Godrej Consumer Products Ltd.

DEVEN CHOKSEY RESEARCH

Result Update – Q4FY26 || Current Market Price – INR **1,007** || Target Price – **INR 1,344** || Upside – **33.5%** || Date: 18th May 2026

Multiple Growth Engines Entering Inflection Phase

Investment thesis:

India Category Development Engine Emerging as Core Value Driver: GCPL's India business is structurally transitioning from a legacy soaps and insecticides franchise into a diversified Home & Personal Care platform, with the "Goodness Manifesto" strategy now delivering visible outcomes after 3+ years of execution. Q4 FY26 marked a clear inflection, with standalone UVG at 8%, revenue growth at 10%, and EBITDA growth at 18%, driven by broad-based category momentum. Household Insecticides is witnessing a structural recovery post the RNF rollout, while Fabric Care, Air Fresheners, and Perfumes continue to scale rapidly, benefiting from low penetration and premiumization trends. Importantly, Home Care now contributes ~47% of standalone India revenue versus ~40% two years ago, structurally improving growth quality, pricing power, and margin resilience.

Inflationary Environment Strengthening Organized Player Advantage: The current crude-led inflation cycle is likely to favor organized FMCG players like GCPL despite near-term margin pressure. Broad-based inflation enables industry-wide price hikes, while local and unorganized players remain disproportionately impacted due to weaker procurement scale and higher logistics sensitivity. GCPL has already implemented pricing increases across soaps, detergents, and HI from April 2026, with benefits expected from Q1 FY27 onwards. Management remains focused on protecting absolute EBITDA while prioritizing market share gains, consistent with the strategy adopted during prior inflationary cycles.

Indonesia Recovery Turning into Multi-Quarter Earnings Catalyst: Indonesia, which contributes ~13% of consolidated revenue, is showing signs of recovery after multiple weak quarters driven by competitive pricing pressure. The business has now delivered two consecutive quarters of 4% UVG, indicating stabilization in demand and competitive intensity. Management highlighted improving traction for the Stella LV relaunch, while potential IDR stabilization could turn prior currency headwinds into a tailwind. A sustained recovery could materially improve consolidated profitability over FY27-28.

Africa FMCG Expansion Offers Long-Duration Optionality: GCPL's Africa business is gradually transitioning from a hair-fashion-led franchise into a broader FMCG platform, creating meaningful long-term optionality. Q4 FY26 revenue grew 20%, though profitability remained subdued due to elevated investments behind emerging FMCG categories such as Aer Pocket. Hair Fashion continues to remain a strong cash-generating business, while newer categories are scaling across African markets through India-led manufacturing and exports. Successful execution could unlock a meaningful incremental growth driver over the medium term.

Outlook - GCPL appears well-positioned for a multi-year earnings re-rating, supported by accelerating India category expansion, improving mix toward higher-margin Home Care, and early signs of recovery in Indonesia. While near-term commodity inflation may pressure margins, the environment structurally favors organized players with pricing power and scale advantages. Simultaneously, Africa offers long-duration optionality through FMCG expansion. Overall, growth quality is improving materially, with multiple earnings drivers emerging concurrently.

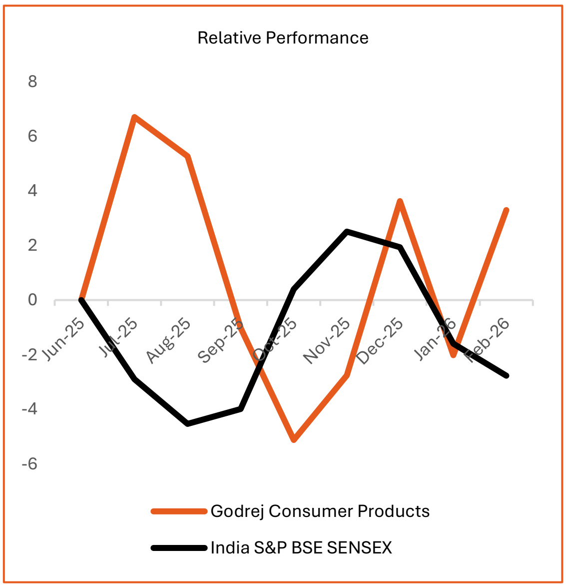
Valuation – On this backdrop we expect Godrej Consumer Products to deliver a Revenue/EBITDA/PAT CAGR of 11%/14%/21% over FY26-FY28E, which translates the stock trading at 39x FY28E. We value the stock at 52x FY28E, implying a target price of INR 1,344. An upside of 33.5%. Rating: **BUY**

