CONSUMERS

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Rural continues to drive growth while margin to remain key monitorable

Companies Name	Rating
ATFL	Accumulate
BAJAJCON	Buy
BRITANNIA	Hold
COLPAL	Neutral
DABUR	Hold
EMAMILTD	Hold
GILLETTE	Hold
GODREJCP	Neutral
GSKCONS	Neutral
HINDUNILVR	Accumulate
ITC	Buy
JYOTHYLAB	Buy
MARICO	Buy
NESTLEIND	Accumulate
PGHH	Hold
ZYDUSWELL	Buy

3QFY19 Result Summary

- The average volume growth of our universe FMCG companies(which are under our coverage) was observed at 5% (excluding Nestleind, Gillette,Zyduswell and Pghh), while Dabur & Hindunilvr were the outperformers, reported volume growth of 12% & 10% respectively backed by better traction from Low unit packs(LUP) & strong rural growth .
- The aver. pricing growth for our universe companies stood at 2.7% YoY for 3QFY19 vs. 3.7% YoY pricing growth in 3QFY18.The pricing growth was led by MARICO and GODREJCP which undertook price hike in a range of 5-8% YoY while others remained in a range of 0%-4% (including Britannia, Hindunilvr,Dabur(dom.) and ITC(cig.))
- Revenue growth of our univ. companies stood at 10% on an average basis, led by volume and pricing growth. Gillette, Marico, ITC & Pghh remained outstanding giving revenue growth of 17%, 15%, 13%& 16% respectively while ATFL,GODREJCP and JYOTHYLAB remained laggard with the growth of 0%,3%,6% respectively .
- Despite an aver. pricing growth of 2.7% YoY, the aver. gross margin(GM) declined by 60bps to 56.16% YoY led by volatility in crude & inflation in key input prices like LLP,Mentha oil etc. Almost all companies (universe) GM contracted barring few like Britannia , Gskcons , Gillette & Zydus which improved by 261 , 172,31 and 32 bps resp.. Britannia's GM improved due to change in business model and cost saving measures while benign input prices, better overhead absorp. & cost saving led to margin expansion for Gskcons.
- EBITDA margin remained impacted to the extent of 77 bps to 22.9% YoY led by deterioration in GM and higher Ad exp. backed by new launches While some companies witnessed margin (Gskcons,Hindunilvr,Colpal,Marico,Britannia & Zyduswell) expansion at EBITDA level.
- Companies reported aver. PAT Growth of 9% with most companies being in line with average growth barring few outperformers like Jyothylab & GSKCONS.

3QFY19 RESULT SNAPSHOT

Companies Names	Sales Rs. (Crs)	YoY gr.	EBITDA Rs. (Crs)	EBITDA Margin	PAT Rs. (Crs)	PAT Margin
ATFL	215	0%	18	8%	10	5%
BAJAJCON	230	10%	71	31%	60	26%
BRITANNIA	2,842	11%	452	16%	301	11%
COLPAL	1,099	6%	314	29%	192	17%
DABUR	2,199	12%	445	20%	367	17%
EMAMILTD	811	7%	267	33%	138	17%
GILLETTE	476	17%	98	21%	54	11%
GODREJCP	2,722	3%	609	22%	424	16%
GSKCONS	1,117	8%	239	21%	221	20%
HINDUNILVR	9,558	11%	2046	21%	1,444	15%
ITC	11,228	13%	4326	39%	3,209	29%
JYOTHYLAB	434	6%	72	17%	48	11%
MARICO	1,861	15%	349	19%	252	14%
NESTLEIND	2,897	11%	614	21%	342	12%
PGHH	818	16%	191	23%	124	15%
ZYDUSWELL	145	10%	38	26%	40	27%

Note: for Nestleind(Q4CY18) and PGHH&GILLETTE(Q2FY19);Hindunilvr&Jyothylab(st.)

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VIEW AND VALUATION

The 3QFY19 result of our universe companies remained largely mixed. Bajajcon, Dabur (dom.), Gskcons , Colpal, Hindunilvr and ITC (cig. esti.) posted strong volume growth, better than the average (universe) volume growth of 5% YoY led by improvement in rural demand, new launches, distribution expansion in both General trade, Modern trade channels and emphasis on lower unit packs. On pricing front, the average pricing growth stood at 2.7% YoY driven by 8% YoY pricing growth in Marico to overcome the inflation in copra and other input while the other companies undertook price hike in a range of 0% to 5% YoY. Despite an aver. pricing growth of 2.7% YoY, the aver. gross margin (GM) declined by 60bps to 56.16% YoY led by volatility in crude & inflation in key input prices like LLP, Mentha oil etc. EBITDA margin remained impacted to the extent of 77 bps to 22.9% YoY led by deterioration in GM and higher Ad exp. backed by new launches and brand building which would help in enhancing their market share in the competitive environment. While some companies (Gskcons,Hindunilvr,Colpal,Marico,Britannia & Zyduswell) witnessed margin expansion at EBITDA level led by cost efficiency measures and rationalization of Ad expenses.Companies reported aver. PAT Growth of 9% while most companies being in line with average growth barring few outperformers like Jyothylab & GSKCONS.

Going forward, we expect better volume growth for consumer companies on the back of improvement in rural demand in the wake of higher MSP, government stimulus and Lup led penetration. The companies thrust on launching new products will also boost demand from urban market. Margin is expected to remain mixed bag taking account of volatility in crude, higher MSP and inflation in dairy prices, however, companies pricing action, premiumization drive and benefits of operating leverage will put some cushion. On International front, growth from Africa and Mena market is expected to be subdued led by macro challenges and volatility in crude while we expect better growth from Indonesian market. Considering improving rural story, we like Hindunilvr and Dabur. We also like Marico(tailwind of copra deflation) and Nestleind (new launches and pricing power).

