Dabur
India Ltd.

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To,

Corporate Relation Department BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400001	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1, G Block, Bandra Kurla Complex Bandra (E), Mumbai – 400051
BSE Scrip Code: 500096	NSE Scrip Symbol: DABUR

Sub: Transcript of Investors' Conference Call for Dabur India Limited – Q1 FY 2023-24 Financial Results

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Investors` Conference Call organized on August 3, 2023, post declaration of Financial Results for the quarter ended on June 30, 2023. The said transcript is also available on the website of the Company at www.dabur.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For **Dabur India Limited**

ASHOK KUMAR JAIN

Digitally signed by ASHOK KUMAR JAIN
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(A K Jain)
EVP (Finance) and Company Secretary

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Dabur India Limited

Q1 FY24 Results

Investors Conference Call

August 03, 2023

MANAGEMENT: **MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER**
MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER
MR. RAHUL AWASTHI - GLOBAL HEAD, OPERATIONS
MR. ASHOK JAIN - EVP (FINANCE) AND COMPANY SECRETARY
MRS. GAGAN AHLUWALIA - VP, CORPORATE AFFAIRS

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 2023. Present here with me are Mr. Mohit Malhotra, Chief Executive Officer at Dabur India Limited, Mr. Ankush Jain, Chief Financial Officer, Mr. Rahul Awasthi, Global Head of Operations and Mr. Ashok Jain, EVP Finance and Company Secretary.

We will start with an overview of the company's performance by Mr. Mohit Malhotra, followed by a Q&A session. I now hand over to you, Mohit. Thank you.

Mohit Malhotra: Thank you, Gagan Madam. Good afternoon, everybody. Thank you for joining us today for the results call of Quarter 1 Financial Year 24. During Quarter 1 Financial Year '24, most of the economies witnessed a moderation in inflation. In India too, inflation showed signs of easing, as witnessed in both CPI and WPI data. With this moderation in inflation, there has been an uptick in volumes in both urban and rural markets, indicating promising signs of recovery in demand. In such an environment, I am pleased to share with you that Q1 Financial Year '24 has been a quarter of strong growth across all geographies.

Dabur's consolidated revenue for the quarter crossed INR3,000 crores mark to close at INR 3,130 crores and registered constant currency growth of 13.3% and INR growth of 11%. India business grew by 8% backed by robust double-digit growth of our healthcare and HPC portfolio. The beverage portfolio got impacted by unseasonal rains in the North and West India. The 4-year CAGR for the India business is 10% with near double-digit CAGR in healthcare and HPC and strong double-digit growth in F&B business. International business registered a growth of 20.6% in constant currency terms.

Talking about the categories, HPC portfolio recorded 11% growth during the quarter. Our Oral Care portfolio grew by 13% in the quarter leading to strong double-digit 4-year CAGR. Dabur Red gained 50 basis points of market share in the category, consolidating our position as the number two player in the Oral Care segment with every second household being a Dabur Oral Care household. Hair Oils recorded a 10% growth and posted a strong gain in market shares of 200 basis points to reach its highest ever level of 17.4. Shampoos recorded a 9% growth in the quarter with 4-year CAGR at a robust 13% leading to market share gains. Homecare registered a 15% growth with all the brands witnessing strong performance. Odonil, which is the number one player in the air freshness category continued to witness gain in market share. In mosquito repellent category we saw an uptick of 340 bps in market share.

Healthcare portfolio recorded a 10.5% growth, posting a 4-year CAGR of 10%. We saw market share gains across health supplement portfolio. Digestive category saw a growth of 15% on back of robust performance of Hajmula franchise. OTC portfolio grew by 24% during the quarter, driven by double digit growth in Lal, Tel and Honitus. Ethical registered a 7% growth in the quarter.

We have recently established a therapeutics division which includes a team of 400 product specialists for advocacy and sales of our healthcare portfolio to allopathic doctors. This division is targeting an incremental business of around INR150 crores during the year with the portfolio of baby care, branded ethicals, pure herbs and dharma products. With this division, we are targeting to reach 70,000 allopathic doctors in addition to the current coverage of 70,000 ayurvedic practitioners. This should enable the company to bring Ayurveda into mainstream allopathic healthcare and accelerate growth of our healthcare verticals.

The beverage business saw muted growth during the quarter on account of unseasonal rains, which particularly impacted North and West India. The foods business under the homemade brand performed exceedingly well with growth of 35%. This has been further bolstered by Badshah acquisition, which saw 23% growth in the quarter. We remain on track to exit the year with a run-rate of 500 crores from our Foods plus Badshah business.

We continue to drive our distribution expansion initiatives. Our direct reach stands at 1.4 million outlets, and we should increase it to 1.5 million by the end of the fiscal year. Village coverage is at strong 1 lakh plus villages, being ably supported by more than 13,000 yoddhas. EDGE score, which is an efficiency marker of distribution, continues to see improvement and has seen an increase of close to 10% in the quarter.

Now coming to the international business, with moderation of inflation and distribution changes, the international business has seen a strong recovery and registered a 20.6% constant currency growth. This was driven by robust growth across our regions, with Middle East, North Africa (MENA) growing by 10%, Egypt growing at 45%, Turkey business growing at 52% and Sub Sahara business growing by 13%. Our focus on innovation and customer centric strategies has enabled us to gain market shares across most geographies and countries.

A litigation has been filed against one of our subsidiaries Namaste LLC in USA along with other companies manufacturing hair relaxer products like L'Oreal, Godrej, Softsheen/Carson, Avalon, Revlon, etc., where it has been alleged that usage of such hair relaxer products leads to harmful effects. Namaste disputes the same and stands for the safety of its products. Namaste along with other defendants have formed a defence consortium and appointed lawyers to take adequate steps to defend this lawsuit. The case has been filed on the basis of an incomplete and inconclusive study. Namaste along with other defendants maintains there is no legal merit to this suit. The portfolio in question is less than 1% of our consolidated revenue and we have a product liability insurance in place. The matter is sub judice.

