Shifting growth gears

FMCG companies delivered median revenue growth of 7-9% (FY15-20) vs aspiration of 12-15%. To bridge this gap, companies are: (i) expanding their adjacent portfolio organically or inorganically (DABUR, MRCO, TATACONS), (ii) focusing on NPDs while not deviating a lot from core (BRIT, NEST) or (iii) walking the trilogy of category development, share gains and thus revenue growth (GCPL, HUVR). Among these, we are confident of NEST and TATACONS' ~12% revenue potential over FY23-26E, GCPL's success in building categories and turnaround in its IB, and BRIT/DABUR's potential to consistently clock 8-10% revenue CAGR. Downgrade MRCO to SELL as we remain unappreciative of its adjacent category growth philosophy and BRIT on valuation concerns. Prefer GCPL among BUYs and NEST>BRIT>TATACONS amongst SELLs.

Historical volume growth not aligned with rosy narratives

Macro tailwinds, low penetration, premiumisation etc. would be long-term growth drivers for FMCG companies. Despite this, median 5-7%/7-9% volume/revenue growth for half a decade pre-Covid was partly due to incumbents' inept approach to category development, higher focus on premiumisation and margin expansion etc. Anecdotal evidence also suggests only a few new brands have emerged, thus growth driven by distribution expansion and share gains.

Focusing on scaling adjacency is the right start

Median revenue growth of 7-9% has clearly undershoot managements' growth aspirations of 12-15%. Thus FMCG players are rightfully shifting gear by foraying into adjacent categories organically and/or inorganically, expanding existing products/brands via NPDs, innovations etc. which can help bridge revenue gap. Wide distributor network, 5-8mn retail touchpoints and entrenched S&D funnel aid in initial placement of new product/category. While this is a start point but it is important to evaluate right to win and scalability vs mere narrative of incremental growth from adjacency.

TATACONS & DABUR's adjacency looks scalable

Amongst FMCG companies looking to scale their adjacency (DABUR, MRCO & TATACONS being most aggressive), we like strategy and adjacent portfolios of TATACONS>DABUR>MRCO. TATACONS is not constrained by EBITDAM guardrail (lowest among peers, 14-15% vs ~20%) thereby not shying away from lower-margin, higher-RoCE F&B categories. For Dabur, spices, healthcare and baby care provide 12-15% growth potential with accretive margins; important not deviate into modestly scalable smaller opportunities. MRCO is wanting to leverage existing 'Saffola' brand, willing to participate in smaller TAMs (₹5-10bn) and maintain 20% EBITDAM, which to us defeats salability of their F&B portfolio.

Remain selective; downgrade BRIT and MRCO to SELL

FMCG companies saw a 2x jump in 1-year fwd P/E over the last decade (refer exhibit 28). It was led by, *inter-alia*, ~10%/14% revenue (lopsided towards 1H of FY10-19 period)/EPS CAGR, EBITDAM expansion of 300-1,000bps over FY10-19 and relatively underwhelming operating/financial performance by other larger sectors during that period. With growth continuing to remain challenging for FMCG sector, as already argued by us in Testing Defensive Narrative, we reiterate scope for P/E de-rating to continue for the few FMCG cos esp. MRCO, HUVR. BRIT's growth narrative is in place but CMP (FY25 P/E of 49x) captures it already and thus we downgrade to SELL. Sectorally, we remain cautious and selective in stock picking and continue to prefer GCPL>DABUR amongst BUYs and NEST>BRIT>TATACONS amongst SELLs.

Key Recommendations

Britannia	**SELL**
Target Price: ₹5,059	Upside: 2%
Dabur	**BUY**
Target Price: ₹609	Upside: 11%
Godrej Consumer	**BUY**
Target Price: ₹1,170	Upside: 12%
Hindustan Unilever	**SELL**
Target Price: ₹2,422	Downside: (4%)
Marico	**SELL**
Target Price: ₹535	Downside: (1%)
Nestle	**SELL**
Target Price: ₹21,127	Downside: (15%)
Tata Consumer	**SELL**
Target Price: ₹818	Downside: (14%)

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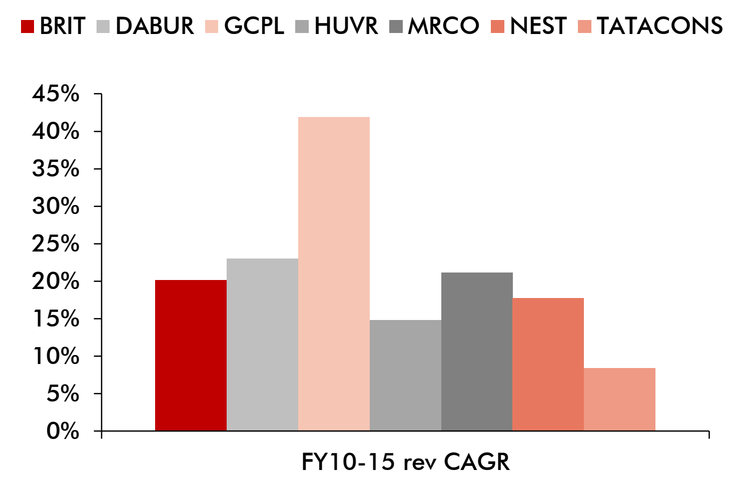
Growth from core portfolio not enough now

Discussions on FMCG companies' growth drivers have revolved around category dynamics, brand strength, premiumisation & penetration opportunities, potential to gain share etc. of the core portfolio. Despite all the macro & demographic positives, median volume/revenue growth for most large FMCG companies over FY15-20 remained in the range of just 5-8%, down from revenue growth of 12-20% over FY11-15. Macro headwinds apart, rise of D2C brands and incumbents' focus on premiumisation and/or margin expansion were the reasons for slower revenue growth vs aspirational 12-15% for FMCG companies When we map growth potential of the core portfolio, we find NEST and GCPL to be amongst the best poised companies across penetration, premiumisation, share gains and distribution expansion (refer exhibit 11-12). But this also means incumbents are in desperate need to find the next winner, organically or inorganically, to achieve their aspirational 12-15% revenue growth.

Inherent growth potential

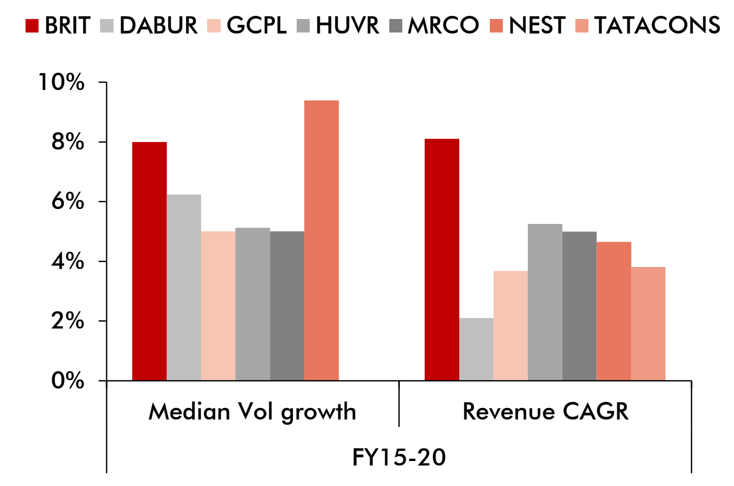
FMCG companies till FY20 garnered most of their revenues (90-95%) from core portfolio and the balance from new launches/innovations. The core portfolio of FMCG companies was built over the last few decades through sustained brandex (5-10% of sales) and distribution expansion (5-8mn outlets of the universe of ~10mn outlets). This played well for FMCG companies till FY15 with organic revenue growth of 12-20% over FY10-15. However, after FY15, with GST implementation, DeMon, lower wage growth, rise of D2C companies and other macro headwinds, volume growth for most FMCG companies moderated to mid-single digits and so did revenue growth. Alongside, FMCG companies moved up their premiumisation and/or margin expansion quest, further denting revenue growth momentum.

Exhibit 1: Organic revenue CAGR across FMCG companies remained in the 12-20% range over FY10-15...



Source: Company, Ambit Capital research

Exhibit 2: ...but volume/revenue growth moderated to 4-8% in the latter part of the previous decade



Source: Company, Ambit Capital research; Note – Median vol growth for TATACONS is not represented due to absence of data

Exhibit 3: DABUR, HUVR and NEST have a wide portfolio of existing core categories

BRIT	DABUR	GCPL	HUVR	MRCO	NEST	TATACONS
Biscuits	Honey, Chwayanprash, Hajmola, other healthcare categories	HI	Home care	Hair oil	Milk products, Baby foods & Nutrition	Tea
Rusk	Oral care, Hair care, Skin care & Home care	Soaps	Beauty & personal care	Edible Oil	Chocolates	Salt
Cake	Juices	Hair color	Ice creams	Male grooming & Premium nourishment	Coffee	
Breads		Air freshner	Tea & Coffee		Packaged foods	
			HFD		Prepared dishes, Blended spices, Sauces	
			RTE		Breakfast cereals	
			Packaged foods			

Source: Company, Ambit Capital research

Considering the above core portfolio and macro trends, we break down the likely growth drivers of the core portfolio into penetration increase, premiumisation efforts, distribution expansion and/or share gains.

Exhibit 4: Remains a game of share gains and distribution expansion

	BRIT	
	Biscuits	Adjacency products
Improving penetration	◔	◑
Premiumisation	◑	◑
Distribution expansion	●	●
Market share gains	◑	●
	2.0	2.5

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 5: Growth will largely be driven by double-digit growth in Healthcare and F&B

	DABUR		
	Healthcare	Personal & Home care	Foods & Beverages
Improving penetration	●	◔	●
Premiumisation	◑	◑	◑
Distribution expansion	●	◑	●
Market share gains	●	◑	◑
	3.0	1.8	2.5

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 6: Category growth in home care and category expansion and share gains in personal care to be drivers

	GCPL	
	Home Care	Personal care
Improving penetration	◕	◕
Premiumisation	◑	◑
Distribution expansion	◑	◑
Market share gains	◕	◕
	2.5	2.5

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 7: BPC and F&B can be fast growth opportunities if played well; for now home care looks a sustainable growth story

	HUVR		
	Home care	Beauty & Personal care	Foods & Beverages
Improving penetration	◑	◕	◑
Premiumisation	●	◕	◑
Distribution expansion	◑	◑	◕
Market share gains	◑	◔	◑
	2.5	2.3	2.3

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 8: Presence in highly penetrated categories with low premiumisation optionalities to restrict growth potential

	MRCO	
	Hair oil	Edible oil
Improving penetration	◔	◔
Premiumisation	◑	◑
Distribution expansion	◑	◑
Market share gains	◔	◑
	1.5	2.0

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 9: Core category's growth largely hinges on ability to premiumise and gain share

	TATACONS	
	Tea	Salt
Improving penetration	◔	◔
Premiumisation	◕	◑
Distribution expansion	◑	◑
Market share gains	◑	◕
	2.0	2.0

Source: Company, Ambit Capital research

Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Exhibit 10: Wider narrative of penetration increase as well as distribution expansion to fuel growth of core categories

	NEST			
	Milk products & Nutrition	Chocolates	Prepared dishes	Beverages
Improving penetration	Relatively Strong	Average	Average	Relatively Strong
Premiumisation	Average	Average	Average	Relatively Strong
Distribution expansion	Relatively Strong	Relatively Strong	Average	Average
Market share gains	Average	Relatively Strong	Average	Average
	2.5	**2.5**	**2.0**	**2.5**

Source: Company, Ambit Capital research

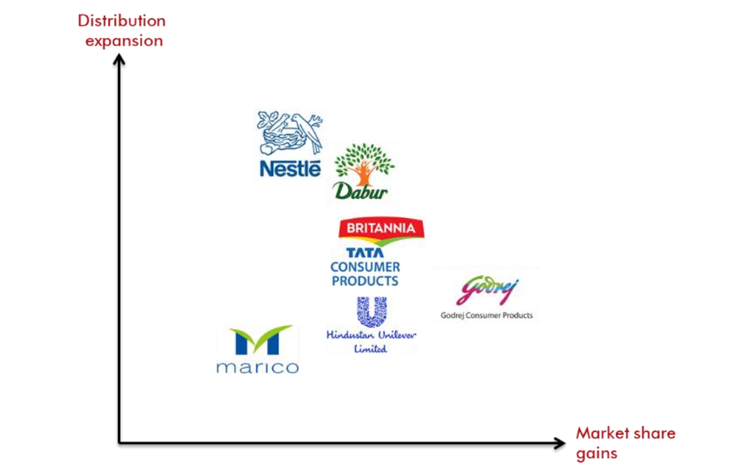
Note: ● - Strong; ◕ - Relatively Strong; ◑ - Average; ◔ - Relatively weak

To summarise, NEST and GCPL fare better on scope to improve penetration of core portfolio whereas HUVR looks best suited to benefit from premiumisation of its portfolio. On the other hand, NEST and DABUR should see revenue growth from improving weighted distribution of the core portfolio whereas GCPL has the ability to improve share in core categories.

Exhibit 11: NEST and GCPL fare better on scope to improve penetration and HUVR on scope to premiumise

Source: Company, Ambit Capital research

Exhibit 12: NEST and DABUR can see distribution expansion whereas GCPL can be beneficiary of share gains



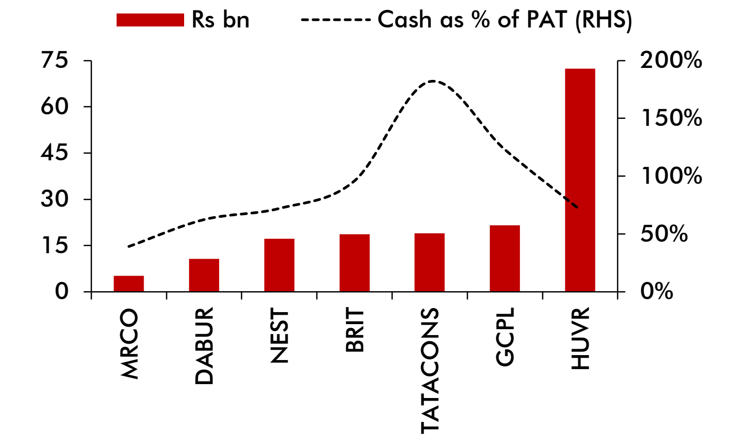
Source: Company, Ambit Capital research

This said, revenue growth from the core portfolio of these FMCG companies will still be shy of their aspirational 12-15% revenue growth, barring NEST and TATACONS.

Bridging the revenue divide

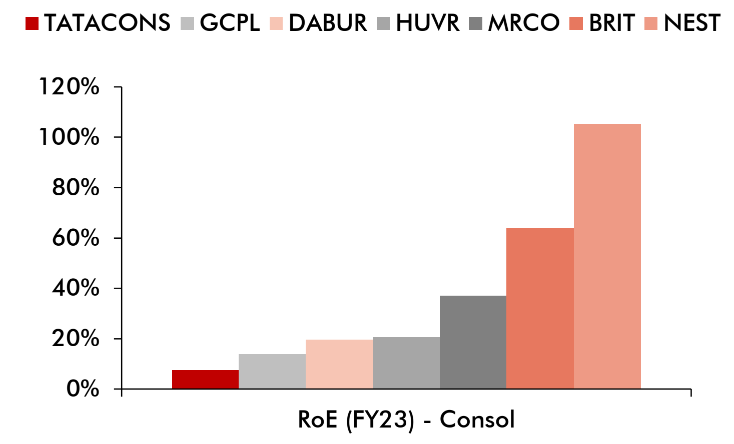
In the quest to bridge this revenue gap, options that managements have explored over the last few years are: (i) acquire a brand which can help foray into adjacency, gain market share, distribution expansion and/or geographic expansion; (ii) take existing core portfolio to international markets and/or (iii) move into adjacencies organically or inorganically. Some FMCG companies did undertake overseas expansion in the previous decade (2005-2020) and it has been a mixed bag of success. Thus, this time around the idea is to focus on domestic rather than international opportunities. These leave incumbents with the option of exploring adjacencies. While looking to harness adjacencies, FMCG companies can better leverage their distribution, sales force/feet on street, freight & logistics cost, brand equity, cash flows, etc.

Exhibit 13: Capital is not a challenge for FMCG companies…



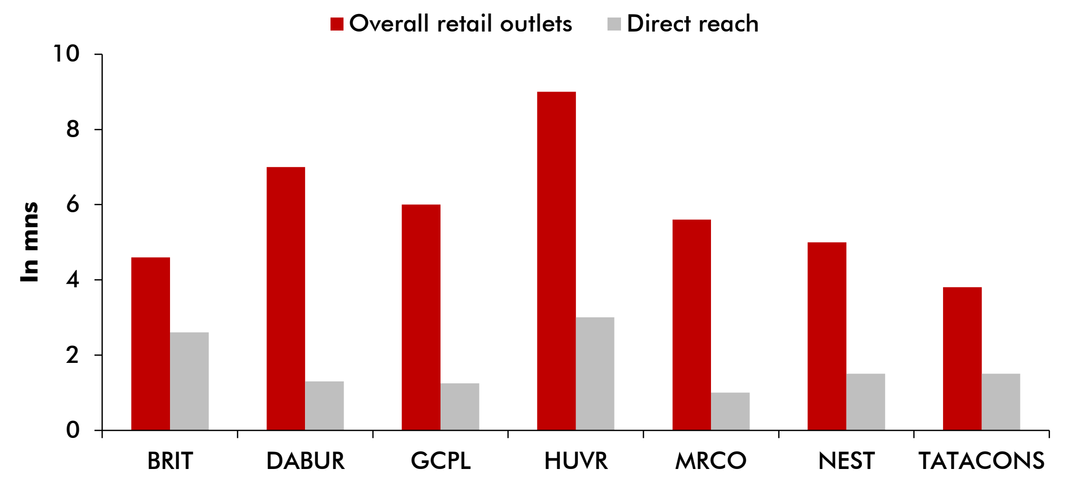
Source: Company, Ambit Capital research; Note – cash & bank balance & PAT is as at FY23

Exhibit 14: …and existing high RoE will not deteriorate with smaller acquisitions or low-margin adjacencies



Source: Company, Ambit Capital research

Exhibit 15: Average retail reach of 5mn outlets further aids in introducing and pushing adjacencies into the existing wider retail network at a lower cost



Source: Company, Ambit Capital research; Note – distribution reach is an approximate values and is as at March 2023

Attractiveness of adjacencies

Right to win, scalability and potential RoCE are drivers to evaluate the strength and attractiveness of adjacency forays. Amongst the companies which are aggressive, we prefer strategy and portfolio of TATACONS>DABUR>MRCO on scalability and right to win metrics (exhibit 20-22). Existing EBITDAM and RoCE for TATACONS is lowest (by 400-500bps), which gives flexibility to evaluate low-margin opportunities too to the disadvantage of peers (MRCO and DABUR focus on maintaining EBITDAM). On the other hand, DABUR needs to consolidate NPDs and scale up a few opportunities (baby care, healthcare and select food segments rather than spreading itself thin). MRCO needs to find the next big winner rather than fiddling in ₹5-10bn opportunities and being a challenger brand, and thus is least preferred. This thesis also flows into our revenue growth assumptions which is highest for TATACONS followed by DABUR and MRCO. Among other FMCG companies, we prefer growth strategy and potential of GCPL amongst BUYs and NEST amongst SELLs.

Ways to expand into adjacencies

So far, FMCG companies adopted one of these strategies to scale/foray into adjacencies: (i) use one of the existing brands and transition it to a mother brand – e.g. Tata Consumer looking to make Tata Sampann an in-kitchen mother brand; (ii) courageously look to build brand, which will take years of investment and is a slow process but gives sustainable growth for decades to come; and (iii) acquire brands. Marico's strategy seems to be looking to make Saffola into a mother brand while selectively acquiring D2C platforms to expand its repertoire of foods and personal care range. Dabur's adjacent play is to organically build extensions of one or many of its multiple brands. On the other hand, Tata Consumer is using a mix of inorganic forays and scaling up those brands as well as leveraging existing brands. Other FMCG companies such as HUVR, BRIT, NEST etc. are also expanding their product repertoire, but this is largely in line with past trends of adjacency/NPDs saliency to the tune of 2-5% of revenues. Deciding to enter an adjacency is always a tricky call and needs to be weighed judiciously. While taking those decisions, we believe multiple aspects (illustrative, not exhaustive mentioned below) would be considered by the management teams:

- Categories available recognizing existing portfolio and complementarity to the same.
- Is there merit in using one of the existing brands or is there a need to build new brand?
- Is there complementarity to existing distribution architecture or will there be a need to build parallel distribution ecosystem for adjacencies?
- Category nuances, competitive dynamics and potential market share that the company can expect to achieve at scale.
- Route to market – GT or MT and ecommerce in light of the company's strength.
- Costs to be incurred towards category development efforts. Need to analyse if consumer habits needs to be formed or not.
- Inherent margin and RoCE profile and timelines by when it can be achieved.
- In case of an M&A, unique proposition that the product/brand can bring.

While we as analyst are not marketers and hence commenting on whether the strategy to use existing brands into multiple adjacencies is an apt step or not is not our forte, but highlighting some pros and cons of the strategy.

Pros:

- Easy to build brand acceptance. Improves brand imaginary, pseudo marketing.
- Cost of developing a new brand is saved.
- Improves pace of distribution and likelihood of consumer trials.
- Promotions and ad spends can be reduced.
- Efficiencies at packaging, labelling, brand & marketing team, sales force, etc.

Cons:

- Management may think of riding on existing brand equity and thus may not sufficiently invest behind new product launched under existing brand.
- If brand extension does not bring unique proposition over incumbent, it may fail.
- Incorrect recognition of consumers love for product or brand. If it is former, using that brand for adjacency may lead to only short term success.
- Risk of losing customers in existing brand.
- Inability of brand to transcend across different price points.

DABUR, MRCO and TATACONS aggressive in adjacency scale-up

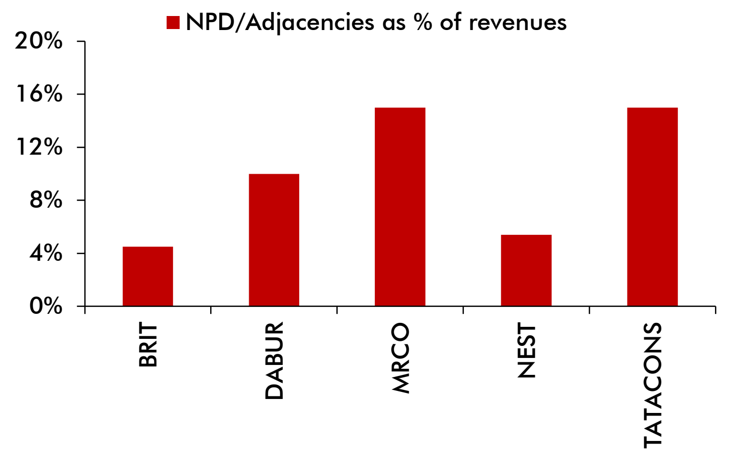
Of the companies looking to expand adjacencies, we see DABUR, MRCO and TATACONS most aggressive. Management commentary suggests these adjacencies have the potential to lift revenue growth towards aspirational low double-digit to early teens at least in the near term. That being the case, it is imminent to understand the dynamics of adjacent categories, incumbent FMCG companies' right to win and scalability potential.

Exhibit 16: DABUR, MRCO and TATACONS relatively most aggressive in adjacency scale-up…

	BRIT	DABUR	GCPL	HUVR	MRCO	NEST	TATACONS
Core domestic portfolio	Biscuits	Honey, Chwayanprash, Hajmola, other healthcare	HI	Home care	Hair oil	Milk products	Tea
	Rusk	Oral care, Hair care, Skin care & Home care	Soaps	Beauty & personal care	Edible Oil	Baby foods & nutrition	Salt
	Cake	Juices	Hair color	Ice creams		Coffee	
	Breads		Air freshner	Tea & Coffee		Packaged foods	
				HFD		Prepared dishes, Blended spices, Sauces	
				RTE		Chocolates	
				Packaged foods		Breakfast cereals	
						Chocolates	
Adjacencies	Dairy	Health Juices	Floor cleaner	Premium BPC	Breakfast cereals	Extension in baby foods	Coffee
	Salted Snacks	Cold pressed oils	Deo spray	RTE	In between meals - Oats	Pet foods	Water
	Croissants	Vedic tea & green tea	Condoms	Health & Wellness	Healthy snacking incl Dry fruits		Pulses
		Koolers & Sharbat	Shampoo		Honey		Spices
		Milk shakes, Soya & Almond milk			Plant based protein		Dry fruits
		Peanut butter			Soya chunks		RTE
		Spices			Peanut butter		RTC
		Chutneys & Pickles			Mayo		RTD
		Dabur Vita - HFD			Ready to cook - Poha, Upma, Dosa, etc		Mini meals & snacks
		Liquid Vaporiser					Breakfast cereals
		Face wash					Protein
		Manicure & Pedicure					Plant based meat
		Sanitary pads					Honey
		Body lotions					

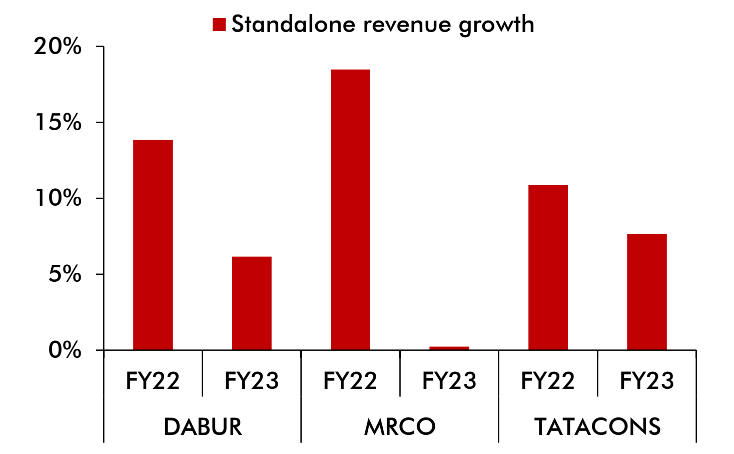
Source: Company, Ambit Capital research

Exhibit 17: ...and that has translated to higher revenue from adjacencies/NPDs vs pre-Covid...



