

# Retail Equity Research

## Dabur India Limited

FMCG

BSE CODE: 500096

NSE CODE: DABUR

Bloomberg CODE: DABUR:IN

SENSEX: 54,365

**Buy**

12 Months Investment period Rating as per Large Cap

CMP Rs. 503 TARGET Rs. 560 RETURN 11%  
(Closing: 10-05-22) 

**KEY CHANGES:**

**TARGET** 

**RATING** 

**EARNINGS** 

### Decent performance despite inflationary pressure

Dabur India Ltd (Dabur), a leading Indian FMCG company, is a world leader in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. The company operates through Health Supplements, Digestives, Shampoos, Hair Oils, Skin Care, Oral Care, Foods, and Other OTC & Ethical products.

- Q4FY22 revenue went up 7.7% YoY to Rs 2,518cr and 13.9% YoY for FY22 to Rs 10,889cr, largely led by increase in Food and Beverages revenues (+33.5%).
- EBITDA margin contracted 90bps YoY to 18.0% primarily due to high material inflation. Adj PAT remained stable at Rs. 379cr.
- Market share across all segments is increasing. However, inflationary trend in raw materials costs are expected to weigh on company's margins in the short-medium term. We upgrade to Buy with a revised TP of Rs. 560 based on 42x FY24E EPS considering recent sharp fall in the stock price.

### Strong product traction aids topline growth

In Q4FY22, Dabur registered growth of 7.7% YoY and an 8.7% YoY growth (in constant currency) in the international business. Under F&B, Foods portfolio rose 12.5% YoY supported by Hommade brand, whereas beverages business continued to exhibit strong momentum across segments (+35% YoY). Under Healthcare, Health Supplements rose 9.7% YoY led by double digit growth in Dabur Honey and Glucose-D, and OTC & Ethicals increased 7.5% YoY driven by strong growth in Honitus and Health juices. Under HPC, Shampoo and Hair oils witnessed growth of 5.6% and 2.6% YoY, respectively. Home Care revenue rose 11.0% YoY on growth in Odonil and Sanifresh. International business reported constant currency growth in Hobby (+47.2% YoY), Namaste (+11.2% YoY), SAARC (+5.4%), MENA (+0.9%), SSA (+24.8%) and Egypt (+12.0%).

### Margins impacted by higher input costs

In 4Q22, EBITDA grew 2.5% YoY to Rs. 454cr (-27.7% QoQ). EBITDA margin contracted by 90bps YoY to 18.0% on higher A&P spends, and higher input costs. Adj PAT remained stable at Rs 379 cr (0.4% YoY) from Rs. 378cr, impacted by higher tax expenses (+28.3% YoY) and impairment loss of Rs 85 cr. Operational efficiency helped improve productivity.

### Key concall highlights

- Hajmola Amla Candy launched in chatpata flavour in the tasty digestive space and Sudarshan Ghanvati (used for body ache and indigestion) launched in Ethicals category.
- Turkey business is not doing well, for which they've taken impairment of Rs 85 cr (on account of steep devaluation of Turkish Lira).
- Around 23% of total advertising spends has been spent on digital media marketing, which will help E-commerce contribute around 19%-20% of our total business in next four years.

### Valuation

Company displayed resilient performance albeit the rising raw material prices supported by e-commerce sales channel expansion, and good trajectory has led to increase in market share across categories. However, pressure on the cost side due to steep inflation triggered by global environment remains a cause of concern in the short-to-medium term. We upgrade to Buy on the stock with revised target price of Rs. 560 based on 42x FY24E EPS considering recent sharp fall in the stock price.

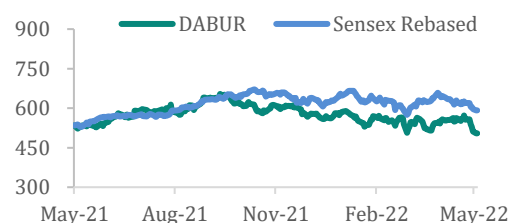
### Company Data

Market Cap (cr)	Rs. 89,182
Enterprise Value (cr)	Rs. 89,248
Outstanding Shares (cr)	176.8
Free Float	33.0%
Dividend Yield	0.5%
52 week high	Rs. 659
52 week low	Rs. 494
6m average volume (lacs)	0.7
Beta	0.5
Face value	Rs. 1

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	67.4	67.4	67.4
FII's	21.4	21.1	20.4
MFs/Insti	3.4	3.6	3.8
Public	5.3	5.6	5.4
Others	2.5	2.3	3.0
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.6%	-16.3%	-5.7%
Absolute Sensex	-6.8%	-9.9%	10.7%
Relative Return*	-4.8%	-6.5%	-16.4%

