

October 30, 2024

Q2FY25 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	589		603	
Sales (Rs. m)	1,44,721	1,59,803	1,44,721	1,59,803
% Chng.	-	-	-	-
EBITDA (Rs. m)	28,633	31,610	28,633	31,610
% Chng.	-	-	-	-
EPS (Rs.)	12.5	13.8	12.5	13.8
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	123	131	145	160
EBITDA (Rs. bn)	23	25	29	32
Margin (%)	18.9	19.1	19.8	19.8
PAT (Rs. bn)	18	19	22	24
EPS (Rs.)	10.0	10.9	12.5	13.8
Gr. (%)	3.7	9.3	14.3	10.4
DPS (Rs.)	5.6	6.5	7.3	8.2
Yield (%)	1.0	1.2	1.3	1.5
RoE (%)	18.8	18.6	19.4	19.6
RoCE (%)	18.1	17.8	19.0	19.6
EV/Sales (x)	7.8	7.3	6.6	6.0
EV/EBITDA (x)	41.2	38.2	33.4	30.1
PE (x)	54.7	50.0	43.7	39.6
P/BV (x)	9.8	8.9	8.1	7.4

Key Data

DABU.BO | DABUR IN

52-W High / Low	Rs.672 / Rs.489
Sensex / Nifty	79,942 / 59,749
Market Cap	Rs.969bn / \$ 11,522m
Shares Outstanding	1,772m
3M Avg. Daily Value	Rs.1799.69m

Shareholding Pattern (%)

Promoter's	66.25
Foreign	15.04
Domestic Institution	13.67
Public & Others	5.04
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(12.6)	7.7	4.4
Relative	(7.8)	0.3	(16.2)

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Watch out for 2H25 recovery: Hold

Quick Pointers:

- Dabur undertook a one-time inventory correction to enhance GT partner's profitability, which affected sales in 2Q25 (5.5% de-growth)
- Dabur to acquire Sesa Care (premium Ayurvedic hair oil) for EV of Rs3.2bn (including debt of 2.89bn, Rs125mn in cash for 51% stake)

Dabur reported in-line numbers as rural continued to grow ahead of urban, food inflation affecting urban demand & floods & heavy monsoons affecting beverage portfolio. Dabur has reported double-digit growth in Foods and Badshah while Skin, OTC, Beverages and Hair oil continued to drag growth. Although major part of inventory de-stocking seems over, pick-up in growth will be a function of sustaining recovery in rural demand and extent of fallout of inflation in urban demand during festival season.

Dabur has acquired Sesa Care in order to strengthen its presence in premium hair care. However, we believe that the benefits will flow over time only given low sales growth in past 3 years and slow growth in hair oils as a category. Dabur maintains mid to high single digit growth guidance in 2H25 subject to good winters & FMCG doing well. We estimate 12.4% PAT CAGR over FY25-27. Dabur is trading at 41.7x Sep26 EPS. We value the stock at 45xSep26 EPS and arrive at a target price of Rs589. We retain hold.

Consol Revenues de-grow 5.5%; Revenues declined by 5.5% YoY to Rs30.3bn (PLe: Rs30.4bn) Gross margins expanded by 102bps YoY to 49.3% (PLe:48.5%) EBITDA declined by 16.4% YoY to Rs5.5bn (PLe:Rs5.6bn); Margins contracted by 238bps YoY to 18.2% (PLe:18.5%) Adj PAT declined by 17.7% YoY to Rs4.2bn (PLe:Rs4.2bn) Consumer care revenues declined 4.1% YoY while EBIT de-grew by 9.5%. Margins contracted by 135bps YoY to 22.9%. Food segment revenues declined by 13.5% YoY while EBIT declined by 37%. Margins contracted by 406bps YoY to 11%. Retail segment revenues declined by 3.9% YoY while EBIT declined by 1560%. Margins contracted by 542bps YoY to 5%.

