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Month in review – May 2017: Deflationary trends in inputs strengthen. KIE consumer universe outperformed broader markets with several stocks delivering double-digit returns over the past month. RM trends have remained deflationary (similar trend over past few months) across most inputs (barring tea and paint inputs). Promotional activity continues to recede and we noticed select price hikes in detergents, toothpastes, edible oils, biscuits, hair oils and coffee. Launch activity continued to remain buoyant, especially on the F&B side. Sector valuations remain rich at 34X FY2019E earnings (37X, ex-ITC). We retain our 'tread selectively' stance. Preferred picks – ITC, GSK-CH, BJCOR, BRIT and CLGT (on dips).

Pricing/promotions – promotional activity receding; several price hikes underway

- ▶ **Soaps/detergents.** After several months of price hikes in several soap brands, we barely saw any activity in soaps this month either in form of pricing or promotions (promotional intensity has reduced significantly over past few months). However, in detergents we saw some activity particularly from P&G – (1) it has hiked prices of Tide Plus detergent by 3-4% (has tweaked promotional pricing); however, it is offering cash back in form of Paytm cash and (2) it has also hiked price of Ariel detergent 500 gm SKU by 3%. HUVR has also hiked price of Wheel detergent by 4%.
- ▶ **Personal care items. (1) Hair oils** – we did notice several price changes by Marico in multiple hair oil brands except core Parachute CNO; it has hiked prices of Parachute Advansed, Parachute Jasmine and Nihar Naturals (select SKUs) by 8-13% and is running a promotional ₹9 off on 175 ml SKU of Shanti Amla priced at ₹49 (effective price cut of 18%). Apart from Marico, select promotions on Bajaj ADHO (offering Bajaj Almond Drops moisturizing soap), Dabur Almond hair oil, Emami 7 Oils in 1 and Dabur Vatika continue and Emami has hiked price of Navratna hair oil by 3% and **(2) toothpaste** – Dabur has hiked price of Meswak toothpaste by 3%.
- ▶ **Food/beverage items. (1) Biscuits** – selective promotions continue though quantum has reduced materially; we did see promotional price tweaking by both Britannia and ITC leading to effective price hike of 3% in Tiger Glucose for Britannia and similar hike in Sunfeast Bounce for ITC, **(2) tea/coffee** – Nestle has hiked price of Nescafe by 6-7% and **(3) edible oils** – Marico has relaunched Saffola and has hiked prices by 3-4% (across variants) while Sundrop has hiked prices by 2-3% in several variants.

RM trends –agri-inputs mixed, oil-based inputs deflationary while paint inputs inch up

Refer to Exhibit 5 for detailed RM inflation impact.

- ▶ **Agri-inputs.** Agri-inputs exhibited another month of mixed trends – select inputs such as tea (both domestic and international) inched up 2-4% mom, sugar inched up 2% mom and cocoa bean witnessed 2% mom inflation (down 37% yoy); however, other key inputs such as international coffee (down 3-5% mom), barley (down 3% mom) and wheat (down 1% mom) posted deflationary trend. We note inflation in several key agri-inputs like wheat, barley and sugar has come down materially on a yoy basis over past few months.
- ▶ **Oil commodities basket.** Oil basket posted another month of deflationary trend with most key inputs like crude oil (down 4% mom), PFAD (down 3% mom), mentha oil (down 5% mom), several vegetable oils (down 3-6% mom), LLP (down 2% mom) and copra (down 2% mom) witnessing drop in prices.

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- ▶ **Other commodities.** Among other commodities, several inputs continued to witness inflation including caustic soda (up 15% mom, up 40% over past six months), soda ash (up 3% mom) and several paint inputs like Tio2 (up 9-13% mom) and VAM domestic (up 13% mom).
- ▶ **Who benefits?** (1) Deflation in wheat and barley prices will give some respite to food companies like Britannia, Nestle and GSK-CH, (2) fall in PFAD is likely to help soap companies like HUVR, GCPL and JYL, (3) fall in rice bran oil and kardi oil is likely to benefit Marico, (4) fall in mentha oil will benefit Emami and (5) fall in LLP will benefit all hair oil companies while fall in copra will benefit Marico.
- ▶ **Who gets impacted?** (1) inflation in key paint inputs like Tio2 is likely to hurt paint companies; however, we note INR appreciation and recent price hike of 3% effective May should help limit inflation impact, (2) higher tea prices will hurt companies like TGBL and HUVR, (3) high caustic soda and soda ash prices will hurt detergent players/soap players like HUVR, JYL and GCPL (in soaps).

Sector (KIE consumer universe) outperforms broader markets

After several months of underperformance or in-line performance, our overall consumer coverage outperformed the broader markets meaningfully delivering 5% absolute return (4% ex-ITC) over the past month versus 2% delivered by BSE Sensex. Several stocks delivered double-digit return during the period – key outperformers were Page (up 16%), PCJ (up 12%), USNP (up 11%), PIDI (up 11%) and CLGT (up 10%). Key underperformers were JUBI (down 11%), SH Kelkar (down 3%), Coffee Day (down 2%), Marico (down 1%) and BRIT (flat).

On a 12-month basis, sector performance has finally caught up and outperformed the broader markets posting 21% absolute return (17% ex-ITC) versus 17% for broader markets. **We retain our 'tread selectively' stance; preferred picks – ITC, GSK-CH, BJCOR, BRIT and CLGT (on dips).**

New launches/relaunches

- ▶ Britannia has launched a new range of **dairy beverages under new brand called Winkin Cow**; it is currently available in three variants – Badam Shake, Litchi Yoghurt Shake and Choco Shake. The drink is priced between ₹35-40 for 200 ml SKU. Britannia has also launched a **new range of indulgent breads called Daily breads** – it is available in three variants – Missi, V+ and Cinnamon & Raisin.
- ▶ Nestle India is revamping its Maggi Masala noodles by cutting the salt content and adding iron to launch a **new fortified variant of the Maggi noodles**. The new variant will be available at the same price as the non-fortified variant, which will soon be phased out. The plan to reduce salt content in Maggi noodles is part of Nestle's global strategy to cut sodium, sugar, saturated fat and add more vegetables and nutrient-rich ingredients. Nestle aims to reduce 10% salt across all Maggi branded products, including soups and seasonings, by 2020.
- ▶ Marico launched several innovations this month – (1) it has rebranded its **Saffola premium edible oils range** with new packaging. It has also increased prices of Saffola Gold, Tasty and Active variant by 3-4%, (2) it has also launched a new product – **Set Wet Beard Gel**; it has a unique aloe vera formula and keeps you beard in style for up to 5 hours. It is priced at ₹110 for 100 ml SKU and (3) it has launched a new variant under **Hair & Care – Fruit Oils**; it is enriched with orange, anaar and strawberry. It is priced at similar levels to base variant at ₹60 for 100 ml SKU.
- ▶ GSK-CH has launched a new toothpaste variant called **Sensodyne Deep Clean**. The toothpaste is an all-in-one variant, which provides sensitivity relief, advanced cleaning and long-lasting breath. It is priced at ₹115 for 70 gm SKU. Sensodyne has partnered with

airlines, Rajdhani trains and business hotels to reach around 1 mn consumers, for its drive experiential sampling.

