

Margin trajectory to move upwards...

About the stock: Tata Consumer Products (TCPL) is one of the major FMCG companies present in tea, coffee & other beverages in India, UK, US, Canada and some other geographies. In India, it also has salt, pulses, spices & other food products. Its subsidiary NourishCo is present in packaged water & other beverages. The company is in a JV with Starbucks, which has 233 stores in India.

- The company has 1500 distribution directly reaching to 1.1 million outlets in India. This will be increased to 1.3 million outlets by March 2022
- TCPL is also increasing its rural presence by increasing rural distributors to 5000 by March 2022

Q2FY22 Results: TCPL posted healthy numbers with 9.1% revenue growth

- Sales were up 9.1% YoY (11% like to like) aided by foods business growth
- EBITDA was at ₹ 413.3 crore, up 3.4% YoY, with margins at 13.6%
- Consequent PAT was at ₹ 285.8 crore (up 4.6% YoY)

What should investors do? TCPL's share price has moved up 5.6x in the last five years (from ₹ 140 in October 2016 to ₹ 789 in October 2021).

- We slightly change our numbers downwards on the back of slower growth in the India & International beverage business
- We continue to maintain our BUY rating on the stock

Target Price and Valuation: We value the stock at ₹ 910 on ascribing 56x FY24 earnings multiple

Key triggers for future price performance:

- TCPL is likely to witness strong margin improvement with a dip in tea procurement prices
- Strong innovation & premiumisation strategy in salt, tea, Sampaan & Soulful in India market expected to drive sales & margins
- With the increase in mobility, Starbucks is expected to witness a swift recovery. Store expansion is expected to drive growth

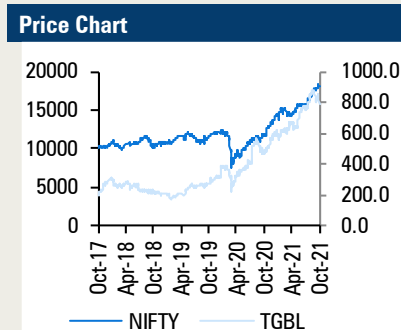
Alternate Stock Idea: We also like Zydus Wellness in our FMCG coverage.

- It is growing at a steady pace in nascent categories with strong presence in health, nutrition space & margin expansion possibilities
- Trading at a significant discount to FMCG peers. BUY with a TP of ₹ 2,800

TATA CONSUMER PRODUCTS

| Particulars | |
|-----------------------------|-----------|
| Particulars (₹ crore) | Amount |
| Market Capitalization | 72,702.9 |
| Total Debt (FY21) | 1,189.9 |
| Cash and Investments (FY21) | 3,398.0 |
| EV | 70,494.8 |
| 52 week H/L (₹) | 889 / 466 |
| Equity capital | 92.2 |
| Face value (₹) | 1.0 |

| Shareholding pattern | | | | |
|----------------------|--------|--------|--------|--------|
| (in %) | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
| Promoter | 34.7 | 34.7 | 34.7 | 34.7 |
| FII | 25.7 | 25.2 | 25.0 | 25.9 |
| DII | 13.6 | 12.6 | 7.4 | 13.3 |
| Others | 26.0 | 27.5 | 32.9 | 26.1 |



- Recent event & key risks**
- TCPL gained market share by 169 bps & 440 bps in tea & salt respectively
 - Key Risk:** (i) Slower than expected volume growth in India & International beverage business (ii) High competitive intensity

