

## NEUTRAL

Price	Rs135
Target Price	-
Investment Period	-

### Stock Info

Sector	FMCG
Market Cap (Rs cr)	11,719
Beta	0.5
52 WK High / Low	139/60
Avg Daily Volume	219,441
Face Value (Rs)	1
BSE Sensex	15,332
Nifty	4,564
BSE Code	500096
NSE Code	DABUR
Reuters Code	DABU.BO
Bloomberg Code	DABUR @IN

### Shareholding Pattern (%)

Promoters	70.6
MF/Banks/Indian FIs	12.9
FII/ NRIs/ OCBs	10.9
Indian Public	5.6

Abs.	3m	1yr	3yr
Sensex (%)	39.4	6.9	43.6
Dabur (%)	33.1	46.0	51.5

### Anand Shah

Tel: 022 – 4040 3800 Ext: 334  
 e-mail: anand.shah@angeltrade.com

## Performance Highlights

- Robust Top-line growth, up 23%:** For 1QFY2010, Dabur India posted a robust Top-line growth of 23% yoy to Rs742.7cr (Rs604cr) on a consolidated basis ahead of our expectations of a 18.4% yoy growth to Rs715cr. Top-line growth was led by robust volume driven growth (16% yoy) across its key categories of Hair Care (hair oils and shampoos), Oral Care (toothpastes), Skin Care, Health Supplements, Digestives and Foods and strong growth in its International Business Division (grew 52.9% yoy led by strong performances in GCC, Egypt, Levant, North African and South Asian markets). During the quarter, Dabur completed the acquisition of Fem Care Pharma and financial results of the same have been consolidated in the current quarter results for only six days during the period 25-30<sup>th</sup> June.
- Earnings growth impressive, up 29%:** Dabur's reported Earnings for the quarter on a consolidated basis registered a strong growth of 29.4% yoy to Rs91.4cr (Rs70.7cr) significantly ahead of our expectation of an 18.6% yoy growth to Rs83.8cr. The higher-than-anticipated Earnings growth, despite 35% drop in Other income, was aided by robust Top-line growth and Margin Expansion. Interest costs decline 9% yoy and almost 44% qoq as the company repaid debt taken for Fem Care acquisition.
- Margins surprise positively, expand 150bp:** On the Operating front, Dabur India delivered a positive surprise registering a Margin expansion of 150bp to 15.9% (14.4%) driving a robust growth of 35.7% in EBITDA to Rs118.3cr (Rs87.1cr). Operating Margins expanded, largely driven by a 218bp fall in input costs and 77bp reduction in staff costs. However, the company re-invested some Margin gains into higher ad spends (up183bp yoy) to support new launches during the quarter. Retail losses were down yoy to Rs2.8cr (Rs4.9cr), but marginally up qoq from Rs2.1cr as the company added two new stores during the quarter.

### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>2,361</b>	<b>2,805</b>	<b>3,442</b>	<b>3,965</b>
% chg	15.6	18.8	22.7	15.2
<b>Net Profit</b>	<b>332.8</b>	<b>390.8</b>	<b>484.5</b>	<b>567.0</b>
% chg	18.5	17.4	24.0	17.0
OPM (%)	17.3	16.8	17.5	17.7
<b>EPS (Rs)</b>	<b>3.9</b>	<b>4.5</b>	<b>5.6</b>	<b>6.5</b>
P/E (x)	35.0	29.9	24.2	20.7
P/BV (x)	18.9	14.3	10.7	8.3
RoE (%)	53.9	47.7	44.1	40.1
RoCE (%)	50.7	39.8	42.1	40.3
EV/Sales (x)	5.0	4.2	3.4	3.0
EV/EBITDA (x)	28.6	24.9	19.4	16.7

