

*Stable set of numbers, stress in international operations impacted bottomline, maintain Accumulate with a revised Target Price of Rs 446*

<b>Current</b>	<b>Previous</b>
<b>CMP: Rs 380</b>	
<b>Rating: Accumulate</b>	<b>Rating: Accumulate</b>
<b>Target: Rs 446</b>	<b>Target: Rs 491</b>

(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)	67,119
52w H/L (Rs)	491 /363
Avg Weekly Vol (BSE+NSE)	11,64,490
Shareholding Pattern	
	%
<b>(As on March, 2019)</b>	
Promoters	67.90
Public & Others	32.10

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
DABUR	-15.9	2.9	-13
SENSEX	6.9	11.3	10.8

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

**Dabur India came out with stable set of numbers, which were mostly in line with our estimate. Consolidated revenue for the quarter Q4FY19 grew 4.7% YoY to Rs 2128 cr, slightly below our estimate of Rs 2229 cr, while EBITDA came at Rs 457 cr exactly in line with our estimate of Rs 456 cr. EBITDA margins came in at 21.5% which was impacted by higher staff costs (+34% YoY). PAT for the quarter stood at Rs 370 cr against our estimate of Rs 404 cr(-6.5% YoY) mainly on account of Rs 75 cr of exceptional loss on account of impairment of goodwill in one of its wholly owned subsidiary M/s Hobi Kozmetic, Turkey in view of currency devaluation. This impairment pertains to consumer care segment business of the Company. We remain positive on Dabur from longer-term perspective, and maintain our Accumulate rating with a revised target price of Rs 446.**

#### Q4FY19 Highlights

- Domestic FMCG grew by 5.9% YoY led by 4.3% YoY volume growth.
- International business grew by 1.9% YoY.
- Healthcare segment grew by 11.2% YoY to Rs503 Cr. Home and personal care segment grew by 6.8% YoY to Rs755 Cr. Foods segment witnessed slowdown in growth of 5.9% YoY to Rs238 Cr.
- Management attributed slowdown in demand to extended winter season which impacted the hair care and foods division. The FMCG division ex-foods segment grew by 8.5% YoY.

#### FY18-19 Highlights

- Domestic FMCG grew by 13% backed by volume growth of 11%.
- International business grew by 6.5% YoY.
- Gross margins were impacted by higher promotional costs and adverse forex impact in international business by 90 bps.
- Healthcare segment (32% of sales) grew by 14.7% YoY to Rs 1894 Cr. Home and personal care segment (50.6% of sales) grew by 13% YoY to Rs 2965 Cr. Foods segment (17.1% of sales) witnessed moderate growth of 8.1% YoY to Rs 1003 Cr.

#### Valuations

At CMP of Rs380, Dabur is trading at FY20E and FY21E, P/E multiples of 42.5x and 38.4x respectively. After factoring in Q4FY19 results we have revised our FY20E and FY21E estimates downwards, however kept our target P/E same at 45x FY21E earnings, which yields a target price of Rs 446 per share. We maintain our Accumulate rating on the stock.

#### 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	49.4
FY19	8533	1740	1442	8.2	20.4	25.6	46.5
FY20E	9454	1989	1579	8.9	21.0	23.8	42.5
FY21E	10533	2256	1750	9.9	21.4	22.6	38.4

