

JANUARY 31, 2014

HOLD

MEDIUM RISK

PRICE Rs.170

TARGET Rs.175

FMCG

EARLIER RECO

Hold	
Price	Rs.172
Target	Rs.175
Date	Nov 06, 2013

SHARE HOLDING (%)

Promoters	68.6
FII	20.3
FI/MF	4.3
Body Corporate	1.6
Public & Others	5.2

STOCK DATA

Reuters Code	DABU.BO
Bloomberg Code	DABUR IN
BSE Code	500096
NSE Symbol	DABUR
Market Capitalization*	Rs. 296.4 bn / US\$ 4.7 bn
Shares Outstanding*	1743.8 mn
52 Weeks (H/L)	Rs.185 / 125
Avg. Daily Volume (6m)	1,665,543 Shares

Price Performance (%)

1M	3M	6M
(1)	(5)	3

200 Days EMA: Rs.161

*On fully diluted equity shares

Part of  Bonanza



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Dabur India Ltd has reported decent set of numbers for the quarter ended Dec'13 which was in-line with our expectations. Some of the key points of performance are summarized below:

Key Highlights of Q3FY14 Results

Standalone Performance: During Q3FY14, its Revenue grew 12.5% YoY to Rs. 13,421 mn. EBITDA grew 15.1% YoY to Rs. 2,209 mn with margins of 16.5% which expanded by 37 bps YoY mainly due to softening of raw materials (-87 bps YoY as % of sales) & part of this gain is invested in A&P (+80 bps YoY). APAT grew 16.3% YoY to Rs. 1,831.5 mn with margins of 13.6% which was higher YoY due to higher other income. Reported EPS of Rs.1.1. Consumer Care business contributed 84.2% to sales with EBIT margin of 25.6% (-10 bps YoY) while Foods & Others businesses contributed 13.9% & 1.9% to sales with EBIT margin of 12.3% (+200 bps YoY) & 1.4% (+182 bps) respectively.

Consolidated Performance: Its Revenue grew 16.7% YoY to Rs. 19,093 mn (Domestic: International mix 68%:32%) with volume growth of 9.2%. EBITDA grew 8.4% YoY to Rs. 2,975.5 mn with margins of 15.6% which contracted 120 bps YoY mainly due to increase in A&P expenses (+80 bps) & staff cost (+76 bps). APAT grew 15.3% YoY to Rs. 2,436.4 mn with margins of 12.8% which remained flat on YoY basis. It reported EPS of Rs.1.4. Consumer Care business contributed 87.3% to sales with EBIT margin of 21.3% (-164 bps YoY), retail contributed 1% to sales with EBIT margin of -4.8% (+1152 bps YoY) while Foods & Others contributed 10.2% & 1.5% to sales with EBIT margin of 14.6% (+358 bps YoY) & 9.1% (+393 bps) resp.

International Business Performance:

Its International business reported 26% YoY revenue growth during Q3FY14 with constant currency growth of 14%. Strong growth (in constant currency) across all key markets: GCC (21%), Nigeria (16%), & Egypt (16%). Healthy double digit growth for Namaste business in constant currency was driven by strong 30% YoY growth in Non-US portfolio which accounts for 1/3rd of Namaste Revenue.

Key Points from Concall of Dabur India

- **Decent growth across all the key categories except Hair Care in Q3FY14:** Health Supplements – 19.5%, OTC & Ethicals – 13.2% (Ethicals – 15.5%), Hair Care – 6.9% (Shampoo – +25%, Perfumed HO – 8% & Coconut HO de-grew), Oral Care – 10.4% (Toothpaste – 14% & Toothpowder - growth remained flattish), Home care – 16%, Digestives – 17.7%, Skin Care – 13.4% (Fem Portfolio – grew in double digit) & Foods – 18% (strong double digit growth in Real). Hair Care portfolio reported subdued growth on account of slower market growth & decline coconut oils due to consumer shifting towards perfumed oil. Going forward, the Management expects growth in Hair oil to remain in low teen digit, which would be driven by new products and sustainable 15-18% growth in Shampoos in medium term. However, it expects a lot of opportunities in Hair Care segment in long term with prospects of increasing biz to 3-5x from current level in next 7 years.
- **Demand & Margin Outlook:** The growth in rural market has been better than urban growth in past several quarters. However, it is tapering now while urban growth is exhibiting initial signs of revival. The gradual reduction of prices of fruits & vegetable has been witnessed, which will eventually leave more money in hand of urban consumer. With rising urbanization, pick-up in infrastructure spends & macroeconomic recovery, urban demand is likely to pick up further and will be in focus in the medium term. The management expects some improvement in margins as the raw material prices is expected to come down by end of Q4FY14 or start of Q1FY15, while Petroleum derivatives which are ruling at high price currently, is also expected to come down in February. However, the Honey, LLP, coconut oil and some edible oil has witnessed inflation.
- **New Products Launched:** Launched a host of new products/variants across geographies. In the domestic market, it launched Ratanprash - a premium health supplement, Fem fairness naturals with no added ammonia, Vatika olive hair oil, Odonil 1 touch air freshener, Vatika Mandara & Kunkudukai shampoo with olive conditioning, and Honitus cough drops - Honey & Tulsi variant, while in International markets, new launches were Dermoviva Face Wash & hand Wash, and Fem Gold Hair Removal Cream.
- **Products Pipeline:** To expand its distribution, the Company is targeting chemists especially to drive categories like OTC healthcare, health supplements and select personal care products. It has launched a new initiative called 'Project Core' to expand its distribution footprint in chemist channel. It is expected to increase its chemist coverage from 55,000 to 75,000 in phase-I, which will come at cost of Rs.150 mn and want to expand it to 125,000 over next few years, It is targeting 30% - 35% growth from chemist channel

OUTLOOK & VALUATION

Considering decent 9MFY14 performance driven by 10% volume growth, we expect its Revenues & APAT to grow at a CAGR of 15.3% & 17.1% resp. during FY13-FY15E. At the CMP of Rs.170, the stock trades at a valuation of 28.1x its FY15E EPS of Rs. 6.0. We maintain our "Hold" rating with TP of Rs.175.

