India Equity Analytics

Results Preview Q4FY19- Building Materials, QSR and Airlines

Analyst
Pratik Poddar
pratik.poddar@narnolia.com
+91-22-62701207

Century Plyboards (India) Limited

Building Materials

CPBI IN

CMP	**218**
Target	**192**
Upside	**-12%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	30%	20%	19%	20%
Roce%	22%	17%	20%	21%
P/E	31.0	46.3	26.4	22.2
EV/Sales	3.5	3.9	2.2	2.1
EV/Ebdita	21.4	25.3	15.6	13.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Metrices							
Plywood - Revenue	1,261	1,263	1,296	1,392	321	313	345
Plywood - EBITDA	216	181	193	205	52	38	50
Laminates - Revenue	364	370	434	479	102	112	123
Laminates - EBITDA	59	61	43	65	13	10	16
MDF - Revenue	-	112	302	341	65	88	83
MDF - EBITDA	-	21	39	55	10	14	13
Particle Board - Revenue	23	73	98	109	19	26	25
Particle Board - EBITDA	4	13	21	23	3	6	5
Sales	1,782	1,967	2,299	2,496	544	579	618
Sales Gr%	*9%*	*10%*	*17%*	*9%*	*11%*	*14%*	*14%*
COGS	918	1,023	1,207	1,297	274	309	329
Ebdita	292	306	330	389	83	76	94
Ebdita Gr%	*3%*	*5%*	*8%*	*18%*	*-1%*	*-13%*	*13%*
Net Profits	186	157	176	218	36	41	51
Profit Gr%	*9%*	*-16%*	*12%*	*24%*	*-36%*	*-11%*	*43%*
Gross Margin%	48.5%	48.0%	47.5%	48.0%	49.7%	46.7%	46.8%
Ebdita Margin%	16.4%	15.6%	14.4%	15.6%	15.3%	13.1%	15.2%
Net Profit Margin%	10.4%	8.0%	7.6%	8.7%	6.6%	7.2%	8.3%

Std/Fig in Rs Cr

- Going by segments; Ply margins would be lower in near term due to change in strategy to focus on mid-market segment, Laminates prices now cover high RM costs which would normalize margins, MDF (which is in a highly competitive market right now) is expected to improve with demand/supply gap narrow down, Particle board segment is strong with improving margins sequentially.
- With 10% guided volume growth in Ply/Lam and high growth of MDF & particle board, revenue for the quarter is expected to be up by 14% YoY to Rs 618 crores.
- While the gross margin would be under pressure at 46.8%, EBITDA margin would be flat at 15.2% on better volumes and as the base quarter includes forex loss.
- To improve its customer reach, company aims to expand touchpoints for laminates to 30000 and plywood to 15000 in next 1, 1-1/2 years time.
- The Board has approved a proposal for setting-up a Particle Board and MDF Unit at UP.

Key Trackable this Quarter

- Success of company's startegy to focus on the mid-market segment
- Forex exposure on Balance Sheet and Working capital status
- Demand/Supply dynamics of the MDF industry

We value the stock at 12x FY20e EV/Ebdita. NEUTRAL

Cera Sanitaryware Ltd

CRS IN

Building Materials

CMP	**2914**
Target	**2977**
Upside	**2%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	21%	18%	18%	19%
Roce%	27%	23%	23%	25%
P/E	38.1	45.1	34.4	25.5
EV/Sales	3.8	3.7	2.9	2.3
EV/Ebdita	22.3	25.6	19.8	14.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Revenue							
Sanitaryware & Allied	60%	56%	54%	53%	55%	52%	54%
Faucets	21%	22%	23%	23%	23%	24%	24%
Tiles	16%	20%	20%	21%	19%	21%	19%
Others	3%	3%	3%	3%	3%	4%	3%
Sales	1,011	1,182	1,349	1,556	361	319	419
Sales Gr%	*10%*	*17%*	*14%*	*15%*	*16%*	*10%*	*16%*
COGS	481	563	641	733	174	150	202
Ebdita	171	171	194	242	51	46	67
Ebdita Gr%	*21%*	*0%*	*14%*	*25%*	*-2%*	*13%*	*32%*
Net Profits	104	100	117	149	31	28	40
Profit Gr%	*25%*	*-4%*	*17%*	*27%*	*-6%*	*23%*	*32%*
Gross Margin%	52.4%	52.3%	52.5%	52.9%	51.8%	52.9%	51.7%
Ebdita Margin%	16.9%	14.4%	14.4%	15.6%	14.1%	14.4%	16.0%
Net Profit Margin%	10.3%	8.5%	8.7%	9.6%	8.5%	8.9%	9.6%

Std/Fig in Rs Cr

❑ The company in Q3 reported a topline growth of 10% with only faucets segment growing at ~23%. In the seasonally best quarter four, the company is expected to report a topline growth of 16% YoY to Rs 419 crores.

