

BAJAJ CORP

Decent show; execution key

India Equity Research | Consumer Goods

Bajaj Corp's Q3FY18 revenue (up 11.3% YoY) and EBITDA (up 10.8% YoY) came in line, while PAT (down 4.6%) came below estimates owing to lower other income. Overall volumes grew 5.2% YoY on soft base of -6.5%. The 8.2% YoY jump in domestic volumes was encouraging; however, CSD (2.7% value decline) and international (44% value decline) businesses spoiled the show. Though *Nomarks* continued to remain soft with volumes dipping 7% YoY, the company's revamped distribution strategy has started bearing fruits. Bajaj Corp's GM jumped 349bps YoY owing to stocking up of LLP at lower cost and favourable mix change. Recovery of wholesale channel, new launches / relaunched and success of *Nomarks*' new strategy remain key monitorables. Maintain 'HOLD'.

Domestic volumes recover; gross margin expands

While Bajaj Corp's domestic volumes jumped 8.2% YoY, overall volumes grew 5.2% YoY owing to 44% dip in international business. Performance of *ADHO* and *Nomarks* was soft—up 4.5% and down 7% YoY, respectively. However, *Nomarks*' revamped distribution strategy has started gaining traction—*Nomarks* cream sales catapulted 111% YTD in HSM and 178% in UP market. **BAHO volumes grew 74.5% YoY largely on account of restage of BAHO with premium packaging.** In spite of LLP prices spiking 32% YoY, Bajaj Corp's GM expanded 349bps on better inventory purchase (LLP stocked up till March), favourable mix change and cooling vegetable oil prices (down 4.1% YoY).

Q3FY18 conference call: Key takeaways

Bajaj Corp wants to become a complete FMCG company by 2020. **Company will launch new product every quarter.** Bajaj Corp did not effect any price hike in Q3FY18, but may take a decision in March. **New launches planned are gross margin accretive and will be undertaken through direct distribution channel.**

Outlook and valuations: Recovery to be slow; maintain 'HOLD'

Volume growth has started to improve led by lower base, better monsoon, rural channel improving. We will keep a close watch on the proposed strategy for *Nomarks* and new launches / re-launches. Rolling forward to FY20, we estimate tad ~7% EPS CAGR over FY17-20 owing to EBITDA margins pressure and high tax rates. At CMP, the stock is trading at 28x FY20E EPS. We maintain 'HOLD/SU' with target price of INR543.

EDELWEISS 4D RATINGS	
Absolute Rating	HOLD
Rating Relative to Sector	Underperform
Risk Rating Relative to Sector	High
Sector Relative to Market	Underweight

MARKET DATA (R: BACO.BO, B: BJCOR IN)

CMP	: INR 507
Target Price	: INR 543
52-week range (INR)	: 525 / 341
Share in issue (mn)	: 147.5
M cap (INR bn/USD mn)	: 75 / 1,176
Avg. Daily Vol.BSE/NSE('000)	: 108.4

SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	66.9	66.9	49.3
MF's, FI's & BK's	5.0	5.2	8.3
FII's	24.4	23.9	17.5
Others	3.7	4.0	24.9
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer Goods Index
1 month	10.6	3.2	2.3
3 months	24.5	6.7	7.8
12 months	37.0	27.1	30.7

Abneesh Roy
 +91 22 6620 3141
 abneesh.roy@edelweissfin.com

Alok Shah
 +91 22 6620 3040
 alok.shah@edelweissfin.com

Rajiv Berlia
 +91 22 6623 3377
 rajiv.berlia@edelweissfin.com

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Financials

(INR mn)

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	FY17	FY18E	FY19E
Revenues	2,081	1,869	11.3	2,041	1.9	7,969	8,387	9,296
EBITDA	678	612	10.8	583	16.3	2,636	2,759	3,068
Adj. Profit	552	578	(4.6)	507	8.8	2,182	2,338	2,503
Adj Dil. EPS (INR)	3.7	3.9	(4.6)	3.4	8.8	14.8	15.9	17.0
Diluted P/E (x)						34.3	32.0	29.9
EV/EBITDA (x)						27.1	25.9	23.3
ROAE (%)						44.8	46.9	49.2

