

Supply to improve gradually

- Dabur's Q4FY20 results came significantly below our estimate as Covid-19 impact was higher than our anticipation. Domestic volume declined by 14.6% YoY during the quarter. Pre lockdown the company posted 4.6% volume growth.
- Considering lockdown and production disruption in April and May'20, the company expects impact of Rs 4.0-4.5bn on revenues and Rs 600-800mn on APAT in FY21E.
- We have reduced our FY21E and FY22E EPS estimates to Rs 8.4 (-16.4%) and Rs 9.8 (-12.2%), to factor in extended lock down and sluggish economic growth. We value the stock at 48x FY22E EPS to arrive at a TP of Rs 470. **Downgrade to Accumulate**; buy on dips.

Results below estimates

Revenues declined 12.3% YoY to Rs 18.7bn. Volume de-growth during the quarter stood at 14.6%. GM contracted by 70bps to 49.1%. EBITDA margin contracted by 260bps to 18.9% as, in addition to GM contraction, employee costs/A&P spends/ Other expense increased 100/80/20bps. RPAT contracted 24.1% YoY to Rs 2.8bn. Excluding extraordinary loss of Rs 200mn and Rs 753mn, APAT declined 32.4% to Rs 3.0bn – was below our estimate.

FY21E revenue impact expected to be Rs 4-4.5bn

Significant decline in revenues in Q4FY20 was primarily due to lockdown in the second half of March'20. Due to sudden lockdown, the company had Rs 1.2bn impact on EBITDA in Q4. As lockdown restrictions are gradually easing, the company is now operating at ~70% capacity. We believe that in Q1FY21E, impact on revenues would be higher due to extended lockdown period. Nevertheless, we believe that the recovery would be faster in H2FY21E as the company has 45% contribution from rural markets which are expected to grow fast compared to urban. Dabur expects Rs 4.0-4.5bn revenue impact for FY21E.

International business performance was a mixed bag

IB reported 0.6% de-growth (in CC) during the quarter. Hobi (+48%), SSA (+17%), Egypt (+14%) and Namaste (+11%) businesses reported strong double digit growths during Q4. However, SAARC (-24%) and MENA (-8%) posted decline due to lock down in these countries.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	18,654	21,282	(12.3)	23,530	(20.7)
Total Expense	15,131	16,710	(9.4)	18,601	(18.7)
EBITDA	3,523	4,572	(23.0)	4,929	(28.5)
Depreciation	588	462	27.3	544	8.1
EBIT	2,934	4,110	(28.6)	4,385	(33.1)
Other Income	758	661	14.7	745	1.8
Interest	86	124	(31.0)	105	(18.4)
EBT	3,406	3,893	(12.5)	4,825	(29.4)
Tax	587	178	229.9	835	(29.7)
RPAT	2,812	3,704	(24.1)	3,977	(29.3)
APAT	3,012	4,458	(32.4)	4,177	(27.9)
			(bps)		(bps)
Gross Margin (%)	49.1	49.8	(66)	50.1	(99)
EBITDA Margin (%)	18.9	21.5	(260)	20.9	(206)
NPM (%)	15.1	17.4	(233)	16.9	(183)
Tax Rate (%)	17.2	4.6	1265	17.3	(8)
EBIT Margin (%)	15.7	19.3	(358)	18.6	(291)

* Tax rate in Q4FY19 was lower due to MAT credit as per accounting standards

CMP	Rs 429
Target / Upside	Rs 470 / 10%
BSE Sensex	31,601
NSE Nifty	9,315

Script Details

Equity / FV	Rs 1,766mn / Rs 1
Market Cap	Rs 758bn
	USD 10bn
52-week High/Low	Rs 525/Rs 377
Avg. Volume (no)	3,520,690
NSE Symbol	DABUR
Bloomberg Code	DABUR IN

Shareholding Pattern Mar'20(%)

Promoters	67.9
MF/Banks/FIs	7.7
FII	18.0
Public / Others	6.4

Valuation (x)

	FY20A	FY21E	FY22E
P/E	49.0	50.9	44.0
EV/EBITDA	41.3	42.0	35.4
ROE (%)	23.6	21.2	21.6
RoACE (%)	23.7	20.0	20.0

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	87,036	84,245	95,599
EBITDA	17,924	17,502	20,518
PAT	15,449	14,885	17,227
EPS (Rs.)	8.7	8.4	9.8

