

March 28, 2023

Dabur India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	250.00	250.00	[ICRA]AAA (Stable); reaffirmed
Non-convertible Debenture Programme (Proposed)	250.00	250.00	[ICRA]AAA (Stable); reaffirmed
Long Term/ Short Term- Fund Based Limits	-	524.50	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Short Term Non Fund-Based Facilities	-	10.00	[ICRA]A1+; reaffirmed
Short Term Interchangeable Limits	-	(25.00)	[ICRA]A1+; reaffirmed
Long Term/ Short Term - Unallocated Bank Limits	1,000.00	465.50	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Total	1,500.00	1,500.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings considers Dabur India Limited's (Dabur) continued healthy operating and financial performance, as reflected in its healthy volume growth (across product categories), robust cash flows, strong balance sheet and superior liquidity position. The ratings continue 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 ayurvedic/ herbal category, significant market share for many of its products, strong distribution network and a diversified product portfolio. The ratings remain supported by Dabur's strong balance sheet with negative net debt position and strong credit metrics.

In 9M FY2023, Dabur reported a revenue growth of ~5.7% YoY with inflationary pressures impacting consumer sentiments. The operating profit margin (OPM) moderated to 19.8% in 9M FY2023 (21.5% in 9M FY2022) on account of the impact of inflation across the portfolio; nevertheless the earnings profile continues to remain at healthy levels. The company's strategy to focus on strengthening its power brands, innovation and new product launches, as well as expansion of its distribution infrastructure, are expected to support its earnings growth over the medium term.

Dabur is continuously on a look-out for any synergistic acquisitions in both domestic and international markets in an endeavour to increase its market share and brand portfolio. In this regard, ICRA notes that the company has acquired ~51% stake in Badshah Masala Private Limited w.e.f. January 2, 2023, a branded player in the spices and condiments category with major presence in Gujarat, Maharashtra and Telangana, at a consideration of ~Rs. 588 crore. This acquisition was funded by internal accruals and existing liquid investments and is expected to help expand the company's foods business over the medium term. ICRA expects the management to continue to adopt a disciplined approach while evaluating further inorganic growth opportunities.

Dabur continues to remain exposed to intense competition in FMCG sector and risk of growth slowdown due to a challenging macro-economic environment. The domestic FMCG business continues to witness competition with multiple established players, including some large multinational players as well as domestic companies.

The Stable outlook on the long-term rating reflects ICRA's belief that Dabur's cash flows from operations will remain robust, aided by its well-established brand in the ayurvedic/ herbal category, diverse product portfolio and strong distribution network, which along with its strong balance sheet will help it maintain robust credit metrics.

Key rating drivers and their description

Credit strengths

Healthy operating and financial performance – Dabur’s operational and financial performance has remained healthy despite the challenging operating environment ushered by the Covid-19 pandemic, unprecedented inflation, intense competition, and volatile geopolitical environment in the last few years. In 9M FY2023, Dabur reported a revenue growth of ~5.7% YoY and OPM of 19.8% despite inflation impacting consumer sentiments. The growth in recent quarters has been supported by the company’s increased focus on power brands, launch of new products and gain of market share in existing products. The company’s OPM has remained steady at around 20-21% over 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 maintain its market leadership position in many of its product segments.

Ownership of strong brands helped establish strong market position in domestic FMCG space – Dabur has multiple brands with a strong image, such as Dabur, Vatika, Real, Hajmola, Pudín Hara, Honitus, Lal Tail, Dabur Red, Dabur Amla, Dabur Chyawanprash and Dabur Honey, among others. The brands have a strong reputation, particularly in the ayurvedic and herbal segment, which has augured well for the company during the pandemic as consumer demand for ayurvedic and herbal immunity boosting products spiked. These strengths have also helped it in maintaining its market position despite competition from large international and domestic players.

Strong financial position characterised by negative net debt and superior liquidity position – Dabur is a net debt free entity and is likely to maintain low leverage over the medium term, despite organic and inorganic expansion plans. With annual accruals of Rs. 1,000-1,200 crore post dividend pay-out, the company’s cash flows and liquidity position are expected to remain strong. The company had unencumbered cash and other investments of ~Rs. 6,570 crore as September 30, 2022.