Coming to the quarter's profitability, our consolidated gross margin expanded by 75 bps as material inflation reduced from high single digits to low single digits. During the quarter, we have increased our A&P investments by around 30%. We believe these media investments are essential to drive long-term sustainable growth and maintain our market leadership. This quarter, we recorded a market share gain in 90% of our portfolio. Our operating profit saw a growth of 11.2%. PAT for the quarter touched INR 464 crores, growing by 5.3% over previous year. This includes amortization related to Badshah acquisition. Excluding this amortization impact, the PAT growth was 8% on a like-to-like basis.

Overall, the improving demand scenario augurs well for the business as we will continue to drive profitable growth across our business verticals backed by investments in our distribution network, brands, manufacturing, digital and organizational capabilities.

With this I conclude my address and open the floor for Q&A. Thank you.

Abneesh Roy from Nuvama Institutional Equities

Abneesh Roy: Yes, my first question is, of course, in Q4, your numbers were weak and now you have seen good recovery on Y-o-Y basis and even on a four-year basis. So I want to understand on this recovery bit, is it because of the inventory levels changing from Q4 to Q1 in any meaningful manner? Second is, of course, a 30% increase in the advertising also. So is it across categories, because it seems slightly higher than what some of your other peers are doing, on an absolute basis, the 30% increase? And when seen from a gross margin to EBITDA margin kind of a translation, it is much higher than the gross margin expansion versus the other companies. So could you elaborate this recovery bit, is that sustainable for the coming quarters also across categories?

Mohit Malhotra: Hi, Abneesh, so I think the recovery is seen in the market per se, it is not just Dabur recovery, if you have seen that, rural business across the board actually has recovered and there is a volume uptick, which is being seen in the rural business. So rural for the category itself or should I say for the FMCG market has actually grown by 4%. We are growing ahead in rural at around 8% and urban growth for us is around 10%.

So, across all businesses we have seen the recovery happen as the rural recovers and Dabur is more salient in rural. So backed by rural, we are seeing a recovery happening in our GT business. In MT, we had some issues in modern trade with Reliance. It was sorted out and modern trade is again back and growing at around 18% for us. E-commerce, there are some teetering issues in the business that is again going to be back on track and e-commerce should by the end of year, should be around 9% of our overall sales.

So broadly I am confident on the recovery of the business but for beverages, which got impacted by the seasonal, unseasonal rains which happened and that dampened the beverage portfolio, but our food portfolio grew by around 34%. So, it's a secular kind of a growth that we've seen across the portfolio and not much pertaining to any inventory levels in the market per se.

As far as the second part of your question is advertising., We had cut back last year because of the inflation issues, and we wanted to maintain the margins and that's why there was an advertising cut because huge inflation was there. Now inflation is kind of abated in our portfolio.

In India, overall inflation was almost around 0.5%. International business still witnessed some sort of inflation, but we had alluded to earlier also that, we will be investing money back into advertising for surging demand and that's what we've done and that's why 30% growth in advertising is what you are seeing. We've also invested some money back from consumer promotion and trade promotions back into advertising. So gross margin improvements are being invested into advertising and some is flowing down into EBITDA.

Abneesh Roy: Sure, my second question is on the health portfolio with this leadership change from Himalaya such a senior person. You have also shared the higher targets for FY '24 with higher feet on street etc. My question here is, why now how easy is it to target the allopathic for Ayurvedic because both are very different. If it was so easy, why did you not try it earlier?

And any other learnings because Himalaya being unlisted, we don't know much but it's very well run in the health and Ayurvedic segment. You are also very large. Any other learnings are there apart from what you are doing in terms of feet on street and targeting allopathy, any other changes needed in your own portfolio?

Mohit Malhotra: There are a couple of changes in the healthcare. One is the leadership change that you know Philipe is coming and he is the one, who is driving the healthcare vertical for us. So, I think one major change is advocacy and advocacy not to, also we are doing it to Ayurvedic but also, we have started allopathic also because we feel that allopathic doctors are the mainstream practitioners in the country and without your portfolio getting a yes or a tick from the allopathic, you really can't drive healthcare in a country like India.

So therefore, we are going to be doing positive advocacy with allopathic doctors and also driving sales through them. 150 crores are incremental sales and we put around 500 people feet on street totally going to both allopathic and ayurvedic doctors. So this business should be incremental and moreover, if you remember, my previous speeches also I talked about Baby care. We are not taking mainstream and keeping it restricted to e-commerce till the time we establish a GTM for baby care.

So with this advocacy team coming in and going to gynaecologists and paediatricians, Baby care will come into mainstream. Baby care which exited at around INR 20 crores last year should see a INR50 crores business in the current year. Baby care will be driven very hard through this vertical along with branded ethical and also some pharma led products.

So overall we should continue on a growth trajectory of 10% CAGR on healthcare going forward with Philipe coming in. Apart from setting up an advocacy vertical and selling products through this advocacy vertical in allopathic channel which is not a very big challenge, it's not very difficult because Philipe has done it in the past, we are doing it except that training etc, has to go on a little slow burn but I think by the end of the year, we should see turnover growth coming from this vertical.

The second vector of growth in healthcare will be investing money on power brands, which we will continue to do, backing up Lal Tail, Honitus, Pudin Hara, all these brands and Chyawanprash and Honey, etc. That will go on the way the strategy was. The third vector is new product introductions to increasing the addressable market in healthcare. That will go on as it is.

Abneesh Roy: Sure. My last question is on the M&A strategy, which Dabur has. So clearly when I see Marico, HUL, ITC, etc. They have been quite more aggressive on the D2C front in terms of acquisition last two three years in the foods and personal care portfolio. Dabur obviously has done a Badshah acquisition. So wanted to understand on D2C acquisition, what is your thought process?

And second in terms of Badshah, what is the interplay between Badshah and Hommade? Hommade has done well. But are there any synergy benefits, which you are working on between both the portfolio in terms of either distribution team or in terms of brand architecture etc. Because now both are fairly adjacent to each other or the customer.

