

Estimate changes

TP change

Rating change



Bloomberg	DABUR IN
Equity Shares (m)	1762
M.Cap.(INRb)/(USDb)	982.9 / 11.9
52-Week Range (INR)	610 / 504
1, 6, 12 Rel. Per (%)	-5/-5/-14
12M Avg Val (INR M)	1135

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	115.3	129.8	148.1
Sales Gr. (%)	5.9	12.6	14.1
EBITDA	21.6	25.3	29.9
EBITDA mrg. (%)	18.8	19.5	20.2
Adj. PAT	17.0	19.6	23.4
Adj. EPS (INR)	9.6	11.1	13.2
EPS Gr. (%)	-6.9	15.4	19.1
BV/Sh.(INR)	50.6	56.7	62.0

Ratios

RoE (%)	19.6	20.6	22.2
RoCE (%)	17.6	18.1	19.7
Payout (%)	54.2	61.8	60.0

Valuation

P/E (x)	57.8	50.1	42.1
P/BV (x)	11.0	9.8	9.0
EV/EBITDA (x)	42.9	36.6	30.7
Div. Yield (%)	0.9	1.2	1.4

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	66.2	66.2	67.2
DII	8.9	8.4	4.0
FII	19.4	19.7	20.2
Others	5.5	5.6	8.5

FII Includes depository receipts

CMP: INR555 TP: INR660 (+19%)
Buy

In-line results; improving narrative

- DABUR's 1QFY24 result was broadly in line with our estimates in all aspects. It reported volume growth in both rural and urban markets, with an increase in distribution reach and market share.
- HPC and HC showed moderation in RM inflation, while the food inflation remained high. It led GP margin expansion of 70bp YoY. With increase in media spending, EBITDA margin remains flat at 19.3%.
- Allied with synergies in the healthcare portfolio, it expects to achieve double-digit consolidated sales growth in FY24. Badshah masala (grew 24%) addition to foods portfolio adding the growth momentum.
- DABUR has shown the rural recovery ahead of industry, and nearly half of its domestic sales coming from rural markets, which will boost growth momentum. **We maintain our BUY rating on the stock with a TP of INR660 at 50x FY25E EPS.**

Performance in line with our estimates

- 1QFY24 consolidated sales grew 10.9% to INR31.3b (est. INR30.9b).
- EBITDA/PBT/adj. PAT increased 11.2%/5.2%/5.4% YoY to INR6.0b/INR5.9b/INR4.6b (est. INR5.9b/INR6.1b/INR4.7b).
- We believe the company likely posted 6% India FMCG volume growth YoY in 1QFY24 (est. 6%).
- Gross margin expanded 70bp YoY to 46.6% (est. 46.8%).
- As a percentage of sales, higher ad-spends (100bp YoY to 6.5%), stable staff costs (-10bp YoY to 9.5%) and lower other expenses (-20bp YoY to 11.3%) led to flat **EBITDA margin at 19.3%** (est. 19.2%).
- **1QFY24 standalone** sales grew 7.7% YoY to INR23.5b. EBITDA/adj. PAT fell 8.1%/7.9% YoY to INR4.6b/INR3.8b. EBITDA margin stood at 19.7%.

Highlights from the management commentary

- Volume has seen an uptick in both urban and rural markets, led by a moderation in inflation. Total volume grew 6% in 1QFY24. The management expects volume growth in mid-single to high-single digits in FY24.
- The Healthcare and HPC portfolios registered double-digit growth, while beverages saw a decline due to unseasonal rains in northern and western India.
- In the Health portfolio, the recently established therapeutics division is targeted to reach 70k allopathic doctors (current reach of 70k ayurvedic doctors).
- Capex stood at ~INR1.6b in 1QFY24 and is expected to be ~INR4-4.5b in FY24.
- Distribution changes in international markets have been resolved, and the company anticipates good double-digit growth in FY24.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- There are no material changes to our FY24 and FY25 estimates.
- DABUR continues to grow and gain share despite persistent challenges in key categories. The recent softening in inflation and improved rural demand have contributed to a revival in volume growth across its portfolio.
- The company's commitment to volume growth, widespread expansion, and capturing market share, combined with a strong pipeline of new product developments, go-to-market strategies, and effective cost management, strengthens our belief in its promising potential.
- Moreover, the increased investment in advertising and promotions is expected to provide an additional boost to its growth trajectory. **We reiterate our BUY rating with a TP of INR660 (premised on 50xFY25E EPS).**

