

Godrej Consumer Products Ltd.
Regd. Office : Godrej One,
4th Floor, Pirojshanagar,
Eastern Express Highway,
Vikhroli (E), Mumbai 400 079, India.
Tel. : +91-22-2518 8010/8020/8030
Fax: +91-22-2518 8040/8065/8069
Website : www.godrejcp.com
CIN : L24246MH2000PLC129806

July 13, 2016

BSE Limited

Corporate Relations Department

1st Floor, Rotunda Bldg., P.J. Towers, Dalal Street,
Mumbai 400 023.

Scrip Code : 532424

The National Stock Exchange of India Ltd

Exchange Plaza, 4th Floor, Bandra-Kurla Complex,
Mumbai 400 050

Dear Sir,

Sub: Presentation on impact of Indian Accounting Standards

We attach herewith a presentation on the impact of Indian Accounting Standards (Ind AS) on the financial statements of GCPL, which will be shared with Investors and Analysts today in a Concall scheduled at 5.00 p.m.

For Godrej Consumer Products Limited



V Srinivasan

Chief Financial Officer & Company Secretary

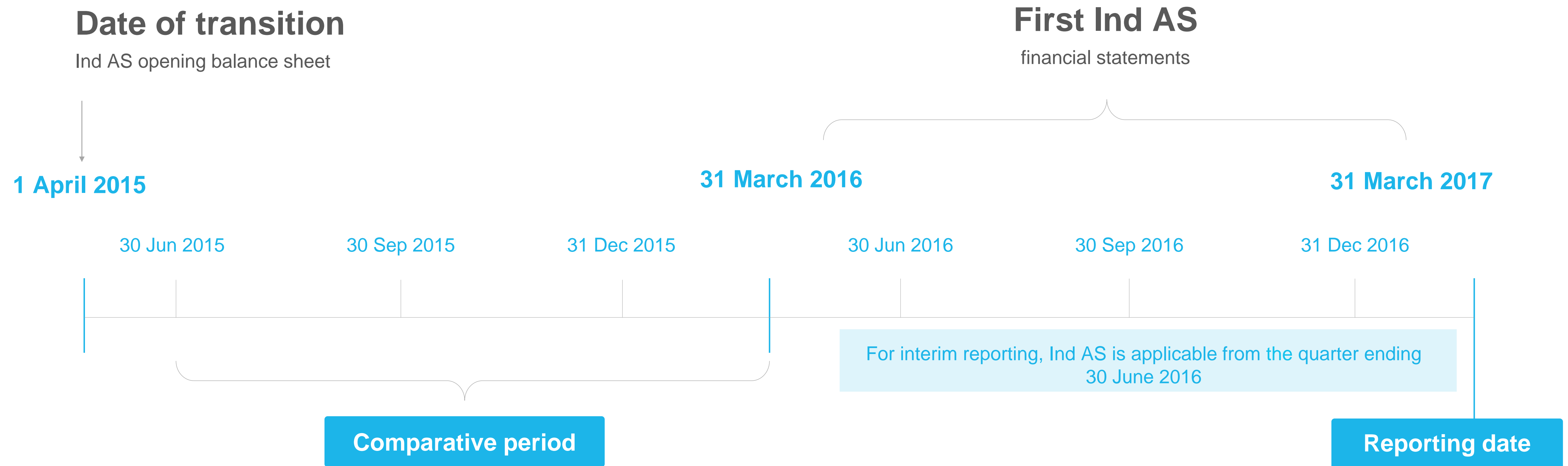


July 13, 2016


Godrej Consumer Products Limited Transition to Ind AS



Indian Accounting Standards (Ind AS) implementation timeline



Ind AS context



Companies adopting Ind AS while publishing quarterly/annual financial results, shall ensure that the comparatives filed along with such quarterly/annual financial results are also Ind AS compliant (specified by SEBI circular dated November 30, 2015)

The period covered by first Ind AS financial statements should comply with para 32 of Ind AS 101, First time Adoption to Indian Accounting Standards i.e. providing reconciliations of net worth and income statement (specified by SEBI circular dated November 30, 2015)

Key highlights

Business fundamentals

- Business fundamentals continue to remain unchanged despite changes in reported financial statement numbers due to application of Ind AS
- Underlying business cash flows remain unaffected due to the application of Ind AS
- Marginal impact on EBITDA due to Ind AS transition

Performance ratios

Changes in performance ratios driven solely by application of accounting principles hitherto not applicable.

