India Equity Analytics

Results Preview Q1FY20 - Consumers

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Asian Paints Limited

APNT IN

Consumers

CMP	**1354**
Target	**1454**
Upside	**7%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	25%	24%	24%	24%
Roce%	31%	30%	31%	30%
P/E	52.7	66.3	53.3	48.4
EV/Sales	6.4	7.4	6.2	5.6
EV/Ebdita	33.7	40.7	32.2	28.9

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Capacity (India)*	1,130	1,730	1,730	1,730	1,130	1,730	1,730
Domestic Volume Gr#	7%	14%	7%	8%	11%	10%	8%
Domestic rev Gr#	8%	16%	9%	9%	16%	12%	9%
Int & Indstrial rev gr#	10%	9%	8%	12%	11%	8%	8%
Sales	16,825	19,342	21,033	22,977	4,390	5,018	4,780
Sales Gr%	*12%*	*15%*	*9%*	*9%*	*15%*	*12%*	*9%*
Ebdita	3,198	3,525	4,038	4,489	874	823	879
Ebdita Gr%	*7%*	*10%*	*15%*	*11%*	*31%*	*-2%*	*1%*
Net Profits	2,039	2,159	2,439	2,681	558	473	524
Profit Gr%	*5%*	*6%*	*13%*	*10%*	*31%*	*-2%*	*-6%*
Gross Margin%	42.4%	41.4%	42.0%	42.1%	43.2%	41.6%	42.1%
Ebdita Margin%	19.0%	18.2%	19.2%	19.5%	19.9%	16.4%	18.4%
Net Profit Margin%	12.1%	11.2%	11.6%	11.7%	12.7%	9.4%	11.0%

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

❑ The management had stated that the demand outlook remains uncertain in the current global scenario. Being cautious, the company is expected to report a volume growth of 8% in the quarter.

❑ The Industrial segment continues to witness good growth while the Automotive segment witnessed sectorial demand slowdown.

❑ The management expects the need of further price hikes only if there is any adverse movement in input prices.

❑ In international markets, raw material procurement continued to be a challenge due to forex unavailibility in Ethopia and sluggish growth was seen in Egypt, Bangladesh and Sri-Lanka. All units in GCC (Oman, UAE & Bahrain) and Nepal registered good topline growth.

❑ With the average crude prices well under $70/barrel for the whole quarter, gross margins are expected to be at 42.1%. Further 200 bps YoY lower other expenses as a % of sales would lead the EBITDA margin to improve by 80bps YoY to 19.5%.

❑ Capex for FY20 has been guided around Rs. 700 crores at the Standalone level. It would be spend majorly for maintenance & enhancement of existing facilties, little on ESS ESS and few leftover amounts to be spent on the two new facilities.

Key Trackable this Quarter

❑ Overall Demand environment in the industry

❑ 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 FY21E P/E. HOLD

Agro Tech Foods Limited

ATFL IN

Consumers

CMP	**496**
Target	**605**
Upside	**22%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	9%	9%	10%	11%
Roce%	14%	13%	14%	16%
P/E	55.8	41.3	29.0	23.6
P/B	5.2	3.8	3.0	2.7
EV/Ebdita	26.6	21.8	16.7	14.0

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Revenue Breakup(esti.)							
Sundrop Oil	487	491	444	473	117	113	107
Crystal business	121	125	132	139	34	30	33
Food	198	203	270	328	46	55	55
Segmental Volume growth%							
Sundrop Oil	3%	6%	-7%	3%	7%	-14%	-10%
Crystal business	3%	1%	-5%	3%	2%	-13%	-8%
Peanut butter	94%	92%	28%	15%	71%	18%	20%
Financials							
Sales	812	824	846	939	197	200	195
Sales Gr%	*0%*	*1%*	*3%*	*11%*	*6%*	*-7%*	*-1%*
Other Income	*1*	*4*	*7*	*9*	*1*	*1*	*2*
Adj. Ebdita	66	65	72	84	14	15	14
Ebdita Gr%	*8%*	*-2%*	*11%*	*17%*	*-3%*	*-7%*	*-2%*
Net Profits	32	34	42	51	7	8	8
Profit Gr%	*14%*	*8%*	*22%*	*23%*	*0%*	*11%*	*20%*
Ebdita Margin%	8.1%	7.9%	*8.5%*	*9.0%*	7.2%	7.3%	*7.1%*
Net Profit Margin%	3.9%	4.2%	*4.9%*	*5.5%*	3.3%	4.2%	*4.0%*

Cons/Fig in Rs Cr

❑ ATFL's revenue is expected to remain impacted by negative volume growth (down by 10%) in Sundrop edible oil business (contri. 72% to the revenue in 4QFY19)on the back of pricing actions taken by the company at both the premium and lower end of the portfolio thus, we expect decline in revenue by 1.2% YoY to Rs.195 cr in 1QFY20 while company' food business is expected to give cushion to the overall revenue.

❑ The Company's Food business comprises of ActII and peanut butter (contri. ~28% to total sales in 4QFY19) is expected to increase by 19% YoY(contribution up by 494 bps) in 1QFY20 led by distribution expansion.

❑ The Company's Gross margin is expected to improve by 358 bps to 32.9% driven by benign palm oil,decrease in crude oil prices and higher contribution from company's food business which includes peanut butter and ACTII.

❑ The Company's EBITDA margin is expected to decline by 8 bps to 7.1% YoY due to higher other expense on account of distribution expansion while Ad expenses is also expected to increase by 211 bps YoY in 1QFY20. Company kept low ad expenses for last 4 quarters due to contraction in gross margin but as gross margin is expanding, we expect ad expenses to go up.

Key Trackable this Quarter

❑ Volume growth in Edible oil and overall gross margin.

❑ Ad expense- Last few quarters lower margin restricted A&P expenses.

We value the stock at 35x FY20E EPS. BUY

Bajaj Consumer Care Limited

BAJAJCON IN

Consumers

CMP	**325**
Target	**430**
Upside	**32%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	43%	47%	56%	63%
Roce%	49%	54%	63%	72%
P/E	32.5	21.0	18.9	16.2
P/B	13.9	9.9	10.5	10.2
EV/Ebdita	27.0	16.9	15.4	13.1

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Almond Drops Hair Oil(ADHO)							
Volume (Lac cases)	50.6	54.2	57.5	61.1	13.2	14.4	13.6
Volume Growth%	3%	7%	6%	6%	11%	7%	4%
ADHO Market share(% total hair oil)							
Value wise	9.5%	9.6%					
Volume wise	7.3%	7.8%					
Distri. Reach(mn)	3.9	4.0					
Financials							
Sales	828	918	1,012	1,126	221	246	240
Sales Gr%	*4%*	*11%*	*10%*	*11%*	*12%*	*11%*	*8%*
Other Inome	24	17	22	21	1	2	5
Adj. Ebdita	254	274	311	364	69	78	75
Ebdita Gr%	*-4%*	*8%*	*13%*	*17%*	*14%*	*8%*	*8%*
Net Profits	211	222	254	295	54	61	61
Profit Gr%	*-3%*	*5%*	*14%*	*16%*	*-2%*	*9%*	*14%*
Ebdita Margin%	30.6%	29.9%	*30.7%*	*32.3%*	31.2%	31.6%	*31.2%*
Net Profit Margin%	25.5%	24.1%	*25.1%*	*26.2%*	24.3%	24.7%	*25.6%*

Cons/Fig in Rs Cr

❑ BAJAJCON' sales is expected to grow by 8.5% to Rs 240 cr in 1QFY20 on back of 4% volume growth in ADHO,distribution expansion, growing modern trade sales and robust international business growth.

