

BUY
 TP: Rs 673 | ▲ 21%

DABUR INDIA

Consumer Staples

01 February 2024

Steady growth across portfolios

- **Consistent performance across segments and markets with 7% YoY revenue growth despite delayed winter and macro headwinds**
- **Rural markets grew ahead of urban markets for Dabur owing to sustained investment in distribution**
- **Investment in brands, distribution and A&P to propel growth; maintain BUY with nominal change in TP to Rs 673 (vs. Rs 669)**

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Steady revenue and market share gains: Dabur reported 7% YoY revenue growth to Rs 32.6bn in Q3FY24 (+9.6% YoY CC), supported by a consistent performance in both the home & personal care (HPC) and healthcare segments, along with an improved showing in food & beverages. FMCG volume growth in its India business came in at 6% YoY and the company continued to gain market share across 90% of its product portfolio. International business maintained strong momentum, growing 11.7% YoY CC. MENA revenue grew 14%, Egypt was up 43%, Sub-Saharan Africa 55%, SAARC 6% and Turkey 44%; however, Namaste sales in Africa fell 11.5% YoY.

Margin expansion continues: Gross margin expanded 310bps YoY and 30bps QoQ to 48.6% largely due to easing inflation. Operating profit grew 9.5% YoY with a 50bps YoY rise in margin to 20.5% despite 36% higher A&P spend in the consolidated business.

Rural growth outpaces urban demand: During Q3, rural demand for Dabur grew 200bps ahead of urban markets, driven by moderating inflation coupled with improved consumer sentiment and its investment in rural footprint extension. The company’s rural footprint has expanded by 17,000 villages in the current fiscal to 117,000 in all, and management expects to reach 120,000 villages.

Steady performance across categories: Dabur’s digestive business grew 15% YoY and home care increased 7%. Revenue from Ayurvedic ethicals was up 7% YoY, and foods including Badshah saw an uptick of 22%.

Maintain BUY: Dabur continues to deliver steady growth and gain market share despite macro headwinds. Amid easing inflation and improving rural demand, we expect the company to deliver profitable growth backed by investments in A&P, distribution, branding, manufacturing and digital channels. We pare our FY24/FY25 PAT forecasts by 3%/14% and introduce FY26 estimates. The stock is currently trading at 50.8x/44.1x FY24E/FY25E EPS. We maintain BUY and continue to value Dabur at 46x FY26E EPS – in line with the 10Y average multiple – for a nominally higher TP of Rs 673 (earlier Rs 669). BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DABUR IN/Rs 554
Market cap	US\$ 12.0bn
Free float	33%
3M ADV	US\$ 13.7mn
52wk high/low	Rs 597/Rs 504
Promoter/FPI/DII	66%/17%/17%

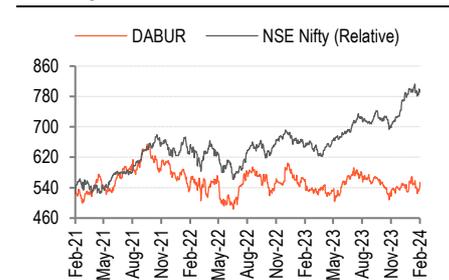
Source: NSE | Price as of 1 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	115,299	126,804	143,895
EBITDA (Rs mn)	21,641	24,898	29,067
Adj. net profit (Rs mn)	17,072	19,352	22,263
Adj. EPS (Rs)	9.6	10.9	12.6
Consensus EPS (Rs)	9.6	11.4	13.9
Adj. ROAE (%)	19.1	19.6	20.6
Adj. P/E (x)	57.5	50.8	44.1
EV/EBITDA (x)	45.4	39.5	33.8
Adj. EPS growth (%)	(2.1)	13.4	15.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

