

CMP: INR 614

Rating: HOLD

Target Price: INR 653

Stock Info	
BSE	500096
NSE	DABUR
Bloomberg	DABUR:IN
Reuters	DABU.NS
Sector	Personal Products
Face Value (INR)	1
Equity Capital (INR cr)	177
Mkt Cap (INR cr)	1,08,546
52w H/L (INR)	620 / 472
Avg Yearly Volume (in 000')	51

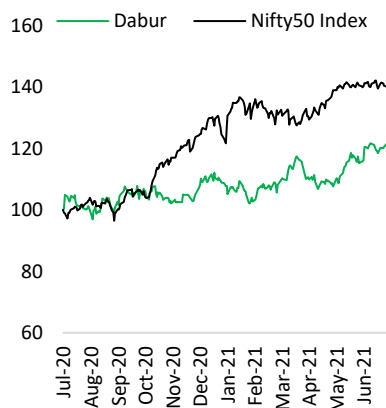
Shareholding Pattern %

(As on June, 2021)

Promoters	67.4
FII	20.6
DII	4.7
Public & Others	7.3

Stock Performance (%)	3m	6m	12m
Dabur	9	12	21
Nifty 50	6	16	42

Dabur Vs Nifty



Dabur' Q1FY22 results were significantly above our expectation owing to broad based performance across segments, particularly healthcare and Foods segments. Domestic business saw volume growth of 34.4%, was way above our estimate of 15.5%. The company did a 10% volume growth on 2 year CAGR, which is laudable given challenges amid covid related issue and supply chain disruption in rural area. International business reported CC growth of 34% YoY owing to broad – based performance across geographies. However Turkey business grew just 11.7% (Hobby brand was key disappointment).

With increasing agri commodity prices & rising crude based derivative, gross margins declined 131bps YoY to 48.1%. The company has taken select price increase of 3% on MRP against the 9-10% cost push inflation, which was not sufficient. Given 142bps savings in employee costs, 14bps savings in advertisement spends, the company was able to maintain its EBITDA margins at 21.1% and improved 220bps QoQ. EBITDA increased 32.5% to INR552cr. Despite jump in tax rate to 22.8% vs 19.5% in Q1FY21, PAT was up 28.4% to INR438cr on the back of strong growth in operating profit and higher other income.

Aggressive launches to drive growth: The company launched several new products last year and Q1FY22 to leverage the consumption tailwinds of health, immunity & Ayurveda. Further, it launched many products only on e-commerce channel as a pilot launch. The e-commerce channel has seen 100% growth in FY21 and is now contributing ~8% to the top-line. We believe the continuing pandemic situation would further drive immunity boosting products, which would continue the growth momentum in health supplements, OTC & ethical portfolio. Further, we believe oral care category is witnessing a huge shift towards naturals & Ayurveda products. Hence, Dabur would be able to gain significant market share of 100bps in the medium term.

Sustainable margins amid RM cost pressure: The quarter has seen a sharp increase in crude based raw material, palm oil & other agri commodities. The company could take just 3% price hike on MRP against the 9-10% cost push inflation. However, management expects the RM cost to cool off from Q3 onwards (Q2 will still be affected by cost inflation) and will only commemorate of any calibrated price hike only in Q3 provided the RM cost are still at a higher level. Further, the company has been able to rationalise some cost in the last one year, which could be permanent cost savings. Under the Sammradi, the company could save INR20cr in Q1FY22, and has guided to save –INR100cr for FY22E. We expect a 71bps improvement in EBITDA margins to 21.7% in FY23E despite expected increase in advertisement spends.

Growth across portfolio: Health care portfolio (36% of sales) saw strong growth driven by health supplements segment (up 25% YoY) OTC segment (up 52% YoY) Ethicals segment (up 51% YoY) and Digestives (up 16% YoY). Home and Personal care (45% of sales) portfolio grew 33% YoY owing to strong growth seen in oral care (up 21% YoY), Hair care (Hair oils grew 38% and shampoos grew 41% YoY) equally supported by favourable base of Home care segment (up 30% YoY). Oral care grew 21% YoY on account of relative strong growth seen in Toothpaste category and market share gains (up 100bps YoY).

