

Dabur India (DABIND)

₹ 95

WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY12E)	Unchanged
EPS (FY13E)	Unchanged
RATING	Unchanged

Splendid performance...

Dabur India reported robust Q3FY12 numbers with net sales growth of 34.5% to ₹ 1462.6 crore compared to ₹ 1087.8 crore in Q3FY11 led by ~10.8% volume, ~9% price and ~14.3% acquired company's sales growth. The strong growth can be attributed to the healthy performance of the international business division (IDB). IDB sales witnessed sales growth of 37.8%. However, EBITDA margins dipped 420 bps from 19.4% to 15.2% due to high raw material cost and a substantial increase in operating expenses. Interest expenses increased 240% to ₹ 18.3 crore due to higher debt taken for the acquisitions of Hobi/Namasté. Net profit grew 11.5% on the back of higher EBITDA.

■ Highlight of quarter

During the quarter, the company witnessed a strong performance of the consumer care and international business division. Hair care, health supplements and oral care, which contributes ~29%, 22% and 18%, witnessed sales growth of 19.6%, 13.5% and 11.6%, respectively. International division sales grew 37.8% with Gulf countries witnessing sales growth of 27% and Egypt and Nigeria sales growing 25% and 33%, respectively. International sales growth has been strong in shampoo, hair crème and toothpaste categories. The acquired companies also witnessed very strong growth with Hobi sales growing 44% and Namasté witnessing sales growth of 16%.

Valuation

Currently, the stock is trading at 25.2x and 19.9x its FY12E and FY13E EPS of ₹ 3.8 and ₹ 4.8, respectively. With very strong growth in the international business, Dabur's presence in the Middle East is continuously increasing. With the revival in slow growth categories like shampoos and sustainable growth in foods categories, the company's performance is likely to remain robust in FY13. We expect margins to also improve in FY13 as raw material pressure will subside in two or three quarters. Hence, we maintain our **BUY** rating and target price of ₹ 120.

Exhibit 1: Financial Performance

	Q3FY12	Q3FY12E	Q3FY11	Q2FY12	YoY(%)	QoQ(%)
Net Sales	1452.7	1318.6	1080.0	1262.3	34.5	15.1
EBITDA margin (%)	15.2	17.4	19.4	18.7	-420 bps	350 bps
Depreciation	20.8	20.8	23.3	21.7	-10.6	-4.2
Interest	18.3	17.7	5.4	17.2	240.6	6.3
Other Income	12.7	10.6	2.0	10.6	552.3	20.5
Reported PAT	171.8	169.1	154.1	173.9	11.5	-1.2
EPS (₹)	1.0	1.0	0.9	1.0	11.5	-1.2

Source: Company, ICICIdirect.com Research

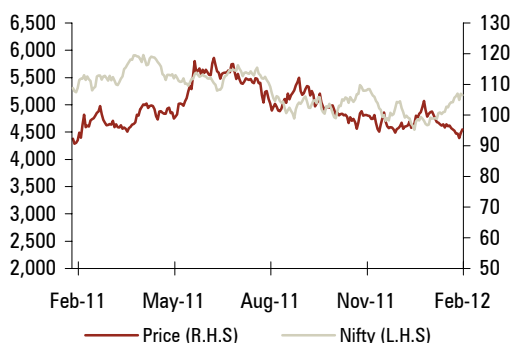
Rating matrix	
Rating	: Buy
Target	: ₹ 120
Target Period	: 12 months
Potential Upside	: 26%

Key Financials				
	FY10	FY11	FY12E	FY13E
Net Sales	3390.5	4077.4	5210.2	5895.4
EBITDA	677.3	819.8	904.8	1094.8
Net Profit	500.5	568.9	656.1	831.5
EPS	2.9	3.3	3.8	4.8

Valuation summary				
	FY10	FY11E	FY12E	FY13E
P/E (x)	32.9	29.1	25.2	19.9
Target P/E (x)	41.9	37.1	32.1	25.4
EV / EBITDA	24.4	21.1	19.4	15.9
Price to Book Value	8.8	11.9	8.4	6.1
RONW (%)	57.1	48.9	39.2	35.7
ROCE (%)	56.7	41.1	31.9	32.2

