

Dabur India

BUY

Positive surprise; upgrade to BUY

Summary

DABUR India (DABUR) 1QFY22 result was above our estimates. DABUR continued to post strong growth and market share gains across all key verticals; Health Care, Home Care, Personal Care and Foods. Health Care witnessed some moderation in demand especially for health supplements compared to previous quarters, but tailwinds still persists and DABUR continues to gain market share from competition. Revenue growth in HPC and Foods portfolio is tracking well; aggressive product launches and strong market share gains are healthy signs. Urban market grew at higher rate compared to rural due to COVID-impacted base quarter. Positively, international business continues to post strong recovery. Contraction in gross margin due to rapid rise in raw material price is concerning. However, DABUR did take 3% price hike in 1QFY22 and guides for another round of price hike in 3QFY22 if inflation continues to rise. Management guidance on being able to maintain operating profit margin despite pressure on gross margin is comforting. We upgrade our rating on DABUR to BUY with a revised TP of Rs 722.

Key Highlights and Investment Rationale

- Market share gain across categories drive high double digit revenue growth**
 Consolidated revenue grew 32%YoY (v/s -13%YoY in Q1FY21) driven by 35%YoY growth in India FMCG business (+34%YoY volume growth) while International business grew 28%YoY (+34% CC growth). Growth in Health Care remained strong at 30%YoY (vs 29%YoY in 1QFY21) driven by market share gains in Chyawanprash, Pudina Hara and Hajmola. Foods portfolio recorded strong business recovery (+80%YoY) driven by 85% YoY revenue growth in Beverages (Real gained 20bp market share) and 18%YoY growth in Culinary segments. Revenue from HPC grew 26% YoY driven by market share gains in tooth paste, hair oils and shampoo. Also, Odonil and Odomos brands gained robust 230bp and 330bp market share.
- Inflation impacts operating profit**
 Consolidated gross margin contracted 131bps YoY (2nd consecutive decline) to 48.1% despite c. 3% price hike due to significant increase in inflation in raw material price at 9-10%YoY. EBITDA margin expanded 10bp YoY to 21% driven by operating leverage.
- Upgrade to BUY**
 As per management guidance on margin and tax rate we have marginally adjusted our EPS estimate during FY22-23E. We upgrade our valuation multiple to 60x as we expect DABUR to outperform competition in oral care, food and HPC. Our TP stands at Rs 722. We upgrade our rating to BUY.

TP	Rs 722
CMP	Rs 614
Potential upside / downside	+18%

V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	10.2	12.0
Consensus	10.6	12.2
% difference	(3.5)	(1.4)

Shareholding Pattern (%)

Promoters	67.4
FII	20.6
DII	4.6
Public	7.4

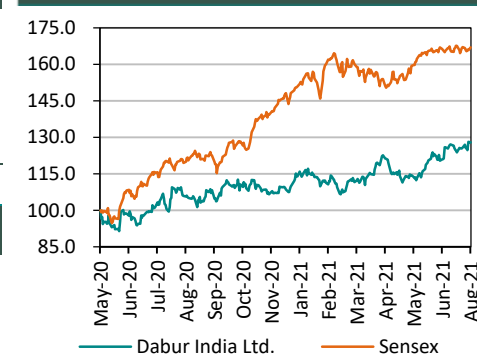
Price Performance (%)

	-1m	-3m	-12m
Absolute	4.0	14.0	19.6
Rel to Sensex	1.5	3.7	(23.5)

Key Stock Data

Bloomberg / Reuters	DABUR IN / DABU.BO
Sector	FMCG
Shares o/s (mn)	1,768
Market cap. (Rs mn)	1,085,461
Market cap. (US\$ mn)	14,588
3-m daily average value (Rs mn)	812.5
52-week high / low	Rs609 / 472
Sensex / Nifty	53,823 / 16,131

Relative to Sensex (%)



Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Revenue	85,331	87,036	95,617	109,551	118,948
EBITDA	17,396	17,924	20,027	23,033	27,222
EBITDA (%)	20.4	20.6	20.9	21.0	22.9
Adj. PAT	14,423	14,450	16,856	18,037	21,240
EPS (Rs)	8.2	8.2	9.5	10.2	12.0
EPS Growth (%)	6.2	0.2	16.7	7.0	17.8
PE (x)	72.2	72.1	61.8	57.8	49.1
Dividend Yield (%)	1.3	0.5	0.6	0.9	1.0
EV/EBITDA (x)	60.0	57.9	51.6	44.5	36.9
RoE (%)	25.4	23.6	23.6	22.2	23.4
RoCE (%)	24.0	23.3	22.9	23.3	25.0

