RESULT UPDATE

GLAXOSMITHKLINE CONSUMER HEALTHCARE

Sequential recovery, but market share loss a concern

Edelweiss
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India Equity Research| Consumer Goods

GSK Consumer's (GSK) Q4FY17 overall revenue (up 2.3% YoY) was slightly ahead of our estimate, while EBITDA and PAT, up 1.5% and 8.4% YoY came in line. Domestic health food drinks (HFD) dipped ~1-2% YoY. GSK lost market share (MS) in Horlicks—value MS of 44.8% (Q3FY17: 46.5%) and volume MS of 50.6% (Q3FY17: 52.3%) reflecting heightened competition from current as well as new players like Patanjali Powervita, Sri Sri Ojasvita, Hershey's syrup and Pediasure. Gross margin tumbled 208bps YoY as commodity prices (especially milk, sugar) inched up. However, the company has hiked prices, which should help maintain gross margin. Current excise plus VAT works out to 24%; GST rate, if announced at 18%, will be a positive. Maintain 'HOLD'.

Horlicks loses market share; lower staff cost saves overall margin

After 4 quarters of dip, **revenue rose 2% YoY on a soft base of 9.6% decline.** In Q4FY17, GSK's business auxiliary income jumped 7.7% YoY (but lower than historical rate), which partially aided overall revenue growth of 2.3% YoY. Volume pressure sustained with ~1-2% YoY dip – have been **either negative or flattish for the past 8-9 quarters.** We envisage **relaunch of INR5 sachet to drive volumes.** Despite gross margin dip of 208bps, EBITDA margin fell only 15bps YoY largely due to savings in staff cost—down 27.4% YoY (on account of change in actuarial assumptions).

Q4FY17 conference call: Key takeaways

Price growth for the quarter stood at 2.7%. Growth Plus, Cardiaplus and Marie biscuit were launched in East India and have gained 1% share in launched markets. Price hike of 4% at the MRP level will be sufficient to maintain gross margin. Though s**achet contributes 7% in value terms, it is a lower margin product**. Company estimates **business auxiliary income to grow by ~10% YoY in FY18**.

Outlook and valuations: On revival path; maintain 'HOLD'

Introduction of sachets to deepen HFD penetration (~40% in South) will buoy GSK's growth. However, lack of presence in the RTD segment is not a right strategy. **Intense competition and NPD funnel remain key concerns**. At CMP, the stock is trading at 27.8x FY19E. We maintain **'HOLD/SU'** with target price of INR5,657.

Financials **(INR mn)**

Year to March	Q4FY17	Q4FY16	% Chg	Q3FY17	% Chg	FY17	FY18E	FY19E
Total operating Income	11,019	10,774	2.3	8,604	28.1	39,865	42,563	46,936
Net revenues	10,418	10,217	2.0	8,219	26.8	37,740	40,172	44,187
EBITDA	2,171	2,139	1.5	1,677	29.4	8,335	8,841	9,851
Adjusted Profit	1,759	1,622	8.4	1,364	28.9	6,567	7,112	7,930
Adjusted Diluted EPS	41.8	38.6	8.4	32.4	28.9	156.2	169.1	188.6
Diluted P/E (x)						33.6	31.0	27.8
EV/EBITDA (x)						22.8	21.2	18.8
ROAE (%)						25.3	24.2	23.8

EDELWEISS 4D RATINGS

Absolute Rating	**HOLD**
Rating Relative to Sector	Underperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA *(R: GLSM.BO, B: SKB IN)*

CMP	: INR 5,246
Target Price	: INR 5,657
52-week range (INR)	: 6,600 / 4,650
Share in issue (mn)	: 42.1
M cap (INR bn/USD mn)	: 221 / 3,427
Avg. Daily Vol.BSE/NSE('000)	: 23.3

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	72.5	72.5	72.5
MF's, FI's & BK's	8.4	7.3	4.6
FII's	4.4	5.5	8.3
Others	14.8	14.8	14.6

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer Goods Index
1 month	1.8	2.1	1.3
3 months	3.4	6.9	6.3
12 months	(12.9)	19.0	22.4

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Q4FY17 result concall: Key takeaways

Demand and environment

- Market dynamics remain challenging.
- Q3FY17 was impacted by destocking in rural wholesale channel and distributors.
- In Q4FY17, the company has held on to same level of stock at the distributors' level, but there is some upstocking in rural and wholesale. Expects more upstocking in Q1FY18.

