

Price led growth; margin to dip in FY23...

About the stock: Hindustan Unilever (HUL) is the biggest FMCG company in India with more than 40 brands across categories. It is the market leader in fabric wash, personal wash, cosmetics, shampoos and many other categories.

- The company has a distribution reach of ~8.5 million (mn) outlets with a direct network of more than 3.5 mn
- HUL acquired GSK Consumer Healthcare's business in 2019 and integrated Horlicks and Boost brands with the foods & refreshment segment

Q4FY22 Results: HUL reported better than expected numbers.

- Sales were up 10.4% YoY driven entirely by prices
- EBITDA was at ₹ 3245 crore, up 9.7% YoY, with margins at 24.1%
- Consequent PAT was at ₹ 2327 crore (up 8.6% YoY)

What should investors do? HUL's share price has gone up by ~2.3x over the past five years (from ₹ 935 in April 2017 to ₹ 2144 levels in April 2022).

- We expect margins to contract in FY23E on account of incessant inflation in crude, palm oil & other important commodities
- We maintain our HOLD rating on the stock

Target Price and Valuation: We value HUL at ₹ 2200 i.e. 55x P/E on FY24E EPS

Key triggers for future price performance:

- Synergistic benefits of integration of nutrition business (Horlicks & Boost) to drive cost rationalisation
- Long term premiumisation trend in fabric wash to help sustain margins
- Steep commodity inflation to continue driving pricing growth but keep margins under check in near term
- The company is driving more than 20% of its sales through digital channels like e-commerce, Shikhar app (reach of 8 lakh outlets), D2C etc

Alternate Stock Idea: Besides HUL, we like TCPL in our FMCG coverage.

- Strong innovation & premiumisation strategy in salt, tea, Sampaan & Souful in Indian market expected to drive sales & margins
- We value the stock at ₹ 910 with BUY rating



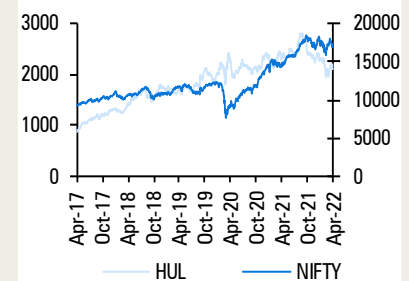
Particulars

| Particular (₹ crore) | Amount |
|-----------------------------|-------------|
| Market Capitalization | 503,770.1 |
| Total Debt (FY22) | 0.0 |
| Cash and Investments (FY22) | 7,128.0 |
| EV | 496,642.1 |
| 52 week H/L (₹) | 2859 / 1901 |
| Equity capital | 235.0 |
| Face value | ₹ 1 |

Shareholding pattern

| (in %) | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|----------|--------|--------|--------|--------|
| Promoter | 61.9 | 61.9 | 61.9 | 61.9 |
| FII | 15.1 | 15.5 | 14.7 | 13.7 |
| DII | 10.7 | 10.5 | 10.9 | 11.6 |
| Others | 12.3 | 12.1 | 12.5 | 12.8 |

Price Chart



Recent event & key risks

- Premium products have grown 2x of rest of portfolio in FY22
- Key Risk:** (i) Incessant increase in RM costs (ii) Revival in rural growth due to expected strong agricultural growth

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Key Financial Summary

| Key Financials | FY20 | FY21 | FY22 | 5 year CAGR (FY17-22) | FY23E | FY24E | 2 Year CAGR (FY22-24E) |
|------------------------|---------|---------|---------|-----------------------|---------|---------|------------------------|
| Total Operating Income | 38785.0 | 45996.0 | 51193.0 | 8.2 | 56225.9 | 60444.9 | 8.7% |
| EBITDA | 9600.0 | 11324.0 | 12503.0 | 15.6 | 13448.9 | 14714.5 | 8.5% |
| EBITDA Margin % | 24.8 | 24.6 | 24.4 | | 23.9 | 24.3 | |
| Net Profit | 6738.0 | 7954.5 | 8818.0 | 11.9 | 9280.8 | 10254.1 | 7.8% |
| EPS (₹) | 31.19 | 33.86 | 37.53 | 10.0 | 39.50 | 43.65 | 7.8% |
| P/E | 68.7 | 63.3 | 57.1 | | 54.3 | 49.1 | |
| RoNW % | 85.7 | 17.1 | 18.1 | | 19.1 | 21.2 | |
| RoCE (%) | 89.5 | 18.9 | 20.2 | | 21.9 | 24.2 | |

