

DABUR

Science of Ayurveda wins over Faith

India Equity Research | Consumer Goods

Dabur remains amongst our top picks in staples. And, our recent interaction with the top management reaffirms our confidence in the company's ability to sustain double digit volume growth in FY19. Key strategic initiatives that bolster our optimism are: (i) focus on innovation & improving market leadership; (ii) aggressive ad spends; and (iii) enhancing direct distribution (Project Buniyaad). In our view, Dabur is best placed to regain share from some of the herbal companies that are facing a slowdown. This coupled with improving rural economy bodes well for Dabur. Hence, we raise our target multiple to 50x (45x earlier) and arrive at revised TP of INR560 (INR505 earlier). Maintain 'BUY'.

Robust volume momentum to sustain in FY19

Dabur's 21% volume growth in Q1FY19 was a pleasant surprise and management has mentioned that this momentum has sustained in July as well. Dabur is confident of clocking double digit volume spurt in the balance three quarters of FY19 (despite less favourable base). Dabur perceives election sops as an added filip to growth vector. Moreover, the company is working on increasing e-commerce presence and is also closing a few M&A deals which, we believe, can be an added kicker.

Innovation and renovation to aid market share gains

Apart from core brands, management has sharpened focus on accelerating growth of scalable brands like *Dabur Lal Tail, Pudín Hara, Honitus, etc.*—each with a potential to become a INR1bn plus brand (from ~INR0.1bn now). Dabur's strategy of gaining overall market leadership entails strengthening ayurvedic offerings, regionalisation, offering products for Gen Y & Z, premiumisation and deepening distribution.

Outlook and valuations: Going strong; maintain 'BUY'

We expect volume recovery to sustain aided by expansion of the herbal market, premiumisation, new launches and uptick in rural spending. We assign 50x (10% discount to HUL's) and ascribe TP of INR560. At CMP, the stock is trading at 43x FY20E EPS. We maintain 'BUY/SO'.

Financials

Year to March	FY17	FY18	FY19E	FY20E
Revenues (INR mn)	77,014	77,219	89,395	99,647
Rev. growth (%)	(2.1)	0.3	15.8	11.5
EBITDA (INR mn)	15,089	16,174	19,269	21,887
Adjusted Profit (INR mn)	12,769	13,718	17,054	19,542
Adjusted Diluted EPS (INR)	7.2	7.8	9.6	11.1
EPS growth (%)	1.4	7.6	24.3	14.6
Diluted P/E (x)	65.9	61.2	49.3	43.0
EV/EBITDA (x)	55.4	51.7	43.0	37.4
ROAE (%)	28.2	25.9	27.6	27.3

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA (R: DABU.BO, B: DABUR IN)

CMP	: INR 475
Target Price	: INR 560
52-week range (INR)	: 489 / 294
Share in issue (mn)	: 1,766.3
M cap (INR bn/USD mn)	: 839 / 12,006
Avg. Daily Vol.BSE/NSE('000)	: 1,810.4

SHARE HOLDING PATTERN (%)

	Current	Q4FY18	Q3FY18
Promoters *	68.1	68.1	68.1
MF's, FI's & BK's	8.6	8.6	8.5
FII's	17.2	17.2	17.7
Others	6.2	6.2	5.7
* Promoters pledged shares (% of share in issue)			0.1

PRICE PERFORMANCE (%)

	Stock	Nifty	EW FMCG Index
1 month	19.8	5.7	6.4
3 months	21.6	6.3	8.1
12 months	40.6	13.2	20.0

