

MergerDomo

CASE STUDY

Dabur India Limited's

Acquisition of

Badshah Masala Private Limited

2022



DEAL OVERVIEW

In October 2022, Dabur (FMCG giant) has acquired 51% stake in Badshah Masala Private Limited for 587 Cr.

TRANSACTION OVERVIEW

Stake Acquired	51%
EV/Revenue	4.5x
EV/EBITDA	19.6x
Enterprise Value	1,152 Cr
Integration period	5 years
Estimated outlay for remaining stake	1,500 Cr

FY 23 ESTIMATES

Revenue	256 Cr
EBITDA	58.8 Cr
EBITDA Margin	23%

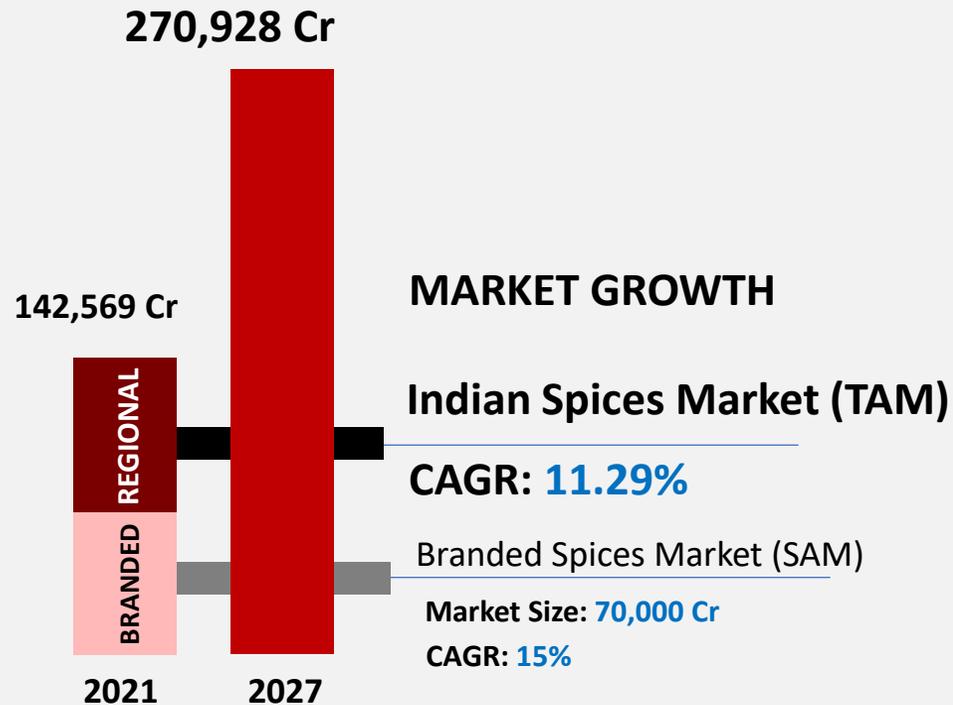
KEY TAKEAWAYS FOR ACQUIRER

Higher share of organized market

Higher Gross Margins

INDIA SPICE MARKET OVERVIEW

The Indian Spices Market is valued at **INR 142,569 Crores.**



MARKET GROWTH FACTORS

Growing demand for natural and organic spices due to awareness on health impacts of synthetic additives

Growing utilization of spices in ready to eat foods due to rise in demand for convenient ready to eat foods

Consistent demand for variety of new spices with increase western food penetration

Stringent regulatory norms for curbing adulteration and production of safer products

HoReCa segment is rapidly expanding providing the additional push to spices market

AVERAGE INDUSTRY MARGINS (Branded spices)

