

CMP: ₹ 530

Target: ₹ 675 (27%)

Target Period: 12 months

BUY

May 5, 2023

Inferior product mix, currency impact margins...

About the stock: Dabur India (DIL) is one of the biggest FMCG companies with a presence in Ayurveda based products across categories. The company has substantial market share in health supplement, OTC & Ethical products, oral care, hair care, home care & juices.

- The company has a total distribution reach of 7.7 million retail outlets with direct reach of 1.4 million outlets. It plans to increase direct distribution to 1.5 million outlets. Dabur also derives ~50% of its sales through rural regions with a presence in 100,000 villages

Q4FY23 Results: Dabur reported 6.4% sales growth led entirely by pricing growth.

- Domestic sale was up 4.7% YoY, led by strong growth in food & beverages
- EBITDA was at ₹ 409.8 crore, down 9.6% YoY, with margins at 15.3%
- Consequent adjusted PAT was down 22.8% at ₹ 292.8 crore

What should investors do? Dabur's share price has given 44% return in the last five years (from ₹ 366 in April 2018 to 529 in April 2023).

- Currency headwind in the international business & normalise sales of health supplement in post Covid period adversely impacting margins
- We continue to maintain our **BUY** rating on the stock

Target Price and Valuation: We value the stock at ₹ 675 on ascribing 52x FY25 earnings multiple.

Key triggers for future price performance:

- The decline in commodity prices would help improve the rural demand scenario. The company would increase advertisement spend to support new products communication in turn volume growth
- The company is targeting doubling sales of food & beverage category to ₹ 4000 crore in the next five years through extension of existing brands in fruit drinks, homemade & acquired Badshah brand. The company would be entering fizz space in beverage category
- Rural distribution expanded to 1 lakh villages. Increasing direct distribution reach & e-commerce presence to support under-penetrated categories

Alternate Stock Idea: We also like TCPL in our FMCG coverage.

- Strong innovation & premiumisation strategy in salt, tea, Sampann & Soulful in India market expected to drive sales & margins
- We value the stock at ₹ 980 on ascribing 55x FY24 earnings multiple.



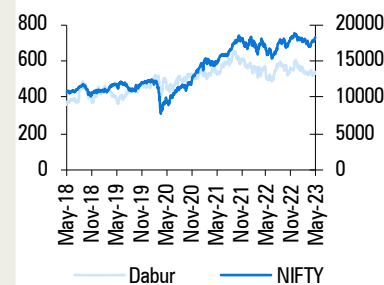
Particulars

| Particular (₹ crore) | Amount |
|-----------------------------|-----------|
| Market Capitalization | 93,744.7 |
| Total Debt (FY23) | 1,173.8 |
| Cash and Investments (FY23) | 6,583.3 |
| EV | 88,335.1 |
| 52 week H/L (₹) | 610 / 482 |
| Equity capital | 176.6 |
| Face value (₹) | 1.0 |

Shareholding pattern

| (in %) | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|----------|--------|--------|--------|--------|
| Promoter | 67.2 | 67.2 | 66.2 | 66.2 |
| FII | 20.2 | 20.2 | 19.7 | 19.7 |
| DII | 4.0 | 6.7 | 7.6 | 8.3 |
| Others | 8.5 | 5.8 | 6.5 | 5.7 |

Price Chart



Recent event & key risks

- Beverage has seen strong 30% growth in FY23 supported by new fruit drinks category
- Key Risk:** (i) Incessant inflation in crude & related commodities (ii) Slower than expected pick-up in rural demand

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Key Financial Summary

| Key Financials | FY21 | FY22 | FY23 | 5 Year CAGR | | | CAGR (FY23-25E) |
|-----------------|--------|---------|---------|-------------|---------|---------|-----------------|
| | | | | (FY17-23) | FY24E | FY25E | |
| Net Sales | 9561.7 | 10888.7 | 11529.9 | 8.3 | 12729.0 | 14113.9 | 10.6 |
| EBITDA | 2002.7 | 2253.8 | 2164.1 | 7.5 | 2504.8 | 2864.1 | 15.0 |
| EBITDA Margin % | 20.9 | 20.7 | 18.8 | | 19.7 | 20.3 | |
| Net Profit | 1694.9 | 1742.3 | 1701.3 | 5.9 | 2007.8 | 2286.4 | 15.9 |
| EPS (₹) | 9.6 | 9.9 | 9.6 | 5.7 | 11.3 | 12.9 | 15.9 |
| P/E | 55.3 | 53.8 | 55.2 | | 46.8 | 41.1 | |
| RoNW % | 22.1 | 20.8 | 19.0 | | 20.4 | 21.3 | |
| RoCE (%) | 24.5 | 24.9 | 21.3 | | 23.0 | 24.4 | |

