MOTILAL OSWAL
FINANCIAL SERVICES

the Corner Office
Interaction with the CEO

Near-term pressure sustains; focus on scaling up power brands

We met with Mr. Mohit Malhotra, CEO of Dabur India (DABUR), to discuss current demand trends, the company's strategy for driving growth across verticals, the competitive landscape, and the profitability outlook. Here are the key takeaways from the discussion:

DABUR management remains focused on strengthening its winning portfolio by scaling up successful product innovations. The company has seen initial success with various launches and plans to further drive growth and expand its user base. DABUR aims to stay relevant to the rapidly growing demand from youth and emerging channels. Herbal/natural theme is still playing and company will capitalize the same across for its product basket. The HPC portfolio (>50% revenue mix) has sustained high single-digit growth, and the company is confident on achieving high single-digit to even double-digit growth in the medium term, driven by oral care, home care, and skin care. The Food business (30% of F&B, including Badshah) is growing strongly and is expected to sustain 20-25% CAGR. The Beverage business faced a poor last season, but the company has implemented pricing actions and expects a recovery in the upcoming season. DABUR aims to achieve high single-digit to low double-digit revenue growth in the medium term with maintaining the operating margin at ~20%.

In the near term, the demand environment remains similar to 2QFY25. The winter portfolio (30-35% of 3Q) did not see the expected uptake due to a soft and delayed winter season, which will impact near-term performance. Rural demand is gradually recovering, while urban demand remains subdued, affected by persistent food inflation. DABUR made inventory corrections in GT at the end of 2QFY25 to improve the distributor ROI, which had a significant impact on primary performance in 2Q (domestic revenue down 8%). However, primary revenue growth has normalized from October onwards. With a price hike (~2%), cost pressures are expected to be minimal, and the EBITDA margin is expected to remain at similar levels. We cut EPS estimates by 3% for FY25-26 to factor in the slow demand recovery (mainly urban). The recent stock correction has led to comfort on valuation, and we reiterate our BUY rating with a TP of INR675 at 50x P/E on Dec'26E.

Dabur India

Mohit Malhotra, CEO

Mr. Mohit Malhotra is a Management Graduate from Pune University and holds an Executive Masters in International Business from the Indian Institute of Foreign Trade, New Delhi. He joined DABUR in 1994 and handled key assignments in Marketing and Sales. In 2001, he took over as the Business Head of European Union. In 2004, he moved to DABUR's International Business as the Head of Marketing, based in Dubai, and assumed the role of Chief Executive Officer of Dabur International in 2008 and become CEO of Dabur India in 2018.

Plans to scale up the existing portfolio

DABUR is actively expanding its premium portfolio and Total Addressable Market (TAM). In addition to broadening its TAM, the company aims to scale its existing portfolio, which currently contributes <5% of the TAM. The company has seen initial success with many of its new launches, but these successes have not yet achieved the desired scale. It is now narrowing its focus and aiming to gain better traction for these brands by acquiring new customers and increasing order frequency. Its top seven power brands, which account for ~70% of revenue, are key growth drivers. New products contribute 3-4% of overall sales. Recent launches in the Baby Care and Health Juices categories are expected to generate INR500m revenue each in FY25. The Skincare segment, along with extensions of the Gulabari brand (Shower Gel and Mist), presents significant scalability opportunities.

Focus on driving emerging channels

DABUR has been actively evolving its portfolio to enhance its presence and expand its footprint in modern trade and e-commerce channels. Emerging channels (Ecomm, QC, MT, etc.) contribute 24% of DABUR's overall business and ~50% of its urban consumption. The company aims to capitalize on its presence in these channels by continuing to expand its product basket. With a rapidly growing and diverse customer base, DABUR has been launching value-added products across the product basket.