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Key Financial Summary

| Key Financials | FY20 | FY21 | 5 Year CAGR (FY16 - FY21) | FY22E | FY23E | FY24E | CAGR (FY21-24E) |
|---------------------|--------|---------|---------------------------|---------|---------|---------|-----------------|
| Net Sales | 9637.4 | 11602.0 | | 12635.9 | 13691.2 | 15014.5 | 9.0% |
| EBITDA | 1292.2 | 1543.8 | | 1750.7 | 1999.5 | 2240.5 | 13.2% |
| EBITDA Margin % | 13.4 | 13.3 | | 13.9 | 14.6 | 14.9 | |
| Adjusted Net Profit | 641.8 | 932.6 | | 1084.4 | 1297.2 | 1495.6 | 17.1% |
| EPS (₹) | 5.0 | 10.1 | | 11.8 | 14.1 | 16.2 | 17.1% |
| P/E | 158.0 | 78.1 | | 67.0 | 56.0 | 48.6 | |
| RoNW % | 4.6 | 6.4 | | 7.2 | 8.3 | 9.2 | |
| RoCE (%) | 6.9 | 8.0 | | 8.9 | 9.9 | 10.8 | |

Key takeaways of recent quarter

Q2FY22 Results: Strong growth in foods business; tea prices cool off

- Revenue witnessed growth of 9.1% to ₹ 3033.1 crore on the back of 13% growth (like to like growth of 14%) in India beverage segment, 22.7% growth in India foods segment. International beverage segment saw a decline of 2.4% in Q2FY22 on a high base. India beverage segment growth was largely aided by pricing & volume merely grew by 2%. However, India food business witnessed volume growth of 16% with strong growth in salt (Tata Salt) and pulses (Tata Sampann)
- In India beverage business, the company gained market share by 168 bps. One of its stronger brand 'Kanan Devas' saw robust growth in Karnataka aided by distribution & Hyper-Local advertisement. In India foods business, salt business witnessed growth of 20% with premium salt portfolio growing at 42%. The company gained 300 bps market share in Salt. Tata Sampann saw 29% growth even on a stronger base
- The company has been aggressively inventing behind brands with the increase in India business A&P spends increasing by 75%. Marketing spends at the consolidated level have increased by 27%. The company is driving growth in Tetley, Premium salt & Soulfull brands to push the premiumisation trend. TCPL gained market share in the tea segment by 169 bps and in salt by 440 bps during the quarter
- TCPL has reached the direct coverage of 1.1 million outlets and aims to reach 1.3 million outlets by March 2022. Rural distributors number reached 4000 and is expected to increase to 5000 by March 2022. E-commerce sales increased 39% on a high base. Total e-commerce sales account for 7% of the sales. NourisCo outlets increased 49% YoY
- The company is continuing with the strategy of launching newer products. it has extended the range of Tata Coffee Sonnects (coffee from 12 estates). The company has launched Tata Jelly drink, Tetley-UK & Tata Soulfull – Millet Muesli during the quarter
- Tata Starbucks could re-open 88% of its stores. Revenue grew 128% on a low base but grew 23% compared to Q2FY20 basis. The company added 14 new stores and one city during the quarter. Total store count is 233 in 19 cities
- With the significant decline in tea procurement prices, the company saw gross margin expansion of 194 bps. Average tea prices in India have come off from ₹ 272/kg to ₹ 188/kg in the last one year. The gross margin benefit was offset by higher employee, marketing & overhead pends given these costs were cut down sharply in base quarter. Operating margins contracted by 74 bps to 13.6. Net profit grew 4.6% to ₹ 285.8 crore. Profit from associate was at ₹ 24.4 crore as against our estimates of ₹ 40.8 crore
- India branded tea market saw growth of 19.4% largely led by prices. Regular black tea category saw a decline in key markets mainly on account of high base in corresponding quarter due to pantry loading. Similarly, fruit, herbal & speciality tea also saw dip due to high base
- In India beverage business, the company launched Tata Tea Gold nationally. Tata tea hyper-local campaign rolled out in Maharashtra. The company saw 2% volume growth on high base
- In India food business, salt segment saw growth of 20% led by 42% growth in premium salt. Tata Sampann witnessed growth of 29%. Segment margins dipped during the quarter due to change in product mix, high A&P Investment in Soulfull
- NourisCo saw growth of 121% during the quarter and two year CAGR of 35%. Himalayan water breakeven was achieved in Q2

