

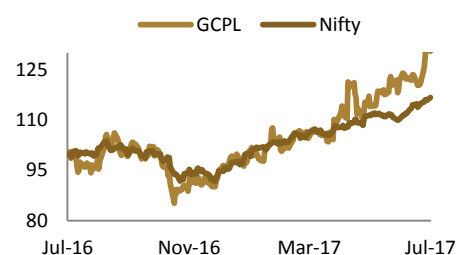
Market Statistics

Current stock price (₹)	1,037
Shares O/S (cr.)	68.1
Mcap (₹ cr)	70,658
52W H/L (₹)	1,084
6m avg. volume	593,105
Bloomberg	GCPL in

Shareholding pattern

Promoters	63.27
Domestic Institution	2.12
Foreign Institution	28.01
Non-institution	6.60
of which more than 1%	
National Westminster Bank PLC as Depository of First State Asia Pacific Leaders Fund	2.46
First State Investments ICVC	2.32

GCPL vs Nifty



Capital efficiency & valuations

Particulars	FY17P	FY18E	FY19E
ROE (%)	34.7	30.4	28.1
ROCE (%)	19.3	18.2	18.4
P/B(x)	12.3	10.6	8.6
P/E (x)	50.0	45.4	39.0
EPS (₹)	19.2	22.8	26.6

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GCPL, based on IND AS, reported consolidated net sales growth of 2.9% to ₹21.7bn lower than our expectation of (+10.5% YoY). India business (48% of total) showed of 4.7% growth. HI segments (35% of India sales), Soaps(42% of sales) & Hair colors segment grew by 4%, 7% & 5% YoY respectively. International business was weak and grew by mere 1% while constant currency growth was 11%. Constant currency growth for Indonesia, Africa, LATAM & Europe were -11, 26%, 4% & 24%, respectively.

Consolidated Gross Margin contracted by 12bps YoY to 53.5%. GCPL's A&P spend was strong with 13.5%YoY growth and stood at 8.8% of sales (+82bpsYoY). Employee and other expenses moved by -37bps & 147bps as % of Sales. This resulted into 204bps YoY contraction in GCPL's EBITDA Margin to 16.1%. EBITDA de-grew by 8.7% YoY. India EBITDA declined by 3% YoY while International EBITDA de-grew by 12%. PBT (before exceptional items) contracted by 11% while APAT, including comprehensive income, has increased by 10.9% to ₹2,383mn.

Soaps biz takes lead while Homecare & Haircare biz grow moderate

Domestic sales showed moderate gross sales growth of 6% while net sales growth was 4.7%. Soaps category grew by 7% led by price increases and withdrawal of consumer affairs. Volumes decline in high single digits while volumes ex-consumer offers were flattish. Secondary growth in Soaps was at 10% during Q1FY18. HI category showed slow growth of 4% due to trade disruption led by GST implementation. Secondary sales growth in HI category was at 7%. Recently launched HIT gel stick in this category is well accepted by the consumers. Hair colors category showed 5% growth in the quarter. Crème hair colors showed high teen digits growth by double digit volume growth in Expert rich crème and better sales in BBlunt. De-stocking in trade channel lowered the primary sales growth to 5% while secondary sales growth stood at healthy 9%. Company expects the trade channel to normalize from the august end. Secondary sales growth of 10%, 7% & 9% in Soaps, HI & Hair colors depicts consumer offtake is improving.

International Biz muted due to poor performance in Indonesia & Latin America

International registered 1% sales growth with 11% constant currency growth. Indonesia showed -11% growth on CC basis due to higher competitive intensity & trade holidays due to Lebaran festival. Management expects Indonesia to improve sales growth from Q3FY18. Africa business showed 13%(+26% CC) growth led strong growth in SON & organic constant currency growth of 16%. Hair extensions delivered double digit growth. Latam's revenue showed -5% (+4% CC) driven by high-teen growth in Argentina and low double-digit decline in Chile. Europe grew by 6%(+24% CC) led by strong growth in own brands and distributed brands.

EBITDA contracted by 8.7% in Q1FY18

GCPL's consolidated gross margin contracted by 12bps and stood at 53.5%. Higher A&P spend towards new launches resulted into 13.5% YoY growth. Employee and other expenses moved by -37bps & 147bps as % of Sales. This resulted into 204bps YoY contraction in GCPL's EBITDA Margin to 16.1%. EBITDA contracted by 8.7% YoY. Domestic EBITDA Margin contracted by 147bps. In International Biz, EBITDA margin moved by -390bps, -80bps, -610bps & +260bps in Indonesia, Africa, LATAM region & Europe. EBITDA margin decline of 390bps in Indonesia is due to high sales promotional spends while 80bps decline in Africa is due to higher investments in wet hair care.

