

November 2, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		HOLD	
Target Price	647		647	
Sales (Rs. m)	122,004	136,364	118,603	132,316
% Chng.	2.9	3.1		
EBITDA (Rs. m)	26,798	30,606	25,853	29,457
% Chng.	3.7	3.9		
EPS (Rs.)	12.5	14.6	12.5	14.5
% Chng.	0.3	0.5		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	95	109	122	136
EBITDA (Rs. bn)	20	23	27	31
Margin (%)	21.0	21.1	22.0	22.4
PAT (Rs. bn)	17	19	22	26
EPS (Rs.)	9.6	10.5	12.5	14.6
Gr. (%)	18.8	9.5	19.3	16.8
DPS (Rs.)	4.8	4.3	6.3	7.3
Yield (%)	0.8	0.7	1.0	1.2
RoE (%)	23.7	22.7	23.9	24.3
RoCE (%)	23.1	23.9	25.0	25.3
EV/Sales (x)	10.9	9.5	8.4	7.5
EV/EBITDA (x)	52.0	44.9	38.4	33.2
PE (x)	62.4	57.0	47.8	40.9
P/BV (x)	13.8	12.2	10.8	9.2

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.659 / Rs.483
Sensex / Nifty	60,029 / 17,889
Market Cap	Rs.1,058bn/ \$ 14,162m
Shares Outstanding	1,768m
3M Avg. Daily Value	Rs.3081.3m

Shareholding Pattern (%)

Promoter's	68.38
Foreign	20.77
Domestic Institution	4.34
Public & Others	6.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	11.2	18.2
Relative	(5.2)	(9.6)	(21.7)

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Accumulate in Rural demand uncertainty

Quick Pointers:

- Domestic volumes grew 10% led by strong growth in most segments except health supplements, gained share in key categories.
- Grew Rural coverage to 83.5k 18 months ahead of timeline.

We upgrade Dabur from Hold to Accumulate following strong market share gains in core categories, sustained increase in direct rural reach, lesser impact of input cost inflation due to niche products and sustained innovation pipeline. Although rural demand is a bit soft, we expect it to be temporary given good monsoons and increased rural job opportunities in Infra and housing. Management maintains double digit revenue growth for FY22 and believe Dabur is well placed to gain share across key segments despite increasing competition. We believe entry into large and high growth segments like Odomos Liquid Vaporizers, Vatika Face wash and Aloe Vera Gel can accelerate growth. We believe Dabur Vita (Malted food drink) marks entry into large but highly competitive category where their earlier launch (Chawyan Junior) had flopped in 2007-08. Dabur India trades at 40.8x FY24 EPS with 15.2% PAT CAGR and 50% dividend payout offering scope for steady returns over long term. Upgrade to Accumulate with TP of Rs647 (unchanged).

Consol sales up 12% on 10% volume growth: Consolidated sales up 12% at Rs 28.18bn (Est Rs 27.93bn), with an underlying Volume Growth of 10%. Gross margins down 200bps to 48.8% (Est 49.5%). EBITDA up 9% to Rs6.21bn (Est 6.14bn). EBITDA margins contract 60bps to 22% (Est 22%) as contraction in GRM's were offset by lower Advertising and Employee cost by 90bps and 110bps. Adj PAT up 4.6% to Rs 5.05bn (Est 5.01bn). Standalone sales grew 11.5%, EBITDA up 7.7%. BD reported cc growth of 13.8% led by Sub-Saharan Africa (25%), Egypt (17.8%), SAARC (17.6%), Namaste (16.7%) and MENA (12.8%).

