COMPANY UPDATE

# NESTLE

## Innovation, the driving mantra

India Equity Research| Consumer Goods

**We attended Nestle's analyst meet. Our conviction on Nestle strengthening volume led growth remains strong as seen in our earlier interaction *(Innovation: Change is the only constant)* with Mr. Suresh Narayanan, MD & Chairman. Towards double digit growth (volume led), it is strengthening positioning of existing brands, enhancing penetration and is in quest of constant innovation and renovation (43 launches over Jan 2016-May 2017). GST transition has been smooth with sales and billing starting right from Day 1. Going ahead, Nestle will emerge one of the key beneficiaries of the pickup in urban demand (~75% salience). Maintain 'HOLD'.**

### New launches well received, existing brands holding forth

Nestle's new launches have accounted for 1/4th of revenue growth. Of 43 new launches, 36 were in the value-up or mainstream category which will aid premiumization. Some of the launches which have done well are ***Nestle Munch Nuts, Kitkat Duo, Maggi Hot Heads, Maggi No Onion No Garlic, Masala of India, Nestle Ceregrow, Nan and Milo***. *Everyday Masala Fusion and Sunrise Insta filter* have not seen desired traction. Existing portfolio is cementing Nestle's leadership - No. 1 in 5 of 9 categories (No. 2 in rest). **Key global categories for Nestle like water, coffee machine and pet care are being evaluated for launch in India**. Due to GST, Nestle has passed on 8% price cut in milk, and 1-2% in cereals and sauces; price hikes have yet to be taken.

### Renewed focus on A&P spends, E Commerce

Nestle's A&P spends rose by just 5.9% YoY in H1CY17 due to step up of its digital initiative which is 35-40% cheaper than TV ad spends. Nestle is working closely with many e-commerce players to strengthen its play **(tied up with Amazon for launch of its new range of *Maggi* noodles – *Nutri Licious*)**

### Outlook and valuations: Recovering lost ground; maintain 'HOLD'

Nestle's focus on innovation, market share, premiumisation and increased penetration will propel volume-led growth. Factoring in the above, we raise CY18E PE multiple to 45x (42x earlier) and arrive at TP of INR7,039 (earlier INR6,902). At CMP, the stock is trading at 42.2x CY18E. Maintain **'HOLD/SP'**.

**Financials**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Revenues (INR mn) | 81,233 | 91,592 | 103,854 | 120,920 |
| *Rev. growth (%)* | *(17.2)* | *12.8* | *13.4* | *16.4* |
| EBITDA (INR mn) | 16,466 | 18,603 | 20,698 | 25,239 |
| Adjusted Profit (INR mn) | 10,641 | 9,573 | 12,057 | 15,082 |
| Adjusted Diluted EPS (INR) | 110.4 | 99.3 | 125.1 | 156.4 |
| *EPS growth (%)* | *(9.6)* | *(10.0)* | *26.0* | *25.1* |
| Diluted P/E (x) | 59.8 | 66.5 | 52.8 | 42.2 |
| EV/EBITDA (x) | 37.8 | 33.1 | 29.6 | 24.1 |
| ROAE (%) | 37.6 | 32.8 | 38.4 | 44.1 |

**EDELWEISS 4D RATINGS**

| | |
|---|---|
| **Absolute Rating** | **HOLD** |
| Rating Relative to Sector | Performer |
| Risk Rating Relative to Sector | Low |
| Sector Relative to Market | Underweight |

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

| | |
|---|---|
| CMP | : INR 6,603 |
| Target Price | : INR 7,039 |
| 52-week range (INR) | : 7,062 / 5,656 |
| Share in issue (mn) | : 96.4 |
| M cap (INR bn/USD mn) | : 637 / 9,435 |
| Avg. Daily Vol.BSE/NSE('000) | : 42.5 |

**SHARE HOLDING PATTERN (%)**

| | Current | Q4FY17 | Q3FY17 |
|---|---|---|---|
| Promoters * | 62.8 | 62.8 | 62.8 |
| MF's, FI's & BK's | 7.2 | 7.5 | 6.8 |
| FII's | 12.6 | 12.5 | 13.3 |
| Others | 17.5 | 17.2 | 17.2 |

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

**PRICE PERFORMANCE (%)**

| | Stock | Nifty | EW Consumer goods Index |
|---|---|---|---|
| 1 month | (3.0) | (0.6) | (0.6) |
| 3 months | 0.3 | 5.0 | 2.2 |
| 12 months | (3.0) | 14.1 | 15.7 |

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August 28, 2017

## Invigorating Mantra: Ramp up volumes, sustain profitability

Volumes grew by strong 26.2% YoY in CY16, albeit on very low base (owing to the *Maggi* imbroglio in the base) with **each segment showing turnaround in sales volume**. This was achieved as focus was clearly on brand extensions, new products launches, and raising the innovation quotient. During the analyst meet, **Nestle enunciated its plan to sharpen focus on achieving double digit growth, primarily driven by volumes**. Ergo, Nestle will be gunning for volumes and market share. As regards further pruning of SKUs, that is largely over.

**Table 1: Growth across segments**

| | CY05 | CY06 | CY07 | CY08 | CY09 | CY10 | CY11 | CY12 | CY13 | CY14 | CY15 | CY16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Milk Products & Nutrition** | | | | | | | | | | | | |
| Volume growth (% YoY) | 2.7 | 2.9 | 5.4 | 10.1 | 13.1 | 7.6 | 2.5 | (5.1) | (1.1) | (2.3) | (2.7) | (1.5) |
| Price growth (% YoY) | 6.1 | 6.3 | 16.3 | 11.7 | 5.4 | 11.6 | 17.8 | 21.4 | 6.7 | 15.0 | 4.9 | 0.9 |
| **Beverages** | | | | | | | | | | | | |
| Volume growth (% YoY) | (1.6) | (9.2) | 7.9 | 0.0 | (3.1) | 13.2 | 0.9 | (5.0) | 9.3 | (11.0) | (10.3) | 1.3 |
| Price growth (% YoY) | 12.1 | 14.4 | 10.6 | 10.9 | 3.6 | (1.2) | 17.8 | 10.6 | 7.9 | 13.7 | 11.2 | (3.1) |
| **Prepared dishes and cooking aids** | | | | | | | | | | | | |
| Volume growth (% YoY) | 8.5 | 20.0 | 24.8 | 30.1 | 21.7 | 24.4 | 13.2 | 8.0 | 3.8 | 3.7 | (59.5) | 73.0 |
| Price growth (% YoY) | 9.9 | (0.7) | 4.6 | 3.5 | 4.3 | 3.9 | 10.3 | 4.4 | 7.0 | 5.8 | 9.5 | 74.9 |
| **Chocolate & confectionary** | | | | | | | | | | | | |
| Volume growth (% YoY) | 11.3 | 15.8 | 17.6 | 12.4 | 9.7 | 21.2 | (1.5) | (9.4) | (2.2) | (12.1) | (19.5) | 7.7 |
| Price growth (% YoY) | (0.3) | 2.3 | 6.1 | 6.3 | 3.5 | 4.3 | 14.4 | 17.3 | 12.4 | 10.8 | 10.1 | 6.6 |

*Source: Company, Edelweiss research*

In its quest to clock double-digit volume growth, Nestle has been looking at sustaining robust consumer insights-led new product launches across segments, prioritised digital engagements and enhanced media responsiveness. During Jan 2016 to May 2017, the company launched 43 new products, with more slated to hit the markets soon. This is envisaged to keep volume growth ticking. Deeper penetration and frequency of consumption will also drive volume spurt going ahead. **In our view, rising penetration and frequency** will contribute 50% to **Nestle's revenue growth over next few years.**

