

September 17, 2023

EVENT REPORT | Sector: Consumer Staples

Dabur India Ltd.

Ambitious aim for domestic; Maintain Add

We recently participated in Dabur India Ltd. (DABUR's) Capital Markets Day held after a gap of four years. The management used the occasion to exhaustively highlight the business structure changes over last four years, resultant performance, and vectors of future growth. Key takeaways: 1) Dabur's key task is to accelerate the growth momentum, looking at double-digit growth for next four years. 2) Restaging portfolio for younger India without changing the core, 3) Improve premium product mix while adding more LUP's for rural penetration. 4) Rural growth improved versus last year but still not reached its full glory seen 1.5 years back, 5) Dabur can easily deliver ~19.5% operating margin in FY24 (with an upside bias we believe) and targets 20%+ margin beyond FY24. We continue to assign ~48x on March'2025E EPS (3yr/5yr avg fwd. multiple: ~54x/52x), giving us an unchanged target price (TP) of Rs625. Maintain ADD.

Vectors put in place four years ago have contributed to improved growth

Vectors set in place four year ago have led to improvement in penetration (Dabur's Portfolio Penetration now stands at 76% vs 69% in FY19) and market share gains across categories (refer exhibit 2). This has resulted in increase in growth rate to ~8% CAGR over FY19-23 versus a CAGR of ~2% in the previous four years for the consolidated business.

Eyeing double-digit growth

Dabur has given itself the task to accelerate the growth momentum further and is looking at double-digit growth for next four years. Within domestic business (~75% of consol.), (1) Dabur aspires to grow Home & Personal Care (HPC) in double-digits with an ambition to reach Rs70bn topline in medium-term; (2) For Healthcare portfolio it maintained an internal target of ~9% CAGR but the goal is a much bullish number of Rs50bn in next 4-5 years, which imputes to mid-teen's growth; (3) In the foods and beverages (F&B), the company aims to grow in double-digits over the medium to long term. For the international business (~25% of consol.), Dabur is looking at double digit constant currency (CC) revenue growth.

Portfolio changes and distribution targets

Dabur is restaging portfolio for younger India without changing the core of the business (stronger scientific claims, new age formats, aspirational packaging), growing the TAM through power platform strategy (e.g. Real, Dabur Amla, etc) & expansion of existing categories (e.g. Therapeutics, Baby Care, etc.) and focusing on digital (at 9%, ecom contribution already best in the industry). It aims to have more premium products in the power brands as the number of upper-middle-class people grows, this will inturn inch up gross margins. In addition, it will add more Low unit packs (LUP) for further penetration in rural. Dabur already has the second highest reach within the FMCG space and targets to reach 8.5mn outlets (1.6mn direct) in near term from 7.9mn outlets (1.4mn direct) currently with ~19% increase in village coverage to 120k villages in near term.

Near term demand and margin outlook

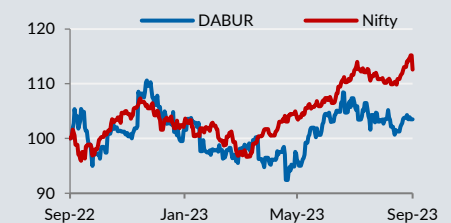
Wth inflation moderating, there is an uptick in urban as well as rural demand compared to last year. April to June'23 were good demand months. July was ok but August was a dampener. Business has picked up again in September. While volume growths are improving versus last year, but rural still not growing at its full glory seen 1.5 years back. Dabur mentioned that its operating margin contraction in FY23 was least among FMCG peers. It saw ~25% inflation in last two years (12.7% in FY22 & 12.6% in FY23) and took a price increase of ~14% (5.5% in FY22 & 8.4% in FY23). Through Project Samridhi initiative, Dabur saw a cumulative saving of Rs1.32bn in FY22 & Rs2.08bn in FY23. It has further stepped up efforts on Project Samridhi and is targeting ~1.2x savings in FY24 with around Rs1bn of initiatives already in pipeline for FY25. Dabur can easily do 20.25%-20.5% EBITDA margin in FY24 but it will use gross margin improvement and savings (from value engineering, operation efficiency, sourcing efficiency and working capital improvement) towards brand investments (targeting 8-10% adpro ratio) and digitization efforts across organization. Thus it believes, it can easily deliver around 19.5% operating margin in FY24 (with an upside bias we believe) and targets 20%+ margin beyond FY24.

