BOBCAPS
TRUST | INNOVATION | EXCELLENCE

CONSUMER STAPLES

27 January 2025

Is it FY22 again? Impact of inflation on FY25 and FY26 earnings

- **We expect input cost headwind on gross margins to be higher in the March 2025 quarter compared to the December 2024 quarter**
- **Palm oil, cocoa, coffee, wheat and tea are in high inflation and impacting gross margins of companies with respective exposure**
- **We downgrade Britannia (Hold from Buy) and Godrej Consumer (Sell from Hold) and retain ratings on Nestle (Hold) and Tata Consumer (Buy)**

Lokesh Gusain
research@bobcaps.in

Commodity headwinds to accelerate in 4QFY25: Advance purchase agreements and FX hedges have limited the full impact of commodity inflation in the December 2024 quarter. If current commodity prices sustain, we expect commodity pressure for the FMCG sector to accelerate in 4QFY25. Commodity headwinds are the highest for companies with large palm oil exposure and a relatively elastic portfolio. We estimate spot palm oil inflation with spot currency at 59% in 2HFY25. The weakness in INR is adding to the already high inflation. Market position is key to cost recovery and companies with leading positions are relatively okay, but still need to raise prices amidst a slowdown in urban consumer demand.

Which companies are most affected?: Nestle is most impacted due to high inflation in cocoa, coffee and palm oil. Britannia is also materially impacted from palm oil and wheat inflation. Commodity headwind for both companies between 3QFY25 and FY26 is in the range of ~700bps to 1,100bps.

What is the earnings outlook for 2HFY25 and FY26?: All analysed companies are increasing prices, reducing grammage and improving cost efficiencies to offset inflation. We expect it to be a cost to cost offset instead of a flat margin percentage restoration outcome. Some pullback in A&P is likely in inflationary products such as Tea, confectionary, soaps etc. Overall, we expect meaningful profit pressure for FMCG companies over the next 3-6 months. Compared with consensus, at an aggregate level for the analysed companies, our EBITDA forecast is 7% lower for FY25, 19% lower for FY26 and 7% lower for FY27.

Valuation: We move our valuation methodology from PE Rel to Absolute PE. We use 5Yr avg P/E on 12m to Dec-26 EPS across our coverage. Our new target prices are BRIT Rs5,131, GCPL Rs977, NEST Rs2,299 and TATACONS at Rs1,155.

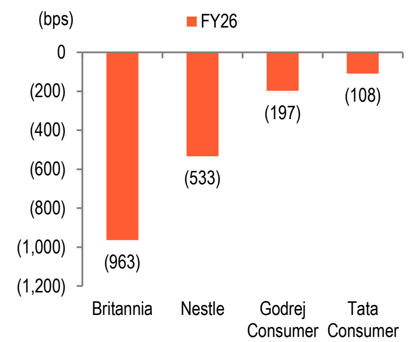
Our view: While the FMCG commodity headwind is transitory, we expect stock prices to be volatile with a downward bias over the next 3-6 months. We have a cautious sector view but closely monitor the rural and urban demand trajectory. Any recovery will favourably impact volume elasticity and FMCG pricing power.

Recommendation snapshot

Ticker	Price	Target	Rating
BRIT IN	5,176	5,131	HOLD
GCPL IN	1,127	977	SELL
NEST IN	2,175	2,299	HOLD
TATACONS IN	966	1,155	BUY

Price & Target in Rupees | Price as of 27 Jan 2025

Commodity headwind on FY26 margins (bps)



Sources: Company, Bloomberg, BOBCAPS Research

Contents

What is the impact of commodity inflation on FY25 and FY26 earnings?

Ingredient inputs typically account for 75%-85% of the COGS for FMCG majors. When inflation is low to moderate, companies usually restore gross margin percentage using a combination of higher prices, reduction in grammage and cost efficiencies. However, given the magnitude of inflation in 2HFY25e, pricing is being taken in phases over two quarters to gauge demand response to the rise in prices. Result is a contraction in both absolute gross margin per unit and gross margin percentage as pricing is insufficient. An additional risk to earnings is from adverse volume elasticity due to the quantum of pricing being taken amidst a slowing urban consumer base.

In this note, we have analysed the COGS mix and quantified the headwind on gross margin for companies which have meaningful exposure on high inflation commodities. We have analysed Britannia (palm oil, wheat), Tata Consumer (tea), Godrej Consumer (palm oil), and Nestle India (cocoa, coffee, wheat).

What are the drivers of commodity inflation?

Vegetable oil is in inflation due to the rise in import duty, while other commodities including cocoa, coffee, wheat, and tea are up due to supply factors such as lower production, and below average inventory levels. Currency is also impacting inflation as vegetable / palm oil, cocoa and coffee are sourced from both overseas and domestic markets. Key currencies to track are USDINR for cocoa, coffee, and crude oil; and MYRINR for palm oil.

What is the commodity headwind for FMCG majors?

On our estimates, Nestle and Britannia are most impacted with a commodity headwind of ~700bps to 1100bps between 3QFY25 and FY26. For the rest, gross margin headwind is in the range of 100bps to 500bps for the same periods. We show the gross margin headwind from commodity inflation along with respective commodities analysed in figure 1 below.

Fig 1 – Commodity headwind on gross margins for Britannia, Marico, Tata Consumer, Godrej Consumer and Nestle

Commodity headwind on margins	Commodities Analysed	3QFY25	4QFY25	FY26
Britannia	Sugar, Maida, Vegetable / Palm oil, Milk, Water / packaging / others	(664bps)	(1,004bps)	(963bps)
Nestle	Milk, Milk Powder, Palm Oil, Wheat, Coffee, HDPE, Cocoa, Sugar	(930bps)	(1,070bps)	(533bps)
Godrej Consumer	Vegatable / Palm oil, Kerosene	(307bps)	(345bps)	(197bps)
Tata Consumer	Tea	(473bps)	(507bps)	(108bps)

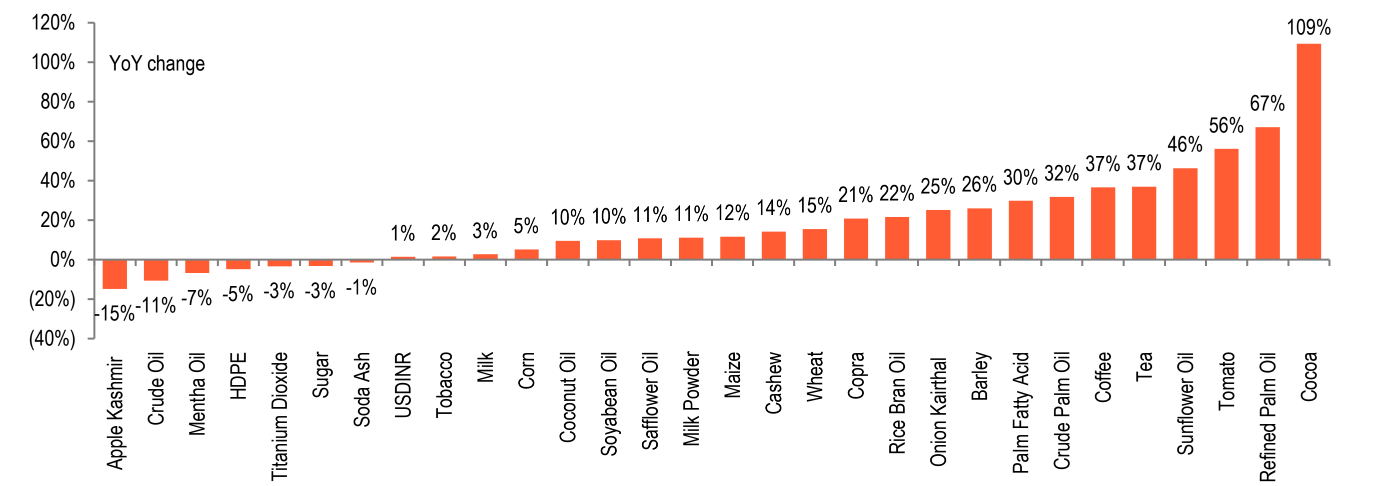
Sources: Company, Bloomberg, BOBCAPS Research

1. Which ingredients are impacting FY25 and FY26 earnings?

Vegetable oils and derivatives, tea, wheat, coffee and cocoa are the key commodities which are used widely in FMCG and have also recorded high inflation in the December 2024 quarter.

We show FMCG commodities with 3QFY25 inflation run rate in Figure 2. We follow up with a discussion on inflation drivers and 12-months outlook for the commodities with high inflation run rate in the December 2024 quarter.

Fig 2 – Key FMCG ingredient inflation in 3QFY25



Sources: Bloomberg, BOBCAPS Research

1.1. What are the inflation drivers and what is the outlook?

- **Vegetable oils** – The rise in import duty on select crude vegetable oils from 0% to 20% and on refined palm, soybean and sunflower oil from 12.5% to 32.5% is the primary inflation driver. While imported oil prices increased due to the upward revision in taxes, domestically sourced oil prices have also increased given the widespread use of imported oil.

  The raised import duty reflects government support to the local oilseeds farming. A roll back of this duty is unlikely over the next 12 months unless farmer income increases meaningfully. This inflationary trend will likely continue over the next 12 months.

- **Tea** – Inflation in tea is due to unfavourable weather driven lower crop in the 2024 season. Inventories are depleted and that is keeping an upward pressure on tea prices.

  We expect the current high tea rates to sustain for FMCG majors until the September 2025 quarter. Tea brands usually lock in tea purchases closer to the December quarter each year. So in the September quarter, there is the simultaneous exit of prior year crop and entry of the current year crop.

- **Wheat** – Wheat has remained inflationary so far in FY25. Lower inventory levels, sub-average supply and a rise in minimum support price are the key drivers.

In terms of outlook, we expect some short-term relief in the March 2025 quarter due to higher acreage. However, export opportunities may help prices sustain at elevated levels.

- **Cocoa and coffee** – Both cocoa and coffee prices have remained volatile with an upward bias over the past 1-2 years. This trend of inflation will likely sustain in cocoa, but there may be some relief on coffee.

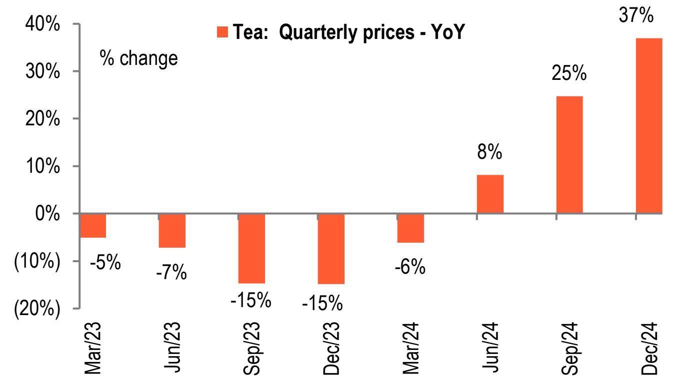
  On cocoa, climate change driven weather disruptions impacted production in West Africa, which accounts for 70+% of cocoa supply. For 2025, the International Cocoa Organization estimates production outlook to be better vs last year but still insufficient to replenish the inventory depletion in 2024 due to lower production.

  Coffee price outlook is slightly favourable due to improved weather in East Asia even as drier weather in Brazil remains a risk. Top 5 countries (Brazil, Vietnam, Indonesia, Colombia and Ethiopia) account for 65+% of global coffee production.

- **Currency moves** – Cocoa, coffee and vegetable oils (palm oil) are sourced from overseas markets and so currency moves impact procurement rates for FMCG companies. In terms of exposure, cocoa and coffee are traded in US dollars (USD) while palm oil is traded in Malaysian Ringgit (MYR).

