

13 October 2011

MF Global Quarterly Preview

CONSUMER

Q2FY12 Preview

We expect the Indian FMCG sector to report strong revenue growth and earnings growth for Q2FY12. Although revenue growth for Q2FY12 will be slower than Q1FY12, earnings growth is likely to improve. We believe that Q2FY12 results will be critical in setting the tone for FY12. We believe that HUL's results will be a critical indicator of the demand scenario in India. The following will be the key themes for Q2FY12:

Revenue growth will see a higher pricing component than volume, but volume growth will continue to remain critical: We expect the Indian FMCG industry to grow at ~18% YoY in Q2FY12, marginally slower than Q1FY12 (~19% YoY), but we expect the pricing component at ~9.1% to be higher than volume at ~8.7%. We believe that although pricing will be a significant growth contributor, sustenance volume growth will be the key to valuations. We believe that companies that report volume growth below 8% are at a significant de-rating risk.

Gross profit growth to pick up and outpace volume growth: We expect gross profit growth to pick up QoQ from ~11% YoY in Q1FY12 to ~15% YoY in Q2FY12 on account of benefits from the correction in key input commodities and further impact of pricing actions by the companies. We believe that Q1FY12 was representative of peak of input cost inflation and gross margins are likely to improve in Q2FY12. The extent of improvement will depend on hedging and inventory policies of the companies. Dabur has indicated that Q2FY12 will see further pressure on account of input cost inflation, we believe that this is on account of the hedging and inventory policy and Dabur's gross margins should expand in the forthcoming quarters.

Cost structure management key to earnings; Advertising spends will be the key lead indicator for the sector: While gross profit growth will lag revenue growth, we expect advertising expenses to reduce as a percentage of sales that will help EBIDTA margin improvement and aid profit growth. As the industry enters the festive season, we expect a pick-up in advertising spends, which, we believe, will be a key indicator of the companies' expectations in the festive season.

We expect HUL to report a good set of numbers, while we expect Dabur to report sluggish earnings growth. We also believe that there is marginal scope for disappointment from ITC on volume growth:

- **ITC:** We expect strong earnings growth for ITC, but volume growth in the cigarettes business could disappoint on account of price hikes and base effect.
- **HUL:** Sustenance of volume growth in the personal care segment will be the key for HUL.
- **Dabur:** Disappointment in volume growth will see de-rating. Earnings growth expected to remain sluggish.

COMPANIES

HINDUSTAN UNILEVER	CMP Rs 330
Reco	BUY
Target Price	Rs 375
ITC	CMP Rs 204
Reco	BUY
Target Price	Rs 225
NESTLE INDIA	CMP Rs 4205
Reco	NOT RATED
GODREJ CONSUMER	CMP Rs 400
Reco	BUY
Target Price	Rs 440
MARICO INDUSTRIES	CMP Rs 145
Reco	NEUTRAL
Target Price	Rs 127
DABUR INDIA	CMP Rs 101
Reco	SELL
Target Price	Rs 85
COLGATE PAMOLIVE	CMP Rs 999
Reco	NOT RATED
GLAXO SMITHKLINE	CMP Rs 2379
Reco	NOT RATED
JUBILANT FOODWORKS	CMP Rs 901
Reco	Neutral
Target Price	Rs 905

FMCG SECTOR QUARTERLY

	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12E
VOLUME GROWTH,%	12.2	14.3	12.9	11.6	9.8	8.7
PRICE GROWTH, %	0.4	1.3	3.9	4.3	8.9	9.1
REVENUE GROWTH, % *	12.6	15.6	16.8	15.8	18.7	17.9
COGS,GROWTH % *	12.1	16.5	19.7	18.8	27.6	21.9
GROSS PROFIT, GROWTH % *	13.0	15.0	14.5	13.3	11.4	14.7
GROSS MARGIN, %	54.0	54.1	54.1	54.7	51.5	52.4
ADVERTISING EXPENSES, GROWTH %	25.6	13.3	13.7	-3.0	-6.6	5.4
ADVERTISING EXPENSES, % OF SALES	13.0	12.1	12.9	10.3	10.5	10.8
EBITDA, GROWTH % *	11.3	11.9	12.9	14.6	14.7	17.4
EBITDA, MARGIN %	21.3	21.9	21.9	20.8	20.3	21.8
PAT, GROWTH % #	13.6	18.4	14.5	22.1	16.2	16.2
PAT, MARGIN %	15.6	16.8	16.6	15.8	15.1	16.4

Source: Company, MF Global India Research

*(Ex - Inorganic & GCPL)

#(Ex - GCPL)

13 October 2011

MF Global Quarterly Preview

Hindustan Unilever

CONSUMER
HUVR IN: **BUY**
RS 330

We expect HUL to report one of the strongest set of numbers for Q2FY12 in our coverage universe. The key expectations and parameters to watch are:

Volume growth will be a critical factor: We expect 15.8% revenue growth, split evenly between price and volume. We expect volume growth to sustain at ~8% YoY that will be the most critical indicator of HUL's execution and market demand scenario. We also believe that volume growth in the personal care segment will be the most critical number for Q2FY12 as expectations from the soaps and detergents segment are muted.

