

Price: 1,108

Recommendation: Buy

Industry: Diversified

Sector: Diversified

Report Date: 03-Apr-2025

Godrej Industries Limited is actively pursuing growth and diversification, reporting a 6% increase in consolidated sales for Q3 FY2025. The Consumer Products segment saw growth in Home Care and Personal Care, while the Chemicals segment's revenue rose by 44%. The real estate arm, Godrej Properties Limited, achieved significant booking values and raised 6,000 crore for expansion. Despite challenges in Crop Protection and Dairy, strategic investments position the company for future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3769 Cr	Operating Profit(Year)	779 Cr	Operating Profit Margin	20.7 %
Previous Year	4488 Cr	Operating Profit(Quarter)	189 Cr	EBITDA Margin	11.36 %
Current Quarter	1023 Cr	PAT (Year)	-242 Cr	Net Profit Margin	-8.00 %
Previous Quarter	1075 Cr	PAT (Quarter)	0.20 Cr	EPS	3.08
Revenue (QYoY)	747 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	358	Sales Growth	16.5 %	Sales Growth	-4.84 %
PEG Ratio		PAT Growth	-216.35 %	Sales Growth QYoY	36.95 %
EV/EBITDA	51.1	EPS Growth	151.16 %	PAT Growth	-99.87 %
P/B	21.0	Dividend Yield	0.00	PAT Growth QYoY	-101.39 %
Capital Allocation		Holdings		Leverage	
RoE	-14.9 %	Promoter	65.7 %	Debt/Equity	4.90
RoA	-2.35 %	FII	8.24 %	Debt	8693 Cr
RoCE	3.65 %	DII	4.42 %	Market Cap	37168 Cr
RoIC	16.6 %	Public	21.6 %	Enterprise value	45829 Cr
		No of Shares	33.7 Cr	Cash Equivalents	32.2 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Godrej Industries Limited outlined several new initiatives and business strategies aimed at enhancing growth and diversification. The company reported a 6% year-on-year growth in consolidated sales for Q3 FY2025, despite a 14% decline in net profit due to temporary headwinds. The Consumer Products segment saw a 4% growth in Home Care, with Air Fresheners and Fabric Care delivering strong double-digit volume growth. The Personal Care segment grew by 2%, with Hair Colour volumes increasing in mid-single digits. Godrej Expert Rich Crème access packs continue to perform well, growing in double digits. The Chemicals segment reported a 44% increase in revenue for Q3 FY25, with exports accounting for approximately 30% of revenue and increasing by 58% during the quarter.

The company is actively pursuing diversification through its real estate arm, Godrej Properties Limited (GPL), which achieved a booking value of 5,446 crore in Q3FY25 from the sale of 4.07 million sq. ft. of area. This marks the sixth consecutive quarter with over 5,000 crore in booking value. GPL has added four new projects with an estimated saleable area of 5.9 million sq. ft. and an expected booking value of 10,800 crore. Additionally, the company raised 6,000 crore of equity for growth capital through the largest ever QIP by a real estate company in India. This strategic move is expected to bolster the company's financial position and support future expansion.

Looking ahead, Godrej Industries is focused on scaling its operations and enhancing its market presence. The Agrovet segment showed significant improvement, with the Animal Feed segment margin increasing from 4.0% in Q3 FY24 to 6.0% in Q3 FY25, and EBIT/MT improving by 45%. The Vegetable Oil segment results increased by 72% due to higher realizations and improved Oil Extraction Ratios. However, the Crop Protection Business saw a decline in revenues, highlighting an area for potential improvement. The Dairy segment remained flat year-on-year, indicating stable but stagnant performance.

From a positive perspective, the company's diversified portfolio and strategic investments in high-growth areas like real estate and chemicals position it well for future growth. The significant appreciation in investment value across its subsidiaries, such as Godrej Consumer Products and Godrej Properties, underscores the potential for long-term value creation. However, there are opportunities for improvement, particularly in the Crop Protection and Dairy segments, where targeted strategies could enhance performance. The company's proactive approach to raising capital and expanding its project pipeline reflects a strong commitment to growth and resilience in the face of market challenges.

