

CMP: Rs 448

Rating: HOLD

Target Price: Rs 492

Stock Info

BSE	500096
NSE	DABUR
Bloomberg	DABUR IN
Reuters	DABUR.NS
Sector	Personal care
Face Value (Rs)	1
Equity Capital (Rs Cr)	177
Mkt Cap (Rs cr)	75,993
52w H/L (Rs)	525/ 377
Avg Yearly Vol (in 000')	2331

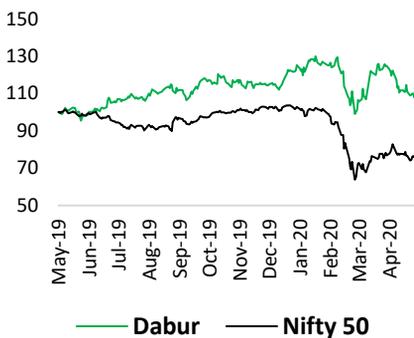
Shareholding Pattern %

(As on March, 2020)

Promoters	67.86
Public & Others	32.14

Stock Performance (%)	3m	6m	12m
Dabur	-15.0	-6.3	7.5
Nifty	-21.7	-24.4	-23.6

Marico Vs Nifty



Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Dabur India Q4FY20 earnings were below our projections with a miss in Revenue, EBITDA and PAT front. The company has reported a lower net profit at Rs 281 crore for the quarter under review as compared to Rs 370 crore for the same quarter in the previous year, impacted on account of lockdown during the second half of March 2020. Net sales dropped by 12.3% at Rs 1,865 crore for Q4 FY20 as compared to Rs 2,128 cr for the Q4FY19, EBITDA declined 23% YoY to Rs 352 crore for the Q4FY20 from Rs 457 crore for the Q3FY19 and EBITDA margin contracted 260 bps to 18.9%. The company recommended a final dividend of Rs 1.60 per share for the financial year 2019-20.

Q4FY20 Highlights

- Healthcare portfolio Fully was witnessing a strong 11.4% viability February 2020 growth driven by topical marketing campaigns, localised sales activation and sustained investment in the power plant.
- Q4FY20 consolidated revenue from operations reported a decline of 12.3% in the FMCG business or volume decline of 14.6%. These numbers for the first two months of the quarter that is Jan & Feb were trending at 4.5% growth for consolidated revenue and 4.6% for FMCG India volume growth.
- International businesses were flat during the last quarter of FY20.
- Turkey business witness growth of almost 50% in Q4 and Egypt recorded growth of 14.3%
- Namaste business growth of 11.3% and Sub Saharan Africa for growth of 17% during Q4FY20.
- MENA business was doing well during the year but impacted due to COVID and economic slowdown reporting a decline of 7.7% during the quarter.

Valuations

At CMP of 448, Dabur India is trading at a P/E of 52.8x and 45.5x its FY 21E and FY22E earnings respectively. We have lowered our revenue estimates owing to factor in the impact of disruption caused by outbreak of COVID-19. Management has introduced many initiatives such as growing the Healthcare segment, the power brand strategy and new launches. Dabur business remains on a strong footing and Management is confident of achieving strong growth pre-Covid time once things normalise. Company expects rural growth to be ahead of urban in the near future. We value Dabur at PE of 50x to its FY22E EPS of Rs 9.8, which yields a TP of Rs 492. We maintain our recommendation to **Hold**.

Financial Performance

YE March (RsCr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	8,533	1,740	1,446	8.2	20.4%	25.7%	54.7
FY20	8,704	1,792	1,448	8.2	20.6%	21.9%	54.7
FY21E	8,837	1,783	1,500	8.5	20.2%	18.9%	52.8
FY22E	9,592	2,086	1,739	9.8	21.7%	18.9%	45.5

