India Equity Analytics

Results Preview Q3FY20 - Consumers

Narnolia®

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Aditya Birla Fashion & Retail

Consumers

ABFRL IN

CMP	**241**
Target	**270**
Upside	**12%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	11%	22%	12%	16%
Roce%	7%	10%	19%	18%
P/E	98.6	53.2	100.4	62.6
P/B	10.6	12.0	11.9	9.8
EV/Sales	1.8	2.2	2.1	1.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
MADURA							
Total Area (Mn sq ft.)	2.40	2.56	2.80	2.94	2.55	2.67	2.76
Number of stores	1813	1980	2292	2487	1959	2096	2226
PANTALOONS							
Total Area (Mn sq ft.)	3.76	4.02	4.61	5.03	3.95	4.26	4.42
Number of stores	275	308	366	409	302	331	347
Financials							
Sales	7,181	8,118	9,092	10,218	2,282	2,308	2,570
Sales Gr%	*8%*	*13%*	*12%*	*12%*	*23%*	*15%*	*13%*
Ebdita	468	554	1,457	1,620	186	356	427
Ebdita Gr%	*7%*	*18%*	*163%*	*11%*	*51%*	*42%*	*55%*
Net Profits	118	321	185	297	70	(1)	72
Profit Gr%	*120%*	*173%*	*-42%*	*60%*	*102%*	*-102%*	*3%*
Ebdita Margin%	6.5%	6.8%	16.0%	15.9%	8.2%	15.4%	16.6%
Net Profit Margin%	1.6%	4.0%	2.0%	2.9%	3.1%	0.0%	2.8%

Cons/Fig in Rs Cr

❑ In 3QFY20, ABFRL's Revenue is expected to rise by 12.7% to Rs 2570 cr led by improved Madura & Pantaloons business growth.

❑ Its major segments, Madura & Pantaloons business revenue is expected to grow by 14% & 10% on YoY basis led by improved demand in festive season in Oct-Dec quarter.

❑ Madura & Pantaloons is expected to contribute 50% & 40% to total revenue share respectively.

❑ Madura Lifestyle business continues to focus on network expansion and is targeting to add upto 400 stores in FY20. Moreover, the business is rolling out a strategy of 12 season business model across all the major formats to accelerate their go to market frequency and shorten their supply chain cycle.

❑ In 2QFY20, the company forayed in ethnic wear by acquiring 100% stake in Jaypore & TG Apparel and made a strategic partnership with designer Shantanu & Nikhil by taking 51% in finished products.

❑ EBITDA margin is expected to grow by 846 bps YoY to 16.6% on account of implementation of Ind AS 116 leading to reduced rent expenses of stores, these expenses are now shifted to depreciation and interest cost.

❑ PAT is expected to be up by 3.2% at Rs 72 cr and PAT margin of 2.8%.

Key Trackable this Quarter

❑ EBITDA Margin.

❑ Number of stores and area added in the quarter.

We value the stock at 2.1x FY21E EV/Sales. ACCUMULATE

Asian Paints Limited

APNT IN

Consumers

CMP	**1792**
Target	**1941**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	25%	24%	29%	29%
Roce%	31%	30%	33%	33%
P/E	52.7	66.3	55.9	48.0
EV/Sales	6.4	7.4	8.0	6.8
EV/Ebdita	33.7	40.7	39.0	32.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Sales	16,825	19,342	21,563	25,275	5,294	5,105	5,738
Sales Gr%	*12%*	*15%*	*11%*	*17%*	*24%*	*16%*	*8%*
Ebdita	3,198	3,525	4,412	5,218	1,043	1,158	1,179
Ebdita Gr%	*7%*	*10%*	*25%*	*18%*	*17%*	*32%*	*13%*
Net Profits	2,039	2,159	3,075	3,580	636	672	808
Profit Gr%	*5%*	*6%*	*42%*	*16%*	*12%*	*20%*	*27%*
Ebdita Margin%	19.0%	18.2%	20.5%	20.6%	19.7%	22.7%	20.6%
Net Profit Margin%	12.1%	11.2%	14.3%	14.2%	12.0%	13.2%	14.1%

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

- The Company's revenue is expected to grow by 8% YoY to Rs. 5738 cr. due to weak demand scenario while we expect Tier III & Tier IV towns to perform better than metros on the back of better demand prevailing there & distribution expansion.
- The Value growth is expected to remain subdued due to weak product mix which is on account of higher turnaround of value products than premium product while expects good volumes from decorative paints.
- The Company's International business is expected to grow by 12% YoY to Rs. 786 cr. on the back of satisfactory performance from Nepal & Egypt.
- Gross margin is expected to expend by 12 bps to 42.2% YoY on account of benign input price while EBITDA margin is expected to expand by 85 bps to 20.6% YoY.
- Expected CAPEX of Rs. 700 cr. for Standalone business out of which Rs. 200 cr. has already been incurred in 1HFY20 towards Vizag and Mysuru plants and balance Rs. 500 cr. will be incurred in 2HFY20.

Key Trackable this Quarter

- Overall Demand environment in the industry
- Business challenges improvement in international market like Bangladesh and Srilanka.
- Improvement in company's product mix.

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

Agro Tech Foods Limited

ATFL IN

Consumers

CMP	**672**
Target	**571**
Upside	**-15%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	9%	9%	11%	12%
Roce%	14%	13%	13%	15%
P/E	55.8	41.3	35.9	29.8
P/B	5.2	3.8	4.0	3.6
EV/Ebdita	26.6	21.8	22.9	18.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Revenue Breakup(esti.)							
Sundrop Oil	487	491	471	479	119	112	124
Crystal business	121	125	118	125	35	26	32
Food	198	206	265	331	60	69	73
Segmental Volume growth%							
Sundrop Oil	3%	-4%	2%	-1%	-10%	-3%	5%
Crystal business	3%	-2%	-12%	3%	2%	-23%	-10%
Peanut butter	94%	36%	17%	28%	14%	12%	20%
Financials							
Sales	812	824	851	935	215	204	229
Sales Gr%	*0%*	*1%*	*3%*	*10%*	*0%*	*-3%*	*6%*
Other Income	1	4	6	7	1	2	2
Ebdita	66	65	71	85	18	18	20
Ebdita Gr%	*8%*	*-2%*	*9%*	*20%*	*1%*	*4%*	*13%*
Net Profits	32	34	46	55	10	15	13
Profit Gr%	*14%*	*8%*	*33%*	*20%*	*10%*	*70%*	*29%*
Ebdita Margin%	8.1%	7.9%	*8.3%*	*9.1%*	8.4%	9.0%	*8.9%*
Net Profit Margin%	3.9%	4.2%	*5.4%*	*5.9%*	4.6%	7.5%	*5.6%*

Conso/Fig in Rs Cr

- ❑ In 3QFY20, ATFL revenue is expected to grow by 6.2% YoY to Rs. 229 cr. backed by better traction from company's food business which is expected to grow ~22% YoY largely led by volumes from peanut butter and bagged snacks.
- ❑ Ready to eat category will remain subdued due to supply chain issues of Tortilla chips and are expected to resolve from early FY21 post Chittoor and Unnao plant becomes operational.
- ❑ Gross margin is expected to improve by 125 bps to 34% YoY led by higher contribution from food business and margin expansion from Sundrop oil while EBITDA margin is expected to improve by 70 bps to 9.1% YoY due to lower other expense.
- ❑ Ad expense is expected to increase by 192 bps which may be due to competitive intensity while employee expense & other expense are expected to reduce by 48 bps & 94 bps in 3QFY20.

