September 30, 2021

Dabur India Limited: [ICRA]AAA (Stable) assigned to Rs. 235 crore proposed Non-Convertible Debenture programme; rating reaffirmed for other facility

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	15.00	15.00	[ICRA]AAA (Stable); reaffirmed
Non-convertible Debenture Programme	-	235.00	[ICRA]AAA (Stable); assigned
Total	**15.00**	**250.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating takes into account Dabur India Limited's (Dabur) healthy operating and financial performance, as reflected in its healthy volume growth, robust cash flows, strong balance sheet and liquidity position. The rating continues to derive strength from Dabur's position as one of the leading companies in the domestic fast-moving consumer goods (FMCG) segment, its well-established brands in the Ayurvedic/herbal category, significant market share for most of its products, strong distribution network and its diversified product portfolio. The rating also continues to take comfort from Dabur's strong balance sheet with negative net debt position (total debt is less than cash and liquid investments) and strong credit metrics.

These strengths, however, are partly offset by the intense competition in the FMCG sector, exposure to fluctuations in raw material prices and exchange rates, as well as risk of growth slowdown due to a challenging macro-economic environment. The international business staged a comeback in the second half of FY2021 to record 3.4% growth for the full year.

ICRA notes that Dabur's witnessed healthy growth in Q4 FY2021 and Q1 FY2022, supported by low base as well as increasing demand for Ayurvedic and herbal products. After facing disruption in supply chain in FY2020, the company streamlined its supply chain, which has helped it during the last one year.

The Stable outlook on the long-term rating reflects ICRA's belief that Dabur's cash flows from operations will remain robust, which along with its strong balance sheet will support its credit metrics.

Key rating drivers and their description

Credit strengths

Healthy operating and financial performance - Dabur's operational and financial performances remained healthy despite the challenging operating environment characterised by the Covid-19 pandemic induced challenges, economic slowdown in the domestic industry, intense competition, and international geopolitical issues in the last few years. Dabur's revenue increased by 12% in Q1 FY2022 over Q4 FY2021 and by 32% over Q1 FY2021. The growth in recent quarters has been supported by the company's increased focus on power brands, launch of many new products and gain of market share in existing products. The company's operating profitability remained steady around 20-21% in the past few years, despite volatility in input commodity prices. Dabur's reputed brand image, diversified product portfolio, and strong distribution network have helped it in maintaining its market leadership position in most of the product segments where it is present.

Possession of strong brands solidifies foothold in domestic FMCG space - Dabur has multiple brands with a strong image, such as Dabur, Vatika, Real, Hajmola, Pudin Hara, Honitus, Lal Tail, Dabur Red, Dabur Amla, Dabur Chyawanprash and Dabur

Honey, among others. The brand has a strong reputation, particularly in the Ayurvedic and herbal segment, which has augured well for the company during the pandemic times as the demand for Ayurvedic and herbal immunity boosting products has spiked. These strengths have also helped it in maintaining its market position despite competition from large international and domestic players.

Strong financial position – Dabur is a net debt free entity, and it is likely to maintain low leverage over the medium term despite organic and inorganic plans. With annual accruals of Rs. 800-900 crore post dividend pay-out, company's cash flows and liquidity position are expected to remain strong.

Credit challenge

Intense competition - The domestic FMCG business continues to witness intense competition with multiple established players, including some large multinational players as well as domestic companies. There have been increased activities in the Ayurvedic and herbal segment in the last few years by FMCG companies. With increased marketing and promotion, consumer awareness of natural and herbal products has improved, leading to expansion of the market segment. Nevertheless, Dabur, as an established player with a sizeable market share, faced competitive pressures earlier and remains exposed to risks of heightened competition.

