

**BUY**

TP: Rs 742 | ▲ 22%

**DABUR INDIA**

Consumer Staples

08 July 2024

## 1QFY25 business update: Slightly improving domestic demand

- Dabur's 1QFY25 business update showed improving trends in sales (+MSD to HSD) and earnings growth slightly ahead of sales
- Rural demand is improving albeit at a slow pace. The company expects sales to accelerate further in the rural market post monsoon
- DABUR will be a quicker and greater beneficiary of rural recovery given its exposure to elastic categories in FMCG. Maintain BUY

**Lokesh Gusain**

research@bobcaps.in

**1QFY25 business update:** DABUR issued 1QFY25 business update on Friday after market close. Sales were up in mid-single digits (MSD) to high single digits (HSD) with operating profit growth slightly ahead of sales growth. The company expects sales growth to accelerate through FY25 given government initiatives and recovery in rural.

**Positives:** (1) **Domestic volumes reported sequential improvement** with 1QFY25 up in MSD vs +5.5% in 4QFY24. Rural continued to improve sequentially with DABUR expecting further acceleration in demand post monsoon; (2) Home and Personal Care (HPC) and Healthcare volumes were up in HSD likely reflecting a stronger and quicker response to rise in rural incomes; (3) International constant forex (FX) sales up in double digits (DD) partly offset by weaker currency in Turkey and Egypt. (3) Gross margins to expand given stable commodities, but higher A&P run rate to keep earnings growth only slightly ahead of revenue growth.

**Negatives:** (1) Food & Beverages business in travel and out of home was adversely impacted by the heatwave.

**FY25 outlook:** Dabur expects sales growth run rate to improve through the year. 1QFY25 sales increased in the mid to high single digits. We forecast FY25E sales growth of 12% vs consensus at 10%. Our EBITDA growth forecast of 14% is in line with Bloomberg consensus.

**Our view and valuation:** We value DABUR based on P/E relative to the NIFTY 50 index and apply a 10% premium. We use FY26E 57x P/E to derive our target price. Rural recovery is on its way and we expect Dabur to have an above-average benefit vs the broader FMCG group given its "natural" focused portfolio which has greater resonance with the rural consumer base. We maintain our BUY rating and TP of Rs 742.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DABUR IN/Rs 606
Market cap	US\$ 13.1bn
Free float	33%
3M ADV	US\$ 27.0mn
52wk high/low	Rs 633/Rs 489
Promoter/FPI/DII	66%/17%/17%

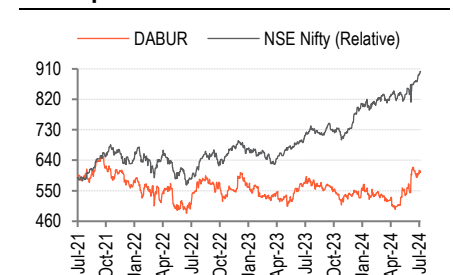
Source: NSE | Price as of 5 Jul 2024

### Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	138,645	152,867
EBITDA (Rs mn)	24,002	27,437	31,015
Adj. net profit (Rs mn)	18,427	20,776	23,260
Adj. EPS (Rs)	10.4	11.7	13.1
Consensus EPS (Rs)	11.4	13.9	13.9
Adj. ROAE (%)	18.7	19.1	19.3
Adj. P/E (x)	58.3	51.7	46.2
EV/EBITDA (x)	44.8	39.2	34.6
Adj. EPS growth (%)	7.9	12.7	12.0

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Total revenue</b>	<b>108,887</b>	<b>115,299</b>	<b>124,040</b>	<b>138,645</b>	<b>152,867</b>
EBITDA	22,538	21,641	24,002	27,437	31,015
Depreciation	2,529	3,110	3,992	4,490	5,038
EBIT	20,009	18,532	20,010	22,947	25,977
Net interest inc./(exp.)	386	782	1,242	1,235	1,057
Other inc./(exp.)	3,932	4,454	4,824	4,848	4,872
Exceptional items	(850)	0	0	0	0
EBT	22,705	22,203	23,593	26,560	29,792
Income taxes	5,264	357	5,474	6,109	6,852
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	31	(58)	(314)	(329)	(346)
<b>Reported net profit</b>	<b>17,392</b>	<b>17,072</b>	<b>18,427</b>	<b>20,776</b>	<b>23,260</b>
Adjustments	(850)	0	0	0	0
<b>Adjusted net profit</b>	<b>18,242</b>	<b>17,072</b>	<b>18,427</b>	<b>20,776</b>	<b>23,260</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Accounts payables	20,180	21,866	24,217	25,028	27,242
Other current liabilities	914	667	1,124	1,256	1,385
Provisions	2,497	2,784	3,182	3,262	3,341
Debt funds	6,173	7,002	6,221	6,289	5,660
Other liabilities	3,385	3,758	4,272	4,775	5,265
Equity capital	1,768	1,772	1,772	1,772	1,772
Reserves & surplus	82,451	92,643	101,259	112,361	124,834
Shareholders' fund	84,219	94,414	103,031	114,133	126,606
<b>Total liab. and equities</b>	<b>122,845</b>	<b>136,544</b>	<b>151,227</b>	<b>163,225</b>	<b>177,351</b>
Cash and cash eq.	5,701	3,259	6,664	10,933	14,203
Accounts receivables	6,462	8,488	8,987	9,876	10,889
Inventories	19,114	20,242	19,470	21,563	23,470
Other current assets	3,346	3,136	5,010	5,599	6,174
Investments	62,102	62,574	69,254	73,511	79,341
Net fixed assets	19,680	22,376	25,609	25,356	26,738
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	71	78
Other assets	4,035	5,427	5,532	5,652	5,770
<b>Total assets</b>	<b>122,845</b>	<b>136,544</b>	<b>151,226</b>	<b>163,225</b>	<b>177,351</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash flow from operations</b>	<b>18,023</b>	<b>14,787</b>	<b>20,135</b>	<b>28,321</b>	<b>27,674</b>
Capital expenditures	(3,741)	(5,091)	(5,639)	(5,823)	(6,420)
Change in investments	(12,731)	(137)	(7,978)	(4,257)	(5,831)
Other investing cash flows	3,668	3,942	3,870	0	0
<b>Cash flow from investing</b>	<b>(12,755)</b>	<b>(5,865)</b>	<b>(9,717)</b>	<b>(10,080)</b>	<b>(12,251)</b>
Equities issued/Others	1	4	0	0	0
Debt raised/repaid	5,408	488	(472)	(699)	(629)
Interest expenses	(219)	(779)	(1,067)	(1,235)	(1,057)
Dividends paid	(9,723)	(9,213)	(9,658)	(9,349)	(10,467)
Other financing cash flows	0	(491)	0	0	0
<b>Cash flow from financing</b>	<b>(4,905)</b>	<b>(10,352)</b>	<b>(11,612)</b>	<b>(11,283)</b>	<b>(12,153)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>364</b>	<b>(1,431)</b>	<b>(1,195)</b>	<b>6,958</b>	<b>3,270</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,272</b>	<b>879</b>	<b>(212)</b>	<b>6,746</b>	<b>10,016</b>