Mohit Malhotra: Absolutely. So, Abneesh, what we are doing, we have got money sitting in a balance sheet for acquisition purposes, we are continually scouting on targets for D2C also. If we come across a company which is synergistic to us in the healthcare play or the personal care play or the skin care ayurvedic play, we will evaluate them and if it seems financially worthwhile, we will acquire the company.

The last thing we want to do is acquire a dilutive brand, which further takes down our EBITDA margin. That's why proper due diligence has to happen before we actually acquire the brand. But money is there in the balance sheet to acquire a D2C brand also, which could be a premium play for strengthening our urban business. That's one.

The second part of your question on Badshaah and Hommade is concerned. Both Hommade and Badshaah are doing well. Badshaah is growing by 23% also impacted by a lot of inflation of spices, etcetera. Hommade brand is growing at around 33%- 34%. Hommade is restricted to the northern side of the country, where Dabur is very strong and Badshah is today restricted to the western side.

We are cross pollinating the portfolio from Badshah to Hommade, Hommade to Badshah definitely. In terms of distribution, we are leveraging the Badshah distribution in the west for Hommade and we are leveraging the Dabur distribution for Badshah in the north. Still we have not started going forward. In the next quarters, we will start pollinating Badshah to our distributors in the Western region to start with, Western and Southern region to start with before we move to North.

This is what the playbook was in the beginning, and we are sticking to our strategy, what we had planned out to be. But both of them are running at a rate of INR 500 crores going forward next year. Next year we will be looking at a food portfolio totally INR 500 crores. So we will be exiting at around INR 450 crore and next year, the target will be INR500 crores for a food portfolio.

Abneesh Roy: Okay, thanks. That's all from me, thank you.

<u>Avi Mehta from Macquarie</u>

Avi Mehta: Hi Mohit, thanks for this opportunity. I wanted to kind of just understand the oral care positioning a little better. Do you see the need to extend beyond the natural positioning to ensure that the growth divergence versus the industry sustained at the earlier highs? And if yes, what steps are we taking for the same?

Mohit Malhotra: Yes, Avi, not really. We want to stick to our core and our core capability as far as oral care is concerned. Natural is our core and we will stick to the Naturals portfolio, and we will not dither from the Natural portfolio. If you look at the current numbers, which have come from Kantar, we see penetration of Natural category has moved up from 30% to 31%. 200 basis point of improvement is there in the growth as far as the natural category is concerned.

Within the Natural, overall we have been successful in taking business from the non-naturals to the natural. The category has grown in volume by around 2.5%. We have grown by around 9% as compared to our number one competitor, who has grown by 7%. we have taken share from them, and we are consistently taking share. 50 basis point gain has happened in Dabur Red. Even Lal Dant Manjan on back of rural recoveries also done very well. Dabur Herbal toothpaste had some teething problems in terms of stock out but that also we are correcting going forward. But in south of India, it's doing well.

We've launched our Dabur Bae Fresh Gel, which you can say is a kind of a non-natural slash and natural gel entry which is targeting youngsters and teenagers and the positioning is more on fresh breath, which is really not on health, but it is an extension of our Red franchise into a gel. We have launched it; we have roped in Kartik Aryan as a celebrity for that.

We have already got a turnover of around INR4 - 5 crores, we have launched it in the end of June and for the full year, we will be targeting a number of around INR15 16 crores coming out of our Bae Fresh gel. Our earlier gel franchise has also grown by more than around 25% in the last quarter. So Gel was an area, which was absent in our portfolio, which we have kind of plucked now.

Avi Mehta: Okay. Just a follow up. In your opinion, this 31% natural share in Oral Care, where do you see it trending probably two years or three years ahead?

Mohit Malhotra: I don't know two years, three years but definitely a little longish term. I think five years to six years. The whole category 50% should become natural, and Dabur will consistently keep taking share from the market leader. Because the price points are similar, there is no difference between the price points. This is basically a value-added toothpaste. Like you have a value-added hair oil, this is a value-added toothpaste, calcium carbonate based, and we are giving more added ingredients and promising benefits like cavity protection, like sensitivity, etc. But more through natural means rather than through cosmetic and chemical means.

Avi Mehta: Fairly clear. Thanks, Mohit. Thanks a lot for that. The second bit was essentially on the margin. Now given the first quarter performance, where we've seen input cost kind of moderating demand strength and reflecting in this margin performance. Would you want to revisit your guidance for FY24 of 19% to 19.5% or how would you kind of, if you could share your comments on that please?

Mohit Malhotra: So as far as the inflation is concerned, we are witnessing inflation moderating across all categories, but the mix of inflation is also changing towards food. We have seen food basket inflation around 11% while it is moderated in HPC and HC but food basket, we have seen inflation with spices inflation being around 19%. Fruit concentrate also have seen inflation. Now the monsoons are going to hit. I don't know how inflation will pan out in the immediate term.

But consistently, overall, on the hydrocarbon link, which is our bigger basket of raw material and packaging material, there we have seen deflation. And that deflation should continue for next quarters to come. And there will be a margin upside. We have seen the 75-basis point of improvement in our gross margin, which we have invested into media. That will continue to do. As the gross margin upside is higher, then that will flow into our operating margin. But we keep a guidance of the same similar band.

Till the time, we cover up our media investments to a tune of around 8%- 9% of the overall business should be media for us. Till the time, money will keep going into media because we feel long term we have to invest in media and not really look at a very short-term approach of giving it to margins and less to media and starving the brands.

Avi Mehta: No, got it. Okay. Just the last bit, Mohit, was on this recent news that came in about the Honey. If there's anything that you would like to comment on that, which is coming today? That's the last bit on mine. That's all from me.

Mohit Malhotra: Yes. So, I know that this news keeps coming in and we keep giving statements and one more statement I will give. We stand by the purity of Dabur Honey. Our every single batch of Dabur Honey is dispatched from a factory, and it complies with all FSSAI parameters, which is the regulatory body in India. We export to many countries and everywhere, we follow the regulations of the regulatory body there.

