

Results beat estimates on all front, company records highest every quarterly revenues and profits

- **Revenue:** grew by 16% to Rs. 27288.4mn, **Domestic Volume growth** stood at 18% v/s 5.6% YoY and 18% QoQ
- **EBITDA:** grew by 16.5% to Rs. 5741.9mn/ **Margins** stood at 21.04% v/s 20.9% YoY and 22.63% QoQ
- **PBT:** grew by 17.6% YoY to Rs. 5910.9mn
- **APAT:** grew by 19% YoY to Rs. 4921.17mn (Tax rate stood at 16.5% v/s 17.3% YoY)
- **EPS:** stood at Rs. 2.79 v/s Rs. 2.35 YoY

Expenses

- **RM to sales** stood at 49.61% v/s 49.91% YoY and 49.12% QoQ
- **A&P spends:** grew by 39% YoY to Rs. 2823.8mn/ **as a % of sales** it stood at 10.3% v/s 8.6%
- **Other expenses:** grew by 3% to Rs. 2445mn/ **as a % of sales** it stood at 9% v/s 10.1% YoY

Segmentals

- **HealthCare (39.6% of domestic sales):** grew by 28.1% to Rs. 8660mn on back of:
- **Health Supplements (28% of domestic sales):** grew by 35% to Rs. 5610mn/ **Chywanprash** and **Honey** grew in strong double digits, gained market share by 120bps and 700bps in each respectively.
- **Digestives (5% of domestic sales):** de-grew by 1% to Rs. 1000mn/ **Pudin Hara** grew in strong double digits
- **OTC & Ethicals (10% of domestic sales):** grew by 29% to Rs. 2050mn/ **OTC** grew by 34.1% on back of strong growth in Lal Tail, Honitus and Shilajit, **Ethicals** grew by 23.2% on back of strong growth in immunity related brands

Financial Summary

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21e | FY22e | FY23e |
|---------------------|--------|--------|--------|----------|----------|
| Net sales | 85,331 | 87,030 | 94,793 | 1,04,397 | 1,15,036 |
| Adjusted net profit | 15,055 | 14,955 | 16,484 | 18,148 | 20,346 |
| Free cash flow | 13,517 | 7,966 | 10,279 | 12,025 | 13,559 |
| EPS (Rs) | 8.5 | 8.5 | 9.3 | 10.3 | 11.5 |
| growth (%) | | (0.7) | 10.2 | 10.1 | 12.1 |
| P/E (x) | 60.3 | 60.7 | 55.1 | 50.0 | 44.6 |
| P/B (x) | 16.1 | 13.7 | 12.0 | 10.5 | 9.2 |
| EV/EBITDA (x) | 52.3 | 50.5 | 46.0 | 41.4 | 37.0 |
| RoCE (%) | 30.2 | 26.5 | 25.4 | 24.7 | 24.4 |
| RoE (%) | 26.7 | 22.6 | 21.7 | 20.9 | 20.5 |
| Dividend yield (%) | 0.4 | 0.5 | 0.5 | 0.7 | 0.8 |

Source: Company

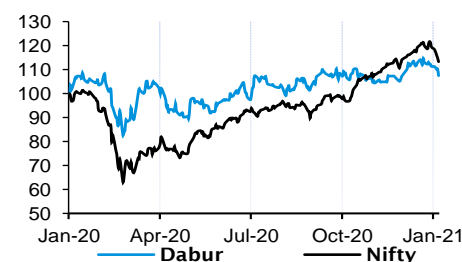
| | | |
|------------|------------|-----------|
| Rating | TP (Rs) | Up/Dn (%) |
| BUY | 575 | 12 |

Market data

| | | |
|----------------------|-----------|------------|
| Current price | Rs | 515 |
| Market Cap (Rs.Bn) | (Rs Bn) | 909 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 12471 |
| Face Value | Rs | 1 |
| 52 Weeks High/Low | Rs | 552/385 |
| Average Daily Volume | ('000) | 2453 |
| BSE Code | | 500096 |
| Bloomberg | | DABUR:IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Dec-20 | Sep-20 |
|----------------|------------|------------|
| Promoters | 67.87 | 67.87 |
| Public | 32.13 | 32.13 |
| Others | 0.00 | 0.00 |
| Total | 100 | 100 |

