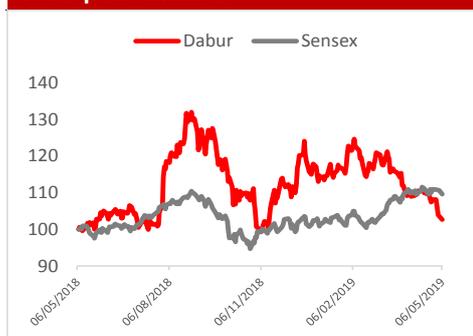



**Result Update @ Dalal & Broacha**
**ACCUMULATE**

Current Price	367
52 Week Range	359/471

**Key Share Data**

Market Cap (Rs.bn)	670.83
Market Cap (US\$ mn)	9583.29
No of o/s shares (mn)	1766.3
Face Value	1
Monthly Avg. vol(BSE+NSE) Nos'000	
BSE Code	500096
NSE Code	DABUR
Bloomberg	DABUR:IN

**Price performance**


% Shareholding	Mar-19	Dec-18
Promoters	67.90	67.89
Public	32.10	32.11
Others	0	0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Results were below estimates on back of a prolonged winter**

**Revenues:** Grew by 4.7% to Rs. 21281.9mn; **Domestic Business (71.70% of overall Revenues, amounting to Rs. 15259.21mn)** grew by 5.87%, volume growth of 4.3%/ **International Business** grew by 1.90% to Rs. 5512mn ; SAARC grew by 8% and Hobby in Turkey grew by 40% although gains were offset by devaluation of currency and translation

**Raw Material Costs:** as a percentage of sales stood at 50.2% as against 49.3% due to higher crude oil prices

**Employee Costs:** grew by 33.8% YoY due to additional ESOP costs of Rs. 770mn in the Quarter

**Advertisement Costs:** declined by 22.4% YoY to Rs. 1780.7Mn, V/s Rs. 1853.2Mn ; as a percentage of sales, it stands at 4.6% as against 6.2%

**Other Expenses:** increased by 9.6% to Rs. 2691.9mn as against Rs. 2389.7mn YoY; as a % of sales it stands at 12.3% v/s 11.8%.

**EBITDA:** de-creased by 5.8% YoY amounting to Rs. 4572.2Mn as against Rs. 4851.8Mn, Margins stood at 21.5% v/s 23.9%

**Finance Costs:** de-grew 6.3% to Rs. 124mn YoY

**Exceptional Item:** Rs. 753.4Mn on account of impairment of Goodwill in it's fully owned Turkey subsidiary, Hobby in view of Currency Devaluation. The impairment is of the consumer care business segment of the company

**Tax Rate:** 5% v/s 21% in Q4FY18 due to a Deferred tax benefit

**Reported PAT:** de-grew by 6.5% to Rs. 3704.3Mn

**Adjusted PAT:** grew by 4.6% to Rs. 4147.23Mn

EPS: Rs. 2.11 as against Rs.2.25 YoY

Final Dividend of Rs. 1.5 Announced

**Segment Wise:**

**HealthCare Portfolio** reported double digit growth across categories including:

**Health Supplements:** +10.2% on back of double digit growth in Chyawanprash and a 400 bps gain in market share

**Digestives:** grew by 11.9% on back of Hajmola and Pudina Hara

**OTC:** grew by 16.6% on back growth in Lal Tail and Shilajit

**Oral Care:** grew by 8.2% on back of good growth in Red Portfolio, Red toothpaste grew by 17.5%

**HomeCare:** grew by 16.2% on back of strong growth in Odonil and Sanifresh

**Foods:** de-grew by 6.5% on back of prolonged winter in North India, increased market share by 540bps y-o-y

**Hair Oils:** grew by 2.5% due to a prolonged winter and category slowdown

**Financials (Rs. Mn)**

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	76,135.9	-3.2%	15,089.4	19.8%	12,765.4	2.0%	7.2	52.3	26%	29%
FY18	77,218.5	1.4%	16,174.4	20.9%	13,660.5	7.0%	7.8	48.9	24%	27%
FY19	85,330.5	10.5%	17,395.6	20.4%	15,055.0	10.2%	8.5	44.5	27%	30%
FY20E	94,872.6	11.2%	19,821.4	20.9%	16,355.0	8.6%	9.3	40.9	25%	30%
FY21E	1,05,256.9	10.9%	22,475.7	21.4%	18,835.1	15.2%	10.7	35.5	24%	30%

**Conference Call KTA**

1. Growth in the Quarter was impacted due to a prolonged winter and a slowdown in consumption this quarter
2. Consultancy costs have increased due to the implementation of Project Lakshya ( to help improve the supply chain and networking of the company)
3. Hobby (subsidiary in Turkey), grew 40% for the quarter and 28% for the year
4. Employee costs were higher by 33% on a y-o-y basis mainly due to ESOP. The cost of ESOP for the full year was ~77 crores and is the same for FY20e
5. Hair Oil category currently generates ~Rs.12bn/category size is Rs. 100bn/ sub categories in hair oils is only dominated by 1 or 2 players indicating large room for growth
6. Oral Care continues to perform well/ Red Portfolio main growth driver/we expects double digit growth from red portfolio
7. Single digit growth in Meswak/ Babool Franchise has been under pressure/company will re-launch the brand by end of Q1FY20
8. On Priority basis, company's focus will be on HairCare, Oral Care, Health Care and Foods
9. Health Supplements doing reasonably well/ Honey witnessed single digit growth due to a higher base and increased competitive intensity from small players/will increase promotions to counter competition
10. Modern Trade grew by 19%/E-Commerce grew by 100% albeit on a lower base with major aid from Amazon (biggest e-retail partner) and Paytm/E-Commerce currently at 1.4% of sales, FY20e: 2.2-2.4%
11. Even though a decline in Foods segment, company gained market share of 540bps y-o-y to 56%/Recently launched Masala Portfolio received positive response
12. Juices and Nectar Category size is Rs. 16bn-18b, (Dabur's beverages category contributes ~Rs. 10bn)/ Company has entered into Fruit Drinks market/overall market size is ~Rs.40bn
13. Company has a direct reach of 1.1mn outlets, aim to reach 1.2mn by end of FY20
14. Company has connect with 44000 villages/FY20 target is 50,000 Villages/Total number of villages is 66000 Villages
15. Currently Urban is growing at 7% and Rural is growing at 7.8%/Rural is growing 10% faster than Urban/Earlier the difference was ~30%.

**Valuation at CMP of Rs. 367:** on P/E basis, the stock is trading at 39.4x and 34.9x FY20e and FY21e EPS of Rs. 9.3 and Rs. 10.7 respectively. Even though we are positive on the long term prospects of the company, we will continue to monitor it for the next 2 quarters. We believe the stock would remain under pressure in the short to medium term as growth is heavily dependent on a pickup in consumption and a normal to good rainfall this year.



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