

Consumer

4QFY18E Results Preview

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FY18 to end on a healthier note

- FMCG companies continue to enjoy favorable base:** Our FMCG coverage universe is expected to register 10/13% YoY revenue/EBITDA growth during 4QFY18 vs. 12/16% YoY in 3QFY18 and 8/9% YoY in 4QFY17. Consumer offtake is gradually improving with normalising distribution channels (post GST). Therefore, along with a favorable base (also in 1QFY19), FMCG companies would be able to accelerate revenue growth. Macro economic factors are improving steadily and further gains are expected on account of govt's focus on agricultural & rural incomes. Rural used to grow 2.5-3% faster than Urban but the delta has now narrowed down to ~1.5%. Management commentary also suggests green shoots in the rural economy and a pickup in demand. International business is expected to recover due to improving consumer confidence index for key geographies and favorable base (geo-political issues, unfavorable currencies). Outliers : Jubilant FoodWorks, Britannia, Colgate, HUL

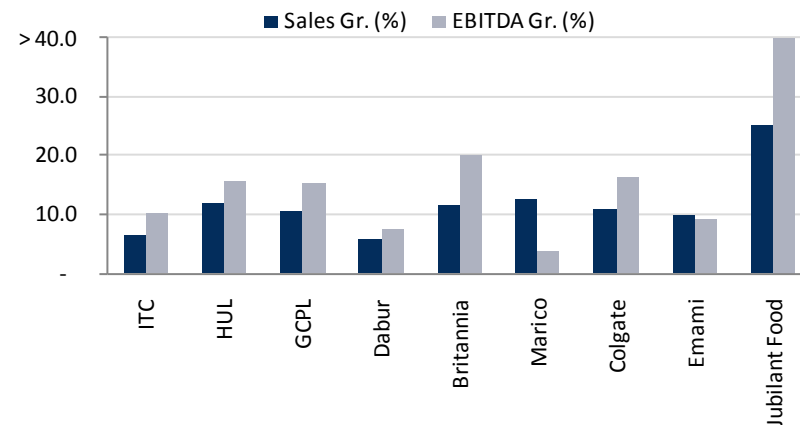
Our top picks in FMCG: ITC, Jubilant FoodWorks and Marico

- Appliances companies to sustain robust growth:** Majority of the appliance companies will grow faster (rev. and EBITDA) vs. staples owing to favourable GST rate revision (Nov-17), seasonal restocking, better pricing discipline (high promotions in base qtr due to demonet) and lower penetration in many categories. Moreover, cooling products (Fans, Coolers and ACs) are expected to report strong growth, since the summer of 2018 is likely to be harsh (as per IMD). We model sales/EBITDA growth of 15/32% YoY (14/9% in 4QFY17) for our appliances universe. Outliers : Symphony, Havells, V-Guard

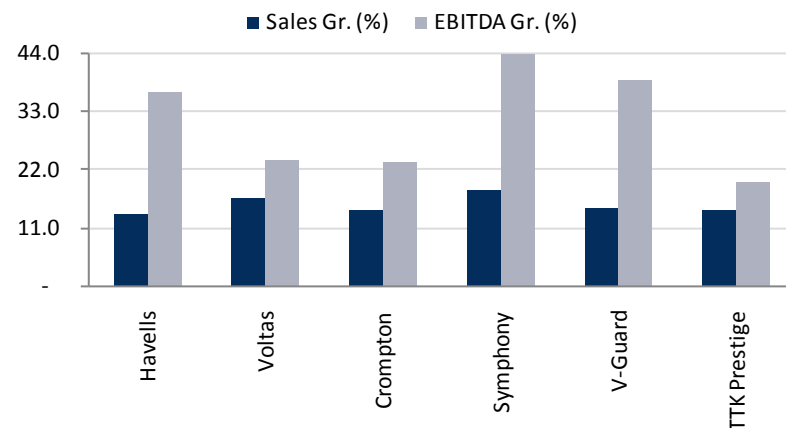
Our top picks in Appliances: Havells, Crompton and Symphony

- Aviation:** Driven by higher ASKMs and higher PLFs, Interglobe and Spicejet are expected to report ~15%/218% growth in earnings despite +11.6% YoY higher ATF prices. Interglobe posted lower ASKM growth and slightly lower operating leverage. Going into FY19, sustained hardening in ATF prices poses a key challenge to our earnings estimates. Spicejet is our preferred pick due to lower valuations.

