Q3FY22 – Result Update
4th February 2022

Dabur Ltd.

Aggressive online growth and capturing market shares

CMP: INR 556

Rating: Hold

Target Price: INR 609

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)	98,664
52w H/L (INR)	659 / 483
Avg Yearly Volume (in 000')	2,284

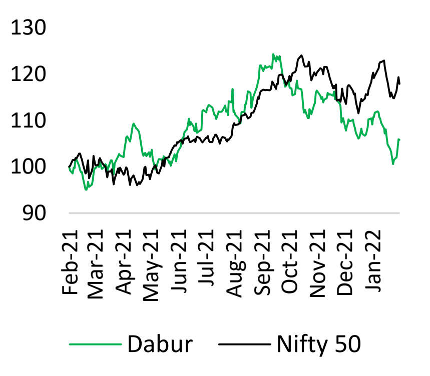
Shareholding Pattern %

(As on December, 2021)

Promoters	67.37
FII	21.11
DII	2.10
Public & Others	9.42

Stock Performance (%)	1m	3m	12m
Dabur	(2.7)	(8.8)	6.2
Nifty 50	(1.5)	(2.1)	17.8

Dabur Vs Nifty



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Dabur Ltd.

- Consolidated Net Revenue was INR 2,942 Cr vs INR 2,729 Cr in Q3FY21 (+7.8% YoY, +4.41% QoQ).
- Gross Profit was INR 1,422 Cr vs INR 1,375 Cr in Q3FY21 (+3.42% YoY, +3.35% QoQ).
- Gross Margins were 48.34% vs 50.39% in Q3FY21 (-205bps YoY, -49bps QoQ).
- EBITDA was INR 724 Cr vs INR 655 Cr in Q3FY21 (+10.55% YoY, -1.21% QoQ).
- EBITDA Margins were 24.62% vs 24.01% in Q3FY21 (-61bps YoY, -140bps QoQ).
- PAT was INR 504 Cr vs INR 494 Cr in Q3FY21 (+2.2% YoY, -0.18% QoQ).
- PAT Margins were 14.38% vs 19.36% in Q3FY21 (-498 bps YoY, -453bps QoQ).
- EPS was INR 2.85 vs INR 2.78 in Q3FY21 (+2.52% YoY, +0% QoQ).

Q3FY22 Conference Call Highlights:

Turkey Business: There has been currency depreciation of 40% there. Raw material and packaging material is all indigenous with no imports, except for some base material which is dollar denominated. This has caused issues in terms of currency depreciation. But we they focus on export sales from turkey to other markets like MENA. Dollar denominated exports have gone up.

Expanding Capacities: They are looking at 3rd party manufacturing to put up more lines for beverages in tetra packs and drinks. The aerated beverages GST has increased and has caused issues for which they have taken up a case with the government to reduce it. The third-party distribution has a margin downside, and will require a more calibrated approach.

Baby Care: Baby care is available only online and is doing well so far. It is margin accretive, and the company is trying to complete the range on e-commerce but are in no hurry to scale up. They are currently getting consumer feedback on it. Lal tail is a power brand and is currently worth INR 100cr, which they want to bring to INR 1,000cr (they have the same game plan for all power brands).

Valuation & Outlook: We value the stock at a TP of INR 609 based on the FY23E EPS of INR 11.9, and a P/E multiple of 51x. Dabur has been steadily gaining market shares across 100% of its portfolio, and has been taking strategic price action in order to maintain them and keep margins at normal levels. The current headwinds regarding massive input cost inflation are expected to persist for the next 2 quarters which will continue to create hurdles for the company, though they being proactive in their efforts to mitigate their effects. We assign a "Hold" rating with an upside of 9.5%.

