



COMPANY UPDATE

HINDUSTAN UNILEVER

Geared up for the future

India Equity Research | Consumer Goods



We met Mr. Sanjiv Mehta, MD & CEO of Hindustan Unilever (HUL). Key takeaways were: i) Long term opportunity in India remains attractive; ii) HUL remains agile as the Indian consumer is changing, riding global consumer trends; iii) The company is focused on bigger and faster innovations like *Lever Ayush* (did well in most geographies); iv) Categories of the future are growing at 2.5x HUL's growth rate; and v) The company is getting future-ready by inculcating a growth mind-set, enriching capabilities, high performance anatomy along with purpose and values. In our view, new launches, clinical validation of *Indulekha* and pan-India roll out of *Ayush* along with revival of rural demand are potential triggers. Maintain 'HOLD'.

Growth to revive gradually

Pertinently, FMCG per capita consumption is half of Indonesia, one-fourth of China and one-twelfth of Thailand. As such, HUL is turbo-charging growth with agility, increasing penetration in Central India and employing cluster specific mixes. The company is investing in categories of the future, which are growing at 2.5x its growth rate, such as, male grooming, hair conditioners, fabric conditioners, hand wash and liquid detergents. Through *Project Symphony*, HUL has already delivered ~7% of sales as savings. Key challenges at India level, however, are job and skill deficit (one million jobs are needed every month), poor urban infrastructure and income disparity.

Artificial intelligence, Big Data and Analytics to burnish prospects

HUL has been using data and technology in a big way. For instance, the company: (i) has digitised its in-house innovations; (ii) Uses real-time demand sensing and inventory management in manufacturing; and (iii) has automated distribution warehouses. Through these, HUL has been able to garner insights and engage in real-time analysis.

Outlook and valuations: Long-term positive; maintain 'HOLD'

We envisage HUL to be key beneficiary of anticipated rural recovery and herbal push. We estimate better-than-expected volume growth (trend too indicates the same) and with rural revival in the offing, we retain our target multiple of 47x and arrive at TP of INR1,518 on FY20E EPS. Maintain 'HOLD/SP' since at CMP stock offers limited upside.

Financials

Year to March	FY17	FY18E	FY19E	FY20E
Revenues (INR mn)	323,670	353,296	388,796	431,891
Rev. growth (%)	2.9	9.2	10.0	11.1
EBITDA (INR mn)	63,400	74,595	86,787	99,566
Adjusted Profit (INR mn)	42,650	53,429	61,522	69,925
Adjusted Diluted EPS (INR)	19.7	24.7	28.4	32.3
EPS growth (%)	1.8	25.3	15.1	13.7
Diluted P/E (x)	66.9	53.4	46.4	40.8
EV/EBITDA (x)	44.1	37.6	32.2	28.0
ROAE (%)	63.8	75.9	80.4	83.8

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: HLL.BO, B: HUVR IN)

CMP	: INR 1,318
Target Price	: INR 1,518
52-week range (INR)	: 1,415 / 862
Share in issue (mn)	: 2,164.5
M cap (INR bn/USD mn)	: 2,852 / 43,766
Avg. Daily Vol.BSE/NSE('000)	: 8,546.6

SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	67.2	67.2	67.2
MF's, FI's & BK's	6.3	5.8	5.6
FII's	12.9	13.3	13.5
Others	13.6	13.7	13.8
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer goods Index
1 month	(3.8)	(4.9)	(1.9)
3 months	3.6	2.6	1.8
12 months	52.2	18.2	19.4

