA increased by 15% to INR 284 crore

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- 4Q FY 2016 net profit increased by 12% to INR 211 crore

Category Review

Household Insecticides

Household Insecticides continues to deliver double digit growth, with a sales growth of 10%. This was driven by high single digit volume growth. We have continued to gain market share across formats and ended the year with our highest ever market share on a full year basis. Our HIT brand delivered strong growth, led by compelling awareness campaigns and effective activations. Good knight continued to lead category penetration. Gross margins continued to benefit from lower crude oil prices.

Soaps

Sales in our Soaps business declined by 6%, due to deflationary pressures. Volume growth, including offers, was in the low double-digits. The Godrej No.1 Nature Soft - Glycerin & Honey variant launched in the winter soap space has received an encouraging response. Cinthol, our premium soap brand, continues to lead volume and value growth. We continue to remain competitive in our sales promotion investments.

Hair Colours

Hair Colours sales bounced back during the quarter with a sales growth of 7%. This was led by a recovery in the sales of powder hair colour as well as a double-digit volume led sales growth in Godrej Expert Rich Crème. Godrej Expert Rich Crème continues to gain market share and lead distribution reach and household penetration in the crème category.

Air Fresheners

The recently launched aer pocket has received a very encouraging response from consumers. We have gained share in home air fresheners. aer maintains its leadership position in the home sprays air care market on an exit market share basis.

Health and Wellness

Our Health and Wellness portfolio of hand washes and hand sanitiser, under Godrej Protekt, has been successfully introduced in general trade.

Cinthol Deo stick

During the quarter, we launched Cinthol deo stick for men and women in a disruptive cream format priced at INR 69.

Premium Hair Care

BBLUNT, our range of premium hair care products, has been launched in modern trade and premium general trade outlets.

BUSINESS REVIEW - INTERNATIONAL

Indonesia

The growth rates in our Indonesia business improved, with a constant currency sales growth of 13%. This performance was well ahead of the FMCG industry growth, which remains impacted by the overall macro-economic slowdown in Indonesia. Our operating margin (EBITDA) increased by 170 bps year-on-year, driven by calibrated price hikes, lower commodity costs and the optimisation of marketing investments. HIT and Stella continue to deliver competitive performance and maintain their leadership positions.

Africa

Our Africa business delivered a strong constant currency growth of 26%, led by a robust performance in the Darling business. Our operating margin (EBITDA) improved by 180 bps year-on-year, driven by calibrated price increases in hair extensions and effective cost control. We completed the acquisition of 100% equity stake in Strength of Nature, LLC in April 2016. This acquisition enables us to turbo charge building our hair care platform in Africa.

Latin America

Our Latin America business delivered a constant currency sales growth of 31%, led by a strong performance in Argentina. Our operating margin (EBITDA) declined by 190 bps year-on-year, due to higher sales and marketing investments in Argentina and Chile. Our hair colour brands, Issue and Illicit, continue to gain market share amidst high competitive intensity.

Europe

Our European business delivered a strong constant currency sales growth of 15%, led by strong growth in own and distributed brands portfolios. Our operating margin (EBITDA) remained largely unchanged. During the quarter, we launched a new range of Soft & Gentle 0% aluminium deodorants and feminine hygiene products in UK.

Note: The figures for the current quarter may not be comparable with those of the corresponding quarter of the previous year, because of the acquisitions made since then.

ABOUT GODREJ CONSUMER PRODUCTS

Godrej Consumer Products Limited is the largest home-grown home and personal care company in India. We are constantly innovating to delight our consumers with more exciting, superior quality products at affordable prices.

We have bold ambitions and are becoming more agile and future ready. We rank number 1 in hair colour, household insecticides and liquid detergents and number 2 in soaps. In India, you grow up with our brands - Good knight, Cinthol, Godrej Expert, Godrej No. 1 - and we are now on our way to becoming an emerging markets FMCG leader.

In line with our 3X3 approach to international expansion, we are building a presence in 3 emerging markets (Asia, Africa, Latin America) across 3 categories (home care, personal wash, hair care). In 2010, we acquired the Indonesia based Megasari group, a leader in household insecticides, air fresheners and baby care. With the acquisition of Rapidol, Kinky and Frika in South Africa; the Darling Group, a leading pan-Africa hair care company; and Strength of Nature LLC, a leading company of hair care products for women of African descent, we have a strong presence in the fast growing African hair care market. We acquired the Issue and Argencos groups in Argentina, leaders in hair colour, in 2010, and expanded our footprint to Chile through the acquisition in Cosmetica Nacional. Our UK business acquired in 2005 has a play in hair and personal care. We also operate in the Middle East and have a strong presence across SAARC countries.

For further information, please contact:

V Srinivasan

Email: v.srinivasan@godrejcp.com (<mailto:v.srinivasan@godrejcp.com>)

Tel: +91 22 2519 4316

Sameer Shah

Email: sa.shah@godrejcp.com (<mailto:sa.shah@godrejcp.com>)

Tel: +91 22 2519 4467

Tapan Joshi

Email: tapan.joshi@godrejcp.com (<mailto:tapan.joshi@godrejcp.com>)

Tel: +91 22 2519 5433

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