❑ The high growth in faucets segment will help to increase its share in the total revenue pie by 100bps to 24%.

❑ Price hikes, enough to tackle the higher RM costs, will help the company report gross margin at 51.7%.

❑ EBITDA margin is expected to be higher by 190bps YoY to 16% as the other expenses in base quarter were higher due to high gas prices, recruitment costs and high A&P spends.

❑ PAT is expected to be Rs 40 crores, margins at 9.6%.

❑ The total capex guided for FY19 stands at Rs 70 crores of which company has already spent around 41.72 crores in the first nine months.

Key Trackable this Quarter

❑ Overall market environment in the real estate sector

❑ Share of outsource based sales

❑ Further expansion/acquisition strategy to enhance capacity

We value the stock at 26x FY20e P/E. HOLD

Greenlam Industries Limited

GRLM IN

Building Materials

CMP	**923**
Target	**855**
Upside	**-7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	19%	20%	20%
Roce%	17%	19%	20%	22%
P/E	30.8	44.2	29.3	23.9
EV/Sales	1.7	2.6	1.9	1.7
EV/Ebdita	12.9	19.9	15.3	12.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Laminates Volume*	12.8	13.8	13.5	14.4	3.7	3.3	3.7
Laminate Realisation	681	693	798	810	693	761	797
Segment Mix							
Laminates - Revenue	939	984	1,076	1,166	266	262	294
Laminates - EBITDA	136	134	147	162	35	35	42
Veneer - Revenue	137	160	189	218	45	52	51
Veneer - EBITDA	3	16	14	21	4	6	5
Sales	1,076	1,145	1,265	1,383	311	314	345
Sales Gr%	*4%*	*6%*	*11%*	*9%*	*6%*	*12%*	*11%*
COGS	567	598	668	725	167	162	183
Ebdita	138	149	161	183	39	41	47
Ebdita Gr%	*9%*	*8%*	*8%*	*14%*	*-9%*	*5%*	*20%*
Net Profits	50	65	78	93	18	20	25
Profit Gr%	*32%*	*30%*	*21%*	*19%*	*0%*	*14%*	*38%*
Gross Margin%	47.3%	47.7%	47.2%	47.6%	46.3%	48.3%	47.0%
Ebdita Margin%	12.9%	13.0%	12.7%	13.2%	12.5%	13.1%	13.5%
Net Profit Margin%	4.6%	5.6%	6.2%	6.7%	5.7%	6.3%	7.2%

*(in mn sheets) Conso/Fig in Rs Cr

❑ Laminate segment continue to face weak demand environment and over-capacities in industry while strong brand recall helping the company. The veneer segment is facing pressures due to higher RM costs and lower realisations.

❑ The management has said that it would be difficult to take further price hikes in the current market scenario. YTD price hikes leading to 11% YoY rise in realisations in laminates and high growth from wooden doors & floors in veneer & allied segment would drive sales growth of 11% YoY to Rs 345 crores for quarter 4.

❑ With continued pressure from higher RM costs, Gross Margins are expected to be at 47%. With breakeven achieved in doors segment and higher laminate volumes in seasonally best quarter, EBITDA margins would improve by 100 bps YoY to 13.5%.

❑ The company has announced a brownfield expansion of 1.6 million sheets for laminates division at a layout of Rs 25 crores funded through internal accruals.

❑ The company has acquired a Swiss company Decolan SA engaged in laminates and expects its revenue to go up to CHF 6.7 million in 1-2 years from present CHF 2.86 million.

