



Dabur's Q3FY24 results closely aligned with our projections. A notable distinction between Dabur and its competitors is its ability to surpass rural growth by approximately 200 bps ahead of urban markets, while peers experienced a decline in sales in rural areas. Some categories faced performance challenges due to a delayed onset of winter. The company achieved a gross margin expansion of 310 bps attributed to material deflation. Dabur effectively increased its presence in rural markets and plans to sustain this momentum. The company's performance was buoyed by a robust 33% growth in Badshah. However, the overall demand scenario remains challenging.

Q3FY24 Results were largely in line with our estimates

- **Revenue:** grew by 7.0% YoY to Rs 32550.6mn (QoQ +1.6%).
- **EBITDA:** grew by 9.5% YoY to Rs 6678.2mn (QoQ +1.1%)
- **EBITDA Margins** at 20.52% (Vs 20.04% YoY) (Vs 20.63% QoQ)
- **PAT** grew by 6.2% to Rs 5064.4 Mn

Expenses

- **RM to Revenue** stood at 51.39% v/s 54.49% YoY (QoQ 51.68%) due to easing of material inflation.
- **A&P spends to Revenue:** stood at 7.51% v/s 5.90% YoY (6.76 % QoQ).
- **Other expenses to Revenue:** stood 11.04% v/s 10.01% YoY (QoQ 11.09%)
- **Employee Cost** increased by 6.8% YoY to Rs 3106 mn

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Nets sales	108,887	115,299	123,603	133,610	144,796
growth (%)	13.9	5.9	7.2	8.1	8.4
EBIDTA Margins	20.7	18.8	19.4	19.6	20.0
Adjusted net profit	18,045	17,071	17,861	19,687	22,085
EPS (Rs)	10.2	9.6	10.1	11.1	12.5
growth (%)	6.5	(5.6)	4.6	10.2	12.2
P/E (x)	54.4	57.6	55.1	49.9	44.5
P/B (x)	11.7	11.0	10.1	9.4	8.3
RoCE (%)	25.4	22.7	22.3	22.7	22.8
RoE (%)	21.5	19.0	18.4	18.7	18.7
Dividend yield (%)	0.9	0.9	0.9	1.1	1.2

Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	563	1

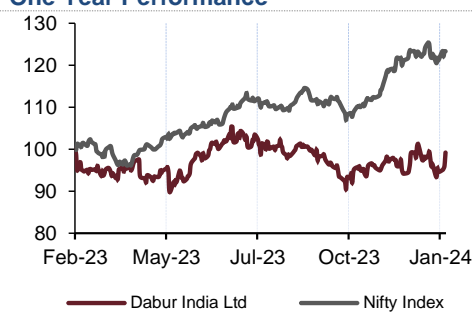
Market data

Current price	Rs	558
Market Cap (Rs.Bn)	(Rs Bn)	988
Market Cap (US \$ Mn)	(US \$ Mn)	11,899
Face Value	Rs	1
52 Weeks High/Low	Rs	597.1 / 503.65
Average Daily Volume	(000)	3,614
BSE Code		500096

Bloomberg DABUR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	66.24	66.23
Public	33.76	33.77
Total	100	100

Source: BSE

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Segmental and Other Conference Call KTA's

SEGMENTAL	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
A. Healthcare	8830	8621	2.4%	6630	33.2%
Health Supplements (Chyawanprash and Dabur Honey)	5165	5165	0.0%	3277	57.6%
Digestives (Hajmola, Pudin Hara)	1436	1248	15.1%	1320	8.8%
OTC & Ethicals (Honitus, Shilajit and Ethical)	2229	2209	0.9%	2033	9.7%
B. Home and Personal Care	10510	9860	6.6%	11260	-6.7%
Hair Care (Shampoo + Hair Oils)	3977	3764	5.7%	4245	-6.3%
Oral Care	3941	3645	8.1%	4250	-7.3%
Skin Care	1008	964	4.5%	794	26.9%
Home Care	1584	1486	6.6%	1970	-19.6%
C. Foods & Beverages	3410	3190	6.9%	4000	-14.8%
D. International	7877.25	7760.08	1.5%	8297.95	-5.1%
E. Others	1923.35	1000.25	92.3%	1850.45	3.9%