Valuation & Outlook: Dabur management initiatives in the last 2 years in the form of: 1) aggressive product innovation launches, 2) continued expansion in the distribution in the urban and rural, 3) increase in advertisements spends owing to brand building exercise, creating image and business driven, 4) focus on the core business, 5) power brand strategy, 6) investment in technology & analytics, 7) improved go-to-market initiatives, and 8) cost savings efforts were ploughed back into the business for growth. We believe, this will keep Dabur way-ahead its competitor and will be able to report much stronger top-line and earnings growth, commensurate with the inherent potential of Herbal and Ayurveda ingredient through its Healthcare, F&B and HPC business.

We expect Dabur to report a Revenue/EBITDA/PAT CAGR of 13.4%/15.3%/14% to INR12,297cr/INR2,662cr/INR2,089cr, over FY21-FY23E, respectively. We maintain HOLD rating with a TP of INR653per share (PE of 55x on FY23E).

Key Concall takeaways**➤ Healthcare portfolio**

- A. Health care portfolio (36% of sales) saw strong growth driven by health supplements segment (up 25% YoY) OTC segment (up 52%) Ethicals segment (up 51% YoY) and Digestives (up 16% YoY)
- B. Honey Product's modern trade witnessed 30% growth, honey witnessed 330bps market share gain, Honey is a market leader in Ecommerce, General trade and Modern. Management is targeting to move honey from therapeutics to foods tables.
- C. Chyawanprash (Market share increased 70bps YoY) and Dabur honey (market share increased 330bps YoY) saw strong growth on back of COVID-19 tailwinds and market share gains from smaller to lead players, who were grappling with supply chain challenges.
- D. Currently, the company has 60% market share in the chyawanprash and Baidyanath is number 2. The segment has single digit penetration. The company has launched variants of chyawanprash.
- E. Chyawanprash growth will moderate to 50% compared to 200% growth rate last year. Growth will be muted to single digit growth for couple of quarters.
- F. It is surprising to see Dabur Honey market share increasing, since it was one of the main brands targeted in brand controversy, indicating market size has increased owing to Covid or it has become more organized.
- G. Digestives witnessed smart recovery owing to favourable base and improved mobility / out of home consumption vs base quarter
- H. OTC grew 52% as core brands such as Honitus, Lal Tail and Shilajit continued their dream run along with NPD momentum
- I. Ethicals Portfolio grew 51% on back of aggressive digital & on-ground initiatives.

➤ Home & Personal Care (HPC)

- A. HPC (45% of sales) portfolio grew 33 % YoY owing to strong growth seen in oral care (up 21% YoY), Hair care (Hair oils grew 38% and shampoos grew 41% YoY) equally supported by favourable base of Home care segment (up 30% YoY)
- B. Oral care grew 21% YoY on account of relative strong growth seen in Toothpaste category and market share gains (up 100bps YoY to 16.6%). Dabur has become very aggressive in terms of new product launches in oral care portfolio.
- C. The company is next to HUL and will become Number 2 brand in the country by FY22E.
- D. The company have gained market share in the oral care from a mix of competitors like Colgate, HUL, Patanjali etc.
- E. Tooth powder market is 10-11% of the portfolio and is growing at 20% led by i) resilient rural growth, ii) resurgent advertisement on tooth powder on mainstream channel, iii) revamping packaging, iv) distribution expansion and v) exporting under the private label.
- F. Dabur red doing well in Tamil Nadu and sales were higher, while gel markets are slugging.
- G. Hair care witness saw third consecutive quarter of +15% growth owing to (i) market share gains (up 160bps YoY in hair oils segment) and broad case performance across key brands in Hair oils segment (perfumed / coconut oils) and (ii) improved saliency of high margin bottle along with market share gains (up 60bps YoY) in shampoo segment.
- H. Dabur launched 2 SKU's in Coconut oils, those are Anmol and Dabur Gold. One is focused in South and another one focused in North India.
- I. Company gained market share in the coconut oil to 6% from 4.5%.
- J. The company have gained market share in hair oil from a mix of competitors like Marico, Bajaj Consumer, etc.
- K. The company is not facing any issue in the procurement of copra. Copra prices have gone up and this is pinching the margin.
- L. Home care (air fresheners, mosquito repellent) bounced back (30% growth YoY) on back of market share gains of 230bps / 330bps market share respectively in air fresheners / mosquito repellent categories).
- M. As per Nielsen, the hair oil category is growing at 22%, however, Dabur is growing at 40%.
- N. Surface Cleaner is not going good as per expectation. The company is liquidating the business.
- O. Sanitizer linked portfolio is also not doing good as this segment became commodity due to covid. 70% of sales down. Hence, the company is weeding out this business.
- P. Sanifresh: scaling up the business.
- Q. Odomos: the company is expanding the business through creating a complete insecticide portfolio. The company has introduced mosquito nets, rackets and is working on the liquid vaporiser category.
- R. The company will not launch the coil product as its margin dilutive, harmful to the health and it does not equate with the essence of the health and wellness category.
- S. Odonil: the segment is doing well. New fragrances rolled out. The company have become aggressive in MT .

