February 1, 2019

Dabur India (DABIND)

₹ 451

Volume led growth trajectory continues…

Rating matrix		
Rating	:	Buy
Target	:	₹ 500
Target Period	:	12 months
Potential Upside	:	11%

What's changed?	
Target	Changed from ₹ 475 to ₹ 500
EPS FY19E	Changed from ₹ 8.7 to ₹ 8.5
EPS FY20E	Changed from ₹ 10.4 to ₹ 9.8
EPS FY21E	Introduced at ₹ 11.1
Rating	Unchanged

Quarterly performance

	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Sales	2199.2	1966.4	11.8	2125.0	3.5
EBITDA	445.4	403.5	10.4	450.8	-1.2
EBITDA (%)	20.3	20.5	-27 bps	21.2	-96 bps
PAT	367.2	333.0	10.3	377.3	-2.7

Key financials

₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	7,748.3	8,731.9	9,861.3	11,095.6
EBITDA	1,617.4	1,789.2	2,028.7	2,299.9
Net Profit	1,357.7	1,501.2	1,725.0	1,959.4
EPS (₹)	7.7	8.5	9.8	11.1

Valuation summary

	FY18	FY19E	FY20E	FY21E
P/E	58.5	52.9	46.1	40.5
Target P/E	64.9	58.7	51.1	45.0
Div. Yield	0.8	1.1	1.4	1.4
Mcap/Sales	10.2	9.1	8.0	7.1
RoNW (%)	23.8	23.7	25.0	25.4
RoCE (%)	26.2	26.6	28.3	29.3

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	79,218.2
Total Debt (FY18) (₹ Crore)	833.1
Cash and Investments (FY18) (₹ Crore)	1,019.5
EV (₹ Crore)	79,031.8
52 week H/L	490 / 313
Equity capital	₹ 176.2 Crore
Face value	₹ 1

Price performance

	1M	3M	6M	12M
Dabur	2.8	15.0	5.5	25.1
Marico	-2.1	14.7	0.8	18.4
GCPL	-12.9	-2.1	-19.4	1.0
HUL	-3.1	8.9	1.8	28.7

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- Domestic business grew 14.8% mainly driven by 12.4% volume growth during the quarter. International business reported growth of 1% in constant currency terms impacted by underperformance of MENA markets and adverse currency movement
- Consumer care segment and foods segment increased 12.7% YoY and 7.6% YoY, respectively. Consumer care segment growth was led by hair oil growth of 23.6%, shampoo category growth of 25.2%, OTC & ethicals growth of 17.6%, skin care growth of 19.3% and oral care segment growth of 11.1%
- EBITDA margins declined 27 bps YoY to 20.3% as raw material costs to sales and employee expenses to sales increased 228 bps and 39 bps, respectively, while 133 bps & 108 bps improvement in marketing spend to sales and miscellaneous expenditure to sales mitigated a fall in EBITDA margins

Strategic play on trending ayurvedic products market

Dabur is one of the largest Ayurvedic & natural health care company, with a portfolio of over 250 herbal and ayurvedic products. It continues to leverage its Ayurveda appeal by expanding its Ayurveda range. It intends to launch a slew of innovations, leveraging its Ayurveda range and increasing its contribution from 60% to 75% of domestic sales by 2020. It recently relaunched Chyawanprash like paste Ratnaprash and launched syrup Hridayasava in the OTC segment. Dabur has reported 11% revenue and 13% PAT growth over the last decade, which has been largely organic. Led by Dabur's strong brand recall in ayurvedic space coupled with new launches focusing on healthcare, we estimate domestic revenue growth at 12.4% CAGR in FY18-21E.

