

Dabur India

Refer to important disclosures at the end of this report

Healthcare and new launches driving better performance

CMP: Rs 492
as of (July 30, 2020)

TP: Rs 500 (▲)
12 months

Rating: HOLD (■)

Upside: 1.6 %



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- Dabur's Q1 sales/PAT declined 13%/11% and came in marginally below expectations on a 22% fall in the international business. The domestic business performed better, with 8% sales decline and 4% PAT growth on strong growth in the Healthcare segment.
- Cost reduction was better than peers with a 14% decline in domestic overheads. This, along with a 22% fall in ad spends, led to EBITDA growth with a 260bps margin gain. Cost efficiencies and lower competitive spends continue to offer a positive margin outlook.
- Strong demand for healthcare products, a significant acceleration in new product launches (6% of sales in Q1) to meet current consumer needs and some normalization seen in its discretionary portfolio should drive a faster recovery in the coming quarters, in our view.
- We like management's aggressive efforts and initiatives to drive recovery and growth, but await a better entry point as current valuations at 43x FY22E EPS restrict upsides. Maintain Hold with a revised TP of Rs500 (Rs465 earlier), based on 40x Sept-22E EPS.

Domestic performance was better led by Healthcare segment: The domestic business performed better, with sales and volume declines of 8% and 10%, respectively. Strong growth in Healthcare (up 29% yoy) was partially offset by the steep declines in Home & Personal Care/Foods (15%/35%). Health supplements grew 53% yoy, driven by Chyawanprash and Honey that saw market share gains of 600bps and 300bps, respectively. Within Personal Care, hair oils and home care declined sharply by 26% and 31%, respectively. The international business declined 22% due to weak performance in Nepal/MENA (down 53%/48%). New products contributed Rs1bn to sales (~6%). The recovery was good in June, with secondary sales growing 7-8%. It is continuing in July. This, along with Dabur's aggressive efforts, step-up in the pace of innovation, and distribution initiatives should drive a faster recovery, in our view.

Margin expansion to be driven by cost savings: Overall gross margins remained flat at 49.4% due to unfavorable country mix, while domestic gross margins expanded 130bps on pricing and mix. EBITDA margins expanded 90bps on a decline in ad spends/other overhead costs by 28%/18%. Going ahead, management remains positive on margin expansion with its cost-saving projects (Project Samridhi), driving ~Rs1-1.2bn of savings by achieving supply-chain efficiencies.

Await better entry point; Hold: We like management's aggressive efforts and initiatives to drive recovery and growth, but await a better entry point as most positives seem to have priced in at current valuations of 43x FY22E EPS. Maintain Hold with a revised TP of Rs500 (Rs465 earlier).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 8\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	85,331	87,036	90,867	1,03,486	1,14,354
EBITDA	17,396	17,924	20,759	24,578	27,730
EBITDA Margin (%)	20.4	20.6	22.8	23.7	24.2
APAT	15,177	15,450	17,446	20,340	23,077
EPS (Rs)	8.5	8.7	9.9	11.5	13.1
EPS (% chg)	9.4	2.8	12.9	16.6	13.5
ROE (%)	26.8	26.2	26.4	26.9	26.5
P/E (x)	57.8	56.3	49.8	42.7	37.7
EV/EBITDA (x)	49.6	48.0	41.1	34.3	30.0
P/BV (x)	15.4	14.1	12.4	10.7	9.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	0.7/2.8
Target Price change (%)	7.5
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	9.9	11.5
Consensus	9.1	10.5
Mean Consensus TP (12M)	Rs 472	

Stock Details

Bloomberg Code	DABUR IN
Face Value (Rs)	1
Shares outstanding (mn)	1,767
52 Week H/L	525 / 385
M Cap (Rs bn/USD bn)	869 / 11.61
Daily Avg Volume (nos.)	37,78,406
Daily Avg Turnover (US\$ mn)	23.3

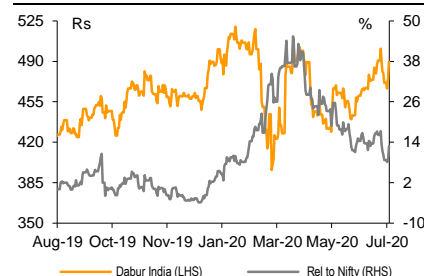
Shareholding Pattern Jun '20

Promoters	67.9%
FII's	17.6%
DII's	7.4%
Public and Others	7.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	1	3	16
Rel. to Nifty (2)	(11)	11	11	16

