www.phillipcapital.in

GROUND VIEW

Vol 6. Issue 3. 1 - 31 MAY 2019 | For Private Circulation Only

pg 4. India Detergents: Goldilocking Premiumisation

pg 33. Interview – Mr. Rajnikant Sabnavis

pg 35. Indian Economy – Trend Indicators

pg 37. Valuation Summary

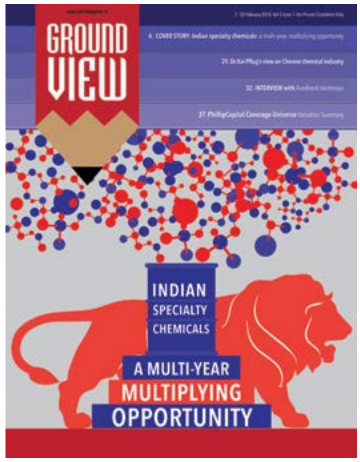
PhillipCapital

GROUND VIEW Vol 6. Issue 3. 1 - 31 MAY 2019

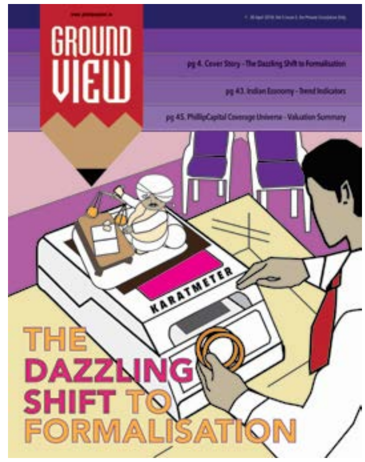
FOR EDITORIAL QUERIES
PhillipCapital (India) Private Limited. No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400 013

phillipcapitalindiainstitutionresearch@phillipcapital.in

Ground View - Previous Issues



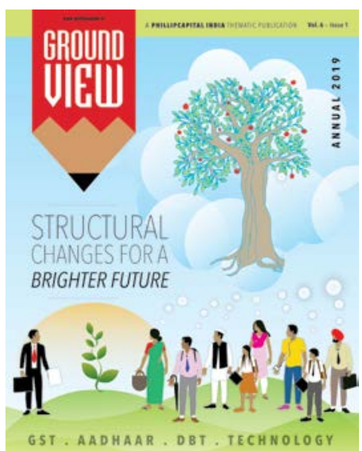
1st February 2018 Issue 1



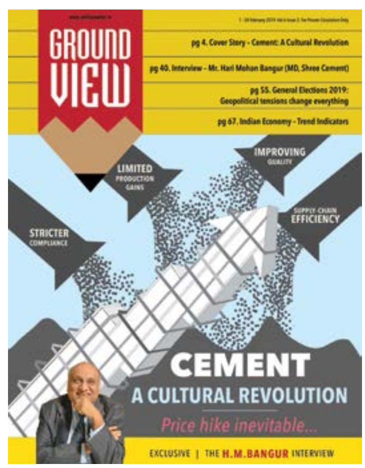
1st April 2018 Issue 2

1st September 2018 Issue 3

1st November 2018 Issue 4



1st January 2019 Issue 1



1st February 2019 Issue 2

Letter from the MD

There is less than a fortnight left for the 17th Lok Sabha elections results, which will decide the destiny of Indians for the next five years. Mr Market is more worried about a hodgepodge government forming, rather than whether it would be a Congress or BJP-led one. A stable central government will ensure continuity of economic policies and allow FMCG companies to make further inroads into and drive premiumization.

The incumbent government's actions – including GST and demonetisation – have encouraged formalization in India, which historically boosts demand of branded and premium products, because the price difference between mass-market products and premium products narrows with formalisation. Premiumization is generally seen as a 'win-win' scenario for both consumers and companies – the former improve their lifestyles while the latter improve their margins. It is likely that after elections, formalisation is likely to become even more stringent (in spirit as well as letter) with stricter implementation of the E-way Bill and other moves.

For this edition of Ground View, our analysts Vishal Gutka and Preeyam Tolia dived into the bubbly and frothy world of detergents to see what is driving premiumisation, what it will look like in the future, and challenges ahead. To understand the dynamics, they talked to umpteen urban and rural households, met washing machine technicians, detergent distributors, and contract manufacturers across India. The subject is particularly interesting because premiumisation in detergents has forged ahead even as other FMCG categories have lagged behind.

In this GV edition, Vishal and Preeyam also interviewd Mr. Rajnikant Sabnavis, COO of Jyothy Laboratories, to understand the premiumization theme playing out in the laundry detergent segment. Mr Rajnikant has close to 30 years of experience in the FMCG sector across various key functions.

Vineet Bhatnagar

CONTENTS

4. COVER STORY:
INDIA DETERGENTS:
Goldilocking Premiumisation

33. INTERVIEW: Mr. Rajnikant Sabnavis
COO of Jyothy Laboratories, talks of the premiumization theme playing out in the laundry detergent segment.

35 . Indian Economy: Trend Indicators

37. PhillipCapital Coverage Universe
Valuation Summary

COVER STORY

BY VISHAL GUTKA, PREEYAM TOLIA

pg. 6 **PREMIUMISATION IN DETERGENTS**
Premiumisation – still a long way to go

pg. 12 **PREMIUM DETERGENT & WM ARE HIGHLY CO-RELATED**
Washing machines driving premiumisation

pg. 18 **SOFT WATER IS THE PANACEA OF DETERGENT PROBLEMS**
India's hard-water problem and premiumisation

pg. 21 **AT A TIPPING POINT**
What ails liquid detergents?

pg. 23 **PRICE WARS - BOON OR BANE?**
Can competition spoil premiumisation?

pg. 26 **CRYSTAL GAZING**
The future of premiumisation

INDIA DETERGENTS: **GOLDILOCKING PREMIUMISATION**

The GV team travelled across India and met key stakeholders of the detergent industry (distributors, washing machine OEMs, customers, washing technicians, and marketing executives) to understand what is driving premiumisation. India's US$ 50bn consumer market story is littered with buzzwords such as 'Demographic Dividend', 'Under-penetration' and 'Premiumisation'. While to some extent, the Indian consumer story has already played out, it is still miles away from its full potential due to hurdles such as adequate job creation, which mellows demand for aspirational and premium products. Two recent events – demonetisation and GST – have changed the consumer story and enabled organised FMCG players to flex their muscles and accelerate the process of premiumisation across categories.

The Indian consumer remains highly value-conscious and will consume premium products only if they tick all boxes on price-value-proposition parameters. Premiumisation within detergents has taken a considerable lead over other FMCG categories, as customers find that these detergents offer the right bang for the buck. Consumers have already moved up from bars to powders over the past few decades, but FMCG companies are now trying to push them up the premium ladder a notch – to matics and liquids.

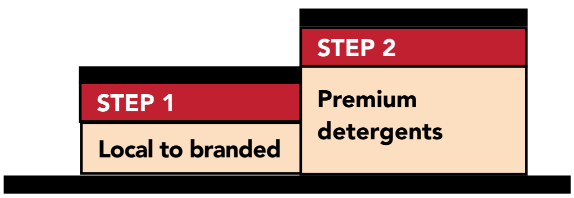
In general, things seem to be coming together for pushing premiumisation along to the next level – increasing penetration of automatic washing machines, easy financing of machines, hard-water problem aggravating not abating, higher household electrification, and development of superior formulated products that consume less water and cause less damage to the environment. FMCG companies are also getting their ducks in a row and working in close touch with consumer durables companies for product development, customer education, and innovation capabilities. Some consumer durables companies are even launching their own premium detergents, including laundry pods.

Challenges exist. Consumers are not easily opening up their wallets to purchase premium detergents and are finding ways (the great Indian jugaad) to make do with regular detergents. Another looming threat is technological innovation – what if making hard water soft becomes easy (premium detergent not needed) or waterless machines become viable at a retail level? To answer all these questions and more, this issue of Ground View delves into the squeaky clean world of detergents, checks how sustainable the premiumisation trend is, tries to get a feel of how customers perceive premium and normal detergents on the price-value chain, and also looks at challenges that FMCG companies might face in their premiumisation journey.

Premiumisation – still a long way to go

While people have moved from bars to popular detergents, there is still quite a ways before they adopt matics and liquid detergents

Awareness of detergents' detrimental effects on hands and skin in rising



Locally manufactured products are believed to be very harsh on skin due to their high soda-ash content compared with branded products. As a result, most households in India – in rural areas and small towns – are moving to branded detergents. Those in semi-urban areas (tier 3-4 cities) have taken the lead in making a switch from bars to popular or mid-end detergents.

Customer appetite for premium (or aspirational products) remains quite high. They get 'hooked' once these are made affordable (for e.g., available in Rs 10 sachets) and accessible (increased distribution reach)

Kumud Gosrani, 48, lives in Chella village on the outskirts of Jamnagar City, Gujarat, home to the world's largest petrochemical complex. She shifted to better quality detergents due to medical reasons. *"I was diagnosed with a nail infection in 2015. The doctor told me to either use gloves while washing clothes (if I wanted to continue with my usual detergent) or to switch to a better quality detergent."* She says that once she started using branded detergents such as Wheel, she feels 'comfortable'. *"Better quality detergent (read national brands) improved my life. Not only do my clothes come out cleaner but my nails are getting better,"* she said happily.

Others have made the shift because they are tired of the effort that has to be put in while using bars. Sujata Jain, 42, a native of Jabalpur, Madhya Pradesh said, *"I have moved on from using bars to Rin powder (mid-end product) as the effort needed*

Kumud Gosrani said using a local detergent powder led to a nail infection, but her situation is improving after switching to a national brand *to wash clothes with Rin is relatively lower and stains and dirt go away more quickly. Also, I think detergent is also more cost-effective on a per kg basis because bars dissolve fast. For my special clothes, I use Surf Excel small packs."*

Mrs Jain's take is not entirely correct. Bars are actually more cost effective if customers are vigilant and wash clothes carefully. They have to apply detergent bars only on areas where dirt or germs are accumulated and rinse it off. Detergent powders clean the entire cloth, leading to more wastage. Of course, this logic does not work for people whose jobs entail more dirt accumulation on clothes – labour-intensive jobs such as labourers, office boys, and factory workers.

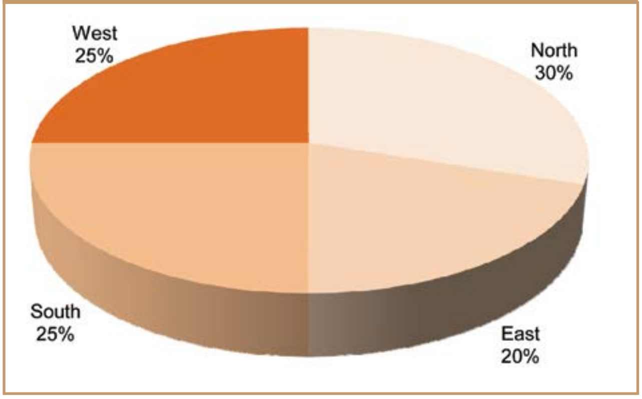
Top-end customers prefer powders over bars as the latter need a lot of time and manual effort, but bars could be the most efficient way to wash clothes

Competitive intensity continues to remain very high in popular detergents, which constitute much of the market (c.58%) in volume terms. Local players are strong in popular detergents – they are nimble, have a strong understanding about local taste and preferences, offer higher margin to trade channels, and are priced much more competitively than national brands. HUL and P&G dominate in premium and mid-tier detergents because of better-formulated products, customer affinity for consuming branded products in urban areas, and their extensive distribution network.

P&G – no longer looking at Tide bars for competing

A while ago, P&G shifted its focus away from the bar format (for the Tide brand) due to lower profitability in this segment. After its in-house manufacturing facility began, it restarted sales of Tide detergent bars, but with an objective to have a presence in the market rather than to compete.

Detergent revenue mix - region wise (%)



Source: Dupont

Detergent revenue mix - category wise (%)

	2013	2018	2021
Matic Powder	18.2	22	26
Matic Liquid	0.3	0.8	1.5
Hand wash detergent	55.9	54.7	52.4
Detergent Bar	25.1	22	20
Others	0.8	0.5	0.1

Source : Dupont, PhillipCapital estimates

GST and demonetisation actually accelerated premiumisation

Pre-GST and demonetisation – local players used to rule the popular segment

Before GST, many small and unorganised players held clout by evading taxes, knowing their own backyard, and distributing goods to local wholesalers – strongmen who liked to deal mainly in cash. HUL weakened in the mass (popular) segment as many unorganised players during 2014-16 used low crude oil prices to their advantage (LAB, a key raw material used to make detergents, is a crude derivative). In addition,

Sangam Detergent – a local detergent brand of Madhya Pradesh

two consecutive years of low monsoon and droughts (FY15-16) led to an increase in down-trading across FMCG categories, especially in rural areas – which hurt the growth of large organised detergent players that were not very strong in the popular detergent segment.

Even today, some local players continue to use their clout in their areas to sell the detergent of their choice. Sanjay Singh, a small shopkeeper in Satna, MP, said that he is forced to stock Mera Sangam – a local detergent powder in the popular segment. If he doesn't, the manufacturer will not provide him stocks of Rajshree Pan Masala, a fast-selling high-margin product that the same company manufactures. "We somehow manage to sell these sub-par products (detergents available at Rs 30 per kg) to customers (despite knowing that its quality is far inferior to mainstream brands) by offering them freebies such as free buckets with the larger (mainly 5-kg) packs," said Sanjay.

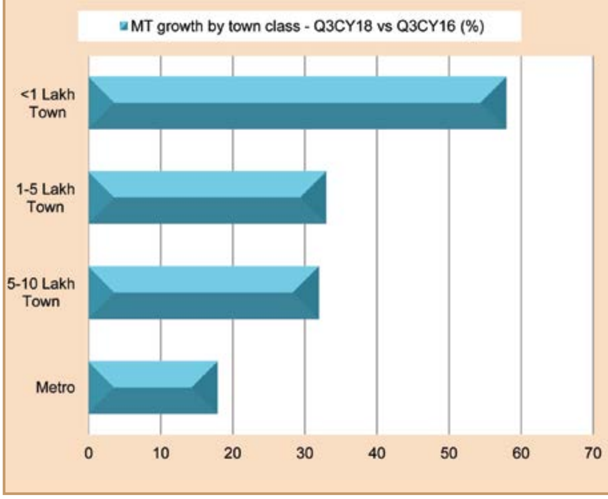
GST + demonetisation has changed things quite dramatically for detergents

Over the past two years, things have changed for the better for pan-India branded players as strict GST compliance along with reduced availability of cash (after demonetisation) provided a more level playing field. Many consumers who moved to Modern Trade (MT) from General Trade (GT) during demonetisation (after November 2016) have stayed with MT and have shown a higher propensity to consume premium and branded products across categories. With MT, customers got an opportunity to experience (touch and feel) premium products (matics and liquid detergents), which kirana stores were not interested in stocking due to lower customer pull. GT is usually more interested in stocking fast-moving popular and mid-category detergents.