GODREJIND 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
SRF	85939.12	74.93	12.22%	1.96%	14.36%	34.58%	6.96%
Linde India	52435.43	120.75	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42482.27	93.16	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37168.03	357.79	-14.94%	-4.89%	36.93%	-99.87%	101.39%
Deepak Nitrite	27451.15	39.75	16.38%	-6.33%	-5.27%	-49.49%	-51.45%

Aspect	Commentary
Revenue	The company experienced a decline in annual revenue from 4488 Cr to 3769 Cr, indicating a challenging year. However, quarterly revenue showed resilience with a slight decrease from 1075 Cr to 1023 Cr, suggesting potential stabilization. The QYoY revenue growth of 747 Cr highlights a positive trend, reflecting strategic efforts to boost sales.
Profit & Loss	Operating profit for the year stood at 779 Cr, with a quarterly figure of 189 Cr, indicating consistent operational efficiency. However, the annual PAT was negative at -242 Cr, while the quarterly PAT was marginally positive at 0.20 Cr, suggesting challenges in profitability despite operational gains.
Profitability Matrix	The operating profit margin of 20.7% and EBITDA margin of 11.36% reflect strong operational efficiency. However, the net profit margin is negative at -8.00%, indicating challenges in translating operational success into net profitability. The EPS of 3.08 suggests moderate earnings per share.
Valuation Matrix	The trailing P/E ratio of 358 indicates high market expectations, while the EV/EBITDA of 51.1 suggests a premium valuation. The P/B ratio of 21.0 reflects high market valuation relative to book value, indicating investor confidence but also potential overvaluation risks.
Growth (YoY)	Sales growth of 16.5% indicates robust top-line expansion, while PAT growth of -216.35% highlights significant profitability challenges. EPS growth of 151.16% suggests improved earnings per share, despite the absence of dividend yield, reflecting a focus on reinvestment over shareholder returns.
Growth (QoQ)	Quarterly sales growth declined by 4.84%, indicating short-term challenges, while QYoY sales growth of 36.95% reflects strong year-over-year performance. The PAT growth of -99.87% and QYoY PAT growth of -101.39% highlight severe profitability issues, necessitating strategic interventions.
Capital Allocation	The negative RoE of -14.9% and RoA of -2.35% indicate inefficiencies in capital utilization. However, RoCE of 3.65% and RoIC of 16.6% suggest some operational efficiency. The focus should be on improving return metrics to enhance shareholder value and operational effectiveness.
Holdings	Promoter holding at 65.7% indicates strong control, while FII at 8.24% and DII at 4.42% reflect moderate institutional interest. Public holding at 21.6% suggests a balanced ownership structure. The total number of shares at 33.7 Cr provides a substantial equity base for market activities.
Leverage	The high debt/equity ratio of 4.90 indicates significant leverage, posing financial risk. Total debt of 8693 Cr against a market cap of 37168 Cr and enterprise value of 45829 Cr suggests a heavy debt burden. Cash equivalents of 32.2 Cr highlight limited liquidity, necessitating careful debt management.

Analyst viewpoint: Godrej Industries has demonstrated commendable resilience and strategic foresight in its recent performance, making it a compelling buy from a short to mid-term investment perspective. The company recorded a robust 36.95% year-over-year revenue growth in Q3 FY2025, driven by impressive performances across its Consumer Products and Chemicals segments. This growth trajectory is further supported by a strategic push in its real estate arm, Godrej Properties, which has consistently achieved over 5,000 crore in booking value for six consecutive quarters, illustrating strong market demand and strategic capitalization on high-growth sectors. Moreover, the notable increase in Animal Feed and Vegetable Oil segment margins showcases operational improvements that could significantly boost profitability in the coming quarters. Despite the challenges faced in certain segments such as Crop Protection and Dairy, Godrej's meticulous capital allocation strategies and innovative initiatives, including heavy investment in their QIP, solidify its path to maintaining a competitive edge in its peer group.

Valuation metrics reflect a market with high expectations; the trailing P/E ratio of 358 and EV/EBITDA of 51.1 underscore the premium investor confidence placed in Godrej's potential to leverage its diversified portfolio for growth. The raised 6,000 crore through QIP for expansion capabilities further reinforces its strategic trajectory, ensuring sustained capital infusion towards high-yielding projects. Among its peers, Godrej Industries features a competitively positioned market capitalization of 37,168 crore, emphasizing its established industry stature. However, addressing the current debt/equity ratio of 4.90 will be key to reducing leverage risk and bolstering liquidity, enhancing its overall financial health. Despite these manageable financial challenges, Godrej's focus on scalability and market penetration positions it as an attractive proposition for investors seeking stable to aggressive returns in a diversified portfolio.

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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