

Dabur India (DABUR IN)

Rating: HOLD | CMP: Rs614 | TP: Rs588

August 3, 2021

Q1FY22 Result Update

☒ Change in Estimates |
 ☒ Target |
 ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		UNDER REVIEW	
Target Price	588		-	
Sales (Rs. m)	1,08,093	1,20,745	1,06,547	1,18,445
% Chng.	1.5	1.9		
EBITDA (Rs. m)	22,775	26,302	22,248	25,505
% Chng.	2.4	3.1		
EPS (Rs.)	10.7	12.7	10.4	12.3
% Chng.	2.3	3.0		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	87	95	108	121
EBITDA (Rs. bn)	18	20	23	26
Margin (%)	20.4	21.0	21.1	21.8
PAT (Rs. bn)	14	17	19	22
EPS (Rs.)	8.1	9.6	10.7	12.7
Gr. (%)	(1.2)	18.9	11.2	19.1
DPS (Rs.)	3.0	4.8	5.4	6.4
Yield (%)	0.5	0.8	0.9	1.0
RoE (%)	23.3	23.8	23.0	24.1
RoCE (%)	23.1	23.1	23.5	24.4
EV/Sales (x)	12.3	11.2	9.9	8.8
EV/EBITDA (x)	60.2	53.4	46.8	40.2
PE (x)	76.1	64.0	57.6	48.4
P/BV (x)	16.4	14.2	12.5	11.0

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.620 / Rs.471
Sensex / Nifty	53,823 / 16,131
Market Cap	Rs.1,086bn/ \$ 14,618m
Shares Outstanding	1,768m
3M Avg. Daily Value	Rs.2717.49m

Shareholding Pattern (%)

Promoter's	67.36
Foreign	20.59
Domestic Institution	4.66
Public & Others	7.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.0	17.1	20.3
Relative	1.4	9.3	(17.4)

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Peaked out performance, cut to Hold

Quick Pointers:

- Domestic volumes grew 34.4% led by strong growth in all segments
- Mid to high single digit growth expected in healthcare, mid teen growth in HPC and high double digit growth in foods in the coming qtrs.
- No price hike expected in 2Q, may take hike in 3Q if RM inflation persists.

We are increasing FY22/23 EPS estimates by 2.3%/3.0% on back of 1) Strong growth expected in Beverages portfolio on a low base and 2) Foods business to clock revenues of Rs 1bn in FY22. Management expects growth to moderate from current levels and have guided at double digit revenue growth for FY22 led by mid-single digit growth in Healthcare (on a strong base), mid-teens growth in HPC and high double digit growth in F&B. We however, believe that long term outlook remains positive given 1) Innovation led growth strategy, 2) Increasing share in oral care on the back of growth in herbal category 3) Innovations at low price point in beverages allowing DABUR to leverage its distribution 4) Cost saving initiatives like Project Samruddhi (savings of Rs 1.0bn in FY22) and 6) Focus on increasing rural distribution to 80k villages in 2 yrs. However recent surge in share price more than factors the positives, we therefore assign Hold rating (Under Review earlier) to the stock with TP of Rs 588. Expect near term underperformance, although long term outlook remains intact. Assign Hold.

Consol sales up 31.9% on 34.4% volume growth: Consolidated sales up 31.9% at Rs26.11bn (Est Rs 23.76bn), India FMCG Business grew by 35.4%, with an underlying Volume Growth of 34.4%. Gross margins down 130bps to 48.1% (Est 48.3%). EBITDA up 32.5% to Rs5.5bn (Est 4.91bn). EBITDA margins flat at 21.1% (Est 20.7%). Adj PAT up 28.4% to Rs 4.38bn (Est 4.01bn). Standalone sales grew 33.3%, EBITDA up 33.6% which translated to PAT growth of 21.8%. Healthcare sales up 30%, HPC grew by 26%, Foods business grew by 80.4%, International bn grew 34% in cc terms.

Concall Highlights: 1) Increased Rural reach from 60K villages in FY21 to 69K villages, expect 80k villages in 2yrs 1Q22 2) Market share gain in Honey 330bps, Chyawanprash 70bps, Toothpaste 100bps, Hair oils 160bps, Shampoos 60bps, Homecare by 230bps, 3) Strong growth in Herbal category has helped gaining share in oral care 4) Will extend Odomos brand from cream to mosquito racquets, vaporizers etc. 5) Price aggression, innovation, marketing has helped in gaining share in hair oils 6) Beverages grew ahead of category on the back of innovation at lower price point (Rs10/20) allowing Company to leverage its urban and rural distribution.6) Expanded into carbonated drinks and premium juices in the beverage segment; will launch health juices to maintain margins 5) Honey grew across all platforms gaining share. Introduced Honey tasties to take honey from therapeutic use to indulgence based use 6) Homemade category strengthened with new launches of pickles, masalas etc.; Rs100cr sales this yr, expect Rs4-5bn in next 4-5yrs 7) Savings of Rs100cr expected for full yr through project Samridhi 8) RM inflation seen at 9-10%, 3% price hike taken, will take another hike in 3Q if RM inflation persists 10) Tax rate for current and next 2-3 yrs at 22-23%