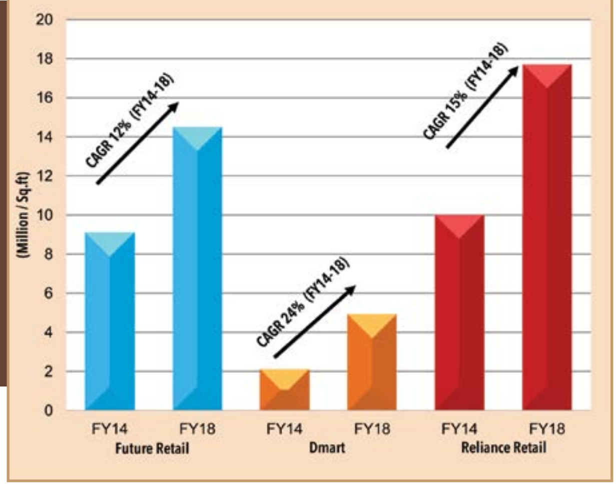
Notably, in the last 2-3 years (after demonetisation and GST), premiumisation is no longer confined to metros and tier-1 cities. It has moved quite swiftly to tier-2 and 3 cities and MT players have aggressively expanded their reach in these areas

The CMD of HUL, Sanjiv Mehta was quoted by a newspaper as saying – "We are seeing consumer demand or the off-take moving up as compared to the real lows that we saw in 2015 and 2016. Markets across urban and rural are seeing a positive trend."

MT making inroads in smaller towns

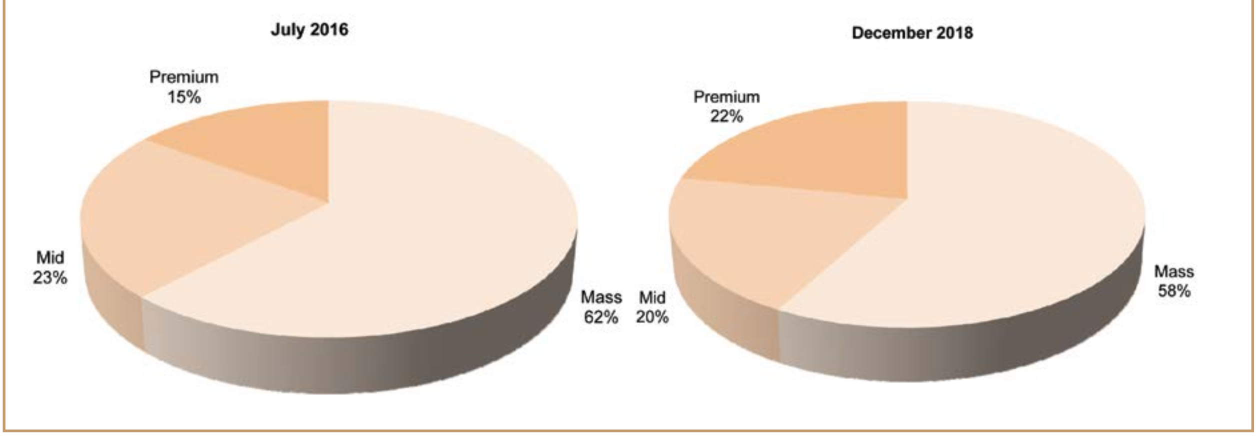


MT: In rapid expansion mode



Source: Nielsena, Company

Premiumisation in detergents

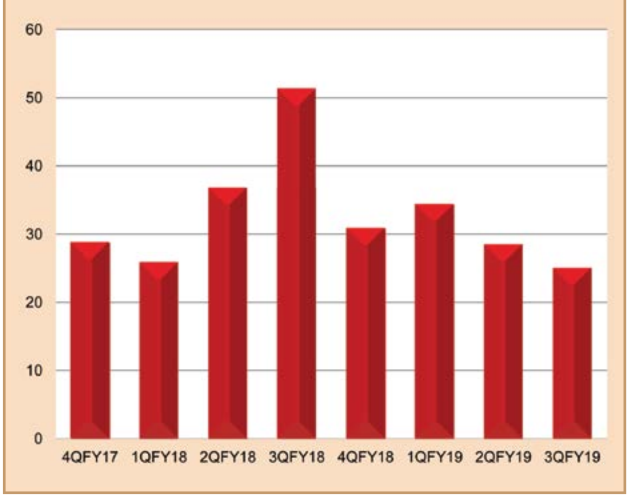


Source: HUL

HUL passed on GST cuts to consumers at the premium end

HUL used the opportunity provided by GST rate cuts to accelerate the process of premiumisation, but has taken a 'portfolio approach' while passing on GST rate cuts to customers. GST on detergents was reduced to 18% from 28% in November 2017. HUL reduced maximum MRP at the premium end of its portfolio (vs. the mass or mid-range end), thereby reducing the price difference between these products to some extent. This accelerated the process of premiumisation, which reflects in the EBIT growth of HUL's home-care segment.

HUL: Home care EBIT growth improved as premium detergents saw an increase in salience



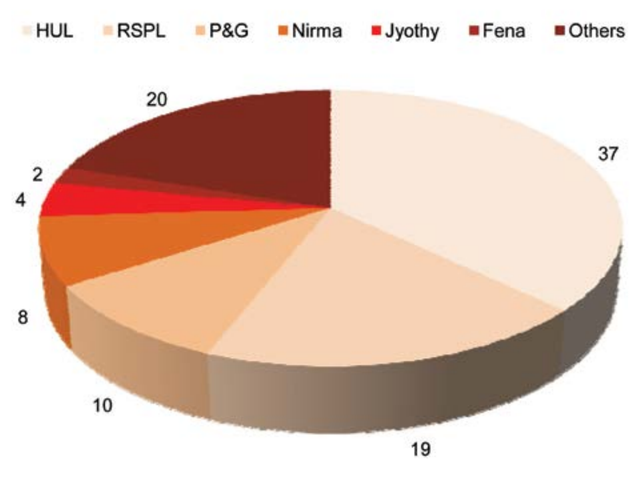
Source: HUL

Sustained premiumisation in detergent can change the fortunes of home care seg

			POWDERS				LIQUIDS	
Segment	**Popular**	**Mid-end**	**Premium**				**Super-premium**	
Brands	**Wheel**	**Rin**	**Surf Excel**				**Surf Excel**	
			Easywash	**Quickwash**	**Top load**	**Front load**	**Top load**	**Front load**
Price Per Kg	50	80	105	160	225	250	209	225
COGS	37.5	52	58	80	105	112	105	110
Gross Profit	13	28	47	80	120	138	104	115
% margin	25%	35%	45%	50%	53%	55%	50%	51%
% Contribution to HUL detergent sales	33%	23%	42%				2%	
Blended Detergent Gross margin	**39%**							

*Matics/liquid gross margin are being calculated excluding the offers that are available in the market. FMCG companies are giving higher promotional offers to encourage adoption of matics Source: PhillipCapital Estimates

HUL dominates the detergent segment



Source : Euromonitor

GST – needed in spirit, not just in letter

HUL's profitability in home care can rise further if GST rules and regulations are implemented in spirit. If the E-Way bill (which governs interstate movement of goods) is properly implemented, it is highly likely that small and unorganised players will be forced to become fully compliant, thereby taking a hit on their margins due to higher cost of compliance. HUL will then be in a position to gain market share in the popular detergent segment, which has been its weakest link so far.

Wheel has been able to recover some of its lost ground after competition weakened (particularly Ghadi) after demonetisation and GST, which also led to HUL's profitability in its home-care segment improving. Meanwhile, increasing focus on profitability led to P&G going slow on its low-margin products (Tide Naturals). Recent media articles indicate that HUL has significantly increased its efforts to check counterfeit products, which also helps to tilt the balance in its favour across segments in the detergents category.

Customers have shown a preference for branded consumer products over local products, even in the popular segment – if branded products are at a slight premium. This has been visible in paints over the past few quarters, when branded players showed decent growth in distempers (economy segment) after the GST rate was cut to 18% in July 2018 from 28%. This move led to the price difference between organised and unorganised players' products shrinking substantially.

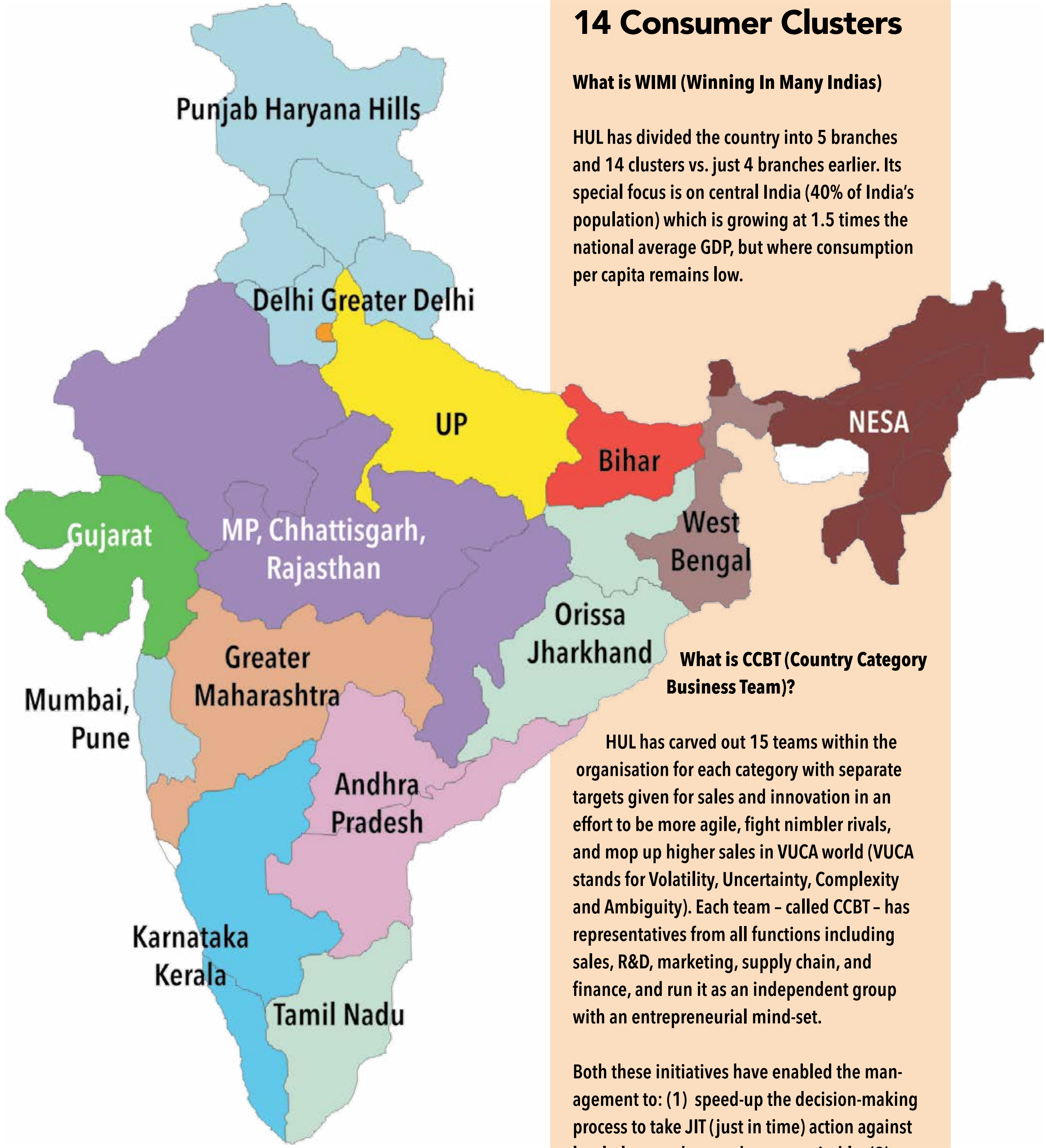
Hindustan Unilever has given enough firepower to its executives at the 'cluster' level to take combative action against state-specific and regional players under its initiatives – CCBT (Country Category Business Team) and WIMI (Winning in Many Indias – dividing the country into 14 clusters). Under WIMI, HUL launched detergents at different price points in Uttar Pradesh to shift consumers from local brands to Rin.

WIMI

14 Consumer Clusters

What is WIMI (Winning In Many Indias)

HUL has divided the country into 5 branches and 14 clusters vs. just 4 branches earlier. Its special focus is on central India (40% of India's population) which is growing at 1.5 times the national average GDP, but where consumption per capita remains low.



What is CCBT (Country Category Business Team)?

HUL has carved out 15 teams within the organisation for each category with separate targets given for sales and innovation in an effort to be more agile, fight nimbler rivals, and mop up higher sales in VUCA world (VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity). Each team – called CCBT – has representatives from all functions including sales, R&D, marketing, supply chain, and finance, and run it as an independent group with an entrepreneurial mind-set.

Both these initiatives have enabled the management to: (1) speed-up the decision-making process to take JIT (just in time) action against local players who may be more nimble, (2) accelerate the process of premiumisation and innovation, and (3) make customised products in line with local tastes and preferences.

PREMIUM DETERGENT & WM ARE HIGHLY CO-RELATED

Washing machines driving premiumisation

With increasing penetration due to easy funding, washing machines are at the forefront of the shift to premium detergents

Easy funding has changed the dynamics of consumer durable markets

Gone are the days when the family saved money for months or years to buy electronics items, when customers had limited options to choose from, and when they relied heavily on other peoples' opinions to buy products. This is the era of the internet and customers do their own extensive research before buying electronics items. They also step into nearby electronics chains to get a feel of their shortlisted products. Buying decisions are also rapid – people can buy even expensive items on the spot through options such as EMIs. Easy availability of finance through NBFCs and credit cards with no-cost EMIs have changed things for the better in the consumer durables market. A strong credit bureau (CIBIL), internal data analytics, and strict checks and compliance by NBFCs for KYC through Aadhaar Cards have been able to rein in NPAs in this segment. New players (HDB Financial services, Home Credit, Capital First) have shown renewed aggression in tie-up with more dealers, making credit available in every corner of the country. Recently, Kotak and Axis Bank clearly stated their intentions of grabbing a larger pie of the consumer durable segment – which means sales of consumer durables are set to explode.

Bajaj Finance consumer durable loan book (Rs mn)

Source : Bajaj Finance

Machine penetration and product awareness = sharp surge in premiumisation

The reach of washing machines has increased with declining cost of ownership, increased availability of financing options, and resistance from domestic workers, at least in urban areas, to hand wash clothes. With more people buying machines to wash their clothes, they are also becoming more aware about the different types of detergents – normal, matics, and liquids. This knowledge is driving premiumisation. However, even as machine penetration increases rapidly, the adoption rate of premium detergents is quite gradual. This is because many are not willing to pay the premium for detergent powders that provide a better quality of wash and keep their washing machines in a better condition.

Washing machine companies are educating buyers through sales persons and technicians

There is hope. Washing machine companies, through their sales persons and technicians, have been advising customers to use matic powder to keep their machines in better working condition. Matics, they tell their customers, dissolve much faster with water and remove stains effectively. Liquid detergents, they advise, are the best product for washing machines, as they do not damage the machine as much as other products and they do not leave residue inside the machine.

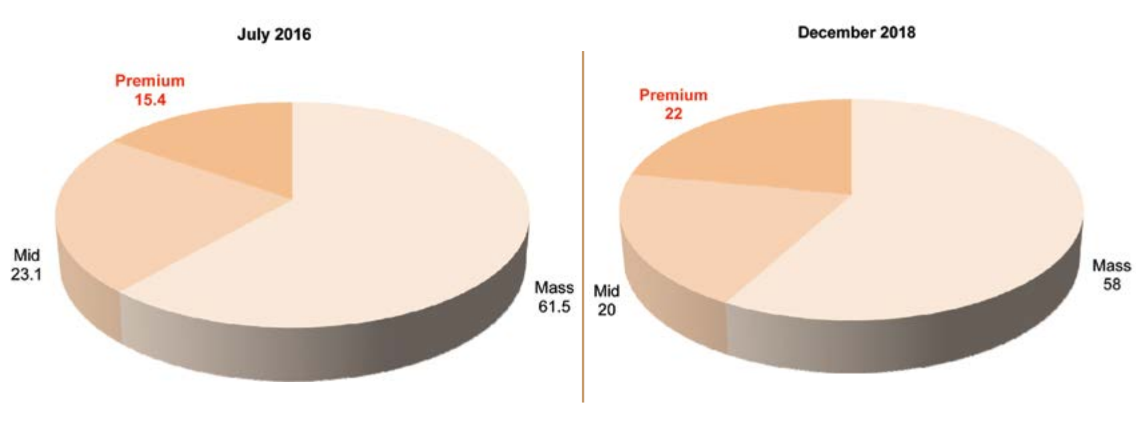
Ganesh Pinge, 45, a mid-income resident of Dadar in Mumbai shifted to matic powder on the advice of a machine technician. "Shifting from Surf Excel Easy Wash to Surf Excel matic powder based on a mechanic's suggestion has eliminated my problem of white stains and marks on my shirts, as the matic powder dissolves much faster in water," he said. This is due to the higher presence of active ingredients in matic powders. "Moreover, my machine is working much better – has not broken down, and hasn't clogged in the last three years," he grins happily.