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Exhibit 1: Actual V/s DART estimates

Rs mn	Actual	Estimates	Variance (%)	Comments
Revenue	18,654	23,214	(19.6)	Significantly higher impact of lockdown compared to our estimates
EBITDA	3,523	4,966	(29.1)	
EBITDA margin %	18.9	21.4	(250)	Higher than estimated employee costs and A&P expense
APAT	3,012	4,285	(29.7)	

Source: Company, DART

Exhibit 2: Change in estimates

Rs Mn	FY21E			FY22E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	84,245	97,903	(14.0)	95,599	107,540	(11.1)
EBITDA	17,502	21,182	(17.4)	20,518	23,498	(12.7)
EBITDA Margin (%)	20.8	21.6	(90bps)	21.5	21.9	(40bps)
PAT	14,885	17,799	(16.4)	17,227	19,616	(12.2)

Source: Company, DART

We have downward revised our revenues estimates for FY21E and FY22E due to extended lockdown and anticipated slowdown in the domestic market. Further we have reduced our margin estimate to factor in lower revenue and reduced operating leverage. In line with the reduction in EBITDA, we have revised our APAT estimates.

Exhibit 3: Segmental performance (Rs mn)

Segmental Performance	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Consumer Care					
Revenue	15,904	17,886	(11.1)	20,614	(22.8)
EBIT	3,666	4,520	(18.9)	5,001	(26.7)
EBIT Margin %	23.0	25.3	(220bps)	24.3	(120bps)
Foods					
Revenue	2,194	2,791	(21.4)	2,289	(4.1)
EBIT	236	454	(47.9)	253	(6.5)
EBIT Margin %	10.8	16.3	(550bps)	11.0	(30bps)
Retail					
Revenue	283	315	(10.1)	346	(18.4)
EBIT	(22.5)	9.2	(344.6)	(1.5)	1,400.0
EBIT Margin %	(8.0)	2.9	(1090bps)	(0.4)	(750bps)
Others					
Revenue	205	214	(4.5)	217	(5.5)
EBIT	(9.5)	13.5	(170.4)	17.8	(153.4)
EBIT Margin %	(4.6)	6.3	(1090bps)	8.2	(1290bps)
TOTAL					
Revenue	18,586	21,205	(12.4)	23,465	(20.8)
EBIT	3,870	4,997	(22.5)	5,270	(26.6)
EBIT Margin %	20.8	23.6	(270bps)	22.5	(160bps)

Source: DART, Company

Exhibit 4: Q4 FY20 – Performance Summary

	Q4FY20 Reported Growth %	2 months ending 29 Feb'20*(%)
Consolidated Revenue Growth	(12.3)	4.5
India FMCG Volume Growth	(14.6)	4.6
International Business Growth	(0.6)	8.4
EBITDA growth	(22.9)	5.9
Consol APAT growth	(18.9)	4.1