Gross profit will see improved traction: We expect gross profit growth to see a strong bounce-back to 8.5% YoY in Q2FY12 from 3.6% YoY in Q1FY12 as we expect gross margins to improve by 180bps on account of the higher impact of pricing and some benefits of correction in raw material prices.

Advertising expenses to remain flat YoY: We expect advertising expenses to remain flat YoY, but decline as a percentage of sales by 180bps. We expect an increase in advertising spends QoQ as the company prepares for the Q3FY12 festival season and the strongest quarter for the personal care segment.

Soaps and detergents segment margins to improve QoQ: We further expect improvement in the soaps and detergents segment margins by ~150 bps QoQ on account of the impact of price hikes and benefits of correction in key input commodities.

Expect earnings growth of 11.8%; marginally ahead of consensus: Our earnings growth estimate is lower than revenue growth on account of lower other income and higher tax rate. Our estimates are marginally ahead of consensus.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
VOLUME GROWTH %	10.3	14	13	14	8.3	8
PRICE GROWTH %	-3.2	-3.3	-1.4	-0.5	6.5	7.8
NET SALES	47,939	46,809	50,270	48,994	55,039	54,216
GROWTH, %	7.1	10.7	11.6	13.5	14.8	15.8
GROSS PROFIT	23,473	22,979	24,579	22,413	24,307	24,939
GROWTH, %	8.5	10.3	7.2	6.8	3.6	8.5
GROSS MARGIN %	49.0	49.1	48.9	45.7	44.2	46.0
ADVERTISING EXPENSES	7,512	6,465	7,433	6,233	6,330	6,506
GROWTH, %	33.9	13.2	17.5	-0.5	-15.7	0.6
SALES, %	15.7	13.8	14.8	12.7	11.5	12.0
OTHER OPERATING EXPENSES	9,975	10,883	10,903	10,387	11,180	11,765
EBITDA	5,986	5,631	6,243	5,792	6,798	6,669
GROWTH, %	-4.8	-0.8	-7.9	8.6	13.6	18.4
EBITDA MARGIN, %	12.5	12.0	12.4	11.8	12.4	12.3
TAX PROVIDED	1,548	1,426	1,724	1,337	1,802	1,732
EFFECTIVE TAX RATE %	23.1	21.3	23.1	20.7	24.0	22.5
MF NET PROFIT	5,208	5,335	5,870	5,148	5,780	5,966
GROWTH, %	-6.8	7.0	-2.2	22.0	11.0	11.8
PAT MARGIN, %	10.9	11.4	11.7	10.5	10.5	11.0
ADJ FULLY DILLUTED EPS, RS	2.4	2.4	2.7	2.4	2.7	2.8

Source: Company, MF Global India Research Estimates

Target Rs 375 (+14%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	2161MN
MARKET CAP (RS) :	712BN
MARKET CAP (USD) :	14.5BN
52 - WK HI/LO (RS) :	354 / 265
LIQUIDITY 3M (USD) :	19MN
FACE VALUE (RS) :	1

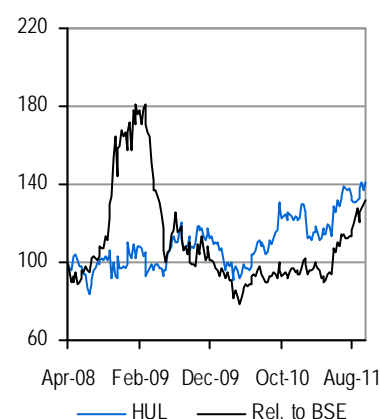
SHARE HOLDING PATTERN, %

PROMOTERS :	52.5
FII / NRI :	18.7
FI / MF :	11.8
NON-PROMOTER CORP. HOLDINGS :	2.4
PUBLIC & OTHERS :	14.7

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-4.7	-0.9	13.2
REL TO BSE	-7.5	7.0	29.2

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

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ITC

CONSUMER
ITC IN: **BUY**
RS 204

We expect ITC to report one of the best results in the FMCG sector. Disappointments from ITC are:

Cigarettes volume growth at 6% YoY in Q2FY12E: We expect cigarettes volume growth to be 6% YoY in Q2FY12E as compared to 7.5% in Q1FY12E. The volume growth will be lower on account of price hikes and base effect of Q2FY11. We expect price growth at 5.5% YoY, similar to Q1FY12 in spite of the price hikes in key brands like Classic (10% YoY) on account of the increase in VAT rates in various states. We believe that the volume growth in the cigarettes business can surprise negatively.

Gross margins to expand: We expect gross margins to expand on a YoY basis on account of benign tobacco prices and correction in other key commodities like Palm oil. Gross margin expansion on a QoQ basis will also be on account of lower contribution of the agri-business segment.

FMCG others to continue to register robust growth: We expect the FMCG others segment to continue to grow at a robust pace at 20% YoY, helped by strong growth in the foods segment. We expect losses in this segment to reduce on a YoY basis marginally.