Key Risk – (a) Sustained Brent crude above USD 110/bbl could materially delay margin recovery and compress EBITDA margins across key categories. (b) Aggressive competitive pricing in soaps by larger FMCG peers could intensify margin pressure in Personal Wash, which contributes ~25% of standalone revenue. (c) Currency volatility across key international markets, particularly Indonesia and Africa, could significantly impact consolidated earnings and profitability.

Particulars	
CMP (INR)	1,007
Market Cap (Cr)	1,02,882
Free Float Market Cap (Cr)	38,716
52 Week High / Low (INR)	1,308 / 967
Avg Daily Vol (1Y) shares	14,36,152
No. of Shares (Cr.)	102

Key Financial (INR Cr.)	FY26	FY27E	FY28E
Net Revenue	15,178	17,119	18,755
EBITDA	3,156	3,595	4,075
PAT	1,861	2,408	2,745
EPS	18.2	23.5	25.9

Holding	Sep-25	Dec-25	Mar-26
Promoters	53.07	53.06	53.06
FIIs	18.23	15.41	13.94
DIIs	13.58	15.41	13.94
Public	15.11	15.06	14.99
Total	**100.0**	**100.0**	**100.0**



Source: Company Research, Deven Choksey Research

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Story in Charts

Exhibit 1: Revenue Growth driven by all fronts

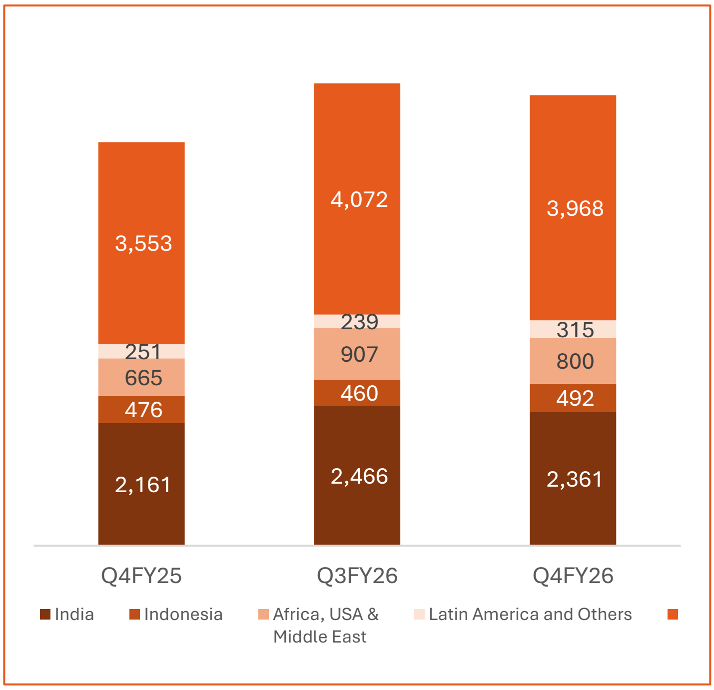


Exhibit 2: Gross Profit and GP Margin

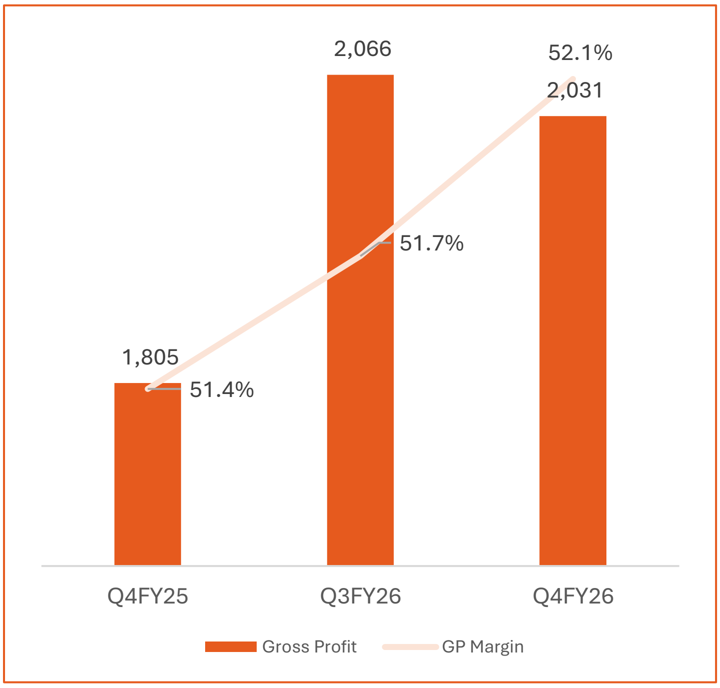


Exhibit 3: EBITDA & EBITDA Margin

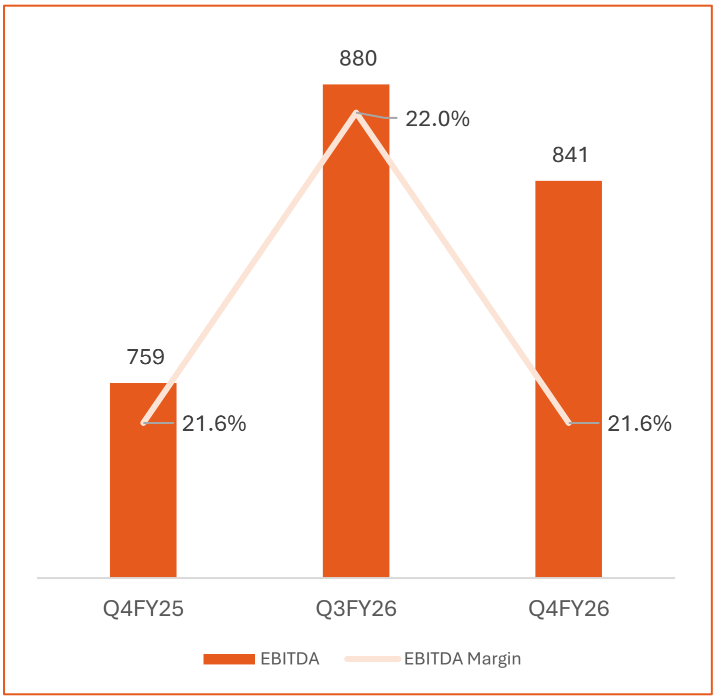
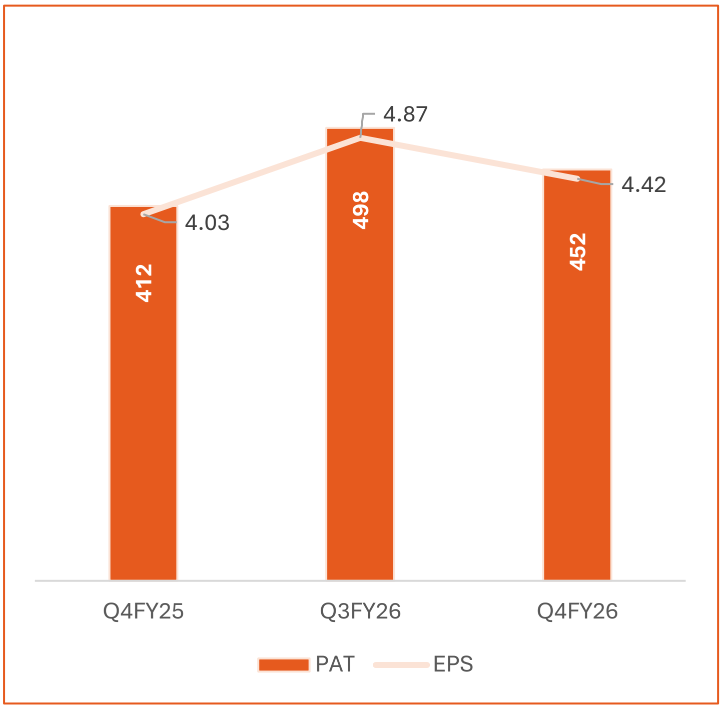


