



India

HOLD (previously ADD)

Consensus ratings*: Buy 21 Hold 14 Sell 7

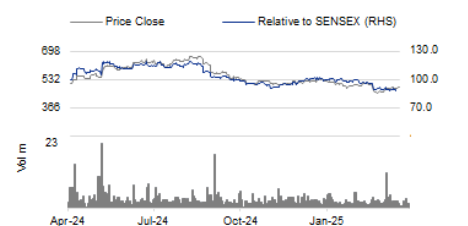
Current price: Rs482
 Target price: ▼ Rs515
 Previous target: Rs590
 Up/downside: 6.8%
 InCred Research / Consensus: -4.0%

Reuters: DABU.NS
 Bloomberg: DABUR IN
 Market cap: US\$10,072m
 Rs854,435m
 Average daily turnover: US\$14.9m
 Rs1263.4m
 Current shares o/s: 1,767.4m
 Free float: 33.7%

*Source: Bloomberg

Key changes in this note

► Lower the target price to Rs515 from Rs590.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.8	(8.5)	(13.7)
Relative (%)	(1.8)	(11.8)	(21.5)

Major shareholders	% held
Promoter	66.3
LIC	3.7
ICICI Pru	1.8

Dabur India Ltd**Near-term pressure is expected to sustain**

- Consolidated 4Q sales were flat yoy. Standalone sales declined by 3.7% yoy for all segments, barring foods. Rural markets continued to outpace urban.
- Gross/EBITDA margins declined 190/150bp yoy, respectively. Management guidance entailed targeting high single-digit sales growth in FY26F.
- We believe the near-term environment will be challenging for Dabur India. We downgrade its rating to HOLD with a lower TP of Rs515 (44x FY27F EPS).

Demand pressure coupled with inventory corrections drag sales

Dabur India's (Dabur) consolidated sales were flat yoy in 4QFY25, dragged by a 3.7% yoy decline in standalone sales. Volume declined in mid-single digit. All segments declined barring food. The home and personal care (HPC) segment declined by 3.3% yoy led by a 5.2% fall in oral care, 4.6% decline in hair care and 0.9%/8% growth in home care/skincare segments, respectively. The beverage business declined by 9.2% yoy led by weakness in the J&N category (juices & nectars), which was impacted by muted demand and the ongoing cola wars. The foods segment grew by 14.2% yoy led by the Hommade range. The Badshah range grew by 6% yoy led by 11% volume growth. The healthcare range declined by 4.7% yoy led by a 3.6% yoy decline in health supplements and 8.4% fall in OTC & ethicals. The digestive range declined by 2.1% yoy. Price hikes to the tune of 3-4% were taken in 4QFY25 to offset inflationary pressure. Margins are likely to remain range-bound in the medium term owing to a strategic shift and weak growth in the core portfolio.

Strategy rejig and strong focus on M&A expected to drive growth

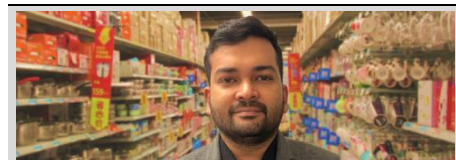
Management's guidance entailed a new strategy to drive business revival, which involves investing in the core portfolio with strong focus on Dabur Red, Real, Chyawanprash, Honey, Hajmola, Amla & Vatica, which collectively have a 70% salience. Portfolio rationalization of categories earlier called out as high growth opportunities like tea, baby diapers, vita, etc. Go-to-market strategy revamp with a focus on consolidation of stockists in urban markets & expansion of coverage in villages in rural markets. M&A will be a key focus area for Dabur as it looks to tap into high-growth opportunities, with a focus on healthcare, wellness food and premium personal care. The focus on premiumization and optimization of costs will continue. Management expects high single-digit growth in FY26F led by higher growth in HPC and foods businesses while healthcare and beverages are expected to witness moderate growth.

