India Equity Analytics

Results Preview Q2FY20 - Consumers

Narnolia®

Analyst
Rajeev Anand
rajeev.anand@narnolia.com

Asian Paints Limited

APNT IN

Consumers

CMP	**1764**
Target	**1675**
Upside	**-5%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	25%	24%	27%	26%
Roce%	31%	30%	31%	30%
P/E	52.7	66.3	62.3	54.7
EV/Sales	6.4	7.4	8.0	7.1
EV/Ebdita	33.7	40.7	41.5	36.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Capacity (India)*	1,130	1,730	1,730	1,730	1,730	1,730	1,730
Domestic Volume Gr #	*7%*	*14%*	*8%*	*8%*	*11%*	*16%*	*11%*
Sales	16,825	19,342	21,469	23,831	4,639	5,131	5,334
Sales Gr%	*12%*	*15%*	*11%*	*11%*	*9%*	*17%*	*15%*
Ebdita	3,198	3,525	4,122	4,647	784	1,156	1,013
Ebdita Gr%	*7%*	*10%*	*17%*	*13%*	*-2%*	*32%*	*29%*
Net Profits	2,039	2,159	2,750	3,100	498	660	673
Profit Gr%	*5%*	*6%*	*27%*	*13%*	*-14%*	*17%*	*35%*
Ebdita Margin%	19.0%	18.2%	19.2%	19.5%	16.9%	22.5%	19.0%
Net Profit Margin%	12.1%	11.2%	12.8%	13.0%	10.7%	12.9%	12.6%

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

❑ 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.

❑ On account of reduced corporate taxes, we have factored. 15% incremental Net profits for the full year FY20

Key Trackable this Quarter

❑ Overall Demand environment in the industry

❑ Improvement in International business

We value the stock at 52x FY21E P/E. HOLD

Agro Tech Foods Limited

ATFL IN

Consumers

CMP	**483**
Target	**571**
Upside	**18%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	9%	9%	11%	12%
Roce%	14%	13%	14%	15%
P/E	55.8	41.3	25.0	21.1
P/B	5.2	3.8	2.8	2.6
EV/Ebdita	26.6	21.8	15.0	13.1

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenue Breakup(esti.)							
Sundrop Oil	487	491	485	492	118	112	116
Crystal business	121	125	126	133	33	30	30
Food	198	206	263	322	61	56	70
Segmental Volume growth%							
Sundrop Oil	3%	6%	5%	-1%	2%	-3%	0%
Crystal business	3%	1%	-8%	3%	2%	-14%	-12%
Peanut butter	94%	92%	18%	18%	41%	15%	15%
Financials							
Sales	812	824	873	947	211	198	217
Sales Gr%	*0%*	*1%*	*6%*	*8%*	*7%*	*0%*	*3%*
Other Income	*1*	*4*	*6*	*7*	*1*	*1*	*2*
Adj. Ebdita	66	65	77	86	18	15	19
Ebdita Gr%	*8%*	*-2%*	*19%*	*11%*	*1%*	*3%*	*5%*
Net Profits	32	34	47	56	9	7	12
Profit Gr%	*14%*	*8%*	*37%*	*19%*	*6%*	*8%*	*35%*
Ebdita Margin%	8.1%	7.9%	*8.8%*	*9.1%*	8.4%	7.4%	*8.6%*
Net Profit Margin%	3.9%	4.2%	*5.4%*	*5.9%*	4.3%	3.6%	*5.6%*

Conso/Fig in Rs Cr

❑ ATFL revenue is expected to grow by 2.8% YoY to Rs. 217 cr. backed by better traction food business which is expected to grow 15% YoY on the back of better traction from peanut butter and bagged snacks.

❑ Company's Sundrop oil brand is expected to show flat growth but gradual improvement in volume (Q3FY19:-10%, Q4FY19:-14% and Q1FY20:-3%) on the back of stabilization of growth after companies experiment's with pricing.

❑ The Company restarted production of Sundrop breakfast cereals at Hyderabad plant which was stopped due to fire at Unnao facility while Unnao Facility is expected to restart by the end of FY20.

❑ Gross margin is expected to improve by 53 bps to 32.9% YoY led by reduction in key input prices and higher contribution from food business while EBITDA margin is expected to improve by 16 bps to 8.6% YoY due to reduction in employee expense.

❑ Ad ex. and other expense are expected to increase by 34 bps and 32 bps.

❑ On account of reduced corporate taxes, we have factored Rs 2 Cr of excess pat in Q2FY20 and Rs 5 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 7.4% yoy for 2QFY20 and 22% for FY20.

Key Trackable this Quarter

❑ Volume growth in Food segment despite consumption slowdown.

❑ Gross Margin expansion as the anti profiteering clause is extended for next 2 years.

We value the stock at 25x FY21E EPS. ACCUMULATE

Bajaj Consumer Care Limited

BAJAJCON IN

Consumers

CMP	**246**
Target	**291**
Upside	**18%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	43%	47%	54%	61%
Roce%	49%	54%	61%	70%
P/E	32.5	21.0	14.7	12.7
P/B	13.9	9.9	7.9	7.7
EV/Ebdita	27.0	16.9	12.0	10.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Almond Drops Hair Oil(ADHO)							
Volume (Lac cases)	50.6	54.2	57.4	61.1	13.0	13.9	13.9
Volume Growth%	3%	7%	6%	6%	1%	5%	7%
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	1,003	1,117	213	240	234
Sales Gr%	*4%*	*11%*	*9%*	*11%*	*4%*	*9%*	*10%*
Other Inome	24	17	23	22	7	6	6
Adj. Ebdita	254	274	300	352	61	70	68
Ebdita Gr%	*-4%*	*8%*	*9%*	*17%*	*4%*	*2%*	*12%*
Net Profits	211	222	246	286	52	59	56
Profit Gr%	*-3%*	*5%*	*11%*	*16%*	*2%*	*9%*	*8%*
Ebdita Margin%	30.6%	29.9%	*29.9%*	*31.5%*	28.5%	29.3%	*28.9%*
Net Profit Margin%	25.5%	24.1%	*24.5%*	*25.6%*	24.3%	24.4%	*23.9%*

Conso/Fig in Rs Cr

❑ The Company's volume growth is expected to remain 7% YoY in Q2FY20 led by lower base, better traction from international business and modern trade. CSD growth for Bajajcon is expected to recover in this quarter while impact of rural slowdown and down trading will be key parameters to watch for.

❑ In International business (IB) front, the work undertaken in IB vertical like revamping business team in place for all strategic locations has worked well and all geographies are now showing strong growth and so we are expecting better traction from IB front.

❑ The Company is continuously focusing towards ADHO's distribution reach expansion in rural. Currently Bajaj Almond Oil is available in 40 lakh outlets while company's direct reach is up to 5.11 lakh outlets.

❑ Gross margin is expected to expand by 41 bps to 67.7% led by decline in prices of major input, while EBITDA margin is expected to expand by 47 bps to 28.9% YoY, driven by gross margin expansion.

❑ Other expense is expected to increase by 1.65 bps to 29.2% which will be due to company's thrust on distribution expansion.

❑ FY19 effective tax rate was 21.7 % and FY20 effective tax rate is expected to be 21.7%.

Key Trackable this Quarter

❑ ADHO's volume growth: considering Rural distress.

❑ Other expenses: impact of company's cost efficiency measures.

