

India

ADD (no change)

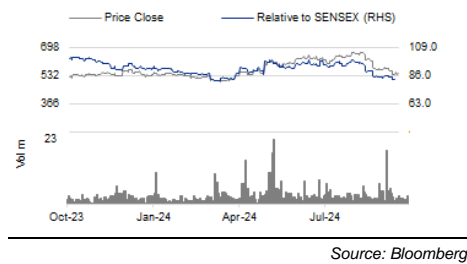
Consensus ratings*: Buy 26 Hold 15 Sell 3

Current price:	Rs547
Target price:	Rs610
Previous target:	Rs725
Up/downside:	11.5%
InCred Research / Consensus:	-8.9%
Reuters:	
Bloomberg:	DABUR IN
Market cap:	US\$13,342m Rs968,834m
Average daily turnover:	US\$29.5m Rs2138.9m
Current shares o/s:	1,767.4m
Free float:	33.8%

*Source: Bloomberg

Key changes in this note

- Cut the target price to Rs610.
- Cut FY25F EPS by 16%.



Price performance	1M	3M	12M
Absolute (%)	(12.6)	(13.8)	4.4
Relative (%)	(7.8)	(11.8)	(16.6)

Major shareholders	% held
Promoter	66.3
LIC	3.7
Blackrock	1.6

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Dabur India Ltd

Inventory optimization drags sales

- Domestic/consolidated sales in 2Q fell 8.2%/5.5% yoy due to rationalization of inventory in general trade channels as well as muted beverage sales.
- Rural markets continue to perform well while urban markets are likely to have bottomed out, as per management. Winter range is expected to perform well.
- Corrective steps undertaken to lead to 3.2%/3.7% sales/EBITDA growth in 2HFY25F. Retain ADD rating with a lower TP of Rs610 (49x Sep 2026F EPS).

Trade inventory rationalization in urban markets drags sales

The one-time correction in the inventory level in general trade (GT) channels led to domestic sales decline of 8.2% yoy in 2QFY25 for Dabur India, largely impacted by the beverage segment. In terms of secondary sales, Dabur India posted 2% growth, but primary sales were impacted by rationalization of the inventory. Home & personal care, healthcare and food & beverages segments posted 8.1%/9.8%/20.7% sales decline, respectively. Inventory corrections were taken to improve GT distributors' RoI that was impacted by higher inventory days (c.30 days), which, post correction, will move towards 21 days. Rural markets continued to outpace urban markets and are likely to maintain their positive momentum in the medium term. Management expects urban markets to bottom out from here on, after the corrective actions.

Cola wars and extended monsoons impact nectar segment

The nectar segment, which forms 70% of Dabur India's beverages portfolio, declined in high single digits, which dragged the segment down. This was a result of 1) favourable pricing of carbonated beverages with higher grammage and a lower price point (Rs10/200ml offered by Campa vs. Rs20/250ml offered by Pepsico/Coca-Cola earlier) due to a new entrant over the last six months, 2) extended monsoon season and adverse weather conditions in some key markets, & 3) shift in consumption towards PET bottles from tetra packs. Dabur India is launching products with multiple price points, from 200-1,000ml per pack, and has strengthened its play in categories like coconut water and is launching bridge packs in juices at Rs100/pack.

To buy 51% stake in Sesa Care; deal closure likely over 18 months

Dabur India will acquire 51% of the total CRPS of Sesa Care from True North and the existing promoter for Rs126m. The deal values Sesa at an EV of Rs3.15-Rs3.25bn, including debt of Rs2.89bn, which will be backed by a corporate guarantee of Dabur India.

Retain ADD rating with a lower target price of Rs610

With inventory corrections now behind, and gradually improving rural markets (50% salience) the company is expected to post 3.2%/3.7% sales/EBITDA growth in FY25F aided by a favourable winter season. We retain our ADD rating on Dabur India with a lower target price of Rs610 (49x Sep 2026F EPS) from Rs725 earlier. Downside risk: Slower-than-expected EBITDA growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	115,299	124,040	128,053	138,238	151,215
Operating EBITDA (Rsm)	21,641	24,002	24,886	27,704	31,012
Net Profit (Rsm)	17,073	18,427	18,648	20,781	23,444
Core EPS (Rs)	9.6	10.4	10.5	11.8	13.3
Core EPS Growth	(5.6%)	7.8%	1.3%	11.6%	12.8%
FD Core P/E (x)	56.67	52.57	51.87	46.48	41.20
DPS (Rs)	5.2	5.4	4.8	5.2	5.7
Dividend Yield	0.95%	1.00%	0.88%	0.95%	1.05%
EV/EBITDA (x)	44.97	40.13	38.32	34.16	30.30
P/FCFE (x)	164.31	74.32	130.15	82.72	87.73
Net Gearing	1.2%	(9.4%)	(15.7%)	(18.8%)	(21.5%)
P/BV (x)	10.79	9.82	8.72	7.89	7.11
ROE	19.7%	19.6%	17.8%	17.8%	18.2%
% Change In Core EPS Estimates			(15.96%)	(19.91%)	(21.40%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