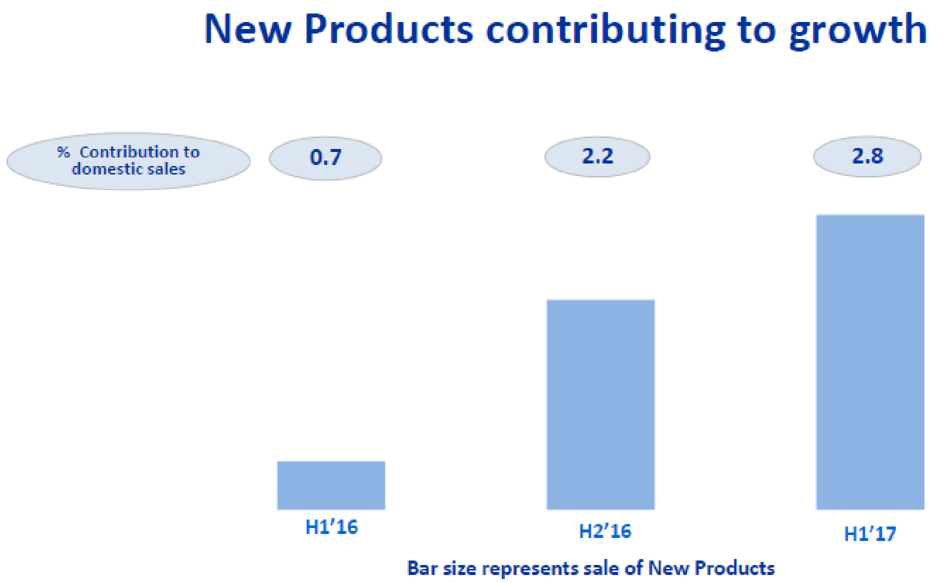
**Table 2: Penetration in key categories of presence remains low**

| Category | Penetration |
|---|---|
| Noodles | High double digit |
| Coffee | High double digit |
| Dairy Whitener | High single digit |
| Ketchup | High double digit |

*Source: Company, Edelweiss research*

Overall growth for Nestle has been getting secular in nature. Initial signs of revenue momentum ticking from new launches are already visible with ~25% of growth coming from new products. We believe such encouraging response to innovation will see proportion of new products sustaining going ahead. Noodles accounted for another 25% growth, with balance 50% growth contributed by non-noodles portfolio.

**Fig. 1: Increasing contribution from new products**




*Source: Company, Edelweiss research*

Drawing vital lessons from the *Maggi issue*, management has recalibrated its systems and processes to make the organisation more agile, hasten product launches, enhance inventory management and consumer engagements, among others. **To elucidate, the company is focused on cutting costs by reducing processes by 30-40% and curbing time spent on meetings by 50% and instead focus on improving productivity of employees**.

**Fig. 2: Nestle's driving mantra**

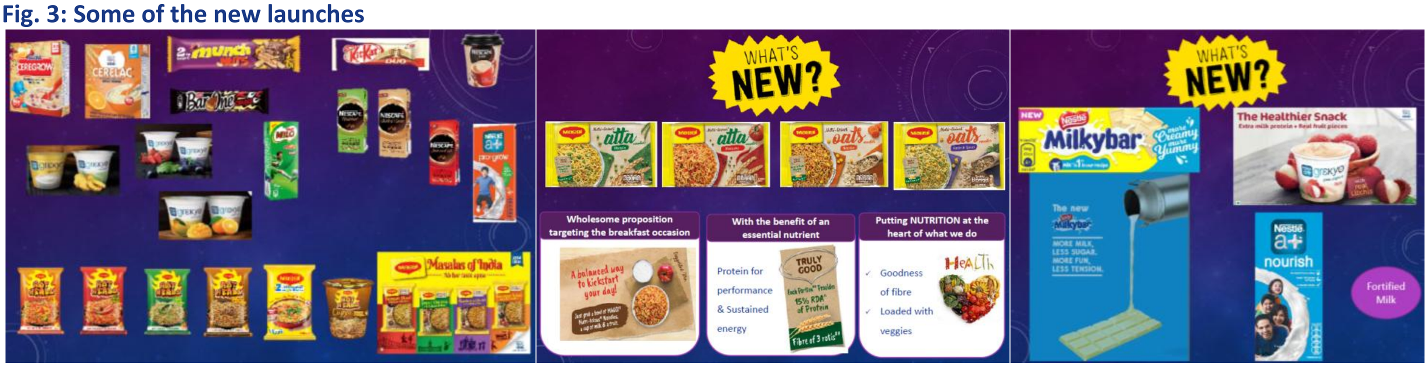

*Source: Company, Edelweiss research*

## Innovations, renovations drive to continue

Between Jan 2016 - May 2017, Nestle launched 43 new products across segments with many more new products in the pipeline. While new launches were made across categories, 36 of them were in the mainstream or value-up category (premium category). These new launches were undertaken in line with unique customer-centric initiatives on digital, on-ground activation as well as Nestle's aspiration to emerge as a leading nutrition, health and wellness (NHW) player. Some of the new launches included: (i) relaunch of atta and oats noodles that can provide 15% of protein on daily basis, launched in mexican, masala, and herbs & spices variants; (ii) relaunched *Milky* bar targeting kids with more milk (~37% more) and less sugar proportion; (iii) *Grekyo* with litchis; and (iv)fortified milk.

Nestle is positioned to chart new course with its new launches. Capital employed is also appropriately allocated based on market segment and opportunity available. For instance Nestle is spending 32% of its capital towards products fit for an aspirational segment which constitutes 41% of population, whereas it spends 27% and 26% towards the seeking (27% of population) and deprived (26% of population) segments, respectively.

**Fig. 3: Some of the new launches**

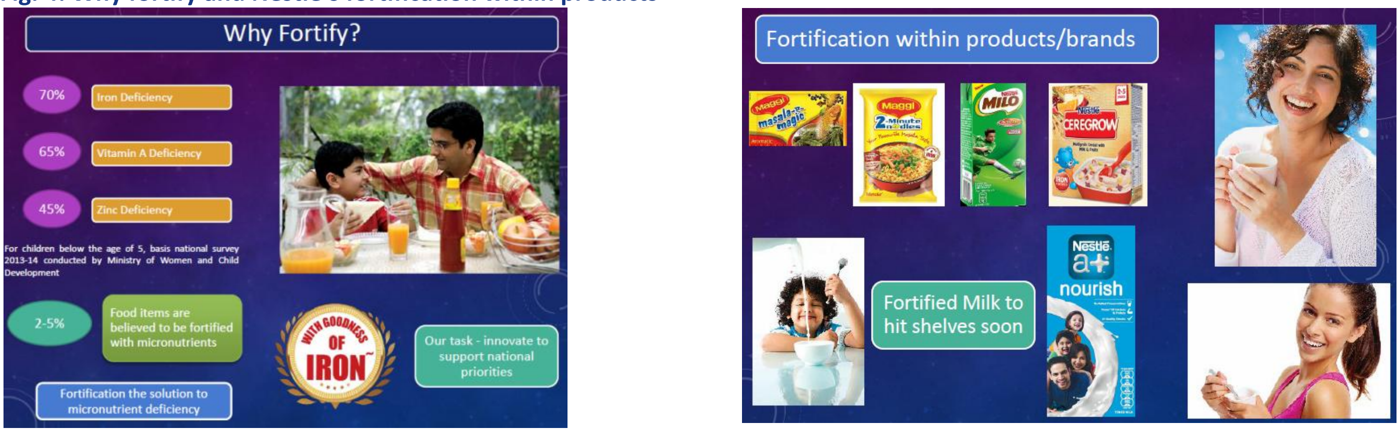



*Source: Company, Edelweiss research*

Most of the new launches have done well and company has called out that they have not writen off on any of these new launches. **Amongst others, the launches which have done well are *Nestle Munch Nuts, Kitkat Duo, Maggi Hot Heads, Maggi No Onion No Garlic, Masala of India, Nestle Ceregrow, Nan and Milo*. *Everyday Masala Fusion* and *Sunrise Insta filter* have not seen desired traction.**

Pioneering in NHW segment, Nestle is focused on launching fortified products too which shall help manage malnutrition. Today only 2-5% food items are fortified with micronutrients. The company has added iron to its *Maggi* noodles, while *Masala Magic, Milo* and *Ceregrow* too are fortified. Nestle will be also launching a fortified milk very soon.

