

India

ADD (no change)

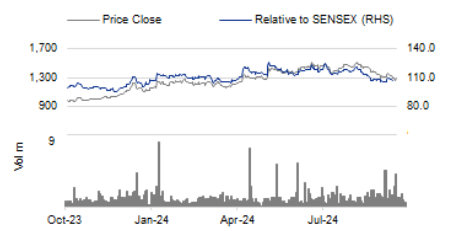
Consensus ratings*: Buy 26 Hold 7 Sell 2

Current price:	Rs1,291
Target price:	Rs1,440
Previous target:	Rs1,665
Up/downside:	11.5%
InCred Research / Consensus:	-2.1%
Reuters:	GOCP.NS
Bloomberg:	GCPL IN
Market cap:	US\$15,709m
	Rs1,320,851m
Average daily turnover:	US\$22.1m
	Rs1855.0m
Current shares o/s:	1,022.5m
Free float:	37.0%

*Source: Bloomberg

Key changes in this note

- Lower target price to Rs1,440 from Rs1,665 earlier.
- Lower FY25F EPS by 3%.



Price performance	1M	3M	12M
Absolute (%)	(9.7)	(12.8)	32.4
Relative (%)	(2.7)	(10.6)	6.4

Major shareholders	% held
Promoter	63.0
First Sentier Investors	2.3
BlackRock Inc	1.9

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Godrej Consumer Products Ltd

Good delivery considering weak demand

- GCPL's 2QFY25 organic domestic value/volume growth stood at 6.1%/7%. Indonesia saw 7% volume growth. IBD margin improved despite muted growth.
- While India business margins remain under pressure (due to palm oil inflation), global business structure simplification provides a cushion to margins.
- Simplification of business and the focus on driving volume growth are in the right direction. Retain ADD rating with a lower TP of Rs1,440 (Rs1,665 earlier).

Good volume growth delivery despite a challenging environment

Godrej Consumer Products' (GCPL) 2QFY25 standalone sales/volume (organic) grew 6.1%/7% yoy led by 12%/3% yoy growth in home care/personal care segments, respectively. Household insecticides (HI) posted mid-single digit volume growth for the quarter. The recently launched RNF variants of incense sticks have performed well. GCPL has seen better growth in markets where it launched these variants vs. those it hasn't so far and has been able to gain market share (c.5%). Liquid vapourizers (LV) will take another two quarters for complete distribution pan-India and will drive further market share gains. Air fresheners and fabric care posted a strong double-digit volume growth. The personal care category remained under pressure due to muted offtake in soaps (flat volume growth). The category is expected to normalize in two quarters. The rising prices of palm oil will lead to rebalancing of growth, with lower volume growth and increased price growth expected in 2HFY25F. GCPL will not 'restructure' its soaps, despite access to this technology, as it focuses on delivering high quality products. There is no impact from the market leaders' re-formulation in the market so far. In categories like hair colour, the focus will be on driving the crème segment which, management believes, will be the next big growth avenue.

Simplification of IBD aided margin improvement across markets

Indonesia business posted 7%/9% volume/sales growth, respectively, with the EBITDA margin expansion of 140bp yoy to 19.4% led by double-digit/mid-teen volume growth from Stella (air freshener)/household insecticides (led by HIT, which comprises 30-35% of the Indonesia portfolio). GUAM organic sales declined 10%, but reduction in the volume on a high base and streamlining of trade inventory led to a leaner and more profitable supply chain, which enabled EBITDA margin expansion of 590bp yoy to 14.4%. Simplification of business structure of the IBD should aid in providing a cushion for margins.

