

Dabur

Weak performance, Share gain continues

Dabur India reported 12% yoy decline in net revenues with a contraction of 15% yoy in India volume. Domestic volumes were up by 4.6% yoy in Jan/Feb (largely inline) but high dependence on the last 10 days of March (~20% of the qtr, more than expected) impacted overall performance. Channel filling for seasonal products like Juices, Glucose, Pudin Hara etc was impacted most due to lockdown. International business clocked healthy 8% yoy growth in Jan/Feb, and -0.6% yoy in 4QFY20. Negative opelev and limited time for cost control resulted in 23% yoy decline in EBITDA. Dabur can capitalise on the rising consumer trend towards naturals/ayurvedic, health supplement and hygiene products in the medium term. However, aggregate demand will be weaker for discretionary business in India and international business will also be volatile with several macro headwinds in FY21. We cut EPS estimate by ~10% for FY21/FY22 (7/9% cut in our FMCG thematic in April). We value DABUR at 40x on Mar-22E EPS, deriving a TP of Rs 404. Maintain REDUCE.

- Weak revenue performance:** Net revenues declined by sharp 12% yoy led by pressure in the domestic business. Covid led lockdown impacted revenue in 4Q by Rs 3.6bn (20% impact). Pre-covid performance was healthy at 4.6% yoy volume growth in Jan/Feb (5.6% and 6.7% yoy volume growth in 3Q/9MFY20). Hair Care/Oral Care/Food/Health Supplements/Home Care/Digestives/Skin care were down by 20/16/21/10/18/10/24% yoy in 4QFY20. Most of these brands have performed well in YTD Feb FY20 and were reflecting success of the new strategy led by new CEO. Focus on power brands, product innovation and distribution expansion has led to market share gain for Dabur in FY20. Dabur can outperform its peers in rural led by higher share of LUPs, natural/ayurvedic portfolio and rising reach.
- EBITDA margin contracted by 260bps yoy:** GM contracted 66bps to 49.1% (-94bps in 4QFY19 and 80bps 3QFY20) vs. expectation of +100bps. Employee/A&P/Other expenses were up by -5/+3/-11% yoy. Negative opelev resulted into sharp 23% dip in EBITDA. Focus towards cost cutting will support EBITDA margin in FY21.
- Call & other takeaways:** (1) Co has started all its plants, operating at 60-70% utilisaiton, (2) Lockdown will have Rs 4-4.5bn impact on revenue and Rs 0.6-0.8bn on PAT in 1QFY20, (3) Rural growth will be better than urban in the near term (migration from urban, less impact on agri income), (4) Cost focus will sustain EBITDA margin in FY21 (no cut in headcounts and salaries), (5) Co expects revenues from hand sanitizers to be Rs 1bn in 1QFY21 (Export and Domestic), and (6) Total debt has reduced to Rs 4.7bn in FY20 vs. Rs 5.2bn in FY19. Cash & Equivalents were at stable at ~Rs 36bn in FY20.

Financial Summary

YE Mar (Rs mn)	Q4 FY20	Q4 FY19	YoY (%)	Q3 FY20	QoQ (%)	FY19	FY20P	FY21E	FY22E
Net Sales	18,654	21,282	(12.3)	23,530	(20.7)	85,331	87,036	87,893	97,299
EBITDA	3,523	4,572	(23.0)	4,929	(28.5)	17,396	17,924	18,910	21,357
APAT	2,965	3,717	(20.2)	4,138	(28.3)	14,436	15,237	15,971	17,853
Diluted EPS (Rs)	1.68	2.10	(20.3)	2.34	(28.3)	8.20	8.62	9.04	10.10
P/E (x)						52.6	50.0	47.7	42.7
EV / EBITDA (x)						42.2	41.5	39.1	34.6
RoCE (%)						50.6	44.6	40.6	44.5

Source: Company, HSIE Research

REDUCE

CMP (as on 27 May 2020)	Rs 431
Target Price	Rs 404
NIFTY	9,315

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 447	Rs 404
EPS %	FY21E	FY22E
	-10%	-10%

KEY STOCK DATA

Bloomberg code	DABUR IN
No. of Shares (mn)	1,767
MCap (Rs bn) / (\$ mn)	758/10,027
6m avg traded value (Rs mn)	1,293
52 Week high / low	Rs 525/377

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.3)	(8.6)	7.2
Relative (%)	5.2	14.4	27.6

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	67.88	67.88
FIs & Local MFs	7.71	7.62
FPIs	17.48	17.43
Public & Others	6.93	7.07
Pledged Shares	0.00	0.00

