

4th April, 2018

CMP – ₹534.1/-

View – Positive

Company Background And Business Model

Godrej Industries is a holding company for some of the major Godrej Group companies. With interests in consumer goods, real estate, agriculture and gourmet retail through their subsidiary and associate companies, the company is spread across 18 countries. Their standalone primary business is of Chemicals; and ranks among India's leading manufacturers of oleo chemicals and surfactants. GIL exports to over 80 countries in North and South America, Asia, Europe, Australia and Africa.

Important Statistics (₹crs)

M.Cap	17,945.76
52 Week H/L (₹)	699.7/501.5
NSE Code	GODREJIND
BSE Code	500164

Investment Argument

➤ **Chemical business strong footed on demand from user industries** – GIL is one of India's leading oleo chemicals players and manufacture and market over 100 chemicals for use in more than 24 applications. The user industries are all consumer facing and less cyclical is demand. **Its product profile is as follows:**

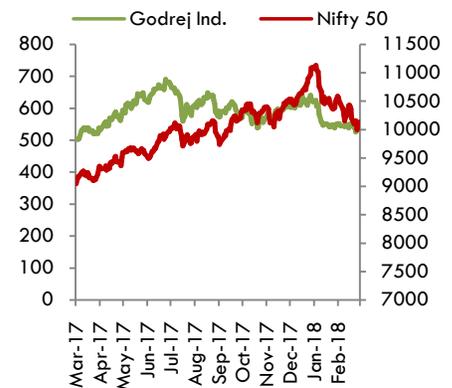
- **Fatty alcohols** – The Company is a leading manufacturer of long chain fatty alcohols which caters oil fields, paper and personal care industries.
- **Fatty Acids** – GIL pioneered the manufacturing of the world's first vegetable oil based soap using Fatty Acids in 1918. Today, they manufacture a range of C16 and C18 Fatty Acids that have diverse applications in textiles, rubber, polymers, foods and feeds, and personal care products. Over the last decade, they have diversified their portfolio to include high purity specialty Fatty Acid derived from mustard oil.
- **Surfactants** – GIL is the pioneer in manufacturing and developing applications of Alpha Olefin Sulphonate (AOS). The unique properties of AOS are effective in a variety of applications in industries ranging from home and personal care to polymers, oil fields and construction chemicals. Over the last decade, they have also started producing Fatty Alcohol based Surfactants that are used extensively in the home and personal care industry.
- **Glycerin** – This is a versatile chemical and is used in a variety of applications including food and personal care products among others.
- **Specialty Chemicals** – Over the last decade, the company has diversified its product portfolio to include value added specialty products.

In Q3FY18, revenues increased by 21% to ₹448 crs compared to Q3FY17. PBIT for the quarter increased by 46% to ₹35 crs. as compared to Q3FY17. Exports increased by 28% to ₹142 crs in Q3. For 9MFY18, revenues registered a growth of 20% at ₹1221 crs. while PBIT increased by 12% to ₹65 crs.

➤ **Godrej Consumer Products (23.8%)** is an emerging market FMCG leader with presence in the household care segment & personal care segment. The company has vast operations spread across India, Latin America & Africa. Consolidated net sales grew by 8.9% in Q3FY18 to ₹2604crs assuming GST in the base quarter sales. India business recorded comparable sales growth of 17% led by 18% volume growth. International business reported comparable growth of 5% on a constant currency basis. Management said that all its distribution channels are back to normal and rural demand recovered stronger than urban. After posting strong numbers in Q3 & 9MFY18 the company was optimistic in pickup in consumer demand. As market conditions improve, the company is set to increase the pace of new product launches to build on the growth momentum. The investments in brand strengthening & increasing market reach will bode well for the company in the long run. We believe the company is on a strong innovation path and expect the past launches as well as cross pollination of brands and distribution expansion will add to the topline growth for next few years. That all its distribution channels are back to normal and rural demand recovered stronger than urban and this trend will continue in coming quarters. International business profitability levers are – portfolio mix, premiumisation, cost reduction programs, better deployment of marketing expenses, & better management of overheads (fixed costs).

Financials

	(₹ crs)	
	FY16	FY17
Total Income	7806	8681
EBITDA	647	837
EBITDA Margin	8.3%	9.6%
Reported PAT	161	256
PAT Margin (%)	2.1%	3.0%
EPS (₹)	4.80	7.62
Book Value	91.76	95.22
ROE	1.42	3.94



4th April, 2018

CMP – ₹534.1/-

View – Positive

- **Godrej Properties (56.7%)** is one of the fastest growing real estate companies in India. The company works on an asset light business model. The company has been clocking ~1200 crs. sales every quarter since the last three quarters. The company witnessed a 76%YoY growth in value of sales bookings – total booking value stood ₹1220 crore in Q3. Residential sales were at historical highs in 9M. 9MFY18 sales at Godrej BKC stood at ₹697 crore leading to remaining inventory of only ~51,000 sq.ft. The company added three new projects with saleable area of ~5.25 million sq.ft. in January 2018.
- **Godrej Agrovet (58%)** which was recently listed has varied operations spread across animal feeds, palm oil, crop protection and dairy. GVAL got listed on 17th October 2017. Through the issue GIL realised a profit of ₹267 crs. on a standalone basis. Prospects for the agri business are strong as it climbs the protein value chain over the next decade. Consolidated revenues for Q3FY18 stood at ₹1,221 crs. registering a growth of 7%. For the Quarter and Nine Months period ended December 31, 2017 revenue growth was subdued due to lower commodity prices. PAT growth was at 7% for the Q3FY18.
 - Animal Feed segment reported strong volume growth of 10% in Q3FY18 as compared to corresponding quarter of previous year.
 - Vegetable oil segment revenue registered a growth of 22% in Q3 and 24% in 9MFY18 on the back of strong fresh fruit bunch volume growth by 24% in 9MFY18.
 - Crop protection segment revenue has registered a growth of 4% in Q3FY18 despite the adverse impact in revenue on account of GST. The segment result showed a robust growth of 33%.
 - Dairy segment revenue has registered a growth of 16% in Q3FY18, despite the adverse impact in revenue on account of GST. The segment result showed a robust growth of 44%.
- **Godrej Nature's Basket (100%)** is a retail outlet catering to gourmet packaged food offering from across the world. Q3FY18 sales was at ₹81.7 crore, a like to like growth of 8.5%. Online business clocked sale of ₹4.1 crore in Q3FY18, a growth of 17%; and contributes 5% to the overall sales. The Company continued to undertake expansion of outlets. Gifting sales saw a boost with a Like-to-Like growth of 30% in Q3FY18.

Valuations

GIL is a holding company for all major Godrej Group Companies. In the recent price correction and at relevant stakes in the subsidiaries and associates we believe the holding discount has widened from its earlier average of 15-23% to 45-50%. We believe this gap will narrow down given the strong growth prospects of the subsidiaries in the next 2 years and hence we are *POSITIVE* on the stock.

4th April, 2018

CMP – ₹534.1/-

View – Positive

Disclaimer

Analyst Certification: I, Shivani Vishwanathan, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Shivani Vishwanathan, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in Godrej Industries Ltd. Ltd. as on April 4th, 2018

Name of the Security	Godrej Industries Ltd.
Name of the analyst	Shivani Vivek Vishwanathan
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / NO	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.