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Table 1: Trends at a glance

Category growth rate (%)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Domestic volume growth	5.0	(2.5)	7.0	4.1	4.5	(5.0)	2.4	(4.4)	7.2	13.0	7.7	21.0
Hair Care	9.4	2.0	6.0	(3.3)	(4.6)	(22.8)	(4.0)	(11.0)	2.3	16.7	8.8	18.8
Oral Care	18.7	10.5	18.3	11.6	0.8	(5.1)	3.6	1.5	22.8	23.0	11.0	17.3
Health Supplements	9.0	(7.1)	2.0	(1.1)	(5.6)	(14.5)	5.0	(7.0)	3.0	19.5	14.0	27.5
Digestives	1.6	(2.4)	6.5	(5.6)	(3.4)	(10.7)	(5.0)	4.0	11.7	19.3	7.2	21.6
Skin Care	2.2	9.5	(2.2)	(3.1)	6.6	(11.4)	(0.6)	4.0	15.8	14.5	8.5	27.1
Home Care	12.4	8.4	19.3	2.1	19.9	(5.2)	(6.5)	6.2	10.1	36.0	0.5	17.4
OTC & Ethicals	10.8	7.5	7.1	(10.1)	(0.7)	(11.7)	(4.0)	(6.6)	5.5	8.7	NA	NA
Food	2.4	(23.7)	11.7	4.3	15.2	52.2	7.9	(8.3)	11.7	0.1	2.0	26.8
International contribution to revenue	33.0	31.0	30.0	34.0	34.0	30.0	25.0	31.0	28.5	27.0	26.2	30.3
International CC growth	NA	(2.2)	3.9	5.0	16.8	10.5						
GCC	9.0	10.0	5.0	NA								
Egypt	NA	7.0	27.0	NA								
EBITDA margins	20.6	19.2	20.7	17.9	20.6	18.0	21.8	16.4	21.4	20.5	23.9	18.6

Source: Company, Edelweiss research



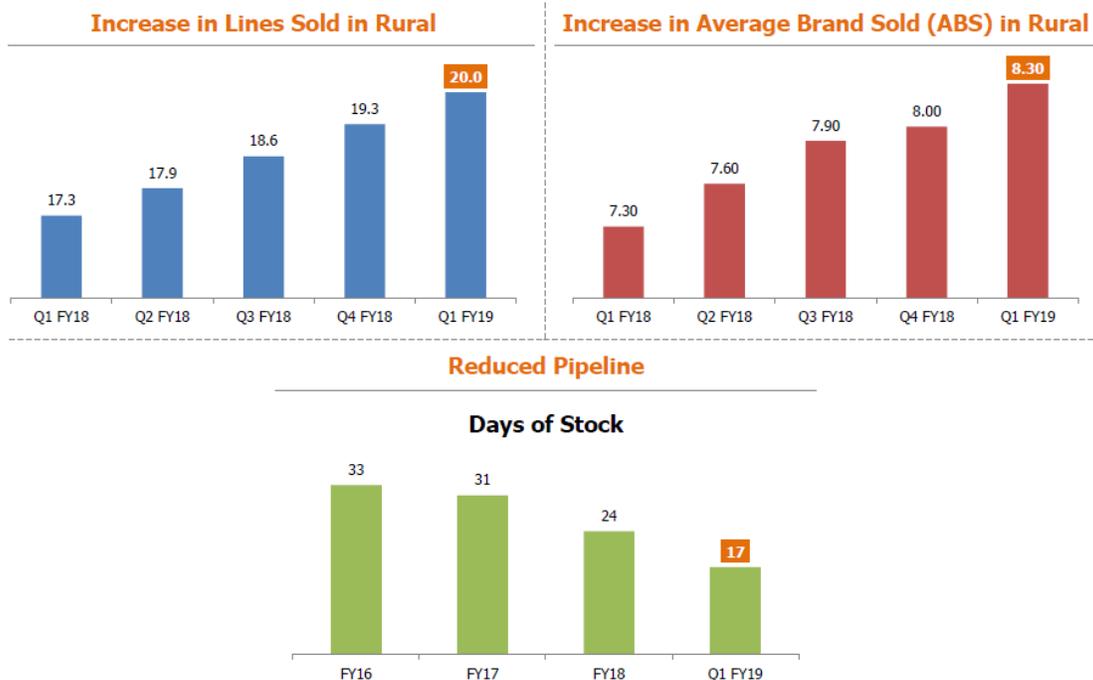
Mr. Sunil Duggal,
CEO, Dabur India

Project Buniyaad: Laying foundation of distribution spurt

Dabur currently has the third-largest distribution network in India—>6.3mn outlets. The company's direct reach has been steadily rising from 0.91mn outlets in FY17 to 1.02mn in FY18 and is likely to hit 1.2mn outlets in FY19.

