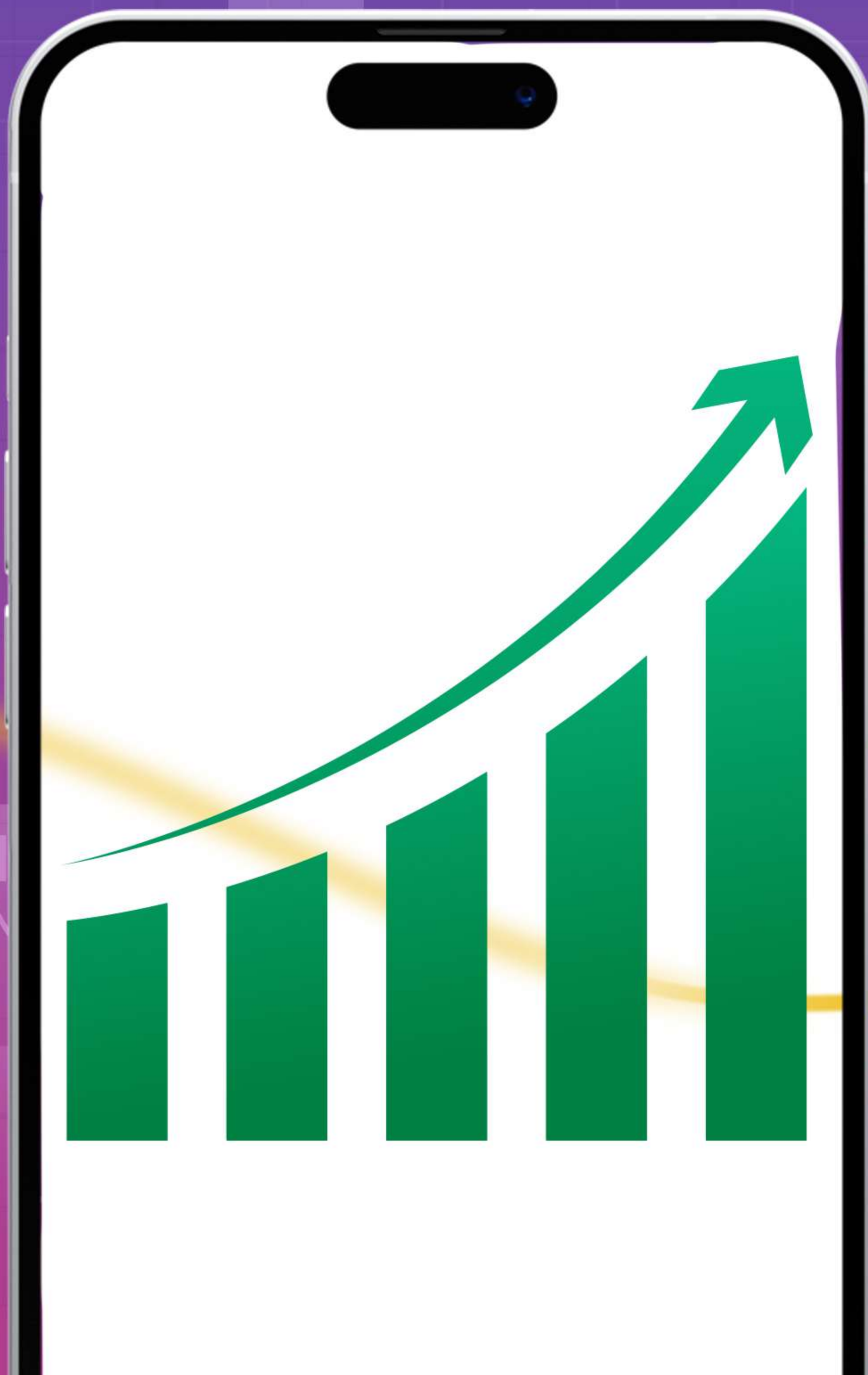




Invest Smart

Long-term Fundamental Pick

Godrej Agrovert Ltd



Company Name: Godrej Agrovert

BSE CODE: 540743

NSE CODE: GODREJAGRO

Sector: FMCG

Industry: Food-Processing

CMP (Rs): 810 | Buy Range: 790-810 | Target Price: 964 | Potential Upside: 19%**Duration of Recommendation: 9-12 Months****BUY****Company Data**

