

## Q2FY24 Results were largely in line with our estimates

- **Revenue:** grew by 7.3% YoY to Rs 32038.4mn (QoQ +2.3%).
- **EBITDA:** grew by 10% YoY to Rs 6608.7mn (QoQ +9.3%)
- **EBITDA Margins** at 20.63% (Vs 20.12% YoY) (Vs 19.32% QoQ)
- **PAT** grew by 3.3% to Rs 5070.4 Mn

### Expenses

- **RM to Revenue** stood at 51.68% v/s 54.62% YoY (QoQ 53.4%) mainly due to commodity inflation slowing down.
- **A&P spends to Revenue:** stood at 6.76% v/s 5.08% YoY (6.53 % QoQ). Boost in gross margins to flow down to higher A&P spends.
- **Other expenses to Revenue:** stood 11.09% v/s 10.55% YoY (QoQ 11.26%)
- **Employee Cost** increased by 9.7% YoY to Rs 3154.9 mn

### Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	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	19.5	19.7
Adjusted net profit	16,933	18,045	17,071	18,097	19,887
EPS (Rs)	9.6	10.2	9.6	10.2	11.2
growth (%)	10.7	6.5	(5.6)	6.0	9.9
P/E (x)	57.9	54.4	57.6	54.3	49.4
P/B (x)	12.8	11.7	11.0	10.1	9.3
RoCE (%)	25.5	25.4	22.7	22.5	22.8
RoE (%)	22.1	21.5	19.0	18.6	18.8
Dividend yield (%)	0.5	0.9	0.9	0.9	1.1

Source: Dalal and Broacha

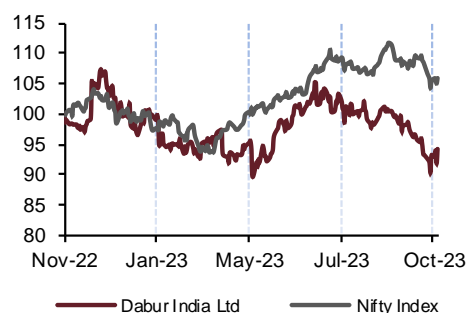
Rating	TP (Rs)	Up/Dn (%)
<b>NEUTRAL</b>	<b>505</b>	<b>-5</b>

### Market data

<b>Current price</b>	<b>Rs</b>	<b>530</b>
Market Cap (Rs.Bn)	(Rs Bn)	940
Market Cap (US\$ Mn)	(US\$ Mn)	11,285
Face Value	Rs	1
52 Weeks High/Low	Rs	611 / 504
Average Daily Volume	('000)	2,729
BSE Code		500096
Bloomberg		DABUR.IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Sep-23	Jun-23
Promoters	66.23	67.24
Public	33.77	33.76
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Segmental and Other Conference Call KTA's

SEGMENTAL	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
<b>A. Healthcare</b>	<b>6630</b>	<b>6290</b>	<b>5.4%</b>	<b>5950</b>	<b>11.4%</b>
Health Supplements (Chyawanprash and Dabur Honey)	3277	3277	0.0%	2609	25.6%
Digestives (Hajmola, Pudina Hara)	1320	1118	18.1%	1473	-10.4%
OTC & Ethicals (Honitus, Shilajit and Ethical)	2033	1895	7.3%	1867	8.9%
<b>B. Home and Personal Care</b>	<b>11260</b>	<b>10650</b>	<b>5.7%</b>	<b>11070</b>	<b>1.7%</b>
Hair Care (Shampoo + Hair Oils)	4245	4099	3.6%	4608	-7.9%
Oral Care	4250	4083	4.1%	4064	4.6%
Skin Care	794	756	5.0%	785	1.1%
Home Care	1970	1712	15.1%	1613	22.2%
<b>C. Foods &amp; Beverages</b>	<b>4000</b>	<b>4310</b>	<b>-7.2%</b>	<b>5570</b>	<b>-28.2%</b>
<b>D. International</b>	<b>8297.95</b>	<b>7496.09</b>	<b>10.7%</b>	<b>7325.30</b>	<b>13.3%</b>
<b>E. Others</b>	<b>1850.45</b>	<b>1118.81</b>	<b>65.4%</b>	<b>1389.40</b>	<b>33.2%</b>

