

BUY

TP: Rs 673 | ▲ 27%

DABUR INDIA

| Consumer Staples

| 03 May 2024

Steady performance during the quarter

- Rural markets continue to grow ahead of urban owing to increased penetration and improved product portfolio
- Growth witnessed across geographies; consistent improvement in margins
- Strong momentum in rural markets and increased A&P spend to fuel growth; maintain BUY with unchanged TP of Rs 673

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Steady performance in Q4: Dabur reported 5% YoY revenue growth of Rs 28.1bn in Q4FY24 (+7.3% YoY constant currency), supported by a consistent performance in Home & Personal Care (HPC). However, the Healthcare segment slid marginally, while Food & Beverages remained flat during the quarter. International business maintained strong momentum, growing 12% YoY CC. MENA revenue grew 6.3%, Egypt was up 63%, Sub-Saharan Africa 23.8%, and Turkey 39%. However, Namaste and SAARC fell 10.9% and 3.1% YoY respectively. During FY24, the India FMCG business volume grew 5.5% with market share gains across 95% of the portfolio.

Margin expansion continues: Gross margin expanded 280bps YoY to 48.6% largely due to easing inflation. Operating profit grew 13.9% YoY with a 130bps YoY rise in margin to 16.6% despite advertising and promotions (A&P) spend rising by 21% in the consolidated business.

Rural growth outpaces urban demand: During Q4, rural demand for Dabur grew 400bps ahead of urban markets, the highest level in the last three years, driven by moderating inflation coupled with improved consumer sentiment, expansion of product basket and its investment in rural footprint extension. The company's rural footprint has expanded by 22,000 villages in the current fiscal to 122,000 villages.

Steady performance across categories: Dabur's Digestive business grew 16% YoY and Home Care by 7.5%. Revenue from foods including Badshah saw an uptick of 20.7%. However, revenue from Beverages declined by 1.5% YoY owing to the high base of the last quarter and unfavourable weather conditions.

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, widening of product portfolio, manufacturing and digital channels. The stock is currently trading at 42.4x/36.4x FY24E/FY25E EPS. We maintain BUY and continue to value Dabur at 46x FY26E EPS – in line with the 10Y average – for a TP of Rs 673.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DABUR IN/Rs 532
Market cap	US\$ 11.5bn
Free float	33%
3M ADV	US\$ 13.3mn
52wk high/low	Rs 597/Rs 489
Promoter/FPI/DII	66%/17%/17%

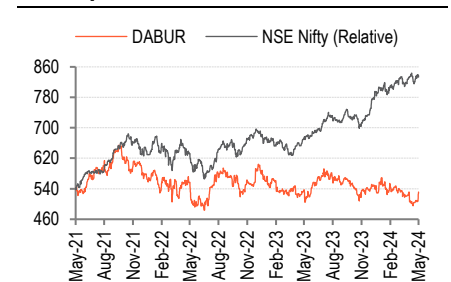
Source: NSE | Price as of 3 May 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	115,299	124,040	143,895
EBITDA (Rs mn)	21,641	24,002	29,067
Adj. net profit (Rs mn)	17,072	18,427	22,245
Adj. EPS (Rs)	9.6	10.4	12.6
Consensus EPS (Rs)	9.6	11.4	13.9
Adj. ROAE (%)	19.1	18.7	20.4
Adj. P/E (x)	55.2	51.1	42.4
EV/EBITDA (x)	43.5	39.3	32.4
Adj. EPS growth (%)	(2.1)	7.9	20.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

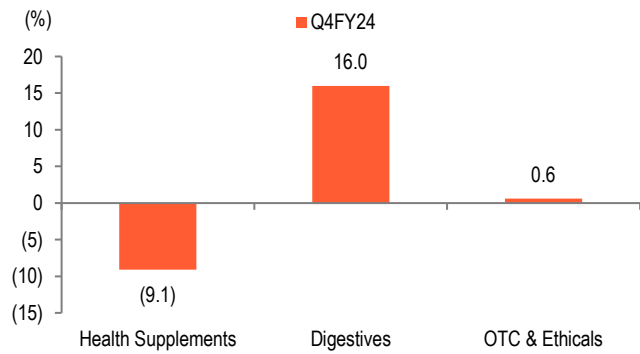


Fig 1 – Financial performance

(Rs mn)	Q4FY24	Q3FY24	Q4FY23	QoQ (%)	YoY (%)	FY24	FY23	YoY (%)
Revenue	28,146	32,551	26,778	(13.5)	5.1	124,040	115,299	7.6
EBITDA	4,668	6,678	4,098	(30.1)	13.9	24,002	21,641	10.9
Adj. PAT	3,495	5,142	3,008	(32.0)	16.2	18,427	17,072	7.9
Gross Margin (%)	48.6	48.6	45.8	0bps	280bps	48	45.6	240bps
EBITDA Margin (%)	16.6	20.5	15.3	(390bps)	130bps	19.4	18.8	60bps
Adj. PAT Margin (%)	12.4	15.8	11.2	(340bps)	120bps	14.9	14.8	10bps

