Dabur India Ltd.

NSE: DABUR | BSE: 500096

Equity Research Report

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Summary

Dabur India Ltd. NSE: DABUR | BSE: 50096			
Last Traded Price – NSE (₹)			538.35
Market Capitalization (₹ in Cr)			95,087.22
Shares Outstanding (in Cr)			176.74
Dividend Yield			0.56%
52-Week High (₹)			544.00
52-Week Low (₹)			386.05
Sensex / Nifty			48,782.51 / 14,347.25
Shareholding (%)	**Q4 FY20**	**Q1 FY21**	**Q2 FY21**
Promoters	67.88%	67.87%	67.87%
FII	17.43%	17.63%	18.08%
DII	7.61%	7.42%	6.90%
Public	5.42%	5.50%	5.45%
Others	1.66%	1.58%	1.63%
Total	100.00%	100.00%	100.00%
Price Performance (%)	**3M**	**6M**	**1Y**
Absolute Return	4.32%	13.54%	35.93%
Absolute NIFTY	20.25%	33.24%	17.06%
Relative Return	(15.93%)	(19.70%)	18.87%
Recommendation: BUY			
Target Price (₹)			656.00
Implied Upside			21.85%

Sector Overview

The Fast-Moving Consumer Goods (FMCG) sector is the fourth largest sector in the Indian economy. The FMCG Sector primarily is split into three main subsectors, Food & Beverages, Healthcare and Household & Personal Products.

The pandemic has had varying impacts on companies in the sector. Nationwide lockdowns disrupted supply chains which took a toll on the sector. Companies operating in the hygiene and personal care segments saw upticks in revenues. Owing to widespread stockpiling, consumer food business revenues were stable during more recent periods. Amidst heightened fears of the COVID-19 virus, many FMCG players introduced hygiene and sanitization as well as immunity-boosting products. Sector earnings received a temporary boost due to the decline in global oil prices and power costs. Players operating in the consumer discretionary products segment saw significant declines in revenues. This decline was owing to prioritised consumer spending along with a higher CPI Inflation which suppressed broad market demand and spending. With the easing of lockdown restrictions, disrupted supply chains were restored and, Q2FY21 revenues started picking up (including consumer discretionary products) causing the sector to improve significantly from the lows of Q1FY21. Many players benefitted from the low power costs and this increased profitability in the sector.

On a macroeconomic level, major indicators saw recovery from the troughs of April-May of FY21. However, there is a broad consensus among financial institutions, rating agencies, and international economic development agencies that India may see a GDP contraction north of 10% in FY21. The near-term future still seems bleak for the Indian economy.

Key Developments

Change in Consumption Trends

The pandemic has altered consumption trends significantly. Consumers spent more on Consumer-Packaged Goods and spent less on discretionary goods. The fear of the virus increased expenditure on hygiene and personal goods as well as immunity boosters. Amidst fears of a second wave and potential lockdown restrictions, this trend may continue well into H1FY22.

Agricultural Reforms

The reforms taking place in the agricultural sector might affect corporate earnings for the FMCG sector. Issues surrounding MSP and the changes in the structure of agriculture markets would affect FMCG players with significant exposure to agro-based raw materials.

Technological Disruption

FMCG businesses, traditionally, have been built-to-last with large economies of scale which may prove to be a threat to those that are not agile and resilient. According to BCG, AI-driven technology solutions will disrupt the FMCG value chain, creating new sources of competitive advantage as well as more resilient business models.

Opportunities for Growth in Emerging Markets

According to a McKinsey report, more than 50% of global private consumption in 2019-2029 is expected to come from emerging markets (predominantly APAC, China, and India). Growing mistrust of China and India's rise as an alternate manufacturing powerhouse positions the sector to exploit several growth opportunities in the emerging market segment.

Company Overview

Company History

The story of Dabur began when a small-time, but visionary, physician Dr S. K. Burman made it his life's mission to provide affordable and effective healthcare. Dr Burman undertook the task of making natural medicines to combat the deadly diseases which were prevalent at the time. The 135-year-old Ayurvedic company, promoted by the Burman family, started its operations in 1884 in the by lanes of Calcutta. He set up Dabur to produce ayurvedic medication and to reach out to the people who could not afford proper treatment.

The company ran as a family-owned business and came out with various products until 1975 when it got incorporated for the manufacture of high-grade edible and industrial guar gum powder and its various derivatives. In the year 1978, the company launched its flagship Hajmola tablet, an Ayurvedic medicine used as a digestive aid. The company was converted into a public company in the year 1986 and they launched their pharmaceutical medicines in the year 1988. After a series of other product launches, the most famous out of which is Real Fruit Juices, and tie-ups with other international companies in the early 1990s, the Burman family handed over the operations of the company to professionals in the year 1998. In the year 2003, the company demerged its pharmaceuticals business from its FMCG business. With this, the company now mainly constitutes of FMCG business that includes personal care products, healthcare products and Ayurvedic rarities, while the Pharmaceutical business includes Allopathic, Oncology preparations and Bulk Drugs. Ove the years, Dabur India has acquired and tied-up with many companies to become one of the biggest India-owned consumer products companies with the largest herbal and natural product portfolio in the world. With a market capitalization of over Rs 80000 crore, Dabur has successfully transformed itself from a family-run business to one of the biggest professionally managed enterprise in the country.

Management and Governance

Amit Burman

Chairman

Mr Amit Burman holds an MBA from the University of Cambridge. Before his MBA, he pursued his M. Sc. (Industrial Engineering) from Columbia University and B. Sc. from Lehigh University. He took charge as the CEO of Dabur Foods in 1999 and was at the position till 2007 when Dabur Foods merged with Dabur India Ltd. He was then appointed as the Vice Chairman of Dabur India Ltd. and finally became the Chairman in 2019. He was instrumental in Dabur's foray in the food business and making Dabur's Real fruit juices a household name.