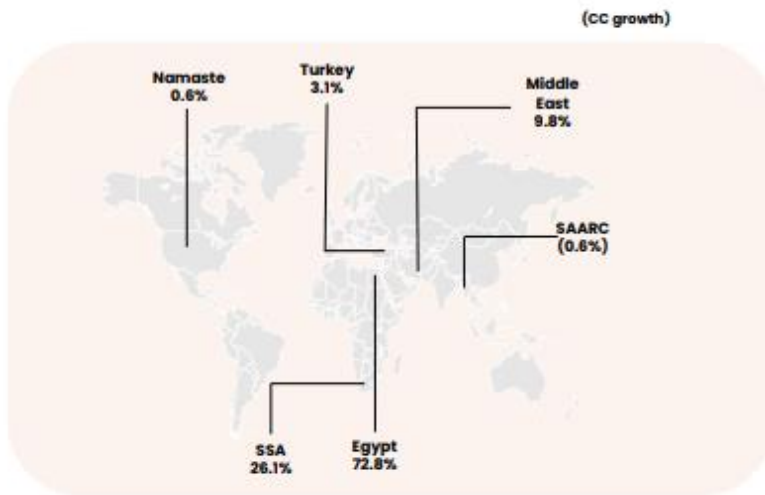
Inventory optimization drags sales

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	32,038	33,491	30,286	-5.5	-9.6	63,343	63,777	0.7
Expenditure	25,430	26,941	24,760	-2.6	-8.1	50,687	51,701	2.0
Consumption of RM	16,557	17,487	15,343	-7.3	-12.3	33,274	32,830	-1.3
as % of sales	51.7%	52.2%	50.7%			52.5%	51.5%	
Employee Costs	3,155	3,229	3,388	7.4	4.9	6,127	6,617	8.0
as % of sales	9.8%	9.6%	11.2%			9.7%	10.4%	
Advertising & SP Expenses	2,165	2,359	2,256	4.2	-4.3	4,209	4,615	9.7
as % of Sales	6.8%	7.0%	7.5%			6.6%	7.2%	
Other Expenditure	3,553	3,866	3,773	6.2	-2.4	7,077	7,639	7.9
as % of Sales	11.1%	11.5%	12.5%			11.2%	12.0%	
EBITDA	6,609	6,550	5,526	-16.4	-15.6	12,656	12,076	-4.6
Depreciation	983	1,091	1,110	12.9	1.7	1,950	2,201	12.9
EBIT	5,626	5,459	4,416	-21.5	-19.1	10,706	9,875	-7.8
Other Income	1,164	1,294	1,515	30.2	17.1	2,262	2,809	24.2
Interest	281	327	474	68.4	45.1	525	801	52.6
PBT	6,508	6,427	5,457	-16.2	-15.1	12,444	11,884	-4.5
Total Tax	1,443	1,481	1,284	-11.0	-13.3	2,810	2,765	-1.6
Adjusted PAT	5,066	4,946	4,173	-17.6	-15.6	9,634	9,118	-5.3
(Profit)/loss from JVs/Ass/MI	-85.0	-55.7	-77.2	NA	NA	-155.7	-132.9	NA
APAT after MI	5,151	5,001	4,250	-17.5	-15.0	9,789	9,251	-5.5
Extraordinary items	0	0	0	NA	NA	0	0	NA
Reported PAT	5,151	5,001	4,250	-17.5	-15.0	9,789	9,251	-5.5
Adj. EPS	2.9	2.8	2.4	-17.5	-15.0	5.5	5.2	-5.5
Margins (%)	2QFY24	1QFY25	2QFY25	(bp)	(bp)	1HFY24	1HFY25	(bp)
Gross margin	48.3	47.8	49.3	100	160	47.5	48.5	110
EBITDA	20.6	19.6	18.2	-240	-130	20.0	18.9	-100
EBIT	17.6	16.3	14.6	-300	-170	16.9	15.5	-140
EBT	20.3	19.2	18.0	-230	-120	19.6	18.6	-100
PAT	16.1	14.9	14.0	-200	-90	15.5	14.5	-90
Effective Tax Rate	22.2	23.0	23.5	140	50	22.6	23.3	70

