

Below Estimates due to Slowdown in economic activity and Supply Chain disruptions

CMP: Rs 492

Rating: HOLD

Target Price: Rs 515

Stock Info

BSE	500096
NSE	DABUR
Bloomberg	DABUR IN
Reuters	DABUR.NS
Sector	Personal care
Face Value (Rs)	1
Equity Capital (Rs Cr)	177
Mkt Cap (Rs cr)	86,939
52w H/L (Rs)	525/ 386
Avg Yearly Vol (in 000')	2597

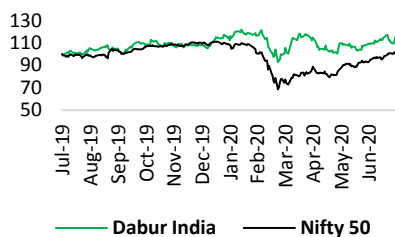
Shareholding Pattern %

(As on June, 2020)

Promoters	67.87
Public & Others	32.13

Stock Performance (%)	3m	6m	12m
Dabur	4.9	-1.0	16.3
Nifty	19.4	-5.17	0.15

Dabur Vs Nifty



Dabur India earnings were below our estimates on all fronts as Covid-19 pandemic disrupted the business performance of the company. Profit for the quarter de-grew by 6.1%YoY/+21.0% QoQ to Rs 341 Cr during Q1FY21. Consolidated revenue stood at Rs 1,980 cr ,below our estimates Rs 2,209 registering a degrowth 12.9%YoY/+6.1%QoQ. Reported EBITDA de-grew by 9.0%YoY/+18.2%QoQ to Rs 416 Cr, below our estimate of Rs 446 Cr, while EBITDA margin expanded by 90bps YoY/215bps QoQ.

Q1FY21 Segment Highlights

- Dabur Chyawanprash reported a growth of over 694% during the quarter, while Dabur Honitus grew by over 80% while Dabur Honey ended Q12020-21 with a growth of over 60%.
- The quarter saw Dabur introduce a record number of new products and variants anchored on the consumer need for Health, Immunity and Hygiene. The quarter saw new products record Sales of over Rs 100 Crore.
- The OTC Healthcare Business ended the quarter with a 34% growth while the Ayurvedic Ethicals business was up 11%.
- The Toothpaste Business, on the back of continued demand for Dabur Red Paste, ended the quarter with a nearly 3% growth.
- International Business reported a decline of 21.6%. Egypt recorded a decline of 26.1%.
- Namaste's US business reported strong 12.3% growth.
- MENA was impacted by Covid and macroeconomic headwinds.
- While Nepal business saw a decline of 53% on account of curfews in the country, Bangladesh saw a growth of 14%.

Valuations

At CMP of Rs 492, Dabur India currently trades at a FY20 P/E of 60x. We have lowered our revenue estimates owing to lower than expected sales and profitability in Q1FY21. Dabur has adopted an aggressive approach with launch of a slew of immunity boosters, Juices and Milkshake and Covid care products (Hand, Surface sanitizer, COVID kit and Veggies wash etc.) which will help to gain market share in certain extent.

We value Dabur at PE of 54x to its FY22E EPS of Rs 9.5, which yields a Target Price of Rs 515. **We maintain our recommendation to Hold on the stock.**

Financial Performance

YE March (Rs Cr)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	8,533	1,740	1,446	8.2	20.4%	25.7%	60.1
FY20	8,704	1,792	1,448	8.2	20.6%	21.9%	60.0
FY21E	8,803	1,777	1,494	8.5	20.2%	18.9%	58.2
FY22E	9,270	2,016	1,679	9.5	21.7%	18.3%	51.8

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Q1FY20 Financial Performance