Key impact areas

- 
- Revenue Recognition
 - Acquisition Accounting
 - Employee Benefits
 - Financial Instruments
 - Taxes

**Key impact on
Financials (unaudited)**

Impact on Revenue

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Trade promotion spends reduced from Revenue		(230)			(516)	
Excise Duty now part of Expenses and not reduced from Revenue		306			306	
Revenue	4,748	76	4,824	8,957	(210)	8,747

Impact on Cost of Raw Materials

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Consumer promotion spends included under Cost of Raw Materials		15			23	
Cost of Raw Materials	1,833	15	1,848	3,436	23	3,459

Impact on Employee Expenses

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Long term employee incentives to be included under Employee Expenses at their <u>present value</u>		(5)			(9)	
Actuarial gains/losses to be included under Other Comprehensive Income and no longer part of Employee Expenses		(1)			(5)	
Employee Expenses	338	(6)	332	960	(13)	947

Impact on Advertisement & Publicity

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Expenses reduced from Advertisement & Publicity and reclassified to:						
Revenue		(10)			(172)	
Other expenses		7			(111)	
Cost of Raw materials		(14)			(18)	
Advertisement & Publicity	510	(17)	493	971	(301)	670

Impact on Other Expenses

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Net expenses pertaining to trade and consumer promotions reduced from Other Expenses and reclassified to other line items:						
Revenue		(221)			(345)	
Cost of Raw Materials		(2)			(4)	
Advertising & Publicity		(7)			111	
Other Expenses	1,001	(230)	771	1,568	(238)	1,330

Impact on Finance Cost

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Premium on Debentures to be included under Finance Costs		18			18	
Finance Cost	37	18	55	100	18	118

FY17 impact and way forward

- Debentures redeemed in FY16 and therefore no costs going forward
- Finance costs to go up to the extent of interest unwinding on long term liabilities such as earn outs (mainly Strength of Nature & Canon acquisition), long term employee incentives which have been discounted to present value

Impact on Exceptional Items

Ind AS & GCPL	FY16 Consolidated		
	IGAAP	Adj.	Ind AS
The agreement with JV partners for Darling & Chile businesses provided for call / put option on the purchase / sale of balance stake. The change in fair value of this call / put option is included under Exceptional Items		181	
Dividend paid to non-controlling shareholders		56	
Acquisition related costs to be expensed out		62	
Exceptional Items	27	299	326

FY17
impact
and way
forward

- Agreements with Darling JV partners amended consequent to the stake increase with the result that future changes in the Fair value of call / put options for the residual stake would need to be adjusted against Reserves with no impact in the P&L / Exceptional Items.
- Dividends paid out to the non-controlling shareholders to be expensed out. However, due to the controlling interest acquired, the minority interest carve out from net profits will cease and dividend payouts also will be insignificant due to stake increases on a y-y basis.

Impact on Taxes

Ind AS & GCPL	FY16 Standalone			FY16 Consolidated		
	IGAAP	Adj.	Ind AS	IGAAP	Adj.	Ind AS
Deferred Tax on the Good knight and HIT brands classified as having indefinite useful life		27			27	
Deferred Tax on intercompany profit elimination of unsold inventory					(6)	
Taxes	201	27	228	317	21	338

FY17 impact and way forward

- Deferred Tax on Good knight and HIT brands to come down versus FY16 levels

Impact on Minority Interest

Ind AS & GCPL	FY16 Consolidated		
	IGAAP	Adj.	Ind AS
Minority Interest eliminated as Non-controlling Interest shown as a Liability in the Balance Sheet		(38)	
Minority Interest	40	(38)	2