Valuation

Coompanies name	Rating	Target price	ROE			EPS			P/E		
			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ATFL	ACCUMULATE	683	9%	9%	12%	13	14	19	56	42	30
BAJAJCON	BUY	481	43%	48%	54%	14	15	18	32	23	20
BRITANNIA	HOLD	3,283	29%	29%	31%	42	49	63	67	62	48
COLPAL	NEUTRAL	1,383	44%	51%	54%	25	29	33	43	43	39
DABUR	HOLD	484	24%	26%	28%	8	9	11	48	51	40
EMAMILTD	HOLD	447	15%	15%	21%	7	7	11	78	54	36
GILLETTE	HOLD	6,826	33%	30%	31%	70	80	94	81	82	69
GODREJCP	NEUTRAL	792	26%	26%	23%	15	16	18	48	41	38
GSKCONS	NEUTRAL	7,852	20%	24%	23%	166	224	236	34	32	31
HINDUNILVR	ACCUMULATE	1,983	72%	83%	101%	24	29	35	63	61	51
ITC	BUY	339	22%	23%	25%	9	11	12	30	26	23
JYOTHYLAB	BUY	228	23%	25%	26%	4	5	6	51	36	38
MARICO	BUY	460	33%	35%	40%	6	7	9	52	46	37
NESTLEIND	ACCUMULATE	11,987	44%	44%	50%	167	184	218	64	58	49
PGHH	HOLD	10,551	47%	37%	42%	115	122	176	82	84	58
ZYDUSWELL	BUY	1,616	19%	19%	19%	34	39	45	37	33	28

ATFL

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	215	211	215	0.4%	2%
EBITDA	18	18	18	1%	1%
PAT	9	9	10	10%	10%
Gross Margin	34%	32%	33%	(92 bps)	33 bps
EBITDA Margin	8%	8%	8%	3 bps	(8 bps)
PAT Margin	4%	4%	5%	42 bps	32bps

ATFL has reported numbers below than our expectation, wherein sales stood at Rs 215 Cr (Vs our expect. of Rs 234 Cr) driven by growth in food business to the extent of 12% YoY to Rs 60 Cr. The Gross margin of the company declined by 92 bps to 32.7% YoY (Vs our expect. of 33%) on account of fire at Unnao facility while maintained its EBITDA margin at 8.36% YoY (Vs our expect. of 8.21% YoY) by reducing the advertising expenses by 240 bps while other expense and employee expense (on account of wage increase to the employees) has increased by 123 bps and 21 bps.PAT stood at Rs 9.97 Cr posting a growth of 10.4% YoY.

BAJAJCON

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	208	213	230	10%	8%
EBITDA	68	61	71	5%	17%
PAT	55	52	60	9%	16%
Gross Margin	69%	67%	67%	(163 bps)	8 bps
EBITDA Margin	33%	28%	31%	(166 bps)	246 bps
PAT Margin	27%	24%	26%	(33 bps)	190 bps

BAJAJCON's Q3FY19 numbers were above than our estimates. Sales grew by 10% YoY to Rs.230 crs while company reported a PAT of Rs.60 crs, a growth of 9% YoY. Company's overall volume growth remained 7% for this quarter while its flagship brand ADHO's volume grew by 9%YoY. Major positives remained better volume growth of ADHO, coming back of CSD and better traction from International business (IB) which has grown by 9%, 35% and 12% respectively in Q3FY19. Modern Trade continues to do well and grew by 28% YoY. The company's gross margin declined by 163 bps YoY to 67.4% due to higher LLP and vegetable oil prices. The company's EBITDA margin declined by 166 bps YoY to 30.9% due to higher COGS &employee expenses (up 122 bps YoY). BAJAJCON is having the direct reach of 4.92 lac outlets in the country.

BRITANNIA

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	2567	2870	2842	10.7%	-1%
EBITDA	398	454	452	13%	-1%
PAT	264	303	300	14%	-1%
Gross Margin	39%	40%	41%	261 bps	125 bps
EBITDA Margin	16%	16%	16%	38 bps	6 bps
PAT Margin	10%	11%	11%	29 bps	0 bps

BRITANNIA's revenue remained in line with our expectation, posting a growth of 10.71% YoY to Rs 2842 Cr (vs. expectation of Rs 2850 Cr) with volume and pricing growth at 7% (expectation of 9%) and 4% respectively backed by strong rural and modern trade(MT) growth. The volumes remained impacted by subdued growth in wholesale and cash & carry channels. Gross margin improved by 261 bps to 41.29% YoY (vs. expectation of 39.7% YoY) on account of change in business model (bread) and cost efficiency measures. Despite of higher improvement in gross margin, EBITDA margin improved by 38 bps to 15.9% YoY(vs. expectation of 16.2% YoY) on account of increase in other expenses and employee expense by 177 bps and 47 bps YoY due to business model change and addition of new business units while PAT grew by 14% to Rs 300 Cr(expectation. of Rs 313 Cr) due to high incidence of tax to the extent of 1.60% (as % of PBT).