Most of the factories where we produce our honey, they are all US FDA certified facilities and no question of any impurity. It's our foremost duty and Dabur brand stands for quality and trust in the consumer's mind, and we don't want to breach that. That's our foremost priority to do. So, no question of anything.

So, every batch is tested as it exits the factory, and that batch is tested for 65 parameters of FSSAI and also beyond that which includes HMF also which has been questioned. Recently Dabur Honey has been granted AGMARK special certification post inspections and proper due diligence by authorities. This study which has actually happened is evidently a couple of hours before our quarterly business result announcement and is definitely motivated to malign the image of the market leader.

Last time also when the controversy happened with CSE report, we emerged much stronger. We gained around 500 basis points of market share since then. And I am sure even after this controversy we will emerge out to be much more stronger. And as a business, we do not pay any hee to such studies which keep happening. And these are some tactics by some companies to malign our image and take shares through ulterior motives. But we do not want to pay any heed to that and continue with our business as usual.

Avi Mehta: Perfect, perfect. The 500, I mean the margin market share gain which we saw last time is a very clear kind of indication that should happen. Thank you very much. That's all from my side.

Arnab Mitra from Goldman Sachs

Arnab Mitra: Yes, hi, Mohit. My first question was on the gross margin. While your consolidated gross margin has moved up, what I was noticing is that the India gross margin has been kind of flattish for the last three quarters. While we have seen input cost deflation and a lot of the other companies have seen strong expansion, is it something that is going to come in with a lag or are there certain pockets where the inflation is very high for you, which is why the India GM is not moving up that much sequentially?

Ankush Jain: India's gross margins have also improved by 80 bps in the quarter year-on-year. And so therefore, the benefits of deflation in healthcare and HPC businesses are flowing on into business. So, that's true. So, it's actually improving.

Mohit Malhotra: Yes, so 80 basis points is an improvement. What Arnab maybe you are reflecting on, other companies maybe have shown 190 and we are actually 80. One of the issues here is in food we have an inflation of around 11% which is hitting us in fruit concentrates and F&B as a segment is very salient in our summer months which is our first quarter.

So, 25% of our business is coming from summer centric food portfolio where we have seen inflation. As we move into Q2 and Q3, HPC and HC portfolio will become even more salient and therefore gross margin upside will be even better in those two quarters to your point also. So, and then HPC portfolio where raw material is essentially SLES and hydrocarbon linked, LLP linked. There we have not seen very high deflation yet, which because of the strategic inventories that we will be carrying as we exhaust the inventory. And we move into the regular purchases, we will see gross margin upsides happening there also. So, definitely sequentially there has been a gross margin improvement quarter-on-quarter and we will continue to see that for next two to three quarters. Yes.

Arnab Mitra: Okay, I understood that. Thanks for that. My second question is on beverages. So, clearly this quarter there was an impact of the summer season. Just wanted to get your thoughts on how you see the full year now because you do have a very high base for 2Q also. I think there is a timing with the festive season. How do you see the full year growth for beverages overall and anything on the new initiatives on beverages, especially fruit drinks in terms of how you want to scale it up this year?

Mohit Malhotra: Yes, so beverages was muted on account of season and we could not help in the season. If you see most of the beverage companies as per the Bizom data which got released they are all down by around 25%. As compared to that, Dabur beverage portfolio is almost flat. We have declined by around 1.6% in beverages whereas in terms of transactions, we have actually grown by around 4%-5%. Transactions is number of eaches that you are selling in the market on back of the drinks that we guys introduced.

So, that is just been introduced. So, overall beverages will be muted through the quarter because main season was damper. But I don't know how the season will pan out to be next year going forward. But I think it will be muted for the full year beverages, which will be in a way a positive as far as our margins are concerned in the current year. Because the salience of beverages, if it's low, then the margins become positive for us.

Arnab Mitra: Okay, understood. Thanks for that. And my last question was on international business. You had those distribution issues. I wanted to know, does this quarter fully reflect that the issues are behind you or there is some restocking that you would expect going ahead as the distribution changes fully kind of kick-in, into those markets.

Mohit Malhotra: In international business, we have done the changes in distribution last year and therefore that got reflected in the first quarter. In first quarter, we lost some sales on account of change of distributor. Next quarter should be a full-blown quarter with distribution changes getting ironed out. For the full year, we can guide for a good double-digit growth in international business. Constant Currency, obviously, we have grown by 20% and will continue to grow like that in Constant Currency in international business. But currency depreciation impacts us. But even in Indian currency, we will have a double-digit growth as far as international business is concerned, the full year.

Arnab Mitra: Okay, thanks Mohit. That's it from my side. All the best.

Mohit Malhotra: Thank you.

Percy Panthaki from IIFL

Percy Panthaki: Just some comments from you on the hair oil segment, it has grown at 10% this quarter. And your other large competitor basically has seen a flat kind of a number. So, just wanted to understand what has led to this difference in performance?

Mohit Malhotra: Yes, so, Percy, we guys have grown by around 200 basis points, ever highest market share of 17.4% we've registered in the hair oil. So, I think our Amla portfolio, which is following a strategy of the core brand strengthening and through flanker brands, I think all our brands have done well, including Amla core. I think execution in the market has been absolutely great by the team and we have been gaining share in segment after segment. So, pack price architecture and MSL which is must stock list adherence is reaping results in the marketplace for us and shelf shares are going up, distributions are going up, all ends.

I think execution has been great. So, and our strategy is working for us, which took us time because in the INR 10, INR 20, we were losing shares to our competitor. But I think that we've come back and kind of anchored it well.

Percy Panthaki: Got it, got it. Secondly on margins, just continuing from Arnab's question, how do you see it playing out? You said basically you had some higher priced inventory, now that will get run through. Do you think that you will sort of end the year at the higher end of your guidance of 19 to 20?

