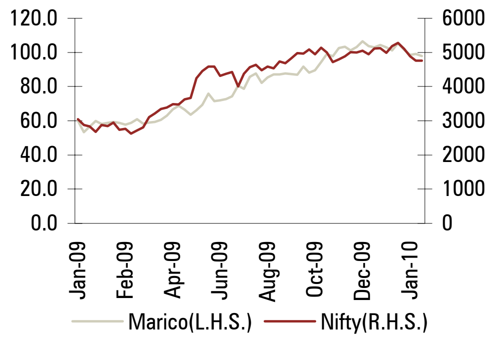
February 23, 2010

Rating Matrix		
Rating	:	**Buy**
Target	:	Rs 114
Target Period	:	12 months
Potential Upside	:	14.8%

Key Financials		(Y-o-Y % growth)		
	FY09	FY10E	FY11E	FY12E
Net Sales	25.3	15.3	17.1	15.7
EBITDA	23.5	29.4	20.3	17.7
Net Profit	11.7	31.9	25.6	18.0
EPS (Rs)	11.7	31.9	25.6	18.0

Stock Metrics	
Bloomberg/Reuters Code	MRCO IN/MRCO BO
Sensex	16339
Average volumes	163278
Market Cap (Rs crore)	Rs 3817.8 Crore
52 week H/L	112.9 / 50.85
Equity Capital (Rs crore)	60.9
Promoter's Stake (%)	63.4
FII Holding (%)	21.5
DII Holding (%)	7.2

Price movement (Stock vs. Nifty)



Peer comparison				
Return %	**1M**	**3M**	**6M**	**12M**
HUL	-5.2	-11.6	-6.1	-7.6
Dabur	5.9	5.1	37.4	5.1
Marico	-2.5	-3.1	12.9	-4.3
Colgate	2.4	3.4	15.3	7.0

Target Multiple				
	FY09	FY10E	FY11E	FY12E
Target PE	36.8	27.9	22.2	18.8
EV/EBITDA	20.8	15.8	12.9	10.7
Price/BV	4.9	2.8	1.7	1.2

Analyst's name

Ritika Shewakramani
ritika.shewakramani@icicisecurities.com

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Marico (MARIN)

Rs 99.3

Strong brand equity prevails…

By undergoing a transformation from a pure oils player to one focussed on beauty and wellness, Marico has diversified its portfolio while complementing it with an established overseas business and a slew of eight acquisitions. With market leadership in niche segments, the ability to leverage brand equity by launching variants and generating growth via new streams (skincare, functional foods), we expect net sales and profit to register a CAGR of 16.0% and 25.0%, respectively, in FY09-FY12E.

Flagship brands to anchor growth

Backed by sustainable volume growth and brand extensions, Parachute (32% of sales) has gained significant market share from 45% in FY04 to 46.8% in FY09. By repositioning the Saffola brand from one that represents pure edible oil to one that depicts health and wellness, Saffola (16% of sales) clocked an 18% growth in volumes in Q3FY10.

Margin to sustain at elevated levels

With copra and safflower oil (40% and 13% of input costs) costs declining by 22% and 28%, respectively, YoY in Q3FY10, the company has registered an expansion in margin to 14.8%. This expansion translated into a rise in advertising expense in Q3FY10 (12.8% of sales). Similarly, we believe that any major rise in prices can be offset by a decline in advertising spend, thereby enabling the company to sustain margins at elevated levels (14.6% in FY11E and 14.9% in FY12E).

Kaya short-term radiance fading, long-term growth intact

Over FY06-09, Kaya has grown at a CAGR of 56.5% and generated 5.0% of turnover (FY09). In light of the discretionary nature of consumer spending and the imposition of service tax, the business has been impacted by the economic slowdown. With plans to halt clinic additions in India, we expect the EBITDA margin to dip in FY10E and gradually improve to 5.9 in FY12E backed by clinic additions in the Middle East.

Valuations

At the current market price of Rs 99.3, Marico is trading at 19.3x its FY11E EPS of Rs 5.1 and 16.4x its FY12E EPS of Rs 6.1. With EBITDA margin of ~14%, (lower than the industry average of 18-20%) the stock is trading at a 22.8% discount to Dabur, its nearest peer. However, given the company's expansion in margin, ability to leverage brand equity and add new revenue streams we value the stock at 18.8x its FY12E EPS of Rs 6.1 at a fair value of Rs 114.0. We initiate coverage with a **BUY** rating.

Exhibit 1: Valuation matrix

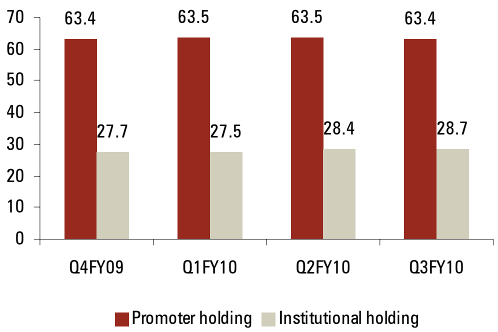
Year to date March 31	FY08	FY09	FY10E	FY11E	FY12E
Net sales	1906.7	2388.4	2754.2	3225.1	3732.8
EBITDA (Rs crore)	246.2	304.0	393.4	473.2	556.9
Net Profit (Rs crore)	169.0	188.7	248.8	312.6	368.8
EPS (Rs)	2.8	3.1	4.1	5.1	6.1
P/E (x)	35.8	32.0	24.3	19.3	16.4
Price/Book (x)	8.0	4.9	2.8	1.7	1.2
EV/EBIDTA (x)	25.7	20.8	15.8	12.9	10.7
Market cap to Sales (x)	3.2	2.5	2.2	1.9	1.6
RoNW (%)	66.6	49.1	46.6	43.9	41.3
RoCE (%)	41.7	35.4	39.1	45.6	50.0

Source: Company, ICICIdirect.com Research

Shareholding pattern (Q3FY10)

Shareholder	%holding
Promoters	63.4
Institutional Investors	28.7
Other Investors	7.8

Promoter and institutional holding trend (%)



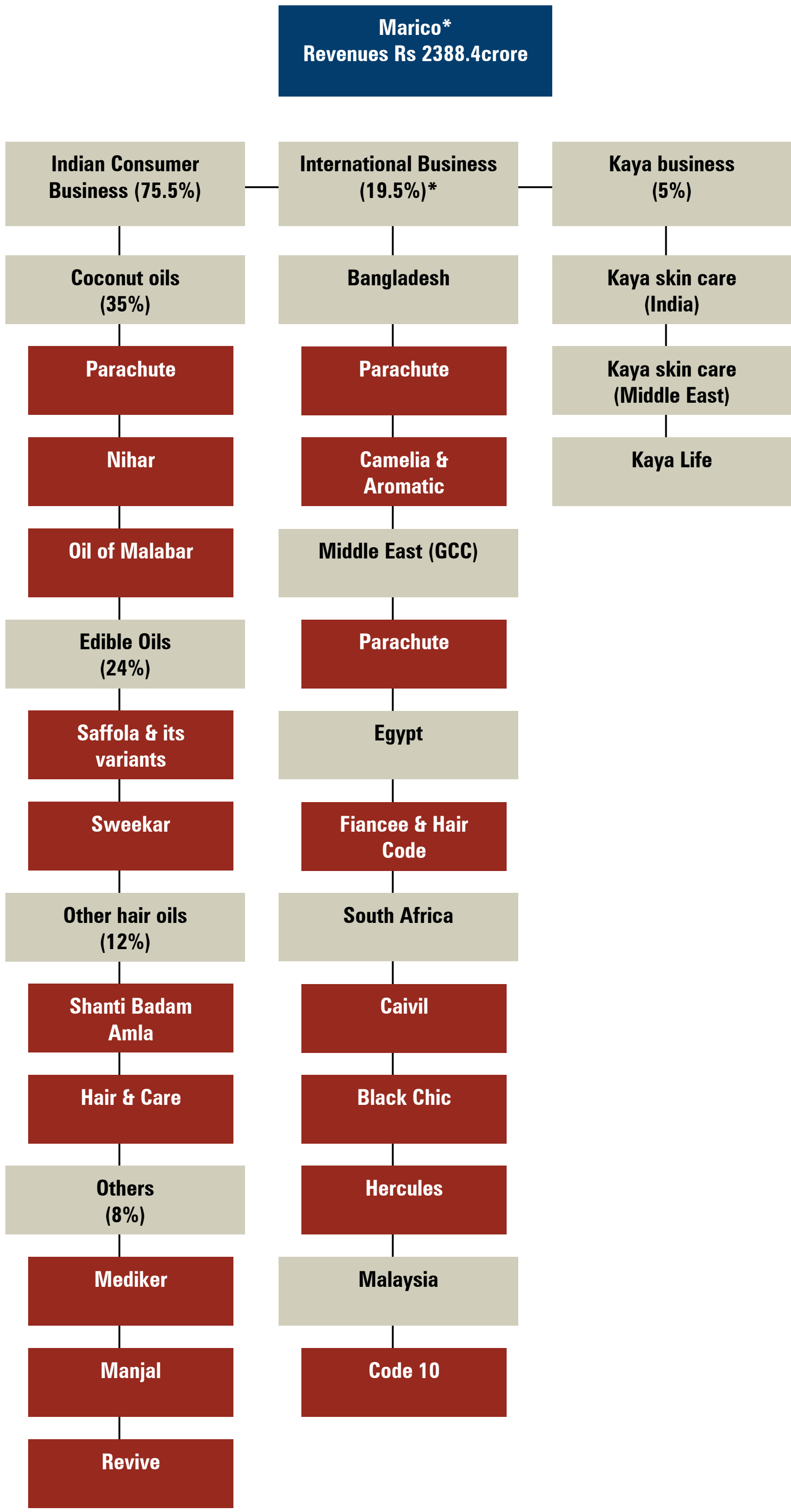
Source: Company, ICICIdirect.com Research

Company Background

Marico Ltd (ML), one of India's leading fast moving consumer goods (FMCG) companies was incorporated on October 13, 1988 as Marico Foods Ltd. Marico commenced commercial operations in 1990 with the acquisition of the consumer products division of Bombay Oil Industries. Based in Mumbai, the company's products are sold through a wide distribution network, which expands across 25 lakh outlets in India and overseas, with a reach spanning across 24 countries. The company's domestic manufacturing facilities are located at Goa, Kanjikode, Jalgaon, Saswad, Pondicherry, Dehradun and Daman. Marico's international business spans across Bangladesh, the Middle East and other Saarc countries. During 2006, ML had acquired Hindustan Unilever's Nihar brand for a consideration of Rs 240 crore. In November 2007, the company entered the fast growing South African ethnic hair care and health care market through the acquisition of the consumer division of Enaleni Pharmaceuticals. On March 11, 2008, Sil, the company's processed food business, was divested to Scandic Food India Pvt Ltd, the Indian subsidiary of Good Food Group, a Danish business house. In April 2008, ML and India Nissin Foods (INFL) mutually decided to end their distribution agreement in order to focus on their own products.