FMCG: Expect 10% Sales And 13% EBITDA Growth



Appliances*: Expect 15% Sales And 32% EBITDA Growth



Source: Company, HDFC sec Inst Research

* Havells excluding Lloyd consumer biz

FMCG: Mixed bag

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
ITC	AVG	<ul style="list-style-type: none"> We expect Cigarette revenue growth of 7% YoY, while volumes would contract by ~2% YoY (-4% in 3QFY18 and -0.5% in 4QFY17). Price hike would support the cigarette revenue growth. Non-Cigarette business is expected to grow by ~10% with FMCG/Hotel/Agri/Paper business to register 13/8/8/7% growth, respectively We expect Cigarette EBIT growth of 9.1% YoY (7.8% in 3QFY18 and 8% in 4QFY17) Overall EBITDA margin to expand by 118bps to 36%. EBITDA to grow by 10.1% YoY 	<ul style="list-style-type: none"> Cigarette volume growth FMCG business EBIT margin Outlook on Agri and Hotel businesses
HUL	GOOD	<ul style="list-style-type: none"> We expect revenue growth of 12%, 3QFY18 was at 17% (like-to-like growth) and 4QFY17 at 6.5%. Domestic volume growth is model at 6.5% (11% in 3QFY18 and 4% in 4QFY17) We model 12/11/15/14% growth in Home Care/PC/Foods/Refreshment segments, respectively EBITDA margin to expand by 62bps YoY to 20.7% (+197bps YoY in 3QFY18 and +103bps YoY in 4QFY17) 	<ul style="list-style-type: none"> Improvement in rural and wholesale channels Commentary on competition, especially in Shampoo, Oral Care And Detergent categories Pricing actions and new launches strategy
Godrej Consumer Products	AVG	<ul style="list-style-type: none"> We model 10% (9% in 3QFY18 and 12% in 4QFY17) revenue growth. Domestic growth is expected at 9% driven by 3% revenue growth in HI and 13% in personal wash. International business to grow by 12%. We model 99bps expansion in EBITDA margin to 24%. EBITDA to grow by 15% YoY. 	<ul style="list-style-type: none"> Commentary on recovery in trade channels and rural demand Outlook on Indonesia and other geographies Competitive intensity across categories

FMCG: Mixed bag

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Dabur	AVG	<ul style="list-style-type: none"> Consolidated revenue to grow by 6%, with domestic business growth at ~7.4% and ~1% of international. We modeled hair care/oral care/health supplements/home care/food growth of 7/10/5/8/9%. We expect international business to grow by ~1% (-4.5% in 3QFY18 and -20% in 4QFY17). Currency depreciation is now anniversarised and demand in most geographies are improving EBITDA margin to expand by 33bps YoY to 22.1% (250bps YoY in 3QFY18 and 115bps in 4QFY17). EBITDA to grow by 7.5% YoY 	<ul style="list-style-type: none"> Commentary on rural growth and wholesale channels Commentary on competition, especially Patanjali New launches strategy
Britannia	GOOD	<ul style="list-style-type: none"> We model 11.5% revenue growth with volume growth of 10% (12% in 3QFY18 and 2% in 4QFY17) Input price softening and cost-control initiatives would result in expanding EBITDA margin by 104bps YoY to 14.8%. EBITDA to grow by 20% YoY 	<ul style="list-style-type: none"> Change in competitiveness post GST, especially after a rise in taxes in the value segment Commentary on new launches Scope for further cost control
Marico	AVG	<ul style="list-style-type: none"> We model 12% domestic revenue growth, with volume growth of ~3% (9% in 3QFY18 and 10% in 4QFY17). We model Parachute, Saffola and VAHO to clock value/volume growth of 25/2%, 0/2% and 12/12% YoY respectively. International business to grow by ~13%, with healthy growth from Bangladesh. Currency impact to anniversarise, hence minimal forex impact Copra inflation remained high at ~45% YoY. Marico has taken ~11% price hike on Parachute during Jan'18 (cumulative price hike of ~23%). We model 266bps fall in gross margins and 152bps fall YoY in EBITDA margin 	<ul style="list-style-type: none"> Commentary on copra prices Outlook on youth product category and strategy on new launches Pricing strategy for the next few quarters CSD channel improvement Improvement in the international business

