India Equity Analytics

Results Preview Q3FY19-Consumers

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Agro Tech Foods Limited

ATFL IN

Consumers

CMP	**605**
Target	**707**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9%	9%	9%	12%
Roce%	14%	14%	14%	17%
P/E	44.7	55.8	42.3	30.2
P/B	4.0	5.2	4.0	3.6
EV/Ebdita	20.2	26.6	21.0	16.6

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Revenue Breakup(esti.)							
Sundrop Oil	501	487	500	535	128	118	132
Crystal business	125	121	140	156	31	33	37
Food	162	198	239	306	54	62	66
Segmental Volume growth%							
Sundrop Oil	1%	3%	4%	5%	7%	2%	3%
Crystal business	3%	3%	2%	2%	-7%	2%	2%
Act II							
Peanut butter	14%	94%	49%	35%	114%	41%	41%
Financials							
Sales	808	812	877	998	215	211	234
Sales Gr	*3%*	*0%*	*8%*	*14%*	*3%*	*7%*	*9%*
Ebdita	61	66	69	88	18	18	19
Ebdita Gr	*8%*	*8%*	*4%*	*28%*	*5%*	*1%*	*8%*
Net Profits	28	32	35	49	9	9	10
Profit Gr%	*19%*	*14%*	*10%*	*40%*	*16%*	*6%*	*13%*
EbditaM%	7.6%	8.1%	*7.8%*	*8.8%*	8.3%	8.4%	*8.2%*
Net Mgn%	3.4%	3.9%	*4.0%*	*4.9%*	4.2%	4.3%	*4.4%*

Conso/Fig in Rs Cr

❑ ATFL's sales for Q3FY19 is expected to grow by ~9% on the back of better volume growth in Peanut butter and bagged snacks business while better realization in Crystal business to help strong growth in commodity business of the company.

❑ Currently the company has entered into Breakfast Cereals with Sundrop Chaco Popz while preparation for entry into Chocolates segment soon. Recent fire at Unnao plant to impact roll out of Breakfast Cereals.

❑ Gross margin is expected to decline by 62 bps YoY to 33% on the back of higher input prices and impact of passing GST benefits to the consumers while increase in the contribution of food business in the total revenue will put some cushion to the declining margin.

❑ Food business primarily comprising of ActII and peanut butter, contributed ~25% of the total sales this year. Next goal of the company is to inch it up to ~30% and than 50% in next few years.

❑ Present focus of management is to achieve 9% EBITDA margin than extend it to higher margin orbit.

❑ NO major capex in the next 2-3 years. Capex guidance of mere Rs12-15 cr going forward.

Key Trackable this Quarter

❑ A&P expenses: Last few quarters lower margin restricted A&P expenses.

❑ Volume growth in food segment as new products launched in last 6months.

We value the stock at 35x FY20E EPS. BUY.

Bajaj Corp Limited

BJCOR IN

Consumers

	FY17	FY18	FY19E	FY 20E
Roe%	44%	43%	45%	50%
Roce%	51%	49%	52%	57%
P/E	27	32	24	21
P/B	12	14	11	10
EV/Ebdita	23	27	20	17

CMP	**367**
Target	**473**
Upside	**29%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Almond Drops Hair Oil(ADHO)							
Volume (Lac cases)	12.3	12.6	13.3	14.4	12.4	13.0	13.1
Volume Growth%	-2%	3%	5%	8%	5%	1%	5%
ADHO Market share							
Value wise	*60.6%*	*61.3%*			*61.1%*	*62.9%*	
Volume wise	*58.0%*	*58.7%*			*58.5%*	*60.5%*	
Distri. Reach(mn)	3.7	3.9			3.9	4.0	
Financials							
Sales	797	828	897	1,012	208	213	221
Sales Gr	*0%*	*4%*	*8%*	*13%*	*11%*	*4%*	*6.1%*
Ebdita	264	254	275	309	68	61	70
Ebdita Gr	*-4%*	*-4%*	*8%*	*12%*	*11%*	*4%*	*2.9%*
Net Profits	218	211	226	258	55	52	58
Profit Gr%	*11%*	*-3%*	*7%*	*14%*	*-5%*	*2%*	*5.6%*
EbditaM%	33.1%	30.6%	*30.7%*	*30.5%*	32.6%	28.5%	*31.6%*
Net Mgn%	27.4%	25.5%	*25.2%*	*25.5%*	26.5%	24.3%	*26.4%*

Conso/Fig in Rs Cr

❑ Recovery in rural demand led by higher MSP & loan waivers and distribution ramp up by the company may impact volume of ADHO (~93% of the sales) positively. We expect volume growth to remain 5%in Q3FY19. However delay in channel refilling and patchy monsoon may play spoilsports.

❑ We expect International business(IB) to start contributing as the company has revamped IB and business team in place for all strategic locations.

❑ Company is focusing towards ADHO's distribution reach expansion in rural. Currently Bajaj Almond Oil is available in 40 lakh outlets(Overall) while company's direct reach went up to 4.9 lakh outlets. Management plans to expand it to 5.4 lakh by end of FY19 which would aid in higher volumes of ADHO going ahead.

❑ BAJAJCORP's gross margin is expected to decline by 25 bps, lower than the inflation in crude and crude related commodity as the company took price hike of ~3.5% in ADHO in the last quarter while EBITDA margin is expected to decline by 90 bps due to higher employee cost by 144 bps YoY.

Key Trackable this Quarter

❑ Gross margin: Recent fall in crude prices may impact positively to company's margin.

❑ Volume growth:Expected rural demand recovery may lead to strong vol. growth while refilling of trade channels may take more time.

❑ Other expenses:New launches and distribution ramp up may increase other expenses.

We value the stock at 27x FY20E EPS. BUY

Britannia Industries Limited

BRIT IN

Consumers

CMP	**3118**
Target	**3204**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY 20E
Roe%	33%	29%	29%	30%
Roce%	41%	38%	38%	39%
P/E	25	34	63	51
P/B	8	10	18	15
EV/Ebdita	18	22	42	34

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Core Vol. growth	5%	7%	11%	10%	11%	12%	9%
Pricing gr.(%)(esti.)	4%	2%	2%	7%	2%	1%	2%
Distribution Reach (in mn outlets)							
Dire. Distri. Reach	1.55	1.84	2.4	3.0			
Over. Distri. Reach.	4.7	5.0	5.60	6.20			
Financials							
Sales	9,054	9,914	11,146	13,085	2567	2870	2850
Sales Gr	*5%*	*9%*	*12%*	*17%*	*13%*	*13%*	*11%*
Ebdita	1,278	1,502	1,779	2,154	398	454	462
Ebdita Gr	*5%*	*17%*	*18%*	*21%*	*27%*	*20%*	*16%*
Net Profits	885	1,004	1,193	1,466	264	303	313
Profit Gr%	*7%*	*13%*	*19%*	*23%*	*20%*	*16%*	*19%*
EbditaM%	14%	15%	*16%*	*16%*	16%	16%	*16%*
Net Mgn%	10%	10%	*11%*	*11%*	10%	11%	*11%*

Conso/Fig in Rs Cr

❑ BRITANNIA's volume growth is expected to be at ~9% considering the higher base(11%), led by new product launches(~50 products in FY19) and distribution expansion(targets to add 2 lakh outlets every year in its direct reach for coming few years) while we expect pricing growth to be at~2% led by new launches in the premium category .