Concall Highlights: 1) Urban trending better than Rural however rural has been resilient. Liquidity pressure during September has impacted Rural 2) Increased Rural reach to 83.5K villages 18 months ahead of expected timeline 3) Rural coverage increased using Yodhas which are served through super stockiest. 4) Market share gain in Honey 430bps, Chyawanprash 520bps, Toothpaste 40bps, Hair oils 80bps, Shampoos 30bps, Homecare by 210bps, 5) Herbal category continuing to grow ahead of non-herbal with Dabur growing at 1.3x of Herbal. 6) Launched vaporizer under Odomos, will launch it across all channels. 7) Will continue price aggression in hair oils to gain share. 8) Shampoo to have similar trajectory to Toothpaste with increased preference for Herbals. Herbals saliency in shampoo at ~10% of category. Dabur share around 6.5%. 9) Beverages grew on account of improved mobility and increased in house consumption while aerated drinks expected to contribute Rs 1bn in revenues. 10) Targeting distribution of juice network for Aerated drinks. 11) Expect to launch D2C in coming months with focus on improving brand visibility rather than increasing revenues. 12) Tax rate for current and next 2-3 yrs at 23-25%

Exhibit 1: Q2FY22 Results: Sales up 12%, EBITDA margins down 60bps.

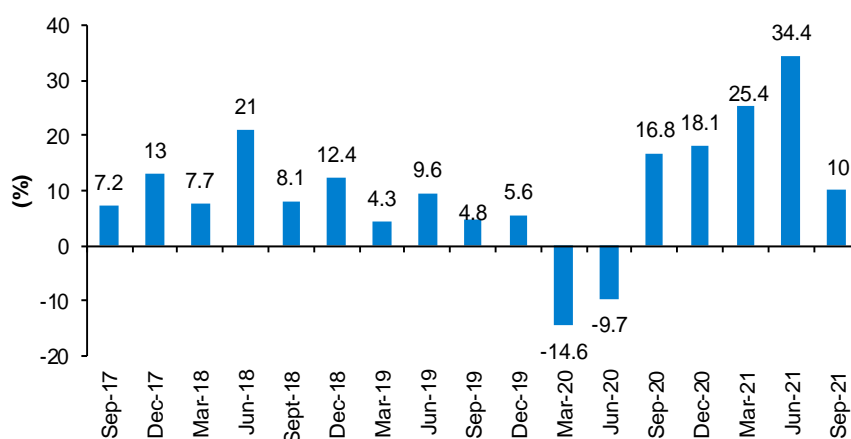
Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	1HFY22	1HFY21	YoY gr. (%)
Revenues	28,176	25,160	12.0	26,115	54,291	44,960	20.8
Gross Profit	13,761	12,802	7.5	12,562	26,323	22,586	16.5
<i>% of Net Sales</i>	48.8	50.9	-2.0	48.1	48.5	50.2	-1.8
Other Expenses	7,554	7,108	6.3	7,042	14,595	12,726	14.7
<i>% of Net Sales</i>	26.8	28.2		27.0	26.9	28.3	
EBITDA	6,207	5,694	9.0	5,520	11,727	9,860	18.9
<i>Margins (%)</i>	22.0	22.6	-0.6	21.1	21.6	21.9	-0.3
Depreciation	633	596	6.2	613	1,246	1,164	7.1
Interest	83	75	10.4	75	158	153	2.9
Other Income	1,124	876	28.4	848	1,973	1,594	23.8
PBT	6,616	5,899	12.1	5,681	12,296	10,137	21.3
Tax	1,558	1,067	46.0	1,297	2,855	1,892	50.9
<i>Effective tax rate (%)</i>	23.6	18.1		22.8	23.2	18.7	
Minority interest	4	3	27.3	1	5	2	113.0
Adjusted PAT	5,053	4,829	4.6	4,383	9,436	8,243	14.5

Source: Company Data, PL Research

Exhibit 2: Double digit growth across most categories, Health supplement impacted due to large base.

