

May 04, 2023

Godrej Consumer Products Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term/ Short-term, Fund-based/ Non-fund Based Facilities	800.00	800.00	[ICRA] AAA (Stable)/ [ICRA] A1+
Commercial Paper Programme	3,000.00	3,000.00	[ICRA]A1+
Total	3,800.00	3,800.00	

*Instrument details are provided in Annexure-I

Material Event

On April 27, 2023, Godrej Consumer Products Limited (GCPL) announced the acquisition of the fast-moving consumer goods (FMCG) business of Raymond Consumer Care Limited (RCCL), as a going concern on a slump sale basis, for a consideration of Rs. 2,825 crore. The transaction is expected to be completed by May 10, 2023.

Impact of Material Event

The proposed acquisition is in line with GCPL's strategy of developing more underpenetrated categories in India in the home and personal care (HPC) segment. RCCL is one of the leading players in the deodorants and sexual wellness categories in India, with presence through well-established brands such as Park Avenue and Kamasutra. Accordingly, the acquisition would provide GCPL an entry into these categories in the domestic market, along with further revenue growth and diversification potential. Moreover, with synergies to be realised through reduction in the maximum retail price (MRP) to net sales value (NSV) leakage through lower distributors' margins, elimination of some common cost overheads, cross synergies in terms of manufacturing capability in the HPC segment and better negotiation on combined procurement of aerosols and palm oil derivatives, GCPL's management has indicated significant scope for margin expansion for the acquired business from current levels. The ability of the company to develop the brand and category further and realise the expected cost synergies would remain key monitorables.

Given that the investment of Rs. 2,825 crore would be largely debt-funded, ICRA expects the company to remain net debt positive over the near to medium term and result in some temporary moderation in coverage metrics due to the increase in finance costs. However, the healthy cash accruals of the company will be used to pare down debt levels. Additionally, although refinancing dependence would increase due to the short-term borrowings availed for the acquisition, the company's strong liquidity position and financial flexibility as one of the flagship companies of the Godrej Group help mitigate the same. Overall, despite the short-term impact on profitability and credit metrics, given the large debt-funded acquisition, its strong credit profile, financial flexibility and healthy cash accruals from operations, ICRA does not expect any material deterioration in GCPL's credit profile on a sustained basis. Accordingly, the ratings remain unchanged at [ICRA]AAA (Stable)/ [ICRA]A1+.

Rationale

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Fast Moving Consumer Goods Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the company's consolidated financial profile. The company's subsidiaries and step-down subsidiaries are all enlisted in Annexure-2.

About the company

Formed out of a de-merger of the consumer products division of the erstwhile Godrej Soaps Limited in April 2001, GCPL is part of the Godrej Group of companies. Though GCPL was formed in its current form in 2001, it has been operating as Godrej Soaps for over 100 years in the personal care segment. Currently, GCPL's standalone business includes Household Insecticide (HI), toilet soaps, hair colourants, air fresheners, toiletries, and liquid detergents. Over the past decade, GCPL has undertaken several overseas acquisitions to build its presence in key emerging markets outside India, with the focus on Asia, Africa, the US and Latin America in the product categories of personal wash, hair care and home care. These acquisitions give GCPL access to well-established international brands and its subsidiaries' distribution and marketing networks.

Key financial indicators (Audited)

GCPL- Consolidated (Amount in Rs. crore)	FY2021	FY2022	9M FY2023
Operating income	11,028.6	12,276.5	10,115.8
PAT	1,720.8	1,783.1	1,250.3
OPBDIT/OI	22.3%	20.4%	18.5%
PAT/OI	15.6%	14.5%	12.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	NA
Total debt/OPBDIT (times)	0.8	0.7	NA
Interest coverage (times)	12.7	11.4	9.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated	Amount Outstanding as of Mar 31, 2023	Date & Rating on		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
		(Rs. crore)	(Rs. crore)	04-May-23	26-Apr-23	29-Jun-22	28-Jun-21	30-Apr-20
1 Fund-based Facilities	Long-term/ Short-term	-	--	-	-	-	-	[ICRA]AA+ (Stable) / [ICRA]A1+
2 Non-fund Based Facilities	Long-term/ Short-term	-	--	-	-	-	-	[ICRA]AA+ (Stable) / [ICRA]A1+

