

July 28, 2020

## Q2CY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|                | Current  |          | Previous |          |
|----------------|----------|----------|----------|----------|
|                | CY21E    | CY22E    | CY21E    | CY22E    |
| Rating         | REDUCE   |          | REDUCE   |          |
| Target Price   | 14,089   |          | 14,609   |          |
| Sales (Rs. m)  | 1,52,545 | 1,69,105 | 1,55,500 | 1,71,443 |
| % Chng.        | (1.9)    | (1.4)    |          |          |
| EBITDA (Rs. m) | 36,435   | 40,130   | 37,193   | 41,074   |
| % Chng.        | (2.0)    | (2.3)    |          |          |
| EPS (Rs.)      | 257.4    | 289.9    | 265.9    | 301.0    |
| % Chng.        | (3.2)    | (3.7)    |          |          |

### Key Financials - Standalone

| Y/e Dec         | CY19  | CY20E | CY21E | CY22E |
|-----------------|-------|-------|-------|-------|
| Sales (Rs. bn)  | 124   | 136   | 153   | 169   |
| EBITDA (Rs. bn) | 29    | 33    | 36    | 40    |
| Margin (%)      | 23.4  | 24.5  | 23.9  | 23.7  |
| PAT (Rs. bn)    | 20    | 23    | 25    | 28    |
| EPS (Rs.)       | 206.9 | 234.1 | 257.4 | 289.9 |
| Gr. (%)         | 15.8  | 13.2  | 9.9   | 12.6  |
| DPS (Rs.)       | 306.0 | 176.0 | 200.0 | 215.0 |
| Yield (%)       | 1.8   | 1.0   | 1.2   | 1.3   |
| RoE (%)         | 71.2  | 103.8 | 93.6  | 87.2  |
| RoCE (%)        | 90.4  | 132.9 | 119.8 | 110.7 |
| EV/Sales (x)    | 13.1  | 11.9  | 10.6  | 9.5   |
| EV/EBITDA (x)   | 56.3  | 48.7  | 44.3  | 39.9  |
| PE (x)          | 82.6  | 73.0  | 66.4  | 59.0  |
| P/BV (x)        | 85.3  | 68.2  | 57.1  | 46.7  |

### Key Data

NEST.BO | NEST IN

|                     |                        |
|---------------------|------------------------|
| 52-W High / Low     | Rs.18,370 / Rs.11,128  |
| Sensex / Nifty      | 38,493 / 11,301        |
| Market Cap          | Rs.1,648bn/ \$ 22,024m |
| Shares Outstanding  | 96m                    |
| 3M Avg. Daily Value | Rs.5827.43m            |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 62.76 |
| Foreign                 | 12.10 |
| Domestic Institution    | 8.71  |
| Public & Others         | 16.43 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M    | 6M   | 12M  |
|----------|-------|------|------|
| Absolute | 2.5   | 10.9 | 49.4 |
| Relative | (6.3) | 18.0 | 47.0 |

### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

### Charmi Mehta

charmimehta@plinida.com | 91-22-66322256

### Heet Vora

heetvora@plindia.com | 91-22-66322381

## A lost Opportunity

### Quick Pointers:

- Domestic sales grew 2.6% as production disruption (75% utilization) and lower demand for out-of-home consumption and vending business impacted sales.
- Ecommerce sales up 122% YoY, contributing 3.6% to domestic sales.
- Milk based products, Coffee and Maggi delivered strong growth.

**We are cutting CY20-23 EPS estimates of Nestle by 3.2% to 4.2% on disappointing performance in 2Q20. Although Nestle posted positive sales growth of 2.6% despite setback in vending business, constraints in production and distribution limited gains in a very strong quarter for food essentials. We were also surprised at GM pressure given benign prices of Milk, wheat and Palmoil. Nestle is currently witnessing strong demand for Everyday Dairy Whitener, Tetrapack Milk, Maggi Noodles, Ketchup and Coffee and Resource Immunity boosters which will enable it post double digit sales growth from 3Q onwards. We believe expanding margins from current levels looks difficult as cut in adspend has bottomed out and Input costs of SMP, Palmoil, Wheat and Sugar are steady. In addition, our structural concerns on low growth in Infant nutrition and Beverages (~36% of sales) still remain. Despite strong parentage, brands and market leadership in key categories, valuations at 60.7xSep22 makes us retain REDUCE rating (Target Rs14089@50xSep22 EPS, Rs14609@50xSep22 EPS earlier). Although our switch trade to BRIT has played out (23% outperformance since May12,20), we still prefer Britannia given strong tailwinds from growth and lower raw material prices and reasonable valuations (41.9xSep22 standalone and 40xConsol EPS with 16.9% PAT CAGR over FY20-23).**

