

Retail Equity Research

Dabur India Limited

FMCG

BSE CODE: 500096

NSE CODE: DABUR

Bloomberg CODE: DABUR:IN

SENSEX: 49,581

BUY

12M Investment period

Rating as per Large Cap

CMP Rs. 534

TARGET Rs. 612

RETURN 15% ↑

(Closing: 17-05-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

All-round performance in Q4; Outlook positive

Dabur India Ltd (Dabur), a leading Indian FMCG company, is a world leader in Ayurveda with a portfolio of over 250 Herbal/Ayurvedic products. The company operates through Health Supplements, Digestives, Shampoos, Hair Oils, Skin Care, Oral Care, Foods and Other OTC & Ethical products.

- Q4FY21 sales grew 25.3% YoY, on strong demand-driven growth in Healthcare, Home & Personal Care and Food & Beverage businesses.
- Despite stable EBITDA margin of 18.9%, EBITDA rose 25.6% YoY on robust topline growth. Resultantly, PAT also grew 25.5% YoY.
- Amidst the second wave of pandemic, the company has taken adequate precautions in terms of inventory management and is well placed to tackle any potential supply chain disruptions. We expect company's growth momentum to continue aided by robust demand, and hence reiterate our BUY rating on the stock with a revised TP of Rs. 612 based on 50x FY23E adj. EPS.

Strong product traction aids topline growth

Q4FY21 revenue surged 25.3% YoY to Rs. 2,337cr, led by strong growth in both domestic (+30.3% YoY) and International businesses (+19.4% YoY). In domestic healthcare segment, OTC rose 34.0% YoY led by growth in Lal Tail and Shilajit. Digestives revenue went up 20.0% YoY aided by growth in Pudina Hara, while Health supplements grew 17.7% YoY due to higher sales of Chyawanprash and honey. Ethicals revenue increased 39.1% YoY on distribution expansion, and innovations. Under Home and Personal Care, oral care grew 42.1% YoY with strong demand in red toothpaste, Meswak, and Babool. Shampoo and Hair oils witnessed strong growth of 33.4% and 24.6% YoY, respectively. Home Care revenue rose 24.3% YoY on growth in Odonil and Odomos. Under F&B, Beverages grew 27.1% YoY on strong traction in juices, nectar and still drinks. Foods rose 36.1% YoY supported by Hommade brand, chutneys, and pickles. International business reported constant currency growth in Bangladesh (+46.7% YoY), MENA (+24.1%), SSA (+22.0%) and Egypt (+21.9%).

Robust sales supports profitability

While EBITDA margin remained stable YoY at 18.9%, overall EBITDA rose 25.6% YoY to Rs. 442cr, primarily driven by higher sales, partially offset by higher input prices, and employee and other expenses. As a result, Adj. PAT also increased 25.5% YoY to Rs. 378cr, due to higher operating profit and other income.

Key concall highlights

- Focusing on innovation in consumer products, Dabur recently launched Vatika Select shampoo with ingredients like Moroccan argan and red onion seeds.
- Company plans to invest around Rs. 550cr over the next 4-5 years on its new Greenfield facility in Central India for its healthcare business.
- Management guided double digit value growth for FY22 on the back of expected high single digit growth in volumes and a price increase of ~3%.

Valuation

Company is prepared for extended lockdown by keeping high levels of inventory to support traction in newly launched products. Healthcare products are set to witness strong performance over medium term, as customers focus on immunity booster and healthy lifestyle. Rural segment is less likely to be impacted from lockdown with support from government stimulus. We expect company's growth momentum to continue aided by robust demand and hence reiterate our BUY rating on the stock with a revised target price of Rs. 612 based on 50x FY23E adj. EPS.