Earnings growth in line with revenue growth: As we do not expect any major changes in the cost structure, hence earnings growth will be largely in line with the revenue growth at 18% YoY.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
CIGARETTE VOLUME GROWTH %	-4	0	2.5	-2.5	7.5	6.0
NET SALES	48,236	50,612	54,535	58,363	57,675	59,361
GROWTH, %	16.3	16.3	18.6	15.5	19.6	17.3
GROSS PROFIT	30,307	32,080	34,057	33,787	34,682	37,821
GROWTH, %	15.4	16.4	17.2	16.7	14.4	17.9
GROSS MARGIN %	62.8	63.4	62.4	57.9	60.1	63.7
OPERATING EXPENSES	14,236	14,191	14,366	15,895	15,849	16,734
EBITDA	16,071	17,889	19,690	17,891	18,834	21,087
GROWTH, %	20.2	16.4	18.7	16.2	17.2	17.9
EBITDA MARGIN, %	33.3	35.3	36.1	30.7	32.7	35.5
TAX PROVIDED	4,998	5,833	6,422	5,553	6,043	6,985
EFFECTIVE TAX RATE %	31.8	31.9	31.6	30.2	31.2	32.3
MF NET PROFIT	10,703	12,467	13,891	12,815	13,327	14,674
GROWTH, %	21.8	23.5	21.4	24.6	24.5	17.7
PAT MARGIN, %	22.2	24.6	25.5	22.0	23.1	24.7
ADJ FULLY DILLUTED EPS, RS	1.38	1.61	1.80	1.66	1.72	1.90

Source: Company, MF Global India Research Estimates

TARGET RS 225 (+10%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES:	7773MN
MARKET CAP (RS):	1584BN
MARKET CAP (USD):	32.3BN
52 - WK HI/LO (RS):	211 / 149
LIQUIDITY 3M (USD):	35.1MN
FACE VALUE (RS):	1

SHARE HOLDING PATTERN, %

FII / NRI :	46.1
FI / MF :	35.9
NON-PROMOTER CORP. HOLDINGS :	6.4
PUBLIC & OTHERS :	11.6

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	4.0	1.2	20.4
REL TO BSE	1.3	9.1	36.4

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

Nestle India

CONSUMER

NEST IN: **Not Rated**

RS 4205

Nestle is estimated to report strong revenue growth based on the company's ability to successfully pass on price hikes due to inherent brand strength. Following are the key parameters and expectations to look out for:

Volume growth estimated at >10% due to double-digit price growth: With price growth expected at 10.5%, we estimate that reported volume growth would be lower than 10%, translating to revenue growth of ~21% YoY. We believe that volume growth of 9%+ is strong, considering the inflationary scenario and is indicative of the high pricing power of Nestle brands.

Gross margins to be maintained on a YoY basis: Though certain commodities like Coffee, Wheat and Vegetable Oil have softened sequentially, Milk, Skimmed Milk Powder prices continue to remain elevated. As Nestle has undertaken necessary product price hikes, we estimate margins to be maintained on a YoY basis.

EBITDA margins to continue to expand: With Nestle effectively controlling ad spends and certain operating leverage benefits, we estimate margins to expand by 20bps YoY to 19.9% with sequential improvement in growth rate at ~22% YoY.

Lower PAT growth due to higher effective tax rate: We estimate PAT growth to be lower at 14% YoY on account of the increase in effective tax rate from 27.75% to 21% on a YoY basis, leading to margin contraction of 80bps YoY.

- Below expectations volume growth will raise concerns on consumption demand, also, if the company disappoints on operating profit similar to the last quarter, it will be a negative for the company which is reputed to maintain high margins and growth.

QUARTERLY RESULTS TABLE

(RS MN)	Q2CY10	Q3CY10	Q4CY10	Q1CY11	Q2CY11	Q3CY11
NET SALES	14,667	16,373	16,710	18,100	17,631	19,811
GROWTH, %	21.3	25.7	23.6	22.3	20.2	21.0
GROSS PROFIT	7,476	8,339	8,754	9,259	8,912	10,070
GROWTH, %	18.1	22.6	25.1	24.7	19.2	20.8
GROSS MARGIN %	51.0	50.9	52.4	51.2	50.5	50.8
ADVERTISING EXPENSES	550	900	900	650	600	0
GROWTH, %	9.6	50.0	-7.7	0.0	9.1	-100.0
SALES, %	3.7	5.5	5.4	3.6	3.4	0.0
OTHER OPERATING EXPENSES	3987	4220	4557	4756	4867	6134
EBITDA	2,940	3,219	3,298	3,853	3,445	3,936
GROWTH, %	12.3	21.8	66.4	26.7	17.2	22.3
EBITDA MARGIN, %	20.0	19.7	19.7	21.3	19.5	19.9
TAX PROVIDED	718	840	861	1027	956	1119
EFFECTIVE TAX RATE %	26.9	27.8	29.7	28.7	30.9	31.0
MF NET PROFIT	1,948	2,186	2,034	2,557	2,138	2,490
GROWTH, %	20.3	19.6	80.1	26.7	9.8	13.9
PAT MARGIN, %	13.3	13.3	12.2	14.1	12.1	12.6
ADJ FULLY DILLUTED EPS, RS	20.2	22.7	21.1	26.5	22.2	25.8