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 |
| Hindustan Unilever (HINLEV) | 2456 | 2750 | Hold | 582416 | 12.9 | 9.1 | 8.4 | 25.6 | 26.2 | 26.3 | 63.0 | 55.9 | 51.0 | 19.5 | 21.5 | 23.0 | 25.0 | 27.6 | 29.5 |
| Varun Beverage (VARBEV) | 820 | 950 | Buy | 34166 | 22.71 | 13.98 | 12.1 | 19.81 | 20.44 | 19.98 | 55.44 | 40.92 | 35.22 | 15.46 | 17.94 | 17.87 | 17.47 | 22.92 | 26.64 |
| Nestle (NESIND) | 18696 | 20450 | Hold | 185686 | 11.1 | 9.4 | 10.4 | 24.8 | 25.1 | 25.6 | 77.0 | 68.9 | 61.3 | 87.8 | 86.3 | 83.1 | 54.9 | 56.4 | 57.5 |
| Tata Consumer (TATGLO) | 789 | 910 | Buy | 72703 | 8.9 | 8.4 | 9.7 | 13.9 | 14.6 | 14.9 | 67.0 | 56.0 | 48.6 | 7.2 | 8.3 | 9.2 | 8.9 | 9.9 | 10.8 |

Source: Company, ICICI Direct Research

Tata Consumer has been able to regain its margins, which were adversely impacted by high tea procurement prices in the previous quarter. With the decline in tea prices and staggered price hikes, operating margins grew back to 13.6%. We believe the company is focusing on growth in Indian market with new launches across foods & beverage portfolio. Further the acquisition of Soufull & its brand extensions would also aid growth going forward. We believe cost inflation phase for the company has been over & the company would be able to concentrate on margin expansion through premiumisation, new product launches & expansion of distribution network. We remain positive on the growth & margin expansion prospect. We maintain our BUY recommendation on the stock with a revised target price of ₹ 910 / share (earlier ₹ 900/ share).

Exhibit 2: Variance Analysis

| | Q2FY22 | Q2FY22E | Q2FY21 | YoY (%) | Q1FY22 | QoQ (%) | Comments |
|------------------------------|---------|---------|---------|---------|---------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Net Sales | 3,033.1 | 3,151.3 | 2,781.3 | 9.1 | 3,008.5 | 0.8 | Net sales witnessed growth of 9.1% led by strong growth in India foods & India beverage business. International business witnessed a slight dip on a high base |
| Raw Material Expenses | 1,736.3 | 1,859.1 | 1,646.2 | 5.5 | 1,782.4 | -2.6 | With a significant dip in tea procurement prices, gross margins improved 194 bps in Q2 |
| Employee Expenses | 255.6 | 263.8 | 229.7 | 11.3 | 265.4 | -3.7 | |
| SG&A Expenses | 211.9 | 189.1 | 166.4 | 27.3 | 158.2 | 33.9 | The company increased marketing spends by 27.3%, largely led by 75% increase in spends in India business A&P |
| Other operating Expenses | 416.0 | 405.5 | 339.5 | 22.5 | 402.9 | 3.2 | |
| EBITDA | 413.3 | 433.8 | 399.6 | 3.4 | 399.5 | 3.5 | |
| EBITDA Margin (%) | 13.6 | 13.8 | 14.4 | -74 bps | 13.3 | 35 bps | Operating margins contracted 75 bps, mainly on account of higher base quarter margins. Margins improved sequentially |
| Depreciation | 69.3 | 61.7 | 62.6 | 10.8 | 66.8 | 3.8 | |
| Interest | 19.8 | 17.9 | 17.9 | 10.7 | 20.4 | -3.2 | |
| Other Income | 39.6 | 31.9 | 26.2 | 51.1 | 28.0 | 41.4 | |
| Exceptional Expense/(Income) | 16.3 | 0.0 | 23.9 | NA | -3.9 | NA | |
| PBT | 347.5 | 386.0 | 321.5 | 8.1 | 344.2 | 1.0 | |
| Tax Outgo | 86.1 | 108.1 | 87.1 | -1.1 | 95.7 | -10.0 | |
| PAT before MI | 261.4 | 277.9 | 234.3 | 11.5 | 248.5 | 5.2 | |
| Profit from Associates | 24.4 | 40.8 | 38.9 | NC | -40.4 | NC | |
| PAT | 285.8 | 318.7 | 273.2 | 4.6 | 208.1 | 37.4 | Net profit increased 4.6%, mainly on account of lower profitability from associate companies |