HEALTHCARE:

- Health Supplement: Impacted due to delayed winter. Chywanprash had flat growth || Gained market share of 151 bps in Chyawanprash & Dabur honey increase market share by 33 bps.
- Digestives: Recorded robust ~15% growth with good traction in Hajmola franchise.
- OTC: Lal tail, Dabur health juices & shilajit reported robust growth. Dabur Honitus gained market share of 170 bps & baby massage oil increased market share by 120 bps.
- Ethicals: Therapeutic division reported robust double digit growth || Strategy is to bridge the gap between the company & doctors going forward.

HOME and PERSONAL CARE

- Home Care: Grew by 6.6% led by double digit growth of Odomos, whose market share now stands at 65.2%, registering an increase of 1000+ bps.
- Oral Care: Grew by 8% led by volume growth of 5% || Gained market share by 33 bps
Herbal segment in toothpaste outpaced non-herbal category by ~200 bps.
Dabur red continues to perform well & Meshwak recorded a double digit growth
- Hair Oils: Gained market share by 140 bps, which now stands at 17.1%

FOODS and BEVERAGES

- Foods: Recorded robust 22% growth, backed by Badshah growing at 33% in Q3FY24 on the back of focused marketing efforts
- Beverage: Growth of 6.9% YoY in Q3FY24

INTERNATIONAL

- International Business grew by 11.7% in CC terms
- Growth driven by Mena (+14.3%), Egypt (+43.1%) & Turkey (+43.8%); (CC growth YoY)

Other KTA's

- Gross margin expansion of 310 bps primarily due to deflation.
- Shampoo category also performing well, category growing by 3%, however dabur managed to grow by ~11%. Growth driven by increased distribution network in rural.
- Hair Oil - substantial improvement across all variants || coconut oil also gained 50 bps market share || headroom to grow || launching premium variant on e-commerce channel
- Growth in oral care backed by volume growth of 5% v/s competitors which grew by 2% || Headroom to grow herbal portfolio & penetration of category also increased in the market, company intends to continue to ramp up herbal franchise
- Healthcare - Impacted due to delayed onset of winter || However expect destocking of inventory to happen in q4 || Launched premium categories of honey which is witnessing good traction.
- Badshah registered growth of 33% with 20-23% volume growth & balance 9-10% price led growth || Have started exports too (although not significant) || Plans to expand geographically & have distribution network beyond Gujarat & Maharashtra.
- Rural vs urban - rural growth @ ~6.5% vs urban growth @ ~3% backed by increased penetration in additional villages, from 1L to 1.17L villages.
- A&P spends increased by 36% to drive Long Term sustainable growth & maintain market leadership
- Management committed to exit the year with a Runrate of Rs 500 cr from foods potfolio (incl. Badshah)
- Company will continue to increase it's distribution reach from 1.42 Mn outlet to 1.5 Mn by end of FY24.
- Board approved capex of Rs 135 cr to set up a new plant in South India for capacity expansion of Red toothpaste, Odonil & Honey.

- Litigation cost – recently changed lawyer which charged higher legal fees – spending about 20cr as lawyer’s fees per quarter || Company have product liability insurance in place which takes care of other cost.
- Therapeutic division – Change in strategy, to increase advocacy to allopathy doctors & not just ayurvedic doctors.
Division reported double digit growth; almost Rs 95 cr of revenue earned in 9MFY24 a, runrate of Rs ~30-35 cr per quarter.