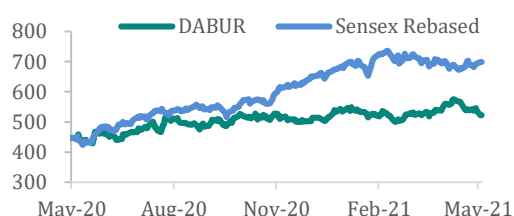
Company Data

Market Cap (cr)	Rs. 92,670
Enterprise Value (cr)	Rs. 91,638
Outstanding Shares (cr)	177.3
Free Float	32.0%
Dividend Yield	0.9%
52 week high	Rs. 581
52 week low	Rs. 421
6m average volume (lac)	2.3
Beta	0.5
Face value	Rs. 1

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	67.9	67.9	67.4
FII's	18.1	18.5	19.8
MFs/Insti	6.9	5.9	5.3
Public	5.5	5.6	5.5
Others	1.7	2.1	2.0
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-0.4%	1.5%	17.0%
Absolute Sensex	-3.5%	14.4%	56.4%
Relative Return*	3.2%	-12.9%	-39.4%

*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	9,562	10,752	11,957
Growth (%)	9.9	12.5	11.2
EBITDA	2,003	2,294	2,608
EBITDA Margin (%)	20.9	21.3	21.8
Adj. PAT	1,693	1,903	2,172
Growth (%)	9.6	12.4	14.1
Adj. EPS	9.6	10.7	12.2
Growth (%)	9.6	12.4	14.1
P/E	56.6	48.7	42.7
P/B	12.5	11.0	9.9
EV/EBITDA	47.5	39.9	35.0
ROE (%)	22.1	22.5	23.1
D/E	0.1	0.1	0.1

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	2,337	1,865	25.3	2,729	(14.4)	9,562	8,704	9.9
EBITDA	442	352	25.6	574	(22.9)	2,003	1,792	11.7
EBITDA margins	18.9	18.9	-	21.0	(210bps)	20.9	20.6	30bps
Depreciation	67	59	13.2	57	16.5	240	220	8.9
EBIT	376	293	28.1	517	(27.3)	1,763	1,572	12.1
Interest	9	9	0.8	7	25.8	31	50	(37.8)
Other Income	85	76	12.2	81	5.0	325	305	6.6
Exceptional Items	-	(20)	n.m.	-	n.m.	-	(100)	n.m.
PBT	452	340	32.7	591	(23.6)	2,056	1,728	19.0
Tax	74	59	26.8	97	(23.7)	361	280	29.1
Sh. of profit from Associate	(1)	(0)	n.m.	(0)	n.m.	(1)	(0)	n.m.
Minority Interest	(1)	0	n.m.	1	n.m.	2	3	(44.3)
Reported PAT	378	281	34.4	492	(23.2)	1,693	1,445	17.2
Adjustments	-	20	n.m.	-	n.m.	-	100	n.m.
Adj. PAT	378	301	25.5	492	(23.2)	1,693	1,545	9.6
No. of shares	177.4	176.8	0.3	177.0	0.2	177.4	176.8	0.3
Adj. EPS (Rs.)	2.1	1.7	25.1	2.8	(23.4)	9.6	8.7	9.3

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	10,426	-	10,752	11,957	3.1	-
EBITDA	2,310	-	2,294	2,608	(0.7)	-
Margins (%)	22.2	-	21.3	21.8	(90bps)	-
Adj. PAT	1,948	-	1,903	2,172	(2.3)	-
Adj. EPS	11.0	-	10.7	12.2	(2.6)	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	8,533	8,704	9,562	10,752	11,957
% change	10.1	2.0	9.9	12.5	11.2
EBITDA	1,740	1,792	2,003	2,294	2,608
% change	7.6	3.0	11.7	14.5	13.7
Depreciation	177	220	240	250	256
EBIT	1,563	1,572	1,763	2,044	2,372
Interest	60	50	31	42	59
Other Income	222	205	324	331	347
PBT	1,725	1,728	2,056	2,332	2,661
% change	1.9	0.2	19.0	13.4	14.1
Tax	279	280	361	427	487
Tax Rate (%)	16.2	16.2	17.6	18.3	18.3
Reported PAT	1,442	1,445	1,693	1,903	2,172
Adj*	75	100	-	-	-
Adj PAT	1,518	1,545	1,693	1,903	2,172
% change	10.9	1.8	9.6	12.4	14.1
No. of shares (cr)	177.2	177.3	177.3	177.3	177.3
Adj EPS (Rs.)	8.6	8.7	9.6	10.7	12.2
% change	10.6	1.7	9.6	12.4	14.1
DPS (Rs.)	2.8	1.6	4.8	5.0	5.8
CEPS (Rs.)	9.6	10.0	10.9	12.1	13.7

