



COMPANY UPDATE

ASIAN PAINTS

Annual Report Insight: Stable picture

India Equity Research | Consumer Goods

Annual reports not only offer varying insights in to financial numbers of companies, but also a perspective on management's strategy in the year gone by as well as a peep in to its future modus operandi. Besides, such qualitative analysis complements quantitative analysis. This rationale underpins our latest product *Annual Report Insights*, which we launch with Asian Paints (APL).

We conclude, post analysis, that not only are the company's disclosure levels decent, but they also exhibit long-term consistency and stability, inter-alia, on volume growth, cost channelisation (in the right direction), working capital parameters, free cash flow generation and conversion of EBITDA to OCF. The missing link is improvement in performance of subsidiaries, which we envisage to unfold in ensuing years. Maintain 'BUY' with a TP of INR1,570.

Deciphering annual report

- During FY19, APL's balance sheet grew 14.2% YoY, primarily led capacity expansion by 50% from FY18 levels.
- FY19 remained a roller coaster year with demand as well as cost inflation uncertainty remaining elevated. **APL has however gained market share.**
- Over FY16-19, cash conversion cycle stayed in a narrow 51–59 days' band. Furthermore, **working capital as a percentage of sales too in 11.5–14.1% band.**
- In spite of capex of INR12.7bn/11.3bn in FY18/19, FCF generation continues to remain strong – **FCF as % of EBITDA was at 58.5% in FY19, down tad 170bps YoY.**
- **In subsidiaries**, while revenue growth of 24% and 25% YoY in Sleek and Ess Ess, respectively, is comforting, widening of EBIT loss needs to be monitored.
- We continue to **remain comfortable on contingent liabilities as % of net worth** and managerial remunerations levels.

Outlook and valuation: Brightening hue; maintain 'BUY'

We expect the decent decorative volumes to sustain led by improving macro parameters, demand and likely shift thereof from the unorganised (~30%) to organised segment. This, coupled with APL's ability to hike prices, should keep APL in good stead. We maintain 'BUY/SO' with TP of INR1,570. The stock is trading at 41.7x FY21E PE.

Financials

Year to March	FY18	FY19	FY20E	FY21E
Revenues (INR mn)	168,246	193,415	216,649	247,021
EBITDA (INR mn)	31,976	35,245	42,056	49,557
Adjusted profit (INR mn)	20,275	22,119	27,156	32,768
Adjusted Diluted EPS (INR)	21.1	23.1	28.3	34.2
EPS growth (%)	0.6	9.1	22.8	20.7
Diluted P/E (x)	67.4	61.8	50.3	41.7
ROAE (%)	23.7	23.3	25.4	27.0

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Edelweiss
Ideas create, values protect

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

MARKET DATA (R: ASPN.BO, B: APNT IN)	
CMP	: INR 1,425
Target Price	: INR 1,570
52-week range (INR)	: 1,530 / 1,118
Share in issue (mn)	: 959.2
M cap (INR bn/USD mn)	: 1,360 / 19,601
Avg. Daily Vol.BSE/NSE('000)	: 1,371.7

SHARE HOLDING PATTERN (%)			
	Current	Q3FY19	Q2FY19
Promoters *	52.8	52.8	52.8
MF's, FI's & BK's	10.5	10.5	11.3
FII's	15.7	15.7	14.9
Others	21.1	21.1	21.0
* Promoters pledged shares (% of share in issue)			11.8

PRICE PERFORMANCE (%)			
	Stock	Nifty	EW Consumer goods Index
1 month	(4.6)	(2.6)	(1.9)
3 months	(7.2)	3.1	(1.6)
12 months	10.5	5.2	2.7

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Edelweiss Securities Limited



Business progress

APL benefitted from improvement in demand conditions in the domestic market compared driven by a recovery in trade and supply channels from the massive disruptions caused by demonetisation and implementation of the Goods and Services Tax (GST). **However, customer confidence remains uncertain and this is reflected in a marked slowdown – particularly in the last quarter – in pockets of the large sectors of the economy.**

In fact, consumer sentiment remained suppressed for most part of the year with urban consumers feeling the overhang of inadequate job/income growth and high oil prices. **At the same time, persistent deflation in food prices and lack of minimum support price (MSP) realisations dented rural demand.** In addition, credit growth was severely affected in the second half of FY19 with the non-banking financial sector coming under stress due to defaults and tight liquidity scenario.

FY20 is likely to begin on a weak note as the general elections have just gotten over and momentum would may take time to set in. Varying early indications of the monsoon might only add to this uncertainty as the rural economy is largely dependent on rains, especially given the low water levels in reservoirs across the country. With elections-related uncertainty out of the way, **demand outlook would be largely shaped by the monsoon progress, which is crucial for supporting rural demand, and recovery in the construction and automobile sectors.**

During FY19, the company launched 23 products in the architectural paints segment and 15 in the industrial paints segment. All the businesses in India grew well above the market growth rates, thereby the company gained shares across the board.

