Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

November 2, 2023

Q2FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	**ACCUMULATE**		**ACCUMULATE**	
Target Price	**597**		**597**	
Sales (Rs.m)	1,28,441	1,42,123	1,28,441	1,42,123
% Chng.	-	-		
EBITDA (Rs.m)	24,734	28,716	24,734	28,716
% Chng.	-	-		
EPS (Rs.)	11.0	12.8	11.0	12.8
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	115	128	142	158
EBITDA (Rs. bn)	22	25	29	32
Margin (%)	*18.8*	*19.3*	*20.2*	*20.6*
PAT (Rs. bn)	17	20	23	26
EPS (Rs.)	9.6	11.0	12.8	14.5
Gr. (%)	*(6.6)*	*14.1*	*16.1*	*13.6*
DPS (Rs.)	5.3	5.8	6.5	7.3
Yield (%)	*1.0*	*1.1*	*1.2*	*1.4*
RoE (%)	*19.7*	*20.4*	*21.2*	*21.5*
RoCE (%)	*19.0*	*19.6*	*20.9*	*21.6*
EV/Sales (x)	8.2	7.3	6.6	5.9
EV/EBITDA (x)	43.5	38.0	32.7	28.8
PE (x)	55.0	48.2	41.5	36.5
P/BV (x)	10.5	9.3	8.3	7.4

Key Data	DABU.BO | DABUR IN
52-W High / Low	Rs.611 / Rs.504
Sensex / Nifty	64,081 / 19,133
Market Cap	Rs.940bn/ $ 11,290m
Shares Outstanding	1,772m
3M Avg. Daily Value	Rs.1027.34m

Shareholding Pattern (%)

Promoter's	66.23
Foreign	18.38
Domestic Institution	9.91
Public & Others	5.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.8)	(1.1)	(5.7)
Relative	(1.2)	(5.3)	(10.3)

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Dabur India (DABUR IN)

Rating: ACCUMULATE | CMP: Rs530 | TP: Rs597

Watch out for rural recovery in 2H

Quick Pointers:

- Volumes grow 3%; adverse weather pattern in July and late festival season impacts beverages sales in North India
- Gap between Urban and rural reduced in Q2, expects further improvement in coming quarters

Dabur 2Q results came in line and company gave cautiously optimistic outlook in 2H led by 1) Gradual recovery in rural demand with gap between rural and urban being reduced 2) market share gain across categories and 3) success of new launches. Demand/volume trends are expected to improve in subsequent quarters with green shoots in rural demand, moderating inflation and higher government spending.

Dabur currently remains a play on growth revival in rural India given 45-50% contribution to overall sales. We believe sustained innovation and launches in core segments like Healthcare, oral care& HPC will help sustain double digit growth in India. While sustained revival in GCC/SAARC seems on track, spreading of Israel war to other countries remains a risk. We estimate 14% EPS CAGR over FY23-26 and arrive at DCF based target price of Rs597 (43.9x Sep25 EPS). Dabur trades at 39.1x Sep25 EPS with 21.2% ROE. Retain Accumulate.

Consol Revenues up 7.3%; Volumes grew 3%: Consol Revenues grew by 7.3% YoY to Rs32bn (PLe: Rs32.4bn) Gross margins expanded 295bps YoY to 48.3% (Ple: 46.7%)EBITDA grew 10% YoY to Rs6.6bn (PLe:Rs 6.5bn); Margins expanded by 51bps YoY to 20.6% (PLe:20.1%) Adj PAT grew by 3.3% YoY to Rs5.1bn (PLe: Rs5.0bn) IBD witnessed 23.6% YoY growth in constant currency terms.

Margins improved in Consumer care and Retail segment: Consumer care revenues grew 7.6% YoY while EBIT grew by 11.6%. Margins improved by 87bps YoY to 24.3%. Food segment revenues grew by 8.2% YoY while EBIT declined 13.6%. Margins contracted by 377bps YoY to 15%. Retail segment revenues grew 14.1% YoY while EBIT declined 122.2%. Margins improved 205bps YoY to 0.3%.

