

Industry
Bloomberg
BSE CODE

Consum. Staples
DABUR IN
500096

RATING	NEUTRAL
CMP	481
Price Target	472
Potential Upside	-2%

Rating Change	↓
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	484/357
Mkt Capital (Rs Cr)	85,084
Free float (%)	32%
Avg. Vol 1M (,000)	1704
No. of Shares (Crs)	177
Promoters Pledged %	NA

RESEARCH ANALYST

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Numbers below estimates; volume impacted by subdued demand

2QFY20 Result update

- DABUR reported numbers slightly below than our estimates; posted sales growth of 4.1% YoY to Rs 2212 cr (vs. expect. Rs 2301 cr), soften on account of lower domestic FMCG volume growth of 4.8% YoY (vs. expect. 7%).
- Health care reported growth of 11.1% led by robust growth in glucose and Chyawanprash. HPC business reported 4.3% growth impacted by a sharp slowdown in Hair Oil, oral care and skin care categories. Foods segment reported decline of 5% impacted by subdued growth in juices business due to downtrading.
- International business reported constant currency growth of 3.2% mainly impacted by VCTS implementation in the Nepal(declined by 35% YoY) and infiltration issues in Bangladesh.
- Gross margin improved by 142 bps YoY to 50.8% led by lowered input cost. On QoQ, the margin expanded by 128 bps.
- EBITDA margin expanded to 22.1% up by 92 bps YoY, the expansion was lower in comparison to gross margin on account of increased Advertising expenses by 24 bps and other expenses by 37 bps, although employee expenses reduced by 11 bps.
- Lower provisioning of Taxes (as percentage of PBT) by 8.7% helped PAT to grow by 6.9% to Rs 404 cr although it was impacted by Rs 40 cr of exceptional item and excluding exceptional item the growth was 15.1%. Exceptional item represents provision for impairment in the value of treasury investment due to rating downgrade.

View and Valuation

DABUR had a challenging quarter for domestic business, got impacted by subdued demand. Although favorable input prices led to expansion in margins. The company will continue to drive growth by investing behind its power brands. Going ahead, increased distributions, launches of new products & lower unit packs (LUP) are expected to boost the growth although general demand slowdown to remain overhang. We didn't expect meaningful margin expansion as management will plough back benefits of lower input prices in the business. Currently, we have kept our sales and PAT estimates for FY20and FY21 largely unchanged. We continue to value Dabur at 46 x of FY21's EPS and recommend Neutral (as there is no further upside) with the previous target price of Rs 472.

Key Risks to our rating and target

- Sharp recovery in rural growth.
- Further decline in the input prices.

Conso/Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	7701	7748	8533	9208	10447
EBITDA	1509	1617	1740	1897	2148
EBIT	1366	1455	1563	1685	1928
PAT	1277	1354	1442	1547	1823
EPS (Rs)	7	8	8	9	10
EPS growth (%)	2%	6%	6%	7%	18%
ROE (%)	26%	24%	26%	24%	25%
ROCE (%)	24%	22%	25%	25%	25%
BV	28	32	32	36	41
P/B (X)	11.2	11.5	12.0	13.4	11.8
P/E (x)	42.6	48.4	46.9	55.1	46.6

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2QFY20 Results

Slightly below than our estimates

Conso/Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	2,125	2,199	2,128	2,273	2,212	4.1%	-2.7%	7,748	8,533	10.1%
Other Income	81	75	66	73	82	0.7%	11.6%	305	296	-3.0%
COGS	1,076	1,115	1,069	1,148	1,088	1.2%	-5.2%	3,846	4,309	12.0%
Gross Margin	49%	49%	50%	50%	51%	1.4%	1.3%	50%	50%	-0.9%
Empl. Cost	234	238	242	231	242	3.1%	4.4%	793	938	18.3%
Adv. Expenses	134	178	98	202	144	8.0%	-28.7%	607	608	0.3%
Other Exp.	230	223	262	234	248	7.7%	5.9%	885	938	6.0%
EBITDA	451	445	457	458	490	8.6%	7.0%	1,617	1,740	7.6%
EBITDA Mar.	21%	20%	21%	20%	22%	0.9%	2.0%	21%	20%	-0.5%
Depreciation	43	45	46	53	54	26.4%	3.3%	162	177	9.1%
EBIT	408	401	411	405	435	6.7%	7.5%	1,455	1,563	7.4%
Interest	16	17	12	15	15	-2.1%	-0.1%	53	60	12.3%
PBT	473	459	465	463	502	6.0%	8.4%	1,707	1,799	5.4%
Excep. Item	-	-	75	20	40	-	100.0%	15	75	418.2%
Tax	96	92	18	79	58	-39.5%	-26.8%	335	279	-16.9%
PAT	378	367	371	364	404	6.9%	10.9%	1,354	1,442	6.5%
PAT Margin	18%	17%	17%	16%	18%	0.5%	2.2%	17%	17%	-0.6%