❑ FY19 is to remain bench mark year for the company as far as innovation and premiumization is concern. Plans to launch 50 products by the end of FY19e.

❑ Hindi belt continues to grow faster than the overall growth of the company at about 1.5 times posting a growth of 23.3%, 24.3%, 17.2%, 19.2% respectively from Rajasthan, MP, UP and Gujarat.

❑ Gross margin is expected to improve by 102bps to 39.7% led by Long position in most of the commodities will last till Q4FY19 while EBITDA margin improved by 70bps due to increase in employee and other expense by 15bps and 149 bps YoY.

❑ Estimated CAPEX for 2HFY19 is Rs 300 Cr.

❑ Inter Corporate deposits to the group companies for FY18: Rs350cr vs Rs450cr (inFY17).

Key Trackable this Quarter

❑ Dividend Payout: On Completion of 100 years of the company, Britannia may announce special dividend, current divpayout~28%.

❑ Other expenses: New product launches may push other expenses at elevated level but Company's cost saving program will expected to negate it.

We value the stock at 52x FY20E EPS. HOLD

Colgate Palmolive (India) Ltd

Consumers

CLGT IN

CMP	**1342**
Target	**1383**
Upside	**3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY 20E
Roe%	45%	44%	49%	53%
Roce%	64%	63%	68%	76%
P/E	43.1	43.1	47.6	41.7
P/B	19.5	19.1	23.5	22.2
EV/Ebdita	26.1	25.8	29.5	25.6

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Volume growth	-1%	3%	5%	8%	12%	7%	2%
Pricing growth	2%	3%	2%	5%	7%	1%	2%
Marketshare:							
Toothpaste(Vol. Ms)	54%	52%			52%	53%	
Toothbrush(Vol. Ms)	45%	45%			45%	44%	
Financials							
Sales	3,982	4,188	4,472	5,031	1033	1168	1078
Sales Gr	*3%*	*5%*	*7%*	*13%*	*18%*	*8%*	*4%*
Ebdita	944	1,112	1,220	1,400	282	330	286
Ebdita Gr	*1%*	*18%*	*10%*	*15%*	*32%*	*10%*	*1%*
Net Profits	577	673	767	875	171	196	172
Profit Gr%	*-0.6%*	*16.6%*	*14.0%*	*14.0%*	*33%*	*11%*	*1%*
EbditaM%	23.7%	26.6%	27.3%	27.8%	27.3%	28.2%	26.5%
Net Mgn%	14.5%	16.1%	17.2%	17.4%	16.5%	16.8%	16.0%

Conso/Fig in Rs Cr

❑ COLPAL's volume is expected to be at 2% in 3QFY19 on account of higher base(~12% YoY). However, volume recovery will continue led by revival in rural demand (as rural contributes~45% of revenue), enhancement of direct reach (targets to expand direct reach by ~25% in FY19) and addition of value-added new products across all price points.

❑ The company expects better volume growth backed by its Natural Portfolio wherein the company launched swarna vedshakti along with its different LUPs.

❑The company's volume MS has stabilised at 52.5% in 2QFY19 after losing its volume MS since past few years to Patanjali and Dabur.

❑ We expect gross margin to improve by 32 bps YoY led by lower packaging cost on account of declining crude oil prices while EBITDA margin may declined by 84 bps YoY led by higher A&P and other expenses(expansion of direct reach) by 92 and 59 bps respectively.

❑ The company will continue investing in A&P in order to gain market share in tooth paste and tooth brush category and thus is expected to increase by 92bps in 3QFY19.

❑ As major capex is done with, we expect lower capex going forwards. Expected capex for FY19: Rs 150 cr.

Key Trackable this Quarter

❑Tooth brush and Tooth paste volume market share.

❑ Volume growth: considering competitive environment.

❑ A & P expense due to competitive intensity and other expense on account of expansion in direct distribution reach.

We value the stock at 43x FY20E EPS. NEUTRAL

Dabur India Limited

DABUR IN

Consumers

CMP	**431**
Target	**442**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY 20E
Roe%	26%	24%	26%	27%
Roce%	24%	22%	25%	27%
P/E	42.6	48.4	50.5	41.0
P/B	11.2	11.5	12.9	11.3
EV/Ebdita	36.2	40.5	41.9	34.8

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Domestic Vol. gr.	1%	6%	12%	12%	13%	8%	8%
Pricing gr.(esti.)	-2%	2%	3%	5%	5%	0%	2%
Intern. Bus.CC gr.(esti.)	4%	6%	8%	10%	5%	7%	7%
Financials							
Sales	7,701	7,748	8,570	9,806	1966	2125	2132
Sales Gr	*-2%*	*1%*	*11%*	*14%*	*6%*	*8%*	*8%*
Ebdita	1,509	1,617	1,812	2,177	404	451	439
Ebdita Gr	*-1%*	*7%*	*12%*	*20%*	*21%*	*7%*	*9%*
Net Profits	1,277	1,354	1,505	1,851	333	377	365
Profit Gr%	*2%*	*6%*	*11%*	*23%*	*13%*	*4%*	*9%*
EbditaM%	19.6%	20.9%	*21.1%*	*22.2%*	20.5%	21.2%	*20.6%*
Net Mgn%	16.6%	17.5%	*17.6%*	*18.9%*	16.9%	17.8%	*17.1%*

Conso/Fig in Rs Cr

- ❑ Dabur's sales expected to grow by ~8% in Q3FY19 on the back of domestic volume growth of 8%(on the back of higher base of 13%). Domestic business grow is expected to be driven by revival in rural economy(~50% of the sales), wide distribution coverage and LUP.
- ❑ The company took prices hike in the range of 1.5-2% in Q2FY19.
- ❑ Strong performance in the premium part of Oral care is expected to continue with market share gain in honey and Chyawanprash. Waning competitive intensity from Patanjali is also expected to boost revenue.
- ❑ International business(IB) is expected to grow by 7% in cc terms led by turnaround in Namaste business and better traction from Egypt,Turkey and SAARC business. Volatility in crude prices may impact Middle East business which accounts for~31% of IB.
- ❑ Gross margin is expected to decline by 117 bps YoY led by crude related inflation while EBITDA margin is expected to improve by 8 bps YoY led by cost efficiency measures taken by the company, cutting down some promotion and lower other expenses led by post GST channels realignment.
- ❑ Expected capex: Rs 250 cr for FY19e.
- ❑ The company is open for acquisitions.

