

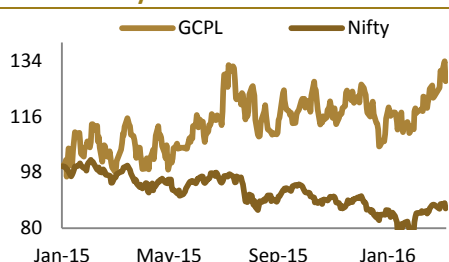
### Market Statistics

Current stock price (₹)	1,604
Shares O/S (cr.)	34.1
Mcap (₹ cr)	54,644
52W H/L (₹)	1,715
6m avg. volume	224,323
Bloomberg	GCPL in

### Shareholding pattern

Promoters	63.27
Domestic Institution	4.73
Foreign Institution	25.95
Non-institution	6.05
of which more than 1%	
National Westminster Bank PLC as Depository of First State Asia Pacific Leaders Fund	2.51
Baytree Investments (Mauritius) Pte Limited	2.46

### GCPL vs Nifty



### Capital efficiency & valuations

Particulars	FY17E	FY18E	FY19E
ROE (%)	29.2	27.8	25.6
ROCE (%)	19.7	20.5	20.2
P/B(x)	9.0	7.5	6.2
P/E (x)	43.3	35.5	31.3
EPS (₹)	37.0	45.2	51.3
EV/OCF (x)	33.8	29.2	28.9

Associate

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**GCPL, based on IND AS, reported consolidated net sales growth of 9.2% to ₹24.02bn ahead than our expectation of (+7.6% YoY). India business (58% of total) showed muted growth & de-grew by 0.2% led by branded business volume de-growth of 3%. HI segments (53% of sales), Soaps & Hair colors segment declined by 2%, 6% & 2% YoY respectively. International business grew strong by 19% while organic constant currency growth was 28%. Constant currency growth for Indonesia, Africa, LATAM & Europe were flat, 54%, 24% & 16%, respectively.**

**Consolidated Gross Margin was up by 111bps YoY to 56.0%. GCPL's A&P spend has expanded by 11.9% YoY and stood at 8.0% (up by 19bps) of sales. Employee and other expenses moved by -19bps & 14bps as % of Sales. This resulted into 487bps YoY expansion in GCPL's EBITDA Margin to 21.5%. EBITDA grew by healthy 13.7% YoY. India EBITDA grew by 12.0% YoY while International EBITDA grew by 13.8%. APAT, including comprehensive income, has increased by 6.6% to ₹3,613mn.**

### Muted Domestic Biz

Domestic sales de-grew by 0.2% YoY. Demonetization has impacted all the categories of GCPL, however management had taken several steps to combat the situation like 1) Focus on direct distribution 2) Extended credit in nov but they will revert back credit back from Feb 3) Focus on modern trade channel(grew by 33%). HI category is expected to improve in coming favorable quarter. Hair colors would also show improvement on back on effective communication campaign and rural penetration. Management mentioned situation is gradually improving while wholesalers channel is still under stress.

### International business showed strong growth of 19% led by Africa business

International registered healthy 19% sales growth with 28% organic constant currency growth. Indonesia showed flat growth on CC basis due to persisting macro-economic slowdown & adverse weather impacting HI segment. Excluding HI, Indonesia grew by 13%. Africa business showed robust 54% growth led strong growth in SON & Canon chemicals & Africa showed organic constant currency growth of 19%. Latam's revenue fell 4% (+24% CC) due to challenging environment. Europe too fell by 5%(+16% CC) due to weak demand post Brexit.

### EBITDA grew healthy at 13.8% in Q3FY17

GCPL's consolidated gross margin expanded by 111bps and stood at 55.1%. A&P spend has expanded by 11.9% YoY and stood at 8.0% (up by 19bps) of sales. Employee and other expenses moved by -19bps & 14bps as % of Sales. This resulted into 487bps YoY expansion in GCPL's EBITDA Margin to 21.5%. EBITDA grew by healthy 13.7% YoY. YoY. Domestic EBITDA Margin increased by 345bps while International EBITDA Margin was down by 84bps due to margin contraction of 110bps, 160bps & 390bps in Indonesia, Africa & LATAM region.

