

Godrej Consumer Products Ltd

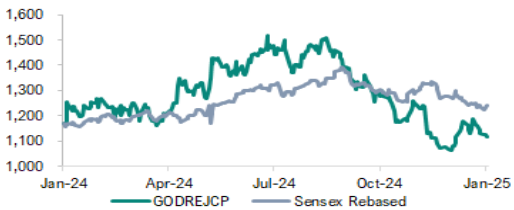
BUY

Sector: FMCG

31st January 2025

Key Changes	Target ▼	Rating ▲	Earnings ▼	Target	Rs. 1,237
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	GCPL:IN	77,501	GODREJCP	532424	12 Months
				CMP	Rs. 1,121
				Return	+10%

Data as of: 31-01-2025

Company Data			
Market Cap (Rs. cr)	114,290		
52 Week High — Low (Rs.)	1,541-1,056		
Enterprise Value (Rs. cr)	117,434		
Outstanding Shares (cr)	102.3		
Free Float (%)	37		
Dividend Yield (%)	2.2		
6m average volume (lacs)	14.8		
Beta	0.6		
Face value (Rs.)	1.00		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	63.0	63.0	53.0
FII's	22.4	22.0	20.7
MFs/Insti	9.3	9.6	11.0
Public	4.4	4.3	5.6
Others	0.9	1.0	9.6
Total	100.0	100.0	100.0
Promoters' pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-12.6%	-22.2%	-3.7%
Absolute Sensex	-2.4%	-5.2%	8.0%
Relative Return	-10.2%	-17.0%	-11.7%
*over or under performance to benchmark index			
			
Y.E March (cr)	FY25E	FY26E	FY27E
Sales	14,405	15,812	17,455
Growth (%)	2.2	9.8	10.4
EBITDA	2,974	3,528	4,099
EBITDA Margin (%)	20.6	22.3	23.5
PAT Adjusted	2,007	2,392	2,813
Growth (%)	4.7	19.2	17.6
Adjusted EPS	19.6	23.4	27.5
Growth (%)	4.7	19.2	17.6
P/E	56.9	47.8	40.6
P/B	8.8	8.9	8.9
EV/EBITDA	39.5	33.3	28.7
ROE (%)	15.2	18.7	21.8
D/E	0.3	0.3	0.3

Margin set to improve

Godrej Consumer Products Ltd (GCPL) is one of India's leading home-grown household and personal care companies. It also has a presence in Indonesia, Africa, the United States (US) and the Middle East, among others.

- In Q3FY25, consolidated revenue increased 3.0% YoY to Rs. 3,768cr mainly owing to flat growth in underlying volume.
- Revenue from India increased 2.6% YoY to Rs. 2,262cr led by growth in the home care and personal care segments.
- The home care segment grew 4.0% YoY, driven by the strong performance of Goodknight Agarbatti, which gained significant market share in the incense sticks segment. However, lower demand for household insecticides and a slowdown in urban consumption affected premium formats.
- Personal care grew 2.0% YoY, despite personal wash volumes declining in the mid-to-high single digits, while hair colour volumes grew in the mid-single digits.
- EBITDA fell 16.4% YoY owing to a 7.3% YoY increase in employee benefit expenses, 6.1% YoY rise in selling, marketing and distribution expenses and 19.7% YoY growth in other expenses.

Outlook & Valuation

Though revenue growth slowed and profit margin decreased in the quarter, the incense sticks, laundry, air fresheners and sexual wellness segments performed well and the electrics segment increased market share. Indonesia and Latin America continued to perform well. Africa is expected to report positive organic revenue growth in the coming quarters. Margin in the soap segment is expected to normalise as input prices decline in the coming quarters. With rural growth outpacing urban growth, and new product launches contributing to growth, GCPL is expected to report positive organic revenue growth in the coming quarters. Therefore, **we upgrade our rating to BUY from HOLD on the stock with a rolled forward target price of Rs. 1,237 using a target multiple of 45x P/E on FY27E**

Quarterly Financials Consol.

