

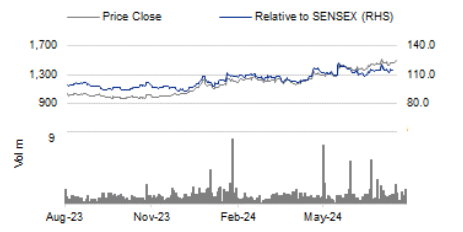
India

ADD (no change)

Consensus ratings*: Buy 27 Hold 5 Sell 3	
Current price:	Rs1,504
Target price: ▲	Rs1,665
Previous target:	Rs1,455
Up/downside:	10.7%
InCred Research / Consensus:	16.1%
Reuters:	
Bloomberg:	GCPL IN
Market cap:	US\$21,182m Rs1,538,117m
Average daily turnover:	US\$21.2m Rs1541.5m
Current shares o/s:	1,022.5m
Free float:	36.8%
*Source: Bloomberg	

Key changes in this note

- Raise the target price to Rs1,665 from Rs1,455 earlier.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.5	13.7	45.9
Relative (%)	10.1	5.1	20.9

Major shareholders	% held
Promoter	63.2
First Sentier Investors	2.8
BlackRock Inc	2.0

Godrej Consumer Products Ltd

Healthy volume delivery despite headwinds

- GCPL's 1QFY25 organic domestic value/volume growth stood at 7.9%/8%. Indonesia saw 7% volume growth. IBD margin improves despite muted growth.
- Reported domestic EBITDA margin stood at 24.7% (vs. 26.7%/25% in 4QFY24/1QFY24). Domestic/consolidated EBITDA grew 12.5%/12.7% yoy.
- Simplification of business and focus on driving margins are in the right direction. Maintain ADD with a higher target price of Rs1,665 (Rs1,455 earlier).

Healthy volume growth delivery considering demand conditions

Godrej Consumer Products' (GCPL) standalone sales/volume (organic) grew 7.9%/8% yoy led by 8%/6% yoy growth in the home care/personal care segments, respectively. The deodorant portfolio of RCCL saw market share loss in general trade (GT) channels, which contribute 35% to its sales, while the Kamasutra range posted better growth. Post-merger, market share gains have been inching upwards on online channels and modern trade (MT) channels, with a 200bp improvement in the top two MT chains in India. RCCL portfolio should end the year c.15-20% below its earlier guided EBITDA target of Rs1.6bn. Household insecticides (HI) posted low single-digit volume growth for the quarter, impacted by a heatwave. Meaningful innovations like the RNF-formulated incense stick and rollout of RNF-based liquid vapourizers (LV) in Jul 2024 to drive market share gains gradually.

International business (IBD) margin improves despite muted growth

Indonesia business posted 7%/3% volume/sales growth, respectively, with the EBITDA margin expansion of 400bp yoy to 23.3% led by double-digit/single-digit volume growth from Stella (air freshener)/household insecticides (led by HIT, which is 30-35% of the Indonesia portfolio). GUAM sales declined by 36% with a fall in volume, on a high base by a one-time sell-in in 1QFY24 and streamlining of trade inventory, leading to a leaner and more profitable supply chain, which enabled EBITDA margin expansion of 660bp yoy to 14.4%. Simplified business structure of IBD should aid in providing a cushion for margins.

Organic foray into pet care should aid in gradual TAM expansion

GCPL has inked a partnership with Godrej Agrovet for a foray into pet food, where GCPL will spend Rs5bn over the next five years, with production commencing towards the end of FY26F. Management is confident that it can leverage its distribution network to grow and win in this category (Rs50bn+), which is largely dominated by a few players in India.