Key Trackable this Quarter

- ❑ Volume growth in Food segment.
- ❑ Edible oil business performance.

We value the stock at 25x FY21E EPS. NEUTRAL

Bajaj Consumer Care Limited

BAJAJCON IN

Consumers

CMP	**241**
Target	**258**
Upside	**7%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	43%	47%	43%	38%
Roce%	49%	54%	46%	41%
P/E	32.5	21.0	14.6	14.3
P/B	13.9	9.9	6.3	5.4
EV/Ebdita	27.0	16.9	12.3	11.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Almond Drops Hair Oil(ADHO)							
Volume (Lac cases)	50.6	54.2	55.3	59.6	13.6	13.2	13.0
Volume Growth%	3%	7%	2%	8%	9%	1%	-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	965	1,088	230	217	230
Sales Gr%	*4%*	*11%*	*5%*	*13%*	*10%*	*2%*	*0%*
Other Inome	24	17	34	39	7	7	11
Ebdita	254	274	277	286	71	62	68
Ebdita Gr%	*-4%*	*8%*	*1%*	*3%*	*5%*	*3%*	*-4%*
Net Profits	211	222	242	248	60	57	61
Profit Gr%	*-3%*	*5%*	*9%*	*2%*	*9%*	*11%*	*1%*
Ebdita Margin%	30.6%	29.9%	*28.7%*	*26.3%*	30.9%	28.6%	*29.7%*
Net Profit Margin%	25.5%	24.1%	*25.1%*	*22.8%*	26.2%	26.4%	*26.3%*

Conso/Fig in Rs Cr

❑ In 3QFY20, BAJAJCON revenue is expected to remain flat to Rs. 230 cr. led by rural slowdown, liquidity issues and higher volumes in corresponding previous quarter (9% YoY ADHO volume growth) while expect no major growth from CSD channel due to procedural issue.

❑ The Company is continuously focusing towards ADHO's distribution reach expansion in rural wherein total direct reach stood at 5.13 lac outlets while company's wholesale dependency came down from 55% to 33%.

❑ Gross margin is expected to decline by 13 bps to 67.2% led by increase in input prices, while EBITDA margin is expected to decline by 125 bps to 29.7% YoY, led by increase in other expense.

❑ Other expense is expected to increase by 301 bps to 29% which is due to company's thrust on distribution expansion and implementation of Bain strategy in West Bengal.

Key Trackable this Quarter

❑ ADHO's volume growth: considering Rural distress.

❑ Impact of implementation of Brain strategy & thrust on distribution expansion may increase other expenses.

We value the stock at 15x FY21E EPS. ACCUMULATE

Berger Paints India Ltd

BRGR IN

CMP	**512**
Target	**461**
Upside	**-10%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	24%	21%	29%	27%
Roce%	27%	26%	30%	29%
P/E	54.0	63.1	62.2	55.5
EV/Sales	4.8	5.2	7.2	6.5
EV/Ebdita	30.8	35.7	43.6	38.2

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Sales	5,166	6,062	6,789	7,456	1,617	1,599	1,776
Sales Gr%	*13%*	*17%*	*12%*	*10%*	*21%*	*7%*	*10%*
Ebdita	807	882	1,127	1,275	236	251	275
Ebdita Gr%	*12%*	*9%*	*28%*	*13%*	*6%*	*21%*	*0%*
Net Profits	461	498	799	895	134	195	173
Profit Gr%	*-3%*	*8%*	*60%*	*12%*	*3%*	*66%*	*29%*
Gross Margin%	41.7%	39.0%	56.3%	40.6%	37.8%	41.0%	40.0%
Ebdita Margin%	15.6%	14.5%	16.6%	17.1%	14.6%	15.7%	15.5%
Net Profit Margin%	8.9%	8.2%	11.8%	12.0%	8.3%	12.2%	9.7%

Conso/Fig in Rs Cr

❑ The company is expected to post a revenue growth of 10% YoY during the quarter led by 16% YoY volume growth. Volume growth will largely be driven by decorative paint segment which had high demand from smaller towns and Tier II, III and IV cities during the festive season.

❑ Decorative paint segment demand is expected to remain sustainable in coming months while protective coating segment expected to sustain its growth performance.

❑ The demand for premium products of the company is expected to increase going forward.

❑ The net realisations is expected to improve YoY for decorative due to cummulative price hike in the last year and better product mix.

❑ 2HFY20 is expected to do better led by good monsoon, improvement in real estate sector in urban area. However, impact of volatility in crude oil prices, adverse movement in exchange rates, demand conditions in automotive sector continue to remain potential concerns.

❑ The company is expected to report EBITDA margin of 15.5% YoY for the quarter with a improvement of 90 bps. Margins are expected to imrpve going forward as per the management guidance.

❑ The manufacturing facility of Sandila Plant in UP is expected to be commissioned in FY21. Investment in this project is estimated to be around Rs 250 crs.

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

Key Trackable this Quarter

❑ Overall demand environment in the industry.

❑ Performance of Automative sector.

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

Britannia Industries Limited

Consumers

BRIT IN

CMP	**3053**
Target	**3482**
Upside	**14%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	29%	27%	33%	33%
Roce%	39%	36%	33%	34%
P/E	67	58	54	43
P/B	20	16	18	14
EV/Ebdita	22	39	41	33

	FY18	FY19E	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Core Vol. growth	7%	9.5%	4.0%	5.8%	7.0%	3.0%	4.0%
Pricing gr.(%)(esti.)	2%	2.4%	2.6%	2.8%	4.0%	3.2%	2.0%
Distribution Reach (in mn outlets)							
Dire. Distri. Reach	1.6	1.8	2.3	2.6			
Over. Distri. Reach.	4.7	5.0	5.4	6.0			
Financials							
Sales	9,914	11,055	11,785	13,254	2842	3049	3013
Sales Gr%	*9%*	*12%*	*7%*	*12%*	*11%*	*6%*	*6%*
Ebdita	1,502	1,733	1,822	2,204	452	492	470
Ebdita Gr%	*17%*	*15%*	*5%*	*21%*	*13%*	*8%*	*4%*
Net Profits	1,004	1,155	1,362	1,726	300	403	357
Profit Gr%	*13%*	*15%*	*18%*	*27%*	*14%*	*33%*	*19%*
Ebdita Margin%	15%	16%	*15.5%*	*16.6%*	16%	16%	*16%*
Net Profit Margin%	10%	10%	*11.6%*	*13.0%*	11%	13%	*12%*

Conso/Fig in Rs Cr

❑ Britannia's sales for 3QFY20 is expected to grow by 6% YoY to Rs 3013 cr on the back of volume growth of 4% and realization growth of 2%. Volume growth will remain impacted by sluggish demand environment and inter-channel issues.

❑ The company's efforts on expanding distribution reach and better traction from earlier launched product will give some cushion to the volume growth. The company's direct reach remained 2.13 mn outlets in 2QFY20 with 20000 Rural Preferred Dealers (RPD).