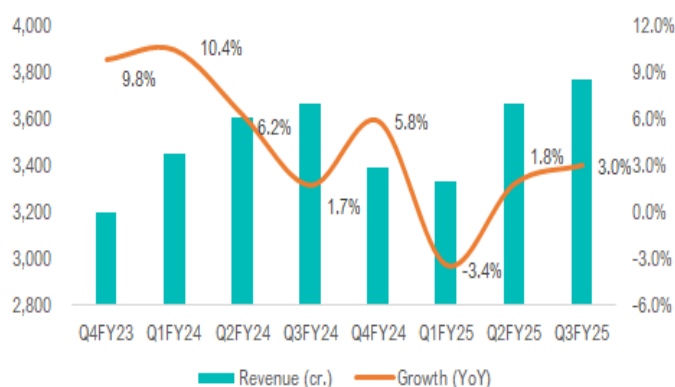
Rs. cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	3,768	3,660	3.0	3,666	2.8	10,765	10,711	0.5
EBITDA	756	905	-16.4	762	-0.8	2,237	2,310	-3.2
Margin (%)	20.1	24.7	-460bps	20.8	-70bps	20.8	21.6	-80bps
EBIT	694	851	-18.4	712	-2.5	2,076	2,119	-2.0
PBT	682	783	-13.0	707	-3.5	2,026	1,883	7.6
Rep. PAT	498	581	-14.2	491	1.4	1,433	1,333	7.6
Adj PAT	498	581	-14.2	491	1.4	1,465	1,434	7.6
EPS (Rs.)	4.9	5.7	-14.3	4.8	1.4	14.1	13.0	8.1



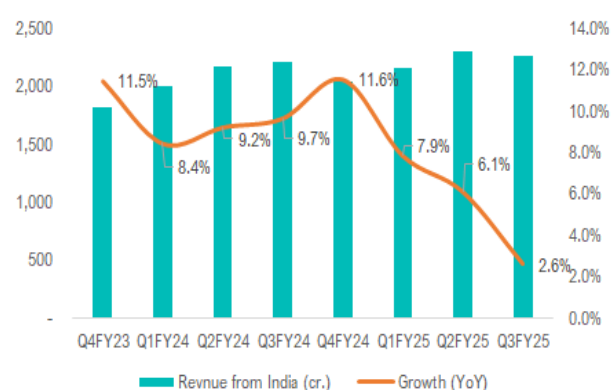
Key Concall Highlights

- Rural growth outpaces urban growth, driven by ~7% volume growth from the van operation program in H1FY25. Urban consumption slows, especially in modern trade and premium products.
- In Indonesia, hair colour witnessed a strong double-digit growth driven by shampoo hair colour. Volume growth in Stella pocket doubled YoY. Revenue from Indonesia grew 9.0% YoY and volume 6.0% YoY.
- Revenue from Africa, the US and Middle East decreased 16.0% YoY, but gross margin expansion, product mix improvement and decrease in controllable costs led to a ~340bps YoY increase in EBITDA margin.
- Growth in the laundry, air fresheners and sexual wellness segments continues to be in double digits. The company launched Mini Aer Pocket in a few south Indian states at Rs. 30 and re-launched Aer Spray at Rs. 99 across India.
- In the home care segment, fabric care showcased a strong performance with double-digit growth. Also, Godrej Fab is gaining market share.
- In the personal care segment, Magic handwash, Godrej Expert Rich Crème and shampoo hair colour volume delivered double-digit growth.

