

DABUR

Volumes vroom; margin stages robust comeback

India Equity Research | Consumer Goods



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Dabur's Q3FY13 numbers were in line with our estimates with domestic volume rising 9.5% YoY (on base of 8% versus 9% growth in Q2FY13 on base of 5%). Rural (up 20% YoY) and modern trade (up 30% YoY, unlike HUL) remain strong. Key positives were: (i) EBITDA margin expansion after six quarters; (ii) strong growth of ~30% YoY each in shampoos and home care; (iii) healthy growth in foods (22.1% YoY) led by 29% YoY surge in *Real*; and (iv) robust growth in skin care (15.7% YoY) led by *Fem* surging 20% YoY. Key negatives were: (i) decline in digestives (down 5.4% YoY on high base and price hike in Hajmola to restore brand profitability); and (ii) continued slowdown in Namaste business (corrective steps taken and likely to revive in FY14E). We like Dabur's product innovation (launch of new juice variants, soft launch of coconut water, car & gel air fresheners) and aggression in ad spends. Maintain 'BUY'.

This report also contains Q3FY13 conference call highlights.

EBITDA margin expands after six quarters

Domestic business grew 13.6% YoY (14.3% growth in domestic FMCG business; slowdown in export of guar). At the consolidated level, gross margin expanded 219bps YoY, leading to 93bps YoY EBITDA margin expansion despite higher ad spends (up 76bps YoY) and staff costs (up 48bps YoY). PAT grew 22.2% YoY as finance cost dipped 57.5% YoY. Modern trade channels' sales grew 30% YoY (unlike HUL, which reported volume pressure due to slowdown in this channel).

Healthy growth in foods, home and personal care

Hair care grew 13.9% YoY, home care surged 30.5% YoY, oral care recovered with 13.6% YoY growth, health supplements surged 12% YoY, skin care grew 15.7% YoY and OTC & ethicals grew 15.6% YoY. International business grew 22.4% YoY organically.

Outlook and valuations: Positive; maintain 'BUY'

We like Dabur's aggression in ad spends, product innovation, investment in existing product range and in distribution expansion. At CMP the stock is trading at P/E of 30.1x and 25.3x for FY13E and FY14E, respectively. We maintain 'BUY' and rate the stock 'Sector Outperformer' on relative return basis.

Financials		(INR mn)						
Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	FY12	FY13E	FY14E
Net sales	16,307	14,527	12.3	15,226	7.1	52,832	61,566	71,439
EBITDA	2,745	2,309	18.9	2,693	1.9	8,902	10,307	12,243
Net profit	2,111	1,728	22.2	2,024	4.3	6,449	7,598	9,051
Dil. EPS (INR)	1.2	1.0	22.4	1.2	3.4	3.7	4.3	5.2
Diluted P/E (x)						35.5	30.1	25.3
EV/EBITDA (x)						25.8	21.9	18.1
ROAE (%)						41.4	39.0	37.1

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA (R: DABU.BO, B: DABUR IN)

CMP	: INR 131
Target Price	: INR 150
52-week range (INR)	: 140 / 92
Share in issue (mn)	: 1,742.9
M cap (INR bn/USD mn)	: 228 / 4,230
Avg. Daily Vol.BSE/NSE('000)	: 1,316.9

SHARE HOLDING PATTERN (%)

	Current	Q2FY13	Q1FY13
Promoters *	68.7	68.7	68.7
MF's, FI's & BK's	5.4	5.4	6.7
FII's	19.2	19.2	17.7
Others	6.7	6.7	6.9
* Promoters pledged shares (% of share in issue)			0.1

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer Goods Index
1 month	1.1	2.4	4.9
3 months	4.2	6.8	13.5
12 months	38.9	16.2	45.0

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Table 1: Segment-wise snapshot

Segment	Growth Y-o-Y(%)	Key takeaways Q3FY13
Domestic business		
Hair Care	13.9	<ul style="list-style-type: none"> Hair oil posted 11.8% YoY volume led growth Perfumed hair oils grew 14.9% YoY despite lower offtakes in CSD channels Coconut based oil faced were flattish owing to higher price differential with competitors Shampoos revival continued with massive 29.6% YoY growth; Vatika shampoo re-launched with new packaging, media support and improved marketing mix led to good momentum
Health supplement	12.0	<ul style="list-style-type: none"> Dabur Honey saw a strong growth across channels, regions and SKUs Dabur Glucose witnessed strong growth (Q3 is typically not a big quarter for glucose segment) Chyawanprash grew in double digit though impacted slightly by CSD issue
Food	22.1	<ul style="list-style-type: none"> Real reported 29% YoY growth Banana Strawberry and Green Apple Punch variants were launched under <i>Real</i> Activ coconut water has been test launched in select markets Culinary portfolio saw flattish growth
Oral Care	13.6	<ul style="list-style-type: none"> Premium toothpastes, Meswak and Dabur Red toothpaste, reported good growth (in excess of 25% YoY with market share gains) The discount brand (Babool) was flattish but grew QoQ Toothpowder performed well growing at 14.6% YoY
Digestive	(5.4)	<ul style="list-style-type: none"> Decline was due to high base effect and significant price hikes taken in Hajmola to restore brand profitability New campaign was launched for Hajmola with Ajay Devgan as brand ambassador Pudin Hara reported double digit growth
Skin Care	15.7	<ul style="list-style-type: none"> Fem portfolio grew handsomely largely driven by bleaches which have been re-launched in new packaging; a new Turmeric Herbal bleach was also launched during Q3FY13 Dabur Gulabari witnessed strong double digit growth Gulabari Pearl Fairness Moisturizer with Saffron and Turmeric was launched
Home Care	30.5	<ul style="list-style-type: none"> Odonil witnessed double digit growth Odonil Gel (air freshener) was introduced in select markets Odomos reported good growth driven by activations and enhanced brand visibility Sanifresh saw robust growth due to restage
OTC & Ethicals	15.6	<ul style="list-style-type: none"> OTC portfolio grew by 14% YoY; Lal Tail saw good growth Ethicals portfolio grew by 19%
International division	9.0	<ul style="list-style-type: none"> Organic business grew 22.4% YoY with 16% constant currency growth Key growth markets were GCC (grew 22% YoY), Levant (grew 36% YoY) and Egypt (grew 15% YoY) Hobi business performed well with 24% YoY growth driven by investment in brands Namaste business performance under pressure due to distribution restructuring and changeover in branding in US

