

India

ADD (no change)

Consensus ratings*: Buy 27 Hold 6 Sell 3

Current price:	Rs1,247
Target price: ▲	Rs1,380
Previous target:	Rs1,245
Up/downside:	10.7%
InCred Research / Consensus:	4.4%

Reuters:	GOCP.NS
Bloomberg:	GCPL IN
Market cap:	US\$15,037m
	Rs1,275,589m
Average daily turnover:	US\$21.2m
	Rs1798.1m
Current shares o/s:	1,022.5m
Free float:	47.0%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs1,380 from Rs1,245.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.5	12.7	(5.7)
Relative (%)	(1.2)	8.6	(14.2)

Major shareholders	% held
Promoter	53.0
First Sentier Investors	4.1
BlackRock Inc	1.5

Godrej Consumer Products Ltd

Well placed for growth

- Management stated that green shoots are expected in 1QFY26F from categories like deodorants & HI, although margin pressure will continue.
- Initiatives have been laid out to drive distribution reach, simplify operations, scale successful innovations globally and foray into the pet care business.
- The strategy to tap high-growth opportunities and revival of core biz are in the right direction. Maintain ADD with a higher TP of Rs1,380 (48x FY27F EPS).

Sharp raw material cost inflation impacts FY25 performance

Reflecting on the year gone by, Godrej Consumer Products or GCPL's management called out missing the target of 15% EBITDA growth (vs. actual growth of 2% yoy in FY25) largely due to weak urban demand conditions, coupled with sharp inflation in edible oils post duty revision (where GCPL decided to absorb the impact for six-to-eight months rather than passing it on fully to consumers) and expect things to revert to normal from 2HFY26F. Standalone UVG (at 5% vs. target of high single-digit UVG) and EBITDA (-6% yoy) were impacted by a sharp rise in PFKAD prices. The personal care business grew in low single digits while the home care business performed better led by Fab being rolled out pan-India, the air care portfolio and strong performance in household insecticides (HI) in 4QFY25.

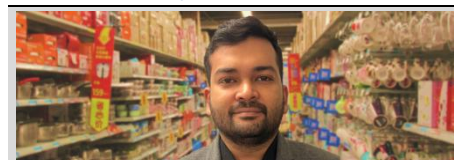
Initiatives laid to drive growth; pilot plans underway in Tamil Nadu

Management stated that its focus on lesser but more impactful innovations yielded good growth. GCPL is running multiple pilot projects in Tamil Nadu like 1) launching Aer Plug (new innovation in air care), 2) revamping body wash positioning, 3) shifting value from trade channel to consumers by reducing the MRP of KS Spark Deodorant to Rs99 (trade price reduced to Rs85), 4) launching 'Bloq' anti-perspirant (where management is optimistic about creating a strong presence), and 5) the launch of a pet-care brand under 'Godrej Ninja' in Apr 2025. Management also called out scaling of successful products globally (and vice versa) like how shampoo hair colour scaled well internationally after the success in India). Premiumization will remain a focus area, with continued focus on upgrading consumption from powders in hair colour to crème format. In terms of channels, GCPL has created dedicated teams for chemist and cosmetics channels to scale the RCCL portfolio. Distribution expansion in rural markets via van operations may continue.

Long-term outlook remains healthy; retain ADD with a TP of Rs1,380

The management commentary pointed towards green shoots likely in categories like deodorants and HI in 1QFY26F and the focus on double-digit EBITDA growth in 2HFY26F. We found that GCPL's strategy to tap into high-growth opportunities is positive and expect revival in the core business going ahead. Maintain our ADD rating on the stock with a higher target price of Rs1,380 or 48x FY27F EPS (Rs1,245 earlier) as we roll forward. Downside risks: Persistent weakness in UVG and sales growth.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	133,160	140,961	143,643	157,035	172,515
Operating EBITDA (Rsm)	24,305	29,435	30,030	33,913	38,369
Net Profit (Rsm)	17,025	(5,606)	18,523	24,817	29,144
Core EPS (Rs)	17.2	18.7	18.7	24.3	28.5
Core EPS Growth	(2.0%)	9.1%	(0.1%)	9.0%	17.4%
FD Core P/E (x)	74.90	(227.50)	68.86	51.40	43.77
DPS (Rs)	7.5	8.8	6.7	7.2	8.3
Dividend Yield	0.00%	0.40%	2.00%	0.58%	0.67%
EV/EBITDA (x)	51.52	43.04	42.40	37.69	33.25
P/FCFE (x)	(98.77)	43.20	60.14	41.64	133.34
Net Gearing	(16.6%)	(6.7%)	(1.8%)	1.9%	0.0%
P/BV (x)	9.24	10.12	10.63	9.30	8.09
ROE	13.9%	14.5%	15.6%	19.3%	19.8%
% Change In Core EPS Estimates				4.56%	7.51%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Well placed for growth