We value the stock at 15x FY21E EPS. ACCUMULATE

Berger Paints India Ltd

BRGR IN

Consumers

CMP	**436**
Target	**460**
Upside	**6%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	24%	21%	29%	27%
Roce%	27%	26%	30%	29%
P/E	54.0	63.1	53.3	47.2
EV/Sales	4.8	5.2	6.2	5.5
EV/Ebdita	30.8	35.7	37.5	32.8

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Domestic Volume Gr	9%	15%	10%	8%	15%	12%	8%
Sales	5,166	6,062	6,789	7,456	1,490	1,717	1,652
Sales Gr%	*13%*	*17%*	*12%*	*10%*	*16%*	*16%*	*11%*
Ebdita	807	882	1,127	1,275	207	305	275
Ebdita Gr%	*12%*	*9%*	*28%*	*13%*	*4%*	*34%*	*33%*
Net Profits	461	498	802	895	117	176	206
Profit Gr%	*-3%*	*8%*	*61%*	*12%*	*6%*	*31%*	*76%*
Ebdita Margin%	15.6%	14.5%	16.6%	17.1%	13.9%	17.8%	16.7%
Net Profit Margin%	8.9%	8.2%	11.8%	12.0%	7.9%	10.3%	12.5%

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.

❑ Revenue growth is expected to be 11% YoY.

❑The company is expected to report EBITDA margin of 16.7%% for the quarter.

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

Key Trackable this Quarter

❑ Overall demand environment in the industry

❑ Continued strong growth from Bolix Poland, BJN Nepal and Saboo Coatings

We value the stock at 50x FY21E P/E. HOLD

Britannia Industries Limited

BRIT IN

Consumers

CMP	**2953**
Target	**3509**
Upside	**19%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	29%	27%	28%	29%
Roce%	39%	36%	33%	33%
P/E	67	58	49	40
P/B	20	16	14	12
EV/Ebdita	22	39	37	32

	FY18	FY19E	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Core Vol. growth	7%	9.5%	8.1%	9.4%	12.0%	3.0%	2.0%
Pricing gr.(%)(esti.)	2%	2.4%	6.1%	5.6%	1.0%	3.0%	5.3%
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	12,096	13,587	2870	2700	3078
Sales Gr%	*9%*	*12%*	*9%*	*12%*	*13%*	*6%*	*7%*
Ebdita	1,502	1,733	1,898	2,210	454	395	500
Ebdita Gr%	*17%*	*15%*	*9%*	*16%*	*20%*	*1%*	*10%*
Net Profits	1,004	1,155	1,448	1,757	303	249	424
Profit Gr%	*13%*	*15%*	*25%*	*21%*	*16%*	*-4%*	*40%*
Ebdita Margin%	15%	16%	*15.7%*	*16.3%*	16%	15%	*16%*
Net Profit Margin%	10%	10%	*12.0%*	*12.9%*	11%	9%	*14%*

Conso/Fig in Rs Cr

❑ Britannia's sales are expected to grow by 7% YoY to Rs 3078 cr backed by better realization while volume growth is expected to remain subdued.

❑ Volume is expected to grow by 2% YoY impacted by sluggishness in consumption especially in rural (Hindi speaking belt) and higher base.

❑ Gross margin will expand by 96 bps YoY to 41% on the back of lower crude, benign palm oil prices and premiumization While EBITDA margin will improve by 42 bps YoY to 16.3%.

❑ We are expecting 35 bps higher other expenses due to company's thrust on distribution expansion while decreased incrementally by 53 bps QoQ as company won't launch new product in near term(consolidated their new launches) and management's commentary regarding heightening up cost efficiency measures.

❑ 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.

❑ On account of reduced corporate taxes, we have factored Rs 86 Cr of excess pat in 2QFY20 and Rs 188 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 11.5% yoy for 2QFY20 and 9% for FY20.

Key Trackable this Quarter

❑ Volume growth.

❑ Management comments on rural growth.

❑ Other expenses: considering company's new thrust on cost saving program.

We value the stock at 48x FY21E EPS. BUY

Colgate Palmolive (India) Limited

Consumers

CLGT IN

CMP	**1508**
Target	**1541**
Upside	**2%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	44%	54%	56%	57%
Roce%	63%	71%	68%	70%
P/E	43.1	41.4	47.7	44.0
P/B	19.1	22.2	26.8	25.2
EV/Ebdita	25.8	25.8	31.2	29.2

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Volume growth	3%	5%	5%	8%	7%	4%	0%
Pricing growth	3%	4%	-1%	0%	1%	0%	0%
Marketshare:							
Toothpaste(Vol. Ms)	52%	52%					
Toothbrush(Vol. Ms)	45%	48%					
Financials							
Sales	4,188	4,462	4,620	4,972	1168	1085	1170
Sales Gr%	*5%*	*7%*	*4%*	*8%*	*8%*	*4%*	*0%*
Adj. Ebdita	1,112	1,236	1,300	1,383	330	300	348
Ebdita Gr%	*18%*	*11%*	*5%*	*6%*	*10%*	*6%*	*6%*
Adj. Net Profits	681	755	860	931	196	169	259
Profit Gr%	*18%*	*11%*	*14%*	*8%*	*11%*	*-11%*	*32%*
Ebdita Margin%	26.6%	27.7%	28.2%	27.8%	28.2%	27.6%	29.7%
Net Profit Margin%	16.3%	16.9%	18.6%	18.7%	16.8%	15.6%	22.1%

Std/Fig in Rs Cr

❑ COLPAL is expected to post flat revenue growth for Q2FY20 led by flat realization and volume growth. The volume expected to remain impacted on the back of consumption slowdown in rural due to tight liquidity. We do not expect pricing growth due to benign input price.

❑ New management's thrust on launching new products, distribution expansion and revive its Palmolive brand is expected to boost growth. COLPAL plans to launch toothpaste in the children segment to get long term brand loyalty.

❑ Due to benign crude oil prices we expect gross margin to expand by 98 bps to 65.8% YoY while EBITDA margin is expected to expand by 153 bps to 29.7% YoY led by lower other expenses.

❑ The Company's other expense is expected to reduce by 121 bps to 16.9% on the back of company's cost efficiency measures and change in lease accounting while employee and Advertisement expense is expected to increase by 36 bps and 30 bps in 2QFY20.

❑ On account of reduced corporate taxes, we have factored Rs 55 Cr of excess pat in Q2FY20 and Rs 82 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 4% yoy for 2QFY20 and flat for FY20.

Key Trackable this Quarter

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

❑ Tooth brush and Tooth paste volume market share.

❑ 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 45x FY21E EPS. NEUTRAL

Crompton Greaves Consumer Electricals Limited

Consumers

CROMPTON IN

CMP	**251**
Target	**308**
Upside	**23%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	41%	37%	36%	36%
Roce%	36%	40%	43%	50%
D/E	0.8	0.3	0.1	0.0
P/E	45.4	34.3	31.6	24.4
P/B	18.6	12.6	11.2	8.9

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenue							
ECD	2,828	3,214	3,626	3,989	713	1,073	820
Lighting Products	1,277	1,265	1,310	1,375	325	274	341
Financials							
Sales	4,080	4,479	4,936	5,364	1,038	1,347	1,161
Sales Gr%	5%	10%	10%	9%	8%	12%	12%
Ebdita	531	586	698	893	124	192	149
Ebdita Gr%	10%	10%	19%	28%	3%	15%	20%
Net Profits	324	403	498	644	77	122	123
Profit Gr%	*14%*	*24%*	*24%*	*29%*	*8%*	*17%*	*60%*
EbditaM%	13.0%	13.1%	14.1%	16.6%	11.9%	14.2%	12.8%
Net Mgn%	**7.9%**	**9.0%**	**10.1%**	**12.0%**	**7.4%**	**9.1%**	**10.6%**

Std/Fig in Rs Cr

❑ Revenue is expected to grow by 12% YoY on account of healthy growth in ECD business which is expected to grow by 15%.