INR Cr	FY19	FY20	FY21	FY22E	FY23E
Revenues	8,533	8,704	9,562	11,092	12,604
YoY growth (%)	10.1	2.0	9.9	16.0	13.6
Operating profit	1,740	1,792	2,003	2,335	2,691
OPM (%)	20.4	20.6	20.9	21.1	21.4
Reported PAT	1,600	1,752	1,607	1,854	2,111
YoY growth (%)		9.5	(8.3)	15.4	13.9
EPS (Rs)	9.0	9.3	9.6	10.5	11.9
P/E (x)	61.5	59.6	58.0	53.0	46.6
Price/Book (x)	17.4	14.9	12.8	11.2	9.7
EV/EBITDA (x)	55.2	53.7	47.0	39.8	34.1
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1
RoE (%)	25.6	25.4	22.5	22.5	22.3

Source: Company & Arihant Research

Quarterly and Segment Wise Result

INR Cr (Consolidated)	Q3FY22	Q2FY22	Q3FY21	Q-o-Q	Y-o-Y
Net Revenue	**2942**	**2818**	**2729**	***4.41%***	***7.80%***
Raw Material Costs	1520	1442	1354	*5.42%*	*12.25%*
Gross Profit	1,422	1,376	1,375	*3.35%*	*3.42%*
Gross Margin	48.34%	48.84%	50.39%	*-49bps*	*-205bps*
Employee costs	273	270	274	*1.25%*	*-0.37%*
Other Expenses	522	486	527	*7.40%*	*-0.99%*
Other Non Operating Income	97	112	81	*-13.96%*	*19.54%*
EBITDA	**724**	**733**	**655**	***-1.21%***	***10.55%***
EBITDA margin %	*24.62%*	*26.02%*	*24.01%*	*-140bps*	*61bps*
Depreciation	63	63	57	*-0.21%*	*10.55%*
EBIT	**661**	**670**	**598**	***-1.30%***	***10.55%***
Finance costs	11	8	7	*33.98%*	*62%*
Share of Profit/Loss from Joint Venture	-0	-0	-0	*-73.81%*	*10%*
PBT	**650**	**661**	**591**	***-1.70%***	***9.96%***
Tax Expense	146	156	97	*-6.62%*	*49%*
Effective tax rate %	22%	24%	16%	*-118bps*	*589bps*
PAT	**504**	**505**	**494**	***-0.18%***	***2.20%***
Add: Other Comprehensive Income	-81	27	35	*-395.82%*	*-21.23%*
Consolidated PAT	**423**	**533**	**528**	***-20.60%***	***-19.94%***
PAT margin %	*14.38%*	*18.91%*	*19.36%*	*-453bps*	*-498bps*
EPS (INR)	**2.85**	**2.85**	**2.78**	***0.00%***	***2.52%***

Segment Wise (INR Cr)	Q3FY22	Q2FY22	Q3FY21	Q-o-Q	Y-o-Y
Segment Revenue					
Consumer care business	2543	2387	2442	*6.52%*	*4.14%*
Food business	329	370	236	*-11.06%*	*39.14%*
Retail business	27	18	21	*50.47%*	*29.49%*
Other segments	33	25	24	*33.35%*	*38.43%*
Unallocated other operating revenue	9	7	5	*25.47%*	*73.98%*
Total Segment Revenue	**2942**	**2808**	**2729**	***4.78%***	***7.80%***
Segment Results					
Consumer care business	629	602	597	*4.43%*	*5.31%*
Food business	50	67	27	*-25.58%*	*83.97%*
Retail business	0	-1	0	*-103.26%*	*-142.86%*
Other segments	3	3	2	*-16.34%*	*15.84%*
Total Segment Results	**682**	**672**	**627**	***1.47%***	***8.78%***

Source: Company & Arihant Research

Q3FY22 Conference Call Highlights:

Immunity Products: Penetration is low in this category. Dabur is lagging in the market here to competitors. Which is why they are expanding with the herb range. Himalaya and Patanjali is way ahead of them but they are catching up. The category size is currently 10,000 cr and turnover is INR 3-4cr. There is huge space to grow here. Can do through innovation, in the short term it is covid contextual. But there is also long term headspace here to grow. As far as amla and other products, there was huge tailwind during covid. There was some compression after covid in this segment and in juices too. But it has been more than compensated by other parts of portfolio.

