

# Godrej Consumer Products | BUY



## Analyst meet takeaways

GCPL's FY25 performance was below its stated guidance both on volume (mid-single digit vs. guidance of high-single digit) and profitability (EBITDA decline of 2% vs. mid-teen growth). This performance was predominantly dragged by Personal wash (volumes & profitability impacted by steep inflation in palm oil). We see this issue as more transient in nature & with recent moderation in palm oil prices, gradual improvement should follow in the coming quarters. On the positive side, the momentum in most of the key growth levers (HI, Aircare, Liquid detergents, Bodywash, Sexual wellness, Deodorants) for India business has been strong – a function of GCPL's strategy to come out with disruptive innovations, provide value to consumers and back it up with investments both in media & distribution expansion. International business is now in better shape with topline related corrections & profitability reset done; focus will now be on accelerating growth. While near term gross margins could be under pressure due to high cost inventory, interventions are underway to improve the same (price hike in incense stick, extracting media & supply chain efficiencies). A combination of above should drive high-single digit growth on consolidated basis (with mid-high single digit volume growth in India) & double digit EBITDA growth in FY26. The guidance is tad lower than our expectation of low double-digit sales growth led by lower growth in Soaps and some downgradation in HI. Having said that, we like Sudhir's execution on getting the portfolio and positioning right, which provide confidence on GCPL's ability to navigate near term challenges & deliver a much better medium term performance vs. FY25. Factoring 4Q performance, we have cut earnings by c.4%. Retain BUY with unchanged TP of INR 1350; sharp dips should be used as opportunity to add.

- **Volume growth key priority for India business:** India business FY25 performance was miss on both volume & profitability vs. the guidance, impacted by Personal wash (low-single digit volume growth & steep palm oil inflation). Home care did much better (high-single digit volume growth) led by sustained momentum in new growth engines (Air care/Fab-Liquid detergents) & strong recovery in HI in 4Q. For FY26, management has guided for mid-high single digit volume growth – a function of high-single digit growth in HI & mid-teens growth in other Home & Personal care (ex-Soaps where growth is likely to c.2%). GMs in the 1H are likely to remain under pressure due to high cost inventory & lower pricing growth (vs. inflation), however, cost efficiency in media (c.150bps saving) should aid low double-digit EBITDA growth in our view.
- **HI – portfolio in place, focus will be to improve volume growth, curtail downgradation & balance profitability:** Launch of portfolio with new RNF molecule sees green shoots in 4Q (double-digit volume growth in GK electrics with c.200bps market share gain, GK incense stick now INR 1bn sales with c.8% share). In HI, the category growth (7yr CAGR in mid-single digit) is not the challenge. However, it has seen downgradation with very strong double-digit growth in incense sticks (c.25% of the market) while other formats have grown flattish, thereby impacting UVG for GCPL in this category. Focus for FY26 is to turnaround volume growth (targeting c.7%), look for right balance between growth in premium portfolio & incense sticks in order to ensure that downgradation

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	139,741	142,848	155,951	171,568	188,674
Sales Growth (%)	5.9	2.2	9.2	10.0	10.0
EBITDA	30,705	30,031	33,789	38,315	42,935
EBITDA Margin (%)	21.8	20.9	21.5	22.2	22.6
Adjusted Net Profit	19,827	19,044	23,654	27,555	31,563
Diluted EPS (INR)	19.4	18.6	23.1	26.9	30.9
Diluted EPS Growth (%)	11.2	-4.0	24.2	16.5	14.5
ROIC (%)	-69.2	16.4	19.8	22.2	24.8
ROE (%)	15.0	15.5	18.6	19.7	20.7
P/E (x)	64.3	67.0	53.9	46.3	40.4
P/B (x)	10.1	10.6	9.5	8.7	8.1
EV/EBITDA (x)	41.8	42.6	37.5	32.8	29.0
Dividend Yield (%)	0.4	0.6	0.9	1.3	1.7

Source: Company data, JM Financial. Note: Valuations as of 07/May/2025

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,350
Upside/(Downside)	8.3%
Previous Price Target	1,350
Change	0.0%

### Key Data – GCPL IN

Current Market Price	INR1,247
Market cap (bn)	INR1,275.6/US\$15.0
Free Float	38%
Shares in issue (mn)	1,023.0
Diluted share (mn)	1,023.0
3-mon avg daily val (mn)	INR1,600.0/US\$18.9
52-week range	1,542/980
Sensex/Nifty	80,747/24,414
INR/US\$	84.8