Marico markets well-known brands such as Parachute, Nihar, Maha Thanda, Hair & Care, Shanti, Fiancee, Caivil, Hair Code and Black Chic and Silk n Shine in the hair care segment and Saffola and Sweekar in the edible oils and functional foods segment. Also, the company is present in skin care solutions through Kaya skin clinics (India and the Middle East).

Exhibit 2: Marico Revenue mix (FY09)



Source: Company, ICICIdirect.com Research
**Includes Kaya Middle East*

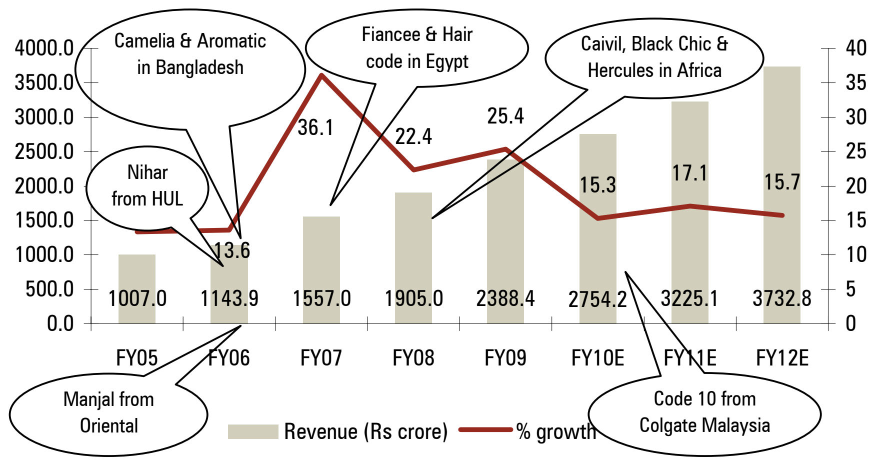
Investment Rationale

Revenue growth to roll

Buoyed by its strong brand equity, synergistic acquisitions and market leadership in select categories, the company's revenues have grown at a CAGR of 27.8% from Rs 1144.0 crore in FY06 to Rs 2388.0 crore in FY09. Post the acquisition of Nihar hair oil, Manjal soaps, Camelia and Aromatic soaps in FY06 the company reported a 36.1.1% YoY growth in revenues. While the acquisition of Nihar complemented Marico's strength in the hair oil space, the acquisition of Aromatic and Camelia gave it a stronger foothold in the Bangladesh soap market.

The company has completed eight synergistic acquisitions as on Q3FY10, which has enabled it to acquire strong brands across geographies and categories. We believe that any further acquisitions undertaken will aid revenue growth

Exhibit 3: Revenue growth buoyed by acquisitions



Source: Company, ICICIdirect.com Research

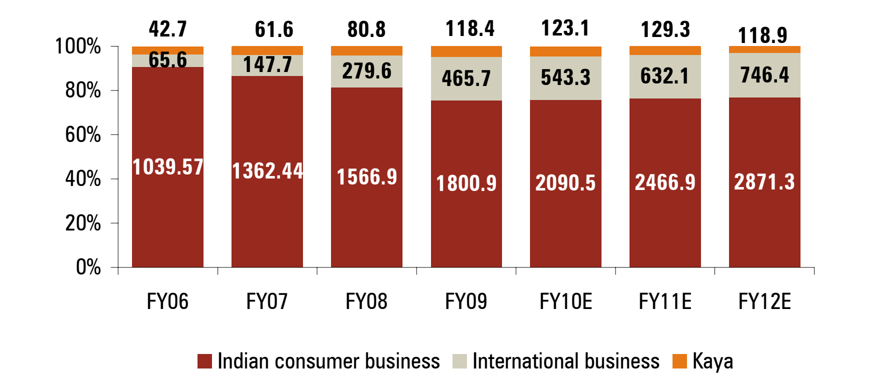
In light of the company's strategy, which has been built around acquiring a strong brand, unlocking its growth potential and, thereby, expanding inorganically, we expect the company's sales to grow at a CAGR of 16.0% from FY09-FY12E post the acquisition of Code 10 in Q3FY10. Furthermore, we believe any further acquisitions undertaken will enable the company to leverage its brand power and enhance sales.

Revenue mix

The company operates via three main business units namely, the Indian consumer business, the international business and Kaya (skin care solutions and lifestyle).

Backed by sustainable volume growth in flagship brands and a spate of acquisitions undertaken globally, we expect the Indian consumer and international businesses to witness revenue CAGR of 16.8% and 17.0%, respectively

Exhibit 4: Revenue mix (Rs crore)



Source: Company, ICICIdirect.com Research

The Indian consumer business, which contributed 75.5% to total revenues in FY09, remains the mainstay of the company's business. The international business constitutes around 19.5% of the total turnover as on FY09. On account of the accelerated growth of the international business and the company's recent foray into the Malaysian hair styling and gels market via the acquisition of Code 10, we expect this division to constitute 20.0% of revenues in FY12E. Given the discretionary nature of consumer spending and the recent price hikes taken consequent to the imposition of service tax, (September 2009) the Kaya business has been impacted by the overall economic slowdown. In light of this fact and the company's decision to halt expansion plans, we expect revenues to remain subdued with contributions of 6.8% in FY11E and 6.3% in FY12E.

Stable flagship brands to anchor growth

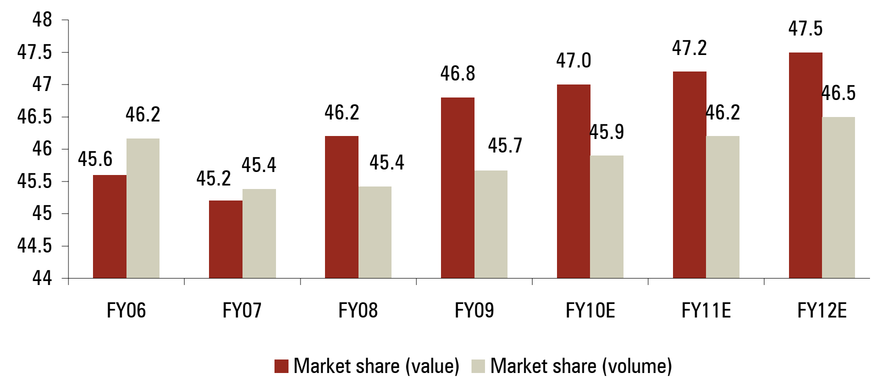
Parachute and Saffola, Marico's two flagship brands have carved a niche for themselves in the coconut and edible oil categories. Backed by sustainable volume growth, brand extensions across categories and revenue contributions of 32% (Parachute) and 16% (Saffola), respectively, we expect these brands to remain the company's pillars of stability.

Market dominance prevails with Parachute

Parachute, along with its extensions contributes around 40% to total revenues and continues to provide the company with a firm foundation of growth. It has gained market share (value) from 45% in FY04 to 46.8% in FY09 and has maintained its leadership position in the branded coconut hair oil category.

Parachute commands a dominant position in the branded coconut hair oil market with a market share of 46.8% (value) and 45.7% (volume)

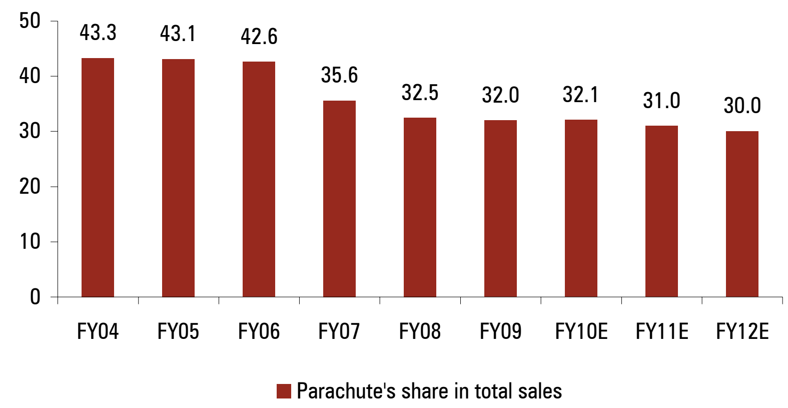
Exhibit 5: Parachute market share (%)



Source: Company, ICICIdirect.com Research

Parachute's contribution to the company's topline stands at 32% in Q3FY10. Although the decline in revenue contribution from Parachute illustrates the diversification of the company's portfolio, it still remains the largest contributor to the topline. With several initiatives undertaken by the company to seek new avenues of growth (foray into the functional foods via Saffola and skincare via Kaya) and the expansion of its overseas footprint, we expect Parachute's contribution to net sales to decline to 31% in FY11E and 30% in FY12E, respectively.

Exhibit 6: Parachute's contribution to revenues (%)

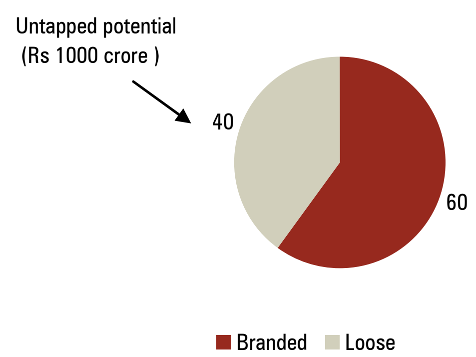


Source: Company, ICICIdirect.com Research

Parachute's contribution to the topline stands at 32%. With initiatives undertaken by the company to seek new avenues of growth including the expansion of its international footprint, we expect Parachute's contribution to net sales to decline to 30% in FY12E

Estimated at approximately Rs 2,500 crore, the branded coconut oil market currently captures only 60% of the total hair oil market in India (Rs 1500 crore). The remaining 40% of the oil consumed is still unbranded signifying immense potential.

