Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

February 1, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	600		617	
Sales (Rs. m)	1,40,798	1,56,004	1,42,123	1,57,816
% Chng.	*(0.9)*	*(1.1)*		
EBITDA (Rs. m)	28,264	31,861	28,716	32,485
% Chng.	*(1.6)*	*(1.9)*		
EPS (Rs.)	12.6	14.2	12.8	14.5
% Chng.	*(1.0)*	*(1.9)*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	115	128	141	156
EBITDA (Rs. bn)	22	25	28	32
Margin (%)	*18.8*	*19.4*	*20.1*	*20.4*
PAT (Rs. bn)	17	20	22	25
EPS (Rs.)	9.6	11.0	12.6	14.2
Gr. (%)	*(6.6)*	*14.3*	*14.7*	*12.6*
DPS (Rs.)	5.3	5.8	6.5	7.3
Yield (%)	*1.0*	*1.1*	*1.2*	*1.4*
RoE (%)	*19.7*	*20.5*	*21.0*	*21.1*
RoCE (%)	*19.0*	*19.5*	*20.5*	*21.1*
EV/Sales (x)	8.3	7.5	6.8	6.1
EV/EBITDA (x)	44.2	38.7	33.8	29.9
PE (x)	56.0	49.0	42.7	37.9
P/BV (x)	10.7	9.5	8.5	7.6

Key Data	DABU.BO | DABUR IN
52-W High / Low	Rs.597 / Rs.504
Sensex / Nifty	71,752 / 21,726
Market Cap	Rs.956bn/ $ 11,514m
Shares Outstanding	1,772m
3M Avg. Daily Value	Rs.1094.83m

Shareholding Pattern (%)

Promoter's	66.24
Foreign	16.49
Domestic Institution	11.78
Public & Others	5.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	(6.3)	(3.3)
Relative	(2.5)	(13.1)	(19.7)

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Dabur India (DABUR IN)

Rating: ACCUMULATE | CMP: Rs540 | TP: Rs600

Green shoots in rural market to drive growth

Quick Pointers:

- In-line nos, Volumes grew 6% driven by steady performance in HPC and F&B
- Expansion in direct rural reach has led to 200bps higher growth than urban

Dabur 3Q results were in line led by 1) Improved recovery in rural demand (~50% of sales) despite sluggishness across industry 2) market share gain across categories and 3) success of new launches. Medium term outlook is improving with Demand/volume growth trends expected around mid to high-single digits with rural growing ahead of urban amidst moderating inflation and higher government spending.

We believe sustained innovation, premiumisation and launches in core segments like Healthcare, oral care & HPC will help sustain double digit growth. We tweak our FY24/25/26 EPS estimates by 0.1/-1/-1.9% and estimate 13.7% EPS CAGR over FY24-26. We arrive at DCF based target price of Rs600 (42.5x Dec25 EPS). Dabur trades at 37.9x Sep25 EPS which is at 10% discount to LPA. Retain Accumulate.

***Consol Revenues up 7%;* Volumes grew 6%:** > Consol Revenues grew by 7% YoY to Rs32.6bn (PLe: Rs33.0bn) Gross margins expanded by 310bps YoY to 48.6% (Ple: 49.0%) EBITDA grew by 9.5% YoY to Rs6.7bn (PLe:Rs 6.8bn); Margins expanded by 48bps YoY to 20.5% (PLe:20.5%) Adj PAT grew by 6.2% YoY to Rs5.1bn (PLe:Rs5.3bn) IBD witnessed 11.7% YoY growth in constant currency terms. Interim dividend of Rs 2.75/share declared for FY 2023-24

Margins improved in Consumer care and Retail segment: Consumer care revenues grew 4.7% YoY while EBIT grew by 9.2%. Margins improved by 100bps YoY to 24.3% Food segment revenues grew by 25.4% YoY while EBIT grew by 26.9%. Margins improved by 16bps YoY to 14%. Retail segment revenues grew by 4.1% YoY while EBIT grew by 34.8%. Margins improved by 43bps YoY to 2%.

