

*Impressive numbers in tough times; domestic volume growth a positive surprise; MENA market stabilising; Recommend Hold with target price of Rs 446*

Current	Previous
CMP: Rs 420	Rating:
Rating: Hold	Accumulate
Target: Rs 446	Target: Rs 446

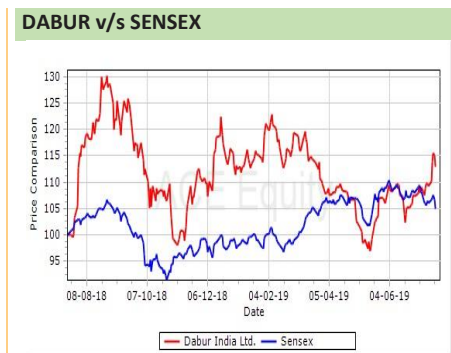
(NR-Not Rated)

Stock Info	
INDEX	
BSE	500096
NSE	DABUR
Bloomberg	DABUR IN
Reuters	DABU.NS
Sector	FMCG
Face Value (Rs)	1
Equity Capital (Rs Cr)	177
Market Cap (Rs Cr)	74,185
52w H/L (Rs)	491 /358
Avg Weekly Vol (BSE+NSE)	18,76,780
Shareholding Pattern	
	%
<b>(As on June, 2019)</b>	
Promoters	67.9
Public & Others	32.1

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
DABUR	4.0	-0.7	12.3
SENSEX	-2.1	5.4	5.5

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

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*Defying current slowdown in consumer demand, Dabur India came out with good set of numbers, beating our estimate on all fronts. Consolidated revenue for the quarter Q1FY20 grew 9.3% YoY to Rs 2273 cr, above our estimate of Rs 2170 cr. Consolidated EBITDA jumped 18.5% YoY to Rs 458 cr beating our estimate of Rs 401 cr, while EBITDA margin expanded +157bps YoY to 20.1% against our estimate of 18.5%. PAT for the quarter witnessed a decent growth of 10.3% YoY to Rs 363 cr above our estimate of Rs 340 cr. Despite subdued consumer sentiment, domestic business of Dabur registered robust volume growth of 9.6% against our expectation of 5% on the back of strong growth in its consumer care business. We remain positive on Dabur from longer-term perspective, and recommend HOLD rating on the stock with target price of Rs 446 (unchanged).*

## Q1FY20 Highlights

- Domestic FMCG grew by 11% YoY led by strong 9.6% YoY volume growth.
- International business grew by 7.7% YoY in constant currency (CC) term.
- Healthcare segment grew by 17.8% YoY on the back of robust growth in health supplements (+19.6%), Digestive (+18.2%), OTC (+13.1%) and Ethicals (+15.9%). Dabur Glucose gained 106 bps market share in Q1 which catapulted health supplement growth to nearly 20%.
- In Digestive, strong performance continued for Pudina Hara and Hajmola.
- OTC posted strong double digit growth on the back of good growth in Shilajit and Badam Tail.
- Home and personal care segment grew by 11.7% YoY to Rs 798 Cr, driven by strong growth in hair oil, oral care and skincare segments.
- Market share in shampoo category increased by ~46 bps to touch 5.3% while the segment grew 10.9% YoY.
- Red Toothpaste Franchise continued its growth momentum growing by 15% with value market share improving by ~40 bps.
- Foods segment growth was muted at 1.5% YoY as beverages reported low growth on account of late onset of summer in North India and heightened activity by milk based beverages manufacturers

## Valuations

At CMP of Rs 420, Dabur is trading at FY20E and FY21E, P/E multiples of 47x and 42.4x respectively. Factoring in strong Q1FY20 results we keep our FY20E/21E estimate unchanged and continue to value the stock at a target P/E of 45x its FY21E earnings, which yields a target price of Rs 446 per share. Due to recent run up in stock price, **we revise our rating to HOLD.**