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HPC continues to drive growth in the medium term

DABUR's HPC portfolio (oral care, hair care, home care, and skin care) contributes c.50% of the domestic revenue. Oral Care has been the showstopper for many years, consistently gaining market share. DABUR has become the leading player in certain states (Orissa, Andhra Pradesh, and Tamil Nadu), and remains optimistic about sustaining this healthy trend in the coming years. In toothpaste, whitening and sensitive segments are still missing which the company can fix going ahead. DABUR currently holds a ~17% market share in Oral Care, and Herbal/Natural accounts for 30% of the industry. The Oral Care portfolio has the potential to deliver high single-digit to low double-digit growth. Home Care has also been growing at a healthy pace through new launches and market share gains (MRC and Air Fresheners saw a 500/200bp gain in 2QFY25).

Food business to show strong growth

The Food business (30% of F&B, including Badshah) is experiencing robust growth and expects to sustain a 20-25% CAGR. The Beverages business faced a poor last season due to pricing disparities, as price cuts on carbonated drinks created a significant price gap between juices and carbonated beverages. The company implemented price reductions on large packs (20-25%) and expanded its SKU range in juices at INR10/15/50/100. The outcomes in the upcoming season will be interesting to watch.

Healthcare drive via allopathic seeing a slow initial success

Mr. Philip Haydon joined DABUR in 2023 to lead its entire healthcare portfolio. He is the former CEO of Himalaya and has over 40 years of experience with the company. DABUR has been working to introduce its healthcare products through the allopathic channel. However, the success of these initiatives will be gradual and will require significant upfront efforts.

Season headwinds to impact near-term performance; overall muted demand trend

Demand trends have remained steady, with urban demand remaining weak and rural recovery progressing gradually. The winter season was expected to drive the seasonal portfolio, but a delayed and milder winter has impacted portfolio performance, which will affect results in 3Q. The winter-focused portfolio (Chyawanprash, Honey, Honitus, and Lal Tail) has seen modest growth due to the delayed winter, particularly in the Northern region. This portfolio accounts for 30-35% of revenue contribution (~15% yearly). Management remains hopeful for a recovery if the season improves during the remaining period, with demand potentially shifting from December to January. It will be critical to monitor the rest of the winter season to assess its impact/benefits in 4Q.

International business to sustain a healthy trend

The International business (25% of total sales) is expected to sustain a healthy growth trend (13% cc growth in 2Q). Sesa derives ~20% of its sales from international markets, with the brand being the leading Ayurvedic therapeutic hair oil in Bangladesh. Oral Care and Hair Care have been experiencing significant tailwinds for the international business. Many markets are witnessing a shift toward natural/herbal products, which will benefit DABUR's portfolio. In Egypt, DABUR is the number 2 brand in Oral Care and is continuing to expand its capacities. The MENA market also presents growth opportunities in Oral Care. Margin-accretive geographies (Middle East, North Africa) are performing well.

EBITDA margins remain at healthy levels

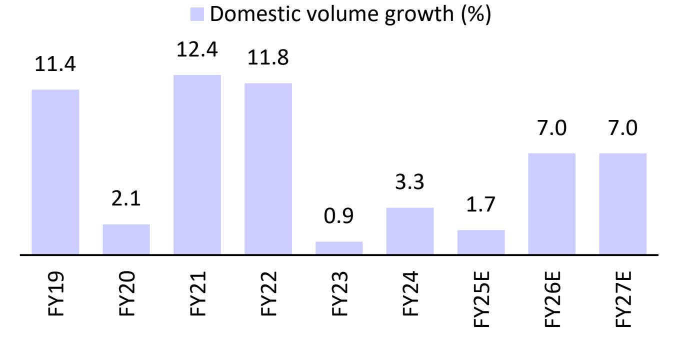
Management expects gross margins to be accretive and improve gradually. The company aims to sustain EBITDA margins despite raw material inflation. Its operating margin was ~20% pre-COVID but contracted in FY24 due to elevated raw material costs and increased brand investments. With a 2% price hike, the company is confident in sustaining EBITDA margins at healthy levels (19-20% range).

Valuation – reiterate BUY

Although DABUR's near-term performance appears challenging, the recent stock correction has largely factored in the same. With comfort in the valuation, we believe the revival in performance can quickly cover the recent correction in the stock. We remain constructive and reiterate a BUY rating with a TP of INR675 (premise on 50x P/E on Dec'26E).

