# **Repco Home Finance**

S&P CNX
7,888
REPCO IN
61.0
38.3/0.6
785/552
-4/-7/12
64
62.9

#### Financials & Valuations (INR b)

Y/E Mar	<b>2016</b>	2017E	2018E
NII	3.0	3.9	5.1
РРР	2.7	3.4	4.4
PAT	1.5	1.9	2.4
EPS (INR)	24.0	30.3	39.0
BV/Sh. (INR)	152.7	179.4	213.9
RoAA (%)	2.2	2.1	2.2
RoE (%)	17.0	18.2	19.8
Payout (%)	11.6	11.6	11.6
P/E (x)	26.2	20.7	16.1
P/BV (x)	4.1	3.5	2.9
Div. Yield (%)	0.4	0.5	0.6

Estimate change	$ \longleftarrow $
TP change	
Rating change	

## **CMP: INR628**

TP: INR802 (+28%)

Buy

- Repco's 4QFY16 PAT grew 21.3% YoY to INR422m (6% miss); While the operating profits was 7% above est. (due to lower opex); higher provisions of INR140m v/s est. of INR60m (led by higher write-offs and increase in provisions on sub-standard assets) led to PAT miss.
- Business momentum remained healthy, with loan book up 28% YoY to INR77b, while sanctions/disbursement for the full year grew by 29/31%, respectively. Loan mix shifted marginally towards self-employed which formed 58.8% of the mix, v/s 57.8% in 3QFY16. LAP loans formed 19.8% of the company's portfolio with its contribution to the loan book remaining at less than 20%.
- Asset quality remained stable YoY with GNPLs at 1.31% (vs. 1.32% in FY15). However, provisions were higher at INR140m (vs. our estimate of INR60m), led by a) Higher technical write-offs b) RHFL's newly adopted policy of increasing provisions on sub-standard assets from 15% to 40%, resulting in an improvement of 110bp YoY in PCR to 63.5%.
- Operating expenses fell by 7.3% YoY, led by a decline of 17% in employee expenses due to zero ESOP charges, resulting in an improvement of 580bp YoY in cost to income ratio to 16.2%.
- **Other highlights** a) Calculated NIM remained stable YoY at 4.6% b) Average ticket size stood at INR1.3m vs. INR1.2m in 4QFY15 c) NHB funding declined to 13.9% of overall borrowings vs. 21.4% last year (RHFL stopped borrowing from NHB due to technical reasons, but will start using NHB lines from 1QFY17).
- Valuation and view: RHFL has recorded a loan book CAGR of 33% over FY10-16, with an equally impressive earnings growth of 24%. The company's presence in the underserved markets, pricing power on the asset side, recent ratings upgrade (likely to lead to lower cost of funds), stringent cost control as well as credit appraisal processes and expanding reach will ensure its earnings growth in the near-to-medium term. We estimate a healthy 30%/26% loan/PAT growth for the next three years. We may have to revisit our estimates post the company's earnings call. RHFL currently trades at 3.5/2.9x FY17/18E BV. Maintain **Buy** with a TP of INR802/share (3.75x FY18 BV).

REPCO: Quarterly performance										R Million)
Y/E March		FY15				FY10	5		FY15	FY16
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	1,506	1,647	1,708	1,830	1,935	2,084	2,191	2,312	6,695	8,521
Interest Expenses	976	1,054	1,120	1,168	1,271	1,344	1,410	1,460	4,317	5,486
Net Interest Income	530	593	588	662	664	740	781	852	2,378	3,036
YoY Growth (%)	25.1	25.4	24.6	22.8	25.2	24.7	32.8	28.7	24.6	27.7
Other income	55	45	49	85	66	80	63	91	234	300
Total Income	585	638	637	747	730	820	843	943	2,612	3,336
YoY Growth (%)	23.8	20.7	24.0	26.5	24.7	28.4	32.4	26.2	24.0	27.7
Operating Expenses	113	128	142	165	154	175	160	153	547	643
YoY Growth (%)	45.0	61.5	28.5	36.6	37.0	36.8	13.0	-7.1	41.1	17.5
Operating Profits	473	510	495	582	576	644	683	790	2,064	2,693
YoY Growth (%)	19.6	13.5	22.8	23.9	21.8	26.3	37.9	35.7	20.2	30.4
Provisions	98	17	26	62	113	47	92	140	203	392
Profit before Tax	375	493	469	520	463	597	591	650	1,861	2,301
Tax Provisions	127	171	161	172	161	207	205	228	631	800
Profit after tax	248	322	307	348	302	391	386	422	1,231	1,501
YoY Growth (%)	11.4	10.5	13.3	10.5	21.8	21.2	25.5	21.3	11.8	21.9
Borrowings growth (%)	33.5	32.2	28.4	30.8	32.4	33.4	31.9	28.1	30.8	28.1
Cost to Income Ratio (%)	19.2	20.1	22.3	22.1	21.1	21.4	19.0	16.2	21.0	19.3
Tax Rate (%)	25.2	27.5	27.4	25.1	34.7	34.6	34.7	35.0	33.9	34.8

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance v/s our estin	nates and reaso	ns for deviation	(INR m)	
Y/e March	4QFY16E	4QFY16A	Var (%)	Comments
Interest Income	2,382	2,312	-3	
Interest Expenses	1,537	1,460	-5	
Net Interest Income	845	852	1	Calc. NIMs stable YoY at 4.6%
YoY Growth (%)	27.7	28.7		
Other income	93	91	-3	
Total Income	939	943	0	In-line
YoY Growth (%)	25.6	26.2		
Operating Expenses	197	153	-22	No ESOP provisions during the quarter; led to lower opex
YoY Growth (%)	19.7	-7.1		
Operating Profits	741	790	7	Lower opex, led to beat
YoY Growth (%)	27.3	35.7		
Provisions	60	140	133	Higher provisions to shore up PCR
Profit before Tax	683	650	-5	
Tax Provisions	233	228	-2	Tax rate at 34.5%
Profit after tax	450	422	-6	
YoY Growth (%)	29.2	21.3		Lower opex offsets higher provisions
Borrowings growth (%)	36.9	28.1		
Cost to Income Ratio (%)	21.0	16.2		
Tax Rate (%)	34.1	35.0		

Exhibit 1: Quarterly performance v/s expectations and deviations for the same

Source: Company, MOSL

### Loan book grows 28% YoY; Broad based growth in all segments

- Business momentum remained healthy, with loan book growing a healthy 28% YoY to INR77b, whereas full year sanctions/disbursement also grew at 29/31% respectively.
- Share of non-salaried borrowers in borrowing mix increased to 58.8% v/s 57.8% during last quarter. 4QFY16 is the 13<sup>th</sup> straight quarter where the share of non-salaried borrowers has increased, this is in-line with company's strategy to target non-salaried segment.
- Growth was broad based with nearly all geographies and segments (home loans and LAP) growing at a healthy pace. LAP loans were 19.8% of portfolio and continue to remain sub 20%.
- Repayment rates stood at 19.5% v/s 16.6% in FY15; Competition is heating up and the company is losing some business to competition 1-1.5% of higher repayments are balance transfer cases; however management maintains growth rates of over 25%.