➤ **Food & Beverage**

- A. Foods (19% of sales) grew 80% YoY despite subdued sales in Horeca segment owing to healthy off-take with respect to in-home products, good response to new launched and favourable base.
- B. 85% impact due to inflation led cost push and 15% impact due to product mix change towards beverages.
- C. Beverage to grow high double digit unlike 80% growth in last year.
- D. Hommade brand continued to perform well driven by increasing in-home cooking.
- E. Recent launches like chutneys & pickles have received good consumer feedback and company will continue to innovate in this portfolio.
- F. Company expects to do INR100cr under the Hommade brand in FY22 and INR500cr in the next 4-5 years.
- G. Beverage business witnessed a smart recovery during Q1 despite HORECA still not at pre-Covid levels.
- H. In-home and out-of-home portfolios registered strong growths.
- I. Market share of Real increased by 20bps.
- J. Recent launches of Real Drinks, Real Frappe and Real Apple Mini continue to show good traction.
- K. Company have introduced smaller packs of Real juices to the tune of INR10 and INR20 to cater to the rural population. Company is also present in the INR60 and INR100 price point.
- L. Earlier, Real was available only in urban area with a distribution channel of 1lakh outlets. With the launch of smaller units and catering to the rural area, the company is using its complete distribution channel of 1.2mn which will further commensurate the growth in the segment.
- M. Real juices 1litre packs forms 70% as compared to last 2years as 200ML pack was under pressure due to restricted mobility (OOH consumption).
- N. Equity enhancement is coming in 1litre pack.
- O. Separate price point of Real juices for urban, rural and e-comm.
- P. Management guided the category to grow in double digit.
- Q. Milk Shake now has 1% market share. The choco flavor is doing extremely good.
- R. Fruit Drinks portfolio to become main stream and premium products to manage the margin. Portfolio constitutes 10% from 0% earlier.
- S. The fruit drinks did INR25-2cr revenue in the current quarter.
- T. The company does not have any channel inventory in the pipeline. Improved to 15days from 17days.
- U. During Diwali season, the inventory in the pipeline will increase.

➤ Supply chain becoming sequentially better. Shops are now full day open. This is leading to urban growth trending ahead of rural growth due to severe lockdown last year.

➤ As per management, with monsoon panning out and government stimulus, the rural growth will be ahead in Q2.

➤ On the Demand side, Urban growth trending compared to rural growth, V shape recovery expected in rural growth in going forward.

➤ Innovation will continue. 8 power brands will continue to witness new product launches and brand investments.

➤ A&P spends will see an increase to the tune of ~9% as a % of sales.

➤ Calibrated price hike: The company took 3% price hike on MRP. Management expects cost push inflation to continue in Q2 and will cool off from Q3 onwards. If the RM prices does not cool off, the company will take a calibrated price hike only in Q3. As the Dabur products are expensive, the company is refraining to take a price hike. Price increase will be slow.

➤ Under Sammraddhi initiative, the company have saved a cost of INR20cr in Q1FY22 and is targeting to save INR100cr in FY22E.

➤ The company planned for capex around INR550cr in Indore over next 2-3 years.

➤ E-comm: i) Nurturing the brand, ii) low entry barrier, iii) test marketing, and iv) creating eco system

➤ Tax rate to the tune of 22-23% in FY22E and FY23E.

