

Dabur India

BUY

In-line; maintain BUY

Summary

DABUR India (DABUR) 3QFY22 result was in-line with our estimates. DABUR continued to post strong double digit growth on a high base driven by market share gains in Healthcare, HPC and Beverages. Revenue from rural outperformed compared to urban driven by market share gains and distribution benefits. Gross margin contraction has been steepest in last 4 quarters due to input cost inflation. However, price hikes should aid in margin recovery. DABUR expects to maintain current EBITDA margin in 4QFY22. As per revised business outlook; we have upgraded our EPS estimates for FY22E by 10%. We maintain BUY rating on the stock with a TP of Rs 755 (vs previous TP of Rs 736). We value DABUR at 55x FY24E EPS.

Key Highlights and Investment Rationale

- Robust revenue growth on a high base:** Consol revenue grew 8%YoY (on a base of 16%YoY) driven by 7%YoY growth in India FMCG business (+2%YoY volume growth) while International business grew 9%YoY. Revenue from HPC and Food segment grew 8% and 38%YoY while from Healthcare declined 3% (on high base of 28%YoY). Gained 200bp, 180bp and 520bp market share in Chyawanprash, Honey and Real portfolio respectively.
- Inflation impacts operating profit:** Gross margin contracted 205bps YoY (4th consecutive decline) to 48% due to input cost inflation. However, EBITDA margin expanded 29bp YoY to 21% due to lower A&P spends. Adjusted PAT grew 2%YoY.
- Maintain BUY:** We have changed our margin estimates as per revised 4QFY22 guidance on EBITDA margin. Accordingly, we adjusted our EPS estimates upwards by 10%. NPDs are tracking well. We maintain BUY rating with revised TP of Rs 755.

TP **Rs 755**CMP **Rs 556**Potential upside/downside **+36%**Previous Rating **BUY**

Price Performance (%)

	-1m	-3m	-12m
Absolute	(4.2)	(7.0)	5.7
Rel to Sensex	(5.1)	(5.0)	(12.4)

V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	10.8	12.4	13.7
Consensus	10.5	12.2	13.8
% difference	2.5	1.7	(1.0)

Key Stock Data

Bloomberg/Reuters	DABUR IN / DABU.BO
Sector	FMCG
Shares o/s (mn)	1,768
Market cap. (Rs mn)	983,193
3-m daily average value (Rs mn)	84.7
52-week high / low	Rs659 / 483
Sensex / Nifty	58,788 / 17,560

Shareholding Pattern (%)

Promoters	67.4
FII	21.1
DII	3.5
Public	8.0

Financial snapshot

(Rs mn)

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	87,036	95,617	1,12,271	1,21,945	1,34,932
Change (yoy, %)	2	10	17	9	11
EBITDA	17,924	20,027	24,013	27,651	30,862
Change (yoy, %)	3	12	20	15	12
EBITDA Margin(%)	20.6	20.9	21.4	22.7	22.9
Adj.PAT	14,450	16,856	19,082	21,827	24,262
EPS (Rs)	8.2	9.5	10.8	12.4	13.7
Change (yoy, %)	0.2	16.7	13.2	14.4	11.2
PE(x)	68.0	58.3	51.5	45.0	40.5
Dividend Yield (%)	0.5	0.6	1.0	1.1	1.2
EV/EBITDA (x)	54.6	48.6	40.2	34.4	30.5
RoE (%)	23.6	23.6	23.4	23.8	23.5
RoCE (%)	23.3	22.9	24.5	25.3	25.3