Stock data	
Market Capitalization	₹ 16536 crore
Total Debt	₹ 1024 crore
Cash	₹ 413 crore
EV	₹ 17147 crore
52 week H/L	122 / 87
Equity capital	₹ 174.1 crore
Face value	₹ 1
MF Holding (%)	5.5
FII Holding (%)	19.1

Price movement

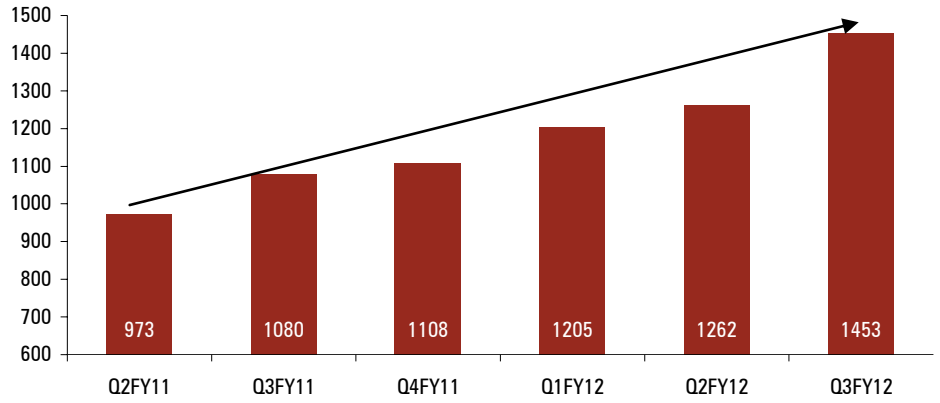


Analyst's name

Sanjay Manyal
sanjay.manyal@icicisecurities.com
Parineeta Poddar
parineeta.poddar@icicisecurities.com

Strong sales growth was led by a jump in international business sales and growth in acquired company's sales

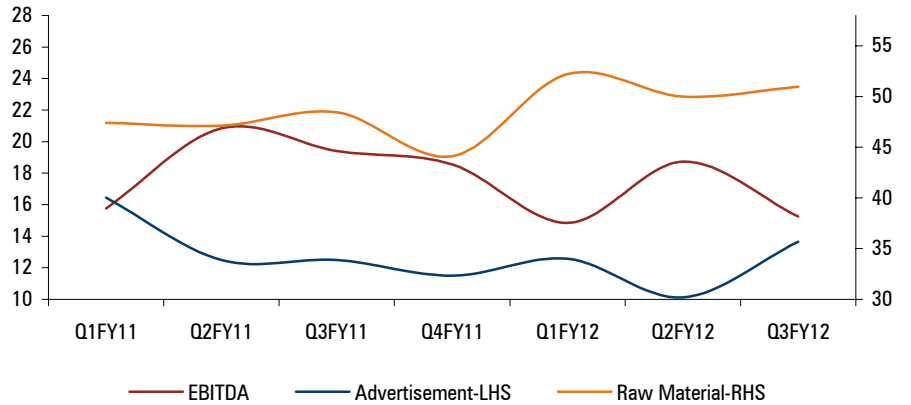
Exhibit 2: Quarterly sales (₹ crore) trend



Source: Company, ICICIdirect.com Research

Margins have dipped to 15.2% compared to 18.7% in Q2FY12 on the back of increasing cost pressures and higher advertisement spend

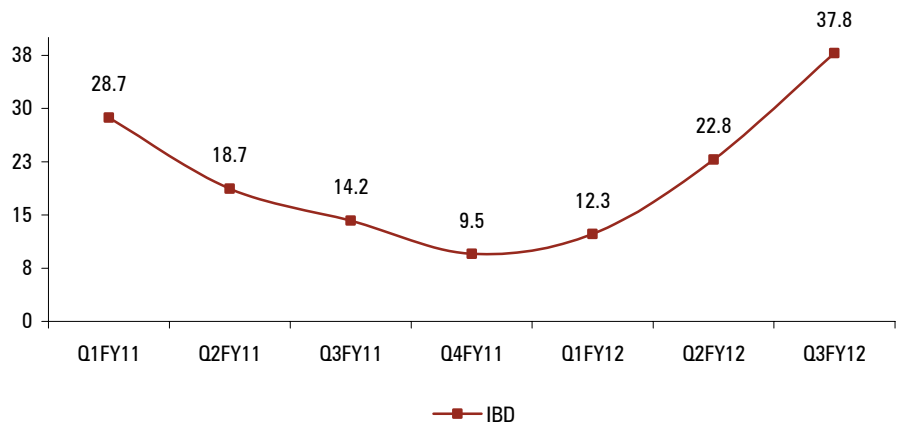
Exhibit 3: Raw Material cost, EBITDA margins and advertisement expenses (% of net sales) trend