Reco	: ADD
CMP	: Rs 566
Target Price	: Rs 625
Potential Return	: +10.5%

Stock data (as on September 15, 2023)

Nifty	20,192
52 Week h/l (Rs)	611 / 504
Market cap (Rs/USD mn)	1002086 / 12063
Outstanding Shares (mn)	1,772
6m Avg t/o (Rs mn):	1,022
Div yield (%):	0.9
Bloomberg code:	DABUR IN
NSE code:	DABUR

Stock performance



	1M	3M	1Y
Absolute return	0.8%	-0.9%	3.5%

Shareholding pattern (As of Jun'23 end)

Promoter	66.2%
FII+DII	28.3%
Others	5.5%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	625	625

Δ in earnings estimates

	FY24e	FY25e
EPS (New)	11.1	12.9
EPS (Old)	11.1	13.0
% change	-0.3	-0.7

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenue	115,299	127,284	140,292
YoY Growth (%)	5.9	10.4	10.2
EBIDTA	21,641	25,143	28,718
Margins (%)	18.8	19.8	20.5
PAT	17,072	19,696	22,886
EPS	9.6	11.1	12.9
YoY Growth (%)	-5.4	15.4	16.2
Pre-tax RoCE (%)	23.0	23.6	25.1
ROE (%)	19.7	20.5	21.5
P/E (x)	58.7	50.9	43.8
EV/EBITDA (x)	43.8	37.3	32.3

VISHAL PUNMIYA

Lead Analyst

vishal.punmiya@ysil.in

+91 22 6885 0521



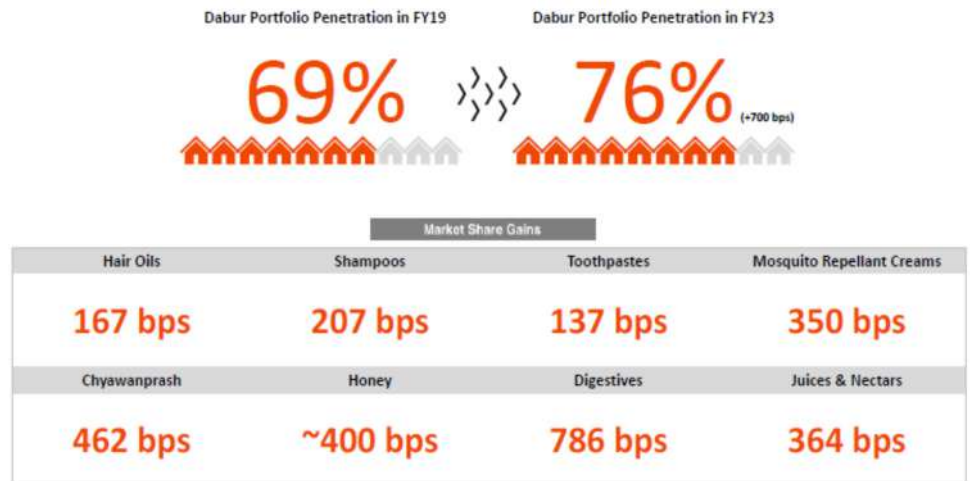
KEY SLIDES FROM THE PRESENTATION

Exhibit 1: Dabur has 17 brands in bottom pie of brands (Rs1-5bn) which will scale up to >Rs5bn in future

Revenue	Brands
>1,500 cr	
1,000-1,500 cr	
500-1,000 cr	
100-500 cr (17 brands)	

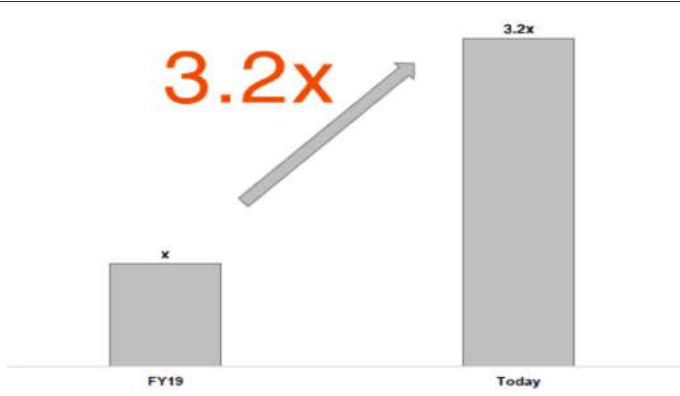
Source: Company, YES Sec

Exhibit 2: Increase in portfolio penetration and market share gains across categories



