

India

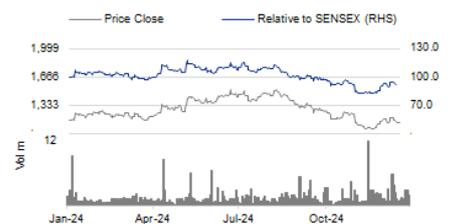
**ADD** (no change)

Consensus ratings*:	Buy 26	Hold 7	Sell 3
Current price:	Rs1,130		
Target price:	Rs1,245		
Previous target:	Rs1,440		
Up/downside:	10.2%		
InCred Research / Consensus:	-6.6%		
Reuters:			
Bloomberg:	GCPL IN		
Market cap:	US\$15,924m	Rs1,156,357m	
Average daily turnover:	US\$25.7m	Rs1863.2m	
Current shares o/s:	1,022.5m		
Free float:	47.0%		

\*Source: Bloomberg

**Key changes in this note**

- Lower our target price to Rs1,245 from Rs1,440.
- Lower FY25F/26F EPS by 11%/9%.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	5.5	(12.5)	(2.3)
Relative (%)	9.0	(8.8)	(9.4)

<b>Major shareholders</b>	% held
Promoter	53.0
First Sentier Investors	4.1
BlackRock Inc	1.5

# Godrej Consumer Products Ltd

## Gradual recovery in growth expected

- Standalone sales/volume grew 2.6%/was flat yoy in 3QFY25, led by weakness in the soaps & household insecticides range. Urban demand remained weak.
- India biz gross/EBITDA margins contracted 443/673bp yoy to 54.7%/22.7%. Guidance pegs FY26F EBITDA margin at the lower end of 24-26% range.
- Near-term outlook stays weak; however, the focus on category development & business simplification efforts augur well. Retain ADD with a lower Rs1,245 TP.

### Weakness in soaps and household insecticides range drags growth

Godrej Consumer Products (or GCPL) posted standalone sales growth of 2.6% in 3QFY25, with flat volume growth, led by weakness in soaps and household insecticides portfolio. Demand in urban markets remained weak, with management stating that some stress is also visible now at the premium end of portfolios. Pricing actions were taken in the soaps portfolio to offset the inflation in PFAD prices, which impacted volume. Household insecticides saw a weak quarter on account of seasonality in North India and unfavourable weather conditions in South India. Air care and liquid detergents clocked double-digit volume growth. The sexual wellness range saw healthy growth while deodorants witnessed market share gains in the general trade (GT) channel, but lost share in modern trade (MT).

### International business margin improves led by execution

Indonesia business delivered 6%/9% volume/sales growth. Household insecticides' growth was soft on account of a high base, which benefited from El Nino weather conditions. The hair colour range recorded double-digit volume growth while Stella Pocket (under air care) doubled its volume. The Indonesia business EBITDA margin expanded by 60bp yoy to 21.5%. The Africa business' organic sales grew by 1% yoy in constant currency terms, led by pricing growth, with volume continuing to decline led by reduction in trade inventory & portfolio simplification initiatives, which are expected to be largely completed by end-4QFY25F. Africa business EBITDA margin is expected to remain healthy.

### Temporary headwinds weaken outlook; maintain ADD rating

India gross/EBITDA margins contracted 443/673bp yoy to 54.7%/22.7%, respectively, in 3QFY25 led by higher raw material costs and sustained advertising and promotional spending. We expect demand weakness in urban markets to persist in 4QFY25F, which should continue to impact sales growth (with a marginally better volume growth qoq). India EBITDA margin is expected to improve gradually, and management expects it to be near the lower end of the 24-26% guided range for FY26F. We cut our FY25F/26F EPS by 11%/9%, respectively, and maintain our ADD rating on GCPL with a lower target price of Rs1,245 (47x FY27F EPS), from Rs1,440 earlier, as we roll forward. Downside risk: Slower-than-expected recovery in core portfolios of soaps and household insecticides.

