

2QFY21 Consumption Earnings Preview

QUARTERLY EARNINGS Preview

The second quarter of FY21 was highlighted by gradual easing of lockdown as the pace in spread of COVID – 19 pandemic declined. The supply chain began to get restored leading to the normalization of operations. According to Google Mobility Index Retail, Recreation, Transit Stations and Workplaces activities saw sharp improvement in Jul-Sep period. Electricity consumption too improved from -7.3% y-y in June to 2.5% y-y in September. Similarly composite PMI recovered from 37.8 in June indicating contraction in economic activity to 54.6 indicating an expansion in September. Within the consumption sector companies with higher exposure to packaged food, health and hygiene is expected to do better than those with higher discretionary exposure such as personal care, footwear, cigarettes etc.

Volume outlook for the quarter

We expect volume growth in the quarter to be aided by channel inventory build-up, pent up demand and improvement in consumer sentiment. The decline in uncertainty over income, employment and fear of additional health care cost due to the pandemic is expected to improve consumer spending. Supply chain disruption, unavailability of labor and retail outlets being shut or operating for limited hours in a day had impacted volume growth in 1QFY21. These factors have seen an improvement in the second quarter led by easing of lockdown. The urban consumption is expected to lag rural in 2QFY21. Rural consumption has been supported by good Rabi crop, healthy monsoon and Government support. We expect the market share gains across various product segment from unorganized and marginal players to continue since large players are better equipped to cope with economic slowdowns. We expect rise in SKUs as the operational constraints have eased off compared to the first quarter.

Margins Outlook for the quarter

The prices of major raw materials such as Palm Oil, Copra, HDPE have risen by around 40%, 8% and 3% y-y while Maize, Wheat, Sugar, Soda Ash have declined by 13%, 0%, -2% and -4% y-y. As consumption of raw materials generally happens with a lag of quarter we expect input cost inflation won't have much impact on gross margins sequentially of the companies under our coverage. We expect the companies to trim their spending on advertising and sales promotions y-y but sequentially it is expected to rise. We also expect the utilization rates to improve sequentially which in turn will improve the operating leverage especially for consumer discretionary companies. The pace of new product launches is also expected to be subdued until the sentiment recovers.

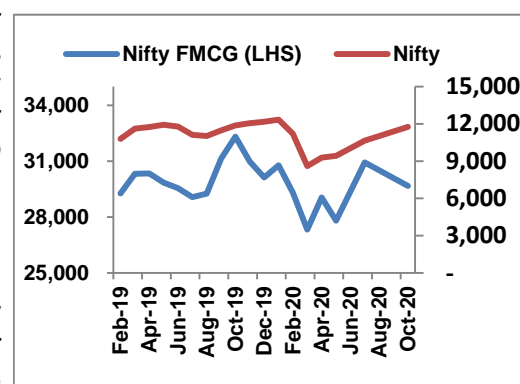
Concluding remarks

We expect the bottom-line of companies in our coverage to be affected by the lower corporate tax outgo in the year ago quarter. We will look for updates on scale and magnitude of the post pandemic recovery in sales growth. We will also look for comments on the sustainability of rural recovery and any long term changes in product mix due to down trading or preference of low unit packs by consumers led by decline in affordability. Changes in consumer habits due to work from home will need to be monitored.

Scripts	Closing Price	Target Price	Rating
Asian Paints	2,062	2,100	HOLD
Hindustan Unilever	2,151	2,280	HOLD
Dabur	512	523	HOLD
Marico	363	390	BUY
Britannia	3,748	4,215	BUY
Colgate	1,440	1,575	BUY
Bata	1,373	1,390	HOLD
Havells	698	710	HOLD
ITC	166	200	BUY

Aggregate (Rs Cr)	2Q FY21E	2Q FY20	Y-Y	1Q FY21	Q-Q
Net Sales	40,002	39,034	2%	33,941	18%
GP	21,049	21,267	-1%	17,864	18%
Gross Margin	53%	54%	-186bps	53%	-1bps
EBITDA	10,298	10,317	0%	8,027	28%
EBITDA Margin	26%	26%	-69bps	24%	210bps
PBT	10,328	10,156	2%	8,171	26%
Eff Tax Rate (ETR)	25%	18%	778bps	27%	-149bps
PAT	7,697	8,359	-8%	5,967	29%

