

Above Estimates; Volume growth continue to drive

CMP: Rs 515

Rating: Accumulate

Target Price: Rs 582

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)	90,598
52w H/L (Rs)	553/ 386
Avg Yearly Vol (in 000')	3616

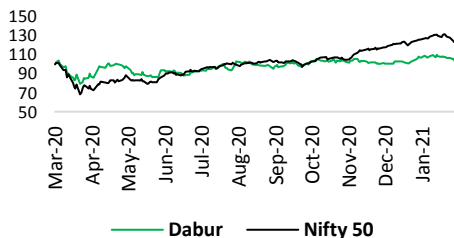
Shareholding Pattern %

(As on Dec, 2020)

Promoters	67.87
Public & Others	32.13

Stock Performance (%)	3m	6m	12m
Dabur	-1.0	5.1	4.6
Nifty	16.8	21.7	12.4

Dabur Vs Nifty



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Dabur India earnings were above our estimates on all due to strong volume growth in domestic business (18.1% YoY). Profit for the quarter grew by 24.1%YoY/+2.2% QoQ to Rs 493.5 Cr during Q3FY21. Consolidated revenue stood at Rs 2,729 cr ,above our estimates Rs 2,633 Cr registering a growth 16.0%YoY/+8.5%QoQ. Reported EBITDA grew by 16.5%YoY/+0.8%QoQ to Rs 574 Cr, above our estimate of Rs 553 Cr, while EBITDA margin expanded by 9bps YoY/-159bps QoQ.

Q3FY21 Segment Highlights

- **Oral Care**, Dabur Red Toothpaste witnessed 20% YoY growth during the quarter also newly launched Dabur Lal Dant Rakshak witnessed good demand momentum.
- **Hair oils** witnessed sharp recovery (11% YoY growth) after two subdued quarters whereas Shampoos registered strong growth (27%) on back of market share gains (Dabur has 6.5% market share in shampoos segment), as Dabur intensified focus on bottles .
- **Home care** (air fresheners, mosquito repellent) continues to see muted growth, as its cohorts of being discretionary / out of home consumption curbed its adoption.
- **Healthcare Care**, Management expects healthy momentum to sustain even in FY22, (although it will taper off from supernormal growth seen in FY21) owing to COVID-led tailwinds, market share gains from unorganized sector and NPD.
- Honey & Chyawanprash portfolio growth may moderate going forward but it continue to foresee high single digit growth on back of innovative product launches and brand building.
- **Digestives, Hajmola** saw subdued growth (down 15% YoY) owing to lower outdoor activity, reduced outside food consumption and closure of restaurants but to some extent it was off-set via healthy growth in Pudin Hara portfolio. Moreover, Hajmola sachets have seen maximum impact as school kids were prime customers of this product management believe growth shall revive once school commences operations.

Valuations

At CMP of Rs 515, Dabur India is trading at a FY23 P/E of 42x. We have increased our revenue estimates owing to better than expected sales and profitability in Q3FY21. Dabur has diversified portfolio like health and immunity boosting products that other peers might have to tackle. Also the company is continuously increasing its direct reach (targeting 1.4 million outlets by March 2021). Further, it would help Dabur to sustain in any economic, regulatory and seasonality risks, including current COVID-19 scenario. We value Dabur at PE of 48x to its FY23E EPS of Rs 12, which yields a Target Price of Rs 582. **We maintain our Accumulate rating on the stock.** Key risk: Any steep increase in raw material prices could impact operating margins negatively going forward

YE March (Rs Cr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	8,533	1,740	1,446	8	20.4%	25.7%	63
FY20	8,704	1,792	1,448	8	20.6%	21.9%	63
FY21E	9,618	2,067	1,739	10	21.5%	21.5%	52
FY22E	10,609	2,327	1,941	11	21.9%	20.3%	47
FY23E	11,702	2,567	2,143	12	21.9%	19.2%	42