### Price Performance

%	1M	6M	12M
Absolute	7.5	-0.9	-5.7
Relative*	-1.2	-2.5	-14.2

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
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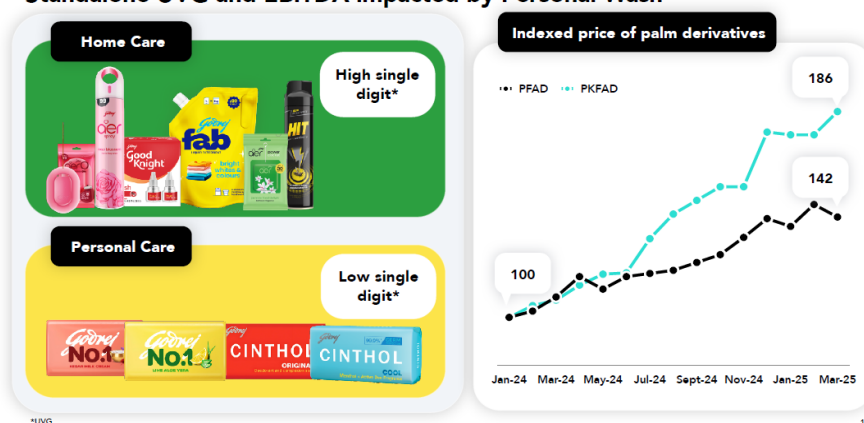
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doesn't accelerate for category & profitability also improves. Management believes premiumisation in HI will accelerate (mid-teens growth potential) once incense stick growth plateaus. While this will be a gradual process, the good part is that GCPL has the right portfolio in place across formats & is taking interventions (increased prices in incense stick from INR 10 to 15 in South, lower trade margins to channel) to improve profitability too.

- **Scale up categories of future:** Apart from HI, another key volume driver for GCPL (expects mid-teen volume growth in FY26) will be the high growth categories (Air freshener, Liquid detergents, Hair colors, Bodywash, Deodorants & Sexual wellness). In Air freshener GCPL has seen clear success (UVG CAGR of 25%+, MS gain of 1100bps) led by disruptive innovations. Similarly, Fab Liquid detergent (ARR of INR 2.5bn) is seeing explosive growth (35% CAGR for industry) led by superior product at attractive price point. In Bodywash & Hair colors, the focus is to drive upgrades. In RCCL portfolio – revenue performance (+10%) was weaker than envisaged (due to challenges in Deodorant portfolio), while profitability (EBITDA margin of c.18%) has been healthy. Interventions are underway (dedicated CEO/sales team in place, improving access by providing better value to consumer- KS spark @99 vs. INR 249 earlier by reducing trade benefit, innovations like Amazon woods, Bloq Anti-perspirant) to drive growth (targeting double-digit volume growth) & profitability (achieve EBITDA margin similar to India margins) here.
- **International business on strong footing:** In International business, focus is to further strengthen the business metrics. In Indonesia – structural issues have been solved (distribution scale up, step up in innovations & media spends, seeding products from India) and range bound performance should continue along with uptick in margins. In GAUM, despite macro volatility, GCPL has achieved success in resetting the profitability (c.600bps improvement in EBITDA margins to 15%) faster than expectation led by several interventions (optimising supply chain & fixed overheads, strategic pricing). With most of the topline related correction done and cost savings being structural in nature, focus is to maintain leadership in profitable manner in Hair care, scale up FMCG portfolio through global blockbusters (Aer pocket, GK LV, Issue hair color shampoo) & continue to drive cost efficiencies. Latam too has seen improvement on similar lines as GAUM. Going ahead, mgmt. expects growth trajectory to improve with improvement in margins (although pace of improvement will be lower vs. high expansion seen in FY25).

## Exhibit 1. India business underperformed during FY25; largely on account of weakness in personal wash segment

### Standalone UVG and EBITDA impacted by Personal Wash



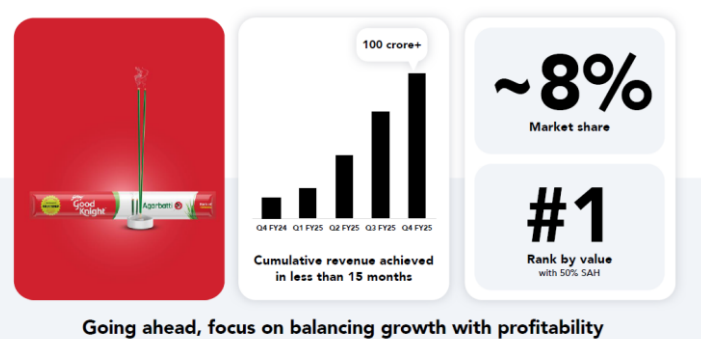
Source: Company, JM Financial

## Exhibit 2. Household Insecticides – Product portfolio in place, volume turnaround and balancing profitability will be key

