

## Strong rebound; long term challenges intact

Jyothy labs (JLL) reported strong growth in Q1FY21 with 4.1% revenue growth led by 16.6% & 151.1% growth in dish washing & household insecticide, respectively. However, fabric care segment saw 23.8% de-growth. Personal care segment sales were flat at ₹ 60 crore. Overall volume growth was 6%. The strong growth in dishwashing was driven by higher 'in-home' consumption & hence more usage of dishwashing products. The robust growth in household insecticide was aided by low base quarter, early arrival of monsoon & large stocking by trade before season. The sharp decline in fabric care was due to lower fabric whitener sales, which was impacted by reduced 'out of home' activity. Personal care sales were flat with lockdown more prominent in key state (Margo has larger saliency in WB, TN). Gross margins were down 182 bps with change in product mix (lower fabric whitener sales in Q1). However, operating margins were up 233 bps to 18.3% mainly driven by 350 bps lower marketing spends & saving in overhead spends. Net profit was up 40.4% to ₹ 50.4 crore.

### Practical approach in tough times

In the current volatile times, the company witnessed healthy growth largely due to favourable demand conditions in dishwashing & household insecticides due to change in consumption pattern (higher sales of 'in-home' consuming products & heightened cautiousness for mosquito related disease). Moreover, with stronger demand from rural India due to reverse migration & increased government's spends, the company was able to leverage that macro factor by driving growth from smaller SKUs of ₹ 5 & ₹ 10 across brands. Moreover, the company has added more sub-stockist during this period. Considering, 40% of its sales has been contributed by rural markets, JLL's ability to distribute in smaller towns & rural India is better than competition. We expect 8.3% revenue CAGR for FY20-22E.

### Benign commodity cost, cost saving to expand margins

Given, supply side problems receding & rural demand outlook improving, growth for fabric care should also recover by Q3. With the sharp fall in crude based commodity costs & recovery in fabric whitener category, we expect gross margins to stabilise. Moreover, with various cost saving measures & substantial reduction in marketing spends (diverting spends toward digital media), we expect operating margins to improve to 140 bps to 16.4% in FY20-22E.

### Valuation & Outlook

JLL being able to drive growth & expand margins in the challenging times depicts management's focus on growth, profitability. However, in long run, it would be difficult to reduce marketing spends & driving volumes simultaneously. We believe in a scenario of high commodity cost & intense competition, JLL would be unable to sustain high margins. Nonetheless, that scenario seem far away from current times. We maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 150/share.



#### Particulars

| Particulars (₹ crore)       | Amount   |
|-----------------------------|----------|
| Market Capitalization       | 5,140.8  |
| Total Debt (FY20)           | 0.0      |
| Cash and Investments (FY20) | 20.1     |
| EV                          | 5,120.7  |
| 52 week H/L (₹)             | 185 / 85 |
| Equity capital              | 36.7     |
| Face value (₹)              | 1.0      |

#### Key Highlights

- Dishwashing & HI saw strong 16.6% & 151.1% sales growth during the quarter due to higher "in-home" consumption & higher usage of dish washing products. The strong growth in HI was driven by early monsoon, trade stocking before season
- Fabric care segment witnessed a 23.8% decline in Q1 with reduced out of home activity
- Maintain HOLD with revised target price of ₹ 150/per share

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#### Key Financial Summary (Standalone)

| Key Financials   | FY18   | FY19   | FY20   | FY21E  | FY22E  | CAGR (FY20-22E) |
|------------------|--------|--------|--------|--------|--------|-----------------|
| Net Sales        | 1626.2 | 1768.9 | 1665.4 | 1791.9 | 1953.4 | 5.5%            |
| EBITDA           | 264.1  | 285.8  | 249.8  | 290.9  | 320.4  | 8.7%            |
| EBITDA Margin %  | 16.2   | 16.2   | 15.0   | 16.2   | 16.4   |                 |
| Net Profit       | 160.5  | 193.2  | 157.7  | 194.9  | 214.2  | 10.8%           |
| Adjusted EPS (₹) | 4.37   | 5.26   | 4.39   | 5.31   | 5.83   |                 |
| P/E              | 31.7   | 26.6   | 32.6   | 26.4   | 24.0   |                 |
| RoNW %           | 23.5   | 22.6   | 21.7   | 24.2   | 24.1   |                 |
| RoCE (%)         | 35.1   | 28.6   | 24.3   | 29.7   | 29.9   |                 |