Source: Company, Edelweiss research

Q3FY13 Conference call | Key Takeaways

- Volume growth:** Dabur posted 9.5% YoY volume growth in domestic business in Q3FY13 (9.0%, 11.6% and 9.5% YoY for Q2FY13, Q1FY13 and Q4FY12, respectively) on a high base of 8% YoY growth in Q3FY12. The company has guided for a volume growth of 8-12% going ahead. Rural demand is doing better than urban.
- Rural growth:** Dabur posted 20% YoY growth in rural markets (outperforming urban growth).
- Modern trade:** Modern trade did extremely well and grew 30% YoY (2x domestic business). Growth was largely volume led.



- **Domestic performance:** Domestic business contributed 71% to overall sales, up 14.3% YoY (growth impacted due to CSD issue), led by 9.5% volume growth. CCB and foods contributed 83% and 14%, respectively, to domestic revenue.
- **Health supplements:** Health supplements grew 12% YoY led by strong growth in *Dabur Honey*. *Dabur Chyawanprash* registered a near double digit growth, but was impacted by lower offtake in CSD channel.
- **Digestives:** This business' growth declined 5.4% YoY due to high base and price hikes in *Hajmola* to restore brand profitability. *Pudin Hara* reported strong double digit growth during the quarter.
- **OTC and ethicals:** This business grew 15.6% YoY. OTC portfolio posted 16% YoY growth with *Lal Tail* posting strong growth. Ethicals grew 19% YoY. Q3FY13 posted strong growth on back of a small base. However, the base effect has now normalised. *Thirty Plus* (re-launched during Q2FY13) also saw good initial response from consumers, but it is too early to form a trend.
- **Hair oils:** This segment posted 11.8% YoY growth which was largely driven by volume growth. Perfumed hair oil category grew 14.9% in Q3FY13 despite lower offtake in the CSD channel. Ex-CSD, growth was 23% YoY. *Vatika* (coconut oil) sales were flattish due to high price differential to competitors.
- **Shampoos:** Shampoos continued on revival track, clocking growth of 29.6% YoY. The company's rural initiatives of distribution expansion helped post strong growth. Shampoos are now available in 3.5mn outlets. Also, *Vatika shampoo* relaunch boosted momentum (on the back of strong herbal positioning).
- **Home care:** Home care surged 30.5% YoY with *Odomos* reporting strong growth due to marketing and media initiatives. *Odonil* grew in double digits YoY and *Odonil Gel* was introduced in a few markets in Q3FY13. *Sanifresh* also posted good growth YoY. Management believes this high growth may not be sustainable in the long run due to the base effect.
- **Skin care:** Skin care grew 15.7% YoY. *Dabur Gulabari* (largely winter product) posted good performance with double digit growth. *Fem* portfolio saw the relaunch of *Fem Bleach* and launch of *Turmeric Herbal Bleach*. Dabur also launched *Gulabari Pearl Fairness Moisturizer* with saffron and turmeric in Q3FY13.
- **Oral care:** Oral care grew 13.6% YoY. Premium products *Dabur Red Toothpaste* and *Meswak* performed well, growing 25% plus and gained market share. However, *Babool* growth was flattish YoY. The company has not aggressively marketed *Babool* compared to its premium products, but will concentrate on improving profitability from this product. *Dabur Red Toothpowder* performed well, growing 14.6% YoY (price led, no volume growth). The company may enter the sensitive category as it has huge growth potentials.
- **Foods:** Foods business posted good growth of 22.1% YoY with *Real* growing a healthy 29% YoY and gained market share (at all time high). The company introduced *Banana Strawberry* and *Green Apple Punch* variants of *Real*. Food margin dipped 709bps in the standalone business which could be attributed to: (1) forex impact; and (2) 1% CVD duty imposed by the government. Culinary portfolio growth was flattish YoY.
- **H&B stores:** The retail business has not been profitable and management expects it to bleed money even in FY14. But losses will be limited.