"About 1% of the FMCG market is moving from mass and mid-tier to premium every year. At an overall level, about 28% of the market is premium. Our aim would be to help consumers trade up,"

– Sanjiv Mehta, CMD, HUL in a newspaper article

For Shweta Mehta, 32, a resident of upmarket Kemps Corner, it was a crash course about detergents when she bought an IFB Automatic Front Load washing machine through IFB Point. She said she was 'blown away' by the deep understanding and knowledge of the manager at the outlet who told her all about appropriate washing machines, depending on what clothes need to be washed, and the intensity with which they should be washed. She said, "I have started using liquid detergent in my washing machine as liquid leaves no residue and increases the life of my machine. The quality of the wash is also far superior as liquid detergent dissolves easily and contains some amount of conditioner in it. When you compare matic powders to liquid, the effective cost, at least for me, is somewhat similar."

Detergent category sales mix (%)



Source: Company

Machines are key drivers of premium detergents

In the book, *"23 Things They Don't tell You About Capitalism"*, economist Ha-Joon Chang made a *provocative comment: "The internet revolution has (at least as yet) not been as important as the washing machine and other household appliances, which, by vastly reducing the amount of work needed for household chores, allowed women to enter the labour market and virtually abolished professions like domestic service."*

Structural factors that are driving the demand for discretionary and convenience-seeking goods – such as increasing disposable income, urbanisation, rise in nuclear families, more women entering workforce and aspiration among customers – are key reasons for faster adoption of consumer appliances like the washing machines among households. Demand for washing machines and machine detergent powders and liquids (directly correlated) has grown steadily.

Although labour is quite cheap and available in surplus for low-skill jobs, most domestic workers in urban areas are not willing to wash clothes because it is time consuming and labour intensive job and usually the compensation is never enough. Demand for household appliances is not restricted only to metro cities, but also visible in rural areas. In 2017-18, washing machine penetration was 9% in rural areas vs. just 1% in 2012-13. In these areas, people purchase washing machines more as a status symbol rather than for convenience-seeking or problem-solving. Increasing rural electrification (almost 100% households have achieved electrification) and rapid strides in developing distribution network in rural and semi-urban areas has really helped washing machines to take off in a big manner.

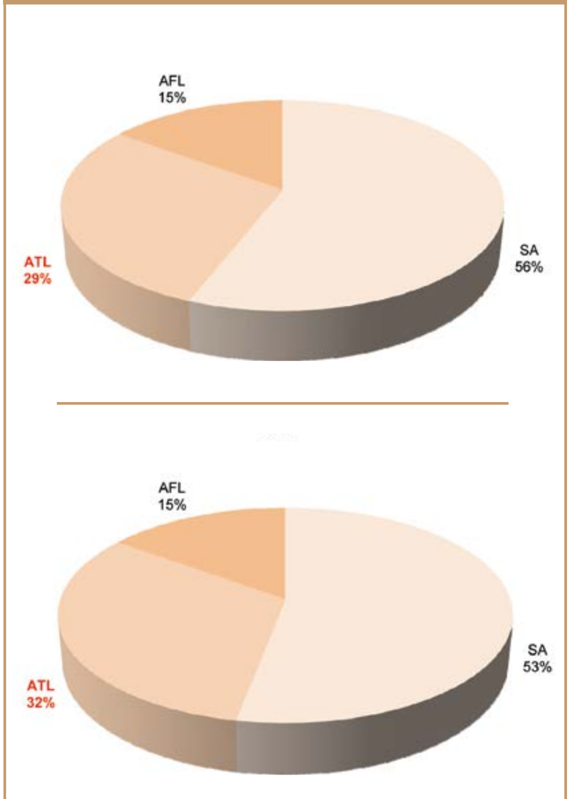
"With radical changes in lifestyles, the Indian consumer today seeks convenience in everything and is willing to pay a premium for the comforts that advanced technology brings in making everyday life much easier than ever. Hence the current owners of home appliances will always seek to upgrade to higher capacities and better technologies."

– Kamal Nandi, Head and Executive Vice-president, Godrej Appliances.

Shift towards automatic washing machines is inevitable

So far, semi-automatic machines have constituted 55-60% of the washing-machine market in volume terms due to higher price differential vs. automatic machines and the electricity problems in rural and semi-urban areas. However, semi-automatic machines take up too much time and effort, as customers have to keep a close watch on clothes during the entire cleaning process. The worst part is transferring wet clothes from one drum to another for spin-drying. As a result, automatic washing machines have seen a sharp uptick in past few years, with increasing time constraints, especially for urban households, and decreasing price difference between fully automatic and semi-automatic.

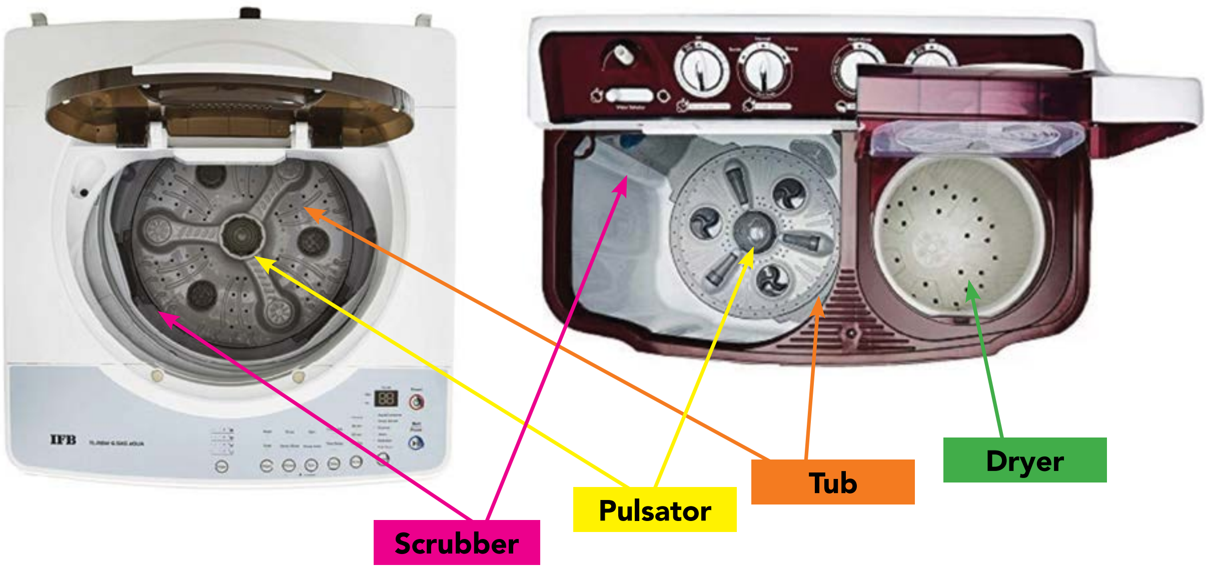
Automatic washing machines are seeing traction



Consumer durable companies and technicians strongly recommend using specific washing machines powders (i.e., matics) and liquid detergents while using automatic machines. With most of the new-age automatic washing machines having inbuilt steel plates, any other detergent (apart from matics and liquids) can cause significant corrosion to the steel plates and in turn reduce the life of the machine.

However, the change also comes from within. As Rupesh Patil, who has been in the business of repairing machines since the last five years said, "Consumer behaviour changes when they purchase an expensive item like an automatic washing machine and their tendency to purchase matics goes up. They want to keep their machine in good order."

Top-loads have grabbed consumer fancy despite front-loads' superior wash quality



How do automatic top-load machines work?

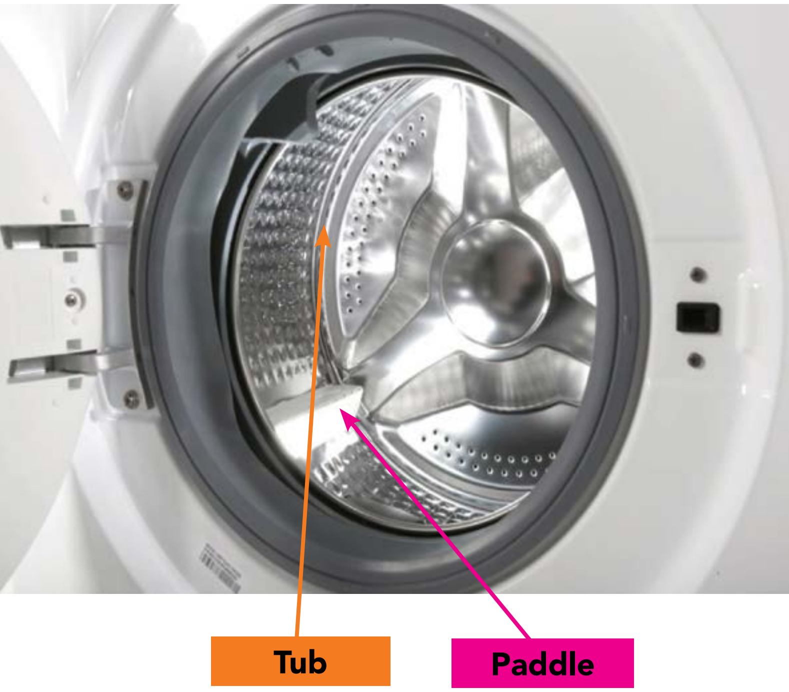
- These machines contain a drum – the key part – placed on vertical axis on which a 'pulsator' has been affixed. This plays a key role in cleaning clothes. The other two components are the detergent chamber and scrubber. Water enters through pipes from the top, passes through the detergent chamber, and flushes the powder/ liquid onto the clothes, which are placed inside the machine.

- During the wash cycle, the pulsator turns around moving the clothes at the top and the bottom through water and they are brushed by the scrubber – removing stains and dirt. When the wash is finished, the pump at the bottom drains out the water and the cycle continues until the clothes are rinsed and spun dry.

- These machines have cleaning limitations. The pulsator tangle clothes leading to linting (threads coming out of garments); over a period, quality of clothes deteriorate.

- To avoid linting, Whirlpool India had come up with an in-built central agitator stick that was to prevent clothes from tangling. However, this did not work as planned. Many customers complained that the agitator was actually tearing their clothes.

Front-load machines are a panacea for water shortage and linting issues



A washer-man (dhobi) at Dhobi Ghat using the famous Dhobi Pachad technique for laundry

How do front-load washing machines work?

- Front-load washers work by filling the bottom of the inner tub with a small amount of water and using the rotation of the tub and gravity to move the clothes through the water. The rotation action is similar to the tumbling action found in a clothes dryer. The side paddles on the inside drum lift the clothes and move them in and out of the water. This provides the mechanical action (scrubbing) needed to remove dirt/stains from fabric.

- Since these machines have an in-built water-heating mechanism, the process becomes better as hot water removes stains faster and from the root.

- This type of mechanical wash action (somewhat similar to traditional dhobi pachad method does not require clothes to be surrounded by water – thus using 40-50% less water than top-load machines at all times. This is why front-load washers use much less water than a standard top loader.

- Derived from traditional washing techniques, this machine completely eliminates linting.

Front-load washing powders need to have superior product formulation (to work with less water usage) that can remove dirt from the root cause with less foaming and without leaving any residue on clothes. Hence, front-load powders are about 10% more expensive than top-load detergents. While these machines provide the best wash quality, it comes at a price. They are about 10% more expensive than top-loads and require continuous supply of electricity and water, which may not be possible except in metros and tier-1 cities.

Technicians also claimed that if front-load machines break down, getting them up and running like before is a very expensive proposition. These machines also require more space than top-load washers and space, which has always been an issue in metro and tier-1 cities.

Matics are not failsafe

Even after taking all precautions and using the best matics, clogging (residue detergent accumulating at the bottom of the machine) can happen. This affects the machine's performance. Liquid detergents (that fetch the highest margins for FMCG companies) can significantly enhance the performance of washing machines.

The great Indian jugaad. Yes, even while using machines!

Many households in rural and semi-urban areas do not feel any major urge to switch to automatic machines due to higher electricity costs. They also have ample time to manage manual household chores. Cleaning the semi-automatic washing machine regularly (quarterly) with some machine-cleaning powder (e.g., Scalegon brand) keeps their machines in reasonably good order. Indians have even found a way around the problem of continuous high-pressure water supply, even in automatic front-load machines) by installing pressure pumps (which cost additional Rs 3-4,000) on their home water-tank outlet pipe.

Deepika Bhandari, a resident of Udaipur, was proud of how she has maintained her machine with no problems at all! "I clean my semi-automatic machine using a mixture of hot water and washing machine cleaning powder on a quarterly basis and this has led to zero problems as this mixture removes all the residue from the bottom of the machine despite using it for more than five years," she said.

Others have found their way around the white detergent staining problem while using automatic machines. Neeraj Ketke of Yawatmal district firmly believes that "all detergents are the same" and has no intention of using matics in his machine anytime soon. "I simply put the detergent powder at the bottom of machine instead of putting it in the detergent chamber and the problem of white stains goes away. I use a different method, almost opposite of what most detergent companies recommend while using matics, and I get the result that I want," he grins proudly.