❑ ADHO's volume growth is expected to be 4% on back of higher base of 11% (in 1QFY19). ADHO is continuously gaining market share led by company's effort for brand development, BAJAJCON has engaged Bain & Co., which is helping to speed up the brand development & their growth, Bain & Co. is specially focusing on ADHO brand enhancement.

❑ Focusing summer season, company launched two new products in Q4FY19: Bajaj Cool Almond Drops non-sticking light hair oil with cooling feature; Bajaj Nomarks Antimarks Ayurvedic Sunscreen which has been received well in market.

❑ Gross margin is expected to decline by 10 bps to 66.5% on account of higher key input prices of Light Liquid Paraffin (LLP) and glass bottles prices. EBITDA margin is expected to be flat to 31.2% due to decline in gross margin.

❑ Tax rate will remain under MAT rate at 21.5%.

Key Trackable this Quarter

❑ ADHO's volume growth: considering Rural distress.

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

We value the stock at 25x FY20E EPS. BUY

Berger Paints India Ltd

BRGR IN

Consumers

CMP	**323**
Target	**389**
Upside	**20%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	24%	21%	25%	24%
Roce%	27%	26%	31%	31%
P/E	54.0	63.1	46.9	41.1
EV/Sales	4.8	5.2	4.6	4.2
EV/Ebdita	30.8	35.7	27.5	24.0

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Domestic Volume Gr	9%	15%	8%	8%	15%	11%	8%
Domestic rev Gr	14%	17%	10%	10%	17%	13%	10%
Int & Indstrial rev gr	13%	26%	12%	12%	48%	15%	12%
Sales	5,166	6,062	6,706	7,364	1,483	1,472	1,628
Sales Gr%	*13%*	*17%*	*11%*	*10%*	*19%*	*13%*	*10%*
Ebdita	807	882	1,129	1,277	227	212	251
Ebdita Gr%	*12%*	*9%*	*28%*	*13%*	*23%*	*6%*	*11%*
Net Profits	461	498	662	755	135	112	146
Profit Gr%	*-3%*	*8%*	*33%*	*14%*	*19%*	*5%*	*8%*
Gross Margin%	41.7%	39.0%	41.7%	41.7%	39.5%	40.0%	41.1%
Ebdita Margin%	15.6%	14.5%	16.8%	17.3%	15.3%	14.4%	15.4%
Net Profit Margin%	8.9%	8.2%	9.9%	10.3%	9.1%	7.6%	9.0%

Conso/Fig in Rs Cr

❑ The management has been quite confident on the overall demand scenario for the company, however, given the ongoing challenges globally we remain cautious. We expect the decorative volume growth to be at 8% for the quarter.

❑ The net realisations is expected to improve YoY for decorative due to cummulative price hike in the last year 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 1,628 crores, up 10% YoY.

❑ Quarter 1 margins are expected to bounce back to 41.1% with the cooled down crude oil prices comparatively and overall better realisations.

❑ Subsquently, the company is expected to report EBITDA margin of 15.4% for the quarter

❑ Capex guidance for FY20 is INR 200cr+ on standalone books.

❑ The company expects the plant at Jejuri, Pune to come on stream by 1st July.

Key Trackable this Quarter

❑ Overall demand environment in the industry

❑ 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 FY21E P/E. BUY

Britannia Industries Limited

BRIT IN

Consumers

CMP	**2738**
Target	**2944**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19E	FY20E	FY21E
Roe%	29%	27%	27%	27%
Roce%	39%	36%	36%	36%
P/E	67	58	49	42
P/B	20	16	13	11
EV/Ebdita	22	39	33	29

	FY18	FY19E	FY 20E	FY 21E	1QFY19	4QFY19	1QFY20E
Core Vol. growth	7%	9.5%	8.1%	9.4%	12.0%	7.0%	5.0%
Pricing gr.(%)(esti.)	2%	2.4%	6.1%	5.6%	1.6%	3.0%	5.0%
Distribution Reach (in mn outlets)							
Dire. Distri. Reach	1.6	1.8	2.4	3.0			
Over. Distri. Reach.	4.7	5.0	5.6	6.2			
Financials							
Sales	9,914	11,055	12,642	14,087	2544	2799	2798
Sales Gr%	*9%*	*12%*	*14%*	*11%*	*12%*	*10%*	*10%*
Adj. Ebdita	1,502	1,733	1,993	2,299	389	437	437
Ebdita Gr%	*17%*	*15%*	*15%*	*15%*	*19%*	*10%*	*12%*
Net Profits	1,004	1,155	1,346	1,565	258	294	294
Profit Gr%	*13%*	*15%*	*16%*	*16%*	*19%*	*12%*	*14%*
Ebdita Margin%	15.1%	15.7%	*15.8%*	*16.3%*	15.3%	15.6%	*15.6%*
Net Profit Margin%	10.1%	10.5%	*10.6%*	*11.1%*	10.1%	10.5%	*10.5%*

Cons/Fig in Rs Cr

❑ Britannia's volume growth is expected to remain at 5% YoY impacted by higher base (12%) and slowing down of rural growth, However, company's distribution expansion in Hindi speaking belt and new product launches will support volumes while pricing growth is expected to be at 5%% YoY led by premiumization and pricing action taken by the company in the wake of input inflation.

❑ Company's thrust on expanding its reach in Hindi belt is yielding better result. The company has improved in direct reach from 1.90 mn in Q4FY18 to 2.1 mn(Q4FY19) which translated into faster than overall growth of the company in Rajasthan, MP, UP and Gujarat.

❑ The Company will come up with innovative products in premium cookies, crackers, premium creams, health, dairy and adjacent business in FY20e.

❑ Gross margin is expected to improve by 180 bps YoY to 41.8% YoY led by change in business model (bread) and decline in crude & palm oil while EBITDA margin is expected to improve by 30 bps YoY to 15.6% YoY, lower than gross margin because of higher other expenses by 148 bps YoY on the back of new launches and change in business model.

❑ The Company targets to increase the savings through cost efficiency program to Rs 270 Cr in FY20 as compared to Rs 230 Cr in FY19.

Key Trackable this Quarter

❑ Volume growth.

❑ Management comments on rural growth and cash and carry channel.

❑ 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) Limited

Consumers

CLGT IN

CMP	**1131**
Target	**1220**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	44%	54%	51%	53%
Roce%	63%	71%	70%	73%
P/E	43.1	41.4	39.4	35.8
P/B	19.1	22.2	20.2	19.1
EV/Ebdita	25.8	25.8	23.6	21.7

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
Volume growth	3%	5%	6%	6%	4%	5%	4%
Pricing growth	3%	4%	1%	2%	3%	1%	1%
Marketshare:							
Toothpaste(Vol. Ms)	53%	52%					
Toothbrush(Vol. Ms)	45%	48%					
Financials							
Sales	4,188	4,462	4,804	5,178	1041	1154	1085
Sales Gr%	*5%*	*7%*	*8%*	*8%*	*6%*	*6%*	*4%*
Adj. Ebdita	1,112	1,236	1,286	1,390	282	310	282
Ebdita Gr%	*18%*	*11%*	*4%*	*8%*	*27%*	*1%*	*0%*
Adj. Net Profits	681	755	780	860	190	198	167
Profit Gr%	*18%*	*11%*	*3%*	*10%*	*39%*	*5%*	*-12%*
Ebdita Margin%	26.6%	27.7%	26.8%	26.8%	27.0%	26.9%	26.0%
Net Profit Margin%	16.3%	16.9%	16.2%	16.6%	18.2%	17.1%	15.4%

Stand/Fig in Rs Cr

❑ COLPAL's revenue is expected to be at Rs. 1085 cr with revenue growth of 4.2% led by a volume growth of 3.5% YoY. The volume for 1QFY20 is expected to remain impacted by rural slowdown and slowdown in natural space while we expect pricing growth of 0.7% YoY on account of competition prevailing in oral care category.