Retain ADD rating with a higher target price of Rs1,665

GCPL's focus on TAM expansion, premiumization and simplification of business are in the right direction. We retain our ADD rating on the stock with a higher target price of Rs1,665 (50x Sep 2026F EPS) from Rs1,455 earlier. Downside risk: Lower-than-expected sales growth.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	133,160	140,961	151,958	166,300	184,561
Operating EBITDA (Rsm)	24,305	29,435	33,909	39,134	45,705
Net Profit (Rsm)	17,025	(5,606)	23,062	29,034	34,101
Core EPS (Rs)	17.2	18.7	22.5	28.4	33.3
Core EPS Growth	(2.0%)	9.1%	20.3%	25.9%	17.5%
FD Core P/E (x)	90.33	(274.38)	66.69	52.97	45.10
DPS (Rs)	7.5	8.8	9.6	11.9	13.6
Dividend Yield	0.00%	0.33%	0.64%	0.79%	0.90%
EV/EBITDA (x)	62.33	51.96	45.60	39.52	33.86
P/FCFE (x)	(119.12)	52.10	105.39	135.20	145.26
Net Gearing	(16.6%)	(6.7%)	5.8%	5.3%	5.3%
P/BV (x)	11.15	12.21	11.07	9.87	8.74
ROE	13.9%	14.5%	17.4%	19.7%	20.6%
% Change In Core EPS Estimates			(1.18%)	(2.58%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

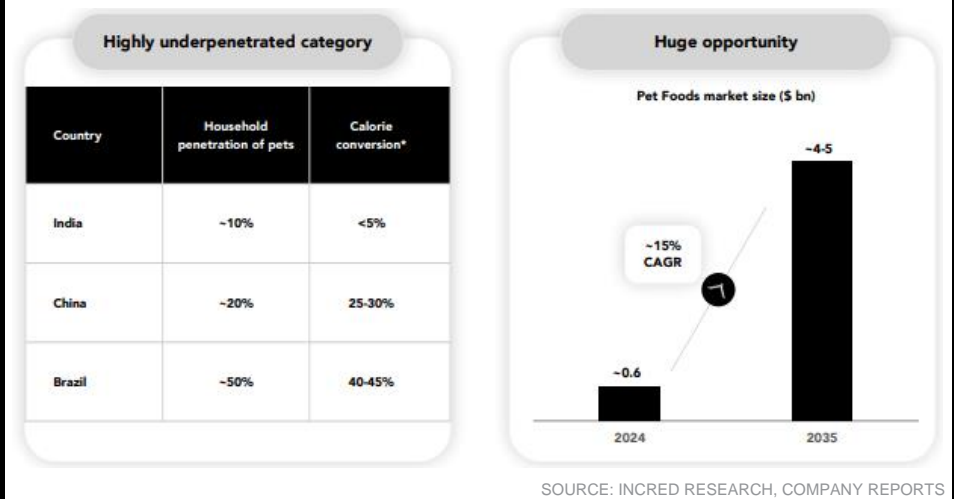
Healthy volume delivery despite headwinds

Figure 1: Quarterly results snapshot

Y/E Mar (Rs. m)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	34,489	33,850	33,316	-3.4	-1.6
Expenditure	28,061	26,299	26,072	-7.1	-0.9
Consumption of raw materials	15,955	14,857	14,708	-7.8	-1.0
as % of sales	46.3	43.9	44.1		
Employee costs	3,140	3,237	2,796	-11.0	-13.6
as % of sales	9.1	9.6	8.4		
Other expenditure	8,966	8,205	8,568	-4.4	4.4
as % of sales	26.0	24.2	25.7		
EBITDA	6,428	7,551	7,244	12.7	-4.1
Depreciation	763	499	495	-35.2	-0.9
EBIT	5,666	7,052	6,750	19.1	-4.3
Other income	691	638	771	11.6	20.8
Interest	740	785	878	18.6	11.8
PBT	5,617	6,906	6,643	18.3	-3.8
Total tax	1,611	2,087	1,933	20.0	-7.4
Adjusted PAT	4,006	4,818	4,710	17.6	-2.2
(Profit)/loss from associates/minority interest	0	0	0	NA	NA
APAT after MI	4,006	4,818	4,710	17.6	-2.2
Extraordinary items	-818	-23,757	-203	-75.2	-99.1
Reported PAT	3,188	-18,938	4,507	41.4	-123.8
Adj. EPS	3.9	4.7	4.6	17.6	-2.2
Margins (%)	1QFY24	4QFY24	1QFY25	YoY (bp)	QoQ (bp)
Gross margin	53.7	56.1	55.9	210	-30
EBITDA	18.6	22.3	21.7	310	-60
EBIT	16.4	20.8	20.3	380	-60
EBT	16.3	20.4	19.9	370	-50
PAT	11.6	14.2	14.1	250	-10
Effective tax rate	28.7	30.2	29.1	40	-110