COLPAL

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1033	1168	1099	6%	-6%
EBITDA	282	330	314	11%	-5%
PAT	171	196	192	13%	-2%
Gross Margin	65%	65%	65%	(5 bps)	37 bps
EBITDA Margin	27%	28%	29%	127 bps	39 bps
PAT Margin	17%	17%	17%	96 bps	66 bps

COLPAL's numbers for Q3FY19 remained better than our estimates, revenue grew by 6.39% YoY to Rs 1099 Cr (Vs our expectations of Rs 1078 Cr) backed by new product launches in natural space and focused communication. Overall volume growth for this quarter remained at 7% (vs. our expect. 2%) despite intense competition in toothpaste segment and higher base of 12% remained key positive for this quarter. Gross margin declined by 5 bps YoY to 65.14% which is mainly on account of increase in input prices which may be due to volatility in crude prices. EBITDA margin improved by 127 bps to 28.6% YoY (Vs our expect. of 26.5% YoY) mainly on account of reduction in Ad & P exp, other exp. and employee expense to the extent of 22bps,30bps and 79 bps respectively. PAT for this quarter grew by 13% YoY to Rs 192 cr while provisioning of Taxes was lower by 43 bps to 31.8% in this quarter. PAT margin improved by 96 bps YoY to 17.5%.

DABUR

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1966	2125	2199	12%	3%
EBITDA	404	451	445	10%	-1%
PAT	333	378	367	10%	-3%
Gross Margin	52%	49%	49%	(228 bps)	(9 bps)
EBITDA Margin	21%	21%	20%	(27 bps)	(96 bps)
PAT Margin	17%	18%	17%	(23 bps)	(107 bps)

Dabur's number for Q3FY19 remained in line with our estimates; sales were up by 12% YoY to Rs.2199 crs (vs expec. Rs.2132 Crs) backed by domestic FMCG growth of 15% while International Business (IB) grew by 3.4% with cc growth of around 1% on YoY basis. The company reported domestic FMCG volume growth of 12.4% backed by robust growth in major segments like; Health Supplements grew 13.8% on the back of double digit growth in Chyawanprash & Honey while Hair oil category grew by 23.6% with all around growth in all brands and market share gain. Gross Margin declined by 229 bps to 49.3% due to high crude oil prices while company managed to minimize the EBITDA decline by taking cost efficiency measures and reducing advertising exp., it declined by 27 bps to 20.3%. PAT grew by 10% to Rs 367 cr (expec. Rs 364 cr). Marked difference in management commentary in Q3FY19, from moderation in rural demand (concall Q2FY19) to better growth prospects in medium-term from domestic market, especially for rural led by fiscal stimulus gives us comfort.

EMAMILTD

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	757	628	811	7%	29%
EBITDA	265	189	267	1%	41%
PAT	147	82	138	-7%	67%
Gross Margin	69%	69%	67%	(218 bps)	(162 bps)
EBITDA Margin	35%	30%	33%	(210 bps)	272 bps
PAT Margin	19%	13%	17%	(250 bps)	383 bps

EMAMI has reported mixed set of numbers for Q3FY19; sales grew by 7% YoY to Rs.811 Crs((vs expec. Rs.830 Crs) with Domestic business growth of 7%, International Business (IB) growth of 18% &CSD growth of 2% on YoY basis. IB growth was led by better traction from SAARC & MENAP regions which grew by 40% & 26% respectively. Volume growth remained ~3.5%; impacted by subdued growth in Boro Plus range which got affected by delayed winters. Positive for this quarter remained strong growth from Kesh King and Zandu Pancharishta which grew by 26% and30% respectively in Q3FY19 after many quarters of subdued growth. Gross margin contracted by 218 bps to 67.0% led by high Crude & Mentha oil prices while EBITDA margin declined 210 bps to 32.9%. PAT de-grown by 6.6% YoY to Rs.138 Crs on account of exceptional cost of 9.8 Crs. Company recently, acquired German brand Crème 21 which has strong presence in Middle East and focused markets. The brand offers skin care & body care products. It has 9-10% of EBITDA margins.

HINDUNILVR

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	8590	9234	9558	11%	4%
EBITDA	1680	2019	2046	22%	1%
PAT	1326	1525	1444	9%	-5%
Gross Margin	55%	52%	54%	(76 bps)	181 bps
EBITDA Margin	20%	22%	21%	185 bps	(46 bps)
PAT Margin	15%	17%	15%	(33 bps)	(141 bps)

Hindunilvr's sales grew by 11% YoY to Rs.95.6 bn while EBITDA growth remained 22% YoY to Rs 20.5 bn. Volume growth grew by 10% despite higher base of 11% of previous year. Home care, Beauty & Personal care and Foods & Refreshment which grew by 15%, 11% and 10%respectively led by f premiumization, lower unit packs and market developments. Gross margin declined by 76 bps YoY to 53.8% on account of volatility in crude oil prices while EBITDA margin expanded by 185 bps YoY to 21.4% backed by lower employee ,A&P and other expenses by 85,48 and 128 bps respectively .The company witnessed broad based growth in all segments but home care stood out with the growth of 15%. Going forward we expect strong volume growth for company to continue on the back of improvement in penetration led by lower unit packs, improved offering backed by focused WIMI strategy and adoption of premiumization in rural market. While premiumization, higher contribution of beauty& Personal care and cost saving measures will help in improvement in margin going ahead.

ITC

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	9952	11069	11228	13%	1%
EBITDA	3905	4206	4326	11%	3%
PAT	3090	2955	3209	4%	9%
Gross Margin	62%	61%	62%	(51 bps)	36 bps
EBITDA Margin	39%	38%	39%	(71 bps)	53 bps
PAT Margin	31%	27%	29%	(247 bps)	189 bps

ITC's sales grew by 13% to Rs.11228 Crs (vs expec. Rs.10975 Crs) while PAT grew by 4% YoY to Rs.3209 Crs (expec. Rs 3123cr). Impacted by exceptional income of Rs.413 Crs in Q3FY18. Cigarette Business contributing 42% of revenue grew by 10%. Cigarettes EBIT was lower by 49 bps YoY to 70.1% led by consumption of higher cost leaf tobacco and increased salience of capsule cigarettes in the sales mix(key nagative). Other FMCG contributing 26% of revenue grew by 11% led by Atta, Snacks, Premium Biscuits and Noodles & Personal Care Products Business. Gross margin declined by 51 bps YoY to 61.7% while EBITDA margin declined by 71 bps YoY to 38.5% on account of brand building, gestation cost of new categories. EBITDA grew by 11% YoY to Rs.4326 Crs (expec. Rs.4346). Other income for this quarter grew by 33% YoY to Rs.836 cr.