Quarterly Performance (Consolidated)

(INR b)

Y/E March	FY23				FY23				FY23	FY24E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Domestic FMCG vol. growth (%)	5.0	2.0	-3.0	1.0	6.0	7.0	10.0	9.0	2.0	8.0	6.0	
Net sales	28.2	29.9	30.4	26.8	31.3	33.5	34.7	30.3	115.3	129.8	31.0	1.0%
YoY change (%)	8.1	6.0	3.4	6.4	10.9	12.2	14.1	13.2	5.9	12.6	9.8	
Gross profit	12.9	13.6	13.9	12.3	14.6	15.8	16.4	14.2	52.6	61.0	14.5	0.7%
Margin (%)	45.9	45.4	45.5	45.8	46.6	47.2	47.2	47.0	45.6	47.0	46.8	
EBITDA	5.4	6.0	6.1	4.1	6.0	6.5	6.8	5.9	21.6	25.3	5.9	1.8%
Margins (%)	19.3	20.1	20.0	15.3	19.3	19.5	19.7	19.4	18.8	19.5	19.2	
YoY growth (%)	-1.5	-3.2	-2.8	-9.6	11.2	8.8	12.1	43.7	-4.0	16.9	9.2	
Depreciation	0.7	0.7	0.7	1.0	1.0	0.9	0.9	0.9	3.1	3.6	0.9	
Interest	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.8	0.7	0.1	
Other income	1.0	1.2	1.0	1.2	1.1	1.3	1.2	1.1	4.5	4.7	1.2	
PBT	5.6	6.4	6.2	4.0	5.9	6.8	7.0	6.0	22.2	25.7	6.1	-3.4%
Tax	1.2	1.5	1.4	1.0	1.4	1.6	1.7	1.4	5.2	6.0	1.4	
Rate (%)	21.8	23.1	23.1	26.1	23.0	23.4	23.5	23.7	23.3	23.4	22.9	
Adjusted PAT	4.4	4.9	4.8	3.0	4.6	5.2	5.4	4.4	17.0	19.6	4.7	-1.7%
YoY change (%)	0.7	-2.8	-5.0	-20.7	5.4	5.7	12.1	47.9	-6.7	15.4	7.2	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY23				FY24
	1Q	2Q	3Q	4Q	1Q
Realization Gr %	4.9	4.9	6.3	3.7	1.7
2Y average growth %					
Volumes	19.7	6.0	-0.5	1.5	5.5
Sales	20.0	9.0	5.6	7.1	9.5
EBITDA	15.5	2.9	3.2	-3.6	4.9
PAT	14.3	0.9	-1.4	-10.2	3.0
% sales					
COGS	54.1	54.6	54.5	54.2	53.4
Other expenditure	26.6	25.3	25.5	30.5	27.3
Depreciation	2.4	2.4	2.3	3.8	3.1
YoY change %					
COGS	12.7	13.2	9.1	9.7	9.4
Other expenditure	6.6	-0.1	-2.5	10.2	13.8
Other income	18.5	9.6	4.2	21.8	9.2
EBIT	16.9	17.8	17.7	11.5	16.2

Exhibit 1: Category-wise performance

Category Growth (%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Hair Oils	8.1	1.8	7.3	2.8	8.1	1.8	(2.4)	Flat	10.0
Health Supplements	(35.5)	(12.6)	14.4	12.2	(35.5)	(12.6)	0.4	(3.3)	5.5
Oral Care	12.5	9.2	4.4	8.5	12.5	9.2	2.6	(3.0)	13.0
Foods	35.7	21.2	(5.0)	(1.7)	35.7	21.2	34.5	22.0	35.0
Digestives	30.5	0.1	10.2	15.9	30.5	0.1	11.2	5.6	14.3
Skin & Salon	11.4	(15.0)	1.0	(0.3)	11.4	(15.0)	(5.6)	(2.0)	3.5
Home Care	51.9	20.9	7.0	2.5	51.9	20.9	18.2	10.3	14.5
OTC & Ethicals	(15.4)	(0.2)	5.7	4.1	(15.4)	(0.2)	4.0	(0.4)	24.3

