

Health, immunity, ayurveda trends to continue...

Dabur India (DIL) reported 25.3% revenue growth in Q4 on account of de-growth in the base quarter with lockdown imposed in the last 10 days of the March quarter. Domestic sales grew 30.3% whereas international business saw 19.4% revenue growth. India business volume growth was 25.4%. All categories saw robust growth. Health supplements (Chyawanprash, Honey) sales grew 17.7% despite it being off-season for the products. OTC & Ethical continued the growth momentum with 34% & 39.1% growth, respectively. Oral care grew 42.1% with red toothpaste gaining market share. Similarly, hair oil, shampoos, Digestives also saw strong growth of 24.6%, 33.4% & 20%, respectively, largely on the back of increased out of home activity. Foods segment, which was significantly impacted in the corresponding quarter, saw 36.1% growth. With firm agri commodity prices & rising crude based derivative, gross margins increased 35 bps. We believe the company has taken select price increase to pass on rising commodity costs. Given 78 bps savings in overhead spends, 85 bps savings in employee spends & 126 bps increase in advertisement spends, the company was able to maintain its operating margins at 18.9%. Operating profit increased 25.6%. PAT was up 34% to ₹ 377.3 crore on the back of strong growth in operating profit, stable taxation and higher other income.

Aggressive launches to drive growth

The company launched several new products last year to leverage the tailwinds of health, immunity & Ayurveda consumption tailwind. Further, it launched many products only on e-commerce channel as a pilot launch. The e-commerce channel has seen 100% growth in FY21 and is now contributing ~6% to the topline. We believe the second wave of the pandemic would further drive immunity boosting products, which would continue the growth momentum in health supplements, OTC & ethical portfolio. Further, we believe oral care category is witnessing a huge shift towards naturals & Ayurveda products. Hence, DIL would be able to gain significant market share in the medium term. We expect 11.7% CAGR revenue in FY21-23E.

Sustainable margins amid raw material cost pressure

The quarter has seen a sharp increase in crude based raw material, palm oil & other agri commodities. However, we believe DIL has the ability to pass on increasing raw material cost through judicious price hikes. Further, the company has been able to rationalise some cost in the last one year, which could be permanent cost savings. We expect a 90 bps improvement in operating margins to 21.8% in FY23E despite expected increase in advertisement spends.

Valuation & Outlook

DIL has been able to grow revenue by 10% in a challenging year. We believe health & immunity related tailwinds & related new product and increasing direct & rural distribution network (1.4 million outlets & 80000 villages) would help drive growth for the company. We expect 12.8% earnings CAGR in FY21-23E and maintain our **BUY** rating and TP of ₹ 620/share.



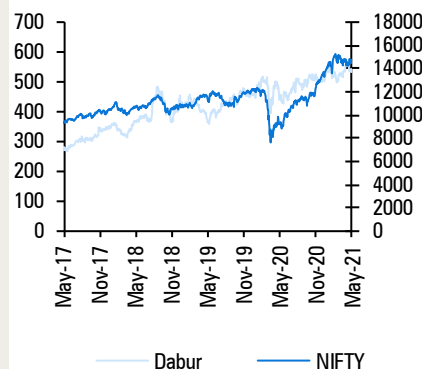
Particulars

Particular (₹ crore)	Amount
Market Capitalization	93,972.8
Total Debt (FY21)	726.3
Cash and Investments (FY21)	5,477.4
EV	89,221.6
52 week H/L (₹)	581 / 421
Equity capital	176.6
Face value (₹)	1.0

Key Risk

- Any steep increase in raw material prices could impact operating margins negatively, going forward
- Extended regional lockdowns can adversely impact juices & other out of home consuming category adversely for second consecutive year