Fund-based / 3 Non-fund Based Facilities	Long-term/ Short-term	800.00	--	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable) / [ICRA]A1+
Commercial 4 Paper Programme	Short-term	3,000.00	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based / Non-fund Based Facilities	Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long-term / Short-term, Fund-based / Non-fund Based Facilities	NA	NA	NA	800.0	[ICRA]AAA (Stable)/ [ICRA] A1+
INE102D14849	Commercial Paper	April 25, 2023	7.23%	September 25, 2023	750.0	[ICRA]A1+
NA*	Commercial Paper	NA	NA	NA	2,250.0	[ICRA]A1+

Source: Company; *yet to be placed

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership [^]	Consolidation approach
Godrej Household Products (Lanka) Pvt. Ltd.	100%	Full Consolidation
Godrej South Africa Proprietary Ltd	100%	Full Consolidation
Godrej Consumer Products Bangladesh Ltd*	100%	Full Consolidation
Godrej Household Products (Bangladesh) Pvt. Ltd.	100%	Full Consolidation
Beleza Mozambique LDA	100%	Full Consolidation
Consell SA*	100%	Full Consolidation
Cosmetica National	100%	Full Consolidation
Charm Industries Limited	100%	Full Consolidation
Canon Chemicals Limited	100%	Full Consolidation
Darling Trading Company Mauritius Ltd	95%	Full Consolidation
Deciral SA	100%	Full Consolidation
DGH Phase Two Mauritius	90%	Full Consolidation
DGH Tanzania Limited	100%	Full Consolidation
Frika Weave (PTY) LTD	100%	Full Consolidation
Godrej Africa Holdings Limited	100%	Full Consolidation
Godrej Consumer Holdings (Netherlands) B.V.	100%	Full Consolidation
Godrej Consumer Investments (Chile) Spa	100%	Full Consolidation
Godrej Consumer Products (Netherlands) B.V.	100%	Full Consolidation
Godrej Consumer Products Dutch Coöperatief U.A.	100%	Full Consolidation
Godrej Consumer Products Holding (Mauritius) Limited	100%	Full Consolidation
Godrej Consumer Products International (FZCO)	95%	Full Consolidation
Godrej East Africa Holdings Ltd	100%	Full Consolidation
Godrej Global Mid East FZE	100%	Full Consolidation
Godrej Holdings (Chile) Limitada	100%	Full Consolidation
Godrej Indonesia IP Holdings Ltd	100%	Full Consolidation
PT. Godrej distribution Indonesia	100%	Full Consolidation
Godrej Mauritius Africa Holdings Limited	100%	Full Consolidation
Godrej Mid East Holdings Limited	100%	Full Consolidation
Godrej Netherlands B.V.	100%	Full Consolidation
Godrej Nigeria Limited	100%	Full Consolidation
Godrej Peru SAC	100%	Full Consolidation
Godrej SON Holdings INC	100%	Full Consolidation
Godrej Tanzania Holdings Ltd	100%	Full Consolidation
Godrej (UK) Ltd	100%	Full Consolidation
Godrej West Africa Holdings Ltd.	95%	Full Consolidation
Hair Credentials Zambia Limited	100%	Full Consolidation
Hair Trading (offshore) S. A. L	51%	Full Consolidation
Indovest Capital*	100%	Full Consolidation
Issue Group Brazil Limited*	100%	Full Consolidation
Kinky Group (Pty) Limited	100%	Full Consolidation
Laboratoria Cuenca S.A	100%	Full Consolidation
Lorna Nigeria Ltd.	100%	Full Consolidation
Old Pro International Inc	100%	Full Consolidation
Panamar Producciones S.A.*	100%	Full Consolidation
PT Ekamas Sarijaya	100%	Full Consolidation

Company Name	Ownership^	Consolidation approach
PT Indomas Susemi Jaya	100%	Full Consolidation
PT Megasari Makmur	100%	Full Consolidation
PT Sarico Indah	100%	Full Consolidation
Sigma Hair Industries Limited	100%	Full Consolidation
Style Industries Uganda Limited	51%	Full Consolidation
Strength of Nature LLC	100%	Full Consolidation
Style Industries Limited	90%	Full Consolidation
Subinite (Pty) Ltd.	95%	Full Consolidation
Weave Ghana Ltd	100%	Full Consolidation
Weave IP Holdings Mauritius Pvt. Ltd.	95%	Full Consolidation
Weave Mozambique Limitada	95%	Full Consolidation
Weave Senegal Ltd*	100%	Full Consolidation
Weave Trading Mauritius Pvt. Ltd.	51%	Full Consolidation
Godrej CP Malaysia SDN. BHD	100%	Full Consolidation
Bhabhani Blunt Hairdressing Private Limited (Associate)	28%	Equity Method

Source: As on December 31, 2022; *under voluntary liquidation

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About ICRA Limited:

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