

## In-line Q4; enhanced distribution thrust, a positive

Consumer Goods ▶ Result Update ▶ May 7, 2024

TARGET PRICE (Rs): 600

Marico targets low double-digit growth in FY25 backed by high single-digit volume growth in the domestic business. Though its growth businesses are on the path to building profitability, re-igniting growth in core portfolio is key to realizing overall goals. Project SETU, placed to enhance domestic distribution prowess, is likely to help boost Company's portfolio play. Unlike margin compression expected ahead amid thrust on topline, Management is looking to maintain margin with pricing actions. Though we factor-in the guidance and up our earnings (by 2%/4% for FY25E/26E), we remain skeptical on topline push-back from Marico's margin strategy (due to high commodity linkages). As such, we maintain ADD, despite being positive on Company actions. We lift our Mar-25 TP to Rs600 (from Rs570), on 42x P/E, in line with its last 5Y avg. fwd. P/E.

## Marico: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	95,120	97,640	96,530	106,406	117,690
EBITDA	16,890	18,100	20,260	22,479	25,265
Adj. PAT	12,330	13,020	14,810	16,307	18,338
Adj. EPS (Rs)	9.6	10.1	11.5	12.6	14.2
EBITDA margin (%)	17.8	18.5	21.0	21.1	21.5
EBITDA growth (%)	6.2	7.2	11.9	11.0	12.4
Adj. EPS growth (%)	6.4	5.6	13.7	10.1	12.5
RoE (%)	37.4	36.4	38.8	40.1	40.1
RoIC (%)	70.1	64.2	62.4	60.3	66.1
P/E (x)	55.5	52.5	46.2	42.0	37.3
EV/EBITDA (x)	40.1	37.5	33.5	29.9	26.6
P/B (x)	20.4	18.0	17.9	15.9	14.1
FCFF yield (%)	1.2	1.4	1.8	2.7	2.5

Source: Company, Emkay Research

## Domestic volume growth at 3% in Q4; enhanced topline thrust in FY25

Domestic revenue stood flat YoY at Rs16.8bn, with ~3% volume growth. In Hair Oil, Parachute's 'rigid pack' sales were flat (up 53bps share on MAT basis; loose to branded conversion aided 2% vol. growth), with VAHO seeing 7% decline. Edible Oil saw a 16% fall in value, though volume grew to a mid-single digit. Total foods portfolio grew 24% YoY. For FY25, Mgmt targets for double-digit growth with high single-digit volume growth in the domestic business. As per Mgmt, premium Personal-care & Foods would grow faster and contribute to 25% of sales in FY27 vs 20% in FY24. Foods portfolio is likely to sustain 20% CAGR with enhanced margin (in the last 4Y, margin grew by 800bps). Marico has embarked on a distribution initiative under Project SETU, which is focused on increasing direct reach, from 1mn outlets now to 1.5mn outlets in coming 3 years; this will help Marico gain share across Urban and Rural. International business registered 10% constant current (CC) growth, whereas reported growth stood at 7%. Management expects to further enhance its double-digit (CC) momentum in FY25.

## Looking to hold margin with thrust on topline

Q4 gross margin saw healthy expansion of ~415bps YoY to 51.6%. EBITDA margin at 19.4% was up by 185bps YoY, standing in line with our estimate. India margin grew by 280bps YoY to 22.4%, with international margin enhancing by 310bps YoY to 26.8%. Contrary to our expectation of margin compression ahead amid topline thrust, Mgmt stated it targets maintaining margins in the near term with expansion in the long term. As we reset our margin assumption, our earnings estimate increases 2% for FY25E and 4% for FY26E. We see 10% sales CAGR and 11% earnings CAGR over FY24-26E.

## Aspiration remains high, execution key; maintain ADD

Marico's core portfolio has high commodity linkages, wherein stability in raw material would be key. While we appreciate actions to enhance distribution, getting the right price value equation would be key for aspirations, given commodity linkages.

Target Price – 12M	Mar-25
Change in TP (%)	5.3
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	13.1
CMP (06-May-24) (Rs)	530.3

## Stock Data

52-week High (Rs)	595
52-week Low (Rs)	486
Shares outstanding (mn)	1,294.1
Market-cap (Rs bn)	686
Market-cap (USD mn)	8,219
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	793.6
ADTV-3M (USD mn)	9.5
Free float (%)	-
Nifty-50	22,443
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	59.4
FPIs/MFs (%)	25.5/10.1

## Price Performance

(%)	1M	3M	12M
Absolute	4.1	1.8	7.4
Rel. to Nifty	4.4	(0.5)	(13.5)

## 1-Year share price trend (Rs)



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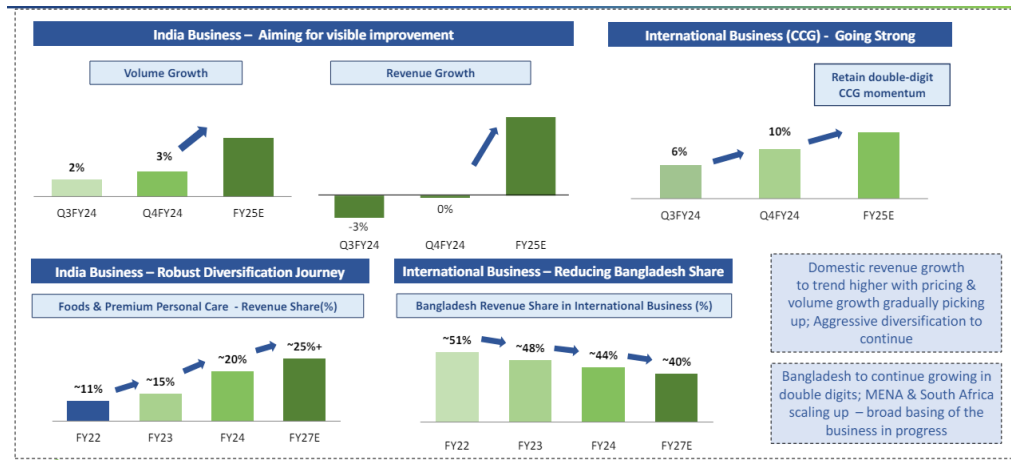
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# Management commentary

■ **The FMCG sector has been resilient, despite challenges.** The Q4 operating environment is the same as in the preceding quarter. Rural saw a visible uptick towards the lag end of the quarter. Urban growth has seen moderation.

**Exhibit 1: Enhanced topline thrust in FY25**

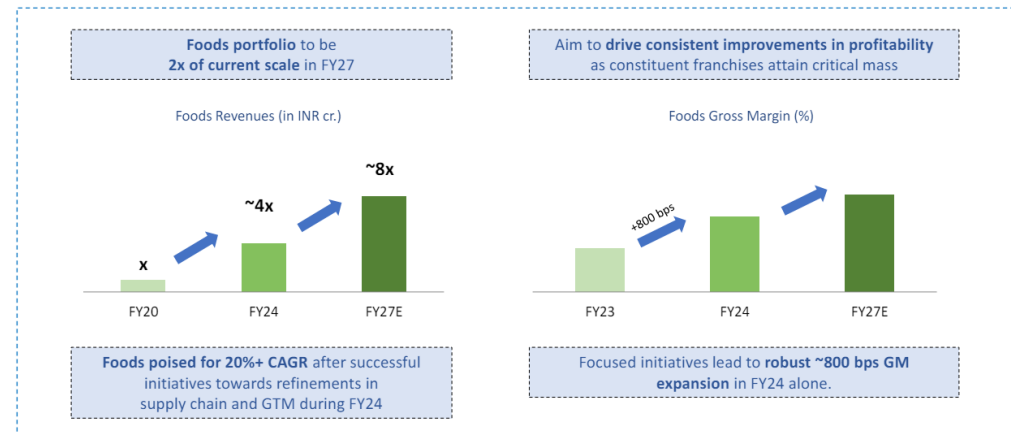


Source: Company

■ **Domestic volume** growth inched up 3%; expect trending up sequentially from Q1FY25. Market-share gaining or sustaining seen in 75% of the portfolio. Expect domestic value growth to outpace volume growth ahead.

