

Dabur India (DABUR IN)

Rating: HOLD | CMP: Rs535 | TP: Rs531

May 7, 2021

Q4FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		ACCUMULATE	
Target Price	531		550	
Sales (Rs. m)	1,06,547	1,18,445	1,08,698	1,20,857
% Chng.	(2.0)	(2.0)		
EBITDA (Rs. m)	22,248	25,505	23,022	25,888
% Chng.	(3.4)	(1.5)		
EPS (Rs.)	10.4	12.3	11.3	13.1
% Chng.	(8.0)	(5.7)		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	87	95	107	118
EBITDA (Rs. bn)	18	20	22	26
Margin (%)	20.4	21.0	20.9	21.5
PAT (Rs. bn)	14	17	18	22
EPS (Rs.)	8.1	9.6	10.4	12.3
Gr. (%)	(1.2)	18.9	8.7	18.3
DPS (Rs.)	3.0	4.8	5.2	6.2
Yield (%)	0.6	0.9	1.0	1.2
RoE (%)	23.3	23.8	22.6	23.6
RoCE (%)	23.1	23.1	22.9	23.8
EV/Sales (x)	10.7	9.7	8.7	7.7
EV/EBITDA (x)	52.3	46.4	41.5	36.0
PE (x)	66.2	55.7	51.3	43.3
P/BV (x)	14.3	12.3	10.9	9.6

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs. 582 / Rs. 421
Sensex / Nifty	49,206 / 14,823
Market Cap	Rs. 945bn / \$ 12,856m
Shares Outstanding	1,767m
3M Avg. Daily Value	Rs. 3021.49m

Shareholding Pattern (%)

Promoter's	67.38
Foreign	19.77
Domestic Institution	5.34
Public & Others	7.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.3)	1.4	21.0
Relative	(2.4)	(13.7)	(22.7)

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Peaked out performance, cut to Hold

Quick Pointers:

- Input costs likely to impact margins in 1H despite 3% price hike, expects to sustain margins by price hikes, cost control and ad spend cut
- Discretionary portfolio likely to be impacted in 1Q, Immunity boosting products witness demand pick up from 2nd half of April-21.
- Tax rate guidance at 21.5%-22% going forward

We are decreasing FY22/23 EPS estimates of Dabur India by 8.0%/5.7% on back of 1) higher tax rate guidance of 21.5-22% (18-18.5% earlier) 2) lower than expected growth in Health Supplements and Healthcare and 3) no margin expansion given input cost pressures. Dabur remains cautiously optimistic given that unlike last year, localized lockdowns would not impact discretionary portfolio and sharp pick up in immunity boosting products demand from 2nd half of April. We believe that the company will be able to sustain double digit sales growth led by 1) Robust growth and market share gains in Honey and Chawyanprash (60%+), 2) Market share gains in Oral care (2-3x category growth) 3) Strong brand recall in OTC 4) New product development (5-6% of topline) and 5) Cost saving initiatives like Project Samruddhi (savings of Rs 1.0bn in FY22). We estimate 13.5% PAT CAGR over FY21-23. We value the stock at 43x FY23EPS (earlier Rs 550, 42x FY23E) to arrive at target price of Rs531. Expect near term underperformance, although long term outlook remains intact. Downgrade to Hold.

Consol sales up 25.3% on 25.4% volume growth: Consolidated sales up 25.3% at Rs 23.37bn (Est Rs 25.33bn), domestic volume growth of 25.4% (Est 33%). Gross margins down 40bps to 48.7% (Est 49.8%). EBITDA up 25.6% to Rs 4.43bn (Est 5.35bn). EBITDA margins flat at 18.9% (Est 21.1%). Adj PAT up 25.1% to Rs 3.78bn (Est 4.49bn). Standalone sales grew 30.3%, EBITDA up 11.6% which translated to PAT growth of 8.4%. Dabur continued to gain Market Share across all key categories like Chawyanprash (up 170bps), Honey (up 230bps), Toothpaste (up 120bps), Hair oils (up 70bps), Shampoo (up 50bps) and Odomos (up 250bps).