Price Performance



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Key Financial Summary

Key Financials	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	8533.1	8703.6	9561.7	10831.2	11921.7	11.7%
EBITDA	1739.6	1792.4	2002.7	2340.6	2597.4	13.9%
EBITDA Margin %	20.4	20.6	20.9	21.6	21.8	
Net Profit	1446.3	1447.9	1694.9	1934.3	2157.5	12.8%
EPS (₹)	8.2	8.2	9.6	10.9	12.2	12.8%
P/E	65.3	65.3	55.8	48.9	43.8	
RoNW %	25.7	21.9	22.1	22.9	23.2	
RoCE (%)	29.6	26.1	24.5	26.5	27.1	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Net Sales	2,336.8	2,520.3	1,865.4	25.3	2,728.8	-14.4	Net sales saw strong growth of 25.3% on the back of sharp sales decline in base quarter
Raw Material Expenses	1,197.8	1,286.3	949.6	26.1	1,353.7	-11.5	Though the company has taken price hikes to pass on the cost inflation, gross margins contracted 35 bps
Employee Expenses	268.4	263.0	230.1	16.6	274.0	-2.1	
SG&A Expenses	154.2	227.4	100.2	53.8	282.4	-45.4	Marketing spends increased sharply as the company saw many new products launched in the last one year
Other operating Expenses	274.0	223.2	233.2	17.5	244.5	12.1	
EBITDA	442.5	520.4	352.3	25.6	574.2	-22.9	
EBITDA Margin (%)	18.9	20.6	18.9	5 bps	21.0	-211 bps	The company was able to maintain its operating margins on account of savings in employee & overhead spends
Depreciation	66.6	53.4	58.8	13.2	57.2	16.5	
Interest	8.6	8.0	8.6	0.8	6.9	25.8	
Other Income	85.0	71.1	75.8	12.2	80.9	5.0	
Exceptional items	0.0	0.0	20.0	N.A.	0.0	N.A.	
PBT	452.2	530.0	340.6	32.8	591.1	-23.5	
Tax Outgo	74.4	97.6	58.7	26.8	97.5	-23.7	
PAT	377.3	432.5	281.6	34.0	493.6	-23.6	Net profit grew 34% on the back of strong operating profit growth, stable interest & tax provisioning
Key Metrics YoY growth (%)							
Domestic Volume Growth	25,4		14.6		18.1		Strong domestic volume growth on the back of volume decline in base quarter
Standalone sales growth	30.3		17.1		10.1		
Subsidiary's sales growth	13.0		2.1		10.0		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% change	Old	New	% change	
Sales	10,831.2	10,831.2	0.0	11,921.7	11,921.7	0.0	No change in our estimates
EBITDA	2340.6	2340.6	0.0	2,597.4	2597.37	0.0	
EBITDA Margin (%)	21.6	21.6	0 bps	21.8	21.7869	0 bps	
PAT	1944.7	1934.3	-0.5	2,167.3	2157.47	-0.5	
EPS (₹)	11.0	10.9	-0.5	12.3	12.2	-0.5	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current					Earlier		Comments
	FY19	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Std. Sales (₹ crore)	6,273.2	6,309.8	7,184.7	8,218.3	9,047.5	8,218.3	9,047.5	No change in our estimates
Subs. Sales (₹ crore)	2,259.9	2,393.8	2,376.9	2,612.9	2,874.2	2,612.9	2,874.2	
RM exp. To sales %	50.5	50.1	50.1	50.1	50.2	50.1	50.2	
Adex to sales %	7.1	8.0	8.2	8.5	9.1	8.5	9.1	
Interest Cost (₹ crore)	59.6	49.5	30.8	68.6	68.6	40.2	40.2	