Looking forward, APL expect the business environment to remain true to its inherent nature, i.e. uncertain and unpredictable as ever. APL, as an organisation, plans to continue to expand product offerings and adapt business channels – from brick & mortar to digital, to deliver on these consumer aspirations. At the same time, product and application innovation would help address stated as well as unstated consumer needs.

On the channel front, the company opened more than 3,000 outlets, taking its total to over 60,000. It also increased colour Idea stores to over 400 while the Colour World network topped 46,000.

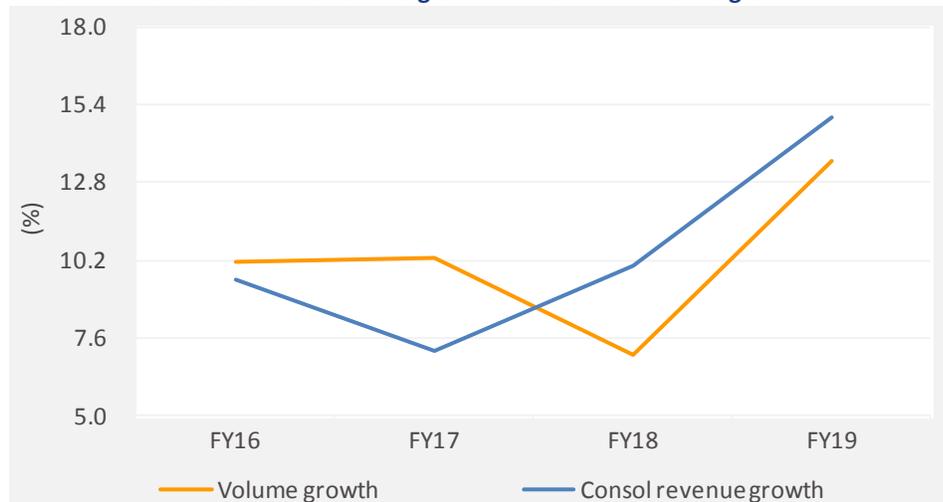
During the fiscal year gone by, the company commissioned two large paint manufacturing units of 300,000KL/annum each at Mysuru and Visakhapatnam. This additional production capacity would be sufficient to sustain growth that we anticipate over the next few years.

Deciphering the annual report

(i) On volume and revenue growth

FY19 marked an uptick in volumes. This was led by strong sales of lower-end paint, viz., putty. This also helped overall revenue growth to increase from 10% in FY18 to 15% in FY19.

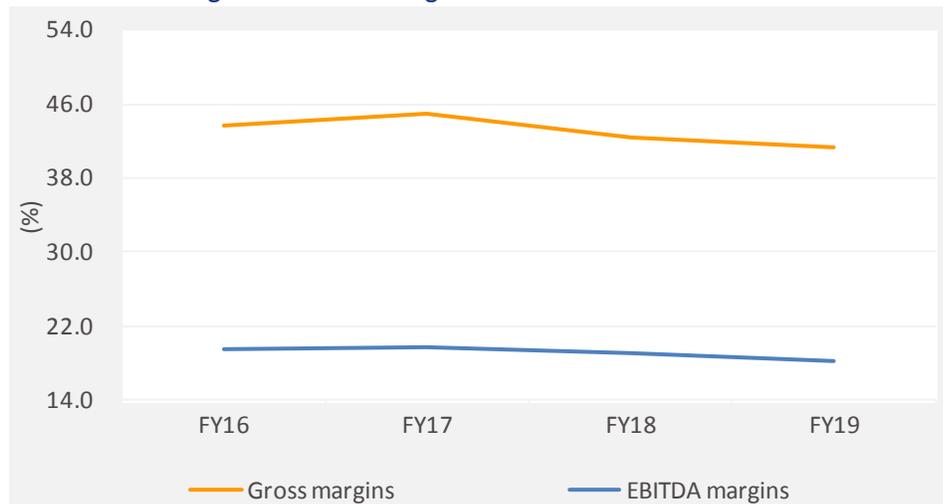
Our rough calculations however suggest some dip in realization over the last 2-3 years. This also coincides with the overall softness in the macro environment during the period.


Chart 1: Domestic decorative volume growth and overall revenue growth


Source: Company, Edelweiss research

(ii) On margins (consolidated level)

High volatility in crude oil prices and some deferment in price hikes took a toll on gross and EBITDA margins. In FY19, while gross margins compressed by 100bps, EBITDA margin compression was restricted to 80bps YoY.

Chart 2: Gross margin and EBITDA margin trend


Source: Company, Edelweiss research

(iii) On breakdown of other expense (standalone)

We find that **ad spends as a percentage of revenue as well as overall other expenses have been inching up**. This could be an outcome of Berger Paints and Kansai ratcheting up their ad spends, not to mention the new launches that demand higher ad spend.

Apart from ad spends, we observe **freight rates too inching up as percentage of revenue**, with its share within overall other expenses too spiking. Initial expense to set up the Vizag and Mysuru plants would have led to higher freight cost. Once the Mysuru and Vizag plants stabilise, freight expense line item should get calibrated.