**Fig. 4: Why fortify and Nestle's fortification within products**

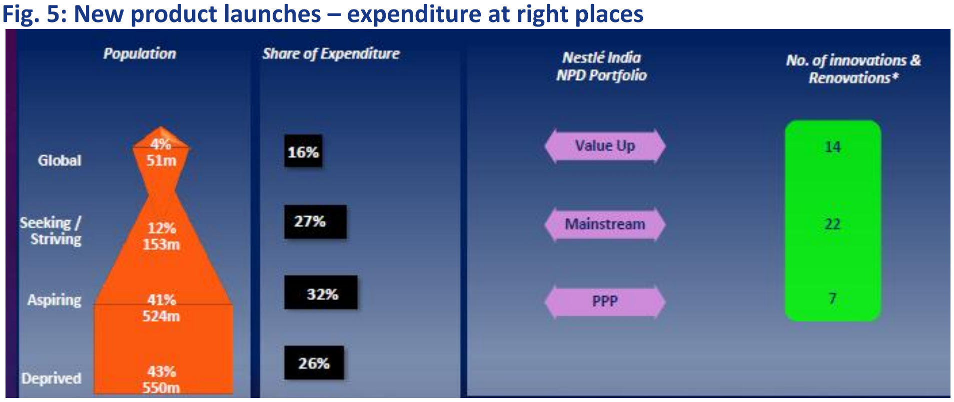



*Source: Company, Edelweiss research*

Nestle India accounts for mere ~2% of the parent's global turnover, but the parent's commitment to the Indian entity is high with the level of empowerment, initiative and freedom is equally strong. We believe parent's focus and unwavering commitment to India has not and will not change in future as well. Post the *Maggi* episode and consequent changes, global senior management is not only looking at India more positively but plans to enhance the parent's investments here.

With Nestle's R&D centre located at Manesar, India, they have been able to bring Nestle's global R&D closer to India. Nestle's global R&D network and India R&D team have been working cohesively to develop winning concepts suited to local consumers.

**Fig. 5: New product launches – expenditure at right places**




*Source: Company, Edelweiss research*

Management is seized of the fact that among the new launches some products may work, while others could fail. Hence, the **company will be devoting resources towards products that have the potential to emerge winners on both national and regional scale**. Thus, going forward, Nestle will step-up its advertisement spends to support new launches.

As for venturing into new categories, Nestle would enter categories with global presence. Key global categories for Nestle are water, coffee machine and pet care – all of these may not necessarily be for India however these are on the radar and will evaluate pollination of the same.

Even as Nestle is focused on innovation and renovation, it has never dithered from its core. It has continued to strengthen or maintain existing market share and positioning. Nestle is market leader in 5 out of 9 segments and a strong second in remaining categories.

**Fig. 6: Brand strength and market position**

| Category | Brand | YTD (Jan-Jun 2017) | MAT (Jul'16-June'17) | Nestlé's Position |
|---|---|---|---|---|
| Instant Noodles | Maggi | 59.5 | 58.7 | 1 |
| Ketchups & Sauces | Maggi | 24.3 | 24.4 | 2 |
| Instant Pasta | Maggi | 65.2 | 61.4 | 1 |
| Infant Formula | LACTOGEN NAN | 40.5 | 40.9 | 2 |
| Infant Cereals | CERELAC | 96.5 | 96.4 | 1 |
| Tea Creamer | EveryDay | 45.4 | 45.7 | 1 |
| Chocolates | Nestle | 14.6 | 14.5 | 2 |
| *White & Wafers* | KitKat, Munch, Milkybar | 62.6 | 62.5 | 1 |
| Instant Coffee | NESCAFE | 47.3 | 47.2 | 2 |

*Source: Company, AC Nielsen, Edelweiss research*

## All inclusive domestic sales growth

As mentioned earlier, H1CY17 growth was secular with the non-*Maggi* portfolio contributing 50%, *Maggi* accounting for 25% and new launches contributing the balance 25% to growth.

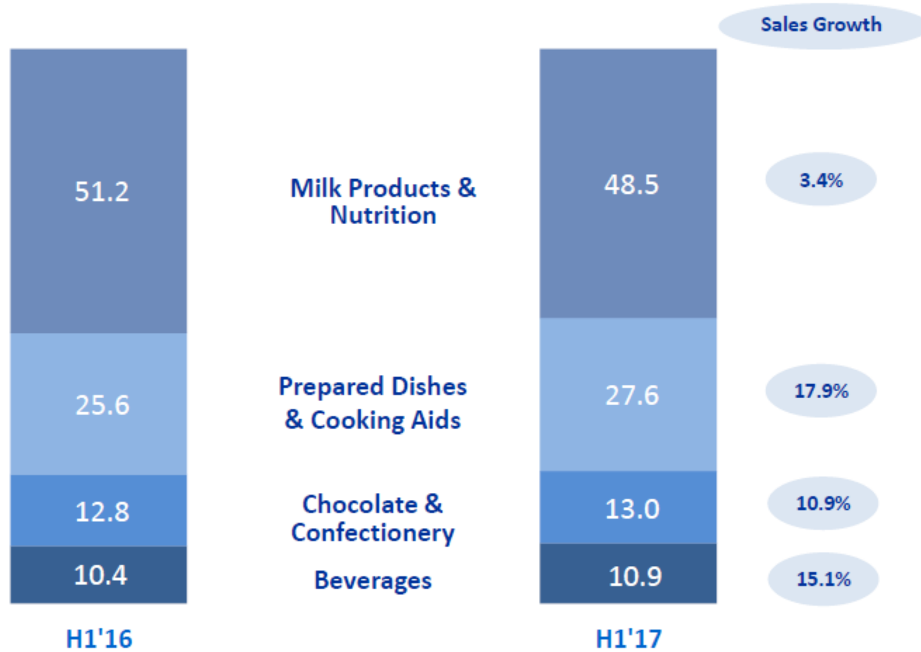
**Fig. 7: H1CY17domestic value growth snapshot**

| | |
|---|---|
| Reported Growth (%) | 9.3 |
| Maggi Noodles | 2.8 |
| New Products | 2.4 |
| Rest of the Portfolio | 4.1 |

*Source: Company, Edelweiss research*

With no volume growth in milk and nutrition category (largely a sectoral issue rather than Nestle specific), revenue mix of the category was under 50 – 48.5% versus 51.2% in H1CY16.