Key Trackable this Quarter

❑ Overall demand environment and product pricing in market

❑ Sustainable EBITDA margin for the wooden doors segment

❑ Breakeven progress for the wooden floors segment

We value the stock at 12times EV/EBDITA. NEUTRAL

Kajaria Ceramics Ltd

KJC IN

Building Materials

CMP	**604**
Target	**622**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	23%	19%	17%	20%
Roce%	30%	24%	23%	27%
P/E	36.9	38.5	39.3	29.1
EV/Sales	3.7	3.3	3.1	2.7
EV/Ebdita	19.0	19.9	19.8	15.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Tiles Volume Growth	5%	6%	13%	15%	5%	16%	15%
Segmental Revenue							
Own Mfg (Tiles)	54%	56%	57%	55%	57%	55%	55%
JVs (Tiles)	31%	24%	22%	23%	23%	23%	21%
Outsourcing (Tiles)	10%	14%	14%	15%	14%	16%	16%
Sanitaryware/Faucet	5%	5%	7%	7%	7%	6%	8%
Sales	2,550	2,711	3,023	3,538	750	759	882
Sales Gr%	*6%*	*6%*	*12%*	*17%*	*4%*	*15%*	*18%*
COGS	919	1,060	1,135	1,363	291	297	344
Ebdita	496	456	470	603	120	121	143
Ebdita Gr%	*8%*	*-8%*	*3%*	*28%*	*-8%*	*10%*	*19%*
Net Profits	253	235	239	330	66	65	78
Profit Gr%	*9%*	*-7%*	*2%*	*38%*	*-7%*	*19%*	*18%*
Gross Margin%	63.9%	60.9%	62.4%	61.5%	61.2%	60.9%	61.1%
Ebdita Margin%	19.5%	16.8%	15.5%	17.0%	16.0%	15.9%	16.2%
Net Profit Margin%	9.9%	8.7%	7.9%	9.3%	8.8%	8.5%	8.8%

Conso/Fig in Rs Cr

❑ With the positive momentum of volume growth in Q3, the company is expected to report a 15% YoY growth as guided by the management. The sanitaryware and faucets business would continue to grow at 40% YoY as guided. With realisations maintained sequentially, the revenue is expected to be at Rs 882 crores, up 18% YoY.

❑ With the global gas prices cooling down, the overall gas cost as a % of sales is expected to remain flat sequentially at 20.3%.

❑ The high volume sales growth and easing fuel cost pressures would help to report EBITDA margin at 16.2% in the seasonally best quarter for the industry.

❑ PAT is expected to be Rs 78 crores, margins at 8.8%.

❑ The total capex guided for FY19 stands at Rs 150 crores. Company's plant expansion of 5.6 msm per annum at Multana, Rajasthan has now been extended to be made by end of FY20.

Key Trackable this Quarter

❑ Pricing and capacity in the Industry post NGT order on Morbi

❑ Prices of gas which account for ~20% of sales

❑ Growth and breakeven progress of Sanitaryware and faucets segment

We value the stock at 30x FY20e P/E. HOLD

Somany Ceramics Ltd

SOMC IN

Building Materials

CMP	**418**
Target	**410**
Upside	**-2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	13%	7%	11%
Roce%	21%	13%	9%	12%
P/E	29.6	40.5	40.4	24.4
EV/Sales	1.9	1.9	1.2	1.0
EV/Ebdita	13.7	17.2	14.0	10.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Tiles Volume Growth	7%	-1%	7%	10%	2%	8%	7%
Sales	1,731	1,713	1,755	1,959	541	425	555
Sales Gr%	*1%*	*-1%*	*2%*	*12%*	-	*7%*	*3%*
COGS	707	707	768	899	256	179	284
Ebdita	234	186	146	186	62	35	53
Ebdita Gr%	*64%*	*-20%*	*-21%*	*27%*	-	*-23%*	*-14%*
Net Profits	98	70	44	73	26	9	22
Profit Gr%	*52%*	*-28%*	*-38%*	*65%*	-	*-45%*	*-16%*
Gross Margin%	59.2%	58.7%	56.2%	54.1%	52.7%	57.9%	48.8%
Ebdita Margin%	13.5%	10.9%	8.3%	9.5%	11.5%	8.2%	9.6%
Net Profit Margin%	5.7%	4.1%	2.5%	3.7%	4.8%	2.2%	3.9%

Conso/Fig in Rs Cr

- The 9MFY19 volume growth for tiles stands at 7% YoY with value growth being only 3.5% on poor realisations The company has been cutting down on credit period for a better working capital position.
- The company is expected to report a tiles volume growth of 7% in Q4.
- The bathware segment is expected to grow 25% for the quarter
- With the global gas prices cooling down, the overall gas cost as a % of sales is expected to remain flat sequentially at 17.5%.
- Higher sales in seasonally best quarter and stabilising operations from working capital initiatives, EBITDA margins would improve by 140 bps sequentially to 9.6%.
- PAT is expected to be Rs 22 crores, margins at 3.9%.
- The company has commenced commercial production at its 3.48 msm GVT South plant of subsidiary from March, 2019

Key Trackable this Quarter

- Pricing and capacity in the Industry post NGT order on Morbi
- Prices of gas which account for ~20% of sales
- Working Capital status post intiatives taken by the management

