

August 4, 2022

Q1FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	603		603	
Sales (Rs. m)	1,21,104	1,35,274	1,21,063	1,35,304
% Chng.	-	-	-	-
EBITDA (Rs. m)	24,340	28,477	24,605	28,789
% Chng.	(1.1)	(1.1)	-	-
EPS (Rs.)	11.3	13.4	11.5	13.8
% Chng.	(2.2)	(2.8)	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	96	109	121	135
EBITDA (Rs. bn)	20	23	24	28
Margin (%)	20.9	20.7	20.1	21.1
PAT (Rs. bn)	17	18	20	24
EPS (Rs.)	9.6	10.3	11.3	13.4
Gr. (%)	18.8	7.7	9.3	19.0
DPS (Rs.)	4.8	5.3	5.6	6.7
Yield (%)	0.8	0.9	1.0	1.2
RoE (%)	23.7	22.8	22.4	23.2
RoCE (%)	23.1	22.8	21.8	22.9
EV/Sales (x)	10.4	9.3	8.3	7.4
EV/EBITDA (x)	49.9	44.8	41.4	35.2
PE (x)	59.9	55.6	50.8	42.7
P/BV (x)	13.2	12.1	10.7	9.2

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.659 / Rs.482
Sensex / Nifty	58,299 / 17,382
Market Cap	Rs.1,017bn/ \$ 12,794m
Shares Outstanding	1,772m
3M Avg. Daily Value	Rs.1052.87m

Shareholding Pattern (%)

Promoter's	67.24
Foreign	20.23
Domestic Institution	4.04
Public & Others	8.49
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.3	0.9	(2.4)
Relative	(0.2)	1.5	(9.0)

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Market share gain powers growth: Accumulate

Quick Pointers:

- Strong Growth and market share gains in beverages
- Aggressive towards expansion/innovation via ecommerce.
- New Product developments contribution at 4.4% to overall sales in 1Q23.

Dabur has shown ~5% volume growth on high base led by market share gains in fruit drinks, foods & beverages and hair oil. We expect gross margin pressure to sustain in 2Q23 given input cost inflation mainly in petroleum products however with softening of RM prices & roll over impact of price hikes expect recovery to set in from 2H23. Normal monsoons, good harvest & increase in MSP will drive demand in rural in near/medium term. Long term outlook remains intact given 1) Innovation led growth strategy with focus on 8 core brands 2) Increasing share in foods & beverages & Hair care category 3) LUP Innovations allowing DABUR to leverage its distribution 4) Strong rural distribution coverage of 100k villages by FY23. 5) 4-5% incremental sales every year from ecommerce innovations.

Dabur remains a formidable play on recovery in rural demand in coming quarters. Dabur trades at 42.7x FY24 EPS with 14.1% EPS CAGR over FY22-24 and 23% ROE and 50% dividend payout. Retain accumulate with 12 month DCF based target price of Rs 603 (No change).

Consol Revenues up by 8.1%; Margin at 45.9%: Revenues grew by 8.1% YoY to Rs28.2bn. Gross margins contracted by 224bps YoY & 159 bps QoQ to 45.9%. EBITDA declined by 1.5% YoY to Rs5.4bn. Margins contracted by 188bps YoY to 19.3%. Adj PAT grew by 0.6% YoY to Rs4.4bn. Food segment revenues grew by 51.3% YoY; EBIT grew by 65.8%; margins expanded by 100bps YoY to 22.4%. Retail segment revenues grew 179.9% YoY on low base; EBIT came in at Rs 10mn in 1Q23 vs loss of Rs 30mn in 1Q22. Consumer care degrew 1.5% YoY whereas EBIT margin grew 100 bps QoQ to 22.4%.

Concall Highlights: 1) Urban/ Rural growth remained at par with 8.3/8.4% respectively. 2) NPD in fruit drinks has gained traction and it aims to increase sales to Rs 2bn in 2-3 years. 4) Market share of real juices increase by 330 bps driven by milk shakes (gained 1.1% market share 5) Healthcare segment witnessed de-growth and would remain impacted in FY23, although CAGR of 10% will be maintained in FY23. 6) Ayurveda shampoo has gained traction with 50 bps increase in market share. 7) Vatika Neelbhringa 2 in 1 Oil launched at Rs400 (33% discount to competition) in the super premium Ayurveda oils market of Rs 10bn 8) In 1Q23, took absolute price increase of 5% & 1.1% in form of grammage reduction against inflation of 8-9%. 9) Hair Oil segment has gained traction due to aggressive marketing, regional focus & distribution expansion. 10) Rural distribution coverage will reach upto 100k villages by FY23.

