

Dabur	
Rating	Accumulate
TP	582
PE	48x
Marico	
Rating	Accumulate
TP	467
PE	40x

#### 4QFY21 Preview- Growth momentum continues

We expect another good quarter of growth for FMCG sector on the back of a consumption shift in key categories from the unorganized to the organized sector. Further, new product launches and e-commerce channel sales have also seen significant uptick. Increased mobility of consumers drove the demand for discretionary categories like discretionary PC, QSRs and beauty soaps, while health and hygiene categories saw growth moderation.

Demand from metro cities and urban areas continued to improve and is likely to be a key monitorable over the next few months in wake of new partial lockdowns.

**Sharp increase in commodity prices;** Commodity inflation sustained during 4QFY21, particularly for palm oil and copra. Most companies took price hikes in 3QFY21 in response to the commodity inflation, along with further price hikes during 4QFY21, which will support margins. Improving product mix for discretionary categories. Companies have also resumed A&P investments, and we expect A&P spend to continue growing vs the decline witnessed in 1HFY21

**Preferred picks is Dabur.**

#### Some Important points to highlight....

**Dabur:** The Company's Healthcare, Home care and Skin care portfolios are expected to post positive traction led by higher consumer divergence towards health and hygiene, trade channel normalization and revival in consumer confidence while beverages is also expected to grow positively led by summers.

EBITDA margin is expected to improve by 611 bps YoY to 21% YoY led by lower employee expense.

**Key things to watch:** 1) Volume growth, 2) Movement in gross Margin 3) Performance of new product which were launched during previous quarters, 4) Movement in A&P and other expenses.

**Marico:** In Domestic market Saffola (Foods portfolio) is expected to continue its positive traction led by increased in home consumption while Parachute and VAHO portfolios are also expected to perform better led by innovation across the categories and pricing action taken by the company amidst rising input prices.

**Key things to watch:** 1) Volume growth and pricing action taken by the company., 2) Performance of discretionary portfolio.,3) International business performance.

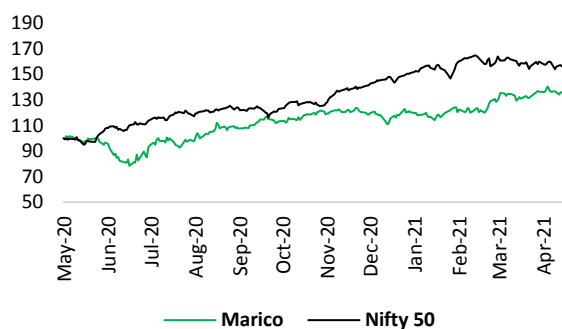
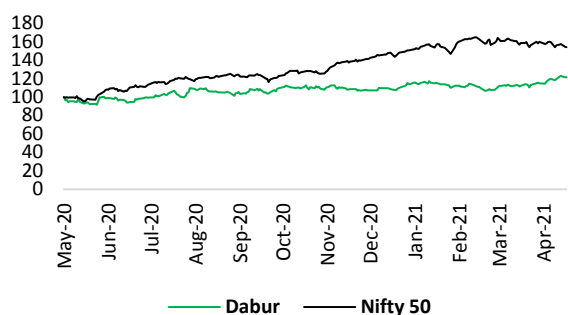
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## Q4FY21 Earnings Estimates:

INR (Cr)	Q4FY21E	Q4FY20A	Q3FY21A	YoY	QoQ	Remarks
<b>Dabur</b>						
Net Revenue	2,393	1,865	2,729	28%	-12%	Dabur's revenue is expected to grow by 28% YoY on the back of negative base in previous corresponding quarter (impacted due to Covid outbreak), better performance from company's healthcare portfolio driven by positive demand from both urban and rural regions.
EBITDA	508	282	574	80%	-11%	
EBITDA Margin	21%	15%	21%	611bps	20bps	
PAT	421	282	494	49%	-15%	
<b>Marico</b>						
Net Revenue	1,718	1,496	2,122	15%	-19%	Marico's 4QFY21 revenue is expected to grow by 15% YoY on the back of negative base in corresponding previous quarter and better performance from company's foods and Parachute portfolio
EBITDA	321	282	413	14%	-22%	
EBITDA Margin	19%	19%	19%	-19bps	-81bps	
PAT	219	199	312	10%	-30%	

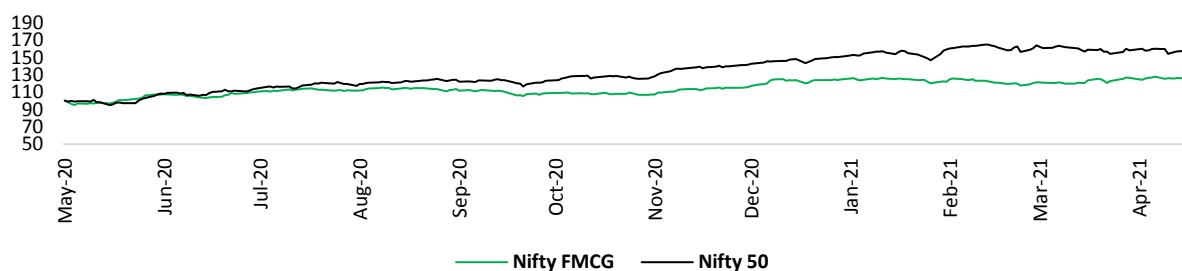
## Price Performance - Charts with Nifty Index Comparison



### View:

We believe companies with higher revenue mix from rural will continue to benefit, although urban recovery will also play a key part in driving growth. Whereas companies with a strong presence in e-commerce and diversified offerings are expected to outperform. Rich valuations and modest earnings growth profile leaves limited scope for PE re-rating.

A key to watch would be how the ongoing mini-lockdowns impact operations, demand going forward; initial indications suggest situation is mostly under control.



Performance (%)	3m	6m	12m
Nifty FMCG	-1.12	14.5	16.6
Nifty	0.24	21.1	56.8

Source: Aриhant 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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