Nifty Vs Nifty FMCG Index



Asian Paints

- We expect Asian Paints to report domestic decorative volume growth of 10% y-y led by demand revival in Tier I and Metros. We expect the company to report sales value growth of 4% y-y as the growth in economy segment is expected to be higher than premium.
- We expect gross margins to expand by 248bps y-y as titanium dioxide and other crude derivatives prices continue to remain soft.
- We expect EBITDA margins to increase by 259bps y-y, aided by cost saving initiatives and decline in ad spends.
- We expect the company's profit before tax to increase by 15% y-y. However, we estimate 15% y-y reduction in profit after tax, minority interest and share of associates led by lower tax outgo in the base quarter.
- We would look out for recovery in sales post easing of lockdown, changes in consumer behavior and progress of water proofing business.
- The stock currently trades at 87x its FY21E EPS of Rs 23.8/share. We value Asian Paints at 71x its FY22E EPS of Rs 29.5/share and assign HOLD rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	5,253	5,051	4%	2,923	80%
Gross Profit	2,359	2,143	10%	1,308	80%
Gross Margin	45%	42%	248bps	45%	17bps
EBIDTA	1,129	955	18%	484	133%
EBITDA Margin	21%	19%	259bps	17%	493bps
PBT	959	837	15%	320	200%
Eff Tax Rate	25%	1%	24%	27%	-172bps
Cons. PAT	702	823	-15%	218	221%
EPS	7.3	8.6	-15%	2.3	221%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	20,211	18,594	-8%	18,594	21,384	15%
Gross Profit	8,828	8,220	-7%	8,220	9,409	14%
Gross Margin	44%	44%	53bps	44%	44%	-21bps
EBIDTA	4,162	3,646	-12%	3,646	4,486	23%
EBITDA Margin	21%	20%	-98bps	20%	21%	137bps
PBT	3,578	3,062	-14%	3,062	3,807	24%
Eff Tax Rate	24%	25%	130bps	25%	25%	-
PAT	2,705	2,278	-16%	2,278	2,831	24%
EPS	28.2	23.8	-16%	23.8	29.5	24%

Source: Company, Bonanza Research

FMCG

Closing Price:	2,062
Target Price:	2,100

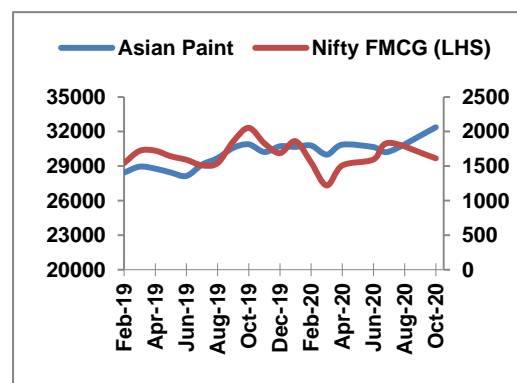
Stock Details

Bloomberg Code	APNT: IN
Reuters Code	ASPN.NS
Shares O/S (Cr.)	95.9
M Cap (Rs Lakh Cr)	1.97
52 week L/H (Rs)	1,431/2,124

Shareholding Pattern (%)

Promoters	52.8
DII's	9.1
FII's	18.2
Others	20.0
Pledge (% of Promoter holding)	11.7