Exhibit 1: Q1FY22 Results: Sales up 31.9%, EBITDA margins flat, Adj PAT grows 28.4%

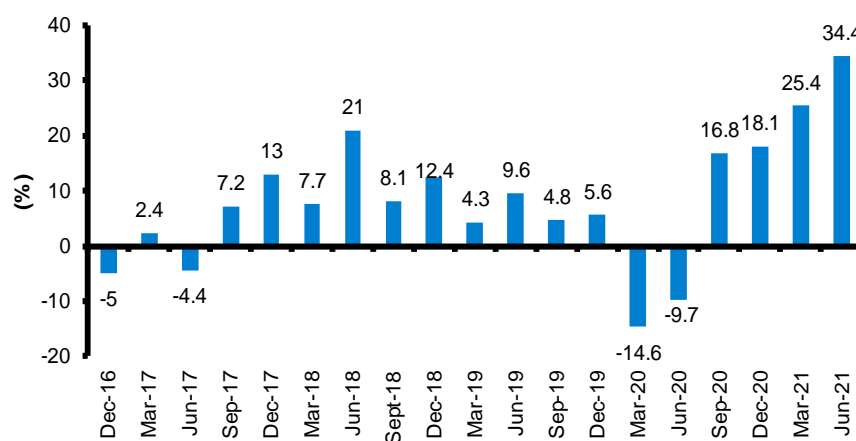
Y/E March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
Revenues	26,115	19,800	31.9	23,368	95,617	87,036	9.9
Gross Profit	12,562	9,784	28.4	11,390	47,727	43,433	9.9
<i>% of Net Sales</i>	<i>48.1</i>	<i>49.4</i>	<i>-1.3</i>	<i>48.7</i>	<i>49.9</i>	<i>49.9</i>	
Other Expenses	7,042	5,618	25.3	6,965	27,700	25,510	8.6
<i>% of Net Sales</i>	<i>27.0</i>	<i>28.4</i>		<i>29.8</i>	<i>29.0</i>	<i>29.3</i>	
EBITDA	5,520	4,166	32.5	4,425	20,027	17,923	11.7
<i>Margins</i>	<i>21.1</i>	<i>21.0</i>	<i>0.1</i>	<i>18.9</i>	<i>20.9</i>	<i>20.6</i>	
Depreciation	613	567	8.1	666	2,401	2,205	8.9
Interest	75	78	(4.2)	86	308	495	(37.8)
Other Income	848	718	18.2	850	3,253	3,053	6.6
PBT	5,681	4,238	34.0	4,522	20,570	18,276	12.6
Tax	1,297	825	57.2	744	3,611	2,797	29.1
<i>Effective tax rate (%)</i>	<i>22.8</i>	<i>19.5</i>		<i>16.4</i>	<i>17.6</i>	<i>15.3</i>	
Minority interest	1	-1	(170.0)	6	9	0	9,100.0
Adjusted PAT	4,383	3,414	28.4	3,773	16,950	15,479	9.5

Source: Company Data, PL Research

Exhibit 2: Double digit ggrowth across categories

Category Growth (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Hair Oils	12.1	2.6	0.4	-20.8	-25.6	-6.3	11.6	24.6	38.4
Shampoos	10.9	12.0	5.1	-16.8	-9.3	17.8	27.1	33.4	41.3
Health Supplements	19.6	14.4	12.2	-9.5	52.6	70.8	34.7	17.7	24.5
Oral Care	11.4	4.4	8.5	-15.8	1.4	24.2	28.0	42.1	21.1
Foods	1.5	-5.0	-1.7	-20.6	-34.4	-3.8	4.7	36.1	17.8
Digestives	18.2	10.2	15.9	-9.5	-11.5	2.5	0.3	20.0	16.2
Skin care	12.1	1.0	-0.3	-24.2	-12.5	38.1	9.1	37.9	-5.4
Home Care	10.9	7.0	2.5	-18.4	-30.5	-10.2	-1.0	24.3	30.6
OTC	13.1	4.2	5.5	-20.6	34.4	56.1	34.1	36.8	50.8
Ethicals	15.9	7.2	2.7	-20.6	10.7	26.4	23.2	36.8	50.8
Healthcare	17.8	11.1	10.7	-12.6	29.2	49.3	28.1	22.9	30.0
Home& Personal care	11.7	4.3	3.5	-18.9	-14.9	9.1	15.9	32.6	26.1