Source: Company, ICICI Direct Research

Conference Call Highlights

- DIL has seen strong growth of 25.3% in consolidated revenues led by 30.3% growth in domestic business & 19.4% growth in the international business. India business volume growth was 25.4%. The growth can be largely attributed to low base quarter impacted by lockdown in last ten days of March 2020. Despite that, growth numbers were below expectation mainly due to rationalisation in channel inventory levels
- During the year, health & immunity boosting products saw stupendous growth. Health supplements, oral care, OTC & ethical categories witnessed 42.5%, 23.2% & 30.6% sales growth, respectively, whereas hair care grew 1.8% with manufacturing & supply chain disruption for two months during lockdown. Digestives & foods (largely Real juices) also saw muted sales with growth of 1.8% & de-growth of 5.7% in FY21
- In Q4FY21, health supplements saw 17.7% growth despite being an off-season. The company gained market share in Chyawanprash & Honey categories by 170 bps & 230 bps, respectively. Digestives business saw 20% growth with increase in out of home activity in Q4. Pudin Hara saw double digit growth. OTC business witnessed 34% growth driven by Lal Tail. The new launches like Dabur health drops, Health Juices & other immunity boosting products aid the growth. Ethical business saw 39.1% growth on the back of distribution expansion
- Oral care category saw 42.1% growth on the back of Red toothpaste continuing the growth momentum. Babool & Meswak brands saw double digit growth. The company gained market share in toothpaste category by 120 bps. Hair oil & shampoos category saw 24.6% & 33.4% growth, respectively, led by new launches in the last one year. DIL gained market share by 70 bps in both categories. Home care segment saw 24.3% sales growth led by Odonil with market share gains of 90 bps. Skin & saloon products saw 37.9% growth in Q4
- Within foods & beverage category, beverage (real) saw growth of 27.1% with HORECA segment growing strongly after increase in out of home activity. Market share in Juices, nectar & still drinks increased 80 bps. The other brand 'Homemade' saw strong 36.1% growth aided by new launches in last one year
- International business growth was led by 46.7% growth in Bangladesh, 24.1%, 21.9% & 22% growth in MENA, Egypt & SSA markets. Nepal also saw 21.4% growth during the quarter. Namaste (US) saw 11.6% growth whereas Hobi witnessed flattish sales in Q4
- The channel inventory levels rationalised from 25 days to 17 days given the company is implementing inventory level ERP systems. The e-commerce channel witnessed growth of ~100% and is now contributing ~6% to sales. The company is in the process of increasing its direct distribution reach to 1.4 million outlets and rural reach to 80000 villages. This would aid growth by increasing the penetration of new products in the hinterlands
- New products are likely to contribute 4-5% to sales and the company would continue to introduce newer products across segments in future as well. It would be increasing its advertisement spends to support new launches
- The localised & regional lockdowns can have similar adverse impact with low extend given manufacturing is not greatly impacted in second wave of pandemic
- The company announced a final dividend of ₹ 3.0 / share. This along with interim dividend totals to ₹ 4.75/share. The total dividend amounts to ₹ 839.5 crore

Key Metrics

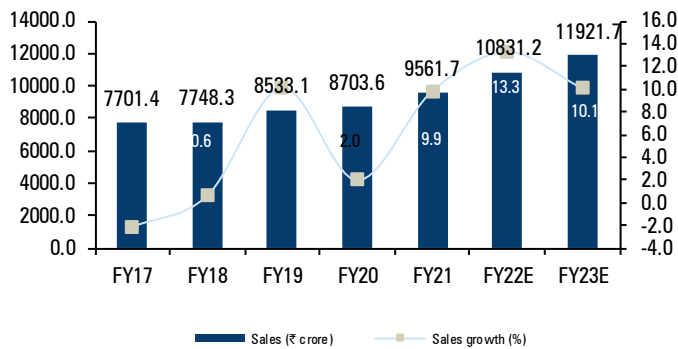
Exhibit 4: Category wise revenue growth in percentage (YoY)

	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Hair Care	8.8*	18.8*	11.1*	24*	3*	12.1*	2.6*	0.4*	-20.2	-22.9	-2.4	13.7	24.6
Oral Care	11.0	17.3	3.9	10.0	8.2	11.4	4.4	8.5	-15.8	1.4	24.2	28.0	42.1
Health Supp.	14.0	27.5	12.3	13.8	10.2	19.6	14.4	12.2	-9.5	52.6	70.8	34.7	17.7
Digestives	7.2	21.6	10.8	22.5	11.9	18.2	10.2	15.9	-9.5	-11.5	2.5	-0.3	20.0
Skin Care	8.5	27.1	11.9	19.3	11.2	12.1	1.0	-0.3	-24.2	-12.5	38.1	9.1	37.9
Home Care	N.A.	17.4	10.9	8.9	16.2	10.9	7.0	2.5	-20.6	-30.5	-10.2	-1.0	24.3
Foods	-1.5	N.A.	2.3	11.1	-6.5	1.5	-5.0	-1.7	-18.4	-34.4	-3.8	4.7	36.1
OTC	7.8	13.3	10.0	17.7	16.6	13.1	4.2	5.5	-20.6	34.4	56.1	34.1	34.0
Ethicals	10.3	23.4	6.1	17.4	9.7	15.9	7.2	2.7	-20.6	10.7	26.4	23.2	39.1