Distribution expansion, rural recovery medium term drivers

Dabur has a wide distribution network, covering 6.3 million retail outlets, next only to HUL's 7 million retail outlets. Though HUL's direct reach stands at 3.5 million outlets, Dabur's direct reach is only at ~1 million outlets (~16% of total), which leaves immense scope to shift the dependency from wholesale to direct distribution. Rural segment, which contributes ~40-45% of domestic sales, has shown signs of recovery as it has been growing faster than urban in last few quarters, gaining from traction in hair oil and oral care categories. In Interim Budget 2019, Finance Minister has announced a relief package of ₹ 75,000 crore to farmers who own up to two hectares of land under Pradhan Mantri Kisan Samman Nidhi for distressed farmers, to pay for their loans and input costs in addition to additional ₹ 5,000 crore allocation for MNREGA for FY20, which should further ignite rural consumption, which is expected to support higher domestic volumes for the company going forward.

Focus on core portfolio to help attain market leadership; maintain BUY

Dabur has a robust product portfolio catering to different segments. It has three brands (Real, Vatika, Amla) with turnover of ₹ 1,000 crore+ & 16 brands with turnover of ₹ 100 crore+. Although majority of Dabur's products are well known, not many have got the needed investment to grow the brand larger. The company is now strategising to focus on two, three such brands each year and develop them further. In the next three to four years, the company has plans to scale up Dabur Lal Tail, Dabur Honitus and Pudin Hara to ₹ 100 crore. We expect Dabur to generate revenue, earnings growth at 12.7%, 13% CAGR, respectively, in FY18-21E on the back of sustainable volume growth of 8% in FY18-21E. Hence, we maintain **BUY** rating on Dabur with revised target price of ₹ 500.

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
Net Sales	2,199.2	2,234.4	1,966.4	11.8	2,125.0	3.5	Net sales increased by 11.8% driven by domestic sales growth of 14.8% backed by 12.4% volume growth
Raw Material Expenses	1,115.3	1,114.3	952.4	17.1	1,075.8	3.7	Material costs to sales increased from 48.4% in Q3 FY18 to 50.7% in Q3FY19 due to adverse currency, inflation and promotional costs
Employee Expenses	237.6	227.1	204.8	16.0	234.3	1.4	
SG&A Expenses	178.1	174.7	185.3	-3.9	133.5	33.4	
Other operating Expenses	222.9	258.1	220.5	1.1	230.5	-3.3	Other expenditure to sales decreased to 10.1% from 11.2% over the year on account of cost rationalisation measures
EBITDA	445.4	460.2	403.5	10.4	450.8	-1.2	
EBITDA Margin (%)	20.3	20.6	20.5	-27 bps	21.2	-96 bps	Operating margins decreased by 27 bps as raw material costs to sales and employee expenses to sales increased by 228 bps and 39 bps respectively, while 133 bps & 108 bps improvement in marketing spend to sales and miscellaneous expenditure to sales mitigated fall in EBITDA margins
Depreciation	44.9	43.6	40.5	10.9	43.1	4.1	
Interest	16.7	15.0	13.2	26.7	15.6	7.6	
Other Income	75.3	75.3	66.3	13.4	81.2	-7.3	
PBT	459.1	476.9	416.2	10.3	473.4	-3.0	
Tax Outgo	92.4	95.4	83.3	10.9	96.1	-3.9	
PAT	367.2	381.5	333.0	10.3	377.3	-2.7	
Key Metrics YoY growth (%)							
Volume Growth	12.4		13.0		8.1		
Standalone sales growth	14.8		12.9		8.5		
Subsidiary's sales growth	3.4		5.0		8.3		

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			FY21E	
(₹ Crore)	Old	New	% Change	Old	New	% change	New	Comments
Sales	8858.0	8731.9	-1.4	10,093.4	9861.3	-2.3	11,095.6	We have marginally tweaked our estimates. We introduce FY21E numbers
EBITDA	1826.3	1789.2	-2.0	2147.8	2028.7	-5.5	2299.9	
EBITDA Margin (%)	20.6	20.5	-13 bps	21.3	20.6	-71 bps	20.7	
PAT	1539.8	1501.2	-2.5	1830.2	1725.0	-5.7	1959.4	
EPS (₹)	8.70	8.52	-2.0	10.39	9.79	-5.8	11.12	