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

| | FY22E | | | FY23E | | | FY24E | | | Comments | |
|-------------------|-----------|----------|----------|--------|----------|----------|--------|----------|----------|----------|--------------------------------------------------------------------------------------------------------------------|
| | (₹ Crore) | Old | New | Change | Old | New | Change | Old | New | | % Change |
| Sales | | 12,635.9 | 13,149.9 | -3.9 | 14,219.4 | 13,691.2 | -3.7 | 15,014.5 | 15,564.1 | -3.5 | We revise our revenue estimates downwards with slower growth in India beverage & International beverage businesses |
| EBITDA | | 1,750.7 | 1,797.02 | -2.6 | 2,001.9 | 1,999.5 | -0.1 | 2,240.5 | 2,253.7 | -0.6 | |
| EBITDA Margin (%) | | 13.9 | 13.7 | 19 bps | 14.1 | 14.6 | 53 bps | 14.9 | 14.5 | 44 bps | Margins likely to improve with decline in tea prices |
| PAT | | 1,084.4 | 1,144.0 | -5.2 | 1,316.8 | 1,297.2 | -1.5 | 1,495.6 | 1,517.8 | -1.5 | We are taking lower profitability in associate companies |
| EPS (₹) | | 11.8 | 12.4 | -5.2 | 14.3 | 14.1 | -1.5 | 16.2 | 16.5 | -1.5 | |

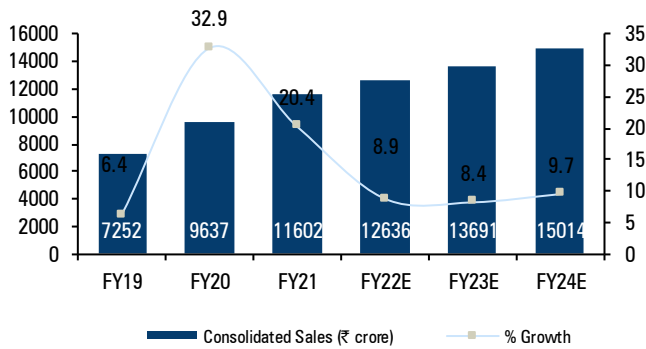
Source: ICICI Direct Research

Exhibit 4: Assumptions

| | Current | | | | | | Earlier | | | | Comment |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------------------------------------------------------------------|
| | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | |
| Segmental Revenues (Gross) | | | | | | | | | | | |
| Tea / India Beverage | 4,922.8 | 3,167.7 | 3,376.9 | 4,600.7 | 5,290.8 | 5,714.1 | 6,171.2 | 5,520.9 | 5,962.5 | 6,439.5 | We change our India beverage revenue estimates with dip in tea prices |
| Coffee / International Bevergae | 1,079.5 | 3,238.4 | 3,226.0 | 3,469.3 | 3,261.1 | 3,358.9 | 3,526.9 | 3,642.7 | 3,752.0 | 3,939.6 | We revise our international business sales downwards |
| Others | 35.7 | 30.2 | 26.6 | 13.5 | 14.1 | 14.8 | 15.9 | 14.1 | 14.8 | 15.9 | |
| Non-branded | 815.2 | 842.5 | 974.9 | 1,122.2 | 1,178.3 | 1,237.2 | 1,385.7 | 1,178.3 | 1,237.2 | 1,385.7 | |
| TCL Consumer / India Foods | | | | 2,441.7 | 2,930.0 | 3,398.8 | 3,942.6 | 2,832.4 | 3,285.5 | 3,811.2 | We increase our foods business revenue estimates |
| No. of Starbucks stores | 116 | 146 | 185 | 210 | 235 | 260 | 285 | 235 | 260.0 | 285.0 | |