We value the stock at 24x FY20e P/E. NEUTRAL

Asian Paints Limited

APNT IN

Consumers

CMP	**1519**
Target	**1443**
Upside	**-5%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	28%	25%	25%	25%
Roce%	33%	31%	32%	32%
P/E	53.0	52.7	63.1	54.8
EV/Sales	6.8	6.4	7.4	6.8
EV/Ebdita	34.4	33.7	38.8	33.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity (India)*	1,130	1,130	1,730	1,730	1,130	1,430	1,730
Domestic Volume Gr#	9%	7%	12%	7%	10%	19%	8%
Domestic rev Gr#	-1%	8%	16%	11%	13%	27%	14%
Int & Indstrial rev gr#	-3%	10%	9%	10%	21%	10%	10%
Sales	15,062	16,825	19,431	21,591	4,484	5,294	5,108
Sales Gr%	*6%*	*12%*	*15%*	*11%*	*15%*	*24%*	*14%*
Ebdita	2,986	3,198	3,700	4,397	840	1,043	998
Ebdita Gr%	*8%*	*7%*	*16%*	*19%*	*19%*	*17%*	*19%*
Net Profits	1,939	2,039	2,270	2,661	474	636	593
Profit Gr%	*11%*	*5%*	*11%*	*17%*	*0%*	*12%*	*25%*
Gross Margin%	44.7%	42.4%	41.5%	42.6%	43.2%	41.0%	42.2%
Ebdita Margin%	19.8%	19.0%	19.0%	20.4%	18.7%	19.7%	19.5%
Net Profit Margin%	12.9%	12.1%	11.7%	12.3%	10.6%	12.0%	11.6%

*in '000 KL #As per our calculations Conso/Fig in Rs Cr

- The management commentary continues to be cautious with the impending elections and crude prices/currency volatility. The demand momentum continues to be on hold for almost past 2 years. The company is expected to exit the financial year with an 8% volume growth in quarter 4.
- The Industrial segment continues to witness good growth while the Automotive segment witnessed sectoral demand slowdown. In current market scenario, the pass-through of rising costs is difficult and that has led to suppressed margins for the segment.
- In international markets, key units like Egypt, Bangladesh and Sri-Lanka continue to be affected with challenging business conditions. Though a bit of a pick-up was seen in Ethiopia with the unit able to secure forex for imports, the future outlook needs to be seen with the challenges continuing.
- Full impact of December 1.7% price hike would help the company to improve its gross margins sequentially by 120 bps to 42.2%. Further 200 bps YoY lower other expenses as a % of sales would lead the EBITDA margin to improve by 80bps YoY to 19.5%.
- The management has guided for a capex of Rs 1200 crores for FY19. Karnataka facility commenced its operations on 20th Sept, 2018 and Andhra Pradesh facility commenced on 29th January, 2019.

Key Trackable this Quarter

- Demand environment given the upcoming election in India
- Business challenges improvement in international market like Egypt, Bangladesh and Ethiopia.
- Realisation growth led by price hikes or product premiumisation needs to be seen

We value the stock at 52x FY20e P/E. HOLD

Berger Paints India Ltd

BRGR IN

Consumers

CMP	**332**
Target	**360**
Upside	**8%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	26%	24%	22%	26%
Roce%	28%	27%	27%	32%
P/E	49.5	54.0	59.4	46.2
EV/Sales	5.1	4.8	5.1	4.6
EV/Ebdita	32.5	30.8	33.7	26.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Volume Gr	11%	9%	16%	8%	12%	19%	14%
Domestic rev Gr	8%	14%	18%	11%	14%	21%	18%
Int & Indstrial rev gr	11%	13%	25%	12%	52%	18%	12%
Sales	4,552	5,166	6,112	6,795	1,298	1,617	1,522
Sales Gr%	*8%*	*13%*	*18%*	*11%*	*17%*	*21%*	*17%*
Ebdita	719	807	924	1,185	200	236	254
Ebdita Gr%	*11%*	*12%*	*14%*	*28%*	*24%*	*6%*	*27%*
Net Profits	474	461	529	698	106	134	143
Profit Gr%	*28%*	*-3%*	*15%*	*32%*	*1%*	*3%*	*35%*
Gross Margin%	43.1%	41.7%	39.3%	41.8%	41.3%	37.8%	41.1%
Ebdita Margin%	15.8%	15.6%	15.1%	17.4%	15.4%	14.6%	16.7%
Net Profit Margin%	10.4%	8.9%	8.7%	10.3%	8.2%	8.3%	9.4%

Conso/Fig in Rs Cr

- The management guided that it expects the decorative segment to show improvement. However, the ongoing headwinds faced by the industry and election environment causes us to remain cautious. YTD the company has grown at a faster pace than the industry and a similar performance is expected with a decorative volume growth of 14% in quarter 4.
- The net realisations is expected to improve for decorative with the full effect of december 1.6% price hike and better product mix.
- The steady growth in industrial and automotive business is expected to continue due to lower sensitivity of company to PV sales. The subsidiaries are also expected to continue their strong performance. However, a higher base would restrict the international and industrial growth to 12%.
- Revenue for the quarter is expected at Rs 1,522 crores, up 17% YoY.
- Q3 gross margins were affected due to high cost RM inventory. However, the gross margins are expected to bounce to 41.1% in quarter 4 once the inventory effect and price hike lag effect in industrial segment is done away with.
- Riding on operational efficiency, a 120bps lower other expenses will lead to an EBITDA margin of 17.7% for the quarter.
- Capex guidance for FY19 is INR 200cr on standalone books relating to plant in Maharashtra, largely for painting machines and capacity expansion in all the existing plants.