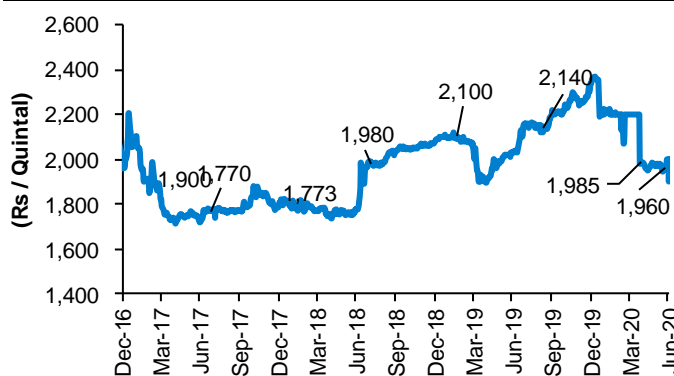
- Sales up 1.7%, Adj PAT up 11.1%:** Net sales grew 1.7% to Rs30.51bn (Est Rs33.61bn) led by domestic sales growth of 2.6% even as exports declined 9.3%. Gross margins declined 190bps to 56.3%(Est 57.0%). EBITDA grew by 5% to Rs 7.58bn (Est Rs7.73bn). EBITDA margins expanded by 80bps to 24.9% (Est. 23.0%) as gross margin contraction was offset by lower operating expenses despite Rs286mn of Covid related expense. PBT declined by 0.9% to Rs 6.63bn due to 47.7% decline in other income. Adj. PAT increased 11.1% to Rs 4.98bn (Est Rs5.29bn) on 810bps lower tax rate at 25%.
- Milk based products and Coffee drove the growth:** EVERYDAY Dairy Whitener, Nestlé Milk, other milk based portfolio, NESCAFÉ Classic and NESCAFÉ Sunrise delivered strong performance during quarter. After initial supply constraints, MAGGI witnessed robust growth at end of the quarter. E-com sales grew by 122% on back of digital engagements and innovative campaign, while rationalizing marketing spends. Out of home consumption portfolio and vending business was severely impacted.
- Inflationary input costs impact 2Q margins:** Prices of milk and its derivatives remained firm during 2Q; SMP prices up 7.3% YoY. Wheat prices are up 2.2% YoY, palm oil is up 20.8% YoY and Sugar is up 1.9% YoY. We expect headwinds from higher input cost to put pressure on the margin.

**Exhibit 1: Q2CY20 Results: Adjusted PAT up 11.1% mainly on lower tax rate of 25.0%, Gross margins declined 190bps**

| Y/e Dec (Rs mn)               | Q2CY20      | Q2CY19      | YoY gr. (%) | Q1CY20      | 1HCY20      | 1HCY19      | YoY gr. (%) |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net Sales</b>              | 30,505      | 30,009      | 1.7         | 33,253      | 63,758      | 60,038      | 6.2         |
| Gross Profit                  | 17,186      | 17,487      | (1.7)       | 18,720      | 35,906      | 35,063      | 2.4         |
| <i>% of NS</i>                | <i>56.3</i> | <i>58.3</i> |             | <i>56.3</i> | <i>56.3</i> | <i>58.4</i> |             |
| Other Expenses                | 9,602       | 10,260      | (6.4)       | 10,714      | 20,316      | 20,192      | 0.6         |
| <b>EBITDA</b>                 | 7,584       | 7,226       | 5.0         | 8,006       | 15,590      | 14,871      | 4.8         |
| <i>Margins (%)</i>            | <i>24.9</i> | <i>24.1</i> |             | <i>24.1</i> | <i>24.5</i> | <i>24.8</i> |             |
| Depreciation                  | 924         | 941         | (1.8)       | 914         | 1,838       | 1,855       | (0.9)       |
| Interest                      | 408         | 320         | 27.3        | 410         | 818         | 659         | 24.0        |
| Other Income                  | 379         | 726         | (47.7)      | 429         | 808         | 1,458       | (44.6)      |
| <b>PBT</b>                    | 6,631       | 6,691       | (0.9)       | 7,111       | 13,743      | 13,814      | (0.5)       |
| Tax                           | 1,657       | 2,213       | (25.1)      | 1,784       | 3,441       | 4,787       | (28.1)      |
| <i>Effective tax rate (%)</i> | <i>25.0</i> | <i>33.1</i> |             | <i>25.1</i> | <i>25.0</i> | <i>34.7</i> |             |
| <b>Adjusted PAT</b>           | 4,975       | 4,477       | 11.1        | 5,327       | 10,302      | 9,027       | 14.1        |