- ▶ HUVR has launched a new variant of Kissan Jam – Tropical Blast. It is priced at ₹110 for 320 gm SKU.
- ▶ Coca Cola India has launched a new variant under its juice drink Minute Maid – Pulpy Mosambi. It is priced at ₹70 for 1L SKU.
- ▶ Abbott India has launched a new RTD pack of its popular PediaSure nutrition powder in vanilla delight flavor. It is available in 200 ml Tetrapak and is priced at ₹45.
- ▶ Parle Products has entered the pulses category with the launch of its new brand Fresh Harvest. The product has been launched across class-A outlets, Self Service Outlets (SSOs) and local retail chains in Maharashtra currently, and would be launched in a phased manner in other parts of India over the next 12 months.

Exhibit 1: Key new launches in May 2017



Source: Company, Kotak Institutional Equities

CEO Speak

Varun Berry, MD — Britannia Industries

- ▶ ***GST impact on business in near term?*** FMCG products will see a decline in volume in short term with channel partners keeping less stock no matter how much communication and assurances are sent out to them. So, this will take a toll on volumes over the next three months. It will be crucial for companies to keep a tab on what is happening on-ground due to GST and keep communication open with their channel partners.
- ▶ ***GST at 18% for biscuits – is this an opportunity for Britannia to gain market share?*** It's not an opportunity to gain share; however, being tax neutral is a great place to be as higher tax rate would have caused a downturn in the industry. GST at 18% rate isn't going to make the industry overly competitive; however, GST is certainly going to make it an even playing field.
- ▶ ***Will your competitors like ITC and Parle hike prices?*** Do not think it is required. There might be some fine tuning and some hikes in value segment, but overall average taxation in biscuits will not change materially.
- ▶ ***Do you think initially GST will ease life or complicate it further as far as administration is concerned?*** Initially, there are going to be some hiccups but over the longer run it is surely going to be good for the business.
- ▶ ***Take on margins over next few quarters?*** With volumes likely to remain under pressure over next few quarters, it will be important for the company to chase volumes rather than focus on margins – so at this point the company will focus on better execution and handling GST-led issues. Once things settle, will go after growth which should eventually help improve margins. Also, while the current RM scenario necessitates price hikes, Britannia will not be taking price hikes during GST transition – so this may put little bit of pressure on margins in near-term.
- ▶ ***Take on international business?*** Africa continues to be in currency crisis situation and Middle East is going through geopolitical crisis; considering this, the company is doing well within those constraints but the business is likely to remain under pressure in near-term. The company is looking to get in more countries and different regions.

Other newsflow

- ▶ Sales of personal care products made of natural, herbal and ayurvedic ingredients, the so-called naturals category, are growing 1.7X as fast as the overall market, as per media reports quoting Nielsen data. The naturals category make up 41% of India's personal care products market by sales and is valued at ₹185 bn. Naturals contribution has inched up in the last few years, growing 4-5% over the last 4-5 years. So on an average, 'naturals' is eating up 1% (category share) every year. It could go up to 50% in the next few years, as per Nielsen. The fastest growth has come from 'rest of urban' towns which comprise tier-2/3 cities, growing 9% in value while the category grew 8.4% in the metros. The biggest channel for the category has been chemist shops that led to 19.4% value growth. In category terms, hair oil, the largest naturals product category, grew 5% and toothpaste grew fastest at 20.1% in 2016; however, sales of toilet soaps declined 1.3% because the category already has a high household penetration, leaving little headroom for growth
- ▶ ITC is looking to increase its focus on the fast-growing handwash market. It is planning to make inroads into this ₹6 bn market through Savlon, the brand acquired by ITC from Johnson & Johnson. Currently, Dettol (Reckitt Benckiser) and Lifebuoy (HUVR) are the leaders in the segment. Savlon has 6.1% share in handwash market compared to over 50% of Dettol and 25-30% of Lifebuoy. ITC has set a target to be among top two in this category in near future and make Savlon ₹5 bn brand by consumer spends in next 4 years

and handwash would be a major contributor of that. In order to achieve the goal, ITC has undertaken number of initiatives including one which was once introduced by CavinKare in 1988 that changed the definition of shampoo market in India once for all. The conglomerate has introduced handwash in sachets (₹5 price point) under Savlon brand. It may be noted that ITC extended Savlon brand for handwash as well. Currently, Savlon is ₹1.5 bn brand by consumer spends. In just two years, Savlon brand has grown almost 3 times. The handwash category is growing at 15% and Savlon handwash has a decent growth since launch. After acquiring the brand from Johnson & Johnson two years back, ITC has relaunched and repositioned the brand, innovated into new categories and expanded distribution to newer stores including unconventional outlets which led to this growth in business.

- ▶ Berger Paints is planning to foray into the home decor business vertical and launch a basket of products other than paints. It is considering the business opportunities available in various areas relating to the home decor and construction industry as well as adhesives and other related materials. The company will be leveraging its existing manufacturing facilities and the marketing network to take this new venture forward in the initial days. While the company is in the process to evaluate the possibility of entering at least two new sub-segments in the decor business, it has first sought shareholders' approval as it involves modifying the company's Article of Association. Under consideration is the entry into segments such as sealants, adhesives, doors, windows, wooden floor and laminates, tiles, decorative items made of brass and copper, industrial flooring and various items made of wood, board, aluminum and other materials. Although the company is seeking shareholders' approval to enter a basket of new segments, it is not expected to enter more than 2-3 segments in the initial days.
- ▶ Coca-Cola plans to introduce frozen desserts in India as the beverages giant looks to expand its portfolio beyond carbonated drinks into fruit-based or other healthier choices. The new product will be available in the next three months, and initially sell in institutional formats such as movie theatres, and not as retail packs. The company will also put fruit chunks in Maaza and Minute Maid to make the drinks healthier. The new product range, made with fruit chunks, will be under the Minute Maid brand and challenge the dominance of Hindustan Unilever and Amul in the ₹100 bn ice-cream segment. I will invest ₹110 bn in creating an agriculture-focused ecosystem, food processing units and sourcing that will help it introduce a slew of innovative products in the fruit-based categories within the next five years. The company has a similar product under the Perfect Fruit brand in Australia and is sold by Coca-Cola Amatil.
- ▶ Pulse candy has become the biggest player in the hard-boiled candy (HBC) market, doubling its sales yoy to ₹3.26 bn FY2017. Pulse, a centre-filled sugar candy, is closely followed by Indonesian coffee-flavoured brand Kopiko at around ₹3.06 bn. This mirrors a trend of hard-boiled candies driving the ₹85 bn Indian confectionery market with other prominent categories such as eclairs and gums showing sluggish growth due to lack of innovation. Innovations, new launches of brands and variants are driving candies segment growth to a 15% level, almost double the rate at which confectionery category is growing at. From being just a third of the of the overall confectionery market last year, HBCs currently account for nearly half of the total confectionery market, according to Nielsen. Pulse, which had disrupted the traditional HBC market with its tangy taste and masala centre, was launched by the DS Group (maker of Pass Pass and Baba Elaichi) only two years ago. Its instant popularity spawned a line of me-too products, including Patanjali's Kick. But despite introducing three flavours, including guava and pineapple, raw mango accounts for 80% of Pulse's sales at present.
- ▶ Betting big on the male grooming segment, Himalaya Drug Company is aiming to double its market share in the men's facewash category to 20% in the next couple of years. It has close to 8-10% market share in men's facewash. Himalaya has grown in the last

couple of years from being the number fifth player to number third in the segment. It is targeting to get at least 20% market share in the next 2-3 years. The overall facewash market in the country is estimated to be about ₹18 bn at present, with men's facewash accounting for 15-20% of the space. While the overall facewash category is growing at 10%, the men's facewash segment is growing at a faster clip at 15-20%. Himalaya is a market leader in the overall facewash category with 24%. The company is planning to expand its portfolio beyond facewashes in the men's grooming segment and is evaluating opportunities in hair gels and creams. The men's grooming segment is estimated to be around ₹58 bn. Personal care is a key business category for the company, with the segment contributing to 45% of the ₹22 bn turnover, followed by pharmaceuticals (30%), baby care (17%), and animal health and wellness with 4% each. The facewash category accounts for half the revenues in the personal care segment for the company. The company has over 250 stock keeping units in categories including skincare, oral care, foot care, eye care, lip care and body care. Himalaya has over 200 standalone retail stores and plans to take it to 300-400 outlets in the next three years. The next growth will come from tier-2 cities where it the company is expanding; currently, out of the 200 stores, at least 50% would be in tier-2 cities. E-commerce contributes around 1% of the sales but the company is looking at growing it to 5% in the next 2-3 years.