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

|                                   | Q1FY21 | Q1FY20 | YoY (%) | Q4FY20 | QoQ (%) | Comments  |
|-----------------------------------|--------|--------|---------|--------|---------|---|
| Net Sales                         | 428.7  | 411.6  | 4.1     | 383.0  | 11.9    | Net sales witnessed a growth of 4.1% with strong growth in dishwashing & household insecticide business. However, fabric care category saw a significant decline during the quarter |
| Raw Material Expenses             | 231.9  | 215.2  | 7.8     | 211.4  | 9.7     | Gross margins contracted by 182 bps largely due to change in product mix. The quarter reported lower sales of fabric whitener which fetches higher margins                          |
| Employee Expenses                 | 51.4   | 50.2   | 2.5     | 45.9   | 12.0    |   |
| SG&A Expenses                     | 19.8   | 33.4   | -40.8   | 34.7   | -43.0   |   |
| Other operating Expenses          | 47.4   | 47.4   | 0.0     | 50.2   | -5.6    |   |
| EBITDA                            | 78.2   | 65.5   | 19.4    | 40.8   | 91.8    |   |
| EBITDA Margin (%)                 | 18.3   | 15.9   | 233 bps | 10.7   | 760 bps | Operating margins improved by 233 bps to 18.3% with significant 350 bps saving in marketing spends  |
| Depreciation                      | 18.7   | 18.5   | 1.5     | 19.1   | -2.1    |   |
| Interest                          | 5.1    | 6.1    | -16.3   | 5.8    | -12.8   |   |
| Other Income                      | 4.2    | 4.8    | -12.2   | 4.5    | -4.7    |   |
| Exceptional Income/(Expenses)     | 0.0    | 3.8    | NA      | 0.0    | NA      |   |
| PBT                               | 58.7   | 42.1   | 39.5    | 20.3   | 189.4   |   |
| Tax Outgo                         | 8.3    | 6.1    | 34.4    | -6.4   | -229.1  |   |
| PAT                               | 50.4   | 35.9   | 40.4    | 26.7   | 89.1    | With sustained sales & uptick in operating margins, net profit witnessed a growth of 40.4%  |
| <b>Segment wise sales (in Cr)</b> |        |        |         |        |         |   |
| Dishwashing                       | 156.6  | 134.3  | 16.6    | 127.1  | 23.2    | Dishwashing sales witnessed a strong growth of 16.6% mainly due to higher 'in-home' consumption   |
| Fabric Care                       | 142.2  | 186.6  | -23.8   | 155.7  | -8.7    | Fabric care business saw significant decline in sales due to lower sales of fabric whitener with most of the people staying home leads to lower usage of post wash products         |
| Household Insecticides            | 63.6   | 25.3   | 151.1   | 64.2   | -0.9    | Household insecticides saw sharp jump in growth due to low base quarter & filling of inventory pipelines before the start of the season   |
| Personal Care                     | 60.0   | 59.7   | 0.4     | 30.2   | 98.5    |   |

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

|                   | FY21E     |        |        | FY22E    |         |        | Comments  |
|-------------------|-----------|--------|--------|----------|---------|--------|---|
|                   | (₹ Crore) | Old    | New    | % Change | Old     | New    |   |
| Sales             | 1,547.9   | 1791.9 | 15.8   | 1,919.1  | 1,953.4 | 1.8    | With strong resilient performance in Q1, we change our FY21 estimates factoring in positive growth for the year |
| EBITDA            | 235.9     | 290.9  | 23.3   | 309.4    | 320.4   | 3.6    |   |
| EBITDA Margin (%) | 15.2      | 16.2   | 99 bps | 16.1     | 16.4    | 28 bps | With the cut in marketing and other overhead spends, we revise our margin estimates upward                      |
| PAT               | 151.2     | 194.9  | 28.9   | 211.1    | 214.2   | 1.5    |   |
| EPS (₹)           | 4.1       | 5.3    | 28.8   | 5.75     | 5.83    | 1.5    |   |

