# Dabur India (DABIND)

CMP: ₹ 556 | Target: ₹ 745 (34%) | Target Period: 12 months | **BUY**

February 3, 2022



## Expanding addressable market…

**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 a dominant market share in health supplement, OTC & ethical products, hair oils & Juices. Moreover, it is continuously gaining market share in oral care category.

- The company has a total distribution reach of 6.9 million retail outlets with direct reach of 1.3 million outlets. It would increase direct distribution to 1.5 million outlets in the next two years
- Dabur also derives ~50% of its sales through rural regions with a presence in more than 80,000 villages

**Q3FY22 Results:** Dabur reported healthy results with 7.8% revenue growth.

- Sales were up 7.8% YoY aided by 5% pricing & 2% volumes growth
- EBITDA was at ₹ 627.5 crore, up 9.3% YoY, with margins at 21.3%
- Consequent PAT was at ₹ 504.4 crore (up 2.2% YoY)

**What should investors do?** Dabur's share price has given 107% return in the last five years (from ₹ 268 in February 2017 to ₹ 556 in February 2022).

- We maintain our estimates with expected strong growth propelled through new product, rural distribution & Ayurveda, naturals consumption tailwind
- We continue to maintain our BUY rating on the stock

**Target Price and Valuation:** We value the stock at ₹ 745 on ascribing 55x FY24 earnings multiple.

**Key triggers for future price performance:**

- Significant shift in consumption towards healthier, natural & Ayurveda based products would be driving growth for the company
- Increasing the addressable market by diversifying in categories like fruit drinks, health foods (under real brand), herbs & baby products under Dabur brand and extending Chyawanprash, Honey into new variants
- Continuing extensive rural distribution expansion

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

- Robust growth in foods, digital brands portfolio. Likely to maintain margins in the longer run with eventual normalisation in commodity prices
- We value the stock at ₹ 550 on ascribing 45x FY24 earnings multiple

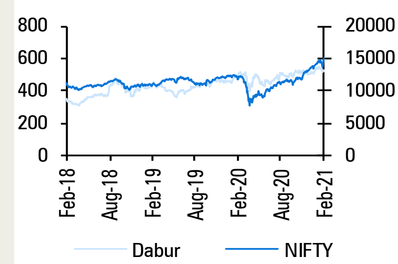
### Particulars

| Particular (₹ crore) | Amount |
|---|---|
| Market Capitalization | 98,241.9 |
| Total Debt (FY21) | 726.3 |
| Cash and Investments (FY21) | 5,477.4 |
| EV | 93,490.8 |
| 52 week H/L (₹) | 659 / 497 |
| Equity capital | 176.6 |
| Face value (₹) | 1.0 |

### Shareholding pattern

| (in %) | Mar-21 | Jun-21 | Sep-21 | Dec-21 |
|---|---|---|---|---|
| Promoter | 67.4 | 67.4 | 67.4 | 67.4 |
| FII | 19.8 | 20.6 | 21.4 | 21.1 |
| DII | 5.3 | 4.7 | 3.4 | 3.6 |
| Others | 7.5 | 7.3 | 7.8 | 8.0 |

### Price Chart




### Recent event & key risks

- It launched Chia seeds & Pumpkin seeds, pure herbs & baby products range in Q3
- **Key Risk:** (i) Failure in multiples new initiatives could shake distributor's confidence (ii) Slowdown in economic activity can impact rural consumption

### Research Analyst

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### Key Financial Summary

| Key Financials | FY20 | FY21 | 5 Year CAGR (FY16-21) | FY22E | FY23E | FY24E | CAGR (FY21-24E) |
|---|---|---|---|---|---|---|---|
| Net Sales | 8703.6 | 9561.7 | 4.0 | 11049.8 | 12164.6 | 13530.8 | 12.3 |
| EBITDA | 1792.4 | 2002.7 | 5.7 | 2284.4 | 2590.6 | 2922.6 | 13.4 |
| EBITDA Margin % | 20.6 | 20.9 | | 20.7 | 21.3 | 21.6 | |
| Net Profit | 1447.9 | 1694.9 | 6.3 | 1918.4 | 2150.9 | 2401.6 | 12.3 |
| EPS (₹) | 8.2 | 9.6 | 6.2 | 10.9 | 12.2 | 13.6 | 12.3 |
| P/E | 67.9 | 58.0 | | 51.2 | 45.7 | 40.9 | |
| RoNW % | 21.9 | 22.1 | | 22.7 | 23.2 | 23.2 | |
| RoCE (%) | 26.1 | 24.5 | | 26.0 | 27.3 | 27.8 | |