❑ Gross margin is expected to deteriorate by 90 bps YoY to 40.4% on the back of elevated input prices like Palm Oil (~33%),Sugar (~5%),Wheat(~10%),crude(~6%) etc.

❑ EBITDA margin is expected to decline by 30 bps YoY to 15.6% due to higher input prices while company's cost efficiency measures will help in reduction in other expenses by 68 bps YoY.

❑ The Company targets to increase the savings through cost efficiency program to ~Rs 265 Cr in FY20 as compared to Rs 230 Cr in FY19.

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. ACCUMULATE

Colgate Palmolive (India) Limited

Consumers

CLGT IN

CMP	**1460**
Target	**1553**
Upside	**6%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	44%	54%	54%	58%
Roce%	63%	71%	66%	71%
P/E	43.1	41.4	47.7	41.9
P/B	19.1	22.2	26.0	24.4
EV/Ebdita	25.8	25.8	31.2	27.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Volume growth	3%	5%	5%	8%	7%	4%	4%
Pricing growth	3%	4%	0%	1%	-1%	1%	-1%
Marketshare:							
Toothpaste(Vol. Ms)	52%	52%					
Toothbrush(Vol. Ms)	45%	48%					
Financials							
Sales	4,188	4,462	4,668	5,062	1099	1222	1132
Sales Gr%	*5%*	*7%*	*5%*	*8%*	*6%*	*5%*	*3%*
Ebdita	1,112	1,236	1,257	1,405	314	323	300
Ebdita Gr%	*18%*	*11%*	*2%*	*12%*	*11%*	*-2%*	*-5%*
Adj. Net Profits	681	755	832	948	192	244	196
Profit Gr%	*18%*	*11%*	*10%*	*14%*	*13%*	*24%*	*2%*
Ebdita Margin%	26.6%	27.7%	26.9%	27.8%	28.6%	26.4%	26.5%
Net Profit Margin%	16.3%	16.9%	17.8%	18.7%	17.5%	20.0%	17.3%

Std/Fig in Rs Cr

❑ COLPAL is expected to report a sales growth of 3% YoY to Rs 1132 cr on the back of volume growth of 4% while realization is expected to decline by a percent. Volume will be impacted by rural slowdown but company's effort on distribution expansion and promotional schemes are expected to support volume.

❑ New management's thrust on launching new products, distribution expansion and revive its Palmolive brand is expected to boost growth in times to come.

❑ Gross margin is expected to decline by 34 bps YoY to 64.8% on the back of higher packaging cost and promotional intensity while EBITDA margin is expected to decline by 214 bps YoY to 26.5% led by higher adverting expenses owing to intense competition in this space.

❑ Advertisement expenses is expected to be around 14%(up by 262 bps YoY) while company's cost saving measures will help in decline other expenses by 100 bps to 17.6%.

Key Trackable this Quarter

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

❑ Tooth brush and Tooth paste volume market share.

❑ Amounts spend on advertisement.

We value the stock at 45x FY21E EPS. HOLD

Dabur India Limited

DABUR IN

Consumers

	FY18	FY19	FY20E	FY21E
Roe%	24%	26%	24%	25%
Roce%	22%	25%	25%	25%
P/E	48.4	46.9	52.7	44.7
P/B	11.5	12.0	12.9	11.3
EV/Ebdita	40.5	38.7	42.8	37.8

CMP	**460**
Target	**474**
Upside	**3%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Domestic Vol. gr.	6%	11%	9%	13%	12%	5%	3%
Pricing gr.(esti.)	2%	2%	0%	3%	3%	0%	0%
Int. Bus.CC gr.(esti.)	6%	11%	8%	8%	1%	3%	10%
Financials							
Sales	7,748	8,533	9,192	10,429	2199	2212	2261
Sales Gr%	*1%*	*10%*	*8%*	*13%*	*12%*	*4%*	*3%*
Ebdita	1,617	1,740	1,901	2,144	445	490	461
Ebdita Gr%	*7%*	*8%*	*9%*	*13%*	*10%*	*9%*	*4%*
Net Profits	1,354	1,442	1,550	1,820	367	404	382
Profit Gr%	*6%*	*7%*	*7%*	*17%*	*10%*	*7%*	*4%*
Ebdita Margin%	20.9%	20.4%	*20.7%*	*20.6%*	20.3%	22.1%	*20.4%*
Net Profit Margin%	17.5%	16.9%	*16.9%*	*17.5%*	16.7%	18.2%	*16.9%*

Conso/Fig in Rs Cr

❑ Dabur's revenue is expected to grow by 3% YoY to Rs 2261 cr on back of 3% domestic volume growth impacted by sluggish rural demand and issues with channel partners. Realization growth is expected to remain flat in this quarter.

❑ The company is investing on the brands which are very small but holds lots of future potential like Pudin Hara, Dabur Lal Tail and Honitus.

❑ For expanding its rural reach company is launching Low Unit Price packs (LUPs) .Dabur's ~45% business comes from rural India. So, it is focusing on strengthening its rural footprint by establishing a direct distribution network in 60,000-65,000 villages, over the next 2 years.

❑ International business is expected to clock 10% constant currency (cc) growth on the back of recovery in GCC market and better performance of Turkey business. Nepal business is expected to recover in this quarter.

❑ Gross margin is expected to improve by 61 bps YoY to 49.9%while EBITDA margin is expected to be up by 15 bps to 20.4%, improvement in EBITDA margin will be lower in comparison to gross margin is due to investment behind the brands.

Key Trackable this Quarter

❑ Rural distress & its impact on domestic volume.

❑ International business cc growth.

We value the stock at 46x FY21E EPS. NEUTRAL

Dixon Technologies (India) Ltd.

Consumers

DIXON IN

CMP	**3786**
Target	**4283**
Upside	**13%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	19%	17%	27%	27%
Roce%	30%	29%	39%	40%
D/E	0.1	0.4	0.4	0.4
P/E	61.0	42.5	33.1	25.6
P/B	11.8	7.1	8.9	6.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Revenue							
Consumer Electronics	1,073	1,194	2,204	2,733	288	738	504
Lighting Products	774	919	1,309	1,628	234	284	304
Home Appliances	250	374	487	665	92	139	125
Mobile Phones	670	355	759	1,024	151	193	204
Reverse Logistics	73	30	13	17	3	4	4
Security Systems	0	112	238	285	25	44	51
Financials							
Sales	2,842	2,984	5,010	6,351	794	1,402	1,192
Sales Gr%	16%	5%	68%	27%	17%	90%	50%
Ebdita	113	135	234	305	39	63	55
Ebdita Gr%	24%	20%	74%	30%	36%	91%	41%
Net Profits	61	63	134	173	18	43	31
Profit Gr%	*28%*	*4%*	*111%*	*30%*	*16%*	*162%*	*73%*
EbditaM%	4.0%	4.5%	4.7%	4.8%	4.9%	4.5%	4.6%
Net Mgn%	**2.1%**	**2.1%**	**2.7%**	**2.7%**	**2.2%**	**3.1%**	**2.6%**

Conso/Fig in Rs Cr

❑ Revenue is expected to grow by 50% YoY. Consumer Electronic, Lighting, Home appliance, Mobile, Reverse logistics and Secutiry Systems are expected to grow by 75%, 30%, 35%, 35%, 25% and 100% YoY respectively in 3QFY20.