Q4FY20 Financial Performance

Rs Cr (consolidated)	Q4FY20	Q4FY19	Q3FY20	Q-o-Q	Y-o-Y
Net Revenue	1,865	2,128	2,353	-20.7%	-12.3%
Material Cost	950	1,069	1,174	-19.1%	-11.2%
Employee cost	230	242	245	-6.0%	-4.9%
Other Expenses	333	360	441	0.0%	-7.3%
EBITDA	352	457	493	-28.5%	-23.0%
<i>EBITDA margin %</i>	<i>18.9%</i>	<i>21.5%</i>	<i>20.9%</i>	<i>-206bps</i>	<i>-260bps</i>
Other Income	76	66	74	1.8%	14.7%
Depreciation	59	46	54	8.1%	27.3%
EBIT	369	477	513	-28.0%	-22.6%
Finance cost	9	12	10	-18.4%	-31.0%
Exceptional Item	-20	-75	-20	-	-
PBT	341	389	482	-29.4%	-12.5%
Tax Expense	59	18	83	-29.7%	229.9%
Effective tax rate %	17.2%	4.6%	17.3%	-8bps	1265bps
PAT	282	372	399	-29.3%	-24.1%
MI & Associates	-1	-1	-1		
Consolidated PAT	281	370	398	-29.3%	-24.1%
<i>PAT margin %</i>	<i>15.1%</i>	<i>17.4%</i>	<i>16.9%</i>	<i>-183bps</i>	<i>-233bps</i>
EPS (Rs)	1.6	2.3	2.3	-29.4%	-29.3%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Conference Call Highlights

Company Strategy: Dabur India materially impacted in march, on account of lockdown. A lot of downs in March, also overlap for the pre-season sales of all summer season brand like Juices Glucose Pudina Hara, Hair oils and ethical portfolio. Company plans to focus on E-commerce and establish platform for direct to consumer delivery. It also partnering up with Dunzo and Swiggy.

Healthcare portfolio: Health supplements grew by 12.9% in February 2020 led by robust growth of Chyawanprash and Glucose. Inventory levels are low due to high demand for products like Chyawanprash. Many products of Healthcare range were earlier not part of essentials but Govt later included into essentials. Thereby, healthcare range can do well in the coming qtrs. Ethicals portfolio grew by 9.3% in 4QFY20.

HPC (Home and Personal Care): Toothpaste market share grew 40bps, and the gain in market share was across the brands. Co also witnessed sequential increase in market share in each month in 4QFY20. Hair oil reported a mixed single digit growth on account of continued slowdown in the category Brahmi Amla and Sarson Amla Hair Oil posted double digit YTD February growth, market shares of hair oil increased by 60 basis points. Hygiene products have gained salience. Co has launched a new brand "Sanitize" under which it has launched Hand Sanitizer and plans to launch multiple hygiene products.

Foods: Food witness a flat YTD February growth is mainly on account of a sharp slowdown overall juice category and downgrading to cheaper alternative by the consumers. Launched Juice alternatives with reduced sugar content. Launched Pink Guava, Masala Sugarcane and Coconut Water. Juices market (Rs 16bn) saw 7.6% decline in FY20, Dabur gained 300bps market share. However, Company has entered Drinks category (Rs 75bn) which is growing. In Jan and Feb, Company saw strong growth of 10% in Coolerz.

Margin: Volume growth is compensating for reduction in absolute gross margins due to aggressive promotions. Don't expect inflationary pressure going forward. Could see minor improvement over the next year - Overall operating margin saw an improvement, increasing by 157bps.

Outlook: Dabur business remains on a strong footing and Management is confident of achieving strong growth of pre-Covid time once things normalise. Company expects rural growth to be ahead of urban in the near future.