Category Growth (%)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Hair Oils	2.6	0.4	-20.8	-25.6	-6.3	11.6	24.6	38.4	27.9
Shampoos	12.0	5.1	-16.8	-9.3	17.8	27.1	33.4	41.3	20.5
Health Supplements	14.4	12.2	-9.5	52.6	70.8	34.7	17.7	24.5	-13.6
Oral Care	4.4	8.5	-15.8	1.4	24.2	28.0	42.1	21.1	13.3
Foods	-5.0	-1.7	-20.6	-34.4	-3.8	4.7	36.1	17.8	43.0
Digestives	10.2	15.9	-9.5	-11.5	2.5	0.3	20.0	16.2	22.7
Skin care	1.0	-0.3	-24.2	-12.5	38.1	9.1	37.9	-5.4	-11.9
Home Care	7.0	2.5	-18.4	-30.5	-10.2	-1.0	24.3	30.6	25.3
OTC	4.2	5.5	-20.6	34.4	56.1	34.1	36.8	50.8	1.9
Ethicals	7.2	2.7	2.7	10.7	26.4	23.2	23.2	50.8	1.9
Healthcare	11.1	10.7	-12.6	29.2	49.3	28.1	22.9	30.0	-4.8
Home& Personal care	4.3	3.5	-18.9	-14.9	9.1	15.9	32.6	26.1	16.7

Source: Company, PL

Exhibit 3: 2Q volume up 10%


Source: Company, PL

Exhibit 4: Innovations across Healthcare category

 <p>Chyawanprash Spout Pack</p>	 <p>Dabur Vita</p>	 <p>Dabur Honey Throat Relief</p>	 <p>Hajmola LimCola</p>	 <p>Dabur Oliv-O-Oil</p>
 <p>Dabur Honitus Sugar Free</p>	 <p>Restora Gold</p>	 <p>Agnisandhepan Churna</p>	 <p>Panchagun Tail</p>	

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Source: Company, PL

Exhibit 5: New Launches across Health and Personal Care

 <p>Dabur Aloe Vera Nourishing Gel</p>	 <p>Dabur Vatika Face Wash Range</p>	 <p>Odomos Liquid Vaporiser</p>
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Source: Company, PL

Exhibit 6: New Launches in International Markets

 <p>Dermoviva Skin Food</p>	 <p>Dermoviva Face Wash</p>	 <p>Dermoviva Face Scrub</p>
 <p>Dermoviva Face Mask</p>	 <p>Hommade Range</p>	 <p>Dabur Herbolene Petroleum Jelly</p>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	95,466	109,251	122,004	136,364
YoY gr. (%)	9.9	14.4	11.7	11.8
Cost of Goods Sold	47,739	55,795	61,658	68,682
Gross Profit	47,727	53,456	60,345	67,682
Margin (%)	50.0	48.9	49.5	49.6
Employee Cost	10,335	10,843	11,915	13,112
Other Expenses	7,327	8,193	9,016	9,889
EBITDA	20,027	23,089	26,798	30,606
YoY gr. (%)	12.9	15.3	16.1	14.2
Margin (%)	21.0	21.1	22.0	22.4
Depreciation and Amortization	2,401	2,533	2,677	2,821
EBIT	17,626	20,557	24,122	27,785
Margin (%)	18.5	18.8	19.8	20.4
Net Interest	308	317	275	233
Other Income	3,253	3,877	4,914	6,032
Profit Before Tax	20,570	24,116	28,761	33,584
Margin (%)	21.5	22.1	23.6	24.6
Total Tax	3,611	5,547	6,615	7,724
Effective tax rate (%)	17.6	23.0	23.0	23.0
Profit after tax	16,960	18,569	22,146	25,860
Minority interest	17	17	17	17
Share Profit from Associate	-	-	-	-
Adjusted PAT	16,943	18,553	22,129	25,843
YoY gr. (%)	18.8	9.5	19.3	16.8
Margin (%)	17.7	17.0	18.1	19.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	16,943	18,553	22,129	25,843
YoY gr. (%)	18.8	9.5	19.3	16.8
Margin (%)	17.7	17.0	18.1	19.0
Other Comprehensive Income	(882)	-	-	-
Total Comprehensive Income	16,061	18,553	22,129	25,843
Equity Shares O/s (m)	1,767	1,767	1,767	1,767
EPS (Rs)	9.6	10.5	12.5	14.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	34,430	36,483	38,533	40,583
Tangibles	33,206	35,209	37,209	39,209
Intangibles	1,223	1,273	1,323	1,373
Acc: Dep / Amortization	15,361	17,893	20,570	23,391
Tangibles	14,584	17,015	19,586	22,297
Intangibles	776	878	984	1,094
Net fixed assets	19,069	18,589	17,963	17,192
Tangibles	18,622	18,194	17,623	16,912
Intangibles	447	395	339	280
Capital Work In Progress	1,473	500	500	500
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	35,248	38,631	42,501	46,762
Net Deferred tax assets	(139)	(139)	(139)	(139)
Other Non-Current Assets	1,562	1,422	1,562	1,720
Current Assets				
Investments	7,460	19,808	26,622	37,315
Inventories	17,343	19,856	22,173	24,783
Trade receivables	5,616	7,421	8,287	9,262
Cash & Bank Balance	13,290	4,834	4,908	5,467
Other Current Assets	3,871	4,589	5,124	5,727
Total Assets	108,469	119,558	133,613	152,772
Equity				
Equity Share Capital	1,767	1,767	1,767	1,767
Other Equity	74,868	84,851	96,516	112,769
Total Network	76,635	86,618	98,283	114,536
Non-Current Liabilities				
Long Term borrowings	1,341	1,041	741	441
Provisions	633	765	854	955
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,491	3,191	2,891	2,591
Trade payables	19,153	20,972	23,148	25,741
Other current liabilities	6,696	6,393	7,095	7,885
Total Equity & Liabilities	108,469	119,558	133,613	152,773