Relative price chart



Source: Bloomberg

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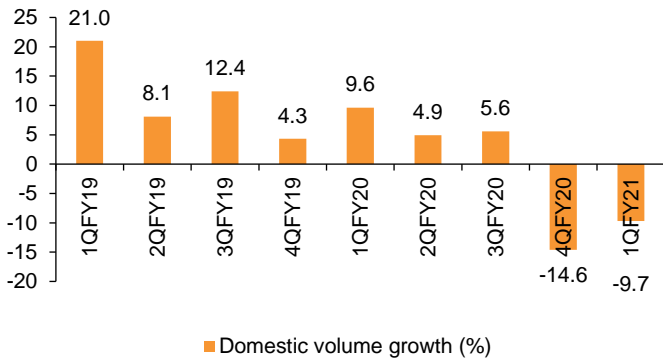
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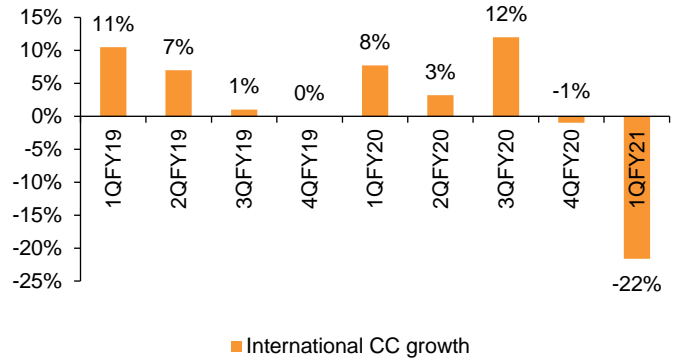
Story in Charts

