

BSE SENSEX
 38,182

S&P CNX
 11,270

CMP: INR513
TP: INR600 (+17%)
Buy


Motilal Oswal values your support in the
Asiamoney Brokers Poll 2020 for India
Research, Sales and Trading team.
 We [request your ballot.](#)


Stock Info

Bloomberg	DABUR IN
Equity Shares (m)	1,762
M.Cap.(INRb)/(USDb)	898.2 / 12.1
52-Week Range (INR)	528 / 385
1, 6, 12 Rel. Per (%)	3/6/14
12M Avg Val (INR M)	1297
Free float (%)	32.1

Financials Snapshot (INR b)

Y/E Mar	2020	2021E	2022E
Sales	86.8	92.1	106.0
Sales Gr. (%)	2.0	6.0	15.0
EBITDA	17.9	19.2	22.7
Margins (%)	20.6	20.9	21.4
Adj. PAT	15.2	15.9	18.7
Adj. EPS (INR)	8.6	9.0	10.6
EPS Gr. (%)	1.4	4.4	17.6
BV/Sh.(INR)	37.4	39.8	42.9

Ratios

RoE (%)	24.9	23.4	25.6
RoCE (%)	23.2	21.8	23.8
Payout (%)	34.8	60.0	60.0

Valuations

P/E (x)	59.4	56.9	48.4
P/BV (x)	13.7	12.9	12.0
EV/EBITDA (x)	48.9	45.4	38.3
Div. Yield (%)	0.6	1.1	1.2

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	67.9	67.9	67.9
DII	7.4	7.6	7.0
FII	17.6	17.4	17.8
Others	7.1	7.1	7.3

FII Includes depository receipts

Aggression, traction pick up pace
Here are the key takeaways from Dabur's FY20 Annual Report

- **The company highlighted details from Project RISE** (Regional Insights and Speed in Execution), an analytics-based project for capturing regional market opportunities—its own version of the cluster-based approach that has served some consumer peers very well over the past few years. This, once again, highlights the newfound nimbleness at Dabur.
- **Dabur has implemented a Continuous Replenishment System (CRS)** to manage its inventory better. It has been able to reduce the pipeline inventory by almost five to six days. In the 1QFY21 call, the company further highlighted that it intended to reduce pipeline inventory by another four to five days going forward. This would mean the near-halving of pipeline inventory.
- **The company's increasing aggression is also evident from the much-needed increase / planned increase in direct reach.** Its direct retail coverage increased from 1.1m outlets to 1.2m in FY20. It plans to increase direct reach sharply to 1.5m outlets over the next two to three years. Its total reach of 6.7m outlets is already among the best of breed.
- **As highlighted in our [CEO meeting note](#) toward the end of June, the COVID-19 crisis is providing strong tailwind to the company's admirable efforts on growth in the Healthcare segment.** Management stated in the AR that 'as an organization, Dabur wants to structurally change the skew of its product portfolio to give greater prominence to Healthcare (~30% of sales in FY20), which is also margin-accretive, and reduce its reliance on the HPC category (~50% of sales last year)'.
- **Dabur remains among our top picks.**

Valuation view

- As pointed out in [our upgrade note](#), the structural and medium-term narrative on topline growth is turning highly attractive, led by strong traction in the profitable Healthcare business and an attractive rural growth outlook, with ~48% of Dabur's domestic sales coming from rural. Additionally, the investment case is being strengthened further, supported by: (a) focus on the core, (b) Power Brand strategy, (c) a spate of new launches, (d) an increasing direct distribution reach, (e) the narrowing gap on analytics v/s domestic peers, and (f) cost savings, which would be plowed back into the business. High near-term valuations appear justified at this initial stage of structural turnaround, which could potentially result in ~20% EPS growth following the investment phase for the current year.
- **Maintain BUY, with TP of INR600 (50x Sept'22 EPS).**

Highlights from FY20 Annual Report

Power Brand strategy coming to the fore

- Dabur is home to over 400 trusted products and over 1,000 SKUs. To provide adequate focus and investment to key brands, the company has put in place a Power Brand strategy. It has identified nine Power Brands that account for more than 70% of its total sales.
- Disproportionate investments are being used to bolster these brands not only to improve visibility but also to enhance distribution and increase the pace of innovation by way of new products, variants, and format launches.
- As a part of this strategy, the company has sharply increased advertising and media spends for the Power Brands. Additionally, to make each of these brands relevant to the millennial population, a number of initiatives are being planned through new packaging, new formats, communication, marketing mix, etc. There is also a greater focus on digital communication within each of these brands to improve connect with the millennial population and Gen-Z.

Exhibit 1: Majority of the Power Brands are in the Healthcare space, where Dabur – as the country’s leading natural and Ayurvedic healthcare company – has the right to win

Segment	Dabur Brands	Strategy
Healthcare	Chyawanprash (over 60% share)	Driving category growth, increasing usage occasions, improving penetration, and growing chemist coverage are the key pillars of Dabur’s growth strategy for this brand. The company is also working on introducing modern formats and communication targeting the youth / kids.
	Honey	In addition to highlighting the health benefits of Honey, the company is stepping up innovation by launching a range of premium variants. This is besides moving it from the medicine cabinet to the breakfast table by increasing its usage as a food product and immunity booster.
	Lal Tail	The company is focusing on gaining market share in this category by communicating its clinically proven benefits and Ayurvedic positioning, besides expanding the product’s distribution footprint. Dabur further plans to expand its presence in the Baby Care market by creating a larger portfolio of Baby Care products.
	Honitus	The company is working toward growing its market share in the Cough and Cold category in India by reinforcing its Ayurvedic positioning and distribution enhancement, besides launching a host of new formats and variants.
	Pudin Hara	As a part of the growth strategy, Dabur has started connecting with millennials through digital media, besides scaling up its Powder Fizz format.
Home & Personal Care	Red Paste	While on the one hand, the company is extending the Dabur Red brand to the premium formats, it is also growing the brand’s rural franchise through low-priced packs.
	Amla Hair Oil	While strengthening the core brand through aggressive spends, Dabur is also building greater connect for the brand with the millennial through the launch of premium variants. Alongside this, the company is working on creating moats around Dabur Amla through flanker brands such as Brahmi Amla and Sarson Amla.
Foods	Real Fruit Power	The company plans to extend the portfolio under Real in adjacent areas, offering value-priced drinks, in addition to adding premium variants to the wellness platform.

Source: Company, MOFSL

- **Vatika, among the youngest and largest brands in the Dabur portfolio**, has a large presence outside of India (added as an international Power Brand). Dabur is now working toward scaling up the Vatika franchise in India with the launch of new variants, besides extending its distribution beyond southern India. The

company is also working toward cross-pollinating Vatika's highly successful international portfolio in India.

Regional strategy – following the footsteps of the best of breed

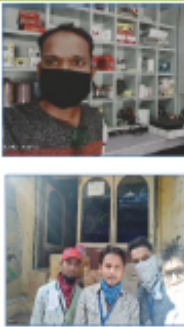
- Dabur has rolled out Project RISE (Regional Insights and Speed in Execution), an analytics-based project for capturing regional market opportunities.
- India is an amalgamation of various clusters, with each cluster having distinct consumer beliefs, patterns, and preferences. Dabur today views India from the lens of 12 different geographical clusters.
- As a part of this project, the company has been capturing consumer, packaging, and media insights from the different clusters and transforming these ideas into quality products and communication that provide new growth opportunities.
- The company has put in place focused trade interventions, activations, distribution initiatives, and consumer promotions, in addition to launching region-specific products and variants suited to local consumer preferences.

Technological initiatives – already making the company leaner


- Technology in distribution, particularly the use of handheld devices, is an area where the company was among the early adopters. However, over the years, Dabur lost its edge on technology, analytics, and data collection to certain peers. Nevertheless, with changing times, especially in the wake of COVID-19, Dabur realized the importance of looking at data and technology to make a paradigm shift in serving customers (MIS, decision making, cross-selling, and upselling).
- With this in mind, the company worked on: (a) upgrading the distributor management system (DMS); (b) salesforce automation (SFA); (c) developing linkages and subsequent benefits between SFA, DMS, and SAP HANA to get primary, secondary, and tertiary data (now used for decision analytics); and (d) setting up the Tableau dashboard for the top management.
- The company implemented the Continuous Replenishment System (CRS) to manage inventory better (~3400 stockists). As a result, it was able to reduce pipeline inventory by almost five to six days.
- The company rolled out a new module of Drishti, its frontend ERP platform, for the majority of its distributors, bringing in greater automation in a lot of its functions.
- In FY20, the company upgraded to SAP HANA, which enhanced the capability of its IT systems.

