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Rating	<b>Accumulate</b>
Price	Rs371
Target Price	Rs377
Implied Upside	1.6%
Sensex	35,176
Nifty	10,718

(Prices as on May 02, 2018)

#### Trading data

Market Cap. (Rs bn)	653.3
Shares o/s (m)	1,759.1
3M Avg. Daily value (Rs m)	647

#### Major shareholders

Promoters	68.05%
Foreign	17.65%
Domestic Inst.	8.18%
Public & Other	6.12%

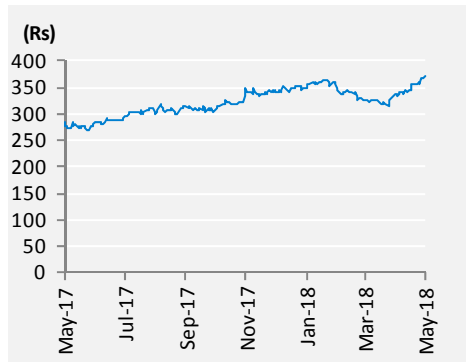
#### Stock Performance

(%)	1M	6M	12M
Absolute	10.7	8.5	30.7
Relative	4.0	3.8	13.1

#### How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2019	9.2	10.4	-10.9
2020	10.5	12.7	-17.3

#### Price Perf. (RIC: DABU.BO, BB: DABUR IN)



Source: Bloomberg

*Dabur has shown 7.7% domestic volume growth on a low base led by market share gains in most segments. Dabur is aiming for 8-10% volume growth in 1H19 which can increase to double digit in 2H19 depending upon monsoons. Gross margins are unlikely to expand, however better profitability in IBD and operating leverage in domestic business will provide moderate margin expansion. Dabur expects GST e-way bill led trade disruptions in 1Q however overall demand scenario looks optimistic. We estimate 16% PAT CAGR over FY18-20. We value Dabur at 35x FY20 EPS and arrive at target price of Rs377. We expect back ended returns post 32% upmove in last 1 year. Maintain "Accumulate".*

■ **Concall Highlights:** 1) Good monsoon and uptick in Rural demand are key to growth as Patanjali, Demon and GST disruptions are now behind. 2) Rural sales grew at 12.6% ahead of Urban sales growth at 9.2%. 3) Dabur launched Coolerz, in the low margin drinks segment to utilize its excess capacity, however focus remains on the value added products. 4) HPC segment is growing by 5-6%, Dabur has reported share gains in Perfumed hair oils, premium toothpastes and Honey 5) Dabur has lost 2% market share in juices on account of increased competition. Dabur plans to increase promotions to ward off competitive threat 6) Dabur has taken only 2-2.5% price increase in Coconut oils, Odonil etc., FY19 might see some price increases if the input cost inflation sustains 7) Herbal oral care has grown faster than traditional though the growth rate has slowed 8) CSD channel de-grew by 5-6% and would remain impacted in FY19 also 9) New product developments in FY18 have received good response specially in Red Gel, Odonil and Brahmi Amla 10) Post Patanjali impact, Honey is expected to get back to its peak levels by FY19 post the Patanjali impact 11) Structural distribution changes made in GCC has led to a higher growth rate. Namaste and Hobi business remained a drag, however it is likely to see revival after poor growth from past couple of years 12) Capex FY19 is guided at Rs.2.5-3bn

Key financials (Y/e March)	2017	2018	2019E	2020E
Revenues (Rs m)	77,014	80,086	90,123	100,356
Growth (%)	(1.0)	4.0	12.5	11.4
EBITDA (Rs m)	15,089	18,560	19,084	21,928
PAT (Rs m)	12,769	16,261	16,332	18,684
EPS (Rs)	7.2	9.2	9.2	10.5
Growth (%)	1.9	27.0	0.2	14.1
Net DPS (Rs)	2.3	2.5	3.0	3.3

