

Dabur India

Domestic volume decline lower than expected

Improved margin visibility for rest of FY26; Maintain BUY

Revenue growth largely in-line with domestic volume decline lower than estimated:

Dabur India (Dabur) 1QFY26 quarterly performance was impacted by unseasonal rains. Excluding this seasonal portfolio, consolidated business grew by 7% YoY and standalone business grew 4.3%. Sequential improvement in demand augurs for growth going forward.

Only HPC saw growth this quarter: Within the domestic business, only HPC business grew by 5% while rest of the portfolio were impacted and declined YoY, with Healthcare declining by 4.4% (impact from Glucose portfolio) and F&B declined by 14.3% (impact from Real portfolio).

Cut in Advertisement & Publicity spends led to EBITDA beat: Even while the company saw inflation in its portfolio, it was able to mitigate the impact through price actions and saving initiatives. Gross margin thus improved QoQ by 40bps. This along with 110bps YoY cut in Advertisement & Publicity spends meant that EBITDA margin came ahead of estimate at 19.6%. Gross margin is expected to inch up going forward versus last year. Dabur will use this fuel to continue to invest behind brands and distribution.

Valuation & View: In recent quarters, Dabur's recovery & stock price has been impacted by multiple factors. But with hope of better performance in FY26 (revenue growth to optically look better due to low base) and cheap valuations, we maintain our BUY rating but a revised target price (TP) of Rs630, targeting ~48x on FY'27E EPS. Beyond FY27, company aims to sustain double-digit revenue growth trajectory through a strategic refresh but impact of ongoing competitive activity in non-alcoholic beverages (NAB) cannot be ruled out.

Result Highlights

- Headline performance:** Consolidated revenues grew by 1.7% YoY to Rs34bn (vs est. Rs33.8bn). EBITDA was up 2% YoY to Rs6.7bn (vs est. Rs 6.2bn). Adjusted PAT (APAT) was up 2.8% YoY to Rs5.1bn (vs est. Rs4.6bn).
- Standalone business declined by 1.8% with 1% volume decline.** Excluding seasonal portfolio India business was up 4.3%. International Business (~26% of 1QFY26 sales) reported 13.7% growth in CC terms (12.7% INR growth) which was broad based.
- Consol. gross margin** was down 80bps YoY to 47% (up 40bps QoQ). A&P spends down ~110bps YoY (media spends de-grew by 14.4% in the Consolidated business and de-grew by 19.9% in the India business) while other expenses was flat YoY and employee cost was up 30bps YoY, meant that EBITDA margin was flat YoY at 19.6%.

Key highlights from conference call: (1) Management expects to see high single digit revenue growth in FY26 with double-digit growth in 2QFY26 on a low base. (2) The company has seen sequential improvement in demand. Rural outpaces urban by 400bps in this quarter. (3) . Expect improvement in gross margins on a full year basis led by price hikes.

Exhibit 1: Actual vs estimate

Parameter	Q1FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	34,046	25.7	(1.8)	Inline	Inline
EBITDA	6,678	70.7	(2.4)	Beat	Beat
EBITDA Margin (%)	19.6	5.2	(0.1)	Beat	Beat
PAT / EPS	5,139	62.6	0.5	Beat	Beat

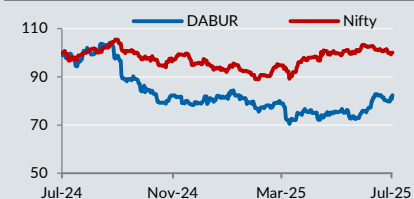
Source: Bloomberg, YES SEC

Reco	: BUY
CMP	: Rs 529
Target Price	: Rs 630
Potential Return	: +19.1%

Stock data (as on July 31, 2025)

Nifty	24,768
52 Week h/l (Rs)	672 / 433
Market cap (Rs/USD mn)	925866 / 10582
Outstanding Shares (mn)	1,774
6m Avg t/o (Rs mn):	1,216
Div yield (%):	1.6
Bloomberg code:	DABUR IN
NSE code:	DABUR

Stock performance



	1M	3M	1Y
Absolute return	9.0%	8.5%	-16.8%

Shareholding pattern (As of Mar'25 end)

