

DABUR INDIA LTD.

Industry
Bloomberg
BSE Code
NSE Code

Con. Staples
DABUR IN
500096
DABUR

04 May 2018

RATING	ACCUMULATE
CMP	369
Price Target	400
Previous Target	380
Potential Upside	8%

Stock Info

52wk Range H/L	382/265
Mkt Capital (Rs Cr)	65079
Free float (%)	32%
Avg. Vol 1M (,000)	1645
No. of Shares (Crore)	176
Promoters Pledged %	NA

Key Highlights

- ☑ Dabur's result for Q4FY18 is better than our expectations. Sales for the quarter grew by 6% YoY to Rs 2033 cr(on comparable growth 11%) while PAT has shown a handsome growth of 19% YoY to Rs 397 cr.
- ☑ The company's Domestic FMCG business grew by 10% backed by strong volume growth of 8%. International business continues to turnaround and grew by 17% YoY on the constant currency(CC) terms in Q4FY18 .
- ☑ Gross margin expanded by 167 bps YoY(contractd by 88 bps QoQ) to 50.7% on the back of lower promotional cost and favourable product mix while operating margins improved by 206 bps YoY to 23.9% led by cost efficiencies program and operating leverage.
- ☑ The company has proposed final dividend of Rs 1.25 per share with additional special dividend of Rs 5 per share.

4Q FY18 Result:

Dabur's sales grew by 6% YoY to Rs 2033 cr led strong Domestic FMCG business and International business growth. HPC, Oral care and Hair oil categories posted a growth of 10%,11% and 9% respectively. Positive for the quarter remained growth in Honey which grew by 24%YoY. Beverages acted as dampener and grew by 2% led by higher competitive intensity. EBITDA for the quarter grew by 16% YoY to Rs 485 cr. Gross margin expanded by 167 bps YoY to 50.7% while operating margins improved by 206 bps YoY to 23.9%. Employee and Advertising expenses declined by 15 and 24 bps YoY. International business grew by 17% YoY on the CC terms on the back of recovery in the GCC region. GCC markets witnessed a strong CC growth of 50.7%. The company's PAT grew by 19% YoY to Rs 397 cr in Q4FY18.

View and Valuation

Dabur's result for Q4FY18 is better than our expectations. Sales for the quarter grew by 6% YoY to Rs 2033 cr(comparable growth 11%) while PAT has shown a handsome growth of 19% YoY to Rs 397 cr. Going forward, Considering demand revival from rural economy on account of good monsoon, higher MSP's, government's rural initiatives and better traction from International business led by turnaround in business of GCC countries and EGYPT , we maintain positive view on Dabur. We value it at 40 times of FY20e's expected EPS and recommend ACCUMULATE with the target price of Rs 400.

Key Risks to our rating and target

- ◆ Delay in pricing action by the company.
- ◆ Abrupt increase in the prices of key raw material.
- ◆ Wild currency movement.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	7869	7701	7748	8834	9771
EBITDA	1518	1509	1617	1857	2086
EBIT	1385	1366	1455	1680	1900
PAT	1251	1277	1354	1566	1775
EPS (Rs)	7	7	8	9	10
EPS growth (%)	17%	2%	6%	16%	13%
ROE (%)	30%	26%	24%	26%	26%
ROCE (%)	28%	24%	22%	25%	26%
BV	24	28	32	34	38
P/B (X)	12	11	11	11	10
P/E (x)	39	43	48	42	37

Research Analyst
RAJEEV ANAND
rajeev.anand@narnolia.com

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4Q FY 18 Results

Better than expectation

Financials	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	1,915	1,790	1,959	1,966	2,033	6.2%	3.4%	7,701	7,748	0.6%
Other Income	65	81	84	66	73	12.6%	10.4%	298	305	2.3%
COGS	976	915	977	952	1,002	2.7%	5.3%	3,843	3,846	0.1%
Gross Margin	49%	49%	50%	52%	51%	1.7%	-0.9%	50%	50%	0.3%
Employee Cost	173	203	204	205	181	4.4%	-11.8%	790	793	0.4%
Adver. & Publi.	123	150	146	185	126	2.1%	-32.2%			
Other Expenses	225	213	212	220	239	6.3%	8.4%	1,560	1,492	-4.4%
EBITDA	418	309	420	404	485	16.2%	20.2%	1,509	1,617	7.2%
EBITDA Margin	22%	17%	21%	21%	24%	2.1%	3.3%	20%	21%	1.3%
Depreciation	40	39	40	40	43	7.7%	5.3%	143	162	13.5%
EBIT	378	270	380	363	443	17.1%	21.9%	1,366	1,455	6.5%
Interest	12	13	13	13	13	13.6%	0.2%	54	53	-1.8%
PBT	431	338	451	416	503	16.5%	20.7%	1,610	1,707	6.0%
Exceptional		15							15	
Tax	98	59	88	83	105	7.7%	26.3%	330	335	0.0%
PAT	334	264	363	333	397	19.1%	19.3%	1,277	1,354	6.0%
PAT Margin	17%	15%	19%	17%	20%	2.1%	2.6%	17%	17%	0.9%