Concall Highlights: 1)HPC category saw robust growth which was led by increased market share of Odonil (160bps+) & Odomos (~560bps) 2) Food Category(including Badshah) is on track to achieve Rs 5Bn exit revenue 3) Beverages impacted by uneven rainfall distribution & shift in festive season 4) IBD grew by 23.6% in CC terms led by sustained recovery in GCC 5) Gap between urban & rural markets is reducing, however rural markets in South India are affected more than the rest of India 6) Modern trade/e-com is performing better than general trade 7) Dabur has undertaken Rs300-400mn capex to regain market share in packaged coconut water which was affected by entry of private equity player 8) Current litigation cost against Namaste LLC (Haircare range) amounts to Rs 630mn in H1FY24, expected to be Rs 200mn /quarter for the next 2 years 9) Management maintained guidance of 19.5% EBITDA Margin in FY24

Exhibit 1: 2QFY24 Results: Revenues grew by 7.3%, EBITDA margins improve 131bps QoQ

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	H1FY24	H1FY23	YoY gr. (%)
Revenues	**32,038**	**29,865**	***7.3***	**31,305**	**63,343**	**58,089**	***9.0***
Gross Profit	**15,482**	**13,551**	***14.2***	**14,588**	**30,069**	**26,494**	***13.5***
% of Net Sales	*48.3*	*45.4*	*2.9*	*46.6*	*47.5*	*45.6*	*1.9*
Other Expenses	8,873	7,544	*17.6*	8,540	17,413	15,050	*15.7*
% of Net Sales	*27.7*	*25.3*		*27.3*	*27.5*	*25.9*	
EBITDA	**6,609**	**6,007**	***10.0***	**6,047**	**12,656**	**11,444**	***10.6***
Margins (%)	*20.6*	*20.1*	*0.5*	*19.3*	*20.0*	*19.7*	*0.3*
Depreciation	983	705	*39.5*	966	1,950	1,381	*41.2*
Interest	281	151	*86.9*	243	525	272	*92.8*
Other Income	1,164	1,233	*(5.6)*	1,098	2,262	2,238	*1.1*
PBT	**6,508**	**6,385**	***1.9***	**5,936**	**12,444**	**12,030**	***3.4***
Tax	1,443	1,473	*(2.1)*	1,368	2,810	2,704	*3.9*
Effective tax rate (%)	*22.2*	*23.1*		*23.0*	*22.6*	*22.5*	
Minority interest	-5	3	*(244.1)*	2	-3	7	*(142.6)*
Adjusted PAT	5,070	4,909	*3.3*	4,566	9,637	9,319	*3.4*

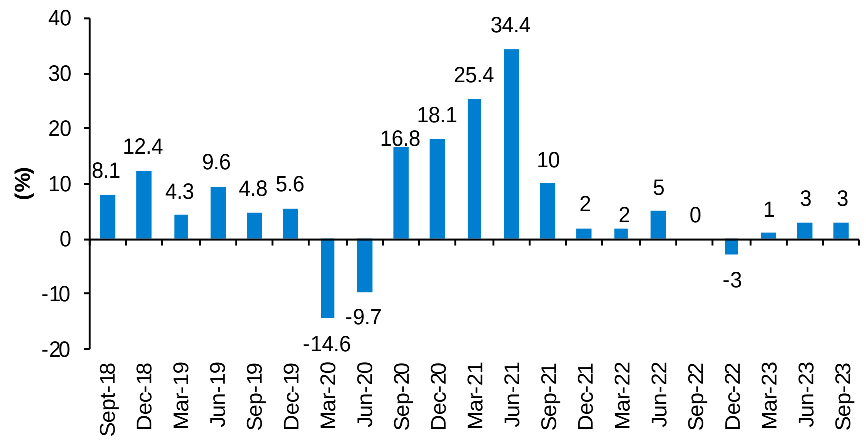
Source: Company, PL

Exhibit 2: Low single digit growth in most segments except foods, digestives and home care

