

Underwhelming performance; continued focus on new products

CMP: INR 505

Rating: Accumulate

Target Price: INR 567

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)	89,509
52w H/L (INR)	610/ 482
Avg Yearly Volume (in 000')	1,913

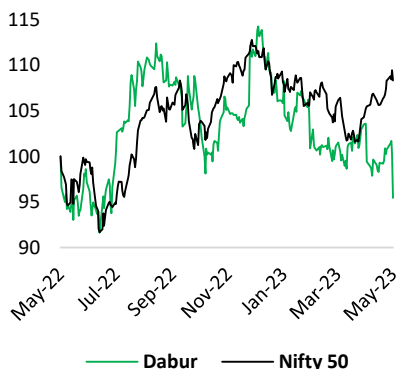
Shareholding Pattern %

(As on March 2023)

Promoters	66.23
FII	19.73
DII	8.31
Public & Others	5.72

Stock Performance (%)	1m	3m	12m
Dabur	(7.9)	(5.4)	(4.6)
Nifty 50	2.9	1.2	8.3

Dabur Vs Nifty



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Dabur had a muted quarter due to the underperformance of high-margin businesses like HPC, and substantial growth in F&B- a low-margin business. Volumes saw some recovery during the quarter but remained largely under pressure. The Q4FY23 Net Revenue grew 6.35% YoY to INR 2,986 Cr (-12.01% QoQ). Gross Margin contracted 163bps YoY 45.81% (+30bps QoQ). EBITDA de-grew by 9.64% YoY to INR 410 Cr (-32.8% QoQ). EBITDA Margin contracted by 271bps YoY to 15.31% (-474bps QoQ). PAT de-grew 0.53% YoY to INR 293 Cr (-38.58% QoQ).

Growth in the F&B Business: Drinks is an INR 200 Cr business targeted to grow to INR 500 Cr over the next 3 years (INR 300 Cr by this year). The existing foods business is INR 120 Cr (INR 250 Cr with Badshah) targeted to grow to INR 1,000 Cr over the next 2 years. They are looking to grow the total F&B business to INR 4,000- 5,000 Cr over the next 5 years.

Pushing power brands: The company wants to scale up on existing strong brands and introduce adjacencies through NPDs. The brand potential is as follows- Real fruit juice INR 5,000 Cr; Dabur Amla INR 2,000 Cr; Dabur Red INR 3,000 Cr; Dabur Chyawanprash INR 1,000 Cr; Dabur Honey INR 1,000 Cr.

Developments in the OTC ethical business: The company has implemented teams to market its product to allopathic doctors. This will also provide impetus to the PTC/ ethical business.

Margin trajectory: Margins are expected to be in the range of 19-19.5% in FY24. They will take some time to reach previous levels of 20-21% as the company is investing heavily in advertisement and marketing. Ad spending is currently 5% and will go up to 7-8% in the coming years.

International business: Growth in the international business was low- double-digit, but had a low margin due to an unfavorable country and mix coupled with currency problems.

Headroom for growth in hair oil: The overall category de grew by 3% during the year, but Dabur gained a market share of 130bps during the year. This category has a large headroom for growth as currently, Dabur is only present in 17% of the market.

Badshah Masala: The brand is strong in Gujarat, Maharashtra, and Andhra Pradesh. However, the company does not plan to venture into new geographies with it.

Oral Care: Dabur is a leader in oral care with every 2nd household having a Dabur oral care product. The segment gained a healthy market share with the brands Sensodyne, Dabur Red, Dabur Herbal, and Meswak. Babool dragged down growth this year due to slowing rural demand. Over the past 2-3 years there was a 5% increase in Dabur brand penetration.

Valuation & Outlook: FY23 faced a tumultuous demand momentum and soaring inflation which led to muted top-line growth and distressed margins below the usual 20-21% level. Q4 saw an underperformance of high-margin businesses in favor of low-margin businesses coupled with a slight pick up in volumes. All-in-all, the company still managed to gain market share across key products and remains focused on NPDs as an important growth vector. We assign a TP of INR 567 valued at a P/E of 48x the FY25E EPS of INR 12 and an Accumulate rating.