Concall Highlights: 1) Strong growth in Honey and Chawyanprash, market share up by 230bps and 170bps; despite being off-season. 2) Oral care sales up 42.1% on back of Dabur Red (sales of Rs 10bn), Meswak and Babool; gained 120bps market share. 3) Highest ever market share of shampoos at 6.5%, up 70bps 4) Ecom grew 2x, contributed to 5-6% of sales. 5) Market share in hair oil/oral care category at 15-16%/16%, up 120/70bps. 6) Homemade brand revenue at Rs 700m in FY21, target of Rs 1bn in FY22 and Rs 5bn in next 4 years. 7) Implemented Continuous Replenishment System (CRS) leading to reduction in pre-season loading from 25 days to 17 days. 8) Overall 5-6% inflation in RM basket, has taken 3% price increase and will take further price increase to counter inflation. 9) International business recorded improvement in operating margins aided by favorable country mix and cost saving initiatives. 10) Capex of Rs 5.5bn over next 4 to 5 years to augment capacity for Health care and HPC segment in Central India (Indore, land of 50 acre purchased).

Exhibit 1 : Q4FY21 Results: Sales up 25.3%, EBITDA margins flat, Adj PAT grows 25.1%

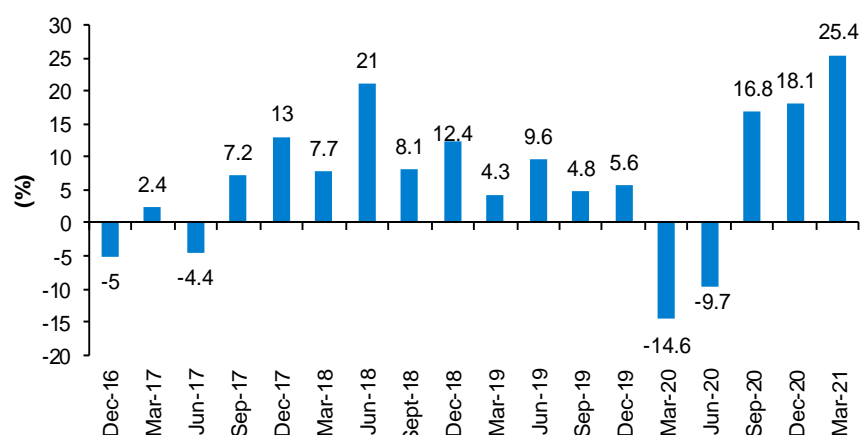
Y/E March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Revenues	23,368	18,654	25.3	27,288	95,617	87,036	9.9
Gross Profit	11,390	9,158	24.4	13,751	47,727	43,433	9.9
<i>% of Net Sales</i>	<i>48.7</i>	<i>49.1</i>		<i>50.4</i>	<i>49.9</i>	<i>49.9</i>	
Other Expenses	6,965	5,635	23.6	8,009	27,700	25,510	8.6
<i>% of Net Sales</i>	<i>29.8</i>	<i>30.2</i>		<i>29.4</i>	<i>29.0</i>	<i>29.3</i>	
EBITDA	4,425	3,523	25.6	5,742	20,027	17,923	11.7
<i>Margins</i>	<i>18.9</i>	<i>18.9</i>		<i>21.0</i>	<i>20.9</i>	<i>20.6</i>	
Depreciation	666	588	13.2	572	2,401	2,205	8.9
Interest	86	86	0.8	69	308	495	(37.8)
Other Income	850	758	12.2	809	3,253	3,053	6.6
PBT	4,522	3,606	25.4	5,911	20,570	18,276	12.6
Tax	744	587	26.8	975	3,611	2,797	29.1
<i>Effective tax rate (%)</i>	<i>16.4</i>	<i>16.3</i>		<i>16.5</i>	<i>17.6</i>	<i>15.3</i>	
Minority interest	6	4	51.3	1	9	0	9,100.0
Adjusted PAT	3,773	3,016	25.1	4,935	16,950	15,479	9.5

