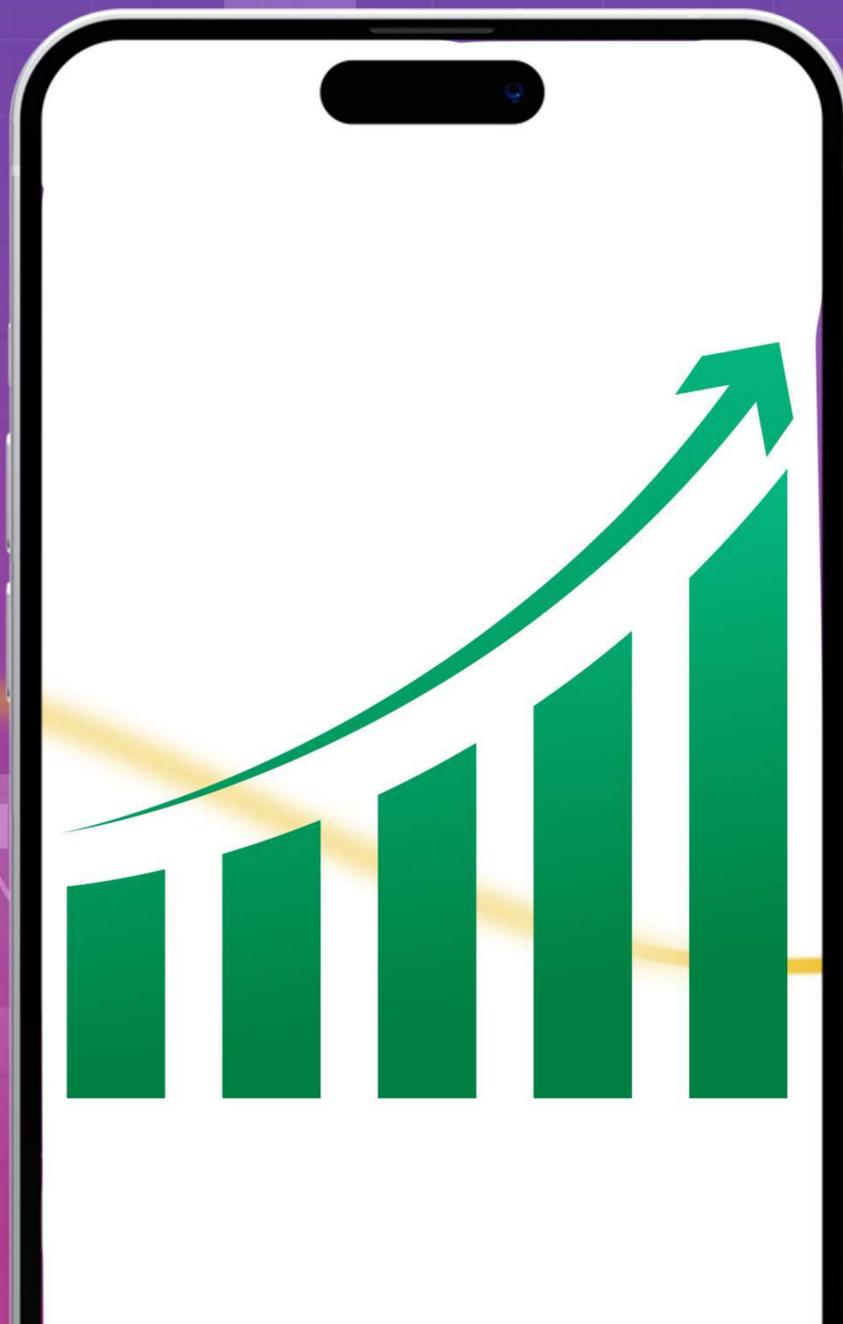




Invest Smart

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 Agrovert 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 Agrovert 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 Agrovert 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 Agrovert 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 Agrovert 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 Agrovert 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%

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