JYOTHYLAB

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	409	428	434	6%	2%
EBITDA	68	73	72	5%	-2%
PAT	37	45	48	30%	7%
Gross Margin	46%	46%	45%	(60 bps)	(56 bps)
EBITDA Margin	17%	17%	17%	(16 bps)	(58 bps)
PAT Margin	9%	11%	11%	203 bps	54 bps

Jyothylab has reported mixed set of numbers for Q3FY19, sales for this quarter grew by 6% YoY to Rs.434 crs led by 6% overall volume growth. The company's major brands Ujala (contri. to revenue 24%) grew at 2% and Exo (contri. 26%) grew at 8% YoY while other brands Maxo, Henko & Pril grew by 11.7%, 17.5% & 12.3% whereas Margo de grew by 7% due to cyclicity. Gross margin contracted by 60 bps to 45.4% led by input cost pressures while EBITDA margin declined by 16 bps to 16.5%.By reducing A&P expenses by 56 bps to 5.5%, the company managed the decline in EBITDA margin to only 16 bps. PAT grew by 30% YoY to Rs.48 crs on the back of lower A&P expenses. Going forward company continue to launch new products which will drive company's volume growth going forward. Kerala has back to the normal. Henko Franchise grew by 18% in Q3FY19. Home Insecticide which remained laggard grew by 12% in this quarter and expected to do better going ahead however; company's management has reduced their sales guidance from 12-14% for FY19 to 11-12%.

GILLETTE

Performance	2QFY18	1QFY19	2QFY19	YOY%	QOQ%
SALES	408	457	476	17%	4%
EBITDA	98	107	98	0%	-8%
PAT	59	65	54	-8%	-17%
Gross Margin	59%	56%	59%	31 bps	274 bps
EBITDA Margin	24%	23%	21%	(342 bps)	(280 bps)
PAT Margin	14%	14%	11%	(307 bps)	(297 bps)

GILLETE's revenue grew by 16.7% YoY to Rs 476 Cr (vs expectation of Rs 440 Cr) which remained ahead of the category growth backed by strong volume growth in both male grooming as well as in oral care segment. Male grooming and Oral care grew by 12% and 36% respectively in Q2FY19. Gross margin improved by 31 bps to 59.1% YoY on account of reduction in input prices while EBITDA margin declined by 342 bps to 20.6% YoY on account of heavy Ad & Promotion expense made by the company for brand building which in turn improved the volumes. PAT declined by 8% YoY to Rs 54 Cr (vs expectation of Rs 62 Cr) on account of increase in tax (as % of PBT) by 5.46% while higher Ad & Promotion spend also contributed in reducing PAT to a large extent.

GODREJCP

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	2630	2659	2722	3%	2%
EBITDA	589	487	609	3%	25%
PAT	430	578	424	-1%	-27%
Gross Margin	57%	53%	56%	(93 bps)	347 bps
EBITDA Margin	22%	18%	22%	(3 bps)	406 bps
PAT Margin	16%	22%	16%	(78 bps)	(617 bps)

GODREJCP's result for 3QFY19 remained below than our expectation wherein Sales grew by 3% to Rs 2722 Cr (Vs Expect. of Rs 2806 Cr) with domestic volume and value growth of 1% (expect. 6%) and 6% on the back of largely flat growth in Hair color and soaps and Home Insecticide business although on a higher base of ~18% while In International front, Indonesia continued to deliver sales growth of 7% in cc terms while witnessed mixed performance in GAUM(grew by 4% in cc) cluster with gradual recovery in Kenya, satisfactory performance from ex-South cluster but South Africa remained Subdued due to macroeconomic headwinds and rising competitive intensity although company is launching LUP's. The Company's Gross margin declined by 93 bps to 56.2% YoY (Vs Expect. of 56.4% YoY) due to temporary increase in crude oil prices and currency depreciation while managed its EBITDA margin to 22.4% YoY (Vs Expect. of 23.7% YoY) driven by cost saving initiative taken by the company. PAT stood at Rs 423.5 Cr posting a de growth of 1% (Vs Expect. of Rs 478 Cr) while is mainly on account of subdued sales.

GSKCONS

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1039	1272	1117	7%	-12%
EBITDA	208	354	239	15%	-33%
PAT	164	275	221	35%	-20%
Gross Margin	69%	70%	71%	172 bps	105 bps
EBITDA Margin	20%	28%	21%	139 bps	(645 bps)
PAT Margin	16%	22%	20%	405 bps	(186 bps)

GSKCON's numbers remained better than our expectations, sales for the quarter grew by 7.9% YoY to Rs 1117 Cr (vs. expect. of Rs 1096 Cr) led by broad based volume of 8.7% YoY .Gross margin improved by 172 bps to 70.7% YoY (vs. expectation of 68.8% YoY) led by reduction in major input prices, better overhead absorption and cost saving initiatives taken by the company while EBITDA margin expanded by 139 bps YoY to 21.4% (vs. expect. of 20.1% YoY), lower than gross margin due to increased investment on Ad (up by 114 bps YoY) and employee(136 bps YoY) while PAT margin improved by 404 bps to 19.8% YoY led by higher other income of Rs 124 cr(vs Rs 64 cr in Q3FY18) with PAT growth of 35.1% YoY to Rs 221.