Concall Highlights -1) Rural demand continued to outperform urban demand 2) Urban demand was impacted by high food inflation & muted demand, However, it has bottomed out & recovery is expected going ahead 3) GT continues to remain under pressure whereas emerging channels continue to grow 4) Dabur took a one time step to improve GT distributor's profitability through inventory correction, bring down inventory days to 21 days from 30 days. Distributor days are expected to reduce further 5) Beverages took a hit in 2Q led by heavy monsoons & flooding 6) Oral Care segment is growing ahead of category(5% value) & saturated capacity in Egypt/MENA 7) FY24 litigation case is expected to be completed in another 18 months(+/- 6 months) & estimated legal costs for FY25 stand at Rs.850/900mn (Rs.400/450mn spent in H125) 8) Sesa Acquisition is margin accretive & will take gross margins in hair oil category from 44% to 57% along with increase in international sales 9) Dabur supply to QC channels' dark store directly from its warehouses & has 100-200bps higher margins than other trade channels

Exhibit 1: 2QFY25 Results: Revenues de-grew by 5.5%, EBITDA margins decline by ~240bps YoY

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	H1FY25	H1FY24	YoY gr. (%)
Revenues	30,286	32,038	(5.5)	33,491	63,777	63,343	0.7
Gross Profit	14,943	15,482	(3.5)	16,005	30,947	30,069	2.9
% of Net Sales	49.3	48.3	1.0	47.8	48.5	47.5	1.1
Other Expenses	9,417	8,873	6.1	9,454	18,872	17,413	8.4
% of Net Sales	31.1	27.7	3.4	28.2	29.6	27.5	2.1
EBITDA	5,526	6,609	(16.4)	6,550	12,076	12,656	(4.6)
Margins (%)	18.2	20.6	-2.4	19.6	18.9	20.0	-1.0
Depreciation	1,110	983	12.9	1,091	2,201	1,950	12.9
Interest	474	281	68.4	327	801	525	52.6
Other Income	1,515	1,164	30.2	1,294	2,809	2,262	24.2
PBT	5,457	6,508	(16.2)	6,427	11,884	12,444	(4.5)
Tax	1,284	1,443	(11.0)	1,481	2,765	2,810	(1.6)
Effective tax rate (%)	23.5	22.2	1.4	23.0	23.3	22.6	0.7
Minority interest	-2	-5	(51.0)	2	0	-3	(86.2)
Adjusted PAT	4,175	5,070	(17.7)	4,944	9,119	9,637	(5.4)