Pricing, volume and margin

- Price hikes higher than material inflation.
- Domestic consumer business grew 2% YoY, while price growth for the quarter was 2.7%. Hence, overall volumes declined.
- Foods business is less than 5% for the company.
- Price increase is 4% at an MRP level, which will be sufficient to maintain gross margins.
- For FY17, domestic sales growth was 3.5%, while price growth was 4% YoY.
- Q4FY17 cost inflation was 2.5% YoY. In FY17, cost inflation was in the 1.3-1.4% range.
- Sachets contribute 7% in value terms to the company's sales.

Market share

- Horlicks' market share fell due to demonetization impact largely in rural areas and small towns.
- Horlicks' volume share dipped 1.6%, while value share fell 1.3%.
- Boost's volume share dipped 0.1% and value share by 0.4%.
- Market share revived in March and April.
- Nielsen panel has changed from January.
- The company has a higher share in the lower end and small towns and rural India.
- Market share was gained by players which had less distribution in rural areas and higher urban share.
- *Bournvita* market share remained flattish.
- Has arrested decline in Boost helped by new communication aimed at kids connect.
- Looking for aggressive campaign for Chocolate Horlicks.
- **The company is larger in West Bengal and Tamil Nadu in Biscuits.**

Strategy

- LUPs and base Horlicks will help drive penetration—20% of LUP users upgrade to large size.
- Premium consumers will be catered by GrowthPlus, Mother Horlicks, Junior Horlicks etc., which are margin accretive.
- Will continue to invest in brands.
- Cost optimisation—**taking pricing ahead of inflation, cost reengineering** etc.
- The company will run a bigger campaign to address the issue to micro nutrient deficiency which is present not only in lower class of society but also in the affluent class.

Auxiliary income & financials

- 8% YoY increase in business auxiliary income.
- Non-Novartis portfolio business auxiliary income rose 9% YoY.
- Expects business auxiliary income to grow 10% YoY in FY18.
- Changes in the actuarial assumption (INR230mn) and one off (INR150mn) in the base led to lower staff costs.
- Other expenses jumped due to higher share of R&D expenses and higher CSR expenses.
- Media buying efficiency has led to lower ad spends with the same GRPs.
- Other income has one off expenses related to refund of income tax.

New innovation and brands

- Growth Plus, Cardiaplus, Marie biscuit (launched in East India and has gained 1% share in the launched market).
- Growth Plus was launched in September and is supported by **doctor field force.**
- The recommendation share among doctors has increased for Growth Plus over Pediasure.
- Witnessing traction in sachets on volume basis as rural demand is picking up. Peak distribution will reach in LUP by August.
- Had tried RTD in 2007, but then the market was not ready; will be exploring this also.
- Efficacy of Sensodyne product is high. The company launched LUP at INR25 to increase trials, which will help retain consumers. The company is not cutting A&P, increasing trials and making it available in more stores.
- One third of India has sensitivity problem – penetration of Sensodyne is only 3%.

Distribution

- Wholesale about 30% of overall sales.
- Directly covers 0.9mn stores. Maximum will go to 1mn stores directly from ROI perspective.
- Will focus on increasing throughput per outlet and better optimization.
- Expansion will be helped by indirect distribution.

GST

- Expects to have disruption in the trade in short term due to destocking and lower preparedness of the system.
- Total tax paid by the company is 24% (excise plus VAT).

Capex

- INR1bn for FY18.
- Looking at ~INR6-7bn capex over the next 3 years – replacing old assets, automation, energy efficiency, quality improvement projects etc.