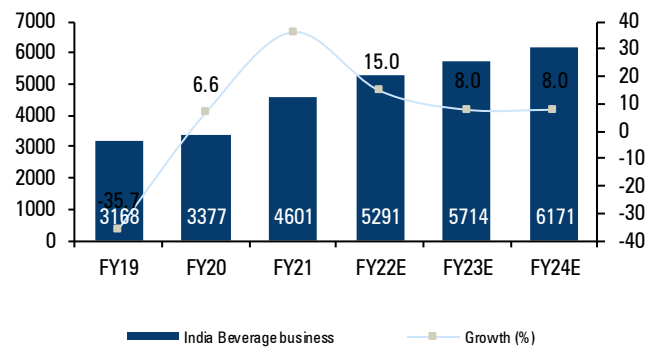
Source: ICICI Direct Research

Exhibit 5: Consolidated revenue to grow at 9.0% in FY21-24E



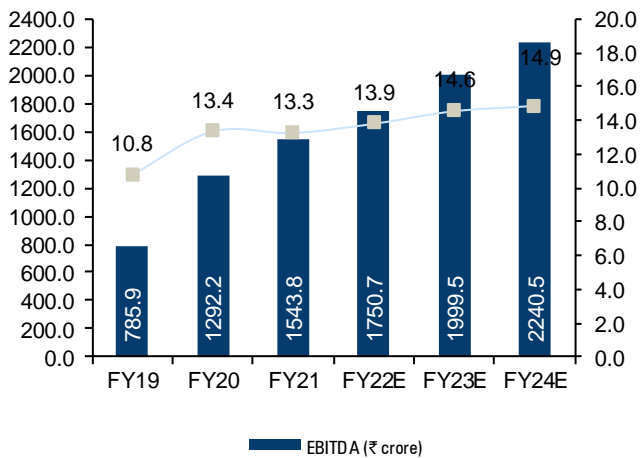
Source: ICICI Direct Research, Company

Exhibit 6: Tea / India beverage business sales trend



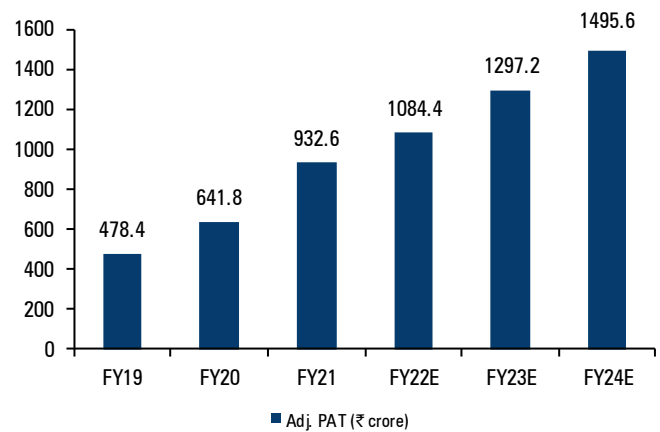
Source: ICICI Direct Research, Company
*FY19 onwards segment reporting has changed from tea to India Beverage

Exhibit 7: Operating margins trend (%)



Source: Company, ICICI Direct Research

Exhibit 8: Adjusted PAT growth trends



Source: Company, ICICI Direct Research

Exhibit 9: Valuation

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY21 | 11602.0 | 20.4 | 10.1 | 102.2 | 78.1 | 46.2 | 6.4 | 8.0 |
| FY22E | 12635.9 | 8.9 | 11.8 | 16.5 | 67.0 | 40.4 | 7.2 | 8.9 |
| FY23E | 13691.2 | 8.4 | 14.1 | 19.6 | 56.0 | 35.2 | 8.3 | 9.9 |
| FY24E | 15014.5 | 9.7 | 16.2 | 15.3 | 48.6 | 31.2 | 9.2 | 10.8 |