Source : BSE

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Dabur Quarterly Commentary

Particulars	1QFY20	2QFY20	3QFY20	4QFY20
Industry/ Co Strategy	<ul style="list-style-type: none"> - Demand was sluggish and the industry growth witnessed a slowdown in both urban and rural markets - Juice category saw a slowdown due to increased competitive intensity by milk based players - 70% of industry will get impacted by the new red dot (high sugar content) in the packaging regulations by FSSAI 	<ul style="list-style-type: none"> - Demand remains under pressure. - Volumes in Hair, Oral and Skin care saw growth falling off to flat or into negative territory. - Juice consumption saw a sharp slowdown, but penetration is low and room for growth is huge. 	<ul style="list-style-type: none"> - No indicators of a revival in demand are visible for near term - Liquidity pressure in channels continues - Co is working towards improving direct reach to reduce dependency on wholesale channel. Consolidation of distributors will enable them to take advantage of scale and offer more discounts - Rural is outpacing urban mkt by 400bps 	<ul style="list-style-type: none"> - Demand was steady pre-Covid. However, loss of sales in the last 10 days impacted co severely - Inventory levels are low due to high demand for products like Chyawanprash - Co plans to focus on EComm and establish platforms for direct to consumer delivery. It is also partnering up with Dunzo and Swiggy - Co expects rural growth to be ahead of urban in the near future
Revenue				
Healthcare	<ul style="list-style-type: none"> - Showed strong performance led by new variants, distribution expansion and focused marketing - Investments will be restricted to Pudin Hara, Honitus and Lal Tail which have performed exceedingly well 	<ul style="list-style-type: none"> - Overall business stayed resilient, Glucose and Chyawanprash saw robust growth - Reliance on wholesale continues, but efforts under way to expand direct reach 	<ul style="list-style-type: none"> - Focus on power brands has helped drive growth - Co saw mkt share gain across categories like Chyawanprash, Digestive and Glucose - Lower competitive intensity allowed the co to take marginal price hikes - Total ayurvedic market Rs 30-40bn. Dabur is very low in terms of mkt share. Branded ethical market share is 20-25%, but some regional players have higher market share. RTM so far for ayurvedic has been ayurvedic outlets. Now co is tying up with doctors and regular chemists to drive growth in ayurvedic 	<ul style="list-style-type: none"> - YTD Feb FY20 growth in Healthcare was 11.4% yoy driven by marketing campaignings. - Health supplements saw growth of 12.9% yoy YTD FebFY20. - Glucose and Chyawanprash saw market share gains, with Chyawanprash market share increasing by 400bps. Co is facing constraints servicing the heavy demand due to supply chain disruptions. - Many products of Healthcare range were earlier not part of essentials but Govt later included into essentials. Thereby, healthcare range can do well in the coming qtrs. - Ethicals portfolio grew by 9.3% in 4QFY20.
HPC	<ul style="list-style-type: none"> - Vertical posted a strong growth - The co was able to gain mkt sh in the hair oils segment - Oral care performed very well and gained mkt sh due to increased penetration and aggressive marketing 	<ul style="list-style-type: none"> - Dabur grew ahead of the categories in HPC and gained mkt sh across all segments 	<ul style="list-style-type: none"> - Oral care growth was seen across brands. Downtrading was witnessed within low cost toothpaste units - Meswak returned to growth - Dabur is working on reimaging Babool as ayurvedic rather than a low price brand - Restarted investment in tooth powder, wants to take share from leader (Rs 5bn category) - Dabur Amla Hair oil mkt share grew 50bps. 80% of Dabur's hair oil portfolio is perfume oil. Co has lost mkt share to low price - Odomos gained 250bps mkt share 	<ul style="list-style-type: none"> - Toothpaste market share grew 40bps, and the gain in market share was across the brands. Co also witnessed sequential increase in market share in each month in 4QFY20. - Brahmi and Shanti Amla posted double digit growth - Hygiene products have gained salience. Co has launched a new brand "Sanitize" under which it has launched hand sanitizer and plans to launch multiple hygiene products. - Co expects revenues from hand sanitizers to be Rs 1bn in 1QFY21 (Export and Domestic). Sanitize will also be in the focus brand for Dabur

Foods	<ul style="list-style-type: none"> - Launched Juice alternatives with reduced sugar content - Also launched Real Coolerz Mango at the Rs 10 price point 	<ul style="list-style-type: none"> - Focusing on launching differentiated products in J&N with low or no sugar. Saw significant gain in mkt sh - Have entered drinks segment and launched PET bottle at Rs 10 price point 	<ul style="list-style-type: none"> - Beverages impacted by downtrading in the category (juices to low priced aerated drinks and dairy beverage) - Introduced Real Aloe Vera Juice (@Rs 110) in the premium segment - Real gained 530 bps in mkt share to 62.4% - Co is entering PET bottles to spur out-of-home consumption - Honey marginally declined. Smaller players have been chipping away at the mkt share 	<ul style="list-style-type: none"> - Launched pink guava, masala sugarcane and coconut water - Juices market (Rs 16bn) saw 7.6% decline in FY20, Dabur gained 300bps market share - However, co has entered Drinks category (Rs 75bn) which is growing. In Jan and Feb, co saw strong growth of 10% in Coolerz. - Juices could see growth going forward as people shift from carbonated drinks to juices. However, reduction in incomes will lead to downtrading as well. - Co is evaluating entering into milk based drinks.
Margin				
Gross Margin	<ul style="list-style-type: none"> - Volume growth is compensating for reduction in absolute gross margins due to aggressive promotions - Don't expect inflationary pressure going forward 	<ul style="list-style-type: none"> - Benign raw material and commodity prices provided support to margins 	<ul style="list-style-type: none"> - Agri inflation was high but crude based derivatives saw deflation. It leads to GM expansion besides favourable base 	<ul style="list-style-type: none"> - Co is trying to reduce the cost of RM through at derivative instruments and considering multiple vendors.
EBITDA Margin	<ul style="list-style-type: none"> - International business showed signs of recovery with encouraging constant currency growth. Should see minor improvement over the next year - Overall operating margin saw an improvement, increasing by 157bps 	<ul style="list-style-type: none"> - VCTS in Nepal and infiltration issues in Bangladesh negatively impacted constant currency growth. - Operating margin saw an improvement, partly on account IndAS 116 changes - Exceptional provision of Rs 400mn made for impairment of investments 	<ul style="list-style-type: none"> - EBITDA margin in the International business grew 100bps - Cost operating initiatives by the co helped improve EBITDA margins - Co is looking to maintain margins. Savings or margin expansion will be reinvested behind brands 	<ul style="list-style-type: none"> - Co is reassessing all variable costs in order to mitigate impact on its margins. - R&D costs will also be reevaluated by the co. Approx 0.5% of annual turnover will be allocated for R&D in FY21. - Co will target maintaining EBITDA margin in FY21. However, it does not expect to increase its margins.

