

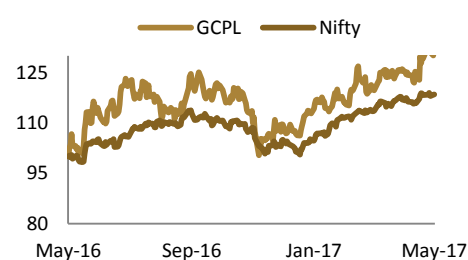
Market Statistics

Current stock price (₹)	1,919
Shares O/S (cr.)	34.1
Mcap (₹ cr)	65,361
52W H/L (₹)	1,958
6m avg. volume	230,810
Bloomberg	GCPL in

Shareholding pattern

Promoters	63.27
Domestic Institution	2.17
Foreign Institution	28.43
Non-institution	6.13
of which more than 1%	
National Westminster Bank PLC as Depository of First State Asia Pacific Leaders Fund	2.46
First State Investments ICVC	2.63

GCPL vs Nifty



Capital efficiency & valuations

Particulars	FY17P	FY18E	FY19E
ROE (%)	34.8	34.1	32.0
ROCE (%)	19.3	20.2	20.3
P/B(x)	12.3	10.3	8.5
P/E (x)	50.1	39.2	33.2
EPS (₹)	38.3	49.0	57.9

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GCPL, based on IND AS, reported consolidated net sales growth of 12.1% to ₹23.9bn ahead than our expectation of (+9.2% YoY). India business (49% of total) showed 10% growth by branded business volume growth of 5%. HI segments (50% of India sales), Soaps & Hair colors segment grew by 4%, 9% & 13% YoY respectively. International business grew strong by 16% while constant currency growth was 22%. Constant currency growth for Indonesia, Africa, LATAM & Europe were flat, 61%, 19% & -5%, respectively.

Consolidated Gross Margin was up by 267bps YoY to 56.7%. GCPL's A&P spend was flat with 0.5%YoY growth and stood at 6.5% of sales (-75bpsYoY). Employee and other expenses moved by -42bps & 219bps as % of Sales. This resulted into 165bps YoY expansion in GCPL's EBITDA Margin to 23%. EBITDA grew robust by 21% YoY. India EBITDA grew by 19% YoY while International EBITDA grew by 13.8%. PBT (before exceptional items) grew by 21.5% while APAT, including comprehensive income, has increased by 84.2% to ₹4,022mn.

Rebound in Sales of Soaps & Hair colors resulted into Healthy Domestic Biz

Domestic sales grew healthy by 10% YoY post the demonetization aftermath with volume growth of 5%. HI category revived but showed slow growth of 4% due to unfavorable weather in March while it continues to gain market share across all formats. Soaps category showed good comeback with 9% growth led by both volume and price rise after posting muted performance in last 6-7qtrs. Hair colors showed double digit volume led growth of 13% in Q4FY17. HI category is expected to improve in coming favorable quarters. Hair colors would also show improvement on back on effective communication campaign and rural penetration.

International Biz showed strong growth of 16% led by Africa business

International registered healthy 16% sales growth with 22% 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 9%. Management mentioned HI segment in Indonesia is expected to improve gradually. Africa business showed robust 61% CC growth led strong growth in SON & Canon chemicals & Africa showed organic constant currency growth of 16%. Latam's revenue grew by 17% (+19% CC). Europe fell by 18% (-5% CC) due to counterfeit stock related issues in Bio-Oil and increased competitive intensity in deodorants & weak demand post Brexit.

EBITDA grew robust by 21% in Q4FY17

GCPL's consolidated gross margin expanded by 267bps and stood at 56.7%. A&P spend was soft & contracted by 75bps YoY of sales. Employee and other expenses moved by -42bps & 219bps as % of Sales. This resulted into 165bps YoY expansion in GCPL's EBITDA Margin to 23.0%. EBITDA grew by strong 21% YoY. Domestic EBITDA Margin increased by 257bps while International EBITDA Margin was up by 89bps due to margin expansion of 60bps, 40bps, 670bps & 590bps in Indonesia, Africa, LATAM region & Europe.