Source: BSE

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Segmental continued

- **Home & Personal Care (45.1% of domestic sales):** grew by 15.9% to Rs. 8900mn on back of:
- **Oral Care (17% of domestic sales):** grew by 28% to Rs. 3330mn on back of red toothpaste, Meswak & Babool (double digit growth)/ Toothpaste market share improved by 120bps
- **Hair Care (18% of domestic sales):** grew by 14% to Rs. 3520mn/ **Hair Oils** grew by 11.6% on back of double-digit growth in perfumed oils, Increased market share by 20bps in hair oils, **Shampoo** grew by 27.1% and increased market share by 20bps
- **Home Care (5% of domestic sales):** de-grew by 1% to Rs. 1060mn. Market share gain of 210bps witnessed in Odonil, Odomos' gained 250bps
- **Skin & Salon (5% of domestic sales):** grew by 9.1% to Rs. 990mn
- **Foods (10.9% of domestic sales):** grew by 4.7% to Rs. 2150mn, **Beverages** grew by 4%, gained market share by 20bps in Real brand. **Culinary** grew by 16%
- **International Business (25.21% of Overall Revenues):** grew by 12% in INR terms (14.1% in C.C terms) to Rs. 6880mn on back of 33% cc growth in Hobi, and double-digit growth in most other geographies.

Foods segment has shown positive growth after 7 quarters of de-growth

Conference Call Key Takeaways

- **Revenue growth:** Domestic growth (72% of sales) at 19% with underlying volume growth at 18.1%. International revenues (25.21% of sales) grew at 12%.
- **Oral Care Category:** overall growth at 9% in value terms and 3% in volume terms, with herbal and naturals (30% of overall category) growing at 13-14% currently.
- **Oral Care, Dabur:** is more dominant on E-Commerce channel as compared to Modern Trade others. Disruption due to Covid-19 thus was less for the company which helped them gain market share
- **Red Portfolio:** in oral care contributes about 70% which grew at 30% and balance 30% which is from other brands (Babool, Meswaak, Dandth Manjan etc) grew at 20% in Q3FY21
- **Chyawanprash:** grew in strong double digits this quarter on a high base. Company did not see any moderation in sales despite reducing Covid-19 fears but does expect 'exponential growth phase' to end and moderate going forward. Company has 60%+ market share in a market size of Rs. 10bn+
- **Honey:** no impact of the recent news on adulterated honey and rather have managed to gain market share by 700bps. Company has ~ 40% market share in a market size of Rs. 15bn. Currently, penetration in India is at 25%, but company expects growth to moderate as usage of honey as an ingredient in medicines for immunity reduces.
- **Digestives:** Hajmola, which is the largest contributor de-grew by 15% YoY but has seen sequential improvement QoQ as mobility increases. In Q2, it de-grew by 50%. Company has plans to introduce more SKU's in terms of flavor as well as introduce extensions into namkeens and other savory sweets.

Volume growth in:
Q1: (-)9.7%, Q2: 16.8%, Q3: 18%

Chyawanprash sales grew by
Q1: 6.9x, Q2: 2x, Q3: double digit

Honey sales grew by
Q1: 60%, Q2: double digit, Q3: double digit

- **New Product Developments:** introduced in last 9 months have performed well and now contribute 6% to sales. This contribution will remain at the same level going forward
- **E-Commerce:** continued its high growth momentum, growing at 150% and now contributes 6% to revenues
- **RM Inflation:** seen in their key basket (Agri commodities, packaging material etc.). Company will look at price increases to pass on the inflation to consumers.
- **Ad-spends:** company maintains its stance on increasing it to 11% of sales from 8.7% in 9MFY21. This will be gradual, and any savings will be invested as a measure to balance margins going forward.
- **Reach:** Direct reach is currently at 1.4mn outlets and will meet their target of 1.5mn by FY21. In terms of Ethical portfolio, they reach 75000 chemists currently and in OTC portfolio they reach 225,000 chemists currently
- **Cost savings:** of Rs. 1.5bn identified as part of Project Samridhi. Rs. 500mn will be realized in FY21 and balance in FY22e. As mentioned, these savings will be used behind Ad and promotional spends.