Management has delineated the path under Project Buniyaad. Growth in urban geographies will be achieved via optimally utilising channel-based approach. In rural areas, growth will be targeted by splitting front-line teams into two to deepen reach and frequency—this has already started yielding positive gains.

Fig. 1: Project Buniyaad—Laying the foundation of larger distribution, higher efficiencies and improved hygiene



Source: Company, Edelweiss research

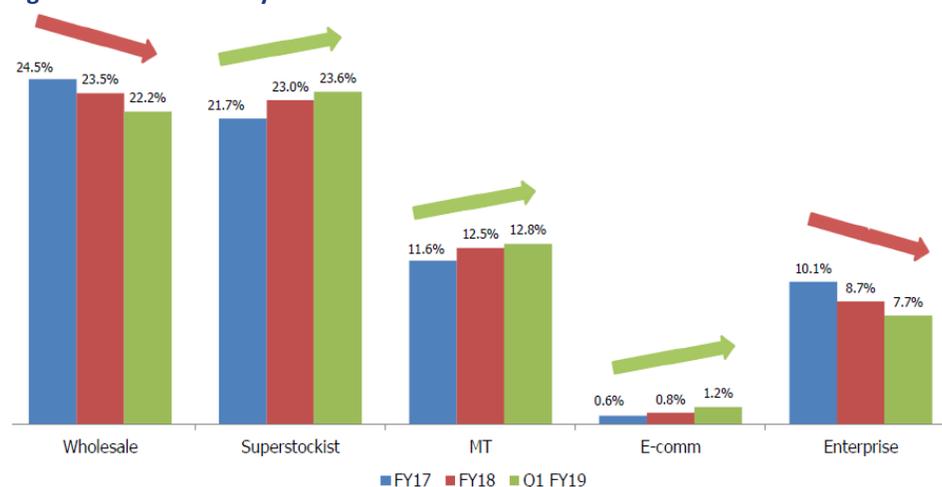


Mr. Mohit Malhotra,
CEO – India Business,
Dabur India

Apart from this, Dabur is planning to harness channels of future—e-commerce and modern trade. The company is also increasingly using data analytics to generate demand—google analytics, per capita incomes, etc. Analytical devices bought by Dabur were suited for foreign markets but with requirement refinements they can now be easily used for Indian markets. Getting these capabilities will help Dabur in solving the demand fulfillment and generation problem in two years.

We believe this will increasingly aid Dabur in expanding its reach, enable range selling and aid in overall volume growth.

Fig 2: Growth drivers by channel



Source: Company, Edelweiss research

E-commerce channel to boost revenue growth prospects

Management reiterated its sharpened focus on market share gains. Dabur perceives e-commerce as a huge opportunity and accordingly it has devised a new plan to launch new products on the platform.

The strategy is to launch new products first on the e-commerce platform, followed by modern trade and general trade. The online platform's rising importance is also reflected in its revenue contribution—currently at 2.0% from 0.2%.

Unlike US where only one player is dominant, India will see three-four large players in grocery. Flipkart-Walmart are likely to be serious players in FMCG e-commerce. In spite of this, Dabur does not see any increasing challenge on its e-commerce platform since it **is already profitable at the P&L level.**

RISE: Regionalisation strategy

This strategy will be divided into: (i) **Regional Insights** – Long-term strategic plans; and (ii) **Speed of Execution** – Quick wins, low investments.

Regional insights will be achieved through:

- i. Capture consumer, packaging and media insights.
- ii. Use analytics for specific meaningful actions.
- iii. Dive into new adjacent categories.
- iv. New regions to provide fresh growth opportunities.

Speed of execution to be achieved via:

- i. Trade interventions.
- ii. Activations and visibility drives.
- iii. Distribution initiatives.
- iv. Consumer promotions.

To cite an example for regionalisation strategy:

- i. *Dabur Vatika's* hair fall product is different for North and South India. Low cost hair oils – 2 variants are launched in different states which will have local ingredients – Bringharaj, mustard, etc. which helps in regionalisation.
- ii. 90% of international products are not in sold by Dabur in India. This indicates the extent of the company's regionalisation in the international market and India's potential opportunity.
- iii. Dabur will also localise Brand Ambassadors for regional products.
- iv. Within the existing basket, management believes it has more opportunity in South and North East India and this catch up will be done through regionalisation.
- v. In UP, management believes *Dabur Red Toothpaste* is under indexed and more will be done.