Downgrade to HOLD with a lower target price of Rs515

Dabur's performance in FY25 was impacted by weak overall demand and channel inventory corrections undertaken in 2QFY25. We expect the near-term operating environment to remain challenging for Dabur and lower our FY26F/27F EPS by 8.1%/9.9%, respectively, downgrading the rating to HOLD (from ADD earlier) with a lower target price of Rs515 (44x FY27F EPS). Downside risk: Sustained weakness in demand leading to lower-than-expected sales growth. Upside risk: Faster-than-expected recovery in the core portfolio.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	115,299	124,040	125,631	134,091	143,801
Operating EBITDA (Rsm)	21,641	24,002	23,163	24,796	27,168
Net Profit (Rsm)	17,073	18,427	17,676	18,781	20,751
Core EPS (Rs)	9.6	10.4	10.0	10.6	11.7
Core EPS Growth	(5.6%)	7.8%	(4.1%)	6.4%	10.6%
FD Core P/E (x)	49.98	46.36	48.33	45.43	41.05
DPS (Rs)	5.2	5.4	5.4	4.8	5.1
Dividend Yield	1.08%	1.13%	1.14%	1.00%	1.07%
EV/EBITDA (x)	39.69	35.37	36.32	33.73	30.51
P/FCFE (x)	144.91	65.54	115.95	162.13	88.61
Net Gearing	1.2%	(9.4%)	(15.3%)	(16.6%)	(19.5%)
P/BV (x)	9.52	8.66	7.91	7.01	6.39
ROE	19.7%	19.6%	17.1%	16.4%	16.3%
% Change In Core EPS Estimates			(3.63%)	(8.14%)	(9.94%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Near-term pressure is expected to sustain

Figure 1: Quarterly summary - consolidated

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr. (%)
Revenue	28,146	33,553	28,301	0.6	-15.7	1,24,040	1,25,631	1.3
Expenditure	23,478	26,734	24,033	2.4	-10.1	1,00,038	1,02,468	2.4
Consumption of raw materials	14,468	17,428	15,091	4.3	-13.4	64,470	65,349	1.4
as % of sales	51.4%	51.9%	53.3%			52.0%	52.0%	
Employee costs	3,162	3,352	2,944	-6.9	-12.2	12,396	12,912	4.2
as % of sales	11.2%	10.0%	10.4%			10.0%	10.3%	
Advertising & SP	1,837	2,267	1,764	-3.9	-22.2	8,491	8,646	1.8
as % of sales	6.5%	6.8%	6.2%			6.8%	6.9%	
Other expenditure	4,012	3,686	4,235	5.5	14.9	14,682	15,560	6.0
as % of sales	14.3%	11.0%	15.0%			11.8%	12.4%	
EBITDA	4,668	6,819	4,269	-8.6	-37.4	24,002	23,163	-3.5
Depreciation	1,074	1,086	1,169	8.9	7.6	3,992	4,456	11.6
EBIT	3,595	5,733	3,100	-13.8	-45.9	20,010	18,707	-6.5
Other income	1,289	1,280	1,412	9.5	10.2	4,824	5,501	14.0
Interest	352	442	393	11.4	-11.2	1,242	1,635	31.7
PBT	4,531	6,571	4,119	-9.1	-37.3	23,593	22,573	-4.3
Total Tax	1,114	1,418	992	-11.0	-30.0	5,474	5,175	-5.5
Adjusted PAT	3,416	5,153	3,127	-8.5	-39.3	18,118	17,399	-4.0
(Profit)/loss from JV's/Ass/MI	-79.1	-70.6	-74.1	NA	NA	-308.6	-277.6	NA
APAT after MI	3,495	5,224	3,201	-8.4	-38.7	18,427	17,676	-4.1
Extraordinary items	0	0	0	NA	NA	0	0	NA
Reported PAT	3,495	5,224	3,201	-8.4	-38.7	18,427	17,676	-4.1
Adj. EPS	2.0	2.9	1.8	-8.4	-38.7	10.4	10.0	-4.1
Margins (%)	4QFY24	3QFY25	4QFY25	(bps)	(bps)	FY24	FY25	(bps)
Gross margin	48.6	48.1	46.7	-190	-140	48.0	48.0	0
EBITDA	16.6	20.3	15.1	-150	-520	19.4	18.4	-90
EBIT	12.8	17.1	11.0	-180	-610	16.1	14.9	-120
EBT	16.1	19.6	14.6	-150	-500	19.0	18.0	-110
PAT	12.4	15.6	11.3	-110	-430	14.9	14.1	-80
Effective tax rate	24.6	21.6	24.1	-50	250	23.2	22.9	-30

