



# Dabur India Ltd.

## Q4FY18 Result Update

“Strong volume growth delivery except foods”

Sector: FMCG

CMP: ₹ 370

Recommendation: BUY

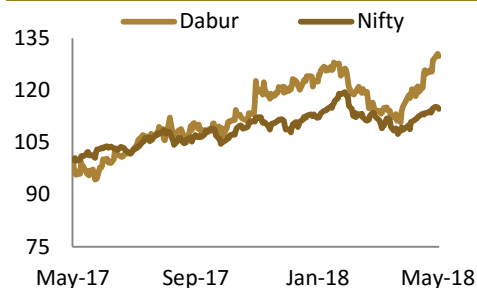
### Market statistics

Current stock price (₹)	370
Shares O/S (cr.)	176.2
Mcap (₹ cr)	65,159
52W H/L (₹)	383/265
6m avg. volume	1,533,347
Bloomberg	DABUR IN

### Shareholding pattern (%)

Promoters	68.07
Domestic Institution	8.54
Foreign Institution	17.21
Non-institution	6.18
of which more than 1%	

### Dabur vs. Nifty



### Capital efficiency & valuations

Particulars	FY18	FY19E	FY20E
ROE (%)	23.7	22.6	21.3
ROCE (%)	26.7	26.6	25.4
P/B(x)	10.9	9.2	8.1
P/E (x)	46.2	40.9	38.2
EPS (₹)	7.7	8.7	9.7
EV/OCF (x)	27.5	53.7	33.0

Dabur reported 6.2% growth in consolidated net sales to Rs20.3b riding on strong growth across its key business categories and geographies. India FMCG business (70.1% of Consolidated sales) on like to like basis grew by 10% YoY led by 7.7% in volumes. The Shampoo business ended 4Q with strong value growth of ~31%. Dabur's Honey sales continued to report strong gains, depicting 24% YoY growth, driving the Health Supplements category growth to 14% in this quarter. The Toothpaste sales grew 14% YoY, led by the Dabur Red franchise, which grew by 20%. Health Care category posted an over 11% growth during 4QFY18, while the Hair Oils business, riding on strong demand for both Coconut Oils and Perfumed Oils, reported ~9% growth.

Gross Margin expanded by 167bps YoY to 50.7%. A&P spend contracted by 24bps YoY and grew by just 2% YoY. Employee and other expenses contracted by 15bps & +1bps YoY. Hence, EBITDA Margin expanded by 206bps YoY to 23.9%. EBITDA grew by 16.2% to Rs4.9b. EBIT Margin for Consumer Care business (83% of total sales) & Food business (14% of sales) expanded by 123bps & 364bps YoY to 25.6% & 18.9% respectively.

**Strong Performance across categories except foods:** Hair care posted growth of 11.6% driven by 31% growth in shampoos. Growth in shampoos was aided by re-staging of *Vatika* shampoo, focused marketing initiatives and improving bottle saliency. Toothpaste grew 14%, driven by 20% growth in the Dabur Red franchise. Both Dabur Red and *Meswak* have reported market share gains, whereas performance of *Babool* has been under some pressure. Home care reported a growth of 1.6%. Lower incidence of mosquito breeding impacted the performance of *Odomos*. Skin care grew 8.5% driven by *Gulabari* and facial kits. Health supplements grew 14% driven by 24% growth in honey. Chyawanprash also grew in double digits. Price corrections and marketing initiatives in honey have helped ward off competition from Patanjali. OTC and Ethicals grew 9% driven by good growth in *Honitus*, *Ashokarishta*, *Dashmularishta* *Asavs* and the classical portfolio in ethicals. Digestives grew 7% driven by strong performance of *Hajmola* tablets. Foods grew just 2%. Increased promotional activities in the juices & nectar segment by new players impacted performance of the beverages segment. However, management believes that in a low-margin category such as beverages, such initiatives are not sustainable, and it is confident of reviving growth in this segment.

**Strong show by International business:** International business grew 17% in constant currency terms, driven by strong growth in Saudi Arabia, other GCC countries, Pakistan, Egypt at Sub Saharan Africa. Shutdown in Yemen and Algeria led to loss of sales in the North African region. Namaste's US business reported a muted performance due to category issues. A change in the distribution structure in Saudi Arabia, an uptrend in the oil economy and a stable currency environment in Dabur's international markets have been key drivers of the improved international performance. In addition to this trend continuing, management expects Namaste business to turn around after a year of lacklustre performance.

