



# MNCs

**Driven by scale, protected by Moat!**

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## MNCs - Driven by scale, protected by Moat!

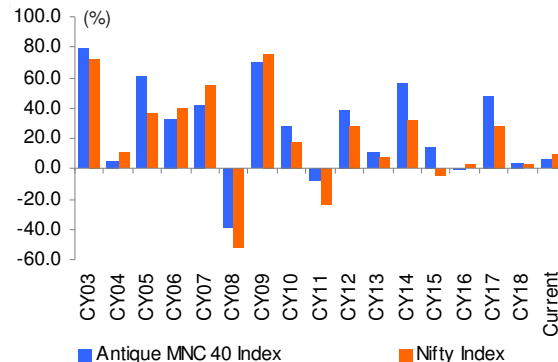
We have written our inaugural report on MNCs titled 'MNCs - Driven by scale, protected by Moat!' dated 19 June 2019. In our earlier report, we had argued that MNC stocks have been consistent wealth creators as they possess significant economic moats (brand recall, technology, global parentage) which provide better earnings predictability and sustenance across business cycles. Nifty MNC index at that time had under-performed by ~25% since 2018 and trading at below average premium valuation relative to Nifty and thus provides an attractive investment opportunity. We had done a detailed study on 40 listed MNC stocks to arrive at the most promising stocks to buy for 3-5 year investment horizon.

■ **MNC consistently delivers superior alpha:** Antique MNC 40 Index have provided consistent return over a long period of time and outperformed Nifty 50 in past 11 out of 16 years. Antique MNC 40 had delivered a CAGR return (2001-19) of 20% as compared to ~14% Nifty CAGR return. Over a rolling 5 year period, MNCs have outperformed Nifty 50 in all years since 2006 with lower volatility and thus generating superior Sharpe ratio.

■ **Poised to deliver accelerated earnings growth:** MNCs in India are dominated by stocks within consumer staples, discretionary and technology/industrial/auto engineering space. We believe GFCF to pick up from the cyclical low levels driven by higher private capex and Government strong drive to push manufacturing through flagship schemes like 'Make in India' and global tailwind in form of shift in manufacturing from China to India. Consumption is a structural story due to India's favorable demographics, rising disposable income and low penetration levels. Favorable industry tailwinds are likely to help MNCs to structurally deliver accelerated earnings growth.

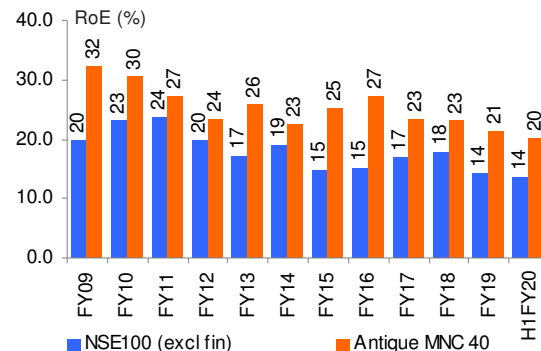
■ **Superior economic moats:** Largely MNC stocks listed in India have superior economic moats in form of technology, brand, market positioning, R&D capability etc which is evident from their high ROE, no leverage and better asset turnover. Indian listed MNC entities hold a strategic importance for the parent company as the listed entity acts as a sourcing hub or development centre for the parent. Indian listed MNC entity is likely to benefit from the parents superior technology, product innovation and wide range of parent's product portfolio. In the backdrop of slowing global growth and large domestic growth opportunities, we believe MNC parent companies would increase their focus on India.

### MNCs consistently delivers superior alpha



Source: Antique

### Superior economic moats



Source: Antique

## MNCs - Driven by scale, protected by Moat!

**'Antique Focus MNC 20' portfolio has significantly outperformed NSE MNC Index and NSE 100 index by ~400 bps and ~740bps respectively since the start of our MNC portfolio (19 June 2019). In the back-drop of continued macro headwinds and rising risk, we continue to recommend investors to play 'Quality' through MNC stocks.**

■ **Leaders and Laggards:** Our portfolio of Focus 20 MNC stocks has significantly outperformed both NSE MNC and NSE 100 index. Key leaders within our portfolio are Glaxo Pharma, Colgate, Abbott India, Whirlpool and Nestle India; while laggards were Cummins India, GE T&D, Thomas Cook India, ABB India, and Gillette India.

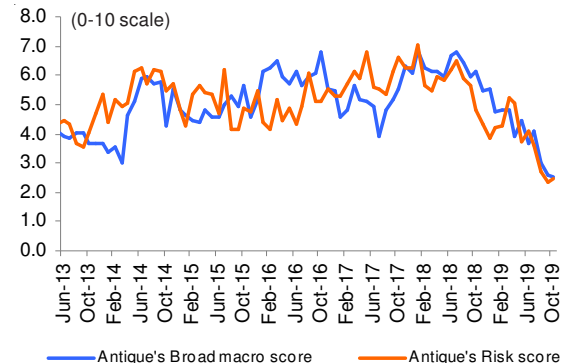
■ **MNCs earnings growth impacted by Auto & Industrials:** Antique MNC 40 index saw sales and earnings de-growth of ~3% (as compared to NSE 100 ex financial sales and PAT growth of 0.7% and 1.8% respectively) in H1FY20 largely due to poor performance by Auto where we have a neutral to negative view. Excluding auto, Antique MNC40 saw a sales and PAT growth of 5.6% and 16.9% respectively which demonstrates strength of MNCs during the current economic slowdown. Overall, Industrials muted performance was due to GE T&D which is facing stock specific issues (ex GE T&D, saw sales and PAT growth of 2.5% and 8.3% respectively). Consumer staples and Pharma companies continued to deliver a healthy earnings growth in H1FY20.

■ **Play 'Quality' through 'Antique Focus MNC 20':** Domestic macro and overall risk have significantly deteriorated since 2018 and is at the weakest level since FY13. We believe macro headwinds may continue for few more quarters and 'Quality' as a theme may continue to outperform. MNCs especially our Focus 20 MNC stocks are a basket of high quality stocks having superior economic moats in form of technology, brand, market positioning, R&D capability etc which is evident from their high ROE, no leverage and better asset turnover.

■ **Antique Focus MNC 20:** We have re-shuffled our portfolio of Focused 20 MNC stocks across market capitalization after considering stock performance, evolving industry dynamics, earnings growth for next 2 years and 1yr forward price to earnings multiple.

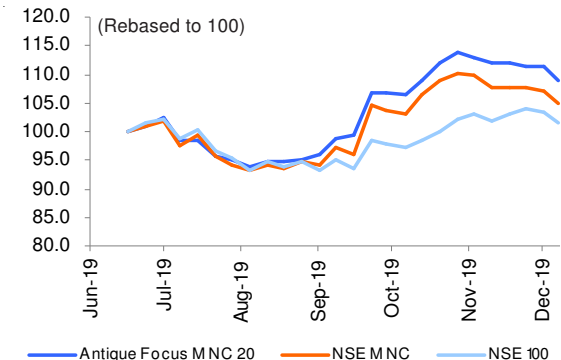
**Our portfolio of 'Antique Focus MNC 20' are HUL, Nestle, Siemens, Colgate, P&G, ABB India, Whirlpool, Glaxo Pharma, Abbott India, Honeywell, Bata India, Pfizer, Sanofi, Bayer Cropscience, Grindwell Norton, Timken, Linde India, Johnson Control, Heidelberg Cement and Orient refractories.**

### Play 'Quality' through 'Antique Focus MNC 20'



Source: Antique

### 'Antique Focus MNC 20' significantly outperforms

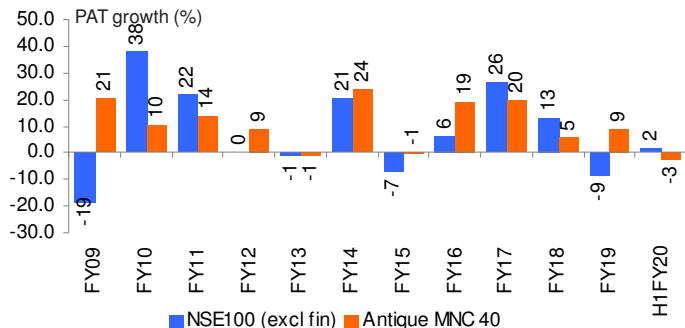


Source: Antique

## Quality creates 'alpha'

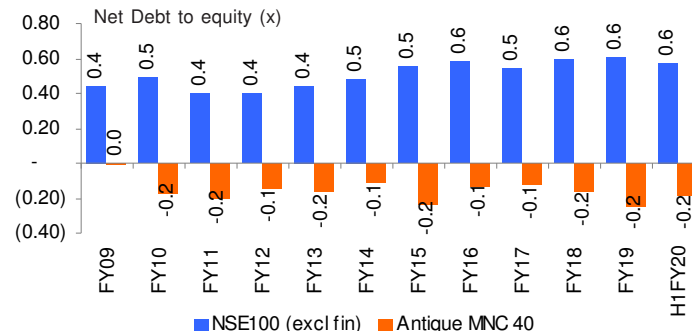
MNC stocks listed in India have superior economic moats in form of technology, brand, market positioning, R&D capability etc which is evident from their high ROE and low leverage and better asset turnover.

### MNCs have demonstrated superior PAT growth...



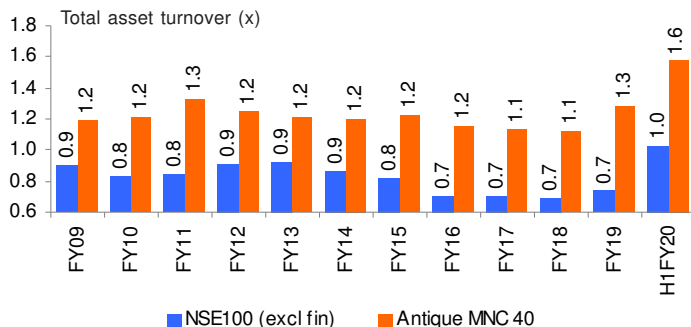
Source: Antique

### ... with cash rich balance sheet ...



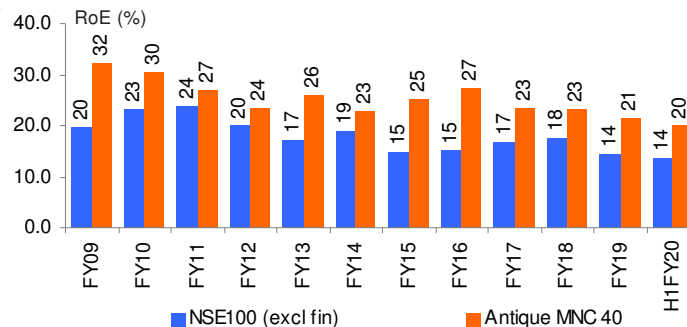
Source: Antique

### ... ability to better sweat its assets ...



Source: Antique

### ... resulting in better profitability



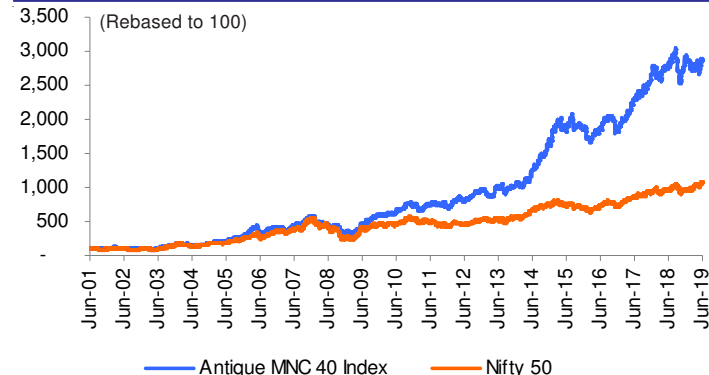
Source: Antique

## Quality creates 'alpha' (contd...)

Over long period of time (since 2001), Antique MNC 40 has multiplied by 28 times as compared to 11 times by Nifty 50. Thus generating a superior CAGR return (2001-19) of 20% as compared to 14% Nifty CAGR return. This outperformance has been witnessed especially post 2007-08 Global Financial crisis.

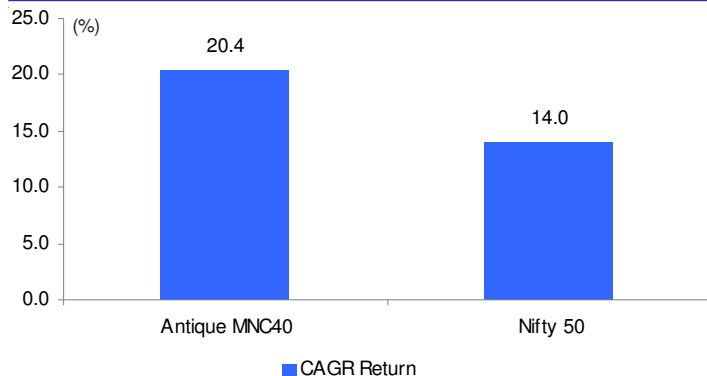
On a yearly return basis, Antique MNC 40 Index has outperformed Nifty50 in 11 out of past 16 years. Post 2010, Antique MNC 40 has underperformed Nifty 50 only during 2016 and delivered negative return only during 2008, 2011 and 2016.

## Antique MNC 40 has significantly outperformed Nifty



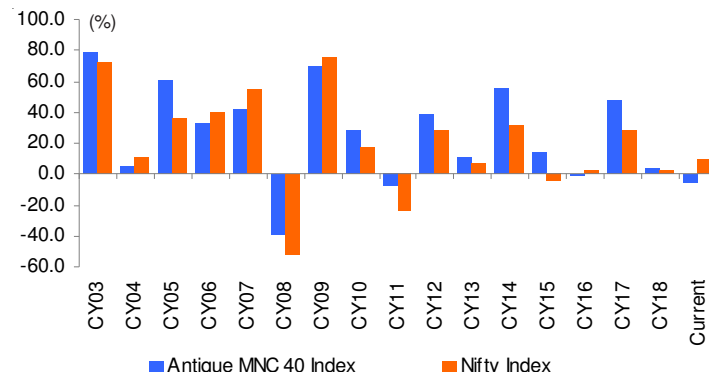
Source: Antique

## Generating superior returns (CAGR 2001-2019)



Source: Antique

## MNC Index has outperformed Nifty 50 in most occasions



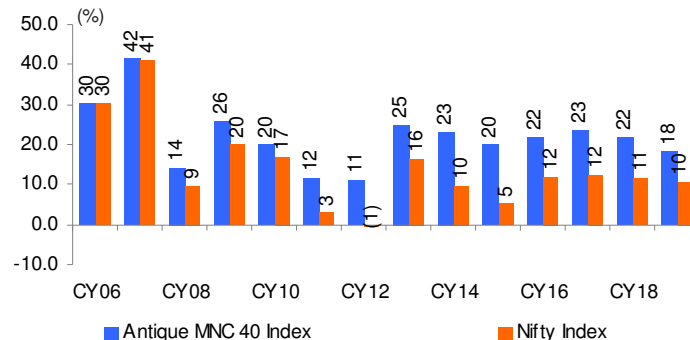
Source: Antique

## Quality creates 'alpha' (contd...)

Over a rolling 5 year period, MNCs have outperformed Nifty 50 in all years since 2006 with lower volatility and thus generating superior Sharpe ratio. Interestingly since 2006, Sharpe ratio of Antique MNC 40 has never turned negative (while Nifty 50 has been negative thrice).

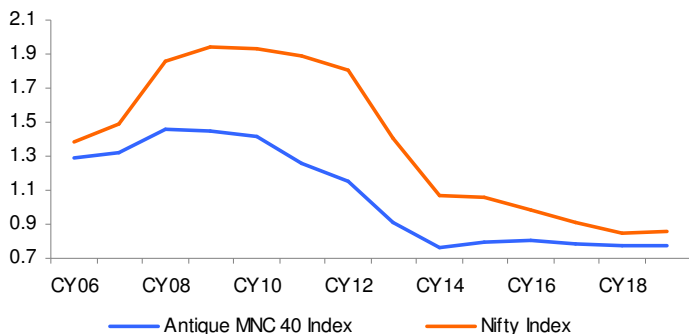
Antique MNC 40 Sharpe ratio was in low single digits only in the years of 2008, 2011, 2012 - time when equity market was struggling from the effects of 2007-08 global financial crisis. Since 2013, Antique MNC 40 has a much superior Sharpe ratio of 18.1 as compared to Nifty 50 (Sharpe ratio of 3.1).

## MNC has outperformed during all occasions over a long tenure (5 yr CAGR return)...



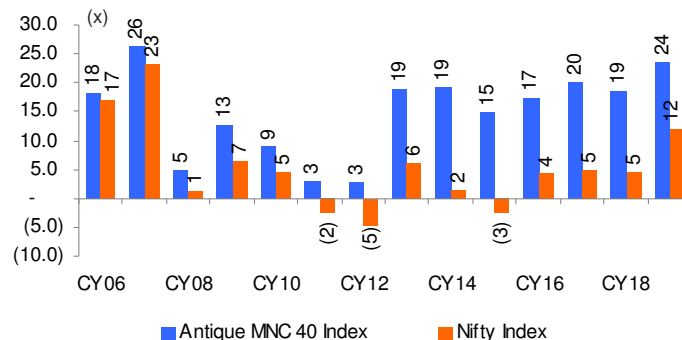
Source: Antique

## ... with lower volatility



Source: Antique

## ... thus having superior Sharpe ratio (better return on a risk reward basis)



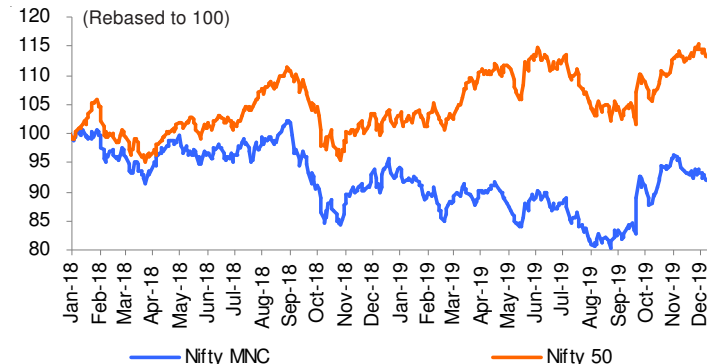
Source: Antique

## Attractively valued

MNCs have outperformed broader market by ~400 bps since our last note on MNCs (dated 19th June 2019). Despite out-performance, Nifty MNC index has under-performed Nifty50 by ~20% since 2018. Currently Nifty MNC index is trading at ~23.7x (1 year forward PE ratio) which is slightly above its long term mean valuation of 22.4x.

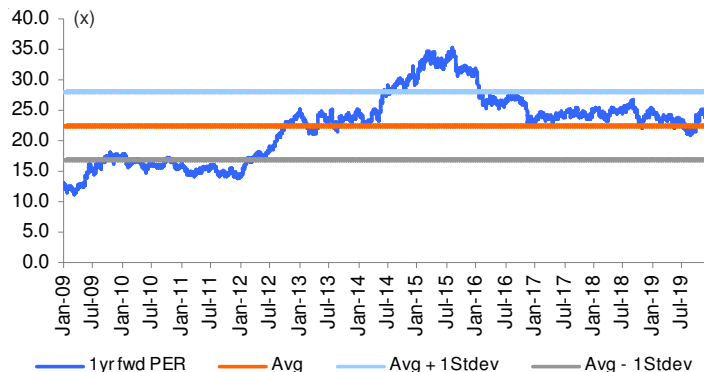
MNC valuation premium (relative to Nifty50) has been on a surge since 2011 as a) equity markets were willing to pay a quality premium given the macro headwinds; and b) hope of pick up in private capex during the first term of Modi Government. Nonetheless, valuation premium shrunk significantly (since 2016) due to lack of private capex revival and earnings disappointment. Off late given the out-performance, MNCs are now trading near the mean premium valuation. Going ahead, favorable industry tailwinds are likely to help MNCs to structurally deliver accelerated earnings growth over a medium to long term, leading MNCs to trade at higher band to its premium valuation relative to Nifty 50.

## Nifty MNC Index has underperformed Nifty by ~20% since 2018



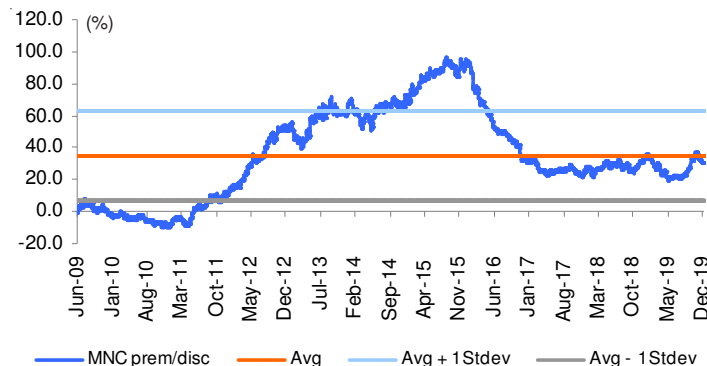
Source: Antique

## Trading at mean valuation...



Source: Antique

## ... and at below average premium valuation relative to Nifty



Source: Antique



## Antique Focus MNC 20

	M Cap (USDbn)	CMP (INR)	2yr potential upside		Antique Quality Score	EPS		PE(x)		P/B(x)		ROE(x)	
			1 yr fwd PE	3yr avg PE		FY20	FY21	FY20	FY21	3yr avg	FY20	FY21	FY21
<b>Large Cap (Mcap &gt; USD 3bn)</b>													
Hindustan Unilever	61.8	2,025	37	14	49	32.8	38.5	61.7	52.6	43.8	52.9	46.9	94.6
Nestle India ***	19.3	14,092	44	30	49	214.0	260.9	65.8	54.0	48.9	30.0	23.9	49.2
Siemens **	7.5	1,465	32	46	42	38.6	46.3	37.9	31.6	34.9	5.9	5.5	18.0
Colgate-Palmolive	5.7	1,454	32	16	42	31.3	36.2	46.5	40.2	35.3	25.5	22.1	58.8
P&G Hygiene * \$	5.2	11,230	37	35	42	151	200	74.4	56.1	55.2	34.5	28.9	51.5
ABB India ***	4.4	1,450	44	68	42	29.1	38.4	49.9	37.8	44.1	6.8	5.9	11.7
Whirlpool of India \$	4.2	2,319	44	21	47	40	48	58.3	47.9	40.2	11.3	9.3	23.5
GlaxoSmithKline Pharma \$	3.9	1,610	44	35	41	31	38	51.9	42.4	39.7	11.5	10.9	24.9
Abbott India \$	3.8	12,508	44	18	41	284	333	44.0	37.6	30.7	11.3	9.1	26.6
Honeywell Automation	3.2	25,457	56	70	47	558.2	692.2	45.6	36.8	40.0	10.1	8.0	24.3
<b>Mid Cap (Mcap &lt; USD 3bn)</b>													
Bata India \$	3.1	1,700	32	13	39	31.6	37.4	53.8	45.4	38.9	11.2	9.7	22.4
Pfizer \$	2.8	4,228	44	19	41	121.0	135.0	34.9	31.3	25.9	5.9	5.3	16.1
Sanofi India *** \$	2.3	6,948	32	11	43	193.0	212.0	36.0	32.8	27.5	5.5	NA	20.5
Bayer CropScience	2.2	3,528	44	67	31	92.9	122.3	38.0	28.8	33.5	5.8	5.1	18.8
Grindwell Norton \$	0.9	568	32	39	46	17.1	20.0	33.2	28.4	29.9	5.2	4.7	17.8
Timken India	0.9	824	44	63	41	28.3	32.6	29.2	25.3	28.7	4.1	3.7	15.4
Linde India *** \$	0.7	621	44	45	44	12.0	12.5	51.8	49.7	50.0	NA	NA	NA
Johnson Controls-Hitachi	0.7	1,933	56	73	42	47.5	66.8	40.7	28.9	32.0	7.2	5.9	22.3
Heidelberg Cement \$	0.6	177	32	46	42	13.0	14.9	13.7	11.9	13.2	2.9	NA	22.4
Orient refractory \$	0.4	232	32	31	38	9.5	10.6	24.3	21.9	21.7	6.6	NA	23.8

Source: Company, Antique

Note: Potential upside is our 2 year indicative return based on 1yr fwd PE/3yr avg of 1yr fwd PE and tentative FY23 EPS

Accordingly for unrated stocks, we have used bloomberg consensus.

Notes: \* June YE; \*\* Sept \*\*\* Dec YE; \$ Stocks not under Antique's coverage

Note: Price as on 10th December 2019

## How have we ranked MNCs?

1. MNC universe considered for our study is all MNC stocks having a market capitalization in excess of Rs 15,000 mn.
2. We have ranked MNC stocks on quality and financial matrix.
3. **Quality (Q-Score)** : Total score of 25 is assigned on quality based on following 5 parameters:
  - a. **Industry Outlook:** Scoring is between 1-5 (1 being lowest and 5 being highest) and based on medium term industry growth outlook.

Consumption driven sector has a positive outlook due to rising disposable income, young population, under penetration etc. However, shared mobility is a key risk for automobile sector and thus we have assigned a score of 4. We prefer discretionary over staples and thus we have assigned 5 score for discretionary and 4 score for Staples.

Industrials sector also has a positive outlook over a medium term basis as government plans to spend ~INR 100 trillion on infrastructure development over next 5 years. However due to the cyclicity involved, we have assigned a score of 4.

