

HOLD
 TP: Rs 578 | ▲ 8%

DABUR INDIA

Consumer Staples

31 January 2025

Competition and inflation

- Competitive intensity has increased in the domestic business and Dabur is doing retailer discounts to maintain market share
- Beverages business remains subdued. McKinsey is doing a strategic review of the business and M&A/divestiture is a possible outcome
- COGS inflation is not steep but competitive intensity is increasing in high margin portfolio while beverages remain weak. Downgrade to Hold

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In line result: Compared to consensus, 3QFY25 sales were 1% higher (in line with our estimate) with EBITDA 1% higher (1% above our estimate).

Beverages remain challenging: Campa Cola promotions have continued. Dabur is now increasing retailer margin to regain shelf space. Consumer promotions will also continue. This implies additional margin pressure amidst 5% COGS Inflation.

Rising competitive intensity: Hair oils, home care, oral care are competitive. Dabur indicated strong volume growth but rising discounts and promotions to the retailer. Oral care, hair oil and home care account for 31% of domestic sales and 6% of group sales. However, we estimate personal care margins to be in the early to mid-50s vs group margins at 48.0%. We have reduced our sales forecasts for FY26 to account for increase competition and a weak beverages performance.

What is the agenda for external consultancy?: Dabur has hired McKinsey to do a strategic review of its businesses. The company is reducing its Strategic Vision cycle from 4Yrs to 3Yrs to better manage the volatility in the operating environment. A sale of loss-making businesses is also possible, subject to management review.

Our view and valuation: Beverages performance remains weak with an uncertain outlook, while competitive intensity is rising amidst inflation. We see near term challenges while some structural changes may also be underway vis the strategic review of the business. We value Dabur at 47x, in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs578 from Rs 697. Share price return of 7% – Downgrade to Hold.

Fig 1 – Dabur 3QFY25 result vs expectations

Dec-24	Consensus	Reported	Reported vs consensus (%)	BoB est	Reported vs BoB (%)
Sales	33,323	33,553	1	33,515	0
EBITDA	6,757	6,819	1	6,723	1
EBITDA margin (%)	20.3	20.3	5bps	20.1	26bps

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▼	▼

Ticker/Price	DABUR IN/Rs 534
Market cap	US\$ 10.9bn
Free float	33%
3M ADV	US\$ 14.4mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

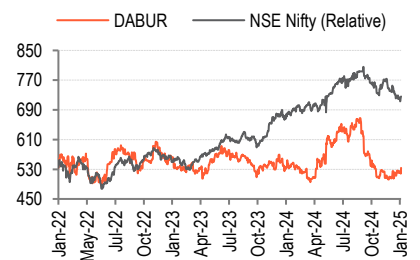
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	126,568	136,078
EBITDA (Rs mn)	24,002	23,865	26,439
Adj. net profit (Rs mn)	18,427	18,243	20,020
Adj. EPS (Rs)	10.4	10.3	11.3
Consensus EPS (Rs)	10.4	10.6	12.2
Adj. ROAE (%)	18.7	17.0	17.1
Adj. P/E (x)	51.3	51.8	47.2
EV/EBITDA (x)	39.7	40.0	36.1
Adj. EPS growth (%)	7.9	(1.0)	9.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



3QFY25 result review

Earnings revisions

- **Sales** – Our sales growth is revised downwards across the forecast periods by 4%-7%. This is mainly driven by an increase in competitive intensity along with continued weak performance in beverages.
- **Margins** – Our EBITDA margins are revised down across forecast periods to account for inflation and negative operating leverage from sales declines in beverages partly offset by their lower gross margin profile.

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY24	FY25	FY25	Change	FY26	FY26	Change	FY27	FY27	Change
Sales	124,040	126,568	131,218	(3.5)	136,078	146,669	(7.2)	147,999	159,580	(7.3)
EBITDA	24,002	23,865	24,814	(3.8)	26,439	29,194	(9.4)	29,354	31,821	(7.8)
EBITDA Margin (%)	19.4	18.9	18.9	(5bps)	19.4	19.9	(48bps)	19.8	19.9	(11bps)
Adj. PAT	18,427	18,243	18,736	(2.6)	20,020	22,213	(9.9)	22,304	24,313	(8.3)
Adj. EPS	10.40	10.29	10.57	(2.7)	11.30	12.54	(9.9)	12.58	13.72	(8.3)

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Dabur is currently trading at 48x FY26E EPS. The stock has traded at 5Yr average P/E of 47x on 1-year forward EPS. We value Dabur in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs578 from Rs 697. Share price return of 7% – Downgrade to Hold.

