Headline: GCPL September quarter profit rises 12.5 per cent to INR 361.95 crore

Description: Most of the growth came from the soaps business that grew 26 per cent year on year to INR 460 crore

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Packaged consumer goods manufacturer Godrej Consumer Products Ltd (GCPL) on Wednesday said consolidated net profit in the quarter ended September rose 12.56 per cent from a year ago to INR 361.95 crore on higher sales volumes.

In a statement, GCPL said its India volumes grew 10 per cent. Consolidated revenue during the quarter grew 2.47 per cent year on year to INR 2,496.93 crore.

"Post GST, the trade channels are getting back to normal and consumer offtakes have improved. We remain optimistic that consumer demand will continue to pick up in the second half of the fiscal year," GCPL's executive chairperson Nisaba Godrej said in the statement.

Most of the growth in the company's India business came from the soaps business that grew 26 per cent year on year to INR 460 crore.

GCPL owns two soap brands—Godrej No.1 and Cinthol. The company said that Godrej No.1 gained market share during the quarter, without specifying numbers.

GCPL reported a 4 per cent year-on-year growth in household insecticides and hair colours this year. The businesses earned INR 671 crore and INR 130 crore respectively.

Household insecticides including Good Knight is the company's largest business and the segment saw lower growth because it came off a large base of the September quarter, GCPL said in its investor presentation.

"Growth to some extent was impacted by the weakness in formats like coils, which are more dependent on wholesale channel," Godrej said in the statement.

"I think overall, the wholesale is back to 80-90 per cent of the historical normal," Vivek Gambhir, managing director of GCPL said in an interview.

"The challenge remains in the east. By the end of the financial year, we expect this growth to be back."

"Rural growth has been marginally ahead of urban, but we expect the second half to be much better," he said.

"Typically, rural has been growing 2x of urban, but we have not seen that yet. But with higher MSP (minimum support price offered to farmers for their produce) on the back of a good monsoon, it should be much better going ahead."

Gambhir added that growth in soaps came from increased size of the soaps market, as well as market share gained from smaller, local players who were unable to compete under the GST regime.

Also, price drops in soaps worth 6-7 per cent with lower GST rates also helped the company gain market share, Gambhir added.

"Somewhere in the middle of the quarter, the company would have passed on the benefits of GST to the consumers, which would have helped them gain traction," Kaustubh Pawaskar, equities analyst with brokerage firm Sharekhan said.

Soap bars are taxed at 18 per cent under GST, five to six percentage points less than in the former value added tax (VAT) regime.

"GCPL has said that it gained market share in the soaps business, which would have come from small players since HUL, the market leader, also posted strong double-digit growth in the personal wash space. Post-GST, small players don't have the ability that large players have to give promotions to wholesalers and shops to restock the product. Also, GCPL passed on the benefit of lower GST sometime during the quarter which would have helped growth," he said.

"About 10% volume growth is substantial recovery and indicates that rural demand is also reviving," Gambhir added.

Shares of GCPL closed at INR 967 on BSE on Wednesday, up 3.49 per cent from their previous close, while the benchmark BSE Sensex closed at 33,600.27 points, up 1.17 per cent.