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Q3FY23 result review
and TP revision

Consumer Staples & Discretionary

Target price Rs650

Earnings revision

(%)	FY23E	FY24E
Sales	↓ 2.9	↓ 0.7
EBITDA	↓ 5.7	↓ 2.7
PAT	↓ 6.8	↓ 3.8

Target price revision

Rs650 from Rs670

Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	67.2	67.2	66.2
Institutional investors	24.3	24.3	28.0
MFs and others	2.8	2.5	3.0
Banks, FI's	1.3	3.1	4.5
FII's	20.2	20.2	20.5
Others	8.5	6.0	5.8

Source: BSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	42.4	42.8	0.5
Environment	21.1	22.5	1.4
Social	27.2	27.2	-
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: Bloomberg, I-sec research

INDIA


ICICI Securities

Dabur India

BUY
Maintained

Multiple headwinds led to a subdued quarter

Rs554

Dabur's revenue print (+3% YoY India, +9.5% on 3-year CAGR basis) was impacted due to (1) Healthcare segment lapping on a high base of covid, (2) downtrading in rural and late onset of winter impacting HPC segment and (3) early festive season (shift of inventory loading to Q2FY23) impacting beverages revenue. That said, management highlighted early signs of recovery in rural. Further, Healthcare business trajectory is likely to improve with high base of covid mostly over. NPDs are likely to drive growth in Foods and Beverages segments.

Gross margins were flattish QoQ as input cost inflation has moderated. However, management highlighted there is a shift in inflation with raw material basket from crude linked products to herbs. Operating margins were also maintained at 20% (flattish QoQ) by reducing ad-spends significantly (-24% YoY). Management has guided to maintain operating margins in similar range through managing ad-spends if input cost inflation continues.

We stay longstanding believers in Mohit Malhotra-led reimagining of Dabur. We like the (1) continued thrust on innovation, agility and culture change, (2) utilisation of e-commerce platform to drive new product development (premiumisation), and (3) distribution expansion and increased investment behind power brands to drive growth. Maintain BUY with a revised DCF-based TP Rs650.

► **Subdued performance across most of the segments:** Consolidated sales grew 3% YoY (9% on 3-year CAGR basis). EBITDA was down 3% YoY. There was price increase benefit of ~6%. Net profit was also down 5% YoY to Rs4.8bn. Domestic performance – revenue grew 3% YoY (9.5% on 3-year CAGR basis).

The domestic performance witnessed (1) continued performance in foods and beverages with 3-year CAGR of 15% (+6% YoY). Beverages revenue growth looks optically low due to early festive season; market share of Real fruit juice has increased by 250bps. It is now driving new launches in the foods portfolio. (2) Healthcare business witnessed growth of 3% YoY, lapping on high base of Covid-led demand, it was up 8.4% on 3-year CAGR basis, (a) market share gains continued in both chyawanprash and honey, (b) digestives grew by 11% YoY led by NPDs in Hajmola, (3) the HPC business grew by 2% YoY and was up 8.7% on 3-year CAGR basis (impacted by consumer downtrading in rural markets). Within HPC, shampoo and oral care grew (on 3-year CAGR basis) at 16.9% and 11.9%, respectively, while hair oils growth declined by ~2.4% (~70bps market share increase). Oral care growth has decelerated as expected (naturals segment gains from white toothpaste has likely peaked). Skin Care business declined by 5.6% YoY due to delayed winter impacting the portfolio.