Source: Company, ICICI Direct Research

Key takeaways of recent quarter

Q4FY23 Results: High base of health supplement & currency headwinds in international market was spoiler

- Dabur witnessed revenue growth of 6.4% to ₹ 2677.8 crore led by 4.7% growth in domestic business and 1.4% international sales growth. However, after consolidation of acquired Badshah masala business, subsidiary sales growth was 10.9%. Consolidated sales without acquisition was 4%
- Commodity price inflation during the quarter was 6% and the company has taken price hike to the tune of 6%. Considering 4% sales growth (without acquisition), volume would have de-grown by 2%
- Health Supplement (Chyawanprash, Honey) saw sales decline 3.3% during the quarter mainly due to high base. On a three-year CAGR basis, the business has grown at 8.1%. Digestive business witnessed growth of 5.6%, on a three-year CAGR basis, this business also saw 8.6% growth. OTC & Ethical business sales were flat & on a three-year CAGR basis, the business grew at a rate of 13.6%
- Chyawanprash sales declined 30% from ₹ 90 crore to ₹60 crore in Q4FY23. However, honey saw 6% sales growth. The growth in these categories was impacted by high base of Covid
- The Ex-CEO of Himalaya has joined the company. He is forming a new strategy for the health supplement vertical. It would be focusing on allopathic doctor's advocacy and the company has set- a target of ₹ 200 crore with dedicated team of 450 people
- In Home & Personal care category, home care brands saw 10.3% growth with three-year CAGR of 15%. Oral care sales saw 3% sales decline whereas three-year CAGR was 12%. Hair care sales growth was flat (three-year CAGR 8.5%), Shampoo business grew by 2% (three-year CAGR 13%) whereas skin care business de-grew by 2% (three-year CAGR 2%).
- Hair care sales for FY23 has grown at 1% & the company has gained market share by 130 bps. It holds 17% market share in hair oils & see scope for growth through market share gains given category growth has slowed down considerably. In oral care, toothpaste growth was 5.7% & the company has gained market share in Dabur red by 20 bps. Odonil recorded 140 bps market share gains in air fresheners category
- In the foods & beverage business, beverage (real) sales saw strong 29% growth (three-year CAGR 30%). Foods business growth was 22% with similar three-year CAGR growth. The growth in foods including Badshah Masala sales was 34%
- Fruit drinks have recorded sales of ₹ 200 crore in FY23. The company is aiming to reach ₹ 500 crore sales in three to five years. It aims to reach ₹ 4000 crore sales in entire food & beverage category in similar period. However, next quarter would see lapping of high base & impact of unseasonal rains in peak summer months
- E-commerce channel sales growth was 34% and now contributes 9% to sales. Modern trade channel sales grew in double digit. The company has increased its direct distribution reach to 1.4 million outlets. Its village coverage has increased to 1 lakh villages
- DIL would be separating distribution network for beverage category given it has become sizable business for the company. Further, it would be entering in fizz space, which requires separate sales team & infrastructure
- Food & beverage segment sales of ₹ 1981 crore includes ₹ 1700 crore sales of beverages (juices, fruits drinks) whereas ₹ 281 crore sales of home-made & acquired Badshah brand

Dabur India - ESG Disclosure Score*

| ESG Disclosure Score | | | |
|--------------------------|-------------|-------------|-------------|
| Score | FY20 | FY21 | FY22 |
| Environmental | 21.1 | 22.5 | 42.1 |
| Social | 27.2 | 27.2 | 37.2 |
| Governance | 78.6 | 78.6 | 76.1 |
| Overall ESG Score | 42.4 | 42.8 | 51.9 |

*Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures*

- The company would continue to focus on existing markets for Badshah, which is Maharashtra, Gujrat & Rajasthan. It would only launch it pan India once ready with advertisement at larger scale. Spice prices have seen 10-20% inflation in the last few months, which would pressurise gross margins in this segment
- The current sales of foods (homemade) brand is ₹ 115 crore. Along with Badshah, the company is targeting ₹ 500 crore sales from foods category in next five years
- During the quarter, secondary sales in HPC segment was 7%. Further unseasonal rains impacted loading of summer products to the distributors, which impacted primary sales by two days
- The company has culled down 180 SKUs, which have not done well. The company would continue with the strategy of higher number of product launches in future as well
- Gross margins contracted 163 bps mainly due to lower contribution of high margin health supplement business & adverse currency movement impacted in international business. Overhead spends were up 169 bps whereas employee & advertisement spends were down by 30 bps & 31 bps respectively. Operating profit de-grew by 9.6% to ₹409.8 crore with operating margin contraction of 271 bps to 15.7%
- Interest expense was up from ₹11.8 crore to ₹32.1 crore. Depreciation provisioning was up 56.8% to 102 crore. The decline in operating profit & higher in interest & depreciation provisioning resulted in net profit de-growth of 22.8% to ₹ 292.8 crore
- The company has taken enabling approval for ₹ 900 crore capex in Nepal for the period of next five years. However, current capex is only for ₹ 90 crore mainly in juices category
- With softening of commodity prices & expected increase in gross margins, first priority would be to increase A&P spends to perk up growth. The stronger growth in health supplement would perk up margins with better product mix in future