Exhibit 2: Using data and technology to cross-sell and upsell products

Sales Order Taking



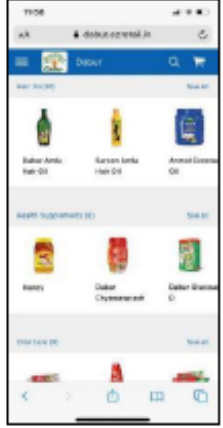
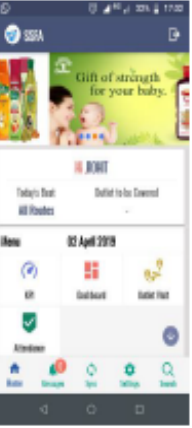


Incentive scheme for salesmen and delivery boys during early lockdown period



Realigned ParLOUR Team to GT Channel

Automation in Order Taking under Covid

- Enabled SSMs to telecall and take order on SFA directly from home at start of Covid
- Piloted order taking through WhatsApp & Centralized Tele-Agents
- Launch of Retailer App now reaching close to 40,000 retailers for self-service

Source: Company, MOFSL

Exhibit 3: The GTM Approach

Delivery of Goods	Reaching Consumers Directly	Retailer Safety, Field Force Safety and Motivation
 <p>Stockists Operating from Home</p>	 <p>Dunzo & Swiggy Partnership for Delivery</p>	 <p>Rolled out 1 lakh 'Suraksha Stores' with Ministry of Consumer Affairs</p>
 <p>Partnered with 3P and Dainik Bhaskar to ensure uninterrupted Supplies</p>	 <p>'Immunity at Doorstep' – A Direct-to-Consumer initiative</p>	 <p>Health Insurance of One Lakh given to 1500+ SSM of Dabur Stockists</p>
 <p>Ready Stock Unit Operations to drive sales</p>	 <p>Placing Dabur's Immunity booster products in Dairy & Kirana Stores</p>	 <p>Digital Certificates being given for exceptional service by Sales Team members</p>

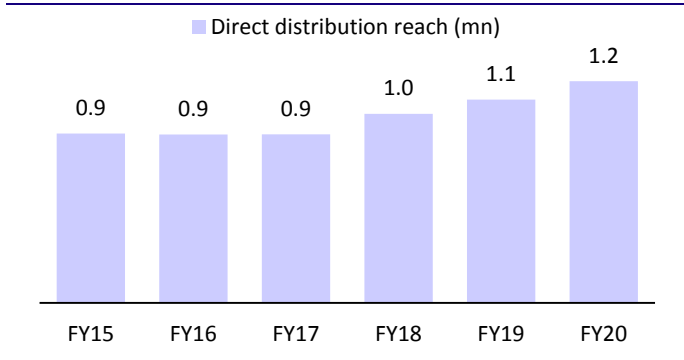
Source: Company, MOFSL

Distribution advantage with improving channel mix

- Dabur continued to expand its distribution footprint, particularly in the hinterland, taking its village coverage to 52,000 villages by the end of Mar'20, against 44,000 in Mar'19. The company's direct retail coverage also increased from 1.1m outlets to 1.2m in FY20.

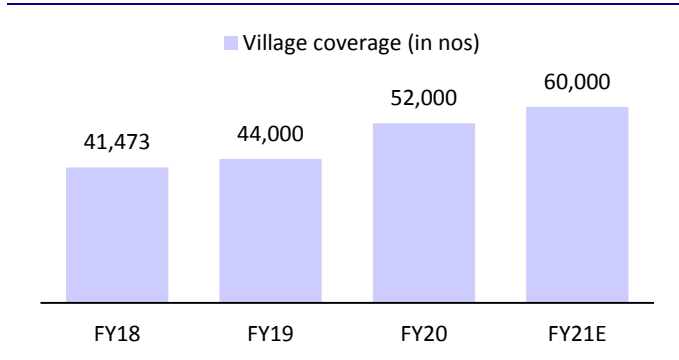
- With lockdown restrictions now easing, Dabur is continuing its distribution expansion strategy and plans to increase the village network to 60,000 by FY21. This is besides increasing direct coverage to 1.5m outlets over the next two to three years.
- **Moreover, e-commerce (~2.4% contribution to Dabur’s sales v/s 1.4% in FY19) would act as the bulwark against modern trade over the next few years.** With acceleration in e-commerce on account of COVID-19, bargaining power (impacting the company’s working capital) in the hands of modern trade outlets (~15% contribution) should even out eventually.

Exhibit 4: Total distribution reach of 6.4m outlets; aim to increase direct reach to 1.5m in a few years



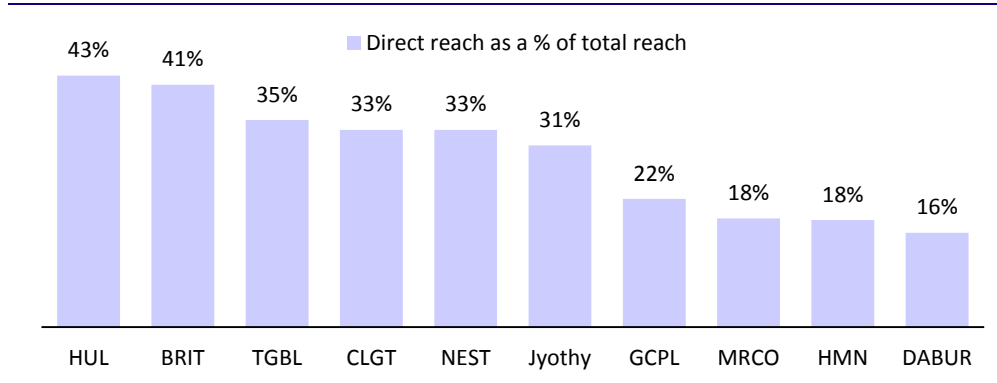
Source: Company, MOFSL

Exhibit 5: Focus on increasing rural reach, which contributes ~48% to FY20 sales



Source: Company, MOFSL

Exhibit 6: Dabur’s direct reach is the lowest amongst peers



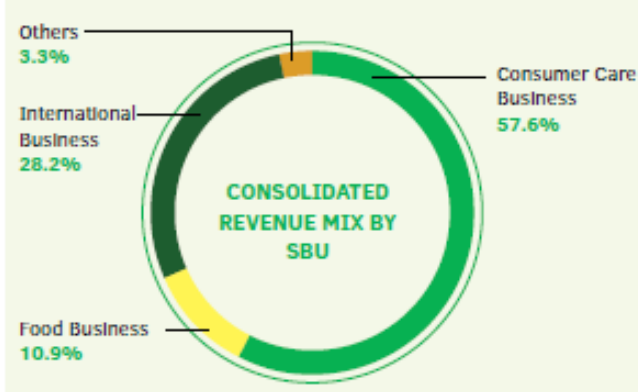
Source: Company, MOFSL

COVID-19 turns inflection point for a major fillip in Ayurveda

- In FY20, under the new CEO, Dabur took various steps to further enhance the popularity of Ayurveda and make it more mainstream. This includes the launch of contemporary formats, enhanced distribution, and visibility and promotion on the digital media.
- Samvaad conferences were organized to discuss the products, processes, and new developments in Ayurveda with medical professionals. Dabur also organized health camps and doctors’ meets to disseminate information about the efficacy of Ayurvedic medicines in managing healthcare, including lifestyle diseases that have surfaced in the current times.
- COVID-19 has served as an inflection point, increasing the relevance of Ayurveda in consumers' minds.

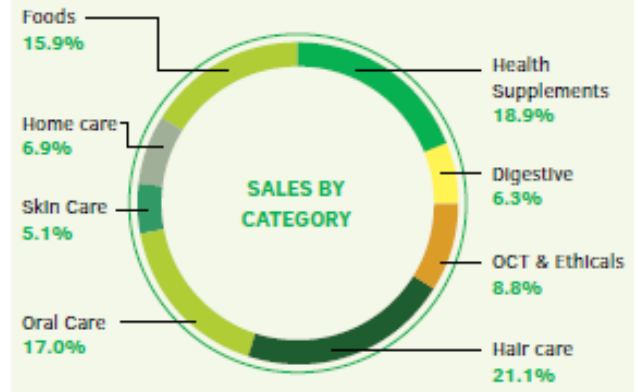
- As an organization, Dabur aims to structurally change the skew of its product portfolio to give greater prominence to Healthcare (~30% of sales in FY20), which is also margin-accretive, and reduce its reliance on the HPC category (~50% of sales). COVID-19 has enabled this, resulting in the increased contribution of Healthcare in consolidated sales.