Quarterly Financial Snapshot

Year to March (Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Net Revenue	18,654	21,282	(12.3)	23,530	(20.7)	87,036	85,331	2.0
Material Expenses	9,496	10,693	(11.2)	11,745	(19.1)	43,602	43,090	1.2
Employee Expenses	2,301	2,419	(4.9)	2,448	(6.0)	9,477	9,379	1.0
Advertisement and Publicity	1,002	978	2.5	2,035	(50.7)	6,500	6,083	6.8
Other Operating Expenses	2,332	2,620	(11.0)	2,374	(1.8)	9,533	9,382	1.6
EBITDA	3,523	4,572	(23.0)	4,929	(28.5)	17,924	17,396	3.0
Depreciation	588	462	27.3	544	8.1	2,205	1,769	24.6
EBIT	2,934	4,110	(28.6)	4,385	(33.1)	15,719	15,627	0.6
Other Income	758	661	14.7	745	1.8	3,053	2,962	3.1
Interest Cost	86	124	(31.0)	105	(18.4)	495	596	(16.9)
PBT before exceptional	3,606	4,647	(22.4)	5,025	(28.2)	18,277	17,993	1.6
Exceptional	(200)	(753)	na	(200)	na	(1,000)	(753)	na
PBT	3,403	3,893	(12.6)	4,823	(29.5)	17,276	17,249	0.2
Tax	587	178	229.9	835	(29.7)	2,797	2,786	0.4
PAT before minority interest	2,816	3,715	(24.2)	3,989	(29.4)	14,479	14,463	0.1
Minority Interest	10.6	10.6	-	10.6	-	42.4	39.2	8.2
PAT	2,805	3,704	(24.3)	3,978	(29.5)	14,437	14,423	0.1
Adjustment	160	13	na	160	na	800	13	na
APAT	2,965	3,717	(20.2)	4,138	(28.3)	15,237	14,436	5.5
EPS	1.7	2.1	(20.3)	2.3	(28.3)	8.6	8.2	5.2

Source: Company, HSIE Research

Quarterly Performance Analysis

Margin (% of sales)	Q4FY20	Q4FY19	YoY (bps)	Q3FY20	QoQ (bps)	FY20	FY19	YoY (bps)
Material Expenses	50.9	50.2	66	49.9	99	50.1	50.5	(40)
Employee Expenses	12.3	11.4	97	10.4	193	10.9	11.0	(10)
ASP Expenses	5.4	4.6	78	8.6	(327)	7.5	7.1	34
Other Operating Expenses	12.5	12.3	19	10.1	241	11.0	11.0	(4)
EBITDA	18.9	21.5	(260)	20.9	(206)	20.6	20.4	21
Tax Rate	17.2	4.6	1,267	17.3	(7)	16.2	16.2	4
APAT Margin	15.9	17.5	(157)	17.6	(169)	17.5	16.9	59

Source: Company, HSIE Research

Quarterly Segmental

Year to March (Rsmn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Segmental Revenues								
Consumer Care Business	15,904	17,886	(11.1)	20,614	(22.8)	75,673	70,004	8.1
Foods	2,194	2,791	(21.4)	2,289	(4.1)	11,518	12,431	(7.3)
Retails	283	315	(10.1)	346	(18.4)	1,245	1,233	1.0
Others	205	214	(4.5)	217	(5.5)	934	908	2.8
Unallocated other operating revenue	68	77	(11.3)	64	6.3	263	280	(6.2)
Total	18,654	21,282	(12.3)	23,529	(20.7)	89,632	84,855	5.6
Segmental EBIT								
Consumer Care Business	3,666	4,520	(18.9)	5,001	(26.7)	18,871	16,751	12.7
Foods	236	454	(47.9)	253	(6.5)	1,648	1,821	(9.5)
Retails	(23)	9	(344.6)	(2)	1,400.0	10	45	(78.2)
Others	(10)	14	(170.4)	18	(153.4)	74	79	(6.1)
Total	3,870	4,997	(22.5)	5,270	(26.6)	20,603	18,695	10.2
Less:								
(a) Interest Cost & Bank Charges	86	124	(31.0)	105	(18.4)	-	-	-
(b) Other Un-allocable Expenses	178	226	(21.2)	140	27.5	-	-	-
PBT	3,606	4,647	(22.4)	5,025	(28.2)	20,603	18,695	10.2
Capital Employed								
Consumer Care Business	26,573	22,410	18.6	25,737	3.2	21,274	21,195	0.4
Foods	5,128	3,932	30.4	4,725	8.5	4,025	4,091	(1.6)
Retails	209	312	(33.0)	259	(19.2)	275	280	(1.8)
Others	325	333	(2.4)	355	(8.5)	327	324	1.0
Total	32,235	26,987	19.4	31,076	3.7	25,901	25,890	0.0
Unallocable Capital Employed	34,187	29,644	15.3	32,038	6.7	16,887	15,852	6.5
Total Capital Employed	66,422	56,631	17.3	63,114	5.2	42,787	41,742	2.5

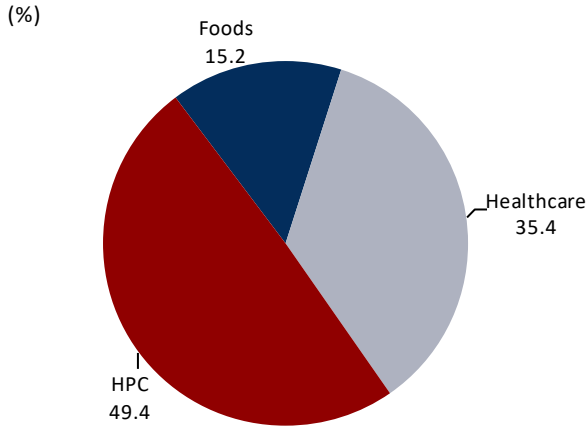
Source: Company, HSIE Research

EBIT Margin

% of revenues	Q4FY20	Q4FY19	YoY (bps)	Q3FY20	QoQ (bps)	FY20	FY19	YoY (bps)
Consumer Care Business	23.0	25.3	(222)	24.3	(121)	24.9	23.9	101
Foods	10.8	16.3	(549)	11.0	(27)	14.3	14.6	(34)
Retails	(8.0)	2.9	(1,088)	(0.4)	(753)	0.8	3.6	(283)
Others	(4.6)	6.3	(1,094)	8.2	(1,286)	7.9	8.7	(75)
Total	20.7	23.5	(273)	22.4	(165)	23.0	22.0	95