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	2.4	18.3	16.8

Hindustan Unilever

- Around 75% of HUL's product portfolio can be considered as essential and will continue to do well. Sequential improvement in personal care and out of home consumption segment is expected. The quarter will include sales of GSK consumer business. We expect revenue to grow by around 13% y-y with an underlying organic volume growth of 2% y-y.
- We expect gross margins to contract by 213bps y-y as the input prices have witnessed y-y inflation but have remained largely stable sequentially.
- We estimate EBITDA margins to increase by 35bps y-y led by synergy benefits, cost saving initiatives and lower ad spends.
- We expect the company to report a profit before tax growth of 14% y-y. However, due to higher corporate tax outgo we estimate 10% y-y increase in profit after tax.
- We will look for management's guidance on growth recovery especially in premium segments, trend of commodity inflation and outlook on the industry.
- The stock currently trades at 63x its FY21E EPS of Rs 34.3/share. We value HUL at 55x its FY22E EPS of Rs 41.5/share and assign HOLD rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	11,155	9,852	13%	10,560	6%
Gross Profit	5,839	5,367	9%	5,473	7%
Gross Margin	52%	54%	-213bps	52%	52bps
EBIDTA	2,805	2,443	15%	2,644	6%
EBITDA Margin	25%	25%	35bps	25%	11bps
PBT	2,690	2,355	14%	2,529	6%
Eff Tax Rate	25%	20%	527bps	22%	322bps
PAT	2,012	1,832	10%	1,873	7%
EPS	8.6	8.0	1%	8.7	7%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	39,783	44,833	13%	44,833	50,131	12%
Gross Profit	21,524	24,110	12%	24,110	27,341	13%
Gross Margin	54%	54%	-33bps	54%	55%	76bps
EBIDTA	9,861	11,378	15.4%	11,378	13,742	21%
EBITDA Margin	25%	25%	59bps	25%	27%	203bps
PBT	9,373	10,897	16.3%	10,897	13,196	21%
Eff Tax Rate	26%	26%	-26bps	26%	26%	-
PAT	6,899	8,055	17%	8,055	9,755	21%
EPS	31.2	34.3	10%	34.3	41.5	21%

Source: Company, Bonanza Research

FMCG

Closing Price:	2,151
Target Price:	2,280

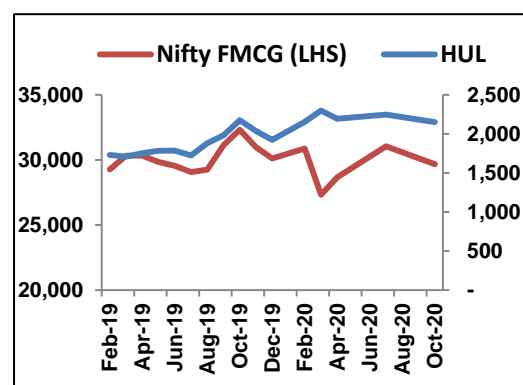
Stock Details

Bloomberg Code	HUVR: IN
Reuters Code	HLL.NS
Shares O/S (Cr.)	234.8
M Cap (Rs Lakh Cr)	5.05
52 week L/H (Rs)	1,776/2,614

Shareholding Pattern (%)

Promoters	61.9
DII's	10.8
FII's	14.5
Others	12.7

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	0.4	-11.7	3.8

Dabur

- We expect Dabur to report revenue growth of 5% y-y with an underlying domestic volume growth of 7% y-y. We expect growth to be driven by Health care segment and recovery in Haircare segment.
- In spite of higher input cost, we expect gross margins to largely remain stable y-y led by better product mix.
- We expect tight cost controls and reduction in spending on advertisements and sales promotion to increase EBITDA margins by 55bps.
- We expect the company to report a decline of 2% y-y in PAT due to higher tax outgo.
- We will look out for secondary sales growth, progress on cost cutting initiatives, performance of international business, Ayurveda segment and margin outlook.
- The stock currently trades at 56x its FY21E EPS of Rs 9.2/share. We value Dabur at 52x its FY22E EPS of Rs 10.1/share and assign HOLD rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	2,323	2,212	5%	1,980	17%
Gross Profit	1,177	1,123	5%	978	20%
Gross Margin	51%	51%	-12bps	49%	125bps
EBIDTA	527	490	8%	417	26%
EBITDA Margin	23%	22%	55bps	21%	164bps
PBT	534	502	6%	424	26%
Eff Tax Rate	20%	13%	7%	19%	53bps
Adj. PAT	428	435	-2%	342	25%
EPS	2.4	2.5	-2%	1.9	25%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	8,704	9,100	5%	9,100	10,054	10%
Gross Profit	4,343	4,501	4%	4,501	4,977	11%
Gross Margin	50%	49%	-44bps	49%	50%	5bps
EBIDTA	1,792	1,961	9%	1,961	2,206	12%
EBITDA Margin	21%	22%	96bps	22%	22%	39bps
PBT	1,828	2,025	11%	2,025	2,280	13%
Eff Tax Rate	16%	20%	381bps	20%	22%	200bps
PAT	1,525	1,618	6%	1,618	1,776	10%
EPS	8.6	9.2	6%	9.2	10.1	10%