*Source: Company, ICICI Direct Research*

## Key takeaways of recent quarter

**Q3FY22 Results: Robust growth propelled by new products…**

- Dabur India reported a healthy set of numbers with 7.8% revenue growth to ₹ 2941.8 crore led by 5% pricing & 2% volume growth. Moreover, the slower volume growth was on account of high 18% volume growth in base quarter. On a two-year CAGR basis, revenue growth is 11.8%

- Health care segment witnessed a decline of 3% largely due to 8.3% dip in health supplement (Chyawanprash, Honey), which can be attributed to high growth in base quarter. Digestives and OTC & Ethical witnessed growth of 12.2% & 3.6%, respectively. On a two years CAGR basic, healthcare segment saw strong 11.4% growth

- Home & personal care segment witnessed 8.4% sales growth during the quarter aided by 6.7% growth in oral care, 6.1% growth in hair oil, 21.2% growth in shampoo, 18.6% growth in home care & 3.2% growth in skin care

- In oral care, toothpaste category saw 8.1% growth driven by Dabur red. The company gained market share by 50 bps. The hair oil brands for the company witnessed growth despite the category seeing a decline in the period

- The biggest growth in the category came from foods & beverage segment at 37.6% growth. This has been aided by 38.6% growth in beverage & 26.4% growth in foods segment. Even on a two year CAGR basis, beverage & foods categories saw 20% & 21.1% sales growth, respectively

- The growth in beverage has been aided by strong growth in Nectar & Juices under Real brand. The company has gained market share by 520 bps in the category. The company has increased the total addressable market by foraying into fruit drinks & milk based beverages. It would end the year with ₹100 crore sales of fruit drinks

- International business sales grew 8.7% aided by 19.4% growth in Namaste (US), 17.3% growth in Nepal, 14.6% growth in Turkey, 13% growth in Egypt, 6.4% growth in SSA & 4.5% growth in MENA regions

- The company is continuing the strategy new product innovation & foraying in larger categories. This has resulted in the company looking at a much larger addressable market. The company has forayed into 'Pure Herbs' under Dabur brand and is looking at an opportunity of ₹ 10,000 crore market where Patanjali & Himalayan has taken the lead. The current sales for the company are merely ₹ 3-4 crore

- The company has also launched an entire range of baby care products under Dabur brand. It has extended the real brand in Chia Seeds & Pumpkin Seeds. This category is margins accretive (premiumisation play) and the company can leverage e-commerce channel to drive growth in these categories. Again the addressable market is much larger

- The company has extended Chyawanprash & Honey in newer variants mainly to attract newer consumers & created differentiated proposition. These categories have seen high competitive intensity in last few quarters

- Sales from newer product is closer to 3.5% during the quarter. However, it is much higher at 10% on e-commerce channel. Dabur would end up the year with ₹100 crore sales from new products on ecommerce channel

- The growth in Real juices was led by market share gains in modern trade channel, which was sub 50% compared to 65% share in GT. The company is also driving growth in smaller ₹ 10 pack in fruit drinks

- Though the price hikes taken during the quarter have been largely covering raw material inflation, it has not passed on full price hikes in hair oil with the intention of gaining market share. However, price hikes in some of the categories is cross subsidising growth in hair oils

- The growth in the rural region for the company is 7.5% compared to the growth in urban region at 2.5%. The growth in rural region has been much higher compared to the industry (saw de-growth in rural sales). This can be mainly attributed to continuous focus on distribution expansion in villages

- Gross margins for the company contracted by 200 bps with crude based packaging costs remain at a high level. However, unlike other FMCG companies, Dabur is least impact by commodity inflation given larger part of its raw material is herbs & agri based commodities, where inflation is not as high as it is in crude or palm oil. Overhead spends also increased by 71 bps (percentage to sales) whereas employee spends were lower by 76 bps (percentage to sales). The company reduced its advertisement spends by 229 bps

- Operating profit witnessed growth of 9.3% to ₹ 627.5 crore and operating margins remain at 21.3% (up 29 bps). Net profit for the company grew 2.2% to ₹ 504.4 crore