Source: Company, ICICI Direct Research

Assumptions

			Current			Earlier		Comments
	FY17	FY18	FY19E	FY20E	FY21E	FY19E	FY20E	
Std. Sales (₹ crore)	5,369.8	5,609.1	6,381.7	7,135.0	7,960.4	6,282.9	7,080.6	We have changed domestic revenue estimates considering robust volume growth. FY21E numbers introduced
Volume Growth (%)	NA	NA	NA	NA	NA	NA	NA	
Subs. Sales (₹ crore)	2,331.6	2,139.3	2,350.3	2,726.3	3,135.3	2,575.1	3,012.8	We have changed subsidiary revenue estimates considering underperformance in MENA region
RM exp. To sales %	49.9	49.6	50.1	50.0	49.9	49.7	49.3	
Adex to sales %	8.4	7.8	8.0	8.0	8.0	8.0	8.0	
Interest Cost (₹ crore)	54.0	53.1	61.9	46.4	41.2	55.5	42.8	We have slightly changed our operating/interest expense estimates for FY19.

Source: Company, ICICI Direct Research

Conference call highlights

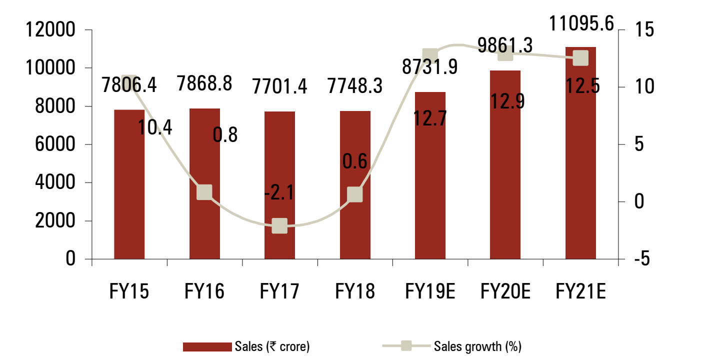
- Dabur India reported consolidated sales growth of 11.8%. Domestic sales growth increased 14.8% led by 12.4% volume growth. International business reported 1% growth in constant currency terms
- The company expects domestic business to grow faster than international business for the next two to three quarters. OTC category is expected to grow fastest in domestic business portfolio
- Oral care, which contributes 15.4% to sales, recorded 10% growth with toothpastes growing at 11.1%. Red Toothpaste Franchise (RTP) continued its growth momentum with RTP growing by 22.6%. Babool was impacted by high competitive intensity at economy price points
- Hair oil increased 23.6% with all-round growth in all brands and 50 bps gain in market share to 5.4% whereas the shampoos category grew 25.2% driven by ground activations and visibility drives. Hair care category contributes 19.6% to revenues
- Homecare category grew 8.9% driven by strong growth in Sanifresh. Skincare recorded strong growth of 19.3% driven by double digit growth in Gulabari and good performance of bleach portfolio
- Health supplements saw growth of 13.8% led by 10% & 19.8% growth in Chyawanprash and Honey, respectively. Digestive segment witnessed 22.5% growth on the back of strong performance of Hajmola tablets and Pudin Hara. OTC category grew 17.7% led by good growth in Lal Tail, Honitus and Shilajit. Ethicals portfolio grew by 17.4% driven by strong growth across product categories
- Foods division, which contributes 13.4% of sales, witnessed 7.6% growth as beverages grew 11.5%. The market share in juices & nectar slightly declined to 56% in Q3FY19 from 56.8% in Q2FY19. Foods segment has underperformed due to extreme weather in north region, which contributes two-thirds of the company's beverages sales and due to high competitive intensity. Dabur expects Q4FY19 also to be subdued for the foods segments as winter season continues to be severe in the north region
- International business posted 1% growth in constant currency terms during Q3FY19. Egypt business was under pressure on account of hyperinflation and liquidity issues (de-grew 10% YoY). Saarc grew 11% on the back of strong growth in Pakistan and Bangladesh. Turkey (Hobby) recorded 31% growth in constant currency terms but was impacted by currency devaluation. Namaste business reported double digit growth in SSA & North America but was brought down by EU & Middle East. GCC markets declined 12% due to consumption pressure and sharp decline in categories
- Operating margins declined 27 bps to 20.3% as raw material costs to sales and employee expenses to sales increased 228 bps and 39 bps, respectively, while 133 bps & 108 bps improvement in marketing spend to sales and miscellaneous expenditure to sales mitigated fall in EBITDA margins
- Odonil and Odomos reported subdued quarter due to lower institutional orders
- The company believes Interim Budget 2019 is a big positive from a consumption point of view as the Finance Minister has announced a relief package of ₹ 75,000 crore to farmers who own up to two hectares of land under Pradhan Mantri Kisan Samman Nidhi for distressed farmers, to pay for their loans and input costs in addition to additional ₹ 5,000 crore allocation for MNREGA for FY20, which should further ignite rural consumption, which is expected to support higher domestic volumes for the company going forward.