Source: Company Data, PL Research

Exhibit 2 : Double digit growth across categories

Category Growth (%)	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Hair Oils	2.5	12.1	2.6	0.4	-20.8	-25.6	-6.3	11.6	24.6
Shampoos	3.3	10.9	12.0	5.1	-16.8	-9.3	17.8	27.1	33.4
Health Supplements	10.2	19.6	14.4	12.2	-9.5	52.6	70.8	34.7	17.7
Oral Care	8.2	11.4	4.4	8.5	-15.8	1.4	24.2	28.0	42.1
Foods	-6.5	1.5	-5.0	-1.7	-20.6	-34.4	-3.8	4.7	36.1
Digestives	11.9	18.2	10.2	15.9	-9.5	-11.5	2.5	0.3	20.0
Skin care	11.2	12.1	1.0	-0.3	-24.2	-12.5	38.1	9.1	37.9
Home Care	16.2	10.9	7.0	2.5	-18.4	-30.5	-10.2	-1.0	24.3
OTC	16.6	13.1	4.2	5.5	-20.6	34.4	56.1	34.1	36.8
Ethicals	9.7	15.9	7.2	2.7	2.7	10.7	26.4	23.2	

Source: Company, PL

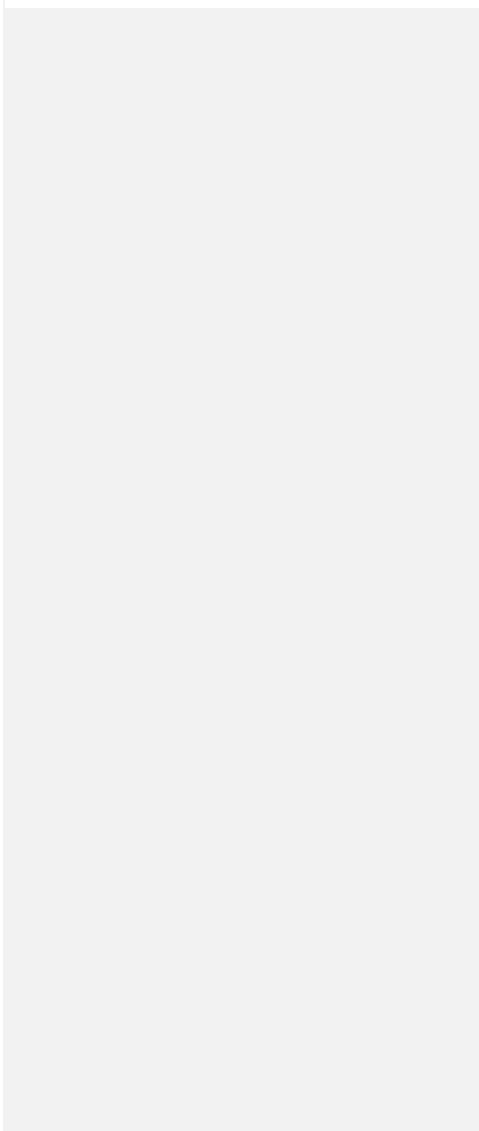
Exhibit 3 : 4Q volume up 25.4%


Source: Company, PL

Exhibit 4: Innovations in FY21 across all categories

Health Care	
HPC	
Foods	
E-comm First	

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	86,846	95,428	1,06,547	1,18,445
YoY gr. (%)	2.0	9.9	11.7	11.2
Cost of Goods Sold	43,603	47,890	53,524	58,829
Gross Profit	43,244	47,538	53,023	59,616
Margin (%)	49.8	49.8	49.8	50.3
Employee Cost	9,477	10,335	11,121	12,448
Other Expenses	9,533	7,260	8,274	9,098
EBITDA	17,734	20,027	22,248	25,505
YoY gr. (%)	1.9	12.9	11.1	14.6
Margin (%)	20.4	21.0	20.9	21.5
Depreciation and Amortization	2,205	2,401	2,483	2,621
EBIT	15,529	17,626	19,765	22,884
Margin (%)	17.9	18.5	18.6	19.3
Net Interest	495	308	363	315
Other Income	3,053	3,253	4,080	5,388
Profit Before Tax	18,087	20,571	23,482	27,957
Margin (%)	20.8	21.6	22.0	23.6
Total Tax	2,797	3,611	5,049	6,151
Effective tax rate (%)	15.5	17.6	21.5	22.0
Profit after tax	15,290	16,960	18,433	21,807
Minority interest	30	9	9	9
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,260	16,951	18,424	21,798
YoY gr. (%)	(1.1)	18.9	8.7	18.3
Margin (%)	16.4	17.8	17.3	18.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,260	16,951	18,424	21,798
YoY gr. (%)	(1.1)	18.9	8.7	18.3
Margin (%)	16.4	17.8	17.3	18.4
Other Comprehensive Income	1,037	(882)	-	-
Total Comprehensive Income	15,297	16,069	18,424	21,798
Equity Shares O/s (m)	1,767	1,767	1,767	1,767
EPS (Rs)	8.1	9.6	10.4	12.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	32,935	35,238	37,290	39,340
Tangibles	31,801	34,000	36,003	38,003
Intangibles	1,134	1,238	1,288	1,338
Acc: Dep / Amortization	13,768	16,169	18,652	21,274
Tangibles	13,076	15,378	17,758	20,273
Intangibles	692	791	894	1,001
Net fixed assets	19,167	19,069	18,638	18,067