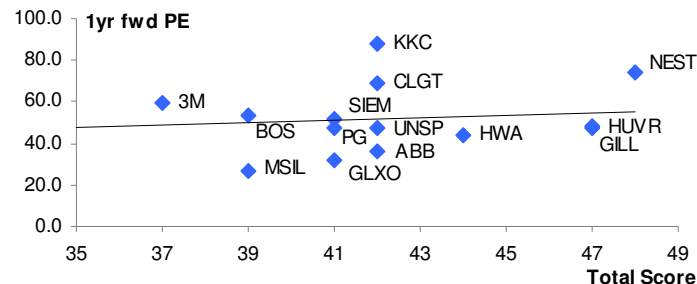
Pharma sector is facing headwinds in terms of pricing pressure in US (US investigation underway on price collusion) and intense scrutiny by FDA leading to several plants being classified to OAI. However domestic market provides great opportunity. Overall, we have assigned a score of 3.

Ratings sector has a positive outlook over a medium term basis due to Government intention to deepen corporate bond market and private sector capex recovery and credit substitution of loans by bond. However, Basel-III allows internal ratings vs external rating which is a key risk. Thus we have assigned a score of 4.
  - b. **Market leadership:** Scoring is between 1-5 (1 being lowest and 5 being highest) and based on company's market share in their key products.
  - c. **Technology/Innovation leadership:** Scoring is between 1-5 (1 being lowest and 5 being highest) and is based on parent R&D capability, product innovation etc
  - d. **Executive capability and aggressiveness:** Scoring is between 1-5 (1 being lowest and 5 being highest) and is based on the quality of executive team (and not Board of Directors) and the level of aggression demonstrated in marketplace against competition.
  - e. **Corporate Governance:** Scoring is between 1-5 (1 being lowest and 5 being highest) and is based on frequent instances of restructuring, extent of parent business in India through unlisted entity, frequent changes to royalty structure and Unfair transfer of businesses from listed entity to parent
4. **Financial matrix (F-Score):** Total score of 25 is assigned on financial matrix and is based upon Piotroski F-score. Piotroski F-Score employs nine fundamental binary (0 or 1) signals to measure three areas of firms financial condition: Profitability, Financial leverage/liquidity and operational efficiency. The aggregate of these 9 measures helps to measure overall quality/strength of the firm's financial position. We have calculated last 3 year average Piotroski score for all MNC stocks. Stocks having an average Piotroski F-score of 8 or above is assigned a score of 25; 7 or above a score of 20; 6 or above a score of 15 and below 6 a score of 10.
5. Total score is derived from the summation of Quality (Q-Score) and Financial Matrix (F-Score).
6. Total score is then mapped with 1 year forward PE in order to identify Top Buy/Sells.

## Large Cap: Staples rank high on quality

We prefer stocks which a) rank high on quality (total score  $\geq 40$ ); b) FY19-21 earnings growth upward of  $\sim 15\%$ ; and c) reasonable valuation. Among the 17 large cap MNC stocks that we have covered, staples rank high on quality parameter. Industrials are another set of stocks which meet all parameters given likely recovery in investment cycle. **Stocks which meet all the three parameters are Hindustan Unilever, Nestle India, Bosch, Colgate, Siemens, ABB India, P&G Hygiene, Gillette India, Honeywell Automation and Glaxosmithkline Pharma.** Stocks which do not meet the cut-off for quality parameter are Maruti Suzuki, 3M India and Kansai Nerolac primarily due to fluctuating earnings performance and subdued growth outlook.

## Quality (total score) mapped against 1-year forward PE



Source: Company, Antique

## Staples rank high on quality

Companies	Q Score	3 yr avg Piotroski score	F score	Total Quality score	3yr PAT CAGR (FY16-19)	2 yr PAT CAGR (FY19-21)	Historical 3 yr avg 1yr fwd PE	FY20 P/E	FY21 P/E	Prem/Disc to 3yr mean
Hindustan Unilever	24	8.3	25	49	13.2	17.0	43.8	61.7	52.6	20.0
Nestle India ***	24	9.0	25	49	28.3	19.9	48.7	65.8	54.0	11.0
Gillette India *	23	8.0	25	48	4.1	16.0	58.1	78.2	65.0	12.0
Honeywell Automation India	22	8.3	25	47	36.5	30.6	43.5	45.6	36.8	-15.4
United Spirits	19	8.3	25	44	73.1	27.2	44.8	46.9	36.6	-18.3
Siemens **	22	7.0	20	42	14.0	22.1	34.9	37.9	31.6	-9.5
P&G Hygiene & Health Care *	22	7.3	20	42	-1.6	24.5	55.2	74.4	56.1	1.7
Abb India ***	22	7.3	20	42	19.4	26.1	64.5	49.9	37.8	-41.4
Colgate-Palmolive (India)	22	7.7	20	42	6.3	14.9	35.3	46.5	40.2	13.9
Bosch	21	7.3	20	41	1.4	1.1	28.3	33.3	27.9	-1.2
Glaxosmithkline Pharmaceuticals	21	7.0	20	41	4.2	20.9	39.7	51.9	42.4	6.8
Maruti Suzuki India	19	7.3	20	39	11.8	-2.0	21.7	35.4	29.2	34.5
3M India	22	6.7	15	37	18.4	18.4	62.9	62.3	52.6	-16.4
Kansai Nerolac Paints	20	5.7	10	30	-19.7	26.9	37.0	44.4	37.2	0.5
Whirlpool Of India	22	8.3	25	47	19.3	22.8	32.8	58.3	47.9	46.1
Abbott India	21	7.0	20	41	20.8	25.3	30.7	44.0	37.6	22.4
Bata India	19	7.3	20	39	14.9	20.9	38.9	53.8	45.4	16.9

Source: Company, Antique; Notes: \* June YE; \*\* Sept \*\*\* Dec YE

## Q score

Companies	Industry Outlook	Market leadership	Technology/ Innovation	Executive Management	Corporate Governance	Q Score
Hindustan Unilever	4	5	5	5	5	24
Nestle India	4	5	5	5	5	24
Gillette India	4	5	5	4	5	23
Honeywell Automation India	5	4	5	4	4	22
United Spirits	4	5	3	3	4	19
Siemens	5	4	5	4	4	22
P&G Hygiene & Health Care	4	5	5	4	4	22
Abb India	5	4	5	4	4	22
Colgate-Palmolive (India)	4	5	4	4	5	22
Bosch	3	5	5	4	4	21
Glaxosmithkline Pharmaceuticals	3	5	4	4	5	21
Maruti Suzuki India	4	4	4	4	3	19
3M India	4	5	5	4	4	22
Kansai Nerolac Paints	4	3	4	4	5	20
Whirlpool Of India	5	4	4	4	5	22
Abbott India	3	5	4	5	4	21
Bata India	5	3	3	3	5	19

Source: Company, Antique

## F score

Companies	2017	2018	2019	3 yr avg Piotroski score	F score
Hindustan Unilever	8	8	9	8.3	25
Nestle India	9	9	9	9.0	25
Gillette India	8	7	9	8.0	25
Honeywell Automation India	8	8	9	8.3	25
United Spirits	8	9	8	8.3	25
Siemens	6	7	8	7.0	20
P&G Hygiene & Health Care	7	6	9	7.3	20
Abb India	7	9	6	7.3	20
Colgate-Palmolive (India)	7	8	8	7.7	20
Bosch	8	5	9	7.3	20
Glaxosmithkline Pharmaceuticals	5	7	9	7.0	20
Maruti Suzuki India	8	7	7	7.3	20
3M India	6	9	5	6.7	15
Kansai Nerolac Paints	7	5	5	5.7	10
Whirlpool Of India	8	8	9	8.3	25
Abbott India	6	9	6	7.0	20
Bata India	6	8	8	7.3	20

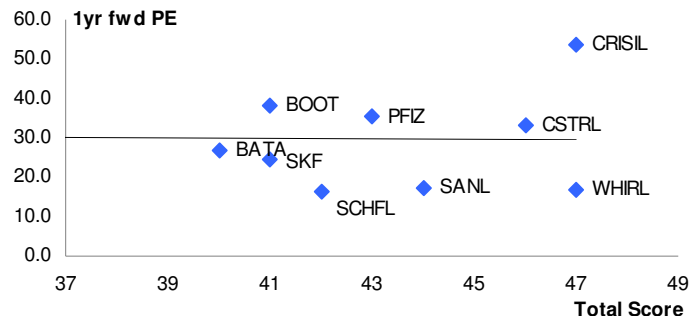
Source: Company, Antique

## Mid-Cap - Mid size engineering companies lead the space

Mid-cap MNC stocks (total of 10 stocks) have a fair representation across sectors especially Auto and Pharma. Mid Cap MNCs offer tremendous growth opportunities due to relatively smaller sizes.

**Stocks which meet all the three parameters include Pfizer, Sanofi, SKF India, Cummins.** Two pharma companies, Sanofi and Pfizer, are expected to report descent growth for next couple of years and are strong quality focused companies. Cummins on the other hand is expected to face headwinds due to weak domestic and global demand scenario.

### Quality (total score) mapped against 1-year forward PE



Source: Company, Antique

## Mid size engineering companies lead the space

Companies	Q Score	3 yr avg Piotroski score	F score	Total Quality score	3yr PAT CAGR (FY16-19)	2 yr PAT CAGR (FY19-21)	Historical 3 yr avg 1yr fwd PE	FY20 P/E	FY21 P/E	Prem/Disc to 3yr mean
Cummins India	22	7.3	20	42	-1.4	0.2	23.1	23.5	20.2	-12.8
Wabco India	22	8.0	25	47	11.5	-3.8	33.5	57.1	45.5	35.9
Thomas Cook (India)	22	8.0	25	47	NM	41.7	NM	18.6	14.2	NM
Crisil ***	21	8.3	25	46	7.8	3.2	29.8	34.1	31.3	4.9
Castrol India ***	19	8.3	25	44	4.8	12.8	20.9	16.4	14.3	-31.7
Sanofi India ***	18	8.0	25	43	6.7	12.0	27.5	36.0	32.8	19.3
Schaeffler India ***	21	7.3	20	41	32.9	1.9	31.9	32.1	28.1	-12.0
Pfizer	21	7.3	20	41	12.0	19.8	25.9	34.9	31.3	21.0
SKF India	20	7.0	20	40	9.5	13.5	23.9	30.6	24.5	2.5
Bayer Cropscience	21	5.7	10	31	-7.8	32.9	32.8	38.0	28.8	-12.1

Source: Company, Antique; Notes: \* June YE; \*\* Sept \*\*\* Dec YE

## Q score

Companies	Industry Outlook	Market leadership	Technology/ Innovation	Executive Management	Corporate Governance	Q Score
Cummins India	4	5	5	4	4	22
Wabco India	4	5	5	3	5	22
Thomas Cook (India)	5	4	4	5	4	22
Crisil	4	5	4	4	4	21
Castrol India	3	5	4	3	4	19
Sanofi India	3	3	4	4	4	18
Schaeffler India	4	4	5	4	4	21
Pfizer	3	5	4	4	5	21
SKF India	4	4	4	4	4	20
Bayer Cropscience	4	4	5	4	4	21

Source: Company, Antique

## F score

Companies	2017	2018	2019	3 yr avg Piotroski score	F score
Cummins India	7	6	9	7.3	20
Wabco India	8	7	9	8.0	25
Thomas Cook (India)	9	6	7	8.0	25
Crisil	7	9	9	8.3	25
Castrol India	9	8	8	8.3	25
Sanofi India	6	9	9	8.0	25
Schaeffler India	8	6	8	7.3	20
Pfizer	7	7	8	7.3	20
SKF India	6	7	8	7.0	20
Bayer Cropscience	4	7	6	5.7	10

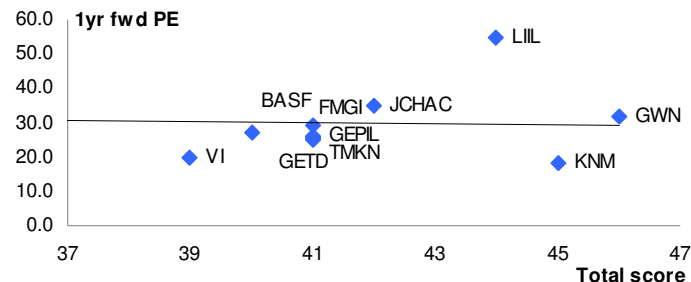
Source: Company, Antique

## Small Cap: Engineering & Auto Ancillaries key winners

Industrials have the highest representation among small cap MNC stocks (total of 16 stocks).

**Stocks which meet all the three parameters are Grindwell Norton, Timken India, Johnson Controls, Linde and Kennametal.** Stocks which do not meet the cut-off for quality parameter are Blue Dart express, BASF and Astrazeneca. Small cap picks include few of high quality engineering companies such as Grindwell Norton, Timken, Kennametal which are expected to deliver much improved performance on the back of strong market presence and improving outlook. On the other hand, the list also includes Johnson Controls Hitachi, which is among the best air-conditioning companies in the world and is a great way to play the Indian AC market.

### Quality (total score) mapped against 1-year forward PE



Source: Company, Antique

## Engineering & Auto Ancillaries key winners

Companies	Q Score	3 yr avg Piotroski score	F score	Total Quality score	3yr PAT CAGR (FY16-19)	2 yr PAT CAGR (FY19-21)	Historical 3 yr avg 1yr fwd PE	FY20 P/E	FY21 P/E	Prem/Disc to 3yr mean
Grindwell Norton	21	8.7	25	46	17.0	16.2	29.9	33.2	28.4	-5.0
Kennametal India *	20	8.0	25	45	62.2	25.4	23.9	17.0	14.2	-40.7
Linde India ***	19	8.3	25	44	41.7	79.0	40.1	51.8	49.7	23.9
Johnson Controls-Hitachi *	22	7.7	20	42	19.8	45.9	35.8	40.7	28.9	-19.3
GE T&D India	21	7.0	20	41	83.4	-14.8	28.9	64.9	24.0	-16.9
GE Power India	16	8.0	25	41	L to P	91.3	24.6	24.7	17.0	-31.0
Timken India	21	7.0	20	41	16.2	28.4	28.7	29.2	25.3	-11.9
Astrazeneca Pharma India	16	8.0	25	41	117.9	NM	NM	NM	NM	NM
Federal-Mogul Goetze (India)	16	8.7	25	41	16.5	16.5	35.0	31.1	26.7	-23.7
BASF India	20	7.7	20	40	L to P	57.2	31.1	32.9	20.5	-33.9
Vesuvius India ***	19	7.3	20	39	6.9	12.8	19.8	21.1	18.8	-4.9
ICRA	20	6.7	15	35	11.0	14.1	27.8	22.8	20.0	-28.0
Blue Dart Express	18	6.7	15	33	-23.7	38.1	39.6	49.7	30.7	-22.4
Heidelberg Cement	17	9.0	25	42	84.1	23.6	13.2	13.7	11.9	-9.7
Orient refractory	18	7.0	20	38	17.2	19.1	21.7	24.3	21.9	1.1
Mahindra CIE	18	8.7	25	43	92.7	-4.3	14.9	13.4	11.4	-23.8

Source: Company, Antique; Notes: \* June YE; \*\* Sept \*\*\* Dec YE

## Q score

Companies	Industry Outlook	Market leadership	Technology/ Innovation	Executive Management	Corporate Governance	Q Score
Grindwell Norton	4	5	4	3	5	21
Kennametal India	4	4	4	3	5	20
Linde India	4	5	3	2	5	19
Johnson Controls-Hitachi	5	3	5	4	5	22
GE T&D India	4	4	5	3	5	21
GE Power India	3	3	3	2	5	16
Timken India	4	4	4	4	5	21
Astrazeneca Pharma India	3	2	5	3	3	16
Federal-Mogul Goetze (India)	4	3	3	3	3	16
BASF India	4	4	5	3	4	20
Vesuvius India	4	3	4	3	5	19
ICRA	4	4	4	4	4	20
Blue Dart Express	4	5	1	3	5	18
Heidelberg Cement	4	2	2	5	4	17
Orient refractory	4	3	3	3	5	18
Mahindra CIE	4	3	3	4	4	18

Source: Company, Antique

## F score

Companies	2017	2018	2019	3 yr avg Piotroski score	F score
Grindwell Norton	9	9	8	8.7	25
Kennametal India	7	8	9	8.0	25
Linde India	8	8	9	8.3	25
Johnson Controls-Hitachi	9	9	5	7.7	20
GE T&D India	3	9	9	7.0	20
GE Power India	8	8	8	8.0	25
Timken India	8	7	6	7.0	20
Astrazeneca Pharma India	8	8	8	8.0	25
Federal-Mogul Goetze (India)	9	9	8	8.7	25
BASF India	7	9	7	7.7	20
Vesuvius India	7	6	9	7.3	20
ICRA	7	6	7	6.7	15
Blue Dart Express	5	8	7	6.7	15
Heidelberg Cement	9	9	9	9.0	25
Orient refractory	7	8	6	7.0	20
Mahindra CIE	8	9	9	8.7	25

Source: Company, Antique



# COMPANIES

## Hindustan Unilever

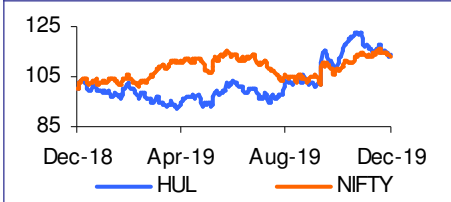
**HOLD | CMP: INR2,025 | 2yr upside: 14%-37%\***

### Market data

Market Cap (USDbn)	:	61.710
O/S Shares (m)	:	2,164.8
52-wk HI/LO (INR)	:	2190/1650
Avg Daily Vol ('000)	:	1,085
Promoters	:	67%
Bloomberg	:	HUVR IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	3,82,240	4,09,430	4,58,561
EBITDA(INRm)	86,370	1,01,777	1,17,250
EBITDA Margin (%)	22.6	24.9	25.6
PAT(INRm)	60,800	70,913	83,187
PAT growth (%)	18.6	16.6	17.3
EPS (INR)	28.1	32.8	38.5
EPS growth (%)	19	17	17
P/E(x)	71.9	61.7	52.6
P/BV(x)	57.1	52.9	46.9
EV/EBITDA(x)	50.0	42.2	36.7

Source: Company, Antique

## Steady; sustainable growth outlook

### Well placed to capitalize on India's consumption opportunity

HUL's next growth driver will be technology and data analytics coupled with its WIMI (Winning In Many India) strategy. During last 3-4 years, successful implementation of WIMI, involving customization of product offerings and marketing strategy based on regional preferences has driven HUL's outperformance in categories like Laundry, Hair care and Tea. The initiative of delegating responsibilities by forming 15 clusters (as a part of WIMI strategy) managed by mini boards increased accountability and sense of ownership amongst employees. The change in HUL's culture has reduced the fear of failures amongst employees driving product innovations.

### Expect earnings to grow 17% CAGR during FY19-21e led by volume growth and margin expansion

We believe that HUL will deliver a net profit CAGR of 17% during FY19-21e led by revenue CAGR of 10% and EBITDA CAGR of 17%. We expect EBITDA margin to expand by 300bps during the period to 25.6%. Revenue growth will be driven by premiumization, new product launches, scaling of GSK consumer's business, better servicing of consumers and higher penetration of rural markets through low unit packs (LUP).

### Rural recovery during the next 1-2 years and GSK consumer acquisition are key catalysts

We believe that HUL will be a key beneficiary of the recovery in rural demand in the next 18-24 months. HUL management has guided and has demonstrated improvement in profitability even in a tough environment through better efficiencies and cost reduction initiatives. One of the key drivers of margin improvement will be reduction in supply chain management cost arising from the implementation of GST and synergies of merger with GSK consumer. The ramp up of GSK consumer will also aid revenue growth of HUL during the next 3 years.

### Valuations

We believe that HUL will be one of the few key performers in Indian FMCG industry during the next two years led by its ability to premiumize, innovate and effectively tap consumer demand. The earnings growth of 17% CAGR during FY19-21e will be one the highest in the Indian FMCG industry. Near term, rich valuations restrict upside in the stock price. The stock is trading at PER of 61.7x FY20e and 52.6x FY21e. We maintain HOLD with a target price of INR1,840 (PER of 45x FY21e merged entity EPS).

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>3,18,900</b>	<b>3,45,250</b>	<b>3,82,240</b>	<b>4,09,430</b>	<b>4,58,561</b>
Op. Expenses	(2,58,430)	(2,72,490)	(2,95,870)	(3,07,653)	(3,41,311)
<b>EBITDA</b>	<b>60,470</b>	<b>72,760</b>	<b>86,370</b>	<b>1,01,777</b>	<b>1,17,250</b>
Depreciation	(3,960)	(4,780)	(5,240)	(9,200)	(9,660)
<b>EBIT</b>	<b>56,510</b>	<b>67,980</b>	<b>81,130</b>	<b>92,577</b>	<b>1,07,590</b>
Other income	5,260	5,690	6,640	5,644	5,926
Interest Exp.	(220)	(200)	(280)	(1,080)	(1,102)
<b>Reported PBT</b>	<b>63,960</b>	<b>74,490</b>	<b>87,050</b>	<b>97,141</b>	<b>1,12,414</b>
Tax	(19,060)	(22,120)	(26,690)	(26,228)	(29,228)
<b>Reported PAT</b>	<b>44,900</b>	<b>52,370</b>	<b>60,360</b>	<b>70,913</b>	<b>83,187</b>
<b>Adjusted PAT</b>	<b>42,490</b>	<b>51,350</b>	<b>60,800</b>	<b>70,913</b>	<b>83,187</b>
<b>Adjusted EPS (INR)</b>	<b>19.6</b>	<b>23.7</b>	<b>28.1</b>	<b>32.8</b>	<b>38.5</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>63,960</b>	<b>74,490</b>	<b>87,050</b>	<b>97,141</b>	<b>1,12,414</b>
CF from operating activities	50,190	57,921	53,400	90,671	73,802
CF from investing activities	(18,550)	4,080	1,010	(6,536)	3,426
CF from financing activities	(42,520)	(44,981)	(51,220)	(59,100)	(85,214)
<b>Net cash flow</b>	<b>(10,880)</b>	<b>17,020</b>	<b>3,190</b>	<b>25,034</b>	<b>(7,985)</b>
Opening balance	27,590	16,710	33,730	36,920	61,954
<b>Closing balance</b>	<b>16,710</b>	<b>33,730</b>	<b>36,920</b>	<b>61,954</b>	<b>53,969</b>

### Valuation (x)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
P/E	103.1	85.3	71.9	61.7	52.6
P/BV	67.5	61.9	57.1	52.9	46.9
EV/EBITDA	71.6	59.4	50.0	42.2	36.7
EV/Sales	13.6	12.5	11.3	10.5	9.4
Dividend Yield (%)	1.0	1.1	1.2	1.5	1.7

### Balance sheet (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
Share Capital	2,160	2,160	2,160	2,160	2,160
Reserves & Surplus	62,740	68,590	74,430	80,498	91,058
<b>Networth</b>	<b>64,900</b>	<b>70,750</b>	<b>76,590</b>	<b>82,658</b>	<b>93,218</b>
Net deferred Tax liabilities	(1,600)	(2,550)	(3,390)	(3,390)	(3,390)
<b>Capital Employed</b>	<b>63,300</b>	<b>68,200</b>	<b>73,200</b>	<b>79,268</b>	<b>89,828</b>
Gross Fixed Assets	47,120	53,080	60,330	72,510	75,010
Accumulated Depreciation	(6,880)	(11,660)	(16,900)	(26,100)	(35,760)
<b>Net Fixed Assets</b>	<b>42,270</b>	<b>45,720</b>	<b>47,160</b>	<b>50,910</b>	<b>43,750</b>
Investments	37,790	31,110	29,490	29,490	29,490
<b>Current Assets, Loans &amp; Adv.</b>	<b>65,850</b>	<b>92,110</b>	<b>98,610</b>	<b>1,18,794</b>	<b>1,24,062</b>
Inventory	23,620	23,590	24,220	26,709	29,983
Debtors	9,280	11,470	16,730	13,602	15,234
Cash & Bank balance	16,710	33,730	36,920	61,954	53,969
Loans & advances and others	16,240	23,320	20,740	16,529	24,876
<b>Current Liabilities &amp; Prov.</b>	<b>82,610</b>	<b>1,00,740</b>	<b>1,02,060</b>	<b>1,19,927</b>	<b>1,07,474</b>
Liabilities	73,890	86,510	86,560	1,01,043	91,730
Provisions	8,720	14,230	15,500	18,883	15,745
<b>Net Current Assets</b>	<b>(16,760)</b>	<b>(8,630)</b>	<b>(3,450)</b>	<b>(1,132)</b>	<b>16,588</b>
<b>Application of Funds</b>	<b>63,300</b>	<b>68,200</b>	<b>73,200</b>	<b>79,268</b>	<b>89,828</b>

### Growth indicators (%)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
Revenue(%)	2.7	8.3	10.7	7.1	12.0
EBITDA(%)	5.2	20.3	18.7	17.8	15.2
Adj PAT(%)	1.9	20.9	18.4	16.6	17.3
Adj EPS(%)	2.7	20.9	18.6	16.6	17.3

### Financial ratios

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
RoE (%)	66.6	75.7	82.5	89.1	94.6
RoCE (%)	99.3	112.0	124.1	128.8	134.3
Asset/T.O (x)	10.8	11.0	9.5	8.8	8.3
Net Debt/Equity (x)	(0.8)	(0.9)	(0.8)	(1.1)	(0.9)
EBIT/Interest (x)	(280.8)	(368.4)	(313.5)	(90.9)	(103.0)

**Nestle India**

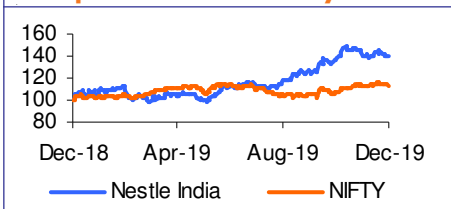
**HOLD | CMP: INR14,096 | 2yr upside: 30%-44%\***

**Market data**

Market Cap (USDbn)	:	19.123
O/S Shares (m)	:	96.4
52-wk HI/LO (INR)	:	15150/9875
Avg Daily Vol ('000)	:	70
Promoters	:	63%
Bloomberg	:	NEST IN

Source: Bloomberg

**Price performance vs Nifty**



Source: Bloomberg

**Key financials**

YE 31 Dec	2018	2019e	2020e
Revenues(INRm)	1,12,923	1,23,880	1,40,434
EBITDA(INRm)	27,598	29,648	34,915
EBITDA Margin (%)	24.4	23.9	24.9
PAT(INRm)	17,491	20,636	25,155
PAT growth (%)	27.0	18.0	21.9
EPS (INR)	181.4	214.0	260.9
EPS growth (%)	27.0	18.0	21.9
P/E(x)	77.7	65.9	54.0
P/BV(x)	37.0	30.0	23.9
EV/EBITDA(x)	48.0	44.1	36.9

Source: Company, Antique

**A unique company; renewed aggression**

**Many India within India to drive performance**

Nestle India is providing high impetus to its many India within India strategy. In our view, this strategy has worked favorably for Hindustan Unilever and will be one of the key drivers for Nestle as well, going ahead. This strategy will not only aid its innovation initiatives but will also help to strengthen its core product portfolio across categories. The company has already used this strategy to launch new products across its portfolio. In the core product portfolio, Nestle can position and market its products according to a particular geography's preferences.

