Dabur
India Ltd.

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Corporate Relation Department
Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra – Kurla Complex
Bandra (E)
Mumbai – 400 051.

Re: Transcript of Investors Conference Call for Dabur India Limited Q1 FY 2020-21 Financial Results

Dear Sir,

Please find attached the Transcript of Investors Conference Call organized on July 30, 2020 post declaration of Financial Results for the quarter ended 30th June, 2020 for your information and records.

Thanking you,

Yours faithfully
For Dabur India Limited

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

Encl: as above

Dabur India Limited
Q1 FY 2021 Results Investor Conference Call

July 30, 2020

MANAGEMENT:

MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER
MR. ADARSH SHARMA - EXECUTIVE DIRECTOR (SALES)
MR. LALIT MALIK - CHIEF FINANCIAL OFFICER
MR. ASHOK JAIN - EVP (FINANCE) & COMPANY SECRETARY
MR. ANKUSH JAIN - HEAD (FINANCIAL PLANNING & ANALYSIS)
MRS. GAGAN AHLUWALIA – SR. GM (CORPORATE AFFAIRS)

Gagan Ahluwalia: Thank you. 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 2020.

Present here with me are Mr. Mohit Malhotra - Chief Executive Officer, Mr. Adarsh Sharma - Executive Director (Sales), Mr. Lalit Malik - CFO; Mr. Ashok Jain - Executive Vice President (Finance) & Company Secretary and Mr. Ankush Jain - Head (Financial Planning & Analysis).

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

Mohit Malhotra: Thank you, Gagan, madam. Good afternoon, ladies and gentlemen. Thank you for joining us on Dabur India Limited's conference call pertaining to the results for the quarter ended 30th June 2020. I sincerely hope that all of you are safe and healthy.

The COVID-19 pandemic continues to impact our lives and livelihood across the globe with number of confirmed cases increasing to 16.3 million globally, and 1.5 million in India. While the world waits for the COVID vaccine to become a reality, the global community is adapting to this new normal, and lockdowns are being gradually eased across the globe. COVID has impacted economies significantly, and the world GDP is expected to decline by 5% during 2020 calendar year.

In these challenging times, our company has stayed true to its vision of being dedicated to the health and well-being of every household. This is demonstrated by our recent launches that are anchored on growing consumer need for immunity, health, and hygiene.

Coming to our Performance for the Quarter, we saw a 12.9% decline in consolidated revenue from operations. Our domestic FMCG business saw a decline of 6.9%. While April was a complete washout on account of lockdowns, we saw sequential improvement in the months of May and June, with business returning to a near-normal level. While our consolidated profit after tax declined by 5.9%, the standalone profit actually grew at 12.3% aided by aggressive and proactive cost management in India business.

Our range of relevant immunity-building products and innovative new product launches helped the Healthcare portfolio record a strong 29.2% growth. This was supported by a series of topical marketing campaigns, localized sales activations and sustained investments behind our power brands. The health supplement business grew by 52.6%, led by 7x surge in sales of Dabur Chyawanprash, strong double-digit growth in Dabur Honey. Dabur Chyawanprash and Dabur Honey saw an increase of around 600 basis points and 300 basis points in their market share, respectively. Digestives category recorded a decline on account of restricted outdoor activity, minimal outside food consumption, and closure of restaurants and HoReCa business. OTC business reported a strong growth of 34.4% on back of robust performance of Honitus and NPDs like Tulsi Drops, Haldi Drops, Ashwagandha tablets, Dabur Immunity Kit, etc. The Ethical business also performed very well, reporting a 10.7% growth on back of strong demand for immunity boosting products such as Dabur Ayush Kwath, Ashwagandha, Giloy Ghan Vati, an expansion of our Churna range.

Within HPC business, Toothpaste portfolio recorded a growth of 2.6% with Dabur Red Toothpaste continuing to outperform the category and growing at 8.1%. Our market share in the Toothpaste category witnessed a 60 basis point gain vis-à-vis last year. The quarter also marked the test launch of a new ayurvedic toothpaste, Dabur Dant Rakshak, in select markets where the equity of Dabur Red Paste is weak.

Hair Oils reported a decline on account of continued slowdown in the category. Dabur Sarson Amla posted a high single-digit growth during the quarter. Our market shares increased by 20 basis points in the Coconut Oil category and 40 basis points in the value-added Hair Oil category. We are witnessing a higher demand for economy offerings in the Hair Oils category as we continue to pursue the flanker brand strategy with investments behind our power brand, Dabur Amla.

The Shampoo portfolio recorded a 9.3% decline. In comparison, the overall shampoo category reported a decline of 25% during the quarter. Our market share in shampoo market increased by 120 basis points, touching 6.4%. Our focus continues on increasing the bottle saliency and widening our portfolio on Ayurvedic/Herbal platforms.

Home Care and Skin Care categories reported a muted performance during the quarter due to discretionary nature of the portfolio. That said, our recently launched products such as Dabur Sanitize Hand Sanitizers and the cleaning and disinfectant range under Dabur Sanitize and Dazzl brands posted a strong performance. In fact, the newly launched Dabur Sanitize brand has registered sales of Rs. 90 crores during the quarter.

With the institutional, HoReCa, enterprise, and CSD businesses shut down due to the COVID lockdown, the Foods business reported a decline of 34%. The minimal out-of-home consumption and consumers staying away from cold beverages due to the fear of getting cold and cough further hurt this business. That said, our market shares in J&N category saw an increase of 300 basis points, reaching 60%. We have expanded our Foods portfolio with the launch of Real Mango drink in the pet bottle and milkshake under the Real brand, which marks our entry into the value-added milk category. The culinary business under the Hommade brand recorded a growth of 6%. We are expanding our portfolio under Hommade with the introduction of chutneys and pickles, which were launched during the quarter.

International business recorded a decline of 21.6% during the quarter. While markets like Turkey, Bangladesh and US witnessed a strong growth, the overall business was dragged down by declines in MENA, SSA and Nepal markets. MENA continued to face macroeconomic headwinds due to lower crude prices and outward movement of expats, which has led to shrinkage in the population, and hence decline in categories. We are trying to mitigate these headwinds by tapping into newer categories, driving sales aggressively.