Source: IDBI Capital Research;

Exhibit 1: Consolidated Quarterly Snapshot

(INR m)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenues	26,115	19,800	31.9	23,368	11.8	95,617	87,035	9.9
COGS	13,554	10,016	35.3	11,978	13.2	47,890	43,602	9.8
Gross profit	12,562	9,784	28.4	11,390	10.3	47,727	43,433	9.9
<i>Gross Margin (%)</i>	<i>48.1</i>	<i>49.4</i>	<i>-131 bps</i>	<i>48.7</i>	<i>-64 bps</i>	<i>49.9</i>	<i>49.9</i>	<i>1 bps</i>
Employee expenses	2,582	2,238	15.4	2,684	-3.8	10,335	9,477	9.0
<i>% of net sales</i>	<i>9.9</i>	<i>11.3</i>	<i>-142 bps</i>	<i>11.5</i>	<i>-160 bps</i>	<i>10.8</i>	<i>10.9</i>	<i>-8 bps</i>
Advertisement expenses	1,884	1,456	29.3	1,542	22.2	7,844	6,500	20.7
<i>% of net sales</i>	<i>7.2</i>	<i>7.4</i>	<i>-14 bps</i>	<i>6.6</i>	<i>62 bps</i>	<i>8.2</i>	<i>7.5</i>	<i>74 bps</i>
Other Expenses	2,576	1,924	33.9	2,740	-6.0	9,522	9,533	-0.1
<i>% of net sales</i>	<i>9.9</i>	<i>9.7</i>	<i>15 bps</i>	<i>11.7</i>	<i>-186 bps</i>	<i>10.0</i>	<i>11.0</i>	<i>-99 bps</i>
EBITDA	5,520	4,166	32.5	4,425	24.8	20,027	17,923	11.7
<i>EBITDA Margin (%)</i>	<i>21.1</i>	<i>21.0</i>	<i>10 bps</i>	<i>18.9</i>	<i>220 bps</i>	<i>20.9</i>	<i>20.6</i>	<i>35 bps</i>
Depreciation	613	567	8.1	666	-7.9	2,401	2,205	8.9
EBIT	4,907	3,599	36.4	3,759	30.55	17,626	15,718	12.1
Other Income	848	718	18.2	850	-0.2	3,253	3,053	6.6
Interest Expenses	75	78	-4.2	86	-13.1	308	495	-37.8
PBT	5,681	4,238	34.0	4,522	25.6	20,570	18,276	12.6
Taxes	1,297	825	57.2	744	74.4	3,611	2,797	
Adjusted PAT	4,384	3,413	28.4	3,779	16.0	16,960	15,479	9.6
Extra-ordinary items	0	0		0		0	-1,000	
Minority Interest	10	-5		5		27	30	
Share in profit/loss of associate	1	0		6		2	0	
Reported PAT	4,375	3,418	28.0	3,779	15.8	16,934	14,449	17.2
EPS	2.4	1.9	28.0	2.1	15.8	9.6	8.2	17.3

Source: Company; IDBI Capital Research

Exhibit 2: Segmental revenue break-up

(INR m)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
Consumer care	21,679	17,340	25.0	20,090	7.9	84,023	73,810	13.84
<i>Foods</i>	4,025	2,173	85.2	2,741	46.8	9,847	10,818	-8.97
<i>Retail</i>	92	20	351.7	231	-60.4	573	1,244	-53.95
<i>Others</i>	255	221	15.5	240	6.6	944	904	4.52
Unallocated	64	46	41.3	59	8.2	222	260	-14.67
Segmental EBIT								
Consumer care	5,377	4,327	24.3	4,477	20.1	20,665	18,011	14.74
<i>Foods</i>	602	298	101.7	378	59.0	1,307	1,399	-6.60
<i>Retail</i>	-30	-59	-48.2	-9	223.4	-99	-19	423.16
<i>Others</i>	21	21	0.5	10	117.7	73	42	75.18
Segmental EBIT Margin (%)								
<i>Consumer care</i>	24.8%	25.0%	-15 bps	22.3%	252 bps	24.6	24.4	19 bps
<i>Foods</i>	14.9%	13.7%	122 bps	13.8%	114 bps	13.3	12.9	34 bps
<i>Retail</i>	-33.2%	-289.2%	NA	-4.1%	NA	-17.3	-1.5	-1582 bps
<i>Others</i>	32.5%	45.7%	-1321 bps	16.2%	1634 bps	33.0	16.1	1694 bps

