

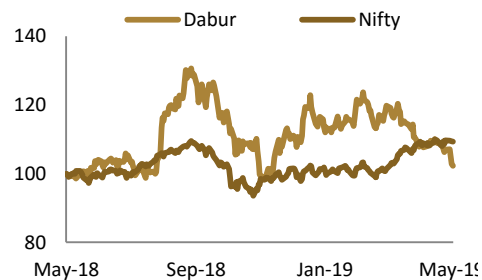
Market statistics

Current stock price (₹)	380
Shares O/S (cr.)	176.6
Mcap (₹ cr)	67,154
52W H/L (₹)	491/359
6m avg. volume	2,821,424
Bloomberg	DABUR IN

Shareholding pattern (%)

Promoters	67.90
Domestic Institution	6.66
Foreign Institution	18.21
Non-institution	7.23
of which more than 1%	
Aditya Birla Capital	1.13

Dabur vs. Nifty



Capital efficiency & valuations

Particulars	FY19	FY20E	FY21E
ROE (%)	21.6	22.6	21.2
ROCE (%)	25.4	26.8	25.5
P/B(x)	10.1	8.7	7.6
P/E (x)	47.0	38.5	35.7
EPS (₹)	8.1	9.9	10.6
EV/OCF (x)	42.8	34.3	30.3

Dabur India (Dabur) reported 7% YoY decline in consolidated net profit to Rs3.7b (lower than est. of Rs4.38b) as slowdown in rural demand led by agrarian stress and prolonged winter season in North India affected Hair care and Foods portfolios. Post strong start to FY19, Dabur reported lowest 4.3% volume growth in 4QFY19 as sentiments across rural India weakened amidst uncertainty ahead of general elections. India FMCG business (72% of Consolidated sales) on like to like basis grew just 6% YoY led by 4.3% volume growth lower than est. of ~7-8%. Gross Margin declined by 94bps YoY to 49.8%. A&P spend declined sharp 22% YoY to Rs978m (down 159bps YoY) while other expenses increased 10% YoY along with employee expenses up 33% YoY partly due to higher ESOP costs which led to EBITDA margin decline of 238bps. EBITDA declined 5.8% YoY to Rs4.57b; lower than est. of Rs5.2b.

Dabur witnessed volatility in volume growth in FY19 however long term triggers for growth such as efforts on increasing market share across categories, rising direct distribution, innovative new product launches to cater premiumisation remains on track. Management indicated demand scenario to improve over next few quarters led by good monsoon and formation of stable Government. Maintain Buy.

Prolonged winter and weak rural sentiments affected foods and Hair Care: HPC business grew just 6.8% YoY led by weak Hair care (2.5% YoY growth in Hair Oils and 3.3% Shampoos & post wash). Growth in shampoos is on a high base of 31.3% growth in 4QFY18 as market share continued to rise in shampoos by 64bps YoY. Market share in hair oil category also increased 70 bps however prolonged winter affected this category. Oral care grew 8.2% led by Red franchise. Dabur Red toothpaste has become Rs5b brand. Home care reported strong growth of 16% driven by *Odonil* and *Sanifresh*. Skin care grew 11% driven by strong double digit growth in *Gulabari*, *Fem* bleaches, and facial kits. Health supplements grew 10% led by strong double digit growth in *Chyawanprash* whose market share improved 400bps. Digestives grew 12% YoY led by *Hajmola* portfolio. OTC and Ethicals grew 17% and 10% YoY respectively driven by led by strong growth across categories. Beverages revenue declined 6.5% due to prolonged winter and competition from milk based portfolio. Dabur gained market share YoY 540bps to 56%; flat QoQ. Masala range beverages received good response and have been extended to pan India GT market. In 4QFY19, employee costs were up 34% YoY to Rs2.4b partly due to higher ESOP costs. Total ESOP cost in FY2019 was Rs774m as compared to Rs35m in FY2018. Dabur management guided flattish ESOP cost in FY20.

International business continues to remain a drag: International business (26% of consolidated revenue) posted 1.9% YoY growth. GCC markets remained under pressure due to consumption slowdown, Middle East facing political headwinds. SAARC grew 8% led by Bangladesh and Myanmar, and Turkey reported strong 40%+ CC growth but was impacted by sharp currency depreciation.

Beneficiary of potential rural stimulus: Dabur has benefited from gradual improvement in both rural and urban India post trade stabilization and expected to deliver strong growth on rural consumption booster during election manifestos as money is expected to flow directly into hands of rural consumers. Rural accounts for ~45% of Dabur’s domestic revenue and Southern India accounts ~16% which is focus area going ahead. Unrelenting focus on brand-building and market expansion coupled with innovative launches has helped Dabur to sustain strong growth in core categories. Dabur is on track to augment its direct-distribution reach to 1.2m outlets over next two years. Stock trades at 35xPER of FY21E EPS however there are significant tailwinds ahead for growth to surprise positively. Maintain **BUY**.