Ecommerce products: Real was previously limited to beverages, but it now has many sub-brands available online- fruit power, milk power, and real health. These are value-added verticals and superfoods available through e-commerce channels. They might also enter dry fruits under Real. This will we margin accretive with a base margin of 45-46% as they are premiumization initiatives. Dabur wants to grow real from a power brand to a power platform by extending it into foods. Ecommerce driven innovation like the one with real is very well geared to gain INR 100 cr in the NPD segment. Mustard oil especially, also cow ghee, along with other upcoming extensions in other products which will be introduced to e-commerce channels. Initially, these will be slightly margin dilutive but they will return scales soon.

Q3FY22 Conference Call Highlights:

Q3FY22 Highlights:

- The company recorded the highest ever Revenue from operations. PBT Crossed INR 500 Cr for the 2nd time.
- They had market share gains across 100% of the portfolio.
- India business grew by 7.4% (2-year CAGR of 12.8%) on the back of volume growth of 2% and price growth of 5.4% (2-year CAGR of 9.5%)
- International business grew by 8.7% YoY.
- Healthcare: 2 year CAGR 11.4%, YoY -3%; HPC: 2 year CAGR 12.1%, YoY +8.4%; F&B: 2 year CAGR 20.1%, YoY +37.6%.
- **Healthcare Business:** Chyawanprash and Honey had muted growths on high bases; 2-year CAGR for both brands in teens. Market share for Chyawanprash +200bps, and honey +180bps. Digestives portfolio saw strong momentum due to improved mobility and OOH consumption. Hajmola posted double digit growth and Pudin Hara has a 2 year CAGR in double digits- continues on a strong trajectory. OTC and Ethicals was Driven by strong growth in Honitus, and Shilajit. Covid related and immunity boosting products saw a slowdown this quarter. Ethicals grew in high single digits largely due to expansion of their coverage and the portfolio.
- **Health and Personal Care (HPC):** Toothpastes grew by 8.1% largely due to Dabur Red and Dabur Herbl. Market Share in toothpaste +50bps. Hair oils saw volume declines but the portfolio recorded a growth of 6.1% growth on a high base of 11.6% as both perfumed and coconut oils saw an increase in market shares. Total market share gain was +90bps. Shampoos continued on a good trajectory and saliency continues upward resulting in an increase in market share by +40bps, on the back of Vatika and other ayurvedic shampoos. Home care reported a double digit growth on the back of odonil and odomos which gained market shares of +50bps and +40bps respectively. The Skin & Salon range (excluding sanitizers) reported a 20% growth with a 2 year CAGR of 5.4%. Fem, Oxy and Gulabari reported double digit growths.
- **Food and Beverages (F&B):** Beverages continued to exhibit a strong momentum with growth in both in-home and out of home portfolios. Drinks and milkshakes increased the total addressable market. The market share of Real grew +520bps. Under foods, Hommade performs well. They entered seeds and nuts in this quarter, and they will continue to expand and premiumize this portfolio.
- The food business grew and is expected to cross INR 100 Cr this year
- They entered face washes in Q3.
- Chyawanprash and honey had a market share gain of 200bps and 80bps respectively. They are working on more verticals under this.
- Rural growth was ahead of urban growth by 500bps
- The international business was slightly impacted because of currency depreciation in turkey.
- Some categories had slowed growth due to volume declines because of inflation.
- The company applied for the PLI Scheme and expects to get an INR 170 cr benefit. Margins will benefit by 2-3%, which will show up over the next 5-7 years.
- Revenue mix for Q3: F&B 14.1%, Healthcare 40%, HPC 45.9%.
- Geography wise Revenue Mix for Q3: International 25.1%, Domestic 71.9%, Others 3%.

Foods and Beverages: Turnover moved from INR 200cr to 300cr QoQ. There was an increase in market share +540bps because of juice and nectar. Dabur has a 53.4% market share in foods and beverages. The majority gains are from the core business, and especially from modern trade. In beverages alone, Dabur has a 63-64% market share. They gained share from lead competition and are currently looking at entry in the 10 rupee price point.

Expanding Capacities: They are looking at 3rd party manufacturing to put up more lines for beverages in tetra packs and drinks. The aerated beverages GST has increased and has caused issues for which they have taken up a case with the government to reduce it. The third-party distribution has a margin downside.