We are also looking at cost optimization initiatives across the business, which would help us manage our profitability. We have stepped up innovation across the categories. In addition to the products I mentioned in the last call, we have launched a range of new products to address emergent consumer needs in the health and hygiene segment. The new launches during the first quarter include Tulsi and Ashwagandha variants of Dabur Honey, Dabur Ashwagandha tablets and capsules, Ayush Kwath and Kadha, Honitus Adulsa Cough Syrup; and Lal Shar, which is an ayurvedic calcium supplement for kids in the Healthcare space.

In the Household and Personal Hygiene category, we have expanded the Dabur Sanitize brand with the introduction of antiseptic liquids, germ protection soap, air sanitizers, besides launching a Veggie Wash under the Dabur brand. Going forward, we intend to drive our business by staying focused on health and hygiene, driving innovation, broadening our play in select markets, focusing on e-commerce and modern trade, besides expanding and enhancing our efficiency in our distribution network. These initiatives will be further coupled with cost and cash flow management to ensure healthy margins.

I would like to take this opportunity to acknowledge the superlative efforts of each and every member of the Dabur family, from our plants to the sales organization, who have gone above and beyond their call of duty to ensure uninterrupted supply of our products to consumers in these extremely challenging times.

The pandemic has also transformed Dabur into a stronger, more agile enterprise with the entire organization working together as a cohesive team to ensure profitable growth. We have significantly enhanced our risk-taking ability as an organization, moving from a fearful to a fearless attitude. COVID has, in fact, acted as a catalyst for change.

Going forward, we will continue to build on this transformation and take our business on a stronger growth trajectory by leveraging our power brands, exploring new opportunities and broadening our portfolio potential across categories.

With this, I will now open the Q&A and invite your questions. Thank you.

Manoj Menon from ICICI Securities

Manoj Menon: Absolutely brilliant performance actually in the context. My first question is actually on the new launches which you had had. Now two ways of looking at it; one, there are lot of new launches which you had which appears tactical, quite a few of them structural, and quite a few of them possibly for the medium-term.

Just wanted to pick your brain on two things; one, with these number of launches which you have done, is it now one, more of a consolidation for the rest of the year and maybe even for a couple of years? Is that one way to look at it? And second question here is, some of the launches specifically, let's say, the toothpaste launch, just trying to understand what is the need gap which you are trying to address?

Mohit Malhotra: Manoj, thanks for your compliments. I think, indeed, a superlative work done by the team here, like I mentioned. So on the new product launches, I think new products contributed to 6.1% of our overall turnover that we registered in the first quarter. I think this is completely stupendous. Since I took on the business here, I wanted to embark on innovation in Dabur, which was taking its time. But I think because of this COVID time, we could really usher in this fearless attitude of doing innovation. So doing innovation in the company is very structural, it's very planned, it's extremely strategic, it is not at all tactical. I think in all product categories wherever we are representing, we have to innovate. Innovate whether it is in adjacencies or innovation in packaging or innovation in appeal or innovation in improvement of products that any company has to do if it has to survive over a longer period of time.

So now coming to your question over the tactical, structural. I think we have launched NPDs in the areas wherever we saw contextual relevance. So we saw contextual relevance happening in immunity-based products. So you see the entire Healthcare portfolio that we have launched during this period is extremely immunity-led, it's very relevant, and therefore, it's extremely structural and strategic. I don't think post-COVID it will disappear in any which way. Giving you some illustrative examples like Tulsi Drops, Haldi Drops that we launched. This market was already there, and the way Chyawanprash came into Dabur's portfolio some years back, so has Tulsi Drops now come in. So whether it's Tulsi Drops or Tulsi tablets or Tulsi powder, this is very, very structural for us, and it already existed in our ethical portfolio.

So what we have actually done is, we have expedited the transition or the movement from ethical range to OTC range and started giving it a facelift and making it available to the grocery channel and the mainstream chemist channel rather than going through a doctor prescription route. So Healthcare, extremely strategic. The hygiene products that we have rolled out, sanitizers in which we have got a sale of roughly around Rs. 80-odd crores on the global business, that is also structurally done because it was extremely contextual at this time, and most of the FMCG companies went into sanitizers. Whether sanitizer as a business will perpetuate and sustain, I cannot say, but the way COVID is going and the cases are increasing, I think hygiene as a habit will get more ingrained and will sustain over a long period of time. Maybe not to the extent sales we have seen now, it will mute, but it will sustain as a habit.

In the Home Hygiene, whatever we have launched, Personal and Home Hygiene, some of them are structural and some of them are tactical in nature. So broadly, I think it's more strategic the way we have gone. If you look at our power brand strategy also, in Oral Care we saw a gap, a sweet spot of around Rs. 40 price point, in which we were not there. Our Dabur Red is at Rs. 50 price point for 100 gram. Patanjali occupies this Rs. 40 sweet spot with the consumer, which we were not plugging the gap. So we have just test marketed in the Hindi-speaking belt where Dabur Red happens to be weak, and we are testing it out.. The product is extremely good, the initial response is around 20% to 30% repeat. But we have just started advertising. So early days yet for us to talk about it. In Hair Oil business, we have introduced a lighter format under Dabur Amla, strengthening the Dabur Amla franchise. This is also extremely strategic for us. I think I have answered your questions broadly.

Manoj Menon: Yes, understood. In fact, when you were speaking, I was thinking about the first meeting I had with you, maybe a couple of years back or even before that when you had just come back to India. I think lot of those which you told me just reverberated as you were speaking, actually just playing in front of my eyes. Good luck.

Now second question on top-down, and then I have a few brand questions which I will take separately after the call. Is, all your thoughts currently on, let's say, the new ways of working, new ways of, let's say, looking at costs, new ways of reaching the consumer, the customer, the telecalling, the new CRS? Just some thoughts at this point in time on three or four big changes which you would think will stay with the organization and potentially competitive advantage after the noise of COVID hopefully gets over in a few months.