## GNPA stable; higher provisions due to policy change and technical write off

- Asset quality remained stable YoY with GNPLs at 1.31% (v/s 1.32% in FY15) and witnessed seasonal improvement of 100bp where Q2 & Q4 GNPAs are generally lower than Q1 & Q43 GNPAs for Repco.
- However provisions were higher at INR140m (est. INR60m) led by a) Higher technical write-offs b) The company has adopted the policy to increase the provisions on sub-standard assets from 15% to 40%. This resulted in 110bp YoY improvement in PCR 63.5% (in-line with company's strategy to shore up its PCR).

## NIMs stale YoY at 4.6%; Opex down sharply

- Operating expenses declined 7.3% YoY, led by 17% decline in employee expenses -due nil ESOP charges (provisions for the 2nd tranche is over and 3rd tranche will be allotted in 1Q), resulting in 580bp YoY improvement in cost to income ratio at 16.2%.
- However from 1QFY17, ESOP related expenses will kick-in again, thus we expect CI to increase in ensuring quarters.
- NII grew 28.7%, in line with loan growth; Calculated NIMs were stable at YoY at 4.6% Calculated spreads improved 10bp YoY to 3.22% led by a 36bp YoY decline in funding cost v/s 26p decline in yields.
- NHB funding declined to 13.9% of overall borrowings v/s 21.4% last year (Repco has not been borrowings from NHB due to technical reasons, but will start borrowing from 1Q17).

## Valuation and view

- REPCO has established a strong presence in southern states and is steadily expanding to other geographies. Over the last decade, the company has built a scalable business model with a well-balanced portfolio.
- Strong loan growth momentum, stable margins and contained cost ratios would be strong drivers of core earnings for RHF in the medium term. Moreover presence in the under-served markets, pricing power on the asset side, recent rating upgrade which would lead to lower cost of fund, stringent cost control as well as credit appraisal processes and expanding reach will ensure earnings growth in near to medium term; we expect a healthy 30%+ loan growth for the next three years.
- In our view Repco will continue to trade at premium multiples led by its niche business model, inherently high profitability with the ability to improve return ratios, high capitalization, consistent execution, and minimal asset quality overhang—given a secured loan book. Ongoing downward trend in interest rates could also prove to be a trigger for profitability. We may re-visit the same post the earnings call. Repco is currently trading at 3.5/2.9x FY17/18E BV. Maintain **Buy** with a TP INR802 (3.75x FY18 BV).

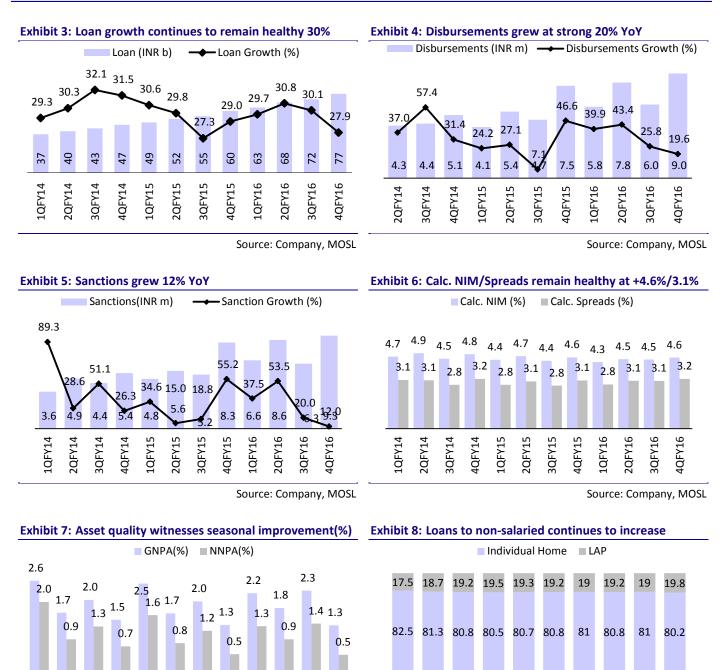
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#### **Exhibit 2: Quarterly Snapshot**

		FY	14			FY	15			FY	16		Variati	on (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	ΥοΥ
Profit and Loss (INR m)														
Net Interest Income	424	473	472	539	530	593	588	662	664	740	781	852	9	29
Other Income	49	56	42	51	55	45	49	85	66	80	63	91	46	7
Net Income	473	529	514	591	585	638	637	747	730	820	843	943	12	26
Operating Expenses	78	79	110	121	113	128	142	165	154	175	160	153	-4	-7
Employee	41	45	56	69	68	77	85	105	101	116	102	88	-14	-17
Others	37	34	54	52	45	51	57	60	53	59	59	65	12	10
Operating Profits	395	450	403	470	473	510	495	582	576	644	683	790	16	36
Provisions	98	53	35	41	98	17	26	62	113	47	92	140	51	125
РВТ	297	397	368	429	375	493	469	520	463	597	591	650	10	25
Taxes	75	105	97	114	127	171	161	172	161	207	205	228	11	33
РАТ	223	292	271	315	248	327	307	348	302	391	386	422	9	21
Asset Quality														
GNPA	883	672	877	686	1,218	864	1,095	791	1,406	1,236	1,639	1,009	-38	27
NNPA	569	371	549	336	783	418	638	301	818	624	973	0	-100	-100
Gross NPAs (%)	2.2	1.7	2.0	1.5	2.5	1.7	2.0	1.3	2.2	1.8	2.3	1.3		
Net NPAs (%)	1.5	0.9	1.3	0.7	1.6	0.8	1.2	0.5	1.3	0.9	1.4	0.5		
PCR (Calculated, %)	35.6	44.8	37.4	51.0	35.7	51.6	41.7	62.0	41.8	49.5	40.6	100.0		
Ratios (%)														
Cost to Income	16.4	15.0	21.5	20.4	19.2	20.1	22.3	22.1	21.1	21.4	19.0	18.0		
Provision to operating profit	24.8	11.8	8.7	8.7	20.7	3.3	5.3	10.7	19.6	7.3	13.5	17.7		
Tax Rate	25.1	26.5	26.3	26.6	33.8	34.7	34.4	33.1	34.7	34.6	34.7	35.0		
Total CAR	24.8	25.6	25.0	24.5	23.5	21.9	21.5	20.3	20.0	NA	NA	0.0		
RoA - calculated	2.7	2.7	2.7	2.7	2.6	2.5	2.4	2.3	2.3	2.2	NA	2.2		
RoE - calculated	18.8	20.6	20.4	16.4	16.5	16.3	16.2	16.1	16.4	16.1	NA	18.7		
Margins Reported (%)														
Yield on earning assets	12.5	12.8	12.6	12.9	12.6	13.0	12.7	12.7	12.5	12.6	12.5	12.5		
Cost of Funds	9.4	9.7	9.8	9.7	9.8	10.0	9.9	9.6	9.7	9.6	9.4	9.2		
Spreads	3.1	3.1	2.8	3.2	2.8	3.1	2.8	3.1	2.8	3.1	3.1	3.2		
NIMs	4.7	4.9	4.5	4.8	4.4	4.7	4.4	4.6	4.3	4.5	4.5	4.6		
Business Details (INR b)														
Loans														
Individual Home Loans	32	34	36	38	40	42	44	49	51	55		62		
Loans against Property	6	7	8	9	9	10	11	12	12	13		15		
Total Loans	37	40	43	47	49	52	55	60	63	68		77		
AUM Mix (%)														
Individual Home Loans	85	84	83	81	81	81	81	81	81	81		80		
Loans against Property	15	16	18	19	19	20	19	19	19	19		20		
Total Borrowing Mix (%)														
Banks	57.5	62.8	64.7	64.8	63.9	68.9	71.8	67.6	68.2	68.1		72.4		
NHB	34.6	30.0	26.0	25.0	26.2	22.1	19.7	21.4	19.1	16.6		13.9		
Repco Bank	7.9	7.2	9.3	10.2	9.9	9.0	8.5	7.9	9.0	8.5		7.6		
NCD/CPs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	3.7	6.8		6.1		