Outlook and valuations: On revival path; maintain 'HOLD'

GSK continues to retain leadership in the largely under-penetrated HFD category led by *Horlicks,* though loss of market share in *Boost* is a concern. Structurally, though *Horlicks* continues to grow in value and volume terms, Q4FY17 saw small decline in value as well as volume market share. *Boost's* performance has been marred by slowdown in South India. FMCG growth rates have further tapered, which has impacted growth, especially in the discretionary segment. However, with strong monsoon and payout of the Seventh Pay Commission & OROP, demand trends in rural and urban areas are expected to improve. This will revive discretionary demand, which will be beneficial for GSK. However, demand recovery will be gradual.

The company's strong focus on innovation (*Horlicks Immunity, Growth+, Boost restage*) and sharper focus on sachets (relaunch of INR5 pack of base *Horlicks* and *Boost*) will also help recoup growth. However, intense competition from Patanjali, Hershey's and Mondelez in HFD remains a key concern.

GSK's volume growth has continued to remain sluggish over the past 8-9 quarters, which has led to time correction in the stock price over the past said time period. Compared to other staple companies, GSK trades at a valuation discount of ~20% to comparable companies. We believe, this valuation gap will continue till GSK does not clock mid to high single digit volume growth. We assign 30x FY19E EPS to arrive at a target price of INR5,657. We maintain **'HOLD'** and rate it **'Sector Underperformer'**.

Chart 1: One-year forward P/E

Source: Edelweiss research

Chart 2: Net sales growth

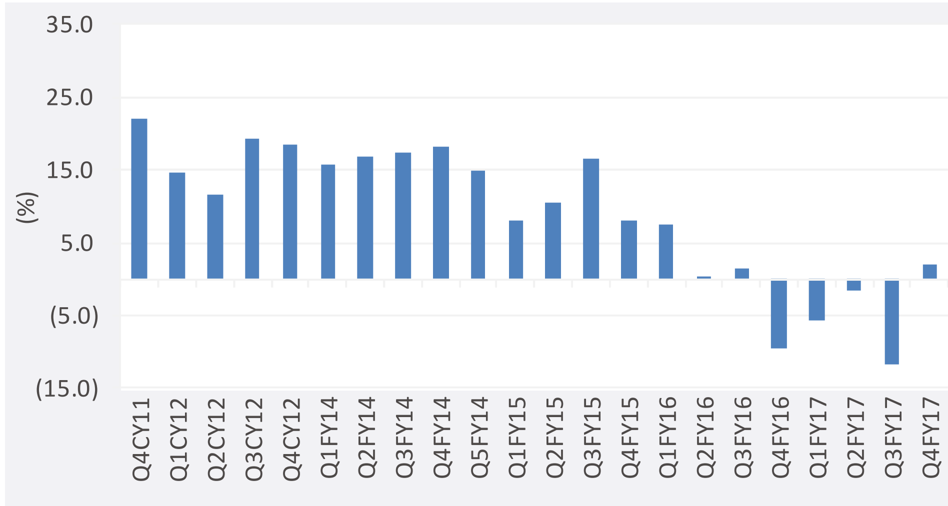


Chart 3: Regional split of revenue (%)