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March 1, 2018



Mr. Sanjiv Mehta,
MD & CEO,
Hindustan Unilever

Table 1: Trends at a glance

	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18
% sales growth (YoY)						
Home care	3.2	1.0	7.4	5.9	(1.4)	1.9
Personal care	(0.3)	(2.7)	8.1	3.5	(2.9)	2.8
Foods	2.4	0.5	2.4	4.4	1.4	7.5
Refreshment	8.4	8.1	10.5	10.8	4.5	7.2
Others	(15.2)	(27.3)	(30.4)	(17.6)	(31.2)	8.2
EBIT margins (%)						
Home care	10.1	8.7	12.9	14.7	14.0	12.9
Personal care	22.9	23.1	24.1	24.7	24.2	24.6
Foods	4.9	9.4	9.5	14.4	6.0	3.7
Refreshment	14.8	14.7	16.8	18.9	17.5	13.5
Others	4.2	(8.5)	(2.0)	(3.6)	(4.0)	(5.2)

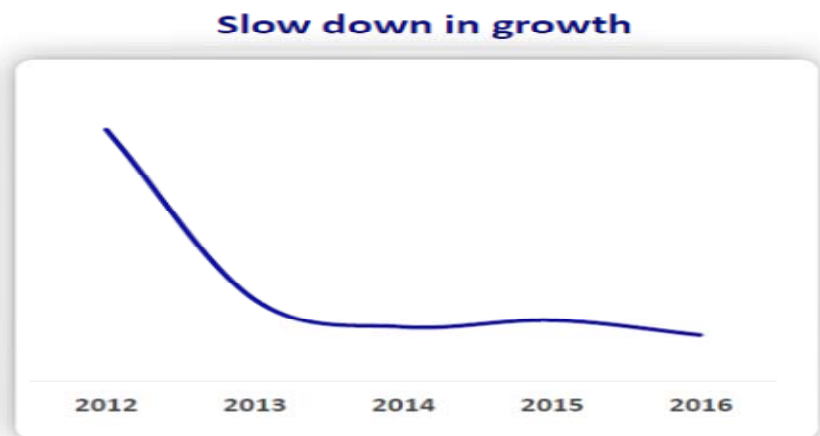
Source: Company, Edelweiss research
Growth numbers are reported and not underlying

In conversation with Mr. Sanjiv Mehta, MD & CEO

Q: With HUL being the FMCG sector behemoth, please let us know the outlook on FMCG sector?

Over FY13-16, FMCG sector saw overall volume growth of ~2.5-3.0% YoY. Now, with GST and DeMon behind, the demand trend is picking up and has started to reflect improving off-takes. Trade conditions have also started to normalise.

Fig. 1: Trend in FMCG growth



Source: Company, Edelweiss research

While HUL is witnessing gradual improvement in demand across categories, it is still early days to call out a definite positive trend in demand. However, to remain ahead of the curve, the company would continue to keep a hawk’s eye to ensure that consumers’ price plus value proposition remains intact.

Rural versus urban: Rural growth in Q3FY18 was better than urban, albeit aided by soft base. On trend basis, it would be early to call out that rural is growing faster than urban. In rural India, the opportunity is even more attractive with FMCG per capita consumption one-eighth of China. Central India contributes ~20% to overall sales and is growing at 1.5x rest of the country.

Table 2: Per capita consumption offers huge room

Country	Per capita consumption (USD)
India	29
- Urban India	64
- Rural India	14
Indonesia	56
China	117
Philippines	156
Thailand	367

Source: Company, Edelweiss research

HUL remains optimistic on the long term opportunity in India considering that the country's FMCG per capita consumption is half of Indonesia, one-fourth of China and one-twelfth of Thailand.

Q: What changes is HUL seeing in consumer behaviour and how is it adapting to these changing dynamics?