Mohit Malhotra

Chief Executive Officer

Mr Mohit Malhotra holds a management degree from Pune University and an Executive Master's in International Business from the Indian Institute of Foreign Trade, New Delhi. He joined Dabur in 1994 and went on to become the CEO of Dabur International, based out of Dubai. He then became the CEO of Dabur India in 2019 and under him, the company has emerged as a transnational company with a footprint in over 100 countries around the globe.

Mohit Burman

Vice-Chairman

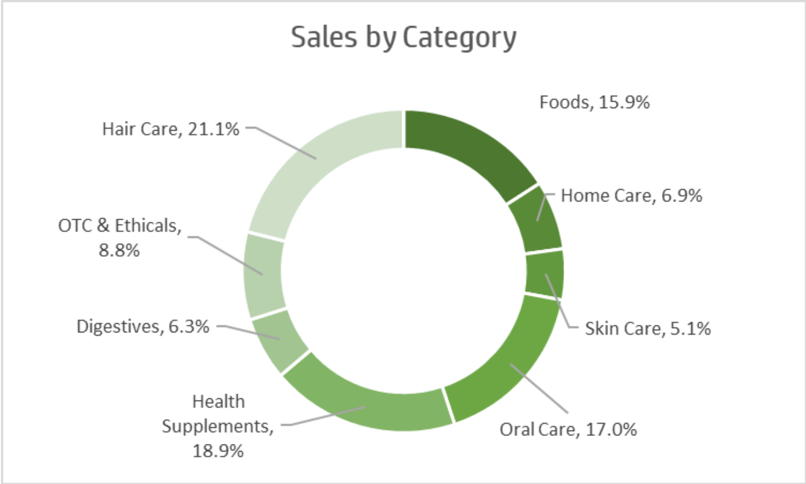
Mr Mohit Burman graduated from Richmond College, London, with an undergraduate degree in Business Administration and Economics in 1989. He completed his MBA in Finance in 1993. He started his career at Dabur as Senior Manager in Dabur Finance Ltd., a company specializing in fund-based and fee-based financial services. He was instrumental in diversifying the business into the Asset Management, Life Insurance and Pension segments by partnering with UK's largest insurance company, Aviva.

Business Description

Dabur India Ltd. (DIL) is an Indian multinational FMCG company headquartered in Ghaziabad, Uttar Pradesh. There are 5 famous brands in its products portfolio, namely - Dabur, for natural healthcare products, Vatika for premium personal care products, Hajmola for digestives, Réal, which is a household name for fruit-based drinks and Fem, a brand for skincare products.

Business Segments

Dabur has two divisions in India: consumer care division and foods division apart from its international operations. This is the sales distribution by product division in India in FY19 – FY20.



(Source: Company)

Consumer Care Division

The Consumer Care Division (CCD) has in store a wide range of products which ranges from hair care to oral care and skincare products, health supplements, digestives, and candies, and mostly based on Ayurveda, Over-The-Counter (OTC) products, and are branded as essential products. To support distribution, the Consumer Healthcare division has been merged with CCD. The CCD segment accounted for 57.6% of the total revenue for Dabur in the financial year 2019-20.

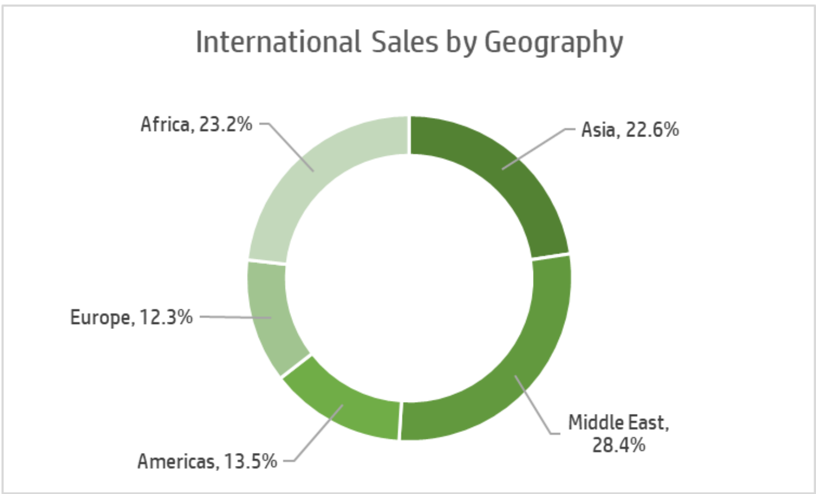
Dabur Foods

The second division, Dabur Foods Ltd produces edibles. Its main and highest selling product is the Real fruit juices. Available in different flavours, the Real fruit juices was an instant hit and is now a household name in India. Dabur derives its products from exotic Ayurvedic sources and uses natural herbs to prepare them. This is why Dabur is well placed among its consumer goods competitors. Food Business accounted for 10.9% of the total revenue in the financial year 2019-20. Covering both the rural and urban markets very well, Dabur has connected with all kinds of customers. This is very well evident in the fact that Dabur has six million retail outlets.

International Business

Spread in over 120 countries across the globe, Dabur products have a significant presence in the overseas market as well. Its brands generate great revenue from the Middle East, SAARC countries and Africa. The products are also highly popular in the US, Europe, and Russia. Dabur's overseas revenue today accounts for almost 30 per cent of the total turnover. The top 5 overseas countries in which the company operates are Egypt, Saudi Arabia, the USA, Turkey, and Nepal.

This is the sales distribution for the international business division in FY19 – FY20.