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	20,560	24,116	28,761	33,584
Add. Depreciation	2,401	2,533	2,677	2,821
Add. Interest	308	317	275	233
Less Financial Other Income	3,253	3,877	4,914	6,032
Add. Other	(3,211)	(3,877)	(4,914)	(6,032)
Op. profit before WC changes	20,059	23,089	26,798	30,606
Net Changes-WC	10,236	(7,759)	(8,211)	(12,124)
Direct tax	(3,611)	(5,547)	(6,615)	(7,724)
Net cash from Op. activities	26,684	9,784	11,973	10,758
Capital expenditures	(2,311)	(1,080)	(2,050)	(2,050)
Interest / Dividend Income	3,253	3,877	4,914	6,032
Others	(20,044)	(3,402)	(3,743)	(4,117)
Net Cash from Inv. activities	(19,102)	(606)	(878)	(134)
Issue of share cap. / premium	(491)	267	-	-
Debt changes	(89)	(600)	(600)	(600)
Dividend paid	(5,921)	(8,837)	(10,464)	(9,590)
Interest paid	(308)	(317)	(275)	(233)
Others	-	-	-	-
Net cash from Fin. activities	(6,809)	(9,487)	(11,340)	(10,423)
Net change in cash	773	(309)	(245)	200
Free Cash Flow	24,373	8,704	9,923	8,708