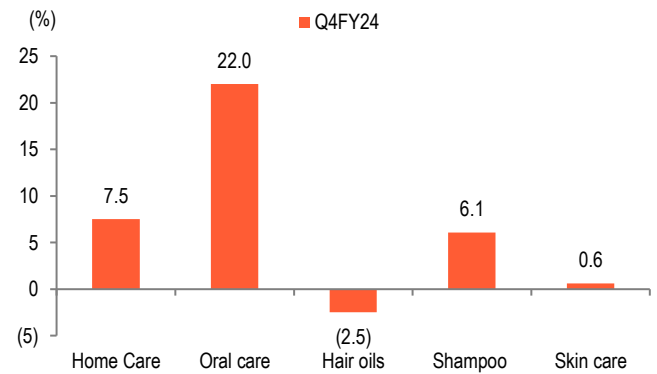
Source: Company, BOBCAPS Research

Fig 2 – Healthcare revenue growth YoY



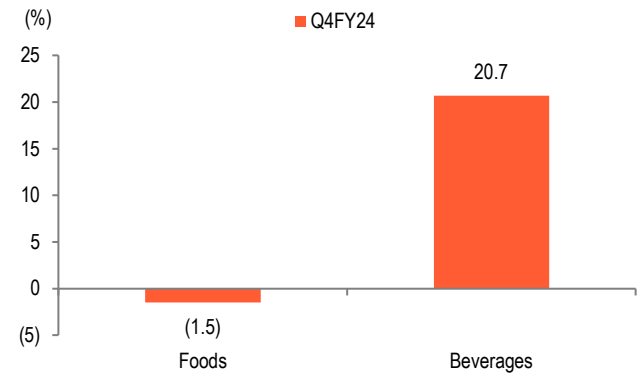
Source: Company, BOBCAPS Research

Fig 3 – Home & Personal Care revenue growth YoY



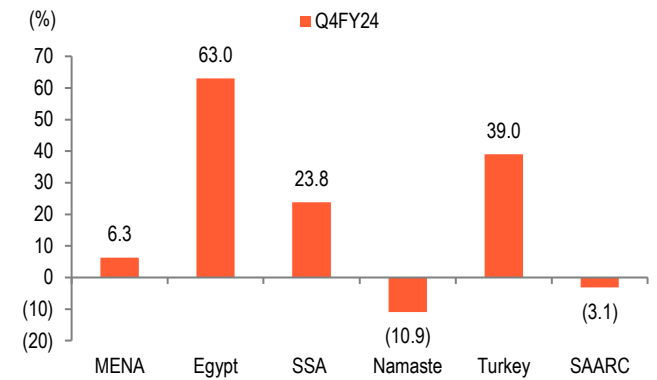
Source: Company, BOBCAPS Research

Fig 4 – Food & Beverages revenue growth YoY



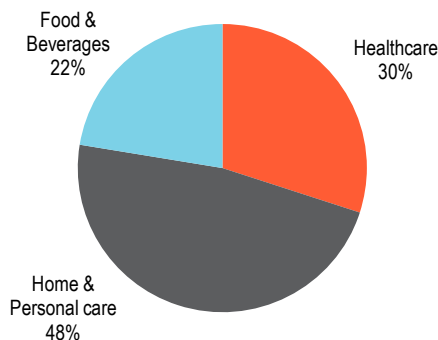
Source: Company, BOBCAPS Research

Fig 5 – International revenue growth YoY CC



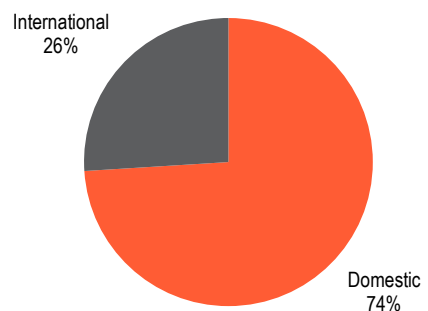
Source: Company, BOBCAPS Research

Fig 6 – Sales contribution by vertical in Q4FY24



Source: Company, BOBCAPS Research

Fig 7 – Sales contribution by geography in Q4FY24



Source: Company, BOBCAPS Research

Earnings call highlights

- Rural sales grew faster in Q4 at 8% compared to about 4% in the urban market, which is the highest in the last three years. Dabur expects the trend to continue in the coming quarters as well owing to expectations of a favourable monsoon and support from government-led initiatives.
- The HPC category posted 8.7% growth driven by 260bps market share gains in Odonil, and more than 600bps market share gain in Odomos.
- The Oral Care portfolio posted strong sales growth of 22% in Q4 with the herbal segment continuing to grow faster than the non-herbal category. Hair Oils though de-grew in Q4 but improved market share by 115bps.
- Beverages posted a decline of 1.5% in Q4 owing to the high base of Q4FY23 and unseasonal rains in Mar, but management expects strong double-digit growth on a low base.
- Food continues to do well and, including Badshah, posted 20.7% YoY growth. The Homemade brand grew in mid-teens in FY24.
- For the consolidated business, management expects revenue growth of high-single digit to low-double digits for FY25, driven by a mix of volume growth of 5-7%, while pricing growth will be ~3%.
- Premium portfolio accounts for 18% of sales and is expected to expand further in the near future.
- Consolidated EBITDA margin stood at 19.4% in FY24; management expects margins to improve to 20% in FY25.

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, widening of product portfolio, manufacturing and digital channels. The stock is currently trading at 42.4x/36.4x FY24E/FY25E EPS. We maintain BUY and continue to value Dabur at 46x FY26E EPS – in line with the 10Y average – for a TP of Rs 673.