❑ EBITDA is expected to grow by 20% YoY and margin is expected to grow by 90 bps to 12.8%.

❑ Interest as a percentage of sales is expected to be 0.7% lower by 80bps than 1.5% in 2QFY19 on account of debt repayment.

❑ PAT is expected grow by 60% YoY to Rs 123 Cr and margin will expand by 320 bps to 10.6% due to reduction in tax.

❑ On account of reduced corporate taxes, we have factored Rs 30 Cr of excess PAT in Q2FY20 and Rs 55 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is 21.1% YoY for 2QFY20 and 10% for FY20.

❑ Company has paid advance tax for FY17/18/19 without considering impairment of goodwill of Rs 780 Cr post demerger. Company awaits order form assessing officer and if such order is passed it will amount to Rs 250 Cr of benefits.

Key Trackable this Quarter

❑ Inventory level

❑ Debt level

❑ Impairment benefit of previous years

We value the stock at 30x FY21E EPS. BUY

Dabur India Limited

DABUR IN

Consumers

CMP	**446**
Target	**472**
Upside	**6%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	24%	26%	24%	25%
Roce%	22%	25%	25%	25%
P/E	48.4	46.9	50.8	43.5
P/B	11.5	12.0	12.4	11.0
EV/Ebdita	40.5	38.7	41.3	36.2

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Domestic Vol. gr.	6%	11%	10%	13%	8%	10%	7%
Pricing gr.(esti.)	2%	2%	1%	1%	0%	1%	1%
Int. Bus.CC gr.(esti.)	6%	11%	10%	7%	7%	8%	9%
Financials							
Sales	7,748	8,533	9,436	10,620	2125	2273	2301
Sales Gr%	*1%*	*10%*	*11%*	*13%*	*8%*	*9%*	*8%*
Adj. Ebdita	1,617	1,740	1,907	2,165	451	458	501
Ebdita Gr%	*7%*	*8%*	*10%*	*14%*	*7%*	*19%*	*11%*
Net Profits	1,354	1,442	1,554	1,811	378	364	416
Profit Gr%	*6%*	*7%*	*8%*	*17%*	*4%*	*10%*	*10%*
Ebdita Margin%	20.9%	20.4%	*20.2%*	*20.4%*	21.2%	20.1%	*21.8%*
Net Profit Margin%	17.5%	16.9%	*16.5%*	*17.1%*	17.8%	16.0%	*18.1%*

Conso/Fig in Rs Cr

- The company's revenue is expected to grow by 8.3% YoY to Rs 2301 cr on back of 7% domestic volume growth impacted by subdued rural growth while the company continues to invest behind distribution and brands.

- For expanding its rural reach company is launching Low Unit Price packs (LUPs) of Rs5, Rs10, RS20 and Rs 40. It has also expanded its direct rural distribution footprint from 44,000 villages to 48,000 villages in 1QFY20.The company targets to expand its rural distribution to 55,000 in FY20.

- Its International business is expected to clock 9% constant currency (cc) growth as MENA (On the back of improvement in market share led by different trade schemes)& America businesses are showing some signs of improvement.

- Gross margin is expected to expand by 23 bps YoY to 49.6% led by lower crude prices and EBITDA margin is expected to be up by 56 bps to 21.8% on the back of company's cost efficiency measures. Other expenses are expected to decline by 65 bps YoY to 10.2%.

- The company is exploring for acquisition either in India or in other South-East Asian markets such as Bangladesh, Sri Lanka or Myanmar which would be strategically aligned to their core portfolio in the natural, herbal and Ayurveda space at the right valuations.

- FY19 effective tax rate was 15.5 % and FY20 effective tax rate is expected to be 19.6%.

Key Trackable this Quarter

- Rural distress & its impact on domestic volume.
- International business cc growth.

We value the stock at 46x FY21E EPS. HOLD

Dixon Technologies (India) Ltd.

DIXON IN

Consumers

CMP	**2942**
Target	**3302**
Upside	**12%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	19%	17%	24%	22%
Roce%	30%	29%	37%	36%
D/E	0.1	0.4	0.5	0.4
P/E	61.0	42.5	29.5	24.9
P/B	11.8	7.1	7.0	5.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenue							
Consumer Electronics	1,073	1,194	2,427	3,037	360	510	818
Lighting Products	774	919	1,170	1,346	190	324	226
Home Appliances	250	374	470	580	104	99	140
Mobile Phones	670	355	568	580	64	144	152
Reverse Logistics	73	30	10	10	10	2	2
Security Systems	0	112	184	202	11	68	12
Financials							
Sales	2,842	2,984	4,828	5,754	739	1,147	1,351
Sales Gr%	16%	5%	62%	19%	-16%	94%	83%
Ebdita	113	135	209	248	33	53	53
Ebdita Gr%	24%	20%	55%	18%	-6%	102%	61%
Net Profits	61	63	113	134	16	24	33
Profit Gr%	*28%*	*4%*	*78%*	*18%*	*-21%*	*85%*	*98%*
EbditaM%	4.0%	4.5%	4.3%	4.3%	4.5%	4.6%	3.9%
Net Mgn%	**2.1%**	**2.1%**	**2.3%**	**2.3%**	**2.2%**	**2.1%**	**2.4%**

Conso/Fig in Rs Cr

- ❑ Revenue for 2QFY20 is expected to grow by 83% YoY. Consumer Electronic, Lighting, Home appliance and Mobile are expected to grow by 128%, 19%, 35% and 139% YoY respectively in 2QFY20.
- ❑ EBITDA expected to grow by 61% YoY while margins will contract by 60bps due to increased contribution from lower margin mobile segment.
- ❑ Net Profit is expected to grow by 98% YoY due to lower tax.
- ❑ On account of reduced corporate taxes, we have factored Rs 7 Cr of excess PAT in Q2FY20 and Rs 13 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is 57.7% YoY for 2QFY20 and 57.1% for FY20.
- ❑ 41% of Sales volume and 69% of sale value is generated from Xiaomi in consumer electronic and has supplied 160k TV set in 1QFY20.
- ❑ Samsung has increased its volume of washing machine from July 2019 making to 0.5 million.
- ❑ Management is in advanced stage of discussions with a big customer in mobile phones division and is setting up own factory in Noida with almost 200,000 square feet with capacity of 1.8 Mn mobile both for domestic & export.