(Source: Company)

CSD Channel

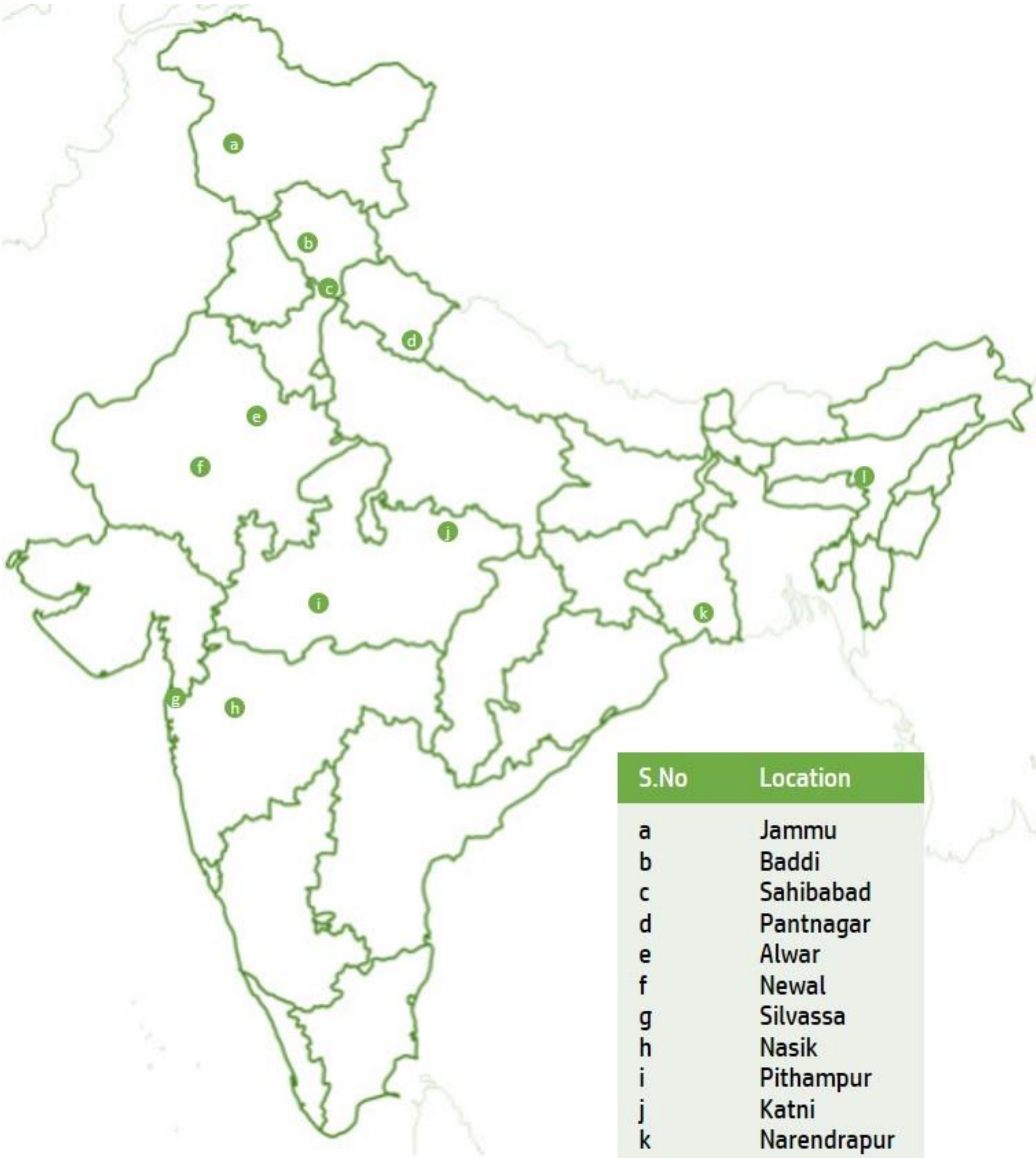
Canteen Stores Department (CSD) contributed about five to six per cent of revenue in 2017. The channel was initially very weak with realisation in this segment being a little lower than the general market. As per management, the government is reducing the budget and process for CSD as they are slowing getting rid of this system. Since the Ministry of Defence still uses the Canteen Stores model to get the Jawans the basic products, the buyout from the Ministry is the biggest.

Product Category	Dabur Brands	Competing Comparable Companies
Haircare		Procter&Gamble, Hindustan Unilever Limited, emami, marico, bajaj CONSUMER CARE, Godrej Consumer Products Limited
Skin Care		Procter&Gamble, Hindustan Unilever Limited, marico, Jyothy labs, Godrej Consumer Products Limited, bajaj CONSUMER CARE, emami
Homecare		Procter&Gamble, Hindustan Unilever Limited, Godrej Consumer Products Limited, Jyothy labs, marico, emami

Healthcare and Hygiene		Procter&Gamble, Hindustan Unilever Limited, emami, Godrej Consumer Products Limited, marico
Oral Care		Procter&Gamble, Hindustan Unilever Limited, Jyothy labs, COLGATE-PALMOLIVE
Food and Beverage		Hindustan Unilever Limited, marico

