

# Consumer Goods & Retail

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## Maharashtra lockdown likely to be a blip

- The lockdown imposed by the Maharashtra government due to surging Covid-19 infections will be a short-term negative and may affect Q1FY22 performance of our discretionary universe. While there is still some uncertainty regarding the restrictions on trade, we expect fashion/jewelry retail, alcobev, paints and QSR to be the most impacted verticals. Staples, excluding ITC, will be least affected but may see an impact on discretionary/on-the-go consumption and institutional sales.
- Maharashtra accounts for a sizeable share of turnover across our universe – 5-10% for alcobev/paints and 15-40% for Retail/QSR. Besides, the June quarter has a larger share of revenue for some companies, particularly UBBL, VBL and PAG (30%-40%).
- Within Retail, WLDL has the highest exposure to Maharashtra at over 40%, followed by JUBI, TTAN and SHOP with 15-20% exposure. The impact on QSRs, though, could be lesser due to delivery sales.
- Within Alcobev, UBBL has a sizeable 12% revenue share from Maharashtra, with Q1 being the peak quarter. Revenue/profit contribution is higher in Q1 at 30%/40%. While Q1 is also big for VBL – revenue/profit share of 40%/87%, the Maharashtra impact is likely to be marginal, given the low sales contribution at 5% with 60% being on-the-go consumption.
- Besides Staples, RDCK and BRGR are expected to be the least impacted in our universe due to a lower share of revenues (~4%) from Maharashtra. Food companies (BRIT/NEST) may see a marginal benefit due to higher in-home consumption.
- Assuming loss of sales in Maharashtra till April 30, the overall impact on sales is likely to be 2-5% in Q1 (ex WLDL) and even lesser in FY22. For paints and TTAN pent-up demand may offset the impact partially on reopening. Though overall impact does not appear to be significant, risks from further lockdowns remain and may have a bigger impact.
- However, considering the stronger pace of recovery in the consumer space post the full lockdown of Apr'20 and the increased pace of vaccination, we believe that the impact of this lockdown should be short-lived and companies should bounce back faster. We remain bullish on Alcobev (RDCK/UBBL/UNSP), QSR (JUBI/WLDL) and TTAN, and believe that correction should be seen as an attractive entry point into these names.

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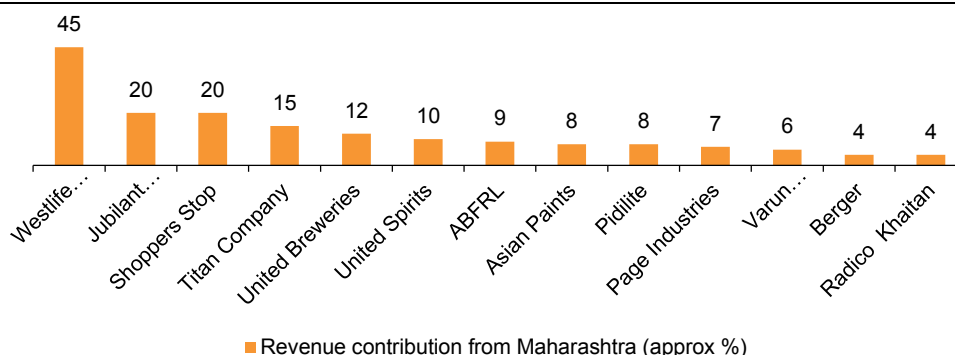
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Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail](#)

### Maharashtra accounts for sizeable revenues across companies



Source: Company, Emkay Estimates

**Exhibit 1: Retail universe store network in Maharashtra**

	Total no. of Stores	% stores in Maharashtra
Jubilant FoodWorks	1314	18.3%
Shoppers Stop	85	18.8%
Page Industries (EBO's)	910	9.5%
Titan Company (jewelry)	351	14.2%
Westlife Development	304	42.8%

Source: Company, Emkay Research

**Exhibit 2: Q1 revenue and profit contribution across companies**

	Q1 contribution - FY19			Q1 contribution - FY20		
Company	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT
<b>Paints</b>						
Asian Paints	23%	25%	26%	25%	28%	24%
Berger	24%	26%	27%	27%	29%	27%
Pidilite	26%	28%	26%	28%	28%	28%
<b>Alcobev/CSD</b>						
United Breweries	29%	35%	39%	31%	38%	39%
United Spirits	22%	16%	12%	24%	26%	24%
Radico Khaitan	25%	26%	25%	26%	27%	24%
Varun Beverages	40%	57%	89%	39%	54%	87%
<b>Retail</b>						
Titan Company	23%	25%	25%	25%	23%	24%
Jubilant FoodWorks	24%	23%	23%	24%	26%	23%
Westlife Development	25%	28%	28%	25%	22%	15%
Page Industries	29%	31%	32%	28%	35%	32%
ABFRL	24%	21%	NA	24%	31%	NA
Shoppers Stop	24%	16%	12%	25%	27%	NA