Mohit Malhotra: Yes. So I think first I will talk about the GTM. In GTM, there are some structural changes that we have made. I think first I will talk about immediate changes which just came into being, and some of the changes that we were planning for a long run, which has started to fructify right now.

The first immediate change which actually happened post-COVID is actually post-March. In March we could not actually do a preseason loading, so therefore we corrected our pipelines in March, and we further corrected the pipelines going forward in the month of April due to the lockdown, and then in May and June. And we have not filled up the pipeline. Our pipeline used to be in the range of around 21 to 22 days, which has now got corrected to around 16 days. I think there is still a further scope of correcting the pipeline, this is what we wanted to maintain a hygiene at this time because we wanted to ensure ROI of the distributor, as liquidity has been a big crunch with the distributor. So we wanted to correct the pipeline, and it happened so that we have been able to correct the pipeline while increasing secondaries with the NPDs coming in. So the turnover did not suffer, and we could correct the pipeline in our regular power brand.

So that is first structural change that we have done by reducing the pipeline. Because we could reduce the pipelines, we have embarked on secondary-based sales monitoring system. When we say secondary-based sales monitoring system, this has been implemented because the pipelines have got reduced, now we are monitoring the secondary, and we are maintaining a norm of the inventory and secondary translating into primary. And this is the CRS that we are implementing on a system basis, a continuous replenishment model. That is the second change that we are doing.

The third change what we have done is, we have upgraded our Drishti. Drishti is the retail app in which the salesperson actually books the order and we have the visibility. We had an old system called Base Stocky, we have actually upgraded from Base Stocky to Core Stocky. So that is the third change which has actually happened for us.

The fourth change which has happened is, because we were monitoring the debtors very closely; earlier we were dependent on the stockist's cheque leaves, we used to take the cheque book from the stockist. And we have converted that physical transmission of payments to digital mode of transmission of payment by implementing NACH, etc., and digital payment through. It's a system that we have already implemented, around 75% of the stockists have already moved on. Balance 25% also we are closely monitoring and will actually move on. Then we are settling the claims which used to be paper-based, now completely paperless claims will be there.

During the COVID situation what happened, demand was yo-yoing. We did not really know that where the demand would be. And to estimate the demand, it is very important for us to indicate to supply chain as to how is the demand moving so that the production capacity could be spruced up, manufacturing could be spruced up to suit the demand. Therefore, we embarked on rapid S&OP meetings. Instead of doing a sales and operation planning meeting every month, now we are doing sales and operation planning meeting every week. That has really helped us to understand the pulse of the business and to be able to deliver on time in full to e-commerce, to modern trade and also to the stockists end.

Then we are also putting up a system wherein we are monitoring the inventories at the stockist level, at the SKU level. So minimum quantities will be kept at the stockists level and the norms would be formed. These are some of the structural changes which will endure over a period of time as far as S&D is concerned for us.

The second big structural change within the organization is that we have become very nimble and agile. Now we have found a formula on how to crunch the new product launch time line from maybe one, one and a half years to almost like two months, and not to compromise on the quality of the product. Thanks to COVID, we have become more agile and nimble as an organization, and also more fearless in terms of the culture of the company.

So these are the broad changes. There are a lot of other changes also in HR that we have done, etc., but I think we can take it off-line from here.

Manoj Menon: Understood. Thank you, Mohit. That was extremely detailed. Just only one aspect. Thanks for covering the front-end part of it. Just also if any comments, anything on the cost side which is going to stay with you for longer?

Mohit Malhotra: Yes. So we have embarked on a project called Project Samriddhi. So what we are doing in Samriddhi Project is we are looking at all aspects of the value chain in the company right from sourcing to raw material, to packaging material, to supply chain, direct costs, indirect costs, fixed costs, variable costs, infrastructure costs, CAPEX, everything is being seen fine toothcomb here, and we are trying to benchmark ourselves to the best-in-class. So we are seeking some expertise from outside consultants, and we are actually benchmarking our raw material, packaging material prices. And we have already budgeted a Rs. 40 crore of saving in the budget that we have taken. And we expect around Rs. 100 crores to Rs. 120 crores saving coming out of Samriddhi Project. All that will not flow into the operating margin that will be required for deploying it back in the brand building. So this exercise of Samriddhi is also not one-off, this is an ongoing activity. So we have started right now because we had to become very cost conscious because there was a deleverage happening from top-line depression. So we had to embark on cost saving activities. But this will endure over a period of time, so this could be Samriddhi 1.0, and Samriddhi 2.0, etc., etc., which will keep perpetuating going forward. Even in terms of international business we have taken on cost saving projects there.

Latika Chopra from J P Morgan

Latika Chopra: Mohit, my first question was on the revenue growth momentum. Clearly this quarter was supported by Healthcare portfolio, how sustainable you think these trends are particularly for Chyawanprash? And how much of this growth could be opportunistic in the sense that you would have got new consumers on board? And how much of this demand do you think will stay sticky? What I am just trying to understand is, you have typically always highlighted that 8% to 10% is a more normalized growth momentum for Dabur. Do we see a case now with all these initiatives in place, where this could be increased?

Mohit Malhotra: Latika, as far as I already added some color to it, Healthcare in my mind, all the new initiatives that we have taken in Healthcare they are not tactical in nature, they are more strategic in nature. And we are also trying to get into more mainstream categories. I did not add here, we propose to get into value-added teas also, which is extension of thoughts from our Honitus brand and Dabur launching a Kadha. So we are, therefore, introducing a value-added immunity tea also. So these trends will endure because those categories are huge, and we will only gain share in those categories. And also, we might take Chyawanprash into a different format. So that is also being explored and that in the next quarter you will see some action happening on that. So these trends will endure, and they are not tactical in nature.

