

Super aggressive new launches...

Dabur India's (DIL) revenue fell 12.9% with domestic business reporting resilient numbers with mere 8.4% decline in sales despite manufacturing & supply chain disruptions for most of April. Domestic volumes fell 9.7%. International business saw a steep decline of 21.6% given MENA & Nepal business were impacted by Covid-19 & macro headwinds. The strong growth of 29.2% in healthcare was aided by Chyawanprash & Honey with 700% & 69% growth (on low base considering its off season). Further OTC & ethical portfolio witnessed growth of 34.4% & 10.7%, respectively, driven by new launches. Home & personal care (HPC) segment saw a steep decline of 14.9% impacted by hair oils, home & skincare products. The manufacturing operations for non-essentials only started in April end & demand conditions for HPC segment was also static. However, oral care segment saw growth of 1.4% led by 8.1% growth in Red toothpaste. Foods business saw a 34.4% sales decline with Juices & Nectar seeing 51.4% volume dip. Operating margins expanded 90 bps to 21% with stable gross margins & 150 bps dip in A&P spends. Net profit dipped 6.2%.

New growth mantras: health & hygiene

The sanitisers & disinfectants space generated ₹ 90 crore of sales in Q1 with several new products being launched. We believe the opportunity in immunity boosting products is more structural & leadership position in Chyawanprash & Honey is advantage for DIL. It gained market share in both segments by 600 bps & 300 bps, respectively, in Q1. Though growth rates in hygiene category may taper down in few quarters, the category is here to stay given consumer habit change for hygiene would continue to grow the category at a certain pace.

Extensive new launches across categories

DIL utilised disruptive quarter with launch of more than 50 new products & variants across categories. Most (Honey variants, Ayush Kwath Kaada, Amla, Aelo Vera Juice, entire range of sanitisers, disinfectants among several others) were leveraging opportunity created by Covid-19 with strong consumer demand for immunity boosting & hygiene products. Despite unfavourable demand conditions in food category, DIL launched milk based beverages & Real mango drinks (much bigger opportunity in ~₹ 7500 crore fruit drinks category). Even in oral care two new products (Dabur Clove, Dant Rakshak) seem to be in direct competition with HUL's Ayush. We see new launches in each category having potential to drive growth taking off burden from saturated categories (hair oils, juices & nectar, home care, skin care).

Valuation & Outlook

The current crisis has certainly created new opportunities for DIL and it seems to be in best position to leverage the opportunity by aggressive product developments. We see more than 50% of sales generating categories on high growth path either with strong consumer demand or high opportunity size. We expect 16% revenue growth in FY22 after flat growth in FY21. Moreover, we estimate stable margins, earning CAGR of 11.9% in FY20-22E. We maintain **BUY** rating with a revised target price of ₹ 565.

Key Financial Summary

Key Financials	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	7748.3	8533.1	8703.6	8789.5	10189.2	8.2%
EBITDA	1617.4	1739.6	1792.4	1830.5	2137.8	9.2%
EBITDA Margin %	20.9	20.4	20.6	20.8	21.0	
Net Profit	1357.7	1446.3	1447.9	1557.2	1812.1	11.9%
EPS (₹)	7.71	8.19	8.19	8.81	10.25	
P/E	64.0	60.2	60.2	55.9	48.1	
RoNW %	23.8	25.7	21.9	20.9	21.4	
RoCE (%)	26.2	29.6	26.1	24.0	24.7	

Source: Company, ICICI Direct Research



Particulars

Particular (₹ crore)	Amount
Market Capitalization	86,595.5
Total Debt (FY20)	471.8
Cash and Investments (FY20)	3,611.6
EV	83,455.6
52 week H/L (₹)	505 / 358
Equity capital	176.6
Face value (₹)	1.0

