

Godrej Agrovet (GOAGRO) - BUY

Company Update

Current Market Price (CMP) Rs.615	Fair Value (FV) Rs.1010
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Rationale:

- Oil palm EBITDA clocked ~Rs430 cr in FY26 & is expected to exceed ~Rs1,000 cr by FY31.
- Double-digit growth in FFB volumes and a sharp increase in value-added products should drive growth.
- The segment’s long growth runway, margin stability and high RoCE warrant attractive valuations.
- The oil palm segment could be worth more than GAVL’s current market cap.
- SoTP-based September 2027E FV for GAVL moves to Rs1,010 (from Rs850). BUY.

👍 Positives:

- The clear implication is long runway for growth in acreages, considering India’s hefty import bill for palm oil (~US\$1000 cr p.a.) and negligible domestic production.
- Own area can nearly double to 150k ha by 2031 from 80k at present.
- GAVL’s existing allotment of >230k ha offers a long growth runway, with >80% of area additions now coming from states other than AP.
- Could benefit in coming years from a shift in mix toward the NMEO-OP formula.
- Besides, shift toward value-added products could alone add another 300 bps or more to margins.
- Management expects that revenues could hit ~Rs4,500 cr by FY31 with EBITDA margins of 23%+, even in a conservative scenario.

👎 Negatives:

- Target of increasing the country’s oil palm area to 2.8 mn hectares (ha), this is a challenging target compared to the present 0.6 mn ha.

(NMEO-OP – National Mission on Edible Oils – Oil Palm | ha – Hectares | FFB – Fresh Fruit Bunches | EBITDA – Earnings Before Interest, Taxes, Depreciation & Amortization | CAGR – Compound Annual Growth Rate | ROCE – Return on Capital Employed | SOTP – Sum-of-the-Parts)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
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– We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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– We advise investor to subscribe to the IPO.
- RS

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- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

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