

INDUSTRY	FMCG		
CMP (as on 01 Feb 2019)	Rs 452		
Target Price	Rs 482		
Nifty	10,894		
Sensex	36,469		
<b>KEY STOCK DATA</b>			
Bloomberg	DABUR IN		
No. of Shares (mn)	1,766		
MCap (Rsbn)/(US\$ mn)	798/11,194		
6m avg traded value (Rsmn)	1,500		
<b>STOCK PERFORMANCE (%)</b>			
52 Week high / low	Rs 491 / 308		
3M	6M	12M	
Absolute (%)	21.9	4.5	30.9
Relative (%)	16.0	7.3	29.4
<b>SHAREHOLDING PATTERN (%)</b>			
Promoters	67.88		
FIs & Local MFs	8.04		
FPIs	17.66		
Public & Others	6.42		
Source : BSE			

**Naveen Trivedi**  
naveen.trivedi@hdfcsec.com  
+91-22-6171-7324

**Siddhant Chhabria**  
siddhant.chhabria@hdfcsec.com  
+91-22-6171-7330

## Momentum on its side

Dabur reported an in-line quarter with beat in domestic volume growth (12% vs. est of 9%) and miss on gross margins (-228bps vs. exp of -117bps). International revenue growth dented performance (up 3%) led by GCC region (-12%) and adverse currency. EBITDA/APAT grew by 10/10% (exp 9/12%).

- Gross margin decline was led by forex impact, volatile commodity inflation and higher promotional spend. The co. was aggressive with its promotional spend in categories like hair care, beverages and oral care. As a result, most of the categories gained market share during the quarter - beverages market share is at an all time high of 56% (up 300bps YoY).
- Dabur continued to scale brands - Dabur Sarson Amla became the 17<sup>th</sup> brand to cross Rs 1bn mark. Performance of Dabur Red (up 23%) and Dabur Honey (up 20%) reflects the decline in competitive intensity from Patanjali and consumers preference towards naturals.
- International business was impacted by GCC (-12%)/Egypt (-10%) owing to fall in crude prices/hyper inflation respectively.
- We expect the company to enjoy the acceleration in rural demand led by govt's fiscal stimulus drive. In such

### Financial Summary (Consolidated)

(Rsmn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	21,992	19,664	11.8	21,250	3.5	76,136	77,219	87,145	99,395	1,13,284
EBITDA	4,454	4,035	10.4	4,508	(1.2)	15,089	16,174	18,523	22,183	26,292
APAT	3,663	3,321	10.3	3,766	(2.7)	12,769	13,663	15,501	19,484	23,034
Diluted EPS (Rs)	2.07	1.89	10.0	2.13	(2.7)	7.25	7.76	8.80	11.06	13.08
P/E (x)						62.4	58.3	51.4	40.9	34.6
EV / EBITDA (x)						51.6	47.7	41.8	34.6	28.9
RoIC						47.1	46.9	49.2	55.1	62.2

Source: Company, HDFC sec Inst Research

HDFC securities Institutional Research is also available on Bloomberg HSLB <GO> & Thomson Reuters

an environment, the co's strategy is to (1) Scale potential categories (health supplements and OTC portfolio), (2) Gain market share in its core brands, (3) improve its direct reach and (4) Aggressive launches.

- We expect Dabur to deliver revenue/EBITDA/APAT of 14/19/22% CAGR over FY19E-FY21E. We value Dabur at 38x P/E on Dec-20EPS to arrive at a TP of Rs 482 (Rs 477 earlier). Maintain BUY.

### Highlights of the quarter

- Broad-based growth:** Hair oil/Shampoo/Skin Care/Health supplements/Digestives/Oral care/Foods registered healthy growth of 24/25/14/23/11/10/12%. Oral care was impacted by Babool (high competitive intensity at economy price).
- Modest 10% EBITDA growth:** Consolidated GM declined by 228bps owing to volatile commodity inflation, higher promo. spend and forex impact. Dabur held back A&P spend (-4%) and other expenses (1%) resulting in EBITDA growth of 10% to Rs 4,454mn (exp Rs 4,411mn). APAT grew by 10% to Rs 3,663mn (exp. 3,722bn).
- Near-term:** We advise investors to buy the stock as near-medium term outlook remains bright.