Source: Company, Angel Research

**Exhibit 1: 1QFY2010 Category-wise growth (Consolidated)**

	Growth (%)	Comments
<b>Consumer Care Division</b>	<b>17.5</b>	
<i>Hair Care</i>		<i>Hair oils</i> recorded growth of 15.8% led by <i>Anmol</i> Coconut Oil (grew 42.7%) and <i>Dabur Amla</i> Hair Oil (grew 14.3%), <i>Vatika</i> hair oil registered 15.5% growth; <i>Shampoo</i> category performed well boosted by <i>Vatika Shampoos</i> (48.6% growth). Dabur's brands have gained further share in the normal shampoo category with a market share (value) of 7.3% for April-June.
<i>Oral Care</i>	7.8	<i>Dabur Red</i> grew 18.4%, <i>Meswak</i> grew 31.8% and <i>Babool</i> toothpaste grew 22.8% (led by launch/re-launch of value packs/price point packs). Overall, Toothpaste portfolio grew 20.7%.
<i>Health Supplements</i>	17.2	<i>Glucose</i> grew 34.1% and <i>Honey</i> grew 15%. <i>Chyawanprash</i> sales were moderate as summers traditionally are a lean period for the category.
<i>Digestives</i>	18.4	<i>Hajmola</i> including tablets and candies grew 18.3%. New variants along with aggressive touch point activations launch of 50 paisa SKU and new positioning has led to this impressive growth.
<i>Baby &amp; Skin care</i>	19.7	<i>Gulabari</i> grew 47.2% (including variants). <i>Dabur Lal Tail</i> grew 3.9%, <i>Dabur Lal Tail</i> has been re-launched with new proposition. Plan to launch new Ayurvedic skin care brand in Q2.
<i>Home Care</i>	7.9	<i>Odomos</i> grew 6%, <i>Odonil</i> declined marginally, <i>Odopic</i> grew 19.5%, <i>Sanifresh</i> reported 50% growth. <i>Odomos</i> sales growth lower due to unprecedented heat wave across the country.
<i>Foods Division</i>	21.6	Growth largely led juices & culinary range, <i>Real</i> franchise grew 17.7%, <i>Homemade</i> registered a strong growth of 37.8%. <i>Activ</i> Brand continue to focus on 'No Added Sugar' campaign.
<b>Consumer Health Division</b>	<b>12.5</b>	OTC portfolio grew by 15% and Ethicals by 8%. <i>Honitus</i> grew 6% and <i>Pudin Hara</i> grew 33.5%. <i>Pudin hara</i> , <i>Janam Ghunti</i> , <i>Hingoli</i> , <i>Satsabgol</i> & <i>Gripe Water</i> transferred to CHD from CCD for greater focus.
<b>International Business Division</b>	<b>52.9</b>	Growth was across all focus and potential markets led by Bangladesh (80%), GCC (65%) and Egypt (63.4%). The key categories accelerating the division's growth are Hair Creams, Toothpastes, Hair Oils and Conditioners.

Source: Company, Angel Research

**Exhibit 2: Segment-wise Performance (Consolidated)**

Y/E Mar (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Total Net Sales</b>	<b>748.0</b>	<b>612.4</b>	<b>22.1</b>	<b>2,834.1</b>	<b>2,396.3</b>	<b>18.3</b>
Consumer Care	564.0	452.6	24.6	2,207.1	1,864.2	18.4
Consumer Health	62.7	56.9	10.2	212.3	178.8	18.8
Foods Business	106.5	83.9	27.0	335.1	297.5	12.6
Retail	1.7	1.1		6.0	0.1	
Others	13.2	18.0	(26.7)	73.6	55.8	31.9
<b>Total PBIT</b>	<b>164.7</b>	<b>131.8</b>	<b>25.0</b>	<b>665.5</b>	<b>587.4</b>	<b>13.3</b>
Consumer Care	136.8	109.8	24.6	568.5	497.3	14.3
Consumer Health	16.3	14.5	13.0	55.9	47.0	19.0
Foods Business	13.7	11.6	18.5	56.8	48.5	17.1
Retail	(2.8)	(4.9)		(17.8)	(7.6)	
Others	0.6	0.8	(26.7)	2.1	2.2	(3.2)
<b>PBIT Margin (%)</b>	<b>22.0</b>	<b>21.5</b>		<b>23.5</b>	<b>24.5</b>	
Consumer Care	24.3	24.3		25.8	26.7	
Consumer Health	26.0	25.4		26.3	26.3	
Foods Business	12.9	13.8		16.9	16.3	
Retail						
Others	4.4	4.4		2.9	3.9	

Source: Company, Angel Research

### Outlook and Valuation

We have marginally tweaked our Top-line estimates to factor in higher volume growth across categories (bounce-back in oral care is key positive surprise) and also incorporate Fem Care Pharma numbers which have been consolidated in the current quarter for merely six days (full effect to show from 2QFY2010). Hence, we have upgraded our Top-line estimates by 6% and 7% for FY2010E and FY2011E respectively and expect Dabur to post a CAGR of 18.9% in Top-line during FY2009-11E driven by strong growth in key categories like hair-care, oral care, juices and international business coupled with new product launches. On the Operating front, we expect a CAGR of 22.2% in EBITDA supported by steady Top-line growth coupled with modest Margin expansion (90bp during the period FY2009-11E) on account softening input costs. Moreover, Dabur has curtailed its losses in its Retail venture which should further aid Margins. Earnings are expected to post 20.1% CAGR partially boosted by consolidated of Fem Care Pharma.