Source: Company, MF Global India Research Estimates

COMPANY DATA

O/S SHARES :	96MN
MARKET CAP (RS) :	405BN
MARKET CAP (USD) :	8BN
52 - WK HI/LO (RS) :	4517 / 3120
LIQUIDITY 3M (USD) :	0.4MN
FACE VALUE (RS) :	10

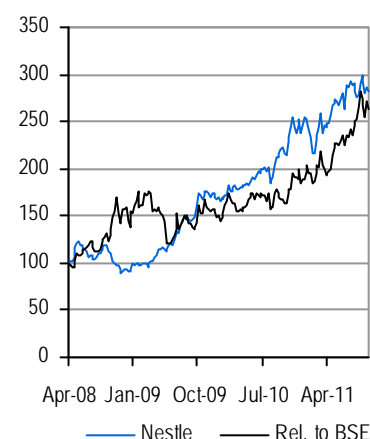
SHARE HOLDING PATTERN, %

PROMOTERS :	62.8
FII / NRI :	11.1
FI / MF :	8.2
NON-PROMOTER CORP. HOLDINGS :	2.0
PUBLIC & OTHERS :	16.0

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-2.0	-2.3	28.4
REL TO BSE	-4.8	5.6	44.4

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

Godrej Consumer Products

CONSUMER
GCPL IN: **BUY**
RS 400

We expect robust results from Godrej Consumer Products Limited. Our key expectations from the results are as follows:

Revenue growth will be driven by the soaps and household insecticide segments: We expect the soaps segment to report strong 21% YoY growth on account of the low base effect of Q2FY11 (-14% YoY), but QoQ growth in the segment will be marginal. Integration of GCPL and GHPL distribution networks will help in maintaining a high growth rate for the Household Insecticide segment in India and the successful launch of product "paper magic" in Indonesia will help in Megasari's revenue growth. The quarter will also include one-month consolidation of the Darling business.

Gross margin to improve QoQ on account of product mix: The quarter will see the complete impact of price hikes and some benefits of correction in palm oil prices, leading to gross margin improvement. Also, as Q2 is a seasonally strong quarter for the Household insecticide business, which enjoys higher margins than the soaps segment, it will see QoQ improvement in gross margins.

Brand investments to continue: We expect brand investments to continue to remain at elevated levels on account of investments in inorganic initiatives.

Earnings growth to remain strong: We expect earnings growth to remain strong at 18% YoY. EPS contribution of the Darling Group's business will be another critical factor for the quarter. Our estimates are higher than consensus.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
NET SALES	7,149	9,528	9,804	9,995	9,978	11,513
GROWTH, %	62.9	65.5	89.4	96.3	39.6	20.8
GROSS PROFIT	3,623	4,909	5,066	5,390	5,086	5,902
GROWTH, %	53.1	61.4	86.5	90.8	40.4	20.2
GROSS MARGIN %	50.7	51.5	51.7	53.9	51.0	51.3
ADVERTISING EXPENSES	741	980	1,058	743	1,172	1,175
GROWTH, %	71.0	92.3	144.4	115.3	58.2	20.0
SALES, %	10.4	10.3	10.8	7.4	11.7	10.2
OTHER OPERATING EXPENSES	1,602	2,239	2,330	2,869	2,486	2,677
EBITDA	1,281	1,690	1,678	1,778	1,428	2,049
GROWTH, %	48.2	51.0	65.5	65.3	11.5	21.2
EBITDA MARGIN, %	17.9	17.7	17.1	17.8	14.3	17.8
TAX PROVIDED	362	338	285	397	673	408
EFFECTIVE TAX RATE %	22.7	20.6	19.3	21.9	22.0	21.0
MF NET PROFIT	1,232	1,302	1,188	1,417	2,383	1,535
GROWTH, %	79.0	42.2	39.6	59.9	93.4	17.9
PAT MARGIN, %	17.2	13.7	12.1	14.2	23.9	13.3
EXCEPTIONAL	403.1	0.0	0.0	0.0	1741.7	0.0
EPS, RS	3.81	4.02	3.67	4.38	7.36	4.74

Source: Company, MF Global India Research Estimates

TARGET RS 440 (+10%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	324MN
MARKET CAP (RS) :	129BN
MARKET CAP (USD) :	3BN
52 - WK HI/LO (RS) :	470 / 324
LIQUIDITY 3M (USD) :	2.4MN
FACE VALUE (RS) :	1

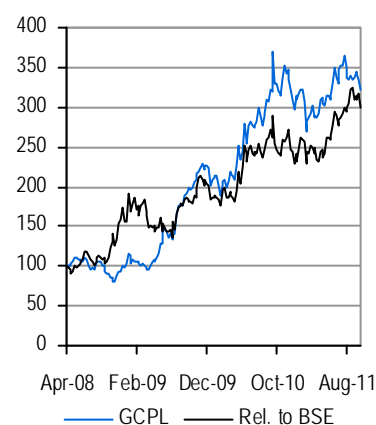
SHARE HOLDING PATTERN, %

PROMOTERS :	67.3
FII / NRI :	19.3
FI / MF :	2.2
NON-PROMOTER CORP. HOLDINGS :	3.7
PUBLIC & OTHERS :	7.5

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-5.8	-9.2	2.0
REL TO BSE	-8.6	-1.3	18.0

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

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MF Global Quarterly Preview

Marico Industries Ltd.