❑ EBITDA expected to grow by 41% YoY while margins will contract by 30bps due to increased contribution from lower margin mobile segment.

❑ Net Profit is expected to grow by 73% YoY due to lower tax.

❑ Company is in advance stage with large Indian MNC for contract manufacuting washing machine which will result in increase in volume by 100 k full year.

❑ Company has started manufacturing for the Samsung feature phones in Oct 2019 and expect to achieve 100% capacity utilization of feature phone by January/Feb 20.

❑ Capex for the full year FY20 will be 65-70 Cr and similar for the FY21. Rs40-45 Cr for the Fully Automatice Washing Machine facility. Company is largely able to meet its capex requirement through internal accruals and will borrow some debt for the fully automatic washing machine facilities.

❑ Dixon Technologies partners with SAMSUNG for manufacturing of LED TVs

Key Trackable this Quarter

❑ Consumer Electronics and Mobile business revenue growth

❑ Margins in Home Appliance business

We value the stock at 28x FY21E EPS. BUY

Avenue Supermarts Limited

DMART IN

Consumers

CMP	**1823**
Target	**1965**
Upside	**8%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	17%	16.2%	19.0%	17.7%
Roce%	24%	25%	25%	23%
P/E	114.7	86.7	86.7	76.6
P/B	19.8	14.0	16.5	13.6
EV/Sales	6.1	3.9	4.4	3.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Cumul. no. stores	155	176	200	221	164	189	191
Ret. Bus. Area*	4.90	5.90	7.05	8.06	5.30	6.50	6.90
Rev. per sqft in Rs.	32719	35647	35754	37184	10285	9152	10172
Ret. Bus. Area/store*	0.03	0.03	0.04	0.04	0.03	0.03	0.04
Financials							
Sales	15,033	20,005	25,681	30,153	5451	5949	7019
Sales Gr%	*26%*	*33%*	*28%*	*17%*	*33%*	*22%*	*29%*
Ebdita	1,353	1,633	2,142	2,436	453	515	595
Ebdita Gr%	*38%*	*21%*	*31%*	*14%*	*7%*	*32%*	*31%*
Net Profits	806	903	1,312	1,485	257	333	391
Profit Gr%	*68%*	*12%*	*45%*	*13%*	*2%*	*48%*	*52%*
Ebdita Margin%	9.0%	8.2%	*8.3%*	*8.1%*	8.3%	8.7%	*8.5%*
Net Profit Margin%	5.4%	4.5%	*5.1%*	*4.9%*	4.7%	5.6%	*5.6%*

** Area mn sq ft*

Conso/Fig in Rs Cr

❑ DMART is expected to post revenue growth of 29% YoY to Rs 7019 cr on the back of better traction from new opened stores, higher footfall led by festivals and better assortment.

❑ Dmart works on the principles of EDLC/EDLP. Most of the stores are company owned in comparison with lease. The company wants to keep 80:20 split between owned stores to rented stores. The company uses cluster based approach to grow which gives clear understanding about real estate in that market, consumer buying pattern and supply chain benefits.

❑ Gross margin is expected to decline by 29 bps YoY to 14.4% owing to higher discounts while EBITDA margin may improve by 15 bps YoY to 8.5% impacted by change in lease accounting. Other expenses is expected to decline by 46 bps YoY to 4.3%.

Key Trackable this Quarter

❑ Gross and EBITDA Margin.
❑ Number of stores added in this quarter.
❑ Revenue per Sq. ft.

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

Emami Limited

HMN IN

Consumers

CMP	**317**
Target	**346**
Upside	**9%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	15%	15%	18%	21%
Roce%	17%	18%	21%	24%
P/E	77.8	51.2	34.8	27.5
P/B	11.8	7.5	6.4	5.9
EV/Ebdita	33.1	42.6	17.0	14.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Domestic vol. growth	2%	4%	4%	6%	4%	1%	4%
Domestic Pric. growth	3%	3%	2%	3%	3%	2%	2%
Financials							
Sales	2,531	2,693	2,893	3,189	811	660	870
Sales Gr%	*0%*	*6%*	*7%*	*10%*	*7%*	*5%*	*7%*
Ebdita	719	726	810	924	267	193	295
Ebdita Gr%	*-5%*	*1%*	*12%*	*14%*	*1%*	*3%*	*11%*
Net Profits	308	305	411	520	138	96	190
Profit Gr%	*-10%*	*-1%*	*35%*	*27%*	*-7%*	*16%*	*38%*
Ebdita Margin%	28.4%	26.9%	*28.0%*	*29.0%*	32.9%	29.2%	*33.9%*
Net Profit Margin%	12.1%	11.2%	*14.1%*	*16.2%*	17.0%	14.5%	*21.8%*

Conso/Fig in Rs Cr

❑ In 3QFY20, EMAMILTD revenue is expected to grow by 7.3% YoY to Rs. 870 cr. on account of better traction from International business while domestic business is expected to remain subdued on account of channel liquidity issues and muted consumption in discretionary segment.

❑ International Business is expected to grow by 10% YoY in 3QFY20 led by integration of creme 21's revenue (new acquisition) which was not prevailing in corresponding quarter.

❑ The Company's wholesale contribution stood at 38-40% (as per 2QFY20 concall) while has completed its distribution expansion target with current direct reach at 9.5 lakh outlets.

❑ Gross margin is expected to improve by 182 bps to 68.8% YoY led by lower Mentha oil prices while EBITDA margin is expected to improve by 102 bps to 33.9% YoY led by gross margin expansion.

❑ Employee expense and other expense is expected to increase by 38 bps and 43 bps led by sales force addition in order to reduce wholesale dependence while Ad expenses is expected to reduce by 2 bps on account of sluggish market condition.

Key Trackable this Quarter

❑ Domestic volume growth considering economic slowdown.

❑ Gross margin and EBITDA margin expansion.

❑ International business performance.

We value the stock at 30x FY21E EPS. HOLD

Gillette India Limited

GILL IN

Consumers

CMP	**6600**
Target	**6790**
Upside	**3%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	33%	32%	31%	31%
Roce%	49%	43%	41%	41%
P/E	80.7	91.9	78.0	69.6
P/B	26.6	29.8	24.6	21.9
EV/Ebdita	47.8	60.6	52.9	47.9

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Segmental Revenues							
Grooming	1331	1458	1525	1643	373	361	343
Oral care	346	403	401	430	102	103	119
Financials							
Sales	1,677	1,862	1,926	2,073	476	462	486
Sales Gr%	*-6%*	*11%*	*3%*	*8%*	*17%*	*1%*	*2.3%*
Ebdita	382	381	400	440	98	98	87
Ebdita Gr%	*0%*	*0%*	*5%*	*10%*	*0%*	*-8%*	*-11%*
Net Profits	229	253	275	308	54	62	58
Profit Gr%	*-9%*	*10%*	*9%*	*12%*	*-8%*	*-5%*	*7%*
Ebdita Margin%	22.8%	20.5%	20.8%	21.2%	20.6%	21.2%	17.9%
Net Profit Margin%	13.7%	13.6%	14.3%	14.9%	11.4%	13.4%	11.8%

*FY20 & FY21 revenue breakup is projected. Conso/Fig in Rs Cr

❑ In 2QFY20, GILLETTE revenue is expected to grow by 2.3% YoY to Rs. 486 cr. impacted on account of demand slowdown due to challenging market scenario.