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 39.2x and 33.2x of FY18 & FY19. **We maintain our HOLD rating on the stock.**

**Exhibit 1: Quarterly Performance**

Particulars (₹ mn)	Q4FY17	Q3FY17	Q4FY16	YoY Change (%)
Gross Sales	24,802	24,753	22,044	12.5
Other Operating Income	93.2	105.2	30.1	249.5
Excise Duty	996.8	831.6	760.7	31.0
Total income	23,898	24,026	21,313	12.1
Gross profit	13,561	13,453	11,525	17.7
Gross margin (%)	56.7	56.0	54.1	267bps
Employee Expenses	2,471	2,555	2,294	7.7
% of sales	10.3	10.6	10.8	-42bps
Advertisement & Publicity	1,551	1,919	1,543	0.5
% of sales	6.5	8.0	7.2	-75bps
Other Expenses	4,031	3,805	3,129	28.8
% of sales	16.9	15.8	14.7	219bps
EBITDA	5,507	5,173	4,559	20.8
EBITDA margin (%)	23.0	21.5	21.4	165bps
Reported PAT	3,899	3,522	1,248	212.3
Adjusted PAT	4,022	3,613	2,183	84.2

Source: Company, Trust.

Exhibit 2: Business Breakup

Particulars	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-17	Sep-16	Dec-16	Mar-17
Sales Mix (%)									
India	54	51	52	52	51	48	50	48	49
International	46	49	48	48	49	52	50	52	51
Gross Profit Mix (%)									
India	57	57	57	57	55	52	54	52	54
International	43	43	43	43	45	48	46	48	46
EBITDA Mix (%)									
India	64	57	61	59	63	54	60	60	62
International	36	43	39	41	37	46	40	40	38
A&P Mix (%)									
India	58	73	76	78	67	74	76	71	73
International	42	27	24	22	33	26	24	29	27
PAT Mix (%)									
India	71	116	83	53	168	62	67	66	65
International	29	(16)	17	47	(68)	38	33	34	35

Source: Company, Trust

**Exhibit 3: International Performance**

Particulars (₹ mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Sales (Rs mn)				
Indonesia	3,760	3,670	3,950	3,890
Africa (including SON)	4,440	5,150	5,490	4,820
Latin America	1,110	1,310	1,610	1,660
Europe	1,280	1,040	810	970
Others	270	350	340	390
Total	10,860	11,520	12,200	11,730
Sales Gr. (%)				
Indonesia	8	6	4	4
Africa (including SON)	46	60	41	47
Latin America	(16)	(12)	(4)	17
Europe	(5)	(15)	(5)	(18)
Others	(14)	(30)	95	(4)
Total	14	16	19	16
Sales Mix (%)				
Indonesia	35	32	32	33
Africa (including SON)	41	45	45	41
Latin America	10	11	13	14
Europe	12	9	7	8
Others	2	3	3	3
Total	100	100	100	100
Constant Currency Sales Gr				
Indonesia	3	(2)	flat	flat
Africa (including SON)	52	75	54	61
Latin America	10	20	24	19
Europe	(3)	(2)	16	(5)
EBITDA Margins (%)				
Indonesia	24	22	23	24
Africa	17	17	18	17
Latin America	8	14	19	29
Europe	13	12	10	15
Total	16	16	17	22
EBITDA Mix (%)				
Indonesia	52	44	43	36
Africa	43	48	47	46
Latin America	5	10	14	19
Europe	10	7	4	6
Others	(10)	(9)	(8)	(6)
Total	100	100	100	100

Source: Company, Trust



Consolidated Financials

Income Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Net Revenues	82,764	84,242	92,679	106,038	121,776
% Growth	8.9	1.8	10.0	14.4	14.8
Raw Material	38,415	38,672	41,325	47,014	54,956
Staff	7,770	9,441	9,885	10,299	10,756
Selling and Distribution Expenses	16,131	11,224	12,017	19,043	21,762
Other Expenses	6,764	8,543	10,318	7,267	8,860
Total Expenditures	69,080	67,880	73,545	83,623	96,335
EBITDA	13,684	16,361	19,134	22,415	25,441
% Growth	18.3	19.6	16.9	17.1	13.5
EBITDA Margins (%)	16.5	19.4	20.6	21.1	20.9
Other Income	915	664	753	684	700
Interest	1,032	1,190	1,782	1,418	1,434
Depreciation	908	1,006	1,416	1,448	1,464
Profit Before Tax	12,487	11,669	16,534	20,219	23,228
Provision for tax	2,723	3,361	3,792	3,628	3,628
Effective tax rate (%)	21.8	28.8	22.9	17.9	15.6
Reported PAT	9,070	7,570	11,878	16,514	19,498
% Growth	19.4	(16.5)	56.9	39.0	18.1
Adjusted Net Profit	9,205	9,820	13,044	16,683	19,709
% Growth	21.1	6.7	32.8	27.9	18.1

