

# Marico

Refer to important disclosures at the end of this report

## Domestic volume growth surprises

<b>CMP</b>	<b>Target Price</b>
Rs 411 as of (January 28, 2021)	Rs 420 (▲) 12 months
<b>Rating</b>	<b>Upside</b>
<b>HOLD (■)</b>	<b>2.1 %</b>

- Revenue growth was ahead of expectations, driven by strong domestic performance with 15% volume growth. PAT grew 13%, in line with estimates due to a slight miss on the margin front stemming from higher input prices and opex.
- Management's commentary was fairly positive and it expects to deliver over 20% revenue growth in Q4 on low comparables and double-digit growth in the medium term. Saffola should continue to drive a high single-digit growth, while VAHO issues have been fixed and should sustain double-digit growth.
- High input prices resulted in a slight miss on margins, but input inflation is expected to moderate with copra prices softening from the peak levels. Price hikes in Saffola and Parachute effected in Q3 should also result in a better margin performance ahead.
- We raise estimates marginally by 2-3% for FY21-23, given improved performance and better growth outlook. At current valuations of 34x FY23E EPS, the stock looks fairly valued. Maintain Hold with revised TP of Rs420, rolling forward to Mar-23E EPS.

**Saffola continues strong momentum; VAHO sees a turnaround:** Marico's Q3 sales performance came in even stronger than Q2, with its domestic business growing 18%, driven by 15% volume growth. Parachute's volumes grew 8% and VAHO saw a huge turnaround with 21% volume growth (vs. 4% in Q2), led by market share gains. Saffola oil posted 17% volume growth and Saffola oats clocked 50% value growth with an increase in market share and scale-up of new launches. Saffola honey ended the quarter with a double-digit market share in MT and over 20% in the e-commerce channel. The international business grew 11% (8% in cc), with Bangladesh/South Africa growing 15%/7% in cc terms, while Vietnam declined 3%. Management commentary remains fairly positive with double-digit growth likely to continue, also aided by recent pricing actions. Consumer offers were rolled back for parachute in December, while Saffola saw multiple rounds of price increases to the tune of 15%.

**High input inflation impacts margins; prices expected to moderate:** Gross margin contracted by 220bps due to a rise in input prices, particularly copra and rice bran. EBITDA margin was reduced by 100bps, with a 28% increase in employee costs, led by higher incentive programs and Beardo employee acquisition costs which were not present in the comparable period a year ago. Employee costs are expected to remain high in Q4. Management expects copra inflation to moderate with prices correcting by 10-15% in the coming quarters. Cost savings are likely to continue and provide a stable margin outlook.

**Improving performance drive earnings upsides; maintain Hold:** We raise estimates marginally by 2-3% for FY21-23E, given improved performance and better growth outlook. At current valuations of 34x FY23E EPS, the stock looks fairly valued. Maintain Hold with a revised TP of Rs420 (from Rs380), rolling forward to Mar-23 EPS.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 8\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	73,340	73,150	78,396	89,523	98,158
EBITDA	13,260	14,690	16,174	18,213	20,203
EBITDA Margin (%)	18.1	20.1	20.6	20.3	20.6
APAT	9,430	10,720	11,932	13,545	15,087
EPS (Rs)	7.3	8.3	9.2	10.5	11.7
EPS (% chg)	14.0	13.7	11.3	13.5	11.4
ROE (%)	34.2	35.7	36.8	37.4	38.1
P/E (x)	56.3	49.5	44.5	39.2	35.2
EV/EBITDA (x)	39.6	35.8	32.2	28.4	25.5
EV/FCF (x)	17.0	17.0	15.0	14.0	13.0

### Change in Estimates

EPS Chg FY21E/FY22E (%)	2/2.6
Target Price change (%)	10.5
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	9.2	10.5
Consensus	8.9	9.8
Mean Consensus TP (12M)	Rs 433	

### Stock Details

Bloomberg Code	MRCO IN
Face Value (Rs)	1
Shares outstanding (mn)	1,291
52 Week H/L	435 / 234
M Cap (Rs bn/USD bn)	531 / 7.27
Daily Avg Volume (nos.)	31,37,756
Daily Avg Turnover (US\$ mn)	16.8

