

MARICO

Core volumes disappointing; likely to improve

India Equity Research | Consumer Goods

Marico's Q4FY13 net sales were marginally below our estimate (by 3%) primarily on account of a meager 6% YoY organic growth in Indian business. Key positives include: (i) 363bps YoY expansion in gross margin; (ii) 390bps YoY market share gain in branded coconut oil market (iii) 25% YoY volume growth in value-added hair oils; (iv) clocked 9% market share in Muesli; (v) 30% YoY growth in Oats and (vi) recovery in Bangladesh at 21% YoY growth (declined 3% in Q3FY13). Key negatives were: (i) slow volume growth of 5% YoY in *Saffola* (4% YoY in Q3FY13) on a low base of 3% YoY; (ii) mere 5% YoY volume growth in Parachute (on a base of 11% YoY growth) and slow pace of international business (declined 1% YoY due to sharp decline in GCC region; ex-GCC growth at mid teens to late teens). We expect the price cuts in Parachute and *Saffola* will help revive volume growth and cooling in kardi oil prices (declined 16% in March 2013) bodes well. Maintain 'BUY'.

This report also contains Q4FY13 conference call highlights.

Moderation in volume growth; copra softening aids margin growth

Marico's revenue grew 9.4% YoY and volume surged 8% YoY in Q4FY13. Gross margin expanded 363bps YoY due to soft copra prices. EBITDA margin declined 28bps as other expenses inched up 298bps YoY. Exceptional gain of INR332mn was due to change in depreciation method of plant & machinery and factory building from WDB to SLM.

Market leadership across categories; international biz - mixed bag

Parachute coconut oil rigid packs and value added hair oil volumes grew 2% and 25% YoY, respectively. *Saffola* posted 5% volume growth due to the discretionary slowdown. Youth brands grew a handsome 18% YoY in 9MFY13. International sales declined 1% YoY while it declined 8% constant currency.

Outlook and valuations: Positive; maintain 'BUY'

We remain enthused by Marico's focus on new growth drivers while existing businesses are likely to grow strongly over medium to long term. At CMP, the stock is trading at 28.4x FY14E and 23.3x FY15E. We maintain 'BUY' recommendation and 'Sector Performer' rating with a target price of INR252 at 26x FY15E EPS.

Financials

(INR mn)

Year to March	Q4FY13	Q4FY12	% change	Q3FY13	% change	FY13	FY14E	FY15E
Net sales	9,986	9,132	9.4	11,678	(14.5)	45,962	55,722	65,803
EBITDA	1,203	1,126	6.8	1,658	(27.5)	6,258	7,634	9,015
Core PAT	533	712	(25.2)	1,046	(49.0)	3,725	4,987	6,097
Dil. EPS (INR)	1.3	1.1	14.7	1.6	(18.2)	6.4	7.9	9.7
Dil. P/E (x)						35.0	28.4	23.3
EV/EBITDA (x)						22.5	18.2	15.1
ROAE (%)						28.1	29.8	28.6

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: MRCO.BO, B: MRCO IN)

CMP	: INR 225
Target Price	: INR 252
52-week range (INR)	: 250 / 165
Share in issue (mn)	: 644.8
M cap (INR bn/USD mn)	: 145 / 2,699
Avg. Daily Vol.BSE/NSE('000)	: 315.1

SHARE HOLDING PATTERN (%)

	Current	Q3FY13	Q2FY13
Promoters *	59.7	59.7	59.8
MF's, FI's & BK's	5.5	5.7	6.7
FII's	28.0	27.6	26.4
Others	6.8	7.0	7.1
* Promoters pledged shares (% of share in issue)	:		Nil

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer Goods Index
1 month	5.9	4.4	2.4
3 months	(0.5)	(1.7)	5.1
12 months	27.3	13.0	26.2

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April 30, 2013

Key takeaways from conference call



Consumer products business (CPB) India: CPB India clocked revenue of INR6980mn, up 12% YoY, with 14% volume growth. Revenue from youth brands grew 18% YoY in 9MFY13 (acquired in June 2012). LTL domestic volume growth (without considering the impact of Paras acquisition) was 8% YoY. The operating margin was in the range of 19% to 20%.