On the flip side, **other expense** clearly shows the impact of serious cost-rationalisation measures – its proportion is down from 33.1% of other expenditure in FY16 to 25.9% in FY19. This greatly helped the overall EBITDA margin.

Chart 3: Expenses as % of revenue...

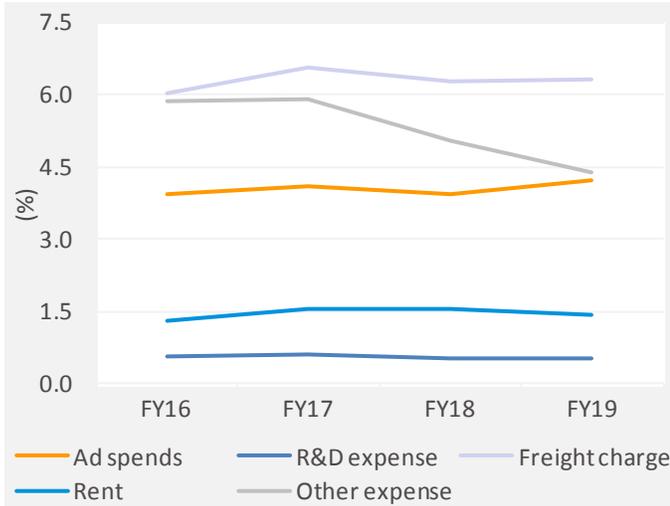
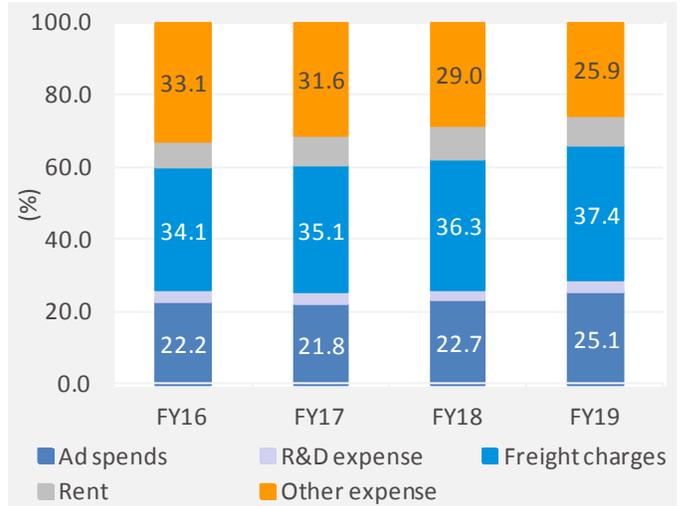


Chart 4: ... expense as % of other expenditure

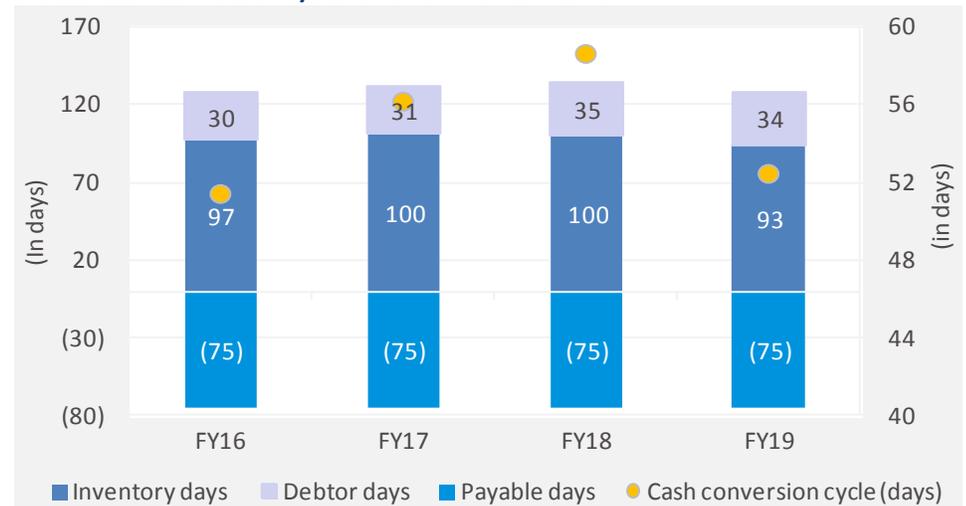


Source: Company, Edelweiss research

(iv) On working capital movement

The litmus test for any blue-chip company is its working capital (WC) movement and its consistency. In spite of the vagaries of raw material prices, liquidity crisis, etc, APL's cash conversion cycle has stayed in a narrow band of 51–59 days. Furthermore, working capital as a percentage of sales too has remained in a very narrow band of 11.5–14.1%.