HUL remains agile as the Indian consumer is changing, riding global consumer trends. The changing consumer behaviour which is affecting consumption patterns include:

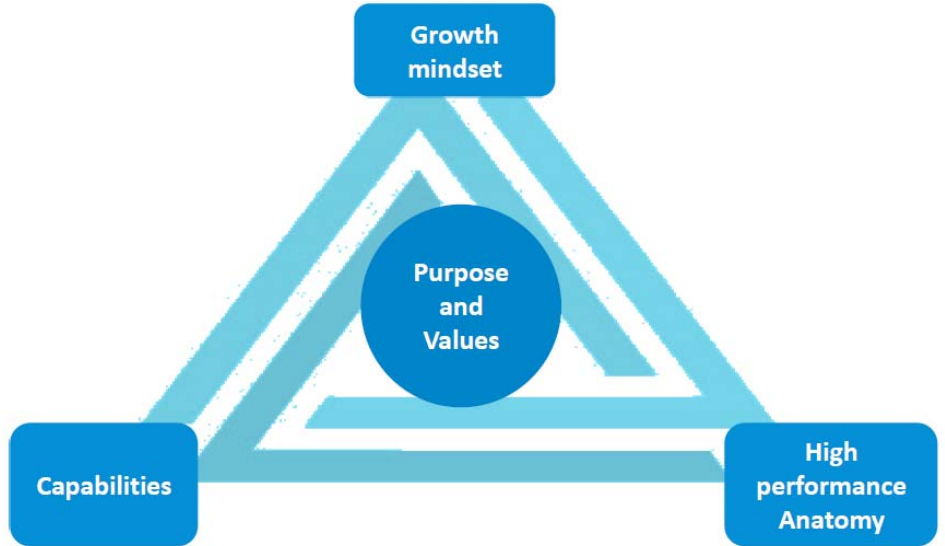
- i. Self Identity: Packaging and showcasing oneself loudly is the new mantra. There is tabloidization of self with every aspect of one's life being curated and performed.
- ii. Living the moment: Manifestations of this are being seen in: (i) Maximum me: An insatiable desire to be and do more; (ii) Multiple me: Adopting multiple identities and roles that allow mobility; and (iii) Live for now: Throwing caution to the winds and living it up in the moment.
- iii. Breaking stereotypes of gender and professional to script its own success: Manifestations are: (i) Reject labels by challenging social prejudices and taboos; (ii) Incorporate the unconventional by embracing unconventional roles and ways of doing; (iii) I do it 'My' way trend and rejecting scripted paths in order to leapfrog towards success.
- iv. Allure of authenticity: India is seeing renewed connect with traditions, nature and authentic values. Manifestations of this are seen in: (i) Disillusionment with a globalised template of modernity; (ii) Search for one's roots – revival of tradition, history and mythology; (iii) Being proud of local – Celebrating both the style and substance in the local; and (iv) Return to Nature – A quest for a more natural and authentic way of living.
- v. Accumulating experiences: For consumers, living the moment is more important with easy access, faster consumption with an attitude to get more from life. Manifestations are: (i) A shift from owning to experiencing; and (ii) FOMO and YOLO terms coined by millennials.
- vi. More personalisation: Designed for me and not designed for masses. Manifestations are seen in: (1) Products that fit me – Bespoke is all about me; (2) Learn about me – the product needs to know what I need; and (3) I am the curator – so I decide what I will have, how I will have.

This changing consumer behaviour will decide emerging categories and products that will be demanded for. Consumer goods companies who are more agile in terms of bringing product innovations catering to this ever-changing consumer landscape will sustain volume growth going ahead.

Q: How is HUL creating a future-ready platform to counter the changing consumer landscape as well as changing macro scenario?

HUL is getting future-ready by inculcating a growth mindset, enriching capabilities and gearing for high performance anatomy along with purpose and values.

Fig 2: HUL’s strategy to become future ready



(a) Growth Mindset

- 1) Market development
 - a. Building categories of the future
 - i. Categories of the future are growing at 2.5x HUL’s growth rate
 - ii. Categories include: Male grooming, hair conditioners, fabric conditioners, hand wash, liquid detergents, etc.