Promoter	66.3%
FII+DII	28.4%
Others	5.4%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	630	580

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	11.3	13.1
EPS (Old)	11.2	12.9
% change	0.9	1.3

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	125,631	136,809	151,857
YoY Growth (%)	1.3	8.9	11.0
EBIDTA	23,163	25,439	28,791
Margins (%)	18.4	18.6	19.0
PAT	17,676	20,058	23,174
EPS	10.0	11.3	13.1
YoY Growth (%)	-4.1	13.5	15.5
Pre-tax RoCE (%)	20.5	21.7	23.0
ROE (%)	17.1	17.7	18.7
P/E (x)	53.0	46.7	40.5
EV/EBITDA (x)	37.3	33.5	29.2

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs. Mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Revenue	33,491	28,301	34,046	1.7	20.3
COGS	17,487	15,091	18,033	3.1	19.5
Gross margin %	47.8	46.7	47.0	-0.8	0.4
Employee costs	3,229	2,944	3,378	4.6	14.7
% of sales	9.6	10.4	9.9	0.3	-0.5
Advertising costs	2,359	1,764	2,020	-14.4	14.5
% of sales	7.0	6.2	5.9	-1.1	-0.3
Other expenses	3,866	4,236	3,938	1.8	-7.0
% of sales	11.5	15.0	11.6	0.0	-3.4
EBITDA	6,550	4,268	6,678	2.0	56.5
EBITDA margin %	19.6	15.1	19.6	0.1	4.5
Depreciation	1,091	1,169	1,141	4.6	-2.3
EBIT	5,459	3,099	5,537	1.4	78.7
EBIT margin %	16.3	10.9	16.3	0.0	5.3
Interest expense	327	393	346	6.0	-11.8
Other income	1,294	1,412	1,440	11.3	2.0
PBT	6,427	4,118	6,630	3.2	61.0
Tax	1,481	992	1,543	4.2	55.6
Effective tax rate %	23.0	24.1	23.3	0.2	-0.8
APAT	5,001	3,200	5,139	2.8	60.6
APAT margin %	14.9	11.3	15.1	0.2	3.8
EPS	2.8	1.8	2.9	2.8	60.6

Source: Company, YES Sec

Exhibit 3: Quarterly snapshot (Standalone)

Particulars (Rs. Mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Revenue	25,142	19,647	24,695	-1.8	25.7
COGS	13,804	11,110	13,789	-0.1	24.1
Gross margin %	45.1	43.5	44.2	-0.9	0.7
Employee costs	2,026	1,602	2,058	1.6	28.4
% of sales	8.1	8.2	8.3	0.3	0.2
Advertising costs	1,887	1,311	1,511	-19.9	15.3
% of sales	7.5	6.7	6.1	-1.4	-0.6
Other expenses	2,455	2,782	2,485	1.2	-10.7
% of sales	9.8	14.2	10.1	0.3	-4.1
EBITDA	4,969	2,842	4,852	-2.4	70.7
EBITDA margin %	19.8	14.5	19.6	-0.1	5.2
Depreciation	601	632	632	5.1	0.0
EBIT	4,368	2,210	4,220	-3.4	91.0
EBIT margin %	17.4	11.2	17.1	-0.3	5.8
Interest expense	195	228	173	-11.3	-24.3
Other income	1,096	1,186	1,159	5.7	-2.2
PBT	0	0	0		

Tax	5,270	3,167	5,207	-1.2	64.4
Effective tax rate %	1,216	662	1,133	-6.8	71.2
APAT	23.1	20.9	21.8	-1.3	0.9
APAT margin %	4,054	2,505	4,074	0.5	62.6
EPS	16.1	12.8	16.5	0.4	3.7

Source: Company, YES Sec

- **Segmental** Consol. consumer care was up 5.4% YoY with segment EBIT margin up ~20bps YoY to 23.8%. Foods segment saw a de-growth of 11.2% YoY with segment EBIT margin down 100bps YoY to 13%.

