Stock Idea Note - Dabur India Ltd.

Company Overview

Dabur India Limited, established in 1884, has emerged as a leading Fast-Moving Consumer Goods (FMCG) company and the world's largest Ayurvedic and natural healthcare company. Headquartered in Ghaziabad, the company operates across diverse consumer segments including healthcare, personal care, home care, and food and beverages, with a portfolio of over 250 herbal and Ayurvedic products. The company's flagship brands, Dabur (natural healthcare), Vatika (premium personal care), Hajmola (digestives), Real (fruit juices and beverages), and Fem (skincare) account for over 70% of its total portfolio. With a robust consolidated revenue of Rs. 12,563 crores in FY25 and a distribution network spanning 8.4 million retail outlets, including 1.5 million rural stores across 120+ countries, Dabur reaches approximately 80% of Indian households. The company operates through three major business verticals: Home and Personal Care (approximately 60% of revenue), Food and Beverages (11%), and International Business, with strong presence in markets including MENA, Turkey, Bangladesh, and the Namaste operations in the US.

Investment Rationale

Strategic M&A and portfolio expansion into high-growth categories

Dabur has positioned itself as a consolidator in the FMCG space through a disciplined mergers and acquisitions strategy designed to capture growth in adjacent and emerging categories. The company's acquisition of a 51% stake in Badshah Masala for Rs. 588 crores enabled entry into India's Rs. 25,000 crores branded spices market. More recently, the approval of the Sesa Care acquisition in May 2025 at an enterprise value of Rs. 315-325 crores fill a strategic whitespace in the premium ayurvedic hair oil segment, where Sesa Care holds the third-largest position with Rs. 133.3 crores in consolidated turnover. Beyond traditional categories, Dabur launched a Rs.500 crores venture capital arm Dabur Ventures to invest in digital-first, founder-led brands across wellness, ayurveda, food, and healthtech segments. This multi-pronged M&A approach provides Dabur with multiple levers for revenue expansion, revenue synergies through distribution leverage, and eventual buyout options at attractive valuations. The strategy demonstrates management's commitment to achieve double-digit CAGR in both topline and bottomline by FY28, while simultaneously plugging capability gaps in digital marketing and consumer engagement that large FMCG players traditionally lack.

Dabur's premiumization flywheel: Driving margin expansion and aspirational growth across urban and rural India

Premiumization represents a structural shift in Indian consumer behavior that Dabur is systematically capturing across its portfolio. The company defines premiumization as products with 20% higher Maximum Retail Price (MRP) that are accretive to category gross margins, thereby creating a win-win outcome for both margin expansion and consumer aspiration alignment. Early evidence of premiumization success is visible in the Real Activ range of juices and coconut water, which demonstrated 30% growth in Q3FY26 and gained market share, reinforcing the brand's premium positioning. Simultaneously, the company is extending formats - such as Chyawanprash gummies and bars and introducing value-added offerings in hair oils and serums in oral care to meet the aspirational purchasing patterns of Gen Z and higher-income consumers. In Q2FY26, Dabur demonstrated improved operating leverage with EBITDA margin at 18.4%. Rural markets, which contribute approximately 46% of Dabur's sales and have outperformed urban markets in recent periods, remain receptive to premiumization given rising rural incomes and aspirational consumption patterns driven by digital connectivity and improved purchasing power. As GST 2.0 reforms bolster affordability and purchasing power across income segments, Dabur is uniquely positioned to amplify premiumization initiatives across urban and rural markets, offsetting volume pressure and supporting operating profit growth outpacing revenue growth through FY26 and beyond.