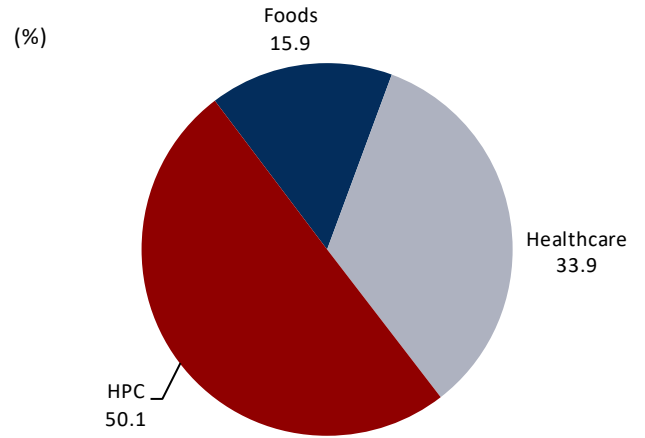
Source: Company, HSIE Research

Revenue Contribution (4QFY20)



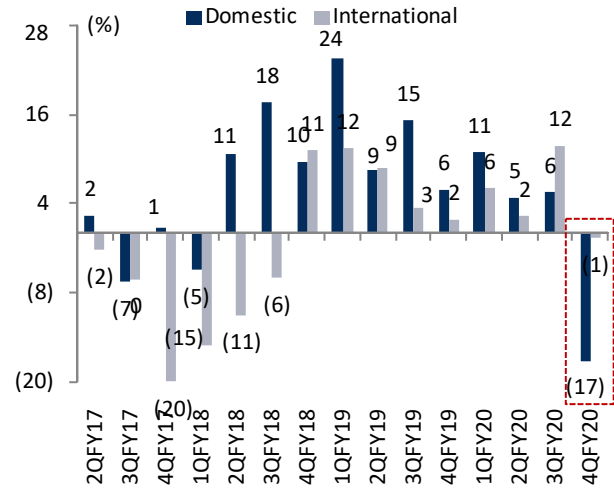
Source: Company, HSIE Research

Revenue Contribution (FY20)



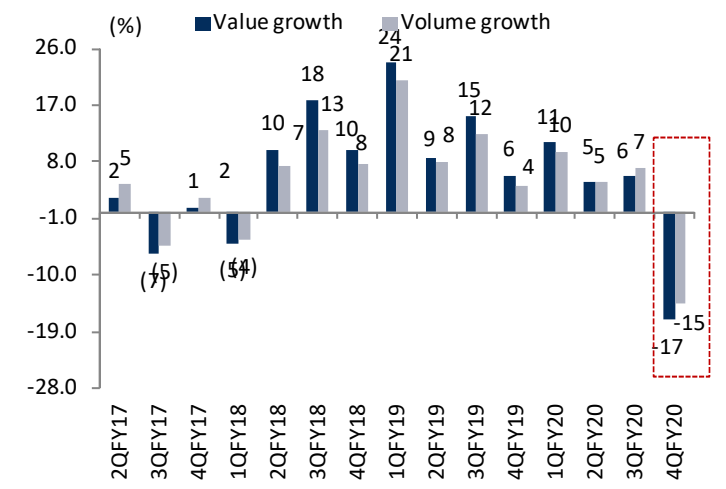
Source: Company, HSIE Research

Revenue Growth



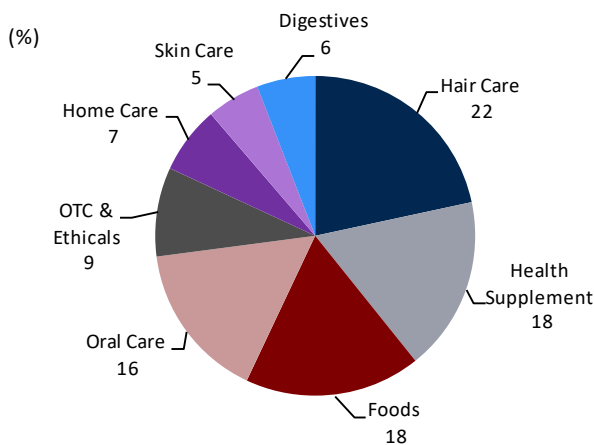
Source: Company, HSIE Research

Domestic Value and Volume Growth Trajectory



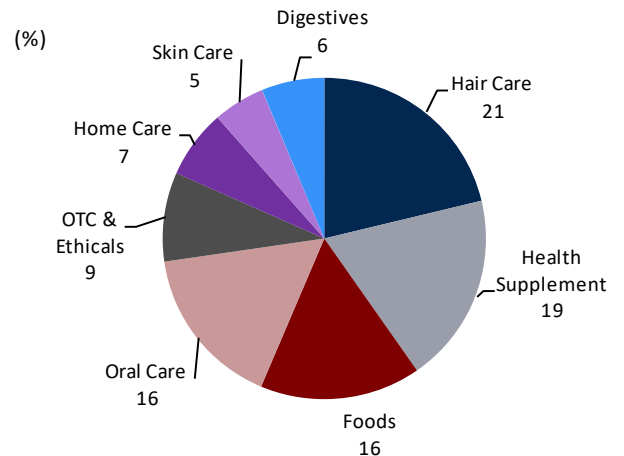
Source: Company, HSIE Research

Domestic Revenue Mix (FY19)



