

Short-term Challenges Persist; Downgrade to HOLD

Est. Vs. Actual for Q4FY25: Revenue – **BEAT** ; EBITDA – **BEAT** ; PAT – **BEAT**

Changes in Estimates post Q4FY25

FY26E/FY27E – Revenue -9%/-12%; **EBITDA** -13%/-18%; **PAT** -14%/-19%

Recommendation Rationale

- Dabur's consolidated sales grew 0.6% YoY, impacted by weak urban demand, food inflation, and an unfavourable season. The India business declined by 3.4% YoY, while the international business delivered strong constant currency growth of 19.3% YoY in Q4FY25. However, the management remains optimistic, citing improving macroeconomic conditions supported by easing inflation, tax cuts, and a favourable monsoon. **It expects high single-digit to double-digit volume growth in FY26.**
- Rural demand outpaced urban by 450 bps, registering a strong 14% growth, while urban consumption remained flat due to a weak macro environment. However, the management indicated early signs of recovery in urban markets, with a gradual improvement anticipated through FY26.
- Gross margins declined by 192 bps YoY to 46.7%, primarily impacted by elevated food inflation. EBITDA margins contracted by 150 bps YoY to 15.1%, despite reductions in ad spends and staff costs. Price hikes of 3.5% lagged behind input inflation of 4.5–5%, particularly in personal care and beverages, where pricing flexibility was constrained. Margin pressure was further intensified by trade promotions, though the impact of recent price actions is expected to support margins in Q1FY26.

Sector Outlook: Positive

Company Outlook & Guidance: While Dabur's long-term growth trajectory remains intact, near-term uncertainties prompt a cautious stance. **Hence, we downgrade the stock from BUY to HOLD.**

Current Valuation: 45x Mar-27 EPS (Earlier Valuation: 45x Dec-26 EPS).

Current TP: Rs 510/share (Earlier TP: Rs 610/share).

Recommendation: With an upside potential of 6% from the CMP, **we downgrade the stock from BUY to HOLD.**

Financial Performance: The company's consolidated revenue grew 0.6% YoY to Rs 2,830 Cr, with the India business declining by 3.4% YoY, while the international business expanded by ~19.3% YoY in constant currency terms. Gross margins stood at 46.7%, down 192 bps YoY due to elevated food inflation, while EBITDA margins declined by 150 bps YoY to 15.1%, partly offset by ~4% and ~7% reductions in ad spends and staff costs, respectively. The company reported a PAT of Rs 320 Cr, down 8.4% YoY.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	2,830	-15.7	0.6	2,807	0.8
EBITDA	427	-37.4	-8.6	424	0.6
EBITDA Margins (%)	15.1	-524 bps	-150 bps	15.1	-3 bps
Net Profit	320	-38.7	-8.4	308	4.0
EPS (Rs)	1.8	-38.7	-8.4	1.7	4.0

Source: Company, Axis Research

(CMP as of 07th May 2025)

CMP (Rs)	482
Upside /Downside (%)	6%
High/Low (Rs)	672/420
Market cap (Cr)	85532
Avg. daily vol.(6m) Shrs. '000	2495
No. of shares (Cr)	177

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	66.3	66.3	66.3
FII's	15.1	13.3	12.7
MFs / UTI	6.2	6.2	6.2
Banks / FI's	0.1	0.0	0.1
Others	12.4	14.2	14.7

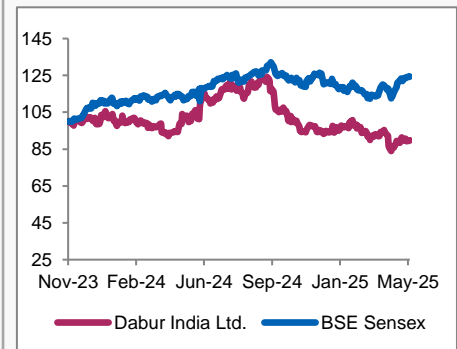
Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	12,563	13,185	14,135
EBITDA	2,316	2,411	2,643
Net Profit	1,768	1,821	2,025
EPS (Rs.)	10.0	10.3	11.5
PER (x)	48.3	46.8	42.0
EV/EBITDA (x)	36.1	34.3	30.8
P/BV (x)	7.9	7.5	7.0
ROE (%)	16.4	16.0	16.6