Sources: Company reports, MOFSL

**Highlights from the management commentary****Environment and outlook**

- Volume saw an uptick in both urban and rural markets, led by a moderation in inflation.
- Rural volume grew 8% (vs. 4% growth for industry) and urban volume grew 10%.
- Total volume grew 6% in 1QFY24. The management has guided for volume growth in mid-single to high-single digits in FY24.
- The MT contribution was 18% and E-commerce contribution was 9%.
- New product contribution was 3% of revenue. It has 10% salience of E-commerce sales.
- The company gained market share in 90% of its portfolio.
- The management is positive about the rural recovery on the back of good Kharif sowing, increasing MNEREGA wage rates, Elections, etc.
- Inflation has eased to a low-single digit from a high-single digit, but food inflation remained at 11%, while spices at 19%.
- The Healthcare and HPC portfolios registered double-digit growth, while beverages saw a decline due to unseasonal rains in northern and western India.
- Its growth strategy includes investing in power brands, introducing new products, and exploring potential acquisitions, particularly in the D2C (Direct-to-Consumer) space.

Costs and margins

- A&P spends increased by 30% YoY on absolute basis owing to lower spending in the base quarter due to inflation.
- A&P spends will be 8-9% of revenue in FY24.
- The management maintains EBITDA margin guidance at 19-19.5%.
- Gross margin improvement was due to strategic inventory and deflation in raw materials and packaging.

Additional segmental highlights

- Volume growth across verticals — Beverages: negative; healthcare: 6-7%; HPC: 7-8%.
- The Foods business, especially the Homemade brand, performed well with 35% growth, supported by the Badshah acquisition (up 24%).
- Baby care category revenue stood at ~INR200m in FY23 and is expected to ~INR500m in FY24.
- In the Oral care portfolio, the natural category has 30-31% share. Growth in the Natural category was 9%, ahead of market growth of 2%.

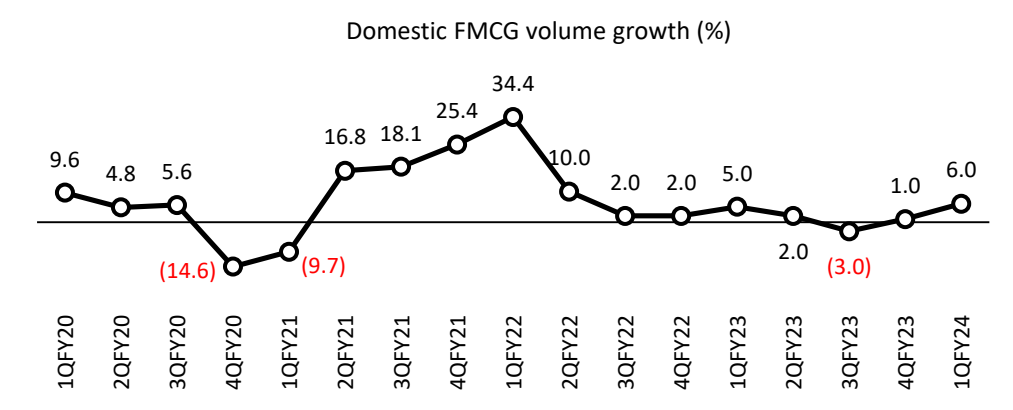
- Volume growth in oral care was 8%, ahead of market growth of 2.5%.
- Ayurveda Tea revenue will be ~INR 100-110m in FY24.
- The share of OTC and Ethical is same in revenue and margins.
- The Healthcare segment is expected to achieve double-digit growth, with price increases and mid-single digit volume growth in FY24.
- In the Health portfolio, the recently established therapeutics division is targeted to reach 70k allopathic doctors (current reach of 70k ayurvedic doctors).
- In hair care, the launch of Dabur Cool King received good market reviews. It received 25-35% repeat orders despite muted summer and gained 15% market share in the states where it was launched.

