

Company Name: Godrej Cosumers

BSE CODE: 532424

NSE CODE: GODREJCP

Sector: FMCG

Industry: Personal Care

CMP (Rs): 1176 | Buy Range: 1160-1170 | Target Price: 1475 | Upside: 25%
Duration of Recommendation: 8 - 12 months

Company Data

Market Cap (Rs Cr)	1,21,424
Enterprise value (Rs Cr)	1,24,155
52-Week High/Low (Rs)	1314/897
EPS (TTM) (Rs)	17.40
P/E Ratio (x) TTM	64.9
Industry PE (x)	30
EV/EBITDA (x) TTM	40.2
P/PB (x) TTM	8.36

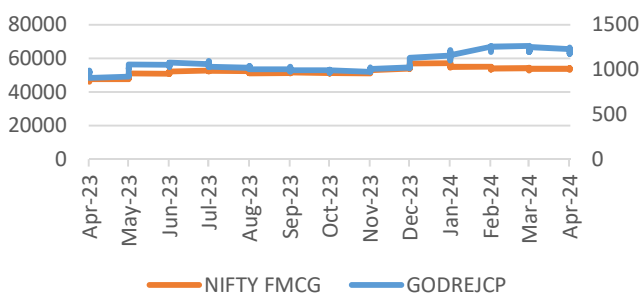
Shareholding %	Q1FY24	Q2FY24	Q3FY24
Promoters	63.22	63.21	63.21
FII's	23.53	23.51	22.94
DII's	7.37	7.65	8.38
Public	5.87	5.62	5.44
Govt	0.00	0.00	0.00
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Consolidated)

INR (Cr)	FY23	FY24E	FY25E	FY26E
Revenue	13,316	14,197	15,619	17,296
Growth (%)	8.5%	6.6%	10.0%	10.7%
EBITDA	2,431	2,961	3,438	3,890
EBITDA growth	-	21.8%	16.1%	13.1%
EBITDA margin	18.3%	20.9%	22.0%	22.5%
Net Profit	1,703	1,974	2,448	2,861
Profit growth	10.4%	10.4%	24.0%	16.9%
Profit margins	12.8%	13.9%	15.7%	16.5%
EPS	16.6	19.2	23.9	27.9
BVPS	134.9	147.0	162.0	177.0
P/E (x)	58.3	61.4	37.0	42.4
P/BV(x)	7.2	8.0	7.3	6.7
ROE (%)	13.4%	13.6%	15.2%	16.2%
RoCE	14.8%	14.8%	14.7%	15.8%
EV/EBITDA(x)	41.00	33.66	28.99	25.62

Source: Company, Share India Securities

Relative Price Performance



Our Recommendation: Domestic business is already outperforming in volume growth, improvements in demand should give tailwinds to growth trajectory for Godrej Consumer. The Company is also making efforts to bridge the gaps in profitability and growth in international business. At CMP, stock is trading at 42x its FY26E EPS. **We recommend BUY in price range of 1160-1170 with target price of 1475 (based on 53x FY26E EPS) with potential upside 25%.**

About Company: Godrej Consumer Products is engaged in a fast moving consumer goods Company, manufacturing and marketing Household and Personal Care products. Its brands include: **GoodKnight, Darling** - Hair Extensions Business, **HIT, Cinthol, Expert** - Hair Color Brand. **Mitu** - Babycare products. **Stella** - Air freshener products. **MR magic** - Liquid hand wash. **Aer** - Air freshener products. These top 10 brands contribute 70% of revenue.

Investment Rationale:

Good Performance in Third Quarter.

- ❖ Consolidated Revenue/EBITDA/PAT increasing by 1.7%/15.7%/6% YoY to Rs. 3660/2819/581 crores respectively.
- ❖ EBITDA margins improved by 278 bps to 23% from 20%YoY.
- ❖ On QoQ basis, Revenue/EBITDA/PAT increased by 1.6%/19.4%/34% respectively. EBITDA margins improved by 342 bps.

GCPL is pursuing Growth-centric strategy: GCPL is implementing a strategy focused on growth, which involves various initiatives such as pursuing acquisitions, cross-selling products, venturing into new markets, and broadening the reach of existing products. Company also increased reinvestment in marketing efforts. Godrej consumers also acquired Raymond consumer business to enhance its market reach and closing down non-core business.

Indonesia GDP growth recovering with plenty room for expansion: Indonesian market which contributes 13% of total revenue. Its GDP is growing at 5% with FMCG increasing 1.2x-1.4x the GDP rate. This is a significant volume growth opportunity there in medium term aided further by cross-selling products (shampoos, hair colour, etc.) from its India unit to the Indonesian one.

Enhancing operational efficiency in GAUM: Selling its east Africa operations would reduce revenue by Rs5 billion, but annually, EBITDA is expected to increase by Rs. 500 million due to adopting the royalty model there. The company plans to lower costs in the US and Chile operations through SKU rationalization and organizational optimization.

Key Risks: Failure of brand launches, price war in its key products, adverse geopolitical events that could hamper international business.

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