Quarterly Performance Analysis

Exhibit 1

| Particulars | Q3FY20 | Q3FY21 | YoY (%) | 9MFY20 | 9MFY21 | YoY (%) |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| Revenue | 23530 | 27288 | 16% | 68382 | 72249 | 6% |
| Other Income | 745 | 809 | 9% | 2295 | 2403 | 5% |
| Total | 24274 | 28098 | 16% | 70678 | 74652 | 6% |
| Raw Material Cost | 11745 | 13537 | 15% | 34106 | 35912 | 5% |
| % of sales | 49.9% | 49.6% | | 49.9% | 49.7% | |
| Gross Profit | 11785 | 13751 | 17% | 34276 | 36337 | 6% |
| GPM | 50.1% | 50.4% | | 50.1% | 50.3% | |
| Employee Benefit expense | 2448 | 2740 | 12% | 7177 | 7651 | 7% |
| Other expenses | 2374 | 2445 | 3% | 7201 | 6782 | |
| Advertisement expense | 2035 | 2824 | 39% | 5498 | 6302 | 15% |
| Total | 18601 | 21547 | 16% | 53981 | 56647 | 5% |
| Operating Profit | 4929 | 5742 | 16% | 14401 | 15602 | 8% |
| OPM | 20.9% | 21.0% | | 21.1% | 21.6% | |
| Depreciation | 544 | 572 | 5% | 1616 | 1735 | 7% |
| EBIT | 5130 | 5980 | 17% | 15080 | 16270 | 8% |
| Finance Cost | 105 | 69 | | 410 | 222 | |
| PBT, share of associate and exceptional item | 5025 | 5911 | 18% | 14670 | 16048 | 9% |
| exceptional item | 200 | 0 | | 800 | 0 | |
| share of associate and JV | (2) | 0 | | 4 | (3) | |
| PBT | 4826 | 5911 | 22% | 13866 | 16051 | 16% |
| Taxes | 835 | 975 | | 2211 | 2867 | |
| Tax rate | 17% | 16% | | 16% | 18% | |
| PAT reported | 3992 | 4936 | 24% | 11656 | 13184 | 13% |
| Minority Interest | 12 | 15 | | 25 | 22 | |
| NPAT | 3980 | 4921 | 24% | 11630 | 13162 | 13% |
| Adjusted PAT | 4145 | 4921 | 19% | 12304 | 13161 | 7% |
| EPS on adjusted PAT | 2.35 | 2.79 | 18.7% | 6.97 | 7.45 | 7.0% |

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Outlook: Dabur has consistently grown above 15% in volume terms for the past two quarters. Q3FY21 has seen a tremendous recovery and growth in Out of Home segments such as Hair Oils and Juices. We believe, the company is on the correct path to invest behind NPD's as extensions to their Core Portfolio (eight core brands) which will lead to increase Ad-spends in the short term but benefits will far out-weigh in the long term. **We remain very positive on the current developments in the company and leadership under the current management.**

Valuation: on CMP, the stock trades at 50x and 44.6x FY22e and FY23e EPS of Rs. 10.3 and Rs. 11.5 respectively. **We value the company at 50x FY23e EPS to arrive at a target price of Rs. 575. We maintain BUY.**

