

**HOLD**

TP: Rs 1,217 | ▼ 2%

**GODREJ CONSUMER PRODUCTS**

Consumer Staples

08 May 2025

## Managing margins with efficiencies and spending cuts

- Compared to Bloomberg consensus sales were 1% lower but EBITDA 3% higher on one-off lower employee expenses
- Company expects high single digit sales growth and double-digit EBITDA growth in FY26. A&P cuts contribute 150bps to India savings
- Starting off on RNF and Petcare; plus, structural cost disadvantage in soaps does not align with drastic cuts in A&P. Hold

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**4QFY25 result summary:** Consolidated sales were +6% YoY, 1% below cons., and +1% vs our est. EBITDA flat YoY, +3% vs cons and +7% vs our est. The EBITDA beat was driven by one off lower employee benefits expenses. India business gross margins deteriorated 590bps with EBITDA margin contracting only 400bps.

**Domestic and International trends YoY – (1) India:** Domestic sales +8% with volumes +4%. Sales trends in soap remained unchanged from 3Q as volumes declined in mid to high single digits on HSD pricing. Volume declines should have slowed as competitors have also put through pricing. Household Insecticides volumes were up in double digits with rising market share. Premium was up in double digits with share gains as RNF LV was also "well received" in the market. Liquid detergent Godrej Fab continued its national scale up. International focus continued to be on margin expansion led earnings growth. **(2) International:** Indonesia constant FX sales +1%, EBITDA +10%. GAUM (Africa, USA & Middle East) sales +12% with EBITDA 2.3x as margins nearly doubled to 16.6%.

**FY26 outlook:** GCPL has guided to HSD sales growth and double digits EBITDA growth. The company has indicated savings in supply chain and pullback in advertising spend. GCPL expects to save 150bps on A&P cuts. Our sales forecasts are 3% higher with a YoY growth of 9%. This reflects better than expected trends in Home Care and International. Our gross margin assumptions are unchanged; however, EBITDA margin is higher by 220bps. More than 2/3<sup>rd</sup> of our margin revision is on account of lower A&P with the rest due to supply chain savings and lower employee expenses.

**Our view:** GCPL structural cost disadvantage in soap is being partly offset by savings. Supply chain efficiencies are sustainable; however, we are cautious on A&P cuts – new launches, distribution scale up requires spending while soap market share has so far remained flat YoY but with spending cuts there is downside risk to share / top line. We value GCPL in line with its 5Y historical average P/E of 45x on 12m to March 2027 EPS. Our target price increases to Rs 1,212 from Rs977. Upgrade to Hold on an implied return of -3%.

## Key changes

| Target | Rating |
|--------|--------|
| ▲      | ▲      |

|                  |                  |
|------------------|------------------|
| Ticker/Price     | GCPL IN/Rs 1,247 |
| Market cap       | US\$ 15.0bn      |
| Free float       | 37%              |
| 3M ADV           | US\$ 19.3mn      |
| 52wk high/low    | Rs 1,542/Rs 980  |
| Promoter/FPI/DII | 63%/23%/14%      |

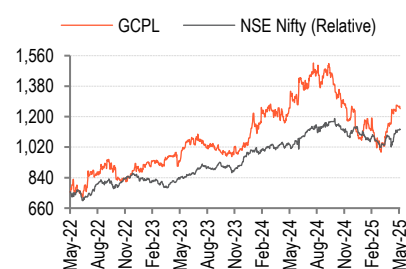
Source: NSE | Price as of 7 May 2025

## Key financials

| Y/E 31 Mar              | FY25A   | FY26E   | FY27E   |
|-------------------------|---------|---------|---------|
| Total revenue (Rs mn)   | 143,643 | 156,496 | 171,568 |
| EBITDA (Rs mn)          | 30,031  | 33,451  | 39,624  |
| Adj. net profit (Rs mn) | 19,155  | 23,359  | 27,480  |
| Adj. EPS (Rs)           | 18.7    | 22.8    | 26.9    |
| Consensus EPS (Rs)      | 18.7    | 23.6    | 27.4    |
| Adj. ROAE (%)           | 15.6    | 19.0    | 21.0    |
| Adj. P/E (x)            | 66.6    | 54.6    | 46.4    |
| EV/EBITDA (x)           | 43.0    | 39.0    | 33.1    |
| Adj. EPS growth (%)     | 0.0     | 21.9    | 17.6    |

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## 4QFY25 result summary

**Fig 1 – Godrej Consumer 4QFY25 result summary**

| (Rs mn)           | 4Q24   | 4Q25   | YoY (%)  |
|-------------------|--------|--------|----------|
| Sales             | 33,856 | 35,980 | 6.3      |
| EBITDA            | 7,604  | 7,592  | (0.2)    |
| EBITDA margin (%) | 22.5   | 21.1   | (136bps) |

Source: Company, Bloomberg, BOBCAPS Research

## Earnings summary

- **Sales** – Our sales forecasts are 3% higher for both FY26 and FY27. This is mainly due to better-than-expected sales trends in Home Care / Household Insecticides and International businesses.
- **EBITDA** – Our EBITDA revisions at 14% for FY26 and 15% for FY27 are ahead of sales revisions due to savings and spending cuts below the gross margin line. A&P cuts / savings account for more than 2/3<sup>rd</sup> revisions in margins with supply chain savings, and slightly lower employee expenses accounting for the rest.