- ▶ Expecting better sales after the new uniform taxation regime GST from next month, jewellery chain Malabar Gold & Diamonds has drawn up ₹20 bn expansion plan to open 80 more stores this financial year; the expansion plan will be funded through combination of debt (up to 75%) and ₹5 bn via internal accruals. The Kozhikode-based company is the second largest jewellery retailer in the country with 85 showrooms, behind Tata's Tanishq, and has 97 stores abroad. Of the 80 stores planned this year, 40 will come up in the Gulf market and 10 in other markets like Sri Lanka, Hong Kong and Singapore. Sri Lanka will be first new overseas market. In the domestic market, Malabar will open 30 more stores. Its 95 overseas showrooms are spread across six Gulf Cooperation Council (GCC) countries, and Singapore and Malaysia, and the chain is on course to enter Sri Lanka and Hong Kong soon. The group, which is also into real estate, has clocked ₹260 bn revenues in FY2017, up from ₹210 bn a year ago. Of this, ₹10 bn came in from realty business, into which it has drawn up plans to invest ₹100 bn over the next few years. The company expects jewellery sales to grow at 10-20% this year on the back of lower taxes under GST. In Kerala, which is its mainstay in the domestic market, the taxes will come down by almost 2 ppt to 3% under GST, which should increase sales. The company on an average sells around 75 kg of gold/diamond jewellery a day in Kerala, which should go up as the prices will come down after the GST is rolled out. Apart from retailing, Malabar is also into design centres and factories spread across India, the Middle East and the Far East. The company currently ranks among the world's top five jewellery retailers in terms of turnover. It also has 11 cluster manufacturing units in the country and the GCC.

Exhibit 2: KIE Consumer Pricing monitor

Category/Brand/SKU	MRP (Rs)	Normalised price in Rs (adjusted for grammage changes)													Change (%)			
	May-17	Norm Wt	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	1M	3M	6M	1Y
Soaps																		
Dove Moisturising Cream 3*100gm	182	100g	58	58	61	61	61	61	61	61	61	61	61	61	—	—	—	5
Dove Moisturising Cream 75gm	49	100g	61	61	64	64	64	64	64	61	61	64	65	65	—	7	2	7
Breeze Lemon Splash (3+1)*75gm	30	100g	10	10	10	10	10	10	10	10	10	10	10	10	—	—	—	—
Hamam 100gm	31	100g	27	27	28	28	30	30	30	30	30	30	31	31	—	3	3	15
Lifebuoy Clini Care 10 Complete125gm	44	100g	35	35	35	35	35	35	35	35	35	35	35	35	—	—	—	—
Lifebuoy Total 125gm	29	100g	19	19	21	21	21	21	22	22	22	22	23	23	—	7	12	21
Lifebuoy Total 3*100gm	60	100g	19	19	19	19	19	19	20	20	20	20	20	20	—	—	3	3
Liril 2000 Soft Aloe Vera Lemon 125gm	52	100g	40	40	40	40	40	40	40	40	40	40	42	42	—	4	4	4
Lux Creamy White 125gm	50	100g	38	38	40	40	40	40	40	40	40	40	40	40	—	—	—	4
Lux Sandal & Cream 150gm	40	100g	25	25	25	25	25	25	25	25	25	25	27	27	—	5	5	5
Pears Pure Gentle 3*125gm	174	100g	45	45	45	45	46	46	46	46	46	46	46	46	—	—	—	4
Vivel Satin Soft 3*100gm	72	100g	23	23	23	23	23	23	24	24	24	24	24	24	—	—	3	3
Vivel s Luxury Olive Butter 4*100gm	100	100g	25	25	25	25	25	25	25	25	25	25	25	25	—	—	—	—
Fiams Di Wills Clear Spring 125gm	62	100g	48	48	48	48	50	50	50	50	50	50	50	50	—	—	—	3
Fiams Di Wills Soft Green 3*100gm	186	100g	60	60	60	60	62	62	62	62	62	62	62	62	—	—	—	3
Fiams Di Wills Mild Dew (3+1)*115gm	186	100g	39	39	39	39	40	40	40	40	40	40	40	40	—	—	—	3
Cinthol Original 100gm	35	100g	33	33	33	33	33	33	34	34	34	34	35	35	—	3	6	6
Cinthol Original 4*100gm	135	100g	32	32	32	32	32	32	33	33	33	33	34	34	—	3	6	6
Godrej No 1 Lime & Aloe Vera (3+1) *75gm	40	100g	13	13	13	13	13	13	13	13	13	13	13	13	—	—	—	—
Godrej No 1 Saffron & Milk Cream (3+1) *100gm	72	100g	17	17	17	17	17	17	18	18	18	18	18	18	—	—	6	6
Shower Gels/Facewash/Handwash/Bodywash																		
Facewashes																		
Pears Pure & Gentle Cleansing 60gm	110	100g	158	158	158	183	183	183	183	183	183	183	183	183	—	—	—	16
Lakme Strawberry 50ml	99	100ml	198	198	198	198	198	198	198	198	198	198	198	198	—	—	—	—
Dove Beauty Moisture 50gm	105	100g	210	210	210	210	210	210	210	210	210	210	210	210	—	—	—	—
Ponds Daily Act Cleansing System 50gm	70	100g	140	140	140	140	140	140	140	140	140	140	140	140	—	—	—	—
Fair & Lovely Multivitamin 50gm	55	100g	110	110	110	110	110	110	110	110	110	110	110	110	—	—	—	—
Olay Cleanser Total Effect Foaming 100gm	260	100g	260	260	260	260	260	260	260	260	260	260	260	260	—	—	—	—
Fiams Di Wills Aqua Pluse Men 100gm	150	100g	100	100	100	100	100	100	100	100	100	100	100	100	—	—	—	—
Handwash																		
Lifebuoy Total 215ml	82	100ml	32	32	35	35	35	35	35	35	35	35	38	38	—	9	9	19
Lifebuoy Activfresh Pouch 185ml	46	100ml	23	23	24	24	24	24	25	25	25	25	25	25	—	—	5	10
Lifebuoy Colour Changing Pump 200ml	95	100ml	48	48	48	48	48	48	48	48	48	48	48	48	—	—	—	—
Bodywash/ Shower Gels																		
Fiams Di Wills Shower Gel Clear Spring 200ml	160	100ml	80	80	80	80	80	80	80	80	80	80	80	80	—	—	—	—
Lux Bodywash Soft Luxury Strawberry & Cream 240ml	145	100ml	60	60	60	60	60	60	60	60	60	60	60	60	—	—	—	—
Cinthol Shower Gel Energy Deodorize 200ml	150	100ml	60	60	60	60	60	60	60	60	60	60	60	60	—	—	—	—
Detergents																		
Detergent Bars																		
Wheel Active Blue 140gm	5	100g	4	4	4	4	4	4	4	4	4	4	4	4	—	—	—	—
Rin Advance 85gm	5	100g	6	6	6	6	6	6	6	6	6	6	6	6	—	—	—	—
Rin Advance 150gm	10	100g	6	6	6	6	6	6	6	6	6	6	6	6	—	—	—	—
Rin Advance 240gm	17	100g	7	7	7	7	7	7	7	7	7	7	7	7	—	—	6	4
Surf Excel Bar 100gm	10	100g	10	10	10	10	10	10	10	10	10	10	10	10	—	—	—	—
Surf Excel 250gm	27	100g	11	11	11	11	11	11	11	11	11	11	11	11	—	—	—	—
Surf Excel 4*200gm	92	100g	11	11	11	11	11	11	11	11	11	12	12	12	—	5	5	5
Tide 135gm	10	100g	8	8	8	8	8	8	8	8	8	8	8	8	—	—	—	—
Tide 85gm	6	100g	9	9	9	9	9	9	9	9	9	9	9	9	—	—	—	—
Tide 4*250gm	78	100g	8	8	8	8	8	8	8	8	8	8	8	8	—	—	—	—