## Financial Performance

YE March (RsCr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY18	7722	1617	1354	7.7	20.9	23.7	54.6
FY19	8533	1740	1442	8.2	20.4	25.6	51.4
FY20E	9454	1989	1579	8.9	21.0	23.8	47.0
FY21E	10533	2256	1750	9.9	21.4	22.6	42.4

Source: Company, Arihant Research

## Q1FY20 Financial Performance

Rs Cr (consolidated)	Q1FY20	Q4FY19	Q1FY19	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2,273</b>	<b>2,128</b>	<b>2,081</b>	<b>6.8%</b>	<b>9.3%</b>
Material Cost	1,148	1,069	1,049	7.3%	9.5%
Employee cost	231	242	224	-4.3%	3.2%
Other Expenses	437	360	422	21.3%	3.5%
<b>EBITDA</b>	<b>458</b>	<b>457</b>	<b>386</b>	<b>0.1%</b>	<b>18.5%</b>
<i>EBITDA margin %</i>	<i>20.1%</i>	<i>21.5%</i>	<i>18.6%</i>	<i>-135bps</i>	<i>+157bps</i>
Other Income	73	66	74	10.9%	-0.5%
Depreciation	53	46	43	14.1%	23.4%
<b>EBIT</b>	<b>478</b>	<b>477</b>	<b>417</b>	<b>0.2%</b>	<b>14.7%</b>
Finance cost	15	12	15	23.0%	2.5%
Exceptional Item	-20	-75	-	-	-
<b>PBT</b>	<b>443</b>	<b>389</b>	<b>402</b>	<b>13.8%</b>	<b>10.1%</b>
Tax Expense	79	18	72	346.7%	9.7%
<i>Effective tax rate %</i>	<i>17.9%</i>	<i>4.6%</i>	<i>18.0%</i>	<i>+1337bps</i>	<i>-6bps</i>
<b>PAT</b>	<b>363</b>	<b>372</b>	<b>330</b>	<b>-2.2%</b>	<b>10.2%</b>
MI & Associates	-0	-1	-1		
<b>Consolidated PAT</b>	<b>363</b>	<b>370</b>	<b>329</b>	<b>-2.0%</b>	<b>10.3%</b>
<i>PAT margin %</i>	<i>16.0%</i>	<i>17.4%</i>	<i>15.8%</i>	<i>-143bps</i>	<i>+15bps</i>
<b>EPS (Rs)</b>	<b>2.1</b>	<b>2.1</b>	<b>1.9</b>	<b>-2.0%</b>	<b>10.2%</b>

Source: Company, Arianth Research

## Post Result Conference Call Highlights

- April and May saw stable growth, however consumer demand slowed down markedly during June. Slowdown was more pronounced in Northern market, whereas Eastern and Southern market held up quite well.
- Was able to beat slowdown due to strong volume growth of 9.6% in domestic FMCG, which can be attributed to focussed strategy of higher advertising spend on power brands, introduction of low unit price points for products, aggressive marketing and revamp of supply chain infrastructure.
- The company added 4,000 new villages in this quarter thereby increasing its overall distribution reach to ~48,000 villages.
- MENA contribution is nearly 50% in international business and this quarter the MENA market reversed its earlier slowdown and slowly coming back to stabilisation.
- In Turkey market expecting another 3 months of currency devaluation, so headwind will remain for another quarter in Turkey market.
- The liquidity crisis prevailing in the system has started pinching at the stockist level. Sub-stockists are facing difficulty to pay the super stockists due to the liquidity crunch.
- Despite the current slowdown seen in consumer demand, the company is maintaining its guidance of mid to high single digit revenue growth guidance for FY20E and stable margin of around 20-21%.