Exhibit 7: Branded and loose hair oil market (FY09)



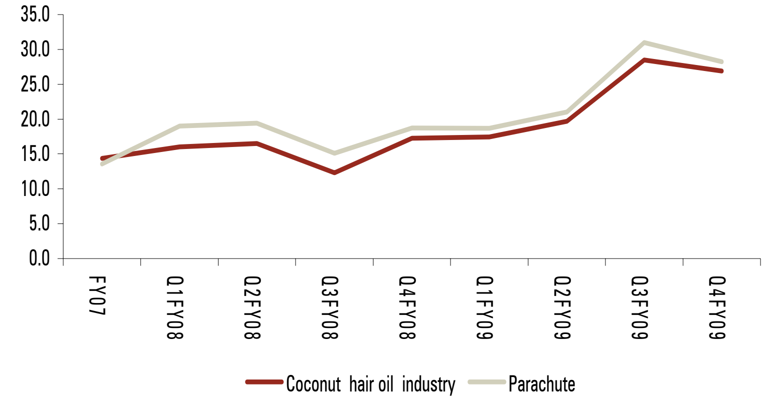
Source: Company, ICICIdirect.com Research

With 40% of the coconut hair oil market still remaining unbranded, the company can drive growth by gradually shifting consumers from unbranded loose oil to branded packaged oil

Driven primarily by a gradual shift among customers from unbranded loose oil to branded packaged oil, Parachute coconut oil grew by 8% in Q3FY10 vis-à-vis Q3FY09. With several new initiatives undertaken by the company to enhance frequency of usage (Parachute Advansed Easy Champi and hot Champi pack), we expect Parachute to maintain its market share and sustain its growth momentum, going forward.

Parachute grew by 28.2% vis-à-vis the coconut hair oil market, which grew at 26.8% in Q4FY09, illustrating its pace of growth vis-à-vis the coconut hair oil market

Exhibit 8: Parachute coconut oil growth vis-à-vis coconut hair oil market (%)

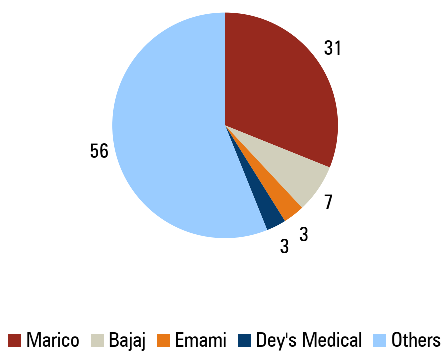


Source: Company, ICICIdirect.com Research

Parachute along with Nihar and Oil of Malabar commands a lion's share of the Indian hair oil market (as on FY09). With the launch of new prototypes such as Parachute Advansed Revitalising hot oil, we expect the company to continue to dominate the market, going forward.

Parachute along with Nihar and Oil of Malabar dominates the branded hair oil market with a market share of 31%

Exhibit 9: Marico's market share in branded hair oil market as on FY09 (%)



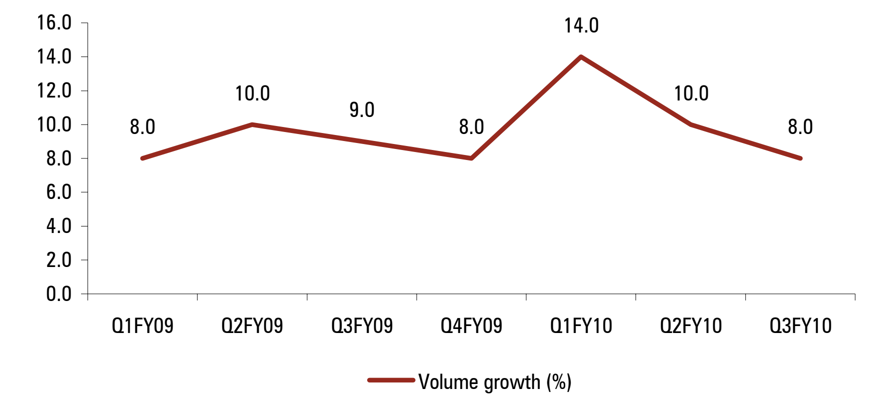
Source: Company, ICICIdirect.com Research

Pricing power prevails with strong brand equity of Parachute

Given the brand's strong equity among consumers, the company believes that it is in a position to pass on any increase in input prices and maintain its margin per unit volume. This is evident from the company's ability to sustain volume growth notwithstanding the 10% price hike taken during the April-August period of 2008 in retaliation to a 30% YoY increase in copra prices. With the prices of copra having declined by 19% YoY in Q1FY10, 27% in Q2FY10 YoY and 22% in Q3FY10 vis-à-vis Q3FY09 the company has undertaken price cuts and grammage increases across stock keeping units (SKUs) in order to roll back the price hikes taken earlier.

Pricing power prevails with Parachute, which had maintained volume growth in spite of price hikes taken in FY09, clearly demonstrating its strong brand equity

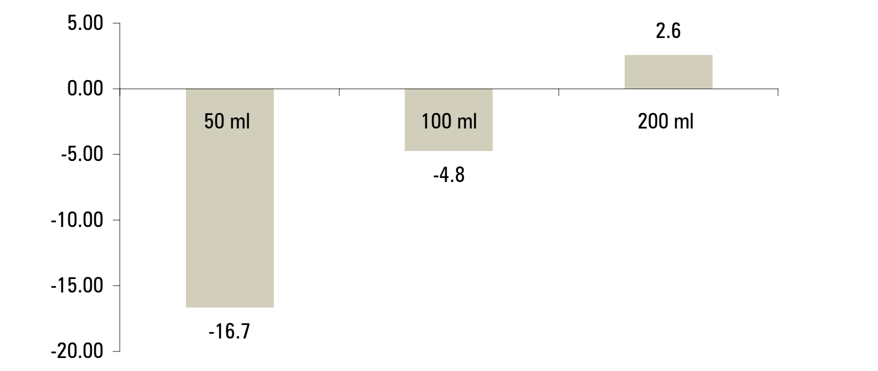
Exhibit 10: Parachute's volume growth (%)



Source: Company, ICICIdirect.com Research

With copra prices witnessing a major correction (22% in Q3FY10) the company decreased prices across SKUs in order to roll back price hikes undertaken earlier

Exhibit 11: Parachute price hikes/reductions across SKUs in Q3FY10 (%)



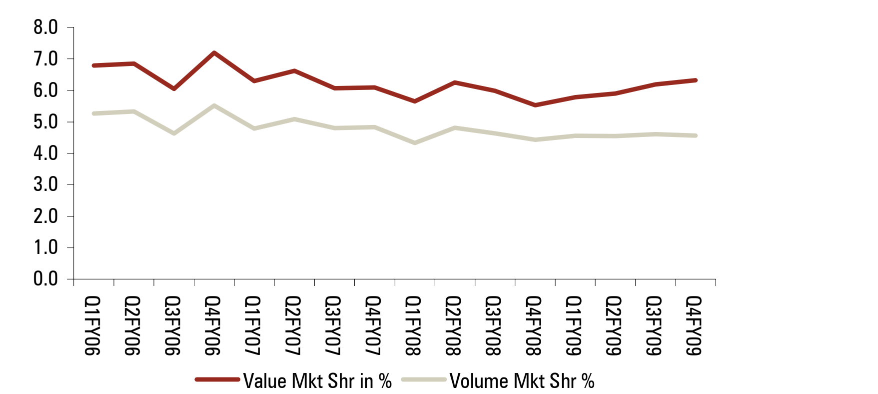
Source: Company, ICICIdirect.com Research

Saffola –the health and wellness niche

Saffola, which enjoys a dominant market share in the refined safflower oil market, commands a volume market share of 54% (Q3FY10) and contributes ~16% (FY09) to total revenues.

With the positioning of Saffola as a preventive measure rather than a curative one, Saffola edible oil has maintained market share at sustainable levels

Exhibit 12: Market share of Saffola (refined edible oil) in small packs (%)

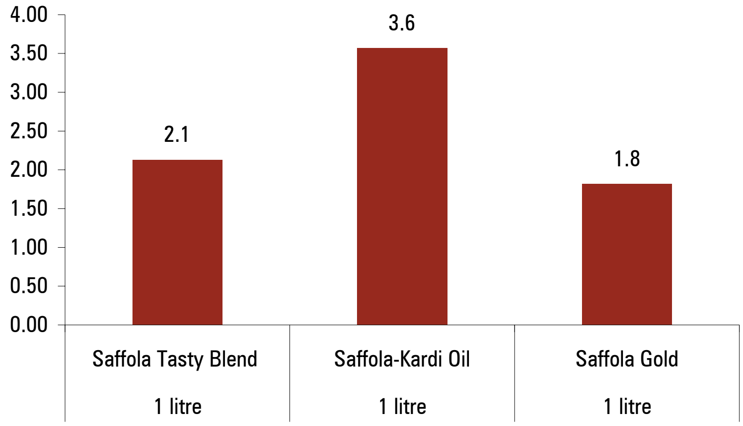


Source: Company, ICICIdirect.com Research

The brand's refined edible oils franchise, which consists of Saffola Gold, Saffola Tasty Blend, New Saffola and Saffola Active grew by 11% in volume terms in FY09. By repositioning the Saffola brand from one that represents pure edible oil to one that depicts health and wellness, the company has successfully transformed Saffola into a lifestyle brand.

The reduction in retail prices of Saffola by 10% in Q1FY10, aided the brand in setting its premium vis-à-vis other refined edible brands s at sustainable levels

Exhibit 13: Price hikes/reductions in Saffola across SKUs in Q3FY10 (%)

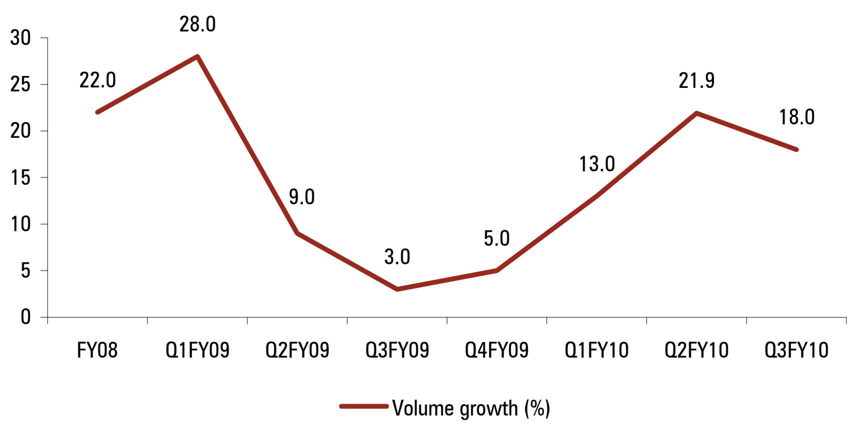


Source: Company, ICICIdirect.com Research

With the positioning of Saffola as a preventive measure rather than a curative one the company is seeking to benefit from the early adoption of the product by health conscious consumers, thereby enabling the company to maintain a sustainable volume growth, going forward. Although typically Saffola commands a significant pricing premium (20-25%) vis-à-vis other refined edible oils the company had reduced the retail prices of Saffola by 10% in Q1FY10 in anticipation of lower safflower oil prices, which declined by 14% over the levels in Q4FY09. This enabled the brand to set its premium to other refined edible oils in the market at more sustainable levels. During Q3FY10, Saffola grew by 18% (volume) aided by a consumer offer of 20% extra on select SKUs of Saffola Gold and Active.

