

BUY

TP: Rs 697 | ▲ 33%

DABUR INDIA

Consumer Staples

03 January 2025

3QFY25 update: 1% sales miss, 2% operating income miss

- DABUR issued a 3QFY25 business update. Compared to consensus, we estimate a 1% sales miss and 2% operating income miss
- In Domestic, HPC primary sales appear aligned with secondary, but there may be destocking risk in Healthcare
- Inflation & mix deterioration was only partly offset by pricing and cost-efficiency programs. We estimate operating margins down 50bps YoY

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Sales and EBIT miss: DABUR expects 3QFY25 consolidated sales to increase in low single digits with relatively flat operating income. Bloomberg consensus is currently at 4% sales growth and 2% EBIT growth. We estimate a 1% miss on sales and 2% miss on operating income. We estimate consolidated sales +3.0%, with Domestic revenues +2.4%, and International and Others +4.4%.

Continued challenges in Domestic urban traditional trade: India business remained pressured due to continued challenges in traditional trade even as modern trade and online (ecommerce, including quick commerce) continued to do well. We see risk of further destocking as online has continued to outpace traditional.

Domestic and International sub parts: (1) Rural likely helping acceleration in HPC: DABUR expects HPC sales growth in mid to high single digits. We estimate this is a slight acceleration vs 2QFY25 – rural recovery is helping drive growth in elastic categories. **(2) Adverse impact from unfavourable weather:** The La Nina phenomena did not materialise to expectations and the onset of winter was delayed. This adversely impacted Healthcare sales. There is likely destocking risk in this segment as DABUR had indicated inventory buildup at 2QFY25 end in anticipation of a stronger and longer winter season. **(3) Continued challenges in Beverages:** Beverages sales remained “muted”. 2QFY25 secondary sales were down -11%, and we expect 3QFY25 primary sales remained in line with this trend. Campa Cola has continued retailer incentives and consumer promotions while DABUR is mostly competing only on consumer promotions. **(4) Badshah and Food remain strong:** Both Badshah and Food continued the strong growth trajectory with double-digit sales growth. **(5) International** constant FX sales increased in double digits driven by MENA, Egypt, Bangladesh and the US.

Margin pressures: We estimate operating margins deteriorated 50bps in 3QFY25. Ingredient inflation was only partially offset with pricing and cost efficiencies. We suspect A&P spend may have been adjusted to manage profits. Sales mix also likely deteriorated due to slower growth in the higher margin Healthcare portfolio.

Key changes

Target	Rating
◀ ▶	◀ ▶

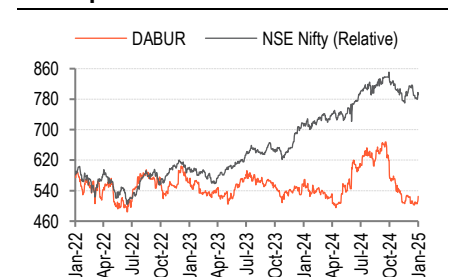
Ticker/Price	DABUR IN/Rs 525
Market cap	US\$ 10.8bn
Free float	33%
3M ADV	US\$ 15.4mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

Source: NSE | Price as of 3 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	131,218	146,669
EBITDA (Rs mn)	24,002	24,814	29,194
Adj. net profit (Rs mn)	18,427	18,736	22,213
Adj. EPS (Rs)	10.4	10.6	12.5
Consensus EPS (Rs)	10.4	11.6	13.3
Adj. ROAE (%)	18.7	17.3	18.7
Adj. P/E (x)	50.5	49.6	41.9
EV/EBITDA (x)	38.8	37.5	31.9
Adj. EPS growth (%)	7.9	1.7	18.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	115,299	124,040	131,218	146,669	159,580
EBITDA	21,641	24,002	24,814	29,194	31,821
Depreciation	3,110	3,992	4,432	4,990	4,990
EBIT	18,532	20,010	20,381	24,205	26,832
Net interest inc./(exp.)	782	1,242	1,748	1,057	997
Other inc./(exp.)	4,454	4,824	5,384	5,411	5,438
Exceptional items	0	0	0	0	0
EBT	22,203	23,593	24,017	28,559	31,273
Income taxes	357	5,474	5,562	6,617	7,245
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(58)	(314)	(282)	(296)	(311)
Reported net profit	17,072	18,427	18,736	22,213	24,313
Adjustments	0	0	0	0	0
Adjusted net profit	17,072	18,427	18,736	22,213	24,313

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	21,866	24,217	23,884	26,186	28,347
Other current liabilities	667	1,124	1,189	1,328	1,445
Provisions	2,784	3,182	3,222	3,307	3,378
Debt funds	7,002	6,221	6,289	5,660	5,095
Other liabilities	3,758	4,272	4,519	5,052	5,496
Equity capital	1,772	1,772	1,772	1,772	1,772
Reserves & surplus	92,643	101,259	111,283	123,230	136,317
Shareholders' fund	94,414	103,031	113,055	125,002	138,089
Total liab. and equities	136,544	151,227	160,640	174,387	189,137
Cash and cash eq.	3,259	6,664	13,540	15,913	20,193
Accounts receivables	8,488	8,987	9,347	10,448	11,367
Inventories	20,242	19,470	20,577	22,560	24,422
Other current assets	3,136	5,010	5,300	5,923	6,445
Investments	62,574	69,254	70,466	76,800	82,094
Net fixed assets	22,376	25,609	25,071	26,242	28,007
CWIP	1,751	2,322	2,322	2,322	2,322
Intangible assets	8,887	8,035	8,035	8,035	8,035
Deferred tax assets, net	21	63	67	75	81
Other assets	5,427	5,532	5,591	5,719	5,826
Total assets	136,544	151,226	160,609	174,357	189,134