Source: Company, ICICI Direct Research

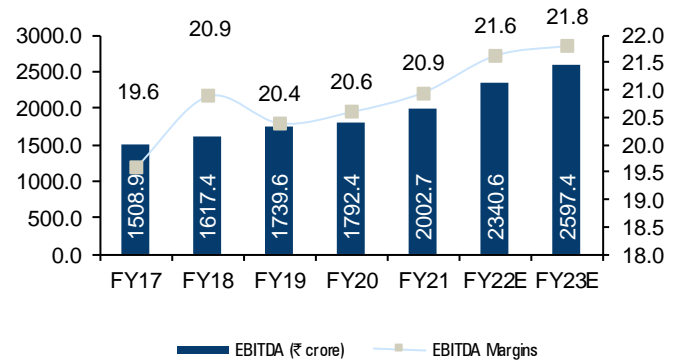
* Hair care included Shampoo

Exhibit 5: Strong revenue growth momentum to continue



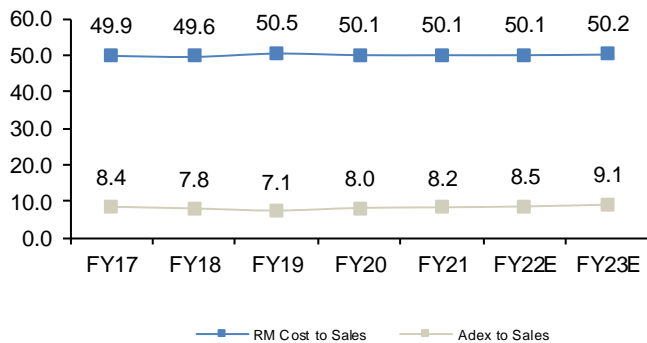
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA margin to remain stable