➤ **International business**

- A. Reported 34% growth in CC. MENA/Egypt/SSA/Turkey/Namaste/SAARC, grew by 49.8%/44.4%/35.6%/11.7%/40.3%/41.9%, respectively.
- B. Bangladesh is under lockdown and witnessing 1000cases per day. Saudi Arabia is also witnessing spike in covid cases.
- C. The management is confident of double-digit growth in the international business in FY22, with an improvement in margin. Momentum in the second half is likely to continue going forward. Most manufacturing for the international business is done locally in that country, and hence, there will not be any impact from India-based export restriction.

➤ **New Product Launches**

- A. Health Care: Honey Tasties, Pudin Hara Drops & Ayush Kwath Drops
- B. Ethical Portfolio: Anu Tail, Caldab tablets, Kovirakshak Kit, Ayush 64 tablets
- C. Home & Personal Care: Dabur Gold Coconut Oil, Dabur Anmol Gold
- D. Food & Beverage: Real Fizzin, Real Drinks, Hommade Red Chilli Pickle, Dabur Sharbat - e - Azam Rose & Dabur Cold Pressed Sesame Oil.
- E. MENA: Re-launch of Vatika Shampoo Range, Vatika Hair Oil Treatment Products
- F. Turkey: Shower Gels under Hobby brand

Quarter Result
Q1FY22 Result Analysis

Particulars	Q1FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Net sales	1,980	2,337	2,612	31.9	11.8
Net raw material & Purchase of finished goods	1,002	1,198	1,355	35.3	13.2
% of sales	50.6	51.3	51.9		
Employee expenses	224	268	258	15.4	(3.8)
% of sales	11.3	11.5	9.9		
Advertisement Expenses	146	154	188	29.3	22.2
% of sales	7.4	6.6	7.2		
Other expenses	192	274	258	33.9	(6.0)
% of sales	9.7	11.7	9.9		
Total expenditure	1,563	1,894	2,060	31.7	8.7
Operating Profit	417	442	552	32.5	24.8
OPM(%)	21.0	18.9	21.1		
Interest	8	9	8	(4.2)	(13.1)
PBDT	409	434	545	33.2	25.5
Depreciation	57	67	61	8.1	(7.9)
Other income	72	85	85	18.2	(0.2)
Exceptional item	-	-	-		
Share of JV/Associate less minority interest	-	(1)	(0)		
PBT	424	452	568	34.0	25.8
Tax	83	74	130		
Effective tax rate (%)	19.5	16.5	22.8		
Reported PAT	341	377	438	28.4	16.2
Comprehensive income	30	(82)	26		
Adjusted PAT	371	295	464	25.2	57.3
NPM(%)	17.2	16.1	16.8		
EPS (Rs.)	1.9	2.1	2.5	28.4	16.2
Equity	177	177	177	-	-

Source: Company & Arihant Research

Result declared vs Our estimates

Y/E Mar (Rscr)	Q1FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)	Arihant Capital estimates	Variation (%)
Net Sales	1,980	2,337	2,612	31.9	11.8	2,368	10.3
EBITDA	417	442	552	32.5	24.8	487	13.4
EBITDA (%)	21.0	18.9	21.1	10	220	20.6	59
Reported PAT	341	377	438	28.4	16.2	402	9.1

