


**Beat On Operating Front; Maintain BUY**
**Est. Vs. Actual for Q4FY24:** Revenue – **INLINE**; EBITDA – **BEAT**; PAT – **BEAT**
**Changes in Estimates post Q4FY24**
**FY25E/FY26E – Revenue -2%/-3%; EBITDA -3%/-2%; PAT -6%/-5%**
**Recommendation Rationale**

- **Beat on the operating front:** Dabur's Q4FY24 was a marginal beat on our estimates. Revenue grew 5% YoY with India volume growing 4.2%, led by distribution expansion, market share gains, and improved rural sales. Rural grew at ~8% YoY, faster than growth in the Urban segment, up 4% YoY. This was on account of distribution expansion in rural areas and focused rural interventions such as LUPs and consumer intervention. Total Rural coverage stands at 1,22,000 villages vs 1,17,000 villages in Q3FY24. The company's gross margins improved by 279bps to 48.6%; however, higher adspends (up 21% YoY) limited the overall EBITDA margin expansion which stood at 16.6%, up 128bps YoY.
- **Demand recovery in rural areas:** With inflation softening, rural India has seen a recovery in Q4FY24. Furthermore, it expects the demand environment to improve on the back of normal monsoon, and increase government spending. It targets domestic volume growth of mid to high single-digit and ~3% price hike in FY25.

**Sector Outlook: Positive**
**Company Outlook & Guidance:** We cut our FY25/26 estimates marginally and **maintain our BUY rating on the stock.**
**Current Valuation:** 45x Mar'26 EPS (Earlier Valuation: 45x Dec'25 EPS).

**Current TP:** Rs 620/share (Earlier TP: Rs 635/share).

**Recommendation:** With an upside potential of 18% from the CMP, we maintain our BUY rating on the stock.

**Financial Performance:** The company's consolidated revenue grew by 5% YoY to Rs 2,815 Cr with India business volume growing by 4.2%, led by stable growth across categories. However, the Healthcare and winter portfolio segment was impacted due to a delay in the onset of winter. The company's International business grew by 12% YoY (in cc terms). The management highlighted that the demand slump in rural areas has bottomed out and is now seeing a recovery and expects further recovery in the coming quarters. The company's gross margins stood at 48.6% (up 279bps YoY). EBITDA margins were at 16.6% (up 128bps), as it got impacted due to higher ad-spends, up 21% YoY. The company reported a PAT of Rs 350 Cr, up 16% YoY.

**Outlook:** FMCG companies have been battling with a rural slowdown for the last few quarters on account of high consumer inflation eating their wallet share. This, in turn, has impacted their overall volume growth. Despite urban growth standing at 4%, Dabur experienced a noteworthy 8% increase in rural demand this quarter. Looking ahead, the company's strategic emphasis on expanding rural distribution networks, combined with anticipated improvements in rural demand driven by factors such as a normal monsoon, moderation of core inflation, and heightened government expenditure, is expected to provide significant support to the company's performance in the forthcoming quarters. We continue to believe in Dabur's long-term growth story and like (1) The management's focus on strong execution – market share gains, go-to-market initiatives, deepening rural penetration, (2) Strong management bandwidth, and (3) Continued investments in the brands, distribution infrastructure, and innovations. (4) Capital infusion in setting up a new manufacturing plant. These factors drive our confidence in the long-term growth prospects of the company.

**Valuation & Recommendation:** We estimate Revenue/EBITDA/PAT CAGR of 10%/13%/12% over FY23-26E and **maintain our BUY rating on the stock** with a revised TP of Rs 620/share. The TP implies an upside of 18% from the CMP.

**Key Financials (Consolidated)**

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	2,815	-13.5	5.1	2,838	-0.8
EBITDA	467	-30.1	13.9	452	3.4
EBITDA Margins (%)	16.6	-393 bps	128 bps	15.9	67 bps
Net Profit	350	-32.0	16.2	341	2.6
EPS (Rs)	2.0	-32.0	16.2	1.9	2.6

Source: Company, Axis Research

 (CMP as of 2<sup>nd</sup> May 24)

CMP (Rs)	524
Upside /Downside (%)	18%
High/Low (Rs)	596/489
Market cap (Cr)	92,908
Avg. daily vol.(6m) Shrs. '000	2152
No. of shares (Cr)	177

**Shareholding (%)**

	Sep-23	Dec-23	Mar-24
Promoter	66.2	66.2	66.3
FIIs	18.4	16.5	15.8
MFs / UTI	4.3	5.6	6.0
Banks / FIs	0.1	0.1	0.1
Others	11.0	11.6	11.8

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	12,404	13,940	15,350
EBITDA	2,400	2,803	3,134
Net Profit	1,843	2,145	2,422
EPS (Rs.)	10.4	12.1	13.7
PER (x)	50.2	43.2	38.2
EV/EBITDA (x)	38.3	32.4	28.6
P/BV (x)	9.7	8.8	7.9
ROE (%)	19.2	20.5	20.7