While, there are different names but essentially Dabur is also trying to adopt cluster system which has given phenomenal results for HUL and we believe the same to happen for Dabur as well.

Margin to be stable despite higher ad spends

Management expects operating margin growth to be in the same range as sales growth. It envisages significant spurt in **ad spends to support new launches**. The company is further planning to change the ad spends mix in favour of digital ads since it expects the digital platform to not only provide an additional coverage, but also help generate demand using analytics.

Despite higher ad spends, management expects no contraction in overall margin as it harnesses cost optimisation measures—reduction in logistics cost, cut in finished goods inventory, improved range availability, improved lead time adherence, among others.

Eg – The company defending its hair oil market share by the flanker strategy and in juice via promotions are cases in point.

Strategy for international business

In FY18, Dabur's international business was impacted by geopolitical headwinds and currency devaluation. However, by FY18 end, green shoots of recovery were evident in GCC and SSA markets. Moreover, Namaste business has also turned around with improvement in profitability.

Chart 1: Sales by region

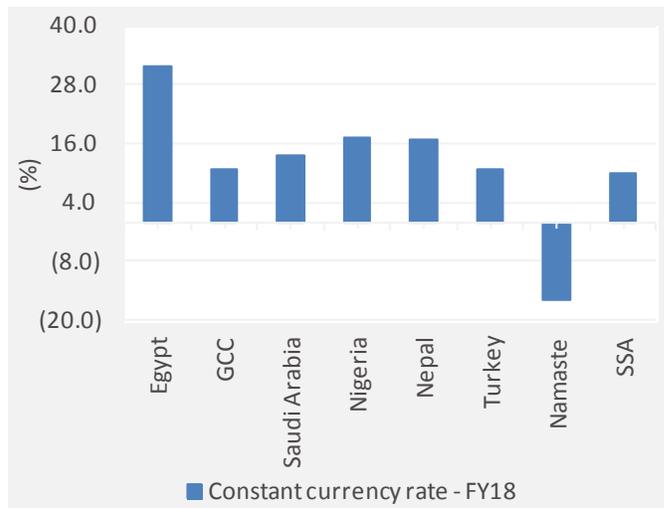
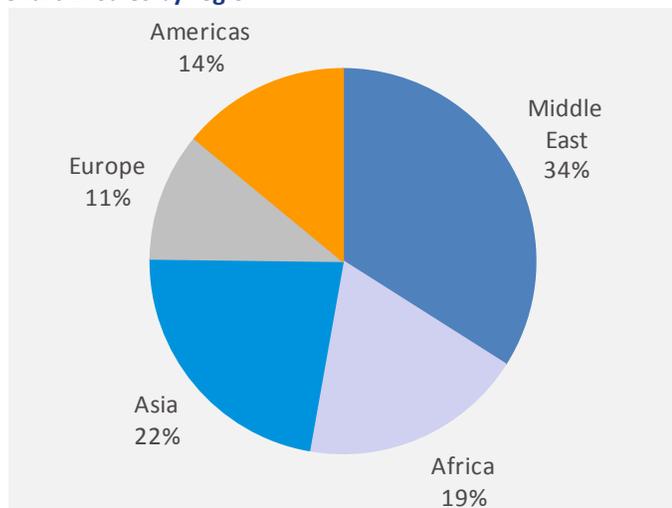
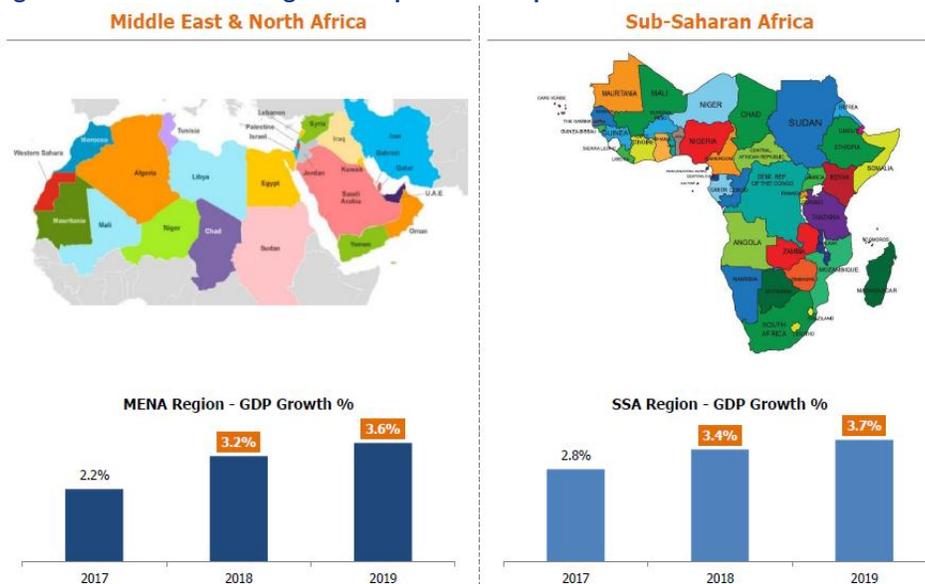