Retain ADD rating with a lower target price of Rs1,440

GCPL's focus on TAM expansion, premiumization and structural improvements like simplification of global business are in the right direction. Categories like soaps are expected to remain subdued in the near term. We retain our ADD rating on the stock with a lower target price of Rs1,440 (46x Sep 2026F EPS) from Rs1,665 earlier. Downside risk: Lower-than-expected sales growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	133,160	140,961	148,590	158,052	170,191
Operating EBITDA (Rsm)	24,305	29,435	32,666	35,072	38,752
Net Profit (Rsm)	17,025	(5,606)	22,288	26,174	29,166
Core EPS (Rs)	17.2	18.7	21.8	25.6	28.5
Core EPS Growth	(2.0%)	9.1%	16.3%	17.4%	11.4%
FD Core P/E (x)	77.56	(235.59)	59.26	50.46	45.28
DPS (Rs)	7.5	8.8	9.2	10.5	11.2
Dividend Yield	0.00%	0.39%	0.71%	0.81%	0.86%
EV/EBITDA (x)	53.39	44.58	40.37	37.61	33.80
P/FCFE (x)	(102.28)	44.73	53.89	135.38	69.14
Net Gearing	(16.6%)	(6.7%)	(1.5%)	(1.0%)	(6.4%)
P/BV (x)	9.57	10.48	9.54	8.58	7.69
ROE	13.9%	14.5%	16.9%	17.9%	17.9%
% Change In Core EPS Estimates			(3.35%)	(9.85%)	(14.47%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Good delivery considering weak demand

Figure 1: Quarterly results summary

Y/E Mar (Rs. m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	36,020	33,316	36,663	1.8	10.0	70,509	69,979	-0.8
Expenditure	28,978	26,072	29,067	0.3	11.5	57,039	55,138	-3.3
Consumption of RM	16,249	14,708	16,282	0.2	10.7	32,204	30,990	-3.8
as % of sales	45.1	44.1	44.4			45.7	44.3	
Employee costs	3,356	2,796	3,106	-7.4	11.1	6,496	5,902	-9.1
as % of sales	9.3	8.4	8.5			9.2	8.4	
Other expenditure	9,373	8,568	9,679	3.3	13.0	18,339	18,247	-0.5
as % of sales	26.0	25.7	26.4			26.0	26.1	
EBITDA	7,042	7,244	7,596	7.9	4.9	13,470	14,841	10.2
Depreciation	609	495	501	-17.7	1.3	1,372	996	-27.4
EBIT	6,433	6,750	7,095	10.3	5.1	12,098	13,845	14.4
Other Income	659	771	860	30.4	11.5	1,350	1,631	20.8
Interest	773	878	831	7.5	-5.3	1,513	1,708	12.9
PBT	6,319	6,643	7,124	12.7	7.2	11,936	13,768	15.3
Total tax	1,866	1,933	2,154	15.4	11.4	3,477	4,087	17.6
Adjusted PAT	4,453	4,710	4,971	11.6	5.5	8,459	9,681	14.4
(Profit)/loss from associates/minority interest	0	0	0	NA	NA	0	0	NA
APAT after MI	4,453	4,710	4,971	11.6	5.5	8,459	9,681	14.4
Extraordinary items	-125	-203	-58	-53.9	-71.5	-943	-261	-72.3
Reported PAT	4,328	4,507	4,913	13.5	9.0	7,516	9,420	25.3
Adj. EPS	4.4	4.6	4.9	11.6	5.5	8.3	9.5	14.4
Margins (%)	2QFY24	1QFY25	2QFY25	YoY (bp)	QoQ (bp)	1HFY24	1HFY25	(bps)
Gross margin	54.9	55.9	55.6	70	-30	54.3	55.7	140
EBITDA	19.5	21.7	20.7	120	-100	19.1	21.2	210
EBIT	17.9	20.3	19.4	150	-90	17.2	19.8	260
EBT	17.5	19.9	19.4	190	-50	16.9	19.7	270
PAT	12.4	14.1	13.6	120	-60	12.0	13.8	180
Effective tax rate	29.5	29.1	30.2	70	110	29.1	29.7	60