Volume growth: Marico posted 14% YoY volume growth in Q4FY13 in Indian business (including inorganic growth). However, excluding acquisition of youth brands, LTL volume growth stood at 8% YoY. Volume of *Parachute* coconut oil rigid packs and value added hair oil in rigid packs stood at 5% and 25% YoY respectively. *Saffola oil's* volume growth continued to disappoint at 5% YoY. The company has maintained its leadership across segments.

Parachute: Volume of *Parachute coconut oil* in rigid packs grew 5% YoY (6% YoY in Q3FY13). Market share improved 240bps YoY. During the 12 months ended March 2013, the company's volume share represented by *Parachute* and *Nihar* was ~57.6%. The low volume growth is mainly due to a deceleration in new customer acquisition. The company has already initiated action to bring the premium back to sustainable levels by making adjustments to the pricing in select packs. The price correction was ~2%.

Value added hair oil (*Parachute Advanced, Nihar* and *Hair & Care*): The segment posted 24% YoY value growth with 25% YoY growth in volume. The volume market share improved to 27% for 12 months ended March 2013 (gained 280bps share in FY13). *Nihar Shanti Amla* rode steady, achieving volume market share of 25% for 12 months ended March 2013 in the Amla hair oil category (up 640bps YoY). Management expects this category to continue to clock volume growth of 20% plus in coming quarters.

Saffola (refined edible oil): The franchise posted 5% YoY volume growth (4% YoY in Q3FY13) and 5% value growth. The lower growth was attributed a softer demand environment in premium packaged foods that are discretionary in nature and the inflation in the safflower oil and rice bran oil, that was significantly higher than the inflation in sunflower oil. The average price correction was 2% to 3% YoY. The brand maintained its leadership in the super premium refined edible oils segment with a market share of about 58% during the 12 months ended March 2013. The company expects to return to double digit volume growth rates from FY14 onwards.



Saffola-healthy foods: It maintained 13-14% value market share in oats and continued to be the second largest player, growing 30% YoY in FY13. *Muesli* clocked ~9% market share and emerged the third biggest player in the category. The company discontinued Saffola Rice during the quarter as the product did not receive expected results.

Skin care: Parachute Advanced body lotion achieved a market share of over 7% and emerged the third biggest player in the market.

Youth brands: Youth brands achieved a growth of 18% for a period of 9 months. Overall growth has been around 21% on an annualized basis and the company is confident of getting 20-25% growth in the coming years. Gels have seen a continued growth. Market share loss in deodorant category has now stabilized.



Kaya restructuring: Listing of Kaya as a separate entity is expected to be done at the end of Q2FY14. Delays are due to compliance with the SEBI guidelines. The accounts of the restructured entity will be from 1st April 2013 retrospectively no matter when the approval is received.

CSD: The base will come back to normal in Q1FY14. Canteen sales have stabilized and the decline has been stalled. Growth has been flattish to around 1-2%.

Modern trade: Is growing healthy in the range of 25-30%. The success of the new products has helped it in increasing the share of the modern trade.

Distribution: Saffola has a distribution reach of ~100,000 outlets.

International operations: International business saw a 1% decline in reported profits, with constant currency decline of 8% YoY.

Bangladesh, the biggest international market, posted a recovery in revenue growth at ~21% YoY despite challenging macro environment with high inflation. Parachute returned to the growth path during the quarter and recorded a 7% growth in its volumes and improved market share to 82%. Hair Code hair dye maintained its leadership position with a market share of about 26% in the powdered hair dye market. Management expects Bangladesh to grow 10% YoY in FY14.

The company's volumes in Egypt grew by about 12% YoY. HairCode and Fiancée maintained their combined market share of about 53%. The Company's performance in the Middle East region has been facing challenges during the past few quarters. It recorded de-growth in turnover during the year FY13 as compared to the previous year. This also resulted in a loss on account of fixed overheads and stepped up advertisement expenditure. The Company is confident that the performance will be back on track over the next few quarters. The company expects to grow the business in the region by above 25% during FY14, from its lower base.



The business in Vietnam is tracking as per expectations and grew by 28% in FY13 over FY12 in constant currency terms.

Raw material: In response to copra prices, the company has passed on the benefit in terms of pricing actions, if the prices rise dramatically the company will reverse the action.

