

**Company's healthcare products drives strong Q2 performance.**

**CMP: Rs 518**

**Rating: Accumulate**

**Target Price: Rs 589**

**Stock Info**

BSE	500096
NSE	DABUR
Bloomberg	DABUR IN
Reuters	DABUR.NS
Sector	Personal care
Face Value (Rs)	1
Equity Capital (Rs Cr)	177
Mkt Cap (Rs cr)	91,614
52w H/L (Rs)	535/385
Avg Yearly Vol (in 000')	3015

**Shareholding Pattern %**

(As on September, 2020)

Promoters	67.87
Public & Others	32.13

Stock Performance (%)	3m	6m	12m
Dabur	1.2	16.1	12.6
Nifty	6.2	28.9	-0.3

**Dabur Vs Nifty**



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Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

*Dabur India Limited ( Dabur) earnings surprised the market with double digit volume growth in in Q2FY21 . Dabur's domestic business grew 16.8% YoY, much higher than the anticipated mid-single digit growth. Profit for the quarter grew by 19.9%YoY/+41.6% QoQ to Rs 483 Cr above our estimates of Rs 384 cr on the back of growth in topline, higher other Income and lower finance cost during Q2FY21. Consolidated revenue stood at Rs 2516 cr , above our estimates Rs2,274 cr registering a growth of 13.7%YoY/+27.1%QoQ mainly led by healthy growth in healthcare business. Reported EBITDA grew by 16.6%YoY/+37%QoQ to Rs 570 Cr, above our estimate of Rs 454 Cr, while EBITDA margin expanded by 55bps YoY/164bps QoQ. Higher material cost and other expenses including advertisement expenses restricted margin expansion on YoY basis in Q2FY21.*

**Q2FY21 Segment Highlights**

- The health scare caused by the pandemic led to robust growth in its healthcare business. Contribution of its healthcare portfolio to overall sales increased from 31.8% in Q2FY20 to 39.6% in Q2FY21. The healthcare segment's revenues rose around 50% Y-o-Y.
- Within the healthcare segment, sales of Dabur Chyawanprash grew more than two times Dabur's market share in this category, too, grew by 190 basis points. Dabur Honey also saw double-digit sales growth in the quarter. Market penetration in both this category improved.
- Among other segments, home and personal care reported 9.1%YoY growth in revenues. International business revenues grew 5.5% Y-o-Y in Q2FY21. The management attributed muted performance of international business to Middle Eastern and Sub-Sahara regions.
- Overall macro environment in the Middle East was impacted by weak oil price, but business is expected to recover in current quarter.
- As far as cost inflation is concerned, the management indicated that over 50% of raw material is agriculture-related. So, it is contemplating price hikes in select portfolios.

**Valuations**

At CMP of Rs 518, Dabur currently trades at a FY20 P/E of 63.2x. Outbreak of COVID pandemic has led to a surge in demand for Ayurvedic and Natural immunity boosting products leading to robust off take for Dabur's Chyawanprash and Honey where it is a category leader. Dabur is also partnering with Government agencies to boost consumption of ayurvedic/herbal products. We believe Dabur is well placed to capture this accelerated shift of consumers to preventive healthcare/immunity boosting products as it is a 'custodian of ayurveda. Rural demand is likely to be more than urban demand going ahead on back of good monsoon and government efforts to boost rural economy. As Dabur's revenue contribution from rural economy, is more as compared to urban increase in rural demand will benefit the company's top line going ahead. We value Dabur at PE of 62x to its FY22E EPS of Rs 9.5, which yields a Target Price of Rs 589. **We assign accumulate rating on the stock.**

## Q2FY21 Financial Performance

Rs Cr (consolidated)	Q2FY21	Q1FY21	Q2FY20	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2,516</b>	<b>1,980</b>	<b>2,212</b>	<b>27.1%</b>	<b>13.7%</b>
Material Cost	1,236	1,002	1,088	23.4%	13.6%
Employee cost	267	224	242	19.2%	10.3%
Other Expenses	443	338	393	31.1%	12.7%
<b>EBITDA</b>	<b>570</b>	<b>416</b>	<b>489</b>	<b>37.0%</b>	<b>16.6%</b>
<i>EBITDA margin %</i>	<i>22.7%</i>	<i>21.0%</i>	<i>22.1%</i>	<i>164bps</i>	<i>55bps</i>
Other Income	87	72	82	20.8%	6.1%
Depreciation	60	56	55	7.1%	9.1%
<b>EBIT</b>	<b>597</b>	<b>432</b>	<b>516</b>	<b>38.2%</b>	<b>15.7%</b>
Finance cost	7	8	15	-12.5%	-54.1%
Exceptional Item	-	-	40	-	-
<b>PBT</b>	<b>590</b>	<b>424</b>	<b>461</b>	<b>39.2%</b>	<b>28.1%</b>
Tax Expense	107	83	58	28.9%	84.5%
Effective tax rate %	18.1%	19.6%	12.6%	-144bps	555bps
<b>PAT</b>	<b>483</b>	<b>341</b>	<b>403</b>	<b>41.6%</b>	<b>19.9%</b>
MI & Associates	-	-	-		
<b>Consolidated PAT</b>	<b>483</b>	<b>341</b>	<b>403</b>	<b>41.6%</b>	<b>19.9%</b>
<i>PAT margin %</i>	<i>19.2%</i>	<i>17.2%</i>	<i>18.2%</i>	<i>197bps</i>	<i>99bps</i>
<b>EPS (Rs)</b>	<b>2.7</b>	<b>1.9</b>	<b>2.2</b>	<b>42.1%</b>	<b>22.7%</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Conference Call Highlights

