

March 20, 2025

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Non-convertible Debenture Programme	250.00	0.0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Non-convertible Debenture Programme	250.00	250.00	[ICRA]AAA (Stable); reaffirmed
Long-term/ Short-term – Fund-based Limits	793.25	793.25	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Short-term Interchangeable Limits	(175.00)	(175.00)	[ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated Bank Limits	206.75	206.75	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed
Total	1,500.00	1,250.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings factor in Dabur India Limited's (Dabur) continued healthy operating and financial performance, as reflected in its significant 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 the ayurvedic/ herbal category, healthy 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 robust credit metrics.

In 9M FY2025, Dabur reported a modest revenue growth of ~1.5% YoY, led by flat growth in its Indian FMCG business, with prospects constrained by the challenging operating environment, marked by unfavourable weather conditions and a slowdown in consumption. Further, the company also witnessed a weak growth in India business due to its inventory rationalisation initiative to relieve pressure from general trade partners which were burdened by excess inventory in H1 FY2025. The exercise led to a decline of 5.5% in the company's revenues in H1 FY2025. The company's performance was somewhat buoyed by its robust growth in the international business, which grew at 18.9% on a constant currency basis. The operating profit margin (OPM) in 9M FY2025 was lower by 75 bps at 19.4% compared to 20.2% in 9M FY2024, which was largely due to reduced revenue growth. Inventory write-off also impacted the company's margins by ~100 bps in H1 FY2025. 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 seeking 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 acquired ~51% CRPS (Compulsory Redeemable Preference Shares) in Sesa Care Private Limited (Sesa) w.e.f. January 10, 2025, at a cash consideration of Rs. 12.6 crore. Sesa is a leading brand and holds the number three position in the ayurvedic hair oil category. As part of the deal, Dabur also assumed Sesa's debt liability of Rs. 289 crore by issuing a corporate guarantee. Following the completion of the deal, Sesa will be merged with Dabur. Under the terms of the merger, shares of Dabur India Limited will be issued in exchange for Sesa's equity shares and the remaining 49% CRPS, based on valuation reports to be obtained in due course. This acquisition was funded by internal accruals and existing liquid investments. It is expected to help the company expand its foothold in the ayurvedic oil business in the medium term. Further, the company is expecting health cost synergies from the merger with

shared distribution and procurement channels. ICRA expects the management to continue adopting a disciplined approach while evaluating further inorganic growth opportunities.

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

ICRA notes that there is an ongoing case in the US against the company's subsidiary, Namaste Laboratories LLP, pertaining to allegations that several brands of hair relaxers cause ovarian cancer, uterine cancer and other related health issues in the US. The management indicated that the company has been incurring legal expenses, wherein ~Rs. 105 crore were incurred in FY2024 and Rs. 70-80 crore are expected to be incurred in FY2025. The management has further iterated that the company's product liability insurance ensures that any amount incurred by the company with regards to any adverse outcome/settlement is expected to be recovered from the insurance company. ICRA also notes that hair relaxer products by Namaste Laboratories LLP contribute less than 1% to the total consolidated turnover of Dabur India Limited. The progress on the litigation and any adverse impact on the credit profile of Dabur remains monitorable.

The Stable outlook on the long-term rating reflects ICRA's view 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.

ICRA has withdrawn the rating assigned earlier to the Rs. 250 crore NCD programme of the company as there is no amount outstanding against the instrument.

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 high inflation, intense competition and volatile geopolitical environment in the last few years. In 9M FY2025, Dabur reported a revenue growth of ~1.5% YoY and OPM of 19.4%. The company's growth over the last few years 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 is expected to remain steady at around 19-20% over the medium term, despite being exposed to volatility in input commodity prices and demand. 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 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 negative entity, with net gearing that has remained negative since FY2013. As on September 30, 2024, Dabur had net cash (adjusted for debt) of ~Rs. 6,523 crore (Rs. 5,838 crore as on March 31, 2024). With annual accruals of ~Rs. 1,200-1,400 crore following the dividend pay-out, the company's cash flows and liquidity position are expected to remain robust. Aided by strong cash flow generation, Dabur's dependence on external debt is expected to remain low; and, accordingly, it is likely to maintain low leverage over the medium term as well.

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, it 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 from 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 healthy liquid investments, limited debt on the books, and expectation of strong cash accruals post regular capex and dividend outgo. Dabur had unencumbered cash and investments of Rs. 8,274 crore (as of September 30, 2024), including cash and liquid investments of ~Rs. 2,681 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 ratings 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
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on consolidated financial statements of the issuer. The details of the company's subsidiaries/joint ventures can be found in Annexure II.

About the company

Established in 1884 by Dr. SK Burman, Dabur India Limited is among the top four FMCG companies in India. It has business interests in healthcare, personal care and food products. Over the years, Dabur India Limited 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 India Limited has launched over the years are leading brands in their respective segments. Dabur India Limited offers products in over 100 countries across the globe, covering health and personal care segments across the herbal and natural space. Dabur's FMCG portfolio includes eight power brands—Dabur Amla, Dabur Red Paste, Dabur Chyawanprash, Dabur Honey, Dabur Honitus, Dabur Pudinhara, Dabur Lal Tail and Dabur Real.

The company offers over 400 products across 21 categories and over 1,000 Stock Keeping Units (SKUs). It has manufacturing facilities at 22 locations—with 14 in India, and one each in the UAE, Sri Lanka, South Africa, Nepal, Egypt, Bangladesh, Turkey and Nigeria. Dabur India Limited has organised its sales force according to zones for better penetration. Over the years, it has built a strong distribution network of 7.7 million retail outlets across India (as of March 2023).