Detailed comparison of different types of washing machines

Factors	Semi-automatic	Automatic - TL	Automatic – FL
Presence	All over India	Most parts of India except rural India	Mostly restricted to metro / tier-1 cities
Price (6.5-8 kg)	Rs 7,000-14,000	Rs 15,000-22,000	Rs 24,000+
Type of detergent	Any type of detergent can be used	Matic + liquid	Matic + liquid
Quality of wash	Inferior	Good	Best
Average water consumption	150 litres	80-100 litres	60-70 litres
Effort	Requires manual intervention	No manual intervention	No manual intervention
Maintenance cost	Local technician can resolve defects at lower cost	Expertise of highly qualified technician is required as it has a digital board; quite expensive	Company technician and company parts are needed; most of the parts are for the IC board – expensive

Indian machinenomics (jugaad) limits the growth prospects of premium detergents

India's hard-water problem and premiumisation

For the foreseeable future, India's hard water problem is unlikely to be resolved, thus driving premiumisation

"Higher the content of active ingredients, better the quality of the detergent powder. So premium detergents soften hard water very quickly, which gives a better quality wash and keeps washing machines in good condition,"

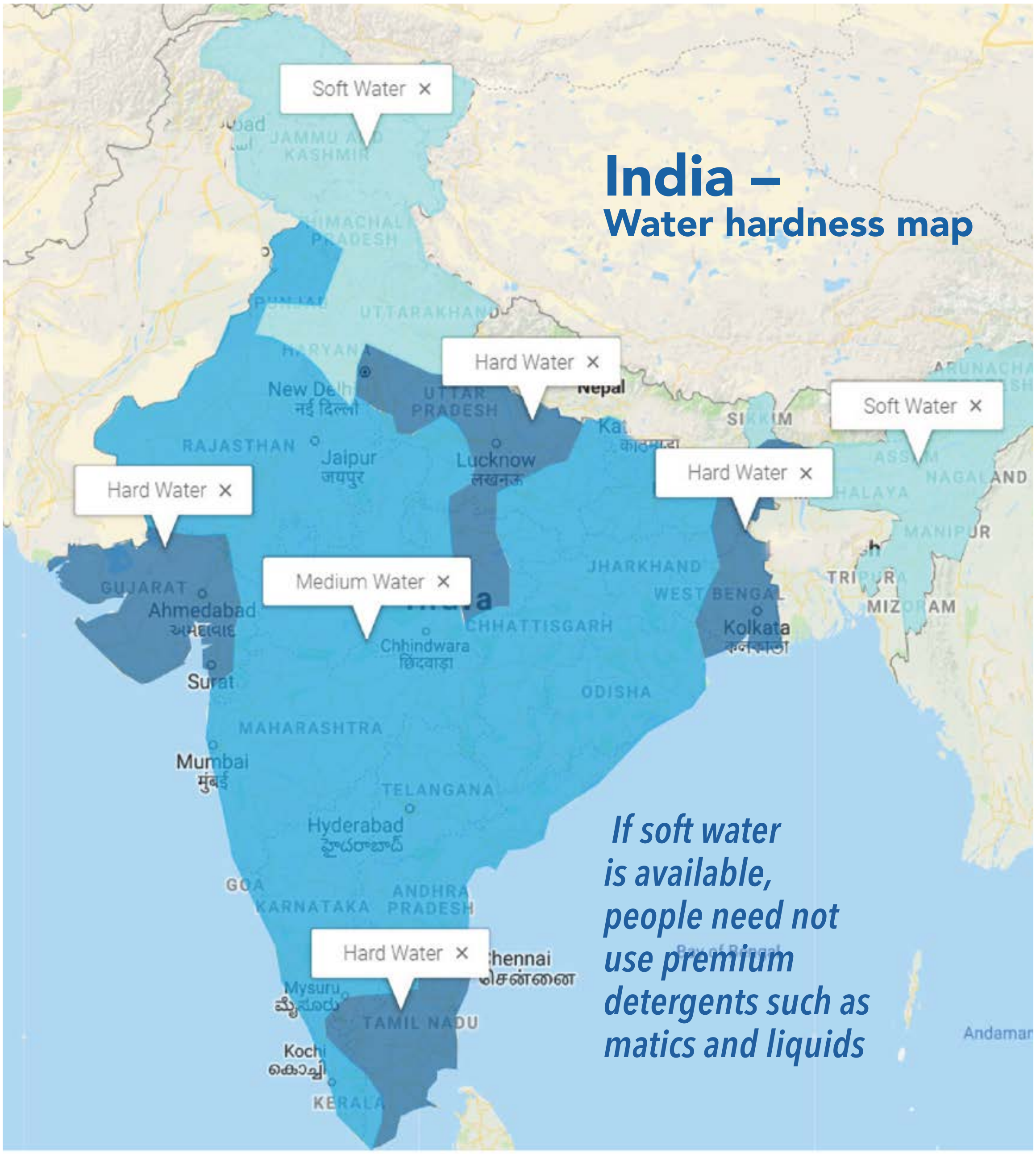
- Mohit Agarwal (name changed), a leading contract manufacturer in the detergent segment for HUL, based out of east India.

Apart from the materials that are used to manufacture a detergent, water quality is of prime importance for the detergent to perform well. More than 80% of India's geographical terrain has hard water (it contains high calcium and magnesium), which makes detergent difficult to dissolve. Magnesium and calcium in hard water can cling to clothing causing fabric to feel stiff and dull colours. Here, active ingredients come into play – these help make hard water soft and improve the performance of the detergent. Higher the content of the active ingredients, better the quality of detergents. Better detergents do not form scum in the machine. Premium detergents (matics and liquid detergents) contains 20-25% active ingredients while mass and popular ones contains only 8-9%.

Key components of a detergent

	NAME OF INGREDIENTS	PROPERTIES
Surfactants	Linear alkyl sulfonates (LAS); LAB, dodecylbenzene sulfonate (DDBS)	They are active cleaning agents, which help in penetrating and wetting fabric, loosening and emulsifying soils
Builders	Sodium tripolyphosphate (STPP)	They are used to soften hard water
Alkalis	Sodium carbonate, sodium bicarbonate, sodium silicate, sodium citrate, and ammonium hydroxide	Help raise the PH (Power of Hydrogen) level of water, which in turn helps reduce hardness
Enzymes	Proteases (break down protein), amylases (break down starch – a type of carbohydrate), and lipases (break down fats).	Reduces wrinkles, protects fabric colour, removes stains
Bleaches	Quaternary ammonium chlorides	Improves fabric whiteness and brightness

India – Water hardness map



If soft water is available, people need not use premium detergents such as matics and liquids

Source: Ionic systems

Can water treatment players resolve the problem of hard water at the household level?

Water treatment players such as Ion Exchange and VA Tech Wabag provide comprehensive and integrated water treatment solutions, but so far, their water-treatment business has been restricted only to B2B clients such as industrial and manufacturing units, hotels, hospitals, and commercial offices – basically those enterprises that can afford the solutions and for whom it is feasible. The water costs for these companies are quite high – more than double the cost at which is water is made available to residential units and societies – making the proposition of water-treatment attractive.

These facilities cost Rs 50-100mn (depending upon the capacity installed) and require physical space, which is scarce in metro/tier-1 cities, making it unviable for residential buildings and complexes. Also, there is regular annual maintenance cost that needs to be incurred to keep these treatment facilities in good condition.

How do water softeners work?

Hard water becomes softer through a process of ion exchange. The positively charged calcium and magnesium ions (+2) in hard water are exchanged with sodium and potassium ions (+1), which also have a positive charge. Each calcium or magnesium ion is exchanged for two sodium or potassium ions, which in turn makes water soft.

The exchange process that makes hard water soft requires the presence of tiny beads of resin in a holding tank. The sodium and potassium ions cling to the resin. When hard water washes over the resin, the sodium and potassium ions are released into the water and exchanged for the calcium and magnesium ion, which are then held fast by the resin beads. Thus, the water flowing out of the system is soft.

Source: Kent

Will individual household water softeners harm or aid premiumisation?

These water softeners convert hard water into soft, which generates extra foam and allows the washing process to happen while consuming less detergent. This leads to savings in terms of both detergent and water. To be frank, if soft water is available everywhere, people would need just regular detergents (no enzymes, softeners).. So their desire to upgrade to premium detergents could reduce significantly. Water softeners also enhance the whiteness and lustre of clothes.

Additional positives of water softener machines are that they are non-electric and lead to a better-maintained washing machine. Water softeners also comes with a standby mode for longer life and help prevent scaling (accumulation of germs, dirt, clothes threads) along the walls of the machine, thereby increasing the life and output of washing machines.

However, things are obviously not so simple. Why do these miraculous devices not have a presence in all Indian households? The answer lies is high costs – they cost anywhere between Rs 3,000 to Rs 12,000, need continuous flow of water at higher pressure (which is not there in most parts of India), need space for installation, and they need frequent maintenance.

Our ground checks revealed that the resin beads and membrane, which help make water soft, have to be replaced regularly – just like drinking water filters where cylinders have to be changed every 6-9 months. These resin beads replacements set buyers back by Rs 1,000-1,500 annually. Kent, one of the largest water purifier companies in India, has recently started aggressive advertisements for their washing machine water-softeners, but it has not been able to make much headway due to these challenges.

What ails liquid detergents?

Why have these superior products not made much headway?

Liquid detergents are the best solution for washing machines and are priced at almost similar levels to matic detergents. Why then have they not made much headway?

It is mainly due to the constraints mentioned below:

- **Customers do not understand the price-value proposition:** Most households go with frontline pricing without understanding price-value proposition of liquid detergents. Lack of awareness among customers about the effective price of liquid detergents is pushing customers away from making the purchase. It seems that HUL is deliberately keeping liquids and matics at the same price point despite the higher costs of manufacturing liquids, to encourage faster conversion. For now, competition from unorganised players is also low due to the higher investment required to manufacture liquids. In the medium to long term, it is likely that detergent companies can add more value to liquids (such as including softeners and conditioners), which will become difficult for unorganised / local players. This will build a durable moat for these products that could allow companies to price these products at significant premiums to matics.

"The cost of manufacturing liquids is higher than matics since they are in highly concentrated form and the manufacturer needs to 'settle' all the ingredients within the liquid. Because of this, batch and production time are much longer than those for matics. This makes manufacturing liquids costlier."

– Prabhat Jha of Universal Healthcare – a Silvassa-based contract manufacturer for many liquid detergents brands

- **Misconception that liquids are stain removers:** Detergent companies need to fine-tune marketing/ communication strategy as far as liquid detergent is concerned. Most consumers believe that liquid detergents are only for stain removal, not for washing clothes.

- **Lack of availability:** Distribution of liquid detergents has been restricted to metros and tier-1 cities, that too through modern trade and e-commerce. Its reach is almost negligible in general trade. This lack of product availability on a pan-India basis has restricted off-take of liquid detergents. Lack of availability in an LUP format (customers have to spend a minimum Rs 99 to purchase liquid detergents) has led to lower trials amongst customers.

- **'Maid' phobia:** People who hire domestic workers are paranoid that even after explaining how liquids work, they will end up using more than the necessary quantity. This is also delaying the adoption of liquid detergents. Shreena Jani, a freelancer, recounted her experience. Her domestic help takes care of all her household chores. "I purchased liquid detergent once and despite giving clear instructions about what quantity of liquid to use, my maid finished the entire 1 litre bottle of Surf Excel Liquid detergent in 10 days when it should have lasted at least 25-30 days. Her maid's contention was that the liquid was not foaming so clothes would not be washed properly. "She kept on pouring additional liquid detergent looking for more foam," laughs Jani. Not surprisingly, she decided to switch back to matic powder. Clearly, FMCG companies need to spend money to train decision influencers (like what Henko did for Pril dishwashing liquid many years ago) in order to encourage consumption.

HUL has taken up the mantle to increase consumption of liquids in a meaningful manner

Hindustan Foods, with a Rs 2.5bn topline, is one of the largest organised FMCG contract manufacturers, has been contract manufacturing detergent powders and liquid soaps for HUL. Now, it plans to invest up to Rs 1bn in building a liquid-detergent manufacturing facility in Hyderabad – in addition to its existing detergent powder facility. This would be one of the largest contract manufacturing detergents facilities in India for HUL. With an asset turnover of 7-8x, the sales of liquid detergents are expected to pick-up in a big way ahead.

HUL is poised to drive the premiumisation story in India – that much is certain

Liquid detergents refill packs: A brilliant strategy

HUL has recently introduced refill packs for liquid detergents, which, apart from reducing plastic pollution (eliminates the need for using plastic bottles), also helps to reduce costs for the customer (refill packs are priced at least 10% lower than bottles).

HUL has very recently launched liquids even for bucket wash. Realising that many households still do not own washing machines, HUL did not want liquids to remain restricted merely to metros and tier-1 cities. It launched Surf Excel Easy Wash liquid for bucket wash.

Leaving no stone unturned for meaningful growth in its liquid portfolio, HUL has decided to deploy an age-old strategy of giving samples (Rs 15 SKU) to MT customers and educating them about why liquids is the best solution. Access / low units packs, which are not widely available in the liquid portfolio, may become a norm if HUL so decides.

Can competition *spoil premiumisation?*

Will the intense margin-killing competition of yore return?

COMPETITION

Ghadi ₹ 52
Nirma ₹ 55

Tide Plus ₹ 102

Tide Naturals ₹ 66

Ariel Complete ₹ 215

Top Load
Ariel Matic ₹ 219
Henko Matic ₹ 225
Ghadi Machine Wash ₹ 75

Top Load Liquid
Ariel ₹ 225

Superior formulated products, higher capital investments, and to some extent, technological advantages of national branded players in matic detergents and liquids will keep away small and local unorganised players, since their technical and product knowledge is limited to popular and mid-end detergents. However, mid-sized organised players are already trying to make a dent in the biggies' market share. Rohit Surfactants (Ghadi brand), a dominant player in popular detergents, has made inroads into matics with aggressive pricing and strong marketing support (Amitabh Bachhan as the brand ambassador). It has priced Ghadi Matics at 1/3rd HUL and P&G matic products. Ajit Kumar, a distributor in Satna in Madhya Pradesh puts it succinctly – "The strong consumer acceptance for the Ghadi brand has been because it gives Surf Excel (superior product) quality at Wheel (reasonable) prices".

Despite a late entry into matics, the Ghadi brand has garnered significant market share due to superior quality offering at a reasonable price, expansion in distribution network, and lean operating structure

However, for the most part, even smaller organised players stay out of high-end detergents – whether matics or liquids – as the process is highly technical, time consuming, and costly. As an HUL detergent contract manufacturer based out of north-east India puts it – "We contract manufacture HUL's key popular and mid-end brands and if we stretch ourselves we might able to manufacture matics, but manufacturing liquid detergents is not our cup of tea."

HUL, with c.40% market share, continues to dominate India's Rs 200bn laundry-detergent market because of its ability to straddle price points with different products, its solid distribution network, and its strong focus on premiumisation. HUL's market share in premium segment is high (+80%) while in the popular segment it is low (25-30%) due to strong local competition. As tailwinds for detergent premiumisation play out, HUL will be key beneficiary. It launched the Rs 10 LUP for Surf Excel brand some years ago and has been able to upgrade mass and mid-detergent customers to the premium segment because of improved affordability. Sanjiv Mehta, MD and CEO of HUL said, "Surf at the Rs 10 price point has led to exponential growth because we are now offering an aspirational brand at an affordable price point."

HUL market share (%)

Segment (Dec 2018)	Contribution to category	HUL share (%)	HUL market share (%)
	December 2018		
Mass	58	x	22.9
Mid	20	2x	45.7
Premium	22	3.5x	80.0
Overall	100		40.0
	July 2016		
Mass	61.5	x	26.7
Mid	23.1	1.5x	40.0
Premium	15.4	3x	80.1
Overall	100		38.0

Source: PhillipCapital estimates

P&G – The sleeping giant

P&G was very aggressive during 2005-2014 as its mandate was to drive volume-led top-line growth. This led to price wars in the laundry segment. However, from 2014 to 2018, P&G's profitability has been under pressure at a global level – which has led its subsidiaries across the world (including P&G India) to focus on profitability. This led to relatively lower pricing action and new product launches. The limited-period price-offs and extra grammage promotions that P&G has been running for the past few months may not be enough to challenge HUL on the premiumisation front.

P&G India's CEO Madhusudan Gopalan (who recently completed one year as CEO) said in a recent media interview that the company will focus on driving respective category growth through improved affordability (via low-price packs), increasing distribution reach, and eventually upgrading customers to larger SKUs. However, it will try to maintain a balanced approach between topline and bottomline in ensuring this objective.

What happens to HUL if P&G decides to start competing aggressively?

HUL could see some impact on margins in the short term if P&G decides to play detergent premiumisation story in a meaningful manner via using price-discounting strategy in order to grab customers. In the longer term, when customer start consuming premium products, the preference will be for branded products since this will keep washers in good condition and in turn the size of the premium detergent market will rise.

Screen shot of HUL's 2010 Rin advertisement showcasing Tide Naturals which was launched in 2009

Private labels of e-commerce and MT companies can become a threat

Since MT stores and e-commerce chains have a complete hold over their customers, they are in a position to customise and price products as per their customers' tastes and preferences. Private labels allow MT and e-commerce companies to create price points that are not available in the market, and still manage to widen or maintain their margins. Recently, Grofers, one of the leading e-commerce players, conducted its own research, which showed that many of its customers used bucket-wash powders for washing machines since machine-wash detergents were expensive. Seeing an opportunity, Grofers launched a far cheaper machine-wash detergent (c.40% lower than market leader HUL's Surf Excel) under its brand Happy Home. It claims that many customers have shifted to its new detergent.