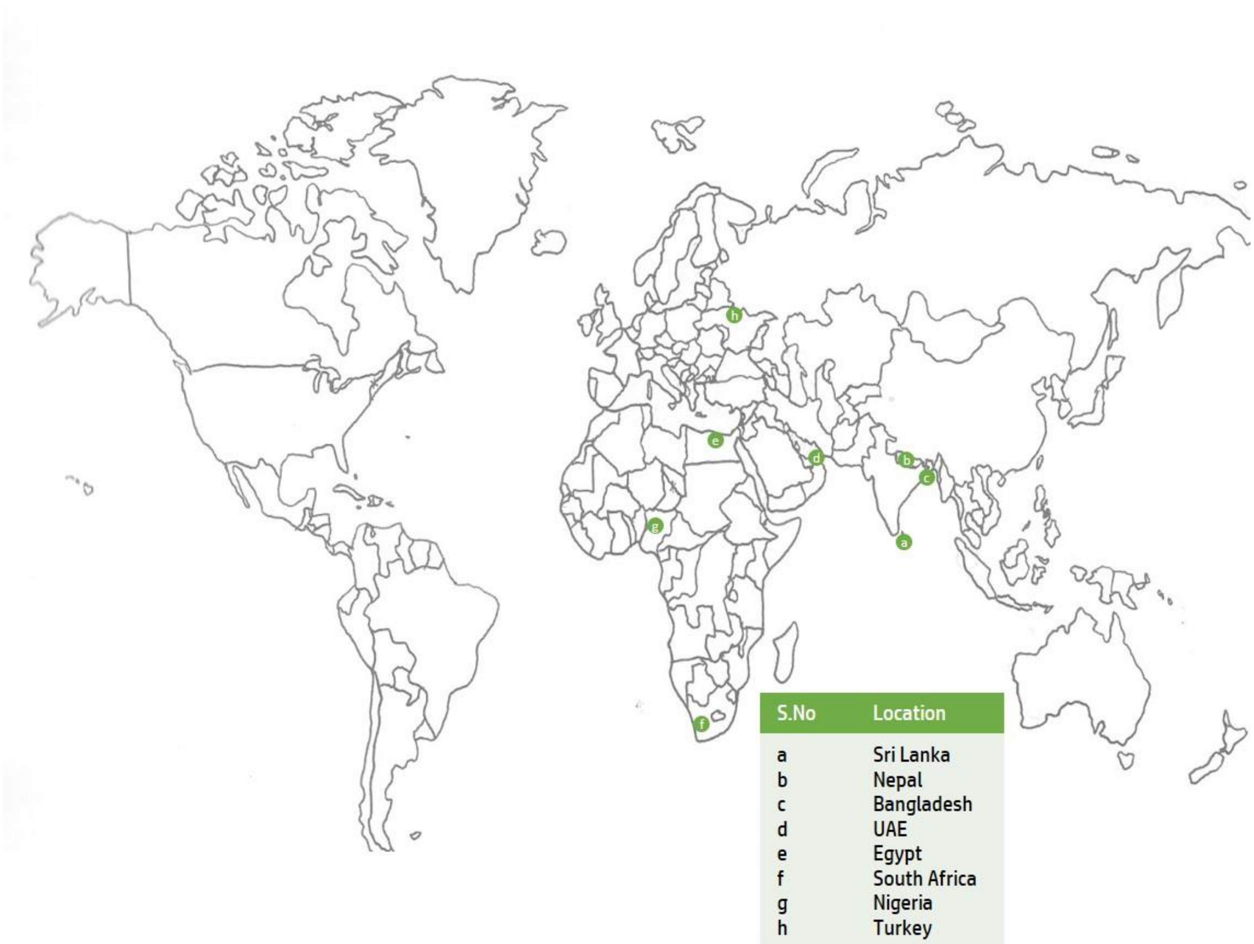
Operating Locations

The company has a total of 20 manufacturing locations around the globe, out of which 12 of them are located in India.



S.No	Location
a	Jammu
b	Baddi
c	Sahibabad
d	Pantnagar
e	Alwar
f	Newal
g	Silvassa
h	Nasik
i	Pithampur
j	Katni
k	Narendrapur
l	Tezpur

(Source: Company, Map not to scale)



(Source: Company, Map not to scale)

Moats and Competitive Advantages

VRIO Analysis

The Question of Value: Is the firm able to exploit an opportunity or neutralize an external threat with the resource/capability?

Dabur has existed for more than 130 years. The company time and again has been able to exploit opportunities presented to it; the most recent example being the launch of hand sanitisers in mid-March owing to the COVID-19 pandemic. Due to the presence of a significant unorganized ayurvedic market, Dabur has been neutralizing threats for as long as the company has existed in its present form. In the preceding financial year, the company managed to seize ₹ 10 Crores worth of counterfeit products with the help of local and state authorities. The company is also developing an eCommerce distribution channel which allows them to have greater control over the supply chain.

The Question of Rarity: Is control of the resource/capability in the hands of a relative few?

Only a few ayurvedic companies have a pan-Indian or international presence. Compared to a large number of companies in the FMCG and OTC pharmaceuticals sectors, this number makes up only a small portion.

The Question of Imitability: Is it difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?

Dabur is an established company with more than 100 years of experience in the ayurvedic business. While many companies can try to mimic the Dabur's proprietary products, it is almost impossible for these companies to market and distribute goods at a pan-India or international level. The company has a strong brand identity, and its proprietary formulations are endorsed by the Ministry of AYUSH. The company has been innovating its ayurvedic product portfolio through modern scientific techniques and continued consumer engagement.

The Question of Organization: Is the firm organized, ready, and able to exploit the resource/capability?

Dabur India Ltd. has grown from its humble beginnings as a small doctor's office in Calcutta to India's leading ayurvedic company. The firm over the years has established set practices that will allow it to exploit the various opportunities that the company will find. The set practices and well-developed processes will ensure that the company can filter through the opportunities that will be present and add new drivers for growth and not employ capital recklessly.

Valuable?	Rare?	Costly to Imitate?	Organisation?	Competitive Advantage
Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

SWOT Analysis

Strengths	Weaknesses
1. Established brand identity. 2. Robust product portfolio 3. Efficient use of capital 4. Innovation in ayurvedic product portfolio	1. Uneven profitability across verticals 2. Highly competitive industry 3. Easily available alternatives 4. Dependence on distributors

Opportunities	Threats
1. Underpenetrated rural market 2. Expansion into Emerging Markets 3. Economic revival 4. Government initiatives 5. Development of eCommerce channels	1. Counterfeit products 2. Significant unorganized sector 3. Technological disruption 4. Agricultural reforms 5. Dominance of allopathic alternatives

Five Forces Analysis

Threat of New Entrants

Only a few ayurvedic companies in India have a nationwide and international presence. In addition to this, there are established economies of scale that Dabur enjoys due to their long history and operational efficiency. Dabur not being a pharmaceutical company allows it to take advantage of the regulatory hassles that pharma companies face and can enjoy the first-mover advantage under most circumstances. Achieving such distribution, speed, goodwill, and economies of scale is a difficult task that most firms cannot perform.

Threat of New Substitutes

While the significant unorganized segment of the ayurvedic market is capable of creating mimics of Dabur products on smaller scales, it is impossible to achieve a pan-India and international presence as this sector is dominated by a few giants such as Dabur, Patanjali, Emami, etc. The proprietary nature of Dabur's formulations also makes it difficult for competitors to develop suitable alternatives.

Bargaining Power of Customers

Dabur's customers are, more or less, individuals and households. Many initiatives are promoting the use of ayurvedic products and a healthy lifestyle. In the event of the pandemic, the company's healthcare product range saw a spike in sales. The low degree of price sensitivity to this segment cannot be ignored as well.