### HEALTHCARE:

- Health Supplement: Flat growth for the Quarter, due to delayed season, Chyawanprash saw a muted growth  
Dabur Honey continues to gain market share
- Digestives: Robust 18.1% growth primarily led by Hajmola franchise
- OTC: 90 bps gain in market share in Baby massage oils & 40 bps in Cough & cold segment
- Ethicals: Double sales reported for baby care; recently launched therapeutic division recorded double digit growth

### HOME and PERSONAL CARE

- Home Care: Odonil category growing @ 20%, dabur grew @ 23%, still underpenetrated in the country. Odomos market share increased by 560 bps, now at 65%. Strong uptick in mosquito repellent category
- Oral Care: Dabur red grew in high single digit; market share gain of 20 bps in toothpaste category
- Hair Oils: Market share gained by 143 bps to touch 17%.

### FOODS and BEVERAGES

- Foods: Robust 40% growth recorded. Badshah portfolio recorded 16.4% in Q2FY24. Run rate of Rs 500 cr from foods expected.
- Beverage: 10% de-growth, impacted by uneven rainfall, shift in festive season.

## INTERNATIONAL

- International Business grew by 23.6% in CC terms
- Moderation of inflation
- High double digit topline growth expected to continue in H2 as well
- War has not impacted the business yet, however the situation needs to be closely watched wrt to actions taken by Middle east.
- Gross margin improved by 600 bps for international business and expected to continue with deflationary trend overseas.

## Other KTA's

- Rural region impacted due to uneven rainfall. Performance has been negative since 3 quarters which has now started in the positive zone
- Increase in MSP, new age channel, robust crop sowing, onset of festive season will drive FMCG growth
- Currently at 1.4Mn outlets, aims to increase to 1.5Mn by end of FY24
- Litigation - Does not concern dabur brand or product - Litigation filed against all the players in the industry - Management has commented that the case has been filed based on an incomplete study - portfolio impacted is less than 1% of revenue || Company said that the case has no legal merits.
- Incurred legal cost of Rs 36 cr in Q2FY24. However they have insurance in place which will cover part of the cost going forward, balance to be beared by the company. Major expense incurred so far are not recoverable.
- Initially these costs are higher and management expects these to hover around 20/25 cr in every quarter.
- Gross margins expanded 300 bps - material deflation during quarter.
- A&P spends increased by 43%. Focus on advertisement for HPC & healthcare, Homecare & chywanprash as the season kicks in.
- Degrowth in beverage - North (contr. >50%) has been impacted by rainfall in july; couldn't cover up in august
- New player entered in the category of coconut water,leading to company losing some sales to him ||Capex of 30/40 cr planned to ramp up.
- Juices - loss in Q2 will be compensated in Q3 as loading shifted to Q3; October beverage growth of 10%
- Healthcare - High single digit growth as season approaching.

