

February 2, 2023

Q3FY23 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	609		609	
Sales (Rs. m)	1,32,562	1,47,716	1,32,562	1,47,716
% Chng.	-	-	-	-
EBITDA (Rs. m)	27,825	31,629	27,825	31,629
% Chng.	-	-	-	-
EPS (Rs.)	12.8	14.9	12.8	14.9
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	109	117	133	148
EBITDA (Rs. bn)	23	23	28	32
Margin (%)	20.7	19.8	21.0	21.4
PAT (Rs. bn)	18	19	23	26
EPS (Rs.)	10.3	10.5	12.8	14.9
Gr. (%)	7.7	1.8	22.1	15.8
DPS (Rs.)	5.3	5.3	6.4	7.4
Yield (%)	0.9	0.9	1.2	1.3
RoE (%)	22.8	21.0	22.5	22.4
RoCE (%)	22.8	20.7	22.4	22.4
EV/Sales (x)	9.0	8.3	7.3	6.5
EV/EBITDA (x)	43.3	42.1	34.9	30.4
PE (x)	53.7	52.7	43.2	37.3
P/BV (x)	11.7	10.5	9.1	7.7

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.611 / Rs.482
Sensex / Nifty	59,932 / 17,610
Market Cap	Rs.982bn/ \$ 11,953m
Shares Outstanding	1,772m
3M Avg. Daily Value	Rs.1336.95m

Shareholding Pattern (%)

Promoter's	66.24
Foreign	20.47
Domestic Institution	7.61
Public & Others	5.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.3)	(4.1)	(0.5)
Relative	0.8	(7.0)	(1.2)

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Dabur India (DABUR IN)

Rating: ACCUMULATE | CMP: Rs554 | TP: Rs609

Rural Revival holds key to re-rating

Quick Pointers:

- Volumes have declined by 3%, Rural demand remains under pressure, although green shoots are visible
- Hair oil and Toothpaste categories have seen decline in industry sales and consumer downtrading, however Dabur has market gained share

Dabur's 3Q results showed 3% decline in volumes while profits were in-line led by 24% lower adspends. We remain optimistic on Dabur given 1) visibility of green shoots in rural India 2) peaked out input costs 3) market share gains in key categories 4) expected ramp up in fruit based drinks and Badshah Masala in coming periods. We believe Dabur is a formidable play on growth revival in rural India given ~45% contribution to overall sales. We believe sustained innovation and launches in core segments like Healthcare, F&B, Oral Care has the potential to accelerate growth in coming quarters. We estimate 18.9% EPS CAGR over FY23-25 and arrive at DCF based target price of Rs609 (41x FY25E EPS). Dabur trades at 38.7x Dec24 EPS with 22.4% ROE and 50% dividend payout. Retain accumulate.

Consol Revenues up by 3.4%; Volume declines by 3%: Revenues grew by 3.4% YoY to Rs30.4bn. Gross margins contracted by -283bps YoY to 45.5%. EBITDA declined by -2.8% YoY to Rs6.1bn while margins contracted by -129bps YoY to 20%. Adjusted PAT declined by -5.5% YoY to Rs4.8bn. Volumes declined by 3% while prices rise by 6.4% on back of higher sales of smaller packs and shift in category mix from health to food.

Margins decline cross segments: Consumer Care revenues grew 2.9% YoY while EBIT de-grew by 3%. Margins contracted by 144bps YoY to 23.3%. Food segment revenues grew by 7.1% YoY while EBIT declined by 1.4%. Margins contracted by 466bps/121bps QoQ/YoY to 14%. Retail segment revenues grew 15% YoY while EBIT came in at Rs 4.6mn in 3Q23 vs Rs 0.3mn in 3Q22. Margins improved by 317bps/135bps QoQ/YoY to 1.5%.