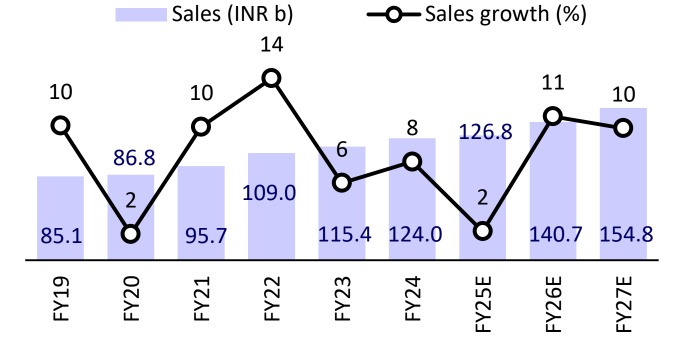
STORY IN CHARTS

Exhibit 1: Domestic volume impacted in FY25



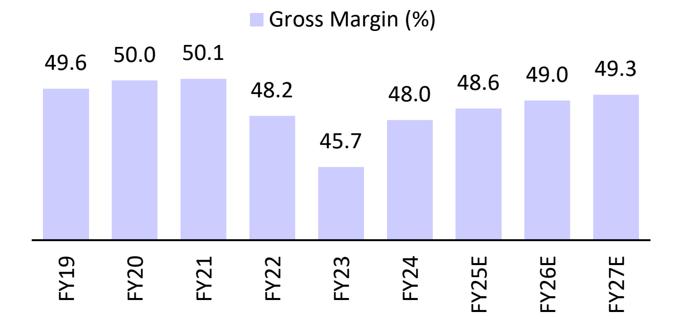
Source: MOFSL, Company

Exhibit 2: ..leading to low single digit revenue growth in FY25



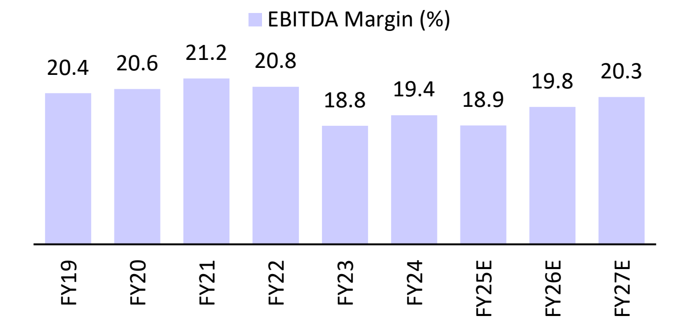
Source: MOFSL, Company

Exhibit 3: GP margin to expand gradually…



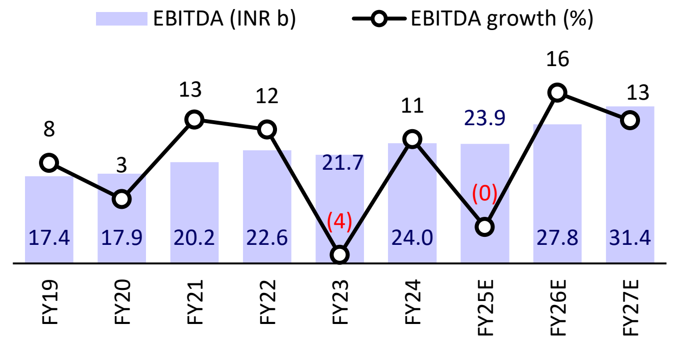
Source: MOFSL, Company

Exhibit 4: …along with EBITDA margin, barring FY25



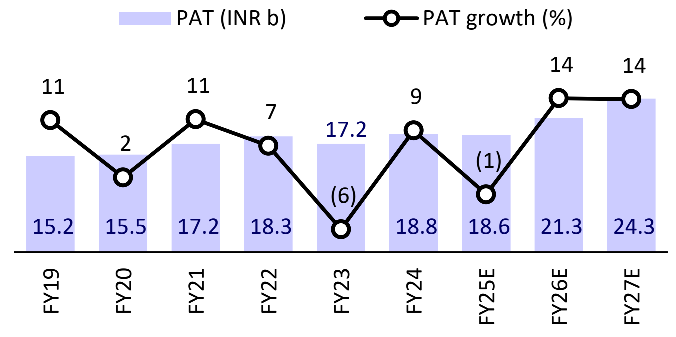
Source: MOFSL, Company

Exhibit 5: EBITDA to clock 9% CAGR over FY24-FY27…



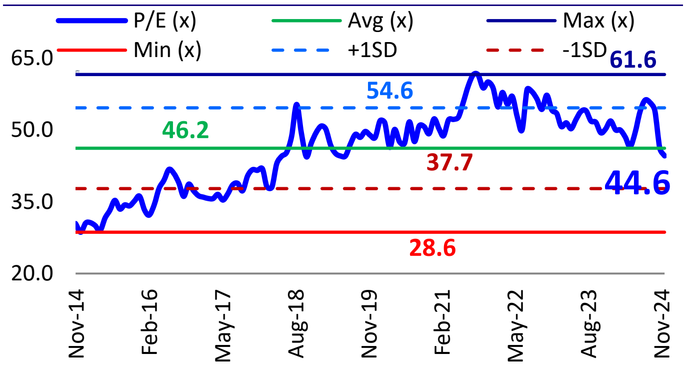
Source: MOFSL, Company

Exhibit 6: …. with 9% CAGR in PAT over FY24-FY27



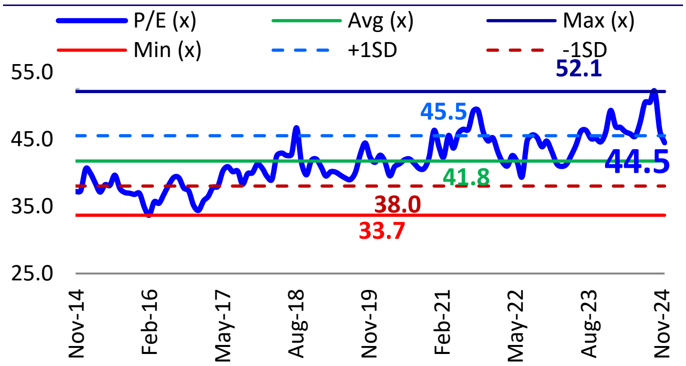
Source: MOFSL, Company

Exhibit 7: DABUR's P/E ratio



Source: MOFSL, Company

Exhibit 8: Consumer P/E ratio



Source: MOFSL, Company

Financials and valuations

Consol. Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**85,150**	**86,846**	**95,683**	**1,08,960**	**1,15,379**	**1,24,040**	**1,26,763**	**1,40,669**	**1,54,822**
Change (%)	10.3	2.0	10.2	13.9	5.9	7.5	2.2	11.0	10.1
Gross Profit	**42,240**	**43,434**	**47,944**	**52,563**	**52,692**	**59,571**	**61,607**	**68,928**	**76,327**
Margin (%)	49.6	50.0	50.1	48.2	45.7	48.0	48.6	49.0	49.3