Source: Company, ICICI Direct Research

**Exhibit 3: Assumptions**

|                            | Current |       |       |       |       | Earlier |       | Comments  |
|----------------------------|---------|-------|-------|-------|-------|---------|-------|---|
|                            | FY18    | FY19  | FY20E | FY21E | FY22E | FY21E   | FY22E |   |
| Dishwashing                | 542.8   | 577.1 | 566.7 | 626.5 | 691.1 | 540.3   | 670.9 | With the strong performance in Q1, we are revising our estimates upward |
| Fabric Care                | 744.6   | 740.2 | 708.0 | 726.0 | 776.9 | 644.9   | 823.8 |   |
| Household Insecticides     | 222.2   | 233.3 | 181.4 | 212.0 | 233.2 | 164.9   | 184.7 |   |
| Personal Care              | 172.7   | 194.5 | 180.4 | 195.3 | 216.6 | 165.8   | 203.9 |   |
| RM Expenses to Sales (%)   | 53.4    | 54.4  | 53.6  | 53.8  | 53.1  | 52.5    | 53.3  |   |
| Ad Expenses to Sales (%)   | 6.3     | 6.2   | 7.2   | 7.5   | 8.0   | 7.0     | 7.8   |   |
| Employee Cost to Sales (%) | 10.3    | 10.7  | 12.0  | 11.5  | 11.5  | 12.8    | 11.5  |   |

Source: Company, ICICI Direct Research

## Conference Call Highlights

- Revenue witnessed sales growth of 4.1% to ₹ 428.7 crore with volume growth of 6% during the quarter
- Dishwashing segment saw 16.6% sales growth to ₹ 156.6 crore driven by increasing in-home consumption and subsequent higher usage of dishwashing products
- Household insecticide segment sales grew 151.1% to ₹ 63.3 crore. The high growth was led by early arrival of monsoon, heightened consumer cautiousness about mosquito related diseases and trade inventory stocking before the start of season
- Fabric care sales saw 23.8% decline to ₹ 142.2 crore mainly due to restricted out of home activity & hence lower usage of fabric whiteners. However, Henko detergent saw competitive growth through general trade channel. Personal care segment growth was flat at ₹ 60 crore
- During lockdown general trade & ecommerce channel was preferred choice of purchase by consumers due to convenience at local kirana shops & contactless delivery from ecommerce channel. However, modern trade & canteen store department (CSD) channel saw significant decline in offtake. CSD contributes 8-10% to overall business
- Rural demand was strong on the back of higher government spends through welfare schemes & reverse migration also aided growth. The company generates ~40% of the sales from rural regions
- JLL is driving sales through low unit packs (LUP) of ₹ 5 & ₹ 10 across brands. LUPs contributes 25-30% to the sales. Margins are slightly lower in LUPs. In addition to this, the company is adding more sub-stockist in rural India to leverage the relatively better demand conditions. In new launches, the company has introduced T-Shine floor cleaner in Q1
- During the quarter, the company has been adhering to cash sales. Moreover, it has curtailed trade schemes & promotions. Also, it is keeping trade inventory at normal levels to protect Rol of distributors
- In terms of media spends, the company launched 'Vocal for local' campaign through TV & print media covering all brands. Other than this, it is focusing on digital marketing & tactical micro marketing plan to keep moving 'share of voice'
- Segment margins in dishwashing improved 870 bps to 20.7% whereas fabric care segment margins expanded 250 bps to 22.2%. Personal care segment margins were down 530 bps to 25.5%. Despite strong growth in HI segment, it is still making loss at ~₹ 2 crore vs. ~₹ 5 crore in corresponding quarter. The loss in the segment is due to the higher contribution of coils. The company not incurring any marketing spends on coils & media support is only provided to liquid vaporisers
- The company commissioned a new plant in Pithampur, MP for which capex was done prior to March 2020. The new unit would be producing dishwashing products. The company will not do any more capex this year
- The company guided for EBITDA margins in the range of 15-16%

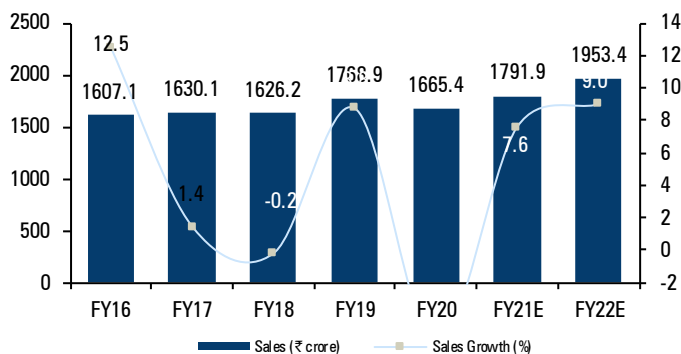
## Key Metrics

Exhibit 4: Category wise performance for quarter (₹ crore)

| Category       | Key Brands                                   | Q1FY21     | Q1FY20     | Growth      |
|----------------|--|------------|------------|-------------|
| Fabric Care    | Ujala, Henko, Mr. White, Ujala Crisp & Shine | 142        | 187        | -23.8%      |
| Dishwashing    | Exo, Pril                                    | 157        | 134        | 16.6%       |
| HI             | Maxo   | 64         | 25         | 151.1%      |
| Personal Care  | Margo, Neem                                  | 60         | 60         | 0.4%        |
| Other Products | Maya, T Shine                                | 7          | 7          | 8.6%        |
| <b>Total</b>   |  | <b>430</b> | <b>413</b> | <b>4.1%</b> |