Credit challenges

Intense competition in the industry – The domestic FMCG business continues to witness intense competition from multiple established players, including 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 a well-recognised player with an established market position across product categories, remains exposed to risks of heightened competition.

Environmental and Social Risks

Environmental considerations: FMCG companies remain exposed to the impact of changes in environmental norms with respect to the treatment of manufacturing residual discharge/waste. Accordingly, Dabur could face operational disruptions if regulatory norms are not complied with. Further, with increasing awareness and restrictions on usage of different grades of plastics for packaging and finding environment-friendly solutions, Dabur’s cost structure may be impacted. Even as there is an increasing focus on carbon neutrality, the likelihood of sudden impactful developments on this front for the FMCG industry remains low. There is also a trend towards using organically grown input materials. Such developments can potentially increase costs for FMCG companies like Dabur. Since Dabur has a healthy dependence on agri commodities, the company remains exposed to agro-climatic risks, which could result in variations in crop output/prices. Overall, entities in the FMCG industry have a low exposure to environmental risks, buttressed further by their better pricing power reflected in their ability to pass along the increase in costs over time.

Social considerations: On the social dimension, the FMCG sector has a prominent dependence on human capital, in terms of direct and indirect employees as well as contractual labour. Being an interplay of manufacturing and service business, maintaining healthy employee relations and retaining talent by an issuer as well as the supplier ecosystem is essential for disruption-free operations. Also, there could be quality concerns that FMCG entities like Dabur could face in certain product

categories, which could adversely impact its brand, or risks that an entire product category could face out of the social considerations that pertain to health consciousness (aerated drinks) or equity (fairness creams). While these risks are product category-specific, the overall exposure of the FMCG sector to social risks remains low to moderate.

Liquidity position: Superior

The company has a superior liquidity position, characterised by high liquid investments, limited debt on the books, and expectation of strong cash accruals post the regular capex and dividend outgo. As of September 30, 2022, Dabur had unencumbered cash and other investments of ~Rs. 6,570 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 (capex) or acquisition leads to considerable and sustainable weakening in its credit metrics and profitability indicators, or if there is any major reduction in the market position of its key products 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 the leading FMCG companies in India. It has business interests in healthcare, personal care, home care and food products. Over the years, Dabur has focused 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 has launched over the years are leading brands in their respective segments. Dabur offers products in over 100 countries, covering health and personal care segments across the herbal and natural products space. Dabur India's FMCG portfolio includes eight power brands, namely Dabur Amla, Dabur Red Paste, Dabur Chyawanprash, Dabur Honey, Dabur Honitus, Dabur Pudinhara, Dabur Lal Tail and Dabur Real. Dabur has manufacturing facilities at 21 locations—13 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 6.9 million retail outlets in India (as of March 2022).

Key financial indicators (audited)

Dabur Consolidated	FY2021	FY2022	9M FY2023*
Operating income	9,561.7	10,888.7	8,852.1
PAT	1,696.0	1,744.1	1,410.0
PAT after share of loss of joint venture/ associate	1,695.0	1,742.3	1,408.6
OPBDIT/OI	20.9%	20.7%	19.8%
PAT/OI	17.7%	16.0%	15.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.5	-
Total debt/OPBDIT (times)	0.3	0.5	0.7
OPBDIT / Interest (times)	65.0	58.4	38.0
EBDIT/ Interest (times)	75.6	68.6	45.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; EBDIT: OPBDIT + Non operating income; Amount in Rs crore

Source: Company, ICRA Research; All calculations are as per ICRA Research; *Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)					Chronology of rating history	for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as of Mar 23, 2023 (Rs. crore)	Current rating	Earlier ratings			Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Mar 28, 2023	Mar 24, 2023	Sep 27, 2022	Sep 30, 2021	Mar 03, 2021	Feb 27, 2020
1 NCD	Long term	250.00	250.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
2 Proposed NCD	Long term	250.00	0.0*	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	[ICRA]AAA (Stable)	-	-	
3 Fund Based Limits	Long term and short term	524.50	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	
4 Non Fund-Based Facilities	Short term	10.00	NA	[ICRA]A1+	-	-	-	-	-	
5 Interchangeable Limits	Short term	(25.00)	NA	[ICRA]A1+	-	-	-	-	-	
6 Unallocated Bank Limits	Long term and short term	465.50	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	