Source: Company & Arihant Research

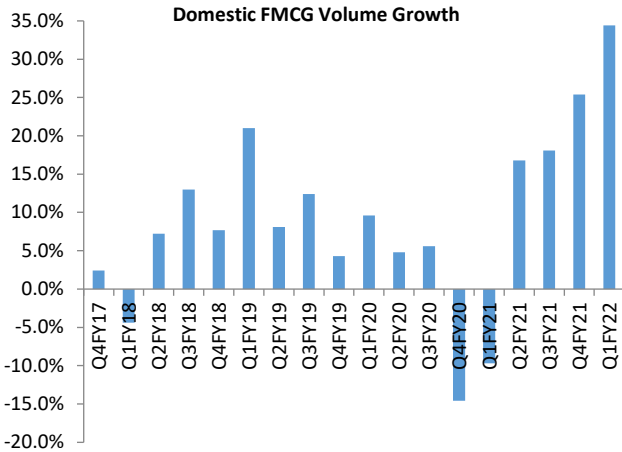
Quarter Result

Segmental Break-up

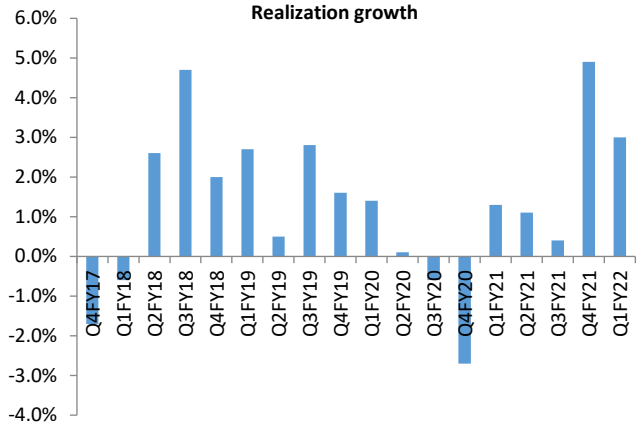
Y/E Mar (Rscr)	Q1FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Sales					
Consumer Care	1,734	2,010	2,168	25.0	7.9
Food	217	274	402	85.2	46.8
Retail	2	23	9	351.7	(60.4)
Other	22	24	26	15.5	6.6
Unallocated Other operating revenue	5	6	6	41.3	8.2
Total	1,980	2,337	2,605	31.6	11.5
% of Sales Contribution					
Consumer Care	87.6	86.0	83.2	(436)	(278)
Food	11.0	11.7	15.4	448	372
Retail	0.1	1.0	0.4	25	(64)
Other	1.1	1.0	1.0	(14)	(4)
Unallocated Other operating revenue	0.2	0.3	0.2	2	(1)
EBIT					
Consumer Care	433	448	538	24.3	20.1
Food	30	38	60	101.7	59.0
Retail	(6)	(1)	(3)	(48.2)	223.4
Other	2	1	2	0.5	117.7
Total	459	486	597	30.1	22.9
EBIT (%)					
Consumer Care	25.0	22.3	24.8	(15)	253
Food	13.7	13.8	14.9	122	114
Retail	(289.2)	(4.1)	(33.2)	25,601	(2,909)
Other	9.4	4.0	8.2	(122)	418
Total	23.2	20.8	22.9	(26)	214