**Fig. 8: Contribution to domestic sales by category**




*Source: Company, Edelweiss research*

**Milk Products and distribution**

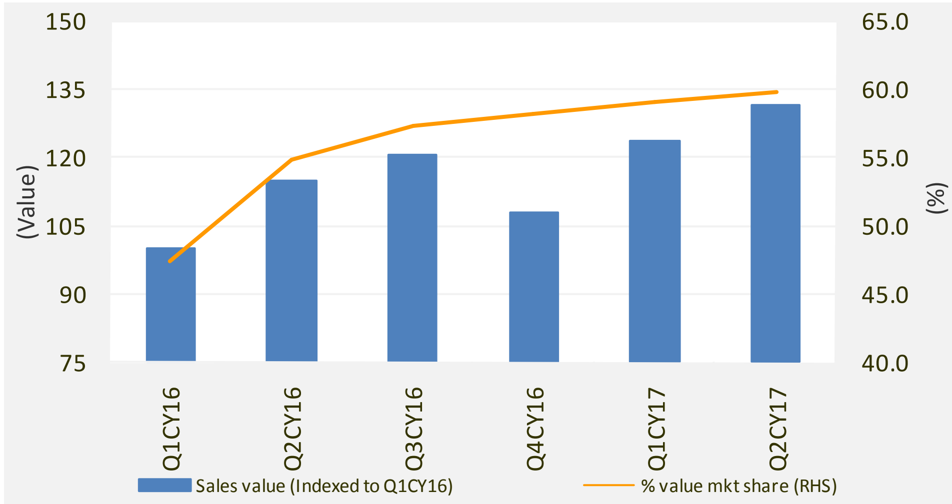
The reporting period for this category saw negative 0.2% YoY volume growth and 3.4% YoY value growth. Nestle saw strong growth in *NAN* and *Milkmaid*. However, overall growth was impacted by availability of surplus fat.

**Prepared Dishes &Cooking Aids**

This category saw stellar 16.1% / 17.9% YoY volume and value growth, respectively. This was aided by improving market share, re-stabilising *Maggi* and introduction of premium range of products.

Clearly, *Maggi* is back albeit not to its historical high market share (~75%), but has managed to touch 60% MS levels from 47.5% as at Q1CY16. This was achieved through launch of *Maggi Hot Heads*, *Maggi No Onion No Garlic Masala* and *Maggi Cuppa Chilly Chow.* Nestle has also managed to gain further traction in the premium *Maggi* segment. The *Maggi* sauces range has also seen expansion with launch of *Maggi Masala Sauce,* which promises the signature *Maggi Masala* taste in tomato sauce.

**Chart 1: Sales, market share evolution –*Maggi* noodles**




*Source: Company, Edelweiss research*

**Chocolates and Confectionary**

The segment saw strong growth in *KitKat* and *Munch* (most distributed brand in India) with focus on value-up and mainstream segments. This category for Nestle grew by 5.7% YoY and 10.9% YoY in volume and value terms, respectively. Going forward, Nestle plans to strengthen its positioning in all 3 chocolate brands and is looking at using one of them for value-added/premium segment.

**Beverages**

This was the best performing segment in terms of volumes (24.7% YoY growth), however, high promotional intensity kept value growth under control (grew 15.1% YoY). Nestle continued to see good growth in *Nescafe* and good growth was influenced by introduction of *Nestle* and *Milo RTD*.

## Expansion through e-commerce

With the strong advent of digital marketing and e-commerce platforms, Nestle is also focusing on these avenues of marketing and promotion to foster next leg of growth. Nestle has worked with many players like Amazon, Big Basket, Snapdeal and Grofers to strengthen its e-commerce play. Overall e-commerce market to grow exponentially by ~6x from USD5.3bn to USD32bn over FY14 to FY20 and further expects overall e-commerce market to contribute ~5% to overall FMCG industry sales by FY20. While some traction has already been achieved, a lot more needs to be done. **Recently, Nestle tied up with Amazon for launch of its new range of *Maggi* noodles – *Nutri Licious,* which is available exclusively on Amazon from August 20, 2017**.

**Fig. 9: Nestle's tie up with Amazon for its Maggi Nutri Licious launch**

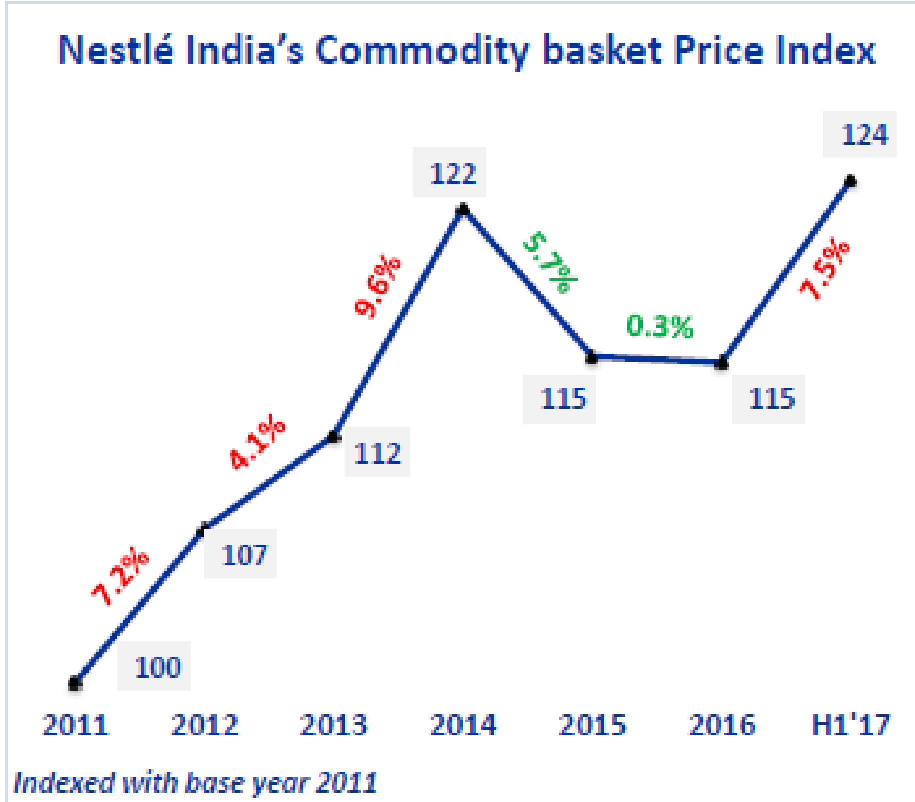

*Source: Company, Edelweiss research*

## A&P strategy to suit the need of the hour

While H1CY17 saw Nestle's A&P spends rise by just 5.9% YoY, that was not solely owing to cut on ad spends but rather a result of dynamically reworking its A&P strategy to suit the underlying trend. While Nestle will continue to invest both in new product launches and existing brands, the same will be done by **stepping up its digital initiative which is also 35-40% cheaper than TV ad spends**. Spend on digital media, which was under 5% few years back, now stands at ~15% since the target customer for most brands are millennials who are easily found on digital platform. Nestle has also set up its own digital content studio.

Going forward, ~20-25% of ad spends would be for new launches. However, will it exert further pressure on EBITDA margins – the answer is not clearly a Yes. While A&P spends may put some pressure there are other initiatives including saving on raw material costs, building more efficiencies, closer look at improving asset turnover and driving efficiency which will partially bring some savings too. Nestle has already saved ~200bps on raw material side during CY14-16, despite its commodity basket price index increasing by 7.5% in H1CY17 over CY16. Overall, such measures will ensure there's no major impact on EBITDA margins which are compressed slightly.

**Fig. 10: Nestle India's commodity basket price index**




*Source: Company, Edelweiss research*

## Smooth transition to GST regime

Nestle has >3,500 suppliers, over 1,600 distributors and serves >1mn outlets. Transitioning to GST was not the only step that Nestle had to take, but it had to educate and make its trade partners aware and rewire more than 150 processes. It undertook an awareness program and engaged thoroughly with all trade channel partners. An **outcome was seamless transition with sales and billing starting right from Day 1 and distributors migrated successfully by Day 3.** There are some operating issues, which the company expects will get resolved and has a mechanism in place to cope up with them.

**Like other staple companies, Nestle too has borne the brunt of de-stocking from wholesale as well as CSD while transitioning to GST – it lost 200bps growth due to GST transitioning**. Henceforth, Nestle believes since its reliance on wholesalers is lower comparatively the aftermath would be lower. Reported sales might only look lower (by ~500-550bps) owing to the way sales would be reported in GST era.