Key Highlights

- Revenues fell 12.9% impacted by 8.4% sales dip in domestic business & 21.6% decline in international business
- Healthcare category witnessed growth of 29.2% whereas home & personal care & foods saw steep decline of 14.9% & 34.4%, respectively
- Maintain BUY with revised target price of ₹ 565 (earlier ₹ 520/ share)

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Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Net Sales	1,980.0	1,887.6	2,273.3	-12.9	1,865.4	6.1	Net sales witnessed a de-growth of 12.9% impacted by 8.4% dip in domestic sales & 24.2% decline in subsidiary sales (largely international business)
Raw Material Expenses	1,001.6	945.7	1,147.7	-12.7	949.6	5.5	The company maintained its gross margins with stable commodity prices
Employee Expenses	223.8	234.1	231.4	-3.3	230.1	-2.7	
SG&A Expenses	145.6	141.5	202.1	-27.9	100.2	45.3	A&P spends were lower by 150 bps as company cut the media spends in April during lockdown
Other operating Expenses	192.4	209.1	234.4	-17.9	233.2	-17.5	
EBITDA	416.6	357.2	457.6	-9.0	352.3	18.3	Operating margins perked up by 90 bps aided by lower A&P spends
EBITDA Margin (%)	21.0	18.9	20.1	91 bps	18.9	216 bps	
Depreciation	56.7	53.3	52.8	7.6	58.8	-3.6	
Interest	7.8	15.7	15.3	-48.7	8.6	-8.5	
Other Income	71.8	74.0	73.3	-2.0	75.8	-5.3	
Exceptional items	0.0	0.0	20.0	N.A.	20.0	N.A.	
PBT	423.8	362.3	442.9	-4.3	340.6	24.4	
Tax Outgo	82.5	76.1	79.4	3.9	58.7	40.7	
PAT	341.3	286.2	363.8	-6.2	282.0	21.0	Net profit witnessed a de-growth of 6.2%

Key Metrics YoY growth (%)							
Domestic Volume Growth	-9.7		9.6		-14.6		The steep volume decline mainly due to foods category , which generate large sales in Q1. The growth impacted with out of home consumption is halted
Standalone sales growth	-8.4		10.5		-17.3		
Subsidiary's sales growth	-24.2		6.2		2.7		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY21E			FY22E			Comments
	Old	New	% change	Old	New	% change	
Sales	8,759.8	8,789.5	0.3	10,153.7	10,189.2	0.3	No change in estimates
EBITDA	1823.6	1830.5	0.4	2129.4	2137.8	0.4	
EBITDA Margin (%)	20.8	20.8	1 bps	21.0	21.0	1 bps	
PAT	1556.2	1557.2	0.1	1814.7	1812.1	-0.1	
EPS (₹)	8.8	8.8	0.1	10.3	10.3	-0.1	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier			Comments
	FY18	FY19	FY20	FY21E	FY22E	FY21E	FY22E	
Std. Sales (₹ crore)	5,609.1	6,273.2	6,309.8	6,389.4	7,549.1	6,359.7	7,513.6	No major change in estimates
Subs. Sales (₹ crore)	2,139.3	2,259.9	2,393.8	2,400.1	2,640.1	2,400.1	2,640.1	
RM exp. To sales %	49.6	50.5	50.1	49.8	49.7	49.8	49.7	
Adex to sales %	7.8	7.1	8.0	8.0	7.8	8.0	7.8	
Interest Cost (₹ crore)	53.1	59.6	49.5	38.9	40.2	38.9	40.2	