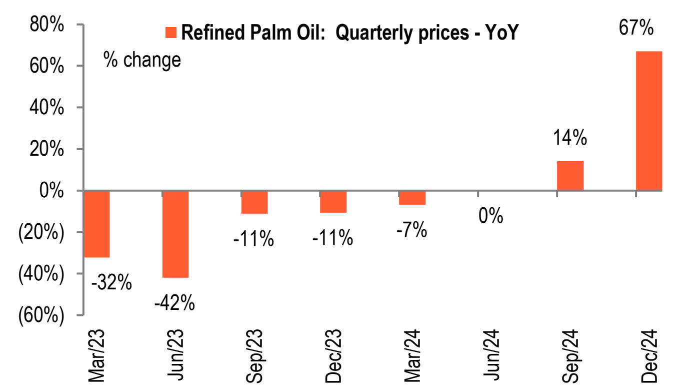
  Any weakness in INR will potentially lead to an increase in the procurement costs of palm oil, coffee and cocoa. Generally speaking, the Reserve Bank of India is yet to initiate the interest rate cut cycle which has already started in major economies. Once the rate cut cycle starts for India, the INR is likely to weaken from current levels.

Fig 3 – Tea* price index: Quarterly inflation



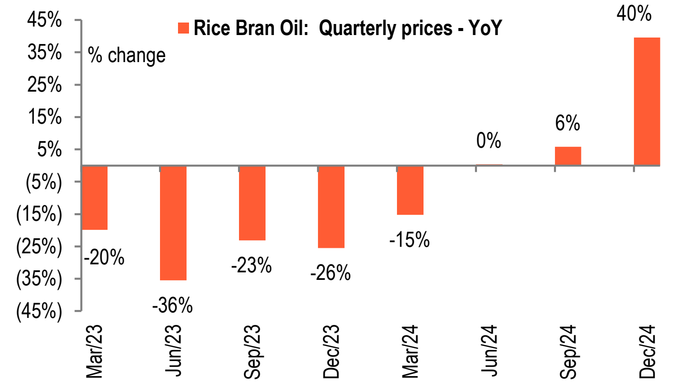
*Siliguri Tea; Sources: Bloomberg, BOBCAPS Research

Fig 4 – Refined palm oil spot prices: Quarterly inflation



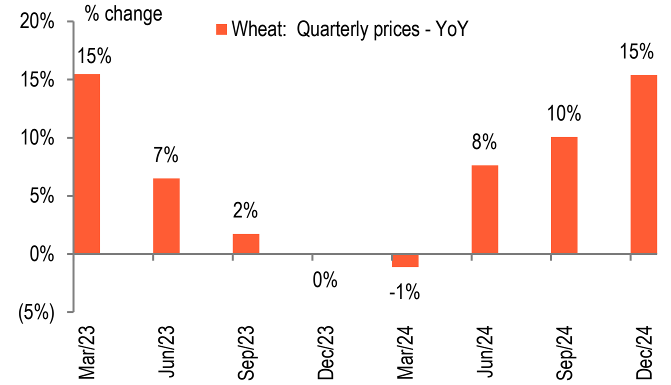
Sources: Bloomberg, BOBCAPS Research

Fig 5 – Rice bran oil price index: Quarterly inflation



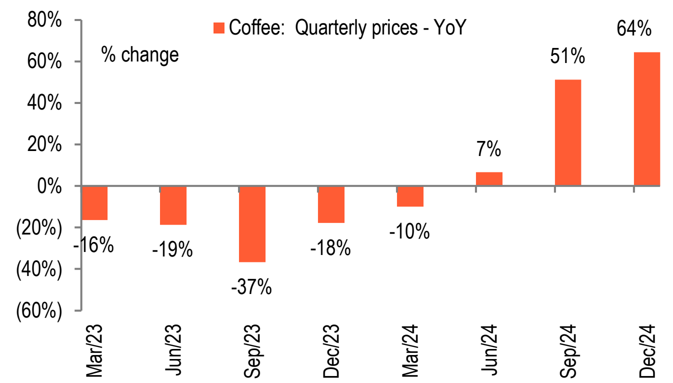
Sources: Bloomberg, BOBCAPS Research

Fig 6 – Wheat price index: Quarterly inflation



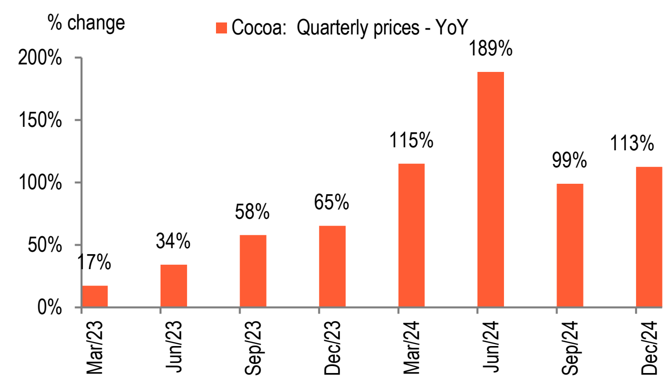
Sources: Bloomberg, BOBCAPS Research

Fig 7 – Coffee spot prices: Quarterly inflation



Sources: Bloomberg, BOBCAPS Research

Fig 8 – Cocoa spot prices: Quarterly inflation



Sources: Bloomberg, BOBCAPS Research

2. What is the commodity headwind on 2HFY25 and FY26 margins?

The widespread use of vegetable oil in packaged food has resulted in meaningful inflation in COGS base for FMCG companies. For 4QFY25, we estimate at least 350bps gross margin headwind for all the FMCG companies analysed – Britannia, Tata Consumer, Godrej Consumer and Nestle India. Below, we show a summary of the gross margin headwind from commodity inflation of each of these companies. We follow up with specific company discussions in the next section.

Fig 9 – Commodity headwind on gross margins for Britannia, Marico, Tata Consumer, Godrej Consumer

Gross Margin Headwind	Commodities Analysed	3QFY25	4QFY25	FY26
Britannia	Sugar, Maida, Vegetable / Palm oil, Milk, Water / packaging / others	(664bps)	(1,004bps)	(963bps)
Nestle	Milk, Milk Powder, Palm Oil, Wheat, Coffee, HDPE, Cocoa, Sugar	(930bps)	(1,070bps)	(462bps)
Godrej Consumer	Vegatable / Palm oil, Kerosene	(279bps)	(354bps)	(196bps)
Tata Consumer	Tea	(473bps)	(507bps)	(108bps)

Source: Company, Bloomberg, BOBCAPS Research

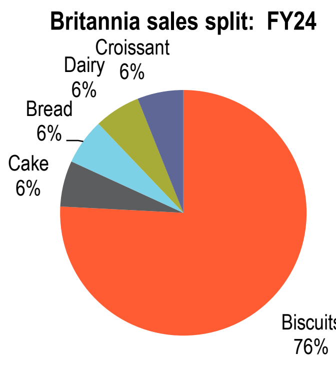
2.1. Britannia

In this section, we elaborate on Britannia's sales split, cost exposure and profit outlook. Britannia derives the bulk of its sales from biscuits, which use palm oil, wheat and sugar as the key ingredients. While sugar prices are lower on a YoY basis, palm oil is inflationary and so is wheat. We have downgraded Britannia to a Hold from a Buy. With an uncertain near-term profit and margin outlook, we expect the stock price to remain volatile with a downward bias.

2.1.1. What is Britannia's commodity exposure?

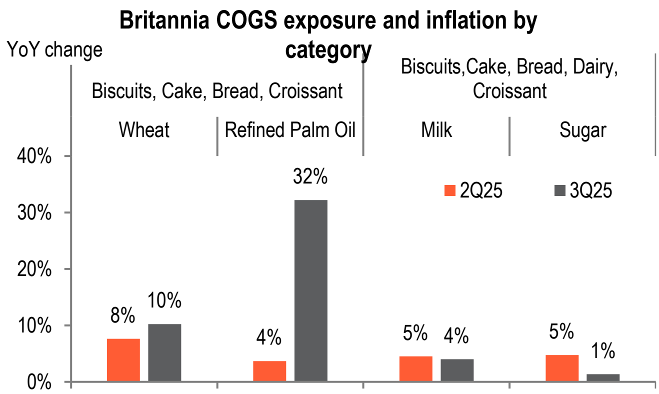
Britannia derives 75+% of sales from biscuits while the rest is balanced evenly between cake/rusk, croissant, bread, and dairy. In terms of cost exposure, we estimate wheat as the top commodity, followed by vegetable oil (largely refined palm) and sugar. In figure 10 and figure 11 below, we show Britannia's sales split and COGS usage by product type.

Fig 10 – Britannia sales split estimate – FY24



Source: Company, Bloomberg, BOBCAPS Research

Fig 11 – Britannia COGS exposure by product type



Source: Company, Bloomberg, BOBCAPS Research

2.1.2. What is the gross margin headwind in 2HFY25 and FY26?

For 3QFY25, we estimate commodity headwind on Britannia gross margins at ~664bps, which increases to ~10 percentage points in 4QFY25. For FY26 as well, we expect similar kind of headwind if prices sustain at current levels. We summarise our commodity headwind estimates for Britannia in figure 12 below.

Fig 12 – Britannia commodity headwind on margins for 3QFY25, 4QFY25, and FY26

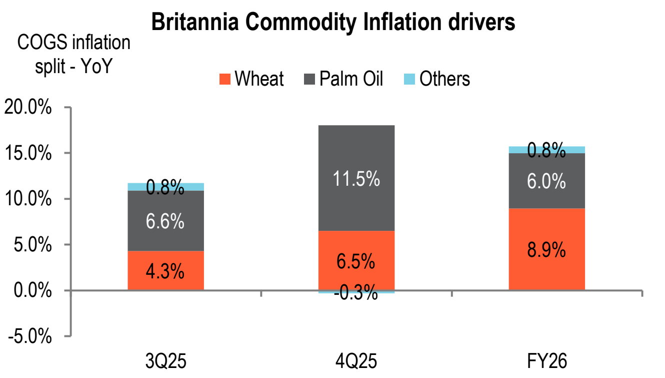
Britannia	3QFY25	4QFY25	FY26
Commodities included in analyses	Sugar, Maida, Vegetable / Palm oil, Milk, Water / packaging / others		
Commodities with the largest impact on COGS base	Wheat, Palm / vegetable oil		
Inflation in total COGS base (%)	11.7	17.7	15.7
Gross Margin Headwind	(664bps)	(1,004bps)	(963bps)

Source: Company, Bloomberg, BOBCAPS Research

2.1.3. Which commodities are having the highest impact on margins?

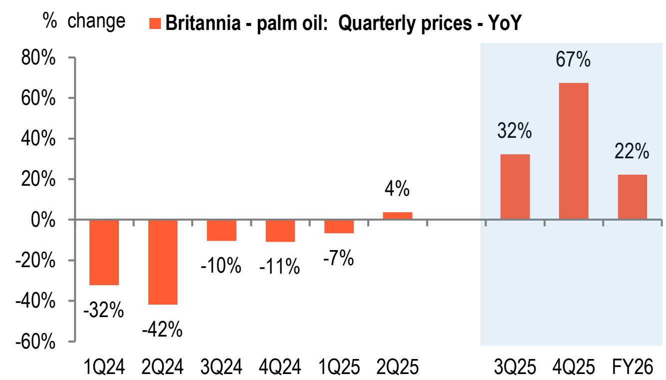
We estimate vegetable oil impact on gross margins as the highest across our analysed periods despite its lower contribution to cost base compared with wheat. This is due to the very high YoY inflation in refined palm oil at 32% in 3QFY25, 67% in 4QFY25, and 32% in FY26. This compares with wheat inflation of 10% in 3QFY25, 15% in 4QFY25, and 19% in FY26.