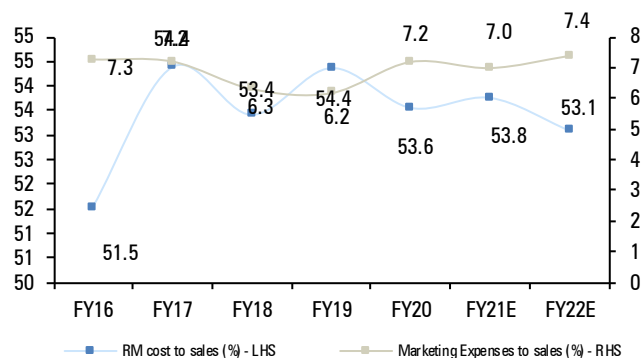
Source: Company, ICICI Direct Research

Exhibit 5: Revenue trend (standalone)



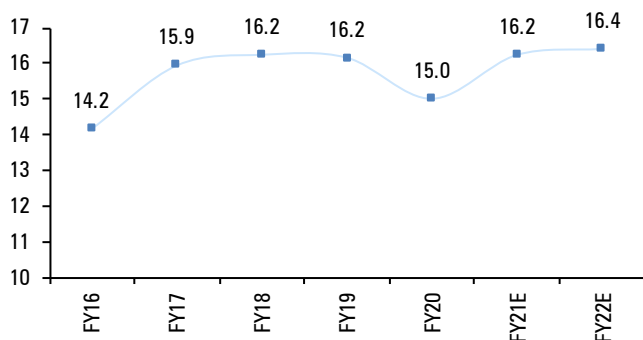
Source: Company, ICICI Direct Research

Exhibit 6: RM & A&P spend trends (standalone)



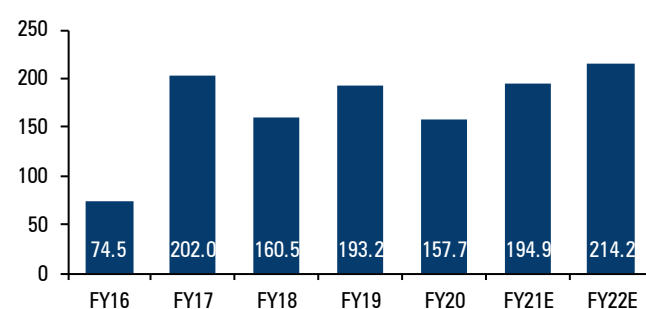
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA growth trend (%)



Source: Company, ICICI Direct Research

Exhibit 8: PAT trend (₹ crore)