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results: Volumes flat; cut in ad-spends & other costs protect margins

- Net sales grew 10.4% to ₹ 13190 crore led by aggressive price hikes in home care segment. The company reported flat volumes in Q4 and 3% volume growth in FY22
- Home care segment revenues witnessed strong growth of 24% in Q4 and 19% in FY22 driven by price hikes to pass on steep inflation in crude based raw material
- The fabric wash category saw high double-digit growth driven by growth across the portfolio with mid-single digit volume growth. The household care category grew in high double-digit. Dishwash and surface cleaners both performed well
- Beauty & personal care segment grew 4% in Q4 and 8% in FY22. The company has not passed on palm oil inflation entirely mainly to sustain market share. Skin cleansing saw double-digit growth driven by pricing. Skin Care premium portfolio growth came in double-digit whereas Glow & Lovely, Talc & colour cosmetics were impacted by slower growth in discretionary category. Oral care also saw soft sales
- Lakme's 30% sales is contributed by online channels. HUL will focus on growing through influencer marketing for beauty products. It will also reach out directly to consumers through its B2C platforms
- Foods & refreshment segment grew 5% in Q4 and 7% in FY22. Under the beverages category, tea continues strong performance and coffee witnessed double-digit growth. Rise in market share and penetration gains continue for health food drinks. Double-digit growth for foods was led by ketchup, jams and soups. Ice cream also saw double-digit growth with new launches planned ahead of the season
- In FY22, 16 brands crossed ₹ 1,000 crore sales. Surf-Excel & Brooke Bond became ₹ 5000 crore brand whereas Wheel, Horlicks, Lifebuoy, Glow & Lovely, Vim, Rin & Dove clocked more than 2,000 crore sales. Ponds, Clinic-Plus, Lux, Lakme, Kissan, Bru & Kwality Walls touched 1,000 crore sales
- The company is continuously increasing its direct & indirect distribution reach. Its effective coverage & store level assortments have been 1.15x of pre-Covid levels
- Some key raw material related commodities like crude & palm oil are up 60% in last one year & plastics & soda ash are up 20% & 30%, respectively in similar period. Net material inflation for the company is 4.5x in March-22 quarter compared to June-20 quarter
- HUL has stepped up prices to the tune of 7% in FY22 and incurred gross saving of 7%. Its premium product portfolio has grown by 2x compared to rest of the portfolio
- The company is taking measures to riposte high commodity inflation through efficient buying. Moreover, it is also taking calibrated pricing action through bridge packs in all commodity impacted categories. It is also driving premiumisation in select geographies
- The integration of acquired Nutrition portfolio (Horlicks & Brand) has been completed. The distribution reach of these brands doubled after acquisition

- Ban on palm oil exports from Indonesia is temporary hurdle for supplies & it would get resolved soon. However, palm oil prices are expected to remain firm
- Rising prices of crude and edible oils continues to be a challenge and will affect margins in the short term. Inflation is expected to impact sales volumes and growth is expected to be price-led in near future. The company will work towards reducing distribution and packing costs to improve margins
- The board has recommended a final dividend of ₹ 19/share for FY22. Together with the interim dividend of ₹ 15/share declared, the total dividend for FY22 amounts to ₹ 34/ share
- FMCG market volumes are on a declining trend (5-7% de-growth). Demand slowdown is more prominent in rural regions (8-10% de-growth) & discretionary categories