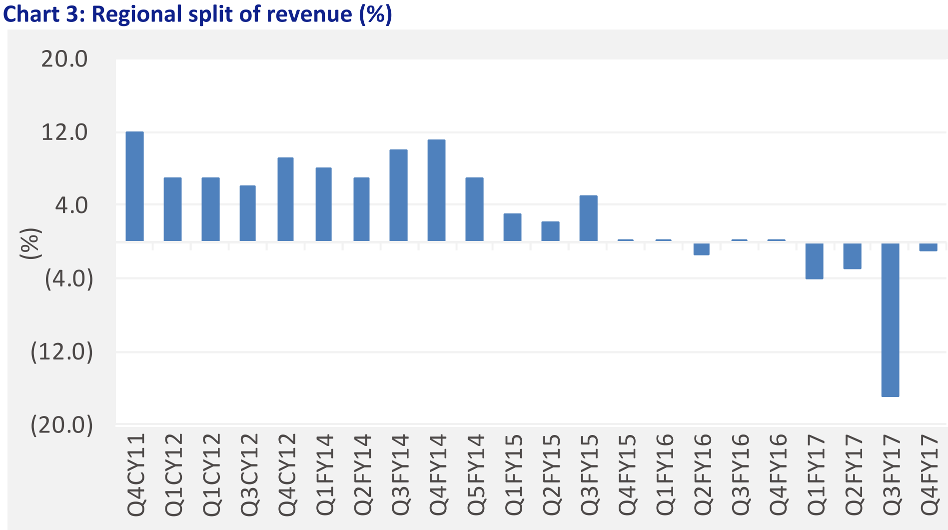
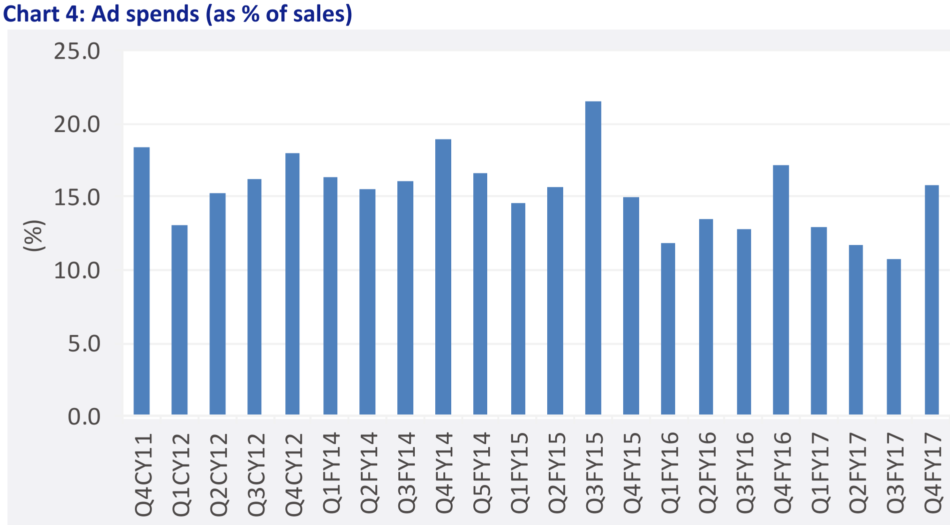
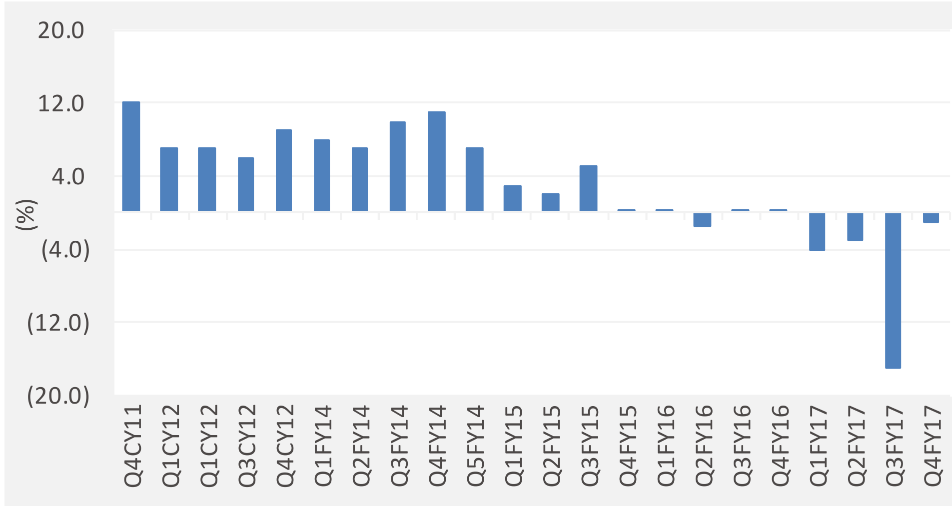


Chart 4: Ad spends (as % of sales)



Source: Company, Edelweiss research

Chart 5: Domestic volume growth (%)