❑ The Company's volume market share in Natural portfolio in India increased by 110 bps to 8.1% in CY18 vs. 6.5-7% in CY17 while volume market share for Swarna Vedshakti in Karnataka, Tamil Nadu and Delhi stood at 3%, 3.4% and 2.1% on YTD basis.

❑ The Company's toothpaste volume market share stood at 52% (Mar-19) while toothbrush volume market share increased by 320 bps to 48.2% (Mar-19) vs. 45% (Dec-18).

❑ The Company will continue focusing on driving top line growth, protecting and increasing the volume market share by higher media expenses and promotional activities.

❑ Despite of benign crude oil prices we expect gross margin to decline by 71 bps to 65.2% YoY led by higher promotional activities in order to drive volumes while EBITDA margin is expected to decline by 108 bps to 26% YoY led by higher advertisement expenses.

Key Trackable this Quarter

❑ Tooth brush and Tooth paste volume market share.

❑ Volume growth: considering rural slowdown due to liquidity crunch.

❑ Promotional and advertising expense made by the company due to competitive intensity and other expense on account of expansion in direct distribution reach.

We value the stock at 43x FY21E EPS. HOLD

Dabur India Limited

Consumers

DABUR IN

CMP	**402**
Target	**390**
Upside	**-3%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	24%	26%	24%	24%
Roce%	22%	25%	24%	24%
P/E	48.4	46.8	46.4	41.0
P/B	11.5	12.0	11.2	10.0
EV/Ebdita	40.5	38.6	39.0	34.7

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Domestic Vol. gr.	6%	11%	7%	10%	21%	4%	-7%
Pricing gr.(esti.)	2%	2%	2%	2%	4%	2%	2%
Int. Bus.CC gr.(esti.)	6%	11%	9%	6%	4%	1%	3%
Financials							
Sales	7,748	8,533	9,260	10,218	2081	2128	2049
Sales Gr%	*1%*	*10%*	*9%*	*10%*	*16%*	*5%*	*-2%*
Adj. Ebdita	1,617	1,740	1,813	2,033	386	457	371
Ebdita Gr%	*7%*	*8%*	*4%*	*12%*	*25%*	*-6%*	*-4%*
Net Profits	1,354	1,442	1,531	1,734	330	372	322
Profit Gr%	*6%*	*7%*	*6%*	*13%*	*25%*	*-6%*	*-2%*
Ebdita Margin%	20.9%	20.4%	*19.6%*	*19.9%*	18.6%	21.5%	*18.1%*
Net Profit Margin%	17.5%	16.9%	*16.5%*	*17.0%*	15.8%	17.5%	*15.7%*

Conso/Fig in Rs Cr

❑ DABUR's sales growth in 1QFY20 is expected to decline by 1.5% on account of decline in domestic FMCG value growth by 5%. Domestic FMCG Volume is expected to decline by 7% due to rural distress, liquidity crunch & higher base.

❑ International business is expected to grow by 5% on back of constant currency growth of 3%, low growth because of higher base & macro & geopolitical headwinds in MENA region.

❑ Gross margin is expected to expand by 14 bps to 49.7% led by decline in crude prices while EBITDA is expected to contract by 45 bps to 18.1% on account of expansion in Employee exp & Advertisement expenses. Although considering company's cost efficiency measures, other expenses are expected to remain flat.

❑ Company would be revamping Babul brand and by end of 1QFY20 it would re-launch Babul Franchise. Also, Company has increased innovation pace in all sub segments in HPC, Health care and Food.

❑ PAT is expected to de-grow by 2.1% YoY on account of decline in EBITDA margin and higher base of 1QFY19.

❑ Company has large Ethical Ayurvedic portfolio which would be transitioning some prescription brands to OTC and then to FMHG (Fast moving health goods)

Key Trackable this Quarter

❑ Rural distress & its impact on domestic volume.

❑ International business cc growth.

We value the stock at 45x FY20E EPS. NEUTRAL

Avenue Supermarts Limited

DMART IN

Consumers

CMP	**1424**
Target	**1650**
Upside	**16%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	17%	16%	16%	18%
Roce%	24%	25%	24%	25%
P/E	114.7	86.7	82.6	62.6
P/B	19.8	14.0	13.3	11.0
EV/Sales	6.1	3.9	3.4	2.8

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Cumul. no. stores	155	176	197	218	157	179	180
Ret. Bus. Are.(cr sq ft)	0.49	0.59	0.70	0.80	0.50	0.59	0.60
Rev. per sqft in Rs.	32719	35647	37612	39530	9119	8531	10029
Ret. Bus. Area/store	0.003	0.003	0.004	0.004	0.003	0.003	0.005
Financials							
Sales	15,033	20,005	26,141	31,624	4559	5033	6018
Sales Gr%	*26%*	*33%*	*31%*	*21%*	*27%*	*32%*	*32%*
Adj. Ebdita	1,353	1,633	1,931	2,357	423	377	528
Ebdita Gr%	*38%*	*21%*	*18%*	*22%*	*39%*	*28%*	*25%*
Net Profits	806	903	1,076	1,420	251	203	299
Profit Gr%	*68%*	*12%*	*19%*	*32%*	*43%*	*21%*	*19%*
Ebdita Margin%	9.0%	8.2%	*7.4%*	*7.5%*	9.3%	7.5%	*8.8%*
Net Profit Margin%	5.4%	4.5%	*4.1%*	*4.5%*	5.5%	4.0%	*5.0%*

Conso/Fig in Rs Cr

❑ Dmart's revenue is expected to grow by 32% to Rs.6018 cr on back of better traction from new opened stores, higher discounts offered and better assortment.

❑ The company uses cluster-based approach to expand its business. This approach helps company in gaining Knowledge of local consumer buying habits, gives supply chain benefits and deep knowledge of real estate in that area.

❑ Company has product mix in three categories: Food, Non-Food (FMCG) & Gen. merchandise & Apparel wherein revenue contribution from Foods, Non-Foods (FMCG) and General Merchandise & Apparel increased to 51.25%, 20.46% and 28.29% from 51.55%, 20.03% and 28.42%respectively in FY19.

❑ The company is continuously improving its execution, retail Business Area at fiscal end remained 5.9 mn sq ft(from 4.9 mn sq ft in FY18), revenue from Sales per Retail Business Area sq ft improved to Rs35,647(vs Rs 32,719 in FY18) and Like For Like Growth (24 Months) was up by 17.8%(from 14.2% in FY18).

❑ Gross margin is expected to deteriorate by 66 bps YoY to 15% on account of price cuts in the wake of higher competitive intensity coming from e-retailers consequently EBITDA margin is also expected to decline by 50 bps to 8.8% led by contraction in gross margin.

Key Trackable this Quarter

❑ Gross and EBITDA Margin.

❑ Number of stores added in this quarter.

