Ref: SEC/SE/2022-23
Date: August 08, 2022

To,

Corporate Relation Department
BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400001

BSE Scrip Code: 500096

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No. C/1, G Block Bandra – Kurla Complex
Bandra (E), Mumbai – 400051

NSE Scrip Symbol: DABUR

Sub: Transcript of Investors' Conference Call for Dabur India Limited – Q1 FY 2022-23 Financial Results

Dear Sir,

Please find attached the Transcript of Investors` Conference Call organized on August 04, 2022 post declaration of Financial Results for the Quarter ended on June 30, 2022, for your information and records.

Thanking You,

Yours faithfully,

For **Dabur India Limited**

(A K Jain)
E V P (Finance) and Company Secretary

Encl: as above

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"Dabur India Limited's Q1 FY23 Earnings Conference Call"

August 4, 2022

MANAGEMENT:
MR. MOHIT MALHOTRA – CHIEF EXECUTIVE OFFICER
MR. ANKUSH JAIN – CHIEF FINANCIAL OFFICER
MS. GAGAN AHLUWALIA – VP (CORPORATE AFFAIRS)
MR. N. KRISHNAN – DEPUTY GENERAL MANAGER - FINANCE

Gagan Ahluwalia: Good afternoon. Ladies and gentlemen, on behalf of the management of Dabur India Limited, I welcome you to this conference call pertaining to results for the quarter ended 30th June 2022.

Present here with me are Mr. Mohit Malhotra – Chief Executive Officer, Dabur India Limited and Ankush Jain -- Chief Financial Officer and Mr. N Krishnan – DGM.

We'll start with an overview of the company's performance by Mr. Mohit Malhotra, followed by a Q&A session. Over to you, Mohit.

Mohit Malhotra: Thank you, ma'am. Good afternoon, ladies and gentlemen. Thank you for joining us today. I hope that you and your loved ones are staying safe and healthy.

The operating environment during the quarter remained quite challenging. The war in Ukraine continues to have a cascading effect around the world, especially on the currencies of fragile countries. Inflation is surging globally, indicated by historically high levels across the world. Even in India, inflation continues unabated and is reflected in WPI at 15.2% and CPI at 7% in the month of June. Softening of demand continues in the quarter with FMCG volumes contracting by 0.7% due to high price increases seen across categories.

In such an environment, consolidated revenue from operations posted a growth of 8.1% and a constant currency growth of 10.3%. India business grew by 10% with the underlining volume growth of 5% on a high base of 34% last year same quarter.

In this quarter, there was a significant difference between the growth of COVID contextual immunity-led portfolio, which had got a boost in Q1 of last two years and the non-COVID contextual business. While the COVID contextual immunity-linked portfolio is seeing a decline due to exceptionally high bases, the non-COVID contextual portfolio registered a very strong growth.

The operating margin has been higher than normal during last two years due to strong growth in the healthcare portfolio. In Q1 FY23, operating margin stands at 19.3% which is higher than pre-COVID levels of around 18%. Profit after tax registered a growth of 0.7% to touch Rs.440 crores during the quarter.

In terms of India business, all the three metrics – revenue, operating profit and PAT are registering a 10%+ three-year CAGR, reflecting that the business is done exceedingly well over this period.

In terms of categories, on the back of intense summer season, and good execution, food and beverage business posted a stellar growth of 50%. The beverage business was on a strong trajectory and outperformed the industry significantly with our market shares in juices and nectar category increasing by 330 basis points. This is further bolstered by strong traction of fruit drinks and milkshakes portfolio. The Food business also performed well with growth of 36%, driven by portfolio expansion and innovation. The food category crossed Rs.100 crores mark in the last fiscal and is on track to reach Rs.200 crores mark this year and Rs.500 crores mark in three to four years' time.

Home and Personal Care portfolio recorded a 15.5% growth on a high base of 26% last year same quarter, leading to a CAGR of 21%. Toothpaste portfolio reported a 13.7% growth during the quarter, and our market share in toothpaste segment increased by 20 basis points. We have now become the #2 brand in South of India. Hair Oils posted a 8.1% growth. Our market share in hair oils improved by 30 bps driven by marketing investments, regional focus and distribution expansion. Shampoos recorded a 17% growth. Market share in shampoos increased by 50 basis points. Homecare reported a growth of 52%, driven by robust double-digit growth across Odonil, Odomos and Sanifresh franchises. Odonil recorded an increase in market share across all sub-categories of air freshener category and Odomos increased market share by 260 bps. Excluding the Sanitizer portfolio, Skincare portfolio witnessed a growth of 35% during the quarter.

The Healthcare portfolio is lapping over two strong quarters of growth in the base on the back of first and second wave of COVID. This portfolio saw a growth of 29% in Q1 FY22 and 28% in Q1 FY21. As the COVID severity has waned, consumption of COVID contextual healthcare products has significantly reduced. Consequently, the portfolio declined by 20% during the quarter. In spite of the decline, the three-year CAGR for Chyawanprash is at 25% and a market share in Chyawanprash increased by 200 basis points in the quarter. Market share in honey increased by 190 bps with the new entrants seeing shrinkage in market share by almost half. Hajmola and Pudin Hara franchises posted a strong double-digit growth. Under OTC and Ethicals, while the COVID contextual brands declined, brands like Lal Tail and Shilajit reported a mid-teen growth.

Among channels, MD was a standout performer with a growth of 42%. E-Commerce channel continues to gain prominence and now contributes to around 9% of our revenue. The HoReCa business also exhibited a good growth on back of the FMCG portfolio doing well.

International business recorded a constant currency growth of 8% on a high base of 34%. The sub-Sahara Africa business saw a growth of 35%, Egypt business grew by 17.5% and Nepal business clocked a robust growth of 30%. Turkey business saw 88% growth in constant currency. Currency devaluation in markets like Turkey, Egypt and Africa impacted the revenue of international business in translation.