**Research Analyst(s)**



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**Financial Summary**

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	133,160	140,961	146,762	155,678	167,682
Operating EBITDA (Rsm)	24,305	29,435	30,925	33,945	37,358
Net Profit (Rsm)	17,025	(5,606)	19,805	23,730	27,102
Core EPS (Rs)	17.2	18.7	19.4	23.2	26.5
Core EPS Growth	(2.0%)	9.1%	3.3%	19.8%	14.2%
FD Core P/E (x)	67.90	(206.24)	58.38	48.72	42.66
DPS (Rs)	7.5	8.8	8.0	9.3	10.1
Dividend Yield	0.00%	0.44%	0.71%	0.82%	0.90%
EV/EBITDA (x)	46.62	38.99	37.33	34.04	30.70
P/FCFE (x)	(89.54)	39.16	51.98	150.24	67.31
Net Gearing	(16.6%)	(6.7%)	(1.1%)	(0.5%)	(5.6%)
P/BV (x)	8.38	9.18	8.42	7.63	6.87
ROE	13.9%	14.5%	15.0%	16.4%	17.0%
% Change In Core EPS Estimates			(11.14%)	(9.34%)	(7.08%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Gradual recovery in growth expected

Figure 1: Quarterly results summary – consolidated

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
<b>Revenue</b>	<b>36,596</b>	<b>36,663</b>	<b>37,684</b>	3.0	2.8	<b>1,07,105</b>	<b>1,07,663</b>	0.5
<b>Expenditure</b>	<b>28,189</b>	<b>29,067</b>	<b>30,125</b>	6.9	3.6	<b>85,228</b>	<b>85,263</b>	0.0
Consumption of raw materials	16,143	16,282	17,282	7.1	6.1	48,346	48,272	-0.2
as % of sales	44.1	44.4	45.9			45.1	44.8	
Employee costs	2,761	3,106	2,961	7.3	-4.7	9,256	8,863	-4.2
as % of sales	7.5	8.5	7.9			8.6	8.2	
Other expenditure	9,286	9,679	9,882	6.4	2.1	27,625	28,128	1.8
as a % of sales	25.4	26.4	26.2			25.8	26.1	
<b>EBITDA</b>	<b>8,407</b>	<b>7,596</b>	<b>7,559</b>	<b>-10.1</b>	<b>-0.5</b>	<b>21,877</b>	<b>22,400</b>	<b>2.4</b>
Depreciation	539	501	619	14.9	23.5	1,911	1,615	-15.5
<b>EBIT</b>	<b>7,868</b>	<b>7,095</b>	<b>6,941</b>	<b>-11.8</b>	<b>-2.2</b>	<b>19,967</b>	<b>20,786</b>	<b>4.1</b>
Other income	701	860	831	18.6	-3.4	2,051	2,462	20.0
Interest	666	831	897	34.7	8.0	2,179	2,606	19.6
<b>PBT</b>	<b>7,903</b>	<b>7,124</b>	<b>6,874</b>	<b>-13.0</b>	<b>-3.5</b>	<b>19,839</b>	<b>20,642</b>	<b>4.0</b>
Total tax	2,024	2,154	1,834	-9.4	-14.8	5,500	5,921	7.6
<b>Adjusted PAT</b>	<b>5,880</b>	<b>4,971</b>	<b>5,041</b>	<b>-14.3</b>	<b>1.4</b>	<b>14,339</b>	<b>14,721</b>	<b>2.7</b>
(Profit)/loss from associates/minority interest or MI	0	0	0	NA	NA	0	0	NA
<b>APAT after MI</b>	<b>5,880</b>	<b>4,971</b>	<b>5,041</b>	<b>-14.3</b>	<b>1.4</b>	<b>14,339</b>	<b>14,721</b>	<b>2.7</b>
Extraordinary items	-69	-58	-57	-16.7	-0.7	-1,012	-318	-68.6
<b>Reported PAT</b>	<b>5,811</b>	<b>4,913</b>	<b>4,983</b>	<b>-14.2</b>	<b>1.4</b>	<b>13,327</b>	<b>14,403</b>	<b>8.1</b>
<b>Adj. EPS</b>	<b>5.8</b>	<b>4.9</b>	<b>4.9</b>	<b>-14.3</b>	<b>1.4</b>	<b>14.0</b>	<b>14.4</b>	<b>2.7</b>
<b>Margins (%)</b>	<b>3QFY24</b>	<b>2QFY25</b>	<b>3QFY25</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>	<b>9MFY24</b>	<b>9MFY25</b>	<b>(bps)</b>
Gross margin	55.9	55.6	54.1	-180	-140	54.9	55.2	30
EBITDA	23.0	20.7	20.1	-290	-70	20.4	20.8	40
EBIT	21.5	19.4	18.4	-310	-90	18.6	19.3	70
EBT	21.6	19.4	18.2	-340	-120	18.5	19.2	60
PAT	16.1	13.6	13.4	-270	-20	13.4	13.7	30
Effective tax rate	25.6	30.2	26.7	110	-350	27.7	28.7	100

