

“Research Paper On “Fundamental Analysis And Equity Valuation Of Dabur”

Author : Mr Pratham Swarup Shukla
BBA Student, Department of Business
Galgotias University, Greater Noida, Uttar Pradesh
Email : pratham9494@gmail.com

Abstract

Fundamental analysis, in its abstract form, is the practice of determining whether or not a stock's price is justified by its underlying economic worth. Simply put, fundamental analysis is a technique for estimating an investment's true worth. Both fundamental and technical analysis may be used to the study of the stock market. By reviewing a variety of relevant studies, this investigation attempts to analyze the basic situation of a significant listed FMCG firm, DABUR. This is a valuable resource for gauging the health of the company's bottom line. This paper's discussion in particular shows how useful this method can be for analyzing the stock price of a firm.

Key Words: Economic Analysis, Ratio Analysis, Industry Analysis, Business Analysis, and Fundamental Analysis

Introduction

In this study, we will cover certain basic analytical ratios and their long-term implications. The purpose of our research is to evaluate the current status of the canonical works in this field. Economic Analysis examines primary indicators such as gross domestic product (GDP), inflation rate (INF), foreign exchange reserves (FXR), interest rate (IR), and the ratio of FXR to GDP (current account to GDP). In this Industry Analysis, we investigate the factors

INVESTMENTS

- ☑ The Government has allowed 100% Foreign Direct Investment (FDI) in food processing and single-brand retail and 51% in multi-brand retail.
- ☑ This would bolster employment, supply chain and high visibility for FMCG brands across organised retail markets thereby bolstering consumer spending and encouraging more product launches.
- ☑ The sector recorded an FDI of US\$ 20.84 billion between April 2000-June 2022.

GOVERNMENT INITIATIVES

Some of the major initiatives taken by the Government to promote the FMCG sector in India are as follows:

- ☑ As per the Union Budget 2022-23:
 - Rs. 1,725 crore (US\$ 222.19 million) has been allocated to the Department of Consumer Affairs
 - Rs. 215,960 crore (US\$ 27.82 billion) has been allocated to the Department of Food and Public Distribution.
 - In FY 2021-22, the government approved Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) with an outlay of Rs. 10,900 crore (US\$ 1.4 billion) to help Indian brands of food products in the international markets.

Literature Review

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Analyzing anything is giving it considerable thought or using statistical tools to it to get to the bottom of it. There are two major classes of techniques used for evaluating securities and settling on investments. Comparing and Contrasting Fundamental and Technical Analysis.

To determine the true worth of an asset, one might do a fundamental analysis by looking at the underlying economic and financial data. To rephrase, fundamental analysis is a technique for estimating an investment's true worth. The fundamental analyst's evaluation of a security's worth should account for every possible influence on its price, both external (such as the economy and industry) and internal (such as the quality of management). Financial projections are the end result of doing fundamental research on past and current data.

Quantitative and qualitative approaches each make up one half of Fundamental Analysis.

In qualitative research, the focus is on intangible, subjective aspects that may have a significant positive or negative impact on a business. Analyzing the Market: India's FMCG sector is the country's fourth greatest economic driver. There are three primary sub-sectors within the industry, with food and drinks accounting for 19%, healthcare for 31%, and home and personal care for the remaining 50%. Around 55% of sales come from the urban market, while 45% come from the rural market. An uptick in demand from rural areas will propel the FMCG industry.

Fitch Solutions predicts that after declining by more than 9.3% in 2020 owing to the economic effect of the pandemic, real household expenditure would increase 9.1% year over year in 2021. CRISIL Ratings predicts that the FMCG industry's sales growth would double, from 10-12% in FY22 to 5-6% in FY21. Growth is being driven by a rise in both production volume and demand for luxury goods, as well as by growing costs of raw materials, which will be partially offset by price increases across the board. In Q3 2021, the domestic FMCG market increased by 12.6% Year over Year.

Recent years have seen substantial government investment and assistance for the fast-moving consumer goods industry.

Analyzing a company involves gathering data about the business, its goods and services, and its profitability in order to create an opinion on the value of the firm's stock. It is possible to evaluate a company's investment prospects by looking at a variety of statistics, not only return on equity.