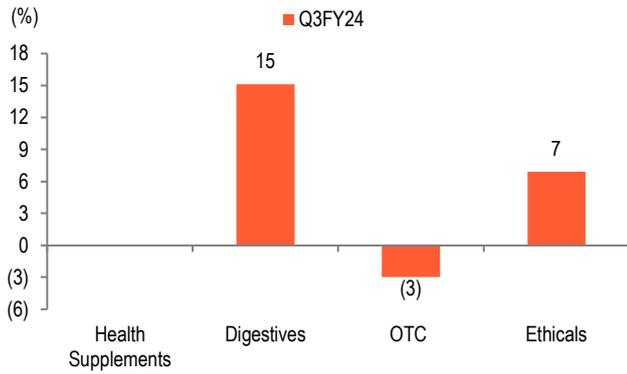


Fig 1 – Financial performance

(Rs mn)	Q3FY24	Q2FY24	Q3FY23	QoQ (%)	YoY (%)	9MFY24	9MFY23	YoY (%)
Revenue	32,550	32,028	30,432	1.6	7.0	95,894	88,521	8.3
EBITDA	6,678	6,609	6,099	1.0	9.5	19,334	17,543	10.2
Adj. PAT	5,142	5,150	4,759	(0.2)	8.0	14,932	14,063	6.2
Gross Margin (%)	48.6	48.3	45.5	30bps	310bps	47.9	45.6	230bps
EBITDA Margin (%)	20.5	20.6	20	(10bps)	50bps	20.2	19.8	40bps
Adj. PAT Margin (%)	15.8	16.1	15.6	(30bps)	20bps	15.6	15.9	(30bps)