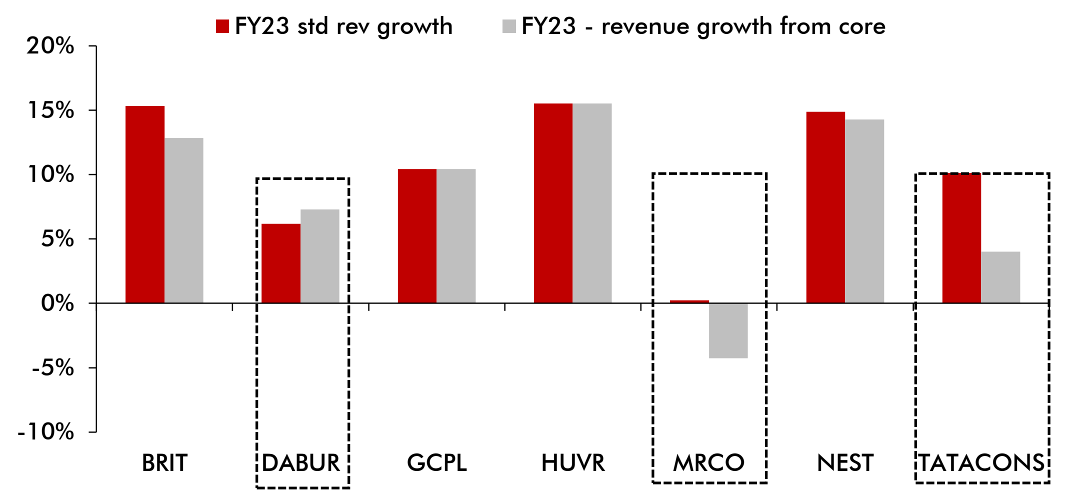
Source: Company, Ambit Capital research; Note – For MRCO, it is revenue from adjacencies such as digital first brands, foods and premium personal care; For TATACONS, it is revenue from growth businesses and for BRIT, DABUR and NEST, it is revenue from NPDs as disclosed by management in conference calls in FY23

Exhibit 18: ...and also helped in revenue growth despite rural slowdown



Source: Company, Ambit Capital research; Note – for MRCO, revenue decline in FY23 is also a function of price cuts in Saffola edible oil portfolio

Exhibit 19: Revenue growth divergence between standalone and consolidated is higher for companies with accelerated adjacency scale-up



Source: Company, Ambit Capital research; Note – while calculating share of revenues from adjacency, in BRIT – we remove revenues from Winkincow, croissant and revenue increase in dairy; in DABUR – we use NPD share as in AR

We thus deep-dive into adjacent categories of DABUR, MRCO and TATACONS as they are the most aggressive ones. We compare the attractiveness of adjacencies across various parameters which can help understand the adjacent portfolio's scalability, right to win and growth longevity.

Exhibit 20: MRCO's goal of achieving FY25 foods revenue of ₹100bn hinges on building scale across multiple smaller categories; we do not concur usage of Saffola across multiple health food categories; inorganic route imminent to grow

	Oats	Breakfast cereals	Healthy snacking	Soya chunks	Honey	Oodles	Peanut butter	Mayo	Health & Wellness	Premium personal care
Brand name	Saffola	True Elements	Saffola Munchiez	Saffola	Saffola Honey	Saffola	Saffola	Saffola	Plix	Just herbs, Pure Sense, Coco soul
TAM (₹ bn)	10	40	Small	10	25	55	5	90	250	Large
Penetration	◔	◔	◔	◔	◔	◑	◔	◑	◔	◑
5 yrs growth potential	low teens	mid-teens	high teens	mid-teens	low teens	high single digit	mid-teens	mid-teens	high teens	low teens
Scope to expand distri	◑	◔	◔	◑	◑	◑	◔	◔	◔	◑
Complementarity to existing supply chain	No, company will look to expand distribution of foods, ex oats in MT, E-com and ~35-40K sec A GT through separate distribution for foods portfolio									
Competitive dynamics	◑	●	◕	◔	●	●	◕	◕	◑	●
Requires category creation / habit formation efforts	Yes	Yes	No	Yes	Yes	No	Yes	No	Yes	No
Unique product proposition	◔	◔	◑	◑	◔	◔	◔	◔	◕	◑
Potential to build customer loyalty	◑	◔	◔	◕	◔	◔	◔	◔	◑	◑
Right to win	◕	◔	◔	◕	◑	◔	◑	◔	◑	◑
Scalability potential	◑	◔	◔	◑	◑	◔	◔	◔	◑	◑
How does it fit amidst LT strategy	●	●	◑	◑	◕	◔	◑	◔	◑	◑
Margin & RoCE profile	Accretive	Will take time to build scale, improve margin & lift RoCE. Each brand will need to reach size of ~₹ 1.5-2bn to be margin accretive. Amongst recent forays, we think soya chunks & premium personal care can in the next 2-3 years be margin & RoCE accretive								

Source: Company, Ambit Capital research, Euromonitor International, Internet searches; Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Summarising our views on MRCO's adjacency strategy:

- MRCO over FY2017-19 was looking to expand into some small TAM (₹2-5bn) opportunities. From there, TAM of its core food opportunities is now >₹100bn. However, we believe MRCO's right to win lies only in oats, soya chunks and premium personal care to some extent.
- In foods, it is looking to spread wide riding on the hope that those adjacent categories will continue to grow despite operating as a challenger brand. However, this strategy may not help sustain >20% growth rate beyond FY25E.
- This means MRCO will consistently need to explore multiple adjacent opportunities. This would mean MRCO will need to explore inorganic opportunities even more so in order to achieve their aspirational 12-15% revenue growth beyond FY25E.
- We would be constructive on MRCO if it forays into a few large categories. While it could result in an interim drop in EBITDAM, looking to expand without large investments does not help build structural sustainable long-term brands, in our opinion.

Exhibit 21: DABUR has the opportunity to scale adjacencies in some large TAM such as healthcare, baby care and spices since they already have brand equity and product & distribution which offer right to win

	Spices	Chutneys & Pickles	Baby care	Sanitary pads	Face wash & body lotion	Liquid Vaporiser	Healthcare range	Milk shakes	Cold pressed oils	Peanut butter	Dabur Vita - HFD
Brand name	Badshah	Hom-made	Dabur	Fem	Vatika; Gulabari	Odomos	Dabur	Dabur Real	Dabur	Dabur Real	Dabur Vita
TAM (₹ bn)	250	25	100	60	130	25	Large	50	Small	5	75
Penetration	●	◕	◑	◑	◑	◑	◔	◑	◔	◔	◑
5 yrs growth potential	mid-teens	low double digit	low teens	low teens	low teens	high single digit	low double to early teens	low teens	high single digit	low to mid teens	mid to high single digit
Scope to expand distri	◑	◕	◕	◔	◑	◔	◕	◔	◔	◑	◔
Complementarity to existing supply chain	◑	◕	◕	◔	◑	◔	◑	◑	◔	◑	◔
Competitive dynamics	◕	◕	◑	◕	●	●	◔	◕	◔	◕	●
Requires category creation / habit formation efforts	◔	◔	◔	◕	◑	◕	◕	◕	●	◕	◕
Unique product proposition	◕	◔	◑	◔	◔	◔	◑	◑	◕	◔	◔
Potential to build customer loyalty	●	◑	◕	◔	◔	◔	●	◔	◔	◔	◔
Right to win	●	◑	◕	◔	◔	◔	◕	◔	◑	◔	◔
Scalability potential	●	◑	◕	◔	◔	◔	◕	◔	◔	◔	◔
How does it fit amidst LT strategy	◕	◑	◕	◔	◑	◔	●	◑	◔	◑	◔
Margin & RoCE profile	Accretive	Low	Accretive	Low	Low	Low	Accretive	Low	NA	Low	Accretive

Source: Company, Ambit Capital research; Note: ● *- Strong;* ◕ *- Relatively Strong;* ◑ *- Average;* ◔ *- Relatively weak*

Summarising views on DABUR's adjacency strategy:

- DABUR has over the last three years undertaken multiple new launches across core as well as non-core portfolios. Some of the adjacencies seem purely tactical with no complementarity or right to win. Amongst all NPDs, we remain positive on Badshah spices, baby care and healthcare.
- With a new team leader for healthcare, efforts seem to be in place to expand distribution touchpoints to begin with in that category.
- Importantly, incremental focus seems to be on foods. We feel that whilst Badshah can enjoy the benefit of distribution advantage, spices is still a regional play and hence gravitating it into non-core markets will be difficult. However, with the learnings of blended spices, Dabur can look to extend its play in RTE and RTC segments too by leveraging the Hommade brand.
- Within home and personal care, we believe baby care to be a large market with J&J losing ground and Himalaya being a disproportionate winner. Dabur with its brand heritage, Ayurveda pedigree and distribution prowess can be a serious player here.
- We would appreciate it if Dabur management consolidates NPDs and adjacency forays for now and look to build brands and scale in a few categories.

Exhibit 22: TATACONS has adjacencies in wider TAM but growth longevity outside of water, breakfast cereals and coffee hinges on mgmt's quest to manage margins & RoCE

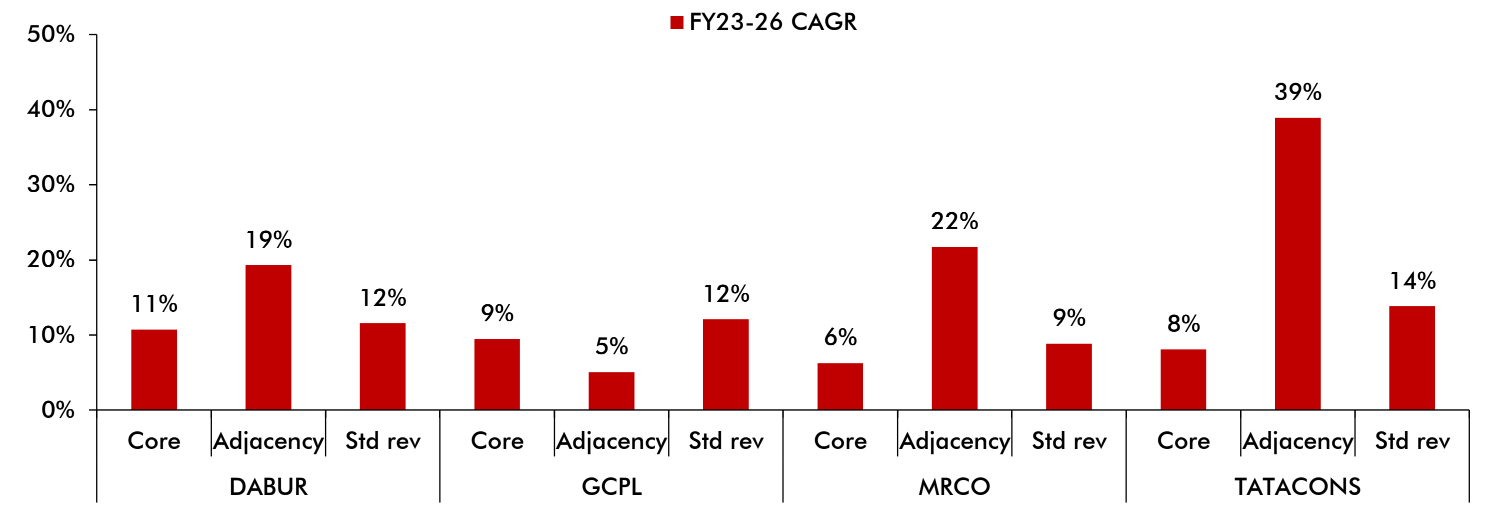
	Coffee	Water	Pulses	Spices	RTE & RTC	Breakfast cereals	Protein, Plant based meat
Brand name	Tata Coffee Grand, Sonnets	Himalayan, Tata Copper, Tata Gluco+, Tata Fruski	Tata Sampann	Tata Sampann	Tata Sampann Yummside	Tata Soulfull	Tata Simply Better, Tata GOFIT
TAM (₹ bn)	32	200	1,700	250	55	40	25
Penetration	◕	◕	●	●	◔	◔	◔
5 yrs growth potential	high single digit	high teens	30%	30%	low to mid-teens	mid-teens	low to mid-teens
Scope to expand distri	◕	◕	◑	◑	◔	◑	◔
Complementarity to existing supply chain	◕	Built independent supply chain	◑	◑	◑	◕	◔
Competitive dynamics	●	◕	●	●	●	●	◑
Requires category creation / habit formation efforts	◑	◔	◔	◔	●	●	●
Unique product proposition	◑	◑	◔	◔	◑	◔	◑
Potential to build customer loyalty	◕	◔	◑	◑	◑	◔	◑
Right to win	◕	◕	◑	◔	◑	◑	◑
Scalability potential	◑	◕	◑	◑	◔	◑	◔
How does it fit amidst LT strategy	●	●	◑	◑	◔	●	◔
Margin & RoCE profile	Low	Low	Low	Low	Accretive	Accretive	Accretive

Source: Company, Ambit Capital research; Note: ● - Strong; ◕- Relatively Strong; ◑- Average; ◔- Relatively weak

Summarising views on TATACONS's adjacency strategy:

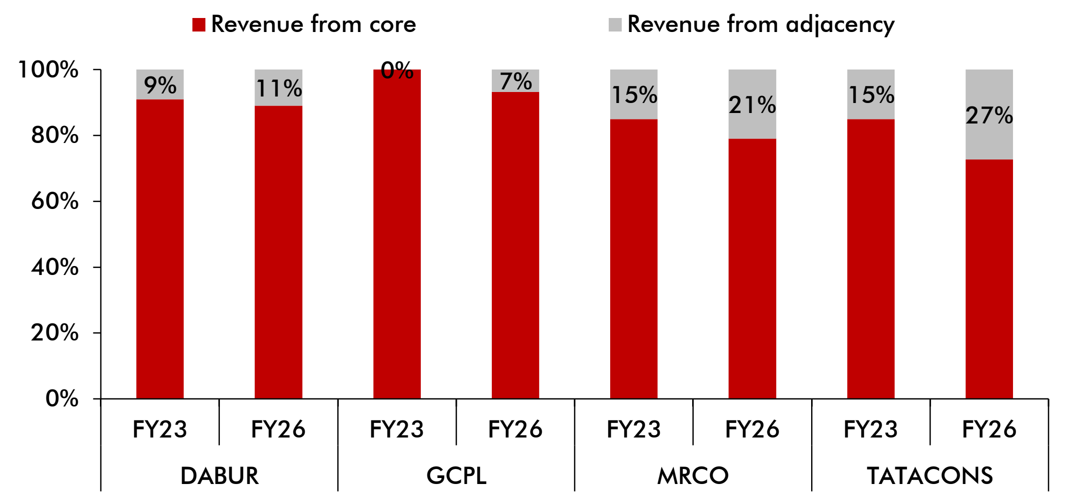
- First adjacency was pulses and spices where we remain least excited recognizing the need to change consumer buying preferences in a relatively low involvement category. The category's inherent margin and RoCE profile will further dent the existing already low 7-9% RoCE. To our surprise, the way company has been able to scale the water business while improving contribution margin is remarkable.
- TATACONS' scalable adjacencies come at the cost of margin and/or RoCE. But for Dabur, the initial threshold to scale adjacency is 13-15% EBITDAM vs peers' 18-20%.
- This gives an opportunity for TATACONS to look at multiple categories and invest in expanding them for a longer period of time.
- TATACONS is looking at building categories too despite not being a leader. E.g. launching LUPs to improve penetration of breakfast cereals rather than waiting for the leader to make the move.
- But this also means that, for TATACONS, scale in adjacency will only come inorganically, and it has been very vocal about it.

Exhibit 23: We see TATACONS adjacent portfolio posting the fastest revenue CAGR over FY23-26, which would make its standalone revenue growth also the highest vs peers



Source: Company, Ambit Capital research; Note – For Dabur, we have assumed share of adjacency to b e11% in FY26 and thus growth rate of adjacency comes to ~20%. FY23-26 std revenue CAGR looks 12% due to inorganic acquisition of Badshah Masala being baked into estimates for full year FY24 onwards. In case of GCPL, FY23-26 std revenue CAGR includes does not include revenue from Raymond's FMCG business whereas in calculation of adjacency, FY23 revenue of Raymond's FMCG business is used and thus that revenue CAGR is lower than overall std revenue CAGR

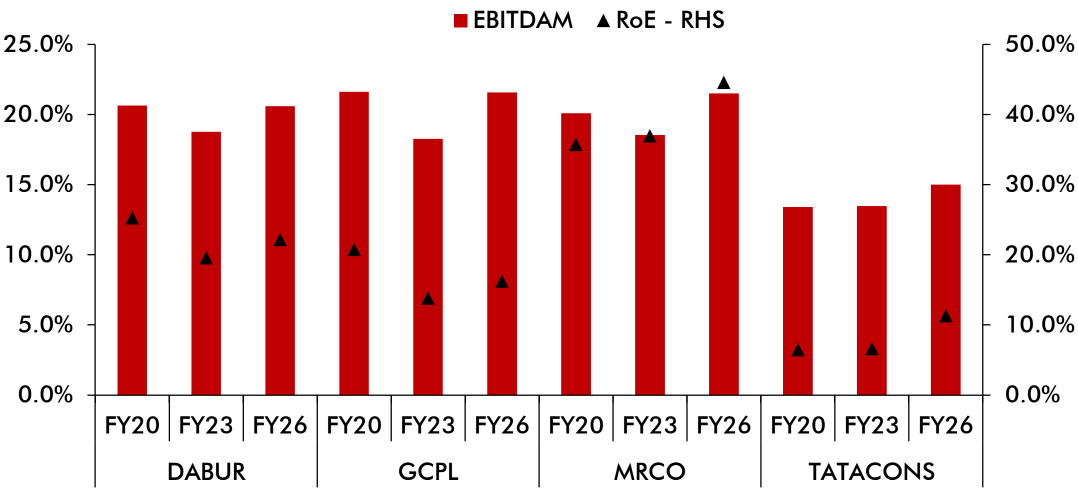
Exhibit 24: Accelerated growth rate in adjacent portfolio will swing incremental revenue growth too



Source: Company, Ambit Capital research; Note – For GCPL, share of adjacency is considered NIL as acquisition of Raymond's FMCG portfolio was done in FY24. For Dabur, revenue from adjacency is ~9% is after considering Badshah masala portfolio

As companies look to invest in adjacency, we wonder if it is easy to maintain margins while investing in building new categories/brand extensions. While one can theoretically argue for leveraging existing back-end infrastructure, sales and supply chain, it is not necessarily the case and easy. In this light, we believe the way GCPL and TATACONS are approaching category development and distribution expansion, albeit at the cost of margins in the interim period, it seems to be a better strategy. Building adjacencies are the periods in companies' life cycle where they should be open to undergo a '*period of no/negligible margin expansion*' which will help them eventually sustain elevated growth.

Exhibit 25: GCPL and TATACONS remain aggressive on adjacency albeit at the cost of margins



Source: Company, Ambit Capital research; Note – Margin expansion across companies is also owing to RM inflation pressure weighing on GM in FY23. Extent of margin expansion but for adjacency scale-up for GCPL & TATACONS would have been more than what we have estimated

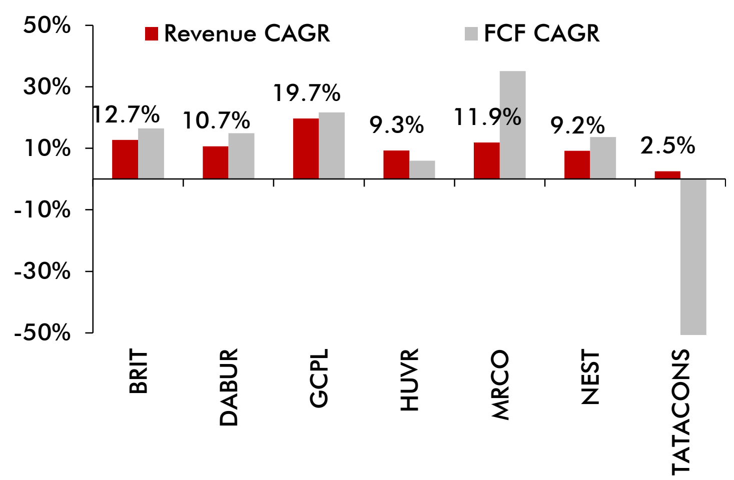
Best of core & adjacency priced in

In FY10-19, FMCG companies reported ~10% organic revenue growth (largely in the first 5 years) but FCF CAGR was 10-35% led by median EBITDAM expansion of ~400-500bps. Over the next two decades, despite increasing benefits of penetration and premiumisation in core and scale-up of adjacent categories, we expect revenue growth to be in the 9-12% band. On an already elevated EBITDAM, incremental scope to expand seems just 250-300bps, resulting in 10-13% FCF CAGR (till FY42E). P/E multiples across FMCG companies jumped ~2x vs Nifty P/E expansion of just 1.2x, leaving no re-rating potential too. Downgrade MRCO to SELL due to lack of category aggression whilst diversifying and BRIT to SELL since we believe it is priced to perfection now. Within BUYs our pecking order is GCPL>DABUR and amongst SELLs we prefer NEST>BRIT>TATACONS. NEST and TATACONS have strong business momentum but lack comfort on valuations. Risks: Change in management and/or lucrative inorganic acquisitions.

Growth longevity premise already built into valuations

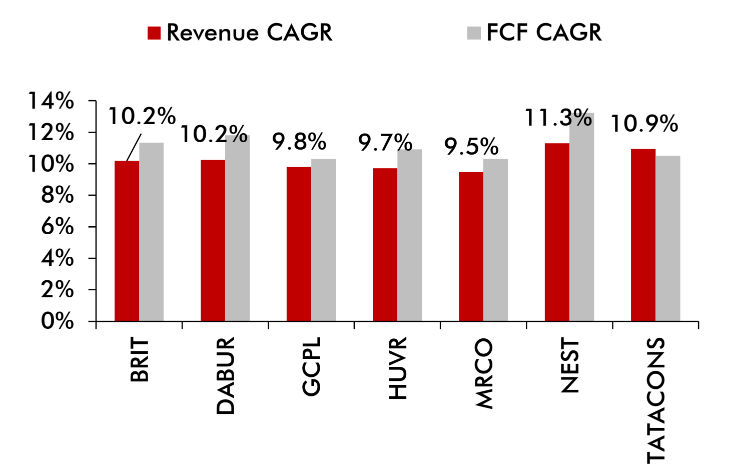
In our DCF-based valuation framework, we assume the following: (i) macro tailwinds and India's rising GDP to improve per capita/income, aiding consumption growth; (ii) penetration increase; (iii) share gains from unorganized/regional players; (iii) margin profile to improve by 200-400bps over the forecast period and (iv) net working capital cycle to remain the same. Risks to the above assumptions come from disruption emanating from: (i) rising saliency of B2B distribution channels' deteriorating margin profile and working capital cycle, (ii) disruption risk – channels, competition, products/formats, (iii) rising share of private labels, (iv) increasing bargaining power of MT and e-com channels vs brand owners and (v) rise of D2C companies and allied digital and tech-related risks. In light of this, our FCF CAGR of 10-13% over FY23-42E seems adequate.