Rs Cr (consolidated)	Q1FY21	Q4FY20	Q1FY20	Q-o-Q	Y-o-Y
Net Revenue	1,980	1,865	2,273	6.1%	-12.9%
Material Cost	1,002	950	1,148	5.5%	-12.7%
Employee cost	224	230	231	-2.7%	-3.3%
Other Expenses	338	333	437	1.4%	-22.6%
EBITDA	416	352	458	18.2%	-9.0%
<i>EBITDA margin %</i>	<i>21.0%</i>	<i>18.9%</i>	<i>20.1%</i>	<i>215bps</i>	<i>90bps</i>
Other Income	72	76	73	-5.3%	-2.0%
Depreciation	57	59	53	-3.6%	7.6%
EBIT	432	369	478	16.9%	-9.8%
Finance cost	8	9	15	-8.5%	-48.7%
Exceptional Item	-	-20	-20	-	-
PBT	424	341	443	24.4%	-4.3%
Tax Expense	83	59	79	40.7%	3.9%
Effective tax rate %	19.5%	17.2%	17.9%	226bps	154bps
PAT	341	282	363	21.0%	-6.1%
MI & Associates	-0	-1	-0		
Consolidated PAT	341	281	363	21.2%	-6.2%
<i>PAT margin %</i>	<i>17.2%</i>	<i>15.1%</i>	<i>16.0%</i>	<i>214bps</i>	<i>124bps</i>
EPS (Rs)	1.9	1.6	2.1	21.4%	-6.1%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Conference Call Highlights

Management stated that despite a challenging April, the quarter saw a nearly 7-fold growth in demand for Dabur Chyawanprash and an over 60% surge in demand for Dabur Honey. Dabur has significantly ramped up capacity with production now at near-normal levels and the business poised to deliver growth for the rest of the year.

Healthcare portfolio: Going forward, Company will also capitalize on the emerging tailwinds and distribution might to further strengthen position as a frontrunner in the Ayurvedic Healthcare and Hygiene products markets.

OTC business reported 34.4% on back of robust performance of Honitus, tulsi drop, Haldi drops, Ashwagandha tablets. Ethicals business was also performed very well reporting a 10.7% growth on back of strong demand for immunity boosting products, such as Dabur Ayush kwath, Giloy, ashwagandha, and would be an expansion of old range.

Recently launched product with a dabur sanitize, and the cleaning and disinfecting range on the dabur sanitize and dazzle brands posted strong performance. In fact, the newly launched dabur sanitized brand as registered a growth of 90 crores during the quarter.

HPC (Home and Personal Care): Toothpaste market share grew ~60bps, and the gain in market share was across the brands. Hair Oil category witnessed significant decline of -25.6% in Q1 FY21. In pure coco oils, market shares saw an increase of 20 bps and in perfumed oils, the market shares saw an increase of 40 bps. Market share in shampoo category increased by ~120 bps.

Foods: Food witness a decline of 14.4% in Q1FY21 is mainly on account of a sharp slowdown in J&N category showed a volume decline of 51.4%. However, real has increased market share by (~260bps). However, Company has entered Drinks category, launched Real Mango Drink in PET format and Real Apple Mini in INR 10 pack. Launched 4 variants of milkshakes under Real.

Three Structural change:

1. Pre season loading; by reducing the pipelines because it will reduce the pipeline we embarked on the country based sales monitoring system.
2. The Company is monitoring the secondary and maintaining a normal data entry and secondary translating into primary and this is a CRS that the company is implementing on system basically continuous replenishment model.
3. Company has upgraded drishti App.

Outlook: The Company is looking at cost optimization initiatives across the business which will help Dabur to manage profitability. Going forward, Management intends to drive business by staying focused on health and hygiene, driving innovation broadening playing market, focusing on e-commerce and modern besides spending and enhancing efficiency in the distribution network. These initiatives will be further, coupled with cost and cash flow management to ensure healthy margins.