Overall, in spite of the weak macroeconomic environment, we continue to drive our business aggressively and have gained market share across 98% of our portfolio. Cost side pressures due to steep inflation and currency devaluations triggered by global environment remain a cause of serious concern. Although current demand trends remain weak, normal monsoon, good harvest and MSP increases should enable a recovery in rural in the medium-term. Urban recovery will be driven by a revival of economy, softening of inflation and buoyancy in new age channels. As for Dabur, we will continue to focus on strengthening our power brands, distribution, expansion, innovation, cost optimization and efficiency enhancement, which will hold us in good stead in the future.

With that I bring my address to a close and open the Q&A. Thank you.

<u>Percy Panthaki from IIFL</u>

Percy Panthaki from IIFL

Percy Panthaki: My first question is on the margins. So, typically pre-COVID, we have seen that full year EBITDA margins are about 200 basis points higher than the Q1 margin. During COVID period, this relationship broke down; it was more or less in line, sometimes Q1 was even higher than full year. Now that we are out of COVID, do you think that we will revert back to the pre-COVID kind of margin behavior Q1 versus full year?

Ankush Jain: Hi, Percy. Thanks for the question. Yes, in fact, last two years, you would have seen our margins were significantly higher than the pre-COVID and almost in line with the full year. But now I think the first our portfolio is rebalancing to pre-COVID levels, and therefore you would see the margins trending to similar to what was in FY20. Hence, Q1 margins would normally be lower than the full year margins given the fact that Q1 is more seasonal to juices as well. Plus, the inflation we think in the first half will be significantly higher than H2. So, your interpretation and trend is almost I think in line with what used to happen earlier. Though the level of margin between Q1 and full year, that gap we still have to evaluate given the things are very volatile.

Percy Panthaki: Secondly, I just wanted to understand on the new product launches, whatever we have done in the last two to three years. What is the contribution of those products to the overall top line and also if you can give some flavor on some of the healthcare launches we had done which seemed very, very contextual and got a very good response during COVID like Tulsi Drops, etc., Of course, the momentum would have reduced from COVID period, no doubt. But is that reduction like very, very sharp or is there just a gradual moderation in that? And also, if you can give some color on the other new launches Baby Care or some of the food launches you have done, etc.,?

Mohit Malhotra: Percy, what's happening is the new product contribution to the business is around 4.4% in the current quarter, and most of the NPDs we had launched were COVID contextual during the COVID period, but outside of the COVID contextual also, we launched new products to increase the addressable market, which is the long-term strategy for us. So, the NPD, which has really done well for us, real drinks, so, drinks have clocked a turnover of Rs.100 crores in the current year and we will be exiting at around Rs.200 crores turnover for the drinks. Our health juices have done very well in the healthcare business, which was COVID contextual, but also strategic in nature because there is a set market, it wasn't just limited to COVID period, but also there. So, for that, there's a turnover of 30 crores that we are registering. So, although it has come down sharply by around 60%, 70% from the COVID time to now, but that is the structured good business and margin-accretive business to us and that we will continue to grow. Then in HPC portfolio, there are new product launches like Ayurvedic shampoos we guys rolled out. That's doing very well in the market and that is gaining market share. Herbal toothpaste, which was a South launch, that's doing very well. We are broad basing that to now national launch. Our Hajmola extensions like LimCola, Chat Cola have done very well and they are contributing more than 10% of the overall Hajmola franchise. Badam Amla, which is a flanker brand strategy in Amla, supporting the Dabur Amla core brand with flanker brands doing very well. That is doing a turnover of around Rs.20, 30 crores for us. Real Milkshakes, I already alluded to in my narrative that it's doing very well; we've already gained 1.1% market share in the milkshake category. The food business of homemade chutneys and condiments that we guys rolled out, that's also doing very well outside of the COVID contextual portfolio. There were a lot of other NPDs that we rolled out in healthcare, like Shamshamani Vati, Juri Tap, many other products, which have kind of gone down by around 60%, 70% which are very contextual in nature and extremely COVID-driven. Like in hygiene products also, we introduced a slew of health care products, for which the turnover has almost become zero, like sanitizer Rs.100 crores and now it's almost become zero. Our healthcare products under the brand franchise that we created Sanitize, that has also got reduced to around Rs.2, 3 crores. So, that we have cut the tail and we are not pursuing to reposition those. But in the HPC, food portfolio and on Chyawanprash extensions, honey extensions, Hajmola extensions, all those are doing very well and contributing as we speak around 5% of the turnover. I hope I've been able to answer your question. And these NPDs are over and above the digitally first new products that we have rolled out on eCommerce. Our strategy is to fly a test balloon in e-commerce and as the brand does well, then we roll it out to modern trade that we've already talked about before. In e-Commerce, Apple Cider Vinegar has done very well. Baby Care range is doing exceedingly well and the shares are great; we got around 2%, 3% market share on eCommerce and now we are extending it in modern trade also, the entire baby care range. Our pure herbs range is also doing well for us. Vedic Suraksha Tea is doing well. In the current quarter, we will be rolling out the green tea, which is another variant. And cold pressed oils, mustard oil, castor oil, and groundnut oil, they're all doing very well on eCommerce. So, not yet extending to modern trade but are doing reasonably well for us. And your previous question on margins, we see margins on all fronts going up to pre-COVID levels like operating margin is around 80 bps higher than pre-COVID to 21%, profit before tax is 22%, pre-COVID was 20% and PAT is around 16.8% to pre-COVID, which was 16%. So, everywhere our margins are better than the pre-COVID times because during the COVID times, healthcare portfolio went up and healthcare has structurally higher margins, because of that the margin went up by 100 basis points. So, despite inflation, we've been able to maintain margin higher than pre-COVID to your previous question.