Concall Highlights:

- The company is continuing to launch differentiated value added products in its foods portfolio and also increasing its presence in lower price points.
- A range of Single Herb Churans and nature care comes over with some of the new product initiatives in 2QFY20.
- Company continued to expand its direct reach in both urban and rural India, its direct reach increased to 1.18 million outlets and its village coverage expanded by 3,000 villages with total of ~51,000 villages.
- E-commerce posted a growth of 63% plus and it contributed 2.2%.
- Exceptional selective credit extensions are being given by the company and it has kept credit policy unchanged.
- Babool portfolio still needs to be revived, Mgmt is seeing lot of potential in the brand. So they are in the process of revamping its Babool brand.
- Also, the company is reshaping and revamping its Dabur herbal Toothpaste.
- Fruit Juice business: juice growth is expected to come back again. Currently, there is slowdown in market and consumers are down trading; buying carbonated drinks or milk based with lower price points.
- Rural is trending much ahead of urban for the company. Rural growth is 6% and urban growth is 3%.
- Wholesale contribution to total business is 30%-33%.
- Effective Tax rate: 17.5% for FY20 & FY21 and beyond that it would be ~22% to 24%.
- Volume Guidance: The company is targeting a mid to high single-digit volume growth for the India business.

Exhibit: Domestic FMCG Volume Growth %

Domestic FMCG business volume grew by 4.8%, let down on account of subdued demand & liquidity crunch in market.

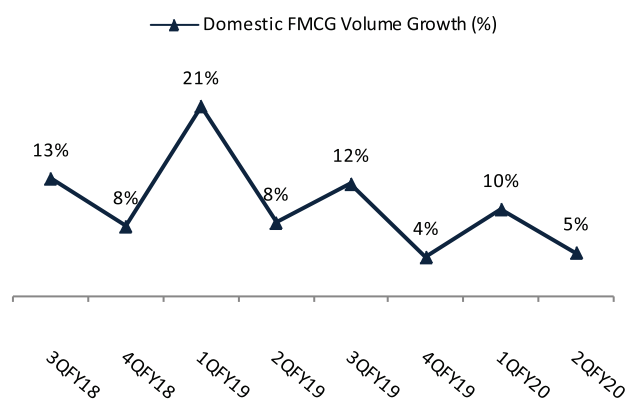


Exhibit: Sales and Sales Growth %

Revenue grew by 4.09%, lowered by low domestic FMCG volume growth.

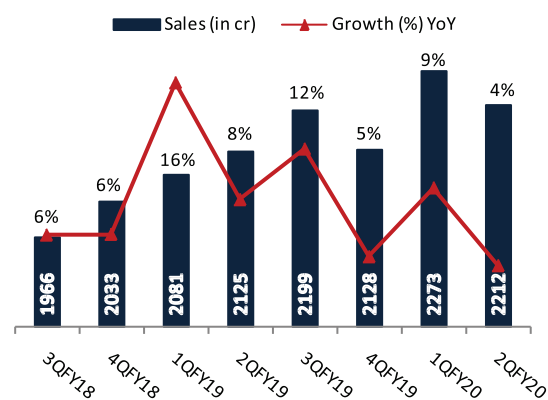


Exhibit: Gross and EBITDA Margin %

GM was up by 142 bps YoY to 50.8% and EM was up by 92 bps to 22.1%.