Concall Highlights: 1) Toothpaste business grew by 3.2% and market share increased to 15.8%; became 2nd largest players. 2) Downtrading in rural India is impacting sales of Dabur 3) Downtrading is more evident in central India (UP, Bihar) which is a strong market for Dabur 4) Dabur saw higher number of sales in small packs 5) Chyavanprash sales impacted due to delayed on set of winter, although January saw good traction 6) E-commerce contributed 9% to total sales and enables experiment of new products before its launch in modern trade. 7) Inflation seen at 5.5% in coming quarters 8) Crude is softening while few inputs imported for food business are witnessing inflation owing to currency devaluation. 9) Company will take price hike in the food segment to tackle the inflation as there is headroom. 10) EBITDA margin to be maintained at 20% while rationalizing the Ad spends 11) Hired Mr. Philipe Haydon, ex-CEO of Himalaya to provide impetus to the health care business

Exhibit 1: 3QFY23 Results: Revenues grew by 3.4%, EBITDA margins declines by 129bps

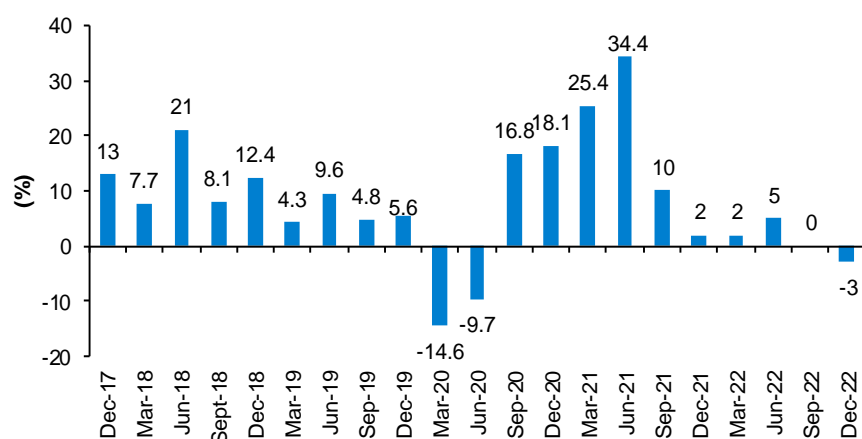
Y/e March	3QFY23	3QFY22	YoY gr. (%)	2QFY23	9MFY23	9MFY22	YoY gr. (%)
Revenues	30,432	29,418	3.4	28,176	88,521	83,709	5.7
Gross Profit	13,850	14,222	(2.6)	13,761	40,345	40,544	(0.5)
<i>% of Net Sales</i>	<i>45.5</i>	<i>48.3</i>	<i>-2.83</i>	<i>48.8</i>	<i>45.6</i>	<i>48.4</i>	<i>-2.9</i>
Other Expenses	7,751	7,947	(2.5)	7,554	22,802	22,542	1.2
<i>% of Net Sales</i>	<i>25.5</i>	<i>27.0</i>		<i>26.8</i>	<i>25.8</i>	<i>26.9</i>	
EBITDA	6,099	6,275	(2.8)	6,207	17,543	18,002	(2.6)
<i>Margins (%)</i>	<i>20.0</i>	<i>21.3</i>	<i>-1.29</i>	<i>22.0</i>	<i>19.8</i>	<i>21.5</i>	<i>-1.7</i>
Depreciation	709	632	12.2	633	2,090	1,878	11.2
Interest	189	111	70.7	83	461	269	71.8
Other Income	1,008	967	4.2	1,124	3,247	2,940	10.4
PBT	6,209	6,500	(4.5)	6,616	18,239	18,796	(3.0)
Tax	1,435	1,455	(1.4)	1,558	4,139	4,310	(4.0)
<i>Effective tax rate (%)</i>	<i>23.1</i>	<i>22.4</i>		<i>23.6</i>	<i>22.7</i>	<i>22.9</i>	
Minority interest	8	1	590.9	4	14	4	242.9
Adjusted PAT	4,767	5,044	(5.5)	5,053	14,086	14,481	(2.7)