- **International business:** International business (IB) grew 9% YoY. Ex-Namaste, the organic business grew 22.4% YoY. Organic volume growth stood at 16% YoY and including Namaste, it stood at 4% YoY.

Namaste business remained under pressure due to distribution restructuring in Africa and changeover in branding in the US. Sales will revive in US markets post two quarters. Growth in Nigeria business will revive from the next quarter. South Africa is back on track. The company has taken several measures to turnaround the Namaste business by putting in new resources and personnel in management. Overall, Namaste will see revival in growth from FY14.

Hobi business performed well with 24% YoY growth led by investment in brands.

Egypt grew 15% YoY in Q3FY13. However, the situation in the country remains under stress. Nigeria saw low growth YoY in Q3FY13 due to local unrest.

- **Gross margin:** Gross margin expanded 219bps YoY to 51.4%. Domestic business margin remained flat YoY due to pressure from rupee depreciation and high prices of honey and sugar. International business' gross margins expanded 500bps YoY. Management expects gross margin to remain stable.
- **A&P:** Dabur will be looking to reduce its A&P spends by 50-100bps. A&P remains high in oversea business and management will first try to reduce A&P in these markets.
- **CSD:** CSD business continued to decline. 37% of the CSD business happens in Q3FY13 for Dabur (mainly for Chyawanprash).
- **Debt:** Dabur is net cash positive. The company does not have debt in the domestic business. Hence, cash generated from international business will be utilised to pay off debt.
- **Tax rate:** Tax rate is likely to be ~20% for FY13E. The company will follow MAT for the next 4-5 years.
- **Interest paid:** The interest paid has been significantly lower primarily due to higher impact of exchange rate in Q3FY12.

Outlook and valuations: Positive; Maintain 'BUY'

We like Dabur's renewed aggression in ad spends, product innovation (Thirty plus, soft launches in coconut water, car fresheners and gel air fresheners) and investment in existing product range. Dabur is investing aggressively in distribution expansion; HUL had done similar distribution expansion two years back which led to improvement in volume growth and significant re-rating of the stock. We believe Dabur to be on a similar path. The stock is trading at P/E of 30.1x and 25.3x on FY13E and FY14E, respectively. We maintain FY14 target multiple of 29x arriving at target price of INR150. We maintain 'BUY' and rate the stock 'Sector Outperformer' on relative return basis.



Table 2: Consolidated segmental performance

Year to March - Revenues (INR mn)	Q3FY13	Q3FY12	% growth Y-o-Y	Q2FY13	% growth Q-o-Q
Consumer care business	14,136	12,668	11.6	12,638	11.9
Foods business	1,649	1,368	20.6	1,758	(6.2)
Retail business	168	123	36.7	141	18.7
Others	354	369	(4.0)	690	(48.7)
Gross income (Excl other income)	16,307	14,527	12.3	15,226	7.1
Year to March - PBIT (INR mn)					
Consumer care business	3,236	2,689	20.3	2,897	11.7
Foods business	181	218	(16.7)	334	(45.7)
Retail business	(27)	(33)	NM	(30)	NM
Others	1	36	(96.4)	84	(98.5)
PBIT	3,391	2,909	16.6	3,284	3.2
Year to March - Margin					
Consumer care business	22.9	21.2	166	22.9	(3)
Foods business	11.0	15.9	(491)	19.0	(800)
Retail business	(16.4)	(27.2)	1,083	(21.3)	490
Others	0.4	9.8	(945)	12.2	(1,183)
Margin	20.8	20.0	77	21.6	(78)

Source: Company, Edelweiss research

Table 3: Standalone segmental performance

Year to March - Revenues (INR mn)	Q3FY13	Q3FY12	% growth Y-o-Y	Q2FY13	% growth Q-o-Q
Consumer care business	9,968	8,806	13.2	8,179	21.9
Foods business	1,578	1,298	21.5	1,528	3.2
Others	344	357	(3.8)	678	(49.3)
Gross income (Excl other income)	11,889	10,462	13.6	10,386	14.5
Year to March - PBIT (INR mn)					
Consumer care business	2,561	2,221	15.3	2,329	9.9
Foods business	163	226	(27.9)	250	(34.7)
Others	(1)	33	(104.0)	87	(101.5)
PBIT	2,722	2,479	9.8	2,666	2.1
Year to March - Margin					
Consumer care business	25.7	25.2	47	28.5	(279)
Foods business	10.3	17.4	(709)	16.3	(600)
Others	(0.4)	9.1	(947)	12.9	(1,323)
Margin	22.9	23.7	(80)	25.7	(277)