CONSUMER

MRCO IN: **NEUTRAL**

RS 145

We expect Marico to report strong revenue growth, but earnings growth will be much lower than revenue growth. Our key expectations from the results are:

Organic revenue growth at 24.5% YoY and total revenue growth of 28% YoY: We expect organic volume growth to be 10% YoY. The growth will be led by 28% YoY price and 8% YoY volume growth in the flagship brand of Parachute. We expect Saffola to grow by 18% YoY price and 13.5% YoY volume and international business to grow by 20%. Inorganic initiatives of Vietnam (ICP) will contribute ~4% to revenue growth.

Gross profit growth will continue to lag revenue growth: Although the quarter will see a significant impact of pricing, but gross profit growth will lag revenue growth as Copra, which accounts for 40% of the raw material basket, has continued to remain at elevated levels.

Strong EBITDA growth led by reduction in advertising spends: We expect increase in brand investments on account of new product and inorganic initiatives. Although advertising expenses will increase by 18% YoY, it will decline as a percentage of sales by 90bps, which will cushion the fall in EBITDA margins.

PAT growth will be slower than EBITDA growth: We expect that PAT growth will be slower than EBITDA growth on account of the higher tax rate. We expect the tax rate to be 19% in Q2FY12 as compared to 14% in Q2FY11. Our assumption is based on the Q1FY12 tax rate and management guidance for FY12.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
VOLUME GROWTH %	16	15	15	5	14	10.8
PRICE GROWTH %	-2.6	-2.5	7.1	19.1	18.7	16.0
NET SALES	7,874	7,788	8,177	7,473	10,486	9,971
GROWTH, %	13.0	12.5	22.1	24.1	33.2	28.0
GROSS PROFIT	3,841	3,908	3,870	3,514	4,539	4,657
GROWTH, %	11.3	6.8	9.7	4.1	18.2	19.2
GROSS MARGIN %	48.8	50.2	47.3	47.0	43.3	46.7
ADVERTISING EXPENSES	938	949	901	672	1,023	1,122
GROWTH, %	11.2	3.9	5.3	-24.7	9.1	18.2
SALES, %	11.9	12.2	11.0	9.0	9.8	11.3
OTHER OPERATING EXPENSES	1,847	1,967	1,972	2,054	2,265	2,368
EBITDA	1,056	993	997	788	1,251	1,167
GROWTH, %	9.8	4.5	0.9	-7.3	18.5	17.6
EBITDA MARGIN, %	13.4	12.7	12.2	10.5	11.9	11.7
TAX PROVIDED	162	126	133	428	210	185
EFFECTIVE TAX RATE %	17.8	14.7	15.8	37.2	19.6	19.0
EXCEPTIONALS	0	0	0	-755	0	0
REPORTED PAT	737	716	695	716	850	790
GROWTH, %	31.6	14.8	11.8	40.0	15.3	10.4
PAT MARGIN, %	9.4	9.2	8.5	9.6	8.1	7.9
EPS, RS	1.2	1.2	1.1	1.2	1.4	1.3

Source: Company, MF Global India Research Estimates

TARGET RS 127 (-12%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	615MN
MARKET CAP (RS) :	89BN
MARKET CAP (USD) :	1.82BN
52 - WK HI/LO (RS) :	173 / 112
LIQUIDITY 3M (USD) :	1.2MN
FACE VALUE (RS) :	1

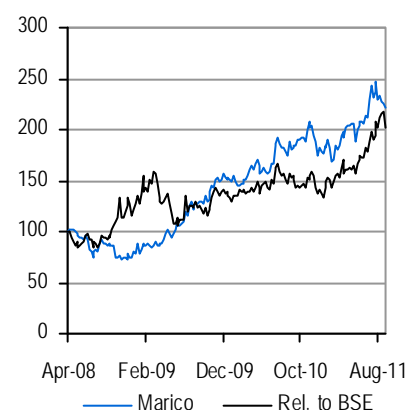
SHARE HOLDING PATTERN, %

PROMOTERS :	62.9
FII / NRI :	26.2
FI / MF :	4.4
NON-PROMOTER CORP. HOLDINGS :	2.4
PUBLIC & OTHERS :	4.1

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-8.5	-13.3	10.3
REL TO BSE	-11.2	-5.4	26.4

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

Dabur India

CONSUMER

DABUR IN: **SELL**

RS 101

We expect sluggish earnings growth for Dabur. Our key expectations from Q2FY12 results are as follows:

Slower volume growth, but pricing to gain more relevance: We expect 8% YoY volume growth and 7.5% YoY price growth for Q2FY12. We expect further slowdown in volume growth from Q1FY12 on account of lower brand investments in the prior quarters and base effect. We believe that Q2FY12 will be tough in terms of volume growth.

Gross margin pressure will peak in Q2FY12: The management indicated in the media that gross margins pressure will increase further in Q2FY12. We believe that Q2FY12 will be representative of a peak of input cost inflation and gross margins will improve in the forthcoming quarters.