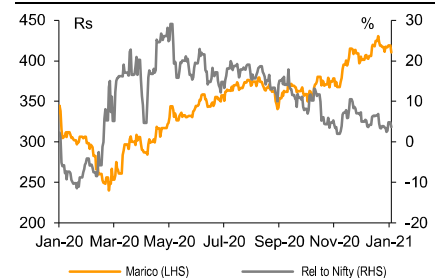
### Shareholding Pattern Dec '20

Promoters	59.6%
FIIIs	24.2%
DIIIs	10.0%
Public and Others	6.2%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	1	13	14	23
<b>Rel. to Nifty</b>	2	(4)	(7)	7

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

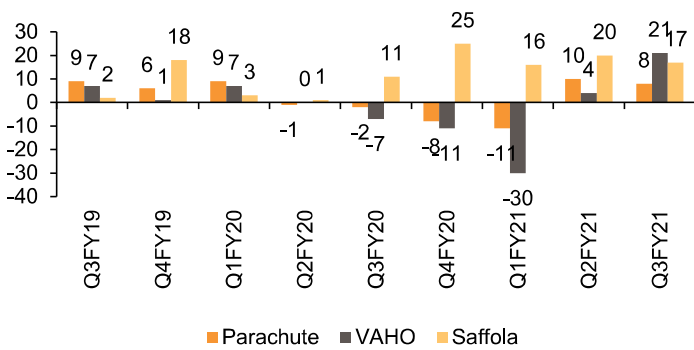
**Ashit Desai**

ashit.desai@emkayglobal.com

+91 22 6612 1340

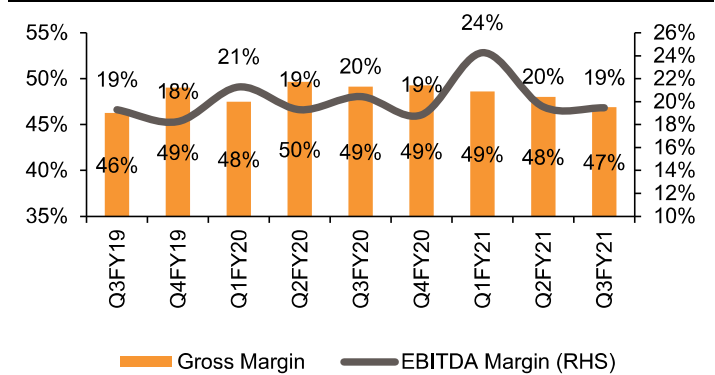
# Story in Charts

**Exhibit 1: VAHO sees strong growth trends led by market share gains**



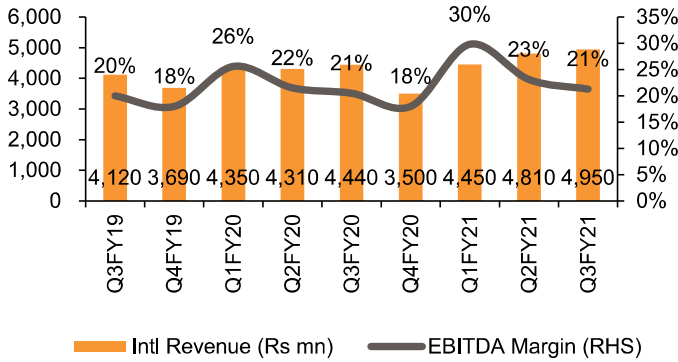
Source: Company, Emkay Research

**Exhibit 2: Margins see pressure due by inflationary trends in input prices and high employee costs**



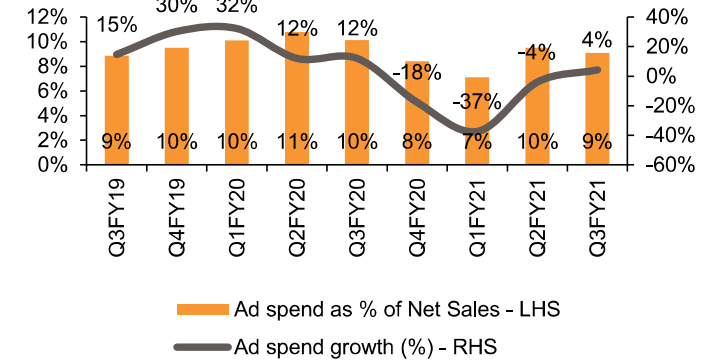
Source: Company, Emkay Research

