

**March 14, 2014**

**Godrej Industries Ltd.**

BSE Code: 500164

NSE Code: GODREJIND

Reuters Code:

GODI.NS

Bloomberg Code: GDSP:IN

Godrej Industries Ltd. (GIL) is part of the Godrej group, one of the leading business groups in India and is in the businesses of Oleochemicals, surfactants, finance & investments and estate management. It has substantial interests in several industries including property development, oil palm plantation, animal feeds and agro-products, poultry, personal care and household care, etc., through its subsidiaries and associate companies.

### Investor's Rationale

**Better performance in Veg. oil sector boosted the topline by 16% YoY** – GIL recorded a decent growth of ~16.6% YoY in its consolidated topline during Q3FY'14 at ₹19,602.3 mn. Increase in revenues from its chemicals, animal feeds, vegetable oil & others business segments by 11.1%, 3.0%, 59.27% & 28.06% at ₹3,348.4, ₹6,398.6, ₹6,109.1 & ₹1,932.5 mn respectively was counter balance by fall in revenue from its other business. It was reported that GIL's witness a decline in Estate and Property Development segments & Finance and Investments segments by 3.4% and 93.11% at ₹2,739.6 & ₹111.5 mn respectively.

**Bottom line decline massively by 64%** – The company reported a decline of 64 % in its bottomline at ₹652.3 mn mainly due to higher base in Q3 December 2012. The Q3FY'13 results include profit from sale of Godrej Agrovet shares to a strategic partner. The bottomline growth in Q3FY'14 would have been 27%, if one excludes the impact of exceptional items. Consequently, NPM contracted by 721bps YoY to 3.2% from 10.4%.

**EBITDA margin grew merely by 79bps on lower operating expenses** – In line with the healthy net sales growth, the EBITDA grew by 34% YoY to ₹1,237.4 mn against the ₹1,464.8 year earlier due to fall in cost of Property Development by 24.5% at ₹1,304.0 and purchase of stock in trade at ₹(192.3mn) from ₹143.5mn. Accordingly, the OPM expanded merely by 73bps YoY to 6.2% from 5.4%.

**Key Developments** – During Q3 FY'14, GIL has approved the scheme of amalgamation of Wadala Commodities with Godrej Industries (the Scheme) and their respective shareholders. In consideration for the amalgamation of Wadala Commodities with Godrej Industries, GIL will issue 1 fully paid share for every 108 share of wadala commodities. The amalgamation will boost topline and help in strengthening market share in Vegetable oil segment. Further, GIL has launched several operational excellence initiatives to further enhance operational performance.

### Market Data

Rating	BUY
CMP (₹)	300
Target Price	360
Stop Loss	270
Duration	Short-term
52-week High-Low (₹)	324/218
Rise from 52WL (%)	37.6
Correction from 52WH (%)	7.40
Beta	1.07
1 year Average Volume (mn)	0.27
	3M- 4.4
Stock Return (%)	6M- 10.1
	1Y- 9.0
Market Cap (₹bn)	99.96
Book Value (₹)	92.57

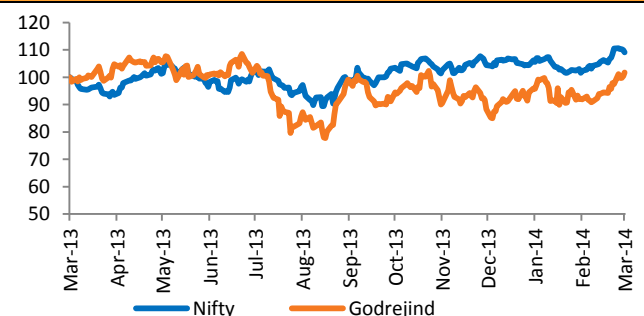
### Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	74.89	74.89	0.00
FII (%)	10.41	10.93	(0.52)
DII (%)	3.74	4.02	(0.28)
Public & Others (%)	10.96	10.16	0.80

### Quarterly Performance (Consolidated)

(₹Mn)	Q3 FY'14	Q3 FY'13	Q2 FY'14	YoY Change(%)	QoQ Change (%)
Sales	19,602.3	16,805.9	20,084.2	16.6	(2.4)
Op. exp	18,836.6	16,210.4	18,919.9	16.2	(0.4)
EBITDA	1,237.4	921.0	1,464.8	34.4	(15.5)
OPM (%)	6.2	5.4	7.2	79bps	(102bps)
Net profit	652.3	1,794.4	935.9	(64.0)	(30.3)
NPM (%)	3.2	10.4	4.5	(721bps)	(128bps)
EPS (₹)	1.9	5.5	2.8	-64.5	-30.5

### One Year Price Chart





Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

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