Source: Company, Edelweiss research

Financial snapshot **(INR mn)**

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	10,418	10,217	*2.0*	8,219	*26.8*	37,740	40,172	44,187
Other operating income	601	557	*7.7*	385	*55.9*	2,125	2,391	2,750
Total operating Income	11,019	10,774	*2.3*	8,604	*28.1*	39,865	42,563	46,936
Cost of goods sold	3,764	3,457	*8.9*	2,771	*35.8*	12,969	13,777	15,080
Advt. sales & promotions	1,735	1,553	*11.7*	924	*87.8*	5,147	5,544	6,098
Employee expenses	1,036	1,428	*(27.4)*	1,067	*(2.9)*	4,580	4,921	5,435
Other expenses	2,312	2,198	*5.2*	2,165	*6.8*	8,833	9,481	10,472
Total expenditure	8,848	8,636	*2.5*	6,927	*27.7*	31,530	33,722	37,085
EBITDA	2,171	2,139	*1.5*	1,677	*29.4*	8,335	8,841	9,851
Depreciation	177	146	*21.3*	171	*3.7*	642	699	805
EBIT	1,994	1,993	*0.1*	1,506	*32.4*	7,694	8,142	9,046
Other income	710	501	*41.7*	559	*26.9*	2,439	2,811	3,166
Interest	9	3	*234.6*	6	*38.1*	28	12	12
Add: Prior period items								
Add: Exceptional items								
Profit before tax	2,695	2,491	*8.2*	2,059	*30.9*	10,105	10,941	12,200
Provision for taxes	936	869	*7.7*	695	*34.6*	3,537	3,829	4,270
Minority interest								
Reported net profit	1,759	1,622	*8.4*	1,364	*28.9*	6,567	7,112	7,930
Adjusted Profit	1,759	1,622	*8.4*	1,364	*28.9*	6,567	7,112	7,930
Diluted shares (mn)	42	42		42		42	42	42
Adjusted Diluted EPS	41.8	38.6	*8.4*	32.4	*28.9*	156.2	169.1	188.6
Diluted P/E (x)	-	-		-		33.6	31.0	27.8
EV/EBITDA (x)	-	-		-		22.8	21.2	18.8
ROAE (%)	-	-		-		25.3	24.2	23.8
COGS	34.2	32.1		32.2		32.5	32.4	32.1
Employee cost	9.4	13.3		12.4		11.5	11.6	11.6
Other expenses	21.0	20.4		25.2		22.2	22.3	22.3
Adv. & sales promotions	15.7	14.4		10.7		12.9	13.0	13.0
EBITDA	19.7	19.8		19.5		20.9	20.8	21.0
EBIT	18.1	18.5		17.5		19.3	19.1	19.3
PBT	24.5	23.1		23.9		25.3	25.7	26.0
Reported net profit	16.0	15.1		15.9		16.5	16.7	16.9
Tax rate	34.7	34.9		33.8		35.0	35.0	35.0

Company Description

GSK is a leading healthcare company in India with GlaxoSmithKline, UK, as parent. It is India's leading health food drinks manufacturer with growing presence in categories like biscuits, noodles, snacks, sports drinks, glucose powder and OTCs. The company has manufacturing facilities in Nabha (Punjab), Rajamundry (Andhra Pradesh) and Sonepat (Haryana). It has a strong marketing and distribution network in India with direct coverage of over 750,000 retail outlets.

Investment Theme

GSK Consumer's broad product portfolio provides a good play on Indian processed food spending by virtue of its strong presence in under-penetrated and high-growth categories. Its positioning on the 'health and wellness' platform backed by strong brand image of key brand Horlicks is progressive. This, combined with demonstrated ability to enter new categories and continuous innovations, justifies robust growth and rerating of the stock over the past five years. However, further rerating of the stock is unlikely after the successful open offer.

Key Risks

Raw material price inflation

With milk powder, milk and malt extract being major cost drivers for GSK, food inflation is one of the key risks faced by the company. In the past one year, at the wholesale level, milk prices surged 20%.