We value the stock at 3.9x FY20E EV/Sales. BUY

Emami Limited

HMN IN

Consumers

CMP	**297**
Target	**393**
Upside	**32%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	15%	15%	20%	23%
Roce%	17%	18%	23%	26%
P/E	77.8	51.2	30.5	24.3
P/B	11.8	7.5	6.0	5.5
EV/Ebdita	33.1	42.6	15.8	13.7

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Domestic vol. growth	2%	4%	6%	6%	18%	0%	-6%
Domestic Pric. growth	3%	3%	4%	4%	3%	3%	4%
Financials							
Sales	2,531	2,693	2,992	3,296	614	640	632
Sales Gr%	*0%*	*6%*	*11%*	*10%*	*16%*	*4%*	*3%*
Adj. Ebdita	719	726	836	961	124	155	111
Ebdita Gr%	*-5%*	*1%*	*15%*	*15%*	*54%*	*-11%*	*-10%*
Net Profits	308	305	442	556	27	57	31
Profit Gr%	*-10%*	*-1%*	*46%*	*26%*	*2873%*	*-6%*	*17%*
Ebdita Margin%	28.4%	26.9%	*27.9%*	*29.2%*	20.1%	24.2%	*17.5%*
Net Profit Margin%	12.1%	11.2%	*14.8%*	*16.9%*	4.3%	8.8%	*4.9%*

Conso/Fig in Rs Cr

- ❑ EMAMILTD's sales is expected to increase by 3% to Rs 632 cr impacted by higher base, rural distress and tight liquidity situation.
- ❑ Domestic volume is expected to decline by 6% on the back of higher base of 18% and rural slowdown while realization growth is expected to remain at 4%.
- ❑ The company has reduced its dependence on wholesale to 38%-40%from 52%(as per Q3FY19 concall). Company's overall direct reach went up to to 9.4 lakh outlets, increased by 90,000 outlets in FY19.
- ❑ The acquisition of Crème 21 in Q4FY19 is expected to boost and complement Emami's international business & portfolio, particularly in MENA, SAARC and Russian markets.
- ❑ Gross margin is expected to decline by 206 bps YoY to 64.2%(improvement of 340 bps QoQ)led by higher Mentha oil prices while decline in crude is expected to put some cushion on it. EBITDA margin is expected to contract by 258 bps YoY to 17.5%mainly on the back of lower gross margin.
- ❑ Male grooming: Mgmt. is re-working on the strategy which would be completed by Aug /Sep in 2019. Also, company would be coming soon with smaller SKU.
- ❑ Tax rate: it would be at MAT rate at 20%.
- ❑ Company is planning to double e-commerce business by FY20 majorly lead by Kesh King and Fair & handsome.

Key Trackable this Quarter

- ❑ Domestic Volume growth:Seasonality may impact the volume growth.
- ❑ Gross margin: considering Volatility in Mentha oil.
- ❑ Provisioning for taxes.

We value the stock at 40x FY20E EPS. BUY

Gillette India Limited

GILL IN

Consumers

CMP	**7486**
Target	**6827**
Upside	**-9%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	51%	33%	31%	30%
Roce%	69%	49%	45%	43%
P/E	62.4	80.7	90.3	79.4
P/B	31.5	26.6	28.0	24.1
EV/Ebdita	41.1	47.8	54.7	48.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Revenues							
Grooming	1418	1331	1458	1635	337	381	361
Oral care	341	346	384	405	72	85	83
Financials							
Sales	1,788	1,677	1,842	2,040	410	466	444
Sales Gr%	*2%*	*-6%*	*10%*	*11%*	*1%*	*3%*	*8%*
Adj. Ebdita	382	382	439	493	60	146	88
Ebdita Gr%	*25%*	*0%*	*15%*	*12%*	*-11%*	*24%*	*48%*
Net Profits	253	229	270	307	35	88	51
Profit Gr%	*18%*	*-9%*	*18%*	*14%*	*-8%*	*23%*	*48%*
Ebdita Margin%	21.3%	22.8%	23.9%	24.1%	14.6%	31.4%	19.9%
Net Profit Margin%	14.2%	13.7%	14.7%	15.1%	8.4%	18.9%	11.5%

Cons/Fig in Rs Cr

❑ GILLETTE 4QFY19 revenue is expected to be at Rs. 444 cr with a revenue growth of 8.4% YoY led by growth in both Grooming and Oral care segment.

❑ The Company's male grooming which contributed to the extent of ~82% to the revenue in 3QFY19 is expected to grow by 7% YoY in 4QFY19 backed by volumes driven by investment behind brand fundamental, category development and go-to market initiatives.

❑ Oral care which contributed 18% to the revenue in 3QFY19 is expected to grow by 15% YoY led by a negative base (-14%), go-to market initiatives in 4QFY19.However, competitive intensity is expected to continue in this category, innovation plan taken by the company can result in growth.

❑ Gross margin is expected to improve by 17 bps to 58.2% YoY led by benign input prices while EBITDA margin is expected to improve by 532 bps to 19.9% YoY led by savings in employee and ad expense.

❑ Employee expense and ad expense are expected to decline by 238 bps and 279 bps respectively backed by stabilization of distribution channel.

❑ PAT is expected to grow by 47.5% YoY to Rs. 51 cr on account of lower base in previous corresponding quarter , however tax (as % of PBT) increased by 100 bps due expiry of tax benefits.

Key Trackable this Quarter

❑ Volume growth in both Grooming and Oral care segment despite of rural slowdown.

❑ Gross and EBITDA margin: Promotional expense, A&P and Other expenses.

We value the stock at 72x FY20E EPS. NEUTRAL

Godrej Consumer Products Limited

Consumers

GCPL IN

CMP	**665**
Target	**675**
Upside	**2%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	26%	32%	20%	21%
Roce%	22%	20%	21%	24%
P/E	48.2	32.0	43.3	37.3
P/B	11.5	9.0	8.7	8.0
EV/Ebdita	35.6	31.9	30.3	26.6

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Domestic Vol. gr.	9%	5%	4%	7%	14%	1%	-6%
Intern. Busin. gr.	1%	2%	4%	8%	9%	-5%	-6%
Segmental Revenues							
Domestic revenue	5257	5556	5735	6301	1278	1325	1189
Indonesia	1354	1525	1628	1827	353	413	381
Africa,USA & Mi. East	2185	2450	2806	3015	564	576	637
Latin America	584	100	74	0	100	0	0
Europe	461	152	0	0	152	0	0
Others	95	515	25	0	24	134	99
Sales	9,843	10,314	10,763	11,746	2476	2453	2328
Sales Gr%	*6%*	*5%*	*4%*	*9%*	*14%*	*-3%*	*-6%*
Adj. Ebdita	2,067	2,118	2,293	2,585	444	578	438
Ebdita Gr%	*9%*	*2%*	*8%*	*13%*	*27%*	*-3%*	*-1%*
Net Profits	1,494	2,053	1,568	1,820	405	935	293
Profit Gr%	*14%*	*37%*	*-24%*	*16%*	*80%*	*52%*	*-28%*
Ebdita Margin%	21.0%	20.5%	*21.3%*	*22.0%*	17.9%	23.6%	*18.8%*
Net Profit Margin%	15.2%	19.9%	*14.6%*	*15.5%*	16.4%	38.1%	*12.6%*

Note: the company has changed its reporting regarding IB from Q2FY19. Cons/Fig in Rs Cr

❑ Godrejcp 's revenue is expected to decline by 6% in Q1FY20 on the back of subdued performance from domestic as well as international business. Domestic sales are expected to be tepid led by slowing down of rural growth, higher base and higher competitive intensity in Home Insecticide (HI) business.

❑ Domestic business volume growth is expected decline by 6% while realization is expected to decline by 1% due to higher promotions.

❑ On the International business front, we expect a decline of 6% in the overall growth, impacted by lower growth in Latam business (currency headwinds) while expect some improvement in Africa business on the back of better traction from launches in dry and wet hair portfolio.

❑ The Indonesian business is expected to remain stable but due to slightly higher base of 10% we expect 3% constant currency(cc) in Q1FY20.