Bargaining Power of Suppliers

Dabur procures its raw materials from all over the world and has a rigorous vetting process while selecting suppliers. This is done to maintain the highest quality standards. The company also actively engages with the suppliers to ensure that these standards are met, and they can deal with contingencies that may come their way. While most of Dabur's raw materials are generic, suppliers of rarer varieties may have significant bargaining power over others.

Competitive Rivalry

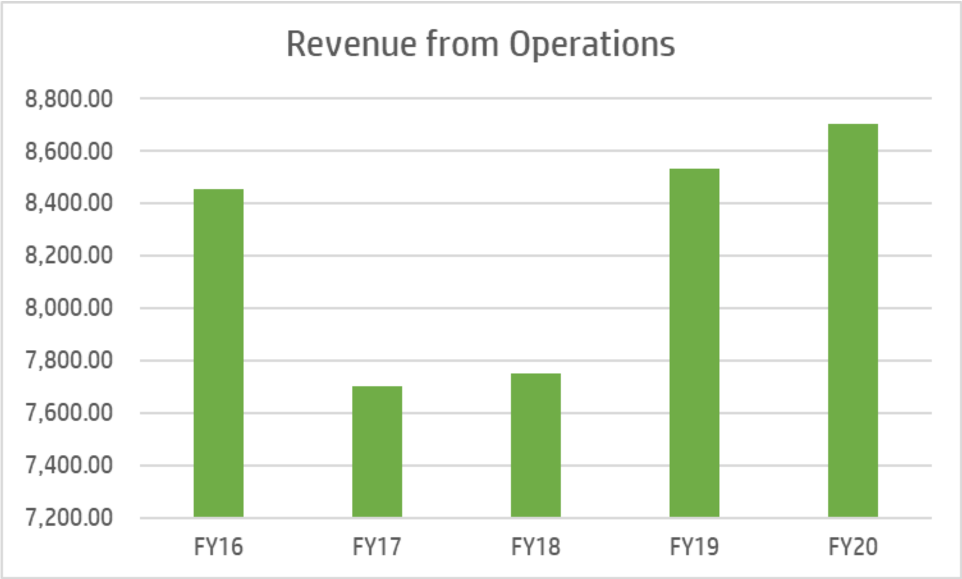
Only a few players dominate the organized ayurvedic products market. Baidyanath, Dabur, and Emami form approximately 85% share of India's Ayurveda market. However, the HPC and Food & Beverage sectors are dominated by many players making it difficult to establish a long-term competitive advantage. In addition to this, there are threats posed by smaller localised establishments and counterfeit products.

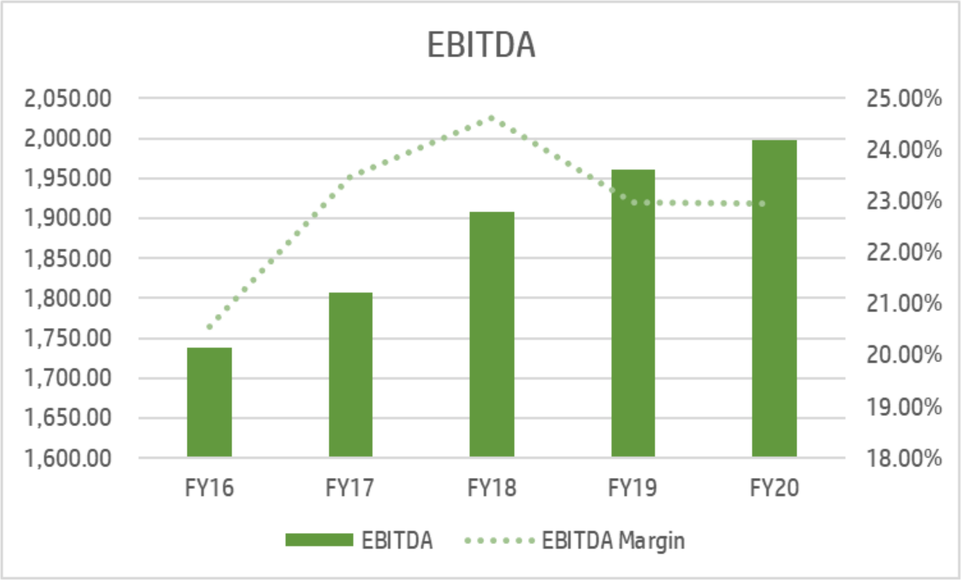
Peer Analysis

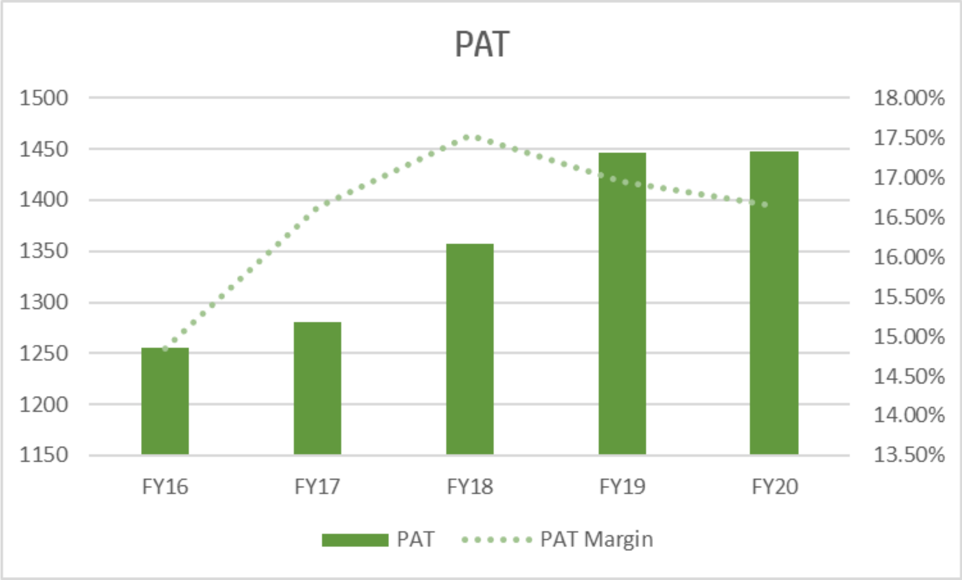
Name	Market Cap (₹ in Cr)	5Y Revenue CAGR	5Y Net Profit CAGR	Average 5Y ROE	Average 5Y ROCE
Hindustan Unilever	561,743.66	4.69%	9.08%	71.98%	78.14%
Dabur India	95,087.22	1.96%	6.27%	25.51%	27.48%
Marico	54,685.48	4.87%	12.26%	34.57%	36.97%
Godrej Consumer	76,788.72	3.58%	8.90%	24.25%	16.33%
Colgate-Palmolive	43,796.49	2.56%	7.87%	50.17%	62.11%
Procter & Gamble	36,555.17	5.15%	4.58%	48.05%	65.25%
Emami	20,307.61	3.34%	-9.50%	17.68%	19.99%
Jyothy Labs	5,486.10	2.58%	6.09%	22.79%	23.86%
Bajaj Consumer	3,254.74	0.05%	1.36%	40.71%	47.14%