Mohit Malhotra: So, I never give a guidance of 19 to 20. So, but Yes, higher end of the guidance, yes. So, definitely. So, I think it will take us another year. I don't know how the inflation pans out to be. All depends upon inflation. But we have already taken price increases in last year to manage inflation. And all the follow through impact of the price increases should happen in the current year. If inflation is really benign and it leads to deflation, which is not the case right now, it's 0.5% inflation still.

If inflation becomes deflation, Yes, we could positively surprise you at the end of the year. But I can't give you that kind of a guidance at the moment. We should remain the band that we talked about earlier.

Ankush Jain: Sure, sure. And also, in India, while in India we will see some bit of deflation, but also in international markets, the currency devaluations are still playing a role. So, it's very difficult to say at this point of time, will we cross 20% or not? But yes, we would definitely improve versus last year. That is the intent. But whatever is the upside in gross margin, we will want to plough it back to the media spend and generate demand for the future.

Percy Panthaki: Okay, Yes, that's all from me. Thanks and all the best.

Shirish Pardeshi from Centrum

Shirish Pardeshi: Thanks for the opportunity. Just to start with, I think we have seen a base effect now playing out in the healthcare. So, would you be able to help us to give some thoughts how we should look at quarter two, quarter three onwards because I would assume now inventory also would have been depleted very sharply.

Mohit Malhotra: Shirish, as far as inventory is concerned, I don't know if inventory is depleted or not, but I can tell you a couple of examples. We were carrying a lot of inventory in e-commerce for healthcare and that inventory is getting depleted as we speak and Chyawanprash growth is still not back on track and Chyawanprash CAGR continues to be at 11% but still Chyawanprash is not growing as we would expect. Although it is a lower base for Chyawanprash, non-season for Chyawanprash but still the decline in Chyawanprash is to a tune of around 9% or so but this is not the season.

In the season we expect Chawanprash to actually grow. It's not a depleted inventory. That's the point I'm trying to illustrate. It's a normal course of inventory in healthcare. But that said, healthcare should trend at a a high single to a double-digit growth. All verticals of healthcare should have a price increase element that we have taken last year and backed by mid-single volume growth and we should see a double-digit growth in healthcare going forward.

With baby care actually leading the pack and honey has been doing well. I don't know but for the recent controversy, I don't think it should impact the business much but honey continues to do very well for us. In the season, glucose was impacted because it is summer centric portfolio. Next season going forward when we do the loading in quarter four for quarter one, I think that should be better. So, healthcare should give us a high single to a low double-digit growth for the full year.

Ankush Jain: Yes, you are right, the abnormal bases has evened out. Business will now grow on a normal trajectory.

Shirish Pardeshi: That's what I was expecting. Okay, my second question is on the hair oil. From the presentation I can make out that we have launched Dabur Cool King. I think that's gone into the market. Can you share some initial feedback, how this product has done well, which are the markets you are seeing the pickup or any color on that?

Mohit Malhotra: We launched it in the month of May, actually back end of the May, it's been two months of implementation in the marketplace, May and June. The initial response of the product has been very positive. The advertising that we released has been received very well with the consumers and we have gained 15% relative market share to market competitor, a market lead player in whichever towns and markets that we have launched. We have launched it in UP, we have launched it in North and we have launched it in Bihar.

These are the parts that are most impacted by the summers and that's where the cooling oil grows. INR1000 crores category and dominated by a single monopoly player. We have made multiple attempts in the past, all not very successful. Again, we tried to enter because we are trying to plug all the gaps of hair oil. Initial feedback is very positive but Shirish we will have to come back again next year and make a full hearted because the summer was muted this time. So, but that said the product response and the repeat purchase in the range of around 25% to 30% which is very encouraging.

Shirish Pardeshi: The reason why I am asking this question because similarly even Marico and Bajaj Consumer is also made inroads in the cooling segment. So, I was saying is the growth rates are so impressive that that's why everybody is trying to get into the footing.

Mohit Malhotra: Not really, I think it's a plugging of gap of the portfolio and each competitor, I don't know, I can't tell about themselves. As far as we are concerned, we see this is a definite gap in our portfolio. So, we want to plug the gap wherever we have a right to win. And we have a proposition which is very unique, which has been introduced with a chill tube in it. First time there is a tube in a bottle which has got camphor crystals in it which provides cooling and perpetual cooling. No other player in the market has got this kind of a proposition.

So, on back of this proposition and Dabur having a right to win in the hair oil market, we feel we have good chances of success here and that's why we are kind of pushing it. And this is in line with our Dabur Amla big strong brands and plugging the gaps in all the portfolios. So that's what we are trying to do.

Shirish Pardeshi: Okay, my next question is on the NPD funnel. I think last 15 months we have tried various products starting from the baby care range we have launched some dry fruits, we have gone into the mustard oil, edible oil. And then now when we look back, what is the thing which is working or what is promising and maybe if you can guide over next one year, what is your NPD funnel, I mean not the product but what is your target in terms of contribution to sales?

Mohit Malhotra: See, we always maintain that our innovation as a percentage to overall business should be in the range of around 3-4% and that's what happened in the current quarter also. Our total NPD to total revenue is around 3% of the business across all verticals and that's what we want to maintain. So, but for emerging channels, the e-commerce where the NPD to the business revenue is in the range of around 10% or so because that's an incubating funnel for us. And as we keep incubating and doing proof of concept checks, once it's successful then we roll it out to MT and GT, that's a playbook that's been established very well.

In terms of successes, Baby Care is a definite success. In healthcare, I'll now talk about healthcare to you. Baby Care is a definite success. We hit a turnover of exit of around INR20 crores. Now we are making it mainstream. This year target is around INR50 crores is what we are doing, Cool King, we've already introduced. We've done a INR6 crores of revenue number. It's a seasonal brand. So, next we will follow. Bae Fresh Gel, we've already launched in the marketplace, entry into our gel category.

Odomos brand will increase the addressable market and we are launching Odomos LVP going forward. And the edible oil portfolio, the entire edible oil, mustard oil, sesame oil and heart oil that we have got, that will stay on e-commerce for us and it's doing very well. We are constraining supply of the edible oil portfolio in the marketplace deliberately because it's a contingency portfolio kept for us. So, that's there. Our coconut water continues to do well.