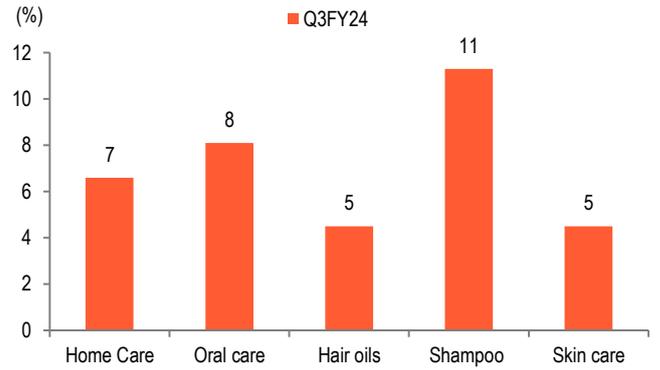
Source: Company, BOBCAPS Research

Fig 2 – Healthcare revenue growth YoY



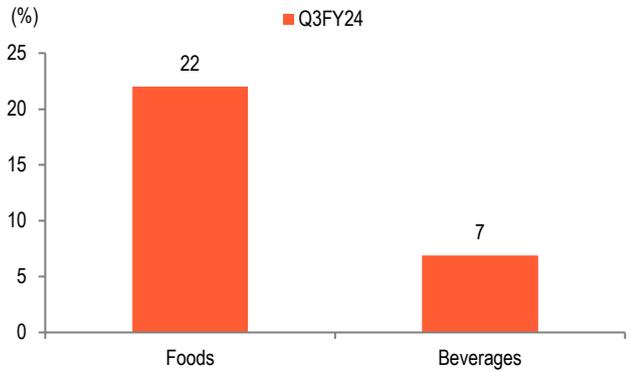
Source: Company, BOBCAPS Research

Fig 3 – Home & personal care (HPC) revenue growth YoY



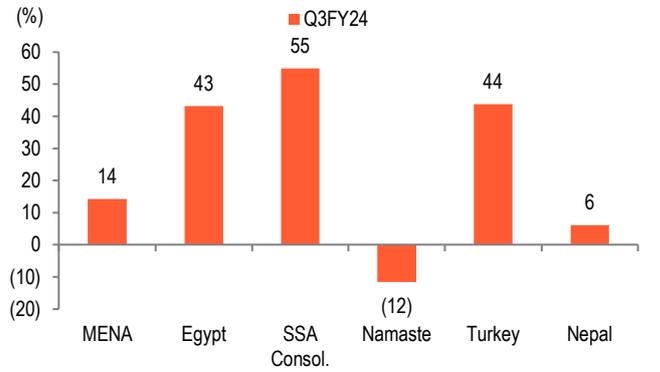
Source: Company, BOBCAPS Research

Fig 4 – Food & beverages revenue growth YoY



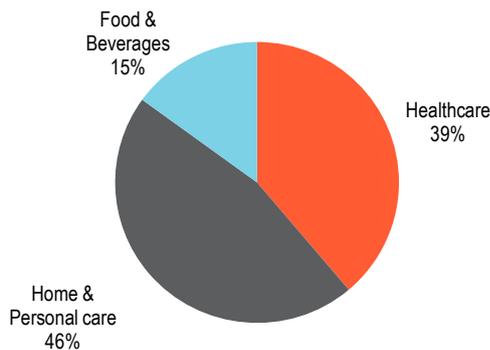
Source: Company, BOBCAPS Research

Fig 5 – International revenue growth YoY CC



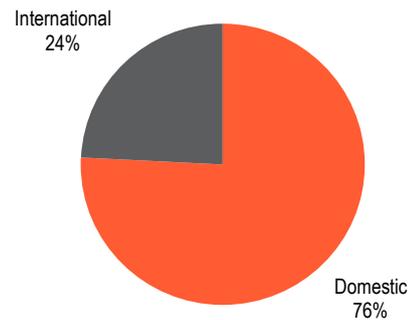
Source: Company, BOBCAPS Research

Fig 6 – Sales contribution by vertical in Q3FY24



Source: Company, BOBCAPS Research

Fig 7 – Sales contribution by geography in Q3FY24



Source: Company, BOBCAPS Research

Earnings call highlights

Demand

- The FMCG sector continued to witness better volume growth YoY despite some pockets of stress due to liquidity issues and a delayed winter this year.
- Dabur's consolidated revenue grew 9.6% YoY in CC terms and 7% YoY in INR terms to Rs 32.6bn in Q3FY24. Growth was supported by a 6% volume uptick in India FMCG business, including Badshah Masala.
- International business increased 11.7% YoY CC driven by 14% growth in the MENA region, 43% in Egypt, and 44% in Turkey.

Home & personal care (HPC)

- Dabur's HPC portfolio grew 7% YoY in Q3. Within this, oral care grew 8% YoY, supported by 5% volume growth, with the herbal toothpaste category outpacing the non-herbal segment by ~200bps to grow at 31%.
- The company bridged the gap in its oral care portfolio with the launch of *Bae Fresh Gel* during Q3 and notched a turnover of ~Rs 170mn, also gaining market share of 1-1.5% in the gel category.
- The home care category grew ~7% YoY driven by double-digit growth in *Odemos*, which gained 1,070bps market share in the mosquito repellent category.
- Hair oil registered mid-single-digit growth and market share improved by 140bps to 17.1%.
- In hair care, shampoo as a category is growing at 3% while Dabur has grown at 11% YoY, resulting in substantial market share gains.

Healthcare

- Dabur's healthcare portfolio grew 3% YoY in Q3FY24.
- The company gained market share across health supplements, with *Chyawanprash* gaining 151bps and *Dabur Honey* reporting 33bps improvement during Q3. However, *Chyawanprash* saw flat revenue growth due to the delayed winter.
- The digestives category posted 15% YoY growth on the back of a strong performance from the *Hajmola* franchise.
- Within the over-the-counter (OTC) portfolio, *Lal Tail*, health juices and *Shilajit* immunity booster performed well, while *Honitus* cough syrup saw a muted performance owing to the slow onset of winter.
- The therapeutic portfolio grew 33% YoY backed by focused marketing efforts and a rejuvenated brand portfolio.

Foods & Beverages

- Management remains committed to exiting FY24 with a run-rate of Rs 5bn from the foods portfolio, including Badshah.
- Badshah has a long runway for growth by way of penetration into other geographies, portfolio expansion at multiple price points, sales potential in international markets, and the introduction of new packs.

Distribution and capex

- Dabur continues to drive distribution expansion initiatives. Its direct reach now stands at 1.42mn outlets and is expected to increase to 1.5mn outlets by the end of the fiscal year. Village coverage is strong, numbering 117,000.
- The company has approved capex of Rs 1.35bn to set up a greenfield facility in South India for capacity expansion of *Red Toothpaste*, *Odonil*, and *Dabur Honey*.

Valuation methodology

Dabur continues to deliver steady growth and gain market share despite macro headwinds. Amid easing inflation and improving rural demand, we expect the company to deliver profitable growth backed by investments in A&P, distribution, branding, manufacturing and digital channels.

We pare our FY24/FY25 PAT forecasts by 3%/14% and introduce FY26 estimates. The stock is currently trading at 50.8x/44.1x FY24E/FY25E EPS. We maintain BUY and continue to value Dabur at 46x FY26E EPS – in line with the 10-year average multiple – for a nominally higher TP of Rs 673 (earlier Rs 669). Maintain BUY.