FY17 impact and way forward

- No significant Minority Interest expected going ahead

Key Ratios

Ind AS & GCPL	FY16 Consolidated		
	IGAAP	Adj.	Ind AS
Net working capital (excluding Cash and equivalents)	Rs. 736 cr	Rs. 36 cr	Rs. 772 cr
Net Debt Equity ratio	0.39x		0.56x
Return on Capital Employed	19%		21%
Return on Equity (pre Exceptional)	22%		27%

Recast of FY16 Consolidated P&L Statement

Particulars	Q1			Q2			Q3			Q4		
	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS
Sales	2,095.15	(34.84)	2,060.31	2,242.40	(50.21)	2,192.19	2,353.54	(67.62)	2,285.92	2,266.06	(57.32)	2,208.74
Other Operating Income	2.51	-	2.51	2.54	-	2.54	2.60	-	2.60	3.01	-	3.01
Total Income from Operations	2,097.66	(34.84)	2,062.82	2,244.94	(50.21)	2,194.73	2,356.14	(67.62)	2,288.52	2,269.07	(57.32)	2,211.75
Total Expenses (Excluding Depreciation)	1,782.36	(35.23)	1,747.13	1,837.67	(49.53)	1,788.14	1,898.12	(66.22)	1,831.90	1,825.51	(71.43)	1,754.08
EBITDA	315.30	0.39	315.69	407.27	(0.67)	406.60	458.02	(1.40)	456.62	443.56	14.12	457.68
Depreciation and Amortization Expense	23.60	(0.62)	22.98	24.10	(0.62)	23.48	26.36	(0.62)	25.74	29.05	(0.62)	28.43
EBIT	291.70	1.01	292.71	383.17	(0.05)	383.12	431.66	(0.78)	430.88	414.51	14.74	429.25
Foreign Exchange Gain / (Loss)	1.45	0.02	1.47	(0.18)	0.02	(0.17)	8.11	0.02	8.13	5.70	0.02	5.72
Finance Cost	26.53	6.09	32.62	25.02	6.24	31.26	24.16	5.42	29.58	24.46	0.58	25.04
Other Income	16.80	2.89	19.69	19.08	1.45	20.53	16.71	0.28	16.99	14.28	(1.41)	12.87
Exceptional Items Gain / (Loss)	(14.86)	(84.97)	(99.83)	(8.57)	(67.42)	(75.99)	(0.60)	36.91	36.31	(2.80)	(183.81)	(186.61)
Profit Before Tax	268.56	(87.15)	181.41	368.48	(72.24)	296.24	431.72	31.01	462.73	407.23	(171.04)	236.19
Tax Expense	56.27	8.06	64.33	72.26	3.84	76.10	90.98	3.84	94.82	97.59	5.36	102.95
Profit After Tax	212.29	(95.21)	117.08	296.22	(76.08)	220.14	340.74	27.18	367.92	309.64	(176.40)	133.24
Share of Profit in Associate Company	0.02	-	0.02	(0.06)	-	(0.06)	0.17	-	0.17	(0.03)	-	(0.03)
Minority Interest	(13.08)	12.58	(0.50)	(9.00)	8.40	(0.60)	(17.96)	(17.31)	(0.65)	0.46	(0.46)	-
Profit after Minority Interest	199.23	(82.63)	116.60	287.16	(67.68)	219.48	322.95	44.49	367.44	310.07	(176.86)	133.21