Exhibit 1: Peer Comparison

| Sector / Company | CMP (₹) | TP (₹) | Rating | M Cap (₹ Cr) | Sales growth (%) | | | | EBITDA Margins (%) | | | | P/E(x) | | RoE (%) | | | | RoCE (%) | | | | | |
|-----------------------------|------------|-----------|--------|-----------------|------------------|-------|-------|-------|--------------------|-------|-------|-------|--------|-------|---------|-------|-------|-------|----------|-------|-------|-------|------|------|
| | | | | | FY22E | FY23E | FY24E | FY25E | FY22E | FY23E | FY24E | FY25E | FY22E | FY24E | FY22E | FY23E | FY24E | FY25E | FY22E | FY23E | FY24E | FY25E | | |
| Marico (MARLIM) | 497 | 555 | Hold | 63710 | 18.2 | 3.0 | 7.5 | 7.3 | 17.7 | 18.8 | 19.0 | 19.7 | 51.1 | 48.3 | 44.7 | 40.1 | 37.5 | 38.5 | 40.6 | 43.8 | 41.2 | 44.0 | 46.2 | 49.9 |
| Hindustan Unilever (HINLEV) | 2507 | 2780 | Hold | 579879 | 11.3 | 15.5 | 8.0 | 10.1 | 24.8 | 23.4 | 23.8 | 24.2 | 66.8 | 59.1 | 55.2 | 49.1 | 18.1 | 19.9 | 20.6 | 22.5 | 20.2 | 22.0 | 23.7 | 25.9 |
| Varun Beverage (VARBEV) | 1443 | 1470 | Hold | 92041 | 36.8 | 49.3 | 15.2 | 11.7 | 18.8 | 21.2 | 21.5 | 21.6 | 83.7 | 60.4 | 52.4 | 44.6 | 18.3 | 30.4 | 27.8 | 26.9 | 17.1 | 23.8 | 28.7 | 32.2 |
| Dabur India (DABIND) | 530 | 675 | Buy | 93745 | 13.9 | 6.2 | 10.4 | 10.9 | 20.7 | 18.8 | 19.7 | 20.3 | 53.8 | 55.2 | 46.8 | 41.1 | 20.8 | 19.0 | 20.4 | 21.3 | 24.9 | 21.3 | 23.0 | 24.4 |

Source: Company, ICICI Direct Research

Dabur saw muted sales growth of 6% in FY23 with 190 bps operating margin contraction. We believe muted growth was mainly due to high base of last year, adverse currency movements in Middle Eastern countries & high commodity prices. Commodity prices have started softening from last three to five months, which would be reflected from Q1FY24. We believe some of the newer products like fruit drinks are growing at faster pace. The company has forayed in multiple newer categories & launched newer products in last two years. We believe high growth in newer products would help the company to offset muted growth in saturated categories like hair care & oral care. We believe softening of commodity prices would help in perk up margins going forward. We remain positive on the company. We maintain our BUY recommendation & target price of ₹ 675 / share (earlier: ₹ 700)