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance

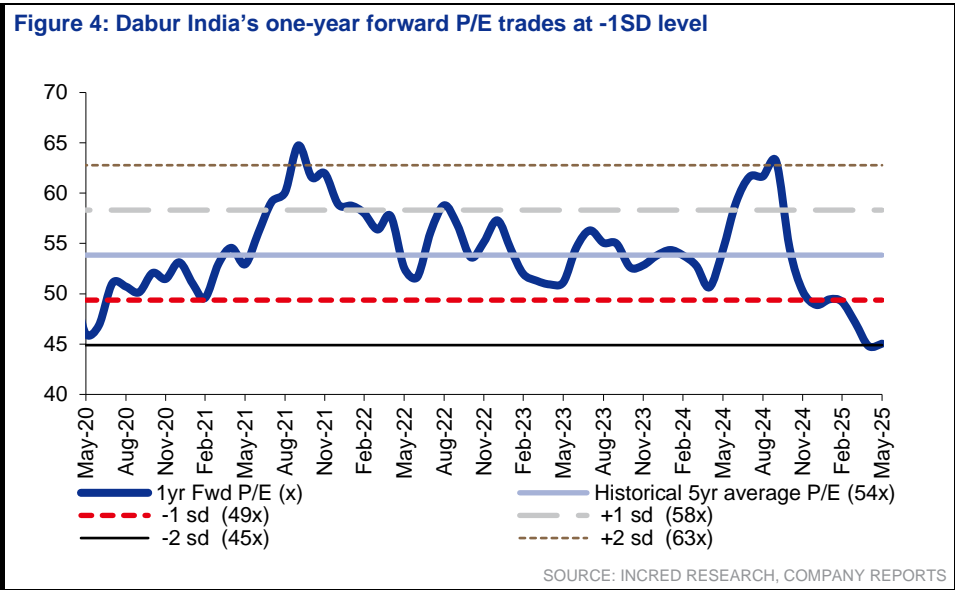
Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr. (%)
Segment Revenue								
Consumer Care	22,140	28,503	22,550	1.9	-20.9	99,422	1,01,601	2.2
Foods	5,277	4,296	5,005	-5.2	16.5	21,786	21,006	(3.6)
Others	318	340	398	25.1	17.0	1,228	1,503	22.4
Retail	309	326	246	-20.5	-24.7	1,234	1,155	(6.4)
Total	28,043	33,465	28,198	0.6	-15.7	1,23,670	1,25,265	1.3
Segment EBIT								
Consumer Care	4,503	6,745	4,192	-6.9	-37.8	23,045	22,711	(1.5)
Foods	676	585	601	-11.1	2.7	3,036	2,676	(11.8)
Others	17	50	38	126.8	-23.8	118	169	42.5
Retail	8	4	2	-71.4	-35.1	13	-8	(162.2)
Total	5,204	7,383	4,834	-7.1	-34.5	26,212	25,548	(2.5)
Add- Unall Income / (Expenses)	352	442	393	11.4	-11.2	1,242	1,635	31.7
Less- Interest Expenses	321	371	322	NA	-13.1	1,378	1,339	NA
PBT	4,531	6,571	4,119	-9.1	-37.3	23,593	22,574	(4.3)
Segment-wise Margin (%)				(bp)	(bp)			(bp)
Consumer Care	20.3	23.7	18.6	-170	-510	23.2	22.4	-80
Foods	12.8	13.6	12.0	-80	-160	13.9	12.7	-120
Others	5.3	14.7	9.6	430	-510	9.6	11.2	160
Retail	2.7	1.1	1.0	-170	-20	1.0	-0.7	-170

SOURCE: INCRED RESEARCH, COMPANY REPORTS

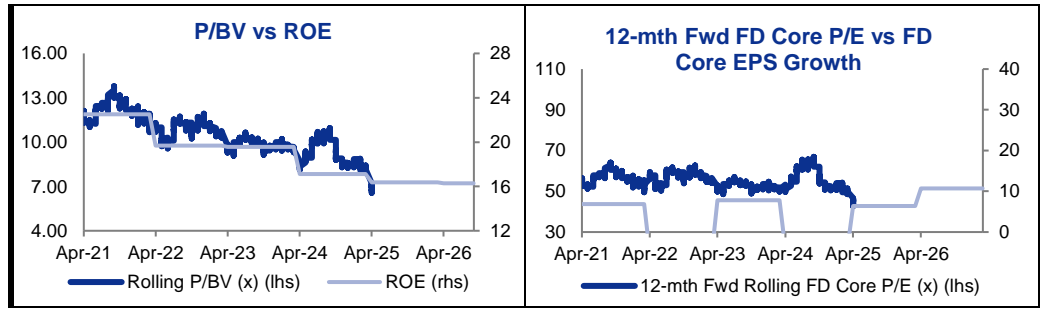
Figure 3: Our revised earnings estimates

Y/E Mar (Rs. m)	Earlier	FY26F Revised	% Change	Earlier	FY27F Revised	% Change
Revenue	1,36,890	1,34,091	-2.0	1,49,715	1,43,801	-4.0
EBITDA	27,216	24,796	-8.9	30,474	27,168	-10.8
EBITDA margin (%)	19.9	18.5	-139 bp	20.4	18.9	-146 bp
Net profit	20,416	18,781	-8.4	23,041	20,751	-9.9
EPS	11.6	10.6	-8.4	13.0	11.7	-9.9