48%+

Gross Margins
Blended spices

33%+

Gross Margins
Pure Spices

HIGHLY FRAGMENTED MARKET

NORTH: Hot and Spicy



WEST:
Spicy, not pungent



EAST:
Hot, coastal and sweet

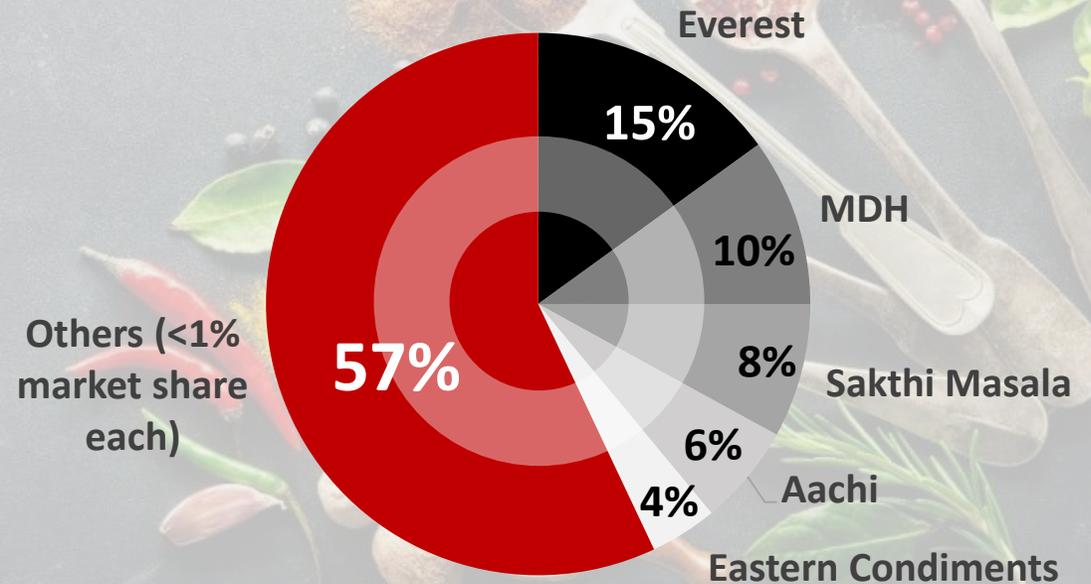


SOUTH:

Hot, more roasted spices, high coconut usage



Indian Spices market is a **Highly fragmented market** with presence of many regional players, only one brand (Everest) having a pan India presence with a modest market share of 15%



Barriers to Entry for MNCs or a pan India Brand



Regional/local companies dominate due to difference in taste palates



Modification of recipes required to suit different regions

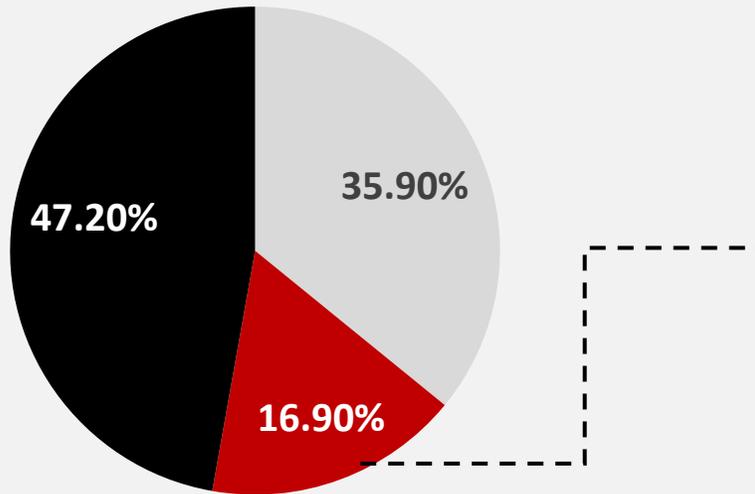


High brand stickiness due to legacy usage of spices for generations

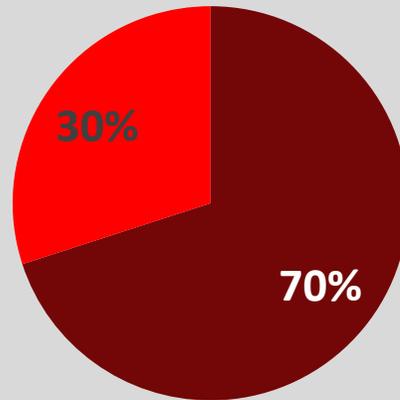
DABUR INDIA LTD

Dabur India Limited is one of the leading **FMCG companies in India** and a **global leader in Ayurveda** operating for the past 138 years.

Key Business Segments



■ Healthcare ■ Foods and Beverages ■ Home & personal care



■ Beverages ■ Foods

1,312 Cr.
F&B Turnover (FY 22)

Key Overseas Markets:

Middle East, Egypt, Turkey, Nepal, Bangladesh, USA

REVENUES

8,082 Cr.

Revenue from
domestic market

2,806 Cr.

