

January 29, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	550		539	
Sales (Rs. m)	1,08,698	1,20,857	1,04,327	1,15,868
% Chng.	4.2	4.3		
EBITDA (Rs. m)	23,022	25,888	22,885	26,005
% Chng.	0.6	(0.5)		
EPS (Rs.)	11.3	13.1	11.2	13.1
% Chng.	1.2	(0.4)		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	87	98	109	121
EBITDA (Rs. bn)	18	21	23	26
Margin (%)	20.4	21.5	21.2	21.4
PAT (Rs. bn)	14	18	20	23
EPS (Rs.)	8.1	10.0	11.3	13.1
Gr. (%)	(1.2)	23.8	13.4	15.5
DPS (Rs.)	3.0	3.8	4.5	5.3
Yield (%)	0.6	0.7	0.9	1.0
RoE (%)	23.3	24.5	23.7	23.7
RoCE (%)	23.1	24.4	23.3	23.1
EV/Sales (x)	10.3	9.0	8.0	7.1
EV/EBITDA (x)	50.3	41.8	37.6	32.9
PE (x)	63.8	51.5	45.4	39.3
P/BV (x)	13.8	11.7	10.0	8.7

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.553 / Rs.385
Sensex / Nifty	46,286 / 13,635
Market Cap	Rs.909bn/ \$ 12,466m
Shares Outstanding	1,767m
3M Avg. Daily Value	Rs.4068.86m

Shareholding Pattern (%)

Promoter's	67.87
Foreign	18.52
Domestic Institution	5.93
Public & Others	7.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	5.1	4.7
Relative	0.1	(13.6)	(6.8)

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Growth Momentum continues: Accumulate

Quick Pointers:

- Domestic volumes up 18.1%, IBD sales grew 14.1% in constant currency. Ecom contributes 6% of topline while NPD 4-5%.
- Oral care sales up 28% (category growth 9%), 120bps market share gains.
- Setting up subsidiary for export of products to USA and Europe.

We are increasing FY21/22/23 EPS estimates of Dabur India by 5.1%/1.2%/-0.4% on back of strong growth in Health Supplements, Oral care and OTC segments. Dabur reported stellar volume growth at 18.1% in domestic business as it registered growth across all categories except home care. We believe that the company will be able sustain double digit growth led by 1) Market leadership in underpenetrated categories like Honey and Chawyanprash (60%+), 2) Market share gains in Oral care (2-3x category growth) 3) Strong brand recall in OTC 4) Brand innovations and investment in Power brands, 5) Robust distribution and supply chain and 6) Cost saving initiatives like Project Samruddhi (savings of Rs 1.5bn in FY21/FY22). Input costs are firm and would keep margin expansion under check although Dabur is looking at calibrated price increases to pass on the impact. We estimate 14.5% PAT CAGR over FY21-23. We value the stock at 42x FY23EPS (earlier Rs 537, 41x FY23E) to arrive at target price of Rs550. Retain Accumulate.

Domestic sales up 18.5% on 18.1% volume growth: Consolidated sales up 16% at Rs 27.29bn (Est Rs 26.59bn), domestic volume growth of 18.1% (Est 15%). Gross margins up 30bps at 50.4% (Est 49.8%). EBITDA up 16.5% to Rs 5.74bn (Est 5.72bn). EBITDA margins flat at 21% (Est 21.5%). Adj PAT up 17.8% to Rs 4.94bn (Est 4.73bn). Standalone sales grew 18.5%, EBITDA up 15.7% which translated to PAT growth of 14.1%. Dabur continued to gain Market Share across all key categories like Chawyanprash (up 120bps), Honey (up 700bps), Toothpaste (up 120bps), Shampoo (up 50bps) and Odomos (up 250bps).

Concall Highlights: 1) Double digit growth in Honey and Chawyanprash, market share up by 700bps and 120bps. 2) Oral care sales up 28% on back of Dabur Red (70% of oral revenues), Meswak and Babool; gained 120bps market share 3) Oral care as category grew 9% in value and 3% in volume terms. Herbals as a category grew 14% while Dabur grew 30% 4) Home care portfolio affected because of its discretionary nature but as mobility increases it is expected to grow from 4Q onwards. 5) Ecom sales grew 150% and now contribute to 6% of topline; gained market share on back of products like cold pressed mustard oil, apple cider vinegar and baby care products. 6) Continues to launch new products across health and home care portfolio, new products contribute to 4-5% of topline. 7) Demand for Covid led launches like sanitizers and hygiene products have been subdued. (Sanitizer revenue fell from Rs 800mn in 1Q to Rs 120m in 2Q and Rs20-30mn in 3Q) 7) Project Samruddhi on track for cost savings target of Rs 1.5bn of which Rs 500mn will be accrued this year and balance by end of next year. 8) RM prices firming up across all baskets (Agri, petroleum, packaging), will pass on the increase to consumer by taking judicious price increases across portfolio. 9) Setting up subsidiary for exports of all product categories to USA and Europe.

