

BUY

TP: Rs 762 | ▲ 23%

DABUR INDIA

Consumer Staples

03 October 2024

2QFY25 sales, EBITDA miss: Est sales rural +2%, urban -16%

- Sales and EBITDA miss on 2QFY25. Estimated sales miss of 11% and EBITDA miss of 25%
- Sales declined due to (1) channel inventory adjustment, (2) adverse impact from excess rains that impacted weather and out of home
- Drivers of the sales decline are one-off. Fundamentals intact but clarity needed on the pace of rural recovery. BUY (rural + elastic exposure)

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2QFY25 business update implies miss on sales and EBITDA: Consolidated sales down in mid-single digits; driven by double-digit constant FX growth in international and a decline in domestic. EBITDA margin is expected to contract to mid- to high-teens vs 20.6% in the year ago quarter due to negative operating leverage. Compared to Bloomberg consensus, assuming a 5% sales decline and 17.5% EBITDA margin, it implies an 11% miss on sales and 25% miss on EBITDA.

Breaking down sales performance by subsegments: Assuming a -5% decline in consolidated sales with International +13%, the implied Domestic run rate is an 8% decline in sales. Assuming the bulk of destocking in urban markets, along with modest rural sales growth of +2%, we estimate urban to be down 16%.

Drags and drivers in Domestic: Excess rains impacted out of home and consumer offtake in beverages. The destocking was due to inventory adjustment done to reflect higher growth in Online/Qcomm vs General Trade. In terms of drivers, Badshah grew in double digits.

Questions to focus on

- **Is destocking being done in phases?** MRCO undertook destocking in the Jun quarter result. Our understanding is that it was driven by weaker sales in hair oil, but also partly due to the channel shift from General Trade to Quick Commerce. The volume impact was small at 2% and is spread out instead of one quarter. In contrast, DABUR's decline in sales group and urban appears to be much larger. Despite being a one-off, it would be comforting to understand the precise impact of destocking and whether it is complete.
- **What about trends in rural?** There is no commentary on the pace of rural recovery and whether it accelerated in the Sep quarter. Our understanding from the rural indicators is that rural is doing okay. Rural CPI for Jul+Aug has moderated to 4.1% vs the Jun quarter average of 5.5%. Crop sowings have exceeded last year and remain above normal. This implies stable to strong labour demand and positive sentiment among farmers regarding agri prospects.

Key changes

Target	Rating
◀ ▶	◀ ▶

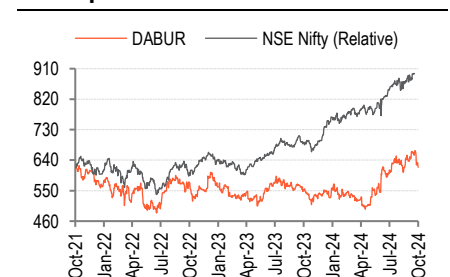
Ticker/Price	DABUR IN/Rs 619
Market cap	US\$ 13.1bn
Free float	33%
3M ADV	US\$ 20.4mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

Source: NSE | Price as of 1 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	137,654	152,833
EBITDA (Rs mn)	24,002	27,263	31,321
Adj. net profit (Rs mn)	18,427	20,648	23,529
Adj. EPS (Rs)	10.4	11.7	13.3
Consensus EPS (Rs)	11.4	13.9	13.9
Adj. ROAE (%)	18.7	19.0	19.5
Adj. P/E (x)	59.5	53.1	46.6
EV/EBITDA (x)	45.7	40.2	35.0
Adj. EPS growth (%)	7.9	12.1	13.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Total revenue	108,887	115,299	124,040	137,654	152,833
EBITDA	22,538	21,641	24,002	27,263	31,321
Depreciation	2,529	3,110	3,992	4,456	5,035
EBIT	20,009	18,532	20,010	22,807	26,286
Net interest inc./(exp.)	386	782	1,242	1,306	1,057
Other inc./(exp.)	3,932	4,454	4,824	5,039	5,064
Exceptional items	(850)	0	0	0	0
EBT	22,705	22,203	23,593	26,539	30,294
Income taxes	5,264	357	5,474	6,116	6,981
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	31	(58)	(314)	(231)	(242)
Reported net profit	17,392	17,072	18,427	20,648	23,529
Adjustments	(850)	0	0	0	0
Adjusted net profit	18,242	17,072	18,427	20,648	23,529

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Accounts payables	20,180	21,866	24,217	24,890	27,279
Other current liabilities	914	667	1,124	1,247	1,384
Provisions	2,497	2,784	3,182	3,257	3,341
Debt funds	6,173	7,002	6,221	6,289	5,660
Other liabilities	3,385	3,758	4,272	4,741	5,264
Equity capital	1,768	1,772	1,772	1,772	1,772
Reserves & surplus	82,451	92,643	101,259	112,390	125,115
Shareholders' fund	84,219	94,414	103,031	114,162	126,887
Total liab. and equities	122,845	136,544	151,227	163,067	177,667
Cash and cash eq.	5,701	3,259	6,664	11,430	14,511
Accounts receivables	6,462	8,488	8,987	9,805	10,887
Inventories	19,114	20,242	19,470	21,443	23,502
Other current assets	3,346	3,136	5,010	5,559	6,172
Investments	62,102	62,574	69,254	73,104	79,327
Net fixed assets	19,680	22,376	25,609	25,318	26,702
CWIP	1,675	1,751	2,322	2,322	2,322
Intangible assets	397	8,887	8,035	8,035	8,035
Deferred tax assets, net	7	21	63	70	78
Other assets	4,035	5,427	5,532	5,644	5,770
Total assets	122,845	136,544	151,226	163,037	177,636