Competition getting stiffer

The processed food sector is growing significantly and all multinational as well as domestic companies are aggressively innovating and enhancing efforts to increase contribution from this segment. This aspect makes competition stiffer in this segment as companies have to innovate towards product development.

Competition to HFDs from other categories

The malted health food drink category is still at low penetration levels and faces resistance from categories like tea, coffee, juices and breakfast cereals.

Product failure

Apart from HFD, new products face greater risk of failure. Horlicks Chill Doodh and Lucozade have failed to make an impact in the market.

Economic slowdown

Urban sales contribute 60-65% to revenue. A slowdown in economic growth may negatively affect the company's business.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	69.0	69.0
Company				
Other op income growth	18.1	5.2	12.5	15.0
Gwth in Malt Based Food	5.0	(7.1)	6.0	10.0
Growth in packaged foods	(20.4)	(1.0)	7.5	10.0
Milk powder (% of COGS)	17.9	19.1	18.9	19.0
Milk Fluid (% of COGS)	7.6	8.2	8.1	7.8
Malt (% of COGS)	16.2	17.1	16.9	16.6
Flour Wheat (% of COGS)	5.0	5.2	5.2	5.1
A&P as % of sales	13.2	12.9	13.0	13.0
Tax rate (%)	34.9	35.0	35.0	35.0
Capex (INR mn)	402	1,178	2,008	2,000
Debtor days	28	29	27	27
Inventory days	126	130	120	110
Payable days	210	242	225	200
Cash conversion cycle	(56)	(83)	(78)	(63)
Dividend payout	51.6	44.8	40.0	40.0

Income statement **(INR mn)**

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	39,342	37,740	40,172	44,187
Other Operating Income	2,021	2,125	2,391	2,750
Total operating income	41,363	39,865	42,563	46,936
Materials costs	13,435	12,969	13,777	15,080
Gross profit	27,927	26,896	28,787	31,856
Employee costs	5,050	4,580	4,921	5,435
Other Expenses	9,055	8,833	9,481	10,472
Ad. & sales costs	5,441	5,147	5,544	6,098
EBITDA	8,382	8,335	8,841	9,851
Depreciation	574	642	699	805
EBIT	7,807	7,694	8,142	9,046
Add: Other income	2,775.1	2,438.8	2,811.26	3,166.01
Less: Interest Expense	23	28	12	12
Profit Before Tax	10,560	10,105	10,941	12,200
Less: Provision for Tax	3,685	3,537	3,829	4,270
Reported Profit	6,875	6,567	7,112	7,930
Adjusted Profit	6,875	6,567	7,112	7,930
Shares o /s (mn)	42	42	42	42
Adjusted Basic EPS	163.5	156.2	169.1	188.6
Diluted shares o/s (mn)	42	42	42	42
Adjusted Diluted EPS	163.5	156.2	169.1	188.6
Adjusted Cash EPS	177.1	171.4	185.7	207.7
Dividend per share (DPS)	70.0	70.0	67.6	75.4
Dividend Payout Ratio(%)	51.6	44.8	40.0	40.0

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Materials costs	32.5	32.5	32.4	32.1
Ad. & sales costs	13.2	12.9	13.0	13.0
EBITDA margins	20.3	20.9	20.8	21.0
EBIT margins	18.9	19.3	19.1	19.3
Net Profit margins	16.6	16.5	16.7	16.9

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	-	(3.6)	6.8	10.3
EBITDA	14.4	(0.6)	6.1	11.4
Adjusted Profit	17.7	(4.5)	8.3	11.5
EPS	17.7	(4.5)	8.3	11.5

Balance sheet (INR mn)