Source: Company, PL

Exhibit 3: 1Q volume up 34.4%


Source: Company, PL

Exhibit 4: Innovations across Healthcare category



Source: Company, PL

Exhibit 5: New Launches across Health and Personal Care



Source: Company, PL

Exhibit 6: New Launches across Foods & Beverages



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	86,846	95,428	1,08,093	1,20,745
YoY gr. (%)	2.0	9.9	13.3	11.7
Cost of Goods Sold	43,603	47,890	54,324	60,006
Gross Profit	43,244	47,538	53,769	60,738
Margin (%)	49.8	49.8	49.7	50.3
Employee Cost	9,477	10,335	11,121	12,448
Other Expenses	9,533	7,260	8,321	9,169
EBITDA	17,734	20,027	22,775	26,302
YoY gr. (%)	1.9	12.9	13.7	15.5
Margin (%)	20.4	21.0	21.1	21.8
Depreciation and Amortization	2,205	2,401	2,483	2,621
EBIT	15,529	17,626	20,291	23,680
Margin (%)	17.9	18.5	18.8	19.6
Net Interest	495	308	363	315
Other Income	3,053	3,253	4,089	5,417
Profit Before Tax	18,087	20,571	24,017	28,783
Margin (%)	20.8	21.6	22.2	23.8
Total Tax	2,797	3,611	5,164	6,332
Effective tax rate (%)	15.5	17.6	21.5	22.0
Profit after tax	15,290	16,960	18,854	22,451
Minority interest	30	9	9	9
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,260	16,951	18,845	22,442
YoY gr. (%)	(1.1)	18.9	11.2	19.1
Margin (%)	16.4	17.8	17.4	18.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,260	16,951	18,845	22,442
YoY gr. (%)	(1.1)	18.9	11.2	19.1
Margin (%)	16.4	17.8	17.4	18.6
Other Comprehensive Income	1,037	(882)	-	-
Total Comprehensive Income	15,297	16,069	18,845	22,442
Equity Shares O/s (m)	1,767	1,767	1,767	1,767
EPS (Rs)	8.1	9.6	10.7	12.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	32,935	35,238	37,290	39,340
Tangibles	31,801	34,000	36,003	38,003
Intangibles	1,134	1,238	1,288	1,338
Acc: Dep / Amortization	13,768	16,169	18,652	21,274
Tangibles	13,076	15,378	17,758	20,273
Intangibles	692	791	894	1,001
Net fixed assets	19,167	19,069	18,638	18,067
Tangibles	18,725	18,622	18,244	17,730
Intangibles	442	447	394	337
Capital Work In Progress	1,466	1,473	500	500
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	19,624	35,248	38,618	42,486
Net Deferred tax assets	(174)	(139)	(139)	(139)
Other Non-Current Assets	1,122	1,562	1,409	1,548
Current Assets				
Investments	13,910	7,460	20,717	27,046
Inventories	13,796	17,343	19,645	21,945
Trade receivables	8,139	5,616	7,343	8,202
Cash & Bank Balance	8,114	13,290	4,324	4,830
Other Current Assets	4,676	3,871	4,540	5,071
Total Assets	93,531	1,08,471	1,19,638	1,33,662
Equity				
Equity Share Capital	1,767	1,767	1,767	1,767
Other Equity	64,291	74,868	85,392	97,088
Total Network	66,058	76,635	87,160	98,855
Non-Current Liabilities				
Long Term borrowings	1,629	1,341	1,041	741
Provisions	629	633	757	845
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,292	3,491	3,191	2,891
Trade payables	14,822	19,153	20,590	22,719
Other current liabilities	6,515	6,698	6,330	7,026
Total Equity & Liabilities	93,531	1,08,471	1,19,638	1,33,662

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	18,277	20,571	24,017	28,783
Add. Depreciation	2,205	2,401	2,483	2,621
Add. Interest	495	308	363	315
Less Financial Other Income	3,053	3,253	4,089	5,417
Add. Other	(3,237)	(3,253)	(4,089)	(5,417)
Op. profit before WC changes	17,739	20,027	22,775	26,302
Net Changes-WC	(15,735)	10,236	(8,727)	(7,745)
Direct tax	(2,797)	(3,611)	(5,164)	(6,332)
Net cash from Op. activities	(793)	26,652	8,884	12,225
Capital expenditures	(5,869)	(2,311)	(1,080)	(2,050)
Interest / Dividend Income	3,053	3,253	4,089	5,417
Others	11,241	(20,044)	(3,401)	(3,741)
Net Cash from Inv. activities	8,425	(19,102)	(392)	(374)
Issue of share cap. / premium	1,674	(461)	515	-
Debt changes	(2,072)	(89)	(600)	(600)
Dividend paid	(6,178)	(5,920)	(8,836)	(10,746)
Interest paid	(495)	(308)	(363)	(315)
Others	-	-	-	-
Net cash from Fin. activities	(7,070)	(6,777)	(9,283)	(11,661)
Net change in cash	562	773	(791)	190
Free Cash Flow	(6,662)	24,341	7,805	10,175