Source: Company, ICICI Direct Research

Conference Call Highlights

- DIL reported 12.9% revenue de-growth with 8.4% sales decline in domestic business & 21.6% dip in international business sale. Domestic volumes declined by 9.7%
- Healthcare category witnessed strong growth of 29.2% with Chyawanprash & Honey growing at 700% & 69%, respectively. The high growth is mainly due to low base given it is off season for both the categories. The competitive intensity is low in this category despite two new brands by competition has been introduced during this quarter. Within healthcare new product sales was ₹ 50 crore in Q1
- The secondary sales growth in June was 7%. The growth trends in July are similar in mid-single digit. This is despite out of home product sales continues to remain impacted
- HPC category witnessed a 14.9% sales decline impacted by 25.6% dip in hair oils, 30.5% dip in home care, 12.5% decline in skin care & 9.3% decline in shampoos. Hair oils category declined sharply as manufacturing operations started only in the later part of April. The category also saw down trading trends
- Within HPC Oral care category witnessed growth of 1.4% with Red toothpaste growing at 8.1%. It gained market share by 60 bps in toothpaste category
- Foods category saw a steep decline of 36.2% with Juices & Nectar volumes declined by 51.4% during the quarter. The culinary sales witnessed growth of 5.9%
- International business witnessed a sharp decline of 21.6% with MENA region, Egypt & Nepal saw a sales decline of 47.6%, 53% & 26.1% respectively. However Turkey (Hobi), Namaste (US) & Bangladesh business saw a sharp growth 33.5%, 12.3% & 14.0%, respectively
- Trade pipeline, which used to be 21-22 days, has come down to 16 days. This is a clear sign that June growth has not come from additional trade inventory refilling. Trade inventory levels can still be rationalised by four to five days as & when SKUs availability increased from 75% to 90%
- Within channels, GT has recovered but modern trade is still suffering with many stores within malls still remained closed. Ecommerce channel is growing at a rapid pace. Moreover, the channel profitability has increased with the elimination of stockist
- The company has been taking cost saving measures through project 'Samruddhi' considering all cost rationalisation aspects & It is expected to save ₹ 100-120 crore through these measures which can be re-deployed for brand building of new products
- The company launched more than 50 new products & variants across categories. In healthcare, it introduced two new variants in honey, 'Dabur Ayush Kwath Kadha', 'Amla Juice', 'Aelo Vera juice', 'Giloy neem tulsi juice' among several other immunity boosting products. In HPC, it introduced Dabur Clove & Dant Rakshak in toothpaste & entire range of sanitizers & disinfectants. In foods category, It launched Real milk shakes, Real mango drink & entire range of Homemade pickles & chutneys
- Operating margins expanded 90 bps with stable gross margins & 150 bps dip in A&P spends. The company saw agri commodity inflation of 3% during the quarter. With crude based packaging cost coming down, gross margins should see an uptick in coming quarters. Moreover, saving from project 'Samruddhi' would aid operating margins

Key Metrics

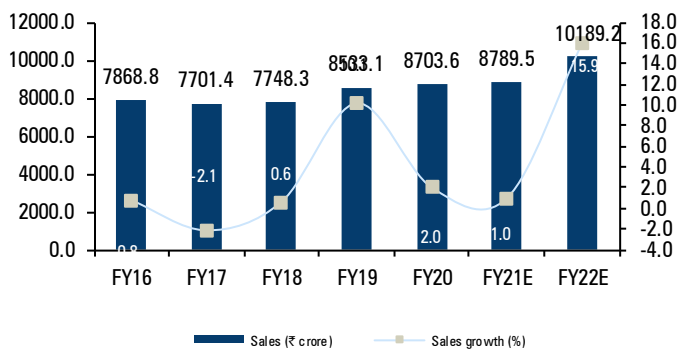
Exhibit 4: Category wise revenue growth in percentage (YoY)