In Q3FY10, Saffola grew by 18% in volume terms aided by a consumer offer (20% extra on select SKU's of Saffola Gold and Active).

Exhibit 14: Saffola volume growth (%)



Source: Company, ICICIdirect.com Research

Extension of flagship brands — Parachute and Saffola

Marico has exploited its flagship brands (Parachute and Saffola) by extending them into products beyond the coconut oil and coconut oil space. While Parachute has been extended into the perfumed coconut hair oil (value-added hair oils), hair cream and gels category, the Saffola brand has been extended into the functional foods category by introducing special flour mixes that help control diabetes and cholesterol (Saffola Diabetics Management and Saffola Cholestrol Management), low sodium salt to control hypertension (Saffola Salt Plus), baked snack foods (Saffola Zest) and a premium quality of rice that helps consumers manage and control weight (Saffola Rice). Given the nascent size of the functional foods industry, we believe the following phenomenon augurs well for the company, which is expecting 20-30% of the core Saffola consumers to take to the brand extensions within the next five years.

With the extension of the flagship brands (Parachute and Saffola) to related segments and categories, the company has been able to capture a larger share of the hair and edible oil market

Exhibit 15: Extension of flagship brands

New Product launches	Description
Parachute Advansed hot oil	Coconut oil
Parachute Night Repair Cream	Fragrant cream
Parachute Advansed Starz	Oil and shampoo
Saffola Zest	Healthy baked snack
Saffola Rice	Low GI-weight management rice
Saffola Diabetics	Atta mix
Saffola Cholestrol Management	Atta mix
Saffola Arise	Low GI rice

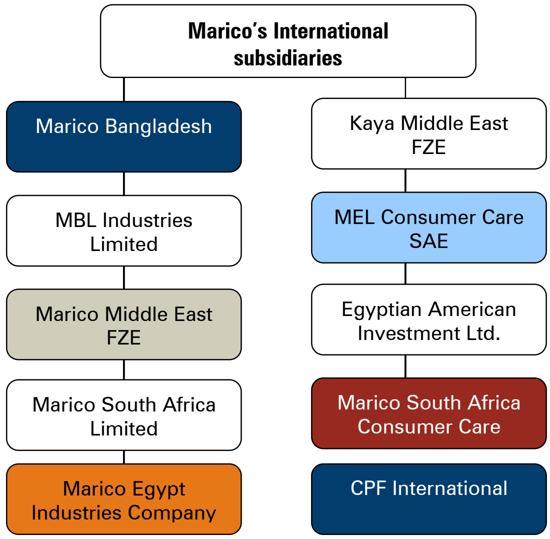
Source: Company, ICICIdirect.com Research

International business to improve incremental growth

Marico's international business division contributed 19.5% of total sales (FY09) as against 8% in FY04. This business, built by a slew of acquisitions, spans across a host of countries including Bangladesh, Egypt, South Africa, other Saarc countries and the Middle East.

The international business, built by a slew of acquisitions, spans across a host of countries including Egypt, Bangladesh, South Africa, Middle East and other Saarc countries

Exhibit 16: Marico's international subsidiaries

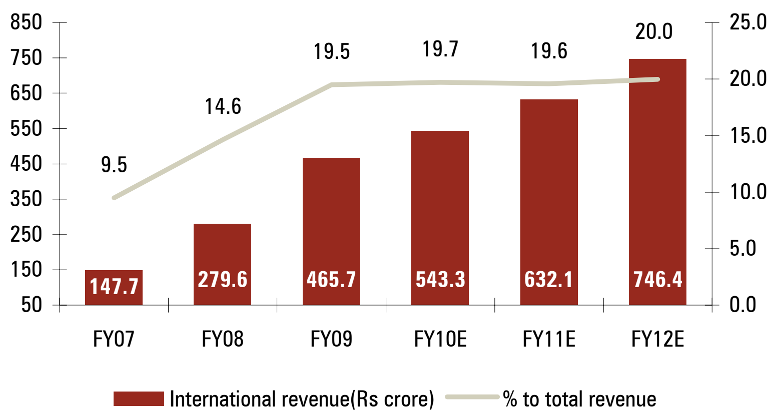


Source: Company, ICICIdirect.com Research

With sales growing at a CAGR of 67.8% from Rs 147.7 crore in FY07 to Rs 465.7 crore in FY09, the international business has emerged as a key entity driving growth inorganically.

With sales growing at a CAGR of 67.8% (FY07-FY09), the international business will emerge as a key growth driver, going forward, contributing 20.0% to revenues in FY12E

Exhibit 17: Revenue growth and contribution



Source: Company, ICICIdirect.com Research
**International Revenues exclude Kaya India*

This acceleration in revenues supported by volume growth and the introduction of several initiatives (advertising campaigns, re-staging of brands, new launches and packaging) has extensively enhanced the contribution of the international business to consolidated revenues from 9.5% in FY07 to 19.5% in FY09.

Exhibit 18: Brands and market share of international brands as on FY09

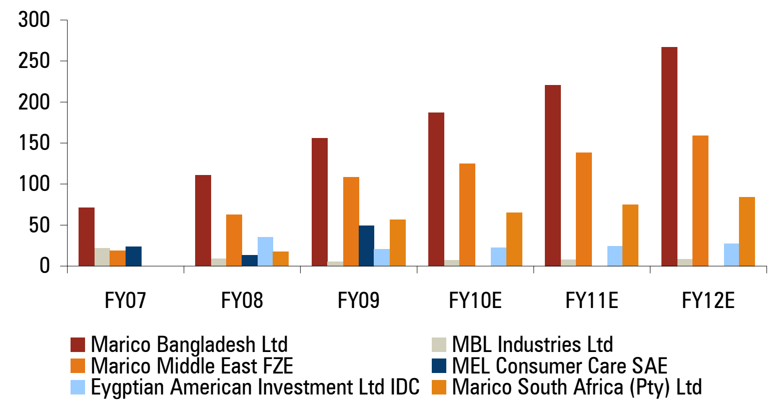
Brand	Market-Region	Category	Market Share (%)
Hair Code	Bangladesh	Hair dye	**15**
Parachute	Bangladesh	Coconut oil	73
Camelia and Aromatic	Bangladesh	Beauty soap	4
Parachute	Middle East	Coconut oil	22.5
Parachute cream	Middle East	Hair cream	23
Fiancee & Hair Code	Egypt	Hair creams and gels	58.5
Caivil	South Africa	Premium ethnic hair care	5--6
Black Chic	South Africa	VFM hair care	5--6
Hercules	South Africa	OTC Health Care	9--10

Source: Company, ICICIdirect.com Research

In Bangladesh, the Middle East and South Africa, Marico forms the mainstay of the business. However, we believe that growth emanating from the company's recent entry into the Malaysian hair styling market led by the acquisition of Code 10, (the third largest player in the Malaysian hair styling market) will aid in improving the contribution of the international business to total turnover from 19.5% in FY09 to 20.0% in FY12E.

While Marico Bangladesh registered sales CAGR of 48.0% from FY07-FY09, Marico in the Middle East recorded sales CAGR of 138.6% over FY06-FY09

Exhibit 19: Revenues of key subsidiaries (Rs crore)



Source: Company, ICICIdirect.com Research

Led by strong performances from Parachute (market share 73% in FY09) and the launch of Hair Code hair dye (15% market share in FY09), Marico in Bangladesh has registered sales CAGR of 48.0% from FY07-FY09. Also, Marico in the Middle East recorded sales CAGR of 138.6% over FY06-FY09 on the back of market share gains from the Parachute franchise. Despite the recessionary trends in South Africa, the company has been able to register sales of Rs 61.3 crore in FY09 with the introduction of new product offerings.

Steady pipeline of prototypes and launches

In order to generate additional sources of revenue and create a healthy pipeline of new products the company engages in a prototyping approach. This entails the testing of a few hypotheses in a low-cost fail-fast model in order to successfully identify scaleable marketing and product propositions. While driving topline growth this initiative also allows the company to leverage its branding and distribution effectiveness in order to launch a host of brand extensions. As on Q3FY10, new prototypes and innovations contribute around 16% to the company's revenues.

The company engages in a prototyping approach. This entails the testing of a few hypotheses in a low-cost fail-fast model

Exhibit 20: New launches and prototypes in the domestic market

Category	FY08	FY09
Hair oils, creams & gels	Maha Thanda Parachute Advansed Starz	Parachute Advansed Revitalising Hot Oil Nihar Naturals Coconut Cooling Oil Parachute Advansed Coconut Cooling Oil
Edible oil		Saffola Active
Functional foods	Saffola Diabetics	Saffola Zest Saffola Rice
Fabric Whitener		Revive Strong and White

Source: Company, ICICIdirect.com Research

Exhibit 21: New prototypes/launches in overseas markets

Category	FY09	Q3FY10
Hair care	Hair Code	Caivil 3 -in-1 Scalp Protector Hercules castor oil

Source: Company, ICICIdirect.com Research

A spate of acquisitions undertaken to propel growth

Marico's strategy entails the acquisition of brands, which command strong brand equity and simultaneously complement its product portfolio. This strategy is evident from its initial acquisition of Mediker (P&G) in 1999, which dominated the anti-lice hair treatment category and commands a market share of 90% in Q3FY10. Post the acquisition of Oil of Malabar (1999) and Nihar (2006), the company was able to gain a significant share of the coconut hair oil market, wherein it already commanded a leadership position with Parachute.