Fig. 3: Building categories of future



Source: Company, Edelweiss research

b. Bringing Science to Sampling – Market development model

- i. Seed new businesses: This is done by telling the public that their current habit is inadequate. Plans to undertake education and sampling as well with influencers/early adopters to enroll them in the consumption gamut early on. The products in this **category inter-alia include: Body wash and green tea.**
- ii. Accelerate existing businesses: This, by focusing on the winning proposition and trying to increase penetration by expanding reach in the form of small tetra packs/sachets. The products in this **category inter-alia include: Deos, fabric conditioners, hand wash and ketchup.**
- iii. Explode: This category will be built by introducing new variants of existing products. Growth in this category will be through unaided sampling. This will be done by rapidly expanding distribution. The products in this **category inter-alia include: Facial cleansers and premium shampoo.**
- iv. Sampling will be done through analytics and state-wise clusters.

Fig.4: Some of the categories where market development model will work beautifully

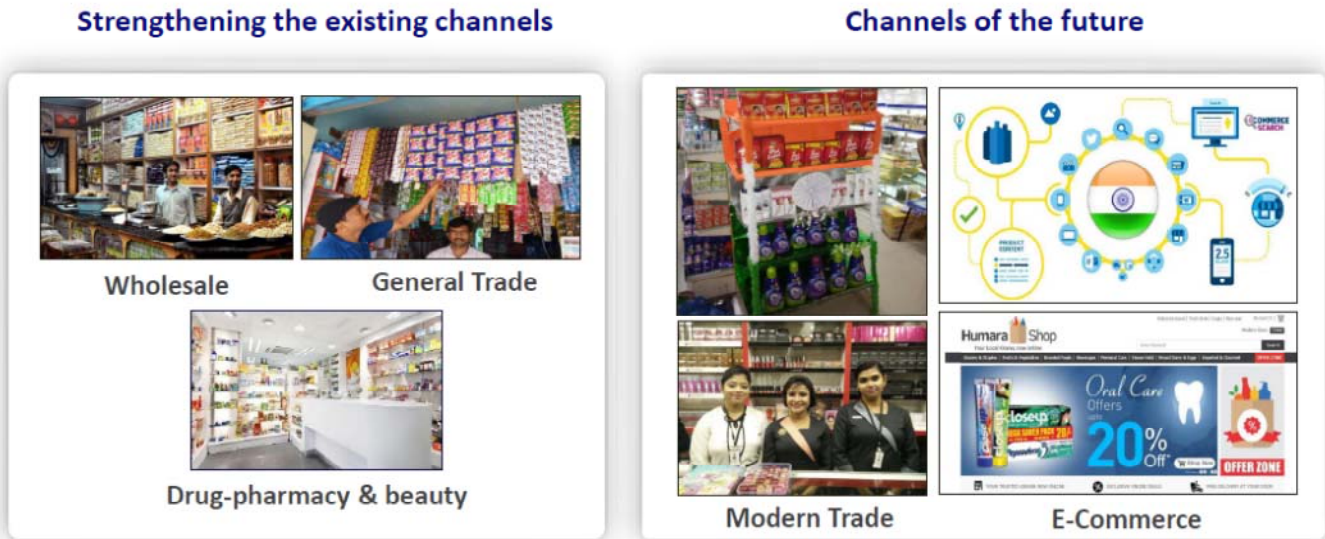


Source: Company, Edelweiss research

2) Building channels of the future

- a. Strengthening existing channels: By strengthening penetration in wholesale, general trade and drug - pharmacy & beauty outlets.
- b. Channels of the future: Focusing on formats of the future, such as, Modern Trade and E-commerce.

Fig. 5: Changing distribution landscape



Source: Company, Edelweiss research

- 3) Project Symphony: Through Project Symphony HUL has already delivered ~7% of revenue as savings.
 - a. The company intends to unlock savings by smart spending and ownership mindset
 - b. New and disruptive thinking
 - c. Cutting complexity and driving agility

(b) Capabilities

- 1) Creating capabilities of the future
 - a. Re-imagining how to run the business
 - Artificial Intelligence, Big Data and Analytics will form the backbone of how HUL will run its business in the future
 - i. Insights: Utilise feedback from customers across to different mediums to gain insights and then engage in real-time sentiment analysis
 - ii. R&D: HUL has digitized its in-house innovations
 - iii. Manufacturing: Real-time demand sensing and inventory management along with automation and robotisation
 - iv. Distribution: HUL plans to automate the entire warehousing process and use new-age logistic models
 - v. Communication: It will be more content driven and more personalised