Exhibit 1: Domestic volume decline of 10% due to lockdown in April



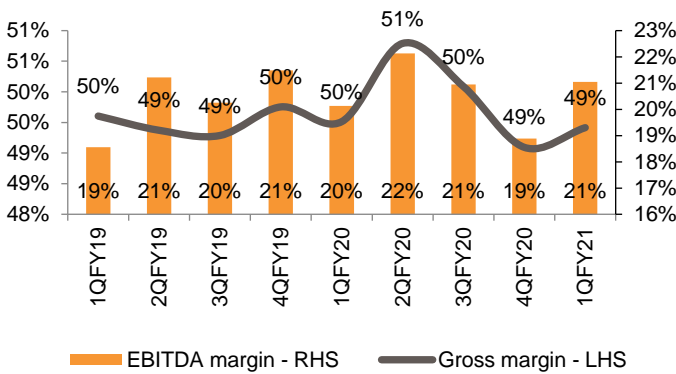
Source: Company, Emkay Research

Exhibit 2: International business suffered due to curfews in Nepal and MENA



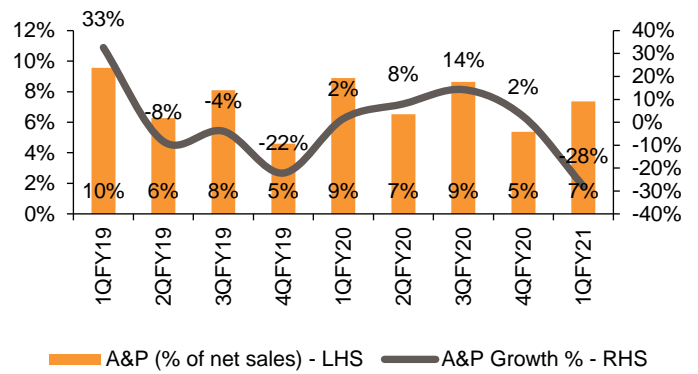
Source: Company, Emkay Research

Exhibit 3: Margin expansion remains limited due to unfavorable country mix



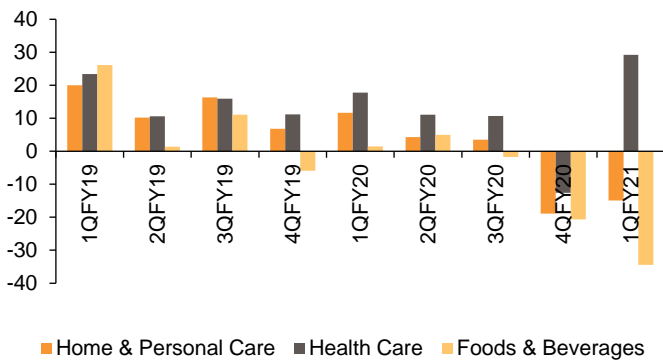
Source: Company, Emkay Research

Exhibit 4: A&P investments decline; trend may continue



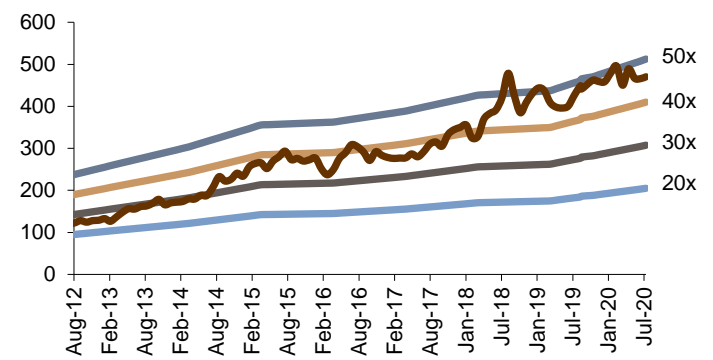
Source: Company, Emkay Research

Exhibit 5: Healthcare leads the way with Chyawanprash and Honey



Source: Company, Emkay Research

Exhibit 6: One-year forward P/E band chart



Source: Company, Emkay Research

Exhibit 7: Actual vs. Estimates (Q1FY21)

Rsmn	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues	19,800	20,460	19,676	-3.2%	0.6%	Domestic volume decline of 10%
EBITDA	4,166	4,307	4,017	-3.3%	3.7%	
EBITDA Margin (%)	21.0%	21.1%	20.4%	-1	63	28% cut in ad spends aid margin expansion
APAT	3,418	3,519	3,350	-2.9%	2.0%	

Source: Company, Emkay Research

Exhibit 8: Quarterly Performance (Consolidated)

Y/E, Mar (Rs mn)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ (%)
Revenue	22,733	22,120	23,530	18,654	19,800	-12.9	6.1
Expenditure	18,157	17,224	18,601	15,131	15,634	-13.9	3.3
Consumption of RM	11,477	10,885	11,745	9,496	10,016	-12.7	5.5
as % of sales	50.5%	49.2%	49.9%	50.9%	50.6%		
Employee Cost	2,314	2,415	2,448	2,301	2,238	-3.3	-2.7
as % of sales	10.2%	10.9%	10.4%	12.3%	11.3%		
Advertising & SP	2,021	1,442	2,035	1,002	1,456	-27.9	45.3
as % of sales	8.9%	6.5%	8.6%	5.4%	7.4%		
Other expenditure	2,344	2,482	2,374	2,332	1,924	-17.9	-17.5
as % of sales	10.3%	11.2%	10.1%	12.5%	9.7%		
EBITDA	4,576	4,895	4,929	3,523	4,166	-9.0	18.3
Depreciation	528	545	544	588	567	7.6	-3.6
EBIT	4,049	4,351	4,385	2,934	3,599	-11.1	22.6
Other Income	733	818	745	758	718	-2.0	-5.3
Interest	153	152	105	86	78	-48.7	-8.5
PBT	4,629	5,016	5,025	3,606	4,238	-8.4	17.5
Total Tax	794	582	835	587	825	3.9	40.7
Adjusted PAT	3,835	4,434	4,190	3,020	3,413	-11.0	13.0
(Profit)/loss from JV's/Ass/MI	4	5	13	8	-5		
APAT after MI	3,831	4,430	4,177	3,012	3,418	-10.8	13.5
Extra ordinary items	-200	-400	-200	-200	0		
Reported PAT	3,631	4,030	3,977	2,812	3,418	-5.9	21.6
Adjusted EPS	2.2	2.5	2.4	1.7	1.9	-10.8	13.5
Margins (%)						(bps)	(bps)
EBIDTA	20.1	22.1	20.9	18.9	21.0	90	220
EBIT	17.8	19.7	18.6	15.7	18.2	40	240
EBT	20.4	22.7	21.4	19.3	21.4	100	210
PAT	16.9	20.0	17.8	16.1	17.3	40	110
Effective Tax rate	17.2	11.6	16.6	16.3	19.5	230	320