Profitability & Valuation	2017	2018	2019E	2020E
EBITDA margin (%)	19.6	23.2	21.2	21.9
RoE (%)	28.3	25.8	27.6	28.7
RoCE (%)	30.8	28.3	30.9	32.7
EV / sales (x)	8.6	8.2	7.3	6.6
EV / EBITDA (x)	43.9	35.4	34.5	30.0
PE (x)	51.2	40.3	40.3	35.3
P / BV (x)	13.5	11.3	9.6	8.2
Net dividend yield (%)	0.6	0.7	0.8	0.9

Source: Company Data; PL Research

**Exhibit 1: Q4FY18 Results - Consolidated (Rs mn): Sales up 6.2% led by 7.7% volume growth; Adj. PAT up 19%**

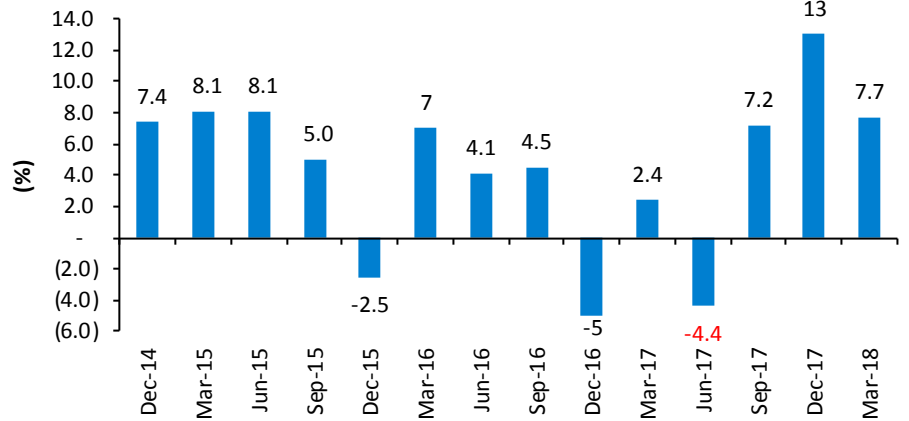
Y/e March	Q4FY18	Q4FY17	YoY gr. (%)	Q3FY18	FY18	FY17	YoY gr. (%)
<b>Net Sales</b>	<b>20,329</b>	<b>19,147</b>	<b>6.2</b>	<b>19,664</b>	<b>77,483</b>	<b>77,014</b>	<b>0.6</b>
Gross Profit	10,305	9,385	9.8	10,141	39,019	38,582	
<i>% of NS</i>	<i>50.7</i>	<i>49.0</i>		<i>51.6</i>	<i>50.4</i>	<i>50.1</i>	
Other Expenses	5,454	5,210	4.7	6,106	22,845	23,493	(2.8)
<i>% of NS</i>	<i>26.8</i>	<i>27.2</i>		<i>31.1</i>	<i>29.5</i>	<i>30.5</i>	
<b>EBITDA</b>	<b>4,852</b>	<b>4,176</b>	<b>16.2</b>	<b>4,035</b>	<b>16,174</b>	<b>15,089</b>	<b>7.2</b>
<i>Margins (%)</i>	<i>23.9</i>	<i>21.8</i>		<i>20.5</i>	<i>20.9</i>	<i>19.6</i>	
Depreciation	426	395	7.7	405	1,622	1,429	13.5
Interest	132	117	13.6	132	531	540	(1.8)
Other Income	732	650	12.6	663	3,052	2,984	2.3
<b>PBT</b>	<b>5,026</b>	<b>4,314</b>	<b>16.5</b>	<b>4,162</b>	<b>17,074</b>	<b>16,104</b>	<b>6.0</b>
Tax	1,052	977	7.7	833	3,354	3,303	1.5
<i>Tax rate (%)</i>	<i>20.9</i>	<i>22.6</i>		<i>20.0</i>	<i>19.6</i>	<i>20.5</i>	
Minority interest	2	1	NA	(2)	(2)	(3)	NA
<b>Adjusted PAT</b>	<b>3,972</b>	<b>3,337</b>	<b>19.0</b>	<b>3,330</b>	<b>13,723</b>	<b>12,803</b>	<b>7.2</b>