Source: Company; IDBI Capital Research

Exhibit 3: Standalone Quarterly Snapshot

(INR m)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenues	19,828	14,909	33.0	17,219	15.2	71,847	63,098	13.9
COGS	10,619	7,605	39.6	9,245	14.9	36,968	32,447	13.9
Gross profit	9,209	7,304	26.1	7,974	15.5	34,879	30,651	13.8
<i>Gross Margin (%)</i>	<i>46.4</i>	<i>49.0</i>	<i>-255 bps</i>	<i>46.3</i>	<i>14 bps</i>	<i>48.5</i>	<i>48.6</i>	<i>-3 bps</i>
Employee expenses	1,615	1,434	12.6	1,665	-3.0	6,558	5,783	13.4
<i>% of net sales</i>	<i>8.1</i>	<i>9.6</i>	<i>-147 bps</i>	<i>9.7</i>	<i>-152 bps</i>	<i>9.1</i>	<i>9.2</i>	<i>-4 bps</i>
Advertisement expenses	1,506	1,298	16.0	1,169	28.8	6,435	5,143	25.1
<i>% of net sales</i>	<i>7.6</i>	<i>8.7</i>	<i>-111 bps</i>	<i>6.8</i>	<i>81 bps</i>	<i>9.0</i>	<i>8.2</i>	<i>81 bps</i>
Other Expenses	1,715	1,299	32.1	1,814	-5.4	6,294	5,918	6.4
<i>% of net sales</i>	<i>6.6</i>	<i>6.6</i>	<i>1 bps</i>	<i>7.8</i>	<i>-119 bps</i>	<i>9.0</i>	<i>8.2</i>	<i>81 bps</i>
EBITDA	4,373	3,275	33.6	3,327	31.5	15,592	13,808	12.9
<i>EBITDA Margin (%)</i>	<i>22.1</i>	<i>22.0</i>	<i>9 bps</i>	<i>19.3</i>	<i>274 bps</i>	<i>21.7</i>	<i>21.9</i>	<i>-18 bps</i>
Depreciation	386	341	13.2	374	3.2	1,434	1,299	10.4
EBIT	3,988	2,934	35.9	2,953	35.06	14,158	12,508	13.2
Other Income	712	648	9.8	705	0.9	2,767	2,769	-0.1
Interest Expenses	23	25	-7.3	30	-24.2	91	193	-52.6
PBT	4,676	3,557	31.5	3,628	28.9	16,833	15,085	11.6
Taxes	1,152	663	73.8	625	84.4	3,014	2,381	26.6
Adjusted PAT	3,524	2,894	21.8	3,003	17.4	13,819	12,704	8.8
Extra-ordinary items	0	0		0		0	-1,000	
Reported PAT	3,524	2,894	21.8	3,003	17.4	13,819	11,704	18.1
EPS	2.0	1.6	21.8	1.7	17.4	7.8	6.6	18.1

Source: Company; IDBI Capital Research

Exhibit 4: Actual vs. Estimates (Rs mn)

Particulars	Actual	IDBI Estimate	% variation IDBI
Revenue	26,115	24,398	7.0
EBITDA	5,520	4,780	15.5
Margin (%)	21.1	19.6	
PAT	4,375	3,594	21.7