Percy Panthaki: Chyawanprash extension into health food drinks, any comments on that?

Mohit Malhotra: Chyawanprash extension to health food drinks is doing well. We've done a very segmented launch here, limited to around 10,000 outlets, and those outlets have registered a shelf share increase and also a 30% repeat purchase. So, that's an indicator on how the brand does and as and when the brand is doing well in a particular segment, we will be extending into other segments also. So, at the moment, it has been a very, very segmented launch for us. But wherever we launched, we got very good rave reviews about it. So, we are in no hurry to gain turnovers on the NPD as long as we want NPD to be successful and we will be launching channel-by-channel and state-by-state. It's a gradual slow launch. By the way, in Chyawanprash, we will be extending it into granules also in the current quarter, which got Chyawan Shakti Powder, which is what we are rolling out in the coming season, Chyawanprash extension into powder form.

Percy Panthaki: So, just one related question on this, Mohit. You have launched a lot of new products and not just a variant like, you have launched ayurvedic shampoo, that's just a variant of an existing category, but like you entered into various different categories. But given that these are test launches in e-Commerce, etc., and all of them are doing well except for COVID contextual ones. But still from investors and analysts point of view, these are still so very, very small. Can you give some idea on what kind of ramp up we can expect? So, let's say out of the total, all these new categories that you've sort of launched either on eCommerce or otherwise, new categories, not new products, like pickles, baby care, milkshakes, etc., these I consider as new categories, but not fruit drinks. So, what kind of turnover can these in aggregate deliver over let's say a five year period, because Apple Cider Vinegar, let's say even if it's doing very well, if the total category is only very small, and even five years down the line, let's say we have only Rs.30 crores sale out of this, then as investors and analysts, that's not a very exciting product for us. So, just coming from that point of view.

Mohit Malhotra: I got what you're saying. So, what we are saying is a 5% of our turnover on an annual basis should come as a contribution from NPD and that we will sustain over a period of time, Percy. That's the way we are looking at. But in terms of turnovers, to give you a flavor from an analyst perspective, just to give you an idea, in drinks now we have in beverages done Rs.100 crores turnover on a beverage size of around Rs.1,200 crores So, this Rs.100 crores in the second year is going to be Rs.200 crores So, that's the turnover buildup that is happening on a base of around Rs.1,200, Rs.1,300 crores beverage business. In foods also, we have Hommade brand which is Rs.80 crores and in five years' time we are scaling it up to Rs.500 crores and we are giving you that particular vision also. So, that's the way. In beverages and drinks, now we've expanded our addressable market. So, I can't really give you the quantum turnover because new product failure rate is also very high. It is just not that our COVID contextual portfolio has done bad. We've got certain other brands also which has not done very well, for example, we launched the Dant Rakshak, which has not done very well in the toothpaste. So, that we are kind of revamping. We had done entry into our gels, which is a Red Gel, which did not do well. And we launched Amla

Aloe Vera also, which also did not have a very good response. So, that's not done very well for us. But wherever we are entering, we are wanting to have a 10% of the turnover of that particular category being NPD and therefore increasing the addressable market. So, that's where we are.

Avi Mehta from Macquarie

Avi Mehta: I just wanted to clarify if you could update on the inflationary scenario right now, how are we placed, how much have we passed on, have we taken any further price hikes?

Mohit Malhotra: Inflation is going on unabated. And I think the lesser said is better. So, we have seen a 9% inflation coming on a base of 10% of last year. And it's happening across our commodity buckets. So, whether you look at the hydrocarbon linked commodity bucket or packaging material, which is again hydrocarbon-linked, herbs and spices, whether it's edible oils, or specialty chemicals, so all buckets of commodity are seeing a huge inflation. And inflation is in the range of around 9-10%. We've been able to take a price increase of around 5% absolute price increase and a 1-1.5% of a surrogate price increase in terms of grammage reduction in our LUP. So, around 6-6.5% kind of a price increase, which is nowhere close to mitigation of 9%, 10% inflation, rest has got reflected in gross margin compression of around 220 basis points that you actually saw. This is what we have done. We think the inflation will not abate at least in the second quarter. And second quarter, we will see margin compressions, but I think in the third quarter onwards, when we lap over inflation of around 11%, 12% through the last year, we think that commodities will soften. And there'll be a rollover price increase impact happening in the third quarter. So, third quarter and fourth quarter should see a bit of softening of inflation and price increases kicking in and the margin protection happening in the third and the fourth quarter in the second half of the year. But second quarter, we will see some amount of gross margin compressions, which on back of the scale, we should leverage the other line items and try to minimize the impact of gross margin compressions on operating margin, but that pressure will be there.

Avi Mehta: Mohit, if I understand, this inflation mismatches primarily in hair care, right? That's what you indicated last time. That situation continues or is this now percolating across other categories as well?

Mohit Malhotra: So, what's happened is wherever we are market leaders, whether it's healthcare or in foods, we've been able to pass on the inflation to the consumer because we are the ones who set the pricing table and we have got the pricing power there, elasticity, because most of our brands, our market share leaders there, around 60%, 70% market share, that we've passed on. But we are cognizant of the fact that it might lead to some sort of compression in the demand also. As market leaders, we have ownership to drive the market growths and the growths are not very easy to get by. But wherever we are market followers, we wait for the market leader to take up the price increases, like in oral care, Colgate has been very swift to take up market price increases. So, we've also taken our price increases. So, we've been able to pass on the inflation in oral care business also to the consumer. We haven't seen margin compressions there. In home care, we are again market leaders there. There also we passed on. Skincare also we passed on. In hair oils, you're rightly saying, because the competitive intensity is very high, we have a lag in inflation to price increase, because we wait for the competitor to pass on, which they are not passing on. So, there is a margin compression there. And in shampoo, where we have majority of the business at a price point at Re.1 or Rs.2 price point there we are holding ourselves back on taking price increases. So, we are kind of titrating the volumes in our LUPs there.