Key Trackable this Quarter

- Demand environment given the upcoming election in India
- Continued strong growth from Bolix Poland, BJN Nepal and Saboo Coatings
- Costs of TiO2, monomers and rupee impact in the current macro environment

We value the stock at 50x FY20e P/E. BUY

Jubilant Foodworks Limited

JUBI IN

CMP	**1441**
Target	**1530**
Upside	**6%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	8%	22%	28%	29%
Roce%	11%	29%	37%	38%
P/E	109.8	73.7	56.3	42.4
EV/Sales	2.9	5.1	5.2	4.4
EV/Ebdita	29.5	34.1	30.2	23.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SSG (%)	(2.7)	13.9	18.0*	9.0*	26.5	14.6	11.0
No. of stores							
Domino's Pizza India	1117	1134	1209	1309	1,134	1,200	1,209
Dunkin' Donuts India	63	37	32	32	37	32	32
Sales	2,546	2,980	3,558	4,138	780	929	893
Sales Gr%	*6%*	*17%*	*19%*	*16%*	*27%*	*17%*	*15%*
Ebdita	247	446	615	760	128	171	155
Ebdita Gr%	*-9%*	*81%*	*38%*	*24%*	*111%*	*25%*	*21%*
Net Profits	67	206	338	449	68	97	89
Profit Gr%	*-37%*	*207%*	*64%*	*33%*	*914%*	*46%*	*31%*
Employee cost%	23.0%	20.3%	18.9%	18.8%	18.2%	19.1%	19.1%
Rent%	11.7%	10.6%	9.7%	9.1%	11.0%	9.3%	10.2%
Other Expenses%	31.4%	28.9%	29.1%	28.9%	28.7%	28.8%	28.5%
Ebdita Margin%	9.7%	15.0%	17.3%	18.4%	16.4%	18.4%	17.3%
Net Profit Margin%	2.6%	6.9%	9.5%	10.8%	8.7%	10.4%	10.0%

*On average basis

Std/Fig in Rs Cr

❑ The company is expected to deliver an SSG of 11%. Higher base and the company's store expansion strategy by splitting up the existing stores will result in a slowdown of SSG to lower double digits in quarter 4.

❑ However, the new stores opened over the past two years and premiumisation through EDV launches would help the company achieve better sales and thus sales is expected to grow by 15% YoY to Rs 893 crores.

❑ Dunkin' donuts achieved break-even ahead of its target in Q3FY19 which would now won't lead to any drag on the overall Company's EBITDA margins.

❑ The strong operational control demonstrated by the company along with rising online orders would continue to help expand its EBITDA margins by 90bps to 17.3%.

❑ The company announced opening of its first outlet in Bangladesh on 18th March, 2019 and has already broken global record of highest no. of orders in first week of operation for Dominos.

❑ In March, 2019 Company announced the launch of its first own brand 'Hong's Kitchen' marking its entry into the Chinese cuisine segment.

Key Trackable this Quarter

❑ Sustainable EBITDA margin for Dunkin' Donuts business

❑ Capital allocation in Hong's Kitchen Brands

❑ Company's defence to NAA's anti-profiteering order

We value the stock at 45x FY20e EPS. BUY

United Breweries Limited

UBBL IN

Consumers

CMP	**1407**
Target	**1403**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10%	16%	21%	21%
Roce%	13%	22%	31%	31%
P/E	88.8	63.6	57.9	50.1
EV/Sales	4.4	4.5	5.7	5.1
EV/Ebdita	32.4	28.1	29.3	25.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Volume Gr%	*-3%*	*10%*	*13%**	*9%**	*24%*	*16%*	*10%*
Sales	4,734	5,617	6,510	7,159	1,472	1,451	1,667
Sales Gr%	*-2%*	*19%*	*16%*	*10%*	*32%*	*21%*	*13%*
Ebdita	641	901	1,257	1,419	208	248	290
Ebdita Gr%	*-7%*	*41%*	*39%*	*13%*	*106%*	*62%*	*39%*
Net Profits	229	394	637	742	91	109	142
Profit Gr%	*-23%*	*72%*	*62%*	*17%*	*1250%*	*130%*	*56%*
Gross Margin%	53.7%	53.0%	54.1%	54.3%	52.7%	53.3%	53.5%
Ebdita Margin%	13.5%	16.0%	19.3%	19.8%	14.1%	17.1%	17.4%
Net Profit Margin%	4.8%	7.0%	9.8%	10.4%	6.2%	7.5%	8.5%