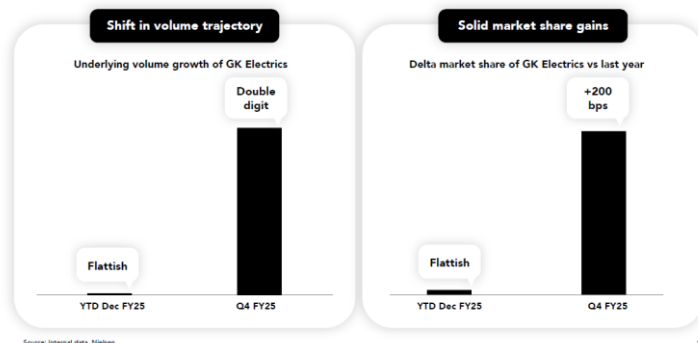
### Launched the exclusive RNF\* molecule across the portfolio in 2024



### Goodnight Agarbatti is now the largest branded incense sticks



### Goodnight Electrics is showing positive momentum

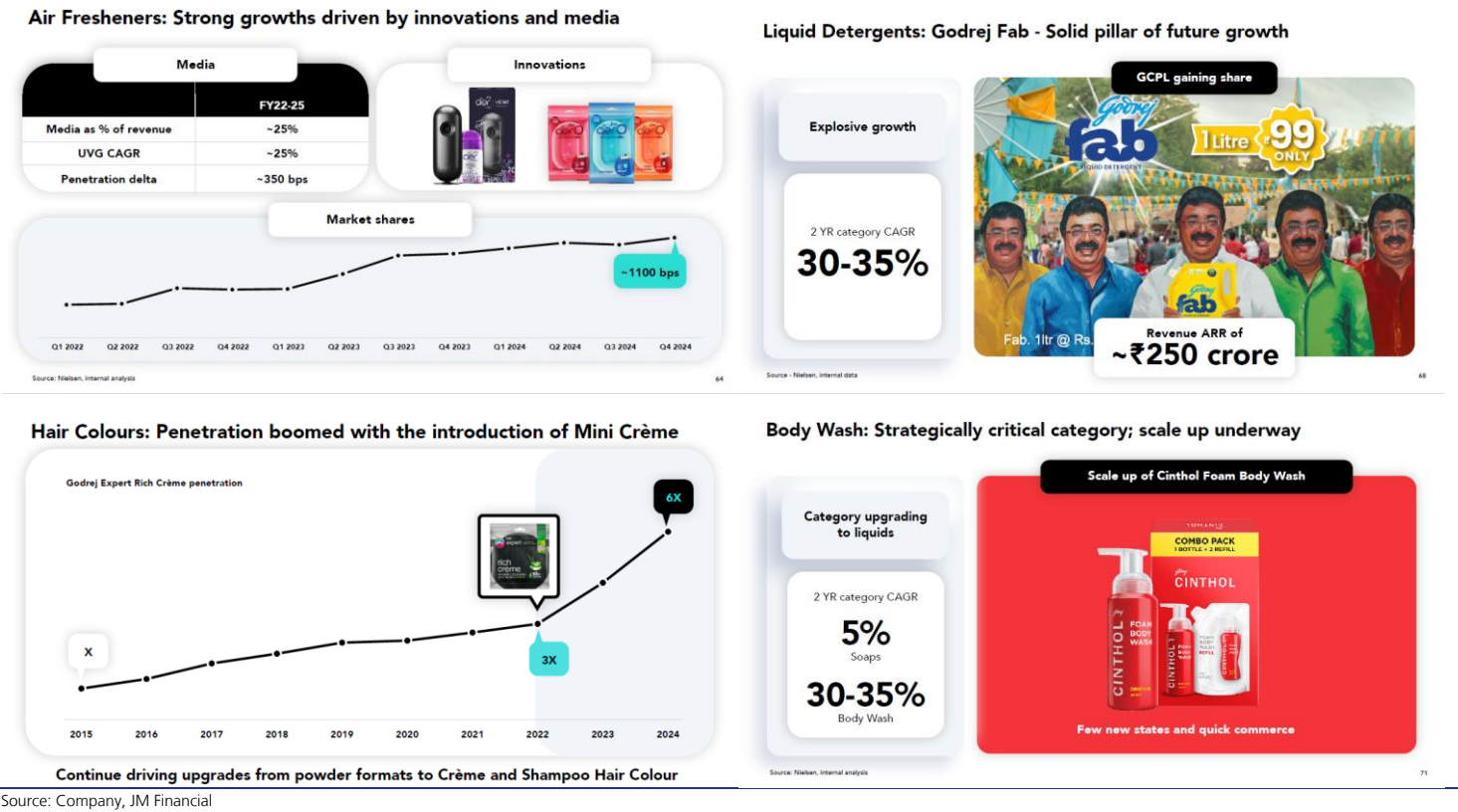


### Our innovations are driving premiumisation in the category



Source: Company, JM Financial

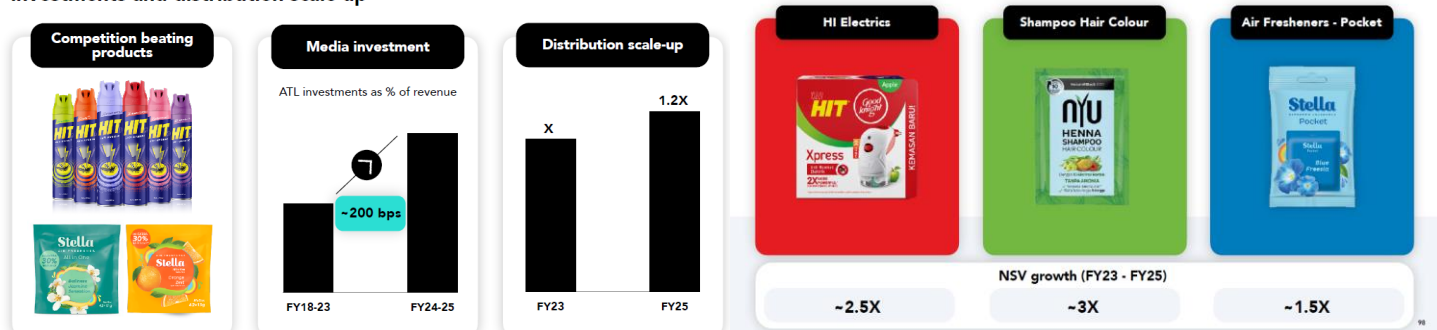
Exhibit 3. Categories of the future – high growth engine



## Exhibit 5. Indonesia business – structural issues have been resolved and performance to remain steady with new launches

Volume growths a result of doing the right things: Solid product, media investments and distribution scale-up