Other expenses: Half of other expenses are variable in nature that moves in line with the revenue. The increase can be attributed to legal and professional expenses and exchange loss to the tune of 100bps.

Tax rate: Higher tax rate is on account of higher taxable profits in India, losses occurring in the exempted international business and the tax impact due to change in the depreciation policy done by the company have resulted in exceptional gains.

Table 1: Volume growth in sales of key business

Key business	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Parachute coconut oil in rigid packs	5	10	10	13	11	18	9	6	5
Value added hair oil	21	32	26	20	18	25	20	30	25
Saffola	14	15	11	15	3	12	6	4	5
International*	21	26	19	39	37	17	16	-	(1)

Source: Company, Edelweiss research

* Reported value growth (% YoY) in INR

Table 2: Volume growth across segments

Category / Business	Q4FY13 (%)
CPB (India)*	8.0
Parachute Coconut Oil (rigid packs)	5.0
Value added hair oil	24.0
Saffola (refined edible oil)	5.0

Source: Company, Edelweiss research

* Excluding Paras personal care brands

Table 3: Marico's market share (volume) position

Brands	Category	Indicative market share range	Rank
Parachute, Oil of Malabar, Nihar	Coconut Oil (India)	58.0	1
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Nihar Naturals, Nihar Shanti Amla, Parachute Advansed Ayurvedic hair oil, Parachute Advansed Cooling oil)	Hair Oils (India)	27.0	1
Saffola	Super Premium refined Edible Oils	58.0	1
Kaya Skincare solutions	Kaya (India)	35+	1
Setwet and Zatak	Deodorants (India)	5.0	4
Livon and Silk & Shine	Post wash Leave-On Serums	82.0	1
Setwet*	Hair Creams/Gels	41.0	1
Parchute (Bangladesh)	Coconut Oil (Bangladesh)	82.0	1
X-Men*	Men's shampoo (Vietnam)	42.0	1
Hair Code & Fiancee*	Hair care (Egypt)	53.0	1

Source: Company, Edelweiss research

* Value market shares

Table 4: International business performance

Factor	Q4FY13 YoY growth %
Reported Growth	(1.0)
Volume/Value growth	(8.0)
Exchange Rate impact	7.0
Turnover (INR mn)	2,160

Source: Company, Edelweiss research

Other developments

Loses court case: Marico lost the court battle to Adani Wilmar where Marico had filed a petition against Adani Wilmar over criticism of their products through television and print campaigns by Adani Wilmar. The comparison advertisement through print media has shown that the quantity of 'oryzanol', a cholesterol-reducing natural anti-oxidant, in Fortune rice bran is much higher as compared to what is present in leading brands like Saffola Gold and Sundrop Heart.

Fortune ups ante in healthy edible oil: Fortune is supporting its new healthy edible oil *Fortune Rice Bran Health* with aggressive ads comparing itself with Marico's Saffola and Agro Tech's Sundrop. The price point of Fortune Rice Bran Health is INR115, lower than most Saffola variants (priced at INR140-155), except Saffola Active (INR115). Fortune claims that the Oryzanol (heart healthy micro-nutrient with proven cholesterol lowering effect) content is highest in its offering despite the discounted pricing. We see this as potentially negative for Marico and Agro Tech as it could impact their volumes and increase ad spends. This could be a new worry point for Marico's Saffola as it is already facing a slowdown.

Marico expands its hair oil portfolio with *Tender Coconut* offering: Marico launched Parachute Advanced Tender Coconut Hair Oil (fragrance of coconut is lower), priced at INR85 for a 200ml pack (broadly at par with other value added hair oils). The product communicates to provide 3x more vitamin based nourishment than Almond based hair oils. This launch is primarily to target the northern Indian markets where coconut sales are the lowest as compared to other regions.

Kaya restructuring

- Marico demerged its skincare business Kaya Skincare Solutions and will be listing it separately as Marico Kaya Enterprises (MaKE).
- Restructuring will result in consolidation of FMCG business due to convergence of the consumer product business and the international business.
- Marico shareholders will get one share of MaKE of FV=INR10 at a premium of INR200 per share for every 50 shares of Marico held by them of FV=INR1 each.
- Vijay Subramaniam, head of International FMCG business will be CEO of KAYA w.e.f. April 1 by replacing the current CEO, Ajay Pahwa.
- Saugata Gupta, CEO of the consumer product business will become the CEO of the overall FMCG business (both domestic and international).
- Marico Innovation Foundation, Marico's CSR arm, has launched Innovin a quarterly magazine which seeks to play a crucial role as an innovation catalyst across business.

