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Why GCPL stock is under pressure

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The stock of Godrej Consumer Products Ltd (GCPL) has been underperforming broader indices for some time now. True, it touched a new 52-week high on 21 January. But since then, the stock has declined and is now trading about 9% lower than its January 2020 high.

Unfortunately, triggers for the stock to outperform appear few and far between. In a report on 19 March, analysts at Nomura Financial Advisory and Securities (India) Pvt. Ltd said, "We remain cautious, as we believe two of GCPL's three core growth drivers (India household insecticides, Indonesia) are still not out of the woods and can moderate earnings. This can continue to offset any progress made in other businesses (recovery in Africa), hence lack of margin of safety cannot be ignored."

GCPL's FY21 Q3 earnings were just about in line with Street estimates with a consolidated net profit of ₹502 crore. Indonesia sales were soft, while the Africa business had performed well. Consequently, analysts from JM Financial Institutional Securities Ltd said, "India household insecticides growth remained tepid and was the other disappointment from the result—the illegal incense sticks menace has not entirely gone away yet, it seems; this caused GCPL's performance to lag its domestic peers like Marico and Dabur India."

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To be sure, valuations of GCPL shares aren't expensive compared to some other consumer stocks.

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