**Exhibit 3: Sequential decline in margin on high input prices**



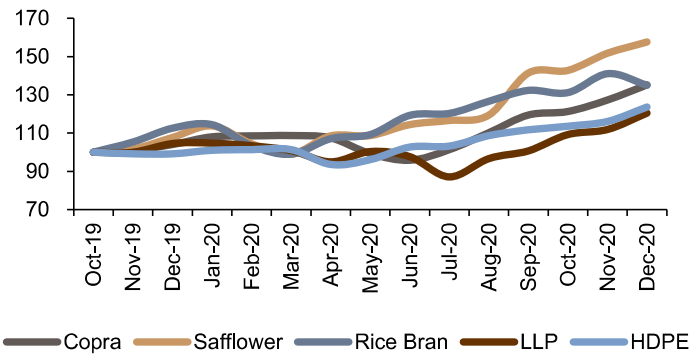
Source: Company, Emkay Research

**Exhibit 4: Ad spends marginally higher yoy**



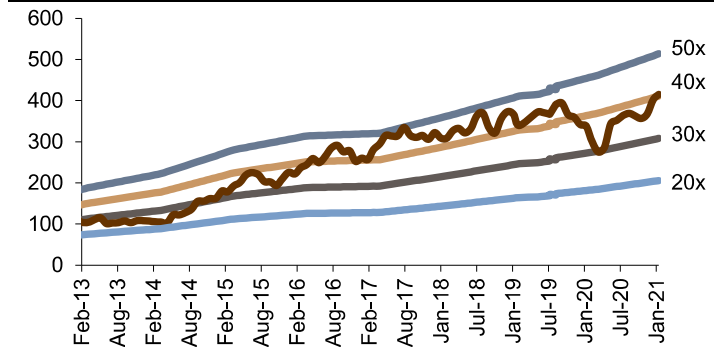
Source: Company, Emkay Research

**Exhibit 5: Copra/Safflower/Rice bran prices rise by 26%/46%/28%**



Source: Company, Emkay Research

**Exhibit 6: One-year forward P/E band chart**



Source: Company, Emkay Research

## Exhibit 7: Actual vs. Estimates (Q3FY21)

Rs mn	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues	21,220	20,555	20,310	3.2%	4.5%	Domestic volume growth of 15%
EBITDA	4,130	4,257	4,182	-3.0%	-1.2%	High input prices affect margins
EBITDA Margin (%)	19.5%	20.7%	20.6%	-125	-113	
APAT	3,120	3,132	3,033	-0.4%	2.9%	Lower interest costs aid APAT growth