Source: Kotak Institutional Equities

Exhibit 2: KIE Consumer Pricing monitor (continued)

Category/Brand/SKU	MRP (Rs)	Normalised price in Rs (adjusted for grammage changes)													Change (%)			
	May-17	Norm Wt	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	1M	3M	6M	1Y
Detergent Powders																		
Wheel Active Lemon & Jasmine 1kg	52	100g	5	5	5	5	5	5	5	5	5	5	5	5	4	4	6	8
Rin Advance 1kg	78	100g	7	7	7	7	7	7	7	7	7	7	8	8	—	7	11	11
Rin Matic 1kg	115	100g	12	12	12	12	12	12	12	12	12	12	12	12	—	—	—	—
Surf Excel Easy Wash 1.5kg	187	100g	12	12	12	12	12	12	12	12	12	12	12	12	—	—	—	—
Surf Excel Matic 1kg	185	100g	19	19	19	19	19	19	19	19	19	19	19	19	—	—	—	—
Surf Excel Matic Front Load 1kg	242	100g	24	24	24	24	24	24	24	24	24	24	24	24	—	3	3	3
Surf Excel Quickwash 1kg	199	100g	19	19	19	19	19	19	20	20	20	20	20	20	—	—	4	4
Ariel Complete Pp 1kg	199	100g	19	19	19	19	20	20	20	20	20	20	20	20	—	—	—	8
Ariel 24Hour Fresh Complete 1kg	210	100g	21	21	21	21	21	21	21	21	21	21	21	21	—	—	—	2
Ariel Matic Complete Box 1kg	242	100g	24	24	24	24	24	24	24	24	24	24	24	24	—	—	—	3
Tide Natural Lemon & Chandan 150gm	10	100g	7	7	7	7	7	7	7	7	7	7	7	7	—	—	—	—
Tide Plus 1kg	96	100g	9	9	9	9	9	9	9	9	9	9	9	10	4	4	4	7
Henko 1kg	138	100g	13	13	13	13	13	13	13	13	13	13	13	13	—	—	—	—
Fabric Conditioners/ Dishwash/ Floor Cleaners																		
Fabric Conditioners/Liquids																		
Rin Liquid Fabric Blue Perfect Shine 250ml	49	100ml	20	20	20	20	20	20	20	20	20	20	20	20	—	—	—	—
Comfort Fabric Conditioner Anti Bacterial 200ml	53	100ml	25	25	27	27	27	27	27	27	27	27	27	27	—	—	—	6
Ezee Detergent Liquid 500gm	90	100g	18	18	18	18	18	18	18	18	18	18	18	18	—	—	—	—
Dishwashing Bar/Gels/Powder																		
Vim Drop Dishwash Active Gel Green Lime 250ml	65	100g	24	24	26	26	26	26	26	26	26	26	26	26	—	—	—	8
Vim Drop Dw Active Gel Green Lime 500ml	120	100g	22	22	23	23	23	23	24	24	24	24	24	24	—	—	4	9
Vim Utensil Bar 130gm	10	100g	7	7	7	7	7	7	7	7	7	7	7	7	—	—	—	—
Vim Utensil Bar 200gm	18	100g	9	9	9	9	9	9	9	9	9	9	9	9	—	—	—	6
Floor Cleaners/Other Cleaners																		
Cif All Purpose Cleaner White 120ml	29	100ml	24	24	24	24	24	24	24	24	24	24	24	24	—	—	—	—
Domex Floor Cleaner Thick 500ml	74	100ml	14	14	15	15	15	15	15	15	15	15	15	15	—	—	—	6
Sanifresh Toilet Cleaner Shine 1L	114	100ml	11	11	11	11	11	11	11	11	11	11	11	11	—	—	—	—
Oral Care																		
Toothpaste																		
Colgate Cdc 150gm	67	100g	41	41	41	41	43	43	43	45	45	45	45	45	—	—	5	8
Colgate Cibaca 175gm	50	100g	27	27	27	27	27	27	27	27	29	29	29	29	—	—	4	6
Colgate Active Salt 100gm	55	100g	50	50	50	50	52	52	55	55	55	55	55	55	—	—	6	10
Colgate Maxfresh Blue 150gm	95	100g	60	60	60	60	60	60	60	60	63	63	63	63	—	6	6	8
Colgate Sensitive Pro Relief 70gm	115	100g	157	157	164	164	164	164	164	164	164	164	164	164	—	—	—	5
Colgate Sensitive 80gm	110	100g	125	125	131	131	131	131	131	131	131	138	138	138	—	5	5	10
Colgate Total Adv Health 140gm	105	100g	75	75	75	75	75	75	75	75	75	75	75	75	—	—	—	3
Pepsodent 2 In 1 150gm	94	100g	60	60	60	61	61	61	61	61	61	63	63	63	—	2	2	4
Pepsodent Centre Fresh 150gm	90	100g	59	59	59	59	60	60	60	60	60	60	60	60	—	—	—	5
Pepsodent Whitening 150gm	91	100g	59	59	59	59	59	59	59	59	59	61	61	61	—	2	2	3
Pepsodent Exp Prot Complete 150gm	114	100g	73	73	73	73	73	73	73	75	75	76	76	76	—	2	4	6
Pepsodent Expert Prot Sensitive 80gm	80	100g	100	100	100	100	100	100	100	100	100	100	100	100	—	—	—	—
Pepsodent Expert Prot Pro Sensitive 80gm	99	100g	124	124	124	124	124	124	124	124	124	124	124	124	—	—	—	—
Close Up Fire Freeze 150gm	102	100g	67	67	68	68	68	68	68	68	68	68	68	68	—	—	—	2
Close Up Red 150gm	87	100g	55	55	56	56	56	56	58	58	58	58	58	58	—	—	4	6
Babool 180gm	42	100g	23	23	23	23	23	23	23	23	23	23	23	23	—	—	—	—
Dabur Red 200gm	92	100g	44	44	44	44	44	44	44	44	44	45	46	46	—	5	5	5
Meswak 200gm	95	100g	45	45	45	45	45	45	45	45	46	46	46	48	3	3	6	6
Sensodyne Fresh Gel 70gm	100	100g	125	125	125	125	125	125	125	125	125	143	143	143	—	14	14	14
Toothpouders																		
Colgate 200gm	70	100g	34	34	35	35	35	35	35	35	35	35	35	35	—	—	—	4
Dabur Lal Dant Manjan 100gm	38	100g	38	38	38	38	38	38	38	38	38	38	38	38	—	—	—	—
Mouthwashes																		
Colgate Plax Complete Care 250ml	99	100ml	40	40	40	40	40	40	40	40	40	40	40	40	—	—	—	—
Colgate Plax Freshmint 250ml	99	100ml	40	40	40	40	40	40	40	40	40	40	40	40	—	—	—	—