Exhibit 1: Category wise revenue growth in percentage (YoY)

	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Hair Care	2.0	8.2	NA	NA	-20.0	-4.0	-11.0	2.3*	16.7*	8.8*	18.8*	11.1*	24*
Oral Care	10.5	18.3	11.6	NA	-5.0	9.0	1.5	22.8	23.0	11.0	17.3	3.9	10.0
Health Supp.	-7.1	NA	NA	NA	-11.0	5.0	-7.0	3.0	19.5	14.0	27.5	12.3	13.8
Digestives	-2.4	6.5	NA	NA	-10.0	-5.0	4.0	11.7	19.3	7.2	21.6	10.8	22.5
Skin Care	9.5	NA	NA	7.0	-11.0	0.0	4.0	15.8	14.5	8.5	27.1	11.9	19.3
Home Care	8.4	19.3	2.0	20.0	-5.0	-6.5	6.2	10.1	36.0	N.A.	17.4	10.9	8.9
Foods	-23.7	11.7	4.3	15.2	52.0	10.0	-8.3	11.7	0.0	-1.5	N.A.	2.3	11.1
OTC	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.8	13.3	10.0	17.7
Ethicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	10.3	23.4	6.1	17.4

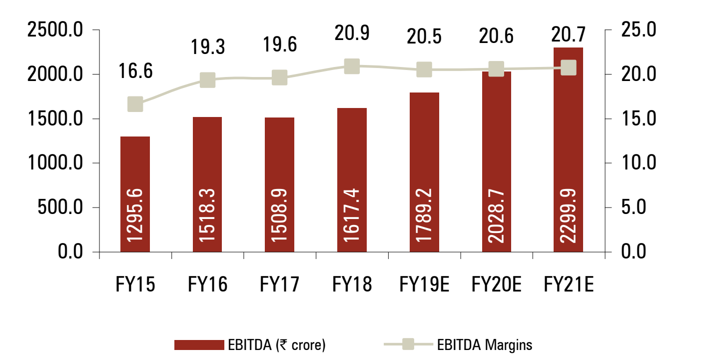
Source: Company, ICICI Direct Research ** Hair oil (Shampoo increased by 25.2%)*