Key Trackable this Quarter

- ❑ Consumer Electronics and Mobile business revenue growth
- ❑ Margins in Home Appliance business
- ❑ Working Capital :- Higher working capital requirment on TV orders by Xiaomi

We value the stock at 28x FY21E EPS. BUY

Avenue Supermarts Limited

Consumers

DMART IN

CMP	**1860**
Target	**2000**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	17%	16.2%	19.4%	18.7%
Roce%	24%	25%	26%	24%
P/E	114.7	86.7	86.2	72.8
P/B	19.8	14.0	16.7	13.6
EV/Sales	6.1	3.9	4.4	3.7

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Cumul. no. stores	155	176	200	221	160	184	187
Ret. Bus. Are.(cr sq ft)	0.49	0.59	0.70	0.80	0.51	0.63	0.67
Rev. per sqft in Rs.	32719	35647	37073	38741	9554	9175	9175
Ret. Bus. Area/store	0.003	0.003	0.004	0.004	0.003	0.003	0.004
Financials							
Sales	15,033	20,005	26,093	31,222	4873	5781	6102
Sales Gr%	*26%*	*33%*	*30%*	*20%*	*39%*	*27%*	*25%*
Adj. Ebdita	1,353	1,633	2,123	2,428	390	596	504
Ebdita Gr%	*38%*	*21%*	*30%*	*14%*	*23%*	*41%*	*29%*
Net Profits	806	903	1,347	1,595	226	335	369
Profit Gr%	*68%*	*12%*	*49%*	*18%*	*18%*	*34%*	*63%*
Ebdita Margin%	9.0%	8.2%	*8.1%*	*7.8%*	8.0%	10.3%	*8.3%*
Net Profit Margin%	5.4%	4.5%	*5.2%*	*5.1%*	4.6%	5.8%	*6.0%*

Conso/Fig in Rs Cr

❑ DMART revenue is expected to grow by 25.2% YoY to Rs.6102 cr. led by better traction from new opened stores, better discounts offered and better assortment.

❑ The company follows cluster-based expansion approach to expand its business which means increasing its presence in existing areas before expanding to newer geographies which in turn helps company in gaining Knowledge of local consumer buying habits, gives supply chain benefits and deep knowledge of real estate in that area.

❑ The company is gradually getting aggressive, added 8 stores in Q1 although it includes the backlog. We expect it to add 3 more stores in Q2FY20.

❑ Gross margin is expected to deteriorate by 33 bps YoY to 14% (lower than earlier as we expect some ease in competitive pressure from e-retailers) on account of discounts offeres to the consumers.

❑ EBITDA margin is expected to improve by 26 bps YoY to 8.3% YoY led by cost efficiency measures and impact of change in lease based accounting. Employee and other expenses are expected to decline by 10 bps and 49 bps YoY to 1.6 and 4.1%.

❑ On account of reduced corporate taxes, we have factored Rs 92 Cr of excess pat in Q2FY20 and Rs 184 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 22.8% yoy for 2QFY20 and 29% for FY20.

Key Trackable this Quarter

❑ Gross and EBITDA Margin.

❑ Number of stores added in this quarter.

❑Walk-ins & Bill size

We value the stock at 4x FY21E EV/Sales. HOLD

Emami Limited

HMN IN

Consumers

CMP	**318**
Target	**349**
Upside	**10%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	15%	15%	19%	22%
Roce%	17%	18%	22%	24%
P/E	77.8	51.2	33.6	27.3
P/B	11.8	7.5	6.5	5.9
EV/Ebdita	33.1	42.6	16.5	14.7

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Domestic vol. growth	2%	4%	6%	6%	-4%	0%	6%
Domestic Pric. growth	3%	3%	3%	4%	4%	2%	2%
Financials							
Sales	2,531	2,693	2,969	3,286	628	649	691
Sales Gr%	*0%*	*6%*	*10%*	*11%*	*0%*	*6%*	*10%*
Adj. Ebdita	719	726	850	955	189	134	216
Ebdita Gr%	*-5%*	*1%*	*17%*	*12%*	*-6%*	*9%*	*14%*
Net Profits	308	305	433	531	82	39	111
Profit Gr%	*-10%*	*-1%*	*42%*	*23%*	*-16%*	*48%*	*35%*
Ebdita Margin%	28.4%	26.9%	*28.6%*	*29.1%*	30.2%	20.7%	*31.2%*
Net Profit Margin%	12.1%	11.2%	*14.5%*	*16.1%*	13.1%	6.0%	*16.1%*

Conso/Fig in Rs Cr

- ❑ EMAMILTD's revenue is expected to increase by 10% YoY to Rs. 691 cr led by domestic volume growth of 6% YoY on account of negative base in previous corresponding quarter and better traction from International business.
- ❑ International Business is expected to grow by 20% YoY in 2QFY20 led by integration of creme 21's revenue (new acquisition).
- ❑ The Company's wholesale contribution stood at 40-42% (as per 1QFY20 concall) while overall direct reach stood at 9.5 lakh outlets as of 1QFY20.
- ❑ Gross margin is expected to improve by 20 bps to 68.8% YoY led by lower Mentha and crude oil prices. Due to old inventory, improvement in gross margin will be lower, major impact of decline in input prices is expected to come in H2FY20 while EBITDA margin is expected to improve by 104 bps to 31.2% YoY led by lower Ad & P expenses.
- ❑ Employee expense is expected to increase by 33 bps led by sales force addition in order to reduce wholesale dependence while Ad expenses is expected to reduce by 124 bps on account of sluggish market condition.
- ❑ Promoter pledge as of 1QFY20 stood at 52% and the company will reduce it further in next 6-9 months.
- ❑ FY19 effective tax rate was 24.3 % and FY20 effective tax rate is expected to be 22%.

Key Trackable this Quarter

- ❑ Domestic volume growth considering economic slowdown.
- ❑ Gross margin .
- ❑ Provisioning for taxes.

We value the stock at 30x FY21E EPS. HOLD

Gillette India Limited

GILL IN

Consumers

CMP	**7081**
Target	**8088**
Upside	**14%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	33%	32%	33%	34%
Roce%	49%	43%	43%	44%
P/E	80.7	91.9	77.0	63.4
P/B	26.6	29.8	25.3	21.5
EV/Ebdita	47.8	60.6	51.5	43.7

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Segmental Revenues							
Grooming	1331	1458	1600	1743	343	361	350
Oral care	346	403	436	516	113	103	119
Financials							
Sales	1,677	1,862	2,036	2,260	457	464	469
Sales Gr%	*-6%*	*11%*	*9%*	*11%*	*12%*	*13%*	*3%*
Adj. Ebdita	382	381	443	520	107	30	95
Ebdita Gr%	*0%*	*0%*	*16%*	*17%*	*1%*	*-50%*	*-11%*
Net Profits	229	253	300	364	65	46	59
Profit Gr%	*-9%*	*10%*	*19%*	*21%*	*2%*	*32%*	*-9%*
Ebdita Margin%	22.8%	20.5%	21.8%	23.0%	23.4%	6.5%	20.3%
Net Profit Margin%	13.7%	13.6%	14.7%	16.1%	14.3%	9.9%	12.6%

*FY19 revenue breakup is projected. Conso/Fig in Rs Cr

❑ GILLETTE 1QFY20 revenue is expected to grow by 2.7% YoY to Rs. 469 cr. impacted by sluggish demand conditions and change in consumer preferences.

❑ The Company's male grooming (contributes ~78% to the revenue in 4QFY19) is expected to grow by 2% YoY in 1QFY20 on a higher corresponding quarter base(11% YoY in 1QFY19) led by volumes driven by investment behind brand fundamental, category development and go-to market initiatives.

❑ The Company's Oral care (contributes ~22% to the revenue in 4QFY19) is expected to grow by 5% YoY in 1QFY20 on a higher corresponding quarter base (14% YoY in 1QFY19) led by go-to market initiatives.

❑ Gross margin is expected to decline by 321 bps to 53.1% YoY led by input inflation while EBITDA margin is expected to decline by 311 bps to 20.3% YoY led by gross margin deterioration .