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: GCPL to foray into the pet care segment by the end of FY26F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Liquid vapourizer penetration in India has a large headroom to grow

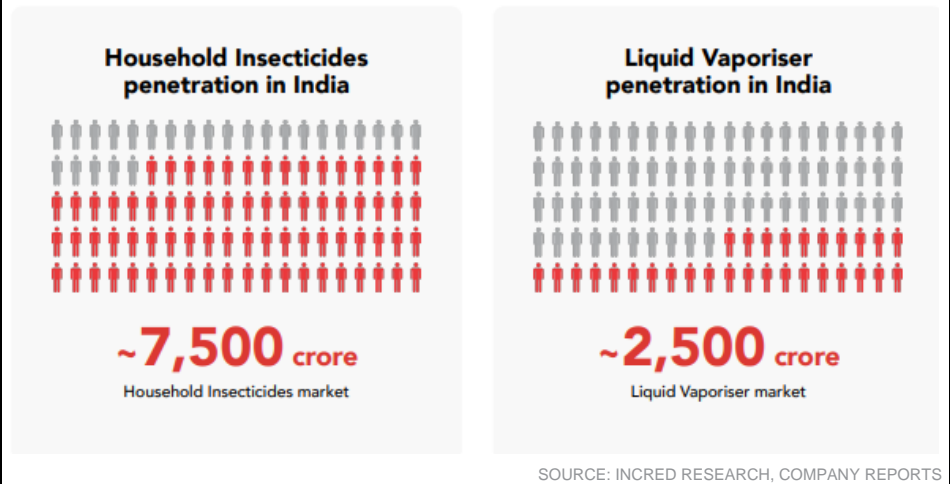


Figure 4: GCPL targets further improvement in its market share with the launch of its RNF-based LV machine

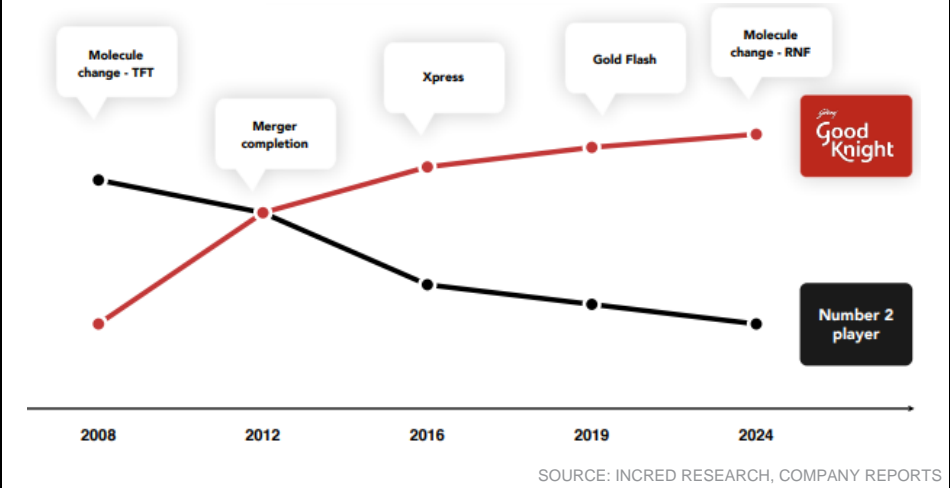
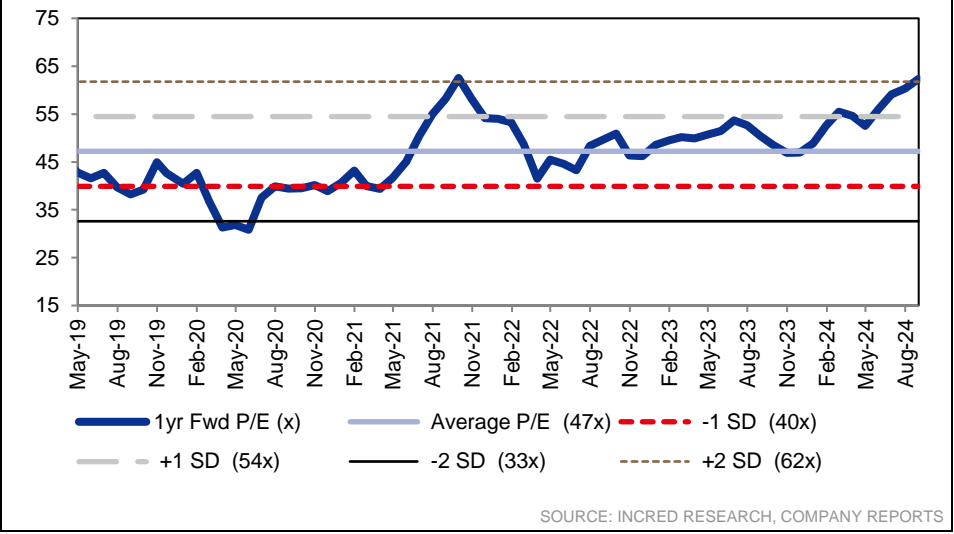