MARICO

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	1624	1837	1861	15%	1%
EBITDA	301	294	349	16%	19%
PAT	223	218	252	13%	16%
Gross Margin	47%	44%	46%	(39 bps)	230 bps
EBITDA Margin	19%	16%	19%	20 bps	274 bps
PAT Margin	14%	12%	14%	(23 bps)	168 bps

Marico's numbers for Q3FY19 remained in line with our estimates; sales, EBITDA and PAT were up by 15%, 16% and 13% respectively to Rs.1861 crs(expe. Rs 1847 cr), Rs.999 crs(expe. Rs 981 cr) and Rs.252 crs (expe. Rs 260 cr). Domestic volume growth for the quarter remained 5% while International business (IB) grew by 11%in cc terms led by better performance of Bangladesh (16% cc growth) and Vietnam (15% cc growth).For domestic market, Parachute Rigid, VAHO and Saffola which grew by 9%, 7% and 2% respectively while company reported strong Value growth of 13%, driven by price hikes taken in the core portfolios to counter the input cost inflation over the last year. While Due to softening in copra prices, gross margin expanded by 230 bps QoQ and declined 39 bps YoY to 46.3% while, EBITDA margin expanded by 20 bps to 18.8% lead by decline in Ad expenses and other ex. by 20 and 55 bps respectively. Saffola's volume growth remained dampener; up by 2%YoYwhile Parachute Rigid grew much better and clocked 9% volume growth.

NESTLEIND

Performance	4QFY17	3QCY18	4QCY18	YOY%	QOQ%
SALES	2601	2939	2897	11%	-1%
EBITDA	645	742	614	-5%	-17%
PAT	312	446	342	10%	-23%
Gross Margin	59%	60%	59%	5 bps	(77 bps)
EBITDA Margin	25%	25%	21%	(361 bps)	(406 bps)
PAT Margin	12%	15%	12%	(19 bps)	(338 bps)

NESTLEIND posted a revenue growth of 11% YoY to Rs 2897 Cr (vs. expectation of Rs 2942 Cr) led by growth of 12% YoY in domestic market due to broad based recovery in volumes . Gross margin improved by 5 bps to 58.95% YoY (vs. expectation of 59% YoY) led by lower commodity prices while EBITDA margin declined by 361 bps YoY to 21.2% YoY due to higher other expenses. The Company's other expenses increased by 418 bps to 27.91% YoY on account of higher marketing spends on demand generating activities for the existing as well as the new products portfolio. PAT grew by 9.60% YoY to Rs 342 Cr (vs. expectation of Rs 424 Cr).

PGHH

Performance	2QFY18	1QFY19	2QFY19	YOY%	QOQ%
SALES	704	792	818	16%	3%
EBITDA	210	210	191	-9%	-9%
PAT	131	144	124	-5%	-14%
Gross Margin	60%	60%	56%	(462 bps)	(467 bps)
EBITDA Margin	29.9%	26.5%	23.4%	(648 bps)	(309 bps)
PAT Margin	18.6%	18.2%	15.2%	(347 bps)	(303 bps)

PGHH reported mixed set of numbers with sales growth of 16.2% YoY to Rs.818 crs(expectation of Rs 817 cr) backed by strong volume growth & category development initiatives. Gross margin declined by 462 bps to 55.5% led by higher input inflation and price cut undertaken by the company while EBITDA margin contracted by 648 bps to 23.4% on account of decline in gross margin & strategic investments made by company on brand building initiatives to accelerate growth going forward. Employee Exp., Ad & Promotion Exp. & Other Exp. Went up by 39 bps, 9 bps & 138 bps respectively on YoY basis on the back of company's brand building initiative. Company reported PAT de-growth of 5% to Rs.124 crs(expectation Rs 140 cr) which got impacted by decline in margins.

ZYDUSWELL

Performance	3QFY18	2QFY19	3QFY19	YOY%	QOQ%
SALES	132	138	145	10%	5%
EBITDA	33	39	38	14%	-2%
PAT	36	41	40	10%	-4%
Gross Margin	68%	69%	68%	32 bps	(88 bps)
EBITDA Margin	25%	28%	26%	86 bps	(193 bps)
PAT Margin	27%	30%	27%	(2 bps)	(267 bps)

ZYDUSWELL 3QFY19 revenue remained in line with our estimates posting a growth of 9.8% YoY to Rs 145 Cr (vs expectation of Rs 141 Cr) backed by strong performance of its key brands wherein Nutralite witnessed growth in volumes. The underlying volume growth stood equal to the value growth that is ~10%. Gross margin improved by 32 bps to 68% YoY (vs. expectation of 69% YoY) led by reduction in costs. EBITDA margin remained in line with our estimate and improved by 86 bps to 25.9% YoY led by decline in other expense to the extent of 427 bps while Ad & P and employee expense increased by 238 bps and 134 bps respectively. PAT remained in line with our expectation posting a growth of 9.8% YoY to Rs 39.7 Cr. However, the PAT growth remained subdued on account of increase in tax rate.

Exhibit: Average Volume Growth

Our FMCG universe companies average Volume grew by 5% on account of higher base of Q3FY18.