### Outlook and Valuation

GCPL's business is well diversified between domestic & international market where later is more acquisition driven business. In domestic business, GCPL has leadership in HI & Hair Care and further innovation led launches would sustain the growth momentum. Soaps having price deflation pressure but strong regional hold would continue to drive the business ahead of the category growth. Besides, GCPL's international business is well guided by 3x3 strategy of focusing on three core categories and in emerging geographies in Asia, Africa and Latin America. GCPL's international business is well balanced through geographies, segment diversification and market leadership. GCPL trades at 35.5x and 31.3x of FY18 & FY19. **We maintain our HOLD rating on the stock.**



**Exhibit 1: Quarterly Performance**

Particulars (₹ mn)	Q3FY17	Q2FY17	Q3FY16	YoY Change (%)
Gross Sales	24,753	24,366	22,831	8.4
Other Operating Income	105.2	27.1	26.0	4.2
Excise Duty	831.6	791.2	860.1	-3.3
Total income	<b>24,026</b>	<b>23,602</b>	<b>21,997</b>	<b>9.2</b>
Gross profit	13,453	13,014	12,074	11.4
Gross margin (%)	56.0	55.1	54.9	111bps
Employee Expenses	2,555	2,411	2,360	8.3
% of sales	10.6	10.2	10.7	-9bps
Advertisement & Publicity	1,919	2,032	1,715	11.9
% of sales	8.0	8.6	7.8	19bps
Other Expenses	3,805	3,914	3,453	10.2
% of sales	15.8	16.6	15.7	14bps
EBITDA	5,173	4,658	4,546	13.8
EBITDA margin (%)	21.5	19.7	20.7	87bps
Reported PAT	3,522	3,181	3,678	-4.2
Adjusted PAT	3,613	3,225	3,388	6.6

Source: Company, Trust.

**Exhibit 2: Business Breakup**

Particulars	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-17	Sep-16	Dec-16
<b>Sales Mix (%)</b>									
India	52	54	51	52	52	52	48	50	48
International	48	46	49	48	48	48	52	50	52
<b>Gross Profit Mix (%)</b>									
India	55	57	57	57	57	55	52	54	52
International	45	43	43	43	43	45	48	46	48
<b>EBITDA Mix (%)</b>									
India	57	64	57	61	59	64	54	60	60
International	43	36	43	39	41	36	46	40	40
<b>A&amp;P Mix (%)</b>									
India	56	58	73	76	78	49	74	76	71
International	44	42	27	24	22	51	26	24	29
<b>PAT Mix (%)</b>									
India	65	71	116	83	53	68	62	67	66
International	35	29	(16)	17	47	32	38	33	34

**International Performance**

<b>Gross Sales (₹ mn)</b>	<b>Q3FY17</b>	<b>Q3FY16</b>
India	12,795	12,858
Indonesia	3,948	3,688
Africa(including SON)	5,541	3,893
Others	2,782	2,715
<b>Total Gross Sales</b>	<b>24,858</b>	<b>22,857</b>
<b>EBIT(Rs mn)</b>		
India	3,096	2,698
Indonesia	775	737
Africa(including SON)	777	797
Others	300	398
<b>Total EBIT</b>	<b>4,871</b>	<b>4,564</b>
<b>Sales Gr.(%)</b>		
India	(0.5)	na
Indonesia	7.1	na
Africa(including SON)	42.3	na
Others	2.5	na
Total Sales Gr.(%)	<b>8.8</b>	na
<b>EBIT Gr.(%)</b>		
India	14.7	na
Indonesia	5.1	na
Africa(including SON)	(2.4)	na
Others	(24.7)	na
<b>Total EBIT Gr.(%)</b>	<b>6.7</b>	<b>na</b>
<b>EBIT Margin (%)</b>		
India	24.2	21.0
Indonesia	19.6	20.0
Africa(including SON)	14.0	20.5
Others	10.8	14.7
<b>EBIT Margin (%)</b>	<b>19.6</b>	<b>20.0</b>



## Consolidated Financials

### Income Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
<b>Net Revenues</b>	<b>82,764</b>	<b>85,652</b>	<b>94,205</b>	<b>106,228</b>	<b>120,597</b>
% Growth	8.9	3.5	10.0	12.8	13.5
Raw Material	38,415	38,455	42,167	47,096	54,424
Staff	7,770	8,085	8,893	10,028	11,384
Selling and Distribution Expenses	16,131	16,530	16,531	18,596	21,050
Other Expenses	6,764	6,347	8,094	9,369	10,554
Total Expenditures	69,080	69,417	75,684	85,089	97,412
<b>EBITDA</b>	<b>13,684</b>	<b>16,235</b>	<b>18,520</b>	<b>21,139</b>	<b>23,185</b>
% Growth	18.3	18.6	14.1	14.1	9.7
EBITDA Margins (%)	16.5	19.0	19.7	19.9	19.2
Other Income	915	702	665	684	700
Interest	1,032	1,183	1,425	1,418	1,434
Depreciation	908	1,013	1,406	1,448	1,464
<b>Profit Before Tax</b>	<b>12,487</b>	<b>13,486</b>	<b>15,954</b>	<b>18,943</b>	<b>20,973</b>
Provision for tax	2,723	3,313	3,553	3,628	3,628
Effective tax rate (%)	21.8	24.6	22.3	19.2	17.3
<b>Reported PAT</b>	<b>9,070</b>	<b>10,160</b>	<b>12,344</b>	<b>15,213</b>	<b>17,243</b>
% Growth	19.4	12.0	21.5	23.2	13.3
<b>Adjusted Net Profit</b>	<b>9,251</b>	<b>11,117</b>	<b>12,615</b>	<b>15,407</b>	<b>17,453</b>
% Growth	21.7	20.2	13.5	22.1	13.3