Advertising spends to rise YoY, but will be lower as a % of sales: We expect that advertising spends will increase YoY as the company will invest for the upcoming festival season, but we expect advertising spends to remain below the long-term average.

PAT growth slower than peers: We expect Dabur's PAT growth to be lower than peers like HUL and ITC's growth rate on account of rising pressure on the cost structure and pressure on volumes. Our estimates are largely in line with consensus.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
VOLUME GROWTH %	19.5	12.5	10.0	9.3	8.5	8.0
PRICE GROWTH %	-0.2	2.2	3.4	4.1	5.2	7.5
NET SALES	9,165	9,728	10,800	11,082	12,046	12,561
GROWTH, %	19.3	14.7	16.6	30.6	31.4	29.1
GROSS PROFIT	4,820	5,143	5,569	6,192	5,756	5,969
GROWTH, %	18.7	10.3	10.5	33.3	19.4	16.1
GROSS MARGIN %	52.6	52.9	51.6	55.9	47.8	47.5
ADVERTISING EXPENSES	1,507	1,215	1,349	1,274	1,515	1,276
GROWTH, %	22.9	1.1	-0.1	10.2	0.5	5.0
SALES, %	16.4	12.5	12.5	11.5	12.6	10.2
OTHER OPERATING EXPENSES	1,944	1,899	2,124	2,862	2,534	2,435
EBITDA	1,369	2,028	2,095	2,056	1,708	2,257
GROWTH, %	18.1	15.6	19.0	26.9	24.7	11.3
EBITDA MARGIN, %	14.9	20.9	19.4	18.6	14.2	18.0
TAX PROVIDED	263	356	357	414	323	400
EFFECTIVE TAX RATE %	19.7	18.2	18.8	22.0	20.1	18.6
MF NET PROFIT	1,074	1,604	1,541	1,470	1,279	1,751
GROWTH, %	20.5	14.2	11.5	8.5	19.1	9.1
PAT MARGIN, %	11.7	16.5	14.3	13.3	10.6	13.9
ADJ FULLY DILLUTED EPS, RS	0.61	0.92	0.89	0.84	0.73	1.01

Source: Company, MF Global India Research Estimates

TARGET RS 85 (-15%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	1742MN
MARKET CAP (RS) :	175BN
MARKET CAP (USD) :	3.6MN
52 - WK HI/LO (RS) :	122 / 87
LIQUIDITY 3M (USD) :	2.7MN
FACE VALUE (RS) :	1

SHARE HOLDING PATTERN, %

PROMOTERS :	68.7
FII / NRI :	19.2
FI / MF :	5.8
NON PROMOTER CORP. HOLDINGS :	0.6
PUBLIC & OTHERS :	5.6

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-7.7	-8.9	-4.3
REL TO BSE	-10.5	-1.0	11.7

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

Colgate Palmolive India

CONSUMERS

CLGT IN: NOT RATED

RS 999

Revenue growth is estimated to improve sequentially to 16% YoY on account of higher price growth. The key parameters and expectations are as follows:

Volume growth expected at 11.5%: Volume growth at 11.5% YoY to be lower on a YoY basis due to base effect of 13% and price growth which has moved from 0.2% to 4.5% in Q2FY11E. We estimate the double-digit volume growth to hold as the company sustains competitiveness by undertaking high brand investment and product promotion offers. Also, Colgate is able to pass on price hikes successfully due to its high brand strength.

Contracted gross margins to hold as input cost pressure continues: With product price hikes lagging input cost inflation, we estimate gross margins to contract by 110bps YoY. However, due to the high base effect of input cost and certain inventory management, the gross profit growth can surprise positively than our estimated 14% YoY.

EBITDA growth expected at 12% YoY: Estimating a healthy brand investment of 18% YoY and certain operating cost leverage benefits, we expect EBITDA growth of 12% YoY and a lower margin contraction of 70bps YoY to 19.6%.

PAT growth to be uninspiring due to increase in tax rates: With the tax rate expected to increase as the tax holiday is set to expire; PAT growth is estimated to be lower at 5.5%YoY.

- If Colgate is able to manage input cost pressures effectively and reports volume growth of 12%+ in spite of higher price growth, it will be a positive for the company. Also, management of input cost pressures can provide surprise on the earnings growth.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
VOLUME GROWTH %	13	13	12	10.25	12	11.5
PRICE GROWTH %	0.0	0.2	1.8	2.4	3.6	4.5
NET SALES	5,288	5,518	5,582	5,818	6,111	6,398
GROWTH, %	13.0	13.2	13.8	12.6	15.6	16.0
GROSS PROFIT	3,322	3,316	3,422	3,425	3,644	3,775
GROWTH, %	26.3	18.6	21.9	-5.5	9.7	13.8
GROSS MARGIN %	62.8	60.1	61.3	58.9	59.6	59.0
ADVERTISING EXPENSES	694	789	1,206	804	988	931
GROWTH, %	19.1	-4.4	60.2	-3.5	42.3	18.0
SALES, %	13.1	14.3	21.6	13.8	16.2	14.6
OTHER OPERATING EXPENSES	1,238	1,406	1,470	1,372	1,484	1,592
EBITDA	1,390	1,122	746	1,249	1,173	1,253
GROWTH, %	32.2	18.0	-26.0	0.2	-15.6	11.7
EBITDA MARGIN, %	26.3	20.3	13.4	21.5	19.2	19.6
TAX PROVIDED	350	285	250	288	377	391
EFFECTIVE TAX RATE %	22	22	27	20	27	27
MF NET PROFIT	1,220	1,003	662	1,141	1,004	1,058
GROWTH, %	18.7	11.8	-43.1	-0.3	-17.7	5.5
PAT MARGIN, %	23.1	18.2	11.9	19.6	16.4	16.5
ADJ FULLY DILLUTED EPS, RS	9.0	7.4	4.9	8.4	7.4	7.8