**Witnessing steady recovery in volume growth across businesses**

Post the Maggi ban in CY15, Nestle has posted a strong recovery in revenue performance led by robust improvement in instant noodles (28% of revenue) and steady improvement in volume growth in other businesses, milk and nutrition (46% of revenue), beverages (14% of revenue) and chocolates and confectionaries (12% of revenue). Instant noodles posted a volume recovery during CY16 while beverages volume growth recovered from CY17. Notably, during CY18, Nestle India recorded seven year high volume growth in milk and nutrition (5% YoY) and chocolates and confectionaries (15% YoY).

**Expect volume growth to be steady, margins to be under pressure in the short term**

We expect Nestle's revenue growth during CY19 and CY20, to be driven by product innovations, foray into new categories, and continued recovery in instant noodles. During CY19, the company plans to launch about 36 new products in India across categories. We currently expect Nestle to post PAT CAGR of 20% during CY18-20e, led by revenue and EBITDA CAGR of 12%. EBITDA growth will be restricted by the rise in raw material cost during CY19.

**Valuations**

The stock is trading at PER of 65.9x CY19e and 54x CY20e. We expect moderation in earnings growth during CY19 to 10% YoY while during CY20e we expect a revival in earnings growth to 14% YoY. We believe that earnings CAGR of 20% during CY18-20e will be on the higher side amongst FMCG companies. We therefore expect that the stock will sustain its premium valuations within the sector. We therefore value the stock at PER of 50x CY20e EPS to arrive at a revised target price of INR13,040. We maintain HOLD recommendation on the stock at the current levels.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
<b>Net Revenue</b>	<b>91,413</b>	<b>1,00,096</b>	<b>1,12,923</b>	<b>1,23,880</b>	<b>1,40,434</b>
Op. Expenses	(70,799)	(77,613)	(85,325)	(94,231)	(1,05,519)
<b>EBITDA</b>	<b>20,615</b>	<b>22,483</b>	<b>27,598</b>	<b>29,648</b>	<b>34,915</b>
Depreciation	(3,536)	(3,423)	(3,357)	(3,100)	(3,162)
<b>EBIT</b>	<b>17,078</b>	<b>19,060</b>	<b>24,241</b>	<b>26,548</b>	<b>31,753</b>
Other income	1,509	1,769	2,589	2,780	3,475
Interest Exp.	(909)	(919)	(1,120)	(1,175)	(1,234)
<b>Reported PBT</b>	<b>15,454</b>	<b>18,393</b>	<b>24,290</b>	<b>28,153</b>	<b>33,993</b>
Tax	(5,440)	(6,141)	(8,220)	(7,517)	(8,838)
<b>Reported PAT</b>	<b>10,014</b>	<b>12,252</b>	<b>16,069</b>	<b>20,636</b>	<b>25,155</b>
<b>Net Profit</b>	<b>10,014</b>	<b>12,252</b>	<b>16,069</b>	<b>20,636</b>	<b>25,155</b>
<b>Adjusted PAT</b>	<b>12,238</b>	<b>13,769</b>	<b>17,491</b>	<b>20,636</b>	<b>25,155</b>
<b>Adjusted EPS (INR)</b>	<b>126.9</b>	<b>142.8</b>	<b>181.4</b>	<b>214.0</b>	<b>260.9</b>

### Cash flow statement (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
<b>PBT</b>	<b>15,454</b>	<b>18,393</b>	<b>24,290</b>	<b>28,153</b>	<b>33,993</b>
CF from operating activities	16,485	19,682	22,334	27,385	30,720
CF from investing activities	17,898	(2,156)	(5,587)	1,780	2,475
CF from financing activities	-38,188	-23,300	-18,273	-45,083	-51,637
<b>Net cash flow</b>	<b>3,805</b>	<b>5,774</b>	<b>1,526</b>	<b>15,918</b>	<b>18,441</b>
Opening balance	4,996	8,800	14,574	16,101	32,019
<b>Closing balance</b>	<b>8,800</b>	<b>14,574</b>	<b>16,101</b>	<b>32,019</b>	<b>50,460</b>

### Valuation (x)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
P/E	111.1	98.7	77.7	65.9	54.0
P/BV	41.4	39.7	37.0	30.0	23.9
EV/EBITDA	64.9	59.2	48.0	44.1	36.9
EV/Sales	14.6	13.3	11.7	10.6	9.2
Dividend Yield (%)	0.4	0.6	0.8	0.9	0.9

### Balance sheet (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
Share Capital	964	964	964	964	964
Reserves & Surplus	31,859	33,242	35,773	44,338	55,974
<b>Networth</b>	<b>32,823</b>	<b>34,206</b>	<b>36,737</b>	<b>45,302</b>	<b>56,938</b>
Net deferred Tax liabilities	1,553	1,220	588	588	588
<b>Capital Employed</b>	<b>34,708</b>	<b>35,777</b>	<b>37,677</b>	<b>46,242</b>	<b>57,878</b>
Gross Fixed Assets	30,951	33,584	34,854	35,854	36,854
Accumulated Depreciation	(3,650)	(7,423)	(10,848)	(13,948)	(17,110)
<b>Net Fixed Assets</b>	<b>29,183</b>	<b>27,103</b>	<b>25,058</b>	<b>22,958</b>	<b>20,796</b>
Investments	17,557	19,789	26,585	26,585	26,585
<b>Current Assets, Loans &amp; Adv.</b>	<b>21,365</b>	<b>26,734</b>	<b>29,238</b>	<b>45,310</b>	<b>65,431</b>
Inventory	9,401	9,025	9,656	9,373	10,551
Debtors	979	890	1,246	1,235	1,401
Cash & Bank balance	8,800	14,574	16,101	32,019	50,460
Loans & advances and others	2,185	2,245	2,236	2,683	3,020
<b>Current Liabilities &amp; Prov.</b>	<b>33,396</b>	<b>37,849</b>	<b>43,204</b>	<b>48,611</b>	<b>54,935</b>
Liabilities	13,136	14,059	16,982	17,042	19,184
Provisions	20,260	23,791	26,222	31,569	35,751
<b>Net Current Assets</b>	<b>(12,032)</b>	<b>(11,115)</b>	<b>(13,966)</b>	<b>(3,301)</b>	<b>10,497</b>
<b>Application of Funds</b>	<b>34,708</b>	<b>35,777</b>	<b>37,677</b>	<b>46,242</b>	<b>57,878</b>

### Growth indicators (%)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
Revenue(%)	16.2	9.5	12.8	9.7	13.4
EBITDA(%)	43.6	9.1	22.8	7.4	17.8
Adj PAT(%)	47.9	12.5	27.0	18.0	21.9
Adj EPS(%)	47.9	12.5	27.0	18.0	21.9

### Financial ratios

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
RoE (%)	38.7	41.1	49.3	50.3	49.2
RoCE (%)	55.5	59.1	73.1	69.9	67.7
Asset/T.O (x)	5.1	6.0	8.3	8.1	5.5
Net Debt/Equity (x)	(0.6)	(0.8)	(1.0)	(1.1)	(1.2)
EBIT/Interest (x)	(20.4)	(22.7)	(24.0)	(25.0)	(28.5)

## Siemens

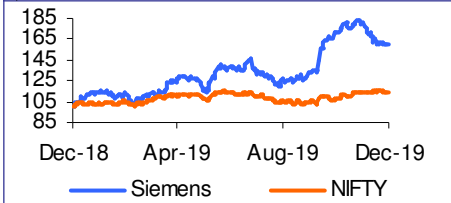
**BUY | CMP: INR1,466 | 2yr upside: 32%-46%\***

### Market data

Market Cap (USDbn)	:	7.342
O/S Shares (m)	:	356.1
52-wk HI/LO (INR)	:	1717/905
Avg Daily Vol ('000)	:	378
Promoters	:	75%
Bloomberg	:	SIEM IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 30th Sept	2019	2020e	2021e
Revenues(INRm)	136,838	152,625	175,467
EBITDA(INRm)	15,510	17,151	20,503
EBITDA Margin (%)	11.3	11.2	11.7
PAT(INRm)	11,149	13,757	16,495
PAT growth (%)	19.6	24.4	19.9
EPS (INR)	31.0	38.6	46.3
EPS growth (%)	19.6	24.4	19.9
P/E(x)	47.2	38.7	32.3

Source: Company, Antique

## A multi-year growth opportunity

### Digitalization is Siemens new growth engine

What was power in last decade, digitalization will be for innovator MNCs like Siemens in next decade. This gains tremendous importance given the government's focus on increasing the share of manufacturing from the current 17% to 25% of GDP. This would mean an incremental annual manufacturing output of ~USD 500-600bn requiring a capex of USD 1.3-1.5trn, thus the need to adopt digital technologies. With strong installed base, the connected fleet of over 40mn devices, Siemens provides a powerful platform. The two themes - (1) MindSphere and (2) Digital Twin are expected to drive Siemens growth in digital where MindSphere will connect the virtual world with real world from factories to infrastructure; Digital Twin will help improve development, production and operations. Digitalization as a business has shown tremendous growth in recent times, and will continue to be a huge growth driver for the company.

### Best engineering bet in case of a broad-based capex recovery

Siemens has the most diversified product portfolio, catering to wide end-markets. The company has gone through significant capacity build-up over the past decade, while many of its businesses witnessed demand headwinds, leading to significant capacity under-utilisation. Going forward, Siemens is likely to experience faster sales growth, with lower capex. It turns out to be most cyclical among its MNC peers, and could witness a meaningful uptick in profit margins. Siemens among the best working capital cycle among peers, which is an additional plus for upside in growth and return ratios.

### Now, growth acceleration visible

After going through a tough patch during the period of FY11 to FY15, the company has seen remarkable improvement in profitability, led by intense focus on profitable orders, cost cutting and cash management. Business growth has also picked up in recent years, with revenue growing at 14% and 12% in FY17/18, and orders growing at 25% / 27% and -6% during the same period.

### 22% earnings CAGR, attractive valuations

We expect Siemens to post 25% earnings CAGR over FY19-21 (Sept-ending), on 13% revenue growth. Stock trades at 32x FY21e (year-ending Sep-21), at a meaningful discount to historical valuations. We maintain Buy with a target price of INR 1,850 per share, based on 40x FY20e earnings.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 30th Sept	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>110,148</b>	<b>127,251</b>	<b>136,838</b>	<b>152,625</b>	<b>175,467</b>
Op. Expenses	99,636	114,090	121,328	135,473	154,964
<b>EBITDA</b>	<b>10,512</b>	<b>13,161</b>	<b>15,510</b>	<b>17,151</b>	<b>20,503</b>
Depreciation	1,966	1,967	2,173	2,378	2,565
<b>EBIT</b>	<b>8,546</b>	<b>11,194</b>	<b>13,337</b>	<b>14,774</b>	<b>17,939</b>
Other income	2,547	2,800	3,473	3,732	4,228
Interest Exp.	77	82	114	114	114
<b>Reported PBT</b>	<b>11,016</b>	<b>13,912</b>	<b>16,696</b>	<b>18,392</b>	<b>22,052</b>
Tax	5,355	4,973	5,547	4,635	5,557
<b>Reported PAT</b>	<b>11,336</b>	<b>9,789</b>	<b>10,869</b>	<b>13,757</b>	<b>16,495</b>
<b>Net Profit</b>	<b>11,336</b>	<b>9,789</b>	<b>10,869</b>	<b>13,757</b>	<b>16,495</b>
<b>Adjusted PAT</b>	<b>7,035</b>	<b>8,939</b>	<b>11,149</b>	<b>13,757</b>	<b>16,495</b>
<b>Adjusted EPS (INR)</b>	<b>19.8</b>	<b>26.0</b>	<b>31.0</b>	<b>38.6</b>	<b>46.3</b>

### Cash flow statement (INRm)

Year ended 30th Sept	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>11,016</b>	<b>13,912</b>	<b>16,696</b>	<b>18,392</b>	<b>22,052</b>
CF from operating activities	10,200	1,166	17,383	26,685	16,763
CF from investing activities	(2,916)	(1,335)	(1,541)	(1,671)	(1,672)
CF from financing activities	(1,665)	(4,087)	(3,346)	(16,258)	(9,722)
<b>Net cash flow</b>	<b>5,619</b>	<b>(4,256)</b>	<b>12,496</b>	<b>8,757</b>	<b>5,369</b>
Opening balance	35,093	40,712	36,456	48,951	57,708
<b>Closing balance</b>	<b>40,712</b>	<b>36,456</b>	<b>48,951</b>	<b>57,708</b>	<b>63,077</b>

### Valuation (x)

Year ended 30th Sept	2017	2018	2019	2020e	2021e
P/E (x)	74.2	56.4	47.2	38.7	32.3
P/BV (x)	6.8	6.3	5.8	6.0	5.6
EV/EBITDA (x)	47.0	36.5	31.3	27.6	23.2
EV/Sales (x)	4.4	3.8	3.5	3.1	2.7
Dividend Yield (%)	0.7	0.9	1.1	1.3	1.5

### Balance sheet (INRm)

Year ended 30th Sept	2017	2018	2019	2020e	2021e
Share Capital	712	712	712	712	712
Reserves & Surplus	76,335	82,342	89,724	87,337	94,224
<b>Networth</b>	<b>77,047</b>	<b>83,054</b>	<b>90,436</b>	<b>88,049</b>	<b>94,936</b>
Net deferred Tax liabilities	(2,442)	(2,665)	(2,410)	(2,410)	(2,410)
<b>Capital Employed</b>	<b>74,605</b>	<b>80,389</b>	<b>88,026</b>	<b>85,639</b>	<b>92,526</b>
Gross Fixed Assets	16,295	18,314	19,914	21,614	23,314
Accumulated Depreciation	4,030	5,875	8,066	10,443	13,008
<b>Net Fixed Assets</b>	<b>13,695</b>	<b>13,063</b>	<b>12,431</b>	<b>11,725</b>	<b>10,833</b>
Investments	550	550	550	550	550
<b>Current Assets, Loans &amp; Adv.</b>	<b>114,544</b>	<b>126,214</b>	<b>137,346</b>	<b>157,647</b>	<b>177,973</b>
Inventory	10,165	11,389	10,950	14,635	16,826
Debtors	43,607	48,173	50,118	51,851	59,611
Cash & Bank balance	40,713	36,457	48,913	57,709	63,078
Loans & advances and others	20,058	30,195	27,365	33,452	38,459
<b>Current Liabilities &amp; Prov.</b>	<b>54,184</b>	<b>59,438</b>	<b>62,341</b>	<b>84,283</b>	<b>96,830</b>
Liabilities	31,089	48,426	50,605	46,453	53,338
Provisions	23,094	11,012	11,736	37,829	43,492
<b>Net Current Assets</b>	<b>60,360</b>	<b>66,776</b>	<b>75,005</b>	<b>73,365</b>	<b>81,143</b>
<b>Application of Funds</b>	<b>74,605</b>	<b>80,389</b>	<b>87,986</b>	<b>85,639</b>	<b>92,526</b>

### Growth indicators (%)

Year ended 30th Sept	2017	2018	2019	2020e	2021e
Revenue	1.9	15.5	7.5	11.5	15.0
EBITDA	1.5	25.2	17.8	10.6	19.5
Adj PAT	13.3	27.1	24.7	23.4	19.9
Adj EPS	13.3	31.4	19.6	24.4	19.9

### Financial ratios

Year ended 30th Sept	2017	2018	2019	2020e	2021e
RoE (%)	9.7	11.2	12.9	15.4	18.0
RoCE (%)	15.9	18.1	20.0	21.3	24.9
Asset/T.O (x)	2.0	1.8	1.8	1.8	2.0
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
EBIT/Interest (x)	144.1	170.7	147.5	162.3	194.4

## Colgate-Palmolive (India)

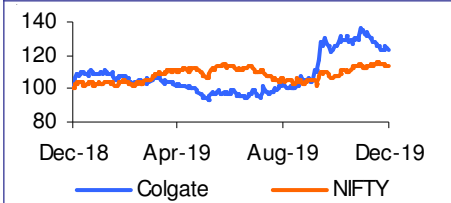
**HOLD | CMP: INR1,455 | 2yr upside: 16%-32%\***

### Market data

Market Cap (USDbn)	:	5.568
O/S Shares (m)	:	272.0
52-wk HI/LO (INR)	:	1643/1096
Avg Daily Vol ('000)	:	574
Promoters	:	51%
Bloomberg	:	CLGT IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	44,624	47,377	52,346
EBITDA(INRm)	12,361	13,013	14,817
PAT(INRm)	7,451	8,513	9,833
PAT growth (%)	7.6	14.3	15.5
EPS (INR)	27.4	31.3	36.2
EPS growth (%)	7.6	14.3	15.5
P/E(x)	53.1	46.5	40.2
P/BV(x)	27.4	25.5	22.1
EV/EBITDA(x)	31.8	30.0	26.2

Source: Company, Antique

### New products driving growth

#### Witnessing stability in market share

During the last six months, CLGT has not witnessed any erosion in market share. The company's market share in Toothpaste and toothbrush stood at 52.4% and 45.2% respectively during CY2018. Going ahead, CLGT will focus on improving market share through focus on naturals portfolio, kids product offerings, revival of its premium portfolio (Colgate Total, Colgate Salt etc), expansion of Palmolive range and innovations in toothbrush.

#### Rural recovery should aid revival in revenue

We expect CGLT to record mid-to-high single digit volume growth in the medium term. The company is expected to gradually improve market share over the next 12-18 months with the subsiding of the competition from naturals oral care players like Patanjali. Notably, the growth in natural toothpastes has also moderated, providing some breather and a platform to revive CLGT's generic segment products. Additionally, the revival in rural markets will aid CLGT's performance as the acceptability of naturals has been lower in the rural markets as compared to urban markets.

#### CLGT's renewed aggression to drive volume growth will aid performance

During the last six months, CGLT has beefed up its promotional activities to drive growth in its 'Naturals' and overall toothpaste portfolios. We expect high single digit sales growth during FY20, led by continued aggression in herbal/natural toothpaste and re-launch of Colgate total and Colgate Salt. Additionally the company has significantly increased its marketing initiatives through digital media, advertisements in sporting events like IPL (Indian Premier League) and free sampling of Swarna Vedhshakti (SVS) in festive occasions like the Khumb mela. The SVS sachet would be instrumental in driving growth. As per the management, CLGT has re-worked its go to market strategy. The company has identified about seven states, where it will work on improving sales through tailor made initiatives. Working on its regional approach, the company is already using local celebrities to endorse its products. Additionally, the company is increasing its direct reach (in FY19, direct reach increased by about 30%) to drive sales.

### Valuations

At the CMP, the stock is trading at PER of 46.5x FY20e and 40.2x FY21e EPS. We believe that the company's on ground aggression is positive and will aid market share gains during the next two years. We, recommend HOLD on the stock with a target price of INR1,446.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS



## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>39,818</b>	<b>41,880</b>	<b>44,624</b>	<b>47,377</b>	<b>52,346</b>
Op. Expenses	(30,374)	(30,743)	(32,264)	(34,364)	(37,530)
<b>EBITDA</b>	<b>9,444</b>	<b>11,137</b>	<b>12,361</b>	<b>13,013</b>	<b>14,817</b>
Depreciation	(1,332)	(1,565)	(1,592)	(2,004)	(2,104)
<b>EBIT</b>	<b>8,112</b>	<b>9,572</b>	<b>10,769</b>	<b>11,009</b>	<b>12,713</b>
Other income	403	375	377	467	537
Interest Exp.	-	-	(25)	(94)	(104)
<b>Reported PBT</b>	<b>8,676</b>	<b>9,830</b>	<b>11,426</b>	<b>11,381</b>	<b>13,146</b>
Tax	(2,535)	(3,022)	(3,670)	(2,868)	(3,313)
<b>Reported PAT</b>	<b>6,141</b>	<b>6,808</b>	<b>7,756</b>	<b>8,513</b>	<b>9,833</b>
<b>Net Profit</b>	<b>6,141</b>	<b>6,808</b>	<b>7,756</b>	<b>8,513</b>	<b>9,833</b>
<b>Adjusted PAT</b>	<b>5,980</b>	<b>6,925</b>	<b>7,451</b>	<b>8,513</b>	<b>9,833</b>
<b>Adjusted EPS (INR)</b>	<b>22.0</b>	<b>25.5</b>	<b>27.4</b>	<b>31.3</b>	<b>36.2</b>

### Cash flow statement (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>8,676</b>	<b>9,830</b>	<b>11,426</b>	<b>11,381</b>	<b>13,146</b>
CF from operating activities	6,880	6,939	9,290	11,003	12,157
CF from investing activities	(3,421)	(2,073)	(1,665)	(1,737)	(1,767)
CF from financing activities	(3,429)	(3,311)	(8,194)	(7,571)	(7,585)
<b>Net cash flow</b>	<b>30</b>	<b>1,555</b>	<b>(568)</b>	<b>1,694</b>	<b>2,805</b>
Opening balance	2,977	3,006	4,562	3,994	5,688
<b>Closing balance</b>	<b>3,006</b>	<b>4,562</b>	<b>3,994</b>	<b>5,688</b>	<b>8,493</b>

### Valuation (x)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
P/E	66.2	57.1	53.1	46.5	40.2
P/BV	31.1	26.0	27.4	25.5	22.1
EV/EBITDA	41.6	35.1	31.8	30.0	26.2
EV/Sales	9.9	9.3	8.8	8.2	7.4
Dividend Yield (%)	0.7	0.9	1.8	1.6	1.6

### Balance sheet (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Share Capital	272	272	272	272	272
Reserves & Surplus	12,466	14,974	14,196	15,252	17,628
<b>Networth</b>	<b>12,738</b>	<b>15,246</b>	<b>14,467</b>	<b>15,524</b>	<b>17,900</b>
Net deferred Tax liabilities	196	(193)	(686)	(686)	(686)
<b>Capital Employed</b>	<b>12,934</b>	<b>15,053</b>	<b>14,613</b>	<b>15,615</b>	<b>17,991</b>
Gross Fixed Assets	14,423	16,362	18,403	20,607	22,911
Accumulated Depreciation	(3,342)	(4,903)	(6,494)	(8,498)	(10,603)
<b>Net Fixed Assets</b>	<b>12,747</b>	<b>13,045</b>	<b>13,896</b>	<b>14,096</b>	<b>14,296</b>
Investments	312	312	312	312	312
Non Current Investments	312	312	312	312	312
<b>Current Assets, Loans &amp; Adv.</b>	<b>9,361</b>	<b>11,261</b>	<b>10,555</b>	<b>12,427</b>	<b>15,756</b>
Inventory	2,926	2,267	2,486	2,548	2,791
Debtors	1,299	2,010	2,098	2,226	2,460
Cash & Bank balance	3,006	4,562	3,994	5,688	8,493
Loans & advances and others	2,130	2,422	1,977	1,965	2,012
<b>Current Liabilities &amp; Prov.</b>	<b>9,468</b>	<b>9,545</b>	<b>10,132</b>	<b>11,202</b>	<b>12,354</b>
Liabilities	8,653	9,319	9,919	10,968	12,097
Provisions	816	227	213	234	257
<b>Net Current Assets</b>	<b>(107)</b>	<b>1,715</b>	<b>422</b>	<b>1,225</b>	<b>3,402</b>
Miscellaneous expenses	(17)	(18)	(17)	(17)	(18)
<b>Application of Funds</b>	<b>12,934</b>	<b>15,053</b>	<b>14,613</b>	<b>15,615</b>	<b>17,991</b>

### Growth indicators (%)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Revenue(%)	2.9	5.2	6.6	6.2	10.5
EBITDA(%)	0.6	17.9	11.0	5.3	13.9
Adj PAT(%)	(5.1)	15.8	7.6	14.3	15.5
Adj EPS(%)	(5.1)	15.8	7.6	14.3	15.5

### Financial ratios

Year ended 31st Mar	2017	2018	2019	2020e	2021e
RoE (%)	52	49	50	57	59
RoCE (%)	72	71	75	76	79
Asset/T.O (x)	3	3	3	3	3

## Procter & Gamble Hygiene & Health Care

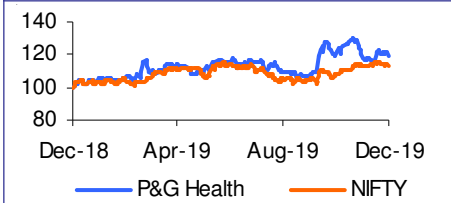
Not Rated | CMP: INR11,220 | 2yr upside: 35%-37%\*

### Market data

Market Cap (USDbn)	:	5.103
O/S Shares (m)	:	32.5
52-wk HI/LO (INR)	:	12775/9390
Avg Daily Vol ('000)	:	8
Promoters	:	71%
Bloomberg	:	PG IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 30th Jun	2019	2020e	2021e
Revenues(INRm)	29,465	33,141	38,078
EBITDA(INRm)	6,074	7,529	9,355
EBITDA Margin (%)	21	23	25
PAT(INRm)	4,191	5,643	7,095
EPS (INR)	129	151	200
EPS growth (%)	12	17	33
P/E(x)	87	74	56

Source: Company, Antique;

\* Bloomberg Consensus

## Hygiene & healthcare a new trend

### Presence in low penetration categories provides strong growth potential

PG Hygiene and Healthcare (PGHH) is engaged in low penetration categories, Hygiene (Feminine hygiene and other skin care) and health care (ointments and creams, cough drops and tablets). Hygiene and Health care contribute 70% and 30% respectively to PGHH's sales. Both the business categories have potential to grow in double digit in the medium to longer term. The larger portion of business, Feminine hygiene (primarily sanitary napkins), provides a high growth potential (58% penetration in India with 48% in rural India) given the rising awareness amongst non-users in rural India. Notably, as per industry reports, P&GHH has a dominating market share of 52% in sanitary napkins, while the second largest player, Energizer is a distant second with market share of 28%.