Fig.6: Adapting to new of the hour marking strategies



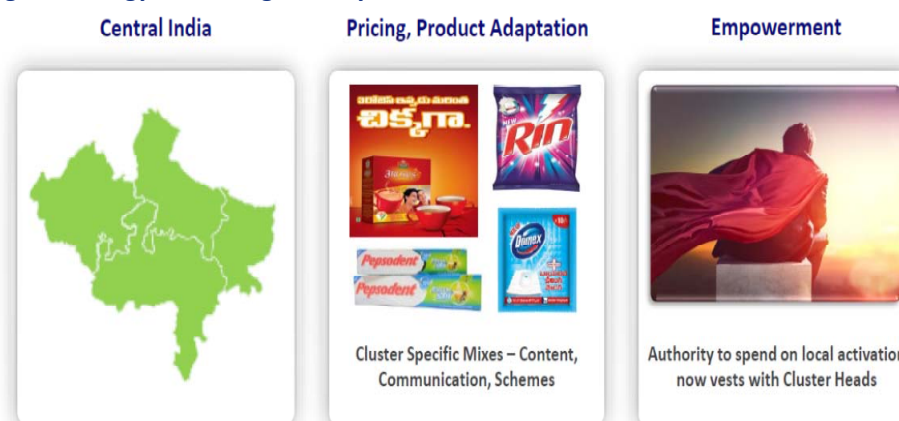
Source: Company, Edelweiss research

- vi. Consumer journey: Tap wide spectrum of consumers based on e-commerce as well as increasing use of technology for general trade.

(c) High Performance Anatomy

- 1) Winning in many India's
 - a. Turbo-charging growth with agility
 - i. Increasing penetration in Central India
 - ii. Use cluster specific mixes – content, communication and schemes
 - iii. Empowerment – Authority to spend on local activation now vests with cluster heads

Fig. 7: Strategy of winning in many India



Source: Company, Edelweiss research

- b. Connected for growth
 - i. Bigger and faster innovations (more global and more local)
 - ii. Focus is on faster reach to market, more consumer & customer centric and future proof
 - iii. Combination of brand development and brand building will lead to global-local brand communities
 - iv. All about experimentation, empowerment and collaboration

- c. Building leaders
 - i. Attracting the best talent
 - ii. Providing talent leadership opportunities
 - iii. Forming a diverse and inclusive team with higher share of female managers

Q: How has GST implementation been so far and is there a likely shift happening from unorganised to organised segments?

Initial hiccups of GST implementation are largely over. It would be premature and will take one full year before it can be called out that HUL has been wresting market share from unorganised players. Unorganised players will look at ways to manage their business by streamlining their businesses. However, it is certain that a few unorganised players will face difficulties.

The good thing that the GST rate reduction has done is that MRP of the products have reduced because of which consumer appetite and buying capacity of those products have improved. Reduction in GST rates has led to price reduction of mass products. However, MRP of premium products has not been reduced across the board to the extent of the GST rate cut.

Fig. 8: Highest standards of Corporate social responsibility



Source: Company, Edelweiss research

Company Description

HUL, the largest FMCG Company in India, was formed by merging three subsidiaries of Unilever in 1956. At present, Unilever Plc holds a 67.2% stake in the company. HUL's portfolio of products covers a wide spectrum including soaps, detergents, skin creams, shampoos, toothpastes, tea, coffee, packaged foods and branded atta.

Powerful brands and an enviable distribution network (direct coverage of >3.4mn outlets) are HUL's primary strengths. The company operates through segments—Home care, personal care, Refreshments, Foods and other operations.

