INSTITUTIONAL RESEARCH

Consumer

1QFY19E Results Preview

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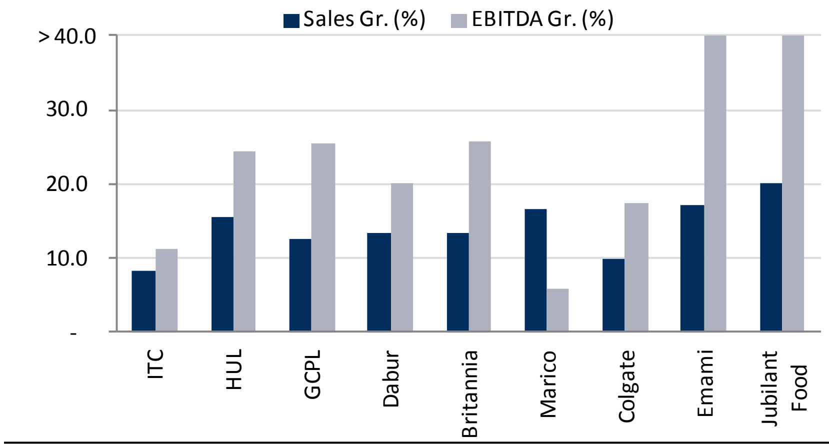
FMCG Sector: A strong start, promising FY19

- **Domestic business to post optically strong performance:** Our FMCG coverage universe performance is expected to accelerate in 1QFY19 with 12/17% YoY revenue/EBITDA growth vs. 8/15% YoY in 4QFY18 owing to a favorable base (GST led destocking) of 1/3% YoY in 1QFY18 for domestic business. As per retail audit data by Nielsen (stated by various management), consumer offtake is yet to recover fully to the historical levels (low teens). Rural used to grow 2.5-3% faster than the Urban but the delta has so far reached to only ~1.5%. However, considering macro tailwinds are also supporting (partially witnessed in the last 2 qtrs) especially in rural, we expect rural growth to further accelerate. Input prices (mainly crude derivatives) have risen therefore companies have taken price hikes of 1-2% during the quarter. Most staple companies plan to take 3-4% price hike during FY19 to pass on rising inflation costs. This will further accelerate revenue growth during FY19.
- **International business is recovering:** International business performance is now beginning to stabilize on account of improving consumer confidence index for most geographies and favorable base (impacted by geo-political issues, unfavorable currencies).
- **1QFY19 result Outliers:** HUL, Jubilant FoodWorks and Emami
- **Recommendation and Top picks:** We have been strong believers of HUL and Britannia to outperform, as category leaders will drive category growth during turbulent market conditions (demon and GST). We remain structurally positive for HUL and Britannia, however on account of limited upside we downgrade HUL and Britannia to NEUTRAL. We prefer mid-cap staples as consumption dynamics and trade conditions are now beginning to normalize which will support pick-up in performance. We have rolled forward our target price for our coverage universe to Jun-20 EPS (earlier Mar-20).