Source: Company, HSIE Research

Domestic Revenue Mix (FY20)



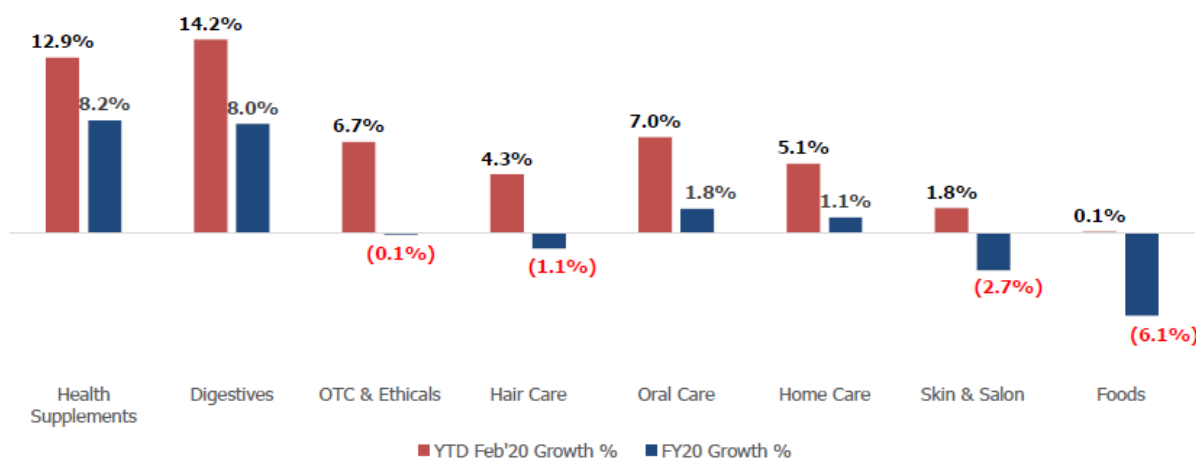
Source: Company, HSIE Research

Domestic Category Growth (YoY)

Categories	YoY Growth											Wt. Avg.		
	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	FY18	FY19	FY20
Hair Care	2%	17%	9%	19%	11%	24%	3%	12%	3%	1%	-20%	4%	14%	-1%
Oral Care	23%	23%	11%	17%	4%	10%	8%	11%	4%	9%	-16%	15%	10%	2%
Foods	12%	0%	2%	27%	2%	12%	-7%	2%	-5%	-2%	-21%	1%	8%	-6%
Health Supplements	3%	20%	14%	28%	12%	14%	10%	20%	14%	12%	-10%	10%	16%	9%
Home Care	10%	36%	0%	17%	11%	9%	16%	11%	7%	3%	-18%	14%	13%	1%
OTC & Ethicals	6%	9%	9%	13%	10%	18%	15%	14%	4%	4%	-21%	5%	14%	0%
Digestives	12%	19%	7%	22%	11%	23%	12%	18%	10%	16%	-10%	10%	17%	9%
Skin Care	16%	15%	9%	27%	12%	19%	11%	12%	1%	0%	-24%	11%	17%	-3%