Category growth is still subdued, Dabur's growth was due to market share gain

Category growth is still subdued. Presently, HPC, oral care and skin care categories are growing at mid single digit. Dabur's growth was driven by market share gain on the back of expansion in distribution reach. Management is optimistic of category growth coming back going forward led by good monsoon and government rural stimulus. It also witnessed some green shoots in the month of march.

Strong growth in the International business remained key positive

International business continues to show signs of recovery. In this quarter, it grew by 17% YoY on the constant currency terms on account of recovery in the GCC region and Egypt. GCC market has shown a strong turn around with constant currency growth of 50.7% led by Saudi Arabia which grew by 82% while Egypt business reported a constant currency growth of 38%. SAARC markets has also performed well with 40% and 19% growth from Pakistan and Nepal respectively. Going forward management is optimistic of double digit growth from International business backed by tailwind of higher crude oil prices .

Strong earnings growth on the back of margins expansion

Gross margin expanded by 167 bps YoY to 50.7% on the back of lower promotional cost and favourable product mix while operating margins improved by 206 bps YoY to 23.9% led by cost efficiencies and operating leverage which led a strong PAT growth for Dabur. Going forwards, management is optimistic of stable margin from domestic business and better margins from International business. The company will use its pricing power to maintain as well improve margin.

Dabur's Q4FY18 Result Concall Update:

- ✓ Tarde channels are stabilizing.
- ✓ Promotional expanses came down heavily in this quarter.
- ✓ Management expects 8-10% growth from domestic business in H1FY19.
- ✓ International business: Management expects double digit growth from International business in FY19 with margin expansion.
- ✓ Domestic business growth came from market share gain. The company witnessed gain in market share in ~75% of the product portfolio.
- ✓ Management is Optimistic of the recovery in Nameste business in times to come.
- ✓ Expects operating margin to improve going forward. Management envisages Stable margin from domestic business while improvement in margin from international business going forwards.
- ✓ The company is open for any acquisition if valuation is reasonable. The company has over Rs 2000 cr worth of cash in its book. Capex for FY19: Rs 250-300 cr.

Exhibit: Domestic FMCG Volume Growth

Dabur's volume grew by 8% in Q4FY18 backed by market share gain in ~75% of the products portfolio.

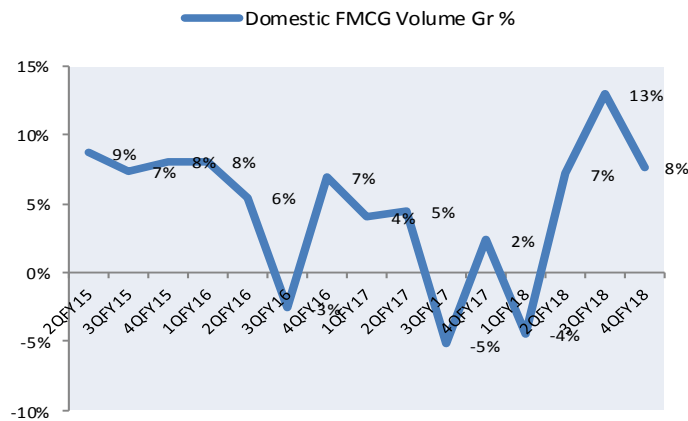


Exhibit: Robust performance from international business

Egypt and GCC business grew by 38% and 51% on CC terms respectively.

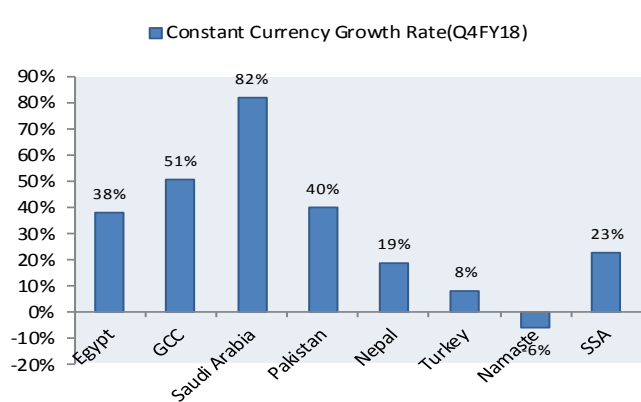


Exhibit: Sales Break up

International Business contributed 26% as compared to 25% last year.