❑ The Company's male grooming which contributed ~74% to the revenue in last quarter is expected to grow by 4% YoY in 2QFY20 on a higher base of 12% YoY in corresponding previous quarter led by investment behind brand fundamental, category development and go-to market initiatives.

❑ The Company's Oral care which contributed ~24% to the revenue in last quarter is expected to decline by 4% YoY in 2QFY20 on a higher base of 36% YoY in corresponding previous quarter led by go-to market initiatives.

❑ Gross margin for 2QFY20 is expected to decline by 505 bps to 54% YoY led by input inflation while EBITDA margin is expected to decline by 270 bps to 17.9% YoY led by gross margin deterioration.

❑ Employee expense and other expense are expected to increase by 34 bps/43 bps respectively led by go-to market initiatives while Ad & P expense is expected to decline by 312 bps in 2QFY20.

Key Trackable this Quarter

❑ Volume growth in both Grooming and Oral care segment.

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

We value the stock at 72x FY21E EPS. HOLD

Godrej Consumer Products Limited

GCPL IN

CMP	**684**
Target	**756**
Upside	**11%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	26%	32%	21%	21%
Roce%	22%	20%	21%	23%
P/E	48.2	32.0	41.9	39.7
P/B	11.5	9.0	8.9	8.2
EV/Ebdita	35.6	31.9	31.1	27.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Domestic Vol. gr.	9%	5%	6%	8%	1%	7%	6%
Intern. Busin. gr.	1%	2%	0%	6%	1%	4%	4%
Segmental Revenues							
Domestic revenue	5257	5556	5592	6199			
Indonesia	1354	1525	1694	1925			
GAUM	2185	2450	2442	2576			
Others	1140	767	585	602			
Sales	9,843	10,314	10,296	11,408	2724	2630	2785
Sales Gr%	*6%*	*5%*	*0%*	*11%*	*4%*	*-1%*	*2%*
Ebdita	2,067	2,118	2,290	2,529	609	572	665
Ebdita Gr%	*9%*	*2%*	*8%*	*10%*	*3%*	*17%*	*9%*
Adj.Net Profits	1,494	2,053	1,667	1,757	424	414	449
Profit Gr%	*14%*	*37%*	*-19%*	*5%*	*-1%*	*-28%*	*6%*
Ebdita Margin%	21.0%	20.5%	*22.2%*	*22.2%*	22.3%	21.7%	*23.9%*
Net Profit Margin%	15.2%	19.9%	*16.2%*	*15.4%*	15.5%	15.7%	*16.1%*

Conso/Fig in Rs Cr

❑ Godrejcp's revenue is expected to grow by 2% YoY to Rs 2785 cr on the back of domestic volume growth of 6% led by small base, new launches and promotional activities. Home insecticide may see some traction on the back of actions taken on illegal incense stick.

❑ International business is expected to grow by 4%YoY to Rs 1289 cr on the back of better traction from Indonesian business. Indonesian business is expected to grow by 14% in constant currency term.

❑ The company's gross margin is expected to improve by 122 bps YoY to 57.5% led by improvement in international business margin while improvement in EBITDA margin is expected to remain 153 bps YoY to 23.9% on the back of cost saving measures. Other expenses are expected to decline by 44 bps YoY to 15%.

Key Trackable this Quarter

❑ Gross and EBITDA margin.

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

❑Domestic business volume growth.

We value the stock at 44x FY21E EPS. ACCUMULATE

GlaxoSmithKline Consumer

SKB IN

CMP	**8386**
Target	**9923**
Upside	**18%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	20%	24%	26%	26%
Roce%	23%	26%	27%	26%
P/E	34.3	30.2	29.3	25.6
P/B	6.9	7.2	7.6	6.7
EV/Ebdita	23.1	22.4	23.3	20.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
HFD volumes	6%	9%	5%	8%	8%	4%	5%
Pricing growth	4%	2%	3%	3%	-1%	3%	3%
Financials							
Sales	4,377	4,782	5,190	5,812	1117	1345	1216
Sales Gr%	*10%*	*9%*	*9%*	*12%*	*8%*	*6%*	*9%*
Ebdita	883	1,141	1,315	1,443	239	396	280
Ebdita Gr%	*6%*	*29%*	*15%*	*10%*	*17%*	*12%*	*17%*
Net Profits	700	983	1,205	1,375	221	345	276
Profit Gr%	*7%*	*40%*	*23%*	*14%*	*35%*	*25%*	*25%*
Ebdita Margin%	20.2%	23.9%	*25.3%*	*24.8%*	21.4%	29.4%	*23.0%*
Net Profit Margin%	16.0%	20.6%	*23.2%*	*23.7%*	19.8%	25.7%	*22.7%*

` Conso/Fig in Rs Cr

❑ In 3QFY20, GSKCONS revenue is expected to grow by 9% YoY to Rs. 1216 cr. led by domestic HFD volume growth of 5% YoY on the back of increased penetration, higher traction from LUP's while realization is expected to be at 3.4% YoY.

❑ Sachets continued to grow by ~22% contributing to the extent of 12% to the business led by higher penetration in 2QFY20.

❑ Gross Margin is expected to decline by 91 bps to 69.8% YoY due to input inflation especially in the prices of milk, wheat and barley.

❑ EBITDA Margin is expected to expand by 164 bps to 23% YoY led by decline in employee expense, Ad & P Expense and other expense. We expect other expenses to decline by 224 bps YoY in 3QFY20.

❑ Merger Update-The Company is in process of taking the required approvals for the mergers and will continue to work as a separate legal entity until all the prerequisites are cleared.

Key Trackable this Quarter

❑ Overall volume growth despite consumption slowdown.

❑ 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	**1938**
Target	**2319**
Upside	**20%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	72%	77%	93%	110%
Roce%	96%	106%	122%	142%
P/E	63.4	60.5	58.1	50.3
P/B	45.5	46.6	54.2	55.4
EV/Ebdita	43.7	40.8	40.2	35.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Overall Volume gr.	6%	10%	6%	9%	10%	5%	6%
Segmental Revenues							
Home care	11629	12876	14025	14300	3148	3371	3337
Personal care	16464	17655	18776	19425	4539	4543	4811
Foods	2437	7133	7736	7908	1728	1847	1832
Refreshment	3977	0	0	0	0	0	0
Others	696	560	500	567	143	91	152
Financials							
Sales	35,545	39,310	42,133	47,471	9558	9852	10131
Sales Gr%	*7%*	*11%*	*7%*	*13%*	*11%*	*7%*	*6%*
Ebdita	7,499	8,880	10,333	11,581	2046	2443	2391
Ebdita Gr%	*18%*	*18%*	*16%*	*12%*	*22%*	*21%*	*17%*
Net Profits	5,227	6,060	7,212	8,328	1444	1848	1623
Profit Gr%	*16%*	*16%*	*19%*	*15%*	*9%*	*21%*	*12%*
Ebdita Margin%	21.1%	22.6%	*24.5%*	*24.4%*	21.4%	24.8%	*23.6%*
Net Profit Margin%	14.7%	15.4%	*17.1%*	*17.5%*	15.1%	18.8%	*16.0%*

Conso/Fig in Rs Cr

- In 3QFY20, HINDUNILVR revenue is expected to grow by 6% YoY to Rs. 10131 cr.; Rural slowdown due to irregular monsoon, lower urban consumption due to lower job opportunities, liquidity issues and higher corresponding quarter base (10% YoY in 3QFY19) are expected to impact volumes.
- The Company will bring new line of soaps, shampoos, conditioners and body cream from its global parent to tap into the growing trend for natural products and at the same time, align launches with its sustainability agenda.
- Gross margin is expected to improve by 62 bps to 54.4% YoY led by improved product mix while EBITDA margin is expected to improve by 219 bps YoY to 23.6% YoY on the back of cost efficiency and change in lease based accounting(resulted in other expense reduction).
- Other expense is expected to reduce by 140 bps to 13.7% led by change in lease accounting while employee expense is expected to remain flat in 3QFY20.
- GSKCONS and HINDUNILVR merger: The Merger between GSKCONS and HINDUNILVR may take another 2 month from Dec-19 due to delay in proceeding from Chandigarh NCLT.