Changes in GST rates for Nestle has been a mixed bag with rates increasing in categories like confectionary, coffee while reducing for dairy and infant cereals. Nestle has taken the required price cuts wherever it has gained from rate reduction; however price hikes have yet to be taken. Nestle has announced 8% price cut in milk, and 1-2% in cereals and sauces.

**Table 3: Items where GST rates are higher than VAT rates**

| Product groups | Min GST rate (%) | Max GST rate (%) |
|---|---|---|
| Milk products and Nutrition | 5.0 | 28.0 |
| Prepared dishes and Cooking aids | 5.0 | 18.0 |
| Chocolate and Confectionary | 18.0 | 28.0 |
| Beverages | 12.0 | 28.0 |

*Source: Company, Edelweiss research*

## Ramping up its Distribution and Merchandising strategy too

Nestle reaches to >4mn outlets, of which >1mn are directly served. Post the *Maggi* issue the company enhanced its reach by 0.6mn outlets. One of Nestle's mantra has been is to increase volumes through deeper penetration. This it plans to do by increasing on-ground activations. Nestle conveyed in its analyst meet that 'out of home consumption' is becoming one of the strongest growth driver in India and it plans to ramp up its *Maggi* and RTD portfolios through it – has created *Maggi Hotpots* and incremental Nestle centers at various railway platforms. Nestle has also increased its visibility at store levels by 50% and set business-wise coverage targets.

## Danone turning aggressive in India: A cause for concern for dairy and infant nutrition players?

- Danone will be launching 10 new products in the dairy and nutrition space in CY17 (including products such as drinking water, MFD, etc).
- Recently, the company launched its global product in infant formula, *Aptamil* (first infant milk) which is almost double the price of Nestle's *Ceregrow*.
- Danone will be launching more products for children with congenital metabolism problems. The company will also launch *Neocate,* an amino-acid based infant formula. These formulas are suitable for dietary management of CMA, multiple food protein intolerance and other conditions that require an elemental formula.
- In baby nutrition, Danone already has strong presence with brand *Farex* (12% share in infant food).
- Danone is also looking for entry in malt-based nutrition drink targeted towards teenagers. The company is present in the supplement category with brand *Protinex* (45% share in protein supplement).
- The company targets to double revenue in India by 2020 and apart from dairy the key area of focus will be nutrition to drive the same.
- Danone has strong presence in yogurt in India in the dairy segment.
- India remains a key strategic market for Danone. Certainly, competition will increase for players such as Nestle, Abbott, GSK Consumer, etc. It will be difficult in baby nutrition to gain share as advertising is not permitted and hence doctor advocacy will be required. Health drinks have already seen a lot of competition from the likes of Patanjali, Hershey's, etc., and hence entry of Danone will intensify it further.
- On dairy front, Danone is one of the leading dairy players in the world and hence there is high scope that it will get new products from its global portfolio. However, sourcing is important in dairy segment and hence only value-added products do not create a significant advantage. Already many players in India are entering the value-added dairy segment.

**Fig. 11: Aptamil**


*Source: Company*

## Nestle's recent new launches

**Edel Product check | After 7 years, Nestle *Milo* is back in India!**


- Nestle has re-launched its malt-based health drink, *Milo*. We had earlier highlighted that Nestle is likely to re-launch *Milo* (notes appended).
- This time round the company has yet to launch the product in malted drink powder format, but has launched in the ready-to-drink (RTD) format with low sugar levels.
- We believe it is a good strategy to launch the product in RTD format with low sugar levels (given India is the Diabetes Capital of the World) as the powder format is already very competitive and hardly seeing volume growth since past 8 quarters. Patanjali has also entered the HFD space with *Powervita*. Sri Sri's *Ojasvita* is also present here.
- Re-entry of *Milo* is likely to further impact growth rates of GSK Consumer. We reiterate our Under Performer rating on GSK Consumer.
- Earlier, Nestle had entered the RTD market with *Nescafe* (in 3 flavours) and received good response.
- We believe that *Milo* has the recipe for success considering its positioning, health aspect (lower sugar levels), on-the-go format with RTD, urban positioning and a good brand. However, the company will need to invest in the brand to bring back excitement in consumers. We also see this re-launch as a likely precursor to the launch of *Milo* in powder format.
- *Milo* is the market leader in Indonesia and Malaysia with more than 80% market share in HFD.
- This product was taken off the shelf by Nestle ~7years ago from India.
- Nestle had discontinued sales of *Milo* in India due to dropping sales and loss of market share to *Horlicks*, *Boost*, *Bournvita* and *Complan*.
- Entering the RTD format is smart innovation as no other malted food drink brand is present in this segment. However, *Hershey's* is present in RTD format also. Amul has*Cavin* milk shakes in RTD format.

- Earlier, in 2009, Nestle had test marketed the RTD format for *Milo* but was not successful. This time we believe the market has evolved, especially in terms of RTD, as already other players like Hershey's, Danone, Amul, Cavin, Prabhat,etc are present and have created a market.

**Edel Product check | Nestle to fight cup-a-soup with cup-a-licious**

- Nestle has made a comeback in the instant soup segment with brand *Maggi Cup-a-licious*.
- Earlier, Nestle had exited this segment as it was present with brand *Maggi Healthy Soup*.
- Nestle's*Cup-a-licious* takes less than 1 minute to prepare as the content of the soup is only required to be added to hot water.
- Also, to differentiate, Nestle has launched the product in different unique 6 flavours. Some of them are dal shorba with roasted garlic, green pea with coriander, cream of corn with pepper, etc.


- HUL is the leader in this instant soup category with its brand,*Knorr Cup-a-soup*.
- Nestle has priced this product at INR15 for 15gm for all its flavours. *Knorr* is priced at INR10,but grammage differs as per the flavour. For instance, *Knorr Instant Mixed Vegetable Cup-a-soup* is priced at INR10 for 11gm. Thus, Nestle is at ~9-10% premium on effective basis.
- We like this strategy of Nestle to refocus on emerging categories in packaged foods. The company has done more than 25 launches in past 2 quarters and the pace of innovation is still on. Launching a product at a premium price point but offering unique flavours brings in the differentiation.

**EDEL product check: Nestle enters ready breakfast cereal market with launch of Nestle CEREGROW**

✓ Nestle has **introduced nutritious & tasty breakfast cereal for children between 2-5 years by launching Nestle *Ceregrow***.


✓ *Ceregrow* has inbuilt goodness of multigrain cereals, milk and an assortment of fruits. It is also fortified with 15 vitamins and minerals including iron.

✓ It is a ready-to-prepare cereal which can be used only by adding lukewarm water.

✓ **Product is priced at INR250 for 300gm.**

✓ Product highlights that its usage will suffice 17% of child's daily iron requirement as well as 25% of a child's daily requirement of Vitamins A, C & D and calcium.

✓ **In our view, this is a differentiated and niche product addressing kids' market on health positioning**.

✓ According to India Breakfast Cereal Market Overview, India's breakfast cereal market has been growing at a CAGR of 22.1% in past 5 years, with ~75% market share captured by Kellog's India, Bagrry and PepsiCo *(source – Businesswire)*. However, none of the aforementioned companies have products specifically focusing on breakfast for children in the 2-5 years age group. Hence, we believe this can create a new market in itself.

✓ This product, riding on health and wellness platform, will also drive premiumisation and brand presence.

- ✓ Nestle already has ***Nestle Baby & me*** (nutritional supplement for pregnant and breastfeeding mothers) and ***Nestle Neslac*** (nutritious milk for growing kids)**.** We believe this is great product positioning which will complete Nestle's positioning in overall child health and nutrition.