Category Growth (%)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Hair Oils	27.9	6.1	2.6	8.1	1.8	-2.4	0.0	10.0	4.0
Shampoos	20.5	21.2	5.6	17.0	9.0	3.6	2.0	9.0	4.1
Health Supplements	-13.6	-8.3	9.7	-35.5	-12.6	0.4	-3.3	5.5	0.0
Oral Care	13.3	6.7	1.1	12.5	9.2	2.6	-3.0	13.0	4.1
Foods	43.0	26.4	12.5	35.7	30.5	34.5	22.0	35.0	40.4
Digestives	22.7	12.2	1.2	30.5	0.1	11.2	5.6	14.3	18.1
Skin care	-11.9	3.2	-10.6	11.4	1.1	-5.6	-2.0	3.5	5.0
Home Care	25.3	18.6	11.0	51.9	20.9	18.2	10.3	14.5	15.1
OTC & Ethical	1.9	3.6	7.5	-15.4	-0.2	4.0	13.6	24.3/7.3	8.4/7.0
Beverages				50.7	21.2	3.7	29	-2	-10

Source: Company, PL

Exhibit 3: 2Q volumes grow by 3%



Source: Company, PL

Exhibit 4: New launches under Hajmola brand

Source: Company, PL

Exhibit 5: Launched rose water for hydrating skin

Source: Company, PL

Exhibit 6: Launched gulabari shower gel

Source: Company, PL

Exhibit 7: Launched gulabari face toner

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	**1,15,299**	**1,28,441**	**1,42,123**	**1,57,816**
YoY gr. (%)	*5.9*	*11.4*	*10.7*	*11.0*
Cost of Goods Sold	62,687	67,110	72,308	79,502
Gross Profit	52,612	61,332	69,814	78,314
Margin (%)	*45.6*	*47.8*	*49.1*	*49.6*
Employee Cost	11,370	13,311	14,797	16,449
Other Expenses	9,868	10,981	12,107	13,328
EBITDA	**21,641**	**24,734**	**28,716**	**32,485**
YoY gr. (%)	*(4.0)*	*14.3*	*16.1*	*13.1*
Margin (%)	*18.8*	*19.3*	*20.2*	*20.6*
Depreciation and Amortization	3,110	3,826	4,064	4,303
EBIT	**18,532**	**20,908**	**24,652**	**28,182**
Margin (%)	*16.1*	*16.3*	*17.3*	*17.9*
Net Interest	782	846	769	691
Other Income	4,454	5,189	5,516	6,056
Profit Before Tax	**22,203**	**25,250**	**29,399**	**33,547**
Margin (%)	*19.3*	*19.7*	*20.7*	*21.3*
Total Tax	5,174	5,807	6,821	7,884
Effective tax rate (%)	*23.3*	*23.0*	*23.2*	*23.5*
Profit after tax	**17,030**	**19,442**	**22,579**	**25,663**
Minority interest	(58)	(58)	(58)	(58)
Share Profit from Associate	-	-	-	-
Adjusted PAT	**17,088**	**19,501**	**22,637**	**25,722**
YoY gr. (%)	*(6.4)*	*14.1*	*16.1*	*13.6*
Margin (%)	*14.8*	*15.2*	*15.9*	*16.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**17,088**	**19,501**	**22,637**	**25,722**
YoY gr. (%)	*(1.9)*	*14.1*	*16.1*	*13.6*
Margin (%)	*14.8*	*15.2*	*15.9*	*16.3*
Other Comprehensive Income	(2,254)	-	-	-
Total Comprehensive Income	14,834	19,501	22,637	25,722
Equity Shares O/s (m)	**1,772**	**1,772**	**1,772**	**1,772**
EPS (Rs)	**9.6**	**11.0**	**12.8**	**14.5**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	**51,778**	**56,360**	**59,910**	**63,460**