ANALYST VIEW & INVESTMENT THESIS

1-Year & 3-Year View

DABUR delivered strong (~27%) returns post the 4QFY24 results where we highlighted it as our preferred pick (on 2nd May 2024), till 2QFY25. But channel inventory correction in 2QFY25, unfavourable festive season & weather in 3QFY25 and delayed & truncated winters and slowdown in urban markets has had an impact on the sales recovery and stock price. In the latest quarter, unseasonal rains has had an impact on the seasonal portfolios of Glucose and Beverages.

Near-term potential triggers: Recent commentary on sequential recovery in volumes and efforts towards sustainable double-digit growth trajectory by FY28 through its 'Strategic Refresh' which will be implemented from FY26, will remain important monitorable for the stock.

We build 9.9% revenue CAGR over FY25-FY27E. At operating level, we expect 11.5% EBITDA CAGR over FY25-FY27E (with 60bps/50bps improvement in Gross/EBITDA margin).

With expectation of better performance in FY26 and relative valuation comfort, we maintain our optimistic view (BUY rating with TP of Rs630) but also remain watchful on competitive pressure in key categories.

Revenue drivers for medium-term:

- Reaping benefits from rural recovery and distribution expansion.
- Focus on gaining market share in key categories - DABUR's Power Brand strategy of focusing on nine of its major brands -accounts for >70% of the company's consolidated revenue, will continue to pay dividend in the medium to long term.
- Expanding TAM through power platform strategy and innovations gives decent visibility for long-term growth.
- Improved INR growth in International business as it laps up currency impact.

Exhibit 4: Key Monitorable Triggers

What to Watch	Why it Matters	Timeline
Demand recovery	Sustainable domestic volume growth improvement will be closely watched for rerating	Near term
Competitive pressure	Competitive intensity in key portfolios will be monitored for any pricing impact and hence margin hit	Near term

Exhibit 5: Estimate Revisions

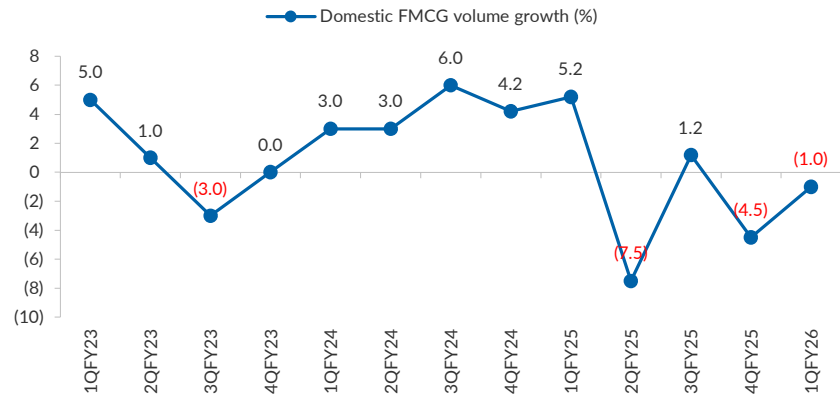
Metric	Old Est (FY27E)	New Est	% Change	Reason
Revenue	154,046	151,857	-1.4%	Slight change in estimates. Improved margin visibility led us to upward revise our estimates
EBITDA	28,431	28,791	1.3%	
APAT	22,887	23,174	1.3%	