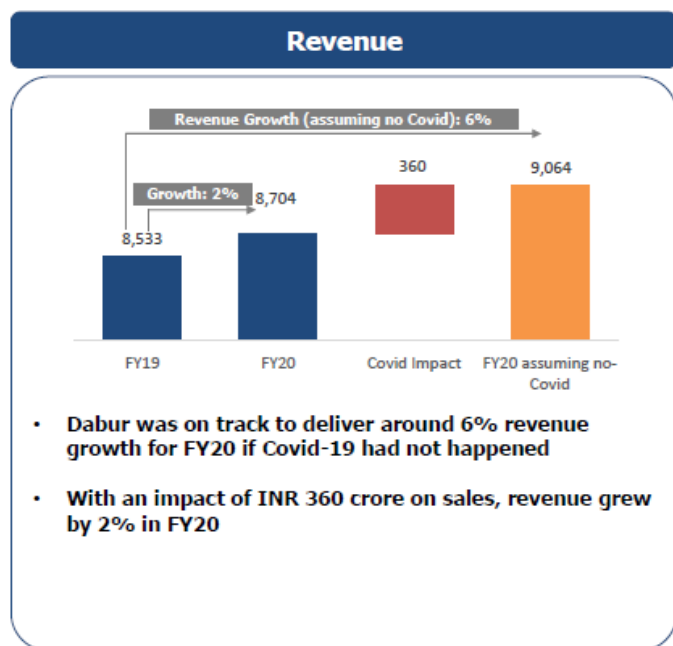
Domestic Business Performance

YTD Feb'20 Growths vs FY20 Growth – Category Wise



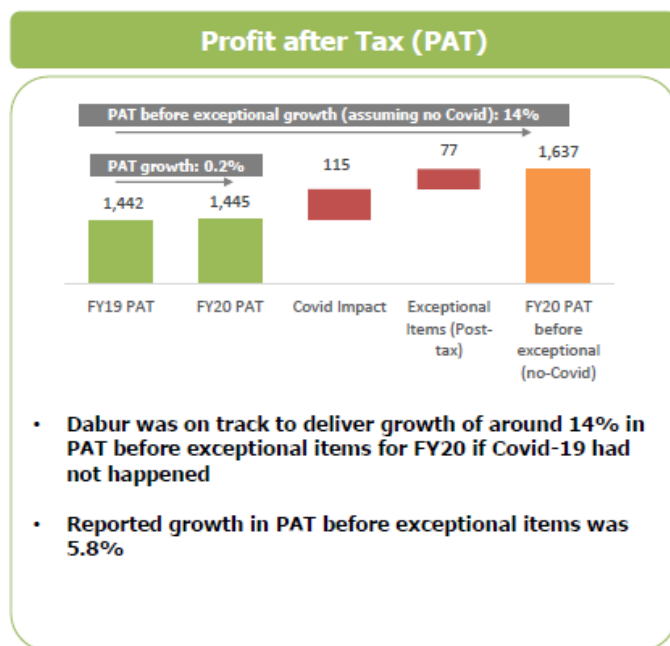
Source: Company, HSIE Research

Impact of Covid-19 on FY20 Financials



Note: All figures are in INR cr

Source: Company, HSIE Research



Assumptions

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Domestic Gr. (%)	6.3	6.3	1.0	5.2	15.6	1.0	(2.9)	11.4
Hair Care Gr. (%)	0.4	(1.8)	(6.8)	4.2	13.8	(1.1)	(0.2)	9.6
Oral Care Gr. (%)	8.0	3.5	7.5	16.9	9.6	1.8	3.8	9.5
Health Supplements Gr. (%)	16.4	(8.7)	(2.7)	10.3	14.8	8.3	5.2	12.0
OTC & Ethicals Gr. (%)	0.2	4.5	(9.6)	5.2	14.1	(0.2)	5.9	12.5
Digestive Gr. (%)	0.9	(0.1)	(11.4)	10.4	16.4	7.8	4.1	15.5
Home Care Gr. (%)	38.9	(3.5)	4.6	14.2	13.0	1.0	4.0	15.0
Skin Care Gr. (%)	10.5	(2.7)	5.3	11.1	17.4	(2.9)	3.4	8.0
Foods Gr. (%)	40.0	(9.7)	12.2	1.5	9.2	(6.1)	(4.7)	12.7
International Gr. (%)	11.9	11.9	(5.0)	(6.3)	6.6	5.0	1.4	8.5
Consolidated Revenue Gr. (%)	10.6	8.0	(3.0)	6.9	10.5	2.0	1.0	10.7
Gross Margin (%)	52.5	51.2	50.7	50.5	49.5	49.9	49.5	50.0
ASP (% of sales)	14.4	9.8	8.5	7.9	7.1	7.5	6.5	6.6
Distribution (% of sales)	2.0	2.1	2.7	2.5	2.6	2.6	2.6	2.6
Employee (% of sales)	8.0	10.1	10.4	10.3	11.0	10.9	11.0	11.0
Other Expenses (% of sales)	11.3	9.8	9.3	9.0	8.4	8.8	7.9	7.9
EBITDA Margin (%)	16.8	19.3	19.8	20.9	20.4	20.2	21.5	21.9
Tax Rate (%)	19.0	19.3	20.5	19.8	16.2	16.2	17.5	19.5

Change in Estimates

	FY20			FY21E			FY22E		
	New	Old	Change	New	Old	Change	New	Old	Change
Net Revenue	87,036	89,555	-2.8%	87,893	94,374	-6.9%	97,299	104,180	-6.6%
EBITDA	17,924	19,151	-6.4%	18,910	20,578	-8.1%	21,357	23,113	-7.6%
EBITDA (adj)	17,548	18,775	-6.5%	18,910	20,578	-8.1%	21,357	23,113	-7.6%
APAT	15,237	15,906	-4.2%	15,971	17,695	-9.7%	17,853	19,754	-9.6%
EPS	8.6	9.0	-4.2%	9.0	10.0	-9.7%	10.1	11.2	-9.6%

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E	FY20E/ CY19P	FY21E/ CY20E	FY22E/ CY21E
HUL	4,318	1,995	REDUCE	1,969	31.7	37.1	41.9	62.9	53.8	47.6	43.1	37.0	32.9	230.7	46.5	28.8
ITC	2,359	192	BUY	221	12.5	11.9	13.0	15.3	16.1	14.8	10.5	10.7	9.6	44.5	43.4	48.0
Nestle	1,606	16,652	REDUCE	14,042	206.0	237.6	278.2	80.9	70.1	59.9	53.8	48.2	42.2	75.0	70.7	69.1
Dabur	758	431	REDUCE	404	8.6	9.0	10.1	51.0	48.7	43.5	42.3	39.9	35.3	44.6	40.6	44.5
Britannia	774	3,219	REDUCE	2,711	56.4	61.9	71.4	57.0	52.0	45.1	41.6	37.4	32.9	41.1	43.4	47.2
GCPL	586	574	REDUCE	529	14.4	15.7	17.6	39.8	36.5	32.6	28.2	27.6	25.2	19.0	18.9	21.4
Marico	417	323	REDUCE	283	8.0	8.4	9.4	40.2	38.3	34.2	28.3	27.0	24.8	41.8	43.2	46.5
United Spirits	420	578	ADD	586	11.9	13.7	16.1	50.4	42.2	35.9	28.8	26.2	22.9	17.9	19.1	20.8
Colgate	348	1,279	ADD	1,328	30.0	31.2	35.0	42.6	41.0	36.6	28.6	26.5	23.7	64.7	63.9	75.2
Jubilant	224	1,695	REDUCE	1,420	26.8	20.7	35.5	63.2	81.7	47.7	37.9	44.9	28.6	28.4	11.5	21.7
Emami	89	196	REDUCE	221	11.7	11.6	13.0	16.7	16.8	15.0	11.9	11.9	10.6	23.2	24.1	29.9
Radico Khaitan	42	317	BUY	371	16.1	19.6	23.2	19.6	16.2	13.7	11.9	10.1	8.5	14.9	14.3	15.8

