

Reduce

Healthcare continues to post strong growth

- Dabur's Q3FY21 results were in line with our estimate. Domestic FMCG volumes increased by 18.1% YoY – second consecutive quarter of double digit volume growth.
- Growth in the domestic market was driven by health care (+28.1%) and HPC (+15.9%) business.
- Healthcare contribution grew from 41% in Q3FY20 to 44% in Q3FY21 led by market share gains in chyawanprash and honey. The healthcare category is expected to grow faster post Covid with new launches.
- We have broadly maintained our FY21/22/23E EPS estimates at Rs 9.4/9.8/10.8. We value the stock at 50x FY23E EPS to arrive at a TP of Rs 540. Considering rich valuations, **we maintain Reduce; buy on dips.**

Operational performance was in line with estimate

Revenues jumped 16.0% YoY to Rs 27.3bn. Domestic business reported 18.5% net sales increase with volume growth of 18.1%. We view this as a strong performance better than peers as volume growth of HUL/Emami/Marico stood at 4%/13%/15% respectively. GM expanded 30bps during the quarter. EBITDA margins remained stable at 21.0% as 170bps increase in A&P spends was completely offset by 30/40/110bps decrease in RM/employee cost/other expenses respectively. RPAT increased 23.7% YoY to Rs 4.9bn. Excluding extraordinary loss of Rs 200mn in the base quarter, the APAT increased 17.8% - came in line with our estimate.

Satisfactory segmental performance

During the quarter – (1) Consumer Care business grew 18.5% YoY to Rs 24.4bn and EBIT increased 19.4% to Rs 6.0bn; EBIT margin expanded by 20bps to 24.5% (2) Foods business reported 3.3% YoY revenue growth to Rs 2.4bn; EBIT increased 7.8% to Rs 273mn; EBIT margin in the business expanded by 50bps to 11.5%. At the category level Dabur reported strong performance with - Health Supplements (+34.7%), OTC (+34.1%), Oral care (+28.0%), Shampoo (+27.1%) and Ethicals (+23.2%) registering double digit growths. Digestives (-0.3%) and Home care (-1.0%) witnessed weak performance during the quarter.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	27,288	23,530	16.0	25,160	8.5
Total Expense	21,547	18,601	15.8	19,466	10.7
EBITDA	5,742	4,929	16.5	5,694	0.8
Depreciation	572	544	5.1	596	(4.1)
EBIT	5,170	4,385	17.9	5,098	1.4
Other Income	809	745	8.7	876	(7.6)
Interest	69	105	(34.6)	75	(8.4)
EBT	5,911	4,825	22.5	5,899	0.2
Tax	975	835	16.8	1,067	(8.6)
RPAT	4,920	3,977	23.7	4,817	2.1
APAT	4,920	4,177	17.8	4,817	2.1
			(bps)		(bps)
Gross Margin (%)	50.4	50.1	31	50.9	(49)
EBITDA Margin (%)	21.0	20.9	9	22.6	(159)
NPM (%)	18.0	16.9	113	19.1	(111)
Tax Rate (%)	16.5	17.3	(81)	18.1	(160)
EBIT Margin (%)	18.9	18.6	31	20.3	(132)

CMP	Rs 515
Target / Upside	Rs 540 / 5%
NIFTY	13,635

Scrip Details

Equity / FV	Rs 1,766mn / Rs 1
Market Cap	Rs 909bn
	USD 12bn
52-week High/Low	Rs 553/ 386
Avg. Volume (no)	3,928,180
Bloom Code	DABUR IN

Price Performance

	1M	3M	12M
Absolute (%)	(3)	(1)	5
Rel to NIFTY (%)	0	(17)	(8)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	67.9	67.9	67.9
MF/Banks/FIs	9.0	7.7	7.7
FIIIs	17.6	18.0	18.0
Public / Others	5.5	6.4	6.4

Valuation (x)

