



Momentum Slows

Q4FY23 Results were largely in line with our estimates

- **Revenue:** grew by 6.4% YoY to Rs 26778mn (QoQ -12%).
- **EBITDA:** de-grew by 9.6% YoY to Rs 4098.4mn (QoQ -32.8%)
- **EBITDA Margins** at 15.31% (Vs 18.01% YoY) (Vs 20.04% QoQ)
- **PAT** de-grew by -0.5% to Rs 2927.6 Mn

Expenses

- **RM to Revenue** stood at 54.19% v/s 52.56% YoY (QoQ 54.49%) mainly due to commodity inflation.
- **A&P spends to Revenue:** stood at 5.66% v/s 5.97% YoY (5.90 % QoQ). Expected to increase further towards the range of 7-8%.
- **Other expenses to Revenue:** stood 14.06% v/s 12.38% YoY (QoQ 10.01%)
- **Employee Cost** increased by 3.5% YoY to Rs 2887.4 mn

Outlook:

- Food & Beverage business (~15% Contribution) CAGR (22% last 3 years) to reduce going forward on account of higher base. But still will be higher than company average.
- HPC business (~33% Contribution) expected to grow in high single digit
- Healthcare Business (~22% Contribution) which was cycling on a high base, is now expected to deliver high single digit growth.
- Gross Margin improving sequentially however inflation remains a concern, downtrading observed in rural areas. Pick up in rural will be crucial. Foods & Beverages business which is growing in double digits has lower margins.
- Long term trajectory of 20% will be difficult to attain in FY24. Spends on media expected to remain allevated.

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	511	1

Market data

Current price	Rs	505
Market Cap (Rs.Bn)	(Rs Bn)	895
Market Cap (US\$ Mn)	(US\$ Mn)	10,934
Face Value	Rs	1
52 Weeks High/Low	Rs	610.75 / 482.2
Average Daily Volume	('000)	4,176
BSE Code		500096
Bloomberg		DABUR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-22	Sep-22
Promoters	67.24	67.24
Public	33.76	33.76
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	95,617	108,887	115,299	124,289	134,560
growth (%)	9.9	13.9	5.9	7.8	8.3
EBIDTA Margins	20.9	20.7	18.8	18.9	19.5
Adjusted net profit	16,933	18,045	17,071	18,022	20,139
EPS (Rs)	9.6	10.2	9.6	10.2	11.4
growth (%)	10.7	6.5	(5.6)	5.6	11.8
P/E (x)	55.3	51.9	55.0	52.1	46.6
P/B (x)	12.2	11.2	10.5	9.7	8.9
RoCE (%)	25.5	25.4	22.7	22.3	23.1
RoE (%)	22.1	21.5	19.0	18.6	19.0
Dividend yield (%)	0.5	0.9	1.0	1.0	1.1

Source: Dalal and Broacha

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Segmental and Other Conference Call KTA's

SEGMENTAL	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
A. Healthcare	5440	5810	-6.4%	8621	-36.9%
Health Supplements (Chyawanprash and Dabur Honey)	2856	3126	-8.6%	5165	-44.7%
Digestives (Hajmola, Pudina Hara)	1049	1052	-0.3%	1248	-15.9%
OTC & Ethicals (Honitus, Shilajit and Ethical)	1535	1631	-5.9%	2209	-30.5%
B. Home and Personal Care	7980	8280	-3.6%	9860	-19.1%
Hair Care (Shampoo + Hair Oils)	3234	3439	-6.0%	3764	-14.1%
Oral Care	3050	3144	-3.0%	3645	-16.3%
Skin Care	594	697	-14.8%	964	-38.4%
Home Care	1102	999	10.3%	1486	-25.8%
C. Foods & Beverages	4150	3220	28.9%	3190	30.1%
D. International	6942.81	6846.95	1.4%	7760.08	-10.5%
E. Others	2264.95	1021.15	121.8%	1000.25	126.4%

HEALTHCARE:

- Health Supplement: : Cycling a high base, 30 cr fall saw in chyawanparash last Q, going forward see a good growth in glucose, honey & chwayanprash which commands high margins. Products are now being marketed to both kind of doctors, allopathy & Ayurveda.