Source: Company Data, PL Research

Exhibit 2: Foods and Homecare drive growth, hair oils, Health supplements and Oral care under pressure

Category Growth (%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Hair Oils	11.6	24.6	38.4	27.9	6.1	2.6	8.1	1.8	-2.4
Shampoos	27.1	33.4	41.3	20.5	21.2	5.6	17.0	9.0	3.6
Health Supplements	34.7	17.7	24.5	-13.6	-8.3	9.7	-35.5	-12.6	0.4
Oral Care	28.0	42.1	21.1	13.3	6.7	1.1	12.5	9.2	2.6
Foods	4.7	36.1	17.8	43.0	26.4	12.5	35.7	30.5	34.5
Digestives	0.3	20.0	16.2	22.7	12.2	1.2	30.5	0.1	11.2
Skin care	9.1	37.9	-5.4	-11.9	3.2	-10.6	11.4	1.1	-5.6
Home Care	-1.0	24.3	30.6	25.3	18.6	11.0	51.9	20.9	18.2
OTC & Ethicals		36.8	50.8	1.9	3.6	7.5	-15.4	-0.2	4.0
Healthcare	28.1	22.9	30.0	-4.8	-3.0	9.7	-21.0	-7.0	3.0
Home & Personal care	15.9	32.6	26.1	16.7	8.4	1.9	16.0	6.0	2.2
Beverages							50.7	21.2	3.7

Source: Company, PL

Exhibit 3: 3Q volumes decline by 3%


Source: Company, PL

Exhibit 4: 1. Robust new pipeline in the Healthcare segment



Source: Company, PL

Exhibit 5: 2. Robust new pipeline in the Healthcare segment



Source: Company, PL

Exhibit 6: New health based product addition in F&B segment



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	1,08,887	1,16,835	1,32,562	1,47,716
YoY gr. (%)	13.9	7.3	13.5	11.4
Cost of Goods Sold	56,397	63,243	67,767	74,325
Gross Profit	52,490	53,591	64,795	73,390
Margin (%)	48.2	45.9	48.9	49.7
Employee Cost	10,800	11,778	13,345	14,863
Other Expenses	8,636	8,974	10,721	11,913
EBITDA	22,538	23,125	27,825	31,629
YoY gr. (%)	12.5	2.6	20.3	13.7
Margin (%)	20.7	19.8	21.0	21.4
Depreciation and Amortization	2,529	2,770	3,169	3,313
EBIT	20,009	20,354	24,656	28,316
Margin (%)	18.4	17.4	18.6	19.2
Net Interest	386	616	642	600
Other Income	3,932	4,454	5,509	6,693
Profit Before Tax	23,555	24,192	29,523	34,409
Margin (%)	21.6	20.7	22.3	23.3
Total Tax	5,264	5,564	6,790	8,086
Effective tax rate (%)	22.3	23.0	23.0	23.5
Profit after tax	18,291	18,628	22,733	26,323
Minority interest	31	31	31	31
Share Profit from Associate	-	-	-	-
Adjusted PAT	18,260	18,597	22,702	26,292
YoY gr. (%)	7.8	1.8	22.1	15.8
Margin (%)	16.8	15.9	17.1	17.8
Extra Ord. Income / (Exp)	(850)	-	-	-
Reported PAT	17,410	18,597	22,702	26,292
YoY gr. (%)	2.8	6.8	22.1	15.8
Margin (%)	16.0	15.9	17.1	17.8
Other Comprehensive Income	(884)	-	-	-
Total Comprehensive Income	16,526	18,597	22,702	26,292
Equity Shares O/s (m)	1,768	1,768	1,768	1,768
EPS (Rs)	10.3	10.5	12.8	14.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	37,901	39,964	45,514	47,564
Tangibles	36,630	38,643	42,143	44,143
Intangibles	1,271	1,321	3,371	3,421
Acc: Dep / Amortization	17,334	20,104	23,273	26,586
Tangibles	16,460	19,131	22,048	25,104
Intangibles	874	973	1,225	1,482
Net fixed assets	20,568	19,860	22,241	20,978
Tangibles	20,170	19,511	20,095	19,039
Intangibles	397	348	2,145	1,939
Capital Work In Progress	1,675	500	500	500
Goodwill	2,512	2,512	2,512	2,512
Non-Current Investments	53,884	61,932	71,218	81,891
Net Deferred tax assets	(823)	(823)	(823)	(823)
Other Non-Current Assets	1,039	1,505	1,678	1,846
Current Assets				
Investments	8,546	3,530	3,883	4,271
Inventories	19,114	21,234	24,092	26,847
Trade receivables	6,462	6,984	7,923	8,829
Cash & Bank Balance	5,701	13,150	13,961	21,361
Other Current Assets	2,975	2,921	3,314	3,693
Total Assets	1,22,839	1,34,714	1,51,987	1,73,469
Equity				
Equity Share Capital	1,768	1,768	1,768	1,768
Other Equity	82,045	91,631	1,06,483	1,25,143
Total Network	83,813	93,399	1,08,251	1,26,911
Non-Current Liabilities				
Long Term borrowings	3,899	3,599	3,299	2,999
Provisions	637	701	795	886
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	6,173	5,873	5,573	5,273
Trade payables	20,180	23,612	25,701	28,234
Other current liabilities	6,867	6,212	7,013	7,771
Total Equity & Liabilities	1,22,839	1,34,714	1,51,988	1,73,469

