

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Godrej Agrovet	9,544	497	556	12%	Buy

* Note: Investment horizon Approx. 6-9 months., CMP as on 30th Nov, 2018.

CMP	Target
497	556

MARKET DATA

No. of Shares	: 19.2 cr
Market Cap	: Rs 9,544 Cr
52-week High / Low	: Rs 737/493
BSE Code	: 540743
NSE Code	: GODREJAGRO

Investment Rationale

- ❑ We believe GAVL is well placed to scale up, given presence across under penetrated and unorganized segments of the agri value chain coupled with its strong brand, distribution, cash flows and R&D focus.
- ❑ **Animal feed business:** While GAVL is a pan-India market leader in animal feed with 8-10% market share, it has also become market leader in couple of states in organized cattle feed. The company will continue to benefit from customer stickiness, strong R&D, sales on cash & carry and pan-India distribution. Management targets 15% volume growth over next 3-5 years.
- ❑ **Palm oil:** GAVL continues to be the largest domestic producer of crude palm oil and palm kernel oil with control over 1/3rd of India's palm oil plantations. The division has received allotment of several circles, which will help enhance the area under oil palm plantation from the current ~66,000 hectares.
- ❑ **Debt Reduction:** Management guided for lower receivables by end of FY19 and targets debt reduction by ~Rs 2 bn (currently at ~ Rs 4 bn). We expect the company to be debt-free in next couple of years.
- ❑ We expect 20+% PAT CAGR over FY18-21 led by (1) market share gains in animal feed, as yield conscious farmers shift to organized players (10% of overall market); (2) new products and in-license agreements for agri inputs to drive 2x growth; and (3) 20% growth in dairy business as GAVL focuses on value-added products and better operating efficiencies.
- ❑ We maintain a **BUY** with a target of Rs 556.

Financial Summary

Y/E Mar	Adj. PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)
FY18	239	12.4	42.1	19.7	17.9
FY19E	288	15.0	35.0	18.5	17.9
FY20E	375	19.5	26.8	19.9	20.4

Source: Axis Securities, Bloomberg, Capitaline

No of Stocks Matrix		
No of Stocks	< 9m	>9m
Met Target	15	-
Not Met Target	20	-

Performance Matrix		
% Return	< 9m	>9m
Met Target	11.92%	-
Not Met Target	(19.27%)	-

Benchmark Performance Matrix		
% Return	< 9m	>9m
Met Target	1.79%	-
Not Met Target	5.02%	-

Note : performance of the pick of the week is calculated for stocks recommended Feb-18 to Oct-18

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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