Table 1: Trends at a glance

(%)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Sales growth							
Overall	1.7	3.5	(4.7)	(2.0)	(3.1)	3.7	11.3
Volume growth							
Overall	0.8	(0.1)	(6.5)	(6.9)	(7.8)	5.1	5.2
ADHO	2.2	1.6	(4.2)	(7.1)	(6.6)	6.5	4.5
EBITDA margins	34.7	34.2	32.8	32.4	30.7	28.6	32.6
LLP Prices per kg	43.9	44.6	46.4	46.2	58.3	51.8	61.2
Vegetable Prices per kg	76.0	78.4	84.0	81.7	75.4	72.7	80.5

Source: Company, Edelweiss research

Bajaj Corp Q3FY18 conference call: Key takeaways

Volume growth: Bajaj Corp's overall volumes grew 5.17% YoY, whereas Almond Drop (ADHO) volumes grew 4.5% YoY in Q3FY18. Domestic volumes jumped 8.2%. LHO industry's volumes grew 2.3% YoY. LHO market is growing, but at a slower pace than THO; QoQ growth rates have dipped. Bajaj Almond Hair Drops volumes grew 3.7% YoY. Rural LHO's volumes rose 0.5% YoY. Hair oil segment has still not revived. Sachets segment is not growing; large SKUs, wherein margins are better, are contributing to growth. Growth in ADHO was soft owing to macros not supporting.

Strategy:

- Bajaj Corp wants to become a complete FMCG company by 2020.
- Keep working on innovation pipeline to tap into the whitespace opportunities in haircare and skincare.
- Keep driving momentum in MT channel and on enhancing direct distribution in rural.
- Improve sales mix further to get profitable volume driven growth.

Prices:

- Bajaj Corp did not effect any price hike in Q3FY18, but may take a decision in March as oil prices have increased.
- Gross margins improved also on back of company receiving more input tax credit under GST compared to the pre-GST era.

GST:

- Bajaj Corp believes that though things have settled down, there are still some issues like claiming refunds, filing claims etc; revenue on like-to-like basis jumped 10.8% YoY and domestic revenue rose 13% YoY.
- Refund for tax exempt geographies is now 58% of CGST less input tax credit taken. Thus, the company expects overall refund of ~INR45-50mn per quarter.

New launches: The new innovation/R&D facility in Mumbai has become operational and the company is targeting launch of one product every quarter going forward. A new product will

be launched in January 2018 end. The company's new launches will not be me-too products. New launches planned are gross margin accretive. Focus in new launches is to undertake more direct distribution.

Sales force automation: The company launched a sales force automation (SFA) programme under Project Saathi last year for better coverage and control on distribution. Currently, all 1,300 ISRs are under SFA (as on December 31). This has enabled seamless back-end integration of data. Bajaj Corp has had one of the fastest national roll outs in the FMCG space—six months versus industry norm of 1.5-2.0 years.

Market share and new product launch:

- Bajaj Corp's relative value market share in the LHO category has dipped a tad.

Channel-wise growth:

- General trade grew 14% YoY compared to 10% YoY in Q2FY18.

CSD: Revenues have declined by 2.7% YoY in Q3FY18 versus 20% decline in Q2FY18. The company is not sure if growth will revive in this channel, primarily due to changes underway in the procurement of products and also reduction in the number of outlets.

International business: Revenues declined 44% YoY largely led by MENA and Nepal. The company will undertake course correction at people and distribution levels.

Modern trade: This channel grew 13.8% YoY versus 22.8% YoY growth in Q2FY18. Modern trade accounts for 6-7% of the company's overall revenue.

COGS: During Q3FY18, average landed price of LLP increased to INR61.22/kg from INR46.37/kg in Q3FY17. The adjusted landed cost during the quarter was INR52.81/kg. Prices of refined oil fell to INR80.52/kg from INR83.97/kg in Q3FY17. The adjusted landed cost during the quarter was INR76.69/kg. Bajaj Corp's current stock will last till March 2018.

Margins: The company believes that the current 35% EBITDA margin is unsustainable and will dip going forward as ad spends increase.