Market Cap (Rs. Cr)	15,482
Enterprise value (Rs. Cr)	16,845
52-week high / Low	878/446
EPS (TTM) (Rs)	20.3
P/E (x)	41.2
Industry P/E (x) TTM	29.7
EV/EBITDA (x) TTM	20.5
P/BV (x) TTM	6.13

Shareholding %	Dec 2023	Mar 2024	June 2024
Promoters	74.05	74.05	74.03
FII's	9.44	9.43	9.48
DII's	5.49	5.09	4.34
Public	11.04	11.44	12.14
Govt	0.00	0.00	0.00
Other	0.00	0.00	0.00

Financial Performance (Consolidated)

INR(Cr)	FY23	FY24	FY25E	FY26E
Revenue	9,373.7	9,560.6	10,325	11,616
Growth%	12.9%	2.0%	8.0%	12.5%
EBITDA	522.8	704.4	877.7	1145
Growth	-30.7%	34.7%	24.6%	19%
Margin	5.6%	7.4%	8.5%	9.0%
Net Profit	295.4	359.4	475	616
Growth	-37.6%	21.7%	32.1%	29.6%
Margin	3.2%	3.8%	4.6%	5.3%
EPS	15.4	18.7	24.7	32.0
BVPS	121.6	130.9	142.4	157.3
P/E (x)	26.2	26.8	32.6	25.1
P/BV (x)	3.3	3.8	5.5	5.0
EV/EBITDA	18.4	15.6	21.8	18.2
ROE	12.6%	14.3%	17.3%	20.4%
ROCE	8.9%	12.5%	12.9%	14.9%

1-YEAR PRICE PERFORMANCE

Our Recommendation: Godrej Agrovet has a strong outlook with leadership in animal feed, crop protection, and oil palm. Expansion into value-added products and strategic investments in refineries and herbicides will drive growth. Operational efficiency and government support further strengthen its position for stable, long-term growth. Stock is currently trading at 16.2x its FY26 estimated EBITDA. We estimate a CAGR of 22% in EBITDA till FY26. **We recommend BUY in price range of 790-810 with target price Rs 964 (valuing the stock at 19x its FY26E EBITDA) with potential upside 19%.**

About Company: Godrej Agrovet Ltd is a diversified, Research & Development focused agri-business company, dedicated to improving the productivity of Indian farmers by innovating products and services that sustainably increase crop and livestock yields. It holds leading market positions in the different businesses in which it operates - Animal Feed, Crop Protection, Oil Palm, Dairy and Poultry and Processed Foods.

INVESTMENT RATIONALE

Leading Market Position in Animal Feed: The animal feed segment, which contributes around 50% of revenue, is the largest and one of the most profitable segments for the company. As the #1 compound feed player in India, the company benefits from high brand recognition and a vast distribution network across India and Bangladesh

Diversified Business Segments: Godrej Agrovet has diversified business segments, including **crop protection, oil palm, dairy, poultry, and processed foods**. This diversification spreads the risk and ensures revenue generation from multiple sources. Each segment, such as crop protection (12% of revenue) and dairy (15% of revenue), contributes to its long-term stability.