Source: IDBI Capital Research

Conference call highlights

- Dabur took 5% price hike in 3QFY22. High price hike was in healthcare (10%) vs lowest in hair oil category to retain market share. Price for food & beverage portfolio was increased by 1-2%.
- Turkey business was impacted due to currency depreciation. Base raw materials are imported in Turkey (in USD) for production. Forex impact was mitigated by higher export of products to USA & MENA region.
- Ecommerce to contribute c. 14% to revenue in next 3-4 years (currently 6%). Ecommerce product launch costs less vs mass market launches. Dabur's NPD ratio is 3.6% vs 10% in ecommerce. In FY23, company aims to increase revenue from NPD in ecommerce to Rs100 crs (vs Rs60-70 crs in FY22)
- Dabur's single herbs business is Rs 3-4 crs (vs market size of Rs10,000 crs in India). Company has 10% market share in beverages (aims for 20%). Juice & nectar category has total market share of 63.6% vs 30-40 % in modern trade. Chyawanprash is now sold in chemist shops (network of 2.75 chemist outlets). Baby care portfolio (digital, margin accretive) has markets share of 25% (growing penetration). Dabur to launch A2 ghee (extension for cow ghee) through ecommerce (margin dilutive product). Hommade to cross Rs100 crs in FY22 due to innovations. Margins for chia/pumpkin seeds is >46-48% (margin accretive). Oral care has a market share of 15.4%.
- Rural grew 7.5%YoY (on a base of 25%) vs urban 2.6%YoY (on a base of 18%). Village coverage and village entrepreneurs stood at 88,000 & 8,000 respectively. Dabur has 1500 SKUs (15% SKUs contributing <1% eliminated). PLI to provide benefit of c. Rs170 crs with investment of Rs550 crs. Dabur plans to set-up 2 green field lines in Indore for juices which are currently being produced through contract manufacturers.
- Price hike benefits to reflect in 4QFY22. Gross margin in 4QFY22 to be better vs 3QFY22. Improvements in EBITDA margin to be maintained in coming quarters. Advertising expenses to continue at 7-8% range. Dabur aims for double digit value and volume growth in FY22.

Exhibit 1: Consolidated Quarterly Snapshot

(INR m)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
Revenues	29,418	27,288	7.8	28,176	4.4	83,709	72,249	15.9
COGS	15,196	13,537	12.3	14,415	5.4	43,164	35,912	20.2
Gross profit	14,222	13,751	3.4	13,761	3.3	40,544	36,337	11.6
<i>Gross Margin (%)</i>	<i>48.3</i>	<i>50.4</i>	<i>-205bps</i>	<i>48.8</i>	<i>-49bps</i>	<i>48.4</i>	<i>50.3</i>	<i>-186bps</i>
Employee expenses	2,730	2,740	-0.4	2,697	1.2	8,009	7,651	4.7
<i>% of net sales</i>	<i>9.3</i>	<i>10.0</i>	<i>-76bps</i>	<i>9.6</i>	<i>-29bps</i>	<i>9.6</i>	<i>10.6</i>	<i>-102bps</i>
Advertisement expenses	2,371	2,824	-16.0	2,022	17.3	6,276	6,302	-0.4
<i>% of net sales</i>	<i>8.1</i>	<i>10.3</i>	<i>-229bps</i>	<i>7.2</i>	<i>88bps</i>	<i>7.5</i>	<i>8.7</i>	<i>-122bps</i>
Other Expenses	2,846	2,445	16.4	2,835	0.4	8,257	6,782	21.8
<i>% of net sales</i>	<i>9.7</i>	<i>9.0</i>	<i>71bps</i>	<i>10.1</i>	<i>-39bps</i>	<i>9.9</i>	<i>9.4</i>	<i>48bps</i>
EBITDA	6,275	5,742	9.3	6,207	1.1	18,002	15,602	15.4
<i>EBITDA Margin (%)</i>	<i>21.3</i>	<i>21.0</i>	<i>29bps</i>	<i>22.0</i>	<i>-70bps</i>	<i>21.5</i>	<i>21.6</i>	<i>-9bps</i>
Depreciation	632	572	10.5	633	-0.2	1,878	1,735	8.2
EBIT	5,643	5,170	9.1	5,574	1.24	16,124	13,867	16.3
Other Income	967	809	19.5	1,124	-14.0	2,940	2,403	22.4
Interest Expenses	111	69	61.5	83	34.0	269	222	21.1
PBT	6,500	5,911	10.0	6,616	-1.8	18,796	16,048	17.1
Taxes	1,455	975	49.2	1,558	-6.6	4,310	2,867	50.3
Adjusted PAT	5,045	4,936	2.2	5,057	-0.3	14,486	13,181	9.9
Extra-ordinary items	0	0		0		0	0	
Minority Interest	10	15		10		30	22	
Share in profit/loss of associate	-1	-1		-4		-5	-4	
Reported PAT	5,033	4,920	2.3	5,044	-0.2	14,451	13,155	9.9
EPS	2.85	2.79	2.2	2.9	-0.7	8.2	7.4	10.0