❑ Gross margin is expected to improve by 81 bps YoY to 56.6% on the back of decline in crude & palm oil, better margin from International business. We expect better margin from on IB on the back pricing action taken in Latam and Africa. EBITDA margin is expected improve 89 bps YoY 18.8% on the back of improvement in gross margin.

Key Trackable this Quarter

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

❑ Domestic business volume growth considering slowing down of rural.

We value the stock at 44x FY20E EPS. NEUTRAL

GlaxoSmithKline Consumer

SKB IN

Consumers

CMP	**7692**
Target	**7976**
Upside	**4%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	20%	24%	22%	22%
Roce%	23%	26%	27%	27%
P/E	34.3	30.2	32.1	28.9
P/B	6.9	7.2	7.1	6.4
EV/Ebdita	23.1	22.4	21.6	19.2

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
HFD volumes	6%	9%	7%	9%	13%	6%	4%
Pricing growth	4%	2%	3%	3%	4%	2%	3%
Financials							
Sales	4,377	4,782	5,267	5,892	1107	1286	1219
Sales Gr%	*10%*	*9%*	*10%*	*12%*	*12%*	*9%*	*10%*
Adj. Ebdita	883	1,141	1,284	1,421	230	318	274
Ebdita Gr%	*6%*	*29%*	*13%*	*11%*	*38%*	*27%*	*19%*
Net Profits	700	983	1,007	1,118	200	286	220
Profit Gr%	*7%*	*40%*	*2%*	*11%*	*52%*	*35%*	*10%*
Ebdita Margin%	20.2%	23.9%	*24.4%*	*24.1%*	20.8%	24.8%	*22.5%*
Net Profit Margin%	16.0%	20.6%	*19.1%*	*19.0%*	18.1%	22.2%	*18.0%*

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Cons/Fig in Rs Cr

❑ GSKCONS revenue is expected to grow by 10.1% YoY to Rs. 1219 cr driven by domestic HFD volume growth of 4% YoY led by Lower unit packs, distribution expansion and innovations in HFD category with price increase of 3% YoY mainly on account of increase in major input prices i.e. barley and milk.

❑ Sachets of 18 gm priced at Rs. 5/- continued to grow high double digit led by distribution expansion and contributes to the extent of ~10% to the revenue as of 4QFY19 and we expect the momentum to increase going forward.

❑ The Company's Gross Margin is expected to decline by 7 bps to 69.5% YoY due to increase in prices of barley, milk and wheat while packaging cost declined on account of declining crude prices which in-turn along with price hike and forward covers on inputs minimized the gross margin decline.

❑ The Company's EBITDA Margin improved by 170 bps to 22.5% YoY led by reduction in other expenses by 270 bps YoY while employee expense is expected to increase by 93 bps led by distribution expansion and advertising expense is expected to remain flat for 1QFY20.

❑ The company has received 99.99% votes in favor of the scheme of amalgamation(with Hindunilvr) in the National Company Law Tribunal-convened meeting of the equity shareholders on June 1, 2019.

Key Trackable this Quarter

❑ Overall volume growth.

❑ Pricing action taken by the company to overcome input inflation (barley,milk & wheat).

❑ Gross margin and EBITDA margin expansion.

We value the stock at 33x FY20E EPS. NEUTRAL

Hindustan Unilever Limited

HUVR IN

Consumers

CMP	**1780**
Target	**2022**
Upside	**14%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	72%	77%	87%	101%
Roce%	96%	106%	120%	137%
P/E	63.4	60.5	57.3	50.6
P/B	45.5	46.6	49.8	50.8
EV/Ebdita	43.7	40.8	38.5	34.6

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Overall Volume gr.	1%	6%	10%	9%	12%	7%	5%
Segmental Revenues							
Home care	11629	12876	13882	14283	3146	3502	3335
Personal care	16464	17655	19024	19585	4407	4393	4671
Foods	2437	7133	7689	7916	1785	1916	1892
Refreshment	3977	0	0	0	0	-	0
Others	696	560	603	622	149	134	158
Financials							
Sales	35,545	39,310	42,294	47,861	9487	9945	10056
Sales Gr%	*7%*	*11%*	*8%*	*13%*	*11%*	*9%*	*6%*
Adj. Ebdita	7,499	8,880	9,926	11,056	2251	2321	2532
Ebdita Gr%	*18%*	*18%*	*12%*	*11%*	*21%*	*13%*	*12%*
Net Profits	5,227	6,060	6,729	7,619	1529	1538	1707
Profit Gr%	*16%*	*16%*	*11%*	*13%*	*19%*	*14%*	*12%*
Ebdita Margin%	21.1%	22.6%	*23.5%*	*23.1%*	23.7%	23.3%	*25.2%*
Net Profit Margin%	14.7%	15.4%	*15.9%*	*15.9%*	16.1%	15.5%	*17.0%*

Conso/Fig in Rs Cr

- ❑ Hindunilvr's revenue is expected to grow by ~6% on the back of expected volume growth of 5% impacted by tapering of rural growth, tight liquidity and higher base.
- ❑ Gross margin is expected to remain at 54.5% (showing an improvement of50 bps YoY and 219 bps QoQ) on the back of decline in key input prices (crude oil down~ 16% and palm oil prices~16%)and premiumization. While EBITDA margin is expected to improve by 145 bps YoY to 25.2% on the back of rationalization of ad expanses and cost efficiency measures.
- ❑ Company will continue to take cost savings measures and envisage a modest margin expansion going forward.
- ❑ Provision towards restructuring and few contested matters is expected to be Rs.71 cr.
- ❑ Tax expected to go up by 100 bps in FY20 on standalone basis.
- ❑ GSK and Hindunilve merger: legal process to complete by December quarter (3QFY20).
- ❑ Integration of Aditya milk portfolio is progressing well.

*Key Trackable this **Quarter***

- ❑ Overall volume growth and Provision towards restructuring and few contested matters .
- ❑ Gross and EBITDA margin: Considering volatility in crude

We value the stock at 57x FY21E EPS. ACCUMULATE

ITC Limited

ITC IN

Consumers

CMP	**275**
Target	**298**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	22%	21%	21%	22%
Roce%	29%	29%	31%	33%
P/E	29.7	28.2	25.3	23.3
P/B	6.5	6.0	5.4	5.1
EV/Ebdita	20.6	19.1	15.9	14.3

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Cigarette volume	-3%	5%	3%	6%	2%	7%	3%
Segmental Revenues							
Cigarettes	19,048	20,713	22,475	22,968	5,128	5,486	5,487
Others FMCG	11,329	12,505	13,233	13,531	2,870	3,274	2,985
Agri Business	8,068	9,397	10,054	10,391	3,151	2,101	3,372
Paperb, Pap. & Pcka.	5,250	5,860	6,285	6,362	1,356	1,537	1,546
Hotels	1,417	1,665	1,920	1,951	341	510	392
Financials							
Sales	43,449	48,353	53,003	57,981	10,707	11,992	11,669
Sales Gr%	*2%*	*11%*	*10%*	*9%*	*8%*	*13%*	*9%*
Adj. Ebdita	16,483	18,406	20,871	23,222	4202	4572	4660
Ebdita Gr%	*7%*	*12%*	*13%*	*11%*	*12%*	*10%*	*11%*
Net Profits	11,493	12,592	13,265	14,436	2819	3482	3080
Profit Gr%	*10%*	*10%*	*5%*	*9%*	*10%*	*19%*	*9%*
Ebdita Margin%	37.9%	38.1%	*39.4%*	*40.1%*	39.2%	38.1%	*39.9%*
Net Profit Margin%	26.5%	26.0%	*25.0%*	*24.9%*	26.3%	29.0%	*26.4%*

Conso/Fig in Rs Cr

- ITC's sales are expected to grow by 9%YoY in Q1FY20 impacted by lower other FMCG business growth (4%) on the back of slower rural growth and tight liquidity situation.
- We expect Cigarette volume to grow by 3% (stable growth) while pricing growth is expected to remain at 4% in Q1FY20.
- The company is more focused towards its other FMCG business for future growth. It is rapidly expanding its other FMCG business by launching new products. Presently, the company is extending its dairy beverage business and juices. It has launched three fruit beverages under its B Natural brand in PET bottles. It is also planning to export its dry fruits-based dairy beverages badam milkshake to Dubai and Saudi Arabia.
- We expect ITC's EBITDA margin to improve by 69 bps YoY to 39.9% on the back of better margin from other FMCG (backed by better product mix) and hotel business(benefits of operating leverage).