A&P spends: Bajaj Corp is now increasing ad spends in new states & cities.

Nomarks: Nomarks has recorded growth for the first time in 2 years. Nomarks cream grew 111% YTD in HSM markets and 178% in pilot market UP. The brand has grown by 101% in the domestic market, but there has been a significant decline in the international market. The company is planning to speed up extension of pilot projects in the current quarter. The new strategy focuses more on the chemist channel—distributor margins, however, are higher in that segment.

Distribution network: The company reaches consumers through 3.8 lakh retail outlets serviced by 9,321 distributors and 20,328 wholesalers. It is targeting direct distribution of 0.75mn by FY18. In the future, direct distribution will play a larger role and Bajaj Corp has been increasing its direct distribution, especially in rural areas, to tap growth that will come in post the harvesting period.

Outlook and valuations: Recovery on the anvil; maintain 'HOLD'

Bajaj Corp is well placed in the high-growth LHO market with strong brand *Bajaj Almond Drops*, which enjoys ~60% value market share. Robust brand equity, undisputed leadership in the LHO market and volume growth, once it returns, will reinforce investors' belief in the company's potential. Pressure on the hair oil industry has been a concern, especially with rural growth rates coming off and intense competition.

We will closely monitor success of the new strategy for *Nomarks* of concentrating on creams and revamping the distribution network, which is currently being tested in one state at a time. We will also closely watch the restaging of new products—*BAHO* to start with new launches proposed every quarter. Incrementally, we expect rural growth to perk up on better state budgets. A new communication has been launched with a new brand ambassador to recoup growth.

LLP prices have started to rise and so price hikes hold key for margin sustenance. We will closely track raw material prices, which can have some impact on margin. With company's strategy of launching new products every quarter, re-staging products we assign P/E of 30x (earlier FY26x), roll over to FY20E EPS to arrive at revised target price of INR543 (earlier INR443). We maintain '**HOLD**' and rate the stock '**Sector Underperformer**' on relative returns basis.

Chart 1: 1-year forward PE



Source: Company, Edelweiss research

Chart 2: ADHO volume growth

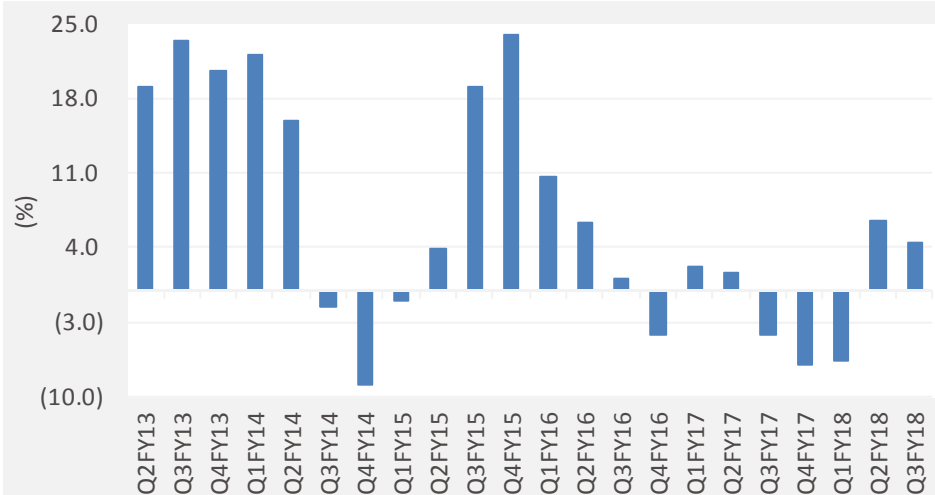


Chart 3: Overall volume growth (including Nomarks)

