

Healthcare portfolio will continue to drive growth



Results in line with estimates

- **Revenue:** grew by 25.3% YoY to Rs. 23367.9mn, Domestic Volume growth stood at 25% v/s 18% QoQ (last year was a de-growth due to lock down)
- **EBITDA:** grew 25.6% YoY to Rs 4424.7mn EBITDA margins were flat @18.9% v/s 18.9% YoY and was at 21% in Q3FY21
- **PBT:** (ex of JV and exceptional): grew by 25.4% to Rs 3606.4mn
- **APAT:** grew by 27% YoY to Rs 3778.2mn
- **EPS:** stood at Rs. 2.1 v/s Rs. 1.7 YoY

Expenses

- **RM to sales** stood at 51.26% v/s 50.91 YoY and 49.61% QoQ
- **A&P spends:** stood at 6.6% v/s 5.4% YoY and 10.3% QoQ
- **Other expenses:** stood at 11.7% v/s 12.5% YoY and 9% QoQ
- **Employee Cost** rose by 16.6% YoY basis to Rs 2684mn

Outlook:

Dabur management is fully committed to achieve an overall double-digit growth (*and maintain margins*) in the future, supported by innovative products, distribution expansion for existing & new portfolio and cost-savings program.

Second wave has made things difficult for discretionary spends but management is confident that the healthcare portfolio i.e. 34% of Domestic business should compensate for the same.

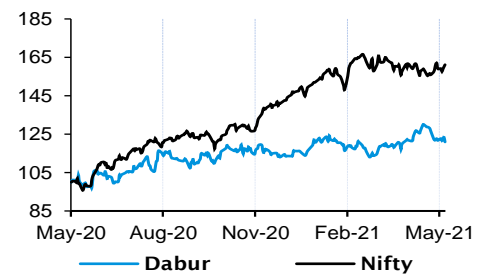
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	575	8

Market data

Current price	Rs	534
Market Cap (Rs.Bn)	(Rs Bn)	945
Market Cap (US\$ Mn)	(US\$ Mn)	12901.02
Face Value	Rs	1
52 Weeks High/Low	Rs	581/421
Average Daily Volume	('000)	2237
BSE Code		500096
Bloomberg		DABUR:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	67.38	67.87
Public	32.62	32.13
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	85,331	87,036	95,617	1,02,875	1,15,070
growth (%)		2.0	9.9	7.6	11.9
EBIDTA Margins	20.4	20.6	20.9	20.9	21.2
Adjusted net profit	15,055	15,288	16,933	17,500	20,238
EPS (Rs)	8.5	8.7	9.6	9.9	11.5
growth (%)		1.5	10.7	3.3	15.6
P/E (x)	62.7	61.7	55.7	53.9	46.6
P/B (x)	16.7	14.3	12.3	10.8	9.5
RoCE (%)	30.2	26.5	25.6	24.5	25.0
RoE (%)	26.7	23.1	22.1	20.1	20.4
Dividend yield (%)	0.4	0.5	0.5	0.9	0.7

Source: Dalal and Broacha

Kunal Bhatia
(022) 67141442
kunal.bhatia@dalal-broacha.com

Segmental Highlights for the Quarter

DOMESTIC BUSINESS (69% of Revenue)

- **Health Care (34% of Domestic Revenue)** grew by 23% YoY to Rs 5400mn aided by 37% growth in OTC and Ethicals
 - OTC and ethicals (10% of Revenue) grew by 37% YoY to Rs 1510mn. In OTC (+34% growth) “Ial tail” and “Shilajit Portfolio” did well along with immunity boosting products. Ethicals (+39.1%) was aided by distribution expansion and visibility initiatives
 - Health Supplements (18% of Domestic Revenue) grew by 18% despite offseason. Market share in Chyawanprash increased by ~170 bp || honey increased by 230bps
 - Digestives (9% Domestic Revenue) grew by 20% YoY (highest quarterly sales at Rs 1040mn as Pudim Hara portfolio recorded double digit growth and hajmola recovered as Out-of-home consumption increased.
- **Home and Personal Care (51% of Domestic Revenue)** grew by 32.6% YoY to Rs 8130mn mainly aided by 42% growth in Oral care.
 - **Oral Care (20% of Domestic Revenue)** grew by 42% YoY to Rs 3110mn with market share gain of 120bps
 - **Hair Care (21% of Domestic Revenue)** grew by 26% YoY on account of sharp recovery in hair-oil with 70bps gain in market share and shampoo growing by 33.4%
 - **Skin Care (5% of Domestic Revenue)** grew by 39% YoY to Rs 780mn
 - **Home Care (6% of Domestic Revenue)** grew by 24% aided by Odonil and Odomos.
- **Food and Beverages (15% of Domestic Revenue)** grew by 28% on account of strong recovery in beverages business which grew by 27% YoY, despite institutional business being slow. Foods business grew by 36% aided by homemade brand (that include chutney and pickels) which increased due to rise home consumption