Source: Company; IDBI Capital Research

Exhibit 2: Segmental revenue break-up

(INR m)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	YTFY22	YTFY21	YoY (%)
Consumer care	25,432	24,422	4.1	23,875	6.5	70,986	63,933	11.03
Foods	3,290	2,365	39.1	3,699	-11.1	11,014	7,106	55.00
Retail	275	212	29.5	183	50.5	549	342	60.76
Others	327	236	38.4	345	-5.3	927	705	31.53
Unallocated	94	54	74.0	75	25.5	233	163	42.81
Segmental EBIT								
Consumer care	6,290	5,973	5.3	6,023	4.4	17,691	16,188	9.28
Foods	502	273	84.0	674	-25.6	1,777	928	91.45
Retail	0	-1	-142.9	-9	-103.3	-39	-90	-56.33
Others	26	22	15.8	31	-16.3	77	64	20.85
Segmental EBIT Margin (%)								
Consumer care	24.7%	24.5%	27bps	25.2%	-50bps	24.9%	25.3%	-40bps
Foods	15.2%	11.5%	371bps	18.2%	-298bps	16.1%	13.1%	307bps
Retail	0.1%	-0.3%	44bps	-5.0%	514bps	-7.2%	-26.3%	1918bps
Others	27.4%	41.1%	-1373bps	41.0%	-1367bps	33.2%	39.2%	-603bps

Source: Company; IDBI Capital Research

Exhibit 3: Standalone Quarterly Snapshot

(INR m)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
Revenues	22,244	20,711	7.4	21,199	4.9	63,272	54,629	15.8
COGS	11,841	10,619	11.5	11,118	6.5	33,579	27,723	21.1
Gross profit	10,403	10,092	3.1	10,081	3.2	29,693	26,905	10.4
<i>Gross Margin (%)</i>	<i>46.8</i>	<i>48.7</i>	<i>-196bps</i>	<i>47.6</i>	<i>-79bps</i>	<i>46.9</i>	<i>49.3</i>	<i>-232bps</i>
Employee expenses	1,739	1,716	1.3	1,655	5.1	5,009	4,893	2.4
<i>% of net sales</i>	<i>7.8</i>	<i>8.3</i>	<i>-47bps</i>	<i>7.8</i>	<i>1bps</i>	<i>7.9</i>	<i>9.0</i>	<i>-104bps</i>
Advertisement expenses	1,955	2,293	-14.8	1,656	18.1	5,116	5,266	-2.8
<i>% of net sales</i>	<i>8.8</i>	<i>11.1</i>	<i>-228bps</i>	<i>7.8</i>	<i>98bps</i>	<i>8.1</i>	<i>9.6</i>	<i>-155bps</i>
Other Expenses	1,842	1,554	18.5	1,966	-6.3	5,523	4,480	23.3
<i>% of net sales</i>	<i>6.3</i>	<i>5.7</i>	<i>57bps</i>	<i>7.0</i>	<i>-72bps</i>	<i>8.1</i>	<i>9.6</i>	<i>-155bps</i>
EBITDA	4,867	4,529	7.5	4,804	1.3	14,044	12,265	14.5
EBITDA Margin (%)	21.9	21.9	1bps	22.7	-78bps	22.2	22.5	-26bps
Depreciation	404	359	12.6	400	0.9	1,190	1,060	12.3
EBIT	4,463	4,170	7.0	4,404	1.36	12,854	11,206	14.7
Other Income	811	681	19.1	972	-16.6	2,494	2,061	21.0
Interest Expenses	63	17	266.9	35	80.8	121	61	97.5
PBT	5,211	4,834	7.8	5,340	-2.4	15,227	13,206	15.3
Taxes	1,275	839	52.0	1,389	-8.2	3,816	2,389	59.7
Adjusted PAT	3,936	3,995	-1.5	3,952	-0.4	11,412	10,816	5.5
Extra-ordinary items	0	0		0		0	0	
Reported PAT	3,936	3,995	-1.5	3,952	-0.4	11,412	10,816	5.5
EPS	2.2	2.3	-1.5	2.2	-0.4	6.5	6.1	5.5