Market Cap	Rs982bn/US\$12bn	Year to March	FY21	FY22	FY23E	FY24E
Reuters/Bloomberg	DABU.BO/DABUR IN	Net Revenue (Rs mn)	95,078	108,080	115,268	130,334
Shares Outstanding (mn)	1,771.8	Net Profit (Rs mn)	16,933	18,242	18,457	21,957
52-week Range (Rs)	604/485	Dil. EPS (Rs)	9.6	10.3	10.4	12.4
Free Float (%)	33.8	% Chg YoY	9.6	7.7	1.2	19.0
FII (%)	20.5	P/E (x)	57.9	53.7	53.1	44.6
Daily Volume (US\$'000)	14,679	CEPS (Rs)	10.9	11.7	12.0	14.1
Absolute Return 3m (%)	(0.9)	EV/EBITDA (x)	49.5	44.4	43.6	36.4
Absolute Return 12m (%)	0.4	Dividend Yield (%)	0.9	0.9	1.1	1.3
Sensex Return 3m (%)	(1.5)	RoCE (%)	18.3	16.7	15.0	16.8
Sensex Return 12m (%)	1.9	RoE (%)	23.7	22.7	21.0	22.8

Please refer to important disclosures at the end of this report

Research Analysts:

Manoj Menon

manoj.menon@icicisecurities.com
+91 22 6807 7209

Varun Singh

varun.singh@icicisecurities.com
+91 22 6807 7649

Karan Bhuwania

karan.bhuwania@icicisecurities.com
+91 22 6807 7351

Akshay Krishnan

akshay.krishnan@icicisecurities.com
+91 22 6807 7632

- ▶ **RM pressure and mix impact on margins:** Consolidated gross margin contracted 280bps YoY to 45.5% due to (1) inflationary headwinds in most inputs which was partially offset by pricing (+6%) and (2) inferior product mix (higher contribution from beverages). EBITDA margin contracted 130bps YoY to 20% with a 24% YoY cut in ad-spends. Management has highlighted that it will protect operating margins at these levels by reducing spends if required.
- ▶ **Currency movement impacts international business performance:** Revenue grew 14% YoY (constant currency growth, +5.1% on reported basis), with mixed performance across most geographies – Turkey (+97%), Egypt (+35%), SSA (+17%), and USA (Namaste was flat).
- ▶ **Valuation and risks:** We cut our earnings estimates by 7%/4% for FY23E/FY24E; modelling revenue / EBITDA / PAT CAGR of 10 / 10 / 10 (%) over FY22-24E. Maintain BUY rating with a DCF-based revised target price of Rs650 (was Rs670). Key downside risk is sustained weakness in consumption demand.

Table 1: Q3FY23 results review (consolidated)