*Key Trackable this **Quarter***

- Overall volume growth considering economic slowdown.
- Gross margin in the wake of input inflation.

We value the stock at 60x FY21E EPS. BUY

ITC Limited

ITC IN

Consumers

CMP	**240**
Target	**272**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	22%	21%	23%	21%
Roce%	29%	29%	30%	30%
P/E	29.7	28.2	20.0	19.4
P/B	6.5	6.0	4.5	4.1
EV/Ebdita	20.6	19.1	13.8	12.4

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Segmental Revenues							
Cigarettes	19,048	20,713	22,067	24,386	5,073	5,327	5,327
Others FMCG	11,329	12,505	13,214	14,530	3,201	3,288	3,297
Hotels	1,417	1,665	1,912	2,070	452	427	506
Agri Business	8,068	9,397	10,486	11,534	1,925	2,648	2,021
Paper & Oth Business	5,250	5,860	6,227	6,663	1,543	1,565	1,550
Financials							
Sales	43,449	49,862	52,265	57,888	11,228	11,871	11,909
Sales Gr%	*2%*	*15%*	*5%*	*11%*	*15%*	*5%*	*6%*
Ebdita	16,483	18,406	20,890	22,934	4,326	4,562	4,748
Ebdita Gr%	*7%*	*12%*	*13%*	*10%*	*11%*	*8%*	*10%*
Net Profits	11,493	12,592	14,739	15,163	3,209	4,023	3,968
Profit Gr%	*10%*	*10%*	*17%*	*3%*	*4%*	*36%*	*24%*
Ebdita Margin%	37.9%	36.9%	*40.0%*	*39.6%*	38.5%	38.4%	*39.9%*
Net Profit Margin%	26.5%	25.3%	*28.2%*	*26.2%*	28.6%	33.9%	*33.3%*

Annual (Conso.) & quarterly (Stand.)/Fig in Rs Cr

❑ In 3QFY20, ITC is expected to report revenue growth of 6.1% YoY to Rs 11,909 cr impacted by low demand sentiment and liquidity crunch in market.

❑ Its segments: Cigarette, Other FMCG, Agri and Paper & Packaging business will remain impacted majorly due to low demand & higher base in the previous quarter (3QFY19) and expected to report revenue growth of 5%, 3%, 5% and 0.5% on YoY basis respectively.

❑ However, Hotels business is expected to report better rev. growth of 12% on back of improved ARR and strong response from recently launched ITC Kohenur, ITC Grand Goa and ITC Royal Bengal.

❑ ITC is targeting up to 20% of the Rs 7,400-crore frozen food market under ITC Master Chef brand in India in next 3 years. Currently, the market is growing at 17% annually.

❑ EBITDA margin is expected to be up by 134 bps YoY to 39.9% on account of improved product mix, stepped up investments and expansion in newer categories.

❑ PAT is expected to grow by 23.7% YoY to Rs 3968 cr.

❑ In Nov 2019, ITC acquired minority stake in Delectable Technologies (FMCG vending machine start-up) to strengthen presence of its FMCG products in the emerging distribution channel of vending machines.

Key Trackable this Quarter

❑ Cigarette Volume growth and EBIT growth

❑ Other FMCG revenue and EBIT growth.

We value the stock at 22x FY21E EPS. ACCUMULATE

Jyothy Laboratories Limited

JYL IN

Consumers

CMP	**151**
Target	**194**
Upside	**28%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	24%	22%	22%	26%
Roce%	21%	21%	20%	24%
P/E	50.4	32.3	27.8	22.1
P/B	11.9	7.3	6.1	5.7
EV/Ebdita	30.9	21.8	17.8	14.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Volume growth	2%	9%	7%	11%	6%	8%	5%
Pricing growth(esti.)	-4%	1%	-1%	3%	0%	0%	0%
Financials							
Sales	1,644	1,769	1,889	2,153	434	464	457
Sales Gr%	*1%*	*8%*	*7%*	*14%*	*6%*	*9%*	*5%*
Ebdita	264	286	309	364	72	79	76
Ebdita Gr%	*2%*	*8%*	*8%*	*18%*	*5%*	*8%*	*6%*
Net Profits	161	192	199	251	48	53	49
Profit Gr%	*-20%*	*19%*	*4%*	*26%*	*30%*	*17%*	*1%*
Ebdita Margin%	16%	16%	*16%*	*17%*	17%	17%	*17%*
Net Profit Margin%	10%	11%	*11%*	*12%*	11%	11%	*11%*

Std/Fig in Rs Cr

❑ JYOTHYLAB's sales are expected to grow by 5% on back of domestic volume growth of 5% impacted by higher competitive intensity and rural slowdown (contributes ~40% of company revenue) on the back of tight liquidity conditions. Realization growth is expected to remain flat on the back of higher competitive intensity.

❑ The company's strategy on focusing on core brands like Ujala, Margo, Crisp &shine and dish wash for the future growth and urban market is expected to support volume growth.

❑ Performance of household insecticide is going to key monitorable.

❑ Jyothylab's gross margin is expected to decline by 58 bps YoY to 44.8% on the back of inflation in key raw material prices like crude and palm oil. EBITDA margin is expected to improve by 18 bps YoY due to cost efficiency measures. Advertising expenses is expected to be up by 16% (59 bps YoY as percentage of sales) in this quarter.

Key Trackable this Quarter

❑ Volume growth.

❑ Provisioning of Taxes.