Source: Company, HSIE Research,

Financials

Consolidated Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Net Revenues	78,272	78,486	76,136	77,219	85,331	87,036	87,893	97,299
Growth (%)	10.6	8.0	(3.0)	6.9	10.5	2.0	1.0	10.7
Material Expenses	37,201	38,294	37,554	38,199	43,090	43,602	44,367	48,633
Employee Expense	6,227	7,941	7,896	7,928	9,379	9,477	9,696	10,694
A&P Expense	11,244	7,716	6,461	6,067	6,083	6,500	5,728	6,398
Distribution Expense	1,565	1,760	2,039	1,914	2,201	2,245	2,267	2,509
Other Expenses	8,871	7,592	7,096	6,936	7,182	7,288	6,925	7,709
EBITDA	13,164	15,183	15,089	16,174	17,396	17,924	18,910	21,357
EBITDA Growth (%)	13.6	15.3	(0.6)	7.2	7.6	3.0	5.5	12.9
EBITDA Margin (%)	16.8	19.3	19.8	20.9	20.4	20.6	21.5	21.9
Depreciation	1,150	1,332	1,429	1,622	1,769	2,205	2,620	2,785
EBIT	12,014	13,851	13,661	14,552	15,627	15,719	16,289	18,572
Other Income (Including EO Items)	1,581	2,172	2,984	3,052	2,962	3,053	3,414	3,840
Interest	401	485	540	531	596	495	294	182
PBT before exceptional	13,194	15,538	16,104	17,073	17,993	18,277	19,410	22,230
Exceptional item	-	-	-	(145)	(753)	(1,000)	-	-
PBT	13,194	15,538	16,104	16,928	17,239	17,277	19,410	22,230
Total Tax	2,509	2,999	3,303	3,354	2,786	2,797	3,397	4,335
Adjusted PAT	10,658	12,525	12,769	13,663	14,436	15,237	15,971	17,853
APAT Growth (%)	16.6	17.5	2.0	7.0	5.7	5.5	4.8	11.8
Adjusted EPS (Rs)	6.1	7.1	7.2	7.8	8.2	8.6	9.0	10.1
EPS Growth (%)	15.8	17.3	1.8	7.0	5.7	5.2	4.8	11.8

Source: Company, HSIE Research

Consolidated Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital - Equity	1,757	1,759	1,762	1,762	1,762	1,767	1,767	1,767
Reserves	31,785	39,842	46,712	55,304	56,467	63,210	69,594	73,600
Total Shareholders Funds	33,541	41,601	48,474	57,065	58,229	64,977	71,361	75,367
Minority Interest	182	217	248	265	314	365	322	280
Long Term Debt	2,106	3,415	4,741	3,686	306	1,676	1,576	1,476
Short Term Debt	5,230	4,497	5,090	5,766	5,266	3,326	1,826	326
Total Debt	7,336	7,912	9,831	9,452	5,572	5,002	3,402	1,802
Net Deferred Taxes	587	882	1,080	1,091	1,091	1,091	1,091	1,091
Other Non-current Liabilities & Provns	462	509	534	565	595	629	692	762
TOTAL SOURCES OF FUNDS	42,108	51,121	60,167	68,438	65,801	72,063	76,868	79,301
APPLICATION OF FUNDS								
Net Block	18,771	17,280	19,584	20,281	19,691	22,527	21,207	20,922
CWIP	596	609	1,011	522	756	1,596	1,609	1,623
Other Non Current Assets	201	632	581	490	954	5,401	5,942	6,536
Total Non-current Assets	19,568	18,521	21,177	21,293	21,400	29,524	28,757	29,080
Inventories	9,725	10,965	11,067	12,562	13,005	13,796	13,959	15,249
Debtors	7,108	8,097	6,504	7,061	8,336	8,139	8,219	9,099
Other Current Assets	3,647	4,288	3,125	4,988	6,122	4,844	5,152	5,481
Cash & Equivalents	20,900	27,287	35,450	41,112	38,558	37,357	42,454	43,722
Total Current Assets	41,380	50,638	56,146	65,723	66,021	64,136	69,785	73,551
Creditors	16,395	14,505	15,852	17,094	19,811	19,475	19,443	20,991
Other Current Liabilities & Provns	2,445	3,532	1,304	1,484	1,809	2,122	2,230	2,339
Total Current Liabilities	18,840	18,037	17,156	18,578	21,620	21,596	21,673	23,330
Net Current Assets	22,540	32,600	38,990	47,145	44,401	42,539	48,111	50,221
TOTAL APPLICATION OF FUNDS	42,108	51,121	60,167	68,438	65,801	72,063	76,868	79,301