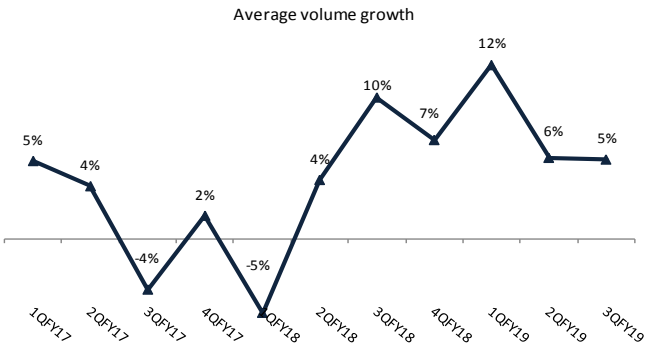


Exhibit: Company wise-Volume growth

HUL & Dabur clocked much better vol. than average while Godrejcp,Emami,ATFL & Marico remained laggard.

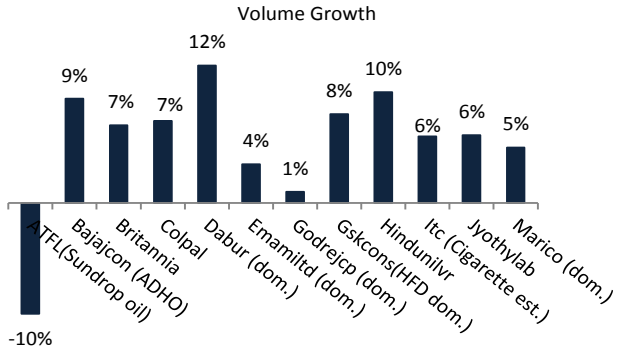


Exhibit: Average Pricing Growth

Average pricing growth for this quarter remained 3% impacted on account of 8% pricing growth in Marico.

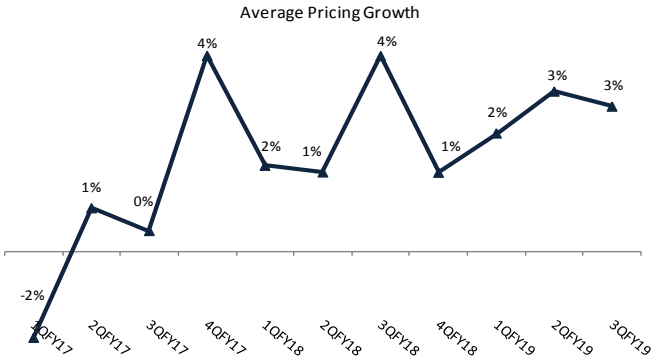


Exhibit: Pricing Growth for different companies

Majority companies pricing growth remained in range of 3-5% while Marico recorded 8% to mitigate input inflation.

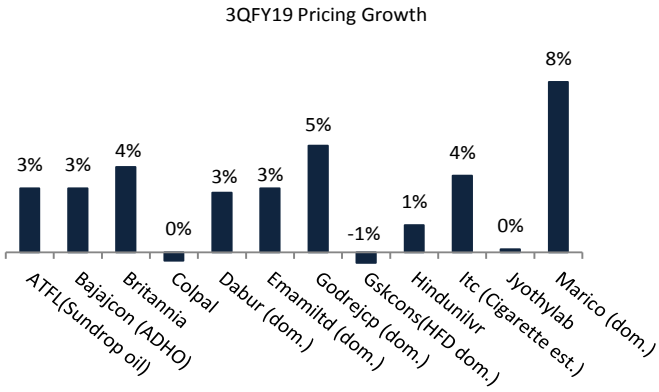


Exhibit: Average Sales Growth

Average sales in Q3FY19 grew by 10% mainly led by better numbers from Dabur, PGHH, Gillette, Marico and ITC.

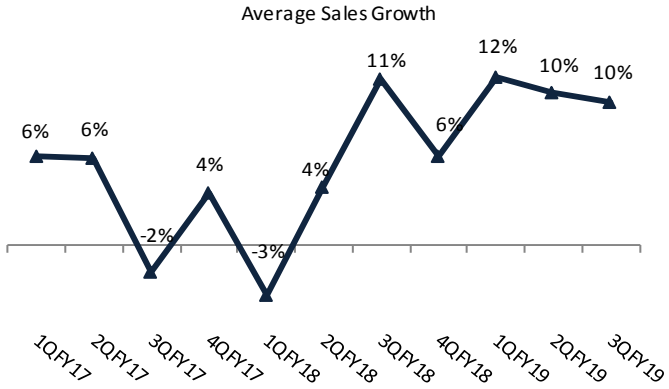


Exhibit: Average Gross Margin

Gross margin on overall basis declined by 60 bps YoY majorly backed by input inflation like crude,LLP etc.

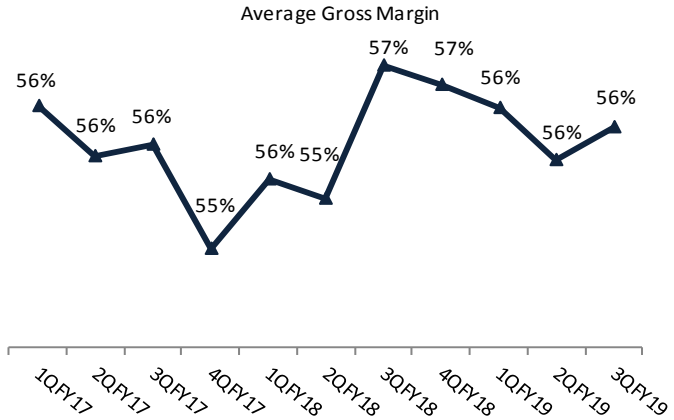


Exhibit: Gross Margin trend in different companies

Britannia , Gskcons , Gillette & Zydus gross margin improved by 261 , 172,31 and 32 bps respectively.