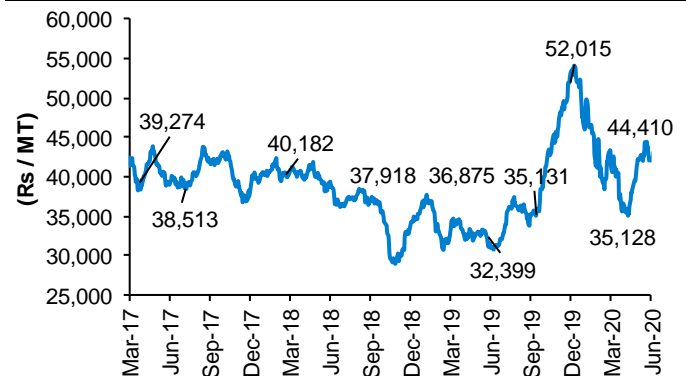
Source: Company, PL

**Exhibit 2: 2Q Wheat prices up 2.2% YoY but down 9.6% QoQ**



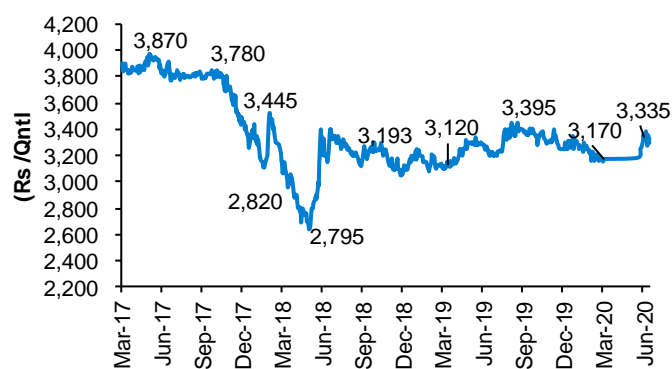
Source: Company, PL

**Exhibit 3: Palmoil prices up 20.8% YoY, down 13.5% QoQ**



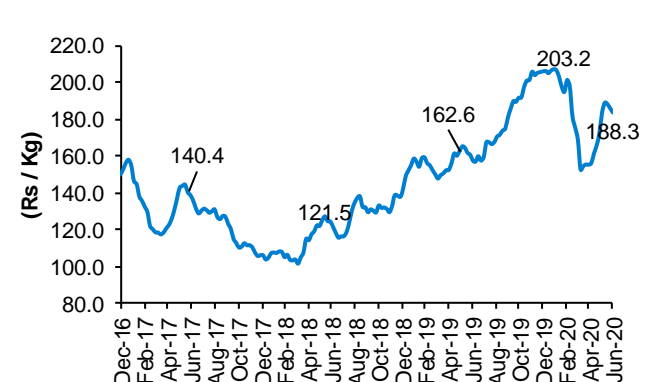
Source: Company, PL

**Exhibit 4: 2Q Sugar up 1.9% YoY and 4.1% QoQ**



Source: Company, PL

**Exhibit 5: SMP prices up 7.3% YoY**

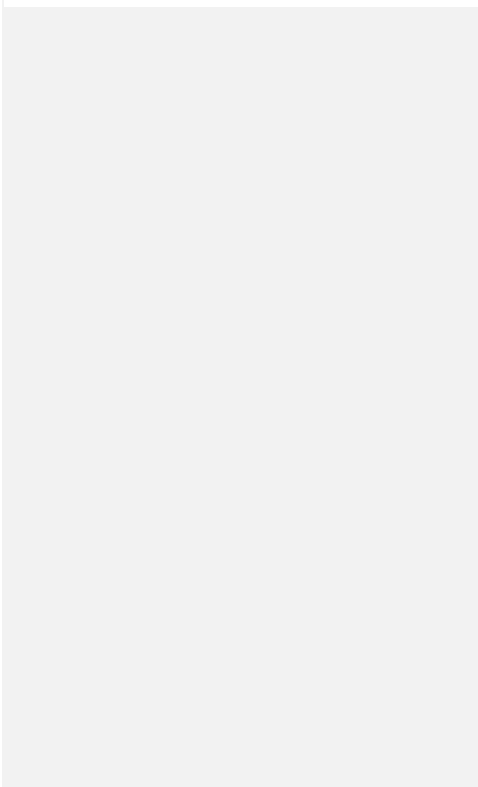


Source: Bloomberg, PL

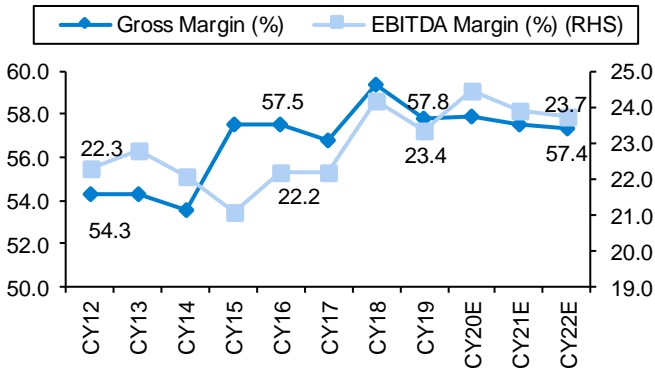
**Exhibit 6: Maggi, Chocolates and beverages to drive volumes in the long term**