Beverages performance remains weak and outlook is uncertain. We see near term challenges and some structural changes may also be underway. Dabur has hired McKinsey to review its businesses, especially the loss-making ones. The company has not ruled out the possibility of taking strategic action. Earnings outlook is uncertain amidst inflation and a weak volume performance. Rural is recovering but growth was low at 2.0%; while urban was up 0.6% in 3QFY25.

Risks

Key upside / downside risks to our estimates are:

- Decrease / increase in competitive intensity in beverages
- Cooler / warmer-than-expected winter season impacting healthcare portfolio performance
- Faster / slower and stronger / weaker than expected recovery in rural
- Rebound / slowdown in urban consumption
- Fall / rise in raw material costs
- Currency appreciation / depreciation in key markets
- Decreased / increased competition in the 'natural' category in HPC

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	115,299	124,040	126,568	136,078	147,999
EBITDA	21,641	24,002	23,865	26,439	29,354
Depreciation	3,110	3,992	4,301	4,232	4,511
EBIT	18,532	20,010	19,565	22,207	24,843
Net interest inc./(exp.)	(782)	(1,242)	(1,680)	(1,708)	(1,576)
Other inc./(exp.)	4,454	4,824	5,355	5,135	5,334
Exceptional items	0	0	0	0	0
EBT	22,203	23,593	23,239	25,635	28,601
Income taxes	5,174	5,474	5,283	5,896	6,578
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(75)	(319)	(276)	(281)	(281)
Reported net profit	17,072	18,427	18,243	20,020	22,304
Adjustments	0	0	0	0	0
Adjusted net profit	17,072	18,427	18,243	20,020	22,304

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	21,866	24,217	27,541	29,051	31,541
Other current liabilities	7,226	8,866	9,039	9,039	9,039
Provisions	1,554	1,773	1,981	1,981	1,981
Debt funds	9,990	11,581	15,441	15,441	15,441
Other liabilities	1,493	1,759	1,712	1,712	1,712
Equity capital	1,772	1,772	1,772	1,772	1,772
Reserves & surplus	92,643	101,259	110,204	120,486	132,243
Shareholders' fund	94,414	103,031	111,977	122,258	134,016
Total liab. and equities	136,544	151,227	167,691	179,482	193,730
Cash and cash eq.	1,468	2,476	6,487	14,670	23,663
Accounts receivables	8,488	8,987	9,419	9,970	10,886
Inventories	20,242	19,470	22,713	23,878	26,069
Other current assets	12,292	25,863	29,998	29,998	29,998
Investments	549	528	523	523	523
Net fixed assets	24,087	27,700	29,096	30,988	33,137
CWIP	0	0	0	0	0
Intangible assets	12,980	12,318	11,827	11,827	11,827
Deferred tax assets, net	0	0	0	0	0
Other assets	56,438	53,885	57,627	57,627	57,627
Total assets	136,544	151,227	167,691	179,482	193,730

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	14,884	20,135	18,725	21,594	23,454
Capital expenditures	(5,091)	(5,639)	(5,739)	(6,124)	(6,660)
Change in investments	(4,950)	(7,978)	(5,125)	0	0
Other investing cash flows	4,176	3,899	4,055	4,160	4,321
Cash flow from investing	(5,865)	(9,717)	(6,809)	(1,964)	(2,339)
Equities issued/Others	4	0	0	0	0
Debt raised/repaid	488	(472)	3,102	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(9,213)	(9,658)	(9,748)	(9,739)	(10,546)
Other financing cash flows	(1,631)	(1,483)	(1,904)	(1,708)	(1,576)
Cash flow from financing	(10,352)	(11,612)	(8,549)	(11,446)	(12,122)
Chg in cash & cash eq.	(1,501)	(3,383)	2,748	8,183	8,993
Closing cash & cash eq.	1,468	2,476	6,487	14,670	23,663