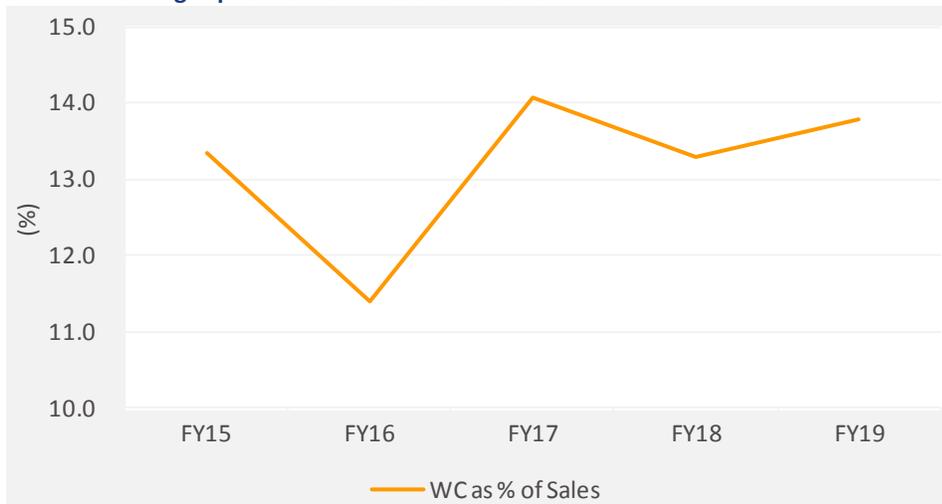
Chart 5: Cash conversion cycle remains in narrow band



Source: Company, Edelweiss research



Chart 6: Working capital as % of sales too in narrow band

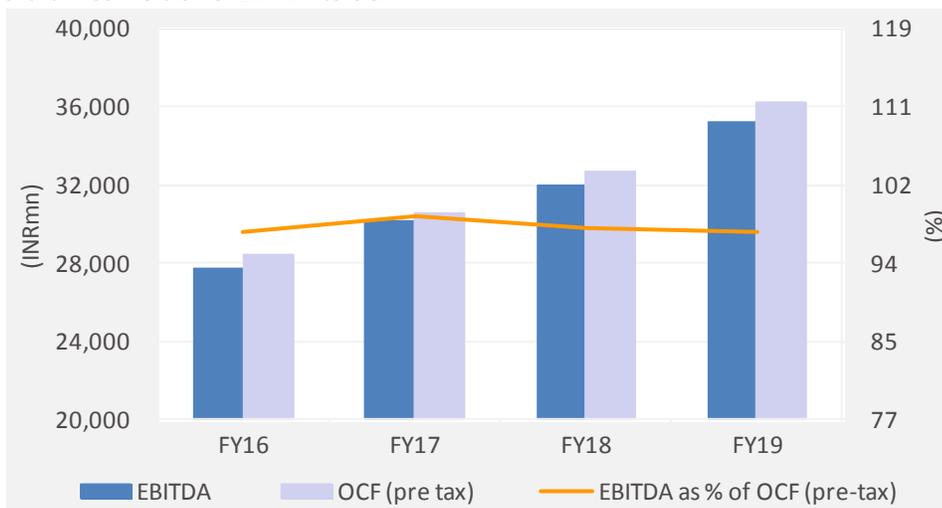


Source: Company, Edelweiss research

(v) On EBITDA to OCF conversion

We see a very strong conversion of EBITDA to OCF—as high as 97–98% of EBITDA translates to OCF (pre-tax).

Chart 7: Conversion of EBITDA to OCF



Source: Company, Edelweiss research

(vi) On free cash flow generation

APL continues to generate strong free cash flow, despite mega capex amounting to about INR11.75bn over each fiscal years, FY18 and FY19. Of course, owing to high capex, FCF as a percentage of EBITDA has come down. But once full capex (of Mysuru and Vizag) is completed in FY20, FCF as a percentage of EBITDA is likely to revert to the >75% band.



Table 1: Annual free cash flow to firm

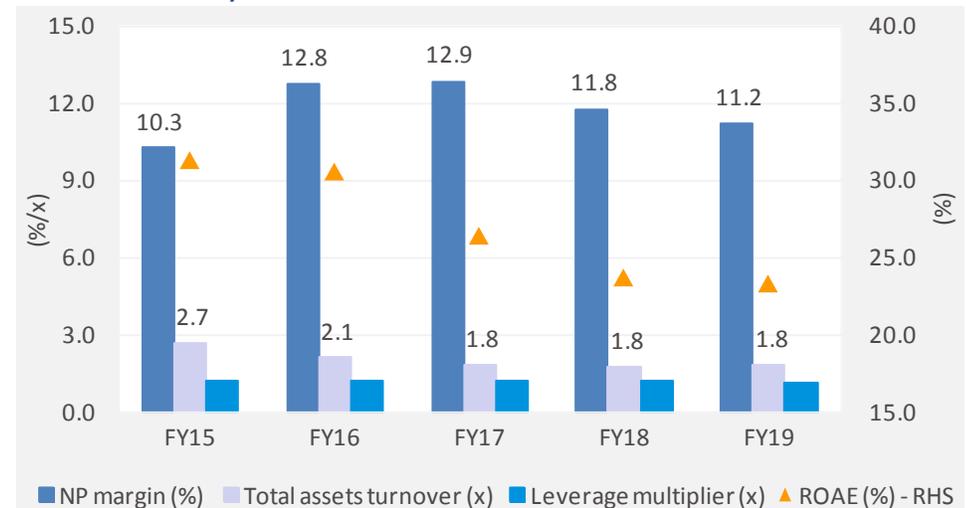
(INRmn)	FY16	FY17	FY18	FY19
PBT	26,139	29,146	31,391	33,107
Add: Non cash items	2,337	1,409	1,348	3,129
CFO before WC movement	28,475	30,555	32,738	36,237
WC change	1,978	(6,028)	(797)	(4,274)
Cash flow from operations	30,453	24,527	31,942	31,963
Less: Capex	8,022	6,672	12,681	11,336
Free Cash Flow (FCF)	22,431	17,855	19,261	20,627
FCF as % of EBITDA	81.0	59.1	60.2	58.5

