REDUCE

Dabur India

Voice of the Head – Macro boost to aid; execution remains key

Consumer Goods | Company Update | **September 17, 2025**

CMP (Rs): 536 | TP (Rs): 525

We met the management, including Mohit Malhotra (CEO) and Ankush Jain (CFO), to understand Dabur's execution strategy amid GST benefits supporting demand recovery. The government's interventions are expected to bolster consumption, particularly in the urban middle-income segment. ~70% of Dabur's portfolio benefits from the reduction in GST, with the effective rate decreasing from 14% to 7% in India. Dabur is aligning its offerings in accordance with evolving consumer preferences in the 'naturals' segment. Market-share gains from its efforts are expected to translate to stronger growth ahead. Though we consider the stock to be fairly valued, we await acceleration in Dabur's growth. Thus, we retain REDUCE with a Sep-26E TP of Rs525, on 40x P/E. GST-related trade destocking may impact primary sales and margins in Q2.

GST boost to address slowdown in the urban middle-income segment

The management is seeing a series of interventions from the Central government aimed at easing pressure on the middle class, a key consumption segment driving economic growth. The premium urban segment continues to perform well, with consumers willing to pay a premium for differentiated offerings. Growth in this segment has been primarily driven by modern trade and e-commerce channels. However, with the recent surge in quick commerce, growth in modern trade has moderated. Meanwhile, rural demand remains steady and is expected to continue ahead.

'Naturals' now has three areas; Dabur is actively participating in all three

The management has identified three areas in the 'naturals' segment: 'No nasty' products, herbal offerings, and Ayurveda-focused items. The youth is increasingly seeking products that are free from harmful substances such as lead, ammonia, and sulfates. The herbal category resonates with the urban middle class, prioritizing ingredients like tulsi, ashwagandha, and basil. Ayurveda holds strong relevance in rural and semi-urban regions, reflecting local preferences and the use of traditional ingredients. Dabur maintains a strong presence in all three areas through its extensive product portfolio, effectively meeting diverse consumer needs. The segment has also seen a resurgence of new-age brands (many of which are positioned at the premium end of the market). The company expanded into A2 Ghee recently, following the successful launch of edible oils. It is increasingly validating new product concepts with Gen-Z consumer panels before introducing them in the market.

The broad branded portfolio is an enabler, as it aligns with the youth's needs

Given the company's broad branded portfolio, which enhances its outlook in a market where building new brands is increasingly challenging, the management believes that ongoing initiatives will drive category growth. Dabur has sustained market share gains in HPC, while beverages are seeing a seasonal impact.

Dabur India: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	124,040	125,631	133,640	144,662	156,238
EBITDA	24,002	23,163	24,857	27,677	30,236
Adj. PAT	18,867	18,116	19,774	21,920	23,788
Adj. EPS (Rs)	10.6	10.2	11.2	12.4	13.4
EBITDA margin (%)	19.4	18.4	18.6	19.1	19.4
EBITDA growth (%)	10.9	(3.5)	7.3	11.3	9.2
Adj. EPS growth (%)	9.8	(4.0)	9.2	10.9	8.5
RoE (%)	20.0	17.5	18.0	19.1	20.0
RoIC (%)	41.1	38.0	39.1	42.5	45.6
P/E (x)	51.5	53.7	49.1	43.8	40.0
EV/EBITDA (x)	36.5	37.8	35.2	31.6	28.9
P/B (x)	9.6	8.8	8.5	8.1	7.8
FCFF yield (%)	1.7	1.7	1.5	2.0	2.0

Source: Company, Emkay Research

Target Price – 12M	Sep-26
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(2.1)

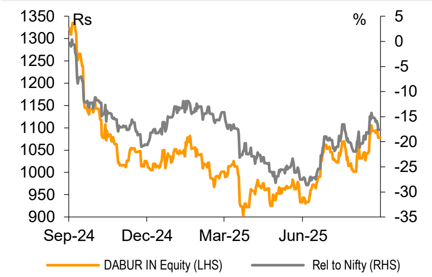
Stock Data	**DABUR IN**
52-week High (Rs)	672
52-week Low (Rs)	420
Shares outstanding (mn)	1,773.7
Market-cap (Rs bn)	951
Market-cap (USD mn)	10,827
Net-debt, FY26E (Rs mn)	(73,130.5)
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	1,445.7
ADTV-3M (USD mn)	16.5
Free float (%)	33.7
Nifty-50	25,330.3
INR/USD	87.8