Source: Company; IDBI Capital Research

Exhibit 4: Actual vs. Estimates

(Rs mn)

Particulars	Actual	IDBI Estimate	% variation IDBI
Revenue	29,418	29,935	-1.7%
EBITDA	6,275	6,265	0.2%
Margin (%)	21.3%	20.9%	
PAT	5,033	4906	2.6%

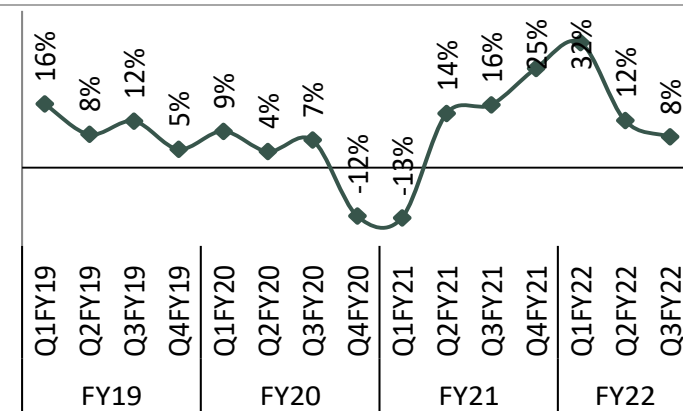
Source: Company; IDBI Capital Research

Exhibit 5: Change in estimates

	FY22E			FY23E			FY24E		
	New	Old	(%) Chg	New	Old	(%) Chg	New	Old	(%)Chg
Revenue (Rs mn)	1,12,271	1,09,551	2.5%	1,21,945	1,18,948	2.5%	1,34,932	1,31,591	2.5%
EBITDA (Rs mn)	24,013	22,205	8.1%	27,651	27,222	1.6%	30,862	30,380	1.6%
EBITDA margin (%)	21.4%	20.3%		22.7%	22.9%		22.9%	23.1%	
Net profit (Rs mn)	19,082	17,398	9.7%	21,827	21,246	2.7%	24,262	23,630	2.7%
EPS (Rs)	10.8	9.8	9.7%	12.4	12.0	2.7%	13.7	13.4	2.7%

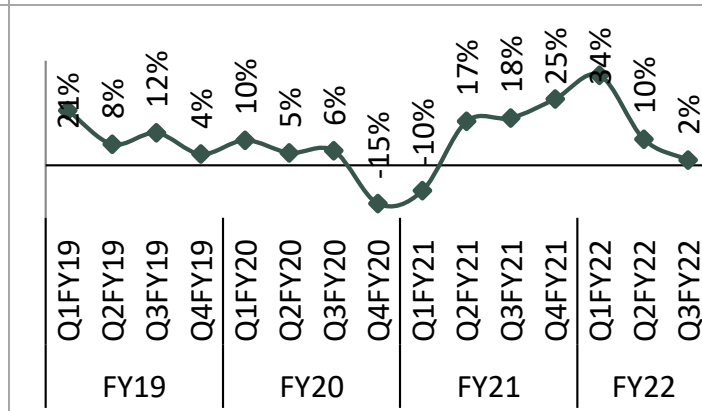
Source: Company; IDBI Capital Research

Exhibit 6: Revenue growth trend (% YoY)