As far as Chyawanprash surge of sales is concerned, yes, this is off-season for Chyawanprash. Last year around Rs. 10-odd crores, and this year we have done a 7x kind of growth in Chyawanprash, so a huge surge that we have seen. This may not sustain over a period of time, but this will get compensated by a lot of new other entries that we guys are doing. So that will structurally sustain in the business. But overall, I feel Healthcare contribution to business will increase. In this quarter it's gone up by 10 percentage points. So from 30% contribution, it's almost like 40% contribution now. And I think Healthcare contribution, which is also profitable and more margin accretive to us, will only go up from here.

Latika Chopra: Sure. Then just next one, sir, you mentioned about you want inventory levels to be lower in the channel structurally. Are you now back to comfortable inventory levels or is still more to go at a retail level as the full reopening of economy happens? And also, any comments on your direct reach impact?

Mohit Malhotra: Yes. So inventory levels are actually okay. So we are pretty much at the peak of hygiene level, then we could have 16 days of inventory is fine. But if you ask me, is this the best-in-class? Answer is no, I think there is a fair amount of inventory correction still required of around four, five days of inventory still needs to be corrected if we really need to be operating as best-in-class inventory management company with the stockist. But for that we have to improve our SKU level availability, our range level availability at the stockists end, which is what we are looking at. Today, our RA level availability at the stockist is in the range of around 70%, 75%. The moment it goes up to around 90 percentage point level, we will be in a position to reduce this inventory by another five days and bring it to around 11 to 12 days level, so that the market servicing is not impacted, and there is no loss of sales because we have such a huge portfolio. So there is a bit of inventory correction. We will try to do that during the course of this year. But depending upon how the business trends and how our new products fare, we will have to look at the inventory corrections more. What was the second part of the question?

Latika Chopra: I was just trying to understand, so what you are saying is that sequentially you feel, from a channel selling perspective, there is no further scope in the current quarter for you to grow? Because April you would have seen correction inventory levels, then you would have increased it through the course of the quarter.

Mohit Malhotra: Yes. So, whatever downside that we had in the month of April, got compensated. So whatever STRs were lost at the retail level that got more than filled in the month of May and June. And even if we look at July, we are almost trending at the levels of June business. So whatever we lost in terms of inventory that has already plugged in, and in July also we are seeing similar trends. But that said, there are pockets of disturbances and there are pockets of channels where still things have not really come to a near normal, like CSD has not opened up, like cash and carry has not opened up, like institutional, HoReCa channel that is impacting our Food business. So that is still yet to get into the recovery path. And whatever pipelines that we have lost there will get plugged in, in those channels as and when those channels also open.

Percy Panthaki from IIFL

Percy Panthaki: Congrats on a good set of numbers. My first question is on your gross margins. So your gross margin on a Y-o-Y basis remained flat. So just wanted to understand if, I mean, there is any adverse mix effect which has led to this? Because crude is down and across the board this quarter promotional expenses are down in FMCG, so gross margin should have expanded. Also the fact that your Foods business is down much more, so that is actually a positive mix, at least on that count. So why is it that your gross margins are sort of flat Y-o-Y?

Mohit Malhotra: So Percy, if you look at the India business, the gross margins have actually expanded by around 126 basis points. And that expansion is on account of benign raw material prices. And to your point also, the crude prices have been low, and that is the benefit that we have had in our HPC business. That said, HPC business actually declined about 15% for us. So it wasn't too much exaggerated this impact. And also, the consumer promotions and trade promotions have been lower. To that extent, gross margins have got increased. Plus, there was a 1.5% of price increase carryover which happened from last year that has also led to this 126 basis points of gross margin increase in the India business.

Now when you look at international business, the things reversed. In international business, our CP actually went up because there was so much of pressure in the market; we had to give consumer promotions, so therefore the gross margin came down. Plus the MENA business, which is a high gross margin business, went down, where other businesses like Turkey and U.S., which are low gross margin business increased. So country mix unfavorably impacted the gross margins in the international business. So the sum of two, you see almost flattish sort of gross margins. But in India, gross margin definitely expanded. And that has flowed down to the operating margin. That is why you see operating margin growth of more than 250 basis points.

Percy Panthaki: But Mohit, the fact that even in India pricing is up 150 basis points, and even if costs were flat, that should have given 150 basis points. The fact is, cost is down, pricing is up, mix is favorable and promotions are lower, so it should have been much higher than 125 basis points, isn't it?

Mohit Malhotra: Not really. Our agri commodity market has actually gone up, Percy. We are seeing inflation in our agri commodity. Because of surge in Chyawanprash. Amla fruit wasn't available, and there has been a surge in prices of Dabur Amla fruit, and this happens to be off-season for us. That has led to an agri basket increase inflation happening. So we are seeing a 3% inflation, whereas 1.5% was the price increase. So to that extent there was a dent. But your point is right, even the Food business, which is a low-margin business, was dilutive. That has also happened. Plus, there were some other impact of area-based exemption also which we lost, that is also impacting our gross margins in the India business.

Percy Panthaki: Sir, how do we look at this number going ahead? Because this quarter, as I said, you had several tailwinds. Going ahead, your Foods business will improve so the mix will actually, from a margin point of view, worsen. Your promotions will increase from a very low base that you have seen in June, no further benefit will come in terms of cost. So unless you are going to increase prices in the near future, these 125 basis points will sort of disappear going ahead, is that right?

Mohit Malhotra: Not really, the crude prices still remain benign. So a part of our portfolio is definitely impacted, which is going to be margin accretive to us in gross margin. Foods portfolio, yes, there will be improvement, so that will negatively impact the gross margin, but our Health portfolio continues to see a surge. I don't see Chyawanprash, and the season of Chyawanprash is approaching and season of Honey is approaching, being winter. This is a high-margin season for us because our Healthcare portfolio goes up, that is the second piece.

So we see a 3% inflation happening in agri commodity, but that will be to a certain extent offset by the price increases that we will have to do. And we don't have so much of competitive intensity in Health portfolio that we cannot take up this price increase. We are the price makers in the marketplace, so we will take up that price increase also. So that is the third factor.