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 |
| Dabur India (DABIND) | 560 | 745 Buy | 98,242 | 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 |
| Colgate (COLPAL) | 1636 | 1575 Hold | 37,937 | 6.4 | 9.0 | 9.8 | 30.7 | 30.2 | 30.1 | 36.3 | 34.2 | 31.0 | 84.9 | 86.6 | 89.7 | 109.6 | 112.7 | 116.7 |
| Tata Consumer (TATGLO) | 799 | 910 Buy | 70,404 | 8.9 | 8.4 | 9.7 | 13.9 | 14.6 | 14.9 | 65.1 | 54.4 | 47.1 | 7.2 | 8.3 | 9.2 | 8.9 | 9.9 | 10.8 |
| Zydus Wellness (ZYDWEL) | 1,670 | 2,200 Buy | 10,819 | 10.4 | 9.6 | 10.5 | 18.2 | 19.5 | 20.1 | 33.1 | 27.2 | 23.3 | 6.9 | 8.3 | 9.4 | 6.7 | 8.0 | 9.1 |
| Hindustan Unilever (HINLEV) | 2144 | 2200 Hold | 503,770 | 11.3 | 9.8 | 7.5 | 24.8 | 24.3 | 24.7 | 57.1 | 54.3 | 49.1 | 18.1 | 19.1 | 21.2 | 20.2 | 21.9 | 24.2 |

Source: Company, ICICI Direct Research

Despite very high commodity inflation & pressure on rural volumes, the company was able to sustain volumes & operating margins through lower ad-spends & calibrated price hikes. However, we believe incessant crude & palm oil prices would continue to keep margins under check & the company would still require price hikes to protect its margins in near term. Further, rural volumes have taken a hit due to down trading in such inflationary scenario. Moreover, FMCG companies would require to increase ad-spends to previous levels to support new products & categories. Though, we believe HUL is best placed within FMCG industry to face these challenging scenario, next few quarters would see continued volume as well as margin pressure. We maintain our HOLD rating with the revised target price of ₹ 2200 /share (earlier: ₹ 2460).

Exhibit 2: Variance Analysis

| Particulars (₹ crore) | Q4FY22 | Q4FY22E | Q4FY21 | YoY (%) | Q3FY22 | QoQ (%) | Comments |
|-----------------------------------|----------|----------|----------|---------|----------|---------|---|
| Net Sales | 13,190.0 | 12,984.6 | 11,947.0 | 10.4 | 12,900.0 | 2.2 | Revenue witnessed growth of 10.4% led entirely by price hikes. Volumes remain flat |
| Other Operating Income | 272.0 | 201.1 | 185.0 | 47.0 | 192.0 | 41.7 | |
| Raw Material Expenses | 6,792.0 | 6,555.7 | 5,756.0 | 18.0 | 6,269.0 | 8.3 | Gross margins contracted 300 bps given sharp increase in crude & palm oil prices |
| Employee Expenses | 542.0 | 678.8 | 522.0 | 3.8 | 657.0 | -17.5 | |
| Marketing Expenses | 1,290.0 | 1,288.6 | 1,413.0 | -8.7 | 1,189.0 | 8.5 | The company reduced its marketing spend to protect operating margins |
| Other operating expenses | 1,593.0 | 1,534.2 | 1,484.0 | 7.3 | 1,698.0 | -6.2 | |
| EBITDA | 3,245.0 | 3,128.5 | 2,957.0 | 9.7 | 3,279.0 | -1.0 | |
| EBITDA margin (%) | 24.1 | 23.7 | 24.4 | -27 bps | 25.0 | -94 bps | With savings from marketing, employee & overhead spends, the company was able to safeguard operating margins |
| Depreciation | 261.0 | 254.2 | 249.0 | 4.8 | 255.0 | 2.4 | |
| Interest | 36.0 | 29.8 | 9.0 | 300.0 | 25.0 | N.A. | |
| Other Income | 122.0 | 103.5 | 109.0 | 11.9 | 91.0 | 34.1 | |
| PBT | 3,070.0 | 2,948.0 | 2,808.0 | 9.3 | 3,024.0 | 1.5 | |
| Exceptional Items | 58.0 | 0.0 | 14.0 | N.A. | -66.0 | N.A. | |
| Tax Outgo | 801.0 | 906.4 | 679.0 | 18.0 | 781.0 | 2.6 | |
| PAT | 2,327.0 | 2,041.6 | 2,143.0 | 8.6 | 2,243.0 | 3.7 | Net profit witnessed a growth of 8.6% inline with operating profit growth |
| Key Metrics growth YoY (%) | | | | | | | |
| Home care | 23.7 | 5.6 | 14.6 | | 23.0 | | The company took aggressive price hikes in fabric wash brands to pass on high inflation of crude derivatives. Leading brand surf excel enjoys the pricing power |
| Beauty & Personal care | 3.6 | 12.2 | 19.7 | | 6.9 | | BPC segment saw dismal growth given muted volumes & small price hikes. The company didn't pass on full cost inflation in discretionary categories to protect market share |
| Food & Refreshments | 5.3 | 2.3 | 96.4 | | 3.3 | | Led by strong growth in tea despite considerable dip in tea procurement prices |