Key Trackable this Quarter

- ❑ Domestic business Volume growth and commentary regarding rural growth.
- ❑ Performance of Juice business.
- ❑ Market share of Honey & Chyawanprash and promotional activities .
- ❑ International business cc growth.

We value the stock at 42x FY20 EPS. HOLD

Avenue Supermarts Limited

DMART IN

Consumers

CMP	**1608**	
Target	**1845**	
Upside	**15%**	
Rating	**BUY**	

	FY17	FY18	FY19E	FY 20E
Roe%	12%	17%	18%	19%
Roce%	18%	24%	26%	27%
P/E	133.7	114.7	97.7	75.4
P/B	16.7	19.8	17.6	14.3
EV/Ebdita	64.5	68.1	57.9	45.2

	FY17	FY18	FY19E	FY20E	3QFY18	2QFY19	3QFY19E
Cumul. no. stores	131	155	182	209	141	160	167
Ret. Bus. Area(cr sq ft)	0.41	0.49	0.58	0.67	0.44	0.51	0.52
Reven. per sqft in Rs.	31120	32719	35009	37460	9304	9554	9956
Ret. Bus. Area/store	0.004	0.003	0.003	0.003	0.003	0.003	0.003
Financials							
Sales	11,898	15,033	20,199	25,141	4094	4873	5548
Sales Gr	*39%*	*26%*	*34%*	*24%*	*23%*	*39%*	*36%*
Ebdita	981	1,353	1,726	2,199	422	390	492
Ebdita Gr	*48%*	*38%*	*28%*	*27%*	*46%*	*23%*	*17%*
Net Profits	479	806	1,026	1,332	252	226	294
Profit Gr%	*50%*	*68%*	*27%*	*30%*	*7%*	*18%*	*17%*
EbditaM%	8.2%	9.0%	*8.5%*	*8.7%*	10.3%	8.0%	*8.9%*
Net Mgn%	4.0%	5.4%	5.1%	5.3%	6.1%	4.6%	5.3%

Conso/Fig in Rs Cr

❑ Dmart's revenue Growth is expected to be 36% in Q3FY19 backed by Festive & wedding seasons and the increasing number of stores.Price reduction will continue to boost number of footfalls.

❑ DMart has continued with its cluster-based strategy. It has 160 stores with Retail Business Area of 5.1 million sq. ft. across the country. Company added 24 stores in FY18 & its expecting to add 25-30 stores each in FY19e & FY20e.

❑ Gross margin is expected to decline by 179 bps YoY on the back of reduction in prices level to maintain its competitive advantage. Risk of competitive pricing by peers may lead to gross margin shrinkage While EBITDA margin is expected to decline by 143 bps YoY led by lower employee and other expenses largely due to benefit of cost saving measures and benefits of operating leverage.

❑Company is expected to witness margin expansion, driven by increasing share of centralized sourcing to 50%-55% of revenues and also increasing share of private labels as % of total sales.

❑In the near term margins may witness slight pressure as a result of conscious effort to maintain or bring down prices for consumers across categories.

Key Trackable this Quarter

❑ Gross and EBITDA Margin.

❑ Number of stores added in this quarter.

We value the stock at 52x FY20E EV/EBITDA. BUY

Emami Limited

HMN IN

Consumers

CMP	**418**
Target	**447**
Upside	**7%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY 20E
Roe%	19%	15%	17%	21%
Roce%	23%	17%	19%	23%
P/E	74.7	77.8	52.1	37.4
P/B	14.5	11.8	8.7	7.9
EV/Ebdita	33.4	33.1	23.6	20.3

	FY17	FY18	FY19E	FY20E	3QFY18	2QFY19	3QFY19
Domestic vol. growth	7%	2%	8%	10%	8%	-4%	6%
Domestic Pric. growth	4%	3%	4%	4%	5%	4%	4%
Financials							
Sales	2,533	2,531	2,771	3,166	757	628	830
Sales Gr	*6%*	*0%*	*10%*	*14%*	*4%*	*0%*	*10%*
Ebdita	759	719	803	933	265	189	291
Ebdita Gr	*10%*	*-5%*	*12%*	*16%*	*2%*	*-6%*	*10%*
Net Profits	340	308	364	507	147	83	168
Profit Gr%	*-6%*	*-10%*	*19%*	*39%*	*10%*	*-16%*	*14%*
EbditaM%	30.0%	28.4%	*29.0%*	*29.5%*	35.0%	30.2%	*35.1%*
Net Mgn%	13.4%	12.1%	*13.1%*	*16.0%*	19.5%	13.1%	*20.2%*

Conso/Fig in Rs Cr

❑EMAMILTD’s sales is expected to grow by ~10% YoY in Q3FY19 led by 6% growth in domestic volume and 8% growth in International business(IB) while CSD is expected to grow by 8% on the back of lower base.

❑EMAMILTD’s growth will be backed by recovery in rural demand, Increased penetration and recovery in the volume of Keshking and zandu pancharishta. The company has reduced its dependence on wholesale to 38%-40%. Company's overall direct reach went up to 9.1 lakhs stores across India through ~3,150 distributors.

❑Gross margin is expected to improve by 24 bps YoY led by softening of Mentha oil, crude oil and change in the products mix while we expect EBITDA margin improvement to remain 13 bps on the back of higher A&P expense QoQ. The company is expected to invest benefits of gross margin improvement in brand building.

❑Tax Rate: 20-21% for coming few years.

❑Capex: Rs 80-100 cr for FY19.

Key Trackable this Quarter

❑ Domestic Volume growth.

❑ Gross margin: considering declining trend in Mentha oil, crude oil and change in product mix.

We value the stock at 40x FY20E EPS. HOLD

Gillette India Limited

GILL IN

Consumers

CMP	**6497**
Target	**7200**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
Roe%	51%	33%	31%	32%
Roce%	69%	49%	44%	44%
P/E	62.4	80.7	78.0	65.0
P/B	31.5	26.6	24.3	20.8
EV/Ebdita	41.1	47.8	48.6	40.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19
Segmental Revenues							
Grooming	1418	1331	1469	1663	332	343	352
Oral care	341	346	389	424	75	113	88
Financials							
Sales	1,788	1,677	1,858	2,087	408	457	440
Sales Gr	*2%*	*-6%*	*11%*	*12%*	*5%*	*12%*	*8%*
Ebdita	382	382	427	506	98	107	102
Ebdita Gr	*25%*	*0%*	*12%*	*18%*	*32%*	*1%*	*4%*
Net Profits	253	229	272	326	59	65	62
Profit Gr%	*18%*	*-9%*	*19%*	*20%*	*7%*	*2%*	*5%*
EbditaM%	21.3%	22.8%	*23.0%*	*24.3%*	24.0%	23.4%	*23.2%*
Net Mgn%	14.2%	13.7%	*14.6%*	*15.6%*	14.4%	14.3%	*14.0%*

Conso/Fig in Rs Cr

❑ GILLETTE's grooming business is expected to grow by 6% YoY in 2QFY19 driven by superior communication, market expansion and go to market initiatives.