Source: Company, MF Global India Research Estimates

COMPANY DATA

O/S SHARES :	136MN
MARKET CAP (RS) :	136BN
MARKET CAP (USD) :	3BN
52 - WK HI/LO (RS) :	1031 / 783
LIQUIDITY 3M (USD) :	1.7MN
FACE VALUE (RS) :	1

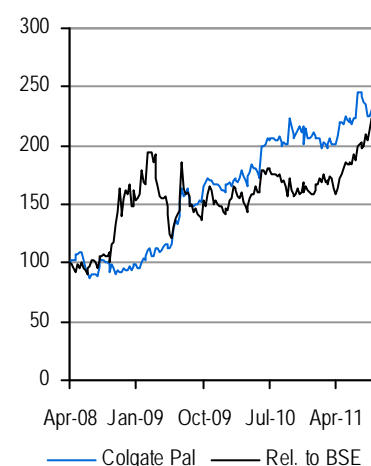
SHARE HOLDING PATTERN, %

PROMOTERS :	51.0
FII / NRI :	19.2
FI / MF :	7.5
NON-PROMOTER CORP. HOLDINGS :	1.2
PUBLIC & OTHERS :	21.1

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	0.8	-0.3	18.9
REL TO BSE	-2.0	7.6	35.0

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

GlaxoSmithKline Consumer Healthcare

CONSUMER

SKB IN: **NOT RATED**

RS 2379

GSKConsumer volume growth to lower sequentially, but is expected to be maintained in double digits at 13% YoY. The key parameters and expectations to watch for are as follows:

Robust revenue growth, driven by both volume and price: Company volume growth is lower sequentially on account of the high base effect of 20% in Q3CY10. After the recent price hikes, price growth is estimated to increase to 8.3%. We do not expect volume growth to be impacted by price hikes as the brands hold high pricing power

Gross margin contraction lower at 75 bps YoY: With the company undertaking price hikes to set off input cost pressure and the high base effect of cost, we estimate strong gross profit growth of ~21% YoY, hence gross margin contraction is lower at 75bps YoY as against 295bps in Q2CY11.

EBITDA margins to indicate initial signs of improvement: We estimate the EBITDA margins to improve by 20bps YoY as the company gains certain operating leverage benefits as reported in Q2CY11. We estimate ad spends to remain healthy at 22% YoY growth, providing necessary support to volume growth.

- PAT growth estimated at 21% YoY with margins of 12.6%. If GSK Consumer reports volume growth at <10%, it will raise concerns regarding the sustainability of volume growth in the medium term and the possible slowdown in consumption demand.

QUARTERLY RESULTS TABLE

(RS MN)	Q1CY10	Q2CY10	Q3CY10	Q4CY10	Q1CY11	Q2CY11	Q3CY11
VOLUME GROWTH %	13	10	20	15	6.5	16	13
PRICE GROWTH %	5.0	5.0	5.0	7.0	5.0	6.0	8.3
NET SALES	6,484	5,374	6,126	5,078	7,100	6,534	7,497
GROWTH, %	20.3	14.5	23.7	21.4	9.5	21.6	22.4
GROSS PROFIT	3,923	3,348	3,847	3,294	4,399	3,878	4,652
GROWTH, %	20.7	12.7	24.7	19.0	12.1	15.8	20.9
GROSS MARGIN %	60.5	62.3	62.8	64.9	61.9	59.4	62.1
ADVERTISING EXPENSES	982	749	1,077	898	1,036	1,000	1,312
GROWTH, %	62.2	0.2	33.3	4.3	5.4	33.6	21.8
SALES, %	15.2	13.9	17.6	17.7	14.6	15.3	17.5
OTHER OPERATING EXPENSES	1,610	1,706	1,819	1,811	1,910	1,893	2,167
EBITDA	1,331	894	951	584	1,453	985	1,173
GROWTH, %	12.1	19.5	21.0	61.2	9.2	10.2	23.4
EBITDA MARGIN, %	20.5	16.6	15.5	11.5	20.5	15.1	15.7
TAX PROVIDED	503	358	393	266	571	398	473
EFFECTIVE TAX RATE %	34.4	33.3	33.3	33.3	34.0	32.6	33.3
MF NET PROFIT	962	717	785	534	1,106	825	948
GROWTH, %	14.6	30.0	30.9	58.5	15.0	14.9	20.8
PAT MARGIN, %	14.8	13.4	12.8	10.5	15.6	12.6	12.6
ADJ FULLY DILLUTED EPS, RS	22.9	17.1	18.7	12.7	26.3	19.6	22.5

