

DABUR INDIA LTD.

Industry
Bloomberg
BSE Code
NSE Code

Con. Staples
DABUR IN
500096
DABUR

02 August 2018

RATING	HOLD
CMP	431
Price Target	460
Previous Target	412
Potential Upside	7%

Stock Info

52wk Range H/L	438/297
Mkt Capital (Rs Cr)	76108
Free float (%)	32%
Avg. Vol 1M (,000)	2562
No. of Shares (Crore)	177
Promoters Pledged %	NA

Reported strong numbers led by robust domestic volume growth

Key Highlights

- ☑ Dabur's Q1FY19 result was better than our expectation, sales for this quarter grew by 16% YoY to Rs 2081 cr (Vs our expectation of Rs 2005 cr) while PAT grew by solid 25%YoY to Rs 229 cr.
- ☑ Major positive remained domestic FMCG business volume growth which reported a growth of 21% led by broad based growth. Oral care, Homecare, Hair oil, Healthcare, Digestives, Beverages grew by 17.3%, 17.4%, 18.8%, 23.4%, 21.6% and 26.8% respectively.
- ☑ International business posted a growth of 10.5% in constant currency(cc) terms, which was below than our expectation considering weaker base of previous year of negative 2% YoY. International business growth was driven by GCC, Egypt, Pakistan, Hobby and Namaste which grew by 17%,31%,40%,37% and 1% respectively.

1Q FY19 Result:

Dabur's revenue for this quarter grew 16% YoY to Rs 2081 cr led domestic FMCG business growth of 23.7% on the back of 21% volume growth. International business reported a growth 11.5% and 10.5% in the constant currency (cc) terms. Gross margin improved by 69 bps YoY to 49.6%. EBITDA margin improved by 130 bps, despite increase in ad expenses by 33% YoY to Rs 199 cr on the back of lower COGs, employee and Other expenses by 69,60 and 119 bps respectively. PAT for this quarter grew by robust 25% YoY to Rs 329 cr while Tax provisioning increased by 55 bps to 18% in Q1FY19. PAT margin improved by 106 bps YoY to 15.8%.

View and Valuation

Dabur has reported strong domestic FMCG volume growth of 21%, best among other FMCG players led by broad based growth in all verticals. Oral care, Homecare, Hair oil, Healthcare, Digestives, and Beverages grew by 17.3%, 17.4%, 18.8%, 23.4%, 21.6% and 26.8% respectively. This quarter witnessed come back of Beverages segment and gain in market share in Chyawanprash and Honey. Going forward, we expect strong volume growth for domestic FMCG business to continue led by category tailwind, revival in rural economy and new product launches. We expect stable margin for the company backed by prudent pricing action and improvement in the International business margin. Considering strong volume growth, revival in rural economy, aggressive stance of management with increased ad ex. and better outlook of Namaste, we are positive on Dabur and recommend 'Hold' with the target price of Rs 460(42x FY20e eps).

Key Risks to our rating and target

- ◆ Abrupt increase in the prices of key raw material.
- ◆ Sharp currency movement.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	7869	7701	7748	8885	10198
EBITDA	1518	1509	1617	1855	2269
EBIT	1385	1366	1455	1683	2086
PAT	1251	1277	1342	1550	1930
EPS (Rs)	7	7	8	9	11
EPS growth (%)	17%	2%	6%	14%	24%
ROE (%)	30%	26%	24%	26%	28%
ROCE (%)	28%	24%	22%	26%	28%
BV	24	28	32	33	38
P/B (X)	12	11	11	13	11
P/E (x)	39	43	48	49	39

Research Analyst

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1Q FY 19 Results

Better than expectation

Financials	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	1,790	1,959	1,966	2,033	2,081	16.2%	2.3%	7,701	7,748	0.6%
Other Income	81	84	66	73	74	-9.4%	0.6%	298	305	2.3%
COGS	915	977	952	1,002	1,049	14.7%	4.6%	3,843	3,846	0.1%
Gross Margin	49%	50%	52%	51%	50%	0.7%	-1.1%	50%	50%	0.3%
Employee Cost	203	204	205	181	224	10.1%	24.0%	790	793	0.4%
Adver. & Publi.	150	146	185	126	199	32.6%	58.4%			
Other Expenses	213	212	220	239	223	4.6%	-6.7%	1,560	1,492	-4.4%
EBITDA	309	420	404	485	386	25.0%	-20.4%	1,509	1,617	7.2%
EBITDA Margin	17%	21%	21%	24%	19%	1.3%	-5.3%	20%	21%	1.3%
Depreciation	39	40	40	43	43	9.4%	0.3%	143	162	13.5%
EBIT	270	380	363	443	343	27.3%	-22.4%	1,366	1,455	6.5%
Interest	13	13	13	13	15	12.0%	12.4%	54	53	-1.8%
PBT	338	451	416	503	402	19.0%	-20.0%	1,610	1,707	6.0%
Exceptional	15								15	
Tax	59	88	83	105	72	22.8%	-31.3%	330	335	1.5%
PAT	264	363	333	397	329	24.6%	-17.2%	1,277	1,354	6.0%
PAT Margin	15%	19%	17%	20%	16%	1.1%	-3.7%	17%	17%	0.9%

