

Retail Equity Research

Dabur India Limited

FMCG

BSE CODE: 500096

NSE CODE: DABUR

Bloomberg CODE: DABUR:IN

SENSEX: 60,906

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 562 TARGET Rs. 616 RETURN 10% ↑
(Closing: 02-11-22)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Expansion strategy to support growth

Dabur India Ltd is a leading Indian FMCG company and the world's largest ayurvedic and natural health care company, with a portfolio of over 250 products.

- Dabur India's consolidated revenue grew 6% YoY to Rs. 2,986cr, led by a strong performance in the Food and Beverage (F&B) and Home and Personal Care (HPC) segments.
- EBITDA was down 3.2% YoY to Rs. 601cr, whereas EBITDA margin fell 190bps YoY to 20.1%, mainly because of higher raw material costs.
- With its expansion in the food markets by acquiring Badshah Masala, its strong brand name and extensive distribution network, Dabur is poised well in the FMCG market.
- Although inflationary pressure remains a concern, the festive season and good harvest should help recover demand in the rural and urban FMCG markets. Therefore, we maintain our BUY rating on the stock with a revised target price of Rs. 616 based on 48x FY24E adjusted EPS.

Topline growth led by F&B and HPC segments

Dabur's consolidated revenue rose 6% YoY to Rs. 2,986cr in Q2FY23, supported by solid growth in the F&B and HPC segments. The F&B segment logged a strong 30% growth YoY to reach Rs. 431cr in Q2FY23 owing to growth in demand for food drinks and milkshake products. The HPC segment's revenue increased 6.0% YoY to Rs. 1,065cr, led by robust double-digit growth from the toothpaste portfolio, Odonil, and Sani Fresh. This is despite a 7% YoY decline in revenue from the healthcare segment. EBITDA decreased 3.2% YoY to Rs. 601cr in Q2FY23, and EBITDA margin contracted by 190bps YoY to 20.1%, mainly because of higher raw material costs, partially offset by price hikes.

Key concall highlights

- On 26 October 2022, Dabur announced the acquisition of 51% shareholding of Badshah Masala for Rs. 588cr. Badshah manufactures, sells, and exports blended spices, ground spices, and seasonings.
- E-commerce sales doubled YoY and contributed to approximately 9% of total sales.
- Advertising spending was muted in Q2FY23 owing to inflationary pressures. Once the demand situation improves, the company could increase its spending on advertising and promotions.

Expansion strategy strengthens portfolios

Badshah Masala's acquisition allows Dabur to enter the Rs. 25,000cr branded spices and seasonings market. It also supports the company's strategic plans of enhancing its food business sales to Rs. 500cr in three years. While Badshah Masala has a significant presence in Gujarat and Maharashtra, Dabur plans to widen its reach to nearby states such as Rajasthan in the near term. Dabur continues to expand its beverage portfolio in terms of distribution and has appointed a new head to manage it. The management is optimistic about its dairy beverage portfolio and scaling up the brand.

Valuation

Despite the weak economic environment, Dabur delivered relatively strong financial results, gaining market share for 95% of its portfolio. Further, the expected good harvest owing to normal monsoon, increase in minimum selling prices (MSP), and the festive season should help boost demand in the rural and urban markets. Therefore, we reiterate our BUY rating on the stock with a revised target price of Rs. 616 based on 48x FY24E adjusted EPS.

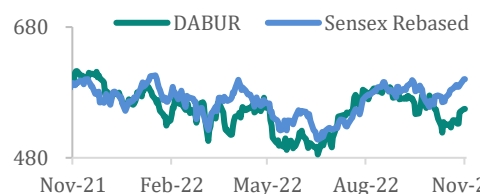
Company Data

Market Cap (cr)	Rs. 98,326
Enterprise Value (cr)	Rs. 98,486
Outstanding Shares (cr)	177.8
Free Float	33.0%
Dividend Yield	0.5%
52 week high	Rs. 620
52 week low	Rs. 482
6m average volume	115,216
Beta	0.6
Face value	Rs. 1

Shareholding (%)	Q4FY22	Q1FY23	Q2FY23
Promoters	67.4	67.2	67.2
FII's	20.4	20.2	20.2
MFs/Insti	3.8	4.0	6.7
Public	5.4	5.2	5.7
Others	3.0	3.3	0.1
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	-5.1%	-0.4%	-5.4%
Absolute Sensex	5.5%	6.5%	2.4%
Relative Return*	-10.6%	-6.9%	-7.8%

