

# Agrovet IPO to unlock value for Godrej Industries

FMCG & retail subsidiaries have been growing at a strong clip

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SHEETAL AGARWAL

The Godrej Industries (GIL) stock hit an all-time high on Monday as the company's board approved the initial public offering (IPO) of its subsidiary, Godrej Agrovet. Even on Tuesday, the sentiment was good, with the stock going up 1.4 per cent. Apart from the IPO plans of Godrej Agrovet, there are many factors that have raised GIL's game.

Godrej Agrovet operates in the animal feed, agri inputs, and oil palm businesses, and has recently forayed into dairy. It has delivered strong annual growth of 18 per cent and 22 per cent, respectively, in revenues and net profits between FY11 and FY16, and the trend continued in the nine months

ended December 2016. Godrej Agrovet has popular brands such as Real Good Chicken and Creamline Dairy Products

under its umbrella. It acquired a stake in plant nutrients and herbicides company Astec Lifesciences recently, and that will be another growth engine. Analysts value Godrej Agrovet between ₹5,626 crore and ₹7,217 crore or 21-25 per cent of Godrej Industries's fair value based on the sum of its parts.

"Godrej Agrovet's implied

## GOOD PROSPECTS

Godrej Agrovet	FY16	FY17E #	FY18E #
Revenues (₹ cr)	4,298	5,124	5,985
% chg y-o-y	3	30	17
Ebitda margin (%) *	7.2	8.5	9
Bps chg y-o-y	-91	134	50
Net profit (₹ cr)	190	215	273
% chg y-o-y	-11	14	27

E: Estimates; # IND-AS; \* standalone  
Source: Company, JM Financial

market capitalisation comes to ₹3,800 crore (assuming a discount of 20 per cent) on the back of its trailing 12-month adjusted net profits of ₹215 crore, which is at a significant premium to its holding cost of ₹144 crore. This will further enhance GIL's overall value," says an analyst at domestic brokerage Sharekhan. While the issue size is not yet finalised, the listing of Godrej Agrovet will lead to value unlocking for GIL.

Most of GIL's businesses

have been doing well. Analysts say both its larger subsidiaries — Godrej Consumer Products (holds 51.21 per cent) and Godrej Properties — could post strong double-digit growth over the next 2-3 years. Both the firms stand to gain market share from their unorganised counterparts after the introduction of the goods and services tax and Real Estate (Regulation & Development) Act. Nature's Basket — GIL's online and retail gourmet store brand — too is growing at a healthy clip. In this backdrop, analysts are positive on the GIL stock and believe news flow around the IPO as well as continued traction in other businesses will keep the sentiment on the stock positive.