

Dabur's Q1FY14 results were in-line with consensus estimates but were lower than our aggressive estimates. We believe that the reported domestic volume growth of 9% YoY and adjusted earnings growth of 21% YoY is likely to be significantly ahead of the sector and we expect outperformance trend to sustain over FY14E. We continue to rate Dabur as Buy as it trades at a significant discount to the sector and we expect that the valuation gap is likely to narrow over the medium term. The key takeaways of the results and the conference call are as follows:

**Domestic volume at 9% YoY notwithstanding the high base of 12%:** The domestic consumer business grew by 13% YoY led by volume growth of 9% YoY and price growth of 4% YoY. The key volume drivers were Foods, Home care, Shampoo, Toothpaste and Perfumed hair oil categories. The disappointment was largely in the Health supplements category which reported a muted growth of 7.5% YoY and Tooth powder and Coconut hair oil category which reported a de-growth. The management has maintained its volume growth guidance of 8-12% for FY14E. We believe that the volume growth can improve from current levels as there is scope for growth improvement in health supplements and Vatika hair oil brand. We also believe that the low of base effect of Q2 and Q3 of FY13 will optically aid volume growth. We have assumed for a volume growth of 10% YoY which is significantly ahead of our sector estimation at ~8% YoY for FY14E.

**International business showing signs of improvement:** Namaste business which de-grew by 9% in FY13 posted a revenue growth of 16% YoY in Q1FY14. The management indicated that the business will continue to improve in FY14. The overall international business grew by 17.4% YoY which was driven by 15% YoY volume, -0.7% price and 3% currency gains. The organic business growth is relatively higher at 18.5% YoY led by Middle East geography. The management has guided for improvement in IBD margins over FY14 on account of Namaste and input cost deflation.

**Gross margins improve by 115 bps YoY:** The input cost scenario continues to remain a mixed basket with the categories like foods, honey and LLP witnessing continued input cost inflation while copra, HDPE and sugar seeing benign inflation. The management has revised the guidance for price hike from 2-3% for FY14E to 4-5% to manage gross margins. The management also indicated that the price hikes are unlikely to adversely impact the volume growth.

**EBIDTA growth at 15% YoY:** EBIDTA growth at 15% YoY and margin at 14.3% were below our estimates on account of higher-than-expected increase in other expenses. Advertising expenses increased by 11% YoY but as a % of sales declined by 30bps YoY. We believe that the company has room to rationalise advertising expenses especially in the international business division.

**Revision of estimates and Maintain Rating:** We have marginally revised our earnings estimates downwards by 4% for FY14E and FY15E. We maintain our Buy rating valuing the company at 30x FY15E earnings at Rs 196.

## BUY

**DABUR IN | CMP RS 175**
**TARGET RS 196 (+12%)**

### Company Data

O/S SHARES (MN) :	1744
MARKET CAP (RSBN) :	305
MARKET CAP (USDBN) :	5.0
52 - WK HI/LO (RS) :	174 / 115
LIQUIDITY 3M (USDMN) :	3.8
FACE VALUE (RS) :	1

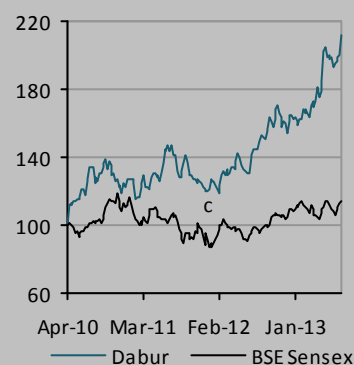
### Share Holding Pattern, %

PROMOTERS :	68.7
FII / NRI :	20.6
FI / MF :	4.3
NON PROMOTER CORP. HOLDINGS :	1.4
PUBLIC & OTHERS :	5.1

### Price Performance, %

	1mth	3mth	1yr
ABS	13.2	22.9	47.9
REL TO BSE	4.7	18.1	29.0

### Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

### Other Key Ratios

Rs mn	FY13	FY14E	FY15E
Net Sales	61,464	70,759	82,028
Ebidta	10,295	12,439	14,837
Net Profit	7,700	9,399	11,335
EPS, Rs	4.4	5.4	6.5
PER, X	39.5	32.4	26.8
EV/EBIDTA, x	30.3	24.7	20.3
EV/Net Sales, x	5.1	4.3	3.7
ROE, %	36.2	33.5	32.7
Debt/Equity, %	59.2	41.1	33.2

Source: PhillipCapital India Research Est.