Tangibles	18,725	18,622	18,244	17,730
Intangibles	442	447	394	337
Capital Work In Progress	1,466	1,473	500	500
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	19,624	35,248	38,603	42,463
Net Deferred tax assets	(174)	(139)	(139)	(139)
Other Non-Current Assets	1,122	1,562	1,392	1,523
Current Assets				
Investments	13,910	7,460	20,475	26,560
Inventories	13,796	17,343	19,364	21,527
Trade receivables	8,139	5,616	7,238	8,046
Cash & Bank Balance	8,114	13,290	4,262	4,738
Other Current Assets	4,676	3,871	4,475	4,975
Total Assets	93,531	1,08,466	1,18,840	1,32,351
Equity				
Equity Share Capital	1,767	1,767	1,767	1,767
Other Equity	64,291	74,868	84,972	96,332
Total Network	66,058	76,635	86,739	98,100
Non-Current Liabilities				
Long Term borrowings	1,629	1,341	1,041	741
Provisions	629	633	746	829
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,292	3,491	3,191	2,891
Trade payables	14,822	19,153	20,312	22,310
Other current liabilities	6,515	6,693	6,245	6,899
Total Equity & Liabilities	93,531	1,08,466	1,18,840	1,32,351

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	18,277	20,571	23,482	27,957
Add. Depreciation	2,205	2,401	2,483	2,621
Add. Interest	495	308	363	315
Less Financial Other Income	3,053	3,253	4,080	5,388
Add. Other	(3,237)	(3,253)	(4,080)	(5,388)
Op. profit before WC changes	17,739	20,027	22,248	25,505
Net Changes-WC	(15,735)	10,236	(8,330)	(7,421)
Direct tax	(2,797)	(3,611)	(5,049)	(6,151)
Net cash from Op. activities	(793)	26,652	8,870	11,934
Capital expenditures	(5,869)	(2,311)	(1,080)	(2,050)
Interest / Dividend Income	3,053	3,253	4,080	5,388
Others	11,241	(20,044)	(3,401)	(3,741)
Net Cash from Invt. activities	8,425	(19,102)	(401)	(403)
Issue of share cap. / premium	1,674	(461)	515	-
Debt changes	(2,072)	(89)	(600)	(600)
Dividend paid	(6,178)	(5,920)	(8,836)	(10,437)
Interest paid	(495)	(308)	(363)	(315)
Others	-	-	-	-
Net cash from Fin. activities	(7,070)	(6,777)	(9,283)	(11,352)
Net change in cash	562	773	(814)	178
Free Cash Flow	(6,662)	24,341	7,790	9,884

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	8.1	9.6	10.4	12.3
CEPS	9.3	10.9	11.8	13.8
BVPS	37.4	43.4	49.1	55.5
FCF	(3.8)	13.8	4.4	5.6
DPS	3.0	4.8	5.2	6.2
Return Ratio(%)				
RoCE	23.1	23.1	22.9	23.8
ROIC	21.7	20.1	21.0	22.6
RoE	23.3	23.8	22.6	23.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	30	15	22	22
Valuation(x)				
PER	66.2	55.7	51.3	43.3
P/B	14.3	12.3	10.9	9.6
P/CEPS	57.4	48.8	45.2	38.7
EV/EBITDA	52.3	46.4	41.5	36.0
EV/Sales	10.7	9.7	8.7	7.7
Dividend Yield (%)	0.6	0.9	1.0	1.2