**Fig 2 – Godrej Consumer earnings revisions table**

| (Rs mn)           | Actual  | New     | Old     | (%)    | New     | Old     | (%)    | New     | Old  | (%)    |
|-------------------|---------|---------|---------|--------|---------|---------|--------|---------|------|--------|
|                   | FY25    | FY26    | FY26    | Change | FY27    | FY27    | Change | FY28    | FY28 | Change |
| Sales             | 143,643 | 156,496 | 151,297 | 3.4    | 171,568 | 166,202 | 3.2    | 182,661 | n/a  | n/a    |
| EBITDA            | 30,031  | 33,451  | 29,048  | 15.2   | 39,624  | 34,789  | 13.9   | 41,880  | n/a  | n/a    |
| EBITDA Margin (%) | 20.9    | 21.4    | 19.2    | 218bps | 23.1    | 20.9    | 216bps | 22.9    | n/a  | n/a    |
| Adj. PAT          | 19,155  | 23,359  | 19,846  | 17.7   | 27,480  | 23,705  | 15.9   | 29,089  | n/a  | n/a    |
| Adj. EPS          | 18.73   | 22.83   | 19.40   | 17.7   | 26.86   | 23.17   | 15.9   | 28.44   | n/a  | n/a    |

Source: Company, Bloomberg, BOBCAPS Research

## Valuation summary

The stock is currently trading at 49x FY26E EPS. We value GCPL in line with its 5Y historical average P/E of 45x on 12m to March 2027 EPS. Our target price increases to Rs 1,212 from Rs977 with an implied return of -3%. Upgrade to Hold.

## Key risks

Key upside / downside risks to our estimates are:

- reduced / intense competition in international markets
- high / low growth in household insecticides in India
- higher / lower than expected volume elasticity in soaps
- Fall / rise in palm oil prices

## Financials

### Income Statement

| Y/E 31 Mar (Rs mn)         | FY24A          | FY25A          | FY26E          | FY27E          | FY28E          |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total revenue</b>       | <b>140,961</b> | <b>143,643</b> | <b>156,496</b> | <b>171,568</b> | <b>182,661</b> |
| EBITDA                     | 30,703         | 30,031         | 33,451         | 39,624         | 41,880         |
| Depreciation               | 2,410          | 2,340          | 2,061          | 2,449          | 2,854          |
| EBIT                       | 28,294         | 27,691         | 31,389         | 37,175         | 39,026         |
| Net interest inc./(exp.)   | (2,964)        | (3,501)        | (3,504)        | (3,204)        | (3,204)        |
| Other inc./(exp.)          | 2,690          | 3,161          | 3,681          | 3,164          | 3,487          |
| Exceptional items          | 24,769         | 632            | 0              | 0              | 0              |
| EBT                        | 26,751         | 27,351         | 31,566         | 37,135         | 39,310         |
| Income taxes               | 7,588          | 8,196          | 8,207          | 9,655          | 10,221         |
| Extraordinary items        | 0              | 0              | 0              | 0              | 0              |
| Min. int./Inc. from assoc. | 0              | 0              | 0              | 0              | 0              |
| <b>Reported net profit</b> | <b>(5,606)</b> | <b>18,523</b>  | <b>23,359</b>  | <b>27,480</b>  | <b>29,089</b>  |
| Adjustments                | 24,769         | 632            | 0              | 0              | 0              |
| <b>Adjusted net profit</b> | <b>19,163</b>  | <b>19,155</b>  | <b>23,359</b>  | <b>27,480</b>  | <b>29,089</b>  |