Future Growth in Palm Oil Business: The company is India's largest domestic producer of oil palm, which provides a huge growth opportunity as India is highly dependent on imports for its palm oil needs. Godrej Agrovet has plans to expand its oil palm plantations by adding 60,000 hectares over the next five years, which should drive future revenue growth

Strategic Focus on High-Margin Branded Products: Godrej Agrovet is shifting its focus towards high-margin branded products in the dairy and poultry segments, such as **Jersey** dairy products and **Real Good Chicken**. This strategy aims to reduce reliance on volatile commodity prices and capitalize on the growing demand for **value-added, premium products**. By increasing its share of branded offerings, the company is improving profitability, enhancing **pricing power**, and building stronger

Financial Performance Q1FY25: Godrej Agrovet reported strong growth in profitability despite a decline in revenue. Consolidated Revenue declined by 6.5%. EBITDA/PAT up by 17%/23% YoY respectively. EBITDA margins improved by 193 bps to 9.6% from 7.7%. On QoQ basis, Revenue/EBITDA/PAT were +10%/+53%/101% respectively.

Key Risks: Commodity price volatility, weather dependency, and regulatory changes could affect margins.

Concall Summary - August 2024

Financial Performance:

In Q1 FY'25, the company reported a strong 36% growth in profit before tax (excluding non-recurring items), reaching ₹169 crores compared to ₹124 crores in Q1 FY'24. However, consolidated revenue from operations dropped to ₹2,351 crores from ₹2,510 crores in Q1 FY'24.

Key Profit-Contributing Segments:

- ❖ **Animal Feed:** Margins surged from 4.2% in Q1 FY'24 to 6.8% in Q1 FY'25, driven by favorable commodity positions.
- ❖ **Crop Protection:** Margins increased from 32% to 45% due to higher realizations in herbicides and pesticides.
- ❖ **Dairy:** EBITDA margins grew by 490 basis points due to improved operational efficiency and better milk spread.
- ❖ **Vegetable Oil:** Revenue was impacted by lower Fresh Fruit Bunch arrivals and reduced opening stock.
- ❖ **Astec LifeSciences:** Faced pricing pressures and weak demand in enterprise products, leading to inventory write-downs. The CDMO business continues its strong growth of 60%-70% year-on-year, with expectations to sustain this momentum.

Market Dynamics:

- ❖ **Animal Feed:** Volumes were affected by low milk prices and fewer placements, although milk prices showed a slight rise.
- ❖ **Poultry:** Revenue fell due to lower live bird volumes as focus shifted to branded products; branded products are expected to gain traction.
- ❖ **Bangladesh Operations:** Revenue dropped 13% year-on-year due to volume shrinkage and pricing pressure, but the joint venture remains intact despite political challenges.

Challenges and Headwinds:

- ❖ Pricing pressure in the export market and continued product dumping from China.
- ❖ Delayed production seasons, particularly in Animal Feed and Oil segments, due to excessive heat.

Strategic Initiatives:

- ❖ Ongoing capacity expansion for CDMO and herbicide plants, with commercialization expected soon.
- ❖ Astec LifeSciences is exploring plant modifications instead of new capex to better adapt to market changes.

Outlook:

- ❖ Management aims to maintain EBITDA margins between 9%-10% for the upcoming quarters.
- ❖ Demand recovery for enterprise products is expected by the end of FY'25, along with potential margin improvements as pricing stabilizes.
- ❖ The Agri stack initiative is anticipated to bring significant advancements by improving data access for farmers, leading to better decision-making and operational efficiencies.

Our View & Valuations: Godrej Agrovet's future outlook is strong, driven by its leadership in key sectors like animal feed, crop protection, and oil palm. The company's focus on expanding value-added products, especially in poultry and dairy, is expected to enhance margins. Strategic investments in herbicide plants and oil refineries will boost capacity, while the digital Agri Stack initiative promises long-term gains in productivity. With operational efficiencies and government support, Godrej Agrovet is well-positioned for stable growth across both domestic and international markets. We estimate a CAGR of 10.2%/22%/31% in Revenue/EBITDA/ PAT. Stock is currently trading at 16.2x its FY26 estimated EBITDA. **We value the stock at 19x its FY26E EBITDA, & recommend BUY in price range 790-810 with target price Rs. 964 (valuing the stock at 19x its FY26E EBITDA) with potential upside 19%.**