### Government initiatives and increase in marketing spends to drive sales

P&GHH is aggressively marketing its low penetration categories like feminine hygiene. The company increased its ad-spends by 18% YoY during FY19. The company has made strong progress in growing more users on sanitary napkins, particularly among non-users in their early teen years via 'Check Check' campaign and continued focus on the 'Point of Market' entry consumer via school programme. This initiative accelerated Whisper's penetration among teens which was significantly ahead of category penetration growth. The company has been also increasing its reach of retail outlets, to improve the product availability in rural India. Such initiatives coupled with the awareness building initiatives taken up by the government of India should drive penetration in the coming years.

### Product innovations to drive growth

P&GHH has been launching innovative products across its categories. The company's strategic foray in emerging 'Comfort & Soft' segment with Ultra Softs aided sales growth during FY19. Additionally, P&GHH expanded its Whisper portfolio by extending it from 'Period protection' to overall 'Feminine wellness' via Whisper daily liners launch in top channels. In health care products, PGHH forayed in to the baby rub segment through the launch of Vicks Baby Rub during FY18.

### Valuation

An accelerated growth in its mainstay business and a lower ad-spend could revive earnings growth. At the current levels, the stock is trading at PER of 56x FY21e and EV/EBITDA of 39.2x FY21e.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 30th Jun	2015	2016	2017	2018	2019
<b>Net Revenue</b>	<b>23,338</b>	<b>22,754</b>	<b>23,204</b>	<b>24,553</b>	<b>29,465</b>
Op. Expenses	18,503	16,696	16,576	18,400	23,391
<b>EBITDA</b>	<b>4,834</b>	<b>6,058</b>	<b>6,628</b>	<b>6,153</b>	<b>6,074</b>
Depreciation	525	517	597	524	498
<b>EBIT</b>	<b>4,309</b>	<b>5,541</b>	<b>6,031</b>	<b>5,630</b>	<b>5,576</b>
Other income	756	876	791	241	552
Interest Exp.	57	63	104	53	55
<b>Reported PBT</b>	<b>5,008</b>	<b>6,354</b>	<b>6,717</b>	<b>5,817</b>	<b>6,073</b>
Tax	1,546.7	2,130.0	2,390.4	2,071.8	1,882
<b>Reported PAT</b>	<b>3,461</b>	<b>4,224</b>	<b>4,327</b>	<b>3,745</b>	<b>4,191</b>
<b>Net Profit</b>	<b>3,461</b>	<b>4,224</b>	<b>4,327</b>	<b>3,745</b>	<b>4,191</b>
<b>Adjusted PAT</b>	<b>3,461</b>	<b>4,224</b>	<b>4,327</b>	<b>3,745</b>	<b>4,191</b>
<b>Adjusted EPS (INR)</b>	<b>106.6</b>	<b>130.2</b>	<b>133.3</b>	<b>115.4</b>	<b>129</b>

### Cash flow statement (INRm)

Year ended 30th Jun	2015	2016	2017	2018	2019
<b>PBT</b>	<b>5,008</b>	<b>6,355</b>	<b>6,718</b>	<b>5,818</b>	<b>6,073</b>
CF from operating activities	4,256	3,525	4,453	4,155	4,118
CF from investing activities	284	2,211	1,493	(195)	355
CF from financing activities	(1,053)	(1,217)	(15,587)	(1,061)	(3,137)
<b>Net cash flow</b>	<b>3,487</b>	<b>4,518</b>	<b>(9,642)</b>	<b>2,899</b>	<b>1,336</b>
Opening balance	2,664	6,148	10,666	1,024	3,924
<b>Closing balance</b>	<b>6,151</b>	<b>10,666</b>	<b>1,024</b>	<b>3,924</b>	<b>5,259</b>

### Valuation (x)

Year ended 30th Jun	2015	2016	2017	2018	2019
P/E	105.2	86.2	84.2	97.2	86.9
P/BV	29.6	22.1	70.3	46.0	40.8
EV/EBITDA	74.05	58.35	54.77	58.54	59.07
EV/Sales	15.34	15.53	15.65	14.67	12.18
Dividend Yield (%)	0.3	0.3	3.5	0.4	0.8

### Balance sheet (INRm)

Year ended 30th Jun	2015	2016	2017	2018	2019
Share Capital	325	360	404	458	500
Reserves & Surplus	11,962	16,158	4,858	7,597	8,591
<b>Networth</b>	<b>12,287</b>	<b>16,518</b>	<b>5,261</b>	<b>8,055</b>	<b>9,091</b>
Net deferred Tax liabilities	(40)	(89)	(263)	(230)	(368)
<b>Capital Employed</b>	<b>12,281</b>	<b>16,464</b>	<b>5,515</b>	<b>8,313</b>	<b>9,378</b>
Gross Fixed Assets	5,237	3,616	3,761	4,000	4,322
Accumulated Depreciation	2,149	442	904	1,499	1,980
<b>Net Fixed Assets</b>	<b>3,088</b>	<b>3,174</b>	<b>2,857</b>	<b>2,501</b>	<b>2,342</b>
<b>Current Assets, Loans &amp; Adv.</b>	<b>15,959</b>	<b>17,956</b>	<b>8,061</b>	<b>11,298</b>	<b>13,458</b>
Inventory	1,191	1,275	1,774	1,236	2,034
Debtors	1,139	1,496	1,328	1,485	1,807
Cash & Bank balance	6,186	10,732	1,168	3,996	5,405
Loans & advances and others	6,882	4,234	3,166	4,116	3,755
Other Current Assets	561	219	625	465	458
<b>Current Liabilities &amp; Prov.</b>	<b>7,157</b>	<b>5,111</b>	<b>5,823</b>	<b>5,711</b>	<b>6,574</b>
Liabilities	4,570	4,258	4,575	4,627	6,259
Provisions	2,587	853	1,249	1,085	315
<b>Net Current Assets</b>	<b>8,802</b>	<b>12,846</b>	<b>2,238</b>	<b>5,586</b>	<b>6,885</b>
<b>Application of Funds</b>	<b>12,281</b>	<b>16,464</b>	<b>5,515</b>	<b>8,313</b>	<b>9,378</b>

### Growth indicators (%)

Year ended 30th Jun	2015	2016	2017	2018	2019
Revenue(%)	13.79	-2.50	1.98	5.81	20.01
EBITDA(%)	14.97	25.30	9.41	-7.16	-1.29
Adj PAT(%)	14.61	22.06	2.42	-13.44	11.89
Adj EPS(%)	14.62	22.06	2.42	-13.43	11.89

### Financial ratios

Year ended 30th Jun	2015	2016	2017	2018	2019
RoE (%)	28.17	29.33	39.73	56.25	48.88
RoCE (%)	41.24	44.65	62.07	84.91	69.27
Asset/T.O (x)	1.96	1.63	2.20	3.72	3.40
Net Debt/Equity (x)	-0.50	-0.65	-0.22	-0.50	-0.59
EBIT/Interest (x)	88.54	102.35	65.46	110.35	111.82

## ABB India

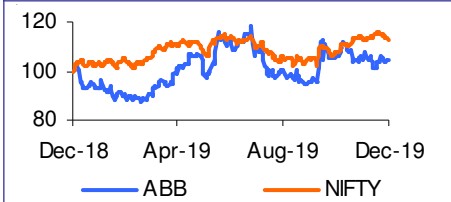
**HOLD | CMP: INR1,450 | 2yr upside: 44%-68%\***

### Market data

Market Cap (USDbn)	:	4.325
O/S Shares (m)	:	211.9
52-wk HI/LO (INR)	:	1670/1210
Avg Daily Vol ('000)	:	87
Promoters	:	75%
Bloomberg	:	ABB IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 Dec	2018	2019e	2020e
Revenues(INRm)	66,901	76,133	85,834
EBITDA(INRm)	4,578	6,440	7,985
EBITDA Margin (%)	6.8	8.5	9.3
PAT(INRm)	2,542	3,960	5,710
PAT growth (%)	21.6	20.6	32.0
EPS (INR)	24.1	29.1	38.4
EPS growth (%)	21.6	20.6	32.0
P/E(x)	60.1	49.9	37.8

Source: Company, Antique

## A play on digital automation!

### Sells Powergrid business; digitalization and automation businesses new growth drivers

ABB, arguably among most respected names in power T&D, process automation and robotics, last year decided to exit 'powergrid' business by selling it to Hitachi (vertical demerger of ABB India, both companies to be listed by June 2020), thus ending a business which has helped to company grow over the past two decades. Like Siemens, digitalization will driver ABB India's growth in next decade. The company has significantly increased its digital engagement which has grown three-fold in CY18 vs CY17. Currently, the company is running close to 300 digitalization projects in India for both domestic and export markets. The company has also reiterated its willingness and ability to expand its export business by increasing penetration in key geographies. The company has identified major thrust areas including - (1) mobility (metro projects & high-speed rails), (2) smart city including water management, (3) port infrastructure, aided by the "Sagarmala" initiative, (4) renewable including solar and (5) electric vehicles.

### Strong order-book provides near-term visibility

For the full year CY18, ABB's order inflow stood at INR 67.3bn, a growth of 16% YoY with an export order growth of 50% and service orders growing 27%. The order inflow contributions from individual segments were INR 26.4bn from Robotics & Motion, INR 27.54bn from Electrification Products and INR 17bn from Industrial Automation. With this, the current order book stands at INR 42.3bn, equally spread between the three continuing business segments.

### A shift towards short cycle orders to reduce project delays and cost overruns

ABB India's sharper focus on new areas, such as robotics and motion, digitalization and automation, implies a shift towards short-cycle orders which is expected to lower risk from project delays and cost overruns. Also, the company plans to increase localization and indigenization from 75% currently.

### New ABB to trade at premium, maintain Hold

We believe that the new ABB (ex-powergrid) will continue to trade at a premium, and value the business at INR 257bn, or INR 1,213 per share (at 45 x CY20e earnings). In our opinion, Powergrid business will remain a 'good' business in India, and given Hitachi's engineering expertise, it will continue to demonstrate strong growth. On the flip side, there could be growth moderation in CY20 on account of actual transfer of business. We value the power-grid business at INR 73bn, or INR 343 per share (at 30 x CY20e earnings). Combined, the company is valued at INR 1,550. Maintain Hold.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
<b>Net Revenue</b>	<b>86,422</b>	<b>60,937</b>	<b>66,901</b>	<b>76,133</b>	<b>85,834</b>
Op. Expenses	79,337	56,791	62,323	69,694	77,849
<b>EBITDA</b>	<b>7,085</b>	<b>4,146</b>	<b>4,578</b>	<b>6,440</b>	<b>7,985</b>
Depreciation	1,510	1,012	928	954	1,034
<b>EBIT</b>	<b>5,576</b>	<b>3,134</b>	<b>3,650</b>	<b>5,486</b>	<b>6,952</b>
Other income	1,216	777	840	831	1,009
Interest Exp.	919	572	539	225	245
<b>Reported PBT</b>	<b>5,733</b>	<b>5,284</b>	<b>6,518</b>	<b>8,292</b>	<b>10,136</b>
Tax	1,988	1,084	1,410	2,132	2,006
PAT from continued operations	3,885	2,255	2,542	3,960	5,710
PAT from discontinued operations			2,567	2,200	2,420
<b>Net Profit</b>	<b>3,745</b>	<b>4,200</b>	<b>5,109</b>	<b>6,160</b>	<b>8,130</b>
<b>Adjusted PAT</b>	<b>3,885</b>	<b>2,255</b>	<b>2,542</b>	<b>3,960</b>	<b>5,710</b>
<b>Adjusted EPS (INR)</b>	<b>18.3</b>	<b>19.8</b>	<b>24.1</b>	<b>29.1</b>	<b>38.4</b>

### Cash flow statement (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
<b>PBT</b>	<b>5,873</b>	<b>3,339</b>	<b>3,951</b>	<b>6,092</b>	<b>7,716</b>
CF from operating activities	9,381	11,587	(203)	(3,873)	4,651
CF from investing activities	(1,989)	(1,939)	(1,891)	(1,844)	(1,798)
CF from financing activities	(2,929)	(3,714)	(4,840)	(6,280)	(8,354)
<b>Net cash flow</b>	<b>6,155</b>	<b>4,894</b>	<b>9,454</b>	<b>3,172</b>	<b>4,745</b>
Opening balance	5,736	11,892	14,916	14,751	17,922
<b>Closing balance</b>	<b>11,892</b>	<b>14,916</b>	<b>14,751</b>	<b>17,922</b>	<b>22,667</b>

### Valuation (x)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
P/E	79.1	73.2	60.1	49.9	37.8
P/BV	9.3	8.5	7.7	6.8	5.9
EV/EBITDA	42.5	70.5	63.9	44.9	35.6
EV/Sales	355.8	484.8	437.0	384.2	337.1
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.7

### Balance sheet (INRm)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
Share Capital	424	424	424	424	424
Reserves & Surplus	32,443	35,645	39,649	44,859	51,662
<b>Networth</b>	<b>32,867</b>	<b>36,069</b>	<b>40,073</b>	<b>45,283</b>	<b>52,086</b>
Debt	6,000	41	20	20	20
<b>Capital Employed</b>	<b>37,564</b>	<b>34,937</b>	<b>60,171</b>	<b>44,153</b>	<b>50,957</b>
Gross Fixed Assets	14,059	15,251	11,419	12,419	13,419
Accumulated Depreciation	1,510	3,064	2,488	3,441	4,475
<b>Net Fixed Assets</b>	<b>13,227</b>	<b>13,351</b>	<b>9,762</b>	<b>9,808</b>	<b>9,775</b>
Investments	163	2,707	2	2	2
<b>Current Assets, Loans &amp; Adv.</b>	<b>62,618</b>	<b>71,648</b>	<b>51,834</b>	<b>67,855</b>	<b>78,962</b>
Inventory	9,403	11,536	9,279	10,559	11,904
Debtors	29,707	27,641	16,869	19,197	21,643
Cash & Bank balance	11,892	14,916	14,751	17,922	22,667
Loans & advances and others	413	17,093	263	299	337
<b>Current Liabilities &amp; Prov.</b>	<b>38,445</b>	<b>52,770</b>	<b>29,448</b>	<b>33,512</b>	<b>37,782</b>
Liabilities	21,573	27,131	18,745	21,332	24,050
Provisions	16,872	25,639	10,703	12,180	13,732
<b>Net Current Assets</b>	<b>24,174</b>	<b>18,878</b>	<b>22,385</b>	<b>34,343</b>	<b>41,180</b>
<b>Application of Funds</b>	<b>37,564</b>	<b>34,936</b>	<b>60,171</b>	<b>44,153</b>	<b>50,957</b>

### Growth indicators (%)

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
Revenue	6.2	(29.5)	9.8	13.8	12.7
EBITDA	(5.1)	(41.5)	10.4	40.7	24.0
Adj PAT	16.4	(41.9)	12.7	55.8	44.2
Adj EPS	16.4	8.1	21.6	20.6	32.0

### Financial ratios

Year ended 31 st Dec	2016	2017	2018	2019e	2020e
RoE (%)	12.3	6.5	6.7	12.9	11.7
RoCE (%)	18.6	10.8	9.4	12.1	16.7
Asset/T.O (x)	2.6	1.7	1.9	2.4	2.2
Net Debt/Equity (x)	0.2	0.0	0.0	0.0	0.0
EBIT/Interest (x)	7.4	6.8	8.3	28.1	32.5

Whirlpool of India

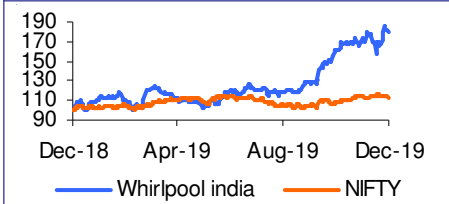
Not Rated | CMP: INR2,318 | 2yr upside: 21%-44%\*

Market data

Market Cap (USDbn)	:	4.141
O/S Shares (m)	:	126.9
52-wk HI/LO (INR)	:	2448/1270
Avg Daily Vol ('000)	:	150
Promoters	:	75%
Bloomberg	:	WHIRLIN

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	53,977	63,195	73,631
EBITDA(INRm)	6,421	7,583	9,057
EBITDA Margin (%)	11.9	12.0	12.3
PAT(INRm)	4,070	5,045	6,143
EPS (INR)	32.1	39.8	48.4
EPS growth (%)	16.1	24.1	21.6
P/E(x)	47.8	39.4	32.4

Source: Company, Antique

Strong market presence; exports to aid growth

Consistent market share gains augur well for the company

Whirlpool has been able to gain market share over past few years led by (1) New Product launches, (2) Channel expansion and (3) focus on branding. The company enjoys high brand equity and has expanded its presence in the kitchen and cooking space (high growth industry). The company has been successful in expanding its product portfolio by launching products that appeal to consumers leveraging its parent's technology base. The company has expanded presence in the kitchen and cooking space and plans to widen its distribution footprint (from 18k to 24k) mainly in semiurban/rural areas given higher growth potential. Whirlpool has a very strong presence in e-commerce (4x jump in sales from last year) via tie-ups with Amazon and Flipkart. However, it is also in the process of launching its own website called 'W Store'. With the management focus on ramping up after-sales and exports businesses, the company looks well placed to deliver strong growth.

Exports and services to remain key drivers

The company has started exporting kits for semi-automatic washing machines to South Africa and Sri Lanka as the duty rates are very high for finished products. Management targets to ramp up exports gradually. Whirlpool continues to export to Australia, Singapore and the Philippines. The services business has grown by leaps and bounds driven by expansion of the after-market spare parts and servicing contracts business.

Cost efficiency likely to boost profit

WHIRL is the market leader in single-door refrigerators. In order to cater to growing demand, the company is expanding capacity by 0.6mn units (to 2.7mn units) at an investment of INR1.81bn; the new capacity is expected to be operational by mid- CY19. The decision to shut warehouses (over and above 15% already closed) and deliver directly from manufacturing plants is expected to cut working capital while controlling freight & forwarding costs (6% of the revenue in FY18).

32% earnings CAGR expected over FY19-21

The company's effort to plug product gaps and expand distribution channel more into the rural/semi-urban space coupled with cost efficiency drive involving rationalization of warehouses is expected to drive 32% CAGR over FY19-21. We don't have a rating on the stock.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>32,938</b>	<b>34,399</b>	<b>39,408</b>	<b>48,319</b>	<b>53,977</b>
<b>EBITDA</b>	<b>3,312</b>	<b>3,834</b>	<b>4,888</b>	<b>5,599</b>	<b>6,421</b>
Depreciation	681	769	875	1,015	1,113
<b>EBIT</b>	<b>2,631</b>	<b>3,065</b>	<b>4,013</b>	<b>4,584</b>	<b>5,308</b>
Less: Financial expenses	6	52	59	44	91
Other income	380	553	730	867	1,047
Exceptional item	-	(8)	-	-	-
<b>PBT</b>	<b>3,004</b>	<b>3,559</b>	<b>4,684</b>	<b>5,407</b>	<b>6,264</b>
Less: Taxation	900	1,159	1,580	1,902	2,194
<b>Reported PAT</b>	<b>2,104</b>	<b>2,399</b>	<b>3,104</b>	<b>3,506</b>	<b>4,070</b>
PAT Margin	6%	7%	8%	7%	8%
<b>Adjusted PAT</b>	<b>2,104</b>	<b>2,399</b>	<b>3,104</b>	<b>3,506</b>	<b>4,070</b>
<b>Adjusted EPS</b>	<b>17</b>	<b>19</b>	<b>24</b>	<b>28</b>	<b>32</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018
<b>Profit Before Tax</b>	<b>3,005</b>	<b>3,560</b>	<b>4,685</b>	<b>5,408</b>
CF after changes in Working Capital	3,846	4,606	5,640	5,881
CF from Investing Activities	(553)	(284)	(1,801)	(4,151)
<b>Net Cash Inflow / Outflow</b>	<b>2,440</b>	<b>3,145</b>	<b>2,022</b>	<b>(774)</b>
Opening Cash & Cash Equivalents	2,916	5,356	8,501	10,524
<b>Closing Cash &amp; Cash Equivalent</b>	<b>5,356</b>	<b>8,501</b>	<b>10,524</b>	<b>9,750</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	44.3	37.1	50.0	54.8	47.8
P/BV	10.3	7.6	10.7	10.9	9.1
EV / EBITDA	23.8	18.4	25.8	28.2	28.4
EV / Sales	2.7	2.3	3.7	3.8	3.4

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	1,269	1,269	1,269	1,269	1,269
Reserves & Surplus	7,889	10,388	13,562	16,695	20,158
<b>Networth</b>	<b>9,158</b>	<b>11,657</b>	<b>14,831</b>	<b>17,963</b>	<b>21,427</b>
Deferred tax liabilities (net)	24	30	(159)	(279)	(344)
<b>Capital Employed</b>	<b>9,951</b>	<b>12,611</b>	<b>16,063</b>	<b>19,321</b>	<b>23,072</b>
Gross Block	3,959	3,662	3,978	4,459	5,082
Net Block	3,959	3,662	3,978	4,459	5,082

### Current Assets, Loans & Adv.

Inventory	6,590	6,835	8,888	8,101	8,886
Debtors	1,551	1,926	2,049	2,403	2,556
Cash & Bank balance	5,357	8,563	10,590	9,819	11,993
Loans & advances	940	161	163	191	208
Other current Assets	42	621	773	1,141	1,175

### Current Liabilities & Prov.

Creditors	7,194	9,523	11,208	12,294	13,261
Other current liabilities	901	77	1,075	70	79
Provisions	443	301	256	294	335
<b>Net Current Assets</b>	<b>5,942</b>	<b>8,205</b>	<b>9,922</b>	<b>8,996</b>	<b>11,144</b>

### Application of Funds

<b>Application of Funds</b>	<b>9,951</b>	<b>12,611</b>	<b>16,063</b>	<b>19,321</b>	<b>23,072</b>
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### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales	16%	4%	15%	23%	12%
EBITDA	57%	16%	27%	15%	15%
PAT	71%	14%	29%	13%	16%

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported)	6	7	8	7	8
Net Income Margins (Adjusted)	6	7	8	7	8
RoACE	29	27	28	26	25
RoAE	25	23	23	21	21
Dividend Payout	0	0	12	14	16
EBITDA Margins	10	11	12	12	12

## Glaxosmithkline Pharmaceuticals

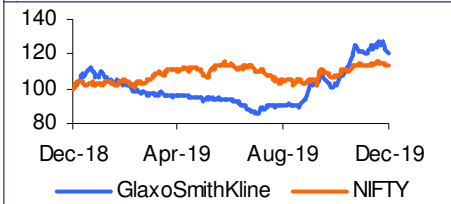
Not Rated | CMP: INR1,601 | 2yr upside: 35%-44%\*

### Market data

Market Cap (USDbn)	:	3.817
O/S Shares (m)	:	169.4
52-wk HI/LO (INR)	:	1737/1130
Avg Daily Vol ('000)	:	59
Promoters	:	75%
Bloomberg	:	GLXO IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	31,285	34,227	38,012
EBITDA(INRm)	6,064	7,357	8,597
EBITDA Margin (%)	18.9	21.5	22.6
PAT(INRm)	4,454	5,889	6,451
EPS (INR)	26	31	38
EPS growth (%)	23.2	25.6	20.6
P/E(x)	51.8	51.6	42.8

Source: Company, Antique

\* Bloomberg Consensus

## A quality play; new launches to drive growth

### Growth contingent on new launches

GSK is the 12th largest player in the Indian pharmaceutical market, having a market share of 2.8%. Unlike other MNCs, the company has been amongst the few which have taken initiatives to grow their businesses in the Indian market with consistent launch of new products. Acute therapies form a lion's share of revenues (~90%). Augmentin is the biggest anti-infective brand in India and accounts for ~10% of revenues. It also has presence in vaccine space with Synflorix being India's biggest pneumococcal vaccine. Despite several products coming under price control in CY13 and CY17, the business has been fairly resilient with increased volumes compensating for lower realizations. We expect GSK's brand equity to remain strong thereby driving long-term growth. In 1H20, GSK's focus on top-brands seems to be paying off with ~12-13% growth ahead of the IPM.