Source: Kotak Institutional Equities

Exhibit 2: KIE Consumer Pricing monitor (continued)

Category/Brand/SKU	MRP (Rs)	Normalised price in Rs (adjusted for grammage changes)													Change (%)			
	May-17	Norm Wt	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	1M	3M	6M	1Y
Edible Oils																		
Saffola Kardi Oil - 1L	190	100ml	19	19	19	19	19	19	19	19	19	19	19	19	—	—	—	3
Saffola Gold - 1L	155	100ml	15	15	15	15	15	15	15	15	15	15	15	16	3	3	3	3
Saffola Active - 1L	135	100ml	13	13	13	13	13	13	13	13	13	13	13	14	4	4	4	4
Sundrop Heart - 1L	210	100ml	21	21	21	21	21	21	21	21	21	21	21	21	2	2	2	2
Sundrop Nutrilite - 1L	135	100ml	14	14	14	14	14	14	14	14	14	14	14	14	—	—	—	—
Sundrop Superlite Advanced -1L	195	100ml	16	16	16	16	16	16	16	16	16	16	16	16	—	—	—	—
Tea/ Coffee																		
Tea																		
Red Label Ctc 1kg	410	100g	39	39	40	40	40	40	41	41	41	41	41	41	—	—	2	8
Red Label Ctc Pp 500gm	205	100g	39	39	40	40	40	41	41	41	41	41	41	41	—	—	—	7
Red Label Natural Care Box 500gm	240	100g	47	47	47	47	47	47	47	47	47	47	48	48	—	1	1	3
Taaza Ctc 1kg	285	100g	29	29	29	29	29	29	29	29	29	29	29	29	—	—	—	—
Tajmahal Ctc Box 250gm	132	100g	51	51	51	51	51	52	53	53	53	53	53	53	—	—	2	3
Agni Ctc Leaves 1kg	232	100g	23	23	23	23	23	23	23	23	23	23	23	23	—	—	—	—
Tata Ctc Gold 1kg	420	100g	420	420	420	420	420	420	420	420	420	420	420	420	—	—	—	—
Coffee																		
Bru Gold Jar 100gm	265	100g	245	245	245	245	255	255	255	255	255	255	265	265	—	4	4	8
Bru Instant Jar 100gm	170	100g	150	150	150	150	170	170	170	170	170	170	170	170	—	—	—	(2)
Nescafe Classic Box 200gm	475	100g	213	213	220	220	225	225	225	225	225	225	225	238	6	6	6	12
Nescafe Classic 50gm	145	100g	240	240	260	260	260	270	270	270	270	270	290	290	7	7	12	21
Sunrise Premium Jar 50gm	100	100g	200	200	200	200	200	200	200	200	200	200	200	200	—	—	—	—
Dairy																		
Milk/Condensed Milk/ Milk Powder																		
Nestle Milk Slim 1L	80	100ml	7	7	8	8	8	8	8	8	8	8	8	8	—	—	—	14
Nestle Milk Toned A+ 1L	75	100ml	7	7	7	7	7	7	7	7	7	8	8	8	—	9	9	15
Britannia Milk 1L	75	100ml	8	8	8	8	8	8	8	8	8	8	8	8	—	—	—	—
Britannia Milk Slimz 1L	69	100ml	7	7	7	7	7	7	7	7	7	7	7	7	—	—	—	—
Amul Taaza 1L	60	100ml	6	6	6	6	6	6	6	6	6	6	6	6	—	—	3	3
Amul Gold 1L	64	100ml	6	6	6	6	6	6	6	6	6	6	6	6	—	—	3	3
Amul Lite 1L	58	100ml	6	6	6	6	6	6	6	6	6	6	6	6	—	—	—	—
Everyday Milkpow Dairy Whitner Pouch 400gm	178	100g	44	44	44	44	44	44	44	44	44	45	45	45	—	2	2	2
Butter/Cheese																		
Britannia Cheese Spread Classic 180gm	81	100g	45	45	45	45	45	45	45	45	45	45	45	45	—	—	—	—
Britannia Processed Cream Cheese 180gm	199	100g	111	111	111	111	111	111	111	111	111	111	111	111	—	—	—	—
Amul Butter 500gm	215	100g	39	39	39	41	41	41	43	43	43	43	43	43	—	—	5	10
Health Drinks/ Juices/ Health Supplements/ OTCs																		
Health Drinks																		
Horlicks Chocolate Jar 500gm	235	100g	46	46	46	46	46	46	46	46	46	46	47	47	—	2	2	2
Horlicks Junior Jar 500gm	280	100g	53	53	55	55	55	55	55	55	55	55	56	56	—	2	2	6
Horlicks Standard Jar 500gm	240	100g	46	46	46	46	46	46	46	48	48	48	48	48	—	—	5	5
Horlicks Lite Malt Jar 500gm	290	100g	56	56	56	56	56	56	56	58	58	58	58	58	—	—	4	4
Horlicks Womens Chocolate Jar 330gm	299	100g	89	89	89	89	89	89	89	91	91	91	91	91	—	—	1	1
Boost Jar 500gm	240	100g	45	45	46	46	46	46	46	48	48	48	48	48	—	—	3	7
Actilife Malt Jar 250gm	160	100g	64	64	64	64	64	64	64	64	64	64	64	64	—	—	—	—
Juices																		
Real Juice Active Orange 1L	105	100ml	11	11	11	11	11	11	11	11	11	11	11	11	—	—	—	—
Real Juice Orange 1L	99	100ml	10	10	10	10	10	10	10	10	10	10	10	10	—	—	—	—
Real Juice Apple 1L	99	100ml	10	10	10	10	10	10	10	10	10	10	10	10	—	—	—	—
Health Supplements/OTCs																		
Dabur Chyawanprash 1kg	295	100g	30	30	30	30	30	30	30	30	30	30	30	30	—	—	—	—
Dabur Digestive Hajmola Regular 120 P	28	—	28	28	28	28	28	28	28	28	28	28	28	28	—	—	—	—
Dabur Glucose-D Jar 1kg	170	100g	16	16	16	16	16	16	16	16	16	16	17	17	—	6	6	6
Dabur Honey 500gm	199	100g	40	40	40	40	40	40	40	40	40	40	40	40	—	—	—	—

Source: Kotak Institutional Equities

Exhibit 3: Ongoing promotional activity across FMCG categories (Home and Personal care) for May 2017