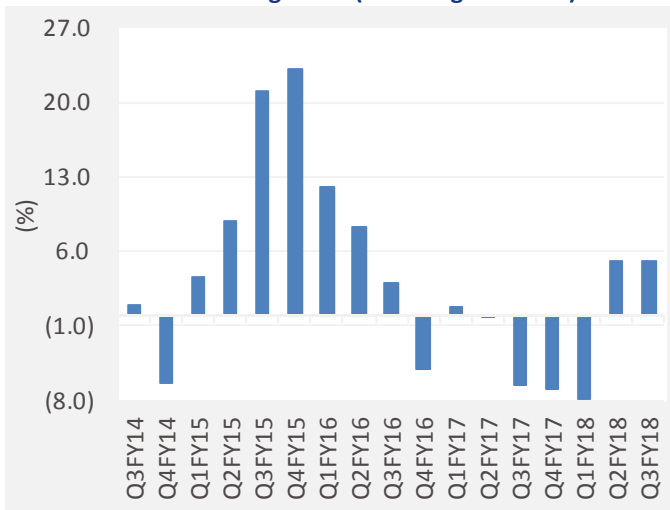


Chart 4: EBITDA margin

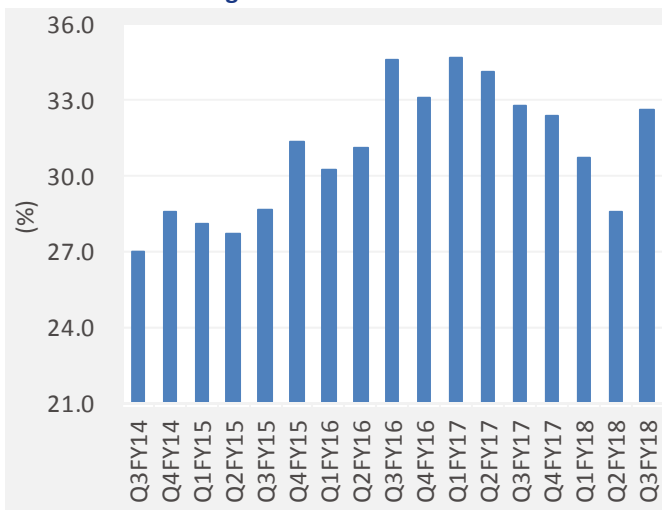
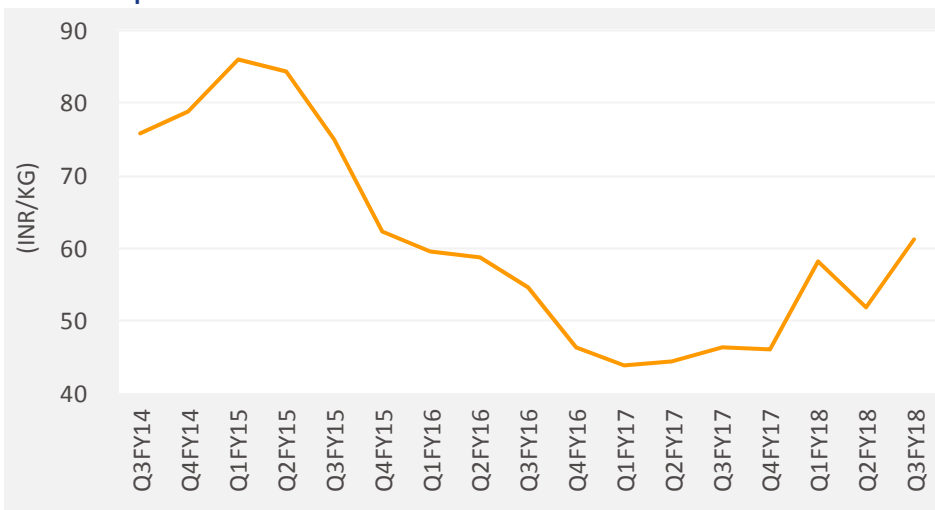
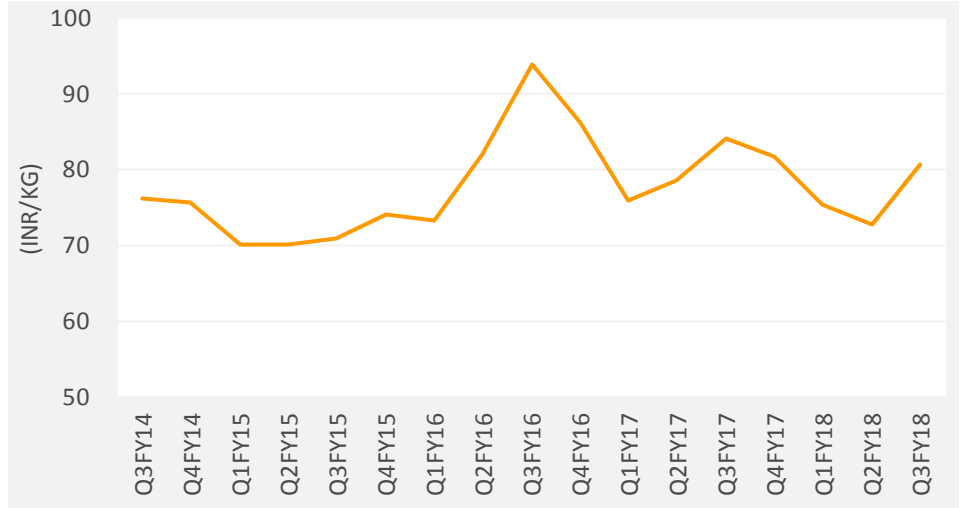