Source: Company, Edelweiss research

Table 4: Standalone performance

P&L - standalone (INR mn)	Q3FY13	Q3FY12	YoY % Change	Q2FY13	QoQ % Change
Net sales/income from operations	11,889	10,462	13.6	10,386	14.5
Other operating income	37	37	1.6	42	(11.8)
Total income from operations	11,927	10,498	13.6	10,428	14.4
Cost of materials consumed	4,429	3,598	23.1	3,820	15.9
Purchased of stock-in-trade	1,697	1,366	24.2	1,529	11.0
Changes in inventories of finished goods, WIP and stock in trade	271	659	(58.8)	163	66.6
Advertising & publicity	1,516	1,276	18.8	1,031	47.0
Employee benefits expenses	734	640	14.6	710	3.3
Other expenses	1,276	1,093	16.7	1,180	8.2
Total expenses	9,923	8,632	15.0	8,433	17.7
EBITDA	2,003	1,866	7.3	1,995	0.4
Other income	194	96	102.1	216	(10.4)
Depreciation and amortisation expense	198	148	34.3	166	19.1
Finance costs	10	63	(84.6)	90	(89.2)
PBT	1,989	1,752	13.6	1,955	1.8
Tax expense	415	288	44.2	405	2.4
PAT	1,574	1,464	7.5	1,550	1.6
As % of net sales					
COGS	53.6	53.6		52.9	
Advertising & publicity	12.7	12.2		9.9	
Staff costs	6.2	6.1		6.8	
Other expenditure	10.7	10.4		11.3	
EBITDA	16.8	17.8		19.1	
PBT	16.7	16.7		18.7	
Net profit	13.2	13.9		14.9	
Tax rate	20.9	16.4		20.7	