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-9%	-12%
EBITDA	-13%	-18%
PAT	-14%	-19%

Relative Performance



Source: Ace Equity, Axis Securities

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Outlook

Dabur continues to face short-term challenges stemming from inflationary pressures, seasonal disruptions, and high base effects, further compounded by operating deleverage. The underperformance in health supplements, due to delayed winters, and sluggish demand in the beverage segment, which is heavily reliant on urban consumption, are key concerns. While near-term recovery may take time, Dabur's long-term prospects remain strong, supported by solid execution, rural expansion, and strategic investments in brands and innovation. Given the prevailing headwinds, **we downgraded the stock from BUY to HOLD.**

Valuation & Recommendation

We cut our estimates over FY26/27E and **downgraded the stock to HOLD with a revised TP of Rs 510/share, implying an upside potential of 6% from the CMP.**

A) Segmental Performance

1. Home & Personal Care (~48.3% of sales)

Dabur's Home and Personal Care (HPC) segment delivered a 3.3% YoY growth in Q4FY25 on a high base.

- **Oral Care:** Growth was muted, down by 5.2%, due to a high base (22% in Q4FY24). However, brands like Meswak and the Dabur Herb'l range continued to deliver steady traction, helping the company register a 15 bps gain in market share.
- **Hair Care:** The segment de-grew by 4.6% YoY. Shampoos posted mid-single-digit growth of ~4%, with the company capturing 20 bps market share. Hair oils outperformed the broader category, delivering robust growth and gaining 196 bps share, led by an 11% uptick in the coconut oil segment.
- **Home Care:** Segment growth remained modest in the low single digits at 0.9% YoY. Odonil posted healthy growth and expanded its market share by 67 bps, while Odomos was impacted by seasonal softness, though it still managed to gain 386 bps in the mosquito repellent cream (MRC) category.
- **Skin Care:** The Gulabari franchise drove double-digit growth in the skincare portfolio, which grew by 8% overall.

2. Healthcare (~30% of sales)

In Q4FY25, the healthcare portfolio experienced a modest growth of 4.7%YoY.

- **Health Supplements:** Performance was subdued, down 3.6% YoY, due to an unseasonably warm and delayed winter, which weighed on Chyawanprash and Honey. Despite soft demand, both categories gained share, with Honey and Chyawanprash expanding by 75 bps and 162 bps, respectively. Glucose emerged as a bright spot with 10% growth and a 112 bps market share gain.
- **Digestives:** The Digestives segment de-grew by 2.1% YoY. Hajmola posted low single-digit growth of ~3.3% but strengthened its category leadership with a 233 bps market share gain. Newer variants, including Hajmola Zeera, witnessed encouraging consumer response, with product extensions now accounting for over half of the Hajmola portfolio.
- **OTC & Ethicals:** The segment underperformed, declining by 8.4% YoY, primarily due to winter-centric products such as Lal Tail and Honitus, which witnessed muted traction owing to the shortened season. In contrast, health juices sustained strong momentum, delivering over 25% YoY growth.

3. **Foods(2% of sales) and Beverages (19.7% of sales)**

In Q4FY25, the Food business had a 14.2% YoY growth, whereas the Beverages segment de-grew by 9.2%YoY.

- **Foods:** The culinary business maintained strong growth momentum with a 14.2% YoY increase, led by solid traction in Homemade Coconut Milk and Lemoneez. The portfolio continues to benefit from rising in-home cooking trends and premiumisation.
- **Badshah Spices:** The Portfolio grew by 6% with healthy volume growth of 11% during the quarter, despite a temporary drag in institutional sales due to lower government procurement. The brand expanded into new geographies, including Rajasthan and Madhya Pradesh, and is aligning its portfolio with regional flavour preferences to capture incremental demand..
- **Beverages:** The overall beverage category witnessed a soft performance(down by 9.2% yoy) due to sluggish urban demand, which accounts for nearly 70% of the portfolio. However, the premium segment remained resilient—Real Activ and Coconut Water delivered robust double-digit growth (~11% YoY). The company also gained 260 bps market share in the juices and nectars (J&N) category, reinforcing its leadership position.