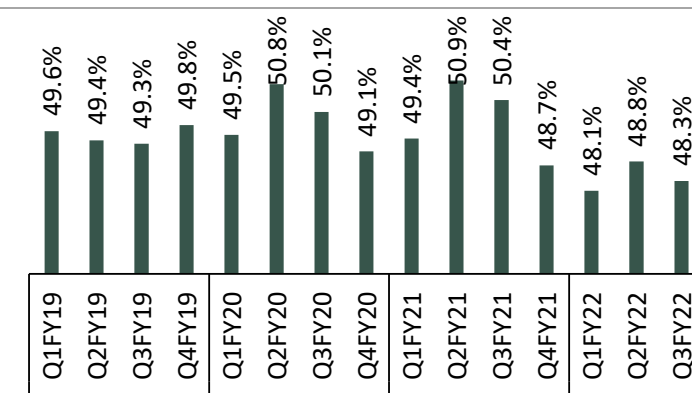
Source: Company; IDBI Capital Research

Exhibit 7: Domestic FMCG Volume growth (%)



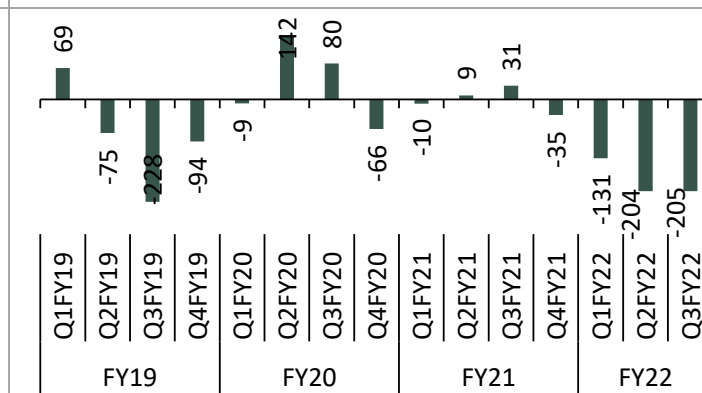
Source: Company; IDBI Capital Research

Exhibit 8: Gross Margin (%)



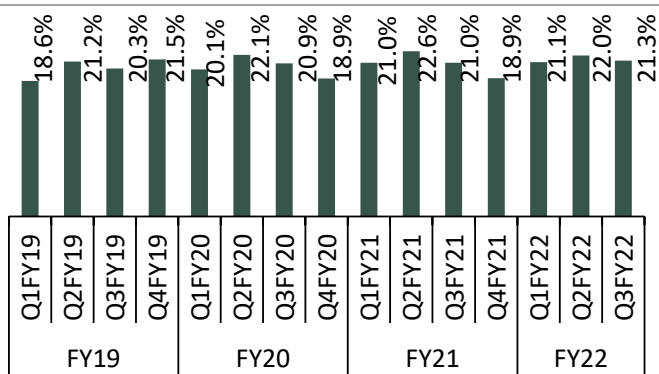
Source: Company; IDBI Capital Research

Exhibit 9: Gross Margin (YoY in bp)



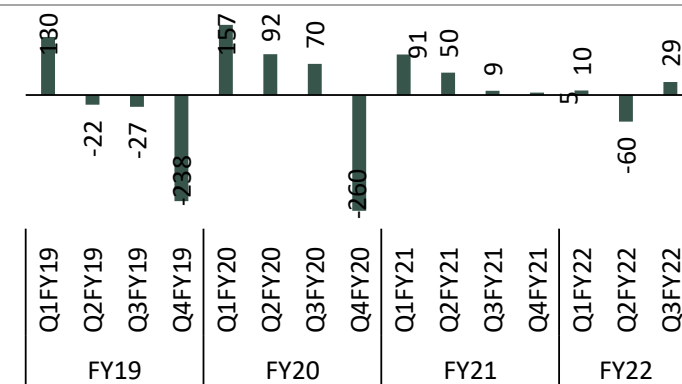
Source: Company; IDBI Capital Research

Exhibit 10: EBITDA Margin (%)