Chart 5: LLP prices



Source: Company, Edelweiss research

Chart 6: Vegetable oil prices



Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	YTD18	FY19E	FY20E
Net revenues	2,081	1,869	11.3	2,041	1.9	6,096	9,296	10,306
Staff costs	193	157	22.6	194	(0.7)	555	779	843
Cost of goods sold	644	644	0.0	673	(4.4)	2,005	3,123	3,472
Gross profit	1,437	1,225	17.2	1,368	5.0	4,091	6,173	6,834
Advt. sales & promotions	-	-		-		-	677	740
Other expenses	566	456	24.0	591	(4.2)	1,667	1,650	1,819
Total expenditure	758	613	23.7	784	(3.4)	2,222	3,105	3,401
EBITDA	678	612	10.8	583	16.3	1,868	3,068	3,433
Depreciation	19	13	50.7	16	20.5	50	73	82
EBIT	659	600	10.0	568	16.2	1,818	2,996	3,351
Other income	45	138	(67.4)	80	(43.7)	235	349	363
Interest	3	2	14.9	2	12.2	8	8	8
Add: Exceptional items								
Profit before tax	701	735	(4.5)	645	8.8	2,045	3,337	3,707
Provision for taxes	150	157	(4.4)	138	8.9	437	834	1,038
Minority Interest								
Reported net profit	552	578	(4.6)	507	8.8	1,609	2,503	2,669
Adjusted Profit	552	578	(4.6)	507	8.8	1,609	2,503	2,669
Diluted shares (mn)	148	148		148		148	148	148
Adjusted Diluted EPS	3.7	3.9	(4.6)	3.4	8.8	10.9	17.0	18.1
Diluted P/E (x)							29.9	28.0
EV/EBITDA (x)							23.3	20.9
ROAE (%)							49.2	51.4
COGS	31.0	34.4		33.0		32.9	33.6	33.7
Employee cost	9.3	8.4		9.5		9.1	8.4	8.2
Adv. & sales promotions							7.3	7.2
Other expenditure	27.2	24.4		28.9		27.3	17.7	17.6
EBITDA	32.6	32.8		28.6		30.6	33.0	33.3
PBT	33.7	39.3		31.6		33.5	35.9	36.0
Reported net profit	26.5	30.9		24.8		26.4	26.9	25.9
Tax rate	21.4	21.3		21.3		21.3	25.0	28.0

Company Description

Bajaj Corp (Bajaj) is part of the Shishir Bajaj Group of companies, one of India's leading producers of hair oil. Currently, it is the third largest producer of hair oils and is the leader in the light hair oil category with a volume market share of ~60%. The company, with its flagship brand Bajaj Almond Hair Oil, is the leader in the light hair oil category and because of its premium positioning commands one of the highest per unit prices in the industry. The company's reliance on this single product is high, which can be gauged from the fact that ~90% of the revenue comes from Bajaj Almond Drop which basically makes it a single brand company. Recently the company acquired NOMARKS and marked its entry into the anti marks category.