**Expect Rural India to lead the growth recovery on better monsoon:** Rural growth for Dabur at 12.6% has been trending ahead of urban growth, which came at 9.2% in 4Q. Dabur is also planning to augment its direct-distribution reach, from 1.025m outlets currently to 1.2m outlets over next two years. Volume growth in the past few quarters has been mostly driven by Dabur's own initiatives in terms of distribution, rather than a broad-based demand recovery. Going forward, management believes that pick-up in demand, especially in rural, would be key to achieve 8-10% volume growth for Dabur. A favourable monsoon and government stimulus in 2HFY19 as India approach the general elections would be key factors driving such a pick-up. The stock trades at 41x & 38x P/E of FY19E & FY20E EPS respectively. **Maintain BUY.**

Analyst

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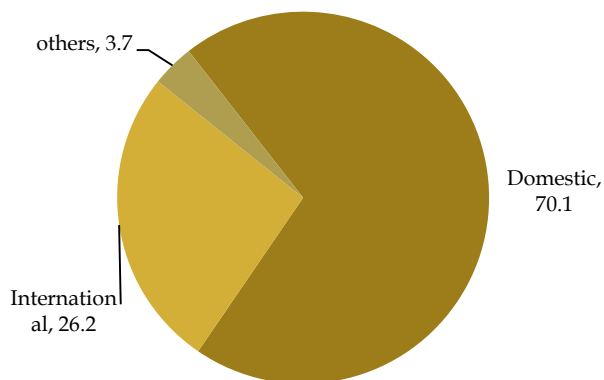


**Exhibit 1: Quarterly Performance**

Particulars (₹mn)	Q4FY17	Q3FY18	Q4FY18	YoY Chg (%)
<b>Total Income</b>	<b>19,147</b>	<b>19,664</b>	<b>20,329</b>	<b>6.2%</b>
Total RM	9,762	9,524	10,024	2.7%
Gross Profit	9,385	10,141	10,305	9.8%
Gross Margin (%)	49.0%	51.6%	50.7%	167bps
Employee Expenses	1,731	2,048	1,807	4.4%
% of sales	9.0%	10.4%	8.9%	-15bps
Advertising & Publicity	1,230	1,853	1,256	2.1%
% of sales	6.4%	9.4%	6.2%	-24bps
Other Expenses	2,249	2,205	2,390	6.3%
% of sales	11.7%	11.2%	11.8%	1bps
Total Expenditures	14,971	15,630	15,477	3.4%
<b>EBITDA</b>	<b>4,176</b>	<b>4,035</b>	<b>4,852</b>	<b>16.2%</b>
EBITDA Margin %	21.8%	20.5%	23.9%	206bps
Other Income	650	663	732	12.6%
Depreciation	395	405	426	7.7%
EBIT	4,431	4,294	5,158	16.4%
EBIT Margin %	23.1%	21.8%	25.4%	223bps
Interest	117	132	132	13.6%
<b>PBT</b>	<b>4,314</b>	<b>4,162</b>	<b>5,026</b>	<b>16.5%</b>
Total Tax	977	833	1,052	7.7%
Effective tax rate %	22.6%	20.0%	20.0%	-264bps
PAT before minority	3,337	3,329	3,974	19.1%
Minority Interest After NP	6	(2)	2	-71.0%
<b>Reported PAT</b>	<b>3,331</b>	<b>3,330</b>	<b>3,972</b>	<b>19.2%</b>
Other Comprehensive Income	(255)	(275)	55	
<b>Adjusted PAT</b>	<b>3,076</b>	<b>3,056</b>	<b>4,027</b>	<b>30.9%</b>
NPM %	16.1%	15.5%	19.8%	374bps