Source: Company, YES Sec

Exhibit 3: Total Addressable market (TAM) has tripled over FY19 till today



Source: Company, YES Sec

Exhibit 4: Innovations across categories has picked up and now stands at 4%



Source: Company, YES Sec

Exhibit 5: Apart from transitioning from Power Brands to Power Platforms, Dabur is scaling existing categories by entry into agencies



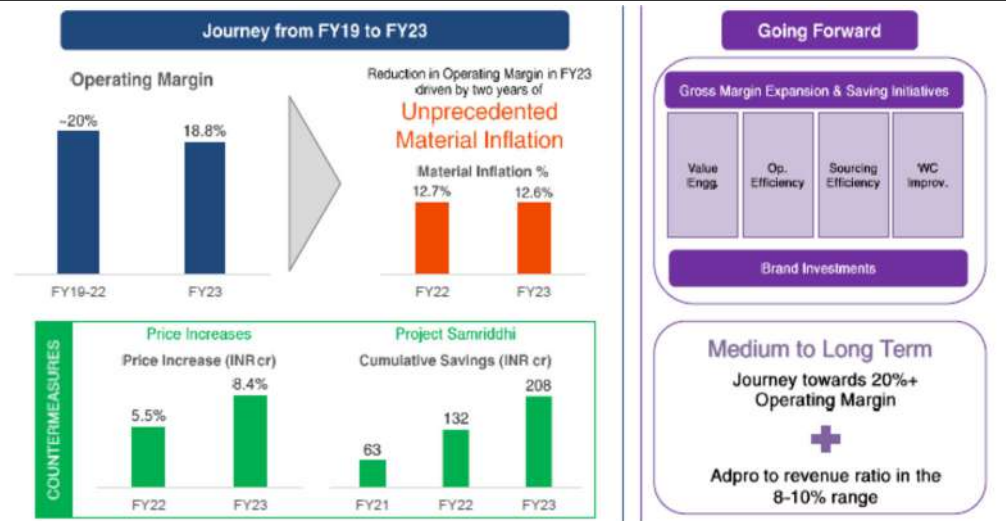
Source: Company, YES Sec

Exhibit 6: At 7.9mn outlets, Dabur already has the second highest reach within the FMCG space and aims to reach 8.5mn outlets (1.6mn direct) in near term

Total Reach (mn outlets)	6.7	7.9	8.5
Direct Reach (mn outlets)	1.1	1.4	1.6
Village Coverage (in '000s)	44	101	120
Yoddhas	0	11,804	20,000
Chemist Coverage (in '000s)	216	270	300
EDGE Score (Assortment)	Was not being tracked earlier	88	100 +
	FY19	FY23	Near Term Target

Source: Company, YES Sec

Exhibit 7: Dabur will use gross margin improvement & savings towards Ad spends & digitization of business, thus targeting atleast 19.5% in FY24 and 20%+ beyond FY24