Our top picks in FMCG: Emami and Marico

FMCG: Expect 12% Sales And 17% EBITDA Growth

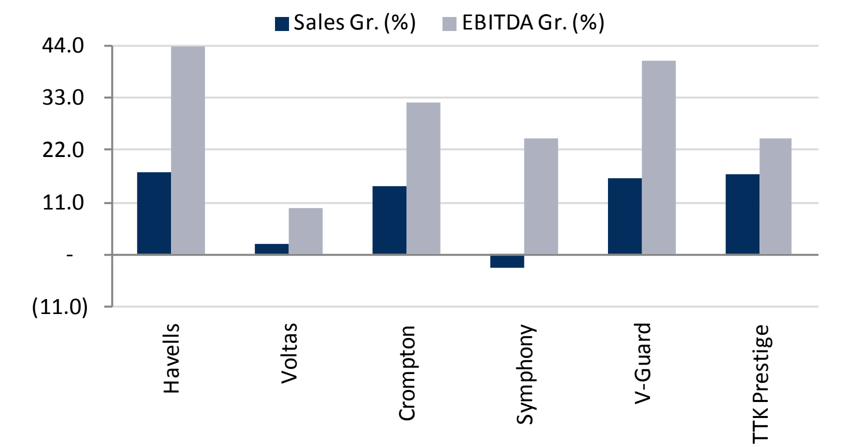


Consumer Appliances: Weak season offers entry point

- **Favourable base supports weak summer performance:** The sector is expected to post 11/29% revenue/EBITDA growth on account of favorable base (GST led destocking) of 3/-15% in 1QFY18. Historically, the sector has witnessed higher revenue multiplier (2-3x of real GDP growth) in times of faster GDP growth. We expect this trend to play-out in FY19-FY20 supported by growth drivers like improving consumer sentiments, distribution expansion, new product launches, rising penetration and improving electricity penetration.
- **Category specific takeaways:** Cooling products (air coolers, air conditioners and derivative products like stabilizers) were impacted by an erratic summer resulting in muted consumer offtake. Fans and Switchgears (18% tax now vs. ~26% tax in base) will continue to enjoy lower tax rate (GST rate revision in Nov-17). Fans category growth was flat in FY18, while, Havells, Crompton and V-Guard gained market share driven by decorative fans. We expect this trend to sustain in FY19. Lighting category has posted >20% growth for Havells and Crompton in FY18 driven by rising penetration of LED bulbs and electricity. We expect Lighting segment to sustain healthy growth of 15-17% in FY19. Cables segment for Havells/V-Guard grew by 9/21% in FY18, we expect 14/15% growth respectively in FY19. Housing demand is expected to gradually improve resulting in accelerated growth in FY19-FY20.
- **1QFY19 result Outliers:** Havells, V-Guard and TTK Prestige
- **Recommendation and top picks:** Stock price for Voltas and Symphony has corrected greater than earnings cut implying a de-rating. We believe structural play is in-tact and this provides a opportune time to enter. We also like V-Guard as we sense a DNA change in the org. driven by a one-time brand exercise, launch of tech-rich products and senior level recruitment which will aid in brand building on a pan-India basis. We have rolled forward our target price for coverage universe to Jun-20 EPS (earlier Mar-20).

Our top picks in Appliances: Havells and V-Guard

Appliances*: Expect 11% Sales And 29% EBITDA Growth



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

FMCG: Optically strong performance

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
ITC	AVG	▪ We expect cigarette revenue growth of 8% YoY, with flat volume growth YoY (1% in 1QFY18 and -3% in 4QFY18). Price hike would support cigarette revenue growth. Non-Cigarette business is expected to grow by ~8% with FMCG/Hotel/Agri/Paper business to register 11/7/7/6% growth, respectively ▪ We expect cigarette EBIT growth of 10% YoY (7.6% in 4QFY18 and 9% in 1QFY18) ▪ Overall EBITDA margin to expand by 86bps to 38.5%. EBITDA to grow by 10.7% YoY (7% in 4QFY18 and 6% in 1QFY18)	▪ Cigarette volume growth ▪ FMCG business EBIT margin ▪ Outlook on Agri and Hotel businesses
HUL	GOOD	▪ We expect revenue growth of 15%, 4QFY18 was at 16% (like-to-like growth) and 1QFY18 at 5%. We model domestic volume growth of 12% (11% in 4QFY18 and 0% in 1QFY18) ▪ We model 18/15/13/12% growth in Home Care/PC/Foods/Refreshment segments, respectively ▪ EBITDA margin to expand by 172bps YoY to 23.6% (+241bps YoY in 4QFY18 and +176bps YoY in 1QFY18)	▪ Improvement in rural business ▪ Commentary on competition, especially in natural products and oral care ▪ Pricing actions and new launches strategy
Godrej Consumer Products	AVG	▪ We model 13% (6% in 4QFY18 and 3% in 1QFY18) revenue growth. Domestic growth is expected at 14% driven by 11/18/12% revenue growth in HI/personal wash/hair care. International business to grow by 11% (3% in 4QFY18 and 1% in 1QFY18). ▪ We model 185bps expansion in EBITDA margin to 17.9%. EBITDA to grow by 25% YoY (11% in 4QFY18 and -9% in 1QFY18).	▪ Commentary on recovery in trade channels and rural demand ▪ Outlook on Indonesia and other geographies ▪ Competitive intensity across categories