	FY21E	FY22E	FY23E
P/E	54.7	52.4	47.7
EV/EBITDA	44.0	41.9	37.4
ROE (%)	23.3	21.3	20.6
RoACE (%)	22.0	19.8	19.3

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	95,569	101,119	111,005
EBITDA	20,095	20,906	23,099
PAT	16,612	17,337	19,041
EPS (Rs.)	9.4	9.8	10.8

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Strong International business performance

IB reported 14.1% growth (in CC) during the quarter. Hobi (+33.4%), Namaste (+8.2%), Nepal (+12.9%) and Bangladesh (+17.4%) businesses posted strong growths during the quarter. However, MENA (+11.1%) and Egypt (+9.5%) reported turnaround during the quarter compared to losses in Q2.

Market share gain continues

During Q3, Dabur gained 700/120bps market share in Honey/Chyawanprash category. This signifies strong distribution and brand strength of Dabur in the health category. In addition, Dabur gained (1) 120bps MS in oral care (2) 210/250bps MS in Odonil/Odomos and (3) 50bps MS in shampoo category. We believe that, Dabur would continue to gain market share, with increasing penetration and distribution reach.

Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimates	Variance (%)
Revenue	27,288	26,972	1.2
EBITDA	5,742	5,826	(1.5)
EBITDA margin %	21.0	21.6	(60)
APAT	4,920	4,881	0.8

Source: Company, DART

Exhibit 2: Change in estimates

(Rs mn)	FY21E			FY22E			FY23E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Net Revenue	95,569	94,830	0.8	101,119	100,327	0.8	111,005	110,190	0.7
EBITDA	20,095	19,891	1.0	20,906	20,692	1.0	23,099	22,882	1.0
EBITDA Margin (%)	21.0	21.0	10 bps	20.7	20.6	0 bps	20.8	20.8	0 bps
APAT	16,612	16,815	(1.2)	17,337	17,364	(0.2)	19,041	19,081	(0.2)
EPS	9.4	9.5	(1.2)	9.8	9.8	(0.2)	10.8	10.8	(0.2)

Source: Company, DART

Exhibit 1: Segmental performance (Rs mn)

Segmental Performance	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Consumer Care					
Revenue	24,422	20,614	18.5	22,172	10.1
EBIT	5,973	5,001	19.4	5,888	1.4
EBIT Margin %	24.5	24.3	20bps	26.6	-210bps
Foods					
Revenue	2,365	2,289	3.3	2,569	(7.9)
EBIT	273	253	7.8	357	(23.7)
EBIT Margin %	11.5	11.0	50bps	13.9	-240bps
Retail					
Revenue	212	346	(38.7)	109	94.6
EBIT	(0.7)	(1.5)	(53.3)	(30.6)	(97.7)
EBIT Margin %	(0.3)	(0.4)	10bps	(28.0)	2770bps
Others					
Revenue	236	217	8.9	248	(4.7)
EBIT	22.1	17.8	24.2	20.9	5.7
EBIT Margin %	9.4	8.2	120bps	8.4	90bps
TOTAL					
Revenue	27,235	23,465	16.1	25,097	8.5
EBIT	6,267	5,270	18.9	6,236	0.5
EBIT Margin %	23.0	22.5	60bps	24.8	-180bps