*On Average Basis

Conso/Fig in Rs Cr

- ❑ The beer industry volumes has shown strong growth of 11% over the first nine months of FY19 over a favourable base (GST and highway ban impacted FY18) and UBL outperformed the industry by 400bps to grow its volume at 15% for 9MFY19.
- ❑ The market leader is expected to continue outperforming the industry and report volume growth at 10% for the quarter four on an exceptional high base.
- ❑ Revenue for the quarter is expected to be Rs 1667 crores, up 13% YoY.
- ❑ Higher price realisations through premiumisation & exports, strong cost initiatives and operational efficiency will continue to drive quarter four margins higher to 17.4%.
- ❑ Declining debt and finance cost would help the company to report profit of Rs 142 crores for the quarter.
- ❑ The company has launched *AMSTEL* Beer in international premium strong beer category in FY18-19.
- ❑ The company also announced its foray in the non-alcholic beverages category with Kingfisher Radler and has said that the distribution network would be completely different for the product.

Key Trackable this Quarter

- ❑ Volume growth and price trends with product premiumisation
- ❑ Working Capital status post the state law changes in West Bengal and Uttar Pradesh
- ❑ Launch of Craft beer in the product portfolio

We value the stock at 50x FY20e P/E. NEUTRAL

Westlife Development Ltd

WLDL IN

Consumers

CMP	**440**
Target	**475**
Upside	**8%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	NA	2%	8%	11%
Roce%	NA	1%	6%	10%
P/E	NA	387.3	145.5	104.4
EV/Sales	3.6	4.4	4.7	4.0
EV/Ebdita	70.9	64.2	53.5	41.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SSG (%)	4.0	15.8	19.0*	10.9*	25.1	14.5	11.5
No. of stores							
McDonalds	258	277	304	339	277	292	304
Mc Café	111	149	190	235	149	182	190
Sales	931	1,135	1,424	1,679	303	371	361
Sales Gr%	*12%*	*22%*	*25%*	*18%*	*35%*	*21%*	*19%*
COGS	366	425	514	598	110	134	130
Royalty	37	48	65	77	14	17	17
Ebdita	47	77	124	163	18	34	28
Ebdita Gr%	*10%*	*65%*	*60%*	*32%*	*88%*	*41%*	*53%*
Net Profits	(12)	13	46	66	7	14	13
Profit Gr%	*-528%*	*LP*	*257%*	*43%*	*259%*	*76%*	*92%*
Gross Margin%	60.6%	62.6%	63.9%	64.4%	63.6%	63.9%	64.0%
Ebdita Margin%	5.0%	6.8%	8.7%	9.7%	6.1%	9.2%	7.8%
Net Profit Margin%	-1.3%	1.1%	3.2%	3.9%	2.2%	3.7%	3.5%

*On average basis for yearly; LP- Loss to Profit

Conso/Fig in Rs Cr

❑ The company is expected to deliver an SSG of 11.5%. The continued momentum of delivering high SSG growth will witness a slowdown to lower double digits in quarter 4 on a higher base. However, new stores, price hikes and premiumisation through improvised menu & brand extensions would help the company acheive better sales and thus grow by 19% YoY to Rs 361 crores.

❑ The gross margin expansion with the McCafe extension and increasing new value added products in the improvised menu would continue and the company is likely to report margins at 64% for the quarter 4.

❑ Operating metrics continue to improve with the ROP 2.0 model and cost rationalisation along with brand extensions in place. EBITDA margin for the quarter would be 7.8%, 170bps up YoY.

❑ The company will report a PAT of Rs 13 crores for quarter 4.

❑ The company has announced its royalty structure going ahead as follows: FY20 - 4%, FY21 - 4%, FY22 - 4.5%, FY23 - 4.5%, FY24 - 5%, FY25 - 5%, FY26-30 - 8% and FY30-40 (subject to extension) - 8%.