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Temporary headwinds drag growth

Growth (year-on-year)	Consolidated	Standalone
Underlying Volume Growth	Flat*	Flat
Net Sales	3% (6%*)	4%
Net Sales (Constant Currency)	2% (4%*)	-
EBITDA	(10%)	(21%)
Net Profit (Reported)	(14%)	(28%)
Net Profit (without exceptional and one-off items)	(14%)	(28%)

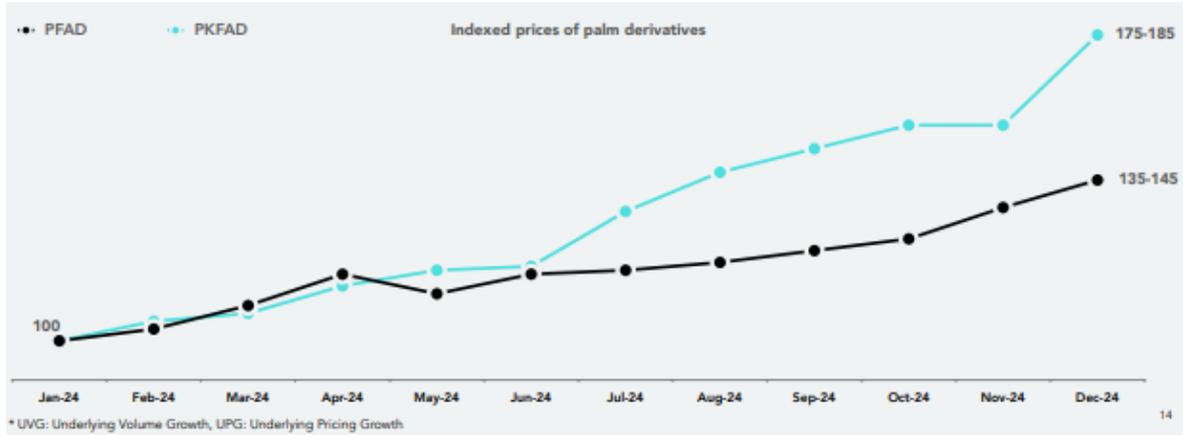
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Geography-wise sales trend

Geography		Sales (₹ crore)	Growth (Year-on-year)	Constant Currency Growth (Year-on-year)
Standalone		2,237	4%	-
Indonesia		508	9%	8%
Africa, USA & Middle East	Reported	771	(16%)	(7%)
	Organic	771	(8%)	1%
Latin America and Others		262	165%	28%
Total Net Sales	Reported	3,749	3%	2%
	Organic	3,749	6%	4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Inflation in palm oil derivatives continues to impact the personal wash category



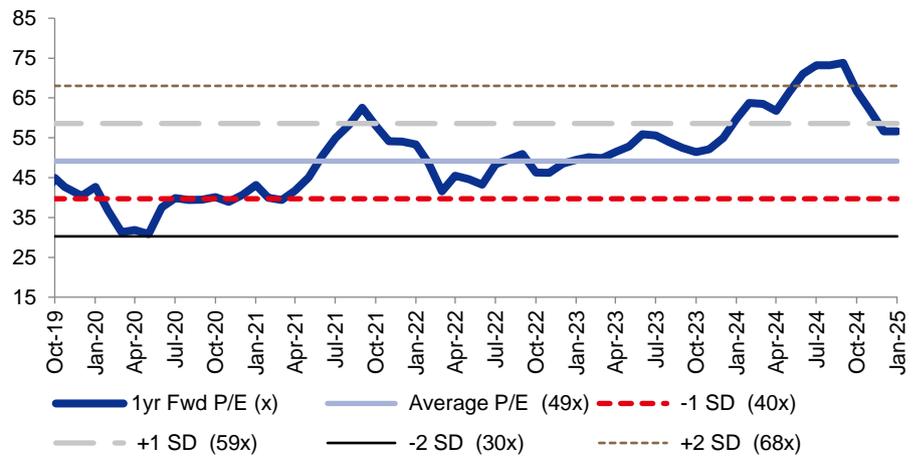
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	1,48,590	1,46,762	-1.2	1,58,052	1,55,678	-1.5	1,70,191	1,67,682	-1.5
EBITDA	32,666	30,925	-5.3	35,072	33,945	-3.2	38,752	37,358	-3.6
EBITDA margin (%)	22.0	21.1	-90bp	22.2	21.8	-40bp	22.8	22.3	-50bp
APAT	22,288	19,805	-11.1	26,174	23,730	-9.3	29,166	27,102	-7.1
EPS	21.8	19.4	-11.1	25.6	23.2	-9.3	28.5	26.5	-7.1