- The Company's Food business declined by 3.8% QoQ, impacted on account of subdued performance from HORECA and CSD business. The company's domestic food business grew by 8.5% during the quarter driven by culinary portfolio.
- Lal Dant Manjan posted strong growth of 30% YoY in Q2FY21.
- E-commerce grew by more than 200% and contributed to the extent of 6% vs.2 % last year.
- Dabur Dant Rakshak (launched in area where Dabur red was not working saw 20-30% repeat purchase) contributed to the extent of Rs. 7 cr with strong growth of 30% during the quarter, while Dabur dove contributed to the extent of Rs.2 cr in Q2FY21.
- The Company sales from sanitizer stood at Rs. 12 cr.in Q2FY21 vs Rs. 80 cr.in Q1FY21.
- The Company is working on some formats of Chyawanprash which can be roll out in LUPs at reduced prices.
- The Company has corrected inventory pipeline by 9 days at an overall level including oral care.
- Gross margin expansion remained low on account of subdued performance from MENA regions where the company operates with high margin products.
- The Company's distribution in Ayurvedic chemist stood at 100000 outlets and Allopathic chemist stood at 275000 outlets as of Q2FY21.
- In 2- 3 years horizon the company will focus on Advertisement &promotion expenses and do not expect margins to increase to 25% while will focus on maintaining the margin.
- The management is expecting the trend of consumer habits towards sanitization to continue and is expecting continued growth in that prospect.
- The management considers the following factors while entering into new categories which are higher margins, scale of business and low competitive business.
- The company's MENA business remained impacted on account of low crude oil prices and expects to be back on recovery from Q3FY21.
- The company lost distribution in some villages due to COVID but targets to reach 60000 villages at the end of the year and targets to further increase the number to 80000 villages by appointing village level entrepreneur and as the business expands, they will become sub stockist. .

**Income Statement (Rs Cr)**

Year End-March	FY19	FY20	FY21E	FY22E
<b>Revenues</b>	8,533	8,704	8,803	9,270
Change (%)	10.5%	2.0%	1.1%	5.3%
Raw materials	4,309	4,360	4,477	4,699
<b>Gross Profit</b>	<b>4,224</b>	<b>4,343</b>	<b>4,326</b>	<b>4,571</b>
Employee costs	938	948	975	953
Other expenses	1,547	1,603	1,574	1,602
<b>Total Expenses</b>	<b>6,793</b>	<b>6,911</b>	<b>7,026</b>	<b>7,254</b>
<b>EBITDA</b>	<b>1,740</b>	<b>1,792</b>	<b>1,777</b>	<b>2,016</b>
Other Income	296	305	300	300
Depreciation	177	220	222	238
Interest	60	50	73	73
<b>PBT</b>	<b>1,799</b>	<b>1,828</b>	<b>1,783</b>	<b>2,005</b>
Extra-ordinary	75	100	0	0
<b>PBT after ext-ord.</b>	<b>1,724</b>	<b>1,728</b>	<b>1,783</b>	<b>2,005</b>
Tax	279	280	289	326
Rate (%)	16.2%	16.2%	16.2%	16.2%
<b>PAT</b>	<b>1,445</b>	<b>1,448</b>	<b>1,494</b>	<b>1,679</b>
<b>Share of profit/(loss) of associates for the year</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated PAT</b>	<b>1,446</b>	<b>1,448</b>	<b>1,494</b>	<b>1,679</b>
Change (%)	6.8%	0.1%	3.2%	12.4%