Source: Company, YES Sec

View & Valuation

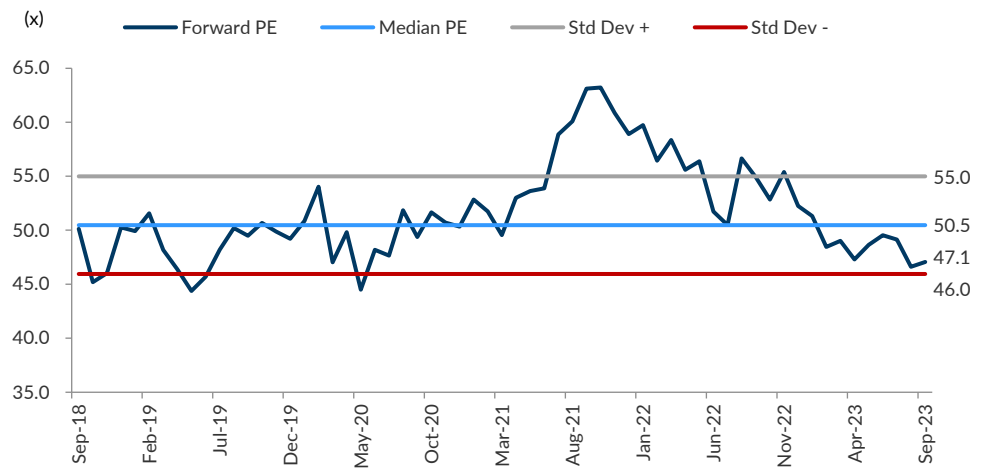
- We are currently building 10.3% revenue CAGR over FY23-FY25E versus 9.9% built earlier.
- **Key drivers:**
 - (a) Focus on gaining market share in key categories - Dabur's Power Brand strategy of focusing on nine of its major brands - that account for a majority (>70%) of the company's consolidated revenue will continue to pay dividend in the medium to long term.
 - (b) Play on rural growth as distribution continues to expand - direct coverage will touch ~1.5mn outlets by end of FY24 & ~1.6mn in near term. Also, village coverage has seen a significant jump to 100k villages across the country from 59,217 villages in FY21 and will towards ~120k in near term. Ahead-of-the-curve investments and expected improvement in rural demand augurs well for Dabur.

Dabur India Ltd.

(c) Expanding TAM through power platform strategy, scaling existing categories by entry into adjacencies and innovations gives decent visibility for medium-term growth.

- At operating level, we expect ~15.2% EBITDA CAGR over FY23-FY25E (~170bps EBITDA margin expansion as we expect gross margin profile to revert close to FY22 levels by FY25). As gross margin improves, company is prioritizing normalizing its spends on A&P and digitization before seeing benefits at operating level. We thus expect 19.8% in FY24 and 20.5% in FY25 (higher than company's guidance).
- Dabur is currently trading at ~51x/44x on FY24E/FY25E EPS, discount to its historical average, as we build in ~15.8% EPS CAGR. With improving commentary, we continue to have an ADD rating on the stock with an unchanged TP of Rs625 (Rs625 earlier), valuing it at ~48x March'2025E EPS (3yr/5yr avg. fwd. multiple: ~54x/52x).

Exhibit 8: Currently trading at ~47x 1-yr fwd EPS



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	1,767	1,768	1,772	1,772	1,772
Reserves	75,235	82,451	92,643	104,817	113,771
Net worth	77,002	84,219	94,414	106,589	115,543
Deferred tax liability	(40)	816	889	889	889
Total liabilities	81,795	95,107	106,737	117,412	124,866
Gross block	34,430	37,901	51,778	56,278	59,278
Depreciation	15,361	17,334	20,044	23,961	28,121
Net block	22,429	23,079	35,787	36,369	35,209
Capital work-in-progress	1,473	1,675	1,751	2,102	2,312
Investments	41,596	62,196	62,653	63,758	67,315
Inventories	17,343	19,114	20,242	22,185	23,882
Debtors	5,616	6,462	8,488	10,571	11,212
Cash	13,290	5,701	3,259	9,254	14,142
Loans & advances	1,285	595	594	712	855
Other current assets	5,259	4,017	3,750	4,094	4,503
Total current assets	42,793	35,888	36,332	46,817	54,595
Creditors	19,153	20,180	21,866	23,355	25,757
Other current liabilities & provisions	7,345	7,552	7,920	8,279	8,807
Total current liabilities	26,497	27,732	29,786	31,634	34,565
Net current assets	16,296	8,157	6,547	15,182	20,030
Total assets	81,795	95,107	106,737	117,412	124,865