Income Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
Revenues	8,533	8,704	8,837	9,592
Change (%)	10.5%	2.0%	1.5%	8.5%
Raw materials	4,309	4,360	4,495	4,863
Gross Profit	4,224	4,343	4,342	4,729
Employee costs	938	948	979	986
Other expenses	1,547	1,603	1,580	1,658
Total Expenses	6,793	6,911	7,054	7,507
EBITDA	1,740	1,792	1,783	2,086
Other Income	296	305	300	300
Depreciation	177	220	222	238
Interest	60	50	73	73
PBT	1,799	1,828	1,789	2,075
Extra-ordinary	75	100	0	0
PBT after ext-ord.	1,724	1,728	1,789	2,075
Tax	279	280	290	336
Rate (%)	16.2%	16.2%	16.2%	16.2%
PAT	1,445	1,448	1,500	1,739
Share of profit/(loss) of associates for the year	1	0	0	0
Consolidated PAT	1,446	1,448	1,500	1,739
Change (%)	6.8%	0.1%	3.6%	16.0%

Balance Sheet (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	177	177	177	177
Reserves & Surplus	5,455	6,429	7,741	9,047
Net Worth	5,632	6,606	7,918	9,223
Loan Funds				
MI, Deferred Tax & other liabilities	59	59	58	58
Capital Employed	6,215	7,131	8,768	10,203
Application of Funds				
Gross Block	2,828	3,332	3,731	4,130
Less: Depreciation	1,195	1,415	1,637	1,875
Net Block	1,600	1,917	2,094	2,255
CWIP	64	147	147	147
Other non current assets	502	954	954	954
Current tax assets	2	2	2	2
Net fixed assets	2,168	3,019	3,196	3,357
Investments	3,392	2,844	2,844	2,844
Debtors	834	814	968	1,077
Inventories	1,301	1,380	1,404	1,524
Cash & bank balance	328	811	1,707	2,763
Loans & advances & other CA	415	508	809	865
Total current assets	2,877	3,491	5,207	6,647
Current liabilities	2,032	1,994	2,252	2,418
Provisions	190	228	228	228
Net current assets	655	1,268	2,727	4,001
Total Assets	6,215	7,131	8,768	10,203

Cash Flow Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
PBT	1,799	1,828	1,789	2,075
Depreciation	177	220	222	238
Interest & others	-236	-256	-228	-228
Cash flow before WC changes	1,741	1,792	1,783	2,086
(Inc)/dec in working capital	-8	-157	-223	-118
Operating CF after WC changes	1,732	1,635	1,560	1,968
Less: Taxes	-279	-280	-290	-336
Operating cash flow	1,454	1,355	1,271	1,632
(Inc)/dec in F.A + CWIP	-28	-482	-399	-399
(Pur)/sale of investment	410	96	0	0
Cash flow from investing	382	-386	-399	-399
Free cash flow (FCF)	1,426	873	872	1,233
Loan raised/(repaid)	-305	-57	325	131
Equity raised	0	0	0	0
Interest & others	-1,088	-1,120	-1,238	-1,178
Dividend	-351	-283	-375	-435
Cash flow from financing activities	-1,814	-486	24	-177
Net inc /(dec) in cash	22	482	896	1,056
Opening balance of cash	306	328	811	1,707
Closing balance of cash	328	811	1,707	2,763

Key Ratios

Year End-March	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	8.2	8.2	8.5	9.8
CEPS	9.2	9.4	9.7	11.2
BVPS	31.9	37.4	44.8	52.2
DPS	2.0	1.6	2.1	2.5
Payout (%)	24.2%	19.5%	25.0%	25.0%
Valuation (x)				
P/E	54.7	54.7	52.8	45.5
P/CEPS	48.8	47.5	46.0	40.0
P/BV	14.1	12.0	10.0	8.6
EV/EBITDA	49.0	47.2	47.2	39.9
Dividend Yield (%)	0.4%	0.4%	0.5%	0.5%
Return ratio (%)				
EBIDTA Margin	20.4%	20.6%	20.2%	21.7%
PAT Margin	16.9%	16.6%	17.0%	18.1%
ROE	25.7%	21.9%	18.9%	18.9%
ROCE	25.1%	22.0%	17.8%	18.1%
Leverage Ratio (%)				
Total D/E	0.2	0.1	0.1	0.1
Net D/E	0.0	-0.1	-0.1	-0.2
Turnover Ratios				
Asset Turnover (x)	1.4	1.2	1.0	0.9
Inventory Days	56	58	58	58
Receivable Days	36	34	40	41
Payable days	95	93	93	92

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880