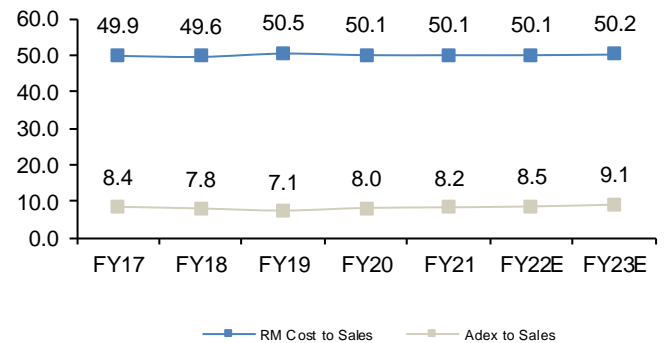
Source: ICICI Direct Research, Company

Exhibit 7: Raw material and adex trend over years



Source: Company, ICICI Direct Research

Exhibit 8: PAT growth trend



Source: Company, ICICI Direct Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	8703.6	2.0	8.2	0.1	65.3	52.2	21.9	26.1
FY21	9561.7	9.9	9.6	17.1	55.8	46.8	22.1	24.5
FY22E	10831.2	13.3	10.9	14.1	48.9	40.1	22.9	26.5
FY23E	11921.7	10.1	12.2	11.5	43.8	36.1	23.2	27.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Net Sales	8,703.6	9,561.7	10,831.2	11,921.7
Growth (%)	2.0	9.9	13.3	10.1
Raw Material Expenses	4,360.2	4,789.0	5,425.3	5,990.1
Employee Expenses	947.7	1,033.5	1,104.8	1,216.0
Marketing Expenses	650.0	784.4	920.6	985.6
Administrative Expenses	0.0	0.0	725.7	774.9
Other expenses	953.3	952.2	314.1	357.7
Total Operating Expenditure	6,911.2	7,559.0	8,490.5	9,324.3
EBITDA	1,792.4	2,002.7	2,340.6	2,597.4
Growth (%)	3.0	11.7	16.9	11.0
Depreciation	220.5	240.1	240.2	240.2
Interest	49.5	30.8	68.6	68.6
Other Income	305.3	325.3	341.6	358.6
PBT	1,727.7	2,057.0	2,373.4	2,647.2
Others	100.0	0.0	0.0	0.0
Total Tax	279.7	361.1	439.1	489.7
PAT	1,447.9	1,694.9	1,934.3	2,157.5
Growth (%)	0.1	17.1	14.1	11.5
Adjusted EPS (₹)	8.2	9.6	10.9	12.2

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	176.7	176.7	176.7	176.7
Reserve and Surplus	6,429.0	7,486.8	8,272.5	9,104.6
Total Shareholders funds	6,605.8	7,663.5	8,449.2	9,281.3
Long Term Loans	167.6	483.3	383.3	333.3
Long Term Provisions	17.4	15.3	15.3	15.3
Minority Interest / Others	99.4	100.0	100.0	100.0
Total Liabilities	6,890.1	8,262.0	8,947.7	9,729.9
Assets				
Gross Block	3,696.5	3,926.9	4,176.9	4,426.9
Less: Acc Depreciation	1,443.8	1,684.0	1,924.1	2,164.3
Net Block	2,252.7	2,242.9	2,252.7	2,262.6
Capital WIP	146.6	158.6	178.6	198.6
Non- Current Investments	1,409.2	3,402.4	3,702.4	4,002.4
LT loans & advances	24.6	22.5	72.5	122.5
Other Non-current Assets	640.6	244.9	294.9	344.9
Current Assets				
Inventory	1,379.6	1,734.3	1,624.7	1,788.3
Debtors	813.9	561.6	1,022.9	1,125.9
Cash & Bank	811.4	1,329.0	863.6	842.7
ST Loans & Advances	13.1	14.5	14.0	15.4
Other Current Assets	1,862.4	1,136.6	1,506.6	1,876.6
Current Liabilities				
Creditors	1,482.2	1,915.3	1,835.3	2,020.1
ST Borrowings	304.2	243.0	263.0	283.0
Other CL	677.5	426.8	486.8	546.8
Net Current Assets	2,416.4	2,190.9	2,446.8	2,799.1
Miscellaneous Expenditure	0.0	0.0	0.0	0.0
Total Assets	6,890.1	8,262.1	8,947.8	9,729.9

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit before Tax	1,727.6	2,056.0	2,373.4	2,647.2
Add: Depreciation	220.5	240.1	240.2	240.2
(Inc)/dec in Current Assets	-157.2	-26.7	-721.3	-638.0
Inc/(dec) in CL and Provisions	99.3	415.0	0.0	264.8
Others	-276.5	-569.8	-370.4	-421.1
CF from operating activities	1,613.6	2,114.7	1,521.8	2,093.1
(Inc)/dec in Investments	-364.6	-1,099.5	-350.0	-350.0
(Inc)/dec in Fixed Assets	-400.5	-306.3	-270.0	-270.0
Others	248.2	0.0	0.0	0.0
CF from investing activities	-516.8	-1,405.8	-620.0	-620.0
Issue/(Buy back) of Equity	0.1	36.9	0.0	0.0
Inc/(dec) in loan funds	-396.8	-631.0	-150.0	-100.0
Dividend paid & dividend tax	-512.5	0.0	-1,148.6	-1,325.3
Others	-133.8	0.0	-68.6	-68.6
CF from financing activities	-1,043.0	-613.4	-1,367.2	-1,494.0
Net Cash flow	53.8	95.5	-465.4	-20.9
Opening Cash	37.7	91.8	241.2	-224.2
Miscellaneous adjustments	719.8	1,141.8	1,087.8	1,087.8
Closing Cash	811.4	1,329.0	863.6	842.7

