ICRA

February 27, 2020 Revised

Dabur India Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	15.00	15.00	[ICRA]AAA (Stable); reaffirmed
Total	**15.00**	**15.00**	

* *Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation takes into account Dabur India Limited's (Dabur) healthy operating and financial performance, as reflected in its steady volume growth, robust cash flows, and strong balance sheet and liquidity position. The rating continues to derive strength from Dabur's position as one of the leading companies in the domestic fast-moving consumer goods (FMCG) segment, its well-established brands in the ayurvedic/herbal category, significant market share for most of its products, and its diversified product portfolio. The rating also continues to take comfort from Dabur's strong balance sheet with negative net debt position (total debt is less than cash and liquid investments) and strong credit metrics.

These strengths, however, are partly offset by the intense competition in the FMCG sector and a challenging macro-economic environment.

The Stable outlook on the long-term rating reflects ICRA's belief that Dabur's cash flows from operations will remain robust which, along with its strong balance sheet, will support its credit metrics.

Key rating drivers and their description

Credit strengths

Healthy operating and financial performance - Dabur's operational and financial performances remained healthy despite the challenging operating environment characterised by intense competition, economic slowdown in the domestic industry, and international geopolitical issues in the last few years. Its domestic FMCG revenues grew by 13% in FY2019 backed by volume growth of 11%, while its consolidated revenues increased by 11%. In 9M FY2020, its revenues grew by 6.8% on a consolidated basis. The company's operating profitability remained steady around 20-21% in the past few years. Dabur's reputed brand image, diversified product portfolio, and strong distribution network have helped it in maintaining its market leadership position in most of the product segments where it is present. Its financial risk profile continues to be supported by moderate revenue growth, steady profitability, healthy cash accruals and strong liquidity position.

Possession of strong brands solidifies foothold in domestic FMCG space - Dabur has multiple brands with strong image such as Dabur, Vatika, Real, Hajmola, Pudin Hara, Honitus, Lal Tail, Dabur Red, Dabur Amla, Dabur Chyawanprash and Dabur Honey, Anmol, Fem, etc. The brand Dabur has a very strong reputation, particularly in the ayurvedic and herbal segment. These strengths have also helped it in maintaining its market position despite competition from large international and domestic players. The company will be more focused towards its power brands for future growth.

Strong financial position - The company's financial position remains strong with healthy net worth of around Rs. 6,150 crore as on September 30, 2019. Limited debt on balance sheet has resulted in lower gearing of 0.1 times and strong coverage indicators with interest coverage of 31 times and DSCR of 8 times in H1 FY2020.

Credit challenge

Intense competition - The domestic FMCG business continues to witness intense competition with multiple established players, including some large multinational players as well as domestic companies. There have been increased activities in the ayurvedic and herbal segment in the last few years with significant scale-up by a domestic player and also established players entering into this segment. With increased marketing and promotion, awareness among consumers towards natural and herbal products has likely improved, leading to expansion of the market segment. Nevertheless, Dabur being an established player with a sizeable market share had faced competitive pressure in the past and remains exposed to risks of heightened competition.

Liquidity position: Superior

The company has **superior** liquidity position, given the high liquid investments, limited debt on books, and expected strong accruals post the regular capex. As of September 30, 2019, Dabur had cash and bank balance of Rs. 659 crore, current investments of Rs. 1,308 crore and non-current investments of Rs. 1,564 crore. This apart, the company has unutilised bank limits and the flexibility to raise debt from the market in case of any requirements.

Rating sensitivities

Positive triggers – Not applicable.

Negative triggers – The rating could be downgraded if any large capital expenditure or acquisition leads to considerable and sustainable weakening in the credit metrics or if there is any major reduction in market share of key product segments impacting its accruals for a prolonged period.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Fast Moving Consumer Goods Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	Rating is based on consolidated financial statements of the issuer

About the company

Established in 1884 by Dr. S K Burman, Dabur is among India's leading FMCG companies. It has business interests in healthcare, personal care and food products. Over the years, the company has focussed on manufacturing and selling ayurvedic products targeted at the mass consumer segment. A number of personal care products, ayurvedic tonics and oral care products that Dabur launched over the years are leading brands in their respective segments. Dabur offers products in over 100 countries across the globe, covering health and personal care segments across the herbal and natural space. Dabur India's FMCG portfolio includes seven major brands, namely Dabur Amla, Dabur Chyawanprash, Dabur Honey, Honitus, PudinHara, Dabur Lal Tail and Dabur Real. Dabur has manufacturing facilities at 20 locations – 12 in India and one each in the UAE, South Africa, Sri Lanka, Egypt, Turkey, Nigeria, Nepal and Bangladesh. The company has built a strong distribution network of over 6.7 million retail outlets in India as of March 2019.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	7721.9	8515.0
PAT (Rs. crore)	1357.5	1438.1
OPBDIT/OI (%)	20.95%	20.43%
RoCE (%)	27.75%	27.26%
Total Outside Liabilities/Tangible Net Worth (times)	0.52	0.49
Total Debt/OPBDIT (times)	0.58	0.40
Interest Coverage (times)	30.5	29.2
DSCR	13.1	9.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					27-Feb-2020	25-Jan-2019	12-Dec-2017	16-Dec-2016
1	NCD	Long Term	15.0	0.0	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

Amount in Rs. Crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	NCD	NA	NA	NA	15.00	[ICRA]AAA (Stable)

Source: Dabur India Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Dabur International Ltd	100%	Full Consolidation
Dabur Nepal Pvt Ltd	98%	Full Consolidation
Naturelle LLC	100%	Full Consolidation
Namaste Laboratories LLC	100%	Full Consolidation
Dabur Egypt Ltd	100%	Full Consolidation
Hobi Kozmetik	100%	Full Consolidation
RA Pazarlama	100%	Full Consolidation
H & B Stores Ltd	100%	Full Consolidation
Asian Consumer Care Pvt Ltd	76%	Full Consolidation
Dabur Lanka Pvt. Ltd	100%	Full Consolidation
African Consumer Care Ltd	100%	Full Consolidation
Asian Consumer care Pakistan Pvt. Ltd	100%	Full Consolidation
Urban Laboratories International LLC	100%	Full Consolidation
Dabur UK Ltd	100%	Full Consolidation
Dabur Pakistan Pvt. Ltd	100%	Full Consolidation
Hair Rejuvenation & Revitalzation Nigeria Ltd	100%	Full Consolidation
Dabur South Africa (PTY) Ltd.	100%	Full Consolidation
Dermovia Skin Essentials INC	100%	Full Consolidation
Dabur PARS	100%	Full Consolidation
Dabur Consumer Care Pvt. Ltd	100%	Full Consolidation
Dabur Tunisie	100%	Full Consolidation
Healing Hair Laboratories International LLC	100%	Full Consolidation
D and A Cosmetics Proprietary Limited	100%	Full Consolidation
Atlanta Body and Health Products Proprietary Limited	100%	Full Consolidation
Forum 1 Aviation Private Limited	20%	Equity Method

Corrigendum

Document dated Feb 27, 2020 has been corrected with revision as detailed below:

- Relationship contact details updated

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About ICRA Limited

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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