FMCG: Optically strong performance

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Dabur	**GOOD**	▪ Consolidated revenue to grow by 13.5% (-8% in 1QFY18 and 11% in 4QFY18). We model domestic business growth at 13.4% and international at 14%. Hair care/oral care/health supplements/home care/food are expected to grow by 13.5/12.5/16/12/14%. ▪ We expect international business to grow by 14% (11% in 4QFY18 and -15% in 1QFY18). Currency depreciation is now anniversarised and demand in most geographies are improving ▪ EBITDA margin to expand by 101bps YoY to 18.3% (206 bps YoY in 4QFY18 and -61bps in 1QFY18). EBITDA to grow by 20.1% YoY	▪ Commentary on rural growth and wholesale channels ▪ Commentary on competition and Real juice performance (erratic summer) ▪ New launches strategy
Britannia	**GOOD**	▪ We model 13.5% revenue growth with volume growth of 12% (10% in 4QFY18 and 3% in 1QFY18) ▪ Input price softening and cost-control initiatives would result in expanding EBITDA margin by 158bps YoY to 16%. EBITDA to grow by 26% YoY	▪ Change in competitiveness post GST, especially after a rise in taxes in the value segment ▪ Commentary on new launches ▪ Commentary on distribution expansion
Marico	**AVG**	▪ We model 17.5% domestic revenue growth, with volume growth of 9% (1% in 4QFY18 and -9% in 1QFY18). ▪ Parachute and Saffola both enjoy a favorable base (-9% volume growth in 1QFY18 each) resulting in healthy pickup. Parachute is expected to report high double digit value growth owing to copra inflation (~25% price hike) ▪ International business to grow by 10%, with healthy growth from Bangladesh. Currency impact to anniversarise, hence minimal forex impact ▪ We model 277bps fall in gross margins and 180bps fall YoY in EBITDA margin owing to high copra inflation	▪ 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 international business

FMCG: Optically strong performance

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Colgate	**AVG**	▪ We expect 10% revenue growth with 8% volume growth (4% in 4QFY18 and -5% in 1QFY19) ▪ Gross margin would continue to expand, we model 184bps YoY expansion to 65.2%. We expect that ASP expense would continue to increase in support of new launches. We model 15% increase in ASP (15.3% of sales) ▪ EBITDA margin to expand by 156bps YoY to 24%. EBITDA to grow by 17.5% (5% in 1QFY18 and 26% in 4QFY18)	▪ Toothpaste volume growth and market share change ▪ New product launches ▪ ASP spends, especially with increased competition from Dabur
Emami	**GOOD**	▪ We expect 17% consolidated revenue growth, with 18/10% domestic/international growth (-16/-19% in 1QFY18). We model 16.5% domestic volume growth (-18% in 1QFY18) ▪ We expect gross margin to decline by 63bps YoY to ~67%. We model higher ASP spend (20% YoY) to factor the company's strategy to focus on volume growth. EBITDA margin to expand by 396bps to 16.5% (-1,043 bps in 1QFY18 owing to GST destocking). EBITDA to grow by 54% YoY.	▪ Kesh King growth outlook ▪ Price hike strategy ▪ Commentary on new launches ▪ Outlook on Mentha oil ▪ Distribution strategy ▪ Commentary on international business
Jubilant FoodWorks	**GOOD**	▪ We model 20% revenue growth, driven by 18% SSG (6.5% in 1QFY18 and 26.5% in 4QFY18). 'Everyday value offers' (Rs 199 and Rs 99), FIFA world cup, upgrade in pizza quality and closure of loss making stores have been supporting the acceleration in SSG since last 4 quarters. We model 14 Dominos stores addition in 1QFY19 ▪ We model gross margin to contract by 136bps YoY and 70bps QoQ to 75%. EBITDA margin can expand to 15.5% vs. 11.7% in 1QFY18 and 16.4% in 4QFY18. EBITDA to grow by 59% YoY.	▪ Commentary on product launches ▪ Outlook on store addition in FY19-20 ▪ Competitive intensity, pricing strategy ▪ Outlook on SSG