P&G vs. HUL – The detergent wars

1991	
P&G launched Ariel	HUL responded with heavy promotion for Surf
2005	
P&G dropped detergent prices by 30-50%	HUL reacted with equivalent price cut
2009	
Tide, which P&G launched in 2000, wasn't seeing desired traction so P&G launched Tide Naturals, priced 30% cheaper than Tide.	HUL responded with 10-30% price cuts in Rin and Surf HUL filed a petition in Madras High court that Tide Naturals does not contain natural substances It actually launched an advertisement campaign that said Rin washed whiter than Tide – showing and naming rival brand Tide – quite unheard of in the industry before this.

The future of premiumisation

Towards efficiency and environment preservation

Detergents that consume less water and provide convenience and superior wash with minimal damage to the environment will see maximum off-take. Liquid detergents that do not leave any residue behind in the machine are best suited for the environment, but its packaging formats (plastic bottles) damage the environment. Consumer durable companies (washing machines) that are working on technology that helps to reduce water usage will be at the forefront.

Pods and tablets could be the next leg of premiumisation

Detergent pods or tablets are single-sized dissolvable pouches that contains highly concentrated liquid detergent, softener, and other laundry products inside a single pouch. The pods are easy to use – they just need to be chucked directly inside the machine drum and are premeasured, which helps customers to avoid unnecessary wastage.

Consumer durables company IFB derives 10% of its revenue from consumables, mainly detergents. Tushar Singh is a sales person at IFB Point (the company's owned retail outlets, which provide products and services across a range of categories), which also keeps its own laundry products, including detergent pods. He explained why pods are such a simple solution. "With laundry pods, customers need not apply their mind as to what quantum of detergent or softener or conditioner needs to be put in to the wash cycle.

They just have to put one or two pods depending on the quantum of clothes," he said.

Detergent pods were an instant success when they were first launched in 2012 by Tide. Currently, detergent pods constitute c.15% of the laundry market (value) in the US.

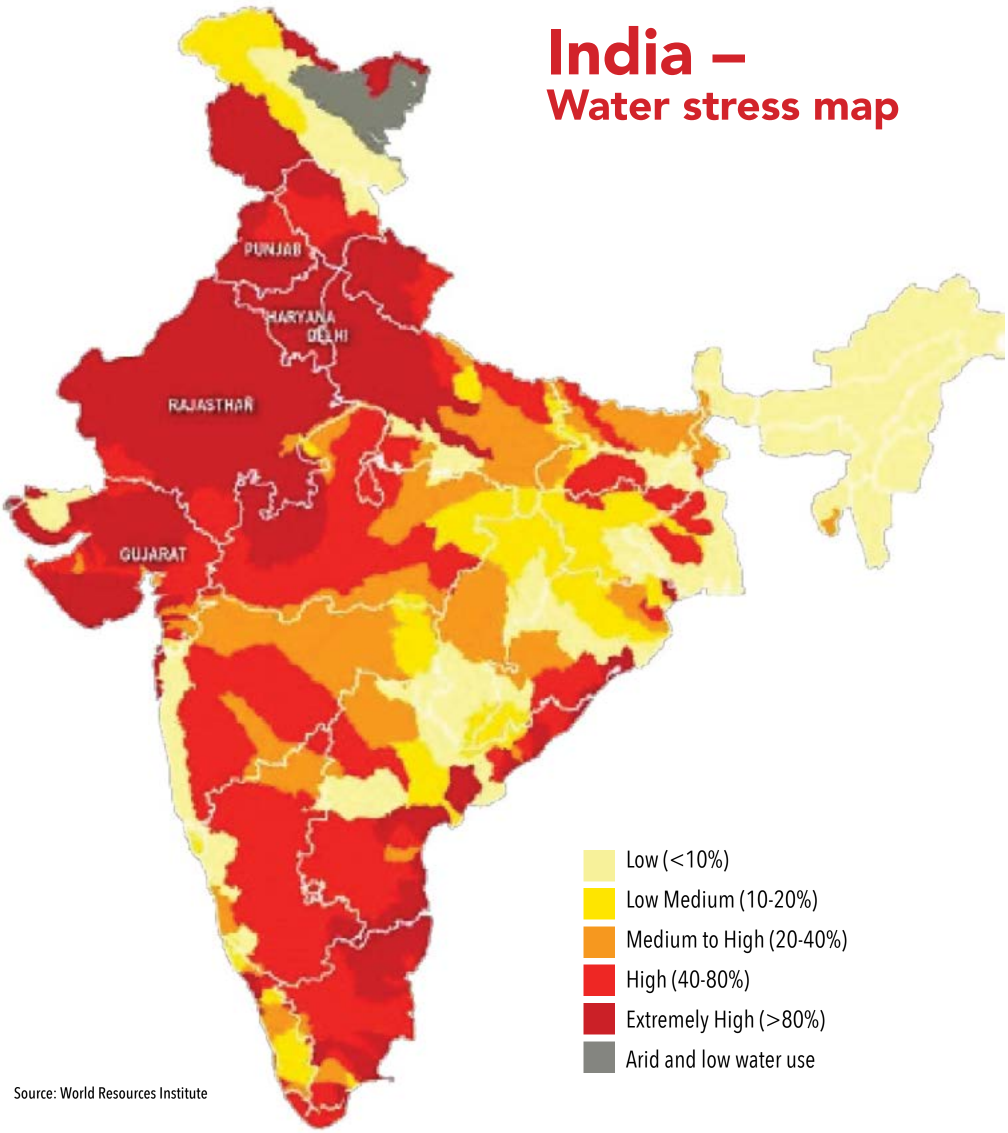
Water is the new gold: Are waterless machines almost here?

According to the World Health Organisation (WHO), by 2025, over half of the world's population is expected to be living in water-stressed areas. Availability of fresh water is expected to be challenging in the future, driven by continued rise in world population. This, coupled with a drastic change in global climate has brought on droughts and floods. Statistics show that water usage has been increasing 1% a year on an average while availability has been falling every year.

Key difference between pods and other detergents

Factors	Pods	Liquid	Powder
Convenience	High, Very convenient to use No application of mind needed	Moderate Convenience, User needs to calculate how much liquid is needed	Moderate Convenience, Some application of mind needed
Dissolvability	Good. Even with cold water	Good. Even with cold water	Not so good. Difficult to dissolve in hard water.
Ingredients	Contains small amount of water only (c.10%) and higher quantity of detergent and other laundry ingredients	Contains c.50% of water	Powder in granular format
Effectiveness	Concentrated liquid detergent and active agents in individual pouches. Less amount of water makes wash more effective than liquid detergent	Concentration of liquid and active ingredients is spread out	Dissolvability issues makes the wash less effective
Residue	Does not leave behind residue	Does not leave behind residue	Leaves behind residue
Cost	Most expensive per load	Similar to or slightly more expensive than powder on a per load basis	Least expensive

India – Water stress map



Source: World Resources Institute

Xeros Ltd. has invented a washing machine called Hydrofinity Xeros XOrbs washing system in 2014, which uses 80-90% less water and 50% less electricity compared to washing machines available in the market currently. It uses a technology that cleans laundry using re-usable nylon polymer beads called "XOrbs" – which are super absorbent. It claims that XOrbs absorbs dirt and stains without damaging the clothes and prevents fading and linting.

How does Xeros' XOrb washing system work?

When a wash cycle starts, XOrbs are added in the laundry compartment to mix with the fabrics and a small amount of water. The water itself is sprayed in, rather than poured, to improve efficiency. XOrbs (re-usable nylon polymer beads) gently massage garments, loosening dirt and stains. XOrbs then expand slightly, creating microscopic cavities that absorb and trap stains, carrying them away from fabrics, in a small amount of cold water. When the wash cycle is complete, the XOrbs automatically return to a holding area inside the machine and are ready to be used again for the next wash. Xeros claims XOrbs can be used up to thousand washes and are collected by the company's technicians for recycling in exchange for new ones.

So far, this technology has been restricted to B2B units (hotels and laundries) and Xeros expects that its new technology will be made available for consumer washing machines as early as 2020. It plans to partner with major appliance companies, which will help bring down the cost per unit and drive faster adoption. Though this technology is at the developing stage and initial cost of the machine could be expensive, over a longer period, this could be threat to detergent companies and premiumisation.

Washing machine OEM players will have to evolve as total solutions providers

Consumer durable companies will have to evolve as total solutions providers rather than selling plain-vanilla washing machines, collaborating with FMCG companies by giving free detergent when customers purchase washing machines. OEM companies will have to extend their roles beyond just selling washing machine – they will have to help customers with better-formulated products that provide a better quality wash.

Although most washing-machine OEMs offer two-year warranties on their machines, their technicians rarely visit customers' homes (only if there is breakdown). IFB Industries has taken a different approach. Its technicians visit customers (without being distress-called) just to service the machines every six months. This, it believes, (1) enables the company to up-sell its detergents portfolio (technicians earn 5% commission on every pack of IFB detergent sold), (2) significantly enhances customer relationships, as customers feels special, and (3) motivates technicians to stay with the company longer since they have an opportunity to earn higher income.

Mehul Bhatia, a resident of Borivali said that he prefers using IFB's own liquids detergent despite the product being priced at a 40-50% premium to Surf Excel liquid detergent. He says that while he had to use 2 litres of Surf Excel Matic liquid for desired results, he has to use only a litre of IFB's liquid – given the latter's superior product quality, which reduces his effective cost.

The CEO of a leading front-load washing machine company said that his company wanted to become total solution provider in the longer run. "We are not merely interested in selling only washing machines. c.10% of our business already comes from selling detergents, which we are currently importing – and we plan to manufacture these in-house once we reach the desired scale."

Innovation will be a key element

Rin's 'Save Water' campaign proved to be effective. In 2017, HUL re-launched its Rin detergent bar with the proposition of Smart Foam Technology, which, according to company, saves up to two buckets of water in every wash cycle. Normally, while doing laundry, rinsing-out clothes consumes 70% of the water, as people tend to keep on rinsing until there is no visible foam on clothes. HUL's technology does not allow foam to stick to clothes, which results in less water while rinsing.

Millennial are looking for environment friendly products

Water pollution caused by laundry detergent is a big concern in the global context. Many laundry detergents contain 35-70% phosphate salts, which make detergent more efficient by helping to soften water and remove stains, but these phosphate particles remain in wastewater (cannot be eliminated) and make their way to natural water bodies, producing algae that are harmful for the environment and aquatic animals.

With stricter rules by various governments and organisations globally to save water bodies, most modern and premium laundry detergents will have to be compliant with environment and social norms and they will have to launch products that minimise damage to the environment.

Natural products could be a possible solution

Over centuries, reetha (soap nuts) has been used as a natural laundry detergent. Soap nuts are great surfactants – when in contact with water they release suds that can do wash clothes naturally and in an environment friendly manner. With this in mind, Manas Nanda founded BubblenutWash in 2016. It is a Bengaluru-based startup that uses reetha to produce laundry detergents, dish-wash, floor cleaners, hand-wash and other washing products – primarily targeted at urban customers. It is different from modern detergents, as it is 100% chemical free detergent. Bubblenut products are available in Pune, Hyderabad, Chennai, Mumbai, and Delhi and currently have 10,000 plus customers.

Laundromats: Are these a long-term threat to premium detergents?

Many entrepreneurs, especially those involved in start-ups, are launching laundromats – self-service coin-wash or professionally operated laundry services. These are fairly common in western countries such as the UK, the US, and Canada. Indian start-ups such as Uclean and Washiteria are providing full services – from washing to ironing – but the charges are on the expensive side (Rs 25-30 per cloth for washing and ironing). However, these costs could fall as technology improves and scale increases. Increasing proportion of DINK (double income no kids) and nuclear families in urban areas could contribute to this trend.

Though laundromats are at a nascent stage and a largely urban phenomena, these could pose substantial risk to premiumisation in the future. If they become popular, adoption of washing machines could fall, impacting sales of premium detergents. This is because laundromats use their own captive detergents instead of buying products from branded national players.

However, it is not going to be an easy journey for laundromats. Indians customers are not willing to give clothes that are meant for daily use (worn inside their homes) to laundromats – they are choosy about which ones to give. This means that they need to have washing machines at home and run a cycle in any case. As a result, most customers end up cleaning clothes themselves.

Dhobi Ghat, Mahalaxmi: The world's largest open air laundromat

Even the dhobis have shifted to premium detergents and washing machines

Dhobi Ghat was built in 1890 under the British Raj to wash their clothes and make their life easier. The uneven narrow lanes of the ghat are filled with rows and rows of wash-pens each fitted with flogging stones that have been there since their inception and used to hand wash clothes. However, modernisation has crept in among these ancient stones as well. Some of the wealthier washers at the ghat have now purchased machines due to lower availability of manpower and higher scale of operations.

Raj Nirmal, an owner of a cubicle in Dhobi Ghat said, "Ever since I have bought the machine, my business has grown considerably. Most of my business comes from institutional clients – garments dealers, neighbourhood laundries, wedding decorators and caterers, mid-sized hotels, and pubs. He said that his retail (individual) business has slowed in the past five years as most people in Mumbai use washing machines. "I am also seeing business from hotels and hospitals falling for the past few years, as some of them have set up their own captive laundries," he added.

DHOBI GHAT FUN FACTS

Area – 2.47 acres | 735 cubicles

BMC rent for each cubicle: ₹ 300 per month

Despite the ease of using machines, many dhobis prefer to hand wash clothes (they believe it removes stains better and there is zero chance of lint).

In the rainy season, they use dryers for clothes – which in turn costs about Rs 20,000. Dryers were installed with most dhobis, even with the ones that did not own washing machines.

Wheel was the most popular consumer detergent brand.

More than 60% of their business was from institutional clients.

Like Nirmal, most cubicle owners at the ghat said that faster adoption of washing machines in metro cities have led to a fall in the retail business. They mostly receive heavily stained clothes and those for dry cleaning – for which they use special local bleach and some liquid chemical to remove stains.

However, premiumisation has overtaken Dhobi Ghat too. Most of the washers were using branded detergents (Wheel or Tide), not local detergents. They said that both branded and local detergents cost the same. However, most did not use matics or liquid detergents for washing clothes.

CASE STUDY: HUL's Ghatkopar community centre

IN 2016, HUL launched India's first urban-area-based water, hygiene, and sanitation community centre called Suvidha in Azad Nagar (Ghatkopar) – one of the largest slums in Mumbai. The purpose of this centre was to address the hygiene needs of people that reside in slums who might be facing challenges in doing daily household chores due to lack of infrastructure and facilities.

A visit to the Suvidha community centre revealed a laundry facility, drinking water machines, and bathing and toilet facilities – all at a low costs.

The centre comprised G+2 floors. On the ground floor was the laundry facility, water filter, and two toilets for specially-abled people. On the first and second floor there were 15 toilets and three bathing rooms (on each floor) – one floor each for men and women. Six employees were maintaining the facility and helping people to wash their clothes.

The laundry facility

- There were eight 7-kg fully-automatic front-load washing machines (Siemens) which used Surf Excel Matic powder and liquid to wash clothes.
- Customers had to put clothes in a bucket and leave the bucket for the helper (who generally took an hour to wash clothes).
- The centre charged Rs 55 per bucket and one bucket on an average carried five-six pairs of clothes. There was a monthly subscription available - Rs 650 per month, but customers could not do wash more than 15 buckets worth of clothes.
- The centre charged Rs 10 extra per bucket if customers wanted to use liquid detergents.
- On daily basis, 15-20 buckets (75-100 pairs of clothes) were washed, highlighting that the centre's washing-machine capacity remains heavily underutilised. The pricing seemed expensive. But one of the employees said that most customers were blue-collar workers (with both spouses working) full time, leaving limited time for household chores.