- The company would be able to maintain margins & increase advertisement spends to support large number of new products given operating leverage would help in aiding margins, which can be easily pumped for advertisements, trade & consumer promotions. The company would be taking price hikes if inflationary pressures continues

Exhibit 1: Peer Comparison

| Sector / Company | CMP | TP | | M Cap | Sales growth (%) | | | EBITDA Margins (%) | | | P/E(x) | | | RoE (%) | | | RoCE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (₹) | (₹) | Rating | (₹ Cr) | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Marico (MARLIM) | 501 | 550 | Buy | 60768 | 19.2 | 7.8 | 7.4 | 18.1 | 19.8 | 19.9 | 46.9 | 41.2 | 38.1 | 38.4 | 41.4 | 42.7 | 42.6 | 47.5 | 49.1 |
| Hindustan Unilever (HINLEV) | 2298 | 2460 | Hold | 537543 | 11.9 | 9.1 | 8.3 | 25.1 | 25.0 | 24.9 | 61.4 | 55.7 | 51.2 | 18.5 | 20.3 | 22.0 | 23.7 | 25.9 | 28.1 |
| Varun Beverage (VARBEV) | 946 | 1020 | Buy | 36864 | 31.3 | 10.4 | 10.0 | 19.5 | 20.3 | 20.0 | 53.1 | 41.9 | 37.6 | 17.2 | 18.9 | 19.0 | 19.6 | 23.4 | 26.3 |
| Dabur India (DABIND) | 556 | 745 | Buy | 98242 | 15.6 | 10.1 | 11.2 | 20.7 | 21.3 | 21.6 | 51.2 | 45.7 | 40.9 | 22.7 | 23.2 | 23.2 | 26.0 | 27.3 | 27.8 |

*Source: Company, ICICI Direct Research*

Dabur has been one of the beneficiaries of a shift in consumption trends towards health & wellness. The entire Ayurveda & naturals product categories have witnessed very strong growth in the last two years with newer consumers adopting these new trends. The company has also launched very high numbers of products & SKUs during the period to drive penetration led growth. We like the strategy of increasing the addressable market by foraying into larger new categories. We believe the company would be able to leverage its existing brand (Real, Dabur) in these larger category to drive sales growth. It is important to note that many of these categories are growing at a faster pace with emergence of e-commerce channel. Dabur is also one of the few companies less impacted by high commodity inflation mainly due to higher proportions of herbs in the raw materials. The new products innovation, expansion of rural distribution & leveraging the tailwinds of consumption trend of immunity, naturals & Ayurveda products would drive the revenues & margins in future. We maintain our BUY recommendation on the stock with a target price of ₹ 745/share.

## Exhibit 2: Variance Analysis

| | Q3FY22 | Q3FY22E | Q3FY21 | YoY (%) | Q2FY21 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|---|
| Net Sales | 2,941.8 | 2,978.9 | 2,728.8 | 7.8 | 2,817.6 | 4.4 | Net sales witnessed a growth of 7.8% led by 2% volumes & 5% pricing |
| Raw Material Expenses | 1,519.6 | 1,541.1 | 1,353.7 | 12.3 | 1,441.5 | 5.4 | Gross margins contracted by 200 bps impacted by elevated crude based derivatives |
| Employee Expenses | 273.0 | 283.0 | 274.0 | -0.4 | 269.7 | 1.2 | |
| SG&A Expenses | 237.1 | 226.4 | 282.4 | -16.0 | 202.2 | 17.3 | The company cut down advertisement spends by 229 bps to protect operating margins |
| Other operating Expenses | 284.6 | 306.8 | 244.5 | 16.4 | 283.5 | 0.4 | |
| EBITDA | 627.5 | 621.6 | 574.2 | 9.3 | 620.7 | 1.1 | |
| EBITDA Margin (%) | 21.3 | 20.9 | 21.0 | 29 bps | 22.0 | -70 bps | It was able to protect operating margins by cutting down advertisment spends |
| Depreciation | 63.2 | 60.0 | 57.2 | 10.5 | 63.3 | -0.2 | |
| Interest | 11.1 | 13.7 | 6.9 | 61.5 | 8.3 | 34.0 | |
| Other Income | 96.7 | 85.4 | 80.9 | 19.5 | 112.4 | -14.0 | |
| Exceptional items | 0.0 | 0.0 | 0.0 | N.A. | 0.0 | N.A. | |
| PBT | 650.0 | 633.2 | 591.1 | 10.0 | 661.6 | -1.8 | |
| Tax Outgo | 145.5 | 152.0 | 97.5 | 49.2 | 155.8 | -6.6 | Income tax rate increased for the company from 16.5% to 24% |
| PAT | 504.4 | 480.8 | 493.5 | 2.2 | 505.7 | -0.3 | Net profit grew a slower 2.2% impacted by higher income tax provisioning |
| **Key Metrics YoY growth (%)** | | | | | | | |
| Domestiic Volume Growth | 2.0 | 4.0 | 18.1 | | 10.0 | | Domestic volume growth grown at 2% on a high base of 10% |
| Standalone sales growth | 7.4 | 8.5 | 18.5 | | 11.5 | | The slower single digit growth was mainly on account of de-growth in health supplement due to high base |
| Subsidiary's sales growth | 9.1 | 11.3 | 8.8 | | 13.4 | | |