Source: Company, ICICI Direct Research

Financial Summary

| Exhibit 10: Profit and loss statement | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| Total Operating Income | 11602.0 | 12635.9 | 13691.2 | 15014.5 |
| Growth (%) | 20.4 | 8.9 | 8.4 | 9.7 |
| Raw Material Expenses | 6,902.3 | 7,425.1 | 7,958.8 | 8,532.1 |
| Employee Expenses | 970.2 | 1,052.0 | 1,097.9 | 1,203.4 |
| Marketing Expenses | 726.3 | 823.8 | 960.7 | 1,083.0 |
| Administrative Expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| Other expenses | 1,459.5 | 1,584.3 | 1,674.3 | 1,955.5 |
| Total Operating Expenditure | 10,058.3 | 10,885.2 | 11,691.7 | 12,774.0 |
| EBITDA | 1543.8 | 1750.7 | 1999.5 | 2240.5 |
| Growth (%) | 19.5 | 13.4 | 14.2 | 12.1 |
| Depreciation | 254.7 | 246.9 | 250.1 | 253.3 |
| Interest | 68.7 | 71.7 | 64.3 | 60.5 |
| Other Income | 121.4 | 127.4 | 133.8 | 140.5 |
| PBT | 1,341.7 | 1,559.6 | 1,818.9 | 2,067.2 |
| Exceptional items | -30.7 | 0.0 | 0.0 | 0.0 |
| Total Tax | 317.3 | 405.5 | 472.9 | 537.5 |
| PAT | 930.5 | 1084.4 | 1297.2 | 1495.6 |
| Growth (%) | 102.2 | 16.5 | 19.6 | 15.3 |
| EPS (₹) | 10.1 | 11.8 | 14.1 | 16.2 |

Source: Company, ICICI Direct Research

| Exhibit 11: Cash flow statement | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | ₹ crore | | | |
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| Profit/Loss after Tax | 1204.6 | 1084.4 | 1297.2 | 1495.6 |
| Add: Depreciation | 254.7 | 246.9 | 250.1 | 253.3 |
| Add: Interest | 68.7 | 71.7 | 64.3 | 60.5 |
| (Inc)/dec in Current Assets | -347.3 | -601.6 | -468.4 | -587.3 |
| Inc/(dec) in Current Liabilities | 530.7 | -1,051.9 | 170.6 | 213.9 |
| CF from operating activities | 1656.4 | -250.5 | 1313.8 | 1436.0 |
| (Inc)/dec in Investments | -55.3 | -11.2 | -11.5 | -11.8 |
| (Inc)/dec in Fixed Assets | -179.2 | -3,345.7 | -100.0 | -100.0 |
| Others | -173.9 | 4,992.8 | 33.8 | 42.3 |
| CF from investing activities | -408.4 | 1635.9 | -77.7 | -69.5 |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -369.7 | -40.0 | -40.0 | -40.0 |
| Dividend paid & dividend tax | -65.4 | -603.1 | -767.6 | -767.6 |
| Inc/(dec) in Sec. premium | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 9.1 | -71.7 | -64.3 | -60.5 |
| CF from financing activities | -426.0 | -714.8 | -871.9 | -868.1 |
| Net Cash flow | 821.9 | 670.5 | 364.2 | 498.3 |
| Opening Cash | 889.3 | 1,773.2 | 2,443.7 | 2,807.9 |
| Closing Cash | 2042.0 | 2712.5 | 3076.7 | 3575.0 |