❑ Employee expense is expected to decline by 122 bps while other expense is expected to increase by 100 bps in 1QFY20 led by emphasis on distribution expansion.

❑ On account of reduced corporate taxes, we have factored Rs 9 Cr of excess pat in Q1FY20 and Rs 36Cr in FY20. Adjusted pat de growth excluding excess tax benefit is 22.7% yoy for 1QFY20 while witness a pat growth of 5% for FY20.

Key Trackable this Quarter

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

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

We value the stock at 72x FY21E EPS. ACCUMULATE

Godrej Consumer Products Limited

Consumers

GCPL IN

CMP	**688**
Target	**751**
Upside	**9%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	26%	32%	21%	21%
Roce%	22%	20%	21%	24%
P/E	48.2	32.0	43.4	39.8
P/B	11.5	9.0	8.9	8.3
EV/Ebdita	35.6	31.9	31.7	28.0

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Domestic Vol. gr.	9%	5%	7%	8%	5%	5%	8%
Intern. Busin. gr.	1%	2%	-2%	3%	1%	-11%	3%
Segmental Revenues							
Domestic revenue	5257	5556	5712	6329	1480	1291	1539
Indonesia	1354	1525	1603	1803	364	372	375
GAUM	2185	2450	2531	2671	630	562	642
Others	1140	767	579	579	191	131	200
Sales	9,843	10,314	10,435	11,489	2659	2349	2778
Sales Gr%	*6%*	*5%*	*1%*	*10%*	*6%*	*-5%*	*4%*
Adj. Ebdita	2,067	2,118	2,266	2,545	487	456	559
Ebdita Gr%	*9%*	*2%*	*7%*	*12%*	*-8%*	*3%*	*15%*
Net Profits	1,494	2,053	1,620	1,766	578	408	379
Profit Gr%	*14%*	*37%*	*-21%*	*9%*	*60%*	*1%*	*-34%*
Ebdita Margin%	21.0%	20.5%	*21.7%*	*22.2%*	18.3%	19.4%	*20.1%*
Net Profit Margin%	15.2%	19.9%	*15.5%*	*15.4%*	21.7%	17.4%	*13.7%*

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

- ❑ Godrejcp's revenue is expected to grow by 4%YoY to Rs 2778 cr in Q2FY20 on the back of better domestic volume growth of 8% on the back of lower base(5%) and company's new launches with distribution expansion. We still believe stress on Home Insecticide (HI) to persist backed by heightened competition from incense stick while new launches in this segment will certain give traction to the company.
- ❑ International business is expected to grow by 3% YoY impacted by currency headwinds and macro challenges in different countries. Considering higher base we expect Indonesia business to clock 2% constant currency(CC) growth while expect gradual improvement in Africa business with 5% cc growth.
- ❑ Gross margin is expected to improve by 122 bps YoY to 54% on the back of improvement in Indonesia margin and lower crude oil prices. EBITDA margin is expected to improve by 182 bps YoY to 20.1% on the back of different cost optimization strategies.
- ❑ Q2FY19 had exceptional gain of Rs 260 crore on account of change in earn out liability of a subsidiary by Rs 189.09 cr and gain of Rs 70 cr on the back of divestment of its UK business.
- ❑ FY19 effective tax rate was negative 14 % and FY20 effective tax rate is expected to be 16.8%.

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 FY21E EPS. HOLD

GlaxoSmithKline Consumer

SKB IN

	FY18	**FY19**	**FY20E**	**FY21E**
Roe%	20%	24%	27%	26%
Roce%	23%	26%	26%	25%
P/E	34.3	30.2	29.1	25.7
P/B	6.9	7.2	7.7	6.8
EV/Ebdita	23.1	22.4	24.7	21.6

CMP	**8534**
Target	**9944**
Upside	**17%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
HFD volumes	6%	9%	7%	9%	10%	4%	5%
Pricing growth	4%	2%	3%	3%	2%	3%	3%
Financials							
Sales	4,377	4,782	5,239	5,898	1272	1194	1349
Sales Gr%	*10%*	*9%*	*10%*	*13%*	*14%*	*8%*	*6%*
Adj. Ebdita	883	1,141	1,261	1,410	354	280	375
Ebdita Gr%	*6%*	*29%*	*11%*	*12%*	*37%*	*22%*	*6%*
Net Profits	700	983	1,234	1,394	275	248	391
Profit Gr%	*7%*	*40%*	*26%*	*13%*	*43%*	*24%*	*42%*
Ebdita Margin%	20.2%	23.9%	*24.1%*	*23.9%*	27.8%	23.5%	*27.8%*
Net Profit Margin%	16.0%	20.6%	*23.6%*	*23.6%*	21.7%	20.8%	*29.0%*

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Conso/Fig in Rs Cr

❑ The Company's revenue is expected to grow by 6% YoY to Rs. 1349 cr. driven by domestic HFD volume growth of 5% YoY on the back of increased penetration and higher traction from LUP's while realization is expected to be at 3.3% YoY. The company took pricing growth of less than 1% on weighted average basis in July 2019 in selected SKU's.

❑ Sachets contribution to HFD sales stood at 10.5% with volume growth of 14% led by distribution expansion in 1QFY20. We expect company to negate some of the impact of slow down by increasing distribution reach of LUP's..

❑ GSKCONS's Gross Margin is expected to decline by 36 bps to 69.3% YoY due to input inflation especially in the prices of milk, wheat and barley while decline in crude oil prices will reduce packaging cost. However, with combination of price hike and company's aggressive cost saving measures we expect the decline in margin to be minimal.

❑ The Company's EBITDA Margin is expected to be flat to 27.8% led by decline in gross margin although management has emphasized their thrust on cost efficiency measure. We expect lower other expenses by 172 bps YoY in Q2FY20.

❑ The Equity share holders & unsecured creditors have approved scheme of amalgamation. Company has now filed petition with NCLT for approval. Thus, the merger process is progressing as per expected time.

❑ On account of reduced corporate taxes, we have factored Rs 89 Cr of excess pat in Q2FY20 and Rs 162 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 9.7% yoy for 2QFY20 and 9% for FY20.

Key Trackable this Quarter

❑ Overall volume growth .

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

We value the stock at 30x FY21E EPS. ACCUMULATE

Hindustan Unilever Limited

HUVR IN

Consumers

CMP	**1982**
Target	**2319**
Upside	**17%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	72%	77%	94%	111%
Roce%	96%	106%	121%	141%
P/E	63.4	60.5	58.9	51.3
P/B	45.5	46.6	55.6	56.8
EV/Ebdita	43.7	40.8	41.7	36.9

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Overall Volume gr.	6%	10%	6%	9%	10%	5%	5%
Segmental Revenues							
Home care	11629	12876	13982	15644	3080	3465	3265
Personal care	16464	17655	18898	21434	4316	4589	4575
Foods	2437	7133	7730	8664	1704	1950	1806
Refreshment	3977	-	-	0	0	0	0
Others	696	560	554	679	134	110	142
Financials							
Sales	35,545	39,310	42,260	47,616	9234	10114	9788
Sales Gr%	*7%*	*11%*	*8%*	*13%*	*11%*	*7%*	*6%*
Adj. Ebdita	7,499	8,880	10,213	11,512	2019	2647	2383
Ebdita Gr%	*18%*	*18%*	*15%*	*13%*	*20%*	*18%*	*18%*
Net Profits	5,227	6,060	7,278	8,366	1525	1755	1962
Profit Gr%	*16%*	*16%*	*20%*	*15%*	*20%*	*15%*	*29%*
Ebdita Margin%	21.1%	22.6%	*24.2%*	*24.2%*	21.9%	26.2%	*24.4%*
Net Profit Margin%	14.7%	15.4%	*17.2%*	*17.6%*	16.5%	17.4%	*20.0%*