Plus, we told you that we are embarking on Samriddhi as a project, and we have already budgeted Rs. 40 crores of savings on account of Samriddhi. That will also kick in. So I will see an increase in the gross margin for sure. Now that will not flow down into operating margin because we have to fund Adpro also for new products. So it will be partially funded and partially there will be a flow-through into the operating margins. So we are not overtly worried on this operating margin piece, at the moment at least.

Percy Panthaki: Understood. My second question is, could you give some idea on what is the secondary sales growth in June in India?

Mohit Malhotra: Our secondary sales growth in June in India will be in the range of around 7%to 8%, roughly. 7% will be our secondary sales growth. If we look at the whole quarter also, while the business has gone down by around 6.9%, our secondary sale is only down by 5%, and we have done that pipeline correction to that extent. So secondary business is trending at around 7% despite HoReCa, institutions, CSD, modern trade, all not firing.

Percy Panthaki: Okay. And this 7% growth that you have seen in June on a secondary basis, again, here the data is not very clearly available, so I will go with whatever your best estimate is. How much of that is pipeline filled into the retail or wholesale?

Mohit Malhotra: Very difficult for us to estimate. As I told you, there is not much of pipeline fill because we see a similar secondary trend happening in the month of July also. So I don't think it's so much. So I think it may not be sustainable, but there are a lot of channels which are still not operating at the near-normal level, like modern trade is not operating at a near-normal level, it's still shut. CSD has not opened up. So broadly, I think we should be in a position to sustain around that kind of a secondary level.

Percy Panthaki: And on the point of channels, could you give some idea on what is online channel now as a percentage of your sales? And what kind of growth you are seeing there?

Mohit Malhotra: Yes. So online has been a star. In this period, like Chyawanprash has been a star in our portfolio; in channels, online has been a star. E-commerce percentage of business from 1.5% has gone up to 5.6%, and it's only trending up from here. So that is doing exceedingly well for us.

Percy Panthaki: Okay. And also, I mean, if you could give some granularity, this 5.6%, is it like split across different channel partners or is it that sort of only one strong player is actually taking all the gains?

Mohit Malhotra: So I think it's across, it's a very secular growth that we are seeing across different platforms, whether it's the grocery channel, which is BigBasket and Grofers, or pharmacy channel, its PharmEasy or Netmed and others, or we see the likes of Amazon and Flipkart. So all the three channel types are seeing a growth, and which is secular across.

Percy Panthaki: So the reason why I ask this is that a lot of people are scared that if online becomes large enough, then sort of they have power to squeeze margins or launch their own private labels, etc. So I am just asking in that context, because if online is big as a whole, but each individual player still remains small, then I think that risk is not there, right?

Mohit Malhotra: Yes. Because there are so many players, Percy, there is no risk of them arm twisting us and bargaining power shifting in their hands, because there are so many players. Unlike in the US market where it is a complete monopoly of one Amazon. Here, there is Grofers, there is BigBasket, there is Amazon, Flipkart, there is Netmeds, there is 1mg, there are so many players here. So I don't see that risk happening at all. What we have actually done during this period is that earlier we were dependent on a stockist who serviced these online platforms, now we have gone direct with them. When we go direct with them we have a saving of around 5% of that margin that we were giving to the intermediary. So all these channels have now become very profitable for us.

Percy Panthaki: Right. So I thought this is just a good point to address, because there is a lot of sort of questions coming across on this, in a five year, seven year view what can happen if online becomes really big, do we see bargaining power shifting away from FMCG consumers, etc.

Mohit Malhotra: I don't think that will ever happen in a country like India, which is so entrepreneurial, and private equity investment keeps flowing into this country. So it will not happen.

Arnab Mitra from Crédit Suisse

Arnab Mitra: Congratulations on a very good performance in this context. My first question was, again, on the new launches. It seems like very well thought out launches, the products looked quite good. I was just concerned that because you have done so many launches in such a short period of time, is there a risk that you are running that some really good product could actually fizzle out? Because the consumer needs to be aware that such a product is there, like sort of flavored honey, then the distribution has to be there so that people find it when he wants to buy. The retail distribution channel has to handle a lot of new things. So how are you kind of protecting against that risk that you do a lot of good launches, but actually in so much bunch together that it kind of many of them fail?

Mohit Malhotra: Yes. So Arnab, you are right. Otherwise, we waited for two decades for the time to be right for our NPDs to be launched. After I think around one or two decades we have seen the time was right for our NPDs, which are there in the Ethical business for us to actually launch, because the consumer mind is now quite skewed or inclined towards adopting these NPDs, which are more immunity-led. So I think rather than looking at our focus, we looked at more consumer space. And I think our sales force was hungry for NPD. So you are right, NPD success rate is generally in the range of around 10%, 20%. For us, I think even if it is around 50%, 60%, we are fine with it. Yes.

Gagan Ahluwalia: And to add to that, Arnab, we also have the e-commerce platform, which makes the product available; it's otherwise very hard to ramp up the new product. So that is one channel which we will utilize to scale up these NPDs.

Mohit Malhotra: And to Gagan ma'am's point, a lot of NPDs that we have launched like Veggie Wash, etc., they are exclusively for e-commerce, and they will be scaled up. And we are launching an entire baby range also which is e-commerce exclusive. So what is happening is Amazon and Flipkart are also asking for exclusive brand launches. Like Apple Cider Vinegar that we have rolled out is also exclusively for Amazon. So only once it scales up do we extend it to modern trade, etc. So that gives us a cradle to actually test all the NPDs first.

Arnab Mitra: Right. And in terms of just making these products aware to the consumer, because they are relatively small and you have so many of them, is it a digital approach to make people aware that such a product exists? I mean, I am just trying to see how you bridge that gap, let's say, of a Tulsi or Honey? Or is it still for mass media or other routes that you think this job will be done?