Avi Mehta: Just on the last point that you said, you will use all levers to maintain a EBITDA margin. Was that from an annual perspective that you're talking about or if could give me the context, I didn't quite catch the thought process behind that?

Mohit Malhotra: In the beginning of the year, we were facing a 7%, 8% inflation and that's how we had budgeted ourselves. So, we had taken a budget of maintaining our operating margins. But, as we entered Q1, we saw inflation is much steeper as compared to the budget that we've taken. We have budgeted to maintain our EBITDA margins. But, if the commodity prices remain, especially the oil prices remain at the point where they are, we are seeing some softening happening. Today, it has reached 100 level and gone down below 100. If the commodity prices soften, then we'll be able to maintain the margins on back of second half of the year. But, if the inflation doesn't abate, then it could be a little difficult. But, in terms of prioritization, the management's priority is always to gain market share, not to let up on the volumes and value. And second priority is given to margins if push comes to shove.

Avi Mehta: If you could give sense on the rural side? You had indicated last time the channel health also being an indicator of how is that changing?

Mohit Malhotra: Our numbers don't kind of reconcile with the syndicated data, which Nielsen talks about. So, we have seen a rural business and urban business almost neck-to-neck to each other and we did not see as much compression in the rural business the way Nielsen is indicating. Nielsen indicates a 0.6%, 0.7% expansion in urban business and rural business down by around 2.4%. For us, both of them are around 8.3% and 8.4% growth that we've seen in our business on back of ahead of the curve infrastructure developments which we have done in the rural business, village expansion is concerned, sub-stockist technology intervention, etc., And for us, rural is doing relatively better. But of late what we've seen, Nielsen is definitely a lead indicator and indicator of things to come. So, we are seeing some credit needs in rural and we've extended credits in rural. Telltale signs in rural India are there. Plus demand compression also what is being observed in the rural India and impact of inflation is much higher in rural as compared to urban, and therefore, volumes are also getting compressed. That said in medium term, on back of normal monsoon, MSP increases, infrastructure expansion, government's focus on rural, I think rural will be very resilient and will be very quick to come back to where it was. But we have seen in the last two to three quarters, rural per syndicated data is flagging and is suppressed more than urban. But urban is also doing well because post-COVID urban markets are opening up and we see huge buoyancy in modern trade, cash-and-carry and eCommerce. They have taken the slack of GT and on back of these emerging channels, the urban business is doing reasonably good.

Avi Mehta: We are not yet seeing recovery, but it looks increasingly better. That is how I would take it away.

Abneesh Roy from Edelweiss Securities

Abneesh Roy: My first question is on the hair oil. So, two questions here. The first one is on this new launch of Neelibhringa, if you could tell us what is the pricing positioning and already Indulekha and some of the other players are quite well established here. So, what will be the USP? And second question on hair oils is I've seen one-on-one offer in coconut oil. You're a small player there with 6% to 7% market share. What would be your three-year, five-year ambition in coconut hair oil? And this one-plus-one offer, is it on just Jio or you're doing it across eCom and across modern trade?

Mohit Malhotra: So, first of all, you are talking about Neelibhringa launch. Our Neelibhringa entry is coming from a rational of Dabur's non-presence in the Rs.1,000 crores category. There's ayurvedic oils which is Rs.1,000 crores category which is a new category where Indulekha came in, Kesh King came in Dabur doesn't have a presence there. So, we are trying to get into that and that's why this NPD of Neelibhringa 21. So, while there was entry of bhringa, this is Neelibhringa, Neeli is Amla and Neeli is also known to keeping hair black rather than just hair growth. Our positioning is more on black hair, long hair and hair growth. And apart from hair growth, also, reduction in hair fall. The price point is a sweet spot between Indulekha and between Vatika which is a premium coconut oil. So, we are at round a price point of 400 per 100 ML as compared to the market leader which will be at around 600 per 100 ML, so we are cheaper. And we see a clear price band opportunity available in between the lead player in this ayurvedic category and Dabur Amla or Dabur Vatika which is at the premium end. There's a huge gap between the two. That's where we guys are in terms of price positioning. Amla if you see Rs.50 for 100 ML, that's the popular price point. And the premium guys operating at Rs.600 per 100 ML. So, there is a huge difference and a gap available there for the consumer to make a choice and these are all value-added coconut oils with different benefits given to the consumer. But that's the segment that we've made an entry in. We've done test marketing in south of India because that's the largest market for coconut oils. And if we see green shoots here, then we will roll it out in the other parts of the country also. As far as coconut oil is concerned, it's a huge market, I don't have to belabor on that point. And we've got a brand called Dabur Anmol which is already a 200 crores franchise and we are looking at ramping it up to around Rs.500 crores in two to three years' time and that's why we are extremely competitive here. We have half of the price of what the market leader is in 100 ML SKU which is what we guys are flashing on the pack. We have a different pricing in the larger packs, we have a different pricing in the smaller packs.

Abneesh Roy: But the industry isn't growing, right? Your hair oil CAGR three years is 3.6% and if you have to more than double in three years, it will be essentially market share gain which you will target?