Shareholding,Jun-25	
Promoters (%)	66.2
FPIs/MFs (%)	11.9/16.2

Price Performance

(%)	1M	3M	12M
Absolute	7.0	13.5	(18.8)
Rel. to Nifty	4.1	11.4	(18.5)

1-Year share price trend (Rs)



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Key insights

GST rate-cuts: Temporary hiccups, long-term positive

The GST rate reduction will be structurally positive, as nearly 70% of the company's portfolio moves to a lower tax slab, translating into 7–12% price cuts for consumers. However, the current transition phase is creating disruption in the short term. Distributors are holding ~22 days' inventory, while retailers carry stock for 27–30 days; with no takeback allowed on old stock, primary sales may temporarily weaken. Companies are compensating with trade discounts to clear higher-MRP inventory until new packs are available.

Exhibit 1: Dabur's revenue concentration in India across GST slabs

GST slabs	Portfolio under the current GST	Portfolio under proposed GST
18%	47%	12%
12%	35%	0%
5%	18%	88%
0%	0%	0%
Total	**100%**	**100%**

Source: Emkay Research

Exhibit 2: GST rates across Dabur India's segments

	Current GST	New GST
Hair Oil	18%	5%
Shampoo	18%	5%
Toothpaste	18%	5%
Tooth powder	12%	5%
Skin care	18%	18%
Home care	18%	18%
Chaywanprash	5%	5%
Honey	5%	5%
Glucose	12%	5%
Digestives	12%	5%
OTC + Ethical	12%	5%
Beverages	12%	5%
Foods	5%	5%
Total	**14%**	**7%**

Source: Emkay Research

Short-term challenges during transition

Production (with the new MRP) has already commenced, although clearing of older inventory and restocking will take longer than the 8-day window period after 22-Sep. As a result, primary sales and margins could come under pressure in Q2 due to promotions and trade rationalization. That said, consumer offtake should improve as lower MRPs become visible from Q3, supporting a recovery in Q3/Q4.

Slower company growth is a factor of wider gap between MRP and selling price

The management noted that Nielsen's reported growth is based on product MRP (retail), which is increasing. While companies report net sales growth, the growth is due to the selling price. Amid a slowdown in growth across categories, FMCG players are fighting to grow their share in the unchanged pie. This has resulted in players offering discounts, widening the gap between MRP and selling price. There is a normalized gap of 30% between MRP and selling price, factoring in trade margin and schemes. Widening the gap between MRP and the selling price results in a slowdown in general trade.

With the GST booster, players will focus on aligning with the reduced rate, where the gap is likely to reduce. With a bigger pie, competitive intensity is likely to ease. The management noted similar reforms in China, where boosting on-ground consumption has been the focus.

Healthcare portfolio seeing premiumization

The company continues to strengthen its healthcare and functional portfolios. Traditional Chyawanprash remains a concern, although innovation is visible with launches like Dateprash and functional offerings (currently growing at ~15%). Premium variants such as Ratanprash and Kesarprash are scaling 1.5–2x faster than the base. Powders and gummies, considered as the next wave of expansion, are gaining traction in the health foods space. Premiumization is also helping cushion cannibalization, driving a stronger margin profile.

Better execution aiding HPC segment's share; beverages hurt by the weak season

The management noted continuous market share gains in oral care. Skincare is seeing share gains too, aiding margin stability. Overall, home and personal care (HPC) categories are seeing steady gains. Beverages remain under pressure due to weak seasonality (rains) and carbonated competition-led pricing disruption, though coconut water in aseptic bottles and real PET out-of-home packs are growing well.

Focus on innovation and Gen Z

The company is investing aggressively in Gen Z-focused, high-margin products, with ~40% of its performance marketing spends dedicated to this effort. Overall, the company allocates 30% of its A&P expenses to the digital medium.

Innovations include functional health beverages, Ayurvedic product extensions, and ingredient-led launches (basil, neem, tulsi for middle-class demand; multi-herbal blends for semi-urban markets; Gen Z-friendly modern natural products). Dabur's legacy advantage in herbal/natural products provides credibility, as it targets new consumer cohorts.

New-age brands' impact visible, though still considered a fad

Dabur acknowledges the current surge in new-age brands, driven largely by aggressive marketing and high consumer experimentation (especially among Gen Z). While new-age brands enjoy rapid growth and premium positioning, the management views them as fads, which require continuous heavy investment in performance marketing and influencer spends, with uncertainty over sustainability in the long term.

Dabur prefers to pursue acquisitions selectively, focusing on valuations that justify sustained investment and aligning with a broader premiumization and modernization strategy. This approach includes promoting premium products with significant margin expansion potential—such as high-priced hair oils and serums—and expanding digital and D2C channels to cater to evolving consumer preferences.