Exhibit 7: Consolidated revenue breakup



Source: Company, MOFSL

Exhibit 8: Consumer Care business – India



Source: Company, MOFSL

Innovation and renovation – Key focus areas

- Since the COVID-19 outbreak, demand dynamics have changed drastically, with consumers increasingly seeking Ayurvedic products that build immunity, besides those that meet personal and household hygiene needs.
- As the country’s largest Ayurvedic product manufacturer, Dabur accelerated its innovation strategy, rolling out over two dozen products, with the majority of them introduced within two months of the COVID-19 outbreak. A number of these products were fast-tracked to meet the growing consumer need for quality, immunity-boosting products in the wake of the pandemic.
- Additionally, the year saw Dabur expand its presence in the Personal and Household Hygiene space with a slew of new introductions.
- Moreover, there was added emphasis on growing the contribution of innovation to 5% of sales from less than 2%.

Exhibit 9: New products launched in recent months...



Source: Company, MOFSL

Exhibit 10: ...in Healthcare space



Source: Company, MOFSL

Exhibit 11: New products launched in recent months...



Source: Company, MOFSL

Exhibit 12: ...in Personal and Household Hygiene category



Source: Company, MOFSL

Exhibit 13: New products launched in recent months...



Source: Company, MOFSL

Exhibit 14: ...in Personal Care space



Source: Company, MOFSL

Exhibit 15: New products launched in recent months...



Source: Company, MOFSL

Exhibit 16: ...in Foods space



Source: Company, MOFSL

Exhibit 17: New products launched in recent months...



Source: Company, MOFSL

Exhibit 18: ...in international business



Source: Company, MOFSL

Exhibit 19: More than 50 new products introduced across categories during the year; the majority launched during/after lockdown, reflecting committed effort to mitigate crisis and emerge from it stronger

Sr. No	Particulars (YTD)
Domestic Business:	
1	Dabur Babool Ayurvedic Paste – Dual protection
2	Dabur Amla Kids Nourishing Hair Oil – Amla, Olive, Almond
3	Dabur Amla Kids Nourishing Shampoo – Amla, Olive, Shikakai
4	Dabur Amla Kids Castle Pack – Nourishing Hair Oil & Shampoo – Combo Pack
5	Dabur Brahmi Hair Oil, Amla Hair Oil, Sarson Amla Hair Oil – INR10/-
6	Dabur Vatika Naturals Shampoo – Long & Black (Amla), Health (Henna), Vatika (Lemon & Menthol)
7	Fem Hair Removal Cream – Fair & Soft (Rose, Gold, Sandal, Turmeric) – 50% free 60g at the price of 40g
8	Fem Fairness and Glow – Fruit Crème Bleach – INR65
9	Odonil
10	Dabur Natural Care – Kabz Over
11	Hajmola – Chat Cola, Hing
12	Dabur GlucoPlus-C – Added Mango Flavor
13	Dabur Hridayasava
14	Dabur Dadimavale
15	Vasant Meha Ras
16	Real Fruit Power – Mixed Berries Juice, Masala Pomegranate, Masala Mixed Fruits, Masala Guava, Masala Aam Panna; Fruit ORS – Orange, Apple, Pink Guava Juice, Masala Sugarcane, Activ Coconut Water, Aloe Vera Kiwi
17	Dabur Hommade Paste – Ginger, Garlic, Tamarind, Ginger-Garlic
18	Dabur Haldi drops / Tulsi drops
19	Dabur Air Sanitizer
20	Dabur Immunity Kit
21	Dabur Amla Juice
22	Dabur Giloy, Neem, Tulsi Juice, Dabur Giloy Ras
23	Dabur Trikatu Churan
24	Dabur Ashwagandha Capsules
25	Range of 7 Ayurvedic Churans
26	Dabur Sanitize Hand / Air Sanitizers
27	Dabur Sanitize Multi-Surface Disinfectant Spray, Dazzl Sanitize Disinfectant Floor Cleaner, Dabur Sanitize Antiseptic Liquid
28	Dabur Sanitize Germ Protection Soap
29	Dazzl Surface Cleaner, Dazzl Floor Cleaner, Dazzl Multi-Purpose Cleaner, Dazzl Disinfectant Spray, Odonil Air Sanitizer
30	Dabur Amla Aleo Vera Hair Oil, Dabur Badam Amla Hair Oil, Fem Fruit Bleach, Dabur Amla Kids Hair Care Range
31	Fem Hand Wash With Germ Kill
32	Dabur Suraksha Kit
33	Vatika Ayurvedic Shampoo
34	Dabur Veggi Wash
35	Odonil Aerosol – Floral Bliss and Ocean Breeze
36	Arshoghni Vati
International Business:	
1	New Range Of Hair Waxes And Hair Mousse In Hobby – Turkey
2	Vatika Serum – Egypt
3	Olive Oil With Black Castor – South Africa
4	ORS Fix-It Range – USA, ORS Colorblast Range – USA
5	Amla Kids – Egypt
6	Vatika Afro Naturals Range – South Africa
7	Dabur Herb'l Alpha Range – UAE, Dabur Honitus Herbal Lozenges And Organic Virgin Coconut Oil – UAE
8	Vatika Sanitizing Body Wash – GCC
9	Dermoviva Sanitizing Range (Gel, Soap, Spray & Wipes) – Across key regions
10	Dabur Amla Hair Repair Solutions – UAE and Oman
11	Garden Of Eden Liquid Soap, Hobby Marshmallow Shower Gels, Hobby Fresh Care Shower Gels, Hobby – Sea Salt Spray, Kids Hair Gel, BB Weightless Hair Mousse – Turkey
12	Vatika Sanitizing Body Wash

Source: Company, MOFSL

Diverse strategy for different portfolios

- **Home & Personal Care (HPC; ~50% contribution):** Dabur's penetration is high in this segment. The company aims to: (a) take market share from peers and consolidate, (b) plug the gaps in the portfolio (introduce flanker brands, problem-solving communication) and expand into new geographical areas, and (c) piggyback on the Naturals wave.
 - **Hair Care:** Dabur continued to grow faster than the Hair Oils category, gaining on all parameters, be it market share, penetration, or distribution. The company enhanced brand spends on Dabur Amla Hair Oil and focused on special campaigns around the brand's popularity and legacy. As a part of its strategy to reach out to new-age consumers, Dabur entered the Kids' Hair Care space with a range of products, especially targeting the Online Retail space, under the Dabur Amla brand. It also enhanced its focus on the Anmol brand to increase its penetration across markets in the Coconut Oil category.
 - **Oral Care:** Dabur Red Paste continued to outperform the category, growing by nearly 2x the category growth rate. Targeting the value segment of the Herbal Toothpaste market, the company launched Babool Ayurvedic Paste and engaged in an aggressive low-unit pack (LUP) play with the launch of INR10 packs.
 - **Skin Care and Salon:** Gulabari witnessed muted growth, primarily due to competition from the counterfeit and unorganized sectors. The brand is being re-packaged. Fem faced increased competition from discount players. The brand countered intensifying competition with the launch of new formats and LUPs to end the year with good growth and market share gains. The year also saw Dabur enter the Male Grooming market under the OxyLife brand.
 - **Shampoo:** Dabur operates in this category with a range of shampoos under the Vatika brand. It extended the Shampoo portfolio with the launch of Vatika Ayurvedic Shampoo.
 - **Home Care:** Although the surge seen in the usage of hygiene products would even out by next year, habits formed during the COVID-19 pandemic are likely to sustain. The Odonil franchise saw a design reboot during the year. In Sanifresh, Dabur launched a 150ml pack targeting the rural markets. This INR20 pack is being marketed as a value pack in rural India.
 - **Personal Hygiene:** Given the sudden surge in consumer demand for personal hygiene products, Dabur advanced the launch of its hand sanitizer by a couple of months and introduced it under the Dabur Sanitize brand in Mar'20.