Other points

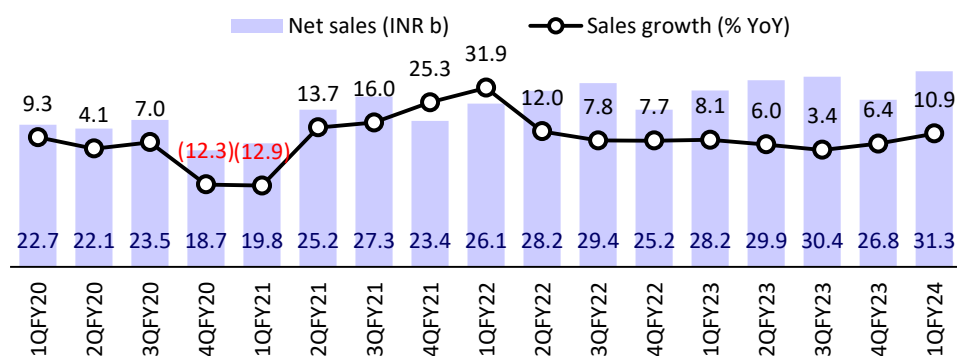
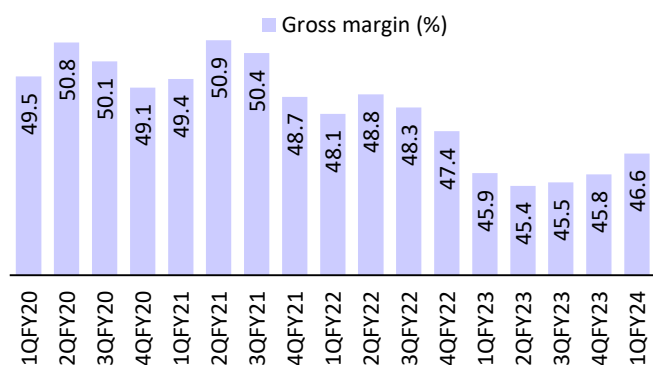
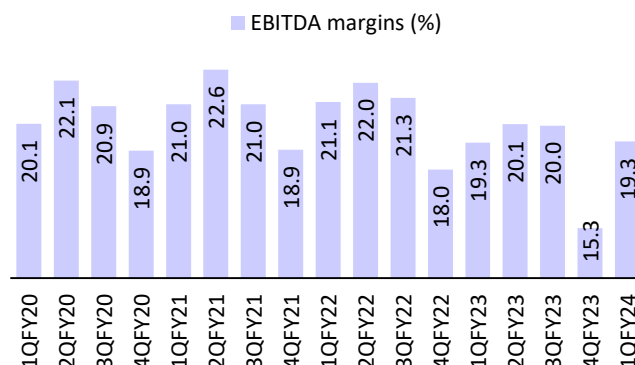
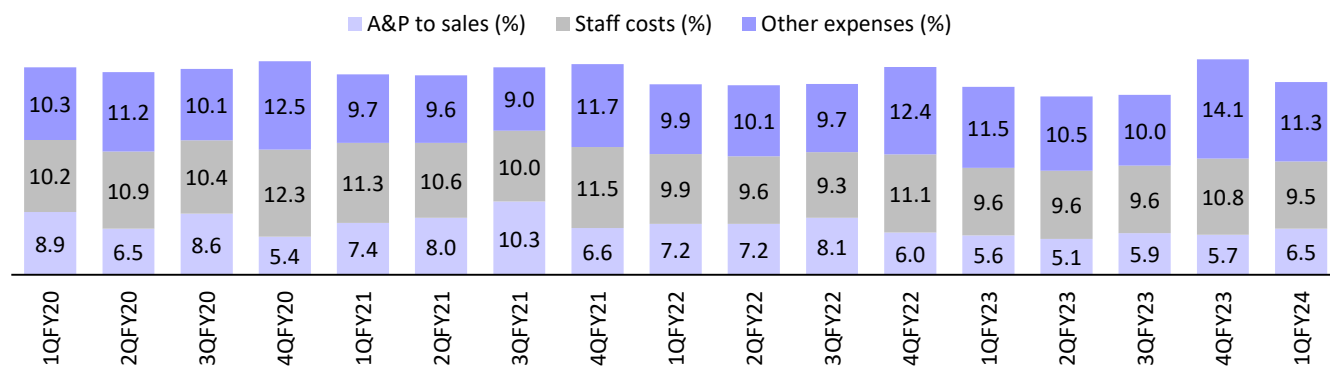
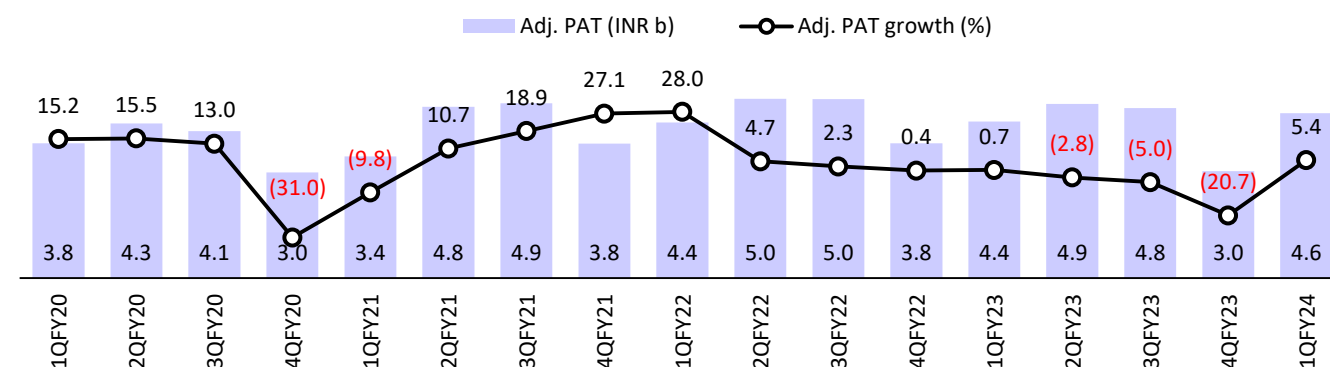
- Direct reach now stands at 1.4m, targets to reach 1.5m by FY24, and village coverage has increased to 100,000.
- The company has sufficient cash on the balance sheet for an acquisition and will acquire a target when finds synergies.
- Capex stood at ~INR1.6b in 1QFY24 and is expected to be ~INR4-4.5b in FY24.
- Last year, the MT business was affected by a controversy with Reliance, which has been resolved now.
- Distribution changes in international markets have been resolved, and the company anticipates good double-digit growth in FY24.
- DABUR has taken adequate steps to defend the lawsuit filed in the US for the usage of a hair relaxer product that led to harmful effects.
- The management commented on the news that Dabur Honey has undergone stringent testing and complies with all regulations.