Source: Company, Arihant Research

## Q4FY19 Financial Performance

Rs Cr (consolidated)	Q4FY19	Q3FY19	Q4FY18	Q-o-Q	Y-o-Y	FY19	FY18	Y-o-Y
<b>Net Revenue</b>	<b>2,128</b>	<b>2,199</b>	<b>2,033</b>	<b>-3.2%</b>	<b>4.7%</b>	<b>8,533</b>	<b>7,748</b>	<b>10.1%</b>
Material Cost	1,069	1,115	1,002	-4.1%	6.7%	4,309	3,846	12.0%
Employee cost	242	238	181	1.8%	33.8%	938	793	18.3%
Other Expenses	360	401	365	-10.3%	-1.3%	1,547	1,492	3.7%
<b>EBITDA</b>	<b>457</b>	<b>445</b>	<b>485</b>	<b>2.7%</b>	<b>-5.8%</b>	<b>1,740</b>	<b>1,617</b>	<b>7.6%</b>
<i>EBITDA margin %</i>	<i>21.5%</i>	<i>20.2%</i>	<i>23.9%</i>	<i>+124bps</i>	<i>-238bps</i>	<i>20.4%</i>	<i>20.9%</i>	<i>-49bps</i>
Other Income	66	75	73	-12.3%	-9.8%	296	305	-3.0%
Depreciation	46	45	43	2.9%	8.5%	177	162	9.1%
<b>EBIT</b>	<b>477</b>	<b>476</b>	<b>516</b>	<b>0.3%</b>	<b>-7.5%</b>	<b>1,859</b>	<b>1,760</b>	<b>5.6%</b>
Finance cost	12	17	13	-25.7%	-6.3%	60	53	12.3%
Exceptional Item	-75	-	-	-	-	-75	-15	-
<b>PBT</b>	<b>389</b>	<b>459</b>	<b>503</b>	<b>-15.2%</b>	<b>-22.5%</b>	<b>1,724</b>	<b>1,693</b>	<b>1.8%</b>
Tax Expense	18	92	105	-80.8%	-83.1%	279	335	-16.9%
<i>Effective tax rate %</i>	<i>4.6%</i>	<i>20.1%</i>	<i>20.9%</i>	<i>-1556bps</i>	<i>-1637bps</i>	<i>16.2%</i>	<i>19.8%</i>	<i>-365bps</i>
<b>PAT</b>	<b>372</b>	<b>367</b>	<b>397</b>	<b>1.3%</b>	<b>-6.5%</b>	<b>1,445</b>	<b>1,358</b>	<b>6.5%</b>
MI & Associates	-1	-1	-1			-3	-3	
<b>Consolidated PAT</b>	<b>370</b>	<b>366</b>	<b>396</b>	<b>1.2%</b>	<b>-6.5%</b>	<b>1,442</b>	<b>1,354.4</b>	<b>6.5%</b>
<i>PAT margin %</i>	<i>17.4%</i>	<i>16.6%</i>	<i>19.5%</i>	<i>+77bps</i>	<i>-208bps</i>	<i>16.9%</i>	<i>17.5%</i>	<i>-58bps</i>
<b>EPS (Rs)</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>1.2%</b>	<b>-6.5%</b>	<b>8.2</b>	<b>7.7</b>	<b>6.5%</b>

Source: Company, Arianth Research

### Post Result Conference Call Highlights

- During Q4FY19, home care and skin care market share has gone down.
- In toothpaste, Dabur Red has shown good growth along with Meswak, however Babool continued to face pressure.
- Middle East market should normalise by second quarter of FY20E.
- Modern trade & E-commerce is growing rapidly (1.2% of total business in FY19 v/s 0.8% YoY), expect to grow it to 1.4% to 2% of total business in next 1-2 years.
- Both margin and working capital terms are favourable for modern trade channel.
- Focussing on South Indian market through its RISE initiative, intend to capture sizeable market going forward as currently it contributes only 16% for Dabur compared to 25-30% for other FMCG companies, so there is huge scope for growth.
- In foods, right now not focussing on dairy items as competition is very tough.
- At stockists level maintaining inventory level of 15-20 days.
- Reviving the Dabur Amla franchisee and growing the Hair Oil segment is main focus for the company in next few years.

## 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>	<b>911</b>	<b>829</b>	<b>524</b>	<b>796</b>	<b>776</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	52.4	49.4	46.5	42.5	38.4
P/CEPS	47.1	44.1	41.5	38.0	34.3
P/BV	13.8	11.7	11.9	10.1	8.7
EV/EBITDA	44.8	41.7	38.7	33.8	29.5
Dividend Yield (%)	0.6%	0.6%	0.5%	0.9%	0.9%
<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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