Fig 3: MENA and SSA GDP growth expected to improve



Source: Company, Edelweiss research

Strategies for international business

Innovations:

- Capitalise on the global back-to-nature trend.
- Introduce more LUPs to drive penetration.

Go-to-market strategy:

- Distributors’ restructuring.
- Real-time analytics.
- Joint Business Planning (JBP) with key accounts.

Cost management:

- Cost saving initiatives.
- Manufacturing efficiencies.

Media spends

Dabur has also increased media spends in international markets. This has helped it garner higher market share. Some of the recent media spends are:

Fig. 4: Increasing ad spends in international markets



Source: Company, Edelweiss research

Strengthening the team

Dabur has started working on strengthening its organisation matrix by hiring many new heads such as e-commerce head, parlor channel head, healthcare head, OTC head, ayurveda head as well as digital head.

Company Description

Dabur has two divisions in India (Consumer care division and Foods division) apart from its international operations. Consumer care division (CCD) offers a wide range of products in hair care, oral care, health supplements, digestives and candies, baby and skin care products based on ayurveda, over-the-counter (OTC) products, and branded ethical and classic products. The second division, Dabur Foods produces fruit juices, cooking pastes, sauces, and items for institutional food purchases. Dabur is well placed among its Consumer Goods peers because of its positioning as an Indian company whose products are derived from exotic sources such as ancient ayurvedic texts and natural ingredients such as herbs.

The company has various brand leaders in different market segments - Dabur Chyawanprash, a health tonic, and Hajmola - a digestive tablet. Real, launched during 1996-97, has also successfully become the leader in the market.

Investment Theme

Dabur's broad product portfolio provides a good play on Indian Consumer Goods spend by virtue of its strong presence in less penetrated and high growth categories. Dabur's positioning on the 'health and wellness' platform, backed by its ANH (ayurvedic/natural/herbal) image is very progressive. This, combined with its demonstrated ability to create new categories and sub-categories, makes it well-placed to capture lifestyle changes-led growth in the Consumer Goods space. Dabur has also demonstrated its ability to make and integrate smart acquisitions (Balsara) that complement its product portfolio and thereby drive inorganic growth. Improvement in margins of foods and international businesses are expected to result in improvement in margins for the consolidated operations.

Key Risks

A slowdown in rural demand due to lower government spending or monsoon failure could impact Dabur's revenues significantly.