Key exhibits

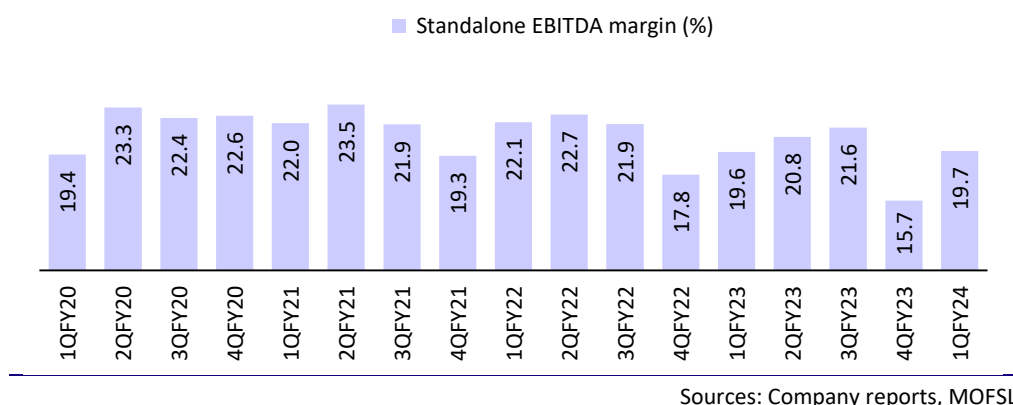
Exhibit 2: Domestic FMCG business volumes up 6% YoY in 1QFY24



Sources: Company reports, MOFSL

Exhibit 3: Consolidated reported net sales grew 10.9% YoY to INR31.3b**Exhibit 4: Con. GP margin expanded 70bp YoY to 46.6%****Exhibit 5: EBITDA margin stable YoY at 19.3%****Exhibit 6: A&P spends increased 100bp YoY to 6.5%, while other expenses and staff costs remained stable YoY in 1QFY24****Exhibit 7: Consolidated adjusted PAT increased 5.4% YoY to INR4.6b**

Sources: Company reports, MOFSL

Exhibit 8: Standalone EBITDA margin flat YoY at 19.7% in 1QFY24

Valuation and view

What has happened in the past decade from a business perspective?