Key Trackable this Quarter

- A possible increase in GST rates in subsequent Council meetings remains an overhang.
- Cigarette Volume growth and EBIT growth
- Other FMCG revenue and EBIT growth.

We value the stock at 28x FY20E EPS. HOLD

Jubilant Foodworks Limited

JUBI IN

Consumers

CMP	**1239**
Target	**1565**
Upside	**26%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	22%	27%	27%	28%
Roce%	29%	37%	35%	35%
P/E	73.7	59.9	40.6	31.7
EV/Sales	5.1	5.3	3.9	3.3
EV/Ebdita	34.1	30.5	21.9	18.0

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
SSG (%)	13.9	16.4	7.8*	8.0*	25.9	6.0	7.5
No. of stores							
Domino's Pizza India	1134	1227	1327	1447	1,144	1,227	1,246
Dunkin' Donuts India	37	31	31	31	37	31	31
Sales	2,980	3,531	4,024	4,656	855	865	956
Sales Gr%	*17%*	*18%*	*14%*	*16%*	*26%*	*11%*	*12%*
Ebdita	446	608	712	843	142	148	169
Ebdita Gr%	*81%*	*36%*	*17%*	*18%*	*79%*	*16%*	*19%*
Net Profits	206	323	404	516	75	74	95
Profit Gr%	*207%*	*56%*	*25%*	*28%*	*213%*	*9%*	*27%*
Employee cost%	20.3%	19.0%	19.0%	18.6%	18.1%	19.5%	18.4%
Rent%	10.6%	9.7%	9.6%	9.4%	9.8%	10.1%	9.9%
Other Expenses%	28.9%	29.3%	29.3%	29.3%	30.0%	29.4%	30.0%
Ebdita Margin%	15.0%	17.2%	17.7%	18.1%	16.6%	17.1%	17.6%
Net Profit Margin%	6.9%	9.1%	10.0%	11.1%	8.7%	8.5%	9.9%

*On average basis

Std/Fig in Rs Cr

- ❑ The company is expected to deliver an SSG of 7.5%. Higher base and the company's store expansion strategy by splitting up the existing stores will continue to drive SSG lower.
- ❑However, the new stores opened and continuous premiumisation through EDV launches and new higher range pizzas would help the company achieve better sales and thus sales is expected to grow by 12% YoY to Rs 956 crores.
- ❑ The now breakeven Dunkin' donuts franchise and newly launched Hong's Kitchen are not expected to impact much 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 100bps YoY to 17.6%.
- ❑ The company sees huge opportunities for store expansion by splitting old stores and at new baskets in existing regions. They target to open 100 stores in FY20.
- ❑ The company has guided for a capex of Rs 220-250 crores for FY20.

Key Trackable this Quarter

- ❑ Price hikes and input price rise especially cheese
- ❑ Sustainable EBITDA margin for Dunkin' Donuts business
- ❑ Management strategy and investment in Hong's Kitchen Brand

We value the stock at 40x FY21E EPS. BUY

Jyothy Laboratories Limited

JYL IN

Consumers

	FY18	FY19	FY20E	FY21E
Roe%	24%	22%	23%	24%
Roce%	21%	21%	22%	22%
P/E	50.4	32.3	27.6	25.0
P/B	11.9	7.3	6.4	6.0
EV/Ebdita	30.9	21.8	19.5	17.9

CMP 160
Target 173
Upside 8%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Volume growth	2%	9%	7%	7%	19%	6%	-5%
Pricing growth(esti.)	-4%	1%	0%	0%	2%	0%	0%
Financials							
Sales	1,644	1,769	1,903	2,128	405	504	386
Sales Gr%	*1%*	*8%*	*8%*	*12%*	*18%*	*6%*	*-5%*
Adj. Ebdita	264	286	301	324	61	83	52
Ebdita Gr%	*2%*	*8%*	*5%*	*8%*	*40%*	*-6%*	*-15%*
Net Profits	161	192	212	233	32	67	32
Profit Gr%	*-20%*	*19%*	*10%*	*10%*	*57%*	*11%*	*0%*
Ebdita Margin%	16%	16%	*16%*	*15%*	15%	16%	*13%*
Net Profit Margin%	10%	11%	*11%*	*11%*	8%	13%	*8%*

Std/Fig in Rs Cr

- ❑ JYOTHYLAB's sales is expected to decline by 5% on back of higher base (17.8% in Q1FY19), slowdown in rural and higher competitive intensity. Overall volume is expected to decline by 5% with almost no realization growth.
- ❑ The company will invest behind Ujala, Margo (investing to leverage natural portfolio), Crisp &shine (extending into newer geographies) and dish wash segments for the future growth.
- ❑ Company targets ~Rs.500 Crs of turnover from its 'ayurvedic portfolio' by financial year 2022. Company's innovation program across portfolio is on track. New product launched in Q4FY19: Innovation on Exo Bar (with Ginger) and New Genius Combi in select markets. To counter competition from incense stick company launched Maxo Agarbathi(in Q2FY19) with 100% natural solution which is doing well.
- ❑ Gross margin is expected to deteriorate by 206 bps YoY to 45.3% on the back of high promotional activities keeping eye on higher competitive intensity while decline in crude and benign palm oil will put some cushion to it. EBITDA margin is expected to decline by 164 bps YoY to 13.4% backed by higher COGS and ad expense which impact was partly negated on the back of cost efficiency measures taken by the company.
- ❑ As per management, Tax rate to remain at MAT rate for next 6-7 years (from Q4FY18 concall).

Key Trackable this Quarter

- ❑ Volume growth.
- ❑ Provisioning for Taxes.

We value the stock at 30x FY20E EPS. NEUTRAL.

Marico Limited

MRCO IN

Consumers

CMP	**370**
Target	**418**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	33%	38%	34%	37%
Roce%	41%	39%	43%	47%
P/E	52.1	39.3	44.0	37.4
P/B	16.9	14.9	14.8	13.7
EV/Ebdita	37.8	34.8	31.7	27.1

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Domes. Volume Gr.	2%	8%	8%	7%	12%	8%	4%
Intern. Busin. CC gr.	8%	9%	10%	10%	7%	7%	10%
Segmental Volume Growth							
Parachute Rigid	3%	8%	7%	8%	9%	6%	3%
Saffola	-2%	9%	8%	9%	10%	18%	6%
Value add. Hair Oils	6%	7%	9%	10%	15%	1%	2%
Revenue Break up:							
Domestic	4970	5756	6131	6783	1628	1240	1676
International	1364	1578	1807	2042	399	369	459
Financials							
Sales	6,333	7,334	7,938	8,825	2,027	1,609	2,135
Sales Gr%	*7%*	*16%*	*8%*	*11%*	*21%*	*9%*	*5.4%*
Adj. Ebdita	1,138	1,281	1,487	1,739	355	283	413
Ebdita Gr%	*-2%*	*13%*	*16%*	*17%*	*9%*	*12%*	*16.4%*
Net Profits	827	1,135	1,086	1,277	260	405	303
Profit Gr%	*2%*	*37%*	*-4%*	*18%*	*10%*	*122%*	*16.5%*
Ebdita Margin%	18.0%	17.5%	18.7%	19.7%	17.5%	17.6%	19.4%
Net Profit Margin%	13.1%	15.5%	13.7%	14.5%	12.8%	25.2%	14.2%