Source: Company, Emkay Research

**Exhibit 3: Relative valuation**

	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)			ROCE		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY23E	FY21E	FY22E
Asian Paints	2,511	2,408	Hold	2,460	34.2	43.0	49.1	73.5	58.4	51.2	47.9	38.9	34.2	33.4	34.9	35.6
Berger Paints	747	725	Sell	560	7.5	10.4	12.1	99.8	71.5	61.5	59.3	44.6	38.6	30.9	32.4	34.1
Britannia	3,700	891	Buy	4,500	80.0	83.4	94.8	46.2	44.4	39.0	35.1	33.5	29.7	38.4	37.1	35.5
Colgate	1,556	423	Buy	1,800	35.6	39.3	44.1	43.8	39.6	35.3	28.5	25.9	23.2	80.6	92.6	102.1
Dabur	537	949	Hold	560	10.2	11.9	13.7	52.5	45.0	39.2	42.8	35.8	31.0	31.2	30.6	30.0
Emami	498	222	Buy	580	14.5	15.5	17.4	34.5	32.1	28.6	24.4	22.0	19.2	21.9	28.9	33.6
GCPL	722	739	Hold	750	17.0	18.8	21.2	42.5	38.5	34.1	30.0	27.4	24.5	22.2	24.8	27.6
HUL	2,373	5,577	Hold	2,300	34.4	41.6	48.2	69.0	57.0	49.3	47.8	39.6	34.4	130.9	134.4	135.0
ITC	213	2,617	Buy	265	10.5	12.9	14.3	20.3	16.5	14.9	15.2	12.2	10.9	31.2	31.2	31.0
Marico	402	520	Hold	420	9.1	10.3	11.5	44.0	39.1	35.0	31.6	27.9	25.0	46.0	47.9	49.3
Nestle	16,881	1,628	Hold	16,200	217.5	266.9	307.5	77.6	63.3	54.9	51.8	43.6	38.1	95.4	134.9	138.7
Pidilite	1,800	914	Sell	1,320	24.1	27.7	32.1	74.8	64.9	56.1	51.7	45.0	39.0	35.3	33.9	33.1
Radico Khaitan	548	73	Buy	640	18.9	23.0	26.7	28.9	23.9	20.6	18.1	15.1	13.0	35.3	33.9	33.1
United Breweries	1,150	304	Buy	1,450	2.1	24.1	29.9	537.7	47.8	38.5	81.0	26.0	21.8	23.8	27.1	27.6
United Spirits	540	392	Buy	660	6.1	13.4	16.5	88.9	40.3	32.8	42.6	24.8	20.9	24.4	25.1	26.7
Varun Beverages	975	282	Buy	1,030	11.1	26.7	35.7	87.9	36.5	27.4	25.5	16.4	13.6	24.4	25.1	26.7
ABFRL	187	173	Buy	206	-5.7	2.6	3.7	-32.8	73.0	50.6	66.9	12.0	10.1	-7.1	15.9	19.0
Jubilant FoodWorks	2,837	374	Buy	2,750	18.0	44.6	54.5	157.4	63.6	52.1	48.0	29.1	24.4	40.3	65.2	60.5
Page Industries	29,679	331	Hold	28,000	278.8	423.1	483.0	106.4	70.1	61.4	66.4	45.6	39.9	49.6	62.5	59.4
Shoppers Stop	204	22	Hold	220	-5.1	17.7	23.2	-40.3	11.5	8.8	13.8	4.4	3.3	5.6	20.1	22.3
Titan Company	1,535	1,363	Buy	1,650	12.4	25.8	32.7	123.5	59.5	46.9	73.2	38.1	30.1	23.9	39.6	39.9
Westlife Development	440	69	Buy	600	-5.1	1.7	3.9	-85.5	254.0	112.1	103.6	25.3	19.4	-4.0	17.0	26.0

Source: Company, Emkay Research

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