Other Expenditure	24,845	25,510	27,700	29,952	30,971	35,568	37,712	41,146	44,976
EBITDA	**17,395**	**17,924**	**20,243**	**22,611**	**21,721**	**24,002**	**23,895**	**27,782**	**31,351**
Change (%)	7.5	3.0	12.9	11.7	-3.9	10.5	-0.4	16.3	12.8
Margin (%)	20.4	20.6	21.2	20.8	18.8	19.4	18.9	19.8	20.3
Depreciation	1,769	2,205	2,401	2,529	3,110	3,992	4,449	4,550	4,756
Int. and Fin. Charges	596	495	308	386	782	1,242	1,600	1,200	1,000
Other Income - Recurring	2,962	3,053	3,253	3,932	4,454	4,824	5,726	5,267	5,870
Profit before Taxes	**17,992**	**18,277**	**20,787**	**23,628**	**22,283**	**23,593**	**23,572**	**27,299**	**31,465**
Change (%)	5.4	1.6	13.7	13.7	-5.7	5.9	-0.1	15.8	15.3
Margin (%)	21.1	21.0	21.7	21.7	19.3	19.0	18.6	19.4	20.3
Tax	4,070	4,654	3,630	4,422	4,816	5,395	5,507	6,619	7,824
Deferred Tax	-1,284	-1,857	-20	842	357	79	80	69	41
Tax Rate (%)	15.5	15.3	17.4	22.3	23.2	23.2	23.7	24.5	25.0
Profit after Taxes	**15,206**	**15,480**	**17,176**	**18,364**	**17,110**	**18,118**	**17,985**	**20,612**	**23,600**
Change (%)	10.8	1.8	11.0	6.9	-6.8	5.9	-0.7	14.6	14.5
Margin (%)	17.9	17.8	18.0	16.9	14.8	14.6	14.2	14.7	15.2
Adjusted PAT	**15,176**	**15,454**	**17,160**	**18,333**	**17,168**	**18,757**	**18,597**	**21,269**	**24,295**

Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	1,766	1,767	1,767	1,768	1,772	1,772	1,772	1,772	1,772
Reserves	54,551	64,290	74,868	82,045	87,961	96,891	1,04,245	1,11,564	1,19,210
Net Worth	**56,317**	**66,057**	**76,635**	**83,813**	**89,733**	**98,663**	**1,06,017**	**1,13,336**	**1,20,982**
Minority Interest	314	365	367	406	4,682	4,368	4,650	4,980	5,350
Loans	5,288	4,718	4,847	10,072	11,434	11,581	11,381	11,181	10,981
Capital Employed	**61,919**	**71,140**	**81,849**	**94,291**	**1,05,848**	**1,14,612**	**1,22,047**	**1,29,496**	**1,37,313**
Gross Block	28,028	32,935	35,238	39,265	53,541	59,488	55,089	61,039	60,689
Less: Accum. Depn.	-11,698	-13,768	-16,169	-18,698	-21,807	-25,799	-30,249	-34,798	-39,555
Net Fixed Assets	**16,330**	**19,167**	**19,069**	**20,568**	**31,734**	**33,689**	**24,840**	**26,240**	**21,134**
Capital WIP	638	1,466	1,473	1,675	1,751	2,091	2,091	2,091	2,091
Goodwill	3,361	3,360	3,360	2,512	4,053	4,051	3,551	3,051	2,551
Investments	**33,588**	**28,003**	**41,484**	**62,102**	**62,574**	**69,254**	**71,754**	**74,254**	**76,754**
Curr. Assets, L&A	**30,451**	**41,325**	**42,199**	**35,983**	**37,854**	**42,079**	**56,470**	**64,139**	**78,753**
Inventory	13,005	13,796	17,343	19,114	20,242	19,470	22,615	24,809	27,028
Account Receivables	8,336	8,139	5,616	6,462	8,488	8,987	9,184	10,192	11,217
Cash and Bank Balance	3,282	8,114	12,710	5,387	4,703	6,664	17,157	21,024	31,742
Others	5,828	11,277	6,531	5,021	4,422	6,958	7,513	8,114	8,765
Curr. Liab. and Prov.	**22,216**	**22,226**	**26,484**	**27,732**	**31,229**	**35,525**	**35,631**	**39,252**	**42,942**
Current Liabilities	19,812	19,475	23,126	23,884	28,446	32,343	31,252	34,681	38,170
Provisions	2,404	2,751	3,357	3,847	2,784	3,182	4,379	4,571	4,772
Net Current Assets	**8,235**	**19,099**	**15,716**	**8,251**	**6,625**	**6,554**	**20,839**	**24,888**	**35,811**
Deferred Tax Liability	-231	46	747	-816	-889	-1,027	-1,027	-1,027	-1,027
Application of Funds	**61,919**	**71,140**	**81,849**	**94,291**	**1,05,848**	**1,14,611**	**1,22,047**	**1,29,496**	**1,37,313**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	**8.6**	**8.7**	**9.7**	**10.4**	**9.7**	**10.6**	**10.5**	**12.0**	**13.7**
Cash EPS	9.2	9.4	11.1	11.3	11.5	12.7	12.8	14.4	16.2
BV/Share	31.9	37.4	43.4	47.4	50.6	55.7	59.8	64.0	68.3
DPS	4.0	4.5	4.8	4.8	5.2	5.5	7.0	8.5	10.0
Payout %	46.6	51.5	48.9	45.8	53.7	52.0	66.7	70.8	72.9
Valuation (x)									