Source: Company, ICICI Direct Research

| Exhibit 12: Balance Sheet | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| Liabilities | | | | |
| Equity Capital | 92.2 | 92.2 | 92.2 | 92.2 |
| Reserve and Surplus | 14,442.3 | 14,923.7 | 15,453.3 | 16,181.2 |
| Total Shareholders funds | 14,534.5 | 15,015.8 | 15,545.4 | 16,273.4 |
| Long Term Borrowings | 756.9 | 716.9 | 676.9 | 636.9 |
| Long Term Provisions | 192.5 | 404.3 | 438.1 | 480.5 |
| Other Non-current Liabilities | 1677.6 | 1677.6 | 1677.6 | 1677.6 |
| Total Liabilities | 17161.4 | 17814.6 | 18338.0 | 19068.3 |
| Assets | | | | |
| Gross Block | 7,615.5 | 7,715.5 | 7,815.5 | 7,915.5 |
| Less: Acc Depreciation | 2,727.5 | 2,974.4 | 3,224.5 | 3,477.8 |
| Net Block | 1,642.3 | 4,741.1 | 4,591.0 | 4,437.7 |
| Capital WIP | 112.9 | 112.9 | 112.9 | 112.9 |
| Goodwill | 10380.9 | 5600.0 | 5600.0 | 5600.0 |
| Non Current Investments | 579.5 | 590.7 | 602.2 | 614.0 |
| LT Loans & Advances/Others | 491.7 | 491.7 | 491.7 | 491.7 |
| Current Assets | | | | |
| Inventory | 2,249.2 | 3,115.7 | 3,375.9 | 3,702.2 |
| Debtors | 761.3 | 1,384.8 | 1,500.4 | 1,645.4 |
| Cash | 2,042.0 | 2,712.5 | 3,076.7 | 3,575.0 |
| Loans & Advances | 1,541.2 | 830.9 | 900.2 | 987.3 |
| Other Current Assets | 116.4 | 277.0 | 300.1 | 329.1 |
| Current Liabilities | | | | |
| Creditors | 1625.5 | 865.5 | 937.8 | 1028.4 |
| Provisions | 101.7 | 207.7 | 225.1 | 246.8 |
| Short Term Borrowings | 433.1 | 553.9 | 600.2 | 658.2 |
| Other CL | 934.2 | 415.4 | 450.1 | 493.6 |
| Net Current Assets | 3,954.2 | 6,278.2 | 6,940.2 | 7,812.0 |
| Total Assets | 17161.4 | 17814.6 | 18338.0 | 19068.3 |

Source: Company, ICICI Direct Research

| Exhibit 13: Key ratios | | | | |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March) | FY21 | FY22E | FY23E | FY24E |
| Per share data (₹) | | | | |
| EPS | 10.1 | 11.8 | 14.1 | 16.2 |
| Cash EPS | 12.9 | 14.4 | 16.8 | 19.0 |
| BV | 157.7 | 162.9 | 168.7 | 176.6 |
| DPS | 4.0 | 5.5 | 7.0 | 7.0 |
| Cash Per Share | 22.2 | 29.4 | 33.4 | 38.8 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 13.3 | 13.9 | 14.6 | 14.9 |
| PBT / Net Sales | 11.6 | 12.3 | 13.3 | 13.8 |
| PAT Margin | 8.0 | 8.6 | 9.5 | 10.0 |
| Inventory days | 70.8 | 90.0 | 90.0 | 90.0 |
| Debtor days | 24.0 | 40.0 | 40.0 | 40.0 |
| Creditor days | 51.1 | 25.0 | 25.0 | 25.0 |
| Return Ratios (%) | | | | |
| RoE | 6.4 | 7.2 | 8.3 | 9.2 |
| RoCE | 8.0 | 8.9 | 9.9 | 10.8 |
| RoIC | 18.2 | 16.6 | 18.9 | 20.8 |
| Valuation Ratios (x) | | | | |
| P/E | 78.1 | 67.0 | 56.0 | 48.6 |
| EV / EBITDA | 46.2 | 40.4 | 35.2 | 31.2 |
| EV / Net Sales | 6.2 | 5.6 | 5.1 | 4.7 |
| Market Cap / Sales | 6.3 | 5.8 | 5.3 | 4.8 |
| Price to Book Value | 5.0 | 4.8 | 4.7 | 4.5 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 0.8 | 0.7 | 0.6 | 0.6 |
| Debt / Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Current Ratio | 1.8 | 3.8 | 3.8 | 3.8 |
| Quick Ratio | 0.9 | 1.7 | 1.7 | 1.7 |