Strong performance on the back of 3 successful bets seeded from India



Source: Company, JM Financial

## Exhibit 6. GUAM and Latam – profitability reset largely done, focus on driving growth

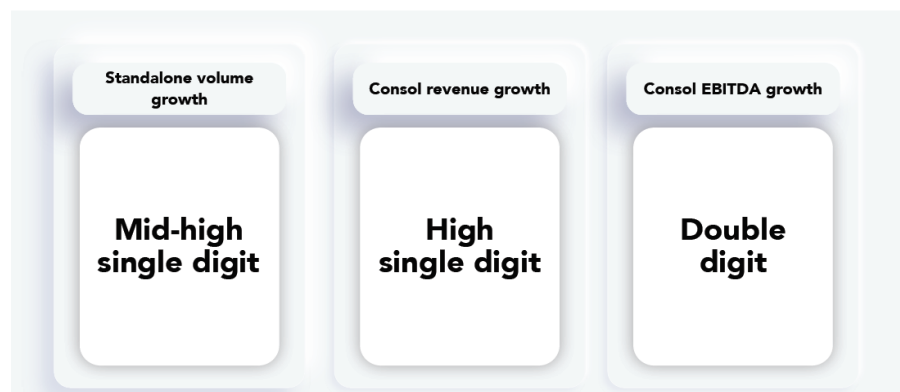
Strategy going forward



Source: Company, JM Financial

## Exhibit 7. Management guidance for FY26

Guidance for next year: Performance to improve sequentially



Source: Company, JM Financial

Exhibit 8. GCPL's 5yr avg. PE band



Exhibit 9. GCPL's 10yr avg. PE band



Exhibit 10. Revision in estimates

INR mn	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	155,951	171,568	158,021	174,216	-1.3%	-1.5%
EBITDA	33,789	38,315	34,027	38,854	-0.7%	-1.4%
PAT	23,654	27,555	24,553	28,665	-3.7%	-3.9%
EPS	23.1	26.9	24.0	28.0	-3.7%	-3.9%