**Domestic business grew by 15% (exp. of 11%) driven by 12% volume growth**

**International biz grew by 3% with 1% cc in 3QFY18**

**Consolidated GM declined by 228bps owing to volatile commodity inflation, higher promotional spend and forex impact**

**Control on discretionary spend led to 10% EBITDA growth**

### Quarterly Financials

Year to March (Rsmn)	3QFY19	3QFY18	YoY (%)	Q2FY19	QoQ (%)	9MFY19	9MFY18	YoY (%)
<b>Net Revenue</b>	<b>21,992</b>	<b>19,664</b>	<b>11.8</b>	<b>21,250</b>	<b>3.5</b>	<b>64,049</b>	<b>57,154</b>	<b>13.3*</b>
Material Expenses	11,153	9,524	17.1	10,758	3.7	32,397	28,440	13.9
Employee Expenses	2,376	2,048	16.0	2,343	1.4	6,960	6,121	13.7
Advertisement and Publicity	1,781	1,853	(3.9)	1,335	33.4	5,106	4,810	6.1
Other Operating Expenses	2,229	2,205	1.1	2,305	(3.3)	6,762	6,460	4.7
<b>EBITDA</b>	<b>4,454</b>	<b>4,035</b>	<b>10.4</b>	<b>4,508</b>	<b>(1.2)</b>	<b>12,823</b>	<b>11,323</b>	<b>13.3</b>
Depreciation	449	405	10.9	431	4.1	1,307	1,196	9.3
<b>EBIT</b>	<b>4,005</b>	<b>3,630</b>	<b>10.3</b>	<b>4,077</b>	<b>(1.8)</b>	<b>11,517</b>	<b>10,127</b>	<b>13.7</b>
Other Income	753	663	13.4	812	(7.3)	2,301	2,319	(0.8)
Interest Cost	167	132	26.7	156	7.6	472	398	18.5
<b>PBT before exceptional</b>	<b>4,591</b>	<b>4,162</b>	<b>10.3</b>	<b>4,734</b>	<b>(3.0)</b>	<b>13,346</b>	<b>12,048</b>	<b>10.8</b>
Exceptional	-	-	na	-	na	-	(145)	na
<b>PBT</b>	<b>4,596</b>	<b>4,163</b>	<b>10.4</b>	<b>4,737</b>	<b>(3.0)</b>	<b>13,356</b>	<b>11,907</b>	<b>12.2</b>
Tax	924	833	10.9	961	(3.9)	2,274	2,442	(6.9)
<b>PAT before minority interest</b>	<b>3,672</b>	<b>3,330</b>	<b>10.3</b>	<b>3,776</b>	<b>(2.7)</b>	<b>11,082</b>	<b>9,465</b>	<b>17.1</b>
Minority Interest	9.2	9.1	1.1	9.2	-	26.2	23.7	10.5
<b>PAT</b>	<b>3,663</b>	<b>3,321</b>	<b>10.3</b>	<b>3,766</b>	<b>(2.7)</b>	<b>11,056</b>	<b>9,441</b>	<b>17.1</b>
<b>APAT</b>	<b>3,663</b>	<b>3,321</b>	<b>10.3</b>	<b>3,766</b>	<b>(2.7)</b>	<b>10,721</b>	<b>9,701</b>	<b>10.5</b>
<b>EPS</b>	<b>2.1</b>	<b>1.9</b>	<b>10.0</b>	<b>2.1</b>	<b>(2.7)</b>	<b>6.1</b>	<b>5.6</b>	<b>10.5</b>
<b>Margin (% of sales)</b>	<b>3QFY19</b>	<b>3QFY18</b>	<b>YoY (bps)</b>	<b>2QFY19</b>	<b>QoQ (bps)</b>	<b>9MFY19</b>	<b>9MFY18</b>	<b>YoY (bps)</b>
Material Expenses	50.7	48.4	228	50.6	9	50.6	49.8	82
Employee Expenses	10.8	10.4	39	11.0	(22)	10.9	10.7	16
ASP Expenses	8.1	9.4	(133)	6.3	181	8.0	8.4	(44)
Other Operating Expenses	10.1	11.2	(108)	10.8	(71)	10.6	11.3	(75)
<b>EBITDA</b>	<b>20.3</b>	<b>20.5</b>	<b>(27)</b>	<b>21.2</b>	<b>(96)</b>	<b>20.0</b>	<b>19.8</b>	<b>21</b>
Tax Rate	20.1	20.0	9	20.3	(19)	17.0	20.5	(349)
<b>APAT Margin</b>	<b>16.7</b>	<b>16.9</b>	<b>(23)</b>	<b>17.7</b>	<b>(107)</b>	<b>16.7</b>	<b>17.0</b>	<b>(23)</b>

Source: Company, HDFC sec Inst Research \*like-like growth

**Dabur's growth was impacted owing to muted growth in international business**

### Quarterly Segmental

Year to March (Rsmn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)	9MFY19	9MFY18	YoY (%)
Consumer Care Business	19,116	16,969	12.7	17,767	7.6	53,443	47,367	12.8
Foods	2,266	2,107	7.6	2,894	(21.7)	8,795	8,043	9.4
Retails	342	321	6.7	283	20.9	929	864	7.6
Others	214	205	4.5	235	(8.8)	679	722	(6.0)
Unallocated other operating revenue	54	63	(14.6)	71	(23.8)	202	159	27.7
<b>Total</b>	<b>21,992</b>	<b>19,664</b>	<b>11.8</b>	<b>21,250</b>	<b>3.5</b>	<b>64,049</b>	<b>57,154</b>	<b>12.1</b>
<b>Segmental EBIT</b>								
Consumer Care Business	4,647	4,187	11.0	4,526	2.7	12,962	11,674	11.0
Foods	296	275	7.8	485	(38.9)	1,301	1,028	26.6
Retails	13	16	na	6	114.5	32	27	na
Others	17	16	8.2	23	(24.6)	60	11	440.9
<b>Total</b>	<b>4,973</b>	<b>4,494</b>	<b>10.7</b>	<b>5,040</b>	<b>(1.3)</b>	<b>14,354</b>	<b>12,740</b>	<b>12.7</b>
Less:								
(a) Interest Cost & Bank Charges	167	132	26.7	156	7.6	472	398	18.5
(b) Other Un-allocable Expenses	216	201	7.4	151	42.7	537	294	82.6
<b>PBT</b>	<b>4,591</b>	<b>4,162</b>	<b>10.3</b>	<b>4,734</b>	<b>(3.0)</b>	<b>13,346</b>	<b>12,048</b>	<b>10.8</b>
<b>Capital Employed</b>								
Consumer Care Business	23,190	20,077	15.5	23,393	(0.9)	23,190	20,077	15.5
Foods	3,488	3,137	11.2	3,881	(10.1)	3,488	3,137	11.2
Retails	308	219	40.8	300	2.8	308	219	40.8
Others	342	320	6.7	288	18.5	342	320	6.7
<b>Total</b>	<b>27,327</b>	<b>23,753</b>	<b>15.0</b>	<b>27,862</b>	<b>(1.9)</b>	<b>27,327</b>	<b>23,753</b>	<b>15.0</b>
Unallocable Capital Employed	25,399	8,483	199.4	23,772	6.8	25,399	8,483	199.4
<b>Total Capital Employed</b>	<b>52,727</b>	<b>32,237</b>	<b>63.6</b>	<b>51,633</b>	<b>2.1</b>	<b>52,727</b>	<b>32,237</b>	<b>63.6</b>
Consumer Care Business	19,116	16,969	12.7	17,767	7.6	53,443	47,367	12.8