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Hair Care	-11.0	2.3*	16.7*	8.8*	18.8*	11.1*	24*	3*	12.1*	2.6*	0.4*	-20.2	-22.9
Oral Care	1.5	22.8	23.0	11.0	17.3	3.9	10.0	8.2	11.4	4.4	8.5	-15.8	1.4
Health Supp.	-7.0	3.0	19.5	14.0	27.5	12.3	13.8	10.2	19.6	14.4	12.2	-9.5	52.6
Digestives	4.0	11.7	19.3	7.2	21.6	10.8	22.5	11.9	18.2	10.2	15.9	-9.5	-11.5
Skin Care	4.0	15.8	14.5	8.5	27.1	11.9	19.3	11.2	12.1	1.0	-0.3	-24.2	-12.5
Home Care	6.2	10.1	36.0	N.A.	17.4	10.9	8.9	16.2	10.9	7.0	2.5	-20.6	-30.5
Foods	-8.3	11.7	0.0	-1.5	N.A.	2.3	11.1	-6.5	1.5	-5.0	-1.7	-18.4	-34.4
OTC	NA	NA	NA	7.8	13.3	10.0	17.7	16.6	13.1	4.2	5.5	-20.6	34.4
Ethicals	NA	NA	NA	10.3	23.4	6.1	17.4	9.7	15.9	7.2	2.7	-20.6	10.7

Source: Company, ICICI Direct Research

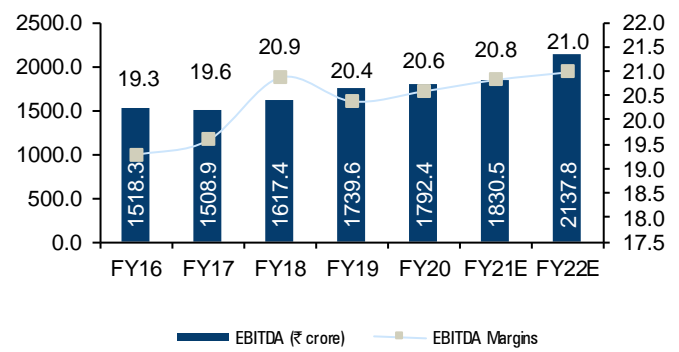
* Hair care included Shampoo

Exhibit 5: Revenue growth to recover in FY22E



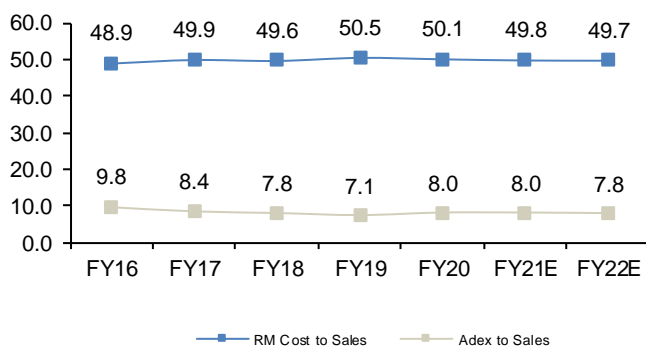
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA margin to remain stable