Conso/Fig in Rs Cr

- ❑ HINDUNILVR revenue is expected to grow by ~6% YoY led by volume growth of 5% YoY. Volumes are expected to remain impacted by slowdown in rural consumption; liquidity issues and higher corresponding quarter base (10% YoY in 2QFY19).
- ❑ The Company will continue focusing on the core and drive weighted distribution & penetration; Management expect the current slowdown to be temporary and expecting the revival in demand from 2HFY20 led by monsoon and festive season.
- ❑ Gross margin is expected to improve by 133 bps to 53.3% YoY led by decline in input prices (crude down by ~17% YoY) while EBITDA margin is expected to improve by 249 bps YoY to 24.4% YoY led by decline in other expenses on the back of cost efficiency measures and change in lease based accounting.
- ❑ GSKCONS and HINDUNILVR merger: legal process to complete by December quarter (3QFY20).
- ❑ On account of reduced corporate taxes, we have factored Rs 235 Cr of excess pat in Q2FY20 and Rs 393Cr in FY20. Adjusted pat growth excluding excess tax benefit is 13.2% yoy for 2QFY20 and 14% for FY20.

*Key Trackable this **Quarter***

- ❑ Overall volume growth considering economic slowdwon.
- ❑ Provision towards restructuring and few contested matters.

We value the stock at 60x FY21E EPS. BUY

ITC Limited

ITC IN

Consumers

CMP	**260**
Target	**295**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	22%	21%	22%	21%
Roce%	29%	29%	29%	30%
P/E	29.7	28.2	22.0	21.2
P/B	6.5	6.0	4.9	4.5
EV/Ebdita	20.6	19.1	15.1	13.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Cigarette volume	*-3%*	*5%*	*2%*	*6%*	*6%*	*3%*	*1%*
Segmental Revenues							
Cigarettes	19,048	20,713	21,917	24,220	5,026	5,433	5,127
Others FMCG	11,329	12,505	13,308	14,635	3,160	3,060	3,318
Hotels	1,417	1,665	1,886	2,041	363	393	388
Agri Business	8,068	9,397	10,481	11,529	2,220	3,611	2,442
P. boards,Pap.&Pac.	5,250	5,860	6,167	6,602	1,424	1,528	1,467
Financials							
Sales	43,449	49,862	52,451	57,755	11,069	11,503	11,783
Sales Gr%	*2%*	*15%*	*5%*	*10%*	*7%*	*6%*	*6%*
Adj. Ebdita	16,483	18,406	20,669	22,806	4,206	4,566	4,630
Ebdita Gr%	*7%*	*12%*	*12%*	*10%*	*12%*	*9%*	*10%*
Net Profits	11,493	12,592	14,473	15,070	2,955	3,174	4,042
Profit Gr%	*10%*	*10%*	*15%*	*4%*	*12%*	*13%*	*37%*
Ebdita Margin%	37.9%	36.9%	*39.4%*	*39.5%*	38.0%	39.7%	*39.3%*
Net Profit Margin%	26.5%	25.3%	*27.6%*	*26.1%*	26.7%	27.6%	*34.3%*

Conso/Fig in Rs Cr

- ITC's sales are expected to grow by 6%YoY in Q2FY20 impacted by lower other FMCG business growth (5%) on the back of slower rural growth and tight liquidity situation.
- Cigarette business volume is expected to grow by 1% YoY impacted by higher base.
- In 1QFY20, ITC launched 25 products and launches are likely to be at the same level in FY20. According to mgmt., this is part of the company's strategy to garner larger consumer franchise and drive category penetration.
- EBITDA margin is expected to be 39.9% up by 129 bps led by company's improved product mix, higher operational efficiency and change in lease accounting.
- PAT is expected to be up by 21% and margins at 34.1% led by improvement in EBITDA margins and latest announcement about corporate tax.
- On account of reduced corporate taxes, we have factored Rs 788 Cr of excess pat in Q2FY20 and Rs 1484 Cr in FY20. Adjusted pat growth excluding excess tax benefit is 10.1% yoy for 2QFY20 and 3% for FY20.

Key Trackable this Quarter

- Cigarette Volume growth and EBIT growth
- Other FMCG revenue and EBIT growth.

We value the stock at 24x FY21E EPS. ACCUMULATE

Jyothy Laboratories Limited

JYL IN

Consumers

CMP	**170**
Target	**197**
Upside	**16%**
Rating	**BUY**

	FY18	**FY19**	**FY20E**	**FY21E**
Roe%	24%	22%	24%	26%
Roce%	21%	21%	22%	24%
P/E	50.4	32.3	28.5	24.2
P/B	11.9	7.3	6.8	6.3
EV/Ebdita	30.9	21.8	19.8	17.5

	FY18	**FY19**	**FY20E**	**FY21E**	**2QFY19**	**1QFY20**	**2QFY20E**
Volume growth	2%	9%	9%	9%	4%	6%	11%
Pricing growth(esti.)	-4%	1%	-1%	3%	3%	-4%	-2%
Financials							
Sales	1,644	1,769	1,909	2,136	428	412	466
Sales Gr%	*1%*	*8%*	*8%*	*12%*	*7%*	*2%*	*9%*
Adj. Ebdita	264	286	315	352	73	66	81
Ebdita Gr%	*2%*	*8%*	*10%*	*12%*	*13%*	*7%*	*11%*
Net Profits	161	192	219	258	45	36	56
Profit Gr%	*-20%*	*19%*	*14%*	*18%*	*7%*	*11%*	*23%*
Ebdita Margin%	16%	16%	*16%*	*16%*	17%	16%	*17%*
Net Profit Margin%	10%	11%	*11%*	*12%*	11%	9%	*12%*

Std/Fig in Rs Cr

❑ JYOTHYLAB's sales is expected to grow by 9% on back of better volume growth of 11% while realization de growth is expected to be of 2% led by higher promotional activities on the wake to heightened competition.

❑ Domestic volume growth is expected to be 11% mainly due to coming back of dish washing segment which was slowed down Q1FY20 due to destocking, secondly company's investment behind brands and launch of LUP in rural will also support the sales.

❑ The company has focused plans to invest behind Ujala, Margo (investing to leverage natural portfolio), Crisp &shine (extending into newer geographies) and dish wash segments for the future growth.

❑ Gross margin is expected to improve by 56 bps YoY to 46.5% on the back of lower crude oil prices and packaging cost while EBITDA margin improvement will be restricted to 30 bps YoY to 17.4% due to higher investment in ad expenses by 235 bps.

❑ FY19 effective tax rate was 15% and FY20 effective tax rate is expected to be 16%.

Key Trackable this Quarter

❑ Volume growth.