Fig 13 – Britannia commodity inflation mainly driven by palm oil



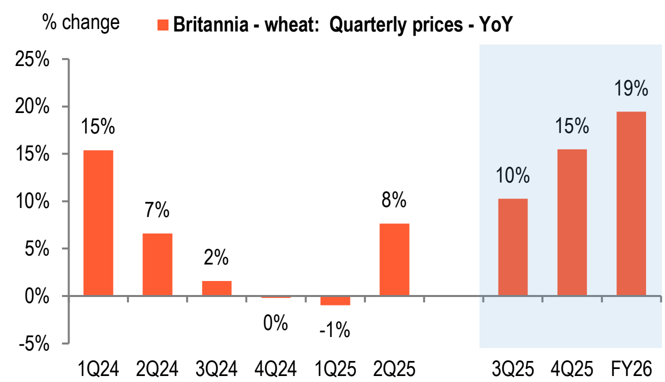
Source: Company, Bloomberg, BOBCAPS Research

Fig 14 – Palm oil price trend and inflation for 3QFY25, 4QFY25 and FY



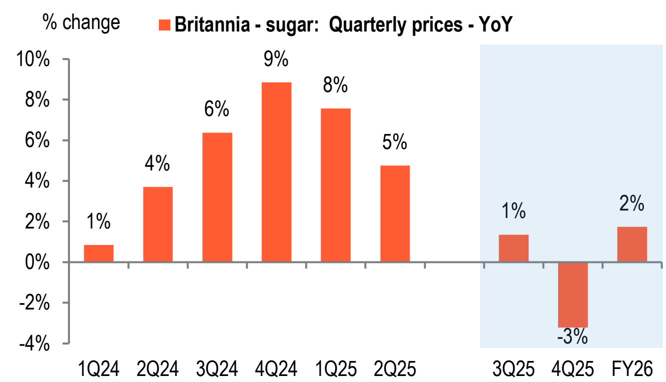
Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – Wheat price trend and inflation for 3QFY25, 4QFY25 and FY



Source: Company, Bloomberg, BOBCAPS Research

Fig 16 – Sugar price trend and inflation for 3QFY25, 4QFY25 and FY



Source: Company, Bloomberg, BOBCAPS Research

2.1.4. How much pricing is required to offset the COGS inflation? What is a realistic cost recovery scenario?

To offset the absolute COGS inflation, we estimate Britannia needs 2.5% pricing in 3QFY25, 4.5% in 4QFY25 and 7.0% in FY26. The company has indicated doubling its cost savings run rate to manage margins. The average savings run rate on efficiencies as a percentage of sales is currently at 2%. We expect 3% run rate in 3QFY25 and 4% in 4QFY25. Overall, we forecast a higher level of gross margin deterioration in 4QFY25 vs 3QFY25. This is due to Britannia's advance purchases which have delayed the impact of COGS inflation for the company.

We show the summary of Britannia's required pricing offsets at cost to cost vs our assumptions in figure 17 below.

Fig 17 – Britannia: Pricing required to offset commodity inflation

Britannia	3QFY25	4QFY25	FY26
Pricing offset to COGS inflation (%)			
Offset only absolute inflation	6.6	10.0	9.2
Gross margin % impact	(270bps)	(396bps)	(349bps)
Pricing assumed	**2.5**	**4.5**	**7.0**
Gross Margin % impact	(510bps)	(717bps)	(491bps)
Efficiencies as % of sales	**3.0**	**4.0**	**2.5**
Pricing assumed	5.5	8.5	9.5
Gross Margin % impact	**(334bps)**	**(482bps)**	**(336bps)**

Source: Company, Bloomberg, BOBCAPS Research

2.1.5. Summary of forecasts and earnings revisions

- **2HFY25** – Our sales forecasts are lower reflecting the impact of pricing driven elasticity. Margins are also contracting as we now incorporate commodity headwinds across the forecast periods. On a YoY basis, we forecast 18% EBITDA decline despite 6% sales growth as margins contract 430bps. We forecast ~2% volume and ~4% pricing. We expect pricing to be progressively implemented through the half year period. Our gross margin percentage is deteriorating 410bps on a YoY basis. The EBITDA margin decline is faster as the impact of lower volumes and inflation driven pricing will be evident in negative operating leverage.
- **FY26** – On a YoY basis, we forecast 3% EBITDA decline despite 13% sales growth as margins contract 225bps. Our forecast trajectory on pricing is accelerating to stable in 1Q and 2Q and then relatively smaller magnitudes in 3Q and 4Q to reflect anniversary. Volume trends are also improving sequentially to reflect lesser impact of elasticity with a slower growth in pricing.

Fig 18 – Britannia Financial forecast summary

(Rs mn)	FY23	FY24	FY25	FY26	FY27
Sales	163,006	167,693	177,102	200,869	226,610
...YoY (%)		2.9	5.6	13.4	12.8
EBITDA	28,309	31,698	28,540	27,835	38,165
...YoY (%)		12.0	(10.0)	(2.5)	37.1
EBITDA Margin (%)	17.4	18.9	16.1	13.9	16.8
...YoY (%)		154bps	(279bps)	(226bps)	298bps

Source: Company, Bloomberg, BOBCAPS Research

Fig 19 – Britannia earnings revisions

(Rs mn)	Actual	New	Old	Change	New	Old	Change	New	Old	Change
	FY24	FY25	FY25	(%)	FY26	FY26	(%)	FY27	FY27	(%)
Sales	167,693	177,102	184,182	(3.8)	200,869	211,267	(4.9)	226,610	234,491	(3.4)
EBITDA	31,698	28,540	34,485	(17.2)	27,835	40,750	(31.7)	38,165	45,195	(15.6)
EBITDA Margin (%)	18.9	16.1	18.7	(261bps)	13.9	19.3	(543bps)	16.8	19.3	(243bps)
Adj. PAT	21,427	19,446	23,627	(17.7)	19,004	27,845	(31.7)	27,197	31,068	(12.5)
Adj. EPS (Rs)	88.95	80.72	98.08	(17.7)	78.89	115.59	(31.7)	112.90	128.97	(12.5)

Sources: Company, Bloomberg, BOBCAPS Research

Valuation

BRIT is currently trading at 66x FY26E EPS. The stock has traded at 5Yr average P/E of 48x on 1-year forward EPS. We value BRIT in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs 5,131 from Rs 5,102. Share price return of -1% – downgrade to Hold.

The headwind from palm oil inflation will accelerate from 3QFY25 to 4QFY25. With high inflation, it will likely be a trade-off between slower sales growth or lower margin. Either case, earnings likely to remain pressured in FY26.

Risks

Key upside / downside risks to our estimates are:

- Decrease / increase in commodity prices
- Stronger and faster / Weak and slower rural recovery;
- Lower / higher than expected demand elasticity on pricing;
- Slower / heightened competition

2.2. Godrej Consumer

In this section, we elaborate on Godrej Consumer's sales split, cost exposure and profit outlook. India accounts for 59% of GCPL sales but 77% of EBITDA. Within India, we estimate soap as the highest margin business with domestic sales contribution of 35%-40%. This business is under pressure as palm oil, the key ingredient in soap, is up 61% on a spot basis for January 2025.

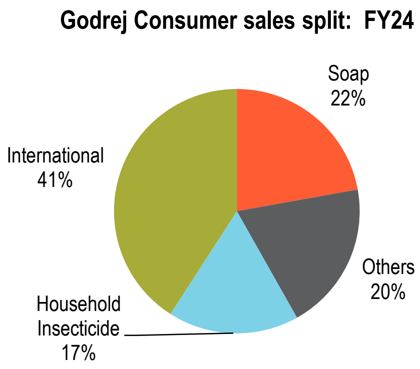
We have downgraded GCPL to a Sell from Hold. The company is intending to keep margins, recover full cost of inflation and also not replace palm oil in soaps with Stratos type substitute. We view this as a negative on GCPL's volume prospects, operating leverage and price competitiveness. Stratos has enabled a structural cost advantage for HUL vs GCPL. GCPL now needs to maintain its relative price index, which creates a scenario of a trade-off between sales and margins. Either ways, we expect profits to remain pressured.

2.2.1. What is Godrej Consumer's commodity exposure?

Godrej Consumer derives 59% of sales from India with the remainder from overseas markets including Indonesia, Africa, the US, Middle-East and Latin America.

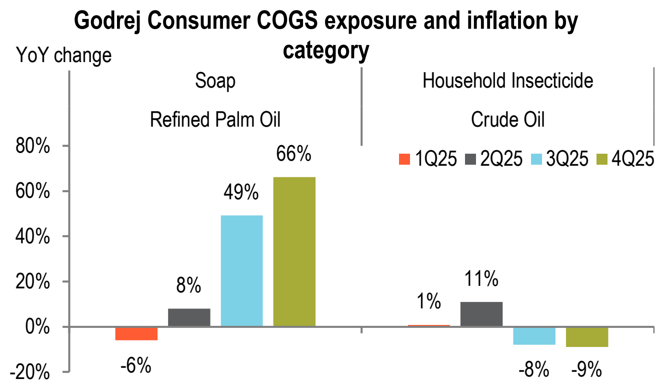
In terms of cost exposure in the domestic business, we estimate palm oil has the highest contribution, accounting for 20+% of the domestic COGS. In figure 20 and figure 21 below, we show GCPL's sales split and COGS usage by product type.

Fig 20 – Soaps account for 20+% of sales but 38% of gross profits



Source: Company, Bloomberg, BOBCAPS Research

Fig 21 – Palm oil inflation likely to accelerate further in 4QFY25



*30 day lagged prices in INR, Sources: Company, Bloomberg, BOBCAPS Research

2.1.2. What is the gross margin headwind in 2HFY25 and FY26?

For 3QFY25, we estimate commodity headwind on Godrej Consumer consolidated gross margins at ~280bps, which increases to 350bps in 4QFY25. In FY26, commodity inflation is moderating on a YoY basis. For the full year we estimate gross margin headwind at ~200bps if prices sustain at current levels. We summarise our commodity headwind estimates for Britannia in figure 22 below.

Fig 22 – Godrej Consumer commodity headwind on margins

Godrej Consumer (%)	3QFY25e	4QFY25	FY26
Commodities included in analyses		Vegatable / Palm oil, Kerosene	
Commodities with the largest impact on COGS base		Palm Oil, Kerosene	
Inflation in consolidated COGS base	6.2	7.9	4.2
Gross Margin Headwind on consolidated	**(279bps)**	**(354bps)**	**(196bps)**
Palm oil inflation (30d lag)	49	66	20
Crude oil inflation (30d lag)	(8)	(9)	2

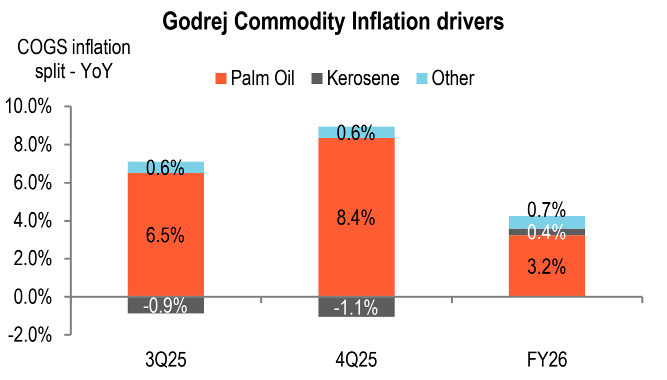
Source: Company, Bloomberg, BOBCAPS Research

2.1.3. Which commodities are having the highest impact on margins?

We estimate palm oil impact on gross margins as the highest across our analysed periods. Palm oil usage is mainly in soaps, which account for 35%-40% of the India business. At a consolidated level, this is 22% of sales. However, we estimate soaps to be a higher gross margin product vs GCPL's other products. Our estimate of soap contribution to GCPL consolidated gross profit is 25%.