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	25,160	27,288	23,368	26,115
YoY gr. (%)	13.7	16.0	25.3	31.9
Raw Material Expenses	12,359	13,537	11,978	13,554
Gross Profit	12,802	13,751	11,390	12,562
Margin (%)	50.9	50.4	48.7	48.1
EBITDA	5,694	5,742	4,425	5,520
YoY gr. (%)	16.3	16.5	25.6	32.5
Margin (%)	22.6	21.0	18.9	21.1
Depreciation / Depletion	596	572	666	613
EBIT	5,098	5,170	3,759	4,907
Margin (%)	20.3	18.9	16.1	18.8
Net Interest	75	69	86	75
Other Income	876	809	850	848
Profit before Tax	5,899	5,911	4,522	5,681
Margin (%)	23.4	21.7	19.4	21.8
Total Tax	1,067	975	744	1,297
Effective tax rate (%)	18.1	16.5	16.4	22.8
Profit after Tax	4,832	4,936	3,779	4,384
Minority interest	3	1	6	1
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,829	4,935	3,773	4,383
YoY gr. (%)	8.8	17.8	25.1	28.4
Margin (%)	19.2	18.1	16.1	16.8
Extra Ord. Income / (Exp)	(707)	349	(821)	260
Reported PAT	4,121	5,284	2,952	4,643
YoY gr. (%)	2.1	32.5	4.8	25.1
Margin (%)	16.4	19.4	12.6	17.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,121	5,284	2,952	4,643
Avg. Shares O/s (m)	1,766	1,767	1,767	1,768
EPS (Rs)	2.7	2.8	2.1	2.5

Source: Company Data, PL Research

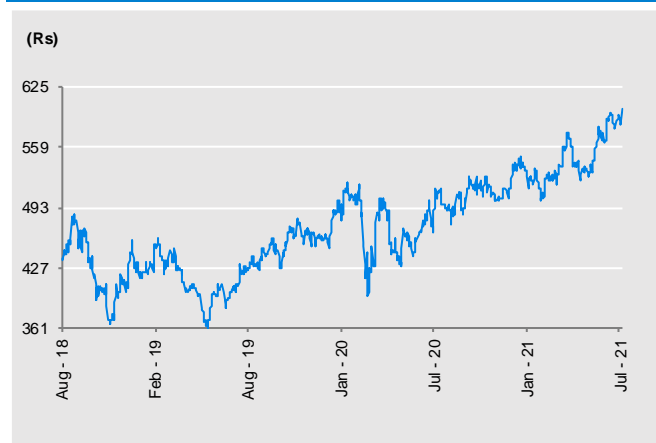
Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	8.1	9.6	10.7	12.7
CEPS	9.3	10.9	12.1	14.2
BVPS	37.4	43.4	49.3	55.9
FCF	(3.8)	13.8	4.4	5.8
DPS	3.0	4.8	5.4	6.4
Return Ratio(%)				
RoCE	23.1	23.1	23.5	24.4
ROIC	21.7	20.1	21.5	23.3
RoE	23.3	23.8	23.0	24.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	30	15	22	22
Valuation(x)				
PER	76.1	64.0	57.6	48.4
P/B	16.4	14.2	12.5	11.0
P/CEPS	65.9	56.1	50.9	43.3
EV/EBITDA	60.2	53.4	46.8	40.2
EV/Sales	12.3	11.2	9.9	8.8
Dividend Yield (%)	0.5	0.8	0.9	1.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-21	UR	-	590
2	07-May-21	Hold	531	535
3	07-Apr-21	Accumulate	550	552
4	29-Jan-21	Accumulate	550	515
5	07-Jan-21	Accumulate	539	534
6	03-Nov-20	Accumulate	539	515
7	08-Oct-20	Hold	469	522

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,084	1,050
4	Britannia Industries	Accumulate	3,911	3,505
5	Burger King India	BUY	250	158
6	Colgate Palmolive	Accumulate	1,846	1,710
7	Crompton Greaves Consumer Electricals	BUY	518	468
8	Dabur India	UR	-	590
9	Emami	Accumulate	624	573
10	Havells India	Accumulate	1,226	1,151
11	Hindustan Unilever	Accumulate	2,535	2,378
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	661	628
15	Marico	Hold	525	547
16	Mold-tek Packaging	BUY	598	510
17	Nestle India	Accumulate	19,290	18,023
18	Pidilite Industries	UR	-	2,179
19	Titan Company	Accumulate	1,869	1,763
20	Voltas	Hold	955	1,015
21	Westlife Development	BUY	572	496

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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