Investment Theme

HUL is a play on consumption growth in India. The company has displayed its ability to effect price hikes and ability to grow ahead of market, which, combined with improved outlook for S&D and personal care, and strong growth in processed foods and beverages, boosts our positive outlook on the company. We like its revenue growth from a medium to long term perspective. Commodity price correction will aid gross margin expansion though we expect partial benefit to be passed on to customers through promotional offers/select price cuts. We expect higher investment in A&P to support brand equity and counter pick up in competitive intensity (especially from regional players). However with an anticipated recovery in urban demand, commodity correction as well as cost saving initiatives to aid EBITDA margin expansion to expect HUL to potentially benefit.

Key Risks

Depreciation in rupee impacts price of imported raw materials.

Ad spends likely to spike due to increased competition from regional players. Maintaining market share will also be a challenge for HUL.

The price war in HUL's popular segments with new entrants entering the fray could hit the company hard.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.0
USD/INR (Avg)	67.1	64.5	65.0	66.0
Company				
Volume gr. (overall)	1.0	5.0	6.0	7.0
Pricing gr. (overall)	2.2	4.2	3.8	4.1
EBITDA margin (%)	19.6	21.1	22.3	23.1
Capex (INR mn)	15,000	7,410	7,000	7,000
EBITDA margin assumpn				
Oil fat resin % of COGS	11.1	10.8	10.8	10.9
Chem & perfume % of COGS	32.9	30.3	30.6	30.5
Tea & Grn leaf % of COGS	9.7	9.2	9.3	9.3
Selling & distribn costs	15.8	15.7	15.3	15.1
A&P as % of sales	10.9	11.4	11.0	10.7
Employee cost (% of rev)	5.4	5.3	5.2	5.2
Financial assumptions				
Cash conversion cycle	(61)	(55)	(53)	(53)
Debtor days	13	14	14	14
Inventory days	59	61	63	63
Payable days	133	130	130	130
Dep. (% gross block)	6.4	5.8	5.8	5.8
Tax rate (%)	31.7	29.0	29.5	30.0
Yield on cash	6.6	10.0	11.3	10.8

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	323,670	353,296	388,796	431,891
Other Operating Income	7,950	7,990	8,229	8,641
Total operating income	331,620	361,286	397,026	440,532
Materials costs	163,130	171,080	186,366	205,722
Gross profit	168,490	190,206	210,659	234,810
Employee costs	17,430	18,787	20,248	22,467
Other Expenses	52,240	56,722	60,745	66,520
Ad. & sales costs	35,420	40,103	42,879	46,256
EBITDA	63,400	74,595	86,787	99,566
Depreciation	4,320	4,537	4,943	5,349
EBIT	59,080	70,057	81,844	94,217
Add: Other income	3,690.00	5,622.00	5,842.96	6,121.37
Less: Interest Expense	350	250	225	225
Add: Exceptional items	2,370	-	-	-
Profit Before Tax	62,420	75,429	87,462	100,113
Less: Provision for Tax	19,770	21,875	25,801	30,034
Less: Minority Interest	-	126	138	154
Reported Profit	45,020	53,429	61,522	69,925
Exceptional Items	2,370	-	-	-
Adjusted Profit	42,650	53,429	61,522	69,925
Shares o /s (mn)	2,164	2,164	2,164	2,164
Adjusted Basic EPS	19.7	24.7	28.4	32.3
Diluted shares o/s (mn)	2,165	2,165	2,165	2,165
Adjusted Diluted EPS	19.7	24.7	28.4	32.3
Adjusted Cash EPS	21.7	26.8	30.7	34.8
Dividend per share (DPS)	16.5	18.5	21.3	24.2
Dividend Payout Ratio(%)	95.0	89.6	89.6	89.6

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	50.4	48.4	47.9	47.6
Staff costs	5.4	5.3	5.2	5.2
Ad. & sales costs	10.9	11.4	11.0	10.7
Interest Expense	0.1	0.1	0.1	0.1
EBITDA margins	19.6	21.1	22.3	23.1
Net Profit margins	13.2	15.2	15.9	16.2

