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Dabur India Ltd— BUY—121—INR

Sector — Personal Care
Regd.Off.— 8/ 3, Asaf Ali Road, New Delhi, Delhi-110 002
Listed — NSE, BSE.

Company overview—

Established in 1884, Dabur India Ltd is the largest Indian FMCG and ayurvedic products company. The group comprises Dabur Finance, Dabur Nepal Pvt Ltd, Dabur Egypt Ltd, Dabur Overseas Ltd and Dabur International Ltd. Products groups include health care, food products, natural gums & allied chemicals, pharma, and veterinary products. The leading brands are Dabur Amla, Dabur Chyawanaprash, Vatika, Hajmola, Lal Dant Manjan, Pudina Hara and the Real range of fruit juices. In 2001, Dabur set up a 100 per cent subsidiary Dabur Oncology plc in the UK with an investment of \$16 million. Dabur India has infused \$6 million in equity and the subsidiary has mobilized debt worth \$10 million. Dabur invested over Rs 12 crore on oncology research. The hive-off of the oncology business is part of the company's strategy to focus on its core businesses of fast-moving consumer goods products and over-the-counter drugs.

Products & Services—

Dabur provides its products into various segments. Dabur presents range of herbal personal care products. Bringing together the gentle touch of nature and Ayurveda's wisdom. Backed by the unflinching quality of Dabur Products. Hair oil, Fairness face pack, Shampoo, Tooth paste, red gel, lal dant manjan, dabur binaca toothbrush, vatika hair oil, anmol sarso aawla, vatika heena conditioning shampoo, vatika anti-dandruff shampoo. Instead of this in food range of REAL active natural juice, dabur homemade, dabur honey etc., are the few Successful brands of company.

After demerging its consumer and pharmaceutical businesses in FY04, Dabur laid out a growth strategy -- new product introductions, brand extensions to new segments, and focus on new geographies. This strategy has paid rich dividends for Dabur and has delivered sales growth ahead of the consumer non-durable sector average. Balsara's acquisition complements Dabur's growth strategy as it provides entry to a new product segment (household care), extends Dabur's oral care portfolio ('white' toothpaste), and improves its distribution muscle in Western and Southern India (focus areas for Dabur), as well as strengthening its international business because Balsara exports to Middle East markets where Dabur is trying to grow its business.

Balsara is Dabur's first major acquisition and marks its first departure from the herbal platform, it remains to be seen how Dabur will integrate the non-herbal brands into its product portfolio. Balsara operates in the oral care and household product segments. In oral care, Balsara has a 6% market share and has three brands, Promise, Babool and Meswak based on herbal formulations. In the household care segment, Balsara's product range includes air fresheners under the Odonil brand, insect repellent branded Odomos, toilet cleaners under the Sanifresh brand and dishwashers under the Odopic brand. All of these have fairly strong brand equity and

Balsara has invested significantly behind these brands over the years. All these product segments have significant growth potential, owing to low penetration levels.

Dabur's international business is profitable and has operating margins only slightly below those of the domestic business. According to management, there is further potential for expanding margins for the international business. International operations have a footprint in 25 countries spread over six continents; however, a major part of its business is concentrated in the Middle East. The company also has four manufacturing facilities located in UAE, Bangladesh and Egypt. According to management, the company is looking to expand its presence in the Middle East, the Indian Subcontinent, Russia and Africa. For the developed markets in the US and Europe, Dabur is looking at alliances with distributors, focusing mainly on over-the counter herbal healthcare products.

Financials—

Annual results FY2008-09

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	239616.00
Other Operating Income	2175.00
Increase/Decrease in Stock in trade and work in progress	-3889.00
Consumption of Raw Materials	89213.00
Purchase of traded goods	36919.00
Employees Cost	16732.00
Depreciation	2742.00
Other Expenditure	58372.00
Total Expenditure	200089.00
Profit from Operations before Other Income, Interest & Exceptional Items	41702.00
Other Income	2132.00
Profit before Interest & Exceptional Items	43834.00
Interest	1334.00
Profit after Interest but before Exceptional Items	42500.00
Profit(+)/Loss(-) from Ordinary Activities before tax	42500.00
Tax Expense	5144.00
Net Profit(+)/Loss(-) from Ordinary Activities after tax	37356.00
Net Profit (+) / Loss (-) for the period	37356.00
Dividend (%)	175
Face Value (in Rs.)	1.00
Paid-up Equity Share Capital	8651.00
Reserves excluding Revaluation Reserves	65169.00
Basic EPS after Extraordinary items (in Rs.)	4.32
Diluted EPS after Extraordinary items (in Rs.)	4.30
Public Shareholding (Number of Shares)	253241776.00
Public Shareholding (%)	29.27

Valuation—

At current market price, stock is trading at 18.79 P/E multiple of its FY2010 estimated earnings. We recommend investors to buy “Dabur India Limited” with medium to long term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- investment_guru1@yahoo.com

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