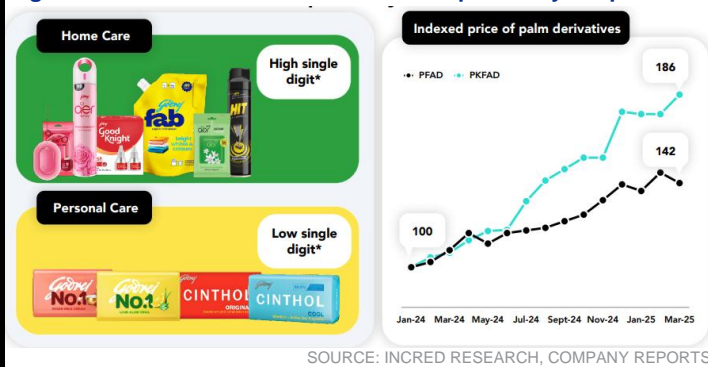
Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	33,850	37,684	35,980	6.3	-4.5	1,40,955	1,43,643	1.9
Expenditure	26,299	30,125	28,387	7.9	-5.8	1,11,527	1,13,612	1.9
Consumption of raw materials	14,857	17,282	17,089	15.0	-1.1	63,203	65,361	3.4
as % of sales	43.9	45.9	47.5			44.8	45.5	
Employee costs	3,237	2,961	2,625	-18.9	-11.4	12,493	11,488	-8.0
as % of sales	9.6	7.9	7.3			8.9	8.0	
Advertisement expenses	3062.9	3643.7	3100.7	1.2	-14.9	13358.9	13692.1	2.5
as % of sales	9.0	9.7	8.6			9.5	9.5	
Other expenditure	8,205	9,882	8,673	5.7	-12.2	35,830	36,763	2.6
as % of sales	24.2	26.2	24.1			25.4	25.6	
EBITDA	7,551	7,559	7,592	0.5	0.4	29,428	30,031	2.0
Depreciation	499	619	726	45.4	17.2	2,410	2,340	-2.9
EBIT	7,052	6,941	6,867	-2.6	-1.1	27,019	27,691	2.5
Other income	638	831	737	15.4	-11.4	2,690	3,161	17.5
Interest	785	897	896	14.1	-0.2	2,964	3,501	18.1
PBT	6,906	6,874	6,708	-2.9	-2.4	26,745	27,351	2.3
Total tax	2,087	1,834	2,275	9.0	24.1	7,588	8,196	8.0
Adjusted PAT	4,818	5,041	4,433	-8.0	-12.1	19,157	19,155	0.0
(Profit)/loss from associates/minority interest	0	0	0	NA	NA	0	0	NA
APAT after MI	4,818	5,041	4,433	-8.0	-12.1	19,157	19,155	0.0
Extraordinary items	-23,757	-57	-314	-98.7	446.3	-24,769	-632	-97.4
Reported PAT	-18,938	4,983	4,119	-121.7	-17.3	-5,612	18,523	-430.1
Adj. EPS	4.7	4.9	4.3	-8.0	-12.1	18.7	18.7	0.0

Margins (%)	4QFY24	3QFY25	4QFY25	YoY (bp)	QoQ (bp)	FY24	FY25	(bps)
Gross margin	56.1	54.1	52.5	-360	-160	55.2	54.5	-70
EBITDA	22.3	20.1	21.1	-120	100	20.9	20.9	0
EBIT	20.8	18.4	19.1	-170	70	19.2	19.3	10
EBT	20.4	18.2	18.6	-180	40	19.0	19.0	10
PAT	14.2	13.4	12.3	-190	-110	13.6	13.3	-30
Effective tax rate	30.2	26.7	33.9	370	720	28.4	30.0	160

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Standalone UVG and EBITDA impacted by soaps



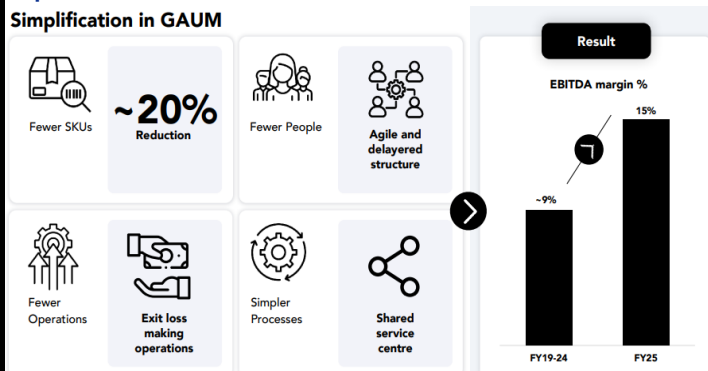
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Innovations contributed to 50% of organic growth