As on 31st March	FY16	FY17	FY18E	FY19E
Share capital	421	421	421	421
Reserves & Surplus	24,036	27,072	30,771	34,894
Shareholders' funds	24,456	27,493	31,191	35,315
Long Term Liabilities	2,295	2,295	2,295	2,295
Def. Tax Liability (net)	(1,125)	(1,278)	(1,278)	(1,278)
Sources of funds	**25,627**	**28,510**	**32,208**	**36,332**
Gross Block	10,995	12,195	14,195	16,195
Net Block	4,828	5,418	6,719	7,913
Capital work in progress	514	492	500	500
Intangible Assets	32	-	-	-
Total Fixed Assets	5,374	5,910	7,219	8,413
Non current investments	929	929	929	929
Cash and Equivalents	27,123	30,557	32,979	35,340
Inventories	4,616	4,611	4,529	4,545
Sundry Debtors	3,542	3,211	3,149	3,472
Loans & Advances	825	825	825	825
Other Current Assets	1,455	1,455	1,455	1,455
Current Assets (ex cash)	10,438	10,102	9,958	10,297
Trade payable	7,852	8,604	8,492	8,263
Other Current Liab	10,385	10,385	10,385	10,385
Total Current Liab	18,237	18,989	18,877	18,648
Net Curr Assets-ex cash	(7,799)	(8,887)	(8,920)	(8,351)
Uses of funds	**25,627**	**28,510**	**32,208**	**36,332**
BVPS (INR)	581.5	653.7	741.7	839.7

Free cash flow (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Reported Profit	6,875	6,567	7,112	7,930
Add: Depreciation	574	642	699	805
Interest (Net of Tax)	11	15	7	7
Others	(1,629)	2,138	2,396	2,754
Less: Changes in WC	108	(1,088)	(33)	568
Operating cash flow	5,723	10,450	10,247	10,929
Less: Capex	402	1,178	2,008	2,000
Free Cash Flow	**5,322**	**9,272**	**8,239**	**8,929**

Cash flow metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	5,723	10,450	10,247	10,929
Investing cash flow	(1,569)	(1,178)	(2,008)	(2,000)
Financing cash flow	(2,792)	(3,558)	(3,426)	(3,818)
Net cash Flow	1,363	5,714	4,813	5,110
Capex	(402)	(1,178)	(2,008)	(2,000)
Dividend paid	(3,543)	(3,531)	(3,414)	(3,806)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	30.2	25.3	24.2	23.8
ROACE (%)	46.4	39.0	37.3	36.7
Inventory Days	126	130	120	110
Debtors Days	28	29	27	27
Payable Days	210	242	225	200
Cash Conversion Cycle	(56)	(83)	(78)	(63)
Current Ratio	2.1	2.1	2.3	2.4

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	1.7	1.5	1.4	1.4
Fixed Asset Turnover	8.5	7.8	7.0	6.4
Equity Turnover	1.8	1.5	1.5	1.4

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	163.5	156.2	169.1	188.6
Y-o-Y growth (%)	*17.8*	*(4.5)*	*8.3*	*11.5*
Adjusted Cash EPS (INR)	177.1	171.4	185.7	207.7
Diluted P/E (x)	32.1	33.6	31.0	27.8
P/B (x)	9.0	8.0	7.1	6.2
EV / Sales (x)	4.7	4.8	4.4	3.9
EV / EBITDA (x)	23.1	22.8	21.2	18.8
Dividend Yield (%)	1.3	1.3	1.3	1.4

Peer comparison valuation

	Market cap	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
Name	(USD mn)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
GlaxoSmithKline Consumer Healthcare	3,427	31.0	27.8	21.2	18.8	24.2	23.8
Colgate	4,266	37.5	33.0	23.9	20.8	55.4	53.4
Dabur	7,614	33.8	28.9	29.0	24.4	27.5	27.7
Hindustan Unilever	32,909	43.7	37.7	30.1	25.8	103.3	107.2
ITC	52,207	26.9	23.2	17.5	14.8	31.1	31.2
Nestle Ltd	10,270	46.4	37.0	26.4	21.2	41.9	42.3
Median	-	35.7	31.0	25.1	21.0	36.5	36.8
AVERAGE	-	36.6	31.3	24.7	21.0	47.2	47.6

Source: Edelweiss research

Additional Data

Directors Data

Mr. Subodh Bhargava	Chairman	Mr. Manoj Kumar	Managing Director
Mr. Kunal Kashyap	Director	Mr. P. Dwarakanath	Director
Mr. Anup Dhingra	Director	Mr. Vivek Anand	Director & CFO
Mr. Naresh Dayal	Director	Mr. Mukesh H. Butani	Director
Ms. Sangeeta Talwar	Director	Mr. Joaquim Mascaro	Director