❑ Competitive Strategies

We value the stock at 28x FY21E EPS. BUY

Marico Limited

MRCO IN

Consumers

	FY18	FY19	FY20E	FY21E
Roe%	33%	38%	34%	37%
Roce%	41%	40%	43%	46%
P/E	52.1	39.4	46.1	40.0
P/B	16.9	14.9	15.8	14.6
EV/Ebdita	37.8	33.6	33.6	29.2

CMP	**395**
Target	**445**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Domes. Volume Gr.	2%	8%	7%	7%	6%	6%	7%
Intern. Busin. CC gr.	8%	9%	8%	10%	11%	7%	6%
Segmental Volume Growth							
Parachute Rigid	3%	8%	8%	6%	8%	9%	6%
Saffola	-2%	9%	5%	8%	5%	3%	8%
Value add. Hair Oils	6%	7%	9%	8%	5%	7%	7%
Revenue Break up:							
Domestic	4970	5756	6218	6908	1439	1731	1560
International	1364	1578	1747	1975	398	435	430
Financials							
Sales	6,322	7,334	7,965	8,882	1,837	2,166	1,990
Sales Gr%	*7%*	*16%*	*9%*	*12%*	*20%*	*7%*	*8.3%*
Adj. Ebdita	1,138	1,328	1,508	1,733	294	461	350
Ebdita Gr%	*-2%*	*17%*	*14%*	*15%*	*13%*	*26%*	*19.1%*
Net Profits	827	1,132	1,108	1,276	218	315	256
Profit Gr%	*2%*	*37%*	*-2%*	*15%*	*18%*	*21%*	*17.6%*
Ebdita Margin%	18.0%	18.1%	18.9%	19.5%	16.0%	21.3%	17.6%
Net Profit Margin%	13.1%	15.4%	13.9%	14.4%	11.8%	14.5%	12.9%

Conso/Fig in Rs Cr

- ❑ MARICO is expected to post domestic volume growth of 7% YoY, which would be led by segmental growth of 6%, 8% & 7% in Parachute rigid, Saffola & Hair oil respectively.
- ❑ The Company's sales growth is expected to be 8.3% YoY at Rs 1990 cr on back of moderate demand conditions in market and the higher base .
- ❑ International business CC growth is expected to be 6% on back of better growth coming from Bangladesh and Vietnam.
- ❑ Gross margin is expected to be up 350 bps to 47.5% on account of favorable copra prices. In spite of higher GM expansion, EBITDA margin would be up by 158 bps only because of higher advertisement expenses by 193 bps.
- ❑ In Foods division, the Company will continue to innovate and launch tasty and healthy dietary options for the consumer, thereby maintaining 20% plus CAGR over the medium term.
- ❑ FY19 effective tax rate was 10% and FY20 effective tax rate is expected to be 25%.

Key Trackable this Quarter

- ❑ Fluctuation in copra prices.
- ❑ VAHO and Saffola's volume growth.

We value the stock at 45x FY21E EPS. ACCUMULATE

Nestle India Limited

NEST IN

Consumers

CMP	**13916**
Target	**15345**
Upside	**10%**
Rating	**ACCUMULATE**

	CY17	CY18	CY19E	CY20E
Roe%	36%	44%	66%	71%
Roce%	54%	65%	85%	91%
P/E	72.4	63.5	65.1	56.2
P/B	25.9	27.8	43.2	40.1
EV/Ebdita	39.3	36.8	44.8	39.1

	CY17	CY18	CY19E	CY20E	3QCY18	2QCY18	3QCY19E
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	3,423	3,953			
Chocolate & confect.	1,221	1,401	1,550	1,783			
Gross Sales(in cr)	10,135	11,216	12,423	14,115			
Financials							
Sales	9,953	11,216	12,423	14,115	2939	3001	3162
Sales Gr%	*9%*	*13%*	*11%*	*14%*	*17%*	*11%*	*8%*
Adj. Ebdita	2,221	2,732	2,977	3,395	742	707	746
Ebdita Gr%	*9%*	*23%*	*9%*	*14%*	*26%*	*6%*	*1%*
Net Profits	1,225	1,607	2,062	2,386	446	438	630
Profit Gr%	*22%*	*31%*	*28%*	*16%*	*30%*	*11%*	*41%*
Ebdita Margin%	22.2%	24.2%	*23.8%*	*23.9%*	25.2%	23.6%	*23.6%*
Net Profit Margin%	12.2%	14.2%	*16.5%*	*16.8%*	15.2%	14.6%	*19.9%*

Conso/Fig in Rs Cr

❑ NESTLEIND 3QCY19 revenue is expected to grow by 8% YoY to Rs. 3162 cr. led by better volumes on the back of innovation, distribution expansion, better traction from new launches and development of underpenetrated categories.Rural slow down will have lesser impact on Nestle because rural contribution is only ~20-25%of sales.

❑ Milk Prod. & Nutrition which contributes to the extent of ~46% in CY18 is expected to post a volume growth of 7% in CY19e driven by new launches, innovation while Prepared dishes which contributes to the extent of ~28% in CY18 is expected to post a volume growth of 10% in CY19e led by Maggi and various other innovative products.

❑ NESTLEIND introduced cluster based approach and also is looking at accelerating rural footprint; Innovating at 5x the pace than in the past.

❑ Gross margin is expected to decline by 172 bps to 58% YoY led by input inflation while EBITDA margin is expected to decline by 164 bps to 23.6% YoY led by gross margin deterioration, higher employee & other exp. on account of distribution expansion & new launches.

❑ On account of reduced corporate taxes, we have factored Rs 173 Cr of excess pat in Q3CY19 and Rs 214 Cr in CY19. Adjusted pat growth excluding excess tax benefit is 3% yoy for 3QCY20 and 15% for CY19.

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	**155**
Target	**167**
Upside	**8%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	12%	15%	14%	15%
Roce%	18%	19%	20%	21%
P/E	26.6	16.3	10.3	8.3
P/B	3.2	2.4	1.4	1.2
EV/Ebdita	12.1	9.1	5.4	4.6

	FY18	FY19	FY20	FY21	2QFY19	1QFY20	2QFY20E
Milk Products Gr.	17%	24%	20%	20%	14%	16%	25%
Fresh Milk Gr.	5%	9%	11%	9%	5%	7%	12%
Segmental Revenues							
Skimmed Milk Powder	254	342	411	493	67	84	80
Fresh Milk	391	424	470	512	106	114	118
Milk Products	1290	1585	1907	2288	393	421	492
Other Revenues	20	45	61	70	8	11	11
Financials							
Sales	1,955	2,396	2,848	3,363	573	630	701
Sales Gr%	*13%*	*23%*	*19%*	*18%*	*14%*	*15%*	*22%*
Adj. Ebdita	193	223	250	289	58	57	58
Ebdita Gr%	*120%*	*16%*	*12%*	*15%*	*16%*	*-5%*	*0%*
Net Profits	87	121	127	157	30	28	29
Profit Gr%	*1748%*	*39%*	*5%*	*23%*	*22%*	*-3%*	*-4%*
Ebdita Margin%	9.9%	9.3%	*8.8%*	*8.6%*	10.1%	9.0%	*8.3%*
Net Profit Margin%	4.5%	5.0%	*4.5%*	*4.7%*	5.3%	4.4%	*4.2%*

Conso/Fig in Rs Cr

❑ Parag is expected to report 22% sales growth to Rs 701 cr in Q2FY20 on the back of better traction from new launched product and distribution expansion. The company's value added portfolio is expected to grow by 25%.

❑ 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 with 3.5 lakhs of Retail touch points.

❑ Gross margin is expected to decline by 92 bps YoY to 29.9% backed by inflation in milk procurement prices although company took some pricing action and cut trade promotions to counter it. Gross margin will be key monitorable in the quarter.

