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CIN : L24246MH2000PLC129806

October 8, 2014

Scrip Code : 532424

The Bombay Stock Exchange Limited
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The National Stock Exchange of India Ltd
Exchange Plaza, 4th Floor,
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Fax No 26598237/38

Dear Sirs,

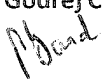
Sub: Long term Ratings upgraded to AA+(Stable) by ICRA

The stock exchanges are hereby informed that ICRA has upgraded the long term rating assigned for company's bank limits and the rating for Non-Convertible Debenture programme for Rs.300 crore to [ICRA] AA+ (Stable) from [ICRA] AA (Stable). ICRA has also reaffirmed the short-term rating of [ICRA] A1+ on short term bank limits and the Rs.50 crore commercial paper programme of the Company.

The full text of the rating rationale is attached.

Yours faithfully

For Godrej Consumer Products Limited


P Ganesh
Executive Vice President (Finance & Commercial)
& Company Secretary





Godrej Consumer Products Limited

Instrument	Amount Rated (Rs. crore)	Rating Action
Non-Convertible Debenture	300.00	[ICRA]AA+ (Stable) assigned
Non-Convertible Debenture	250.00	Upgraded to [ICRA]AA+ (Stable) from [ICRA]AA (Stable)
Long-term/ Short-term, Fund Based Limits (Secured)	30.00	Upgraded to [ICRA]AA+ (Stable) from [ICRA]AA (Stable)/ [ICRA]A1+ reaffirmed
Long-term/ Short-term, Non-Fund Based Limits (Secured)	170.00	Upgraded to [ICRA]AA+ (Stable) from [ICRA]AA (Stable)/ [ICRA]A1+ reaffirmed
Long-term/ Short-term, Fund Based and Non-Fund Based Limits (Unsecured)	1,025.00	Upgraded to [ICRA]AA+ (Stable) from [ICRA]AA (Stable)/ [ICRA]A1+ reaffirmed
Short Term Debt (incl. Commercial Paper)	50.00	[ICRA]A1+ reaffirmed

ICRA has assigned a long-term rating of [ICRA]AA+ (pronounced ICRA double A plus) to the proposed Rs. 300.00 crore non-convertible debenture programmes of Godrej Consumer Products Limited ('GCPL' or 'the company')[†]. ICRA has upgraded the long-term rating for the Rs. 250 crore non-convertible debenture programme of GCPL to [ICRA]AA+ (pronounced ICRA double A plus) from [ICRA]AA (pronounced ICRA double A). The outlook on the long-term ratings is stable.

ICRA has also upgraded the long-term rating to [ICRA]AA+ (pronounced ICRA double A plus) and reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 30.00 crore secured, fund based bank limits, 170.00 crore secured, non-fund based bank limits, and Rs. 1,025.00 crore unsecured, fund based and non-fund based bank limits of GCPL. The outlook on the long-term rating is stable.

ICRA has also reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 50.00 crore short-term debt/ Commercial Paper programme of GCPL.

The upgrade in the long-term rating takes into account the strong financial profile of the company as reflected in its healthy cash accruals on the back of its strong presence across the three core categories (personal care, home care and hair care) and across the three geographies of focus (Asia, Africa and Latin America); comfortable consolidated profitability, capital structure and debt coverage indicators despite the recent large scale acquisitions; and healthy liquidity in the form of sizeable cash and bank balances.