## Quarterly Performance Analysis

### Exhibit 1

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Revenue from Operations	32038.4	29864.9	7.3%	31304.7	2.3%
Other Income	1164.1	1232.8	-5.6%	1097.8	6.0%
<b>Total</b>	<b>33202.5</b>	<b>31097.7</b>	<b>6.8%</b>	<b>32402.5</b>	<b>2.5%</b>
COGS	16556.7	16313.7	1.5%	16717.2	-1.0%
<i>% of sales</i>	<i>51.68%</i>	<i>54.62%</i>		<i>53.40%</i>	
Employee Benefit Expense	3154.9	2875.6	9.7%	2972.4	6.1%
<i>% of sales</i>	<i>9.85%</i>	<i>9.63%</i>		<i>9.50%</i>	
Other Expenses	3552.8	3150.2	12.8%	3524.4	0.8%
<i>% of sales</i>	<i>11.09%</i>	<i>10.55%</i>		<i>11.26%</i>	
Advertisement and Promotional Expense	2165.3	1518	42.6%	2043.4	6.0%
<i>% of sales</i>	<i>6.76%</i>	<i>5.08%</i>		<i>6.53%</i>	
<b>EBITDA excluding other income</b>	<b>6608.7</b>	<b>6007.4</b>	<b>10.0%</b>	<b>6047.3</b>	<b>9.3%</b>
<b>EBIDTA MARGINS</b>	<b>20.63%</b>	<b>20.12%</b>		<b>19.32%</b>	
<b>EBITDA including other income</b>	<b>7772.8</b>	<b>7240.2</b>	<b>7.4%</b>	<b>7145.1</b>	<b>8.8%</b>
Depreciation	983.2	704.7	39.5%	966.4	1.7%
EBIT	6789.6	6535.5	3.9%	6178.7	9.9%
Finance costs	281.4	150.6	86.9%	243.1	15.8%
<b>PBT Ex of JV and Exceptional items</b>	<b>6508.2</b>	<b>6384.9</b>	<b>1.9%</b>	<b>5935.6</b>	<b>9.6%</b>
profit/loss from JV	4.9	-3.4	-244.1%	-2	-345.0%
exceptional items	0	0		0	
<b>PBT</b>	<b>6513.1</b>	<b>6381.5</b>	<b>2.1%</b>	<b>5933.6</b>	<b>9.8%</b>
Tax Expense	1442.7	1472.9	-2.1%	1367.5	5.5%
<b>Tax Rate</b>	<b>22.2%</b>	<b>23.1%</b>		<b>23.0%</b>	<b>-3.9%</b>
<b>PAT</b>	<b>5070.40</b>	<b>4908.60</b>	<b>3.3%</b>	<b>4566.10</b>	<b>11.0%</b>
<b>NPM</b>	<b>15.3%</b>	<b>15.8%</b>		<b>14.1%</b>	
Minority Interest	-80.10	8.00	-1101.3%	-72.70	10.2%
<b>NPAT</b>	<b>5150.50</b>	<b>4900.60</b>	<b>5.1%</b>	<b>4638.80</b>	<b>11.0%</b>
<b>NPM</b>	<b>15.5%</b>	<b>15.8%</b>		<b>14.3%</b>	<b>8.4%</b>
<b>Adjusted PAT</b>	<b>5150.50</b>	<b>4900.60</b>	<b>5.1%</b>	<b>4638.80</b>	<b>11.0%</b>
Equity	1772	1771.8		1772	
Face Value	1	1		1	
Number of Shares	1772	1771.8		1772	
<b>Basic EPS Calculated</b>	<b>2.91</b>	<b>2.77</b>		<b>2.62</b>	

Source: Dalal & Broacha Research, Company

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## Valuation

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With shift in festive season in Q3, H2FY24 is expected to be better.

We expect margin upside to continue for the rest of the year as deflationary trends continue. Management has given yearly guidance of 19.5%; despite of incurring legal cost.

**We maintain Neutral rating on the stock with a target price of Rs 505. (45x FY25EPS) and advise investors to shift from Dabur to Nestle.**

## 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	99,956	107,920
<b>Operating Profit</b>	<b>20,027</b>	<b>22,538</b>	<b>21,641</b>	<b>24,273</b>	<b>26,396</b>
Depreciation	2,401	2,529	3,110	3,978	4,265
PBIT	17,626	20,009	18,532	20,295	22,130
Other income	3,253	3,932	4,454	4,164	4,531
Interest	308	386	782	923	794
Profit before tax	20,570	23,555	22,203	23,537	25,867
Exceptional items	-	850	-	-	-
share of profit/loss in JV	(10)	(18)	(16)	(18)	(20)
PBT ( Post Extra Ordinary)	20,560	22,687	22,187	23,519	25,848
Provision for tax	3,611	5,264	5,174	5,484	6,027
<b>Reported PAT</b>	<b>16,950</b>	<b>17,423</b>	<b>17,013</b>	<b>18,035</b>	<b>19,821</b>
MI	17	31	(58)	(63)	(67)
<b>Adjusted PAT</b>	<b>16,933</b>	<b>18,045</b>	<b>17,071</b>	<b>18,097</b>	<b>19,887</b>