**Table 4: Trends at a glance**

| | Q4CY14 | Q1CY15 | Q2CY15 | Q3CY15 | Q4CY15 | Q1CY16 | Q2CY16 | Q3CY16 | Q4CY16 | Q1CY17 | Q2CY17 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Exports growth(% YoY) | 17.9 | 19.2 | (12.7) | (6.4) | (2.2) | (4.8) | 7.0 | 5.1 | 7.9 | 0.6 | (12.0) |
| Net domestic sales growth (% YoY) | 11.3 | 7.6 | (20.6) | (33.8) | (24.0) | (8.7) | 17.5 | 37.9 | 16.9 | 9.4 | 8.4 |
| Net sales growth (% YoY) | 11.7 | 8.4 | (20.1) | (32.1) | (22.6) | (8.4) | 16.7 | 35.1 | 16.2 | 8.7 | 6.9 |
| Gross margin (%) | 55.7 | 57.8 | 56.3 | 57.4 | 58.8 | 57.2 | 58.2 | 58.3 | 58.0 | 56.1 | 55.1 |
| EBITDA margin(%) | 22.1 | 24.2 | 19.6 | 15.3 | 18.5 | 22.8 | 19.9 | 19.7 | 18.3 | 21.2 | 19.1 |
| Tax Rate (%) | 33.8 | 34.2 | (16.3) | 30.8 | 28.5 | 38.4 | 30.2 | 32.1 | 40.4 | 31.8 | 33.2 |
| Other Expenses (% of Sales) | 25.0 | 24.9 | 26.5 | 27.5 | 27.4 | 23.7 | 27.0 | 27.3 | 27.3 | 25.2 | 25.6 |
| COGS (% of Sales) | 44.3 | 42.2 | 43.7 | 42.6 | 41.2 | 42.8 | 41.8 | 41.7 | 42.0 | 43.9 | 44.9 |

*Source:Company, Edelweiss research*

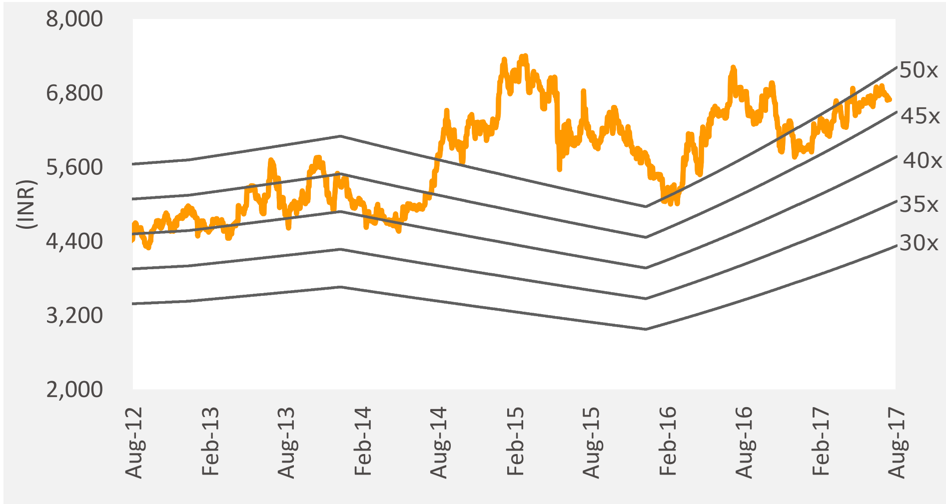
## Outlook and valuations: Improving; maintain 'HOLD'

Nestle has gained sustainable market share post re-launch of Maggi backed by introduction of new variants and deepening reach. Maggi's share in instant noodle space jumped to ~60% as at CY16 from 51% in March 2016 (48% in February 2016). However, it is lower than ~75% it enjoyed in pre-crisis period, and we believe it will be an uphill task to regain lost ground hereon, though it will continue to improve gradually. But, for management, the *Maggi* issue is now a thing of the past and Nestle is focusing on growth in various categories by stepping-up aggression in new launches, promotions and enhancing penetration. Noodles segment has crossed the pre-*Maggi* fiasco size, highlighting the fact the growth is back to normal in this category. The company has upped the ante with new launches such as 4 variants of *Maggi* noodles -*Maggi Masalas of India*, *Alpino* new flavours, *Milo* in RTD format, *Munch Nuts, Kitkat Duo, Nestle a+ Grekyo, Nescafe* ready-to-drink cold coffee and *Nescafe Sunrise Insta* filter coffee. It is also investing in the same via advertisements, which is encouraging. We also like its strategy to go online by tying up with big players Amazon, Snapdeal, Big Basket, PayTM, etc., which helps create excitement and awareness of new products.

Nestle's focus on innovations has sharpened manifolds—Mr. Narayanan highlighted that many products are at different stages of readiness for launch (more than 30 launches in past few months). He stressed on innovation, renovation and volume-based growth as being core business strategies. Hence, we are more confident on Nestle's comeback anchored by its new strategy of focusing on market share and volume growth, though we expect some near-term pressure on margins. Inflationary pressures in milk and milk substitutes may also act as near-term dampeners for margins. However, this could be overcome with Nestle's power to effect price hikes and premiumisation.

**<u>Success of new launches, entry in new segments, proactive management and further margin improvement led by premiumisation can potentially re-rate the stock to historical high P/E levels (45-50x).</u>** We remain positive on Nestle from 2-3 years' horizon, though we would closely track success of new launches, market share gains, raw material prices and competition's response. We raise our CY18E target multiple to 45x (42x earlier) and arrive at a target price of INR7,039 (earlier INR6,902). We maintain **'HOLD/Sector Performer'**.

**Chart 2: 1-year forward PE band**




*Source: Company, Edelweiss research*

## Company Description

Nestle, a 62.8% subsidiary of its parent Nestlé S.A. of Switzerland, is India's third largest FMCG company after HUL and ITC. The company set up its first factory at Moga, Punjab, to develop milk production. Over the years, Nestlé has set up seven factories across the country, and is now involved in manufacturing and marketing a range of quality products. It has well-established brands, including Maggi, Nescafe, Lactogen, KitKat, and Milkmaid. Nestlé enjoys leadership position in its core categories like baby foods, instant noodles, and instant coffee. It enjoys a distinct advantage over competitors in the F&B space on account of its strong focus on developing products around the nutrition, health, and wellness platform, and a culture of renovation and innovation in its offerings, backed by strong parent support.

## Investment Theme

Nestle India (Nestle) is one of the best plays on Indian processed food industry, which has multiple growth drivers in place, including low penetration levels, rising income levels, urbanisation, and changing lifestyle. Nestlé with established brands across food categories is expected to be a major beneficiary of this growth. The new MD has embarked on a journey of bringing back growth and has already taken significant corrective measures. After gaining back majority of the market share in Maggi the company is also focusing on new launches in other than noodles categories like dairy, chocolates and beverages. This will help in reviving growth in the other segments and will also reduce reliance on the noodles category. The likely introduction of new brands from the global portfolio and entry into new categories will be positive.

## Key Risks

**Sharp increase in input costs**

Sharp rise in the prices of its key inputs such as milk, wheat flour, edible oils, and sugar could impact margins adversely.

**Competition from new entrants**

ITC and Patanjali are the key aggressive players in the noodles category.

**Failure of new product launches**

Nestlé has launched premium variants in various categories such as chocolates, noodles, ketchup, and dairy products, which could hit margins, in case they do not click in the market.

