

Price: 7,540

Recommendation: Buy

Industry: Cigarettes Tobacco

Sector: Fast Moving Consumer Goods

Report Date: 21-Apr-2025

Godfrey Phillips India Limited (GPIL) has demonstrated strong financial performance, reporting a 25% increase in net profit to Rs. 837 Crores. The company is expanding its market presence through strategic partnerships with Philip Morris and Ferrero India, diversifying its product portfolio. GPIL is committed to sustainability and socio-economic growth, aligning with UN goals. While focusing on innovation, GPIL aims to balance fresh talent with experienced leadership for future expansion.

| 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 | 38.3 | Sales Growth | 26.2 % | Sales Growth | 15.04 % |
| PEG Ratio | 1.27 | PAT Growth | 44.4 % | Sales Growth QYoY | 28.0 % |
| EV/EBITDA | 27.2 | EPS Growth | 11.83 % | PAT Growth | 34.41 % |
| P/B | 9.76 | Dividend Yield | 0.74 | PAT Growth QYoY | 34.96 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 20.9 % | Promoter | 72.6 % | Debt/Equity | 0.06 |
| RoA | 14.9 % | FII | 9.72 % | Debt | 246 Cr |
| RoCE | 24.1 % | DII | 3.29 % | Market Cap | 39280 Cr |
| RoIC | 48.8 % | Public | 14.4 % | Enterprise value | 39501 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) highlighted its robust financial performance and strategic initiatives. The company reported a consolidated Gross Sales Value of Rs. 10,626 Crores and a Net Profit of Rs. 837 Crores before exceptional items, marking a 25% increase compared to the previous year. The management emphasized their focus on sustainability and productivity, with plans to enter new markets and enhance profitability. A key highlight was the robust domestic volume growth in cigarettes, supported by unmanufactured tobacco exports, which continue to show an upward trend. The company declared an interim dividend of Rs. 35 per share for FY 2024-25, reflecting confidence in its financial health.

GPIL is actively pursuing new initiatives and business strategies to drive growth. The company has strengthened its partnership with Philip Morris International for the manufacture and distribution of Marlboro brand cigarettes in India. Additionally, GPIL has entered into a product supply agreement with Ferrero India for the distribution of sweet-packaged food products, marking a significant step in diversifying its product portfolio. The introduction of the Funda Goli range of candies and other confectionery items has established GPIL as a unique brand in the confectionery market. These initiatives are expected to leverage and monetize the company's distribution infrastructure, enhancing its market presence.

Looking ahead, GPIL is focused on sustaining growth momentum across all markets and preparing for a quantum leap in business operations. The company aims to build on existing export markets for unmanufactured tobacco and contract-manufactured cigarettes, with a significant presence in Latin America, the Middle East, South East Asia, and Eastern Europe. GPIL's strategic direction includes targeting new cigarette markets and strengthening its core business. The company's commitment to socio-economic growth is evident through its programs for tobacco farmers, aligning with the UN Sustainable Development Goals for livelihood, education, and environment.

While GPIL's financial performance and strategic initiatives are commendable, there are areas for improvement. The company could further enhance its ESG performance, which has already seen a significant increase in ratings. Additionally, expanding its product offerings beyond tobacco and confectionery could mitigate risks associated with market fluctuations in these sectors. The company's focus on infusing young talent into its leadership team is a positive step towards innovation and growth. However, maintaining a balance between fresh perspectives and experienced wisdom will be crucial for sustained success. Overall, GPIL's strategic initiatives and growth plans position it well for future scaling and market expansion.

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 | 529096.99 | 26.63 | 28.43% | -6.00% | 9.28% | -3.74% | -8.40% |
| VST Industries | 5229.21 | 21.50 | 24.63% | 1.98% | 1.26% | 13.27% | 0.28% |
| Godfrey Phillips | 39279.58 | 38.33 | 20.91% | 15.03% | 27.98% | 34.62% | 35.34% |
| NTC Industries | 304.28 | 41.12 | 7.29% | -12.91% | 82.72% | 20.00% | 503.45% |
| | | | | | | | |

| Aspect | Commentary |
|----------------------|--|
| Revenue | The company shows strong revenue growth with a 26.2% YoY increase, driven by strategic partnerships and market expansion. This indicates robust demand and effective sales strategies, positioning the company well for future growth. |
| Profit & Loss | Operating profit and PAT have increased significantly, reflecting efficient cost management and strong sales performance. The company's ability to maintain profitability amidst market challenges is commendable. |
| Profitability Matrix | The company maintains healthy margins with an operating profit margin of 18.6% and a net profit margin of 16.7%. This indicates strong operational efficiency and effective cost control measures. |
| Valuation Matrix | The valuation metrics, including a P/E of 38.3 and EV/EBITDA of 27.2, suggest the company is valued at a premium, reflecting investor confidence in its growth prospects and market position. |
| Growth (YoY) | The company exhibits impressive YoY growth with a 44.4% increase in PAT and 11.83% in EPS, highlighting its strong financial performance and ability to generate shareholder value. |
| Growth (QoQ) | Quarterly growth figures show a 15.04% increase in sales and a 34.41% rise in PAT, indicating strong operational performance and effective execution of growth strategies. |
| Capital Allocation | The company demonstrates efficient capital allocation with a RoE of 20.9% and RoCE of 24.1%, reflecting its ability to generate returns on investments and sustain growth. |
| Holdings | Promoter holding is strong at 72.6%, indicating confidence in the company's future. Institutional and public holdings are stable, suggesting a balanced investor base. |
| Leverage | With a low debt/equity ratio of 0.06, the company maintains a conservative leverage position, ensuring financial stability and flexibility for future investments. |

Analyst viewpoint: Godfrey Phillips India Limited (GPIL) has posted impressive growth metrics this quarter, with a robust 15.04% increase in sales and a 34.41% rise in PAT, illustrating effective execution of growth strategies and operational efficiencies. These figures underscore the company's ability to harness market opportunities and capitalize on strategic partnerships, such as those with Philip Morris and Ferrero India, which have diversified its product portfolio and reinforced its market presence. The valuation remains attractive with a trailing P/E of 38.3, positioning the company at a premium in the market, reflecting strong investor confidence. The company's capital allocation strategy is commendable, with a high return on equity of 20.9% and a debt/equity ratio of just 0.06, providing a firm foundation for sustainable growth in the upcoming quarters.

While GPIL's strategic initiatives continue to propel it forward, one area warranting cautious optimism is the company's scope for improving its ESG performance, despite notable progress. GPIL's strategic expansion into international markets further bolsters its growth outlook, complemented by a thriving domestic demand for its products. The strong promoter holding of 72.6% reinforces the aligned interests of management with long-term shareholders. As GPIL ventures into new markets and enhances productivity, the company is well-poised to sustain its growth trajectory in the fast-moving consumer goods sector, contingent on navigating any operational or market risks effectively.

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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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