Overall, the Suvidha facility seemed like a good initiative by HUL (works on a self-sustaining model) where members are provided with modern facilities and premium products at a reasonable cost. Through this initiative, HUL was encouraging consumption of premium detergents and also fulfilling its CSR objective.

Mr. Rajnikant explained that premiumisation begins with consumers willing to spend more on what they perceive gives them superior value. In detergents, this is being driven by the market leader's initiatives to focus on innovation and solid communication of the product proposition (that matics and liquids are better than conventional detergents). Launch of access / low-unit packs in premium brands is also another tool to encourage customers to try out premium products.

Mr Rajnikant has close to 30 years of experience in the FMCG sector across various key functions. While he joined Jyothy Laboratories in October 2013, he was associated with the behemoth HUL for almost 25 years in sales and marketing roles.

We met Mr. Rajnikant Sabnavis, COO of Jyothy Laboratories, to understand the premiumisation theme playing out in the laundry detergent segment.

Q. How has been the journey so far in the detergent segment (specifically for the Henko brand) after Henkel's acquisition in 2012?

Henko has done very well for us and has been growing in double digits since the acquisition. Moreover, profits from the Henko brand have more than doubled since 2012. So far, Henko's distribution was largely restricted to Modern Trade. JLL has significantly increased the availability of Henko while re-launching the brand on the "care" platform. In order to enhance its reach in both GT and MT stores, Henko has been backing the Rs 10 SKU via higher A&P spends.

Q. What key headwinds might be restricting premiumisation in detergents from rising significantly?

Most households in a good part of semi-urban/rural areas and some parts of urban India continue to own semi-automatic machines (65% of the overall market). The rest mainly own automatic top-load machines. Majority of the customers who own semi-automatic machines use popular or mid-segment detergents. Only a small fraction of them use matics and liquids. The logic is quite straightforward – a semi-automatic machine costsing Rs 6-8,000 comes with an EMI of Rs 800-1,000 per month. For this consumer, a specialist premium matic powder (Rs 250 per kg) is a significant cost and therefore a disincentive.

However, increased awareness about using premium detergents for automatic machines for superior results (also keeping machine in good condition) is driving premiumisation in this segment. We could see a meaningful pick up in matics and liquids as customers shift towards using automatic front-load machines due to technological innovation, and scale driving down their cost. Right now, they sell at significant premiums to top load machines.

Q. What are companies doing to drive premiumisation?

Launch of access and Rs 10 LUP (low unit packs) for premium detergents turned the tables for the category. Lower and middle-income people started using premium detergent access packs for clothes to be worn on special occasions or office wear. They continue to prefer popular or mid-end detergents for everyday clothes. For Henko, salience of the Rs 10 SKU has increased to low-teens if one looks at volumes.

Apart from smaller SKUs, innovation and better product proposition is also driving premiumisation. For example, most customers have gradually started adopting liquid detergents today because apart from giving a better quality wash, they are priced at similar levels to matic detergent powders.

Q. What more can be done to strengthen premiumisation?

Liquid detergents (Rs 1- 2bn market) is a minuscule proportion of the overall detergent market (Rs 180-200bn), but like western countries, India is likely to shift towards liquid detergents and pods in the future. Apart from being environment friendly, these newer options also provide better quality of wash. It is also possible for branded consumer companies to create some moat around their offerings, as lot of value addition can be done in the form of adding let's say softening agents or fragrance, which is not possible in powder detergents. This value-add will be difficult for unorganized local and regional players to replicate.

I think liquid detergents can contribute 10-15% of the overall industry's sales in the next five years.

Q. We have seen lot of competition in the detergent segment historically. What are the challenges for smaller players for entering the liquid detergent segment?

The powder-detergent segment is a low capex business – that is why many small players are present in the popular segment of this category. As we move up the value chain, it will be difficult for these players to compete due to technological constraints (for liquid detergent) and higher capex requirements.

Capex for setting up a liquid-detergent plant is far higher than what is needed for a powder-detergent plant which is the biggest barrier for smaller players. This process increases the cost and time.

Q. Can you give us some brief margin profile for mass, mid, and premium detergents?

Popular detergents – which comprise a major chunk (I would say about 60% of the overall detergent category) have historically earned gross margins of 10-15%. However, demonetization and GST have ensured compliance among even small and regional players resulting in a simultaneous reduction in below the line promotions etc. Overall, gross margins have improved in popular detergents to 25% from 10-15% earlier after these two events.

For mid and premium detergents, gross margins are at 35-40%, while for matics, margins are higher at 40-45%.

Strong consumer inducement on matic detergent to encourage adoption and consumption results in gross margins being a tad lower. Once companies do away with offers, margins can move up quite a bit.

*Note: The margins talked about in the para above refer to JlI's experience in the market

Q. Recently, Jyothy launched Ujala IDD in Kerala; how has its performance been since its launch? Do you have any plans to take it outside Kerala?

Ujala IDD directly competes with HUL Sunlight and ever since it has launched, the product has received tremendous response from customers due to the better proposition. Ujala IDD has overtaken Sunlight in value terms in the mid-end of the market, and now holds the pole position. We intend to focus only in Kerala for the time being.

Q. How do you plan to participate in the post-wash market, which might become significant in medium term?

I believe that the fabric conditioner market stands at Rs 3.5bn. We have taken a different approach and do not intend to compete directly with the market leader, whose product mainly helps in softening clothes. Our product (Ujala Crisp and Shine) actually helps in making clothes crisper.

Q. We are seeing the entire consumer basket shifting towards natural products and new-age customers prefer products that are ESG (Environmental, Social, and Governance) compliant. What is your view on this? Will the detergent industry 'go natural'?

We are also working towards launching products that use less water, since this problem is likely to aggravate ahead. Simultaneously, we are ensuring our products are fully ESG compliant. We have already removed phosphate salts (the prime cause of marine pollution) from all our detergent products.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
IIP	7.1	7.4	7.1	4.6	4.8	3.8	7.0	6.5	4.7	4.5	8.4	0.5	2.4	-
PMI	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	-
Core sector	3.8	6.1	5.4	4.5	4.6	4.1	7.8	7.3	4.7	4.3	4.8	3.5	2.6	-
WPI	3.6	3.0	2.7	2.7	3.6	4.8	5.7	5.3	4.6	5.2	5.5	4.6	3.8	2.8
CPI	5.2	5.1	4.4	4.3	4.6	4.9	5.0	4.2	3.7	3.8	3.3	2.3	2.1	2.0
Money Supply	10.2	10.8	10.5	9.9	10.6	10.4	10.1	10.2	10.0	10.0	10.0	10.3	10.4	10.5
Deposit	3.2	4.3	5.3	6.1	8.1	7.5	7.4	7.7	8.0	7.8	8.4	8.8	8.8	9.3
Credit	9.8	10.4	10.4	10.5	12.1	12.4	12.4	12.2	12.7	12.6	14.0	14.6	14.7	14.0
Exports	12.4	9.1	4.5	-0.4	5.2	20.2	17.6	14.3	16.9	-2.2	17.9	0.8	0.4	3.7
Imports	21.1	26.1	10.4	7.9	4.6	14.9	21.3	28.8	25.4	10.5	17.6	4.3	-2.4	-2.4
Trade deficit (USD Bn)	41.1	64.6	25.8	31.2	3.6	5.6	28.1	57.4	49.4	48.9	22.2	10.4	-12.1	-12.1
Net FDI (USD Bn)	4.3	1.9	4.0	1.8	4.8	3.8	1.8	1.9	2.0	3.9	3.7	0.9	2.7	-
FII (USD Bn)	-0.4	3.5	-2.4	1.2	-3.0	-1.7	-4.2	4.6	-4.9	-2.1	-5.1	1.8	1.2	-
ECB (USD Bn)	1.3	0.5	3.1	5.1	3.9	1.3	2.7	2.2	4.8	1.7	1.4	2.1	3.8	-
Dollar-Rupee	63.9	63.6	64.4	65.0	65.7	67.6	67.8	68.7	69.6	72.3	73.6	71.8	70.7	70.7
FOREX Reserves (USD Bn)	409.4	417.8	420.6	424.4	420.4	412.8	406.1	404.2	400.1	400.5	392.1	393.7	393.4	398.2
NRI Deposits (USD Bn)	123.3	124.4	124.3	126.2	124.6	123.5	124.3	124.9	123.0	121.9	121.5	125.7	125.8	125.2

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Exports	77.4	73.1	76.1	77.5	82.2	83.4	83.4	83.4	83.1
Imports	107.1	115.1	108.5	121.6	123.8	129.1	133.4	133.4	132.6
Trade deficit	-29.7	-41.9	-32.5	-44.0	-41.6	-45.8	-50.0	-50.0	-49.5
Net Invisibles	26.3	27.0	25.5	30.3	28.6	29.8	30.9	30.9	32.6
CAD	-3.5	-15.0	-7.0	-13.7	-13.1	-15.9	-19.1	-19.1	-16.9
CAD (% of GDP)	0.6	2.5	1.1	2.0	1.9	2.4	2.9	2.9	2.5
Capital Account	10.4	26.9	16.9	22.5	25.0	5.4	16.3	16.7	13.6
BoP	7.3	11.4	9.5	9.4	13.2	-11.3	-1.9	-1.9	-4.3

GDP and its Components (YoY, %)	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Agriculture & allied activities	6.9	5.2	2.3	2.7	4.1	4.5	5.3	4.2	2.7
Industry	7.2	5.5	1.5	7.0	6.8	8.0	10.8	6.1	6.1
Mining & Quarrying	1.9	6.4	-0.7	7.1	-0.1	2.7	0.1	-2.1	1.3
Manufacturing	8.2	5.3	1.2	6.9	8.1	9.1	13.5	6.9	6.7
Electricity, Gas & Water Supply	7.4	6.1	7.0	7.7	6.1	7.7	7.3	8.7	8.2
Services	6.4	5.7	7.8	6.6	7.6	8.2	7.5	7.6	7.6
Construction	3.4	-3.7	2.0	2.8	6.8	11.5	8.7	8.5	9.6
Trade, Hotel, Transport and Communications	8.3	6.5	11.1	9.3	9.0	6.8	6.7	6.9	6.9
Finance, Insurance, Real-Estate & Business Services	3.3	2.2	6.4	6.4	6.7	5.0	6.5	7.2	7.3
Community, Social & Personal Services	10.3	17.0	9.5	5.6	7.2	13.3	9.9	8.7	7.6
GDP at FC	6.7	5.6	5.6	6.2	6.7	7.6	8.0	6.8	6.3

Annual Economic Indicators and Forecasts

Indicators	Units	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Real GDP/GVA growth	%	6.7	6	5.6	7.1	7.9	6.6	6.5	6.8	7	7.4
Agriculture	%	5	1.5	4.2	-0.2	0.7	4.9	3.4	2.7	3.5	3.5
Industry	%	6.7	5	4.5	6.5	10.2	7	5.5	7.2	7.4	7.8
Services	%	7.1	6.1	8.2	9.4	9.1	6.9	7.6	7.6	7.7	8.1
Real GDP	₹ Bn	52475	85992	90844	97190	104905	111854	119762	129258	138306	148541
Real GDP	US$ Bn	1096	1694	1581	1589	1603	1667	1858	1847	2004	2184
Nominal GDP	₹ Bn	87360	99466	112366	124451	136820	151837	167731	190540	211118	235333
Nominal GDP	US$ Bn	1824	1828	1859	2035	2090	2264	2603	2722	3060	3461
WPI (Average)	%	8.7	7.4	6	2	-2.5	3.7	2.9	3.7	3.0-3.5	3.7-4.2
CPI (Average)		8.3	10.2	9.5	6.4	4.9	4.5	3.6	3.5	3.2-3.7	3.4-3.9
Money Supply	%	15.8	13.6	13.5	12	10.3	7.3	9.6	10	10.5	10
CRR	%	4.75	4	4	4	4	4	4	4	4	4
Repo rate	%	8.5	7.5	8	7.5	6.75	6.25	6	6.25	5.75-6	5.5-5.75
Reverse repo rate	%	7.5	6.5	7	6.5	5.75	5.75	5.75	6	5.5-5.75	5.25-5.5
Bank Deposit growth	%	13.5	14.2	14.6	12.1	9.7	11.2	6.2	9	9.5	9
Bank Credit growth	%	17	14.1	13.5	12.5	10.7	4.7	9.8	14	15	13
Centre Fiscal Deficit	₹ Bn	5160	5209	5245	5107	5328	5343	5911	6344	7389	7766
Centre Fiscal Deficit	% of GDP	5.7	5.2	4.6	4.1	3.9	3.5	3.5	3.4	3.5	3.3
State Fiscal Deficit	% of GDP	1.9	2	2.2	2.6	3.6	3	3.5	3.2	3.3	3.2
Consolidated Fiscal Deficit	% of GDP	7.6	6.9	7.1	6.6	7.5	6.5	7	6.6	6.8	6.5
Exports	US$ Bn	309.8	306.6	318.6	316.7	266.4	280.1	309	335.2	350.3	339.8
YoY Growth	%	23.4	-1	3.9	-0.6	-15.9	5.2	10.3	8.5	4.5	-3
Imports	US$ Bn	499.5	502.2	466.2	460.9	396.4	392.6	469	518.3	523.4	502.5
YoY Growth	%	31.1	0.5	-7.2	-1.1	-14	-1	19.5	10.5	1	-4
Trade Balance	US$ Bn	-189.8	-195.6	-147.6	-144.2	-130.1	-112.4	-160	-183	-173.1	-162.7
Net Invisibles	US$ Bn	111.6	107.5	115.2	116.2	107.9	97.1	111.3	124.2	128	129.5
Current Account Deficit	US$ Bn	-78.2	-88.2	-32.4	-27.9	-22.2	-15.3	-48.7	-58.8	-45.1	-33.1
CAD (% of GDP)	%	-4.2	-4.7	-1.7	-1.4	-1.1	-0.7	-1.9	-2.2	-2.5	-1.5
Capital Account Balance	US$ Bn	67.8	89.3	48.8	90	41.1	36.5	91.4	60.5	83.5	53.5
Dollar-Rupee (Average)		47.9	54.4	60.5	61.2	65.5	67	64.5	70	68	67-68