Source: DART, Company

Exhibit 2: 9M Performance

Particulars (Rs.mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Total Revenue	27,288	23,530	16.0	25,160	8.5	72,249	68,382	5.7
Total Expenditure	21,547	18,601	15.8	19,466	10.7	56,647	53,981	4.9
RM Cost	13,537	11,745	15.3	12,359	9.5	35,912	34,106	5.3
Employee Exp	2,740	2,448	12.0	2,673	2.5	7,651	7,177	6.6
Ad spends	2,824	2,035	38.8	2,022	39.7	6,302	5,498	14.6
Other Exp	2,445	2,374	3.0	2,413	1.3	6,782	7,201	(5.8)
PBIDT (Excl OI)	5,742	4,929	16.5	5,694	0.8	15,602	14,401	8.3
Other Income	809	745	8.7	876	(7.6)	2,403	2,295	4.7
Depreciation	572	544	5.1	596	(4.1)	1,735	1,616	7.4
EBIT	5,980	5,130	16.6	5,974	0.1	16,270	15,080	7.9
Interest	69	105	(34.6)	75	(8.4)	222	410	(45.9)
PBT	5,911	5,025	17.6	5,899	0.2	16,048	14,670	9.4
Tax	975	835	16.8	1,067	(8.6)	2,867	2,211	29.7
Profit After Tax	4,936	4,190	17.8	4,832	2.2	13,181	12,459	5.8
Minority Interest	16	13	19.7	15	4.6	26	22	20.9
APAT (After MI)	4,920	4,177	17.8	4,817	2.1	13,155	12,438	5.8
EOI	-	(200)	(100.0)	-	NA	-	(800)	(100.0)
RPAT (After OCI)	4,920	3,977	23.7	4,817	2.1	13,175	11,638	13.0
EPS (Adj)	2.8	2.4	17.8	2.7	2.1	7.4	7.0	5.8
			bps		bps			bps
Gross Profit (%)	50.4	50.1	30	50.9	(50)	100.0	67.6	3242
Employee Exp (%)	10.0	10.4	(40)	10.6	(60)	10.6	10.5	9
Ad spends (%)	10.3	8.6	170	8.0	230	8.7	8.0	68
Other Exp (%)	9.0	10.1	(110)	9.6	(60)	9.4	10.5	-114
EBITDA (%)	21.0	20.9	10	22.6	(160)	21.6	21.1	54
PAT (%) Adj	18.0	17.8	30	19.1	(110)	18.2	18.2	2

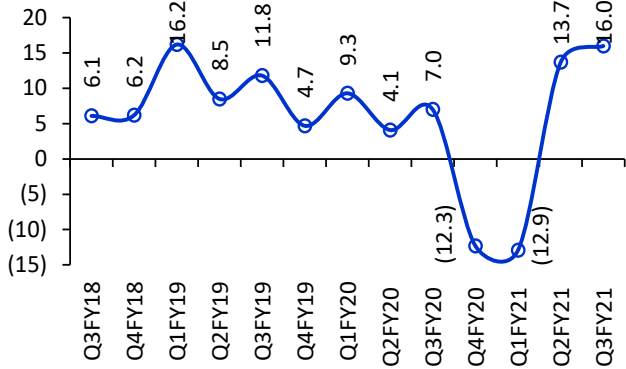
Source: DART, Company

Key concall takeaways

- Dabur has formed a new subsidiary which would export products from India to other countries. The company is planning to take advantage of growing herbal demand in other geographies. All products would be sourced from this subsidiary. We believe that the company aims to take benefits from the newly introduced Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.
- The company gained 120bps market share in oral care segment as all existing brands – Meswak, Red, Babool posted strong traction. Recently launched Dant Rakshak and Clove are on firm footings to capture market share. Red (70% contri) has posted 30% growth while rest of the portfolio recorded 22% growth during the quarter. We believe that the market share gain in the category for Dabur would continue with its efforts to innovate and increase penetration.
- Dabur believes that the company has gained market share in oral care from Patanjali and Colgate. We believe that Dabur would continue to gain lost share from Patanjali with the launch of new herbal products in the category, but market share loss for Colgate seems restricted in past couple of quarters.
- Innovations in past three months have contributed 3-4% of the revenues during the quarter while YTD new products contribution has increased to 6%. Innovation is expected to remain key growth driver for Dabur in the ensuing quarters.