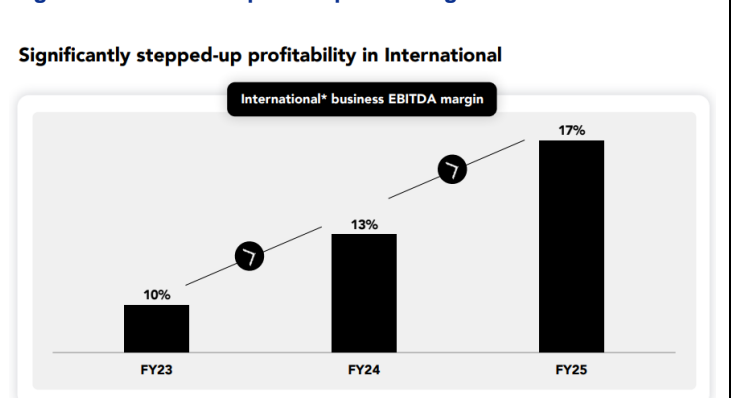
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Simplification of GUAM business aided in margin expansion



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: There is scope to improve margin further



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Initiatives laid out to drive growth



Figure 7: The focus on rural expansion to continue

Tomorrow before today: Investment in van distribution model for deep rural reach

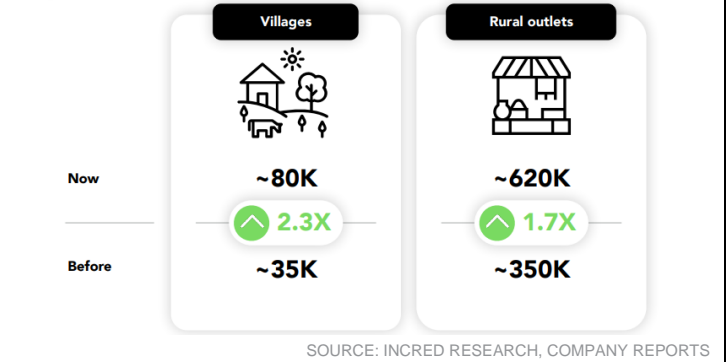


Figure 8: HPC has large headroom to grow in India

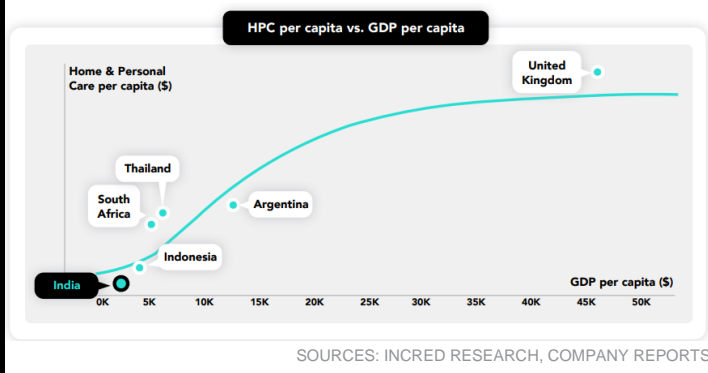


Figure 9: GCPL's path to tap into the HPC opportunity



Figure 10: Park Avenue and the KS range have huge scope to grow

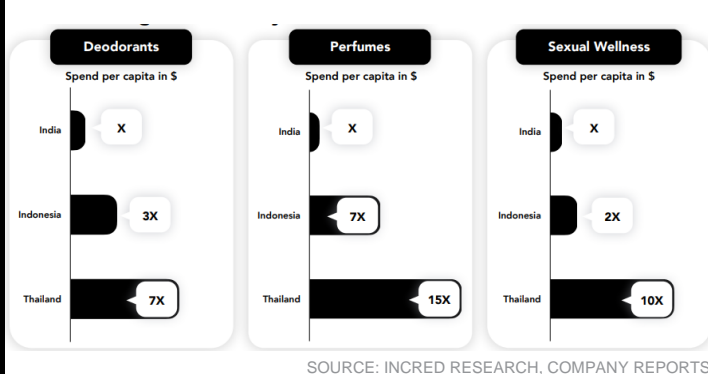


Figure 11: Barring deodorants, other categories perform well



Figure 12: The RCCL portfolio's topline is set to grow led by...