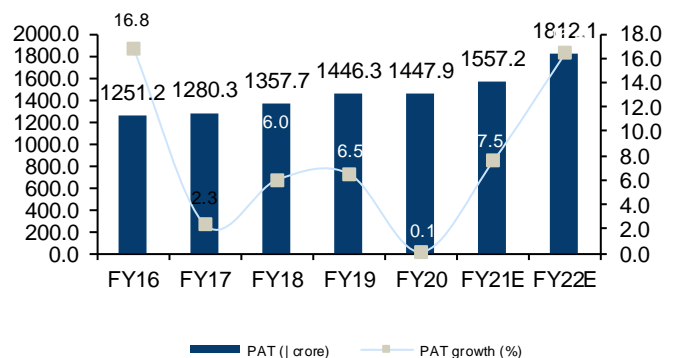
Source: ICICI Direct Research, Company

Exhibit 7: Raw material and adex trend over years



Source: Company, ICICI Direct Research

Exhibit 8: PAT growth trend



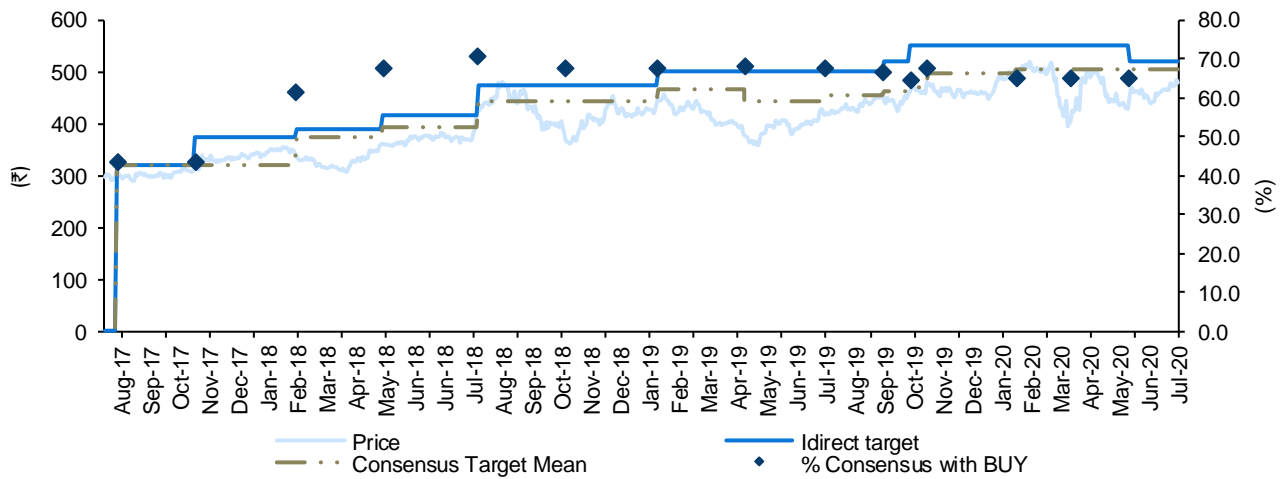
Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY19	8533.1	10.1	8.2	6.2	60.2	50.1	25.7	29.6
FY20	8703.6	2.0	8.2	0.1	60.2	48.0	21.9	26.1
FY21E	8789.5	1.0	8.8	7.5	55.9	46.9	20.9	24.0
FY22E	10189.2	15.9	10.3	16.4	48.1	40.0	21.4	24.7

Source: Company, ICICI Direct Research

Exhibit 10: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 11: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change (m)
1	Chowdhary Associates	31-Mar-20	12.3	217.9	0.0
2	Vic Enterprises Pvt	31-Mar-20	12.3	217.7	0.0
3	Gyan Enterprises Pvt	31-Mar-20	11.4	202.2	0.0
4	Puran Associates Pvt	31-Mar-20	10.7	189.2	0.0
5	Ratna Commercial Ent	31-Mar-20	8.9	157.7	0.0
6	Milky Invest & Tradi	31-Mar-20	6.0	106.1	0.0
7	Burmans Finvest Pvt	30-Jun-19	3.0	53.0	0.0
8	Life Insurance Corp	31-Mar-20	2.6	45.3	-3.2
9	First State Investme	31-Dec-19	1.7	30.1	-2.2
10	M B Finmart Pvt Ltd	31-Mar-20	1.5	26.5	0.0

Source: Reuters, ICICI Direct Research

Exhibit 12: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	67.9	67.9	67.9	67.9	67.9
FII	17.8	17.6	17.5	17.4	17.6
DII	7.0	7.8	7.7	7.6	7.4
Others	7.3	6.7	6.9	7.1	7.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Net Sales	8,533.1	8,703.6	8,789.5	10,189.2
Growth (%)	10.1	2.0	1.0	15.9
Raw Material Expenses	4,309.0	4,360.2	4,374.9	5,065.9
Employee Expenses	937.9	947.7	905.3	1,049.5
Marketing Expenses	608.3	650.0	703.2	794.8
Administrative Expenses	560.2	0.0	659.2	754.0
Other expenses	378.0	953.3	316.4	387.2
Total Operating Expenditure	6,793.5	6,911.2	6,959.0	8,051.4
EBITDA	1,739.6	1,792.4	1,830.5	2,137.8
Growth (%)	7.6	3.0	2.1	16.8
Depreciation	176.9	220.5	226.9	241.3
Interest	59.6	49.5	38.9	40.2
Other Income	296.2	305.3	311.4	327.0
PBT	1,723.9	1,727.7	1,876.1	2,183.3
Others	75.3	100.0	0.0	0.0
Total Tax	278.6	279.7	318.9	371.2
PAT	1,446.3	1,447.9	1,557.2	1,812.1
Growth (%)	6.5	0.1	7.5	16.4
Adjusted EPS (₹)	8.2	8.2	8.8	10.3