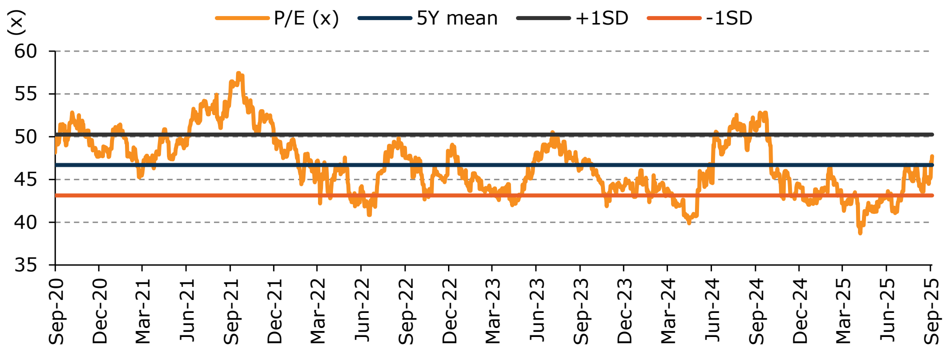
Dabur's strategic focus on contemporizing its portfolio, cross-pollinating innovations from overseas markets, and widening its target audience positions it well for sustainable growth beyond transient trends in the premium urban segment's consumption.

Strategic outlook

Dabur has been scouting for M&A opportunities, where its focus is on addressing white spaces or enhancing its potential. Some of the opportunities are synergistic, although available at hefty valuations. Structurally, the company's story rests on a) Lower GST driving long-term category formalization and growth. b) Continued premiumization in healthcare, HPC, and skincare. c) Strengthened positioning in the natural/herbal segment, supporting Gen Z's needs and rural demand. d) Expanding healthcare/functional innovations, creating margin tailwinds.

Valuations

Exhibit 3: Dabur's one-year forward P/E (on consensus)



Source: Bloomberg, Emkay Research

Exhibit 4: Dabur - Key assumptions

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth							
Domestic sales	14.5%	5.5%	8.9%	-1.7%	5.0%	8.4%	8.2%
- Home and personal care	12.7%	5.2%	8.1%	0.5%	7.1%	7.6%	7.5%
- Healthcare	4.8%	-6.9%	4.2%	-2.2%	4.7%	7.5%	7.5%
- Foods and Beverages	48.8%	30.0%	17.5%	-5.6%	0.6%	11.6%	10.8%
International sales	20.9%	1.9%	6.5%	7.7%	9.4%	9.3%	8.9%
Consolidated sales	13.7%	5.7%	7.3%	1.1%	6.3%	8.7%	8.4%
Consolidated EBITDA	12.5%	-4.0%	10.9%	-3.5%	7.3%	12.3%	10.2%
Consolidated adj PAT	7.7%	-5.8%	9.8%	-4.0%	9.2%	11.8%	9.4%
As a % of revenue							
Gross margin	48.2	45.6	48.0	48.0	48.3	48.8	49.0
Employee costs	10.0	10.0	10.1	10.4	10.5	10.3	10.2
Advertisement	7.2	5.6	6.9	7.0	6.5	6.6	6.7
Other operating costs	10.5	11.6	12.0	12.5	12.4	12.3	12.3
EBITDA margin	20.7	18.8	19.4	18.4	18.6	19.2	19.5
Effective tax rate	22.3	23.1	22.4	22.1	22.0	23.0	24.0
Per-share data							
Adj EPS	10.32	9.70	10.65	10.22	11.16	12.47	13.65
DPS	5.20	5.20	5.50	8.00	8.50	9.50	11.00
Payout	50.4%	53.6%	51.7%	78.3%	76.2%	76.2%	80.6%
Balance Sheet							
Capex (Rs mn)	3.7	4.9	5.6	5.4	4.0	4.0	5.0
Inventory days	65	65	58	68	60	60	60
Receivable days	22	27	27	26	26	26	23
Payable days	68	70	72	83	70	70	70
Avg ROE (post-tax)	22.7%	19.8%	20.0%	17.5%	18.0%	19.3%	20.3%
Avg ROCE (pre-tax)	22.8%	19.2%	19.5%	17.0%	17.6%	19.2%	20.3%
Avg ROIC (pre-tax)	58.9%	46.7%	45.1%	41.6%	43.1%	47.6%	52.0%