❑The company's new products launches in male grooming and Simply venus in female grooming indicates that the company is focussing on mid-premium segment .

❑ Oral care is expected to grow by 17% YoY in 2QFY19 on account of negative base (~-10%) and go to market strategy while the competitive intensity is expected to continue in this segment but the company is continuously bringing innovations which may be beneficial for the company in long run.

❑Gross margin is expected to decline by 184bps to 56.9% YoY in 2QFY19 on account of higher input prices and currency depreciation (as the company imports approx ~67% RM) while EBITDA margin is expected to decline by 81bps to 23.2% YoY led by operating efficiency,cost saving and better product mix.

❑ Employee expense is expected to increase by 23 bps while other expense expected to decline by 30 bps on the back of rationalisation of distribution channel .

Key Trackable this Quarter

❑ Gross and EBITDA margin: Especially contribution of premium products in total sales , A&P and Other expenses.

❑Revenue growth in male grooming business.

❑Performance of oral care business.

We value the stock at 72x FY20E eps. ACCUMULATE

Godrej Consumer Products Ltd

Consumers

GCPL IN

CMP	**814**
Target	**792**
Upside	**-3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY 20E
Roe%	25%	26%	27%	23%
Roce%	20%	22%	22%	25%
P/E	42.7	48.2	49.2	45.2
P/B	10.5	11.5	11.7	10.4
EV/Ebdita	30.7	35.6	37.4	32.0

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Domestic Vol. gr.	4%	9%	9%	10%	18%	5%	6%
Intern. Busin. gr.	12%	1%	5%	9%	0%	1%	7%
Segmental Revenues							
Domestic revenue	5014	5163	5833	6736	1394	1480	1540
Indonesia	1527	1354	1528	1712	364	364	408
Africa,USA & Middle Eas	1990	2185	2507	3029	598	630	699
Latin America	569	584	477	563	151	0	177
Europe	410	461	152	0	92	0	0
Others	135	95	265	101	21	191	25
Sales	9,268	9,843	10,800	12,220	2630	2659	2867
Sales Gr	*10%*	*6%*	*10%*	*13%*	*9%*	*6%*	*9%*
Ebdita	1,898	2,067	2,252	2,611	589	487	681
Ebdita Gr	*16%*	*9%*	*9%*	*16%*	*14%*	*-8%*	*16%*
Net Profits	1,308	1,494	1,692	1,840	430	578	478
Profit Gr%	*20%*	*14%*	*13%*	*9%*	*22%*	*60%*	*11%*
EbditaM%	20.5%	21.0%	*20.9%*	*21.4%*	22.4%	18.3%	*23.7%*
Net Mgn%	14.1%	15.2%	*15.7%*	*15.1%*	16.3%	21.7%	*16.7%*

Conso/Fig in Rs Cr

❑ Sales is expected to grow by ~9% in Q3FY19 on the back of 6% volume growth in domestic business and 7% growth from International business(IB). New product launches, ramping up rural distribution reach and revival in rural demand is expected to support the domestic volume.

❑ The company's previous quarter launches i.e. liquid hand wash at a disruptive price point of Rs 35,Cinthol range in male grooming are expected to fetch results in this quarter.

❑ The company is expected to launch many new products in 2HFY19 which will drive the growth going ahead.

❑ International business growth is expected to be supported by stabilization in the African cluster where the company was earlier facing operational challenges while East Africa is at recovery stage and Indonesia business momentum is expected to sustain for 2HFY19.

❑Gross margin may decline by 78 bps led by high priced crude oil Inventory which indirectly impacts 40-50%of cost bar while EBITDA margin is expected to improve by 135 bps YoY led by cost efficiency measure and better international business margin.

Key Trackable this Quarter

❑ Indonesian business:Outlook of business after earthquake and tsunami .

❑ Africa business: Outlook and mgt commentary on the recovery of the business.

❑ Domestic business volume growth considering higher base.

We value the stock at 44x FY20E EPS. NEUTRAL

GlaxoSmithKline Consumer

SKB IN

Consumers

CMP	**7633**
Target	**7852**
Upside	**3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY 20E
Roe%	21%	20%	23%	22%
Roce%	25%	23%	27%	26%
P/E	36.5	34.3	36.6	33.1
P/B	7.7	6.9	8.3	7.4
EV/Ebdita	25.0	23.1	25.5	23.1

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19E
HFD volumes	-7%	6%	8%	8%	15%	10%	3%
Pricing growth	1%	4%	3%	6%	7%	2%	2%
Financials							
Sales	3,986	4,377	4,820	5,506	1035	1272	1096
Sales Gr	*-4%*	*10%*	*10%*	*14%*	*20%*	*14%*	*6%*
Ebdita	833	883	1,097	1,192	204	354	220
Ebdita Gr	*-1%*	*6%*	*24%*	*9%*	*22%*	*37%*	*8%*
Net Profits	657	700	877	971	164	275	174
Profit Gr%	*-4%*	*7%*	*25%*	*11%*	*20%*	*43%*	*6%*
EbditaM%	20.9%	20.2%	*22.8%*	*21.6%*	19.7%	27.8%	*20.1%*
Net Mgn%	16.5%	16.0%	*18.2%*	*17.6%*	15.8%	21.7%	*15.9%*

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Conso/Fig in Rs Cr

❑ GSKCONS's sales is expected to grow by 6% YoY led by a domestic HFD volumes growth of 3% YoY which is on account of higher base of corresponding previous quarter (~15%) backed by distribution expansion and LUP's. Protein + and Growth + are witnessing good traction and the company will continue investing behind these brands and these new formats will be the next growth drivers for the company.

❑ Boost on the go (RTD) is showing good traction with total MS of 1.7% with more than 3% MS in Coimbatore.

❑ Women Horlicks continued to grow in strong double digits in Northern and eastern parts and single digit growth in Southern and Eastern parts.

❑ Gross margin is expected to remain flat due to increase in the prices of wheat and other key input prices while we expect 34 bps YoY improvement led by lower other expenses 80 bps YoY. The company's pricing action will remain key monitorable.

❑The company envisages a capex of Rs 2-3bn over the next two years.

❑ Recently, GSKcons has merged with Hindunilvr which is expected to complete by the end of this financial year subject to necessary approval.

Key Trackable this Quarter

❑ Overall volume growth

❑ Pricing action taken by the company.

❑ Growth of company's new format brands i.e. Growth+, Protein +, Boost RTD

❑ Movement on the prices of key inputs i.e. liquid milk,wheat .