Strong domestic show led by robust volume growth

Domestic FMCG business volume grew by 21% led by broad based growth in all verticals. Oral care, Homecare, Hair oil, Healthcare, Digestives, and Beverages grew by 17.3%, 17.4%, 18.8%, 23.4%, 21.6% and 26.8% respectively. Beverages business recorded a strong comeback (past few quarters facing tough competition) with the growth of 26.8% on the back of strong double-digit growth in Real and Activ. Higher media spends and tactical promotions helped in gaining some lost ground. The company has also done very well in Honey and Chywanprash segment. Chywanprash and Honey grew by strong double digit and helped Health Supplements to grow by 27.5%. The company has gained market share in Chywanprash and Honey. Its shows company's well-planned execution capability. Going forward, we expect strong volume growth for Dabur considering rural demand revival as company gets ~50% of revenue from rural and expanded distribution reach.

International business growth remained slightly lower

International business grew by 10.5% in cc terms, which was lower our expectation considering weak base, led by growth in GCC, Egypt, Hobby and Namaste by 17%, 31%, 37% and 1% respectively. In Q4FY18, growth from GCC and Egypt were 51% and 38% respectively. Positive for this quarter remained growth from Namaste business which grew by 1%, has shown smart recovery with strong expansion of margins. Past few quarters it was reeling with pressure, management is confident of strong turnaround in Namaste business. Going forward, we expect better growth from International business led by Namaste and MENA business.

Concall Highlights

- ✓ Green shoots are visible in rural demand led by good monsoon and government initiatives. It is much better than expected.
- ✓ Management expects lower double digit volume growth in FY19.
- ✓ International business: International business is expected to do better than previous year led by improvement in MENA and Namaste business. Namaste business is showing strong signs of turnaround with strong margin upsurge.
- ✓ The company will maintain margins going ahead at consolidated level. Concentrate more on sales growth.
- ✓ If input inflation persists, the company may take pricing action in the range of 3-4% in FY19.
- ✓ Dabur has strong product pipeline. It will launch more products in H2FY19.
- ✓ The company has reduced its promotion expenses. Plans higher ad expenses in FY19.
- ✓ Oral care: Dabur Red continues to do well with market share gain. Company plans more offering in value added segment where margins are higher. Dabur Babul declined marginally in Q1FY19 considering higher competitive intensity is discounted segment.

Exhibit: Domestic FMCG Volume Growth

Reported strong domestic FMCG volume growth of 21% led by broad based growth in all verticals.

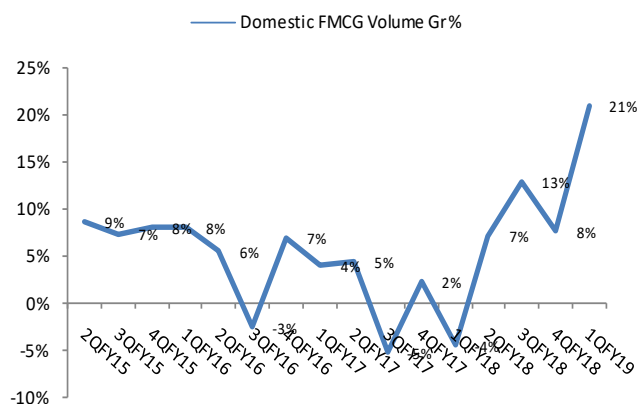


Exhibit: Slightly lower International business

International busin. posted a growth of 10.5% in cc terms, below than our expectation considering weaker base.

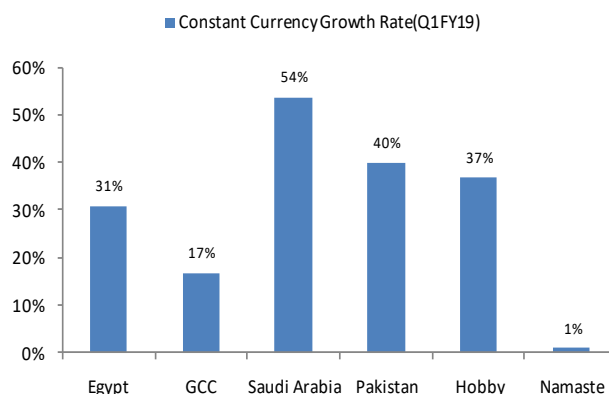


Exhibit: Sales Break up

International Business contributed 30.3% as compared to 31.2% last year.