Cons/Fig in Rs Cr

- ❑ MARICO's Sales is expected to be up by 5.4% YoY on the back of domestic volume growth to be low at 4%, impacted by rural slowdown & pricing growth of -1%.
- ❑ Volume growth of Parachute rigid, Saffola & Hair oil is expected to be 3%, 6% & 2% YoY respectively, on account of higher base and rural slowdown.
- ❑ International business is expected to grow by 10% in constant currency terms lead by good traction from Bangladesh business and Vietnam business coming back on track.
- ❑ Gross margin is expected to be up 621 bps to 48.5% YoY on back of benign copra prices. Despite of higher GM expansion, EBITDA margin is expected to expand by only 184 bps to 19.4% YoY led by increase in Ad expenses by 430 bps.
- ❑ PAT is expected to grow by 16.5% to Rs 303 on back of improvement in margins & low tax rate.
- ❑ Healthy foods, Premium personal care & Male Grooming is expected to deliver value growth of 20% plus in FY20. Contribution from NPD is expected to double in next two years.

Key Trackable this Quarter

- ❑ Gross & EBITDA Margin.
- ❑ VAHO and Saffola's volume growth.

We value the stock at 50x FY20E EPS. ACCUMULATE

Nestle India Limited

NEST IN

Consumers

CMP	**11852**
Target	**13472**
Upside	**14%**
Rating	**ACCUMULATE**

	CY17	CY18	CY19E	CY20E
Roe%	36%	44%	45%	50%
Roce%	54%	65%	65%	72%
P/E	72.4	63.5	62.9	54.5
P/B	25.9	27.8	28.5	27.1
EV/Ebdita	39.3	36.8	38.3	33.4

	CY17	CY18	CY19E	CY20E	Q2CY18	Q1CY19	Q2CY19E
Segmental Revenues							
Milk products & nutr.	4,820	5,188	5,773	6,424			
Beverages	1,387	1,523	1,677	1,955			
Pre. Dish. & cook. aids	2,707	3,105	3,485	4,025			
Chocolate & confect.	1,221	1,401	1,611	1,853			
Gross Sales(in cr)	10,135	11,216	12,546	14,257			
Financials							
Sales	9,953	11,216	12,546	14,257	2698	3003	2968
Sales Gr%	*9%*	*13%*	*12%*	*14%*	*12%*	*9%*	*10%*
Adj. Ebdita	2,221	2,732	2,934	3,353	665	749	640
Ebdita Gr%	*9%*	*23%*	*7%*	*14%*	*45%*	*5%*	*-4%*
Net Profits	1,225	1,607	1,816	2,095	395	463	399
Profit Gr%	*22%*	*31%*	*13%*	*15%*	*50%*	*9%*	*1%*
Ebdita Margin%	22.2%	24.2%	*23.2%*	*23.4%*	24.6%	25.0%	*21.6%*
Net Profit Margin%	12.2%	14.2%	*14.4%*	*14.6%*	14.6%	15.4%	*13.5%*

Conso/Fig in Rs Cr

❑ NESTLEIND revenue is expected to be at Rs. 2968 cr with revenue growth of 10% in 2QCY19 led by development of underpenetrated categories, better traction from new launches and ramping up of distribution channel.

❑ The Company plans to launch three products in the organic food category which include an organic variant of its kids cereals brand Ceregrow while have recently launched MAGGI Fusian under Maggi brand in 3 Flavours. Thus are focused on innovation-led volume growth.

❑ Milk Prod. & Nutri (contri. ~46%in CY18) is expected to post a volume growth of 7% in CY19e led by new launches and innovation while Prepared dishes (contri. ~28% in CY18) is expected to post a volume growth of 12% in CY9e led by maggi (with ~60% market share) and innovation in this segment (eg. Maggi Fusion).

❑ Cluster based approach which the company introduced to promote keen consumer connect and high agility wherein the company has divided whole India into 15 clusters which will help the company in consumer targeting, NPD planning & launches based on past performance.

❑ Gross margin is expected to decline by 174 bps to 57.9% YoY in 2QCY19 led by upward movement in major input prices while EBITDA margin is expected to decline by 306 bps to 21.6% YoY led by higher employee expense and other expense (penetration & new launches).

Key Trackable this Quarter

❑ Volume growth and performance of Milk Products & Nutri. Category.

❑ Gross and EBITDA margins.

We value the stock at 62x CY20E EPS. ACCUMULATE

Parag Milk Foods Limited

PARAG IN

Consumers

CMP	**257**
Target	**270**
Upside	**5%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	12%	15%	15%	17%
Roce%	18%	19%	21%	23%
P/E	26.6	16.3	15.2	11.2
P/B	3.2	2.4	2.3	1.9
EV/Ebdita	12.1	9.1	8.4	6.6

	FY18	FY19	FY20	FY21	Q1FY19	Q4FY19	Q1FY20E
Milk Products Gr.	17%	24%	18%	20%	41%	22%	16%
Fresh Milk Gr.	5%	9%	12%	9%	9%	9%	11%
Segmental Revenues							
Skimmed Milk Powder	254	342	406	488	70	130	80
Fresh Milk	391	424	474	517	106	109	118
Milk Products	1290	1585	1871	2246	363	423	421
Other Revenues	20	45	66	76	11	10	15
Financials							
Sales	1,955	2,396	2,817	3,326	549	672	635
Sales Gr	*13%*	*23%*	*18%*	*18%*	*33%*	*30%*	*16%*
Adj. Ebdita	193	223	261	327	60	44	59
Ebdita Gr	*120%*	*16%*	*17%*	*25%*	*103%*	*-21%*	*-1%*
Net Profits	87	121	142	193	28	31	31
Profit Gr%	*1748%*	*39%*	*18%*	*36%*	*169%*	*20%*	*10%*
Ebdita Margin%	9.9%	9.3%	*9.3%*	*9.8%*	10.9%	6.5%	*9.4%*
Net Profit Margin%	4.5%	5.0%	*5.0%*	*5.8%*	5.1%	4.7%	*4.9%*

Cons/Fig in Rs Cr

❑ Parag is expected to report 16% sales growth YoY in Q1FY20 on the back of better growth in value added product (VAP) segment. The company has maintained its momentum in launching new products and it is scaling up aggressively its whey protein business under Avvatar.

❑ The company is ramping up its distribution in Pan-India, presently it has Distribution network of 19 depots, over 140 Super Stockists and more than 3000 Distributors.

❑ Gross margin is expected to decline by 55 bps YoY to 29.8% led by higher milk procurement prices. While EBITDA margin is expected to decline by 151 bps YoY to 9.4% on the back of investment towards brand building and distribution expansion.

❑ As per the management,the Company is on track of achieving sales of Rs 2700-3000cr, EBITDA margin 11-12% and ROCE 18-20% by FY20.

❑ The Company's overall working capital cycle improved to 68 days in FY19 from 72 days in FY18 and expects similar decrease going ahead.

Key Trackable this Quarter

❑ Fresh milk procurement prices & gross margin.

❑ EBITDA margin considering new launches and investment behind distribution expansion.