# Financial Statements

**Key Assumptions**

| Year to December | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|
| **Macro** | | | | |
| GDP(Y-o-Y %) | 7.1 | 7.2 | 6.5 | 7.1 |
| Inflation (Avg) | 5.9 | 4.9 | 4.5 | 4.0 |
| Repo rate (exit rate) | 7.5 | 6.8 | 6.3 | 5.8 |
| USD/INR (Avg) | 61.1 | 65.0 | 67.5 | 66.0 |
| **Company** | | | | |
| **Revenue growth (Y-o-Y %)** | | | | |
| Volume growth (domestic) | (2.9) | (14.9) | 18.1 | 7.8 |
| Price change (domestic) | 11.6 | 7.3 | 0.8 | 6.1 |
| Milk prod,Nutri vol gr | (2.3) | (2.7) | (1.5) | 1.0 |
| Milk Prod,Nutri price gr | 15.0 | 4.9 | 2.5 | 4.0 |
| Beverages vols increase | (11.0) | (10.3) | 1.3 | 3.0 |
| Beverages price increase | 13.7 | 11.2 | (4.3) | 4.0 |
| Prepared dishes vol gr | 3.7 | (59.5) | 73.0 | 20.0 |
| Prepared dishes price gr | 5.8 | 9.5 | 1.1 | 10.0 |
| Chocolate vol gr | (12.1) | (19.5) | 7.7 | 10.0 |
| Chocolate price gr | 10.8 | 10.1 | (1.0) | 7.5 |
| Excise (% Gross Sales) | 3.2 | 3.6 | 3.5 | 3.6 |
| **EBITDA margin assumpn** | | | | |
| COGS as % of sales | 45.9 | 42.4 | 42.1 | 43.1 |
| Fresh milk as % of sales | 24.8 | 26.8 | 22.8 | 24.5 |
| Milk deriv as % of sales | 14.7 | 16.2 | 15.2 | 14.7 |
| Grain flour as % of sale | 9.9 | 5.5 | 9.0 | 9.3 |
| Edible oils as % of sale | 7.8 | 5.8 | 7.4 | 8.1 |
| Cofe & chic (% of sales) | 8.4 | 10.7 | 8.3 | 7.5 |
| Sugar as % of sales | 3.9 | 4.0 | 4.5 | 4.7 |
| Pack mat as % of sales | 16.8 | 15.8 | 17.1 | 17.6 |
| **Financial assumptions** | | | | |
| Tax rate (%) | 33.4 | 19.0 | 35.0 | 33.0 |
| Capex (INR mn) | 1,058 | 1,084 | 1,426 | 1,118 |
| Debtor days | 3 | 4 | 3 | 4 |
| Inventory days | 64 | 88 | 83 | 85 |
| Payable days | 55 | 77 | 73 | 75 |
| Cash conversion cycle | 12 | 14 | 14 | 14 |
| Int rate on debt (%) | 72.7 | 18.6 | 10.6 | 9.0 |
| Dividend payout | 51.3 | 83.0 | 65.6 | 66.0 |
| Yield on cash | 30.5 | 32.5 | 24.3 | 12.5 |

**Income statement** (INR mn)

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Net revenue | 81,233 | 91,592 | 103,854 | 120,920 |
| Other Operating Income | 520 | 645 | 808 | 955 |
| Operating Revenue | 81,753 | 92,237 | 104,662 | 121,875 |
| Materials costs | 34,689 | 38,797 | 45,122 | 52,380 |
| Gross profit | 47,064 | 53,441 | 59,539 | 69,495 |
| Employee costs | 9,128 | 10,734 | 11,943 | 13,664 |
| Other Expenses | 16,218 | 18,434 | 20,771 | 23,942 |
| Ad. & sales costs | 5,252 | 5,670 | 6,127 | 6,651 |
| EBITDA | 16,466 | 18,603 | 20,698 | 25,239 |
| Depreciation | 3,755 | 3,655 | 4,057 | 4,425 |
| EBIT | 12,711 | 14,949 | 16,641 | 20,813 |
| Add: Other income | 1,100.9 | 1,493.9 | 1,885.66 | 2,227.82 |
| Prov. for contingencies | 635 | 1,685 | 500 | 500 |
| Less: Interest Expense | 33 | 35 | 30 | 30 |
| Profit Before Tax | 13,145 | 14,723 | 17,996 | 22,511 |
| Less: Provision for Tax | 2,504 | 5,150 | 5,939 | 7,429 |
| Reported Profit | 5,633 | 9,265 | 12,057 | 15,082 |
| Exceptional Items | (5,008) | (308) | - | - |
| Adjusted Profit | 10,641 | 9,573 | 12,057 | 15,082 |
| Shares o /s (mn) | 96 | 96 | 96 | 96 |
| Adjusted Basic EPS | 110.4 | 99.3 | 125.1 | 156.4 |
| Diluted shares o/s (mn) | 96 | 96 | 96 | 96 |
| Adjusted Diluted EPS | 110.4 | 99.3 | 125.1 | 156.4 |
| Adjusted Cash EPS | 149.3 | 137.2 | 167.1 | 202.3 |
| Dividend per share (DPS) | 48.5 | 63.0 | 82.5 | 103.2 |
| Dividend Payout Ratio(%) | 83.0 | 65.6 | 66.0 | 66.0 |

**Common size metrics**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Materials costs | 42.4 | 42.1 | 43.1 | 43.0 |
| Staff costs | 11.2 | 11.6 | 11.4 | 11.2 |
| Ad. & sales costs | 6.4 | 6.1 | 5.9 | 5.5 |
| Depreciation | 4.6 | 4.0 | 3.9 | 3.6 |
| EBITDA margins | 20.1 | 20.2 | 19.8 | 20.7 |
| Net Profit margins | 13.0 | 10.4 | 11.5 | 12.4 |

**Growth ratios (%)**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Revenues | (17.2) | 12.8 | 13.4 | 16.4 |
| EBITDA | (21.6) | 13.0 | 11.3 | 21.9 |
| Adjusted Profit | (9.6) | (10.0) | 26.0 | 25.1 |
| EPS | (9.6) | (10.0) | 26.0 | 25.1 |

**Balance sheet** (INR mn)

| As on 31st December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Share capital | 964 | 964 | 964 | 964 |
| Reserves & Surplus | 27,214 | 29,173 | 31,681 | 34,818 |
| Shareholders' funds | 28,178 | 30,137 | 32,645 | 35,782 |
| Short term borrowings | 9 | - | 17 | 17 |
| Long term borrowings | 168 | 332 | 315 | 315 |
| Total Borrowings | 177 | 332 | 332 | 332 |
| Long Term Liabilities | 15,972 | 19,722 | 17,500 | 17,000 |
| Def. Tax Liability (net) | 1,729 | 1,542 | 1,542 | 1,542 |
| **Sources of funds** | **46,057** | **51,733** | **52,019** | **54,656** |
| Gross Block | 51,174 | 52,600 | 55,600 | 58,600 |
| Net Block | 28,979 | 27,295 | 26,237 | 24,812 |
| Capital work in progress | 2,308 | 1,882 | - | - |
| Total Fixed Assets | 31,286 | 29,176 | 26,237 | 24,812 |
| Non current investments | 3,418 | 4,743 | 4,743 | 4,743 |
| Cash and Equivalents | 14,827 | 21,550 | 24,864 | 28,547 |
| Inventories | 8,208 | 9,432 | 10,508 | 12,198 |
| Sundry Debtors | 784 | 979 | 1,095 | 1,275 |
| Loans & Advances | 2,134 | 1,921 | 1,921 | 1,921 |
| Other Current Assets | 147 | 258 | 258 | 258 |
| Current Assets (ex cash) | 11,274 | 12,590 | 13,781 | 15,652 |
| Trade payable | 7,435 | 7,992 | 9,272 | 10,763 |
| Other Current Liab | 7,313 | 8,335 | 8,335 | 8,335 |
| Total Current Liab | 14,748 | 16,327 | 17,607 | 19,098 |
| Net Curr Assets-ex cash | (3,474) | (3,737) | (3,826) | (3,447) |
| **Uses of funds** | **46,057** | **51,733** | **52,019** | **54,656** |
| BVPS (INR) | 292.2 | 312.6 | 338.6 | 371.1 |