Source: Company, Edelweiss research

Chart 1: Q3FY13 sales contribution

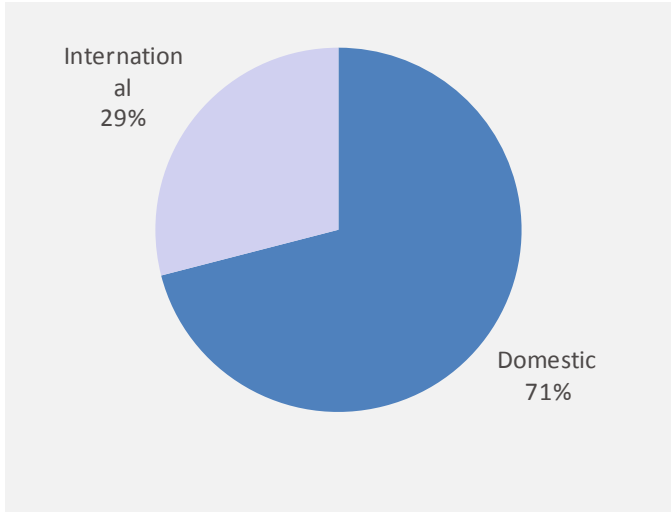


Chart 2: Q3FY13 YoY sales growth rates

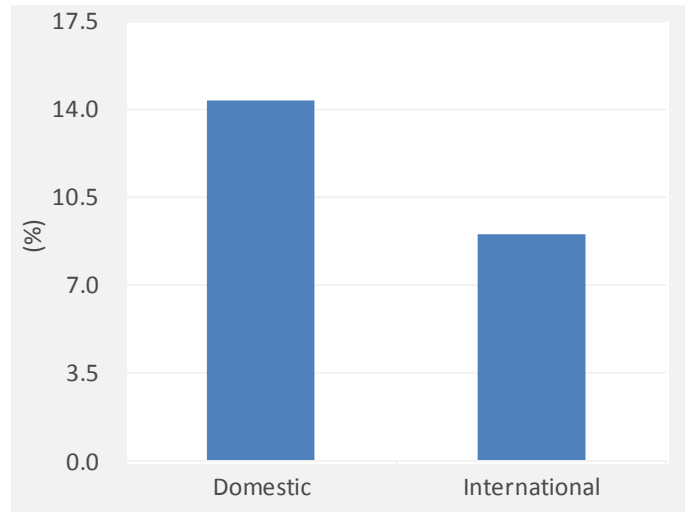


Chart 3: Q3FY13 Domestic sales split

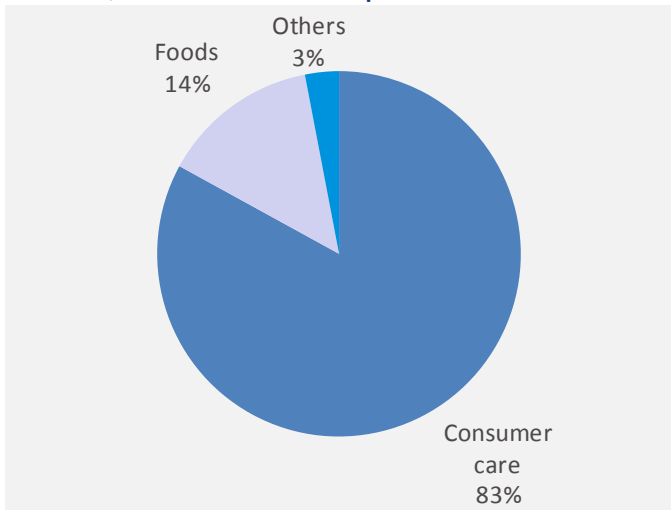


Chart 4: 9MFY13 Consumer care—Category contribution

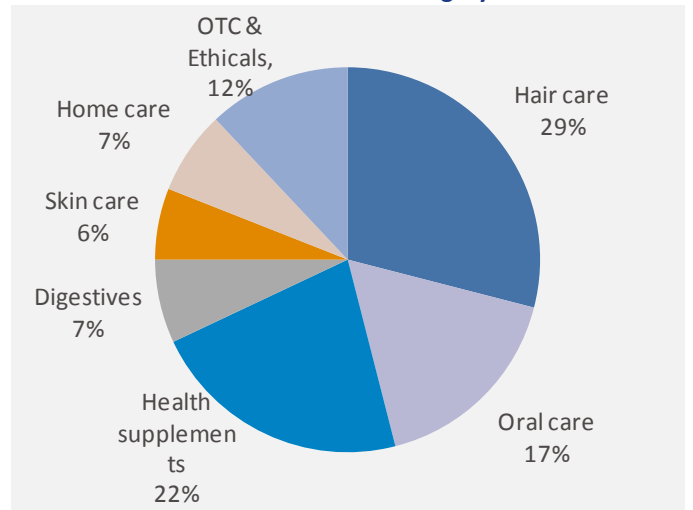


Chart 5: Consumer care—Category growth rate

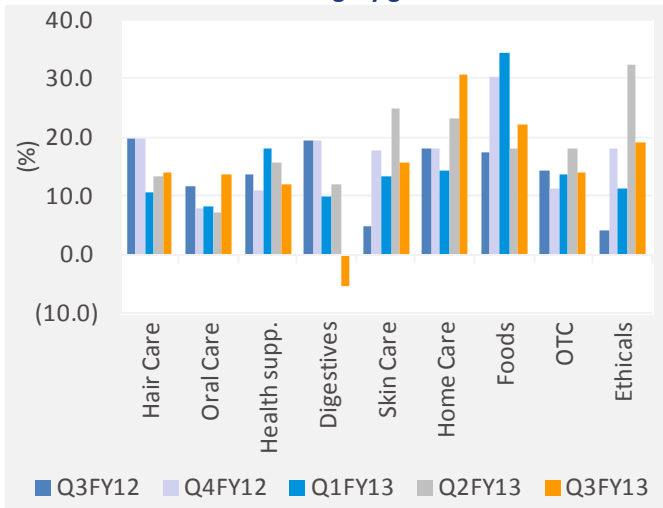
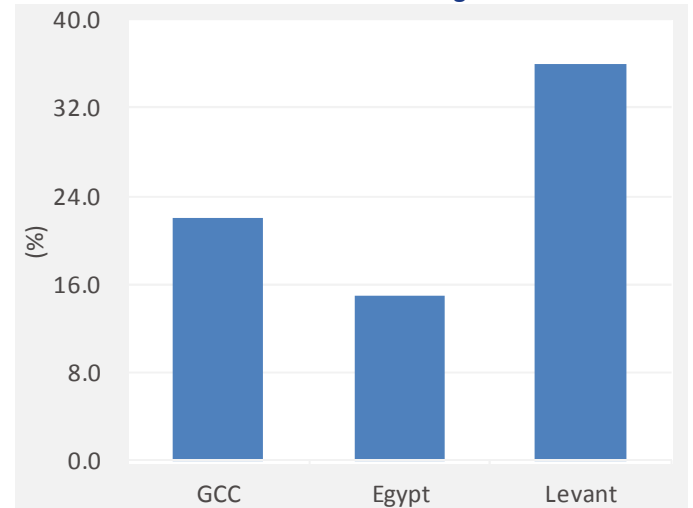


Chart 6: 9MFY13 International business growth rate



Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	YTD13	FY13E	FY14E
Net revenues	16,307	14,527	12.3	15,226	7.1	46,153	61,566	71,439
Other operating income	53	46	14.3	49	6.9	199	256	294
Total operating income	16,360	14,573	12.3	15,275	7.1	46,352	61,822	71,733
Cost of goods sold	7,954	7,404	7.4	7,525	5.7	22,795	30,706	35,629
Gross profit	8,406	7,169	17.3	7,751	8.5	23,557	31,116	36,104
Staff costs	1,230	1,025	19.9	1,212	1.5	3,503	4,556	5,358
Advt. sales & promotions	2,351	1,982	18.6	1,808	30.0	6,451	8,311	9,287
Other expenses	2,081	1,852	12.4	2,037	2.1	6,007	7,942	9,216
Total exp. (excl. cogs)	5,661	4,859	16.5	5,057	11.9	15,961	20,809	23,861
EBITDA	2,745	2,309	18.9	2,693	1.9	7,597	10,307	12,243
Depreciation & amortization	305	239	28.0	270	13.0	842	1,186	1,399
EBIT	2,440	2,071	17.8	2,423	0.7	6,755	9,121	10,845
Other income	220	167	31.8	226	(2.3)	688	903	1,085
EBIT including other income	2,660	2,238	18.9	2,649	0.4	7,442	10,024	11,930
Interest	78	183	(57.5)	149	(47.7)	439	560	629
Profit before tax	2,582	2,055	25.7	2,500	3.3	7,003	9,463	11,301
Provision for taxes	478	337	41.7	464	2.9	1,319	1,874	2,260
Core profit	2,105	1,718	22.5	2,036	3.4	5,684	7,590	9,041
Minority interest	(6)	(10)	NA	13	NA	(9)	(8)	(10)
Net profit	2,111	1,728	22.2	2,024	4.3	5,629	7,598	9,051
No. of shares (mn)	1,743	1,741		1,743		1,753	1,753	1,753
Diluted EPS (INR)	1.2	1.0	22.4	1.2	3.4	3.2	4.3	5.2