We value the stock at 16x FY20E EPS. NEUTRAL

P&G Hygiene

PG IN

Consumers

CMP	**10763**
Target	**13764**
Upside	**28%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	82%	47%	39%	43%
Roce%	115%	70%	55%	61%
P/E	50.1	82.4	82.3	58.6
P/B	41.2	38.3	32.4	25.2
EV/Ebdita	32.5	49.5	53.9	37.7

	FY17	FY18	FY19E	FY20E	4QFY18	Q3FY19	Q4FY19E
Segmental Revenues(gross)							
Oint. and Creams	412	456	520	608			
Cough Drops	265	278	301	325			
Tablets	51	52	57	60			
Prsnl Pro., Toilt Preps. e	1691	1669	2036	2545			
Financials							
Sales	2,320	2,455	2,914	3,538	525	699	605
Sales Gr%	*2%*	*6%*	*19%*	*21%*	*4%*	*23%*	*15%*
Adj. Ebdita	665	615	635	899	84	144	91
Ebdita Gr%	*10%*	*-7%*	*3%*	*42%*	*-36%*	*7%*	*8%*
Net Profits	433	375	424	596	45	90	60
Profit Gr%	*2%*	*-13%*	*13%*	*40%*	*-43%*	*8%*	*35%*
Ebdita Margin%	28.6%	25.1%	*21.8%*	*25.4%*	16.0%	20.5%	*15.0%*
Net Profit Margin%	18.6%	15.3%	*14.6%*	*16.8%*	8.5%	12.9%	*10.0%*

Cons/Fig in Rs Cr

- PGHH's revenue in 4QFY19 will be up by 15% on back of company's focus on raising the bar on superiority, innovation & improving productivity.
- Gross margin is expected to decline by 585 bps to 58.7% on account of input inflation & price cut and EBITDA margin is expected to decline by 101 bps to 15%. With cost efficiency measures the Company is expected to save on its expenses by 25 bps, 180 bps & 280 bps on its employee expenses, adv. expenses & other expenses respectively.
- PAT is expected to grow by 35% to Rs 60 crs led by lower provisioning for taxes.
- The Company is following OTSR strategy: basic objective is to drive topline, bottom line and cash balance. OTSR will be achieved by five pronged strategies: 1.Superior Products, 2.Packaging, 3.communication, 4.Go to the market & 5.Value (source: Mgt. interview).
- The company launched products like Wisper Choice Aloe Vera at the price point of Rs 25.

Key Trackable this Quarter

- Gross margin: led by inflation in input material.
- EBITDA Margin: as past few quarters company is investing behind brands and distribution expansion.

We value the stock at 75x FY20E EPS. BUY

Westlife Development Ltd

WLDL IN

Consumers

CMP	**306**
Target	**350**
Upside	**14%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	2%	7%	9%	12%
Roce%	1%	5%	8%	11%
P/E	387.3	165.5	83.4	60.4
EV/Sales	4.4	4.8	3.1	2.7
EV/Ebdita	64.2	55.5	32.4	25.3

	FY18	FY19	FY20E	FY21E	Q1FY19	Q4FY19	Q1FY20E
SSG (%)	15.8	17.0	6.9*	8.5*	24.1	5.6	6.5
No. of stores							
McDonalds	277	296	323	358	281	296	302
Mc Café	149	190	235	288	156	190	198
Sales	1,135	1,402	1,599	1,849	342	339	385
Sales Gr%	*22%*	*24%*	*14%*	*16%*	*30%*	*12%*	*13%*
COGS	425	506	569	649	123	122	136
Royalty	48	64	72	75	16	15	17
Ebdita	77	121	154	196	34	25	41
Ebdita Gr%	*65%*	*56%*	*27%*	*28%*	*130%*	*35%*	*22%*
Net Profits	13	40	57	79	12	7	17
Profit Gr%	*LP*	*213%*	*41%*	*38%*	*528%*	*8%*	*44%*
Gross Margin%	62.6%	63.9%	64.4%	64.9%	64.0%	64.1%	64.5%
Ebdita Margin%	6.8%	8.6%	9.6%	10.6%	9.9%	7.3%	10.8%
Net Profit Margin%	1.1%	2.9%	3.6%	4.3%	3.4%	2.1%	4.3%

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

Conso/Fig in Rs Cr

❑ The company is expected to deliver an SSG of 6.5%. The continued momentum of delivering high SSG growth will witness a slowdown to lower double digits in quarter 1 on a higher base. However, new stores, price hikes and premiumisation through improvised menu & brand extensions would help the company acheive a growth of 13% YoY to Rs 385 crores.

❑ The gross margin expansion with the McCafe expansion and increasing new value added products in the improvised menu would continue and the company is likely to report margins at 64.5% for the quarter.

❑ 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 10.8%, 90bps up YoY.

❑ The company will report a PAT of Rs 17 crores for quarter 4.

❑ The company spent Rs 130 crores on capex in FY19 and has guided for a similar capex in FY20.

❑ In line with the Vision 2022, the company is looking to open minimum 25 stores in FY20.

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 28x FY21E EV/EBITDA. HOLD

Trent Limited

TRENT IN

Consumers

CMP	**454**
Target	**420**
Upside	**-7%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	5%	6%	7%	10%
Roce%	9%	9%	11%	14%
P/E	112.1	124.2	126.8	87.1
P/B	6.1	7.2	8.8	8.4
EV/Sales	4.7	4.6	4.8	3.8

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Walk-ins (Crs)	4	4.5	5.5	6.6			
Incr. in sales / stores	3%	2%	2%	2%			
Bill size (Rs.)	2197	2332	2472	2620			
Conversion Ratio	26%	24%	23%	23%			
Westside's Contri.	96%	90%	*90%*	*90%*			
Cum. stores(westside)	125	150	177	204			
Financials							
Sales	2,157	2,630	3,232	4,081	591	669	712
Sales Gr%	*19%*	*22%*	*23%*	*26%*	*20%*	*26%*	*21%*
Adj. Ebdita	201	228	270	357	71	34	82
Ebdita Gr%	*60%*	*13%*	*19%*	*32%*	*21%*	*36%*	*16%*
Net Profits	87	95	119	173	38	16	46
Profit Gr%	*3%*	*9%*	*25%*	*46%*	*1%*	*37%*	*19%*
Ebdita Margin%	9.3%	8.7%	*8.4%*	*8.7%*	12.0%	5.0%	*11.5%*
Net Profit Margin%	4.0%	3.6%	*3.7%*	*4.2%*	6.5%	2.4%	*6.4%*

Conso/Fig in Rs Cr

❑ Trent's sales (stand.) is expected to grow by 21% YoY to Rs.712 cr in Q1FY20 on the back of improved walk-ins per stores and new stores addition. Trent has accelerated the store expansion program in FY19 and we expect company to maintain its new stores run rate going ahead. Westside accounted for around 90 % of the Company's revenues in FY19 while own brands contributed over 97 % of total revenues.

❑ Better locations and store execution helps company in garnering improved walk-in. Walk-ins improved by 24% to 449.6 lakhs in FY19.

❑ Company's gross margin is expected to contract by 300 bps to 51.4%% due to discounts offered by the company in the wake of higher competitive offerings by ecommerce players while EBITDA margin is expected to decline by 20 bps YoY to 11.5% benefited by decrease in other expenses by 230 bps YoY on account of cost efficiency measures taken by the company.

❑ The company has added 27 new stores(the highest ever in a year) while closed 2 stores in FY19 making total store count to 150 in its Westside format.

Key Trackable this Quarter

❑ LFL sales Growth

❑ Walk-ins & Bill size

We value the stock at 4.4x FY20E EV/Sales. NEUTRAL

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