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	9.6	10.4	10.3	11.3	12.6
Adjusted EPS	9.6	10.4	10.3	11.3	12.6
Dividend per share	5.2	5.5	5.3	5.6	6.4
Book value per share	53.3	58.1	63.2	69.0	75.6

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	8.2	7.7	7.5	7.0	6.4
EV/EBITDA	43.9	39.7	40.0	36.1	32.4
Adjusted P/E	55.4	51.3	51.8	47.2	42.4
P/BV	10.0	9.2	8.4	7.7	7.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.9	78.1	78.5	78.1	78.0
Interest burden (PBT/EBIT)	119.8	117.9	118.8	115.4	115.1
EBIT margin (EBIT/Revenue)	16.1	16.1	15.5	16.3	16.8
Asset turnover (Rev./Avg TA)	88.9	86.2	79.4	78.4	79.3
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	19.1	18.7	17.0	17.1	17.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	5.9	7.6	2.0	7.5	8.8
EBITDA	(4.0)	10.9	(0.6)	10.8	11.0
Adjusted EPS	(6.4)	7.9	(1.0)	9.7	11.4
Profitability & Return ratios (%)					
EBITDA margin	18.8	19.4	18.9	19.4	19.8
EBIT margin	16.1	16.1	15.5	16.3	16.8
Adjusted profit margin	14.8	14.9	14.4	14.7	15.1
Adjusted ROAE	19.1	18.7	17.0	17.1	17.4
ROCE	18.4	17.9	16.2	16.9	17.4
Working capital days (days)					
Receivables	24	26	27	26	26
Inventory	115	112	118	121	120
Payables	122	130	145	148	145
Ratios (x)					
Gross asset turnover	2.7	2.5	2.3	2.2	2.2
Current ratio	1.2	1.4	1.5	1.6	1.8
Net interest coverage ratio	23.7	16.1	11.6	13.0	15.8
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

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

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BUY – Expected return >+15%

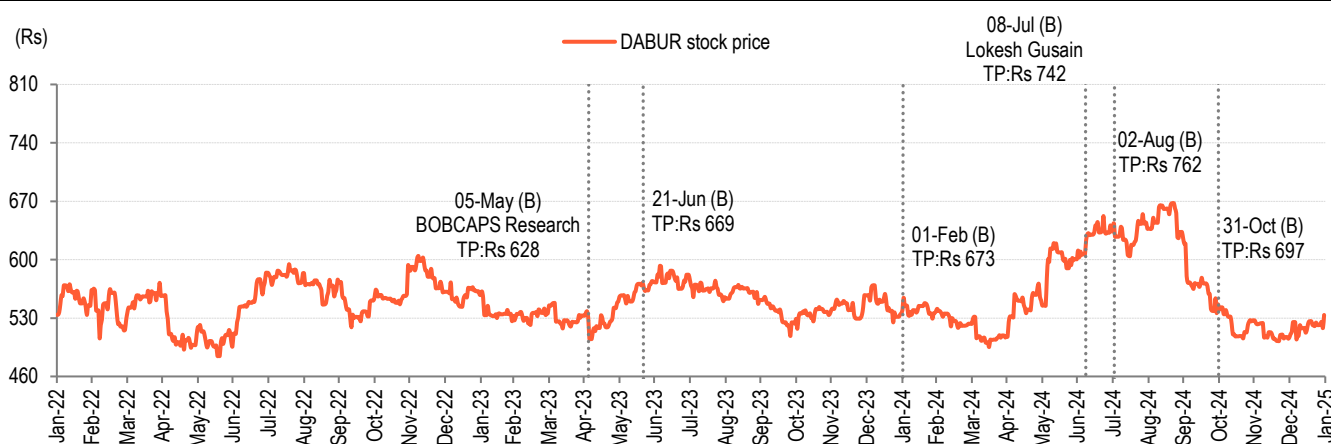
HOLD – Expected return from -6% to +15%

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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