Appliances: Favourable base supporting weak summer

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Havells India	**GOOD**	▪ We expect Havells (ex-Lloyd) to register ~18% revenue growth (8.6% in 1QFY18 and 18% in 4QFY18). Cables, Fan and Switchgears to benefit from GST rate revision (Nov'17). We model 2% comparable (Lloyd was acquired during mid 1QFY18) revenue growth for Lloyd (flat in 4QFY18). Consolidated revenue growth at 37%. ▪ We model 16/10/21/30% for Switch Gears/Cables/Lighting/Consumer durables ▪ We model EBITDA margin (ex-Lloyd) to expand by 297bps YoY (-365bps in 1QFY18 and +119bps in 4QFY18) to 13%, while for Lloyd, we expect margin of 7.8%	▪ Outlook on housing activities ▪ GST rate revision impact on Cables and Fan ▪ Updates on Lloyd's Consumer business
Voltas	**WEAK**	▪ We expect consolidated net revenue growth of 2% YoY. UCP segment to register3% contraction (1% in 1QFY18 and 8% in 4QFY18) on account of weak summer. EMPS segment to grow by 8% (14% in 1QFY18 and 5% in 4QFY18) ▪ We model UCP EBIT margin contraction of 75bps YoY to 13.3% due to stiff competition. EMPS EBIT to expand by 75bps to 6.1% ▪ EBITDA margin to expand by 84bps to 11.8% during the quarter	▪ RAC channel inventory ▪ Competitiveness in RAC market ▪ Outlook on EMPS revenue and margin
Crompton Consumer	**AVG**	▪ We expect 14% revenue growth, driven by 15% growth from Lighting (10% in 1QFY18 and 21% in 4QFY18) and 14% growth from ECD segment (-8.6% in 1QFY18 and 10% in 4QFY18). ▪ We model 190bps EBITDA margin expansion to 14.2% driven by continued operational excellence and premiumisation in fans	▪ Growth in premium fans ▪ Distribution expansion ▪ Performance of new launches

Appliances: Favourable base supporting weak summer

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Symphony	**WEAK**	▪ We expect net revenue to contract by 3% (-14.7% in 1QFY18 and -14% in 4QFY18) driven by impact of erratic summer in the domestic business. We model 5% revenue contraction in the domestic business ▪ We model gross margin expansion of 382bps (1QFY18 was down by 677bps due to introductory launch of Touch series) to 55%. EBITDA margin is expected to expand by 418bps (1QFY18 was down 1,068bps) to 19.2%.	▪ Performance of new product launches ▪ Inventory levels in trade channels ▪ GST impact on unorganised players ▪ Outlook on exports and International
V-Guard Industries	**GOOD**	▪ We model 16% YoY revenue growth (1% in 1QFY18 and 13% in 4QFY18) for the quarter. We expect healthy growth across the products except summer driven ▪ We expect 8/24/15/15/26/35% growth for Stabilisers/UPS/Pumps/Cables/Water Heaters/Fans ▪ We model 173bps expansion in gross margin (-109bps in 1QFY18 and 174bps in 4QFY18) to 29%. V-Guard is spending on the brand rejuvenation exercise (one-time) and we model 62% YoY jump in ASP expense during the quarter. We expect 124bps increase in EBITDA margin to 7.1% (-574bps in 1QFY18 and -356bps in 4QFY18)	▪ GST rate revision impact on Cables and Fan ▪ Non-south performance ▪ Performance of new launches ▪ Outlook on input cost inflation
TTK Prestige	**GOOD**	▪ We expect net revenue growth of 16.8% (3% in 1QFY18 and 22% in 4QFY18), led by 15/22/16/25% growth in Cookers/Cookware/Appliances/Others respectively ▪ We model EBITDA margin expansion of 84bps YoY (-1bps in 1QFY18 and 131bps in 4QFY18) to 13.3%	▪ Performance of new product launches ▪ Commentary on recovery in trade channels ▪ Witnessing any green shoots in rural demand