Source: Company, ICICIdirect.com Research

The international business continued to witness robust sales growth specifically in Middle Eastern countries with strong growth in shampoos, hair crèmes and toothpaste

Exhibit 4: Percentage sales growth in international business (excluding acquisitions)

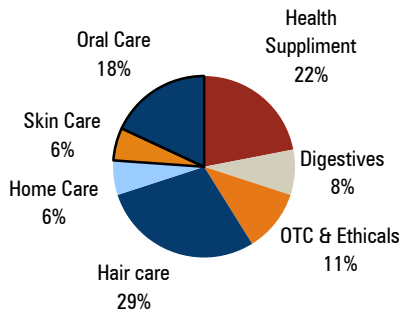


Source: Company, ICICIdirect.com Research

Consumer care business

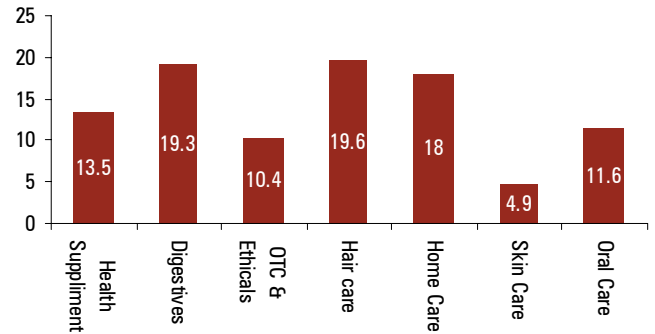
The consumer care business witnessed strong revenue growth of 19.6% with major categories like hair care, oral care, health supplement and digestive witnessing healthy sales growth. The growth can be attributed to judicious price hikes taken by the company in previous quarters and sustainable volume growth. However, the company would not be taking any price hikes in the coming quarters. We believe margins would improve as inflation concerns subside.

Exhibit 5: Consumer care business contribution (%)



Source: Company, ICICIdirect.com Research

Exhibit 6: CCD category growth (%)



Source: Company, ICICIdirect.com Research

We saw strong growth in revenues from Hobi as it witnessed 12-14% volume growth. Namasté sales grew 13% QoQ and 16% YoY

Foods segment growth moderates

Food segment sales grew by a moderate 17.4% compare to 29.6% growth in first half of the year mainly due to supply chain constraints. However, we believe new launches in the category would result in higher growth in the coming quarters.

Exhibit 7: SBU sales (in ₹ crore)

	Q3FY12	Q2FY12	Growth (%)
Domestic	1015	866	17
Hobi	41	31	29
Namaste	149	131	13
IBD (Others)	259	241	7
Total	1463	1270	15

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
Total operating Income	3,390.5	4,077.4	5,076.1	5,895.4
Growth (%)	20.9	20.3	24.5	16.1
Raw Material Expenses	1,550.7	1,905.3	2,597.3	2,861.7
Employee Expenses	284.7	322.2	411.9	486.4
Marketing Expenses	493.5	534.6	572.5	707.4
Administrative Expenses	266.4	308.0	0.0	383.2
Other expenses	165.9	252.8	686.9	397.9
Total Operating Expenditure	2,761.3	3,322.8	4,199.7	4,836.6
EBITDA	629.1	754.7	884.3	1,058.8
Growth (%)	35.0	20.0	17.2	19.7
Depreciation	50.3	62.4	84.4	83.4
Interest	20.2	30.3	64.6	54.6
Other Income	0.0	0.0	47.3	54.4
PBT	600.9	707.9	825.8	1,042.8
Others	5.9	19.2	0.0	0.0
Total Tax	100.5	139.0	176.0	219.0
PAT	500.5	568.9	649.9	823.8
Growth (%)	28.1	13.7	14.2	26.8
Adjusted EPS (₹)	2.9	3.3	3.7	4.7