Source: Company, MOSL

# Story in charts



Source: Company, MOSL

2QFY16

3QFY16

4QFY16

**3QFY14** 

1QFY15

4QFY14

**3QFY15** 

2QFY15

4QFY15

1QFY16

2QFY16

Source: Company, MOSL

3QFY16

4QFY16

2QFY14

.QFY14

3QFY14

4QFY14 1QFY15 2QFY15

3QFY15

4QFY15

LQFY16

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### **Exhibit 9: Financials: Valuation Metrics**

	Rating	СМР	Мсар	EPS	(INR)	P/E	E (x)	BV (	INR)	P/B	V (x)	RoA	. (%)	RoE	: (%)
		(INR)	(USDb)	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
ICICIBC*	Buy	226	19.9	18.1	20.8	8.7	7.0	145	159	1.08	0.91	1.19	1.22	11.1	11.8
HDFCB	Buy	1,145	43.8	58.5	70.3	19.6	16.3	332	386	3.44	2.96	1.88	1.85	18.9	19.6
AXSB	Buy	488	17.6	35.0	41.0	14.0	11.9	251	285	1.94	1.71	1.45	1.43	14.7	15.2
KMB*	Neutral	722	20.0	24.7	31.3	29.2	23.1	206	237	3.50	3.04	1.38	1.54	13.9	14.8
YES	Buy	950	6.1	74.6	91.8	12.7	10.4	387	460	2.45	2.06	1.71	1.72	20.9	21.7
IIB	Buy	1,054	9.5	50.5	63.8	20.9	16.5	334	389	3.15	2.71	1.92	1.96	16.2	17.6
DCBB	Buy	91	0.4	7.1	8.4	12.9	10.9	69	77	1.33	1.19	0.94	0.90	10.9	11.5
FB	Neutral	49	1.3	3.7	4.5	13.1	11.0	50	53	0.98	0.92	0.64	0.65	7.7	8.7
ЈКВК	Neutral	66	0.5	18.0	21.6	3.6	3.0	152	168	0.43	0.39	1.02	1.07	12.4	13.5
SIB	Buy	18	0.4	3.1	3.7	5.8	4.9	31	34	0.58	0.53	0.58	0.61	10.3	11.4
Private Aggregate			119.4			17.5	14.7			2.41	2.14				
SBIN (cons)*	Buy	189	22.3	24.1	28.7	7.4	6.1	243	266	0.73	0.66	0.61	0.64	10.2	11.3
PNB	Neutral	83	2.5	16.8	21.6	4.9	3.8	220	239	0.38	0.35	0.48	0.55	7.9	9.4
BOI	Neutral	89	1.1	4.0	18.7	22.2	4.8	318	334	0.28	0.27	0.05	0.19	1.3	5.7
ВОВ	Buy	157	5.5	16.4	20.7	9.6	7.6	171	187	0.92	0.84	0.49	0.55	9.9	11.5
СВК	Neutral	194	1.6	47.3	55.2	4.1	3.5	584	626	0.33	0.31	0.41	0.43	8.4	9.1
UNBK	Buy	121	1.3	28.2	38.4	4.3	3.2	323	354	0.37	0.34	0.45	0.54	9.1	11.3
ОВС	Neutral	87	0.4	25.0	32.2	3.5	2.7	458	483	0.19	0.18	0.29	0.33	5.6	6.8
INBK	Buy	94	0.7	21.1	27.4	4.4	3.4	290	311	0.32	0.30	0.45	0.51	7.5	9.1
СКРВК	Neutral	38	0.1	18.7	21.6	2.0	1.8	152	169	0.25	0.22	0.57	0.59	12.9	13.4
ANDB	Buy	52	0.5	22.8	27.9	2.3	1.9	196	216	0.27	0.24	0.62	0.65	12.2	13.6
IDBI	Neutral	69	2.0	5.7	8.7	12.0	7.9	125	132	0.55	0.52	0.29	0.39	4.7	6.8
DBNK	Neutral	29	0.2	10.0	15.6	2.9	1.9	128	141	0.23	0.21	0.38	0.53	8.0	11.6
Public Aggregate			38.0			7.6	6.0			0.60	0.55				
HDFC*	Buy	1,219	29.2	36	42	33.6	29.1	192	216	6.35	5.64	2.29	2.28	19.4	20.1
LICHF	Buy	461	3.5	40	49	11.5	9.5	213	252	2.16	1.83	1.51	1.51	20.4	20.9
DEWH	Buy	200	0.9	29	36	6.8	5.5	194	221	1.03	0.91	1.18	1.20	16.1	17.4
IHFL	Buy	686	4.4	68	82	10.1	8.4	302	336	2.27	2.04	3.84	3.69	23.4	25.7
GRHF	Buy	252	1.4	8	11	30.2	23.6	28	35	8.87	7.13	2.33	2.34	32.4	33.5
REPCO	Buy	628	0.6	33	42	19.2	15.0	181	218	3.47	2.88	2.16	2.10	19.7	21.0
RECL	Neutral	167	2.5	44	50	3.8	3.3	332	370	0.50	0.45	1.90	1.88	14.0	14.4
POWF	Neutral	170	3.4	42	43	4.1	3.9	310	341	0.55	0.50	2.07	1.85	14.1	13.2
SHTF	Buy	1,064	3.7	75	94	14.1	11.3	507	581	2.10	1.83	2.17	2.27	15.7	17.1
MMFS	Buy	299	2.6	16	19	19.3	15.9	119	133	2.51	2.26	2.14	2.26	13.7	15.0
BAF	Buy	7,432	6.0	303	366	24.5	20.3	1,622	1,928	4.58	3.85	3.04	2.79	20.3	20.6
MUTH	Buy	207	1.2	25	32	8.4	6.5	156	177	1.33	1.17	2.96	3.22	16.8	19.2
SKSM	Buy	595	1.1	35	49	17.1	12.1	142	179	4.20	3.32	4.76	4.91	27.9	30.7
NBFC Aggregate			60.6			15.2	13.2			2.38	2.13				