FMCG: Mixed bag

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Colgate	AVG	<ul style="list-style-type: none"> We expect 11% revenue growth with 6% volume growth (-3% in 4QFY17 and 12% in 3QFY18) Gross margin would continue to expand, we model 117bps YoY expansion to 63.8%. We expect that ASP expense would continue to increase in support of new launches. We model 15% increase in ASP despite high base (up 24% in 4QFY17) EBITDA margin to expand by 113bps YoY to 24.7%. EBITDA to grow by 16.3% 	<ul style="list-style-type: none"> Toothpaste volume growth and market share change New product launches ASP spends, especially with increased competition from Patanjali
Emami	AVG	<ul style="list-style-type: none"> We expect 10% revenue growth, with domestic business to grow by ~9% and international by 18% (-38% in 4QFY17). We model 6% domestic volume growth We expect gross margin to expand by 60bps YoY to ~63%. We model higher ASP spend (17% YoY) to factor the company's strategy to focus more on volume growth. EBITDA margin to down by 26bps to 30.6%. EBITDA to grow by 9% YoY 	<ul style="list-style-type: none"> Outlook on Mentha oil Kesh King growth outlook Price hike strategy Commentary on new launches Commentary on international business
Jubilant FoodWorks	GOOD	<ul style="list-style-type: none"> We model 25% revenue growth, driven by 22% SSG (-7.5% in 4QFY17 and 17.8% in 3QFY18). 'Everyday value offers', upgrade in pizza quality and closure of loss making stores have been supporting the acceleration in SSG since last 2-3 quarters. We model 15 Dominos stores addition in 4QFY18 We model gross margin to contract by 156bps YoY and 80bps QoQ to 75.3%. EBITDA margin can expand to 16.7% vs. 9.9% in 4QFY17 and 17.2% in 3QFY18. EBITDA to grow by 112% YoY. 	<ul style="list-style-type: none"> Customer feedback on change in pizza taste Strategy of the new management team Outlook on store addition in FY19-20 Competitive intensity, pricing strategy Outlook on SSG post GST rate revision

Appliances: Robust performance to continue

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Havells India	GOOD	<ul style="list-style-type: none"> We expect Havells (ex-Lloyd) to register ~14% revenue growth. Cables, Fan and Switchgears to benefit from GST rate revision (Nov'17). We model 72% revenue growth (inc. Lloyd), significantly higher as this will be the first seasonal quarter for Lloyd since the acquisition. We model 7/12/18/20% for Switch Gears/Cables/Lighting/Consumer durables We model EBITDA margin (ex-Lloyd) to expand by 273bps YoY to 16.2% (-177bps YoY in 4QFY17), while with Lloyd, we expect margins contraction of -6bps to 13.4% 	<ul style="list-style-type: none"> Outlook on housing activities GST rate revision impact on Cables and Fan Updates on Lloyd's Consumer business particularly post change in energy efficiency norms and seasonal offtake
Voltas	GOOD	<ul style="list-style-type: none"> We expect net revenue growth of 17%, led by 20% growth in UCP (28% in 4QFY17) and 15% growth in EMPS segment (-9% in 4QFY17 and 7% in 3QFY18) We model UCP and EMPS EBIT margin of 16.8% (+ 40bps YoY) and 6.3% (+60bps YoY) EBITDA margin to expand by 66bps to 11.6% during the quarter 	<ul style="list-style-type: none"> Update on impact from change in energy efficiency norms Consumer offtake and realizations Outlook on EMPS revenue and margin
Crompton Consumer	GOOD	<ul style="list-style-type: none"> We expect 14% revenue growth, driven by 14% growth from Lighting and ECD segment each. Full channel restocking in fans (Post GST) is expected during the quarter We model 103bps EBITDA margin expansion to 13.9% driven by continued operational excellence and premiumisation in fans 	<ul style="list-style-type: none"> Growth in premium fans Distribution expansion Performance of new launches