(Source: MoneyControl)

Financial Analysis







Income Statement					
Y/E 31 March (₹ in Cr)	FY19	FY20	FY21E	FY22E	FY23E
Revenue from Operations	8,533.05	8,703.59	9,835.06	11,113.61	12,558.38
Total Income	**8,829.22**	**9,008.88**	**10,177.01**	**11,500.02**	**12,995.02**
Operating Expenses	6,867.87	7,011.25	7,922.69	8,952.64	10,116.48
EBITDA	**1,961.35**	**1,997.63**	**2,254.32**	**2,547.38**	**2,878.54**
Depreciation & Amortization	176.90	220.45	199.38	225.30	254.59
EBIT	**1,784.45**	**1,777.18**	**2,054.94**	**2,322.08**	**2,623.95**
Interest Expenses	59.58	49.54	63.37	71.61	80.92
EBT	**1,724.87**	**1,727.64**	**1,991.57**	**2,250.47**	**2,543.03**
Taxes	278.62	279.72	367.17	414.90	468.83
Profit after Tax	**1,446.25**	**1,447.92**	**1,624.40**	**1,835.58**	**2,074.20**
PER SHARE					
EPS	8.18	8.19	9.19	10.39	11.74

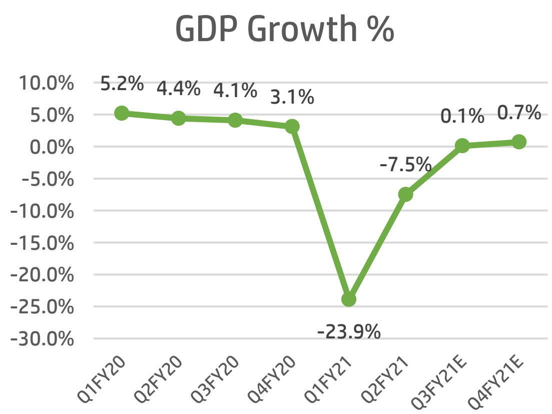
Balance Sheet					
Y/E 31 March (₹ in Cr)	FY19	FY20	FY21E	FY22E	FY23E
EQUITY AND LIABILITIES					
Shareholders' Funds					
Equity Share Capital	176.63	176.71	176.71	176.71	176.71
Reserves and Surplus	5,455.05	6,429.04	6,302.63	7,144.94	8,096.76
Total Shareholders' Funds	5,663.06	6,642.21	6,479.34	7,321.65	8,273.47
Non-Current Liabilities					
Long-Term Borrowings	26.05	162.89	336.67	380.44	429.89
Total Non-Current Liabilities	113.27	247.92	489.15	552.74	624.60
Current Liabilities					
Short-Term Borrowings	498.23	304.24	518.63	586.05	662.24
Trade Payables	1,455.43	1,482.15	1,672.58	1,890.02	2,135.72
Total Current Liabilities	2,660.31	2,463.88	2,930.93	3,311.95	3,742.50
Total Equity and Liabilities	8,436.64	9,354.01	9,899.42	11,186.35	12,640.57
ASSETS					
Non-Current Assets					
Fixed Assets	2,032.82	2,399.23	2,511.28	2,837.74	3,206.65
Total Non-Current Assets	4,850.41	4,473.75	5,535.43	6,255.04	7,068.20
Current Assets					
Inventories	1,300.53	1,379.57	1,468.26	1,659.13	1,874.82
Trade Receivables	833.56	813.89	909.85	1,028.13	1,161.79
Cash and Cash Equivalents	107.69	163.94	193.89	219.09	247.57
Total Current Assets	3,586.23	4,880.26	4,363.99	4,931.31	5,572.38
Total Assets	8,436.64	9,354.01	9,899.42	11,186.35	12,640.57

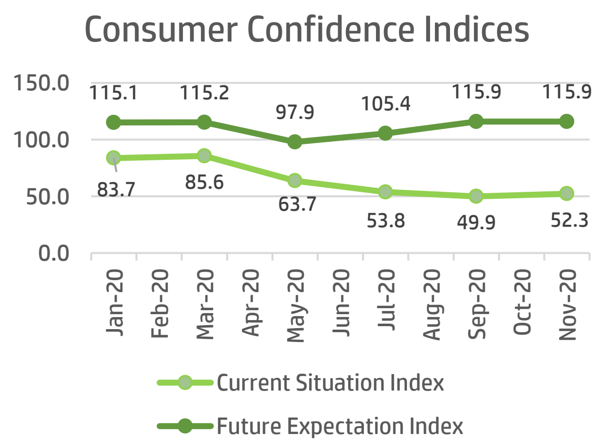
Ratio Analysis					
Y/E 31 March	FY19	FY20	FY21E	FY22E	FY23E
Profitability Ratios					
PAT Margin (%)	16.95%	16.64%	16.52%	16.52%	16.52%
Operating Profit Margin (%)	20.91%	20.42%	20.89%	20.89%	20.89%
EBITDA Margin (%)	22.99%	22.95%	22.92%	22.92%	22.92%
ROE (%)	25.54%	21.80%	25.1%	25.1%	25.1%
ROCE (%)	30.89%	25.79%	29.5%	29.5%	29.5%
Liquidity Ratios					
Current Ratio (x)	1.35	1.98	1.49	1.49	1.49
Quick Ratio (x)	0.86	1.42	0.99	0.99	0.99
Solvency Ratios					
Debt-Equity Ratio (x)	0.02	0.04	0.08	0.08	0.08
Interest Coverage Ratio (x)	24.27	29.23	25.63	25.63	25.63