*yet to be placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Very Simple
Proposed NCD	Very Simple*
Fund Based Limits	Simple
Non Fund-Based Facilities	Very Simple
Interchangeable Limits	Very Simple
Unallocated Bank Limits	Not applicable

*The complexity indicator for proposed NCD is based on ICRA's assumptions and is subject to change when the terms are eventually finalized.

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 analysing 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE016A08013	NCD	October 22, 2021	4.95%	October 21, 2024	250.00	[ICRA]AAA (Stable)
NA	Proposed NCD	Yet to be placed			250.00	[ICRA]AAA (Stable)
NA	Fund Based Limits	NA	NA	NA	524.50	[ICRA]AAA (Stable)/ [ICRA]A1+
NA	Non Fund-Based Facilities	NA	NA	NA	10.00	[ICRA]A1+
NA	Interchangeable Limits	NA	NA	NA	(25.00)	[ICRA]A1+
NA	Unallocated Bank Limits	NA	NA	NA	465.50	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Dabur Ownership	Consolidation Approach
Dabur India Limited	100% (Rated entity)	Full Consolidation
Dabur International Ltd	100%	Full Consolidation
Dabur Nepal Pvt Ltd	97.5%	Full Consolidation
Naturelle LLC	100%	Full Consolidation
Namaste Laboratories LLC	100%	Full Consolidation
Dabur Egypt Ltd	100%	Full Consolidation
Hobi Kozmetik	100%	Full Consolidation
RA Pazarlama	100%	Full Consolidation
H & B Stores Ltd	100%	Full Consolidation
Dabur Bangladesh Pvt. Ltd. (erstwhile Asian Consumer Care Pvt Ltd)**	76%**	Full Consolidation
Dabur Lanka Pvt. Ltd	100%	Full Consolidation
African Consumer Care Ltd	100%	Full Consolidation
Asian Consumer care Pakistan Pvt. Ltd*	0%	Full Consolidation
Urban Laboratories International LLC	100%	Full Consolidation
Dabur UK Ltd	100%	Full Consolidation
Dabur Pakistan Pvt. Ltd*	0%	Full Consolidation
Hair Rejuvenation & Revitalization Nigeria Ltd	100%	Full Consolidation
Dabur South Africa (PTY) Ltd.	100%	Full Consolidation
Dermovia Skin Essentials INC	100%	Full Consolidation
Dabur PARS	100%	Full Consolidation
Dabur Consumer Care Pvt. Ltd	100%	Full Consolidation
Dabur Tunisie	100%	Full Consolidation

Company Name	Dabur Ownership	Consolidation Approach
Healing Hair Laboratories International LLC	100%	Full Consolidation
D and A Cosmetics Proprietary Limited	100%	Full Consolidation
Atlanta Body and Health Products Proprietary Limited	100%	Full Consolidation
Excel Investments FZC*	0%	Full Consolidation
Herbodynamic India Limited***	100%	Full Consolidation
Forum 1 Aviation Private Limited	20%	Equity Method
Badshah Masala Private Limited****	51%	Full Consolidation

Source: Dabur annual report FY2022, BSE

Note: ICRA has considered the consolidated financials of the parent (Dabur), its subsidiaries and associate while assigning the ratings.

*subsidiary through control by management

** Dabur has acquired the balance stake of ~24% in Asian Consumer Care Pvt. Ltd. w.e.f. November 24, 2022, taking the total shareholding to 100%. The name of the subsidiary was changed to Dabur Bangladesh Pvt. Ltd. w.e.f. February 16, 2023.

*** Herbodynamic India Limited was dissolved on January 11, 2023.

****Dabur has acquired 51% stake in Badshah Masala Pvt. Ltd. w.e.f. January 2, 2023.

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