Exhibit 2: Revenue growth to improve in FY19-21E



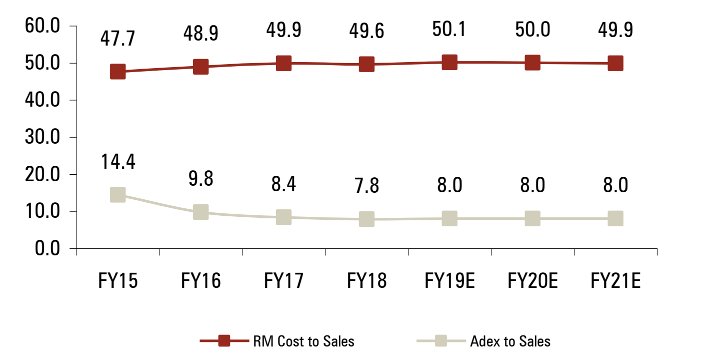
Source: Company, ICICI Direct, Research

Exhibit 3: EBITDA margin to remain range bound



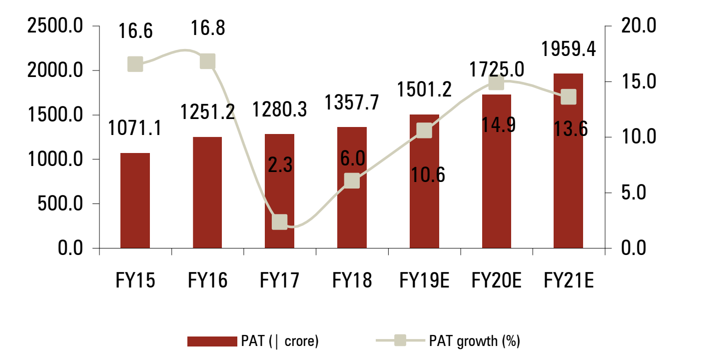
Source: Company, ICICI Direct, Research

Exhibit 4: Raw material and advertisement cost trend over years



Source: Company, ICICI Direct, Research

Exhibit 5: PAT growth trend



Source: Company, ICICI Direct, Research

Outlook & valuation

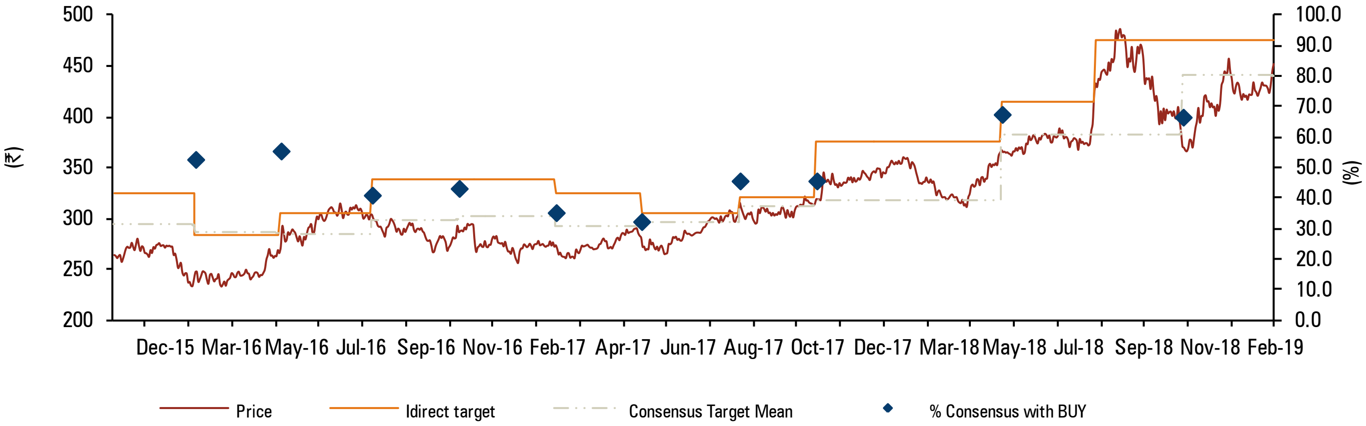
Dabur has a robust product portfolio catering to different segments. It has three brands (Real, Vatika, Amla) with a turnover of ₹ 1,000 crore+ and 16 brands with a turnover of ₹ 100 crore+. Although a majority of Dabur's products are well known, not many have received the needed investment to grow the brand larger. The company is now strategising to focus on two or three such brands each year and to develop them further. In the next three to four years, the company plans to scale up Dabur Lal Tail, Dabur Honitus and Pudin Hara to ₹ 100 crore. We expect Dabur to generate revenue and earnings growth at 12.7% and 13% CAGR, respectively, in FY18-21E on the back of sustainable volume growth of 8% in FY18-21E. Hence, we maintain our **BUY** rating on Dabur with a revised target price of ₹ 500.