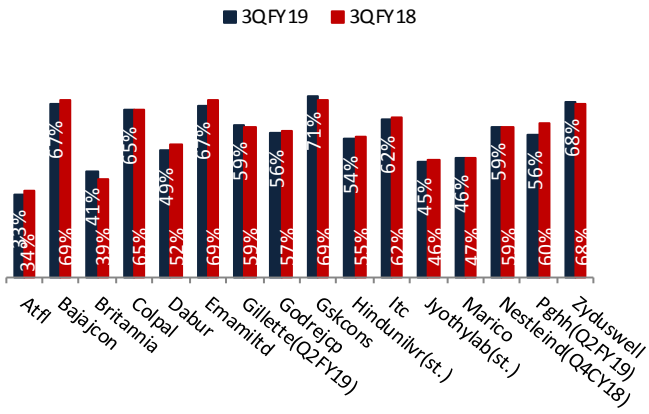


Exhibit: Average EBITDA Margin

Ave.EBITDA margin declined by 77 bps YoY led by decline in Gross margin & higher Ad expenses .

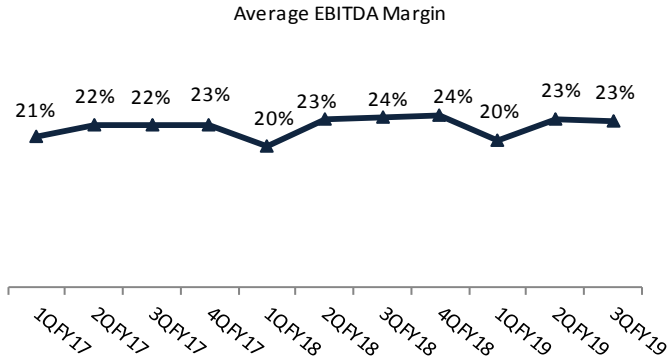


Exhibit: EBITDA Margin trend in different companies

Most of the companies EBITDA margin contracted except Hindunilvr,Gskcons,Zydus and Colpal,Marico & Britannia .

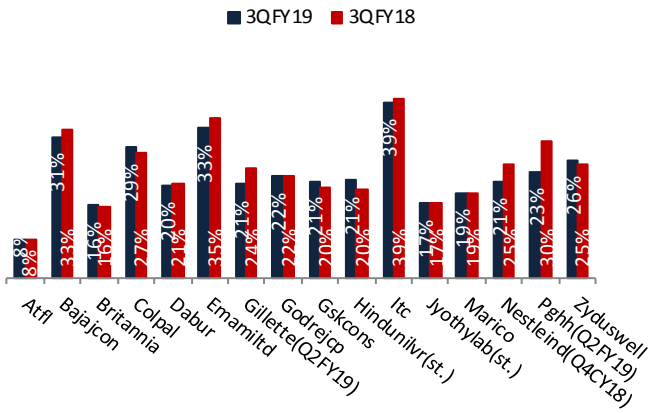


Exhibit: Ad Expenses(as % of Sales)

Average Ad expenses increased by 35 bps to 11.2% on the back of new launches and brand building.

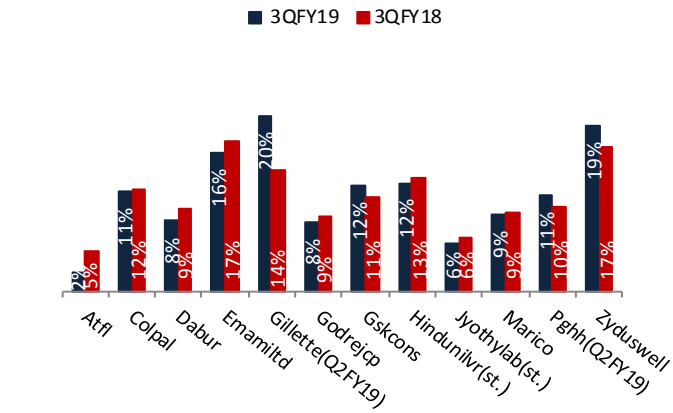


Exhibit: Other Expense (as % of Sales)

Average other expenses declined by 19 bps YoY on the back of companies cost savings measures.

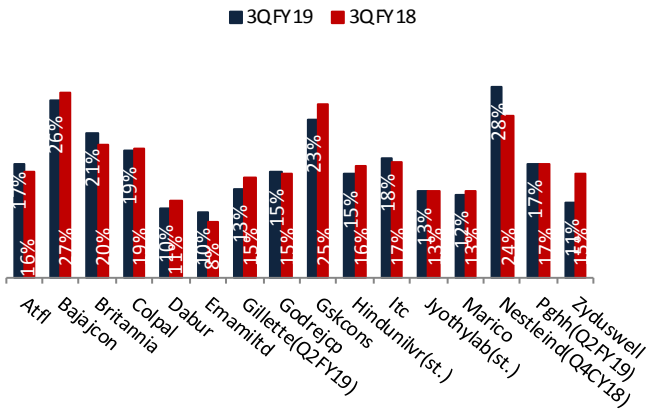
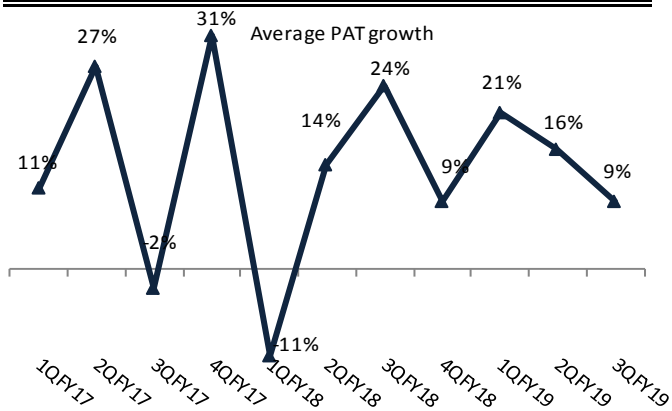


Exhibit: Average PAT Growth

Our consumer universe average PAT growth remained low due to higher base and shrinkage in margins.



