

Price: 1,123

Recommendation: Buy

Industry: Diversified

Sector: Diversified

Report Date: 13-Mar-2025

Godrej Industries Limited is actively pursuing growth and diversification through strategic initiatives. The company is expanding its product portfolio and market share, with a notable 44% revenue increase in the Chemicals segment for Q3 FY25. Godrej Properties Limited added four new projects, enhancing its real estate pipeline. Despite challenges in the consumer segment, Godrej's diversified approach and focus on innovation position it for sustained growth and market expansion.

| Sales | | Profit & Loss | | Profitability Matrix | |
|--------------------|----------|----------------------------|----------|-------------------------|----------|
| Current Year | 18445 Cr | Operating Profit (Year) | 1561 Cr | Operating Profit Margin | 8.47 % |
| Previous Year | 16740 Cr | Operating Profit (Quarter) | 597 Cr | EBITDA Margin | 13.84 % |
| Current Quarter | 4825 Cr | PAT (Year) | 51.6 Cr | Net Profit Margin | 3.08 % |
| Previous Quarter | 4805 Cr | PAT (Quarter) | 188 Cr | EPS | 14.4 |
| Revenue (QYoY) | 3590 Cr | | | | |
| Valuation Matrix | | Growth (YoY) | | Growth (QoQ) | |
| Trailing P/E | 48.9 | Sales Growth | 9.24 % | Sales Growth | 0.42 % |
| PEG Ratio | -1.35 | PAT Growth | -93.92 % | Sales Growth QYoY | 34.4 % |
| EV/EBITDA | 17.0 | EPS Growth | 708.99 % | PAT Growth | -34.72 % |
| P/B | 4.45 | Dividend Yield | 0.00 | PAT Growth QYoY | 77.36 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 0.65 % | Promoter | 65.7 % | Debt/Equity | 4.14 |
| RoA | 0.97 % | FII | 8.24 % | Debt | 35184 Cr |
| RoCE | 5.59 % | DII | 4.42 % | Market Cap | 37814 Cr |
| RoIC | 5.28 % | Public | 21.6 % | Enterprise value | 68762 Cr |
| | | No of Shares | 33.7 Cr | Cash Equivalents | 4236 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 emphasized its commitment to expanding its product portfolio and increasing market share across various segments. Notably, the Chemicals segment saw a significant increase in revenue by 44% for Q3 FY25, with exports accounting for approximately 30% of the revenue. The company is also focusing on scaling up its Godrej Fab brand nationally, which continues to gain market share. In the real estate sector, Godrej Properties Limited (GPL) added four new projects with an estimated saleable area of 5.9 million sq. ft. and an expected booking value of 10,800 crore, showcasing a robust pipeline for future growth.

The company's diversification schemes are evident in its varied business segments, including consumer products, chemicals, real estate, and agri-business. Godrej Agrovet Limited reported a significant improvement in segment margins for animal feed, increasing from 4.0% to 6.0% in Q3 FY25, driven by favorable commodity positions. The vegetable oil segment also saw a 72% increase in results due to higher realizations and improved oil extraction ratios. These initiatives reflect the company's strategic focus on leveraging its diverse business portfolio to drive growth and profitability.

Looking ahead, Godrej Industries is poised for future growth and scaling, with a strong emphasis on innovation and market expansion. The company raised 6,000 crore of equity for growth capital through the largest ever QIP by a real estate company in India, indicating a solid financial foundation for future investments. The continued expansion of the Godrej Fab brand and the addition of new real estate projects are expected to contribute significantly to the company's growth trajectory. The focus on increasing exports in the chemicals segment further underscores the company's strategy to tap into international markets.

While the company has demonstrated strong performance and growth potential, there are areas for improvement. The consumer segment faced temporary headwinds, with a 14% decline in net profit for Q3 FY25. Addressing these challenges through strategic pricing and product innovation could enhance profitability. Additionally, the crop protection business experienced a decline in revenues, highlighting the need for targeted strategies to boost performance in this area. Overall, Godrej Industries' diversified approach and strategic initiatives position it well for sustained growth, but continuous adaptation and innovation will be key to overcoming 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 | 86790.22 | 75.72 | 12.22% | 1.96% | 14.36% | 34.58% | 6.96% |
| Linde India | 51924.00 | 119.55 | 12.88% | -4.50% | -14.21% | 9.20% | -2.70% |
| Gujarat Fluoroch | 42268.11 | 92.70 | 7.69% | -3.37% | 15.73% | 4.13% | 57.50% |
| Godrej Industrie | 37813.89 | 48.92 | 0.65% | 0.41% | 34.39% | -34.57% | 76.86% |
| Deepak Nitrite | 26802.63 | 38.84 | 16.38% | -6.33% | -5.27% | -49.49% | -51.45% |