	SKU	MRP (Rs)		Eff change (%)	Promotional offer
		Original	Offer		
Soaps					
Lifebuoy Total 10 soap	56gm	10	10	(13.8)	Free 15% extra
Lifebuoy Clini-care	125gm	52	44	(15.4)	Price off of Rs8
Lifebuoy Clini-care 10 (3 x 125gm pack)	375gm	145	120	(17.2)	Price off of Rs25
Detergents/Dishwash					
Ariel detergent powder	500gm	102	92	(9.8)	Price off of Rs10
Tide Plus detergent powder	1Kg	102	96	(5.9)	Price off of Rs6 and Free Rs30 Cash on Paytm
Tide Plus detergent powder	500gm	52	49	(5.8)	Price off of Rs3 and Free Rs15 Cash on Paytm
Rin detergent bar	150gm	10	10	(3.2)	Free 5gm extra
Rin detergent bar	4x250gm	68	65	(4.4)	Price off of Rs3
Surf Excel detergent bar	90gm	10	10	(10.0)	Free 10gm extra
Surf Excel detergent bar	250gm	29	27	(6.9)	Price off of Rs2
Surf Excel Easywash detergent powder	500gm	68	56	(17.6)	Price off of Rs12
Surf Excel Easywash detergent powder	700gm	96	77	(19.8)	Price off of Rs19
Surf Excel Easywash detergent powder	1.5Kg	207	187	(9.7)	Price off of Rs20
Surf Excel Easywash detergent powder	4Kg	544	479	(11.9)	Price off of Rs65
Ariel Matic Front Load detergent powder	1Kg	242	242		Free container worth Rs120
Henko Matic Front Load detergent powder	1Kg	235	235		Free Pril 225ml
Vim dishwash bar	125gm	10	10	(16.7)	Free 25gm extra
Pril dishwash liquid	225ml	55	55		Free Henko detergent worth Rs10
Pril dishwash liquid	425ml	90	90		Free Pril dishwash 200 gm bar
Other home & personal care items					
Nihar Shanti Amla	175ml	49	40		Price off of Rs9
Nihar Naturals	100ml	42	37		Price off of Rs5
Dabur Amla	180ml	88	88		Free Dabur Meswak toothpaste
Bajaj Almond hair oil	100ml	60	60		Free Bajaj Almond drops moisturizing soap free
Emami 7 oils in 1	200ml	115	115		Free Kesh King shampoo worth Rs50
Dabur Vatika Enriched Coconut hair oil	300ml	167	167		Free Vatika hair oil 75 ml
Dabur Almond hair oil	100ml	60	60		Free Dabur Almond 50 ml
Colgate CDC toothpaste	100gm	52	52	(9.1)	Free 10% extra

Notes:

(1) Highlighted offers are new promotions launched in May.

Source: Kotak Institutional Equities

Exhibit 4: Ongoing promotional activity across FMCG categories (Foods and Beverages) for May 2017 (continued)

Britannia Nutrigo Oats	75gm	20	20	(25.0)	Free 33% extra
Britannia Good Day Butter cookies	75gm	20	20	(25.0)	Free 33% extra
Britannia Nutrigo Digestives	100gm	20	20	(16.7)	Free 20% extra
Britannia Tiger Glucose	124gm	10	10	(8.8)	Free 9% extra
Sunfeast Mom's Magic Rich Butter	66gm	10	10	(20.1)	Free 25% extra
Sunfeast Mom's Magic Cashew & Almond	100gm	20	20	(16.7)	Free 20gm extra
Sunfeast Bounce	34gm	5	5	(17.1)	Free 20% extra
Sunfeast Marie Light	85gm	10	10	(15.0)	Free 17% extra
Other foods (including dairy)					
Sundrop peanut butter	924gm	500	300	(40.0)	Price off of Rs200
Pediasure	400gm	500	500		Free Paytm cash worth Rs50
Maggi noodles	420gm	62	62		Free Maggi Hot Heads worth Rs20
Dabur Honey	250gm	122	122		Free 100gm Meswak toothpaste worth Rs49
Dabur Honey	1Kg	380	380	(20.0)	Free 250gm Dabur honey
Dabur Chyawanprash	1Kg	295	295		Free Dabur Red toothpaste 75gm worth Rs37
Beverages					
Bru Gold coffee	50gm	135	125	(7.4)	Price off of Rs10
Cadbury Bourvita	500gm	200	200	(13.0)	Free Cadbury Bourvita 75gm worth Rs30

Notes:

(1) Highlighted offers are new promotions launched in May.