Auditors - Price Waterhouse - Chartered Accountants

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
ICICI Prudential Asset Mgmt Co	3.20	Life Insurance Corp Of India	1.39
UTI Asset Management Co	0.78	Vanguard Group Inc	0.77
Birla Sun Life Asset Management	0.67	Pinebridge Investments Ireland	0.54
HSBC	0.47	Wasatch Advisors Inc	0.41
SBI Funds Management	0.35	Sundaram Asset Management Co	0.33

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
30 Nov 2016	Blackrock Global Opportunitiesequity Trust	Sell	284334.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Asian Paints	BUY	SO	M	Bajaj Corp	HOLD	SU	H
Berger Paints	BUY	SO	L	Britannia Industries	BUY	SO	L
Colgate	HOLD	SP	M	Dabur	BUY	SO	M
Emami	BUY	SO	H	GlaxoSmithKline Consumer Healthcare	HOLD	SU	M
Godrej Consumer	BUY	SO	H	Hindustan Unilever	HOLD	SP	L
ITC	BUY	SO	M	Marico	BUY	SO	M
Nestle Ltd	HOLD	SP	L	Pidilite Industries	BUY	SO	M
United Spirits	HOLD	SP	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=HEAD RESEARCH, cn=ADITYA NARAIN, serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, postalCode=400005, 2.5.4.20=3dc92af943d52d778c99d69c48a8e0c89e548e5001b4f8141cf423fd58c07b02, st=Maharashtra
Date: 2017.05.12 17:07:16 +05'30'

Coverage group(s) of stocks by primary analyst(s): Consumer Goods

Asian Paints, Bajaj Corp, Berger Paints, Britannia Industries, Colgate, Dabur, Godrej Consumer, Emami, Hindustan Unilever, ITC, Marico, Nestle Ltd, Pidilite Industries, GlaxoSmithKline Consumer Healthcare, United Spirits

Recent Research

Date	Company	Title	Price (INR)	Recos
11-May-17	**Asian Paints**	Volumes back on track; margin hiccup; *Result Update*	1,166	Buy
09-May-17	**Godrej Consumer Products**	Hair care adds bright hue; margin sustains robust run; *Result Update*	1,929	Buy
08-May-17	**Emami**	Lacklustre show; FY18 hinges on innovation, distribution; *Result Update*	1,085	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

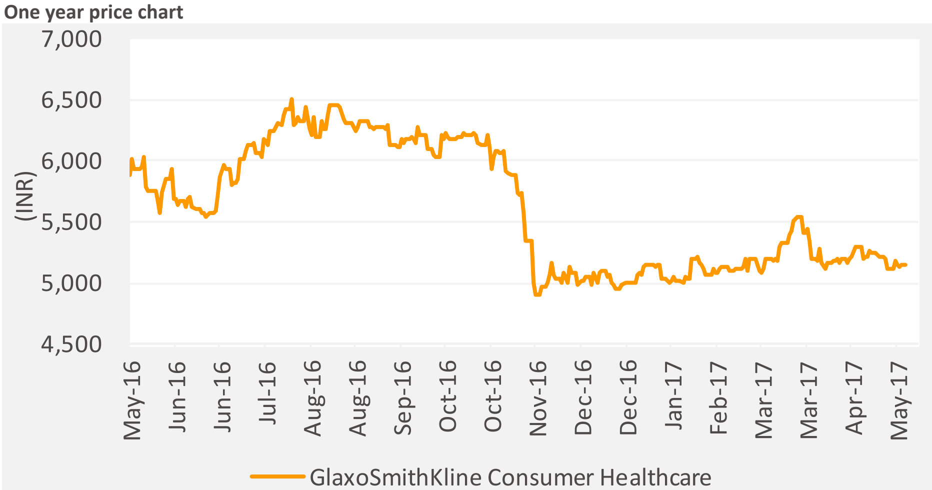
* 1stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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