Key Trackable this Quarter

❑ Progress of the company towards announced Vision 2022

❑ Improvisation of menu with new launches and response

❑ Cost rationalisation efforts driving operational efficiency

We value the stock at 45x FY20e EV/EBITDA. ACCUMULATE

InterGlobe Aviation Limited

INDIGO IN

Others

CMP	**1383**
Target	**1450**
Upside	**5%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	51%	41%	-2%	19%
Roce%	28%	32%	-10%	11%
P/E	24.4	22.1	NA	38.7
EV/Sales	2.9	2.8	2.9	2.5
EV/Ebitdar	10.2	9.8	17.2	10.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
ASK (cr)	1,410	1,710	2,031	2,543	1,710	2,160	2,031
Yield (Rs)	3.5	3.6	3.6	3.9	3.3	3.8	3.8
RASK (Rs)	3.4	3.6	3.6	3.7	3.4	3.7	3.8
CASK (Rs)	3.0	3.1	3.6	3.5	3.3	3.6	3.4
CASK ex-fuel (Rs)	1.8	1.9	2.1	2.0	1.9	2.0	2.1
LoadFactor %	84.7%	87.4%	86.5%	86.9%	88.9%	85.3%	87.0%
Sales	18,581	23,021	28,230	36,116	5,799	7,916	7,617
Sales Gr%	*15%*	*24%*	*23%*	*28%*	*20%*	*28%*	*31%*
Other Income	789	947	1,225	1,348	258	313	277
Ebditar	5,269	6,567	4,793	8,317	1,123	1,595	2,055
Ebditar Gr%	*-6%*	*25%*	*-27%*	*74%*	*-16%*	*-19%*	*83%*
Net Profits	1,659	2,242	(149)	1,372	118	191	284
Profit Gr%	*-16%*	*35%*	*PL*	*LP*	*-73%*	*-75%*	*141%*
Fuel Cost%	34.1%	33.7%	42.3%	41.0%	40.3%	43.1%	36.4%
Ebditar Margin%	28.4%	28.5%	17.0%	23.0%	19.4%	20.2%	27.0%
Net Profit Margin%	8.9%	9.7%	-0.5%	3.8%	2.0%	2.4%	3.7%

PL - Profit to Loss; LP - Loss to Profit — Std/Fig in Rs Cr

❑ The ongoing capacity disruption due to Mumbai Airport maintenance, grounding of 737 Max plans, daily 30 flights cancellation by INDIGO and Jet airways troubles has contained the high rate growth of capacity in the industry. This has consequently led to better yields and load factors for the industry, even in the slowest passenger growth rate over last 60 months environment .

❑ Amidst all the above factors, INDIGO ASK is expected to be lower by 6% sequentially to 2031 crore; however higher by 18.8% YoY.

❑ With the load factor at 87%, a 15% YoY higher yield would lead the revenue to grow by 31% YoY to Rs 7617 crores.

❑ While the marginally lower or flat ATF prices on a YoY basis would bring the overall fuel cost down to 36.4% for the quarter, the higher grounding costs of cancelled flights and higher crew hiring expenses would push CASK ex-fuel higher at Rs 2.1.

❑ Though the EBITDAR for the quarter would be higher at 27%, higher tax expenses on account of reversal of ealier claimed tax benefits in Q2FY19 would lower quarterly PAT to Rs 284 crores.

Key Trackable this Quarter

❑ Industry capacity and passenger growth pace, market share

❑ Sustainability of higher fare pricing in the wake of Jet airways revival plan

❑ Deliveries of airplanes and capacity guidance going ahead

❑ Crude and ATF price movement

We value the stock at 11x FY20e EV/EBITDAR. NEUTRAL

KEI Industries Limited

KEII IN

Others

CMP	**421**
Target	**481**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	27%	26%	27%
Roce%	23%	24%	28%	30%
P/E	15.4	21.1	18.3	14.0
EV/Sales	0.8	1.1	0.9	0.8
EV/Ebdita	7.7	10.9	9.1	7.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue Mix							
Domestic	1,483	2,015	2,285	2,557	618	541	701
Dealer	812	978	1,381	1,671	315	356	387
Exports	375	453	553	688	97	190	163
Product Mix							
LT cable	1,207	1,418	1,588	1,698	407	396	448
HT Cable	381	497	757	867	160	216	240
EHV	104	168	170	323	52	49	75
HW, WW	433	564	831	1,038	187	208	234
SS Cable	104	116	135	137	30	33	35
EPC (excl. cable)	421	654	689	792	187	176	206
Sales	2,628	3,459	4,219	4,917	1,030	1,087	1,251
Sales Gr%	*13%*	*32%*	*22%*	*17%*	*39%*	*22%*	*21%*
Ebdita	269	338	434	516	101	118	130
Ebdita Gr%	*11%*	*26%*	*28%*	*19%*	*39%*	*40%*	*28%*
Net Profits	94	145	183	237	50	48	62
Profit Gr%	*51%*	*54%*	*27%*	*29%*	*40%*	*24%*	*24%*
Ebdita Margin%	10.2%	9.8%	10.3%	10.5%	9.8%	10.8%	10.4%
Net Profit Margin%	3.6%	4.2%	4.3%	4.8%	4.8%	4.5%	4.9%

Std/Fig in Rs Cr

❑ The seasonally best quarter four will see a 22% YoY revenue growth for the company with HT Cable continuing to grow at 50% YoY and EHV segment finally gearing up post approvals from customers to grow by 44.2% YoY.