Source: Company, Emkay Research

## Exhibit 8: Quarterly Performance (Consolidated)

Y/E, Mar (Rs mn)	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	YoY (%)	QoQ (%)	9MFY20	9MFY21	YoY (%)
<b>Revenue</b>	<b>18,240</b>	<b>14,960</b>	<b>19,250</b>	<b>19,890</b>	<b>21,220</b>	<b>16.3</b>	<b>6.7</b>	<b>58,190</b>	<b>60,360</b>	<b>3.7</b>
<b>Expenditure</b>	<b>14,510</b>	<b>12,140</b>	<b>14,580</b>	<b>16,000</b>	<b>17,090</b>	<b>17.8</b>	<b>6.8</b>	<b>46,320</b>	<b>47,670</b>	<b>2.9</b>
Consumption of RM	9,280	7,590	9,890	10,340	11,270	21.4	9.0	29,860	31,500	5.5
as % of sales	50.9%	50.7%	51.4%	52.0%	53.1%			51.3%	52.2%	
Employee Cost	1,160	1,080	1,350	1,370	1,480	27.6	8.0	3,700	4,200	13.5
as % of sales	6.4%	7.2%	7.0%	6.9%	7.0%			6.4%	7.0%	
Advertising & SP	1,850	1,260	1,370	1,890	1,930	4.3	2.1	6,010	5,190	-13.6
as % of sales	10.1%	8.4%	7.1%	9.5%	9.1%			10.3%	8.6%	
Other expenditure	2,220	2,210	1,970	2,400	2,410	8.6	0.4	6,750	6,780	0.4
as % of sales	12.2%	14.8%	10.2%	12.1%	11.4%			11.6%	11.2%	
<b>EBITDA</b>	<b>3,730</b>	<b>2,820</b>	<b>4,670</b>	<b>3,890</b>	<b>4,130</b>	<b>10.7</b>	<b>6.2</b>	<b>11,870</b>	<b>12,690</b>	<b>6.9</b>
Depreciation	320	380	340	330	360	12.5	9.1	1,020	1,030	1.0
<b>EBIT</b>	<b>3,410</b>	<b>2,440</b>	<b>4,330</b>	<b>3,560</b>	<b>3,770</b>	<b>10.6</b>	<b>5.9</b>	<b>10,850</b>	<b>11,660</b>	<b>7.5</b>
Other Income	290	320	190	270	240	-17.2	-11.1	920	700	-23.9
Interest	120	130	90	80	70	-41.7	-12.5	370	240	-35.1
<b>PBT</b>	<b>3,580</b>	<b>2,630</b>	<b>4,430</b>	<b>3,750</b>	<b>3,940</b>	<b>10.1</b>	<b>5.1</b>	<b>11,400</b>	<b>12,120</b>	<b>6.3</b>
Total Tax	820	530	1,170	690	820	0.0	18.8	2,780	2,680	-3.6
<b>PAT</b>	<b>2,760</b>	<b>2,100</b>	<b>3,260</b>	<b>3,060</b>	<b>3,120</b>	<b>13.0</b>	<b>2.0</b>	<b>8,620</b>	<b>9,440</b>	<b>9.5</b>
(Profit)/loss from JV's/Ass/MI	0.0	10.0	20.0	0.0	0.0			10	-20	-300.0
<b>APAT after MI</b>	<b>2,760</b>	<b>2,090</b>	<b>3,240</b>	<b>3,060</b>	<b>3,120</b>	<b>13.0</b>	<b>2.0</b>	<b>8,610</b>	<b>9,460</b>	<b>9.9</b>
Extra ordinary items	0	-100	640	-330	0			-190	310	
<b>Reported PAT</b>	<b>2,760</b>	<b>1,990</b>	<b>3,880</b>	<b>2,730</b>	<b>3,120</b>	<b>13.0</b>	<b>14.3</b>	<b>8,420</b>	<b>9,770</b>	<b>16.0</b>
<b>Adjusted EPS</b>	<b>2.1</b>	<b>1.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.4</b>	<b>13.0</b>	<b>4.2</b>	<b>6.6</b>	<b>7.4</b>	<b>10.7</b>

Margins (%)					(bps)	(bps)			(bps)	
Gross Margin	49.1	49.3	48.6	48.0	46.9	-220	-110	48.7	47.8	-90
EBIDTA	20.4	18.9	24.3	19.6	19.5	-100	-10	20.4	21.0	60
EBIT	18.7	16.3	22.5	17.9	17.8	-90	-10	18.6	19.3	70
EBT	19.6	17.6	23.0	18.9	18.6	-110	-30	19.6	20.1	50
PAT	15.1	14.0	16.8	15.4	14.7	-40	-70	14.8	15.7	90
Effective Tax rate	22.9	20.2	26.4	18.4	20.8	-210	240	24.4	22.1	-230

Source: Company, Emkay Research

## Exhibit 9: Revision in earnings estimates

Y/E, Mar (Rs mn)	FY21E			FY22E			FY23E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	74,391	78,396	5.4	83,988	89,523	6.6	92,059	98,158	6.6
EBITDA	15,878	16,174	1.9	17,774	18,213	2.5	19,613	20,203	3.0
EBITDA Margin (%)	21.3	20.6	-70 bps	21.2	20.3	-80 bps	21.3	20.6	-70 bps
APAT	11,703	11,932	2.0	13,206	13,545	2.6	14,633	15,087	3.1
EPS	9.1	9.2	2.0	10.2	10.5	2.6	11.3	11.7	3.1