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	23,537	24,192	29,523	34,409
Add. Depreciation	2,529	2,770	3,169	3,313
Add. Interest	386	616	642	600
Less Financial Other Income	3,932	4,454	5,509	6,693
Add. Other	(3,854)	(4,454)	(5,509)	(6,693)
Op. profit before WC changes	22,597	23,125	27,825	31,629
Net Changes-WC	175	4,586	(2,182)	(1,644)
Direct tax	(5,264)	(5,564)	(6,790)	(8,086)
Net cash from Op. activities	17,508	22,146	18,853	21,899
Capital expenditures	(3,381)	(887)	(5,550)	(2,050)
Interest / Dividend Income	3,932	4,454	5,509	6,693
Others	(20,364)	(8,048)	(9,255)	(10,643)
Net Cash from Invt. activities	(19,814)	(4,481)	(9,296)	(6,000)
Issue of share cap. / premium	(560)	623	-	3
Debt changes	5,240	(600)	(600)	(600)
Dividend paid	(9,723)	(9,635)	(7,850)	(7,634)
Interest paid	(386)	(616)	(642)	(600)
Others	-	-	-	-
Net cash from Fin. activities	(5,430)	(10,227)	(9,092)	(8,831)
Net change in cash	(7,735)	7,437	465	7,067
Free Cash Flow	14,127	21,258	13,303	19,849

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	10.3	10.5	12.8	14.9
CEPS	11.8	12.1	14.6	16.7
BVPS	47.4	52.8	61.2	71.8
FCF	8.0	12.0	7.5	11.2
DPS	5.3	5.3	6.4	7.4
Return Ratio(%)				
RoCE	22.8	20.7	22.4	22.4
ROIC	18.4	17.2	18.4	19.2
RoE	22.8	21.0	22.5	22.4
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	18	14	17	18
Valuation(x)				
PER	53.7	52.7	43.2	37.3
P/B	11.7	10.5	9.1	7.7
P/CEPS	47.2	45.9	37.9	33.1
EV/EBITDA	43.3	42.1	34.9	30.4
EV/Sales	9.0	8.3	7.3	6.5
Dividend Yield (%)	0.9	0.9	1.2	1.3