Source: Company Data, PL Research

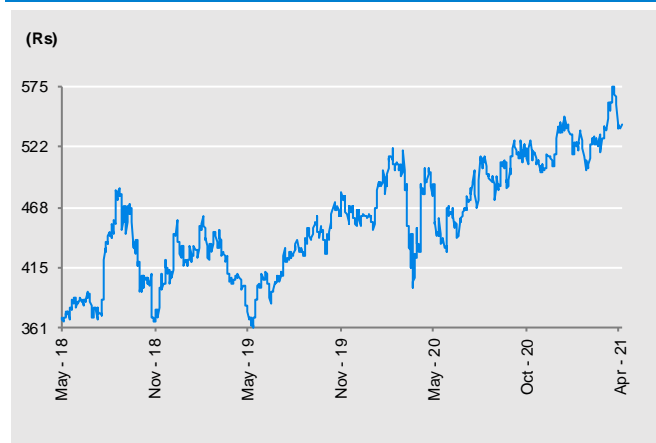
Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	19,800	25,160	27,288	23,368
YoY gr. (%)	(12.9)	13.7	16.0	25.3
Raw Material Expenses	10,016	12,359	13,537	11,978
Gross Profit	9,784	12,802	13,751	11,390
Margin (%)	49.4	50.9	50.4	48.7
EBITDA	4,166	5,694	5,742	4,425
YoY gr. (%)	(9.0)	16.3	16.5	25.6
Margin (%)	21.0	22.6	21.0	18.9
Depreciation / Depletion	567	596	572	666
EBIT	3,599	5,098	5,170	3,759
Margin (%)	18.2	20.3	18.9	16.1
Net Interest	78	75	69	86
Other Income	718	876	809	850
Profit before Tax	4,238	5,899	5,911	4,522
Margin (%)	21.4	23.4	21.7	19.4
Total Tax	825	1,067	975	744
Effective tax rate (%)	19.5	18.1	16.5	16.4
Profit after Tax	3,413	4,832	4,936	3,779
Minority interest	(1)	3	1	6
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,414	4,829	4,935	3,773
YoY gr. (%)	(11.1)	8.8	17.8	25.1
Margin (%)	17.2	19.2	18.1	16.1
Extra Ord. Income / (Exp)	297	(707)	349	(821)
Reported PAT	3,711	4,121	5,284	2,952
YoY gr. (%)	(1.2)	2.1	32.5	4.8
Margin (%)	18.7	16.4	19.4	12.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,711	4,121	5,284	2,952
Av g. Shares O/s (m)	1,766	1,766	1,767	1,767
EPS (Rs)	1.9	2.7	2.8	2.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	Accumulate	550	552
2	29-Jan-21	Accumulate	550	515
3	07-Jan-21	Accumulate	539	534
4	03-Nov-20	Accumulate	539	515
5	08-Oct-20	Hold	469	522
6	30-Jul-20	Hold	469	494
7	08-Jul-20	Hold	451	479
8	27-May-20	Hold	422	431

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	2,829	2,622
2	Avenue Supermarts	BUY	3,195	2,880
3	Bajaj Electricals	BUY	1,033	991
4	Britannia Industries	Accumulate	3,755	3,541
5	Burger King India	BUY	221	145
6	Colgate Palmolive	Hold	1,685	1,551
7	Crompton Greaves Consumer Electricals	BUY	447	374
8	Dabur India	Accumulate	550	552
9	Emami	BUY	568	507
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Hold	1,128	1,026
12	Hindustan Unilever	BUY	2,562	2,408
13	ITC	BUY	248	214
14	Jubilant FoodWorks	Accumulate	3,279	2,862
15	Kansai Nerolac Paints	BUY	653	596
16	Marico	Accumulate	452	410
17	Nestle India	Accumulate	18,450	17,096
18	Pdillite Industries	Hold	1,739	1,886
19	Polycab India	BUY	1,480	1,376
20	Titan Company	Accumulate	1,663	1,507
21	Voltas	Hold	1,000	977
22	Westlife Development	BUY	618	496

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

ANALYST CERTIFICATION

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