The ratings continue to favourably factor in GCPL's leadership position across many of the product categories it is present in – in both domestic and international markets. GCPL's in-organic acquisitions of Sara Lee's share in the erstwhile Godrej Sara Lee Limited in India, 'Megasari Group' in Indonesia, stakes in South Africa, Mozambique, Nigeria, and Kenya operations of 'Darling Group', 'Tura' brand in Nigeria, 'Issue Group & Argencos' in Latin America, 60% stake in 'Cosmetica Nacional' in Latin America, and 'Keyline Brands' (which later acquired 'Soft and Gentle') in Europe are expected to provide synergies in terms of supply chain efficiencies, product cross pollinations and stronger distribution network, besides diversifying GCPL's product portfolio and geographical reach. Successful integration of these acquired businesses with the existing business, along with moderate profitability and strong cash accruals of these entities provide comfort to the ratings. Lastly, the assigned ratings take comfort from GCPL management's committed plans of maintaining leverage indicators at reasonable levels and financial flexibility enjoyed by the company on account of being part of the Godrej group.

[†] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



The long-term rating is, however, constrained by the intense competition – especially in the domestic market – leading to pressure on operating margins, and enhanced geo-political, regulatory and currency risks on account of presence across multiple geographies. GCPL continues to face high competitive pressures in the low margin domestic personal wash business, and has reported lower growth over the last few quarters owing to high inflation and weaker consumer sentiment; which to an extent is mitigated by the increasing contribution to revenues from household insecticides and hair colours, wherein GCPL is a leading player and these segments remain less susceptible to raw material price fluctuations as compared to personal wash segment. The competition, however, has also been intensifying in the hair care segment over the past year. The operating margins of the domestic business have been constrained over the last two years owing to increasing advertisement and promotional expenses, as the company has been focussing on product innovation related growth; as we expect the company to continue to invest in new products and variants, any significant improvement in standalone operating margins is unlikely in the near to medium term.

GCPL's in-organic investments have added new businesses to the consolidated business profile. These businesses – having sizeable scale individually – have a significant bearing on consolidated performance of the company. The consolidated operating margins have witnessed some moderation over the last two fiscals due to cost pressures in some of these businesses, especially in Latin America and Indonesia. GCPL has initiated cost optimisation measures in these geographies, which are expected to yield results in the ensuing quarters. ICRA notes that the consolidated performance has been largely stable over the past year, albeit with some pressure on the profitability; ICRA will continue to monitor the performance of these investments, which would be critical to sustaining GCPL's credit profile in the future.

While the company is expected to continue to grow through in-organic acquisitions, ICRA expects the management to maintain its financial risk profile and will continue to evaluate the impact of such investments on a case by case basis.

Company Profile

Formed out of a de-merger of the consumer products division of the erstwhile Godrej Soaps Limited in April 2001, Godrej Consumer Products Limited (GCPL) is part of the Godrej Group of companies. Though GCPL was incorporated in its current form in the year 2001, with a single minded FMCG focus, the company has more than 80 years of experience in manufacturing of soaps and personal care products. GCPL has plants in Assam, Goa, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Meghalaya, Pondicherry, Sikkim and Tamil Nadu. GCPL's capacity expansions over the years have been undertaken in areas where it can avail of fiscal benefits extended by the government, thereby improving its profitability. GCPL's standalone business includes – household insecticides, toilet soaps, hair colorants, toiletries and liquid detergents. The company is a market leader in household insecticides, hair colours and liquid detergent category, and the second largest player in the soaps category in the domestic market.

Over the past five years, GCPL has undertaken several overseas acquisitions to build its presence in key emerging markets abroad. These acquisitions give GCPL access to well-established international brands and the subsidiaries' distribution and marketing networks. The performance of the overseas subsidiaries continues to remain stable.



Recent Results

On a consolidated basis, for financial year ended 31st March 2014, GCPL reported profit after tax (PAT) of Rs. 819 crore on an operating income* of Rs. 7,603 crore as against a PAT of Rs. 845 crore on an operating income of Rs. 6,409 crore during financial year ended 31st March 2013.

GCPL's consolidated operating income grew by 9.4% to Rs.1,888 crore and net profit grew by 8.1% to Rs. 143 crore for the quarter ending 30th June 2014, over the corresponding period of the previous year.

September 2014

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* Operating Income = Net sales + Other operating income.

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