### Brand equity second to none

At INR 3.8bn annual sales, Augmentin is India's No. 1 penicillin-type antibiotic. In FY14 when the drug price control order was passed, prices were shaved off by ~40%; in 2 years time Augmentin returned to pre-price control price level driven by higher volume. Synflorix has ~55% market share in pneumococcal vaccine ahead of Pfizer's Prevnar. We believe launches like hexavalent DTaP vaccine in early-FY19 and biopatch are yet to realize their full potential.

### Navigating through multiple challenges

Price control in CY13, manufacturing issues in CY15 and expansion of price control in NLEM meant that GSK had to face more headwinds than most. The global divestment of oncology business has meant that it remains acute focused and hence revenue is hostage to a variety of factors like seasonality, raw material inputs and government intervention.

### Premium valuation to peers

GSK's revenues that were growing at mid-to-high single digits are now growing in high-single to low-double digit. Not only are the existing brands growing steadily, incremental growth risk to be minimal at this point as vaccines are likely to drive near-term growth. However, with several brands under price control and launches in respiratory to take time to gain traction, we expect limited positive surprises on the margin front in the near term although we flag that cost initiatives have led to a strong margin uptick. Stock is trading at 43x FY21 consensus earnings, assuming 23% earnings growth over FY19-21e. While the stock trades at premium to MNC peers, it is trading at a slight premium to 3-year average valuation. The company has high dividend yield which provides support to valuation.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS



## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>32,876</b>	<b>28,262</b>	<b>29,030</b>	<b>28,717</b>	<b>31,285</b>
<b>EBITDA</b>	<b>6,271</b>	<b>4,767</b>	<b>4,199</b>	<b>5,084</b>	<b>6,064</b>
Depreciation	254	250	264	380	486
<b>EBIT</b>	<b>6,018</b>	<b>4,517</b>	<b>3,935</b>	<b>4,704</b>	<b>5,578</b>
Less: Financial expenses	-	-	3	2	6
Other income	1,987	1,218	720	535	1,015
<b>PBT</b>	<b>7,485</b>	<b>5,759</b>	<b>5,110</b>	<b>5,415</b>	<b>6,823</b>
Less: Taxation	2,770	2,014	1,743	1,896	2,384
<b>Reported PAT</b>	<b>4,716</b>	<b>3,744</b>	<b>3,367</b>	<b>3,519</b>	<b>4,454</b>
PAT Margin	14%	13%	12%	12%	14%
<b>Adjusted PAT</b>	<b>4,716</b>	<b>3,744</b>	<b>3,367</b>	<b>3,519</b>	<b>4,454</b>
<b>Adjusted EPS</b>	<b>28</b>	<b>22</b>	<b>20</b>	<b>21</b>	<b>26</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Profit Before Tax</b>	<b>8,005</b>	<b>5,736</b>	<b>4,653</b>	<b>5,238</b>	<b>6,588</b>
CF after changes in Wrk Cap	5,979	3,535	3,905	6,763	6,207
CF from Investing Activities	1,776	4,991	3,031	(1,070)	(1,443)
CF Financing Activities	(4,970)	(6,383)	(5,108)	(3,066)	(3,584)
<b>Net Cash Inflow / Outflow</b>	<b>215</b>	<b>(10)</b>	<b>246</b>	<b>611</b>	<b>(1,016)</b>
Opening Cash & Cash Equivalents	935	1,147	1,137	1,383	1,994
<b>Closing Cash &amp; Cash Equivalent</b>	<b>1,150</b>	<b>1,137</b>	<b>1,383</b>	<b>1,994</b>	<b>978</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	61.1	86.0	68.8	50.2	51.8
P/BV	15.6	14.6	11.4	8.5	10.3
EV / EBITDA	32.6	51.5	45.3	29.2	29.5
EV / Sales	8.1	10.9	7.7	5.7	6.7

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	847	847	847	847	1,694
Reserves & Surplus	17,670	21,199	19,435	19,953	19,730
<b>Networth</b>	<b>18,517</b>	<b>22,046</b>	<b>20,282</b>	<b>20,800</b>	<b>21,424</b>
Deferred tax liabilities (net)	(829)	(1,008)	(913)	(1,031)	(605)
<b>Capital Employed</b>	<b>20,476</b>	<b>23,950</b>	<b>22,124</b>	<b>22,659</b>	<b>23,978</b>
Gross Block	2,383	2,100	2,850	3,228	4,300
Net Block	2,383	2,100	2,850	3,228	4,300

### Current Assets, Loans & Adv.

Inventory	3,689	5,217	4,255	5,002	4,865
Debtors	1,003	1,266	1,708	1,470	1,205
Cash & Bank balance	18,980	13,777	8,822	12,797	11,553
Loans & advances	4,081	690	1,613	146	114
Other current Assets	783	668	1,713	2,362	2,289

### Current Liabilities & Prov.

Creditors	3,059	3,231	2,759	5,025	4,030
Other current liabilities	1,316	2,067	3,912	9,964	9,560
Provisions	6,684	451	504	971	919

**Net Current Assets 17,476 15,868 10,937 5,816 5,517**

**Application of Funds 20,476 23,950 22,124 22,659 23,978**

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales	29	-16	3	-1	9
EBITDA	56	-37	-12	18	17
PAT	33	-42	-11	5	18

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported)	24	16	14	15	16
Net Income Margins (Adjusted)	26	16	13	15	16
RoACE	42	24	12	11	13
RoAE	42	23	20	21	24
Dividend Payout	112	113	75	84	80
EBITDA Margins	27	20	17	21	22

## Abbott India

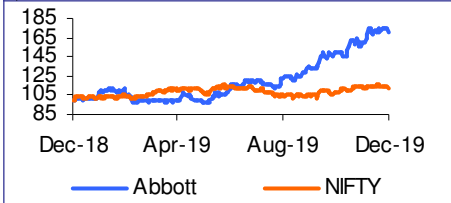
Not Rated | CMP: INR12,491 | 2yr upside: 18%-44%\*

### Market data

Market Cap (USDbn)	:	3,762
O/S Shares (m)	:	21.2
52-wk HI/LO (INR)	:	13200/7138
Avg Daily Vol ('000)	:	8
Promoters	:	75%
Bloomberg	:	BOOT IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	36,786	41,283	46,626
EBITDA(INRm)	6,046	7,193	8,751
EBITDA Margin (%)	15.6	17.4	18.8
PAT(INRm)	4,502	6,026	7,082
EPS (INR)	212	284	333
EPS growth (%)	17.1	28.8	17.5
P/E(x)	34.4	45.1	38.3

Source: Company, Antique

\* Bloomberg Consensus

## Dominant player in key therapies

### Leadership to remain intact

Abbott India is owned by Abbott Laboratories USA and is in the business of manufacturing and selling its own brands in India and also marketing Novo Nordisk's diabetes products. Abbott has been growing consistently above market growth rates. Its doctor engagement programmes and patient awareness schemes coupled with low competition brands have ensure that most of its top-10 brands are positioned 1 or 2 in their respective categories. On an average it plans to launch ~15-20 new products annually. We believe the consensus' FY19-21 Revenue/PAT CAGR of 11%/23% is achievable; in 1H20 it clocked 13% growth and improved margins to high-teens. With industry leading metrics , we believe Abbott should command a premium to its peers.

### Therapy-leading brands...

Abbott's leading brands grew at ~16% CAGR between FY16-19 vs. the IPM growth of ~9%. Abbott is one of the few MNCs to launch new products continually; in the last 2 years it has launched 16-18 products annually. Abbott has launched new products in both premium as well as affordable ones. Its own brands comprise ~60% of its revenues while insulin brands comprise ~40% of revenues. In the last 3 years, top brands have shown industry-leading growth - Duphaston ~28%, Thyronorm ~21%, Udiliv ~20%, Vertin ~6%. Top-10 brands contribute ~3/4 of revenue in the brands segment.

### ...which are likely to continue domination

The brand contribution can increase from ~60% today to ~68-70% in 3 years time. Among the MNCs, Abbott has the highest patient awareness programs across its therapies with a cumulative reach of 7.5mn people. Also, brand business has higher margin than the diabetes trading business. In our assessment, the brand business generates ~20-22% EBITDA margins while trading business ~5-7%. Thus, with the increase in brands contribution, the margin can go up by ~150 bps in the coming years

### Huge FCF and best-in-class return ratios

In the last 3 years, Abbott has made FCF of ~INR 2-3.5bn annually. FCFF is ~60-65% of EBITDA. This is expected to continue considering the growth of brands, new launches and lowest R&D (Abbott USA incurs it). It has cash ~INR 17bn on its balance sheet. Discount to GSK Pharma has contracted and given a robust business and healthy pipeline we expect the valuation gap to remain narrow in the long-term.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>22,893</b>	<b>26,145</b>	<b>29,026</b>	<b>32,985</b>	<b>36,786</b>
<b>EBITDA</b>	<b>3,122</b>	<b>3,643</b>	<b>3,972</b>	<b>5,244</b>	<b>6,046</b>
Depreciation	149	144	164	162	169
<b>EBIT</b>	<b>2,972</b>	<b>3,499</b>	<b>3,808</b>	<b>5,082</b>	<b>5,877</b>
Less: Financial expenses	5	25	20	38	23
Other income	476	506	576	1,170	1,133
<b>PBT</b>	<b>3,443</b>	<b>3,979</b>	<b>4,364</b>	<b>6,214</b>	<b>6,988</b>
Less: Taxation	1,154	1,428	1,598	2,203	2,485
<b>Reported PAT</b>	<b>2,289</b>	<b>2,552</b>	<b>2,766</b>	<b>4,011</b>	<b>4,502</b>
PAT Margin	10%	10%	10%	12%	12%
<b>Adjusted PAT</b>	<b>2,289</b>	<b>2,552</b>	<b>2,766</b>	<b>4,011</b>	<b>4,502</b>
<b>Adjusted EPS</b>	<b>108</b>	<b>120</b>	<b>130</b>	<b>189</b>	<b>212</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Profit Before Tax</b>	<b>3,444</b>	<b>3,980</b>	<b>4,365</b>	<b>6,215</b>	<b>6,989</b>
CF after changes in Wrk Cap	3,307	3,959	4,660	3,576	7,558
CF from Investing Activities	(1,867)	(772)	(1,554)	(2,148)	(2,570)
<b>Net Cash Inflow / Outflow</b>	<b>(295)</b>	<b>912</b>	<b>620</b>	<b>(1,646)</b>	<b>993</b>
Opening Cash & Cash Equivalents	785	490	1,402	2,022	377
<b>Closing Cash &amp; Cash Equivalent</b>	<b>490</b>	<b>1,402</b>	<b>2,022</b>	<b>377</b>	<b>1,370</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	36.6	39.2	35.6	28.9	34.4
P/BV	9.0	8.4	7.2	6.9	13.4
EV / EBITDA	21.5	22.1	19.3	16.4	41.0
EV / Sales	3.4	3.5	3.0	3.2	6.8

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	213	213	213	213	213
Reserves & Surplus	9,032	11,556	13,657	16,715	19,873
<b>Networth</b>	<b>9,244</b>	<b>11,768</b>	<b>13,869</b>	<b>16,928</b>	<b>20,086</b>
Deferred tax liabilities (net)	65	94	(124)	(146)	(131)
<b>Capital Employed</b>	<b>9,701</b>	<b>12,248</b>	<b>14,218</b>	<b>17,335</b>	<b>20,710</b>
Gross Block	1,000	1,094	1,107	814	1,050
Net Block	1,000	1,094	1,107	814	1,050
<b>Current Assets, Loans &amp; Adv.</b>					
Inventory	3,841	3,701	5,006	5,853	6,068
Debtors	1,292	1,450	1,762	2,634	2,761
Cash & Bank balance	6,439	8,394	10,909	10,314	16,843
Loans & advances	917	83	75	2,205	234
Other current Assets	161	940	1,233	1,799	1,865
<b>Current Liabilities &amp; Prov.</b>					
Creditors	1,936	2,301	4,747	4,806	6,635
Other current liabilities	594	922	866	1,100	980
Provisions	1,440	599	704	775	953
<b>Net Current Assets</b>	<b>8,680</b>	<b>10,746</b>	<b>12,669</b>	<b>16,124</b>	<b>19,202</b>
<b>Application of Funds</b>	<b>9,702</b>	<b>12,249</b>	<b>14,218</b>	<b>17,335</b>	<b>20,710</b>

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales	1	14	11	14	12
EBITDA	15	16	9	31	15
PAT	13	11	8	43	12

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported)	10	10	10	12	12
Net Income Margins (Adjusted)	10	10	10	12	12
RoACE	33	32	29	32	31
RoAE	27	24	22	26	24
Dividend Payout	29	29	31	29	31
EBITDA Margins	14	14	14	16	16

## Honeywell Automation India

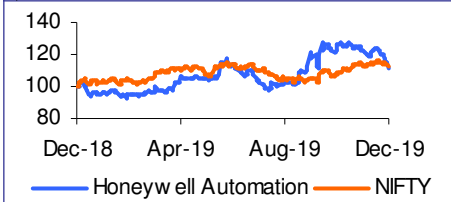
**BUY | CMP: INR25,457 | 2yr upside: 56%-70%\***

### Market data

Market Cap (USDbn)	:	3,149
O/S Shares (m)	:	8.8
52-wk HI/LO (INR)	:	29499/20611
Avg Daily Vol ('000)	:	2
Promoters	:	75%
Bloomberg	:	HWA IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	31,747	35,138	40,409
EBITDA(INRm)	5,034	6,301	7,590
EBITDA Margin (%)	15.9	17.9	18.8
PAT(INRm)	3,588	4,934	6,119
PAT growth (%)	43.7	37.5	24.0
EPS (INR)	405.9	558.2	692.2
EPS growth (%)	43.7	37.5	24.0
P/E(x)	67.6	49.2	39.7

Source: Company, Antique

## A pure quality play on automation

### Strong basket of products and services; focus on improving overall business in India

Being at the forefront of industrial automation/ IoT, the management exuberates confidence in the company's long-term growth potential. We have seen private sector spending in improving efficiency through automation although overall capex has not yet meaningfully recovered. We believe that the company is a strong play on (1) growing investments in industrial automation space, (2) overall industrial recovery, (3) smart cities including surveillance systems, and (4) outsourcing from parent. HAIL is well-placed to benefit and grow on the back of the following: (1) wide portfolio of products and services; (2) strong support from parent, with emphasis on innovation (the Indian entity has benefited from global product development and acquisition); (3) local product development with abaccess to Honeywell Technology Solution (parent's subsidiary); (4) strong reach in over 20 cities directly and 35 cities through distributors. Also, more than 10% of its global workforce is in India and it has five global engineering centers; India contributes software technologies towards new product introduction globally.

### Organic growth accelerating

A key driver for growth is to grow aggressively in 'High Growth Regions (HGRs)'. Growth in China and India stood at 25% and 19% in CY17. The company targets to grow at-least 2X GDP growth in HGRs. HGRs include China, India, Middle-East and Latin America. Honeywell has two clear strategies for HGRs: East-for-East and East-for-Rest. This is expected to meaningfully improve growth outlook for India, both for domestic and international market.

### Becoming a Software-Industrial Company

The company will leverage strong domain knowledge to build software for 'Connected' offerings. It will further build-out Honeywell Sentience platform, which is expected to secured key customer wins across all end market segments. Globally, the company expects ~20% CAGR in software sales, significantly ahead of overall company sales. This has significant implication for HAIL. HAIL's exports account for 45% of sales, and will continue to grow profitability in the long-term.

### 31% earnings CAGR over FY19-21E

We remain positive on the stock from a long-term perspective, given that the company is at the forefront of innovation with focus on automation and industrial IoT. With limited big-ticket capex from private sector, we have seen their spending directed to improving efficiency through automation. We maintain BUY on the stock with a target price of INR 31,150 valuing the stock at 45x its FY21E earnings.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>24,101</b>	<b>26,900</b>	<b>31,747</b>	<b>35,138</b>	<b>40,409</b>
Op. Expenses	21,242	23,264	26,714	28,837	32,818
<b>EBITDA</b>	<b>2,859</b>	<b>3,636</b>	<b>5,034</b>	<b>6,301</b>	<b>7,590</b>
Depreciation	164	152	159	350	350
<b>EBIT</b>	<b>2,695</b>	<b>3,484</b>	<b>4,875</b>	<b>5,951</b>	<b>7,240</b>
Other income	380	331	709	1,000	1,250
Interest Exp.	3	3	35	50	50
<b>Reported PBT</b>	<b>3,073</b>	<b>3,812</b>	<b>5,549</b>	<b>6,901</b>	<b>8,440</b>
Tax	1,379	1,315	1,961	1,967	2,321
<b>Reported PAT</b>	<b>1,695</b>	<b>2,497</b>	<b>3,588</b>	<b>4,934</b>	<b>6,119</b>
<b>Net Profit</b>	<b>1,695</b>	<b>2,497</b>	<b>3,588</b>	<b>4,934</b>	<b>6,119</b>
<b>Adjusted PAT</b>	<b>1,695</b>	<b>2,497</b>	<b>3,588</b>	<b>4,934</b>	<b>6,119</b>
<b>Adjusted EPS (INR)</b>	<b>191.7</b>	<b>282.5</b>	<b>405.9</b>	<b>558.2</b>	<b>692.2</b>

### Cash flow statement (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>3,073</b>	<b>3,812</b>	<b>5,549</b>	<b>6,901</b>	<b>8,440</b>
CF from operating activities	2,604	2,962	3,608	5,336	5,263
CF from investing activities	862	(152)	(365)	(200)	(200)
CF from financing activities	(1,398)	(180)	588	(210)	(263)
<b>Net cash flow</b>	<b>2,069</b>	<b>2,630</b>	<b>3,831</b>	<b>4,927</b>	<b>4,800</b>
Opening balance	3,716	5,784	8,414	12,245	17,172
<b>Closing balance</b>	<b>5,784</b>	<b>8,414</b>	<b>12,245</b>	<b>17,172</b>	<b>21,972</b>

### Valuation (x)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
P/E	143.2	97.2	67.6	49.2	39.7
P/BV	20.6	17.1	13.9	10.9	8.6
EV/EBITDA	83.3	64.9	46.4	36.6	29.7
EV/Sales	988.4	877.7	735.6	655.9	558.2
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1

### Balance sheet (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Share capital	88	88	88	88	88
Reserves & Surplus	11,714	14,098	17,386	22,161	28,067
<b>Networth</b>	<b>11,803</b>	<b>14,187</b>	<b>17,475</b>	<b>22,249</b>	<b>28,156</b>
Net deferred Tax liabilities	(684)	(767)	(745)	(530)	(530)
<b>Capital Employed</b>	<b>11,118</b>	<b>13,420</b>	<b>16,729</b>	<b>21,719</b>	<b>27,626</b>
Gross Fixed Assets	1,091	1,259	1,387	1,587	1,787
Accumulated Depreciation	301	421	536	886	1,236
<b>Net Fixed Assets</b>	<b>817</b>	<b>849</b>	<b>932</b>	<b>782</b>	<b>632</b>
Investments	828	778	-	-	-
Current Investments	828	778	-	-	-
<b>Current Assets, Loans &amp; Adv.</b>	<b>17,185</b>	<b>21,926</b>	<b>27,229</b>	<b>32,785</b>	<b>40,423</b>
Inventory	969	798	1,051	1,230	1,414
Debtors	5,003	5,911	5,171	7,028	8,890
Cash & Bank balance	5,785	8,414	12,245	17,172	21,972
Loans & advances and others	5,428	6,802	8,763	7,356	8,146
<b>Current Liabilities &amp; Prov.</b>	<b>7,712</b>	<b>10,132</b>	<b>11,431</b>	<b>11,847</b>	<b>13,429</b>
Liabilities	6,876	9,127	10,125	10,541	12,123
Provisions	836	1,005	1,306	1,306	1,306
<b>Net Current Assets</b>	<b>9,473</b>	<b>11,793</b>	<b>15,798</b>	<b>20,938</b>	<b>26,994</b>
<b>Application of Funds</b>	<b>11,118</b>	<b>13,420</b>	<b>16,729</b>	<b>21,719</b>	<b>27,626</b>

### Growth indicators (%)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Revenue	8.5	11.6	18.0	10.7	15.0
EBITDA	31.2	27.2	38.4	25.2	20.5
Adj PAT	20.0	47.4	43.7	37.5	24.0
Adj EPS	20.0	47.4	43.7	37.5	24.0

### Financial ratios

Year ended 31st Mar	2017	2018	2019	2020e	2021e
RoE (%)	15.4	19.2	22.7	24.8	24.3
RoCE (%)	29.8	31.1	37.0	36.2	34.4
Asset/T.O (x)	3.0	2.8	2.8	2.4	2.1
EBIT/Interest (x)	1,183.0	1,362.5	160.4	139.0	169.8

## Bata India

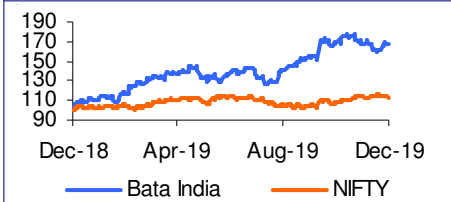
Not Rated | CMP: INR1,699 | 2yr upside: 13%-32%\*

### Market data

Market Cap (USDbn)	:	3.074
O/S Shares (m)	:	128.5
52-wk HI/LO (INR)	:	1815/1001
Avg Daily Vol ('000)	:	871
Promoters	:	53%
Bloomberg	:	BATA IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues (INRm)	29,284	32,274	36,186
EBITDA (INRm)	4,773	6,728	7,678
EBITDA Margin (%)	16.3	20.8%	21.2%
PAT (INRm)	3,296	4,037	4,769
EPS (INR)	25.6	31.6	37.4
EPS Growth (%)	49.2	23.3%	18.5%
P/E (x)	56.0	53.8	45.4

Source: Company, Antique

\* Bloomberg Consensus

## Transformation in progress

### Giving a modern image to its brand

Bata India continues to be the largest footwear retailer in India, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, Marie Claire, Weinbrenner, North Star, Scholl, Bata Comfit and Bubblegummers etc. The company is working towards transforming itself into a vibrant and modern lifestyle brand in India. In its efforts to tap the modern Indian women, the company roped in, Indian woman cricketer Smriti Mandhana and movie actress, Kriti Sanon for endorsing its fresh brand image. Additionally, Bata India has been improving its in-store visual merchandising experience across stores. The company has launched its internationally conceptualized 'Red Angela Store Concept' in India.

### Increasing marketing spends, Introducing new collections and reviving old brands

In line with its strategy of reviving the brand, Bata India has increased its marketing investments. The company has increased its ad-spends from about 1% in FY17 to about 3% in FY19. The company has been consistently introducing new collections since the last two years. The company has launched new collections under Power, Bata Red Label and a contemporary range of casuals for both men & women. This has been driving footfalls of young consumers across its stores. The company is reviving its brand, North Star to connect with youngsters in the country.

### Platform set for margin expansion

Bata India is expected to witness improvement in profit margins led by premiumisation and improvement in sourcing. Additionally, higher utilization in its manufacturing units, and cost savings initiatives is expected to aid margins.

### Aggressive expanding distribution network

Bata India is focused on expanding its store network both in larger and smaller towns across the country. The company has been opening stores in malls and high street locations to enhance its retail footprint. In tier-2-3 cities the company is following the franchisee route to expand retail footprint. During FY19, Bata India has added 140-150 franchisee stores and 80-90 Company owned and operated stores, taking its total retail footprint to over 1300 stores. The company has taken its omni channel offering to 400+ plus stores to ensure that consumers can find their perfect size and style all the time.

