DABUR INDIA

Edel Flash

D2C business: Thinking out of box

Dabur, under its incumbent CEO, has been aggressive in both product launches and building a multi-channel GTM strategy. It has launched many e-commerce-only products over the past two years. Now the company has entered into an exclusive partnership with India’s leading energy provider Indian Oil to provide direct access to Dabur’s products to 143mn Indane consumer households backed by 12,750 Indane distributors and 90,000 delivery personnel.

Orders are likely to start from the first week of March, and this would be an innovative and cost-effective D2C path. Dabur is well placed to capitalise on increasing preference for herbal products. It would stay in top tier of growth in staples. Retain ‘BUY’ with a TP of INR720.

D2C distribution: An innovative move

A technological & system integration is currently underway across urban, semi-urban and rural areas. Dabur is the first FMCG company to join hands with IndianOil. Consumers will be able to order via brochure and eventually online. This will enable convenience and ease of buying for customers (143mn Indane LPG consumer households) through their trusted Indane distributors (12,750 distributors and 90,000 delivery personnel).

Earlier, we have seen ITC try out innovative distribution solutions (ITC tied up with Havmor Ice Cream to distribute frozen Snacks through Havmor ice-cream mobile carts, and it also tied up with Inox and McDonald’s).

Dabur doing well; portfolio at large clocking share gains

In Q3FY22, Dabur clocked revenue growth of 7.8% YoY and EBITDA growth of 9.3% YoY with EBITDA margin expansion of 29bp YoY. Domestic volume grew 20.5% YoY with EBITDA margin expansion of 29bp YoY. D2C business: Thinking out of box

Going ahead, we expect Dabur to benefit from revival in out-of-home consumption, which will help its fruit juice business. With offices and travel normalising, its skin care and discretionary business should also do well in FY23. We expect rural slowdown to continue for FMCG sector till Q1FY23, but likely normal monsoon and sops announced in five election bound states would partially arrest the rural slowdown.

We expect Dabur to remain in top tier of growth in consumer staples, riding company-specific strategies as well as expansion of the herbal market and strengthening rural distribution. We retain ‘BUY/SO’ with a TP of INR720. The stock is trading at 43.1x FY23E EPS.

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