Exhibit 6: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	7748.3	0.6	7.7	6.0	58.5	49.2	23.8	26.2
FY19E	8731.9	12.7	8.5	10.6	52.9	44.5	23.7	26.6
FY20E	9861.3	12.9	9.8	14.9	46.1	39.1	25.0	28.3
FY21E	11095.6	12.5	11.1	13.6	40.5	34.3	25.4	29.3

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Nov-08	Acquisition of the company's largest skin care brand 'Fem' from Fem Care Pharma marking its entry in the high growth skin care segment
Jul-09	Enters Turkey through acquisition of Hobi Kozmetik for ₹ 324 crore. Acquisition is in line with the company's strategy of strengthening its presence in Middle East & North Africa
Apr-10	Dabur issues bonus in the ratio of 1:1
Jul-10	Acquires US based personal care firm Namaste Laboratories LLC for ₹ 451 crore. Acquisition marked Dabur's entry into US$1.5 billion hair care markets of US, Europe and Africa
Sep-10	Launches 'Project Double' to double its direct reach in villages and to tap the growing aspirational demand of rural consumers
Jan-11	Launches 'Project CORE' to increase its distribution footprint in the chemist channel
Mar-11	Launches 'Project LEAD' to enable better focus on healthcare (OTC & ethicals) & other domestic FMCG business
Feb-18	Mohit Malhotra appointed as CEO of India business. Earlier CEO KK Chutani appointed as CEO of Dabur International. Both Malhotra and Chutani will report to Sunil Duggal, CEO of Dabur India and international.
Apr-18	Acquires two South Africa-based personal care products companies: D&A Cosmetics Proprietary Ltd for around ₹ 24 crore and Atlanta Body & Health Products Proprietary Ltd for around ₹ 1 crore, through its WOS Dermoviva Skin Essentials Inc.
May-18	Launches 'Glycodab' tablets for management of diabetes in association with the Central Council for Research in Ayurvedic Sciences (CCRAS), Ministry of Ayush, Government of India
May-18	Plans to invest ₹ 250-300 crore in capacity expansion in FY19

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Chowdhry Associates	30-Jun-18	12.34	217.9	0.0
2	VIC Enterprises Pvt. Ltd.	30-Jun-18	12.33	217.7	0.0
3	Gyan Enterprises Pvt. Ltd.	30-Jun-18	11.45	202.2	0.0
4	Puran Associates Pvt. Ltd.	30-Jun-18	10.71	189.2	0.0
5	Ratna Commercial Enterprises Pvt. Ltd.	30-Jun-18	8.90	157.2	0.0
6	Milky Investment & Trading Co.,	30-Jun-18	6.01	106.1	0.0
7	Burmans Finvest Pvt. Ltd.	30-Jun-18	3.00	53.0	0.0
8	Matthews International Capital Management, L.L.C.	30-Jun-18	1.93	34.0	-0.2
9	M B Finmart Pvt. Ltd.	30-Jun-18	1.50	26.5	0.0
10	Windy Investments Pvt. Ltd.	30-Jun-18	1.50	26.5	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	68.1	68.1	67.9	67.9	67.9
FII	17.7	17.2	17.7	18.2	18.2
DII	7.7	8.1	8.0	6.9	6.9
Others	6.5	6.7	6.4	7.1	7.0