Investment Theme

Bajaj Corp., aided with its strong volume growth, aims to become the second largest player in the hair oil market within the next couple of years. The company is well placed in the LHO category with its flagship brand ADHO. It enjoys strong pricing power for its brands ADHO which it has achieved without losing on volumes. With its vast distribution network, the company has penetrated it well in both rural and urban areas. We remain positive from a longer term perspective but will keep a close watch on performance of its cooling oil, Kailash Parbat and Nomarks.

Key Risks

Excessive reliance on a single product ADHO that contributes ~90% of sales.

Raw material inflation may put pressure on margins.

Increased competition from existing players and threat of entry of new players.

Financial Statements

Key Assumptions

Year to March	FY17	FY18E	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.5	7.1	7.7	NA
Inflation (Avg)	4.8	5.0	5.2	NA
NA	6.3	6.3	6.3	NA
USD/INR (Avg)	67.5	67.0	67.0	NA
Company				
Revenue growth (Y-o-Y %)				
Volume growth %	(3.2)	2.9	5.8	5.8
Price hike	(5.1)	2.8	4.8	4.8
Capex (INR mn)	458	225	200	200
EBITDA margin assumpn				
COGS as % of sales	33.8	33.5	33.6	33.7
Staff costs (% of rev)	7.7	8.6	8.4	8.2
A&P as % of sales	7.7	7.3	7.3	7.2
Freight as a % of sales	3.8	4.0	4.0	4.0
Financial assumptions				
Debtor days	12	11	11	11
Inventory days	63	61	61	61
Payable days	55	55	55	55
Cash conversion cycle	20	17	17	17
Tax rate (%)	21.6	22.0	25.0	28.0
Dividend payout	93.5	96.0	96.0	96.0

Income statement

(INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Net revenue	7,948	8,362	9,269	10,275
Other Operating Income	20	25	28	31
Income from operations	7,969	8,387	9,296	10,306
Materials costs	2,691	2,810	3,123	3,472
Gross profit	5,278	5,577	6,173	6,834
Employee costs	614	719	779	843
Other Expenses	657	544	602	668
Ad. & sales costs	615	610	677	740
Freight and octroi	304	334	371	411
EBITDA	2,636	2,759	3,068	3,433
Depreciation	237	65	73	82
EBIT	2,399	2,694	2,996	3,351
Add: Other income	393.95	311.2	348.8	362.96
Less: Interest Expense	10	8	8	8
Profit Before Tax	2,782	2,997	3,337	3,707
Less: Provision for Tax	600	659	834	1,038
Reported Profit	2,182	2,338	2,503	2,669
Adjusted Profit	2,182	2,338	2,503	2,669
Shares o /s (mn)	148	148	148	148
Adjusted Basic EPS	14.8	15.9	17.0	18.1
Diluted shares o/s (mn)	148	148	148	148
Adjusted Diluted EPS	14.8	15.9	17.0	18.1
Adjusted Cash EPS	16.4	16.3	17.5	18.6
Dividend per share (DPS)	11.5	12.7	13.6	14.5
Dividend Payout Ratio(%)	93.5	96.0	96.0	96.0

Common size metrics

Year to March	FY17	FY18E	FY19E	FY20E
Materials costs	33.8	33.5	33.6	33.7
Staff costs	7.7	8.6	8.4	8.2
Ad. & sales costs	7.7	7.3	7.3	7.2
Other expenses	17.7	17.7	17.7	17.6
Depreciation	3.0	0.8	0.8	0.8
EBITDA margins	33.1	32.9	33.0	33.3
EBIT margins	30.1	32.1	32.2	32.5
Net Profit margins	27.4	27.9	26.9	25.9

Growth ratios (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	(0.4)	5.3	10.8	10.9
EBITDA	(3.7)	4.7	11.2	11.9
PBT	11.2	7.7	11.3	11.1
Adjusted Profit	11.1	7.1	7.0	6.6
EPS	11.1	7.1	7.0	6.6