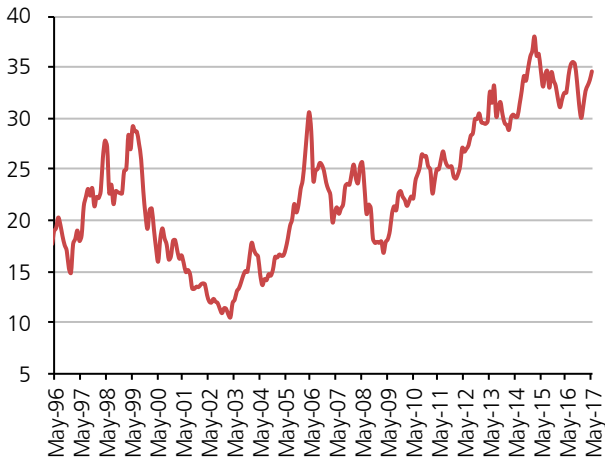
Source: Kotak Institutional Equities

Exhibit 5: Monthly raw material trends for May 2017

No	Commodity	Unit	Current	% chg - local currency				% chg - currency Adj.				Inflationary = +3%	Deflationary = -3%	Companies impacted	
				MoM	3M	6M	YoY	MoM	3M	6M	YoY				
Agri Commodities															
1	Tea - India Avg.	Rs/Kg	131	4	15	1	(3)	4	15	1	(3)			HUL, TGBL	
2	Tea - World Avg.	USD/MT	3,140	3	9	6	23	3	5	1	18			HUL, TGBL	
3	Tea - Mombassa/Kenya	USD/Kg	4	3	(3)	13	50	2	(7)	8	45			HUL, TGBL	
4	Coffee Arabica - Intl.	US cents/Pound	151	(3)	(9)	(18)	(3)	(3)	(12)	(22)	(6)			HUL, Nestle, TGBL	
5	Coffee Robusta - Intl.	US cents/Pound	101	(4)	(8)	(5)	11	(5)	(11)	(10)	7			HUL, Nestle, TGBL	
6	Sugar - domestic	Rs/Quintal	3,960	2	(1)	2	10	2	(1)	2	10			HUL, Nestle, GSKCHL, ITC, Dabur, Britannia	
7	Wheat	Rs/Quintal	1,732	(1)	(12)	(20)	3	(1)	(12)	(20)	3			ITC, Nestle, GSKCHL, Britannia	
8	Barley	Rs/Quintal	1,513	(3)	(16)	(15)	(5)	(3)	(16)	(15)	(5)			GSKCHL	
9	Maize (com)	USD/MT	159	1	(3)	5	(6)	1	(6)	(0)	(10)			Colgate, HUL, Dabur (Sorbitol)	
10	Liquid Milk - domestic	Rs/Ltr	45	—	5	22	22	—	5	22	22			Nestle, GSKCHL, Jubilant Foodworks, Britannia	
11	Milk Powder - domestic	Rs/Kg	286	(0)	1	8	32	(0)	1	8	32			Nestle, GSKCHL, Britannia	
12	Cocoa Bean	USD/MT	2,209	2	(4)	(20)	(35)	2	(8)	(24)	(37)			Nestle	
Oil Commodities															
13	Crude Oil - Brent	USD/Barrel	51	(4)	(8)	10	8	(4)	(12)	4	4			HUL, GCPL, Jyothy Labs, Asian Paints, Pidilite	
14	Palm oil	MYR/Ton	2,819	3	(12)	(3)	8	5	(13)	(7)	(3)			HUL, GCPL, Jyothy Labs	
15	PFAD	USD/MT	622	(3)	(11)	(2)	7	(3)	(15)	(7)	3			HUL, GCPL, Jyothy Labs	
16	Light liquid paraffin (LLP)	Rs/Ltr	42	(2)	8	24	13	(2)	8	24	13			Marico, Dabur, Bajaj Corp	
17	Copra	Rs/Quintal	8,535	(2)	(3)	30	57	(2)	(3)	30	57			Marico, Dabur	
18	Coconut oil	Rs/Quintal	12,662	(2)	(3)	30	59	(2)	(3)	30	59			Marico, Dabur	
19	Rice Bran oil	Rs/10Kg	549	(6)	(12)	(6)	(6)	(6)	(12)	(6)	(6)			Marico	
20	Kardi oil/ Safflower oil	Rs/MT	1,015	(3)	(9)	(7)	(2)	(3)	(9)	(7)	(2)			Marico	
21	Sunflower oil	Rs/MT	59,000	1	(9)	(12)	(12)	1	(9)	(12)	(12)			Marico	
22	Groundnut oil	Rs/MT	100,900	(4)	6	4	(15)	(4)	6	4	(15)			Marico, Dabur	
23	Linseed oil	Rs/MT	78,675	(6)	(10)	(25)	(40)	(6)	(10)	(25)	(40)			Marico, Dabur, Bajaj Corp, Asian Paints	
24	Castor oil	Rs/MT	98,200	(5)	19	23	43	(5)	19	23	43			Marico, Dabur, Bajaj Corp, Asian Paints	
25	Mentha oil	Rs/Kg	1,016	(5)	(8)	(1)	(2)	(5)	(8)	(1)	(2)			Emami, Colgate, HUL, Dabur	
Chemicals/Paints/Other Commodities															
26	Caustic soda	Rs/ 50Kg	2,519	15	25	40	25	15	25	40	25			HUL, GCPL, Jyothy Labs	
27	Soda ash	Rs/ 50Kg	1,292	3	5	4	6	3	5	4	6			HUL, GCPL, Jyothy Labs	
28	LAB	Rs/Kg	99	—	—	10	11	—	—	10	11			HUL, Jyothy Labs	
29	HDPE - domestic	Rs/Kg	102	1	(2)	3	(3)	1	(2)	3	(3)			All companies	
30	PAN	Rs/Kg	90	—	23	32	30	—	23	32	30			Asian Paints	
31	PENTA	Rs/Kg	115	—	—	—	(8)	—	—	—	(8)			Asian Paints	
32	Tio2 Anatase	Rs/Kg	175	13	30	30	30	13	30	30	30			Asian Paints	
33	Tio2 Rutile	Rs/Kg	215	—	16	19	38	—	16	19	38			Asian Paints	
34	Tio2 Dupont	Rs/Kg	278	9	18	25	29	9	18	25	29			Asian Paints	
35	Turpentine oil	Rs/Ltr	79	(1)	(1)	1	(5)	(1)	(1)	1	(5)			Asian Paints	
36	Formaldehyde	Rs/Kg	22	—	—	5	5	—	—	5	5			Asian Paints	
37	Acrylic acid	Rs/Kg	105	(2)	—	27	57	(2)	—	27	57			Asian Paints	
38	Vinyl Acetate - Domestic	Rs/Kg	75	13	29	38	12	13	29	38	12			Asian Paints	
39	Vinyl Acetate - China	US\$/MT	905	(3)	7	7	(2)	(3)	3	2	(6)			Pidilite, Asian Paints	
40	Styrene - domestic	Rs/Kg	91	(6)	(22)	12	15	(6)	(22)	12	15			Asian Paints	
41	Gold	Rs/10gm	28,461	(2)	(3)	(4)	(4)	(2)	(3)	(4)	(4)			Titan, Jewellery companies	
42	Diamond price index	USD/Carrat	117	(0)	0	(0)	(3)	(0)	(4)	(5)	(7)			Titan, Jewellery companies	

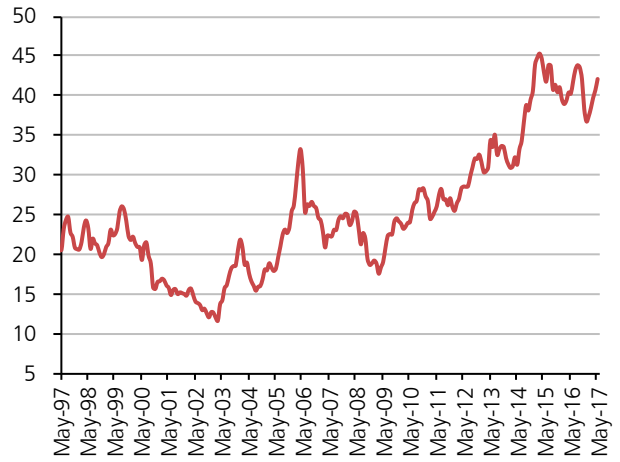
Source: Bloomberg, Kotak Institutional Equities

Exhibit 7: Consumer sector P/E rich at ~35X
One year forward P/E based on consensus estimates (X)



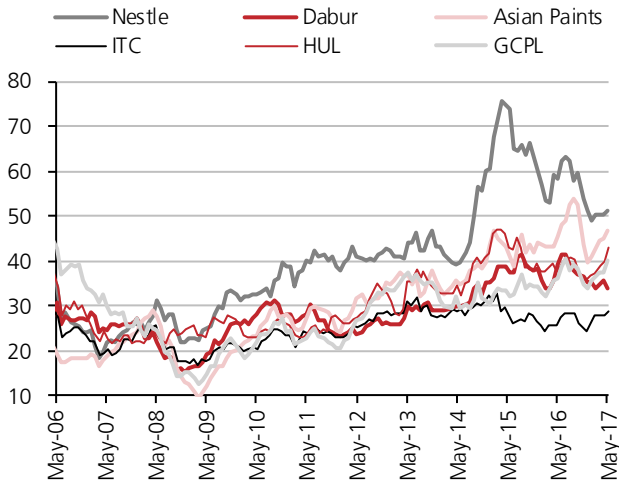
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 8: Consumer sector (ex-ITC) is trading at ~42X
One year forward P/E based on consensus estimates (X)



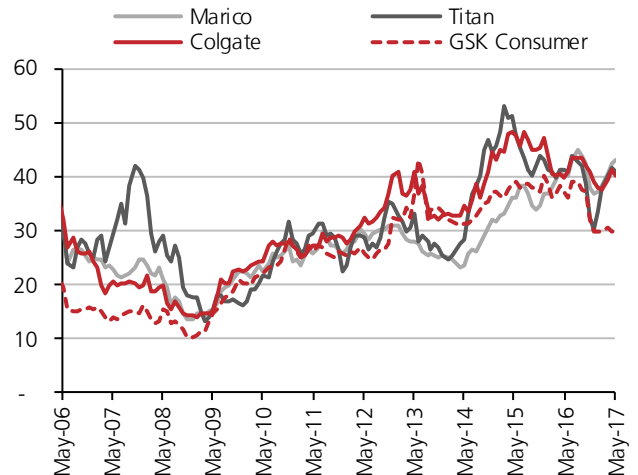
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 9: P/E multiples are fairly high for the earnings profile
One year forward PE (based on consensus estimates)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 10: P/E multiples are fairly high for the earnings profile
One year forward PE (based on consensus estimates)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 11: Most FMCG stocks are trading at par or marginal premium to their 5-year historical average barring GSK-CH and TGBL
One year forward PE based on consensus estimates (X)