We value the stock at 33x FY20E EPS. NEUTRAL

Hindustan Unilever Limited

HUVR IN

Consumers

CMP	**1784**
Target	**2020**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
Roe%	67%	72%	85%	104%
Roce%	84%	96%	112%	138%
P/E	40.9	63.4	60.0	50.3
P/B	27.2	45.5	51.2	52.3
EV/Ebdita	28.7	43.7	42.9	35.7

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Overall Volume gr.	1%	6%	9%	8%	11%	10%	8%
Segmental Revenues							
Home care	11346	11629	12694	14388	2741	3080	2961
Personal care	16305	16464	17745	20000	4090	4316	4455
Foods	1123	1165	7110	8006	300	1704	1738
Refreshment	4848	5225			1248		
Others	818	720	796	992	211	134	262
Financials							
Sales	33,162	35,545	39,700	44,789	8590	9234	9417
Sales Gr	*3%*	*7%*	*12%*	*13%*	*11%*	*11%*	*10%*
Ebdita	6,340	7,499	8,956	10,747	1680	2019	2100
Ebdita Gr	*5%*	*18%*	*19%*	*20%*	*24%*	*20%*	*25%*
Net Profits	4,490	5,225	6,437	7,669	1326	1525	1546
Profit Gr%	*8%*	*16%*	*23%*	*19%*	*28%*	*20%*	*17%*
EbditaM%	19.1%	21.1%	*22.6%*	*24.0%*	19.6%	21.9%	*22.3%*
Net Mgn%	13.5%	14.7%	*16.2%*	*17.1%*	15.4%	16.5%	*16.4%*

Conso/Fig in Rs Cr

❑Hindunilvr's volume growth to remain at 7.5% on the back of higher base(~11%), recovery in rural demand and strong performance of Natural product portfolio in Q3FY19.

❑Naturals portfolio is growing ~2.5X of overall HUL average.

❑ Gross margin is expected to improve by 26 bps YoY led by company's pricing action and change in products mix towards premiumization(25%of portfolio is premium) and declining crude oil. HUL has taken a price hike in few of home-care products at the extent of ~3%.

❑EBITDA margin is expected to improve by 274 bps YoY led by expansion is gross margin and cost efficiency measures.

❑Company continues to save cost in the range of 6-7% of sales.

❑Provision towards restructuring and few contested matters is expected to be Rs 35 cr.

❑ National Anti-profiteering authority(NAA) has charged Hul for not transferring GST benefits to the consumer and fined to at the extent of Rs 223 cr.

❑ Recent Gskcons merger with HUL is expected to be esp and margin accretive. Post merger HUL eps is expected to improve by 5%, 4% and 11% for FY19e, FY20e FY21e respectively.

Key Trackable this Quarter

❑ Overall volume growth and Provision towards restructuring and few contested matters .

❑ Tax rate and provisioning of fine imposed by NAA.

We value the stock at 57x FY20E eps. ACCUMULATE

ITC Limited

ITC IN

Consumers

CMP	282
Target	339
Upside	20%
Rating	BUY

	FY17	FY18	FY19E	FY 20E
Roe%	23%	22%	23%	25%
Roce%	31%	29%	31%	34%
P/E	26.3	29.7	26.6	23.2
P/B	5.9	6.5	6.2	5.8
EV/Ebdita	17.6	20.5	18.2	15.9

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Cigarette volume	2%	-3%	4%	3%	-3%	6%	4%
Segmental Revenues							
Cigarettes	18940	19125	20534	22382	4629	5026	5000
Others FMCG	10512	11329	12609	14501	2872	3160	3130
Agri Business	8265	8068	9171	10088	1531	2220	1760
Paperb, Pap. & Pcka.	5095	5182	5619	6012	1280	1424	1408
Hotels	1342	1417	1638	1884	404	363	465
Financials							
Sales	42,777	43,449	48,067	53,226	9952	11069	10975
Sales Gr	*9%*	*2%*	*11%*	*11%*	*8%*	*7%*	*10%*
Ebdita	15,436	16,483	18,654	21,394	3905	4206	4346
Ebdita Gr	*7%*	*7%*	*13%*	*15%*	*10%*	*12%*	*11%*
Net Profits	10,477	11,493	12,885	14,780	3090	2955	3123
Profit Gr%	*10%*	*10%*	*12%*	*15%*	*17%*	*12%*	*1%*
EbditaM%	36.1%	37.9%	*38.8%*	*40.2%*	39.2%	38.0%	*39.6%*
Net Mgn%	24.5%	26.5%	*26.8%*	*27.8%*	31.1%	26.7%	*28.5%*

Conso/Fig in Rs Cr

❑ Adj. Sales of ITC is expected to growth by ~10% to Rs 10975 cr in Q3FY19 on the back of gradual recovery in cigarette volume, better performance of other FMCG and Hotel business. Cigarette volume is expected to grow by 4% led by lower base (-3% in Q3FY18) and recovery in volume.

❑ Other FMCG is expected to grow by 9% in Q3FY19 led by stable performance of Aashirvaad atta ,new product launches and venturing out in other categories. The company is aggressively ramping up its other FMCG business and targets Rs 65,000 cr revenue from packaged food division by 2030.

❑ ITC's EBITDA margin is expected to improve by 37 bps YoY on the back of improvement in margins of the other FMCG business on the back of change in product mix, premiumization and benefits of operating leverage. Company's other FMCG business is turning around.

❑ The company plans investments of over Rs 25,000 cr for 65 projects, including 25 factories for packaged foods.

Key Trackable this Quarter

❑ A possible increase in GST rates in subsequent Council meetings remains an overhang. Moreover, any upward revision of ad valorem duty will act as another dampener for the company.

❑Cigarette Volume growth and EBIT growth

❑ Other FMCG EBIT growth in the wake of higher MSP and volatility in key input prices.

We value the stock at 28x FY20E eps. BUY

Jyothy Laboratories Limited

Consumers

JYL IN

	FY17	FY18	FY19E	FY 20E
Roe%	31%	23%	25%	29%
Roce%	28%	22%	24%	27%
P/E	31.7	50.5	43.4	34.2
P/B	9.8	11.9	10.7	9.9
EV/Ebdita	24.4	29.4	26.0	22.6

CMP	**214**
Target	**250**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Volume growth	7%	2%	9%	9%	12%	4%	6%
Pricing growth(esti.)	-2%	-2%	3%	5%	-2%	3%	4%
Financials							
Sales	1,632	1,700	1,855	2,077	418	428	461
Sales Gr	*6%*	*4%*	*9%*	*12%*	*9%*	*7%*	*10%*
Ebdita	260	277	301	342	71	73	76
Ebdita Gr	*14%*	*7%*	*9%*	*13%*	*40%*	*13%*	*7%*
Net Profits	202	161	180	226	37	45	45
Profit Gr%	*171%*	*-21%*	*12%*	*26%*	*73%*	*7%*	*20%*
EbditaM%	15.9%	16.3%	*16.2%*	*16.5%*	16.9%	17.1%	*16.4%*
Net Mgn%	12.4%	9.4%	*9.7%*	*10.9%*	8.9%	10.6%	*9.7%*

Std/Fig in Rs Cr

❑JYOTHYLAB's sales is expected to grow by 10% led by 6% volume growth(on the back of higher base of ~12%) and 125 bps QoQ improvement in realization. Volume growth is backed by new product launches and revival in rural demand. The company took a weighted average price hike of 7% in the detergent portfolio in Q2FY19.