International Business (28.2% of Revenue)

- Recorded 19.4% growth with Constant currency growth of 21%. Dubai business grew by over 25%, while the Egypt business was up nearly 24% and the SAARC business posted a growth of 29%.

Conference Call Key Takeaways

- Dabur's gross Sales crossed 10k crs mark
- Dabur Red reached 1000crs mark
- **Market share gains across products:**
 - Honey +230bps
 - Chyawanprash +170bps
 - Toothpaste +120bps
 - Hair Oil +70bps
 - Shampoo +70bps and reached 6.5% market share highest ever for Dabur
 - Odomos +130bps
 - Odonil +90bps with growth of 40%+ in Q4FY21
 - Beverages (juice, nectar and still drinks) +80bps
- Dabur changed its system for channel loading to improve the ROI of distributors which has reduced pre-season loading, thus delta on sales has come-off by Rs ~1.4bn in Q4FY21. Pipeline inventory has been bought down to 17 days from 25 days earlier
- Honey as a category returning back post covid
- Hair-Oil market grew at 2% volumes, Dabur @ 9% volume and overall 24%.
- **Foods & Juice Business:**
 - Food business crossed Rs 700mn sales in FY21 expect it to reach Rs 1bn in FY22 and 5bn in next 4 years with increase in SKU's and categories (such as homemade, ready to cook & eat). Also plans to enter sauces, condiments and spices.
 - Juices portfolio is expanded to fit in the Rs 70bn market size v/s just 1.8bn earlier. Huge headroom in distribution, Active available in 70K outlets || Real juice in 4.5lac outlets || Dabur is present in 16 lac outlets
 - Ex of institutional sales juices recorded 40%+ growth and culinary +36%
- **International business** good momentum to continue with entire portfolio (except Hobi) growing at 20%+
- **NPD** contribution stood at 5% incase of health care it was ~ 2-3%
- **Inflation:** witnessed 5 to 6% overall inflation took 3% price increase not good enough to mitigate the entire inflation.
 - Inflation is on account of rise in prices of agri commodities, herbs, spices, amla fruits and vegetable oils on one hand and packaging & specialty chemicals on the other.
 - Cost saving program samriddhi helped save Rs 0.5bn in FY21 and expected to save 1bn in FY22.
- Advertisement cost was moderated to some extent to maintain margins. Ad to Revenue stood at 6.6% v/s 10% QoQ

Volume growth in:

Q1: (-)9.7%, Q2: 16.8%, Q3: 18%
Q4FY21: 25%

E-Commerce launches did well and online now contributes 5% of sales i.e 2x in a year

- **Capex plan:** ~5.5bn in next 4 years, greenfield plant in Central india, 50 acres land identified in Indore.
- **Tax rate** going forward would be 21%-22% v/s 18%
- Direct reach target of 1.3mn achieved, FY22 target is 1.4mn || Rural coverage 60K villages reached 80K by FY22
- **Outlook**
 - Current environment due to second wave remains challenging
 - April-2021 momentum was good. Local lock-downs may impact supply-chain.
 - Repeat purchase in healthcare showing positive trend on account of covid
 - Discretionary Sales could be impacted however Healthcare and Immunity products should make up for loss in discretionary sales
 - Factory operations as of now are normal
 - Margins will be maintained: 1st round of price increase taken and contemplating 2nd one. At no cost will let margins drop. If required will use different media-mix and maintain advertisement cost.
 - Dabur is committed to high volume growth and overall double-digit growth for the business as a whole. Longer term scope of growth still remains high in case of oral-care Dabur at 16% market share in ~10k crore market, in case of hair-oil 15% market share in ~10k crore market