Exhibit 1: Q3FY21 Results: Sales up 16.0%, EBITDA margins flat, Adj PAT grows 17.8%

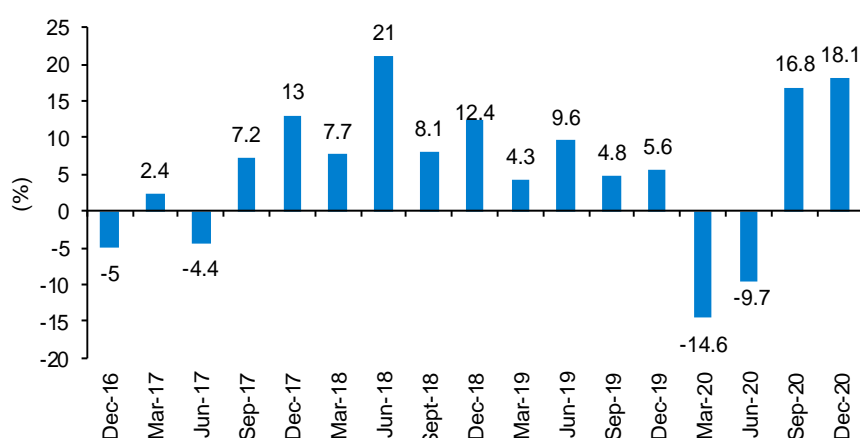
Y/E March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Revenues	27,288	23,530	16.0	25,160	72,249	68,382	5.7
Gross Profit	13,751	11,785	16.7	12,802	36,337	34,276	6.0
<i>% of Net Sales</i>	<i>50.4</i>	<i>50.1</i>		<i>50.9</i>	<i>50.3</i>	<i>50.1</i>	
Other Expenses	8,009	6,856	16.8	7,108	20,735	19,875	4.3
<i>% of Net Sales</i>	<i>29.4</i>	<i>29.1</i>		<i>28.2</i>	<i>28.7</i>	<i>29.1</i>	
EBITDA	5,742	4,929	16.5	5,694	15,602	14,401	8.3
<i>Margins</i>	<i>21.0</i>	<i>20.9</i>		<i>22.6</i>	<i>21.6</i>	<i>21.1</i>	
Depreciation	572	544	5.1	596	1,735	1,616	7.4
Interest	69	105	(34.6)	75	222	410	(45.9)
Other Income	809	745	8.7	876	2,403	2,295	4.7
PBT	5,911	5,025	17.6	5,899	16,048	14,670	9.4
Tax	975	835	16.8	1,067	2,867	2,211	29.7
<i>Effective tax rate (%)</i>	<i>16.5</i>	<i>16.6</i>		<i>18.1</i>	<i>17.9</i>	<i>15.1</i>	
Minority interest	1	2	(33.3)	3	3	-4	(186.8)
Adjusted PAT	4,935	4,188	17.8	4,829	13,178	12,463	5.7

Source: Company Data, PL Research

Exhibit 2: Growth across all categories except hair oil and home care

Category Growth (%)	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Hair Oils	23.6	2.5	12.1	2.6	0.4	-20.8	-25.6	-6.3	11.6
Shampoos	25.2	3.3	10.9	12.0	5.1	-16.8	-9.3	17.8	27.1
Health Supplements	13.8	10.2	19.6	14.4	12.2	-9.5	52.6	70.8	34.7
Oral Care	10.0	8.2	11.4	4.4	8.5	-15.8	1.4	24.2	28.0
Foods	11.1	-6.5	1.5	-5.0	-1.7	-20.6	-34.4	-3.8	4.7
Digestives	22.5	11.9	18.2	10.2	15.9	-9.5	-11.5	2.5	0.3
Skin care	19.3	11.2	12.1	1.0	-0.3	-24.2	-12.5	38.1	9.1
Home Care	8.9	16.2	10.9	7.0	2.5	-18.4	-30.5	-10.2	-1.0
OTC	17.7	16.6	13.1	4.2	5.5	-20.6	34.4	56.1	34.1
Ethicals	17.4	9.7	15.9	7.2	2.7	2.7	10.7	26.4	23.2

Source: Company, PL

Exhibit 3: 3Q volume up 18.1%


Source: Company, PL

Exhibit 4: Premium variants launched in Honey, Vinegar and OTC healthcare

<p>Himalayan forest honey Introducing. A distinct blend from the foothills of the Himalayas</p>		<p>Experience the Goodness of Organic Dabur Honey</p> <p>100% Pure and Natural No Sugar Adulteration Sourced from beehives of wild natural forests Unprocessed & Unpasteurized</p> <p>135 TRUST</p>	
<p>Dabur Himalayan Forest Honey</p>		<p>Dabur Organic Honey</p>	
<p>Dabur Camne Vid Tablets (rejuvenator)</p>	<p>Dabur Madhurantak Vati (for typhoid fever)</p>	<p>Dabur Mahavishgarbh Tail (for joint pains)</p>	<p>Dabur Himalayan Organic Apple Cider Vinegar</p>