| Y/e March                                 | CY17         | CY18         | CY19E        | CY20E         | CY21E         | CY22E         |
|---|--------------|--------------|--------------|---------------|---------------|---------------|
| <b>Milk Products</b>                      |              |              |              |               |               |               |
| Volume (MT)                               | 1,30,796     | 1,37,066     | 1,38,941     | 1,45,888      | 1,53,182      | 1,59,310      |
| <i>Volume growth</i>                      | <i>1.6%</i>  | <i>4.8%</i>  | <i>1.4%</i>  | <i>5.0%</i>   | <i>5.0%</i>   | <i>4.0%</i>   |
| Sales Value (Rs m)                        | 48,196       | 51,876       | 56,518       | 61,124        | 66,748        | 72,194        |
| <i>Growth in Value</i>                    | <i>4.0%</i>  | <i>7.6%</i>  | <i>8.9%</i>  | <i>8.1%</i>   | <i>9.2%</i>   | <i>8.2%</i>   |
| <i>% of sales</i>                         | <i>47.6%</i> | <i>46.3%</i> | <i>46.0%</i> | <i>45.1%</i>  | <i>44.0%</i>  | <i>42.9%</i>  |
| <b>Beverages</b>                          |              |              |              |               |               |               |
| Volume (MT)                               | 24,423       | 27,013       | 29,039       | 31,217        | 33,465        | 35,807        |
| Value (Rs m)                              | 13,870       | 15,226       | 16,695       | 18,307        | 20,017        | 21,847        |
| <i>Growth in Volume</i>                   | <i>10.6%</i> | <i>10.6%</i> | <i>7.5%</i>  | <i>7.5%</i>   | <i>7.2%</i>   | <i>7.0%</i>   |
| <i>Growth in Value</i>                    | <i>7.8%</i>  | <i>9.8%</i>  | <i>9.7%</i>  | <i>9.7%</i>   | <i>9.3%</i>   | <i>9.1%</i>   |
| <i>%Sales</i>                             | <i>13.7%</i> | <i>13.6%</i> | <i>13.4%</i> | <i>13.3%</i>  | <i>13.2%</i>  | <i>13.1%</i>  |
| <b>Prepared Dishes &amp; Cooking Aids</b> |              |              |              |               |               |               |
| Volume (MT)                               | 2,10,427     | 2,40,879     | 2,74,602     | 3,10,300      | 3,47,536      | 3,89,241      |
| Value (Rs m)                              | 27,071       | 31,053       | 35,931       | 41,211        | 46,849        | 53,257        |
| <i>Growth in Volume</i>                   | <i>19.0%</i> | <i>14.5%</i> | <i>14.0%</i> | <i>13.0%</i>  | <i>12.0%</i>  | <i>12.0%</i>  |
| <i>Growth in Value</i>                    | <i>16.8%</i> | <i>14.7%</i> | <i>15.7%</i> | <i>14.7%</i>  | <i>13.7%</i>  | <i>13.7%</i>  |
| <i>%Sales</i>                             | <i>26.7%</i> | <i>27.7%</i> | <i>28.9%</i> | <i>30.0%</i>  | <i>31.0%</i>  | <i>32.0%</i>  |
| <b>Chocolate &amp; Confectionery</b>      |              |              |              |               |               |               |
| Volume (MT)                               | 36,803       | 42,197       | 47,261       | 51,987        | 56,666        | 61,765        |
| Value (Rs m)                              | 13,227       | 15,924       | 18,727       | 42,228        | 1,40,388      | 6,19,743      |
| Realisation (Rs./Kg)                      | 359.40       | 377.37       | 396.24       | 812.29        | 2477.49       | 10033.82      |
| <i>Growth in Volume</i>                   | <i>4.3%</i>  | <i>14.7%</i> | <i>12.0%</i> | <i>10.0%</i>  | <i>9.0%</i>   | <i>9.0%</i>   |
| <i>Growth in Value</i>                    | <i>9.5%</i>  | <i>20.4%</i> | <i>17.6%</i> | <i>125.5%</i> | <i>232.5%</i> | <i>341.5%</i> |
| <i>Growth in Realisations</i>             | <i>5.0%</i>  | <i>5.0%</i>  | <i>5.0%</i>  | <i>105.0%</i> | <i>205.0%</i> | <i>305.0%</i> |
| <i>%Sales</i>                             | <i>13.1%</i> | <i>14.2%</i> | <i>15.1%</i> | <i>30.7%</i>  | <i>92.9%</i>  | <i>372.3%</i> |