Exhibit 26: Last decade (FY10-19, ex Covid), organic growth across companies ranged at 9-13%



Source: Company, Ambit Capital research

Exhibit 27: Expect highest revenue growth for NEST>TATACONSUMER and lowest for HUVR and MRCO



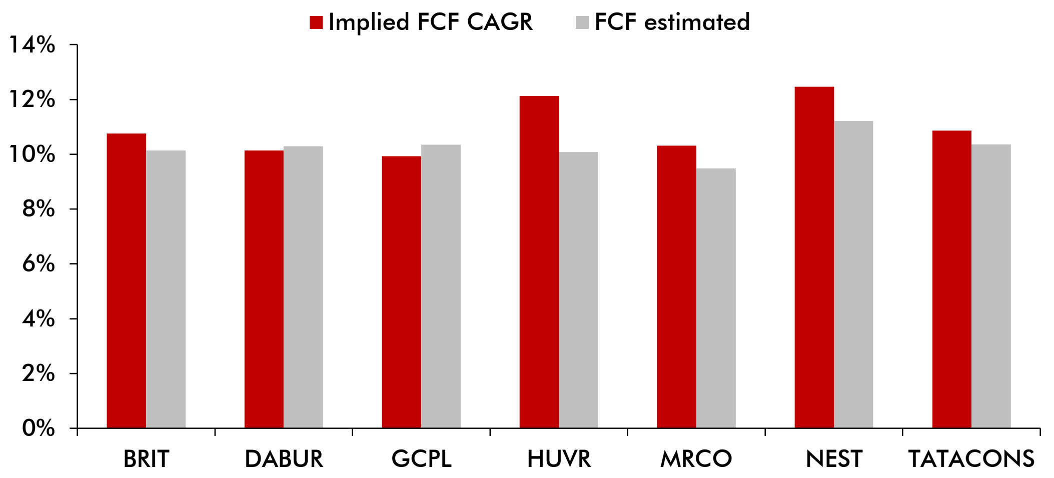
Source: Company, Ambit Capital research

Exhibit 28: P/E multiples across FMCG companies doubled in the last decade while Nifty's P/E increased by just ~20%

	1-yr fwd P/E multiple					
	FY11	FY13	FY16	FY19	FY23	Increase in PE multiples (x)
BRIT	26.1	23.2	38.6	53.6	47.9	1.8
DABUR	26.0	25.2	33.8	42.4	45.3	1.7
GCPL	23.5	26.5	33.1	43.1	41.8	1.8
HUVR	24.8	30.9	38.1	52.7	54.4	2.2
MRCO	22.8	26.6	35.2	42.0	43.6	1.9
NEST	33.1	40.3	60.1	51.4	63.1	1.9
TATACONS	15.0	19.2	17.5	24.7	52.0	3.5
NIFTY	15.9	13.1	15.6	17.4	18.5	1.2

Source: Company, Ambit Capital research

Exhibit 29: Implied FCF CAGR (FY25-64E) remains elevated for our SELLs BRIT, HUVR, MRCO, NEST and TATACONS vs our estimates



Source: Company, Ambit Capital research

Exhibit 30: GCPL & NEST's FY23-26E earnings growth likely to be highest amongst peers at ~18%; BRIT & HUVR likely to post just 6-10% EPS CAGR

Companies	Reco	CMP	P/E (x)			CAGR (FY20-23)			CAGR (FY23-26E)			RoE		
			FY23	FY25E	FY26E	Sales	EBITDA	EPS	Sales	EBITDA	EPS	FY23	FY25E	FY26E
FMCG														
Britannia Industries Ltd	SELL	4,947	51	49	43	12%	15%	18%	9%	11%	6%	55%	54%	52%
Colgate-Palmolive India Ltd	NR	2,375	62	47	44	5%	7%	9%	8%	10%	12%	71%	75%	78%
Dabur India Ltd	BUY	547	57	43	38	10%	6%	6%	11%	14%	14%	20%	22%	22%
Emami Ltd	NR	504	35	25	23	9%	5%	30%	9%	13%	16%	33%	32%	31%
Godrej Consumer Products Ltd	BUY	1,045	63	44	38	10%	4%	4%	11%	17%	18%	14%	16%	16%
Hindustan Unilever Ltd	SELL	2,516	59	49	44	15%	12%	11%	9%	11%	10%	21%	23%	27%
ITC Ltd	NR	460	30	25	23	13%	10%	7%	10%	11%	10%	30%	32%	35%
Marico Ltd	SELL	538	53	41	37	10%	7%	8%	8%	12%	13%	37%	38%	40%
Nestle India Ltd	SELL	24,793	100	69	61	11%	8%	7%	13%	17%	18%	107%	104%	99%
Tata Consumer Products Ltd	SELL	950	73	52	45	13%	13%	38%	11%	16%	17%	9%	10%	11%
Zydus Wellness Ltd	BUY	1,572	32	23	24	8%	2%	26%	10%	16%	11%	7%	8%	7%
Median			*57*	*44*	*38*							*30%*	*32%*	*31%*
Paints														
Asian Paints Ltd	SELL	3,241	76	54	49	20%	15%	15%	15%	22%	24%	31%	29%	28%
Akzo Nobel India Ltd	NR	2,518	34	25	22	13%	12%	12%	16%	22%	25%	30%	30%	31%
Berger Paints India Ltd	SELL	580	79	48	42	18%	12%	9%	18%	27%	37%	26%	24%	24%
Pidilite Industries Ltd	NR	2,634	105	61	54	17%	9%	4%	16%	33%	39%	23%	24%	23%
Kansai Nerolac Paints Ltd	NR	328	56	30	27	13%	1%	-3%	15%	28%	44%	15%	14%	15%
Median			*76*	*48*	*42*							*26%*	*24%*	*24%*
Alcobev														
Radico Khaitan Ltd	NR	1,645	108	52	41	9%	-1%	-4%	29%	56%	62%	13%	16%	17%
United Breweries Ltd	SELL	1,717	150	58	47	5%	-11%	-11%	15%	56%	78%	12%	17%	18%
United Spirits Ltd	SELL	1,085	75	55	46	4%	-2%	14%	14%	29%	28%	18%	20%	21%
Median			*112*	*57*	*46*							*15%*	*18%*	*19%*

Source: Company, Ambit Capital research

Marico (MRCO; Downgrade to SELL; TP ₹535)

Need to move out of its comfort zone

MRCO is widening growth levers by moving in a few smaller TAM food categories and D2C personal care brands, either organically or inorganically. This strategy will not help MRCO achieve desired scale since: (i) most of the food categories that it is entering are either small or will not appeal with its brand Saffola. This means building scale and distribution breadth will be difficult; (ii) it's plans to operate as a challenger brand will lead to under-investment in category development, thus impacting its brand's long-term category and growth rate; (iii) urge to maintain EBITDAM of +19-20% could lead to under-investment in D2C personal care portfolio. All this would mean MRCO is weakest in our FMCG coverage on growth longevity. We thus downgrade to SELL with a revised TP of ₹535, implying 37x FY25 P/E. Our estimates factor 9%/16% revenue/PAT CAGR over FY23-26 vs MRCO's medium-term revenue growth aspiration of 13-15%.

Strong core, but lacks ability to grow at >10%

The core business of MRCO (hair oil, edible oil and Bangladesh business), which contributes ~75% of revenue, has grown at 8% CAGR over FY16-23. We do not see this growth trajectory to be any different over FY23-26. One can argue about steps taken to improve revenue growth in VAHO, but we would err on the side of caution having seen just 4% revenue CAGR over FY16-23.

Need more aggression in foods portfolio

MRCO is guiding for ₹10bn revenue from the foods portfolio by FY25E, implying 30% CAGR over FY22-25E. Even if this is achieved, it does not confirm to scalability or right to win since ~50% of revenues will still be dependent on its erstwhile masala oats category and the rest thinly spread across 5-6 sub-categories. Further, since MRCO is looking to operate as a challenger brand, it would mean limited category development initiatives and thus delayed/NIL gratification too. Distribution reach of newly expanded foods portfolio looks to saturate at just 35-40k outlets (BRIT's distribution universe: 5mn), further suggesting small opportunities being exploited.

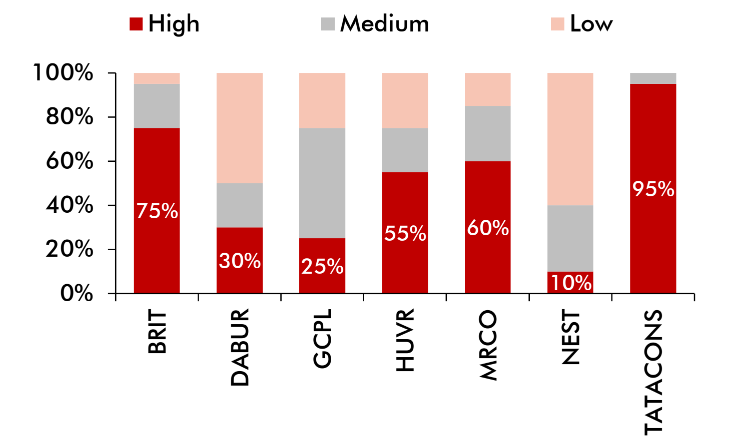
Adjacency to reduce GM volatility, but can it parallely expand EBITDAM?

Historically, MRCO's GM/EBITDAM dependence on copra was high (~50% of COGS). This led to ~500bps/200bps GM/EBITDAM swing during copra price cycles. Rising saliency of adjacent portfolio (from 15% to 21% of domestic revenue from FY23 to FY26E) will reduce GM volatility. However, scaling up new brands/categories comes at a cost – new brands usually spend 1-1.5x sales towards marketing. If MRCO were to incur a similar amount, our FY25E EBITDAM guidance of 21.5% and expansion of 300bps over FY23-26E could be at risk.

Valuations too do not provide comfort

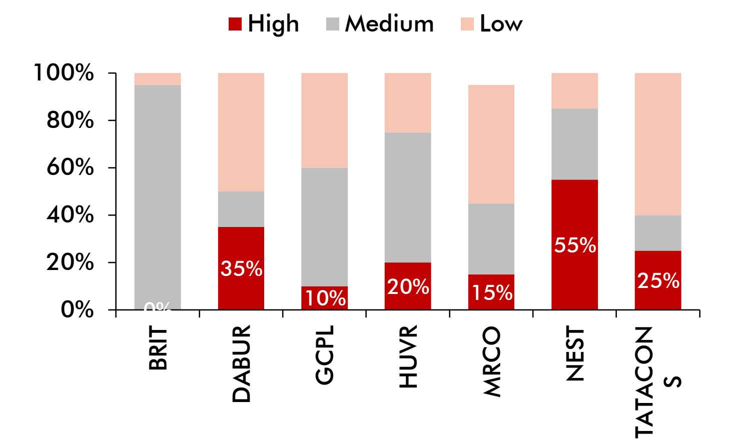
We downgrade MRCO to SELL with revised TP of ₹535 (earlier ₹571). We largely tweak our LT revenue assumptions since we do not build optimism for elevated growth in the foods portfolio beyond FY25E. Our TP still assumes ~9%/15% revenue/EBITDA CAGR over FY23-26E (despite deflationary commodity cycle in FY24E) and 10% FCF CAGR over FY23-42E (reverse DCF implies 11% FCF CAGR). Due to this, TP implies 37x FY25 P/E, the lowest within our large-cap FMCG coverage. MRCO has also seen 10-15% FY24E PAT cut over the last 4-5 quarters, partially due to weaker macro and underwhelming execution across core as well as adjacency business. Risk: Inorganic acquisitions swinging the narrative of the adjacent business.

Exhibit 31: MRCO's portfolio has one of the highest category penetration levels; revenue growth opportunity thus hinges on diversification or premiumisation…



Source: Company, Ambit Capital research

Exhibit 32: …but the portfolio has amongst the lowest pricing power levels and hence reliance on volume growth is of utmost importance



Source: Company, Ambit Capital research

Exhibit 33: MRCO's growth has trailed expectations (13-15% revenue growth) and now needs a winner to accelerate growth to even 10-12% levels

Geography	Categories	% of sales	Growth driver	FY16-23 CAGR	FY23-26 CAGR
India	Parachute	28%	Gains from unorganised/regional players	8%	5%
	VAHO	17%	Premiumisation and introduction of functional products	4%	7%
	Edible oils	17%	Shifting consumer preference towards healthy life & better quality of oil	10%	5%
	Foods	6%	NPDs & innovations and distribution expansion	NA	28%
Inter-national		25%	Bangladesh to be main growth vector	9%	9%
Total				**7%**	**9%**

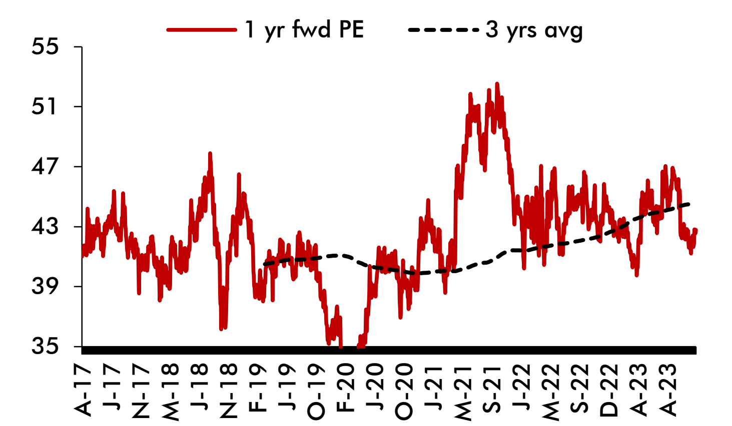
Source: Company, Ambit Capital research

Exhibit 34: MRCO's inorganic acquisitions have been small; it needs a large acquisition or category development initiatives

Year	Brand acquired	Stake acquired	Acquisition cost (₹ mn)	FY23 Revenues (₹ mn)
FY21	Beardo	100%	1,570	1,070
FY22	Just Herbs	60%	750	590
FY23	True Elements	54%	1,680	570
	Revenues of acquired businesses			**2,230**
	Marico's FY23 consol revenues			**97,640**
	Marico's FY23 domestic revenues			**73,510**
	Inorganic revenue % of consol revenues			*2.3%*
	Inorganic revenue % of domestic revenues			*3.0%*

Source: Company, Ambit Capital research

Exhibit 35: MRCO's 1-year fwd P/E has seen de-rating recently; no reason to catch up with MT averages too



Source: Company, Ambit Capital research

Britannia Industries (BRIT; Downgrade to SELL; TP ₹5059)

This cookie is richly baked now

BRIT's 42% stock return since our upgrade was an outcome of management walking the talk on NPDs & innovation across existing and new categories, commercialisation of manufacturing plants at Ranjangaon, UP etc. as well as GM expansion led by pricing power (as expected by us). Our LT thesis for BRIT remain unchanged – share gains in biscuit through distribution expansion (in hindi heartland), scale-up of dairy and adjacent portfolio (wafers, cakes, salted snacks), etc. All these should help BRIT clock 8% revenue CAGR over FY23-26E on high base of 15%, and will be in the lower quartile amongst peers. BRIT's 1HFY24 EBITDAM of 18.5% is already ~300bps higher than its pre-Covid level and incremental room to expand is slim (we build in 18.7% EBITDAM by FY26E). In light of this, BRIT's 8%/10.5% revenue/EBITDA CAGR over FY23-26E already assumes adequate positives and yet trades at 49x FY25 P/E, leaving no room for upside. We thus downgrade to SELL with unchanged TP of ₹5,059, implying 50x FY25 P/E, which is also 5-10% premium to its last 5 yrs avg.

Large and fast growing playing field

Branded F&B is a ₹9tn market growing at 12% CAGR. In this, BRIT operates in ₹1tn TAM. BRIT's category presence is spread across highly penetrated categories (>80%) of Biscuits, Bread and Rusk as well as low-penetrated categories (<40%) of milk-based beverages, wafer biscuits, cheese etc. This portfolio repertoire offers Britannia scope to sustain 10-12% revenue growth led by both increasing consumption of biscuits, breads etc. and improve penetration of adjacent categories.

Need more aggression to expand foods portfolio

BRIT is already the value market share leader (~33%) in biscuits. At ~7% category growth, BRIT's revenue growth from biscuits will remain 7-9% (75% revenue saliency). This means, for BRIT to grow at 10-12% (run-rate similar to FMCG peers), it will need to clock ~20% revenue growth in adjacency. This could be difficult since BRIT's quest to scale salty snacks (large TAM in foods) will be fraught with challenges as creating new brands and growing profitably in salty snacks is difficult).

Negligible room for margin expansion

Before Covid, BRIT operated at ~40%/15.5-16% GM/EBITDAM. After the inflationary regime during FY22/23, we were confident of BRIT's structural 150-200bps upward reset of GM/EBITDAM due to its inherent pricing power, which has already played out (1HFY24 GM/EBITDAM were 42.5%/18.5%). Incrementally as it expands into adjacencies (some lower margin opportunities) and incurs higher marketing & supply chain exps, we see negligible scope for GM and EBITDAM improvement and thus build flat GM and just 20bps EBITDAM improvement over 1HFY24 to FY26E.

Rite bite but not right valuation

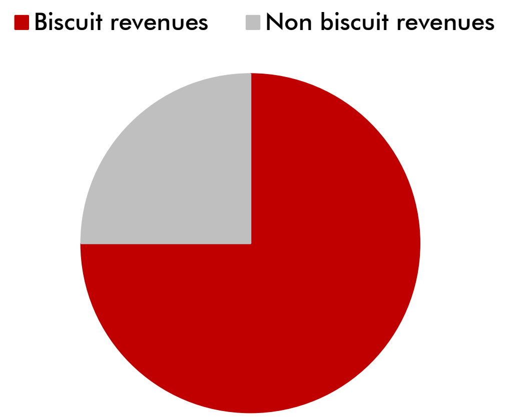
We downgrade BRIT to SELL with an unchanged TP of ₹5,059. We do not tweak our assumptions since we are adequately estimating 10%/11% revenue/FCF CAGR over FY23-42E, which captures potential growth narratives not only from the core portfolio but also from adjacencies. On the other hand, our FY23-26E revenue/EBITDA growth of 8%/10.5% is not conservative in light of price correction (led by RM deflation) and just 4.5% YoY revenue growth in 1HFY24E. Our TP already implies 50x FY25 P/E, at a 5-10% premium to its last 5 years' average P/E. From a management perspective, CXO churn over FY18-21 seems to have ebbed and the new team seems geared to achieve the goals of transforming BRIT to a total foods company. Varun Berry's term as MD will end on 31 March 2024 but he has already been announced as the Vice Chairman, giving a sense of seamless transition as Rajneet Kohli, the current ED & CEO, takes over as MD. Risks: Promoter's stake sale at lofty valuations and accelerated forays into new categories.

Exhibit 36: Over the last 4 quarters, BRIT has extended its offering through product/geographic/adjacency extension...

Category	Brand	Description	Launch Period
Biscuits	Jim Jam	Launch of Jim Jam Pops	Q1 23-24
Biscuits	50-50	Golmaal 50-50 extended to North of India	Q1 23-24
Biscuits	50-50	Golmaal 50-50 launched in South and West of India	Q4 22-23
Biscuits	50-50	Golmaal 50-50 extended to Bihar, Jharkhand and Orissa	Q2 22-23
Rusk	Toastea	Launch of multigrain rusk in West and South India	Q1 23-24
Cakes	Plum Delight	Launch of new festive cake in plum flavour	Q3 22-23
MilkShakes	Winkin Cow	Launch of Rich milkshakes and coconut water	Q4 22-23
Wafers	Treat	Crème cheese wafers extended to West Region	Q2 22-23
Salted Snacks	TimePass	Launch of Tic Tac Toe in 2 flavors in South	Q3 22-23
Croissant	Treat	Launch of Orange flavored croissant	Q4 22-23
Dairy	Come Alive	Launch of fresh Paneer	Q3 22-23
Dairy	The Laughing Cow	Launch of Cheese under The Laughing Cow brands	Q2 23-24
Snacks	Better Snacks	Flavoured makhana's	Q2 23-24

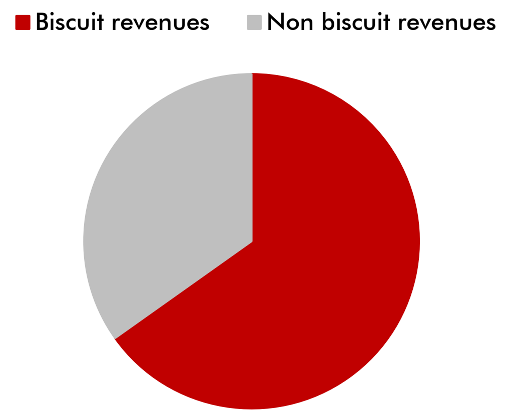
Source: Company, Ambit Capital research

Exhibit 37: ...which will take the share of non-biscuits from 25% in FY23 to...



Source: Company, Ambit Capital research

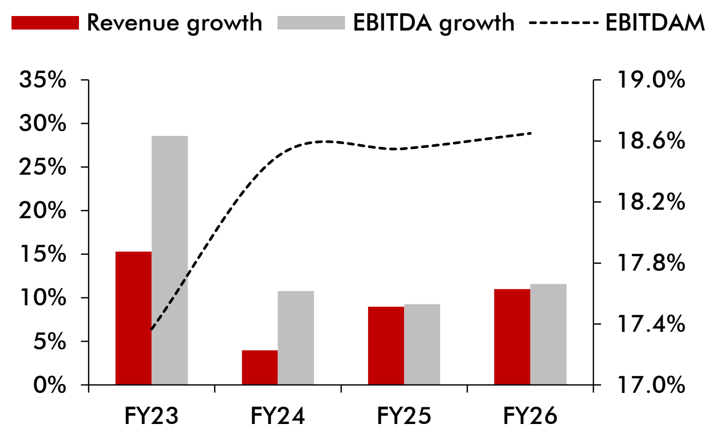
Exhibit 38: ...35% by FY30E and keep biscuit revenue at 65% led by distribution and mix improvement



...

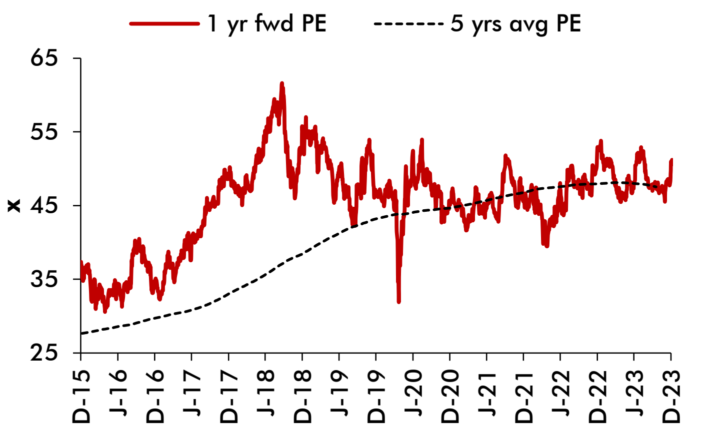
Source: Company, Ambit Capital research

Exhibit 39: We expect 8%/10.6% revenue/EBITDA growth with EBITDAM expansion of ~125bps (20bps over FY24-26E)



Source: Company, Ambit Capital research

Exhibit 40: BRIT's fwd P/E multiple is already at 5-10% premium when compared with its last 5-year average



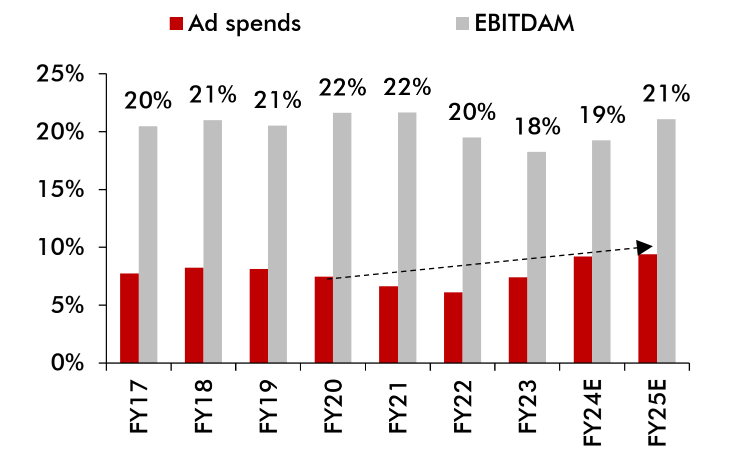
Source: Bloomberg, Company, Ambit Capital research

Retain BUY on GCPL and DABUR

GCPL: Improving business quality; BUY with TP of ₹1,170

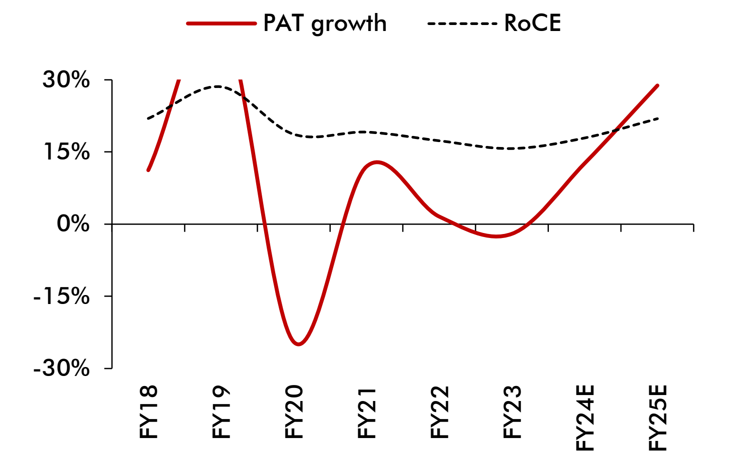
We like GCPL for structural changes that are being undertaken across categories and geographies by the new CEO and team. (i) In HI, core category development initiatives which were missing over FY16-20 are being undertaken – e.g. standalone ad-spend CAGR over FY16-20 was just 2-3% vs ~25% over FY10-15. New management is aggressively looking at ad spends and sampling, introduced an LUP and is now working towards improving efficacy; (ii) hair color and air freshener are structural growth stories led by urbanization, increasing per capita income and discretionary spends. Initiatives such as introduction of single unit pack in hair color and new formats in air freshener will accelerate category growth, benefitting GCPL; (iii) in the international business, Greater Africa, USA and Middle East (GAUM) cluster business of hair braids was a fashion business but run in FMCG style is now getting rightly corrected. Focus in GAUM is to increase sales contribution of FMCG products, reduce SKUs and release WC, which will improve RoCE; (iv) Indonesia business was run from the perspective of margin vs category growth and revenue growth which is now getting addressed; (v) KPIs of team changed from EVA-based to volume growth, margin improvement and WC improvement – basis our checks and is a logical and right strategy. Retain BUY with TP of ₹1,170, implying 47x FY25 P/E. GCPL remains our top pick in FMCG.