Source: Company Data, PL Research

- Consolidated Sales grew 6.2% led by 7.7% volume growth in domestic FMCG business due to market share gains. Domestic Comparable sales (Adj. for GST) grew 10%. Consolidated comparable sales grew 11.1%. Category growth has remained subdued.
- Gross margins expanded 170bps at 50.7% as material costs came down from 51% to 49.3%
- EBITDA grew by 16.2% to 4.85bn and margins improved 210bps to 23.9% aided by 20bps decline in ad-spends and 10bps in personnel cost. Adj. PAT Rs.3.97bn, up 19.1% as tax rate declined 170bps to 20.9%
- Home & Personal Care posted a growth of 10%, Health care sales grew 11.2% YoY, while foods showed a modest growth led by culinary business which grew 9.0% driven by double digit growth of Hommade Paste, Hommade Coconut Milk and Nature's Best foods.
- Toothpaste grew 13.5%, Hair oil sales grew 8.8%, Shampoos grew by 31.3% driven by re-launch of Vatika Shampoo with new and distinctive packaging, Home care showed a muted performance due to low institutional sale of Odomos. Skin care grew 8.5%, Health care grew 11.2%, Health Supplements grew 14% (led by Chawyanprash & Honey) and OTC grew by 7.8%, Digestives grew 7.2% led by Hajmola tablets.
- International business recovered with 16.8% growth despite continuing geopolitical headwinds in North Africa and slow sales of Namaste in USA and Hobi in Turkey. GCC markets witnessed a strong growth of 50.7% in CC led by Saudi Arabia which grew by 81.9%.

- Dabur has declared an interim dividend of Rs1.25/share, a final dividend of Rs1.125/share and a special dividend of Rs.5/share. One-time dividend will absorb Rs10.6bn and reduce other income by Rs600-700mn for FY19.

**Exhibit 2: Domestic FMCG Volume up 7.7% due to market share gains**



Source: Company Data, PL Research

**Exhibit 3: Shampoos and Toothpaste outperform; Food, Home care, Digestives, OTC and Skin care drag growth**

Sales Growth (%)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Hair Care	N.A	10.0	-4.0	-4.5	-20.0	-4.0	-11.0	N.A	16.6	N.A
Hair Oils	2	8.2	-3.0	-6.0	NA	NA	NA	2.3	16.7	8.8
Shampoos	0.0	N.A	N.A	2.7	NA	NA	-15.0	-14.9	56.0	31.3
Health Supplements	-7.1	N.A	0.0	-16.0	-14.0	5.0	-7.0	3.0	19.5	14.0
Oral Care	10.5	18.3	11.6	0.0	-5.0	9.0	1.5	22.8	23.0	11.0
Toothpaste	15.5	20.3	12.8	4.0	NA	9.0	10.4	26.4	26.0	13.7
Foods	-23.7	11.7	4.3	15.2	52.0	10.0	-8.3	11.7	0.0	3.4
Digestives	-2.4	6.5	-2.0	7.0	-10.0	-5.0	4.0	11.7	19.3	7.2
Skin care	9.5	NA	-1.0	7.0	-11.0	0.0	4.0	15.8	14.5	8.5
Home Care	8.4	19.3	2.0	20.0	-5.0	-6.5	6.2	10.1	36.0	0.0
OTC & Ethicals	7.5	7.1	-2.0	11.3	-11.0	-4.0	-6.6	5.5	8.7	7.8

Source: Company Data, PL Research

**Exhibit 4: Egypt and Sub Saharan Africa witness double digit growth; GCC grew substantially; Turkey hit by currency weakness**