Source: Company, PL

Exhibit 5: Dabur's oral care aggression continues to pay off

<p>INTRODUCING Dabur RED PULLING OIL AYURVEDIC MOUTHWASH</p> <p>COMPLETE ORAL CARE WITH KAVALA GANDUSHA AYURVEDIC THERAPY</p>	<p>Dabur Herb1 TOOTHPASTE RANGE</p> <p>NEEM CLOVE TULSI</p> <p>POWERFUL HERBS PROTECTION FOR YOUR ENTIRE FAMILY</p>
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Source: Company, PL

Exhibit 6: Hair care launches coincide with category growth uptick

NEW Dabur Vatika Naturals

Range Of 4 Hair Oils - Choose Yours For Your Hair Problem

3X LESSER HAIRFALL!
5X STRONGER HAIR!
3X MORE MANAGEABLE HAIR!

ROSE NEEM | ALOE VERA | OLIVE | SHIKHARAJ

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	86,846	97,576	1,08,698	1,20,857
YoY gr. (%)	2.0	12.4	11.4	11.2
Cost of Goods Sold	43,603	48,637	54,393	60,064
Gross Profit	43,244	48,939	54,305	60,793
Margin (%)	49.8	50.2	50.0	50.3
Employee Cost	9,477	10,257	11,121	12,448
Other Expenses	9,533	7,307	8,339	9,172
EBITDA	17,734	20,948	23,022	25,888
YoY gr. (%)	1.9	18.1	9.9	12.4
Margin (%)	20.4	21.5	21.2	21.4
Depreciation and Amortization	2,205	2,291	2,429	2,567
EBIT	15,529	18,657	20,593	23,321
Margin (%)	17.9	19.1	18.9	19.3
Net Interest	495	370	322	274
Other Income	3,053	3,426	4,457	5,682
Profit Before Tax	18,087	21,714	24,728	28,729
Margin (%)	20.8	22.3	22.7	23.8
Total Tax	2,797	4,037	4,681	5,582
Effective tax rate (%)	15.5	18.6	18.9	19.4
Profit after tax	15,290	17,677	20,047	23,147
Minority interest	30	30	30	30
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,260	17,647	20,017	23,117
YoY gr. (%)	(1.1)	23.8	13.4	15.5
Margin (%)	16.4	18.1	18.4	19.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,260	17,647	20,017	23,117
YoY gr. (%)	(1.1)	23.8	13.4	15.5
Margin (%)	16.4	18.1	18.4	19.1
Other Comprehensive Income	1,037	-	-	-
Total Comprehensive Income	15,297	17,647	20,017	23,117
Equity Shares O/s (m)	1,767	1,767	1,767	1,767
EPS (Rs)	8.1	10.0	11.3	13.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	32,935	34,438	36,488	38,538
Tangibles	31,801	33,254	35,254	37,254
Intangibles	1,134	1,184	1,234	1,284
Acc: Dep / Amortization	13,768	16,058	18,487	21,054
Tangibles	13,076	15,272	17,602	20,067
Intangibles	692	786	885	988
Net fixed assets	19,167	18,379	18,000	17,483
Tangibles	18,725	17,982	17,652	17,187
Intangibles	442	397	348	296
Capital Work In Progress	1,466	500	500	500
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	19,624	16,465	18,113	19,925
Net Deferred tax assets	(174)	(174)	(174)	(174)
Other Non-Current Assets	1,122	1,293	1,416	1,549
Current Assets				
Investments	13,910	33,795	43,362	54,088
Inventories	13,796	14,558	16,217	18,031
Trade receivables	8,139	9,279	10,338	11,494
Cash & Bank Balance	8,114	4,273	5,066	5,369
Other Current Assets	4,676	4,098	4,565	5,076
Total Assets	93,531	1,06,489	1,21,480	1,37,480
Equity				
Equity Share Capital	1,767	1,767	1,767	1,767
Other Equity	64,291	76,079	89,028	1,02,868
Total Network	66,058	77,846	90,795	1,04,635
Non-Current Liabilities				
Long Term borrowings	1,629	1,329	1,029	729
Provisions	629	683	761	846
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,292	2,992	2,692	2,392
Trade payables	14,822	17,269	19,187	21,157
Other current liabilities	6,515	5,751	6,363	7,032
Total Equity & Liabilities	93,531	1,06,488	1,21,480	1,37,479