- **Parachute** volume grew 32% with market-share gains. Company effected price hikes in select packs; 6% price hikes effected at the brand level.
- **Saffola oil** saw stability in sentiment. Volume growth stood at a mid-single digit in Q4. Revenue growth is expected to be positive in FY25. Portfolio would resume steady growth. Saffola prices would anniversarize in Q2.
- **VAHO** had a weak show on a high base. The next few month shrinkflation will be anniversarized. The company has reduced volume for the Rs10 and the Rs20 SKUs. In VAHO, focus is on value growth. Competitive intensity will remain in BOP. Non-BOP segment is aiding mix and share. Rationality in BOP competition is expected. Subdued sentiment in mass BPC. Mid & premium segments continue to do well.
- **Organic food** saw double-digit growth. The focus ahead is to have a 20% sustained CAGR. Building blocks are in place for doubling revenue by FY27. Margin expansion of 800bps was seen in the last four years. Oats maintain leadership. Soya chunks continue to see scale. Honey continues to gain share. Accelerated growth sustained in Plix. Foods focus is more on general trade (GT), low AOV, and margin category. The portfolio saw 800bps gross-margin expansion, driven by i) an enhanced relative price index, ii) shift to in-house production, c) reconfiguration of supply chain, and d) scale benefits.

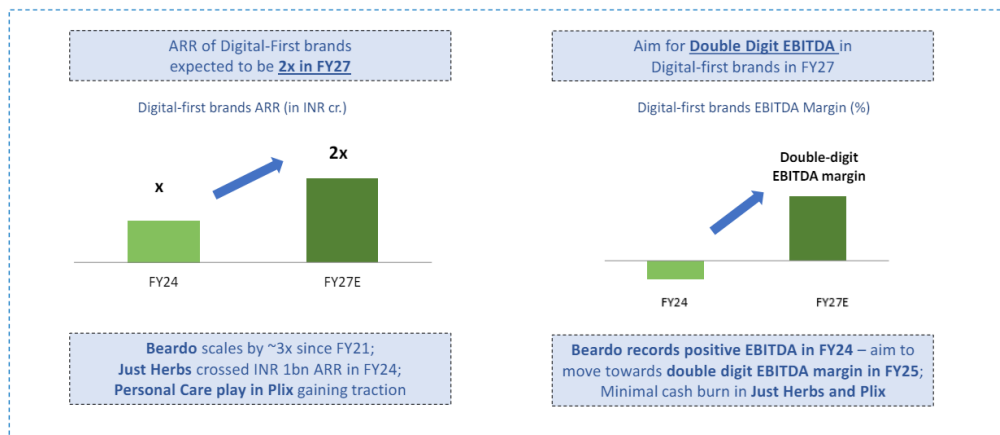
**Exhibit 2: Diversification remains the key priority – Profitable scale up in Foods to continue**



Source: Company

- **New business** contributes 20% of revenue. Digital brands are also likely to see double-digit revenue growth in the next three years. Company expects the share to expand to 25% by FY27.

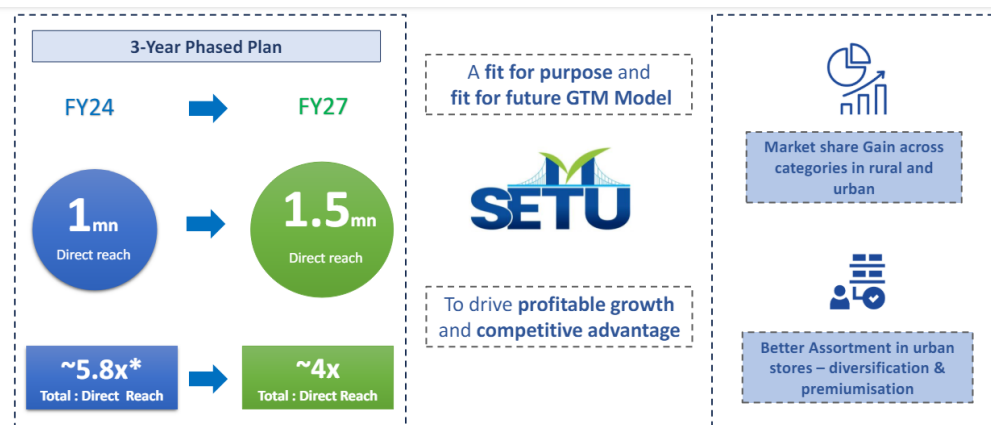
**Exhibit 3: Diversification remains key priority – Digital business to leverage enhanced capabilities**



Source: Company

- **International:** Vietnam is seeing a slowdown in HPC demand. Bangladesh saw volume-driven growth with market-share gains. The currency situation to improve in Bangladesh. Expects Bangladesh dependence to reduce, from 44% to 40% by FY27.
- **Direct distribution expansion thrust in domestic:** Post-Covid focus on diversification affected the distribution thrust. Now, the company is rolling out a definite project 'SETU' to expand direct reach, from 1mn to 1.5mn. In select states, the company is under-indexed (SETU to focus); as such, it is apt to enhance thrust. Company to deploy analytical capability for the next three years. With the project, the company expects to enhance the quality of distribution. Direct reach will focus on wider product assortments vs wholesale distributing select parts of the portfolio. Project SETU will enhance range selling and weighted distribution. Market-share gains will be seen across categories in Rural and Urban. Rs0.8-1bn outlay is expected under Project SETU, over the next 2-3 years; this will be offset by project benefits in the medium term. Benefits of Project SETU will be visible from 2HFY25.

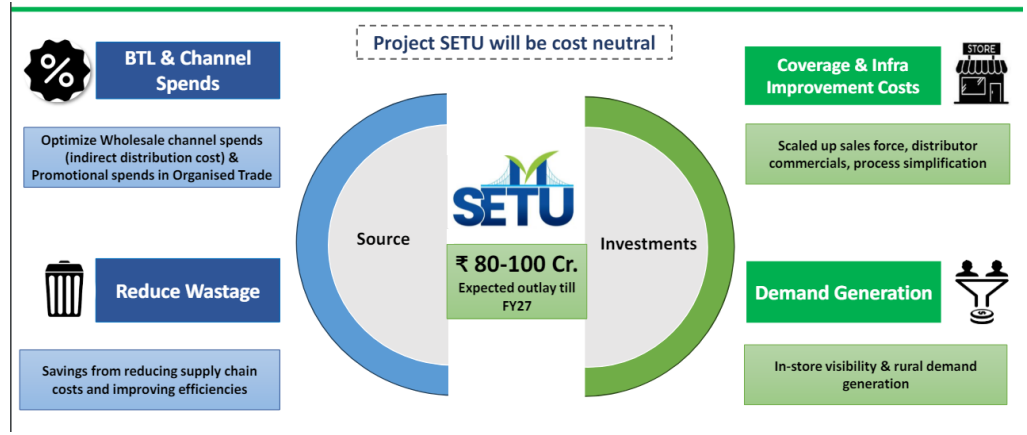
**Exhibit 4: Project SETU – To drive growth in GT through transformative expansion in Direct Reach**



\*Represents the ratio between Marico's total reach (currently 5.8mn outlets) and direct reach (currently ~1mn outlets).