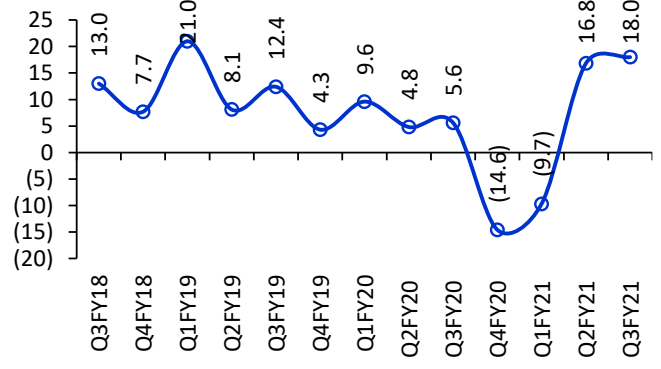
- Amongst new categories, sanitizers have failed to perform. Management sound pessimistic on the growth of sanitizers primarily due to decline in the category and increased competition. We have observed similar response from other new players in the category including Marico, HUL, etc. We believe that the new investment in the category would come to halt as for most of the players it was a tactical entry.
- For premium products, e-com platform is preferred compared to general trade as the company believes the investment in general trade are much higher for new products, especially in premium category. We believe that this has become an industry phenomenon as most of the companies are preferring the same route for new premium category products.
- Juices portfolio reported 4% growth during the quarter. Excluding HORECA, FS and CSD, the category posted 8% increase. However, the growth was not satisfactory considering favorable base. The company intends to accelerate growth rate to double digits in the ensuing quarters. However, considering increasing competition and discretionary nature of the category, we believe, it would be a challenge to achieve the target in the near term.
- Hair oils witnessed strong recovery with 11.6% growth driven by perfumed oil and coconut portfolio reporting double digit growth. We believe that the company's flanker brand strategy has worked well in the category.
- GM has remained almost flat during the quarter despite increase in high margin healthcare products. This was primarily due to increased prices across categories. As the inflation is very high, the company would have to take prices hikes in most categories. In the near term due to lag effect, we anticipate GM to remain under pressure.
- A&P spends are expected to increase for Dabur due to ongoing investments in brand building. The company aspires to increase A&P spends to 11-11.5% from current 9%. We believe that the move would depend on the RM inflation and operational cost saving. The company is expected to increase A&P only during favorable cost environment. We do not expect margin dilution for Dabur drastically.
- Growth in the digestives category remains impacted due to closure of schools. Sachets contributed the highest in the digestive portfolio which posted double digit decline as the demand from school kids was impacted significantly. However, bottles (25% contribution) posted 15% growth during the quarter. We believe that the category would witness strong recovery once school re-opens.
- Dabur is expected to increase its distribution reach to 1.4mn outlets by the end of FY21E.

Exhibit 3: Trend in sales growth (YoY%)



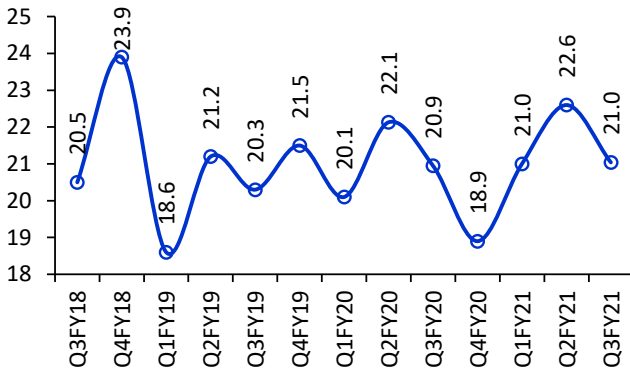
Source: DART, Company

Exhibit 4: Trend in volume growth (YoY%)



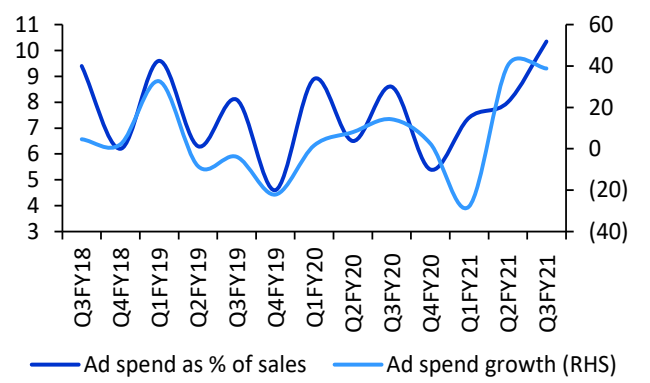
Source: DART, Company

Exhibit 5: Trend in EBITDA margin (%)