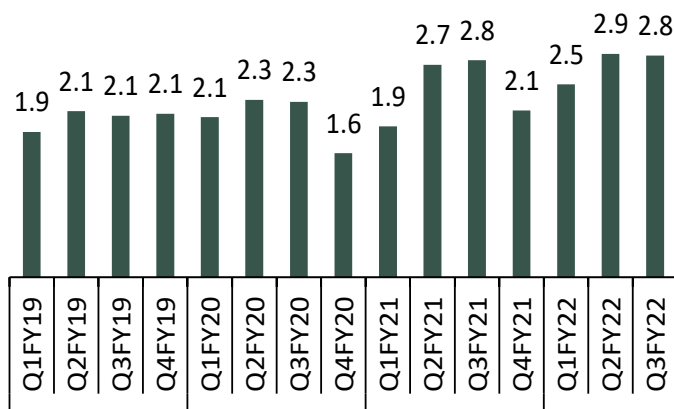
Source: Company; IDBI Capital Research

Exhibit 11: Change in EBITDA Margin (YoY in bp)



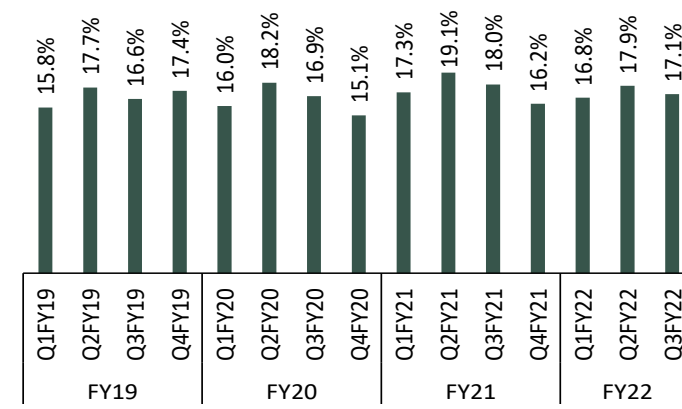
Source: Company; IDBI Capital Research

Exhibit 12: EPS Trend



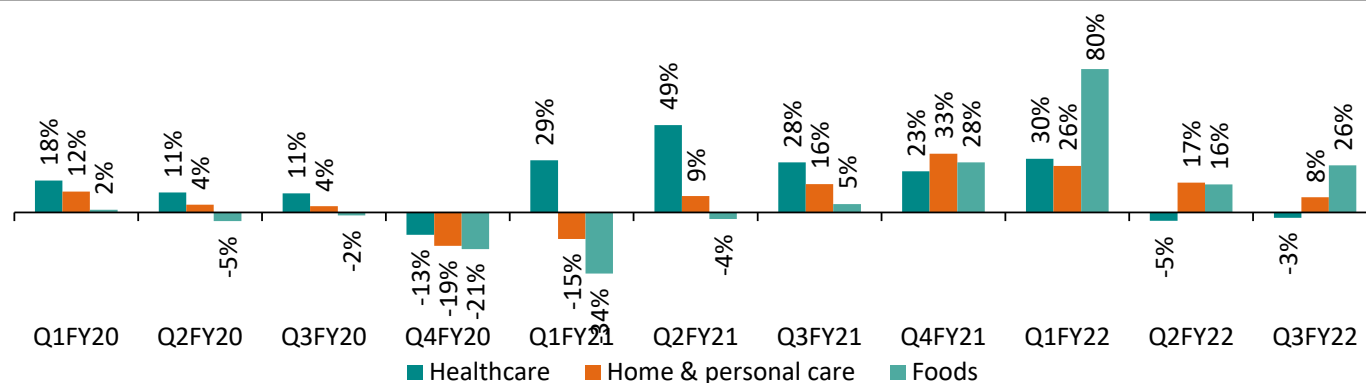
Source: Company; IDBI Capital Research

Exhibit 13: Net Profit Margin (%)