Source: Company, PL

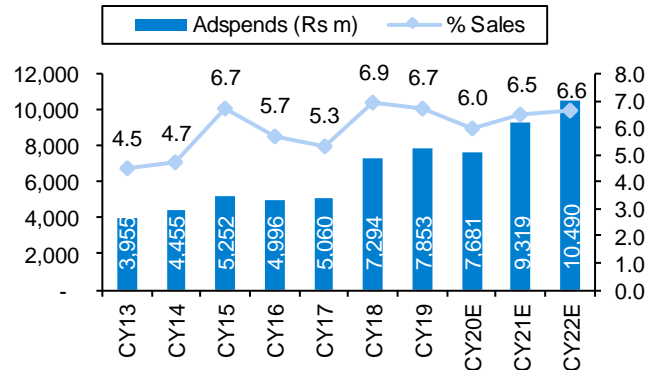


**Exhibit 7: Gross Margins have likely peaked out**



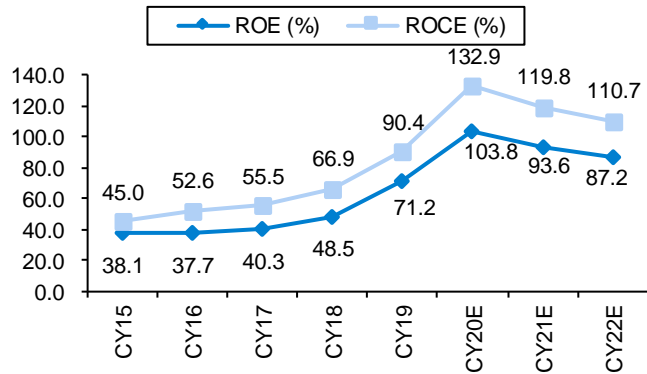
Source: Company, PL

**Exhibit 8: Ad-spend is likely to remain flat going forward**



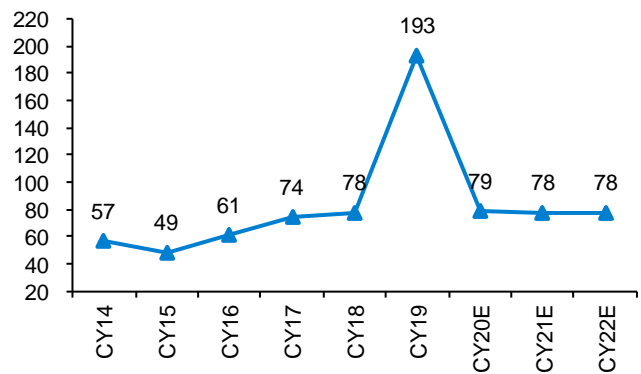
Source: Company, PL

**Exhibit 9: ROE and ROCE increased due to special dividend**

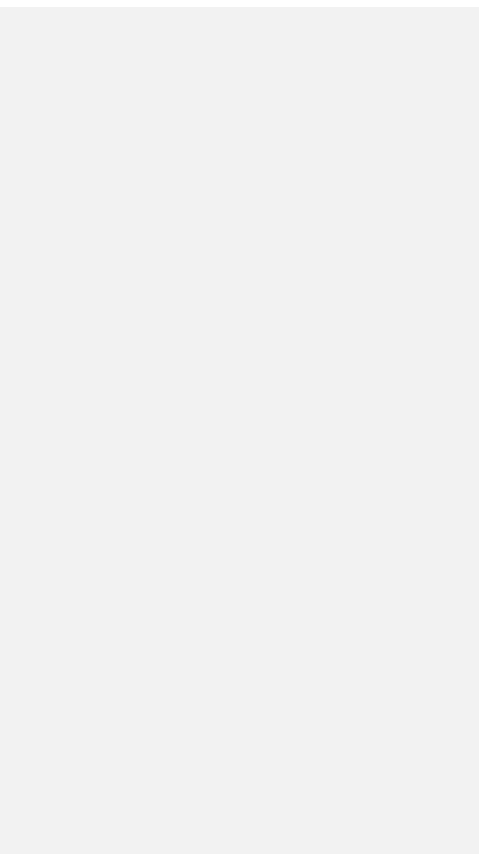


Source: Company, PL

**Exhibit 10: One-time dividend boosted payout in CY19**



Source: Company, PL



## Financials

### Income Statement (Rs m)

| Y/e Dec                       | CY19            | CY20E           | CY21E           | CY22E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Revenues</b>           | <b>1,23,689</b> | <b>1,36,219</b> | <b>1,52,545</b> | <b>1,69,105</b> |
| YoY gr. (%)                   | 9.5             | 10.1            | 12.0            | 10.9            |
| Cost of Goods Sold            | 52,239          | 57,331          | 64,777          | 72,108          |
| Gross Profit                  | 71,450          | 78,888          | 87,768          | 96,997          |
| Margin (%)                    | 57.8            | 57.9            | 57.5            | 57.4            |
| Employee Cost                 | 12,630          | 14,224          | 15,626          | 17,324          |
| Other Expenses                | 15,570          | 15,662          | 18,483          | 20,565          |
| <b>EBITDA</b>                 | <b>28,892</b>   | <b>33,315</b>   | <b>36,435</b>   | <b>40,130</b>   |
| YoY gr. (%)                   | 5.7             | 15.3            | 9.4             | 10.1            |
| Margin (%)                    | 23.4            | 24.5            | 23.9            | 23.7            |
| Depreciation and Amortization | 3,164           | 3,722           | 4,236           | 4,384           |
| <b>EBIT</b>                   | <b>25,728</b>   | <b>29,593</b>   | <b>32,199</b>   | <b>35,746</b>   |
| Margin (%)                    | 20.8            | 21.7            | 21.1            | 21.1            |
| Net Interest                  | 1,198           | 1,349           | 1,482           | 1,643           |
| Other Income                  | 2,469           | 1,922           | 2,450           | 3,252           |
| <b>Profit Before Tax</b>      | <b>26,999</b>   | <b>30,166</b>   | <b>33,167</b>   | <b>37,354</b>   |
| Margin (%)                    | 21.8            | 22.1            | 21.7            | 22.1            |
| Total Tax                     | 7,054           | 7,593           | 8,348           | 9,402           |
| Effective tax rate (%)        | 26.1            | 25.2            | 25.2            | 25.2            |
| <b>Profit after tax</b>       | <b>19,944</b>   | <b>22,573</b>   | <b>24,819</b>   | <b>27,952</b>   |
| Minority interest             | -               | -               | -               | -               |
| Share Profit from Associate   | -               | -               | -               | -               |
| <b>Adjusted PAT</b>           | <b>19,944</b>   | <b>22,573</b>   | <b>24,819</b>   | <b>27,952</b>   |
| YoY gr. (%)                   | 15.8            | 13.2            | 9.9             | 12.6            |
| Margin (%)                    | 16.1            | 16.6            | 16.3            | 16.5            |
| Extra Ord. Income / (Exp)     | (249)           | (274)           | (307)           | (340)           |
| <b>Reported PAT</b>           | <b>19,696</b>   | <b>22,299</b>   | <b>24,512</b>   | <b>27,612</b>   |
| YoY gr. (%)                   | 22.6            | 13.2            | 9.9             | 12.6            |
| Margin (%)                    | 15.9            | 16.4            | 16.1            | 16.3            |
| Other Comprehensive Income    | (1,548)         | (500)           | (500)           | (500)           |
| Total Comprehensive Income    | 18,148          | 21,799          | 24,012          | 27,112          |
| <b>Equity Shares O/s (m)</b>  | <b>96</b>       | <b>96</b>       | <b>96</b>       | <b>96</b>       |
| <b>EPS (Rs)</b>               | <b>206.9</b>    | <b>234.1</b>    | <b>257.4</b>    | <b>289.9</b>    |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Dec                               | CY19          | CY20E         | CY21E         | CY22E         |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <b>Non-Current Assets</b>             |               |               |               |               |
| <b>Gross Block</b>                    | <b>58,287</b> | <b>60,039</b> | <b>70,599</b> | <b>73,071</b> |
| Tangibles                             | 58,287        | 60,039        | 70,599        | 73,071        |
| Intangibles                           | -             | -             | -             | -             |
| <b>Acc: Dep / Amortization</b>        | <b>36,020</b> | <b>39,742</b> | <b>43,978</b> | <b>48,363</b> |
| Tangibles                             | 36,020        | 39,742        | 43,978        | 48,363        |
| Intangibles                           | -             | -             | -             | -             |
| <b>Net fixed assets</b>               | <b>22,267</b> | <b>20,296</b> | <b>26,621</b> | <b>24,709</b> |
| Tangibles                             | 22,267        | 20,296        | 26,621        | 24,709        |