Source: Company, HDFC sec Inst Research

### EBIT Margin

Year to March (Rsmn)	3QFY19	3QFY18	YoY (bps)	2QFY19	QoQ (bps)	9MFY19	9MFY18	YoY (bps)
Consumer Care Business	24.3	24.7	(37)	25.5	(117)	24.3	24.6	(39)
<b>Foods</b>	<b>13.1</b>	<b>13.1</b>	<b>3</b>	<b>16.8</b>	<b>(369)</b>	<b>14.8</b>	<b>12.8</b>	<b>202</b>
Retails	3.9	5.0	(116)	2.2	170	3.4	3.1	30
Others	8.0	7.8	27	9.7	(168)	8.8	1.5	725
<b>Total</b>	<b>22.6</b>	<b>22.9</b>	<b>(24)</b>	<b>23.7</b>	<b>(111)</b>	<b>22.4</b>	<b>22.3</b>	<b>12</b>

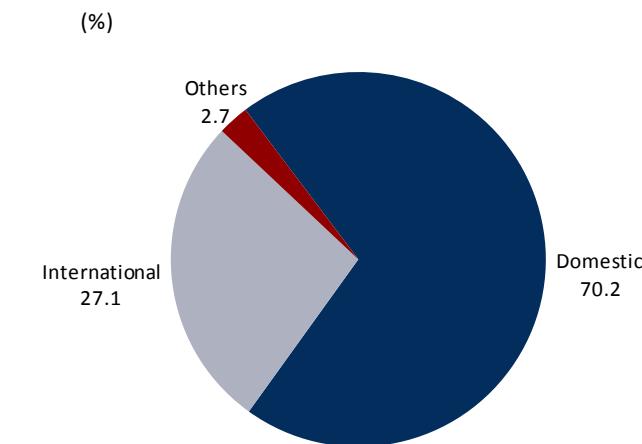
Source: Company, HDFC sec Inst Research

**Domestic business is witnessing consistent recovery driven by volume growth. We expect double digit value growth in the medium term**

**International business has reported 5 consecutive quarters of positive cc growth**

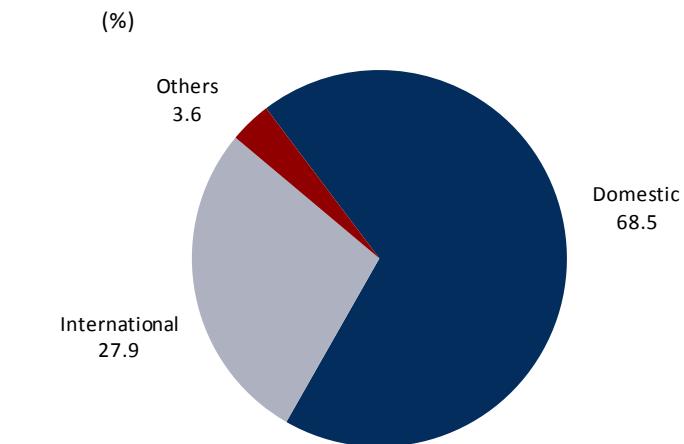
**Rural growth is ~200bps faster than urban (~500bps historical levels)**