Balance sheet (INR mn)				
As on 31st March	FY17	FY18E	FY19E	FY20E
Share capital	148	148	148	148
Reserves & Surplus	4,794	4,888	4,988	5,095
Shareholders' funds	4,942	5,035	5,135	5,242
Short term borrowings	150	150	150	150
Total Borrowings	150	150	150	150
Def. Tax Liability (net)	8	8	8	8
Sources of funds	5,100	5,193	5,293	5,400
Gross Block	1,278	1,478	1,678	1,878
Net Block	1,182	1,316	1,444	1,562
Capital work in progress	-	25	25	25
Intangible Assets	434	434	434	434
Total Fixed Assets	1,616	1,775	1,902	2,021
Cash and Equivalents	3,510	3,454	3,395	3,349
Inventories	425	470	522	580
Sundry Debtors	274	241	267	296
Loans & Advances	14	14	14	14
Other Current Assets	57	57	57	57
Current Assets (ex cash)	770	781	859	947
Trade payable	403	423	471	523
Other Current Liab	393	393	393	393
Total Current Liab	796	817	864	916
Net Curr Assets-ex cash	(26)	(36)	(5)	30
Uses of funds	5,100	5,193	5,293	5,400
BVPS (INR)	33.5	34.1	34.8	35.5

Free cash flow (INR mn)				
Year to March	FY17	FY18E	FY19E	FY20E
Reported Profit	2,182	2,338	2,503	2,669
Add: Depreciation	237	65	73	82
Others	(323)	8	8	8
Less: Changes in WC	(24)	(10)	31	35
Operating cash flow	2,120	2,421	2,552	2,723
Less: Capex	458	225	200	200
Free Cash Flow	1,662	2,196	2,352	2,523

Cash flow metrics				
Year to March	FY17	FY18E	FY19E	FY20E
Operating cash flow	2,120	2,421	2,552	2,723
Investing cash flow	(112)	(225)	(200)	(200)
Financing cash flow	(2,041)	(2,252)	(2,410)	(2,570)
Net cash Flow	(33)	(56)	(58)	(46)
Capex	(458)	(225)	(200)	(200)
Dividend paid	(2,041)	(2,244)	(2,403)	(2,562)

Profitability and efficiency ratios				
Year to March	FY17	FY18E	FY19E	FY20E
ROAE (%)	44.8	46.9	49.2	51.4
ROACE (%)	55.8	58.5	63.9	69.6
Inventory Days	63	61	61	61
Debtors Days	12	11	11	11
Payable Days	55	55	55	55
Cash Conversion Cycle	20	17	17	17
Current Ratio	5.4	5.2	4.9	4.7
Gross Debt/EBITDA	0.1	0.1	-	-
Gross Debt/Equity	-	-	-	-
Adjusted Debt/Equity	-	-	-	-
Interest Coverage Ratio	232.2	359.2	399.4	446.8

Operating ratios				
Year to March	FY17	FY18E	FY19E	FY20E
Total Asset Turnover	1.6	1.6	1.8	1.9
Fixed Asset Turnover	5.3	5.0	5.1	5.3
Equity Turnover	1.6	1.7	1.8	2.0

Valuation parameters				
Year to March	FY17	FY18E	FY19E	FY20E
Adj. Diluted EPS (INR)	14.8	15.9	17.0	18.1
Y-o-Y growth (%)	11.1	7.1	7.0	6.6
Adjusted Cash EPS (INR)	16.4	16.3	17.5	18.6
Diluted P/E (x)	34.3	32.0	29.9	28.0
P/B (x)	15.1	14.9	14.6	14.3
EV / Sales (x)	9.0	8.5	7.7	6.9
EV / EBITDA (x)	27.1	25.9	23.3	20.9
Dividend Yield (%)	2.3	2.5	2.7	2.9

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Bajaj Corp	1,176	32.0	29.9	25.9	23.3	46.9	49.2
Dabur	9,917	43.9	37.0	38.0	31.9	27.4	27.9
Emami	4,594	75.5	50.9	36.6	28.7	20.9	27.2
Godrej Consumer	10,617	47.5	37.5	34.2	27.5	24.9	27.1
Hindustan Unilever	46,750	55.9	47.9	38.4	32.7	75.7	81.1
ITC	51,270	29.0	25.6	19.3	16.9	23.0	24.0
Marico	6,345	46.0	38.1	31.4	25.9	35.3	36.4
Median	-	46.0	37.5	34.2	27.5	27.4	27.9
AVERAGE	-	47.1	38.1	32.0	26.7	36.3	39.0