Source: Company & Arihant Research

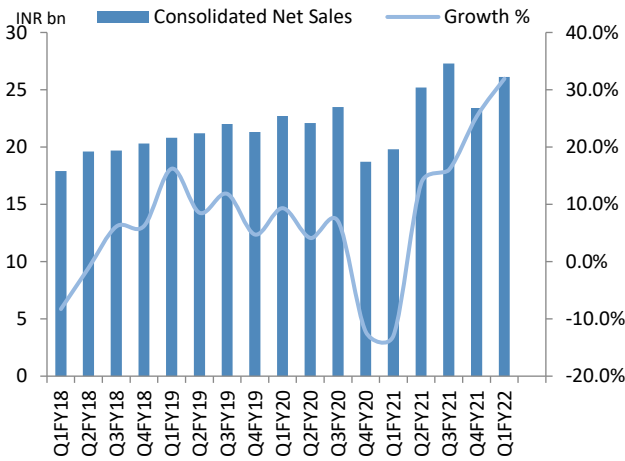
Quarter Result



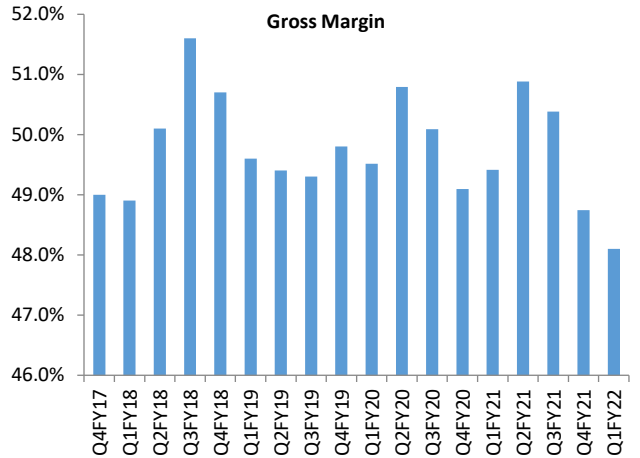
Source: Company & Arihant Research



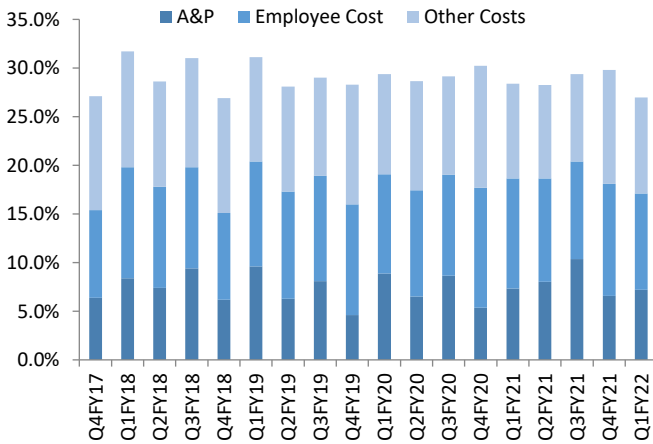
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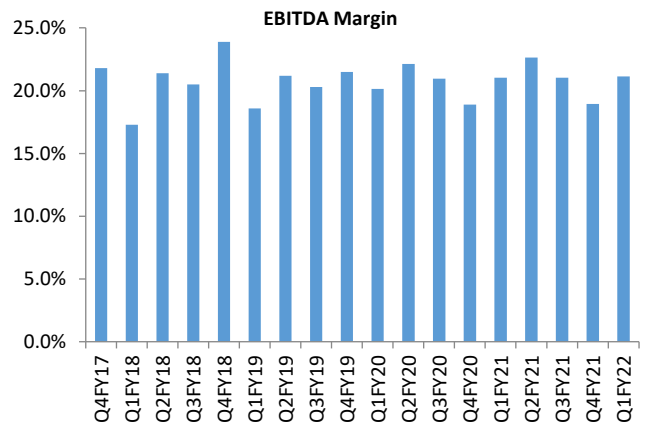
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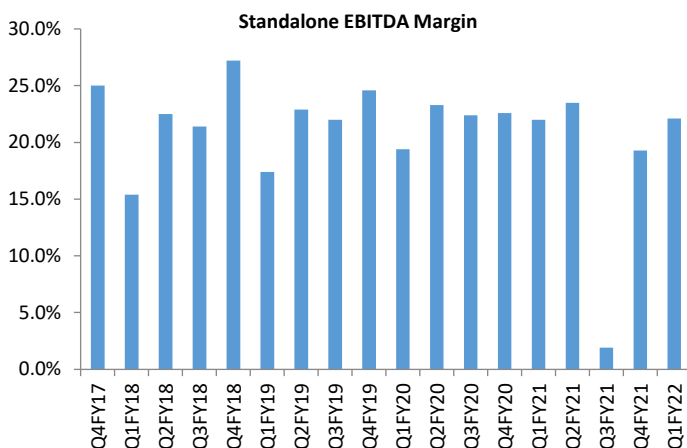
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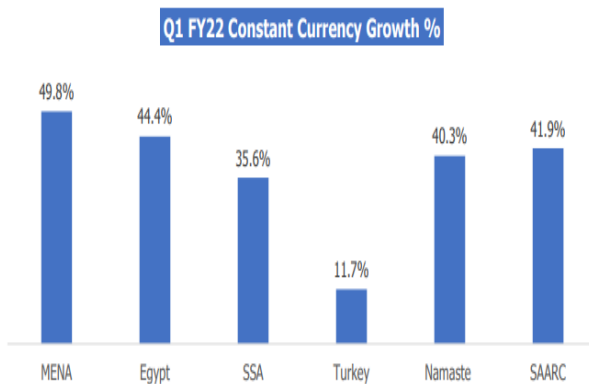


Source: Company & Arihant Research



Source: Company & Arihant Research

International Business grew by 34.2% in CC (28.2% growth in INR terms)