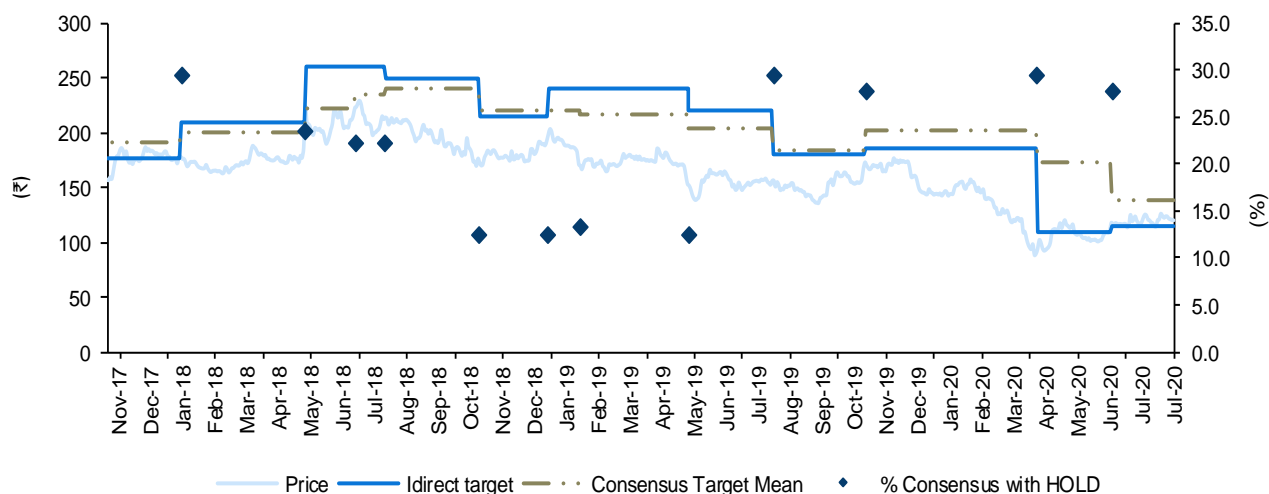
Source: Company, ICICI Direct Research

Exhibit 9: Valuation

|       | Sales<br>(₹ cr) | Growth<br>(%) | EPS<br>(₹) | Growth<br>(%) | PE<br>(x) | EV/EBITDA<br>(x) | RoNW<br>(%) | RoCE<br>(%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY19  | 1768.9          | 8.8           | 5.3        | -40.4         | 26.6      | 16.5             | 22.6        | 28.6        |
| FY20  | 1665.4          | -5.9          | 4.3        | -18.4         | 32.6      | 19.1             | 21.7        | 24.3        |
| FY21E | 1791.9          | 7.6           | 5.3        | 23.6          | 26.4      | 16.3             | 24.2        | 29.7        |
| FY22E | 1953.4          | 9.0           | 5.8        | 9.9           | 24.0      | 14.6             | 24.1        | 29.9        |

Source: Company, ICICI Direct Research

Exhibit 10: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 11: Top 10 Shareholders

| Rank | Investor Name        | Filing Date | % O/S | Position (%) | Change  |
|------|----------------------|-------------|-------|--------------|---------|
| 1    | Ramachandran M P     | 30-Jun-20   | 39.1  | 143.64m      | 0.00m   |
| 2    | Franklin Resources   | 30-Jun-20   | 5.2   | 18.96m       | 0.00m   |
| 3    | Divakaran M P        | 30-Jun-20   | 5.0   | 18.28m       | 0.00m   |
| 4    | Sahyadri Agencies Lt | 30-Jun-20   | 4.0   | 14.50m       | 0.00m   |
| 5    | Sidharthan M P       | 30-Jun-20   | 3.6   | 13.07m       | 0.00m   |
| 6    | Mirae Asset Global I | 30-Jun-20   | 3.5   | 12.96m       | 0.07m   |
| 7    | Deepthi M R          | 30-Jun-20   | 2.8   | 10.36m       | 0.00m   |
| 8    | Standard Life Aberde | 30-Jun-20   | 2.7   | 9.92m        | (0.37)m |
| 9    | Jyothy M R           | 30-Jun-20   | 2.6   | 9.54m        | 0.00m   |
| 10   | Reliance Capital Tru | 30-Jun-20   | 2.2   | 8.19m        | 0.00m   |

Source: Bloomberg, ICICI Direct Research

Exhibit 12: Shareholding Pattern

| (in %)   | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 67.1   | 67.1   | 62.9   | 62.9   | 62.9   |
| FII      | 16.3   | 15.7   | 15.3   | 14.7   | 14.1   |
| DII      | 8.6    | 11.0   | 15.4   | 15.8   | 15.9   |
| Others   | 8.0    | 6.2    | 6.4    | 6.6    | 7.1    |