### Revenue Contribution (3QFY19)



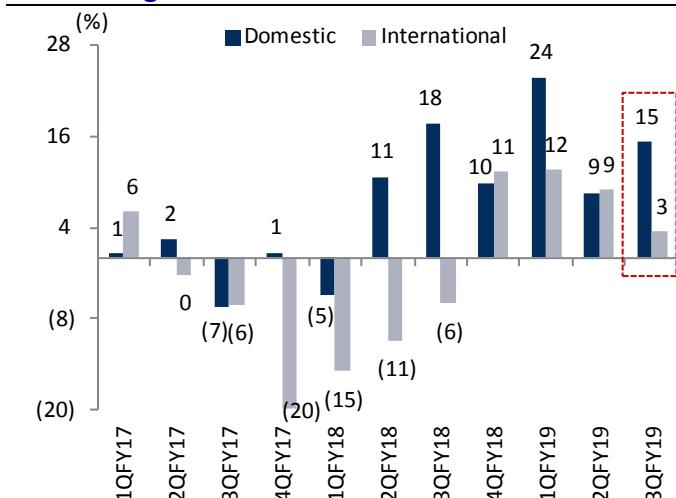
Source: Company, HDFC sec Inst Research

### Revenue Contribution (FY18)



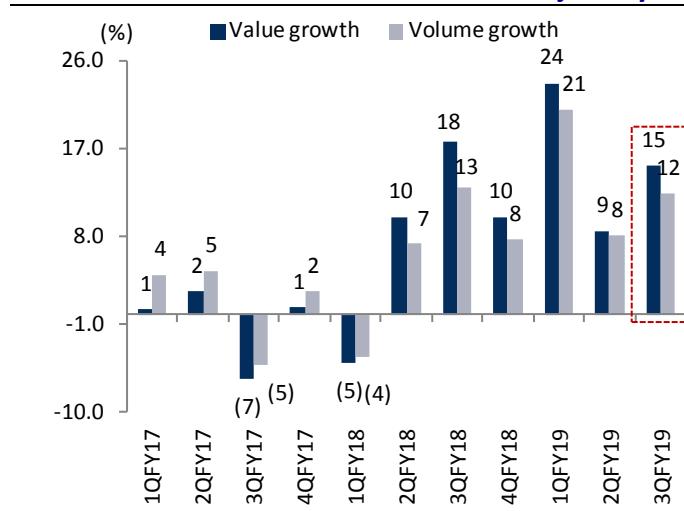
Source: Company, HDFC sec Inst Research

### Revenue growth



Source: Company, HDFC sec Inst Research

### Domestic Value and Volume Growth Trajectory

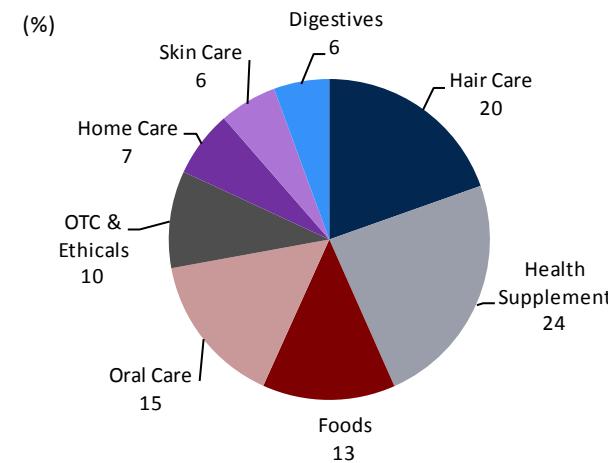


Source: Company, HDFC sec Inst Research

**Dabur's oral portfolio continues to gain scale despite underperformance from Babool (expected to clock Rs >10bn in FY19 vs. ~Rs 8bn in FY17)**

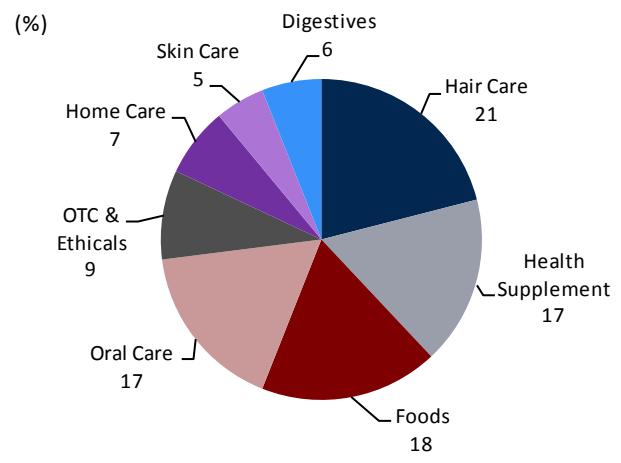
**Dabur Honey has grown by 33/24/42/13/20% YoY during 3QFY18/4QFY18/1QFY19/2QFY19/3QFY19 which signals declining competitive intensity from Patanjali**

### Domestic Revenue Mix (3QFY19)



Source: Company, HDFC sec Inst Research

### Domestic Revenue Mix (FY18)



Source: Company, HDFC sec Inst Research

**Dabur has witnessed a broad-based acceleration during 9MFY19**

**Continued market share gains in Toothpaste is heartening**

**Dabur Red toothpaste is now a Rs 5bn brand**

**Oral care, Home care, Skin care and Digestives reported double digit value growth in FY18 in a turbulent environment**

**Egypt business was under pressure on account of hyper inflation and liquidity issues**

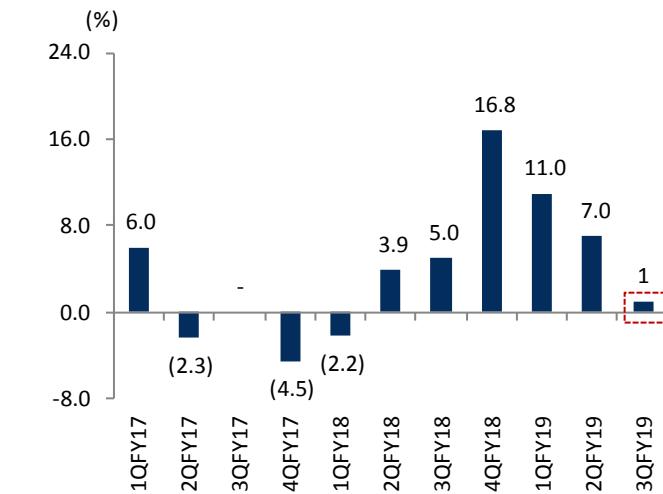
**GCC markets declined by 12% due to consumption pressure and sharp decline in categories**