Financial

| P&L (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E | Cash Flow St. (Rs. mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------------|---------------|---------------|-----------------|-----------------|-----------------|----------------------------------|-----------------|----------------|-----------------|----------------|----------------|
| Net Sales | 85,331 | 87,030 | 94,793 | 1,04,397 | 1,15,036 | Net Profit | 14,463 | 14,473 | 16,513 | 18,180 | 20,380 |
| | | | | | | Add: Depreciation | 1,769 | 2,205 | 2,413 | 2,621 | 2,830 |
| | | | | | | Minority Interest | (39) | (27) | (29) | (32) | (34) |
| Cost of sales | 67,935 | 69,112 | 75,202 | 82,859 | 91,270 | Cash profits | 16,192 | 16,651 | 18,897 | 20,769 | 23,175 |
| | | | | | | (Inc)/Dec in | | | | | |
| Operating Profit | 17,396 | 17,918 | 19,591 | 21,537 | 23,766 | -Sundry debtors | (1,275) | 197 | (1,030) | (926) | (1,056) |
| Depreciation | 1,769 | 2,205 | 2,413 | 2,621 | 2,830 | -Inventories | (444) | (790) | (1,209) | (1,516) | (1,727) |
| PBIT | 15,627 | 15,713 | 17,178 | 18,916 | 20,937 | -Loans/advances | 194 | (91) | (40) | (44) | (49) |
| Other income | 2,962 | 3,053 | 3,251 | 3,552 | 4,200 | CL & provisions | 1,955 | 11 | 1,526 | 1,947 | 2,131 |
| Interest | 596 | 495 | 290 | 297 | 283 | '- Other Assets | (463) | (5,568) | 2,987 | (571) | (626) |
| Profit before tax | 17,993 | 18,271 | 20,138 | 22,171 | 24,854 | Change in working capital | (32) | (6,242) | 2,234 | (1,111) | (1,326) |
| Exceptional items | 753 | 1,000 | - | - | - | CF from Oper. activities | 16,160 | 10,408 | 21,131 | 19,658 | 21,849 |
| share of profit/loss in JV | 10 | (0) | (0) | (0) | (0) | | | | | | |
| PBT (Post Extra Ordinary) | 17,249 | 17,271 | 20,138 | 22,171 | 24,854 | CF from Inv. activities | 3,080 | (284) | (10,096) | (3,000) | (3,000) |
| Provision for tax | 2,786 | 2,797 | 3,625 | 3,991 | 4,474 | | | | | | |
| Reported PAT | 14,463 | 14,473 | 16,513 | 18,180 | 20,380 | CF from Fin. activities | (19,028) | (5,283) | (6,795) | (7,428) | (8,304) |
| MI | 39 | 27 | 29 | 32 | 34 | | | | | | |
| Adjusted PAT | 15,055 | 14,955 | 16,484 | 18,148 | 20,346 | Cash generated/(utilised) | 212 | 4,841 | 4,240 | 9,231 | 10,545 |
| | | | | | | Cash at start of the year | 3,061 | 3,273 | 8,114 | 12,354 | 21,585 |
| | | | | | | Cash at end of the year | 3,273 | 8,114 | 12,354 | 21,585 | 32,129 |
| | | | | | | | 3,273 | 8,114 | 12,354 | 21,585 | 32,129 |
| Balance Sheet | FY19 | FY20 | FY21E | FY22E | FY22E | Ratios | FY19 | FY20 | FY21E | FY22E | FY23E |
| Equity capital | 1,766 | 1,767 | 1,767 | 1,767 | 1,767 | OPM | 20 | 21 | 21 | 21 | 21 |
| Reserves | 54,551 | 64,290 | 74,181 | 85,070 | 97,277 | NPM | 17 | 17 | 17 | 17 | 17 |
| Net worth | 56,317 | 66,058 | 75,948 | 86,837 | 99,044 | Tax rate | 15 | 15 | 18 | 18 | 18 |
| Minority Interest | 314 | 365 | 394 | 426 | 460 | | | | | | |
| Non Current Liabilities | 1,133 | 2,479 | 2,239 | 2,058 | 1,878 | Growth Ratios (%) | | | | | |
| | | | | | | Net Sales | 11 | 2 | 9 | 10 | 10 |
| Current Liabilities | 26,603 | 24,639 | 26,174 | 28,102 | 30,213 | Operating Profit | 8 | 3 | 9 | 10 | 10 |
| | | | | | | PBIT before other income | 7 | 1 | 9 | 10 | 11 |
| CAPITAL EMPLOYED | 84,366 | 93,540 | 1,04,755 | 1,17,423 | 1,31,596 | PAT | 10 | (1) | 10 | 10 | 12 |
| | | | | | | | | | | | |
| Non Current Assets | 48,513 | 44,738 | 57,904 | 58,369 | 58,631 | Per Share (Rs.) | | | | | |
| | | | | | | Net Earnings (EPS) | 9 | 8 | 9 | 10 | 12 |
| Fixed Assets | 16,447 | 20,117 | 20,704 | 21,083 | 21,254 | Cash Earnings (CPS) | 8 | 7 | 8 | 9 | 10 |
| Non Current Investments | 26,334 | 14,092 | 30,100 | 30,100 | 30,100 | Dividend | 2 | 3 | 3 | 4 | 4 |
| Non Current tax assets | 9 | 231 | 11 | 11 | 11 | Book Value | 32 | 37 | 43 | 49 | 56 |
| Long Term Loans and Advances | 176 | 246 | 274 | 304 | 337 | Free Cash Flow | 11 | 6 | 6 | 9 | 11 |
| Other NON Current Assets | 1,667 | 6,175 | 2,939 | 2,995 | 3,053 | | | | | | |
| Goodwill | 3,361 | 3,360 | 3,360 | 3,360 | 3,360 | | | | | | |
| Investment property | 521 | 516 | 516 | 516 | 516 | | | | | | |
| Current Assets | 35,853 | 48,803 | 46,851 | 59,054 | 72,965 | Valuation Ratios | | | | | |
| Current investments | 7,254 | 13,910 | 4,998 | 4,998 | 4,998 | P/E(x) | 60 | 61 | 55 | 50 | 45 |
| Inventories | 13,005 | 13,796 | 15,004 | 16,520 | 18,248 | P/B(x) | 16 | 14 | 12 | 10 | 9 |
| Trade Receivables | 8,336 | 8,139 | 9,169 | 10,095 | 11,151 | EV/EBIDTA(x) | 52 | 51 | 46 | 41 | 37 |
| Cash and Bank Balances | 3,273 | 8,114 | 12,354 | 21,585 | 32,129 | Div. Yield(%) | 0 | 1 | 1 | 1 | 1 |
| Short Term Loans and Advances | 110 | 131 | 144 | 158 | 174 | FCF Yield(%) | 2 | 1 | 1 | 2 | 2 |
| Other Current Assets | 3,875 | 4,713 | 5,182 | 5,698 | 6,265 | | | | | | |
| | | | | | | Return Ratios (%) | | | | | |
| CAPITAL DEPLOYED | 84,366 | 93,540 | 1,04,755 | 1,17,423 | 1,31,596 | ROE | 27% | 23% | 22% | 21% | 21% |
| | | | | | | ROCE | 30% | 27% | 25% | 25% | 24% |

Source: Dalal & Broacha Research

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