Real Fizzin, as you know, has done very well. 200 crores of drinks franchise we have already created. Our Dabur Ghee, as we speak, is INR10 crores in exit. It's again, we can open floodgates but we are deliberately keeping it restricted. Hajmola extensions of Limcola, Chatcola, now Fantola being launched are doing very well and they are contributing 10% of the overall Hajmola business. Hajmola has grown by around 15% and 10% of the turnover is coming from innovations over there.

Our tea, our entry into chai was the attempt that we did and I think this year we have taken a turnover of INR10-11 crores coming from our Ayurvedic tea. Our health juices has grown by around 20% in the current year. So, overall, around 34% of our business should continue to come from our innovations which are future pillars of growth going forward in the future for us. And it's lying with our increasing our addressable market under the guard rails of our power brands which we will keep strengthening which are the core of the business contributing to around 70%-80%.

Shirish Pardeshi: That's helpful Mohit. Just one follow-up here. Though it is heartening to know that you have a very strong NPD funnel but how do you manage this complexity running these all businesses right from supply chain to manufacturing to the front end and at the distributor level?

Mohit Malhotra: Yes, so I think it's not very complex because I told you it's done within the guardrails of the power brand architecture. Now to tell you a guardrail of a power brand, I'll illustrate you with an example. Hajmola is a brand which has got three variants. I am introducing two more variants. It runs on the same line, it runs on the same bottle, only the color of the cap is different and the laminate is different. And the same supply chain handles it, same distribution handles it, same distributor handling it. So, I think it doesn't cost us much. The new variants bring in more vibrancy and a better incremental business.

Similarly, real brand. A real brand is now available in a pet bottle. Earlier only a tetra pack was going. Now a pet bottle is also made available. Earlier five variants were going, now seven variants are going. The batches become multiple but that complexity we are geared to manage. And it is that we have learnt it through our international business also where the population is lesser and the runs are smaller and changes in the line can frequently happen with efficiency and economy.

So, that we have learnt over a period of time. So, I don't think there's too much of complexity as far as hair oil is concerned. Again, similar bottles, similar economies which are there. It gives more news to the salesmen to sell and better throughput at the outlet is being promised. So, I don't think there's too much of complexity being added here. Rahul, you want to add something? We happen to have the privilege of having Rahul along with us. Maybe if he wants to add something.

Rahul Awasthi: So, for many innovations we adopt the principle of open innovation wherein we are not only deploying our own capability but we are taking help of lot of third-party manufacturing already available which are having the same kind of format already being produced. So, many of these innovations are not creating complexity in our manufacturing setup and they are very fast to do and that is the reason why we are able to roll out innovation in such a faster way.

Shirish Pardeshi I got that Rahul, that's really helpful but just wanted to check at the front end when your distribution is common length, so in that how the distributor is doing justice selling all these products unless it is channel specific?

Mohit Malhotra: So Shirish channel wise as far as I will give you a little more granular answer, so e-commerce is a common channel they are open to innovation so there is no pressure there so is the case with modern trade we furnish them directly distributor interface in 80% of our modern trade is not there. Now coming to GT, which is 70% of the business, complexity arises there. There we are planning to increase our feet on street. A, we are appointing more number of sub-stockists and more number of yoddhas that you know.

As far as, and in GT we have three separate verticals, healthcare distributor, HPC distributor, and foods distributor separate. And with the common distributor, we are trying to segregate lines also. And depending upon the threshold of turnover, we are separating HPC into HPC1 and HPC2 also, and adding more feet on street to ensure that delivery and execution happens of the NPDs that we introduce.

Prakash Kapadia from Anived Portfolio Managers

Prakash Kapadia: Hi, thanks for the opportunity. Two questions from my end. What could be the current sales mix of OTC and Ethicals? You obviously talked about new initiatives in the Ethical piece. Going forward as we are trying to scale both, could you give us some sense on margins, are margins similar or higher between OTC and Ethicals?

And secondly on the beverage business, you know, what happens when there is unseasonal rains or delayed summer? Does growth happen in the balance of the year or on an exit full year basis, is it fair to say growth remains muted or flattish or festive season can drive growth for beverages?

Mohit Malhotra: Alright, so first part of your question, OTC and ethical almost 50%-50% of the total turnover that we have, and margin profiles are also pretty similar because most of the ethical portfolio is the one, once it crosses a threshold level of turnover moves to OTC for us. So there is no margin profile difference between OTC and ethical and it's almost 50%-50% of our portfolio.

Like Hajmola when it was a classical or ethical product it used to be called Shudhavardhan Churan and then we nomenclatured it as Hajmola and we are calling it OTC now. So that is how we change it. So ethical and OTC is a different life cycle stage. In the previous cycle of the life cycle it is called ethical, then it becomes a branded ethical, then it becomes a OTC for us. So that's the life cycle stage depending upon the turnover.

So, yes, like Stresscom is the branded ethical which is called a Stresscom, but the active ingredient over there is Ashwagandha. So, when it is ethical it is called Ashwagandha, when it moves to branded ethical it is called Stresscom, when it reaches a INR 5 crores turnover it becomes an OTC for us. That is how we look at the life cycle stage management for our ethical to branded ethical to OTC to FMHG business also.

So that's the way our healthcare is again a playbook very well established in Dabur over the years and we stick to that, and margins are pretty similar which are overall margins of the company both from a gross margin perspective and from a net margin perspective. And the requirement of advertising is so much more lower. With establishing this advocacy vertical we will be able to now do more advocacy and reduce more advertising which is where we have more attrition of the consumers again, we have to advertise again lapsing happens but the doctor, doctor remains the same along the life cycle of the product and therefore requiring that's why pharma margins are much higher as compared to OTC or FMHG margins for you.

Second part of your question is beverages. Now the season has impacted beverages on account of summers being lower and 30% of the consumption of beverages is out of home for us. Out of home consumption when the rains are there people don't move out and people don't move out, the eating and drinking outlets don't have that kind of a throughput and they are not able to sell that's why the portfolio gets impacted.