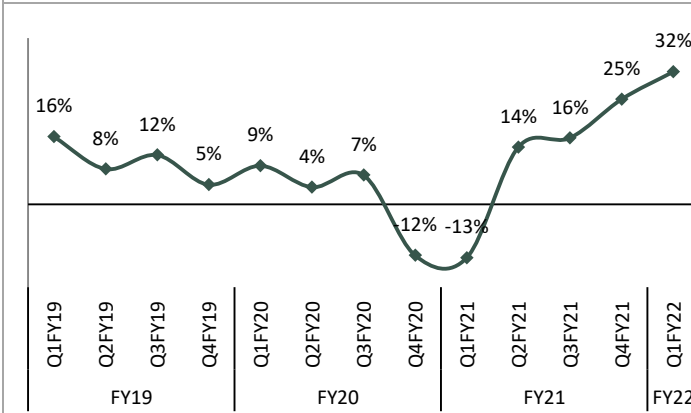
Source: Company; IDBI Capital Research

Exhibit 5: Change in estimates

	FY22E			FY23E		
	New	Old	(%) Chg	New	Old	(%) Chg
Revenue (Rs mn)	109,551	109,551	0.0	118,948	118,948	0.0
EBITDA (Rs mn)	23,033	22,867	0.7	27,222	26,103	4.3
EBITDA margin (%)	21.0%	20.9%		22.9%	21.9%	
Net profit (Rs mn)	18,037	18,139	-0.6	21,240	20,639	2.9
EPS (Rs)	10.2	10.3	-0.6	12.0	11.7	2.9

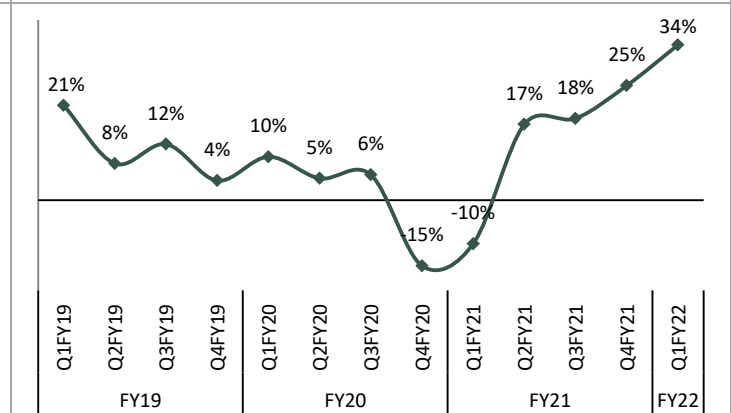
Source: Company; IDBI Capital Research

Exhibit 6: Revenue growth trend (% YoY)



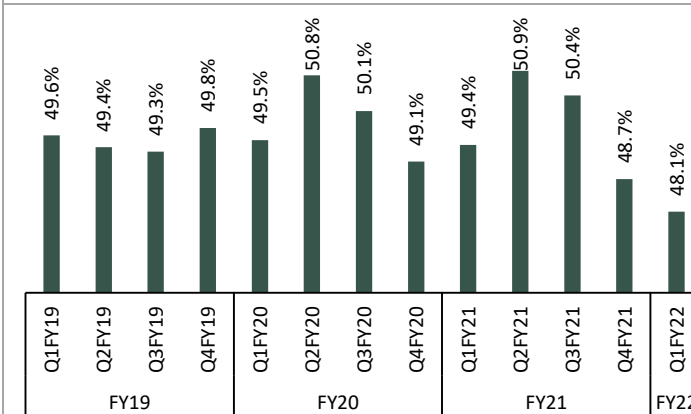
Source: Company; IDBI Capital Research

Exhibit 7: Domestic FMCG Volume growth (%)



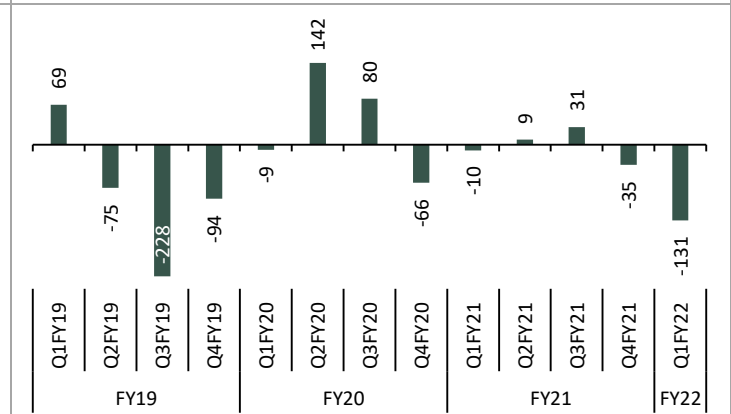
Source: Company; IDBI Capital Research

Exhibit 8: Gross Margin (%)



Source: Company; IDBI Capital Research

Exhibit 9: Gross Margin (YoY in bp)



