

Godrej Industries Ltd.

₹ 288

Tit Bit Bonus!**Buy**

Dec 26, 2014

Company Background

Godrej Industries Ltd. (Godrej) is a member of the Godrej Group, which was established in 1897 & has since grown into a US\$ 1.9 bn conglomerate. It was called Godrej Soaps until 2001. Thereafter, the consumer products division got de-merged into Godrej Consumer Products, and the residual Godrej Soaps became Godrej Industries. Godrej is India's leading manufacturer of oleochemicals and makes more than a hundred chemicals for use in over two dozen industries. It also manufactures edible oils, vanaspati and bakery fats. It also operates in real estate. Besides its three businesses, Godrej also runs four divisions Corporate Finance, Corporate HR, Corporate Audit & Assurance & Research & Development which operate on behalf of the entire Godrej Group. Godrej has built a strong manufacturing base capable of delivering international quality products at competitive prices. It operates two plants, one at Valia in the Indian state of Gujarat and a second at Vikhroli in suburban Mumbai. The company's products are exported to 40 countries in North and South America, Asia, Europe, Australia and Africa, and it leads the Indian market in the production of fatty acids, fatty alcohols and AOS.

Key Highlights

- ➔ Godrej showed good growth in Sep Quarter for the QE Sep 2014, Consolidated net profit jumped to Rs. 951.60 mn against Rs. 935.90 mn Q-oQ, an increase of 1.68%. Revenue for the quarter rose by 12.74% to Rs. 22981.60 mn from Rs. 20384.70 mn, when compared with the prior year period. EPS stood at Rs. 2.84 a share during the quarter. PBDIT was Rs. 1658.50 mn as against Rs. 1913.70 mn in the corresponding period.
- ➔ Godrej Properties Ltd. a subsidiary in which GIL has a majority shareholding is currently developing landmark projects in 12 cities across India. This real estate arm's upcoming development covers 83 mn square feet of development as residential, commercial and township developments.
- ➔ Jan 6, 2014 is the record date for shareholders to get bonus shares of Godrej pursuant to the scheme of amalgamation of Wadala Commodities Though the bonus is very small but will contribute a bit to existing portfolio.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	15,631.8	15,790.8	16,106.9
Rev. growth (%)	24.7	1.0	2.0
EBITDA (INR mn)	3,150.0	2,028.2	2,672.9
Net profit (INR mn)	2,015.6	985.9	1,254.8
Shares outstanding (mn)	317.6	335.2	331.1
EPS (INR)	6.3	2.9	3.8
EPS growth (%)	51.1	(53.6)	28.8
P/E (x)	40.7	100.3	83.2
RONW (%)	18.5	6.5	5.8
ROCE (%)	12.5	4.4	3.3

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: GODI.BO
Bloomberg	: GDSP@IN
NSE	: GODREJIND
BSE	: 500164

Market Data

52 Wk Range (₹)	: 258 / 372
Shares in Issue (mn)	: 331.1
Mkt. Cap (₹ bn)	: 96.0
BSE 2 Wk Avg Vol	: 39,000

Share Holding Pattern (%)

Promoters	: 74.89
FIIs	: 11.28
DIIIs	: 3.90
Others	: 9.93

Previous Report

Recommended Accumulate at 275 Rs on Feb 14, 2014 reached target of 10% appreciation on March 27, 2014

Investment Theme

Starting from just a humble business of Locks, Godrej has ventured into nearly each business segment in the market. Currently it is aggressive in the Real Estate, Its Subsidiary Godrej Properties is among the top 3 Real-Estate firms in India. The current Amalgamation with Wadala Commodities also brings in a 7 acre land bank at a prime Location in Wadala. Currently Wadala is one of the flourishing areas of Real Estate business. With this land at its disposal Godrej may plan to develop another project in this area thus encashing the amalgamation which is done at a very low swap ratio favouring godrej Industries. Thus continuing its growth story a little further in the town of Mumbai.

Now 7 Acres more !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	13650.5	14276.8	4.59	13946.9	(2.31)
Other Income	2691.4	2433.4	(9.59)	3030.4	24.53
Change in Stocks	91.5	(256.4)	(380.22)	536.2	(309.13)
Raw Material Con.	8706.4	9345.0	7.33	9577.7	2.49
Employee Exp.	1163.3	1197.5	2.94	1123.3	(6.20)
Indirect Taxes	780.6	1029.8	31.92	986.6	(4.19)
Other Exp.	2644.5	2890.3	9.29	3183.6	10.15
Operating Exp.	13203.3	14719.0	11.48	14335.0	(2.61)
Operating Profit	447.2	(442.2)	(198.88)	(388.1)	(12.23)
Total Interest	864.2	696.9	(19.36)	1067.2	53.14
Gross Profit	2274.4	1294.3	(43.09)	1575.1	21.70
Net Dep.	260.5	299.0	14.78	268.4	(10.23)
Total Taxation	(1.7)	9.4	(652.94)	51.9	452.13
Net Profit/Loss	2015.6	985.9	(51.09)	1254.8	27.27