Exhibit 4: PAT & EPS



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Result Snapshot

Particulars (₹ Cr)	Q4 FY25	Q3 FY26	Q4 FY26	QoQ %	YoY %
Revenue from Operations	3,514	3,998	**3,900**	-2.4%	+11.0%
Sale of Products	3,494	3,978	**3,885**	-2.3%	+11.2%
Other Operating Revenue	20	20	**16**	-20.0%	-20.0%
Other Income	74	56	**69**	+23.2%	-6.8%
Total Income	3,588	4,054	**3,970**	-2.1%	+10.6%
EXPENSES					
Raw Material + Packing Cost	1,443	1,397	**1,435**	+2.7%	-0.6%
Purchase of Stock-in-Trade	237	448	**416**	-7.1%	+75.5%
Change in Inventories	29	87	**19**	-78.2%	-34.5%
Total Material Cost	1,709	1,932	**1,870**	-3.2%	+9.4%
Material Cost % of Revenue	48.6%	48.3%	**47.9%**	-40bps	-70bps
Employee Benefits	262	328	**325**	-0.9%	+23.8%
Ad & Publicity (Restated)	281	306	**274**	-10.5%	-2.5%
Other Expenses (Restated)	503	552	**590**	+6.9%	+17.3%
Finance Cost	90	79	**90**	+13.9%	+0.8%
Depreciation & Amortization	73	66	**76**	+15.2%	+4.1%
Total Expenses	2,917	3,263	**3,225**	-1.2%	+10.6%
KEY PROFITABILITY					
Gross Profit	1,805	2,066	**2,031**	-1.7%	+12.5%
Gross Margin %	51.4%	51.7%	**52.1%**	+40bps	+70bps
EBITDA	759	880	**841**	-4.4%	+10.8%
EBITDA Margin %	21.6%	22.0%	**21.6%**	-40bps	Flat
Profit Before Tax	639	700	**651**	-7.0%	+1.9%
Tax Expense	228	202	**200**	-1.0%	-12.3%
Tax Rate %	35.6%	28.9%	**30.7%**	+180bps	-490bps
Reported PAT	412	498	**452**	-9.2%	+9.7%
EPS (₹)	4.03	4.87	**4.42**	-9.2%	+9.7%

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Key Concall Highlights

Margin Outlook – Near-term Headwinds, Medium-term Confidence

- Management guided for Q1-Q2 FY27 margin pressure with Brent at USD 100-110/bbl and palm (CPO) at 4,500-4,800 MYR, translating to 7-9% blended raw material cost inflation.
- Key difference from prior cycles: crude-led inflation affects ALL categories (unlike palm which hits only soaps), making it easier to pass through via calibrated price hikes across the portfolio.
- Price hikes already implemented in April 2026: Soaps +5%, Detergents +6-7%, Household Insecticides +4-5%. These are NOT reflected in Q4FY26 numbers.
- Management expects margin recovery within 3-4 months if crude holds at USD 100-110 (unlike palm crises which take longer to recover).
- Strategy: Accept lower percentage margins in the near-term but drive higher revenue growth and protect absolute EBITDA. Locals/unorganized players face disproportionate pressure.

Volume vs. Pricing Dynamics

- FY27 outlook: Volumes may be slightly lower than originally planned at the start of the year, but revenue growth will be higher due to pricing. EBITDA expected to be reasonably good or at current levels.
- No expectation of volume dry-up from price hikes. In crude-led inflation, organized players gain share vs. local/unorganized players.
- Excluding soaps, India volume growth is in double-digits, making GCPL one of the volume growth leaders in Indian FMCG.

Category-Specific Insights

- Household Insecticides: RNF strategy working; converting a zero-to-low single digit growth category to high single digit, potentially compounding to double digits over time. Structural HI issues of the last decade appear to be behind.
- Soaps: Volume muted partly due to temperature anomalies and still-elevated grammage base effects (e.g., Godrej No.1 INR 10 pack went from 55g to 40g, now back to ~46-47g, still 15-20% below YoY). Pricing tailwinds expected in FY27. Expanding into skin cleansing beyond soaps (Cinthol body wash, Magic hand wash, Muuchstac face wash).
- Fabric Care (Godrej Fab): Robust double-digit growth momentum, market share gains continuing. In detergents, company follows competitor pricing (not a market leader).
- Air Fresheners: Explosive growth globally; production in India and exported. Will become a visible contributor going forward.
- Perfumes & Deodorants: Strong double-digit growth; KS99 now scaled pan-India.