Source: Company, Emkay Research

**Exhibit 10: Revenue Assumptions**

	FY19	FY20	FY21E	FY22E	FY23E
Parachute Growth	23.0%	-2.0%	4.0%	15.0%	10.0%
Saffola Growth	10.0%	12.0%	19.0%	15.0%	11.0%
VAHO Growth	12.0%	-7.0%	-3.0%	17.0%	8.0%
International Revenue Growth	16.0%	7.9%	7.7%	11.8%	11.3%
<b>Total Revenue (Rs mn)</b>	<b>73,340</b>	<b>73,150</b>	<b>78,396</b>	<b>89,523</b>	<b>98,158</b>

Source: Company, Emkay Research

**Exhibit 11: Relative Valuation**

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Asian Paints	2,437	2,337	Hold	2,460	34.2	43.0	49.1	71.3	56.7	49.6	46.4	37.7	33.2
Berger Paints	732	711	Sell	480	7.2	9.1	10.6	102.1	80.6	69.0	60.1	49.2	42.5
Britannia	3,611	870	Buy	4,500	79.7	85.2	98.8	45.3	42.4	36.5	34.4	32.5	28.3
Colgate	1,545	420	Buy	1,700	34.2	38.0	42.9	45.2	40.7	36.0	29.3	26.5	23.5
Dabur	528	932	Hold	530	10.1	11.7	13.4	52.0	44.9	39.5	42.1	35.4	30.9
Emami	483	215	Buy	580	14.5	15.5	17.4	33.4	31.1	27.7	23.6	21.3	18.6
GCPL	774	791	Hold	700	16.4	18.0	20.4	47.3	42.9	38.0	32.7	29.8	26.5
HUL	2,391	5,618	Hold	2,300	34.4	41.6	48.2	69.5	57.5	49.6	48.1	39.9	34.7
ITC	211	2,592	Buy	250	10.5	12.9	14.3	20.1	16.4	14.7	15.0	12.1	10.8
<b>Marico</b>	<b>412</b>	<b>533</b>	<b>Hold</b>	<b>420</b>	<b>9.2</b>	<b>10.5</b>	<b>11.7</b>	<b>44.6</b>	<b>39.3</b>	<b>35.3</b>	<b>32.3</b>	<b>28.5</b>	<b>25.6</b>
Nestle	17,538	1,691	Hold	15,800	229.6	269.3	310.6	76.4	65.1	56.5	52.6	45.1	39.3
Pidilite	1,712	870	Sell	1,260	21.6	27.1	30.9	79.2	63.2	55.3	55.5	44.3	38.8
Radico Khaitan	498	67	Buy	600	18.9	23.0	26.7	26.3	21.7	18.7	16.4	13.7	11.7
United Breweries	1,301	344	Buy	1,420	5.1	23.5	29.1	254.5	55.4	44.7	74.3	29.9	25.2
United Spirits	645	469	Buy	640	7.9	14.5	17.2	81.2	44.6	37.5	43.2	28.0	24.1
Varun Beverages	901	260	Buy	875	11.1	26.7	35.7	81.1	33.7	25.3	23.7	15.3	12.6