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Nomura Asset Management Singapore Ltd.	14.84m	2.60m	Harding Loevner LP	-33.75m	-5.48m
ARISAIG Partners (Asia) Pte. Ltd.	10.24m	2.03m	Kotak Mahindra Asset Management Company Ltd.	-18.97m	-2.81m
Aditya Birla Sun Life AMC Limited	7.63m	1.33m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-11.46m	-1.70m
William Blair Investment Management, LLC	6.46m	0.96m	Narang (P D)	-3.98m	-0.68m
Malhotra (Mohit)	5.35m	0.94m	JM Financial Asset Management Pvt. Ltd.	-3.63m	-0.65m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E
Net Sales	7,748.3	8,731.9	9,861.3	11,095.6
Growth (%)	0.6	12.7	12.9	12.5
Rbe Material Expenses	3,846.4	4,375.6	4,933.5	5,533.6
Employee Expenses	792.8	908.1	1,015.7	1,142.8
Marketing Expenses	606.7	698.6	788.9	887.6
Administrative Expenses	572.4	637.4	729.7	821.1
Other expenses	312.6	323.1	364.9	410.5
Total Operating Expenditure	6,130.9	6,942.7	7,832.7	8,795.7
EBITDA	1,617.4	1,789.2	2,028.7	2,299.9
Growth (%)	7.2	10.6	13.4	13.4
Depreciation	162.2	172.5	172.1	179.8
Interest	53.1	61.9	46.4	41.2
Other Income	305.2	320.4	346.1	370.3
PBT	1,692.9	1,875.3	2,156.3	2,449.3
Others	14.5	0.0	0.0	0.0
Total Tax	335.4	375.1	431.3	489.9
PAT	1,357.7	1,501.2	1,725.0	1,959.4
Growth (%)	6.0	10.6	14.9	13.6
Adjusted EPS (₹)	7.7	8.5	9.8	11.1

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit before Tax	1,693.1	1,875.3	2,156.3	2,449.3
Add: Depreciation	162.2	172.5	172.1	179.8
(Inc)/dec in Current Assets	-378.8	-163.1	-422.5	-437.4
Inc/(dec) in CL and Provisions	85.8	-141.8	206.3	244.6
Others	-508.8	-313.2	-384.9	-448.7
CF from operating activities	1,053.5	1,429.6	1,727.3	1,987.5
(Inc)/dec in Investments	-583.7	-220.0	-220.0	-220.0
(Inc)/dec in Fixed Assets	-200.3	-170.0	-170.0	-170.0
Others	243.7	0.0	0.0	0.0
CF from investing activities	-540.2	-390.0	-390.0	-390.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-54.5	-200.0	-200.0	-200.0
Dividend paid & dividend tax	-396.3	-880.8	-1,145.0	-1,145.0
Others	-123.5	-61.9	-46.4	-41.2
CF from financing activities	-574.4	-1,142.6	-1,391.3	-1,386.1
Net Cash flow	-25.6	-103.0	-54.1	211.4
Opening Cash	115.8	89.2	-13.8	-67.8
Miscellaneous adjustments	216.9	216.9	216.9	216.9
Closing Cash	306.1	203.1	149.0	360.4

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E
Liabilities				
Equity Capital	176.2	176.2	176.2	176.2
Reserve and Surplus	5,530.4	6,150.8	6,730.9	7,545.3
Total Shareholders funds	5,706.5	6,327.0	6,907.0	7,721.5
Long Term Loans	368.6	268.6	168.6	68.6
Long Term Provisions	109.1	109.1	109.1	109.1
Minority Interest / Others	83.1	83.0	83.0	83.0
Total Liabilities	6,267.3	6,787.7	7,267.7	7,982.1
Assets				
Gross Block	3,074.6	3,224.6	3,374.6	3,524.6
Less: Acc Depreciation	1,046.5	1,219.0	1,391.1	1,570.9
Net Block	2,028.1	2,005.6	1,983.5	1,953.7
Capital WIP	41.5	61.5	81.5	101.5
Non- Current Investments	3,091.8	3,291.8	3,491.8	3,691.8
LT loans & advances	13.1	113.1	213.1	313.1
Other Non-current Assets	87.3	107.3	127.3	147.3
Current Assets				
Inventory	1,256.2	1,237.0	1,424.4	1,633.5
Debtors	706.1	848.9	1,013.5	1,171.2
Cash & Bank	306.1	203.1	149.0	360.4
ST Loans & Advances	34.9	4.3	4.9	5.5
Other Current Assets	1,136.6	1,206.6	1,276.6	1,346.6
Current Liabilities				
Creditors	1,410.3	1,188.5	1,314.8	1,479.4
ST Borrowings	464.5	484.5	504.5	524.5
Other CL	559.6	619.6	679.6	739.6
Net Current Assets	1,005.3	1,207.3	1,369.4	1,773.6
Total Assets	6,267.2	6,786.6	7,266.7	7,981.1