Balance Sheet

Y/E Mar (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Equity Share Capital	340	341	341	341	341
Reserves & surplus	42,766	42,329	52,679	63,213	76,773
Shareholders' funds	43,107	42,670	53,020	63,553	77,113
Minorities interests	1,620	100	-	77	180
Total Debt	20,232	25,163	40,205	41,083	42,083
Capital Employed	64,960	67,933	93,225	104,714	119,376
Net Fixed Assets	57,756	59,751	81,870	92,052	98,663
Long Term Loans & Advances	1,943	1,702	2,744	3,544	4,344
Other Non-Current Assets	344	407	2,571	3,591	4,611
Cash & Cash Eq.	8,942	7,538	9,127	9,151	16,931
Net Other current assets	(5,851)	(1,648)	(8,007)	(8,845)	(10,693)
Investments	1,514	1,546	6,818	7,018	7,218
Net Deferred tax Assets	312	(1,362)	(1,898)	(1,798)	(1,698)
Total Assets	64,960	67,933	93,225	104,714	119,376

**Cash Flow Statement**

Y/E Mar (₹mn)	FY15	FY16	FY17P	FY18E	FY19E
Pre-tax profit	12,659	14,829	16,690	20,234	23,243
Depreciation	908	1,006	1,416	1,448	1,464
Total Tax Paid	(2,573)	(3,361)	(3,792)	(3,628)	(3,628)
Chg in working capital	(975)	(4,287)	6,308	788	1,799
Other operating activities	(151)	(2,250)	(120)	(15)	(16)
Cash flow from oper (a)	10,303	6,317	23,017	20,321	24,399
Capital Expenditure	(1,904)	(1,995)	(22,119)	(10,182)	(6,611)
Chg in investments	(4,495)	(57)	4	(20)	(20)
Other investing activities	-	242	(1,042)	(800)	(800)
Cash flow from inv.(b)	(12,138)	(3,799)	(32,548)	(14,152)	(10,581)
Free cash flow (a+b)	(1,835)	2,518	(9,531)	6,169	13,818
Equity raised/(repaid)	-	(7,901)	3,455	-	-
Debt raised/(repaid)	2,995	5,016	15,084	938	1,050
Interest paid	(1,189)	(1,190)	(1,782)	(1,418)	(1,434)
Dividend (incl. Tax)	(2,111)	(2,356)	(6,149)	(6,149)	(6,149)
Other financing activities	(73)	-	-	-	-
Cash flow from fin. (c)	(378)	(6,432)	10,608	(6,630)	(6,533)
Net chg in cash (a+b+c)	(2,213)	(3,913)	1,077	(460)	7,285

Key Ratios

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
Raw Material Cost/Sales (%)	46.4	45.9	44.6	44.3	45.1
Manpower Cost/Sales (%)	9.4	11.2	10.7	9.7	8.8
Operating & Other Cost/Sales (%)	2.5	3.6	3.5	3.5	3.5
Revenue Growth (%)	8.9	1.8	10.0	14.4	14.8
EBITDA Margins (%)	16.5	19.4	20.6	21.1	20.9
Net Income Margins (%)	11.0	9.0	12.8	15.6	16.0
ROCE (%)	21.1	23.0	19.3	20.2	20.3
ROE (%)	31.8	37.5	34.8	34.1	32.0

Valuations

Y/E Mar	FY15	FY16	FY17P	FY18E	FY19E
EPS (₹.)	27.0	28.8	38.3	49.0	57.9
P/E (x)	37.0	45.8	50.1	39.2	33.2
BV (₹)	126.6	125.3	155.7	186.6	226.4
P/BV (x)	7.9	10.5	12.3	10.3	8.5
EV/EBITDA (x)	25.8	28.7	35.9	30.7	26.8
Fixed assets turnover ratio (x)	1.4	1.4	1.1	1.2	1.2
Net Debt/Equity (x)	0.3	0.5	0.6	0.5	0.4
EV/Sales (x)	4.3	5.6	7.4	6.5	5.6



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