Source: Company; IDBI Capital Research

Exhibit 14: Segmental growth trend (%)



Source: Company; IDBI Capital Research

Exhibit 15: Category growth trend (%)

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Healthcare											
Health supplements	20%	14%	12%	-10%	53%	70.9%	35%	18%	25%	-13.6%	-8.30%
Digestives	18%	10%	16%	-10%	-12%	2.2%	-1%	20%	16%	22.7%	12.20%
OTC	13%	4%	6%	-21%	22%	56.1%	34%	34%	52%	1.9%	3.60%
Ethicals	16%	7%	3%	NA	NA	26.4%	23%	39%	51%	NA	NA
Home and personal care											
Oral Care	11%	4%	9%	-16%	1%	24%	28%	42%	21%	13.3%	6.70%
Hair oils	12%	3%	0%	-21%	-26%	-6%	12%	25%	38%	27.9%	6.10%
Shampoo	11%	12%	5%	-17%	-9%	18%	27%	33%	41%	20.5%	21.20%
Home care	11%	7%	3%	-18%	-31%	-10%	-1%	24%	31%	25.3%	18.60%
Skin & salon	12%	1%	0%	-24%	-13%	38%	9%	38%	-5%	-11.9%	3.20%
Foods											
Beverage	12%	4%	4%	-19%	-15%	9%	16%	33%	26%	17%	8%
Culinary	2%	-5%	-2%	-21%	-34%	-4%	5%	28%	80%	16%	26%

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net sales	85,331	87,036	95,617	1,12,271	1,21,945	1,34,932
<i>Change (yoy, %)</i>	10.1	2.0	9.9	17.4	8.6	10.6
Operating expenses	(67,935)	(69,112)	(75,590)	(88,258)	(94,294)	(1,04,070)
EBITDA	17,396	17,924	20,027	24,013	27,651	30,862
<i>Change (yoy, %)</i>	7.6	3.0	11.7	19.9	15.1	11.6
<i>Margin (%)</i>	20.4	20.6	20.9	21.4	22.7	22.9
Depreciation	(1,769)	(2,205)	(2,357)	(2,559)	(2,990)	(3,268)
EBIT	15,627	15,719	17,670	21,455	24,661	27,594
Interest paid	(596)	(495)	(290)	(387)	(507)	(507)
Other income	2,962	3,053	3,206	3,686	3,871	4,064
Pre-tax profit	17,993	18,277	20,586	24,755	28,025	31,151
Tax	(2,786)	(2,797)	(3,705)	(5,644)	(6,165)	(6,853)
<i>Effective tax rate (%)</i>	15.5	15.3	18.0	22.8	22.0	22.0
Minority Interest	(29.6)	(29.7)	(23.8)	(28.6)	(32.4)	(36.0)
Net profit	15,177	15,450	16,856	19,082	21,827	24,262
Exceptional items	753	1,000	-	-	-	-
Adjusted net profit	14,423	14,450	16,856	19,082	21,827	24,262
<i>Change (yoy, %)</i>	6.5	0.2	16.7	13.2	14.4	11.2
EPS	8.2	8.2	9.5	10.8	12.4	13.7
Dividend per sh	7.5	2.9	3.4	5.4	6.2	6.9
<i>Dividend Payout (%)</i>	91.8	35.5	35.1	50.0	50.0	50.0

