

Momentum Slows

Q1FY24 Results were largely in line with our estimates

- **Revenue:** grew by 10.9% YoY to Rs 31304.7mn (QoQ +16.9%).
- **EBITDA:** grew by 11.2% YoY to Rs 6047.3mn (QoQ +47.6%)
- **EBITDA Margins** at 19.32% (Vs 19.26% YoY) (Vs 15.31% QoQ)
- **PAT** grew by 3.5% to Rs 4566.1 Mn

Expenses

- **RM to Revenue stood** at 53.4% v/s 54.14% YoY (QoQ 54.19%) mainly due to commodity inflation slowing down.
- **A&P spends to Revenue:** stood at 6.53% v/s 5.57% YoY (5.66 % QoQ). Boost in gross margins to flow down to higher A&P spends.
- **Other expenses to Revenue:** stood 11.26% v/s 11.46% YoY (QoQ 14.06%)
- **Employee Cost** increased by 10.1% YoY to Rs 2972.4 mn

Outlook:

- **Food & Beverage business (~18% Contribution)** CAGR (14.5% last 4 years) Beverages has been muted on account of unseasonal rains. Target to grow @ 8-9% on a higher base.
- **HPC business (~35% Contribution)** volume growth of 7/8%
- **Healthcare Business (~19% Contribution)** Started allopathy and with products being approved by allopathy doctors and driving sales through them in a country like India will lead the growth going forward. A growth trajectory of 10% CAGR expected.
- **Gross Margin:** India margins kind of flattish (+80 bps due to moderate deflation), however, food inflation of 11% is still high than normal level. 25% of the portfolio being summer centric is still facing higher inflation. Although, margins will see improvement for next 2 to 3 quarters as inflation slows down.
- **Growth in gross margin** will be offsetted by increasing spends on media & advertisement which was lower the previous year due to increasing inflation.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Netsales	95,617	108,887	115,299	124,229	134,316
growth (%)	9.9	13.9	5.9	7.7	8.1
EBIDTA Margins	20.9	20.7	18.8	19.2	19.7
Adjusted net profit	16,933	18,045	17,071	18,162	20,309
EPS (Rs)	9.6	10.2	9.6	10.3	11.5
growth (%)	10.7	6.5	(5.6)	6.4	11.8
P/E (x)	55.3	51.9	55.0	51.7	46.2
P/B (x)	12.2	11.2	10.5	9.7	8.9
RoCE (%)	25.5	25.4	22.7	22.6	23.2
RoE (%)	22.1	21.5	19.0	18.7	19.1
Dividend yield (%)	0.5	0.9	1.0	1.0	1.1

Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
Neutral	516	-7

Market data

Current price	Rs	555
Market Cap (Rs.Bn)	(Rs Bn)	984
Market Cap (US\$ Mn)	(US\$ Mn)	11,909
Face Value	Rs	1
52 Weeks High/Low	Rs	610.75 / 503.65
Average Daily Volume	('000)	1,900
BSE Code		500096
Bloomberg		DABUR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	66.23	67.24
Public	33.77	33.76
Total	100	100

Source: BSE

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Segmental and Other Conference Call KTA's

SEGMENTAL	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
A. Healthcare	5950	5469	8.8%	5440	9.4%
Health Supplements (Chyawanprash and Dabur Honey)	2609	2473	5.5%	2856	-8.6%
Digestives (Hajmola, Pudina Hara)	1473	1289	14.3%	1049	40.4%
OTC & Ethicals (Honitus, Shilajit and Ethical)	1867	1707	9.4%	1535	21.7%
B. Home and Personal Care	11070	9970	11.0%	7980	38.7%
Hair Care (Shampoo + Hair Oils)	4608	4206	9.5%	3234	42.5%
Oral Care	4064	3597	13.0%	3050	33.3%
Skin Care	785	759	3.5%	594	32.1%
Home Care	1613	1409	14.5%	1102	46.4%
C. Foods & Beverages	5570	5590	-0.4%	4150	34.2%
D. International	7325.30	6632.71	10.4%	6942.81	5.5%
E. Others	1389.40	562.35	147.1%	2264.95	-38.7%

HEALTHCARE:

- Health Supplement: Unseasonal rains impacted glucose portfolio
- OTC: Hajmola franchise recorded strong growth of 15%, new products to drive further growth in the segment. 140 bps & 20 bps market share gain in Baby massage oils & Cough & cold segment respectively.
- Ethicals: A strong team of 400 product specialists & sales being pushed by allopathy doctors will further enhance the segments performance.