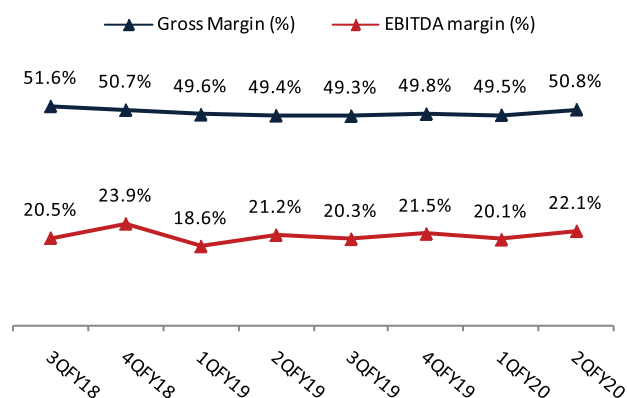


Exhibit: Trend in Expenses %

Ad. expense & other expense were up by 24 bps & 37 bps on YoY basis to 6.5% & 11.2% respectively.

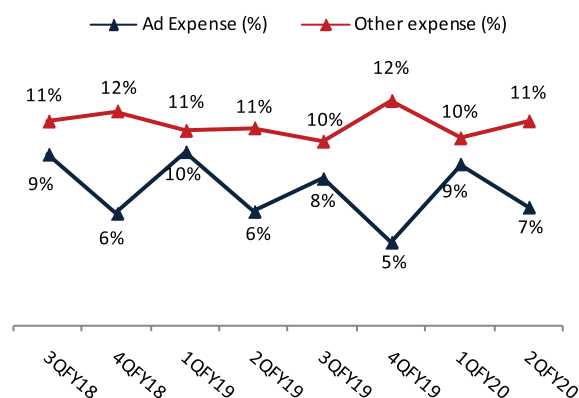
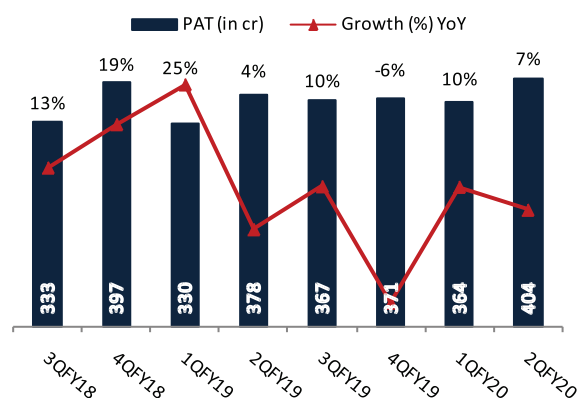


Exhibit: PAT and PAT Growth %

Reported PAT growth of 6.9% and excluding exceptional items the growth was of 15.1%



Financial Details

Balance Sheet

Conso/Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	174	176	176	176	176	177	177	177
Reserves	2,482	3,178	3,995	4,671	5,530	5,455	6,166	7,005
Networth	2,656	3,354	4,171	4,847	5,707	5,632	6,343	7,182
Debt	708	734	792	912	829	524	524	524
Other Non Current Liab	86	105	144	165	170	87	102	117
Total Capital Employed	3,364	4,088	4,963	5,759	6,535	6,156	6,868	7,706
Net Fixed Assets (incl CWIP)	1,789	1,927	1,773	2,000	2,070	2,033	2,213	2,271
Non Current Investments	493	1,407	1,881	2,499	3,092	2,633	3,233	3,833
Other Non Current Assets	1,831	1,968	1,836	2,115	2,170	2,217	2,397	2,456
Non Current Assets	2,324	3,376	3,717	4,614	5,262	4,850	5,630	6,289
Inventory	973	973	1,097	1,107	1,256	1,301	1,403	1,592
Debtors	675	711	809	650	706	834	900	1,021
Cash & Bank	519	276	220	305	306	328	252	401
Other Current Assets	42	86	309	280	391	360	388	440
Current Assets	2,988	2,731	3,216	3,116	3,440	3,586	3,707	4,219
Creditors	1,097	1,096	1,330	1,303	1,410	1,455	1,571	1,782
Provisions	270	256	92	92	107	130	141	159
Other Current Liabilities	479	544	232	175	173	198	214	243
Curr Liabilities	1,846	1,896	1,805	1,782	1,970	2,162	2,333	2,647
Net Current Assets	1,142	835	1,411	1,334	1,470	1,424	1,374	1,572
Total Assets	5,312	6,106	6,932	7,731	8,702	8,437	9,337	10,508