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**₹**	**₹ bn**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**
Mahindra & Mahindra	Automobiles	645	1,144	539,684	610,549	80,413	94,024	45,489	54,149	38	46	8.6	19.0	16.8	14.1	2.3	2.1	0.0	0.0	13.6	14.5	12.5	13.5
Escorts	Automobiles	739	110	57,294	62,899	7,018	8,161	4,704	5,469	39	46	33.8	16.3	18.7	16.1	2.9	2.5	-0.3	-0.9	15.7	15.5	15.8	15.9
Tata Motors	Automobiles	214	821	3,125,033	3,335,842	351,017	472,026	58,758	119,527	18	37	-19.1	103.4	11.7	5.8	1.0	0.9	2.2	1.8	8.8	15.6	3.1	6.0
Bharat Forge	Automobiles	472	300	99,672	111,613	21,503	25,195	11,758	14,337	25	31	38.4	21.9	18.7	15.3	4.6	3.9	0.9	0.6	24.8	25.2	19.7	21.0
Bajaj Auto	Automobiles	2,984	779	299,639	347,319	51,068	57,707	43,597	49,090	151	170	6.3	12.6	19.8	17.6	4.0	3.5	-0.1	-0.1	20.1	19.7	20.3	20.1
Hero MotoCorp	Automobiles	2,512	651	342,014	392,192	53,107	61,903	36,353	41,266	182	207	-1.0	13.5	13.8	12.2	3.7	3.2	0.1	-0.0	26.9	26.2	26.9	26.6
Apollo Tyres	Automobiles	206	164	174,529	196,239	21,335	26,097	9,175	12,256	16	21	26.7	33.6	12.8	9.6	1.1	1.0	1.7	1.4	8.7	10.5	6.3	7.7
Mahindra CIE	Automobiles	228	96	66,676	71,194	7,709	8,084	3,470	3,774	9	10	-5.0	8.8	24.8	22.8	2.2	2.2	1.3	1.3	9.0	9.5	8.3	9.1
Ceat	Automobiles	1,054	57	71,118	81,223	8,795	10,568	4,590	5,500	113	135	71.7	19.8	9.3	7.8	1.5	1.3	1.9	2.3	15.5	16.1	13.1	11.9
Ramkrishna Forgings	Automobiles	506	22	17,085	20,243	3,691	4,419	1,548	2,001	48	61	63.7	29.2	10.7	8.2	1.8	1.5	1.5	1.3	17.1	18.2	17.2	17.3
Maruti Suzuki	Automobiles	6,666	2,775	871,682	988,167	129,782	155,251	84,225	106,272	279	352	9.1	26.2	23.9	18.9	4.3	3.7	0.0	-0.2	17.9	19.4	17.2	19.2
Ashok Leyland	Automobiles	87	348	277,692	308,982	31,449	36,619	19,075	22,839	7	8	21.1	19.7	13.3	11.1	2.9	2.3	0.3	-0.2	21.4	20.7	22.0	21.5
BHEL	Capital Goods	71	272	316,597	374,180	24,961	35,333	14,321	19,215	4	6	222.1	34.2	17.2	12.8	0.8	0.7	-2.2	-1.2	4.4	5.8	3.8	4.9
Larsen & Toubro	Capital Goods	1,349	1,805	1,381,876	1,583,230	179,137	197,182	86,775	92,608	65	69	24.8	6.5	20.9	19.6	3.4	3.1	6.3	6.1	16.4	15.6	6.9	6.7
VA Tech Wabag	Capital Goods	286	20	30,885	37,316	2,648	3,604	1,212	1,826	22	33	-11.9	50.7	12.9	8.6	1.3	1.1	1.2	0.2	9.9	13.3	6.9	9.4
CG Power & Industrial Solutions	Capital Goods	38	39	69,266	82,063	6,131	8,196	1,636	3,031	3	5	231.0	85.3	14.4	7.8	0.9	0.9	2.2	1.6	6.4	11.0	6.3	9.1
GE T&D	Capital Goods	255	72	45,500	44,435	4,091	4,340	2,354	2,685	9	10	-3.3	14.1	27.7	24.3	4.8	4.2	-1.5	-2.1	17.3	17.1	21.6	20.9
Voltas	Capital Goods	603	190	75,214	87,202	7,840	9,490	5,988	7,132	18	22	8.1	19.1	33.3	28.0	4.6	4.1	-0.2	-0.5	13.8	14.6	14.5	15.5
Bharat Electronics	Capital Goods	87	289	118,111	133,929	23,790	27,354	15,461	17,584	6	7	5.1	13.7	13.7	12.1	2.4	2.2	-0.9	-0.7	17.7	18.0	16.0	16.4
Engineers India	Capital Goods	112	86	24,509	32,944	3,917	4,973	3,637	4,396	6	7	6.7	20.9	19.4	16.0	3.0	2.8	-7.8	-6.2	15.6	17.5	18.2	20.8
KEC International	Capital Goods	286	84	117,933	136,874	12,090	13,767	5,355	5,980	21	23	13.3	11.7	13.7	12.3	3.0	2.5	2.4	2.3	21.7	20.1	14.4	12.4
Cummins India	Capital Goods	727	194	56,963	64,109	9,180	10,112	7,867	8,580	28	31	11.0	9.1	25.6	23.5	4.7	4.4	-0.6	-0.7	18.4	18.7	17.3	18.0

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Siemens	Capital Goods	1,173	361	126,399	126,099	12,309	12,719	8,391	9,035	24	25	21.7	7.7	49.8	46.2	5.0	4.1	-2.9	-4.5	10.1	8.8	9.8	33.0
ABB India	Capital Goods	1,479	256	108,383	116,357	9,397	10,884	5,460	6,372	26	30	31.7	16.7	57.4	49.2	7.8	6.9	-1.1	-1.4	13.5	14.0	12.8	13.7
Thermax	Capital Goods	975	137	54,849	69,746	5,000	6,651	3,316	4,365	28	37	42.8	31.6	35.0	26.6	3.9	3.5	0.2	-0.1	11.2	13.2	10.6	12.5
Cochin Shipyard	Capital Goods	377	322	29,431	27,875	5,776	4,880	4,709	3,864	36	29	20.3	-17.9	10.5	12.8	1.5	1.4	-4.9	-4.3	14.1	10.9	12.8	10.2
Hindustan Aeronautics	Capital Goods	668	171	182,158	202,808	25,081	27,685	15,225	19,079	46	57	-26.5	25.3	14.7	11.7	1.8	1.6	-5.8	-5.7	12.0	13.9	7.8	9.2
Bharat Dynamics	Capital Goods	278	69	45,178	36,630	7,470	5,824	5,443	4,686	30	26	-7.0	-13.9	9.4	10.9	2.2	2.0	-1.9	-3.4	23.6	18.0	19.6	15.4
India Cement	Cement	107	36	56,402	62,467	6,789	8,661	497	1,805	2	6	-25.2	263.1	66.4	18.3	0.6	0.6	4.7	3.9	1.0	3.5	2.7	4.0
JK Lakshmi Cement	Cement	372	38	37,739	41,810	5,387	7,558	1,062	2,870	9	24	102.3	170.3	41.2	15.2	2.9	2.5	3.7	2.1	7.0	16.5	7.6	11.7
JK Cement	Cement	903	53	48,918	51,024	8,089	8,492	2,691	2,335	38	33	-11.1	-13.2	23.5	27.1	3.0	2.9	3.2	4.4	12.7	10.5	8.3	7.2
Sanghi Cement	Cement	61	24	11,210	13,050	2,507	3,227	483	597	2	2	-25.0	23.4	31.8	25.8	0.9	0.9	5.5	4.6	3.0	3.5	4.8	4.7
Star Cement	Cement	105	48	18,402	20,748	5,098	5,459	3,068	3,220	7	8	16.3	5.0	14.3	13.6	2.4	2.1	1.1	1.2	17.1	15.2	14.9	13.5
Mangalam Cement	Cement	283	7	10,765	11,339	1,027	1,423	222	482	8	18	95.0	117.3	34.0	15.6	1.3	1.3	3.0	1.7	4.0	8.1	5.5	7.8
Dalmia Bharat	Cement	2,438	239	92,979	101,813	23,856	25,127	5,849	6,711	66	75	9.2	14.7	37.2	32.4	3.3	3.0	1.9	2.2	8.9	9.3	7.6	6.5
Ambuja Cement	Cement	221	449	267,822	283,283	42,805	49,261	17,375	20,725	9	10	41.4	19.3	25.2	21.1	2.1	2.0	-1.3	-1.1	8.3	9.4	8.4	9.7
Ultratech Cement	Cement	4,617	1,148	390,413	497,438	73,031	95,461	29,101	43,593	106	151	13.2	42.5	43.6	30.6	4.4	3.5	1.6	1.6	10.1	11.4	7.9	9.5
HeidelbergCement India	Cement	182	36	21,394	22,447	3,943	4,302	1,857	2,206	8	10	39.4	18.8	22.3	18.7	3.4	2.8	-0.1	-0.8	15.1	15.2	11.4	11.9
ACC	Cement	1,632	287	147,483	158,128	19,659	24,035	12,118	14,545	64	77	30.8	20.0	25.3	21.1	3.1	3.0	-1.5	-1.1	12.4	14.1	10.6	12.9
Shree Cement	Cement	19,790	606	119,963	147,398	28,024	33,991	13,117	15,581	377	447	-5.2	18.8	52.6	44.2	6.9	6.1	-0.8	-1.0	13.1	13.7	11.6	12.6
ICICI Bank	Banks	408	1,960	256	306	223	262	87	135	14	21	28.1	54.7	30.2	19.5	2.4	2.2	8.8	7.5	8.1	11.7	1.0	1.4
State Bank of India	Banks	310	2,667	865,140	1,008,337	594,257	692,955	69,410	303,369	8	33	-206.0	323.5	39.9	9.4	1.4	1.2	0.0	0.0	3.5	14.0	0.2	0.9
Bank of Baroda	Banks	117	395	182,743	222,890	133,603	169,687	24,663	82,427	8	28	-191.2	234.2	14.0	4.2	0.7	0.6	0.0	0.0	5.6	16.1	0.3	1.0
Punjab National Bank	Banks	85	243	167,584	211,645	96,986	118,933	-11,529	27,533	-3	8	-92.3	-338.8	-24.8	10.4	0.6	0.6	0.0	0.0	-2.9	6.5	-0.2	0.3

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Canara Bank	Banks	260	213	138,482	169,710	96,973	117,022	-11,060	-3,069	-12	-3	-38.4	-72.3	-22.1	-79.7	0.6	0.6	0.0	0.0	-3.0	-0.8	-0.2	-0.0
HDFC Limited	Banks	1,995	3,339	133,590	153,879	162,341	163,131	90,437	103,709	62	61	-14.3	-2.6	32.1	32.9	4.7	4.3	0.0	0.0	13.4	13.6	2.2	2.2
AXIS Bank	Banks	767	1,475	215,460	258,215	179,754	213,628	35,226	92,340	13	35	-12.6	160.8	57.1	21.9	3.0	2.7	0.0	0.0	5.4	13.0	0.5	1.2
Indian Bank	Banks	252	175	74,915	89,708	55,390	67,486	12,679	28,311	26	59	0.7	123.3	9.6	4.3	0.7	0.6	0.0	0.0	7.8	15.8	0.5	0.9
HDFC Bank	Banks	2,317	5,526	467,627	567,826	381,497	463,872	209,779	252,696	78	93	15.1	20.5	29.9	24.8	4.3	3.8	0.0	0.0	16.6	16.2	1.9	1.9
Indusind Bank	Banks	1,607	1,210	93,670	117,349	82,604	102,087	45,412	56,456	76	94	25.9	24.3	21.2	17.1	3.5	3.0	0.0	0.0	17.6	18.7	1.9	1.9
DCB Bank	Banks	212	50	11,776	14,972	6,338	8,648	3,034	4,165	10	12	23.7	25.9	21.6	17.1	2.1	1.7	0.0	0.0	10.2	11.5	0.9	1.0
Union Bank	Banks	84	103	108,547	124,228	76,712	88,209	-5,826	12,423	-3	7	-92.8	-313.2	-25.7	12.1	0.5	0.5	0.0	0.0	-2.3	4.5	-0.1	0.2
Oriental Bank of Commerce	Banks	97	52	48,359	57,178	40,944	47,279	-2,482	5,452	-3	6	-96.9	-319.6	-33.7	15.4	0.6	0.6	0.0	0.0	-2.1	3.9	-0.1	0.2
Kotak Mahindra Bank	Banks	1,387	2,496	113,145	142,486	88,783	113,721	50,518	66,508	27	35	23.2	31.7	52.3	39.7	6.2	5.4	0.0	0.0	12.7	14.6	1.7	1.9
Britannia	FMCG	2,896	767	110,585	124,596	17,925	21,014	11,532	12,983	96	108	14.8	12.6	30.2	26.8	8.3	6.9	-0.2	-0.5	27.5	25.6	30.3	28.7
Jubilant Foodworks	FMCG	1,329	191	35,708	41,123	6,030	7,672	3,197	4,216	24	32	54.9	31.9	54.8	41.6	13.4	10.6	-0.6	-1.0	24.4	25.4	26.8	28.1
ITC	FMCG	301	3,716	441,878	485,353	173,818	193,139	120,045	133,156	10	11	11.0	10.9	30.7	27.7	6.8	6.3	-0.2	-0.3	22.0	22.8	21.9	22.8
Hindustan Unilever	FMCG	1,758	3,810	339,260	390,450	72,760	85,178	52,990	61,361	25	28	44.9	15.8	71.6	61.9	53.7	47.3	-0.4	-0.5	74.9	76.4	65.5	68.0
Colgate	FMCG	1,208	305	45,971	50,504	12,867	14,239	7,705	8,540	28	31	12.5	10.8	42.7	38.5	21.8	22.7	-0.4	-0.3	51.0	59.0	46.8	55.6
Glaxo Smithkline Consumer	FMCG	7,278	286	40,970	45,852	8,834	11,248	7,001	8,968	166	213	6.6	28.1	43.7	34.1	8.8	7.7	-4.0	-3.6	20.1	22.7	20.0	23.0
Titan Company	FMCG	1,159	812	187,944	222,178	21,305	26,807	14,521	18,358	16	21	15.7	26.4	70.8	56.0	16.5	13.7	-0.6	-0.9	23.3	24.4	26.4	27.8
Asian Paints	FMCG	1,463	1,354	194,454	222,789	35,692	42,888	21,940	26,680	23	28	11.4	21.6	64.0	52.6	15.0	13.4	0.1	-0.0	23.5	25.5	22.6	24.7
Godrej Consumer Products	FMCG	652	905	109,334	121,084	22,017	24,799	15,159	17,466	15	17	4.2	15.2	43.9	38.1	9.8	9.1	0.6	0.4	22.3	23.9	17.1	18.2
Emami	FMCG	387	258	28,004	31,378	7,791	8,789	3,450	4,255	8	9	12.3	23.3	50.9	41.3	8.2	8.0	-0.1	-0.4	16.1	19.5	16.8	19.4
Agro Tech Foods	FMCG	580	16	8,709	9,562	703	800	347	404	14	17	9.6	16.6	40.7	34.9	3.8	3.5	-0.7	-1.0	9.4	10.0	9.8	10.5
Marico Industries	FMCG	359	453	75,189	84,100	12,946	15,342	9,411	11,181	7	9	15.5	18.8	49.3	41.5	16.5	14.6	0.1	-0.1	33.5	35.2	34.7	36.9