### Domestic Category Growth (YoY)

Categories	YoY Growth												Wt. Avg.		
	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	FY17	FY18	9MFY19	
Hair Care	1%	-5%	-20%	-4%	-11%	2%	17%	9%	19%	11%	24%	-6%	4%	18%	
Oral Care	12%	0%	-5%	9%	2%	23%	23%	11%	17%	4%	10%	4%	15%	10%	
- Toothpaste	13%	4%	2%	9%	10%	26%	26%	14%	17%	6%	11%	7%	19%	11%	
Foods	4%	15%	52%	10%	-8%	12%	0%	2%	27%	2%	12%	18%	1%	14%	
Health Supplements	0%	-6%	-14%	5%	-7%	3%	20%	14%	28%	12%	14%	-5%	10%	16%	
Home Care	2%	20%	5%	-7%	6%	10%	36%	0%	17%	11%	9%	6%	14%	12%	
OTC & Ethicals	-10%	-9%	-11%	-4%	-7%	6%	9%	9%	13%	10%	18%	-8%	5%	14%	
Digestives	-16%	-16%	-10%	5%	4%	12%	19%	7%	22%	11%	23%	-8%	10%	18%	
Skin Care	-2%	7%	-11%	0%	4%	16%	15%	9%	27%	12%	19%	-2%	11%	20%	

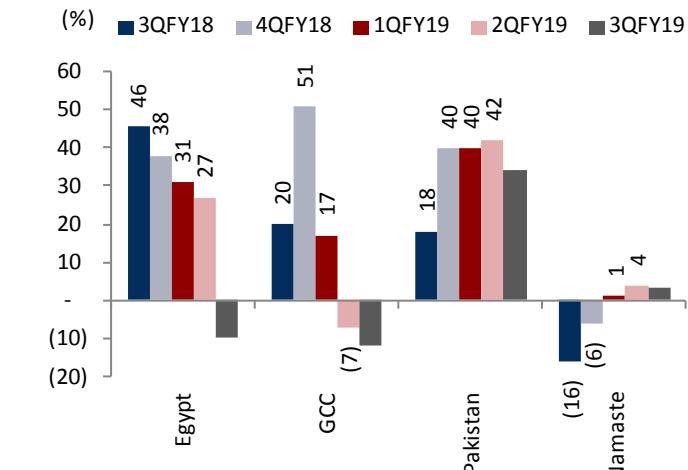
Source: Company, HDFC sec Inst Research

### International Revenue Growth (CC basis)



Source: Company, HDFC sec Inst Research

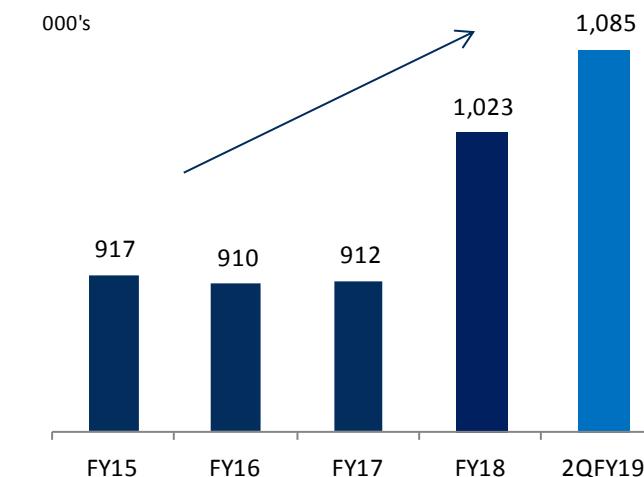
### Geography-wise Growth (CC basis)



Source: Company, HDFC sec Inst Research

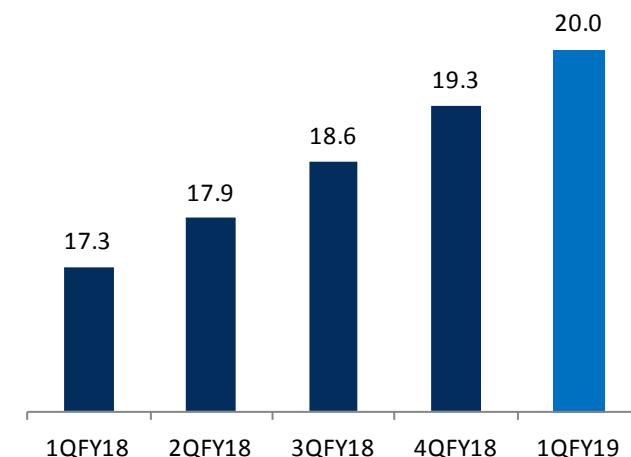
**The company is also focusing on distribution expansion (mainly in rural), Dabur aims to increase direct reach to 1.2mn outlets vs. 1.02mn in FY18 and 0.91mn in FY17**