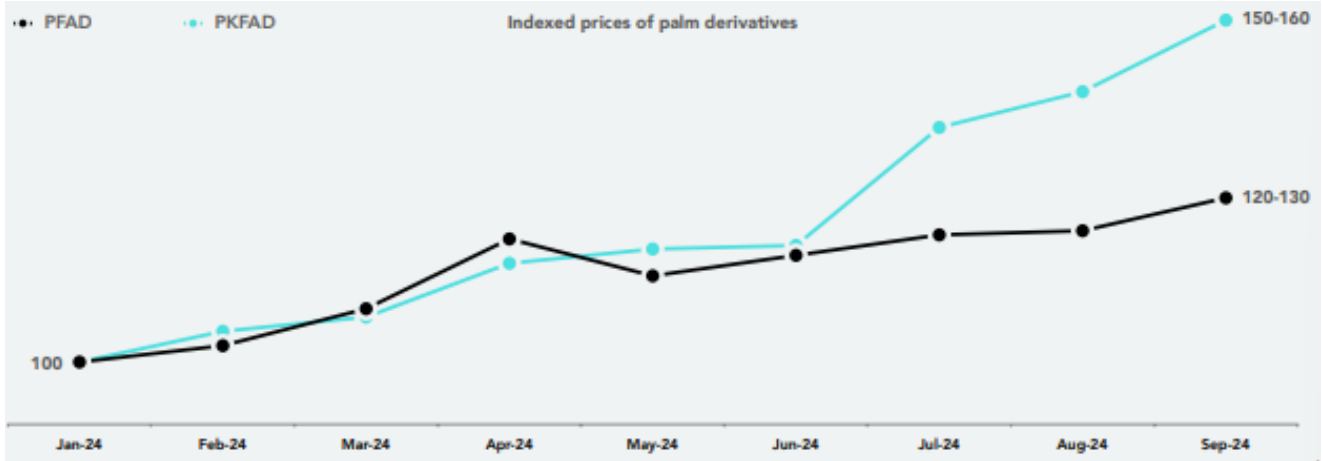
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Higher input costs impact profit growth

Growth (year-on-year)	Consolidated	Standalone
Underlying Volume Growth	5%*	7%
Net Sales	2% (5%*)	7%
Net Sales (Constant Currency)	10% (14%*)	-
EBITDA	8%	Flat
Net Profit (Reported)	14%	(19%)
Net Profit (without exceptionals and one-off items)	12%	4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Higher palm oil prices will lead to a rebalancing of growth and margins in soaps portfolio



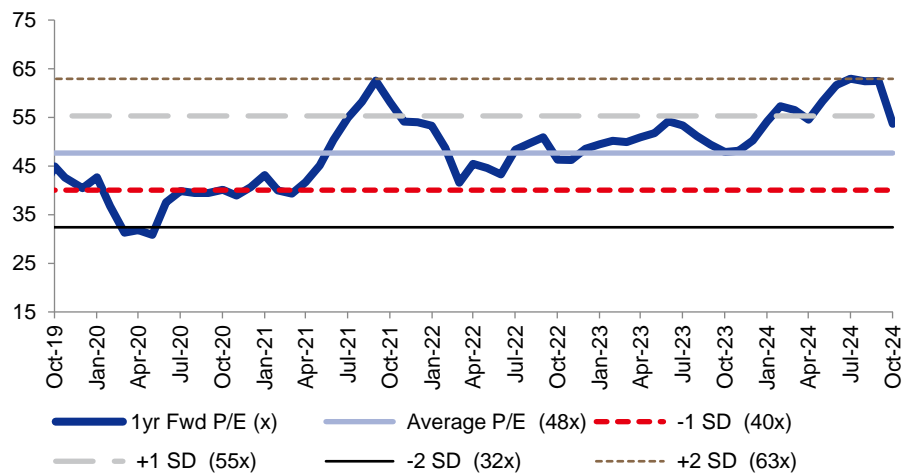
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	1,51,958	1,48,590	-2.2	1,66,300	1,58,052	-5.0	1,84,561	1,70,191	-7.8
EBITDA	33,909	32,666	-3.7	39,134	35,072	-10.4	45,705	38,752	-15.2
EBITDA margin (%)	22.3	22.0	-30bp	23.5	22.2	-130bp	24.8	22.8	-200bp
APAT	23,062	22,288	-3.4	29,034	26,174	-9.9	34,101	29,166	-14.5
EPS	22.5	21.8	-3.1	28.4	25.6	-9.9	33.3	28.5	-14.4

