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Dabur India Ltd (Dabur), one of the leading Indian FMCG companies, is also one of the world leaders in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. It operates in key consumer product categories like hair care, oral care, health care, skin care, home care and foods.

Key Developments

Bouquet of brands spread across three main verticals:

The product portfolio of Dabur is spread across three main verticals namely Healthcare comprising health supplements, digestives and over the counter (OTC) products, HPC (Home & Personal Care) comprising skin care, oral care, home care & hair care and Foods.

Currently, Dabur has 16 brands with a turnover of over Rs1bn, and three brands with turnover of more than Rs10bn. Importantly, to enhance brand presence, Dabur spends about 13-16% of its sales on ads every year. Dabur's diverse product portfolio (health supplements, hair care, home care etc) & presence in niche categories has resulted in sales CAGR of robust ~16% over FY11-16.

Rural connect:

Through 'Project Double', Dabur has almost tripled its rural penetration from 14,865 villages in FY11 to 44,128 villages in FY15. As a result, the revenue contribution from the rural areas has increased from 30% earlier to 45%.

Premiumisation strategy playing out well:

In order to enhance usage of its products, Dabur is launching premium differentiated offerings across product categories. For instance, in Chyawanprash category, Ratnaprash is available at 2x the price of base variant. Likewise, the newly launched Keratex hair oil is priced at 3x when compared to Dabur Amla.

Pioneer for Ayurveda

Dabur, a 132 years old brand, has been the pioneer for Ayurveda based health & personal care products in India. Dabur has a good portfolio of brands including Real, Dabur Chyawanprash with the focus primarily on ANH (Ayurvedic Natural Herbal) offerings.

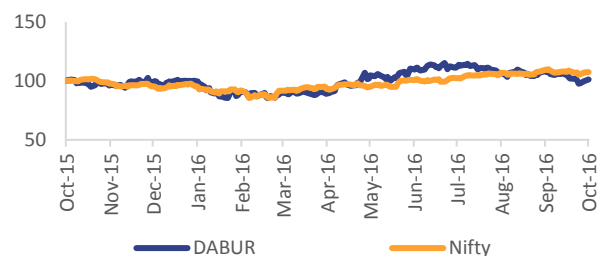
Market Data

CMP (Rs.)	284
Face Value	1.0
52 week H/L (Rs.)	320/231
Adj. all time High (Rs.)	320
Decline from 52WH (%)	11.2
Rise from 52WL (%)	22.9
Beta	0.7
Mkt. Cap (Rs.Cr)	49,958
Enterprise Value(Rs. Cr)	49,882

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs.cr)	7,075	7,827	8,454
Adj. PAT (Rs.cr)	915	1,066	1,253
Share Capital (Rs.Cr)	174	176	176
EPS (Rs.)	5.2	6.1	7.1
P/E (x)	54.1	46.8	39.9
P/BV (x)	18.5	14.8	11.9
ROE (%)	38.3	35.3	33.2