### Direct Reach (No. of outlets)



Source: Company, HDFC sec Inst Research

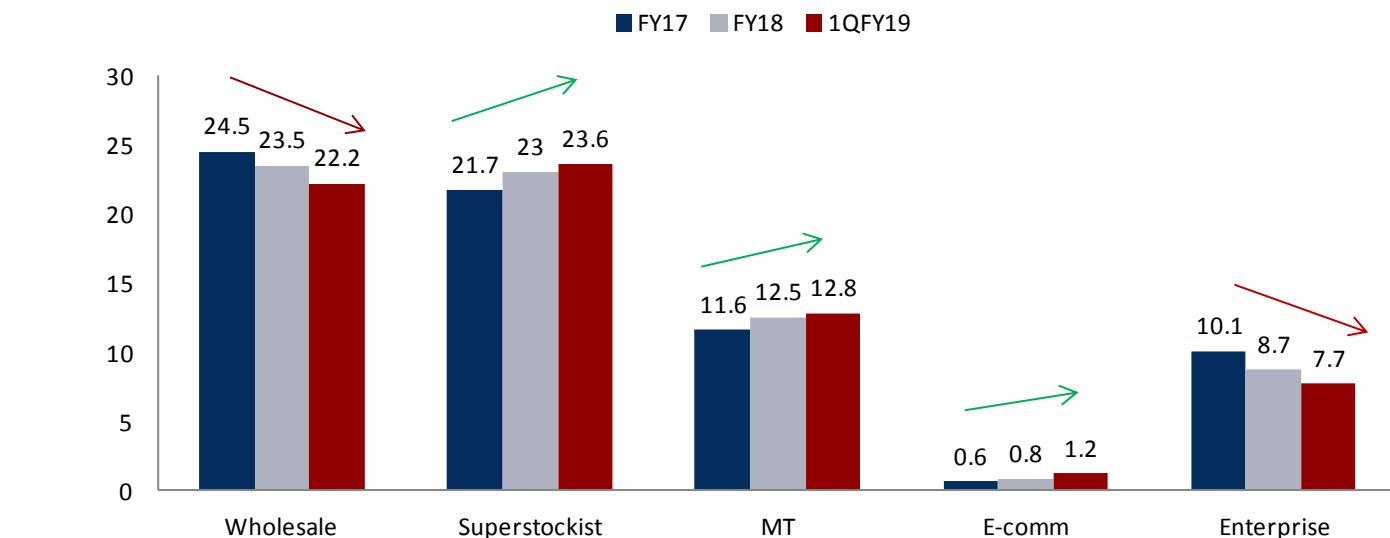
### Increase in Lines Sold in Rural



Source: Company, HDFC sec Inst Research

**Direct reach, modern trade and e-commerce continue to gain importance**

### Change in Channel Mix (%)



Source: Company, HDFC sec Inst Research

**Assumptions**

Particulars	FY17	FY18	FY19E	FY20E	FY21E
Domestic Gr. (%)	1.0	5.2	14.9	13.9	14.2
Hair Care Gr. (%)	(6.8)	4.2	16.3	12.9	12.5
Oral Care Gr. (%)	7.5	16.9	10.7	13.8	14.0
Health Supplements Gr. (%)	(2.7)	10.4	15.4	15.0	15.0
OTC & Ethicals Gr. (%)	(9.6)	5.2	12.5	13.9	14.5
Digestive Gr. (%)	(11.4)	10.4	17.8	13.8	14.5
Home Care Gr. (%)	4.6	13.8	13.3	13.7	14.0
Skin Care Gr. (%)	5.3	11.0	14.9	15.0	15.0
Foods Gr. (%)	12.2	1.5	9.9	15.0	15.0
International Gr. (%)	(5.0)	(6.3)	6.5	12.7	13.0
Consolidated Revenue Gr. (%)	(3.0)	1.4	12.9	14.1	14.0
Gross Margin (%)	50.7	50.5	49.8	50.6	51.1
ASP (% of sales)	8.5	7.9	7.4	7.4	7.4
Distribution (% of sales)	2.7	2.5	2.6	2.6	2.6
Employee (% of sales)	10.4	10.3	10.4	10.2	10.0
Other Expenses (% of sales)	9.3	9.0	8.2	8.1	8.0
EBITDA Margin (%)	19.8	20.9	21.3	22.3	23.2
Tax Rate (%)	20.5	20.5	20.5	20.5	20.5

Source: HDFC sec Inst Research

**Change in Estimate**

	FY19E			FY20E			FY21E		
	New	Old	Change	New	Old	Change	New	Old	Change
Net Revenue	87,145	87,375	-0.3%	99,395	99,221	0.2%	1,13,284	1,13,022	0.2%
EBITDA	18,523	18,597	-0.4%	22,183	22,413	-1.0%	26,292	26,574	-1.1%
APAT	15,501	15,690	-1.2%	19,484	19,391	0.5%	23,034	23,028	0.0%
EPS	8.8	8.9	-1.2%	11.1	11.0	0.5%	13.1	13.1	0.0%

Source: HDFC sec Inst Research

**Peer Set Comparison**

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
HUL	3,816	1,796	NEU	1,855	28.7	35.2	43.2	62.7	51.0	41.5	42.1	38.4	29.5	70.1	29.7	22.9
ITC	3,428	281	BUY	383	10.2	11.3	12.4	27.5	24.9	22.6	17.2	15.4	13.8	38.1	38.6	40.1
Nestle	1,114	11,556	NR	11,225	176.3	210.5	249.4	65.5	54.9	46.3	38.3	32.8	28.1	78.0	100.1	136.7
Britannia	781	3,251	NEU	3,149	50.0	60.7	73.1	65.0	53.6	44.5	43.6	35.6	29.9	43.8	47.2	51.3
<b>Dabur</b>	<b>798</b>	<b>452</b>	<b>BUY</b>	<b>482</b>	<b>8.8</b>	<b>11.1</b>	<b>13.1</b>	<b>51.4</b>	<b>40.9</b>	<b>34.6</b>	<b>41.8</b>	<b>34.6</b>	<b>28.9</b>	<b>49.2</b>	<b>55.1</b>	<b>62.2</b>
Marico	486	376	BUY	394	7.6	9.9	11.7	49.5	37.9	32.1	35.9	28.3	24.0	42.6	53.0	59.3
Colgate	352	1,293	NEU	1,254	27.9	32.0	37.1	46.4	40.4	34.9	27.5	23.9	20.8	68.8	77.7	89.4
Emami	192	415	BUY	543	12.4	15.2	17.9	33.4	27.3	23.2	23.9	19.6	16.9	25.1	32.6	40.0
Jub. Food	179	1,358	BUY	1,620	25.2	30.7	36.7	53.8	44.2	37.0	28.6	23.9	20.2	54.8	67.8	82.2