Source: Company, YES Sec

Takeaways from Dabur's 1QFY26 earnings call

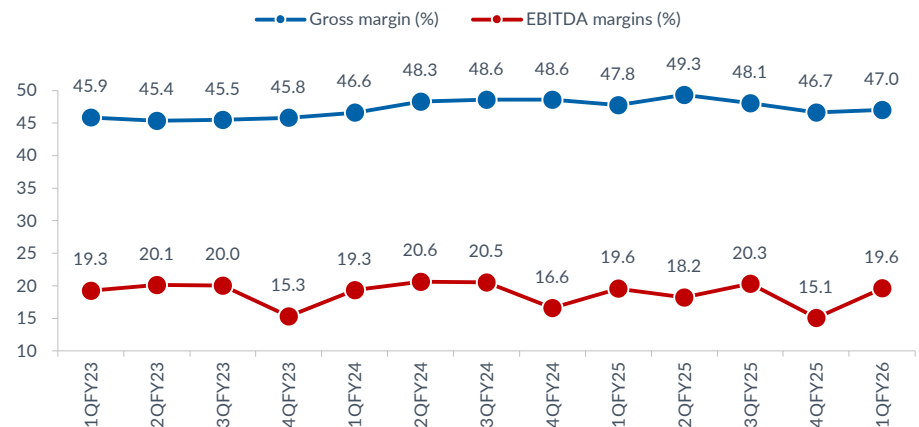
- **Outlook:** The company expects revenue to have high single digit growth in FY26. Double digit revenue growth expected in the 2QFY26 on low base. Beverage's business to see low single digit growth while other segments will see double digit growth. It will be able to protect margins going forward due to pricing action and can even expect margins to improve in FY26.
- **Demand Environment:** The company has seen sequential improvement in demand. Rural outpaces urban by 400bps in this quarter.
- **Volume growth:** Volume growth was -1% during the quarter. Volume growth excluding the seasonal portfolio was 3-3.5%.
- **GM:** Inflation was around 7%, was mitigated by price increases and saving initiatives. Going forward, inflation will be around 8% but company will mitigate it. Higher netting of schemes due to competition from Colgate in Oral care due to which BTL spends were higher which impacted GM was impacted. The company expects improvement in gross margins on a full year basis led by price hikes.
- **A&SP:** A&SP spends are up 5% YoY. However, the company moved from ATL to BTL spends, hence seen decline in A&SP expense. Ad pro investments will be higher than sales growth. There is no one-off in base quarter. Dabur will continue to invest behind brands and distribution.
- **Healthcare:** Glucose impacted (down 40%) on account of unseasonal rains and high growth in base quarter. Dabur Chyawanprash (up 30%) and Dabur Honey (up 11%) gain 111bps and 40bps in market share respectively. Hajmola grew by 9% during the quarter. Pudina Hara grew by 7%. Health juices grew by 18% during the quarter. New formats contribute ~20% of the Chyawanprash portfolio. Excluding Glucose, the segment grew 4.5% YoY, and the company took price hikes of 6% in this segment. Market share loss in Baby care Lal Tel (hair oil) due to a local competitor in UP taking away the market share, but the company will take corrective actions to gain back market share.
- **Oral care:** Toothpastes recorded 7.3% growth YoY on a high base while gaining market share. Expect category growth to be 4%. Herbal category is growing 2x of Non herbal category. Dabur Red grown by 9%.
- **Strategic measures:** It will double down on core brands like Oral care (Dabur Red) and premiumize Dabur Amla. In Home care, the company has already introduced LVP. Key focus categories for the company in healthcare segment will be Pudinhara, Shilajit, Hajmola and Shilajit.
- **M&A:** Dabur is exploring M&A opportunities in all three verticals especially in wellness food and healthcare.
- **Exits:** Diaper, Vita & MFD contributed ~Rs80mn to the business which the company has now exited.

Exhibit 6: Domestic volumes declined 1% YoY in 1QFY26 but volume growth excluding seasonal portfolio was 3% during the quarter



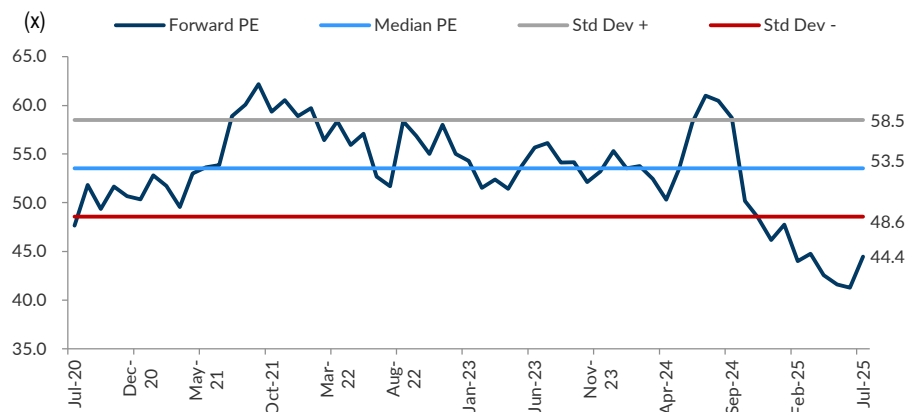
Source: Company, YES Sec

Exhibit 7: Gross Margin declined 80bps YoY (up 40bps QoQ) to 47% while EBITDA margins was flattish YoY to 19.6%