Exhibit 2: Variance Analysis

| | Q4FY23 | Q4FY23E | Q4FY22 | YoY (%) | Q3FY23 | QoQ (%) | |
|--------------------------|---------|---------|---------|----------|---------|----------|---|
| Net Sales | 2,677.8 | 2,653.2 | 2,517.8 | 6.4 | 3,043.2 | -12.0 | Net sales grew by 6.4% led by 4.7% growth in domestic business & 1.4% growth in international business. |
| Raw Material Expenses | 1,451.0 | 1,420.5 | 1,323.3 | 9.7 | 1,658.2 | -12.5 | Gross margins contracted by 163 bps mainly due to lower contribution of health supplements, currency depreciation in middle eastern geographies & high commodity prices |
| Employee Expenses | 288.7 | 279.3 | 279.1 | 3.5 | 290.8 | -0.7 | |
| SG&A Expenses | 151.6 | 224.7 | 150.3 | 0.9 | 179.6 | -15.6 | |
| Other operating Expenses | 376.6 | 307.4 | 311.6 | 20.9 | 304.7 | 23.6 | Overhead spends included one-off expense of ~₹25 crore adverse forex impact in Sri Lanka & restructuring expense in MENA |
| EBITDA | 409.8 | 421.3 | 453.6 | -9.6 | 609.9 | -32.8 | Operating profit de-grew by 9.6% mainly due to contraction in gross margins |
| EBITDA Margin (%) | 15.3 | 15.9 | 18.0 | -271 bps | 20.0 | -474 bps | |
| Depreciation | 102.0 | 74.2 | 65.1 | 56.8 | 70.9 | 43.9 | |
| Interest | 32.1 | 15.4 | 11.8 | 173.4 | 18.9 | 69.9 | |
| Other Income | 120.7 | 103.9 | 99.1 | 21.8 | 100.8 | 19.7 | |
| Exceptional items | 0.0 | 0.0 | 85.0 | N.A. | 0.0 | N.A. | |
| PBT | 396.4 | 435.7 | 390.9 | 1.4 | 620.9 | -36.2 | |
| Tax Outgo | 103.5 | 96.8 | 95.4 | 8.5 | 143.5 | -27.9 | |
| PAT | 292.8 | 338.1 | 294.3 | -0.5 | 477.4 | -38.7 | |
| Adjusted PAT | 292.8 | 338.1 | 379.3 | -22.8 | 477.4 | -38.7 | Adjusted PAT declined by 22.8% mainly on account of lower operating profit, higher depreciation provisioning & high finance costs |

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

| (₹ Crore) | FY24E | | | FY25E | | | Comment |
|-------------------|---------|---------|----------|---------|----------|----------|---|
| | Old | New | % change | Old | New | % change | |
| Sales | 12729.0 | 12729.0 | 0.0 | 14113.9 | 14,113.9 | 0.0 | |
| EBITDA | 2628.4 | 2504.8 | -4.7 | 2948.8 | 2,864.1 | -2.9 | We cut our operating margin estimate given softening of raw material would result in higher spends on A&P & other overheads |
| EBITDA Margin (%) | 20.6 | 19.7 | -97 bps | 20.9 | 20.3 | -60 bps | |
| PAT | 2123.5 | 2007.8 | -5.4 | 2371.8 | 2,286.4 | -3.6 | |
| EPS (₹) | 12.0 | 11.3 | -5.7 | 13.4 | 12.9 | -3.8 | |

Source: ICICI Direct Research

Exhibit 4: Assumptions

| | Current | | | | | Earlier | | | Comments |
|-------------------------|---------|---------|---------|---------|---------|----------|---------|----------|--|
| | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E | FY23E | FY24E | |
| Std. Sales (₹ crore) | 6,309.8 | 7,184.7 | 8,179.5 | 8,684.4 | 9,643.6 | 10,719.9 | 9,643.6 | 10,719.9 | We maintain our sales estimates |
| Subs. Sales (₹ crore) | 2,393.8 | 2,376.9 | 2,709.2 | 2,845.5 | 3,085.4 | 3,394.0 | 3,085.4 | 3,394.0 | |
| RM exp. To sales % | 50.1 | 50.1 | 51.8 | 54.4 | 52.1 | 51.6 | 51.8 | 51.9 | We tweak our raw material cost estimates |
| Adex to sales % | 8.0 | 8.2 | 7.1 | 5.6 | 7.5 | 7.6 | 7.7 | 7.9 | |
| Interest Cost (₹ crore) | 49.5 | 30.8 | 38.6 | 78.2 | 57.1 | 52.7 | 43.9 | 43.9 | |

Source: ICICI Direct Research

Key Metrics

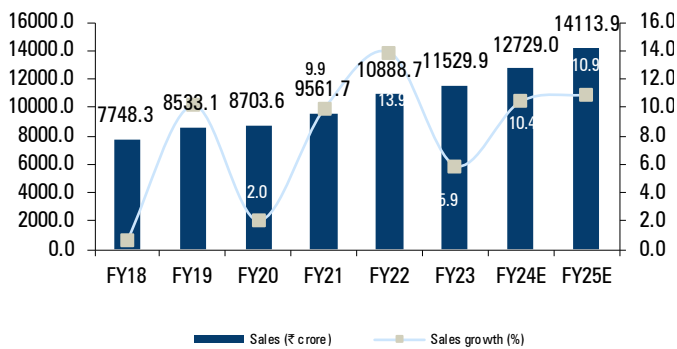
Exhibit 5: Category wise revenue growth in percentage (YoY)

| | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Hair Oil | -20.2 | -22.9 | -2.4 | 13.7 | 24.6 | 38.4 | 27.9 | 6.1 | 2.6 | 8.1 | 1.8 | -2.4 | 0.0 |
| Oral Care | -15.8 | 1.4 | 24.2 | 28.0 | 42.1 | 21.1 | 13.3 | 6.7 | 1.1 | 12.5 | 9.2 | 2.6 | -3.0 |
| Health Supp. | -9.5 | 52.6 | 70.8 | 34.7 | 17.7 | 24.5 | -13.6 | -8.3 | 1.3 | -35.5 | -12.6 | 0.4 | -3.3 |
| Digestives | -9.5 | -11.5 | 2.5 | -0.3 | 20.0 | 16.2 | 22.7 | 12.2 | 1.2 | 30.5 | 0.1 | 11.2 | 5.6 |
| Skin Care | -24.2 | -12.5 | 38.1 | 9.1 | 37.9 | -5.4 | -11.9 | 3.2 | -10.6 | 11.4 | -15.0 | -5.6 | -2.0 |
| Home Care | -20.6 | -30.5 | -10.2 | -1.0 | 24.3 | 30.6 | 25.3 | 18.6 | 11.0 | 51.9 | 20.9 | 18.2 | 10.3 |
| Foods & Beverages | -18.4 | -34.4 | -3.8 | 4.7 | 36.1 | 51.7 | 45.0 | 37.6 | 33.5 | 51.0 | 30.0 | 6.4 | 29.0 |
| OTC | -20.6 | 34.4 | 56.1 | 34.1 | 34.0 | 52.3 | 1.9 | 3.6 | 7.5 | -15.4 | -0.2 | 4.0 | -0.4 |
| Ethicals | -20.6 | 10.7 | 26.4 | 23.2 | 39.1 | 50.8 | 1.9 | 3.6 | 7.5 | -15.4 | -0.2 | 4.0 | -0.4 |

Source: Company, ICICI Direct Research

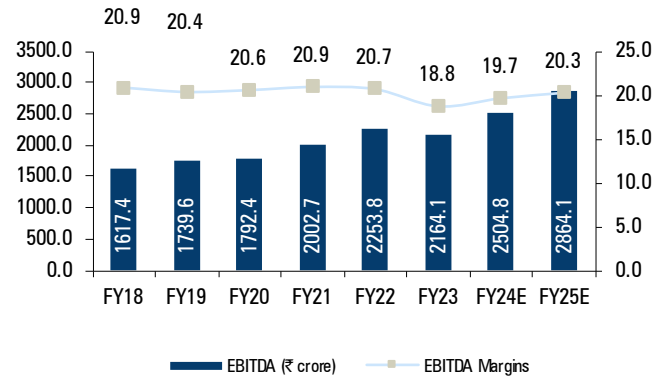
* Hair care included Shampoo

Exhibit 6: Strong revenue growth momentum to continue



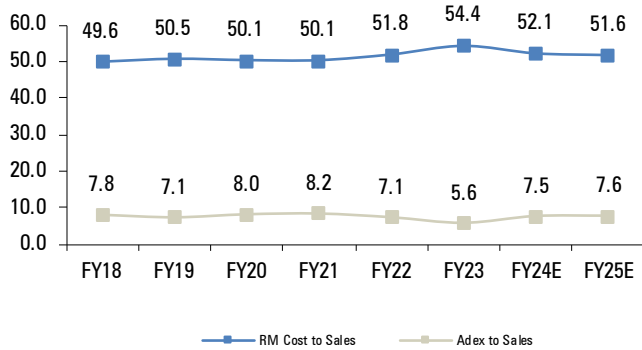
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA margin to remain stable