Quarterly Performance Analysis

Exhibit 1

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Revenue from Operations	32550.6	30431.7	7.0%	32038.4	1.6%
Other Income	1273.7	1008.4	26.3%	1164.1	9.4%
Total	33824.3	31440.1	7.6%	33202.5	1.9%
COGS	16728.1	16581.6	0.9%	16556.7	1.0%
<i>% of sales</i>	<i>51.39%</i>	<i>54.49%</i>		<i>51.68%</i>	
Employee Benefit Expense	3106.0	2908.1	6.8%	3154.9	-1.5%
<i>% of sales</i>	<i>9.54%</i>	<i>9.56%</i>		<i>9.85%</i>	
Other Expenses	3592.9	3046.8	17.9%	3552.8	1.1%
<i>% of sales</i>	<i>11.04%</i>	<i>10.01%</i>		<i>11.09%</i>	
Advertisement and Promotional Expense	2445.4	1796.4	36.1%	2165.3	12.9%
<i>% of sales</i>	<i>7.51%</i>	<i>5.90%</i>		<i>6.76%</i>	
EBITDA excluding other income	6678.2	6098.8	9.5%	6608.7	1.1%
EBIDTA MARGINS	20.52%	20.04%		20.63%	
EBITDA including other income	7951.9	7107.2	11.9%	7772.8	2.3%
Depreciation	968.9	708.9	36.7%	983.2	-1.5%
EBIT	6983.0	6398.3	9.1%	6789.6	2.8%
Finance costs	364.9	189.1	93.0%	281.4	29.7%
PBT Ex of JV and Exceptional items	6618.1	6209.2	6.6%	6508.2	1.7%
profit/loss from JV	-4	-7.6	-47.4%	4.9	-181.6%
exceptional items	0	0		0	
PBT	6614.1	6201.6	6.7%	6513.1	1.6%
Tax Expense	1549.7	1435.1	8.0%	1442.7	7.4%
Tax Rate	23.4%	23.1%		22.2%	5.8%
PAT	5064.40	4766.50	6.2%	5070.40	-0.1%
NPM	15.0%	15.2%		15.3%	
Minority Interest	-77.80	7.10	-1195.8%	-80.10	-2.9%
NPAT	5142.20	4759.40	8.0%	5150.50	-0.2%
NPM	15.2%	15.1%		15.5%	-2.0%
Adjusted PAT	5142.20	4759.40	8.0%	5150.50	-0.2%
Equity	1772	1771.8		1772	
Face Value	1	1		1	
Number of Shares	1772	1771.8		1772	
Basic EPS Calculated	2.90	2.69		2.91	

Source: Dalal & Broacha Research, Company

Valuation

The company encountered challenges due to a delayed onset of winter, resulting in a slowdown in certain categories. However, the positive effect of raw material deflation led to expanded gross margins, offsetted by increased expenditures in Advertising and Promotion (A&P) spends.

The fourth quarter is traditionally weak, with margins expected to be under pressure due to the product mix. Despite short-term difficulties, the management has provided guidance for sustaining a 19.5% EBITDA margin in the long term, demonstrating a strategic commitment to prolonged profitability.

While cautiously optimistic about future performance, the management acknowledges the persisting challenges in the demand scenario. In summary, the company is addressing immediate hurdles with a focus on long-term sustainability and maintains a cautious yet optimistic outlook for the future.

We maintain Neutral rating on the stock with a target price of Rs 562.5 (45x FY26EPS) and advise investors to shift from Dabur to Nestle.