Mohit Malhotra: No, so we are using definitely mass media and digital to advertise, and also e-commerce platform. So one, I think digital is really helping us. Our digital investment has gone up from 4% to 14% as we speak. So a lot of these NPDs, which have been played out and e-commerce are being activated digitally, and we are spreading the awareness on digital and also for the products which are showing promise. And like Tulsi Drops, in one quarter has become Rs. 7 crores for us, it's showing a very good promise for us. This we have immediately shifted to mass media. Toothpaste will be mass media. So the products in which we don't find too much of traction, they will be more digital initially. Once they scale up, then we will shift the investments to mass media also as and when we see the turnover coming in.

Arnab Mitra: Okay. And my last question was on this recovery in June and July that you spoke about to positive secondary sales. Is it across the board or are you seeing the weaker segments like Foods and Personal Care which were deeply negative for the full quarter has come back much more while the Healthcare business growth is similar to the full quarter levels? And any sense of the recovery in the weaker parts of the business?

Mohit Malhotra: So you are right, Arnab. So we are seeing recovery also in shades. For example, in Hair Care the recovery, the brands and the categories are still in the negative trajectory, in Home Care also it's negative; in Skin Care also it's negative. In Healthcare, we are seeing an even positive trajectory happening. In Home and Hygiene, there is a positive trajectory. But in the areas where there was negative trajectory there is definitely a recovery. In Foods, which was down by almost 50%, is now down to a level of around 17% odd. In Hair Oils, which was down by around 25%, now we see the business down by around 12 percentage point level. So that is the kind of recovery what we have seen. But not in every category have we seen green recovery, which is completely in positive.

<u>Prakash Kapadia from Anived PMS</u>

Prakash Kapadia: I have two or three questions. On health supplements we have done wonderfully well, congrats for the new pipeline and the new launches. My question was, what is the consumer behavior which you are seeing? Because historically what I understand, Mohit, Chyawanprash taste acceptance was always a big challenge for us. So now what are the trends you are seeing in consumer behavior based on our leadership in this category? And is there a plan to launch smaller SKUs, induce trials and then get consumers to migrate to larger SKUs, especially in Chyawanprash?

Mohit Malhotra: Right. So Prakash, consumers are actually shifting towards ayurvedic based health supplements as prevention and prophylactic sort of prevention for COVID, and therefore Chyawanprash comes in to expand immunity or help as the immunity aid for sure. So therefore, what is happening is penetration of Chyawanprash used to be low single-digits. I would anticipate the results are yet to be out from a consumer panel, but I think the penetration of Chyawanprash would have drastically gone up. And these are black swan events which actually take up the penetrations of product categories like Chyawanprash and honey. So definitely that behavior change has actually happened, and now people have got used to the taste. And if there is a barrier to try a brand and once the barrier is released because of the COVID or whatever the situation is, then the continuity will be established and the penetrations actually go up.

The second point to your question is, are we launching newer formats or affordable SKUs? Yes, we are launching newer formats, which will bring the price down. So I cannot talk on that right now. But yes, we are planning newer formats, which will take down the prices and also make Chyawanprash available in better formats. Powder, I alluded to before, but there are other formats also in the pipeline that we guys are planning on Chyawanprash. And this is the best time to extend Chyawanprash into other convenient formats for the consumers to try.

Prakash Kapadia: And if I look at the Foods business from a longer-term perspective, it's been I think five or six years now that we have been around that Rs. 1,000 crores. So what is the biggest challenge, is it repeat purchases from existing consumers not happening, which is why we might see that kind of a trend? And what has been the contribution of HoReCa and CSD because that can have a near to midterm impact, given what is currently happening in this space?

Mohit Malhotra: Yes. So what's happening in Food, the category is actually declining by more than 50% in Food. And we guys are increasing our market share, our market share has actually gone up by 300 basis points in the Real brand. So we are definitely ahead of the curve as far as other companies are concerned in beverage business, especially J&N business. So what is happening to the beverage business, why the business is down is, people are moving to cheaper alternatives and also moving to milk-based alternatives here. Milk has really seen a surge during this time. And because people were not moving out, out-of-home consumption got impacted. And 200 ml, which is the SKU for out-of-home consumption contributes to around 30-40% of our business. So that got impacted quite a bit. And people were also not wanting to drink cold beverages, and juices are invariably hard cold. So therefore, they were avoiding those also. And sugary drinks also people were avoiding, so this is not completely sugar free. So that is why that also took a toll on our Foods business.

As far as channels are concerned, HoReCa, enterprise and modern trade; HoReCa, enterprise, these businesses contribute around 10% to 15% of the turnover in quarter one, which happens to be the season, they were completely shut down. But now if I have to give you what is the future of this? If you look at pre-three months back, the growth of beverage business in the last quarter before March was around 10 percentage points. Now, we think we should go back post-normalcy to this trajectory of around 10-odd percentage point levels once these channels normalize in Foods. And not just to operate in J&N category, we have also extended ourselves into larger categories, which is a pet bottle and also Rs. 10 price point in Koolerz. And now we have gone into milk-based beverages and also launched Real Apple variant in Rs. 10. So I think on back of all these initiatives and innovations, we should turn the bend on Foods. I know I have been saying that since many calls, but we get interfaced with these one-off events like COVID and all and nobody could help that.

Prakash Kapadia: And is it repeat purchases not happening by existing consumers a bigger challenge or is it from the newer consumers not getting the nectar and juices category a bigger challenge?

Mohit Malhotra: So, I think it is both, it's just not one. Newer consumers are not coming, and existing consumers are down-trading to cheaper alternatives, which prior to COVID was more soft drinks and more others. And out-of-home consumption has got severely impacted because people are not moving out, existing consumer base is not moving out. So if they don't move out, 200 ml as a pack gets impacted. While 1 liter has seen recovery in the month of June and July, we are seeing a major recovery happening in 1 liter, which is in-home consumption. But out-of-home consumption of 200 ml is still declining for us. So it's both in a sense.

Prakash Kapadia: And lastly, we have seen all of these product launches. Are these available online across the country? So we can experiment, and feedback is much faster across wide spectrum of market. Or still they are to be done and certain are on Amazon or Flipkart or Big Bazaar, how is the order?