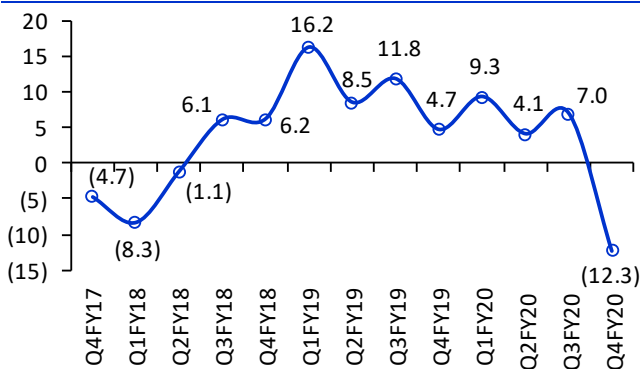
Source: Company, DART

Key concall takeaways

- Dabur was on track to deliver a 4.5% growth and 12.5% growth in Net Profit before Exceptional in Q4FY20, had COVID-19 not happened.
- As the lockdown overlapped with pre-season sales of summer skewed products like juices, glucose, pudin hara, etc, the seasonal demand was severely impacted.
- Company witnessed 400bps increase in market share of immunity boosting product like Dabur Chyawanprash and 80% YoY growth in Dabur Honey. There was shortage of Chyawanprash due to supply chain standstill.
- The month of April and part of May 2020 saw complete lockdown which led to a significant impact on the company's revenue but with easing of restrictions, the company is witnessing sequential improvement in revenue trajectory.
- Company will resort to cost cutting across the value chain to mitigate impact of revenue on the profit in Q1FY21E.
- While Healthcare and Home & Personal care grew 11.4% and 5.0% respectively in YTD Feb'20, Food portfolio remained flat mainly due to slowdown and downtrading.
- Rural reach is now 52,000 villages and is targeted to reach 60,000 villages by FY21E end.
- Dabur continued to gain Market Share across all key categories like Shampoos, Toothpaste, Hair Oils, Chyawanprash and Juices & Nectars (J&N), during the year.
- Market share in J&N increased 150bps to 59.5% in FY20. Newly introduced pet bottles will spur out of home consumption. Low price juice category will perform well going ahead and take share from carbonated drinks. Dabur has introduced milk shakes under Real brand.
- Dabur gained 40bps market share QoQ in volume terms in toothpaste category and is also gaining market share MoM.
- Dabur has launched immunity boosters like Dabur Tulsi Drops, Dabur Amla Juice, Dabur Giloy-Neem-Tulsi juice and Dabur Immunity Kit, etc. In addition, the company has also launched hand sanitisers, air sanitisers and disinfectants under the Dabur Sanitize brand. Some of the new products launched are manufactured by third party.
- New product development contributes 3-4% of sales (from 1.2-1.5% earlier).
- 50% of healthcare portfolio consists of immunity boosting products ie 15-20% of domestic business.
- Going ahead, company expects rural consumption to surge compared to urban due to labour migration, stimulus under MGNREGA scheme, etc. Dabur has good rural franchise and LUP portfolio to cater to the demand. LUP is 15-18% of business.

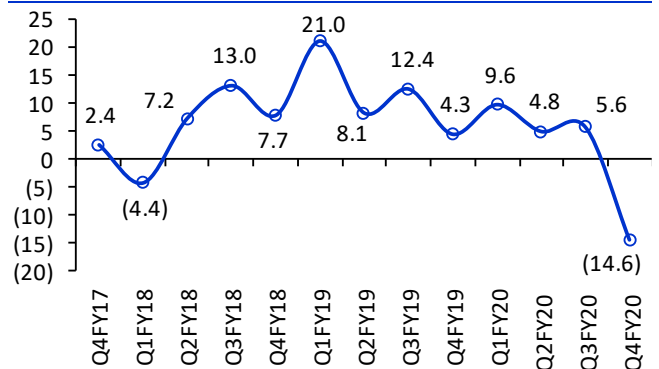
- Post Covid, Dabur may go for inorganic opportunity in healthcare or personal care space.
- Management is targeting mid to high single digit growth post Covid issue, expected to normalize after June end. It aims to maintain margins at Pre covid levels of FY20 (~20.5%).
- CSD business (3% of sales) grew 13% in Q4FY20.
- Hair oil contributes 15% to Dabur's sales. While category is declining ~3%, Dabur witnessed growth of 3.7%. Company is gaining share in Amla category, however, it lost share in coconut oils. Market share in overall hair oil increased 60bps in Q4.
- Dabur Sanitizer is expected to clock Rs 1bn sales (consol) in Q1FY21E.
- E-commerce grew 100% YoY. Contribution increased to 3.1% from 1.3% earlier.
- Dabur will be increasing chemist reach in near term (currently 2.7 lakh out of 5 lakh chemist).
- Dabur launched Retailer App reaching close to 40,000 retailers for self-service. It is also looking to tie up with Jiomart app.
- Factories are operating at 60-70% capacity currently.

Exhibit 5: Trend in sales growth (YoY%)



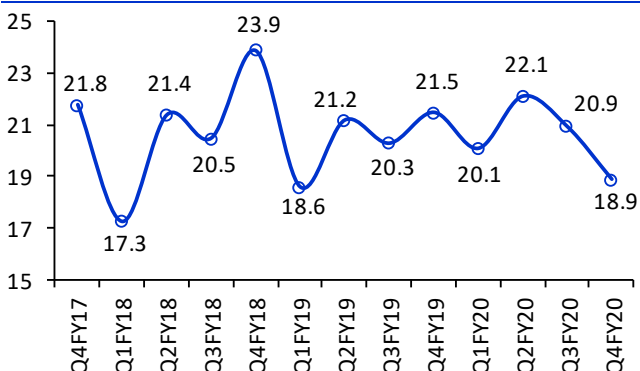
Source: DART, Company

Exhibit 6: Trend in volume growth (YoY%)