In light of the company's strategy, which entails the acquisition of brands that command strong brand equity and simultaneously complements its portfolio, we expect healthy inorganic growth to be achieved, going forward

Exhibit 22: Acquisitions undertaken

Year of Acquisition	Brands Acquired (Rs crore)	Geographical Reach	Category Added
1999-2000	Acquired Oil of Malabar (Rs 6.0crore)	India	Hair oil
2000-2001	Acquired Mediker (Rs 15 crore)	India	Shampoo/Hair oil
2005-06	Acquired Nihar (Rs 240 crore)	India	Hair oil
2005-06	Acquired Camelia & Aromatic (Rs 50 crore)	Bangladesh	Soaps
2006-2007	Acquired Fiancee & Hair Code (Rs 100 crore)	Egypt	Hair cream & gels
2007-2008	Acquired Black Chic, Caivil, Hercules (Rs 53 crore)	South Africa	Hair cream & gels
2009-2010	Acquired Code 10 (Rs 20-25 crore)	Malaysia	Hair stylers & gels

Source: Company, ICICIdirect.com Research

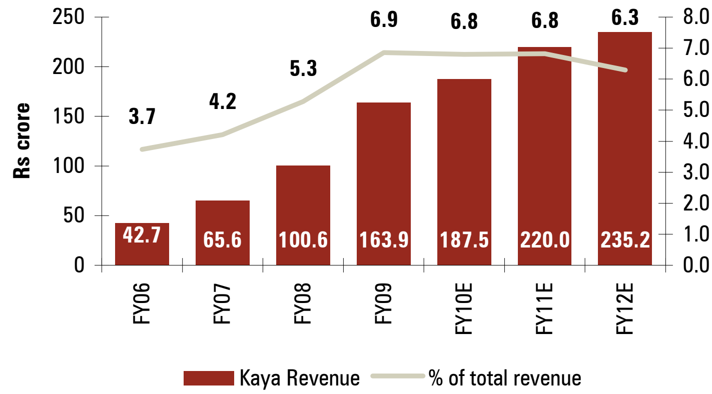
The company has also expanded its overseas blueprint via the acquisition of strong brands across geographies. While the acquisition of Camelia and Aromatic has enabled the company to gain ready access to the soap market in Bangladesh (valued at Rs 600 crore) with a market share of 4%, the acquisition of Fiancee and Hair Code has paved the way for the company's entry into to the Rs 200-crore hair care market in Egypt with a market share of 58.5%. In October 2007, the company bought the consumer division of Enaleni Pharmaceuticals Ltd in South Africa acquiring the brands Caivil in premium ethnic hair care, Black Chic in VFM hair care and Hercules in OTC healthcare. With a slew of acquisitions already undertaken and the recently announced acquisition of Code 10 (Malaysia), we expect inorganic growth to be one of the key avenues of growth, going forward. Moreover, we believe any further acquisitions undertaken will add synergies and enhance revenues.

Although Kaya has grown at a CAGR of 56.5% over FY06-09, the recent slowdown witnessed at Kaya and the company's plans to halt clinic expansion will cause revenues to witness a CAGR of 13.0% over FY09-12E

Kaya — short term radiance fading, long-term growth intact

Marico ventured into the skin care solutions business through a wholly owned subsidiary Kaya Skin Care Ltd., a unique retail venture offering scientific dermatological procedures in a spa-oriented ambience. With 74 clinics operational in India and 11 in the Middle East, Kaya generates 5% of the company's turnover as on FY09. In order to complement its skin care services portfolio, Kaya has also launched an array of skin care products, which are sold exclusively in the clinics and account for 13% of total clinic sales.

Exhibit 23: Kaya's revenue growth and contribution to total sales

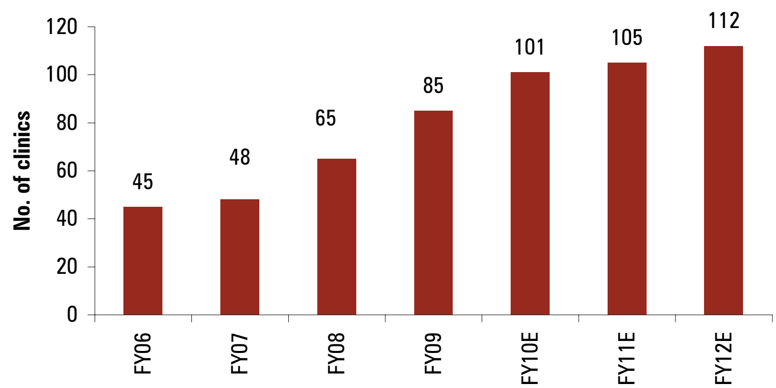


Source: Company, ICICIdirect.com Research
**Includes Kaya Middle East*

In light of the discretionary nature of consumer spending in Kaya and the service tax imposed the company has decided to halt clinic expansion in India while continuing to expand in the Middle East

Over FY06-09, Kaya has grown at a CAGR of 56.5% and has broken even in FY08 with Rs 5.0 crore at the EBITDA level. During Q3FY10, Kaya's skin care turnover grew by 10% to Rs 44.0 crore vis-à-vis Q3FY09. However, there was a decline of around 9% QoQ. In light of the discretionary nature of consumer spending at Kaya, the business has been impacted by the overall economic slowdown. In addition to this, the imposition of service tax and consequent price hikes taken by the company have also put some pressure on growth.

Exhibit 24: Addition of clinics at Kaya



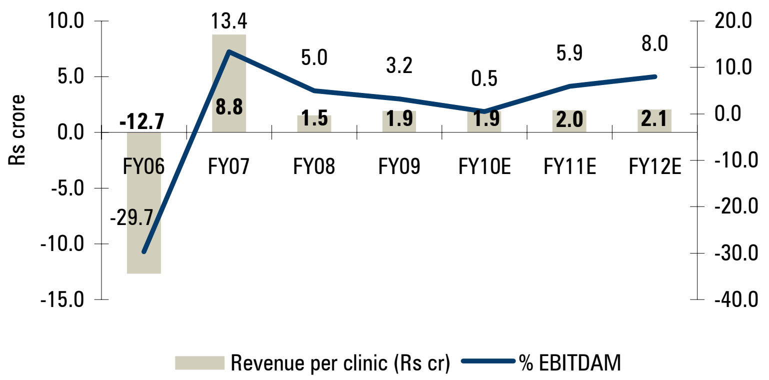
Source: Company, ICICIdirect.com Research

Short-term radiance fading

While same clinic growth declined by 13% YoY in India it witnessed a 16% rise in the Middle East in Q3FY10. Although the clinics in Dubai have been adversely affected by the financial crisis, the business in the Middle East, as a whole, has performed well. The company plans to consolidate its operations within this segment prior to undergoing any further expansion in India. With only one clinic being added during the quarter (Q3FY10), the company plans to take a temporary break in clinic additions in India. However, it will continue to focus on the profitability of current clinics. Still, it will continue to add more branches in its Middle East portfolio, where profit margins are higher. Although skin care, as a high-ticket discretionary item, will be adversely affected in the near term, we believe the growing trend towards beauty and wellness will keep long-term growth intact. We estimate revenues of Kaya Skin Clinic to grow at a CAGR of 13.0% over FY09E-FY12E.

The decline in discretionary consumer spending coupled with the company's plan to halt expansion plans will lead to flat or marginal growth in revenue per clinic in the near term

Exhibit 25: Revenue per clinic vis-à-vis EBITDA margin



Source: Company, ICICIdirect.com Research

A typical Kaya clinic takes a year to mature. As the number of mature clinics increases, the revenue per clinic witnesses a concomitant rise. However, the decline in discretionary consumer spend coupled with plans to halt expansion will lead to flat or marginal growth in revenue per clinic in the near term (FY10E and FY11E).

A decline in same clinic sales by 13% YoY and plans to halt clinic expansion in India will cause the EBITDA margin to dip to 0.5% in FY10E. However, new clinic additions in the Middle East and higher revenues post FY10, will lead to a gradual improvement in EBITDA margin in FY11E and FY12E (5.9% and 8.0%)

Exhibit 26: Kaya cost structure (Rs crore)

	FY09	FY10E	FY11E	FY12E
Number of stores	85	101	105	112
Revenue per clinic	1.8	1.8	1.8	1.8
Revenue	163.9	187.5	220.0	235.2
Raw material cost	42.6	43.6	48.4	51.7
Rent	13.4	18.7	20.2	22.4
Employee cost	44.1	57.6	66.0	71.7
Advertisement cost	27.1	30.0	34.1	32.9
Other expenses	31.1	36.6	38.2	37.6
Total cost	158.4	186.4	207.0	216.4
EBITDA	5.5	1.1	13.0	18.8
EBITDA per clinic	0.07	0.01	0.12	0.17
EBITDA Margins(%)	3.2	0.5	5.9	8.0
ROCE (%)	6.8	1.0	11.0	14.1

Source: Company, ICICIdirect.com Research

Long-term growth intact

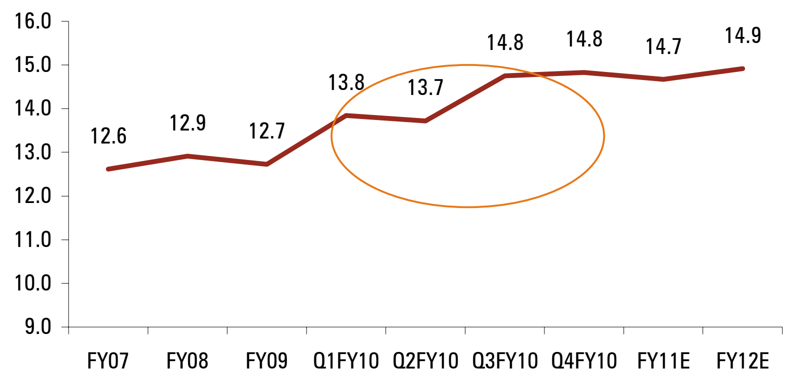
Although we believe the existing clinics will continue to witness sales growth, the substantial costs incurred on account of staff and advertising expenses coupled with the recent economic environment will restrict immediate growth in EBITDA margins. However, going forward, as most of the existing stores mature and new stores get added, the aforementioned expenses will be spread over a larger base of stores, thereby, expanding margins from 0.5% in FY10E to 8.0% in FY12E

Margins to sustain at elevated levels

The company's margins expanded from 12.7% in FY09 to 14.1% in 9MFY10 led by a major correction in key commodity prices like copra and safflower oil.