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	125,631	134,091	143,801
Gross Profit	52,612	59,571	60,282	64,634	70,224
Operating EBITDA	21,641	24,002	23,163	24,796	27,168
Depreciation And Amortisation	(3,110)	(3,992)	(4,456)	(4,337)	(4,635)
Operating EBIT	18,532	20,010	18,707	20,458	22,533
Financial Income/(Expense)	3,672	3,582	3,866	3,470	3,818
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	22,203	23,593	22,573	23,928	26,351
Exceptional Items					
Pre-tax Profit	22,203	23,593	22,573	23,928	26,351
Taxation	(5,174)	(5,474)	(5,175)	(5,477)	(5,990)
Exceptional Income - post-tax					
Profit After Tax	17,030	18,118	17,399	18,451	20,361
Minority Interests	43	309	278	330	390
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,073	18,427	17,676	18,781	20,751
Recurring Net Profit	17,073	18,427	17,676	18,781	20,751
Fully Diluted Recurring Net Profit	17,073	18,427	17,676	18,781	20,751

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	21,641	24,002	23,163	24,796	27,168
Cash Flow from Invt. & Assoc.	43	309	278	330	390
Change In Working Capital	(922)	2,072	511	(15,145)	(1,122)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	4,454	4,824	5,501	5,150	5,418
Net Interest (Paid)/Received	(782)	(1,242)	(1,635)	(1,680)	(1,600)
Tax Paid	(5,174)	(5,474)	(5,175)	(5,477)	(5,990)
Cashflow From Operations	19,260	24,491	22,644	7,974	24,265
Capex	(14,352)	(6,697)	(5,776)	(8,164)	(4,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(456)	(6,674)	(5,352)	3,217	(10,000)
Other Investing Cashflow					
Cash Flow From Investing	(14,809)	(13,371)	(11,128)	(4,947)	(14,500)
Debt Raised/(repaid)	1,437	1,913	(4,147)	2,236	(150)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(9,213)	(9,658)	(9,748)	(8,526)	(9,095)
Preferred Dividends					
Other Financing Cashflow	2,423	28	1,496	2,568	(278)
Cash Flow From Financing	(5,353)	(7,717)	(12,399)	(3,722)	(9,523)
Total Cash Generated	(901)	3,403	(884)	(696)	242
Free Cashflow To Equity	5,888	13,033	7,368	5,262	9,615
Free Cashflow To Firm	5,234	12,362	13,151	4,707	11,365

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	26,656	32,507	38,249
Total Debtors	8,488	8,987	8,885	18,261	18,830
Inventories	20,242	19,470	23,001	24,409	25,442
Total Other Current Assets	4,365	6,539	8,417	6,919	8,773
Total Current Assets	43,718	58,325	66,959	82,096	91,294
Fixed Assets	33,485	36,190	37,510	36,337	35,201
Total Investments	55,288	52,661	53,803	44,038	48,538
Intangible Assets	4,053	4,051	4,051	4,053	4,053
Total Other Non-Current Assets					
Total Non-current Assets	92,826	92,902	95,364	84,428	87,792
Short-term Debt	7,306	6,589	4,644	7,306	7,306
Current Portion of Long-Term Debt					
Total Creditors	21,866	24,217	28,253	30,587	32,731
Other Current Liabilities	4,832	6,056	7,701		
Total Current Liabilities	34,004	36,861	40,598	37,893	40,037
Total Long-term Debt	4,432	7,062	4,860	4,433	4,283
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	4,432	7,062	4,860	4,433	4,283
Total Provisions	3,694	4,272	4,763	3,737	3,928
Total Liabilities	42,129	48,196	50,220	46,063	48,248
Shareholders Equity	89,733	98,663	108,007	121,474	133,243
Minority Interests	4,682	4,368	4,096	3,985	3,595
Total Equity	94,414	103,031	112,103	125,459	136,837

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	6.7%	7.6%	1.3%	6.7%	7.2%
Operating EBITDA Growth	(3.2%)	10.9%	(3.5%)	7.0%	9.6%
Operating EBITDA Margin	18.8%	19.4%	18.4%	18.5%	18.9%
Net Cash Per Share (Rs)	(0.63)	5.46	9.68	11.75	15.09
BVPS (Rs)	50.64	55.68	60.94	68.74	75.40
Gross Interest Cover	23.69	16.11	11.44	12.18	14.08
Effective Tax Rate	23.3%	23.2%	22.9%	22.9%	22.7%
Net Dividend Payout Ratio	54.0%	52.4%	55.1%	45.4%	43.8%
Accounts Receivables Days	23.66	25.71	25.96	36.95	47.07
Inventory Days	114.58	112.42	118.61	124.57	123.65
Accounts Payables Days	122.41	130.45	146.54	154.60	157.05
ROIC (%)	42.2%	44.5%	40.7%	34.4%	37.8%
ROCE (%)	22.1%	21.8%	19.7%	19.3%	19.2%
Return On Average Assets	10.3%	10.1%	8.6%	9.1%	9.6%

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.