We value the stock at 28x FY21E EPS. BUY

Marico Limited

MRCO IN

Consumers

CMP	**337**
Target	**426**
Upside	**26%**
Rating	**BUY**

	FY18	FY19	FY20E	FY21E
Roe%	33%	38%	33%	35%
Roce%	41%	40%	41%	43%
P/E	52.1	39.4	41.3	36.0
P/B	16.9	14.9	13.5	12.5
EV/Ebdita	37.8	33.6	29.2	26.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Domes. Volume Gr.	2%	8%	3%	8%	5%	1%	-1%
Intern. Busin. CC gr.	8%	9%	9%	10%	11%	9%	9%
Segmental Volume Growth							
Parachute Rigid	3%	8%	2%	1%	9%	-1%	-6%
Saffola	-2%	9%	3%	4%	2%	1%	10%
Value add. Hair Oils	6%	7%	3%	4%	7%	0%	-6%
Revenue Break up:							
Domestic	4970	5756	5792	6498	1449	1398	1391
International	1364	1578	1736	1962	412	431	453
Financials							
Sales	6,322	7,334	7,528	8,460	1,861	1,829	1,845
Sales Gr%	*7%*	*16%*	*3%*	*12%*	*15%*	*0%*	*-0.9%*
Ebdita	1,138	1,328	1,472	1,646	349	353	372
Ebdita Gr%	*-2%*	*17%*	*11%*	*12%*	*16%*	*16%*	*6.6%*
Net Profits	827	1,132	1,053	1,208	252	253	268
Profit Gr%	*2%*	*37%*	*-7%*	*15%*	*13%*	*17%*	*6.6%*
Ebdita Margin%	18.0%	18.1%	19.5%	19.5%	18.8%	19.3%	20.2%
Net Profit Margin%	13.1%	15.4%	14.0%	14.3%	13.5%	13.8%	14.5%

Conso/Fig in Rs Cr

❑ Marico's sales is expected to decline by a percent to Rs 1845 cr impacted by rural slow down, liquidity led issues with channel partners in the traditional trade and inter -channel conflicts . The company's different segments like Parachute Rigid, Saffola and Hair Oils volume is expected to show a growth of -6%,10% and -6%while blended realization is expected to decline by 3% YoY.

❑ International business is expected to do better with constant currency growth of 9% to Rs 453 cr on the back of growth from Bangladesh market backed by growth in non-Coconut oil portfolio. The performance of Vietnam and Middle East & North Africa (MENA) will be key monitorable in the International business space.

❑Gross margin is expected to improve by 270 bps YoY to 49% on the back of benign copra prices while EBITDA margin is expected to improve by 141 bps YoY to 20.2% on the back of improvement in the gross margin.

Key Trackable this Quarter

❑ Gross and EBITDA margin.

❑ VAHO and Saffola's volume growth.

❑ Domestic Volume growth.

We value the stock at 45x FY21E EPS. BUY

United Spirits Limited

UNSP IN

Consumers

CMP	**594**
Target	**672**
Upside	**13%**
Rating	**ACCUMULATE**

	FY18	FY19	FY20E	FY21E
Roe%	22%	21%	20%	20%
Roce%	16%	20%	20%	21%
P/E	71.6	65.1	53.5	44.2
P/B	16.1	13.7	11.0	8.8
EV/Ebdita	42.1	35.3	30.6	28.1

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Volume (cases in cr)							
P & A(Prest. & Above)	3.7	4.2	4.4	4.8	1.1	1.1	1.1
Popular	4.1	4.0	4.1	4.2	1.1	1.0	1.1
Revenue (in cr)							
P & A(Prest. & Above)	5,128	5,909	6,236	6,961	1651	1502	1710
Popular	2,883	2,881	2,959	3,051	776	701	807
Others	159	191	361	180	70	93	70
Financials							
Sales	8,170	8,981	9,555	10,193	2497	2296	2587
Sales Gr%	*-4%*	*10%*	*6%*	*7%*	*10%*	*3%*	*4%*
Ebdita	1,022	1,287	1,466	1,562	358	416	373
Ebdita Gr%	*5%*	*26%*	*14%*	*7%*	*32%*	*-4%*	*4%*
Net Profits	562	659	806	977	192	225	227
Profit Gr%	*231%*	*17%*	*22%*	*21%*	*43%*	*-13%*	*18%*
Ebdita Margin%	12.5%	14.3%	*15.3%*	*15.3%*	14.3%	18.1%	*14.4%*
Net Profit Margin%	6.9%	7.3%	*8.4%*	*9.6%*	7.7%	9.8%	*8.8%*

Stand/Fig in Rs Cr

❑ Mcdowell-N's sales is expected to growth by 4% YoY to Rs 2587 cr on the back of 3% growth in volume and a percent growth in realization. Volume growth will be impacted by consumption slowdown and liquidity issues.

❑ Volume in both Prestige & Above and Popular segments are expected to grow by 3%each due to resolution of supply chain disruption in luxury Scotch portfolio and negative growth in popular segment(low base effect).

❑ Gross margin is expected to deteriorate by 308 bps YoY(but improve by 53 bps QoQ) to 45.5% on the back of higher ENA prices. EBITDA margin is expected to improve by 8 bps YoY to 14.4% on the back of rationalization of advertisement expenses. Advertisement expenses are expected to decline by 120 bps YoY to 9.5%.

❑ Last quarter tax provisioning was impacted by onetime writing-off of deferred tax assets. This quarter, tax provisioning is expected to be lower to 25.2%vs 33.2% in 3QFY19.

Key Trackable this Quarter

❑ Gross margin.

❑ Volume growth in Prest. & Above segment .

We value the stock at 50x FY21E EPS. ACCUMULATE

Nestle India Limited

NEST IN

Consumers

CMP	**14725**
Target	**14998**
Upside	**2%**
Rating	**HOLD**

	CY17	CY18	CY19E	CY20E
Roe%	36%	44%	64%	70%
Roce%	54%	65%	83%	89%
P/E	72.4	63.5	71.3	60.5
P/B	25.9	27.8	45.5	42.3
EV/Ebdita	39.3	36.8	48.0	42.3

	CY17	CY18	CY19E	CY20E	4QCY18	3QCY19	4QCY19E
Segmental Revenues							
Milk products & nutr.	4,820	5,188	5,662	6,300			
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	1,520	1,748			
Sales Break up(in cr)	10,135	11,216	12,282	13,957			
Financials							
Sales	10,010	11,292	12,353	14,029	2897	3216	3133
Sales Gr%	*9%*	*13%*	*9%*	*14%*	*11%*	*9%*	*8%*
Ebdita	2,221	2,732	2,935	3,327	614	760	719
Ebdita Gr%	*9%*	*23%*	*7%*	*13%*	*-5%*	*2%*	*17%*
Net Profits	1,225	1,607	1,991	2,348	342	595	494
Profit Gr%	*22%*	*31%*	*24%*	*18%*	*10%*	*33%*	*45%*
Ebdita Margin%	22.2%	24.2%	*23.8%*	*23.7%*	21.2%	23.6%	*23.0%*
Net Profit Margin%	12.2%	14.2%	*16.1%*	*16.7%*	11.8%	18.5%	*15.8%*

Conso/Fig in Rs Cr

❑ NESTLEIND's 4QCY19 revenue is expected to grow by 8% YoY to Rs. 3133 cr on the back of better traction from new launches, distribution expansion and improvement in penetration led by cluster based approach. Rural slow down will have lesser impact on Nestle because rural contribution is only ~20-25%of sales.

❑ NESTLEIND has strong brand image and it has premium product portfolio with pricing power. Premium Products contributed 11.7%to the domestic sales in first half of CY19 and it grew by over 21% in first half.

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

❑ The company's gross margin is expected to decline by 195 bps YoY to 57% due to inflation in input prices especially in milk and its derivatives. While EBITDA margin will expand by 177 bps YoY to 23% on the back of lower investment behind brand and cost efficiency measures. Other expenses is expected to remain at 23.9%, lower by 4%.

Key Trackable this Quarter

❑ Volume growth .

❑ Gross and EBITDA margins in the wake of inflation in input prices.