Quarterly Performance Analysis

Exhibit 1

Particulars	Q4FY20	Q4FY21	YoY (%)	FY20	FY21	YoY (%)
Revenue from Operations	18654	23368	25.3%	87036	95617	9.9%
Other Income	757.70	849.80	12.2%	3052.90	3252.90	6.6%
Total	19411	24218	24.8%	90089	98869	9.7%
COGS	9496.00	11978.00	26.1%	43602.40	47889.60	9.8%
% of sales	50.9%	51.3%		50.1%	50.1%	
Employee Benefit Expense	2301	2684	16.6%	9477	10335	9.0%
% of sales	12.3%	11.5%		10.9%	10.8%	
Other Expenses	2,332	2740	17.5%	9533	9,522	-0.1%
% of sales	12.5%	11.7%		11.0%	10.0%	
Advertisement and Promotional Expense	1002.10	1541.70	53.8%	6499.80	7843.60	20.7%
% of sales	5.4%	6.6%		7.5%	8.2%	
EBITDA excluding other income	3522.60	4424.70	25.6%	17923.50	20026.80	11.7%
EBITDA MARGINS	19%	19%		20.6%	20.9%	
EBITDA including other income	4280.3	5274.5	23.2%	20976.4	23279.7	11.0%
Depreciation	588.3	665.9	13.2%	2204.5	2401.3	8.9%
EBIT	3692	4608.6	24.8%	18771.9	20878.4	11.2%
Finance costs	85.6	86.3	0.8%	495.4	308.1	-37.8%
PBT Ex of JV and Exceptional items	3606.4	4522.3	25.4%	18276.5	20570.3	12.6%
profit/loss from JV	-3.9	-5.9	51.3%	-0.1	-10.1	10000.0%
exceptional items	200			1000	0	
PBT	3402.5	4516.4	32.7%	17276.4	20560.2	19.0%
Tax Expense	586.5	743.5	26.8%	2797.2	3610.7	29.1%
Tax Rate	17.2%	16.5%		16.2%	17.6%	
PAT	2816	3772.9	34.0%	14479.2	16949.5	17.1%
NPM	14.5%	15.6%		16.1%	17.1%	
Extraordinary item	0			0	0	
Minority Interest	4.3	-5.3	-223.3%	29.6	16.5	-44.3%
NPAT	2811.7	3778.2	34.4%	14449.6	16933	17.2%
NPM	14.5%	15.6%		16.0%	17.1%	
Adjusted PAT	2977.2	3778.2	26.9%	15287.7	16933.0	10.8%
Equity	1767.1	1767.4		1767.1	1767.4	
Face Value	1	1		1	1	
Number of Shares	1767.1	1767.4		1767.1	1767.4	
Basic EPS Calculated	1.7	2.1		8.7	9.6	

Q4FY21 Domestic Volume growth 25%

Ad spends reduced in Q4FY21 on a QoQ basis to maintain margins

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Outlook: Dabur is committed to achieve high volume growth and overall double-digit growth in the future.

Innovative new product development forms the DNA of the company and management has clearly defined categories and product extensions.

Market share gains (in Chyawanprash and honey) plus introduction of new products (such as tulsi drop, haldi drop, giloy juice Ashwagandha juice) in healthcare and immunity space has proved management's ability to adapt as per situation and deliver quickly.

In case of Oral care the company already has been doing well and gaining market share. In case of shampoo, skin care and home-care the competitive intensity it self is low where the company has good future prospects.

Opportunity due to low penetration levels: In case of health care the market penetration is 4% and honey is at 20%

The company has also mentioned its expansion plan of Rs 5500mn spread over next 5 years.

The management will not shy-away from investing behind launches but at the same time use various cost initiatives as well appropriate measures to maintain margins.

We remain very positive on the current developments in the company and leadership under the current management.

Valuation: at CMP of Rs 534, the stock trades at 54x and 47x FY22e and FY23e EPS of Rs. 10 and Rs. 11.5 respectively. **We value the company at 50x FY23e EPS to arrive at a target price of Rs. 575. We revise our ratings from Buy to 'Buy on Dips'**

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services. D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 671 41442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 671 41446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 671 41412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 671 41449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 671 41486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 671 41441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com