

Current	Previous
CMP: Rs 479	CMP: Rs 481
Rating: Hold	Rating : Neutral
Target: Rs 505	Target: Rs 495

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)	84,492
52w H/L (Rs)	506 /357
Avg Weekly Vol (BSE+NSE)	1,395,080

Shareholding Pattern	%
(As on Dec, 2019)	
Promoters	67.9
Public & Others	32.1

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
DABUR	3.8	13.0	11.0
SENSEX	2.2	9.4	15.0

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

Dabur India reported another good quarter with domestic volume growth of 5.6% despite weak consumer sentiment. Consolidated revenue for the quarter grew by 7% YoY/6% QoQ to Rs 2,353 cr. Consolidated EBITDA grew by 11% YoY to Rs 493 cr, while EBITDA margin expanded by 70bps YoY to 20.9%. Profit for the quarter grew by 9% YoY to Rs 398 cr. We remain positive on Dabur from longer-term perspective, and raise our target price to Rs 505 from Rs 495, valuing the stock at 51x FY21E earnings. We change our recommendation to 'Hold' from 'Neutral'.

Q3FY20 Highlights

- India standalone business both in Volume and in Value term grew by 5.6% while international business grew by 12% YoY in constant currency (CC) basis.
- Contribution of domestic FMCG business reduced from 72.2% to 71.1%, while international business contribution increased to 26.1% from 25% last year.
- Healthcare segment continued to grow strongly by 10.7% YoY on the back of robust growth in health supplements (+12.5%), Digestive (+15.9%), OTC (+5.5%) and Ethicals (+2.7%). Dabur's market share in Chyawanprash category increased by ~314 bps, during the quarter.
- Home and personal care segment grew by 3.5% YoY, driven by strong growth in oral care (+8.5%), followed by shampoo & post wash segment (+5.1%) and home care (+2.5%). Hair oil segment was merely up by 0.4% and Skin & Salon segment fell by 0.3%, impacted due to consumption slowdown.
- Market share in toothpastes under oral care segment was increased by ~30 bps while shampoo category increased by ~60bps during Q3FY20.
- Food category growth remained muted at 1.7%.

Valuations

In a midst of economic slowdown and weak consumer sentiment, Dabur India has reported good performance during 9MFY20 coupled with market share gain. We are optimistic about company's future performance owing to its focus on expanding addressable market, Innovative launches and expectation of recovery in rural market. At CMP of Rs 479, Dabur is trading at FY20E and FY21E, P/E multiples of 53.6x and 48.3x respectively. Factoring in good Q3FY20 results we keep our FY20E/21E estimate unchanged, and now value the stock at a target P/E of 51x its FY21E earnings against 50x earlier, which yields a TP of Rs 505. We change our recommendation to 'Hold' from 'Neutral' rating earlier.

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	62.3
FY19	8533	1740	1442	8.2	20.4	25.6	58.7
FY20E	9454	1989	1579	8.9	21.0	23.8	53.6
FY21E	10533	2256	1750	9.9	21.4	22.6	48.3

Source: Company, Arihant Research

Q3FY20 and 9MFY20 Financial Performance

Rs Cr (consolidated)	Q3FY20	Q2FY20	Q3FY19	Q-o-Q	Y-o-Y	9MFY20	9MFY19	Y-o-Y
Net Revenue	2,353	2,212	2,199	6.4%	7.0%	6,838	6,405	6.8%
Material Cost	1,174	1,088	1,115	7.9%	5.3%	3,411	3,240	5.3%
Employee cost	245	242	238	1.3%	3.0%	718	696	3.1%
Other Expenses	441	392	401	12.3%	9.9%	1,270	1,187	7.0%
EBITDA	493	490	445	0.7%	10.7%	1,440	1,282	12.3%
<i>EBITDA margin %</i>	<i>20.9%</i>	<i>22.1%</i>	<i>20.2%</i>	<i>-120bps</i>	<i>+70bps</i>	<i>21.1%</i>	<i>20.0%</i>	<i>+110bps</i>
Other Income	74	82	75	-9.0%	-1.1%	230	230	-0.3%
Depreciation	54	54	45	-0.1%	21.2%	162	131	23.7%
EBIT	513	517	476	-0.7%	7.8%	1,508	1,382	9.1%
Finance cost	10	15	17	-31.2%	-37.2%	41	47	-13.1%
Exceptional Item	-20	-40	-	-	-	-80	-	-
PBT	482	462	459	4.5%	5.1%	1,387	1,335	3.9%
Tax Expense	83	58	92	43.5%	-9.7%	221	261	-15.2%
Effective tax rate %	17.3%	12.6%	20.1%	+470bps	-280bps	15.9%	19.5%	-360bps
PAT	399	403	367	-1.1%	8.8%	1,166	1,074	8.6%
MI & Associates	-1	-0	-1			-2	-2	
Consolidated PAT	398	403	366	-1.3%	8.7%	1,164	1,071.9	8.6%
<i>PAT margin %</i>	<i>16.9%</i>	<i>18.2%</i>	<i>16.6%</i>	<i>-130bps</i>	<i>+30bps</i>	<i>17.0%</i>	<i>16.7%</i>	<i>+30bps</i>
EPS (Rs)	2.3	2.3	2.1	-1.3%	8.6%	6.6	6.1	8.5%