Source: Company

**Exhibit 5: Project SETU entails costs of Rs0.8-1bn till FY27**



Source: Company

- **Margin:** Medium-term margin is likely to see structural uptick, whereas the company looks to maintain margin in the short term. Medium-term margin expansion is expected from i) margin improvement in foods, ii) expected positive EBITDA in digital brands, iii) better show in VAHO, iv) rapid scale-up in international sales to aid leverage benefit, and v) mix improvement.

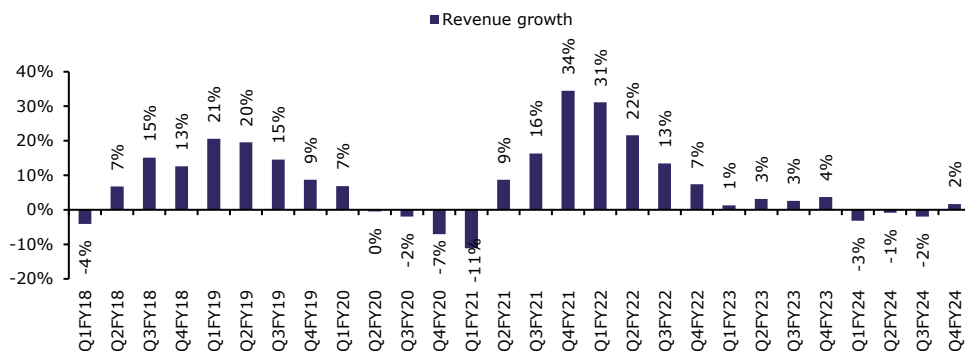
## Quarterly performance

Exhibit 6: Q3FY24 performance

Y/E March (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	Q4FY24E	Var. (%)	FY24	FY23	YoY (%)
<b>Total income</b>	22,780	22,400	1.7	24,220	(5.9)	22,808	(0.1)	96,530	97,640	(1.1)
Cost of goods	11,030	11,780	(6.4)	11,800	(6.5)	11,105	(0.7)	47,480	53,510	(11.3)
Employee expenses	1,860	1,710	8.8	1,890	(1.6)	1,809	2.8	7,430	6,530	13.8
A&P spends	2,260	2,100	7.6	2,460	(8.1)	2,541	(11.0)	9,520	8,420	13.1
Other expenses	3,210	2,880	11.5	2,940	9.2	2,947	8.9	11,840	11,080	6.9
<b>EBITDA</b>	<b>4,420</b>	<b>3,930</b>	<b>12.5</b>	<b>5,130</b>	<b>(13.8)</b>	<b>4,407</b>	<b>0.3</b>	<b>20,260</b>	<b>18,100</b>	<b>11.9</b>
EBITDA margin (%)	<b>19.4</b>	<b>17.5</b>	<b>190bps</b>	<b>21.2</b>	<b>-180bps</b>	<b>19.3</b>	<b>10bps</b>	<b>21.0</b>	<b>18.5</b>	<b>250bps</b>
Depreciation	410	430	(4.7)	420	(2.4)	430	(4.7)	1,580	1,550	1.9
<b>EBIT</b>	<b>4,010</b>	<b>3,500</b>	<b>14.6</b>	<b>4,710</b>	<b>(14.9)</b>	<b>3,977</b>	<b>0.8</b>	<b>18,680</b>	<b>16,550</b>	<b>12.9</b>
EBITM (%)	<b>17.6</b>	<b>15.6</b>	<b>200bps</b>	<b>19.4</b>	<b>-180bps</b>	<b>17.4</b>	<b>20bps</b>	<b>19.4</b>	<b>17.0</b>	<b>240bps</b>
Interest cost	170	170	0.0	190	(10.5)	190	(10.5)	730	560	30.4
Other income	150	400	(62.5)	430	(65.1)	430	(65.1)	1,420	1,160	22.4
<b>PBT</b>	<b>3,990</b>	<b>3,730</b>	<b>7.0</b>	<b>4,950</b>	<b>(19.4)</b>	<b>4,217</b>	<b>(5.4)</b>	<b>19,370</b>	<b>17,150</b>	<b>12.9</b>
Tax	790	896	(11.8)	1,090	(27.5)	1,045	(24.4)	4,350	4,146	4.9
Tax rate (%)	19.8	24.0	(17.5)	22.0	(10.1)	24.8	-500bps	22.5	24.2	(7.1)
<b>Adj. PAT</b>	<b>3,180</b>	<b>2,804</b>	<b>13.4</b>	<b>3,830</b>	<b>(17.0)</b>	<b>3,141</b>	<b>1.2</b>	<b>14,730</b>	<b>12,804</b>	<b>15.0</b>
Net profit margin (%)	<b>14.0</b>	<b>12.5</b>	<b>140bps</b>	<b>15.8</b>	<b>-190bps</b>	<b>13.8</b>	<b>20bps</b>	<b>15.3</b>	<b>13.1</b>	<b>210bps</b>
<b>EPS (Rs)</b>	2.5	2.2	13.5	3.0	-17.0	2.4	1.2	11.4	9.9	15.0