Appliances: Robust performance to continue

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Symphony	GOOD	<ul style="list-style-type: none"> We expect net revenue growth of 18.3% (20.9% in 3QFY18 and 33% in 4QFY17) driven by 19% growth in domestic and 17% growth in exports We model gross margin expansion of 750bps (down 769bps YoY in 4QFY17 on account of introductory launch of Touch series) to 58.5%. EBITDA margin is expected to expand by 1,305bps (down 1,534bps in 4QFY17) to 40%. 	<ul style="list-style-type: none"> Performance of new product launches Inventory levels in trade channels GST impact on unorganised players Outlook on exports and IMPCO
V-Guard Industries	GOOD	<ul style="list-style-type: none"> We model 15% YoY revenue growth (21% in 4QFY17 and 19% in 3QFY18) for the quarter. We expect healthy growth across the products. We expect 13/14/16/15/14/16% growth for Stabilisers/UPS/Pumps/Cables/Water Heaters/Fans We model 272bps expansion in gross margin (-193bps in 4QFY17 and 168bps in 3QFY18) to 31.5%. V-Guard is spending on the brand rejuvenation exercise (one-time) and we model 80% YoY jump in ASP expense during the quarter. Hence, we expect 198bps increase in EBITDA margin to 11.5% (-284bps in 4QFY17 and 125bps in 3QFY18) 	<ul style="list-style-type: none"> GST rate revision impact on Cables and Fan Non-south performance Performance of new launches Outlook on input cost inflation
TTK Prestige	GOOD	<ul style="list-style-type: none"> We expect net revenue growth of 15%, led by 14/13/15/20% growth in Cookers/Cookware/Appliances/Others respectively We model EBITDA margin expansion of 58bps YoY (98bps in 4QFY17 and 316bps in 3QFY18) to 13.2% 	<ul style="list-style-type: none"> Performance of new product launches Commentary on recovery in trade channels Witnessing any green shoots in rural demand

Aviation 4QFY18E: Good Quarter despite higher Fuel costs

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Interglobe	GOOD	<ul style="list-style-type: none"> ASKM growth of 16% and PLF of 89.4% to boost revenue; Yield to improve by 6% on favorable market dynamics Hardening ATF prices and grounding of few A320neos aircrafts are expected to drag operating efficiency Expect EBITDAR margin to be flat YoY at 27.6% PAT to improve 14.8% YoY owing to higher revenue and other income 	<ul style="list-style-type: none"> Trend in yield and ancillary revenue Capex guidance for new aircraft addition plans Update on A320neo additions
SpiceJet	GOOD	<ul style="list-style-type: none"> ASKM growth of 14% and 7% improvement in yield to boost revenue Load Factor expected to be strong at 94.3% Expect EBITDAR margin to improve YoY owing to base effect and higher revenue PAT to improve sharply y-o-y, owing to higher revenue and better margins 	<ul style="list-style-type: none"> Trend in yield and ancillary revenue Update on New aircraft additions timeline

Lubricants: New capacity to drive growth

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Gulf Oil	GOOD	<ul style="list-style-type: none"> Expect revenue growth of 27% YoY, driven by 24.6% YoY volume growth and 1.7% YoY realization growth EBITDA margin expected to be higher by 211bps on YoY to 17.6%, led by operating leverage, and higher B2C contribution APAT to grow strongly by 39.3% YoY to Rs 0.4bn, owing to higher operating profit 	<ul style="list-style-type: none"> Volume growth Realization and product mix trend Capacity utilization of new plant

Building Materials: Pressure on realization to continue

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Finolex Industries	AVG	<ul style="list-style-type: none"> Expect revenue growth of ~20% YoY, driven by 13/6% YoY growth in Pipes & Fittings/PVC segment Except pressure on EBITDA margins (-263bps YoY to 17.5%), led by drop in realization of Pipes & Fittings/PVC by 20/15% YoY respectively Except APAT to remain unchanged on YoY at Rs 1.2bn, owing to marginal growth in operating profit Target Price includes the value of holding in Finolex Cable, assigned holding company discount at 30% (SOTP Target Price = Core business value per share Rs 826 + Finolex Cables value per share Rs 86) 	<ul style="list-style-type: none"> Volume growth Realization and product mix trend Status of capacity expansion plans