Source: Company, ICICI Direct Research

## Financial summary

| Exhibit 13: Profit and loss statement |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | ₹ crore       |               |               |               |
| (Year-end March)                      | FY19          | FY20          | FY21E         | FY22E         |
| <b>Total operating Income</b>         | <b>1768.9</b> | <b>1665.4</b> | <b>1791.9</b> | <b>1953.4</b> |
| Growth (%)                            | 8.8           | -5.9          | 7.6           | 9.0           |
| Raw Material Expenses                 | 961.8         | 892.0         | 963.4         | 1,037.1       |
| Employee Expenses                     | 188.6         | 200.3         | 206.1         | 224.6         |
| Marketing Expenses                    | 109.3         | 119.9         | 125.4         | 144.5         |
| Administrative Expenses               | 58.0          | 0.0           | 0.0           | 0.0           |
| Other expenses                        | 165.4         | 203.3         | 206.1         | 226.6         |
| Total Operating Expenditure           | 1,483.1       | 1,415.5       | 1,501.0       | 1,632.9       |
| <b>EBITDA</b>                         | <b>285.8</b>  | <b>249.8</b>  | <b>290.9</b>  | <b>320.4</b>  |
| Growth (%)                            | 8.2           | -12.6         | 16.4          | 10.2          |
| Depreciation                          | 58.3          | 75.7          | 54.8          | 61.0          |
| Interest                              | 27.8          | 24.8          | 22.3          | 21.9          |
| Other Income                          | 27.8          | 20.1          | 19.6          | 22.1          |
| PBT                                   | 227.5         | 169.4         | 233.4         | 259.7         |
| Others                                | 0.0           | 0.0           | 0.0           | 0.0           |
| Total Tax                             | 34.3          | 7.9           | 38.5          | 45.4          |
| <b>PAT</b>                            | <b>193.2</b>  | <b>157.7</b>  | <b>194.9</b>  | <b>214.2</b>  |
| Growth (%)                            | 20.3          | -18.4         | 23.6          | 9.9           |
| EPS (₹) - Diluted                     | 5.3           | 4.3           | 5.3           | 5.8           |
| EPS (₹) - Adjusted                    | 5.3           | 4.4           | 5.3           | 5.8           |

Source: Company, ICICI Direct Research

| Exhibit 14: Cash flow statement     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | ₹ crore       |               |               |               |
| (Year-end March)                    | FY19          | FY20          | FY21E         | FY22E         |
| Profit after Tax                    | 186.5         | 127.6         | 194.9         | 214.2         |
| Add: Depreciation                   | 58.3          | 75.7          | 54.8          | 61.0          |
| (Inc)/dec in Current Assets         | -12.4         | 5.6           | 36.1          | -34.5         |
| Inc/(dec) in CL and Provisions      | 51.1          | -64.8         | -33.8         | 38.5          |
| Adjustments                         | 21.5          | 21.2          | 0.0           | 0.0           |
| <b>CF from operating activities</b> | <b>304.9</b>  | <b>165.4</b>  | <b>252.0</b>  | <b>279.2</b>  |
| (Inc)/dec in Investments            | 57.5          | 101.6         | 0.0           | 0.0           |
| (Inc)/dec in Fixed Assets           | -37.8         | -39.2         | -50.0         | -100.0        |
| Others                              | 4.9           | 9.7           | -62.5         | -16.5         |
| <b>CF from investing activities</b> | <b>24.7</b>   | <b>72.1</b>   | <b>-112.5</b> | <b>-116.5</b> |
| Issue/(Buy back) of Equity          | 0.4           | 0.0           | 0.0           | 0.0           |
| Inc/(dec) in loan funds             | -261.0        | -11.0         | 0.0           | 0.0           |
| Dividend paid & dividend tax        | -21.9         | -265.6        | -132.0        | -132.0        |
| Finance cost paid                   | 0.0           | 0.0           | 0.0           | 0.0           |
| Others                              | 0.0           | -16.9         | 0.0           | 0.0           |
| <b>CF from financing activities</b> | <b>-282.6</b> | <b>-293.5</b> | <b>-132.0</b> | <b>-132.0</b> |
| Net Cash flow                       | 47.0          | -56.1         | 7.5           | 30.8          |
| Opening Cash                        | 55.0          | 68.4          | 6.9           | 14.4          |
| Bank Balance                        | 19.1          | 13.2          | 13.2          | 13.2          |
| <b>Closing Cash</b>                 | <b>121.1</b>  | <b>25.6</b>   | <b>27.6</b>   | <b>58.3</b>   |