*calculated, Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS	8.2	9.6	10.9	12.2
Cash EPS	9.4	11.0	12.3	13.6
BV	37.4	43.4	47.8	52.5
DPS	2.9	4.8	6.5	7.5
Cash Per Share	4.6	7.5	4.9	4.8
Operating Ratios (%)				
PBITDA Margin	20.6	20.9	21.6	21.8
PBT / Total Operating income	17.5	18.1	18.8	19.2
PAT Margin	16.6	17.7	17.9	18.1
Inventory days	54	54	54	54
Debtor days	34	34	34	34
Creditor days	62	61	61	61
Return Ratios (%)				
RoE	21.9	22.1	22.9	23.2
RoCE	26.1	24.5	26.5	27.1
RoIC	28.2	26.1	26.9	27.7
Valuation Ratios (x)				
P/E	65.3	55.8	48.9	43.8
EV / EBITDA	52.2	46.8	40.1	36.1
EV / Net Sales	10.7	9.8	8.7	7.9
Market Cap / Sales	10.9	9.9	8.7	7.9
Price to Book Value	14.3	12.3	11.2	10.2
Solvency Ratios				
Debt/EBITDA	0.3	0.4	0.3	0.2
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.9	1.5	1.8	1.9
Quick Ratio	1.2	0.7	1.1	1.2

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (FMCG)

	CMP	TP	M Cap	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E
Colgate (COLPAL)	1,509	1,860	Buy	43,654	35.0	37.8	40.5	43.1	39.9	37.3	9.3	8.5	8.0	76.7	80.2	83.7	58.7	61.5	64.3
Dabur India (DABIND)	529	620	Buy	94,540	9.6	10.9	12.2	55.2	48.3	43.3	9.9	8.7	7.9	24.5	26.5	27.1	22.1	22.9	23.2
Hindustan Unilever (HINLEV)	2,413	2,715	Buy	554,458	33.9	40.5	45.0	71.3	59.6	53.6	12.2	10.6	9.8	18.9	25.6	27.7	17.1	20.0	21.6
ITC Limited (ITC)	205	245	Hold	267,970	10.7	12.8	14.1	19.2	16.1	14.5	5.8	5.1	4.7	26.3	31.0	33.1	20.1	23.7	25.3
Jyothy Lab (JYOLAB)	147	175	Hold	5,728	5.9	6.4	7.1	25.1	23.0	20.7	3.1	2.8	2.6	30.6	31.1	31.6	26.0	25.9	26.3
Marico (MARLIM)	472	490	Buy	53,027	9.3	9.6	10.7	50.8	49.0	44.1	6.6	5.9	5.3	40.3	42.5	45.5	37.0	37.4	39.7
Nestle (NESIND)	16,753	19,300	Hold	164,840	216.0	254.8	283.8	77.6	65.8	59.0	12.4	11.2	10.2	54.6	62.7	69.1	103.1	124.2	142.1
Tata Consumer Products (TAT)	629	725	Buy	57,963	10.1	12.4	14.5	62.3	50.7	43.4	5.0	4.4	4.1	8.0	9.1	10.0	6.4	7.6	8.5
VST Industries (VSTIND)	3,150	3,600	Hold	5,090	201.3	218.8	234.9	15.6	14.4	13.4	4.6	4.2	3.9	43.4	45.6	48.2	33.0	33.9	36.1
Varun Beverage (VARBEV)	998	1,200	Buy	28,955	12.5	21.2	31.1	79.6	47.0	32.1	4.5	3.7	3.1	10.9	17.4	23.4	10.3	15.4	19.1
Zydus Wellness (ZYDWEL)	2,113	2,500	Buy	12,343	19.0	60.3	71.3	111.4	35.0	29.6	6.6	5.8	5.3	6.2	7.8	9.0	5.5	8.0	9.3

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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