*Source: Company, ICICI Direct Research*

## Exhibit 3: Change in estimates

| | FY22E | | | FY23E | | | FY24E | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (₹ Crore) | Old | New | % change | Old | New | % change | Old | New | % change | Comments |
| Sales | 11,049.8 | 11,049.8 | 0.0 | 12,164.6 | 12164.6 | 0.0 | 13530.8 | 13530.8 | 0.0 | No major change in estimates |
| EBITDA | 2251.2 | 2284.4 | 1.5 | 2,590.6 | 2590.6 | 0.0 | 2922.6 | 2922.6 | 0.0 | |
| EBITDA Margin (%) | 20.4 | 20.7 | 30 bps | 21.3 | 21.3 | 0 bps | 21.6 | 21.6 | 0 bps | Less than expected gross margin contraction to lead to slight uptick in margins |
| PAT | 1861.5 | 1918.4 | 3.1 | 2,137.0 | 2150.9 | 0.6 | 2387.3 | 2401.6 | 0.6 | Higher other income would lead to an uptick in profitability |
| EPS (₹) | 10.5 | 10.9 | 3.1 | 12.1 | 12.2 | 0.6 | 13.5 | 13.6 | 0.6 | |

*Source: ICICI Direct Research*

## Exhibit 4: Assumptions

| | Current | | | | | | Earlier | | | Comments |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | |
| Std. Sales (₹ crore) | 6,273.2 | 6,309.8 | 7,184.7 | 8,341.9 | 9,185.9 | 10,224.5 | 8,341.9 | 9,185.9 | 10,224.5 | No major change in estimates |
| Subs. Sales (₹ crore) | 2,259.9 | 2,393.8 | 2,376.9 | 2,707.9 | 2,978.7 | 3,306.4 | 2,707.9 | 2,978.7 | 3,306.4 | |
| RM exp. To sales % | 50.5 | 50.1 | 50.1 | 51.6 | 50.4 | 50.5 | 51.6 | 50.4 | 50.5 | |
| Adex to sales % | 7.1 | 8.0 | 8.2 | 8.1 | 8.7 | 9.0 | 8.5 | 8.7 | 9.0 | |
| Interest Cost (₹ crore) | 59.6 | 49.5 | 30.8 | 37.7 | 68.6 | 68.6 | 68.6 | 68.6 | 68.6 | |