### Valuations

The stock is trading at PER of 53.8x FY20e and 45.4x FY21e. The company is well positioned to witness acceleration in earnings led by revival in revenue growth and expansion in profit margins.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>21,986</b>	<b>24,486</b>	<b>24,972</b>	<b>26,363</b>	<b>29,284</b>
<b>EBITDA</b>	<b>2,690</b>	<b>3,089</b>	<b>3,076</b>	<b>3,608</b>	<b>4,772</b>
Depreciation	656	788	650	604	640
<b>EBIT</b>	<b>2,034</b>	<b>2,301</b>	<b>2,426</b>	<b>3,003</b>	<b>4,132</b>
Less: Financial expenses	15	17	40	42	35
Other income	359	267	466	508	685
<b>PBT</b>	<b>2,694</b>	<b>3,298</b>	<b>2,636</b>	<b>3,470</b>	<b>4,782</b>
Less: Taxation	777	791	748	1,164	1,486
<b>Reported PAT</b>	<b>1,917</b>	<b>2,507</b>	<b>1,888</b>	<b>2,306</b>	<b>3,296</b>
PAT Margin	9%	10%	8%	9%	11%
<b>Adjusted PAT</b>	<b>1,917</b>	<b>2,507</b>	<b>1,888</b>	<b>2,306</b>	<b>3,296</b>
<b>Adjusted EPS</b>	<b>15</b>	<b>17</b>	<b>12</b>	<b>17</b>	<b>25.7</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018
<b>Profit Before Tax</b>	<b>2,826</b>	<b>3,287</b>	<b>2,966</b>	<b>2,336</b>
Changes In working Capital	(620)	(1,215)	(413)	589
CF after changes in Working Capital	2,920	2,620	3,117	3,268
CF from Investing Activities	(1,167)	(659)	(1,160)	(2,329)
<b>Net Cash Inflow / Outflow</b>	<b>186</b>	<b>22</b>	<b>365</b>	<b>(271)</b>
Opening Cash & Cash Equivalents	327	513	535	901
<b>Closing Cash &amp; Cash Equivalent</b>	<b>513</b>	<b>535</b>	<b>901</b>	<b>630</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	30.3	30.0	45.9	42.0	55.5
P/BV	7.0	5.3	5.5	6.4	10.5
EV / EBITDA	17.3	19.5	20.2	21.2	36.6
EV / Sales	2.5	2.6	2.8	3.3	6.0

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	643	643	643	643	643
Reserves & Surplus	9,579	11,578	12,610	14,145	16,823
<b>Networth</b>	<b>10,221</b>	<b>12,221</b>	<b>13,253</b>	<b>14,787</b>	<b>17,465</b>
Deferred tax liabilities (net)	(876)	(891)	(1,004)	(1,054)	(1,098)
<b>Capital Employed</b>	<b>10,323</b>	<b>12,359</b>	<b>13,288</b>	<b>14,793</b>	<b>17,393</b>
Gross Block	3,383	3,077	2,716	2,945	3,146
Net Block	3,383	3,077	2,716	2,945	3,146
<b>Current Assets, Loans &amp; Adv.</b>					
Inventory	7,047	6,789	7,054	7,621	8,391
Debtors	584	696	671	886	653
Cash & Bank balance	2,100	3,405	5,209	5,885	8,390
Loans & advances	2,082	1,751	1,013	1,031	1,124
Other current Assets	87	511	528	1,046	903
<b>Current Liabilities &amp; Prov.</b>					
Creditors	3,567	3,249	4,072	4,792	5,157
Other current liabilities	850	766	818	707	983
Provisions	757	40	43	103	157
<b>Net Current Assets</b>	<b>6,725</b>	<b>9,098</b>	<b>9,543</b>	<b>10,867</b>	<b>13,165</b>
<b>Application of Funds</b>	<b>10,323</b>	<b>12,359</b>	<b>13,288</b>	<b>14,793</b>	<b>17,393</b>

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales	6	11	2	6	11
EBITDA	-16	15	0	17	32
PAT	1	31	-25	22	43

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported) (%)	9	10	8	9	11
Net Income Margins (Adjusted) (%)	9	10	8	9	11
RoACE (%)	22	20	19	21	26
RoAE (%)	21	22	15	16	20
Dividend Payout (%)	18	21	28	23	24
EBITDA Margins (%)	12	13	12	14	16

Pfizer

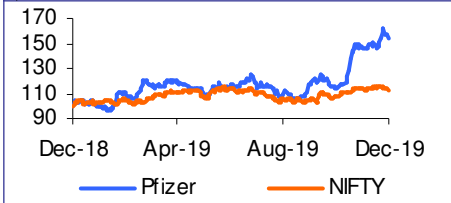
Not Rated | CMP: INR4,222 | 2yr upside: 19%-44%\*

Market data

Market Cap (USDbn)	:	2.709
O/S Shares (m)	:	45.7
52-wk HI/LO (INR)	:	4499/2626
Avg Daily Vol ('000)	:	58
Promoters	:	64%
Bloomberg	:	PFIZ IN

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	20,815	22,674	24,597
EBITDA(INRm)	5,651	7,113	7,864
EBITDA Margin (%)	26.4	31.4	32.0
PAT(INRm)	4,290	5,520	6,199
EPS (INR)	94	121	135
EPS growth (%)	34.2	25.4	12.3
P/E(x)	35.4	34.9	31.1

Source: Company, Antique

\* Bloomberg Consensus

Resurgent!

Top notch brands but low profit concentraion

Pfizer is one of India's most successful MNC pharma companies with entire revenue coming from branded formulations. ~15-17 brands are #1 in their representative market that encompasses vaccines, gynaecology, gastro, anti-infectives and vitamins. Unlike its peers, Pfizer is almost therapy-agnostic i.e its therapy concentration is among the lowest in the business. Its top brands like Pevnar, Corex, Becosules are well-entrenched and pipeline products like Eliquis can be blockbusters. The potential loss of brands like Centrum, Caltrate and Advil to the GSK-Pfizer JV and slow ramp-up of Eliquis may impact valuations. Stock trades at 31x FY21 earnings, which in our view, is not expensive considering the portfolio at its disposal. With expected 7% FY19-21 revenue and 19% PAT CAGR, we believe there is scope of numbers upgrade and thus possibility of de-rating is limited.

Emerging strong after tough times

Ban on some FDCs led to Pfizer discontinuing sales of its leading brand - Corex that had sales of ~INR 2.5bn, divestment of certain brands to Piramal in FY17 led to INR 1bn impact on sales, demonetization in FY17 and GST implementation in FY18 led to inventory falling by ~2weeks.

Top-notch brands at disposal

Legacy brands like Becosules and Magnex are still growing in double-digits, Dolonex and Gelusil in high-single digits and Mucaine in double digits. After the basic Corex brand was discontinued, Corex T, Corex D and Corex Dx became market-leaders with market share over 30% in their respective categories. Vitamins and Minerals therapy is growing at 8-% and Becosules is well-placed to capture the growth. Pevnar 13 is Pfizer's largest vaccine; while it generates <50% of what GSK's Synflorix does, it has the 2nd highest market share. We believe there is scope for growth considering it protects against 13 (vs. GSK's 10) strains of pneumococcal bacteria. Patent protection is available till 2026.

Good quality comes at a heavy price

Pfizer is trading at 31x FY21 earnings, cheaper than GSK and Abbott; at par with Novartis and Sanofi. We believe high quality brands with ample scope for continual growth, broad-based revenue profile with no particular dependence and Eliquis and Pevnar 13 potential leads us to believe that Pfizer deserves a premium to its peers. Assuming consensus' 7% topline CAGR and 19% PAT CAGR materialize, we believe de-rating is unlikely. In the event of revenue beat, we see Pfizer trading at the top of the historical trading range. Potential risk is divestment of brands to GSK-Pfizer JV.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS



## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>18,533</b>	<b>20,123</b>	<b>19,663</b>	<b>19,685</b>	<b>20,815</b>
<b>EBITDA</b>	<b>3,829</b>	<b>4,319</b>	<b>3,491</b>	<b>5,002</b>	<b>5,651</b>
Depreciation	1,311	579	629	663	714
<b>EBIT</b>	<b>2,518</b>	<b>3,740</b>	<b>2,861</b>	<b>4,340</b>	<b>4,937</b>
Less: Financial expenses	8	5	10	4	13
Other income	674	870	1,012	1,143	1,674
<b>PBT</b>	<b>2,379</b>	<b>4,704</b>	<b>5,168</b>	<b>5,478</b>	<b>6,598</b>
Less: Taxation	1,377	1,654	1,801	1,878	2,309
<b>Reported PAT</b>	<b>1,003</b>	<b>3,049</b>	<b>3,367</b>	<b>3,600</b>	<b>4,290</b>
PAT Margin	5%	15%	17%	18%	21%
<b>Adjusted PAT</b>	<b>1,003</b>	<b>3,049</b>	<b>3,367</b>	<b>3,600</b>	<b>4,290</b>
<b>Adjusted EPS</b>	<b>22</b>	<b>67</b>	<b>74</b>	<b>79</b>	<b>94</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Profit Before Tax</b>	<b>2,380</b>	<b>4,704</b>	<b>5,168</b>	<b>5,479</b>	<b>6,599</b>
<b>CF after changes in Wrk Cap</b>	<b>2,585</b>	<b>5,195</b>	<b>5,118</b>	<b>5,254</b>	<b>3,354</b>
<b>CF from Investing Activities (888)</b>	<b>(7,009)</b>	<b>(2,009)</b>	<b>(2,496)</b>	<b>(2,383)</b>	<b>351</b>
<b>Net Cash Inflow / Outflow</b>	<b>233</b>	<b>(4,173)</b>	<b>(34)</b>	<b>(169)</b>	<b>231</b>
Opening Cash & Cash Equivalents	3,079	4,884	711	676	507
<b>Closing Cash &amp; Cash Equivalent</b>	<b>4,884</b>	<b>711</b>	<b>676</b>	<b>507</b>	<b>738</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	146.1	26.8	25.7	27.8	35.4
P/BV	5.2	3.8	3.6	3.7	5.0
EV / EBITDA	21.3	13.8	15.8	13.4	18.1
EV / Sales	5.2	3.6	3.6	4.2	6.4

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	458	458	458	458	458
Reserves & Surplus	19,273	21,178	23,731	26,375	29,656
<b>Networth</b>	<b>19,730</b>	<b>21,635</b>	<b>24,189</b>	<b>26,832</b>	<b>30,113</b>
Deferred tax liabilities (net)	(671)	282	176	146	22
<b>Capital Employed</b>	<b>19,380</b>	<b>22,296</b>	<b>24,838</b>	<b>27,380</b>	<b>30,508</b>
Gross Block	9,569	9,249	8,785	9,166	8,539
Net Block	9,569	9,249	8,785	9,166	8,539
<b>Current Assets, Loans &amp; Adv.</b>					
Inventory	3,879	3,607	3,219	2,971	3,867
Debtors	1,600	1,423	1,103	1,548	1,717
Cash & Bank balance	6,093	10,247	15,231	17,719	19,143
Loans & advances	3,755	553	591	713	372
Other current Assets	143	801	690	1,650	2,386
<b>Current Liabilities &amp; Prov.</b>					
Creditors	3,342	3,379	3,880	4,956	4,359
Other current liabilities	806	2,655	3,310	3,928	3,909
Provisions	1,937	550	582	635	624
<b>Net Current Assets</b>	<b>9,385</b>	<b>10,047</b>	<b>13,063</b>	<b>15,081</b>	<b>18,593</b>
<b>Application of Funds</b>	<b>19,380</b>	<b>22,296</b>	<b>24,838</b>	<b>27,380</b>	<b>30,508</b>

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales	67	9	-2	0	6
EBITDA	50	8	-15	24	13
PAT	-34	102	7	-2	18

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported)	12	22	24	24	26
Net Income Margins (Adjusted)	18	22	18	24	26
RoACE	31	25	18	21	21
RoAE	17	22	21	18	19
Dividend Payout	82	23	27	25	24
EBITDA Margins	29	29	25	31	33

Sanofi India

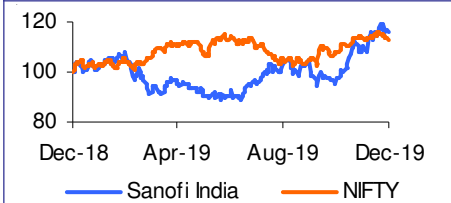
Not Rated | CMP: INR6,937 | 2yr upside: 11%-32%\*

Market data

Market Cap (USDbn)	:	2.252
O/S Shares (m)	:	23.0
52-wk HI/LO (INR)	:	7234/5280
Avg Daily Vol ('000)	:	5
Promoters	:	60%
Bloomberg	:	SANLIN

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Key financials

YE 31 Dec	2018	2019e	2020e
Revenues(INRm)	27,708	29,433	29,723
EBITDA(INRm)	6,234	6,627	7,047
EBITDA Margin (%)	23.4	22.5	23.7
PAT(INRm)	3,805	4,520	4,943
EPS (INR)	165	193	212
EPS growth (%)	19.3	13.7	10.3
P/E(x)	38.4	36.3	32.9

Source: Company, Antique

\* Bloomberg Consensus

Solid brand equity to drive growth

Legacy products + fast growing therapies = smooth road ahead

Sanofi India, a subsidiary of France's Sanofi SA has a market share of 2.2% and revenue of ~INR 27bn. Sanofi has exposure to therapies like diabetes, cardiology, thrombosis, CNS and antihistamines. Exports account for ~1/4 of its overall business. The key growth drivers for the company include its insulin portfolio (led by flagship brand Lantus), Allegra and recently launched Combiflam topical pain relief spray. Sanofi is present in some of the fastest growing therapies in the IPM - Diabetes and cardiac accounts for ~46% of the portfolio, followed by vaccines at 12% and respiratory at 11%. Given the chronic focused nature of the company, Sanofi is well-placed for a sustainable growth. However, Novo and Lilly's insulin launches could possibly derail Lantus growth in India (Lantus is declining continuously in US and RoW). Sanofi is trading at 36x CY19 earnings and ~33x CY20. We believe valuations are reasonable and do not see scope for a de-rating in the near-term.

Presence in fast-growing therapies provide comfort

Cardiac and diabetes have grown consistently in double-digits while pain is growing consistently at ~8-9%; vaccines are a fairly sticky business with limited brand substitution seen. Sanofi's top 5-6 brands in the above mentioned categories. Besides these, Allegra and Combiflam are probably the best known anti-histamine and pain brands respectively. At ~INR 3.6bn, Lantus is ~50% of the basal insulin market and among the top-5 brands in the IPM. While Novo and Lilly's insulins are trying to penetrate Lantus' space, we believe Novo is likely to have limited success while Lilly's Basaglar may succeed in taking some of the market. ~28-30% of its domestic business is under price control.

New launches and OTC should ensure no growth hiccups

Recent issues in Novartis' Voveran also offer an opportunity to penetrate the pain market with Combiflam. Besides this, the topical spray market is rapidly expanding and the recently launched Combiflam spray should provide impetus to this business. Post restructuring of its OTC business, Sanofi's focus is only on the top few brands that should ensure that Sanofi realizes the maximum brand potential. Multivite Gold, Allegra, Combiflam and Collafex are some of well-known OTC brands.

Valuations not expensive

As per consensus Sanofi is expected to post ~5% topline and 16% bottom-line CAGR that translates to 33x CY20 earnings. Given the steady business profile, de-rating seems unlikely. We do not expect a massive re-rating until uncertainty over Lantus' growth prospects recede.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
<b>Net Sales</b>	<b>19,775</b>	<b>21,931</b>	<b>24,197</b>	<b>24,914</b>	<b>27,708</b>
<b>EBITDA</b>	<b>3,388</b>	<b>4,590</b>	<b>5,350</b>	<b>5,371</b>	<b>6,234</b>
Depreciation	966	1,130	1,188	1,022	1,027
<b>EBIT</b>	<b>2,422</b>	<b>3,460</b>	<b>4,162</b>	<b>4,349</b>	<b>5,207</b>
Less: Financial expenses	5	4	23	11	7
Other income	643	514	664	807	897
<b>PBT</b>	<b>3,060</b>	<b>3,970</b>	<b>4,803</b>	<b>5,145</b>	<b>6,097</b>
Less: Taxation	1,090	1,594	1,762	1,886	2,292
<b>Reported PAT</b>	<b>2,636</b>	<b>2,376</b>	<b>3,041</b>	<b>3,259</b>	<b>3,805</b>
PAT Margin	13%	11%	13%	13%	14%
<b>Adjusted PAT</b>	<b>1,970</b>	<b>2,376</b>	<b>3,041</b>	<b>3,259</b>	<b>3,805</b>
<b>Adjusted EPS</b>	<b>86</b>	<b>103</b>	<b>132</b>	<b>142</b>	<b>165</b>

### Cash flow statement (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
<b>Profit Before Tax</b>	<b>3,061</b>	<b>3,971</b>	<b>4,804</b>	<b>5,146</b>	<b>6,098</b>
CF after changes in Wrk Cap	3,878	3,508	5,399	6,335	6,180
CF from Investing Activities	613	359	(1,550)	(787)	(731)
<b>Net Cash Inflow / Outflow</b>	<b>2,046</b>	<b>1,021</b>	<b>(131)</b>	<b>1,680</b>	<b>1,036</b>
Opening Cash & Cash Equivalents	2,611	4,657	5,666	5,535	7,215
<b>Closing Cash &amp; Cash Equivalent</b>	<b>4,657</b>	<b>5,678</b>	<b>5,535</b>	<b>7,215</b>	<b>8,251</b>

### Valuation (x)

Year ended 31 st Dec	2014	2015	2016	2017	2018
P/E	31.4	31.2	32.5	33.3	38.4
P/BV	5.6	6.2	5.3	5.4	6.7
EV / EBITDA	19.4	18.5	15.5	16.4	19.3
EV / Sales	4.0	4.3	3.9	4.1	5.0

### Balance sheet (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
Share Capital	230	230	778	695	721
Reserves & Surplus	14,628	16,041	18,600	20,034	21,962
<b>Networth</b>	<b>14,858</b>	<b>16,271</b>	<b>19,378</b>	<b>20,729</b>	<b>22,683</b>
Deferred tax liabilities (net)	539	1,203	1,013	1,031	921
<b>Capital Employed</b>	<b>15,718</b>	<b>17,876</b>	<b>20,391</b>	<b>21,760</b>	<b>23,604</b>
Gross Block	8,583	8,992	8,211	7,747	7,375
Net Block	8,583	8,992	8,211	7,747	7,375
<b>Current Assets, Loans &amp; Adv.</b>					
Inventory	4,781	4,792	4,931	4,156	4,831
Debtors	1,152	1,441	1,448	1,951	1,584
Cash & Bank balance	4,688	5,715	5,610	7,299	8,319
Loans & advances	3,010	3,029	3,195	4,216	5,172
Other current Assets	45	58	625	997	1,145
<b>Current Liabilities &amp; Prov.</b>					
Creditors	3,269	2,256	2,308	3,269	3,438
Other current liabilities	1,100	1,061	1,566	1,499	1,513
Provisions	2,189	2,853	1,147	1,249	1,284
<b>Net Current Assets</b>	<b>7,118</b>	<b>8,865</b>	<b>10,788</b>	<b>12,602</b>	<b>14,816</b>
<b>Application of Funds</b>	<b>15,718</b>	<b>17,876</b>	<b>20,391</b>	<b>21,760</b>	<b>23,604</b>

### Growth indicators (%)

Year ended 31 st Dec	2014	2015	2016	2017	2018
Net Sales	9	11	8	4	12
EBITDA	-6	23	-3	17	20
PAT	10	17	-24	0	17

### Financial ratios

Year ended 31 st Dec	2014	2015	2016	2017	2018
Net Income Margins (Reported)	20	22	15	15	15
Net Income Margins (Adjusted)	17	18	15	15	15
RoACE	20	22	19	17	16
RoAE	29	31	21	19	20
Dividend Payout	39	47	51	50	51
EBITDA Margins	20	22	20	23	24

## Bayer Cropscience

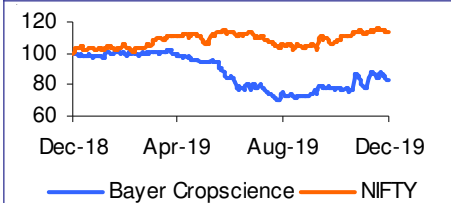
**BUY | CMP: INR3,547 | 2yr upside: 44%-67%\***

### Market data

Market Cap (USDbn)	:	2.249
O/S Shares (m)	:	44.9
52-wk HI/LO (INR)	:	4480/2952
Avg Daily Vol ('000)	:	15
Promoters	:	71%
Bloomberg	:	BYRCS IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2020e	2021e	2022e
Revenues(INRm)	34,022	37,209	41,137
EBITDA(INRm)	5,661	7,077	8,638
EBITDA Margin (%)	16.6	19.0	21.0
PAT(INRm)	4,174	5,493	6,846
PAT growth (%)	34.2	31.6	24.6
EPS (INR)	92.9	122.3	152.4
EPS growth (%)	34.2	31.6	24.6
P/E(x)	38.0	28.8	23.1

Source: Company, Antique

## Synergy post Monsanto merger at play!

### Dominant market position keeps it ahead of the competition

BYRCS leads India's agrochemicals market with a dominant market share of ~15% in agrochemicals and has 45-50% share in the hybrid rice seeds. BYRCS has lost market share in the recent years on account of a) other MNC's like FMC, Corteva gained share b) few germplasm of BYRCS was not conducive for Indian climatic condition and c) new product launched in the recent past took longer time to ramp-up. However, the company is confident to regain the lost ground aided by innovative product launches and improved trade practice. This coupled with an extensive distribution network and robust brand recall should facilitate market share gains for the company.

### Strong combined corn portfolio to propel growth

BYRCS have merged the financials of Monsanto from Q2FY20. Thus with the merger, BYRCS now have a much stronger combined corn portfolio, while they expect it to be the next growth driver. 'Dekalb (Maize Hybrid Seed)' is the highest selling brand for the merged entity. Further, BYRCS plans to enhance the share of herbicide in its revenue mix, this in turn is likely to boost the performance in the domestic agrochemicals.

### Strong R&D from parent company provides a robust product pipeline

In India, an abysmal 3-4mha of the total 40mha rice crop is cultivated using hybrid seeds. BYRCS, besides enjoying an emphatic 45-50% market share in hybrid rice seeds, has a formidable presence in cotton, pearl millet, corn, sorghum and mustard. The company is also set to launch ~30 hybrid seed products in the next few years.

### Merger with Monsanto to provide complementary product offering

BYRCS announced amalgamation of Monsanto India (MIL) w.e.f July, 2018. It will lead to equity dilution of approx. 30.9% in BYRCS. Bayer AG's stake will increase from 68.69% to 71.4% in BYRCS post amalgamation. We are positive on the merger on account of 1) complementary product offering 2) leadership position in Maize seeds 3) expected synergies and 4) EPS accretion.

### Valuation

We remain positive on its business model riding comprehensive distribution network, innovative products pipeline and resultant synergies post-merger. Superior product mix of innovative products and better operating leverage should spur BYRCS's EBITDA margins and help it post a 15%/43% Revenue/PAT CAGR over FY19-FY22E. It has robust earnings growth trajectory, debt-free balance sheet and strong cash flows. Recommend BUY; TP Rs 4,570 set at 30x FY22E EPS (five-year avg. 31x).

