

THE COMPASS

Dabur's aggressive focus on health care pays off

Segment supported performance in Q1, which saw revenue decline by 12.9% and PBT by 8.5%

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At a time when the non-food FMCG (fast-moving consumer goods) category has been severely impacted, Dabur not only reported better-than-estimated volumes in the June quarter of financial year 2020-21 (Q1FY21), but it saw an improvement over the previous quarter.

Compared to a decline of 14.6 per cent in volumes in Q4FY20 and similar expectations for Q1, Dabur's domestic volumes were down only 9.7 per cent in the recently concluded quarter. Dabur is among the few FMCG players to have reported a sequential improvement in volumes in Q1, which was badly affected by the lockdown. The improvement was led by the company's aggressive focus on health care products, which are in demand.

With 29.2 per cent year-on-year (YoY) growth, domestic revenue share of the

health care segment shot up to 37.6 per cent in Q1 from 27.1 per cent a year ago. While the remaining two segments — home and personal care and foods — fell by 15-34 per cent. In fact, Dabur witnessed around 7x jump in demand for Chyawanprash and over 60 per cent growth in Dabur Honey.

Revenue contribution from new launches, most of which were from health care and hygiene segments, also went up to 5-6 per cent in Q1, from around 1 per cent earlier.

This supported Dabur's consolidated performance, where the YoY revenue decline of 12.9 per cent to ₹1,980 crore was a tad better than consensus estimate of ₹1,967.6 crore.

Besides the top line, strong traction in high-margin health care segment, coupled with price hikes and cost control, helped the operating performance despite unfavourable country-mix (sharp

revenue decline in high-margin international markets) and agriculture inflation. Dabur's Ebitda (earnings before interest, tax, depreciation, and amortisation) margin expanded by 91 basis point YoY to 21 per cent. Its profit before tax and exceptional items fell by 8.5 per cent YoY to ₹423.8 crore, and was a shade lower than expectations of ₹428.8 crore. International markets accounted for 26 per cent of consolidated revenue in Q1.

Going ahead, Dhaval Dama, analyst at Equirus Securities, says: "Dabur's focus on health care segment would benefit it in the current scenario, while its strong execution capabilities would structurally support overall performance." How the international markets react in the near term will need to be monitored, said Dama. According to the management, most of the international markets are recovering, and it expects mid-single-digit growth in FY21.