INR Cr	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenues	9,562	10,889	11,530	12,504	13,631	14,894
YoY growth (%)	9.9	13.9	5.9	8.4	9.0	9.3
Operating profit	2,003	2,254	2,164	2,388	2,669	3,023
OPM (%)	20.9	20.7	18.8	19.1	19.6	20.3
Reported PAT	1,607	1,654	1,476	1,664	1,867	2,125
YoY growth (%)	(8.3)	2.9	(10.8)	12.7	12.2	13.8
EPS (Rs)	9.6	9.9	9.6	10.7	11.8	13.3
P/E (x)	52.7	51.3	52.6	47.4	42.8	38.1
Price/Book (x)	11.7	10.7	10.0	9.0	8.1	7.2
EV/EBITDA (x)	42.5	37.5	39.3	35.2	31.0	26.9
Debt/Equity (x)	0.1	0.2	0.2	0.1	0.1	0.1
RoE (%)	22.5	20.6	17.0	17.6	17.8	18.0
RoCE (%)	21.9	20.4	17.5	17.7	17.9	18.1

Source: Company & Arihant Research

Quarterly and Segment Wise Result

INR Cr (Consolidated)	Q4FY23	Q3FY23	Q4FY22	Q-o-Q	Y-o-Y
Net Revenue	2,678	3,043	2,518	-12.01%	6.35%
Raw Material Costs	1,451	1,658	1,323	-12.49%	9.65%
Gross Profit	1,227	1,385	1,195	-11.43%	2.70%
Gross Margin	45.81%	45.51%	47.44%	30bps	-163bps
Employee costs	289	291	279	-0.71%	3.47%
Other Expenses	528	484	462	9.06%	14.35%
Other Non Operating Income	121	101	99	19.71%	21.77%
EBITDA	410	610	454	-32.80%	-9.64%
EBITDA margin %	15.31%	20.04%	18.01%	-474bps	-271bps
Depreciation	102	71	65	43.88%	56.80%
EBIT	308	539	389	-42.89%	-20.76%
Finance costs	32	19	12	69.86%	173%
Exceptional Items	-	-	-85	-	-100%
Share of Profit/Loss from Joint Venture	-0	-1	-1	-75.00%	-84%
PBT	396	620	390	-36.11%	1.68%
Tax Expense	103	144	95	-27.89%	9%
Effective tax rate %	26.12%	23.14%	24.47%	298bps	164bps
PAT	293	477	294	-38.58%	-0.53%
Add: Other Comprehensive Income	-102	-74	-61	37.20%	22.73%
Consolidated PAT	191	402	234	-52.57%	-18.38%
PAT margin %	10.46%	15.16%	11.25%	-470bps	-79bps
EPS (INR)	1.70	2.69	1.66	-36.80%	2.41%

Segment Wise (INR Cr)	Q4FY23	Q3FY23	Q4FY22	Q-o-Q	Y-o-Y
Segment Revenue					
Consumer care busines	2097	2618	2095	-19.92%	0.07%
Food business	521	352	360	47.86%	44.81%
Retail business	27	32	22	-13.09%	23.45%
Other segments	23	31	31	-25.57%	-23.78%
Unallocated other operating revenue	9	10	10	-5.29%	-7.22%
Total Segment Revenue	2678	3043	2518	-12.01%	6.35%
Segment Results					
Consumer care busines	388	610	449	-36.33%	-13.54%
Food business	71	49	50	43.74%	40.89%
Retail business	-1	0	0	-352.17%	-680.00%
Other segments	3	4	2	-23.51%	68.85%
Total Segment Results	461	664	502	-30.50%	-8.03%
Segment EBIT Margin					
Consumer care busines	18.52%	23.30%	21.44%	-477bps	-291bps
Food business	13.64%	14.03%	14.02%	-39bps	-38bps
Retail business	-4.22%	1.45%	0.90%	-568bps	-512bps
Other segments	33.84%	41.91%	18.60%	-806bps	1525bps
EBIT Margin	17.23%	21.81%	19.92%	-459bps	-269bps