- The company has considerably increased its market share in two of its largest categories – Juices and Oral Care – to record highs at the end of the decade. Following the initial setback from Patanjali, the company was able to recoup its lost market share in Honey, Chyawanprash, and Juices.
- For a company that reported a modest INR62b in sales in FY13, the sales/EBITDA/PAT CAGR over the last 10 years has been decent, but not remarkable, at 6-9%. Annualised growth over the past five years for sales/EBITDA/PAT is ~8%/~6%/~5%.
- Its inability to increase the pace of growth in its core Healthcare business has been the biggest disappointment.

Valuation and view

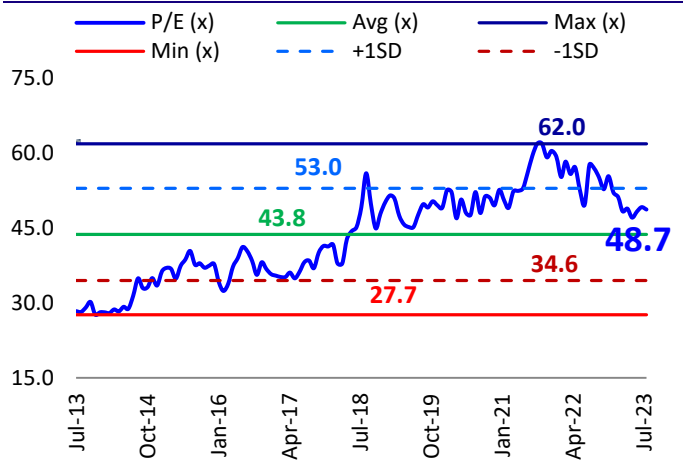
- There are no material changes to our FY24 and FY25 estimates.
- Dabur continues to grow and gain share despite persisting challenges in key categories. The recent softening in inflation and improved rural demand have contributed to a revival in volume growth across its portfolio.
- The company's commitment to volume growth, widespread expansion, and capturing market share, combined with a strong pipeline of new product developments, go-to-market strategies, and effective cost management, strengthens our belief in its promising potential.
- Moreover, the increased investment in advertising and promotions is expected to provide an additional boost to its growth trajectory. **We reiterate our BUY rating with a TP of INR660 (premised on 50x FY25E EPS).**

Exhibit 9: No material change in our estimates

	New		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Sales	129.8	148.1	129.3	147.7	0.4	0.3
EBITDA	25.3	29.9	25.1	29.6	0.7	1.0
Adjusted PAT	19.6	23.4	19.7	23.3	-0.6	0.4

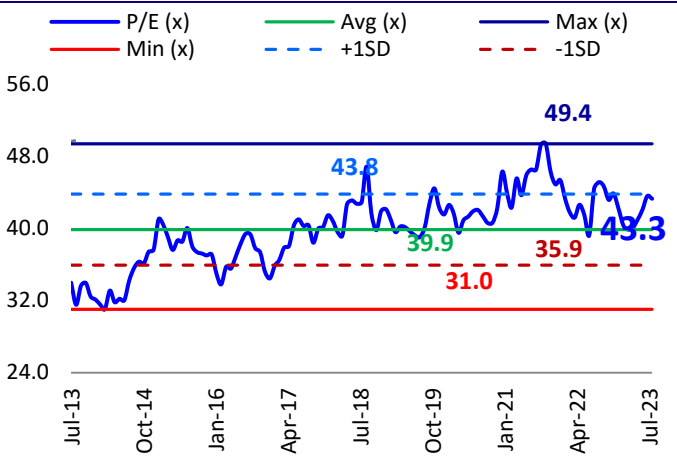
Source: MOFSL

Exhibit 10: DABUR's P/E (x)



Sources: Bloomberg, MOFSL

Exhibit 11: Consumer sector P/E (x)