Net profit margin: a tool for analyzing companies.

A company's profitability may be quantified as a proportion of its net value by looking at its Return on Equity



(ROE).

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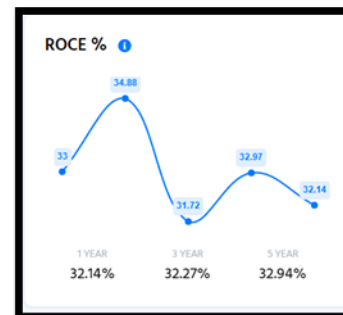
- **Profit Growth:** It shows comp. growth in Net Profit for 1,3 & 5 years

The graph shows the past **5 years figure** of net profit and CAGR%



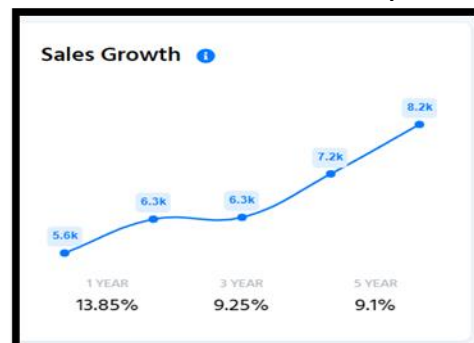
- **Return on Capital Employed (ROCE%):** It measures how efficiently a company is using its capital employed.

The Graph shows the **ROCE%** of the past 5 years and below are the average value of 1,3 & 5 years

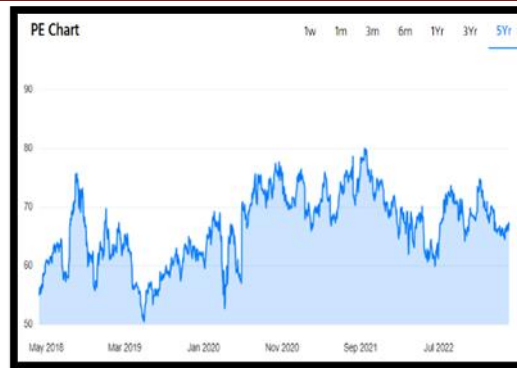


- **Sales Growth:** It shows the compounded growth in Net sales for 1,3 & 5 years.

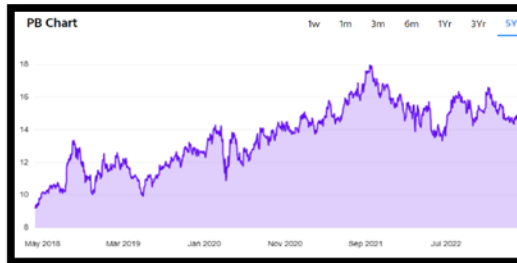
The graph shows the past 5 years figures of **net sales** and the CAGR% is shown below in the box



- **Price – Earnings (PE Chart)**



- **Price – Book (PB Chart)**



Result

- During the previous three years, the company's return on equity (ROE) has averaged a robust 27.46%.
- For the previous three years, the company's return on invested capital has averaged 32.27 percent.
- The business has almost no debt.
- The Interest coverage ratio of the company is 102.57, which is excellent.
- During the last five years, the firm's operating margins have averaged 20.16%.

Conclusion

Fundamental analysis is a method for evaluating the market environment and company presentations in order to make profitable investment decisions at optimal times. When placing money into stocks, one must always think about and research the company. The fundamentals of the economy, the industry, and the firm are all taken into account in a fundamental analysis. Long-term investors who want to hold onto their equities for the foreseeable future might benefit most from fundamental research.

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This article presents a summary of basic analysis and emphasizes the value of a patient investment horizon. As was previously indicated, an investor must utilize both qualitative and quantitative data in order to conduct a fundamental study and discover firms with strong financial performance and resilience going forward. This is one of the most fundamental concepts in finance.

The company Dabur Ltd. produces a wide range of ayurvedic remedies. Its reputation for annual profits attests to the rising interest in ayurvedic remedies. Chyawanprash and other therapeutic products are quite profitable. During the COVID epidemic, there was high demand for this medication because of its ability to strengthen the immune system. Dabur, an ayurvedic company, has been shown to be successful after all.

References:

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