



Dabur India Ltd.

Q3FY18 Result Update

“Strong Volume led Domestic growth; IBD remains weak”

Sector: FMCG

CMP: ₹ 356

Recommendation: BUY

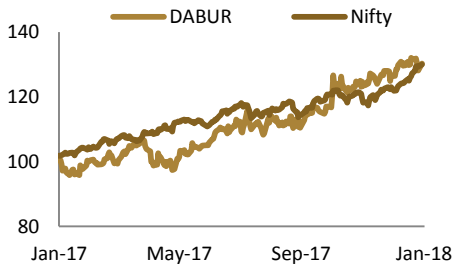
Market statistics

Current stock price (₹)	356
Shares O/S (cr.)	176.2
Mcap (₹ cr)	62,640
52W H/L (₹)	369/263
6m avg. volume	1,193,715
Bloomberg	DABUR IN

Shareholding pattern (%)

Promoters	68.05
Domestic Institution	8.47
Foreign Institution	17.74
Non-institution	5.74
of which more than 1%	
LIC Ltd.	4.25
First state investments	1.24

Dabur vs. Nifty



Capital efficiency & valuations

Particulars	FY17	FY18E	FY19E
ROE (%)	23.2	22.9	23.6
ROCE (%)	28.8	26.8	28.0
P/B(x)	10.4	11.1	9.2
P/E (x)	44.9	48.3	39.1
EPS (₹)	6.4	7.4	9.1
EV/OCF (x)	40.2	38.0	35.1

Dabur reported 6.1% growth in consolidated net sales to ₹19,664mn. However, adjusting to GST rates, sales growth was 12.9%.

India FMCG business (70% of total sales) on like to like basis grew by 17% YoY led by 13% in volumes while the reported growth was 13% YoY. Strong growth in distributor, modern trade & super stockiest channel & rural demand pick up, fueled this growth during the quarter. Hair Care, Oral Care, health supplements, OTC& ethical, Digestives, homecare & skin care on like to like basis showed 16.7%, ~23%, 19.5%, 8.7%, 19.3%, 36% & 14.5% growth YoY. International Biz(27% of total sales) showed 5% CC basis due to adverse currency devaluation in Egypt, Naira & Lira leading to Rs660mn loss.

Gross Margin expanded by 221bps YoY to 51.6%. A&P spend contracted by 14bps and grew by 4.5% YoY. Employee and other expenses moved by 20bps & -36bps YoY. Hence, EBITDA Margin expanded by 250bps YoY to 20.5%. EBITDA grew by 20.8% to ₹ 4,035mn. EBIT Margin for Consumer Care Biz (87% of total sales) & Food Biz (11% of sales) expanded by 13ps & 450bps YoY. Other income de-grew by 20%, hence PAT grew by 13% to ₹3,329mn. Other comprehensive income was at ₹-275mn vs ₹-1,328mn (Q3FY17) that translated into APAT growth of 88.6% to ₹ 3,057mn.

Strong Performance across categories on like to like basis (adjusted to GST rates): Dabur’s domestic showed strong growth of 17% led by 13% growth in volumes. This is led by initiative taken to improve sales in rural region and broad based growth categories. Rural has shown double digit growth during Q3FY18. **Hair care category (18% of domestic sales)** showed 16.7% growth led by strong performance both in coconut & perfumed oils category. They have launched coconut oil product by re-activating “Anmol” brand and aggressive pricing of 30-35% discount to parachute in Q2FY18. **Oral Care (16% of sales) showed robust growth of 23%** led by 26% growth in toothpaste & 6.2% growth in toothpowder. **Health supplements (24% of sales) picked up & showed 19.5% growth** due to strong growth in honey. **Otc & Ethicals posted 8.7%** led by good growth in Lal Tail, Honitus, Ashokarishta & Dashmularishta. **Homecare category showed robust 36% growth** led by strong performance of Odonil & Sanifresh. **Digestives posted growth of 19.3%** led by Hajmola tablets & Pudina Hara. **Skin Care posted growth of 14.5%** led by double digit growth in brands. **Foods** remained flat amid high base of last quarter while shifting of festive season & proliferation of value players also impacted sales in the quarter