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

| (₹ Crore) | FY23E | | | FY24E | | | Comments |
|------------------------|---------|----------|----------|---------|---------|----------|--|
| | Old | New | % Change | Old | New | % change | |
| Total operating Income | 56130.9 | 56,225.9 | 0.2 | 60804.9 | 60444.9 | -0.6 | No major change in revenue estimates |
| EBITDA | 13789.7 | 13448.9 | -2.5 | 14904.7 | 14714.5 | -1.3 | |
| EBITDA Margin (%) | 24.6 | 23.9 | -65 bps | 24.5 | 24.3 | -17 bps | We cut our operating margin estimate with incessant inflation in palm oil, crude & other important commodities |
| PAT | 9642.2 | 9280.8 | -3.7 | 10499 | 10254.1 | -2.3 | |
| EPS (₹) | 41.0 | 39.5 | -3.7 | 44.7 | 43.6 | -2.4 | |

Source: ICICI Direct Research

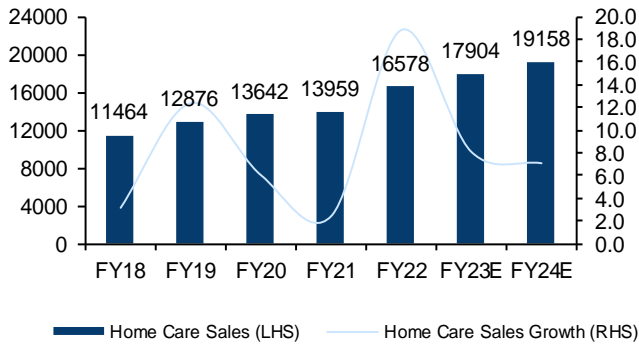
Exhibit 4: Assumptions

| (₹ crore) | Current | | | | | Earlier | | | Comments |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------------------------------|
| | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY23E | FY24E | |
| Home care | 12,876.0 | 13,642.0 | 13,959.0 | 16,578.0 | 17,904.2 | 19,157.5 | 17298.4 | 18509.3 | No major change in revenue estimates |
| Personal care | 17,655.0 | 17,345.0 | 17,964.0 | 19,460.0 | 21,406.0 | 23,332.5 | 22,029.5 | 24,452.8 | |
| Food & Refreshments | 7,133.0 | 7,450.0 | 13,204.0 | 14,105.0 | 14,951.3 | 15,848.4 | 14,840.0 | 15,730.4 | |

Source: ICICI Direct Research

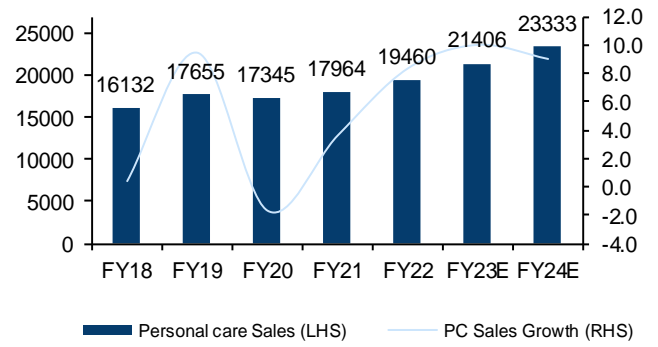
Key Metrics

Exhibit 5: Home care revenue (₹ crore) and YoY growth (%)