One year Price Chart

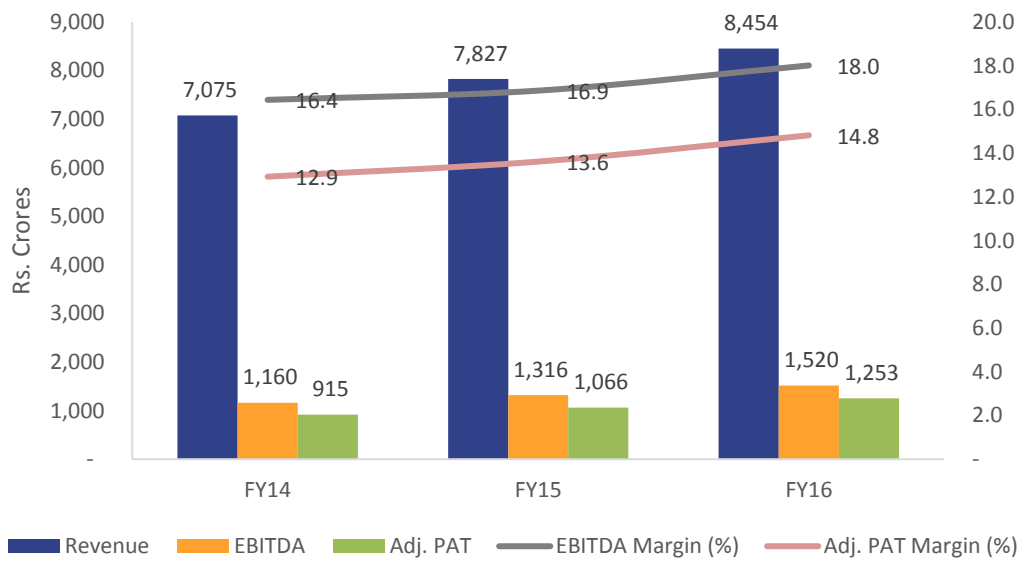


Shareholding	Jun16	Mar16	Diff.
Promoters (%)	68.0	68.1	(0.1)
Public (%)	32.0	31.9	0.1
Others (%)	-	-	-

Dabur India Ltd: Business Overview

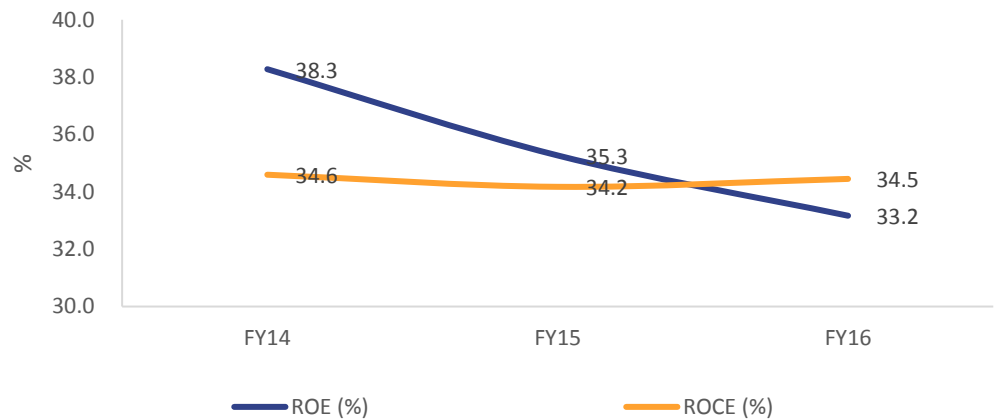
Established in 1884, Dabur India Ltd (Dabur) is one of the world leaders in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. It operates in key consumer products categories viz; hair care, oral care, health care, skin care, home care and foods. It has 16 brands with a turnover of over Rs1bn. Its products have a global presence and are today available in over 120 countries. Notably, its brands are highly popular in the Middle East, SAARC countries, Africa, US, Europe and Russia. Dabur's overseas revenue accounts for 32% of the total turnover. Moreover, Dabur has a wide distribution network, covering over 5.3 million retail outlets with a high penetration in both urban and rural markets.

Financial snapshot of Dabur



Source: Company, In-house research

Return Ratios Trend

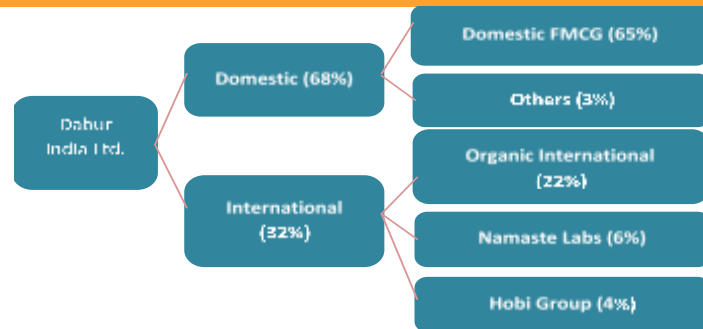


Source: Company, In-house research

International business - 32% of sales

International business division (IBD) includes Dabur's organic overseas business (contributes ~22% to sales) as well as the acquired entities of Hobi Group (contributes ~4% to sales) and Namaste Laboratories (~6% to sales). In FY16, the international business contributed 32% to the consolidated revenues. While Asia, US and Africa each contribute ~17-22% to its international revenues, Middle East accounts for 33% of its overseas business.

Dabur's business structure



Source: Company, In-house research

A diversified portfolio

The product portfolio of Dabur is spread across three main verticals namely Healthcare comprising health supplements, digestives and over the counter (OTC) products, HPC (Home & Personal Care) comprising skin care, oral care, home care & hair care and Foods. In FY16, the healthcare, HPC and foods segments contributed 33%, 49% and ~18% to overall domestic FMCG revenues, respectively.