Source: Company, Emkay Research

Exhibit 9: Revision in estimates

Y/E, Mar (Rs mn)	FY21E			FY22E			FY23E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	90,512	90,867	0.4	1,01,623	1,03,486	1.8	1,12,291	1,14,354	1.8
EBITDA	20,607	20,759	0.7	23786.0	24,578	3.3	26854.0	27,730	3.3
EBITDA Margin (%)	22.8	22.8	0 bps	23.4	23.7	30 bps	23.9	24.2	30 bps
APAT	17,322	17,446	0.7	19707.0	20,340	3.2	22376.0	23,077	3.1
EPS	9.8	9.9	0.7	11.2	11.5	2.8	12.7	13.1	2.8

Source: Company, Emkay Research

Exhibit 10: Revenue assumptions

	FY19	FY20	FY21E	FY22E	FY23E
Domestic Revenue Growth	13%	1%	5%	15%	11%
International Revenue Growth	6%	5%	5%	12%	10%
Total Revenue (Rs mn)	85,304	87,028	91,182	1,03,844	1,14,749
Total revenue growth	11%	2%	5%	14%	11%

Source: Company, Emkay Research

Exhibit 11: Relative valuation

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Asian Paints	1,743	1,672	Hold	1,670	29.0	37.1	42.1	60.1	47.0	41.4	37.7	30.2	26.6
Berger Paints	526	511	Sell	430	7.6	9.5	11.1	69.3	55.3	47.5	42.9	35.0	30.0
Britannia	3,806	916	Buy	4,500	82.6	89.0	102.7	46.1	42.8	37.1	35.5	33.2	28.9
Colgate	1,434	390	Buy	1,590	31.9	36.3	40.7	44.9	39.5	35.3	28.9	25.7	23.0
Dabur	492	869	Hold	500	9.9	11.5	13.1	49.8	42.7	37.7	41.1	34.3	30.0
Emami	239	106	Hold	240	10.9	12.1	13.4	21.9	19.7	17.9	14.2	12.4	10.9
GCPL	683	698	Hold	600	15.6	17.6	19.9	43.7	38.8	34.3	30.2	27.0	24.0
HUL	2,196	5,155	Hold	2,300	36.3	44.5	51.8	60.5	49.3	42.4	42.6	34.8	29.9
ITC	193	2,378	Buy	255	10.6	13.2	14.6	18.3	14.7	13.2	13.6	10.7	9.6
Marico	365	471	Hold	350	8.8	9.9	11.0	41.3	36.8	33.2	29.0	25.8	23.2
Nestle	16,532	1,594	Sell	15,600	235.7	275.9	315.8	70.1	59.9	52.3	49.9	43.1	38.0
Pidilite	1,349	685	Sell	1,170	23.6	27.4	31.0	57.0	49.3	43.5	40.4	34.9	30.7
Radico Khaitan	367	49	Buy	500	18.7	22.7	26.5	19.7	16.2	13.9	12.1	10.2	8.6
United Breweries	965	255	Buy	1,160	11.8	22.8	27.9	81.7	42.4	34.6	34.0	22.1	18.7
United Spirits	576	418	Buy	640	9.0	14.7	17.2	63.8	39.3	33.5	35.7	24.5	21.4

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	85,331	87,036	90,867	1,03,486	1,14,354
Expenditure	67,935	69,112	70,108	78,908	86,623
EBITDA	17,396	17,924	20,759	24,578	27,730
Depreciation	1,769	2,205	2,350	2,423	2,606
EBIT	15,627	15,719	18,409	22,155	25,125
Other Income	2,962	3,053	3,358	3,761	4,213
Interest expenses	596	495	500	500	500
PBT	17,993	18,277	21,267	25,416	28,837
Tax	2,786	2,797	3,828	5,083	5,767
Extraordinary Items	(753)	(1,000)	0	0	0
Minority Int./Income from Assoc.	49	30	(7)	(7)	(7)
Reported Net Income	14,423	14,450	17,446	20,340	23,077
Adjusted PAT	15,177	15,450	17,446	20,340	23,077

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,766	1,766	1,766	1,766	1,766
Reserves & surplus	54,551	60,005	68,616	79,237	91,270
Net worth	56,317	61,771	70,382	81,003	93,036
Minority Interest	314	314	314	314	314
Loan Funds	5,243	5,243	5,243	5,243	5,243
Net deferred tax liability	716	716	716	716	716
Total Liabilities	62,589	68,044	76,654	87,275	99,308
Net block	19,691	21,596	22,247	22,824	23,219
Investment	33,588	33,588	33,588	33,588	33,588
Current Assets	30,429	32,117	40,481	53,428	67,586
Cash & bank balance	3,282	6,583	14,683	24,101	35,218
Other Current Assets	4,479	400	394	405	414
Current liabilities & Provision	21,755	20,722	21,126	24,029	26,548
Net current assets	8,673	11,395	19,355	29,399	41,037
Misc. exp	0	0	0	0	0
Total Assets	62,589	68,044	76,654	87,275	99,308