**Change in Estimates (%)**

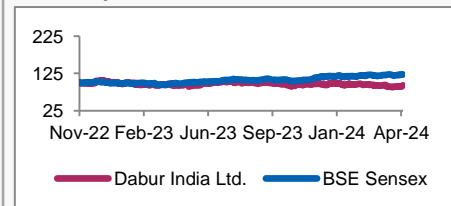
Y/E Mar	FY25E	FY26E
Sales	-2%	-3%
EBITDA	-3%	-2%
PAT	-6%	-5%

**ESG disclosure Score\*\***

Environmental Disclosure	42.13
Social Disclosure Score	35.64
Governance Disclosure Score	78.59
<b>Total ESG Disclosure Score</b>	<b>52.15</b>
<b>Sector Average</b>	<b>44.87</b>

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

**Relative performance**


Source: Ace Equity, Axis Securities

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### Key Risks to our Estimates and TP

- Increase in competitive intensity, prolonged demand recovery, RM inflation, and advertisement spends.

### Change in Estimates

	Old		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	14,219	15,764	13,940	15,350	-2%	-3%
EBITDA	2,891	3,200	2,803	3,134	-3%	-2%
PAT	2,279	2,542	2,145	2,422	-6%	-5%
EPS	12.9	14.4	12.1	13.7	-6%	-5%

Source: Company, Axis Securities

**Results Review**

Rs Cr	Q4FY23	Q3FY24	Axis Sec Est.	Q4FY24	YoY Growth %	QoQ Growth (%)	Axis Sec Var
Domestic Volume growth (% yoy)	0%	4%	5%	4%	4 bps	0 bps	-1 bps
Net Sales	2,678	3,255	2,838	2,815	5.1	(13.5)	(0.8)
Gross Profits	1,227	1,582	1,373	1,368	11.5	(13.5)	(0.4)
Gross Margin (%)	45.8	48.6	48.4	48.6	279 bps	-1 bps	23 bps
Staff costs	289	311	306	316	9.5	1.8	3.3
Ad spends	152	245	212	184	21.1	(24.9)	(13.5)
Other operating expenses	377	359	403	401	6.5	11.7	(0.4)
EBITDA	410	668	452	467	13.9	(30.1)	3.4
EBITDA margin (%)	15.3	20.5	15.9	16.6	128 bps	-393 bps	67 bps
Depreciation	102	97	102	107	5.3	10.8	5.5
EBIT	308	571	350	359	16.8	(37.0)	2.7
Other Income	121	127	130	129	6.7	1.2	(0.8)
Interest Cost	32	36	37	35	9.7	(3.4)	(5.3)
PBT	396	662	443	453	14.3	(31.5)	2.4
Tax rate (%)	26.1	23.4	23.0	24.6	-151 bps	118 bps	160 bps
PAT	301	514	341	350	16.2	(32.0)	2.6
EPS	1.7	2.9	1.9	2.0	16.2	(32.0)	2.6

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY23	FY24A	FY25E	FY26E
<b>Net sales</b>	<b>11,530</b>	<b>12,404</b>	<b>13,940</b>	<b>15,350</b>
Growth, %	5.9	7.6	12.4	10.1
Raw material expenses	(6,269)	(6,447)	(7,059)	(7,730)
Employee expenses	(1,137)	(1,240)	(1,388)	(1,527)
Other Operating expenses	(1,960)	(2,317)	(2,690)	(2,959)
<b>EBITDA (Core)</b>	<b>2,164</b>	<b>2,400</b>	<b>2,803</b>	<b>3,134</b>
Growth, %	(4.0)	10.9	16.8	11.8
Margin, %	18.8	19.4	20.1	20.4
Depreciation	(311)	(399)	(414)	(429)
<b>EBIT</b>	<b>1,853</b>	<b>2,001</b>	<b>2,388</b>	<b>2,705</b>
Growth, %	(7.4)	8.0	19.4	13.3
Margin, %	16.1	16.1	17.1	17.6
Interest paid	(78)	(124)	(133)	(144)
Other Income	445	482	531	584
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>2,219</b>	<b>2,359</b>	<b>2,785</b>	<b>3,145</b>
Tax provided	(517)	(547)	(641)	(723)
<b>Profit after tax</b>	<b>1,701</b>	<b>1,811</b>	<b>2,145</b>	<b>2,422</b>
<b>Net Profit</b>	<b>1,707</b>	<b>1,843</b>	<b>2,145</b>	<b>2,422</b>
Growth, %	(6.4)	7.9	16.4	12.9
<b>Net Profit (adjusted)</b>	<b>1,707</b>	<b>1,843</b>	<b>2,145</b>	<b>2,422</b>
Unadj. shares (Cr)	177	177	177	177

Source: Company, Axis Securities

**Balance Sheet**

(Rs Cr)