Product portfolio across various categories

Oral Care	Dabur Red, Meswak, Babool
Hair Care	Dabur Amla Hair Oil, Dabur Almond Shampoo
Skin Care	Dabur Gulabari, Fem, Oxy Life
Home Care	Odonil, Odomos, Sanifresh
Health Supplements	Dabur Chyawanprash, Dabur Honey, Dabur Glucose
Digestives	Hajmola, Pudin Hara, Nature Care
OTC & Ethicals	Dabur Lal Tail, Honitus, Dashmularishta
Foods	Real Activ, Real Wellnezz

Source: Company, In-house research

Robust portfolio of brands

The company has a strong portfolio of brands (Dabur Chyawanprash, Real, Hajmola, Vatika, Amla, Honey, Dabur Red, Meswak, Fem) with the focus largely on ayurvedic & healthcare offerings. Currently, Dabur has 16 brands with a turnover of over Rs1bn, and three brands with turnover of more than Rs10bn. Importantly, to enhance brand presence, Dabur spends about 13-16% of its sales on ads every year. Dabur's diverse product portfolio & presence in niche categories has resulted in sales CAGR of robust ~16% over FY11-16.

Maintaining leadership position

Owing to its broad-based product portfolio, well-entrenched distribution network & strong brand equity, Dabur has consistently demonstrated strong leadership across various categories including digestives & juices. Dabur has recently launched Dabur Honey Fruit Spreads in four healthy fruit variants to grow market share of its honey products. Dabur has successfully positioned honey as a food product, thus leading to a market share of over 70% in the branded honey market. Apart from this, its products Dabur Chyawanprash and Hajmola are the largest selling Ayurvedic medicine and digestive tablets with about 65% market share in both categories. Notably, Dabur has recently gained market share in the oral care category with Dabur's Red toothpaste moving from the sixth to the third slot. In Q1FY17, oral care grew by 11.6% YoY, led by double-digit growth in the toothpaste portfolio where Red toothpaste and Meswak continued the strong momentum driven by consumer advocacy & focused marketing activities.

Commanding leadership position across most categories



Source: Company, In-house research

Innovative product offerings

Over the years, Dabur has launched several innovative products in the domestic & international markets. Since its inception, the company has efficiently leveraged ayurveda & herbal product offerings to its advantage. On the domestic front, Dabur introduced seven variants in Chyawanprash category including Ratnaprash (a premium health supplement). It also extended the Hajmola brand to the beverage market with the launch of Hajmola Yoodley. Similarly, Dabur recently launched Dabur Honey Fruit Spreads (extension of brand Honey) in four healthy fruit variants. Interestingly, Real fruit juices were launched in 1998 and now the company offers more than 30 variants in the portfolio. Likewise, in international markets, Dabur introduced new products such as Dermoviva face care range, Dermoviva baby wipes, Amla men hair tonic, Vatika cactus & coconut hair mask.

Premiumisation strategy

In order to enhance usage of its products, Dabur is launching premium differentiated offerings across beverages, health supplements, air care, hair care etc. For instance, in Chyawanprash category, Ratnaprash is available at 2x the price of base variant. Likewise, the newly launched Keratex hair oil is priced at 3x when compared to Dabur Amla. Similarly, Dabur has launched new delivery formats in Odonil fresheners including gel, floral bouquet, spray & pluggy. The realisation for a pluggy is ~3.5x when compared to Odonil block.

Premiumisation across product categories

Odonil (Rs)		Toothpaste (Rs/200 gm)		Hair Oils (Rs/100 ml)		Chyawanprash (Rs/kg)	
Odonil Block	40	Babool	42	Dabur Amla	46	Special (Immunity etc.)	295
Gel	80	Dabur Red	88	Vatika Enriched	56	Fruit Variants	300
Floral Bouquet	99	Meswak	90	Dabur Almond	60	Sugarfree	350
Spray	140			Vatika Olive	60	Ratnaprash	600
Pluggy	135			Keratex	136		
Premium over base variant	3.4x	Premium over base variant	2x	Premium over base variant	3x	Premium over base variant	2x

Source: Company, In-house research

Enhancing the rural connect

The company has efficiently expanded its distribution network in rural India through 'Project Double'. With the help of this project (rolled out in FY13), Dabur has almost tripled its rural penetration from 14,865 villages in FY11 to 44,128 villages in FY15. As a result, the revenue contribution from the rural areas has increased from 30% earlier to 45%.