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 45.4x and 39.0x of FY18 & FY19 EPS. **We maintain our HOLD rating on the stock.**

**Exhibit 1: Quarterly Performance**

Particulars (₹ mn)	Q1FY18	Q4FY17	Q1FY17	YoY Change (%)
Gross Sales	22,667	24,802	21,916	3.4
Other Operating Income	45.5	93.2	25.5	265.5
Excise Duty	939.4	996.8	772.3	21.6
Total income	21,773	23,898	21,170	2.9
Gross profit	11,640	13,561	11,343	2.6
Gross margin (%)	53.5	56.7	53.6	-12bps
Employee Expenses	2,404	2,471	2,416	-0.5
% of sales	11.0	10.3	11.4	-37bps
Advertisement & Publicity	1,906	1,551	1,679	13.5
% of sales	8.8	6.5	7.9	82bps
Other Expenses	3,833	4,031	3,416	12.2
% of sales	17.6	16.9	16.1	147bps
EBITDA	3,498	5,507	3,832	-8.7
EBITDA margin (%)	16.1	23.0	18.1	-204bps
Reported PAT	2,252	3,899	2,467	-8.7
Adjusted PAT	2,383	4,022	2,150	10.9

Source: Company, Trust.

Exhibit 2: Business Breakup

Particulars	Jun-15	Sep-15	Dec-15	Mar-16	Jun-17	Sep-16	Dec-16	Mar-17	Jun-17
Sales Mix (%)									
India	51	52	52	51	48	50	48	49	48
International	49	48	48	49	52	50	52	51	52
Gross Profit Mix (%)									
India	57	57	57	55	51	54	52	54	51
International	43	43	43	45	49	46	48	46	49
EBITDA Mix (%)									
India	57	61	59	63	54	60	60	62	58
International	43	39	41	37	46	40	40	38	42
A&P Mix (%)									
India	73	76	78	67	74	76	71	73	75
International	27	24	22	33	26	24	29	27	25
PAT Mix (%)									
India	116	83	53	168	62	67	66	65	66
International	(16)	17	47	(68)	38	33	34	35	34

Source: Company, Trust

**Exhibit 3: International Performance**

Particulars (₹ mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Sales (Rs mn)					
Indonesia	3,760	3,670	3,950	3,890	3,230
Africa (Total)	4,440	5,150	5,490	4,820	5,120
Latin America	1,110	1,310	1,610	1,660	1,050
Europe	1,280	1,040	810	970	1,360
Others	270	350	340	390	180
Total	10,860	11,520	12,200	11,730	10,940
Sales Gr. (%)					
Indonesia	8	6	4	4	(14)
Africa	46	60	41	47	13
Latin America	(16)	(12)	(4)	17	(5)
Europe	(5)	(15)	(5)	(18)	6
Others	(14)	(30)	95	(4)	19
Total	14	16	19	16	1
Sales Mix (%)					
Indonesia	35	32	32	33	30
Africa	41	45	45	41	47
Latin America	10	11	13	14	10
Europe	12	9	7	8	12
Others	2	3	3	3	2
Total	100	100	100	100	100
Constant Currency Sales Gr. (%)					
Indonesia	3	(2)	flat	flat	(11)
Africa	52	75	54	61	26
Latin America	10	20	24	19	4
Europe	(3)	(2)	16	(5)	24
EBITDA Margins (%)					
Indonesia	24	22	23	24	20
Africa	17	17	18	17	16
Latin America	8	14	19	29	2
Europe	13	12	10	15	15
EBITDA Mix (%)					
Indonesia	52	44	43	40	35
Africa	43	48	47	40	52
Latin America	5	10	14	21	1
Europe	10	7	4	6	11
Total	100	100	100	100	100