Source: Company, Emkay Research

Dabur India: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**124,040**	**125,631**	**133,640**	**144,662**	**156,238**
Revenue growth (%)	7.6	1.3	6.4	8.2	8.0
EBITDA	**24,002**	**23,163**	**24,857**	**27,677**	**30,236**
EBITDA growth (%)	10.9	(3.5)	7.3	11.3	9.2
Depreciation & Amortization	3,117	3,581	3,808	4,088	4,588
EBIT	**20,885**	**19,582**	**21,049**	**23,589**	**25,648**
EBIT growth (%)	11.4	(6.2)	7.5	12.1	8.7
Other operating income	1,424	1,631	1,875	2,063	2,311
Other income	4,824	5,501	5,776	6,238	6,737
Financial expense	1,242	1,635	1,173	990	710
PBT	**24,467**	**23,448**	**25,652**	**28,837**	**31,675**
Extraordinary items	(440)	(440)	(440)	(440)	(440)
Taxes	5,474	5,175	5,644	6,633	7,602
Minority interest	(126)	(157)	(235)	(285)	(285)
Income from JV/Associates	-	-	-	-	-
Reported PAT	**18,427**	**17,676**	**19,334**	**21,480**	**23,348**
PAT growth (%)	7.9	(4.1)	9.4	11.1	8.7
Adjusted PAT	**18,867**	**18,116**	**19,774**	**21,920**	**23,788**
Diluted EPS (Rs)	**10.6**	**10.2**	**11.2**	**12.4**	**13.4**
Diluted EPS growth (%)	9.8	(4.0)	9.2	10.9	8.5
DPS (Rs)	**5.5**	**5.5**	**8.5**	**9.5**	**11.0**
Dividend payout (%)	**52.4**	**55.1**	**77.9**	**78.4**	**83.5**
EBITDA margin (%)	19.4	18.4	18.6	19.1	19.4
EBIT margin (%)	16.8	15.6	15.8	16.3	16.4
Effective tax rate (%)	22.4	22.1	22.0	23.0	24.0
NOPLAT (pre-IndAS)	**16,212**	**15,261**	**16,418**	**18,164**	**19,493**
Shares outstanding (mn)	1,772	1,772	1,772	1,772	1,772