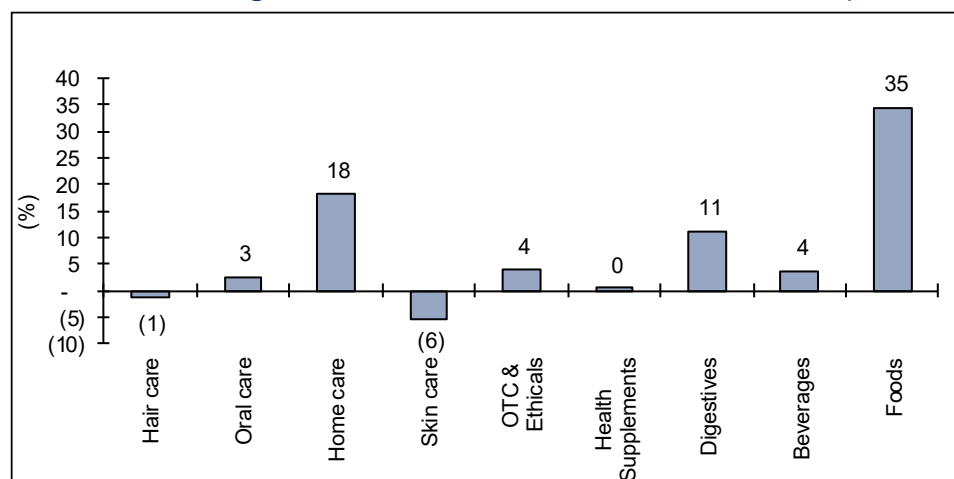
(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Net Revenue	30,432	29,418	3	29,865	2	88,521	83,709	6
COGS	(16,582)	(15,196)	9	(16,314)	2	(48,176)	(43,164)	12
Gross profit	13,850	14,222	(3)	13,551	2	40,345	40,544	(0)
Staff cost	(2,908)	(2,730)	7	(2,876)	1	(8,483)	(8,009)	6
A&SP	(1,796)	(2,371)	(24)	(1,518)	18	(4,886)	(6,276)	(22)
Other opex	(3,047)	(2,846)	7	(3,150)	(3)	(9,433)	(8,257)	14
Total opex	(7,751)	(7,947)	(2)	(7,544)	3	(22,802)	(22,542)	1
EBITDA	6,099	6,275	(3)	6,007	2	17,543	18,002	(3)
Other income	1,008	967	4	1,233	(18)	3,247	2,940	10
Finance cost	(189)	(111)	71	(151)	26	(461)	(269)	72
D&A	(709)	(632)	12	(705)	1	(2,090)	(1,878)	11
PBT	6,209	6,500	(4)	6,385	(3)	18,239	18,796	(3)
Tax	(1,435)	(1,455)	(1)	(1,473)	(3)	(4,139)	(4,310)	(4)
PAT	4,774	5,045	(5)	4,912	(3)	14,100	14,486	(3)
Minority Interest	(15)	(11)		(11)		(37)	(36)	
PAT after MI	4,759	5,033	(5)	4,901	(3)	14,063	14,450	(3)
Extraordinary items	-	-		-		-	-	
Net profit (reported)	4,759	5,033	(5)	4,901	(3)	14,063	14,450	(3)
EPS	2.7	2.8	(6)	2.8	(3)	7.9	8.2	(3)
Costs as a % of sales								
COGS	54.5	51.7	283 bps	54.6	-14 bps	54.4	51.6	285 bps
Gross margin (%)	45.5	48.3	-284 bps	45.4	13 bps	45.6	48.4	-286 bps
Staff cost	9.6	9.3	27 bps	9.6	-8 bps	9.6	9.6	1 bps
A&SP	5.9	8.1	-216 bps	5.1	82 bps	5.5	7.5	-198 bps
Other opex	10.0	9.7	33 bps	10.5	-54 bps	10.7	9.9	79 bps
EBITDA margin (%)	20.0	21.3	-129 bps	20.1	-8 bps	19.8	21.5	-169 bps
Income tax rate (%)	23.1	22.4	72 bps	23.1	4 bps	22.7	22.9	-24 bps

Source: Company data, I-Sec research

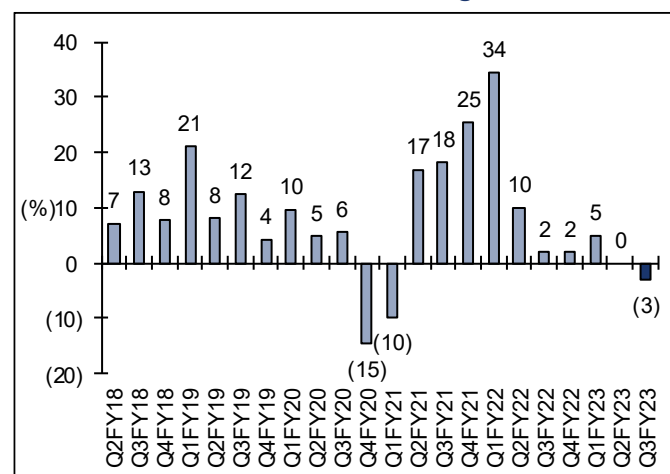
Table 2: Q3FY23 results review (standalone)