Mohit Malhotra: We are not concerned with the market growing or market declining. The hair oil market is actually declining at 0.4%. The hair oil market is huge, more than Rs.10,000 crores. We guys have a market share of roughly around 15% thereabouts. So, we are relying on market share gain only. It is the market leader who should be bothered about the market growth rates. We are not concerned with growth rates. We are concerned with gaining share. And it's almost like a monopoly situation here where we are at around 15%, 16% and the other player is around 40%, 50% share. So, therefore a huge gap and a huge opportunity for us and we have a right to win in this sub-segment. So, that's what we're playing in all the sub segments, whether it's a perfumed hair oil segment, where we have Amla, there is a cooling segment where we guys are not present as yet. So, we will be making an entry into cooling also. I can't tell you the timeline as yet. Then there is a segment of ayurvedic where we have already made an entry, then there is a coconut oil where we have Anmol, then there is a value-added coconut oil where we have Vatika which is already doing well for us. And there is a light oils where you have Bajaj which is the big boy. So, there also we are gaining market share steadily in the Dabur Almond segment. So, all the sub-segments we feel there's a huge opportunity here.

Abneesh Roy: My second question is on shampoo. So, if you could tell us for the category how much is the naturals currently? And for you how much is the bottle currently versus say industry if you could point out how are you different in terms of bottle salience?

Mohit Malhotra: So, shampoo, the overall market segment of naturals will be in the range of around 10% or thereabouts as compared to oral care with a naturals segment at 30%. So, we feel this 10% market segment will only inch up and it's growing at a much faster clip as compared to the shampoo growth rates are concerned. So, that's the way oral care is also panning out and there is no shampoo in the market which has a right to win in the herbal space of shampoos. And that's why Vatika ayurvedic shampoo as a launch is doing very well for us and in sachets also is doing reasonably well. Our saliency of bottles is around 16% to 18%, which in some quarters goes up to 20%, in some quarters, it's around 16% which used to be around 10% at some point of time. From 10%, it's ramped up to around 16% and we are continuously working towards ramping up our bottle saliency which is margin-accretive to us and there's a huge gap in margin. So, we make around 55% margin in a bottle as compared to a sachet, we'd be making something like around 20-25% margin thereabouts and there is also inflationary pressure in sachets, because there is a price point and there is a threshold level of quantity which woman needs to wash the hair. So, not much one can do. So, we are ramping up a bottle significantly. And modern trade and eCommerce totally put together and cash-and-carry if I also see the business, this is roughly around 20%, 25% of the total category and our saliency is only around 16%. So, it's naturals and shampoos are more skewed towards modern trade. We are low pivoted as compared to the category saliency of bottle. So, there's a huge headroom for us to grow the bottle saliency driven by modern trade, eCommerce, cash-and-carry and OFO formats, which are also driven by pricing. Our pricing is also in our favor because we can give a one-on-one free and consumer is very price conscious when it comes to interacting with a product directly.

Abneesh Roy: Last quick question is on toothpaste. So, you said Dant Rakshak and Red Gel didn't do as per expectation. Now, you also mentioned that for naturals. For the category, it is around 30%, which is a very high number. So, if I see your growth versus market leader on a three-year basis, you've clearly grown faster even this quarter. So, my question is, the naturals shift within toothpaste is it now coming to much lower change? And second, Dant Rakshak and gel failure or say below expectation, would you attribute that to any specific reason?

Mohit Malhotra: Naturals segment, I think continues to trend higher. Now, because the inflationary pressures in the category, you see the pressure happening on the entire category, and it's just not naturals, the non-naturals category also, which is facing headwinds of the category growth. If you look at this quarter, the category is declined by around 3.5%. There's a volume decline happening in the oral care category. Now, this is happening. But herbal category is declining, it's almost stagnant as compared to other category decline of around 3.5% to 4%. So, that's the skew. Herbal is definitely driving growth. Now, the pace of growth has slowed down because Patanjali's growth has slowed down, not that our growth has slowed down. There are two big players in the naturals category; one is Dabur, and one is Patanjali. So, the growth of Patanjali slowed down. That's why you see a slower growth happening in the naturals sub-segment. But I think the market leaders' naturals offering is also growing at a faster clip as compared to the non-naturals for them also. So, that's as far as the naturals is concerned. Now, our offerings in natural, whether it's Dabur Red, or Dant Rakshak or Dabur Herbal or Meswak or Babool, all of them are doing well, except for Dant Rakshak which didn't do as per our expectations. But we were also not sure at our end, whether it will do well or not. We said that there is a price point gap between the Dabur Red and Patanjali. We wanted to play at Patanjali's price point. Unfortunately, north of India, it has not resonated well with the consumer. So, we have withdrawn it. We are focusing on herbal. But as far as gel is concerned, gel is definitely a big opportunity. I think it was our marketing failure at our end which we are correcting the mix. The benefit orientation for the gel category is all youngsters and freshness. Unfortunately, we brought in a do-good element in the freshness category, which we will be correcting going forward and using our tenets of success, which we have always been using like a celebrity, etc., and making a revamp of the gel proposition in the market once again. So, that you will see in the next quarter or the next to next quarter, we are rolling out revamped gels in the market under the Dabur Red brand. And we are calling in a sub-brand called "Bae Fresh". So, that will be coming out in the market.

Abneesh Roy: One follow up on what you said. The Patanjali market share now will be how much? And are you taking any proactive steps or is it just that brand and innovation from that company is in general extremely slow versus what you do or what Unilever does, is that the reason or it's just a very targeted market share from Patanjali, which you're doing?

Mohit Malhotra: Patanjali was around 12%, 13%, have come down to around 9.7% and the growth has also slowed down. I think there is no lack of aggression from Patanjali except that Patanjali's efforts are dissipated in a lot of other launches and the company acquisitions of Ruchi, etc., so that's why. But aggression is not lost out, I would not say. But the brand is not doing very well in the marketplace and some amount of steam has got lost as far as Patanjali is concerned. So, that's my take. What was the second part of your question?

Abneesh Roy: A related one, are you doing any proactive steps to further take because 9% is still a very respectable market share from Patanjali?