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	16,329.9	17,287.2	25,426.1	28,508.3
Equity Share capital	317.6	317.6	335.2	331.2
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	10,468.9	11,902.3	15,828.8	14,018.1
Long Term Loans	4,411.1	4,142.4	4,809.5	8,288.0
Short Term Loans	1,132.3	924.9	4,452.6	5,871.0
USES OF FUNDS	16,329.9	17,287.2	25,426.1	28,508.3
Gross Block	6,775.1	7,180.9	7,280.3	9,600.3
Less : Revaluation Reserves	114.9	105.6	77.2	0.0
Less : Accumulated Depreciation	3,633.4	3,865.9	4,066.5	3,454.0
Net Block	3,026.8	3,209.4	3,136.6	6,146.3
Capital Work in Progress	43.5	1,417.9	4,890.2	3,820.0
Investments	12,337.4	13,538.1	13,392.5	20,482.6
Current Assets	6,064.5	8,495.0	10,445.1	6,456.7
Less : Current Liabilities	6,415.6	9,373.2	6,438.3	8,397.3
Total Net Current Assets	(351.1)	(878.2)	4,006.8	(1,940.6)
Misc. Expenses not written	1,273.3	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	4,584.7	5,104.2	3,592.7	4,119.9
Mkt Val. Quoted Investments	59,052.7	64,986.1	83,357.2	91,806.4
Contingent Liabilities	1,217.5	2,663.8	1,829.5	3,335.8
Dividend (%)	175	175	175	175

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	3645.0	3871.4	3981.4	4210.6
Cost Of Sales	3449.1	3756.8	3523.7	3736.1
Operating Profit	195.9	114.6	457.7	474.5
Recurring Income	40.5	45.6	367.4	490.1
Adjusted PBDIT	236.4	160.2	825.1	964.6
Financial Expenses	262.2	298.1	321.5	345.7
Depreciation	50.6	86.3	64.7	71.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(76.4)	(224.2)	438.9	547.9
Tax Charges	9.0	31.1	28.0	28.8
Adjusted PAT	(85.4)	(255.3)	410.9	519.1
Non Recurring Items	0.0	792.1	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(85.4)	536.8	410.9	519.1

52 Week Index Relative Percentage Appreciation



Godrej vs SENSEX

Wadala Commodities Amalgamation

It is said that by the amalgamation of Wadala Commodities with Godrej Industries Ltd. the land bank of Wadala Commodities which is around 7 acres at a prime spot in Wadala would be at the disposal of Godrej Industries, thus adding up to some more land in Mumbai apart from the Vikhroli Land which the company is developing stepwise. At the current swap ratio of Amalgamation the land seems to be acquired at a very low cost.

Risk Associated

Changes in law pertaining to the real estate segment can affect the valuation prices of its land bank. With the increasing prices of its related raw materials, it would have a major burden leading to increase in its expenditure, thus affecting its income bucket. With the Government opening the gate for privatization with FDI in Retail, leading world players will entered in to the FMCG segment, giving tough competition to the domestic players. Competition in the industry has been a major problem, not only between different segments but also between own segment as well, as the companies has to pay higher compensation for their own different segments in order to face tough competition from their segments itself. Fluctuations in the foreign exchange currency could also act as a drawback for the companies exporting its products in international markets.

In a Nutshell

Godrej manufactures chemicals and is the market leader in some of them. It also has other diversified businesses. Godrej Industries controls an important part of the Indian market in the production of fatty acids, fatty alcohols and AOS. It is the second largest producer of glycerine in the country. It also has various stakes in Companies related to Agrovet, Consumer Care, Real Estate, Food & Beverage and Finance. Nearly all of its subsidiary companies are performing as much nicely as the parent. The major benefit to Godrej appears to be in Real Estate. Its Subsidiary is developing a large landbank of 85 mn sq ft at various key locations in India. Godrej has Land Reserves of approximately 17.99 million sq. ft in Metro Cities like Mumbai, Pune, Bangalore, Hyderabad, Kolkata & proposes to develop commercial projects on over 67% of its land reserves through its Real Estate Subsidiary. Looking at the basic model on which Godrej Properties develops land it is clear that when these properties will be developed Godrej would not only get a Revenue Share of the property but also a huge chunk of value since it also hold a majority stake in the Real Estate Arm. Further Godrej Consumer Products has made some good acquisitions in the last 3 to 4 years which are also bringing in International Revenue thus raising the intrinsic value. The recent scheme of amalgamation with Wadala Commodities would be more beneficial as it would bring in around 7 acres of land which Wadala Commodity holds at a prime location at Wadala. This land would bring in more intrinsic value for the company and would be at the companies disposal to develop as it has already started with the Vikhroli Land.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates 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. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.