\*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: MOSL

# **Financials and Valuations**

Income statement							(INR Million)
Y/E March	2012	2013	2014	2015	2016	2017E	2018E
Interest Income	3,055	3,912	5,156	6,695	8,521	10,923	14,022
Interest Expended	2,023	2,656	3,247	4,317	5,483	6,992	8,951
Net Interest Income	1,032	1,255	1,908	2,378	3,039	3,931	5,071
Change (%)	20.1	21.6	52.0	24.6	27.8	29.4	29.0
Other Operating Income	134	148	194	235	297	335	378
Net Income	1,166	1,403	2,102	2,613	3,336	4,266	5,449
Change (%)	18.9	20.4	49.8	24.3	27.7	27.9	27.7
Operating Expenses	194	243	388	547	643	844	1,040
Operating Income	972	1,160	1,714	2,065	2,693	3,422	4,408
Change (%)	16.9	19.4	47.7	20.5	30.4	27.1	28.8
Provisions/write offs	155	92	226	203	392	531	687
РВТ	816	1,068	1,488	1,862	2,301	2,891	3,721
Тах	202	268	390	631	800	998	1,284
Tax Rate (%)	25	25	26	34	35	35	35
Reported PAT	615	800	1,098	1,231	1,501	1,894	2,437
Change (%)	5.7	30.2	37.2	12.1	21.9	26.2	28.7
Balance sheet							(INR Million)
Y/E March	2012	2013	2014	2015	2016	2017E	2018E
Capital	464	622	622	624	625	625	625
Reserves & Surplus	2,568	5,724	6,760	7,497	8,923	10,597	12,752
Net Worth	3,033	6,345	7,381	8,121	9,548	11,222	13,377
Borrowings	2,486	3,678	3,982	5,614	65,379	84,980	109,617
Borrowings	24,860	30,647	39,020	51,044	65,379	84,980	109,617
Change (%)	37.4	23.3	27.3	30.8	28.1	30.0	29.0
Other liabilities	634	932	959	1,592	2,705	2,840	2,982
Total Liabilities	28,527	37,924	47,361	60,757	77,632	99, <b>042</b>	125,976
Loans	28,090	35,500	45,961	60,129	76,912	99,976	128,961
Change (%)	35.3	26.4	29.5	30.8	27.9	30.0	29.0

81

33

292.7

28,527

81

0.0

45

37,924

124

54.0

47,361

50

124

0.0

89

60,757

124

0.0

93

77,632

136

10.0

99,042

98

**150** 

10.0

103

125,976

Net Fixed Assets Total Assets

Investments

Change (%)

E: MOSL Estimates

# **Financials and Valuations**

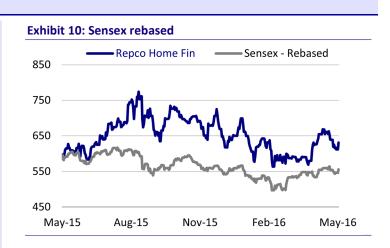
Ratios							
Y/E March	2012	2013	2014	2015	2016	2017E	2018E
Spreads Analysis (%)							
Avg Yield on Housing Loans	12.4	12.2	12.5	12.5	12.4	12.4	12.3
Avg. Yield on Earning Assets	12.5	12.3	12.6	12.6	12.4	12.3	12.2
Avg. Cost-Int. Bear. Liab.	9.4	9.6	9.3	9.6	9.4	9.3	9.2
Interest Spread	3.1	2.7	3.3	3.0	3.0	3.0	3.0
Net Interest Margin	4.2	3.9	4.7	4.5	4.4	4.4	4.4
Profitability Ratios (%)							
RoE	22.3	17.1	16.0	15.9	17.0	18.2	19.8
RoA	2.48	2.41	2.57	2.28	2.17	2.14	2.17
Int. Expended/Int.Earned	66.2	67.9	63.0	64.5	64.3	64.0	63.8
Other Inc./Net Income	11.5	10.5	9.2	9.0	8.9	7.9	6.9
Efficiency Ratios (%)					_		
Op. Exps./Net Income	16.7	17.3	18.5	21.0	19.3	19.8	19.1
Empl. Cost/Op. Exps.	54.1	58.0	54.3	61.2	63.7	65.4	66.4
Asset Quality (%)					_		
Gross NPAs	382	525	686	791	1,032	1,339	1,739
Gross NPAs to Adv.	1.4	1.5	1.5	1.3	1.2	1.1	1.0
Net NPAs	265	348	333	298	671	871	1,131
Net NPAs to Adv.	0.9	1.0	0.7	0.5	0.4	0.2	0.0
VALUATION							
Book Value (INR)	65.3	102.1	118.7	130.2	152.7	179.4	213.9
Price-BV (x)	9.6	6.2	5.3	4.8	4.1	3.5	2.9
EPS (INR)	13.2	12.9	17.7	19.7	24.0	30.3	39.0
EPS Growth YoY	5.7	-2.7	37.2	11.8	21.6	26.2	28.7
Price-Earnings (x)	47.5	48.8	35.6	31.8	26.2	20.7	16.1
Dividend per share (INR)	1.0	1.3	1.2	1.5	2.4	3.0	3.9
Dividend yield (%)	0.2	0.2	0.2	0.2	0.4	0.5	0.6

E: MOSL Estimates

## **Corporate profile**

### **Company description**

Repco Home Finance Ltd (REPCO) is a Chennaibased housing finance company with an AUM of INR60b. It was established in 2000 as a wholly owned subsidiary of Repatriates Co-operative Finance and Development Bank (Repco Bank). The Government of India owns 76.83% in Repco Bank. REPCO primarily finances the construction and/or purchase of residential and commercial properties (individual home loans and loans against property). It has a network of 108 branches and 38 satellite centers.