Financial Summary

Company	NET SALES (Rs bn)			EBITDA (Rs bn)			EBITDA Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	QoQ (bps)	YoY (bps)	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	4Q FY18	1Q FY18
FMCG															
ITC	107.7	(0.4)	8.2	41.7	0.6	11.3	38.7	41	109	28.5	(2.9)	11.3	2.3	2.4	2.1
HUL	97.0	7.7	15.4	23.2	13.3	24.4	23.6	108	172	15.7	11.7	21.8	7.3	6.5	6.0
GCPL	24.4	(2.0)	12.5	4.4	(27.5)	25.4	18.0	(630)	185	3.0	(34.7)	30.4	8.9	13.6	6.8
Dabur	20.3	(0.1)	13.5	3.7	(23.5)	20.1	18.3	(560)	101	3.3	(17.9)	23.1	1.9	2.3	1.6
Britannia	25.4	0.0	13.5	4.1	4.1	25.8	16.1	44	158	2.7	1.7	23.8	22.3	21.9	18.0
Marico	19.6	32.6	16.7	3.4	36.0	5.8	17.5	44	(180)	2.5	36.2	5.8	1.9	1.4	1.8
Colgate	10.8	(1.5)	10.0	2.6	(15.2)	17.5	24.2	(393)	156	1.6	(14.5)	18.4	5.9	6.6	5.0
Emami	6.2	0.4	17.2	1.0	(41.0)	54.2	16.5	(1,157)	396	0.7	(39.2)	97.2	3.2	5.2	1.6
Jubilant Food	8.1	4.5	20.0	1.3	(1.0)	58.9	15.5	(90)	380	0.6	(6.4)	98.6	9.0	9.6	4.5
Aggregates	**319.5**	**3.6**	**12.3**	**85.5**	**0.1**	**17.2**	**26.8**	**(93)**	**112**	**58.6**	**(2.6)**	**17.1**			
Consumer Durable															
Havells	25.5	0.7	37.3	3.0	(17.2)	71.8	11.6	(251)	233	2.1	(9.4)	73.1	3.7	2.9	2.7
Voltas	19.9	(3.0)	2.2	2.3	(7.8)	10.0	11.8	-61	84	2.0	5.0	10.2	6.1	5.8	5.4
Crompton	12.1	7.1	14.3	1.7	3.9	32.0	14.2	(44)	191	1.1	4.9	34.9	1.7	1.6	1.3
Symphony	1.3	(18.7)	(2.7)	0.2	(51.1)	24.5	19.2	(1,272)	418	0.2	(40.9)	3.3	3.5	6.0	3.4
V-Guard	6.5	(1.2)	16.3	0.5	21.6	41.0	7.1	133	124	0.3	22.0	44.5	1.1	1.3	0.8
TTK Prestige	4.2	0.3	16.8	0.6	(3.7)	24.6	13.3	(55)	84	0.3	(8.1)	21.6	29.5	32.1	24.1
Aggregates	**69.4**	**0.0**	**17.5**	**8.3**	**(10.2)**	**35.3**	**11.9**	**(136)**	**157**	**6.1**	**(3.3)**	**33.1**			