In Q3FY10, the prices of copra and safflower oil were 22% and 28% lower vis-à-vis Q3FY09. This enabled margins to expand to 14.8% in Q3FY10 from 13.7% in Q2FY10

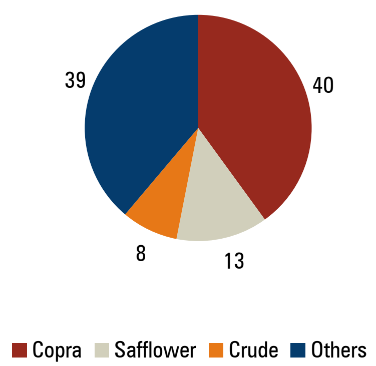
Exhibit 27: EBITDA margins (%)



Source: Company, ICICIdirect.com Research

Copra and safflower constitute a significant portion of the total raw material costs at 40% and 13%, respectively, while packaging (crude) constitutes 8%

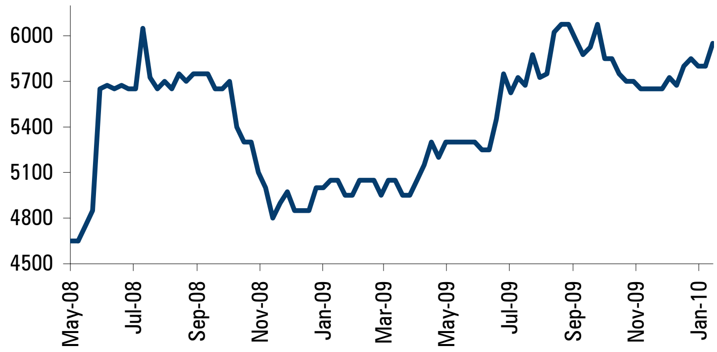
Exhibit 28: Raw material cost break-up as on FY09 (%)



Source: Company, ICICIdirect.com Research

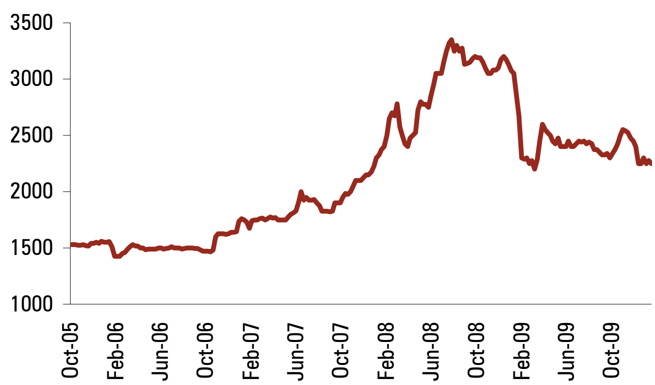
The prices of copra and safflower oil were 22% and 28% lower in Q3FY10 vis-à-vis Q3FY09. This enabled margins to expand to 14.8% in Q3FY10 from 13.7% in Q2FY10

Exhibit 29: Copra prices (Rs per quintal)



Source: Bloomberg, ICICIdirect.com Research

Exhibit 30: Safflower oil prices (Rs per quintal)



Source: Bloomberg, ICICIdirect.com Research

In order to combat persisting inflationary pressures witnessed in FY09, the company had hiked the prices of Saffola and Parachute by 13% and 26%, respectively. This led to a dip in margins to 12.7% in FY09 from 12.9% in FY08. However, in the nine month period (as on December 31, 2009) the company witnessed a significant dip in raw material prices. In Q3FY10, the prices of copra and safflower oil were 22% and 28% lower, respectively, vis-à-vis Q3FY09. This enabled margins to expand to 14.8%in Q3FY10 from 13.7% in Q2FY10. The company subsequently took advantage of this expansion in margins by increasing advertising expenses from 10.2% of the net sales in Q3FY09 to 12.8% in Q3FY10. With copra and safflower oil constituting a significant proportion of raw material costs (40% and 13%, respectively) any major rise in prices will take a toll on margins.

By decreasing advertising spend when raw material costs are high, the company can sustain margins at elevated levels

Exhibit 31: Raw material costs vis-à-vis advertising spend (% to sales)

	Q1FY09	Q2FY09	Q3FY09	Q4FY09
Raw material & packaging (% to sales)	54.1	54.1	55.1	50.7
Advertising (% to sales)	11.2	9.4	10.2	11.2
Total	65.3	63.5	65.3	61.9
	Q1FY10	**Q2FY10**	**Q3FY10**	**Q4FY10E**
Raw material & packaging (% to sales)	50.3	47.1	47.3	48.8
Advertising (% to sales)	12.2	13.2	12.8	13.2
Total	62.5	60.3	60.1	62.0

Source: Company, ICICIdirect.com Research

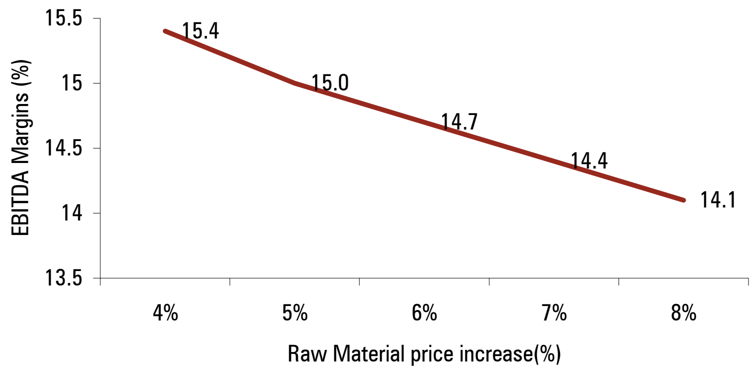
By following a policy of decreasing or increasing advertising expenses vis-à-vis a rise or fall in raw material prices, we expect margins to be insulated from any major spurt in raw material costs. With this strategy, margins have enough room to expand when under pressure as any noteworthy rise in raw material costs can be offset by a subsequent reduction in advertising expenses. With copra and safflower oil prices being 28% and 22% lower YoY in Q3FY10, raw material costs (as a percentage of sales) was lower at 47.3% vis-à-vis 55.1% in Q3FY09, thereby causing the company to enhance adverting spend (as a ratio of percentage of sales) to 12.8% vis-à-vis 10.2% in Q3FY09. With the implementation of this policy, going forward, we expect margins to sustain at elevated levels (14.7% in FY11E and 14.9% in FY12E).

Risks and concerns

Susceptible to raw material costs

Coconut oil along with other edible oils such as safflower oil constitutes 40% and 13% of the raw material costs, respectively. Consequently, any significant rise in copra prices and safflower can adversely impact margins and the bottomline. Additionally, any exorbitant rise in crude oil will lead to a correspondent rise in packaging materials, which, in turn, will negatively impact margins.

Exhibit 32: Impact of input price rise on EBITDA margins (%)



Source: Company, ICICIdirect.com Research

Foreign currency risks

Since a significant portion of the company's revenues are earned in foreign currencies, any expansion into new geographies exposes Marico to additional foreign currency risks associated with such diversification. Moreover, since some of the raw materials are imported into India, any significant fluctuations in these currencies can hamper the company's financial performance.

Slowdown in Kaya expansion

Although we have taken into consideration the company's plans to halt expansion plans this year in situations of economic duress, items which are of a discretionary in nature are the first to be curtailed. The services being offered by Kaya being discretionary in nature are likely to witness a dip in consumer spending. As a result, any further slowdown in expansion or shutdown of existing clinics will hamper our revenue estimates and EBITDA margins.

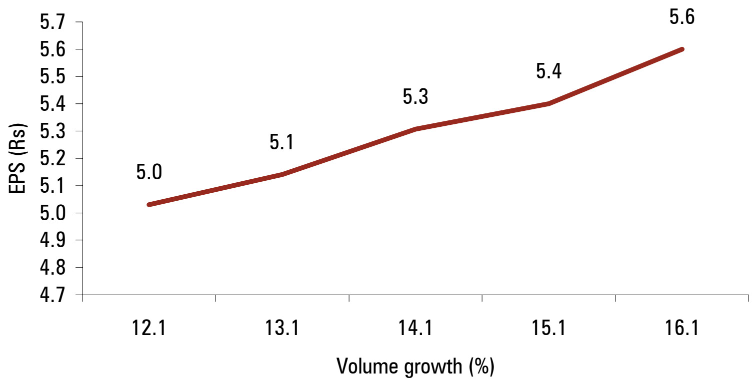
Credible competition

The FMCG industry is characteristic of low capital requirements, simple manufacturing processes and sub-contracting of manufacturing activities. Subsequently, the company that operates in an FMCG environment is susceptible to competition from several large, small local and regional brands. Hence, it is imperative for the company to focus on branding, product development and innovation in order to combat competition and protect market share.

Down-trading in situations of economic duress

In an extended recession, down-trading from branded products to non-branded ones remains an inevitable possibility. This could adversely affect volume growth and, consequently, the financial performance of the company.

Exhibit 33: EPS sensitivity to volume growth



Source: Company, ICICIdirect.com Research

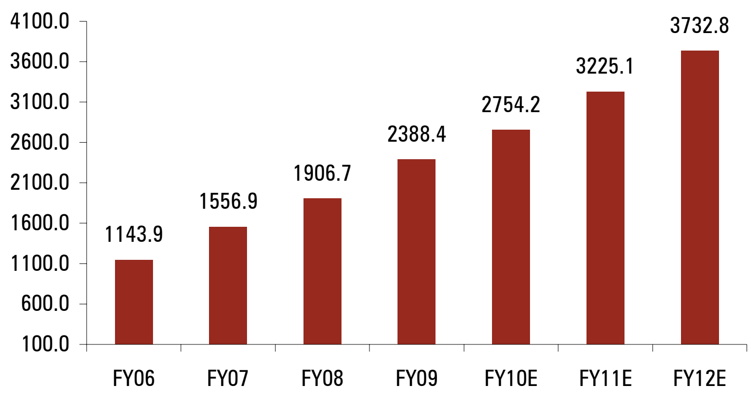
Financials

Robust revenue growth

The company reported a topline of Rs 1906.7 crore and Rs 2388.4 crore in FY08 and FY09, respectively. The topline has grown at a CAGR (FY06-FY09) of 27.8%, primarily on the back of strong volume growth of 12%. Marico's flagship brands Parachute and Saffola maintained their volume growth momentum at 9% and 11%, respectively, over FY08. We expect the topline to grow at a robust pace of 17.1% and 15.7% in FY10E and FY11E, respectively. This implies healthy revenue CAGR (FY09-FY12E) of 16.0% to Rs 3732.8 crore, led by the recently acquired Code 10, in Malaysia and the launch of prototypes.

We expect the topline to grow at a healthy CAGR (FY09-FY12E) of 16.0% to Rs 3732.8 crore, backed by strong volume growth from flagship brands and the recently acquired Code 10

Exhibit 34: Revenue growth (Rs crore)



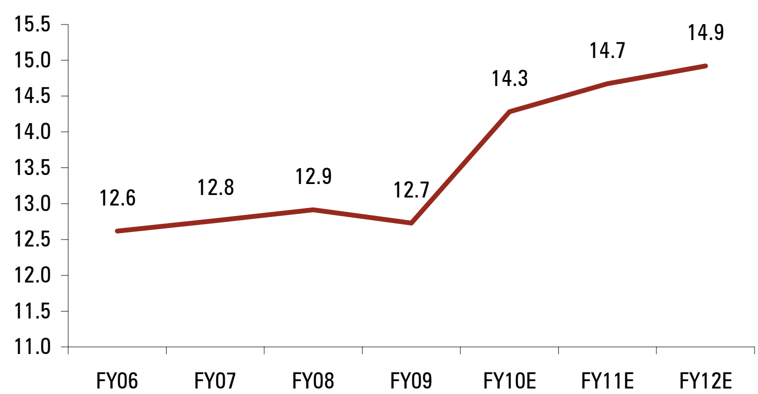
Source: Company, ICICIdirect.com Research

EBITDA margin to be maintained, going forward

The EBITDA margin dipped to 12.7% in FY09 from 12.9% in FY08 on the back of a significant rise in raw material costs. Copra, the input for coconut oil, accounts for 40% of the company's raw material costs. It witnessed a 25% rise vis-à-vis FY08.