❑ Riding on Ayurveda wave, JyothyLab envisages doubling turnover to Rs 4000 cr by 2021.The company is also targeting to acquire a south based(Kerala) hair oil company by FY20.

❑ The company is looking for 12 to 14 % top line growth and 16 % EBITDA for this fiscal.

❑ Gross margin is expected to deteriorate by 52 bps led by crude oil inflation (35% of company raw material are link to crude). The company is covered for crude till $80/barrel and INR-dollar rate at 73 for Q3FY19, so softening of crude will not translate in improvement in margin. EBITDA margin is expected to deteriorate by 50 bps YoY on the back shrinkage in gross margin.

❑As per the management, if Dollar breaches 72 level than company will take price hike 2-3% and look for reducing in some consumer promotions to give cushion to the margin.

❑ FY19E: Rs 20-25 cr as maintenance capex.

❑ Tax rate will be at MAT for next 6-7 years.

Key Trackable this Quarter

❑ Gross & EBITDA margin.

❑ Volume growth.

We value the stock at 40x FY20E EPS. BUY

Marico Limited

MRCO IN

Consumers

CMP	**374**
Target	**460**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY 20E
Roe%	35%	33%	35%	40%
Roce%	46%	41%	44%	50%
P/E	52.2	52.1	50.4	40.7
P/B	18.2	16.9	17.6	16.1
EV/Ebdita	36.5	37.8	36.7	29.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q2FY19	Q3FY19
Domes. Volume Gr.	4%	2%	8%	9%	9%	6%	7%
Intern. Busin. CC gr.	1%	8%	8%	13%	9%	11%	6%
Segmental Volume Growth							
Parachute Rigid	4%	3%	7%	9%	15%	8%	5%
Saffola	8%	-2%	7%	7%	0%	5%	6%
Value add. Hair Oils	5%	6%	10%	12%	8%	5%	10%
Revenue Break up:							
Domestic	4579	4970	5850	6741	1285	1439	1462
International	*1357*	*1364*	*1549*	*1792*	*340*	*398*	*385*
Financials							
Sales	5,936	6,333	7,398	8,533	1624	1837	1847
Sales Gr	*-1%*	*7%*	*17%*	*15%*	*15%*	*20%*	*13.7%*
Ebdita	1,159	1,138	1,309	1,610	302	294	352
Ebdita Gr	*10%*	*-2%*	*15%*	*23%*	*11%*	*13%*	*16.5%*
Net Profits	811	827	958	1,186	223	218	260
Profit Gr%	*12%*	*2%*	*16%*	*24%*	*17%*	*18%*	*16.2%*
EbditaM%	19.5%	18.0%	17.7%	18.9%	18.6%	16.0%	19.1%
Net Mgn%	13.7%	13.1%	12.9%	13.9%	13.8%	11.9%	14.1%

Conso/Fig in Rs Cr

❑ Marico's sales is expected to grow by ~14% led by better domestic volume(considering 9% growth in previous quarter) and realization. Domestic volume is expected to grow by 7% led by 5% growth in Parachute Rigid,6% in Saffola and 10% in VAHO.

❑ Rural growth and LUP is going to play important role in VAHO volume growth while sorting out issues related modern trade will help Saffola. Due to higher base Parachute's growth to remain lower.

❑ International business(IB) is expected to clock 6% cc growth led by improvement in Bangladesh and Vietnam business .

❑ Marico's gross margin is expected to improve by 38 bps led by softening of copra prices and companies focus on premiumization while EBITDA margin is expected to improve by 45 bps YoY led by lower employee cost by 17 bps. New product launches includes True Roots, Nihar Naturals Extra Care etc will drive premiumization in upcoming quarters.

❑ Recently,Government increases MSP for copra by over Rs 2,000 however management is not concerned about it as MSP are much below than prevailing prices in the market.

Key Trackable this Quarter

❑ Gross margin and Pricing and promotion activities in Parachute rigid portfolio .

❑Commentary regarding Mena business.

We value the stock at 50x FY20E EPS. BUY

Nestle India Limited

NEST IN

CMP	**11107**
Target	**12465**
Upside	**12%**
Rating	**ACCUMULATE**

	CY17	CY18E	CY19E	CY 20E
Roe%	36%	45%	45%	51%
Roce%	51%	64%	64%	72%
P/E	72	63	58	49
P/B	26	29	26	25
EV/Ebdita	42	38	36	31

	CY17	CY18E	CY19E	CY20E	Q4CY17	Q3CY18	Q4CY18E
Segmental Revenues							
Milk products & nutr.	4820	5211	5799	6453			
Beverages	1387	1621	1844	2149			
Pre. dishes & cook. aids	2707	3207	3699	4273			
Chocolate & confection.	1221	1365	1570	1805			
Gross Sales(in cr)	10135	11403	12912	14680			
Financials							
Sales	9,953	11,262	12,752	14,498	2601	2939	2942
Sales Gr	*9%*	*13%*	*13%*	*14%*	*15%*	*17%*	*13%*
Ebdita	2,097	2,764	2,944	3,437	533	725	697
Ebdita Gr	*13%*	*32%*	*7%*	*17%*	*37%*	*24%*	*31%*
Net Profits	1,225	1,698	1,840	2,185	312	446	424
Profit Gr%	*22%*	*39%*	*8%*	*19%*	*60%*	*30%*	*36%*
EbditaM%	20.9%	*24.4%*	*23.0%*	*23.6%*	20.5%	24.7%	*23.7%*
Net Mgn%	12.2%	*15.0%*	*14.3%*	*15.0%*	12.0%	15.2%	*14.4%*

Conso/Fig in Rs Cr

- NESTLEIND is expected to report a sales growth of13% in Q4CY18on the back of better traction from new launches, festival demand, distribution ramp up and changing consumption pattern in urban as well as from semi-rural India.
- Milk Prod. & Nutri (contri. ~48%in CY17) is expected to post a growth of 8% for CY18E led by recovery in volumes on the back of stable realization while Prepared dishes (contri. ~27%) continues to show good traction led by maggi and expected to grow by 18%.
- Cluster approach to boost growth: To promote keen consumer connect and high agility, the company is introducing cluster based strategy in which it has divided whole India into 15 clusters.
- The company in 4QCY18 has launched 'All Day Breakfast' truck in Delhi NCR which will offer products from its newly launched breakfast cereals range, NESPLUS with other products and has also launched Handcrafted, Artisanal, super Premium Chocolates in its chocolates and confectionary category.
- Gross margin is expected to improve by 10 bps in 4QCY18 led by benign milk and SMP prices while EBITDA margin is expected to improve by 319 bps led by cost saving initiatives and lesser provision for contingencies and impairment loss on fixed assets.
- Recently on 3 Jan 2019, Supreme Court Quashes Interim Orders Passed by NCDRC In Maggi Matter. The Supreme court has directed that reports received from CFTRI will be the basis for proceeding before NCDRC.