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	18,277	21,714	24,728	28,729
Add. Depreciation	2,205	2,291	2,429	2,567
Add. Interest	495	370	322	274
Less Financial Other Income	3,053	3,426	4,457	5,682
Add. Other	(3,237)	(3,426)	(4,457)	(5,682)
Op. profit before WC changes	17,739	20,948	23,022	25,888
Net Changes-WC	(15,735)	(11,751)	(11,053)	(11,914)
Direct tax	(2,797)	(4,037)	(4,681)	(5,582)
Net cash from Op. activities	(793)	5,160	7,287	8,391
Capital expenditures	(5,869)	(537)	(2,050)	(2,050)
Interest / Dividend Income	3,053	3,426	4,457	5,682
Others	11,241	(1,397)	(1,537)	(1,690)
Net Cash from Inv. activities	8,425	1,492	870	1,941
Issue of share cap. / premium	1,674	61	-	-
Debt changes	(2,072)	(600)	(600)	(600)
Dividend paid	(6,178)	(5,920)	(7,068)	(9,277)
Interest paid	(495)	(370)	(322)	(274)
Others	-	-	-	-
Net cash from Fin. activities	(7,070)	(6,828)	(7,990)	(10,151)
Net change in cash	562	(176)	168	182
Free Cash Flow	(6,662)	4,623	5,237	6,341

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	8.1	10.0	11.3	13.1
CEPS	9.3	11.3	12.7	14.5
BVPS	37.4	44.1	51.4	59.2
FCF	(3.8)	2.6	3.0	3.6
DPS	3.0	3.8	4.5	5.3
Return Ratio(%)				
RoCE	23.1	24.4	23.3	23.1
ROIC	21.7	27.3	28.2	29.9
RoE	23.3	24.5	23.7	23.7
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.5)	(0.5)
Net Working Capital (Days)	30	25	25	25
Valuation(x)				
PER	63.8	51.5	45.4	39.3
P/B	13.8	11.7	10.0	8.7
P/CEPS	55.2	45.6	40.5	35.4
EV/EBITDA	50.3	41.8	37.6	32.9
EV/Sales	10.3	9.0	8.0	7.1
Dividend Yield (%)	0.6	0.7	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	18,654	19,800	25,160	27,288
YoY gr. (%)	(12.3)	(12.9)	13.7	16.0
Raw Material Expenses	9,496	10,016	12,359	13,537
Gross Profit	9,158	9,784	12,802	13,751
Margin (%)	49.1	49.4	50.9	50.4
EBITDA	3,523	4,166	5,694	5,742
YoY gr. (%)	(23.0)	(9.0)	16.3	16.5
Margin (%)	18.9	21.0	22.6	21.0
Depreciation / Depletion	588	567	596	572
EBIT	2,934	3,599	5,098	5,170
Margin (%)	15.7	18.2	20.3	18.9
Net Interest	86	78	75	69
Other Income	758	718	876	809
Profit before Tax	3,606	4,238	5,899	5,911
Margin (%)	19.3	21.4	23.4	21.7
Total Tax	587	825	1,067	975
Effective tax rate (%)	16.3	19.5	18.1	16.5
Profit after Tax	3,020	3,413	4,832	4,936
Minority interest	4	(1)	3	1
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,016	3,414	4,829	4,935
YoY gr. (%)	(32.5)	(11.1)	8.8	17.8
Margin (%)	16.2	17.2	19.2	18.1
Extra Ord. Income / (Exp)	(200)	297	(707)	349
Reported PAT	2,816	3,711	4,121	5,284
YoY gr. (%)	(24.4)	(1.2)	2.1	32.5
Margin (%)	15.1	18.7	16.4	19.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,816	3,711	4,121	5,284
Avg. Shares O/s (m)	1,766	1,766	1,766	1,767
EPS (Rs)	1.7	1.9	2.7	2.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	Accumulate	539	534
2	03-Nov-20	Accumulate	539	515
3	08-Oct-20	Hold	469	522
4	30-Jul-20	Hold	469	494
5	08-Jul-20	Hold	451	479
6	27-May-20	Hold	422	431
7	15-Apr-20	Hold	431	503
8	30-Jan-20	Hold	486	479

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	2,829	2,740
2	Avenue Supermarts	BUY	3,296	2,968
3	Bajaj Electricals	BUY	647	637
4	Britannia Industries	BUY	4,301	3,540
5	Colgate Palmolive	Hold	1,651	1,564
6	Crompton Greaves Consumer Electricals	BUY	447	412
7	Dabur India	Accumulate	539	534
8	Emami	BUY	568	483
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Hold	1,126	1,131
11	Hindustan Unilever	BUY	2,502	2,391
12	ITC	BUY	254	205
13	Jubilant FoodWorks	UR	-	2,789
14	Kansai Nerolac Paints	UR	-	613
15	Marico	Accumulate	440	411
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	UR	-	1,795
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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