Target Price Calculation	
Target EV/EBITDA	19x
EBITDA FY26E	1045.4
Debt FY26E	1,400
Cash FY26E	55
Net Debt	1,345
Outstanding Shares	19
Implied Enterprise Value	19,863
Implied Equity Value	18,518
FairPrice x # Shares	18,518
Current Price	811
Target Price	964
Upside%	19%

Share India Securities Limited

Corporate Office

Share India Securities Limited
A-15, Sector-64, Noida-201301
Contact No. : 1800 203 0303

Call Us: 1800 203 0303

Email: support@shareindia.com

Registered Office

1701-1703, 17th Floor,
Dalal Street Commercial Co-operative Society Limited,
Road 5E, Block 53, Zone 5, Gift City, Gandhinagar,
Gujarat-382355, India



Disclosures and Disclaimers:

This report has been prepared by Share India Securities Limited (here in after referred to as SISL) in the capacity of a Research Analyst registered with SEBI and distributed as per SEBI (Research Analysts) Regulations 2014. This report is prepared and distributed by Research Analysts employed by SISL for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by SISL to be valid when published. The report also contains information provided to SISL by third parties. Whilst SISL has taken all reasonable steps to ensure that all the information in the report is correct, SISL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report does so entirely at his or her own risk and SISL does not accept any liability as a result. Securities markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding investment in securities market and should understand that. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which SISL believe is reliable. SISL or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any information provided in the report reflect analysis at this date and are subject to change without notice. SISL submits that no material disciplinary action has been taken on SISL by any regulatory authority impacting Research Analysis activities.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.: INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN -L67120GJ1994PLC115132].

Certifications: The Research Analyst(s), Girish Kumar, who prepared this research report hereby certifies

that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the Specific views or recommendations contained in this research report.

Additional Disclosures of Interest:

1. The Research Analyst, SISL, or its associates or relatives of the research analyst does not have any Financial interest in the company(ies) covered in this report.
2. The Research Analyst, SISL or its associates or relatives of the research analyst affiliates do not Hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.

3. The Research Analyst, his/her associate, his/her relative, and SISL, do not have any other material conflict of interest at the time of publication of this research report.
4. The Research Analyst, SISL, and its associates have not received compensation for brokerage Services, investment banking, merchant banking or for any other products or services from the Company(ies) covered in this report, in the past twelve months.
5. The Research Analyst, SISL or as associates have not managed or co-managed, in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
6. The Research Analyst, SISL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
7. The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
8. The Research Analyst and SISL has not been engaged in market making activity for the company(ies) covered in the Research report.

Suitability and Risks. This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual Recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any Securities referred to in this research report based upon the legal, tax and accounting considerations Applicable to such investor and its own investment objectives or strategy, its financial situation and its Investing experience. The value of any security may be positively or adversely affected by changes in Foreign exchange or interest rates, as well as by other financial, economic, or political factors.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that SISL and the research analyst believe to be reliable, but neither SISL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, SISL is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall SISL, any of its affiliates/employees or any third party involved in or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this report.

Copyright: The copyright in this research report belongs exclusively to SISL. All rights are reserved. Any unauthorised use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the SISL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. Investment in securities market are subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. SISL and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third-party trading/investment advice outside SISL/group/associates/affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. SISL and any of its employees, directors, associates, and/ or employees, directors, associates of SISL's group entities or affiliates is not inducing you for trading investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SISL and affiliates to any registration or licensing requirement within such jurisdiction. The Profits or capital protection or appreciation. SISL and any of its employees, directors, associates, and/or employees, directors, associates of SISL's group entities or affiliates is not inducing you for Trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility.

You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SISL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves off and to observe such restriction. For Detailed Disclaimer, please visit our website www.shareindia.com.