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Net Revenue	22,983	22,244	3	22,669	1	67,449	63,272	7
COGS	(12,673)	(11,841)	7	(12,777)	(1)	(37,734)	(33,579)	12
Gross profit	10,310	10,403	(1)	9,892	4	29,715	29,693	0
Staff cost	(1,896)	(1,739)	9	(1,847)	3	(5,469)	(5,009)	9
A&SP	(1,465)	(1,955)	(25)	(1,233)	19	(4,001)	(5,116)	(22)
Other opex	(1,981)	(1,842)	8	(2,087)	(5)	(6,275)	(5,523)	14
Total opex	(5,342)	(5,536)	(4)	(5,167)	3	(15,745)	(15,648)	1
EBITDA	4,968	4,867	2	4,725	5	13,971	14,044	(1)
Other income	856	811	6	1,076	(20)	2,774	2,494	11
Finance cost	(127)	(63)	101	(79)	60	(277)	(121)	129
D&A	(476)	(404)	18	(465)	2	(1,381)	(1,190)	16
PBT	5,222	5,211	0	5,256	(1)	15,087	15,227	(1)
Tax	(1,278)	(1,275)	0	(1,298)	(2)	(3,685)	(3,816)	(3)
Recurring PAT	3,943	3,936	0	3,958	(0)	11,402	11,412	(0)
Extraordinary items	-	-	-	-	-	-	-	-
Net profit (reported)	3,943	3,936	0	3,958	(0)	11,402	11,412	(0)
EPS	2.2	2.2	(0)	2.2	(0)	6.4	6.5	(0)
Costs as a % of sales								
COGS	55.1	53.2	190 bps	56.4	-123 bps	55.9	53.1	287 bps
Gross margin (%)	44.9	46.8	-191 bps	43.6	122 bps	44.1	46.9	-288 bps
Staff cost	8.2	7.8	43 bps	8.1	10 bps	8.1	7.9	19 bps
A&SP	6.4	8.8	-242 bps	5.4	93 bps	5.9	8.1	-216 bps
Other opex	8.6	8.3	34 bps	9.2	-59 bps	9.3	8.7	57 bps
EBITDA margin (%)	21.6	21.9	-27 bps	20.8	77 bps	20.7	22.2	-149 bps
Income tax rate (%)	24.5	24.5	1 bps	24.7	-23 bps	24.4	25.1	-64 bps

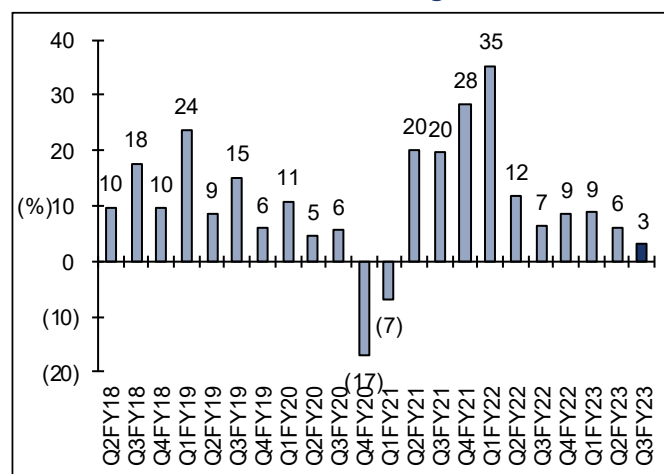
Source: Company data, I-Sec research

Chart 1: Revenue growth rates of Domestic FMCG businesses (Q3FY23)