| Intangibles                           | -             | -             | -             | -             |
| Capital Work In Progress              | 1,433         | 7,500         | 2,000         | 2,100         |
| Goodwill                              | -             | -             | -             | -             |
| Non-Current Investments               | 7,906         | 7,978         | 8,043         | 8,109         |
| Net Deferred tax assets               | (180)         | (559)         | (977)         | (1,447)       |
| Other Non-Current Assets              | 804           | 881           | 986           | 1,093         |
| <b>Current Assets</b>                 |               |               |               |               |
| Investments                           | 22,746        | 26,446        | 32,917        | 45,112        |
| Inventories                           | 12,831        | 12,042        | 13,383        | 14,693        |
| Trade receivables                     | 1,243         | 1,429         | 1,559         | 1,659         |
| Cash & Bank Balance                   | 410           | 471           | 528           | 649           |
| Other Current Assets                  | 260           | 286           | 315           | 346           |
| <b>Total Assets</b>                   | <b>70,582</b> | <b>78,146</b> | <b>87,253</b> | <b>99,465</b> |
| <b>Equity</b>                         |               |               |               |               |
| Equity Share Capital                  | 964           | 964           | 964           | 964           |
| Other Equity                          | 18,358        | 23,188        | 27,917        | 34,300        |
| <b>Total Network</b>                  | <b>19,323</b> | <b>24,152</b> | <b>28,881</b> | <b>35,264</b> |
| <b>Non-Current Liabilities</b>        |               |               |               |               |
| Long Term borrowings                  | 531           | 531           | 204           | 204           |
| Provisions                            | 29,069        | 31,367        | 33,895        | 36,698        |
| Other non current liabilities         | 4             | 4             | 4             | 4             |
| <b>Current Liabilities</b>            |               |               |               |               |
| ST Debt / Current of LT Debt          | -             | -             | -             | -             |
| Trade payables                        | 14,947        | 14,136        | 15,085        | 16,792        |
| Other current liabilities             | 6,509         | 7,395         | 8,207         | 9,056         |
| <b>Total Equity &amp; Liabilities</b> | <b>70,563</b> | <b>78,146</b> | <b>87,253</b> | <b>99,465</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Dec                              | CY19            | CY20E           | CY21E           | CY22E           |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| PBT                                  | 26,999          | 30,166          | 33,167          | 37,354          |
| Add. Depreciation                    | 3,164           | 3,722           | 4,236           | 4,384           |
| Add. Interest                        | 1,198           | 1,349           | 1,482           | 1,643           |
| Less Financial Other Income          | 2,469           | 1,922           | 2,450           | 3,252           |
| Add. Other                           | (375)           | (166)           | (482)           | (992)           |
| Op. profit before WC changes         | 30,985          | 35,071          | 38,403          | 42,390          |
| Net Changes-WC                       | (73)            | 499             | 175             | 1,023           |
| Direct tax                           | (7,054)         | (7,593)         | (8,348)         | (9,402)         |
| <b>Net cash from Op. activities</b>  | <b>23,857</b>   | <b>27,977</b>   | <b>30,230</b>   | <b>34,011</b>   |
| Capital expenditures                 | (1,806)         | (7,819)         | (5,061)         | (2,572)         |
| Interest / Dividend Income           | 2,469           | 1,922           | 2,450           | 3,252           |
| Others                               | 12,095          | (3,700)         | (6,471)         | (12,196)        |
| <b>Net Cash from Inv. activities</b> | <b>12,758</b>   | <b>(9,597)</b>  | <b>(9,082)</b>  | <b>(11,516)</b> |
| Issue of share cap. / premium        | (34)            | -               | -               | -               |
| Debt changes                         | 180             | -               | (327)           | -               |
| Dividend paid                        | (35,562)        | (16,969)        | (19,283)        | (20,729)        |
| Interest paid                        | (1,198)         | (1,349)         | (1,482)         | (1,643)         |
| Others                               | -               | -               | -               | -               |
| <b>Net cash from Fin. activities</b> | <b>(36,615)</b> | <b>(18,318)</b> | <b>(21,093)</b> | <b>(22,372)</b> |
| <b>Net change in cash</b>            | <b>0</b>        | <b>62</b>       | <b>56</b>       | <b>122</b>      |
| Free Cash Flow                       | 22,052          | 20,159          | 25,170          | 31,439          |