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit before Tax	1,724.9	1,727.6	1,876.1	2,183.3
Add: Depreciation	176.9	220.5	226.9	241.3
(Inc)/dec in Current Assets	-127.1	-157.2	-323.4	-713.9
Inc/(dec) in CL and Provisions	45.1	99.3	87.2	317.2
Others	-384.6	-276.5	-280.1	-331.0
CF from operating activities	1,435.2	1,613.6	1,586.8	1,696.8
(Inc)/dec in Investments	317.5	-364.6	-350.0	-350.0
(Inc)/dec in Fixed Assets	-225.0	-400.5	-270.0	-270.0
Others	244.4	248.2	0.0	0.0
CF from investing activities	336.9	-516.8	-620.0	-620.0
Issue/(Buy back) of Equity	0.5	0.1	0.0	0.0
Inc/(dec) in loan funds	-240.2	-396.8	-150.0	-50.0
Dividend paid & dividend tax	-1,324.7	-512.5	-706.8	-795.2
Others	-323.8	-133.8	-38.9	-40.2
CF from financing activities	-1,888.2	-1,043.0	-895.7	-885.4
Net Cash flow	-52.2	53.8	71.1	191.4
Opening Cash	89.2	37.7	91.5	162.6
Miscellaneous adjustments	290.4	719.8	719.8	719.8
Closing Cash	328.2	811.4	882.4	1,073.9

*calculated, Source: Company, ICICI Direct Research

Exhibit 15: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	176.6	176.7	176.7	176.7
Reserve and Surplus	5,455.0	6,429.0	7,279.4	8,296.3
Total Shareholders funds	5,631.7	6,605.8	7,456.1	8,473.0
Long Term Loans	30.6	167.6	67.6	67.6
Long Term Provisions	23.1	17.4	17.4	17.4
Minority Interest / Others	90.9	99.4	99.4	99.4
Total Liabilities	5,776.3	6,890.1	7,640.5	8,657.4
Assets				
Gross Block	3,224.6	3,696.5	3,946.5	4,196.5
Less: Acc Depreciation	1,223.4	1,443.8	1,670.8	1,912.1
Net Block	1,969.1	2,252.7	2,275.8	2,284.5
Capital WIP	63.8	146.6	166.6	186.6
Non- Current Investments	2,633.4	1,409.2	1,709.2	2,009.2
LT loans & advances	17.6	24.6	74.6	124.6
Other Non-current Assets	166.7	640.6	690.6	740.6
Current Assets				
Inventory	1,300.5	1,379.6	1,318.4	1,528.4
Debtors	833.6	813.9	830.1	962.3
Cash & Bank	328.2	811.4	882.4	1073.9
ST Loans & Advances	11.0	13.1	11.4	13.2
Other Current Assets	1,112.9	1,862.4	2,232.4	2,602.4
Current Liabilities				
Creditors	1,455.4	1,482.2	1,489.3	1,726.5
ST Borrowings	498.2	304.2	324.2	344.2
Other CL	706.7	677.5	737.5	797.5
Net Current Assets	925.9	2,416.4	2,723.6	3,311.9
Miscellaneous Expenditure	0.0	0.0	0.0	0.0
Total Assets	5,776.3	6,890.1	7,640.5	8,657.4