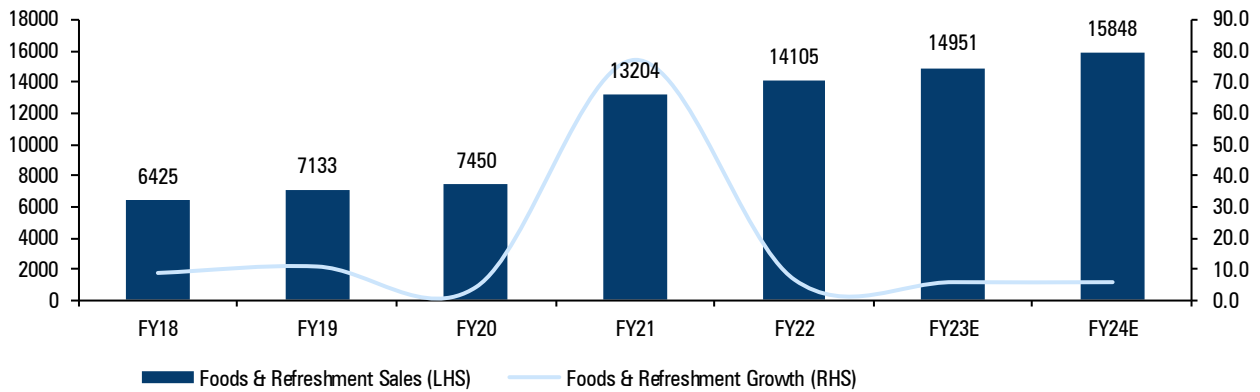
Source: ICICI Direct Research, Company

Exhibit 6: Personal care revenue (₹ crore) & growth (%) trend



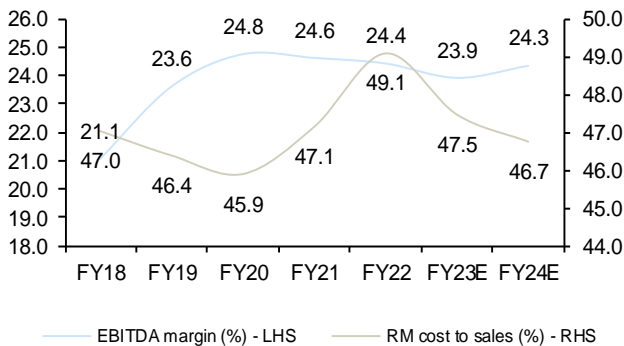
Source: ICICI Direct Research, Company

Exhibit 7: Foods & refreshment revenue (₹ crore) and growth (%) trend



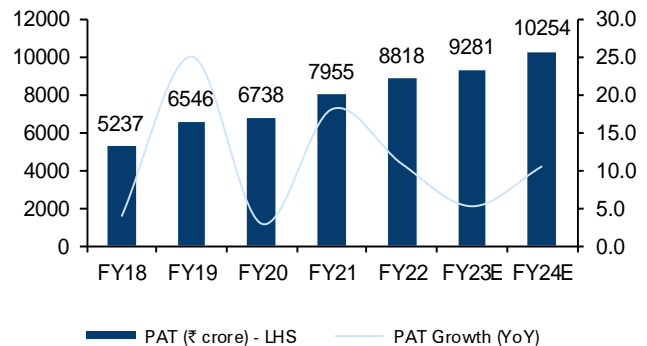
Source: Company, ICICI Direct Research

Exhibit 8: EBITDA margin and raw material trend



Source: Company, ICICI Direct Research

Exhibit 9: PAT to grow at CAGR of 7.8% in FY22-24E



Source: Company, ICICI Direct Research

Financial Summary

| Exhibit 10: Profit and loss statement | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY21 | FY22 | FY23E | FY24E |
| Total operating Income | 45,996.0 | 51,193.0 | 56,225.9 | 60,444.9 |
| Growth (%) | 18.6 | 11.3 | 9.8 | 7.5 |
| Raw Material Expenses | 21,677.0 | 25,124.0 | 26,680.8 | 28,248.1 |
| Employee Expenses | 2,229.0 | 2,399.0 | 2,765.7 | 2,973.2 |
| Marketing Expenses | 4,737.0 | 4,718.0 | 5,586.6 | 6,184.2 |
| Administrative Expenses | 0.0 | 0.0 | 3,097.5 | 3,330.0 |
| Other expenses | 6,029.0 | 6,449.0 | 4,646.3 | 4,995.0 |
| Total Operating Expenditure | 34,672.0 | 38,690.0 | 42,777.0 | 45,730.5 |
| EBITDA | 11,324.0 | 12,503.0 | 13,448.9 | 14,714.5 |
| Growth (%) | 18.0 | 10.4 | 7.6 | 9.4 |
| Depreciation | 1,012.0 | 1,025.0 | 1,359.4 | 1,385.4 |
| Interest | 108.0 | 98.0 | 88.2 | 79.4 |
| Other Income | 513.0 | 393.0 | 440.2 | 493.0 |
| Exceptional Income | -226.5 | -34.0 | -34.0 | -34.0 |
| PBT | 10,490.5 | 11,739.0 | 12,407.5 | 13,708.7 |