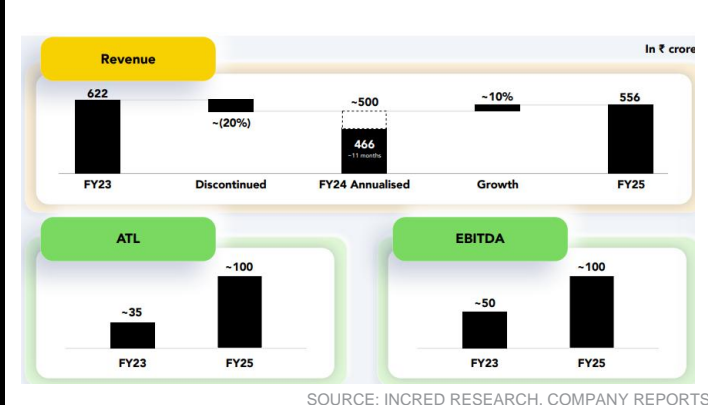


Figure 13: ...innovation and chemist/cosmetic channel expansion

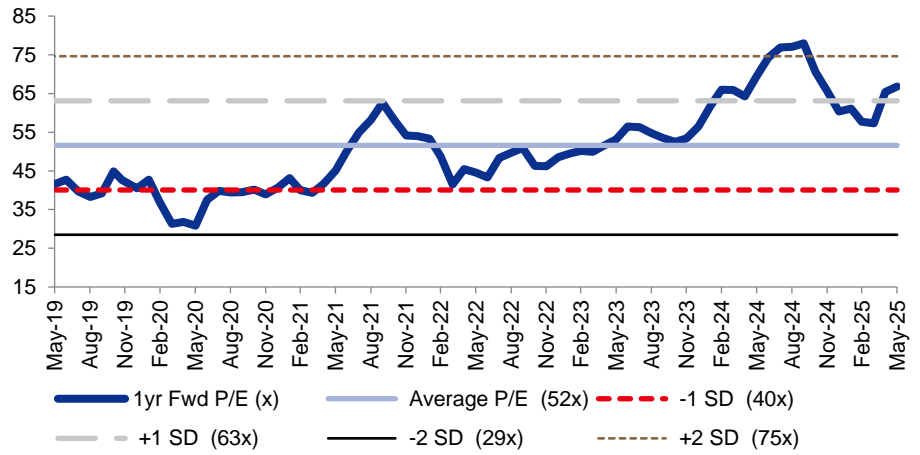


Figure 14: Our revised earnings estimates

Y/E, Mar (Rs. mn)	FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	1,55,678	1,57,035	0.9	1,67,682	1,72,515	2.9
EBITDA	33,945	33,913	-0.1	37,358	38,369	2.7
EBITDA Margin (%)	21.8	21.6	-20bp	22.3	22.2	0bp
APAT	23,730	24,817	4.6	27,102	29,144	7.5
EPS	23.2	24.3	4.6	26.5	28.5	7.5

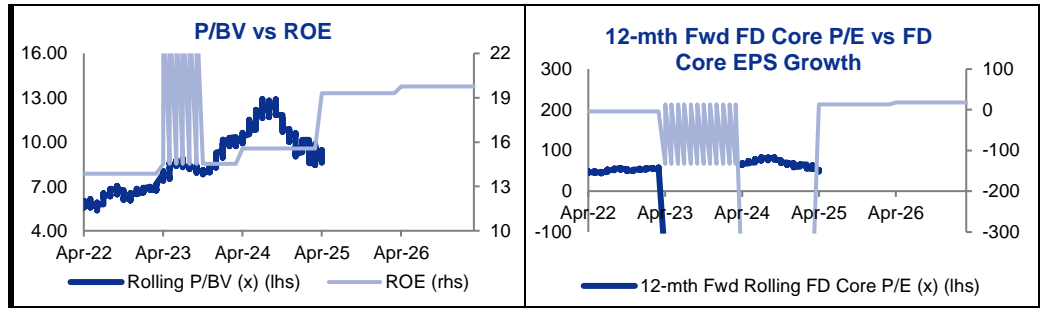
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: GCPL's one-year forward P/E trades between +1SD and +2SD levels