Investment Thesis

Sector Outlook

Domestic Economic Revival





(Source: RBI)

The RBI expects Q3FY21 and Q4FY21 to show GDP growth of 0.1% and 0.7% respectively. In addition to this, consumer confidence indices have shown upward movement. This, by and large, should mean that consumer spending will increase to pre-COVID levels. The positive outlook for these factors may allow FMCG firms to increase revenues and eventually strengthen earnings.

Growth in Emerging Markets

According to McKinsey, nearly 50% of global consumption for 2019-2029 is expected to come from emerging markets. In 2010, emerging markets contributed only 17% of developed market corporate revenues while they accounted for 36% of the global GDP. While this arbitrage may have narrowed, there is still a mismatch between the two which gives companies in operating in these regions a significant advantage over their developed counterparts.

Embracing Health and Wellness

Among some of the shift in trends in Indian consumer spending is their expenditure on health and wellness. The pandemic has only highlighted the importance of this aspect. According to Numr Research, 33% of Indian millennials spend approx. ₹ 4,000 on health and wellness. This figure is roughly 4% of the rupee-denominated 2019-20 GDP per capita. This, combined with the favourable demographic dividend, could benefit the Healthcare and Personal Care segments of the sector immensely.

Rising Use of eCommerce

Another major disruption in the FMCG sector is the adoption of eCommerce channels for distribution. Increasingly companies are partnering with eCommerce websites or developing their eCommerce platforms to promote the use of this means of distribution. This will help rural penetration, an aspect that the sector has been trying to achieve in recent years. Owing to its ease and access, FMCG revenues may receive a significant boost.

Company Outlook

Continued Demand for Healthcare Business

In the post-pandemic era, all people want is immunity-building products. Dabur's growth is back on track, fuelled by record-breaking demand for health products. Having potentially the best ayurvedic portfolio in the market, the company showed a 70.8% growth in its healthcare business. The flagship product, Chyawanprash doubled its sales during the pandemic. The launch of new products like Dabur Sanitize and Dabur Tulsi Drops have added to the company's growth prospects. Also, aided by various government schemes, the rural growth beat the urban demand. Healthcare products continue to do well, with demand for discretionary products also catching up. With the Ayurvedic industry expected to be valued at ₹ 71,087 crores in FY24 and the growing global acceptance of Ayurvedic treatment and traditional herbal practices have increased the scope for Dabur's Ayurvedic products all over the world.

Revival of Demand for Discretionary Goods

Domestic macroeconomic indicators suggest a gradual economic recovery. With rising consumer confidence and potential economic growth, discretionary spending is likely to increase substantially. This would increase the demand for Dabur's discretionary products. The company has launched a variety of products in these segments as well. The same can be said for the global economy. With economic recovery underway in the Middle East, the company might witness significant growth in the demand for their haircare and skincare products. This is further strengthened by the fact that Dabur is a market leader in the hair oils segment in the KSA (70% market share) and the UAE (42% market share).

Opportunities for Increased Product Penetration

Product penetration is expected to increase significantly as the management has prioritised rural penetration of their products. The results of such managerial outcomes were seen when rural revenues grew at a higher pace in comparison to urban revenues. The eCommerce distribution channel adopted by the company has aided the idea of becoming a household name not just in urban quarters, but across the country. Dabur's products also are typically priced lower than most of their competitors, this will give them a competitive advantage in the rural market. The company has decided to invest heavily in brand visibility to drive both domestic and international sales.

Investment Risks

Operational Risk

The FMCG market is a forever changing dynamic. The entry of new players, both in the domestic market and the international market, keeps changing the trends of demand and supply and makes it difficult for companies to retain customers. It also changes revenue positions for the company. The ongoing pandemic has also added burden to the supply of raw material as there are several new guidelines and restrictions placed all over the world.

Counterfeit products are a huge menace for almost every company, and it affects businesses from almost every sector. The FMCG sector, especially, is highly penetrated from counterfeit products coming from China. It causes huge losses not only to the company but also to the government. Brand image is also heavily affected by customers losing trust in the company.

Cybersecurity has come out to be a preference in the company as cyber threats have increased significantly in recent times. The risks of sensitive data leaks, which may include customer information, company strategy and many more things, is very real. Especially in the aftermath of COVID-19, when everyone is working remotely, the risk of online threats has increased many folds. Use of unsecured networks on the employee's end can also lead to increased cyber vulnerability.

Economic Risk

Dabur is a multinational company that is exposed to exchange rate risk. India being a net importer of oil, the risk of recovery in global oil prices cannot be ignored. This risk is combined with the risk of inflation. If not efficiently managed, this could result in higher costs of production causing Dabur to lose its pricing advantage. The company also has a large sum of money locked up in marketable securities. These tend to be mutual funds, bonds, derivatives, equities, etc. These instruments are subject to market risk and default risk.

Regulatory Risk

In the aftermath of the COVID-19 pandemic, newer Health & Safety standards may be implemented to ensure the safety of the products that are being manufactured. These regulations may bring changes in the regulatory environment of the company. Potential changes in GST rates for food and HPC products might adversely affect the demand for the company's goods.