**Free cash flow** (INR mn)

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Reported Profit | 5,633 | 9,265 | 12,057 | 15,082 |
| Add: Depreciation | 3,755 | 3,655 | 4,057 | 4,425 |
| Interest (Net of Tax) | 27 | 23 | 20 | 20 |
| Others | (1,629) | (1,725) | 510 | 510 |
| Less: Changes in WC | (3,196) | (3,442) | 2,633 | 1,379 |
| Operating cash flow | 10,981 | 14,659 | 14,011 | 18,658 |
| Less: Capex | 1,084 | 1,426 | 1,118 | 3,000 |
| **Free Cash Flow** | **9,897** | **13,232** | **12,893** | **15,658** |

**Cash flow metrics**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Operating cash flow | 10,981 | 14,659 | 14,011 | 18,658 |
| Investing cash flow | (705) | (1,274) | (1,118) | (3,000) |
| Financing cash flow | (4,983) | (6,666) | (9,580) | (11,975) |
| Net cash Flow | 5,293 | 6,719 | 3,314 | 3,683 |
| Capex | (1,084) | (1,426) | (1,118) | (3,000) |
| Dividend paid | (5,633) | (7,311) | (9,550) | (11,945) |

**Profitability and efficiency ratios**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| ROAE (%) | 37.6 | 32.8 | 38.4 | 44.1 |
| ROACE (%) | 48.5 | 55.9 | 58.4 | 66.7 |
| Inventory Days | 88 | 83 | 85 | 85 |
| Debtors Days | 4 | 3 | 4 | 4 |
| Payable Days | 77 | 73 | 75 | 75 |
| Cash Conversion Cycle | 14 | 14 | 14 | 14 |
| Current Ratio | 1.8 | 2.1 | 2.2 | 2.3 |
| Gross Debt/EBITDA | - | - | - | - |
| Gross Debt/Equity | - | - | - | - |
| Adjusted Debt/Equity | - | - | - | - |
| Net Debt/Equity | (0.5) | (0.7) | (0.8) | (0.8) |
| Interest Coverage Ratio | 386.4 | 425.9 | 554.7 | 693.8 |

**Operating ratios**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Total Asset Turnover | 1.8 | 1.9 | 2.0 | 2.3 |
| Fixed Asset Turnover | 2.7 | 3.3 | 3.9 | 4.8 |
| Equity Turnover | 2.9 | 3.2 | 3.3 | 3.6 |

**Valuation parameters**

| Year to December | CY15 | CY16 | CY17E | CY18E |
|---|---|---|---|---|
| Adj. Diluted EPS (INR) | 110.4 | 99.3 | 125.1 | 156.4 |
| *Y-o-Y growth (%)* | *(9.6)* | *(10.0)* | *26.0* | *25.1* |
| Adjusted Cash EPS (INR) | 149.3 | 137.2 | 167.1 | 202.3 |
| Diluted P/E (x) | 59.8 | 66.5 | 52.8 | 42.2 |
| P/B (x) | 22.6 | 21.1 | 19.5 | 17.8 |
| EV / Sales (x) | 7.7 | 6.7 | 5.9 | 5.0 |
| EV / EBITDA (x) | 37.8 | 33.1 | 29.6 | 24.1 |
| Dividend Yield (%) | 0.7 | 1.0 | 1.3 | 1.6 |

**Peer comparison valuation**

| | Market cap | Diluted P/E (X) | | EV / EBITDA (X) | | P/B (X) | |
|---|---|---|---|---|---|---|---|
| Name | (USD mn) | CY17E | CY18E | CY17E | CY18E | CY17E | CY18E |
| Nestle Ltd | 10,395 | 52.8 | 42.2 | 29.6 | 24.1 | 19.5 | 17.8 |
| GlaxoSmithKline Consumer Healthcare | 3,507 | 32.2 | 28.7 | 22.0 | 19.3 | 7.2 | 6.3 |
| Hindustan Unilever | 40,241 | 49.4 | 41.4 | 33.7 | 28.2 | 35.1 | 32.2 |
| ITC | 53,457 | 29.4 | 25.9 | 19.3 | 17.0 | 8.1 | 7.3 |

*Source: Edelweiss research*

# Additional Data

## Directors Data

| | | | |
|---|---|---|---|
| Mr. Suresh Narayanan | Chairman and Managing Director | Mr. Shobinder Duggal | Director - Finance & Control and CFO |
| Mr. Martin Roemkens | Director - Technical | Mr. R. V. Kanoria | Non-Executive and Independent Director |
| Mr. Ashok Kumar Mahindra | Non-Executive and Independent Director | Dr. Swati A. Piramal | Non-Executive and Independent Director |
| Ms. Rama Bijapurkar | Non-Executive and Independent Director | Dr. Rakesh Mohan | Non-Executive and Independent Director |

Auditors - A. F. Ferguson & Co.

**as per last annual report*

## Top 10 holdings

| | Perc. Holding | | Perc. Holding |
|---|---|---|---|
| Life Insurance Corp Of India | 5.02 | Arisaig Partners Asia Pte | 1.37 |
| Aberdeen Asset Managers LT | 1.04 | Blackrock Fund Advisors | 0.85 |
| Vanguard Group Inc | 0.84 | SBI Funds Management | 0.83 |
| Commonwealth Bank Of Australia | 0.50 | Franklin Resources | 0.47 |
| Capital Group Companies Inc | 0.35 | Axis Asset Management Co | 0.31 |

**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 |
|---|---|---|---|
| No Data Available | | | |

**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 | HOLD | SP | 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

Head of Research

aditya.narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=HEAD RESEARCH, cn=ADITYA NARAIN,
serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, postalCode=400005,
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st=Maharashtra
Date: 2017.08.28 10:46:55 +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-Aug-17 | **GSK Consumer** | Volumes resilient; market share loss a concern; *Result Update* | 5,325 | Hold |
| 09-Aug-17 | **Britannia Industries** | Decent show; Outlook promising; *Result Update* | 4,300 | Buy |
| 07-Aug-17 | **Berger Paints** | Skirts GST bumps; prospects intact; *Result Update* | 249 | Buy |

**Distribution of Ratings / Market Cap**

**Edelweiss Research Coverage Universe**

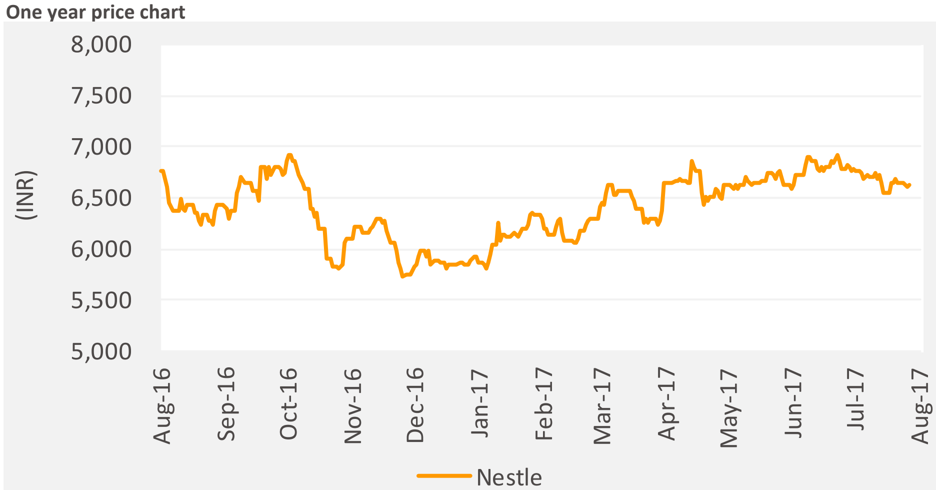
| | Buy | Hold | Reduce | Total |
|---|---|---|---|---|
| Rating Distribution*<br>* 1stocks under review | 161 | 67 | 11 | 240 |

| | > 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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