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

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
HUL	3,632	1,678	NEU	1,709	29.4	35.6	42.7	57.2	47.2	39.3	39.7	33.1	28.1	78.4	81.0	80.7
ITC	3,304	272	BUY	367	10.2	11.2	12.3	26.8	24.3	22.1	16.8	14.9	13.4	38.2	40.3	42.7
GCPL	850	1,248	NR	1,143	26.8	30.8	36.7	46.5	40.5	34.0	35.3	30.2	25.4	20.4	22.9	26.9
Britannia	756	6,300	NEU	6,307	103.2	132.4	158.6	61.1	47.6	39.7	40.9	32.4	27.1	45.7	52.4	56.0
Dabur	669	380	BUY	423	9.4	11.3	13.7	40.5	33.5	27.7	33.4	28.1	24.0	56.8	67.5	77.3
Marico	439	340	BUY	388	8.3	10.7	12.4	41.1	31.9	27.5	30.4	23.8	20.8	50.5	70.4	83.1
Colgate	322	1,183	NEU	1,219	29.7	34.8	39.8	39.8	34.0	25.5	24.3	20.8	15.1	69.7	83.9	100.8
Emami	240	520	BUY	627	14.0	16.6	19.9	37.1	31.3	26.1	27.2	23.1	19.3	27.6	34.0	43.4
Jub. Food	180	1,366	BUY	1,510	25.9	30.7	38.2	52.8	44.5	35.8	27.9	23.9	19.7	56.5	69.3	86.5
Havells	341	545	BUY	680	14.9	18.0	21.5	36.5	30.2	25.4	24.8	20.9	17.7	35.3	40.7	48.1
Voltas	171	516	BUY	638	19.2	22.1	25.1	26.9	23.4	20.5	19.4	16.9	16.9	60.2	60.4	60.4
Crompton	147	228	BUY	286	6.4	7.8	9.3	35.6	29.3	24.5	22.1	18.4	15.2	50.2	58.3	67.3
Symphony	99	1,411	BUY	2,031	34.2	43.3	50.7	41.3	32.6	27.8	31.0	24.3	20.6	66.8	58.5	62.4
V-Guard	83	195	BUY	240	4.7	6.5	8.0	41.4	30.1	24.4	29.8	22.4	18.7	27.2	33.5	37.6
TTK Prestige	67	5,824	NR	8,176	162.4	196.3	237.1	35.9	29.7	24.6	21.5	17.8	14.7	16.6	18.2	20.0

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

Aviation 1QFY19E: Higher fuel costs to dent earnings

The Aviation sector is expected to deliver a disappointing quarter despite RPKM growth for our coverage companies of 17% with profits declining ~75% Y-o-Y as a result of higher fuel prices and a weaker rupee.

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Interglobe	**MUTED**	▪ ASKM growth of 17% and PLF of 90.5% to boost revenue; Yield to decline 4% YoY as a result of competition in the current window ▪ Hardening ATF prices expected to drag operating efficiency ▪ Expect EBITDAR margin to be at 20.4%, -1,350 bps YoY ▪ PAT to decline 74.4% YoY	▪ Guidance on yields and pricing power ▪ Forex impact ▪ Capex guidance for new aircraft addition plans ▪ Update on A320 neo additions
SpiceJet	**MUTED**	▪ ASKM growth of 15% ▪ Load Factor expected to be strong at 94.5% ▪ Yield to be flat YoY at 3.96 ▪ Expect EBITDAR margin to be 19.3%, (-540 bps YoY) ▪ PAT to decline 78% Y-o-Y, owing to higher fuel costs	▪ Trend in yield and ancillary revenue ▪ Forex impact ▪ Update on New aircraft additions timeline

Financial Summary

Company	NET SALES (Rs bn)			EBITDAR (Rs bn)			EBITDAR Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	QoQ (bps)	YoY (bps)	1Q FY19E	QoQ (%)	YoY (%)	1Q FY19E	QoQ (%)	YoY (%)
Interglobe	65.9	*14.3*	*14.5*	13.5	*19.9*	*-31*	20.4	*90*	*-1,350*	2.1	*76.3*	*-74.4*	5.4	*76.3*	*-75.9*
SpiceJet	22.1	*9.7*	*19.1*	4.3	*16.3*	*-6.9*	19.2	*110*	*-540*	0.4	*-16.4*	*-78.0*	0.5	*-16.4*	*-83.3*
Aggregate	**88.0**	***13.1***	***15.6***	**17.8**	***19.0***	***-26.4***	**20.2**	***100***	***-1150***	**2.5**	***50.2***	***-75.1***			