Sales Break up(Q4FY18)

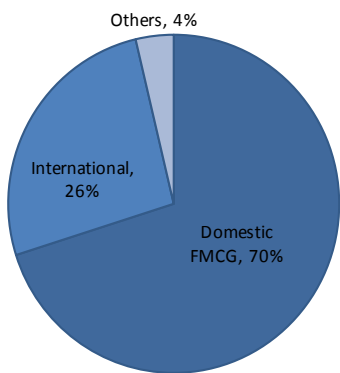


Exhibit: Sales (Rs. Crore) and Sales growth

For last two quarters company is showing better growth of mid-single digits.

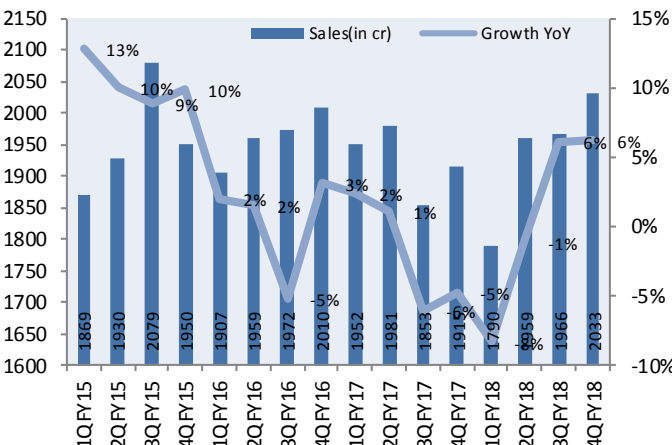


Exhibit: PAT(Rs. Crore) and growth

PAT has shown a handsome growth of 19% YoY to Rs 397 cr.

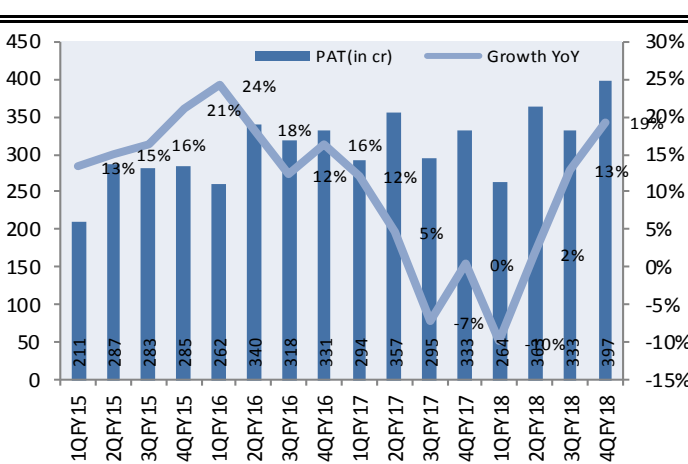
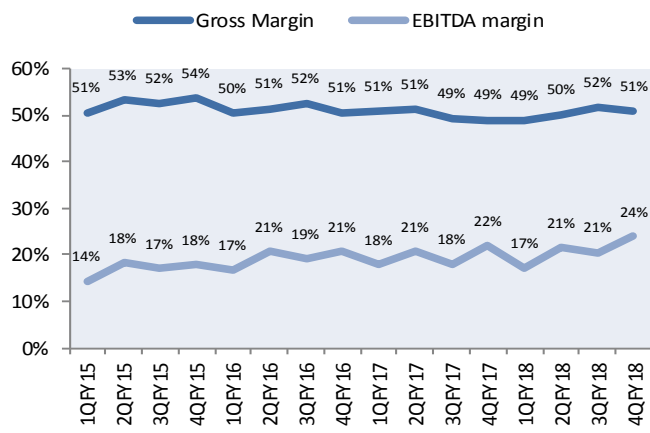


Exhibit: Gross Margin and EBITDA margin

Gross margin expanded by 167 bps YoY to 50.7% while operating margins improved by 206 bps YoY .