Sources: Bloomberg, MOFSL

Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net Sales	77.2	85.1	86.8	95.5	108.9	115.3	129.8	148.1
Change (%)	1.4	10.3	2.0	9.9	14.1	5.9	12.6	14.1
Gross Profit	39.0	42.2	43.4	47.7	52.5	52.6	61.0	71.4
Margin (%)	50.5	49.6	50.0	50.0	48.2	45.6	47.0	48.2
EBITDA	16.2	17.4	17.9	20.0	22.5	21.6	25.3	29.9
Change (%)	7.2	7.6	2.9	11.9	12.5	(4.0)	16.9	18.2
Margin (%)	20.9	20.4	20.6	21.0	20.7	18.8	19.5	20.2
Depreciation	1.6	1.8	2.2	2.4	2.5	3.1	3.6	3.9
Int. and Fin. Charges	0.5	0.6	0.5	0.3	0.4	0.8	0.7	0.7
Other Income - Recurring	3.1	3.0	3.1	3.3	3.9	4.5	4.7	5.3
Profit before Taxes	17.1	18.0	18.2	20.6	23.6	22.2	25.7	30.6
Change (%)	6.0	5.4	1.4	12.7	14.5	(5.7)	15.8	19.0
Margin (%)	22.1	21.1	21.0	21.5	21.6	19.3	19.8	20.7
Tax	3.7	4.2	4.9	5.1	4.4	4.8	5.9	7.0
Deferred Tax	(0.4)	(1.3)	(1.9)	(1.4)	0.8	0.4	0.2	0.2
Tax Rate (%)	19.6	16.3	16.4	17.6	22.3	23.3	23.4	23.5
Profit after Taxes	13.7	15.1	15.3	17.0	18.3	17.0	19.7	23.4
Change (%)	7.2	9.7	1.3	11.2	7.9	(6.9)	15.6	19.0
Margin (%)	17.8	17.7	17.6	17.8	16.8	14.8	15.2	15.8
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Reported PAT	13.5	14.4	14.4	16.9	17.4	17.0	20.1	23.8

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Share Capital	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	55.3	54.6	64.3	74.9	82.0	88.0	98.7	108.1
Net Worth	57.1	56.3	66.1	76.6	83.8	89.7	100.5	109.8
Minority Interest	0.3	0.3	0.4	0.4	0.4	4.7	4.7	4.8
Loans	9.4	7.0	5.3	5.1	10.3	11.8	11.7	11.7
Capital Employed	66.7	63.7	71.7	82.1	94.6	106.2	117.0	126.4
Gross Block	26.3	28.0	32.9	34.4	37.9	52.2	61.7	63.5
Less: Accum. Depn.	(10.2)	(11.7)	(13.8)	(15.4)	(17.3)	(20.4)	(24.0)	(27.9)
Net Fixed Assets	16.2	16.3	19.2	19.1	20.6	31.7	37.7	35.5
Capital WIP	0.4	0.6	1.5	1.5	1.7	1.8	1.8	1.8
Goodwill	4.1	3.4	3.4	3.4	2.5	4.1	4.1	4.1
Investments	38.1	33.6	28.0	41.6	62.2	62.7	62.7	68.9
Current	7.1	7.3	13.9	7.5	8.5	7.4	5.2	5.7
Non-current	30.9	26.3	14.1	34.1	53.7	55.3	57.5	63.2
Curr. Assets, L&A	28.3	30.5	41.3	42.8	35.9	36.3	39.2	48.7
Inventory	12.6	13.0	13.8	17.3	19.1	20.2	21.4	25.2
Account Receivables	7.1	8.3	8.1	5.6	6.5	8.5	7.8	10.1
Cash and Bank Balance	3.1	3.3	8.1	13.3	5.7	3.3	5.6	9.1
Others	5.6	5.8	11.3	6.5	4.6	4.3	4.3	4.3
Curr. Liab. and Prov.	19.2	20.5	21.7	26.2	27.5	29.4	27.5	31.8
Current Liabilities	17.1	18.1	18.9	22.9	23.6	26.6	24.4	28.4
Provisions	2.0	2.4	2.8	3.4	3.8	2.8	3.1	3.3
Net Current Assets	9.1	10.0	19.6	16.6	8.4	6.9	11.7	17.0
Application of Funds	66.7	63.7	71.7	82.1	94.6	106.2	117.0	126.4