Source: Company, ICICI Direct Research

| Exhibit 15: Balance sheet   |              |              |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|
|                             | ₹ crore      |              |              |              |
| (Year-end March)            | FY19         | FY20         | FY21E        | FY22E        |
| <b>Liabilities</b>          |              |              |              |              |
| Equity Capital              | 36.7         | 36.7         | 36.7         | 36.7         |
| Preference Capital          | 0.0          | 0.0          | 0.0          | 0.0          |
| Reserve and Surplus         | 817.2        | 706.6        | 769.5        | 851.7        |
| Total Shareholders funds    | 853.9        | 743.3        | 806.2        | 888.5        |
| Total Debt                  | 0.0          | 0.0          | 0.0          | 0.0          |
| Deferred Tax Liability      | 0.0          | 0.0          | 0.0          | 0.0          |
| Minority Interest / Others  | 38.0         | 84.9         | 54.9         | 53.9         |
| <b>Total Liabilities</b>    | <b>892.0</b> | <b>828.2</b> | <b>861.1</b> | <b>942.4</b> |
| <b>Assets</b>               |              |              |              |              |
| Gross Block                 | 1,067.7      | 1,046.5      | 1,096.5      | 1,196.5      |
| Less: Acc Depreciation      | 486.7        | 562.4        | 617.3        | 678.3        |
| Net Block                   | 581.0        | 484.1        | 479.3        | 518.3        |
| Capital WIP                 | 14.2         | 23.7         | 23.7         | 23.7         |
| Total Fixed Assets          | 485.3        | 507.9        | 503.0        | 542.0        |
| Goodwill on Consolidation   | 0.0          | 0.0          | 0.0          | 0.0          |
| Inventory                   | 200.6        | 222.6        | 225.8        | 246.2        |
| Debtors                     | 148.3        | 119.6        | 122.7        | 133.8        |
| Loans and Advances          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other Current Assets        | 63.8         | 76.9         | 34.4         | 37.5         |
| Cash                        | 87.5         | 20.1         | 27.6         | 58.3         |
| Total Current Assets        | 600.4        | 439.1        | 410.5        | 475.8        |
| Creditors                   | 174.8        | 126.8        | 147.3        | 160.6        |
| Provisions & Others         | 345.3        | 334.2        | 279.8        | 305.0        |
| Total Current Liabilities   | 520.1        | 461.0        | 427.1        | 465.6        |
| Net Current Assets          | 80.3         | -21.9        | -16.6        | 10.2         |
| Others Assets               | 326.4        | 342.2        | 374.7        | 390.2        |
| <b>Application of Funds</b> | <b>892.0</b> | <b>828.2</b> | <b>861.1</b> | <b>942.4</b> |

Source: Company, ICICI Direct Research

| Exhibit 16: Key ratios      |         |      |       |       |
|-----------------------------|---------|------|-------|-------|
|                             | ₹ crore |      |       |       |
| (Year-end March)            | FY19    | FY20 | FY21E | FY22E |
| <b>Per share data (₹)</b>   |         |      |       |       |
| Adjusted EPS                | 5.3     | 4.4  | 5.3   | 5.8   |
| Cash EPS                    | 6.8     | 6.4  | 6.8   | 7.5   |
| BV                          | 23.3    | 20.2 | 22.0  | 24.2  |
| DPS                         | 0.5     | 6.0  | 3.0   | 3.0   |
| Cash Per Share              | 2.4     | 0.5  | 0.8   | 1.6   |
| <b>Operating Ratios (%)</b> |         |      |       |       |
| EBITDA Margin               | 16.2    | 15.0 | 16.2  | 16.4  |
| EBIT / Net Sales            | 12.9    | 10.5 | 13.2  | 13.3  |
| PAT Margin                  | 10.9    | 9.5  | 10.9  | 11.0  |
| Inventory days              | 41.4    | 48.8 | 46.0  | 46.0  |
| Debtor days                 | 30.6    | 26.2 | 25.0  | 25.0  |
| Creditor days               | 36.1    | 27.8 | 30.0  | 30.0  |
| <b>Return Ratios (%)</b>    |         |      |       |       |
| RoE                         | 22.6    | 21.7 | 24.2  | 24.1  |
| RoCE                        | 28.6    | 24.3 | 29.7  | 29.9  |
| RoIC                        | 39.7    | 39.4 | 54.3  | 55.2  |
| <b>Valuation Ratios (x)</b> |         |      |       |       |
| P/E (Diluted)               | 26.6    | 32.6 | 26.4  | 24.0  |
| P/E (Adjusted)              | 26.6    | 31.9 | 26.4  | 24.0  |
| EV / EBITDA                 | 16.5    | 19.1 | 16.3  | 14.6  |
| Market Cap / Sales          | 2.9     | 3.1  | 2.9   | 2.6   |
| Price to Book Value         | 6.0     | 6.9  | 6.4   | 5.8   |
| <b>Solvency Ratios</b>      |         |      |       |       |
| Debt/EBITDA                 | 0.0     | 0.0  | 0.0   | 0.0   |
| Debt / Equity               | 0.0     | 0.0  | 0.0   | 0.0   |
| Current Ratio               | 1.0     | 0.9  | 0.9   | 0.9   |
| Quick Ratio                 | 0.6     | 0.4  | 0.4   | 0.4   |

