

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
EPS %	FY21E 4%	FY22E 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

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Disclosure:

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