Source: Company, Edelweiss research

(vii) On RoE breakdown (DuPont analysis)

APL's RoE dipped from FY17 through FY19. While this is attributable to a net profit margin contraction of 110bps in FY18 and 60bps in FY19, part of this is also due to lower asset turnover. We believe asset turnover will continue to remain soft on the back of mega capacity expansion (>50% capacity expansion between FY19 and FY20) with corresponding sales emanating only gradually. Therefore, we expect APL's RoE to remain subdued (sub-27.5%) over the next two years.

Chart 8: DuPont analysis



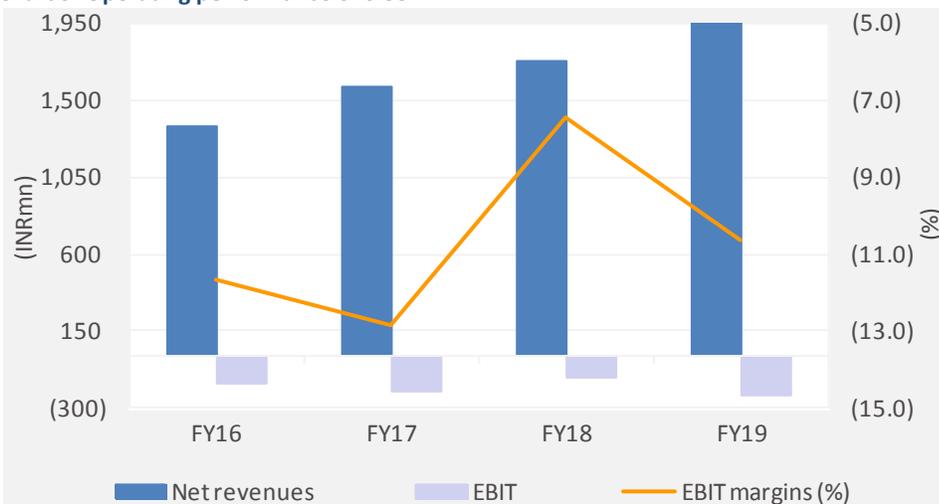
Source: Company, Edelweiss research

(viii) On subsidiary performance

Sleek: It posted 24% growth in revenue. But at the same time, its EBIT loss has continued to rise—reported negative EBIT margin of 10.7%, up from 7.5% in FY18.

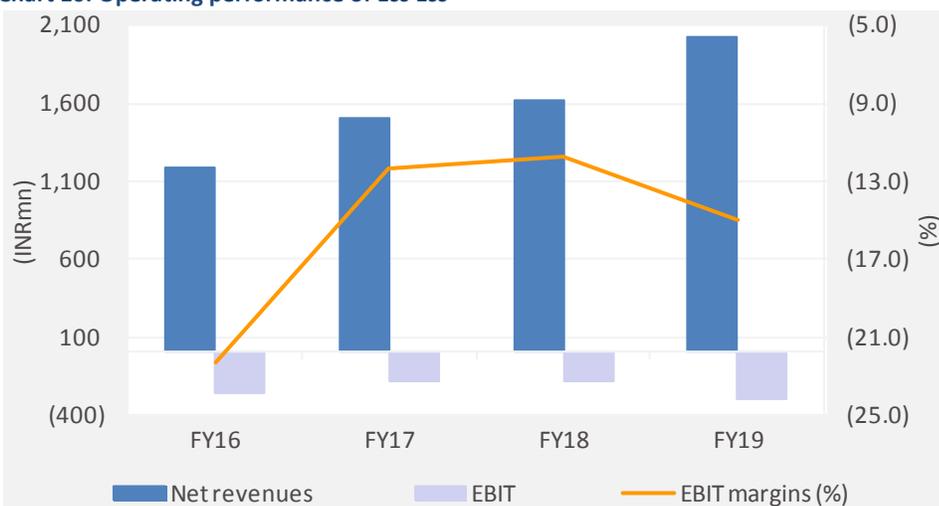
Ess Ess: Revenue grew 25%. But at the same time, its EBIT loss has continued to rise—reported negative EBIT margin of 15%, up 324bps YoY.