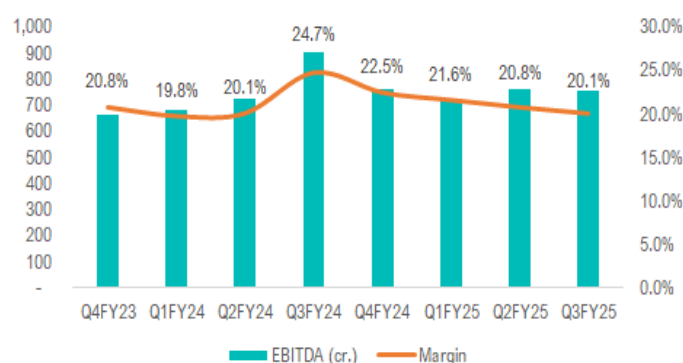
Revenue



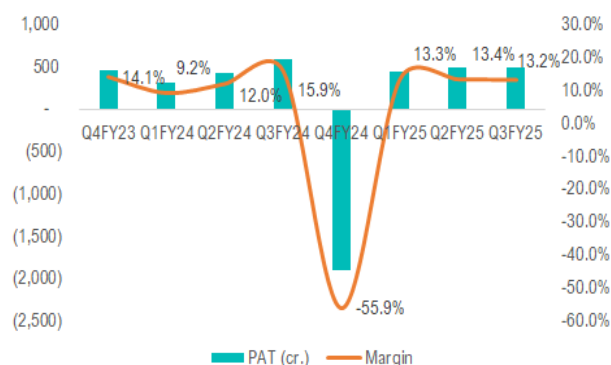
Revenue from India



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	14,973	16,582	14,405	15,812	17,455	-3.8	-4.6
EBITDA	3,406	4,065	2,974	3,528	4,099	-12.7	-13.2
Margins (%)	22.7	24.5	20.6	22.3	23.5	-210bps	-220bps
Adj. PAT	2,322	2,840	2,007	2,392	2,813	-13.6	-15.8
EPS	22.7	27.8	19.6	23.4	27.5	-13.6	-15.8



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	13,316	14,096	14,405	15,812	17,455
% change	8.5	5.9	2.2	9.8	10.4
EBITDA	2,539	3,070	2,974	3,528	4,099
% change	2.2	22.2	-3.0	19.5	16.9
Depreciation	236	241	263	286	291
EBIT	2,303	2,829	2,711	3,242	3,807
Interest	176	296	317	328	335
Other Income	6	-2,335	239	275	278
PBT	2,133	198	2,633	3,189	3,750
% change	-1.0	-90.7	1228.4	21.1	17.6
Tax	430	759	658	797	938
Tax Rate (%)	20.2	382.8	25.0	25.0	25.0
Reported PAT	1,702	-561	1,975	2,392	2,813
PAT att. to common shareholders	1,702	-561	1,975	2,392	2,813
Adjustment	54	2,477	32	-	-
Adj PAT	1,757	1,916	2,007	2,392	2,813
% change	0.5	9.1	4.7	19.2	17.6
No. of shares (cr)	102.2	102.3	102.3	102.3	102.3
Adj EPS (Rs.)	17.2	18.7	19.6	23.4	27.5
% change	0.5	9.1	4.7	19.2	17.6
DPS (Rs.)	-	5.0	25.0	26.3	27.6

CASH FLOW

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,939	-320	2,238	2,678	3,164
Non-cash adj.	192	2,848	392	768	694
Changes in W.C	20	-459	-318	-62	-94
C.F. Operation	2,151	2,070	2,313	3,384	3,704
Capital exp.	-227	-307	-490	-553	-628
Change in inv.	-1,630	-556	-670	-184	-415
Other invest.CF	99	-2,499	206	226	249
C.F – Investment	-1,758	-3,363	-954	-512	-795
Issue of equity	-	-	-	-	-
Issue/repay debt	-634	2,265	631	76	193
Dividends paid	-	-	-1,601	-2,557	-2,685
Other finance.CF	-160	-859	-317	-328	-335
C.F – Finance	-794	1,406	-1,287	-2,809	-2,827
Chg. in cash	-402	113	71	63	83
Closing cash	391	547	618	682	764