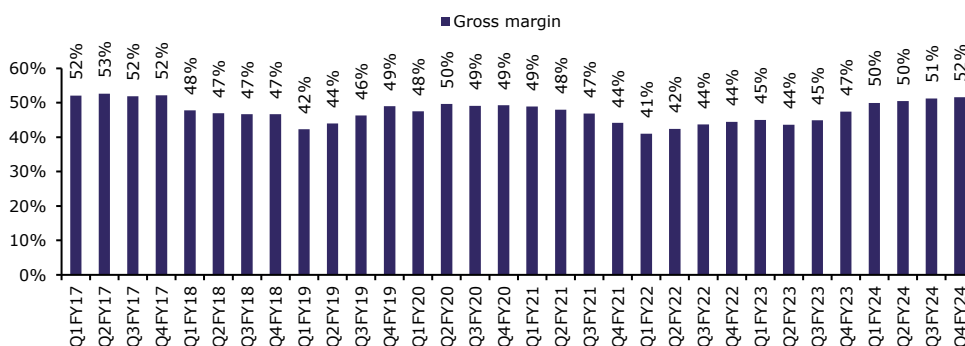
Source: Company, Emkay Research

Exhibit 7: Quarterly revenue growth



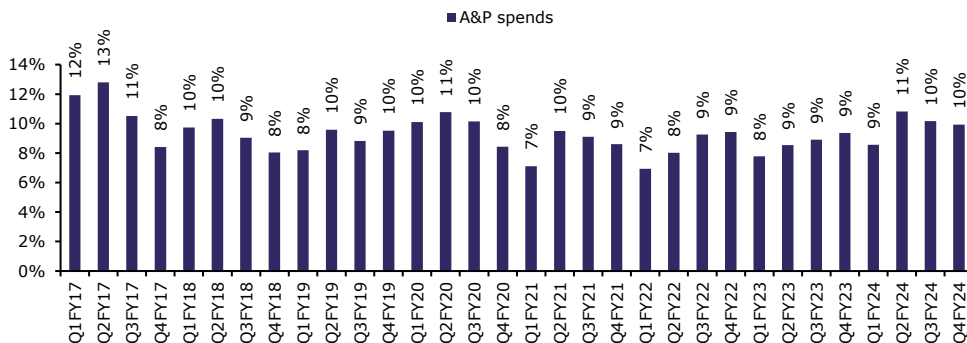
Source: Company, Emkay Research

Exhibit 8: Quarterly gross margin trend



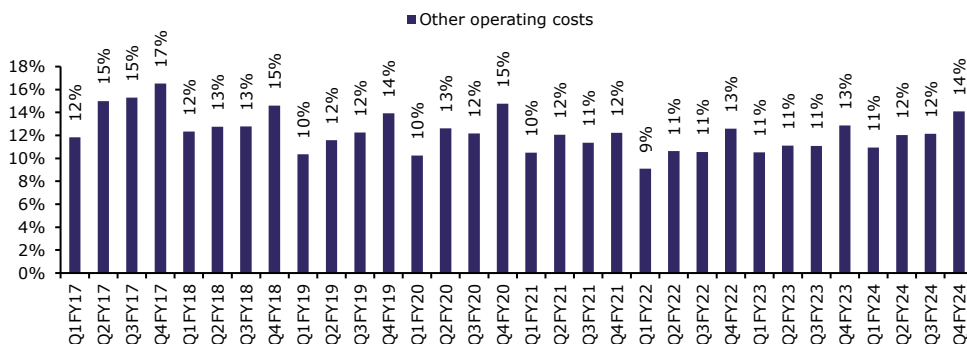
Source: Company, Emkay Research

Exhibit 9: Quarterly advertisement spends



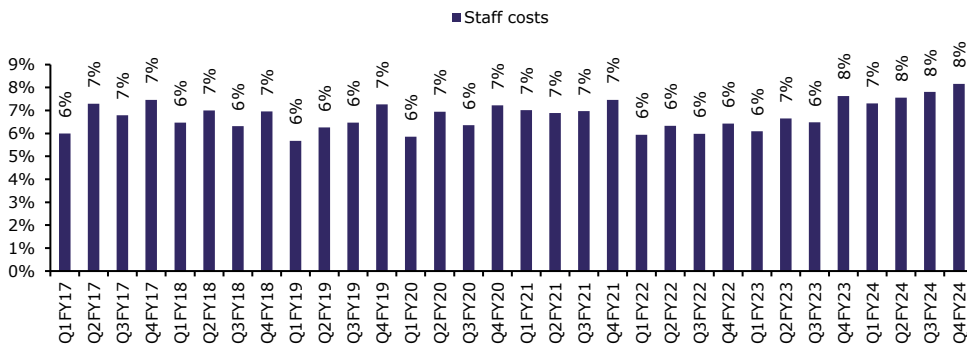
Source: Company, Emkay Research

Exhibit 10: Quarterly 'other operating' costs



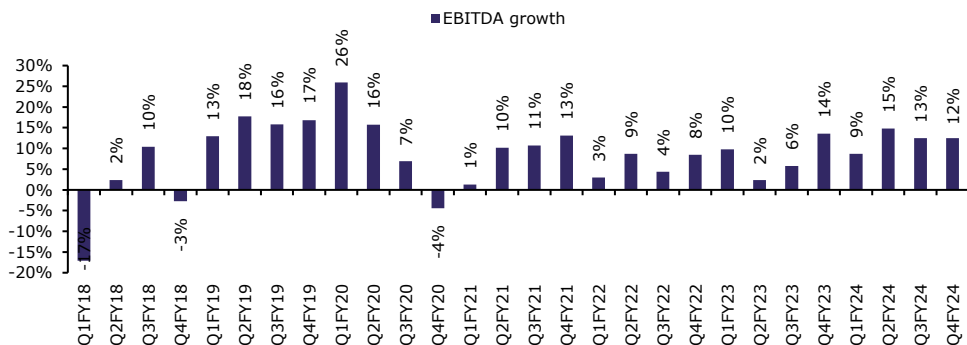
Source: Company, Emkay Research

Exhibit 11: Quarterly employee spends



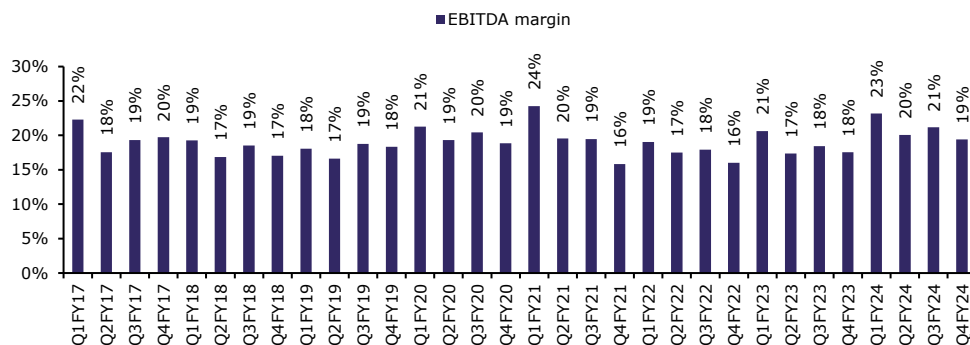
Source: Company, Emkay Research

Exhibit 12: EBITDA growth



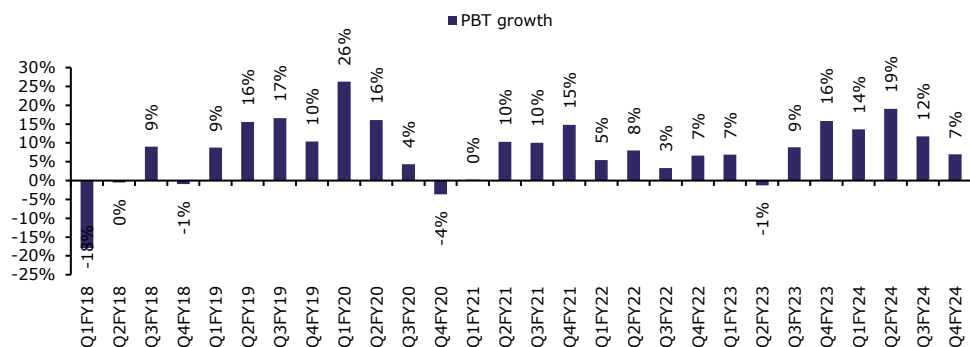
Source: Company, Emkay Research