Management commentary

Company	Basis of Guidance	Mgmt. Guidance
ATFL	Ad expenses	The Company will increase its media expense form next quarter for RTE Popcorn and Peanut butter.
	Category Development	The company will enter into high margin chocolate and confectionary business in FY20, re-enter breakfast cereal with Choco popz and other new products in this category within 6 months.
BAJAJCON	Volume	The Company expects better volume growth to sustain in Q4FY19.
	Distribution reach	The Company is expecting to extend its direct reach to 5.4 lacs outlets by end of FY19.
	Gross Margin	Post Feb. 2019, the Company will see improvement in gross margins on the back of low price LLP purchase. Stock of old inventory (high cost LLP) will last till Feb.
	International Business	The Company is expecting better growth from international market(IB) going forward on the back of its expansion in Key markets like in SAARC countries(Nepal, Bangladesh), in Middle-east (KSA, Saudi-Arabia, UAE) and Southeast Asia (Indonesia).
BRITANNIA	Input price inflation	The Company expects commodity inflation in a range of 4-5% in coming quarters led by higher inflation in flour and milk products while expects deflation in sugar and oil.
	Pricing	The mgt. is expected to take price hike in a range of 3-4% in coming quarters to mitigate the impact of input inflation.
	Cost saving	The Company plans to save in the range of Rs 225-230 Cr to the bottom line this year.
DABUR	Macro	Rural outgrowing urban by 2% and it is expected grow even better going forward led by improvement in rural demand backed by government initiatives.
	Gross Margin	Gross margin is expected to come back to previous levels in Q4. In Int. Business (IB) lower margins were there due to higher consumer & trade promotions and impact of currency devaluation, now mgmt. is expecting to stabilize it as consumption revitalizes margins would come back in next few quarters.
	Domestic and IB Proportion	Domestic is expected to grow higher than International Business (IB) in coming few quarters. It would be in ratio of 75:25(domestic to IB).
	International Business	Strong growth prospect is expected in medium to long term . Company requires two more quarters to re-balance currency valuation & get back to their momentum in 2QFY20.
EMAMILTD	Macro	Rural is doing slightly better than urban.
	Input price inflation	Prices of raw material have softened currently & company is hoping to maintain gross margins in Q4 on YoY basis.
	International Business	MENA, SAARC & CIS are going to be the major part of IB in upcoming quarters as Crème 21 has good opportunity here.
GILLETTE	General	Company will continue to focus on raising the bar on superiority of their products, packaging, go-to-market and communication, improving productivity and strengthening their organization and culture. (taken from quaterly result presentation)
GODREJCP	Revenue & PAT	The Company expects much stronger performance in both Top line and Bottom line at overall level in Q4FY19.
	Gross Margin	The management is optimistic on improvement on gross margin sequentially going ahead.
	International Business	The Company's Indonesia business is expected to deliver double digit growth with margin expansion backed by 4 new launches in 4QFY19 while expects positive result from Africa from 4QFY19 onwards. FY20e is expected to be much better on the back of benign base and new launches.

Management commentary

Company	Basis of Guidance	Guidance
HINDUNILVR	Macro	Rural is growing ahead of urban. Rural is 1.3 times of Urban growth and it is contributing ~35-40%.
	Margin	The Company will keep working on improvement in sales growth with margin improvement.
	Cost efficiency	The company will continue to work on cost efficiency measures and keep investing in new growth drivers.
	Distribution	Hindunilvr in focusing on launch of lower unit packs (LUP's) to drive penetration and using WIMI strategy to customize it offerings.
ITC	Long-term revenue target	With a revenue target of Rs1 lakh crore from the FMCG segment by 2030, the company is betting heavily on food business through new product launches and geographical expansion.
	E-Commerce	The Company is set to start its own e-commerce operation for premium and niche products as it seeks to expand market share in the fast growing online sales segment and ensure wider availability of products.
JYOTHYLAB	Macro	Rural Demand expected to stay strong. At current level of crude prices, input price pressure at ease.
	Outlook	The Company is expecting positive demand going ahead and its innovation program across portfolio is on track.
	Revenue	The Company is targeting Revenue growth of 11-12% for FY19.
MARICO	Volumes	Company will end FY19 with 8 percent volume growth and it will definitely push that by another 1-2 percent next year.
	Launches	Expects new product launches in its personal care and foods portfolio to generate 7-8% of the company's revenue by fiscal year 2022.
	Management strategy	Marico is targeting to reduce dependence on Parachute & Saffola, which is done in Bangladesh & now company is looking forward to do in India.
NESTLEIND	Management strategy	The Company is focusing on volume-led penetration in categories where penetration levels are relatively low.
	Cost saving	The company expects benign era of RM prices to fade gradually as Prices of commodities are moving northwards. The company's focus would be to try and mitigate by using its scale, science & technology, manufacturing & sourcing capabilities .
	Pricing	The Company may take price increase in unavoidable cases whereas the core strategy remains volume-led growth and penetration-led strategies.
	New launches	The Company is working upon two to three dozen projects involving a new products and may launch some of them during the year.
PGHH	General	Company will continue to focus on raising the bar on superiority of their products, packaging, go-to-market and communication, improving productivity and strengthening their organization and culture. (taken from quaterly result presentation)
ZYDUSWELL	Macro	The Company expects decent growth in coming quarters on the back of increase in penetration and better traction from new launches.
	Operating Margin	For next 1 or 2 yrs, the company expects its operating margin to be at same level (excluding Heinz India products).

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