B) Other Key Takeaways

1. International Business

Dabur's international operations delivered a strong 19.3% growth in constant currency, driven by broad-based double-digit expansion across key geographies, including MENA, Egypt, the UK, USA, Turkey, and Bangladesh. The company continues to build on this momentum with a well-diversified global footprint and strategic focus on high-opportunity markets..

2. Management Business Outlook

Dabur has laid out a refreshed roadmap anchored on seven strategic pillars aimed at driving profitable growth and portfolio modernisation:-

- **Core Brand Focus:** The company plans to double down on its core brands—seven of which are Rs 500+ Cr in size—through higher investments and deeper penetration to consolidate market share.
- **Premiumisation Drive:** New launches in serums, health gummies, low-sugar beverages; premium formats gaining traction across healthcare and personal care.
- **Category Expansion:** Stepping up innovation in high-potential segments such as functional health juices, Hajmola extensions, and wellness products like Shilajit to tap rising health-conscious demand.
- **Portfolio Rationalisation: Exiting low-margin, non-core categories (tea, diapers, sanitisers)** to free up capital for high-return segments.
- **Distribution Channel:** The company is also sharpening its go-to-market strategy(GTM) through distribution expansion in rural India, consolidation in urban channels, and stronger digital integration to boost ROI and reduce cost-to-serve.
- **M&A Strategy:** Focused on revenue-accretive assets and wellness-centric premium brands, especially in healthcare and foods.
- **Cost Optimisation:** Enhancing efficiency across the value chain through digital integration, supply chain agility, and cost control measures to support margin resilience.

Key Risks to Our Estimates and TP

- Increase in competitive intensity, prolonged demand recovery, RM inflation, and advertisement spends.

Change in Estimates

	Old		New		% change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	14,510	16,061	13,185	14,135	-9%	-12%
EBITDA	2,768	3,219	2,411	2,643	-13%	-18%
PAT	2,128	2,501	1,821	2,025	-14%	-19%
EPS	12	14.2	10.3	11.5	-14%	-19%

Source: Company, Axis Securities

Results Review

Rs Cr	Q4FY24	Q3FY25	Axis Sec Est.	Q4FY25	YoY growth %	QoQ growth (%)	Axis Sec Var
Domestic Volume growth (% YoY)	4%	1%	-4%	0.1%	-4 bps	-1 bps	4 bps
Net Sales	2,815	3,355	2,807	2,830	0.6	(15.7)	0.8
Gross Profits	1,368	1,612	1,338	1,321	(3.4)	(18.1)	(1.3)
Gross Margin (%)	48.6	48.1	47.7	46.7	-192 bps	-138 bps	-100 bps
Staff costs	316	335	319	294	(6.9)	(12.2)	(7.8)
Ad spends	184	227	187	176	(3.9)	(22.2)	(5.8)
Other operating expenses	401	369	407	423	5.5	14.9	4.0
EBITDA	467	682	424	427	(8.6)	(37.4)	0.6
EBITDA margin (%)	16.6	20.3	15.1	15.1	-150 bps	-524 bps	-3 bps
Depreciation	107	109	110	117	8.9	7.6	6.5
EBIT	359	573	314	310	(13.8)	(45.9)	(1.4)
Other Income	129	128	131	141	9.5	10.2	8.1
Interest Cost	35	44	45	39	11.4	(11.2)	(12.9)
PBT	453	657	400	412	(9.1)	(37.3)	3.0
Tax rate (%)	24.6	21.6	23.0	24.1	-52 bps	250 bps	108 bps
PAT	350	522	308	320	(8.4)	(38.7)	4.0
EPS	2.0	3.0	1.7	1.8	(8.4)	(38.7)	4.0