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### Quarterly Results

Rs mn	Q1FY14	Q4FY13	QoQ %	Q1FY13	YoY %
<b>Net sales</b>	<b>16,511</b>	<b>15,311</b>	<b>7.84</b>	<b>14,620</b>	<b>12.94</b>
Growth, %	12.94	12.28		21.37	
Total income	16,565	15,437	7.31	14,713	12.59
Operating expenses	14,156	12,708	11.40	12,576	12.57
<b>EBITDA</b>	<b>2,409</b>	<b>2,729</b>	<b>-11.72</b>	<b>2,137</b>	<b>12.72</b>
Growth, %	12.72	16.36		14.91	
Margin, %	14.59	17.82		14.62	
Depreciation	287.10	281.10	2.13	267.00	7.53
<b>EBIT</b>	<b>2,122</b>	<b>2,447</b>	<b>-13.31</b>	<b>1,870</b>	<b>13.47</b>
Margin, %	12.85	15.98		12.79	
Interest paid	133.00	149.80	-11.21	212.60	-37.44
Other Non-Operating Income	365.90	229.80	59.23	263.40	38.91
<b>Pre-tax profit</b>	<b>2,355</b>	<b>2,527</b>	<b>-6.84</b>	<b>1,921</b>	<b>22.59</b>
Tax provided	484	507	-4.46	377.70	28.20
Minority Interest	-10.30	-14.60		-2.40	
<b>PC Net Profit</b>	<b>1,860</b>	<b>2,006</b>	<b>-7.27</b>	<b>1,541</b>	<b>20.74</b>
<b>Reported PAT</b>	<b>1,860</b>	<b>2,006</b>	<b>-7.27</b>	<b>1,491</b>	<b>24.73</b>
Growth, %	21.22	18.47		20.62	
Margin, %	11.27	13.10		10.20	
Extraordinary items: Gains/(Losses)					
<b>Adj Fully Diluted EPS, Rs</b>	<b>1.07</b>	<b>1.15</b>		<b>0.86</b>	<b>24.57</b>

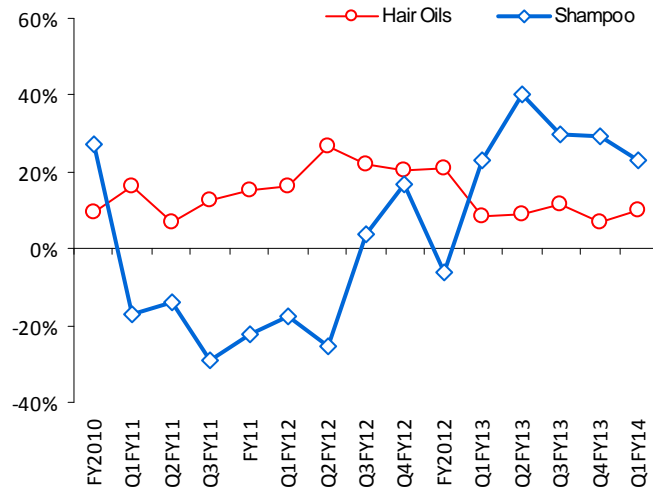
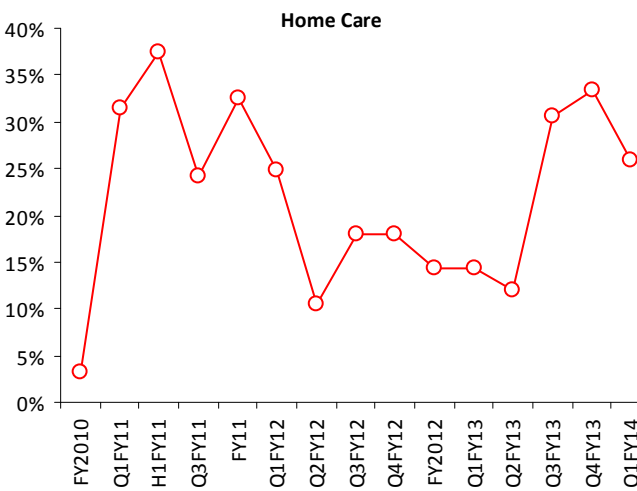
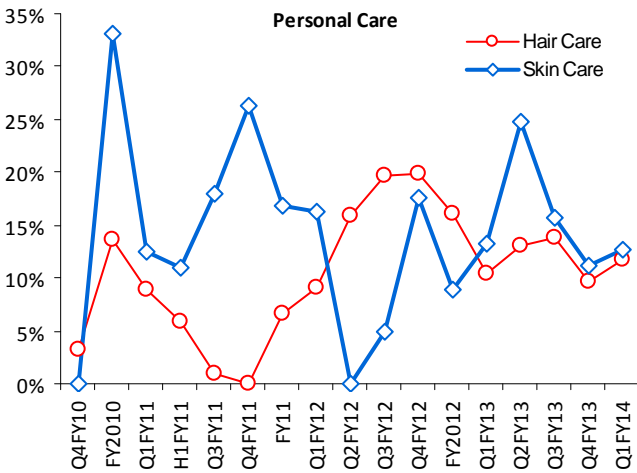
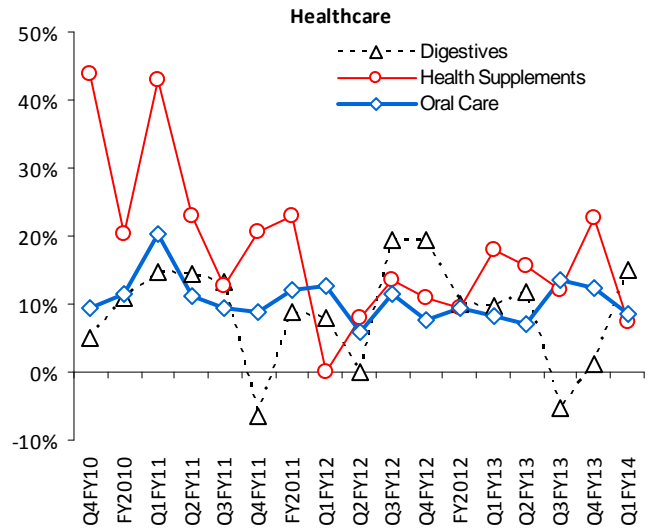
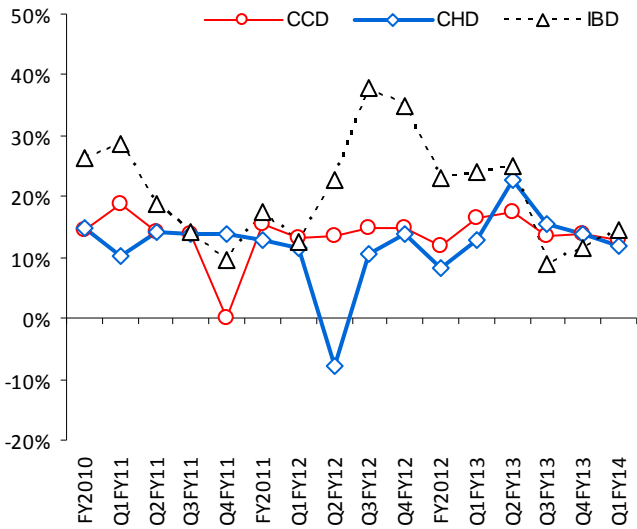
Source: Company, PhillipCapital India Research