Mohit Malhotra: Yes. So the NPDs will be available on, so we are giving a first priority to e-commerce because that is the first board of call for any consumer to go to e-commerce channels and purchase, so that we are doing. But distribution expansion will only take its own time. So while we are making the products available to 40,000 to 50,000 outlets, but to go to a 1.2 million or one million outlets will definitely take its own time. But we are making an attempt to make them available on online platforms for sure. So if you see, majority range should be available on Amazon. And to add it up, we have also opened up dabur.com. So dabur.com, consumers can also go on to dabur.com and place the order there, and that order is redirected to Amazon if the product is available there. And if it's not available there, we are also opening up e-commerce service through Dabur itself. That will take another month or so, but that is also being opened up.

<u>Vivek Maheshwari from Jefferies</u>

Vivek Maheshwari: My both the questions are on new launches only. First, Mohit, you mentioned about inventory days going down, the endeavor to use this as an advantage. But when you are launching products so aggressively, is it possible to actually prune down the overall channel inventory? Because there will be a build-out phase, right, when you are launching product across the basket. And how will it happen?

Mohit Malhotra: Yes. So Vivek, inventory is more so in the existing products. The new products have just come in, so I think that is what we are trying to do. We are trying to cut and bring the hygiene in the existing product portfolio that we have, where the inventories were very high and it was impacting the business and the distributor ROI. The NPDs that we are launching are more Healthcare, so they are actually ROI accretive to the distributor, so he will also be willing to add inventory of these products. As the existing inventory of products goes down, only then will we, I mean, able to get into the newer inventory. So that is what we are trying to balance. And we are putting in a CRS system in place for that, which is also going to be helping the NPDs as well. So whatever secondary sales happen will be the primary sales. So it's both for the existing products and also the NPDs going forward.

Vivek Maheshwari: Okay. And the other bit is philosophically speaking, let's say, the way in which I look at your portfolio, at least the one that you had in the past, let's say, Real in Foods and, let's say, Odomos in Home Care. In both these cases, Dabur was not at the center, the brand Dabur, but it was more the Real and the Odomos. Whereas when I look at your Home Care and even Hommade portfolio, Dabur is right at the center. Do you see any risk to Dabur as a brand, what it stands for? Because, let's say, a pickle and a chutney doesn't fit into that Dabur architecture. So how do you think about, is there any risk whatsoever from that perspective?

Mohit Malhotra: No, not really. We have kept Dabur away from brands where we feel there could be an issue, for example, Odonil or Odomos, that is why; and Fem brand, which is an epilatory brand. So therefore barring that, I think we are existing in all the categories which are more health and wellness and food and health, and wellness extends to foods also. So Hommade as a brand is actually a brand in itself, but Dabur provides credibility, it provides the trust, it provides that legacy of trust to the brand. So it only adds to the Dabur. And the brand introduction also adds back if the product quality is good. So in Healthcare, definitely it makes eminent sense for us. In Real, we have kept it Real, but the new amla juices and the other juices, the health juices that you see, they are coming under the Dabur brand, the Dabur Amla Juice is what we have introduced.

So I don't think in Hommade, Dabur has played up as much. Hommade is a brand in itself, and Dabur is just providing that kind of umbrella branding or trust in it. We have no intent of getting away from Hommade and only having Dabur. Actually, it's the other way round. Once the brand is established, gradually, slowly we will move Dabur out, and it will become an independent brand called Hommade. That is the way it happened in Dabur Vatika also in international business. Earlier, it was Dabur Vatika, Dabur providing trust. As the brand becomes bigger, we released the Dabur name and we get the clutches out of the brand and the brand becomes independent. But in the beginning, before we were to establish the brand, we definitely want to keep the word Dabur here, as long as there is no negative impact of the category on Dabur, and which is a study that we do. Only if Dabur lends credibility to the brand and the category where we are rolling it out, we put Dabur. Like in Sanitize, we have put Dabur because Sanitize as a brand is all about health and wellness to the consumer, whether it's antiseptic liquid or it is a sanitizer or it is soap. So we are very conscious and cognizant of the fact that we don't dilute equity of the brand Dabur.

Vivek Maheshwari: Sure. And lastly, in terms of measuring the success, what are the milestones that you are looking at for all your launches? And where do you see NPD as a percentage of overall revenues in three years?

Mohit Malhotra: See, NPD as a percentage of revenue used to be around 1%. From 1% we have actually moved to around 5%, 6% in the quarter because we have just launched. We will be okay if we move to around 3% and 4% of the total turnover coming from the new product launches, that should be fine, because a lot of NPDs may not be successful, and we are conscious of the fact that it may not be. But that is fine, as long as it is 3% to 4%. But we want innovation to be right across the portfolio of the company. Whether to reposition or to revamp or to repackage or to improve the formulation, etc., that will happen. We have not given ourselves a threshold level of turnover for it to be successful or not to be successful. So we want to gain share in the category that we are entering. That is the milestone that we keep ourselves that are we gaining share from the category. Earlier what used to happen is we used to look at, if a brand does Rs. 10 crores only then will it be successful. So we have taken off those guardrails now of turnover for a brand to be successful. Because if you put those guardrails, then there is the internal reluctance on the brand team and the marketing team to launch the product. If the product doesn't click and doesn't do Rs. 10 crores, then they would be reluctant to launch it.

Tejas Shah from Spark Capital

Tejas Shah: Mohit, just if we go back to pre-COVID days, we were working with the power brand construct and then COVID opened up new tactical opportunities in health and hygiene. So today, looking ahead, obviously, health and hygiene has priority in everybody's strategy. But where does it leave the power brand strategy now?

Mohit Malhotra: So Tejas, power brand strategy still remains. In my conference call address also I mentioned that power brands are doing better. If you look at the total turnover of the company, we declined by 12.9%, but power brands were almost at around 1.2%, 1.3% decline. So Chyawanprash happens to be a power brand, Honey happens to be a power brand, Honitus happens to be a power brand, Real is a power brand which is under pressure, and so is Dabur Amla under pressure. So we continue with the power brand strategy and the flanker brand strategy on Hair Oils. Dabur Red happens to be a power brand that has actually grown by 8%, whereas the overall toothpaste portfolio has only grown by 2.6%.