Exhibit 1: Q1FY23 Results: Revenues grew by 8.1%, EBITDA margins degrew by 188bps.

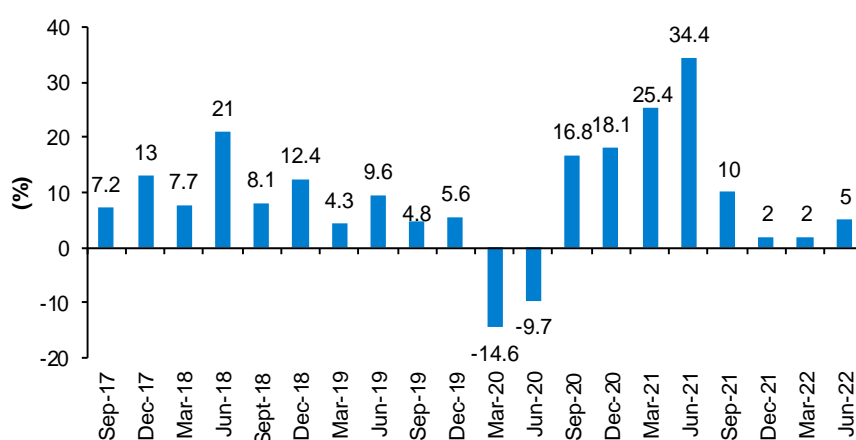
Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY22	FY21	YoY gr. (%)
Revenues	28,224	26,115	8.1	25,178	1,08,887	95,617	13.9
Gross Profit	12,943	12,562	3.0	11,946	52,490	47,727	10.0
<i>% of Net Sales</i>	<i>45.9</i>	<i>48.1</i>	<i>-2.2</i>	<i>47.4</i>	<i>48.2</i>	<i>49.9</i>	<i>-1.7</i>
Other Expenses	7,507	7,042	6.6	7,410	29,952	27,700	8.1
<i>% of Net Sales</i>	<i>26.6</i>	<i>27.0</i>		<i>29.4</i>	<i>27.5</i>	<i>29.0</i>	
EBITDA	5,437	5,520	(1.5)	4,536	22,538	20,027	12.5
<i>Margins (%)</i>	<i>19.3</i>	<i>21.1</i>	<i>-1.9</i>	<i>18.0</i>	<i>20.7</i>	<i>20.9</i>	<i>-0.2</i>
Depreciation	676	613	10.3	651	2,529	2,401	5.3
Interest	122	75	62.0	118	386	308	25.3
Other Income	1,006	848	18.5	991	3,932	3,253	20.9
PBT	5,645	5,681	(0.6)	4,759	23,555	20,570	14.5
Tax	1,231	1,297	(5.1)	954	5,264	3,611	45.8
<i>Effective tax rate (%)</i>	<i>21.8</i>	<i>22.8</i>		<i>20.0</i>	<i>22.3</i>	<i>17.6</i>	
Minority interest	3	1	385.7	12	18	10	78.2
Adjusted PAT	4,411	4,383	0.6	3,793	18,273	16,950	7.8

Source: Company Data, PL Research

Exhibit 2: Healthcare range reported decline due to high base.