Source: Company; IDBI Capital Research

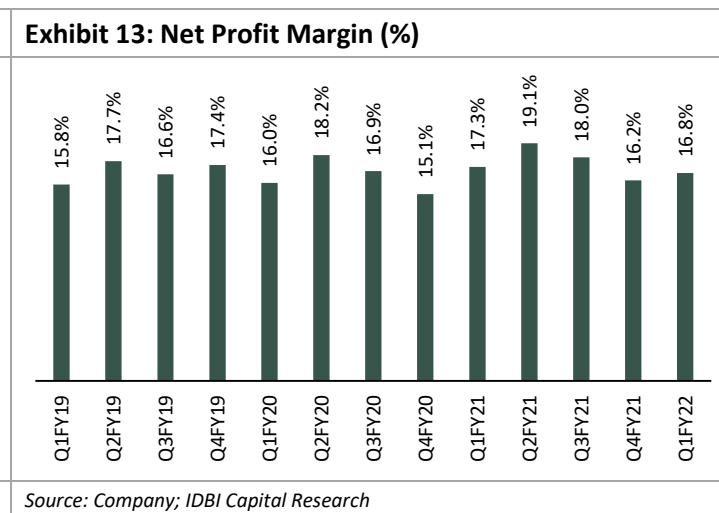
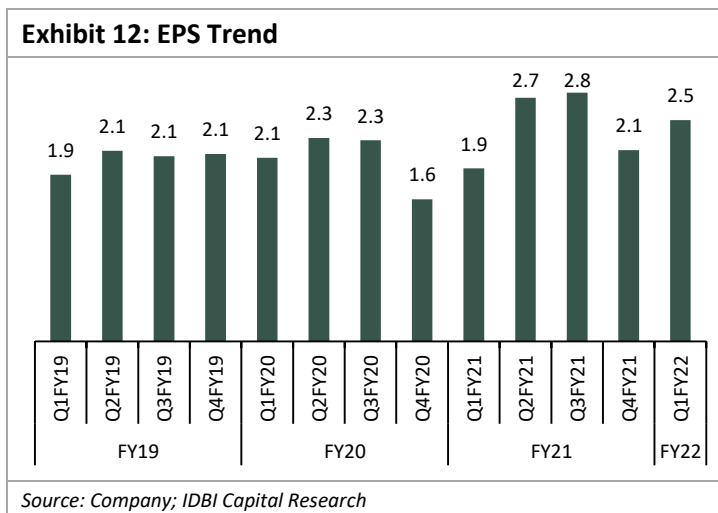
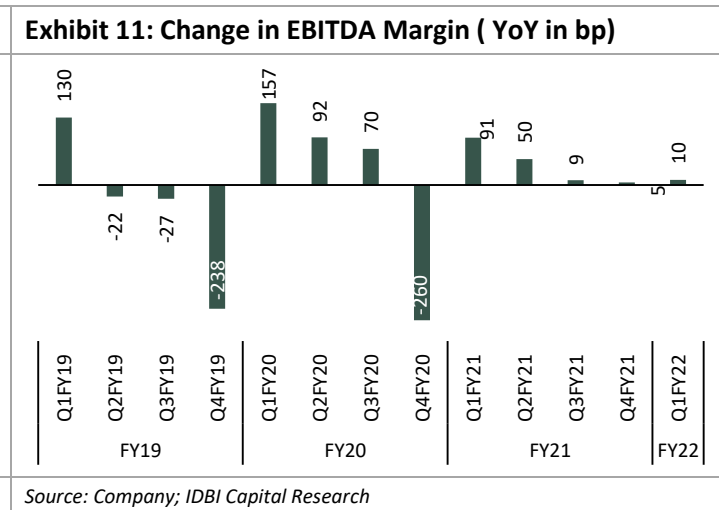
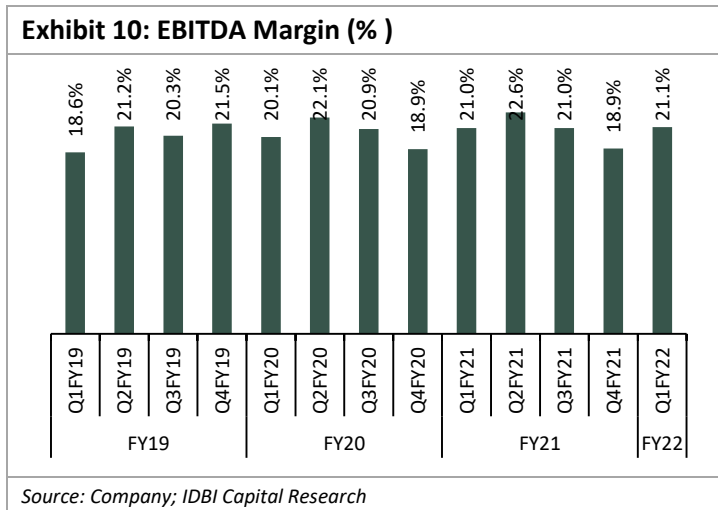
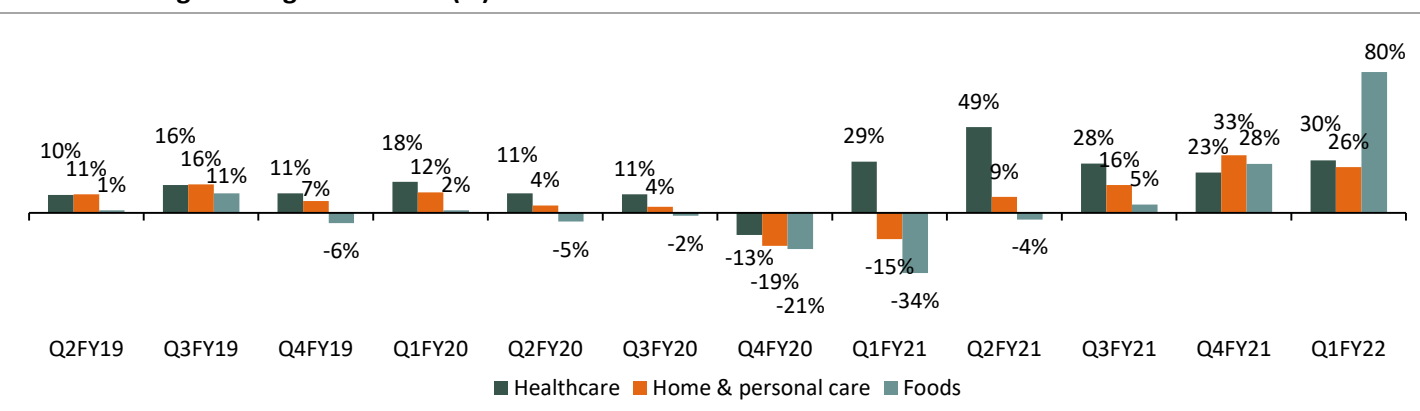