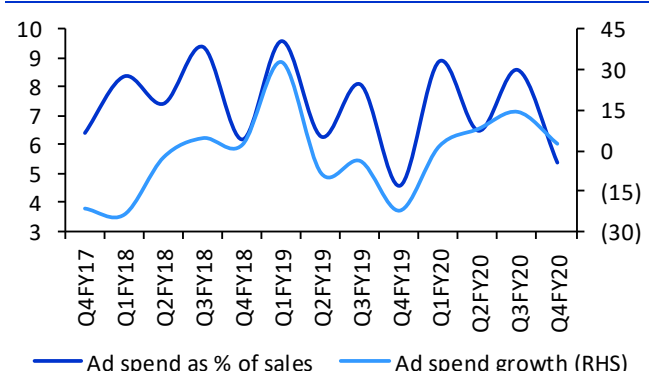
Source: DART, Company

Exhibit 7: Trend in EBITDA margin (%)



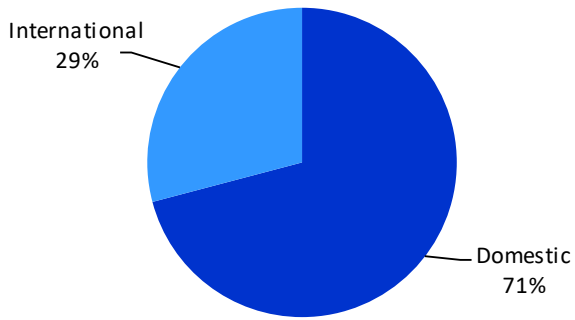
Source: DART, Company

Exhibit 8: Ad spends trend



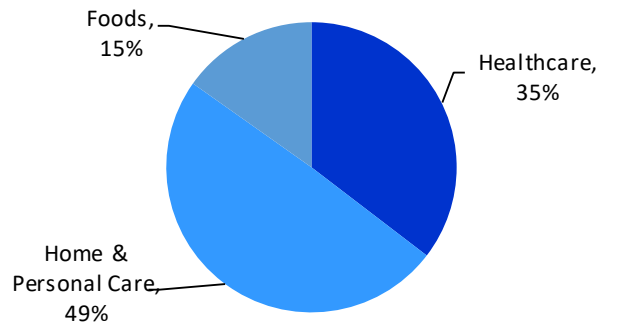
Source: DART, Company

Exhibit 9: Revenue contribution in Q4FY20 (%)



Source: DART, Company

Exhibit 10: Domestic FMCG category breakup Q4FY20 (%)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	85,331	87,036	84,245	95,599
Total Expense	67,925	69,112	66,744	75,081
COGS	43,090	43,602	41,013	46,445
Employees Cost	9,379	9,477	9,110	10,297
Other expenses	15,456	16,033	16,622	18,340
EBIDTA	17,405	17,924	17,502	20,518
Depreciation	1,769	2,205	2,180	2,343
EBIT	15,636	15,719	15,322	18,175
Interest	596	495	559	559
Other Income	2,962	3,053	2,925	2,845
Exc. / E.O. items	(753)	(1,000)	0	0
EBT	17,249	17,277	17,688	20,462
Tax	2,786	2,797	2,773	3,205
RPAT	14,433	14,449	14,885	17,227
Minority Interest	30	30	30	30
Profit/Loss share of associates	0	0	0	0
APAT	15,186	15,449	14,885	17,227

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	1,766	1,766	1,766	1,766
Minority Interest	313	365	394	424
Reserves & Surplus	54,551	64,290	72,810	83,035
Net Worth	56,317	66,056	74,576	84,801
Total Debt	6,994	4,660	8,595	8,595
Net Deferred Tax Liability	230	(50)	249	249
Total Capital Employed	63,853	71,031	83,814	94,068