IBD Sales Growth (%)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18
Organic- Constant Currency	13.3	10.4	6.0	-2.3	0.0	-4.5	-2.2	3.9	5.0
Egypt	7.0	27.0	25.0	19.0	29.0	19.0	3.0	37.9	45.5
GCC	10.0	5.0	NA	NA	-19.0	NA	-13.0	-4.0	20.0
Nepal	NA	19.6	27.4	19.0	50.4	16.0	NA	12.3	18.0
Turkey	14.0	8.5	17.5	9.6	19.0	16.0	7.0	27.3	2.8
SAARC							15.0		
Pakistan							19.0	12.3	18.1
Sub Saharan Africa							59.0	30.1	23.6

Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2017	2018	2019E	2020E
<b>Net Revenue</b>	<b>77,014</b>	<b>80,086</b>	<b>90,123</b>	<b>100,356</b>
Raw Material Expenses	38,432	38,579	43,462	48,268
Gross Profit	38,582	41,507	46,661	52,088
Employee Cost	7,896	7,928	9,480	10,387
Other Expenses	15,597	15,019	18,097	19,773
<b>EBITDA</b>	<b>15,089</b>	<b>18,560</b>	<b>19,084</b>	<b>21,928</b>
Depr. & Amortization	1,429	1,622	1,757	1,915
Net Interest	540	537	513	485
Other Income	2,984	3,367	3,720	4,046
<b>Profit before Tax</b>	<b>16,104</b>	<b>19,768</b>	<b>20,533</b>	<b>23,574</b>
Total Tax	3,303	3,476	4,168	4,856
<b>Profit after Tax</b>	<b>12,801</b>	<b>16,292</b>	<b>16,364</b>	<b>18,718</b>
Ex-Od items / Min. Int.	(2,974)	31	33	34
<b>Adj. PAT</b>	<b>12,769</b>	<b>16,261</b>	<b>16,332</b>	<b>18,684</b>
<b>Avg. Shares O/S (m)</b>	<b>1,761.5</b>	<b>1,766.5</b>	<b>1,771.5</b>	<b>1,776.5</b>
<b>EPS (Rs.)</b>	<b>7.2</b>	<b>9.2</b>	<b>9.2</b>	<b>10.5</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2017	2018	2019E	2020E
C/F from Operations	13,417	7,751	21,409	13,587
C/F from Investing	(9,891)	(4,541)	(5,214)	(5,506)
C/F from Financing	(3,206)	(2,636)	(16,050)	(5,868)
Inc. / Dec. in Cash	321	575	146	2,214
Opening Cash	1,312	1,632	2,207	2,353
Closing Cash	1,632	2,207	2,353	4,567
FCFF	16,552	14,792	15,155	18,127
FCFE	17,755	8,676	14,655	18,627

**Key Financial Metrics**

Y/e March	2017	2018	2019E	2020E
<b>Growth</b>				
Revenue (%)	(1.0)	4.0	12.5	11.4
EBITDA (%)	(0.6)	23.0	2.8	14.9
PAT (%)	2.1	27.3	0.4	14.4
EPS (%)	1.9	27.0	0.2	14.1
<b>Profitability</b>				
EBITDA Margin (%)	19.6	23.2	21.2	21.9
PAT Margin (%)	16.6	20.3	18.1	18.6
RoCE (%)	30.8	28.3	30.9	32.7
RoE (%)	28.3	25.8	27.6	28.7
<b>Balance Sheet</b>				
Net Debt : Equity	0.2	—	—	—
Net Wrkng Cap. (days)	12	6	15	16
<b>Valuation</b>				
PER (x)	51.2	40.3	40.3	35.3
P / B (x)	13.5	11.3	9.6	8.2
EV / EBITDA (x)	43.9	35.4	34.5	30.0
EV / Sales (x)	8.6	8.2	7.3	6.6
<b>Earnings Quality</b>				
Eff. Tax Rate	20.5	17.6	20.3	20.6
Other Inc / PBT	18.5	17.0	18.1	17.2
Eff. Depr. Rate (%)	5.7	5.1	5.2	5.3
FCFE / PAT	139.0	53.4	89.7	99.7