Analyst

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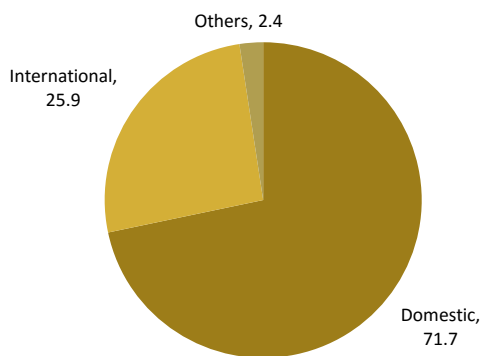


Exhibit 1: Quarterly Performance

Particulars (₹mn)	Q4FY18	Q3FY19	Q4FY19	YoY Chg (%)
Total Income	20,329	21,992	21,282	4.7%
Total RM	10,024	11,153	10,693	6.7%
Gross Profit	10,305	10,839	10,589	2.7%
Gross Margin (%)	50.7%	49.3%	49.8%	-94bps
Employee Expenses	1,807	2,376	2,419	33.8%
% of sales	8.9%	10.8%	11.4%	247bps
Advertising & Publicity	1,256	1,781	978	-22.2%
% of sales	6.2%	8.1%	4.6%	-159bps
Other Expenses	2,390	2,229	2,620	9.6%
% of sales	11.8%	10.1%	12.3%	56bps
Total Expenditures	15,477	17,538	16,710	8.0%
EBITDA	4,852	4,454	4,572	-5.8%
EBITDA Margin %	23.9%	20.3%	21.5%	-238bps
Other Income	732	753	661	-9.8%
Depreciation	426	449	462	8.5%
EBIT	5,158	4,758	4,771	-7.5%
EBIT Margin %	25.4%	21.6%	22.4%	-296bps
Interest	132	167	124	-6.3%
PBT	5,026	4,591	3,893	-22.5%
Total Tax	1,052	924	178	-83.1%
Effective tax rate %	20.9%	20.1%	20.0%	-94bps
PAT before minority	3,974	3,667	3,715	-6.5%
Minority Interest After NP	2	(5)	1	-72.2%
Reported PAT	3,972	3,672	3,715	-6.5%

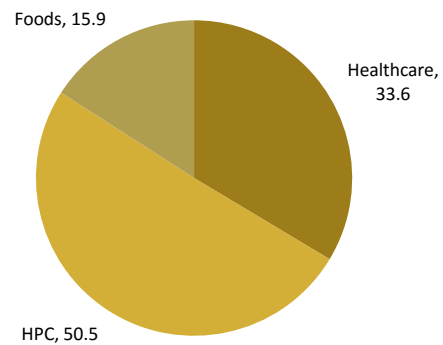
Source: Company, Trust

Exhibit 2: 4QFY19 Consolidated Sales Break up



Source: Company, Trust

Exhibit 3: 4QFY19 Domestic FMCG business break up



Source: Company, Trust

**Exhibit 4: Segmental Performance**

Segmental Consolidated (₹mn)	Q4FY18	Q3FY19	Q4FY19	YoY Chg (%)
Revenues (₹mn)				
Consumer Care Business	16,774	19,116	17,886	6.6%
Foods	2,934	2,266	2,791	-4.9%
Retails	279	342	315	12.8%
Others	248	214	214	-13.7%
Net Revenues	20,236	21,938	21,205	4.8%
EBIT (₹ mn)				
Consumer Care Business	4,287	4,647	4,520	5.4%
Foods	554	296	454	-18.0%
Retails	4	13	9	119.0%
Others	17	17	14	-21.1%
Total EBIT	4,862	4,973	4,997	2.8%
Sales Mix (%)				
Consumer Care Business	82.9%	87.1%	84.3%	145bps
Foods	14.5%	10.3%	13.2%	-134bps
Retails	1.4%	1.6%	1.5%	11bps
Others	1.2%	1.0%	1.0%	-22bps
Total	100%	100%	100%	
EBIT Margin (%)				
Consumer Care Business	25.6%	24.3%	25.3%	-28bps
Foods	18.9%	13.1%	16.3%	-261bps
Retails	1.5%	3.9%	2.9%	142bps
Others	6.9%	8.0%	6.3%	-58bps
Total	24.0%	22.7%	23.6%	-46bps
EBIT Margin Mix (%)				
Consumer Care Business	88.2%	93.4%	90.5%	229bps
Foods	11.4%	6.0%	9.1%	-231bps
Retails	0.1%	0.3%	0.2%	10bps
Others	0.4%	0.3%	0.3%	-8bps
Total	100%	100%	100%	