KEY FINANCIALS (Consolidated)

Y/E Mar.	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY12	53054.2	6448.9	3.7	13.3	45.9	31.7	41.5	17.2
FY13	61761.2	7680.0	4.4	19.0	38.6	32.1	40.0	13.9
FY14E	71665.2	8822.4	5.1	14.9	33.6	32.9	36.7	11.0
FY15E	82037.6	10534.9	6.0	19.4	28.1	35.0	34.8	8.8

QUARTERLY STATEMENT (Consolidated) (Rs.mn)

Y/E Mar.	Q3FY13	Q2FY14	Q3FY14
Net Sales	16,360	17,542	19,093
Growth YoY %	12	15	17
Raw Material Consumed	7,954	8,072	9,275
Staff Cost	1,230	1,588	1,580
Ads & Promotion Cost	2,351	2,275	2,896
Other Expenditure	2,081	2,315	2,366
Total Expenditure	13,615	14,250	16,117
EBITDA	2,745	3,292	2,976
EBITDA Margin (%)	17	19	16
Interest	78	200	72
Depreciation	305	236	255
Other Income	220	226	339
PBT incl. OI	2,582	3,083	2,988
Tax	478	579	546
PAT	2,105	2,504	2,442
Minority Interest	(6)	6	7
Cons APAT	2,111	2,498	2,435
APAT Margin (%)	13	14	13
Extraordinary items	0	1	6
Cons RPAT	2,111	2,497	2,429

PROFIT & LOSS (Consolidated) (Rs.mn)

Y/E Mar.	FY12	FY13	FY14E	FY15E
Total Sales	53,054	61,761	71,665	82,038
Total Raw materials	26,924	30,193	34,850	39,879
Personnel Cost	3,874	4,712	6,166	7,081
Ads & promotion cost	6,595	8,370	10,212	11,237
Other Expenditure	6,759	8,188	9,291	10,760
Total Expenditure	44,153	51,463	60,519	68,957
EBITDA	8,902	10,298	11,146	13,080
Depreciation	1,032	1,124	971	1,054
Int. & Finance charges	538	589	480	412
Other Income	574	945	1,236	1,434
EBT (as reported)	7,905	9,530	10,931	13,048
Tax	1,464	1,826	2,075	2,488
PAT	6,441	7,704	8,856	10,560
Minority Interest	(8)	24	33	25
APAT	6,449	7,680	8,822	10,535
Extraordinary adj.	0	46	1	0
RPAT	6,449	7,634	8,821	10,535

BALANCE SHEET (Consolidated) (Rs.mn)

As on 31 st Mar.	FY12	FY13	FY14E	FY15E
Equity Share Capital	1,742	1,743	1,743	1,743
Reserves	15,430	19,501	25,138	31,940
Net worth	17,172	21,244	26,881	33,683
Total Loans	11,172	12,577	7,525	7,522
Minority Interest	30	121	154	179
Def. Tax Liab	274	362	444	540
Capital Employed	28,649	34,303	35,004	41,923
Fixed Assets	16,680	16,745	16,792	17,087
Investments	4,825	6,319	8,175	12,675
Inventories	8,239	8,439	9,811	11,236
Sundry Debtors	4,617	4,841	5,668	6,491
Cash & Bank bal	4,184	5,128	3,071	4,349
Loans and Advances	2,117	2,173	2,521	2,886
Other Curr Assets	803	3,428	3,978	4,554
Total Current Assets	19,960	24,009	25,049	29,517
Curr. Liabil & Prov	13,355	13,061	15,157	17,356
Net Current Assets	6,605	10,948	9,892	12,161
Misc Expenditure	538	292	146	0
Total Assets	28,649	34,303	35,004	41,923

FINANCIAL RATIOS (Consolidated)

Y/E Mar.	FY12	FY13	FY14E	FY15E
Growth (%)				
Total Sales	29.3	16.4	16.0	14.5
EBITDA	11.3	15.7	8.2	17.3
APAT	13.4	19.1	14.9	19.4
Profitability (%)				
EBITDA Margin	16.8	16.7	15.6	15.9
Adj. PAT Margin	12.2	12.4	12.3	12.8
ROE	41.5	40.0	36.7	34.8
ROCE	31.7	32.1	32.9	35.0
Per Share Data (Rs.)				
Adj. EPS	3.7	4.4	5.1	6.0
Adj. CEPS	4.3	5.1	5.7	6.7
Adj. BVPS	9.9	12.2	15.4	19.3
Valuation				
PER (x)	45.9	38.6	33.6	28.1
P/BV (x)	17.2	13.9	11.0	8.8
EV/EBITDA (x)	34.1	29.5	27.0	22.9
EV/Total Sales (x)	5.7	4.9	4.2	3.7
Dividend Yield (%)	0.8	0.9	0.9	1.1
Gearing Ratio				
D/E (x)	0.7	0.6	0.3	0.2
Turnover				
Net Fixed Asset T/O(x)	3.2	3.9	4.5	5.1

Source: Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with “Neutral” Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
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