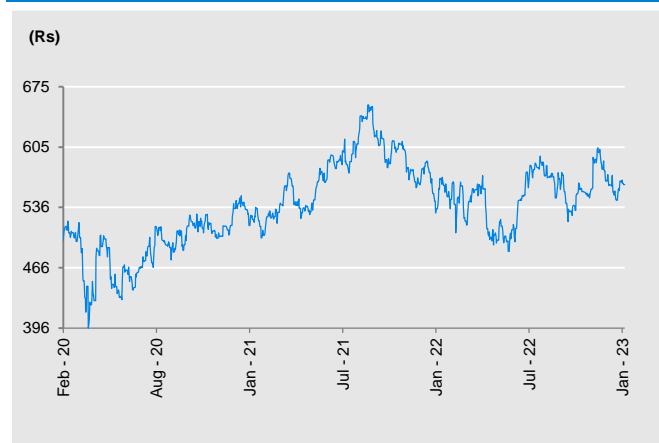
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	25,178	28,224	29,865	30,432
YoY gr. (%)	7.7	8.1	6.0	3.4
Raw Material Expenses	13,233	15,281	16,314	16,582
Gross Profit	11,946	12,943	13,551	13,850
Margin (%)	47.4	45.9	45.4	45.5
EBITDA	4,536	5,437	6,007	6,099
YoY gr. (%)	2.5	(1.5)	(3.2)	(2.8)
Margin (%)	18.0	19.3	20.1	20.0
Depreciation / Depletion	651	676	705	709
EBIT	3,885	4,761	5,303	5,390
Margin (%)	15.4	16.9	17.8	17.7
Net Interest	118	122	151	189
Other Income	991	1,006	1,233	1,008
Profit before Tax	4,759	5,645	6,385	6,209
Margin (%)	18.9	20.0	21.4	20.4
Total Tax	954	1,231	1,473	1,435
Effective tax rate (%)	20.0	21.8	23.1	23.1
Profit after Tax	3,805	4,414	4,912	4,774
Minority interest	12	3	3	8
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,793	4,411	4,909	4,767
YoY gr. (%)	0.5	0.6	(2.9)	(5.5)
Margin (%)	15.1	15.6	16.4	15.7
Extra Ord. Income / (Exp)	(1,456)	(684)	193	(743)
Reported PAT	2,338	3,727	5,101	4,023
YoY gr. (%)	(20.8)	(19.7)	(4.3)	(4.9)
Margin (%)	9.3	13.2	17.1	13.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,338	3,727	5,101	4,023
Avg. Shares O/s (m)	1,768	1,772	1,772	1,772
EPS (Rs)	2.1	2.5	2.8	2.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	Accumulate	609	553
2	27-Oct-22	Accumulate	615	549
3	04-Oct-22	Accumulate	604	557
4	05-Aug-22	Accumulate	603	574
5	07-Jul-22	Accumulate	603	544
6	05-May-22	Accumulate	603	529
7	08-Apr-22	Accumulate	603	556
8	03-Feb-22	Accumulate	647	557

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,866
2	Avenue Supermarts	BUY	4,675	3,864
3	Britannia Industries	Hold	4,297	4,359
4	Colgate Palmolive	Hold	1,578	1,459
5	Dabur India	Accumulate	609	553
6	Emami	Accumulate	521	420
7	Hindustan Unilever	Accumulate	2,800	2,650
8	ITC	Accumulate	365	335
9	Jubilant FoodWorks	BUY	567	456
10	Kansai Nerolac Paints	Accumulate	563	419
11	Marico	Hold	531	513
12	Mold-tek Packaging	Hold	940	983
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,500	2,315
15	Restaurant Brands Asia	Accumulate	156	111
16	Titan Company	Accumulate	2,875	2,538
17	Westlife Foodworld	BUY	852	735

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

ANALYST CERTIFICATION

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