Headline: GCPL Q4 adjusted net profit up 12% to INR 617 crore

Description: India sales grew by 7% with soaps delivering a growth of 19% after adjusted GST

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Packaged consumer goods manufacturer Godrej Consumer Products Limited (GCPL) on Tuesday said its consolidated net profit stood at INR 617.19 crore in the March 2018 quarter, up 12% from a year ago, as the company reported a mixed performance with relatively softer sales growth.

The consolidated net profit excluded exceptional items and one off items.

Consolidated comparable sales revenue grew 4% year-on-year to INR 2,492.41 crore in the fourth quarter. Comparable sales assume that the goods and service tax (GST) which were introduced in July last year are adjusted for in the base quarter as well.

During the quarter, the company had reported INR 194.99 crore as exceptional items on account of change in earn out liability of a subsidiary for the quarter and year ended 31 March. The company also incurred some restructuring costs.

"During fiscal year 2018, our focused strategy and balanced portfolio enabled us to deliver competitive, profitable growth, despite tough operating conditions in a few of our categories and geographies," said Nisaba Godrej, executive chairperson, GCPL in a statement.

In India, sales adjusted for GST grew by 7% driven by 6% volume growth, the company said in a statement. Growth in the company's operating profit came in at 22% even as advertising and promotion (A&P) spends increased by 22%.

Among its categories, home insecticides with brands like Hit reported a subdued quarter as sales declined 5% due to an adverse season in January-February 2018. Even its hair colours business clocked a muted sales growth of 3%, compared to a 33% growth in the preceding quarter given the price cuts in maximum retail price following the implementation of GST. Among segments, soaps performed well, delivering a growth of 19% after adjusting for GST.

Globally, sales in Indonesia, one of its key markets, declined 6% over the year-ago March quarter. The company noted that the sales were partially impacted by inventory reduction with key modern retail channel partners. However, its operating profit margin increased by 370 basis points (bps), despite higher A&P investments of 160 bps year-on-year. One bps is a hundredth of a percentage point.

The company’s Africa, USA and Middle East business also had a relatively weak quarter, with a constant currency sales growth of 7% led entirely by volume. Sales in the quarter impacted by continuing sluggishness in Kenya, GCPL said in a statement. Excluding Kenya, sales grew in double-digits in constant currency terms. The operating profit margin in the region declined by 400 bps.

In Latin America, sales growth came in at 28% y-o-y in the March quarter in constant currency terms. However, its operating profit margin fell by 270 bps y-o-y due to higher marketing and sales promotion investments. Likewise in Europe, even as sales grew at 11% in constant currency terms, operating profit margins declined by 230 bps y-o-y.