Further rise in competitive intensity in categories like Shampoo, Oral care, hair oils, juice (ITC has come out with aggressive ads and national rollout) may put pressure on volumes.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	7.1	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.3	6.5
USD/INR (Avg)	67.1	64.5	68.0	69.0
Company				
Int rate on debt (%)	6.1	6.1	5.6	5.6
Revenue growth (Y-o-Y %)				
Hair care	(7.8)	0.1	12.2	10.0
Health supplements	(4.6)	6.0	12.8	14.0
Oral care	3.1	10.6	15.0	15.0
Digestives	(6.3)	4.9	14.5	12.0
OTC and ethicals	(6.5)	-	24.2	14.3
Home care	4.1	3.9	12.5	13.0
Skin care	(2.4)	4.9	12.5	15.0
Foods	13.0	(4.2)	23.6	12.8
Volume growth (domestic)	2.0	6.0	12.0	11.5
Price change (domestic)	(3.0)	(8.3)	9.8	0.9
International bus growth	(5.3)	(2.6)	10.0	8.7
Excise (% Dom Sales)	1.0	1.0	1.0	1.0
Staff costs (% of rev)	10.3	10.4	10.0	9.9
COGS as % of sales (Con)	49.9	49.5	50.0	49.7
COGS as % of sales (std)	16.5	16.6	16.0	16.9
A&P as % of sales	8.4	7.9	8.0	8.0
Cocnut oil (% of COGS)	6.7	6.6	9.4	8.9
Paradichlorbenzene-%COGS	4.2	4.2	4.4	4.1
LLP(Dom) as % of COGS	5.5	6.0	8.1	7.7
Gold (Dom) as % of COGS	3.0	3.0	3.1	3.0
Sorbitol (as % of COGS)	3.6	3.6	3.8	4.1
Amla Green as % of COGS	1.2	1.2	1.3	1.2
Financial assumptions				
Tax rate (%)	20.5	19.6	20.0	20.0
Capex (INR mn)	2,889	2,031	3,085	3,000
Debtor days	35	32	30	30
Inventory days	105	113	99	99
Payable days	125	130	120	120
Cash conversion cycle	14	15	9	9
Dep. (% gross block)	5.3	5.5	4.9	4.9
Dividend payout	32.0	114.4	40.0	40.0
Yield on cash	8.4	7.4	10.0	9.7

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	76,801	76,538	88,647	98,824
Other Operating Income	214	680	748	823
Total operating income	77,014	77,219	89,395	99,647
Materials costs	38,432	38,199	44,684	49,497
Employee costs	7,896	7,928	8,865	9,784
Ad. & sales costs	6,461	6,067	7,092	7,906
Other Expenses	9,135	8,850	9,485	10,574
EBITDA	15,089	16,174	19,269	21,887
Depreciation	1,429	1,622	1,566	1,713
EBIT	13,661	14,553	17,703	20,174
Less: Interest Expense	540	531	497	441
Add: Other income	2,983.5	3,051.8	4,111.22	4,695.31
Profit Before Tax	16,104	17,074	21,317	24,428
Less: Provision for Tax	3,303	3,354	4,263	4,886
Less: Minority Interest	31	2	-	-
Exceptional items	-	(145)	-	-
Reported Profit	12,769	13,573	17,054	19,542
Exceptional Items	-	(145)	-	-
Adjusted Profit	12,769	13,718	17,054	19,542
Shares o /s (mn)	1,759	1,762	1,762	1,762
Adjusted Basic EPS	7.3	7.8	9.7	11.1
Diluted shares o/s (mn)	1,770	1,768	1,768	1,768
Adjusted Diluted EPS	7.2	7.8	9.6	11.1
Adjusted Cash EPS	8.1	8.7	10.6	12.1
Dividend per share (DPS)	2.3	7.5	3.9	4.4
Dividend Payout Ratio(%)	32.0	114.4	40.0	40.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	49.9	49.5	50.0	49.7
Ad. & sales costs	8.4	7.9	7.9	7.9
EBITDA margins	19.6	20.9	21.6	22.0
Net Profit margins	16.7	17.9	19.2	19.8

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	(2.1)	0.3	15.8	11.5
EBITDA	(0.6)	7.2	19.1	13.6
Adjusted Profit	2.1	7.4	24.3	14.6