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	139,741	142,848	155,951	171,568	188,674
Sales Growth	5.9%	2.2%	9.2%	10.0%	10.0%
Other Operating Income	1,221	795	914	1,201	1,321
<b>Total Revenue</b>	<b>140,961</b>	<b>143,643</b>	<b>156,865</b>	<b>172,769</b>	<b>189,994</b>
Cost of Goods Sold/Op. Exp	63,203	65,361	72,686	79,053	86,078
Personnel Cost	12,493	11,488	12,866	14,034	15,339
Other Expenses	34,560	36,763	37,523	41,367	45,642
<b>EBITDA</b>	<b>30,705</b>	<b>30,031</b>	<b>33,789</b>	<b>38,315</b>	<b>42,935</b>
EBITDA Margin	21.8%	20.9%	21.5%	22.2%	22.6%
EBITDA Growth	20.9%	-2.2%	12.5%	13.4%	12.1%
Depn. & Amort.	2,410	2,340	2,362	2,451	2,516
EBIT	28,295	27,691	31,427	35,864	40,419
Other Income	2,690	3,161	3,582	4,082	4,642
Finance Cost	2,964	3,501	3,386	3,108	2,865
PBT before Excep. & Forex	28,021	27,351	31,624	36,838	42,197
Excep. & Forex Inc./Loss(-)	-26,039	-632	0	0	0
PBT	1,982	26,719	31,624	36,838	42,197
Taxes	7,588	8,196	7,969	9,283	10,634
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	-5,605	18,523	23,654	27,555	31,563
<b>Adjusted Net Profit</b>	<b>19,827</b>	<b>19,044</b>	<b>23,654</b>	<b>27,555</b>	<b>31,563</b>
Net Margin	14.1%	13.3%	15.1%	15.9%	16.6%
Diluted Share Cap. (mn)	1,022.8	1,023.0	1,023.0	1,023.0	1,023.0
<b>Diluted EPS (INR)</b>	<b>19.4</b>	<b>18.6</b>	<b>23.1</b>	<b>26.9</b>	<b>30.9</b>
Diluted EPS Growth	11.2%	-4.0%	24.2%	16.5%	14.5%
Total Dividend + Tax	5,114	7,409	11,827	16,533	22,094
Dividend Per Share (INR)	5.0	7.2	11.6	16.2	21.6

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	26,751	27,351	31,624	36,838	42,197
Depn. & Amort.	2,410	2,340	2,362	2,451	2,516
Net Interest Exp. / Inc. (-)	274	340	-196	-974	-1,778
Inc (-) / Dec in WCap.	-4,559	351	-419	-739	-729
Others	-437	86	0	0	0
Taxes Paid	-3,739	-4,701	-8,596	-9,283	-10,634
<b>Operating Cash Flow</b>	<b>20,700</b>	<b>25,768</b>	<b>24,774</b>	<b>28,293</b>	<b>31,573</b>
Capex	306	-5,592	-4,000	-3,000	-2,500
Free Cash Flow	21,006	20,176	20,774	25,293	29,073
Inc (-) / Dec in Investments	-9,085	477	-6,205	-7,447	-6,702
Others	-24,851	1,680	3,582	4,082	4,642
<b>Investing Cash Flow</b>	<b>-33,630</b>	<b>-3,436</b>	<b>-6,623</b>	<b>-6,365</b>	<b>-4,560</b>
Inc / Dec (-) in Capital	0	47	0	0	0
Dividend + Tax thereon	-5,114	-25,573	-10,060	-14,651	-19,870
Inc / Dec (-) in Loans	22,652	7,318	-3,886	-3,497	-3,147
Others	-3,474	-3,607	-3,404	-3,127	-2,884
<b>Financing Cash Flow</b>	<b>14,063</b>	<b>-21,815</b>	<b>-17,351</b>	<b>-21,274</b>	<b>-25,901</b>
<b>Inc / Dec (-) in Cash</b>	<b>1,133</b>	<b>517</b>	<b>800</b>	<b>654</b>	<b>1,112</b>
Opening Cash Balance	4,337	4,314	4,831	5,631	6,285
Closing Cash Balance	5,469	4,831	5,631	6,285	7,397