*Source: ICICI Direct Research*

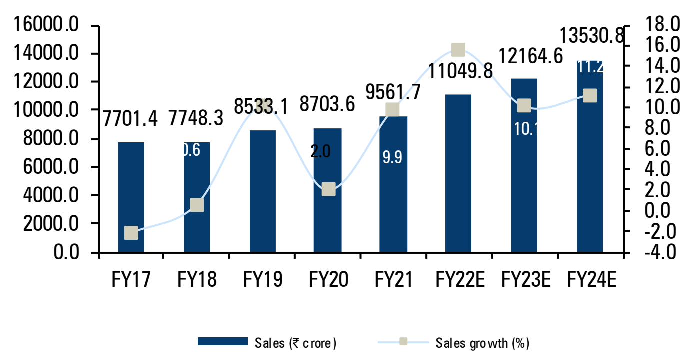
## Key Metrics

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

| | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Hair Care | 24* | 3* | 12.1* | 2.6* | 0.4* | -20.2 | -22.9 | -2.4 | 13.7 | 24.6 | 38.4 | 27.9 | 6.1 |
| Oral Care | 10.0 | 8.2 | 11.4 | 4.4 | 8.5 | -15.8 | 1.4 | 24.2 | 28.0 | 42.1 | 21.1 | 13.3 | 6.7 |
| Health Supp. | 13.8 | 10.2 | 19.6 | 14.4 | 12.2 | -9.5 | 52.6 | 70.8 | 34.7 | 17.7 | 24.5 | -13.6 | -8.3 |
| Digestives | 22.5 | 11.9 | 18.2 | 10.2 | 15.9 | -9.5 | -11.5 | 2.5 | -0.3 | 20.0 | 16.2 | 22.7 | 12.2 |
| Skin Care | 19.3 | 11.2 | 12.1 | 1.0 | -0.3 | -24.2 | -12.5 | 38.1 | 9.1 | 37.9 | -5.4 | -11.9 | 3.2 |
| Home Care | 8.9 | 16.2 | 10.9 | 7.0 | 2.5 | -20.6 | -30.5 | -10.2 | -1.0 | 24.3 | 30.6 | 25.3 | 18.6 |
| Foods | 11.1 | -6.5 | 1.5 | -5.0 | -1.7 | -18.4 | -34.4 | -3.8 | 4.7 | 36.1 | 51.7 | 45.0 | 37.6 |
| OTC | 17.7 | 16.6 | 13.1 | 4.2 | 5.5 | -20.6 | 34.4 | 56.1 | 34.1 | 34.0 | 52.3 | 1.9 | 3.6 |
| Ethicals | 17.4 | 9.7 | 15.9 | 7.2 | 2.7 | -20.6 | 10.7 | 26.4 | 23.2 | 39.1 | 50.8 | 1.9 | 3.6 |

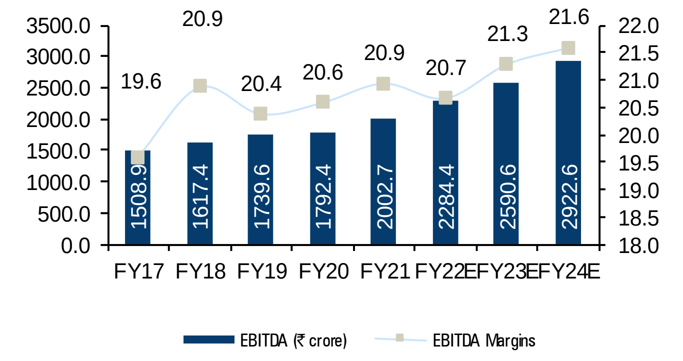
*Source: Company, ICICI Direct Research*    ** Hair care included Shampoo*