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2017	2018	2019E	2020E
Shareholder's Funds	48,474	58,256	68,241	80,025
Total Debt	9,115	3,000	2,500	3,000
Other Liabilities	1,328	1,205	1,331	1,467
<b>Total Liabilities</b>	<b>58,917</b>	<b>62,461</b>	<b>72,071</b>	<b>84,492</b>
Net Fixed Assets	15,900	20,848	21,091	21,176
Goodwill	4,105	—	—	—
Investments	34,157	36,258	44,061	54,467
Net Current Assets	4,755	2,401	3,179	5,079
<i>Cash &amp; Equivalents</i>	<i>1,416</i>	<i>2,563</i>	<i>2,407</i>	<i>3,836</i>
<i>Other Current Assets</i>	<i>21,732</i>	<i>23,145</i>	<i>26,418</i>	<i>29,482</i>
<i>Current Liabilities</i>	<i>18,393</i>	<i>23,307</i>	<i>25,646</i>	<i>28,240</i>
Other Assets	—	—	—	—
<b>Total Assets</b>	<b>58,917</b>	<b>59,508</b>	<b>68,331</b>	<b>80,722</b>

**Quarterly Financials (Rs m)**

Y/e March	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<b>Net Revenue</b>	<b>17,901</b>	<b>19,589</b>	<b>19,664</b>	<b>20,329</b>
<b>EBITDA</b>	<b>3,089</b>	<b>4,199</b>	<b>4,035</b>	<b>4,852</b>
<i>% of revenue</i>	<i>17.3</i>	<i>21.4</i>	<i>20.5</i>	<i>23.9</i>
Depr. & Amortization	391	401	405	426
Net Interest	133	133	132	132
Other Income	813	843	663	732
<b>Profit before Tax</b>	<b>3,378</b>	<b>4,508</b>	<b>4,162</b>	<b>5,026</b>
Total Tax	589	880	833	1,052
<b>Profit after Tax</b>	<b>2,671</b>	<b>3,591</b>	<b>3,056</b>	<b>4,027</b>
<b>Adj. PAT</b>	<b>2,794</b>	<b>3,627</b>	<b>3,330</b>	<b>3,972</b>

**Key Operating Metrics**

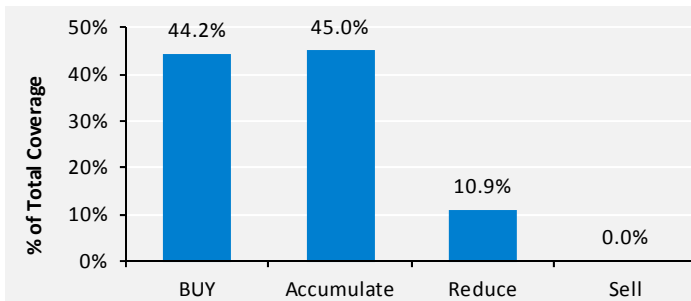
Y/e March	2017	2018	2019E	2020E
<b>Standalone</b>				
Sales growth %	(0.9)	6.3	12.6	10.8
EBITDA growth %	1.2	11.6	13.4	13.2
Adj. PAT	9,984	10,987	11,850	13,779
Adj. PAT growth %	6.5	10.1	7.9	16.3
EPS	5.7	6.2	6.7	7.8
<b>Subsidiaries</b>				
Sales growth %	(4.8)	2.7	12.3	12.6
EBITDA growth %	7.3	3.3	19.5	17.4
Adj. PAT	2,741	2,795	3,407	4,030
Adj. PAT growth %	5.5	2.0	21.9	18.3
EPS	1.6	1.6	1.9	2.3

Source: Company Data, PL Research.

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<b>Accumulate</b>	:	Outperformance to Sensex over 12-months
<b>Reduce</b>	:	Underperformance to Sensex over 12-months
<b>Sell</b>	:	Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	:	Over 10% absolute upside in 1-month
<b>Trading Sell</b>	:	Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	:	No specific call on the stock
<b>Under Review (UR)</b>	:	Rating likely to change shortly

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