International showed growth of 5% on CC basis: International business was muted on reported numbers while on CC basis it grew by 5%. On local currency basis, Egypt, Nigeria, GCC, Pakistan, SAA & Turkey grew by 45.5%, 18%, 20%, 18.0%, 26% & 2.8% respectively. Namaste biz declined severely by 16%YoY. Severe currency de-flation impacted the overall IBD performance. We expect IBD to reflect this CC basis growth from Q4FY18 and expects 10% growth in FY19.

Outlook & Valuation- “Healthy Volume Recovery; Expect Rural to lead the growth”: Dabur’s performance suffered & witnessed volume pressure during Q1FY16 to Q1FY18 amid Patanjali growing presence in Ayurveda space during that time. However volume pick from Q2FY18 is highly encouraging. Dabur’s several initiatives to revive rural growth is fruitful and supporting the volumes. We believe, company’s new launches & product’s rejuvenation strategy is working well & helping them to regain the market share. We expect Dabur would be able to garner 13% growth in FY19E on back of low base on FY18, new launches and demand improvement particularly coming from rural. The stock trades at 48x & 39.0x P/E of FY18E & FY19E EPS, respectively. **We upgrade to BUY**

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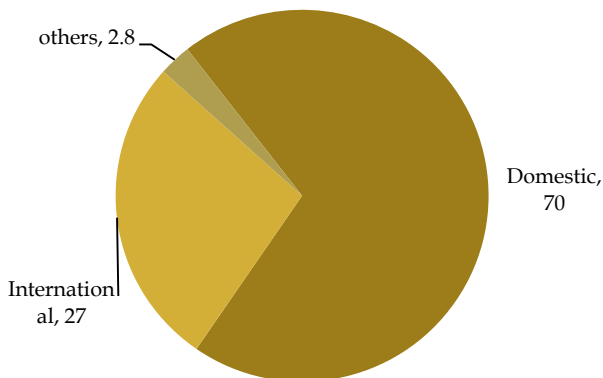


Exhibit 1: Quarterly Performance

Particulars (₹ mn)	Q3FY17	Q2FY18	Q3FY18	YoY Chg (%)
Total Income	18,529	19,589	19,664	6.1%
Total RM	9,383	9,771	9,524	1.5%
Gross Profit	9,146	9,818	10,141	10.9%
Gross Margin (%)	49.4%	50.1%	51.6%	221bps
Employee Expenses	1,892	2,037	2,048	8.3%
% of sales	10.2%	10.4%	10.4%	20bps
Advertising & Publicity	1,772	1,457	1,853	4.6%
% of sales	9.6%	7.4%	9.4%	-14bps
Other Expenses	2,143	2,125	2,205	2.9%
% of sales	11.6%	10.8%	11.2%	-36bps
Total Expenditures	15,190	15,390	15,630	2.9%
EBITDA	3,339	4,199	4,035	20.8%
EBITDA Margin %	18.0%	21.4%	20.5%	250bps
Other Income	831	843	663	-20.1%
Depreciation	333	401	405	21.6%
EBIT	3,837	4,641	4,294	11.9%
EBIT Margin %	20.7%	23.7%	21.8%	113bps
Interest	139	133	132	-5.2%
PBT	3,697	4,508	4,162	12.6%
Total Tax	753	880	833	10.7%
Effective tax rate %	20.4%	19.5%	20.0%	-35bps
PAT before minority	2,945	3,629	3,329	13.0%
Minority Interest After NP	(2)	2	-	-100.0%
Reported PAT	2,947	3,627	3,329	13.0%
Other Comprehensive Income	(1,328)	(36)	(275)	
Adjusted PAT	1,619	3,590	3,054	88.6%
NPM %	8.7%	18.3%	15.5%	679bps