Source: Company, ICICIdirect.com Research

Cash flow statement

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
Profit after Tax	600.9	707.9	825.8	1,042.8
Add: Depreciation	50.3	62.4	84.4	83.4
(Inc)/dec in Current Assets	9.0	-505.0	29.1	-577.9
Inc/(dec) in CL and Provisions	-48.4	370.4	-470.6	77.4
Others	-138.7	-167.1	-240.6	-273.5
CF from operating activities	473.2	468.6	284.3	406.7
(Inc)/dec in Investments	-104.1	-153.8	-300.0	-100.0
(Inc)/dec in Fixed Assets	-134.0	-926.0	-150.0	-100.0
Others	7.9	15.8	0.0	0.0
CF from investing activities	-230.2	-1,064.0	-450.0	-200.0
Issue/(Buy back) of Equity	0.3	0.1	0.0	0.0
Inc/(dec) in loan funds	-55.6	870.5	40.0	0.0
Dividend paid & dividend tax	-152.0	-195.2	-87.0	-87.0
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	-207.4	675.5	-47.0	-87.0
Net Cash flow	35.6	80.1	-212.8	119.7
Opening Cash	156.7	192.3	272.4	59.6
Closing Cash	192.3	272.4	59.6	179.4

Source: Company, ICICIdirect.com Research

Balance sheet

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
Liabilities				
Equity Capital	86.9	174.1	174.1	174.1
Reserve and Surplus	848.5	1,217.0	1,779.7	2,516.5
Total Shareholders funds	935.4	1,391.1	1,953.8	2,690.6
Total Debt	179.3	1,051.0	1,091.0	1,091.0
Deferred Tax Liability	10.7	18.9	10.7	10.7
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	1,129.1	2,465.1	3,059.2	3,796.0
Assets				
Gross Block	985.7	1,933.8	2,083.8	2,183.8
Less: Acc Depreciation	339.1	435.1	519.5	602.8
Net Block	646.6	1,498.7	1,564.3	1,580.9
Capital WIP	30.1	43.0	43.0	43.0
Total Fixed Assets	676.7	1,541.7	1,607.3	1,623.9
Investments	264.1	427.4	727.4	827.4
Inventory	426.2	708.5	634.5	900.7
Debtors	119.8	355.5	352.5	409.4
Loans and Advances	367.4	516.1	564.0	818.8
Other Current Assets	0.0	0.0	0.0	0.0
Cash	192.3	272.4	59.6	179.4
Total Current Assets	1,105.8	1,580.1	1,551.0	2,128.9
Creditors	466.9	714.1	987.0	1,064.4
Provisions	453.3	743.5	0.0	0.0
Total Current Liabilities	920.2	1,457.6	987.0	1,064.4
Net Current Assets	185.5	122.5	564.0	1,064.4
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	1,129.1	2,465.1	3,059.4	3,796.2

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY10	FY11	FY12E	FY13E
Per share data (₹)				
Adjusted EPS	2.9	3.3	3.7	4.7
Cash EPS	6.3	3.3	4.2	5.2
BV	10.8	8.0	11.2	15.5
DPS	2.3	1.3	0.5	0.5
Cash Per Share	2.2	1.6	0.3	1.0
Operating Ratios (%)				
EBITDA Margin	18.6	18.5	17.4	18.0
PBT / Total Operating income	17.9	17.8	15.0	16.2
PAT Margin	14.7	14.0	12.8	14.0
Inventory days	45	63	45	55
Debtor days	13	31	25	25
Creditor days	50	63	70	65
Return Ratios (%)				
RoE	57.1	48.9	38.9	35.5
RoCE	56.7	41.1	32.2	32.0
RoIC	46.9	34.7	30.6	30.0
Valuation Ratios (x)				
P/E	32.9	29.1	25.5	20.1
EV / EBITDA	24.4	21.1	19.3	16.0
EV / Net Sales	4.9	4.2	3.5	3.0
Market Cap / Sales	2.4	4.0	3.2	2.8
Price to Book Value	8.8	11.9	8.5	6.1
Solvency Ratios				
Debt/EBITDA	0.3	1.4	1.2	1.0
Debt / Equity	0.2	0.8	0.6	0.4
Current Ratio	1.2	1.1	1.6	2.0
Quick Ratio	0.7	0.6	0.9	1.2