**Cash Flow Statement (Rs Cr)**

Year End-March	FY19	FY20	FY21E	FY22E
<b>PBT</b>	<b>1,799</b>	<b>1,828</b>	<b>1,783</b>	<b>2,005</b>
Depreciation	177	220	222	238
Interest & others	-236	-256	-228	-228
Cash flow before WC changes	1,741	1,792	1,777	2,016
<b>(Inc)/dec in working capital</b>	<b>-8</b>	<b>-157</b>	<b>-221</b>	<b>-100</b>
Operating CF after WC changes	1,732	1,635	1,556	1,915
Less: Taxes	-279	-280	-289	-326
<b>Operating cash flow</b>	<b>1,454</b>	<b>1,355</b>	<b>1,267</b>	<b>1,589</b>
(Inc)/dec in F.A + CWIP	-28	-482	-399	-399
(Pur)/sale of investment	410	96	0	0
<b>Cash flow from investing</b>	<b>382</b>	<b>-386</b>	<b>-399</b>	<b>-399</b>
<b>Free cash flow (FCF)</b>	<b>1,426</b>	<b>873</b>	<b>868</b>	<b>1,190</b>
Loan raised/(repaid)	-305	-57	324	126
Equity raised	0	0	0	0
Interest & others	-1,088	-1,120	-1,234	-1,133
Dividend	-351	-283	-374	-420
<b>Cash flow from financing activities</b>	<b>-1,814</b>	<b>-486</b>	<b>25</b>	<b>-167</b>
<b>Net inc/(dec) in cash</b>	<b>22</b>	<b>482</b>	<b>893</b>	<b>1,024</b>
Opening balance of cash	306	328	811	1,704
Closing balance of cash	328	811	1,704	2,728

**Balance Sheet (Rs Cr)**

Year End-March	FY19	FY20	FY21E	FY22E
<b>Sources of Funds</b>				
Share Capital	177	177	177	177
Reserves & Surplus	5,455	6,429	7,737	8,998
<b>Net Worth</b>	<b>5,632</b>	<b>6,606</b>	<b>7,914</b>	<b>9,174</b>
<b>Loan Funds</b>	<b>524</b>	<b>467</b>	<b>791</b>	<b>917</b>
MI, Deferred Tax & other liabilities	59	59	58	58
<b>Capital Employed</b>	<b>6,215</b>	<b>7,131</b>	<b>8,763</b>	<b>10,149</b>
<b>Application of Funds</b>				
Gross Block	2,828	3,332	3,731	4,130
Less: Depreciation	1,195	1,415	1,637	1,875
Net Block	1,600	1,917	2,094	2,255
CWIP	64	147	147	147
Other non current assets	502	954	954	954
Current tax assets	2	2	2	2
<b>Net fixed assets</b>	<b>2,168</b>	<b>3,019</b>	<b>3,196</b>	<b>3,357</b>
<b>Investments</b>	<b>3,392</b>	<b>2,844</b>	<b>2,844</b>	<b>2,844</b>
Debtors	834	814	965	1,041
Inventories	1,301	1,380	1,399	1,473
Cash & bank balance	328	811	1,704	2,728
Loans & advances & other CA	415	508	808	851
<b>Total current assets</b>	<b>2,877</b>	<b>3,491</b>	<b>5,194</b>	<b>6,512</b>
Current liabilities	2,032	1,994	2,243	2,337
Provisions	190	228	228	228
<b>Net current assets</b>	<b>655</b>	<b>1,268</b>	<b>2,723</b>	<b>3,947</b>
<b>Total Assets</b>	<b>6,215</b>	<b>7,131</b>	<b>8,763</b>	<b>10,149</b>

**Key Ratios**

Year End-March	FY19	FY20	FY21E	FY22E
<b>Per share (Rs)</b>				
EPS	8.2	8.2	8.5	9.5
CEPS	9.2	9.4	9.7	10.9
BVPS	31.9	37.4	44.8	51.9
DPS	2.0	1.6	2.1	2.4
Payout (%)	24.2%	19.5%	25.0%	25.0%
<b>Valuation (x)</b>				
P/E	63.3	63.2	61.3	54.5
P/CEPS	56.4	54.9	53.3	47.7
P/BV	16.2	13.9	11.6	10.0
EV/EBITDA	52.7	50.9	51.0	44.5
Dividend Yield (%)	0.4%	0.3%	0.4%	0.5%
<b>Return ratio (%)</b>				
EBITDA Margin	20.4%	20.6%	20.2%	21.7%
PAT Margin	16.9%	16.6%	17.0%	18.1%
ROE	25.7%	21.9%	18.9%	18.3%
ROCE	25.1%	22.0%	17.8%	17.5%
<b>Leverage Ratio (%)</b>				
Total D/E	0.2	0.1	0.1	0.1
Net D/E	0.0	-0.1	-0.1	-0.2
<b>Turnover Ratios</b>				
Asset Turnover (x)	1.4	1.2	1.0	0.9
Inventory Days	56	58	58	58
Receivable Days	36	34	40	41
Payable days	95	93	93	92

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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