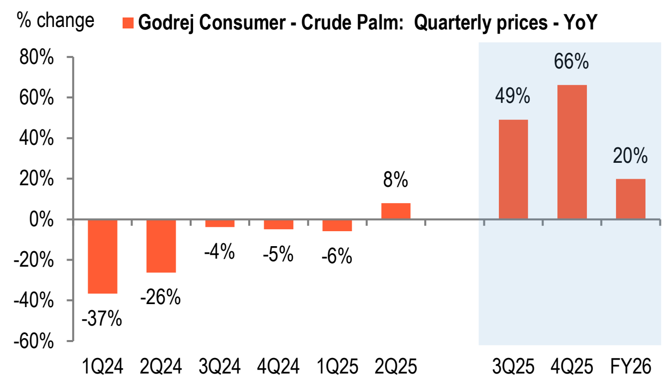
While palm oil prices have eased recently, currency moves are still in an adverse direction and we expect continued inflation in Godrej's soap COGS base. The correction in crude oil prices has likely helped GCPL in its insecticides business gross margins. If current prices hold, we expect crude to continue to be a tailwind to GCPL's insecticides gross margins in 4QFY25.

Fig 23 – Palm oil is the main inflation driver in 4QFY25 and FY26



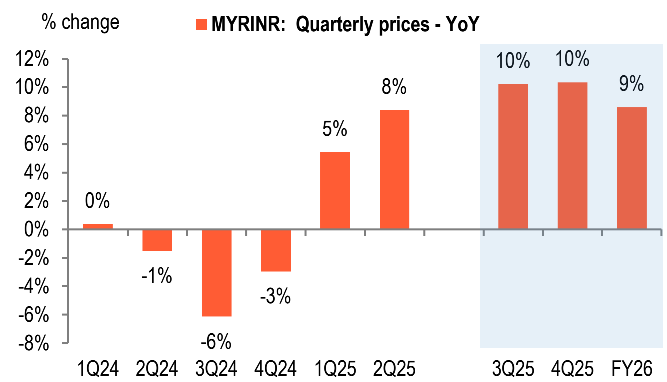
Source: Company, Bloomberg, BOBCAPS Research

Fig 24 – Palm oil price trend and inflation for 3QFY25, 4QFY25 and FY



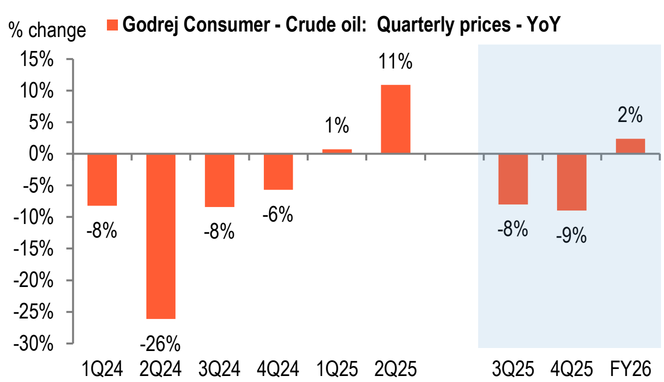
Source: Company, Bloomberg, BOBCAPS Research

Fig 25 – MYRINR cross rate trend and YoY change for 4QFY25 and FY26



Source: Company, Bloomberg, BOBCAPS Research

Fig 26 – Crude oil price trend and price movement for 4QFY25 and FY26



Source: Company, Bloomberg, BOBCAPS Research

2.1.4. How much pricing is required to offset the COGS inflation? What is a realistic cost recovery scenario?

To offset the absolute COGS inflation, we estimate GCPL needs 2.8% pricing in 3QFY25, 3.5% in 4QFY25 and 1.9% in FY26. We forecast lower than required pricing in domestic business mainly due to the competitive pressures in soap. However, non-soap and International businesses are the offsets that are resulting in higher than required pricing. At a gross margin percentage level, we forecast a deterioration of ~170bps in 4QFY25 and 80bps in FY26. We show the summary of GCPL's required pricing offsets at cost to cost vs our assumptions in figure 27 below.

Fig 27 – Godrej Consumer commodity headwind in 3QFY25, 4QFY25 and FY26

Godrej Consumer	3QFY25	4QFY25	FY26
Pricing offset to COGS inflation (%)			
Offset only absolute inflation	2.8	3.5	1.9
Gross margin % impact	(150bps)	(189bps)	(103bps)
Pricing assumed	2.1	4.0	2.4
Gross Margin % impact	(180bps)	(166bps)	(80bps)

Sources: Company, Bloomberg, BOBCAPS Research

2.2.3. Summary of forecasts and earnings revisions

In its soap business, GCPL currently faces the twin challenge of palm inflation along with HUL's improved cost efficiency from lowered exposure on palm oil. GCPL has indicated HUL's price advantage due to Stratos at 7%-10%. For GCPL, this implies either gross margin pressure to maintain relative price index with HUL OR market share loss. During inflationary periods such as the current, the relative price index gap moves further in favour of HUL due to GCPL's higher exposure to palm oil. We outline our forecast assumptions for 4QFY25 and FY26 below.

- **4QFY25** – On a YoY basis, we forecast 7% EBITDA decline despite 5% sales growth as margins contract 255bps. Soap is a drag on the India business with sales decline of 6%. This is due to higher than usual elasticity as higher pricing to restore margins is coinciding with HUL being in its first year of cost advantage due to Stratos. We forecast International to deliver 8% sales growth. On earnings, palm oil is creating margin pressure but there is a partial offset in the insecticides business with crude prices easing. All in we forecast 54.4% gross margin, a ~170bps deterioration on a YoY basis. This is a sequential improvement – we expect GCPL will increase prices to offset costs as it indicated in its 3QFY25 earnings conference call. However, we expect an adverse volume response over the next two quarters which can create a volume margin conundrum for GCPL. Either way, EBITDA will remain pressured. For 4QFY25 we forecast 19.9% EBITDA margin, down 255bps YoY.

- **FY26** – On a YoY basis, we forecast 2% EBITDA decline despite 6% sales growth with margins contracting 140bps. We expect GCPL to pullback on pricing and take a margin hit to regain shelf share. Soap sales growth will improve gradually due to price pullbacks and HUL's relative pricing advantage settling at a lower level. There is also an easy comp benefit in the Household insecticides business which had declining sales in the key winter season due to unseasonal rains in the southern part of India in the December 2024 quarter. Margin pressure will also ease on a YoY basis as the impact of inflation will start to anniversaries in 2HFY25.

Fig 28 – Godrej Consumer financial forecasts

(Rs mn)	FY23	FY24	FY25	FY26	FY27
Sales	133,160	140,961	143,250	151,297	166,202
...YoY (%)		5.9	1.6	5.6	9.9
EBITDA	25,392	30,703	29,528	29,048	34,789
...YoY (%)		20.9	(3.8)	(1.6)	19.8
EBITDA Margin (%)	19.1	21.8	20.6	19.2	20.9
...YoY (%)		271bps	(117bps)	(141bps)	173bps

Source: Company, Bloomberg, BOBCAPS Research

Fig 29 – Godrej Consumer earnings revisions

(Rs mn)	Actual	New	Old	Change	New	Old	Change	New	Old
	FY24	FY25	FY25	(%)	FY26	FY26	(%)	FY27	FY27
Sales	140,961	143,250	143,188	0.0	151,297	159,747	(5.3)	166,202	176,667
EBITDA	30,703	29,528	31,546	(6.4)	29,048	38,095	(23.7)	34,789	41,583
EBITDA Margin (%)	21.8	20.6	22.0	(142bps)	19.2	23.8	(465bps)	20.9	23.5
Adj. PAT	19,163	19,378	21,064	(8.0)	19,845	26,275	(24.5)	23,706	28,768
Adj. EPS (Rs)	18.74	18.94	20.59	(8.0)	19.40	25.69	(24.5)	23.17	28.13

Source: Company, Bloomberg, BOBCAPS Research

Valuation

GCPL is currently trading at 58x FY26E EPS. The stock has traded at 5Yr average P/E of 44x on 1-year forward EPS. We value GCPL in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs977 from Rs Rs1,136. Share price return of -13% – downgrade to Sell.

The headwind from palm oil inflation will accelerate from 3QFY25 to 4QFY25. With high inflation, it will likely be a trade-off between slower sales growth or lower margin. Either case, earnings to remain pressured.

Risks

Key upside risks to our estimates are:

- HUL reducing its relative price index vs GCPL in soaps
- Strong pickup in household insecticides consumption in India
- Sharp decline in palm oil prices
- Strong margin and / or sales recovery in international markets
- Easier-than-expected competitive environment in international markets, and
- Sharp decline in crude oil

2.3. Tata Consumer

TCPL derives ~50% of its sales from salt and tea. On salt, brine is the key ingredient, which is currently inflationary. However, TCPL has a large share of the salt category and considerable pricing power which enables margin protection. For this reason, tea business is the key delta in terms of year-to-year margin movements due to commodity price changes.

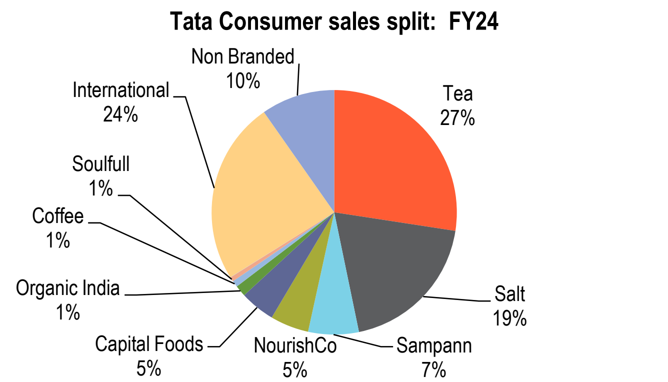
While tea prices are up and we see margin pressure in the near term, this is due to irrational competition from HUL, which hasn't increased prices across regions. We expect that HUL will now raise prices more broadly as both companies (HUL, TCPL) are now gaining share, indicating unorganised exits.

For forecast purposes, we assume status quo on both tea cost and retail tea prices. We retain Buy rating on TCPL. The current tea inflation and lack of pricing from HUL is transitory in nature. Valuation for TCPL is also reasonable – we value TCPL at a P/E of 53x on 12m forward EPS to Dec 2026. This is in line with the company's 5Yr average one year forward P/E.

2.3.1. What is Tata Consumer's commodity exposure?

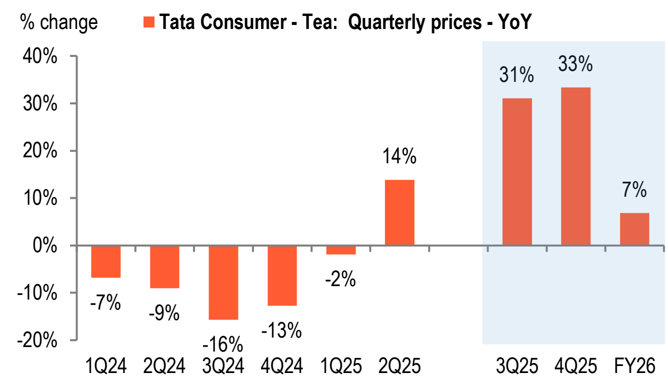
Tata Consumer derives ~3/4th of its consolidated sales from India and the remainder from the UK / Europe, the US and Canada. Tea and salt are the major businesses accounting for ~50% of the consolidated sales. Within India, their combined share is larger at ~65%. In salt, TCPL has a ~40% share of the Indian branded salt market, which is 85+% of the edible salt market. With a high 36% of India's total salt market, TCPL's pricing power in salt is far better compared with tea, where it has a 20% share and holds the number 2 market position, behind Hindustan Unilever. TCPL's remainder of the domestic sales comprise of growth businesses of Sampann, NourishCo, Capital Foods, Organic India, Coffee and Soulful. In these businesses, margins are also a function of scale besides changes in cost base.