Chart 9: Operating performance of Sleek



Source: Company, Edelweiss research

Chart 10: Operating performance of Ess Ess



Source: Company, Edelweiss research

(ix) On contingent liabilities

Contingent liabilities dipped from INR2,475mn in FY18 to INR2,308mn in FY19. Thus, contingent liabilities as a percentage of net worth also dipped from 2.9% to 2.4%, thereby suggesting APL's contingent liabilities are quite controlled.

Table 2: Contingent liabilities

Contingent Liabilities (INRmn)	FY18	FY19
Letters of comfort issued to banks on behalf of indirect subsidiary	105	60
<i>Claims against the Company not acknowledged as debts</i>		
- Tax matters in dispute under appeal	2,094	1,916
- Others	276	333
Total Contingent liabilities	2,475	2,308
Networkth	84,102	95,197
CL as % of Networkth	2.9	2.4

Source: Company, Edelweiss research

**(x) On managerial remuneration**

We do not see a stark increase/decrease in the remunerations paid to directors. The remuneration paid to the CFO & Company Secretary, Mr. Jayesh Merchant, shot up 32.3%, but that is because of an incentive payment for past years, which was paid out in FY19.

Table 3: Managerial remuneration

INR	FY18	FY19	YoY
Directors			
Late Ashwin Choksi*	4,735,000	2,238,000	NA
Ashwin Dani	4,395,000	4,735,000	7.7
Manish Choksi*	NA	2,450,000	NA
Abhay Vakil	4,170,000	4,187,895	0.4
K.B.S. Anand	105,741,842	118,080,982	11.7
Mahendra Choksi	3,380,000	3,360,000	(0.6)
Malav Dani	3,520,000	3,500,000	(0.6)
Amrita Vakil	3,260,000	3,210,000	(1.5)
Mahendra Shah	3,640,000	3,740,000	2.7
Deepak Satwalekar	3,640,000	3,680,000	1.1
S. Sivaram	3,260,000	3,170,000	(2.8)
S. Ramadorai	3,350,000	3,230,000	(3.6)
M.K. Sharma	4,170,000	4,220,000	1.2
Vibha Paul Rishi	3,320,000	3,280,000	(1.2)
R. Seshasayee	3,450,000	3,330,000	(3.5)
CFO & Company Secretary			
Jayesh Merchant*	38,528,456	50,982,532	32.3

Source: Company, Edelweiss research

Note: i) Mr. Ashwin Choksi passed away on 19 September, 2018. ii) Mr. Manish Choksi was appointed as Non-Executive Director on 22 October, 2018. iii) The remuneration paid to Mr. Jayesh Merchant, CFO & Company Secretary, President - Industrial JVs for FY18–19 includes long-term incentive pertaining to FY16 paid in FY19 in accordance with policy of the company.



Company Description

APL is the largest paints company in India and figures among the top 10 players in the world. The company has 25 manufacturing plants in 17 countries, serving consumers in 65 countries globally. The decorative segment accounts for almost 80% of the overall paints market. Paints sales in domestic and international markets contributed 81% and 13%, respectively, to the company's consolidated revenue; chemical sales accounted for the balance. Among APL's international businesses, Asia contributes the lion's share at 49% to revenue, Africa and Middle East contributes 21% and 24% respectively.

Investment Theme

The paints industry is expected to post robust volume growth led by strong repainting demand and from construction. Growth in the repainting segment, accounting for about 90% of decorative demand, is on account of good demand in rural and small towns. Further, anticipated growth in construction activity over the next five years creates opportunity for fresh painting. APL is expected to grow ahead of the market on account of its pricing strategy at the lower end, higher growth in premium products, brand equity and distribution strength. However, moderation in real estate and auto segments can act as barrier.

Key Risks

A slowdown in the economy is the biggest risk for the paints industry, as about 75% of demand for decorative paints arises from repainting, which, in turn, depends heavily on the country's economic condition.

A rise in crude oil price and INR depreciation could hurt APL's margin as crude derivatives account for majority of APL's input costs.



Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Company				
Sales assumptions				
Sales growth-paints std	(3.8)	13.1	12.0	15.0
Volume growth-standalone	7.0	13.5	13.0	12.0
COGS as % of sales (Con)	57.6	58.6	58.2	57.8
COGS as % of sales (std)	56.4	57.4	58.2	57.5
Staff cost (% of sales)	6.6	6.6	6.4	6.3
Std Staff cost (% sales)	3.9	4.2	4.0	3.8
Con A&P (% of sales)	3.9	4.1	3.8	3.7
Dom A&P (% of sales)	3.9	4.2	4.0	3.8
Financial assumptions				
Tax rate (Consol)	34.4	33.6	32.0	31.5
Capex (INR mn)	18,054	13,609	7,500	7,500
Debtor days	35	34	32	32
Inventory days	100	93	90	90
Payable days	77	73	70	70
Cash conversion cycle	57	55	52	52
Dep. (% gross block)	8.9	7.6	6.5	6.3