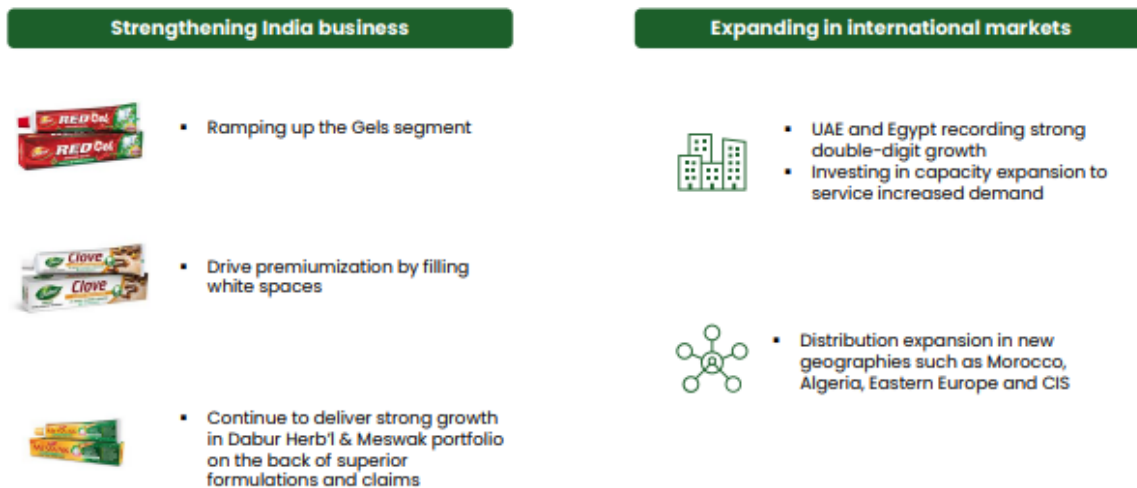
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: International business grew 13%/3.3% in CC/INR terms



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Doubling down on global oral care opportunity



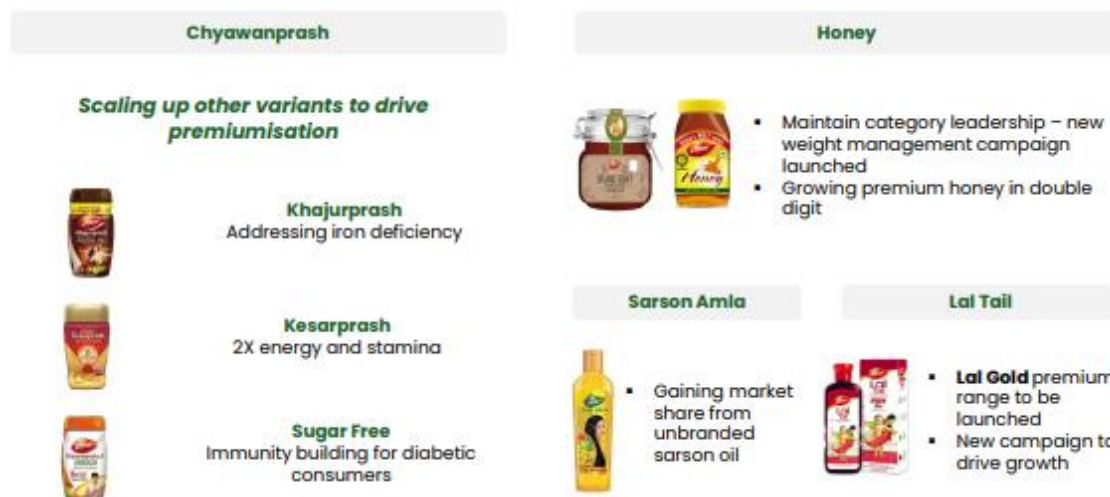
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Scales up home care and skin care segments by filling whitespaces