Q3FY22 Conference Call Highlights:

Addressable market shares in Beverages: The total addressable market is INR 10,000cr. Dabur has a 64% market share in it. The company expects INR 100cr of sales from drinks this year, which will grow. Tang has grown 6-7x. Real has been taking market share from players like ITC, Pepsi, and other localized companies. There has also been an increase in market share in modern trade channels. The modern trade market share of Dabur is 30-40%. Dabur has been investing and gaining shares in south India by chipping away from competitors in the modern trade. They are currently strong in northern geographies and are building penetration in the west.

Healthcare Category:

- Growth in the current quarter for healthcare is CAGR is 11%. The high base of 40-45% allowed for growth in chyawanprash and honey. The segment is also backed by hajmola which grew by 12.2%. The digestives category is also growing well. They launched amla candies under hajmola which will be an INR 100-200cr brand. The OTC portfolio is backed by covid and grew 8% this quarter. The 2-year CAGR is 18.6% which is very healthy. The 9M growth is 4.6% on a high base.

- The total market size is being expanded and better penetrated. Penetration on chyawanprash has doubled from 4-8% over 2 years. Penetration in honey has gone down as the no. players has increased leading to an increase in competitive density, and consequently, the size of the pie will increase. Huge penetration is possible in this category. Headroom for growth in chyawanprash and honey is also great, and they are getting into powder and granules for chyawanprash.

- Ethical business is also big with a 25% market share, and more is gained from other smaller players. It also has huge potential to grow.

- OTC products operate in baby care mostly, with a market share of 25%. The potential for growth is huge. Men's health too is being extended. Cough and cold products, especially with honitus are gaining market share.

- Overall the healthcare segment is low penetrated, and Dabur stands to gain with investment in brands.

The power of Ecommerce:

- Cross-pollination opportunities exist here. NPD in e-commerce is 10% of the revenues while the rest of the of the company NPD is 3-4%. There is huge potential here. Over the next 4 years the numbers for e-commerce will reach 15%. Amazon, pharmacies like 1mg and netmeds will be platforms for growth. There is huge potential for growth across all verticals.

- Dabur is careful to not put products ahead of the curve because the India market is slightly less evolved. Cross pollination will happen in due time with new products.

Maintaining EBITDA Margins with the inflationary situation:

- The company has taken price inflation in Q3. There will be more of this in Q4, though they expect margins to be better in Q4. They are seeing a 4-5% inflation each year and they might need to take more going forward. They must also remain mindful of elasticity of demand while maintaining cost savings and leverage whilst building scales.

- They tried to not let operating margins die. There was some optimization in pricing. Healthcare and personal care businesses have had more competitive intensity. They let up price increases there, especially in hair oils as they do not want to compromise market share. Inflation is huge at around 50%+. They have taken 1-2% price increases in hair oil.

Rural and Urban growth:

- Macro data has indicated that rural demand is lower compared to urban. Urban has had a 10% value growth, but rural demand growth is lagging.

- However, for the Dabur business rural growth is ahead. There was a 7.5% growth on a base of 25% last year for rural markets vs a 2.6% growth on a base of 18% last year for urban markets. Rural growth is way ahead of the market.

- The MSP outlay will go up because of the budget, which is going to benefit farmers and generate better employment. The MNREGA scheme will also aid this. The gap between urban and rural markets is reducing. About 46% of the business potential is from rural demand. The company is positive on this and it will pick up.

Financial Summary

Consolidated Income Statement (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Revenue	**8,533**	**8,704**	**9,562**	**11,092**	**12,604**
Net Raw Materials	4291	4341	4774	5546	6302
Advt & Promotion	608	650	784	943	1071
Employee Cost	938	948	1033	1198	1361
Other Expenses	956	972	967	1070	1179
Total Expenditure	**6793**	**6911**	**7559**	**8757**	**9913**
EBITDA	**1,740**	**1,792**	**2,003**	**2,335**	**2,691**
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**	**2,378**	**2,724**
Taxes	(279)	(280)	(361)	(523)	(613)
Minorities and other	(1)	0	1	-	-
Reported Net profit	**1,597**	**1,648**	**1,695**	**1,854**	**2,111**
Other Comprehensive income	3	104	(88)	0	0
Net profit	**1,600**	**1,752**	**1,607**	**1,854**	**2,111**