As % of net revenues

COGS	48.6	50.8		49.3		49.2	49.7	49.7
Employee cost	7.5	7.0		7.9		7.6	7.4	7.5
Other expenses	12.7	12.7		13.3		13.0	12.8	12.8
Adv. & sales promotions	14.4	13.6		11.8		13.9	13.4	12.9
EBITDA	16.8	15.8		17.6		16.4	16.7	17.1
PBT	15.8	14.1		16.4		15.1	15.3	15.8
Reported net profit	12.9	11.9		13.2		12.1	12.3	12.6
Tax rate	18.5	16.4		18.6		18.8	19.8	20.0

Company Description

Dabur has two divisions in India (post integration of consumer care division and consumer health division) apart from its international operations. Consumer care division (CCD) offers a wide range of products in hair care, oral care, health supplements, digestives and candies, baby and skin care products based on ayurveda, over-the-counter (OTC) products, Asavs, and branded ethical and classic products. CHD division has been merged with CCD to leverage distribution. The second division, Dabur Foods Ltd produces fruit juices, cooking pastes, sauces, and items for institutional food purchases. Dabur is unique among its Consumer Goods peers because of its positioning as an Indian company whose products are derived from exotic sources such as ancient ayurvedic texts and natural ingredients such as herbs.

The company has various brand leaders in different market segments - Dabur Chyawanprash, a health tonic, and Hajmola - a digestive tablet. Real, launched during 1996-97, has also successfully carved its niche in the market.

Investment Theme

Dabur's broad product portfolio provides a good play on Indian FMCG spend by virtue of its strong presence in less penetrated and high growth categories. Dabur's positioning on the 'health and wellness' platform, backed by its ANH (ayurvedic/natural/herbal) image is very progressive. This, combined with its demonstrated ability to create new categories and sub-categories, makes it well-placed to capture lifestyle changes-led growth in the FMCG space. Dabur has also demonstrated its ability to make and integrate smart acquisitions (Balsara) that complement its product portfolio and thereby drive inorganic growth. Improvement in margins of foods and international businesses are expected to result in improvement in margins for the consolidated operations.

Key Risks

A slowdown in rural demand due to lower government spending or a monsoon failure could impact Dabur's revenues significantly. The company's products such as Dabur Chyawanprash and Dabur Lal Tail are prominently sold in the rural areas, and hence, depend on growth in rural demand.

Further rise in competitive intensity in categories like Shampoo, Oral care, OTC and ethical may further put pressure on volumes.

Management bandwidth post acquisition in various international geographies is a concern

Financial Statements

Key Assumptions

Year to March	FY12	FY13E	FY14E	FY15E
Macro				
GDP(Y-o-Y %)	6.5	5.5	6.5	7.0
Inflation (Avg)	8.8	7.8	6.0	6.0
Repo rate (exit rate)	8.5	7.5	6.8	6.0
USD/INR (Avg)	47.9	54.5	54.0	52.0
Company				
Revenue assumptions				
Hair Oil (Domestic) sales growth	21.0	12.0	14.0	15.5
Chyawanprash (Domestic) sales growth	13.6	16.0	17.0	20.0
Honey (Domestic) sales growth	24.2	11.0	11.0	13.0
Tooth Powder & Paste (Domestic) sales growth	8.7	14.0	12.0	14.0
Hajmola (Domestic) sales growth	19.6	17.9	19.0	22.0
Fruits, Nector & Drinks (Domestic) sales growth	57.5	30.0	23.0	25.0
Vegetable Pastes (Domestic) sales growth	(11.1)	20.0	14.0	16.0
Volume growth (domestic)	9.0	9.8	9.6	9.5
Pricing change (domestic)	5.6	5.8	5.5	7.3
International business growth	91.2	18.9	18.2	19.8
EBITDA margin assumptions				
COGS as % of sales (Consol)	50.6	49.7	49.7	49.5
COGS as % of sales (standalone)	24.8	24.9	25.4	25.9
Staff costs as % of sales	7.3	7.4	7.5	7.5
A&P as % of sales	12.4	13.4	12.9	12.9
Coconut oil (Domestic) as % of COGS	8.5	8.8	9.3	9.3
Paradichlorobenzene (Domestic) as % of COGS	3.0	2.8	2.8	2.7
Light Liquid Parafin (Domestic) as % of COGS	8.0	8.0	8.3	8.5
Gold (Domestic) as % of COGS	2.3	2.4	2.4	2.3
Sorbitol Solution 70 % IP (Domestic) as % of COGS	2.3	2.4	2.4	2.7
Amla Green (Domestic) as % of COGS	1.2	1.2	1.2	1.2
Financial assumptions				
Tax rate (%)	18.5	19.8	20.0	20.0
Capex (INR mn)	1,784	2,332	1,520	1,530
Debtor days	28	28	28	28
Inventory days	53	53	53	53
Payable days	103	114	114	115
Cash conversion cycle (days)	(23)	(33)	(34)	(34)
Interest rate on o/standing debt (%)	5.0	5.1	6.0	6.5
Depreciation as % of gross block	5.0	5.3	5.7	6.2
Dividend as % of net profit	35.1	35.1	35.1	35.1
Yield on cash	6.2	9.7	8.8	7.5