Source: Company, Trust



Financials – Consolidated

P&L Statement

Y/E Mar (₹mn)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	77,014	77,483	85,331	95,980	1,08,555
% Growth	(2.1)	0.6	10.1	12.5	13.1
Raw Material	38,432	38,464	43,090	47,021	53,184
Staff	7,657	7,928	8,341	8,925	9,550
Other Expenses	15,836	14,917	16,503	19,221	22,343
Total Expenditures	61,925	61,309	67,935	75,168	85,077
EBITDA	15,090	16,174	17,396	20,812	23,477
% Growth	(0.6)	7.2	7.6	19.6	12.8
EBITDA Margins (%)	19.6	20.9	20.4	21.7	21.6
Other Income	2,984	3,052	3,302	4,069	3,233
Interest	540	531	546	526	506
Depreciation	1,429	1,622	1,817	2,015	2,214
Profit Before Tax	16,104	17,074	18,335	22,340	23,992
Provision for tax	3,303	3,354	3,667	4,468	4,798
Effective tax rate (%)	20.5	19.6	20.0	20.0	20.0
Reported PAT	12,770	13,718	14,677	17,844	19,167
% Growth	2.1	7.4	7.0	21.6	7.4
Adjusted Net Profit	11,267	13,573	14,237	17,404	18,727
% Growth	(6.1)	20.5	4.9	22.2	7.6

Balance Sheet

Y/E Mar (₹ mn)	FY17	FY18	FY19	FY20E	FY21E
Equity capital	1,762	1,762	1,762	1,762	1,762
Reserves & surplus	46,712	55,304	64,241	75,284	86,591
Shareholders' funds	48,474	57,065	66,002	77,046	88,352
Minorities interests	248	265	256	284	311
Total Debt	9,153	8,331	8,147	7,847	7,547
Capital Employed	57,874	65,661	74,405	85,176	96,209
Net fixed assets	20,005	24,043	23,210	24,895	26,381
Cash & Cash Eq.	3,389	3,343	9,537	14,965	21,204
Net other Current Assets	2,012	291	1,674	3,032	3,840
Investments	32,525	38,052	40,052	42,352	44,852
Net Deferred Tax Assets	(1,080)	(1,091)	(1,091)	(1,091)	(1,091)
Total assets	57,874	65,661	74,405	85,176	96,209

**Cash Flow**

Cash Flow Statement (₹mn)	FY17	FY18	FY19	FY20E	FY21E
Pre-tax profit	16,104	17,074	18,335	22,340	23,992
Depreciation	1,429	1,622	1,817	2,015	2,214
Chg in working capital	872	1,721	(1,382)	(1,358)	(808)
Other operating activities	(3,266)	-	(440)	(440)	(440)
Cash flow from oper. (a)	11,918	17,063	14,662	18,089	20,159
Capital expenditure	(4,858)	(5,660)	(984)	(3,700)	(3,700)
Chg in investments	(5,111)	(5,527)	(2,000)	(2,300)	(2,500)
Other investing activities	1,800	-	-	-	-
Cash flow from inv. (b)	(8,169)	(11,186)	(2,984)	(6,000)	(6,200)
Free cash flow (a+b)	3,749	5,877	11,678	12,089	13,959
Equity raised/(repaid)	149	10,919	0	0	-
Debt raised/(repaid)	1,682	(822)	(184)	(300)	(300)
Chg in Minorities int.	-	-	-	-	-
Dividend (incl. tax)	(4,770)	(15,901)	(5,300)	(6,360)	(7,420)
Other financing activities	-	-	-	-	-
Cash flow from fin. (c)	(2,940)	(5,803)	(5,484)	(6,660)	(7,720)
Net chg in cash (a+b+c)	809	74	6,193	5,429	6,239

Key Ratios

Y/E Mar	FY17	FY18	FY19	FY20E	FY21E
Raw Material Cost/Sales (%)	49.9	50.2	50.5	49.0	48.8
Manpower Cost/Sales (%)	9.9	10.2	9.8	9.3	8.8
Operating & Other Cost/Sales (%)	20.5	18.7	19.3	20.0	20.8
Revenue Growth (%)	(2.1)	0.6	10.1	12.5	13.1
EBITDA Margins (%)	19.6	20.9	20.4	21.7	21.6
Net Income Margins (%)	14.6	17.5	16.7	18.1	17.3
ROCE (%)	28.8	26.8	25.4	26.8	25.5
ROE (%)	23.2	23.8	21.6	22.6	21.2

Valuation Parameters

Y/E Mar	FY17	FY18	FY19	FY20E	FY21E
EPS (₹)	6.4	7.7	8.1	9.9	10.6
P/E (x)	44.9	48.0	47.0	38.5	35.7
BV (₹)	27.5	32.4	37.5	43.7	50.2
P/BV (x)	10.4	11.4	10.1	8.7	7.6
EV/EBITDA (x)	31.7	38.3	36.1	29.8	26.0
Fixed assets turnover ratio (x)	4.8	3.9	4.5	4.6	4.9
Net Debt/Equity (x)	0.1	0.1	(0.0)	(0.1)	(0.2)
EV/Sales (x)	6.2	8.0	7.4	6.5	5.5



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