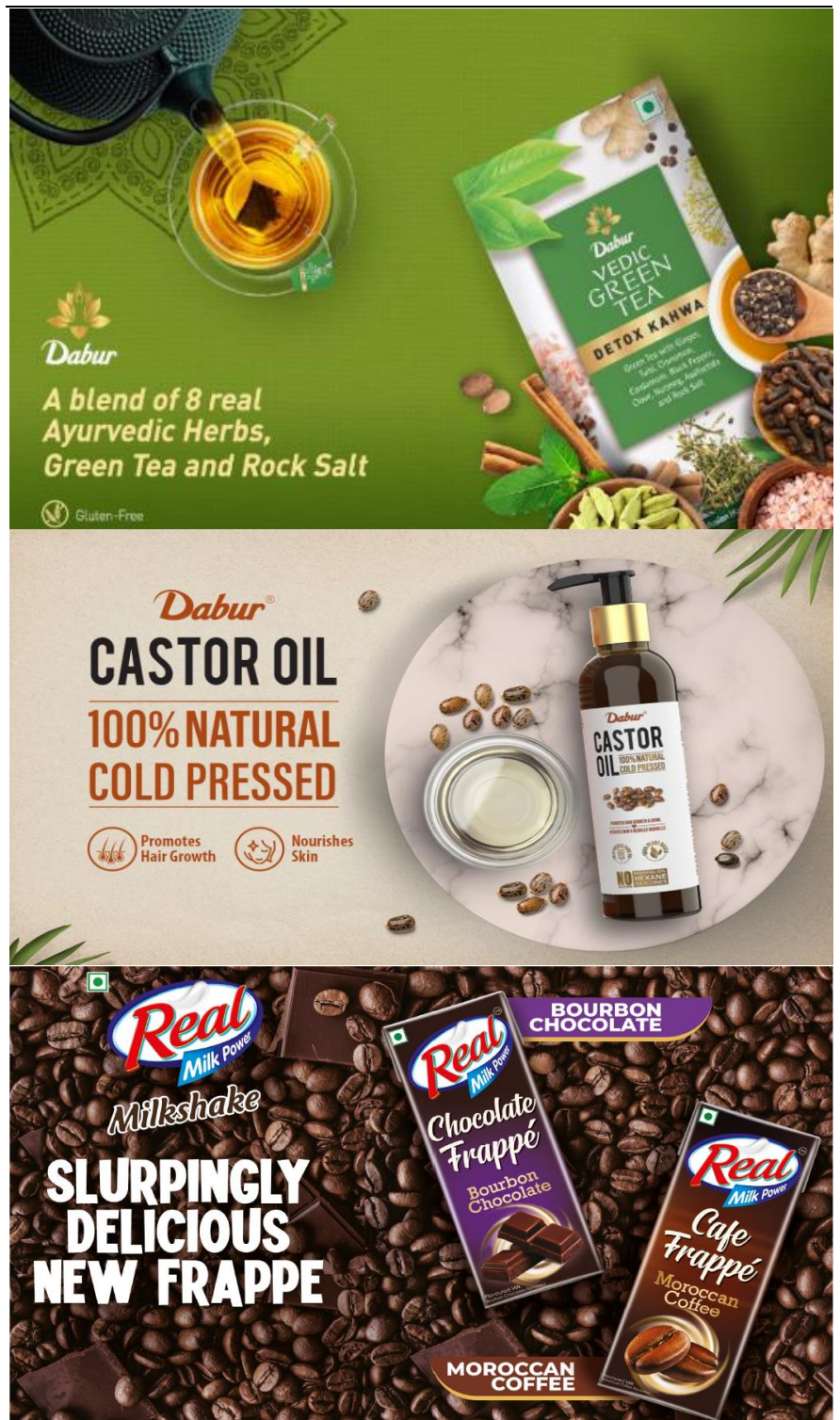
Category Growth (%)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Hair Oils	-25.6	-6.3	11.6	24.6	38.4	27.9	6.1	2.6	8.1
Shampoos	-9.3	17.8	27.1	33.4	41.3	20.5	21.2	5.6	17.0
Health Supplements	52.6	70.8	34.7	17.7	24.5	-13.6	-8.3	9.7	-35.5
Oral Care	1.4	24.2	28.0	42.1	21.1	13.3	6.7	1.1	12.5
Foods	-34.4	-3.8	4.7	36.1	17.8	43.0	26.4	12.5	35.7
Digestives	-11.5	2.5	0.3	20.0	16.2	22.7	12.2	1.2	30.5
Skin care	-12.5	38.1	9.1	37.9	-5.4	-11.9	3.2	-10.6	11.4
Home Care	-30.5	-10.2	-1.0	24.3	30.6	25.3	18.6	11.0	51.9
Healthcare	34.1	36.8	50.8	1.9	3.6			9.7	-21.0
Home& Personal care	2.7		23.2	23.2	23.2				16.0