Exhibit 13: Quarterly EBITDA margin



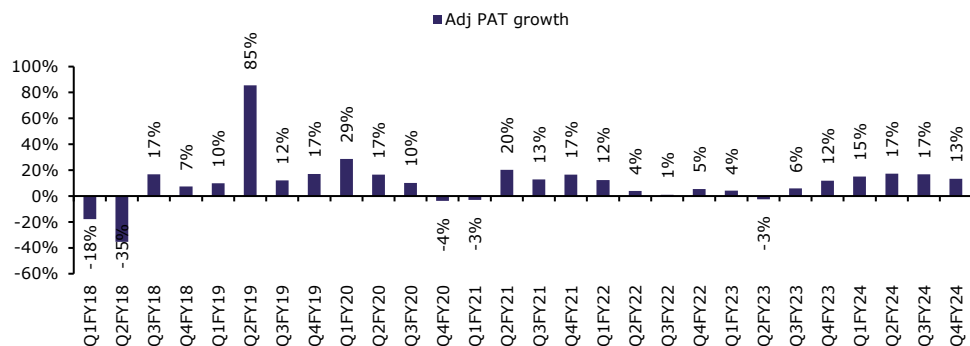
Source: Company, Emkay Research

Exhibit 14: PBT growth



Source: Company, Emkay Research

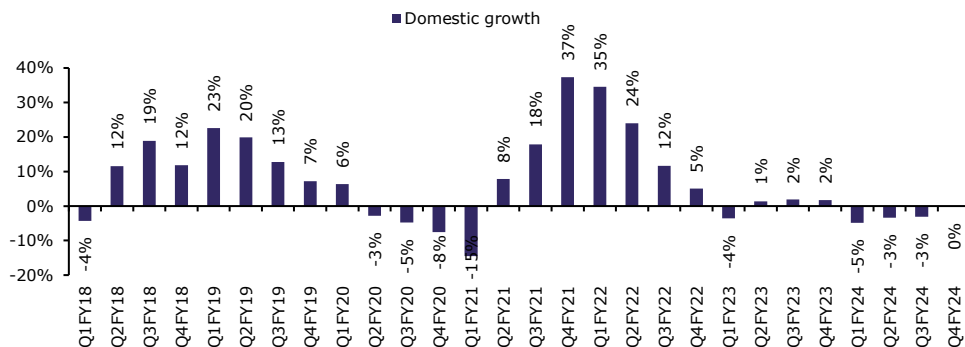
Exhibit 15: Adjusted PAT growth



Source: Company, Emkay Research

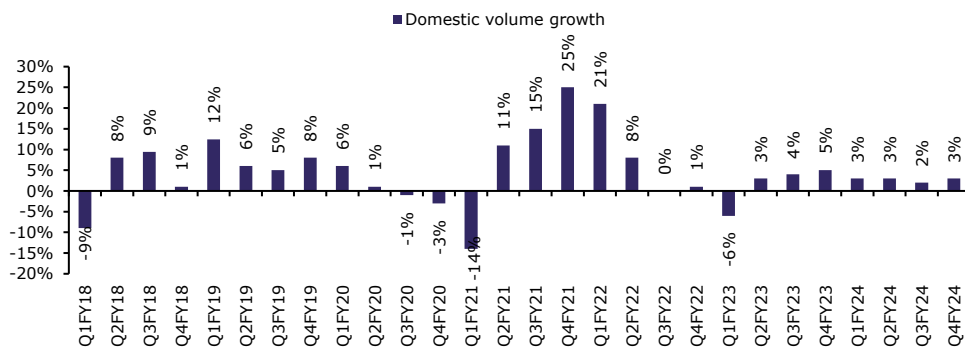
# Domestic business performance

Exhibit 16: Domestic – Revenue growth



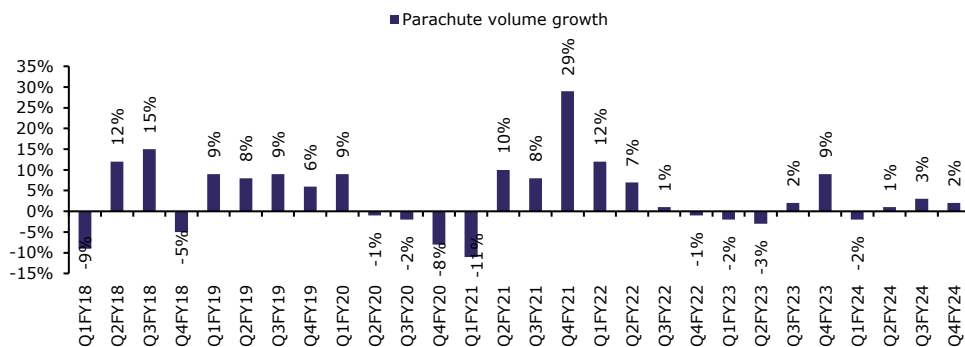
Source: Company, Emkay Research

Exhibit 17: Domestic – Volume growth



Source: Company, Emkay Research

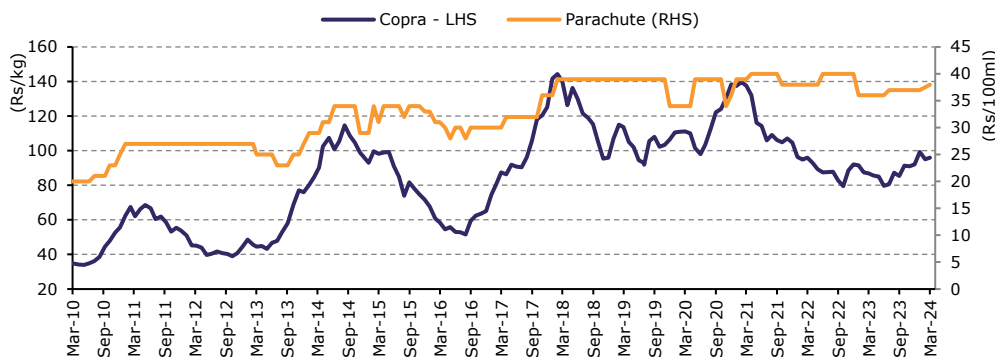
Exhibit 18: Parachute – Volume growth



Source: Company, Emkay Research

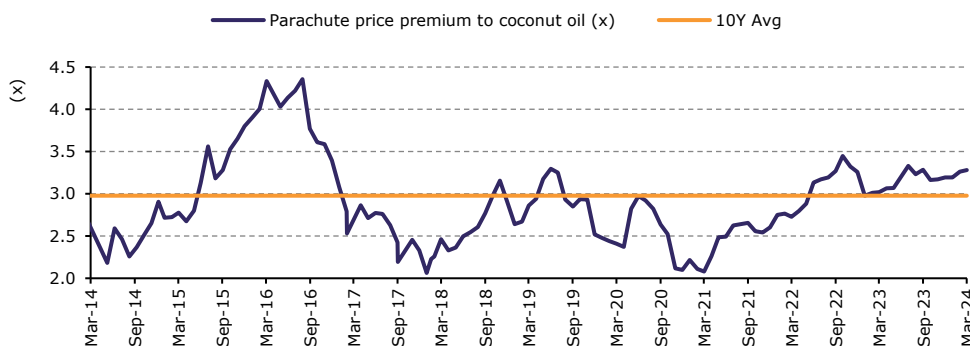


Exhibit 19: Copra cost and parachute prices



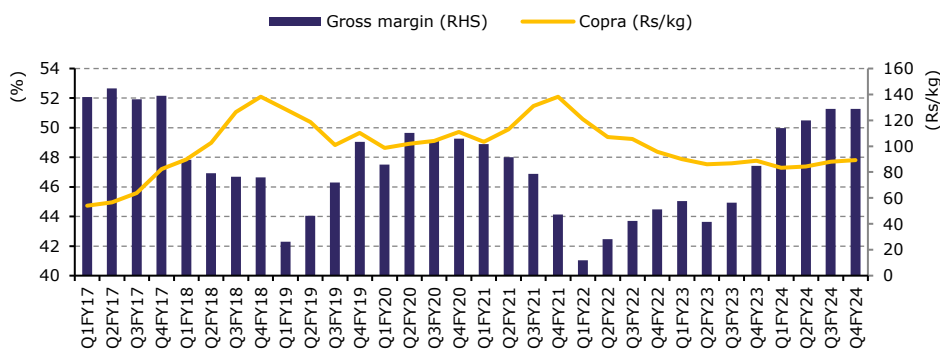