Key Trackable this Quarter

- Volume growth.
- Weak domestic currency and higher fuel prices may bring in cost inflation.

We value the stock at 55x CY20E EPS. ACCUMULATE

Parag Milk Foods Limited

PARAG IN

Consumers

CMP	**248**
Target	**313**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY 20E
Roe%	1%	12%	15%	15%
Roce%	5%	15%	17%	19%
P/E	499.8	26.6	16.5	14.2
P/B	3.8	3.2	2.5	2.2
EV/Ebdita	27.2	12.1	8.6	7.4

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Milk Products Gr.	1%	17%	22%	18%	16%	14%	23%
Fresh Milk Gr.	16%	5%	8%	11%	1%	5%	10%
Segmental Revenues							
Skimmed Milk Powder	224	254	307	353	73	67	84
Fresh Milk	371	391	422	468	93	106	102
Milk Products	1108	1290	1563	1845	341	393	418
Other Revenues	28	20	38	56	13	8	15
Financials							
Sales	1,731	1,955	2,330	2,723	519	573	618
Sales Gr	*5%*	*13%*	*19%*	*17%*	*16%*	*14%*	*19%*
Ebdita	88	193	241	277	59	58	61
Ebdita Gr	*-41%*	*120%*	*25%*	*15%*	*421%*	*16%*	*3%*
Net Profits	5	87	126	146	25	30	31
Profit Gr%	*-90%*	*1748%*	*44%*	*16%*	*162%*	*22%*	*21%*
EbditaM%	5.1%	9.9%	*10.3%*	*10.2%*	11.3%	10.1%	*9.8%*
Net Mgn%	0.3%	4.5%	*5.4%*	*5.4%*	4.9%	5.3%	*5.0%*

Conso/Fig in Rs Cr

❑ Parag's sales is expected to grow by 19%YoY in Q3FY19 on the back of strong traction from value added products, aggressive new product launches, ramping up production in Sonipat plant and distribution reach.The company targets to achieve Revenues in the range of Rs. 2,700 to Rs. 3,000 Cr by 2020.

❑ Company bought Danone manufacturing facility in North India (Sonipat) which will give company much needed foot hold in north India in terms of procurement of milk.

❑ Gross margin is expected to remain flat due to change in product mix towards fresh milk while milk procure prices to remain stable. EBITDA margin is expected to decline by 148 bps on the back of investment in distribution reach and product promotions.We expect other expenses to increase by 185 bps YoY.

❑ The company is planning to increase its value added products contribution to revenue from 64% to 65% till 2021. Health &Nutrition business has to expand from 2% to 7%.

❑Capex: Rs 30cr in FY19e. Tax rate: 26-28.5%.

Key Trackable this Quarter

❑ Gross Margin.

❑ Other Expenses:The company is in the process of launching new products and expansion of its distribution reach.

We value the stock at 18x FY20E EPS. BUY

P&G Hygiene

PG IN

Consumers

CMP	**9868**
Target	**10802**
Upside	**9%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
Roe%	82%	47%	40%	43%
Roce%	115%	70%	59%	62%
P/E	50.1	82.4	74.7	54.8
P/B	41.2	38.3	29.8	23.4
EV/Ebdita	32.5	49.5	45.6	34.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19
Segmental Revenues(gross)							
Oint. and Creams	412	441	520	608			
Cough Drops	265	286	301	325			
Tablets	51	38	57	60			
Personal Products, Toile	1691	1792	1969	2363			
Financials							
Sales	2,320	2,455	2,847	3,356	704	792	817
Sales Gr	*2%*	*6%*	*16%*	*18%*	*9%*	*20%*	*16%*
Ebdita	665	615	688	894	210	210	221
Ebdita Gr	*10%*	*-7%*	*12%*	*30%*	*-8%*	*12%*	*5%*
Net Profits	433	375	429	584	131	144	140
Profit Gr%	*2%*	*-13%*	*14%*	*36%*	*-13%*	*25%*	*6%*
EbditaM%	28.6%	25.1%	*24.2%*	*26.6%*	29.9%	26.5%	*27.1%*
Net Mgn%	18.6%	15.3%	*15.1%*	*17.4%*	18.6%	18.2%	*17.1%*

Conso/Fig in Rs Cr

❑ PGHH's revenue is expected to grow by 16%YoY of on the back of better growth in Ointments & Creams and Personal Products, Toilet Preparations segments. This growth will be driven by company's investment in A&P, distribution ramp up and revival in economy.

❑Company launched Vicks BabyRub, specially developed for babies and gentle on their skin, which is expected to grow their share in the Cough & Cold category.

❑Gross margin is expected to expand by 26 bps YoY to 60.4%on the back of lower packaging cost and stablization of currency. Gross margin was impacted by the price cut taken by ~2-3% in July to pass GST rate cut(now zero) to the consumers.

❑EBITDA margin is expected to decline by 278 bps YoY led by company's investment in advertisement, promotion and distribution activities. We expect 212 and 72 bps increase in other expenses and A&P respectively in Q2FY19.

❑ The company had made a strategic foray in emerging comfort segment with new Whisper Ultra Soft product launch.

❑ The company expects growth rate in the categories in which it competes to be around high single digits.

Key Trackable this Quarter

❑ Revenue growth:Past 2 years remained dampener, so we expect better sales in FY19e.

❑ Gross and EBITDA Margin: as past few quarters company is investing on A&P and other ex.

We value the stock at 60x FY20E eps. ACCUMULATE

Prabhat Dairy Limited

PRABHAT IN

Consumers

CMP	**91**
Target	**115**
Upside	**27%**
Rating	**BUY**

	FY17	FY18	FY19E	FY 20E
Roe%	7%	6%	7%	10%
Roce%	12%	12%	13%	17%
P/E	31.2	31.0	16.3	10.4
P/B	2.1	2.0	1.1	1.0
EV/Ebdita	13.1	11.2	5.6	4.4

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Segmental Revenues							
Milk	192	315	419	528			
Milk Powder	623	711	733	843			
Butter +ghee	289	215	258	310			
Condensed milk	164	80	39	19			
Cheese ,Paneer & Sri Kh	39	91	151	204			
Others	88	141	106	124			
Financials							
Sales	1,410	1,554	1,705	2,027	404	418	466
Sales Gr	*21%*	*10%*	*10%*	*19%*	*-1%*	*9%*	*15%*
Ebdita	127	138	161	198	37	39	47
Ebdita Gr	*10%*	*9%*	*17%*	*23%*	*0%*	*24%*	*27%*
Net Profits	47	47	54	85	15	12	17
Profit Gr%	*106%*	*1%*	*15%*	*57%*	*-56%*	*36%*	*15%*
EbditaM%	8.99%	8.86%	9.47%	9.76%	9.28%	9.40%	10.20%
Net Mgn%	2.65%	3.31%	3.17%	4.20%	3.66%	2.95%	3.66%

Conso/Fig in Rs Cr

❑ PRABHAT's sales for Q3FY19 is expected to remain 15% backed by company's distribution expansion(plans to double distribution reach in next 2 years), new product launches in B2C segment and company's initiatives of setting up different packing stations (third Party) in Vidarbha and Western Maharashtra.