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Dabur India	FMCG	398	771	87,538	98,860	18,063	20,703	14,757	17,023	8	10	7.5	15.4	47.6	41.3	12.8	10.9	0.5	0.0	26.9	26.4	24.9	27.1
Bajaj Corp	FMCG	389	61	8,670	9,452	2,608	2,834	2,142	2,033	15	14	1.5	-5.1	26.8	28.2	11.6	11.4	0.0	0.0	43.3	40.4	42.4	39.8
Parag Milk Foods	FMCG	242	26	22,366	26,335	2,395	2,999	1,168	1,581	14	19	48.7	35.3	17.4	12.9	2.5	2.1	0.7	0.3	14.1	16.2	18.1	20.0
Nestle	FMCG	10,905	996	112,792	126,945	27,730	31,700	16,594	19,383	172	201	35.4	16.8	63.4	54.2	27.6	24.5	-0.8	-1.0	43.6	45.2	28.5	29.6
Thangamayil	FMCG	317	6	15,937	19,151	725	969	312	444	23	32	36.3	42.4	14.0	9.8	2.3	1.9	2.0	1.7	16.1	19.3	23.5	27.5
Sadbhav Engineering	Infrastructure	237	49	39,958	47,949	4,595	5,514	2,748	2,555	16	15	24.5	-7.0	14.8	15.9	1.9	1.7	2.9	2.4	12.9	10.8	9.9	8.8
KNR Construction	Infrastructure	240	33	20,012	26,016	3,702	4,293	2,092	1,881	15	13	-23.1	-10.1	16.1	17.9	2.5	2.2	0.6	0.6	16.6	12.9	15.1	11.9
IRB Infrastructure	Infrastructure	122	69	69,265	71,725	33,393	29,094	8,818	5,631	25	16	11.2	-36.1	4.9	7.6	0.7	0.6	4.2	5.3	13.7	8.2	4.8	3.8
Ahluwalia Contracts	Infrastructure	326	21	19,759	23,711	2,618	3,142	1,515	1,852	23	28	31.3	22.2	14.4	11.8	2.8	2.3	-0.4	-0.4	21.8	21.5	22.1	21.8
PNC Infratech	Infrastructure	151	40	27,849	37,596	4,038	5,376	2,440	2,538	10	10	-2.8	4.0	15.9	15.3	1.9	1.7	1.3	1.5	12.7	11.8	12.1	11.0
Adani Ports & SEZ	Infrastructure	393	829	112,389	126,480	73,751	84,840	45,107	49,167	22	24	9.0	9.0	18.0	16.5	3.4	2.9	2.3	1.8	18.7	17.2	9.7	11.9
NCC	Infrastructure	99	55	115,658	138,789	13,011	15,267	5,630	6,661	9	11	55.8	18.3	10.6	8.9	1.3	1.1	1.5	1.4	11.9	12.5	13.2	13.6
ITD Cementation	Infrastructure	124	23	33,026	n.a.	3,633	n.a.	1,423	n.a.	8		-2.4	-	14.9	-	1.7	-	1.5	-	11.6		11.8	-
Ashoka Buildcon	Infrastructure	124	41	32,072	41,694	4,169	5,212	2,581	2,529	9	9	8.9	-2.0	13.5	13.8	1.5	1.4	1.1	1.4	11.2	9.9	12.4	10.9
Tata Consultancy	IT Services	2,260	7,578	1,453,554	1,635,178	398,821	451,312	309,293	346,343	82	92	21.9	12.0	27.4	24.5	10.0	8.0	0.0	-0.1	36.3	32.9	34.6	35.2
Infosys Technologies	IT Services	751	2,977	819,541	911,492	214,604	241,069	164,759	183,030	38	42	12.3	11.1	19.8	17.9	5.0	4.5	-1.5	-1.6	25.5	25.0	25.2	26.4
Wipro	IT Services	299	1,259	570,529	613,718	119,394	129,910	89,507	99,368	20	22	6.3	11.0	15.0	13.5	2.4	2.1	0.4	0.2	16.2	15.8	15.7	15.4
HCL Technologies	IT Services	1,183	1,343	592,332	659,799	139,539	156,417	98,613	106,961	73	79	15.0	8.5	16.3	15.0	3.9	3.3	0.2	0.1	24.0	22.0	23.4	21.6
Tech Mahindra	IT Services	836	649	341,217	368,645	59,868	63,272	39,556	41,204	45	47	3.5	4.1	18.7	17.9	3.7	3.3	-0.2	-0.4	20.0	18.5	14.7	14.3
L&T Infotech	IT Services	1,717	296	91,020	105,107	16,970	19,403	13,838	16,169	81	95	19.2	16.8	21.2	18.1	6.7	5.4	-0.3	-0.5	31.8	29.6	30.9	30.2
L&T Technology Services	IT Services	1,737	146	49,156	57,493	8,644	10,358	7,091	7,984	70	79	40.0	12.6	24.9	22.1	8.1	6.4	0.1	-0.0	32.7	29.0	31.8	29.5
Mindtree	IT Services	981	157	68,009	77,605	10,438	12,181	7,269	8,330	44	51	27.5	14.6	22.1	19.3	5.0	4.2	-0.4	-0.7	22.4	21.8	24.3	23.5

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Cyient Limited	IT Services	590	78	47,287	54,837	6,871	8,146	5,054	6,209	45	55	17.8	22.9	13.1	10.7	2.4	2.1	-1.3	-1.5	18.5	19.4	18.3	19.1
Persistent Systems	IT Services	636	67	34,109	37,351	5,806	6,351	3,670	4,159	46	52	13.6	13.3	13.9	12.2	2.2	1.9	-0.2	-0.4	15.6	15.7	15.2	15.6
NIIT Technologies	IT Services	1,294	79	36,169	41,785	6,353	7,390	4,136	4,754	68	78	47.6	14.9	19.1	16.7	4.0	3.4	-1.2	-1.6	20.9	20.3	20.9	20.8
Intellect Design Arena	IT Services	227	26	14,165	16,996	1,292	1,683	1,141	1,023	9	8	133.8	-10.4	26.1	29.2	3.3	3.0	1.1	1.5	-	-	7.9	9.5
Majesco	IT Services	524	15	9,629	11,278	673	999	518	679	18	24		31.2	28.6	21.8	2.4	2.2	-1.0	-1.1	8.5	10.0	8.0	8.4
Praj Inds.	Logistics	137	15	10,794	13,303	886	1,658	602	1,168	3	7	100.1	93.9	40.7	21.0	3.3	2.9	-1.3	-1.2	8.0	14.0	8.0	14.3
Pennar Inds.	Logistics	36	6	20,698	23,096	1,742	2,203	623	840	5	7	8.5	34.9	6.9	5.1	0.7	0.6	1.5	1.3	9.7	11.9	12.7	14.6
Indo Count Industries	Logistics	41	17	20,304	22,768	2,395	3,005	1,163	1,456	6	7	-7.1	25.1	7.0	5.6	0.8	0.7	1.5	1.5	11.2	12.5	10.7	12.1
KDDL	Logistics	466	5	5,709	6,741	527	675	166	228	15	21	-3.7	38.0	30.5	22.1	3.6	3.2	3.0	2.7	11.7	14.6	8.3	10.0
Gateway Distriparks	Logistics	134	19	4,297	4,595	830	938	1,015	1,179	9	11	22.1	16.2	14.3	12.3	1.4	1.4	1.2	0.9	9.9	11.4	9.9	11.3
Container Corp Of India	Logistics	493	313	66,658	81,640	14,790	18,617	12,200	15,512	25	32	16.3	27.1	19.7	15.5	2.4	2.2	-1.5	-1.4	12.1	14.4	12.1	14.5
Navkar	Logistics	34	20	4,731	6,125	1,485	1,990	585	984	4	7	-42.0	68.2	8.6	5.1	0.3	0.3	2.7	1.7	3.2	5.1	3.7	5.0
Allcargo Logistics	Logistics	108	31	67,405	74,358	4,462	5,346	2,154	2,856	9	12	20.9	32.6	12.3	9.3	1.3	1.2	0.5	0.2	10.3	12.5	9.8	11.9
VRL Logistics	Midcap	271	31	21,203	23,774	2,366	3,057	940	1,256	10	14	1.5	33.6	26.1	19.5	3.8	3.4	0.8	0.7	14.7	17.4	12.0	14.0
V-Guard Industries	Midcap	218	90	26,496	30,405	2,362	2,975	1,704	2,152	4	5	28.0	26.3	54.4	43.1	10.9	9.1	-0.1	-0.2	20.0	21.2	20.7	22.1
Bajaj Electricals	Midcap	572	62	67,398	77,716	4,392	6,092	2,299	3,235	23	32	33.0	40.7	25.2	17.9	5.7	4.5	2.6	2.1	22.8	25.2	15.2	16.7
Finolex Cables	Midcap	440	94	n.a.	n.a.	-26,639	-29,690	-27,503	-30,799	-180	-201	-867.8	12.0	-2.4	-2.2	2.7	2.4	0.0	0.1	-110.8	-109.5	-114.3	-113.4
Havells India	Midcap	775	400	100,219	114,610	16,582	19,881	12,313	14,469	20	23	22.1	17.5	39.3	33.5	11.5	10.1	-0.2	-0.2	29.3	30.2	27.9	29.3
Indiabulls Housing Finance	NBFC	695	586	53,594	63,661	63,889	74,924	42,676	52,362	100	123	18.9	22.7	7.0	5.7	2.0	1.7	0.0	0.0	30.3	32.4	3.0	3.1
Muthoot Finance	NBFC	597	165	44,850	49,935	30,347	33,911	18,668	20,858	47	52	8.5	11.7	12.8	11.5	2.6	2.2	0.0	0.0	22.1	21.0	5.4	5.5
Shriram City Union Finance	NBFC	1,652	128	37,000	40,510	23,443	25,483	8,999	9,585	136	145	35.4	6.5	12.1	11.4	1.8	1.6	0.0	0.0	15.3	14.5	2.9	2.8
Cholamandalam Investment and Finance	NBFC	1,389	224	36,815	44,543	21,704	25,845	11,047	13,104	71	80	13.4	13.2	19.7	17.4	3.6	2.6	0.0	0.0	19.7	17.7	2.5	2.5

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Shriram Transport Finance	NBFC	1,111	325	74,407	83,540	58,499	65,026	22,676	27,043	100	119	53.7	19.3	11.1	9.3	1.7	1.5	0.0	0.0	16.7	17.1	2.4	2.5
LIC Housing Finance	NBFC	497	272	38,520	44,281	33,649	38,672	21,941	24,931	43	49	10.3	13.6	11.4	10.1	1.6	1.4	0.0	0.0	15.6	15.2	1.2	1.3
Repco Home Finance	NBFC	417	38	4,647	5,178	4,036	4,461	2,263	2,561	36	41	8.9	13.2	11.6	10.2	1.7	1.5	0.0	0.0	15.8	15.5	2.2	2.2
Dewan Housing Finance	NBFC	135	196	21,225	23,924	18,188	20,488	10,849	12,118	35	39	-7.4	11.7	3.9	3.5	0.4	0.4	0.0	0.0	11.7	11.8	1.1	1.2
Mahindra & Mahindra Finance	NBFC	401	312	45,153	51,332	30,778	34,922	13,535	16,084	22	26	59.3	18.8	18.2	15.3	2.3	2.1	0.0	0.0	13.6	14.3	2.3	2.4
Manappuram Finance	NBFC	118	95	23,080	26,452	12,737	14,981	7,997	9,410	9	11	14.2	17.7	12.4	10.6	2.2	1.9	0.0	0.0	19.3	19.4	4.9	4.9
Magma Fincorp	NBFC	125	40	13,261	14,466	7,229	7,952	3,343	3,801	12	14	27.7	13.7	10.0	8.8	1.2	1.1	0.0	0.0	13.3	13.2	2.4	2.5
Ipca Laboratories	Pharma	953	97	36,299	42,411	6,786	8,187	4,299	5,381	34	43	79.9	25.2	27.7	22.2	3.8	3.3	0.3	-0.2	13.9	14.8	11.7	13.1
Aurobindo Pharma	Pharma	819	365	189,052	216,697	39,512	47,673	24,087	29,690	41	51	-1.1	23.3	19.8	16.1	3.4	2.8	0.8	0.3	17.2	17.7	17.5	18.7
Divi's Laboratories	Pharma	1,747	320	46,815	55,270	17,321	20,450	12,066	14,198	45	53	42.1	17.7	38.4	32.7	6.8	5.9	-0.0	-0.1	17.7	17.9	-	-
Cadila Healthcare	Pharma	325	386	122,342	136,026	26,981	30,971	17,422	20,278	17	20	-1.5	16.4	19.1	16.4	3.2	2.7	1.1	0.6	15.9	15.5	11.3	12.0
Sun Pharma	Pharma	458	105	304,948	352,607	71,190	88,400	44,636	59,037	19	25	2.9	32.3	15.8	18.6	0.0	2.3	1.5	-0.6	10.6	12.3	8.8	10.4
Cipla	Pharma	565	516	16,488	18,687	4,204	5,045	1,548	2,031	19	25	5.2	31.2	29.3	22.3	2.9	2.6	0.5	0.1	17.4	19.2	-	-
Lupin	Pharma	872	401	161,691	181,374	28,092	35,197	10,798	15,881	24	35	-20.1	47.1	36.5	24.8	2.8	2.6	2.1	1.5	7.5	10.2	-	-
Glenmark Pharma	Pharma	638	169	96,271	107,869	17,990	21,327	8,445	10,865	30	39	8.8	28.7	21.3	16.6	2.8	2.4	1.7	1.3	13.3	14.7	9.6	11.0
Dr Reddy's Labs.	Pharma	2,934	378	154,350	174,370	30,870	37,664	16,187	21,627	95	127	59.9	33.6	30.9	23.1	3.6	3.2	1.3	0.8	11.7	13.8	7.2	8.9
Biocon	Pharma	594	351	54,227	70,124	12,589	19,028	6,703	11,400	11	19	131.7	70.1	53.1	31.2	6.2	5.2	0.9	0.3	11.2	16.2	11.1	16.1
SRF	Spec Chem	2,568	100	72,923	82,582	13,491	16,351	6,473	8,216	113	143	55.8	26.9	22.8	17.9	3.6	3.0	2.2	1.7	15.7	16.9	10.0	11.0
Meghmani Organics	Spec Chem	66	24	20,700	24,955	4,492	5,690	2,121	2,705	8	11	23.0	27.5	7.9	6.2	1.4	1.2	1.3	0.7	18.2	19.0	14.8	15.5
Camlin Fine Sciences	Spec Chem	46	11	8,561	12,182	805	2,010	82	935	1	8	-126.9	1,044.7	68.0	5.9	1.5	1.2	5.5	1.8	3.9	22.3	-	-
Aarti Industries	Spec Chem	1,623	103	48,399	56,591	9,196	10,809	4,694	5,846	58	72	41.0	24.5	28.1	22.6	6.5	5.1	2.3	2.1	23.8	23.1	-	-
Vinati Organics	Spec Chem	1,802	51	10,075	14,538	3,566	4,803	2,392	3,181	47	62	76.2	33.0	38.7	29.1	9.1	7.0	1.1	0.6	23.6	23.9	-	-
Atul	Spec Chem	3,427	87	40,437	44,621	7,400	8,300	4,519	5,067	152	171	60.7	12.1	22.5	20.1	3.8	3.3	-0.5	-1.0	16.8	16.1	-	-

Source: PhillipCapital India Research Estimates

Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may or may not match or may be contrary at times with the views, estimates, rating, target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd. which is regulated by SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only and neither the information contained herein nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment or derivatives. The information and opinions contained in the Report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication to future performance.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax and financial advisors and reach their own regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members does not own the stock(s) covered in this research report.

Independence: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd is not a market maker in the securities mentioned in this research report, although it or its affiliates may hold either long or short positions in such securities. PhillipCapital (India) Pvt. Ltd does not hold more than 1% of the shares of the company(ies) covered in this report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. Investment in securities market are subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading/investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. PhillipCapital and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third party trading/investment advice outside PhillipCapital/group/associates/affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PhillipCapital and any of its employees, directors, associates, and/or employees, directors, associates of PhillipCapital's group entities or affiliates is not inducing you for trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing.

Kindly note that past performance is not necessarily a guide to future performance.

For Detailed Disclaimer: Please visit our website www.phillipcapital.in

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is a product of PhillipCapital (India) Pvt. Ltd. which is the employer of the research analyst(s) who has prepared the research report. PhillipCapital (India) Pvt Ltd. is authorized to engage in securities activities in India. PHILLIPCAP is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not a Major Institutional Investor.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc, 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through PHILLIPCAP. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither PHILLIPCAP nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

PHILLIPCAP may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of PHILLIPCAP.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by PHILLIPCAP with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of PHILLIPCAP and PHILLIPCAP accepts no liability whatsoever for the actions of third parties in this respect.

PhillipCapital (India) Pvt. Ltd.

Registered office: 18th floor, Urmi Estate, Ganpatrao Kadam Marg, Lower Parel (West), Mumbai – 400013, India.