Bajaj Corp takes 6% price hike: Bajaj Corp took a weighted average price hike of 6%. We expect competitors like Dabur Almond and Marico's Hair & Care to follow.



Outlook and valuations: Positive; maintain 'BUY'

We like Marico's increased focus on new growth drivers like skin care, foods categories like Oats (Marico has outpaced GSK Consumer) and Muesli; and youth brands like deodorants, hair gels and hair creams which have been growing at a fast pace. We expect revival in Parachute and Saffola volume growth due to price cuts and promotional offers; and expect international business to revive (Bangladesh business back on track). Also, demerger of Kaya business will make Marico a pure play FMCG business and aid margin improvement (Kaya in FY13 posted PBIT loss of INR185mn). We assign a target multiple of 26x (higher end of its historical forward PE of 23x to 26x) on FY15E EPS and arrive at target price of INR252. We maintain 'BUY' and rate it 'Sector Performer'.

Financial snapshot

(INR mn)

Year to March	Q4FY13	Q4FY12	% change	Q3FY13	% change	FY13	FY14E	FY15E
Net revenues	9,986	9,132	9.4	11,678	(14.5)	45,962	55,722	65,803
Cost of goods sold	4,410	4,364	1.1	5,587	(21.1)	22,099	26,858	31,849
Gross profit	5,576	4,768	17.0	6,091	(8.4)	23,863	28,864	33,954
Staff costs	987	836	18.0	904	9.2	3,806	4,625	5,462
Advt. sales & promotions	1,257	1,131	11.1	1,578	(20.4)	5,979	7,244	8,423
Other expenses	2,130	1,675	27.1	1,950	9.2	7,820	9,361	11,055
Total exp. (excl. cogs)	4,373	3,642	20.1	4,433	(1.3)	17,605	21,230	24,939
EBITDA	1,203	1,126	6.8	1,658	(27.5)	6,258	7,634	9,015
Depreciation & amortization	253	191	32.9	195	29.9	866	1,002	1,174
EBIT	950	935	1.5	1,463	(35.1)	5,392	6,632	7,841
Other income	102	79	28.6	89	14.0	375	437	609
EBIT including other income	1,051	1,014	3.6	1,552	(32.3)	5,767	7,070	8,450
Interest	113	113	(0.4)	146	(22.9)	580	508	428
Profit before tax	939	901	4.2	1,406	(33.2)	5,187	6,562	8,022
Tax	406	189	114.9	360	12.6	1,462	1,575	1,925
Core profit	533	712	(25.2)	1,046	(49.0)	3,725	4,987	6,097
Extraordinary items	332	(18)	NM	-	NM	332	-	-
Minority interest	(26)	2	NM	(23)	NM	(98)	(115)	(140)
Net profit	839	697	20.3	1,023	(18.0)	3,959	4,872	5,957
Diluted EPS (INR)	1.3	1.1	14.7	1.6	(18.2)	6.4	7.9	9.7

As % of net revenues

COGS	44.2	47.8		47.8		48.1	48.2	48.4
Employee cost	9.9	9.2		7.7		8.3	8.3	8.3
Adv. & sales promotions	12.6	12.4		13.5		13.0	13.0	12.8
Other expenditure	21.3	18.3		16.7		17.0	16.8	16.8
EBITDA	12.0	12.3		14.2		13.6	13.7	13.7
EBIT	9.5	10.2		12.5		11.7	11.9	11.9
EBIT incl. other income	10.5	11.1		13.3		12.5	12.7	12.8
PBT	9.4	9.9		12.0		11.3	11.8	12.2
Adjusted net profit	8.4	7.6		8.8		8.6	8.7	9.1
Tax rate	43.2	20.9		25.6		28.2	24.0	24.0