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>73,340</b>	<b>73,150</b>	<b>78,396</b>	<b>89,523</b>	<b>98,158</b>
<b>Expenditure</b>	<b>60,080</b>	<b>58,460</b>	<b>62,223</b>	<b>71,310</b>	<b>77,955</b>
<b>EBITDA</b>	<b>13,260</b>	<b>14,690</b>	<b>16,174</b>	<b>18,213</b>	<b>20,203</b>
Depreciation	1,310	1,400	1,632	1,508	1,674
<b>EBIT</b>	<b>11,950</b>	<b>13,290</b>	<b>14,541</b>	<b>16,705</b>	<b>18,529</b>
Other Income	1,030	1,240	1,364	1,296	1,464
Interest expenses	400	500	500	400	390
<b>PBT</b>	<b>12,580</b>	<b>14,030</b>	<b>15,405</b>	<b>17,601</b>	<b>19,604</b>
Tax	3,140	3,310	3,464	4,046	4,507
Extraordinary Items	1,880	(290)	0	0	0
Minority Int./Income from Assoc.	10	0	10	10	10
<b>Reported Net Income</b>	<b>11,310</b>	<b>10,430</b>	<b>11,932</b>	<b>13,545</b>	<b>15,087</b>
<b>Adjusted PAT</b>	<b>9,430</b>	<b>10,720</b>	<b>11,932</b>	<b>13,545</b>	<b>15,087</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,290	1,290	1,290	1,290	1,290
Reserves & surplus	28,460	28,940	33,313	36,525	39,998
<b>Net worth</b>	<b>29,750</b>	<b>30,230</b>	<b>34,603</b>	<b>37,815</b>	<b>41,288</b>
<b>Minority Interest</b>	<b>120</b>	<b>130</b>	<b>203</b>	<b>203</b>	<b>203</b>
<b>Loan Funds</b>	<b>3,490</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>
Net deferred tax liability	(1,670)	(1,240)	(1,387)	(1,299)	(1,202)
<b>Total Liabilities</b>	<b>31,690</b>	<b>32,470</b>	<b>36,769</b>	<b>40,069</b>	<b>43,640</b>
<b>Net block</b>	<b>13,000</b>	<b>13,960</b>	<b>11,303</b>	<b>11,195</b>	<b>11,021</b>
<b>Investment</b>	<b>4,500</b>	<b>7,330</b>	<b>4,494</b>	<b>4,494</b>	<b>4,494</b>
<b>Current Assets</b>	<b>28,730</b>	<b>26,110</b>	<b>33,119</b>	<b>38,287</b>	<b>43,396</b>
Cash & bank balance	5,520	2,790	10,374	12,405	15,079
Other Current Assets	3,550	3,740	2,927	3,293	3,577
<b>Current liabilities &amp; Provision</b>	<b>14,990</b>	<b>15,510</b>	<b>12,597</b>	<b>14,356</b>	<b>15,722</b>
<b>Net current assets</b>	<b>13,740</b>	<b>10,600</b>	<b>20,522</b>	<b>23,931</b>	<b>27,674</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>31,690</b>	<b>32,470</b>	<b>36,769</b>	<b>40,069</b>	<b>43,640</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>11,550</b>	<b>12,790</b>	<b>14,041</b>	<b>16,305</b>	<b>18,139</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(10)	840	(2,485)	(1,290)	(972)
<b>Operating Cashflow</b>	<b>13,010</b>	<b>13,170</b>	<b>11,579</b>	<b>14,164</b>	<b>16,178</b>
Capital expenditure	(3,389)	(2,490)	1,155	(1,400)	(1,500)
<b>Free Cash Flow</b>	<b>9,622</b>	<b>10,680</b>	<b>12,734</b>	<b>12,764</b>	<b>14,678</b>
Investments	928	(2,830)	2,836	0	0
Other Investing Cash Flow	(858)	(890)	(1,714)	(1,296)	(1,464)
<b>Investing Cashflow</b>	<b>(2,289)</b>	<b>(4,970)</b>	<b>3,641</b>	<b>(1,400)</b>	<b>(1,500)</b>
Equity Capital Raised	(1)	0	0	0	0
Loans Taken / (Repaid)	363	(140)	0	0	0
Dividend paid (incl tax)	(7,020)	(10,020)	(9,037)	(10,328)	(11,619)
Other Financing Cash Flow	(145)	(270)	1,901	(5)	5
<b>Financing Cashflow</b>	<b>(7,202)</b>	<b>(10,930)</b>	<b>(7,636)</b>	<b>(10,733)</b>	<b>(12,004)</b>
<b>Net chg in cash</b>	<b>3,519</b>	<b>(2,730)</b>	<b>7,584</b>	<b>2,031</b>	<b>2,675</b>
Opening cash position	2,001	5,520	2,790	10,374	12,405
<b>Closing cash position</b>	<b>5,520</b>	<b>2,790</b>	<b>10,374</b>	<b>12,405</b>	<b>15,079</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	18.1	20.1	20.6	20.3	20.6
EBIT Margin	16.3	18.2	18.5	18.7	18.9
Effective Tax Rate	25.0	23.6	22.5	23.0	23.0
Net Margin	12.9	14.7	15.2	15.1	15.4
ROCE	42.7	45.3	45.9	46.9	47.8
ROE	34.2	35.7	36.8	37.4	38.1
RoIC	56.1	61.8	67.3	75.6	80.0