Source: Company, PL

Exhibit 3: 1Q volumes up 5% on high base


Source: Company, PL

Exhibit 4: New Launches/ Innovations in Markets



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	95,617	1,08,887	1,21,104	1,35,274
YoY gr. (%)	10.1	13.9	11.2	11.7
Cost of Goods Sold	47,890	56,397	62,857	68,637
Gross Profit	47,727	52,490	58,247	66,638
Margin (%)	49.9	48.2	48.1	49.3
Employee Cost	10,335	10,800	12,016	13,362
Other Expenses	7,327	8,636	9,525	10,597
EBITDA	20,027	22,538	24,340	28,477
YoY gr. (%)	12.9	12.5	8.0	17.0
Margin (%)	20.9	20.7	20.1	21.1
Depreciation and Amortization	2,401	2,529	2,770	2,914
EBIT	17,626	20,009	21,569	25,563
Margin (%)	18.4	18.4	17.8	18.9
Net Interest	308	386	684	642
Other Income	3,253	3,932	5,081	5,971
Profit Before Tax	20,570	23,555	25,966	30,892
Margin (%)	21.5	21.6	21.4	22.8
Total Tax	3,611	5,264	5,972	7,105
Effective tax rate (%)	17.6	22.3	23.0	23.0
Profit after tax	16,960	18,291	19,994	23,787
Minority interest	17	31	31	31
Share Profit from Associate	-	-	-	-
Adjusted PAT	16,943	18,260	19,963	23,756
YoY gr. (%)	18.8	7.8	9.3	19.0
Margin (%)	17.7	16.8	16.5	17.6
Extra Ord. Income / (Exp)	-	(850)	-	-
Reported PAT	16,943	17,410	19,963	23,756
YoY gr. (%)	18.8	2.8	14.7	19.0
Margin (%)	17.7	16.0	16.5	17.6
Other Comprehensive Income	(882)	(884)	-	-
Total Comprehensive Income	16,061	16,526	19,963	23,756
Equity Shares O/s (m)	1,767	1,768	1,768	1,768
EPS (Rs)	9.6	10.3	11.3	13.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	34,430	37,901	39,964	42,014
Tangibles	33,206	36,630	38,643	40,643
Intangibles	1,223	1,271	1,321	1,371
Acc: Dep / Amortization	15,361	17,334	20,104	23,018
Tangibles	14,584	16,460	19,131	21,943
Intangibles	776	874	973	1,075
Net fixed assets	19,069	20,568	19,860	18,996
Tangibles	18,622	20,170	19,511	18,700
Intangibles	447	397	348	295
Capital Work In Progress	1,473	1,675	500	500
Goodwill	3,360	2,512	2,512	2,512
Non-Current Investments	35,248	53,884	61,940	71,223
Net Deferred tax assets	(139)	(823)	(823)	(823)
Other Non-Current Assets	1,562	1,039	1,552	1,708
Current Assets				
Investments	7,460	8,546	9,400	10,340
Inventories	17,343	19,114	22,010	24,585
Trade receivables	5,616	6,462	7,239	8,086
Cash & Bank Balance	13,290	5,701	7,752	12,129
Other Current Assets	3,871	2,975	3,028	3,382
Total Assets	1,08,469	1,22,839	1,36,400	1,54,140
Equity				
Equity Share Capital	1,767	1,768	1,768	1,768
Other Equity	74,868	82,045	92,997	1,08,229
Total Network	76,635	83,813	94,765	1,09,997
Non-Current Liabilities				
Long Term borrowings	1,341	3,899	3,599	3,299
Provisions	633	637	727	812
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,491	6,173	5,873	5,573
Trade payables	19,153	20,180	23,692	25,954
Other current liabilities	6,696	6,867	6,426	7,148
Total Equity & Liabilities	1,08,469	1,22,839	1,36,401	1,54,140

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	20,560	23,537	25,966	30,892
Add. Depreciation	2,401	2,529	2,770	2,914
Add. Interest	308	386	684	642
Less Financial Other Income	3,253	3,932	5,081	5,971
Add. Other	(3,211)	(3,854)	(5,081)	(5,971)
Op. profit before WC changes	20,059	22,597	24,340	28,477
Net Changes-WC	10,236	175	(2,272)	(2,207)
Direct tax	(3,611)	(5,264)	(5,972)	(7,105)
Net cash from Op. activities	26,684	17,508	16,096	19,165
Capital expenditures	(2,311)	(3,381)	(887)	(2,050)
Interest / Dividend Income	3,253	3,932	5,081	5,971
Others	(20,044)	(20,364)	(8,048)	(9,255)
Net Cash from Inv. activities	(19,102)	(19,814)	(3,854)	(5,333)
Issue of share cap. / premium	(491)	(560)	623	-
Debt changes	(89)	5,240	(600)	(600)
Dividend paid	(5,921)	(9,723)	(9,635)	(8,524)
Interest paid	(308)	(386)	(684)	(642)
Others	-	-	-	-
Net cash from Fin. activities	(6,809)	(5,430)	(10,296)	(9,766)
Net change in cash	773	(7,735)	1,945	4,065
Free Cash Flow	24,373	14,127	15,208	17,115