Source: HDFC sec Inst Research

### Income Statement

(Rsmn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Net Revenues</b>	<b>76,136</b>	<b>77,219</b>	<b>87,145</b>	<b>99,395</b>	<b>1,13,284</b>
<b>Growth (%)</b>	<b>(3.0)</b>	<b>1.4</b>	<b>12.9</b>	<b>14.1</b>	<b>14.0</b>
Material Expenses	37,554	38,199	43,714	49,076	55,367
Employee Expense	7,896	7,928	9,030	10,111	11,274
ASP Expense	6,461	6,067	6,488	7,366	8,360
Distribution Expense	2,039	1,914	2,247	2,563	2,922
Other Expenses	7,096	6,936	7,144	8,095	9,070
<b>EBITDA</b>	<b>15,089</b>	<b>16,174</b>	<b>18,523</b>	<b>22,183</b>	<b>26,292</b>
<b>EBITDA Growth (%)</b>	<b>(0.6)</b>	<b>7.2</b>	<b>14.5</b>	<b>19.8</b>	<b>18.5</b>
<b>EBITDA Margin (%)</b>	<b>19.8</b>	<b>20.9</b>	<b>21.3</b>	<b>22.3</b>	<b>23.2</b>
Depreciation	1,429	1,622	1,747	1,928	2,080
<b>EBIT</b>	<b>13,661</b>	<b>14,552</b>	<b>16,776</b>	<b>20,255</b>	<b>24,212</b>
Other Income (Including EO Items)	2,984	3,052	3,319	4,703	5,591
Interest	540	531	549	403	237
<b>PBT</b>	<b>16,104</b>	<b>17,073</b>	<b>19,545</b>	<b>24,555</b>	<b>29,566</b>
Total Tax	3,303	3,354	4,009	5,034	6,496
<b>Adjusted PAT</b>	<b>12,769</b>	<b>13,663</b>	<b>15,501</b>	<b>19,484</b>	<b>23,034</b>
<b>APAT Growth (%)</b>	<b>2.0</b>	<b>7.0</b>	<b>13.4</b>	<b>25.7</b>	<b>18.2</b>
<b>Adjusted EPS (Rs)</b>	<b>7.2</b>	<b>7.8</b>	<b>8.8</b>	<b>11.1</b>	<b>13.1</b>
<b>EPS Growth (%)</b>	<b>1.8</b>	<b>7.0</b>	<b>13.4</b>	<b>25.7</b>	<b>18.2</b>

Source: Company, HDFC sec Inst Research

### Balance Sheet

(Rsmn)	FY17	FY18	FY19E	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	1,762	1,762	1,762	1,762	1,762
Reserves	46,712	55,304	57,532	68,522	80,937
<b>Total Shareholders Funds</b>	<b>48,474</b>	<b>57,065</b>	<b>59,294</b>	<b>70,283</b>	<b>82,699</b>
Minority Interest	248	265	230	193	156
Long Term Debt	4,741	3,686	2,686	1,686	1,186
Short Term Debt	5,090	5,766	4,766	3,266	1,766
<b>Total Debt</b>	<b>9,831</b>	<b>9,452</b>	<b>7,452</b>	<b>4,952</b>	<b>2,952</b>
Net Deferred Taxes	1,080	1,091	1,091	1,091	1,091
Other Non-current Liabilities & Provs	534	565	622	684	752
<b>TOTAL SOURCES OF FUNDS</b>	<b>60,167</b>	<b>68,438</b>	<b>68,688</b>	<b>77,203</b>	<b>87,650</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	19,584	20,281	20,691	21,763	22,182
CWIP	1,011	522	876	888	901
Other Non Current Assets	581	490	954	1,049	1,154
<b>Total Non-current Assets</b>	<b>21,177</b>	<b>21,293</b>	<b>22,521</b>	<b>23,700</b>	<b>24,238</b>
Inventories	11,067	12,562	14,206	15,926	17,913
Debtors	6,504	7,061	7,969	9,089	10,359
Other Current Assets	3,125	4,988	5,334	5,706	6,106
Cash & Equivalents	35,450	41,112	39,111	45,723	54,740
<b>Total Current Assets</b>	<b>56,146</b>	<b>65,723</b>	<b>66,620</b>	<b>76,443</b>	<b>89,119</b>
Creditors	15,852	17,094	18,862	21,240	23,898
Other Current Liabilities & Provs	1,304	1,484	1,592	1,700	1,808
<b>Total Current Liabilities</b>	<b>17,156</b>	<b>18,578</b>	<b>20,453</b>	<b>22,940</b>	<b>25,707</b>
<b>Net Current Assets</b>	<b>38,990</b>	<b>47,145</b>	<b>46,166</b>	<b>53,502</b>	<b>63,412</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>60,167</b>	<b>68,438</b>	<b>68,688</b>	<b>77,203</b>	<b>87,650</b>