Mohit Malhotra: What's happening is if you really analyze the market, Dabur Red is doing significantly better in south of India and in east of India. We guys are very weak in west India and north India, which is where Patanjali has a saliency. So, that's a gap in our portfolio. While we are a north Indian company and Dabur's equity is very strong in north and east, but we've not been able to make inroads with Dabur Red into north. So, we are strengthening our portfolio of Red in North and north is very price-sensitive market. So, therefore, we have opened floodgates and augmented capacity in a Rs.10 price point which is doing very well in north of India. And in south we already are doing very well and as I talked about we are already a #2 brand in the south and we are doing well in east. In north to bolster ourselves and our position, earlier, we thought that we will come out with Dant Rakshak but Dant Rakshak hasn't done well, lesson well learned. So, we'll be focusing on Red only in north. We are augmenting LUP there plus we are taking a celebrity which resonates with north. So, Dabur is tied up with Amitabh ji and we are in the process of making a shoot and doing TV commercials with him. So, we will be doing a press release on the same and coming out. So, there'll be a big campaign launch of Red with taking a brand new ambassador like Amitabh ji there who resonates in north India.

Prakash Kapadia from Anived Portfolio

Prakash Kapadia: Mohit, in honey, we had done a couple of launches, Tulsi, Himalayan Organic, Ashwagandha. So, what has the response been to some of those launches? Coming back to the immunity positioning of honey, it is slightly different as compared to Chyawanprash. So, what are the challenges we are facing in terms of repeat the purchase of honey because the positioning always has been replacement of sugar, weight loss, not just immunity as compared to maybe Chyawanprash?

Mohit Malhotra: On honey, I think the acid test for all the launches is your market share increases, like at the time when Patanjali had launched honey, we had lost out roughly around 1,000 basis points market share to Patanjali. But this time around when new players entered the market, we only strengthened our position on back of all the NPDs and pivoting the brand to immunity during the COVID period when the immunity-driven brands were doing so well and the category was blowing out of proportion. So, therefore, all those initiatives and NPDs have really helped us to ramp up our market share. Our market shares are all-time high, almost in the range of around 50-plus as far as honey is concerned and all lost ground at the time of Patanjali has been made good by Dabur Honey. On the campaign of immunity that we did, you're right, immunity angle is different for honey as compared to Chyawanprash, because honey is adjunct to other products, offering immunity and it increases the efficacy of anything that you have it with, whether it's fruits or medicines, etc., Absorption becomes much easier and much better sugar to have as compared to sucrose, because it is fructose and aids in slimming and multiple other benefits. So, during COVID, because immunity was so salient, we had pivoted all communication towards COVID contextual communication. Now, we are going back to our old positioning, which is all about slimming and all about sugar replacement. So, you will see honey now coming out with positioning which is going to be sugar replacement and telling consumers that it's better to use a good sugar which is like honey and not use sucrose because that impacts your glycemic index levels, etc., That said, all the NPDs have done very well. By the way, our eCommerce NPDs of Himalayan Honey are doing well. Tulsi and Ashwagandha were contextual. So, therefore now the context of COVID is not there. Therefore they are not doing very well. But they were there the times when Tulsi and Ashwagandha were doing well and that's why we launched it and the offtake has been good. We've not taken back any stock. That was good. But we've reduced the production of these two variants. So, that said, but other value-added variants of honey are doing exceedingly well for us. Honey as we speak in the quarter has gained 190 bps market share and the new player who entered the honey market has also seen a reduction of market share to half of the peak levels that he had got. All the products are actually stuck on the shelves for them and have all crystallized due to offtakes being low. So, we are in a very good space as far as honey is concerned. But I must tell you, while that said, all is not great, because there was too much of activity which happened on honey during the COVID period. So, stocking levels have gone up both at the retailer level, STR gone up, and also at the consumer pantry level from the data that we see. So, consumers have purchased one-on-one free. So, instead of one bottle, they are now saddled with two bottle stock. So, there the category has declined, very sharp post-COVID. But we see it's stabilizing over a period of one year as the activity actually gets reduced. So, as the season is almost approaching, and we will see our market shares only go up from here.

Prakash Kapadia: These newer products would be 5%, 7% of our overall honey sales or could be more than double digit?

Mohit Malhotra: No, no, they will be less than 5% of our overall turnover.

Prakash Kapadia: Secondly, on Real Vitamin boost range, is it targeted towards kids? How is the pricing there? And any price increases we've taken in the juice portfolio?

Mohit Malhotra: For juice, we have taken around 3% to 4% price increases because that was the extent of inflation, we've actually taken price increase of more than what the inflation was in the fruit juices, but the real inflation of fruit juices and drinks is going to pick up now and therefore, the mango pulp has become expensive and therefore that's the time. But we've taken a 3%, 4% pre-emptive price increases in juices. On the vitamin range, the rationale for launching it is essentially for south of India. What we see is that smaller players like Trop and ITC are putting a lot of pricing pressure on to us on the modern trade. So, our regular brand if we match up the schemes and play a very competitive activity, then it stocks infiltrate from modern trade on to our GT. We want to segregate the mix that we sell in modern trade versus what we sell in GT. In GT, we are selling our regular variants and in modern trade, we'll be wanting to sell our masala juices in the North of India. And because the masala palate is different for south, we are pivoting the vitamin range to the south vitamin range. In terms of MRP, will be expensive. Our gross margins there will be ahead of our average by around 300 to 400 basis points and that will be discounting to gain market shares in modern trade. Like I alluded before, so we need to have horses for courses, not one strategy works well for all channels, it's a channel wise strategy. So, this vitamin strategy is more for modern trade for us and it's a channel wise strategy that we are pursuing there for modern trade to gain shares.