EBITDA margins are expected to rise to 14.3% in FY10E on the back of a drastic dip in raw material costs

Exhibit 35: EBITDA margin (%)



Source: Company, ICICIdirect.com Research

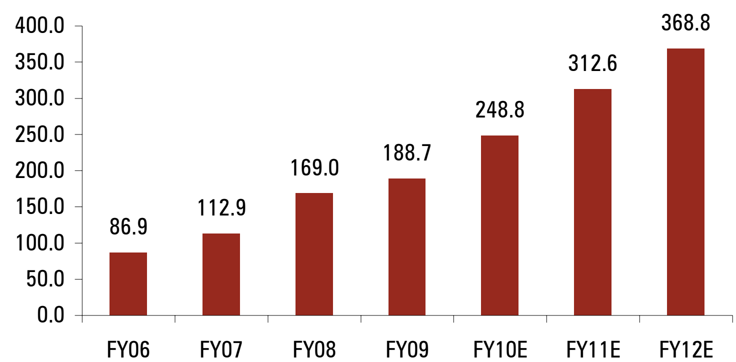
Similarly, safflower prices were around 35% higher compared to the previous year. In Q3FY10, copra and safflower oil prices were around 22% and 28% lower, respectively, vis-à-vis Q3FY09. With copra and safflower oil having corrected from their FY09 highs, we expect the company to register margins of 14.7% and 14.9% in FY11E and FY12E, respectively.

Net profit to accelerate

The company reported an 11.7% rise in the bottomline to Rs 188.7 crore in FY09 from Rs 169.0 crore in FY08. This was on account of higher EBITDA contributions from the Parachute and Saffola franchise. However, in FY08, the company made a one-time profit of Rs 10.6 crore on the sale of its Sil business and an extraordinary loss of Rs 15.03 crore on the sale of its Sundari business. With the international business witnessing an accelerated growth in revenues and the recently completed acquisition of Code 10, we expect net profit to grow at a CAGR of 25.0% over FY09-FY12E.

With the international business registering an accelerated growth in revenues and the recently acquired Code 10, we expect the net profit to grow at a CAGR of 25.0% over FY09-12E

Exhibit 36: Net profit (Rs crore)



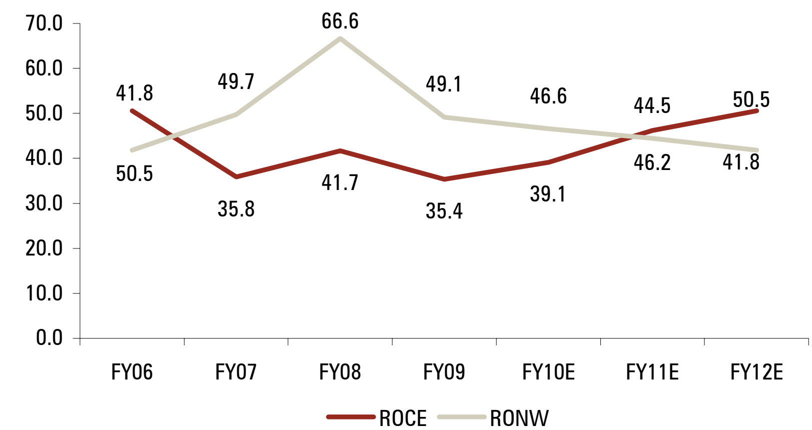
Source: Company, ICICIdirect.com Research

Attractive return ratios

In FY09, RoCE and RoNW dipped to 35.4% and 49.1%, respectively. This was on account of capital expenditure undertaken in an R&D centre in Mumbai, 20 new Kaya clinics and a new factory in Egypt.

With limited capital expenditure (Kaya) expected to be undertaken, going forward, we believe healthy cash flows generated by the company will enable it to sustain healthy return ratios at 50.5% (RoCE) and 41.8% (RoNW) in FY12E

Exhibit 37: Return ratios (%)



Source: Company, ICICIdirect.com Research

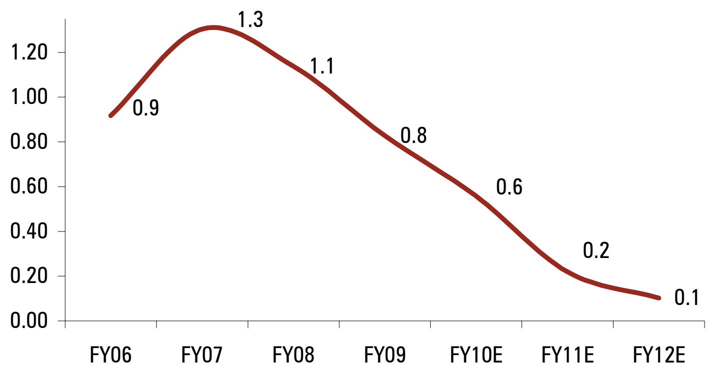
We expect the company to generate healthy cash flows, going forward, thereby causing the debt to equity to come down to 0.1 in FY12E

With limited capital expenditure (Kaya) expected to be undertaken, going forward, we believe healthy cash flows generated by the company will enable it to sustain healthy return ratios at 50.5% (RoCE) and 41.8% (RoNW) in FY12E, respectively.

Comfortably leveraged

Despite a slew of eight acquisitions undertaken the company's debt to equity ratio has gone down to 0.8 in FY09 from 1.1 in FY08. This reflects the company's ability to generate healthy cash flows. The company has a gross debt of Rs 414.0 crore of which Rs 235.0 crore is denominated in US dollars as on FY09. Net debt stands at Rs 270 crore with an average cost of around 8%. We expect the company to generate healthy cash flows, going forward, thereby causing the debt to equity to come down to 0.1 in FY12E.

Exhibit 38: Debt to equity

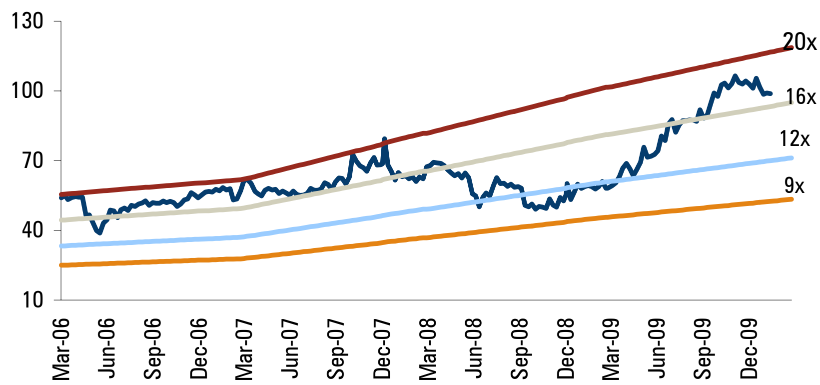


Source: Company, ICICIdirect.com Research

Valuations

Historically, the stock has traded in a range of 9-20x its two year forward earnings. At the current market price of Rs 99.3, Marico is trading at 19.3x its FY11E EPS of Rs 5.1 and 16.4x its FY12E EPS of Rs 6.1. Although the company commands strong brand equity in niche segments, its EBITDA margins of around 14% are lower than the industry average of around 18-20%. The stock is trading at a 22.8% discount to Dabur, its nearest peer. However, given the company's expansion in margins (14.9%in FY12E), ability to leverage brand equity by launching variants and generating new avenues of growth (skin care and functional foods) while successfully synergising acquisitions, we believe the stock would command a higher P/E vis-à-vis its historic P/E. Additionally, with plans to consolidate its Kaya India business and focus on mature clinic profitability, we expect lower capital expenditures to be undertaken, going forward. This, in turn, will enable the company to generate healthy cash flows. As a result, we are assigning a fair value of Rs 114.0, which is 18.8x its FY12E EPS of Rs 6.1.

Exhibit 39: P/E band



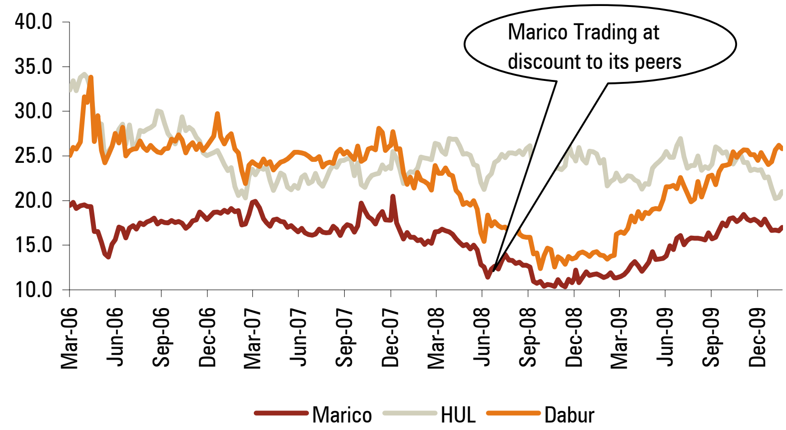
Source: Company, ICICIdirect.com Research

Exhibit 40: Peer valuation

Estimates FY11E	Marico	Dabur	HUL	Colgate
Revenue (Rs crore)	3225.1	3802.0	19852.0	2285.1
EPS(Rs)	5.1	6.7	11.6	31.3
P/E(x)	19.3	25.0	21.0	22.5
EV / EBITDA(x)	12.9	21.5	16.1	18.4
Market cap / Sales (x)	1.9	3.9	2.5	4.2
Market Cap(Rs Crore)	6047.4	14922.6	50903.9	9561.6
EBITDA Margins (%)	14.7	18.5	15.8	21.9
RoE (%)	44.5	51.2	98.0	131.4
CMP (Rs)	99.3	167.6	244.0	705.0

Source: Company, ICICIdirect.com Research

Exhibit 41: P/E comparison

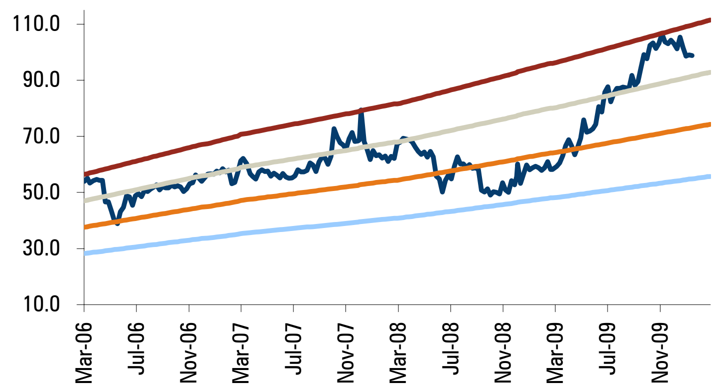


Source: Company, ICICIdirect.com Research

Market cap to sales

We are comparing Marico with its peers on a market cap to sales basis. The stock is trading at 1.9x its FY11E sales, which is at a 24% discount to Hindustan Unilever's market cap to sales and 51.0% discount to Dabur's market cap to sales. However, with robust growth in two of its flagship brands (Parachute and Saffola) and the incremental growth achieved in its international business, the stock looks extremely attractive at current valuations. Subsequently, we believe Marico should command a market cap to sales multiple of 2.0x, its FY12E sales per share. This translates to a fair value of Rs 122.8 per share.