#### Exhibit 11: Shareholding pattern (%)

	Mar-16	Dec-15	Mar-15				
Promoter	37.1	37.2	37.3				
DII	19.2	17.5	16.0				
FII	28.4	30.2	29.4				
Others	15.2	15.2	17.4				
Note: FII Includes depository receipts							

#### Exhibit 13: Top management

Name	Designation	
T S Krishna Murty	Chairman	
R Varadarajan	Managing Director	
K Prabhu	Company secretary	

#### **Exhibit 12: Top holders**

Holder Name	% Holding
Franklin Templeton Mutual Fund A/C Franklin	4.3
Birla Sun Life Trustee Company Private Limited Acbirla	4.0
Sbi Magnum Multiplier Fund	3.9
Parvest Equity India	3.8
India Capital Fund Limited	2.7

#### **Exhibit 14: Directors**

Name	Name
T S Krishna Murty*	Thomas Paul Diamond*
R Varadarajan	Dilip Kumar
B Anand	Sanjeevanee Kutty
V Nadanasabapathy*	L Munishwar Ganesan
G R Sundaravadivel*	

#### \*Independent

<b>Exhibit</b>	15: A	uditors
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Amore 13. Additors		EATIN
Name	Туре	EF (IN
R Subramanian & Co	Statutory	FY17
G Ramachandran & Associates	Secretarial Audit	FY18

xhibit 16: MOSL forecast v/s consensus							
EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)				
FY17	30.3	30.8	-1.6				
FY18	39.0	40.5	-3.7				

# **RADICO KHAITAN GALLERY**

 Non-structure and extra tional structure and extra tional structure

utam Duggad@MotilalOswal.com); +91 22 3982 5404

MOTILAL OSWAL

85E SENSEX 25,743 Bioenihere; Equity Shares (m) M. Cap. (NR b) / (USD b) 53-Week Range (NR) 1, 6, 12 Ref. Per (%) Ang YaJ, NR, VAI 0000 Avg Val, INRn/ Free float (%)

Financials & Vr V/E March Net Sales EBITDA NP Adj.EPS (INR) EPS Gr. (S) BV/Sh. INR RoCE (S) P/BV (s) P/BV (s)

Payout (%) Div. Yield (%)

Duggad (Ga

 
 15.8
 17.7

 19
 2.3

 0.9
 1.1

 6.4
 8.4

 12.6
 50.6

 71.9
 78.8

 9.3
 11.1

 3
 9.3

 1.5
 1.5

 1.6
 1.5

 1.6
 1.5

 1.5
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 1.5

 1.5
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 1.5
 1.5

 1.5
 1.5

 1.5
 1.5

 1.5
 1.2
 1.8 0.7 5.7 -10.4 66.6 8.6 7.8 19.0 1.6 15.0 0.8

10 November 2015

Var. (N) -5.8

.7.4

-7.9

-9.8

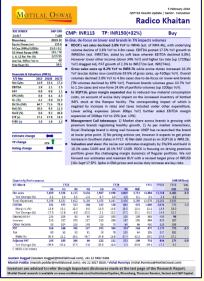
a, Bloomberg, Thomson Reuters, Factset and S&P Capital