Fig 30 – Tata Consumer sales split (FY24)



Sources: Company, Bloomberg, BOBCAPS Research

Fig 31 – Tea prices and inflation estimates for 2HFY25 and FY26



Sources: Company, Bloomberg, BOBCAPS Research

2.3.2. What is the gross margin headwind in 2HFY25 and FY26?

In terms of headwind on gross margins, tea and salt account for the bulk of profits. TCPL is the strong number one player in salt with a 36% market share. During inflationary periods, TCPL has a successful track record of being the first mover in taking pricing. Historically, TCPL has indicated standard pricing of Rs1/annum with volumes up in mid-single digits. However, in 2023, pricing was Rs5/6 with a flat volume response. For FY25, the company has indicated pricing of Rs5 starting October 2024 to offset brine inflation, which was due to uneven rains in Gujarat.

With salt comfortably placed in terms of cost recovery, Tea is the key delta for gross margins in 2HFY25 and FY26. Tea costs have increased 25%-30% YoY for FY25. For 3QFY25, we estimate commodity headwind on TCPL consolidated gross margins at 470bps, which increases 40bps to 510bps in in 4QFY25. We expect this headwind to moderate through FY26 to end the year with an average headwind of 110bps.

We summarise our tea cost headwind estimates for Tata Consumer until FY26 in figure 32.

Fig 32 – TCPL commodity headwind on margins for 3QFY25, 4QFY25, and FY26

Tata Consumer	3QFY25	4QFY25	FY26
Commodities included in analyses		Tea, Salt	
Commodities with the largest impact on COGS base		Tea	
Inflation in total COGS base (%)	8.4	9.0	1.8
Gross Margin Headwind	(473bps)	(507bps)	(108bps)

Source: Company, Bloomberg, BOBCAPS Research

2.3.3. How much pricing is required to offset the COGS inflation? What is a realistic cost recovery scenario?

To offset the absolute COGS inflation, we estimate TCPL needs 1.8% pricing in 3QFY25, 3.1% in 4QFY25 and 1.8% in FY26. We show the summary of TCPL's required pricing offsets at cost to cost vs our assumptions in figure 33 below.

Fig 33 – Tata Consumer commodity headwind in 3QFY25, 4QFY25 and FY26

Tata Consumer	3QFY25	4QFY25	FY26
Pricing offset to COGS inflation (%)			
Offset only absolute inflation	4.7	5.1	1.1
Gross margin % impact	(197bps)	(211bps)	(44bps)
Pricing assumed	1.8	3.1	1.8
Gross Margin % impact	(365bps)	(325bps)	(3bps)

Source: Company, Bloomberg, BOBCAPS Research

2.3.4. Summary of forecasts

- **2HFY25** – On a YoY basis, we forecast 1% EBITDA growth on 21% sales growth with margins down 260bps. Sales growth is mainly driven by core tea with slight pricing and higher volumes. HUL still hasn't passed through full pricing and TCPL is maintaining its relative price index to maintain share. We expect TCPL and HUL are gaining share from the unorganised market given unbranded retail prices usually reflect full inflation due to thin margins. This creates a higher possibility for the leader to now initiate price increases across regions. We forecast International to deliver 20% reported sales growth.

  In terms of earnings, pricing is insufficient to offset inflation, and we expect margin percentage will be lower at a consolidated level. We expect gross margin deterioration of 350bps. While the coffee plantations business is still likely improving margins, the 8'O Clock coffee business in the US is larger and will be the offset.

  While TCPL will likely maintain A&P spend to drive new businesses, we also expect some pullback in tea advertising given the bulk of the pricing / sales growth is driven by inflation and not demand. Our EBITDA forecast for 2HFY25 is 2% lower on a YoY basis.

- **FY26** – On a YoY basis, we forecast 12% EBITDA growth on 11% sales growth with margins expanding ~10bps. In Tea, both TCPL and HUL will have to do a trade-off between market share vs unbranded players or higher margins with easing inflation. Based on history, we have assumed higher margins. For TCPL, there will also be some accretion at EBITDA margin level as growth businesses continue to develop scale and improve profitability / reduce losses.

Fig 34 – Tata Consumer financial forecasts

(Rs mn)	FY23	FY24	FY25	FY26	FY27
Sales	137,832	152,059	179,058	199,430	216,947
...YoY (%)		10.3	17.8	11.4	8.8
EBITDA	18,565	22,841	24,739	27,713	33,979
...YoY (%)		23.0	8.3	12.0	22.6
EBITDA Margin (%)	13.5	15.0	13.8	13.9	15.7
...YoY (%)		155bps	(120bps)	8bps	177bps

Source: Company, Bloomberg, BOBCAPS Research

Fig 35 – Tata Consumer earnings revisions

(Rs mn)	Actual	New	Old	Change	New	Old	Change	New	Old	Change
	FY24	FY25	FY25	(%)	FY26	FY26	(%)	FY27	FY27	(%)
Sales	152,059	179,058	172,719	3.7	199,430	206,096	(3.2)	216,947	230,923	(6.1)
EBITDA	22,841	24,739	26,555	(6.8)	27,713	32,532	(14.8)	33,979	33,462	1.5
EBITDA Margin (%)	15.0	13.8	14.2	(43bps)	13.9	14.5	(63bps)	15.7	14.3	133bps
Adj. PAT	14,771	14,576	17,237	(15.4)	17,706	23,809	(25.6)	22,953	24,510	(6.4)
Adj. EPS (Rs)	15.50	15.01	17.67	(15.1)	17.90	23.59	(24.1)	23.20	24.29	(4.5)

Source: Company, Bloomberg, BOBCAPS Research

Valuation

TCPL is currently trading at 54x FY26E EPS. The stock has traded at 5Yr average P/E of 53x on 1-year forward EPS. We value TCPL in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs 1,155 from Rs 1,311. Share price return of 19% – Retain Buy.

Amidst an uncertain pricing/margin outlook on Tea, company focus on market share is a reasonable approach. TCPL has an above-average sales growth profile amongst FMCG peers. Strong focus on innovation, M&A and "growth businesses" are the key drivers.

Risks

Key downside risks to our estimates are:

- Increase in competitive intensity in tea.
- Sustained inflation in underlying commodities.
- Continued intense promotions in soft drinks.

2.4. Nestle India

For Nestle India, milk, vegetable oil and wheat are the commodities that are most consumed across Nestle's portfolio. While cocoa and coffee contribution to COGS is lower in the LSD to MSD range, the volatility in these commodities often leads to meaningful impact on Nestle's COGS base.

In terms of recent price movements, vegetable oil, coffee, cocoa and wheat have been most inflationary for Nestle India. While we do expect the company to be able to recover costs over 2HFY25, margin percentage will deteriorate as sales undergo some negative elasticity. We have retained our Hold rating but note likely volatility in the stock price during the 3QFY25 result.

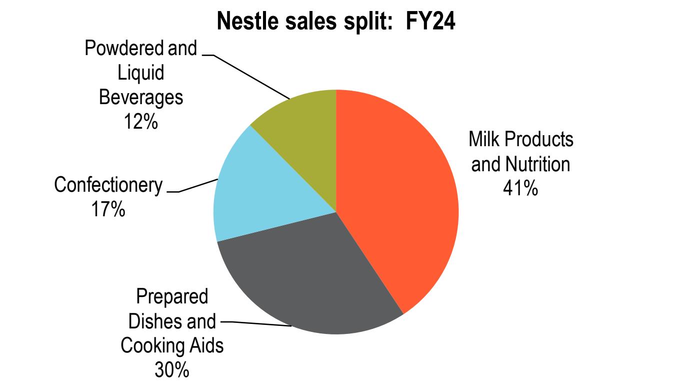
2.4.1. What is Nestle India's commodity exposure?

For Nestle India, Milk products and Nutrition is the single largest segment accounting for 41% of sales. This segment includes milk products and nutritional drinks. While milk, and sugar are the key ingredient in this segment, part of the nutritional drinks portfolio is also directly imported from overseas. We estimate the nutritional drinks segment operates at the highest gross margin within Nestle's portfolio. In Prepared Dishes & Cooking Aids, Maggi accounts for the bulk of sales. Key inputs in this segment include wheat, palm oil and sugar.

The Chocolate and Confectionary segment comprises of baked goods and chocolate portfolio, primarily Kit Kat. Key ingredients on this segment include cocoa, palm oil and milk. We estimate below company average gross margins for this segment. While the confectionary segment's "usual" gross margins are likely higher than the company average, we estimate the inflationary trend in cocoa has resulted in depressed margins.

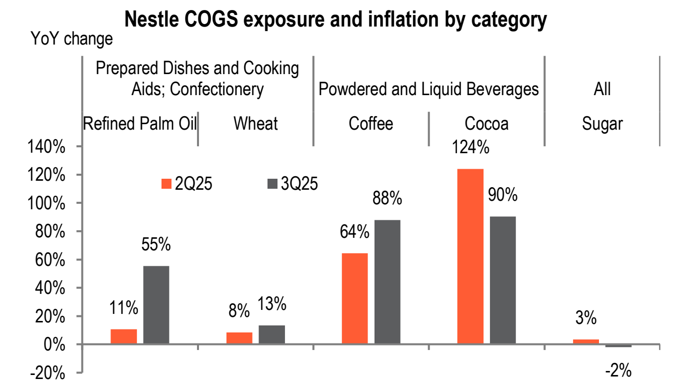
The Powdered and Liquid Beverages segment mainly comprises of Nestle's coffee portfolio. Coffee is the key ingredient used in this segment. We estimate higher than average margins in this segment given the company's leading market position and long history of sourcing raw materials. Similar to cocoa, the current margins are likely lower than usual given the cost pressure and inflation in coffee.

Fig 36 – Nestle India sales split (FY24)



Source: Company, Bloomberg, BOBCAPS Research

Fig 37 – Nestle India COGS exposure and inflation



Source: Company, Bloomberg, BOBCAPS Research

2.4.2. What is the gross margin headwind in 2HFY24 and FY26?

For 3QFY25, we estimate commodity headwind on Nestle India consolidated gross margins at ~930bps, which increases to ~11 percentage points in 4QFY25. We expect this headwind to moderate through FY26 to end the year with an average headwind of 460bps.

Overall, in 2HFY25, we estimate ~18% input cost inflation for Nestle India on a consolidated basis. We expect these inflationary pressures to ease as we progress through FY26.

Fig 38 – Nestle India headwind on margins for 3QFY25, 4QFY25, and FY26

Nestle	3QFY25	4QFY25	FY26
Commodities included in analyses	Milk Powder, Palm Oil, Wheat, Coffee, HDPE, Cocoa, Sugar		
Commodities with the largest impact on COGS base	Vegetable Oil, Wheat, Coffee, Cocoa		
Inflation in total COGS base (%)	16.4	18.9	8.4
Gross Margin Headwind	(930bps)	(1,070bps)	(462bps)

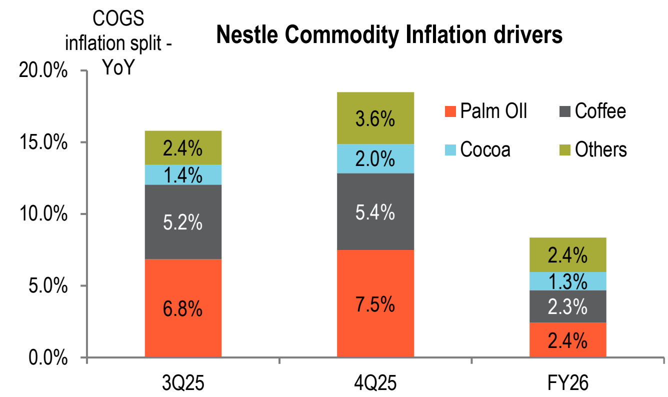
Source: Company, Bloomberg, BOBCAPS Research

2.4.3. Which commodities are having the highest impact on margins?

Vegetable oil has the single largest adverse impact on gross margins due to its widespread use in multiple segments along with a high inflation run rate. While cocoa inflation is highest in the company's COGS portfolio, the impact is lower due to most of its use restricted within the chocolate and confectionary segment. Coffee is the other ingredient that is impacting gross margins across FY25 and FY26. With its 30+% inflation and a fairly large share of COGS, the impact on gross margins is meaningful.