Source: Company, YES Sec

Exhibit 8: Currently trading at ~44x 1-yr forward earnings



Source: Company, YES Sec

ANNUAL FINANCIALS

Exhibit 9: Balance Sheet

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	1,772	1,772	1,772	1,772	1,772
Reserves	92,643	101,259	110,330	121,279	130,270
Net worth	94,414	103,031	112,103	123,051	132,043
Deferred tax liability	889	1,027	1,417	1,417	1,417
Total liabilities	106,737	117,341	120,821	129,770	137,761
Gross block	51,778	58,329	63,534	65,534	67,534
Depreciation	20,044	23,999	27,662	32,373	37,288
Net block	35,787	38,381	39,923	37,212	34,296
Capital work-in-progress	1,751	2,091	1,664	1,831	2,014
Investments	62,653	69,987	75,388	80,201	85,359
Inventories	20,242	19,470	23,001	23,538	25,092
Debtors	8,488	8,987	8,885	9,248	9,855
Cash	3,259	6,664	5,780	10,250	16,116
Loans & advances	594	633	654	785	942
Other current assets	3,750	5,611	7,712	8,097	8,502
Total current assets	36,332	41,365	46,032	51,917	60,508
Creditors	21,866	24,217	28,253	27,459	30,483
Other current liabilities & provisions	7,920	10,265	13,932	13,932	13,932
Total current liabilities	29,786	34,482	42,185	41,391	44,415
Net current assets	6,547	6,883	3,847	10,526	16,093
Total assets	106,737	117,341	120,822	129,769	137,762

Source: Company, YES Sec

Exhibit 10: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	115,299	124,040	125,631	136,809	151,857
% Growth	5.9	7.6	1.3	8.9	11.0
COGS	62,687	64,470	65,349	70,757	78,073
Staff costs	11,370	12,396	12,912	14,239	15,777
Selling and Distribution	10,853	13,017	13,552	15,085	16,699
Other expenses	8,748	10,156	10,655	11,289	12,516
Total expenses	93,658	100,038	102,468	111,371	123,066
EBITDA	21,641	24,002	23,163	25,439	28,791
% growth	(4.0)	10.9	(3.5)	9.8	13.2
EBITDA margin (%)	18.8	19.4	18.4	18.6	19.0
Other income	4,454	4,824	5,501	6,095	6,627
Interest costs	782	1,242	1,635	1,134	768
Depreciation	3,110	3,992	4,456	4,711	4,915
Profit before tax (before exceptional items)	22,203	23,593	22,573	25,689	29,735
Exceptional items	0	4	0	0	0
Tax	5,174	5,474	5,175	5,908	6,839
Adjusted PAT	17,072	18,427	17,676	20,058	23,174
Reported PAT	17,072	18,431	17,676	20,058	23,174

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PAT margin (%)	14.3	14.3	13.5	14.0	14.6
% Growth	(5.9)	6.4	(4.0)	13.7	15.8

Source: Company, YES Sec

Exhibit 11: Cash flow statement

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PAT	17,242	18,648	18,534	19,780	22,896
Depreciation	3,110	3,992	4,456	4,711	4,915
Other income	(3,867)	(3,517)	(3,013)	(4,961)	(5,859)
(Inc.)/dec. in working capital	(1,601)	1,011	(109)	(2,210)	299
Cash flow from operations	14,884	20,135	19,867	17,321	22,252
Capital expenditure (-)	(4,857)	(5,609)	(5,391)	(2,166)	(2,183)
Net cash after capex	10,027	14,526	14,476	15,154	20,069
Inc./(dec.) in investments	(2,117)	490	(1,306)	3,481	1,470
Cash from investing activities	(6,974)	(5,118)	(6,697)	1,314	(713)
Dividends paid (-)	(9,213)	(9,658)	(9,748)	(11,032)	(13,904)
Inc./(dec.) in total borrowings	233	(761)	(2,507)	(2,000)	(1,000)
Others	(1,372)	(1,193)	(1,798)	(1,134)	(768)
Cash from financial activities	(10,352)	(11,612)	(14,053)	(14,166)	(15,672)
Opening cash balance	5,701	3,259	6,664	5,780	10,249
Closing cash balance	3,259	6,664	5,780	10,249	16,116
Change in cash balance	(2,442)	3,405	(884)	4,469	5,867