### Change in Estimates

(Rs mn)	Earlier estimates		Revised estimates		Upgrade/(downgrade) (%)	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net Sales	71,703	83,120	70,759	82,028	-1.3%	-1.3%
EBITDA	12,597	14,945	12,125	14,454	-3.7%	-3.3%
<i>EBITDA margin (%)</i>	17.6	18.0	17.1	17.6	(43)	(36)
PBT	12,308	14,924	11,882	14,348	-3.5%	-3.9%
Adj PAT	9,735	11,790	9,399	11,335	-3.5%	-3.9%
<i>Adj PAT margin (%)</i>	13.6	14.2	13.3	13.8	(29)	(37)
Adj EPS (Rs)	5.60	6.76	5.39	6.50	-3.8%	-3.9%

Source: PhillipCapital India Research Estimates

**Segment Growth YoY %**



Source: World Bank, Company, PhillipCapital India Research

## Q1FY14 Operating Performance Summary

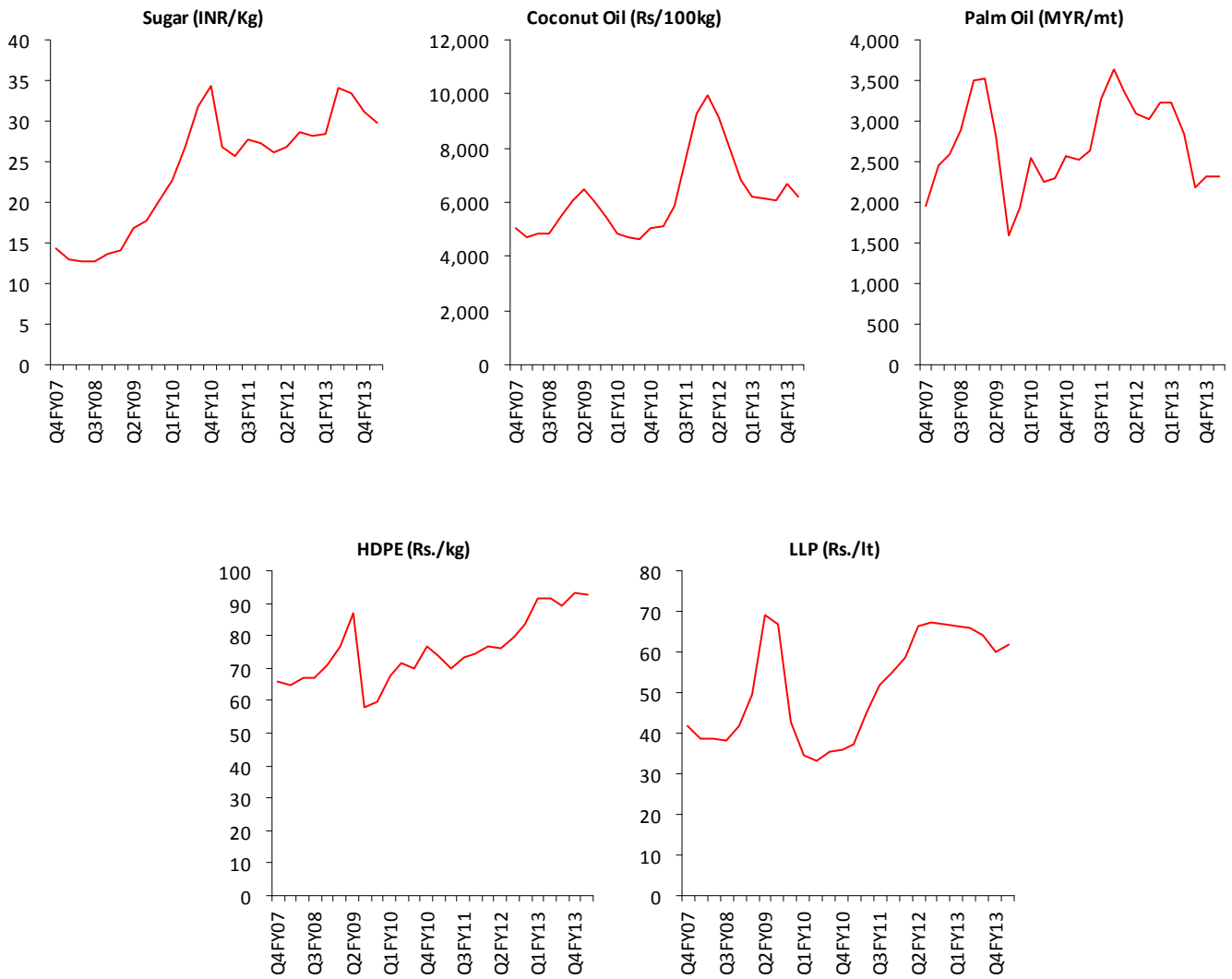
Domestic Business	Summary	Comments
BUSINESS PERFORMANCE IN Q1FY14	<ul style="list-style-type: none"> <li>- VALUE GROWTH AT 13% YOY LED BY HOME CARE, FOODS, SHAMPOO AND DIGESTIVES</li> <li>- DOMESTIC VOLUME GROWTH AT 9% YOY NOTWITHSTANDING HIGH BASE OF VOLUME GROWTH OF 12% YOY</li> <li>- DOMESTIC PRICE GROWTH OF 4% YOY</li> </ul>	<ul style="list-style-type: none"> <li>- REPORTED DOMESTIC GROWTH WAS LOWER THAN OUR ESTIMATES WITH VOLUME GROWTH AT 9% YOY LOWER THAN OUR ESTIMATE OF 12% YOY. PRICING GROWTH AT 4% YOY WAS LARGELY IN LINE WITH OUR ESTIMATES</li> <li>- VOLUME GROWTH AT 9% YOY WAS LOWER SEQUENTIALLY FROM 12% YOY, HOWEVER THE VOLUME GROWTH WAS ON A HIGH BASE OF 12% YOY. DABURS VOLUME GROWTH IS EXPECTED TO STAY AHEAD OF THE SECTOR IN Q1FY14 AND ALSO THE FORTHCOMING QUARTERS WHICH IS A KEY POSITIVE.</li> <li>- PRICE GROWTH IS HIGHER SEQUENTIALLY FROM 3% YOY. WITH INPUT INFLATION ON AN UPSWING ON ACCOUNT OF RUPEE DEPRECIATION THE COMPANY HAS EXERCISED PRICE HIKES IN CERTAIN SEGMENTS</li> </ul>
SEGMENT WISE REVENUE GROWTH DETAILS	<ul style="list-style-type: none"> <li>- FOODS SEGMENT GROWTH STRONG AT 18.7% YOY</li> <li>- HAIR CARE SEGMENT GROWTH WAS 11.8% YOY. HAIR OIL AND SHAMPOO GROWTH AT 10% AND 22.8% YOY RESPECTIVELY</li> <li>- ORAL CARE GROWTH AT 8.6% YOY IMPACTED BE DEGROWTH IN TOOTHPOWDER BUSINESS</li> <li>- HEALTH SUPPLEMENTS GROWTH AT 7.5% YOY, AS GLUCOSE BRAND GROWTH WAS IMPACTED BY ADVERSE SEASONALITY FACTOR</li> <li>- DIGESTIVES GROWTH PICKS UP SEQUENTIALLY TO 15% YOY</li> <li>- HOME CARE GROWTH ROBUST AT 25.8% YOY</li> <li>- OTC &amp; ETHICALS GROWTH AT 11.8% YOY</li> <li>- SKIN CARE GROWTH AT 12.7% YOY</li> </ul>	<ul style="list-style-type: none"> <li>- GROWTH HAS DECELERATED FROM THE MID 20% GROWTH LEVELS OF FY13 AS THE FOODS PORTFOLIO IS LARGELY DISCRETIONARY IN NATURE AND HENCE HAS BEEN IMPACTED BY SLUGGISH CONSUMER DEMAND. MARGINS REMAINED UNDER PRESSURE ON ACCOUNT OF NEGATIVE IMPACT OF RUPEE DEPRECIATION. THE COMPANY HAS EXERCISED PRICE HIKES IN THE JUICE SEGMENT BUT HAVE INDICATED THAT THE HIKE IS NOT SUFFICIENT TO MITIGATE INPUT