Source: Company Data, PL Research

Key Financial Metrics

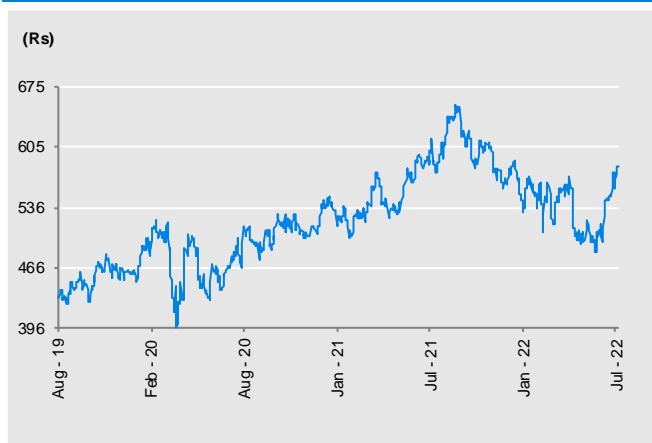
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	9.6	10.3	11.3	13.4
CEPS	10.9	11.8	12.9	15.1
BVPS	43.4	47.4	53.6	62.2
FCF	13.8	8.0	8.6	9.7
DPS	4.8	5.3	5.6	6.7
Return Ratio(%)				
RoCE	23.1	22.8	21.8	22.9
ROIC	20.1	18.4	18.1	19.4
RoE	23.7	22.8	22.4	23.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.0	(0.1)	(0.1)
Net Working Capital (Days)	15	18	17	18
Valuation(x)				
PER	59.9	55.6	50.8	42.7
P/B	13.2	12.1	10.7	9.2
P/CEPS	52.4	48.8	44.6	38.0
EV/EBITDA	49.9	44.8	41.4	35.2
EV/Sales	10.4	9.3	8.3	7.4
Dividend Yield (%)	0.8	0.9	1.0	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	28,176	29,418	25,178	28,224
YoY gr. (%)	12.0	7.8	7.7	8.1
Raw Material Expenses	14,415	15,196	13,233	15,281
Gross Profit	13,761	14,222	11,946	12,943
Margin (%)	48.8	48.3	47.4	45.9
EBITDA	6,207	6,275	4,536	5,437
YoY gr. (%)	9.0	9.3	2.5	(1.5)
Margin (%)	22.0	21.3	18.0	19.3
Depreciation / Depletion	633	632	651	676
EBIT	5,574	5,643	3,885	4,761
Margin (%)	19.8	19.2	15.4	16.9
Net Interest	83	111	118	122
Other Income	1,124	967	991	1,006
Profit before Tax	6,616	6,500	4,759	5,645
Margin (%)	23.5	22.1	18.9	20.0
Total Tax	1,558	1,455	954	1,231
Effective tax rate (%)	23.6	22.4	20.0	21.8
Profit after Tax	5,057	5,045	3,805	4,414
Minority interest	4	1	12	3
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,053	5,044	3,793	4,411
YoY gr. (%)	4.6	2.2	0.5	0.6
Margin (%)	17.9	17.1	15.1	15.6
Extra Ord. Income / (Exp)	275	(813)	(1,456)	-
Reported PAT	5,328	4,230	2,338	4,411
YoY gr. (%)	29.3	(19.9)	(20.8)	(5.0)
Margin (%)	18.9	14.4	9.3	15.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,328	4,230	2,338	4,411
Avg. Shares O/s (m)	1,766	1,768	1,768	-
EPS (Rs)	2.9	2.9	2.1	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	Accumulate	603	544
2	05-May-22	Accumulate	603	529
3	08-Apr-22	Accumulate	603	556
4	03-Feb-22	Accumulate	647	557
5	06-Jan-22	Accumulate	647	583
6	02-Nov-21	Accumulate	647	598
7	06-Oct-21	Hold	647	615

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	3,942
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,701	1,564
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	452
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	Accumulate	327	308
9	Jubilant FoodWorks	BUY	700	565
10	Kansai Nerolac Paints	Accumulate	558	499
11	Marico	Accumulate	544	499
12	Mold-tek Packaging	Accumulate	830	765
13	Nestle India	Accumulate	19,721	19,112
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	781	589

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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