| Total Tax | 2,536.0 | 2,921.0 | 3,126.7 | 3,454.6 |
| PAT | 7,954.5 | 8,818.0 | 9,280.8 | 10,254.1 |
| Growth (%) | 18.1 | 10.9 | 5.2 | 10.5 |
| EPS (₹) | 33.9 | 37.5 | 39.5 | 43.6 |

Source: Company, ICICI Direct Research

| Exhibit 11: Cash flow statement | | | | |
|-------------------------------------|------------------|------------------|------------------|-------------------|
| | ₹ crore | | | |
| (Year-end March) | FY21 | FY22 | FY23E | FY24E |
| Profit after Tax | 8,123.0 | 9,019.0 | 9,280.8 | 10,254.1 |
| Add: Depreciation | 1,069.0 | 1,040.0 | 1,359.4 | 1,385.4 |
| (Inc)/dec in Current Assets | -866.0 | -992.0 | -942.9 | 242.1 |
| Inc/(dec) in CL and Provisions | 810.0 | 203.0 | 724.8 | 1,853.1 |
| CF from operating activities | 8,957.0 | 8,964.0 | 10,422.1 | 13,734.6 |
| (Inc)/dec in Investments | -1,467.0 | -1,096.0 | -100.0 | -100.0 |
| (Inc)/dec in loans & advances | -532.0 | -770.0 | -25.0 | -25.0 |
| (Inc)/dec in Fixed Assets | 0.0 | 0.0 | -1,358.4 | -1,385.4 |
| Others | 632.0 | 134.0 | -121.4 | 24.6 |
| CF from investing activities | (1,367.0) | (1,732.0) | (1,604.8) | (1,485.8) |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend paid & dividend tax | -8,811.0 | -7,519.0 | -9,400.0 | -10,340.0 |
| Inc/(dec) in Sec. premium | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | -469.0 | -465.0 | 0.0 | 0.0 |
| CF from financing activities | (9,280.0) | (7,984.0) | (9,400.0) | (10,340.0) |
| Net Cash flow | -1,390.0 | -752.0 | -582.7 | 1,908.8 |
| Opening Cash | 3,130.0 | 1,740.0 | 988.0 | 405.3 |
| Closing Cash* | 4,321.0 | 3,618.0 | 3,035.3 | 4,944.1 |

