

RESEARCH**DABUR INDIA | TARGET: Rs 697 | +33% | BUY**

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

AUTOMOBILES

Mixed bag – 2W at slower pace, PV in top gear, CV on sidelines

SUMMARY**DABUR INDIA**

- 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

[Click here](#) for the full report.

AUTOMOBILES

- Passenger vehicle domestic volumes grew in double digits (~23.04%) YoY with the SUV segment's share continuing to stay higher
- The 2-wheeler segment fell sharply by ~24.11% MoM post festive season, declining by ~4.06% YoY
- Commercial vehicle segment shows signs of revival with marginal increase of ~1.35%/1.07% MoM/YoY

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DABUR INDIA

Consumer Staples

03 January 2025

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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
◀ ▶	◀ ▶

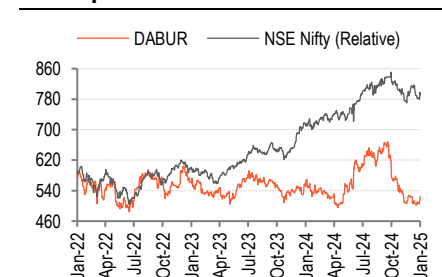
Ticker/Price	DABUR IN/Rs 525
Market cap	US\$ 10.8bn
Free float	33%
3M ADV	US\$ 15.4mn
52wk high/low	Rs 672/Rs 489
Promoter/FPI/DII	66%/17%/17%

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



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Passenger vehicle segment in the driver's seat: The domestic PV industry's volume grew/fell 23%~8.3 YoY/MoM after a sharp jump in the pre-festive season dispatches. MSIL's volume grew 29.6% YoY as the SUV segment continues to offset the decline in compact segment sales (10.1% YTD fall). MSIL's exports grew 39.2% YoY (31% fall MoM). TTMT's volumes grew/fell 1.7%/6% YoY/MoM and MM volume grew/fell 17.8%/10.38% YoY/MoM driven by SUVs sales. Hyundai India's domestic sales grew by ~29% YoY and continued its second position (~10% MoM dip).

2W segment slows: The 2W segment's volume fell ~24% YoY/MoM due to normalisation of volumes post festivities. However, volume was weak by 4% YoY following lower uptake. HMCL's volumes fell 17.5%/29.3% YoY/MoM, while BJAUT's fell 3.8%/26% YoY/MoM dragged by domestic volume (19% fall YoY) and was offset by 15.4% YoY growth in exports. TVSL's volume grew 7.6% YoY due to by domestic and export volumes. EIM's volume grew by 25.4% YoY, but declined 3.39% MoM.

3W segment continues to be steady: Volumes grew 8.9% YoY, but fell 5.68% MoM largely due to a drop in domestic volumes of 11.3% MoM. BJAUT's domestic 3W volume grew/fell 4.7%/8.5% YoY/MoM, and TVSL's overall volume grew 10.35% MoM facilitated by both exports and domestic volumes up by 2%/13% YoY/QoQ.

Tractors segment normalises: Overall tractor sales rose/fell 12.1/32.6% YoY/MoM as normalcy was restored post festivals. ESCORTS's exports grew 12.6%/86.89% YoY/MoM. In contrast, MM's exports fell sharply by 16.8%/43.4% YoY/MoM.

Commercial vehicles await triggers: CV segment's volume fell by ~2% YoY/MoM. Domestic volumes were a mixed bag with flat growth YoY but dropped 28% MoM, as did exports which were flat YoY but fell 7.7% MoM. The M&HCV segment's volume fell 6.1% YoY but jumped by 29% MoM. TTMT's volume fell/grew 15%/25.5% YoY/MoM, but AL's volume grew 3.8%/32.5% YoY/MoM. In the LCV segment, TTMT's volume rose 6.4%/22.86% YoY/MoM, and AL's 0.1%/14.6% YoY/MoM.

Key ratings: BUY rating on MSIL, MM and AL, and SELL on ESCORTS and VSTT.



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