Source: Company, PL

Exhibit 2: Modest growth across brands with Foods & Badshah leading the pack

Category Growth (%)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Hair Oils	1.8	-2.4	0.0	10.0	4.0	4.5	-2.5	3.3	3.8
Shampoos	9.0	3.6	2.0	9.0	4.1	11.3	6.1	13.7	3.2
Health Supplements	-12.6	0.4	-3.3	5.5	0.0	0.0	-9.1	7.8	2.8
Oral Care	9.2	2.6	-3.0	13.0	4.1	8.1	22	11.4	5.3
Foods	30.5	34.5	22.0	35.0	40.4	22.0	20.7	21.3	20.6
Digestives	0.1	11.2	5.6	14.3	18.1	15.1	16.0	10.7	6.3
Skin care	1.1	-5.6	-2.0	3.5	5.0	4.5	0.6	6.1	0.0
Home Care	20.9	18.2	10.3	14.5	15.1	6.6	7.5	8.0	9.1
OTC & Ethical	-0.2	4.0	-0.4	24.3/7.3	8.4/7.0	-3.0/6.9	0.6	3.7	0
Beverages	21.2	3.7	29.0	(2.0)	(10.0)	6.9	-1.5	2.8	-11.6
Badshah								15.0	15.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,23,335	1,31,301	1,44,721	1,59,803
YoY gr. (%)	7.0	6.5	10.2	10.4
Cost of Goods Sold	64,461	67,481	73,429	80,767
Gross Profit	58,874	63,819	71,292	79,036
Margin (%)	47.7	48.6	49.3	49.5
Employee Cost	12,396	14,011	15,555	17,280
Other Expenses	11,139	11,510	12,626	13,925
EBITDA	23,286	25,064	28,633	31,610
YoY gr. (%)	7.6	7.6	14.2	10.4
Margin (%)	18.9	19.1	19.8	19.8
Depreciation and Amortization	3,992	4,142	4,380	4,584
EBIT	19,293	20,922	24,253	27,025
Margin (%)	15.6	15.9	16.8	16.9
Net Interest	1,242	1,107	986	956
Other Income	4,824	5,014	5,275	5,567
Profit Before Tax	22,876	24,829	28,541	31,636
Margin (%)	18.5	18.9	19.7	19.8
Total Tax	5,474	5,773	6,707	7,498
Effective tax rate (%)	23.9	23.3	23.5	23.7
Profit after tax	17,401	19,056	21,834	24,138
Minority interest	(314)	(314)	(314)	(314)
Share Profit from Associate	-	-	-	-
Adjusted PAT	17,715	19,370	22,148	24,452
YoY gr. (%)	3.7	9.3	14.3	10.4
Margin (%)	14.4	14.8	15.3	15.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	17,715	19,370	22,148	24,452
YoY gr. (%)	3.7	9.3	14.3	10.4
Margin (%)	14.4	14.8	15.3	15.3
Other Comprehensive Income	(919)	-	-	-
Total Comprehensive Income	16,796	19,370	22,148	24,452
Equity Shares O/s (m)	1,772	1,772	1,772	1,772
EPS (Rs)	10.0	10.9	12.5	13.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	58,544	61,825	65,375	68,425
Tangibles	48,315	51,778	55,278	58,278
Intangibles	10,229	10,048	10,098	10,148
Acc: Dep / Amortization	23,948	28,089	32,469	37,054
Tangibles	22,035	25,473	29,146	33,020
Intangibles	1,913	2,616	3,323	4,033
Net fixed assets	34,596	33,736	32,906	31,372
Tangibles	26,280	26,304	26,131	25,257
Intangibles	8,316	7,431	6,775	6,114
Capital Work In Progress	2,091	1,600	1,700	1,750
Goodwill	4,051	4,051	4,051	4,051
Non-Current Investments	52,796	59,489	67,214	75,942
Net Deferred tax assets	(1,090)	(1,090)	(1,090)	(1,090)
Other Non-Current Assets	1,089	1,271	1,380	1,500
Current Assets				
Investments	16,473	17,297	18,161	19,070
Inventories	19,470	23,174	25,542	28,204
Trade receivables	8,987	9,448	10,217	11,282
Cash & Bank Balance	6,664	6,741	7,553	9,078
Other Current Assets	4,584	3,545	4,125	4,794
Total Assets	1,51,226	1,60,746	1,73,283	1,87,523
Equity				
Equity Share Capital	1,772	1,772	1,772	1,772
Other Equity	96,891	1,07,324	1,17,549	1,28,890
Total Networkth	98,663	1,09,095	1,19,321	1,30,661
Non-Current Liabilities				
Long Term borrowings	7,062	7,062	6,962	6,862
Provisions	683	788	868	959
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	6,589	6,289	5,989	5,689
Trade payables	24,217	25,220	27,473	30,219
Other current liabilities	8,498	7,082	7,767	8,537
Total Equity & Liabilities	1,51,226	1,60,746	1,73,283	1,87,523

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	23,581	24,829	28,541	31,636
Add. Depreciation	3,992	4,142	4,380	4,584
Add. Interest	1,242	1,107	986	956
Less Financial Other Income	4,824	5,014	5,275	5,567
Add. Other	(4,824)	(5,014)	(5,275)	(5,567)
Op. profit before WC changes	23,991	25,064	28,633	31,610
Net Changes-WC	(9,325)	(4,341)	(1,974)	(1,999)
Direct tax	(5,474)	(5,773)	(6,707)	(7,498)
Net cash from Op. activities	9,191	14,951	19,952	22,113
Capital expenditures	(7,192)	(2,791)	(3,650)	(3,100)
Interest / Dividend Income	4,824	5,014	5,275	5,567
Others	2,700	(6,573)	(7,691)	(8,691)
Net Cash from Invt. activities	332	(4,350)	(6,066)	(6,223)
Issue of share cap. / premium	165	1,250	3	-
Debt changes	2,217	(300)	(400)	(400)
Dividend paid	(9,656)	(10,188)	(11,925)	(13,111)
Interest paid	(1,242)	(1,107)	(986)	(956)
Others	-	-	-	-
Net cash from Fin. activities	(8,516)	(10,344)	(13,309)	(14,468)
Net change in cash	1,008	256	577	1,421
Free Cash Flow	1,999	12,160	16,302	19,013