COST PRESSURE. NEW PRODUCT LAUNCHES UNDERTAKE IN Q1FY14 ARE EXPECTED TO GAIN TRACTION AND AID HIGHER REALISATIONS</li> <li>- SHAMPOO GROWTH SUSTAINED MOMENTUM NOTWITHSTANDING HIGH BASE OF 23% YOY GROWTH IN Q1FY13. HIGH MEDIA SPENDS AND ROBUST GROWTH IN SACHETS ARE THE KEY DRIVERS</li> <li>- PERFUMED HAIR OILS GROWTH IMPROVED SEQUENTIALLY TO 15.3% YOY, HOWEVER OVERALL HAIR OIL GROWTH WAS LOWER AT 10% YOY ON ACCOUNT OF DEGROWTH IN VATIKA AND ANMOL COCONUT HAIR OIL. DABUR HAS REDUCED THE PRICE PREMIUM OF VATIKA BY EXERCISING A PRICE CUT WHICH IS EXPECTED TO DRIVE VOLUME GROWTH RECOVERY.</li> <li>- TOOTHPASTE SEGMENT GROWTH REMAINED ROBUST AT 14% YOY LED BY PREMIUM BRANDS DABUR RED AND MESWAK. HIGH DOUBLE DIGIT GROWTH IN THE PREMIUM BRANDS HAS IMPROVED THE PROFITABILITY OF THE ORAL CARE SEGMENT. OVERALL ORAL CARE BUSINESS GROWTH IS GUIDED FOR IMPROVEMENT TO 10% YOY IN FY14 WITH TOOTHPASTE SEGMENT GROWTH IN MID TEENS</li> <li>- GLUCOSE BRAND (CONTRIBUTES 50% TO THE HEALTH SUPPLEMENTS SEGMENT IN Q1) GROWTH WAS IMPACTED BY THE EARLY ONSET OF MONSOON. HEALTH SUPPLEMENTS GROWTH IS EXPECTED TO IMPROVE GOING AHEAD</li> <li>- DIGESTIVE GROWTH IMPROVED SEQUENTIALLY FROM 1.5% YOY IN Q4FY13. BOTH TABLETS AND CANDY FORMAT REPORTED STRONG GROWTH</li> <li>- HOME CARE BUSINESS MAINTAINED TRACTION WITH GROWTH OF 25.8% YOY. KEY BRANDS OF ODONIL AND ODOMOS REPORTED STRONG GROWTH. HOME CARE BUSINESS REPORTED GROWTH OF 25% YOY IN FY13 AND IS EXPECTED TO SUSTAIN 20%+ YOY GROWTH TRENDS IN FY14E ALSO</li> <li>- OTC PORTFOLIO REPORTED GROWTH OF 10.9% YOY WITH BIGGEST BRAND LAL TAIL PERFORMING WELL, ETHICALS BUSINESS REPORTED GROWTH OF 13.2% YOY DRIVEN BY TRADE AND CONSUMER ACTIVATIONS</li> <li>- FEM PORTFOLIO REPORTED DOUBLE DIGIT GROWTH WITH BLEACH GAINING MARKET SHARE IN Q1FY14. NEW PRODUCT LAUNCHES ARE EXPECTED TO DRIVE GROWTH</li> </ul>
HEADWINDS	<ul style="list-style-type: none"> <li>- MARKET SLOWDOWN TO IMPACT DISCRETIONARY CATEGORIES</li> <li>- RUPEE DEPRECIATION STOKES INPUT INFLATION</li> </ul>	<ul style="list-style-type: none"> <li>- AS MACROECONOMIC PRESSURE PERSISTS, SLOWDOWN IN CONSUMER DEMAND IS EVIDENTLY IMPACTING GROWTH IN DISCRETIONARY CATEGORIES AND THE IMPACT IS ACCENTUATED IN URBAN MARKETS. HOWEVER, AS DABUR'S PORTFOLIO IS BASED ON THE HEALTH AND WELLNESS PLATFORM, OPERATING PRIMARILY IN MASS CATEGORIES AND HAS ~50% EXPOSURE TO RURAL MARKETS, WE BELIEVE THE COMPANY IS RELATIVELY BETTER PLACED TO WITHSTAND DEMAND PRESSURE</li> <li>- THE RECENT SHARP DEPRECIATION IN RUPEE HAS STOKED INFLATION IN KEY INPUTS LIKE FOOD AND LLP. THE COMPANY IS EXPECTED TO TAKE HIGHER PRICE HIKES THAN ITS EARLIER GUIDANCE. THE MANAGEMENT HAS INDICATED THAT THE COMPANY HAS THE ABILITY TO TAKE PRICE HIKES OF 4 - 5% WITHOUT ADVERSELY IMPACTING THE VOLUME GROWTH PROSPECTS.</li> </ul>