Exhibit 14: Segmental growth trend (%)



Source: Company; IDBI Capital Research

Exhibit 15: Category growth trend (%)

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Healthcare											
Health supplements	14%	10%	20%	14%	12%	-10%	53%	70.9%	35%	18%	25%
Digestives	23%	12%	18%	10%	16%	-10%	-12%	2.2%	-1%	20%	16%
OTC	18%	17%	13%	4%	6%	-21%	22%	56.1%	34%	34%	52%
Ethicals	17%	10%	16%	7%	3%	NA	NA	26.4%	23%	39%	51%
Home and personal care											
Oral Care	10%	8%	11%	4%	9%	-16%	1%	24%	28%	42%	21%
Hair oils	24%	3%	12%	3%	0%	-21%	-26%	-6%	12%	25%	38%
Shampoo	25%	3%	11%	12%	5%	-17%	-9%	18%	27%	33%	41%
Home care	9%	16%	11%	7%	3%	-18%	-31%	-10%	-1%	24%	31%
Skin & salon	19%	11%	12%	1%	0%	-24%	-13%	38%	9%	38%	-5%
Foods											
Beverage	11%	-6%	2%	-5%	-2%	-21%	-34%	-4%	5%	28%	80%
Culinary	12%	-7%	1%	-5%	-2%	-21%	-36%	-5%	4%	27%	85%