Source: Company, HSIE Research

Consolidated Cash Flow

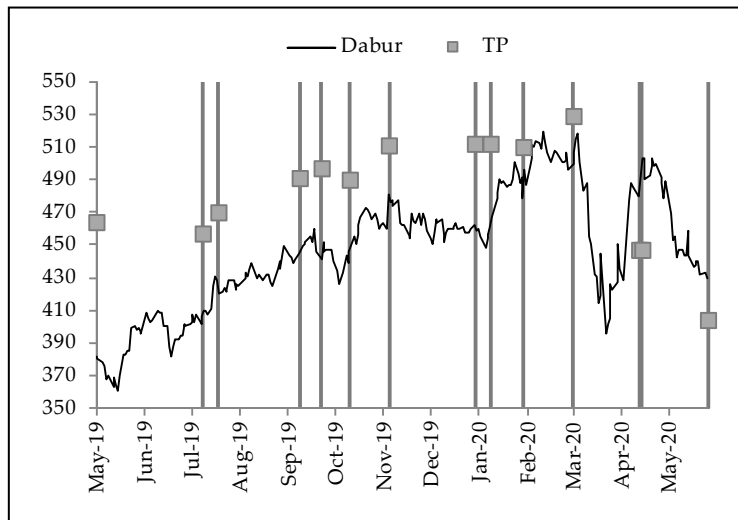
(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Reported PBT	13,194	15,572	16,107	16,931	17,239	17,277	19,410	22,230
Non-operating & EO Items	(809)	(1,368)	(3,224)	(2,262)	49	51	(42)	(42)
Interest Expenses	401	480	307	424	596	495	294	182
Depreciation	1,150	1,338	1,429	1,622	1,769	2,205	2,620	2,785
Working Capital Change	(1,168)	(2,417)	872	(2,575)	(255)	(3,764)	(965)	(1,381)
Tax Paid	(2,295)	(2,779)	(3,221)	(3,249)	(2,786)	(2,797)	(3,397)	(4,335)
OPERATING CASH FLOW (a)	10,472	10,826	12,269	10,890	16,611	13,466	17,920	19,439
Capex	(2,511)	(2,056)	(4,858)	(2,003)	(1,401)	(5,869)	(1,300)	(2,500)
Free Cash Flow (FCF)	7,961	8,769	7,411	8,887	15,210	7,597	16,620	16,939
Investments	(7,211)	(5,628)	(5,111)	(5,837)	4,464	5,585	(2,500)	(2,500)
Non-operating Income	960	1,501	1,900	2,437	-	-	-	-
INVESTING CASH FLOW (b)	(8,762)	(6,183)	(8,069)	(5,402)	3,063	(284)	(3,800)	(5,000)
Debt Issuance/(Repaid)	254	576	1,682	(545)	(3,880)	(571)	(1,600)	(1,600)
Interest Expenses	-	-	(450)	(428)	(596)	(495)	(294)	(182)
FCFE	1,456	4,066	2,969	6,461	24,150	14,248	16,014	16,221
Share Capital Issuance	455	171	149	-	0	6	0	0
Dividend	(3,948)	(3,506)	(4,770)	(4,770)	(13,273)	(8,494)	(9,586)	(13,846)
Others	(929)	(1,190)	-	-	-	-	-	-
FINANCING CASH FLOW (c)	(4,168)	(3,949)	(3,390)	(5,744)	(17,748)	(9,555)	(11,480)	(15,629)
NET CASH FLOW (a+b+c)	(2,458)	693	811	(256)	1,926	3,627	2,639	(1,190)
EO Items, Others	30	(2,474)	1,251	269	(17)	757	(42)	(42)
Closing Cash & Equivalents	2,766	986	3,048	3,061	4,970	9,355	11,952	10,719

Key Ratios

KEY RATIOS	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
PROFITABILITY (%)								
GPM	52.5	51.2	50.7	50.5	49.5	49.9	49.5	50.0
EBITDA Margin	16.8	19.3	19.8	20.9	20.4	20.6	21.5	21.9
EBIT Margin	15.3	17.6	17.9	18.8	18.3	18.1	18.5	19.1
APAT Margin	13.6	16.0	16.8	17.7	16.9	17.5	18.2	18.3
RoE	35.5	33.3	28.4	25.9	25.0	24.7	23.4	24.3
RoIC (or Core RoCE)	44.8	51.8	47.1	47.3	50.6	44.6	40.6	44.5
RoCE	29.1	28.3	24.2	22.4	22.7	23.2	22.2	23.5
EFFICIENCY								
Tax Rate (%)	19.0	19.3	20.5	19.8	16.2	16.2	17.5	19.5
Fixed Asset Turnover (x)	3.1	3.1	2.7	2.5	2.7	2.4	2.3	2.4
Inventory (days)	45.3	51.0	53.1	59.4	55.6	57.9	58.0	57.2
Debtors (days)	33.1	37.7	31.2	33.4	35.7	34.1	34.1	34.1
Other Current Assets (days)	17.0	19.9	15.0	23.6	26.2	20.3	21.4	20.6
Payables (days)	76.5	67.5	76.0	80.8	84.7	81.7	80.7	78.7
Other Current Liab & Provsns (days)	11.4	16.4	6.3	7.0	7.7	8.9	9.3	8.8
Cash Conversion Cycle (days)	7.6	24.7	17.0	28.5	25.0	21.7	23.5	24.4
Net D/E (x)	-0.40	-0.47	(0.5)	(0.6)	(0.6)	(0.5)	(0.5)	(0.6)
Interest Coverage (x)	29.9	28.6	25.3	27.4	26.2	31.7	55.4	102.0
PER SHARE DATA (Rs)								
EPS	6.1	7.1	7.2	7.8	8.2	8.6	9.0	10.1
CEPS	6.7	7.9	8.1	8.7	9.2	9.9	10.5	11.7
Dividend	2.0	2.2	2.3	6.3	4.0	4.5	6.5	8.5
Book Value	19.1	23.6	27.5	32.4	33.1	36.8	40.4	42.7
VALUATION								
P/E (x)	72.5	61.8	60.7	56.7	53.7	51.0	48.7	43.5
P/BV (x)	23.0	18.6	16.0	13.6	13.3	12.0	10.9	10.3
EV/EBITDA (x)	58.0	50.2	50.2	46.4	43.1	42.3	39.9	35.3
EV/Revenues (x)	9.8	9.0	9.9	9.7	8.8	8.7	8.6	7.8
OCF/EV (%)	1.4	1.4	1.6	1.5	2.2	1.8	2.4	2.6
FCF/EV (%)	1.0	1.2	1.0	1.2	2.0	1.0	2.2	2.2
FCFE/Mkt Cap (%)	0.2	0.5	0.4	0.8	3.1	1.8	2.1	2.1
Dividend Yield (%)	0.5	0.5	0.5	1.4	0.9	1.0	1.5	1.9

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
3-May-19	382	BUY	464
9-Jul-19	406	BUY	457
22-Jul-19	420	BUY	470
11-Sep-19	444	BUY	491
22-Sep-19	446	BUY	497
11-Oct-19	439	BUY	490
5-Nov-19	481	BUY	511
30-Dec-19	460	BUY	512
9-Jan-20	461	BUY	512
31-Jan-20	479	BUY	510
2-Mar-20	496	ADD	529
13-Apr-20	485	REDUCE	447
14-Apr-20	479	REDUCE	447
28-May-20	431	REDUCE	404

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

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