Source: Edelweiss research

Additional Data

Directors Data

Mr. Kushagra Nayan Bajaj	Promoter	Vasavadatta Bajaj	Non-Independent, Non-Executive Director
Sumit Malhotra	Managing Director	Gaurav Dalmia	Non-Executive Director (Independent)
Dilip Cherian	Non-Executive Director (Independent)	Aditya Vikram Ramesh Somani	Non-Executive Director (Independent)

Auditors - R.S. Dani & Co.

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Temasek Holdings Private Ltd	8.1	Matthews International Capital	4.5
Prudential ICICI Asset Mgmt Co	3.0	Goldman Sachs Group Inc	1.7
Buena Vista Fund Management	1.1	Reliance Capital Trustee Co	0.9
Vanguard Group	0.8	Fundsmith LLP	0.7
Uti Asset Management Co	0.7	Dimensional Fund Advisors LP	0.5

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
29 Mar 2017	Bajaj Resources Ltd	Buy	21706250	375.00
29 Mar 2017	KnB Enterprises Llp	Sell	21706250	375.00
28 Mar 2017	Skb Roop Commercial Llp	Sell	3050000	374.50
28 Mar 2017	Bajaj Resources Ltd	Buy	10400000	374.68
28 Mar 2017	KnB Enterprises Llp	Sell	7350000	374.75

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Apr 2017	Bajaj Resources Ltd	Buy	21706250.00
03 Apr 2017	KNB ENTERPRISES LLP	Sell	7350000.00
03 Apr 2017	SKB ROOP COMMERCIAL LLP	Sell	3050000.00
03 Apr 2017	KNB ENTERPRISES LLP	Sell	21706250.00
03 Apr 2017	Bajaj Resources Ltd	Buy	10400000.00

**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	HOLD	SP	M	Marico	BUY	SO	M
Nestle Ltd	HOLD	SP	L	Pidilite Industries	BUY	SO	M
United Spirits	BUY	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

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

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-Jan-18	ITC	All eyes on budget; valuation comfort; <i>Company Update</i>	269	Hold
05-Jan-18	Consumer Goods	Volumes to revive; rural growth picking up gradually; <i>Quarterly Result Preview</i>		
21-Nov-17	United Spirits	In high spirits! <i>Visit Note</i>	3,245	Buy

Distribution of Ratings / Market Cap

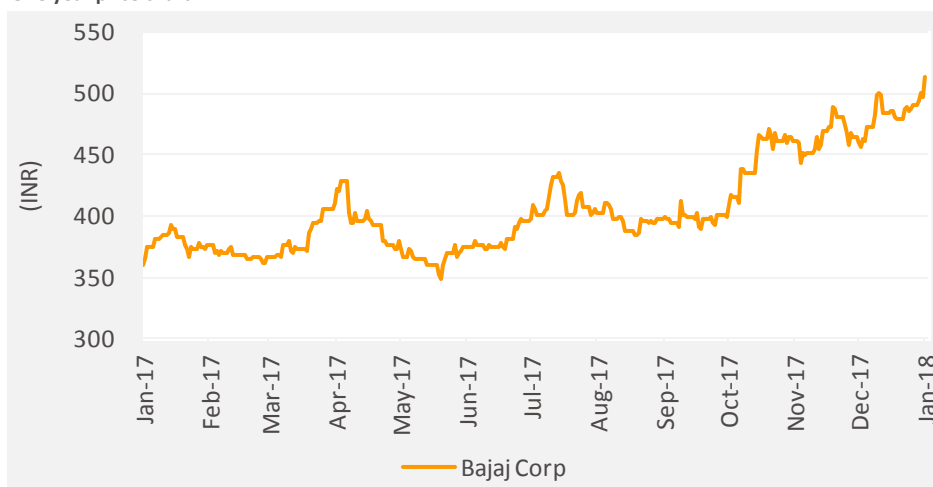
Edelweiss Research Coverage Universe

	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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