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	168,246	193,415	216,649	247,021
Materials costs	96,912	113,423	126,049	142,819
Employee costs	11,155	12,700	13,783	15,508
Ad. & sales costs	6,627	7,964	8,240	9,034
Other Expenses	21,576	24,082	26,522	30,103
EBITDA	31,976	35,245	42,056	49,557
Depreciation	3,605	4,307	4,751	5,077
EBIT	28,371	30,939	37,304	44,480
Less: Interest Expense	351	510	432	358
Add: Other income	2,206.19	2,270.5	2,471.94	3,007.78
Profit Before Tax	30,227	32,699	39,344	47,129
Less: Provision for Tax	10,410	10,988	12,590	14,846
Less: Minority Interest	(458)	(408)	(401)	(484)
Reported Profit	20,975	22,119	27,156	32,768
Exceptional Items	700	-	-	-
Adjusted Profit	20,275	22,119	27,156	32,768
Shares o /s (mn)	959	959	959	959
Adjusted Basic EPS	21.1	23.1	28.3	34.2
Diluted shares o/s (mn)	959	959	959	959
Adjusted Diluted EPS	21.1	23.1	28.3	34.2
Adjusted Cash EPS	24.9	27.5	33.3	39.5
Dividend per share (DPS)	9.9	10.5	11.9	14.3
Dividend Payout Ratio(%)	53.6	54.8	50.6	50.6

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Materials costs	57.6	58.6	58.2	57.8
Staff costs	6.6	6.6	6.4	6.3
Ad. & sales costs	3.9	4.1	3.8	3.7
Other expenses	12.8	12.5	12.2	12.2
EBITDA margins	19.0	18.2	19.4	20.1
EBIT margins	16.9	16.0	17.2	18.0
Net Profit margins	11.8	11.2	12.3	13.1

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	10.0	15.0	12.0	14.0
EBITDA	5.8	10.2	19.3	17.8
PBT	3.7	8.2	20.3	19.8
Adjusted Profit	0.6	9.1	22.8	20.7
EPS	0.6	9.1	22.8	20.7



Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	959	959	959	959	
Reserves & Surplus	83,143	94,238	107,660	123,857	
Shareholders' funds	84,102	95,197	108,620	124,816	
Minority Interest	3,277	3,631	3,229	2,745	
Long term borrowings	283	195	189	182	
Short term borrowings	5,051	6,075	5,881	5,688	
Total Borrowings	5,334	6,270	6,070	5,870	
Long Term Liabilities	1,487	1,625	1,625	1,625	
Def. Tax Liability (net)	3,975	5,397	5,397	5,397	
Sources of funds	98,175	112,119	124,941	140,453	
Gross Block	43,781	69,345	76,845	84,345	
Net Block	31,185	52,562	55,311	57,733	
Capital work in progress	14,051	2,097	3,000	3,000	
Intangible Assets	6,138	5,950	5,950	5,950	
Total Fixed Assets	51,374	60,609	64,261	66,683	
Non current investments	10,840	13,952	13,952	13,952	
Cash and Equivalents	14,613	16,194	26,152	35,661	
Inventories	26,583	31,499	31,080	35,216	
Sundry Debtors	17,371	19,134	18,994	21,657	
Loans & Advances	943	942	942	942	
Other Current Assets	15,911	14,004	14,004	14,004	
Current Assets (ex cash)	60,808	65,579	65,020	71,818	
Trade payable	21,600	23,943	24,174	27,390	
Other Current Liab	17,860	20,270	20,270	20,270	
Total Current Liab	39,460	44,214	44,444	47,660	
Net Curr Assets-ex cash	21,348	21,365	20,576	24,158	
Uses of funds	98,175	112,119	124,941	140,453	
BVPS (INR)	87.7	99.2	113.2	130.1	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	20,975	22,119	27,156	32,768	
Add: Depreciation	3,605	4,307	4,751	5,077	
Interest (Net of Tax)	230	339	294	245	
Others	(1,037)	(237)	(263)	(371)	
Less: Changes in WC	847	4,335	(789)	3,582	
Operating cash flow	22,926	22,192	32,726	34,138	
Less: Capex	18,054	13,609	7,500	7,500	
Free Cash Flow	4,872	8,583	25,226	26,638	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Asian Paints	19,601	50.3	41.7	32.1	27.0	25.4	27.0
Berger Paints	4,565	47.7	41.0	29.5	25.3	24.9	25.1
Hindustan Unilever	57,100	53.6	45.7	38.0	32.8	92.8	38.9
Pidilite Industries	9,190	54.6	44.8	37.6	30.8	24.7	25.6
Median	-	51.9	43.2	34.8	28.8	25.2	26.3
AVERAGE	-	51.5	43.3	34.3	28.9	42.0	29.1

Source: Edelweiss research

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		22,926	22,192	32,726	34,138
Financing cash flow		(11,165)	(10,681)	(14,365)	(17,129)
Investing cash flow		(23,167)	(9,320)	(8,403)	(7,500)
Net cash Flow		(11,406)	2,192	9,958	9,508
Capex		(18,054)	(13,609)	(7,500)	(7,500)
Dividend paid		(11,246)	(12,127)	(13,733)	(16,571)