Financial

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	108,887	115,299	123,603	133,610	144,796
Cost of sales	86,349	93,658	99,639	107,456	115,870
Operating Profit	22,538	21,641	23,965	26,154	28,927
Depreciation	2,529	3,110	3,978	4,265	4,553
PBIT	20,009	18,532	19,987	21,888	24,374
Other income	3,932	4,454	4,164	4,511	5,151
Interest	386	782	923	794	794
Profit before tax	23,555	22,203	23,228	25,606	28,731
Exceptional items	850	-	-	-	-
share of profit/loss in JV	(18)	(16)	(18)	(20)	(22)
PBT (Post Extra Ordinary)	22,687	22,187	23,210	25,586	28,709
Provision for tax	5,264	5,174	5,412	5,966	6,694
Reported PAT	17,423	17,013	17,798	19,620	22,015
MI	31	(58)	(63)	(67)	(71)
Adjusted PAT	18,045	17,071	17,861	19,687	22,085
Balance Sheet					
	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	1,768	1,772	1,772	1,772	1,772
Reserves	82,045	87,961	95,191	103,361	116,612
Net worth	83,813	89,733	96,963	105,133	118,384
Minority Interest	406	4,682	4,619	4,552	4,482
Non Current Liabilities	5,401	6,035	5,840	5,645	5,651
Current Liabilities	33,225	36,094	35,937	36,661	38,208
CAPITAL EMPLOYED	122,845	136,544	143,358	151,992	166,725
Non Current Assets	79,677	94,054	94,649	93,963	92,994
Fixed Assets	21,752	33,015	33,537	32,771	31,719
Non Current Investments	53,651	55,288	55,288	55,288	55,288
Non Current tax assets	52	66	66	66	66
Long Term Loans and Advances	-	-	-	-	-
Other NON Current Assets	1,221	1,163	1,236	1,314	1,399
Goodwill	2,512	4,053	4,053	4,053	4,053
Investment property	491	471	471	471	471
Current Assets	43,168	42,490	48,709	58,029	73,731
Current investments	8,546	7,365	7,365	7,365	7,365
Inventories	19,114	20,242	22,431	24,249	26,325
Trade Receivables	6,462	8,488	9,405	11,352	12,324
Cash and Bank Balances	5,701	3,259	6,079	11,313	23,614
Short Term Loans and Advances	-	-	-	-	-
Other Current Assets	3,346	3,136	3,429	3,750	4,103
CAPITAL DEPLOYED	122,845	136,544	143,358	151,992	166,725
ROA	14.7	12.5	12.5	13.0	13.2

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	17,423	17,013	17,798	19,620	22,015
Add: Depreciation	2,529	3,110	3,978	4,265	4,553
Minority Interest	(31)	58	63	67	71
Cash profits (Inc)/Dec in	19,921	20,181	21,839	23,952	26,638
-Sundry debtors	(846)	(2,026)	(918)	(1,947)	(972)
-Inventories	(1,771)	(1,128)	(2,189)	(1,818)	(2,076)
-Loans/advances	369	-	-	-	-
CL & provisions	1,264	1,979	(153)	730	1,553
Other Assets	1,736	251	(366)	(400)	(437)
Change in working capital	753	(925)	(3,625)	(3,435)	(1,932)
CF from Oper. activities	20,674	19,256	18,213	20,517	24,706
CF from Inv. activities	(23,981)	(16,347)	(4,500)	(3,500)	(3,500)
CF from Fin. activities	(4,282)	(5,352)	(10,894)	(11,783)	(8,905)
Cash generated/(utilised)	(7,589)	(2,442)	2,820	5,234	12,301
Cash at start of the year	13,290	5,701	3,259	6,079	11,313
Cash at end of the year	5,701	3,259	6,079	11,313	23,614
	5,701	3,259	6,079	11,313	23,614
Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	21	19	19	20	20
NPM	16	14	14	14	15
Tax rate	22	23	23	23	23
Growth Ratios (%)					
Net Sales	14	6	7	8	8
Operating Profit	13	(4)	11	9	11
PBIT before other income	14	(7)	8	10	11
PAT	7	(5)	5	10	12
Per Share (Rs.)					
Net Earnings (EPS)	10.2	9.6	10.1	11.1	12.5
Cash Earnings (CPS)	9	8	8	9	10
Dividend	5	5	5	6	7
Book Value	47	51	55	59	67
Free Cash Flow	6	4	5	7	9
Valuation Ratios					
P/E(x)	54	58	55	50	45
P/B(x)	12	11	10	9	8
EV/EBIDTA(x)	44	46	41	38	34
Div. Yield(%)	1	1	1	1	1
FCF Yield(%)	1	1	1	1	2
Return Ratios (%)					
ROE	22%	19%	18%	19%	19%
ROCE	25%	23%	22%	23%	23%

Source: Dalal & Broacha Research

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