Source: Company, Bonanza Research

FMCG

Closing Price:	512
Target Price:	523

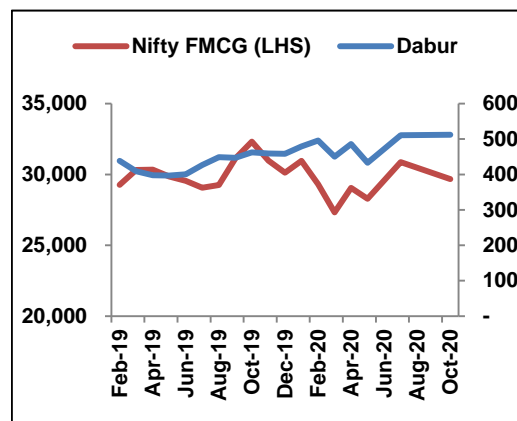
Stock Details

Bloomberg Code	DABUR: IN
Reuters Code	DABU.NS
Shares O/S (Cr.)	176.7
M Cap (Rs Cr)	90,501
52 week L/H (Rs)	385/535

Shareholding Pattern (%)

Promoters	67.9
DII's	7.4
FII's	17.6
Others	7.1

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	0.5	1.6	12.3

Marico

- We expect revenue growth to be 7% y-y led by increase in domestic volume growth of 7% y-y. We estimate Parachute/VAHO/Saffola to report 8%/3%/15% growth y-y.
- We expect gross margins to decline by 71bps y-y due to higher raw material cost.
- We expect EBITDA margins to increase by 189bps y-y led by lower ad spends and cost control.
- We expect the company to report 18% y-y increase in profit after tax.
- We will watch for outlook on the edible oil segment, recovery in value added hair oil segment, performance of modern trade channel, trend of discretionary consumer spends and market share gains. The performance of International business and margin outlook needs to be monitored.
- The stock currently trades at 41x its FY21E EPS of Rs 8.8/share. We value Marico at 41x its FY22E EPS of Rs 9.5/share and assign BUY rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	1,950	1,829	7%	1,925	1%
Gross Profit	954	908	5%	941	1%
Gross Margin	49%	50%	-71bps	49%	5bps
EBIDTA	413	353	17%	467	-12%
EBITDA Margin	21%	19%	189bps	24%	-307bps
PBT	389	340	14%	507	-23%
Eff Tax Rate	23%	26%	-288bps	23%	-8bps
Adj. PAT	291	247	18%	317	-8%
Adj. EPS	2.3	1.9	18%	2.5	-8%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	7,315	7,488	2%	7,488	8,149	9%
Gross Profit	3,570	3,694	3%	3,694	3,971	7%
Gross Margin	49%	49%	53bps	49%	49%	-61bps
EBIDTA	1,469	1,614	10%	1,614	1,752	9%
EBITDA Margin	20%	22%	147bps	22%	21%	-6bps
PBT	1,403	1,570	12%	1,570	1,695	8%
Eff Tax Rate	24%	26%	191bps	26%	26%	-
Adj PAT	1,043	1,139	9%	1,139	1,229	8%
EPS	8.1	8.8	9%	8.8	9.5	8%

Source: Company, Bonanza Research

FMCG

Closing Price:	363
Target Price:	390

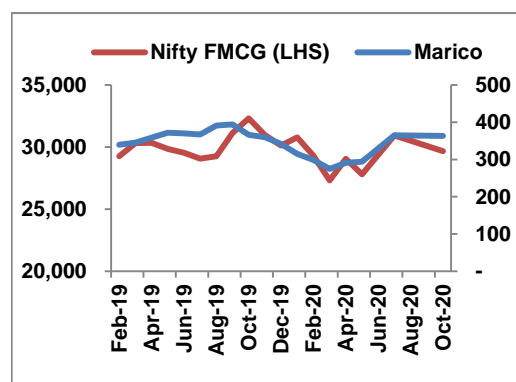
Stock Details

Bloomberg Code	MRCO: IN
Reuters Code	MRCO.NS
Shares O/S (Cr.)	129.1
M Cap (Rs Lakh Cr)	46,820
52 week L/H (Rs)	234/401