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	10.0	10.9	12.5	13.8
CEPS	12.3	13.3	15.0	16.4
BVPS	55.7	61.6	67.3	73.7
FCF	1.1	6.9	9.2	10.7
DPS	5.6	6.5	7.3	8.2
Return Ratio(%)				
RoCE	18.1	17.8	19.0	19.6
ROIC	15.1	15.3	16.4	17.0
RoE	18.8	18.6	19.4	19.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	13	21	21	21
Valuation(x)				
PER	54.7	50.0	43.7	39.6
P/B	9.8	8.9	8.1	7.4
P/CEPS	44.6	41.2	36.5	33.4
EV/EBITDA	41.2	38.2	33.4	30.1
EV/Sales	7.8	7.3	6.6	6.0
Dividend Yield (%)	1.0	1.2	1.3	1.5

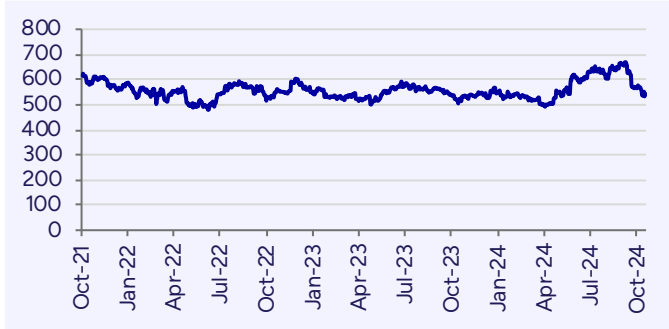
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	32,551	28,146	33,491	30,286
YoY gr. (%)	7.0	5.1	7.0	(5.5)
Raw Material Expenses	16,728	14,468	17,487	15,343
Gross Profit	15,823	13,679	16,005	14,943
Margin (%)	48.6	48.6	47.8	49.3
EBITDA	6,678	4,668	6,550	5,526
YoY gr. (%)	9.5	13.9	8.3	(16.4)
Margin (%)	20.5	16.6	19.6	18.2
Depreciation / Depletion	969	1,074	1,091	1,110
EBIT	5,709	3,595	5,459	4,416
Margin (%)	17.5	12.8	16.3	14.6
Net Interest	365	352	327	474
Other Income	1,274	1,289	1,294	1,515
Profit before Tax	6,618	4,531	6,427	5,457
Margin (%)	20.3	16.1	19.2	18.0
Total Tax	1,550	1,114	1,481	1,284
Effective tax rate (%)	23.4	24.6	23.0	23.5
Profit after Tax	5,068	3,416	4,946	4,173
Minority interest	4	4	2	(2)
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,064	3,412	4,944	4,175
YoY gr. (%)	6.2	16.6	8.3	(17.7)
Margin (%)	15.6	12.1	14.8	13.8
Extra Ord. Income / (Exp)	118	(896)	(131)	(501)
Reported PAT	5,182	2,516	4,813	3,674
YoY gr. (%)	28.8	31.9	10.4	(27.5)
Margin (%)	15.9	8.9	14.4	12.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,182	2,516	4,813	3,674
Avg. Shares O/s (m)	1,772	1,772	1,772	1,772
EPS (Rs)	2.9	1.9	2.8	2.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	603	572
2	01-Aug-24	Hold	621	644
3	09-Jul-24	UR	-	606
4	02-May-24	Accumulate	563	525
5	09-Apr-24	Accumulate	535	503
6	01-Feb-24	Accumulate	600	540
7	08-Jan-24	Accumulate	617	553
8	02-Nov-23	Accumulate	597	530

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	2,973	3,219
5	Dabur India	Hold	603	572
6	Emami	Hold	836	743
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	539	472
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	286	292
11	Marico	Accumulate	693	629
12	Metro Brands	Hold	1,208	1,165
13	Mold-tek Packaging	Accumulate	853	749
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,339	3,122
16	Restaurant Brands Asia	Hold	109	92
17	Titan Company	Accumulate	3,969	3,670
18	Westlife Foodworld	Hold	797	802

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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