As of 31st Mar	FY23	FY24E	FY25E	FY26E
Cash & bank	326	1,049	2,080	3,411
Marketable securities at cost	736	736	736	736
Debtors	849	913	1,026	1,130
Inventory	2,024	2,178	2,447	2,695
Loans & advances	14	14	14	14
<b>Total current assets</b>	<b>4,251</b>	<b>5,191</b>	<b>6,606</b>	<b>8,288</b>
Investments	5,529	5,529	5,529	5,529
Gross fixed assets	5,583	5,783	5,983	6,183
Less: Depreciation	(2,004)	(2,404)	(2,818)	(3,247)
Add: Capital WIP	175	175	175	175
Net fixed assets	3,754	3,555	3,340	3,111
<b>Total assets</b>	<b>13,654</b>	<b>14,426</b>	<b>15,626</b>	<b>17,079</b>
Current liabilities	3,609	3,775	4,067	4,334
Provisions	64	64	64	64
<b>Total current liabilities</b>	<b>3,674</b>	<b>3,840</b>	<b>4,131</b>	<b>4,398</b>
Non-current liabilities	539	539	539	539
<b>Total liabilities</b>	<b>4,213</b>	<b>4,379</b>	<b>4,670</b>	<b>4,937</b>
Paid-up capital	177	177	177	177
Reserves & surplus	8,796	9,402	10,311	11,496
Shareholders' equity	9,441	10,048	10,956	12,141
<b>Total equity &amp; liabilities</b>	<b>13,654</b>	<b>14,426</b>	<b>15,626</b>	<b>17,079</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Pre-tax profit	2,219	2,359	2,785	3,145
Depreciation	311	399	414	429
Chg in working capital	(2)	(83)	(91)	(84)
Total tax paid	(509)	(547)	(641)	(723)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>2,019</b>	<b>2,128</b>	<b>2,468</b>	<b>2,767</b>
Capital expenditure	(1,589)	(200)	(200)	(200)
Chg in investments	(164)	-	-	-
Chg in marketable securities	118	-	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(1,637)</b>	<b>(201)</b>	<b>(200)</b>	<b>(200)</b>
Free cash flow	383	1,927	2,268	2,567
Equity raised/(repaid)	(172)	-	-	-
Debt raised/(repaid)	53	-	-	-
Dividend (incl. tax)	(918)	(1,236)	(1,236)	(1,236)
Other financing activities	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(604)</b>	<b>(1,205)</b>	<b>(1,236)</b>	<b>(1,236)</b>
Net chg in cash	(221)	722	1,031	1,331

Source: Company, Axis Securities

**Ratio Analysis**

(%)

	FY23	FY24E	FY25E	FY26E
<b>Per Share data</b>				
EPS (INR)	9.7	10.4	12.1	13.7
Growth, %	(6.4)	7.9	16.4	12.9
Book NAV/share (INR)	50.8	54.2	59.4	66.1
FDEPS (INR)	9.7	10.4	12.1	13.7
CEPS (INR)	11.4	12.7	14.5	16.1
CFPS (INR)	8.4	9.5	11.0	12.4
DPS (INR)	5.2	7.0	7.0	7.0
<b>Return ratios</b>				
Return on assets (%)	13.7	13.8	15.2	15.7
Return on equity (%)	19.0	19.2	20.5	20.7
Return on capital employed (%)	18.7	18.7	20.5	21.1
<b>Turnover ratios</b>				
Asset turnover (x)	3.4	3.1	3.6	4.2
Sales/Total assets (x)	0.9	0.9	0.9	0.9
Sales/Net FA (x)	3.7	3.4	4.0	4.8
Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)
Fixed capital/Sales (x)	-	-	-	-
Working capital days	(13.3)	(10.9)	(7.3)	(4.6)
<b>Liquidity ratios</b>				
Current ratio (x)	1.2	1.4	1.6	1.9
Quick ratio (x)	0.6	0.8	1.0	1.3
Interest cover (x)	23.7	16.1	17.9	18.8
Total debt/Equity (%)	0.1	0.1	0.1	0.1
Net debt/Equity (%)	0.1	0.0	(0.1)	(0.2)
<b>Valuation</b>				
PER (x)	54.2	50.2	43.2	38.2
Price/Book (x)	10.3	9.7	8.8	7.9
EV/Net sales (x)	8.0	7.4	6.5	5.8
EV/EBITDA (x)	42.8	38.3	32.4	28.6
EV/EBIT (x)	50.0	45.9	38.1	33.1

Source: Company, Axis Securities

## Dabur India Price Chart and Recommendation History



Date	Reco	TP	Research
04-Feb-22	BUY	680	Result Update
06-May-22	BUY	620	Result Update
05-Aug-22	BUY	630	Result Update
28-Oct-22	BUY	650	Result Update
03-Feb-23	BUY	650	Result Update
05-May-23	BUY	485	Result Update
04-Aug-23	BUY	610	Result Update
03-Nov-23	BUY	635	Result Update
01-Feb-24	BUY	635	Result Update
03-May-24	BUY	620	Result Update

Source: Axis Securities



**About the analyst****Analyst:** Preeyam Tolia**Contact Details:** preeyam.tolia@axissecurities.in**Sector:** FMCG& Retail**Analyst Bio:** Preeyam Tolia is B.com and CFA Level 1 and part of the Axis Securities Research Team.**About the analyst****Analyst:** Suhanee Shome**Contact Details:** suhanee.shome@axissecurities.in**Sector:** FMCG & Retail**Analyst Bio:** Suhanee Shome is MBA and part of the Axis Securities Research Team**Disclosures:**

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