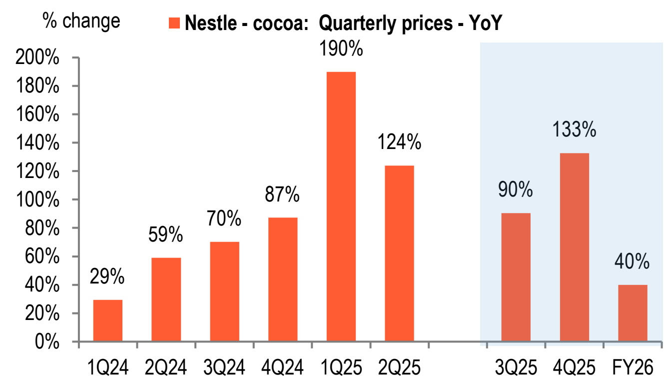
While cocoa and coffee have been in inflation for an extended time-period, wheat inflation has also picked up recently.

Fig 39 – Nestle commodity inflation drivers



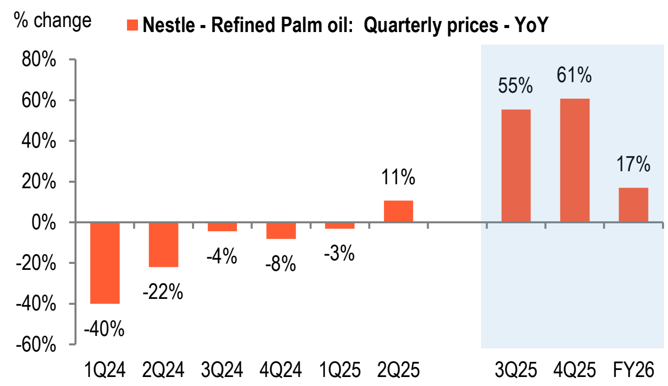
Source: Company, Bloomberg, BOBCAPS Research

Fig 40 – Cocoa price trend and inflation for 3QFY25, 4QFY25 and FY26



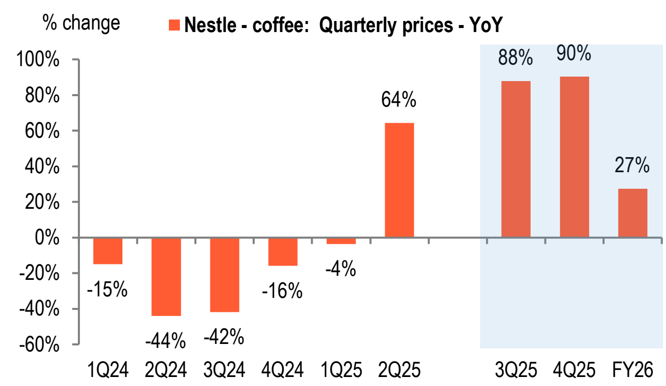
Source: Company, Bloomberg, BOBCAPS Research

Fig 41 – Palm oil price trend and inflation for 3QFY25, 4QFY25 and FY6



Source: Company, Bloomberg, BOBCAPS Research

Fig 42 – Coffee price trend and inflation for 3QFY25, 4QFY25 and FY26



Source: Company, Bloomberg, BOBCAPS Research

2.4.4. How much pricing is required to offset the COGS inflation? What is a realistic cost recovery scenario?

To offset the absolute COGS inflation, we estimate Nestle India needs 9% pricing in 3QFY25, 11% in 4QFY25 and 4% in FY26. We forecast in line pricing of 9% in 3QFY25 and higher than required pricing in 4QFY25. For FY26, we expect prior pricing roll forward along with some additional pricing to enable full recovery of cost inflation.

We show the summary of Nestle India's required pricing offsets at cost-to-cost vs our assumptions in figure 43 below.

Fig 43 – Nestle India's commodity headwind in 3QFY25, 4QFY25 and FY26

Pricing offset to COGS inflation (%)	3QFY25	4QFY25	FY26
Offset only absolute inflation	9.3	10.7	4.4
Gross margin % impact	(369bps)	(419bps)	(201bps)
Pricing assumed	8.7	14.1	8.1
Gross Margin % impact	(400bps)	(235bps)	(15bps)

Source: Company, Bloomberg, BOBCAPS Research

2.4.3. Summary of forecasts

- **2HFY25** – On a YoY basis, we forecast 5% EBITDA decline despite 8% sales growth as margins contract ~300bps. We expect pricing growth will accelerate as we progress through 2H. Our modern trade retail survey suggests progressive pricing in coffee and one off rises in Maggi and Kit Kat. In the March 2025 quarter, we expect pricing driven sales growth in coffee and confectionaries.

  In terms of margins, we expect considerable pressure in the December 2024 quarter as pricing was likely implemented with a lag. However, coffee and Kit Kat price increases in December 2024 should provide some relief starting the March 2025 quarter. Our EBITDA forecast for 3QFY25 is -11%, with margins down 400bps on a YoY basis. For 4QFY25, our margin forecast is 23.2%, down 240bps YoY.

- **FY26** – On a YoY basis, we forecast ~7% EBITDA growth on 8% sales increase with slight margin contraction of 15bps. Sales will likely be pricing driven due to volume elasticity for the most of FY26. In terms of margins, we expect inflation to start to ease in the 3Q. With pricing anniversary in the 4Q we expect partial but still strong margin recovery. We expect absolute pricing to more than offset the inflation run rate, but margin percentage is still likely to deteriorate on a YoY basis. We forecast EBITDA margins of 21.3%, down 15bps YoY.

Fig 44 – Nestle India financial forecasts

12m to	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Sales (Rs mn)	177,349	195,634	206,123	222,897	246,847
...YoY (%)		10.3	5.4	8.1	10.7
EBITDA (Rs mn)	38,871	47,243	44,195	47,457	56,383
...YoY (%)		21.5	(6.5)	7.4	18.8
EBITDA margin (%)	21.9	24.1	21.4	21.3	22.8
...YoY (%)		223bps	(271bps)	(15bps)	155bps

Source: Company, Bloomberg, BOBCAPS Research

Fig 45 – Nestle India earnings revisions

(Rs mn)	Actual FY24P	New FY25E	Old FY25E	Change (%)	New FY26E	Old FY26E	Change (%)	New FY27E	Old FY27E	Change (%)
Sales	195,634	206,123	201,138	2.5	222,897	218,861	1.8	246,847	247,142	(0.1)
EBITDA	47,243	44,195	48,168	(8.2)	47,457	52,678	(9.9)	56,383	59,506	(5.2)
EBITDA Margin (%)	24.1	21.4	23.9	(251bps)	21.3	24.1	(278bps)	22.8	24.1	(124bps)
Adj. PAT	31,918	27,773	29,997	(7.4)	29,488	34,025	(13.3)	35,224	39,232	(10.2)
Adj EPS (Rs)	33.10	28.80	31.10	(7.4)	30.58	35.30	(13.4)	36.53	40.70	(10.2)

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Nestle India is currently trading at 71x FY26E EPS. The stock has traded at 5Yr average P/E of 66x on 1-year forward EPS. We value Nestle India in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs 2,299 from Rs 2,543. Share price return of 6% – Hold.

We see considerable earnings pressure in 3QFY25 but some recovery starting the 4Q. More clarity is needed on the pace and success of pricing implementation to reassess the trajectory of recovery for Nestle India.

Risks

Key upside/downside risks to our estimates are:

- Input cost deflation / inflation
- Strong / weak recovery in rural
- Strong / weak recovery in urban

3. BoB sales and EBITDA estimates vs consensus for FY25, FY26 and FY27?

Fig 46 – BoB vs consensus (Sales and EBITDA forecasts for FY25-FY27)

(Rs mn)	FY25			FY26			FY27		
	BoB	Cons.	Diff (%)	BoB	Cons.	Diff (%)	BoB	Cons.	Diff (%)
Britannia									
Sales	177,102	179,600	(1)	200,869	198,220	1	226,610	218,165	4
EBITDA	28,540	31,872	(10)	27,835	36,122	(23)	38,165	40,126	(5)
Nestle India									
Sales	206,123	203,942	1	222,897	226,532	(2)	246,847	249,289	(1)
EBITDA	44,195	47,866	(8)	47,457	54,256	(13)	56,383	60,554	(7)
Godrej Consumer									
Sales	143,250	144,874	(1)	151,297	160,554	(6)	166,202	176,895	(6)
EBITDA	29,528	31,163	(5)	29,048	36,023	(19)	34,789	40,418	(14)
Tata Consumer									
Sales	179,058	175,282	2	199,430	195,220	2	216,947	215,858	1
EBITDA	24,739	26,168	(5)	27,713	36,316	(24)	33,979	33,666	1

Sources: Company, Bloomberg, Refinitiv, BOBCAPS Research

Fig 47 – Quarterly commodity price trend - YoY

Commodities (%)	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Cocoa: Quarterly prices - YoY	17	34	58	65	115	189	99	113
Coffee: Quarterly prices - YoY	(16)	(19)	(37)	(18)	(10)	7	51	64
Copra: Quarterly prices - YoY	(37)	(35)	(37)	(32)	(18)	(1)	6	55
Crude Oil: Quarterly prices - YoY	(16)	(30)	(12)	(7)	0	9	(8)	(11)
Crude Palm Oil: Quarterly prices - YoY	(32)	(40)	(5)	(8)	(6)	2	16	71
HDPE: Quarterly prices - YoY	(16)	(29)	(12)	(8)	(8)	(3)	(2)	(5)
Milk: Quarterly prices - YoY	9	8	8	8	6	5	4	3
Milk Powder: Quarterly prices - YoY	17	1	(4)	(14)	(20)	(1)	(3)	11
Palm Fatty Acid: Quarterly prices - YoY	(51)	(44)	11	(1)	5	6	4	30
Refined Palm Oil: Quarterly prices - YoY	(32)	(42)	(11)	(11)	(7)	0	14	67
Rice Bran Oil: Quarterly prices - YoY	(20)	(36)	(23)	(26)	(15)	0	6	40
Safflower Oil: Quarterly prices - YoY	(2)	(17)	(14)	(17)	(11)	(2)	1	11
Soyabean Oil: Quarterly prices - YoY	(16)	(38)	(24)	(31)	(21)	(3)	5	10
Sugar: Quarterly prices - YoY	1	4	6	9	8	5	1	(3)
Sunflower Oil: Quarterly prices - YoY	(8)	(40)	(41)	(38)	(29)	(9)	2	46
Tea: Quarterly prices - YoY	(5)	(7)	(15)	(15)	(6)	8	25	37
Wheat: Quarterly prices - YoY	15	7	2	0	(1)	8	10	15
USDINR: Quarterly prices - YoY	9	6	4	1	1	2	1	1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Fig 48 – BRIT