Exhibit 41: For category development, GCPL will increase ad spends by 150-200bps; despite that we expect EBITDAM to improve led by improving sales & cost efficiencies



Source: Company, Ambit Capital research

Exhibit 42: These efforts will lead to 20% PAT CAGR and better RoCE despite building in Raymond's acquisition



Source: Company, Ambit Capital research

DABUR: Time to consolidate and capitalize on scalable opportunities; BUY with TP of ₹609

An adaptive and aggressive mindset helped Dabur capitalize on shifting consumer preferences towards Ayurveda/Naturals products. Foray into more categories in the quest to expand TAM (baby care, healthcare, beverages, spices, etc.) not only showcases revenue growth predictability and longevity but also strengthens Dabur's position, especially in Ayurveda/Naturals segments. However, incrementally we believe it will be prudent for Dabur to consolidate its NPDs and look at scaling up a few opportunities where it has higher right to win and scalability potential. In healthcare, on the contrary, it will need to expand wider by re-packaging the existing OTC and ethicals range so that it can move to the chemist channel and eventually to GT. Thus, even after reaching almost 8mn outlets, there is scope for Dabur to improve weighted average distribution which should aid it in clocking 10.3%/13.4% revenue/PAT CAGR over FY23-26E. Our TP of ₹609 implies FY25E P/E of 49x, which is largely in line with last 5-year median P/E.

Exhibit 43: Lower competitive intensity and disruption risk (especially in healthcare and beverages) imparts confidence on Dabur's ability to clock 10-11% revenue CAGR over FY23-26E

Category name	FY19-23 growth rate (%)	FY23-26E growth rate (%)	Growth driver	Competitive landscape	Disruption risk
Healthcare (~32% revenue share)					
Health Supplements	7%	10%	▪ Widening product assortment and improving consumer awareness, penetration & distribution increase;	2	1
Digestives	8%	10%		2	1
OTC & Ethicals	9%	10%	▪ New business head to focus on scaling core OTC & Ethicals segment coupled with Baby care segment	2	1
HPC (~47% revenue share)					
Hair care	6%	8%	Consumers shift to ayurveda/natural based products	4	2
Home care	9%	8%	Foray into adjacencies	3	3
Oral care	9%	8%	Share gains, new product launches	4	2
Skin care	1%	8%	Improving distribution	4	4
Food & Beverages (~21% revenue share)	14%	13%	Expanding TAM and distribution expansion	3	3

Source: Company, Ambit Capital research

Retain SELL on HUVR, NEST and TATACONS

- **HUVR:** About 55% of revenue from categories with >65% penetration offers revenue predictability but also limits growth to high single digit levels. These despite increasing investments in future channels of distribution (e-com, D2C platforms, own B2B distribution app) and adoption of data analytics and AI. Striving for 10-12% revenue growth will need HUVR recovering lost market share in BPC (10-12% growth) and 8-10% revenue growth in HFD category, where we are not confident. Further, despite building 10%/11% revenue/FCF CAGR over FY23-42E, our TP is ₹2,422, signifying no room for upside and implying 46x FY25 P/E.

- **NEST:** Considering it portfolio strength, penetration levels and distribution expansion journey, we remain confident of NEST's ability to clock ~13% revenue CAGR till FY27E, highest amongst peers in the sector. This will get reinforced by ₹50bn capex and enhancement of digital capabilities. NEST also has the chance of launching newer categories from its global portfolio (>50% portfolio of parent company remains untapped by NEST India). Thus, NEST offers highest growth longevity in the FMCG space. However, despite building 13.3% FCF CAGR till CY42E, our TP is ₹21,127, implying 53x CY25E P/E.

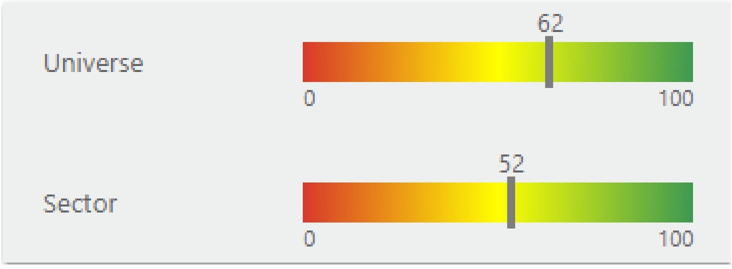
- **TATACONS:** TATACONS offers a play into the fast growing F&B segment of FMCG. While the core portfolio (75-80% of domestic revenue saliency) is mature and hence can grow at 6-8%, adjacency scale-up (organically and inorganically) will help the company get 12-13% standalone revenue growth (~75% of cons. revenues). Amongst the companies scaling up adjacencies, we prefer TATACONS' strategy (refer exhibit 22). Existing EBITDAM threshold of ~15% help in evaluating multiple low-margin, high-growth categories that peers are preferring to stay away from due to long gestation and low category margin profiles. Being acquisitive in nature would result in TATACONS having the lowest RoE/RoCE levels of 11.4%/13.8% by FY26E. Factoring all optimism, our TP comes to ₹818, implying 43x FY25 P/E, taking cognisance of RoCE profile and growth longevity.

Our pecking order of preference: GCPL>DABUR amongst BUYs and NEST>BRIT>TATACONS amongst SELLs.

AMBIT HAWK

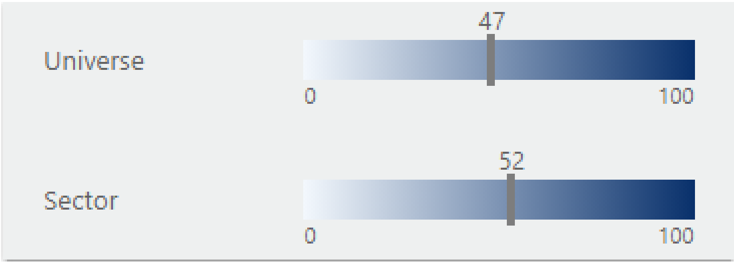
Britannia Industries

Exhibit 44: Forensic Score Percentile



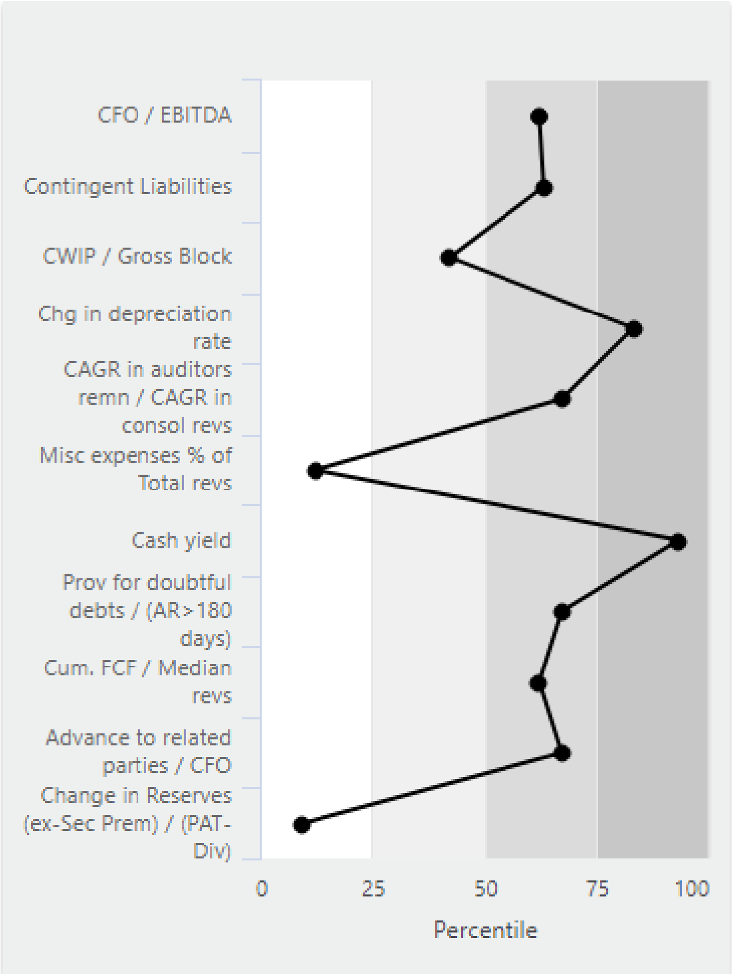
Source: Company, Ambit Capital research

Exhibit 45: Greatness Score Percentile



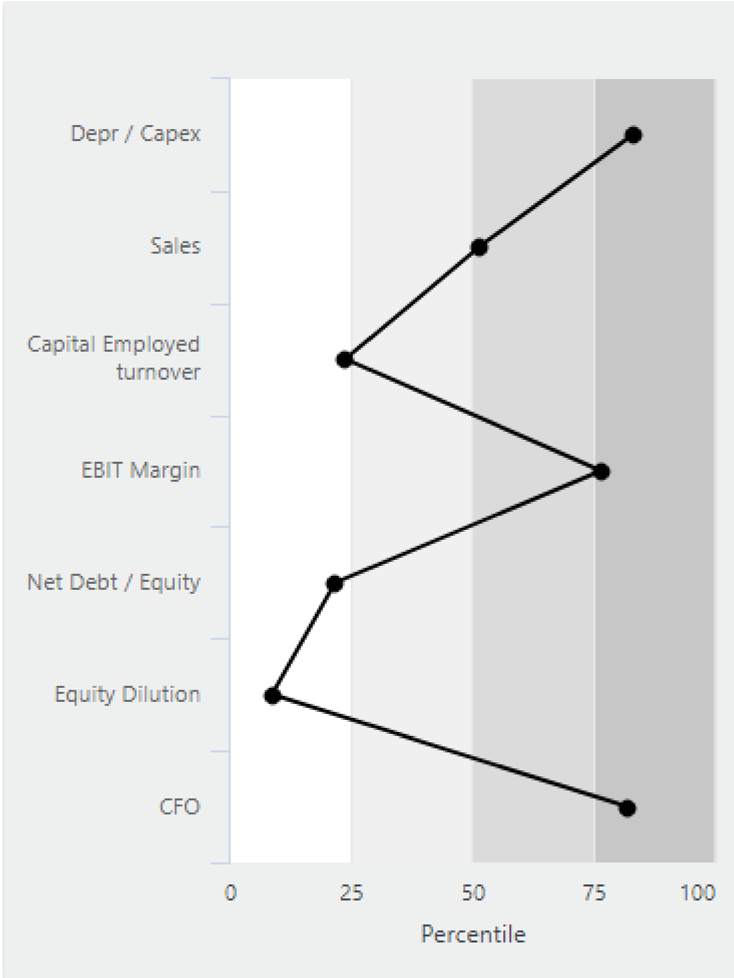
Source: Company, Ambit Capital research

Exhibit 46: Forensic Accounting Contributors



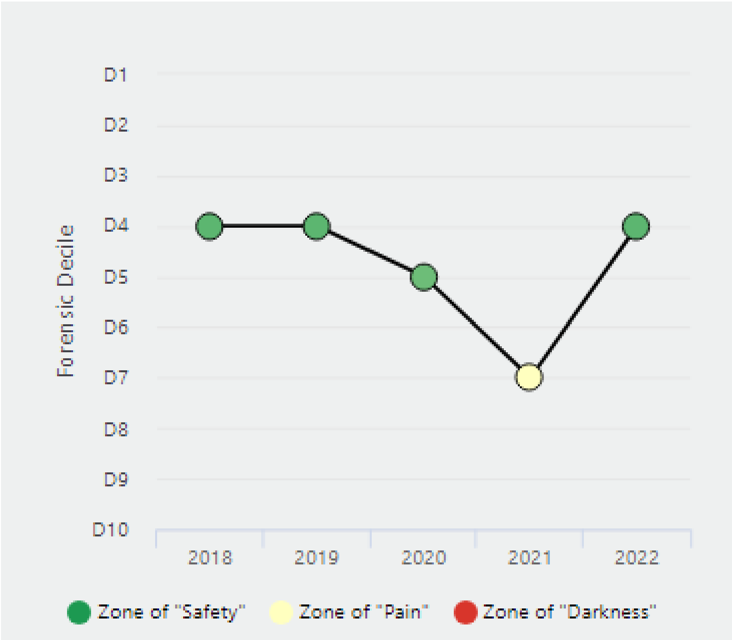
Source: Company, Ambit Capital research

Exhibit 47: Greatness Score Contributors



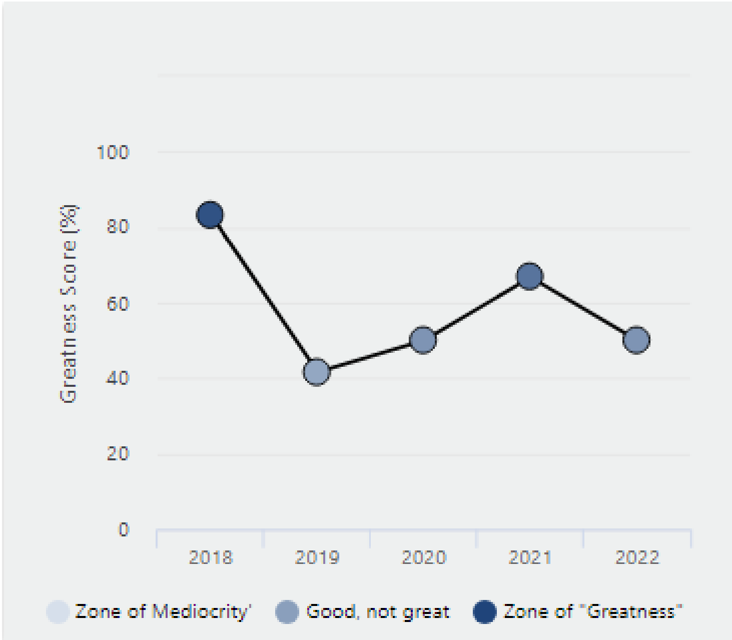
Source: Company, Ambit Capital research

Exhibit 48: BRIT has remained in the Zone of Safety, only briefly it dropped to Zone of Pain in 2021 on the forensic score evaluator



Source: Company, Ambit Capital research

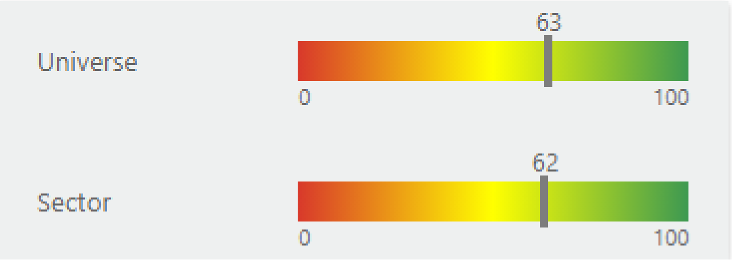
Exhibit 49: BRIT dropped from the zone of greatness to the zone of good, not great from 2019 due to increasing debt and lower CE t/over



Source: Company, Ambit Capital research

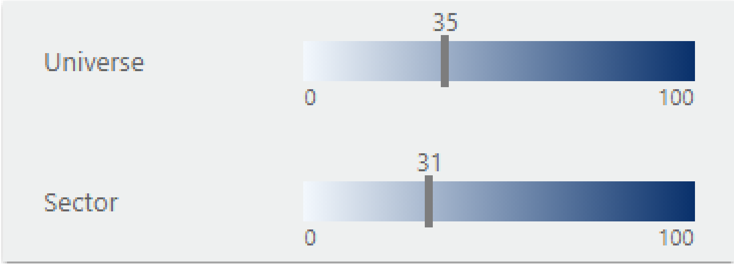
Dabur India

Exhibit 50: Forensic Score Percentile



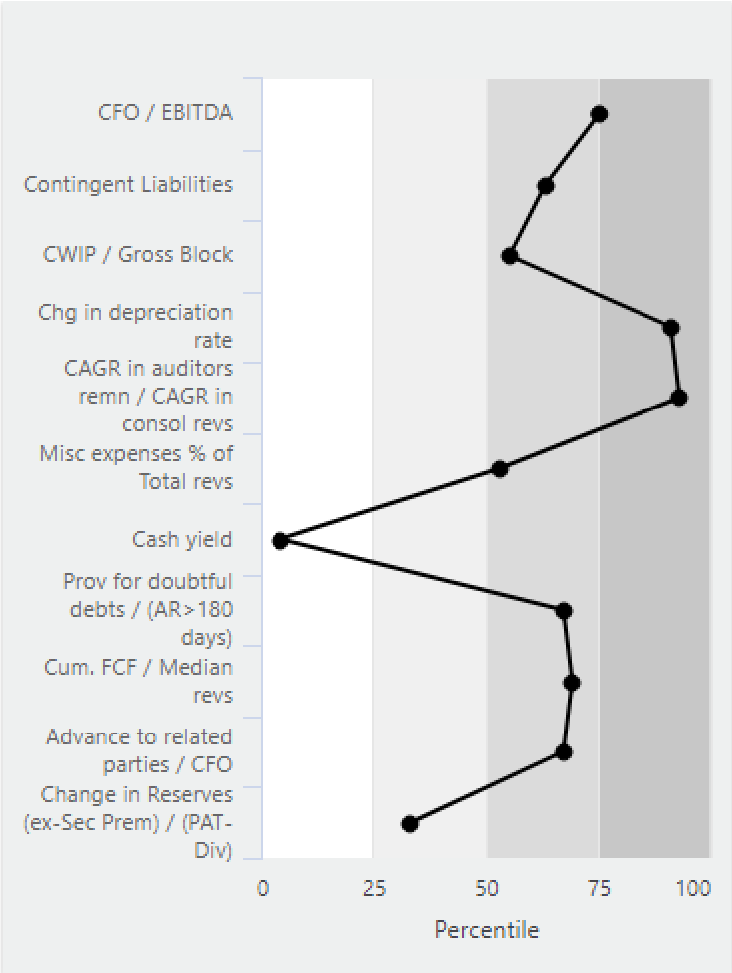
Source: Company, Ambit Capital research

Exhibit 51: Greatness Score Percentile



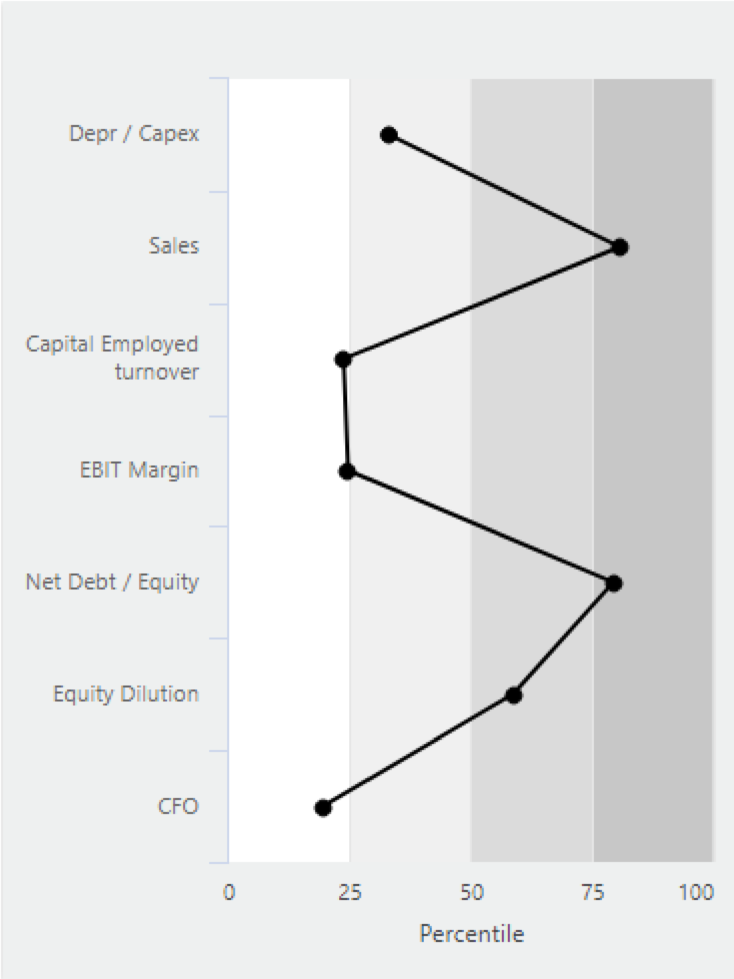
Source: Company, Ambit Capital research

Exhibit 52: Forensic Accounting Contributors



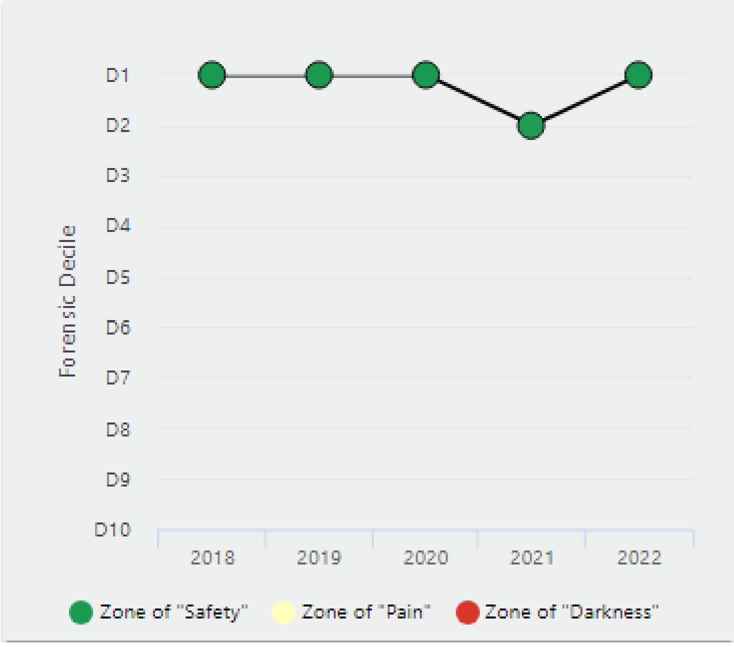
Source: Company, Ambit Capital research

Exhibit 53: Greatness Score Contributors



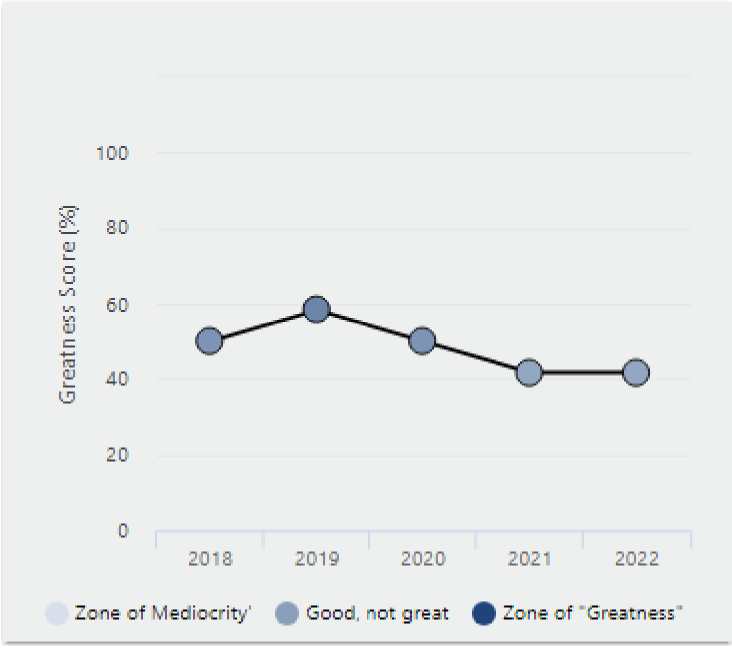
Source: Company, Ambit Capital research

Exhibit 54: DABUR has consistently remained in the Zone of Safety since 2018 on the forensic score evaluator



Source: Company, Ambit Capital research

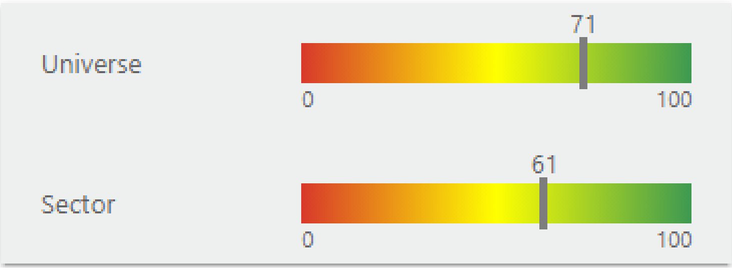
Exhibit 55: DABUR has remained in the zone of "good, not great" since 2018