Consolidated Balance Sheet (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Equity capital	177	177	177	177	177
Reserves	5,455	6,429	7,487	8,634	9,950
Net worth	**5,632**	**6,606**	**7,664**	**8,811**	**10,127**
Minority Interest	31	36	37	37	37
Debt	856	697	724	704	689
Deferred tax liabilities (net)	23	17	14	14	14
Total liabilities	**6,543**	**7,357**	**8,438**	**9,565**	**10,866**
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	179	203
Inventories	1,301	1,380	1,734	2,003	2,223
Sundry debtors	834	814	562	647	735
Loans & Advances	29	38	37	31	35
Other current assets	361	469	388	401	455
Sundry creditors	(1,455)	(1,482)	(1,915)	(2,238)	(2,533)
Other current liabilities & Prov	(439)	(515)	(494)	(548)	(623)
Cash	**328**	**811**	**1,329**	**2,428**	**3,685**
Other Financial Assets	752	1,394	749	863	980
Total assets	**6,543**	**7,357**	**8,438**	**9,565**	**10,866**

Source: Company & Arihant Research

Consolidated Cah Flow Statement (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Profit before tax	1,875	1,928	2,057	2,378	2,724
Depreciation	177	220	240	253	265
Tax paid	(279)	(280)	(361)	(523)	(613)
Working capital Δ	(7)	(73)	392	16	3
Goodwill	75	0	(0)	-	-
Operating cashflow	**1,841**	**1,795**	**2,328**	**2,124**	**2,379**
Capital expenditure	(195)	(576)	(232)	(162)	(169)
Free cash flow	**1,646**	**1,219**	**2,096**	**1,962**	**2,210**
Equity raised	(78)	(160)	43	-	-
Investments	387	774	(1,564)	-	-
Others	(44)	(676)	600	(136)	(142)
Debt financing/disposal	(215)	(159)	26	(20)	(15)
Dividends paid	(1,597)	(618)	(592)	(707)	(795)
Equity Buy back	-	-	-	-	-
Capital subsidy	-	-	-	-	-
Other items	(77)	103	(93)	-	-
Net Δ in cash	**22**	**483**	**518**	**1,098**	**1,258**
Opening Cash Flow	**306**	**328**	**811**	**1,329**	**2,428**
Closing Cash Flow	**328**	**811**	**1,329**	**2,428**	**3,685**

Ratio analysis	FY19	FY20	FY21	FY22E	FY23E
Growth matrix (%)					
Revenue growth	10.1	2.0	9.9	16.0	13.6
EBITDA growth	7.6	3.0	11.7	16.6	15.3
Net profit growth	17.6	3.2	2.9	9.4	13.9
Profitability ratios (%)					
EBITDA margin	20.4	20.6	20.9	21.1	21.4
Net profit margin	18.7	18.9	17.7	16.7	16.8
RoCE	23.5	22.8	21.9	21.0	21.0
RoNW	25.6	25.4	22.5	22.5	22.3
RoA	22.1	21.1	19.0	19.4	19.4
Per share ratios					
EPS	9.0	9.3	9.6	10.5	11.9
Dividend per share	7.5	2.9	3.4	4.0	4.5
Book value per share	31.9	37.4	43.4	49.9	57.3
Valuation ratios					
P/E	61.5	59.6	58.0	53.0	46.6
P/B	17.4	14.9	12.8	11.2	9.7
EV/EBIDTA	55.2	53.7	47.0	39.8	34.1
Payout (%)					
Dividend payout	100.0	37.5	34.9	38.1	37.7
Tax payout	14.9	14.5	17.6	22.0	22.5
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
Leverage ratios					
Interest coverage	31.2	37.9	67.8	78.5	92.0
Net debt / equity	0.1	(0.0)	(0.1)	(0.2)	(0.3)
Net debt / op. profit	0.3	(0.1)	(0.3)	(0.7)	(1.1)

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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