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	13.9	4,745	5,980	BUY
Dabur India	DABUR IN	11.5	532	673	BUY
Godrej Consumer Products	GCPL IN	15.6	1,251	1,363	HOLD
Hindustan Unilever	HUVR IN	63.4	2,217	2,617	BUY
ITC	ITC IN	66.3	436	532	BUY
Marico	MRCO IN	8.1	517	618	BUY
Nestle India	NEST IN	28.8	2,456	2,826	HOLD
Tata Consumer Products	TATACONS IN	12.7	1,094	1,330	BUY
Zydus Wellness	ZYWL IN	1.3	1,671	1,531	HOLD

Source: BOBCAPS Research, NSE | Price as of 3 May 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	108,887	115,299	124,040	143,895	163,027
EBITDA	22,538	21,641	24,002	29,067	34,236
Depreciation	2,529	3,110	3,992	3,943	4,461
EBIT	20,009	18,532	20,010	25,124	29,774
Net interest inc./(exp.)	386	782	1,242	1,477	1,444
Other inc./(exp.)	3,932	4,454	4,824	4,848	4,872
Exceptional items	(850)	0	0	0	0
EBT	22,705	22,203	23,593	28,495	33,203
Income taxes	5,264	357	5,474	6,554	7,637
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	31	(58)	(314)	(329)	(346)
Reported net profit	17,392	17,072	18,427	22,245	25,886
Adjustments	(850)	0	0	0	0
Adjusted net profit	18,242	17,072	18,427	22,245	25,886

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	20,180	21,866	24,217	26,650	29,845
Other current liabilities	914	667	1,124	832	943
Provisions	2,497	2,784	3,182	3,302	3,409
Debt funds	6,173	7,002	6,221	6,289	5,660
Other liabilities	3,385	3,758	4,272	4,690	5,313
Equity capital	1,768	1,772	1,772	1,772	1,772
Reserves & surplus	82,451	92,643	101,259	113,190	127,107
Shareholders' fund	84,219	94,414	103,031	114,962	128,879
Total liab. and equities	122,845	136,544	151,227	161,883	178,578
Cash and cash eq.	5,701	3,259	6,664	6,752	8,388
Accounts receivables	6,462	8,488	8,987	10,250	11,613
Inventories	19,114	20,242	19,470	22,960	25,713
Other current assets	3,346	3,136	5,010	3,835	4,344
Investments	62,102	62,574	69,254	75,663	83,507
Net fixed assets	19,680	22,376	25,609	25,954	28,340
CWIP	1,675	1,751	2,322	2,322	2,322
Intangible assets	397	8,887	8,035	8,035	8,035
Deferred tax assets, net	7	21	63	26	30
Other assets	4,035	5,427	5,532	5,633	5,783
Total assets	122,845	136,544	151,226	161,882	178,578