Fig 8 – Revised estimates

(Rs mn)	New			Old		Change (%)	
	FY24E	FY25E	FY26E	FY24E	FY25E	FY24E	FY25E
Revenue	126,804	143,895	163,027	128,881	150,845	(1.6)	(4.6)
EBITDA	24,898	29,067	34,236	25,436	32,814	(2.1)	(11.4)
PAT	19,352	22,263	25,904	19,868	25,769	(2.6)	(13.6)
EBITDA margin (%)	19.6	20.2	21.0	19.7	21.8	(10bps)	(160bps)
PAT margin (%)	15.3	15.5	15.9	15.4	17.1	(10bps)	(160bps)

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- currency devaluation in key markets,
- seasonality impacting portfolios, and
- food inflation impacting rural recovery.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Britannia Industries	BRIT IN	15.1	5,149	5,844	BUY
Dabur India	DABUR IN	12.0	554	673	BUY
Hindustan Unilever	HUVR IN	70.7	2,474	2,895	BUY
ITC	ITC IN	67.2	443	532	BUY
Marico	MRCO IN	8.4	536	618	BUY
Nestle India	NEST IN	2.9	2,468	2,826	BUY
Zydus Wellness	ZYWL IN	1.2	1,599	1,556	HOLD

Source: BOBCAPS Research, NSE | Price as of 1 Feb 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	108,887	115,299	126,804	143,895	163,027
EBITDA	22,538	21,641	24,898	29,067	34,236
Depreciation	2,529	3,110	3,792	3,951	4,470
EBIT	20,009	18,532	21,106	25,116	29,766
Net interest inc./(exp.)	386	782	1,254	1,477	1,444
Other inc./(exp.)	3,932	4,454	4,864	4,888	4,912
Exceptional items	(850)	0	0	0	0
EBT	22,705	22,203	24,715	28,526	33,234
Income taxes	5,264	357	5,660	6,561	7,644
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	31	(58)	(308)	(324)	(340)
Reported net profit	17,392	17,072	19,352	22,263	25,904
Adjustments	(850)	0	0	0	0
Adjusted net profit	18,242	17,072	19,352	22,263	25,904

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	20,180	21,866	23,221	26,650	29,845
Other current liabilities	914	667	734	832	943
Provisions	2,497	2,784	2,848	2,943	3,050
Debt funds	6,173	7,002	6,988	6,289	5,660
Other liabilities	3,385	3,758	4,133	4,690	5,313
Equity capital	1,768	1,772	1,772	1,772	1,772
Reserves & surplus	82,451	92,643	101,248	111,191	122,793
Shareholders' fund	84,219	94,414	103,020	112,963	124,565
Total liab. and equities	122,845	136,544	146,042	158,769	173,149
Cash and cash eq.	5,701	3,259	5,584	4,133	2,352
Accounts receivables	6,462	8,488	9,334	10,250	11,613
Inventories	19,114	20,242	20,427	22,960	25,713
Other current assets	3,346	3,136	3,443	3,898	4,408
Investments	62,102	62,574	66,709	74,707	83,661
Net fixed assets	19,680	22,376	23,955	26,048	28,425
CWIP	1,675	1,751	1,751	1,751	1,751
Intangible assets	397	8,887	8,887	8,887	8,887
Deferred tax assets, net	7	21	23	26	30
Other assets	4,035	5,427	5,517	5,651	5,801
Total assets	122,845	136,544	146,042	158,769	173,149

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	18,023	14,787	24,778	26,789	30,082
Capital expenditures	(3,741)	(5,091)	(5,072)	(6,044)	(6,847)
Change in investments	(12,731)	(137)	(4,135)	(7,998)	(8,954)
Other investing cash flows	3,668	3,942	0	0	0
Cash flow from investing	(12,755)	(5,865)	(9,207)	(14,042)	(15,801)
Equities issued/Others	1	4	0	0	0
Debt raised/repaid	5,408	488	(953)	(699)	(629)
Interest expenses	(219)	(779)	(1,254)	(1,477)	(1,444)
Dividends paid	(9,723)	(9,213)	(10,450)	(12,022)	(13,988)
Other financing cash flows	0	(491)	0	0	0
Cash flow from financing	(4,905)	(10,352)	(12,657)	(14,198)	(16,062)
Chg in cash & cash eq.	364	(1,431)	2,914	(1,451)	(1,781)
Closing cash & cash eq.	2,272	879	3,793	2,342	561