Source: Companies, HDFC sec Inst Research

Valuation Summary

	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDAR (x)			ROAE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Interglobe	386.3	1,072	NEU	1,120	58.3	51.3	77.6	18.4	20.9	13.8	8.6	7.5	5.6	41.3	24.8	29.5
Spicejet	171.2	109	NEU	118	7.1	4.1	9.8	15.4	26.9	11.2	9.6	8.3	5.8	N.A.	76.8	80.1

*Note – estimate based on IND AS
Source: Company, HDFC sec Inst Research

Alco-Bev 1QFY19E: Modest performance

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
UNITED SPIRITS	STRONG	▪ Led by low base effect of 1QFY18 owing to highway ban, we expect the underlying volume to grow by 9.5% YoY and revenue to grow by 16% led by mix change and price increases. UNSP received price increases in Maharashtra (LBT withdrawal), Telangana, AP etc in FY18 ▪ We model 460 bps YoY expansion in EBITDA margin aided by (a) 270 bps expansion in GM due to lower input costs, partly due to franchising of lower margin Popular segment in several states and mix change and (b) modest increase in other operating costs	▪ Outlook on recovery in volumes especially in states of 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)		
	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (bps)*	*YoY (bps)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	4Q FY18	1Q FY18
United Spirits	20.66	*(4.9)*	*16.0*	2.78	*1.5*	*76.7*	13.46	85	462	1.46	*(16.1)*	*129.5*	2.02	2.40	0.88

Source : Company, HDFC sec Inst Research

Valuation Summary

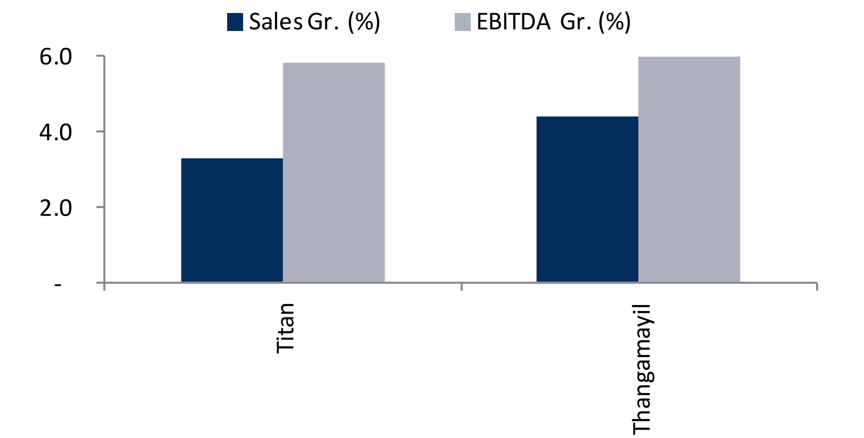
COMPANY	Mcap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	EPS (Rs/sh)				P/E (x)				EV/EBITDA (x)				RoIC (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
United Spirits	462	636	SELL	570	9.6	10.3	13.4	16.9	66.3	61.9	47.5	37.6	40.8	32.9	27.7	22.9	10.8	15.3	17.1	20.0

Source : Company, HDFC sec Inst Research

Jewellery 1QFY19E: Soft quarter

- Our Jewellery coverage universe is expected to register 4/6% YoY revenue/EBITDA growth during 1QFY19 vs 45/30% YoY in 1QFY18. The jewellery industry has been going through a significant soft patch in the first 5 months of CY 2018 as evidenced in the decline of imports of gold by 39% in volume terms. This is primarily led by decline in demand for bullion and to some extent by weak demand for adornment during the period. Further, this quarter also has a very high base for comparison which had a favorable impact of GST-led preponement of purchases. We expect demand to normalise as rural consumption picks up led by govt's thrust on agricultural and rural incomes.