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	2.9	9.2	10.0	11.1
EBITDA	5.3	17.7	16.3	14.7
Adjusted Profit	1.8	25.3	15.1	13.7
EPS	1.8	25.3	15.1	13.7

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	2,164	2,164	2,164	2,164	
Reserves & Surplus	65,280	70,861	77,287	84,591	
Shareholders' funds	67,444	73,025	79,451	86,755	
Minority Interest	220	346	484	638	
Short term borrowings	2,770	2,770	2,770	2,770	
Total Borrowings	2,770	2,770	2,770	2,770	
Long Term Liabilities	12,260	12,260	12,260	12,260	
Def. Tax Liability (net)	(1,700)	(1,700)	(1,700)	(1,700)	
Sources of funds	80,994	86,701	93,265	100,723	
Gross Block	74,730	81,730	88,730	95,730	
Net Block	39,680	42,143	44,199	45,850	
Capital work in progress	2,290	2,700	2,700	2,700	
Intangible Assets	4,510	4,510	4,510	4,510	
Total Fixed Assets	46,480	49,353	51,409	53,060	
Non current investments	60	60	60	60	
Cash and Equivalents	56,160	51,877	56,883	64,574	
Inventories	25,410	28,591	32,167	35,508	
Sundry Debtors	10,850	13,858	15,228	16,897	
Loans & Advances	4,590	4,590	4,590	4,590	
Other Current Assets	11,814	11,814	11,814	11,814	
Current Assets (ex cash)	52,664	58,853	63,800	68,810	
Trade payable	61,860	60,932	66,377	73,271	
Other Current Liab	12,510	12,510	12,510	12,510	
Total Current Liab	74,370	73,442	78,887	85,781	
Net Curr Assets-ex cash	(21,706)	(14,589)	(15,087)	(16,971)	
Uses of funds	80,994	86,701	93,265	100,723	
BVPS (INR)	31.2	33.7	36.7	40.1	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	45,020	53,429	61,522	69,925	
Add: Depreciation	4,320	4,537	4,943	5,349	
Interest (Net of Tax)	239	178	159	158	
Others	(4,669)	198	205	221	
Less: Changes in WC	(8,650)	7,116	(498)	(1,884)	
Operating cash flow	53,560	51,226	67,327	77,538	
Less: Capex	15,000	7,410	7,000	7,000	
Free Cash Flow	38,560	43,816	60,327	70,538	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Hindustan Unilever	43,766	53.4	46.4	37.6	32.2	75.9	80.4
Colgate	4,345	43.1	37.1	26.0	23.0	47.9	48.1
Dabur	8,786	41.2	35.4	35.5	30.6	26.5	26.7
Emami	3,761	68.7	47.5	32.0	25.7	19.3	24.8
Marico	6,103	46.9	39.4	32.0	26.8	34.2	35.0
Nestle Ltd	11,483	61.1	49.3	32.0	28.7	38.1	42.4
Median	-	50.1	42.9	32.0	27.7	36.2	38.7
AVERAGE	-	52.4	42.5	32.5	27.8	40.3	42.9

Source: Edelweiss research

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		52,060	51,226	67,327	77,538
Investing cash flow		(11,730)	(7,410)	(7,000)	(7,000)
Financing cash flow		(42,140)	(48,098)	(55,321)	(62,847)
Net cash Flow		(1,810)	(4,283)	5,006	7,691
Capex		(15,000)	(7,410)	(7,000)	(7,000)
Dividend paid		(42,640)	(47,848)	(55,096)	(62,622)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	63.8	75.9	80.4	83.8
ROACE (%)	90.9	103.3	110.4	116.1
Debtors Days	13	14	14	14
Payable Days	133	130	130	130
Cash Conversion Cycle	(61)	(55)	(53)	(53)
Current Ratio	1.5	1.5	1.5	1.6
Gross Debt/EBITDA	-	-	-	-
Gross Debt/Equity	-	-	-	-
Adjusted Debt/Equity	-	-	-	-
Net Debt/Equity	(0.8)	(0.7)	(0.7)	(0.7)
Interest Coverage Ratio	168.8	280.2	363.8	418.7