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Net sales	12,404	12,563	13,185	14,135
Growth, %	7.6	1.3	5.0	7.2
Raw material expenses	(6,447)	(6,535)	(6,862)	(7,273)
Employee expenses	(1,240)	(1,291)	(1,356)	(1,424)
Other Operating expenses	(2,317)	(2,421)	(2,557)	(2,795)
EBITDA (Core)	2,400	2,316	2,411	2,643
Growth, %	10.9	(3.5)	4.1	9.6
Margin, %	19.4	18.4	18.3	18.7
Depreciation	(399)	(446)	(475)	(490)
EBIT	2,001	1,871	1,935	2,153
Growth, %	8.0	(6.5)	3.4	11.2
Margin, %	16.1	14.9	14.7	15.2
Interest paid	(124)	(164)	(176)	(189)
Other Income	482	550	605	666
Non-recurring Items	-	-	-	-
Pre-tax profit	2,359	2,258	2,365	2,630
Tax provided	(547)	(517)	(544)	(605)
Profit after tax	1,811	1,740	1,821	2,025
Net Profit	1,843	1,768	1,821	2,025
Growth, %	7.9	(4.1)	3.0	11.2
Net Profit (adjusted)	1,843	1,768	1,821	2,025
Unadj. shares (Cr)	177	177	177	177

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31 st Mar	FY24	FY25A	FY26E	FY27E
Cash & bank	666	578	1,420	2,471
Marketable securities at cost	1,667	2,088	2,088	2,088
Debtors	899	889	933	1,000
Inventory	1,947	2,300	2,414	2,588
Loans & advances	14	-	-	-
Total current assets	5,686	6,535	7,535	8,826
Investments	5,266	5,380	5,380	5,380
Gross fixed assets	6,215	6,835	7,035	7,235
Less: Depreciation	(2,400)	(2,845)	(3,321)	(3,811)
Add: Capital WIP	232	169	169	169
Net fixed assets	4,047	4,159	3,883	3,593
Total assets	15,123	16,232	16,957	17,958
Current liabilities	3,930	4,318	4,458	4,672
Provisions	68	71	71	71
Total current liabilities	3,999	4,390	4,530	4,743
Non-current liabilities	821	632	632	632
Total liabilities	4,820	5,022	5,162	5,375
Paid-up capital	177	177	177	177
Reserves & surplus	9,689	10,623	11,208	11,996
Shareholders' equity	10,303	11,210	11,795	12,583
Total equity & liabilities	15,123	16,232	16,957	17,958

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Pre-tax profit	2,359	2,258	2,365	2,630
Depreciation	399	446	475	490
Chg in working capital	159	(168)	(18)	(27)
Total tax paid	(529)	(478)	(544)	(605)
Other operating activities	-	-	-	-
Cash flow from operating activities	2,387	2,057	2,278	2,487
Capital expenditure	(693)	(557)	(200)	(200)
Chg in investments	263	(114)	-	-
Chg in marketable securities	(930)	(421)	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	(1,361)	(1,092)	(200)	(200)
Free cash flow	1,027	966	2,078	2,287
Equity raised/(repaid)	(40)	(0)	0	-
Debt raised/(repaid)	263	(220)	-	-
Dividend (incl. tax)	(975)	(1,418)	(1,236)	(1,236)
Other financing activities	-	-	-	-
Cash flow from financing activities	(751)	(1,638)	(1,236)	(1,236)
Net chg in cash	275	(672)	842	1,051