Source: Company Data, PL Research

Key Financial Metrics

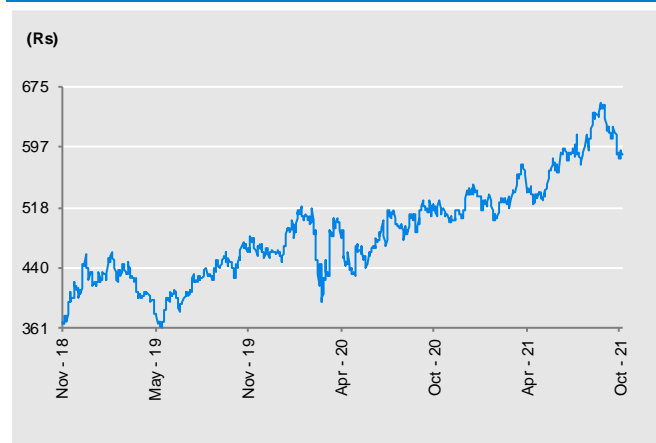
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	9.6	10.5	12.5	14.6
CEPS	10.9	11.9	14.0	16.2
BVPS	43.4	49.0	55.6	64.8
FCF	13.8	4.9	5.6	4.9
DPS	4.8	4.3	6.3	7.3
Return Ratio(%)				
RoCE	23.1	23.9	25.0	25.3
ROIC	20.1	21.7	23.6	25.3
RoE	23.7	22.7	23.9	24.3
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	15	21	22	22
Valuation(x)				
PER	62.4	57.0	47.8	40.9
P/B	13.8	12.2	10.8	9.2
P/CEPS	54.6	50.1	42.6	36.9
EV/EBITDA	52.0	44.9	38.4	33.2
EV/Sales	10.9	9.5	8.4	7.5
Dividend Yield (%)	0.8	0.7	1.0	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	27,288	23,368	26,115	28,176
YoY gr. (%)	16.0	25.3	31.9	12.0
Raw Material Expenses	13,537	11,978	13,554	14,415
Gross Profit	13,751	11,390	12,562	13,761
Margin (%)	50.4	48.7	48.1	48.8
EBITDA	5,742	4,425	5,520	6,207
YoY gr. (%)	16.5	25.6	32.5	9.0
Margin (%)	21.0	18.9	21.1	22.0
Depreciation / Depletion	572	666	613	633
EBIT	5,170	3,759	4,907	5,574
Margin (%)	18.9	16.1	18.8	19.8
Net Interest	69	86	75	83
Other Income	809	850	848	1,124
Profit before Tax	5,911	4,522	5,681	6,616
Margin (%)	21.7	19.4	21.8	23.5
Total Tax	975	744	1,297	1,558
Effective tax rate (%)	16.5	16.4	22.8	23.6
Profit after Tax	4,936	3,779	4,384	5,057
Minority interest	1	6	1	4
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,935	3,773	4,383	5,053
YoY gr. (%)	17.8	25.1	28.4	4.6
Margin (%)	18.1	16.1	16.8	17.9
Extra Ord. Income / (Exp)	349	(821)	260	275
Reported PAT	5,284	2,952	4,643	5,328
YoY gr. (%)	32.5	4.8	25.1	29.3
Margin (%)	19.4	12.6	17.8	18.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,284	2,952	4,643	5,328
Avg. Shares O/s (m)	1,767	1,767	1,768	1,766
EPS (Rs)	2.8	2.1	2.5	2.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Oct-21	Hold	647	615
2	3-Aug-21	Hold	588	614
3	5-Jul-21	UR	-	590
4	7-May-21	Hold	531	535
5	7-Apr-21	Accumulate	550	552
6	29-Jan-21	Accumulate	550	515
7	7-Jan-21	Accumulate	539	534
8	3-Nov-20	Accumulate	539	515

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,675	3,002
2	Avenue Supermarts	Accumulate	5,359	5,324
3	Bajaj Electricals	Hold	1,246	1,284
4	Britannia Industries	Accumulate	4,260	3,939
5	Burger King India	BUY	251	159
6	Colgate Palmolive	Accumulate	1,852	1,532
7	Crompton Greaves Consumer Electricals	BUY	530	451
8	Dabur India	Hold	647	615
9	Emami	Accumulate	624	536
10	Havells India	Accumulate	1,400	1,286
11	Hindustan Unilever	Accumulate	2,930	2,547
12	ITC	BUY	270	238
13	Jubilant FoodWorks	Accumulate	4,111	3,965
14	Kansai Nerolac Paints	Accumulate	651	560
15	Marico	Hold	544	564
16	Mold-tek Packaging	BUY	725	669
17	Nestle India	Accumulate	19,501	18,965
18	Pidilite Industries	Reduce	2,221	2,416
19	Titan Company	BUY	2,651	2,460
20	Voltas	Hold	1,200	1,245
21	Westlife Development	Accumulate	603	574

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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