Source: Company, Emkay Research

Exhibit 20: Parachute price premium to loose oil



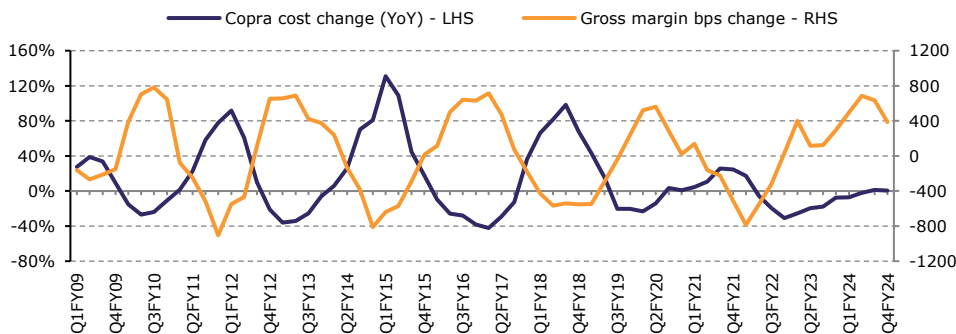
Source: Company, Emkay Research

Exhibit 21: Copra price relation with gross margin profile



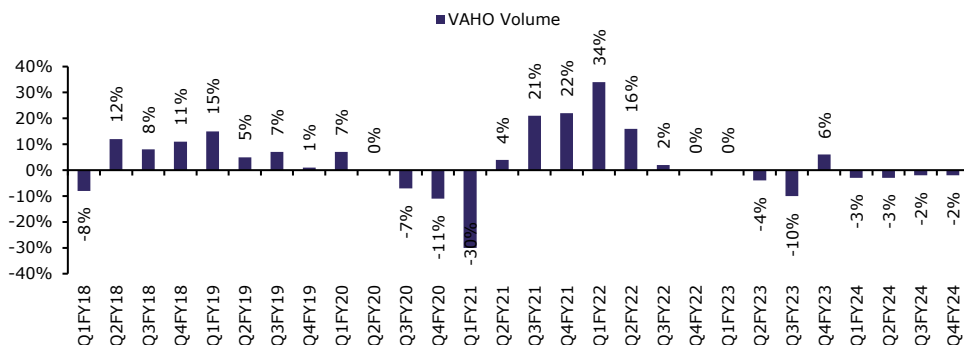
Source: Company, Emkay Research

Exhibit 22: Change in copra costs (YoY) and gross margin movement for Marico



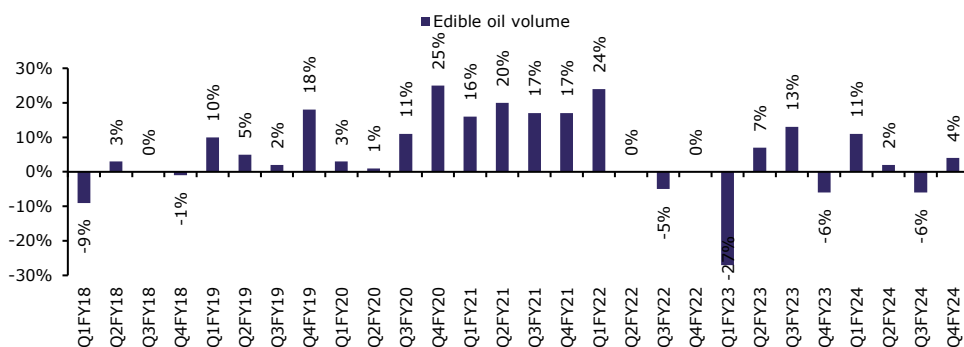
Source: Company, Emkay Research

**Exhibit 23: Value-added hair oil – Volume growth**



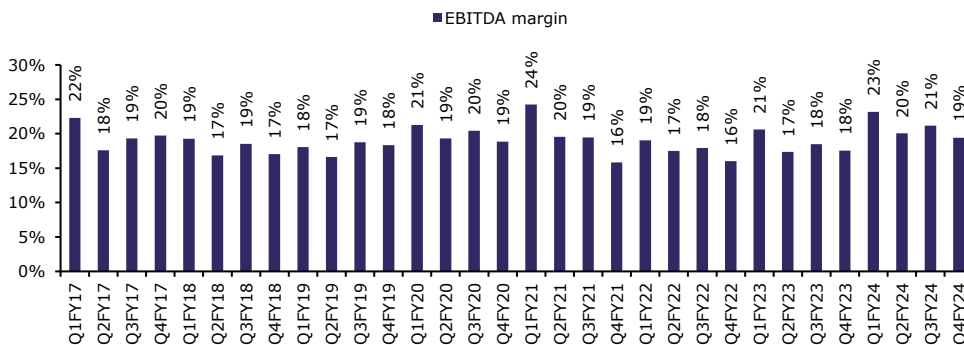
Source: Company, Emkay Research

**Exhibit 24: Saffola edible oil – Volume growth**



Source: Company, Emkay Research

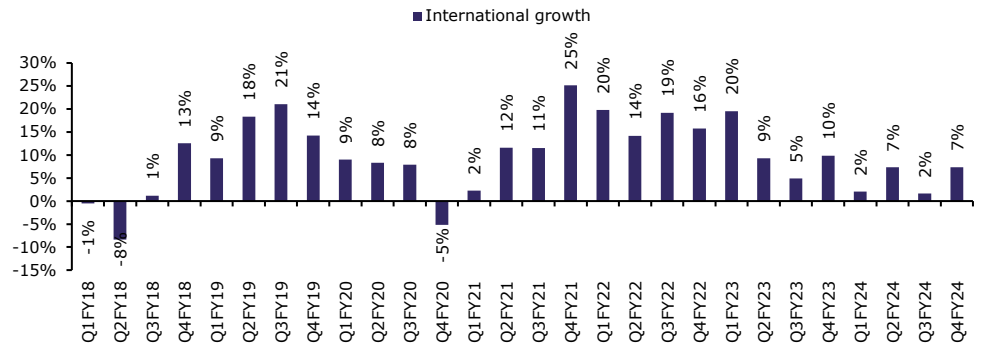
**Exhibit 25: Quarterly domestic EBITDA margin**