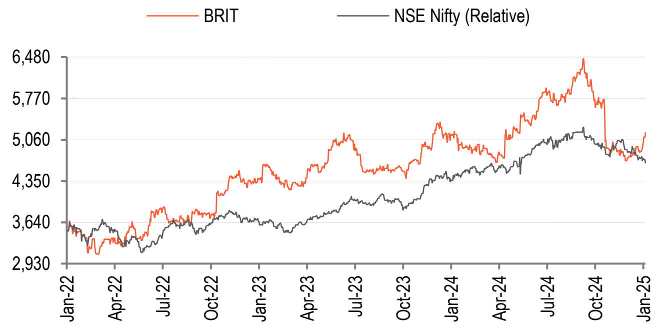


Fig 49 – GCPL

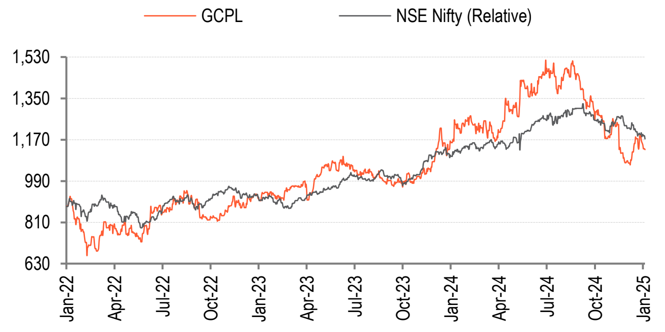


Fig 50 – NEST

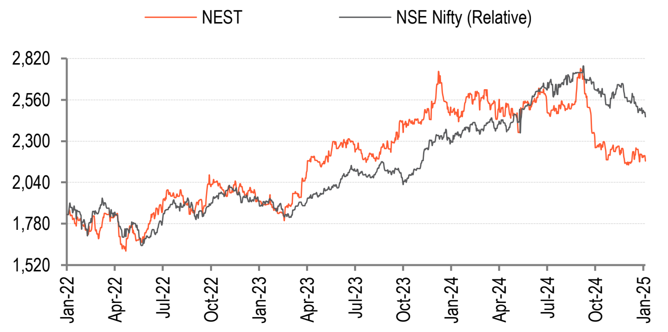
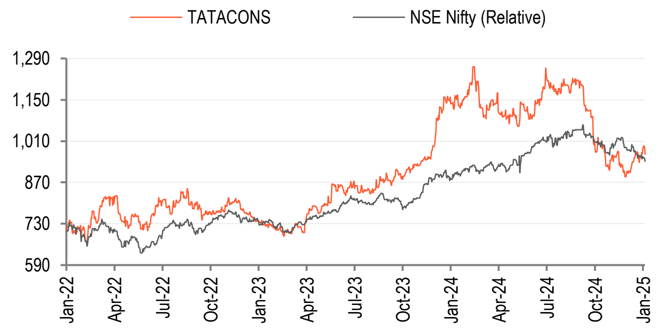


Fig 51 – TATACONS



Source: NSE

Financials – BRIT

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Total revenue	**141,363**	**167,693**	**177,102**	**200,869**	**226,610**
EBITDA	22,015	31,698	28,540	27,835	38,165
Depreciation	2,005	3,005	3,113	3,166	3,271
EBIT	20,010	28,694	25,427	24,669	34,894
Net interest inc./(exp.)	(1,443)	(1,640)	(1,324)	(1,658)	(1,033)
Other inc./(exp.)	2,228	2,142	1,834	2,256	2,212
Exceptional items	10	29	248	0	0
EBT	20,795	29,196	25,936	25,266	36,072
Income taxes	5,624	7,793	6,403	6,190	8,838
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(90)	(88)	(75)	(59)	(28)
Reported net profit	**15,248**	**21,398**	**19,198**	**19,004**	**27,197**
Adjustments	10	29	248	0	0
Adjusted net profit	**15,258**	**21,427**	**19,446**	**19,004**	**27,197**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Accounts payables	12,852	16,275	17,941	21,075	23,371
Other current liabilities	11,120	13,204	15,572	15,572	15,572
Provisions	8	326	339	339	339
Debt funds	24,655	20,412	26,313	16,313	11,313
Other liabilities	664	858	986	986	986
Equity capital	241	241	241	241	241
Reserves & surplus	25,615	39,419	40,950	45,306	57,145
Shareholders' fund	25,856	39,660	41,191	45,547	57,386
Total liab. and equities	**75,155**	**90,736**	**102,343**	**99,832**	**108,968**
Cash and cash eq.	1,180	3,228	9,280	6,411	11,678
Accounts receivables	3,319	3,933	5,275	6,094	6,920
Inventories	13,675	11,812	18,910	17,600	19,380
Other current assets	21,530	29,513	26,562	26,562	26,562
Investments	160	5,194	5,149	5,149	5,149
Net fixed assets	21,197	27,905	28,541	29,392	30,653
CWIP	0	0	0	0	0
Intangible assets	1,552	1,407	1,396	1,396	1,396
Deferred tax assets, net	0	0	0	0	0
Other assets	12,541	7,743	7,229	7,229	7,229
Total assets	**75,155**	**90,736**	**102,343**	**99,832**	**108,968**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**12,995**	**25,730**	**16,420**	**25,650**	**29,422**
Capital expenditures	(5,502)	(5,615)	(3,729)	(4,017)	(4,532)
Change in investments	12,495	8,302	5,311	0	0
Other investing cash flows	2,116	2,068	1,324	1,805	1,769
Cash flow from investing	**9,109**	**4,755**	**2,907**	**(2,212)**	**(2,763)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	3,261	(9,402)	5,847	(10,000)	(5,000)
Interest expenses	0	0	0	0	0
Dividends paid	(24,849)	(17,325)	(17,650)	(14,649)	(15,358)
Other financing cash flows	(871)	(1,578)	(1,532)	(1,658)	(1,033)
Cash flow from financing	**(22,458)**	**(28,305)**	**(13,335)**	**(26,307)**	**(21,392)**
Chg in cash & cash eq.	**(395)**	**2,182**	**5,943**	**(2,870)**	**5,267**
Closing cash & cash eq.	**1,180**	**3,228**	**9,280**	**6,411**	**11,678**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY24A	FY25E	FY26E	FY27E
Reported EPS	63.3	88.8	79.7	78.9	112.9
Adjusted EPS	63.3	88.9	80.7	78.9	112.9
Dividend per share	56.5	73.5	60.8	63.8	86.9
Book value per share	107.3	164.6	171.0	189.1	238.2

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY24A	FY25E	FY26E	FY27E
EV/Sales	8.9	7.6	7.2	6.3	5.6
EV/EBITDA	57.4	40.1	44.5	45.4	33.0
Adjusted P/E	81.7	58.2	64.1	65.6	45.8
P/BV	48.2	31.4	30.3	27.4	21.7

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	73.4	73.4	75.0	75.2	75.4
Interest burden (PBT/EBIT)	103.9	101.7	102.0	102.4	103.4
EBIT margin (EBIT/Revenue)	14.2	17.1	14.4	12.3	15.4
Asset turnover (Rev./Avg TA)	182.1	182.0	183.5	198.7	217.1
Leverage (Avg TA/Avg Equity)	2.5	2.4	2.4	2.3	2.0
Adjusted ROAE	49.5	56.9	48.1	43.8	52.8

Ratio Analysis

Y/E 31 Mar	FY22A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	7.6	2.9	5.6	13.4	12.8
EBITDA	(12.3)	12.0	(10.0)	(2.5)	37.1
Adjusted EPS	(18.2)	10.1	(9.2)	(2.3)	43.1
Profitability & Return ratios (%)					
EBITDA margin	15.6	18.9	16.1	13.9	16.8
EBIT margin	14.2	17.1	14.4	12.3	15.4
Adjusted profit margin	10.8	12.8	11.0	9.5	12.0
Adjusted ROAE	49.5	56.9	48.1	43.8	52.8
ROCE	59.6	57.5	50.2	44.9	52.2
Working capital days (days)					
Receivables	8	8	9	10	10
Inventory	51	46	54	53	50
Payables	54	59	60	57	61
Ratios (x)					
Gross asset turnover	4.3	3.7	3.6	3.8	3.9
Current ratio	1.0	1.2	1.2	1.3	1.5
Net interest coverage ratio	13.9	17.5	19.2	14.9	33.8
Adjusted debt/equity	1.0	0.5	0.6	0.4	0.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – GCPL

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Total revenue	**122,765**	**140,961**	**143,250**	**151,297**	**166,202**
EBITDA	24,917	30,703	29,528	29,048	34,789
Depreciation	2,099	2,410	2,153	2,394	2,726
EBIT	22,818	28,294	27,376	26,654	32,063
Net interest inc./(exp.)	(1,102)	(2,964)	(3,563)	(3,350)	(3,063)
Other inc./(exp.)	897	2,690	3,335	3,514	3,035
Exceptional items	98	24,769	318	0	0
EBT	21,647	26,751	27,110	26,818	32,035
Income taxes	3,719	7,588	7,732	6,973	8,329
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	3	0	0	0	0
Reported net profit	**17,834**	**(5,606)**	**19,060**	**19,845**	**23,706**
Adjustments	98	24,769	318	0	0
Adjusted net profit	**17,931**	**19,163**	**19,378**	**19,845**	**23,706**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Accounts payables	21,631	16,755	17,586	18,822	20,428
Other current liabilities	5,817	7,602	7,806	7,806	7,806
Provisions	1,589	2,704	4,352	4,352	4,352
Debt funds	16,077	31,546	37,514	37,514	37,514
Other liabilities	667	365	517	517	517
Equity capital	1,023	1,023	1,023	1,023	1,023
Reserves & surplus	114,537	124,963	125,205	128,771	134,471
Shareholders' fund	115,559	125,986	126,228	129,794	135,494
Total liab. and equities	**161,341**	**184,959**	**194,003**	**198,806**	**206,111**
Cash and cash eq.	7,509	4,028	5,021	5,593	7,220
Accounts receivables	11,163	15,354	16,120	17,121	18,989
Inventories	21,299	12,709	16,079	17,163	18,713
Other current assets	16,902	23,522	33,537	33,537	33,537
Investments	0	106	868	868	868
Net fixed assets	13,897	13,594	15,038	17,183	19,442
CWIP	0	0	0	0	0
Intangible assets	78,476	89,885	90,372	90,372	90,372
Deferred tax assets, net	0	0	0	0	0
Other assets	12,095	25,762	16,970	16,970	16,970
Total assets	**161,341**	**184,959**	**194,003**	**198,806**	**206,111**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**14,506**	**20,700**	**18,872**	**22,632**	**25,860**
Capital expenditures	(2,793)	(3,072)	(4,353)	(4,539)	(4,986)
Change in investments	(4,744)	(5,871)	2,298	0	0
Other investing cash flows	(1,106)	(24,687)	2,184	2,108	1,821
Cash flow from investing	**(8,642)**	**(33,630)**	**129**	**(2,431)**	**(3,165)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,198)	22,652	6,060	0	0
Interest expenses	0	0	0	0	0
Dividends paid	0	(5,114)	(20,457)	(16,279)	(18,006)
Other financing cash flows	(1,597)	(3,474)	(3,576)	(3,350)	(3,063)
Cash flow from financing	**(3,795)**	**14,064**	**(17,973)**	**(19,629)**	**(21,068)**
Chg in cash & cash eq.	**2,274**	**470**	**1,035**	**572**	**1,627**
Closing cash & cash eq.	**7,509**	**4,028**	**5,021**	**5,593**	**7,220**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY24A	FY25E	FY26E	FY27E
Reported EPS	17.4	(5.5)	18.6	19.4	23.2
Adjusted EPS	17.5	18.7	18.9	19.4	23.2
Dividend per share	0.0	15.0	14.6	15.5	18.5
Book value per share	113.0	123.2	123.4	126.9	132.4

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY24A	FY25E	FY26E	FY27E
EV/Sales	9.5	8.2	8.2	7.8	7.1
EV/EBITDA	46.9	37.8	39.6	40.7	34.0
Adjusted P/E	64.3	60.1	59.5	58.1	48.6
P/BV	10.0	9.1	9.1	8.9	8.5

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	82.8	71.6	71.5	74.0	74.0
Interest burden (PBT/EBIT)	94.9	94.5	99.0	100.6	99.9
EBIT margin (EBIT/Revenue)	18.6	20.1	19.1	17.6	19.3
Asset turnover (Rev./Avg TA)	80.7	78.3	75.6	77.0	82.1
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.5	1.5
Adjusted ROAE	17.1	14.5	15.4	15.5	17.9