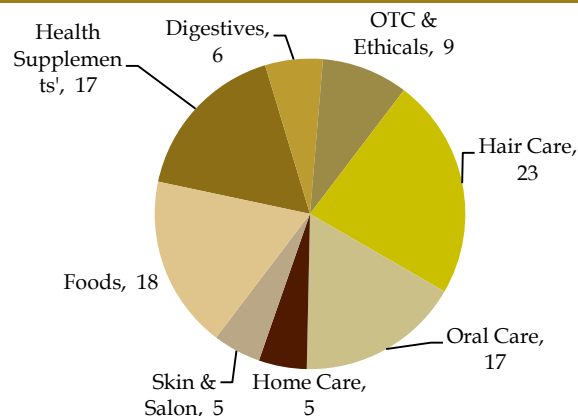
Source: Company, Trust

**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)	Q4FY17	Q3FY18	Q4FY18	YoY Chg (%)
<b>Revenues (₹mn)</b>				
Consumer Care Business	15,508	16,969	16,774	8.2%
Foods	2,980	2,107	2,934	-1.5%
Retails	308	321	279	-9.3%
Others	294	205	248	-15.4%
<b>Net Revenues</b>	<b>19,090</b>	<b>19,601</b>	<b>20,236</b>	<b>6.0%</b>
<b>EBIT (₹ mn)</b>				
Consumer Care Business	3,772	4,187	4,287	13.7%
Foods	454	275	554	22.0%
Retails	2	16	4	147.1%
Others	10	16	17	72.7%
<b>Total EBIT</b>	<b>4,238</b>	<b>4,494</b>	<b>4,862</b>	<b>14.7%</b>
<b>Sales Mix (%)</b>				
Consumer Care Business	81.2%	86.6%	82.9%	166bps
Foods	15.6%	10.7%	14.5%	-111bps
Retails	1.6%	1.6%	1.4%	-23bps
Others	1.5%	1.0%	1.2%	-31bps
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>EBIT Margin (%)</b>				
Consumer Care Business	24.3%	24.7%	25.6%	123bps
Foods	15.2%	13.1%	18.9%	364bps
Retails	0.6%	5.0%	1.5%	95bps
Others	3.4%	7.8%	6.9%	351bps
<b>Total</b>	<b>22.2%</b>	<b>22.9%</b>	<b>24.0%</b>	<b>183bps</b>
<b>EBIT Margin Mix (%)</b>				
Consumer Care Business	89.0%	93.2%	88.2%	-84bps
Foods	10.7%	6.1%	11.4%	67bps
Retails	0.0%	0.4%	0.1%	5bps
Others	0.2%	0.4%	0.4%	12bps
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

Source: Company, Trust



## Financials – Consolidated

### P&L Statement

Y/E Mar (₹mn)	FY16	FY17	FY18	FY19E	FY20E
<b>Net Revenues</b>	<b>78,687</b>	<b>77,014</b>	<b>77,483</b>	<b>85,750</b>	<b>96,925</b>
% Growth	0.5	(2.1)	0.6	10.7	13.0
Raw Material	38,496	38,432	38,464	41,993	47,468
Staff	7,698	7,657	7,928	8,341	8,925
Other Expenses	17,312	15,836	14,917	17,532	20,384
Total Expenditures	63,505	61,925	61,309	67,867	76,777
<b>EBITDA</b>	<b>15,182</b>	<b>15,090</b>	<b>16,174</b>	<b>17,883</b>	<b>20,148</b>
% Growth	15.3	(0.6)	7.2	10.6	12.7
EBITDA Margins (%)	19.3	19.6	20.9	20.9	20.8
Other Income	2,172	2,984	3,052	4,069	4,069
Interest	485	540	531	546	526
Depreciation	1,332	1,429	1,622	1,674	1,792
Profit Before Tax	15,537	16,104	17,074	19,732	21,899
Provision for tax	2,999	3,303	3,354	3,946	4,380
Effective tax rate (%)	19.3	20.5	19.6	20.0	20.0
<b>Reported PAT</b>	<b>12,511</b>	<b>12,770</b>	<b>13,718</b>	<b>15,759</b>	<b>17,491</b>
% Growth	17.4	2.1	7.4	14.9	11.0
<b>Adjusted Net Profit</b>	<b>11,999</b>	<b>11,267</b>	<b>13,573</b>	<b>15,319</b>	<b>17,051</b>
% Growth	12.6	(6.1)	20.5	12.9	11.3