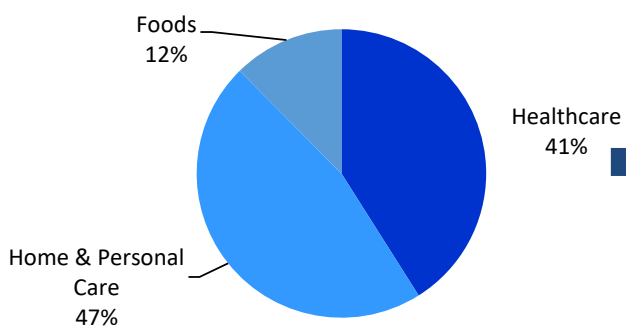
Source: DART, Company

Exhibit 6: Ad spends trend



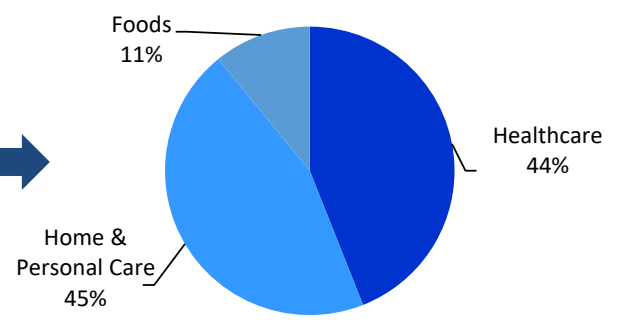
Source: DART, Company

Exhibit 7: Domestic Revenue contribution in Q3FY20



Source: DART, Company

Exhibit 8: Domestic Revenue contribution in Q3FY21



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	87,036	95,569	101,119	111,005
Total Expense	69,112	75,474	80,213	87,906
COGS	43,602	47,213	50,018	55,039
Employees Cost	9,477	10,081	10,739	11,800
Other expenses	16,033	18,180	19,455	21,068
EBIDTA	17,924	20,095	20,906	23,099
Depreciation	2,205	2,180	2,343	2,506
EBIT	15,719	17,915	18,563	20,593
Interest	495	559	559	559
Other Income	3,053	2,925	2,903	2,902
Exc. / E.O. items	(1,000)	0	0	0
EBT	17,277	20,281	20,907	22,936
Tax	2,797	3,640	3,540	3,866
RPAT	14,449	16,612	17,337	19,041
Minority Interest	30	30	30	30
Profit/Loss share of associates	0	0	0	0
APAT	15,449	16,612	17,337	19,041

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	1,766	1,766	1,766	1,766
Minority Interest	365	394	424	453
Reserves & Surplus	64,290	74,537	84,871	96,210
Net Worth	66,056	76,303	86,637	97,976
Total Debt	4,660	8,595	8,595	8,595
Net Deferred Tax Liability	(50)	249	249	249
Total Capital Employed	71,031	85,541	95,905	107,273

Applications of Funds

Net Block	22,497	20,572	20,729	20,723
CWIP	1,460	1,481	1,481	1,481
Investments	14,090	21,340	21,340	21,340
Current Assets, Loans & Advances	53,074	59,915	71,160	84,128
Inventories	13,790	12,065	12,827	14,090
Receivables	8,130	5,974	6,334	6,955
Cash and Bank Balances	8,100	9,595	9,277	10,241
Loans and Advances	4,670	4,584	4,855	5,200
Other Current Assets	4,474	4,498	5,389	5,419
Less: Current Liabilities & Provisions	20,090	17,766	18,805	20,398
Payables	14,810	12,690	13,480	14,773
Other Current Liabilities	5,280	5,076	5,325	5,625
<i>sub total</i>				
Net Current Assets	32,984	42,148	52,356	63,730
Total Assets	71,031	85,541	95,905	107,273