Source: Company, Emkay Research

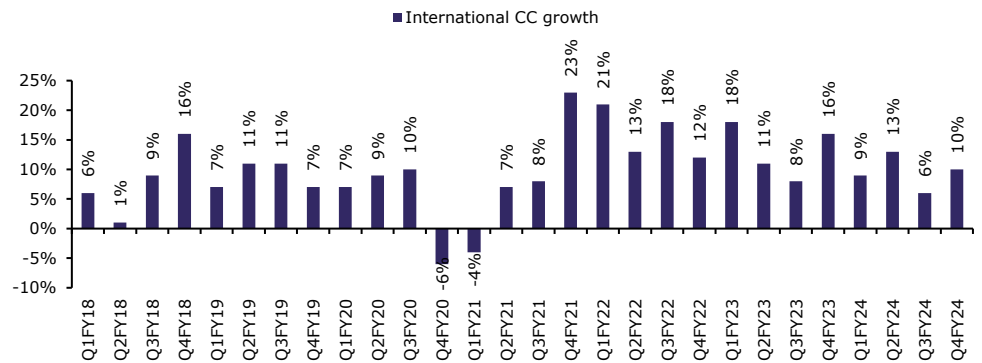
# International business performance

**Exhibit 26: International business – Revenue growth**



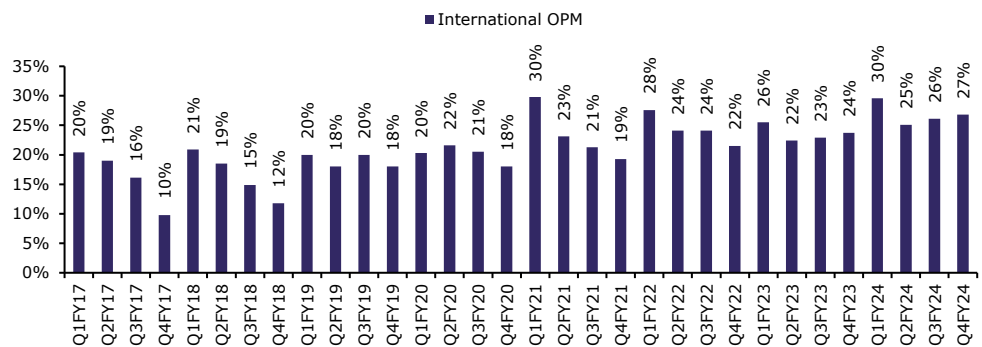
Source: Company, Emkay Research

**Exhibit 27: International business – Constant currency (CC) growth**



Source: Company, Emkay Research

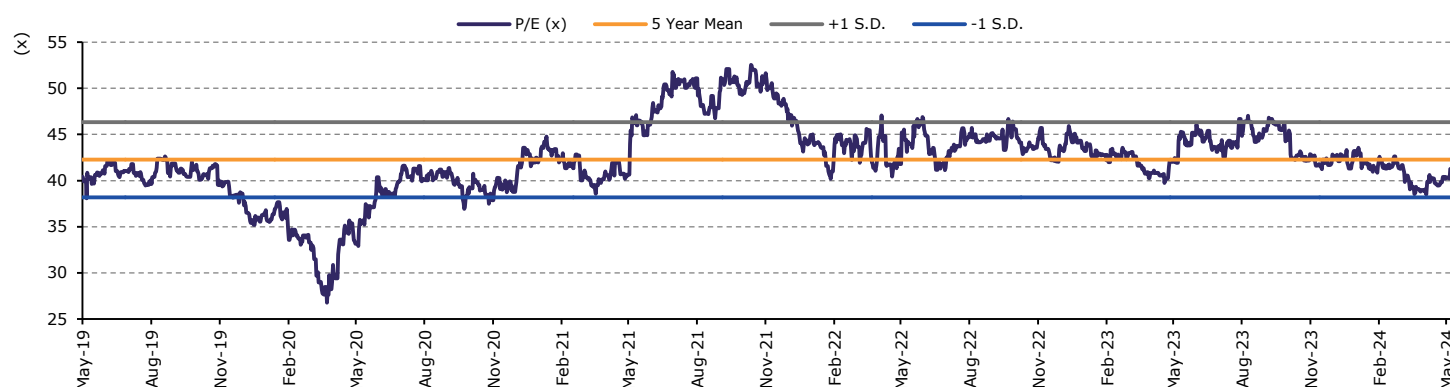
**Exhibit 28: International EBITDA margin**



Source: Company, Emkay Research

## We maintain ADD with new Mar-25E TP of Rs600

Exhibit 29: Marico's one-year forward P/E trend



Source: Company, Bloomberg, Emkay Research

Exhibit 30: Key assumptions

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Growth</b>							
Sales growth	0%	10%	18%	3%	-1%	10%	11%
Domestic volume growth	1%	10%	9%	-1%	0%	6%	7%
EBITDA growth	11%	8%	6%	7%	12%	11%	12%
Earnings growth	13%	10%	6%	6%	14%	10%	12%
<b>Margin</b>							
Gross margin	49%	47%	43%	45%	51%	51%	51%
A&P spends as a % of sales	10%	9%	8%	9%	10%	10%	10%
EBITDA margin	20%	20%	18%	19%	21%	21%	21%
<b>Per share data</b>							
Adj. EPS (Rs)	8.1	9.0	9.6	10.1	11.5	12.6	14.2
DPS (Rs)	6.8	7.5	9.3	4.5	9.5	9.0	10.0
<b>Balance sheet data</b>							
Avg. ROCE	40%	42%	43%	42%	44%	47%	47%
Avg. RoE	35%	37%	37%	36%	39%	40%	40%
Inventory days (no. of)	69	51	54	46	50.5	50.3	50.3
Receivable days (no. of)	27	18	25	38	40.4	23.7	23.7
Payable days (no. of)	49	51	52	54	59.8	54.2	54.2

Source: Company, Emkay Research

Exhibit 31: Changes to Emkay estimates

(Rs mn)	New estimates			Old estimates			Changes to our estimates		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Revenue	95,530	104,887	116,064	95,756	105,055	116,240	0%	0%	0%
- Growth	-1.4%	9.8%	10.7%	-1.2%	9.7%	10.6%			
EBITDA	20,260	22,479	25,265	20,247	22,042	24,222	0%	2%	4%
- Growth	11.9%	11.0%	12.4%	11.9%	8.9%	9.9%			
EBITDA margin	21.0%	21.1%	21.5%	21.1%	21.0%	20.8%			
Adj. PAT	14,810	16,307	18,338	14,771	15,947	17,578	0%	2%	4%
- Growth	13.7%	10.1%	12.5%	13.5%	8.0%	10.2%			
EPS (Rs)	11.5	12.6	14.2	11.5	12.4	13.6	0%	2%	4%

Source: Emkay Research

**Exhibit 32: Emkay vs. Consensus estimates**

(Rs mn)	Emkay estimates			Consensus estimates			Emkay vs. Consensus		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Revenue	95,530	104,887	116,064	97,009	106,756	117,872	-2%	-2%	-2%
- Growth	-1.4%	9.8%	10.7%	0.1%	10.0%	10.4%			
EBITDA	20,260	22,479	25,265	20,385	22,526	25,067	-1%	0%	1%
- Growth	11.9%	11.0%	12.4%	12.6%	10.5%	11.3%			
EBITDA margin	21.0%	21.1%	21.5%	21.0%	21.1%	21.3%			
Adj. PAT	14,810	16,307	18,338	14,814	16,360	18,238	0%	0%	1%
- Growth	13.7%	10.1%	12.5%	13.8%	10.4%	11.5%			

Source: Bloomberg, Emkay Research

## Marico: Consolidated Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>95,120</b>	<b>97,640</b>	<b>96,530</b>	<b>106,406</b>	<b>117,690</b>
Revenue growth (%)	18.2	2.6	(1.1)	10.2	10.6
<b>EBITDA</b>	<b>16,890</b>	<b>18,100</b>	<b>20,260</b>	<b>22,479</b>	<b>25,265</b>
EBITDA growth (%)	6.2	7.2	11.9	11.0	12.4
Depreciation & Amortization	1,390	1,550	1,580	1,650	1,800
<b>EBIT</b>	<b>15,500</b>	<b>16,550</b>	<b>18,680</b>	<b>20,829</b>	<b>23,465</b>
EBIT growth (%)	6.7	6.8	12.9	11.5	12.7
Other operating income	600	750	1,000	1,519	1,626
Other income	980	1,440	1,420	1,600	1,800
Financial expense	390	560	730	590	610
<b>PBT</b>	<b>16,090</b>	<b>17,430</b>	<b>19,370</b>	<b>21,839</b>	<b>24,655</b>
Extraordinary items	0	0	0	0	0
Taxes	3,460	4,210	4,350	5,132	5,917
Minority interest	300	200	210	400	400
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>12,330</b>	<b>13,020</b>	<b>14,810</b>	<b>16,307</b>	<b>18,338</b>
PAT growth (%)	5.2	5.6	13.7	10.1	12.5
<b>Adjusted PAT</b>	<b>12,330</b>	<b>13,020</b>	<b>14,810</b>	<b>16,307</b>	<b>18,338</b>
<b>Diluted EPS (Rs)</b>	<b>9.6</b>	<b>10.1</b>	<b>11.5</b>	<b>12.6</b>	<b>14.2</b>
Diluted EPS growth (%)	6.4	5.6	13.7	10.1	12.5
<b>DPS (Rs)</b>	<b>9.3</b>	<b>4.5</b>	<b>9.5</b>	<b>9.0</b>	<b>10.0</b>
<b>Dividend payout (%)</b>	<b>96.9</b>	<b>44.6</b>	<b>82.7</b>	<b>71.2</b>	<b>70.3</b>
EBITDA margin (%)	17.8	18.5	21.0	21.1	21.5
EBIT margin (%)	16.3	17.0	19.4	19.6	19.9
Effective tax rate (%)	21.5	24.2	22.5	23.5	24.0
<b>NOPLAT (pre-IndAS)</b>	<b>12,167</b>	<b>12,553</b>	<b>14,485</b>	<b>15,935</b>	<b>17,833</b>
Shares outstanding (mn)	1,290.0	1,290.0	1,290.0	1,290.0	1,290.0