Source: Company, HDFC sec Inst Research

### Cash Flow Statement

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PBT	16,107	16,931	19,545	24,555	29,566
Non-operating & EO Items	(3,224)	(2,262)	(35)	(37)	(37)
Interest Expenses	307	424	549	403	237
Depreciation	1,429	1,622	1,747	1,928	2,080
Working Capital Change	872	(2,575)	(1,441)	(770)	(941)
Tax Paid	(3,221)	(3,249)	(4,009)	(5,034)	(6,496)
<b>OPERATING CASH FLOW (a)</b>	<b>12,269</b>	<b>10,890</b>	<b>16,356</b>	<b>21,046</b>	<b>24,410</b>
Capex	(4,858)	(2,003)	(2,500)	(3,000)	(2,500)
<i>Free Cash Flow (FCF)</i>	7,411	8,887	13,856	18,046	21,910
Investments	(5,111)	(5,837)	(2,500)	(2,500)	(2,500)
Non-operating Income	1,900	2,437	-	-	-
<b>INVESTING CASH FLOW (b)</b>	<b>(8,069)</b>	<b>(5,402)</b>	<b>(5,000)</b>	<b>(5,500)</b>	<b>(5,000)</b>
Debt Issuance/(Repaid)	1,682	(545)	(2,000)	(2,500)	(2,000)
Interest Expenses	(450)	(428)	(549)	(403)	(237)
FCFE	2,969	6,461	13,906	18,449	21,647
Share Capital Issuance	149	-	(0)	0	0
Dividend	(4,770)	(4,770)	(13,273)	(8,494)	(10,618)
Others	-	-	-	-	-
<b>FINANCING CASH FLOW (c)</b>	<b>(3,390)</b>	<b>(5,744)</b>	<b>(15,822)</b>	<b>(11,398)</b>	<b>(12,855)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>811</b>	<b>(256)</b>	<b>(4,466)</b>	<b>4,148</b>	<b>6,554</b>
EO Items, Others	1,251	269	-	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>3,048</b>	<b>3,061</b>	<b>(1,440)</b>	<b>2,671</b>	<b>9,189</b>

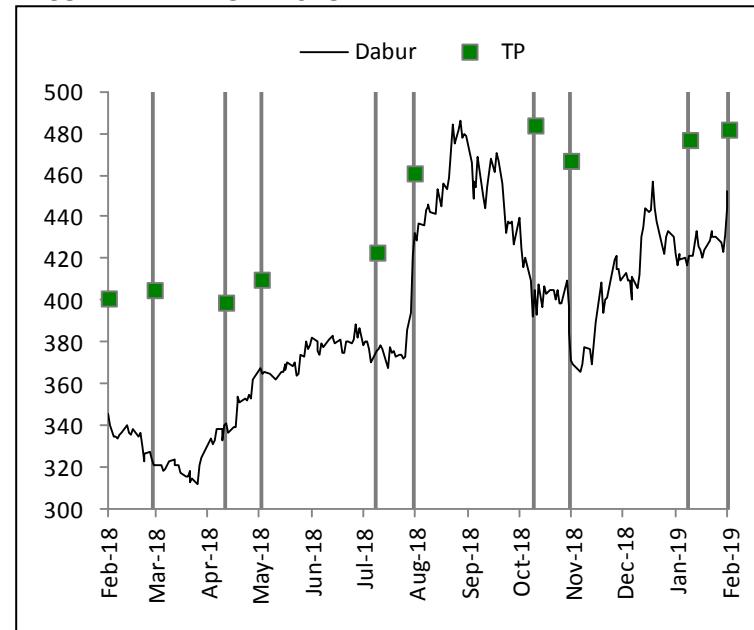
Source: Company, HDFC sec Inst Research

### Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
GPM	50.7	50.5	49.8	50.6	51.1
EBITDA Margin	19.8	20.9	21.3	22.3	23.2
EBIT Margin	17.9	18.8	19.3	20.4	21.4
APAT Margin	16.8	17.7	17.8	19.6	20.3
RoE	28.4	25.9	26.6	30.1	30.1
RoIC (or Core RoCE)	47.1	46.9	49.2	55.1	62.2
RoCE	24.2	22.4	23.7	27.6	28.6
<b>EFFICIENCY</b>					
Tax Rate (%)	20.5	20.5	20.5	20.5	20.5
Fixed Asset Turnover (x)	2.7	2.5	2.7	2.8	3.0
Inventory (days)	53.1	59.4	59.5	58.5	57.7
Debtors (days)	31.2	33.4	33.4	33.4	33.4
Other Current Assets (days)	15.0	23.6	22.3	21.0	19.7
Payables (days)	76.0	80.8	79.0	78.0	77.0
Other Current Liab&Provns (days)	6.3	7.0	6.7	6.2	5.8
Cash Conversion Cycle (days)	17.0	28.5	29.5	28.6	27.9
Net D/E (x)	(0.5)	(0.6)	(0.5)	(0.6)	(0.6)
Interest Coverage (x)	25.3	27.4	30.5	50.2	102.1
<b>PER SHARE DATA (Rs)</b>					
EPS	7.2	7.8	8.8	11.1	13.1
CEPS	8.1	8.7	9.8	12.2	14.3
Dividend	2.3	6.3	4.0	5.0	6.0
Book Value	27.5	32.4	33.7	39.9	46.9
<b>VALUATION</b>					
P/E (x)	62.4	58.3	51.4	40.9	34.6
P/BV (x)	16.4	14.0	13.4	11.3	9.6
EV/EBITDA (x)	51.6	47.7	41.8	34.6	28.9
EV/Revenues (x)	10.2	10.0	8.9	7.7	6.7
OCF/EV (%)	1.6	1.4	2.1	2.7	3.2
FCF/EV (%)	1.0	1.2	1.8	2.4	2.9
FCFE/Mkt Cap (%)	0.4	0.8	1.7	2.3	2.7
Dividend Yield (%)	0.5	1.4	0.9	1.1	1.3

Source: Company, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
1-Feb-18	356	BUY	401
28-Feb-18	340	BUY	405
11-Apr-18	338	BUY	399
2-May-18	371	BUY	410
9-Jul-18	380	BUY	423
1-Aug-18	420	BUY	461
10-Oct-18	393	BUY	484
31-Oct-18	385	BUY	467
9-Jan-19	416	BUY	477
2-Feb-19	452	BUY	482

## Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
 NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
 SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066**

**Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600**

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