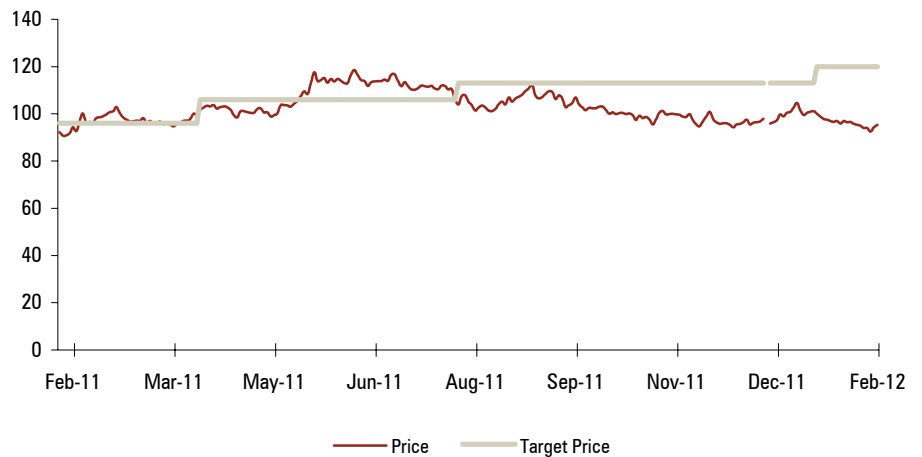
Source: Company, ICICIdirect.com Research

ICICIdirect.com Coverage Universe (FMCG)

					Sales (₹ crore)	EPS (₹)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Asian Paints										
Idirect Code	ASIPAI	CMP	2804	FY11	7706.2	87.9	31.9	20.5	57.6	54.5
		Target	3385	FY12E	9266.7	101.4	27.6	17.0	49.8	50.1
MCap	26857.6	Upside	21%	FY13E	10011.7	126.6	22.2	14.7	50.7	49.0
Dabur India										
Idirect Code	DABIND	CMP	95	FY11	4077.4	3.3	29.1	21.1	48.9	41.1
		Target	120	FY12E	5076.1	3.7	25.5	19.3	38.9	32.2
MCap	30.0	Upside	26%	FY13E	5895.4	4.7	20.1	16.0	35.5	32.0
ITC										
Idirect Code	ITC	CMP	206	FY11	21167.6	6.4	32.0	20.0	31.3	42.3
		Target	230	FY12E	24279.8	8.0	25.7	16.6	35.5	47.4
MCap	164048.7	Upside	12%	FY13E	28250.3	9.4	21.9	13.7	37.5	52.3
Jyothy Laboratories										
Idirect Code	JYOLAB	CMP	165	FY11	599.8	6.8	24.1	14.2	12.3	9.6
		Target	170	FY12E	621.6	8.6	19.3	29.0	10.4	3.3
MCap	1145.0	Upside	3%	FY13E	676.0	9.4	17.6	21.0	11.1	5.0
Kansai Nerolac										
Idirect Code	GOONER	CMP	861	FY11	2138.7	41.6	20.7	16.2	22.5	24.1
		Target	1048	FY12E	2580.9	42.3	20.3	12.9	20.2	25.1
MCap	4677.8	Upside	22%	FY13E	2891.7	48.3	17.8	11.4	18.5	23.2
Marico										
Idirect Code	MARIN	CMP	148	FY11	3128.3	4.7	31.7	23.9	36.5	29.1
		Target	165	FY12E	4035.6	5.2	28.7	20.4	30.0	24.8
MCap	9218.4	Upside	12%	FY13E	4729.8	6.6	22.4	16.2	29.5	28.8

Source: Company, ICICIdirect.com Research

Exhibit 8: Recommendation History



Source: Company, ICICIdirect.com Research

Exhibit 9: Recent Releases

Date	Event	CMP	Target Price	Rating
8-Apr-11	Q4FY11 Preview	102	106	HOLD
29-Apr-11	Q3FY11 Result Update	101	106	HOLD
5-Jul-11	Q1FY12 Preview	114	106	HOLD
29-Jul-11	Q1FY12 Result Update	104	113	BUY
5-Oct-11	Q2FY12 Preview	100	113	BUY
3-Nov-12	Q2FY12 Result Update	100	120	BUY
5-Jan-12	Q3FY12 Preview	100	120	BUY

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: > 15%/20% for large caps / midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps / midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093**

research@icicidirect.com

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