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net sales	87,036	95,617	109,551	118,948
<i>Growth (%)</i>	2.0	9.9	14.6	8.6
Operating expenses	(69,112)	(75,590)	(86,519)	(91,726)
EBITDA	17,924	20,027	23,033	27,222
<i>Growth (%)</i>	3.0	11.7	15.0	18.2
Depreciation	(2,205)	(2,357)	(2,732)	(2,977)
EBIT	15,719	17,670	20,300	24,245
Interest paid	(495)	(290)	(507)	(507)
Other income	3,053	3,206	3,366	3,534
Pre-tax profit	18,277	20,586	23,159	27,271
Tax	(2,797)	(3,705)	(5,095)	(6,000)
<i>Effective tax rate (%)</i>	15.3	18.0	22.0	22.0
Minority Interest	(29.7)	(23.8)	(26.8)	(31.5)
Net profit	15,450	16,856	18,037	21,240
Exceptional items	1,000	-	-	-
Adjusted net profit	14,450	16,856	18,037	21,240
<i>Growth (%)</i>	0.2	16.7	7.0	17.8
<i>Shares o/s (mn nos)</i>	1,766	1,766	1,766	1,766

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Pre-tax profit	17,276	20,586	23,159	27,271
Depreciation	2,205	2,401	2,732	2,977
Tax paid	(3,089)	(3,213)	(5,095)	(6,000)
Chg in working capital	(388)	3,269	(555)	(6,802)
Other operating activities	133	(1,870)	507	(308)
Cash flow from operations (a)	16,136	21,172	20,749	17,138
Capital expenditure	(4,175)	(3,112)	(2,764)	(3,267)
Chg in investments	(3,476)	(10,946)	-	16,084
Other investing activities	2,482	-	-	-
Cash flow from investing (b)	(5,168)	(14,058)	(2,764)	12,818
Equity raised/(repaid)	(4)	0	-	-
Debt raised/(repaid)	(1,829)	647	-	-
Dividend (incl. tax)	(5,125)	(5,921)	(9,018)	(10,620)
Chg in minorities	-	-	-	-
Other financing activities	(3,472)	(860)	(505)	(539)
Cash flow from financing (c)	(10,430)	(6,134)	(9,523)	(11,159)
Net chg in cash (a+b+c)	538	980	8,462	18,797

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net fixed assets	23,477	23,397	23,429	23,718
Investments	14,608	34,641	34,641	14,608
Other non-curr assets	6,653	2,674	2,674	6,623
Current assets	48,802	47,759	59,567	88,320
Inventories	13,796	17,343	19,870	21,575
Sundry Debtors	8,139	5,616	6,434	6,986
Cash and Bank	8,113	13,290	21,752	41,005
Marketable Securities	-	-	-	-
Loans and advances	-	-	-	-
Total assets	93,540	108,471	120,310	133,268
Shareholders' funds	66,058	76,635	85,653	96,273
Share capital	1,767	1,767	1,767	1,767
Reserves & surplus	64,290	74,868	83,886	94,506
Total Debt	4,671	4,833	4,833	4,833
Secured loans	4,671	4,833	4,833	4,833
Unsecured loans	-	-	-	-
Other liabilities	850	786	815	815
Curr Liab & prov	21,596	25,851	28,642	30,980
Current liabilities	19,941	23,972	26,763	29,325
Provisions	1,655	1,878	1,878	1,655
Total liabilities	27,118	31,469	34,290	36,628
Total equity & liabilities	93,540	108,471	120,310	133,268
Book Value (Rs)	37	43	48	55

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY20	FY21	FY22E	FY23E
Adj. EPS (Rs)	8.2	9.5	10.2	12.0
Adj. EPS growth (%)	0.2	16.7	7.0	17.8
EBITDA margin (%)	20.6	20.9	21.0	22.9
Pre-tax margin (%)	21.0	21.5	21.1	22.9
ROE (%)	23.6	23.6	22.2	23.4
ROCE (%)	23.3	22.9	23.3	25.0
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.0	0.9	1.0	0.9
Leverage factor (x)	1.5	1.4	1.4	1.4
Net margin (%)	16.6	17.6	16.5	17.9
Net Debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.4)
Working Capital & Liquidity ratio				
Inventory days	58	66	66	66
Receivable days	34	21	21	21
Payable days	78	92	93	95

Valuation

Year-end: March	FY20	FY21	FY22E	FY23E
P/E (x)	72.1	61.8	57.8	49.1
Price / Book value (x)	15.8	13.6	12.2	10.8
PCE (x)	62.6	54.2	50.2	43.0
EV / Net sales (x)	11.9	10.8	9.4	8.5
EV / EBITDA (x)	57.9	51.6	44.5	36.9
Dividend Yield (%)	0.5	0.6	0.9	1.0



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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SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907**Disclaimer**

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