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	15,031	15,224	17,909	21,655	24,625
Other Non-Cash items	0	0	0	0	0
Chg in working cap	220	580	139	(626)	(521)
Operating Cashflow	17,009	17,730	20,435	22,637	25,662
Capital expenditure	(1,401)	(4,938)	(3,000)	(3,000)	(3,000)
Free Cash Flow	15,608	12,792	17,435	19,637	22,662
Investments	4,464	0	0	0	0
Other Investing Cash Flow	(2,962)	(3,053)	(3,358)	(3,761)	(4,213)
Investing Cashflow	3,063	(4,938)	(3,000)	(3,000)	(3,000)
Equity Capital Raised	5	0	0	0	0
Loans Taken / (Repaid)	(4,132)	0	0	0	0
Dividend paid (incl tax)	(15,944)	(8,995)	(8,836)	(9,719)	(11,044)
Other Financing Cash Flow	816	0	0	0	0
Financing Cashflow	(19,851)	(9,491)	(9,336)	(10,219)	(11,544)
Net chg in cash	221	3,302	8,100	9,418	11,118
Opening cash position	3,061	3,282	6,583	14,683	24,101
Closing cash position	3,282	6,583	14,683	24,101	35,218

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	20.4	20.6	22.8	23.7	24.2
EBIT Margin	18.3	18.1	20.3	21.4	22.0
Effective Tax Rate	15.5	15.3	18.0	20.0	20.0
Net Margin	17.8	17.8	19.2	19.6	20.2
ROCE	28.4	28.7	30.1	31.6	31.4
ROE	26.8	26.2	26.4	26.9	26.5
RoIC	60.4	61.1	69.0	80.5	87.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	8.5	8.7	9.9	11.5	13.1
CEPS	9.6	10.0	11.2	12.9	14.5
BVPS	31.9	35.0	39.8	45.8	52.6
DPS	7.5	4.5	5.0	5.5	6.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	57.8	56.3	49.8	42.7	37.7
P/CEPS	51.3	49.2	43.9	38.2	33.8
P/BV	15.4	14.1	12.4	10.7	9.3
EV / Sales	10.2	9.9	9.4	8.1	7.3
EV / EBITDA	49.6	48.0	41.1	34.3	30.0
Dividend Yield (%)	1.5	0.9	1.0	1.1	1.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.3)	(0.5)	(0.8)	(1.1)	(1.3)
Working Cap Cycle (days)	23.1	20.2	18.8	18.7	18.6

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	10.5	2.0	4.4	13.9	10.5
EBITDA	7.6	3.0	15.8	18.4	12.8
EBIT	7.4	0.6	17.1	20.3	13.4
PAT	6.2	0.2	20.7	16.6	13.5

Quarterly (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue	22,733	22,120	23,530	18,654	19,800
EBITDA	4,576	4,895	4,929	3,523	4,166
EBITDA Margin (%)	20.1	22.1	20.9	18.9	21.0
PAT	3,628	4,028	3,979	2,816	3,418
EPS (Rs)	2.1	2.3	2.3	1.6	1.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	67.9	67.9	67.9	67.9	67.9
FIIIs	17.8	17.6	17.5	17.4	17.6
DIIIs	7.0	7.7	7.7	7.6	7.4
Public and Others	7.3	6.7	6.9	7.1	7.1