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	4.1	4.2	4.3	4.5
Fixed Asset Turnover	8.4	7.8	8.2	8.7
Equity Turnover	4.8	5.0	5.1	5.2

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	19.7	24.7	28.4	32.3
Y-o-Y growth (%)	1.8	25.3	15.1	13.7
Adjusted Cash EPS (INR)	21.7	26.8	30.7	34.8
Diluted P/E (x)	66.9	53.4	46.4	40.8
P/B (x)	42.3	39.1	35.9	32.9
EV / Sales (x)	8.6	7.9	7.2	6.5
EV / EBITDA (x)	44.1	37.6	32.2	28.0
Dividend Yield (%)	1.3	1.4	1.6	1.8

Additional Data

Directors Data

Mr. Harish Manwani	Chairman	Mr. Sanjiv Mehta	Managing Director and Chief Executive Officer
Mr. Srinivas Phatak	Executive Director, Finance & IT and Chief Financial Officer	Mr. Pradeep Banerjee	Executive Director, Supply Chain
Mr. Dev Bajpai	Executive Director, Legal & CS	Mr. A. Narayan	Independent Director
Mr. S. Ramadorai	Independent Director	Ms. Kalpana Morparia	Independent Director
Mr. O. P. Bhatt	Independent Director	Dr. Sanjiv Misra	Independent Director

Auditors - BSR & Co. LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Life Insurance Corp Of India	2.6	Blackrock	1.2
Vanguard Group	1.1	Aberdeen Asset Managers	1.0
Nomura	0.5	Franklin Resources	0.4
Birla Sun Life Asset Management	0.3	Schroders Plc	0.3
Sbi Funds Management	0.3	Aditya Birla Life Asset Management	0.3

**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	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



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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
22-Feb-18	Prataap Snacks	New products and geography on anvil; <i>Visit Note</i>	1,220	Not Rated
14-Feb-18	Nestle India	All-round good performance; <i>Result Update</i>	7,265	Hold
14-Feb-18	Britannia Industries	On accelerated path to becoming a holistic foods company; <i>Result Update</i>	4,764	Buy

Distribution of Ratings / Market Cap

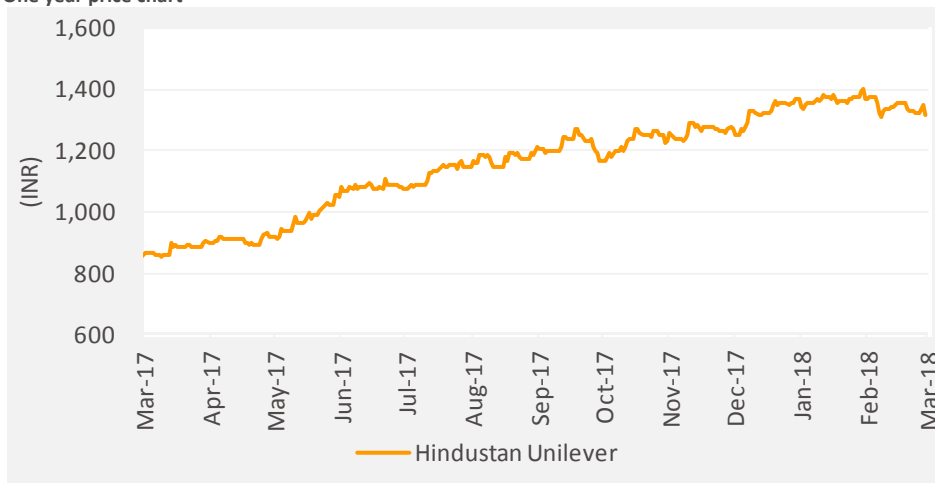
Edelweiss Research Coverage Universe

	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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