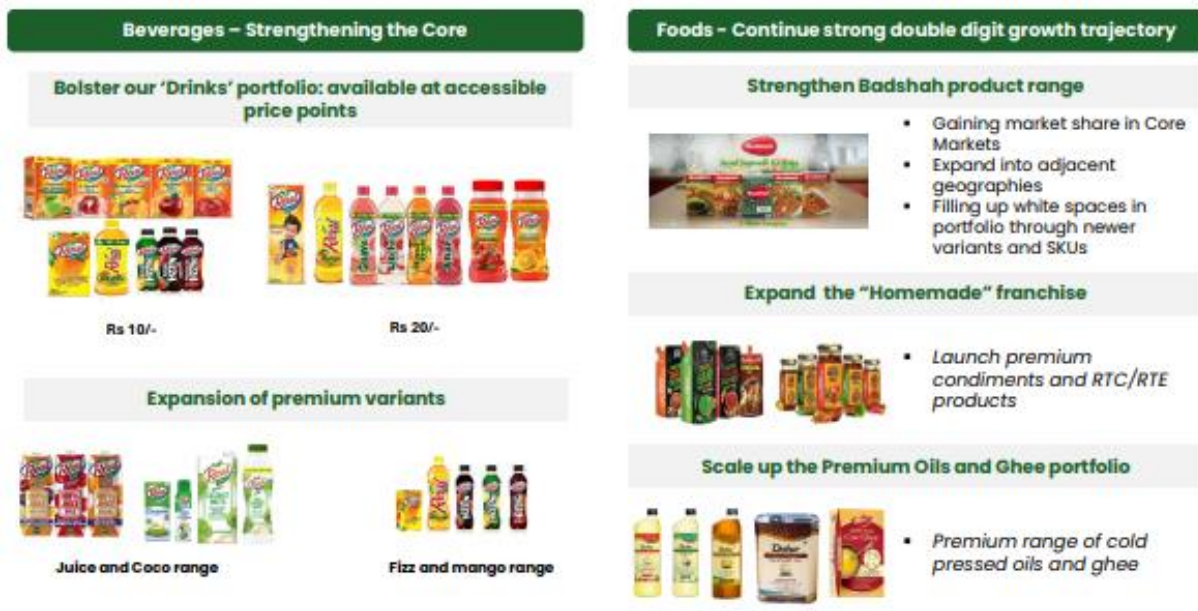
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Winter portfolio expected to perform well in the upcoming season



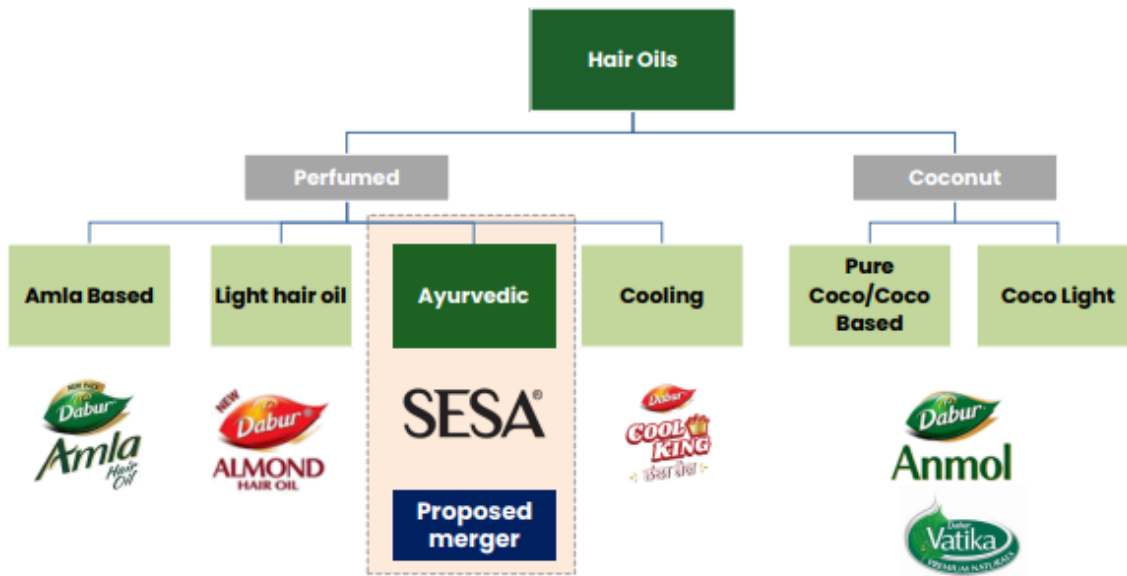
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Foods biz expected to touch Rs5bn in FY25F; ramping up the beverages portfolio to be a priority