Key financial indicators (audited)

DIL Consolidated	FY2023	FY2024	9MFY2025*
Operating income	11,529.9	12,404.0	9,733.0
PAT	1,703.0	1,811.8	1,427.2
OPBDIT/OI	18.8%	19.4%	19.4%
PAT/OI	14.8%	14.6%	14.7%
Total outside liabilities/Tangible net worth (times)	0.4	0.5	-
Total debt/OPBDIT (times)	0.5	0.6	-
Interest coverage (times)	27.7	19.3	-

Source: Company, ICRA Research; * Limited results; All ratios as per ICRA's calculations; Amount in Rs. crore; 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 (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Date and ratings in FY2025	Date and ratings in FY2024		Date and ratings in FY2023			Date & rating in FY2022
			Mar 20, 2025	Mar 22, 2024	Mar 28, 2023	Mar 24, 2023	Sep 27, 2022	Sep 30, 2021	
1 Non-convertible Debenture Programme (INE016A08021)	Long term	250.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	[ICRA]AAA (Stable)
2 Non-convertible Debenture Programme (INE016A08013)	Long term	-	[ICRA]AAA (Stable); Reaffirmed and Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3 Fund Based Limits	Long term and short term	793.25	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-
4 Non-Fund Based Facilities	Short term	-	-	-	[ICRA]A1+	-	-	-	-
5 Interchangeable Limits	Short term	(175.00)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-
6 Unallocated Bank Limits	Long term and short term	206.75	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible Debenture Programme	Very Simple
Fund Based Limits	Simple
Interchangeable Limits	Very Simple
Unallocated Bank Limits	Not applicable

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	Non-convertible Debenture Programme	October 22, 2021	4.95%	October 21, 2024	250.00*	[ICRA]AAA (Stable); Reaffirmed and Withdrawn
INE016A08021	Non-convertible Debenture Programme	April 27, 2023	7.35%	March 18, 2027	250.00	[ICRA]AAA (Stable)
NA	Fund Based Limits	NA	NA	NA	793.25	[ICRA]AAA (Stable)/ [ICRA]A1+
NA	Interchangeable Limits	NA	NA	NA	(175.00)	[ICRA]A1+
NA	Unallocated Bank Limits	NA	NA	NA	206.75	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company; *Redeemed

[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
Healing Hair Laboratories International LLC	100%	Full Consolidation

Company Name	Dabur Ownership	Consolidation Approach
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
Forum 1 Aviation Private Limited (Joint Venture)	20%	Equity Method
Badshah Masala Private Limited	51%	Full Consolidation

Source: Dabur Annual Report FY2024

Note: * The liquidation of Dabur Tunisie, is under process.

** Subsidiary through control by management

@ Dabur Bangladesh became a 100% step down subsidiary of Dabur India Limited after acquiring shares from its local JV partner, Advanced Chemical Industries

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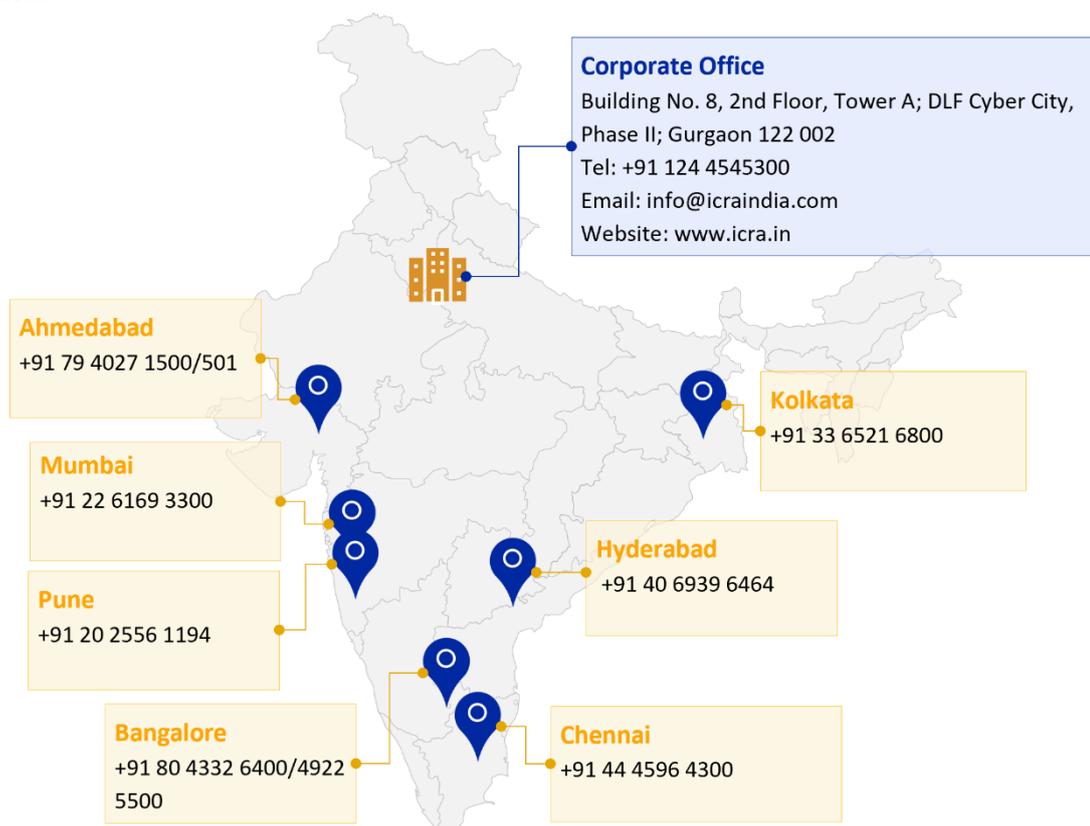
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