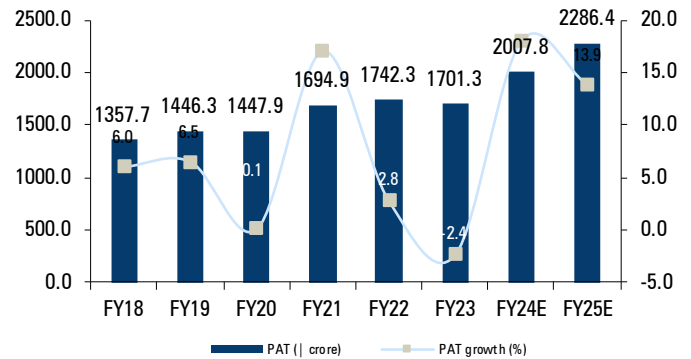
Source: ICICI Direct Research, Company

Exhibit 8: Raw material and ad-ex trend over years



Source: Company, ICICI Direct Research

Exhibit 9: PAT growth trend



Source: Company, ICICI Direct Research

Exhibit 10: Valuation

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|--------------|------------|---------|------------|--------|---------------|----------|----------|
| FY22 | 10888.7 | 13.9 | 9.9 | 2.8 | 53.8 | 41.7 | 20.8 | 24.9 |
| FY23 | 11529.9 | 5.9 | 9.6 | -2.6 | 55.2 | 43.7 | 19.0 | 21.3 |
| FY24E | 12729.0 | 10.4 | 11.3 | 18.0 | 46.8 | 37.7 | 20.4 | 23.0 |
| FY25E | 14113.9 | 10.9 | 12.9 | 13.9 | 41.1 | 32.9 | 21.3 | 24.4 |

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement ₹ crore

| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Net Sales | 10,888.7 | 11,529.9 | 12,729.0 | 14,113.9 |
| Growth (%) | 13.9 | 5.9 | 10.4 | 10.9 |
| Raw Material Expenses | 5,639.7 | 6,268.7 | 6,634.6 | 7,283.8 |
| Employee Expenses | 1,080.0 | 1,137.0 | 1,260.2 | 1,354.9 |
| Marketing Expenses | 777.9 | 640.3 | 954.7 | 1,072.7 |
| Administrative Expenses | 0.0 | 0.0 | 891.0 | 988.0 |
| Other expenses | 1,137.3 | 1,319.8 | 483.7 | 550.4 |
| Total Operating Expenditure | 8,634.9 | 9,365.8 | 10,224.2 | 11,249.8 |
| EBITDA | 2,253.8 | 2,164.1 | 2,504.8 | 2,864.1 |
| Growth (%) | 12.5 | -4.0 | 15.7 | 14.3 |
| Depreciation | 252.9 | 311.0 | 316.0 | 322.1 |
| Interest | 38.6 | 78.2 | 57.1 | 52.7 |
| Other Income | 393.2 | 445.4 | 476.6 | 500.4 |
| PBT | 2,270.5 | 2,220.3 | 2,608.3 | 2,989.8 |
| Others | 85.0 | 0.0 | 0.0 | 0.0 |
| Total Tax | 526.4 | 517.4 | 599.9 | 702.6 |
| PAT | 1,742.3 | 1,701.3 | 2,007.8 | 2,286.4 |
| Growth (%) | 2.8 | -2.4 | 18.0 | 13.9 |
| Adjusted EPS (₹) | 9.9 | 9.6 | 11.3 | 12.9 |

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore

| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Profit before Tax | 2,268.7 | 2,218.7 | 2,608.3 | 2,989.8 |
| Add: Depreciation | 252.9 | 311.0 | 316.0 | 322.1 |
| (Inc)/dec in Current Assets | -185.5 | -250.1 | -759.1 | -738.9 |
| Inc/(dec) in CL and Provisions | 88.7 | 90.0 | 262.4 | 337.7 |
| Others | -622.5 | -881.1 | -543.5 | -650.7 |
| CF from operating activities | 1,802.3 | 1,488.4 | 1,884.1 | 2,259.9 |
| (Inc)/dec in Investments | -906.3 | -100.8 | -350.0 | -350.0 |
| (Inc)/dec in Fixed Assets | -369.2 | -485.7 | -270.0 | -270.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from investing activities | -1,275.5 | -586.5 | -620.0 | -620.0 |
| Issue/(Buy back) of Equity | 540.9 | 49.2 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -37.2 | -85.2 | -100.0 | -100.0 |
| Dividend paid & dividend tax | -972.3 | -921.3 | -1,151.7 | -1,382.0 |
| Others | -21.9 | -77.9 | -57.1 | -52.7 |
| CF from financing activities | -490.5 | -1,035.2 | -1,308.8 | -1,534.7 |
| Net Cash flow | 38.4 | -133.4 | -44.6 | 105.2 |
| Opening Cash | 188.8 | 227.2 | 146.8 | 102.2 |
| Miscellaneous adjustments | 343.0 | 232.1 | 179.1 | 179.1 |
| Closing Cash | 570.1 | 325.9 | 281.3 | 386.5 |