Source: Company, MF Global India Research Estimates

COMPANY DATA

O/S SHARES :	42MN
MARKET CAP (RS) :	100BN
MARKET CAP (USD) :	2MN
52 - WK HI/LO (RS) :	2525 / 1907
LIQUIDITY 3M (USD) :	1.1MN
FACE VALUE (RS) :	10

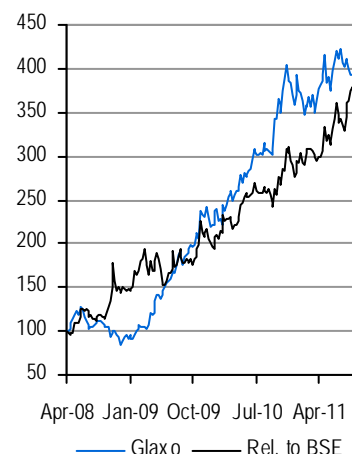
SHARE HOLDING PATTERN, %

PROMOTERS :	43.2
FII / NRI :	13.0
FI / MF :	18.1
NON-PROMOTER CORP. HOLDINGS :	10.3
PUBLIC & OTHERS :	15.5

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	3.9	-2.1	14.8
REL TO BSE	1.1	5.8	30.9

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

13 October 2011

MF Global Quarterly Preview

Jubilant Foodworks

CONSUMER

JUBI IN: **NEUTRAL**

RS 901

We expect strong numbers from Jubilant Foodworks (JFL) on the back of price hikes and store additions, but we also believe that a high inflationary environment could result in people reducing discretionary expenditure, leading to pressure on revenue growth for JFL.

Revenue growth will be aided by same-store sales growth and store expansion: The management has guided for the opening of 80 stores in FY12. We expect revenues to grow by 42% YoY and 7% QoQ. In Q1FY12, the company had reported a same-store sales growth of 37% YoY, indicating a significant rise in throughput per store. Although it is difficult to ascertain same-store sales growth on a quarterly basis, we believe that the significant increase in store revenues will help in strong YoY growth.

Gross profit to lag revenue growth: Rising milk prices will impact key raw materials like cheese, thus gross profit growth rate is more likely to lag revenue growth. We expect gross margins to contract 60bps QoQ and 130bps YoY.

PAT growth slower on account of higher tax rate: We expect slower PAT growth compared to revenue growth on account of the higher tax rate.

QUARTERLY RESULTS TABLE

(RS MN)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E	Q2FY12E
NET SALES	1,355	1,633	1,857	1,936	2,169	2,319
GROWTH, %		67.1	58.5	56.1	60.0	42.0
GROSS PROFIT	1,023	1,228	1,383	1,441	1,616	1,715
GROWTH, %		66.8	56.9	55.6	58.0	39.6
GROSS MARGIN %	75.5	75.2	74.5	74.4	74.5	73.9
STAFF COSTS	251	325	384	396	421	471
GROWTH, %		74.0	77.9	61.5	67.7	45.0
SALES, %	18.5	19.9	20.7	20.4	19.4	20.3
OTHER OPERATING EXPENSES	521	606	677	716	782	832
EBITDA	251	297	323	330	413	412
GROWTH, %		95.7	63.8	73.7	64.7	38.8
EBITDA MARGIN, %	18.5	18.2	17.4	17.0	19.1	17.7
TAX PROVIDED	34	45	61	64	108	108
EFFECTIVE TAX RATE %	18.4	19.7	24.5	24.8	31.8	32.5
MF NET PROFIT	153	184	189	193	231	224
GROWTH, %		145.3	66.3	91.2	51.5	21.7
PAT MARGIN, %	11.3	11.3	10.2	9.9	10.7	9.7
ADJ FULLY DILLUTED EPS, RS	2.6	2.9	2.9	3.0	3.6	3.5

Source: Company, MF Global India Research Estimates

TARGET RS 905

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	65MN
MARKET CAP (RS) :	58.5BN
MARKET CAP (USD) :	1.2BN
52 - WK HI/LO (RS) :	1022 / 461
LIQUIDITY 3M (USD) :	27.9MN
FACE VALUE (RS) :	10

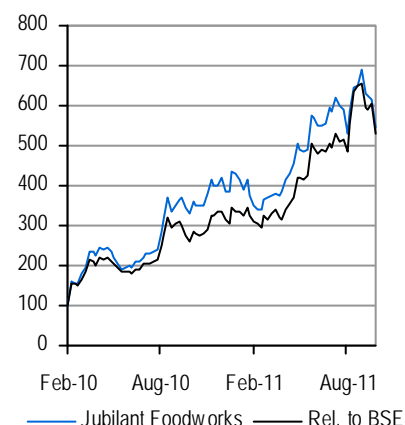
SHARE HOLDING PATTERN, %

PROMOTERS :	58.9
FII / NRI :	33.5
FI / MF :	1.8
NON-PROMOTER CORP. HOLDINGS :	2.1
PUBLIC & OTHERS :	3.7

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	5.0	7.8	73.4
REL TO BSE	2.3	15.7	89.4

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

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