HOME and PERSONAL CARE

- Home Care: Robust double-digit growth for Odonil - market share increased by 10 bps & Odomos - market share increased by ~340 bps.
- Oral Care: Dabur red continuing to gain market share (50 bps) taking toothpaste market share to 16.9%
- Hair Oils: Portfolio recorded 10% growth vs category which grew @ 3.7%. With gain of 200 bps, market share now stands at 17.4% (**Highest ever**)

FOODS and BEVERAGES

- Foods business performed well with growth of ~35% which was further fueled by Badshah which recorded a growth of 23% for Q1FY24 and expects to end the year with a runrate of Rs 5000 Mn.
- Beverage was affected due to unseasonal rains. Market share gain observed in juices and fruit drinks. Most companies down by 25% whereas Dabur declined by mere 1.6% & in terms of transaction (No. of reaches) growth has been ~4/5%

INTERNATIONAL

- International Business grew by 20.6% in CC terms
- High growth was on the backing of moderation of inflation overseas.
- Distribution updation done last year resulting in some loss of sale. However it is expected to improve from next quarter onwards.
- Double digit growth expected for FY24

Other KTA's

- Rural business growing with volumes picking up. Dabur recorded a growth of 8% as against industry which grew at 4%.
- Number of outlets to increase from current 1.4Mn to end the year at 1.5Mn.
- Market share gain has been seen in 90% of the companys portfolio.
- Profitability to improve & gross margins to increase going forward due to moderation of inflation, growth to flow down in the form of increasing marketing spends.
- Excess money sitting on books providing strength to the balance sheet and giving ability to the company to capitalise on inorganic opportunities going forward.

Quarterly Performance Analysis

Exhibit 1

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Revenue from Operations	31304.7	28224.3	10.9%	26778	16.9%
Other Income	1097.8	1005.5	9.2%	1207.2	-9.1%
Total	32402.5	29229.8	10.9%	27985.2	15.8%
COGS	16717.2	15281.1	9.4%	14510.3	15.2%
<i>% of sales</i>	<i>53.40%</i>	<i>54.14%</i>		<i>54.19%</i>	
Employee Benefit Expense	2972.4	2698.9	10.1%	2887.4	2.9%
<i>% of sales</i>	<i>9.50%</i>	<i>9.56%</i>		<i>10.78%</i>	
Other Expenses	3524.4	3235.7	8.9%	3765.6	-6.4%
<i>% of sales</i>	<i>11.26%</i>	<i>11.46%</i>		<i>14.06%</i>	
Advertisement and Promotional Expense	2043.4	1572	30.0%	1516.3	34.8%
<i>% of sales</i>	<i>6.53%</i>	<i>5.57%</i>		<i>5.66%</i>	
EBITDA excluding other income	6047.3	5436.6	11.2%	4098.4	47.6%
EBITDA MARGINS	19.32%	19.26%		15.31%	
EBITDA including other income	7145.1	6442.1	10.9%	5305.6	34.7%
Depreciation	966.4	676.0	43.0%	1020.0	-5.3%
EBIT	6178.7	5766.1	7.2%	4285.6	44.2%
Finance costs	243.1	121.5	100.1%	321.2	-24.3%
PBT Ex of JV and Exceptional items	5935.6	5644.6	5.2%	3964.4	49.7%
profit/loss from JV	-2	-3.4	-41.2%	-1.9	5.3%
exceptional items	0	0		0	
PBT	5933.6	5641.2	5.2%	3962.5	49.7%
Tax Expense	1367.5	1230.6	11.1%	1034.9	32.1%
Tax Rate	23.0%	21.8%		23.0%	0.2%
PAT	4566.10	4410.60	3.5%	2927.60	56.0%
NPM	14.1%	15.1%		10.5%	
Minority Interest	-72.70	7.40	-1082.4%	-80.70	-9.9%
NPAT	4638.80	4403.20	5.4%	3008.30	54.2%
NPM	14.3%	15.1%		10.7%	33.2%
Adjusted PAT	4638.80	4403.20	5.4%	3131.83	48.1%
Equity	1772	1771.7		1771.8	
Face Value	1	1		1	
Number of Shares	1772	1771.7		1771.8	
Basic EPS Calculated	2.62	2.49		1.70	

Source: Dalal & Broacha Research, Company

Valuation

Gross margins are expected to improve on a sequential basis as inflation related to packaging & petroleum products is in a downward trajectory. Despite high inflation in food & beverage related products, high seasonal quarter is behind us leading to a lesser impact.

Rural which contributes a greater proportion to Dabur's revenue is picking up quite well which will support volume growth going forward.

We have revised our estimates post Q4FY23.