All values in INR crore

Recast of FY16 Standalone P&L Statement

Particulars	Q1			Q2			Q3			Q4		
	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS	IGAAP	Ind AS adj	Ind AS
Sales	1,094.81	28.51	1,123.32	1,184.93	32.18	1,217.11	1,260.70	9.04	1,269.74	1,207.75	6.32	1,214.07
Other Operating Income	14.94	-	14.94	13.46	-	13.46	17.20	-	17.20	17.78	-	17.78
Total Income from Operations	1,109.75	28.51	1,138.26	1,198.39	32.18	1,230.57	1,277.90	9.04	1,286.94	1,225.53	6.32	1,231.85
Total Expenses (Excluding Depreciation)	929.35	28.35	957.70	948.21	32.31	980.52	1,009.58	9.44	1,019.02	941.52	(0.66)	940.86
EBITDA	180.40	0.15	180.56	250.18	(0.13)	250.05	268.32	(0.40)	267.92	284.01	6.98	290.99
Depreciation and Amortization Expense	10.80	(0.60)	10.20	11.10	(0.66)	10.45	11.99	(0.61)	11.38	13.49	(0.61)	12.88
EBIT	169.60	0.75	170.35	239.08	0.53	239.61	256.33	0.21	256.53	270.52	7.59	278.11
Foreign Exchange Gain / (Loss)	0.05	(0.01)	0.04	(0.35)	0.00	(0.35)	0.04	0.07	0.10	(0.33)	0.01	(0.32)
Finance Cost	10.13	5.94	16.07	10.22	6.27	16.49	8.99	5.42	14.41	7.20	0.09	7.29
Other Income	11.29	3.57	14.86	11.74	3.98	15.72	10.99	2.65	13.64	8.79	1.09	9.88
Exceptional Items Gain / (Loss)	-	-	-	-	-	-	-	-	-	-	-	-
Profit Before Tax	170.81	(1.62)	169.18	240.25	(1.76)	238.49	258.37	(2.50)	255.87	271.78	8.59	280.37
Tax Expense	35.03	6.31	41.34	50.20	6.64	56.83	55.62	6.64	62.25	60.64	7.47	68.13
Profit After Tax	135.78	(7.94)	127.84	190.05	(8.40)	181.65	202.75	(9.13)	193.62	211.14	1.11	212.24

All values in INR crore

Summary of Adjustments to FY16 P&L Statement

Details of adjustments to Revenue (Consolidated)	Q1	Q2	Q3	Q4	FY16
Trade Promotion net off	(110.78)	(127.79)	(146.22)	(129.81)	(514.59)
Excise Duty	74.68	78.22	80.41	72.91	306.22
Others	1.27	(0.64)	(1.81)	(0.42)	(1.60)
Total	(34.84)	(50.21)	(67.62)	(57.32)	(209.98)

Details of adjustments to Expenses (Consolidated)	Q1	Q2	Q3	Q4	FY16
COGS (incl. Excise Duty)	80.89	88.16	87.09	73.60	329.74
Employee Expenses	0.66	(0.12)	0.36	(14.37)	(13.47)
A&P Expenses	(74.60)	(86.67)	(79.17)	(60.63)	(301.08)
Other Expense	(42.17)	(50.91)	(74.50)	(70.02)	(237.60)
Total	(35.23)	(49.53)	(66.22)	(71.43)	(222.41)

Details of adjustments to Revenue (Standalone)	Q1	Q2	Q3	Q4	FY16
Trade Promotion net off	(46.38)	(45.87)	(70.85)	(66.53)	(229.63)
Excise Duty	74.68	78.22	80.41	72.91	306.22
Others	0.21	(0.17)	(0.52)	(0.06)	(0.54)
Total	28.51	32.18	9.04	6.32	76.05

Details of adjustments to Expenses (Standalone)	Q1	Q2	Q3	Q4	FY16
COGS (incl. Excise Duty)	78.34	86.94	85.51	71.89	322.68
A&P Expenses	(3.07)	(5.31)	(7.30)	(0.88)	(16.56)
Employee Expenses	0.66	(0.12)	0.36	(7.14)	(6.24)
Other Expenses	(47.58)	(49.20)	(69.13)	(64.53)	(230.44)
Total	28.35	32.31	9.44	(0.66)	69.44

All values in INR crore

Contact Us

To know more, visit:
www.godrejcp.com

V Srinivasan

Email: v.srinivasan@godrejcp.com

Tel: +91 22 2519 4316

Sameer Shah

Email: sa.shah@godrejcp.com

Tel: +91 22 2519 4467

Tapan Joshi

Email: tapan.joshi@godrejcp.com

Tel: +91 22 2519 5433

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Thank You