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet ₹ crore

| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
|----------------------------|----------------|-----------------|-----------------|-----------------|
| Liabilities | | | | |
| Equity Capital | 176.8 | 177.2 | 177.2 | 177.2 |
| Reserve and Surplus | 8,204.5 | 8,796.1 | 9,652.2 | 10,556.5 |
| Total Shareholders funds | 8,381.3 | 8,973.3 | 9,829.4 | 10,733.7 |
| Long Term Loans | 389.9 | 443.2 | 393.2 | 343.2 |
| Long Term Provisions | 86.5 | 95.9 | 95.9 | 95.9 |
| Minority Interest / Others | 104.2 | 532.5 | 532.5 | 532.5 |
| Total Liabilities | 8,962.0 | 10,044.9 | 10,851.1 | 11,705.4 |
| Assets | | | | |
| Gross Block | 4,244.8 | 5,826.5 | 6,076.5 | 6,326.5 |
| Less: Acc Depreciation | 1,936.9 | 2,247.8 | 2,563.8 | 2,885.8 |
| Net Block | 2,307.9 | 3,578.7 | 3,512.7 | 3,440.6 |
| Capital WIP | 177.0 | 183.0 | 203.0 | 223.0 |
| Non- Current Investments | 5,355.6 | 5,521.0 | 5,821.0 | 6,121.0 |
| LT loans & advances | 0.7 | 2.1 | 52.1 | 102.1 |
| Other Non-current Assets | 126.6 | 120.8 | 170.8 | 220.8 |
| Current Assets | | | | |
| Inventory | 1,911.4 | 2,024.2 | 2,298.3 | 2,548.3 |
| Debtors | 646.2 | 848.8 | 1,060.7 | 1,176.2 |
| Cash & Bank | 570.1 | 325.9 | 281.3 | 386.5 |
| ST Loans & Advances | 36.2 | 29.0 | 32.0 | 35.5 |
| Other Current Assets | 1,152.7 | 1,021.1 | 1,291.1 | 1,661.1 |
| Current Liabilities | | | | |
| Creditors | 2,018.0 | 2,186.6 | 2,369.0 | 2,626.8 |
| ST Borrowings | 640.2 | 730.6 | 750.6 | 770.6 |
| Other CL | 664.4 | 692.2 | 752.2 | 812.2 |
| Net Current Assets | 994.0 | 639.5 | 1,091.6 | 1,598.0 |
| Miscellaneous Expenditure | 0.3 | 0.0 | 0.0 | 0.0 |
| Total Assets | 8,962.0 | 10,044.9 | 10,851.1 | 11,705.4 |

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios

| (Year-end March) | FY22 | FY23 | FY24E | FY25E |
|------------------------------|------|------|-------|-------|
| Per share data (₹) | | | | |
| Adjusted EPS | 9.9 | 9.6 | 11.3 | 12.9 |
| Cash EPS | 11.3 | 11.4 | 13.1 | 14.7 |
| BV | 47.4 | 50.6 | 55.5 | 60.6 |
| DPS | 5.5 | 5.2 | 6.5 | 7.8 |
| Cash Per Share | 3.2 | 1.8 | 1.6 | 2.2 |
| Operating Ratios (%) | | | | |
| PBITDA Margin | 20.7 | 18.8 | 19.7 | 20.3 |
| PBT / Total Operating income | 18.0 | 15.4 | 16.7 | 17.6 |
| PAT Margin | 16.0 | 14.8 | 15.8 | 16.2 |
| Inventory days | 63 | 63 | 65 | 65 |
| Debtor days | 21 | 27 | 30 | 30 |
| Creditor days | 67 | 68 | 67 | 67 |
| Return Ratios (%) | | | | |
| RoE | 20.8 | 19.0 | 20.4 | 21.3 |
| RoCE | 24.9 | 21.3 | 23.0 | 24.4 |
| RoIC | 22.9 | 18.3 | 20.1 | 22.0 |
| Valuation Ratios (x) | | | | |
| P/E | 53.8 | 55.2 | 46.8 | 41.1 |
| EV / EBITDA | 41.7 | 43.7 | 37.7 | 32.9 |
| EV / Net Sales | 8.6 | 8.2 | 7.4 | 6.7 |
| Market Cap / Sales | 8.6 | 8.1 | 7.4 | 6.6 |
| Price to Book Value | 11.2 | 10.5 | 9.6 | 8.8 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 0.5 | 0.5 | 0.5 | 0.4 |
| Debt / Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Current Ratio | 1.4 | 1.4 | 1.5 | 1.6 |
| Quick Ratio | 0.7 | 0.7 | 0.8 | 0.8 |