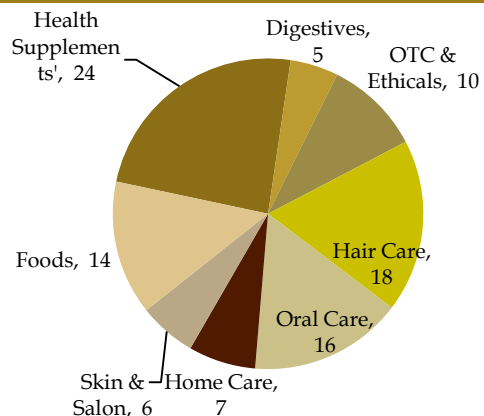
Source: Company, Trust

Exhibit 2: Consolidated Sales Break up



Source: Company, Trust

Exhibit 3: Domestic FMCG business break up



Source: Company, Trust

**Exhibit 4: Segmental Performance**

Segmental Consolidated (' mn)	Q3FY17	Q2FY18	Q3FY18	YoY Chg (%)
Revenues (' mn)				
Consumer Care Business	15,625	16,147	16,969	8.6%
Foods	2,191	2,828	2,107	-3.8%
Retails	355	265	321	-9.7%
Others	305	309	205	-32.8%
Net Revenues	18,477	19,589	19,601	6.1%
EBIT (' mn)				
Consumer Care Business	3,835	4,285	4,187	9.2%
Foods	187	428	275	46.8%
Retails	2	6	16	912.5%
Others	3	10	16	367.6%
Total EBIT	4,027	4,729	4,494	11.6%
Sales Mix (%)				
Consumer Care Business	84.6%	82.4%	86.6%	200bps
Foods	11.9%	14.4%	10.7%	-111bps
Retails	1.9%	1.4%	1.6%	-29bps
Others	1.7%	1.6%	1.0%	-61bps
Total	100%	100%	100%	
EBIT Margin (%)				
Consumer Care Business	24.5%	26.5%	24.7%	13bps
Foods	8.5%	15.1%	13.1%	450bps
Retails	0.5%	2.4%	5.0%	460bps
Others	1.1%	3.1%	7.8%	665bps
Total	21.8%	24.1%	22.9%	113bps
EBIT Margin Mix (%)				
Consumer Care Business	95.2%	90.6%	93.2%	-206bps
Foods	4.7%	9.0%	6.1%	147bps
Retails	0.0%	0.1%	0.4%	32bps
Others	0.1%	0.2%	0.4%	27bps
Total	100%	100%	100%	

Source: Company, Trust



Financials – Consolidated

P&L Statement

Y/E Mar (' mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenues	78,272	78,687	77,014	77,779	88,540
% Growth	10.6	0.5	(2.1)	1.0	13.8
Raw Material	37,201	38,496	38,432	38,959	43,367
Staff	6,227	7,698	7,657	7,865	8,341
Other Expenses	21,680	17,312	15,836	15,261	17,847
Total Expenditures	65,108	63,505	61,925	62,085	69,555
EBITDA	13,164	15,182	15,090	15,693	18,985
% Growth	13.6	15.3	(0.6)	4.0	21.0
EBITDA Margins (%)	16.8	19.3	19.6	20.2	21.4
Other Income	1,581	2,172	2,984	3,369	4,069
Interest	401	485	540	566	546
Depreciation	1,150	1,332	1,429	1,556	1,674
Profit Before Tax	13,194	15,537	16,104	16,940	20,834
Provision for tax	2,509	2,999	3,303	3,388	4,167
Effective tax rate (%)	19.0	19.3	20.5	20.0	20.0
Reported PAT	10,658	12,511	12,770	13,553	16,640
% Growth	16.7	17.4	2.1	6.1	22.8
Adjusted Net Profit	10,658	11,999	11,267	12,990	16,018
% Growth	16.6	12.6	(6.1)	15.3	23.3