Sustainability Risk

Companies with exposure to natural resources (particularly rare varieties) are subject to the risk of loss of biodiversity. This will significantly alter the operational structure of such companies as it will reduce margins and increase the R&D expenditure to develop alternatives. With the government banning plastic usage in many states, the burden of safe disposal and recycling of plastic waste is on the company. All companies are expected to reduce their plastic usage and also put in place an effective plastic waste management system. The post-usage plastic waste from products is supposed to be collected and recycled by the company.

Valuation and Price Target

Being the leading ayurvedic company in the world, Dabur has been able to build a robust business model with sustainable economic moats. Their position as a market leader in a wide range of segments followed by the unique manner in which they have married science and nature will continue to act as a growth driver for the company. Taking note of this, we have factored in a 13% PAT growth rate for the company. At the current market price, the stock is trading at 54.5x/48.2x/42.7x FY21/FY22/FY23 expected earnings. Over the last 5 years that stock has traded at an average P/E multiple of 50.0x. We believe the stock can trade at a 52.0x P/E multiple and give a **BUY** recommendation with a price target of **₹ 656** and an implied upside of **21.85%**.

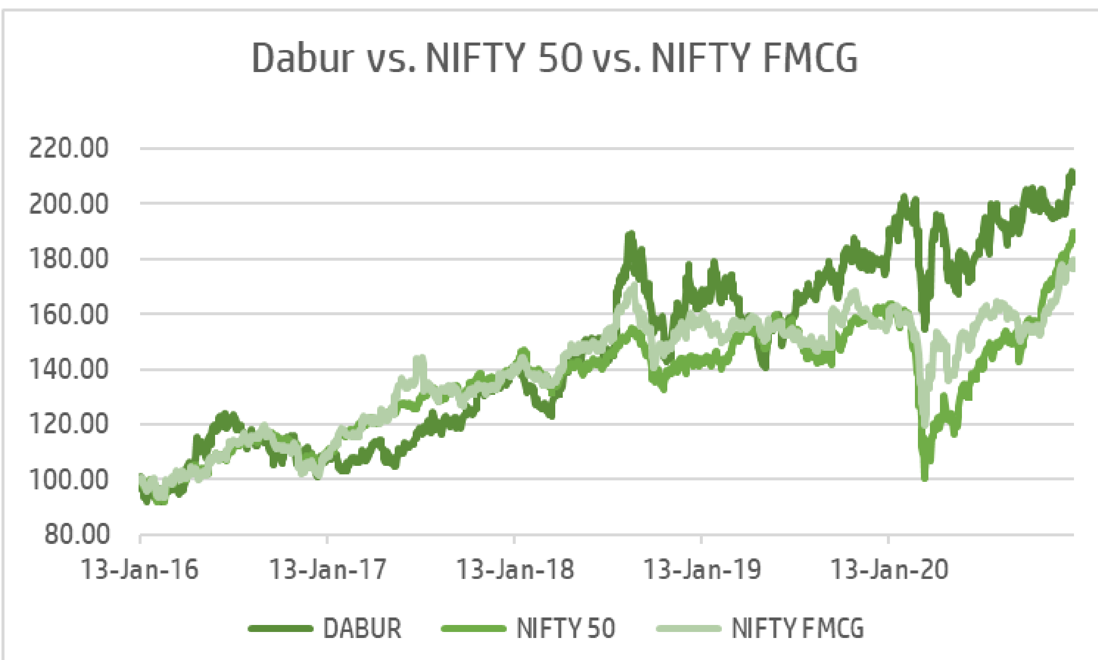


Chart showing ₹ 100 invest in Dabur vs. NIFTY 50 vs. NIFTY FMCG over the last 5 years.

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Disclosure

The persons authoring this report hereby certify that all the views expressed in this research report accurately reflect their personal views about the subject company and its securities. Authors are not registered as Research Analysts with the Securities and Exchange Board of India (SEBI). Please contact your Investment Adviser if you wish to act on the views expressed. The authors are not responsible for any losses incurred or gains made.

Dabur India Ltd. Relative Valuation

Price to Earnings Ratio

Last Traded Price (INR)	538.35
Shares Outstanding (in Cr)	176.74
Market Capitalization (INR in Cr)	95,148
TTM PAT (INR in Cr)	1,545
Highest PE (5Y)	65.6x
Lowest PE (5Y)	34.5x
Average PE (5Y)	50.0x

Comparables

Name	Market Cap	TTM PAT *	TTM PE	Growth	FY21E	FY22E	FY23E	1Y Fwd PE	2Y Fwd PE	3Y Fwd PE
Hindustan Unilever Ltd.	561,825	7,375	76.2x	13.50%	8,371	9,501	10,783	67.1x	59.1x	52.1x
Dabur India Ltd.	**95,148**	**1,545**	**61.6x**	**13.00%**	**1,746**	**1,973**	**2,229**	**54.5x**	**48.2x**	**42.7x**
Marico Ltd.	54,840	1,092	50.2x	11.00%	1,212	1,345	1,493	45.2x	40.8x	36.7x
Godrej Consumer Products Ltd.	76,722	1,593	48.2x	9.50%	1,744	1,910	2,092	44.0x	40.2x	36.7x
Colgate-Palmolive (India) Ltd.	43,918	876	50.1x	10.50%	968	1,070	1,182	45.4x	41.1x	37.2x
Procter & Gamble Hygiene & Healthcare Ltd.	36,541	550	66.4x	14.00%	627	715	815	58.3x	51.1x	44.8x
Emami Ltd.	20,300	336	60.4x	16.00%	390	452	524	52.1x	44.9x	38.7x
Jyothy Laboratories Ltd.	5,482	175	31.3x	14.50%	200	229	263	27.4x	23.9x	20.9x
Bajaj Consumer Care Ltd.	3,251	183	17.8x	8.50%	199	215	234	16.4x	15.1x	13.9x
**** TTM PAT does not include Exceptional Items***							**Median**	**45.4x**	**41.1x**	**37.2x**
							Mean	**45.6x**	**40.5x**	**36.0x**

Valuation

Target Multiple	52.0x
Target Market Capitalization (INR in Cr)	115,922
Target Price (INR)	**656.00**
Implied Upside	21.85%