We remain bullish on Dabur's diversified product portfolio with a niche positioning in the Herbal/Natural space and initial signs of revival in core categories like Toothpaste comes as a positive surprise. Moreover, Fem Care's consolidation will help Dabur diversify into skin care category and cost synergies (on Dabur's front) will help improve Fem's Margins. However, owing to the recent run-up in stock price, Dabur is trading at 20.7x FY2011E EPS of Rs6.5 capping potential upside from the stock. **Hence, we maintain Neutral view on the stock.**

#### Exhibit 3: 1QFY2010 Performance (Consolidated)

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>742.7</b>	<b>604.0</b>	<b>23.0</b>	<b>2,805.4</b>	<b>2,361.1</b>	<b>18.8</b>
Consumption of RM	352.9	300.2	17.6	1,376.2	1,101.0	25.0
(% of Sales)	47.5	49.7		49.1	46.6	
Staff Costs	59.7	53.2	12.2	234.7	199.3	17.8
(% of Sales)	8.0	8.8		8.4	8.4	
Advertising	113.8	81.4	39.7	343.3	295.5	16.1
(% of Sales)	15.3	13.5		12.2	12.5	
Other Expenses	98.1	82.1	19.5	380.8	355.9	7.0
(% of Sales)	13.2	13.6		13.6	15.1	
<b>Total Expenditure</b>	<b>624.4</b>	<b>516.8</b>	<b>20.8</b>	<b>2,335.0</b>	<b>1,951.7</b>	<b>19.6</b>
<b>Operating Profit</b>	<b>118.2</b>	<b>87.1</b>	<b>35.7</b>	<b>470.5</b>	<b>409.3</b>	<b>14.9</b>
OPM (%)	15.9	14.4		16.8	17.3	
Interest	3.7	4.0	(8.9)	23.2	16.8	38.2
Depreciation & Amortisation	12.3	11.7	5.8	49.2	42.1	17.0
Other Income	7.8	12.0	(34.6)	46.8	34.0	37.7
<b>PBT (excl. Extr Items)</b>	<b>110.1</b>	<b>83.4</b>	<b>31.9</b>	<b>444.8</b>	<b>384.4</b>	<b>15.7</b>
Extr Income/(Expense)	0.0	0.0		0.0	0.0	
<b>PBT (incl. Extr Items)</b>	<b>110.1</b>	<b>83.4</b>	<b>31.9</b>	<b>444.8</b>	<b>384.4</b>	<b>15.7</b>
(% of Sales)	14.8	13.8		15.9	16.3	
Provision for Taxation	19.0	12.7	50.1	54.0	51.6	4.7
(% of PBT)	17.3	15.2		12.1	13.4	
<b>PAT (Before Minority)</b>	<b>91.0</b>	<b>70.7</b>	<b>28.7</b>	<b>390.8</b>	<b>332.8</b>	<b>17.4</b>
Minority Interest	(0.4)	0.1		(0.4)	(0.1)	
<b>Reported PAT</b>	<b>91.4</b>	<b>70.7</b>	<b>29.4</b>	<b>391.2</b>	<b>333.0</b>	<b>17.5</b>
PATM (%)	12.3	11.7		13.9	14.1	
Equity shares (cr)	86.3	86.5		86.3	86.5	
<b>Reported EPS (Rs)</b>	<b>1.1</b>	<b>0.8</b>		<b>4.5</b>	<b>3.8</b>	

Source: Company, Angel Research


**Research Team: Tel: 4040 3800**
**E-mail: [research@angeltrade.com](mailto:research@angeltrade.com)**
**Website: [www.angeltrade.com](http://www.angeltrade.com)**

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**Ratings (Returns) :** Buy (Upside > 15%)  
Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)  
Sell (Downside > 15%)

Neutral (5 to -5%)