\*over or under performance to benchmark index



Consolidated (cr)	FY22A	FY23E	FY24E
Sales	10,889	12,247	13,811
Growth (%)	13.9	12.5	12.8
EBITDA	2,254	2,596	2,836
EBITDA Margin (%)	20.7	21.2	20.5
Adj. PAT	1,824	2,177	2,379
Growth (%)	7.7	19.4	9.2
Adj. EPS	10.3	12.3	13.4
Growth (%)	7.4	19.4	9.2
P/E	52.1	41.1	37.6
P/B	11.3	9.6	8.6
EV/EBITDA	42.4	34.4	31.3
ROE (%)	20.8	22.6	21.9
D/E	0.1	0.1	0.1

## Quarterly Financials (Consolidated)

### Profit & Loss Account

	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
Revenue	2,518	2,337	7.7	2,942	(14.4)	10,889	9,562	13.9
<b>EBITDA</b>	<b>454</b>	<b>442</b>	<b>2.5</b>	<b>628</b>	<b>(27.7)</b>	<b>2,254</b>	<b>2,003</b>	<b>12.5</b>
EBITDA margins	18.0	18.9	(90bps)	21.3	(330bps)	20.7	20.9	(20bps)
Depreciation	65	67	(2.3)	63	2.9	253	240	5.3
<b>EBIT</b>	<b>389</b>	<b>376</b>	<b>3.4</b>	<b>564</b>	<b>(31.2)</b>	<b>2,001</b>	<b>1,763</b>	<b>13.5</b>
Interest	12	9	36.2	11	6.0	39	31	25.3
Other Income	99	85	16.7	97	2.5	393	325	20.9
Exceptional Items	(85)	-	n.m.	-	n.m.	(85)	-	n.m.
<b>PBT</b>	<b>390</b>	<b>452</b>	<b>(13.7)</b>	<b>650</b>	<b>(40.0)</b>	<b>2,269</b>	<b>2,056</b>	<b>10.3</b>
Tax	95	74	28.3	146	(34.5)	526	361	45.8
Share of profit from Associate	(1)	(1)	(103.4)	(0)	(990.9)	(2)	(1)	(78.2)
Minority Interest	0	(1)	122.6	1	(88.3)	3	2	86.7
<b>Reported PAT</b>	<b>294</b>	<b>378</b>	<b>(22.1)</b>	<b>503</b>	<b>(41.5)</b>	<b>1,739</b>	<b>1,693</b>	<b>2.7</b>
Adjustments	85	-	n.m.	-	n.m.	85	-	n.m.
<b>Adj. PAT</b>	<b>379</b>	<b>378</b>	<b>0.4</b>	<b>503</b>	<b>(24.7)</b>	<b>1,824</b>	<b>1,693</b>	<b>7.7</b>
No. of shares	176.8	176.7	0.0	176.8	-	176.8	176.7	0.0
<b>Adj. EPS (Rs.)</b>	<b>2.1</b>	<b>2.1</b>	<b>0.3</b>	<b>2.8</b>	<b>(24.7)</b>	<b>10.3</b>	<b>9.6</b>	<b>7.7</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	12,239	13,705	12,247	13,811	0.1	0.8
EBITDA	2,651	2,992	2,596	2,836	(2.1)	(5.2)
Margins (%)	21.7	21.8	21.2	20.5	(50bps)	(130bps)
Adj. PAT	2,173	2,479	2,177	2,379	0.2	(4.0)
Adj. EPS	12.3	14.0	12.3	13.4	(0.1)	(4.3)

## PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenue</b>	<b>8,704</b>	<b>9,562</b>	<b>10,889</b>	<b>12,247</b>	<b>13,811</b>
% change	2.0	9.9	13.9	12.5	12.8
<b>EBITDA</b>	<b>1,792</b>	<b>2,003</b>	<b>2,254</b>	<b>2,596</b>	<b>2,836</b>
% change	3.0	11.7	12.5	15.2	9.3
Depreciation	220	240	253	261	265
<b>EBIT</b>	<b>1,572</b>	<b>1,763</b>	<b>2,001</b>	<b>2,355</b>	<b>2,612</b>
Interest	50	31	39	(29)	9
Other Income	205	324	306	346	389
<b>PBT</b>	<b>1,728</b>	<b>2,056</b>	<b>2,269</b>	<b>2,729</b>	<b>2,992</b>
% change	0.2	19.0	10.3	20.3	9.6
Tax	280	361	526	633	694
Tax Rate (%)	16.2	17.6	23.2	23.2	23.2
<b>Reported PAT</b>	<b>1,445</b>	<b>1,693</b>	<b>1,739</b>	<b>2,092</b>	<b>2,294</b>
Adj*	100	-	85	85	85
<b>Adj PAT</b>	<b>1,545</b>	<b>1,693</b>	<b>1,824</b>	<b>2,177</b>	<b>2,379</b>
% change	1.8	9.6	7.7	19.4	9.2
No. of shares (cr)	177.3	176.8	177.3	177.3	177.3
<b>Adj EPS (Rs.)</b>	<b>8.7</b>	<b>9.6</b>	<b>10.3</b>	<b>12.3</b>	<b>13.4</b>
% change	1.7	9.9	7.4	19.4	9.2
DPS (Rs.)	1.6	3.0	2.7	4.7	5.2
CEPS (Rs.)	10.0	10.9	11.7	13.8	14.9

## CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Net inc. + Depn.</b>	<b>1,665</b>	<b>1,933</b>	<b>1,992</b>	<b>2,353</b>	<b>2,559</b>
Non-cash adj.	(13)	(146)	(42)	(356)	(373)
Changes in W.C	(39)	327	(147)	142	(146)
<b>C.F. Operation</b>	<b>1,614</b>	<b>2,115</b>	<b>1,802</b>	<b>2,140</b>	<b>2,040</b>
Capital exp.	(400)	(306)	(369)	(294)	(331)
Change in inv.	(365)	(1,361)	(1,273)	(751)	(601)
Other invest.CF	248	262	367	385	404
<b>C.F - Investment</b>	<b>(517)</b>	<b>(1,406)</b>	<b>(1,275)</b>	<b>(659)</b>	<b>(528)</b>
Issue of equity	0	0	0	-	-
Issue/repay debt	(397)	(2)	504	(81)	(74)
Dividends paid	(618)	(592)	(972)	(837)	(917)
Other finance.CF	(28)	(19)	(22)	29	(9)
<b>C.F - Finance</b>	<b>(1,043)</b>	<b>(613)</b>	<b>(490)</b>	<b>(890)</b>	<b>(1,000)</b>
Chg. in cash	54	95	36	590	512
Closing cash	811	1,329	570	1,161	1,672

## BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	811	1,329	570	1,161	1,672
Accounts Receivable	814	562	646	704	760
Inventories	1,380	1,734	1,911	2,000	2,346
Other Cur. Assets	1,875	1,151	1,189	1,293	1,407
Investments	1,461	3,464	5,414	5,664	5,964
Gross Fixed Assets	2,627	2,933	3,302	3,596	3,928
Net Fixed Assets	1,821	1,812	1,981	2,006	2,064
CWIP	147	147	155	162	171
Intangible Assets	380	381	291	290	289
Def. Tax (Net)	23	22	5	4	3
Other Assets	642	245	122	119	117
<b>Total Assets</b>	<b>9,354</b>	<b>10,847</b>	<b>12,285</b>	<b>13,404</b>	<b>14,793</b>
Current Liabilities	2,160	2,585	2,705	2,995	3,259
Provisions	63	63	64	73	84
Debt Funds	472	485	1,011	930	856
Other Liabilities	17	14	82	90	95
Equity Capital	177	177	177	177	177
Reserves & Surplus	6,429	7,487	8,205	9,094	10,274
Shareholder's Fund	6,606	7,664	8,381	9,271	10,451
Minority Interest	36	37	41	44	48
<b>Total Liabilities</b>	<b>9,354</b>	<b>10,847</b>	<b>12,285</b>	<b>13,404</b>	<b>14,793</b>
<b>BVPS (Rs.)</b>	<b>37</b>	<b>43</b>	<b>47</b>	<b>52</b>	<b>59</b>

## RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	20.6	20.9	20.7	21.2	20.5
EBIT margin (%)	18.1	18.4	18.4	19.2	18.9
Net profit mgn.(%)	16.6	17.7	16.0	17.1	16.6
ROE (%)	21.9	22.1	20.8	22.6	21.9
ROCE (%)	22.1	21.5	21.2	23.0	23.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	34.1	21.4	21.7	21.0	20.1
Inventory (days)	115.5	132.2	123.7	113.2	115.0
Payables (days)	124.1	146.0	130.6	130.5	125.6
Current ratio (x)	2.0	1.6	1.3	1.5	1.6
Quick ratio (x)	1.2	0.9	0.6	0.8	0.9
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.6	3.4	3.5	3.6	3.7
Total asset T.O (x)	1.0	0.9	0.9	1.0	1.0
Int. coverage ratio (x)	31.7	57.2	51.8	(82.1)	304.2
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	9.1	9.9	8.8	7.3	6.4
EV/EBITDA (x)	44.4	47.3	42.4	34.4	31.3
P/E (x)	51.7	56.5	52.1	41.1	37.6
P/BV (x)	12.1	12.5	11.3	9.6	8.6

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
19-Nov-19	HOLD	499
4-Feb-20	HOLD	527
4-Aug-20	HOLD	537
9-Nov-20	BUY	584
18-May-21	BUY	612
6-Aug-21	HOLD	625
11-Nov-21	HOLD	652
11-May-22	BUY	560

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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