Alco-Bev: Modest operating performance

COMPANY	4QFY18E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
United Spirits	AVG	<ul style="list-style-type: none"> Adjusted for franchising model in several states from 1-Jan-17, we expect underlying volume to decline by 1% YoY and revenue to grow by 9% led by mix change and price increases. Reported volumes to decline by 10.5% YoY and revenue to grow by 2.8% owing to third part franchising in several states We model 120 bps YoY expansion in EBITDA margin aided by 330 bps expansion in GM due to lower input costs and partly due to franchising of lower margin Popular segment in several states. GM expansion is offset by higher advertising and marketing expenses (+130 bps YoY) and employee costs (+80 bps) due to base effect 	<ul style="list-style-type: none"> Outlook on recovery in volumes especially in states of Haryana, Punjab, UP and West Bengal owing to route to market changes Update on premiumisation Regulatory environment especially excise hikes in various states for FY19 and importantly in Maharashtra

Financial Summary

Company	NET SALES (Rs bn)			EBITDA (Rs bn)			EBITDA Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	QoQ (bps)	YoY (bps)	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	3Q FY18	4Q FY17
FMCG															
ITC	118.45	19.0	6.5	42.65	9.2	10.1	36.0	(322)	118	29.32	(5.1)	9.8	2.4	2.3	2.2
HUL	90.75	9.0	12.0	19.08	13.6	15.5	20.7	117	62	12.62	5.4	12.9	5.8	5.5	5.2
GCPL	26.29	1.0	10.4	6.34	5.9	15.1	24.1	113	99	4.58	6.1	18.3	13.5	12.7	11.4
Dabur	20.28	3.1	5.9	4.49	11.3	7.5	22.1	162	33	3.57	7.3	7.2	2.0	1.9	1.9
Britannia	25.02	(0.0)	11.5	3.69	(7.3)	19.9	14.8	(75)	104	2.47	(6.2)	17.2	20.6	22.0	17.6
Marico	14.87	(8.4)	12.5	2.69	(10.9)	3.8	18.1	(49)	(152)	1.88	(14.9)	9.9	1.5	1.7	1.3
Colgate	11.51	11.4	11.0	2.84	0.6	16.3	24.7	(265)	113	1.71	0.3	20.1	6.3	6.3	5.2
Emami	6.35	(16.0)	10.0	1.94	(26.6)	9.1	30.6	(441)	(26)	1.43	(27.1)	3.3	6.3	8.6	6.1
Jubilant Food	7.66	(3.7)	25.0	1.28	(6.4)	111.7	16.7	(50)	690	0.56	(14.7)	198.0	8.6	10.0	2.9
Aggregates	321.18	8.4	9.6	85.01	6.6	12.7	26.5	(44)	73	58.15	(2.6)	12.1			
Consumer Durable															
Havells	29.46	49.9	72.3	3.94	50.2	71.6	13.3	(112)	67	2.73	52.2	59.5	2.6	1.9	2.2
Voltas	13.75	72.9	16.8	2.75	131.7	23.9	11.6	294	66	2.29	130.2	15.1	6.9	3.0	6.0
Crompton	12.31	31.2	14.4	1.71	47.0	23.6	13.9	150	103	1.08	55.2	22.8	1.7	1.1	1.4
Symphony	2.18	0.0	18.3	0.87	0.2	75.6	40.0	7	1,305	0.68	2.8	46.0	9.7	9.5	6.7
V-Guard	7.16	36.8	14.9	0.82	66.9	38.8	11.5	207	198	0.59	63.7	41.1	1.9	1.2	1.4
TTK Prestige	4.19	(8.4)	14.6	0.55	(16.9)	19.9	13.2	(135)	58	0.30	(30.2)	15.8	26.4	37.8	22.6
Aggregates	69.05	26.1	15.2	10.65	52.1	42.9	15.4	264	299	7.67	55.2	34.0			

Source: Company, HDFC sec Inst Research * Havells includes Lloyd consumer

Financial Summary

Company	NET SALES (Rs bn)			EBITDA (Rs bn)			EBITDA Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	QoQ (bps)	YoY (bps)	4Q FY18E	QoQ (%)	YoY (%)	4Q FY18E	3Q FY18	4Q FY17
Lubricants															
Gulf Oil	3.80	6.7	26.7	0.67	8.7	43.9	17.6	32.9	210.6	0.45	5.2	39.3	9.0	8.5	6.5
Building Material															
Finolex Ind	10.69	48.0	20.4	1.87	65.0	4.7	17.5	180.0	(263.0)	1.23	77.4	0.1	9.9	5.6	9.9
Aviation															
Interglobe#	61.29	-0.8	26.4	7.42	-25.2	46.0	12.1	-395	162	5.05	-33.7	14.8	13.1	19.8	12.2
SpiceJet #	20.16	-2.5	24.9	2.02	-37.3	198.5	9.3	-518	542	1.32	-44.8	218	2.2	4.0	0.7
ALCO-BEV															
UNSP	20.83	-8.0	2.8	2.93	7.7	12.4	14.08	205	120	1.67	13.4	52.3	11.5	10.2	7.6