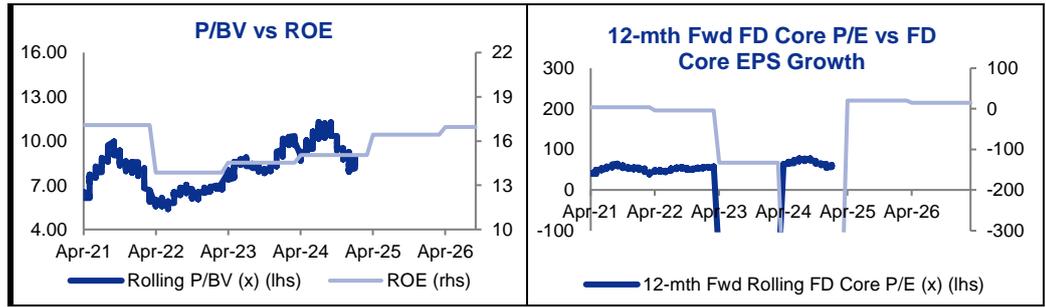
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: GCPL's one-year forward P/E trades at its +1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>133,160</b>	<b>140,961</b>	<b>146,762</b>	<b>155,678</b>	<b>167,682</b>
<b>Gross Profit</b>	<b>66,132</b>	<b>77,758</b>	<b>81,237</b>	<b>87,978</b>	<b>95,798</b>
<b>Operating EBITDA</b>	<b>24,305</b>	<b>29,435</b>	<b>30,925</b>	<b>33,945</b>	<b>37,358</b>
Depreciation And Amortisation	(2,363)	(2,410)	(3,045)	(3,326)	(3,648)
<b>Operating EBIT</b>	<b>21,942</b>	<b>27,025</b>	<b>27,880</b>	<b>30,619</b>	<b>33,710</b>
Financial Income/(Expense)	(73)	(274)	(11)	116	313
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>21,868</b>	<b>26,751</b>	<b>27,868</b>	<b>30,735</b>	<b>34,022</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>21,868</b>	<b>26,751</b>	<b>27,868</b>	<b>30,735</b>	<b>34,022</b>
Taxation	(4,303)	(7,588)	(8,063)	(7,005)	(6,920)
Exceptional Income - post-tax	(541)	(24,769)			
<b>Profit After Tax</b>	<b>17,025</b>	<b>(5,606)</b>	<b>19,805</b>	<b>23,730</b>	<b>27,102</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>17,025</b>	<b>(5,606)</b>	<b>19,805</b>	<b>23,730</b>	<b>27,102</b>
Recurring Net Profit	17,566	19,163	19,805	23,730	27,102
<b>Fully Diluted Recurring Net Profit</b>	<b>17,566</b>	<b>19,163</b>	<b>19,805</b>	<b>23,730</b>	<b>27,102</b>

