

Dabur

Topline growth outperformance continues

Dabur's 3QFY21 saw strong revenue growth, beating our as well as the street's expectations. Domestic value/volume growth was at 18% YoY (HSIE 14/10%) with broad-based recovery. Healthcare portfolio clocked stellar 28% YoY growth, led by continued traction for health supplements. HPC clocked 16% YoY growth, led by sustained outperformance in oral care (up by 28%). Food recovery was encouraging with 5% YoY growth, after posting 21% decline in 1HFY21. New launches across categories continued to witness strong traction with rising share of e-comm (6% mix). The growth was also led by market share gains for the company across categories. Gross margins were stable at ~50%, while A&P saw a sharp 39% jump to accommodate aggression for new launches. EBITDA margin was stable at 21%. We remain positive on Dabur's ability to deliver strong revenue growth, led by its positioning as a natural and trusted brand along with the power brands strategy. We marginally increase EPS estimates for FY21/FY22/FY23. We value Dabur at 45x P/E on Mar-23E EPS to derive a target price of Rs 550. Maintain ADD.

- Healthcare drives growth:** Net revenue grew by 16% YoY (+7% in 3QFY20 and +14% in 2QFY21), ahead of our expectation of 12% YoY growth. Domestic business grew by 18% YoY (HSIE 14%) with 18% YoY volume growth. Hair Care/Oral Care/OTC/Ethicals/Skin Care/Foods clocked growth of 14/28/34/23/9/19% YoY. Juices, excluding Enterprise revenue, saw growth of 8% YoY while culinary business grew by 16% YoY. Digestives remained flat YoY while Home Care declined by 1% YoY. Dabur saw strong market share gains in oral care, hair oils, home care, Chyawanprash and juices. International revenue grew by 13% YoY with 14% YoY cc growth.
- A&P reinvestments limit margin expansion:** GM expanded by 31bps YoY (+80bps in 3QFY20 and flat in 2QFY21), in line with estimates. GM was impacted by steep inflation of ~6% in key input materials. Employee/A&P/Other expenses grew by 12/39/3% YoY. EBITDA margin remained flat YoY at 21% (+70bps in 3QFY20 and +50bps in 2QFY21). EBITDA grew by 16.5% YoY (HSIE 15%). Dabur's focus on cost-saving initiatives helped the company expand margins despite growth in A&P spends. PBT grew by 18% YoY while PAT grew by 24% YoY.
- Call takeaways:** (1) New products mix in 3QFY21 was 5%; (2) the company's direct reach is expected to increase to 1.4mn in FY21; (3) the company expects savings of Rs 1.5bn under Samridhi program; (4) Dabur is expanding the Hajmola brand, which is a potential power brand for the company; (5) increased salience of e-comm will continue to drive premiumisation.

Quarterly/Annual Financial summary

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	27,288	23,530	16.0	25,160	8.5	86,846	96,172	107,893	119,718
EBITDA	5,742	4,929	16.5	5,694	0.8	17,924	20,825	23,485	26,766
APAT	4,921	4,142	18.8	4,817	2.2	15,254	17,634	19,322	21,594
Diluted EPS (Rs)	2.78	2.34	18.8	2.73	2.2	8.63	9.98	10.94	12.22
P/E (x)						59.7	51.6	47.1	42.1
EV / EBITDA (x)						49.8	42.6	37.7	32.9
RoCE (%)						43.5	42.9	45.5	48.7

Source: HSIE Research

ADD

CMP (as on 29 Jan 2021)	Rs 515
Target Price	Rs 550
NIFTY	13,635

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 544	Rs 550
EPS %	FY22E	FY23E
	2%	1%

KEY STOCK DATA

Bloomberg code	DABUR IN
No. of Shares (mn)	1,767
MCap (Rs bn) / (\$ mn)	909/12,468
6m avg traded value (Rs mn)	1,920
52 Week high / low	Rs 553/385

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.0)	5.1	4.7
Relative (%)	(17.4)	(16.5)	(7.7)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	67.87	67.87
FIs & Local MFs	6.90	5.94
FPIs	18.08	18.52
Public & Others	7.15	7.67
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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