P/E	59.6	58.5	52.7	49.4	52.8	48.4	48.8	42.7	37.3
Cash P/E	55.9	54.3	46.3	45.2	44.7	40.5	39.9	35.6	31.6
EV/Sales	10.2	10.1	8.9	7.8	7.4	6.8	6.5	5.9	5.2
EV/EBITDA	50.2	48.7	42.3	37.5	39.2	35.1	34.7	29.6	25.8
P/BV	16.1	13.7	11.8	10.8	10.1	9.2	8.6	8.0	7.5
Dividend Yield (%)	0.8	0.9	0.9	0.9	1.0	1.1	1.4	1.7	2.0
Return Ratios (%)									
RoE	26.8	25.3	24.1	22.9	19.8	19.9	18.2	19.4	20.7
RoCE	24.4	23.9	22.8	21.2	17.7	17.3	16.2	17.1	18.3
RoIC	53.2	45.9	49.4	60.8	46.1	41.9	43.9	55.5	67.8
Working Capital Ratios									
Debtor (Days)	36	34	21	22	27	26	26	26	26
Asset Turnover (x)	1.4	1.2	1.2	1.2	1.1	1.1	1.0	1.1	1.1
Leverage Ratio									
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(loss) before Tax	17,249	17,276	20,787	22,778	22,187	23,587	23,572	27,299	31,465
Int./Div. Received	1,765	2,553	2	39	-1,038	-2,201	282	330	370
Depreciation & Amort.	1,769	2,205	2,401	2,529	3,110	3,992	4,449	4,550	4,756
Interest Paid	-2,002	-2,001	308	386	-2,829	-2,689	1,600	1,200	1,000
Direct Taxes Paid	-3,507	-3,089	-3,611	-5,264	-4,945	-4,939	-5,587	-6,688	-7,865
(Incr)/Decr in WC	-181	-580	7,979	141	-1,601	2,385	-3,792	-181	-206
CF from Oper.	**15,092**	**16,364**	**27,867**	**20,609**	**14,884**	**20,135**	**20,524**	**26,510**	**29,521**
(Incr)/Decr in FA	-2,344	-4,175	-2,311	-3,381	-4,857	-5,609	4,900	-5,450	850
Free Cash Flow	**12,748**	**12,190**	**25,556**	**17,228**	**10,027**	**14,526**	**25,424**	**21,060**	**30,371**
(Pur)/Sale of Invt.	-53,928	-84,788	-13,481	-20,618	-4,950	-7,978	-2,500	-2,500	-2,500
Others	60,600	86,031	-878	1,515	4,591	7,025	2	-3	-5
CF from Invest.	**4,329**	**-2,931**	**-16,670**	**-22,484**	**-5,216**	**-6,562**	**2,401**	**-7,953**	**-1,655**
Issue of Shares	5	1	-501	-1,006	4	0	0	0	0
(Incr)/Decr in Debt	-2,720	-1,751	129	5,226	488	-472	-200	-200	-200
Dividend Paid	-15,970	-6,178	-5,921	-9,281	-9,213	-9,658	-10,632	-13,290	-15,948
Others	-515	-673	-308	-386	-1,631	-1,483	-1,600	-1,200	-1,000
CF from Fin. Act.	**-19,200**	**-8,601**	**-6,602**	**-5,448**	**-10,352**	**-11,612**	**-12,432**	**-14,690**	**-17,148**
Incr/Decr of Cash	**221**	**4,832**	**4,596**	**-7,323**	**-684**	**1,961**	**10,493**	**3,867**	**10,718**
Add: Opening Bal.	3,061	3,282	8,114	12,710	5,387	4,703	6,664	17,157	21,024
Closing Balance	**3,282**	**8,114**	**12,710**	**5,387**	**4,703**	**6,664**	**17,157**	**21,024**	**31,742**

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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