Exhibit 42: Market cap to sales



Source: Company, ICICIdirect.com Research

DCF Valuation

Using the DCF methodology, we have arrived at a fair value per share of the stock at Rs 115.8 based on a WACC of 8.5% and terminal growth of 2.5%. We are initiating coverage on the stock with a **BUY** rating.

Exhibit 43: WACC calculation (%)

Beta	0.34
Risk free rate	7.0%
Market return	15.0%
Risk Premium	8.0%
Required Rate of Return (Cost of Equity)	9.7%
Cost of Debt	9.0%
After Tax Cost of Debt	6.8%
WACC	**8.5%**

Source: Company, ICICIdirect.com Research

Exhibit 44: Sensitivity to WACC and terminal growth

Terminal Growth(%)	**1.5**	**2.0**	**2.5**	**3.0**	**3.5**
WACC					
6.5	149.4	160.7	**175.0**	193.3	217.6
7.5	124.0	131.2	**139.8**	150.3	163.5
8.5	**105.7**	**110.6**	**115.8**	**122.9**	**131.0**
9.5	92.1	95.5	**99.4**	103.9	109.1
10.5	81.4	83.9	**86.7**	89.9	93.5

Source: Company, ICICIdirect.com Research

Table and Ratios

Profit and loss statement

(Rs crore)

Year End March	FY08	FY09E	FY10E	FY11E	FY12E
Sales	1906.7	2388.4	2754.2	3225.1	3732.8
Raw Material Cost	875.0	1164.5	1111.2	1412.4	1626.2
Staff Cost	126.8	164.8	197.2	225.8	265.0
Administrative & selling Cost	346.3	387.4	385.7	574.1	671.9
Other Operational Cost	330.3	401.9	647.8	525.5	594.1
Total Expenditure	**1660.5**	**2084.4**	**2360.8**	**2751.9**	**3175.9**
EBITDA	246.2	304.0	393.4	473.2	556.9
Growth (%)	23.9	23.5	29.4	20.3	17.7
EBITDA margins (%)	12.9	12.7	14.3	14.7	14.9
Other Income	-3.9	12.2	18.6	16.0	10.4
Interest	27.6	35.7	29.2	22.1	13.7
Depreciation	30.9	35.8	54.2	44.5	51.7
Profit before tax	204.9	229.6	320.4	422.4	501.7
Tax	11.8	40.9	71.6	109.8	133.0
Net Profit	**169.0**	**188.7**	**248.8**	**312.6**	**368.8**
EPS	2.8	3.1	4.1	5.1	6.1
EPS growth(%)	21.0	11.7	31.9	25.6	18.0

Balance Sheet

(Rs crore)

Year End March	FY08	FY09E	FY10E	FY11E	FY12E
Equity Capital	60.9	60.9	60.9	60.9	60.9
Reserves & Surplus	253.7	392.6	554.3	729.4	913.8
Net Worth	314.6	453.5	615.2	790.3	974.7
Total Loans	357.9	375.0	345.0	175.0	100.0
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0
Sources of funds	**672.7**	**828.5**	**960.2**	**965.3**	**1074.7**
Gross Block	440.3	541.9	589.9	641.6	693.3
Depreciation	163.5	203.5	257.7	302.2	353.9
Net Block	192.6	253.4	247.2	254.4	254.4
Capital Work in Progress	64.7	57.7	60.0	80.0	70.0
Investment	0.0	12.1	70.0	80.0	90.0
Inventories	260.5	339.0	377.3	441.8	511.3
Debtors	86.3	110.8	150.9	176.7	204.5
Cash	75.3	92.2	185.5	117.4	187.5
Loans and Advances	106.1	129.9	166.0	194.4	225.0
Deferred Tax Asset	98.2	64.1	61.0	61.0	61.0
Total Current assets	528.1	671.9	879.6	930.3	1128.4
Creditors	249.8	274.7	316.9	371.1	429.5
Other Current Liabilities	45.4	41.1	125.8	154.4	184.7
Total Current Liabilities	295.2	315.8	442.7	525.5	614.2
Net Current Assets	233.0	356.1	436.9	404.8	514.2
Application of funds	**672.7**	**828.5**	**960.2**	**965.2**	**1074.6**

Cash Flow statement

(Rs crore)

Year End March	FY08	FY09E	FY10E	FY11E	FY12E
Profit before tax	205.1	229.6	320.4	422.4	501.7
Depreciation	30.9	35.8	54.2	44.5	51.7
Other items	27.2	50.5	17.8	6.1	3.4
Inc/dec in debtors	-22.1	-32.5	-40.1	-25.8	-27.8
Inc/dec in trade receivanble	-24.4	-0.8	-36.2	-28.4	-30.6
Inc/dec in inventory	-39.0	-85.4	-38.2	-64.5	-69.6
Inc/dec in current liability	-4.1	18.0	126.9	82.8	88.7
Cash Flow before working capital	173.6	215.2	404.8	437.2	517.6
Direct taxes paid	-30.5	-33.6	-71.6	-109.8	-133.0
Net cash from operating activities	**143.1**	**181.6**	**304.1**	**305.3**	**370.9**
Purchase of fixed Asets	-161.4	-80.1	-50.3	-71.7	-41.7
Purchase/Sale of investment	0.0	-12.7	-57.9	-10.0	-10.0
Interest and dividend received	2.8	6.1	14.5	16.0	10.4
Net cash used in investing activities	**-158.6**	**-98.8**	**-93.7**	**-65.8**	**-41.3**
Borrowings	107.0	-71.0	0.0	0.0	0.0
Dividend paid	-59.8	0.0	-87.1	-137.5	-184.4
Net Cash used from financing activities	**47.2**	**-71.0**	**-117.1**	**-307.5**	**-259.4**
Forex Differences	-0.2	3.1	0.0	0.0	0.0
Net increase/decrease	31.5	14.8	93.3	-68.0	70.1
Op bal cash & cash equivalents	42.7	74.2	92.2	185.5	117.4
Closing cash/ cash equivalent	74.2	89.0	185.5	117.4	187.5

Ratios

% to sales	FY08	FY09	FY10E	FY11E	FY12E
Raw material cost.	44.5	46.9	40.9	43.8	43.6
Staff cost	6.6	6.9	7.0	7.0	7.1
Average cost of debt	9.1	9.3	9.5	8.5	10.0
Effective tax rate	17.5	2.4	22.0	26.0	26.5

Profitabilty Ratio(%)					
EBITDA Margin(%)	12.9	12.7	14.3	14.7	14.9
PAT Margin(%)	8.9	7.9	9.0	9.7	9.9
Adj, PAT Margin	8.9	7.9	9.0	9.7	9.9

Per share data (Rs)					
EV / per share	103.9	103.9	101.9	100.2	97.9
Book Value	5.2	7.4	10.1	13.0	16.0
Cash per share	1.2	1.5	3.0	1.9	3.1
EPS	2.8	3.1	4.1	5.1	6.1
Cash EPS	3.3	3.7	5.0	5.9	6.9
DPS	0.7	0.7	1.4	2.3	3.0

Ratios

Return ratios (%)	FY08	FY09	FY10E	FY11E	FY12E
RoNW	66.6	49.1	46.6	44.5	41.8
RoCE	41.7	35.4	39.1	46.2	50.5

Financial Health Ratio					
Operating CF (Rs cr)	173.6	215.2	404.8	437.2	517.6
FCFF (Rs cr)	20.9	102.6	253.7	233.6	329.2
Cap. Emp (Rs cr.)	672.7	828.5	960.2	965.2	1074.6
Debt to Equtiy	1.1	0.8	0.6	0.2	0.1
Debt to Capital Employeed	0.5	0.5	0.4	0.2	0.1
Interest Coverage ratio (x)	7.8	7.5	11.6	19.4	36.8
Debt to EBITDA (x)	1.5	1.2	0.9	0.4	0.2
DuPont Ratio Analysis					
PAT/PBT	0.82	0.82	0.78	0.74	0.74
PBT/PBIT	0.88	0.87	0.92	0.95	0.97
PBIT/Sales	0.12	0.11	0.13	0.14	0.14
Sales/Assets	2.84	2.89	2.87	3.48	0.00
Assets/Net worth	2.14	1.83	1.56	1.22	1.10

Working capital ratios	FY08	FY09	FY10E	FY11E	FY12E
Woking cap. / sales	0.12	0.15	0.16	0.13	0.14
Creditors turnover	7.6	8.7	8.7	8.7	8.7
Current ratio	1.8	2.1	2.0	1.8	1.8
Quick ratio	0.9	1.1	1.1	0.9	1.0
Cash to abs. liability	0.3	0.3	0.4	0.2	0.3
WC(excl. cash)/sale	0.1	0.1	0.1	0.1	0.1

Y-o-Y Growth(%)	FY08	FY09	FY10E	FY11E	FY12E
Net Sales	22.5	25.3	15.3	17.1	15.7
EBIDTA	23.9	23.5	29.4	20.3	17.7
Adj Net Profit	49.7	11.7	31.9	25.6	18.0
EPS	2.8	3.1	4.1	5.1	6.1
Cash EPS	21.0	12.4	35.0	17.9	17.7
Net Worth	63.5	44.1	35.7	28.5	63.5

Valuation	FY08	FY09	FY10E	FY11E	FY12E
PE	35.8	32.0	24.3	19.3	16.4
EV/EBITDA	25.7	20.8	15.8	12.9	10.7
EV/Sales	3.3	2.7	2.3	1.9	1.6
Div Yield(%)	0.7	0.7	1.4	2.3	3.0
Price/BV	8.0	4.9	2.8	1.7	8.0

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Add, Reduce, Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: 20% or more;
Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
7th Floor, Akruti Centre Point,
MIDC Main Road, Marol Naka,
Andheri (East)
Mumbai – 400 093

research@icicidirect.com

ANALYST CERTIFICATION

We /I, *Sanjay Manyal MBA, Ritika Shewakramani* research analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that I *Sanjay Manyal MBA, Ritika Shewakramani* research analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its subsidiaries collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Sanjay Manyal MBA, Ritika Shewakramani* . research analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.