	HUL	ITC	Nestle	Colgate	GSKCHL	APNT	GCPL	Marico	Dabur	Titan	TGBL	Britannia	Pidilite	Sector
Average P/E (X)														
3-Yr	40.1	28.0	59.0	42.5	35.8	43.7	34.8	36.5	36.6	42.1	23.1	34.9	36.0	33.7
5-Yr	37.3	28.3	52.2	39.4	34.2	39.9	34.1	32.9	33.2	37.0	24.4	28.5	32.5	32.2
10-Yr	30.9	25.2	41.9	31.0	26.9	31.4	28.0	27.7	28.7	31.1	21.3	27.2	26.8	27.6
Current P/E	42.8	28.6	51.1	40.2	29.8	46.9	40.0	42.9	33.8	41.0	19.1	40.1	39.6	34.6
Current Prem/Disc to Avg (%)														
Prem/Disc to 3-Yr Avg	7	2	(13)	(5)	(17)	7	15	18	(8)	(3)	(18)	15	10	3
Prem/Disc to 5-Yr Avg	15	1	(2)	2	(13)	17	17	31	2	11	(22)	40	22	8
Prem/Disc to 10-Yr Avg	38	14	22	30	11	49	43	55	18	32	(10)	47	48	25
5-year P/E variables (X)														
Median	37.6	28.2	50.4	40.1	34.3	39.4	34.1	31.7	33.9	38.5	25.5	28.0	33.4	32.2
Average	37.3	28.3	52.2	39.4	34.2	39.9	34.1	32.9	33.2	37.0	24.4	28.5	32.5	32.2
STD	4.7	1.9	10.6	5.0	4.2	5.8	2.9	6.1	4.9	7.6	4.8	9.4	5.4	2.5
Max	47.2	32.8	75.5	48.2	43.1	54.0	40.5	45.1	41.5	53.1	31.0	44.4	42.0	38.0
+1 STD	41.9	30.1	62.8	44.4	38.4	45.7	37.0	38.9	38.1	44.6	29.2	38.0	37.9	34.7
Min	27.8	24.6	39.4	31.3	24.5	30.9	27.3	23.3	24.2	24.6	16.2	15.6	19.8	27.0
-1 STD	32.6	26.4	41.6	34.5	29.9	34.2	31.2	26.8	28.3	29.3	19.5	19.1	27.0	29.7
Difference versus current P/E (%)														
Median	14	2	1	0	(13)	19	17	35	(0)	7	(25)	43	19	7
Average P/E	15	1	(2)	2	(13)	17	17	31	2	11	(22)	40	22	8
Max	(9)	(13)	(32)	(16)	(31)	(13)	(1)	(5)	(19)	(23)	(39)	(10)	(6)	(9)
+1 STD	2	(5)	(19)	(9)	(22)	3	8	10	(11)	(8)	(35)	6	4	(0)
Min	54	17	30	29	22	52	47	84	40	67	18	157	100	28
-1 STD	31	9	23	17	(0)	37	28	60	20	40	(2)	110	46	17

Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 12: Relative valuation (to Sensex)

One year forward Premium to Sensex based on consensus estimates (X)

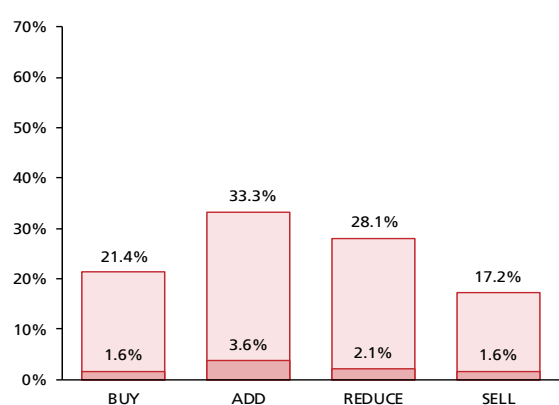
	HUL	ITC	Nestle	Colgate	GSKCHL	APNT	GCPL	Marico	Dabur	Titan	TGBL	Britannia	Pidilite	Sector
Average Relative P/E (X)														
3-Yr	2.0	1.4	3.0	2.2	1.8	2.2	1.8	1.9	1.9	2.1	1.2	1.8	1.8	1.7
5-Yr	2.1	1.6	2.9	2.2	1.9	2.2	1.9	1.8	1.9	2.1	1.4	1.6	1.8	1.8
10-Yr	1.8	1.5	2.4	1.8	1.6	1.8	1.6	1.6	1.7	1.8	1.2	1.6	1.5	1.6
Current Relative P/E	2.2	1.5	2.6	2.1	1.5	2.4	2.1	2.2	1.7	2.1	1.0	2.1	2.0	1.8
Current Prem/Disc to Avg (%)														
Prem/Disc to 3-Yr Avg	9	4	(12)	(4)	(15)	9	17	19	(6)	(1)	(15)	16	11	4
Prem/Disc to 5-Yr Avg	6	(8)	(9)	(6)	(20)	8	6	20	(6)	3	(29)	31	12	(2)
Prem/Disc to 10-Yr Avg	22	0	9	15	(2)	34	27	38	5	19	(21)	31	34	11
5-year relative P/E variable (X)														
Median	2.1	1.5	2.9	2.2	1.9	2.2	1.9	1.9	1.8	2.1	1.4	1.4	1.8	1.8
Average	2.1	1.6	2.9	2.2	1.9	2.2	1.9	1.8	1.9	2.1	1.4	1.6	1.8	1.8
STD	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.3	0.1	0.2	0.3	0.4	0.2	0.2
Max	2.6	2.2	3.5	2.7	3.0	2.8	2.6	2.3	2.2	2.4	2.0	2.2	2.2	2.2
+1 STD	2.3	1.9	3.2	2.4	2.2	2.5	2.2	2.1	2.0	2.3	1.7	2.0	2.0	2.0
Min	1.8	1.3	2.2	1.8	1.5	1.8	1.4	1.3	1.6	1.5	0.9	1.0	1.4	1.6
-1 STD	1.9	1.4	2.6	2.0	1.7	2.0	1.6	1.6	1.7	1.8	1.0	1.2	1.6	1.7
Difference versus current relative P/E (%)														
Median	7	(0)	(9)	(6)	(18)	8	6	17	(5)	1	(30)	43	13	1
Average P/E	6	(8)	(9)	(6)	(20)	8	6	20	(6)	3	(29)	31	12	(2)
Max	(14)	(32)	(25)	(24)	(49)	(12)	(20)	(4)	(21)	(12)	(50)	(6)	(6)	(20)
+1 STD	(2)	(21)	(18)	(15)	(30)	(2)	(8)	4	(13)	(7)	(43)	5	2	(10)
Min	24	18	20	15	-	32	45	68	11	37	8	110	45	14
-1 STD	15	9	1	3	(7)	20	26	42	2	15	(6)	77	26	8

Source: Bloomberg, Company, Kotak Institutional Equities

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Source: Kotak Institutional Equities

As of March 31, 2017

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