Shareholding Pattern (%)

Promoters	59.6
DIs	10.1
FIs	23.7
Others	6.6

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	-0.6	18.2	-4.7

Britannia

- We expect the revenue to increase by 15% y-y in 1QFY21 led by a domestic volume growth of 13% y-y as in home consumption was expected to continue to do well in the second quarter too.
- We expect gross margins to increase by 61bps y-y. However we estimate the EBITDA margins to rise by 315bps on the back of cost saving measures implemented by the company, lower ad spends and benefits of operating leverage.
- We expect profit before tax to grow by 35% y-y. However, we estimate 25% y-y growth in profit after tax due to higher tax outgo.
- We will look out for comments on the growth trajectory of biscuit business, capacity expansion, outlook on new launches and gains in market share.
- The stock currently trades at 49x its FY21E EPS of Rs 76.6/share. We value Britannia at 48x its FY22E EPS of Rs 87.8/share and assign BUY rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	3,510	3,049	15%	3,421	3%
Gross Profit	1,431	1,225	17%	1,425	0%
Gross Margin	41%	40%	61bps	42%	-87bps
EBIDTA	677	492	38%	717	-6%
EBITDA Margin	19%	16%	315bps	21%	-167bps
PBT	673	499	35%	737	-9%
Eff Tax Rate	25%	19%	6%	26%	-117bps
PAT	507	405	25%	546	-7%
EPS	21.1	16.8	25%	22.7	-7%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	11,600	13,131	13%	13,131	14,628	11%
Gross Profit	4,672	5,342	14%	5,342	5,945	11%
Gross Margin	40%	41%	40bps	41%	41%	-4bps
EBIDTA	1,843	2,424	32%	2,424	2,781	15%
EBITDA Margin	16%	18%	257bps	18%	19%	55bps
PBT	1,861	2,446	31%	2,446	2,803	15%
Eff Tax Rate	24%	25%	76bps	25%	25%	-
PAT	1,415	1,841	30%	1,841	2,111	15%
EPS	58.9	76.6	30%	76.6	87.8	15%

Source: Company, Bonanza Research

FMCG

Closing Price:	3,748
Target Price:	4,215

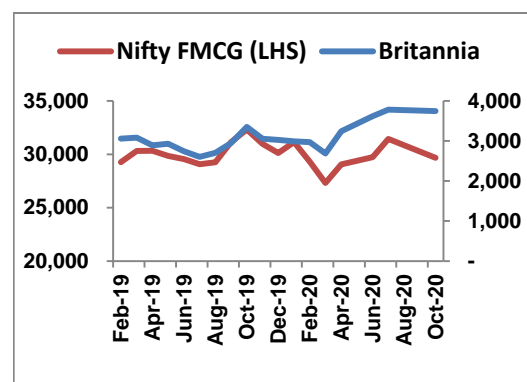
Stock Details

Bloomberg Code	BRIT: IN
Reuters Code	BRIT.NS
Shares O/S (Cr.)	24.1
M Cap (Rs Cr)	90,213
52 week L/H (Rs)	2,100/4,015

Shareholding Pattern (%)