TAILWINDS	- RATIONALISATION IN AD SPENDS	- COST RATIONALISATION IN AD SPENDS ENABLED DABUR TO REALISE SAVINGS OF 30 BPS YOY IN THE AD TO SALES RATIO IN Q1FY14. FOR FY14, THE MANAGEMENT HAS GUIDED FOR AD TO SALES RATIO AT 13 - 14%. DABUR IS EXPECTED TO MAINTAIN AD TO SALES RATIO ON A YOY BASIS IN THE DOMESTIC BUSINESS, AND LOWER AD TO SALES RATIO IN THE INTERNATIONAL BUSINESS
	- RURAL MARKET GROWTH SIGNIFICANTLY AHEAD OF URBAN GROWTH WITH SCOPR FOR MARGIN IMPROVEMENT	- DABUR'S RURAL BUSINESS GROWTH AT 14.2% YOY IN Q1FY14 WAS 1.5X THAT OF THE URBAN BUSINESS GROWTH AT 9.6% YOY. THE COMPANY EXPECTS RURAL GROWTH TO REMAIN STRONG AIDED BY POSITIVE CONSUMER SENTIMENT AND PRIMARILY DISTRIBUTION GAINS. DABUR CONTINUED TO INVEST IN DISTRIBUTION EXPANSION BY ADDING 3000 VILLAGES IN Q1FY14. RURAL BUSINESS GROSS MARGINS ARE 300 BPS LOWER THAN THE COMPANY AVERAGE PRESENTING SCOPE FOR IMPROVEMENT IN THE MEDIUM TERM
	- HEALTHY BRAND INVESTMENTS AND PRODUCT INNOVATIONS TO DRIVE GROWTH	- VOLUME GROWTH IS EXPECTED TO REMAIN AHEAD OF THE SECTOR LED BY HIGHER AD SPENDS IN DOMESTIC BUSINESS VIS -A-VIS INTERNATIONAL BUSINESS. THE PRODUCT INNOVATION PIPELINE FOR FY14 IS ROBUST DIRECTED TO THE BEVERAGES, SKIN CARE, HAIR OIL AND TOOTHPASTE CATEGORIES
	- MODERN TRADE AND CSD ARE ADDITIONAL GROWTH DRIVERS	- MODERN TRADE REPORTED ROBUST GROWTH OF 20% YOY. INSTITUTIONAL SALES (CSD) GROWTH HAS IMPROVED CONTRIBUTED BY THE RECENT HIRING OF ADDITIONAL WORKFORCE
MANAGEMENT GUIDANCE	- VOLUME GROWTH AT 8 - 12% YOY	- MANAGEMENT HAS MAINTAINED GUIDANCE OF 8 -12% YOY DOMESTIC VOLUME GROWTH IN FY14E. WE EXPECT VOLUME GROWTH TO IMPROVE TO 10% YOY IN FY14 AS SEGMENTS WHICH WERE KEY GROWTH DRIVERS IN Q1FY14 SUSTAIN GROWTH TRENDS AND HEALTH SUPPLEMENTS AND VATIKA HAIR OIL BRAND WITNESS IMPROVEMENT IN GROWTH
	- PRICE GROWTH GUIDED TO BE HIGHER AT 4 - 5% YOY	- WITH ADVANTAGE OF SOFT INFLATION REVERSING ON ACCOUNT OF RUPEE DEPRECIATION, MANAGEMENT HAS REVISED ITS PRICE GROWTH FOR FY14E TO 4 - 5% YOY FROM THE EARLIER 2 - 3% YOY. THE COMPANY IS FAIRLY CONFIDENT OF HAVING SUFFICIENT TO EXERCISE PRICE HIKE AT THESE RATES WITHOUT ADVERSELY IMPACTING VOLUME GROWTH. PRICE HIKES WILL ENABLE DABUR TO EFFECTIVELY MANAGE ITS GROSS MARGINS
	- GROSS MARGIN EXPANSION OF 50 - 100 BPS YOY	- THE MANAGEMENT HAS REVISED DOWNWARDS ITS EARLIER GROSS MARGIN EXPANSION GUIDANCE OF 100 - 150 BPS YOY AS CERTAIN KEY INPUTS WITNESS UPTREND IN INFLATION. WE EXPECT GROSS MARGINS TO EXPAND BY 70 BPS YOY IN FY14
	- AD TO SALES RATIO AT 13%	- AD TO SALES RATIO AT 13%, IS EXPECTED TO PROVIDE OPERATING LEVERAGE BENEFITS TO THE CONSUMER. INCREASE IN STAFF COST AS A % OF SALES IS EXPECTED TO HOLD AT CURRENT LEVELS BUT NOT SEE ANY FURTHER ELEVATION
	- EBITDA MARGIN EXPANSION AT 100 BPS YOY	- THE MANAGEMENT HAS MAINTAINED ITS STANCE OF REALISING 100 BPS EBITDA MARGIN EXPANSION IN FY14. KEY FACTORS BEING GROSS MARGIN EXPANSION, MARGIN IMPROVEMENT IN INTERNATIONAL BUSINESS AND COST RATIONALISATION IN ADVERTISING SPENDS. COMPANY EXPECTS 50 BPS YOY MARGIN IMPROVEMENT IN DOMESTIC BUSINESS AND 100 TO 150 BPS YOY MARGIN IMPROVEMENT IN INTERNATIONAL BUSINESS
OUR EXPECTATIONS	- DOMESTIC BUSINESS GROWTH IS ESTIMATED AT 14.3% YOY AND 15% YOY FOR FY14E AND FY15E RESPECTIVELY	- WE HAVE REVISED OUR VOLUME GROWTH ESTIMATES DOWNWARDS TO 10% YOY IN FY14 FROM EARLIER 12% YOY AND REVISED PRICING GROWTH ESTIMATES FROM 3.5% YOY TO 4.3% YOY FOR FY14E
	- GROSS MARGINS AND EBITDA MARGINS TO EXPAND BY 70 BPS YOY AND 80 BPS YOY RESPECTIVELY	- MANAGEMENT HAS INDICATED THAT GROSS MARGIN EXPANSION IS EXPECTED TO FLOW THROUGH TO OPERATING PROFIT. HENCE ALONG WITH MARGINAL SAVINGS IN AD TO SALES RATIO IN FY14E AND GROSS MARGIN EXPANSION OF 70 BPS YOY, THE EBITDA MARGIN IS EXPECTED TO EXPAND BY 80 BPS YOY IN FY14E