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Sesa (11% market share) acquisition will fill a whitespace within the ayurvedic hair oil segment



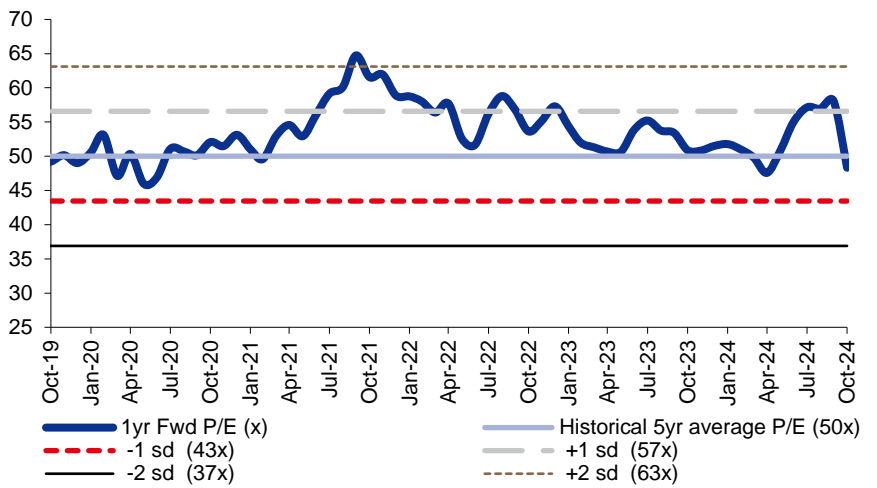
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	1,37,471	1,28,053	-6.9	1,51,270	1,38,238	-8.6	1,66,487	1,51,215	-9.2
EBITDA	27,490	24,886	-9.5	31,410	27,704	-11.8	35,836	31,012	-13.5
EBITDA Margin (%)	20.0	19.4	-56 bp	20.8	20.0	-72bp	21.5	20.5	-102bp
Net Profit	22,190	18,648	-16.0	25,946	20,781	-19.9	29,828	23,444	-21.4
EPS	12.6	10.6	-16.0	14.7	11.8	-19.9	16.9	13.3	-21.4

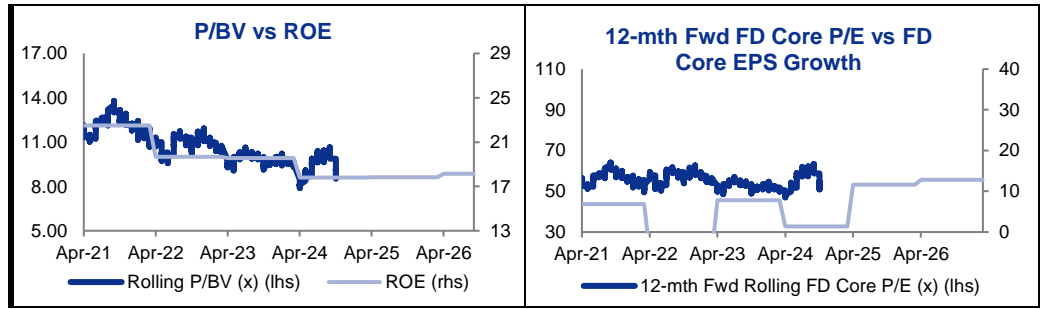
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Dabur India's one-year forward P/E trades close to its five-year average



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	115,299	124,040	128,053	138,238	151,215
Gross Profit	52,612	59,571	62,071	67,847	75,099
Operating EBITDA	21,641	24,002	24,886	27,704	31,012
Depreciation And Amortisation	(3,110)	(3,992)	(3,880)	(4,433)	(4,746)
Operating EBIT	18,532	20,010	21,006	23,270	26,266
Financial Income/(Expense)	3,672	3,582	2,890	3,324	3,675
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	22,203	23,593	23,896	26,594	29,942
Exceptional Items					
Pre-tax Profit	22,203	23,593	23,896	26,594	29,942
Taxation	(5,174)	(5,474)	(5,548)	(6,143)	(6,887)
Exceptional Income - post-tax					
Profit After Tax	17,030	18,118	18,348	20,451	23,054
Minority Interests	43	309	300	330	390
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,073	18,427	18,648	20,781	23,444
Recurring Net Profit	17,073	18,427	18,648	20,781	23,444
Fully Diluted Recurring Net Profit	17,073	18,427	18,648	20,781	23,444