**Exhibit 6: Strong revenue growth momentum to continue**



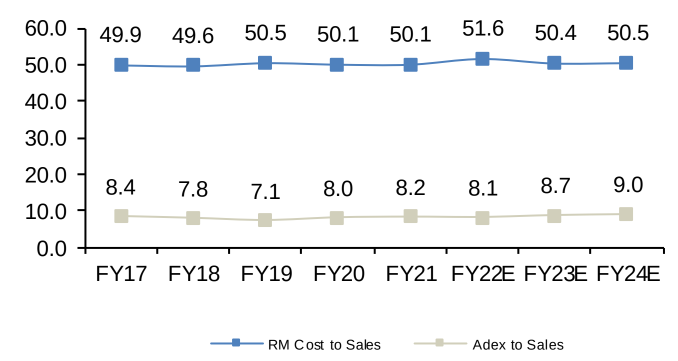

*Source: ICICI Direct Research, Company*

**Exhibit 7: EBITDA margin to remain stable**



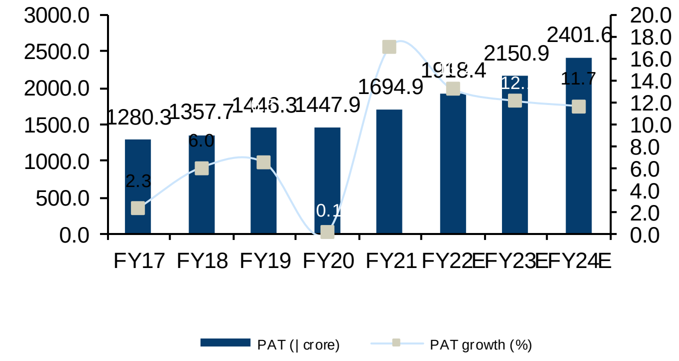

*Source: ICICI Direct Research, Company*

**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 | Growth | EPS | Growth | PE | EV/EBITDA | RoNW | RoCE |
|---|---|---|---|---|---|---|---|---|
| | (₹ cr) | (%) | (₹) | (%) | (x) | (x) | (%) | (%) |
| FY21 | 9561.7 | 9.9 | 9.6 | 17.1 | 58.0 | 48.6 | 22.1 | 24.5 |
| FY22E | 11049.8 | 15.6 | 10.9 | 13.2 | 51.2 | 42.8 | 22.7 | 26.0 |
| FY23E | 12164.6 | 10.1 | 12.2 | 12.1 | 45.7 | 37.7 | 23.2 | 27.3 |
| FY24E | 13530.8 | 11.2 | 13.6 | 11.7 | 40.9 | 33.3 | 23.2 | 27.8 |

*Source: Company, ICICI Direct Research*

## Financial Summary

| Exhibit 11: Profit and loss statement | | | | ₹ crore |
|---|---|---|---|---|
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| **Net Sales** | **9,561.7** | **11,049.8** | **12,164.6** | **13,530.8** |
| Growth (%) | 9.9 | 15.6 | 10.1 | 11.2 |
| Raw Material Expenses | 4,789.0 | 5,704.6 | 6,131.5 | 6,834.3 |
| Employee Expenses | 1,033.5 | 1,060.8 | 1,240.8 | 1,380.1 |
| Marketing Expenses | 784.4 | 895.0 | 1,058.3 | 1,094.8 |
| Administrative Expenses | 0.0 | 740.3 | 790.7 | 906.6 |
| Other expenses | 952.2 | 364.6 | 352.8 | 392.4 |
| Total Operating Expenditure | 7,559.0 | 8,765.4 | 9,574.0 | 10,608.2 |
| **EBITDA** | **2,002.7** | **2,284.4** | **2,590.6** | **2,922.6** |
| Growth (%) | 11.7 | 14.1 | 13.4 | 12.8 |
| Depreciation | 240.1 | 250.6 | 242.3 | 246.4 |
| Interest | 30.8 | 37.7 | 68.6 | 68.6 |
| Other Income | 325.3 | 357.8 | 375.7 | 394.5 |
| PBT | 2,057.0 | 2,353.9 | 2,655.4 | 3,002.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Tax | 361.1 | 435.5 | 504.5 | 600.4 |
| **PAT** | **1,694.9** | **1,918.4** | **2,150.9** | **2,401.6** |
| Growth (%) | 17.1 | 13.2 | 12.1 | 11.7 |
| Adjusted EPS (₹) | 9.6 | 10.9 | 12.2 | 13.6 |

*Source: Company, ICICI Direct Research*

| Exhibit 12: Cash flow statement | | | | ₹ crore |
|---|---|---|---|---|
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| Profit before Tax | 2,056.0 | 2,353.9 | 2,655.4 | 3,002.0 |
| Add: Depreciation | 240.1 | 250.6 | 242.3 | 246.4 |
| (Inc)/dec in Current Assets | -26.7 | -775.0 | -644.0 | -705.7 |
| Inc/(dec) in CL and Provisions | 415.0 | 37.1 | 268.9 | 311.5 |
| Others | -569.8 | -397.7 | -435.9 | -531.8 |
| **CF from operating activities** | **2,114.7** | **1,468.8** | **2,086.7** | **2,322.4** |
| (Inc)/dec in Investments | -1,099.5 | -350.0 | -350.0 | -350.0 |
| (Inc)/dec in Fixed Assets | -306.3 | -270.0 | -270.0 | -270.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| **CF from investing activities** | **-1,405.8** | **-620.0** | **-620.0** | **-620.0** |
| Issue/(Buy back) of Equity | 36.9 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -631.0 | -150.0 | -100.0 | -100.0 |
| Dividend paid & dividend tax | 0.0 | -1,148.6 | -1,325.3 | -1,325.3 |
| Others | 0.0 | -37.7 | -68.6 | -68.6 |
| **CF from financing activities** | **-613.4** | **-1,336.4** | **-1,494.0** | **-1,494.0** |
| Net Cash flow | 95.5 | -487.6 | -27.3 | 208.5 |
| Opening Cash | 91.8 | 241.2 | -246.3 | -273.6 |
| Miscellaneous adjustments | 1,141.8 | 1,087.8 | 1,087.8 | 1,087.8 |
| **Closing Cash** | **1,329.0** | **841.5** | **814.2** | **1,022.7** |