Exhibit 20: Dabur's Home & Personal Care vertical saw flat growth in FY20; growth was at 5% in YTD Feb'20

Category Performance	YTD Feb'20 (%)	FY20 (%)
Hair Care	4.3	-1.1
Oral Care	7.0	1.8
Skin Care	2.0	-2.7
Home Care	5.1	1.1

Source: Company, MOFSL

Exhibit 21: Penetration and market share matrix

Parameter	Low Market Share	High Market Share
High Penetration	Shampoo Hair Oils Toothpaste	Glucose Cough & Cold
Low Penetration		Pudin Hara Baby Massage Oil Ayurvedic Medicine Air Freshener Juice Honey Bleach Chyawanprash Mosquito Repellant Cream

Source: Company, MOFSL

- **Non-HPC portfolio (i.e., Health Care and Foods & Beverages):** Dabur seeks to: (a) drive relevance (*Chyawanprash*, all-season brand), (b) increase accessibility (e.g., respond to the perception that *Chyawanprash* is expensive), and (c) lead penetration through innovation, sampling, and premiumization / adapt to appeal to the millennial.
 - **Health Care (~30% contribution):** Given its market leadership, strong tailwind from COVID-19 is aiding growth in this portfolio. The company is focusing on taking Ayurveda mainstream ('Going back to the roots') by increasing penetration in Honey – single-use tub pack (~45% market share); Chyawanprash – recommended by the Ministry of Ayush for building immunity to combat COVID-19 (62% market share with only 4–5% penetration in India); and Glucose (~30% market share), etc., by looking at alternate formats such as pills and health food drinks (HFDs). Since this category is more profitable than the rest of the portfolio, healthy growth should be overall margin-accretive if other factors remain the same.

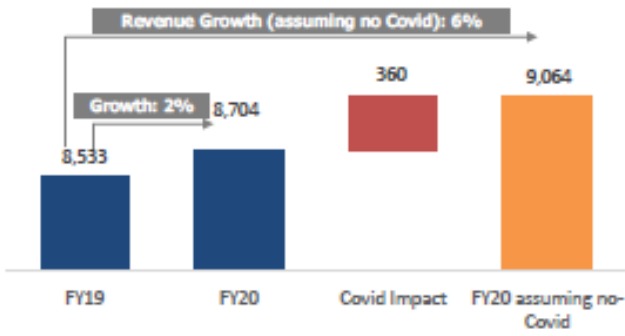
Exhibit 22: Health Supplements category for Dabur reported 8.2% growth in FY20 and 12.9% in YTD Feb'20, with almost all brands reporting strong growth

Category Performance	YTD Feb'20 (%)	FY20 (%)
Digestive category	14.2	8.0
Ayurvedic OTC and Ethicals category	6.7	Flat

Source: Company, MOFSL

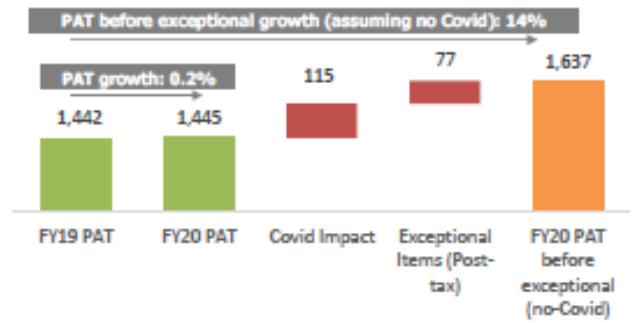
- **Foods & Beverages (~20% contribution):** Although there was some pressure in the Juice & Nectar category due to consumers shifting to lower priced products, the company mitigated the pressure by launching a range of new products at attractive price points. Dabur reported strong market share gains, with the company capturing an all-time high market share of 61.5% in FY20. Moreover, it is looking to launch value-added foods in the Foods business by way of innovation in the Hommade brand, e.g., *Chutneys*, to ride the wave of 'Ready-to-Eat'.

Exhibit 23: Impact of COVID-19 on FY20 revenue



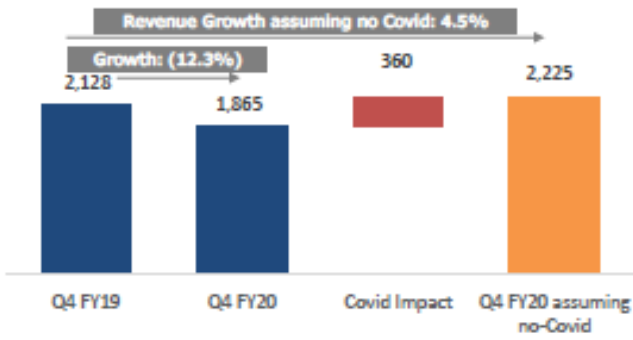
Source: Company, MOFSL

Exhibit 24: Impact of COVID-19 on FY20 PAT



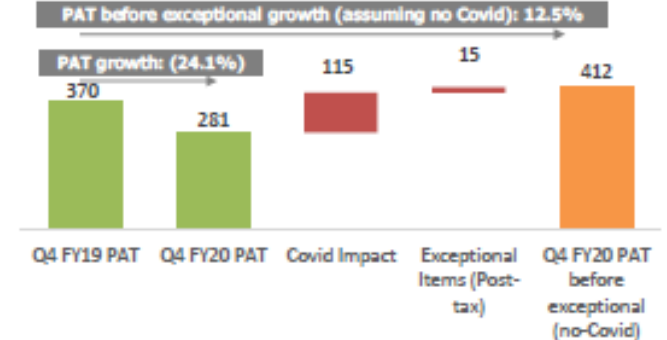
Source: Company, MOFSL

Exhibit 25: Impact of COVID-19 on 4QFY20 revenue



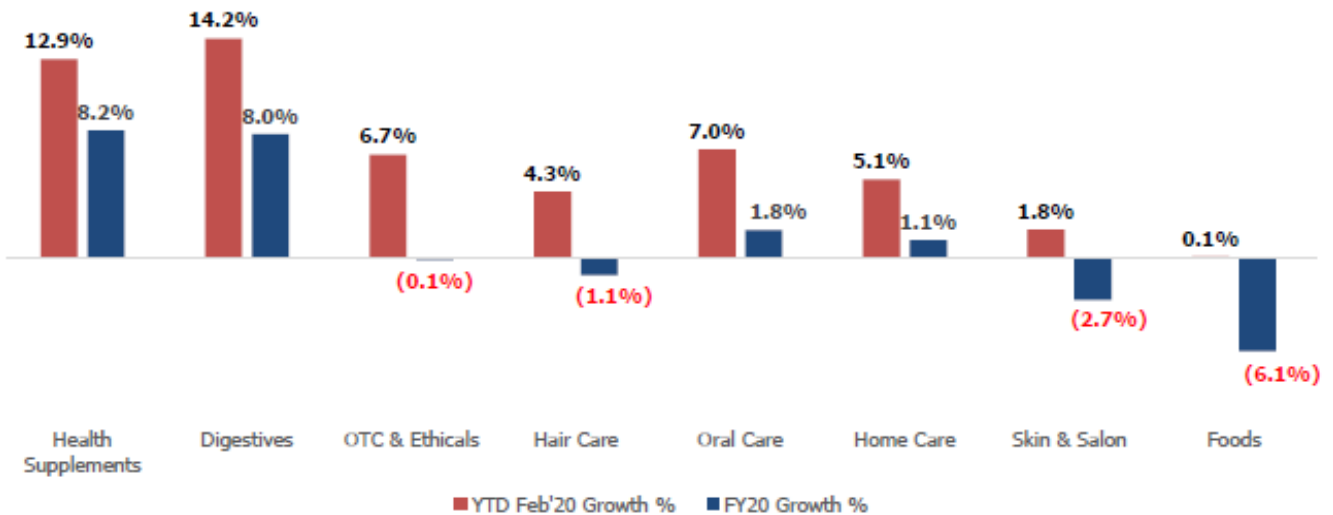
Source: Company, MOFSL

Exhibit 26: Impact of COVID-19 on 4QFY20 PAT



Source: Company, MOFSL

Exhibit 27: Domestic business – category-wise growth



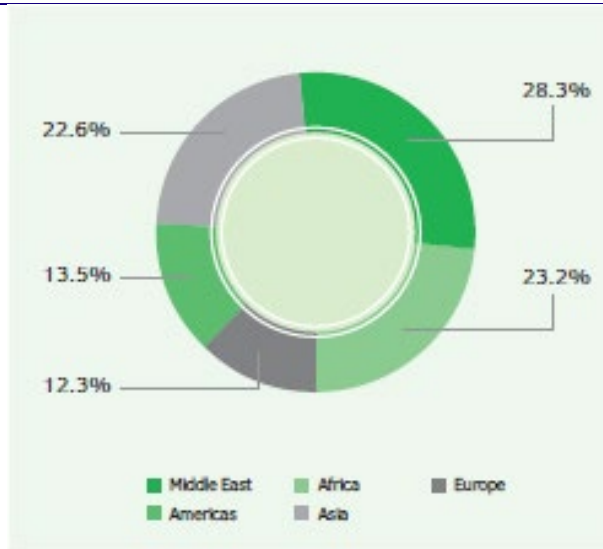
Source: Company, MOFSL

■ **International business registers growth of 4.9% in FY20**

- **MENA region:** During the year, the company faced severe headwinds, particularly in the GCC markets, on account of macroeconomic slowdown. This was driven by declining oil prices, which impacted category growth. The company took steps to mitigate these headwinds by improving the marketing mix and enhancing the value proposition to consumers, besides increasing spends on traditional media, digital, and on-ground activation.

