

# High Conviction Stock Idea

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Scrip	CMP	Target	Potential Upside (%)	Recommendation
Godrej Consumer Products	874.6	999.3	14%	BUY

**Buy**

**CMP** **874.6**

**Target** **999.3**

#### Stock Data

52 week high/low (Rs) : 1380/ 860

Face value/share (Rs.) : 1.0

Outstanding share (Cr.) : 68.1

Market cap (Rs Cr) : 89384

Av. Daily volume(in 000's) : 43.0

- Diverse Portfolio, focused on innovation:** Godrej Consumer Products Ltd. (GCPL) is one of the leading FMCG players in the country with segment leading products in several categories like soaps (Cinthol, Godrej No.1), hair care (Godrej Expert), home insecticides (Good Knight, Hit) and other personal products (AER, Protekt, etc). The growth has been led by geographic as well as product expansion. New products launched in past 5 years account for 20% of global and 35% of India growth. FY19 has 10-12 new product launches schedules (highest ever) as per the management.
- Dual play on Domestic and Emerging Markets:** It is a unique play on the FMCG growth in India and the emerging markets in Asia, Africa and Latin America (exports contributed 47% of FY18 revenue). It has successfully executed its 3-by-3 strategy (3 product categories: soaps, hair care and household insecticides) and presence in 3 geographies (Asia, Africa and Latin America) - the growth has been both organic as well as through acquisitions which have turned around. It is now focused on exploring in digital, advanced analytics, go-to-market and supply chain technologies.
- Initiatives to drive growth and improve margins:** GCPL has a direct coverage through ~1.2 mn outlets and overall reach of ~5.8 mn. Focus will remain on increasing reach, leveraging digital capabilities and cost savings through supply chain efficiencies. Premiumisation will continue to play out across categories and regions and the increasing contribution from higher margins products will support margin expansion going ahead.

#### Valuation Table

Particulars	Mar.'18	Mar.'19E	Mar.'20E
EPS (Rs.)	21.4	24.6	29.0
EPS Gr (%)	-	15.0%	17.9%
P/E (x)	61.3	53.3	45.2
Pr/BV (x)	14.3	12.4	10.6
RoE (%)	25.2%	25.0%	25.3%

Note: CMP as on 30<sup>th</sup> July, 2018 and average daily volume is on bi-weekly basis.

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