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	9.8	9.6	10.9	12.6	14.6
Adjusted EPS	10.3	9.6	10.9	12.6	14.6
Dividend per share	5.5	5.2	5.9	6.8	7.9
Book value per share	47.6	53.4	58.3	63.9	0.0

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	9.0	8.5	7.7	6.8	6.0
EV/EBITDA	43.6	45.4	39.5	33.8	28.7
Adjusted P/E	53.7	57.5	50.8	44.1	37.9
P/BV	11.6	10.4	9.5	8.7	

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	76.6	76.9	78.3	78.0	77.9
Interest burden (PBT/EBIT)	113.5	119.8	117.1	113.6	111.7
EBIT margin (EBIT/Revenue)	18.4	16.1	16.6	17.5	18.3
Asset turnover (Rev./Avg TA)	88.6	84.4	86.8	90.6	94.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	22.6	19.1	19.6	20.6	21.8

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	13.9	5.9	10.0	13.5	13.3
EBITDA	12.5	(4.0)	15.0	16.7	17.8
Adjusted EPS	2.7	(2.1)	13.4	15.0	16.4
Profitability & Return ratios (%)					
EBITDA margin	20.7	18.8	19.6	20.2	21.0
EBIT margin	18.4	16.1	16.6	17.5	18.3
Adjusted profit margin	16.8	14.8	15.3	15.5	15.9
Adjusted ROAE	22.6	19.1	19.6	20.6	21.8
ROCE	17.2	17.9	14.6	16.2	17.7
Working capital days (days)					
Receivables	20	24	26	25	24
Inventory	118	115	111	106	106
Payables	127	122	124	122	123
Ratios (x)					
Gross asset turnover	0.8	0.7	0.8	0.8	0.8
Current ratio	1.3	1.2	1.2	1.2	1.2
Net interest coverage ratio	51.8	23.7	16.8	17.0	20.6
Adjusted debt/equity	10.3	10.6	8.8	6.8	5.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

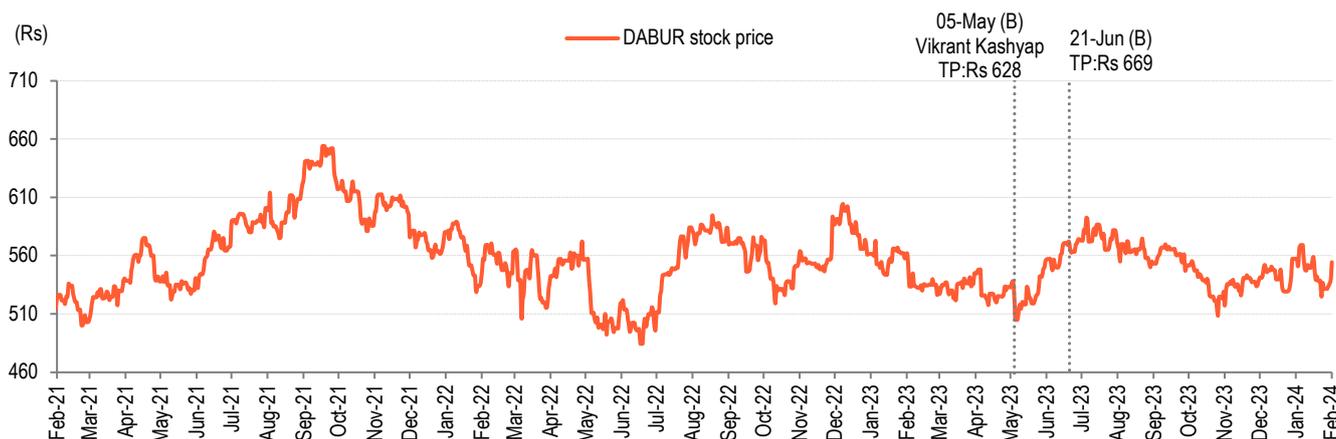
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DABUR INDIA (DABUR IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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