Jewellery: Expect 4% Sales And 6% EBITDA Growth



Source: Company, HDFC sec Inst Research

Jewellery 1QFY19E: Muted growth dented by weak demand

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
TITAN	AVG	▪ We expect muted growth of 0.5% YoY in Jewellery revenues due to 1. weak demand in adornment during the period and 2. high base for comparison which had a favorable impact of GST-led preponement of purchases. We also expect flat gold grammage growth YoY (55% in 1QFY18 and 3% in 4QFY18). Non-jewellery business is expected to grow by ~7% with Watches/Eyewear/Other business to register 8/5/10% growth, respectively. ▪ We expect Jewellery EBIT growth of 4.2% YoY (58.6% in 1QFY18 and 60.5% in 4QFY18). ▪ Overall EBITDA margin to expand by 22bps to 9.4% during the quarter.	▪ Grammage growth and market share change ▪ Outlook on jewellery demand ▪ Outlook on Watches and Eyewear businesses ▪ Non-jewellery business EBIT margin
THANGAMAYIL	AVG	▪ We expect revenue growth of 4.4% (51.3% in 1QFY18 and -2.5% in 4QFY18). We model gold volume growth of 5% (49% in 1QFY18 and 17% in 4QFY18). ▪ EBITDA margin expected to be higher by 7 bps YoY to 4.7% led by operating leverage ▪ PAT to improve 1.6% YoY owing to higher revenue partly offset by higher interest expense.	▪ Grammage growth and demand outlook ▪ Commentary on store renovation and expansion ▪ EBIT margin

Financial Summary

Company	NET SALES (Rs bn)			EBITDA (Rs bn)			EBITDA Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (bps)*	*YoY (bps)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	4Q FY18	1Q FY18
Titan	41.2	*0.2*	*3.3*	3.9	*-11.3*	*5.8*	9.4	*-122*	*22*	2.6	*-16.0*	*4.9*	2.9	3.5	2.8
Thangamayil	4.5	*27.1*	*4.4*	0.2	*45.6*	*6.0*	4.7	*60*	*7*	0.1	*96.0*	*1.6*	7.1	3.6	7.0
Aggregate	**45.7**	***2.4***	***3.4***	**4.1**	***-9.5***	***5.8***	**8.9**	***-11.7***	***21.0***	**2.7**	***-14.2***	***4.8***			

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 (%)*		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Titan	738	831	NEU	820	15.9	19.4	23.2	52.2	42.8	35.8	35.7	29.1	24.0	19.3	19.7	19.8
Thangamayil	6	430	BUY	650	21.0	29.6	37.1	20.5	14.5	11.6	10.9	9.3	8.2	9.4	11.9	12.4

Source: Company, HDFC sec Inst Research

Lubricants: New capacity to drive growth

COMPANY	1QFY19E OUTLOOK	WHAT'S LIKELY	KEY MONITORABLES
Gulf Oil	**GOOD**	▪ Expect revenue growth of 30.6% YoY, driven by 26.6% YoY volume growth and 3.2% YoY realization growth ▪ EBITDA margin expected to be higher by 101bps on YoY to 16.6%, led by higher gross margins and higher B2C contribution ▪ APAT to grow strongly by 17.7% YoY, owing to higher operating profit	▪ Volume growth ▪ Realization and product mix trend ▪ Capacity utilization of new capacity

Financial Summary

Company	NET SALES (Rs bn)			EBITDA (Rs bn)			EBITDA Margin (%)			APAT (Rs bn)			Adj. EPS (Rs/sh)		
	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	*QoQ (bps)*	*YoY (bps)*	1Q FY19E	*QoQ (%)*	*YoY (%)*	1Q FY19E	4Q FY18	1Q FY18
Gulf Oil	3.7	*(2.0)*	*30.6*	0.6	*(3.5)*	*23.1*	16.6	*(24.5)*	*(101.4)*	0.40	*-2.4*	*17.7*	8.1	*8.3*	*6.9*

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 (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Gulf Oil	42.4	861	BUY	1,028	31.9	36.3	41.1	27.0	23.8	21.0	17.8	15.1	13.1	47.0	45.2	52.6

Source: Company, HDFC sec Inst Research

Rating Definitions

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

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