*over or under performance to benchmark index



Consolidated (cr)	FY22A	FY23E	FY24E
Sales	10,889	12,229	13,764
Growth (%)	13.9	12.3	12.6
EBITDA	2,254	2,517	2,819
EBITDA Margin (%)	20.7	20.6	20.5
Adj. PAT	1,824	2,066	2,361
Growth (%)	7.7	13.2	14.3
Adj. EPS	10.3	11.7	13.3
Growth (%)	7.4	13.2	14.3
P/E	52.1	47.6	41.7
P/B	11.3	10.7	9.5
EV/EBITDA	42.4	39.1	34.8
ROE (%)	20.8	21.5	21.9
D/E	0.1	0.1	0.1

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs.cr	Q2FY23	Q2FY22	YoY Growth (%)	Q1FY23	QoQ Growth (%)	H1FY23	H1FY22	YoY Growth (%)
Revenue	2,986	2,818	6.0	2,822	5.8	5,809	5,429	7.0
EBITDA	601	621	<i>(3.2)</i>	544	<i>10.5</i>	1,144	1,173	<i>(2.4)</i>
EBITDA margins	20.1	22.0	(190bps)	19.3	80bps	19.7	21.6	(190bps)
Depreciation	70	63	11.3	68	4.2	138	125	10.8
EBIT	530	557	<i>(4.9)</i>	476	<i>11.4</i>	1,006	1,048	<i>(4.0)</i>
Interest	15	8	82.1	12	24.0	27	16	72.5
Other Income	123	112	9.6	101	22.6	224	197	13.5
Exceptional Items	-	-	<i>n.m.</i>	-	<i>n.m.</i>	-	-	<i>n.m.</i>
PBT	638	661	<i>(3.5)</i>	564	<i>13.1</i>	1,202	1,229	<i>(2.2)</i>
Tax	147	156	(5.5)	123	19.7	270	286	(5.3)
Share of profit from Associate	(0)	(0)	<i>n.m.</i>	(0)	<i>n.m.</i>	(1)	(0)	(38.8)
Minority Interest	1	1	(16.7)	1	8.1	2	2	(20.2)
Reported PAT	490	504	<i>(2.8)</i>	440	<i>11.3</i>	930	942	<i>(1.2)</i>
Adjustments	-	-	<i>n.m.</i>	-	<i>n.m.</i>	-	-	<i>n.m.</i>
Adj. PAT	490	504	<i>(2.8)</i>	440	<i>11.3</i>	930	942	<i>(1.2)</i>
No. of shares	177.8	176.8	0.6	177.8	0.0	177.8	176.8	0.6
Adj. EPS (Rs.)	2.8	2.9	<i>(3.4)</i>	2.5	<i>11.3</i>	5.2	5.3	<i>(1.8)</i>

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	12,247	13,811	12,229	13,764	(0.2)	(0.3)
EBITDA	2,596	2,836	2,517	2,819	(3)	(0.6)
Margins (%)	21.2	20.5	20.6	20.5	(60bps)	0bps
Adj. PAT	2,177	2,379	2,066	2,361	(5.1)	(0.7)
Adj. EPS	12.3	13.4	11.7	13.3	(5.1)	(0.7)

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	8,704	9,562	10,889	12,229	13,764
% change	2.0	9.9	13.9	12.3	12.6
EBITDA	1,792	2,003	2,254	2,517	2,819
% change	3.0	11.7	12.5	11.7	12.0
Depreciation	220	240	253	261	254
EBIT	1,572	1,763	2,001	2,276	2,606
Interest	50	31	39	38	26
Other Income	205	324	306	346	389
PBT	1,728	2,056	2,269	2,584	2,969
% change	0.2	19.0	10.3	13.9	14.9
Tax	280	361	526	599	689
Tax Rate (%)	16.2	17.6	23.2	23.2	23.2
Reported PAT	1,445	1,693	1,739	1,981	2,276
Adj*	100	-	85	85	85
Adj PAT	1,545	1,693	1,824	2,066	2,361
% change	1.8	9.6	7.7	13.2	14.3
No. of shares (cr)	177.3	176.8	177.3	177.3	177.3
Adj EPS (Rs.)	8.7	9.6	10.3	11.7	13.3
% change	1.7	9.9	7.4	13.2	14.3
DPS (Rs.)	1.6	3.0	2.7	4.5	5.2
CEPS (Rs.)	10.0	10.9	11.7	13.1	14.7