## Consolidated Financials

## Income Statement (Rs Cr)

Year End-March	FY17	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	7,614	7,722	8,533	9,454	10,533
<i>Change (%)</i>	-2.1%	1.4%	10.5%	10.8%	11.4%
Raw materials	3,755	3,820	4,309	4,786	5,340
<b>Gross Profit</b>	<b>3,858</b>	<b>3,902</b>	<b>4,224</b>	<b>4,668</b>	<b>5,193</b>
Employee costs	790	793	938	1,021	1,147
Other expenses	1,560	1,492	1,547	1,658	1,791
<b>Total Expenses</b>	<b>6,105</b>	<b>6,104</b>	<b>6,793</b>	<b>7,465</b>	<b>8,277</b>
<b>EBITDA</b>	<b>1,509</b>	<b>1,617</b>	<b>1,740</b>	<b>1,989</b>	<b>2,256</b>
Other Income	298	305	296	236	211
Depreciation	143	162	177	187	206
Interest	54	53	60	64	73
<b>PBT</b>	<b>1,610</b>	<b>1,707</b>	<b>1,799</b>	<b>1,974</b>	<b>2,188</b>
Extra-ordinary	0	15	75	0	0
<b>PBT after ext-ord.</b>	<b>1,610</b>	<b>1,693</b>	<b>1,724</b>	<b>1,974</b>	<b>2,188</b>
Tax	330	335	279	395	438
<i>Rate (%)</i>	20.5%	19.8%	16.2%	20.0%	20.0%
<b>PAT</b>	<b>1,280</b>	<b>1,358</b>	<b>1,445</b>	<b>1,579</b>	<b>1,750</b>
<b>MI &amp; Associates</b>	<b>-3</b>	<b>-3</b>	<b>-4</b>	<b>0</b>	<b>0</b>
<b>Consolidated PAT</b>	<b>1,277</b>	<b>1,354</b>	<b>1,442</b>	<b>1,579</b>	<b>1,750</b>
<i>Change (%)</i>	7.8%	6.1%	6.5%	9.5%	10.8%

Source: Company, Aриhant Research

## Balance Sheet (Rs Cr)

Year End-March	FY17	FY18	FY19	FY20E	FY21E
<b>Sources of Funds</b>					
Share Capital	176	176	177	177	177
Reserves & Surplus	4,671	5,530	5,455	6,453	7,582
<b>Net Worth</b>	<b>4,847</b>	<b>5,707</b>	<b>5,632</b>	<b>6,630</b>	<b>7,759</b>
<b>Loan Funds</b>					
MI, Deferred Tax & other liabilities	175	181	59	60	59
<b>Capital Employed</b>	<b>5,933</b>	<b>6,716</b>	<b>6,215</b>	<b>7,485</b>	<b>8,594</b>
<b>Application of Funds</b>					
Gross Block	2,432	2,634	2,828	2,878	2,978
Less: Depreciation	884	1,018	1,195	1,381	1,588
Net Block	1,548	1,617	1,600	1,497	1,390
CWIP	42	42	64	64	64
Other non current assets	513	496	502	502	502
Current tax assets	3	5	2	2	2
<b>Net fixed assets</b>	<b>2,107</b>	<b>2,159</b>	<b>2,168</b>	<b>2,064</b>	<b>1,958</b>
<b>Investments</b>	<b>3,240</b>	<b>3,805</b>	<b>3,392</b>	<b>3,892</b>	<b>4,392</b>
Debtors	650	706	834	1,036	1,154
Inventories	1,107	1,256	1,301	1,554	1,731
Cash & bank balance	305	306	328	685	1,326
Loans & advances & other CA	324	469	415	775	819
<b>Total current assets</b>	<b>2,386</b>	<b>2,738</b>	<b>2,877</b>	<b>4,050</b>	<b>5,031</b>
Current liabilities	1,654	1,822	2,032	2,331	2,597
Provisions	145	164	190	190	190
<b>Net current assets</b>	<b>586</b>	<b>752</b>	<b>655</b>	<b>1,529</b>	<b>2,244</b>
<b>Total Assets</b>	<b>5,933</b>	<b>6,716</b>	<b>6,215</b>	<b>7,485</b>	<b>8,594</b>