Source: Company, HDFC sec Inst Research

Valuation Summary

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)*		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ITC	3,044	267	BUY	363	9.3	10.3	11.5	28.6	26.0	23.3	18.4	16.6	14.7	35.6	35.8	37.5
HUL	3,008	1,390	BUY	1,559	24.1	29.7	35.9	57.7	46.7	38.7	39.7	32.8	27.7	72.1	81.0	83.6
GCPL	733	1,077	NR	1,022	21.8	25.5	29.2	49.4	42.2	36.9	36.3	31.1	27.1	17.2	19.5	21.8
Dabur	595	338	BUY	399	7.6	9.3	11.3	44.7	36.4	30.0	36.2	30.0	24.9	48.6	57.8	68.3
Britannia	612	5,100	BUY	5,615	83.3	106.4	131.1	61.2	47.9	38.9	40.0	32.1	26.6	41.0	49.2	52.7
Marico	418	324	BUY	375	6.4	8.6	10.6	50.4	37.5	30.5	36.0	27.7	22.7	47.3	64.5	75.8
Colgate	297	1,091	BUY	1,204	24.1	29.1	34.4	45.3	37.5	31.7	26.7	22.7	19.3	60.1	76.4	96.1
Emami	259	1,126	BUY	1,277	23.6	29.5	35.0	47.7	38.2	32.1	34.7	28.8	24.4	23.2	29.4	35.3
Jub. Food	160	2,430	BUY	2,804	31.3	48.7	60.9	77.6	49.9	39.9	34.2	24.0	19.4	34.7	62.3	91.7
Havells	314	534	BUY	684	11.8	15.4	19.0	45.3	34.8	28.1	30.7	24.2	20.0	32.1	31.5	38.4
Voltas	209	633	BUY	710	18.2	21.0	24.2	34.7	30.2	26.2	26.4	22.7	19.1	45.0	45.0	46.9
Crompton	148	237	BUY	296	5.1	6.7	8.3	46.5	35.4	28.4	28.4	22.4	18.1	46.5	58.8	71.4
Symphony	125	1,789	BUY	2,150	28.8	37.7	47.7	62.2	47.5	37.5	47.8	36.0	28.1	108.6	123.6	134.0
V-Guard	97	233	BUY	264	3.9	5.8	7.4	60.3	40.3	31.3	41.9	29.5	23.5	28.7	36.4	41.4
TTK Prestige	75	6,481	NR	7,928	136.0	161.6	200.2	47.6	40.1	32.4	29.4	25.0	20.4	15.2	16.5	18.5
Gulf Oil	45	917	BUY	1,026	32.4	36.7	41.0	28.3	25.0	22.3	19.0	15.8	13.9	45.0	44.2	53.8
Finolex Ind	81	657	BUY	912	24.3	29.2	34.4	27.1	22.5	19.1	17.0	14.3	12.1	21.9	25.1	27.6
Interglobe	535	1,480	NEU	1395	73.0	91.8	115.7	20.3	16.1	12.8	11.9	8.3	5.8	47.8	42.5	46.1
Spicejet	82	136	BUY	160	8.3	9.1	12.7	16.5	15.0	10.7	9.6	7.1	4.1	N.A.	100.8	64.0
United Spirits	486	3,354	SELL	2,690	31.3	51.3	67.3	107.2	65.3	49.8	48.3	35.4	28.9	22.8	28.9	28.4

*RoE has been used for Aviation stocks

Source: Company, HDFC sec Inst Research

NR: Not Rated

TP is fair value for GCPL and TTK Prestige since we don't have active coverage

INSTITUTIONAL RESEARCH**Rating Definitions**

BUY	: Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL	: Where the stock is expected to deliver (-) 10% to 10% returns over the next 12 month period
SELL	: Where the stock is expected to deliver less than (-) 10% returns over the next 12 month period

Disclosure:

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