Balance Sheet

Y/E Mar (' mn)	FY15	FY16	FY17	FY18E	FY19E
Equity capital	1,757	1,759	1,762	1,762	1,762
Reserves & surplus	31,458	39,947	46,712	54,933	66,181
Shareholders' funds	33,215	41,706	48,474	56,694	67,942
Minorities interests	182	217	248	246	273
Total Debt	7,395	7,971	9,153	8,447	8,147
Capital Employed	40,791	49,894	57,874	65,387	76,361
Net fixed assets	17,111	17,728	20,005	20,748	21,474
Cash & Cash Eq.	3,097	2,489	3,389	5,207	7,321
Net other Current Assets	1,635	3,629	2,012	964	2,099
Investments	19,286	26,433	32,525	38,525	45,525
Net Deferred Tax Assets	(749)	(882)	(1,080)	(1,080)	(1,080)
Total assets	40,791	49,894	57,874	65,387	76,361

**Cash Flow**

Cash Flow Statement (` mn)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	13,194	15,538	16,104	16,940	20,834
Depreciation	1,150	1,332	1,429	1,556	1,674
Total tax paid	(2,295)	(2,805)	(3,221)	(3,388)	(4,167)
Chg in working capital	(1,168)	(752)	872	1,048	(1,134)
Other operating activities	(408)	(1,841)	(3,266)	(563)	(622)
Cash flow from oper. (a)	10,472	11,472	11,918	15,593	16,584
Capital expenditure	(2,511)	(1,892)	(4,858)	(2,300)	(2,400)
Chg in investments	(7,211)	(6,883)	(5,111)	(6,000)	(7,000)
Other investing activities	960	1,471	1,800	-	-
Cash flow from inv. (b)	(8,762)	(7,303)	(8,169)	(8,300)	(9,400)
Free cash flow (a+b)	1,710	4,169	3,749	7,293	7,184
Equity raised/(repaid)	455	172	149	(0)	0
Debt raised/(repaid)	254	715	1,682	(706)	(300)
Chg in Minorities int.	-	-	-	-	-
Dividend (incl. tax)	(3,948)	(4,233)	(4,770)	(4,770)	(4,770)
Other financing activities	(929)	-	-	-	-
Cash flow from fin. (c)	(4,168)	(3,346)	(2,940)	(5,476)	(5,070)
Net chg in cash (a+b+c)	(2,458)	823	809	1,817	2,114

Key Ratios

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
Raw Material Cost/Sales (%)	47.6	49.0	49.9	50.1	49.0
Manpower Cost/Sales (%)	8.0	9.8	9.9	10.1	9.4
Operating & Other Cost/Sales (%)	27.7	22.0	20.5	19.6	20.2
Revenue Growth (%)	10.6	0.5	(2.1)	1.0	13.8
EBITDA Margins (%)	16.8	19.3	19.6	20.2	21.4
Net Income Margins (%)	13.6	15.2	14.6	16.7	18.1
ROCE (%)	33.3	32.1	28.8	26.8	28.0
ROE (%)	32.1	28.8	23.2	22.9	23.6

Valuation Parameters

Y/E Mar	FY15	FY16	FY17	FY18E	FY19E
EPS (`)	6.1	6.8	6.4	7.4	9.1
P/E (x)	41.2	35.6	44.9	48.3	39.1
BV (`)	18.9	23.7	27.5	32.2	38.6
P/BV (x)	13.2	10.2	10.4	11.1	9.2
EV/EBITDA (x)	32.2	26.8	31.7	37.7	30.7
Fixed assets turnover ratio (x)	7.2	5.8	4.8	4.7	5.1
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.0
EV/Sales (x)	5.4	5.2	6.2	7.6	6.6

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