Source: Company, Ambit Capital research

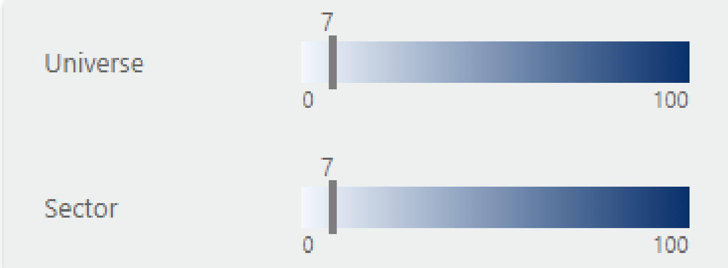
Godrej Consumer Products

Exhibit 56: Forensic Score Percentile



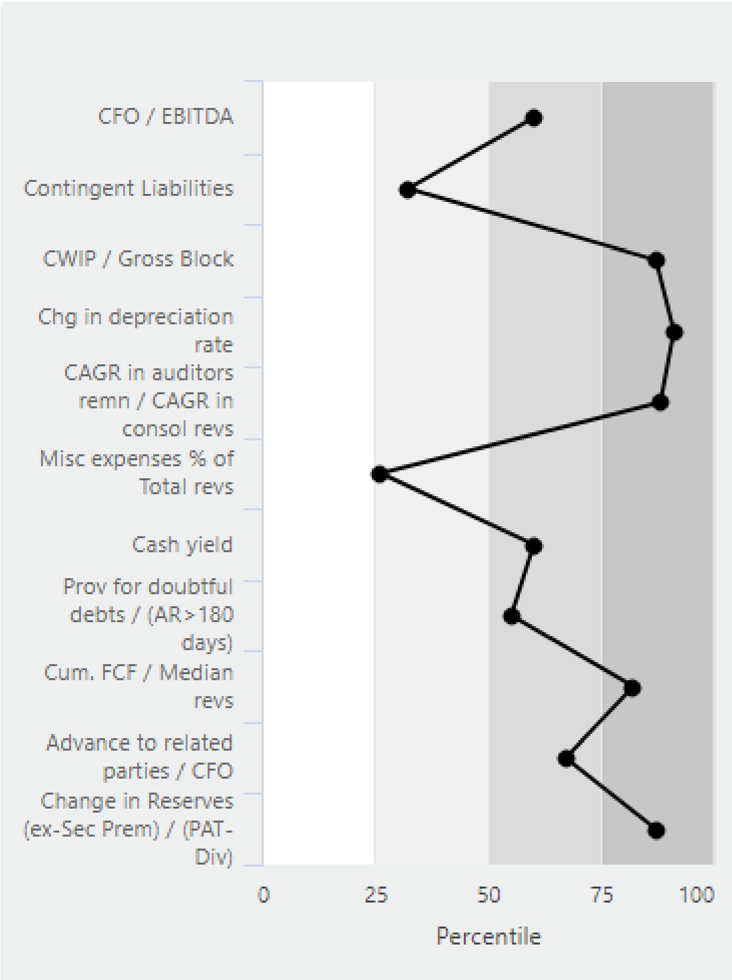
Source: Company, Ambit Capital research

Exhibit 57: Greatness Score Percentile



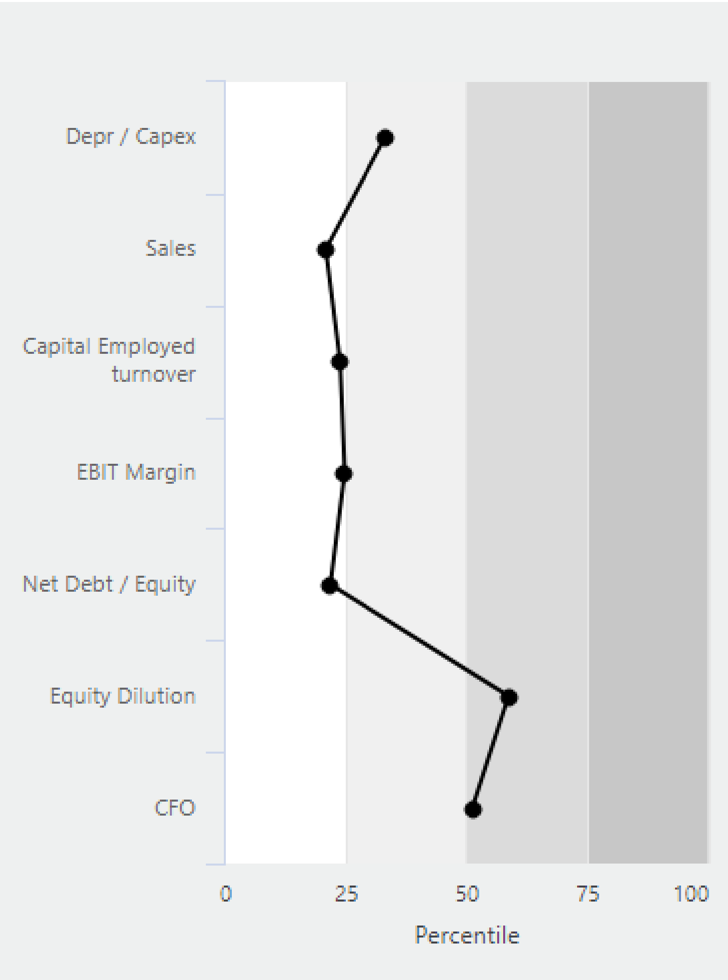
Source: Company, Ambit Capital research

Exhibit 58: Forensic Accounting Contributors



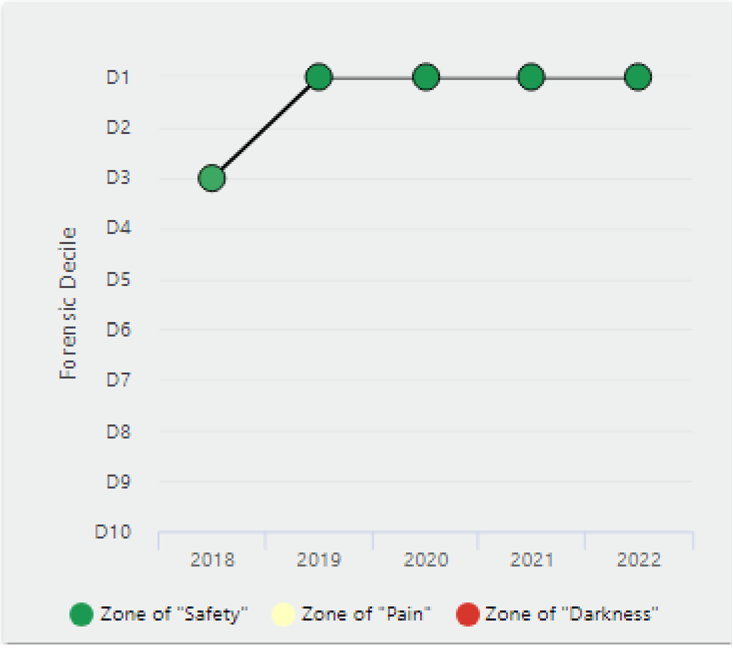
Source: Company, Ambit Capital research

Exhibit 59: Greatness Score Contributors



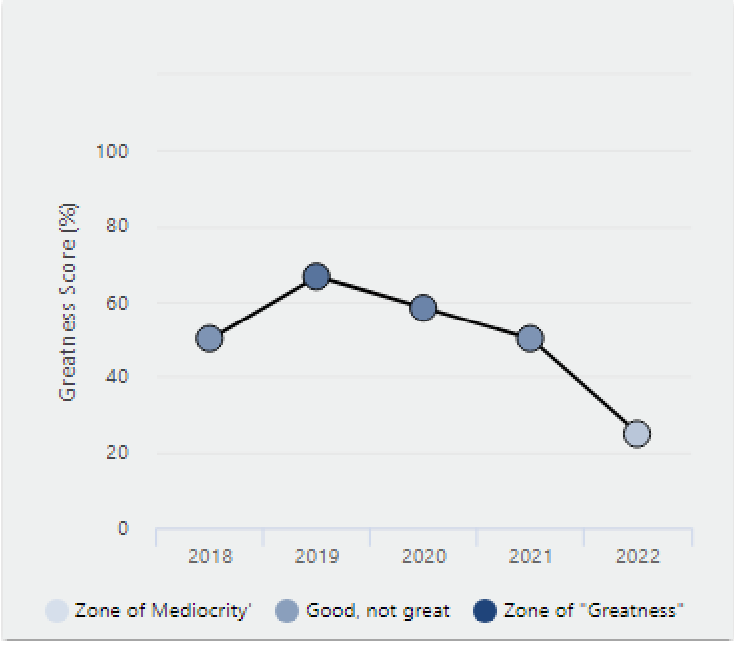
Source: Company, Ambit Capital research

Exhibit 60: GCPL has consistently remained in the Zone of Safety since 2018 on the forensic score evaluator



Source: Company, Ambit Capital research

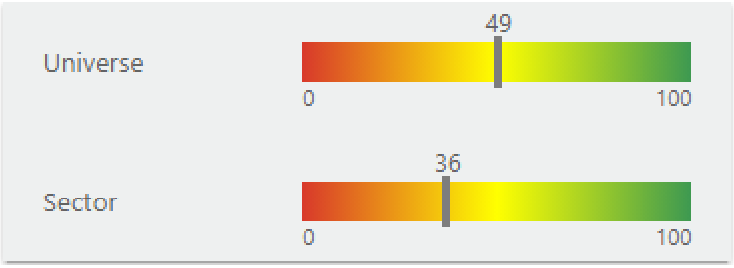
Exhibit 61: GCPL fell to the zone of mediocrity in 2022 due to weak sales, CE turnover and high debt/equity



Source: Company, Ambit Capital research

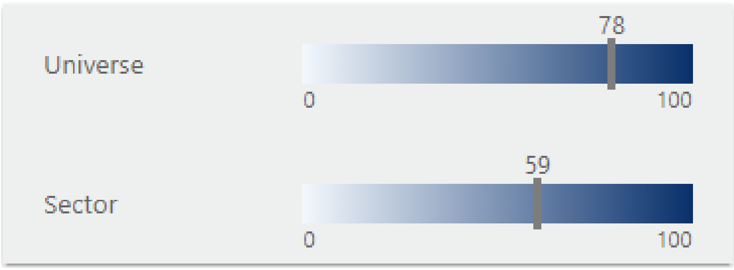
Hindustan Unilever

Exhibit 62: Forensic Score Percentile



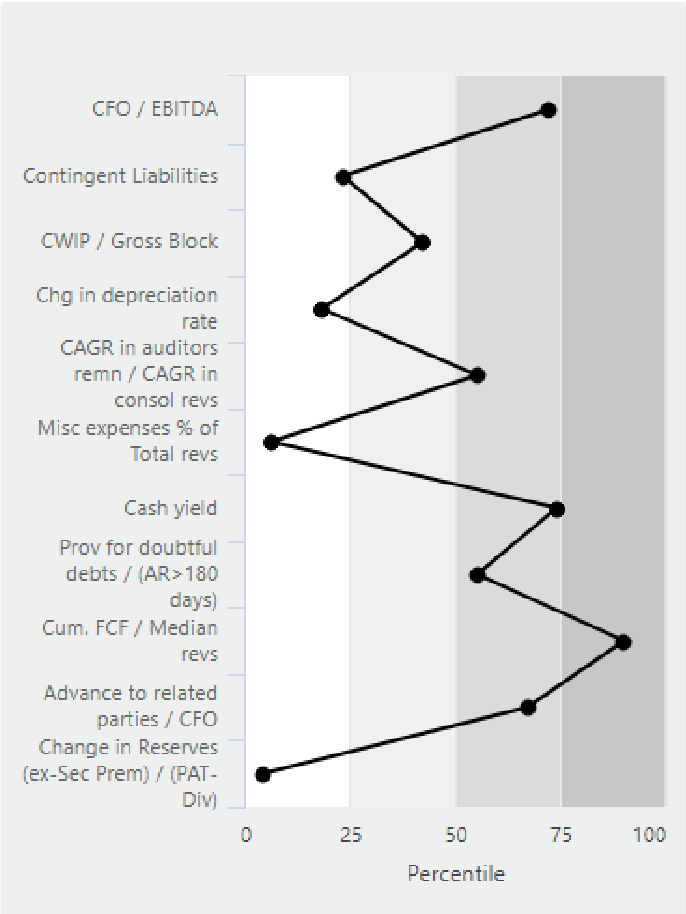
Source: Company, Ambit Capital research

Exhibit 63: Greatness Score Percentile



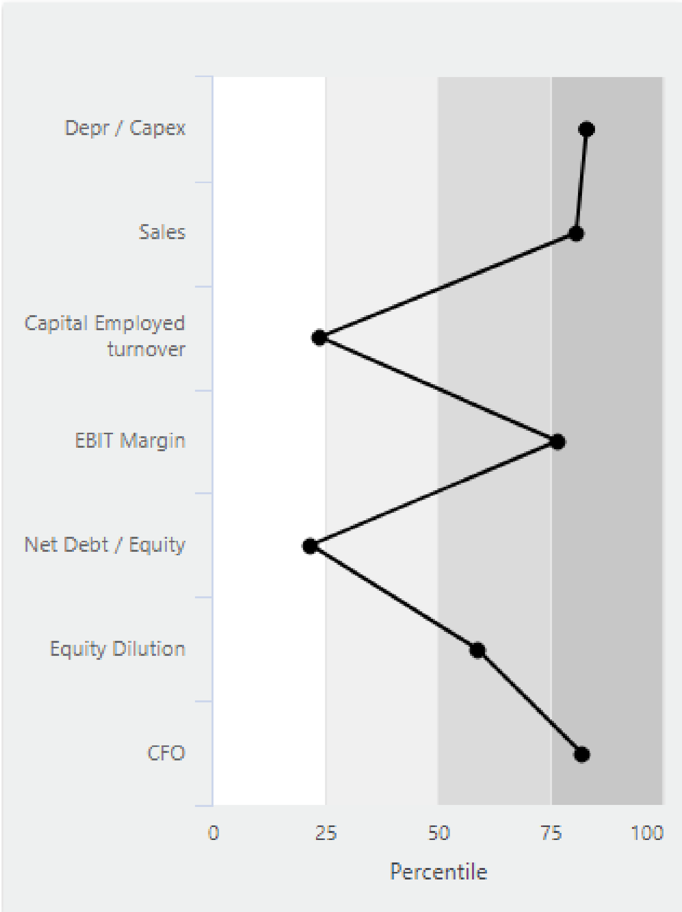
Source: Company, Ambit Capital research

Exhibit 64: Forensic Accounting Contributors



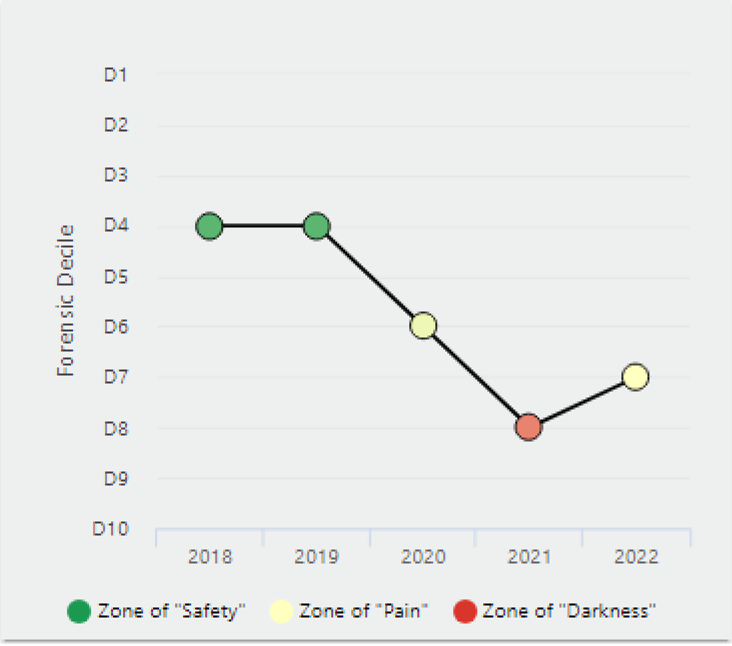
Source: Company, Ambit Capital research

Exhibit 65: Greatness Score Contributors



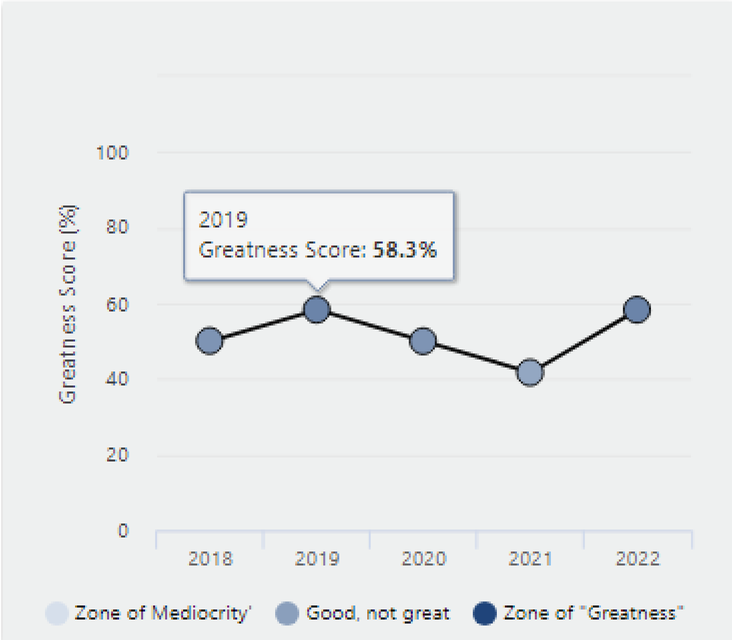
Source: Company, Ambit Capital research

Exhibit 66: HUL's score has moved down from zone of safety to zone of pain from 2018 to 22 due to weak revenue growth, high misc exps and volatile depreciation rate…



Source: Company, Ambit Capital research

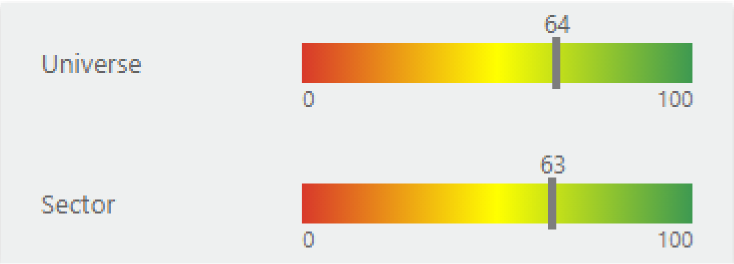
Exhibit 67: …and remains in the zone of good, not great on the greatness score evaluator aided by improving CFO and margin improvement



Source: Company, Ambit Capital research

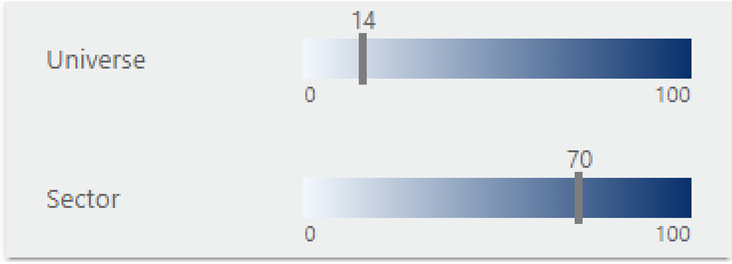
Marico

Exhibit 68: Forensic Score Percentile



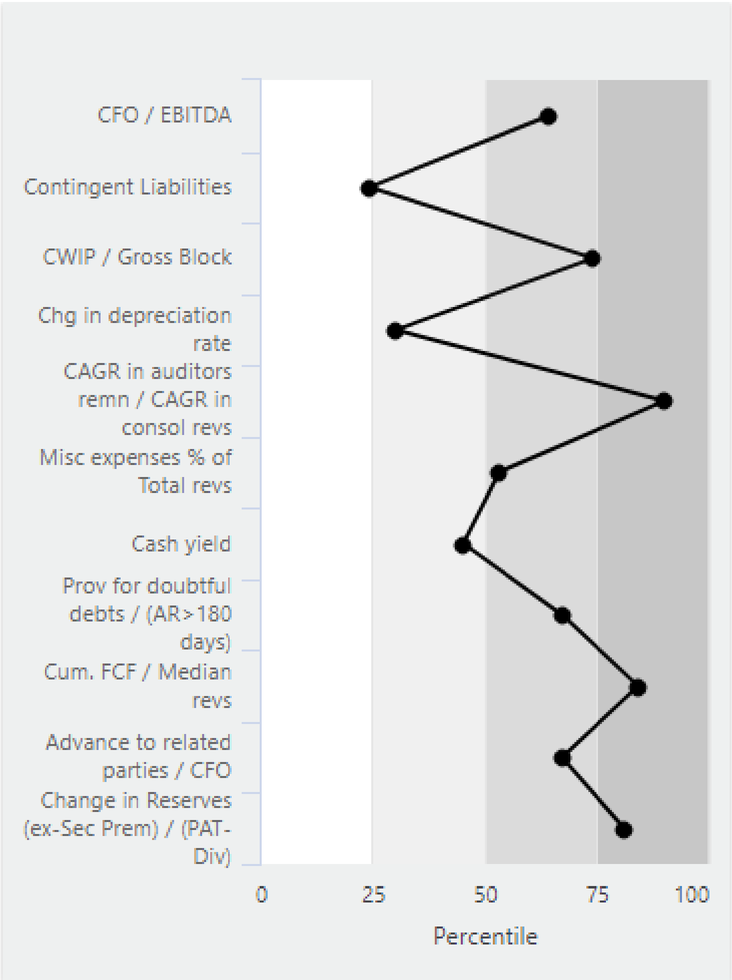
Source: Company, Ambit Capital research

Exhibit 69: Greatness Score Percentile



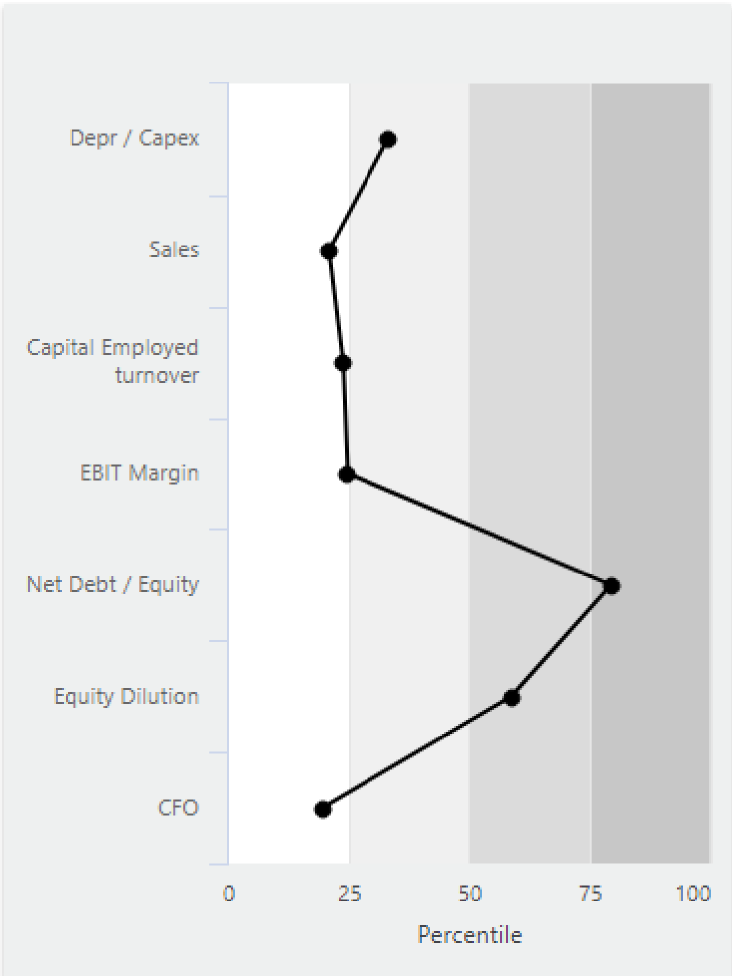
Source: Company, Ambit Capital research

Exhibit 70: Forensic Accounting Contributors



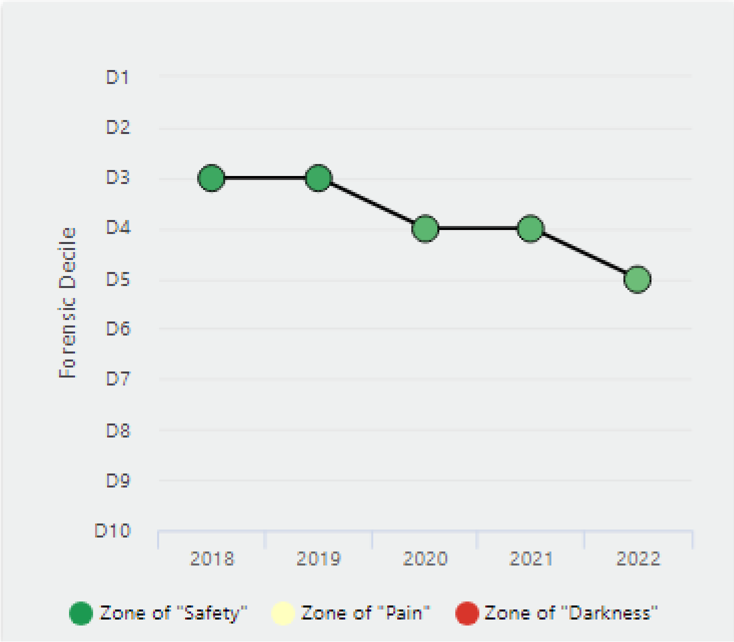
Source: Company, Ambit Capital research

Exhibit 71: Greatness Score Contributors



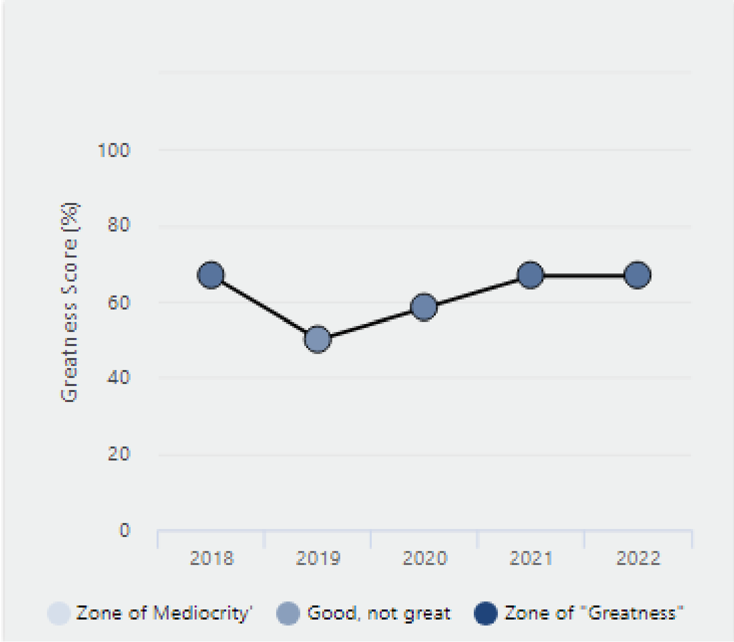
Source: Company, Ambit Capital research

Exhibit 72: Marico has consistently been in the Zone of Safety on the forensic score evaluator since 2018



Source: Company, Ambit Capital research

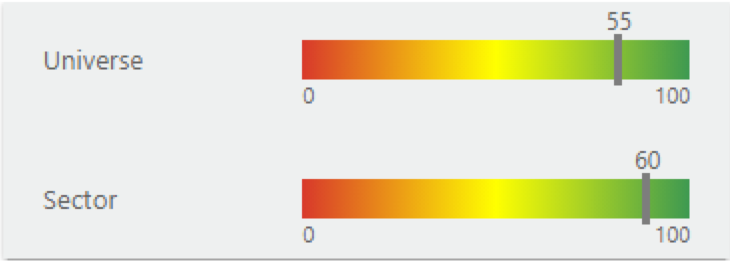
Exhibit 73: Likewise it has remained in the zone of greatness too on our Greatness score evaluator.