### Balance Sheet

| Y/E 31 Mar (Rs mn)              | FY24A          | FY25A          | FY26E          | FY27E          | FY28E          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Accounts payables               | 16,755         | 21,421         | 18,853         | 20,333         | 21,706         |
| Other current liabilities       | 7,602          | 9,089          | 9,089          | 9,089          | 9,089          |
| Provisions                      | 2,704          | 6,174          | 6,174          | 6,174          | 6,174          |
| Debt funds                      | 31,546         | 38,826         | 38,826         | 38,826         | 38,826         |
| Other liabilities               | 365            | 1,169          | 1,169          | 1,169          | 1,169          |
| Equity capital                  | 1,023          | 1,023          | 1,023          | 1,023          | 1,023          |
| Reserves & surplus              | 124,963        | 119,016        | 125,086        | 134,084        | 143,056        |
| Shareholders' fund              | 125,986        | 120,039        | 126,109        | 135,107        | 144,079        |
| <b>Total liab. and equities</b> | <b>184,959</b> | <b>196,718</b> | <b>200,219</b> | <b>210,698</b> | <b>221,043</b> |
| Cash and cash eq.               | 4,028          | 4,549          | 2,281          | 6,890          | 12,111         |
| Accounts receivables            | 15,354         | 18,191         | 17,708         | 19,490         | 20,755         |
| Inventories                     | 12,709         | 14,186         | 17,886         | 19,357         | 20,591         |
| Other current assets            | 23,522         | 36,453         | 36,453         | 36,453         | 36,453         |
| Investments                     | 106            | 861            | 861            | 861            | 861            |
| Net fixed assets                | 13,594         | 12,749         | 15,302         | 17,917         | 20,543         |
| CWIP                            | 0              | 0              | 0              | 0              | 0              |
| Intangible assets               | 89,885         | 91,526         | 91,526         | 91,526         | 91,526         |
| Deferred tax assets, net        | 0              | 0              | 0              | 0              | 0              |
| Other assets                    | 25,762         | 18,203         | 18,203         | 18,203         | 18,203         |
| <b>Total assets</b>             | <b>184,959</b> | <b>196,718</b> | <b>200,219</b> | <b>210,698</b> | <b>221,043</b> |

### Cash Flows

| Y/E 31 Mar (Rs mn)                 | FY24A           | FY25A           | FY26E           | FY27E           | FY28E           |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cash flow from operations</b>   | <b>20,700</b>   | <b>25,768</b>   | <b>20,931</b>   | <b>29,460</b>   | <b>31,929</b>   |
| Capital expenditures               | (3,072)         | (5,993)         | (4,614)         | (5,064)         | (5,480)         |
| Change in investments              | (5,871)         | (666)           | 0               | 0               | 0               |
| Other investing cash flows         | (24,687)        | 3,224           | 2,208           | 1,898           | 2,092           |
| <b>Cash flow from investing</b>    | <b>(33,630)</b> | <b>(3,436)</b>  | <b>(2,406)</b>  | <b>(3,166)</b>  | <b>(3,387)</b>  |
| Equities issued/Others             | 0               | 2               | 0               | 0               | 0               |
| Debt raised/repaid                 | 22,652          | 7,365           | 0               | 0               | 0               |
| Interest expenses                  | 0               | 0               | 0               | 0               | 0               |
| Dividends paid                     | (5,114)         | (25,573)        | (17,289)        | (18,482)        | (20,117)        |
| Other financing cash flows         | (3,474)         | (3,609)         | (3,504)         | (3,204)         | (3,204)         |
| <b>Cash flow from financing</b>    | <b>14,064</b>   | <b>(21,815)</b> | <b>(20,793)</b> | <b>(21,685)</b> | <b>(23,321)</b> |
| <b>Chg in cash &amp; cash eq.</b>  | <b>470</b>      | <b>516</b>      | <b>(2,268)</b>  | <b>4,609</b>    | <b>5,221</b>    |
| <b>Closing cash &amp; cash eq.</b> | <b>4,028</b>    | <b>4,549</b>    | <b>2,281</b>    | <b>6,890</b>    | <b>12,111</b>   |

### Per Share

| Y/E 31 Mar (Rs)      | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS         | (5.5) | 18.1  | 22.8  | 26.9  | 28.4  |
| Adjusted EPS         | 18.7  | 18.7  | 22.8  | 26.9  | 28.4  |
| Dividend per share   | 15.0  | 15.0  | 16.0  | 18.8  | 19.9  |
| Book value per share | 123.2 | 117.4 | 123.3 | 132.1 | 140.8 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales       | 9.1   | 9.0   | 8.3   | 7.6   | 7.2   |
| EV/EBITDA      | 41.8  | 43.0  | 39.0  | 33.1  | 31.2  |
| Adjusted P/E   | 66.6  | 66.6  | 54.6  | 46.4  | 43.9  |
| P/BV           | 10.1  | 10.6  | 10.1  | 9.4   | 8.9   |