### Balance Sheet

Y/E Mar (₹ mn)	FY16	FY17	FY18	FY19E	FY20E
Equity capital	1,759	1,762	1,762	1,762	1,762
Reserves & surplus	39,947	46,712	55,304	65,739	77,841
<b>Shareholders' funds</b>	<b>41,706</b>	<b>48,474</b>	<b>57,065</b>	<b>67,500</b>	<b>79,602</b>
Minorities interests	217	248	265	292	320
Total Debt	7,971	9,153	8,331	8,147	7,847
<b>Capital Employed</b>	<b>49,894</b>	<b>57,874</b>	<b>65,661</b>	<b>75,939</b>	<b>87,769</b>
Net fixed assets	17,728	20,005	24,043	23,210	24,895
Cash & Cash Eq.	2,489	3,389	3,343	10,546	17,884
Net other Current Assets	3,629	2,012	291	2,199	3,006
Investments	26,433	32,525	38,052	40,052	42,052
Net Deferred Tax Assets	(882)	(1,080)	(1,091)	(1,091)	(1,091)
<b>Total assets</b>	<b>49,894</b>	<b>57,874</b>	<b>65,661</b>	<b>75,939</b>	<b>87,769</b>

**Cash Flow**

Cash Flow Statement (₹mn)	FY16	FY17	FY18E	FY19E	FY20E
Pre-tax profit	15,538	16,104	17,074	19,590	21,676
Depreciation	1,332	1,429	1,622	1,817	2,015
Total tax paid	(2,805)	(3,221)	(3,354)	(3,918)	(4,335)
Chg in working capital	(752)	872	1,721	(1,907)	(808)
Other operating activities	(1,841)	(3,266)	-	(440)	(440)
<b>Cash flow from oper. (a)</b>	<b>11,472</b>	<b>11,918</b>	<b>17,063</b>	<b>15,141</b>	<b>18,108</b>
Capital expenditure	(1,892)	(4,858)	(5,660)	(984)	(3,700)
Chg in investments	(6,883)	(5,111)	(5,527)	(2,000)	(2,000)
Other investing activities	1,471	1,800	-	-	-
<b>Cash flow from inv. (b)</b>	<b>(7,303)</b>	<b>(8,169)</b>	<b>(11,186)</b>	<b>(2,984)</b>	<b>(5,700)</b>
<b>Free cash flow (a+b)</b>	<b>4,169</b>	<b>3,749</b>	<b>5,877</b>	<b>12,157</b>	<b>12,408</b>
Equity raised/(repaid)	172	149	(211)	0	-
Debt raised/(repaid)	715	1,682	(822)	(184)	(300)
Chg in Minorities int.	-	-	-	-	-
Dividend (incl. tax)	(4,233)	(4,770)	(4,770)	(4,770)	(4,770)
Other financing activities	-	-	-	-	-
<b>Cash flow from fin. (c)</b>	<b>(3,346)</b>	<b>(2,940)</b>	<b>(5,803)</b>	<b>(4,954)</b>	<b>(5,070)</b>
<b>Net chg in cash (a+b+c)</b>	<b>823</b>	<b>809</b>	<b>74</b>	<b>7,203</b>	<b>7,338</b>

**Key Ratios**

Y/E Mar	FY16	FY17	FY18E	FY19E	FY20E
Raw Material Cost/Sales (%)	49.0	49.9	65.5	49.0	49.0
Manpower Cost/Sales (%)	9.8	9.9	10.2	9.7	9.2
Operating & Other Cost/Sales (%)	22.0	20.5	3.4	20.4	21.0
Revenue Growth (%)	0.5	(2.1)	0.6	10.7	13.0
EBITDA Margins (%)	19.3	19.6	20.9	20.9	20.8
Net Income Margins (%)	15.2	14.6	17.5	17.9	17.6
ROCE (%)	32.1	28.8	26.7	26.6	25.4
ROE (%)	28.8	23.2	23.7	22.6	21.3

**Valuation Parameters**

Y/E Mar	FY16	FY17	FY18	FY19E	FY20E
EPS (₹)	6.8	6.4	7.7	8.7	9.7
P/E (x)	35.6	44.9	46.2	40.9	38.2
BV (₹)	23.7	27.5	32.5	38.5	45.5
P/BV (x)	10.2	10.4	10.9	9.2	8.1
EV/EBITDA (x)	26.8	31.7	36.2	32.6	29.6
Fixed assets turnover ratio (x)	5.8	4.8	4.7	5.0	5.4
Net Debt/Equity (x)	0.1	0.1	(0.0)	0.0	(0.0)
EV/Sales (x)	5.2	6.2	7.6	6.8	6.2



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Hold                     15% to -15%

Sell                      Less than -15%

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