Figure 5: Our revised earnings estimates

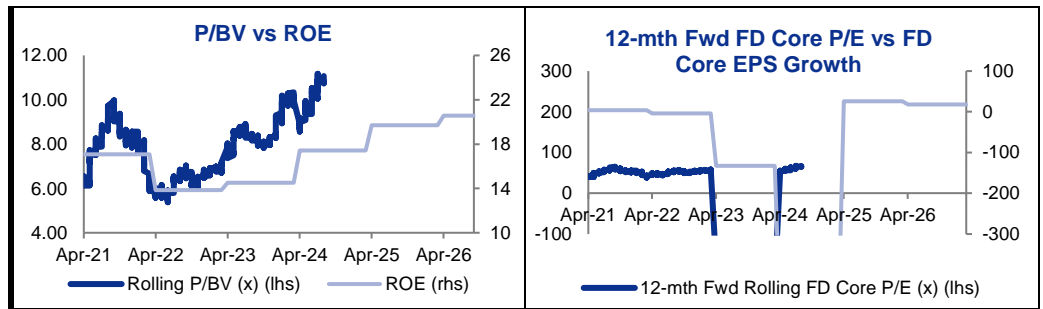
Y/E Mar (Rs. m)	FY25F			FY26F			FY27F Introduced
	Earlier	Revised	% Change	Earlier	Revised	% Change	
Revenue	1,54,238	1,51,958	-1.5	1,68,835	1,66,300	-1.5	1,84,561
EBITDA	34,577	33,909	-1.9	41,256	39,134	-5.1	45,705
EBITDA Margin (%)	22.4	22.3	-10bp	24.4	23.5	-90bp	24.8
APAT	23,336	23,062	-1.2	29,803	29,034	-2.6	34,101
EPS	22.8	22.5	-1.1	29.1	28.4	-2.6	33.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: GCPL's one-year forward P/E trades at +2SD



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	133,160	140,961	151,958	166,300	184,561
Gross Profit	66,132	77,758	86,687	97,675	111,592
Operating EBITDA	24,305	29,435	33,909	39,134	45,705
Depreciation And Amortisation	(2,363)	(2,410)	(3,183)	(3,673)	(4,192)
Operating EBIT	21,942	27,025	30,725	35,461	41,513
Financial Income/(Expense)	(73)	(274)	748	816	880
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	21,868	26,751	31,474	36,276	42,394
Exceptional Items					
Pre-tax Profit	21,868	26,751	31,474	36,276	42,394
Taxation	(4,303)	(7,588)	(8,412)	(7,242)	(8,292)
Exceptional Income - post-tax	(541)	(24,769)			
Profit After Tax	17,025	(5,606)	23,062	29,034	34,101
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,025	(5,606)	23,062	29,034	34,101
Recurring Net Profit	17,566	19,163	23,062	29,034	34,101
Fully Diluted Recurring Net Profit	17,566	19,163	23,062	29,034	34,101