- **Africa:** The business delivered good growth in FY20.
- **South Asia: In Nepal,** the business was under stress largely on account of two major disruptions – the implementation of VCTS by the Government of Nepal in Q2 and the COVID-19 outbreak in Q4. The company, however, continued to gain market share in the highly salient and tracked categories. **In Bangladesh and Myanmar,** the business came under pressure in 4QFY20 due to COVID. Nevertheless, Dabur plans to introduce new products in all categories and expand its rural reach in Bangladesh.
- **Europe:** Dabur’s business in Turkey registered strong top line growth of 43.4% in CC terms.
- **USA:** Overall, the ‘Namaste’ business reported considerable improvement in the top line and bottom line, led by increased styling and new product sales and realized cost efficiencies.

Exhibit 28: International business – revenue by geography



Source: Company, MOFSL

Exhibit 29: Leadership position in key international markets

Category	Saudi Arabia	Egypt	UAE	Nigeria	Morocco	Algeria	US	Turkey
Hair Oil	#1	#1	#2		#1	#1		
Hair Cream	#1	#1	#1		#1	#1		
Hair Gel	#1	#2	#1					#1
Hair Mask	#1	#1	#1					
Hair Serums	#3	#3	#2					
Shampoo	#6	#6	#5					
Leave-On	#6		#3					
Hair Color			#5					
Toothpaste	#5	#4	#4	#3	#3	#3		
Depilatories	#3		#3					
Relaxers							#1	

Source: Company, MOFSL

The COVID-19 impact on Dabur...

- Up to Feb'20, Dabur was on track to deliver around 6% growth in revenue and 14% growth in adj. PAT on the back of initiatives such as the Power Brand strategy, aggressive brand-building, and distribution enhancement. However, the advent of the COVID-19 pandemic and nationwide lockdown in March severely impacted revenue and profitability. Dabur ended the year with 2% growth in revenue and 5.8% growth in adj. PAT.
- **Impact on sales:** The sudden lockdown resulted in loss in both the top line and bottom line. With pre-season sales of summer-centric products not materializing, seasonal brands such as Real, Glucose, and Pudina Hara were impacted. Impact was also observed in the Ethical business. The lockdown also led to the non-availability of salesmen and delivery boys, which hurt the order-booking process. Channel sales are also seeing a massive shift with the resurgence of *kirana* stores, along with a major uptick in e-commerce sales. With hotels, restaurants, and caterers being closed, the HORECA business also showed a huge dip in sales.
- **Impact on manufacturing operations and supply chain:** Production was suspended across manufacturing units in the second fortnight of March. Logistics disruption was also faced due to changes in regulations as well as manpower shortage, resulting in prolonged lead times for the supply of RM & PM, along with a potential cost increase in Freight & Manpower.
- **Impact on finances:** Negligible sales in the last few days of Mar'20 resulted in increased inventory. Loans and advances also increased, primarily due to non-receipt of area-based GST refunds. Profitability was impacted on loss in sales.

Exhibit 30: Decent category growth in 9MFY20 despite high wholesale exposure and slower-than-expected rural growth

Category growth (%)	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	*4QFY20
Hair Care	(4.2)	(11.1)	2.3	20.8	11.6	20.6	15.7	24.0	2.6	12.0	7.3	2.8	(20.2)
Health Supplements	5.0	(7.2)	3.0	19.5	14.0	27.5	12.3	13.8	10.2	19.6	14.4	12.2	(9.7)
Oral Care	3.6	1.4	22.8	23.2	11.0	17.3	3.9	10.0	8.2	11.4	4.4	8.5	(15.4)
Foods	7.9	(8.3)	11.7	0.0	1.9	26.1	1.4	11.1	(5.9)	1.6	(5.0)	(1.7)	(20.6)
Digestives	(5.1)	3.8	11.7	19.3	7.2	21.6	10.8	22.5	11.9	18.2	10.2	15.9	(9.4)
Skin & Salon	(0.6)	4.0	15.8	14.5	8.5	27.1	11.9	19.3	11.2	12.1	1.0	(0.3)	(24.3)
Home Care	(6.4)	6.1	10.1	36.0	1.6	17.4	10.9	8.9	16.2	10.9	7.0	2.5	(18.0)
OTC & Ethicals	(4.0)	(6.6)	2.2	8.7	8.8	16.9	7.6	17.6	12.8	15.0	5.7	4.1	(20.9)
IBD (CC terms)	(4.5)	(2.2)	3.9	5.0	16.8	10.5	7.0	3.4	1.9	7.7	3.2	12.0	(0.5)

*Impacted due to COVID-19

Source: Company, MOFSL

Exhibit 31: Decent sales/EBITDA/PAT growth over last 10 years, but not remarkable; growth even lower for past five years

Y/E March (INR m)	FY10	FY15	FY17	FY20	10Y CAGR (%)	5Y CAGR (%)	3Y CAGR (%)
Total Revenue	33,905	78,272	76,136	86,846	9.9	2.1	4.6
Gross Profit	18,398	41,071	38,582	43,434	9.0	1.1	4.0
Gross Margin (%)	54.3	52.5	50.7	50.0	(430)bps	(250)bps	(70)bps
EBIDTA	6,341	13,164	15,090	17,942	11.0	6.4	5.9
Margin (%)	18.7	16.8	19.8	20.6	190bps	380bps	80bps
Profit after Taxes	5,062	10,839	12,770	15,250	11.7	7.1	6.1
Margin (%)	14.9	13.8	16.8	17.6	270bps	380bps	80bps

Source: Company, MOFSL

...and migration strategy adopted to respond to changing dynamics

- Dabur transformed itself as an organization, turning more aggressive and fearless. It enhanced its risk-taking ability, encouraging employees to become more entrepreneurial. To support this attitude, trusting people and accepting failures was also important – which is what Dabur did.
- The company structured its responses around six key imperatives:
 - **Employee Safety & Well-being:** Dabur was proactive and swift in ensuring safe working conditions, strict standards of social distancing, and the availability of the necessary infrastructure and equipment across operations.
 - **Brand-building:** With media consumption patterns changing drastically, Dabur altered its media mix by discontinuing ads in newspapers / general entertainment channels and shifting focus to news channels. It further re-crafted its brand communications emphasizing the Immunity Building / Germ Kill properties of Dabur's brands. With consumers being homebound and consuming more digital media, Dabur also increased its focus on digital and social media with the relevant content. The company improved its visibility and scaled up its presence in e-commerce chains.
 - **Go-to-market (GTM):** Dabur overhauled its GTM strategy and put in place a range of measures to ensure uninterrupted supply of its products. These included: (1) motivating the stockist network to operate from home and undertake deliveries early in the morning, (2) deploying third-party delivery vehicles to assist stockists in ensuring timely and uninterrupted supplies to retailers, (3) initiating the 'Immunity at your Doorsteps' program by setting up sales kiosks at housing societies, community parks, etc., and (4) leveraging technology to facilitate the order-booking process by introducing retail order-taking through mobile apps, WhatsApp, and call centers.
 - **Streamlining the supply chain:** Dabur acquired permissions and commenced operations at its manufacturing units within seven days. (1) The company introduced new vendors for raw materials and packing materials; it actioned alternate options quickly and standardized RM and PM across categories. (2) It deployed smaller vehicles to transport key raw materials in the absence of trucks. (3) With some supplier units falling in the Red Zones, Dabur beefed up its inventory of required material to ensure the smooth functioning of the supply chain. (4) It ramped-up production for key products in multiple factories and strengthened its preventive Healthcare portfolio with the launch of new immunity-boosting products. Moreover, it fast-tracked the launch of new hygiene products.
 - **Focus on working capital management:** (a) Collections were driven by online banking and selective incentives on early payments. (b) The stockpile reduced in Apr'20 through planning and restoration of the supply chain.
 - **Community welfare:** Dabur earmarked an INR210m fund toward relief efforts, helping to meet the immediate needs of those most affected by COVID-19.