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	1,762	1,762	1,762	1,762	
Reserves & Surplus	46,712	55,304	64,373	74,766	
Shareholders' funds	48,474	57,065	66,134	76,527	
Minority Interest	248	265	265	265	
Long term borrowings	4,749	3,643	3,255	2,866	
Short term borrowings	5,045	5,731	5,120	4,508	
Total Borrowings	9,795	9,375	8,375	7,375	
Long Term Liabilities	534	608	608	608	
Def. Tax Liability (net)	1,080	1,091	1,091	1,091	
Sources of funds	60,131	68,403	76,472	85,865	
Gross Block	28,427	30,458	33,458	36,458	
Net Block	15,340	16,063	17,497	18,784	
Capital work in progress	421	415	500	500	
Intangible Assets	4,244	4,219	4,219	4,219	
Total Fixed Assets	20,005	20,696	22,215	23,502	
Non current investments	25,118	30,918	30,918	30,918	
Cash and Equivalents	10,456	10,195	17,487	25,027	
Inventories	11,067	12,562	12,120	13,425	
Sundry Debtors	6,504	7,061	7,348	8,190	
Loans & Advances	3,871	804	804	804	
Other Current Assets	289	4,781	4,781	4,781	
Current Assets (ex cash)	21,732	25,208	25,053	27,200	
Trade payable	13,027	14,103	14,691	16,273	
Other Current Liab	4,153	4,510	4,510	4,510	
Total Current Liab	17,180	18,613	19,201	20,783	
Net Curr Assets-ex cash	4,552	6,595	5,852	6,418	
Uses of funds	60,131	68,403	76,472	85,865	
BVPS (INR)	27.4	32.3	37.4	43.3	

Free cash flow		(INR)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	12,769	13,573	17,054	19,542	
Add: Depreciation	1,429	1,622	1,566	1,713	
Interest (Net of Tax)	429	426	398	353	
Others	(1,049)	(5,706)	99	88	
Less: Changes in WC	1,211	(975)	(743)	566	
Operating cash flow	12,368	10,890	19,859	21,131	
Less: Capex	2,889	2,031	3,085	3,000	
Free Cash Flow	9,479	8,859	16,775	18,131	

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		12,368	10,890	19,859	21,131
Financing cash flow		(3,390)	(5,744)	(9,482)	(10,591)
Investing cash flow		(8,169)	(5,402)	(3,085)	(3,000)
Net cash Flow		809	(256)	7,293	7,540
Capex		(2,889)	(2,031)	(3,085)	(3,000)
Dividend paid		(4,918)	(15,536)	(7,985)	(9,150)
Share issue/(buyback)		2	-	-	-

Profitability and efficiency ratios		FY17	FY18	FY19E	FY20E
Year to March					
ROAE (%)		28.2	25.9	27.6	27.3
ROACE (%)		30.7	28.1	30.8	31.3
Inventory Days		105	113	99	99
Debtors Days		35	32	30	30
Payable Days		125	130	120	120
Cash Conversion Cycle		14	15	9	9
Current Ratio		1.9	1.9	2.2	2.5
Debt/EBITDA (x)		0.6	0.6	0.4	0.3
Debt/Equity (x)		0.2	0.2	0.1	0.1
Adjusted Debt/Equity		0.2	0.2	0.1	0.1
Net Debt/Equity		-	-	(0.1)	(0.2)
Interest Coverage Ratio		25.3	27.4	35.6	45.7

Operating ratios		FY17	FY18	FY19E	FY20E
Year to March					
Total Asset Turnover		1.4	1.2	1.2	1.2
Fixed Asset Turnover		4.2	3.9	4.3	4.5
Equity Turnover		1.7	1.5	1.4	1.4

Valuation parameters		FY17	FY18	FY19E	FY20E
Year to March					
Adj. Diluted EPS (INR)		7.2	7.8	9.6	11.1
Y-o-Y growth (%)		1.4	7.6	24.3	14.6
Adjusted Cash EPS (INR)		8.1	8.7	10.6	12.1
Diluted P/E (x)		65.9	61.2	49.3	43.0
P/B (x)		17.4	14.7	12.7	11.0
EV / Sales (x)		10.8	10.8	9.3	8.2
EV / EBITDA (x)		55.4	51.7	43.0	37.4
Dividend Yield (%)		0.5	1.6	0.8	0.9

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Dabur	12,006	49.3	43.0	43.0	37.4	27.6	27.3
Bajaj Corp	882	25.8	24.1	19.9	17.7	47.8	50.3
Colgate	4,552	41.2	36.9	25.5	22.8	46.0	44.8
Emami	3,635	64.3	48.4	30.0	24.7	18.7	22.2
Marico	6,994	51.7	44.0	35.2	29.9	34.7	34.7