If rains are not there and the marriage season is great which is what we think it should be or Diwali season is great, if the rain don't play a spoilsport, then I think that season should not get impacted by beverages. But because the season is so heavy and it contributes to around 30%-40% of the total consumption for the whole year, a little impact for the full year business definitely happens.

Latika Chopra from JP Morgan

Latika Chopra: Hi, thanks for the opportunity. Mohit question was on your expectations on volume growth progression for the rest of the year. We start lapping even a lower base as we come into the next few quarters. And depending on the rural recovery comments that I heard, do you anticipate volume growth tends to gradually move to mid to maybe even high single digit volume growth as we cross the year?

Mohit Malhotra: Yes, Latika. I think absolutely, I think rightly said. So if you look at now, giving a little better answer for you to understand it, if you look at the volume growth across our verticals, our volume growth in beverage has been very muted because beverage season wasn't in favour. So volume growth was negative which dragged the overall volume growth of the company down. If you look at the healthcare volume growth, our healthcare volume growth while there was a 6%-7%

of price increase impact, the overall business has grown by 12%. There is a 6%-7% of a volume growth in our healthcare business.

In HPC business, where the price increase wasn't very high, our volume growth has been in the range of around 7%-8%. And going forward, this should be the volume growth going forward. So mid-single to high-single volume growth going forward and a beverage portfolio a little bit negative but definitely mid-single volume growth should be there in the business. So, ex-Foods this time the volume growth is 6% for us in the first quarter and Yes, and we will have to do and with the rural recovery happening, as we see, the rural has grown by 4%, we have grown by 8%, volume growth in rural this time for the categories around 7.5% and back of all this, we should see a definite volume uptick happening in the business and we are always monitoring our volume market shares.

So for us to grow ahead of the category, the volume growth should be ahead of a mid-single also. For us to gain market shares across 90% of the portfolio that we have.

Latika Chopra: Sure. And my second question was on beverages. Sorry to check on this again. Because you know your earlier comments during the call suggested that a full year for beverages, you expect a muted full year. I understand the first quarter was sluggish, which is about 30% to 40% of the business. But for the remaining quarters, are you okay if we build in some growth or are you seeing any other challenges here? You know, of a high base or anything like that?

Mohit Malhotra: See, we have taken a target of around 8% to 9% growth on a high base of 40% of last year. So, we are looking at that target for us. The season now played havoc for us, but the targeted growth is definitely that. And we see the month of July, 22 days out of total 30 days in July was impacted because of rains. So this is an extraordinary event that we are seeing which wasn't planned earlier.

So I can't tell you guidance going forward for beverages because it is so much season driven for us. So that is what. But we have targeted a target of around 8%. And we want to inch up to that particular target. And all the incentives of the entire team, Salesforce and back end is linked to that particular target, Latika.

Latika Chopra: Yes, and the last one was just to get a sense of what is the toothpaste revenue and volume growth for the quarter and also to comment on your capex in FY24, FY25, that's all from me.

Mohit Malhotra: Yes, so easier question first. The total capex is in the range of INR450 crores for the current year and that's what in the current quarter we have done INR160 crores of capex. So full year we should be doing around INR450 crores of capex. Now the second part of your question in terms of oral care, oral, the volume growth of the category is 2.5%. We have done a volume growth of roughly around 8% in Oralcare with Dabur Red as a flagship gaining 50 basis point market share.

The category of natural which is 30% was 30% now has become 31%. We've launched gel also in the market. So, I think we should definitely have a double-digit growth as far as oral care driven by volume growth for us for the full year in oral care. I think we are doing well in oral care. I don't see a reason why we should not perform well here. The business is on track and doing well for us.

Latika Chopra: Sure, thank you so much.

Mohit Malhotra: And another point I just want to add, I missed out. Last year we had issues with Reliance because one of the SKUs that we had introduced in Reliance was undercutting into the GT market which we cut back supplies, but now that also relationship has been broad, and the business is back on track as far as modern trade is also concerned with the Reliance. So that's also worked in our Favor.

Latika Chopra: That SKUs…

Mohit Malhotra: Yes toothpaste, I am talking. I am talking about toothpaste and like you know we are already a number two toothpaste company in the country today and we've placated the number two player and we've become the number two player even in toothpaste now.

Latika Chopra: So Mohit, if my understanding is right, this issue was there in Q4, right? So does it mean that Q1 was a bit of that issue resolution with Reliance, and do you think this 8% volume growth kind of moderates a bit in coming quarter?

Mohit Malhotra: Sorry, Latika I didn't quite get your question.

Latika Chopra: I am just trying to understand if this issue with Reliance resolved in Q1, and do you think this 8% volume growth kind of moderates a bit in the coming quarters?

Mohit Malhotra: No, it's the other way round. It was an issue in the last quarter. In the previous fiscal year, we have corrected that problem in the quarter 1 and going forward, the business should trend well even in Reliance, I'm saying. Because last year, while in GT, we kept gaining share, but in Reliance, is a modern trade, in single account we lost some market share. So, that relationship on Oral Care category manager is back on track and we should start gaining shares back in Oral Care is what I am saying.

Latika Chopra: Okay, alright. I hear you. Thank you so much.

Mohit Malhotra: Thank you.

<u>Sheela Rathi from Morgan Stanley</u>

Sheela Rathi: Thanks for taking my question. Mohit, my first question was with respect to the rural recovery. You seem to be sounding much more confident on rural recovery, but we are getting very mixed signals from most other management on rural side. So, what has changed for us and how, and you talked about the big single digit growth at the aggregate level on the volume side, but what is it that has specifically changed for us on the rural side and any specific markets which you would like to talk about?