Exhibit 32: GTM strategy









Source: Company, MOFSL

Exhibit 33: Employee safety



Source: Company, MOFSL

Exhibit 34: Retooling the media mix

Medium	Change	Shifted focus to Digital and News Channels, Kids Channels, Movie Channels on TV	Advertisements on DD with serials like Ramayana, Mahabharata
TV (News, Kids, Movies, DD)	↑		
TV (GEC)	↓		
Digital	↑	High Impact Integration with marquee events on TV, like PM Modi's Address to the Nation	
Print	×		
Outdoor	×		

Source: Company, MOFSL

Exhibit 35: #VocalForLocal



Source: Company, MOFSL

Cost rationalization initiatives to aid re-investment in business without incurring significant additional cost

- Material cost decreased by 40bps in FY20, primarily on account of material deflation. The company targets IN800m–INR1b cost savings by FY21. Given the satisfactory levels of operating margin, it plans to reinvest some of these savings back into the business, particularly as its ad spend is much lower v/s peers.
- Dabur aims to drive cost savings by focusing on rationalizing: (a) employee cost over the next few years through enhanced production automation (packaging/employee costs higher v/s most peers), (b) conversion and transportation cost, (c) procurement costs through expanding the vendor base and some value engineering, and (d) packaging by making it lighter, yet sturdy. Moreover, as a part of its net revenue management, Dabur is also reviewing trade schemes and the potential to increase pricing in a few sub-segments.

Exhibit 36: Employee cost as % of sales is higher v/s most large peers

Companies (%)	FY16	FY17	FY18	FY19	FY20
Emami	8.8	9.4	10.1	10.4	11.3
Dabur	10.2	10.4	10.3	11.0	11.0
Nestle	11.6	10.3	10.6	10.4	10.6
GCPL	11.2	10.7	10.7	10.6	10.3
Colgate	6.8	7.2	7.3	6.6	7.3
Marico	6.2	6.8	6.7	6.4	6.5
ITC	6.4	6.1	6.1	6.1	5.9
PGHH*	5.2	4.9	4.7	4.5	5.6
HUL	5.2	5.2	5.1	4.6	4.4
Britannia	4.1	3.9	4.1	4.0	4.3

Source: Company, MOFSL, *Estimates

Exhibit 37: Ad spend as % of sales is lower v/s most peers


Ad spend as % of sales	FY16	FY17	FY18	FY19	FY20
Emami	18.3	17.8	18.6	17.5	17.7
Colgate	11.6	12.9	12.6	12.7	13.8
HUVR	11.8	11.1	12.1	12.1	12.2
PGHH*	8.8	8.8	10.6	10.6	12.2
Marico	11.5	11.0	9.3	9.1	9.9
Dabur	9.9	8.5	7.9	7.2	7.6
GCPL	10.0	9.9	10.3	10.1	7.5
Nestle	6.7	5.7	5.3	6.9	6.7
Britannia	5.4	4.3	4.2	4.6	4.7

Source: Company, MOFSL, *Estimates

Sustainability initiatives – consistent improvement on various fronts

- In FY20, Dabur expanded its plastic waste management initiative to 25 states. It collected and processed/recycled over 12,000 MT of post-consumer plastic waste, which accounts for around 60% of plastic waste generation.

Exhibit 38: Performance in terms of key environmental indicators

Environment Indicators	Unit	2016-17	2017-18	2018-19	2019-20
 Raw Water used vs Production	KL/MT	5.05	4.32	3.41	3.35
 Effluent Generation vs Production	KL/MT	2.12	1.38	1.25	1.19
 Hazardous Waste vs Production	KG/MT	0.64	0.60	0.49	0.51
 Total Energy consumed vs Production	GJ/MT	2.07	2.03	1.96	1.92
 Total CO2 emitted vs Production	KG/MT	0.08	0.05	0.04	0.04
 Total SOx emitted vs Production	Kg/MT	0.73	0.46	0.21	0.21

Source: Company, MOFSL

- With many wild Ayurvedic and medicinal herbs staring at extinction due to over-exploitation and deforestation, Dabur – as the pioneer of Ayurvedic products – has taken the lead in preserving and growing this herbal wealth. The success of this initiative may be gauged by the fact that the total area under the cultivation of rare medicinal herbs has grown to over 6,000 acres, and the number of farmers that have taken up cultivation today stands at 8,500.