Prakash Kapadia: Lastly, on the raw material cost increase, if you could segregate the mix impact because juices had a much higher contribution in the unlock this year after two years of COVID and the actual raw material pressure because juices have grown far, far better and the mix is much higher. So, if you have it ready it will be nice.

Ankush Jain: Prakash, maybe out of these 220-bps contraction in GC, half of it is coming mainly because of the mix impact in this quarter, almost 100 bps.

Prakash Kapadia: So, roughly half?

Ankush Jain: We are rebalancing that.

Shirish Pardeshi from Centrum Broking

Shirish Pardeshi: Indeed, it was a good performance what I can see that the healthcare expectedly has come down. But just let me step back and say that the loss of healthcare business, which has climbed up to say around 35%, which has now come down to 25%. So, I think you're doing a lot of product launches with the new product, and you're also expanding the hair oil and even juices portfolio. But just one quick question on that, in the medium to long term, what are the core businesses you think the growth will happen basically on the power brands?

Mohit Malhotra: Yes, our power brand strategy remains intact and there is no change of course on the power brand strategy. So, we've got around eight power brands in the company and we want to strengthen each one of those eight power brands and scale them up. So, those are the core areas of business where we are investing funds and we are augmenting capacity and we are increasing our distribution and we are taking celebrities and connecting with the millennials on eCommerce across our world. So, we are ring fencing all our efforts to these eight power brands and increasing scale. So, one-by-one, Amla which is a core brand and a flanker brand strategy, that is continuing. And then there is Dabur Red, core brand, flanker brand is continuing again with the Dabur Herbal and with the peripheral, Meswak brand. Real is our core brand, that is where we are continuing. Chyawanprash, Honey - those are the extensions that you guys are seeing.Pudin Hara, Lal Tail and Honitus. So, those are the power brands that will continue to receive focus from the company and the extensions will also happen, innovation will also happen around the same. We are not planning to introduce any new brand because there are so many brands and we want to just focus our energies, effort and packaging, manufacturing, all efforts around these brands. So, that's what one is trying to do in terms of the power brand strategy.

Shirish Pardeshi: This time you have not spoken anything on the distribution. So, what kind of efforts which you're taking in terms of village coverage expansion? I think last time you mentioned that we are targeting to reach 90,000.

Mohit Malhotra: So, village coverage, this year the target is to reach 100,000 villages and that we have a Yoddha program. And we have already appointed around 10,000 Yoddhas as we speak and they've contributed to around Rs.20 crores of business in Q1 and these yoddhas will continuously be converted into sub-stockists who will eventually be converted into stockists and superstockists depending upon the turnover. So, that is going on at a fast pace. And for rural sales promoters, we have added more rural sales promoters and feet on street. And now we are trying to bring transparency to how they are doing transactions and giving them handheld terminals, which was earlier limited to our sub-stockists. But now, we have sales promoters with the sub-stockists, who is doing the last mile sale. We are trying to bring transparency and visibility to that data. So, that's on digitization, which is happening on the rural end. In the urban end, we are increasing our number of outlets from 1.2 million and this year the target is to reach up to around 1.4 million outlets and we are trending well, 1.35 outlets we've already done in the quarter, and from 1.35 outlets we should be going up to around 1.4 outlets by the end of the year, that is on the urban growth that we'll be seeing. In addition to that, even 6,000 additional chemist outlets have been added and we are doing engagement program with the chemists in addition to the grocery and the rural sub-stockists also. That's also been doing well. And to improve the efficiency, we used to sell around four SKUs in an outlet. Now we find four is too low. So, we are trying to work on MSLs which is a Must Stock List for every outlet and working on heurestics this and push lists in our handheld terminals to ensure that guys conform to our picture of success that we've decided, and every conformity done by a sales officer is rewarded and there is an intelligent control tower which is there, by which we are doing all the monitoring of the sales force.

Shirish Pardeshi: While I visited recently Nepal, and in that I've heard that you're doing a significant investment. So, is it that you are expanding the factory base or there is some more factories you're putting in?

Mohit Malhotra: In Nepal, our business, again, it's a reflection of what the India business does, the extension of India. It's a SAARC strategies very similar to what India strategy unlike a Middle East or North America. So, it's trying to mirror what India is doing. Juices is around 60%, 70% of the overall turnover and we are by far the market leaders in the juices category. Like in India, we've increased the total addressable market of juices to drinks, even we are doing the same thing in Nepal. India was more led by what competition is doing and we are #2, but in Nepal, we are #1. So, we are in the process of putting a pet line there. And therefore, we will be the first company to have introduced juices in pet line after tetra pack. So, that will be a very big leg up in the Nepal business. Also, we've introduced Rs.20 price points there also, which are doing exceedingly well for us. And also, in the healthcare and the personal care space, we are kind of identifying the gaps and plugging those white spaces as we speak. So, our business is doing very well; we've grown by 30% in Nepal, and that is coming on back of a good growth of last year also, and our market shares are steadily increasing across our categories there, and we got a very good team in place in Nepal also doing a good job there.

Shirish Pardeshi: So, this investment what we're doing in terms of, is going to be for next four or five years?

Mohit Malhotra: Yes, absolutely, it's a long term. Nepal is also used as the outsourcing hub for us in terms of juices. So, therefore, as the juice business expands in India, so we are augmenting capacities in Nepal so that becomes a larger feeder market for us from Nepal to India.

Shirish Pardeshi: The promoters of the company has bought lion's share in the Eveready. Is there any plans that we want to merge the distribution?

Mohit Malhotra: Not really.

Gagan Ahluwalia: That is their personal investment. It has nothing to do with Dabur India.

Jay Doshi from Kotak Securities

Jay Doshi: My question is on drinks portfolio. What is the kind of growth trajectory you expect based on the success you've seen so far? I know the category is very large. And how should we think about the growth for overall beverages portfolio given that you've also entered milkshakes and seen some of the success there?