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	1,772	1,772	1,772	1,772	1,772
Reserves & Surplus	96,891	106,235	110,504	115,147	119,000
Net worth	**98,663**	**108,007**	**112,276**	**116,920**	**120,773**
Minority interests	4,368	4,096	4,331	4,615	4,900
Non-current liab. & prov.	1,090	1,443	1,443	1,443	1,443
Total debt	**13,651**	**9,504**	**9,504**	**9,504**	**9,504**
Total liabilities & equity	**117,772**	**123,049**	**127,553**	**132,481**	**136,619**
Net tangible fixed assets	34,099	35,846	35,163	34,200	33,957
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	2,322	1,690	1,690	1,690	1,690
Goodwill	4,051	4,051	4,051	4,051	4,051
Investments [JV/Associates]	73	79	79	79	79
Cash & equivalents	**75,917**	**80,380**	**82,634**	**88,373**	**91,751**
Current assets (ex-cash)	34,764	40,277	39,912	42,910	44,717
Current Liab. & Prov.	33,455	39,274	35,976	38,822	39,625
NWC (ex-cash)	**1,309**	**1,004**	**3,936**	**4,088**	**5,091**
Total assets	**117,772**	**123,049**	**127,553**	**132,481**	**136,619**
Net debt	(62,266)	(70,876)	(73,131)	(78,869)	(82,247)
Capital employed	117,772	123,049	127,553	132,481	136,619
Invested capital	**39,459**	**40,900**	**43,150**	**42,340**	**43,100**
BVPS (Rs)	55.7	60.9	63.4	66.0	68.1
Net Debt/Equity (x)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
Net Debt/EBITDA (x)	(2.6)	(3.1)	(2.9)	(2.8)	(2.7)
Interest coverage (x)	20.7	15.3	22.9	30.1	45.6
RoCE (%)	**23.1**	**21.1**	**21.7**	**23.2**	**24.3**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	19,643	17,947	19,876	22,599	24,938
Others (non-cash items)	414	1,069	-	-	-
Taxes paid	(4,939)	(4,045)	(5,644)	(6,633)	(7,602)
Change in NWC	1,011	(110)	(2,933)	(152)	(1,003)
Operating cash flow	**20,135**	**19,868**	**17,156**	**21,767**	**22,506**
Capital expenditure	(5,609)	(5,391)	(4,000)	(4,000)	(5,220)
Acquisition of business	5	(6)	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(7,522)**	**(6,456)**	**1,776**	**(2,762)**	**(3,483)**
Equity raised/(repaid)	-	-	0	0	0
Debt raised/(repaid)	(635)	(4,147)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,067)	(1,635)	(1,173)	(990)	(710)
Dividend paid (incl tax)	(9,658)	(9,748)	(15,065)	(16,837)	(19,495)
Others	(253)	-	(440)	(440)	(440)
Financing cash flow	**(11,612)**	**(15,530)**	**(16,677)**	**(18,267)**	**(20,646)**
Net chg in Cash	1,001	(2,118)	2,254	739	(1,622)
OCF	20,135	19,868	17,156	21,767	22,506
Adj. OCF (w/o NWC chg.)	19,123	19,977	20,088	21,919	23,509
FCFF	14,526	14,476	13,156	17,767	17,286
FCFE	13,284	12,841	11,983	16,777	16,576
OCF/EBITDA (%)	83.9	85.8	69.0	78.6	74.4
FCFE/PAT (%)	72.1	72.6	62.0	78.1	71.0
FCFF/NOPLAT (%)	**89.6**	**94.9**	**80.1**	**97.8**	**88.7**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	51.5	53.7	49.1	43.8	40.0
EV/CE(x)	7.5	7.2	6.9	6.7	6.5
P/B (x)	9.6	8.8	8.5	8.1	7.8
EV/Sales (x)	7.1	7.1	6.6	6.1	5.7
EV/EBITDA (x)	36.5	37.8	35.2	31.6	28.9
EV/EBIT(x)	41.9	44.7	41.6	37.1	34.1
EV/IC (x)	22.2	21.4	20.3	20.7	20.3
FCFF yield (%)	1.7	1.7	1.5	2.0	2.0
FCFE yield (%)	1.4	1.4	1.3	1.8	1.8
Dividend yield (%)	1.0	1.0	1.6	1.8	2.1
DuPont-RoE split					
Net profit margin (%)	15.2	14.4	14.8	15.2	15.2
Total asset turnover (x)	1.1	1.0	1.1	1.1	1.2
Assets/Equity (x)	1.2	1.2	1.1	1.1	1.1
RoE (%)	**20.0**	**17.5**	**18.0**	**19.1**	**20.0**
DuPont-RoIC					
NOPLAT margin (%)	13.1	12.1	12.3	12.6	12.5
IC turnover (x)	3.1	3.1	3.2	3.4	3.7
RoIC (%)	**41.1**	**38.0**	**39.1**	**42.5**	**45.6**
Operating metrics					
Core NWC days	3.9	2.9	10.8	10.3	11.9
Total NWC days	**3.9**	**2.9**	**10.8**	**10.3**	**11.9**
Fixed asset turnover	2.1	1.9	1.9	2.0	2.0
Opex-to-revenue (%)	28.7	29.5	29.0	28.9	28.9

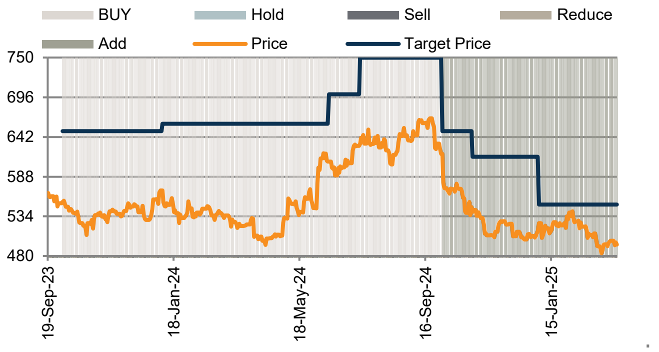
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
17-Sep-25	535	525	Reduce	Nitin Gupta
17-Sep-25	535	525	Reduce	Nitin Gupta
08-Sep-25	546	525	Reduce	Nitin Gupta
08-Sep-25	546	525	Reduce	Nitin Gupta
17-Aug-25	501	500	Reduce	Nitin Gupta
17-Aug-25	501	500	Reduce	Nitin Gupta
01-Aug-25	534	500	Reduce	Nitin Gupta
01-Aug-25	534	500	Reduce	Nitin Gupta
05-Jul-25	495	450	Reduce	Nitin Gupta
05-Jul-25	495	450	Reduce	Nitin Gupta
30-Jun-25	485	450	Reduce	Nitin Gupta
30-Jun-25	485	450	Reduce	Nitin Gupta
24-Jun-25	475	450	Reduce	Nitin Gupta
24-Jun-25	475	450	Reduce	Nitin Gupta
08-May-25	469	450	Reduce	Nitin Gupta
08-May-25	469	450	Reduce	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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