Source: Company, Trust



Consolidated Financials

Income Statement

Y/E Mar (₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenues	82,764	84,242	92,679	102,101	116,287
% Growth	8.9	1.8	10.0	10.2	13.9
Raw Material	38,415	38,672	41,325	45,797	52,479
Staff	7,770	9,441	9,885	10,299	10,756
Selling and Distribution Expenses	16,131	12,062	13,420	16,651	18,912
Other Expenses	6,764	7,613	8,982	8,394	10,279
Total Expenditures	69,080	67,789	73,612	81,140	92,426
EBITDA	13,684	16,453	19,067	20,961	23,861
% Growth	18.3	20.2	15.9	9.9	13.8
EBITDA Margins (%)	16.5	19.5	20.6	20.5	20.5
Other Income	915	839	753	751	700
Interest	1,032	1,280	1,541	1,462	1,434
Depreciation	908	1,006	1,416	1,461	1,464
Profit Before Tax	12,487	11,671	16,872	18,700	21,648
Provision for tax	2,723	3,361	3,792	3,355	3,628
Effective tax rate (%)	21.8	28.8	22.5	17.9	16.8
Reported PAT	9,070	7,601	12,247	14,511	17,187
% Growth	19.4	(16.2)	61.1	18.5	18.4
Adjusted Net Profit	9,205	9,975	13,067	15,547	18,129
% Growth	21.1	8.4	31.0	19.0	16.6

Balance Sheet

Y/E Mar (₹ mn)	FY15	FY16	FY17P	FY18E	FY19E
Equity Share Capital	340	341	341	681	681
Reserves & surplus	42,766	42,329	52,679	65,870	81,642
Shareholders' funds	43,107	42,670	53,020	66,551	82,323
Minorities interests	1,620	100	-	-	-
Total Debt	20,232	25,163	40,205	42,093	41,093
Capital Employed	64,960	67,933	93,225	108,644	123,416
Net Fixed Assets	57,756	59,751	81,870	92,039	97,650
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	13,040	19,753
Net Other current assets	(5,851)	(1,648)	(8,007)	(8,990)	(9,362)
Investments	1,514	1,546	6,818	7,318	8,318
Net Deferred tax Assets	312	(1,362)	(1,898)	(1,898)	(1,898)
Total Assets	64,960	67,933	93,225	108,644	123,416

**Cash Flow Statement**

Y/E Mar (₹mn)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	12,659	15,002	16,871	18,789	21,663
Depreciation	908	1,190	1,452	1,461	1,464
Total Tax Paid	(2,573)	(3,360)	(4,073)	(3,355)	(3,628)
Chg in working capital	(975)	(4,645)	3,563	933	322
Other operating activities	(151)	(209)	(209)	(69)	(16)
Cash flow from oper (a)	10,303	8,474	18,042	20,054	22,074
Capital Expenditure	(1,904)	(2,081)	(1,803)	(10,169)	(5,611)
Chg in investments	(4,495)	2,104	(5,990)	(20)	(20)
Other investing activities	-	-	-	(800)	(800)
Cash flow from inv.(b)	(12,138)	(6,023)	(21,698)	(14,439)	(10,381)
Free cash flow (a+b)	(1,835)	2,451	(3,656)	5,615	11,693
Equity raised/(repaid)	-	0	0	341	-
Debt raised/(repaid)	2,995	1,417	10,243	1,938	(950)
Interest paid	(1,189)	(1,188)	(1,241)	(1,462)	(1,434)
Dividend (incl. Tax)	(2,111)	(2,254)	(2,357)	(2,357)	(2,357)
Other financing activities	(73)	-	-	-	-
Cash flow from fin. (c)	(378)	(2,025)	6,647	(1,540)	(4,741)
Net chg in cash (a+b+c)	(2,213)	427	2,991	4,075	6,953

Key Ratios

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
Raw Material Cost/Sales (%)	46.4	45.9	44.6	44.9	45.1
Manpower Cost/Sales (%)	9.4	11.2	10.7	10.1	9.2
Operating & Other Cost/Sales (%)	2.5	2.8	3.3	3.4	3.4
Revenue Growth (%)	8.9	1.8	10.0	10.2	13.9
EBITDA Margins (%)	16.5	19.5	20.6	20.5	20.5
Net Income Margins (%)	11.0	9.0	13.2	14.2	14.8
ROCE (%)	21.1	23.4	19.3	18.2	18.4
ROE (%)	31.8	38.2	34.7	30.4	28.1

Valuations

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
EPS (₹.)	27.0	14.6	19.2	22.8	26.6
P/E (x)	18.5	45.1	50.0	45.4	39.0
BV (₹)	126.6	62.7	77.8	97.7	120.8
P/BV (x)	3.9	10.5	12.3	10.6	8.6
EV/EBITDA (x)	13.4	28.5	36.0	35.2	30.6
Fixed assets turnover ratio (x)	1.4	1.4	1.1	1.1	1.2
Net Debt/Equity (x)	0.3	0.5	0.6	0.5	0.3
EV/Sales (x)	2.2	5.6	7.4	7.2	6.3



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