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24A	FY25E	FY26E
Reported EPS	9.8	9.6	10.4	11.7	13.1
Adjusted EPS	10.3	9.6	10.4	11.7	13.1
Dividend per share	5.5	5.2	5.5	5.3	5.9
Book value per share	47.5	53.3	58.2	64.4	71.5

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24A	FY25E	FY26E
EV/Sales	9.9	9.3	8.7	7.8	7.0
EV/EBITDA	47.7	49.7	44.8	39.2	34.6
Adjusted P/E	58.8	62.9	58.3	51.7	46.2
P/BV	12.8	11.4	10.4	9.4	8.5

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24A	FY25E	FY26E
Tax burden (Net profit/PBT)	76.6	76.9	78.1	78.2	78.1
Interest burden (PBT/EBIT)	113.5	119.8	117.9	115.7	114.7
EBIT margin (EBIT/Revenue)	18.4	16.1	16.1	16.6	17.0
Asset turnover (Rev./Avg TA)	88.6	84.4	82.0	84.9	86.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.5	1.4	1.4
Adjusted ROAE	22.6	19.1	18.7	19.1	19.3

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24A	FY25E	FY26E
<b>YoY growth (%)</b>					
Revenue	13.9	5.9	7.6	11.8	10.3
EBITDA	12.5	(4.0)	10.9	14.3	13.0
Adjusted EPS	2.7	(2.1)	7.9	12.7	12.0
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	20.7	18.8	19.4	19.8	20.3
EBIT margin	18.4	16.1	16.1	16.6	17.0
Adjusted profit margin	16.8	14.8	14.9	15.0	15.2
Adjusted ROAE	22.6	19.1	18.7	19.1	19.3
ROCE	17.2	17.9	13.6	14.3	14.9
<b>Working capital days (days)</b>					
Receivables	20	24	26	25	25
Inventory	118	115	112	107	107
Payables	127	122	130	128	125
<b>Ratios (x)</b>					
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	18.6	24.6
Adjusted debt/equity	10.3	10.6	11.2	9.6	7.7

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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**BUY** – Expected return >+15%

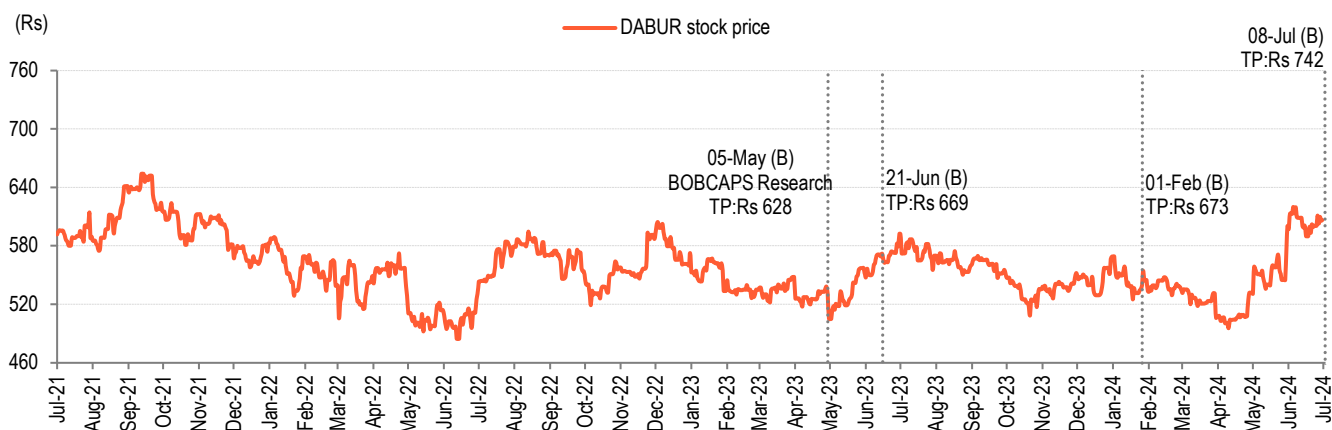
**HOLD** – Expected return from -6% to +15%

**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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