Promoters	50.6
DII's	11.5
FII's	16.0
Others	21.9

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	-2.5	32.1	18.0

Colgate

- Considering the easing of lockdown and normalization of operations, we estimate Colgate's revenue to increase by 3% y-y led by 2% y-y growth in volume and 1% y-y growth in price realization. We expect the natural segment to continue to do well.
- We expect gross margins gains of around 150bps led by benign commodity cost. We estimate EBITDA margin to expand by 274bps y-y led by cost saving measures and lower media spends.
- We expect profit before tax to increase by 19% y-y. However, due to higher tax outgo, we estimate the profit after tax to increase by 2% y-y.
- We will look out for signs of market share gains, competitive intensity, any new launches, progress of the natural segment and margin outlook.
- The stock currently trades at 46x its FY21E EPS of Rs 31.6/share. We value Colgate at 45x its FY22E EPS of Rs 35.0/share and assign BUY rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	1,258	1,222	3%	1,041	21%
Gross Profit	834	791	5%	688	21%
Gross Margin	66%	65%	150bps	66%	11bps
EBIDTA	367	323	14%	308	19%
EBITDA Margin	29%	26%	274bps	30%	-42bps
PBT	332	279	19%	267	24%
Eff Tax Rate	25%	12%	13%	26%	-54bps
PAT	248	244	2%	198	25%
EPS	9.1	9.0	2%	7.3	25%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	4,525	4,616	2%	4,616	5,031	9%
Gross Profit	2,952	3,028	3%	3,028	3,290	9%
Gross Margin	65%	66%	37bps	66%	65%	-21bps
EBIDTA	1,202	1,292	7%	1,292	1,434	11%
EBITDA Margin	27%	28%	143bps	28%	28%	52bps
PBT	1,043	1,148	10%	1,148	1,272	11%
Eff Tax Rate	22%	25%	345bps	25%	25%	-
PAT	816	859	5%	859	952	11%
EPS	30.0	31.6	5%	31.6	35.0	11%

Source: Company, Bonanza Research

FMCG

Closing Price:	1,440
Target Price:	1,575

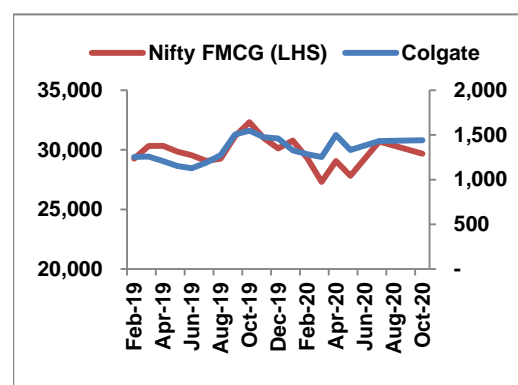
Stock Details

Bloomberg Code	CLGT: IN
Reuters Code	COLG.NS
Shares O/S (Cr.)	27.2
M Cap (Rs Cr)	39,152
52 week L/H (Rs)	1,065/1,643

Shareholding Pattern (%)

Promoters	51.0
DII's	11.5
FII's	15.3
Others	22.2

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	1.4	2.2	-5.5

Bata

- We estimate Bata's revenue to decline by around 50% y-y as work from home, higher urban salience, lower footfalls in malls and lower mobility impacted footwear demand. As of the quarter end over 95% of stores had resumed operations.
- We expect gross margins to contract by 700bps y-y led by poor product mix. Bata has high portion of its cost fixed hence with significant decline in topline we expect EBITDA to decline by 93% y-y.
- We expect loss before tax to be Rs 60cr.
- We expect loss after tax to be Rs 45cr.
- The management expects that post the festival season demand will reach pre COVID level. The impact of COVID – 19 on discretionary spending needs to be monitored. We will look for updates on any inventory write offs, outcome of rent negotiations, online sales trajectory, changes in product mix, opening/closing of stores and long term outlook of footwear industry.
- The stock currently trades at 142x its FY21E EPS of Rs 9.6/share. We value BATA at 55.5x its FY22E EPS of Rs 25.0 and assign HOLD rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	361	722	-50%	135	168%
Gross Profit	177	407	-56%	54	225%
Gross Margin	49%	56%	-7%	40%	9%
EBIDTA	12	185	-93%	-86	N.A
EBITDA Margin	3%	26%	-22%	-64%	N.A
PBT	-60	97	N.A	-135	N.A
Eff Tax Rate	25%	27%	-157bps	25%	11bps
PAT	-45	71	N.A	-101	N.A
EPS	-3.5	5.6	N.A	-7.9	N.A