Source: Company, Ambit Capital research

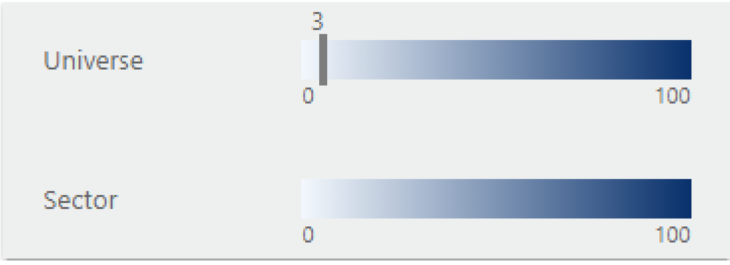
Nestle India

Exhibit 74: Forensic Score Percentile



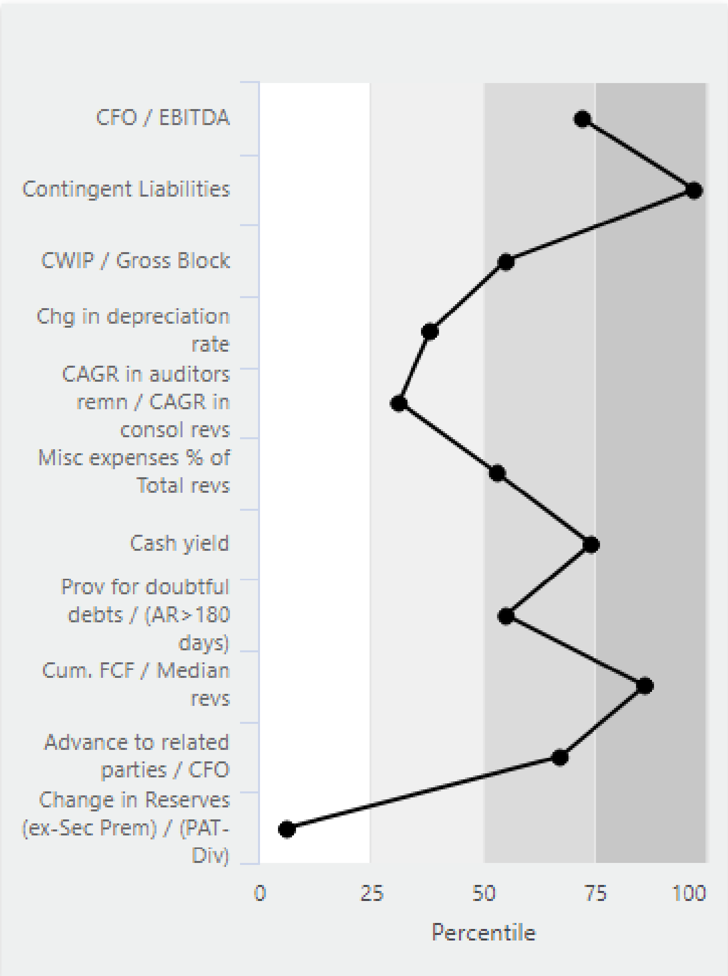
Source: Company, Ambit Capital research

Exhibit 75: Greatness Score Percentile



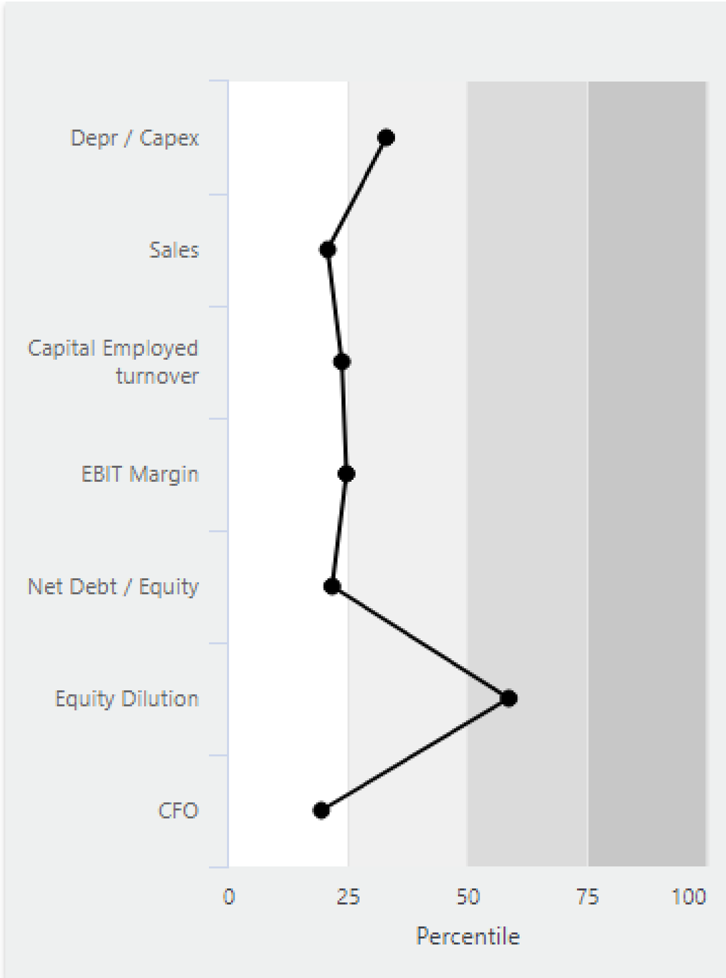
Source: Company, Ambit Capital research

Exhibit 76: Forensic Accounting Contributors



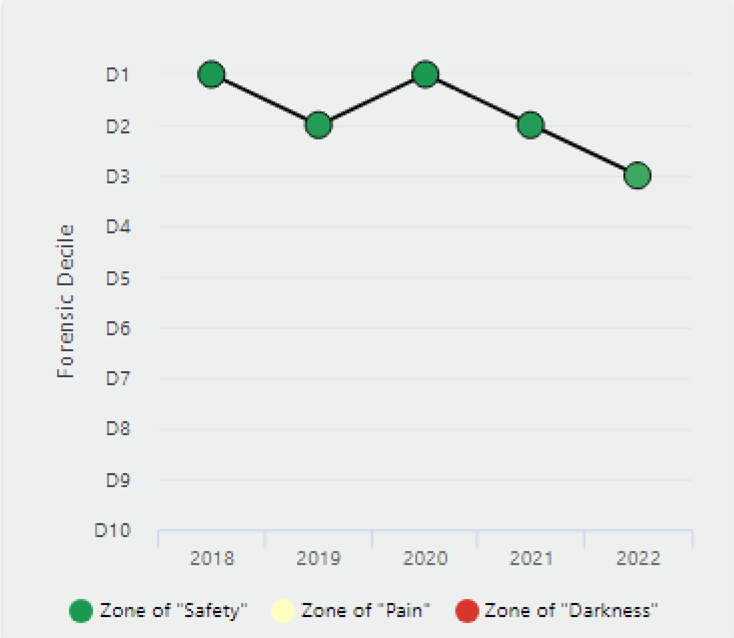
Source: Company, Ambit Capital research

Exhibit 77: Greatness Score Contributors



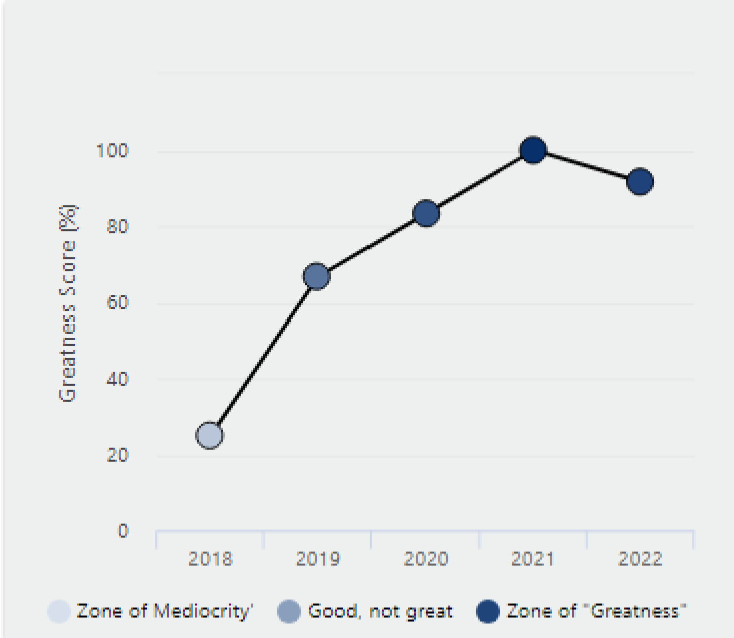
Source: Company, Ambit Capital research

Exhibit 78: Nestle has consistently remained in the Zone of Safety on the forensic score evaluator



Source: Company, Ambit Capital research

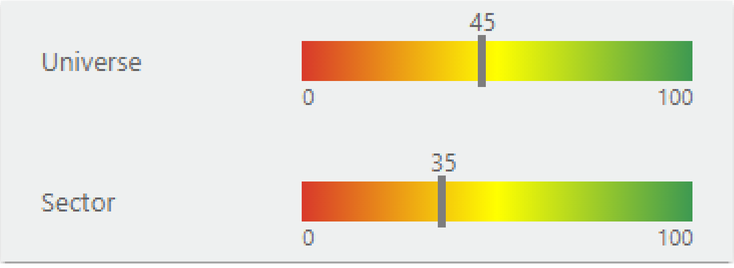
Exhibit 79: And has inched up from Zone of mediocrity in 2018 to zone of greatness in 2022 led by steady sales growth, margin and CE turnover improvement



Source: Company, Ambit Capital research

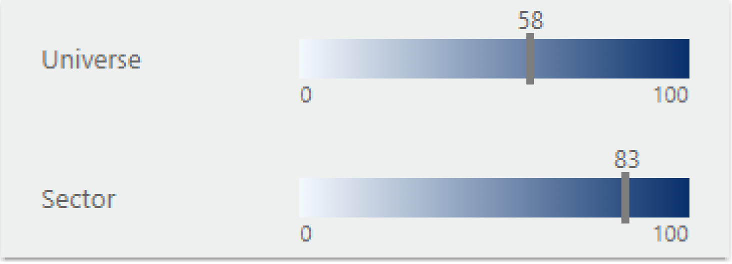
Tata Consumer Products

Exhibit 80: Forensic Score Percentile



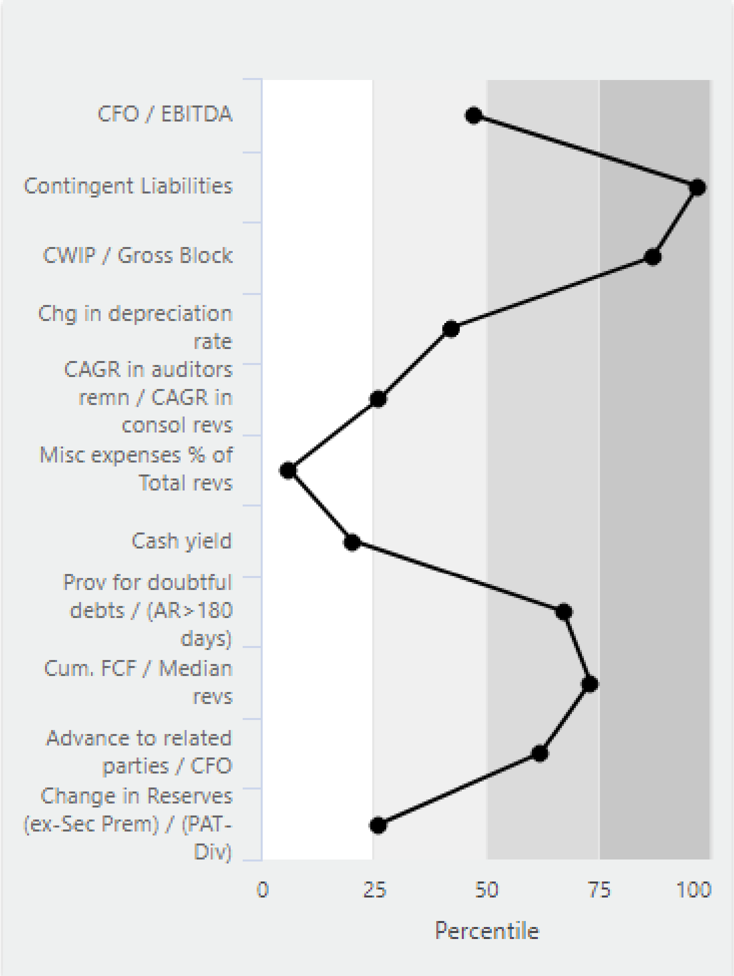
Source: Company, Ambit Capital research

Exhibit 81: Greatness Score Percentile



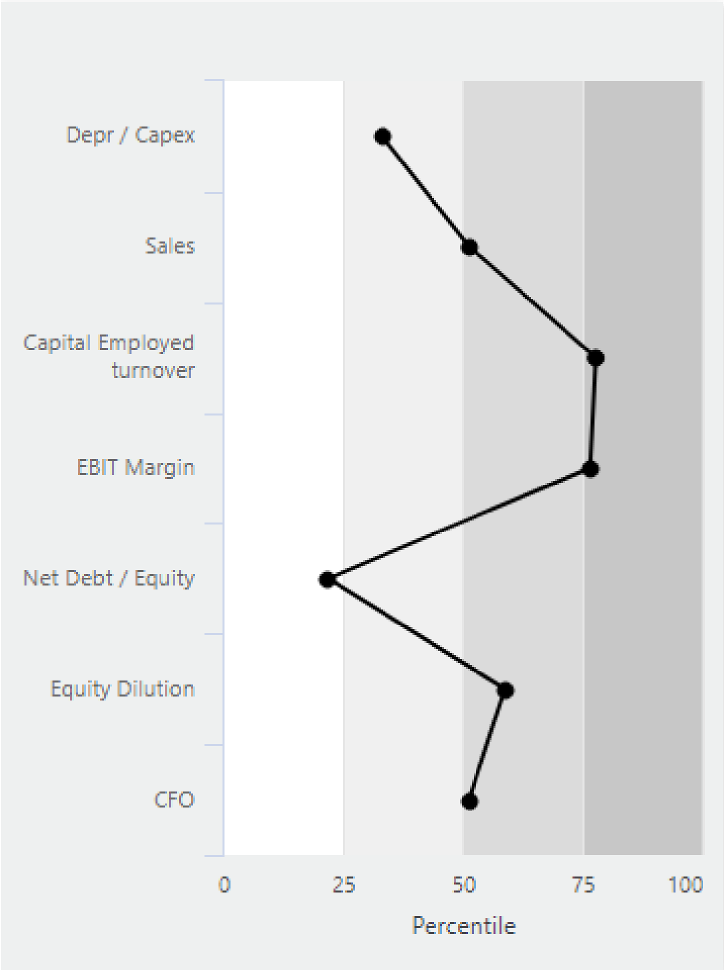
Source: Company, Ambit Capital research

Exhibit 82: Forensic Accounting Contributors



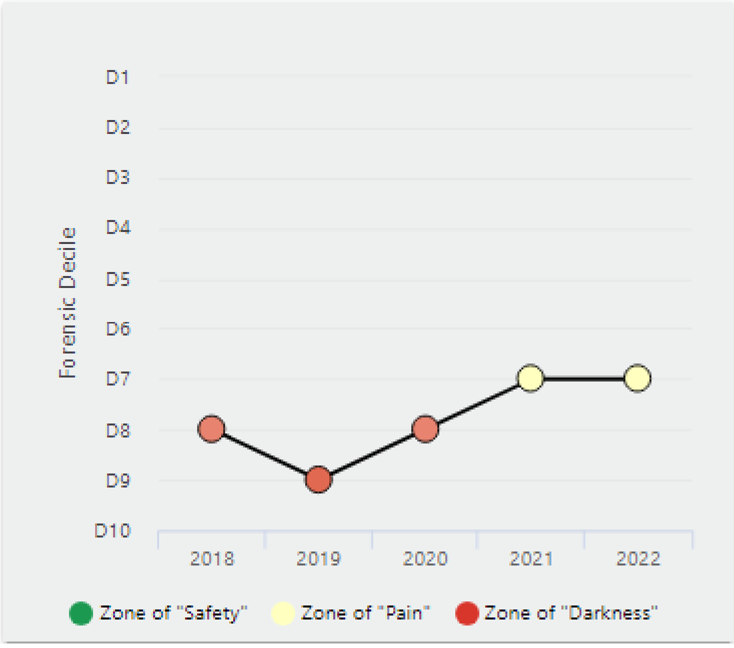
Source: Company, Ambit Capital research

Exhibit 83: Greatness Score Contributors



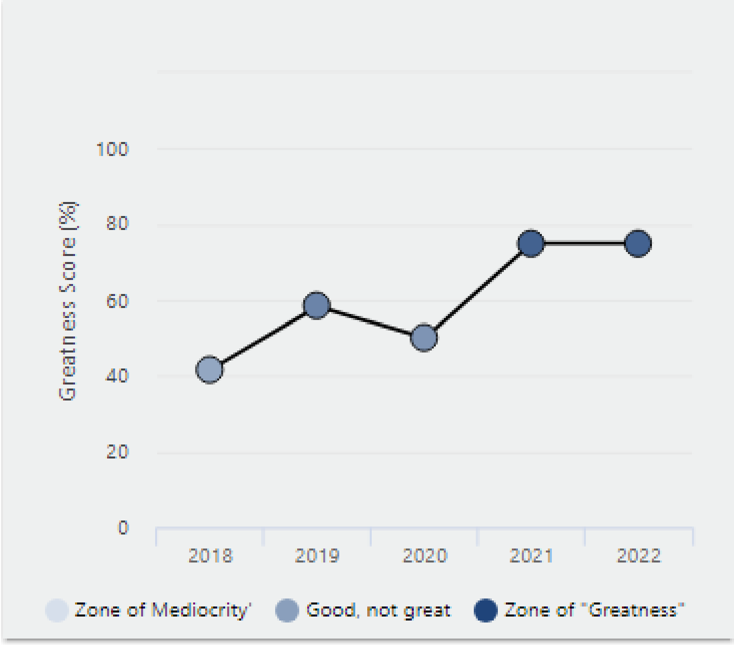
Source: Company, Ambit Capital research

Exhibit 84: TATACONS has moved up from Zone of Darkness to Zone of Pain from 2021



Source: Company, Ambit Capital research

Exhibit 85: Likewise has moved up in Greatness score to Zone of greatness from 2021



Source: Company, Ambit Capital research

Financials - CONSOLIDATED

Britannia Industries

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**141,363**	**163,006**	**169,526**	**184,783**	**205,109**
-growth (Rev)	7.6%	15.3%	4.0%	9.0%	11.0%
Cost of goods sold	87,603	95,913	97,647	106,250	117,938
Gross profit	**53,760**	**67,093**	**71,879**	**78,533**	**87,171**
Gross profit growth	(2.4%)	24.8%	7.1%	9.3%	11.0%
Employee expenses	5,423	6,584	7,459	7,853	8,717
Advertising/marketing expenses	4,173	6,520	6,781	7,576	8,615
Frieght expenses	7,126	7,987	8,137	8,870	9,640
Other expenses	15,022	17,692	18,139	19,957	21,947
EBITDA	**22,015**	**28,309**	**31,362**	**34,277**	**38,253**
-growth (EBITDA)	(12.3%)	28.6%	10.8%	9.3%	11.6%
Depreciation	2,005	2,259	2,776	2,936	3,057
EBIT	**20,010**	**26,050**	**28,586**	**31,341**	**35,195**
-growth (EBIT)	(13.4%)	30.2%	9.7%	9.6%	12.3%
Other income	2,228	2,159	2,204	2,402	2,666
EBIT (including other income)	**22,238**	**28,209**	**30,790**	**33,743**	**37,862**
Finance costs	1,443	1,691	1,894	1,390	822
Exceptional items	(9.8)	3,756	-	-	-
Profit before tax	**20,785**	**30,274**	**28,896**	**32,353**	**37,040**
Profit before tax (adjusted)	**20,795**	**26,518**	**28,896**	**32,353**	**37,040**
-growth (PBT)	(17.3%)	27.5%	9.0%	12.0%	14.5%
Tax	5,624	7,165	7,224	8,088	9,260
PAT	**15,162**	**23,109**	**21,672**	**24,265**	**27,780**
Profit after tax (adjusted)	**15,172**	**19,353**	**21,672**	**24,265**	**27,780**
-growth (PAT)	(18.0%)	27.6%	12.0%	12.0%	14.5%
Minority interest	2.0	(54)	-	-	-
Consolidated profit after tax	**15,160**	**23,163**	**21,672**	**24,265**	**27,780**
-growth (CPAT)	(18.1%)	52.8%	(6.4%)	12.0%	14.5%
EPS (basic) (₹)	63	80	90	101	115

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	16,136	24,864	25,588	25,152	24,595
Capital work in progress	5,357	1,050	1,050	1,050	1,050
Goodwill	1,396	1,282	1,282	1,282	1,282
Total fixed assets	**22,889**	**27,196**	**27,920**	**27,484**	**26,926**
Total non-current assets	**22,889**	**27,196**	**27,920**	**27,484**	**26,926**
Inventories	13,675	11,933	13,934	15,188	16,858
Current investments	17,624	33,649	33,649	33,649	33,649
Trade receviables	3,319	3,289	3,716	4,050	4,496
Cash and cash equivalents	1,849	1,980	4,437	9,761	15,094
Other current assets	14,834	14,908	15,505	16,900	18,759
Total current assets	**51,300**	**65,759**	**71,240**	**79,547**	**88,856**
Total assets	**74,189**	**92,955**	**99,160**	**107,031**	**115,782**
Share capital	241	241	241	241	241
Other equity	25,340	35,102	45,938	58,070	71,960
Minority interest	275	302	302	302	302
Total equity	**25,856**	**35,645**	**46,481**	**58,613**	**72,504**
Long-term borrowings	7,070	15,518	15,018	14,518	7,018
Deferred payment liabilties	(212)	(554)	(554)	(554)	(554)
Total non-current liabilities	**6,858**	**14,964**	**14,464**	**13,964**	**6,464**
Short-term borrowings	17,586	14,287	7,787	1,287	0.1
Trade payables	12,852	14,488	16,314	17,783	19,739
Other current liabilities	6,187	8,180	8,507	9,273	10,293
Short term provisions	4,851	5,390	5,606	6,110	6,783
Total current liabilities	**41,476**	**42,346**	**38,214**	**34,453**	**36,814**
Total liabilities	**48,333**	**57,310**	**52,679**	**48,417**	**43,278**
Total equity and liabilities	**74,189**	**92,955**	**99,160**	**107,031**	**115,782**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**20,785**	**30,274**	**28,896**	**32,353**	**37,040**
Depreciation	2,005	2,259	2,776	2,936	3,057
Working capital changes	(3,273)	4,057	(655)	(245)	(327)
Taxes	(5,869)	(7,258)	(7,224)	(8,088)	(9,260)
Other Items	(654)	(4,070)	-	-	-
Cash flow from operations	**12,995**	**25,262**	**23,794**	**26,956**	**30,511**
(Net) capital expenditure	(5,470)	(6,345)	(3,500)	(2,500)	(2,500)
Acq./(disp.) of Investments	10,480	(9,780)	-	-	-
Interest/dividend Received	2,068	1,747	-	-	-
Other items	2,032	(793)	-	-	-
Cash flow from investments	**9,109**	**(15,171)**	**(3,500)**	**(2,500)**	**(2,500)**
Net long-term borrowings	3,261	5,182	(7,000)	(7,000)	(8,787)
Interest paid	(856)	(1,963)	-	-	-
Dividends paid	(24,849)	(13,592)	(10,836)	(12,132)	(13,890)
Other items	(15.5)	89	-	-	-
Cash flow from financing	**(22,458)**	**(10,284)**	**(17,836)**	**(19,132)**	**(22,677)**
Opening cash balance	**1,415**	**1,060**	**1,980**	**4,437**	**9,761**
Net change in cash	**(354)**	**(192)**	**2,457**	**5,323**	**5,334**
Closing cash balance	**1,060**	**868**	**4,437**	**9,761**	**15,094**
Free cash flow to firm	**7,525**	**18,917**	**20,294**	**24,456**	**28,011**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	38.0%	41.2%	42.4%	42.5%	42.5%
EBITDA margin	15.6%	17.4%	18.5%	18.6%	18.7%
EBIT margin	14.2%	16.0%	16.9%	17.0%	17.2%
Net profit margin	10.7%	14.2%	12.8%	13.1%	13.5%