Source: Company & Arihant Research

Q4FY23 Conference Call Highlights:

- The company has a direct reach of 14 lakh touchpoints (15-20%) where they can push a wider range of their products.
- Health supplements like chyawanprash and honey were operating on a high base of omicron. Chyawanprash saw a decline but honey grew on account of new variants launched last quarter.
- The Fem pharma business has been integrated into the branded ethical business.
- Juices grew on a high base. There will be some moderation in F&B in the coming quarters and there will be a corresponding pick-up in HPC.
- The company saw an inflation of 12% in foods which they tried to offset with cost optimization and grammage reduction. There was a high preference for LUPs this year.
- Inflation this year was 6-6.5% overall which was handled through price increases.
- The natural segment is 30% of the oral care offering whose growth has increased in value terms. GMs in oral care have inched up significantly.
- The HPC category will grow to touch 1 lakh villages in FY24. This segment will grow at a 10% CAGR over the next 3 years, and so will the OTC business. However, F&B will grow at a rate of 20% as it is much more underpenetrated.
- NPD contribution has historically been ~4%. Chutneys and pickles will scale up significantly with Badshah. Baby care has scaled up to INR 20 Cr targeted to reach INR 50 Cr by the end of this year as it entered GT, and so will Honitus as it does the same. Tea has seen green shoots in rural markets as well. Sarson amla and oral care gel have also done well. That being said, NPDs that haven't done well were culled.
- The Nepal investment received approval 4 years ago to be made over 5-6 years.

Financial Summary

Consolidated Income Statement (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	9,562	10,889	11,530	12,504	13,631	14,894
Net Raw Materials	4774	5640	6269	6877	7293	8043
Advt & Promotion	784	778	640	750	981	968
Employee Cost	1033	1080	1137	1250	1350	1460
Other Expenses	967	1137	1320	1238	1339	1400
Total Expenditure	7559	8635	9366	10115	10962	11870
EBITDA	2,003	2,254	2,164	2,388	2,669	3,023
Depreciation	(240)	(253)	(311)	(300)	(317)	(337)
Interest expense	(31)	(39)	(78)	(59)	(59)	(58)
Other income	325	393	445	447	449	451
Exceptional items	-	(85)	-	-	-	-
Profit before tax	2,057	2,270	2,220	2,476	2,742	3,080
Taxes	(361)	(526)	(517)	(587)	(650)	(730)
Minorities and other	1	2	2	-	-	-
Reported Net profit	1,695	1,742	1,701	1,889	2,092	2,350
Other Comprehensive income	(88)	-88	-225	-225	-225	-225
Net profit	1,607	1,654	1,476	1,664	1,867	2,125

Consolidated Balance Sheet (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	177	177	177	177	177	177
Reserves	7,487	8,205	8,796	9,751	10,909	12,325
Net worth	7,664	8,381	8,973	9,928	11,086	12,502
Minority Interest	37	41	468	468	468	468
Debt	724	1,286	1,459	1,444	1,429	1,414
Deferred tax liab (net)	14	82	91	183	284	398
Total liabilities	8,438	9,790	10,991	12,022	13,267	14,782
Fixed assets	1,812	1,968	2,238	1,814	1,727	1,650
Capital Work In Progress	147	168	175	215	244	277
Other Intangible assets	45	40	889	892	901	913
Goodwill	336	251	405	405	405	405
Investments	3,575	5,437	5,606	6,606	7,456	8,506
Other non current assets	156	104	92	69	76	83
Net working capital	274	362	494	742	714	790
Inventories	1,734	1,911	2,024	2,426	2,552	2,793
Sundry debtors	562	646	849	729	795	869
Other current assets	388	298	285	382	398	455
Sundry creditors	(1,915)	(2,018)	(2,187)	(2,360)	(2,527)	(2,770)
Other current liabilities & Prov	(494)	(476)	(477)	(435)	(504)	(557)
Cash	1,329	570	326	271	645	958
Other Financial Assets	763	891	765	1,007	1,098	1,200
Total assets	8,438	9,790	10,991	12,022	13,267	14,782