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash flow from operations	18,023	14,787	20,135	28,384	27,997
Capital expenditures	(3,741)	(5,091)	(5,639)	(5,781)	(6,419)
Change in investments	(12,731)	(137)	(7,978)	(3,850)	(6,223)
Other investing cash flows	3,668	3,942	3,870	0	0
Cash flow from investing	(12,755)	(5,865)	(9,717)	(9,632)	(12,642)
Equities issued/Others	1	4	0	0	0
Debt raised/repaid	5,408	488	(472)	(699)	(629)
Interest expenses	(219)	(779)	(1,067)	(1,306)	(1,057)
Dividends paid	(9,723)	(9,213)	(9,658)	(9,292)	(10,588)
Other financing cash flows	0	(491)	0	0	0
Cash flow from financing	(4,905)	(10,352)	(11,612)	(11,297)	(12,274)
Chg in cash & cash eq.	364	(1,431)	(1,195)	7,455	3,081
Closing cash & cash eq.	2,272	879	(212)	7,243	10,324

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24A	FY25E	FY26E
Reported EPS	9.8	9.6	10.4	11.7	13.3
Adjusted EPS	10.3	9.6	10.4	11.7	13.3
Dividend per share	5.5	5.2	5.5	5.2	6.0
Book value per share	47.5	53.3	58.2	64.4	71.6

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24A	FY25E	FY26E
EV/Sales	10.1	9.5	8.8	8.0	7.2
EV/EBITDA	48.7	50.7	45.7	40.2	35.0
Adjusted P/E	60.0	64.2	59.5	53.1	46.6
P/BV	13.0	11.6	10.6	9.6	8.6

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24A	FY25E	FY26E
Tax burden (Net profit/PBT)	76.6	76.9	78.1	77.8	77.7
Interest burden (PBT/EBIT)	113.5	119.8	117.9	116.4	115.2
EBIT margin (EBIT/Revenue)	18.4	16.1	16.1	16.6	17.2
Asset turnover (Rev./Avg TA)	88.6	84.4	82.0	84.4	86.0
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.5	1.4	1.4
Adjusted ROAE	22.6	19.1	18.7	19.0	19.5

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24A	FY25E	FY26E
YoY growth (%)					
Revenue	13.9	5.9	7.6	11.0	11.0
EBITDA	12.5	(4.0)	10.9	13.6	14.9
Adjusted EPS	2.7	(2.1)	7.9	12.1	13.9
Profitability & Return ratios (%)					
EBITDA margin	20.7	18.8	19.4	19.8	20.5
EBIT margin	18.4	16.1	16.1	16.6	17.2
Adjusted profit margin	16.8	14.8	14.9	15.0	15.4
Adjusted ROAE	22.6	19.1	18.7	19.0	19.5
ROCE	17.2	17.9	13.6	14.2	15.0
Working capital days (days)					
Receivables	20	24	26	25	25
Inventory	118	115	112	107	107
Payables	127	122	130	128	124
Ratios (x)					
Gross asset turnover	0.8	0.7	0.7	0.7	0.7
Current ratio	1.3	1.2	1.4	1.6	1.7
Net interest coverage ratio	51.8	23.7	16.1	17.5	24.9
Adjusted debt/equity	10.3	10.6	11.2	9.6	7.6

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

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BUY – Expected return >+15%

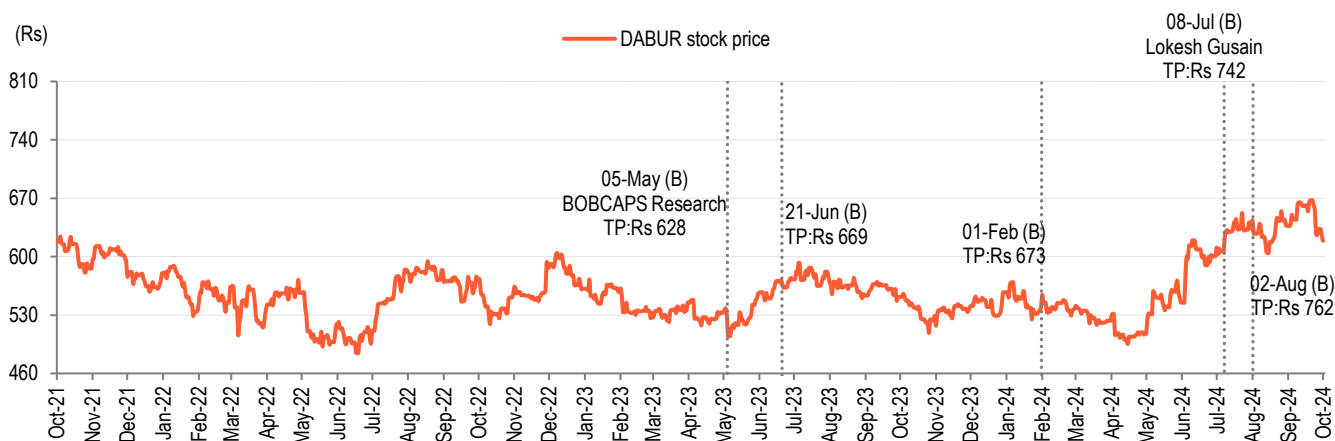
HOLD – Expected return from -6% to +15%

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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