Profitability and efficiency ratios

Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	23.7	23.3	25.4	27.0
ROACE (%)	34.3	33.6	35.7	37.8
Inventory Days	100	93	90	90
Debtors Days	35	34	32	32
Payable Days	77	73	70	70
Cash Conversion Cycle	57	55	52	52
Current Ratio	1.9	1.8	2.1	2.3
Gross Debt/EBITDA	0.2	0.2	0.1	0.1
Gross Debt/Equity	0.1	0.1	0.1	-
Adjusted Debt/Equity	0.1	0.1	0.1	-
Net Debt/Equity	(0.1)	(0.1)	(0.2)	(0.2)
Interest Coverage Ratio	80.9	60.7	86.4	124.2

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	1.8	1.8	1.8	1.9
Fixed Asset Turnover	4.8	4.0	3.6	4.0
Equity Turnover	2.0	2.1	2.1	2.1

Valuation parameters

Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	21.1	23.1	28.3	34.2
Y-o-Y growth (%)	0.6	9.1	22.8	20.7
Adjusted Cash EPS (INR)	24.9	27.5	33.3	39.5
Diluted P/E (x)	67.1	61.5	50.3	41.7
P/B (x)	16.2	14.4	12.6	11.0
EV / Sales (x)	8.1	7.0	6.2	5.4
EV / EBITDA (x)	42.6	38.6	32.1	27.0
Dividend Yield (%)	0.7	0.7	0.8	1.0



Additional Data

Directors Data

Ashwin Dani	Non-executive Chairman	Mr. Manish Choksi	Non-Executive Vice Chairman
Mr. K B S Anand	Managing Director & CEO	Mr. Abhay Vakil	Non-Executive Director
Mr. Malav Dani	Non-Executive Director	Ms. Amrita Vakil	Non-Executive Director
Mr. Deepak Satwalekar	Independent Director	Dr. S Sivaram	Independent Director
Mr. M K Sharma	Independent Director	Ms. Vibha Paul Rishi	Independent Director
Mr R Seshasayee	Independent Director	Mr. Jigish Choksi	Additional/Non – Executive Director
Ms. Pallavi Shroff	Independent Director	Mr. Suresh Narayanan	Independent Director

Auditors - Deloitte Haskin & Sells

**as per last annual report*

	Perc. Holding		Perc. Holding
Life Insurance Corp Of India	6.5	Teesta Retail	5.5
Blackrock	4.9	Sbi Funds Management	1.3
Vanguard Group	1.1	Icici Prudential Asset Management	1.0
Jpmorgan Chase	0.7	Axis Asset Management Co	0.7
Standard Life Aberdeen Plc	0.5	Icici Prudential Life Insurance	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
26 Mar 2019	Advaita Charitable Trust	Buy	50724.00
26 Mar 2019	Pious Charitable Trust	Buy	50724.00
26 Mar 2019	Ashwin-Ina Charitable Trust	Buy	101448.00
26 Mar 2019	Dani Charitable Foundation	Sell	253620.00
26 Mar 2019	Param-Arth Charitable Trust	Buy	50724.00

**in last one year*

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

Head of Research

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

Asian Paints, Bajaj Consumer Care, 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
06-Jun-19	Consumer Goods	Q4FY19 conference call highlights compendium; <i>Conference Call Compendium</i>		
06-Jun-19	Consumer Goods	Volume growth takes a knock; monsoon, stimulus key; <i>Result Review</i>		
04-Jun-19	Berger Paints	Volume steady; margin disappoints; <i>Result Update</i>	323	Buy

Distribution of Ratings / Market Cap

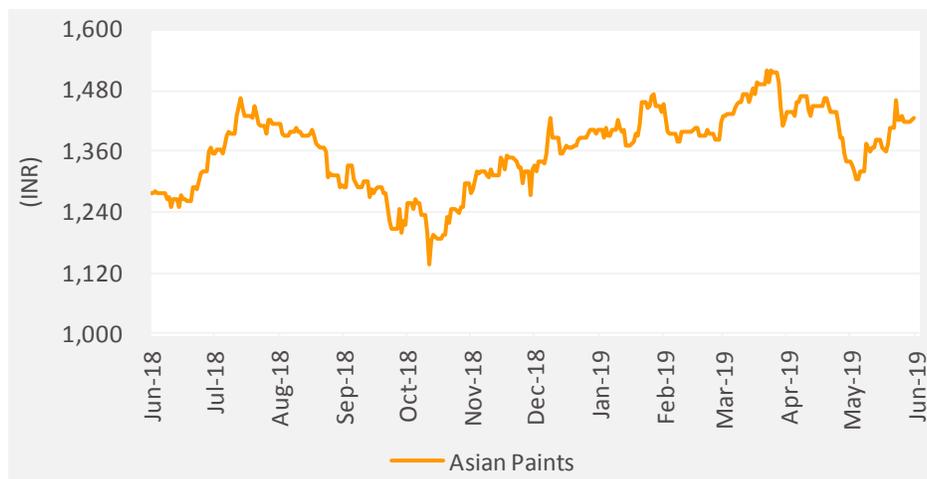
Edelweiss Research Coverage Universe

	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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