*Source: Company, ICICI Direct Research*

| Exhibit 13: Balance Sheet | | | | ₹ crore |
|---|---|---|---|---|
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| **Liabilities** | | | | |
| Equity Capital | 176.7 | 176.7 | 176.7 | 176.7 |
| Reserve and Surplus | 7,486.8 | 8,256.5 | 9,082.1 | 10,158.4 |
| Total Shareholders funds | 7,663.5 | 8,433.2 | 9,258.8 | 10,335.1 |
| Long Term Loans | 483.3 | 383.3 | 333.3 | 283.3 |
| Long Term Provisions | 15.3 | 15.3 | 15.3 | 15.3 |
| Minority Interest / Others | 100.0 | 100.0 | 100.0 | 100.0 |
| **Total Liabilities** | **8,262.0** | **8,931.8** | **9,707.3** | **10,733.6** |
| **Assets** | | | | |
| Gross Block | 3,926.9 | 4,176.9 | 4,426.9 | 4,676.9 |
| Less: Acc Depreciation | 1,684.0 | 1,934.6 | 2,176.8 | 2,423.3 |
| Net Block | 2,242.9 | 2,242.3 | 2,250.0 | 2,253.6 |
| Capital WIP | 158.6 | 178.6 | 198.6 | 218.6 |
| Non- Current Investments | 3,402.4 | 3,702.4 | 4,002.4 | 4,302.4 |
| LT loans & advances | 22.5 | 72.5 | 122.5 | 172.5 |
| Other Non-current Assets | 244.9 | 294.9 | 344.9 | 394.9 |
| Current Assets | | | | |
| Inventory | 1,734.3 | 1,657.5 | 1,824.7 | 2,029.6 |
| Debtors | 561.6 | 1,043.6 | 1,148.9 | 1,277.9 |
| Cash & Bank | 1329.0 | 841.5 | 814.2 | 1022.7 |
| ST Loans & Advances | 14.5 | 14.3 | 15.7 | 17.5 |
| Other Current Assets | 1,136.6 | 1,506.6 | 1,876.6 | 2,246.6 |
| Current Liabilities | | | | |
| Creditors | 1,915.3 | 1,872.3 | 2,061.2 | 2,292.7 |
| ST Borrowings | 243.0 | 263.0 | 283.0 | 303.0 |
| Other CL | 426.8 | 486.8 | 546.8 | 606.8 |
| Net Current Assets | 2,190.9 | 2,441.3 | 2,789.1 | 3,391.8 |
| Miscellaneous Expenditure | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Assets** | **8,262.1** | **8,931.9** | **9,707.4** | **10,733.7** |

*Source: Company, ICICI Direct Research*

| Exhibit 14: Key ratios | | | | |
|---|---|---|---|---|
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| **Per share data (₹)** | | | | |
| Adjusted EPS | 9.6 | 10.9 | 12.2 | 13.6 |
| Cash EPS | 11.0 | 12.3 | 13.5 | 15.0 |
| BV | 43.4 | 47.7 | 52.4 | 58.5 |
| DPS | 4.8 | 6.5 | 7.5 | 7.5 |
| Cash Per Share | 7.5 | 4.8 | 4.6 | 5.8 |
| **Operating Ratios (%)** | | | | |
| PBITDA Margin | 20.9 | 20.7 | 21.3 | 21.6 |
| PBT / Total Operating income | 18.1 | 18.1 | 18.7 | 19.3 |
| PAT Margin | 17.7 | 17.4 | 17.7 | 17.7 |
| Inventory days | 54 | 54 | 54 | 54 |
| Debtor days | 34 | 34 | 34 | 34 |
| Creditor days | 61 | 61 | 61 | 61 |
| **Return Ratios (%)** | | | | |
| RoE | 22.1 | 22.7 | 23.2 | 23.2 |
| RoCE | 24.5 | 26.0 | 27.3 | 27.8 |
| RoIC | 26.1 | 26.0 | 27.6 | 29.0 |
| | | | | |
| **Valuation Ratios (x)** | | | | |
| P/E | 58.0 | 51.2 | 45.7 | 40.9 |
| EV / EBITDA | 48.6 | 42.8 | 37.7 | 33.3 |
| EV / Net Sales | 10.2 | 8.8 | 8.0 | 7.2 |
| Market Cap / Sales | 10.3 | 8.9 | 8.1 | 7.3 |
| Price to Book Value | 12.8 | 11.6 | 10.6 | 9.5 |
| **Solvency Ratios** | | | | |
| Debt/EBITDA | 0.4 | 0.3 | 0.2 | 0.2 |
| Debt / Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Current Ratio | 1.5 | 1.8 | 1.9 | 1.9 |
| Quick Ratio | 0.7 | 1.1 | 1.2 | 1.2 |

