INSTITUTIONAL RESEARCH

Dabur

Capitalising rural and healthcare portfolio

Dabur's 2QFY21 saw strong revenue growth, beating our as well as the street's expectations. Domestic val/vol growth was at 20/17% YoY (HSIE 7/10%). Healthcare portfolio clocked stellar 49% growth, led by continued traction for health products. HPC was up by 9% while Food business declined by 4%. Higher rural mix (rural growth was at ~23% YoY) and strong e-commerce growth (up 200% YoY) supported growth. EBITDA margin expanded despite the ramp-up in ASP (up 40% YoY). Company's new launches are increasing essential portfolio as the core portfolio is more discretionary in nature. Dabur's brand positioning (natural and trusted) and the broader portfolio was always exciting, but new energy infused by the CEO (focus on scaling power brands) seems to be a structural change. We increase our EPS for FY21/FY22/FY23 by 4/5/8%. We roll forward our target price to Sep-22E EPS and value Dabur at 42x P/E to derive a target price of Rs 470. However, rich valuation still does not offer the right entry level at CMP. Maintain REDUCE.

- **Robust 49% growth in healthcare:** Revenue grew by 14% YoY (+4% in 2QFY20 and -13% in 1QFY21) vs expectation of 6% YoY growth. Health Supplements/OTC & Ethicals/Oral care grew by 71/40/24% YoY while Hair Care/Foods clocked 3/4% YoY decline. Ex-institutional, Foods revenue grew by 6% YoY. Rural growth (23% YoY) was ahead of urban (17% YoY). E-comm recorded 200% YoY growth and revenue salience expanded to 6% vs 2% in FY20. International saw a healthy recovery, clocking 6% YoY growth.
- **Margins resilient:** GM expanded 9bps YoY (+142bps in 2QFY20 and -10bps in 1QFY21). Employee/ASP expenses grew by 11/40% YoY while other expenses declined by 3% YoY. EBITDA margin expanded by 50bps YoY to 22.6% (+92bps in 2QFY20 and +91bps in 1QFY21) vs an expectation of 110bps YoY expansion. EBITDA grew by 16% YoY (HSIE +11%). PBT grew by 18% YoY while APAT grew by 11% YoY (lower tax rate in base quarter).
- **Call takeaways:** (1) Secondary growth was ahead of the primary, and channel inventory stood at 15 days; (2) the company is using new launches to expand its distribution pan-India; (3) gross margin in India expanded by 100bps YoY due to improved product mix; (4) Dabur is expanding production capacity for Chyawanprash with a new facility in MP.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	25,160	22,120	*13.7*	19,800	*27.1*	86,846	93,282	103,559	113,951
EBITDA	5,694	4,895	*16.3*	4,166	*36.7*	17,924	19,964	22,800	25,536
APAT	4,817	4,350	*10.7*	3,418	*40.9*	15,254	16,737	18,811	20,717
Diluted EPS (Rs)	2.73	2.46	*10.7*	1.93	*40.9*	8.63	9.47	10.65	11.72
P/E (x)						59.7	54.4	48.4	43.9
EV / EBITDA (x)						49.8	44.5	38.8	34.5
RoCE (%)						43.5	40.2	43.9	47.1

Change in Estimates

(Rs mn)	FY21E			FY22E			FY23E		
	NEW	OLD	*Chg (%)*	NEW	OLD	*Chg (%)*	NEW	OLD	*Chg (%)*
Net Sales	93,282	88,296	*5.6%*	103,559	98,842	*4.8%*	113,951	109,557	*4.0%*
EBITDA	19,964	19,196	*4.0%*	22,800	21,408	*6.5%*	25,536	23,536	*8.5%*
PAT	16,737	16,108	*3.9%*	18,811	17,880	*5.2%*	20,717	19,162	*8.1%*
EPS	9.5	9.1	*3.9%*	10.6	10.1	*5.2%*	11.7	10.8	*8.1%*

Source: HSIE Research

REDUCE

CMP *(as on 03 Nov 2020)*	**Rs 515**
Target Price	**Rs 470**
NIFTY	**11,814**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	Rs 433	Rs 470
	FY21E	FY22E
EPS %	4%	5%

KEY STOCK DATA	
Bloomberg code	DABUR IN
No. of Shares (mn)	1,767
MCap (Rs bn) / ($ mn)	911/12,253
6m avg traded value (Rs mn)	1,736
52 Week high / low	Rs 535/385

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	1.0	5.3	11.1
Relative (%)	(8.0)	(14.1)	10.9

SHAREHOLDING PATTERN (%)	**June-20**	**Sep-20**
Promoters	67.87	67.87
FIs & Local MFs	7.42	6.90
FPIs	17.63	18.08
Public & Others	7.08	7.15
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Varun Lohchab
varun.lohchab@hdfcsec.com
+91-22-6171-7334

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Aditya Sane
aditya.sane@hdfcsec.com
+91-22-6171-7336

HDFC securities 20 YEARS

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com