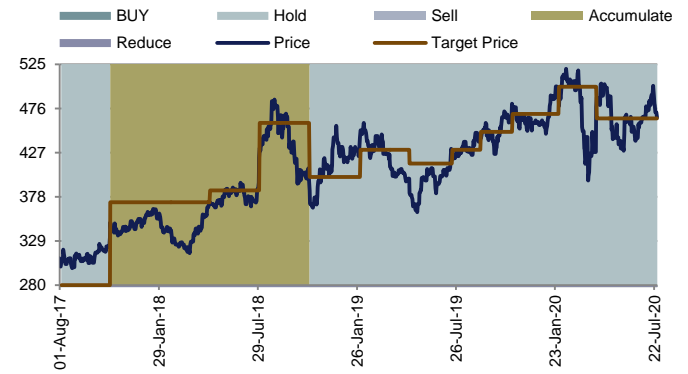
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-May-20	429	465	12m	Hold	Ashit Desai
14-Apr-20	480	465	12m	Hold	Ashit Desai
08-Apr-20	488	465	12m	Hold	Ashit Desai
30-Jan-20	479	500	12m	Hold	Ashit Desai
25-Dec-19	458	470	12m	Hold	Ashit Desai
06-Nov-19	477	470	12m	Hold	Ashit Desai
20-Sep-19	446	450	12m	Hold	Ashit Desai
09-Sep-19	444	450	12m	Hold	Ashit Desai
19-Jul-19	420	430	12m	Hold	Ashit Desai
25-Jun-19	394	415	12m	Hold	Ashit Desai
02-May-19	382	415	12m	Hold	Ashit Desai
09-Apr-19	404	430	12m	Hold	Ashit Desai
01-Feb-19	452	430	12m	Hold	Ashit Desai
31-Oct-18	385	400	12m	Hold	Ashit Desai
01-Aug-18	432	460	12m	Accumulate	Ashit Desai
02-May-18	372	385	12m	Accumulate	Ashit Desai
01-Nov-17	350	372	12m	Accumulate	Amit Purohit
04-Aug-17	307	280	12m	Hold	Amit Purohit

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Consumer Goods & Retail	12.75	12.75	0%	0	100.00
Asian Paints	1.31	0.58	-56%	-73	4.53
Berger Paints	0.21	0.00	-100%	-21	0.00
Britannia Industries	0.75	1.37	84%	62	10.74
Colgate-Palmolive	0.32	0.49	53%	17	3.88
Dabur India	0.46	0.38	-17%	-8	3.01
Emami	0.09	0.00	-100%	-9	0.00
Godrej Consumer Products	0.43	0.00	-100%	-43	0.00
Hindustan Unilever	3.33	2.76	-17%	-57	21.64
ITC	2.80	3.37	20%	57	26.46
Marico	0.31	0.27	-12%	-4	2.15
Nestle India	0.99	0.67	-32%	-32	5.25
Pidilite Industries	0.35	0.00	-100%	-35	0.00
Radico Khaitan	0.00	0.28	NA	28	2.21
United Breweries	0.11	0.46	319%	35	3.63
United Spirits	0.00	0.37	NA	37	2.88
Varun Beverages	0.10	0.34	238%	24	2.67
ABFRL	0.07	0.23	242%	16	1.78
Jubilant FoodWorks	0.21	0.25	17%	4	1.93
Page Industries	0.19	0.00	-100%	-19	0.00
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.72	0.92	28%	20	7.25
Cash	0.00	0.00	NA	0	0.0

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

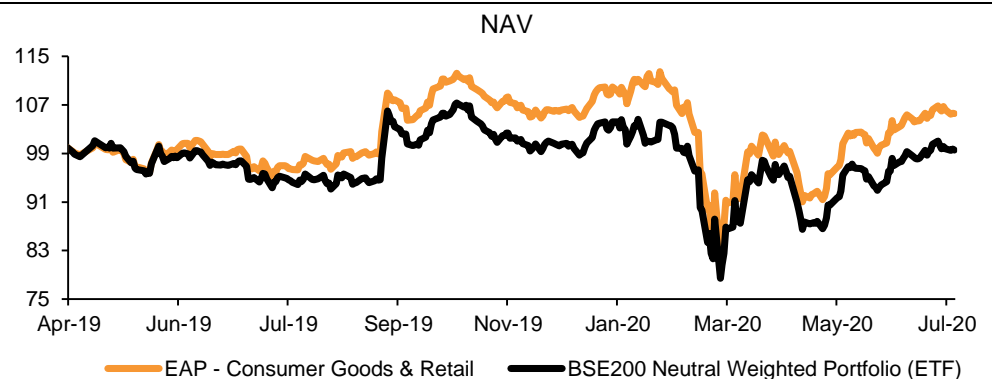
Sector portfolio NAV

	Base					Latest
	1-Apr-19	27-Oct-19	29-Jan-20	29-Apr-20	29-Jun-20	29-Jul-20
EAP - Consumer Goods & Retail	100.0	111.0	109.9	99.1	103.4	105.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	105.4	104.6	95.0	97.6	99.6

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 31 Jul 2020 02:45:13 (SGT)

Dissemination Date: 31 Jul 2020 02:46:13 (SGT)

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