Applications of Funds

Net Block	19,691	22,497	20,572	20,729
CWIP	638	1,460	1,481	1,481
Investments	26,330	14,090	21,340	21,340
Current Assets, Loans & Advances	37,856	53,074	56,294	68,318
Inventories	13,005	13,790	10,823	12,248
Receivables	8,336	8,130	5,306	6,014
Cash and Bank Balances	3,282	8,100	8,666	2,513
Loans and Advances	3,986	4,670	4,479	4,929
Other Current Assets	1,998	4,474	3,820	5,495
Less: Current Liabilities & Provisions	20,661	20,090	15,873	17,799
Payables	14,616	14,810	11,203	12,607
Other Current Liabilities	6,046	5,280	4,669	5,191
Net Current Assets	17,195	32,984	40,422	50,519
Total Assets	63,853	71,031	83,814	94,068

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	49.5	49.9	51.3	51.4
EBIDTA Margin	20.4	20.6	20.8	21.5
EBIT Margin	18.3	18.1	18.2	19.0
Tax rate	16.2	16.2	15.7	15.7
Net Profit Margin	16.9	16.6	17.7	18.0
(B) As Percentage of Net Sales (%)				
COGS	50.5	50.1	48.7	48.6
Employee	11.0	10.9	10.8	10.8
Other	18.1	18.4	19.7	19.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	26.2	31.7	27.4	32.5
Inventory days	56	58	47	47
Debtors days	36	34	23	23
Average Cost of Debt	7.3	8.5	8.4	6.5
Payable days	63	62	49	48
Working Capital days	74	138	175	193
FA T/O	4.3	3.9	4.1	4.6
(D) Measures of Investment				
AEPS (Rs)	8.6	8.7	8.4	9.8
CEPS (Rs)	9.6	10.0	9.7	11.1
DPS (Rs)	9.0	3.3	3.6	4.0
Dividend Payout (%)	105.2	37.5	42.8	40.6
BVPS (Rs)	31.9	37.4	42.2	48.0
RoANW (%)	25.5	23.6	21.2	21.6
RoACE (%)	24.0	23.7	20.0	20.0
RoAIC (%)	25.0	25.5	22.2	21.8
(E) Valuation Ratios				
CMP (Rs)	429	429	429	429
P/E	49.9	49.0	50.9	44.0
Mcap (Rs Mn)	757,637	757,637	757,637	757,637
MCap/ Sales	8.9	8.7	9.0	7.9
EV	754,099	740,287	734,367	726,599
EV/Sales	8.8	8.5	8.7	7.6
EV/EBITDA	43.3	41.3	42.0	35.4
P/BV	13.5	11.5	10.2	8.9
Dividend Yield (%)	2.1	0.8	0.8	0.9
(F) Growth Rate (%)				
Revenue	10.5	2.0	(3.2)	13.5
EBITDA	7.6	3.0	(2.4)	17.2
EBIT	7.4	0.5	(2.5)	18.6
PBT	1.9	0.2	2.4	15.7
APAT	10.9	1.7	(3.7)	15.7
EPS	10.9	1.7	(3.7)	15.7
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	18,259	13,854	20,370	17,828
CFI	925	1,410	(16,815)	(16,420)
CFF	(18,963)	(10,446)	(2,989)	(7,561)
FCFF	16,009	9,684	20,095	15,328
Opening Cash	3,061	3,282	8,100	8,666
Closing Cash	3,282	8,100	8,666	2,513

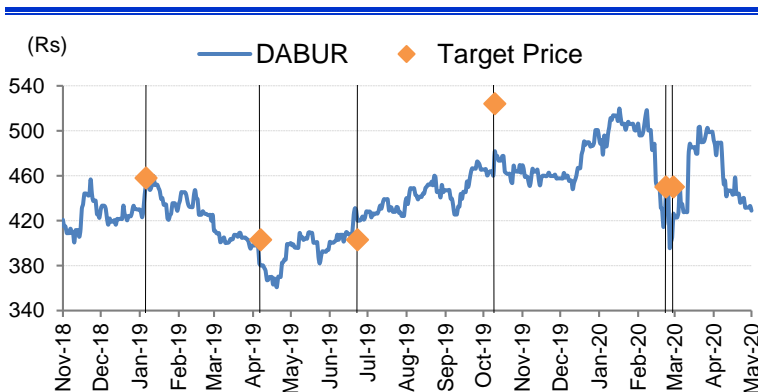
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-19	Reduce	458	452
May-19	Reduce	403	380
Jul-19	Reduce	403	420
Nov-19	Accumulate	524	481
Mar-20	Reduce	450	444
Mar-20	Reduce	450	426

*Price as on recommendation date

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