HOME and PERSONAL CARE

- Home Care: Robust double-digit growth for odonil, odomos and Sanifresh. Odonil 33% market share, on the way to be market leader, next month should be the largest brand in the category.
- Oral Care: Penetration increase from 45% to 50%. Gained additional 20bps in market share for Dabur Red. However Babul's market share declined due to rural stress. GM has pinched up.
- Hair Oils: Category declined by 2.3% however Dabur's share increased by 130 bps to touch highest at 17%.

FOODS and BEVERAGES

- Badshah contributed to ~60 cr for Q4FY23
- Slight amount of moderation in food business is expected
- Targeting 500 cr next year for just food business & 1000 cr in 5 years
- Beverage from 200 cr to 500 cr in next 5 years
- Looking separate distribution network for beverage business
- Out of home consumption will be impacted during rains, entire drinks market available in bottles will be impacted during rains

INTERNATIONAL

- International Business grew by 9.6% in CC terms
- Turkey & Egypt recorded strong CC growth due to devaluation of INR.

Other KTA's

- Village coverage increased by 1 Lakh.
- Increase in input costs for F&B basket leading to gross margin contraction.
- However positive volume growth in rural markets.
- Other expenses grew by 20% YoY – a) Case sales increased by 11% in Q4 as against overall revenue growth of 6.4% which led to higher variable cost – 60% of other expenses; b) Adverse impact of forex
- Secondary sales growth was 10.2% in Q4.
- Dropped 180 non-core SKUs from the portfolio.
- Nepal investment of 90 cr in the current year.

Quarterly Performance Analysis

Exhibit 1

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Revenue from Operations	26778.0	25178.1	6.4%	30431.7	-12.0%
Other Income	1207.2	991.4	21.8%	1008.4	19.7%
Total	27985.2	26169.5 ▲	6.9%	31440.1	-11.0%
COGS	14510.3	13232.6	9.7%	16581.6	-12.5%
<i>% of sales</i>	<i>54.19%</i>	<i>52.56%</i>		<i>54.49%</i>	
Employee Benefit Expense	2887.4	2790.7	3.5%	2908.1	-0.7%
<i>% of sales</i>	<i>10.78%</i>	<i>11.08%</i>		<i>9.56%</i>	
Other Expenses	3765.6	3115.8	20.9%	3046.8	23.6%
<i>% of sales</i>	<i>14.06%</i>	<i>12.38%</i>		<i>10.01%</i>	
Advertisement and Promotional Expense	1516.3	1503.3	0.9%	1796.4	-15.6%
<i>% of sales</i>	<i>5.66%</i>	<i>5.97%</i>		<i>5.90%</i>	
EBITDA excluding other income	4098.4	4535.7 ▲	-9.6%	6098.8	-32.8%
EBITDA MARGINS	15.31%	18.01%		20.04%	
EBITDA including other income	5305.6	5527.1 ▲	-4.0%	7107.2	-25.3%
Depreciation	1020.0	650.5	56.8%	708.9	43.9%
EBIT	4285.6	4876.6	-12.1%	6398.3	-33.0%
Finance costs	321.2	117.5	173.4%	189.1	69.9%
PBT Ex of JV and Exceptional items	3964.4	4759.1	-16.7%	6209.2	-36.2%
profit/loss from JV	-1.9	-12	-84.2%	-7.6	-75.0%
exceptional items	0	850		0	
PBT	3962.5	3897.1 ▲	1.7%	6201.6	-36.1%
Tax Expense	1034.9	953.7	8.5%	1435.1	-27.9%
Tax Rate	23.0%	24.5%		23.1%	-0.6%
PAT	2927.60	2943.40	-0.5%	4766.50	-38.6%
NPM	10.5%	11.2%		15.2%	
Minority Interest	-80.70	1.20	-6825.0%	7.10	-1236.6%
NPAT	3008.30	2942.20 ▲	2.2%	4759.40	-36.8%
NPM	10.7%	11.2%		15.1%	-29.0%
Adjusted PAT	3131.83	3584.19	-12.6%	4759.40	-34.2%
Equity	1771.8	1767.4		1771.8	
Face Value	1	1		1	
Number of Shares	1771.8	1767.9		1771.8	
Basic EPS Calculated	1.70	2.03		2.69	

Source: Dalal & Broacha Research, Company

Valuation

Overall environment remains cautious with inflation coming down on one side and rural down-trading on the other. On the overall basis rural contributes ~45% of the revenues.