Source: Company, ICICI Direct Research

| Exhibit 12: Balance Sheet | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY21E | FY22 | FY23E | FY24E |
| Liabilities | | | | |
| Equity Capital | 235.0 | 235.0 | 235.0 | 235.0 |
| Reserve and Surplus | 47,199.0 | 48,525.0 | 48,405.8 | 48,319.9 |
| Total Shareholders funds | 47,434.0 | 48,760.0 | 48,640.8 | 48,554.9 |
| Other Non Current Liabilities | 2,304.0 | 2,339.0 | 2,339.0 | 2,339.0 |
| Long Term Provisions | 1551.0 | 1553.0 | 139.6 | 154.2 |
| Total Liabilities | 57,275.0 | 58,793.0 | 57,270.4 | 57,209.1 |
| Assets | | | | |
| Gross Block | 9,305.0 | 10,357.0 | 10,557.0 | 10,757.0 |
| Less: Acc Depreciation | 3,519.0 | 4,544.0 | 4,544.0 | 4,544.0 |
| Net Block | 5,786.0 | 5,813.0 | 6,013.0 | 6,213.0 |
| Capital WIP | 623.0 | 901.0 | 700.0 | 500.0 |
| Total Fixed Assets | 6,409.0 | 6,714.0 | 6,713.0 | 6,713.0 |
| Goodwill on Consolidation | 17316 | 17316 | 17316 | 17316 |
| Net Intangible Assets | 27,925.0 | 27,905.0 | 27,905.0 | 27,905.0 |
| Other Investments | 312.0 | 612.0 | 712.0 | 812.0 |
| Inventory | 3,383.0 | 3,890.0 | 4,546.3 | 4,072.9 |
| Debtors | 1,648.0 | 1,932.0 | 2,273.1 | 2,117.9 |
| Loans and Advances | 0.0 | 0.0 | 0.0 | 0.0 |
| Investments & Other CA | 1,605.0 | 1,697.0 | 1,515.4 | 1,629.1 |
| Cash | 4,321.0 | 3,618.0 | 3,035.3 | 4,944.1 |
| Total Current Assets | 13,640.0 | 14,647.0 | 15,007.2 | 16,674.0 |
| Creditors | 8,627.0 | 8,864.0 | 9,698.8 | 11,404.0 |
| Provisions & other CL | 2,214.0 | 2,080.0 | 1,970.1 | 2,117.9 |
| Total Current Liabilities | 10,841.0 | 10,944.0 | 11,668.8 | 13,521.9 |
| Net Current Assets | 2,799.0 | 3,703.0 | 3,338.4 | 3,152.1 |
| Others Non-Current Assets | 1,133.0 | 1,261.0 | 1,286.0 | 1,311.0 |
| Application of Funds | 57,275.0 | 58,793.0 | 57,270.4 | 57,209.1 |

Source: Company, ICICI Direct Research

| Exhibit 13: Key ratios | | | | |
|-------------------------------|------------|------------|------------|------------|
| (Year-end March) | FY21 | FY22 | FY23E | FY24E |
| Per share data (₹) | | | | |
| EPS | 33.9 | 37.5 | 39.5 | 43.6 |
| Cash EPS | 38.2 | 41.9 | 45.3 | 49.5 |
| BV | 201.9 | 207.5 | 207.0 | 206.7 |
| DPS | 27.0 | 34.0 | 40.0 | 44.0 |
| Cash Per Share | 18.4 | 15.4 | 12.9 | 21.0 |
| Operating Ratios (%) | | | | |
| EBITDA/Total Operating Income | 24.6 | 24.4 | 23.9 | 24.3 |
| PBT Margin | 23.3 | 23.0 | 22.1 | 22.7 |
| PAT Margin | 17.3 | 17.2 | 16.5 | 17.0 |
| Inventory days | 27 | 28 | 30 | 25 |
| Debtor days | 13 | 14 | 15 | 13 |
| Creditor days | 69 | 64 | 64 | 70 |
| Return Ratios (%) | | | | |
| RoE | 17.1 | 18.1 | 19.1 | 21.2 |
| RoCE | 18.9 | 20.2 | 21.9 | 24.2 |
| Valuation Ratios (x) | | | | |
| P/E | 63.3 | 57.1 | 54.3 | 49.1 |
| EV / EBITDA | 44.1 | 40.0 | 37.2 | 33.9 |
| EV / Net Sales | 11.0 | 9.9 | 9.1 | 8.4 |
| Market Cap / Sales | 11.1 | 10.0 | 9.1 | 8.5 |
| Price to Book Value | 10.6 | 10.3 | 10.4 | 10.4 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt / Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio | 0.9 | 1.0 | 1.0 | 0.9 |
| Quick Ratio | 0.5 | 0.7 | 0.6 | 0.6 |