Source: Company Data, PL Research

**Key Financial Metrics**

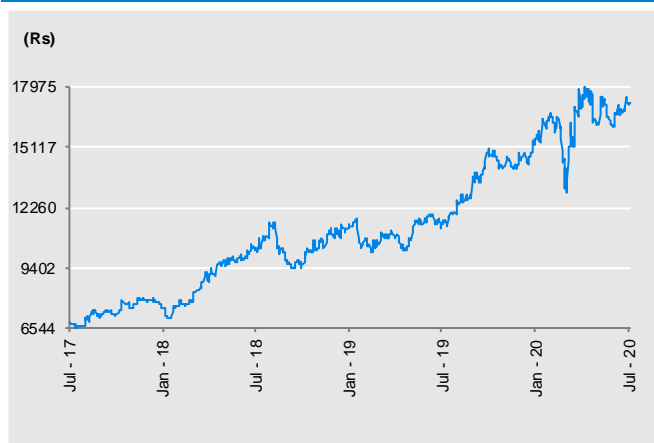
| Y/e Dec                    | CY19  | CY20E | CY21E | CY22E |
|----------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |       |       |       |       |
| EPS                        | 206.9 | 234.1 | 257.4 | 289.9 |
| CEPS                       | 239.7 | 272.7 | 301.3 | 335.4 |
| BVPS                       | 200.4 | 250.5 | 299.5 | 365.7 |
| FCF                        | 228.7 | 209.1 | 261.1 | 326.1 |
| DPS                        | 306.0 | 176.0 | 200.0 | 215.0 |
| <b>Return Ratio(%)</b>     |       |       |       |       |
| RoCE                       | 90.4  | 132.9 | 119.8 | 110.7 |
| ROIC                       | 54.2  | 57.8  | 59.8  | 66.6  |
| RoE                        | 71.2  | 103.8 | 93.6  | 87.2  |
| <b>Balance Sheet</b>       |       |       |       |       |
| Net Debt : Equity (x)      | (1.2) | (1.1) | (1.2) | (1.3) |
| Net Working Capital (Days) | (3)   | (2)   | 0     | (1)   |
| <b>Valuation(x)</b>        |       |       |       |       |
| PER                        | 82.6  | 73.0  | 66.4  | 59.0  |
| P/B                        | 85.3  | 68.2  | 57.1  | 46.7  |
| P/CEPS                     | 239.7 | 272.7 | 301.3 | 335.4 |
| EV/EBITDA                  | 56.3  | 48.7  | 44.3  | 39.9  |
| EV/Sales                   | 13.1  | 11.9  | 10.6  | 9.5   |
| Dividend Yield (%)         | 1.8   | 1.0   | 1.2   | 1.3   |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Dec                           | Q3CY19        | Q4CY19        | Q1CY20        | Q2CY20        |
|-----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>                | <b>32,158</b> | <b>31,493</b> | <b>33,253</b> | <b>30,505</b> |
| YoY gr. (%)                       | 9.4           | 8.7           | 10.7          | 1.7           |
| Raw Material Expenses             | 13,650        | 13,614        | 14,533        | 13,319        |
| Gross Profit                      | 18,508        | 17,879        | 18,720        | 17,186        |
| Margin (%)                        | 57.6          | 56.8          | 56.3          | 56.3          |
| <b>EBITDA</b>                     | <b>7,595</b>  | <b>6,730</b>  | <b>8,006</b>  | <b>7,584</b>  |
| YoY gr. (%)                       | 2.4           | 9.6           | 4.7           | 7.2           |
| Margin (%)                        | 23.6          | 21.4          | 24.1          | 24.9          |
| Depreciation / Depletion          | 780           | 796           | 914           | 924           |
| <b>EBIT</b>                       | <b>6,815</b>  | <b>5,934</b>  | <b>7,092</b>  | <b>6,660</b>  |
| Margin (%)                        | 21.2          | 18.8          | 21.3          | 21.8          |
| Net Interest                      | 299           | 284           | 410           | 408           |
| Other Income                      | 564           | 447           | 429           | 379           |
| <b>Profit before Tax</b>          | <b>7,080</b>  | <b>6,097</b>  | <b>7,111</b>  | <b>6,631</b>  |
| Margin (%)                        | 22.0          | 19.4          | 21.4          | 21.7          |
| Total Tax                         | 1,045         | 1,416         | 1,784         | 1,657         |
| Effective tax rate (%)            | 14.8          | 23.2          | 25.1          | 25.0          |
| <b>Profit after Tax</b>           | <b>6,035</b>  | <b>4,681</b>  | <b>5,327</b>  | <b>4,975</b>  |
| Minority interest                 | -             | -             | -             | -             |
| Share Profit from Associates      | -             | -             | -             | -             |
| <b>Adjusted PAT</b>               | <b>6,035</b>  | <b>4,681</b>  | <b>5,327</b>  | <b>4,975</b>  |
| YoY gr. (%)                       | 30.4          | 15.6          | 12.3          | 11.1          |
| Margin (%)                        | 18.8          | 14.9          | 16.0          | 16.3          |
| Extra Ord. Income / (Exp)         | (81)          | 49            | (73)          | -             |
| <b>Reported PAT</b>               | <b>5,954</b>  | <b>4,730</b>  | <b>5,254</b>  | <b>4,975</b>  |
| YoY gr. (%)                       | 33.5          | 38.4          | 13.5          | 13.6          |
| Margin (%)                        | 18.5          | 15.0          | 15.8          | 16.3          |
| Other Comprehensive Income        | -             | (340)         | (350)         | -             |
| <b>Total Comprehensive Income</b> | <b>5,954</b>  | <b>4,390</b>  | <b>4,904</b>  | <b>4,975</b>  |
| Avg. Shares O/s (m)               | 96            | 96            | 96            | 96            |
| <b>EPS (Rs)</b>                   | <b>62.6</b>   | <b>48.5</b>   | <b>55.2</b>   | <b>51.6</b>   |