Company Description

Marico has evolved into one of the leading Indian FMCG companies from a coconut oil manufacturer over the past few years. It has positioned itself on the beauty and wellness platform and caters to hair care, health care, and skin care. Its brands include *Parachute*, *Nihar*, *Hair & Care*, and *Fiancee* in hair care, *Saffola*, and *Ingwe* in health care and *Kaya* in skin care. The company has been at the forefront of launching innovative products and services such as *Saffola Cholesterol Control Atta Mix* and *Kaya Skin clinics* to provide Indian consumers with premium personal care products. Over the past two years, Marico has captured inorganic growth opportunities to spread its base across geographies and increase the range of products at its disposal. It has acquired two hair care brands in Egypt, *Fiancee* and *Haircode*, which give it control of 50% of the hair care market in the country. Further, it has acquired three soap brands in Bangladesh and skin care brand *Derma Rx* in Singapore to expand its presence there. Marico announced 100% acquisition of *Paras Personal Care Business*. This has given Marico access to brands like *Set Wet*, *Livon* and *Zatak*, ranked amongst top three in respective categories. Acquisition of this business is likely to further reduce Marico's dependence on edibles oils and hair oils besides giving it an opportunity to participate in the rapidly growing categories in India.

Investment Theme

Marico is amongst the leading beneficiaries of the changing preference of Indian consumer for better personal care, food products and services. The company has been able to distinguish itself by offering niche products and services through brands such as *Saffola*, and *Kaya*, while extending *Parachute* to various new generation hair care products such as hair creams and value-added hair oils. *Kaya* has gained an impressive premium positioning by offering an impressive bouquet of skin care services along with extensive care.

Key Risks

Coconut oil forms the biggest share of Marico's top line and bottom line. Copra prices have been hardening over the past few months. A greater-than-expected inflation can hurt the bottom line substantially.

Appreciation of rupee against Egyptian pound, Bangladeshi taka and other international currencies puts the growth in revenues and profits at risk.

Financial Statements

Key Assumptions

Year to March	FY12	FY13	FY14E	FY15E
Macro				
GDP(Y-o-Y %)	6.5	5.0	6.5	7.0
Inflation (Avg)	8.8	7.8	6.0	6.0
Repo rate (exit rate)	8.5	7.5	6.8	6.0
USD/INR (Avg)	47.9	54.5	55.0	53.0
Company				
Revenue growth (Y-o-Y %)				
Volume growth (domestic)	14.0	13.5	13.0	14.0
International business growth	30.6	31.0	31.5	32.0
Hair oil sales growth	24.2	17.0	22.0	21.0
Edible oil sales growth	20.4	14.6	21.0	21.5
EBITDA margin assumptions				
Oil Seeds (Copra and kardi seeds) as % of COGS	31.8	33.0	34.0	34.0
Raw Oil (Other than copra and kardi seeds) as % of	21.1	21.5	22.0	22.0
COGS as % of sales (Consol)	53.6	48.1	48.2	48.4
Staff costs as % of sales (Consol)	7.7	8.3	8.3	8.3
Financial assumptions				
Tax rate (%)	19.5	28.2	24.0	24.0
Capex (INR mn)	1,033	2,198	1,975	1,925
Debtor days	16	16	16	16
Inventory days	61	60	60	60
Payable days	33	32	32	32
Cash conversion cycle (days)	44	44	44	44
Interest rate on o/standing debt (%)	5.4	7.9	8.0	8.0
Depreciation as % of gross block	8.9	8.5	8.6	8.6
Dividend as % of net profit	13.6	15.0	15.0	15.0
Yield on cash	7.2	8.2	8.0	8.2

Income statement

(INR mn)

Year to March	FY12	FY13	FY14E	FY15E
Net revenue	39,797	45,962	55,722	65,803
Materials costs	21,315	22,099	26,858	31,849
Gross profit	18,481	23,863	28,864	33,954
Employee costs	3,073	3,806	4,625	5,462
Other Expenses	6,306	7,820	9,361	11,055
Advertisement & sales costs	4,258	5,979	7,244	8,423
EBITDA	4,844	6,258	7,634	9,015
Depreciation & Amortization	725	866	1,002	1,174
EBIT	4,119	5,392	6,632	7,841
Other income	326	375	437	609
EBIT incl. other income	4,444	5,767	7,070	8,450
Interest expenses	424	580	508	428
Profit before tax	4,021	5,187	6,562	8,022
Provision for tax	782	1,462	1,575	1,925
Net profit	3,238	3,725	4,987	6,097
Extraordinary income/ (loss)	(18)	332	-	-
Minority interest	(50)	(98)	(115)	(140)
Profit after minority interest	3,171	3,959	4,872	5,957
Shares outstanding (mn)	615	615	615	615
Diluted EPS (INR)	5.2	6.4	7.9	9.7
Dividend per share (INR)	0.7	1.0	1.2	1.5
Dividend payout (%)	13.6	15.0	15.0	15.0