Radico Khaitan

MOTILAL OSWAL

Querterly |

# **RADICO KHAITAN**









MOTILAL O							20P	(15 Repuit	: Update	Sector: CO	ns
	_						R	adi	co K	hait	ł
BSE SENSEX 27.910	S&P CNX	CMP	: INR8	9		TP: IN	R 115				
Bloomberg		Be Re	sults be	low expe	ctations:	Radico K	haitan's	20FY15	performa	ance was	5
Equity Shares (m)	132.6	be	low expe	actations	- with he	adline ni	umbers o	in volun	ie, sales,	EBITDA a	m
M.Cap. (NR b) / (USD b)	11.6/0.2				tions by 3						
52-Week Range (INR)	172/89				INR3.66 (						
1, 6, 12 Rel. Per (%) 1	1/-25/-109				us on los						
Financials & Valuation (INR					ses and c						
Y/E March 2015F 2016F					increase			v.e.f 1"	Nov/14 :	and is ex	P
Sales 15.6 17.5					outhern r						
EBITDA 2.1 2.4	2.8				.8% YoY						
Ad. PAT 0.5 1.0	11				200bp Yi g of lowe						
Adj. EPS 6.0 7.2	8.6				g of lowe staff_cost						
EPS Gr. (%) -12.0 20.6	19.2				(down 1						
8V/Sh.(INR) 68.2 74.2					p YoY to						
Rof (N) 9.1 10.1					Sm (est. II)				tonion p	osted de	
RoCE (%) 8.6 9.6					15% Yo			whente	(up. 996	YoY) and	÷
Payout (%) 17.6 17.6 Valuations	17.6										
P/E(x) 14.9 12.3	10.3				income (up 18% YoY) led to PBT decline of 30.8% to INR248m (est. IN291m).						
		<ul> <li>However lower tax rate (down 60bp YoY to 21.2%) marginally cushioned impact. adi. PAT posted 30.4% YoY decline to INR 195m (est. INR 21</li> </ul>									
	11	im									
	1.1		pact, ad	ij. PAT p		4% YoY	decline	to INR	195m (		
EV/EBITDA 9.4 8.2	7.1	Re EN	pact, ad ported P IA prices	ij. PAT p AT declin increase	osted 30 ed 13.9% d 7.5% Yo	4% YoY due to fo Y as per	decline arex loss manage	to INR of INR40 ment. It	195m ( im. does not	est. INR t intend t	2
EV/EBITDA 9.4 8.2	7.1	Re EN	pact, ad ported P IA prices econom	ij. PAT p AT declin increase ly brands	osted 30 ed 13.9% d 7.5% Yo before it	4% YoY due to fo Y as per gets pric	decline arex loss manage e hikes f	to INR of INR40 ment. It rom oth	195m (+ im. does not er marke	est. INR t intend t ts. The co	2
EV/EBITDA 9.4 8.2	7.1	Re EN on do	pact, ad ported P IA prices economies not	ij. PAT p AT declin increase ny brands foresee	osted 30 ed 13.9% d 7.5% Yo before it any impa	4% YoY due to fo Y as per gets pric ct of th	decline orex loss manage e hikes f e ban c	to INR of INR40 ment. It rom oth if liquor	195m ( im. does not er marke in Kera	est. INR t intend t ts. The co ila as th	2
EV/EBITDA 9.4 8.2	7.1	Re EN do co	pact, ad ported P IA prices economies not ntribute	ij. PAT p AT declin increase ny brands foresee a d just 4%	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol	4% YoY due to fo Y as per gets pric ct of th umes an	decline prex loss manage e hikes f e ban c d is the l	to INR of INR44 ment. It rom oth if liquor east pro	195m ( im. does not er marke in Kera	est. INR t intend t ts. The co ila as th	2
EV/EBITDA 9.4 8.2	7.1	Re EN do co de	pact, ad ported P IA prices economies not intributer bt stood	ij. PAT p AT declin increase ny brands foresee a d just 4% at INR 8.	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI	4% YoY due to fo Y as per gets pric ct of th umes an 88.8b as	decline manage e hikes f e ban c d is the l on FY14)	to INR of INR44 ment. It rom oth of liquor east pro	195m ( im. does not er marke in Kera fitable st	est. INR t intend t ts. The co ila as th cate in Inc	
EV/EBITDA 9.4 8.2	7.1	Re EN do co de Va	pact, ad ported P IA prices I economies not intributer bt stood iluation	ij. PAT p AT declin increase ty brands foresee : d just 4% at INR 8.1 and View	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock	4% YoY due to fo Y as per gets pric ct of th umes an k8.8b as trades a	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x	to INR of INR44 ment. It rom oth f liquor east pro	195m ( im. does not er marke in Kera fitable st d 12.3x	est. INR t intend t ts. The co ila as th cate in Inc FY16 est	
EV/EBITDA 9.4 8.2	7.1	Re EN do co de Va Re	pact, ad ported P IA prices economies not ntributer bt stood iluation iterate E	ij. PAT p 'AT declin increase ny brands foresee : d just 4% at INR 8.1 and View IUY with	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock target pri	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as trades a ce of IN	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x	to INR of INR44 ment. It rom oth f liquor east pro	195m ( im. does not er marke in Kera fitable st d 12.3x	est. INR t intend t ts. The co ila as th cate in Inc FY16 est	2 o se fil in
EV/EBITDA 9.4 8.2 Div. Vield 1.0 1.2	7.1	Re EN do co de Va Re	pact, ad ported P IA prices economies not ntributer bt stood iluation iterate E	ij. PAT p 'AT declin increase ny brands foresee : d just 4% at INR 8.1 and View IUY with	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as trades a ce of IN	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x	to INR of INR44 ment. It rom oth f liquor east pro	195m ( im. does not er marke in Kera fitable st d 12.3x	est. INR t intend t ts. The co ila as th ate in Inc FY16 est ke in ENJ	2 one fill in
EV/EBITDA 9.4 8.2	7.1	Re EN do co de Va Re an	pact, ad ported P IA prices economies not intributed bt stood iluation iterate E d excise	<li>i). PAT p AT declin increase foresee : d just 4% at INR 8.1 and View IUY with duty increase.</li>	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock target pri ease are k	4% YoY due to fo Y as per gets pric ct of th umes an 8.8b as trades a ce of INI ey risks.	decline manage e hikes f e ban c d is the l on FY14) t 14.9x R 115 (14	to INR of INR40 ment. It rom oth f liquor east pro FY15 an 5x FY16	195m ( im. does not er marke in Kera fitable st d 12.3x	est. INR t intend t ts. The co ila as th cate in Ine FY16 est ke in ENJ DNR FY16	2 one fill in
Evreitina 9.4 8.2 Div. Vield 1.0 1.2 Quarterly Performance V/E March	7.1	Re EN do co de Va Re an FT14 20	pact, ad ported P IA prices economies not ntributer bt stood iluation iterate E d excise 30	ij. PAT p AT declin increase to brands foresee d just 4% at INR 8. and View IUY with duty incre 40.	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock target pri ease are k	4% YoY due to fo Y as per gets pric ct of th umes an (8.8b as trades a ce of INI ey risks. ITI: 20	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 1 t 14.9x 1 t 115 (10 t 10 t 10 t 10 t 10 t 10 t 10 t 10 t	to INR of INR44 ment. It rom oth f liquoi east pro FY15 ar 5x FY16	195m ( im. does not er marke in Kera fitable st d 12.3x EPS). Spil	est. INR t intend t ts. The co ila as th cate in Inc FY16 est ke in ENJ ONR FY16 200	2 one fill in
EVERITIDA 9.4 8.2 Div. Vield 1.0 1.2 Duartcr/y Performance V/E March	10 17,1 15 10 17,5 17,5	Re EN do co de Va Re an FTI4 20 3,521 15.5	pact, ad ported P IA prices i economi es not ntributes bit stood iluation iterate E d excise 3.00 19.3	ij. PAT p AT declin increase ty brands foresee : d just 4% at INR 8.1 and View RJY with duty incre 40 40 5.0	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI wi Stock : target pri rease are k 10 8.699 8.5	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as trades a ce of INE ey risks. FT1 20 3.626 3.0	decline prex loss manage e bikes f e ban c d is the l on FY14) t 14.9x R 115 (14) 4 15 (14) 4 15 (14) 30	to INR of INR40 ment. It rom oth f liquor east pro FY15 an 5x FY16	195m ( im. does not er marke in Kera fitable st d 12.3x EPS). Spil	est. INR t intend t ts. The co ila as th cate in Ine FY16 est ke in ENJ DNR FY16	2 one fill in