Source: Company, Emkay Research

Cash Flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	16,090	17,430	19,370	21,839	24,655
Others (non-cash items)	(110)	(580)	(510)	(117)	(122)
Taxes paid	(3,510)	(3,690)	(3,780)	(5,132)	(5,917)
Change in NWC	(3,420)	(590)	(2,260)	2,800	(290)
<b>Operating cash flow</b>	<b>10,160</b>	<b>14,190</b>	<b>14,360</b>	<b>20,031</b>	<b>18,936</b>
Capital expenditure	(1,840)	(4,980)	(2,380)	(1,560)	(2,482)
Acquisition of business	0	0	0	0	0
Interest & dividend income	200	(70)	40	1,010	1,190
<b>Investing cash flow</b>	<b>4,390</b>	<b>(8,650)</b>	<b>1,760</b>	<b>(1,460)</b>	<b>(2,182)</b>
Equity raised/(repaid)	410	90	340	0	0
Debt raised/(repaid)	(30)	1,280	(910)	(80)	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(280)	(420)	(540)	(590)	(610)
Dividend paid (incl tax)	(11,950)	(5,820)	(12,290)	(11,610)	(12,900)
Others	(1,050)	(730)	(2,020)	0	0
<b>Financing cash flow</b>	<b>(12,900)</b>	<b>(5,600)</b>	<b>(15,420)</b>	<b>(12,280)</b>	<b>(13,510)</b>
Net chg in Cash	1,670	(690)	210	6,291	3,244
OCF	10,160	14,190	14,360	20,031	18,936
Adj. OCF (w/o NWC chg.)	13,580	14,780	16,620	17,231	19,226
FCFF	8,320	9,210	11,980	18,471	16,454
FCFE	8,130	8,580	11,290	18,891	17,034
OCF/EBITDA (%)	60.2	78.4	70.9	89.1	74.9
FCFE/PAT (%)	65.9	65.9	76.2	115.8	92.9
<b>FCFF/NOPLAT (%)</b>	<b>68.4</b>	<b>73.4</b>	<b>82.7</b>	<b>115.9</b>	<b>92.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	1,290	1,290	1,290	1,290	1,290
Reserves & Surplus	32,190	36,700	37,030	41,727	47,165
<b>Net worth</b>	<b>33,480</b>	<b>37,990</b>	<b>38,320</b>	<b>43,017</b>	<b>48,455</b>
Minority interests	570	1,570	3,370	3,770	4,170
Deferred tax liability (net)	1,090	1,780	2,790	2,930	3,076
<b>Total debt</b>	<b>1,190</b>	<b>3,830</b>	<b>5,290</b>	<b>5,555</b>	<b>5,832</b>
<b>Total liabilities &amp; equity</b>	<b>36,330</b>	<b>45,170</b>	<b>49,770</b>	<b>55,271</b>	<b>61,533</b>
Net tangible fixed assets	12,100	12,930	20,960	21,032	21,947
Net intangible assets	0	0	0	0	0
Net ROU assets	1,780	1,750	2,090	2,195	2,304
Capital WIP	390	670	440	500	500
Goodwill	6,540	8,620	8,630	8,630	9,755
Investments [JV/Associates]	1,870	5,180	3,430	3,930	4,430
<b>Cash &amp; equivalents</b>	<b>7,700</b>	<b>9,060</b>	<b>10,150</b>	<b>16,477</b>	<b>18,634</b>
Current assets (ex-cash)	29,260	30,640	30,600	29,297	32,799
Current Liab. & Prov.	21,530	24,290	24,440	24,595	26,531
<b>NWC (ex-cash)</b>	<b>7,730</b>	<b>6,350</b>	<b>6,160</b>	<b>4,702</b>	<b>6,267</b>
<b>Total assets</b>	<b>36,330</b>	<b>42,810</b>	<b>49,770</b>	<b>55,271</b>	<b>61,533</b>
Net debt	(6,520)	(5,270)	(4,870)	(10,933)	(12,813)
Capital employed	36,320	45,130	49,760	55,261	61,522
<b>Invested capital</b>	<b>19,830</b>	<b>19,280</b>	<b>27,120</b>	<b>25,734</b>	<b>28,214</b>
BVPS (Rs)	26.0	29.4	29.7	33.3	37.6
Net Debt/Equity (x)	(0.2)	(0.1)	(0.1)	(0.3)	(0.3)
Net Debt/EBITDA (x)	(0.4)	(0.3)	(0.2)	(0.5)	(0.5)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>46.2</b>	<b>44.2</b>	<b>42.4</b>	<b>42.7</b>	<b>43.3</b>

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	55.5	52.5	46.2	42.0	37.3
P/CE(x)	49.9	47.0	41.7	38.1	34.0
P/B (x)	20.4	18.0	17.9	15.9	14.1
EV/Sales (x)	7.2	7.0	7.1	6.4	5.8
EV/EBITDA (x)	40.1	37.5	33.5	29.9	26.6
EV/EBIT(x)	43.7	41.0	36.4	32.3	28.6
EV/IC (x)	34.2	35.2	25.0	26.2	23.8
FCFF yield (%)	1.2	1.4	1.8	2.7	2.5
FCFE yield (%)	1.2	1.3	1.7	2.8	2.5
Dividend yield (%)	1.7	0.8	1.8	1.7	1.9
<b>DuPont-RoE split</b>					
Net profit margin (%)	13.0	13.3	15.3	15.3	15.6
Total asset turnover (x)	2.7	2.4	2.0	2.0	2.0
Assets/Equity (x)	1.1	1.1	1.2	1.3	1.3
<b>RoE (%)</b>	<b>37.4</b>	<b>36.4</b>	<b>38.8</b>	<b>40.1</b>	<b>40.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	12.8	12.9	15.0	15.0	15.2
IC turnover (x)	5.5	5.0	4.2	4.0	4.4
<b>RoIC (%)</b>	<b>70.1</b>	<b>64.2</b>	<b>62.4</b>	<b>60.3</b>	<b>66.1</b>
<b>Operating metrics</b>					
Core NWC days	(13.2)	(12.0)	(13.4)	(15.1)	(16.4)
<b>Total NWC days</b>	<b>29.7</b>	<b>23.7</b>	<b>23.3</b>	<b>16.1</b>	<b>19.4</b>
Fixed asset turnover	5.7	5.3	4.1	3.6	3.7
Opex-to-revenue (%)	25.1	26.7	29.8	29.4	29.0

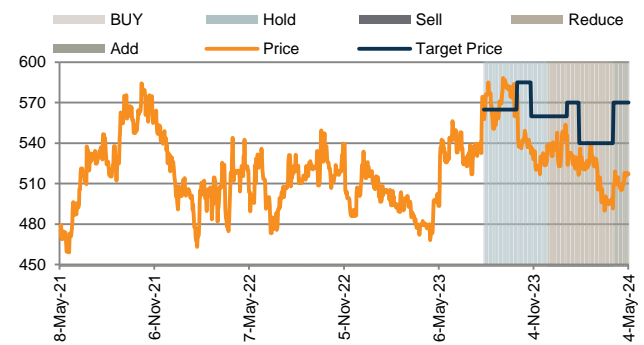
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-Apr-24	509	570	Add	Nitin Gupta
05-Apr-24	510	570	Add	Nitin Gupta
14-Mar-24	506	540	Reduce	Nitin Gupta
30-Jan-24	523	540	Reduce	Nitin Gupta
23-Jan-24	521	570	Reduce	Nitin Gupta
07-Jan-24	546	570	Reduce	Nitin Gupta
12-Dec-23	540	560	Reduce	Nitin Gupta
30-Nov-23	539	560	Reduce	Nitin Gupta
24-Nov-23	524	560	Hold	Nitin Gupta
30-Oct-23	532	560	Hold	Nitin Gupta
20-Oct-23	542	585	Hold	Nitin Gupta
04-Oct-23	571	585	Hold	Nitin Gupta
03-Oct-23	576	585	Hold	Nitin Gupta
28-Aug-23	558	565	Hold	Nitin Gupta
15-Aug-23	568	565	Hold	Nitin Gupta
31-Jul-23	561	565	Hold	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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