❑ Gross margin can expand by 39 bps YoY to 23.3%. Gross margin will be supported by higher contribution of value added products in the total revenue and stable milk prices.

❑ EBITDA margin is expected to improve by 92 bps YoY on account of lower COGS, employee and other expenses. We expect benefits of operating leverage to kick in.

❑Delay in payment of subsidy by government may increase working capital in FY19 which in turn put short term debt at elevated level.

Key Trackable this Quarter

❑ Gross Margin: higher contribution of value added product to drive gross margin .

❑ Share of consumer business in total revenue.

❑ Other expenses: the company is investing benefits of lower milk prices in the expansion of distribution reach and promotional activities.

We value the stock at 5.6x FY20E EV/EBITDA. BUY

Trent Limited

TRENT IN

Consumers

CMP	**362**
Target	**415**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY 20E
Roe%	5%	5%	8%	11%
Roce%	5%	9%	11%	15%
P/E	84.9	112.1	86.6	62.1
P/B	4.7	6.1	7.2	6.8
EV/Ebdita	58.7	50.1	49.7	36.8

	FY17	FY18	FY19E	FY20E	3QFY18	2QFY19	3QFY19
Walk-ins (Crs)	3	3.6	3.9	4.3			
Incr. in sales / stores	0%	3%	2%	2%			
Bill size (Rs.)	2029	2197	2373	2563			
Conversion Ratio	32%	26%	27%	28%			
Westside's Contribution	97%	96%	*96%*	*96%*			
Cum. stores(westside)	107	125	150	175			
Financials							
Sales	1,812	2,157	2,558	3,164	521	616	624
Sales Gr	*14%*	*19%*	*19%*	*24%*	*19%*	*18%*	*20%*
Ebdita	126	201	247	334	63	59	75
Ebdita Gr	*35%*	*60%*	*23%*	*35%*	*29%*	*20%*	*20%*
Net Profits	85	87	139	194	38	33	46
Profit Gr%	*54%*	*3%*	*59%*	*40%*	*2%*	*13%*	*22%*
EbditaM%	6.9%	9.3%	*9.7%*	*10.6%*	12.0%	9.6%	*12.0%*
Net Mgn%	4.7%	4.0%	5.4%	6.1%	7.3%	5.3%	7.4%

Conso/Fig in Rs Cr

❑Revenue(Standalone) Growth is expected to be backed by 20% YoY in Q3FY19 backed increasing contribution of private labels & enhanced shopping experience. Moreover festive season & higher SSSG% would also boost company's sales. Walk-ins is expected to increase by 7% in FY19e.

❑Under westside format, Company added 18 stores in FY18 & company is expected to add 25 stores each in FY19e & FY20e.

❑ Gross margin is expected to decline by 127 bps YoY on the back of discounts and elevated cotton prices while EBITDA margin is expected to remain flat on account of lower other expenses by 175 bps largely due to cost saving measures and better performance of Joint Ventures.

❑Estimated Capex for FY19 is Rs.165 crs, as Mgmt commented for Westside Capex of Rs.100 Cr. & Zudio Capex of Rs.60 Cr.

❑Fiora Hypermarket Limited (Star bazar) is a 100% owned subsidiary of Trent Ltd., contributing 10% of total Sales, is expected to garner better footfall going ahead led by company's focused stretegy to expand private levels and providing fresh produce at reasonable prices.

Key Trackable this Quarter

❑ LFL Sales Growth of Westside stores

❑Walk-ins & Bill size

We value the stock at 42x FY20E EV/EBITDA. BUY

ZYDUS WELLNESS

Consumers

ZYWL IN

CMP	**1363**
Target	**1616**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY 20E
Roe%	20%	19%	19%	19%
Roce%	16%	16%	16%	16%
P/E	30.2	36.6	35.4	30.4
P/B	5.9	7.1	6.6	5.7
EV/Ebdita	29.1	36.1	34.2	29.1

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19
Key Assumptions:							
Sugar Subst. category	7%	13%	6%	14%	13%	1%	8%
Scrub category	7%	10%	12%	14%	10%	13%	13%
Peel off mask category	5%	17%	18%	18%	18%	18%	18%
Financials							
Sales	463	503	576	640	132	138	141
Sales Gr	*9%*	*9%*	*14%*	*11%*	*28%*	*12%*	*7%*
Ebdita	99	125	141	162	33	39	37
Ebdita Gr	*8%*	*26%*	*13%*	*14%*	*49%*	*10%*	*10%*
Net Profits	109	134	151	175	36	41	39
Profit Gr%	*6%*	*23%*	*12%*	*16%*	*44%*	*14%*	*9%*
EbditaM%	21.4%	24.9%	*24.5%*	*25.3%*	25.1%	27.9%	*25.9%*
Net Mgn%	23.6%	26.6%	*26.2%*	*27.4%*	27.3%	30.0%	*27.8%*

Conso/Fig in Rs Cr

❑ Sales is expected to grow by 7% YoY on account of higher base (28.4% YoY) driven by better traction from new launches, Higher media campaign and expansion of distribution channel.

❑ The Company key brands Everyuth scrub, Everyuth peel off mask and Sugar free continued to maintain its leadership position with a market share of 32.6%, 84.7% and 93.9% as of 2QFY19.

❑ Everyuth tan removal range and Sugar free green veda continued to perform well while sugar free green market share stood at ~3% as of 2QFY19 which earlier was ~2% in FY18.

❑ Gross margin is expected to improve by 127 bps on account of softening of crude prices (contri. 34% of RM)) and palm oil prices (contri. ~29% of RM).While EBITDA margin is expected to improve by 81 bps YoY.

❑ The Company entered into an agreement to acquire 100% Equity Share of Heinz India (Subsidiary of Kraft Heinz) jointly with Cadila Healthcare ltd on 24th Oct,18. The purchase price stood at Rs 4595 Cr wherein 1/3rd of the transaction will be by debt and remaining 2/3rd will be through equity shares.

❑ The Company acquired 4 brands namely Complan, Nycil, Glucon-D and Sampriti Ghee. Post Acquisition the manufacturing and distribution channel of the company will strengthen with 5 manufacturing facilities, 1800 distributors and 2 million touch points.

Key Trackable this Quarter

❑ Sugar substitute cat. Growth.

❑ Market share of Sugar Free Green.

❑Smooth execution of the acquisition of Heinz India ltd.

We value the stock at 36x FY20E EPS. BUY

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