GHCL Ltd.

ISIN :INE539A01019 | NSE :GHCL

Price: 623
Recommendation: Buy
Industry: Commodity Chemicals
Sector: Commodities
Report Date: 03-Apr-2025

GHCL Limited is advancing its business with strategic projects like Vacuum Salt and Bromine, set for FY25-26, enhancing EBITDA margins. The Greenfield and Rock Salt projects aim to diversify products and boost margins. With a 32% EBITDA margin, GHCL focuses on operational excellence and cost control. Despite challenges in soda ash pricing, GHCL is poised for growth, driven by demand in the solar glass sector and strategic project execution.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3225 Cr	Operating Profit(Year)	842 Cr	Operating Profit Margin	26.1 %
Previous Year	4551 Cr	Operating Profit(Quarter)	230 Cr	EBITDA Margin	27.16 %
Current Quarter	779 Cr	PAT (Year)	598 Cr	Net Profit Margin	17.4 %
Previous Quarter	793 Cr	PAT (Quarter)	168 Cr	EPS	62.5
Revenue (QYoY)	798 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	9.97	Sales Growth	-13.8 %	Sales Growth	-1.77 %
PEG Ratio	0.93	PAT Growth	-44.53 %	Sales Growth QYoY	-2.38 %
EV/EBITDA	6.15	EPS Growth	-24.61 %	PAT Growth	8.39 %
P/B	1.87	Dividend Yield	1.93	PAT Growth QYoY	68.17 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	17.3 %	Promoter	19.0 %	Debt/Equity	0.06
RoA	13.5 %	FII	25.4 %	Debt	177 Cr
RoCE	20.7 %	DII	10.4 %	Market Cap	5964 Cr
RoIC	21.6 %	Public	45.2 %	Enterprise value	5678 Cr
		No of Shares	9.58 Cr	Cash Equivalents	463 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, GHCL Limited outlined several strategic initiatives aimed at enhancing its business operations and financial performance. The company is focusing on two major projects: the Vacuum Salt and Bromine projects, both expected to be commissioned in FY25-26. These projects are anticipated to significantly improve EBITDA margins by utilizing waste energy for Vacuum Salt production and optimizing existing processes for Bromine extraction. Additionally, the Greenfield and Rock Salt production projects are set to be completed in the next three years, promising to diversify the product mix and improve overall business margins. The company is also leveraging cost efficiencies and operational excellence to sustain its financial health, as evidenced by a strong EBITDA margin of 32% for the quarter.

GHCL's business strategy is centered around operational excellence, cost control, and strategic project execution. The company has reported strong results due to higher utilization rates and effective cost management, resulting in better margins and profitability. The strategic projects, including the Greenfield project and new salt field in Gujarat, are progressing well, with environmental clearances already obtained. These initiatives are designed to strengthen GHCL's ability to deliver consistent performance across various operating environments and drive shareholder value through strategic actions and consistent execution.

Looking ahead, GHCL is optimistic about its growth prospects, driven by the increasing demand for soda ash, particularly in the solar glass sector, supported by government incentives and anti-dumping duties on imports. The company expects domestic demand and pricing to improve, aided by the Minimum Import Price (MIP) on soda ash, which provides price protection from cheaper imports. The completion of the Vacuum Salt and Bromine projects in 2026 is expected to further diversify the product mix and enhance revenue streams. GHCL is also exploring opportunities for capacity expansion and debottlenecking to maximize production volumes.

While GHCL's strategic initiatives and cost efficiencies are commendable, the company faces challenges such as pricing pressures in the soda ash market and limited volume growth due to high capacity utilization. The company's future growth will largely depend on the recovery of soda ash prices and the successful execution of its strategic projects. To further enhance its competitive position, GHCL could explore additional diversification opportunities and continue to focus on innovation and sustainability in its operations. Overall, GHCL is well-positioned for future growth, with a strong financial foundation and a clear strategic roadmap.