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	5,750	6,576
Networth	2,095	2,656	3,354	4,171	4,847	5,707	5,926	6,752
Debt	1,151	708	734	792	912	829	749	674
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	6,675	7,426
Net Fixed Assets (incl CWIP)	1,674	1,789	1,927	1,773	2,000	2,070	2,272	2,347
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	2,352	2,427
Non Current Assets	2,019	2,324	3,376	3,717	4,614	5,262	5,443	6,119
Inventory	844	973	973	1,097	1,107	1,256	1,432	1,584
Debtors	484	675	711	809	650	706	805	890
Cash & Bank	362	519	276	220	305	306	293	334
Other Current Assets	59	42	86	309	280	391	446	493
Current Assets	2,689	2,988	2,731	3,216	3,116	3,440	3,690	4,015
Creditors	717	1,097	1,096	1,330	1,303	1,410	1,608	1,778
Provisions	215	270	256	92	92	107	123	136
Other Current Liabilities	433	479	544	232	175	173	197	218
Curr Liabilities	1,365	1,846	1,896	1,805	1,782	1,970	2,246	2,484
Net Current Assets	1,324	1,142	835	1,411	1,334	1,470	1,444	1,530
Total Assets	4,709	5,312	6,106	6,932	7,731	8,702	9,133	10,133

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	8,834	9,771
Change (%)		15%	11%	1%	-2%	1%	14%	11%
Other Income								
EBITDA	988	1,160	1,316	1,518	1,509	1,617	1,857	2,086
Change (%)		17%	14%	15%	-1%	7%	15%	12%
Margin (%)	16%	16%	17%	19%	20%	21%	21%	21%
Depr & Amor.	85	97	115	133	143	162	177	186
EBIT	903	1,062	1,201	1,385	1,366	1,455	1,680	1,900
Int. & other fin. Cost	59	54	40	48	54	53	49	46
	109	128	158	217	298	305	332	371
EBT	953	1,136	1,319	1,554	1,610	1,707	1,963	2,225
Exp Item	5	1	-	-	-	15	-	-
Tax	183	219	251	300	330	335	395	447
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	1,566	1,775
Adjusted PAT	760	913	1,066	1,251	1,277	1,342	1,566	1,775
Change (%)		20%	17%	17%	2%	5%	17%	13%
Margin(%)	12%	13%	14%	16%	17%	17%	18%	18%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	36%	34%	32%	30%	26%	24%	26%	26%
ROCE	28%	32%	29%	28%	24%	22%	25%	26%
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	35	41
P/E	31.3	34.2	32.0	38.7	42.6	48.4	41.9	36.9
Price / Book Value	11.4	11.8	10.2	11.6	11.2	11.5	11.1	9.7
EV/EBITDA	24.4	26.8	25.8	32.0	36.2	40.5	35.3	31.4
FCF per Share	3.7	5.1	4.5	5.7	4.3	6.7	8.5	9.7
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	1,690	1,960	2,222
(inc)/Dec in Working Capital	44	82	(118)	(75)	87	(158)	82	(29)
Non Cash Op Exp	84	126	153	132	47	162	177	186
Int Paid (+)	40	33	40	26	31	53	49	46
Tax Paid	(169)	(186)	(230)	(281)	(322)	(335)	(395)	(447)
others	(77)	(92)	(117)	(169)	(216)	-	-	-
CF from Op. Activities	870	1,098	1,047	1,187	1,237	1,411	1,873	1,978
(inc)/Dec in FA & CWIP	(224)	(213)	(251)	(189)	(486)	(231)	(379)	(261)
Free Cashflow	646	885	796	998	751	1,180	1,494	1,717
(Pur)/Sale of Inv	(454)	10	(721)	(688)	(511)	(592)	-	(600)
others	54	95	96	147	180	29	3	3
CF from Inv. Activities	(624)	(107)	(876)	(730)	(817)	(795)	(376)	(858)
inc/(dec) in NW	0	0	46	17	15	-	-	-
inc/(dec) in Debt	83	(443)	25	71	168	(83)	(80)	(75)
Int. Paid	(34)	(34)	(26)	(40)	(45)	(53)	(49)	(46)
Div Paid (inc tax)	(283)	(326)	(462)	(423)	(477)	(479)	(1,381)	(958)
others								
CF from Fin. Activities	(234)	(804)	(417)	(374)	(339)	(615)	(1,510)	(1,079)
Inc(Dec) in Cash	12	187	(246)	82	81	1	(13)	40
Add: Opening Balance	112	123	313	(47)	35	305	306	293
Closing Balance	125	313	68	35	116	306	293	334



Narnolia Securities Ltd

201 | 2nd Floor | Marble Arch Building | 236B-AJC Bose
Road | Kolkata-700 020 , Ph : 033-40501500

email: narnolia@narnolia.com,
website : www.narnolia.com

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