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

Q3FY20 Financial Performance

Rs Cr (consolidated)	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
Net Revenue	2,729	2,516	2,353	8.5%	16.0%
Material Cost	1,354	1,236	1,174	9.5%	15.3%
Employee cost	274	267	245	2.5%	12.0%
Other Expenses	527	443	441	18.8%	19.5%
EBITDA	574	569	493	0.8%	16.5%
<i>EBITDA margin %</i>	<i>21.0%</i>	<i>22.6%</i>	<i>20.9%</i>	<i>-159bps</i>	<i>9bps</i>
Other Income	81	88	74	-7.6%	8.7%
Depreciation	57	60	54	-4.1%	5.1%
EBIT	598	597	513	0.1%	16.6%
Finance cost	7	7	10	-8.4%	-34.6%
Exceptional Item	-	-	-20		
PBT	591	590	482	0.2%	22.5%
Tax Expense	97	107	83	-8.6%	16.8%
Effective tax rate %	16.5%	18.1%	17.3%	-160bps	-81bps
PAT	494	483	399	2.2%	23.7%
Share of (loss)/profit of joint venture	-0	-0	-1	-69.7%	
Consolidated PAT	493.50	482.86	398	2.2%	24.1%
<i>PAT margin %</i>	<i>18.1%</i>	<i>19.2%</i>	<i>16.9%</i>	<i>-111bps</i>	<i>118bps</i>
EPS (Rs)	2.8	2.7	2.3	1.8%	23.5%

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

Conference Call Highlights

- **OTC & Ethical**, OTC portfolio grew 34.1% owing to strong growth seen in Honitus, lal tail & shilajit portfolio and also new product launches (Health based juices, drops and herbs) getting desired traction.
- Ethicals portfolio grew 23.2% YoY due to distribution expansion, immunity drive carried out at customer doorsteps and activations. Moreover, it plans to reach more vaidyas (currently reaches only 0.1 mn out of overall pool of 0.5 mn) in order to further drive penetration.
- **Foods**: grew 5% YoY, owing to subdued sales in Horeca segment. Ex-Horeca, business grew 8% YoY on back of strong growth seen in Real Mango segment (PET format) and recently launched LUP (Rs 10 pack) of Apple mini, Real Koolerz. Incrementally, customers are switching away from carbonated drinks to healthy juices which will further revive the category.
- **RM inflation**, Dabur plans to manage RM inflation via calibrated price hikes, reduction in consumer promotion and cost optimization Programme.
- **Dabur sanitisers** sales has come down significantly in Q3 (clocked Rs 20-30mn only vs Rs 800 mn in Q1, at its peak of pandemic) on account of lower usage and high competitive intensity in the category and the management plans to vacate this category in near term.
- **International business** (30% of overall business) : Dabur saw constant currency growth of 14% YoY on back of recovery in MENA region, healthy growth in Hobi (Turkey) and SAARC region (particularly Nepal and Bangladesh). Mgmt expects this trend to continue in immediate future as well on account of favourable base in MENA region and NPD to drive growth momentum in SAARC region
- **Geographical and Channel trends**, Rural continues to grow faster than urban and did not see any channel disruption in Q3.. Focusing on strengthening distribution network in rural areas / direct reach - Currently direct distribution reach stands at 1.3 million outlets and plans to increase upto 1.4 mn outlets by FY22 and it also plans to reach 60,000 villages (vs 52,000 villages now) in next 1- 2 years, through rural yodhas.
- **Outlook**: The company will manage its operating margin with price increase judicious ad spends, cost efficiency measure and reduction of consumer promotion to overcome the input inflation.
- During the quarter the company did not see moderation in both chyawanprash and honey but expect the growth to continue led by brand extensions, brand building initiatives and innovation. Penetration level of chyawanprash in the country has gone up to 6% during the quarter.

Income Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E	FY23E
Revenues	8,533	8,704	9,618	10,609	11,702
<i>Change (%)</i>	10.5%	2.0%	10.5%	10.3%	10.3%
Raw materials	4,309	4,360	4,807	5,378	5,939
Gross Profit	4,224	4,343	4,811	5,230	5,763
Employee costs	938	948	1,038	1,091	1,203
Other expenses	1,547	1,603	1,706	1,813	1,993
Total Expenses	6,793	6,911	7,551	8,282	9,135
EBITDA	1,740	1,792	2,067	2,327	2,567
Other Income	296	305	336	371	410
Depreciation	177	220	225	251	268
Interest	60	50	52	55	60
PBT	1,799	1,828	2,126	2,393	2,649
Extra-ordinary	75	100	0	0	0
PBT after ext-ord.	1,724	1,728	2,126	2,393	2,649
Tax	279	280	387	452	506
<i>Rate (%)</i>	16.2%	16.2%	18.2%	18.9%	19.1%
PAT	1,445	1,448	1,739	1,941	2,143
Share of profit/(loss) of associates for the year	1	0	0	0	0
Consolidated PAT	1,446	1,448	1,739	1,941	2,143
<i>Change (%)</i>	6.8%	0.1%	20.1%	11.6%	10.4%