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	14,787	20,135	27,165	26,550	28,780
Capital expenditures	(5,091)	(5,639)	(5,511)	(6,160)	(6,702)
Change in investments	(137)	(7,978)	(1,212)	(6,335)	(5,293)
Other investing cash flows	3,942	3,870	0	0	0
Cash flow from investing	(5,865)	(9,717)	(6,723)	(12,495)	(11,996)
Equities issued/Others	4	0	0	0	0
Debt raised/repaid	488	(472)	(699)	(629)	(566)
Interest expenses	(779)	(1,067)	(1,748)	(1,057)	(997)
Dividends paid	(9,213)	(9,658)	(8,431)	(9,996)	(10,941)
Other financing cash flows	(491)	0	0	0	0
Cash flow from financing	(10,352)	(11,612)	(10,878)	(11,681)	(12,504)
Chg in cash & cash eq.	(1,431)	(1,195)	9,564	2,373	4,280
Closing cash & cash eq.	879	(212)	9,352	11,725	16,006

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	9.6	10.4	10.6	12.5	13.7
Adjusted EPS	9.6	10.4	10.6	12.5	13.7
Dividend per share	5.2	5.5	4.8	5.6	6.2
Book value per share	53.3	58.2	63.8	70.6	77.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	8.1	7.5	7.1	6.3	5.8
EV/EBITDA	43.0	38.8	37.5	31.9	29.2
Adjusted P/E	54.5	50.5	49.6	41.9	38.3
P/BV	9.9	9.0	8.2	7.4	6.7

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.9	78.1	78.0	77.8	77.7
Interest burden (PBT/EBIT)	119.8	117.9	117.8	118.0	116.6
EBIT margin (EBIT/Revenue)	16.1	16.1	15.5	16.5	16.8
Asset turnover (Rev./Avg TA)	84.4	82.0	81.7	84.1	84.4
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.4	1.4	1.4
Adjusted ROAE	19.1	18.7	17.3	18.7	18.5

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	5.9	7.6	5.8	11.8	8.8
EBITDA	(4.0)	10.9	3.4	17.7	9.0
Adjusted EPS	(2.1)	7.9	1.7	18.6	9.5
Profitability & Return ratios (%)					
EBITDA margin	18.8	19.4	18.9	19.9	19.9
EBIT margin	16.1	16.1	15.5	16.5	16.8
Adjusted profit margin	14.8	14.9	14.3	15.1	15.2
Adjusted ROAE	19.1	18.7	17.3	18.7	18.5
ROCE	17.9	13.6	12.7	14.0	14.3
Working capital days (days)					
Receivables	24	26	25	25	25
Inventory	115	112	109	107	108
Payables	122	130	131	124	125
Ratios (x)					
Gross asset turnover	0.7	0.7	0.7	0.7	0.7
Current ratio	1.2	1.4	1.7	1.7	1.8
Net interest coverage ratio	23.7	16.1	11.7	22.9	26.9
Adjusted debt/equity	10.6	11.2	9.7	7.8	6.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

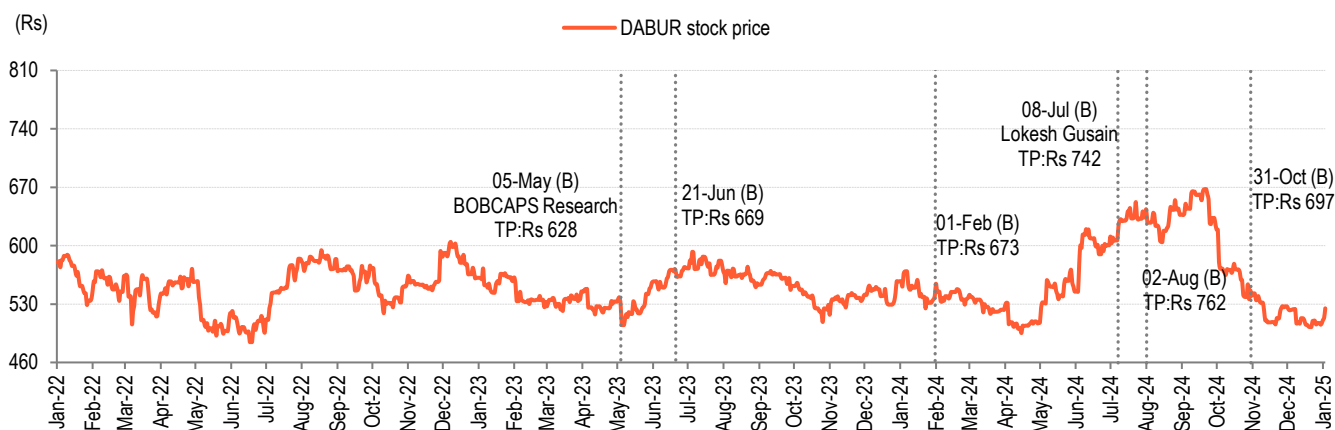
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DABUR INDIA (DABUR IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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