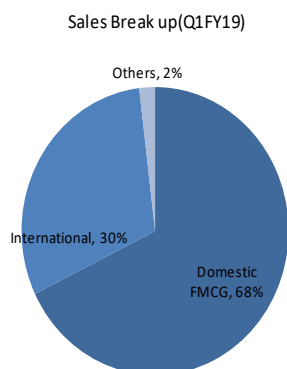


Exhibit: Sales (Rs. Crore) and Sales growth

Sales for this quarter grew by 16% YoY to Rs 2081 cr (Vs our expectation of Rs 2005 cr).

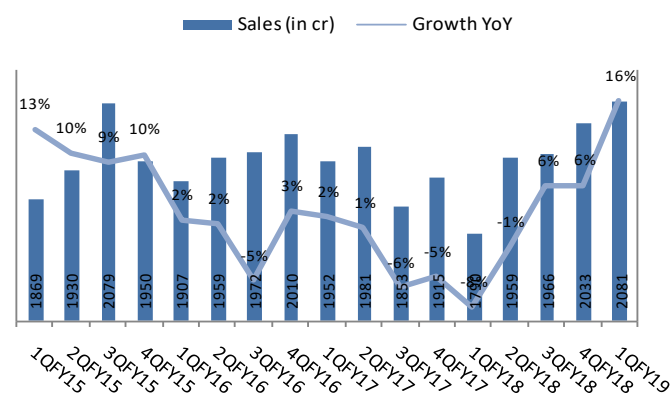


Exhibit: PAT(Rs. Crore) and growth

PAT grew by robust 25% YoY to Rs 329 cr while Tax provisioning increased by 55 bps to 18% in Q1FY19.

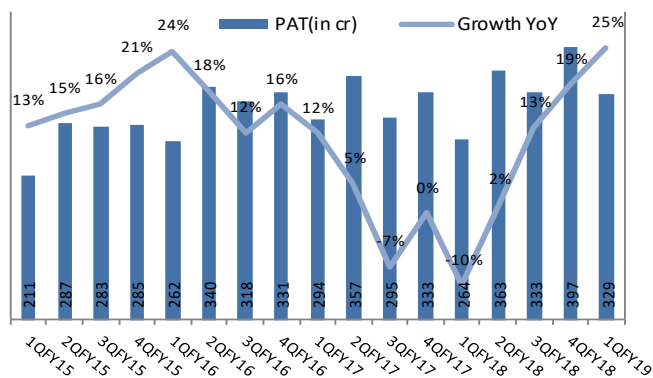
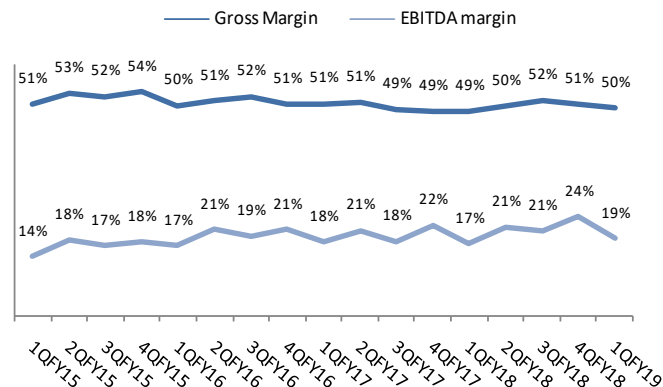


Exhibit: Gross Margin and EBITDA margin

EBITDA margin improved by 130 bps due to lower COGs, employee and Other exp. by 69,60 and 119 bps respectively.



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	174	174	176	176	176	176	176	176
Reserves	1,921	2,482	3,178	3,995	4,671	5,530	5,713	6,601
Networth	2,095	2,656	3,354	4,171	4,847	5,707	5,889	6,777
Debt	1,151	708	734	792	912	829	680	605
Other Non Current Liab	85	86	105	144	165	170	185	200
Total Capital Employed	3,247	3,364	4,088	4,963	5,759	6,535	6,570	7,382
Net Fixed Assets (incl CWIP)	1,674	1,789	1,927	1,773	2,000	2,070	2,175	2,260
Non Current Investments	163	493	1,407	1,881	2,499	3,092	3,092	3,692
Other Non Current Assets	1,856	1,831	1,968	1,836	2,115	2,170	2,255	2,340
Non Current Assets	2,019	2,324	3,376	3,717	4,614	5,262	5,347	6,032
Inventory	844	973	973	1,097	1,107	1,256	1,440	1,653
Debtors	484	675	711	809	650	706	810	929
Cash & Bank	362	519	276	220	305	306	284	365
Other Current Assets	59	42	86	309	280	391	448	515
Current Assets	2,689	2,988	2,731	3,216	3,116	3,440	3,696	4,176
Creditors	717	1,097	1,096	1,330	1,303	1,410	1,617	1,856
Provisions	215	270	256	92	92	107	123	141
Other Current Liabilities	433	479	544	232	175	173	198	228
Curr Liabilities	1,365	1,846	1,896	1,805	1,782	1,970	2,259	2,593
Net Current Assets	1,324	1,142	835	1,411	1,334	1,470	1,437	1,583
Total Assets	4,709	5,312	6,106	6,932	7,731	8,702	9,043	10,207