Source: Company, Axis Securities

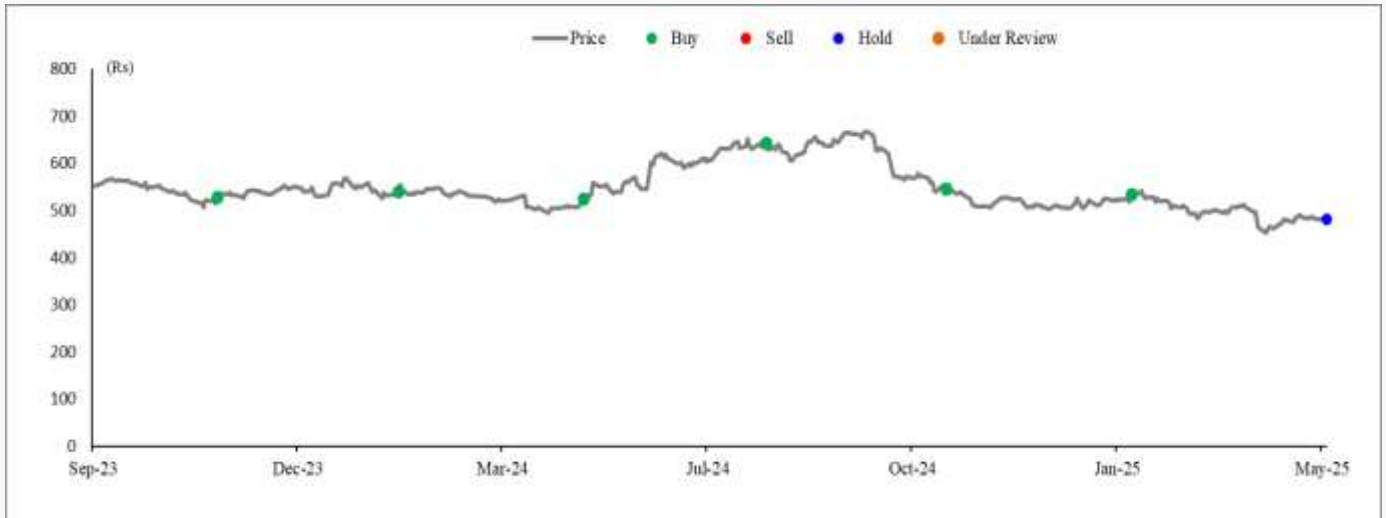
Ratio Analysis

(%)

	FY24	FY25A	FY26E	FY27E
Per Share data				
EPS (INR)	10.4	10.0	10.3	11.5
Growth, %	7.6	(4.1)	3.3	11.2
Book NAV/share (INR)	55.7	61.0	64.5	68.9
FDEPS (INR)	10.4	10.0	10.3	11.5
CEPS (INR)	12.7	12.5	13.0	14.2
CFPS (INR)	11.0	9.8	9.5	10.3
DPS (INR)	5.5	8.0	7.0	7.0
Return ratios				
Return on assets (%)	13.4	12.1	12.0	12.7
Return on equity (%)	18.7	16.4	16.0	16.6
Return on capital employed (%)	18.2	16.5	16.4	17.2
Turnover ratios				
Asset turnover (x)	3.0	3.0	3.3	3.7
Sales/Total assets (x)	0.9	0.8	0.8	0.8
Sales/Net FA (x)	3.2	3.1	3.3	3.8
Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)
Fixed capital/Sales (x)	-	-	-	-
Working capital days	(17.0)	(13.0)	(11.9)	(10.4)
Liquidity ratios				
Current ratio (x)	1.4	1.5	1.7	1.9
Quick ratio (x)	1.0	1.0	1.1	1.3
Interest cover (x)	16.1	11.4	11.0	11.4
Total debt/Equity (%)	0.1	0.1	0.1	0.1
Net debt/Equity (%)	0.1	0.1	(0.0)	(0.1)
Valuation				
PER (x)	52.1	49.3	44.2	37.6
Price/Book (x)	9.6	8.9	8.2	7.4
EV/Net sales (x)	7.5	7.0	6.3	5.6
EV/EBITDA (x)	38.9	36.8	33.0	27.9
EV/EBIT (x)	46.7	44.3	39.3	32.5

Source: Company, Axis Securities

Dabur India Price Chart and Recommendation History



Date	Reco	TP	Research
01-Feb-24	BUY	635	Result Update
03-May-24	BUY	620	Result Update
02-Aug-24	BUY	710	Result Update
31-Oct-24	BUY	600	Result Update
31-Jan-25	BUY	610	Result Update
08-May-25	HOLD	510	Result Update

Source: Axis Securities

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.