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


| No. | Date      | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1   | 08-Jul-20 | Reduce | 14,609   | 16,912            |
| 2   | 12-May-20 | Reduce | 13,127   | 17,462            |
| 3   | 15-Apr-20 | Reduce | 11,886   | 17,326            |
| 4   | 13-Feb-20 | Reduce | 11,886   | 16,400            |
| 5   | 03-Jan-20 | Reduce | 12,093   | 14,594            |
| 6   | 09-Nov-19 | Reduce | 12,093   | 14,490            |
| 7   | 03-Oct-19 | Hold   | 12,149   | 13,710            |
| 8   | 20-Aug-19 | Hold   | 10,900   | 12,004            |
| 9   | 13-Aug-19 | Hold   | 10,900   | 11,951            |
| 10  | 02-Aug-19 | UR     | -        | 11,412            |

**Analyst Coverage Universe**

| Sr. No. | Company Name                          | Rating       | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|--------------|---------|------------------|
| 1       | Asian Paints                          | Accumulate   | 1,829   | 1,717            |
| 2       | Avenue Supermarts                     | Reduce       | 1,695   | 2,323            |
| 3       | Bajaj Electricals                     | BUY          | 500     | 384              |
| 4       | Britannia Industries                  | BUY          | 4,316   | 3,785            |
| 5       | Colgate Palmolive                     | Reduce       | 1,277   | 1,392            |
| 6       | Crompton Greaves Consumer Electricals | BUY          | 288     | 247              |
| 7       | Dabur India                           | Hold         | 451     | 479              |
| 8       | Emami                                 | Hold         | 287     | 233              |
| 9       | Future Retail                         | Under Review | -       | 332              |
| 10      | GlaxoSmithKline Consumer Healthcare   | Hold         | 9,377   | 9,247            |
| 11      | Havells India                         | Reduce       | 524     | 595              |
| 12      | Hindustan Unilever                    | Hold         | 2,304   | 2,249            |
| 13      | ITC                                   | BUY          | 262     | 200              |
| 14      | Jubilant FoodWorks                    | UR           | -       | 1,746            |
| 15      | Kansai Nerolac Paints                 | BUY          | 529     | 444              |
| 16      | Marico                                | Hold         | 355     | 350              |
| 17      | Nestle India                          | Reduce       | 14,609  | 16,912           |
| 18      | Pidilite Industries                   | Hold         | 1,418   | 1,399            |
| 19      | Titan Company                         | Hold         | 1,025   | 1,016            |
| 20      | Voltas                                | Accumulate   | 600     | 575              |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |

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### **Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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