**Cash Flow**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>24,305</b>	<b>29,435</b>	<b>30,925</b>	<b>33,945</b>	<b>37,358</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,802	(337)	(15,608)	(14,011)	(7,724)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,684	2,690	2,609	2,832	3,073
Net Interest (Paid)/Received	(1,757)	(2,964)	(2,620)	(2,715)	(2,760)
Tax Paid	(4,303)	(7,588)	(8,063)	(7,005)	(6,920)
<b>Cashflow From Operations</b>	<b>21,731</b>	<b>21,236</b>	<b>7,242</b>	<b>13,045</b>	<b>23,026</b>
Capex	(8,758)	(7,735)	(4,750)	(5,250)	(5,750)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(20,136)	(4,905)			
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(28,894)</b>	<b>(12,640)</b>	<b>(4,750)</b>	<b>(5,250)</b>	<b>(5,750)</b>
Debt Raised/(repaid)	(5,748)	20,926	19,749	(100)	(100)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,706)	(8,999)	(8,186)	(9,470)	(10,381)
Preferred Dividends					
Other Financing Cashflow	13,357	(18,962)	(1,183)	913	1,661
<b>Cash Flow From Financing</b>	<b>(98)</b>	<b>(7,034)</b>	<b>10,380</b>	<b>(8,657)</b>	<b>(8,820)</b>
Total Cash Generated	(7,261)	1,562	12,872	(862)	8,456
<b>Free Cashflow To Equity</b>	<b>(12,911)</b>	<b>29,523</b>	<b>22,241</b>	<b>7,695</b>	<b>17,176</b>
<b>Free Cashflow To Firm</b>	<b>(5,406)</b>	<b>11,560</b>	<b>5,112</b>	<b>10,510</b>	<b>20,036</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	34,197	40,664	53,536	52,674	61,130
Total Debtors	12,453	15,354	18,487	24,973	29,933
Inventories	15,372	12,709	20,039	24,031	27,862
Total Other Current Assets	6,636	7,312	7,476	7,491	7,508
<b>Total Current Assets</b>	<b>68,657</b>	<b>76,039</b>	<b>99,538</b>	<b>109,169</b>	<b>126,433</b>
Fixed Assets	41,530	54,814	56,519	58,443	60,545
Total Investments					
Intangible Assets	58,223	50,264	50,264	50,264	50,264
Total Other Non-Current Assets	5,963	2,804	3,646	2,733	1,072
<b>Total Non-current Assets</b>	<b>105,716</b>	<b>107,882</b>	<b>110,429</b>	<b>111,440</b>	<b>111,881</b>
Short-term Debt	8,829	31,864	51,413	51,163	50,913
Current Portion of Long-Term Debt					
Total Creditors	18,232	16,755	13,147	10,600	11,386
Other Current Liabilities	23,349	23,137	18,156	14,638	15,723
<b>Total Current Liabilities</b>	<b>50,409</b>	<b>71,756</b>	<b>82,716</b>	<b>76,401</b>	<b>78,021</b>
Total Long-term Debt	2,467	358	558	708	858
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>2,467</b>	<b>358</b>	<b>558</b>	<b>708</b>	<b>858</b>
Total Provisions	1,786	2,576	2,576	2,576	2,576
<b>Total Liabilities</b>	<b>54,662</b>	<b>74,690</b>	<b>85,850</b>	<b>79,685</b>	<b>81,455</b>
Shareholders Equity	137,942	125,986	137,264	151,523	168,245
Minority Interests					
<b>Total Equity</b>	<b>137,942</b>	<b>125,986</b>	<b>137,264</b>	<b>151,523</b>	<b>168,245</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	8.5%	5.9%	4.1%	6.1%	7.7%
Operating EBITDA Growth	1.5%	21.1%	5.1%	9.8%	10.1%
Operating EBITDA Margin	18.3%	20.9%	21.1%	21.8%	22.3%
Net Cash Per Share (Rs)	22.39	8.25	1.53	0.78	9.15
BVPS (Rs)	134.88	123.18	134.20	148.15	164.49
Gross Interest Cover	12.49	9.12	10.64	11.28	12.21
Effective Tax Rate	19.7%	28.4%	28.9%	22.8%	20.3%
Net Dividend Payout Ratio		26.7%	41.3%	39.9%	38.3%
Accounts Receivables Days	32.37	36.00	42.08	50.95	59.76
Inventory Days	99.84	81.08	91.21	118.80	131.75
Accounts Payables Days	108.53	101.02	83.28	64.02	55.82
ROIC (%)	22.3%	26.1%	22.3%	21.5%	22.5%
ROCE (%)	16.2%	18.4%	16.6%	16.2%	16.5%
Return On Average Assets	10.5%	10.8%	10.1%	11.0%	11.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.