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	3,053	2,196	-28%	2,196	2,964	35%
Gross Profit	1,757	1,231	-30%	1,231	1,690	37%
Gross Margin	58%	56%	-150bps	56%	57%	96bps
EBIDTA	830	463	-44%	463	774	67%
EBITDA Margin	27%	21%	-608bps	21%	26%	501bps
PBT	485	166	-66%	166	429	159%
Eff Tax Rate	33%	25%	-7%	25%	25%	-
PAT	327	124	-62%	124	321	159%
EPS	25.4	9.6	-62%	9.6	25.0	159%

Source: Company, Bonanza Research

Footwear

CMP:	1,373
Target Price	1,390

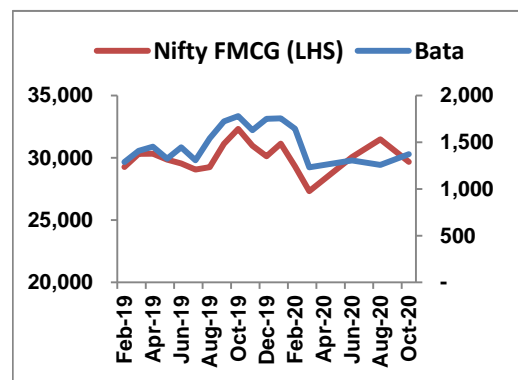
Stock Details

Bloomberg Code	BATA: IN
Reuters Code	BATA.NS
Shares O/S (Cr.)	12.85
M Cap (Rs Cr)	17,642
52 week L/H (Rs)	1,000/1,895

Shareholding Pattern (%)

Promoters	53.0
DII's	26.3
FII's	4.7
Others	16.0

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	3.3	11.9	-19.3

Havells

- Havells ECD and Lloyds business performance improved sequentially led by pent up demand and filling of channel inventory. However the industrial segment performance is expected to be weak on y-y basis. We estimate 4% decline in net sales for the quarter gone by.
- We estimate gross margins to decrease by 229bps y-y led by poor product mix and higher input cost. We expect EBITDA margins to decline by 31bps y-y. The contraction in margins is expected to be restricted by lower ad spends and tight cost controls.
- We expect profit before tax to decline by 17% y-y led by higher interest burden. However, we estimate profit after tax for Havells to decline by 30% y-y led by higher tax outgo.
- We will look out for commentary on recovery in demand, business outlook, impact of lockdown on working capital requirements, recovery in Lloyds business, and changes in competitive intensity.
- The stock currently trades at 92x its FY21E EPS of Rs 7.6/share. We value HAVELLS at 63x its FY22E EPS of Rs 11.2/share and assign HOLD rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Net Sales	2,140	2,230	-4%	1,479	45%
Gross Profit	788	872	-10%	513	54%
Gross Margin	37%	39%	-229bps	35%	212bps
EBIDTA	218	234	-7%	131	66%
EBITDA Margin	10%	10%	-31bps	9%	133bps
PBT	170	205	-17%	86	97%
Eff Tax Rate	25%	12%	14%	26%	-111bps
PAT	127	181	-30%	63	100%
EPS	2.03	2.9	-30%	1.0	100%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	9,429	8,678	-8%	8,678	10,222	18%
Gross Profit	3,594	3,279	-9%	3,279	3,909	19%
Gross Margin	38%	38%	-33bps	38%	38%	46bps
EBIDTA	1,027	832	-19%	832	1,109	33%
EBITDA Margin	11%	10%	-131bps	10%	11%	126bps
PBT	902	634	-30%	634	939	48%
Eff Tax Rate	19%	25%	6%	25%	25%	-
PAT	733	474	-35%	474	702	48%
EPS	11.7	7.6	-35%	7.6	11.2	48%

Source: Company, Bonanza Research

FMEG

CMP:	698
Target Price	710

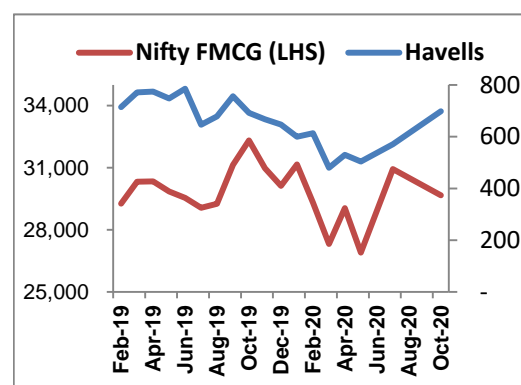
Stock Details

Bloomberg Code	HAVL: IN
Reuters Code	HVEL.NS
Shares O/S (Cr.)	62.6
M Cap (Rs Cr)	43,677
52 week L/H (Rs)	447/717

