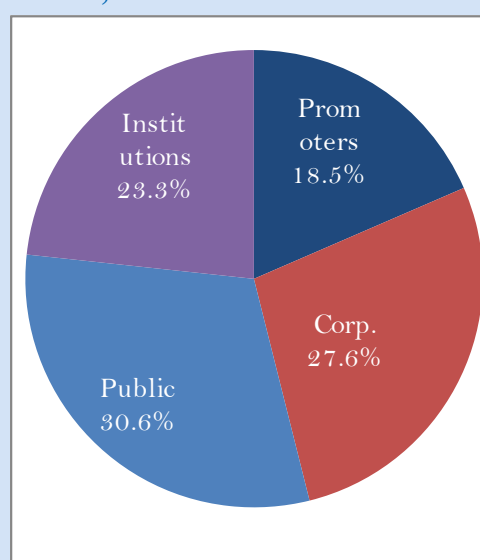


Company Details

CMP:	Rs.192.00
Face value:	Rs.10.00
Market cap:	Rs.1920.00Cr.
EPS (FY16)	Rs.25.77
52 week high:	Rs.192.30
52 week low:	Rs.76.85
BSE Code:	500171
NSE Code:	GHCL
Sector	Chemicals

Financial Highlights (YoY)

Rs. in crores			
	FY16	FY15	% Var
Net Sales	2558.99	2373.61	7.81
Total Expendit	1929.1	1851.23	4.21
PBDIT	629.89	522.38	20.58
Op.Profit	635.29	533.64	19.05
OPM (%)	24.83	22.48	10.42
PBT	378.41	257.95	46.70
PAT	257.79	184.22	39.94
EPS (Rs.)	25.77	18.42	39.94
Equity	100.02	100.02	-

Share Price Graph**Shareholding pattern as on March, 2016****Company Background**

GHCL Ltd., a Gujarat-based Company incorporated in 1983, is engaged in manufacture of commodity chemicals and home textiles. The company's product range in chemicals includes high-grade soda ash, a key ingredient in detergents, soaps, dyes, glass, and refined salt used for food processing. The Company has state-of-the-art manufacturing facilities in India and in Romania. The textile division of the Company is a vertically integrated and manufactures premium quality yarn, grey fabric and home textile products like bed linen, curtains etc.

Financial Performance

The net sales and PAT of the Company during FY16 at Rs.2558.99 crores and Rs.257.79 crores, respectively, are up by 7.8% and 39.9% compared to those during FY15. The operating profit margin has improved from 22.5% for FY15 to 24.8% for FY16. The EPS, on face value of Rs.10, has increased from Rs.18.42 for FY15 to Rs.25.77 for FY16. The Company has declared dividend of 35% for FY16 compared to 22% for FY15. **The share is trading cum dividend till July 10, 2016.**

Investment Rationale

- India is an important player in the global trade of chemicals, plastics and allied products. Near term outlook of Indian Chemical sector is looking promising as government is keen to help the Industry. Moreover, the national policy on chemicals, likely to be announced soon, will help India's chemicals sector to grow and become competitive globally.
- Both the segments of the Company have witnessed improved performance during FY16. The Company is one of the key soda ash players in India, with a capacity of 0.85 mn tpa, accounting for 23% of the country's total demand. Its soda ash business contributes 58% to revenues and about 80% to its profitability. The demand for soda ash is likely to grow at a CAGR of 5% over the next few years. Besides, the price for soda ash has increased at a steady pace with increase in input costs. These are likely to lead to healthy operating profit margin at 30% in coming years.
- The Company has planned to invest Rs.1050 crores over the next 2-3 years for expansion of soda ash and textile capacity. It will spend Rs.950 crores in a two-phase soda ash expansion project at Sutrapada plant in Gujarat and Rs.100 crores for expansion of its textile business in the next two years. In the first phase, it will increase its soda ash production capacity from 8.5 lakh to 100,000 tonnes by FY17 with an estimated investment of Rs 375 crores. The next phase of expansion is likely to be completed by FY19 to increase soda ash capacity by another 150,000 tonnes..
- Its textile business benefits from backward integration. The domestic textile industry is benefitting from increased outsourcing from the US and European countries. Its thrust on improving its product mix, changing customer profile and ramp up in capacity utilization is expected to improve its margins.
- The Company is reportedly planning to foray into textile retail business with its own brand. It has a tie-up with Perry Ellis International, Inc. for the brand Laundry by Shellie Seigal for bedding products for customers in USA and Canada.
- The Company's debt has come down from Rs.1324 crores to Rs.1248 crores on March 31, 2016 and debt:equity ratio works out to 1.27:1.
- The promoters of the Company hold 18.5% equity capital of the Company followed by institutions and non-promoter corporates that hold 23.3% & 27.6%, respectively, and the balance 30.7% shares are held by the public. **It is pertinent to mention that institutions have increased their stake in the Company 19.7% at the end of FY15 to 23.3% at the end of FY16.**

Concerns

Slowdown in economy, increase in input costs and competition from other players are some of the concerns.

Valuation

The share of the Company is trading at an attractive P/E of 7.5x against that of industry at 25.3x. Keeping in view the positive outlook for chemical & textiles industry, growth in all business segments, expansion in soda ash and textiles capacities, improvement in its product mix, foray into retail segment with its own brand, increase in institutional holdings and attractive PE, we recommend a buy on the share of this Company with an expected price appreciation of **about 40%** over the next 12 months.