Source: Company, ICICI Direct Research

**Exhibit 17: ICICI Direct coverage universe (FMCG)**

| Sector / Company                | CMP    | TP     | M Cap | EPS (₹) |        |       | P/E (x) |       |      | Price/Sales (x) |       |      | RoCE (%) |       |      | RoE (%) |       |       |       |
|---------------------------------|--------|--------|-------|---------|--------|-------|---------|-------|------|-----------------|-------|------|----------|-------|------|---------|-------|-------|-------|
|                                 | (₹)    | (₹)    |       | Rating  | (₹ Cr) | FY20  | FY21E   | FY22E | FY20 | FY21E           | FY22E | FY20 | FY21E    | FY21E | FY20 | FY21E   | FY22E | FY20  | FY21E |
| Colgate (COLPAL)                | 1,443  | 1,540  | Hold  | 39,377  | 30.0   | 31.0  | 34.3    | 48.1  | 46.6 | 42.1            | 8.8   | 8.6  | 7.8      | 60.7  | 68.0 | 76.0    | 51.2  | 52.1  | 58.3  |
| Dabur India (DABIND)            | 503    | 565    | Buy   | 87,118  | 8.2    | 8.8   | 10.3    | 61.4  | 57.1 | 49.1            | 10.0  | 9.9  | 8.6      | 26.1  | 24.0 | 24.7    | 21.9  | 20.9  | 21.4  |
| Hindustan Unilever (HINLEV)     | 2,195  | 2,410  | Hold  | 519,159 | 31.2   | 32.4  | 40.1    | 70.4  | 67.8 | 54.7            | 13.6  | 12.2 | 0.0      | 89.5  | 26.7 | 33.0    | 85.7  | 20.3  | 25.4  |
| ITC Limited (ITC)               | 193    | 250    | Buy   | 245,475 | 12.5   | 11.7  | 13.0    | 15.5  | 16.4 | 14.8            | 5.3   | 5.2  | 4.6      | 29.4  | 28.3 | 36.1    | 23.8  | 21.7  | 27.7  |
| Jyothy Lab (JYOLAB)             | 140    | 150    | Hold  | 5,141   | 4.3    | 5.3   | 5.8     | 32.7  | 26.5 | 24.1            | 3.1   | 2.9  | 2.6      | 24.3  | 29.7 | 29.9    | 21.7  | 24.2  | 24.1  |
| Marico (MARLIM)                 | 363    | 380    | Hold  | 45,286  | 8.1    | 8.5   | 9.6     | 44.9  | 42.7 | 38.0            | 6.2   | 6.1  | 5.5      | 41.0  | 42.3 | 46.2    | 34.5  | 35.6  | 39.5  |
| Nestle (NESIND)                 | 16,503 | 18,000 | Hold  | 164,869 | 204.3  | 230.3 | 268.9   | 80.8  | 71.7 | 61.4            | 13.4  | 12.4 | 10.9     | 56.9  | 59.3 | 65.9    | 101.9 | 114.2 | 123.6 |
| Tata Consumer Products (TATGLC) | 448    | 525    | Buy   | 41,256  | 5.0    | 9.8   | 11.7    | 89.7  | 45.8 | 38.4            | 4.3   | 3.9  | 3.6      | 6.9   | 8.8  | 9.4     | 4.6   | 6.6   | 7.5   |
| VST Industries (VSTIND)         | 3,445  | 4,450  | Buy   | 5,000   | 196.9  | 202.1 | 222.6   | 17.5  | 17.0 | 15.5            | 4.0   | 4.2  | 3.6      | 52.1  | 46.3 | 44.8    | 38.6  | 34.2  | 33.0  |
| Varun Beverage (VARBEV)         | 747    | 700    | Hold  | 20,670  | 16.4   | 9.7   | 17.8    | 45.7  | 76.8 | 41.9            | 2.9   | 3.4  | 2.8      | 15.5  | 11.3 | 16.3    | 14.2  | 8.8   | 14.2  |
| Zydus Wellness (ZYDWEL)         | 1,697  | 1,925  | Buy   | 9,266   | 24.6   | 39.0  | 55.0    | 69.1  | 43.5 | 30.9            | 5.2   | 5.1  | 4.5      | 5.9   | 6.5  | 7.8     | 5.4   | 6.2   | 8.1   |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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