Balance Sheet

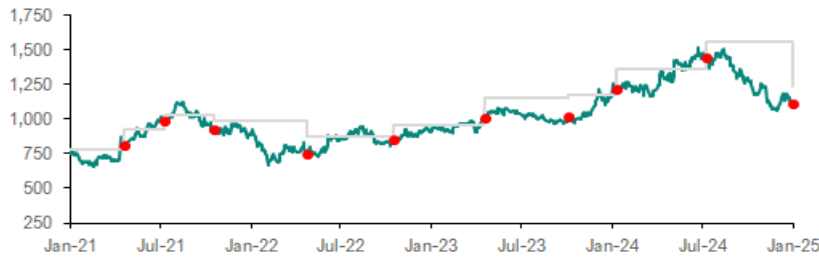
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	391	547	618	682	764
Accts. Receivable	1,245	1,535	1,671	1,818	1,981
Inventories	1,537	1,271	1,531	1,640	1,788
Other Cur. Assets	2,633	2,208	2,767	3,468	4,373
Investments	839	1,798	1,953	1,468	1,013
Gross Fixed Assets	1,827	2,134	2,624	3,177	3,806
Net Fixed Assets	1,355	1,226	1,439	1,691	2,012
CWIP	124	134	147	162	178
Intangible Assets	8,500	9,154	8,659	7,820	7,066
Def. Tax -Net	703	384	527	678	806
Other Assets	172	239	242	245	248
Total Assets	17,499	18,496	19,554	19,671	20,229
Current Liabilities	2,446	2,436	2,489	2,676	2,893
Provisions	103	167	183	192	202
Debt Funds	1,034	3,155	3,786	3,861	4,054
Other Liabilities	121	140	135	156	177
Equity Capital	102	102	102	102	102
Res. & Surplus	13,692	12,496	12,859	12,683	12,800
Shareholder Funds	13,794	12,599	12,961	12,785	12,902
Total Liabilities	17,499	18,496	19,554	19,671	20,229
BVPS	135	123	127	125	126

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	19.1	21.8	20.6	22.3	23.5
EBIT margin (%)	17.3	20.1	18.8	20.5	21.8
Net profit mgn.(%)	12.8	-4.0	13.7	15.1	16.1
ROE (%)	12.3	-4.4	15.2	18.7	21.8
ROCE (%)	15.5	18.0	16.2	19.5	22.5
W.C & Liquidity					
Receivables (days)	34.1	39.8	42.3	42.0	41.4
Inventory (days)	83.7	73.4	91.3	89.1	88.0
Payables (days)	99.3	96.8	104.5	105.8	106.5
Current ratio (x)	1.8	1.0	1.0	1.2	1.3
Quick ratio (x)	1.2	0.7	0.7	0.8	0.9
Turnover & Leverage					
Gross asset T.O (x)	7.8	7.1	6.1	5.5	5.0
Total asset T.O (x)	0.8	0.8	0.8	0.8	0.9
Int. coverage ratio (x)	13.1	9.5	8.6	9.9	11.4
Adj. debt/equity (x)	0.1	0.3	0.3	0.3	0.3
Valuation					
EV/Sales (x)	7.5	9.3	8.2	7.4	6.7
EV/EBITDA (x)	39.2	42.5	39.5	33.3	28.7
P/E (x)	56.4	66.8	56.9	47.8	40.6
P/BV (x)	7.2	10.2	8.8	8.9	8.9



Recommendation Summary - (last 3 years)



Dates	Rating	Target
17-Nov-21	HOLD	992
25-May-22	BUY	878
15-Nov-22	BUY	954
19-May-23	BUY	1,152
3-Nov-23	BUY	1,171
8-Feb-24	HOLD	1,358
20-Aug-24	HOLD	1,530
31-Jan-25	BUY	1,237

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			
Definition:			
Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; Accumulate: Partial buying or to accumulate as CMP dips in the future; Hold: Hold the stock with the expected target mentioned in the note.; Reduce: Reduce your exposure to the stock due to limited upside.; Sell: Exit from the stock; Not rated/Neutral: The analyst has no investment opinion on the stock.			
Symbols definition:			
▲ Upgrade		● No Change	▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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