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	7.3	8.3	9.2	10.5	11.7
CEPS	8.3	9.4	10.5	11.7	13.0
BVPS	23.0	23.4	26.8	29.3	32.0
DPS	4.7	6.8	7.0	8.0	9.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	56.3	49.5	44.5	39.2	35.2
P/CEPS	49.4	43.8	39.2	35.3	31.7
P/BV	17.9	17.6	15.3	14.0	12.9
EV / Sales	7.2	7.2	6.6	5.8	5.3
EV / EBITDA	39.6	35.8	32.2	28.4	25.5
Dividend Yield (%)	1.2	1.6	1.7	1.9	2.2

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.4)	(0.4)	(0.7)	(0.7)	(0.8)
Working Cap Cycle (days)	40.9	39.0	47.2	47.0	46.8

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	16.0	(0.3)	7.2	14.2	9.6
EBITDA	16.5	10.8	10.1	12.6	10.9
EBIT	14.0	11.2	9.4	14.9	10.9
PAT	36.7	(7.8)	14.4	13.5	11.4

<b>Quarterly (Rs mn)</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>
Revenue	18,240	14,960	19,250	19,890	21,220
EBITDA	3,730	2,820	4,670	3,890	4,130
<b>EBITDA Margin (%)</b>	<b>20.4</b>	<b>18.9</b>	<b>24.3</b>	<b>19.6</b>	<b>19.5</b>
PAT	2,760	2,110	3,280	3,060	3,120
<b>EPS (Rs)</b>	<b>2.1</b>	<b>1.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
Promoters	59.6	59.6	59.6	59.6	59.6
FIIIs	23.8	22.7	23.7	23.7	24.2
DIIIs	9.5	10.5	9.8	10.3	10.0
Public and Others	7.1	7.2	6.9	6.5	6.2

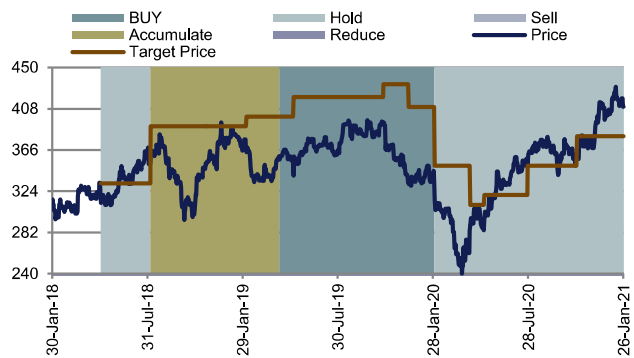
Source: Capitaline

**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Oct-20	362	380	12m	Hold	Ashit Desai
06-Oct-20	369	350	12m	Hold	Ashit Desai
27-Jul-20	350	350	12m	Hold	Ashit Desai
05-May-20	297	320	12m	Hold	Ashit Desai
14-Apr-20	291	310	12m	Hold	Ashit Desai
08-Apr-20	289	310	12m	Hold	Ashit Desai
31-Jan-20	315	350	12m	Hold	Ashit Desai
25-Dec-19	334	410	12m	Buy	Ashit Desai
12-Dec-19	331	410	12m	Buy	Ashit Desai
25-Oct-19	394	433	12m	Buy	Ashit Desai
20-Sep-19	380	420	12m	Buy	Ashit Desai
01-Aug-19	363	420	12m	Buy	Ashit Desai
20-Jun-19	367	420	12m	Buy	Ashit Desai
06-May-19	340	420	12m	Buy	Ashit Desai
09-Apr-19	356	400	12m	Buy	Ashit Desai
05-Feb-19	364	400	12m	Accumulate	Ashit Desai
01-Nov-18	320	390	12m	Accumulate	Ashit Desai
06-Aug-18	363	390	12m	Accumulate	Ashit Desai
03-May-18	312	332	12m	Hold	Ashit Desai