Concall Highlights: 1) HPC category saw robust growth which was led by increased market share of Odonil (180bps) & Odomos (~1000bps) 2) Oral Care portfolio performed well reporting 4% volume growth (vs market leader 2%) as herbal segment continued to grow faster 3) Beverages grew 6.9% due to price hikes & festive season 4) Rural market grew faster at 6% vs Urban growth of ~4% 5) direct rural reach was increased by 17k villages in 9m24 taking the count to 117k 6) E-com grew at 20% with a contribution of 8.5% of sales (lesser than normal) 7) Dabur has undertaken Rs1.35bn capex to set up a greenfield plant in South India for Red Toothpaste, Odonil and honey 8) Co hiked its prices by ~~2.5%, further price hikes will be subjected to inflation 9) Current litigation cost against Namaste LLC (Haircare range) is in its last stage & is covered under the product liability insurance along with claim 10) Dabur is on track to grow its revenue from Rs2.5bn to Rs.5bn over FY23-27 wherein NPD contribution would be 3-4% sales

Exhibit 1: 3QFY24 Results: Revenues grew by 7%, EBITDA margins improve by 47bps YoY

Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
Revenues	**32,551**	**30,432**	***7.0***	**32,038**	**95,894**	**88,521**	***8.3***
Gross Profit	**15,823**	**13,850**	***14.2***	**15,482**	**45,892**	**40,345**	***13.7***
% of Net Sales	*48.6*	*45.5*	*3.1*	*48.3*	*47.9*	*45.6*	*2.3*
Other Expenses	9,144	7,751	*18.0*	8,873	26,558	22,802	*16.5*
% of Net Sales	*28.1*	*25.5*		*27.7*	*27.7*	*25.8*	
EBITDA	**6,678**	**6,099**	***9.5***	**6,609**	**19,334**	**17,543**	***10.2***
Margins (%)	*20.5*	*20.0*	*0.5*	*20.6*	*20.2*	*19.8*	*0.3*
Depreciation	969	709	*36.7*	983	2,919	2,090	*39.7*
Interest	365	189	*93.0*	281	889	461	*92.8*
Operating Profits	**5,344**	**5,201**	***2.8***	**5,344**	**15,526**	**14,992**	***3.6***
Other Income	1,274	1,008	*26.3*	1,164	3,536	3,247	*8.9*
PBT	**6,618**	**6,209**	***6.6***	**6,508**	**19,062**	**18,239**	***4.5***
Tax	1,550	1,435	*8.0*	1,443	4,360	4,139	*5.3*
Effective tax rate (%)	*23.4*	*23.1*		*22.2*	*22.9*	*22.7*	
Minority interest	4	8	*(47.4)*	-5	1	14	*(92.4)*
Adj PAT	**5,064**	**4,767**	***6.2***	**5,070**	**14,701**	**14,086**	***4.4***

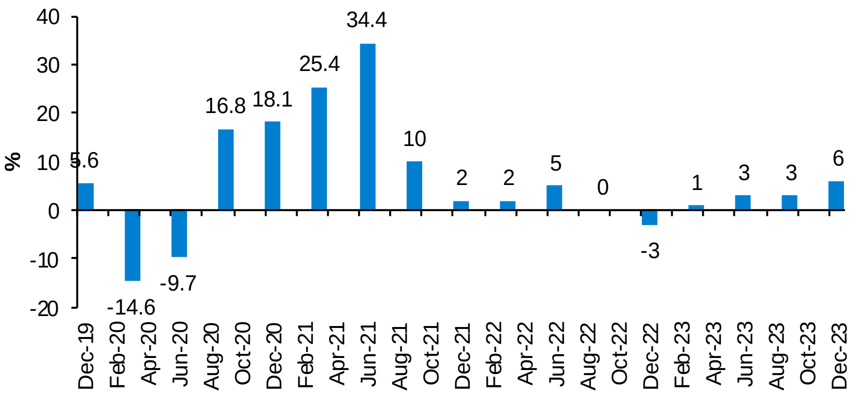
Source: Company, PL

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

Category Growth (%)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Hair Oils	6.1	2.6	8.1	1.8	-2.4	0.0	10.0	4.0	4.5
Shampoos	21.2	5.6	17.0	9.0	3.6	2.0	9.0	4.1	11.3
Health Supplements	-8.3	9.7	-35.5	-12.6	0.4	-3.3	5.5	0.0	0.0
Oral Care	6.7	1.1	12.5	9.2	2.6	-3.0	13.0	4.1	8.1
Foods	26.4	12.5	35.7	30.5	34.5	22.0	35.0	40.4	22.0
Digestives	12.2	1.2	30.5	0.1	11.2	5.6	14.3	18.1	15.1
Skin care	3.2	-10.6	11.4	1.1	-5.6	-2.0	3.5	5.0	4.5
Home Care	18.6	11.0	51.9	20.9	18.2	10.3	14.5	15.1	6.6
OTC & Ethical	3.6	7.5	-15.4	-0.2	4.0	-0.4	24.3/7.3	8.4/7.0	-3.0/6.9
Beverages			50.7	21.2	3.7	29.0	(2.0)	(10.0)	6.9