Revenue from
international market

DISTRIBUTION

120+

Countries in
4 continents

27

C&FAs and Warehouses
across India

MANUFACTURING

8

Overseas manufacturing
locations

13

State-of-the-art
manufacturing plants
in India

THE OPPORTUNITY

India's branded spices market is **set to double by 2025**.
 Branded spices will make up half of the spices sold in India

Strong Historic Deal Activity

Date	Acquirer	Target	Enterprise Value	Stake
May 2021	Orkla (MTR)		2,000 Cr	67.8%
May 2020	ITC		2,100 Cr	100%

Date	Investor	Investee	Deal Size	Stake
June 2020	A91 Partners		126 Cr	25%
October 2019	Investcorp		80 Cr	Minority

Listed Players: TATA Sampann, Nestle Masala-ae-Magic

Why Spices?

Among packaged foods categories, spices are one of the most attractive category due to its **high growth prospects and potential to expand rapidly**.

LARGE CATEGORY

Everyday pan India usage

Centre of the plate

HIGH GROWTH

Unorganised to branded shift

Higher adoption of high margin blended spice category

STRONG MARGINS

High Value Added

High Brand Stickiness

BADSHAH MASALA

Badshah Masala was one of the **first spice brands to be launched in India**. To this date, the owner's family continue to carry out all operations internally.

Founded	1958
Manufacturing Facilities	Umargam, Gujarat (2 Facilities)
SKUs	52
Founder	Jawaharlal Jamnadas Jhaveri
Revenue (FY 22)	INR 189 Cr
Revenue (FY 23)	INR 250 Cr (32% YoY Growth)
EBITDA Margin	22%

STRENGTHS



Strong portfolio high margin blended spices



Legacy Business



Strong export portfolio

OPPORTUNITIES



Inflationary pressures shift consumer focus to F&B



Increased demand for blended spices

WEAKNESSES



Promoters unable to grow brand



No economies of scale achieved



No marketing expertise

THREATS



Stiff Regional Competition



Market consolidation underway

THE RIGHT FIT

Why Badshah Masala was the right fit?

23%

EBITDA Margins on 40% Gross Margins

82%

Business from high margin (48%+ gross) **blended spice business**

65%

Market share of blended spices in 2025, current share being 24%

3-3.5x

Higher realisations in blended spice categories vis-à-vis pure spices

Growing need for convenience in cooking leading to growth in sales

What Dabur brings to the table?



Stronghold in nature-based products market



Excellent Brand management and marketing



138 years of experience in turning around businesses and brands



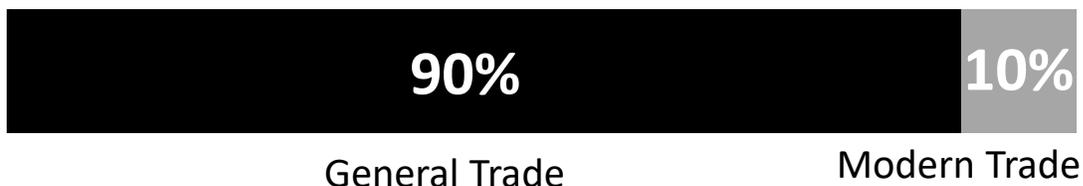
Strong distribution channels across India and 120+ countries

DABUR'S MARKETING AND DISTRIBUTION CAPABILITIES

Current Trade Scenario : Spice Market

Due to the scattered market, brands have to go from outlet to outlet to start selling their products (general trade).

No brand currently has a pan India stronghold in the market



Dabur Brings in..



1.31 Million

Direct customer reach



6.9 Million

Outlets covered



89,840

Villages covered

With the acquisition Dabur is set to grow the business to **500 cr in three years** and **750 cr in the next 5 years (CAGR: ~20%)**

SYNERGIES

REVENUE SYNERGIES

DISTRIBUTION TO EXISTING USERS

Dabur **can distribute products to existing users** across 6.9 Million outlets to achieve scale.

GROWTH POTENTIAL

Badshah Masala currently operates with a **very small outlay on marketing**. Dabur is a pioneer in branding and marketing with 138 years of experience in turning around companies.

COST SYNERGIES

ECONOMIES OF SCALE

Badshah Masala currently has 40% gross margins, with **economies of scale**, margins are expected to increase further.

COMMONALITIES IN RAW MATERIAL

50% of Raw materials used by Badshah are already in use by Dabur, further **saving cost by ~2%***

MARKET GROWTH

Dabur can tap into a **TAM of 25,000 Crore** by venturing into branded spices and seasoning market (CAGR:15%)

With recession on the horizon, increasing product prices is not an option, spices (highly inelastic) will **provide the needed margin support to Dabur's F&B business**.

In India, **spices category is considered staple**, and the business can remain resilient even during economic slowdowns.

THANK YOU

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