Income statement

(INR mn)

Year to March	FY12	FY13E	FY14E	FY15E
Net revenue	52,832	61,566	71,439	84,070
Other Operating Income	223	256	294	338
Total operating income	53,054	61,822	71,733	84,409
Materials costs	26,852	30,706	35,629	41,777
Advertisement & sales costs	6,595	8,311	9,287	10,929
Employee costs	3,874	4,556	5,358	6,305
Other Expenses	6,831	7,942	9,216	10,845
EBITDA	8,902	10,307	12,243	14,552
Depreciation & Amortization	1,032	1,186	1,399	1,612
EBIT	7,869	9,121	10,845	12,941
Other income	574	903	1,085	1,237
Interest expenses	538	560	629	649
Profit before tax	7,905	9,463	11,301	13,529
Provision for tax	1,464	1,874	2,260	2,706
Net profit	6,441	7,590	9,041	10,823
Minority interest	(8)	(8)	(10)	(12)
Profit after minority interest	6,449	7,598	9,051	10,835
Diluted EPS (INR)	3.7	4.3	5.2	6.2
Dividend per share (INR)	1.3	1.5	1.8	2.2
Dividend payout (%)	35.1	35.1	35.1	35.1

Common size metrics

Year to March	FY12	FY13E	FY14E	FY15E
Materials costs	50.6	49.7	49.7	49.5
Advertising & sales costs	12.4	13.4	12.9	12.9
Interest expenditure	1.0	0.9	0.9	0.8
EBITDA margins	16.8	16.7	17.1	17.2
Net profit margins	12.1	12.3	12.6	12.8

Growth ratios (%)

Year to March	FY12	FY13E	FY14E	FY15E
Revenues	29.3	16.5	16.0	17.7
EBITDA	11.3	15.8	18.8	18.9
Net profit	13.2	17.8	19.1	19.7
EPS	13.0	17.8	19.1	19.7

Balance sheet		(INR mn)			
As on 31st March	FY12	FY13E	FY14E	FY15E	
Equity capital	1,742	1,742	1,742	1,742	
Reserves & surplus	15,427	19,924	25,281	31,693	
Shareholders funds	17,169	21,666	27,023	33,435	
Minority interest (BS)	33	25	15	3	
Short term debt	3,471	3,317	3,162	3,008	
Long term debt	7,272	6,948	6,625	6,301	
Current maturity of long term	492	470	448	426	
Borrowings	11,235	10,735	10,235	9,735	
Deferred tax liability	274	274	274	274	
Sources of funds	28,711	32,699	37,546	43,447	
Tangible assets	8,423	9,536	9,638	9,526	
Intangible assets	7,990	7,990	7,990	7,990	
CWIP (incl. intangible)	268	300	320	350	
Total net fixed assets	16,680	17,826	17,947	17,866	
Non current investments	893	893	893	893	
Current Investments	3,932	3,932	3,932	3,932	
Cash and equivalents	4,484	7,509	11,666	16,765	
Inventories	8,239	8,909	10,328	12,164	
Sundry debtors	4,617	4,743	5,485	6,475	
Other current assets	7,378	7,378	7,378	7,378	
Total current assets (ex cash)	20,234	21,029	23,191	26,017	
Current liabilities & provisions	17,512	18,490	20,083	22,026	
Net current assets (ex cash)	2,721	2,539	3,108	3,991	
Uses of funds	28,711	32,699	37,546	43,447	
Book value per share (INR)	16.5	18.8	21.5	24.9	

Free cash flow		(INR mn)			
Year to March	FY12	FY13E	FY14E	FY15E	
Net profit	6,449	7,598	9,051	10,835	
Add : Non cash charge	1,563	1,738	2,018	2,249	
Gross cash flow	8,012	9,336	11,068	13,084	
Less: Changes in WC	312	(182)	568	883	
Operating cash flow	7,700	9,518	10,500	12,200	
Less: Capex	1,784	2,332	1,520	1,530	
Free cash flow	5,916	7,186	8,980	10,670	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		EV/EBITDA (X)		ROAE (%)	
		FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Dabur	4,230	30.1	25.3	21.9	18.1	39.0	37.1
Asian Paints	7,903	36.3	29.6	23.2	19.2	38.8	39.9
Colgate	3,450	33.8	29.4	25.3	21.3	117.1	116.7
Emami	1,633	28.0	23.2	24.2	19.5	41.8	44.2
GlaxoSmithKline Consumer Healthcare	2,946	36.7	30.8	24.8	21.1	35.5	35.0
Godrej Consumer	4,593	34.7	28.6	24.1	20.0	21.5	22.5
Hindustan Unilever	18,832	31.6	28.6	23.7	21.1	75.0	64.9
ITC	44,715	31.7	27.1	20.6	17.6	36.8	38.6
Marico	2,691	35.0	29.1	22.6	18.6	30.2	28.5
Nestle Ltd	8,250	41.4	33.4	25.5	20.4	71.5	66.4
AVERAGE		37.6	29.4	23.7	19.7	46.7	45.9