Expanding reach in urban areas

In FY15, Dabur launched 'Project 50-50' wherein it has strived to focus on top 130 cities in India which together represent 50% of urban consumption. This project involves segregating the grocery channel teams between wholesale & retail and focusing marketing activities and distribution expansion. Similarly, 'Project CORE' (Chemist Outlets and Range Expansion) was launched in FY14 to enhance effective coverage of chemist outlets in 150 focus towns which has further provided impetus to OTC portfolio. During FY15, the direct reach in chemist channel rose from 1.72 lakhs to 2.12 lakhs.

Riding the herbal wave

Dabur plans to enhance its range of ayurvedic products to address emerging healthcare issues. It has partnered with government body Central Council of Research in Ayurvedic Sciences (CCRAS) to collaborate with, develop and commercialise ayurveda. During FY16, Dabur entered into a license agreement with CCRAS to commercially produce two ayurvedic drugs.

IBD growth trend

During FY12-16, the international business grew at a CAGR of 15%. However, geo-political issues continue to hurt growth in the Middle East and North African (MENA) markets. In Q1FY17, SAARC business recorded healthy 22% YoY growth on the back of robust show in Nepal (up 27.4%) and Sri Lanka. Likewise, Hobi reported sales growth of 15% YoY. However, Namaste's sales stood flat YoY impacted by currency headwinds (now stabilized).

Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	174	176	176
Reserve and surplus	2,482	3,178	3,984
Net Worth	2,656	3,354	4,160
Minority Interest	16	18	22
Total Debt	951	961	804
Other non-current liabilities	86	105	127
Total Equity & Liabilities	3,709	4,438	5,113
Net Fixed Assets	1,767	1,877	1,950
Capital WIP	22	50	45
Goodwill	-	-	-
Investments	1,076	1,813	2,524
Net current assets	801	656	547
Other non-current assets	43	41	48
Total Assets	3,709	4,438	5,113

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax & extraordinary items	1,136	1,319	1,557
Net cashflow from operating activities	1,162	1,133	1,197
Net cash used in investing activities	(205)	(988)	(780)
Net cash used from financing activities	(769)	(391)	(348)
Net inc/dec in cash and cash equivalents	187	(246)	69

Financial performance snapshot

Net sales of the company stood at Rs. 8,454 Crores in FY16, a growth of 8.0% as compared to Rs. 7,827 Crores in FY15. The operating expenses of the company increased by 6.5% YoY to Rs. 6,934 Crores from Rs. 6,511 Crores during the year. The company's EBITDA grew by 15.4% YoY to Rs. 1,520 Crores in FY16 from Rs. 1,316 Crores in FY15. EBITDA margin expanded by 115bps to 18.0% in FY16 from 16.9% in FY15. Adjusted profit increased by 17.5% to Rs. 1,253 Crores in FY16 from Rs. 1,066 Crores in FY15. Adj. PAT Margin expanded by 120 bps to 14.8% from 13.6% during the period under review.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Net revenue	7,075	7,827	8,454
Expenses	5,915	6,511	6,934
EBITDA	1,160	1,316	1,520
Depreciation	97	115	134
EBIT	1,062	1,201	1,386
Interest cost	54	40	48
Other Income	128	158	219
Profit Before Tax	1,136	1,319	1,557
Tax	219	251	302
Profit After Tax	917	1,068	1,255
Minority Interest	3	3	3
P/L from Associates	-	-	-
Adjusted PAT	915	1,066	1,253
E/o expense / (income)	(1)	-	-
Reported Profit	914	1,066	1,253

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	16.4	16.9	18.0
EBIT Margin (%)	16.8	17.4	19.0
NPM (%)	12.9	13.6	14.8
ROCE (%)	34.6	34.2	34.5
ROE (%)	38.3	35.3	33.2
EPS (Rs.)	5.2	6.1	7.1
P/E (x)	54.1	46.8	39.9
BVPS(Rs.)	15.3	19.2	23.8
P/BVPS (x)	18.5	14.8	11.9
EV/EBITDA (x)	42.6	38.1	32.8



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