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) | 1,532 | 2,000 | Buy | 43,899 | 39.2 | 42.6 | 47.6 | 39.1 | 36.0 | 32.2 | 8.5 | 7.8 | 7.1 | 110.9 | 111.9 | 112.4 | 85.1 | 85.8 | 86.2 |
| Dabur India (DABIND) | 581 | 740 | Buy | 104,789 | 10.6 | 12.0 | 13.4 | 55.0 | 48.5 | 43.5 | 9.7 | 8.8 | 7.9 | 25.8 | 27.1 | 27.7 | 22.3 | 23.1 | 23.1 |
| Hindustan Unilever (HINLEV) | 2,456 | 2,750 | Hold | 582,416 | 39.3 | 44.3 | 48.6 | 62.4 | 55.4 | 50.6 | 11.4 | 10.5 | 9.6 | 25.0 | 27.6 | 29.5 | 19.5 | 21.5 | 23.0 |
| ITC Limited (ITC) | 233 | 240 | Hold | 261,086 | 12.0 | 13.5 | 15.1 | 19.4 | 17.3 | 15.5 | 5.0 | 4.6 | 4.1 | 31.3 | 33.6 | 35.6 | 24.2 | 25.9 | 27.4 |
| Jyothy Lab (JYOLAB) | 154 | 180 | Hold | 6,248 | 5.7 | 6.5 | 7.1 | 26.9 | 23.8 | 21.6 | 3.0 | 2.8 | 2.6 | 25.2 | 27.0 | 28.5 | 21.0 | 22.6 | 23.9 |
| Marico (MARLIM) | 556 | 630 | Buy | 70,503 | 10.4 | 11.5 | 12.5 | 53.7 | 48.3 | 44.3 | 7.6 | 7.0 | 6.6 | 42.8 | 46.6 | 48.3 | 38.4 | 40.4 | 41.7 |
| Nestle (NESIND) | 18,696 | 20,450 | Hold | 185,686 | 249.9 | 279.6 | 314.2 | 74.8 | 66.9 | 59.5 | 12.6 | 11.5 | 10.4 | 54.9 | 56.4 | 57.5 | 87.8 | 86.3 | 83.1 |
| Tata Consumer Products (TAT) | 789 | 910 | Buy | 72,703 | 11.8 | 14.1 | 16.2 | 67.0 | 56.0 | 48.6 | 5.8 | 5.3 | 4.8 | 8.9 | 9.9 | 10.8 | 7.2 | 8.3 | 9.2 |
| VST Industries (VSTIND) | 3,425 | 3,700 | Hold | 5,334 | 223.1 | 245.8 | 277.0 | 15.4 | 13.9 | 12.4 | 4.6 | 4.2 | 3.9 | 44.2 | 47.7 | 55.1 | 32.8 | 35.7 | 41.2 |
| Varun Beverage (VARBEV) | 820 | 950 | Buy | 34,166 | 14.2 | 19.3 | 22.4 | 57.6 | 42.5 | 36.6 | 4.3 | 3.8 | 3.4 | 17.5 | 22.9 | 26.6 | 15.5 | 17.9 | 17.9 |
| Zydus Wellness (ZYDWEL) | 2,160 | 2,800 | Buy | 14,164 | 57.8 | 68.3 | 77.7 | 37.4 | 31.7 | 27.8 | 6.7 | 6.1 | 5.5 | 7.5 | 8.7 | 9.6 | 7.7 | 9.0 | 10.0 |

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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