GHCL Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
SRF	85926.18	74.88	12.22%	1.96%	14.36%	34.58%	6.96%
GHCL	5964.04	9.97	17.34%	-1.77%	-2.47%	8.79%	68.52%
Linde India	52596.48	121.11	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42561.91	93.33	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37300.32	48.34	0.65%	0.41%	34.39%	-34.57%	76.86%

Aspect	Commentary
Revenue	The company's revenue shows a decline, with current year sales at 3225 Cr compared to 4551 Cr the previous year. This indicates a significant drop in sales performance, which could be attributed to market conditions or internal challenges. The quarterly comparison also reflects a slight decrease, suggesting consistent pressure on revenue generation.
Profit & Loss	Operating profit for the year stands at 842 Cr, with a quarterly figure of 230 Cr. The PAT for the year is 598 Cr, indicating a healthy profit margin despite revenue challenges. The quarterly PAT of 168 Cr shows resilience in maintaining profitability, possibly due to effective cost management and operational efficiencies.
Profitability Matrix	The company maintains strong profitability metrics with an operating profit margin of 26.1% and an EBITDA margin of 27.16%. The net profit margin is 17.4%, reflecting efficient cost control and pricing strategies. An EPS of 62.5 suggests solid earnings performance, supporting shareholder value.
Valuation Matrix	The valuation metrics indicate a trailing P/E of 9.97, suggesting the stock is reasonably priced relative to earnings. A PEG ratio of 0.93 implies growth potential. The EV/EBITDA of 6.15 and P/B of 1.87 further support a stable valuation, indicating investor confidence in the company's financial health.
Growth (YoY)	Year-over-year growth metrics show a decline, with sales growth at -13.8% and PAT growth at -44.53%. EPS growth is also negative at -24.61%, highlighting challenges in maintaining growth momentum. The dividend yield of 1.93% provides some return to shareholders despite growth setbacks.
Growth (QoQ)	Quarter-over-quarter growth shows mixed results, with sales growth at -1.77% and QYoY at -2.38%. However, PAT growth is positive at 8.39%, and QYoY at 68.17%, indicating improved profitability despite sales challenges. This suggests effective cost management and operational improvements.
Capital Allocation	The company demonstrates strong capital allocation with RoE at 17.3%, RoA at 13.5%, RoCE at 20.7%, and RoIC at 21.6%. These metrics reflect efficient use of capital to generate returns, supporting long-term financial stability and shareholder value creation.
Holdings	The shareholding pattern shows promoters holding 19%, FII at 25.4%, DII at 10.4%, and public at 45.2%. This diverse ownership structure indicates a balanced investor base, potentially providing stability and reducing volatility in stock performance.
Leverage	The company maintains a low debt/equity ratio of 0.06, with total debt at 177 Cr. This conservative leverage strategy minimizes financial risk and supports financial flexibility. A market cap of 5964 Cr and enterprise value of 5678 Cr reflect strong market positioning and investor confidence.

Analyst viewpoint: GHCL Limited is poised for growth with a strong focus on strategic initiatives such as the Vacuum Salt and Bromine projects, expected to boost margins significantly by FY25-26. The company's operational excellence, as evidenced by a robust EBITDA margin of 32%, and cost control mechanisms have bolstered its financial performance, with PAT growth of 8.39% QoQ and a remarkable 68.52% QYoY. The company's commitment to diversifying its product mix through the Greenfield and Rock Salt projects further enhances revenue potential, as demand in the solar glass sector drives growth. GHCL's low debt-to-equity ratio of 0.06 and a ROE of 17.3% highlight efficient capital use, making it a compelling choice for investors looking for medium-term value appreciation.

While GHCL presents a strong investment case with a trailing P/E of 9.97 and a promising PEG ratio of 0.93, indicating undervaluation relative to growth prospects, it's essential to remain cautious of potential headwinds. Pricing pressures in the soda ash market could pose challenges, emphasizing the need for the successful execution of upcoming strategic projects. Nevertheless, with a clear roadmap and sound financial health, GHCL is well-positioned to tackle market challenges and capture future opportunities, making it an appealing option for those considering equity exposure in commodity chemicals.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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