INTERNATIONAL BUSINESS	SUMMARY	COMMENTS
BUSINESS PERFORMANCE	- ORGANIC BUSINESS VALUE GROWTH ROBUST AT 18.5% YOY AND 14.5% YOY IN CONSTANT CURRENCY TERMS	- ORGANIC VOLUME GROWTH WAS ROBUST AT 15% YOY WITH PRICING DEGROWTH OF 0.7% YOY. CURRENCY IMPACT WAS AT 3% YOY. MIDDLE EAST GEOGRAPHY WAS THE KEY REVENUE GROWTH DRIVER. NEPAL AND BANGLADESH ALSO REPORTED HEALTHY GROWTH OF 15% YOY AND 11% YOY RESPECTIVELY - NAMASTE BUSINESS REPORTED STRONG RECOVERY IN GROWTH FROM -9% YOY IN FY13 TO 16% YOY IN Q1FY14. HOBI BUSINESS GROWTH REMAINED STRONG
MANAGEMENT GUIDANCE	- EXPECT MARGINS TO IMPROVE  - STRONG REVENUE GROWTH, CAUTIOUS ON EGYPT	- BENIGN INPUT INFLATION AND RATIONALISATION OF ADVERTISING SPENDS IS EXPECTED TO DRIVE EXPANSION IN INTERNATIONAL BUSINESS DIVISION MARGINS IN FY14E. MANAGEMENT INDICATED THAT IN NAMASTE BUSINESS THERE IS OPPORTUNITY TO DRIVE 500 - 600 BPS MARGIN IMPROVEMENT  - NAMASTE BUSINESS GROWTH IS EXPECTED TO IMPROVE FROM CURRENT LEVELS AND ORGANIC BUSINESS GROWTH IS ALSO EXPECTED TO SUSTAIN GROWTH TRAJECTORY. THE COMPANY IS CAUTIOUS ON GROWTH IN EGYPT WHICH IS CURRENTLY FACING POLITICAL UPHEAVAL. EGYPT IS ALSO DABUR'S MOST PROFITABLE GEOGRAPHY IN THE INTERNATIONAL BUSINESS
OUR EXPECTATIONS	- WE MAINTAIN ESTIMATES FOR IBD GROWTH (EX HOBI AND NAMASTE) AT 20% AND 19% YOY RESPECTIVELY FOR FY14E AND FY15E RESPECTIVELY - NAMASTE GROWTH AT 20% YOY AND HOBI GROWTH AT 20%YOY FOR FY14	- WE EXPECT ORGANIC BUSINESS GROWTH TO REMAIN STRONG IN FY14E. DABUR IS ALSO EXPLORING OPTIONS TO EXPORT ITS FOOD BRANDS TO OTHER GEOGRAPHIES FROM THE RECENTLY OPENED SRI LANKA PLANT - NAMASTE BUSINESS GROWTH IS EXPECTED TO GAIN TRACTION IN THE FORTHCOMING QUARTERS ON ACCOUNT OF LOW BASE AS THE IMPACT OF DEGROWTH IN THE BUSINESS WAS LARGELY FROM Q2FY13.