Source: Company PPT & Arihant Research

Income statement

Y/e 31 Mar (Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Revenue	8,533	8,704	9,562	10,812	12,297
Net Raw Materials	4291	4341	4774	5406	6148
Advt & Promotion	608	650	784	919	1045
Employee Cost	938	948	1033	1168	1291
Other Expenses	956	972	967	1043	1150
Total Expenditure	6793	6911	7559	8536	9634
EBITDA	1,740	1,792	2,003	2,276	2,662
Depreciation	(177)	(220)	(240)	(253)	(265)
Interest expense	(60)	(50)	(31)	(31)	(30)
Other income	296	305	325	326	328
Exceptional items	75	100	-	-	-
Profit before tax	1,875	1,928	2,057	2,319	2,696
Taxes	(279)	(280)	(361)	(510)	(606)
Minorities and other	(1)	0	1	-	-
Reported Net profit	1,597	1,648	1,695	1,808	2,089
Comprehensive income	3	104	(88)	0	0
Net profit	1,600	1,752	1,607	1,808	2,089

Ratio analysis

Y/e 31 Mar (Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Growth matrix (%)					
Revenue growth	10.1	2.0	9.9	13.1	13.7
EBITDA growth	7.6	3.0	11.7	13.6	17.0
Net profit growth	17.6	3.2	2.9	6.7	15.5
Profitability ratios (%)					
EBITDA margin	20.4	20.6	20.9	21.1	21.7
Net profit margin	18.7	18.9	17.7	16.7	17.0
RoCE	23.3	22.6	21.8	20.4	20.8
RoNW	25.6	25.4	22.5	22.0	22.2
Per share ratios					
EPS	9.0	9.3	9.6	10.2	11.8
Dividend per share	7.5	2.9	3.4	4.0	4.5
Book value per share	31.9	37.4	43.4	49.6	56.9
Valuation ratios					
P/E	67.9	65.8	64.0	60.0	51.9
P/B	19.3	16.4	14.2	12.4	10.8
EV/EBIDTA	61.1	59.4	52.1	45.3	38.3
Liquidity ratios					
Debtor days	35.2	33.7	21.1	21.0	21.0
Inventory days	109.1	114.4	130.8	130.0	127.0
Creditor days	77.1	77.2	91.2	92.0	92.0

Balance sheet summary

Y/e 31 Mar (Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Equity capital	177	177	177	177	177
Reserves	5,455	6,429	7,487	8,588	9,882
Net worth	5,632	6,606	7,664	8,765	10,059
Minority Interest	31	36	37	37	37
Debt	856	697	724	704	689
Deferred tax liab (net)	23	17	14	14	14
Total liabilities	6,543	7,357	8,438	9,519	10,798
Fixed assets	1,548	1,821	1,812	1,721	1,618
Capital Work In Progress	64	147	147	147	154
Other Intangible assets	33	44	45	45	45
Goodwill	336	336	336	336	336
Investments	2,763	1,989	3,553	3,553	3,553
Other non current assets	89	112	156	174	198
Inventories	1,301	1,380	1,734	1,952	2,169
Sundry debtors	834	814	562	631	717
Loans & Advances	29	38	37	30	34
Other current assets	361	469	388	390	444
Sundry creditors	(1,455)	(1,482)	(1,915)	(2,182)	(2,462)
Other current liabilities & Prov	(439)	(515)	(494)	(535)	(608)
Cash	328	811	1,329	2,415	3,644
Other Financial Assets	752	1,394	749	841	956
Total assets	6,543	7,357	8,438	9,519	10,798

Cashflow summary

Y/e 31 Mar (Rs cr)	FY19	FY20	FY21	FY22E	FY23E
Profit before tax	1,875	1,928	2,057	2,319	2,696
Depreciation	177	220	240	253	265
Tax paid	(279)	(280)	(361)	(510)	(606)
Working capital Δ	(7)	(73)	392	24	(7)
Goodwill	75	0	(0)	-	-
Operating cashflow	1,841	1,795	2,328	2,085	2,347
Capital expenditure	(195)	(576)	(232)	(162)	(169)
Free cash flow	1,646	1,219	2,096	1,923	2,178
Equity raised	(78)	(160)	43	-	-
Investments	387	774	(1,564)	-	-
Others	(44)	(676)	600	(110)	(139)
Debt financing/disposal	(215)	(159)	26	(20)	(15)
Dividends paid	(1,597)	(618)	(592)	(707)	(795)
Other items	(77)	103	(93)	-	-
Net Δ in cash	22	483	518	1,086	1,228
Opening Cash Flow	306	328	811	1,329	2,415
Closing Cash Flow	328	811	1,329	2,415	3,644

Source: Company & Arihant Research

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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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