| Aspect | Commentary |
|----------------------|--|
| Revenue | The company experienced a notable increase in revenue, with a year-over-year growth of 9.24%. This indicates a positive trend in sales performance, reflecting effective market strategies and product demand. The quarterly growth was modest at 0.42%, suggesting stable but slow expansion in the short term. |
| Profit & Loss | Operating profit for the year was strong at 1561 Cr, but the net profit margin was low at 3.08%, indicating high operational costs or other expenses. The quarterly profit after tax (PAT) was 188 Cr, showing a significant improvement from the annual PAT of 51.6 Cr, suggesting better quarterly performance. |
| Profitability Matrix | The operating profit margin stood at 8.47%, while the EBITDA margin was higher at 13.84%, indicating efficient cost management. However, the net profit margin was relatively low at 3.08%, suggesting room for improvement in net earnings. The EPS of 14.4 reflects moderate earnings per share. |
| Valuation Matrix | The company's trailing P/E ratio of 48.9 suggests high market expectations for future growth. The negative PEG ratio of -1.35 indicates potential overvaluation or declining growth prospects. The EV/EBITDA of 17.0 and P/B ratio of 4.45 reflect a premium valuation in the market. |
| Growth (YoY) | Year-over-year sales growth was 9.24%, indicating a healthy increase in revenue. However, PAT growth was negative at -93.92%, highlighting challenges in profitability. EPS growth was exceptionally high at 708.99%, suggesting significant earnings improvement per share, possibly due to one-time gains. |
| Growth (QoQ) | Quarter-over-quarter sales growth was minimal at 0.42%, indicating stable revenue. However, PAT growth was negative at -34.72%, suggesting declining profitability. The QYoY sales growth of 34.4% and PAT growth of 77.36% indicate strong performance compared to the same quarter last year. |
| Capital Allocation | The return on equity (RoE) was low at 0.65%, indicating limited profitability from shareholders' equity. Return on assets (RoA) was also low at 0.97%, suggesting inefficient asset utilization. The return on capital employed (RoCE) and return on invested capital (RoIC) were moderate, reflecting average capital efficiency. |
| Holdings | Promoter holding was strong at 65.7%, indicating significant control by the founding group. Foreign institutional investors (FII) held 8.24%, while domestic institutional investors (DII) held 4.42%. Public holding was 21.6%, reflecting a balanced ownership structure with substantial public participation. |
| Leverage | The debt-to-equity ratio was high at 4.14, indicating significant leverage and potential financial risk. Total debt was 35184 Cr, with a market cap of 37814 Cr, suggesting a heavily leveraged position. Cash equivalents were 4236 Cr, providing some liquidity but not enough to offset high debt levels. |

Analyst viewpoint: Godrej Industries has showcased resilient growth potential, particularly with a remarkable 34.4% year-over-year sales increase for the recent quarter. Such an impressive leap is reflective of their strategic market expansions and diversification efforts. With a current quarterly operating profit at 597 crore, and strong performance in segments like chemicals where revenue surged by 44%, the company demonstrates robust operational capabilities. Their strategic ventures in real estate, highlighted by Godrej Properties' four new projects and a projected booking value of 10,800 crore, underpin their growth narrative. Despite a marginal quarterly sales growth of 0.42%, the overall outlook remains positive aided by a firm foundation in diverse sectors such as agri-business, which saw significant margin improvements.

While the market assigns the company a high valuation, as implied by a trailing P/E of 48.9, and there's evidence of leveraging premium market expectations, the declining quarter-over-quarter PAT by 34.72% could be an area for scrutiny. Nonetheless, with a planned massive capital injection through India's largest QIP in real estate and a strategic focus on international markets via chemical exports, Godrej's market positioning remains strong. Investors should be mindful that the consumer segment encountered a 14% profit decline for Q3 FY25, presenting an area needing innovative strategies to bolster profitability. Overall, the well-structured diversification and expansion plans fortify Godrej Industries' bullish prospects for short to mid-term investments.

Please read detailed disclosure on next page.