Stock Rating

BUY	HOLD	SELL
■		
> 15%	-5% to 15%	< -5%

Sector Outlook Positive

Stock

CMP (INR)	522
Target Price (INR)	604
NSE Symbol	DABUR
BSE Code	500096
Bloomberg	DABUR IN
Reuters	DABU.BO

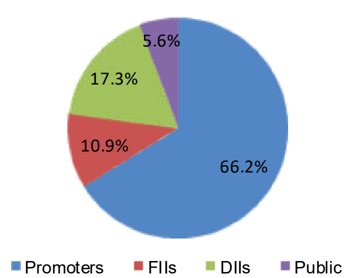
Key Data

Nifty	25,683
52WeekH/L(Rs.)	577/433
O/s Shares (Cr.)	177.3
Market Cap (Rs, Cr.)	92,649
Face Value (Rs.)	1

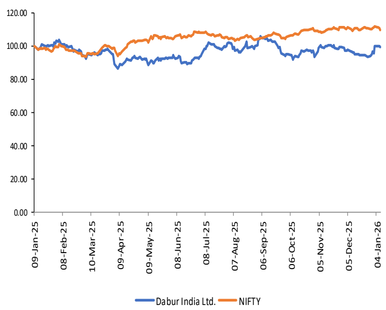
Average volume

3 months	22,21,913
6 months	26,30,753
1 year	25,86,701

Share Holding Pattern (%)



Relative Price Chart



Valuation and Outlook

Dabur enters the final quarter of FY26 with improving demand momentum following the GST rate reductions implemented in September 2025. Management has guided for mid-to-high single digit value growth in the second half of FY26, with low-to-mid single digit volume growth, supported by strong tailwinds from tax reforms, favourable monsoon conditions, and anticipated robust winter seasonal demand. Early signs of demand recovery were visible in Q3FY26, particularly after the distribution channel completed inventory liquidation of higher-priced GST-impacted stock, with rural demand outperforming urban markets by 400-500 basis points on the back of improved agricultural output, higher Minimum Support Prices (MSPs), and enhanced rural purchasing power. Critically, operating profit growth is expected to outpace revenue growth throughout FY26, indicating meaningful margin expansion from the company's premiumization focus, better product mix, and cost rationalization initiatives. The company expects to achieve a mid-to-high single digit revenue growth for the full year, with EBITDA margins set to improve substantially from the combination of gross margin expansion (already visible at 49.4% in Q2FY26) and operating leverage from fixed cost absorption. **So, valuing the company at 50x FY27E earnings, we arrive at a target price of Rs. 604, implying a 16% potential upside over a 12-month horizon.**

Key Financials						
YE March (INR. Mn)	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Revenue	**11,530**	**12,404**	**12,563**	**13,277**	**14,430**	**15,673**
Revenue Growth (Y-oY)	*5.9%*	*7.6%*	*1.3%*	*5.7%*	*8.7%*	*8.6%*
EBITDA	**2,160**	**2,396**	**2,312**	**2,505**	**2,787**	**3,075**
EBIT Growth (Y-o-Y)	*(4.0%)*	*10.9%*	*(3.5%)*	*8.4%*	*11.2%*	*10.3%*
Net Profit	**1,701**	**1,811**	**1,740**	**1,909**	**2,139**	**2,380**
Net Profit Growth (Y-o-Y)	*(2.4%)*	*6.5%*	*(3.9%)*	*9.7%*	*12.0%*	*11.3%*
Diluted EPS	**7.8**	**10.8**	**28.7**	**10.8**	**12.1**	**13.4**
Diluted EPS Growth (Y-o-Y)	*(51.4%)*	*38.7%*	*164.8%*	*(62.4%)*	*12.0%*	*11.3%*
Key Ratios						
EBITDA margin (%)	**18.7%**	**19.3%**	**18.4%**	**18.9%**	**19.3%**	**19.6%**
NPM (%)	14.8%	14.6%	13.9%	14.4%	14.8%	15.2%
RoE (%)	**18.0%**	**17.6%**	**15.5%**	**16.1%**	**16.9%**	**17.6%**
RoCE (%)	17.5%	17.1%	15.4%	15.5%	16.6%	17.6%
Valuation Ratios						
P/E (x)	**67.0x**	**48.3x**	**18.2x**	**48.5x**	**43.3x**	**38.9x**
EV/EBITDA (x)	43.3x	39.1x	40.4x	37.2x	33.4x	30.2x
P/BV (x)	**9.8x**	**9.0x**	**8.3x**	**7.8x**	**7.3x**	**6.8x**
Market Cap. / Sales (x)	8.0x	7.5x	7.4x	7.0x	6.4x	5.9x

Source: Bloomberg, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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