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Basic (INR)								
EPS	7.8	8.5	8.6	9.6	10.3	9.6	11.1	13.2
Cash EPS	8.6	9.2	9.4	10.9	11.3	11.4	13.4	15.7
BV/Share	32.4	31.9	37.4	43.4	47.4	50.6	56.7	62.0
DPS	7.5	2.8	3.0	4.8	5.2	5.2	6.8	7.9
Payout %	96.5	32.3	34.8	49.6	50.4	54.2	61.8	60.0
Valuation (x)								
P/E	71.4	65.2	64.4	57.9	53.8	57.8	50.1	42.1
Cash P/E	64.5	60.5	59.0	50.7	49.3	48.9	41.5	35.5
EV/Sales	12.3	11.2	10.9	9.8	8.5	8.1	7.1	6.2
EV/EBITDA	58.5	54.6	53.1	46.5	41.0	42.9	36.6	30.7
P/BV	17.1	17.4	14.8	12.8	11.7	11.0	9.8	9.0
Dividend Yield (%)	1.4	0.5	0.5	0.9	0.9	0.9	1.2	1.4
Return Ratios (%)								
RoE	25.9	26.5	24.9	23.7	22.7	19.6	20.6	22.2
RoCE	22.6	23.9	23.1	22.4	21.0	17.6	18.1	19.7
RoIC	48.9	50.9	43.5	48.6	61.2	44.7	38.9	42.5
Working Capital Ratios								
Debtor (Days)	33	36	34	21	22	27	22	25
Asset Turnover (x)	1.2	1.3	1.2	1.2	1.2	1.1	1.1	1.2
Leverage Ratio								
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
OP/(loss) before Tax	16.9	17.2	17.3	20.6	22.7	22.2	25.7	30.6
Int./Div. Received	0.2	1.7	2.3	(0.2)	0.5	(1.0)	(4.7)	(5.3)
Depreciation & Amort.	1.6	1.8	2.2	2.4	2.5	3.1	3.6	3.9
Interest Paid	(2.0)	(2.0)	(2.0)	(2.3)	(2.8)	(2.8)	0.7	0.7
Direct Taxes Paid	(3.2)	(3.5)	(3.1)	(3.2)	(3.9)	(4.9)	(5.9)	(7.0)
(Incr)/Decr in WC	(2.6)	(0.2)	(0.6)	3.9	(1.0)	(1.6)	(2.4)	(1.9)
CF from Oper.	10.9	15.0	16.1	21.1	18.0	14.9	17.0	21.0
(Incr)/Decr in FA	(2.0)	(2.3)	(4.0)	(3.1)	(3.7)	(4.9)	(9.6)	(1.8)
Free Cash Flow	8.9	12.7	12.1	18.1	14.3	10.0	7.5	19.3
(Pur)/Sale of Invt.	(5.8)	3.2	(3.6)	(13.6)	(12.7)	(0.1)	(0.0)	(6.3)
Others	2.7	3.2	6.8	6.8	(4.3)	(2.0)	7.8	5.2
CF from Invest.	(5.1)	4.1	(0.9)	(9.8)	(20.7)	(7.0)	(1.8)	(2.9)
Issue of Shares	-	0.0	0.0	0.0	0.0	0.0	-	-
(Incr)/Decr in Debt	(0.5)	(2.4)	(1.8)	(0.3)	2.5	(0.0)	(0.0)	-
Dividend Paid	(4.0)	(13.2)	(5.1)	(5.9)	(9.7)	(9.2)	(12.1)	(14.0)
Others	(1.2)	(3.2)	(3.6)	0.1	2.3	(1.1)	(0.7)	(0.7)
CF from Fin. Act.	(5.7)	(18.9)	(10.4)	(6.1)	(4.9)	(10.4)	(12.9)	(14.7)
Incr/Decr of Cash	0.0	0.2	4.8	5.2	(7.6)	(2.4)	2.4	3.4
Add: Opening Bal.	3.0	3.1	3.3	8.1	13.3	5.7	3.3	5.6
Closing Balance	3.1	3.3	8.1	13.3	5.7	3.3	5.6	9.1

E: MOSL Estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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