Exhibit 39: Dabur focusing on preserving and growing herbal wealth

4,820

Acres of land
under cultivation of
medicinal herbs

6,947

Farmers engaged in
cultivation of medicinal
herbs

34

Districts covered
under our herb
cultivation programme

19,32,325

Saplings of herbs
distributed free of cost to
farmers in FY 2019-20

1,800

Farmers involved in
Bee-Keeping

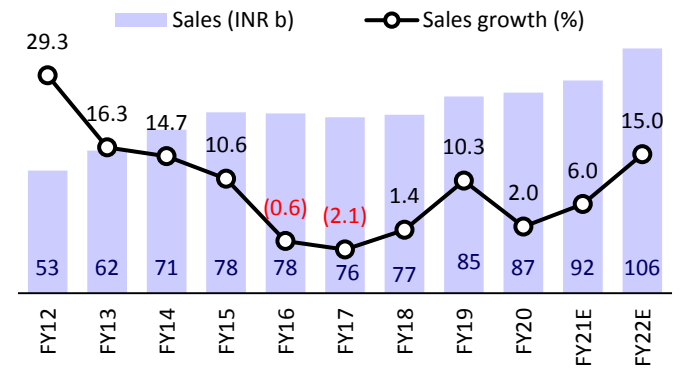
139 MT

of Honey produced by
farmers in FY 2019-20

Source: Company, MOFSL

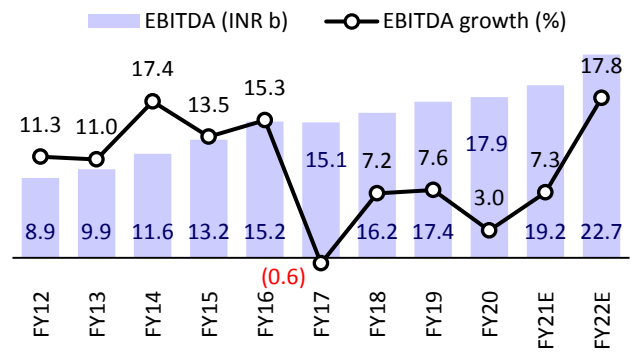
Other exhibits

Exhibit 40: Expect revenue CAGR of 10.5% over FY20–22E



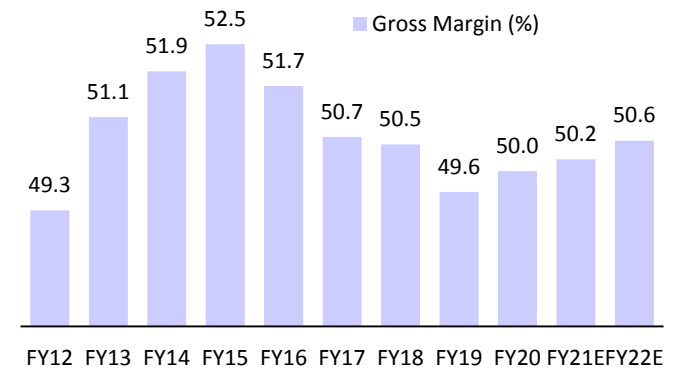
Source: Company, MOFSL

Exhibit 41: Expect EBITDA CAGR of 12.4% over FY20–22E



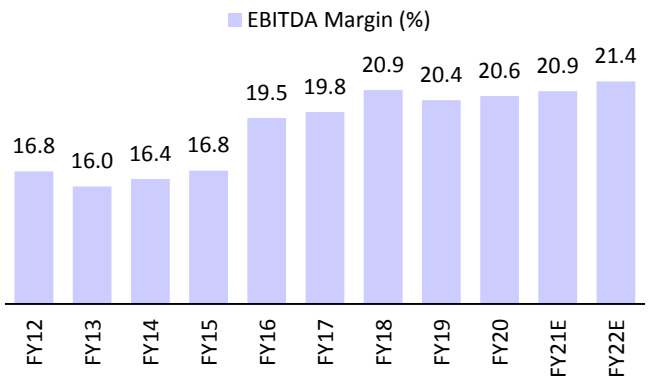
Source: Company, MOFSL

Exhibit 42: Expect margin expansion of 60bps over FY20–22E



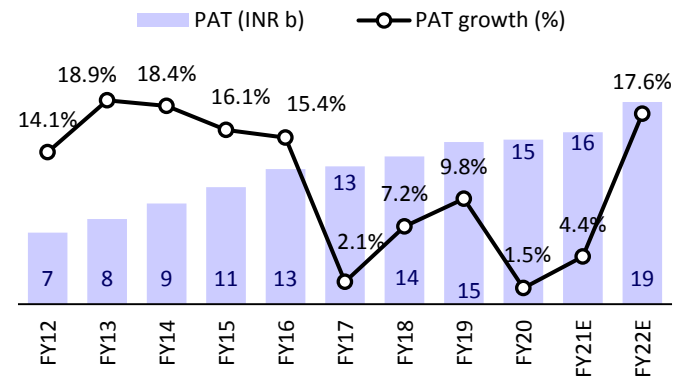
Source: Company, MOFSL

Exhibit 43: Expect margin expansion of 70bps over FY20–22E



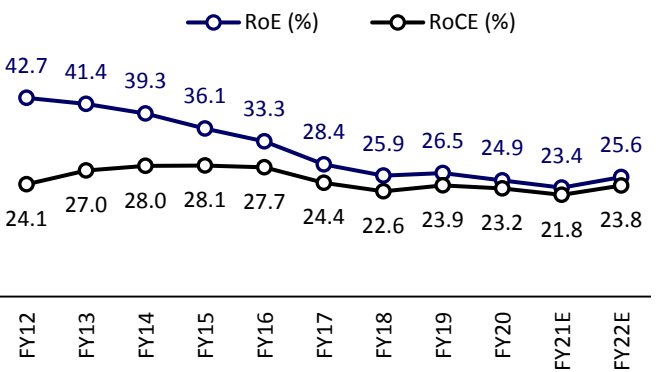
Source: Company, MOFSL

Exhibit 44: Expect PAT CAGR of 10.8% over FY20–22E



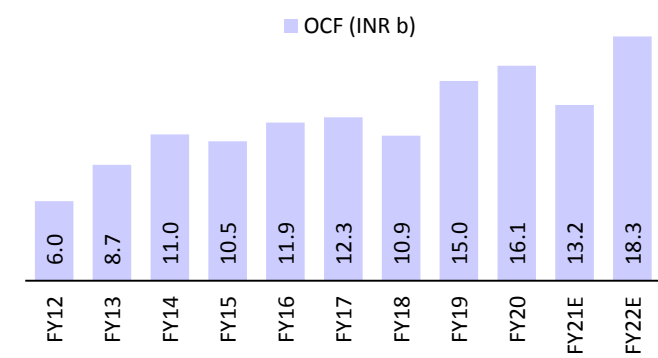
Source: Company, MOFSL

Exhibit 45: Return ratios decreased on account of investment base increasing at a faster pace v/s profits in FY20



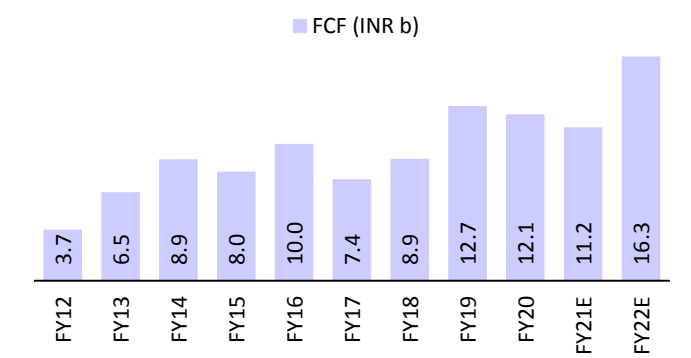
Source: Company, MOFSL

Exhibit 46: Expect robust operating...



Source: Company, MOFSL

Exhibit 47: ...and FCF over FY20–22E



Source: Company, MOFSL

Exhibit 48: Cash conversion cycle

Cash conversion cycle	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Days (on avg. basis)											
Inventory days	53	49	47	45	49	53	56	55	56	58	55
Debtor days	28	28	30	32	36	35	32	33	35	34	34
Creditor days	58	59	61	64	72	78	78	75	78	77	73
Cash conversion cycle	23	19	15	14	12	10	10	12	13	15	16
Days (on year-end basis)											
Inventory days	57	50	50	45	51	53	59	56	58	61	58
Debtor days	32	29	35	33	38	31	33	36	34	36	36
Creditor days	64	62	69	66	79	76	81	77	80	79	78
Cash conversion cycle	24	17	16	13	11	8	12	14	13	18	15

Source: Company, MOFSL

Exhibit 49: Component-wise breakdown of inventory days

Particulars (Days)	FY17	FY18	FY19	FY20
On average basis				
Raw materials	20	17	17	18
Packing Materials, stores and spares	4	8	8	9
Stock in process	5	5	5	5
Finished Goods	25	26	24	25
Inventory	53	56	55	56
On year-end basis				
Raw materials	15	18	18	18
Packing Materials, stores and spares	8	9	9	9
Stock in process	5	6	5	5
Finished Goods	26	27	24	27
Inventory	53	59	56	58

Source: Company, MOFSL

Exhibit 50: CSR spend targets met for the year

Details of CSR spend	INR m
Average Net Profit of the Company for last 3 financial years:	13,798
Prescribed CSR Expenditure	276
Details of CSR spends during the financial year 2018-19:	-
Total amount to be spent for the financial year	276
Total amount spent during the financial year	278
Amount unspent, if any	-

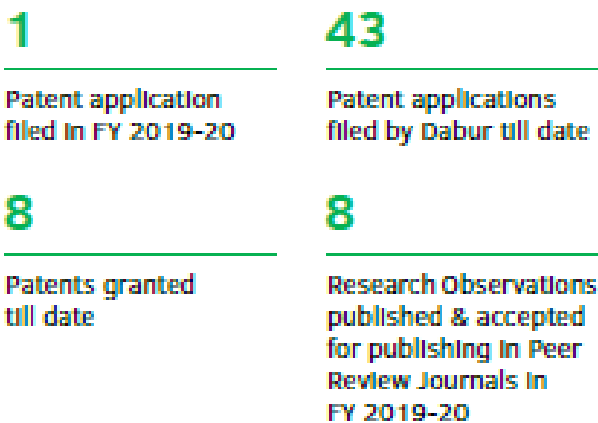
Source: Company, MOFSL

Exhibit 51: Foreign exchange earnings and outgo

Details of CSR spend	INR m
Foreign Exchange earned in terms of actual inflows	2,446
Foreign Exchange outgo in terms of actual outflows	862
Total	1,548

Source: Company, MOFSL

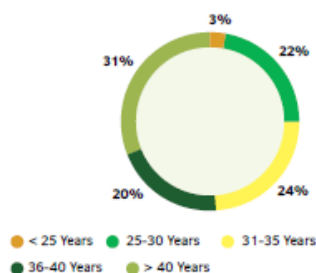
Exhibit 52: Intellectual capital



Source: Company, MOFSL

Exhibit 53: Dabur's demographic dividend

Profile by Age Group In India (As on March 31, 2020)