Source: Company, Arianth Research

Post Result Conference Call Highlights

- Rural market grew 400bps above than Urban market.
- Going forward, mid to high single digit growth from International business is sustainable.
- Volume growth expected to remain mid to high single digit from India business in this financial year.
- Operating margin of international business improved due to soft commodity prices and benefit of operating leverage.
- Exceptional item: Rs 20 cr provision was made on account of impairment of treasury investment due to rating downgrade.
- The company expects to maintain margin. The company is covered till the last quarter of current financial year in terms of input prices.
- Management see's slowdown to persist for at least another two quarters. No green shoot is visible in January moth.
- The company is focused towards market share gain and volume improvement.
- The company has direct reach of 1.19 mn outlets currently and it targets to close current year by reaching 1.20 mn outlets.

Consolidated Financials

Income Statement (Rs Cr)

Year End-March	FY17	FY18	FY19	FY20E	FY21E
Revenues	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
Gross Profit	3,858	3,902	4,224	4,668	5,193
Employee costs	790	793	938	1,021	1,147
Other expenses	1,560	1,492	1,547	1,658	1,791
Total Expenses	6,105	6,104	6,793	7,465	8,277
EBITDA	1,509	1,617	1,740	1,989	2,256
Other Income	298	305	296	236	211
Depreciation	143	162	177	187	206
Interest	54	53	60	64	73
PBT	1,610	1,707	1,799	1,974	2,188
Extra-ordinary	0	15	75	0	0
PBT after ext-ord.	1,610	1,693	1,724	1,974	2,188
Tax	330	335	279	395	438
<i>Rate (%)</i>	20.5%	19.8%	16.2%	20.0%	20.0%
PAT	1,280	1,358	1,445	1,579	1,750
MI & Associates	-3	-3	-4	0	0
Consolidated PAT	1,277	1,354	1,442	1,579	1,750
<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
Sources of Funds					
Share Capital	176	176	177	177	177
Reserves & Surplus	4,671	5,530	5,455	6,453	7,582
Net Worth	4,847	5,707	5,632	6,630	7,759
Loan Funds	911	829	524	796	776
MI, Deferred Tax & other liabilities	175	181	59	60	59
Capital Employed	5,933	6,716	6,215	7,485	8,594
Application of Funds					
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
Net fixed assets	2,107	2,159	2,168	2,064	1,958
Investments	3,240	3,805	3,392	3,892	4,392
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
Total current assets	2,386	2,738	2,877	4,050	5,031
Current liabilities	1,654	1,822	2,032	2,331	2,597
Provisions	145	164	190	190	190
Net current assets	586	752	655	1,529	2,244
Total Assets	5,933	6,716	6,215	7,485	8,594

Source: Company, Aриhant Research

Cash Flow Statement (Rs Cr)

Year End-March	FY17	FY18	FY19	FY20E	FY21E
PBT	1,610	1,707	1,799	1,974	2,188
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
(Inc)/dec in working capital	150	-161	-8	-517	-74
Operating CF after WC changes	1,656	1,453	1,728	1,472	2,182
Less: Taxes	-330	-335	-279	-395	-438
Operating cash flow	1,326	1,118	1,450	1,078	1,745
(Inc)/dec in F.A + CWIP	-225	-68	-28	-50	-100
(Pur)/sale of investment	-634	-549	410	-500	-500
Cash flow from investing	-859	-617	382	-550	-600
Free cash flow (FCF)	1,101	1,051	1,422	1,028	1,645
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
Cash flow from financing activities	-4,146	-5,484	-6,826	-6,594	-7,878
Net inc /(dec) in cash	86	1	21	357	641
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
Per share (Rs)					
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%
Valuation (x)					
P/E	66.1	62.3	58.7	53.6	48.3
P/CEPS	59.4	55.6	52.3	47.9	43.2
P/BV	17.4	14.8	15.0	12.8	10.9
EV/EBITDA	56.6	52.7	49.0	42.8	37.4
Dividend Yield (%)	0.5%	0.5%	0.4%	0.7%	0.7%
Return ratio (%)					
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%
Leverage Ratio (%)					
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
Turnover Ratios					
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**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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