Source: Company, YES Sec

Exhibit 10: Income statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	95,466	108,887	115,299	127,284	140,292
% Growth	9.9	14.1	5.9	10.4	10.2
COGS	47,739	56,397	62,687	66,438	71,148
Staff costs	10,335	10,800	11,370	12,661	13,882
Selling and Distribution	11,163	11,703	10,853	14,554	16,994
Other expenses	6,202	7,449	8,748	8,488	9,550
Total expenses	75,439	86,349	93,658	102,141	111,574
EBITDA	20,027	22,538	21,641	25,143	28,718
% growth	12.9	12.5	(4.0)	16.2	14.2
EBITDA margin (%)	21.0	20.7	18.8	19.8	20.5
Other income	3,253	3,932	4,454	5,001	5,638
Interest costs	308	386	782	908	735
Depreciation	2,401	2,529	3,110	3,917	4,160
Profit before tax (before exceptional items)	20,570	23,555	22,203	25,319	29,462
Exceptional items	0	-659	0	0	0
Tax	3,611	5,455	5,174	5,823	6,776
Adjusted PAT	16,933	18,051	17,072	19,696	22,886
Reported PAT	16,933	17,392	17,072	19,696	22,886
PAT margin (%)	17.2	15.4	14.3	14.9	15.7
% Growth	12.8	6.7	(5.9)	14.5	16.4

Source: Company, YES Sec

Exhibit 11: Cash flow statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PAT	17,347	18,811	17,242	19,496	22,686
Depreciation	2,401	2,529	3,110	3,917	4,160
Other income	(2,485)	(2,349)	(3,867)	(4,093)	(4,903)
(Inc.)/dec. in working capital	3,884	(968)	(1,601)	(2,641)	41
Cash flow from operations	21,147	18,023	14,884	16,678	21,983
Capital expenditure (-)	(3,112)	(3,741)	(4,857)	(4,850)	(3,210)
Net cash after capex	18,035	14,282	10,027	11,828	18,773
Inc./(dec.) in investments	(6,724)	(16,966)	(2,117)	7,802	2,081
Cash from investing activities	(9,836)	(20,708)	(6,974)	2,951	(1,129)
Dividends paid (-)	(5,921)	(9,723)	(9,213)	(11,226)	(13,731)
Inc./(dec.) in total borrowings	(20)	5,036	233	(1,500)	(1,500)
Others	(193)	(218)	(1,372)	(908)	(735)
Cash from financial activities	(6,134)	(4,905)	(10,352)	(13,635)	(15,966)
Opening cash balance	8,114	13,291	5,701	3,259	9,254
Closing cash balance	13,291	5,701	3,259	9,254	14,142
Change in cash balance	5,177	(7,589)	(2,442)	5,995	4,888

Source: Company, YES Sec

Exhibit 12: Growth and Ratio matrix

Y/E March	FY21	FY22	FY23	FY24E	FY25E
Per share (Rs)					
EPS	9.6	10.2	9.6	11.1	12.9
Book value	43.5	47.5	53.3	60.2	65.2
DPS	4.8	5.2	5.2	6.3	7.7
Valuation (x)					
EV/sales	9.9	8.7	8.2	7.4	6.6
EV/EBITDA	47.4	41.8	43.8	37.3	32.3
P/E	59.0	55.4	58.7	50.9	43.8
P/BV	13.0	11.9	11.2	9.8	9.0
Return ratios (%)					
RoCE	27.3	27.2	23.0	23.6	25.1
RoE	23.7	22.5	19.7	20.5	21.5
ROIC	59.5	79.7	58.9	53.3	60.2
Profitability ratios (%)					
Gross margin	50.0	48.2	45.6	47.8	49.3
EBITDA margin	21.0	20.7	18.8	19.8	20.5
PAT margin	17.2	15.4	14.3	14.9	15.7
Liquidity ratios (%)					
Current ratio	1.6	1.3	1.2	1.5	1.6
Quick ratio	1.0	0.6	0.5	0.8	0.9
Solvency ratio (%)					
Debt to Equity ratio	0.1	0.1	0.1	0.1	0.1
Turnover ratios					
Total asset turnover ratio (x)	1.2	1.1	1.1	1.1	1.1
Fixed asset turnover ratio (x)	5.0	5.3	3.6	3.9	4.5
Debtor days	26	20	24	27	28
Inventory days	119	118	115	117	118
Creditor days	130	127	122	124	126

Source: Company, YES Sec; * pre-tax

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all

jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House, Lok Bharti Complex, Marol Maroshi Road, Andheri East, Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

Grievances Redressal Cell: customer.service@ysil.in/igc@ysil.in

DISCLOSURE OF INTEREST

Name of the Research Analyst : Vishal Punmiya

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.