Common size metrics

Year to March	FY12	FY13	FY14E	FY15E
Materials costs	53.6	48.1	48.2	48.4
Employee expenses	7.7	8.3	8.3	8.3
Advertising & sales costs	10.7	13.0	13.0	12.8
EBITDA margins	12.2	13.6	13.7	13.7
Net profit margins	8.0	8.6	8.7	9.1

Growth ratios (%)

Year to March	FY12	FY13	FY14E	FY15E
Revenues	26.9	15.5	21.2	18.1
EBITDA	15.9	29.2	22.0	18.1
Net profit	10.7	24.8	23.1	22.3
EPS	10.8	24.8	23.1	22.3

Balance sheet		(INR mn)			
As on 31st March	FY12	FY13E	FY14E	FY15E	
Equity capital	615	615	615	615	
Reserves & surplus	10,815	13,751	17,773	22,690	
Shareholders funds	11,430	14,365	18,388	23,305	
Minority interest (BS)	249	347	462	602	
Short term debt	3,942	3,439	2,937	2,434	
Long term debt	3,907	3,409	2,911	2,413	
Borrowings	7,848	6,848	5,848	4,848	
Deferred tax liability	(223)	(223)	(223)	(223)	
Sources of funds	19,304	21,337	24,475	28,532	
Tangible assets	3,733	4,867	5,865	6,692	
Intangible assets	883	883	883	883	
CWIP (incl. intangible)	402	600	575	500	
Total net fixed assets	5,018	6,350	7,324	8,075	
Goodwill on consolidation	3,955	3,955	3,955	3,955	
Investments	2,957	2,957	2,957	2,957	
Cash and equivalents	1,588	1,628	2,511	4,471	
Inventories	7,202	7,568	9,160	10,817	
Sundry debtors	1,816	2,053	2,473	2,885	
Other current assets	3,411	3,411	3,411	3,411	
Total current assets (ex cash)	12,429	13,032	15,044	17,112	
Total current liabilities &	6,643	6,584	7,315	8,038	
Net current assets (ex cash)	5,786	6,448	7,729	9,074	
Uses of funds	19,304	21,337	24,475	28,532	
Book value per share (INR)	31.4	34.7	39.8	46.4	

Free cash flow		(INR mn)			
Year to March	FY12	FY13E	FY14E	FY15E	
Net profit	3,171	3,959	4,872	5,957	
Add : Non cash charge	637	1,213	1,624	1,742	
Depreciation	725	866	1,002	1,174	
Others	(89)	346	623	568	
Gross cash flow	3,808	5,171	6,497	7,699	
Less: Changes in WC	(262)	662	1,281	1,345	
Operating cash flow	4,069	4,509	5,215	6,353	
Less: Capex	1,033	2,198	1,975	1,925	
Free cash flow	3,037	2,311	3,240	4,428	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		EV/EBITDA (X)		ROAE (%)	
		FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Marico	2,699	28.4	23.3	18.2	15.1	29.8	28.6
Dabur	4,802	28.4	23.6	20.6	16.9	37.3	36.0
Emami	1,809	25.7	21.5	21.6	17.8	44.3	45.1
GlaxoSmithKline Consumer Healthcare	3,154	33.1	28.5	23.3	19.9	35.1	33.9
Godrej Consumer	5,238	33.7	29.2	23.7	20.5	21.8	21.7
Hindustan Unilever	23,533	34.8	31.3	25.8	22.4	106.3	88.2
ITC	48,439	29.3	24.9	19.0	16.1	38.6	40.8
Nestle Ltd	8,953	37.8	31.6	22.6	18.9	61.6	57.5
AVERAGE		31.6	26.8	21.9	18.5	52.7	50.6