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	1,665	1,933	1,992	2,242	2,530
Non-cash adj.	(13)	(146)	(42)	(290)	(356)
Changes in W.C	(39)	327	(147)	(77)	(226)
C.F. Operation	1,614	2,115	1,802	1,875	1,948
Capital exp.	(400)	(306)	(369)	(293)	(330)
Change in inv.	(365)	(1,361)	(1,273)	(751)	(601)
Other invest.CF	248	262	367	385	404
C.F - Investment	(517)	(1,406)	(1,275)	(659)	(526)
Issue of equity	0	0	0	-	-
Issue/repay debt	(397)	(2)	504	(32)	(31)
Dividends paid	(618)	(592)	(972)	(792)	(910)
Other finance.CF	(28)	(19)	(22)	(38)	(26)
C.F - Finance	(1,043)	(613)	(490)	(862)	(967)
Chg. in cash	54	95	36	354	454
Closing cash	811	1,329	570	924	1,379

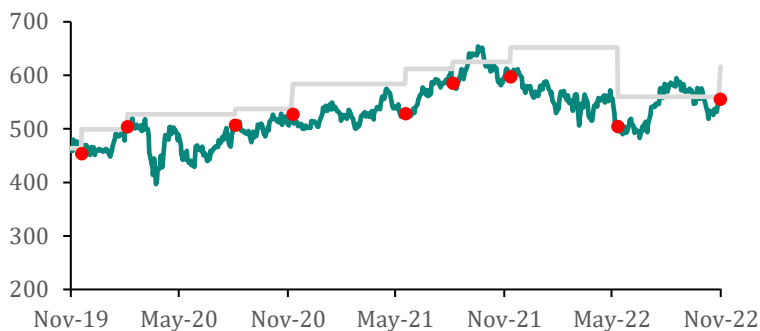
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	811	1,329	570	924	1,379
Accounts Receivable	814	562	646	715	798
Inventories	1,380	1,734	1,911	2,100	2,412
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	3,926
Net Fixed Assets	1,821	1,812	1,981	2,006	2,074
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
Total Assets	9,354	10,847	12,285	13,279	14,614
Current Liabilities	2,160	2,585	2,705	2,887	3,065
Provisions	63	63	64	73	84
Debt Funds	472	485	1,011	979	949
Other Liabilities	17	14	82	90	95
Equity Capital	177	177	177	177	177
Reserves & Surplus	6,429	7,487	8,205	9,027	10,197
Shareholder's Fund	6,606	7,664	8,381	9,204	10,374
Minority Interest	36	37	41	44	48
Total Liabilities	9,354	10,847	12,285	13,279	14,614
BVPS (Rs.)	37	43	47	52	59

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	20.6	20.9	20.7	20.6	20.5
EBIT margin (%)	18.1	18.4	18.4	18.6	18.9
Net profit mgn.(%)	16.6	17.7	16.0	16.2	16.5
ROE (%)	21.9	22.1	20.8	21.5	21.9
ROCE (%)	22.1	21.5	21.2	22.3	22.9
W.C & Liquidity					
Receivables (days)	34.1	21.4	21.7	21.4	21.2
Inventory (days)	115.5	132.2	123.7	116.8	118.6
Payables (days)	124.1	146.0	130.6	122.3	116.5
Current ratio (x)	2.0	1.6	1.3	1.4	1.6
Quick ratio (x)	1.2	0.9	0.6	0.7	0.9
Turnover & Leverage					
Gross asset T.O (x)	3.6	3.4	3.5	3.5	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	59.9	101.4
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	9.1	9.9	8.8	8.1	7.1
EV/EBITDA (x)	44.4	47.3	42.4	39.1	34.8
P/E (x)	51.7	56.5	52.1	47.6	41.7
P/BV (x)	12.1	12.5	11.3	10.7	9.5

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
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
03-Nov-22	BUY	616

Source: Bloomberg, Geojit research

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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