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	1,619	1,665	1,933	2,154	2,428
Non-cash adj.	9	(13)	(146)	(459)	(441)
Changes in W.C	(129)	(39)	327	(22)	(59)
C.F. Operation	1,499	1,614	2,115	1,674	1,928
Capital exp.	(225)	(400)	(306)	(296)	(287)
Change in inv.	317	(365)	(1,361)	(500)	(500)
Other invest.CF	244	248	262	275	288
C.F - Investment	337	(517)	(1,406)	(521)	(499)
Issue of equity	0	0	0	-	-
Issue/repay debt	(240)	(397)	(2)	-	-
Dividends paid	(1,597)	(618)	(592)	(884)	(1,025)
Other finance.CF	(52)	(28)	(19)	(42)	(59)
C.F - Finance	(1,888)	(1,043)	(613)	(926)	(1,084)
Chg. in cash	(52)	54	95	227	345
Closing cash	328	811	1,329	1,556	1,901

BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	328	811	1,329	1,556	1,901
Accounts Receivable	834	814	562	645	777
Inventories	1,301	1,380	1,734	1,851	2,200
Other Cur. Assets	1,124	1,875	1,151	1,151	1,151
Investments	2,685	1,461	3,464	3,964	4,464
Gross Fixed Assets	2,226	2,627	2,933	3,229	3,516
Net Fixed Assets	1,548	1,821	1,812	1,850	1,873
CWIP	64	147	147	155	162
Intangible Assets	369	380	381	387	394
Def. Tax (Net)	1	23	22	22	22
Other Assets	183	642	245	252	259
Total Assets	8,437	9,354	10,847	11,833	13,204
Current Liabilities	2,162	2,160	2,585	2,764	3,186
Provisions	60	63	63	73	84
Debt Funds	529	472	485	485	485
Other Liabilities	23	17	14	15	16
Equity Capital	177	177	177	177	177
Reserves & Surplus	5,455	6,429	7,487	8,281	9,216
Shareholder's Fund	5,632	6,606	7,664	8,458	9,393
Minority Interest	31	36	37	39	41
Total Liabilities	8,437	9,354	10,847	11,833	13,204
BVPS (Rs.)	32	37	43	48	53

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	20.4	20.6	20.9	21.3	21.8
EBIT margin (%)	18.3	18.1	18.4	19.0	19.8
Net profit mgn. (%)	16.9	16.6	17.7	17.7	18.2
ROE (%)	25.6	21.9	22.1	22.5	23.1
ROCE (%)	25.2	22.1	21.5	22.8	23.9
W.C & Liquidity					
Receivables (days)	35.7	34.1	21.4	21.9	23.7
Inventory (days)	110.2	115.5	132.2	124.1	125.9
Payables (days)	123.3	124.1	146.0	140.4	144.0
Current ratio (x)	1.3	2.0	1.6	1.7	1.7
Quick ratio (x)	0.7	1.2	0.9	0.9	1.0
Turnover & Leverage					
Gross asset T.O (x)	3.9	3.6	3.4	3.5	3.5
Total asset T.O (x)	1.0	1.0	0.9	0.9	1.0
Int. coverage ratio (x)	26.2	31.7	57.2	48.4	40.3
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	8.5	9.1	9.9	8.5	7.6
EV/EBITDA (x)	41.8	44.4	47.5	39.9	35.0
P/E (x)	47.7	51.7	56.6	48.7	42.7
P/BV (x)	12.9	12.1	12.5	11.0	9.9

Recommendation Summary



Dates	Rating	Target
16-May-18	BUY	409
24-Jul-19	BUY	464
19-Nov-19	HOLD	499
04-Feb-20	HOLD	527
04-Aug-20	HOLD	537
09-Nov-20	BUY	584
18-May-21	BUY	612

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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