Income Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
Revenues	8,533	8,704	8,803	9,270
Change (%)	10.5%	2.0%	1.1%	5.3%
Raw materials	4,309	4,360	4,477	4,699
Gross Profit	4,224	4,343	4,326	4,571
Employee costs	938	948	975	953
Other expenses	1,547	1,603	1,574	1,602
Total Expenses	6,793	6,911	7,026	7,254
EBITDA	1,740	1,792	1,777	2,016
Other Income	296	305	300	300
Depreciation	177	220	222	238
Interest	60	50	73	73
PBT	1,799	1,828	1,783	2,005
Extra-ordinary	75	100	0	0
PBT after ext-ord.	1,724	1,728	1,783	2,005
Tax	279	280	289	326
Rate (%)	16.2%	16.2%	16.2%	16.2%
PAT	1,445	1,448	1,494	1,679
Share of profit/(loss) of associates for the year	1	0	0	0
Consolidated PAT	1,446	1,448	1,494	1,679
Change (%)	6.8%	0.1%	3.2%	12.4%

Cash Flow Statement (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
PBT	1,799	1,828	1,783	2,005
Depreciation	177	220	222	238
Interest & others	-236	-256	-228	-228
Cash flow before WC changes	1,741	1,792	1,777	2,016
(Inc)/dec in working capital	-8	-157	-221	-100
Operating CF after WC changes	1,732	1,635	1,556	1,915
Less: Taxes	-279	-280	-289	-326
Operating cash flow	1,454	1,355	1,267	1,589
(Inc)/dec in F.A + CWIP	-28	-482	-399	-399
(Pur)/sale of investment	410	96	0	0
Cash flow from investing	382	-386	-399	-399
Free cash flow (FCF)	1,426	873	868	1,190
Loan raised/(repaid)	-305	-57	324	126
Equity raised	0	0	0	0
Interest & others	-1,088	-1,120	-1,234	-1,133
Dividend	-351	-283	-374	-420
Cash flow from financing activities	-1,814	-486	25	-167
Net inc/(dec) in cash	22	482	893	1,024
Opening balance of cash	306	328	811	1,704
Closing balance of cash	328	811	1,704	2,728

Balance Sheet (Rs Cr)

Year End-March	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	177	177	177	177
Reserves & Surplus	5,455	6,429	7,737	8,998
Net Worth	5,632	6,606	7,914	9,174
Loan Funds	524	467	791	917
MI, Deferred Tax & other liabilities	59	59	58	58
Capital Employed	6,215	7,131	8,763	10,149
Application of Funds				
Gross Block	2,828	3,332	3,731	4,130
Less: Depreciation	1,195	1,415	1,637	1,875
Net Block	1,600	1,917	2,094	2,255
CWIP	64	147	147	147
Other non current assets	502	954	954	954
Current tax assets	2	2	2	2
Net fixed assets	2,168	3,019	3,196	3,357
Investments	3,392	2,844	2,844	2,844
Debtors	834	814	965	1,041
Inventories	1,301	1,380	1,399	1,473
Cash & bank balance	328	811	1,704	2,728
Loans & advances & other CA	415	508	808	851
Total current assets	2,877	3,491	5,194	6,512
Current liabilities	2,032	1,994	2,243	2,337
Provisions	190	228	228	228
Net current assets	655	1,268	2,723	3,947
Total Assets	6,215	7,131	8,763	10,149

Key Ratios

Year End-March	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	8.2	8.2	8.5	9.5
CEPS	9.2	9.4	9.7	10.9
BVPS	31.9	37.4	44.8	51.9
DPS	2.0	1.6	2.1	2.4
Payout (%)	24.2%	19.5%	25.0%	25.0%
Valuation (x)				
P/E	60.1	60.0	58.2	51.8
P/CEPS	53.5	52.1	50.7	45.3
P/BV	15.4	13.2	11.0	9.5
EV/EBITDA	49.0	47.2	47.3	41.3
Dividend Yield (%)	0.4%	0.3%	0.4%	0.5%
Return ratio (%)				
EBIDTA Margin	20.4%	20.6%	20.2%	21.7%
PAT Margin	16.9%	16.6%	17.0%	18.1%
ROE	25.7%	21.9%	18.9%	18.3%
ROCE	25.1%	22.0%	17.8%	17.5%
Leverage Ratio (%)				
Total D/E	0.2	0.1	0.1	0.1
Net D/E	0.0	-0.1	-0.1	-0.2
Turnover Ratios				
Asset Turnover (x)	1.4	1.2	1.0	0.9
Inventory Days	56	58	58	58
Receivable Days	36	34	40	41
Payable days	95	93	93	92

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

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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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