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	49.9	50.6	50.5	50.4
EBIDTA Margin	20.6	21.0	20.7	20.8
EBIT Margin	18.1	18.7	18.4	18.6
Tax rate	16.2	17.9	16.9	16.9
Net Profit Margin	16.6	17.4	17.1	17.2
(B) As Percentage of Net Sales (%)				
COGS	50.1	49.4	49.5	49.6
Employee	10.9	10.5	10.6	10.6
Other	18.4	19.0	19.2	19.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	31.7	32.1	33.2	36.8
Inventory days	58	46	46	46
Debtors days	34	23	23	23
Average Cost of Debt	8.5	8.4	6.5	6.5
Payable days	62	48	49	49
Working Capital days	138	161	189	210
FA T/O	3.9	4.6	4.9	5.4
(D) Measures of Investment				
AEPS (Rs)	8.7	9.4	9.8	10.8
CEPS (Rs)	10.0	10.6	11.1	12.2
DPS (Rs)	3.3	3.6	4.0	4.4
Dividend Payout (%)	37.5	38.3	40.4	40.5
BVPS (Rs)	37.4	43.2	49.1	55.5
RoANW (%)	23.6	23.3	21.3	20.6
RoACE (%)	23.7	22.0	19.8	19.3
RoAIC (%)	25.5	25.8	22.8	22.4
(E) Valuation Ratios				
CMP (Rs)	515	515	515	515
P/E	58.8	54.7	52.4	47.7
Mcap (Rs Mn)	908,829	908,829	908,829	908,829
MCap/ Sales	10.4	9.5	9.0	8.2
EV	891,479	884,630	875,668	864,960
EV/Sales	10.2	9.3	8.7	7.8
EV/EBITDA	49.7	44.0	41.9	37.4
P/BV	13.8	11.9	10.5	9.3
Dividend Yield (%)	0.6	0.7	0.8	0.8
(F) Growth Rate (%)				
Revenue	2.0	9.8	5.8	9.8
EBITDA	3.0	12.1	4.0	10.5
EBIT	0.5	14.0	3.6	10.9
PBT	0.2	17.4	3.1	9.7
APAT	1.7	7.5	4.4	9.8
EPS	1.7	7.5	4.4	9.8

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	13,854	21,299	19,023	21,469
CFI	1,410	(16,815)	(11,780)	(12,244)
CFF	(10,446)	(2,989)	(7,561)	(8,261)
FCFF	9,684	21,024	16,523	18,969
Opening Cash	3,282	8,100	9,595	9,277
Closing Cash	8,100	9,595	9,277	10,241

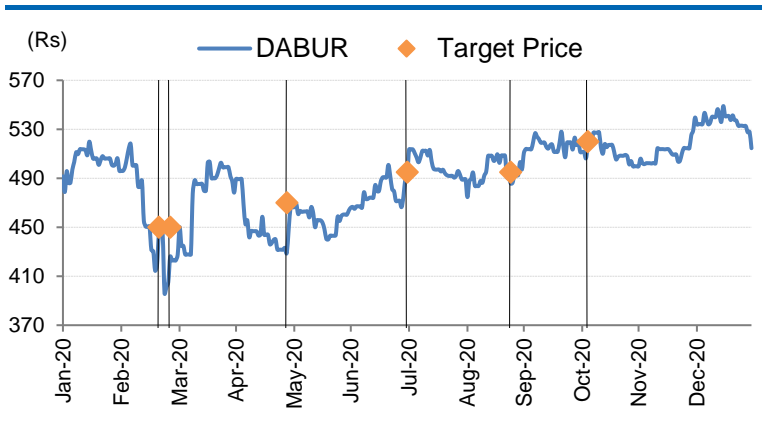
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Mar-20	Reduce	450	444
Mar-20	Reduce	450	426
May-20	Buy	470	429
Jul-20	Reduce	495	492
Sep-20	Reduce	495	486
Nov-20	Reduce	520	515

*Price as on recommendation date

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