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	24,305	29,435	33,909	39,134	45,705
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,802	(337)	(23,149)	(12,981)	(19,355)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,684	2,690	2,468	2,531	2,590
Net Interest (Paid)/Received	(1,757)	(2,964)	(1,720)	(1,715)	(1,710)
Tax Paid	(4,303)	(7,588)	(8,412)	(7,242)	(8,292)
Cashflow From Operations	21,731	21,236	3,096	19,727	18,938
Capex	(8,758)	(7,735)	(8,250)	(8,250)	(8,250)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(20,136)	(4,905)			
Other Investing Cashflow					
Cash Flow From Investing	(28,894)	(12,640)	(8,250)	(8,250)	(8,250)
Debt Raised/(repaid)	(5,748)	20,926	19,749	(100)	(100)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,706)	(8,999)	(9,814)	(12,123)	(13,880)
Preferred Dividends					
Other Financing Cashflow	13,357	(18,962)	(1,592)	467	2,163
Cash Flow From Financing	(98)	(7,034)	8,343	(11,755)	(11,817)
Total Cash Generated	(7,261)	1,562	3,188	(279)	(1,129)
Free Cashflow To Equity	(12,911)	29,523	14,594	11,377	10,588
Free Cashflow To Firm	(5,406)	11,560	(3,434)	13,192	12,398

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	34,197	40,664	43,852	43,574	42,445
Total Debtors	12,453	15,354	19,260	22,274	35,859
Inventories	15,372	12,709	23,581	35,308	88,030
Total Other Current Assets	6,636	7,312	8,133	10,000	17,095
Total Current Assets	68,657	76,039	94,826	111,156	183,429
Fixed Assets	41,530	54,814	59,881	64,458	68,516
Total Investments					
Intangible Assets	58,223	50,264	50,264	50,264	50,264
Total Other Non-Current Assets	5,963	2,804	4,054	3,587	1,424
Total Non-current Assets	105,716	107,882	114,199	118,309	120,204
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			
Other Current Liabilities	23,349	23,137	15,586	19,214	73,261
Total Current Liabilities	50,409	71,756	66,998	70,377	124,174
Total Long-term Debt	2,467	358	558	708	858
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,467	358	558	708	858
Total Provisions	1,786	2,576	2,576	2,576	2,576
Total Liabilities	54,662	74,690	70,133	73,661	127,608
Shareholders Equity	137,942	125,986	138,892	155,804	176,025
Minority Interests					
Total Equity	137,942	125,986	138,892	155,804	176,025

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	8.5%	5.9%	7.8%	9.4%	11.0%
Operating EBITDA Growth	1.5%	21.1%	15.2%	15.4%	16.8%
Operating EBITDA Margin	18.3%	20.9%	22.3%	23.5%	24.8%
Net Cash Per Share (Rs)	22.39	8.25	(7.94)	(8.11)	(9.12)
BVPS (Rs)	134.88	123.18	135.80	152.33	172.10
Gross Interest Cover	12.49	9.12	17.86	20.68	24.28
Effective Tax Rate	19.7%	28.4%	26.7%	20.0%	19.6%
Net Dividend Payout Ratio		26.7%	42.6%	41.8%	40.7%
Accounts Receivables Days	32.37	36.00	41.57	45.58	57.48
Inventory Days	99.84	81.08	101.47	156.61	308.47
Accounts Payables Days	108.53	101.02	46.85		
ROIC (%)	22.3%	26.1%	20.5%	21.3%	22.1%
ROCE (%)	16.2%	18.4%	18.2%	18.4%	19.6%
Return On Average Assets	10.5%	10.8%	11.4%	12.9%	12.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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