Shareholding Pattern (%)

Promoters	59.5
DII's	10.1
FII's	22.2
Others	8.2

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	2.7	26.9	3.8

ITC

- We estimate revenue decline for ITC of around 6% y-y. The growth in Other FMCG business will be negated by decline in Hotels and cigarette businesses.
- We expect gross margins to contract by around 336bps led by poor product mix and softer commodity inflation in the base quarter.
- We estimate EBITDA margin to decrease by 319bps y-y. The gains in lower ad spend and tight cost controls are expected to be negated by decline in gross margins.
- We expect profit before tax to decline by 8% y-y led by higher other income.
- However, we estimate profit after tax to decline by 17% y-y led by higher tax outgo.
- We will look out for any signs on market share gains, competitive intensity, any visible change in smoking habit, performance of Other FMCG business, any signs of recovery in Hotel business and margin outlook.
- The stock currently trades at 16x its FY21E EPS of Rs 10.6/share. We value ITC at 16x its FY22E EPS of Rs 12.4/share and assign BUY rating on the stock.

Rs. Cr	2QFY21E	2QFY20	Y-Y	1QFY21	Q-Q
Gross Sales	12,052	12,867	-6%	10,478	15%
Gross Profit	7,490	8,430	-11%	6,483	16%
Gross Margin	62%	66%	-336bps	62%	28bps
EBIDTA	4,150	4,842	-14%	2,946	41%
EBITDA Margin	34%	38%	-319bps	28%	633bps
PBT	4,641	5,042	-8%	3,436	35%
Eff Tax Rate	25%	17%	8%	25%	-9bps
Adj. PAT	3,427	4,119	-17%	2,511	36%
EPS	2.8	3.3	-17%	2.0	36%

Rs. Cr	FY20	FY21E	Y-Y	FY21E	FY22E	Y-Y
Net Sales	51,393	48,878	-5%	48,878	54,458	11%
Gross Profit	34,048	31,043	-9%	31,043	35,476	14%
Gross Margin	66%	64%	-274bps	64%	65%	163bps
EBIDTA	19,260	16,094	-16%	16,094	19,097	19%
EBITDA Margin	37%	33%	-455bps	33%	35%	214bps
PBT	20,026	17,668	-12%	17,668	20,720	17%
Eff Tax Rate	22%	25%	304bps	25%	25%	-
PAT	15,409	12,987	-16%	12,987	15,230	17%
EPS	12.5	10.6	-15%	10.6	12.4	17%

Source: Company, Bonanza Research

FMCG

CMP:	166
Target Price	200

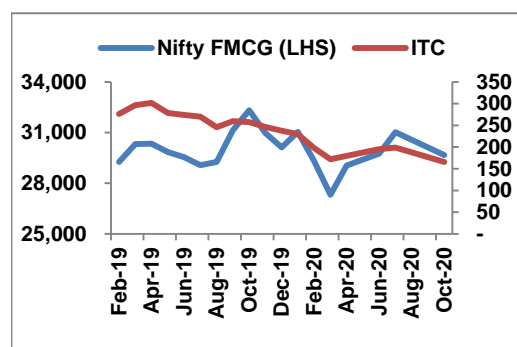
Stock Details

Bloomberg Code	ITC: IN
Reuters Code	ITC.NS
Shares O/S (Cr.)	1229.22
M Cap (Rs Lakh Cr)	2.04
52 week L/H (Rs)	135/266

Shareholding Pattern (%)

Promoters	0.0
DIIs	42.1
FIIs	14.6
Others	43.3

Stock Performance Chart



Stock Performance

Return (%)	1 Mth	6 Mths	1 Yr
Absolute	-8.2	-11.1	-32.0

Disclosure:

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