Evretitiba 9.4 8.2 Div. Yield 1.0 1.2 Div. Yield 1.0 1.2 Operatority Performance // Ellarch	10 8,573 17,8 2,961	Re EN on do co de Va Re an PIM 20 3.521 18.5 2.737	pact, ad ported P IA prices economies not intributer bb stood iluation iiterate E d excise 30, 3,95 3,354	ij. PAT p AT declin increase ty brands foresee a d just 4% at INR 8. and View UV with duty incre 40 8.514 6.0 3.114	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI wi Stock : target pri ease are k 10, 8.699 3.31%	4% YoY due to fo Y as per gets pric ct of th umes an 88.8b as trades a ce of INE ey risks. FT1 20 3.626 3.0 8.151	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 8 115 (16 30, 4.261 90, 3.665	to INR of INR4/ ment. It rom oth f liquoi east pro FY15 ar 5x FY16 40 4005 140 3,479	195m (r im. does not er marke in Kera fitable st d 12.3x EPS). Spil FY15 15.500 7.4 13.316	est. INR t intend t ts. The co ila as th rate in Inn FY16 est ke in ENP 0NR FY16 200 3,767 7,0 3,240	
Evreitina         9.4         8.2           Div. Vield         1.0         1.2           Div. Vield         1.0         1.2           Operatorly Performance V/E March	10 8,573 17.6 2,963 661	Re EN on do co de Va Re an F134 20 3.521 35.5 2,037 554	pact, ad ported P IA prices economies not intributer bit stood iluation iterate E d excise 30 5,909 19.5 3,309 550	ij. PAT p AT declin increase ty brands foresee : d just 4% at INR 8. and View IUY with duty incre 40 3.514 6.0 3.114 6.0	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI vi Stock target pri ease are k 10, 8.699 3.5 3.300 501	4% YoY due to fo Y as per gets pric ct of th umes an (8.8b as trades a ce of INE ey risks. 1711 20 3.626 3.0 3.151 475	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 8 115 (14 30, 4.261 9.0 3,060 592	to INR of INR4/ ment. It rom oth f liquor east pro FY15 an 5x FY16 40 4.005 14.0 3.409 506	195m (r jm. does not er marke in Kera fitable st d 12.3x EPS). Spil FP15 15.590 7.4 13.590 2,034	est. INR t intend t ts. The co- la as th ate in Int FY16 est ke in ENJ 200 3.767 7.0 3.767 7.20	2 one fill in
EVERIDA 9.4 82 Div. Yeek 1.0 1.2 Ouwrtody Performance Yee March Net sales Yer Change (N) Teolo (Deproce Terma Hargins (S)	10 8,573 17,8 2,961	Re EN on do co de Va Re an PIM 20 3.521 18.5 2.737	pact, ad ported P IA prices economies not intributer bb stood iluation iiterate E d excise 30, 3,95 3,354	ij. PAT p AT declin increase ty brands foresee : d just 4% at INR 8. and View UV with duty incre 40 	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 5b (vs. INI wi Stock : target pri ease are k 10, 8.699 3.31%	4% YoY due to fo Y as per gets pric ct of th umes an 88.8b as trades a ce of INE ey risks. FT1 20 3.626 3.0 8.151	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 8 115 (16 30, 4.261 90, 3.665	to INR of INR4/ ment. It rom oth f liquoi east pro FY15 ar 5x FY16 40 4005 140 3,479	195m (r im. does not er marke in Kera fitable st d 12.3x EPS). Spil FY15 15.500 7.4 13.316	est. INR t intend t ts. The co ila as th rate in Int FY16 est ke in ENP 0NR FY16 200 3,767 7,0 3,240	2 one fill in
EVIDENTIA         9.4         8.2           Div. Vield         1.0         1.2           Outer Colly Performance         1.2           Operation	10 15 15 10 17.6 2,963 61 17.1 165 95	Re EN on do co Re an F124 20 3.521 18.5 2.937 564 18.9 97	pact, ad ported P A prices economies not ntributes bit stood iluation iterate E d excise 30 3,909 19,5 3,909 19,5 3,500 19,5 3,500 19,5 3,500 19,5 3,500 19,5 3,500 14,1 90	ij. PAT p AT declin increase ry brands foresee : d just 4% d just 4% and View IUY with duty incre 8514 60 3.1146 51 60 3.1146 51 51 60 51 51 60 51 51 51 51 51 51 51 51 51 51 51 51 51	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 56 (vs. INI vi Stock : target pri ease are k 10, 8.699 3.5 3,398 538 538 23.6 -27.7 385	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as- trades a ce of INI ey risks. FTI 20 3.626 3.0 3.626 3.0 3.151 4275 1251	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 8 115 (14 9,0 3,00 3,00 592 13,9 7,6 113	to INR of INR4/ ment. It rom oth f liquor east pro FY15 an 5x FY16 400 4.005 14.00 3.400 5.06 12.6 2.54 2.12 2.12	195m (r jm. does not er marke in Kera fitable st id 12.3x EPS). Spil FP15 15.590 7.4 13.036 13.3 2.034 13.5 2.445	est. INR t intend t ts. The co ila as th ate in Ins FY16 est ke in ENJ DNR FY16 3.767 7.0 3.277 7.0 3.277 7.0 3.277 7.0 3.2777 7.0 3.2777 7.0 3.2777777777777777777777777777777777777	2 one fill in
Distributive Performance     Distributive Performance     V/E Mandh     Performance     V/E Mandh     Performance     V/E Change (%)     Vor Change (%)     Dispersionalition     Vor Change (%)     Dispersionalition     Vor Change (%)	10 10 17.8 17.8 2,963 611 17.1 16.5 95 2204	Re EN on do co de Va Re an 20 5,521 18,5 2,957 564 25,9 14,9 97 2,95	pact, ad ported P IA prices economies not intribute bit stood iluation iiterate E d excise 3.00 19.5 3.056 19.5 10.1 10.4 9.9 222	ij. PAT p AT declin increase ny brands foresee : d just 4% at INR 8. and View IUY with duty incre 40 3.514 6.0 3.114 40 3.114 40 3.114 20 214 98 98	osted 30 ed 13.9% d 7.5% Yo before it any impa- to its vol 5b (vs. INI vi Stock 1 target pri- rease are k 10, 8.699 3.5 3,136 531 23.6 (37.7) 305 226	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as t8.8b as trades a ca of INI ey risks. 101 3.626 3.0 3.151 423 123.1 125.8 105.2 227	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 115 (1i) 3.0000 3.00000 3.00000 3.00000000	to INR of INR4/ ment. It rom oth f liquoi east pro FY15 an 5x FY16 40 4,005 14,00 3,400 5,06 12,6 21,4 21,2 222	195m ( im. does not er marke in Kera fitable st d 12.3x EPS). Spil 15.90 7.4 13.316 2.035 12.35 2.4 463 887	est. INR t intend t ts. The co- la as th aste in Int FY16 est ke in ENJ DNR FY16 st 200 3,260 5,27 3,240 4,5 111 218	2 one fill in
EVIDENTIA         9.4         8.2           Div. Vield         1.0         1.2           Outer Colly Performance         1.2           Operation	10 3.573 17.6 2.963 631 17.1 165 95	Re EN on do co Re an F124 20 3.521 18.5 2.937 564 18.9 14.9 97	pact, ad ported P A prices economies not ntributes bit stood iluation iterate E d excise 30 3,909 19,5 3,909 19,5 3,500 19,5 3,500 19,5 3,500 19,5 3,500 19,5 3,500 14,1 90	ij. PAT p AT declin increase ry brands foresee : d just 4% d just 4% and View IUY with duty incre 8514 60 3.1146 60 3.1146 60 3.1146 60 3.1146 60 3.1146 7.	osted 30 ed 13.9% d 7.5% Yo before it any impa to its vol 56 (vs. INI vi Stock : target pri ease are k 10, 8.699 3.5 3,398 538 538 23.6 -27.7 385	4% YoY due to fo Y as per gets pric ct of th umes an t8.8b as- trades a ce of INI ey risks. FTI 20 3.626 3.0 3.626 3.0 3.151 4275 1251	decline prex loss manage e hikes f e ban c d is the l on FY14) t 14.9x 8 115 (14 9,0 3,00 3,00 592 13,9 7,6 113	to INR of INR4/ ment. It rom oth f liquor east pro FY15 an 5x FY16 400 4.005 14.00 3.400 5.06 12.6 2.54 2.12 2.12	195m (r jm. does not er marke in Kera fitable st id 12.3x EPS). Spil FP15 15.590 7.4 13.036 13.3 2.034 13.5 2.445	est. INR t intend t ts. The co ila as th ate in Ins FY16 est ke in ENJ DNR FY16 3.767 7.0 3.277 7.0 3.277 7.0 3.277 7.0 3.2777 7.0 3.2777 7.0 3.2777777777777777777777777777777777777	
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Radico Khaitan