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (FMCG)

| | CMP | TP | M Cap | EPS (₹) | | | | P/E (x) | | | | Price/Sales (x) | | | | RoCE (%) | | | | RoE (%) | | | | |
|------------------------------|--------|------------|-------|----------|-------|-------|-------|---------|------|-------|-------|-----------------|------|-------|-------|----------|------|-------|-------|---------|-------|-------|-------|-------|
| | (₹) | (₹) Rating | | (₹ Cr) | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E |
| Colgate (COLPAL) | 1,584 | 1,440 | Hold | 39,473 | 39.6 | 37.7 | 40.3 | 41.7 | 40.0 | 42.0 | 39.3 | 38.0 | 7.8 | 7.6 | 7.1 | 6.7 | 77.8 | 81.9 | 92.8 | 99.9 | 62.2 | 62.4 | 70.9 | 76.5 |
| Dabur India (DABIND) | 530 | 675 | Buy | 93,745 | 9.9 | 9.6 | 11.3 | 12.9 | 53.8 | 55.2 | 46.8 | 41.1 | 8.6 | 8.1 | 7.4 | 6.6 | 24.9 | 21.3 | 23.0 | 24.4 | 20.8 | 19.0 | 20.4 | 21.3 |
| Hindustan Unilever (HINLEV) | 2,507 | 2,780 | Hold | 5,79,879 | 37.5 | 42.4 | 45.4 | 51.1 | 66.8 | 59.1 | 55.2 | 49.1 | 11.5 | 10.0 | 9.2 | 8.4 | 20.2 | 22.0 | 23.7 | 25.9 | 18.1 | 19.9 | 20.6 | 22.5 |
| ITC Limited (ITC) | 425 | 450 | Buy | 4,67,841 | 12.4 | 14.7 | 16.0 | 17.4 | 34.3 | 28.9 | 26.5 | 24.5 | 7.9 | 6.8 | 6.2 | 5.7 | 31.4 | 36.0 | 37.5 | 39.1 | 24.5 | 27.7 | 28.7 | 29.9 |
| Jyothy Lab (JYOLAB) | 195 | 215 | Hold | 7,485 | 4.3 | 6.7 | 7.8 | 8.5 | 45.8 | 29.3 | 25.0 | 23.0 | 3.5 | 3.1 | 2.8 | 2.6 | 18.7 | 27.5 | 31.4 | 32.6 | 16.6 | 24.2 | 27.0 | 27.9 |
| Marico (MARLIM) | 497 | 555 | Hold | 63,710 | 9.7 | 10.3 | 11.1 | 12.4 | 51.1 | 48.3 | 44.7 | 40.1 | 6.7 | 6.5 | 6.0 | 5.6 | 41.2 | 44.0 | 46.2 | 49.9 | 37.5 | 38.5 | 40.6 | 43.8 |
| Nestle (NESIND) | 21,694 | 23,000 | Hold | 1,99,195 | 222.4 | 247.9 | 299.9 | 352.7 | 97.5 | 87.5 | 72.3 | 61.5 | 13.6 | 11.9 | 10.5 | 9.5 | 57.3 | 54.4 | 57.0 | 61.6 | 104.1 | 87.0 | 84.5 | 86.5 |
| Patanjali Foods (RUCSOY) | 940 | 1,750 | Buy | 50,721 | 27.3 | 30.9 | 43.5 | 52.7 | 34.5 | 30.4 | 21.6 | 17.8 | 2.1 | 1.7 | 1.5 | 1.4 | 13.2 | 15.6 | 17.3 | 19.0 | 13.1 | 11.3 | 14.2 | 15.3 |
| Tata Consumer Products (TAT) | 776 | 980 | Buy | 68,740 | 11.0 | 14.2 | 16.4 | 19.0 | 70.4 | 54.6 | 47.4 | 40.8 | 5.5 | 5.0 | 4.5 | 4.1 | 8.4 | 8.7 | 10.5 | 11.6 | 7.0 | 7.4 | 9.0 | 10.1 |
| Varun Beverage (VARBEV) | 1,443 | 1,470 | Hold | 92,041 | 17.2 | 23.9 | 27.5 | 32.3 | 83.7 | 60.4 | 52.4 | 44.6 | 10.4 | 7.0 | 6.1 | 5.4 | 17.1 | 23.8 | 28.7 | 32.2 | 18.3 | 30.4 | 27.8 | 26.9 |
| VST Industries (VSTIND) | 3,295 | 3,300 | Hold | 5,059 | 207.4 | 211.8 | 210.0 | 245.5 | 15.9 | 15.6 | 15.7 | 13.4 | 4.3 | 3.9 | 3.7 | 3.4 | 39.0 | 35.7 | 39.0 | 50.9 | 29.8 | 27.7 | 29.3 | 38.2 |
| Zydus Wellness (ZYDWEL) | 1,531 | 2,000 | Buy | 8,979 | 48.5 | 55.0 | 67.4 | 75.6 | 31.5 | 27.8 | 22.7 | 20.3 | 4.5 | 4.0 | 3.6 | 3.2 | 6.1 | 6.8 | 8.1 | 9.2 | 6.4 | 7.1 | 8.3 | 9.0 |

Source: Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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