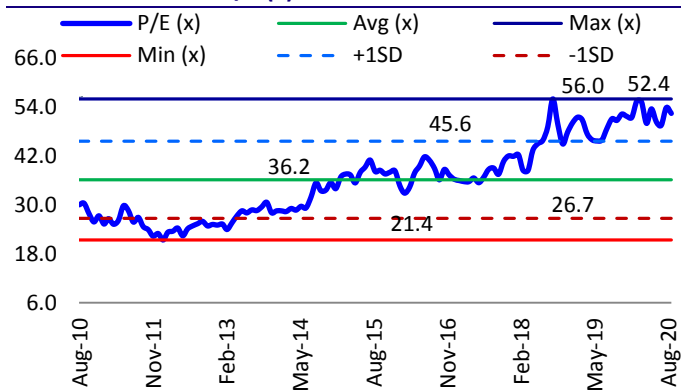


Number of Gen-Z and Millennials in Dabur India



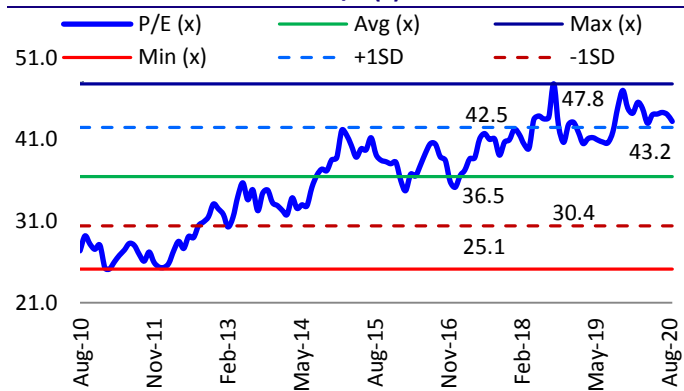
Source: Company, MOFSL

Exhibit 54: DABUR P/E (x)



Source: Company, MOFSL

Exhibit 55: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Net Sales	77,797	76,136	77,219	85,150	86,846	92,097	1,05,950	
Change (%)	-0.6	-2.1	1.4	10.3	2.0	6.0	15.0	
Gross Profit	40,192	38,582	39,019	42,240	43,434	46,271	53,612	
Margin (%)	51.7	50.7	50.5	49.6	50.0	50.2	50.6	
Other Expenditure	25,009	23,493	22,845	24,845	25,510	27,040	30,955	
EBITDA	15,183	15,090	16,174	17,396	17,924	19,231	22,657	
Change (%)	15.3	-0.6	7.2	7.6	3.0	7.3	17.8	
Margin (%)	19.5	19.8	20.9	20.4	20.6	20.9	21.4	
Depreciation	1,332	1,429	1,622	1,769	2,205	2,308	2,444	
Int. and Fin. Charges	485	540	531	596	495	472	615	
Other Income - Recurring	2,172	2,984	3,052	2,962	3,053	3,135	3,442	
Profit before Taxes	15,538	16,104	17,074	17,993	18,277	19,587	23,041	
Change (%)	16.2	3.6	6.0	5.4	1.6	7.2	17.6	
Margin (%)	20.0	21.2	22.1	21.1	21.0	21.3	21.7	
Tax	2,840	3,443	3,713	4,221	4,854	3,506	4,124	
Deferred Tax	159	-140	-360	-1,284	-1,857	118	138	
Tax Rate (%)	19.3	20.5	19.6	16.3	16.4	18.5	18.5	
Profit after Taxes	12,539	12,801	13,720	15,056	15,280	15,963	18,778	
Change (%)	15.4	2.1	7.2	9.7	1.5	4.5	17.6	
Margin (%)	16.1	16.8	17.8	17.7	17.6	17.3	17.7	
Minority Interest	28	31	31	30	30	42	48	
Adjusted PAT	12,511	12,770	13,689	15,026	15,250	15,921	18,730	

Balance Sheet							(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
Share Capital	1,759	1,762	1,762	1,766	1,767	1,767	1,767	
Reserves	39,842	46,712	55,304	54,550	64,290	68,480	74,062	
Net Worth	41,601	48,474	57,065	56,317	66,058	70,248	75,829	
Minority Interest	217	248	265	314	365	406	454	
Loans	8,043	9,787	9,418	7,039	5,267	7,500	7,500	
Capital Employed	49,860	58,509	66,749	63,670	71,689	78,154	83,783	
Gross Block	27,802	24,322	26,342	28,028	32,935	34,935	36,935	
Less: Accum. Depn.	-8,304	-8,843	-10,177	-11,698	-13,768	-16,075	-18,519	
Net Fixed Assets	19,499	15,479	16,166	16,330	19,167	18,859	18,416	
Capital WIP	448	421	415	638	1,466	1,466	1,466	
Investments	25,239	32,402	38,052	33,588	28,003	29,412	30,962	
Curr. Assets, L&A	26,020	24,916	28,268	30,451	41,326	47,410	54,774	
Inventory	10,965	11,067	12,562	13,005	13,796	15,508	16,704	
Account Receivables	8,097	6,504	7,061	8,336	8,139	9,120	10,344	
Cash and Bank Balance	2,204	3,048	3,061	3,282	8,114	10,945	15,275	
Others	4,754	4,296	5,585	5,828	11,278	11,837	12,452	
Curr. Liab. and Prov.	20,579	17,733	19,177	20,465	21,678	22,398	25,240	
Current Liabilities	16,739	15,895	17,128	18,061	18,926	19,980	22,672	
Provisions	3,841	1,838	2,049	2,404	2,752	2,418	2,568	
Net Current Assets	5,440	7,183	9,092	9,985	19,648	25,012	29,534	
Deferred Tax Liability	-765	-1,080	-1,091	-231	46	46	46	
Application of Funds	49,860	58,509	66,749	63,670	71,689	78,154	83,783	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS	7.1	7.2	7.8	8.5	8.6	9.0	10.6
Cash EPS	7.9	8.1	8.6	9.2	9.4	10.3	12.0
BV/Share	23.6	27.5	32.4	31.9	37.4	39.8	42.9
DPS	2.0	2.3	7.5	2.8	3.0	5.4	6.4
Payout %	28.0	31.0	96.5	32.3	34.8	60.0	60.0
Valuation (x)							
P/E	72.1	70.8	66.0	60.3	59.4	56.9	48.4
Cash P/E	65.2	63.6	59.6	56.0	54.4	49.7	42.8
EV/Sales	11.4	11.5	11.3	10.3	10.1	9.5	8.2
EV/EBITDA	58.2	58.2	53.9	50.4	48.9	45.4	38.3
P/BV	21.7	18.6	15.8	16.1	13.7	12.9	12.0
Dividend Yield (%)	0.4	0.4	1.5	0.5	0.6	1.1	1.2
Return Ratios (%)							
RoE	33.3	28.4	25.9	26.5	24.9	23.4	25.6
RoCE	27.7	24.4	22.6	23.9	23.2	21.8	23.8
RoIC	50.9	48.7	48.9	50.9	43.6	39.2	45.5
Working Capital Ratios							
Debtor (Days)	38	31	33	36	34	36	36
Asset Turnover (x)	1.6	1.3	1.2	1.3	1.2	1.2	1.3
Leverage Ratio							
Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1	0.1	0.1

Cash Flow Statement

(INR Million)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
OP/(loss) before Tax	15,538	16,107	16,931	17,249	17,276	19,587	23,041
Int./Div. Received	-13	-1,060	153	1,664	2,325	-3,135	-3,442
Depreciation & Amort.	1,332	1,429	1,622	1,769	2,205	2,308	2,444
Interest Paid	-1,430	-1,857	-1,991	-2,002	-2,001	472	615
Direct Taxes Paid	-2,805	-3,221	-3,249	-3,507	-3,089	-3,506	-4,124
(Incr)/Decr in WC	-752	872	-2,575	-181	-581	-2,532	-193
CF from Oper.	11,870	12,269	10,890	14,991	16,135	13,193	18,340
(Incr)/Decr in FA	-1,892	-4,858	-2,003	-2,250	-4,005	-2,000	-2,000
Free Cash Flow	9,978	7,411	8,887	12,741	12,130	11,193	16,340
(Pur)/Sale of Invt.	-6,883	-5,111	-5,837	3,175	-3,646	-1,409	-1,550
Others	91	1,933	2,706	3,187	6,777	839	1,393
CF from Invest.	-8,683	-8,036	-5,134	4,112	-874	-2,570	-2,157
Issue of Shares	172	149	0	5	1	0	0
(Incr)/Decr in Debt	715	1,682	-545	-2,402	-1,751	2,234	0
Dividend Paid	-3,517	-3,963	-3,963	-13,247	-5,125	-9,553	-11,238
Others	-1,114	-1,257	-1,235	-3,238	-3,555	-472	-615
CF from Fin. Act.	-3,743	-3,390	-5,744	-18,882	-10,430	-7,792	-11,853
Incr/Decr of Cash	-556	844	12	221	4,832	2,832	4,329
Add: Opening Bal.	2,760	2,204	3,048	3,061	3,282	8,114	10,945
Closing Balance	2,204	3,048	3,061	3,282	8,114	10,945	15,275

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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