HPC & Healthcare business which contributes 33% & 22% respectively is expected to grow in single digit. Food & Beverage business which was growing at 20%+ CAGR is expected to deliver lower CAGR on account of higher base.

Recovery towards EBITDA margins of 20% will be difficult in the FY24.

We have revised our estimates post Q4FY23.

At Rs 530, company trades 52x FY24E EPS of Rs 10.2 and 47x FY25E EPS of Rs 11.4. **We change our rating from Accumulate to Neutral with a target price of Rs 511. (45x FY2E EPS).**

Financial

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	95,617	1,08,887	1,15,299	1,24,289	1,34,560
Cost of sales	75,590	86,349	93,658	1,00,780	1,08,326
Operating Profit	20,027	22,538	21,641	23,509	26,233
Depreciation	2,401	2,529	3,110	3,428	3,676
PBIT	17,626	20,009	18,532	20,081	22,558
Other income	3,253	3,932	4,454	4,164	4,432
Interest	308	386	782	808	794
Profit before tax	20,570	23,555	22,203	23,438	26,196
Exceptional items	-	850	-	-	-
share of profit/loss in JV	(10)	(18)	(16)	(18)	(20)
PBT (Post Extra Ordinary)	20,560	22,687	22,187	23,420	26,176
Provision for tax	3,611	5,264	5,174	5,461	6,104
Reported PAT	16,950	17,423	17,013	17,959	20,073
MI	17	31	(58)	(63)	(67)
Adjusted PAT	16,933	18,045	17,071	18,022	20,139

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	95,352	1,03,974
Net worth	76,635	83,813	89,733	97,124	1,05,746
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	35,841	36,815
CAPITAL EMPLOYED	1,08,471	1,22,845	1,36,544	1,43,423	1,52,759
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	48,224	57,657
Current investments	7,460	8,546	7,365	7,365	7,365
Inventories	17,343	19,114	20,242	22,551	24,402
Trade Receivables	5,616	6,462	8,488	9,456	11,424
Cash and Bank Balances	13,290	5,701	3,259	5,423	10,716
Short Term Loans and Advances	145	-	-	-	-
Other Current Assets	3,906	3,346	3,136	3,429	3,750
CAPITAL DEPLOYED	1,08,471	1,22,845	1,36,544	1,43,423	1,52,759

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	16,950	17,423	17,013	17,959	20,073
Add: Depreciation	2,401	2,529	3,110	3,428	3,676
Minority Interest	(17)	(31)	58	63	67
Cash profit s	19,334	19,921	20,181	21,450	23,815
(Inc)/Dec in					
-Sundry debtors	2,523	(846)	(2,026)	(968)	(1,968)
-Inventories	(3,547)	(1,771)	(1,128)	(2,309)	(1,850)
-Loans/advances	8	369	-	-	-
CL & provisions	3,967	1,264	1,979	(249)	980
'- Other Assets	4,765	1,736	251	(366)	(400)
Change in working capital	7,716	753	(925)	(3,892)	(3,238)
CF from Oper. activities	27,050	20,674	19,256	17,557	20,577
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)	2,164	5,294
Cash at start of the year	8,114	13,290	5,701	3,259	5,423
Cash at end of the year	13,290	5,701	3,259	5,423	10,716
	13,290	5,701	3,259	5,423	10,716
Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	21	21	19	19	19
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)	9	12
PBIT before other income	12	14	(7)	8	12
PAT	11	7	(5)	6	12
Per Share (Rs.)					
Net Earnings (EPS)	10	10.2	9.6	10.2	11.4
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					
P/E(x)	55	52	55	52	47
P/B(x)	12	11	10	10	9
EV/EBIDTA(x)	46	42	44	40	36
Div. Yield(%)	1	1	1	1	1
FCF Yield(%)	2	1	1	1	1
Return Ratios (%)					
ROE	22%	22%	19%	19%	19%
ROCE	26%	25%	23%	22%	23%

Source: Dalal & Broacha Research

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