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	18,023	14,787	20,135	27,415	30,050
Capital expenditures	(3,741)	(5,091)	(5,639)	(6,044)	(6,847)
Change in investments	(12,731)	(137)	(7,978)	(6,409)	(7,844)
Other investing cash flows	3,668	3,942	3,870	0	0
Cash flow from investing	(12,755)	(5,865)	(9,717)	(12,453)	(14,691)
Equities issued/Others	1	4	0	0	0
Debt raised/repaid	5,408	488	(472)	(699)	(629)
Interest expenses	(219)	(779)	(1,067)	(1,477)	(1,444)
Dividends paid	(9,723)	(9,213)	(9,658)	(10,010)	(11,649)
Other financing cash flows	0	(491)	0	0	0
Cash flow from financing	(4,905)	(10,352)	(11,612)	(12,186)	(13,722)
Chg in cash & cash eq.	364	(1,431)	(1,195)	2,776	1,636
Closing cash & cash eq.	2,272	879	(212)	2,564	4,201

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	9.8	9.6	10.4	12.6	14.6
Adjusted EPS	10.3	9.6	10.4	12.6	14.6
Dividend per share	5.5	5.2	5.5	5.7	6.6
Book value per share	47.6	53.4	58.3	65.0	72.9

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	8.7	8.2	7.6	6.5	5.8
EV/EBITDA	41.8	43.5	39.3	32.4	27.5
Adjusted P/E	51.5	55.2	51.1	42.4	36.4
P/BV	11.2	10.0	9.1	8.2	7.3

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	76.6	76.9	78.1	78.1	78.0
Interest burden (PBT/EBIT)	113.5	119.8	117.9	113.4	111.5
EBIT margin (EBIT/Revenue)	18.4	16.1	16.1	17.5	18.3
Asset turnover (Rev./Avg TA)	88.6	84.4	82.0	88.9	91.3
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.5	1.4	1.4
Adjusted ROAE	22.6	19.1	18.7	20.4	21.2

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	13.9	5.9	7.6	16.0	13.3
EBITDA	12.5	(4.0)	10.9	21.1	17.8
Adjusted EPS	2.7	(2.1)	7.9	20.7	16.4
Profitability & Return ratios (%)					
EBITDA margin	20.7	18.8	19.4	20.2	21.0
EBIT margin	18.4	16.1	16.1	17.5	18.3
Adjusted profit margin	16.8	14.8	14.9	15.5	15.9
Adjusted ROAE	22.6	19.1	18.7	20.4	21.2
ROCE	17.2	17.9	13.6	15.8	17.3
Working capital days (days)					
Receivables	20	24	26	24	24
Inventory	118	115	112	103	106
Payables	127	122	130	124	123
Ratios (x)					
Gross asset turnover	0.8	0.7	0.7	0.8	0.8
Current ratio	1.3	1.2	1.4	1.4	1.5
Net interest coverage ratio	51.8	23.7	16.1	17.0	20.6
Adjusted debt/equity	10.3	10.6	11.2	6.6	4.9

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

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BUY – Expected return >+15%

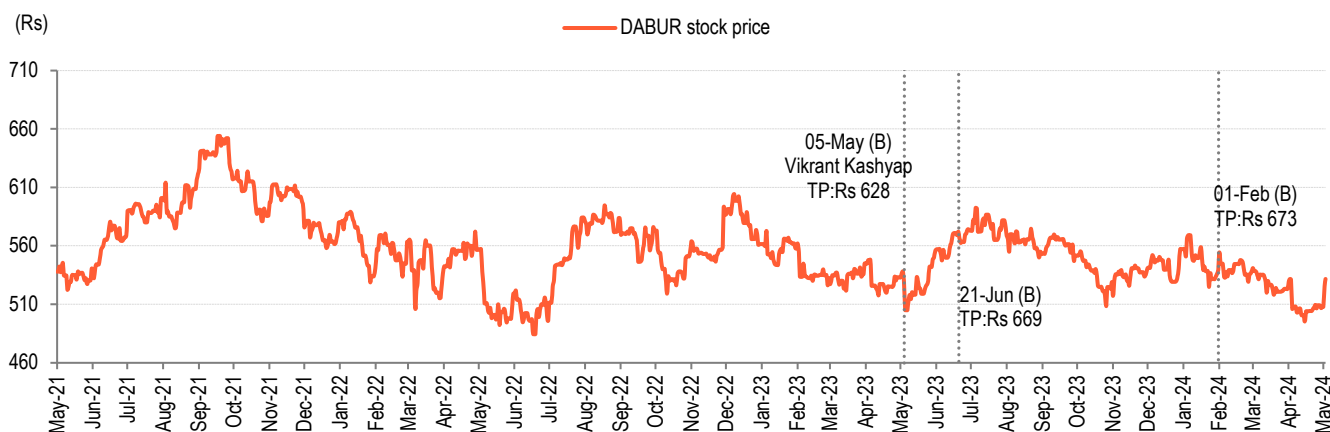
HOLD – Expected return from -6% to +15%

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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