Source: Company, Emkay Research

**RECOMMENDATION HISTORY CHART**



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Consumer Goods & Retail



### Analyst: Ashit Desai

#### Contact Details

ashit.desai@emkayglobal.com  
+91 22 6612 1340

#### Sector

Consumer Goods & Retail

#### Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Consumer Goods &amp; Retail</b>	<b>11.35</b>	<b>11.35</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Asian Paints	1.41	0.61	-57%	-80	5.35
Berger Paints	0.23	0.00	-100%	-23	0.00
Britannia Industries	0.55	0.70	27%	15	6.13
Colgate-Palmolive	0.26	0.30	15%	4	2.68
Dabur India	0.38	0.44	14%	6	3.87
Emami	0.13	0.17	29%	4	1.50
Godrej Consumer Products	0.38	0.00	-100%	-38	0.00
Hindustan Unilever	2.74	2.21	-19%	-53	19.50
ITC	2.37	2.52	6%	15	22.17
Marico	0.27	0.31	12%	3	2.70
Nestle India	0.80	0.62	-22%	-18	5.50
Pidilite Industries	0.34	0.00	-100%	-34	0.00
Radico Khaitan	0.00	0.38	NA	38	3.31
United Breweries	0.12	0.61	426%	49	5.33
United Spirits	0.00	0.47	NA	47	4.13
Varun Beverages	0.11	0.23	106%	12	2.00
ABFRL	0.07	0.23	243%	16	2.00
Jubilant FoodWorks	0.21	0.23	9%	2	2.02
Page Industries	0.21	0.22	4%	1	1.93
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.77	1.12	45%	35	9.86
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	29-Jan-20	29-Jul-20	28-Oct-20	28-Dec-20	27-Jan-21
EAP - Consumer Goods & Retail	100.0	109.9	105.6	103.8	120.4	120.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	104.6	99.6	100.5	117.0	115.1

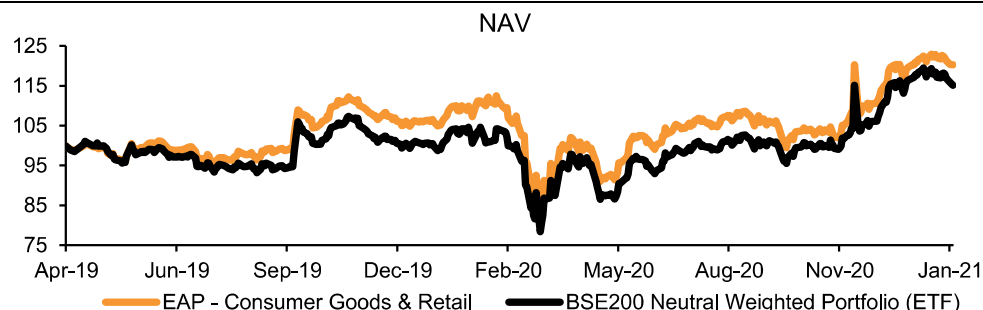
\*Performance measurement base date 1<sup>st</sup> April 2019 | Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	-0.1%	15.9%	13.9%	9.5%
BSE200 Neutral Weighted Portfolio (ETF)	-1.6%	14.5%	15.6%	10.1%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”



## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 29 Jan 2021 01:39:48 (SGT)

Dissemination Date: 29 Jan 2021 01:40:48 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com)

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

**Disclaimer for U.S. persons only:** This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of January 28, 2021
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of January 28, 2021.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 28, 2021
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the January 28, 2021

**RESTRICTIONS ON DISTRIBUTION**

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 <sup>th</sup> Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com



Digitally signed by NAVAL SETH  
 DN: cn=IN, o=EMKAY GLOBAL  
 FINANCIAL SERVICES LIMITED, ou=,  
 2.5.4.20=abda4ce9ac067602590886c72  
 38501f66c29783ac23da173ee9e76df2  
 74942b, postalCode=400013,  
 st=Maharashtra,  
 serialNumber=548685956640ade1c4e  
 d187e19b0fbdb0c6cde466804bd441f90  
 708c90eeb5f, c=IN, o=NAVAL SETH  
 Date: 2021.01.28 23:10:52 +05'30'