

**Price:** 7,031

**Recommendation:** Buy

**Industry:** Cigarettes Tobacco

**Sector:** Fast Moving Consumer Goods

**Report Date:** 03-Apr-2025

Godfrey Phillips India Limited (GPIL) is advancing its growth strategy by enhancing its partnership with Philip Morris International for Marlboro cigarettes in India and expanding its export markets for unmanufactured tobacco. The company is diversifying into confectionery with products like Funda Goli and Funda C. GPIL's global reach spans 35 countries, with a focus on sustainability and corporate social responsibility, aiming to reduce its reliance on tobacco, which currently dominates its sales.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5653 Cr	Operating Profit(Year)	1053 Cr	Operating Profit Margin	18.6 %
Previous Year	3560 Cr	Operating Profit(Quarter)	358 Cr	EBITDA Margin	19.02 %
Current Quarter	1897 Cr	PAT (Year)	735 Cr	Net Profit Margin	16.7 %
Previous Quarter	1649 Cr	PAT (Quarter)	332 Cr	EPS	189
Revenue (QYoY)	1482 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	35.7	Sales Growth	26.2 %	Sales Growth	15.04 %
PEG Ratio	1.18	PAT Growth	44.4 %	Sales Growth QYoY	28.0 %
EV/EBITDA	25.3	EPS Growth	11.83 %	PAT Growth	34.41 %
P/B	9.10	Dividend Yield	0.80	PAT Growth QYoY	34.96 %
Capital Allocation		Holdings		Leverage	
RoE	20.9 %	Promoter	72.6 %	Debt/Equity	0.06
RoA	14.9 %	FII	10.6 %	Debt	246 Cr
RoCE	24.1 %	DII	1.99 %	Market Cap	36541 Cr
RoIC	48.8 %	Public	14.4 %	Enterprise value	36763 Cr
		No of Shares	5.20 Cr	Cash Equivalents	24.4 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Godfrey Phillips India Limited (GPIL) outlined several new initiatives and business strategies aimed at sustaining growth and expanding market presence. The company emphasized its commitment to strengthening its partnership with Philip Morris International for the manufacture and distribution of Marlboro brand cigarettes in India. Additionally, GPIL is focusing on building export markets to enhance the sale of unmanufactured tobacco, leveraging its distribution infrastructure through a product supply agreement with Ferrero India for sweet-packaged food products. The company is also committed to socio-economic growth through programs for tobacco farmers, aligning with its strategic direction to focus on international business and strengthen its core operations.

GPIL's diversification schemes include expanding its confectionery segment with the introduction of the Funda Goli range of candies, which has established a niche for itself as a unique confectionery brand. The company has also launched Funda C, a candy proposition with Vitamin C, and Funda Gum Shums, a new mint gum. These initiatives are part of GPIL's strategy to diversify its product portfolio beyond tobacco, aiming to capture a larger share of the consumer market. The company's gross sales from confectionery and Ferrero products amounted to Rs. 56 crore, indicating a positive reception in the market.

Looking ahead, GPIL is poised for future growth and scaling, with a focus on sustaining growth momentum across all markets and preparing for a quantum jump. The company plans to build on existing contract-manufactured cigarette export markets and augment its unmanufactured tobacco business. GPIL's global operations have a significant market presence across Latin America, the Middle East, Southeast Asia, and Eastern Europe, operating in around 35 countries. The company's strategic initiatives are expected to drive growth and enhance its competitive position in the global market.

From a financial perspective, GPIL reported a consolidated gross sales value of Rs. 10,626 Crores and a net profit of Rs. 837 Crores before considering exceptional items, reflecting a 25% increase compared to the previous year. The company's robust financial performance led to the declaration of an interim dividend of Rs. 35 per share. However, there is room for improvement in further diversifying its revenue streams and reducing reliance on tobacco, which currently contributes 98% to gross sales value. The company's focus on sustainability and corporate social responsibility, including initiatives aligned with the UN SDGs, is commendable and could be further leveraged to enhance its brand image and stakeholder engagement.

GODFRYPHLP Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
ITC	512453.34	25.79	28.43%	-6.00%	9.28%	-3.74%	-8.40%
VST Industries	4672.86	19.21	24.63%	1.98%	1.26%	13.27%	0.28%
Godfrey Phillips	36541.38	35.66	20.91%	15.03%	27.98%	34.62%	35.34%
NTC Industries	293.97	39.73	7.29%	-12.91%	82.72%	20.00%	503.45%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year and quarter, indicating robust sales performance. This growth is driven by strategic partnerships and market expansion efforts, reflecting a positive trajectory in revenue generation.
Profit & Loss	Operating profit and PAT have increased, showcasing effective cost management and operational efficiency. The rise in quarterly and yearly profits highlights the company's ability to capitalize on market opportunities and maintain profitability.
Profitability Matrix	The company maintains healthy profitability margins, with strong operating and net profit margins. The EPS indicates solid earnings performance, suggesting effective management of resources and a focus on shareholder value.
Valuation Matrix	The valuation metrics suggest the company is valued at a premium, with a high P/E ratio and EV/EBITDA. The PEG ratio indicates growth potential, while the P/B ratio reflects market confidence in the company's asset management.
Growth (YoY)	Year-over-year growth metrics are impressive, with significant increases in sales, PAT, and EPS. This indicates the company's successful execution of growth strategies and its ability to enhance shareholder value over time.
Growth (QoQ)	Quarter-over-quarter growth is strong, with notable increases in sales and PAT. This reflects the company's ability to adapt to market conditions and sustain growth momentum, ensuring continued financial health.
Capital Allocation	The company demonstrates efficient capital allocation with high returns on equity, assets, and capital employed. This indicates effective use of resources to generate returns, supporting long-term financial stability and growth.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional and public holdings provide a balanced investor base, supporting market stability and potential for future investment.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and a strong balance sheet. This low leverage enhances financial flexibility and reduces risk, supporting sustainable growth and investment capacity.

**Analyst viewpoint:** Godfrey Phillips India Limited (GPIL) demonstrates a robust growth trajectory as evidenced by an impressive 15.04% quarter-over-quarter sales growth and a 34.41% rise in profit after tax. This reflects the company's effective adaptability and strategic market positioning in expanding its partnership with Philip Morris International and diversifying into confectionery products like Funda Goli and Funda C. With a high return on equity at 20.9% and a promising plan to broaden its export markets, GPIL showcases an efficient capital allocation that not only fuels its current growth but primes it for further success. Its valuation at a premium, indicated by a P/E ratio of 35.7 and an EV/EBITDA of 25.3, reflects the market's confidence in GPIL's growth potential and asset management capabilities.

In comparison to its peers such as ITC and VST Industries, GPIL stands out with a higher growth percentage, maintaining a strong strategic foothold within the fast-moving consumer goods sector, particularly in the tobacco and confectionery markets. Though the company benefits from a sturdy balance sheet and low debt-to-equity ratio, reliance on tobacco sales remains a significant factor, contributing to 98% of its gross sales—a point that warrants strategic diversification for long-term stability. Nonetheless, GPIL's commitment to sustainability and socio-economic initiatives adds a commendable dimension to its brand appeal, aligning itself with global standards and enhancing stakeholder engagement.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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