*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) | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Colgate (COLPAL) | 1,470 | 1,575 | Hold | 37,937 | 38.5 | 40.8 | 45.0 | 38.2 | 36.0 | 32.7 | 7.4 | 6.8 | 6.2 | 109.6 | 112.7 | 116.7 | 84.9 | 86.6 | 89.7 |
| Dabur India (DABIND) | 556 | 745 | Buy | 98,242 | 10.9 | 12.2 | 13.6 | 51.3 | 45.7 | 40.9 | 8.9 | 8.1 | 7.3 | 26.0 | 27.3 | 27.8 | 22.7 | 23.2 | 23.2 |
| Hindustan Unilever (HINLEV) | 2,298 | 2,460 | Hold | 537,543 | 37.2 | 41.0 | 44.7 | 61.7 | 56.0 | 51.4 | 10.6 | 9.7 | 9.0 | 23.7 | 25.9 | 28.1 | 18.5 | 20.3 | 22.0 |
| ITC Limited (ITC) | 234 | 260 | Hold | 268,462 | 12.0 | 13.7 | 15.3 | 19.5 | 17.1 | 15.3 | 5.0 | 4.6 | 4.2 | 31.4 | 34.1 | 36.0 | 24.2 | 26.2 | 27.6 |
| Jyothy Lab (JYOLAB) | 142 | 150 | Hold | 5,133 | 4.2 | 6.2 | 6.5 | 33.5 | 22.8 | 21.8 | 2.3 | 2.2 | 2.0 | 19.1 | 26.6 | 28.0 | 16.5 | 23.1 | 23.7 |
| Marico (MARLIM) | 501 | 550 | Buy | 60,768 | 10.0 | 11.4 | 12.3 | 49.9 | 43.9 | 40.6 | 6.3 | 5.9 | 5.5 | 42.6 | 47.5 | 49.1 | 38.4 | 41.4 | 42.7 |
| Nestle (NESIND) | 18,307 | 20,450 | Hold | 191,903 | 249.9 | 279.6 | 314.2 | 73.2 | 65.5 | 58.3 | 13.0 | 11.9 | 10.8 | 54.9 | 56.4 | 57.5 | 87.8 | 86.3 | 83.1 |
| Tata Consumer Products (TAT | 738 | 910 | Buy | 67,999 | 11.7 | 14.1 | 16.2 | 62.9 | 52.5 | 45.5 | 5.4 | 5.0 | 4.5 | 8.9 | 9.9 | 10.8 | 7.2 | 8.3 | 9.2 |
| VST Industries (VSTIND) | 3,116 | 3,425 | Hold | 4,900 | 217.4 | 244.6 | 275.7 | 14.3 | 12.7 | 11.3 | 4.2 | 4.0 | 3.6 | 43.4 | 47.6 | 56.6 | 32.2 | 35.6 | 42.3 |
| Varun Beverage (VARBEV) | 946 | 1,020 | Buy | 36,864 | 16.0 | 20.3 | 22.7 | 59.0 | 46.5 | 41.7 | 4.4 | 3.9 | 3.6 | 19.6 | 23.4 | 26.3 | 17.2 | 18.9 | 19.0 |
| Zydus Wellness (ZYDWEL) | 1,682 | 2,200 | Buy | 10,819 | 51.4 | 62.6 | 73.0 | 32.7 | 26.9 | 23.0 | 5.3 | 4.8 | 4.3 | 6.7 | 8.0 | 9.1 | 6.9 | 8.3 | 9.4 |

*Source: Bloomberg, ICICI Direct Research*

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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