Source: Company, PhillipCapital India Research

**Raw Material Price Trend**



Source: World Bank, Company, PhillipCapital India Research

## Financials

### Income Statement

Y/E Mar, Rs mn	FY12	FY13E	FY14E	FY15E
<b>Net sales</b>	<b>52,838</b>	<b>61,464</b>	<b>70,759</b>	<b>82,028</b>
Growth, %	30	16	15	16
Other income	218	294	314	383
Total income	53,057	61,758	71,073	82,411
Raw material expenses	-26,922	-30,194	-34,265	-39,744
Other Operating expenses	-17,228	-21,270	-24,368	-27,831
<b>EBITDA (Core)</b>	<b>8,906</b>	<b>10,295</b>	<b>12,439</b>	<b>14,837</b>
Growth, %	11.3	15.6	20.8	19.3
Margin, %	16.9	16.7	17.6	18.1
Depreciation	-1,032	-1,124	-1,203	-1,289
<b>EBIT</b>	<b>7,874</b>	<b>9,171</b>	<b>11,236</b>	<b>13,548</b>
Growth, %	11.3	15.6	20.8	19.3
Margin, %	16.9	16.7	17.6	18.1
Interest paid	-538	-589	-535	-568
Other Non-Operating Income	574	945	1,181	1,368
<b>Pre-tax profit</b>	<b>7,910</b>	<b>9,527</b>	<b>11,882</b>	<b>14,348</b>
Tax provided	-1,464	-1,826	-2,483	-3,013
<b>Profit after tax</b>	<b>6,446</b>	<b>7,700</b>	<b>9,399</b>	<b>11,335</b>
<b>Net Profit</b>	<b>6,454</b>	<b>7,651</b>	<b>9,399</b>	<b>11,335</b>
Growth, %	13.5	19.3	22.1	20.6
<b>Net Profit (adjusted)</b>	<b>6,454</b>	<b>7,700</b>	<b>9,399</b>	<b>11,335</b>
Unadj. shares (m)	1,738	1,738	1,738	1,738
Wtd avg shares (m)	1,738	1,738	1,738	1,738

### Balance Sheet

Y/E Mar, Rs mn	FY12	FY13E	FY14E	FY15E
Cash & bank	4,184	5,128	8,928	14,927
Debtors	4,617	4,841	5,206	5,598
Inventory	8,239	8,439	9,237	10,307
Loans & advances	3,458	5,893	6,503	6,898
Total current assets	20,498	24,301	29,873	37,729
Investments	4,825	6,319	6,319	6,319
Gross fixed assets	21,446	21,330	24,006	25,906
Less: Depreciation	-5,033	-5,510	-6,435	-7,445
Add: Capital WIP	268	926	926	926
Net fixed assets	16,680	16,745	18,497	19,387
<b>Total assets</b>	<b>42,243</b>	<b>47,602</b>	<b>54,929</b>	<b>63,668</b>
Current liabilities	13,355	13,060	14,611	16,384
Total current liabilities	13,355	13,060	14,611	16,384
Non-current liabilities	11,689	13,177	12,114	12,387
Total liabilities	25,044	26,237	26,724	28,771
Paid-up capital	1,742	1,743	1,743	1,743
Reserves & surplus	15,427	19,501	26,306	32,958
Shareholders' equity	17,200	21,364	28,204	34,897
<b>Total equity &amp; liabilities</b>	<b>42,243</b>	<b>47,601</b>	<b>54,928</b>	<b>63,668</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