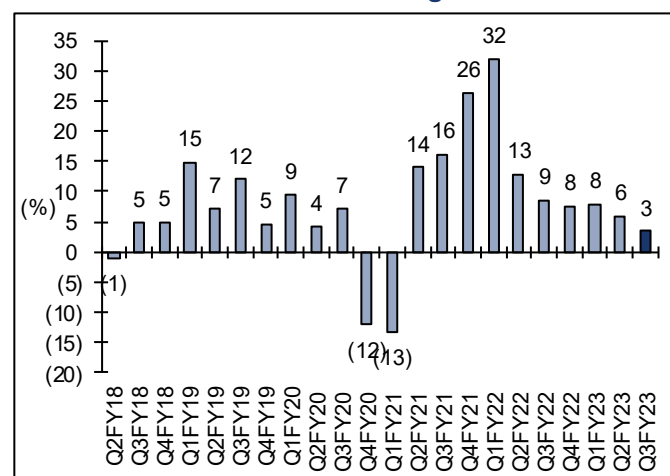
Source: Company data, I-Sec research

Chart 2: Domestic FMCG volume growth

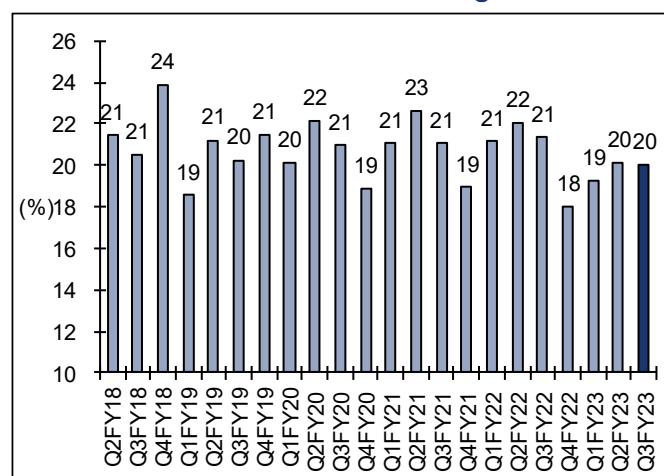
Source: Company data, I-Sec research

Chart 3: Domestic FMCG value growth

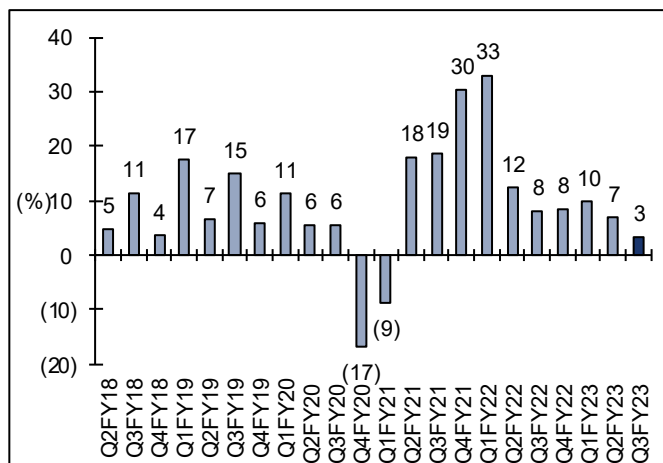
Source: Company data, I-Sec research

Chart 4: Consolidated revenue growth

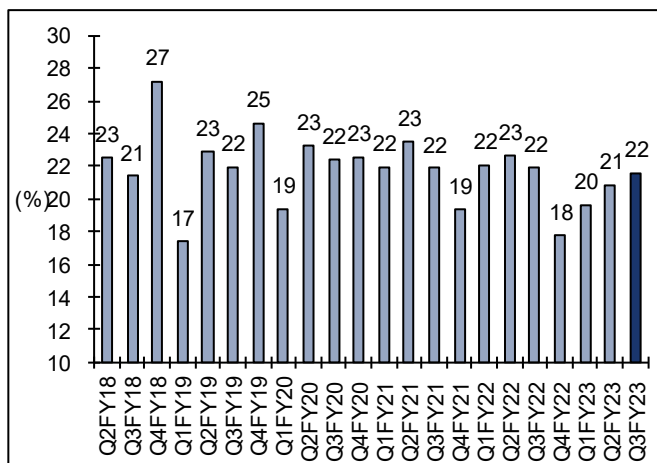
Source: Company data, I-Sec research

Chart 5: Consolidated EBITDA margin

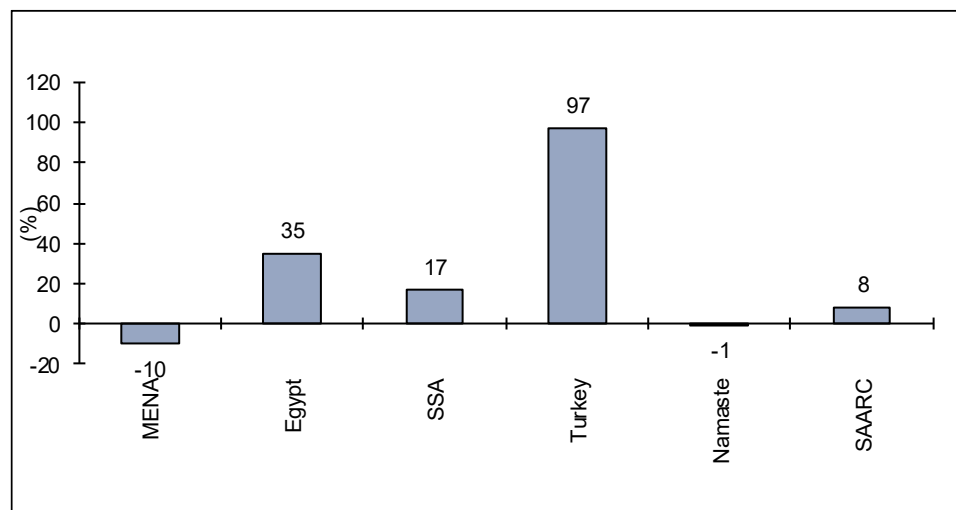
Source: Company data, I-Sec research

Chart 6: Standalone revenue growth

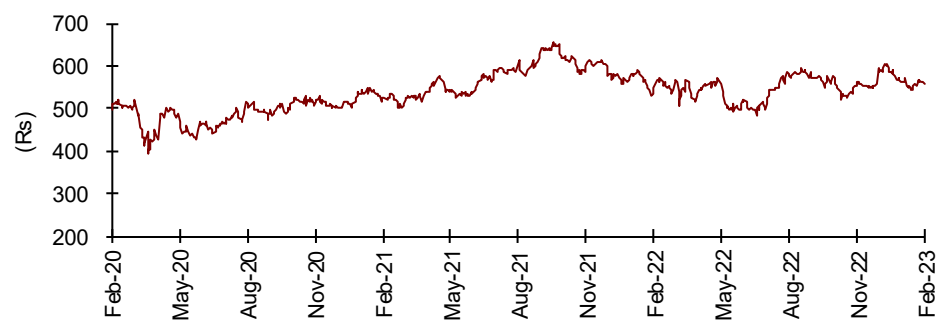
Source: Company data, I-Sec research

Chart 7: Standalone EBITDA margin

Source: Company data, I-Sec research

Chart 8: International business constant currency growth (Q3FY23)

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

Financial summary

Table 3: Profit & Loss statement

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
Net Sales	95,078	108,080	115,268	130,334
Operating Expenses	75,051	85,542	92,232	102,816
EBITDA	20,027	22,538	23,036	27,518
% margins	21.1	20.9	20.0	21.1
Depreciation & Amortisation	2,401	2,529	2,815	3,024
Gross Interest	308	386	629	600
Other Income	3,253	3,932	4,377	4,617
Recurring PBT	20,570	23,555	23,968	28,511
Less: Taxes	3,611	5,264	5,458	6,495
Less: Minority Interest	(27)	(49)	(54)	(59)
Net Income (Reported)	16,933	17,392	18,457	21,957
Extraordinaries (Net)	-	(850)	-	-
Recurring Net Income	16,933	18,242	18,457	21,957