Ratio Analysis

Y/E 31 Mar	FY22A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	11.3	5.9	1.6	5.6	9.9
EBITDA	2.0	20.9	(3.8)	(1.6)	19.8
Adjusted EPS	1.6	9.1	1.1	2.4	19.5
Profitability & Return ratios (%)					
EBITDA margin	20.3	21.8	20.6	19.2	20.9
EBIT margin	18.6	20.1	19.1	17.6	19.3
Adjusted profit margin	14.6	13.6	13.5	13.1	14.3
Adjusted ROAE	17.1	14.5	15.4	15.5	17.9
ROCE	18.8	21.9	20.9	19.8	22.8
Working capital days (days)					
Receivables	32	36	40	40	40
Inventory	116	81	81	88	88
Payables	130	101	97	96	96
Ratios (x)					
Gross asset turnover	5.7	6.3	5.5	5.0	4.7
Current ratio	1.4	1.0	1.1	1.1	1.2
Net interest coverage ratio	20.7	9.5	7.7	8.0	10.5
Adjusted debt/equity	0.1	0.3	0.3	0.3	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Financials – NEST

Income Statement

Y/E 31 Mar (Rs mn)	CY22A	FY24A	FY25E	FY26E	FY27E
Total revenue	**168,970**	**243,939**	**206,123**	**222,897**	**246,847**
EBITDA	37,126	58,198	44,195	47,457	56,383
Depreciation	4,030	5,378	5,235	7,148	8,449
EBIT	33,095	52,820	38,960	40,309	47,934
Net interest inc./(exp.)	1,546	(1,455)	(1,286)	(1,294)	(1,294)
Other inc./(exp.)	1,010	1,480	736	302	326
Exceptional items	0	(44)	(1,834)	0	0
EBT	32,560	52,845	38,410	39,317	46,966
Income taxes	8,655	13,560	10,600	9,829	11,741
Extraordinary items	(5)	0	0	0	0
Min. int./Inc. from assoc.	0	0	(37)	0	0
Reported net profit	**23,905**	**39,328**	**29,607**	**29,488**	**35,224**
Adjustments	0	(44)	(1,834)	0	0
Adjusted net profit	**23,905**	**39,285**	**27,773**	**29,488**	**35,224**

Balance Sheet

Y/E 31 Mar (Rs mn)	CY22A	FY24A	FY25E	FY26E	FY27E
Accounts payables	19,338	22,379	23,469	25,197	27,611
Other current liabilities	11,426	17,125	17,195	17,195	17,195
Provisions	32,052	29,292	30,136	30,136	30,136
Debt funds	300	311	304	304	304
Other liabilities	2,080	2,714	2,923	2,923	2,923
Equity capital	964	964	964	964	964
Reserves & surplus	23,628	32,445	50,792	65,213	78,228
Shareholders' fund	24,592	33,409	51,756	66,177	79,192
Total liab. and equities	**89,787**	**105,231**	**125,784**	**141,932**	**157,362**
Cash and cash eq.	9,266	7,589	2,419	2,717	5,726
Accounts receivables	1,919	3,005	3,208	3,451	3,838
Inventories	19,288	20,894	22,376	23,992	26,008
Other current assets	4,429	3,460	5,341	5,341	5,341
Investments	0	0	0	0	0
Net fixed assets	30,642	47,974	67,784	81,775	91,794
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	24,244	22,310	24,655	24,655	24,655
Total assets	**89,787**	**105,231**	**125,784**	**141,932**	**157,362**

Cash Flows

Y/E 31 Mar (Rs mn)	CY22A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**27,374**	**41,748**	**34,283**	**37,512**	**44,671**
Capital expenditures	(5,499)	(18,827)	(25,656)	(21,139)	(18,469)
Change in investments	255	2,838	3,439	0	0
Other investing cash flows	1,327	3,615	(2,589)	287	310
Cash flow from investing	**(3,917)**	**(12,374)**	**(24,807)**	**(20,852)**	**(18,159)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(20,247)	(30,082)	(13,891)	(15,067)	(22,209)
Other financing cash flows	(980)	(1,267)	(1,155)	(1,294)	(1,294)
Cash flow from financing	**(21,227)**	**(31,349)**	**(15,046)**	**(16,361)**	**(23,503)**
Chg in cash & cash eq.	**2,379**	**(2,274)**	**(5,969)**	**298**	**3,009**
Closing cash & cash eq.	**9,266**	**7,589**	**2,419**	**2,717**	**5,726**

Per Share

Y/E 31 Mar (Rs)	CY22A	FY24A	FY25E	FY26E	FY27E
Reported EPS	7.6	40.8	30.7	30.6	36.5
Adjusted EPS	7.6	40.7	28.8	30.6	36.5
Dividend per share	27.0	182.0	12.3	21.1	24.8
Book value per share	25.5	34.6	53.7	68.6	82.1

Valuations Ratios

Y/E 31 Mar (x)	CY22A	FY24A	FY25E	FY26E	FY27E
EV/Sales	12.3	8.6	10.2	9.4	8.5
EV/EBITDA	56.1	35.9	47.6	44.1	37.1
Adjusted P/E	284.7	53.4	75.5	71.1	59.5
P/BV	85.3	62.8	40.5	31.7	26.5

DuPont Analysis

Y/E 31 Mar (%)	CY22A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	73.4	74.3	72.3	75.0	75.0
Interest burden (PBT/EBIT)	98.4	100.1	98.6	97.5	98.0
EBIT margin (EBIT/Revenue)	19.6	21.9	18.9	18.1	19.4
Asset turnover (Rev./Avg TA)	196.6	200.6	178.5	166.5	165.0
Leverage (Avg TA/Avg Equity)	3.8	3.4	2.7	2.3	2.1
Adjusted ROAE	105.2	110.1	65.2	50.0	48.5

Ratio Analysis

Y/E 31 Mar	CY22A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	14.9	10.3	5.4	8.1	10.7
EBITDA	3.4	21.5	(6.5)	7.4	18.8
Adjusted EPS	0.4	25.8	(13.0)	6.2	19.5
Profitability & Return ratios (%)					
EBITDA margin	22.0	24.1	21.4	21.3	22.8
EBIT margin	19.6	21.9	18.9	18.1	19.4
Adjusted profit margin	14.1	16.3	13.5	13.2	14.3
Adjusted ROAE	105.2	95.5	65.2	50.0	48.5
ROCE	56.1	65.3	45.8	40.5	42.6
Working capital days (days)					
Receivables	4	5	6	5	5
Inventory	287	87	85	84	85
Payables	300	90	90	88	89
Ratios (x)					
Gross asset turnover	3.2	2.6	2.1	1.8	1.8
Current ratio	1.1	0.9	0.8	0.8	0.9
Net interest coverage ratio	26.9	39.5	30.3	31.1	37.0
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

Financials – TATACONS

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**137,832**	**152,059**	**179,058**	**199,430**	**216,947**
EBITDA	18,565	22,841	24,739	27,713	33,979
Depreciation	3,041	3,772	5,846	5,734	5,825
EBIT	15,524	19,070	18,893	21,978	28,154
Net interest inc./(exp.)	(872)	(1,298)	(2,957)	(2,068)	(2,068)
Other inc./(exp.)	1,689	2,456	3,012	3,200	3,884
Exceptional items	(1,595)	3,270	443	0	0
EBT	16,341	20,228	18,948	23,110	29,970
Income taxes	4,470	3,947	4,228	5,431	7,043
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	900	(208)	(197)	(27)	(27)
Reported net profit	**12,038**	**11,500**	**14,134**	**17,706**	**22,953**
Adjustments	(1,595)	3,270	443	0	0
Adjusted net profit	**10,443**	**14,771**	**14,576**	**17,706**	**22,953**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	23,482	27,072	32,636	35,299	37,457
Other current liabilities	5,998	6,984	6,288	6,288	6,288
Provisions	10,305	20,209	23,787	23,787	23,787
Debt funds	11,828	29,539	23,971	23,971	23,971
Other liabilities	5,229	22,045	25,062	25,062	25,062
Equity capital	929	953	989	989	989
Reserves & surplus	170,340	173,409	211,761	221,062	233,654
Shareholders' fund	171,269	174,361	212,751	222,051	234,643
Total liab. and equities	**228,111**	**280,209**	**324,495**	**336,459**	**351,208**
Cash and cash eq.	15,396	23,198	28,096	36,029	47,021
Accounts receivables	7,983	8,968	11,207	12,259	13,339
Inventories	27,017	27,694	38,217	40,948	42,941
Other current assets	32,690	14,407	15,759	15,759	15,759
Investments	5,074	4,932	5,169	5,169	5,169
Net fixed assets	18,908	21,486	22,910	23,159	23,843
CWIP	0	0	0	0	0
Intangible assets	108,753	166,783	188,729	188,729	188,729
Deferred tax assets, net	0	0	0	0	0
Other assets	12,290	12,742	14,408	14,408	14,408
Total assets	**228,111**	**280,209**	**324,495**	**336,459**	**351,208**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**14,613**	**19,367**	**13,798**	**22,149**	**27,211**
Capital expenditures	(3,118)	(3,347)	(4,992)	(5,983)	(6,508)
Change in investments	(7,665)	20,431	(619)	0	0
Other investing cash flows	2,504	(36,394)	(15,909)	2,240	2,719
Cash flow from investing	**(8,278)**	**(19,309)**	**(21,520)**	**(3,743)**	**(3,790)**
Equities issued/Others	0	0	29,761	0	0
Debt raised/repaid	(38)	12,540	(3,659)	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(5,734)	(8,089)	(7,414)	(8,405)	(10,361)
Other financing cash flows	(1,372)	(1,896)	(3,155)	(2,068)	(2,068)
Cash flow from financing	**(7,144)**	**2,556**	**15,532**	**(10,473)**	**(12,430)**
Chg in cash & cash eq.	**(2,150)**	**(2,174)**	**11,435**	**7,933**	**10,992**
Closing cash & cash eq.	**15,396**	**23,198**	**28,096**	**36,029**	**47,021**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	13.0	12.3	14.6	17.9	23.2
Adjusted EPS	11.2	15.5	15.0	17.9	23.2
Dividend per share	8.5	7.8	8.5	10.5	13.4
Book value per share	184.4	183.0	219.1	224.4	237.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	6.6	6.0	5.1	4.6	4.2
EV/EBITDA	49.2	40.1	37.3	33.3	26.8
Adjusted P/E	85.9	62.3	64.3	54.0	41.6
P/BV	5.2	5.3	4.4	4.3	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	63.9	73.0	76.9	76.6	76.6
Interest burden (PBT/EBIT)	105.3	106.1	100.3	105.1	106.4
EBIT margin (EBIT/Revenue)	11.3	12.5	10.6	11.0	13.0
Asset turnover (Rev./Avg TA)	62.8	59.8	59.2	60.3	63.1
Leverage (Avg TA/Avg Equity)	1.3	1.5	1.6	1.5	1.5
Adjusted ROAE	6.2	8.5	7.5	8.1	10.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	10.9	10.3	17.8	11.4	8.8
EBITDA	8.0	23.0	8.3	12.0	22.6
Adjusted EPS	5.7	41.4	(1.3)	21.5	29.6
Profitability & Return ratios (%)					
EBITDA margin	13.5	15.0	13.8	13.9	15.7
EBIT margin	11.3	12.5	10.6	11.0	13.0
Adjusted profit margin	7.6	9.7	8.1	8.9	10.6
Adjusted ROAE	6.2	8.5	7.5	8.1	10.1
ROCE	8.2	8.7	7.2	8.1	9.9
Working capital days (days)					
Receivables	22	20	21	21	22
Inventory	113	117	118	127	127
Payables	97	108	106	109	110
Ratios (x)					
Gross asset turnover	3.9	3.9	3.8	3.8	3.7
Current ratio	2.1	1.2	1.5	1.6	1.8
Net interest coverage ratio	17.8	14.7	6.4	10.6	13.6
Adjusted debt/equity	0.1	0.2	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.