Mohit Malhotra: Jay, we are limited by our capacities. So, we are bursting from seams in terms of demand and the supply is not able to keep up pace with the demand that we had in the season, and we were caught napping, and we did not have capacity. So, whatever we could supply, has been absorbed by the market. And we've increased our outsourcing from something like around 3 lakhs to around 7 lakhs to 10 lakhs. So, three times outsourcing of capacity in which we were giving margins which are much higher than what cost was internally concerned. We know the make or buy, it's better to make, but we had to buy, because the capacities were short and we want to plug in those gaps. So, we are not supplying in many markets because of sheer shortage. So, we are in the process of putting up CAPEX. In the current board meeting also we got a CAPEX approved of putting up additional line in Indore and at other places also. I think we should be growing at around above 20%, 30%, much ahead of the market. Market is growing at 30%, 35% because out of home consumption has picked up, we've grown by 50%, we've gained 330 basis points market share in overall beverages to reach up to around 62.7% market share. But I think the right way to look at is that we are hardly doing around 2.5% in drinks market. So, that's what we got to ramp up. So, there is ocean of opportunity staring at us, and we have to quickly put up CAPEX and try to capitalize on the opportunity here.

Jay Doshi: What is your distribution for juices portfolio today in terms of outlets and what is it for drinks?

Mohit Malhotra: Yes, in terms of drinks, we reach out to roughly around 2 to 2.5 lakh outlets. When we enter into the drinks category, we said that first, we'll try to capitalize on our existing footprint for distribution of juices. First, we get that before we get into the drinks. So, as we speak, in the Q1, we've already reached up to around 230,000 240,000 outlets for drinks also, which is a numeric distribution per Nielsen direct and indirect. But the drinks market is a little different in terms of distribution because the market size is so huge, and it gets into rural and it gets into highways and it follows the soft drink market actually. So, what we've done is, we put up exclusive distribution infrastructure for drinks. Earlier, it was limited to metros, but now we've gone beyond metros into smaller towns also and we've appointed 131 exclusive superstockists which have generated Rs.12 crores additional business. We put in exclusive 20 rural sales promoters, we put in around 530 FAD, our dealers which are called Food and Drink outlets. We've added roughly around 10,000 superstockists as we speak plus Yoddha 3,000 additional in the current quarter, plus we've introduced 45 new highway routes, because that is a huge drink consumption beat. So, we've taken a person exclusively for drinks distribution from Coca Cola, who's leading our distribution vertical. And that's what will provide the focus. All this has led us to a weighted distribution of drinks up to around 11% only and numeric distribution of roughly around 6.5%. So, that's the growth that we've done in the quarter, because that was the season and this growth will continue. So, we are putting in investments in the drinks market for distribution, and this is over and above 2.5 lakhs of the juices. So, this will grow. Earlier, we had exclusive infrastructure for HPC, for healthcare, for ayurvedic, and for foods. Now, there will be drinks also which will be added on to this.

Jay Doshi: Is profitability going to be very different from the rest of the beverages portfolio given the cost of distribution?

Mohit Malhotra: So, for drinks, it's a little margin-dilutive, but the way, Jay, it's a scale business, the more you scale up the business, the more leverage comes at the level of the operating profit. So, optically, when you look at a gross margin, gross margin may look lower. But when you go down to the level of operating margin, operating margins are higher, because the investments required in the drinks market is only at the level of infrastructure and not at the level of advertising so much and it's a scale business. So, as you scale up the business, the business becomes more and more profitable, and it's incremental profits that we see over and above the turnover that we already have in the juices business. So, if you look at our segment profitability, which we also published, you will see our foods and beverages profitability has inched up both in terms of percentage and absolute. So, Rs.60 crores of additional profit is what we've added in the quarter only on account of the incremental business that we are getting out on drinks.

Ankush Jain: And at higher margins than previous year.

Swati Jhunjunwala from VT Capital

Swati Jhunjhunwala: You said commodity softening will help in improving the margin and protecting the margin. So, what commodities do you think are usually impacting you right now, easing in the commodity is most beneficial for you?

Mohit Malhotra: There's only one short answer to a question. The most important commodity is energy prices is basically petroleum prices, petroleum prices are the ones which are impacting 50% of the RMPM and cost, entire packaging cost is impacted by the petroleum prices which was Rs.100 plus, now a little lower. So, that is one. There are derivatives of petroleum which are impacting our hair oil business, our shampoo business, our SLES business, our specialty chemicals business. So, I think most important is the power and fuel. So, all that is getting impacted by the petroleum prices. The number two if you ask me is commodity honey prices are what is impacting our business big times. The third priority would be herbs and spices is what is impacting our business. So, that's what it is.

Shubham Tora from Perpetual Investments

Shubham Tora: My question is related to our healthcare business. So, I understood that this quarter's performance was little subdued due to high-based COVID demand. So, how do you see this healthcare business outlook moving forward?

Mohit Malhotra: Our healthcare business is navigating a very high base. So, first quarter last year was a COVID quarter and last year saw two or three waves of COVID. So, the full year last year was on a very high base. So, while the current quarter was muted in terms of healthcare declining at minus-20, but the CAGR if you see it's around 10% for us and we will continue at that 10% rate of CAGR and I don't see any reduction in that CAGR. But, if you ask me is the uphill mound of last year over? I would say not so, because we are getting into winters, and in winters also, we had a high base of COVID contextual portfolio selling and also in the month of February when there was an Omicron variant, there also we had a high base of healthcare. So, healthcare in the current year will be a little muted, but CAGRs will be pretty robust.

Gagan Ahluwalia: Thank you, everyone for your participation in this conference call. The webcast, audio recording and transcript of this call will be available on our website soon. Thank you. Be safe and healthy.