Revenue Reclassification – Accounting Change (EAC/ICAI)

- GCPL has reclassified certain customer-related promotional spends (in-store visibility, display arrangements, mailers) from operating expenses to a deduction from revenue, aligning with the ICAI Expert Advisory Committee opinion published in February 2026.
- Impact: Revenue appears lower (net-down), reported EBITDA margin appears higher (by ~50-70bps). NO impact on absolute EBITDA, PAT, EPS, or total equity.
- Comparatives have been restated. FY25 consolidated revenue restated from INR14,364 Cr to INR13,997 Cr. Key implication: YoY growth rates remain largely unchanged; this is a presentational change, not an economic one.

Other Key Takeaways

- Dividend: INR 5/share (500% on FV INR 1) interim dividend declared for FY27. Record date: May 12, 2026.
- Tax rate: ETR expected to remain stable in FY27.
- Board changes: Nadir Godrej to retire as Non-Executive Director on August 7, 2026 (attaining age 75).
- Analyst/Investor Day: Scheduled for May 11, 2026 at GCPL headquarters, with deep dives on strategy, category development, and growth roadmap.

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Key Financials

Income Statement (Cr.)	FY25A	FY26A	FY27E	FY28E
Revenues	13,997	15,178	17,119	**18,755**
COGS	6,536	7,394	7,782	8,710
Gross profit	7,460	7,783	9,337	**10,044**
Employee cost	1,149	1,232	1,337	1,465
Other expenses	3,309	3,395	4,405	4,505
EBITDA	3,003	3,156	3,595	**4,075**
EBITDA Margin	21.5%	20.8%	21.0%	21.7%
D&A	234	268	292	321
EBIT	2,769	2,888	3,303	**3,754**
Interest expense	350	332	315	310
Other income	316	266	266	266
PBT	2,735	2,823	3,254	3,710
Tax	820	729	846	964
Exceptional items	(63)	(233)	0	0
PAT	1,852	1,861	2,408	2,745
EPS (INR)	18.1	18.2	23.5	25.9

Balance Sheet (Cr.)	FY25A	FY26A	FY27E	FY28E
Equity				
Equity Capital	102	102	102	102
Other Equity	11,902	12,551	13,259	14,255
Total Equity	12,004	12,653	13,361	14,357
Non-Current Liabilities				
Borrowings	0	0	0	0
Provisions	149	150	150	150
Lease Liabilities	92	218	232	251
Other Non-Current Liabilities	493	606	606	606
Total Non-Current Liabilities	734	973	988	1,007
Current Liabilities				
Borrowings	3,883	4,136	4,000	3,995
Lease Liabilities	30	62	85	98
Provisions	107	135	135	135
Trade Payables	2,142	2,302	2,490	2,787
Other current liabilities	772	1,072	1,072	1,072
Total Current Liabilities	6,934	7,707	7,782	8,087
Total Equity & Liabilities	**19,672**	**21,334**	**22,131**	**23,452**
Non-Current Assets				
PPE	1,229	1,878	2,122	2,410
Goodwill	5,145	5,715	5,715	5,715
Other current assets	5,959	6,695	7,852	8,652
Total Non-Current Assets	12,334	14,289	15,689	16,777
Current Assets				
Inventories	1,419	1,659	1,712	1,916
Trade Receivables	1,819	1,837	2,120	2,352
Investments	3,103	1,852	1,756	1,700
Cash and Bank	455	977	259	111
Oher current assets	543	595	595	595
Total Current Assets	7,338	7,045	6,442	6,675
Total Assets	**19,672**	**21,334**	**22,131**	**23,452**

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Godrej Consumer Products Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
18-May-26	1,007	1,344	BUY
26-Aug-25	1,259	1,433	ACCUMULATE
08-May-25	1,237	1,332	ACCUMULATE
27-Jan-25	1,130	1,264	ACCUMULATE
28-Oct-25	1,292	1,452	ACCUMULATE
21-Aug-24	1,394	1,541	ACCUMULATE
09-May-24	1,330	1,426	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I , Neel Mehta, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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