Tangibles	41,678	46,210	49,710	53,210
Intangibles	10,100	10,150	10,200	10,250
Acc: Dep / Amortization	**20,044**	**23,870**	**27,935**	**32,238**
Tangibles	18,831	21,896	25,196	28,729
Intangibles	1,213	1,974	2,739	3,508
Net fixed assets	**31,734**	**32,490**	**31,975**	**31,222**
Tangibles	22,847	24,314	24,514	24,480
Intangibles	8,887	8,176	7,461	6,742
Capital Work In Progress	1,751	1,500	1,600	1,700
Goodwill	4,053	4,053	4,053	4,053
Non-Current Investments	55,592	63,902	73,474	84,481
Net Deferred tax assets	(910)	(910)	(910)	(910)
Other Non-Current Assets	925	1,248	1,358	1,485
Current Assets				
Investments	7,365	8,101	8,911	9,802
Inventories	20,242	22,669	25,084	27,854
Trade receivables	8,488	9,416	10,226	11,141
Cash & Bank Balance	3,259	3,253	3,879	5,041
Other Current Assets	2,782	3,339	3,837	4,498
Total Assets	**1,36,479**	**1,50,356**	**1,64,824**	**1,81,750**
Equity				
Equity Share Capital	1,772	1,772	1,772	1,772
Other Equity	87,961	99,219	1,11,228	1,25,027
Total Networth	**89,733**	**1,00,990**	**1,12,999**	**1,26,799**
Non-Current Liabilities				
Long Term borrowings	4,432	4,432	4,432	4,332
Provisions	644	771	853	947
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,002	6,702	6,402	6,102
Trade payables	21,866	24,929	26,958	29,639
Other current liabilities	7,162	6,935	7,634	8,435
Total Equity & Liabilities	**1,36,480**	**1,50,357**	**1,64,824**	**1,81,750**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	22,187	25,250	29,399	33,547
Add. Depreciation	3,110	3,826	4,064	4,303
Add. Interest	782	846	769	691
Less Financial Other Income	4,454	5,189	5,516	6,056
Add. Other	(4,670)	(5,189)	(5,516)	(6,056)
Op. profit before WC changes	21,409	24,734	28,716	32,485
Net Changes-WC	1,773	(3,208)	(1,821)	(2,139)
Direct tax	(5,174)	(5,807)	(6,821)	(7,884)
Net cash from Op. activities	**18,009**	**15,718**	**20,075**	**22,463**
Capital expenditures	(15,893)	(4,331)	(3,650)	(3,650)
Interest / Dividend Income	4,454	5,189	5,516	6,056
Others	(1,637)	(8,293)	(9,537)	(10,968)
Net Cash from Invt. activities	**(13,077)**	**(7,435)**	**(7,671)**	**(8,562)**
Issue of share cap. / premium	2,611	1,413	3	3
Debt changes	1,362	(300)	(300)	(400)
Dividend paid	(9,213)	(9,656)	(10,631)	(11,925)
Interest paid	(782)	(846)	(769)	(691)
Others	-	-	-	-
Net cash from Fin. activities	**(6,023)**	**(9,389)**	**(11,697)**	**(13,014)**
Net change in cash	**(1,091)**	**(1,107)**	**708**	**887**
Free Cash Flow	2,115	11,387	16,425	18,813