Cash Flow Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E	FY23E
PBT	1,799	1,828	2,126	2,393	2,649
Depreciation	177	220	225	251	268
Interest & others	-236	-256	-284	-316	-350
Cash flow before WC changes	1,741	1,792	2,067	2,327	2,567
(Inc)/dec in working capital	-8	-157	-264	-139	-130
Operating CF after WC changes	1,732	1,635	1,804	2,188	2,437
Less: Taxes	-279	-280	-387	-452	-506
Operating cash flow	1,454	1,355	1,417	1,736	1,931
(Inc)/dec in F.A + CWIP	-28	-482	-399	-399	-399
(Pur)/sale of investment	410	96	0	0	0
Cash flow from investing	382	-386	-399	-399	-399
Free cash flow (FCF)	1,426	873	1,018	1,337	1,532
Loan raised/(repaid)	-305	-57	343	146	161
Equity raised	0	0	0	0	0
Interest & others	-1,088	-1,120	-1,152	-1,050	-1,004
Dividend	-351	-283	-435	-485	-536
Cash flow from financing activities	-1,814	-486	247	66	227
Net inc/(dec) in cash	22	482	1,265	1,403	1,759
Opening balance of cash	306	328	811	2,076	3,479
Closing balance of cash	328	811	2,076	3,479	5,238

Balance Sheet (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E	FY23E
Sources of Funds					
Share Capital	177	177	177	177	177
Reserves & Surplus	5,455	6,429	7,921	9,376	10,983
Net Worth	5,632	6,606	8,097	9,553	11,160
Loan Funds					
MI, Deferred Tax & other liabilities	59	59	58	58	57
Capital Employed	6,215	7,131	8,965	10,566	12,333
Application of Funds					
Gross Block	2,828	3,332	3,731	4,130	4,529
Less: Depreciation	1,195	1,415	1,640	1,891	2,159
Net Block	1,600	1,917	2,091	2,239	2,370
CWIP	64	147	147	147	147
Other non current assets	502	954	954	954	954
Current tax assets	2	2	2	2	2
Net fixed assets	2,168	3,019	3,193	3,341	3,472
Investments	3,392	2,844	2,844	2,844	2,844
Debtors	834	814	1,054	1,192	1,346
Inventories	1,301	1,380	1,528	1,686	1,891
Cash & bank balance	328	811	2,076	3,479	5,238
Loans & advances & other CA	415	508	839	906	983
Total current assets	2,877	3,491	5,607	7,283	9,227
Current liabilities	2,032	1,994	2,451	2,674	2,981
Provisions	190	228	228	228	228
Net current assets	655	1,268	2,928	4,380	6,017
Total Assets	6,215	7,131	8,965	10,566	12,333

Key Ratios

Year End-March	FY19	FY20	FY21E	FY22E	FY23E
Per share (Rs)					
EPS	8.2	8.2	9.8	11.0	12.1
CEPS	9.2	9.4	11.1	12.4	13.6
BVPS	31.9	37.4	45.8	54.1	63.2
DPS	2.0	1.6	2.5	2.7	3.0
Payout (%)	24.2%	19.5%	25.0%	25.0%	25.0%
Valuation (x)					
P/E	63.3	62.8	52.3	46.9	42.4
P/CEPS	56.4	54.5	46.3	41.5	37.7
P/BV	16.2	13.8	11.2	9.5	8.1
EV/EBITDA	52.7	50.9	43.7	38.3	34.1
Dividend Yield (%)	0.4%	0.3%	0.5%	0.5%	0.6%
Return ratio (%)					
EBIDTA Margin	20.4%	20.6%	21.5%	21.9%	21.9%
PAT Margin	16.9%	16.6%	18.1%	18.3%	18.3%
ROE	25.7%	21.9%	21.5%	20.3%	19.2%
ROCE	25.1%	22.0%	20.5%	19.7%	18.6%
Leverage Ratio (%)					
Total D/E	0.2	0.1	0.1	0.1	0.1
Net D/E	0.0	-0.1	-0.2	-0.3	-0.4
Turnover Ratios					
Asset Turnover (x)	1.4	1.2	1.1	1.0	0.9
Inventory Days	56	58	58	58	59
Receivable Days	36	34	40	41	42
Payable days	95	93	93	92	93

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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