Source: Ambit Capital research, Company

Sector Specific Indicator Labels

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Volume growth	-	-	0.1	0.1	0.1

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	38.0%	41.2%	42.4%	42.5%	42.5%
EBITDA margin	15.6%	17.4%	18.5%	18.6%	18.7%
EBIT margin	14.2%	16.0%	16.9%	17.0%	17.2%
Net profit margin	10.7%	14.2%	12.8%	13.1%	13.5%
Net debt/EBITDA	0.2	(0.2)	(0.5)	(0.8)	(1.1)
Cash conversion days	10.7	1.6	2.9	2.9	2.9
Inventory days	35	27	30	30	30
Receivable days	8.6	7.4	8.0	8.0	8.0
Payable days	33	32	35	35	35
Gross block turnover	5.0	4.2	4.0	4.1	4.3
pre-tax CFO/EBITDA	84.6%	115%	98.9%	102%	104%
post-tax RoIC	51.1%	63.1%	71.0%	76.3%	86.3%
ROE (%)	49.7%	63.7%	53.2%	46.4%	42.6%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	79	62	55	49	43
EV/EBITDA	54	42	38	35	31
EV/EBIT	60	46	42	38	34
EV/sales	8.5	7.3	7.1	6.5	5.8

Source: Ambit Capital research, Company

Dabur India

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**108,887**	**115,299**	**127,278**	**139,980**	**154,661**
-growth (Rev)	14.1%	5.9%	10.4%	10.0%	10.5%
Cost of goods sold	56,397	62,687	66,821	70,690	77,794
Gross profit	**52,490**	**52,612**	**60,457**	**69,290**	**76,867**
Gross profit growth	10.0%	0.2%	14.9%	14.6%	10.9%
Employee expenses	10,800	11,370	12,346	13,578	15,466
Advertising/marketing expenses	7,779	6,403	9,164	11,198	12,373
Frieght expenses	2,881	3,130	2,846	3,131	3,248
Other expenses	8,492	10,068	11,200	12,598	13,919
EBITDA	**22,538**	**21,641**	**24,900**	**28,785**	**31,860**
-growth (EBITDA)	12.5%	(4.0%)	15.1%	15.6%	10.7%
Depreciation	2,529	3,110	4,556	4,736	4,916
EBIT	**20,009**	**18,532**	**20,344**	**24,048**	**26,944**
-growth (EBIT)	13.5%	(7.4%)	9.8%	18.2%	12.0%
Other income	3,932	4,454	4,683	4,855	5,261
EBIT (including other income)	**23,941**	**22,986**	**25,027**	**28,904**	**32,205**
Finance costs	386	782	877	739	612
Share of profit/loss of associates and JVs	(18.0)	(16.3)	-	-	-
Exceptional items	(850)	-	-	-	-
Profit before tax	**22,687**	**22,187**	**24,150**	**28,165**	**31,593**
Profit before tax (adjusted)	**23,537**	**22,187**	**24,150**	**28,165**	**31,593**
-growth (PBT)	14.5%	(5.7%)	8.8%	16.6%	12.2%
Tax	5,264	5,173	5,192	6,055	6,793
PAT	**17,423**	**17,013**	**18,958**	**22,109**	**24,801**
Profit after tax (adjusted)	**18,273**	**17,013**	**18,958**	**22,109**	**24,801**
-growth (PAT)	7.8%	(6.9%)	11.4%	16.6%	12.2%
Consolidated profit after tax	**17,423**	**17,013**	**18,958**	**22,109**	**24,801**
-growth (CPAT)	2.8%	(2.4%)	11.4%	16.6%	12.2%
EPS (basic) (₹)	10.3	9.6	10.7	12.5	14.0

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	23,079	35,787	33,480	30,994	28,327
Capital work in progress	1,675	1,751	1,751	1,751	1,751
Total fixed assets	**24,754**	**37,538**	**35,231**	**32,745**	**30,078**
Deferred tax assets (net)	58	130	130	130	130
Total non-current assets	**24,812**	**37,668**	**35,361**	**32,875**	**30,209**
Inventories	19,114	20,242	22,345	24,576	27,153
Current investments	62,196	62,653	68,528	68,528	68,528
Trade receviables	6,462	8,488	12,205	13,423	14,831
Cash and cash equivalents	5,701	3,259	4,284	14,552	27,608
Other current assets	4,560	4,235	5,023	5,524	6,104
Total current assets	**98,033**	**98,876**	**112,385**	**126,602**	**144,223**
Total assets	**122,845**	**136,545**	**147,746**	**159,477**	**174,431**
Share capital	1,768	1,772	1,772	1,772	1,772
Other equity	82,045	87,961	95,402	104,223	115,735
Minority interest	406	4,682	4,682	4,682	4,682
Total equity	**84,219**	**94,414**	**101,856**	**110,676**	**122,188**
Long-term borrowings	2,504	2,988	2,988	2,988	2,988
Deferred tax liabilities (net)	2,173	2,227	2,227	2,227	2,227
Total non-current liabilities	**4,677**	**5,215**	**5,215**	**5,215**	**5,215**
Short-term borrowings	6,173	7,002	6,502	6,002	5,502
Trade payables	20,180	21,866	23,712	26,079	28,814
Other current liabilities	5,101	5,263	6,974	7,670	8,475
Short term provisions	2,497	2,784	3,487	3,835	4,237
Total current liabilities	**33,950**	**36,915**	**40,675**	**43,586**	**47,027**
Total liabilities	**38,627**	**42,130**	**45,890**	**48,801**	**52,242**
Total equity and liabilities	**122,845**	**136,544**	**147,746**	**159,477**	**174,431**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**22,687**	**22,187**	**24,150**	**28,165**	**31,593**
Depreciation	2,529	3,110	4,556	4,736	4,916
Other items	(2,349)	(3,867)	-	-	-
Working capital changes	(968)	(1,601)	(2,349)	(539)	(623)
Taxes	(3,876)	(4,945)	(5,192)	(6,055)	(6,793)
Cash flow from operations	**18,023**	**14,884**	**21,166**	**26,307**	**29,094**
(Net) capital expenditure	(3,692)	(4,857)	(2,250)	(2,250)	(2,250)
Acq./(disp.) of Investments	(12,731)	(137)	(5,875)	-	-
Interest/dividend Received	3,668	3,942	-	-	-
Other items	-	(4,813)	-	-	-
Cash flow from investments	**(12,755)**	**(5,865)**	**(8,125)**	**(2,250)**	**(2,250)**
Net short-term borrowings	5,152	233	(500)	(500)	(500)
Issuance of equity	0.5	3.9	-	-	-
Interest paid	(334)	(885)	-	-	-
Dividends paid	(9,723)	(9,213)	(11,517)	(13,289)	(13,289)
Other items	-	(491)	-	-	-
Cash flow from financing	**(4,905)**	**(10,352)**	**(12,017)**	**(13,789)**	**(13,789)**
Opening cash balance	**1,908**	**2,309**	**3,259**	**4,284**	**14,552**
Net change in cash	**364**	**(1,334)**	**1,024**	**10,268**	**13,056**
Closing cash balance	**2,272**	**976**	**4,284**	**14,552**	**27,608**
Free cash flow to firm	**14,331**	**10,027**	**18,916**	**24,057**	**26,844**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	48.2%	45.6%	47.5%	49.5%	49.7%
EBITDA margin	20.7%	18.8%	19.6%	20.6%	20.6%
EBIT margin	18.4%	16.1%	16.0%	17.2%	17.4%
Net profit margin	16.0%	14.8%	14.9%	15.8%	16.0%
Interest cover	62	29	29	39	53
Net debt/equity	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)
Net debt/EBITDA	(2.6)	(2.6)	(2.5)	(2.6)	(2.8)

Source: Ambit Capital research, Company

Sector Specific Indicator Labels

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Volume growth	0.1	-	0.1	0.1	0.1

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	48.2%	45.6%	47.5%	49.5%	49.7%
EBITDA margin	20.7%	18.8%	19.6%	20.6%	20.6%
EBIT margin	18.4%	16.1%	16.0%	17.2%	17.4%
Net profit margin	16.0%	14.8%	14.9%	15.8%	16.0%
Interest cover	62	29	29	39	53
Net debt/equity	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)
Net debt/EBITDA	(2.6)	(2.6)	(2.5)	(2.6)	(2.8)
Cash conversion days	18.1	22	31	31	31
Inventory days	64	64	64	64	64
Receivable days	22	27	35	35	35
Payable days	68	69	68	68	68
Gross block turnover	2.7	2.1	2.2	2.3	2.5
pre-tax CFO/EBITDA	103%	92.7%	106%	112%	113%
post-tax RoIC	60.7%	48.7%	47.2%	57.4%	68.5%
ROE (%)	22.8%	19.6%	20.3%	21.8%	22.2%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	53	57	51	44	39
EV/EBITDA	41	42	37	32	29
EV/EBIT	46	49	45	38	34
EV/sales	8.4	7.9	7.2	6.5	5.9
P/B	11.5	10.3	9.5	8.8	7.9

Source: Ambit Capital research, Company

Godrej Consumer Products

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**122,765**	**133,160**	**147,590**	**163,638**	**180,093**
-growth (Rev)	11.3%	8.5%	10.8%	10.9%	10.1%
Cost of goods sold	60,751	67,028	68,282	73,637	80,522
Gross profit	**62,014**	**66,132**	**79,308**	**90,001**	**99,571**
Employee expenses	11,041	11,115	11,512	12,600	14,047
Advertising/marketing expenses	7,508	9,855	14,021	15,546	17,469
Frieght expenses	4,241	4,661	4,870	5,236	5,763
Power/fuel expenses	1,335	1,283	1,476	1,636	1,801
Other expenses	13,938	14,914	18,588	19,928	21,655
EBITDA	**23,951**	**24,305**	**28,841**	**35,055**	**38,835**
-growth (EBITDA)	0.3%	1.5%	18.7%	21.5%	10.8%
Depreciation	2,099	2,363	2,895	3,123	3,255
EBIT	**21,852**	**21,942**	**25,946**	**31,932**	**35,580**
-growth (EBIT)	0.0%	0.4%	18.3%	23.1%	11.4%
Other income	897	1,684	1,937	2,227	2,339
EBIT (including other income)	**22,749**	**23,626**	**27,883**	**34,159**	**37,919**
Finance costs	1,102	1,757	2,518	1,061	221
Exceptional items	(95)	(541)	-	-	-
Profit before tax	**21,553**	**21,327**	**25,365**	**33,099**	**37,698**
Profit before tax (adjusted)	**21,647**	**21,869**	**25,365**	**33,099**	**37,698**
-growth (PBT)	1.9%	1.0%	16.0%	30.5%	13.9%
Tax	3,719	4,303	5,580	7,613	8,671
PAT	**17,834**	**17,025**	**19,785**	**25,486**	**29,028**
Profit after tax (adjusted)	**17,929**	**17,566**	**19,785**	**25,486**	**29,028**
-growth (PAT)	1.6%	(2.0%)	12.6%	28.8%	13.9%
Consolidated profit after tax	**17,834**	**17,025**	**19,785**	**25,486**	**29,028**
-growth (CPAT)	3.6%	(4.5%)	16.2%	28.8%	13.9%
EPS (basic) (₹)	17.5	17.2	19.3	25	28

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	38,425	41,114	41,204	41,081	39,826
Capital work in progress	1,164	454	454	454	454
Goodwill	53,768	58,223	58,223	58,223	58,223
Total fixed assets	**93,357**	**99,791**	**99,880**	**99,758**	**98,502**
Total non-current assets	**93,357**	**99,791**	**99,880**	**99,758**	**98,502**
Inventories	21,299	15,372	20,218	22,416	24,670
Current investments	10,154	30,290	57,540	57,540	57,540
Trade receivables	11,163	12,453	12,131	13,450	14,802
Cash and cash equivalents	11,078	3,907	108	4,180	17,317
Other current assets	6,974	6,148	8,385	9,296	10,231
Total current assets	**60,668**	**68,169**	**98,381**	**106,882**	**124,560**
Total assets	**154,026**	**167,960**	**198,262**	**206,640**	**223,062**
Share capital	1,023	1,023	1,023	1,023	1,023
Other equity	114,537	136,920	153,737	170,303	184,816
Total equity	**115,559**	**137,942**	**154,759**	**171,325**	**185,839**
Long-term borrowings	3,809	1,891	1,391	891	391
Deferred tax liabilities (net)	(6,796)	(6,412)	(6,412)	(6,412)	(6,412)
Other non-current liabilities	23	15.7	15.7	15.7	15.7
Total non-current liabilities	**(2,964)**	**(4,506)**	**(5,006)**	**(5,506)**	**(6,006)**
Short-term borrowings	12,268	8,448	13,448	1,948	448
Trade payables	21,631	18,232	26,005	28,832	31,731
Other current liabilities	5,700	6,058	6,852	7,597	8,361
Short term provisions	1,832	1,786	2,203	2,442	2,688
Total current liabilities	**41,431**	**34,523**	**48,508**	**40,820**	**43,229**
Total liabilities	**38,466**	**30,018**	**43,502**	**35,315**	**37,223**
Total equity and liabilities	**154,026**	**167,960**	**198,262**	**206,640**	**223,062**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**21,553**	**21,327**	**19,785**	**25,486**	**29,028**
Depreciation	2,099	2,363	2,895	3,123	3,255
Working capital changes	(5,362)	933	2,224	(617)	(633)
Taxes	(4,475)	(4,185)	-	-	-
Other Items	691	1,067	-	-	-
Cash flow from operations	**14,506**	**21,507**	**24,903**	**27,992**	**31,650**
(Net) capital expenditure	(2,765)	(2,197)	(2,984)	(3,000)	(2,000)
Acq./(disp.) of Investments	(4,744)	(16,377)	(27,250)	-	-
Interest/dividend Received	590	1,109	-	-	-
Other items	(1,724)	(118)	-	-	-
Cash flow from investments	**(8,642)**	**(17,583)**	**(30,234)**	**(3,000)**	**(2,000)**
Net long-term borrowings	(2,198)	(6,344)	4,500	(12,000)	(2,000)
Issuance of equity	0.1	-	-	-	-
Interest paid	(1,190)	(1,193)	-	-	-
Dividends paid	-	-	(2,968)	(8,920)	(14,514)
Other items	(407)	(406)	-	-	-
Cash flow from financing	**(3,795)**	**(7,943)**	**1,532**	**(20,920)**	**(16,514)**
Opening cash balance	**5,441**	**7,596**	**3,907**	**108**	**4,180**
Net change in cash	**2,068**	**(4,020)**	**(3,799)**	**4,072**	**13,136**
Closing cash balance	**7,509**	**3,576**	**108**	**4,180**	**17,317**
Free cash flow to firm	**11,741**	**19,309**	**21,919**	**24,992**	**29,650**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	50.5%	49.7%	53.7%	55.0%	55.3%
EBITDA margin	19.5%	18.3%	19.5%	21.4%	21.6%
EBIT margin	17.8%	16.5%	17.6%	19.5%	19.8%
Net profit margin	14.5%	12.8%	13.4%	15.6%	16.1%

Source: Ambit Capital research, Company

Segment Result - By Geography

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Sales					
India	68,190	75,310	81,750	90,341	99,286
Indonesia	17,039	16,510	18,656	20,895	22,985
Africa	30,495	34,120	34,120	37,873	41,661
LATAM	7,407	7,070	7,777	8,555	9,410

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	50.5%	49.7%	53.7%	55.0%	55.3%
EBITDA margin	19.5%	18.3%	19.5%	21.4%	21.6%
EBIT margin	17.8%	16.5%	17.6%	19.5%	19.8%
Net profit margin	14.5%	12.8%	13.4%	15.6%	16.1%
Net debt/EBITDA	(0.2)	(1.0)	(1.5)	(1.7)	(1.9)
Cash conversion days	32	29	15.7	15.7	15.7
Inventory days	63	60	50	50	50
Receivable days	33	33	30	30	30
Payable days	64	64	64	64	64
Gross block turnover	2.5	2.5	2.6	2.7	-
pre-tax CFO/EBITDA	76.1%	106%	106%	102%	104%
post-tax RoIC	17.3%	15.7%	17.9%	21.9%	24.4%
ROE (%)	17.1%	13.9%	13.5%	15.6%	16.3%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	60	61	54	42	37
EV/EBITDA	44	44	37	30	27
EV/EBIT	49	49	41	33	30
EV/sales	8.7	8.0	7.2	6.5	5.9

Source: Ambit Capital research, Company

Hindustan Unilever Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**524,460**	**605,800**	**630,040**	**690,412**	**753,607**
-growth (Rev)	11.5%	15.5%	4.0%	9.6%	9.2%
Cost of goods sold	257,350	317,160	301,159	327,946	354,195
Gross profit	**267,110**	**288,640**	**328,881**	**362,466**	**399,411**
Gross profit growth	7.4%	8.1%	13.9%	10.2%	10.2%
Employee expenses	25,450	28,540	28,982	31,759	34,666
Advertising/marketing expenses	47,440	49,070	64,264	70,422	77,621
Frieght expenses	18,740	19,720	21,421	22,784	24,869
Other expenses	33,390	34,040	39,693	42,806	46,724
EBITDA	**128,570**	**141,490**	**155,589**	**172,483**	**191,286**
-growth (EBITDA)	10.6%	10.0%	10.0%	10.9%	10.9%
Depreciation	10,910	11,370	10,975	11,287	11,628
EBIT	**117,660**	**130,120**	**144,614**	**161,196**	**179,657**
-growth (EBIT)	11.5%	10.6%	11.1%	11.5%	11.5%
Other income	2,580	5,120	7,250	8,000	8,250
EBIT (including other income)	**120,240**	**135,240**	**151,864**	**169,196**	**187,907**
Finance costs	1,060	1,140	2,000	2,200	2,450
Exceptional items	(390)	(641)	-	-	-
Profit before tax	**118,790**	**133,459**	**149,864**	**166,996**	**185,457**
Profit before tax (adjusted)	**119,180**	**134,100**	**149,864**	**166,996**	**185,457**
-growth (PBT)	9.9%	12.5%	11.8%	11.4%	11.1%
Tax	29,870	32,010	37,916	42,250	46,921
PAT	**88,920**	**101,449**	**111,949**	**124,746**	**138,536**
Profit after tax (adjusted)	**89,310**	**102,090**	**111,949**	**124,746**	**138,536**
-growth (PAT)	8.4%	14.3%	9.7%	11.4%	11.1%
Consolidated profit after tax	**88,920**	**101,449**	**111,949**	**124,746**	**138,536**
-growth (CPAT)	11.2%	14.1%	10.3%	11.4%	11.1%
EPS (basic) (₹)	38	43	48	53	59

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	340,760	352,120	352,170	352,965	354,525
Capital work in progress	13,130	11,320	11,320	11,320	11,320
Goodwill	173,970	174,660	174,660	174,660	174,660
Total fixed assets	**527,860**	**538,100**	**538,150**	**538,945**	**540,505**
Non-current investments	20	20	20	20	20
Deferred tax assets (net)	-	(290)	(290)	(290)	(290)
Total non-current assets	**527,880**	**537,830**	**537,880**	**538,675**	**540,235**
Inventories	40,960	42,510	49,206	53,921	58,856
Current investments	35,190	28,110	28,110	28,110	28,110
Trade receivables	22,360	30,790	26,861	29,435	32,130
Cash and cash equivalents	38,460	46,780	65,977	77,911	103,127
Other current assets	28,630	32,130	34,394	37,689	41,139
Total current assets	**165,600**	**180,320**	**204,547**	**227,066**	**263,361**
Total assets	**693,480**	**718,150**	**742,428**	**765,741**	**803,596**
Share capital	2,350	2,350	2,350	2,350	2,350
Other equity	488,260	500,690	506,889	514,135	535,171
Minority interest	260	2,180	2,180	2,180	2,180
Total equity	**490,870**	**505,220**	**511,419**	**518,665**	**539,701**
Deferred tax liabilities (net)	63,030	63,330	63,330	63,330	63,330
Total non-current liabilities	**63,030**	**63,330**	**63,330**	**63,330**	**63,330**
Trade payables	90,680	95,740	108,935	119,373	130,300
Other current liabilities	29,640	36,340	35,607	39,019	42,590
Short term provisions	19,260	17,520	23,137	25,354	27,675
Total current liabilities	**139,580**	**149,600**	**167,679**	**183,747**	**200,565**
Total liabilities	**202,610**	**212,930**	**231,009**	**247,077**	**263,895**
Total equity and liabilities	**693,480**	**718,150**	**742,428**	**765,741**	**803,596**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**118,740**	**133,460**	**149,864**	**166,996**	**185,457**
Depreciation	11,060	11,520	10,975	11,287	11,628
Other items	(1,510)	(4,090)	2,000	2,200	2,450
Working capital changes	(10,000)	(9,580)	13,048	5,483	5,739
Taxes	(27,840)	(31,380)	(37,916)	(42,250)	(46,921)
Other Items	30	(20)	-	-	-
Cash flow from operations	**90,480**	**99,910**	**137,972**	**143,716**	**158,354**
(Net) capital expenditure	(10,530)	(10,110)	(11,026)	(12,082)	(13,188)
Acq./(disp.) of Investments	(7,920)	(3,670)	-	-	-
Interest/dividend Received	1,620	2,610	-	-	-
Other items	(450)	(3,770)	-	-	-
Cash flow from investments	**(17,280)**	**(14,940)**	**(11,026)**	**(12,082)**	**(13,188)**
Interest paid	(4,890)	(5,550)	(2,000)	(2,200)	(2,450)
Dividends paid	(75,260)	(84,740)	(105,750)	(117,500)	(117,500)
Other items	-	760	-	-	-
Cash flow from financing	**(80,150)**	**(89,530)**	**(107,750)**	**(119,700)**	**(119,950)**
Net change in cash	**(6,950)**	**(4,560)**	**19,197**	**11,934**	**25,216**
Closing cash balance	**(6,950)**	**(4,560)**	**19,197**	**11,934**	**25,216**
Free cash flow to firm	**79,950**	**89,800**	**126,947**	**131,634**	**145,166**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	50.9%	47.6%	52.2%	52.5%	53.0%
EBITDA margin	24.5%	23.4%	24.7%	25.0%	25.4%
EBIT margin	22.4%	21.5%	23.0%	23.3%	23.8%
Net profit margin	17.0%	16.9%	17.8%	18.1%	18.4%

Source: Ambit Capital research, Company

Sector Specific Indicator Labels

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Volume growth	-	0.1	-	0.1	0.1

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	50.9%	47.6%	52.2%	52.5%	53.0%
EBITDA margin	24.5%	23.4%	24.7%	25.0%	25.4%
EBIT margin	22.4%	21.5%	23.0%	23.3%	23.8%
Net profit margin	17.0%	16.9%	17.8%	18.1%	18.4%
Cash conversion days	(19.0)	(19.0)	(19.0)	(19.0)	(19.0)
Inventory days	29	29	29	29	29
Receivable days	15.6	15.6	15.6	15.6	15.6
Payable days	63	63	63	63	63
Gross block turnover	1.4	1.5	1.5	1.6	1.7
pre-tax CFO/EBITDA	93.6%	93.2%	113%	108%	107%
post-tax RoIC	21.5%	23.4%	25.6%	29.2%	32.9%
ROE (%)	18.5%	20.5%	22.1%	24.3%	26.3%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	66	58	53	47	43
EV/EBITDA	45	41	38	34	31
EV/EBIT	50	45	40	36	33
EV/sales	11.1	9.6	9.3	8.5	7.7
P/B	12.0	11.7	11.6	11.4	11.0

Source: Ambit Capital research, Company

Marico

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**95,120**	**97,640**	**104,242**	**115,000**	**126,496**
-growth (Rev)	18.2%	2.6%	6.8%	10.3%	10.0%
Cost of goods sold	54,360	53,510	52,642	56,925	62,616
Gross profit	**40,760**	**44,130**	**51,600**	**58,075**	**63,881**
Gross profit growth	7.9%	8.3%	16.9%	12.5%	10.0%
Employee expenses	5,860	6,530	6,984	7,820	8,602
Advertising/marketing expenses	7,960	8,420	9,903	11,500	12,650
Frieght expenses	3,529	3,808	4,170	4,600	5,060
Other expenses	6,601	7,272	8,548	9,430	10,373
EBITDA	**16,810**	**18,100**	**21,995**	**24,725**	**27,197**
-growth (EBITDA)	5.7%	7.7%	21.5%	12.4%	10.0%
Depreciation	1,390	1,550	1,723	1,867	2,045
EBIT	**15,420**	**16,550**	**20,272**	**22,858**	**25,151**
-growth (EBIT)	6.2%	7.3%	22.5%	12.8%	10.0%
Other income	980	1,440	1,620	1,782	1,960
EBIT (including other income)	**16,400**	**17,990**	**21,892**	**24,640**	**27,112**
Finance costs	390	560	570	304	24
Profit before tax	**16,010**	**17,430**	**21,322**	**24,336**	**27,088**
Profit before tax (adjusted)	**16,010**	**17,430**	**21,322**	**24,336**	**27,088**
-growth (PBT)	6.0%	8.9%	22.3%	14.1%	11.3%
Tax	3,460	4,210	5,150	5,878	6,543
PAT	**12,550**	**13,220**	**16,172**	**18,458**	**20,545**
Profit after tax (adjusted)	**12,550**	**13,220**	**16,172**	**18,458**	**20,545**
-growth (PAT)	5.8%	5.3%	22.3%	14.1%	11.3%
Consolidated profit after tax	**12,550**	**13,220**	**16,172**	**18,458**	**20,545**
-growth (CPAT)	4.7%	5.3%	22.3%	14.1%	11.3%
EPS (basic) (₹)	9.7	10.2	12.5	14.3	15.9