Source: Edelweiss research

Cash flow metrics

Year to March	FY12	FY13E	FY14E	FY15E
Operating cash flow	4,069	4,509	5,215	6,353
Investing cash flow	(3,351)	(2,198)	(1,975)	(1,925)
Financing cash flow	(1,187)	(2,271)	(2,357)	(2,468)
Net cash flow	(469)	40	883	1,960
Capex	(1,033)	(2,198)	(1,975)	(1,925)
Dividends paid	(500)	(691)	(849)	(1,040)

Profitability & efficiency ratios

Year to March	FY12	FY13E	FY14E	FY15E
ROAE (%)	31.0	28.1	29.8	28.6
ROACE (%)	25.2	30.5	32.8	32.9
Inventory day	61	60	60	60
Debtors days	16	16	16	16
Payable days	33	32	32	32
Cash conversion cycle (days)	44	44	44	44
Current ratio	2.1	2.2	2.4	2.7
Debt/EBITDA	1.6	1.1	0.8	0.5
Debt/Equity	0.7	0.5	0.3	0.2

Operating ratios

Year to March	FY12	FY13E	FY14E	FY15E
Total asset turnover	2.2	2.3	2.4	2.5
Fixed asset turnover	8.3	8.1	8.1	8.5
Equity turnover	3.9	3.6	3.4	3.2

Valuation parameters

Year to March	FY12	FY13E	FY14E	FY15E
Diluted EPS (INR)	5.2	6.4	7.9	9.7
Y-o-Y growth (%)	10.8	24.8	23.1	22.3
CEPS (INR)	6.4	7.5	9.7	11.8
Diluted PE (x)	43.7	35.0	28.4	23.3
Price/BV (x)	7.2	6.5	5.7	4.9
EV/Sales (x)	3.6	3.1	2.5	2.1
EV/EBITDA (x)	29.4	22.5	18.2	15.1
Dividend yield (%)	0.3	0.4	0.5	0.6

Additional Data

Directors Data

Harsh Mariwala	Chairman & Managing Director (Promoter)	Nikhil Khattau	Chairman of Audit Committee, Non-Executive and Independent Director
Rajeev Bakshi	Non-Executive and Independent Director	Atul Choksey	Non-Executive and Independent Director
Anand Kripalu	Non-Executive and Independent Director	Rajendra Mariwala	Non-Executive Director (Promoter)
Hema Ravichandar	Non-Executive and Independent Director	B. S. Nagesh	Non-Executive and Independent Director

Auditors - Price Waterhouse; Internal Auditors: Ernst & Young

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Arisaig Partners Asia Pte Ltd	5.5	Oppenheimerfunds Incorporated	4.8
Commonwealth Bank Of Austr	4.1	Indivest Pte Ltd	3.4
Arctic Investments Pty Ltd	1.4	Baring India Investments	1.1
Napean Trdg Inves Co Pvt	1.1	Franklin Templeton Investments	0.9
Frostrow Capital Llp	0.6	Templeton Asset Mgmt	0.5

**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
10 May 2012	Kishore Mariwala	Sell	200000
28 Aug 2012	Kishore Mariwala	Sell	240000
26 Nov 2012	Kishore Mariwala	Sell	62000
14 Dec 2012	Kishore Mariwala	Sell	108000

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Asian Paints	BUY	SP	M	Bajaj Corp	BUY	SP	M
Colgate	HOLD	SP	M	Dabur	BUY	SO	M
Emami	BUY	SP	H	GlaxoSmithKline Consumer Healthcare	HOLD	SP	M
Godrej Consumer	BUY	SO	H	Hindustan Unilever	HOLD	SP	L
ITC	BUY	SO	L	Marico	BUY	SP	M
Nestle Ltd	HOLD	SP	L	United Spirits	BUY	SO	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, Colgate, Dabur, Godrej Consumer, Emami, Hindustan Unilever, ITC, Marico, Nestle Ltd, GlaxoSmithKline Consumer Healthcare, United Spirits

Recent Research

Date	Company	Title	Price (INR)	Recos
01-May-13	Dabur	Domestic volumes, margins surge; <i>Result Update</i>	148	Buy
30-Apr-13	Hindustan Unilever	Volumes fair; margins lovely; <i>Result Update</i>	584	Hold
18-Apr-13	Consumer Times	Update on Indian Consumer Sector; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	120	49	17	186
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	118	56	12	

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

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