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2018	2019	2020e	2021e	2022e
<b>Net Revenue</b>	<b>27,167</b>	<b>26,857</b>	<b>34,022</b>	<b>37,209</b>	<b>41,137</b>
Op. Expenses	23,005	23,125	28,361	30,132	32,500
<b>EBITDA</b>	<b>4,162</b>	<b>3,732</b>	<b>5,661</b>	<b>7,077</b>	<b>8,638</b>
Depreciation	331	342	570	622	674
<b>EBIT</b>	<b>3,831</b>	<b>3,390</b>	<b>5,091</b>	<b>6,455</b>	<b>7,964</b>
Other income	320	372	600	1,000	1,300
Interest Exp.	113	99	111	111	111
<b>Reported PBT</b>	<b>4,038</b>	<b>3,663</b>	<b>3,780</b>	<b>7,344</b>	<b>9,153</b>
Tax	1,037	1,287	1,406	1,851	2,306
<b>Reported PAT</b>	<b>3,001</b>	<b>2,376</b>	<b>2,374</b>	<b>5,493</b>	<b>6,846</b>
<b>Net Profit</b>	<b>3,001</b>	<b>2,376</b>	<b>2,374</b>	<b>5,493</b>	<b>6,846</b>
<b>Adjusted PAT</b>	<b>3,001</b>	<b>2,376</b>	<b>4,174</b>	<b>5,493</b>	<b>6,846</b>
<b>Adjusted EPS (INR)</b>	<b>87.5</b>	<b>69.3</b>	<b>92.9</b>	<b>122.3</b>	<b>152.4</b>

### Cash flow statement (INRm)

Year ended 31st Mar	2018	2019	2020e	2021e	2022e
<b>PBT</b>	<b>4,038</b>	<b>3,663</b>	<b>5,580</b>	<b>7,344</b>	<b>9,153</b>
CF from operating activities	1,214	4,018	(260)	4,418	5,313
CF from investing activities	383	(4,124)	1,939	450	750
CF from financing activities	(5,811)	(791)	6,052	(1,622)	(1,893)
<b>Net cash flow</b>	<b>(4,214)</b>	<b>(897)</b>	<b>7,731</b>	<b>3,246</b>	<b>4,170</b>
Opening balance	8,388	4,174	3,277	11,008	14,254
<b>Closing balance</b>	<b>4,174</b>	<b>3,277</b>	<b>11,008</b>	<b>14,254</b>	<b>18,424</b>

### Valuation (x)

Year ended 31st Mar	2015	2016	2017	2018	2019
P/E	40.3	50.9	38.0	28.8	23.1
P/BV	6.8	6.4	5.8	5.1	4.4
EV/EBITDA	28.1	30.6	19.4	15.1	11.9
EV/Sales	4.3	4.3	3.2	2.9	2.5
Dividend Yield (%)	0.5	0.5	0.5	0.9	1.0

### Balance sheet (INRm)

Year ended 31st Mar	2018	2019	2020e	2021e	2022e
Share Capital	343	343	449	449	449
Reserves & Surplus	17,440	18,491	26,854	30,725	35,679
<b>Networth</b>	<b>17,783</b>	<b>18,834</b>	<b>27,303</b>	<b>31,174</b>	<b>36,128</b>
Net deferred Tax liabilities	104	(45)	(89)	(89)	(89)
<b>Capital Employed</b>	<b>17,887</b>	<b>18,789</b>	<b>27,214</b>	<b>31,085</b>	<b>36,039</b>
Gross Fixed Assets	4,137	4,436	6,439	6,989	7,539
Accumulated Depreciation	746	1,088	1,959	2,581	3,255
<b>Net Fixed Assets</b>	<b>3,403</b>	<b>3,355</b>	<b>4,495</b>	<b>4,423</b>	<b>4,300</b>
Investments	302	3,808	299	299	299
<b>Current Assets, Loans &amp; Adv.</b>	<b>21,643</b>	<b>21,807</b>	<b>32,732</b>	<b>37,458</b>	<b>43,486</b>
Inventory	7,399	8,781	9,314	10,180	11,238
Debtors	6,588	5,937	6,231	6,846	7,645
Cash & Bank balance	4,178	3,283	11,014	14,260	18,430
Loans & advances and others	3,478	3,806	6,173	6,173	6,173
<b>Current Liabilities &amp; Prov.</b>	<b>7,461</b>	<b>10,181</b>	<b>10,312</b>	<b>11,095</b>	<b>12,046</b>
Liabilities	2,838	4,990	4,473	4,868	5,321
Provisions	4,623	5,191	5,839	6,227	6,724
<b>Net Current Assets</b>	<b>14,182</b>	<b>11,626</b>	<b>22,420</b>	<b>26,363</b>	<b>31,440</b>
<b>Application of Funds</b>	<b>17,887</b>	<b>18,789</b>	<b>27,214</b>	<b>31,085</b>	<b>36,039</b>

### Growth indicators (%)

Year ended 31st Mar	2018	2019	2020e	2021e	2022e
Revenue(%)	(3.5)	(1.1)	26.7	9.4	10.6
EBITDA(%)	(2.3)	(10.3)	51.7	25.0	22.1
Adj PAT(%)	3.1	(20.8)	75.7	31.6	24.6
Adj EPS(%)	6.4	(20.8)	34.2	31.6	24.6

### Financial ratios

Year ended 31st Mar	2018	2019	2020e	2021e	2022e
RoE (%)	15.7	13.0	18.1	18.8	20.3
RoCE (%)	21.6	20.5	24.7	25.6	27.6
Asset/T.O (x)	1.5	1.6	1.6	1.3	1.2
Net Debt/Equity (x)	(0.2)	(0.4)	(0.4)	(0.5)	(0.5)
EBIT/Interest (x)	36.7	38.0	51.1	67.0	83.2

**Grindwell Norton**

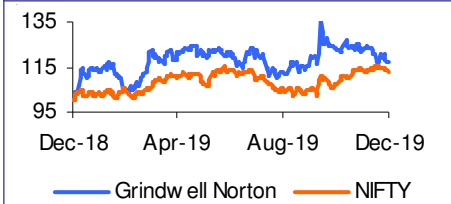
**Not Rated | CMP: INR569 | 2yr upside: 32%-39%\***

**Market data**

Market Cap (USDbn)	:	0.886
O/S Shares (m)	:	110.7
52-wk HI/LO (INR)	:	672/480
Avg Daily Vol ('000)	:	4
Promoters	:	58%
Bloomberg	:	GWN IN

Source: Bloomberg

**Price performance vs Nifty**



Source: Bloomberg

**Key financials**

YE 31 March	2017	2018	2019
Revenues(INRm)	15,669	17,806	20,212
EBITDA(INRm)	2,590	3,066	3,497
EBITDA Margin (%)	16.5	17.2	17.3
PAT(INRm)	1,638	1,888	2,212
EPS (INR)	14.8	17.1	20.0
EPS growth (%)	11.4	11.9	17.2
P/E(x)	38.6	34.4	29.4

Source: Company, Antique

\* Bloomberg Consensus

**A strong company, strongly supported by parent**

**Abrasives business (60% of revenue) a steady business**

Grindwell Norton (GNO) is a 51.66 owned subsidiary of Saint-Gobain (which has another sub, Saint-Gobain India Pvt. Ltd.), and a pioneer-leader in abrasive industry. In India, GNO and carborandum Universal command over 50% of nearly INR 45-50bn abrasive market (70% or organized market). Abrasive (bonded / coated) is by nature a consumable and has a replacement cycle of up to three month. Therefore, demand for abrasives is mainly replacement led. This provides a cushion in terms of demand volatility. Abrasive market is influenced by auto and industrial demand, and being a consumable, has historically grown at 10-12% in the long term. The industry has matured with two players dominating the supply, with imports being other major competition. GNO has consistently maintained EBIT margin of 13.5 - 14% in the segment.

**Ceramic & Plastics segment (32% of revenue) a high growth segment**

Company makes silicon carbide grains, refractories and high performance plastics, and find application in wide variety of industries such as cement, petrochemicals, power, steel, coal, etc. The business can show stronger growth in economic recovery, and has relatively higher margin (15-15.5% EBIT). Given likelihood of capex recovery, the segment will grow over 15%, as against 10-12% for abrasive business. Higher share will also result on better overall margins for the company.

**The IT development (others, 9% of revenue) centre**

Saint Gobain has two dedicated research centres in Worcester in the US and Cavaillon in France, which are supported by Saint-Gobain's R&D centres in Shanghai, China and Chennai, India. Unlike many MNC companies in India, Saint-Gobain has set up its IT development centre within the listed entity, which is a big positive. This, alongwith 'certainTeed - exterior building products' is clubbed as 'others'. The 'other segment', though has only 9% revenue contribution, contributes 15% to EBIT (23% margin).

**Valuation**

GNO is healthy growth, high RoCE company. The company has reported 3-year revenue CAGR of 11%, EBITDA CAGR of 15% and PAT CAGR of 17%. 2-Year Consensus revenue, EBITDA and PAT CAGR stands at 10%, 13% and 18%, respectively. With higher contribution from plastics and research, there can be upside to margins and earnings. Stock is trading at a reasonable 29 x FY21e earnings and is a good investment.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Sales</b>	<b>11,104</b>	<b>11,260</b>	<b>12,364</b>	<b>14,054</b>	<b>15,669</b>
<b>EBITDA</b>	<b>1,650</b>	<b>1,680</b>	<b>1,806</b>	<b>2,362</b>	<b>2,590</b>
Depreciation	353	369	398	422	422
<b>EBIT</b>	<b>1,297</b>	<b>1,311</b>	<b>1,408</b>	<b>1,941</b>	<b>2,168</b>
Less: Financial expenses	6	7	11	11	15
Other income	200	246	329	290	377
<b>PBT</b>	<b>1,491</b>	<b>1,550</b>	<b>1,727</b>	<b>2,220</b>	<b>2,530</b>
Less: Taxation	482	530	567	750	893
<b>Reported PAT</b>	<b>1,009</b>	<b>1,021</b>	<b>1,159</b>	<b>1,471</b>	<b>1,638</b>
<b>PAT Margin</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>
<b>Adjusted PAT</b>	<b>1,009</b>	<b>1,021</b>	<b>1,159</b>	<b>1,471</b>	<b>1,638</b>
<b>Adjusted EPS</b>	<b>9.1</b>	<b>9.2</b>	<b>10.5</b>	<b>13.3</b>	<b>14.8</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018
<b>Profit Before Tax</b>	<b>1,492</b>	<b>1,551</b>	<b>1,727</b>	<b>2,221</b>
CF after changes in Working Capital	1,487	1,793	2,175	1,950
CF from Investing Activities	(290)	(368)	(428)	(440)
<b>Net Cash Inflow / Outflow</b>	<b>294</b>	<b>24</b>	<b>1,254</b>	<b>232</b>
Opening Cash & Cash Equivalents	822	1,139	1,152	2,450
<b>Closing Cash &amp; Cash Equivalent</b>	<b>1,116</b>	<b>1,164</b>	<b>2,407</b>	<b>2,683</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	37.8	36.6	33.8	38.0	38.6
P/BV	6.2	4.9	4.4	5.7	5.8
EV / EBITDA	20.0	18.8	17.2	20.1	23.5
EV / Sales	3.3	3.2	3.0	3.8	3.9

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	277	277	554	554	554
Reserves & Surplus	5,893	7,338	8,326	9,275	10,315
<b>Networth</b>	<b>6,170</b>	<b>7,615</b>	<b>8,879</b>	<b>9,828</b>	<b>10,868</b>
Deferred tax liabilities (net)	215	283	280	260	272
<b>Capital Employed</b>	<b>6,575</b>	<b>8,055</b>	<b>9,379</b>	<b>10,304</b>	<b>11,356</b>
Gross Block	3,334	3,223	3,414	3,168	3,213
Net Block	3,334	3,223	3,414	3,168	3,213
<b>Current Assets, Loans &amp; Adv.</b>					
Inventory	2,128	2,467	2,354	2,635	3,206
Debtors	1,257	1,264	1,234	1,732	2,020
Cash & Bank balance	1,131	1,239	2,423	2,696	2,422
Loans & advances	601	32	118	128	149
Other current Assets	98	604	593	545	743
<b>Current Liabilities &amp; Prov.</b>					
Creditors	856	840	1,640	1,909	1,806
Other current liabilities	1,136	1,695	739	654	816
Provisions	537	42	136	316	248
<b>Net Current Assets</b>	<b>2,686</b>	<b>3,028</b>	<b>4,208</b>	<b>4,858</b>	<b>5,670</b>
<b>Application of Funds</b>	<b>6,575</b>	<b>8,055</b>	<b>9,379</b>	<b>10,304</b>	<b>11,356</b>

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Sales (%)	18	1	10	14	11
EBITDA (%)	26	2	8	31	10
PAT (%)	23	1	14	27	11

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
Net Income Margins (Reported)	9	9	9	10	10
Net Income Margins (Adjusted)	9	9	9	10	10
RoACE	21	18	16	20	20
RoAE	17	15	14	16	16
Dividend Payout	36	35	38	38	41
EBITDA Margins	15	15	15	17	17

## Timken India

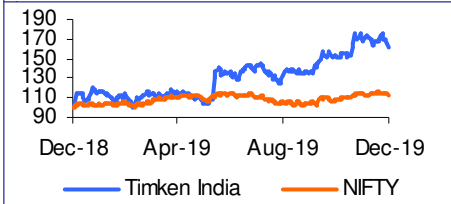
**BUY | CMP: INR823 | 2yr upside: 44%-63%\***

### Market data

Market Cap (USDbn)	:	0.872
O/S Shares (m)	:	75.2
52-wk HI/LO (INR)	:	930/500
Avg Daily Vol ('000)	:	46
Promoters	:	68%
Bloomberg	:	TMKN IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	16,644	17,050	19,425
EBITDA(INRm)	2,886	3,522	3,992
EBITDA Margin (%)	17.3	20.7	20.6
PAT(INRm)	1,486	2,126	2,452
PAT growth (%)	61.5	43.0	15.3
EPS (INR)	19.8	28.3	32.6
EPS growth (%)	61.5	43.0	15.3
P/E(x)	41.6	29.1	25.2

Source: Company, Antique

## Growth & quality

### Railway- a key growth engine!

Modernization of railway infrastructure in all segments - freight, passenger carriage and urban mobility (metro/high speed) - is collectively throwing ~INR25-30bn of additional market opportunity for Timken over the next five years. We believe increased freight market share through DFC, passenger coach modernization (shift to LHB coaches), focus on increasing speed (Bullet train/Train 18) and rapid urban mobility enhancement (metro rails) are key catalysts for TMKN and other bearing manufacturers. Timken is likely to maintain ~45% market share in the incremental business opportunities, given its track record of low operational field failure in railways, backed by its global technological superiority in Tapered Roller Bearings.

### CV market opportunities to expand with technological leap forward

The wheel-end foray, post the ABC acquisition, has opened ~INR3bn additional HCV market for TMKN. Moreover, we expect TMKN's content per vehicle in automotive segment to go up as a result of unitized wheel bearing adoption (2x realization of normal bearings). We estimate this technological shift will translate into INR5bn incremental addressable market over the next five years.

### Industrial capex revival, emerging segments, and exports to support growth

Industrial OE growth has picked up and looks sustainable amid private capex uptick in infra/utility sectors like coal and other non-ferrous metals, cement and steel, along with strong growth in wind. We also expect new segments such as defense/aerospace, Gearbox and MILLTEC, among others, to become meaningful in the long term. Furthermore, emergence of TMKN as parent's sourcing hub and export boost from spare capacity at ABC plant will be a key growth enabler.

### Margin normal is expected to move up

We expect margin to increase to 20%+ levels (up from 15-17% in the past), with bulk of the merger-related spending getting over, better mix, softening of commodity prices and better cost structure for Jamshedpur off-road capacity post moving it to the ABC plant.

### Valuation

The stock is currently trading at 25x FY21e earnings. We value the stock at 30x FY21e earnings (in line with 5-year average) to arrive at a price target of INR978, as we foresee strong technological inflection point across its key product segments.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS



## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>10,562</b>	<b>12,340</b>	<b>16,644</b>	<b>17,050</b>	<b>19,425</b>
Op. Expenses	8,982	10,707	13,758	13,528	15,432
<b>EBITDA</b>	<b>1,580</b>	<b>1,633</b>	<b>2,886</b>	<b>3,522</b>	<b>3,992</b>
Depreciation	289	431	793	862	925
<b>EBIT</b>	<b>1,291</b>	<b>1,202</b>	<b>2,093</b>	<b>2,660</b>	<b>3,068</b>
Other income	99	208	163	195	219
Interest Exp.	8	12	18	15	10
<b>Reported PBT</b>	<b>1,382</b>	<b>1,398</b>	<b>2,238</b>	<b>2,841</b>	<b>3,276</b>
Tax	410	478	752	715	825
<b>Reported PAT</b>	<b>972</b>	<b>920</b>	<b>1,486</b>	<b>2,126</b>	<b>2,452</b>
<b>Net Profit</b>	<b>972</b>	<b>920</b>	<b>1,486</b>	<b>2,126</b>	<b>2,452</b>
<b>Adjusted PAT</b>	<b>972</b>	<b>920</b>	<b>1,486</b>	<b>2,126</b>	<b>2,452</b>
<b>Adjusted EPS (INR)</b>	<b>14</b>	<b>12</b>	<b>20</b>	<b>28</b>	<b>33</b>

### Cash flow statement (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>1,382</b>	<b>1,398</b>	<b>2,238</b>	<b>2,841</b>	<b>3,276</b>
CF from operating activities	1,642	390	2,488	3,498	2,832
CF from investing activities	(1,251)	(639)	(1,097)	(1,141)	(1,176)
CF from financing activities	(47)	(19)	(233)	(473)	(837)
<b>Net cash flow</b>	<b>344</b>	<b>(268)</b>	<b>1,157</b>	<b>1,885</b>	<b>819</b>
Opening balance	714	1,058	782	1,976	3,861
<b>Closing balance</b>	<b>1,058</b>	<b>782</b>	<b>1,976</b>	<b>3,861</b>	<b>4,680</b>

### Valuation (x)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
P/E	57.6	67.3	41.6	29.1	25.2
P/BV	9.1	8.8	4.6	4.1	3.7
EV/EBITDA	38.8	37.5	21.2	17.4	15.3
EV/Sales	5.8	5.0	3.7	3.6	3.2
Dividend Yield (%)	0.1	0.1	0.1	0.6	1.1

### Balance sheet (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Share Capital	680	680	752	752	752
Reserves & Surplus	5,498	6,343	12,655	14,326	15,959
<b>Networth</b>	<b>6,178</b>	<b>7,023</b>	<b>13,408</b>	<b>15,078</b>	<b>16,711</b>
Net deferred Tax liabilities	(32)	22	550	550	550
<b>Capital Employed</b>	<b>6,412</b>	<b>7,429</b>	<b>14,389</b>	<b>16,060</b>	<b>17,693</b>
Gross Fixed Assets	2,820	3,456	11,324	12,324	13,369
Accumulated Depreciation	514	945	3,378	4,240	5,165
<b>Net Fixed Assets</b>	<b>2,887</b>	<b>3,049</b>	<b>8,581</b>	<b>8,719</b>	<b>8,840</b>
Investments	906	552	1,758	1,957	2,157
<b>Current Assets, Loans &amp; Adv.</b>	<b>4,618</b>	<b>5,961</b>	<b>7,068</b>	<b>9,008</b>	<b>10,730</b>
Inventory	1,880	2,454	3,171	3,115	3,582
Debtors	1,921	2,232	3,019	3,131	3,567
Cash & Bank balance	183	268	240	2,125	2,944
Loans & advances and others	633	1,007	638	638	638
<b>Current Liabilities &amp; Prov.</b>	<b>2,281</b>	<b>2,433</b>	<b>3,368</b>	<b>3,976</b>	<b>4,386</b>
Liabilities	1,986	2,273	2,811	3,419	3,829
Provisions	295	161	557	557	557
<b>Net Current Assets</b>	<b>2,336</b>	<b>3,528</b>	<b>3,699</b>	<b>5,032</b>	<b>6,344</b>
<b>Application of Funds</b>	<b>6,412</b>	<b>7,429</b>	<b>14,389</b>	<b>16,060</b>	<b>17,693</b>

### Growth indicators (%)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Revenue(%)	0.5	16.8	34.9	2.4	13.9
EBITDA(%)	-2.6	3.4	76.7	22.0	13.3
Adj PAT(%)	2.5	-5.3	61.5	43.0	15.3
Adj EPS(%)	2.5	-14.4	61.5	43.0	15.3

### Financial ratios

Year ended 31st Mar	2017	2018	2019	2020e	2021e
RoE (%)	16.9	13.9	14.6	14.9	15.4
RoCE (%)	23.7	20.4	20.7	18.8	19.5
Asset/T.O (x)	1.4	1.4	1.1	1.0	1.0
Net Debt/Equity (x)	(0.2)	(0.1)	(0.1)	(0.3)	(0.3)
EBIT/Interest (x)	165.5	116.0	128.2	190.4	328.6

Johnson Controls-Hitachi Air Conditioning India

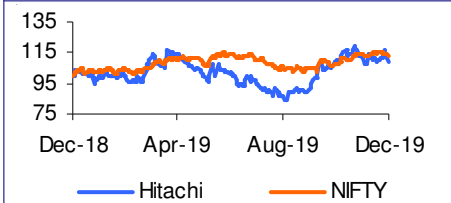
BUY | CMP: INR1,924 | 2yr upside: 56%-73%\*

Market data

Market Cap (USDbn)	:	0.740
O/S Shares (m)	:	27.2
52-wk HI/LO (INR)	:	2175/1470
Avg Daily Vol ('000)	:	6
Promoters	:	74%
Bloomberg	:	JCHAC.IN

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	22,407	25,628	30,502
EBITDA(INRm)	1,632	2,084	2,849
EBITDA Margin (%)	7.3	8.1	9.3
PAT(INRm)	853	1,292	1,816
PAT growth (%)	(40.3)	51.4	40.5
EPS (INR)	31.4	47.5	66.8
EPS growth (%)	(40.3)	51.4	40.5
P/E(x)	61.6	40.7	28.9

Source: Company, Antique

Energy leader in room AC business

Shift towards energy efficient & environment friendly refrigerants to aid Hitachi

Manufacture of ACs using R22 will not be allowed from January 2020. The import of air conditioners using R22 has been banned in accordance with the accelerated phase-out schedule for developing countries. As far as the choice of alternate refrigerants is concerned, most Indian manufacturers are adopting a wait-and-watch policy. Daikin has gone ahead full swing with R32 for fixed speed as well as inverter models. Panasonic, Hitachi and Fujitsu General are likely to follow suit. Blue Star is planning a pilot batch with R32. Godrej has been manufacturing models using R290. All the other manufacturers are continuing with R22 for fixed speed models, and R410A for inverter models. R32 has the benefits of favorable GWP and reduced charge size, hence, R32 can reduce CO2 emissions by 75%. R32 is 10% more energy efficient than conventional refrigerant at the same volume. Changing manufacturing technologies using environment friendly refrigerants will help Hitachi in long-term.

Outperformance of inverter AC segment to boost prospects of Hitachi

The inverter ACs have seen fast adoption and currently commands 40% of fresh sales, given the savings to be derived in terms of operating cost given the low electricity consumption of the same. It is estimated that share of inverter ACs will cross 50% by 2020. We believe, companies like Hitachi who are technology leaders and also have the 'first mover advantage' will be biggest beneficiaries of this shift towards inverter AC's. Given Hitachi's strong presence in inverters AC segment, Hitachi's targeted growth in market share appears plausible.

Expanding reach - Increasing distribution

Hitachi home is strong in the Northern region, which accounts for 45-47% of the company's total sales. The company has historically not been strong in South, which is fast growing market. Higher penetration in South, particularly the tier-2 and tier-3 cities is expected to provide much need boost to company's presence in the southern region in traditional products.

46% earnings CAGR expected (on a low base of FY19 and tax cut)

Hitachi is a play on structural demand for ACs in India (along with premiumization) and significant increase in inverter ACs, which has seen fast adoption in the country. The company recently indicated that it is targeting 10-15% revenue CAGR for the next three years and will be bidding for metro projects. Increased focus on the chiller market augurs well for the company. We maintain BUY on the stock with a target price of INR 2,340 based on 35x its FY21E earnings.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>19,716</b>	<b>22,282</b>	<b>22,407</b>	<b>25,628</b>	<b>30,502</b>
Op. Expenses	17,495	19,865	20,775	23,544	27,653
<b>EBITDA</b>	<b>2,220</b>	<b>2,417</b>	<b>1,632</b>	<b>2,084</b>	<b>2,849</b>
Depreciation	519	529	442	459	528
<b>EBIT</b>	<b>1,702</b>	<b>1,888</b>	<b>1,190</b>	<b>1,625</b>	<b>2,321</b>
Other income	68	74	154	155	160
Interest Exp.	44	20	27	53	53
<b>Reported PBT</b>	<b>1,726</b>	<b>1,942</b>	<b>1,318</b>	<b>1,728</b>	<b>2,428</b>
Tax	370	512	464	435	612
<b>Reported PAT</b>	<b>1,356</b>	<b>1,430</b>	<b>853</b>	<b>1,292</b>	<b>1,816</b>
<b>Net Profit</b>	<b>1,356</b>	<b>1,430</b>	<b>853</b>	<b>1,292</b>	<b>1,816</b>
<b>Adjusted PAT</b>	<b>1,356</b>	<b>1,430</b>	<b>853</b>	<b>1,292</b>	<b>1,816</b>
<b>Adjusted EPS (INR)</b>	<b>49.9</b>	<b>52.6</b>	<b>31.4</b>	<b>47.5</b>	<b>66.8</b>

### Cash flow statement (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>1,726</b>	<b>1,942</b>	<b>1,318</b>	<b>1,728</b>	<b>2,428</b>
CF from operating activities	2,614	2,496	690	786	2,207
CF from investing activities	9	(83)	960	(713)	285
CF from financing activities	(1,886)	(1,863)	(1,715)	915	(2,879)
<b>Net cash flow</b>	<b>737</b>	<b>550</b>	<b>(66)</b>	<b>987</b>	<b>(387)</b>
Opening balance	42	236	358	299	618
<b>Closing balance</b>	<b>779</b>	<b>787</b>	<b>293</b>	<b>1,285</b>	<b>231</b>

### Valuation (x)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
P/E	38.8	36.8	61.6	40.7	28.9
P/BV	11.9	9.8	8.6	7.2	5.8
EV/EBITDA	23.8	21.7	33.2	25.8	18.8
EV/Sales	2.7	2.3	2.4	2.1	1.8
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2

### Balance sheet (INRm)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Share Capital	272	272	272	272	272
Reserves & Surplus	4,130	5,080	5,858	7,024	8,713
<b>Networth</b>	<b>4,402</b>	<b>5,352</b>	<b>6,130</b>	<b>7,295</b>	<b>8,985</b>
Net deferred Tax liabilities	(81)	(139)	(166)	(166)	(166)
<b>Capital Employed</b>	<b>4,916</b>	<b>5,340</b>	<b>7,860</b>	<b>9,036</b>	<b>10,735</b>
Gross Fixed Assets	2,751	3,042	3,571	4,072	4,725
Accumulated Depreciation	408	820	1,262	1,721	2,249
<b>Net Fixed Assets</b>	<b>2,603</b>	<b>2,446</b>	<b>3,251</b>	<b>2,383</b>	<b>2,508</b>
<b>Current Assets, Loans &amp; Adv.</b>	<b>8,521</b>	<b>9,976</b>	<b>12,261</b>	<b>14,391</b>	<b>17,107</b>
Inventory	4,600	4,421	5,555	6,670	7,939
Debtors	2,831	4,143	4,771	5,758	6,936
Cash & Bank balance	236	358	299	618	787
Loans & advances and others	855	1,055	1,636	1,345	1,445
<b>Current Liabilities &amp; Prov.</b>	<b>6,208</b>	<b>7,082</b>	<b>7,652</b>	<b>7,738</b>	<b>8,880</b>
Liabilities	6,063	6,455	7,002	7,553	8,688
Provisions	145	628	650	185	192
<b>Net Current Assets</b>	<b>2,313</b>	<b>2,894</b>	<b>4,609</b>	<b>6,653</b>	<b>8,227</b>
<b>Application of Funds</b>	<b>4,916</b>	<b>5,340</b>	<b>7,860</b>	<b>9,036</b>	<b>10,735</b>

### Growth indicators (%)

Year ended 31st Mar	2017	2018	2019	2020e	2021e
Revenue	20.2	13.0	0.6	14.4	19.0
EBITDA	80.9	8.8	(32.5)	27.7	36.7
Adj PAT	171.3	5.4	(40.3)	51.4	40.5
Adj EPS	171.3	5.4	(40.3)	51.4	40.5

### Financial ratios

Year ended 31st Mar	2017	2018	2019	2020e	2021e
RoE (%)	34.0	29.3	14.9	19.3	22.3
RoCE (%)	36.2	38.2	20.4	21.1	25.1
Asset/T.O (x)	4.0	4.3	3.4	3.0	3.1
Net Debt/Equity (x)	0.1	(0.0)	0.3	0.2	0.1
EBIT/Interest (x)	40.3	99.1	50.0	33.8	46.9

## Linde India

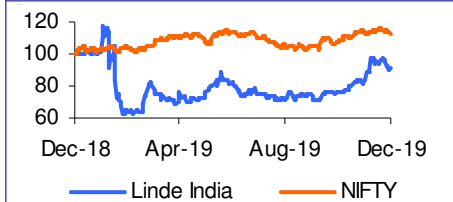
**Not Rated | CMP: INR620 | 2yr upside: 44%-45%\***

### Market data

Market Cap (USDbn)	:	0.737
O/S Shares (m)	:	85.3
52-wk HI/LO (INR)	:	819/403
Avg Daily Vol ('000)	:	23
Promoters	:	75%
Bloomberg	:	LILIN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials (INR mn)

YE 31 Dec	2018	2019e	2020e
Revenues	21,917	18,629	20,492
EBITDA	3,252	4,169	4,104
EBITDA margin %	14.8%	22.4%	20.0%
PAT	334	1,024	1,067
EPS	3.9	12.0	12.5
EPS growth (%)	76.5	206.4	4.2
P/E(x)	158.2	51.6	49.6

Source: Company, Antique

\* Bloomberg Consensus

## Leader in industrial gas segment

### Linde to benefit from higher steel production

Linde India is a part of the Linde Group (Linde AG) that has a history of over 130 years and is a global market leader in gases and engineering solutions. The Linde Group is a world leading supplier of industrial, process and specialty gases and is one of the most profitable engineering companies with a presence across more than 100 countries. The company was previously known as BOC India till 2013 when it was rebranded as Linde India post the acquisition of BOC group by the Linde group.