## **SECTOR UPDATES**

Consumer Status quo Volumes taper sequentiality, input prices softening to drive profitability Market environment tepid, sales growth to moderate sequentiality, expect SASI PAT growth to on Consumer coverage
Volumes taper sequentially, input prices softening to drive profitability Market environment tepid, sales growth to moderate sequentially; expect 8.8% PAT growth for our Consumer coverage
Market environment tepid, sales growth to moderate sequentially; expect 8.8% PAT growth for our Consumer coverage
8.8% PAT growth for our Consumer coverage
8.8% PAT growth for our Consumer coverage
We expect our Consumer universe to post 5.8% revenue growth and 8.8% PAT
growth in 3QFY16. Broader Household and Personal Care volume growth has
moderated sequentially due to delayed winter season and Tamil Nadu floods.
Emami, HUVR and J/L will likely be most impacted. Discretionary names in our
coverage (APNT & PIDI) could see higher growth, though optically, given favorable base (shift in festive season to 3Q vs. 2Q in the base year). EBITDA is likely to grow
9.8% with 80bp increase in margins for our universe. We expect ITC to post 5.5%
sales growth (7.5% decline in cigarette volumes) and 5.3% PAT growth. HUVR's sales
are likely to grow 4.8% (volume growth of ~6%), with 40bp EBITDA margin
expansion. We expect strong performance from Britannia, GCPL & Asian Paints.
Higher level of discounting/offers to lure consumers
We note, crude and crude derivatives (namely PFAD, TiO2, LLP and HDPE have
corrected 32%. 8%. 33% and 13% YoY resp.) continue to be benign which could drive
profitability for our coverage universe. However few agricultural commodities
namely Sugar (up 14.1% QoQ) and vegetable oil (up 5% QoQ) have recently
witnessed a sharp increase, which could impact profitability of BRIT, Nestle and GSK.
Pricing is broadly flattish across segments, with companies (selectively in our coverage) continuing to incur price offs/volume offers to drive the incipient volume
growth.
Valuations rich; our pecking order doesn't change
As per our interactions with distributors and managements across our coverage
universe, demand environment continues to be soft with incremental pressure
on volumes in select categories. Most of the stocks in our universe, barring ITC, trades at 30-45x FY17 EPS and precludes any material upside over next one year
trades at 30-45X F11/ EPS and precludes any material upside over next one year timeframe (going by our one year target upsides for our universe). While
recognizing the rich near term valuations, we believe the long term consumption
story continues to hold ground and will exist even beyond FY18. Thus, our long
standing preference for-United Spirits, Britannia, Emami and Jyothy Labs -
continues despite sharp outperformance over last two years. In the
discretionary space we like Pidilite and Page Industries. We believe each of these names offers a medium to long term play with specific performance drivers.
name oners a measure to long term play with specific performance or reas.

						Secterni	Nr 2015	Results P	review 1	Sector: O	onsumer					
Motil.	al Os	SWA	L						Cor	nsur	ner					
Company name		Over	to 2HF	/16												
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Britannia Industries		Evnert	sales gro	with to	moder	to com	antiathr	and P	T to a	ow 14 1	No. You					
Colgate						ne sequ	circumy	unu ra	11 10 81	0W 14.1						
Dabur		for our consumer universe We expect our consumer universe to post 7% YoY revenue growth and 14.1% Yo							1% YoY							
tmami			wth in 2QJ													
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Nestle India		Paints.			ing peri											
Pidilite Industries		longt of	ost benef		due DAT	arouth										
Radico Khaitan							nd arri i	related)	continu	e to be	benirn					
United Spirits								Most of the input cost variables (crude and agri related) continue to be benign, which would drive profitability for our coverage universe. With competitive intensity								
						ries, we	believe	EBITDA	margin	benefits	will be					
		restraine	d due to	higher	investre	ents in a	believe advertisi	EBITDA	margin	benefits	will be					
		restraine competi	ed due to tion and e	higher	investri e volum	e growth.	believe advertisi	EBITDA	margin	benefits	will be					
		restraine competi Valuati	ed due to tion and e ons rich;	higher ncourag	investri e volum king ori	e growth. der unch	advertisi	EBITDA ng and	margin promot	benefits ions to i	will be counter					
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		Consumer
		Demand recovery soft; over to 2HFY16
Company Consumer	Pg.	Takeaways from interactions with 15 consumer companies and channel partners
Asian Paints	3	
Dabur India	4	We present takeaways from our interactions with 15 corporates from the consumer sector at our conference and channel checks with distributors of several FMCG and
Emami	5	retail companies in urban and rural markets:
Godrej Consumer	6	
ITC	7	Common themes: 1) There hasn't been any material pick-up in consumer demand.
Jyothy Labs.		Deficient rainfall, lower rural wage growth, muted increase in Minimum Support
Marico	9	Prices, liquidity crunch in some rural markets and overall sluggish consumer
Page Inds.	10	sentiments have kept the consumption demand in check. 2) Though gains from
Pidlite	11	commodity cost correction have been robust, most of these gains will need to be reinvested in brand spends and trade promotions to drive demand if volume
United Breweries	12	reinvested in brand spends and trade promotions to drive demand if volume growth fails to revive. 3) Competitive intensity has been going up in some
		categories, though it is not a cause of concern yet as the nature of competition is
Retails		still rational barring the aggressive price cuts in the shampoo category by P&G. 4)
P C Jewellers	13	Some corporates are hopeful about demand revival in 2HFY16 due to sustained low
Shoppers Stop	14	inflation and expectations of interest rate cut. 5) Impact of poor monsoons is more
Titan inds	15	on sentiments than on actual spending.
		volume growth does not recever and commodify prices remain beingh (not inflation), PTI2 seming growth mill impact profitability if volumes do not recever a grint from commodify price affettion will be largely on the PTI2 beau, susming no further material correction in https://pti.flit.com/state/pti.flit.com/state/pti.flit.com/state/ power and those that do not out price (Pdittle, ITC, Page, and Emani) will be latter priced this coming pure seminary barries.
		Comparing particle faired tradeways (DMDar and Dmarsh hous see the endsord Settinger OGA In DSYTES. Showing waves parts 175 Warrah may be the 6 SMN band broad of their and/or particle Settinge and 6 S150. Warrah with a draw band in this draw band and of their and/or particle Settinge and 6 S150. Warrah with the setting particle of 2000 Kerta and 20

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NOTES

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