Source: Company, PL

Exhibit 3: 3Q volumes grow by 6%



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	**1,15,299**	**1,27,569**	**1,40,798**	**1,56,004**
YoY gr. (%)	*5.9*	*10.6*	*10.4*	*10.8*
Cost of Goods Sold	62,687	66,356	71,613	78,559
Gross Profit	52,612	61,213	69,186	77,445
Margin (%)	*45.6*	*48.0*	*49.1*	*49.6*
Employee Cost	11,370	13,311	14,797	16,449
Other Expenses	9,868	10,953	12,066	13,272
EBITDA	**21,641**	**24,727**	**28,264**	**31,861**
YoY gr. (%)	*(4.0)*	*14.3*	*14.3*	*12.7*
Margin (%)	*18.8*	*19.4*	*20.1*	*20.4*
Depreciation and Amortization	3,110	3,895	4,139	4,382
EBIT	**18,532**	**20,832**	**24,125**	**27,479**
Margin (%)	*16.1*	*16.3*	*17.1*	*17.6*
Net Interest	782	1,241	934	851
Other Income	4,454	5,692	5,901	6,276
Profit Before Tax	**22,203**	**25,283**	**29,092**	**32,904**
Margin (%)	*19.3*	*19.8*	*20.7*	*21.1*
Total Tax	5,174	5,815	6,749	7,732
Effective tax rate (%)	*23.3*	*23.0*	*23.2*	*23.5*
Profit after tax	**17,030**	**19,468**	**22,343**	**25,172**
Minority interest	(58)	(58)	(58)	(58)
Share Profit from Associate	-	-	-	-
Adjusted PAT	**17,088**	**19,526**	**22,401**	**25,230**
YoY gr. (%)	*(6.4)*	*14.3*	*14.7*	*12.6*
Margin (%)	*14.8*	*15.3*	*15.9*	*16.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**17,088**	**19,526**	**22,401**	**25,230**
YoY gr. (%)	*(1.9)*	*14.3*	*14.7*	*12.6*
Margin (%)	*14.8*	*15.3*	*15.9*	*16.2*
Other Comprehensive Income	(2,254)	-	-	-
Total Comprehensive Income	14,834	19,526	22,401	25,230
Equity Shares O/s (m)	**1,772**	**1,772**	**1,772**	**1,772**
EPS (Rs)	**9.6**	**11.0**	**12.6**	**14.2**

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**	**23,939**	**28,078**	**32,460**
Tangibles	18,831	21,965	25,339	28,952
Intangibles	1,213	1,974	2,739	3,508
Net fixed assets	**31,734**	**32,421**	**31,832**	**31,000**
Tangibles	22,847	24,245	24,371	24,258
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	63,900	73,470	84,476
Net Deferred tax assets	(910)	(910)	(910)	(910)
Other Non-Current Assets	925	1,241	1,347	1,470
Current Assets				
Investments	7,365	8,101	8,911	9,802
Inventories	20,242	22,515	24,850	27,534
Trade receivables	8,488	9,352	10,131	11,014
Cash & Bank Balance	3,259	3,305	3,884	4,663
Other Current Assets	2,782	3,317	3,802	4,446
Total Assets	**1,36,479**	**1,50,087**	**1,64,302**	**1,80,625**
Equity				
Equity Share Capital	1,772	1,772	1,772	1,772
Other Equity	87,961	99,244	1,11,017	1,24,324
Total Networth	**89,733**	**1,01,016**	**1,12,789**	**1,26,096**
Non-Current Liabilities				
Long Term borrowings	4,432	4,432	4,432	4,332
Provisions	644	765	845	936
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,002	6,702	6,402	6,102
Trade payables	21,866	24,684	26,723	29,322
Other current liabilities	7,162	6,891	7,566	8,343
Total Equity & Liabilities	**1,36,480**	**1,50,087**	**1,64,303**	**1,80,625**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	22,187	25,283	29,092	32,904
Add. Depreciation	3,110	3,895	4,139	4,382
Add. Interest	782	1,241	934	851
Less Financial Other Income	4,454	5,692	5,901	6,276
Add. Other	(4,670)	(5,692)	(5,901)	(6,276)
Op. profit before WC changes	21,409	24,727	28,264	31,861
Net Changes-WC	1,773	(3,234)	(1,700)	(2,100)
Direct tax	(5,174)	(5,815)	(6,749)	(7,732)
Net cash from Op. activities	**18,009**	**15,678**	**19,815**	**22,028**
Capital expenditures	(15,893)	(4,331)	(3,650)	(3,650)
Interest / Dividend Income	4,454	5,692	5,901	6,276
Others	(1,637)	(8,293)	(9,537)	(10,968)
Net Cash from Invt. activities	**(13,077)**	**(6,931)**	**(7,287)**	**(8,342)**
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)	(1,241)	(934)	(851)
Others	-	-	-	-
Net cash from Fin. activities	**(6,023)**	**(9,784)**	**(11,861)**	**(13,173)**
Net change in cash	**(1,091)**	**(1,038)**	**667**	**513**
Free Cash Flow	2,115	11,347	16,165	18,378