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	6,169	7,075	7,827	7,869	7,701	7,748	8,885	10,198
Change (%)		15%	11%	1%	-2%	1%	15%	15%
EBITDA	988	1,160	1,316	1,518	1,509	1,617	1,855	2,269
Change (%)		17%	14%	15%	-1%	7%	15%	22%
Margin (%)	16%	16%	17%	19%	20%	21%	21%	22%
Depr & Amor.	85	97	115	133	143	162	172	182
EBIT	903	1,062	1,201	1,385	1,366	1,455	1,683	2,086
Int. & other fin. Cost	59	54	40	48	54	53	50	41
Other Income	109	128	158	217	298	305	307	373
EBT	953	1,136	1,319	1,554	1,610	1,707	1,940	2,419
Exp Item	5	1	-	-	-	15	-	-
Tax	183	219	251	300	330	335	386	486
Minority Int & P/L share of Ass.	2	3	3	3	3	3	3	3
Reported PAT	763	914	1,066	1,251	1,277	1,354	1,550	1,930
Adjusted PAT	760	913	1,066	1,251	1,277	1,342	1,550	1,930
Change (%)		20%	17%	17%	2%	6%	14%	24%
Margin(%)	12%	13%	14%	16%	17%	17%	17%	19%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	36%	34%	32%	30%	26%	24%	26%	28%
ROCE	28%	32%	29%	28%	24%	22%	26%	28%
Asset Turnover	1.3	1.3	1.3	1.1	1.0	0.9	1.0	1.0
Debtor Days	28.6	34.8	33.1	37.5	30.8	33.3	33.3	33.3
Inv Days	50.0	50.2	45.4	50.9	52.5	59.2	59.2	59.2
Payable Days	42.4	56.6	51.1	61.7	61.7	66.4	66.4	66.4
Int Coverage	15	20	30	29	25	27	34	51
P/E	31.3	34.2	32.0	38.7	42.6	48.4	49.0	39.3
Price / Book Value	11.4	11.8	10.2	11.6	11.2	11.5	12.9	11.2
EV/EBITDA	24.4	26.8	25.8	32.0	36.2	40.5	40.9	33.4
FCF per Share	3.7	5.1	4.5	5.7	4.3	5.0	8.7	10.4
Div Yield	1%	1%	1%	0%	1%	1%	2%	1%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	948	1,136	1,319	1,554	1,610	1,693	1,936	2,416
(inc)/Dec in Working Capital	44	82	(118)	(75)	87	(258)	46	(50)
Non Cash Op Exp	84	126	153	132	47	180	172	182
Int Paid (+)	40	33	40	26	31	42	50	41
Tax Paid	(169)	(186)	(230)	(281)	(322)	(325)	(386)	(486)
others	(77)	(92)	(117)	(169)	(216)	(242)	-	-
CF from Op. Activities	870	1,098	1,047	1,187	1,237	1,089	1,818	2,103
(inc)/Dec in FA & CWIP	(224)	(213)	(251)	(189)	(486)	(200)	(278)	(267)
Free Cashflow	646	885	796	998	751	889	1,541	1,835
(Pur)/Sale of Inv	(454)	10	(721)	(688)	(511)	(584)	-	(600)
others	54	95	96	147	180	244	3	3
CF from Inv. Activities	(624)	(107)	(876)	(730)	(817)	(540)	(275)	(864)
inc/(dec) in NW	0	0	46	17	15	-	-	-
inc/(dec) in Debt	83	(443)	25	71	168	(55)	(149)	(75)
Int. Paid	(34)	(34)	(26)	(40)	(45)	(43)	(50)	(41)
Div Paid (inc tax)	(283)	(326)	(462)	(423)	(477)	(477)	(1,367)	(1,042)
others								
CF from Fin. Activities	(234)	(804)	(417)	(374)	(339)	(574)	(1,566)	(1,158)
Inc(Dec) in Cash	12	187	(246)	82	81	(26)	(22)	81
Add: Opening Balance	112	123	313	(47)	35	116	306	284
Closing Balance	125	313	68	35	116	89	284	364

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