Source: Company, Aриhant Research

**Cash Flow Statement (Rs Cr)**

Year End-March	FY17	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>1,610</b>	<b>1,707</b>	<b>1,799</b>	<b>1,974</b>	<b>2,188</b>
Depreciation	143	162	177	187	206
Interest & others	-247	-255	-240	-172	-138
Cash flow before WC changes	1,506	1,614	1,737	1,989	2,256
<b>(Inc)/dec in working capital</b>	<b>150</b>	<b>-161</b>	<b>-8</b>	<b>-517</b>	<b>-74</b>
Operating CF after WC changes	1,656	1,453	1,728	1,472	2,182
Less: Taxes	-330	-335	-279	-395	-438
<b>Operating cash flow</b>	<b>1,326</b>	<b>1,118</b>	<b>1,450</b>	<b>1,078</b>	<b>1,745</b>
(Inc)/dec in F.A + CWIP	-225	-68	-28	-50	-100
(Pur)/sale of investment	-634	-549	410	-500	-500
<b>Cash flow from investing</b>	<b>-859</b>	<b>-617</b>	<b>382</b>	<b>-550</b>	<b>-600</b>
<b>Free cash flow (FCF)</b>	<b>1,101</b>	<b>1,051</b>	<b>1,422</b>	<b>1,028</b>	<b>1,645</b>
Loan raised/(repaid)	119	-82	-305	271	-20
Equity raised	0	0	0	0	0
Interest & others	-775	-882	-1,081	-870	-992
Dividend	-396	-396	-351	-574	-621
<b>Cash flow from financing activities</b>	<b>-4,146</b>	<b>-5,484</b>	<b>-6,826</b>	<b>-6,594</b>	<b>-7,878</b>
<b>Net inc/(dec) in cash</b>	<b>86</b>	<b>1</b>	<b>21</b>	<b>357</b>	<b>641</b>
Opening balance of cash	220	305	306	328	685
Closing balance of cash	305	306	328	685	1,326

Source: Company, Arianth Research

**Key Ratios**

Year End-March	FY17	FY18	FY19	FY20E	FY21E
<b>Per share (Rs)</b>					
EPS	7.2	7.7	8.2	8.9	9.9
CEPS	8.1	8.6	9.2	10.0	11.1
BVPS	27.5	32.4	31.9	37.5	43.9
DPS	2.3	2.3	2.0	3.2	3.5
Payout (%)	31.0%	29.3%	24.3%	36.3%	35.5%
<b>Valuation (x)</b>					
P/E	57.9	54.6	51.4	47.0	42.4
P/CEPS	52.1	48.8	45.8	42.0	37.9
P/BV	15.3	13.0	13.2	11.2	9.6
EV/EBITDA	49.4	46.1	42.8	37.4	32.6
Dividend Yield (%)	0.5%	0.5%	0.5%	0.8%	0.8%
<b>Return ratio (%)</b>					
EBIDTA Margin	19.8%	20.9%	20.4%	21.0%	21.4%
PAT Margin	16.8%	17.5%	16.9%	16.7%	16.6%
ROE	26.3%	23.7%	25.6%	23.8%	22.6%
ROCE	23.0%	21.7%	25.1%	24.1%	23.8%
<b>Leverage Ratio (%)</b>					
Total D/E	0.2	0.1	0.2	0.1	0.1
Net D/E	0.1	0.1	0.0	0.0	-0.1
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.3	1.1	1.4	1.3	1.2
Inventory Days	53	59	56	60	60
Receivable Days	31	33	36	40	40
Payable days	86	94	95	90	90

Source: Company, Arianth Research

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**Stock Rating Scale**

	<b>Absolute Return</b>
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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