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	21,641	24,002	24,886	27,704	31,012
Cash Flow from Invt. & Assoc.	43	309	300	330	390
Change In Working Capital	(922)	2,072	(5,457)	(2,138)	(2,529)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	4,454	4,824	4,740	5,004	5,275
Net Interest (Paid)/Received	(782)	(1,242)	(1,850)	(1,680)	(1,600)
Tax Paid	(5,174)	(5,474)	(5,548)	(6,143)	(6,887)
Cashflow From Operations	19,260	24,491	17,071	23,077	25,661
Capex	(14,352)	(6,697)	(7,698)	(4,500)	(4,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(456)	(6,674)	(2,784)	(7,000)	(10,000)
Other Investing Cashflow					
Cash Flow From Investing	(14,809)	(13,371)	(10,482)	(11,500)	(14,500)
Debt Raised/(repaid)	1,437	1,913	843	100	(150)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(9,213)	(9,658)	(8,459)	(9,204)	(10,177)
Preferred Dividends					
Other Financing Cashflow	2,423	28	1,708	(227)	(280)
Cash Flow From Financing	(5,353)	(7,717)	(5,907)	(9,331)	(10,607)
Total Cash Generated	(901)	3,403	682	2,247	554
Free Cashflow To Equity	5,888	13,033	7,432	11,677	11,011
Free Cashflow To Firm	5,234	12,362	8,439	13,257	12,761

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	10,624	23,330	32,587	38,333	44,387
Total Debtors	8,488	8,987	13,791	16,278	19,273
Inventories	20,242	19,470	20,087	21,761	23,836
Total Other Current Assets	4,365	6,539	2,157	2,289	2,488
Total Current Assets	43,718	58,325	68,622	78,662	89,983
Fixed Assets	33,485	36,190	36,008	35,075	33,829
Total Investments	55,288	52,661	46,870	50,370	54,870
Intangible Assets	4,053	4,051	4,053	4,053	4,053
Total Other Non-Current Assets					
Total Non-current Assets	92,826	92,902	86,930	89,497	92,751
Short-term Debt	7,306	6,589	7,306	7,306	7,306
Current Portion of Long-Term Debt					
Total Creditors	21,866	24,217	26,555	28,532	31,037
Other Current Liabilities	4,832	6,056			
Total Current Liabilities	34,004	36,861	33,861	35,838	38,343
Total Long-term Debt	4,432	7,062	7,188	7,288	7,138
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	4,432	7,062	7,188	7,288	7,138
Total Provisions	3,694	4,272	3,393	3,572	3,805
Total Liabilities	42,129	48,196	44,442	46,698	49,286
Shareholders Equity	89,733	98,663	110,794	122,475	135,852
Minority Interests	4,682	4,368	4,315	3,985	3,595
Total Equity	94,414	103,031	115,109	126,460	139,447

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	6.7%	7.6%	3.2%	8.0%	9.4%
Operating EBITDA Growth	(3.2%)	10.9%	3.7%	11.3%	11.9%
Operating EBITDA Margin	18.8%	19.4%	19.4%	20.0%	20.5%
Net Cash Per Share (Rs)	(0.63)	5.46	10.24	13.43	16.94
BVPS (Rs)	50.64	55.68	62.70	69.31	76.88
Gross Interest Cover	23.69	16.11	11.35	13.85	16.42
Effective Tax Rate	23.3%	23.2%	23.2%	23.1%	23.0%
Net Dividend Payout Ratio	54.0%	52.4%	45.4%	44.3%	43.4%
Accounts Receivables Days	23.66	25.71	32.46	39.70	42.91
Inventory Days	114.58	112.42	109.41	108.50	109.32
Accounts Payables Days	122.41	130.45	140.43	142.82	142.83
ROIC (%)	42.2%	44.5%	42.4%	45.7%	50.1%
ROCE (%)	22.1%	21.8%	20.5%	20.5%	21.0%
Return On Average Assets	10.3%	10.1%	10.1%	10.6%	11.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.