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	125,986	120,039	133,634	146,538	158,231
Share Capital	1,023	1,023	1,023	1,023	1,023
Reserves & Surplus	124,963	119,016	132,611	145,515	157,208
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	31,546	38,826	34,939	31,442	28,296
Def. Tax Liab. / Assets (-)	-2,804	938	938	938	938
<b>Total - Equity &amp; Liab.</b>	<b>154,729</b>	<b>159,803</b>	<b>169,511</b>	<b>178,918</b>	<b>187,465</b>
Net Fixed Assets	103,585	109,258	110,896	111,445	111,429
Gross Fixed Assets	73,723	76,743	80,743	83,743	86,243
Intangible Assets	50,264	51,454	51,454	51,454	51,454
Less: Depn. & Amort.	21,236	23,576	25,938	28,389	30,905
Capital WIP	834	4,636	4,636	4,636	4,636
Investments	35,037	36,446	42,651	50,098	56,800
Current Assets	42,496	47,271	51,022	55,575	60,911
Inventories	12,709	14,186	15,060	16,098	17,703
Sundry Debtors	15,354	18,191	19,433	21,379	22,993
Cash & Bank Balances	5,469	4,831	5,631	6,285	7,397
Loans & Advances	2,300	2,576	2,834	3,117	3,429
Other Current Assets	6,663	7,487	8,065	8,697	9,388
Current Liab. & Prov.	26,389	33,172	35,058	38,199	41,674
Current Liabilities	23,228	29,980	32,265	35,158	38,361
Provisions & Others	3,161	3,192	2,793	3,041	3,313
Net Current Assets	16,107	14,100	15,964	17,376	19,237
<b>Total - Assets</b>	<b>154,729</b>	<b>159,803</b>	<b>169,511</b>	<b>178,918</b>	<b>187,465</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	14.1%	13.3%	15.1%	15.9%	16.6%
Asset Turnover (x)	0.9	0.9	0.9	1.0	1.0
Leverage Factor (x)	1.2	1.3	1.3	1.3	1.2
RoE	15.0%	15.5%	18.6%	19.7%	20.7%

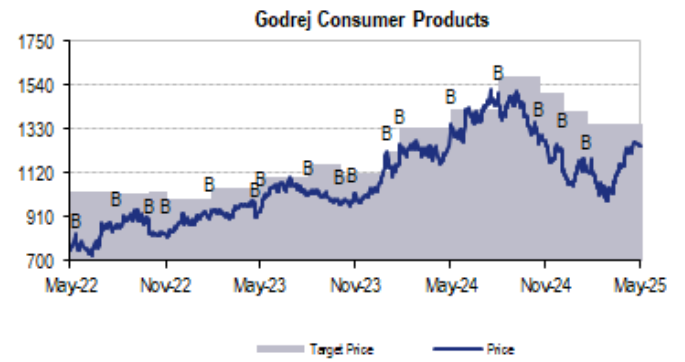
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	123.2	117.3	130.6	143.2	154.7
ROIC	-69.2%	16.4%	19.8%	22.2%	24.8%
ROE	15.0%	15.5%	18.6%	19.7%	20.7%
Net Debt/Equity (x)	0.1	0.0	-0.1	-0.1	-0.2
P/E (x)	64.3	67.0	53.9	46.3	40.4
P/B (x)	10.1	10.6	9.5	8.7	8.1
EV/EBITDA (x)	41.8	42.6	37.5	32.8	29.0
EV/Sales (x)	9.1	8.9	8.1	7.3	6.6
Debtor days	40	46	45	45	44
Inventory days	33	36	35	34	34
Creditor days	75	92	92	92	92

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Nov-21	Buy	1,135	
20-Dec-21	Buy	1,120	-1.3
8-Feb-22	Buy	1,035	-7.6
20-May-22	Buy	1,030	-0.5
3-Aug-22	Buy	1,025	-0.5
7-Oct-22	Buy	1,035	1.0
8-Nov-22	Buy	1,000	-3.4
1-Feb-23	Buy	1,050	5.0
28-Apr-23	Buy	1,050	0.0
10-May-23	Buy	1,100	4.8
8-Aug-23	Buy	1,165	5.9
9-Oct-23	Buy	1,110	-4.7
1-Nov-23	Buy	1,115	0.5
8-Jan-24	Buy	1,220	9.4
1-Feb-24	Buy	1,335	9.4
8-May-24	Buy	1,420	6.4
8-Aug-24	Buy	1,580	11.3
25-Oct-24	Buy	1,500	-5.1
8-Dec-24	Buy	1,415	-5.7
25-Jan-25	Buy	1,350	-4.6

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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