At Rs 555, company trades 54.1x FY24E EPS of Rs 10.3 and 48.4x FY25E EPS of Rs 11.5. **We maintain Neutral rating on the stock with a target price of Rs 516. (45x FY25EPS).**

Financial

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	95,617	108,887	115,299	124,229	134,316
Cost of sales	75,590	86,349	93,658	100,422	107,920
Operating Profit	20,027	22,538	21,641	23,807	26,396
Depreciation	2,401	2,529	3,110	3,428	3,676
PBIT	17,626	20,009	18,532	20,379	22,720
Other income	3,253	3,932	4,454	4,164	4,491
Interest	308	386	782	923	794
Profit before tax	20,570	23,555	22,203	23,621	26,417
Exceptional items	-	850	-	-	-
share of profit/loss in JV	(10)	(18)	(16)	(18)	(20)
PBT (Post Extra Ordinary)	20,560	22,687	22,187	23,603	26,397
Provision for tax	3,611	5,264	5,174	5,504	6,155
Reported PAT	16,950	17,423	17,013	18,099	20,242
MI	17	31	(58)	(63)	(67)
Adjusted PAT	16,933	18,045	17,071	18,162	20,309

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	1,767	1,768	1,772	1,772	1,772
Reserves	74,868	82,045	87,961	95,492	104,284
Net worth	76,635	83,813	89,733	97,264	106,056
Minority Interest	367	406	4,682	4,619	4,552
Non Current Liabilites	2,127	5,401	6,035	5,840	5,645
Current Liabilites	29,342	33,225	36,094	36,170	36,776
CAPITAL EMPLOYED	108,471	122,845	136,544	143,893	153,029
Non Current Assets	60,712	79,677	94,054	95,199	95,102
Fixed Assets	20,037	21,752	33,015	34,087	33,911
Non Current Investments	34,136	53,651	55,288	55,288	55,288
Non Current tax assets	222	52	66	66	66
Long Term Loans and Advances	225	-	-	-	-
Other NON Current Assets	2,226	1,221	1,163	1,236	1,314
Goodwill	3,360	2,512	4,053	4,053	4,053
Investment property	505	491	471	471	471
Current Assets	47,759	43,168	42,490	48,693	57,927
Current investments	7,460	8,546	7,365	7,365	7,365
Inventories	17,343	19,114	20,242	22,541	24,369
Trade Receivables	5,616	6,462	8,488	9,451	11,409
Cash and Bank Balances	13,290	5,701	3,259	5,908	11,034
Short Term Loans and Advances	145	-	-	-	-
Other Current Assets	3,906	3,346	3,136	3,429	3,750
CAPITAL DEPLOYED	108,471	122,845	136,544	143,893	153,029

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	16,950	17,423	17,013	18,099	20,242
Add: Depreciation	2,401	2,529	3,110	3,428	3,676
Minority Interest	(17)	(31)	58	63	67
Cash profits	19,334	19,921	20,181	21,590	23,984
(Inc)/Dec in					
-Sundry debtors	2,523	(846)	(2,026)	(964)	(1,957)
-Inventories	(3,547)	(1,771)	(1,128)	(2,299)	(1,828)
-Loans/advances	8	369	-	-	-
CL & provisions	3,967	1,264	1,979	81	611
'- Other Assets	4,765	1,736	251	(366)	(400)
Change in working capital	7,716	753	(925)	(3,548)	(3,574)
CF from Oper. activities	27,050	20,674	19,256	18,042	20,410
CF from Inv. activities	(15,905)	(23,981)	(16,347)	(4,500)	(3,500)
CF from Fin. activities	(5,969)	(4,282)	(5,352)	(10,894)	(11,783)
Cash generated/(utilised)	5,177	(7,589)	(2,442)	2,648	5,127
Cash at start of the year	8,114	13,290	5,701	3,259	5,908
Cash at end of the year	13,290	5,701	3,259	5,908	11,034
	13,290	5,701	3,259	5,908	11,034
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	21	21	19	19	20
NPM	17	16	14	14	15
Tax rate	18	22	23	23	23
Growth Ratios (%)					
Net Sales	10	14	6	8	8
Operating Profit	12	13	(4)	10	11
PBIT before other income	12	14	(7)	10	11
PAT	11	7	(5)	6	12
Per Share (Rs.)					
Net Earnings (EPS)	10	10.2	9.6	10.3	11.5
Cash Earnings (CPS)	8	9	8	8	9
Dividend	3	5	5	5	6
Book Value	43	47	51	55	60
Free Cash Flow	9	6	4	5	6
Valuation Ratios					
P/E(x)	58	54	58	54	48
P/B(x)	13	12	11	10	9
EV/EBIDTA(x)	49	44	46	42	37
Div. Yield(%)	0	1	1	1	1
FCF Yield(%)	2	1	1	1	1
Return Ratios (%)					
ROE	22%	22%	19%	19%	19%
ROCE	26%	25%	23%	23%	23%

Source: Dalal & Broacha Research

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