Mohit Malhotra: The way rural was, I am looking at the market indicators in FMCG volume. Rural used to be minus 5 in quarter 4 of 2022. From minus 5 volume, it became minus 2, then to minus 3, minus 3, then plus 0.3 and now plus 4. So, definitely these are trends of almost a recovery that one is actually seeing if one plots a graph. And the rains have been near normal and if you read the news articles etc you find that Rabi harvest was impacted by monsoon, but Kharif sowing has been great I think this harvest would only happen in the winter season to come and there'll be more money in the hands of the consumers and a wage rate in MGNREGA has also been taken up to around 10%. MSP rates have also gone up.

This will increase the money in the hands of the rural consumer. And while the category is growing at 4%, we have grown by 8% in rural. So, that is telling us that money is back in rural. And moreover, price increases have come down now and as we move into next quarter there the price increases will go down and volume growth will actually start. When the inflation was high, price increases were high, it was pinching the rural consumer and therefore their propensity to spend was impacted.

But going forward I think things will only move back plus election year is coming, so government will also invest more money in rural especially in the Hindi heartland and business should be back. So, one of the anecdotal examples is North. North is very high salient for us. It got impacted by monsoon heavily, but the FMCG market was down there, but we have seen where we are very salient with UP, MP, Bihar, and Northern Belt also. We've seen our business growing by around 6%, 7% in the GT also, despite our beverages not firing.

So, which was sub-stockist network, is kind of yielded results for us in the North. And that is telling me, giving me confidence that rural should be doing well for us going forward. And I don't see a reason why rural should not because if you look at around -- if I look at quarter 4 of financial year 21, rural was always the one which was leading the growth and urban was following. Now both urban and rural are kind of growing well.

So, I think rural we should keep inching up and the gap between urban and rural should keep narrowing and rural should fire, but how monsoon and the climate change is impacting the world. I don't know how things will be. But I just hope that rural fires and that augurs well for us. We are highly salient in rural with 45%, 50% of our business coming out of rural.

Sheela Rathi: And any early signs of up trading because last year we were seeing lot of down trading. So, in any categories where we have seen a switch?

Mohit Malhotra: Not really, we've not seen any signs of up trading, but that said the price increase impact has kind of moderated now. The shock of price increase is now in the base and that is a kind of a up trade. So, consumer has gotten used to it and now they are buying products. So up trading in the sense that 8 ml sachet has become a 6 ml sachet and that's now in the base. So, that is kind of an up trade in a sense that you may take it like that. A lot of bridge packs which have been launched in the market, they have already got structured or pencilled in the bases now. So, that is a par for the course going forward, yes.

Sheela Rathi: And just have one more question and I am not sure whether there will be an answer here. But from a portfolio perspective, what would be the share of brands which would be say less than INR50 crores for us? You talked about baby products where we are very excited about it's at INR20 crores. But do we have a number here that is what percentage of our portfolio would be less than INR50 crores overall portfolio?

Gagan Ahluwalia: I think we have the number, but we can get back to you offline.

Ankush Jain: We can get back to you with the exact details.

Mohit Malhotra: Yes, I will get back to you, but I think broadly to tell you 75% of the portfolio is power brand portfolio. And none of our power brand is below INR 50 crores. So, all are in the range with the exception of Pudin hara which is in the range of around INR60 crores INR70 crores. Rest all are above INR100 crores portfolio. So, 75% so the rest is 25% of the portfolio out of which there will be many of them which are more than INR 100 crores, but not a part of power brand architecture. So, definitely it will be below around INR 20 crores. If you ask me number of brands, so number of brands will be more than 20 because Dabur has so many brands, but in terms of percentage turnover coming from less than INR 50 crores brands should be around 10-15%.

Sheela Rathi: This is very clear. Thank you so much.

Mohit Malhotra: Thank you.

Vishal Punmiya from Yes Securities

Vishal Punmiya: Yes, thank you. Just wanted to understand our OTC growth a little better. So, we have impact in our base quarter because of the COVID-related portfolio. But when I look at the CAGR performance, it looks like the OTC portfolio has picked up quite well and is reporting a strong growth even on a CAGR basis. So, what is helping this growth in OTC portfolio and also if you could help with the OTC revenue decline in the base quarter? That's all from my side.

Mohit Malhotra: Yes, so I think OTC has got sub parts to it. The first part is the digestive part of the portfolio which is Hajmola is a lead brand there. That has grown by around 15% and that is growing on back of a lot of innovations that we have done in Hajmola. As I told you, Chatcola, LimCola and now Fantola are coming in. I think they should be the ones which should be driving the growth.

Our Pudin Hara portfolio has been a little muted in OTC because of the season. Pudin Hara is more summer-centric portfolio that got impacted, that's not done well. Our Lal Tail, which is a baby care brand, that has done exceedingly well, growing by around 15%. 16%. And that is doing well on back of market share gains that we've gained market shares in the market from Johnson & Johnson, which is a market lead player.

The fourth power brand is Honitus which is cough and cold that on a higher base has still grown on by 30% odd and it is continuously taking share from other competitors like Benadryl and Torex etc. Then the 4-year CAGR is around 22% for our Honitus. So, it's year-on-year we are taking share from the market lead player and growing because the size of the market is very big and we still in terms of market share are sub 10% in Honitus brands. So, there's a huge headroom for growth here. The fifth brand is Shilajit. Shilajit is growing at 20% 4-year CAGR for us, that is men's wellness, that is a category he is actually growing very well.

Vishal Punmiya: And what was the decline in the base quarter for OTC?

Mohit Malhotra: No, no. There was no decline in the base quarter. It's coming on a high base. In the base quarter, the growth was in the range of -- we can just check.

Vishal Punmiya: Because OTC and Ethicals together regrew by 15%?

Gagan Ahluwalia: No, it might be because of COVID.

Mohit Malhotra: We can come back to you Vishal. We don't have the data readily available, but one can come back to you on the base numbers.

Vishal Punmiya: Sure, sure. No issues. Thank you.

Mohit Malhotra: Thank you very much.

Gagan Ahluwalia: Thank you, Aman. Thank you for everyone for your participation in this conference call. The webcast, audio recording and transcripts of this call will be available on our website. Thank you and have a nice evening ahead.