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Shareholders' funds	56,317	66,058	76,635	86,176	97,089	1,09,220
Share capital	1,766	1,767	1,767	1,767	1,767	1,767
Reserves & surplus	54,551	64,290	74,868	84,409	95,322	1,07,453
Total Debt	5,243	4,671	4,833	4,833	4,833	4,833
Other liabilities	872	850	786	815	815	815
Curr Liab & prov	21,621	21,596	25,851	29,187	31,581	34,182
Current liabilities	20,318	19,941	23,972	27,308	29,925	32,527
Provisions	1,302	1,655	1,878	1,878	1,655	1,655
Total liabilities	27,736	27,118	31,469	34,834	37,228	39,830
Total equity & liabilities	84,366	93,540	1,08,471	1,21,377	1,34,685	1,49,417
Net fixed assets	19,807	23,477	23,397	23,720	24,048	24,484
Investments	26,855	14,608	34,641	34,641	34,642	34,642
Other non-curr assets	1,842	6,653	2,674	2,674	2,674	2,674
Current assets	35,862	48,802	47,759	60,342	73,321	87,618
Inventories	13,005	13,796	17,343	20,364	22,118	24,474
Sundry Debtors	8,336	8,139	5,616	6,594	7,162	7,925
Cash and Bank	3,282	8,113	13,290	21,874	35,582	46,761
Loans and advances	-	-	-	-	-	-
Total assets	84,366	93,540	1,08,471	1,21,377	1,34,685	1,49,417

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	17,249	17,276	20,586	24,755	28,025	31,151
Depreciation	1,769	2,205	2,401	2,559	2,990	3,268
Tax paid	(3,507)	(3,089)	(3,213)	(5,644)	(6,165)	(6,853)
Chg in working capital	(656)	(388)	3,269	(663)	2,672	(517)
Other operating activities	137	133	(1,870)	387	502	507
Cash flow from operations (a)	14,991	16,136	21,172	21,393	28,023	27,556
Capital expenditure	(2,344)	(4,175)	(3,112)	(2,882)	(3,318)	(3,703)
Chg in investments	3,268	(3,476)	(10,946)	-	(0)	-
Other investing activities	2,444	2,482	-	-	-	-
Cash flow from investing (b)	3,369	(5,168)	(14,058)	(2,882)	(3,318)	(3,703)
Equity raised/(repaid)	5	(4)	0	-	-	-
Debt raised/(repaid)	(2,402)	(1,829)	647	-	-	-
Dividend (incl. tax)	(13,247)	(5,125)	(5,921)	(9,541)	(10,913)	(12,131)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(3,238)	(3,472)	(860)	(386)	(540)	(543)
Cash flow from financing (c)	(18,882)	(10,430)	(6,134)	(9,927)	(11,453)	(12,674)
Net chg in cash (a+b+c)	(522)	538	980	8,584	13,251	11,178

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	32	37	43	49	55	62
Adj EPS (Rs)	8.2	8.2	9.5	10.8	12.4	13.7
Adj EPS growth (%)	6.2	0.2	16.7	13.2	14.4	11.2
EBITDA margin (%)	20.4	20.6	20.9	21.4	22.7	22.9
Pre-tax margin (%)	21.1	21.0	21.5	22.0	23.0	23.1
Net Debt/Equity (x)	0.0	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
ROCE (%)	24.0	23.3	22.9	24.5	25.3	25.3
ROE (%)	25.4	23.6	23.6	23.4	23.8	23.5

DuPont Analysis

Asset turnover (x)	1.0	1.0	0.9	1.0	1.0	0.9
Leverage factor (x)	1.5	1.5	1.4	1.4	1.4	1.4
Net margin (%)	16.9	16.6	17.6	17.0	17.9	18.0

Working Capital & Liquidity ratio

Inventory days	56	58	66	66	66	66
Receivable days	36	34	21	21	21	21
Payable days	78	78	92	93	95	95

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	68.1	68.0	58.3	51.5	45.0	40.5
Price/Book value (x)	17.4	14.9	12.8	11.4	10.1	9.0
EV/Net sales (x)	11.5	11.2	10.2	8.6	7.8	7.0
EV/EBITDA (x)	56.6	54.6	48.6	40.2	34.4	30.5
Dividend Yield (%)	1.3	0.5	0.6	1.0	1.1	1.2

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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