Source: Company, ICICI Direct Research

Exhibit 14: 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 |
| Colgate (COLPAL) | 1,636 | 1,575 | Hold | 37,937 | 38.5 | 40.8 | 45.0 | 42.5 | 40.1 | 36.4 | 7.4 | 6.8 | 6.2 | 109.6 | 112.7 | 116.7 | 84.9 | 86.6 | 89.7 |
| Dabur India (DABIND) | 560 | 745 | Buy | 98,242 | 10.9 | 12.2 | 13.6 | 51.6 | 46.0 | 41.2 | 8.9 | 8.1 | 7.3 | 26.0 | 27.3 | 27.8 | 22.7 | 23.2 | 23.2 |
| Hindustan Unilever (HINLEV) | 2,144 | 2,200 | Hold | 503,770 | 37.5 | 39.5 | 43.6 | 57.1 | 54.3 | 49.1 | 10.0 | 9.1 | 8.5 | 20.2 | 21.9 | 24.2 | 18.1 | 19.1 | 21.2 |
| ITC Limited (ITC) | 258 | 260 | Hold | 287,822 | 12.6 | 14.6 | 16.2 | 20.5 | 17.7 | 15.9 | 5.0 | 4.8 | 4.3 | 32.4 | 35.9 | 38.5 | 25.0 | 27.7 | 29.6 |
| Jyothy Lab (JYOLAB) | 155 | 150 | Hold | 5,133 | 4.2 | 6.2 | 6.5 | 36.6 | 25.0 | 23.8 | 2.3 | 2.2 | 2.0 | 19.1 | 26.6 | 28.0 | 16.5 | 23.1 | 23.7 |
| Marico (MARLIM) | 530 | 550 | Buy | 60,768 | 10.0 | 11.4 | 12.3 | 52.8 | 46.4 | 42.9 | 6.3 | 5.9 | 5.5 | 42.6 | 47.5 | 49.1 | 38.4 | 41.4 | 42.7 |
| Nestle (NESIND) | 18,223 | 19,050 | Hold | 175,243 | 222.4 | 252.9 | 291.6 | 81.9 | 72.0 | 62.5 | 12.0 | 10.8 | 9.8 | 58.7 | 58.8 | 62.9 | 111.3 | 110.4 | 111.8 |
| Tata Consumer Products (TAT) | 799 | 910 | Buy | 70,404 | 11.7 | 14.1 | 16.2 | 68.0 | 56.8 | 49.3 | 5.6 | 5.1 | 4.7 | 8.9 | 9.9 | 10.8 | 7.2 | 8.3 | 9.2 |
| VST Industries (VSTIND) | 3,220 | 3,425 | Hold | 4,986 | 229.3 | 252.9 | 290.5 | 14.0 | 12.7 | 11.1 | 4.2 | 3.9 | 3.6 | 39.2 | 44.6 | 50.6 | 30.0 | 33.4 | 37.8 |
| Varun Beverage (VARBEV) | 1,036 | 1,050 | Hold | 41,121 | 17.2 | 20.5 | 25.2 | 60.2 | 50.6 | 41.0 | 4.7 | 4.2 | 3.8 | 17.1 | 20.5 | 24.9 | 18.3 | 18.9 | 21.3 |
| Zydus Wellness (ZYDWEL) | 1,670 | 2,200 | Buy | 10,819 | 51.4 | 62.6 | 73.0 | 32.5 | 26.7 | 22.9 | 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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