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	95,427	103,798
<b>Net worth</b>	<b>76,635</b>	<b>83,813</b>	<b>89,733</b>	<b>97,199</b>	<b>105,570</b>
Minority Interest	367	406	4,682	4,619	4,552
<b>Non Current Liabilities</b>	<b>2,127</b>	<b>5,401</b>	<b>6,035</b>	<b>5,840</b>	<b>5,645</b>
<b>Current Liabilities</b>	<b>29,342</b>	<b>33,225</b>	<b>36,094</b>	<b>36,017</b>	<b>36,776</b>
<b>CAPITAL EMPLOYED</b>	<b>108,471</b>	<b>122,845</b>	<b>136,544</b>	<b>143,675</b>	<b>152,543</b>
<b>Non Current Assets</b>	<b>60,712</b>	<b>79,677</b>	<b>94,054</b>	<b>94,649</b>	<b>93,963</b>
Fixed Assets	20,037	21,752	33,015	33,537	32,771
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
<b>Current Assets</b>	<b>47,759</b>	<b>43,168</b>	<b>42,490</b>	<b>49,026</b>	<b>58,581</b>
<b>Current investments</b>	<b>7,460</b>	<b>8,546</b>	<b>7,365</b>	<b>7,365</b>	<b>7,365</b>
Inventories	17,343	19,114	20,242	22,541	24,376
Trade Receivables	5,616	6,462	8,488	9,451	11,412
Cash and Bank Balances	13,290	5,701	3,259	6,240	11,678
Short Term Loans and Advances	145	-	-	-	-
Other Current Assets	3,906	3,346	3,136	3,429	3,750
<b>CAPITAL DEPLOYED</b>	<b>108,471</b>	<b>122,845</b>	<b>136,544</b>	<b>143,675</b>	<b>152,543</b>

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	16,950	17,423	17,013	18,035	19,821
Add: Depreciation	2,401	2,529	3,110	3,978	4,265
Minority Interest	(17)	(31)	58	63	67
<b>Cash profits (Inc)/Dec in</b>	<b>19,334</b>	<b>19,921</b>	<b>20,181</b>	<b>22,075</b>	<b>24,153</b>
-Sundry debtors	2,523	(846)	(2,026)	(964)	(1,961)
-Inventories	(3,547)	(1,771)	(1,128)	(2,299)	(1,835)
-Loans/advances	8	369	-	-	-
CL & provisions	3,967	1,264	1,979	(72)	764
! Other Assets	4,765	1,736	251	(366)	(400)
Change in working capital	7,716	753	(925)	(3,701)	(3,432)
<b>CF from Oper. activities</b>	<b>27,050</b>	<b>20,674</b>	<b>19,256</b>	<b>18,374</b>	<b>20,721</b>
<b>CF from Inv. activities</b>	<b>(15,905)</b>	<b>(23,981)</b>	<b>(16,347)</b>	<b>(4,500)</b>	<b>(3,500)</b>
<b>CF from Fin. activities</b>	<b>(5,969)</b>	<b>(4,282)</b>	<b>(5,352)</b>	<b>(10,894)</b>	<b>(11,783)</b>
<b>Cash generated/(utilised)</b>	<b>5,177</b>	<b>(7,589)</b>	<b>(2,442)</b>	<b>2,981</b>	<b>5,438</b>
Cash at start of the year	8,114	13,290	5,701	3,259	6,240
Cash at end of the year	13,290	5,701	3,259	6,240	11,678
	13,290	5,701	3,259	6,240	11,678
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	21	21	19	20	20
NPM	17	16	14	14	14
Tax rate	18	22	23	23	23
Growth Ratios (%)					
Net Sales	10	14	6	8	8
Operating Profit	12	13	(4)	12	9
PBIT before other income	12	14	(7)	10	9
PAT	11	7	(5)	6	10
Per Share (Rs.)					
Net Earnings (EPS)	10	10.2	9.6	10.2	11.2
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	7
Valuation Ratios					
<b>P/E(x)</b>	<b>58</b>	<b>54</b>	<b>58</b>	<b>54</b>	<b>49</b>
P/B(x)	13	12	11	10	9
EV/EBIDTA(x)	49	44	46	41	37
Div. Yield(%)	0	1	1	1	1
<b>FCF Yield(%)</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Return Ratios (%)					
ROE	22%	22%	19%	19%	19%
ROCE	26%	25%	23%	22%	23%

Source: Dalal &amp; Broacha Research

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