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	133,160	140,961	143,643	157,035	172,515
Gross Profit	66,132	77,758	78,282	87,435	97,127
Operating EBITDA	24,305	29,435	30,030	33,913	38,369
Depreciation And Amortisation	(2,363)	(2,410)	(2,340)	(2,527)	(2,778)
Operating EBIT	21,942	27,025	27,690	31,386	35,591
Financial Income/(Expense)	(73)	(274)	(340)	(1,109)	(758)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	21,868	26,751	27,350	30,277	34,833
Exceptional Items					
Pre-tax Profit	21,868	26,751	27,350	30,277	34,833
Taxation	(4,303)	(7,588)	(8,196)	(5,460)	(5,689)
Exceptional Income - post-tax	(541)	(24,769)	(632)		
Profit After Tax	17,025	(5,606)	18,523	24,817	29,144
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,025	(5,606)	18,523	24,817	29,144
Recurring Net Profit	17,566	19,163	19,154	24,817	29,144
Fully Diluted Recurring Net Profit	17,566	19,163	19,154	24,817	29,144

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	24,305	29,435	30,030	33,913	38,369
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,802	(337)	1,315	(17,140)	(16,505)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,684	2,690	3,161	3,277	3,424
Net Interest (Paid)/Received	(1,757)	(2,964)	(3,501)	(4,386)	(4,182)
Tax Paid	(4,303)	(7,588)	(8,196)	(5,460)	(5,689)
Cashflow From Operations	21,731	21,236	22,809	10,203	15,417
Capex	(8,758)	(7,735)	(7,254)	(5,250)	(5,750)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(20,136)	(4,905)	(2,168)		
Other Investing Cashflow					
Cash Flow From Investing	(28,894)	(12,640)	(9,422)	(5,250)	(5,750)
Debt Raised/(repaid)	(5,748)	20,926	7,823	25,681	(100)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,706)	(8,999)	(6,848)	(7,382)	(8,534)
Preferred Dividends					
Other Financing Cashflow	13,357	(18,962)	(15,000)	(2,289)	1,365
Cash Flow From Financing	(98)	(7,034)	(14,025)	16,010	(7,269)
Total Cash Generated	(7,261)	1,562	(639)	20,963	2,398
Free Cashflow To Equity	(12,911)	29,523	21,210	30,634	9,567
Free Cashflow To Firm	(5,406)	11,560	16,888	9,339	13,848

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	34,197	40,664	42,193	63,157	65,554
Total Debtors	12,453	15,354	18,191	21,705	31,104
Inventories	15,372	12,709	14,186	23,888	32,401
Total Other Current Assets	6,636	7,312	7,923	8,159	8,182
Total Current Assets	68,657	76,039	82,494	116,909	137,242
Fixed Assets	41,530	54,814	58,538	61,261	64,233
Total Investments					
Intangible Assets	58,223	50,264	51,454	51,454	51,454
Total Other Non-Current Assets	5,963	2,804	(449)	1,499	133
Total Non-current Assets	105,716	107,882	109,543	114,214	115,821
Short-term Debt	8,829	31,864	39,122	64,653	64,403
Current Portion of Long-Term Debt					
Total Creditors	18,232	16,755	21,421	18,732	19,775
Other Current Liabilities	23,349	23,137	29,388	25,699	27,129
Total Current Liabilities	50,409	71,756	89,931	109,084	111,307
Total Long-term Debt	2,467	358	923	1,073	1,223
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,467	358	923	1,073	1,223
Total Provisions	1,786	2,576	2,565	2,565	2,565
Total Liabilities	54,662	74,690	93,419	112,722	115,095
Shareholders Equity	137,942	125,986	120,039	137,133	157,742
Minority Interests					
Total Equity	137,942	125,986	120,039	137,133	157,742

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	8.5%	5.9%	1.9%	9.3%	9.9%
Operating EBITDA Growth	1.5%	21.1%	2.0%	12.9%	13.1%
Operating EBITDA Margin	18.3%	20.9%	20.9%	21.6%	22.2%
Net Cash Per Share (Rs)	22.39	8.25	2.10	(2.51)	(0.07)
BVPS (Rs)	134.88	123.18	117.34	134.05	154.20
Gross Interest Cover	12.49	9.12	7.91	7.16	8.51
Effective Tax Rate	19.7%	28.4%	30.0%	18.0%	16.3%
Net Dividend Payout Ratio		26.7%	133.5%	29.7%	29.3%
Accounts Receivables Days	32.37	36.00	42.62	46.37	55.87
Inventory Days	99.84	81.08	75.10	99.84	136.27
Accounts Payables Days	108.53	101.02	106.59	105.29	93.22
ROIC (%)	22.3%	26.1%	28.0%	25.4%	25.3%
ROCE (%)	16.2%	18.4%	18.3%	18.2%	17.5%
Return On Average Assets	10.5%	10.8%	10.4%	12.3%	12.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

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.