### Balance Sheet

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Equity Share Capital	340	341	341	341	341
Reserves & surplus	42,766	50,636	60,587	72,920	87,299
<b>Shareholders' funds</b>	<b>43,107</b>	<b>50,977</b>	<b>60,927</b>	<b>73,260</b>	<b>87,640</b>
Minorities interests	1,620	842	898	1,000	1,103
Total Debt	20,272	24,491	28,491	25,491	22,491
<b>Capital Employed</b>	<b>64,999</b>	<b>76,310</b>	<b>90,316</b>	<b>99,751</b>	<b>111,233</b>
Net Fixed Assets	57,756	63,540	77,613	89,440	89,851
Long Term Loans & Advances	1,943	1,741	2,041	2,341	2,641
Other Non-Current Assets	344	347	347	347	847
Cash & Cash Eq.	8,942	7,459	6,202	4,597	11,341
Net Other current assets	(5,840)	1,284	(427)	(1,715)	(788)
Investments	1,514	1,529	4,029	4,129	6,629
Net Deferred tax Assets	312	413	513	613	713
<b>Total Assets</b>	<b>64,999</b>	<b>76,312</b>	<b>90,316</b>	<b>99,751</b>	<b>111,233</b>

**Cash Flow Statement**

Y/E Mar (₹ mn)	FY15	FY16	FY17E	FY18E	FY19E
Pre-tax profit	12,659	13,486	15,954	18,943	20,973
Depreciation	908	1,013	1,406	1,448	1,464
Total Tax Paid	(2,573)	(3,313)	(3,553)	(3,628)	(3,628)
Chg in working capital	(975)	(7,208)	1,661	1,237	(977)
Other operating activities	(151)	(957)	(58)	(15)	(16)
<b>Cash flow from oper (a)</b>	<b>10,303</b>	<b>3,425</b>	<b>16,890</b>	<b>19,506</b>	<b>19,353</b>
Capital Expenditure	(1,904)	(5,785)	(14,072)	(11,827)	(411)
Chg in investments	(4,495)	(2)	-	-	-
Other investing activities	-	203	(300)	(300)	(300)
<b>Cash flow from inv.(b)</b>	<b>(12,138)</b>	<b>(7,550)</b>	<b>(18,822)</b>	<b>(14,177)</b>	<b>(5,661)</b>
<b>Free cash flow (a+b)</b>	<b>(1,835)</b>	<b>(4,125)</b>	<b>(1,932)</b>	<b>5,329</b>	<b>13,692</b>
Equity raised/(repaid)	-	(890)	-	(0)	-
Debt raised/(repaid)	2,995	4,344	4,050	(2,950)	(2,950)
Interest paid	(1,189)	(1,183)	(1,425)	(1,418)	(1,434)
Dividend (incl. Tax)	(2,111)	(2,356)	(2,664)	(3,074)	(3,074)
Other financing activities	(73)	-	-	-	-
<b>Cash flow from fin. (c)</b>	<b>(378)</b>	<b>(86)</b>	<b>(39)</b>	<b>(7,442)</b>	<b>(7,458)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(2,213)</b>	<b>(4,211)</b>	<b>(1,971)</b>	<b>(2,113)</b>	<b>6,234</b>

**Key Ratios**

Y/E Mar	FY15	FY16	FY17E	FY18E	FY19E
Raw Material Cost/Sales (%)	46.4	44.9	44.8	44.3	45.1
Manpower Cost/Sales (%)	9.4	9.4	9.4	9.4	9.4
Operating & Other Cost/Sales (%)	2.5	2.8	2.5	2.5	2.5
Revenue Growth (%)	8.9	3.5	10.0	12.8	13.5
EBITDA Margins (%)	16.5	19.0	19.7	19.9	19.2
Net Income Margins (%)	11.0	11.9	13.1	14.3	14.3
ROCE (%)	21.1	20.9	19.7	20.5	20.2
ROE (%)	31.8	31.2	29.2	27.8	25.6

**Valuations**

Y/E Mar	FY15	FY16	FY17E	FY18E	FY19E
EPS (₹.)	27.2	32.6	37.0	45.2	51.3
P/E (x)	36.8	40.4	43.3	35.5	31.3
BV (₹)	126.6	149.7	178.9	215.2	257.4
P/BV (x)	7.9	8.8	9.0	7.5	6.2
EV/EBITDA (x)	25.8	28.8	30.8	26.9	24.1
Fixed assets turnover ratio (x)	1.4	1.3	1.2	1.2	1.3
Net Debt/Equity (x)	0.3	0.4	0.4	0.3	0.2
EV/Sales (x)	4.3	5.5	6.1	5.4	4.6



## Institutional Equity Team

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