

# POSITIONAL CALL

## GHCL LIMITED



BUY | CMP 236 | TARGET 280 | POTENTIAL UPSIDE 19%

06 JULY 2019

### Stock Data

M.Cap (₹ in cr)	2313.51
Equity (₹ in cr)	98.03
52 wk H/L ₹	278.90/189.50
Face Value ₹	10
Div. Yield	2.12%
NSE Code	GHCL
BSE Code	500171

### Valuation Data

P/E	6.60
P/BV	1.20
BV	196.42

### Key Financial Data

EV	3580.18
Net Worth	1925.50
EPS	35.76

### Index Detail

Sensex	39513.39
Nifty	11811.15
Index	A / S&P BSE 500

### LEAD RATIONAL

GHCL has performed well in each of its business segments in the recent quarter. In its **organic segment**, higher sales volume & better spreads were the main attributes of hike. Had increase Soda ash production by 16000MT due to preponement of Brownfield expansion which is expected to be fully benefited in FY20.

Moreover, **two modular expansions** of 50000 each for the next 2 years are expected with the aggregate capex of 300 crores and 95% utilization rate. Thus, volume growth is expected to increase by 10%.

Further, higher growth of detergents & glass would augment demand of soda ash in the range of 4-5% over the next 2-3 years. **Moreover, cherry on the cake is shut down of plant in china on pollution, which helps grow domestic demand & direct benefit to GHCL.**

On the textile front, it is emerging as one of the innovative players. GHCL has invested ₹13.50 billion and look to invest another ₹3.50 billion in the next two years. It exports its finished products to the **US and UK, Australia, Canada, Germany and other European countries.**

Recent launches include fresh range of products under “**NILE HARVEST**”, mainly for US & UK and “**MEDITASI**”, being introduced in **9** innovative ranges..

Presently, in the textiles segment, sales are done online to global consumers, is looking to partner with international chains with offline presence too. Having unique business model, it recycles plastic products and uses the re-polymerized fiber to blend it with cotton to manufacture bedspreads. Now, has partnered with a Japanese company to de-polymerize the polyester from cotton-polyester blended fabrics.

**Management stated overall positive outlook with gradual growth both in revenue & margins. Thus, expects textile margins to range in between 15-16% in next two years with top line growth of 15%. Moreover company has reduced its Debt equity ratio to 0.65 and healthy return ratio at 19%.**

### Key Highlights– Q4FY19 & FY19

- ▶ Revenue grew at a CAGR of 9% in last 5 years at ₹ 3,385 Cr during FY19
- ▶ EBITDA recorded at a CAGR of 13% in last 5 years at ₹ 784 Cr during FY19
- ▶ PAT during the same period grew at a CAGR of 25% at ₹ 361 Cr.
- ▶ Inorganic chemical segment contributes 65% of the Revenue, has Strong FMCG presence in South India with edible salt, Honey & Spices. Ventured into the Premium Honey Category by pioneering the entry of Jujube Honey.
- ▶ Also, has Now added complete basket of Blended spices in powder category. Turmeric, Chilli, Coriander & Black Pepper Powder SKUs being introduced under this category.
- ▶ Textiles segment contributes 35% of the Revenue– has Presence across the value chain
- ▶ Consumer business is expected to grow by 30-40%. *Expanding product portfolio and Geographic footprint to remain the key objective.*
- ▶ GHCL commands leadership in manufacturing of Soda Ash, has been delivering consistent EBITDA margins at 30%(based on last 3 years avg) with capacity utilization at 95%-the highest in the industry.

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### TECHNICAL CHART



Showing resistance at ₹ 250 and support of ₹ 235 in Short Term.

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