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	**26,778**	**31,305**	**32,038**	**32,551**
YoY gr. (%)	*6.4*	*10.9*	*7.3*	*7.0*
Raw Material Expenses	14,510	16,717	16,557	16,728
Gross Profit	12,268	14,588	15,482	15,823
Margin (%)	*45.8*	*46.6*	*48.3*	*48.6*
EBITDA	**4,098**	**6,047**	**6,609**	**6,678**
YoY gr. (%)	*(9.6)*	*11.2*	*10.0*	*9.5*
Margin (%)	*15.3*	*19.3*	*20.6*	*20.5*
Depreciation / Depletion	1,020	966	983	969
EBIT	**3,078**	**5,081**	**5,626**	**5,709**
Margin (%)	*11.5*	*16.2*	*17.6*	*17.5*
Net Interest	321	243	281	365
Other Income	1,207	1,098	1,164	1,274
Profit before Tax	**3,964**	**5,936**	**6,508**	**6,618**
Margin (%)	*14.8*	*19.0*	*20.3*	*20.3*
Total Tax	1,035	1,368	1,443	1,550
Effective tax rate (%)	*26.1*	*23.0*	*22.2*	*23.4*
Profit after Tax	**2,930**	**4,568**	**5,066**	**5,068**
Minority interest	2	2	(5)	4
Share Profit from Associates	-	-	-	-
Adjusted PAT	**2,928**	**4,566**	**5,070**	**5,064**
YoY gr. (%)	*(22.8)*	*3.5*	*3.3*	*6.2*
Margin (%)	*10.9*	*14.6*	*15.8*	*15.6*
Extra Ord. Income / (Exp)	(1,020)	(207)	-	118
Reported PAT	**1,908**	**4,359**	**5,070**	**5,182**
YoY gr. (%)	*(18.4)*	*17.0*	*(0.6)*	*28.8*
Margin (%)	*7.1*	*13.9*	*15.8*	*15.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,908**	**4,359**	**5,070**	**5,182**
Avg. Shares O/s (m)	1,772	1,772	1,772	1,772
EPS (Rs)	**1.7**	**2.6**	**2.9**	**2.9**

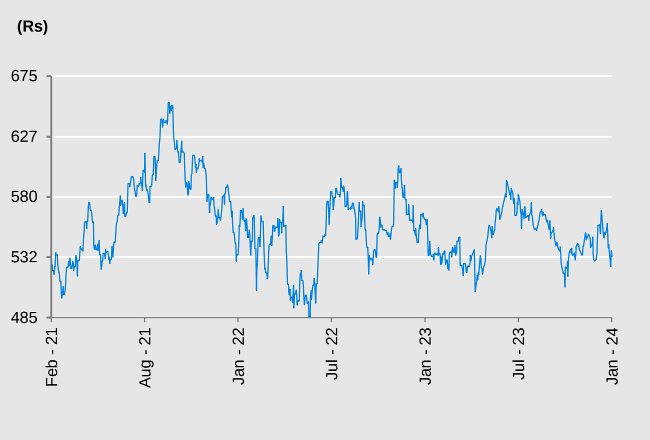
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	9.6	11.0	12.6	14.2
CEPS	11.4	13.2	15.0	16.7
BVPS	50.6	57.0	63.7	71.2
FCF	1.2	6.4	9.1	10.4
DPS	5.3	5.8	6.5	7.3
Return Ratio(%)				
RoCE	19.0	19.5	20.5	21.1
ROIC	14.7	15.0	15.9	16.5
RoE	19.7	20.5	21.0	21.1
Balance Sheet				
Net Debt : Equity (x)	0.0	-	0.0	0.0
Net Working Capital (Days)	22	21	21	22
Valuation(x)				
PER	56.0	49.0	42.7	37.9
P/B	10.7	9.5	8.5	7.6
P/CEPS	47.3	40.8	36.0	32.3
EV/EBITDA	44.2	38.7	33.8	29.9
EV/Sales	8.3	7.5	6.8	6.1
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	08-Jan-24	Accumulate	617	553
2	02-Nov-23	Accumulate	597	530
3	07-Oct-23	Accumulate	597	547
4	15-Sep-23	Accumulate	600	566
5	03-Aug-23	Accumulate	600	555
6	06-Jul-23	Accumulate	590	592
7	04-May-23	Accumulate	590	530
8	11-Apr-23	Accumulate	589	523
9	02-Feb-23	Accumulate	609	554

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,170	2,536
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	489	450
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	559	516
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Accumulate	2,764	2,590
16	Restaurant Brands Asia	Accumulate	151	114
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

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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