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Adjusted EPS	8.2	8.2	8.8	10.3
Cash EPS	9.2	9.4	10.1	11.6
BV	31.9	37.4	42.2	47.9
DPS	7.5	2.9	4.0	4.5
Cash Per Share	1.9	4.6	5.0	6.1
Operating Ratios (%)				
PBITDA Margin	20.4	20.6	20.8	21.0
PBT / Total Operating income	17.6	17.5	17.8	18.2
PAT Margin	16.9	16.6	17.7	17.8
Inventory days	55	54	54	54
Debtor days	35	34	34	34
Creditor days	61	62	61	61
Return Ratios (%)				
RoE	25.7	21.9	20.9	21.4
RoCE	29.6	26.1	24.0	24.7
RoIC	27.3	28.2	26.1	27.6
Valuation Ratios (x)				
P/E	60.2	60.2	55.9	48.1
EV / EBITDA	50.1	48.0	46.9	40.0
EV / Net Sales	10.2	9.9	9.8	8.4
Market Cap / Sales	10.2	10.0	9.9	8.6
Price to Book Value	15.5	13.2	11.7	10.3
Solvency Ratios				
Debt/EBITDA	0.3	0.3	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.0
Current Ratio	1.5	1.9	2.0	2.0
Quick Ratio	0.9	1.2	1.4	1.4

Source: Company, ICICI Direct Research

Exhibit 17: ICICI Direct coverage universe (FMCG)

Sector / Company	CMP	TP	M Cap	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY21E	FY20	FY21E	FY22E	FY20	FY21E
Colgate (COLPAL)	1,434	1,540	Hold	39,377	30.0	31.0	34.3	47.8	46.3	41.8	8.8	8.6	7.8	60.7	68.0	76.0	51.2	52.1	58.3
Dabur India (DABIND)	493	565	Buy	87,118	8.2	8.8	10.3	60.1	55.9	48.0	10.0	9.9	8.6	26.1	24.0	24.7	21.9	20.9	21.4
Hindustan Unilever (HINLEV)	2,196	2,410	Hold	519,159	31.2	32.4	40.1	70.4	67.8	54.7	13.6	12.2	10.6	89.5	26.7	33.0	85.7	20.3	25.4
ITC Limited (ITC)	193	250	Buy	245,475	12.5	11.7	13.0	15.5	16.5	14.8	5.3	5.2	4.6	29.4	28.3	36.1	23.8	21.7	27.7
Jyothy Lab (JYOLAB)	120	115	Hold	4,535	4.3	4.1	5.7	27.9	29.1	20.9	2.7	2.9	2.4	24.3	23.3	28.8	21.7	18.8	23.8
Marico (MARLIM)	365	380	Hold	45,286	8.1	8.5	9.6	45.1	42.9	38.1	6.2	6.1	5.5	41.0	42.3	46.2	34.5	35.6	39.5
Nestle (NESIND)	16,524	18,000	Hold	164,869	204.3	230.3	268.9	80.9	71.8	61.5	13.4	12.4	10.9	56.9	59.3	65.9	101.9	114.2	123.6
Tata Consumer Products (TATGLO)	425	440	Buy	37,667	5.0	8.7	10.9	85.1	48.9	39.0	3.9	3.7	3.4	6.9	7.9	8.8	4.6	5.9	7.1
VST Industries (VSTIND)	3,223	4,000	Buy	4,942	196.9	124.8	216.3	16.4	25.8	14.9	4.0	4.5	3.5	52.1	32.9	45.6	38.6	24.3	33.7
Varun Beverage (VARBEV)	683	571	Reduce	20,122	16.4	9.7	17.8	41.7	70.1	38.3	2.8	3.3	2.7	15.5	11.3	16.3	14.2	8.8	14.2
Zydus Wellness (ZYDWEL)	1,565	1,530	Buy	9,445	24.6	31.6	50.3	63.7	49.5	31.1	5.3	5.7	4.6	5.9	5.7	7.4	5.4	5.1	7.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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