### Operates India's largest air separation plant with 20 facilities across the country

Company owns and operates India's largest air separation plant at Jamshedpur and runs more than 20 production facilities and filling stations across the country. Linde India has the largest sales and distribution network in the country with a wide geographic reach across India.

### Global industry consolidation continues with merger of Linde AG and Praxair Inc

In CY18 the merger between holding company Linde AG and Praxair Inc was completed to form Linde plc and as part of the approval process, certain assets of the company in India have to be divested and the process of divestment is currently underway. Recently Linde India signed a business transfer agreement with Air Water India Private Limited to sell its business in the southern region as a going concern for a lump sum consideration of INR13.8bn on cash free and debt free basis. Potential future integration plans for realizing the synergies between Linde India and Praxair India are being explored.

### Domestic crude steel production continues to grow; automotive expected to recover in 2HFY20

India's FY19 crude steel production stood at 107MT as compared to 103MT in FY18, a growth of 3.3%, while consumption in India grew by 7.5%. Targeted domestic steel capacity by 2030 is 300MTPA which is more than double current steel capacity.

### Valuation and outlook

Gas business underlying revenue growth in CY18 was 9.1% primarily driven by the merchant business and pricing initiatives. Project engineering division revenues improved 24.5% led by orders from steel and refinery sectors and the division had an order book of INR6bn as of 31'st December'2018. We expect a sharp increase in profits over CY18 to CY20 led by lower costs offsetting subdued revenue growth. At CMP of 620, the company trades at a trailing P/E of 158x.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
<b>Net Revenue</b>	<b>14,913</b>	<b>15,666</b>	<b>18,253</b>	<b>20,331</b>	<b>21,917</b>
Op. Expenses	12,268	13,371	15,387	17,055	18,664
<b>EBITDA</b>	<b>2,645</b>	<b>2,296</b>	<b>2,866</b>	<b>3,276</b>	<b>3,252</b>
Depreciation	1,813	1,615	1,954	2,063	1,991
<b>EBIT</b>	<b>832</b>	<b>681</b>	<b>912</b>	<b>1,213</b>	<b>1,261</b>
Other income	232	318	345	168	237
Interest Exp.	1,029	899	1,156	1,165	1,027
<b>Reported PBT</b>	<b>35</b>	<b>5</b>	<b>101</b>	<b>161</b>	<b>471</b>
Tax	-18.2	-229.0	-32.0	-27.8	137
<b>Reported PAT</b>	<b>53</b>	<b>234</b>	<b>133</b>	<b>189</b>	<b>334</b>
<b>Net Profit</b>	<b>53</b>	<b>234</b>	<b>133</b>	<b>189</b>	<b>334</b>
<b>Adjusted PAT</b>	<b>53</b>	<b>329</b>	<b>133</b>	<b>244</b>	<b>334</b>
<b>Adjusted EPS (INR)</b>	<b>0.6</b>	<b>2.8</b>	<b>1.6</b>	<b>2.2</b>	<b>3.9</b>

### Cash flow statement (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
<b>PBT</b>	<b>36</b>	<b>6</b>	<b>102</b>	<b>162</b>	<b>472</b>
CF from operating activities	2,524	2,316	2,770	2,392	3,728
CF from investing activities	(2,411)	(258)	(933)	(425)	(648)
CF from financing activities	(125)	(2,418)	(986)	(2,642)	(2,212)
<b>Net cash flow</b>	<b>(12)</b>	<b>(361)</b>	<b>850</b>	<b>(675)</b>	<b>868</b>
Opening balance	583	571	211	1,061	386
<b>Closing balance</b>	<b>571</b>	<b>211</b>	<b>1,061</b>	<b>386</b>	<b>1,254</b>

### Valuation (x)

Year ended 31 st Dec	2014	2015	2016	2017	2018
P/E	984	225	394.9	279.3	157.8
P/BV	3.8	3.8	3.8	3.8	3.7
EV/EBITDA	22.0	25.3	20.3	17.8	17.9
EV/Sales	3.9	3.7	3.2	2.9	2.7
Dividend Yield (%)	0.2	0.1	0.1	0.2	0.2

### Balance sheet (INRm)

Year ended 31 st Dec	2014	2015	2016	2017	2018
Share Capital	853	853	853	853	853
Reserves & Surplus	13,039	13,073	13,101	13,224	13,415
<b>Networth</b>	<b>13,892</b>	<b>13,926</b>	<b>13,953</b>	<b>14,077</b>	<b>14,268</b>
Net deferred Tax liabilities	1,829	1,543	959	922	881
<b>Capital Employed</b>	<b>31,972</b>	<b>32,383</b>	<b>26,492</b>	<b>24,995</b>	<b>22,614</b>
Gross Fixed Assets	30,542	31,541	27,619	28,911	26,949
Accumulated Depreciation	8,534	9,965	1,891	3,936	5,333
<b>Net Fixed Assets</b>	<b>22,008</b>	<b>21,576</b>	<b>25,727</b>	<b>24,976</b>	<b>21,616</b>
Investments	150	150	150	150	0
<b>Current Assets, Loans &amp; Adv.</b>	<b>12,274</b>	<b>8,447</b>	<b>8,694</b>	<b>8,019</b>	<b>11,508</b>
Inventory	709	653	687	683	710
Debtors	3,074	3,363	3,569	3,527	3,550
Cash & Bank balance	572	210	1,061	386	1,254
Loans & advances and others	7,293	3,384	2,715	3,006	3,076
Other Current Assets	627	837	663	417	2,918
<b>Current Liabilities &amp; Prov.</b>	<b>7,464</b>	<b>4,259</b>	<b>9,134</b>	<b>8,697</b>	<b>11,138</b>
Liabilities	6,758	3,762	8,884	8,405	10,503
Provisions	706	498	250	292	635
<b>Net Current Assets</b>	<b>4,810</b>	<b>4,188</b>	<b>(440)</b>	<b>(678)</b>	<b>370</b>
<b>Application of Funds</b>	<b>31,972</b>	<b>32,383</b>	<b>26,492</b>	<b>24,995</b>	<b>22,614</b>

### Growth indicators (%)

Year ended 31 st Dec	2014	2015	2016	2017	2018
Revenue(%)	4.4	5.0	16.5	11.4	7.8
EBITDA(%)	1.2	-13.2	24.9	14.3	-0.7
Adj PAT(%)	-93.1	517.3	-59.4	82.7	37.1
Adj EPS(%)	-93.1	336.5	-42.9	41.4	77.0

### Financial ratios

Year ended 31 st Dec	2014	2015	2016	2017	2018
RoE (%)	0.4	1.7	1.0	1.3	2.4
RoCE (%)	2.6	2.1	3.1	4.7	5.3
Asset/T.O (x)	0.5	0.5	0.7	0.7	0.8
Net Debt/Equity (x)	0.9	1.0	0.7	0.6	0.4
EBIT/Interest (x)	1.0	1.1	1.1	1.2	1.5

Heidelberg Cement

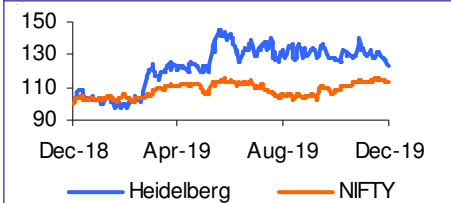
Not Rated | CMP: INR177 | 2yr upside: 32%-46%\*

Market data

Market Cap (USDbn)	:	0.565
O/S Shares (m)	:	226.6
52-wk HI/LO (INR)	:	218/139
Avg Daily Vol ('000)	:	284
Promoters	:	69%
Bloomberg	:	HEIM IN

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

Key financials

YE 31 March	2019	2020e	2021e
Revenues(INRm)	21,334	22,795	24,424
EBITDA(INRm)	4,833	5,489	5,757
EBITDA Margin (%)	22.7	24.1	23.6
PAT(INRm)	2,207	2,696	3,002
PAT growth (%)	70.4	22.2	11.3
EPS (INR)	9.7	11.9	13.2
EPS growth (%)	70.4	22.2	11.3
P/E(x)	18.3	15.0	13.4

Source: Company, Antique

Expansion quintessential for next leg of growth

Key player in the Central market - beneficiary of improved demand-Supply dynamics in the region

HEIM is a subsidiary of Germany based Heidelberg Cement. With capacity of 5.4MMT (4.8MMT in Central; 0.6MMT in South), HEIM has 80-85% of its sales in the central region, with balance sold in southern and eastern region. With limited capacity additions in recent past, company has been key beneficiary of improvement in demand-supply dynamics and pricing in the central region. Going forward, with steady demand growth outlook (although MP is in bit of turmoil for now post change in State government), we remain relatively positive on the Central region dynamics as not major new supply is expected in the region.

Capacity constraint has restricted volume growth for HEIM; Company scouting for acquisitions

HEIM's volumes have grown at a paltry 3-4% CAGR in past 3-4 years and Company is currently operating at 90%+ capacity utilization leaving limited scope of growth in near term. To address the same, company is undergoing modest capex of INR400mn (through internal accruals) toward capacity debottlenecking of 0.5MMT by FY21end. This should address the volume growth concern till FY22, assuming a modest 4-5% CAGR growth over FY20-FY22e. With the comfortable Balance Sheet position, company is also scouting for acquisition to drive growth and diversify the regional presence.

EBITDA has doubled in past 3 years despite slow volume growth; Leading EBITDA/T in Industry now

Despite a sluggish volume growth, HEIM's EBITDA has doubled in past 3 years, benefitting from strong regional pricing, increasing volume mix of Trade (now 88% of mix) and premium segment (11% of trade segment) and constant focus on cost saving initiatives. Company registered Industry leading EBITDA/T of ~INR990 in FY19 (versus ~INR520/T in FY16). Among cost saving measures were 1) Installation of ~20km long conveyor belt; 2) modifications in plants to enable higher pet coke usage (to 60%+); 3) Efforts towards improving Plants P&F efficiency; 4) Power savings related to commissioning of 12MW WHR plant at Damoh and changes in Power purchase agreements. Further, procurement related synergy benefits have also resulted in savings.

Valuations and View

With no meaningful Capex in past 3-4 years and significant FCF generation, Company has been able to achieve significant deleveraging over past few years with Net debt falling to almost nil in FY20e versus INR12bn in FY15. We expect HEIM's Revenue/EBITDA/PAT to record 7%/9%/17% CAGR over FY19-21e. Company is expected to maintain healthy return ratios/ROCEs upwards of 20-25% over FY19-FY21e. Stock is trading at EV/EBITDA of 7.4x FY20e / 6.6x FY21e.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS

## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
<b>Net Revenue</b>	<b>17,175</b>	<b>18,895</b>	<b>21,334</b>	<b>22,795</b>	<b>24,424</b>
Op. Expenses	14,386	15,318	16,500	17,306	18,667
<b>EBITDA</b>	<b>2,789</b>	<b>3,577</b>	<b>4,833</b>	<b>5,489</b>	<b>5,757</b>
Depreciation	992	1,012	1,018	1,073	1,102
<b>EBIT</b>	<b>1,797</b>	<b>2,565</b>	<b>3,816</b>	<b>4,415</b>	<b>4,655</b>
Other income	237	199	348	440	462
Interest Exp.	898	745	748	708	499
<b>Reported PBT</b>	<b>1,136</b>	<b>1,983</b>	<b>3,416</b>	<b>4,147</b>	<b>4,618</b>
Tax	374	745	1,210	1,452	1,616
<b>Reported PAT</b>	<b>762</b>	<b>1,238</b>	<b>2,207</b>	<b>2,696</b>	<b>3,002</b>
<b>Net Profit</b>	<b>762</b>	<b>1,238</b>	<b>2,207</b>	<b>2,696</b>	<b>3,002</b>
<b>Adjusted PAT</b>	<b>762</b>	<b>1,295</b>	<b>2,207</b>	<b>2,696</b>	<b>3,002</b>
<b>Adjusted EPS (INR)</b>	<b>3.4</b>	<b>5.7</b>	<b>9.7</b>	<b>11.9</b>	<b>13.2</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
<b>PBT</b>	<b>1,136</b>	<b>1,983</b>	<b>3,416</b>	<b>4,147</b>	<b>4,618</b>
CF from operating activities	3,614	3,771	3,929	3,652	4,300
CF from investing activities	(402)	(135)	(260)	(60)	(38)
CF from financing activities	(3,147)	(1,655)	(2,417)	(3,073)	(3,233)
<b>Net cash flow</b>	<b>64</b>	<b>1,982</b>	<b>1,253</b>	<b>518</b>	<b>1,029</b>
Opening balance	78	142	2,124	3,377	3,895
<b>Closing balance</b>	<b>142</b>	<b>2,124</b>	<b>3,377</b>	<b>3,895</b>	<b>4,924</b>

### Valuation (x)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
P/E	52.9	31.1	18.3	15.0	13.4
P/BV	4.2	3.9	3.4	3.0	2.7
EV/EBITDA	16.9	12.4	8.7	7.4	6.6
EV/Sales	2.8	2.4	2.0	1.8	1.6

### Balance sheet (INRm)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
Share Capital	2,266	2,266	2,266	2,266	2,266
Reserves & Surplus	7,403	8,198	9,446	10,976	12,744
<b>Networth</b>	<b>9,670</b>	<b>10,464</b>	<b>11,712</b>	<b>13,242</b>	<b>15,010</b>
Net deferred Tax liabilities	530	835	1,303	1,303	1,303
<b>Capital Employed</b>	<b>17,253</b>	<b>17,491</b>	<b>18,183</b>	<b>18,514</b>	<b>18,781</b>
Gross Fixed Assets	20,751	21,037	21,345	22,017	22,517
Accumulated Depreciation	1,980	2,977	3,976	5,050	6,152
<b>Net Fixed Assets</b>	<b>18,834</b>	<b>18,141</b>	<b>17,541</b>	<b>16,968</b>	<b>16,365</b>
<b>Current Assets, Loans &amp; Adv.</b>	<b>5,243</b>	<b>7,187</b>	<b>9,415</b>	<b>10,452</b>	<b>11,938</b>
Inventory	1,396	1,269	1,674	1,528	1,626
Debtors	126	188	253	242	259
Cash & Bank balance	142	2,124	3,377	3,895	4,924
Loans & advances and others	3,579	3,606	4,110	4,787	5,129
<b>Current Liabilities &amp; Prov.</b>	<b>6,824</b>	<b>7,837</b>	<b>8,772</b>	<b>8,906</b>	<b>9,522</b>
Liabilities	4,446	5,452	6,232	6,194	6,618
Provisions	2,378	2,385	2,540	2,711	2,904
<b>Net Current Assets</b>	<b>(1,581)</b>	<b>(650)</b>	<b>643</b>	<b>1,546</b>	<b>2,416</b>
<b>Application of Funds</b>	<b>17,253</b>	<b>17,491</b>	<b>18,183</b>	<b>18,514</b>	<b>18,781</b>

### Growth indicators (%)

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
Revenue(%)	4.2	10.0	12.9	6.8	7.1
EBITDA(%)	20.6	28.3	35.1	13.6	4.9
Adj PAT(%)	115.3	69.9	70.4	22.2	11.3
Adj EPS(%)	115.3	69.9	70.4	22.2	11.3

### Financial ratios

Year ended 31 st Mar	2017	2018	2019	2020e	2021e
RoE (%)	8.2	12.9	19.9	21.6	21.2
RoCE (%)	11.0	15.9	23.3	26.5	27.4
Asset/T.O (x)	0.9	1.1	1.2	1.2	1.3
Net Debt/Equity (x)	0.71	0.39	0.15	0.01	-0.16
EBIT/Interest (x)	2.3	3.7	5.6	6.9	10.3

## Orient Refractories

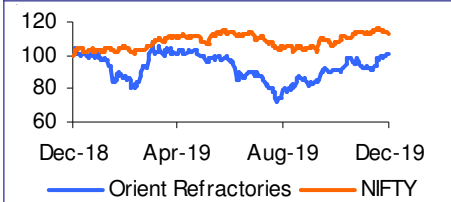
Not Rated | CMP: INR232 | 2yr upside: 31%-32%\*

### Market data

Market Cap (USDbn)	:	0.394
O/S Shares (m)	:	120.1
52-wk HI/LO (INR)	:	276/160
Avg Daily Vol ('000)	:	39
Promoters	:	66%
Bloomberg	:	ORIENT IN

Source: Bloomberg

### Price performance vs Nifty



Source: Bloomberg

### Key financials (INR mn)

YE 31 March	2019	2020e	2021e
Sales	7,479	8,741	9,927
EBITDA	1,291	1,555	1,755
EBITDA margin %	17.3%	17.8%	17.7%
PAT Adj	897	1,005	1,133
EPS	7.5	8.4	9.4
EPS growth %	4.6	12.0	12.7
P/E(x)	31.0	27.7	24.6

Source: Company, Antique

\* Bloomberg Consensus

## Consolidating leadership position in refractory space

### Orient Refractories part of RHI MAGNESITA N.V.; leading global high-grade refractory producer

Orient Refractories Limited (ORL) is in the business of manufacturing and marketing special refractory products, systems and services to the steel industry in India and globally. ORL is market leader for special refractories in India and produces nearly 50,000 tons of refractory per annum at its state-of-the-art manufacturing facility at Bhiwadi in Rajasthan. Parent company RHI Magnesita is the leading global supplier of high-grade refractory products, systems and solutions in a wide range of industries, including steel, cement, non-ferrous metals and glass. RHI Magnesita serves customers around the world with more than 14,000 employees in 35 main production sites and more than 70 sales offices around the world.

### Fortunes linked primarily to the steel industry which is the biggest customer segment

Steel industry comprises the biggest customer segment. Domestic steel production continues to grow steadily with a targeted capacity of 300MTPA by 2030, more than double the current capacity of 137MTPA.

### Domestic crude steel production continues to grow, FY19 impacted by insolvency proceedings

India's FY19 crude steel production stood at 107MT as compared to 103MT in FY18, a growth of 3.3%, while consumption grew by 7.5%. Company's performance in FY19 was impacted by availability and prices of raw materials, reduction in export opportunities and initiation of insolvency proceedings against a few of the domestic steel producers which led to a squeeze on margins and impacted the demand for the company's products.

### Resolution of insolvency proceedings and higher steel production to drive growth

Resolution of insolvency proceedings of Bhushan Steel and expected resolution of Bhushan Power and Essar Steel in CY19/20 would help in recovery of domestic steel production.

### Valuation and outlook

Orient Refractories has expanded the capacity of isotopic products from 9,300 tons per annum to 11,700 tons per annum which would address the bottle necks in production capacity in existing factory at Bhiwadi. RHI Magnesita has started integration of three legal entities in India for pooling the resources for market expansion, product expansion and is also exploring the possibilities of geographical expansion. Indian steel market is growing at ~5-7% and ORL India business grew 9-10 % in terms of volume and 19 % in terms of sales value in FY19 and is expected to maintain the growth rate. At CMP of 232, the company trades at a trailing P/E of 31x which is lower than the average multiple over the past five years. We do not have a rating and target price on the company.

\* Note: Potential upside is based on 1yr fwd PE/3yr average of 1yr fwd PE on tentative FY23 EPS



## Financials

### Profit and loss account (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>Net Revenue</b>	<b>4,514</b>	<b>4,589</b>	<b>5,194</b>	<b>6,284</b>	<b>7,479</b>
Op. Expenses	3,709	3,738	4,155	5,004	6,189
<b>EBITDA</b>	<b>805</b>	<b>851</b>	<b>1,038</b>	<b>1,280</b>	<b>1,291</b>
Depreciation	55	59	63	68	86
<b>EBIT</b>	<b>750</b>	<b>792</b>	<b>975</b>	<b>1,212</b>	<b>1,204</b>
Other income	46	54	83	106	182
Interest Exp.	0	0	6	11	12
<b>Reported PBT</b>	<b>796</b>	<b>846</b>	<b>1,052</b>	<b>1,308</b>	<b>1,374</b>
Tax	267.9	288.4	364.1	450.1	477
<b>Reported PAT</b>	<b>528</b>	<b>557</b>	<b>688</b>	<b>858</b>	<b>897</b>
<b>Net Profit</b>	<b>528</b>	<b>557</b>	<b>688</b>	<b>858</b>	<b>897</b>
<b>Adjusted PAT</b>	<b>528</b>	<b>557</b>	<b>688</b>	<b>858</b>	<b>897</b>
<b>Adjusted EPS (INR)</b>	<b>4.4</b>	<b>4.7</b>	<b>5.7</b>	<b>7.1</b>	<b>7.5</b>

### Cash flow statement (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
<b>PBT</b>	<b>796</b>	<b>847</b>	<b>1,053</b>	<b>1,308</b>	<b>1,375</b>
CF from operating activities	314	768	589	521	537
CF from investing activities	(50)	12	21	(1,104)	134
CF from financing activities	(183)	(276)	(266)	(398)	(520)
<b>Net cash flow</b>	<b>81</b>	<b>503</b>	<b>344</b>	<b>(981)</b>	<b>152</b>
Opening balance	180	261	765	1,108	127
<b>Closing balance</b>	<b>261</b>	<b>765</b>	<b>1,108</b>	<b>127</b>	<b>279</b>

### Valuation (x)

Year ended 31 st Mar	2015	2016	2017	2018	2019
P/E	52.6	49.8	40.4	32.4	31.0
P/BV	16.4	13.6	10.2	8.6	7.4
EV/EBITDA	34.2	32.4	26.5	21.5	21.3
EV/Sales	6.1	6.0	5.3	4.4	3.7
Dividend Yield (%)	0.6	0.6	1.1	1.1	1.1

### Balance sheet (INRm)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Share Capital	120	120	120	120	120
Reserves & Surplus	1,578	1,926	2,613	3,108	3,642
<b>Networth</b>	<b>1,698</b>	<b>2,047</b>	<b>2,733</b>	<b>3,228</b>	<b>3,762</b>
Net deferred Tax liabilities	(8)	(7)	(4)	(15)	10
<b>Capital Employed</b>	<b>1,774</b>	<b>2,072</b>	<b>4,292</b>	<b>3,222</b>	<b>3,779</b>
Gross Fixed Assets	623	725	435	530	814
Accumulated Depreciation	291	342	62	128	214
<b>Net Fixed Assets</b>	<b>332</b>	<b>383</b>	<b>373</b>	<b>402</b>	<b>600</b>
Investments	0	0	0	1,077	1,032
<b>Current Assets, Loans &amp; Adv.</b>	<b>2,152</b>	<b>3,843</b>	<b>5,888</b>	<b>3,900</b>	<b>4,941</b>
Inventory	716	642	814	911	1,174
Debtors	1,127	1,185	1,140	1,594	1,574
Cash & Bank balance	261	765	1,108	127	279
Loans & advances and others	24	1,208	2,786	1,162	1,738
Other Current Assets	24	43	39	106	176
<b>Current Liabilities &amp; Prov.</b>	<b>754</b>	<b>2,172</b>	<b>2,051</b>	<b>2,334</b>	<b>2,861</b>
Liabilities	547	765	827	1,186	1,256
Provisions	208	1,407	1,224	1,149	1,605
<b>Net Current Assets</b>	<b>1,397</b>	<b>1,671</b>	<b>3,837</b>	<b>1,566</b>	<b>2,080</b>
<b>Application of Funds</b>	<b>1,774</b>	<b>2,072</b>	<b>4,292</b>	<b>3,222</b>	<b>3,779</b>

### Growth indicators (%)

Year ended 31 st Mar	2015	2016	2017	2018	2019
Revenue(%)	11.9	1.7	13.2	21.0	19.0
EBITDA(%)	1.7	5.8	22.0	23.3	0.8
Adj PAT(%)	0.0	5.6	23.5	24.6	4.7
Adj EPS(%)	0.0	5.7	23.4	24.4	4.8

### Financial ratios

Year ended 31 st Mar	2015	2016	2017	2018	2019
RoE (%)	34.3	29.8	28.8	28.8	25.7
RoCE (%)	38.8	41.2	30.7	32.3	34.4
Asset/T.O (x)	7.2	6.3	11.9	11.9	9.2
Net Debt/Equity (x)	-0.1	-0.4	-0.4	0.0	-0.1
EBIT/Interest (x)	1,851	42,292	188	124	120

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