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
Assets				
Total Current Assets	47,759	43,168	51,614	63,565
of which cash & cash eqv.	13,290	5,701	6,325	8,615
Total Current Liabilities & Provisions	25,851	26,824	27,613	31,222
Net Current Assets	21,909	16,345	24,000	32,343
Investments	36,630	54,916	55,000	55,177
Net Fixed Assets	22,429	23,079	22,784	23,495
Capital Work-in-Progress	1,473	1,675	1,675	1,675
Total Assets	82,441	96,015	103,460	112,690
Liabilities				
Borrowings	5,480	10,980	10,523	10,111
Deferred Tax Liability	(40)	816	816	816
Minority Interest	367	406	459	518
Equity Share Capital	1,767	1,768	1,768	1,768
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	74,868	82,045	89,894	99,476
Less: Misc. Exp. n.w.o.				
Net Worth	76,635	83,813	91,662	101,244
Total Liabilities	82,441	96,015	103,460	112,690

Source: Company data, I-Sec research

Table 5: Quarterly trends

(Rs mn, year ending March 31)

	Mar 22	Jun 22	Sep 22	Dec 22
Net Revenues	25,080	28,123	29,770	30,335
% growth (YoY)	7.6	8.0	5.9	3.4
EBITDA	4,536	5,437	6,007	6,099
Margin (%)	18.1	19.3	20.2	20.1
Other income	991	1,006	1,233	1,008
Extraordinaries (Net)	(850)	-	-	-
Adjusted Net profit	3,792	4,403	4,901	4,759

Source: Company data, I-Sec research

Table 6: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
Operating Cashflow	17,263	18,991	18,323	21,707
Working Capital	3,884	(968)	(1,074)	(140)
Changes				
Capital Commitments	(3,112)	(3,741)	(2,521)	(3,735)
Free Cashflow	18,035	14,282	14,728	17,833
Cashflow from Investing Activities	(14,058)	(12,755)	(4,889)	(5,801)
Issue of Share Capital	0	1	-	-
Inc (Dec) in Borrowings	(214)	4,818	(1,129)	(1,100)
Dividend paid	(5,921)	(9,723)	(10,607)	(12,375)
Chg. in Cash & Bank balance	955	364	623	2,291
Closing cash & balance	2,412	2,559	3,183	5,473

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY21	FY22	FY23E	FY24E
Per Share Data (Rs)				
EPS	9.6	10.3	10.4	12.4
Cash EPS	10.9	11.7	12.0	14.1
Dividend per share (DPS)	4.8	5.2	6.0	7.0
Book Value per share (BV)	43.4	47.4	51.8	57.3
Growth (%)				
Net Sales	10.3	13.7	6.7	13.1
EBITDA	13.9	11.5	1.9	19.7
PAT	9.6	7.7	1.2	19.0
DPS	58.3	9.5	15.4	16.7
Valuation Ratios (x)				
P/E	57.9	53.7	53.1	44.6
P/CEPS	50.7	47.2	46.1	39.2
P/BV	12.8	11.7	10.7	9.7
EV / EBITDA	49.5	44.4	43.6	36.4
EV / Sales	10.1	8.9	8.4	7.4
Operating Ratios				
Raw Material / Sales (%)	50.4	52.2	54.4	53.2
Employee cost / Sales (%)	10.9	10.0	9.9	9.8
Other exps / Sales (%)	18.3	17.7	16.5	16.7
Other Income / PBT (%)	15.8	16.7	18.3	16.2
Effective Tax Rate (%)	17.6	22.3	22.8	22.8
Working Capital (days)	11.5	8.3	11.2	10.3
Inventory Turnover (days)	66.6	64.5	64.0	63.5
Receivables (days)	21.6	21.8	22.0	21.5
Payables (days)	73.5	68.1	65.0	65.0
Net D/E (x)	(0.2)	(0.0)	(0.1)	(0.2)
Profitability Ratios (%)				
Net Income Margins	17.8	16.9	16.0	16.8
RoACE	18.3	16.7	15.0	16.8
RoAE	23.7	22.7	21.0	22.8
Dividend Payout	49.6	52.9	57.5	56.4
Dividend Yield	0.9	0.9	1.1	1.3
EBITDA Margins	21.1	20.9	20.0	21.1

Source: Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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