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	**30,432**	**26,778**	**31,305**	**32,038**
YoY gr. (%)	*3.4*	*6.4*	*10.9*	*7.3*
Raw Material Expenses	16,582	14,510	16,717	16,557
Gross Profit	13,850	12,268	14,588	15,482
Margin (%)	*45.5*	*45.8*	*46.6*	*48.3*
EBITDA	**6,099**	**4,098**	**6,047**	**6,609**
YoY gr. (%)	*(2.8)*	*(9.6)*	*11.2*	*10.0*
Margin (%)	*20.0*	*15.3*	*19.3*	*20.6*
Depreciation / Depletion	709	1,020	966	983
EBIT	**5,390**	**3,078**	**5,081**	**5,626**
Margin (%)	*17.7*	*11.5*	*16.2*	*17.6*
Net Interest	189	321	243	281
Other Income	1,008	1,207	1,098	1,164
Profit before Tax	**6,209**	**3,964**	**5,936**	**6,508**
Margin (%)	*20.4*	*14.8*	*19.0*	*20.3*
Total Tax	1,435	1,035	1,368	1,443
Effective tax rate (%)	*23.1*	*26.1*	*23.0*	*22.2*
Profit after Tax	**4,774**	**2,930**	**4,568**	**5,066**
Minority interest	8	2	2	(5)
Share Profit from Associates	-	-	-	-
Adjusted PAT	**4,767**	**2,928**	**4,566**	**5,070**
YoY gr. (%)	*(5.5)*	*(22.8)*	*3.5*	*3.3*
Margin (%)	*15.7*	*10.9*	*14.6*	*15.8*
Extra Ord. Income / (Exp)	(743)	(1,020)	(207)	-
Reported PAT	**4,023**	**1,908**	**4,359**	**5,070**
YoY gr. (%)	*(4.9)*	*(18.4)*	*17.0*	*(0.6)*
Margin (%)	*13.2*	*7.1*	*13.9*	*15.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**4,023**	**1,908**	**4,359**	**5,070**
Avg. Shares O/s (m)	1,772	1,772	1,772	1,772
EPS (Rs)	**2.7**	**1.7**	**2.6**	**2.9**

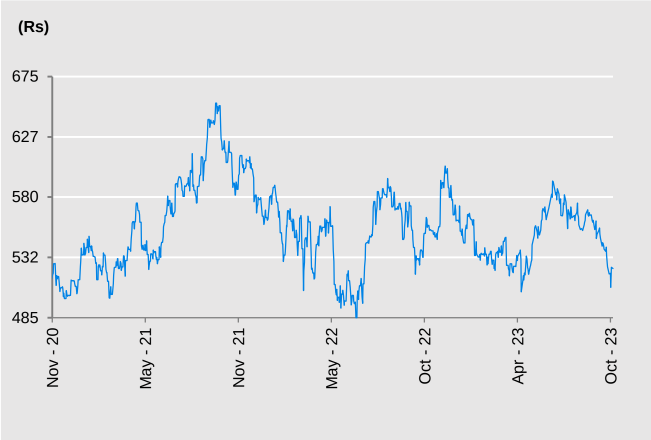
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	9.6	11.0	12.8	14.5
CEPS	11.4	13.2	15.1	16.9
BVPS	50.6	57.0	63.8	71.6
FCF	1.2	6.4	9.3	10.6
DPS	5.3	5.8	6.5	7.3
Return Ratio(%)				
RoCE	19.0	19.6	20.9	21.6
ROIC	14.7	15.0	16.2	16.9
RoE	19.7	20.4	21.2	21.5
Balance Sheet				
Net Debt : Equity (x)	0.0	-	0.0	0.0
Net Working Capital (Days)	22	20	21	22
Valuation(x)				
PER	55.0	48.2	41.5	36.5
P/B	10.5	9.3	8.3	7.4
P/CEPS	46.5	40.3	35.2	31.3
EV/EBITDA	43.5	38.0	32.7	28.8
EV/Sales	8.2	7.3	6.6	5.9
Dividend Yield (%)	1.0	1.1	1.2	1.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Accumulate	597	547
2	15-Sep-23	Accumulate	600	566
3	03-Aug-23	Accumulate	600	555
4	06-Jul-23	Accumulate	590	592
5	04-May-23	Accumulate	590	530
6	11-Apr-23	Accumulate	589	523
7	02-Feb-23	Accumulate	609	554
8	06-Jan-23	Accumulate	609	553

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,612	4,538
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	547
6	Emami	Accumulate	524	527
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	324
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,312	3,310
18	Westlife Foodworld	Hold	844	883

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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