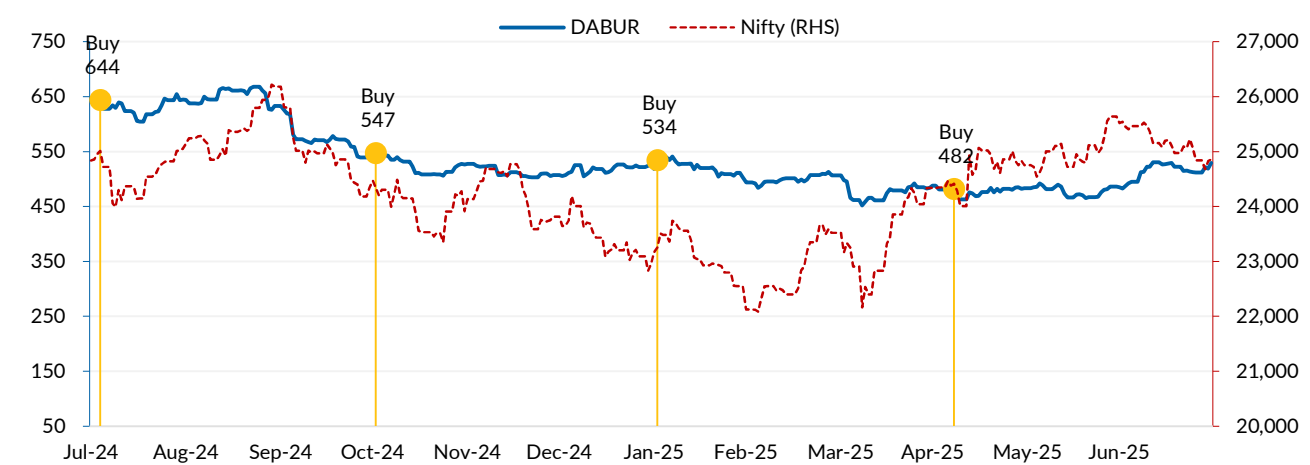
Exhibit 12: Growth and Ratio matrix

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	9.6	10.4	10.0	11.3	13.1
Book value	53.3	58.1	63.3	69.4	74.5
DPS	5.2	5.5	5.3	6.2	7.8
Valuation (x)					
EV/sales	7.7	7.0	6.9	6.2	5.5
EV/EBITDA	40.8	36.4	37.3	33.5	29.2
P/E	54.9	50.9	53.0	46.7	40.5
P/BV	10.4	9.5	8.7	7.9	7.3
Return ratios (%)					
RoCE	23.0	22.4	20.5	21.7	23.0
RoE	19.7	19.6	17.1	17.7	18.7
ROIC	58.9	52.8	50.5	57.1	69.3
Profitability ratios (%)					
Gross margin	45.6	48.0	48.0	48.3	48.6
EBITDA margin	18.8	19.4	18.4	18.6	19.0
PAT margin	14.3	14.3	13.5	14.0	14.6
Liquidity ratios (%)					
Current ratio	1.2	1.2	1.1	1.3	1.4
Quick ratio	0.5	0.6	0.5	0.7	0.8
Solvency ratio (%)					
Debt to Equity ratio	0.1	0.1	0.1	0.0	0.0

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Turnover ratios					
Total asset turnover ratio (x)	1.1	1.1	1.0	1.1	1.1
Fixed asset turnover ratio (x)	3.6	3.6	3.5	4.1	5.0
Debtor days	24	26	26	24	23
Inventory days	115	112	119	120	114
Creditor days	122	130	147	144	135

Source: Company, YES Sec; * pre-tax

Recommendation Tracker



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