We value the stock at 62x CY20E EPS. HOLD

P&G Hygiene

PG IN

Consumers

CMP	**11321**
Target	**11364**
Upside	**0%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	47%	46%	52%	64%
Roce%	70%	62%	65%	81%
P/E	82.4	73.6	73.6	54.8
P/B	38.3	33.9	37.9	35.0
EV/Ebdita	48.5	49.8	53.6	40.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Segmental Revenues(gross)							
Oint. and Creams	456	521	576	670			
Cough Drops	278	295	311	336			
Tablets	52	58	60	63			
Prsnl Pro., Toilt Preps. e	1669	2072	2354	2761			
Financials							
Sales	2,455	2,947	3,301	3,830	818	852	924
Sales Gr%	*6%*	*20%*	*12%*	*16%*	*16%*	*8%*	*13%*
Ebdita	628	609	674	894	191	182	184
Ebdita Gr%	*-6%*	*-3%*	*11%*	*33%*	*-9%*	*-13%*	*-4%*
Net Profits	375	419	499	671	124	137	141
Profit Gr%	*-13%*	*12%*	*19%*	*34%*	*-5%*	*-5%*	*13%*
Ebdita Margin%	25.6%	20.7%	*20.4%*	*23.3%*	23.4%	21.4%	*19.9%*
Net Profit Margin%	15.3%	14.2%	*15.1%*	*17.5%*	15.2%	16.1%	*15.2%*

*June year ending. Stand./Fig in Rs Cr

❑ In 2QFY20, PGHH's revenue is expected to grow by 12.9% on YoY basis to Rs 924 cr on back of company's continuous attention towards brand strengthening, innovation and improving productivity.

❑ Feminine Care business is expected to continue with strong growth led by company's focus on innovation and stepped up advertisements.

❑ Gross margin is expected to decline by 82 bps on YoY basis to 54.7% led by increased input prices.

❑ EBITDA margin contraction is expected by 346 bps on YoY basis to 19.9% because of gross margin deterioration and increased expenses.

❑ Employee, advertisement and other expenses is expected to rise by 49 bps, 111 bps and 104 bps respectively on YoY basis on account of increased advertising and brand promotional activities.

❑ PAT is expected to grow 13.4 % on YoY basis to Rs 141 cr and PAT margin expected at 15.2%.

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 55x FY21E EPS. NEUTRAL

Trent Limited

TRENT IN

Consumers

CMP	**541**
Target	**520**
Upside	**-4%**
Rating	**NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	5%	6%	5%	8%
Roce%	9%	9%	6%	8%
P/E	112.1	124.2	159.0	89.9
P/B	6.1	7.2	7.2	6.9
EV/Sales	4.7	4.6	5.8	4.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Walk-ins (Crs)	3.6	4.5	5.5	6.4			
Incr. in sales / stores	3%	2%	2%	2%			
Bill size (Rs.)	2197	2332	2472	2596			
Conversion Ratio	26%	24%	23%	23%			
Westside's Contri*	96%	97%	*0%*	*0%*			
Cum. stores(westside)	125	150	177	204			
Financials							
Sales	2,157	2,630	3,202	3,930	656	818	795
Sales Gr	*19%*	*22%*	*22%*	*23%*	*26%*	*33%*	*21%*
Ebdita	201	228	558	715	73	133	144
Ebdita Gr	*60%*	*13%*	*145%*	*28%*	*6%*	*124%*	*98%*
Net Profits	87	95	121	214	40	38	27
Profit Gr%	*3%*	*9%*	*28%*	*77%*	*6%*	*16%*	*-32%*
EbditaM%	9.3%	8.7%	*17.4%*	*18.2%*	11.1%	16.2%	*18.1%*
Net Mgn%	4.0%	3.6%	*3.8%*	*5.4%*	6.1%	4.7%	*3.5%*

** Contribution in Trent's sales*

Annual (Conso.) & quarterly (Stand.)/Fig in Rs Cr

❑ In 3QFY20, TRENT revenue growth is expected to be 21.2% YoY to Rs 795 cr led by increased walk-ins per store and improved performance from both Westside & Zudio stores. The quarter's performance is expected to be driven by end of season sale and higher discounts offered in the period.

❑ Gross margin is expected to decline by 293 bps to 50.1% YoY on back higher discounts offered due to sale period.

❑ EBITDA margin is expected to be up 704 bps to 18.1% YoY on account of implementation of Ind AS – 116, leading to decline in rent expenses drastically by 557 bps and other expenses to decline by 493 bps. However, employee expenses are expected to be up by 53 bps.

❑ PAT is expected to decline by 31.7% to Rs 27 cr due to increased interest and depreciation expenses. PAT margin is expected to remain at 3.5%.

❑ In FY19, the company added 33 new stores of Zudio (Trent's value fashion concept). Currently, Zudio is being retailed through 40 standalone stores and 16 Star stores.

Key Trackable this Quarter

❑ Provisioning of tax.

❑ Changes in Cost of goods of sold .

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

Zudus Wellness Limited

ZYWL IN

Consumers

CMP	**1476**
Target	**1555**
Upside	**5%**
Rating	**HOLD**

	FY18	FY19	FY20E	FY21E
Roe%	19%	5%	4%	6%
Roce%	16%	3%	5%	6%
P/E	36.6	44.6	59.5	38.0
P/B	7.1	2.2	2.4	2.3
EV/Ebdita	36.1	51.3	32.2	26.3

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Category growth							
Sugar Subst. category	13%	2%	8%	12%	1%	8%	8%
Scrub category	10%	15%	13%	13%	18%	13%	10%
Peel off mask cat.	17%	19%	16%	14%	20%	16%	14%
Financials							
Sales	503	843	1,799	1,960	145	326	360
Sales Gr%	*9%*	*68%*	*113%*	*9%*	*10%*	*136%*	*148%*
Ebdita	125	174	303	360	38	20	56
Ebdita Gr%	*26%*	*39%*	*74%*	*19%*	*14%*	*-47%*	*47%*
Net Profits	134	169	143	224	40	-12	13
Profit Gr%	*23%*	*26%*	*-15%*	*57%*	*10%*	*-129%*	*-67%*
Ebdita Margin%	24.9%	20.7%	*16.8%*	*18.4%*	25.9%	6.3%	*15.5%*
Net Profit Margin%	26.6%	20.1%	*7.9%*	*11.4%*	27.3%	-3.7%	*3.6%*

Conso/Fig in Rs Cr

❑ Zyduswell revenue is expected to grow by 148% YoY (10% QoQ) to Rs 360 cr on the back of buying of Heinz India private limited.

❑ Meaningful new launches in recent few quarters and consolidation of distribution will pave the way for better growth for the company. Presently, company has 2.3 lakh outlets in its direct reach, plans to double by Dec 20.

❑ Gross margin is expected to decline by 11%YoY to 57% on the back of tilt of product mix towards Complan while EBITDA margin is expected to decline by 10.5% largely due to shrinkage in the gross margin.

❑ Allocation towards advertisement expenses is expected to decline by 5% YoY to 14.2% as a percentage of sales.

❑ Cost synergies going forward: Mgt will reduce ambient ware houses count by half going ahead. The company endeavours to have lean organization in the future. Rs 40 cr benefits are expected to accrue due to cost synergies over 2-2.5 yrs .

Key Trackable this Quarter

❑ Gross and EBITDA margin.

❑ Market share of Complan.

We value the stock at 40x FY21E EPS. HOLD

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