Income Statement

Conso/Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	7,075	7,827	7,869	7,701	7,748	8,533	9,208	10,447
Change (%)	15%	11%	1%	-2%	1%	10%	8%	13%
EBITDA	1,160	1,316	1,518	1,509	1,617	1,740	1,897	2,148
Change (%)	17%	14%	15%	-1%	7%	8%	9%	13%
Margin (%)	16%	17%	19%	20%	21%	20%	21%	21%
Depr & Amor.	97	115	133	143	162	177	212	220
EBIT	1,062	1,201	1,385	1,366	1,455	1,563	1,685	1,928
Int. & other fin. Cost	54	40	48	54	53	60	57	57
Other Income	128	158	217	298	305	296	324	374
EBT	1,136	1,319	1,554	1,610	1,707	1,799	1,952	2,244
Exp Item	1	-	-	-	15	75	60	-
Tax	219	251	300	330	335	279	342	417
Minority Int & P/L share of Ass.	3	3	3	3	3	4	4	4
Reported PAT	914	1,066	1,251	1,277	1,354	1,442	1,547	1,823
Adjusted PAT	915	1,066	1,251	1,277	1,366	1,506	1,596	1,823
Change (%)	20%	17%	17%	2%	6%	7%	7%	18%
Margin(%)	13%	14%	16%	17%	17%	17%	17%	17%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	34%	32%	30%	26%	24%	26%	24%	25%
ROCE	32%	29%	28%	24%	22%	25%	25%	25%
Asset Turnover	1	1	1	1	1	1	1	1
Debtor Days	35	33	38	31	33	36	36	36
Inv Days	50	45	51	52	59	56	56	56
Payable Days	57	51	62	62	66	62	62	62
Int Coverage	20	30	29	25	27	26	29	34
P/E	34	32	39	43	48	47	55	47
Price / Book Value	12	10	12	11	11	12	13	12
EV/EBITDA	27	26	32	36	41	39	45	39
FCF per Share	5	5	6	4	5	7	8	10
Div Yield	1.0%	1.0%	0.0%	0.7%	0.6%	2.4%	0.8%	1.0%

Cash Flow Statement

Conso/Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	1,136	1,319	1,554	1,610	1,693	1,725	1,888	2,240
(inc)/Dec in Working Capital	82	(118)	(75)	87	(258)	(129)	(11)	(33)
Non Cash Op Exp	126	153	132	47	207	342	212	220
Int Paid (+)	33	40	26	31	42	49	57	57
Tax Paid	(186)	(230)	(281)	(322)	(325)	(351)	(342)	(417)
others	(92)	(117)	(169)	(216)	(271)	(252)	-	-
CF from Op. Activities	1,099	1,047	1,187	1,237	1,089	1,499	1,805	2,068
(inc)/Dec in FA & CWIP	(213)	(251)	(189)	(486)	(200)	(225)	(392)	(279)
Free Cashflow	886	796	998	751	889	1,274	1,413	1,789
(Pur)/Sale of Inv	10	(721)	(688)	(511)	(584)	317	(600)	(600)
others	95	96	147	180	244	244	3	3
CF from Inv. Activities	(107)	(876)	(730)	(817)	(540)	337	(989)	(876)
inc/(dec) in NW	0	46	17	15	-	0	-	-
inc/(dec) in Debt	(443)	25	71	168	(55)	(240)	-	-
Int. Paid	(34)	(26)	(40)	(45)	(43)	(52)	(57)	(57)
Div Paid (inc tax)	(326)	(462)	(423)	(477)	(477)	(1,597)	(835)	(985)
others								
CF from Fin. Activities	(804)	(417)	(374)	(339)	(574)	(1,888)	(892)	(1,042)
Inc(Dec) in Cash	191	(245)	82	81	(27)	(51)	(77)	150
Add: Opening Balance	123	313	(47)	35	116	89	328	252
Closing Balance	314	68	35	116	89	38	252	401

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