

Dabur India Limited

January 25, 2019

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, its robust cash generation, and its strong 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 and significant market share for most of its products, and its diversified product portfolio. The rating also continues to take comfort from Dabur's healthy 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 subdued performance of Dabur's international business due to economic slowdown in the Middle East, geopolitical conflicts in North Africa and adverse currency movements in a few geographies like Egypt, Turkey and Nigeria. The company also continues to look for further inorganic growth. Notably, the last major acquisitions were made in 2011.

Outlook: Stable

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 very strong balance sheet, will support its credit metrics. The outlook may be revised to Negative if Dabur undertakes large debt-funded acquisitions, or if there is major reduction in market share in its key product segments, or if there is significant deterioration in its profitability, working capital cycle, liquidity position etc.

Key rating drivers

Credit strengths

Healthy operating and financial performance - Dabur's operational and financial performances have remained healthy despite the challenging operating environment including intense competition, disruption caused by implementation of GST, and international geopolitical issues in the last 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 it is present. Though the external headwinds have resulted in modest growth in Dabur's operating income (OI), its profitability has remained stable. This in turn has been supporting its financial position.

Possession of strong brands solidifies foothold in domestic FMCG space - Dabur has multiple brands with strong image such as Dabur, Vatika, Real, Hajmola, Balsara, Anmol, Fem etc. The brand Dabur has a very strong reputation, particularly in the ayurvedic and herbal segment. These strengths have also helped Dabur in maintaining its market position despite competition from large international and domestic players. In FY2018, four of its brands – Real, Vatika, Amla and Red – generated income of more than Rs. 500 crore, while 16 brands crossed the Rs. 100-crore level.

Strong financial position marked by negative net debt and strong liquidity position - As on September 30, 2018, Dabur has a strong balance sheet with net worth of Rs. 5,133 crore and gross debt of Rs. 713.4 crore. The net debt is negative with cash and liquid investments of Rs. 3,512 crore as on September 30, 2018. The cash and liquid investments also strengthen the liquidity profile of the company. Its liquidity position has remained very strong despite a large outflow towards a special dividend of ~Rs. 1,062 crore in H1 FY2019.

Credit challenges

Modest performance of international business - Dabur’s international business performance has remained subdued in terms of rupees due to economic slowdown in the Middle East, geopolitical conflicts in North Africa and adverse currency movements in a few geographies like Egypt, Turkey and Nigeria. These apart, the entities acquired by Dabur in FY2011 (Namaste and Hobi), are yet to achieve the expected performance, thereby impacting Dabur’s international business. However, given that these entities are relatively smaller in comparison to Dabur’s overall scale and diversity of operations, the impact has been modest. The company has made small acquisitions in South Africa in April 2018 for ~Rs. 20 crore. Overall, the contribution from the international businesses reduced to 28% in FY2018 from 30% in FY2017.

Intense competition - The domestic FMCG business had witnessed increased competition over the last few years with the entry of new players, while it continues to face pressure from other established FMCG players. This apart, the company faces competition from unorganised players across segments. Dabur being an established player with a sizeable market share remains exposed to risks of heightened competition. However, increased awareness among consumers towards natural and herbal products is expected to help Dabur in the medium term as it has an established brand in this segment.

Liquidity position

The company has strong liquidity position with liquid funds of ~Rs. 3,513 crore available against the total debt outstanding of Rs. 713 crore as on September 30, 2018. The company is expected to incur regular capex of around ~Rs. 300 crore, which can be funded through internal accruals.

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's portfolio comprises over 400 products, covering a wide range in health and personal care segments. The company has over 16 brands with more than Rs. 100 crore sales and four brands with Rs. 500-crore sales. Dabur has manufacturing facilities at 20 locations – 12 in India and one each in UAE, South Africa, Sri Lanka, Egypt, Turkey, Nigeria, Nepal and Bangladesh. The company has built a strong distribution network of over 6.3 million retail outlets in India.

In FY2011, Dabur has made two overseas acquisitions – Turkey-based Hobi Kozmetik Group for \$69 million and USA-based Namaste Laboratories LLC for \$100 million. Earlier, Dabur had made two domestic acquisitions (Balsara in 2005 and Fem Care in 2009) which have been successfully integrated.

In April 2017, Dabur acquired certain assets from CTL Management and Personnel Services Proprietary Limited for ~Rs. 9.0 crore. In April 2018, Dabur acquired South African brand – Long and Lasting – from D and A Cosmetics Proprietary Limited and Atlanta Body and Health Products Proprietary Limited for ~Rs. 20 crore.

Key financial indicators (audited)

	FY2017	FY2018	H1 FY2019
Operating Income (Rs. crore)	7701.4	7721.9	4205.7
PAT (Rs. crore)	1280.1	1357.5	716.06
OPBDIT/OI (%)	19.6%	20.95%	20.1%
RoCE (%)	30.6%	27.8%	28.9%
Total Debt/TNW (times)	0.20	0.16	0.14
Total Debt/OPBDIT (times)	0.65	0.58	0.42
Interest coverage (times)	27.9	30.5	27.8

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
				January 2019	December 2017	December 2016	January 2016	
1 NCD	Long Term	15.00	*	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	

*Not placed

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 www.icra.in

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 & Revitalization 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

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