Consolidated Cash Flow Statement (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	2,057	2,270	2,220	2,476	2,742	3,080
Depreciation	240	253	311	300	317	337
Tax paid	(361)	(526)	(517)	(587)	(650)	(730)
Working capital Δ	429	(88)	(132)	(248)	28	(76)
Goodwill	(0)	85	(154)	-	-	-
Operating cashflow	2,365	1,994	1,727	1,941	2,438	2,611
Capital expenditure	(232)	(429)	(588)	83	(259)	(292)
Free cash flow	2,133	1,565	1,139	2,024	2,178	2,318
Equity raised	43	(229)	(406)	-	-	-
Investments	(1,586)	(1,862)	(169)	(1,000)	(850)	(1,050)
Others	586	(70)	(712)	(222)	(106)	(121)
Debt financing/disposal	26	563	172	(15)	(15)	(15)
Dividends paid	(592)	(707)	(478)	(709)	(709)	(709)
Other items	(93)	(18)	209	(134)	(124)	(111)
Net Δ in cash	518	(759)	(244)	(55)	375	313
Opening Cash Flow	811	1,329	570	326	271	645
Closing Cash Flow	1,329	570	326	271	645	958

Source: Company & Arianth Research

Ratios

Ratio analysis	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)						
Revenue growth	9.9	13.9	5.9	8.4	9.0	9.3
EBITDA growth	11.7	12.5	(4.0)	10.4	11.8	13.3
Net profit growth	2.9	2.8	(2.4)	11.0	10.8	12.3
Profitability ratios (%)						
EBITDA margin	20.9	20.7	18.8	19.1	19.6	20.3
Net profit margin	17.7	16.0	14.8	15.1	15.3	15.8
RoCE	21.9	20.4	17.5	17.7	17.9	18.1
RoNW	22.5	20.6	17.0	17.6	17.8	18.0
RoA	19.0	16.9	13.4	13.8	14.1	14.4
Per share ratios						
EPS	9.6	9.9	9.6	10.7	11.8	13.3
Dividend per share	3.4	4.0	2.7	4.0	4.0	4.0
Book value per share	43.4	47.4	50.6	56.0	62.6	70.6
Valuation ratios						
P/E	52.7	51.3	52.6	47.4	42.8	38.1
P/B	11.7	10.7	10.0	9.0	8.1	7.2
EV/EBIDTA	42.5	37.5	39.3	35.2	31.0	26.9
Payout (%)						
Dividend payout	34.9	40.6	28.1	37.5	33.9	30.2
Tax payout	17.6	23.2	23.3	23.7	23.7	23.7
Liquidity ratios						
Debtor days	21.1	21.4	26.5	21.0	21.0	21.0
Inventory days	130.8	122.0	116.2	127.0	126.0	125.0
Creditor days	91.2	84.1	84.0	84.0	83.0	84.0
Leverage ratios						
Interest coverage	67.8	62.0	29.4	42.6	47.6	53.9
Net debt / equity	(0.1)	0.1	0.1	0.1	0.1	0.0
Net debt / op. profit	(0.3)	0.3	0.5	0.5	0.3	0.2
Du-Pont Analysis						
Tax burden (x)	0.8	0.8	0.8	0.8	0.8	0.8
Interest burden (x)	1.0	0.9	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	1.1	1.1	1.0	1.0	1.0	1.0
Financial leverage (x)	1.2	1.3	1.3	1.3	1.2	1.2
RoE (%)	22.5	21.7	19.6	20.0	19.9	19.9

Source: Company & Arihant Research

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Stock Rating Scale

BUY
 ACCUMULATE
 HOLD
 NEUTRAL
 REDUCE
 SELL

Absolute Return

>20%
 12% to 20%
 5% to 12%
 -5% to 5%
 -5% to -12%
 <-12%

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