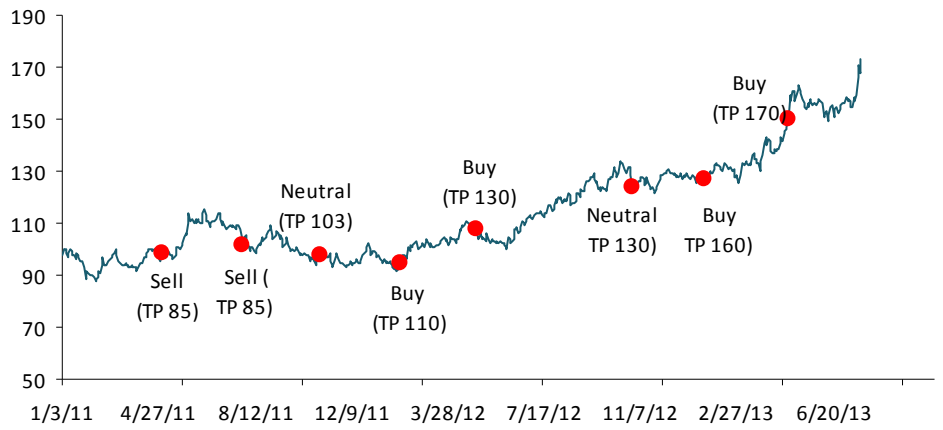
Y/E Mar, Rs mn	FY12	FY13E	FY14E	FY15E
Pre-tax profit	7,910	9,527	11,882	14,348
Depreciation	1,032	1,124	1,203	1,289
Chg in working capital	-1,516	-3,076	-225	195
Total tax paid	-1,490	-1,820	-2,483	-3,013
Other operating activities	-131	0	0	0
<b>Cash flow from operating activities</b>	<b>5,805</b>	<b>5,755</b>	<b>10,377</b>	<b>12,819</b>
Capital expenditure	-2,401	-1,189	-2,955	-2,179
Chg in investments	-629	-1,494	0	0
<b>Cash flow from investing activities</b>	<b>-3,026</b>	<b>-2,683</b>	<b>-2,955</b>	<b>-2,179</b>
Free cash flow	2,779	3,072	7,422	10,640
Equity raised/(repaid)	575	83	1,665	600
Debt raised/(repaid)	662	1,407	-1,063	0
Dividend (incl. tax)	-2,436	-2,840	-3,354	-4,138
<b>Cash flow from financing activities</b>	<b>-1,201</b>	<b>-1,260</b>	<b>-2,717</b>	<b>-3,497</b>
<b>Net chg in cash</b>	<b>1,577</b>	<b>1,812</b>	<b>4,705</b>	<b>7,144</b>

### Valuation Ratios & Per Share Data

	FY12	FY13E	FY14E	FY15E
Per Share data				
EPS (INR)	3.7	4.4	5.4	6.5
Growth, %	13.5	19.3	22.1	20.6
Book NAV/share (INR)	9.9	12.2	16.1	20.0
FDEPS (INR)	3.7	4.4	5.4	6.5
CEPS (INR)	4.3	5.1	6.1	7.3
CFPS (INR)	3.1	2.8	5.3	6.6
DPS (INR)	1.2	1.4	1.6	2.0
Return ratios				
Return on assets (%)	16.8	18.0	19.0	19.7
Return on equity (%)	37.6	36.2	33.5	32.7
Return on capital employed (%)	25.7	25.5	26.0	26.7
Turnover ratios				
Asset turnover (x)	3.0	3.0	3.0	3.3
Sales/Total assets (x)	1.3	1.4	1.4	1.4
Sales/Net FA (x)	3.3	3.7	4.0	4.3
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Fixed capital/Sales (x)	0.8	0.7	0.6	0.5
Working capital days	20.4	36.3	32.7	28.6
Liquidity ratios				
Current ratio (x)	1.5	1.9	2.0	2.3
Quick ratio (x)	0.9	1.2	1.4	1.7
Interest cover (x)	14.6	15.6	21.0	23.8
Dividend cover (x)	3.1	3.2	3.3	3.2
Total debt/Equity (%)	65.1	59.2	41.1	33.2
Net debt/Equity (%)	40.7	35.1	9.2	(9.8)
Valuation				
PER (x)	47.1	39.5	32.4	26.8
Price/Book (x)	17.7	14.3	10.8	8.8
Yield (%)	0.7	0.8	0.9	1.2
EV/Net sales (x)	5.9	5.1	4.3	3.7
EV/EBITDA (x)	34.9	30.3	24.7	20.3
EV/EBIT (x)	34.9	30.3	24.7	20.3



**Recommendation Chart**



Source: PhillipCapital India Research

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