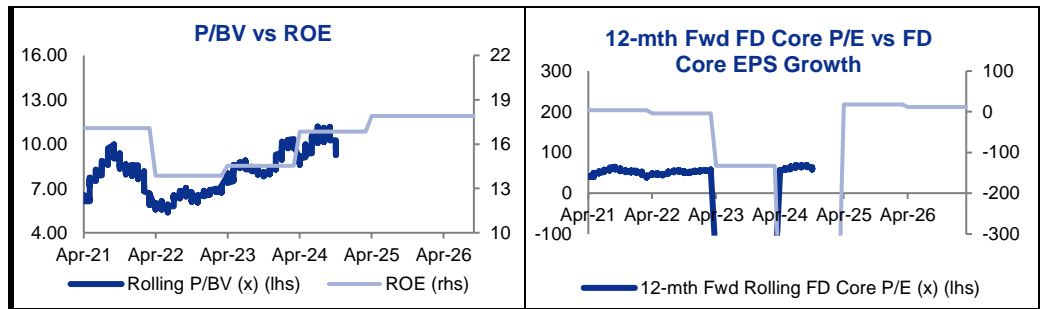
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: GCPL's one-year forward P/E trades close to +1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	133,160	140,961	148,590	158,052	170,191
Gross Profit	66,132	77,758	83,166	89,356	97,254
Operating EBITDA	24,305	29,435	32,666	35,072	38,752
Depreciation And Amortisation	(2,363)	(2,410)	(3,045)	(3,326)	(3,648)
Operating EBIT	21,942	27,025	29,620	31,746	35,104
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	30,369	32,562	35,984
Exceptional Items					
Pre-tax Profit	21,868	26,751	30,369	32,562	35,984
Taxation	(4,303)	(7,588)	(8,081)	(6,388)	(6,818)
Exceptional Income - post-tax	(541)	(24,769)			
Profit After Tax	17,025	(5,606)	22,288	26,174	29,166
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,025	(5,606)	22,288	26,174	29,166
Recurring Net Profit	17,566	19,163	22,288	26,174	29,166
Fully Diluted Recurring Net Profit	17,566	19,163	22,288	26,174	29,166

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	24,305	29,435	32,666	35,072	38,752
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,802	(337)	(15,826)	(14,395)	(7,861)
(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)	(8,081)	(6,388)	(6,818)
Cashflow From Operations	21,731	21,236	9,507	15,105	24,953
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					
Cash Flow From Investing	(28,894)	(12,640)	(4,750)	(5,250)	(5,750)
Debt Raised/(repaid)	(5,748)	20,926	19,749	(100)	(100)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,706)	(8,999)	(9,427)	(10,692)	(11,413)
Preferred Dividends					
Other Financing Cashflow	13,357	(18,962)	(1,691)	244	1,779
Cash Flow From Financing	(98)	(7,034)	8,630	(10,548)	(9,734)
Total Cash Generated	(7,261)	1,562	13,388	(693)	9,469
Free Cashflow To Equity	(12,911)	29,523	24,506	9,755	19,103
Free Cashflow To Firm	(5,406)	11,560	6,478	11,570	20,913

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	54,052	53,359	62,828
Total Debtors	12,453	15,354	18,669	25,347	30,397
Inventories	15,372	12,709	20,218	24,324	28,205
Total Other Current Assets	6,636	7,312	7,476	7,491	7,508
Total Current Assets	68,657	76,039	100,415	110,520	128,938
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	4,154	3,909	2,131
Total Non-current Assets	105,716	107,882	110,937	112,617	112,940
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	18,300	14,703	15,791
Total Current Liabilities	50,409	71,756	69,712	65,866	66,704
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	72,846	69,150	70,138
Shareholders Equity	137,942	125,986	138,506	153,987	171,740
Minority Interests					
Total Equity	137,942	125,986	138,506	153,987	171,740

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	8.5%	5.9%	5.4%	6.4%	7.7%
Operating EBITDA Growth	1.5%	21.1%	11.0%	7.4%	10.5%
Operating EBITDA Margin	18.3%	20.9%	22.0%	22.2%	22.8%
Net Cash Per Share (Rs)	22.39	8.25	2.03	1.45	10.81
BVPS (Rs)	134.88	123.18	135.42	150.55	167.91
Gross Interest Cover	12.49	9.12	17.22	18.51	20.53
Effective Tax Rate	19.7%	28.4%	26.6%	19.6%	18.9%
Net Dividend Payout Ratio		26.7%	42.3%	40.9%	39.1%
Accounts Receivables Days	32.37	36.00	41.79	50.82	59.78
Inventory Days	99.84	81.08	91.85	118.33	131.44
Accounts Payables Days	108.53	101.02	46.74		
ROIC (%)	22.3%	26.1%	21.3%	20.5%	21.5%
ROCE (%)	16.2%	18.4%	17.6%	16.6%	16.9%
Return On Average Assets	10.5%	10.8%	10.9%	11.7%	12.2%

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.