❑ EBITDA margin is expected to decline by 183 bps YoY to 8.3% on the back of decline in gross margin, investment behind the brand and distribution expansion. We expect other expanse to go up by 36 bps YoY to 17% in Q2FY20.

❑FY19 effective tax rate was 18.3% and FY20 effective tax rate is expected to be 23.7%.

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 5x FY21E EV/EBITDA. NEUTRAL

P&G Hygiene

PG IN

Consumers

CMP	**12055**
Target	**13012**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	47%	46%	51%	47%
Roce%	70%	62%	64%	58%
P/E	82.4	73.6	61.3	51.0
P/B	38.3	33.9	31.5	23.9
EV/Ebdita	48.5	49.8	45.4	38.1

	FY18	FY19	FY20E	FY21E	1QFY19	4QFY19	1QFY20E
Segmental Revenues(gross)							
Oint. and Creams	456	531	599	697			
Cough Drops	278	305	325	351			
Tablets	52	58	60	63			
Prsnl Pro., Toilt Preps. e'	1669	2053	2411	2797			
Financials							
Sales	2,455	2,947	3,395	3,907	792	637	887
Sales Gr%	*6%*	*20%*	*15%*	*15%*	*20%*	*21%*	*12%*
Adj. Ebdita	628	609	843	992	210	65	223
Ebdita Gr%	*-6%*	*-3%*	*38%*	*18%*	*12%*	*-23%*	*7%*
Net Profits	375	419	638	768	144	61	172
Profit Gr%	*-13%*	*12%*	*52%*	*20%*	*25%*	*36%*	*19%*
Ebdita Margin%	25.6%	20.7%	*24.8%*	*25.4%*	26.5%	10.2%	*25.2%*
Net Profit Margin%	15.3%	14.2%	*18.8%*	*19.7%*	18.2%	9.5%	*19.4%*

*FY19 revenue breakup is projected. Conso/Fig in Rs Cr

❑ The company's revenue is expected to grow by 12% to Rs 887 cr led by better performance from Feminine and Health Care business on the back of distribution expansion and investment behind the brands.

❑ Company following OTSR: basic objective to drive top line, 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.

❑ EBITDA margin is expected to decline by 130 bps YoY to 25.2% on the back of shrinkage in gross margin by 40 bps and higher investment behind the brands and distribution expansion. Other expenses are expected to be up by 80 bps YoY to 19.5%.

❑ The company PAT is expected to grow by 19% to Rs 172 cr on the back of lower provisioning .

❑ On account of reduced corporate taxes, we have factored Rs 19 Cr of excess pat in Q1FY20 and Rs 75Cr in FY20. Adjusted pat growth excluding excess tax benefit is 6% yoy for 1QFY20 and 34% for FY20.

Key Trackable this Quarter

❑ Gross margin.

❑ EBITDA Margin: as past few quarters company is investing behind brands and distribution expansion.

We value the stock at 55x FY21E EPS. HOLD

Symphony Limited

SYML IN

Consumers

CMP	**1293**
Target	**1368**
Upside	**6%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
ROE%	30%	15%	21%	21%
ROCE%	36%	20%	22%	19%
D/E	0.0	0.0	0.0	0.0
P/E	68.2	96.6	54.9	49.2
P/B	20.7	14.6	11.7	10.2

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Revenue							
Air Coolers	690	527	659	734	148	161	170
Corporate Funds	38	30	40	48	7	10	8
Financials							
Sales	687	524	658	734	148	160	170
Sales Gr%	3%	-24%	26%	12%	-20%	103%	15%
EBITDA	220	135	174	174	45	24	51
EBITDA Gr%	6%	-39%	28%	0%	-30%	2300%	13%
Net Profits	183	101	165	184	34	26	47
Profit Gr%	*5%*	*-45%*	*63%*	*12%*	*-33%*	*420%*	*37%*
EBITDA M%	32.0%	25.8%	26.4%	23.7%	30.4%	15.0%	30.0%
Net Mgn%	**26.6%**	**19.3%**	**25.0%**	**25.1%**	**23.0%**	**16.3%**	**27.5%**

Std/Fig in Rs Cr

- ❑ On Standalone basis we expect revenue growth to be 15% YoY on back of festival season starting in the month of September and increase in sales from Industrial segment.
- ❑ On consolidated bases we expect International sales to grow by 15% on back of Australia business sales.
- ❑ EBITDA is expected to grow by 13% YoY with margin to remain at 30%.
- ❑ PAT is expected grow by 37% YoY to Rs 47 Cr and margin will expand by 450 bps due to increase in other income.
- ❑ FY19 effective tax rate was 23.7% and FY20 effective tax rate is expected to be 25.17%
- ❑ Inventory level has been normalised and expected to reduce further on back of good festival season sales.

Key Trackable this Quarter

- ❑ Inventory level
- ❑ International sales

We value the stock at 52x FY21E EPS. ACCUMULATE

Trent Limited

TRENT IN

CMP	**483**
Target	**472**
Upside	**-2%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	5%	6%	8%	10%
Roce%	9%	9%	9%	11%
P/E	112.1	124.2	119.9	86.6
P/B	6.1	7.2	9.4	8.9
EV/Sales	4.7	4.6	5.7	4.6

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Walk-ins (Crs)	4	4.5	5.5	6.4			
Incr. in sales / stores	3%	2%	2%	1%			
Bill size (Rs.)	2197	2332	2472	2596			
Conversion Ratio	26%	24%	23%	23%			
Westside's Contri.	96%	90%	*88%*	*87%*			
Cum. stores(westside)	125	150	177	204			
Financials							
Sales	2,157	2,630	3,202	3,930	616	767	774
Sales Gr%	*19%*	*22%*	*22%*	*23%*	*18%*	*30%*	*26%*
Adj. Ebdita	201	228	592	733	59	164	149
Ebdita Gr%	*60%*	*13%*	*160%*	*24%*	*20%*	*131%*	*152%*
Net Profits	87	95	134	185	33	58	42
Profit Gr%	*3%*	*9%*	*41%*	*38%*	*13%*	*51%*	*28%*
Ebdita Margin%	9.3%	8.7%	*18.5%*	*18.7%*	9.6%	21.4%	*19.3%*
Net Profit Margin%	4.0%	3.6%	*4.2%*	*4.7%*	5.3%	7.6%	*5.4%*

Conso/Fig in Rs Cr

- ❑ Trent's sales (stand.) is expected to grow by 26% YoY to Rs.774 cr in Q2FY20 on the back of better traction from Westside and Zudio stores. New stores addition will drive the growth.
- ❑ Westside accounted for around 90 % of the Company's revenues in FY19 while own brands contributed over 97 % of total revenues. Dominance of Westside is expected to continue while new format experimentation is expected to lead strong growth going forwards.
- ❑ Company's gross margin is expected to deteriorate by 78 bps to 50%% due to discounts offered by the company in the wake of higher competitive intensity while EBITDA margin is expected to improve to 19.3%(not comparable) due to impact of change in lease accounting and cost efficiency measures taken by the company.
- ❑ On account of reduced corporate taxes, we have factored Rs 10 Cr of excess pat in Q2FY20 and Rs 17 Cr in FY20. Adjusted pat de growth excluding excess tax benefit is 2% yoy for 2QFY20 while witness a pat growth of 23% for FY20.

Key Trackable this Quarter

- ❑ LFL sales Growth
- ❑ Walk-ins & Bill size

We value the stock at 4.5x FY21E EV/Sales. NEUTRAL

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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.

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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