Liquidity position: Superior

The company has a **superior** liquidity position, given the high liquid investments, limited debt on books, and expected strong accruals post the regular capex. As of March 31, 2021, Dabur had a cash and other investments of Rs. 5,566 crore. In addition, the company has unutilised bank limits and the flexibility to raise debt from the market in case of any requirements.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded if any large capital expenditure or acquisition leads to considerable and sustainable weakening in the credit metrics, or if there is any major reduction in market share of key product segments impacting its accruals for a prolonged period.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Fast Moving Consumer Goods Industry
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on consolidated financial statements of the issuer.

About the company

Established in 1884 by Dr. SK Burman, Dabur is among India's leading FMCG companies. It has business interests in healthcare, personal care and food products. Over the years, the company has focussed on manufacturing and selling Ayurvedic products targeted at the mass consumer segment. A number of personal care products, Ayurvedic tonics and oral care products that Dabur launched over the years are leading brands in their respective segments. Dabur offers products in over 100 countries across the globe, covering health and personal care segments across the herbal and natural space. Dabur India's FMCG portfolio includes seven major brands, namely Dabur Amla, Dabur Chyawanprash, Dabur Honey, Honitus, PudinHara, Dabur Lal Tail and Dabur Real. Dabur has manufacturing facilities at 20 locations—12 in India and one each in the UAE, South Africa, Sri Lanka, Egypt, Turkey, Nigeria, Nepal and Bangladesh. The company has built a strong distribution network of over 6.9 million retail outlets in India as of March 2021.

Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	8685	9547
PAT (Rs. crore)	1448	1696
OPBDIT/OI (%)	20.64%	20.98%
PAT/OI (%)	16.67%	17.77%
Total Outside Liabilities/Tangible Net Worth (times)	0.40	0.41
Total Debt/OPBDIT (times)	0.29	0.25
Interest Coverage (times)	36	65

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Aug 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					30-Sep-2021	03-Mar-2021	27-Feb-2020	25-Jan-2019
1	Proposed NCD	Long Term	235.0	0.0*	[ICRA]AAA(Stable)	-	-	-
2	NCD	Long Term	15.0	0.0*	[ICRA]AAA(Stable)	[ICRA]AAA(Stable)	[ICRA]AAA(Stable)	[ICRA]AAA(Stable)

** yet to be placed*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible Debenture Programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
Yet to be placed	NCD	NA	NA	NA	235.00	[ICRA]AAA (Stable)
Yet to be placed	NCD	NA	NA	NA	15.00	[ICRA]AAA (Stable)

Source: *Dabur India Limited*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Proportion of Ownership
Dabur International Ltd	100%
Dabur Nepal Pvt Ltd	98%
Naturelle LLC	100%
Namaste Laboratories LLC	100%
Dabur Egypt Ltd	100%
Hobi Kozmetik	100%
RA Pazarlama	100%
H & B Stores Ltd	100%
Asian Consumer Care Pvt Ltd	76%
Dabur Lanka Pvt. Ltd	100%
African Consumer Care Ltd	100%
Asian Consumer care Pakistan Pvt. Ltd*	0%
Urban Laboratories International LLC	100%
Dabur UK Ltd	100%
Dabur Pakistan Pvt. Ltd*	0%
Hair Rejuvenation & Revitalzation Nigeria Ltd	100%
Dabur South Africa (PTY) Ltd.	100%
Dermovia Skin Essentials INC	100%
Dabur PARS	100%
Dabur Consumer Care Pvt. Ltd	100%
Dabur Tunisie**	100%
Healing Hair Laboratories International LLC	100%
D and A Cosmetics Proprietary Limited	100%
Atlanta Body and Health Products Proprietary Limited	100%
Excel Investments FZC *	0%
Herbodynamic India Limited (w.e.f 24 February, 2021) *	0%
Forum 1 Aviation Private Limited	20%

Source: *Dabur annual report FY2021*

**Subsidiary through control by Management*

***The liquidation of Dabur Tunisie is under process and is likely to be completed by 31 December, 2021. The liquidation was earlier expected to be completed by 31 December, 2020, but due to certain legal and regulatory compliances under the laws of Tunisia, the completion date was extended.*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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