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
Adjusted EPS	7.7	8.5	9.8	11.1
Cash EPS	8.6	9.5	10.8	12.1
BV	32.4	35.9	39.2	43.8
DPS	3.5	5.0	6.5	6.5
Cash Per Share	1.7	1.2	0.8	2.0
Operating Ratios (%)				
PBITDA Margin	20.9	20.5	20.6	20.7
PBT / Total Operating income	18.1	17.8	18.4	18.7
PAT Margin	17.5	17.2	17.5	17.7
Inventory days	50	51	52	53
Debtor days	35	35	37	38
Creditor days	55	49	48	48
Return Ratios (%)				
RoE	23.8	23.7	25.0	25.4
RoCE	26.2	26.6	28.3	29.3
RoIC	23.2	23.8	25.8	28.0
Valuation Ratios (x)				
P/E	58.5	52.9	46.1	40.5
EV / EBITDA	49.2	44.5	39.1	34.3
EV / Net Sales	10.3	9.1	8.1	7.1
Market Cap / Sales	10.2	9.1	8.0	7.1
Price to Book Value	13.9	12.6	11.5	10.3
Solvency Ratios				
Debt/EBITDA	0.5	0.4	0.3	0.3
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.6	1.8	1.9	1.9
Quick Ratio	1.0	1.1	1.2	1.1

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (FMCG)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY19E	FY20E	FY21E	P/E (x) FY19E	FY20E	FY21E	Price/Sales (x) FY19E	FY20E	FY21E	RoCE (%) FY19E	FY20E	FY21E	RoE (%) FY19E	FY20E	FY21E
Colgate (COLPAL)	1,295	1,350	Hold	34,950	28.9	31.9	35.8	44.9	40.6	36.2	7.8	7.1	6.5	62.1	59.2	55.4	43.3	41.7	38.8
Dabur India (DABIND)	451	500	Buy	79,218	8.5	9.8	11.1	52.9	46.1	40.5	9.1	8.0	7.1	26.6	28.3	29.3	23.7	25.0	25.4
GSK CH (GLACON)	7,500	8,145	Hold	31,710	166.5	200.9	224.1	45.1	37.3	33.5	7.2	6.5	5.9	29.8	32.1	32.3	20.1	21.9	22.0
Hindustan Unilever (HINLEV)	1,795	1,900	Hold	378,000	28.5	32.9	37.9	62.9	54.6	47.4	9.9	8.7	7.6	100.8	123.7	162.3	87.2	106.9	141.3
ITC Limited (ITC)	280	340	Buy	340,127	10.3	11.3	12.4	27.1	24.8	22.5	7.6	6.9	6.4	35.8	35.7	37.5	24.9	24.7	26.0
Jyothy Lab (JYOLAB)	185	240	Buy	6,617	5.1	5.8	6.6	36.5	31.8	28.1	3.7	3.3	3.0	33.7	37.8	39.3	24.9	28.0	29.1
Marico (MARLIM)	375	400	Buy	49,673	7.5	8.8	9.9	50.2	42.5	37.8	6.4	5.8	5.2	42.4	44.1	42.9	34.9	36.0	34.6
Nestle (NESIND)	11,590	12,000	Buy	106,062	176.7	202.2	240.5	65.6	57.3	48.2	9.4	8.3	7.3	43.7	42.7	44.2	45.9	42.0	41.2
VST Industries (VSTIND)	3,250	4,000	Buy	4,941	149.9	170.8	185.8	21.7	19.0	17.5	4.4	4.1	3.8	52.5	51.5	50.2	35.1	34.7	33.8
Varun Beverage (VARBEV)	830	860	Buy	13,856	11.7	15.7	19.7	70.8	53.0	42.1	3.5	2.8	2.4	12.7	15.6	17.5	12.1	14.7	17.0

Source: Company, ICICI Direct Research

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