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	11,060	13,840	12,707	13,300	13,714
Capital work in progress	390	670	670	670	670
Goodwill	6,540	8,620	8,620	8,620	8,620
Total fixed assets	**17,990**	**23,130**	**21,997**	**22,590**	**23,004**
Non-current investments	1,870	5,180	5,180	5,180	5,180
Total non-current assets	**19,860**	**28,310**	**27,177**	**27,770**	**28,184**
Inventories	14,120	12,250	15,708	17,329	19,061
Current investments	6,410	5,780	5,780	5,780	5,780
Trade receivables	6,520	10,150	7,140	7,877	8,664
Cash and cash equivalents	5,790	7,560	6,896	7,746	10,518
Other current assets	2,710	3,260	4,309	4,754	5,229
Total current assets	**35,550**	**39,000**	**39,833**	**43,486**	**49,252**
Total assets	**55,410**	**67,310**	**67,009**	**71,255**	**77,437**
Share capital	1,290	1,290	1,290	1,290	1,290
Other equity	32,190	36,700	39,611	42,933	46,631
Minority interest	570	1,570	1,570	1,570	1,570
Total equity	**34,050**	**39,560**	**42,471**	**45,793**	**49,491**
Long-term borrowings	-	20	20	20	20
Deferred tax liabilities (net)	(690)	500	500	500	500
Total non-current liabilities	**(690)**	**520**	**520**	**520**	**520**
Short-term borrowings	3,450	4,730	1,500	100	100
Trade payables	13,440	14,520	14,565	16,068	17,675
Other current liabilities	4,940	7,500	7,681	8,474	9,321
Short term provisions	220	480	272	300	330
Total current liabilities	**22,050**	**27,230**	**24,018**	**24,942**	**27,425**
Total liabilities	**21,360**	**27,750**	**24,538**	**25,462**	**27,945**
Total equity and liabilities	**55,410**	**67,310**	**67,009**	**71,255**	**77,437**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**16,010**	**17,430**	**16,172**	**18,458**	**20,545**
Depreciation	1,390	1,550	1,723	1,867	2,045
Working capital changes	(3,420)	(590)	(1,479)	(479)	(512)
Taxes	(3,510)	(3,690)	-	-	-
Other Items	(310)	(510)	-	-	-
Cash flow from operations	**10,160**	**14,190**	**16,417**	**19,846**	**22,079**
(Net) capital expenditure	(1,840)	(4,980)	(590)	(2,460)	(2,460)
Acq./(disp.) of Investments	5,550	(4,790)	-	-	-
Interest/dividend Received	570	480	-	-	-
Cash flow from investments	**4,280**	**(9,290)**	**(590)**	**(2,460)**	**(2,460)**
Net long-term borrowings	(30)	1,280	(3,230)	(1,400)	-
Issuance of equity	330	130	-	-	-
Interest paid	(390)	(530)	-	-	-
Dividends paid	(12,170)	(6,070)	(13,261)	(15,135)	(16,847)
Payment of lease liabilities	(640)	(410)	-	-	-
Cash flow from financing	**(12,900)**	**(5,600)**	**(16,491)**	**(16,535)**	**(16,847)**
Opening cash balance	**1,200**	**3,400**	**7,560**	**6,896**	**7,746**
Net change in cash	**1,560**	**(1,330)**	**(664)**	**851**	**2,772**
Closing cash balance	**2,760**	**2,070**	**6,896**	**7,746**	**10,518**
Free cash flow to firm	**8,320**	**9,210**	**15,827**	**17,386**	**19,619**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	42.9%	45.2%	49.5%	50.5%	50.5%
EBITDA margin	17.7%	18.5%	21.1%	21.5%	21.5%
EBIT margin	16.2%	16.9%	19.4%	19.9%	19.9%
Net profit margin	13.2%	13.5%	15.5%	16.1%	16.2%

Source: Ambit Capital research, Company

Segment Result - By Geography

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Sales					
India	73,330	73,510	77,735	85,967	94,835
Bangladesh	11,113	11,582	12,856	14,271	15,698
South East Asia	5,012	5,791	6,370	6,880	7,430
MENA	2,833	3,378	3,615	3,904	4,216
South Africa	1,525	1,689	1,807	1,934	2,069
Others	1,307	1,689	1,858	2,044	2,248

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	42.9%	45.2%	49.5%	50.5%	50.5%
EBITDA margin	17.7%	18.5%	21.1%	21.5%	21.5%
EBIT margin	16.2%	16.9%	19.4%	19.9%	19.9%
Net profit margin	13.2%	13.5%	15.5%	16.1%	16.2%
Cash conversion days	27	27	29	29	29
Inventory days	53	53	55	55	55
Receivable days	25	25	25	25	25
Payable days	51	51	51	51	51
Gross block turnover	5.2	4.7	4.5	4.5	4.5
pre-tax CFO/EBITDA	81.0%	102%	98.1%	104%	105%
post-tax RoIC	59.3%	53.3%	63.0%	69.1%	73.1%
ROE (%)	38.1%	37.0%	41.0%	43.4%	44.6%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	55	53	43	38	34
EV/EBITDA	41	38	31	28	25
EV/EBIT	44	41	34	30	27
EV/sales	7.2	7.0	6.6	6.0	5.4

Source: Ambit Capital research, Company

Nestle India

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**147,094**	**168,970**	**194,985**	**217,182**	**243,226**
-growth (Rev)	10.2%	14.9%	15.4%	11.4%	12.0%
Cost of goods sold	63,189	77,499	88,328	95,560	106,290
Gross profit	**83,905**	**91,471**	**106,657**	**121,622**	**136,936**
Gross profit growth	9.3%	9.0%	16.6%	14.0%	12.6%
Employee expenses	15,213	16,355	18,524	20,415	22,863
Advertising/marketing expenses	7,644	6,956	9,749	11,293	12,648
Frieght expenses	6,944	7,921	8,579	9,556	10,459
Power/fuel expenses	4,081	5,726	5,850	6,298	7,054
Other expenses	7,563	9,594	11,114	12,379	14,107
EBITDA	**35,915**	**37,420**	**44,188**	**52,041**	**59,012**
-growth (EBITDA)	12.2%	4.2%	18.1%	17.8%	13.4%
Depreciation	3,902	4,324	4,691	5,873	6,889
EBIT	**32,014**	**33,095**	**39,496**	**46,168**	**52,122**
-growth (EBIT)	13.1%	3.4%	19.3%	16.9%	12.9%
Other income	1,201	1,010	1,150	1,300	1,400
EBIT (including other income)	**33,215**	**34,105**	**40,646**	**47,468**	**53,522**
Finance costs	2,012	1,546	1,546	1,623	1,704
Exceptional items	(2,365)	-	-	-	-
Profit before tax	**28,838**	**32,560**	**39,101**	**45,845**	**51,818**
Profit before tax (adjusted)	**31,203**	**32,560**	**39,101**	**45,845**	**51,818**
-growth (PBT)	10.9%	4.3%	20.1%	17.2%	13.0%
Tax	7,389	8,655	9,971	11,691	13,214
PAT	**21,449**	**23,905**	**29,130**	**34,155**	**38,605**
Profit after tax (adjusted)	**23,814**	**23,905**	**29,130**	**34,155**	**38,605**
-growth (PAT)	14.4%	0.4%	21.9%	17.2%	13.0%
Consolidated profit after tax	**21,449**	**23,905**	**29,130**	**34,155**	**38,605**
-growth (CPAT)	3.0%	11.5%	21.9%	17.2%	13.0%
EPS (basic) (₹)	247	248	302	354	400

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	29,940	30,437	38,746	52,872	62,983
Capital work in progress	2,462	3,584	3,584	3,584	3,584
Total fixed assets	**32,402**	**34,021**	**42,329**	**56,456**	**66,566**
Non-current investments	7,107	5,602	5,602	5,602	5,602
Total non-current assets	**39,509**	**39,623**	**47,931**	**62,058**	**72,168**
Inventories	15,802	19,288	24,039	26,776	29,987
Current investments	633	2,174	2,174	2,174	2,174
Trade receivables	1,653	1,919	2,137	2,380	2,665
Cash and cash equivalents	7,354	9,456	13,064	12,990	18,999
Other current assets	16,890	17,073	17,949	18,071	18,213
Total current assets	**42,332**	**49,909**	**59,363**	**62,390**	**72,038**
Total assets	**81,841**	**89,531**	**107,294**	**124,448**	**144,207**
Share capital	964	964	964	964	964
Other equity	19,881	23,628	30,910	39,449	49,100
Total equity	**20,845**	**24,592**	**31,874**	**40,413**	**50,064**
Long-term borrowings	275	267	-	-	-
Deferred tax liabilities (net)	(258)	(256)	(256)	(256)	(256)
Total non-current liabilities	**16.3**	**10.5**	**(256)**	**(256)**	**(256)**
Short-term borrowings	66	34	-	-	-
Trade payables	17,349	21,209	24,039	26,776	29,987
Other current liabilities	9,335	10,027	11,571	12,889	14,434
Short term provisions	34,231	33,659	40,065	44,627	49,978
Total current liabilities	**60,980**	**64,929**	**75,676**	**84,291**	**94,399**
Total liabilities	**60,996**	**64,940**	**75,420**	**84,035**	**94,143**
Total equity and liabilities	**81,841**	**89,531**	**107,294**	**124,448**	**144,207**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**28,838**	**32,560**	**39,101**	**45,845**	**51,818**
Depreciation	3,902	4,030	4,691	5,873	6,889
Other items	(1,218)	(502)	-	-	-
Working capital changes	(1,522)	(302)	4,935	5,513	6,469
Taxes	(7,286)	(8,412)	(9,971)	(11,691)	(13,214)
Cash flow from operations	**22,714**	**27,374**	**38,757**	**45,541**	**51,963**
(Net) capital expenditure	(7,308)	(5,407)	(13,000)	(20,000)	(17,000)
Acq./(disp.) of Investments	(13,788)	255	-	-	-
Interest/dividend Received	1,245	1,031	-	-	-
Other items	280	204	-	-	-
Cash flow from investments	**(19,570)**	**(3,917)**	**(13,000)**	**(20,000)**	**(17,000)**
Net long-term borrowings	-	-	(300)	-	-
Interest paid	(6.2)	(20)	-	-	-
Dividends paid	(19,283)	(20,247)	(21,848)	(25,616)	(28,953)
Other items	(897)	(960)	-	-	-
Cash flow from financing	**(20,186)**	**(21,227)**	**(22,148)**	**(25,616)**	**(28,953)**
Opening cash balance	**17,548**	**7,734**	**9,456**	**13,064**	**12,990**
Net change in cash	**(17,043)**	**2,230**	**3,609**	**(74)**	**6,009**
Closing cash balance	**505**	**9,964**	**13,064**	**12,990**	**18,999**
Free cash flow to firm	**15,406**	**21,967**	**25,757**	**25,541**	**34,963**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	57.0%	54.1%	54.7%	56.0%	56.3%
EBITDA margin	24.4%	22.1%	22.7%	24.0%	24.3%
EBIT margin	21.8%	19.6%	20.3%	21.3%	21.4%
Net profit margin	14.6%	14.1%	14.9%	15.7%	15.9%

Source: Ambit Capital research, Company

Sector Specific Indicator Labels

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Volume growth	0.1	0.1	0.1	0.1	0.1

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	57.0%	54.1%	54.7%	56.0%	56.3%
EBITDA margin	24.4%	22.1%	22.7%	24.0%	24.3%
EBIT margin	21.8%	19.6%	20.3%	21.3%	21.4%
Net profit margin	14.6%	14.1%	14.9%	15.7%	15.9%
Cash conversion days	20	24	27	27	27
Inventory days	39	42	45	45	45
Receivable days	4.1	4.1	4.0	4.0	4.0
Payable days	23	22	22	22	22
Gross block turnover	2.9	3.0	2.8	2.4	2.3
pre-tax CFO/EBITDA	83.8%	96.3%	110%	110%	110%
post-tax RoIC	(968%)	353%	315%	224%	181%
ROE (%)	116%	105%	103%	94.5%	85.3%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	100	100	82	70	62
EV/EBITDA	66	64	54	46	40
EV/EBIT	74	72	60	52	46
EV/sales	16.2	14.1	12.2	11.0	9.8
P/B	115	97	75	59	48

Source: Ambit Capital research, Company

Tata Consumer Products

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**124,254**	**137,832**	**155,802**	**172,775**	**191,673**
-growth (Rev)	7.1%	10.9%	13.0%	10.9%	10.9%
Cost of goods sold	70,840	80,057	89,742	99,173	109,828
Gross profit	**53,414**	**57,775**	**66,060**	**73,602**	**81,844**
Gross profit growth	13.7%	8.2%	14.3%	11.4%	11.2%
Employee expenses	10,480	11,204	12,308	13,476	14,759
Advertising/marketing expenses	8,410	8,662	10,283	11,576	12,842
Other expenses	17,336	19,344	20,410	22,806	25,492
EBITDA	**17,188**	**18,565**	**23,059**	**25,743**	**28,751**
-growth (EBITDA)	11.3%	8.0%	24.2%	11.6%	11.7%
Depreciation	2,780	3,041	3,167	3,219	3,387
EBIT	**14,408**	**15,524**	**19,892**	**22,524**	**25,364**
-growth (EBIT)	11.8%	7.7%	28.1%	13.2%	12.6%
Other income	1,401	1,689	2,400	2,600	2,800
EBIT (including other income)	**15,808**	**17,213**	**22,292**	**25,124**	**28,164**
Finance costs	728	872	1,215	833	518
Share of profit/loss of associates and JVs	(638)	(264)	(300)	-	-
Exceptional items	(521)	1,595	-	-	-
Profit before tax	**13,922**	**17,672**	**20,777**	**24,292**	**27,646**
Profit before tax (adjusted)	**14,443**	**16,077**	**20,777**	**24,292**	**27,646**
-growth (PBT)	13.0%	11.3%	29.2%	16.9%	13.8%
Tax	3,770	4,470	5,375	6,194	7,050
PAT	**10,152**	**13,202**	**15,402**	**18,097**	**20,596**
Profit after tax (adjusted)	**10,672**	**11,607**	**15,402**	**18,097**	**20,596**
-growth (PAT)	11.0%	8.8%	32.7%	17.5%	13.8%
Minority interest	794	1,164	1,164	-	-
Consolidated profit after tax	**9,358**	**12,038**	**14,238**	**18,097**	**20,596**
-growth (CPAT)	9.2%	28.6%	18.3%	27.1%	13.8%
EPS (basic) (₹)	11.6	12.5	16.6	18.8	21

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	46,305	48,299	48,132	47,912	49,525
Capital work in progress	4,618	5,097	1,000	1,000	1,000
Goodwill	77,541	80,254	80,254	80,254	80,254
Total fixed assets	**128,463**	**133,649**	**129,386**	**129,166**	**130,779**
Non-current investments	5,993	6,782	-	-	-
Total non-current assets	**134,456**	**140,432**	**129,386**	**129,166**	**130,779**
Inventories	22,665	27,017	27,746	30,768	34,133
Current investments	1,980	7,547	14,330	14,330	14,330
Trade receivables	8,352	7,983	10,671	11,834	13,128
Cash and cash equivalents	25,999	27,969	32,215	35,336	36,486
Other current assets	15,867	14,865	12,806	14,201	15,754
Total current assets	**74,863**	**85,382**	**97,767**	**106,468**	**113,832**
Total assets	**209,319**	**225,814**	**227,153**	**235,635**	**244,610**
Share capital	922	929	929	929	929
Other equity	150,498	161,838	167,716	176,210	184,803
Minority interest	11,516	8,502	8,502	8,502	8,502
Total equity	**162,936**	**171,269**	**177,146**	**185,641**	**194,233**
Long-term borrowings	5,928	5,683	3,683	2,183	683
Deferred tax liabilities (net)	6,246	6,992	6,992	6,992	6,992
Total non-current liabilities	**12,174**	**12,675**	**10,675**	**9,175**	**7,675**
Short-term borrowings	8,192	10,317	7,317	5,317	3,317
Trade payables	19,159	23,482	21,343	23,668	26,257
Other current liabilities	4,371	5,622	6,403	7,100	7,877
Short term provisions	2,488	2,449	4,269	4,734	5,251
Total current liabilities	**34,210**	**41,870**	**39,331**	**40,819**	**42,702**
Total liabilities	**46,383**	**54,545**	**50,006**	**49,994**	**50,377**
Total equity and liabilities	**209,319**	**225,814**	**227,153**	**235,635**	**244,610**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**14,560**	**17,936**	**20,777**	**24,292**	**27,646**
Depreciation	2,780	3,041	3,167	3,219	3,387
Other items	148	(2,223)	-	-	-
Working capital changes	23	(254)	(896)	(2,093)	(2,330)
Taxes	(2,353)	(3,887)	(5,375)	(6,194)	(7,050)
Cash flow from operations	**15,158**	**14,613**	**17,673**	**19,224**	**21,654**
(Net) capital expenditure	(7,462)	(1,828)	1,097	(3,000)	(5,000)
Acq./(disp.) of Investments	(1,673)	(6,816)	-	-	-
Interest/dividend Received	881	1,214	-	-	-
Other items	(4,963)	(849)	-	-	-
Cash flow from investments	**(13,218)**	**(8,278)**	**1,097**	**(3,000)**	**(5,000)**
Net short-term borrowings	(4,947)	(38)	(5,000)	(3,500)	(3,500)
Issuance of equity	-	-	(1,164)	-	-
Interest paid	(625)	(817)	-	-	-
Dividends paid	(3,982)	(5,734)	(8,361)	(9,603)	(12,004)
Other items	(394)	(555)	-	-	-
Cash flow from financing	**(9,948)**	**(7,144)**	**(14,525)**	**(13,103)**	**(15,504)**
Opening cash balance	**17,779**	**9,713**	**27,969**	**32,215**	**35,336**
Net change in cash	**(8,008)**	**(809)**	**4,245**	**3,121**	**1,150**
Closing cash balance	**9,771**	**8,904**	**32,215**	**35,336**	**36,486**
Free cash flow to firm	**7,696**	**12,785**	**18,770**	**16,224**	**16,654**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	43.0%	41.9%	42.4%	42.6%	42.7%
EBITDA margin	13.8%	13.5%	14.8%	14.9%	15.0%
EBIT margin	11.6%	11.3%	12.8%	13.0%	13.2%
Net profit margin	7.5%	8.7%	9.1%	10.5%	10.7%

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	43.0%	41.9%	42.4%	42.6%	42.7%
EBITDA margin	13.8%	13.5%	14.8%	14.9%	15.0%
EBIT margin	11.6%	11.3%	12.8%	13.0%	13.2%
Net profit margin	7.5%	8.7%	9.1%	10.5%	10.7%
Cash conversion days	35	31	40	40	40
Inventory days	67	72	65	65	65
Receivable days	25	21	25	25	25
Payable days	56	62	50	50	50
Gross block turnover	1.8	1.9	2.1	2.2	2.3
pre-tax CFO/EBITDA	110%	103%	100.0%	98.7%	99.8%
post-tax RoIC	8.7%	8.4%	11.0%	12.5%	13.8%
ROE (%)	6.7%	6.6%	8.6%	10.5%	11.4%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
PE	82	76	57	50	44
EV/EBITDA	48	44	36	32	29
EV/EBIT	57	53	42	37	33
EV/sales	6.6	6.0	5.3	4.8	4.3

Source: Ambit Capital research, Company

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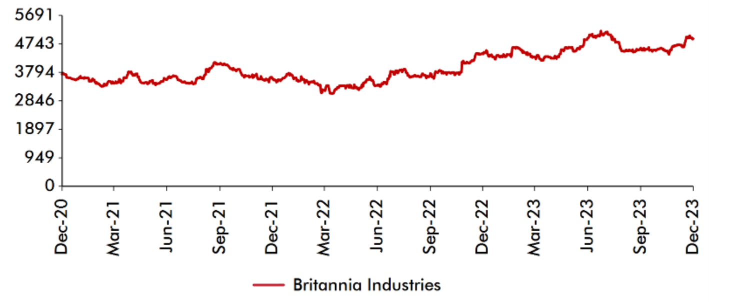
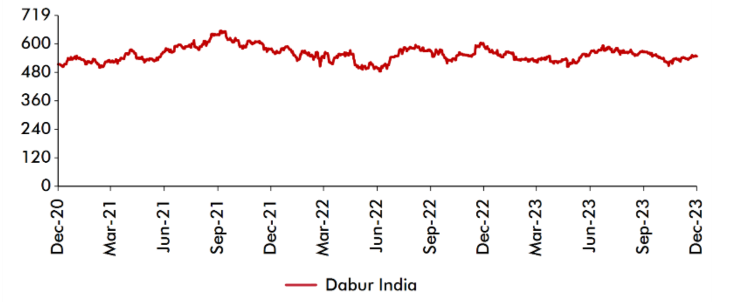
Britannia Industries (BRIT IN, SELL)



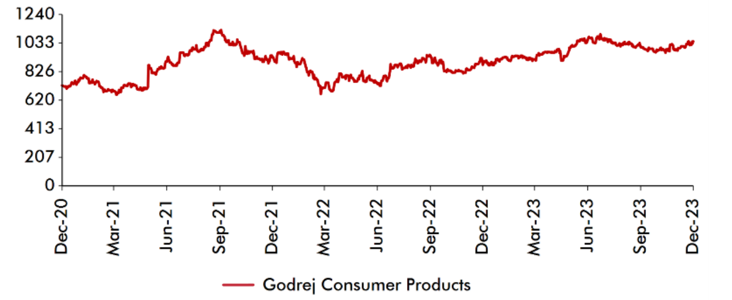
Source: ICE, Ambit Capital research

Dabur India (DABUR IN, BUY)



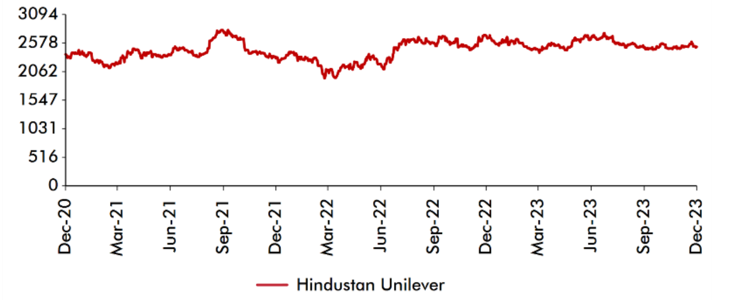
Source: ICE, Ambit Capital research

Godrej Consumer Products (GCPL IN, BUY)



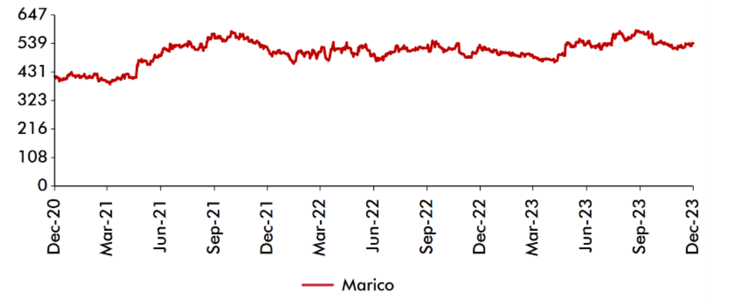
Source: ICE, Ambit Capital research

Hindustan Unilever (HUVR IN, SELL)



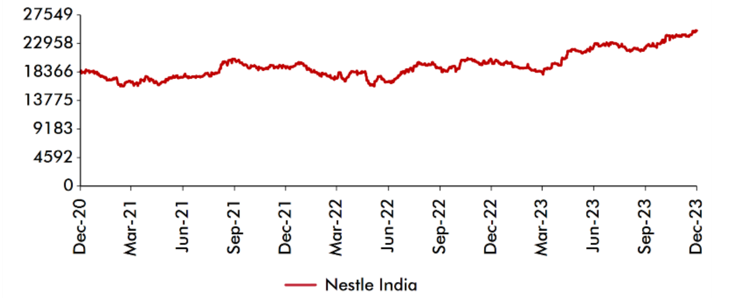
Source: ICE, Ambit Capital research

Marico (MRCO IN, SELL)



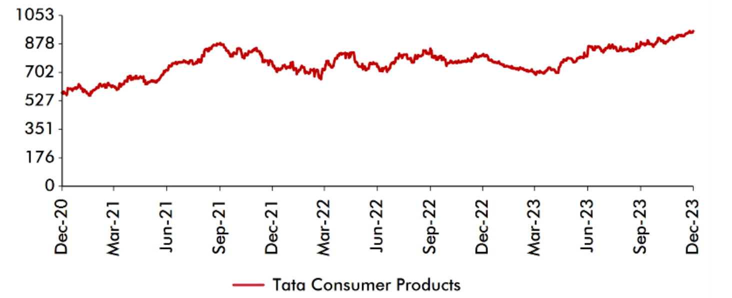
Source: ICE, Ambit Capital research

Nestle India (NEST IN, SELL)



Source: ICE, Ambit Capital research

Tata Consumer Products (TATACONS IN, SELL)



Source: ICE, Ambit Capital research

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Investment Rating	Expected return (over 12-month)
BUY	We expect this stock to deliver more than 10% returns over the next12 month
SELL	We expect this stock to deliver less than or equal to 10 % returns over the next 12 months
UNDER REVIEW	We have coverage on the stock but we have suspended our estimates, TP and recommendation for the time being NOT
NOT RATED	We do not have any forward-looking estimates, valuation, or recommendation for the stock.

Note: At certain times the Rating may not be in sync with the description above as the stock prices can be volatile and analysts can take time to react to development.

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