### DuPont Analysis

| Y/E 31 Mar (%)               | FY24A       | FY25A       | FY26E       | FY27E       | FY28E       |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Tax burden (Net profit/PBT)  | 71.6        | 70.0        | 74.0        | 74.0        | 74.0        |
| Interest burden (PBT/EBIT)   | 94.5        | 98.8        | 100.6       | 99.9        | 100.7       |
| EBIT margin (EBIT/Revenue)   | 20.1        | 19.3        | 20.1        | 21.7        | 21.4        |
| Asset turnover (Rev./Avg TA) | 78.3        | 75.3        | 78.9        | 83.5        | 84.6        |
| Leverage (Avg TA/Avg Equity) | 1.4         | 1.6         | 1.6         | 1.6         | 1.5         |
| <b>Adjusted ROAE</b>         | <b>14.5</b> | <b>15.6</b> | <b>19.0</b> | <b>21.0</b> | <b>20.8</b> |

### Ratio Analysis

| Y/E 31 Mar            | FY24A | FY25A | FY26E | FY27E | FY28E |
|-----------------------|-------|-------|-------|-------|-------|
| <b>YoY growth (%)</b> |       |       |       |       |       |
| Revenue               | 5.9   | 1.9   | 8.9   | 9.6   | 6.5   |
| EBITDA                | 20.9  | (2.2) | 11.4  | 18.5  | 5.7   |
| Adjusted EPS          | 9.1   | 0.0   | 21.9  | 17.6  | 5.9   |

### Profitability & Return ratios (%)

|                        |      |      |      |      |      |
|------------------------|------|------|------|------|------|
| EBITDA margin          | 21.8 | 20.9 | 21.4 | 23.1 | 22.9 |
| EBIT margin            | 20.1 | 19.3 | 20.1 | 21.7 | 21.4 |
| Adjusted profit margin | 13.6 | 13.3 | 14.9 | 16.0 | 15.9 |
| Adjusted ROAE          | 14.5 | 15.6 | 19.0 | 21.0 | 20.8 |
| ROCE                   | 21.9 | 21.7 | 23.5 | 26.1 | 25.8 |

### Working capital days (days)

|             |     |     |     |    |    |
|-------------|-----|-----|-----|----|----|
| Receivables | 36  | 43  | 42  | 40 | 40 |
| Inventory   | 81  | 75  | 81  | 87 | 88 |
| Payables    | 101 | 107 | 101 | 92 | 93 |

### Ratios (x)

|                             |            |            |            |            |            |
|-----------------------------|------------|------------|------------|------------|------------|
| Gross asset turnover        | 6.3        | 6.0        | 5.5        | 5.1        | 4.7        |
| Current ratio               | 1.0        | 1.1        | 1.1        | 1.2        | 1.3        |
| Net interest coverage ratio | 9.5        | 7.9        | 9.0        | 11.6       | 12.2       |
| <b>Adjusted debt/equity</b> | <b>0.3</b> | <b>0.3</b> | <b>0.3</b> | <b>0.3</b> | <b>0.3</b> |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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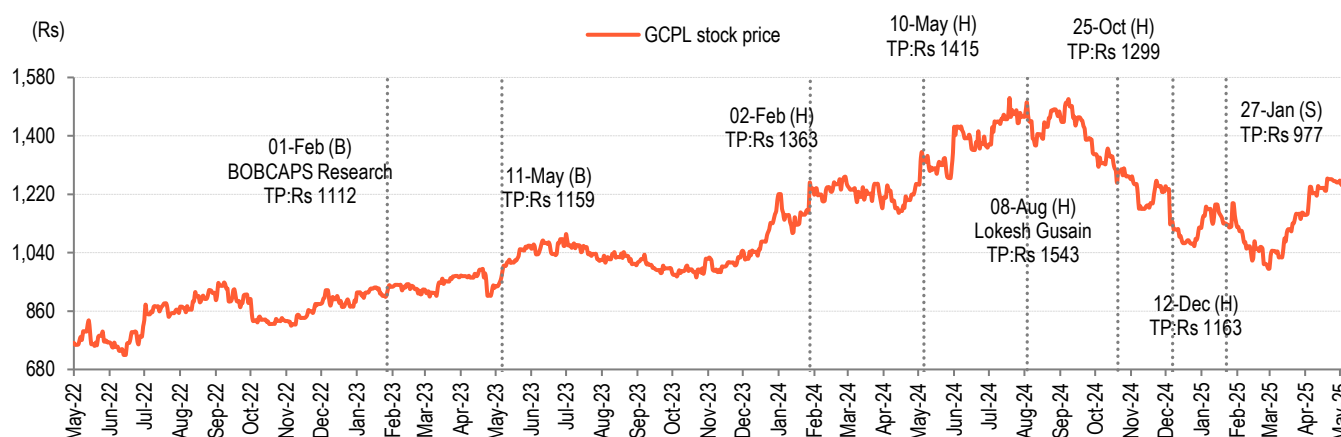
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): GODREJ CONSUMER PRODUCTS (GCPL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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