❑ The LT cable segment is expected to grow at 10% with the new facility launched in May, 2018 making way for further sale and the growing house wire segment will deliver a 25% YoY higher sales at Rs 234 crores. EPC segment as guided would remain flat for the year.

❑ Higher Cables volumes, higher EPC value and increasing share from retail/dealer sales would drive EBITDA margin higher to 10.4% for the quarter.

❑ PAT is expected to be Rs 62 crores, margins at 4.9%.

❑ The company has announced Rs 55-60 crore capex at Silvassa to expand its House wire cable capacity worth Rs 300 crores in first phase.

Key Trackable this Quarter

❑ Expansion of distribution network and share of retail to total sales

❑ Further expansion strategy to enhance capacity

❑ Working Capital position and receipt of retention money from EPC

We value the stock at 16x FY20e P/E. BUY

SPICEJET LTD

SJET IN

Others

CMP	**96**
Target	**102**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	NA	NA	NA	NA
Roce%	114%	74%	-22%	35%
P/E	14.2	13.2	NA	15.1
EV/Sales	2.2	2.0	1.7	1.5
EV/Ebitdar	9.1	8.6	12.1	7.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
ASK (cr)	445	516	575	706	516	576	575
RASK (Rs)	3.8	4.1	4.2	4.5	4.0	4.4	4.4
CASK (Rs)	3.6	3.8	4.3	4.4	4.0	4.3	4.2
CASK ex-fuel (Rs)	2.3	2.4	2.6	2.6	2.4	2.4	2.6
Fuel CASK (Rs)	1.1	1.2	1.6	1.6	1.4	1.7	1.4
LoadFactor%	91.6%	93.6%	92.1%	92.4%	94.0%	90.0%	*91.8%*
Sales	6,191	7,795	9,088	11,690	2,029	2,487	2,485
Sales Gr%	*22%*	*26%*	*17%*	*29%*	*25%*	*19%*	*22%*
Other Income	113	137	150	196	61	44	42
Ebditar	1,504	1,790	1,296	2,185	368	456	520
Ebditar Gr%	*24%*	*23%*	*14%*	*19%*	*17%*	*PL*	*41%*
Net Profits	431	567	(270)	379	46	55	103
Adjusted Net Profits	392	567	(206)	379	46	55	103
Profit Gr%	*2%*	*44%*	*PL*	*LP*	*11%*	*-77%*	*122%*
Fuel Cost%	30.0%	31.2%	37.8%	35.9%	35.7%	38.9%	32.4%
Ebditar Margin%	24.3%	23.0%	14.3%	18.7%	18.1%	18.4%	20.9%
Net Profit Margin%	7.0%	7.3%	-2.3%	3.2%	2.3%	2.2%	4.1%

PL - Profit to Loss; LP - Loss to Profit — Std/Fig in Rs Cr

❑ The ongoing capacity disruption due to Mumbai Airport maintenance, grounding of 737 Max plans, daily 30 flights cancellation by INDIGO and Jet airways troubles has contained the high rate growth of capacity in the industry. This has consequently led to better yields and load factors for the industry, even in the slowest passenger growth rate in last 60 months environment .

❑ Though the company was scheduled to receive 7 max aircrafts and 1 freighter aircraft in Q4, the grounding of its 737 Max aircrafts would lead sequentially flat ASK of 575 crores.

❑ The revenue is expected to grow by 22% YoY to Rs 2485 crores with load factor at 91.8% and RASK up 8.4% YoY.

❑ Lower ATF prices would bring the overall fuel cost down to 32.4%. Higher operational expenses due to grounding of aircrafts and reshuffling subsequently would take the CASK ex-fuel higher to Rs 2.6.

❑ An higher EBITDAR margin of 20.9% will drive quarterly profit to Rs 103 crore, up 122% YoY.

Key Trackable this Quarter

❑ Industry capacity and passenger growth pace, market share

❑ Sustainability of higher fare pricing in the wake of Jet airways revival plan

❑ Deliveries of airplanes and capacity guidance going ahead

❑ Resolution over the possibility of issuance of CRPS in the SC case.

We value the stock at 8x FY20e EV/EBITDAR. NEUTRAL

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (FormerlyMicrosec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFALis engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com
No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, it's associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and it's associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL)and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances.The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.

Narnolia Financial Advisors Ltd.
803 & 703, A Wing, Kanakia Wall Street
Andheri Kurla Road, Andheri (E)
Mumbai-400093
T: +912262701200
D: +912262701236
www.narnolia.com