Source: Edelweiss research

Additional Data

Directors Data

Dr. Anand Burman	Chairman	Mr. Amit Burman	Vice Chairman
Mr. Saket Burman	Promoter Director	Mr. Mohit Burman	Promoter Director
Mr. P. D. Narang	Executive Director	Mr. Sunil Duggal	Executive Director, Chief Executive Officer
Mr. R. C. Bhargava	Independent Non-Executive Director	Mr. P. N. Vijay	Independent Non-Executive Director
Dr. S. Narayan	Independent Non-Executive Director	Dr. Ajay Dua	Independent Non-Executive Director
S. K. Bhattacharyya	Independent Non-Executive Director	Ms. Falguni Nayar	Independent Non-Executive Director

Auditors - Walker Chandiok & Co, LLP

**as per last annual report*

Top 10 holdings

	Perc. Holding		Perc. Holding
Life Insurance Corp Of India	4.24	Matthews Intl Capital Management	1.94
Commonwealth Bank Of Australia	1.76	Blackrock Inc	1.46
Aditya Birla Sun Life Asset Mgmt	1.38	Barclays Mrct Bank Ltd	1.20
Vanguard Group	1.06	ICICI Prudential Asset Mgmt Co	0.80
Franklin Templeton Asset Managemen	0.61	Genesis Asset Managers Llp	0.49

**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
21 Aug 2018	Sunil Duggal	Sell	40515.00
20 Aug 2018	Sunil Duggal	Sell	30000.00
13 Aug 2018	Sunil Duggal	Sell	23630.00
27 Mar 2018	Ratna Commercial Enterprises Private Ltd	Buy	37456.00
22 Mar 2018	Ratna Commercial Enterprises Private Ltd	Buy	52544.00

**in last one year*

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

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): Consumer Goods

Asian Paints, Bajaj Corp, Berger Paints, Britannia Industries, Colgate, Dabur, Future Consumer, Godrej Consumer, Emami, Hindustan Unilever, ITC, Marico, Nestle Ltd, Pidilite Industries, GlaxoSmithKline Consumer Healthcare, United Spirits

Recent Research

Date	Company	Title	Price (INR)	Recos
23-Aug-18	Nestle	Innovations thriving; ad spends need to perk up; <i>Company Update</i>	10,886	Hold
13-Aug-18	Berger Paints	Volumes gain robust hue; prospects intact; <i>Result Update</i>	320	Buy
09-Aug-18	GSK Consumer	Volume on uptrend; all eyes on parent's strategic review; <i>Result Update</i>	6,662	Hold

Distribution of Ratings / Market Cap

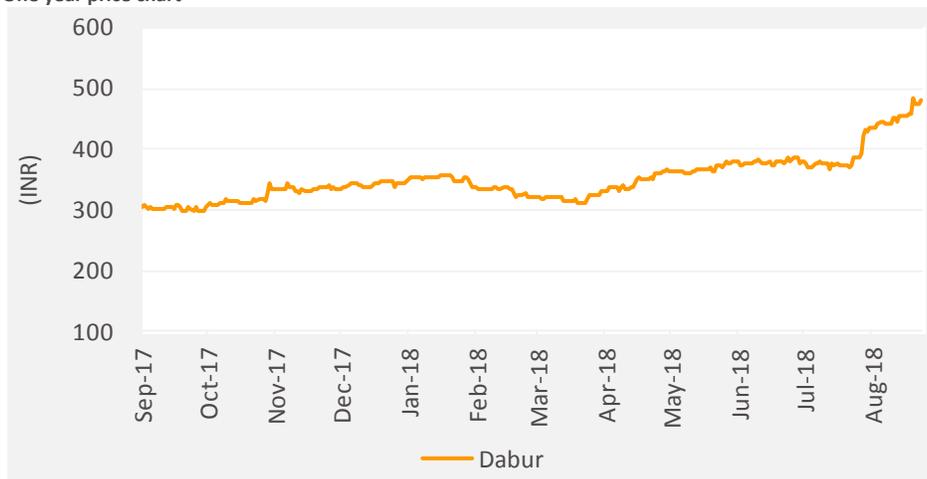
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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