Source: Company, Edelweiss research

Cash flow metrics					
Year to March	FY12	FY13E	FY14E	FY15E	
Operating cash flow	5,343	9,518	10,500	12,200	
Investing cash flow	(2,305)	(2,332)	(1,520)	(1,530)	
Financing cash flow	(1,359)	(4,161)	(4,823)	(5,571)	
Net cash flow	1,679	3,024	4,157	5,099	
Capex	(1,784)	(2,332)	(1,520)	(1,530)	
Dividends paid	(2,632)	(3,101)	(3,694)	(4,422)	

Profitability & efficiency ratios

Year to March	FY12	FY13E	FY14E	FY15E
ROAE (%)	41.4	39.0	37.1	35.8
ROACE (%)	35.5	35.2	35.8	36.3
Inventory day	53	53	53	53
Debtors days	28	28	28	28
Payable days	103	114	114	115
Cash conversion cycle (days)	(23)	(33)	(34)	(34)
Current ratio	1.4	1.5	1.7	1.9
Debt/EBITDA	1.3	1.0	0.8	0.7
Interest coverage	14.6	16.3	17.2	19.9

Operating ratios

Year to March	FY12	FY13E	FY14E	FY15E
Total asset turnover	2.0	2.0	2.0	2.1
Fixed asset turnover	3.3	3.6	4.0	4.7
Equity turnover	3.4	3.2	2.9	2.8

Valuation parameters

Year to March	FY12	FY13E	FY14E	FY15E
Diluted EPS (INR)	3.7	4.3	5.2	6.2
Y-o-Y growth (%)	13.0	17.8	19.1	19.7
CEPS (INR)	4.3	5.0	6.0	7.1
Diluted PE (x)	35.5	30.1	25.3	21.1
Price/BV (x)	7.9	7.0	6.1	5.2
EV/Sales (x)	4.3	3.7	3.1	2.6
EV/EBITDA (x)	25.8	21.9	18.1	14.8
Dividend yield (%)	1.0	1.2	1.4	1.7

Additional Data

Directors Data

Dr. Anand Burman	Non-Executive Chairman	Mr. Amit Burman	Vice Chairman
Mr. Saket Burman	Promoter Director	Mr. Mohit Burman	Promoter Director
Mr. P. D. Narang	Executive Director	Mr. Sunil Duggal	Executive Director, Chief Executive Officer
Mr. R. C. Bhargava	Independent Non-Executive Director	Mr. P. N. Vijay	Independent Non-Executive Director
Dr. S. Narayan	Independent Non-Executive Director	Mr. Albert Wiseman Paterson	Independent Non-Executive Director
Mr. Analjit Singh	Independent Non-Executive Director	Dr. Ajay Dua	Independent Non-Executive Director

Auditors - M/s G. Basu & Co - Chartered Accountants; Internal Auditors:Price Waterhouse Coopers Pvt. Ltd

**as per last annual report*

Top 10 holdings

	Perc. Holding		Perc. Holding
Commonwealth Bank Of Australia	2.69	Genesis Indian Inv Co Ltd	2.32
Matthews International Capital	2.06	Life Insurance Corp Of India	1.59
Vanguard Group Inc	0.98	Massachusetts Financial Services	0.66
Harding Loevner Lp	0.48	Bank Of New York Mellon Corp	0.28
Hdfc Asset Management Co Ltd	0.26	Robeco Investor Services	0.23

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Apr 2012	Sunil Duggal	Buy	50000
04 May 2012	Sunil Duggal	Buy	50000
19 Jun 2012	Ambati Sudhakar	Buy	44100
27 Jun 2012	P D Narang	Sell	60000

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Asian Paints	BUY	SP	M	Colgate	HOLD	SP	M
Dabur	BUY	SO	M	Emami	BUY	SP	H
GlaxoSmithKline Consumer Healthcare	BUY	SP	M	Godrej Consumer	BUY	SO	H
Hindustan Unilever	REDUCE	SU	L	ITC	BUY	SO	L
Marico	BUY	SO	M	Nestle Ltd	HOLD	SP	L
United Spirits	BUY	SO	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): Consumer Goods

Asian Paints, Colgate, Dabur, Godrej Consumer , Emami, Hindustan Unilever, ITC, Marico, Nestle Ltd, GlaxoSmithKline Consumer Healthcare, United Spirits

Recent Research

Date	Company	Title	Price (INR)	Recos
23-Jan-13	Hindustan Unilever	Royalty spoils the show; <i>Result Update</i>	481	Reduce
21-Jan-13	Asian Paints	Festivals add glitter, margins improve; <i>Result Update</i>	4,288	Buy
18-Jan-13	ITC	Cigarettes, FMCG on the roll; <i>Result Update</i>	285	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	118	46	17	181
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	117	57	7	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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