So across the board if you see, we are focusing on power brands. And power brands are the ones which are taking our growth forward, and we are increasing our innovations in power brands. But to your point, hygiene has come in as a separate, and we did not have a power brand in hygiene.

Not that we are introducing Sanitize as a brand, but to capitalize on the existing opportunities, it is important for us to get into this category, and therefore Dabur Sanitize and Odomos, Odonil and Dazzl they are the ones which have come up. I hope I have been able to answer your question.

Tejas Shah: Sure. Yes, this was helpful. Second, Mohit, you spoke about being fearless and going for boldness and NPD also, and that is very much visible in last year or so. So what is the stencil, so how are we going about this in terms of how can we improve the strike rate of new products? Second, what is the GM stencil or benchmark, gross margin benchmark that we are using to select or eliminate potential new launches?

Mohit Malhotra: Coming back to your question. So on the NPDs, if you look at the Dabur's portfolio, we have two types of portfolios, one portfolio in which we identify the markets in which we enter and therefore gain market share. The market size should be sizable enough, and which is essentially our HPC portfolio and the Foods portfolio. The second part is where we are market creators, like in Healthcare we are market creators. Like in Chyawanprash, we have the market lead and we are the ones who create the market there. So if you look at the NPD launches, there also we have done the same thing. We have identified the key markets of home and hygiene which are big enough markets, and we have entered those markets, be it a sanitizer or an antiseptic soap or an antiseptic liquid or an air sanitizer, etc., these are big markets in which we would take share. And in Healthcare, we are market creators, like Tulsi Drop market doesn't exist, Haldi Drop market doesn't exist, Ayush Kwath market doesn't exist, or in tea where the market is existing and we will be gaining share. So therefore, that is our strategic approach to go after those markets.

Tejas Shah: Great, sir. Sir, last one question, if I may squeeze in one. Sir, two quarters back you had touched upon on opportunities of non-linearity in margins coming from employee cost. So any update on that or any firm plan there?

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

Tejas Shah: Sir, you had called out that there is an opportunity to expand margins through employee costs or, not controlling but rationalizing that line item. So any firm plan on that?

Mohit Malhotra: Yes. As part of the Samriddhi Project, what one is actually doing is we are looking at a span of control in the organization and looking at and benchmarking ourselves in terms of employee cost to sales and cost to profit ratios and trying to do some rationalization. So that is also very much a part of the Samriddhi Project. And redefining the span of controls in the sales and marketing and across the board, all the functions.

Sanjay Manyal from ICICI Direct

Sanjay Manyal: Sir, just two questions, one specifically on hand sanitizer or Dabur Sanitizer you mentioned. If I am not wrong, you mentioned Rs. 90 crores sales in the quarter?

Mohit Malhotra: That is right, almost Rs. 90 crores sales across India and IBD and international business.

Sanjay Manyal: Okay. So where would it fit in, in the sub-categories in India?

Mohit Malhotra: Yes, we fit it into Skin Care. Otherwise, that is what I said, in Skin Care decline is actually 50% odd, and because of sanitizers you see a decline of around 12.5% in Skin Care.

Sanjay Manyal: Okay. Which means that current sale is Rs. 72 crores, so a large part of it is only the sanitizers?

Mohit Malhotra: Yes, quite a bit of sanitizer is here, because the Fem brand and the Gulabari brand had a major headwind in terms of they being discretionary categories and out-of-home consumption and salon visits were quite restricted. And that is the reason hand sanitizers really came in as a savior.

Sanjay Manyal: Right sir. Sir, secondly, as you mentioned that this is an off-season for Chyawanprash, how it has been for the Honey? And what would be the growth rates in Honey in this particular quarter?

Mohit Malhotra: So, Honey has actually grown by almost 63% for us. And again, off-season for honey. Honey also picks up during the winter season, but because honey is adjuvant and actually used as a adjunct with all the churans and ayurvedic product, that is why there was a surge in the honey market also. And we did all tactical, topical marketing campaigns in Honey and honey being used as a big immunity booster, so that has helped. So Honey has really done very well. We actually had a shortage of Honey in between and last quarter Honey was not available, and we had to approach the government and get the permissions and finally we had to get it going. So we lost some sales in the bargain around a week or so because of the lockdown period. But it's behind us; we have grown about 70% odd here.

Sanjay Manyal: And sir, if I just can ask last one, specifically on the rural growth. Are you really seeing some impact of the pandemic spreading in the hinterland?

Mohit Malhotra: We are not seeing an impact; actually we see a positive impact, because of the reverse migration happening to the rural areas we see rural business actually growing by 1% and urban business declining by 13% for us. So rural is showing a surge. As per the Nielsen figures also, we see a surge in the rural by around 12.5%. I don't know how correct those numbers are, I am seeing those numbers with a lot of doubt because all the surveys of Nielsen happened by staying at home by telephone calls, so there could be an issue there. But that said, the rural recovery was much faster as compared to the urban recovery. And because of the population scarcity or population spread out in the rural area, social distancing is very natural there. So spread of COVID wasn't as much in rural. I understand the instance of COVID spreading now in Bihar and the situation is exacerbated by the floods and all. So at the moment, we are not seeing too much of impact. Our superstockist, substockist network is doing far better as compared to the urban business.

Rahul Maheshwari from Ambit Asset Management

Rahul Maheshwari: Fantastic set of numbers in such tough times. Sir, my two questions are there. First, as you in last one year tried to fix the domestic portfolio in terms of the new product launches and the distribution across the project which is there. And as Mohit, you have spent the most of the time into the international division, more than a decade, how you would be changing the structural thing at international? Because there is lot of inconsistency, I am not talking from just one quarter point of view but throughout the many years.

And going forward, in terms of the launches, in terms of the contribution to the overall consolidated and also from the capital allocation point of view, any color from long-term point of view, how international business would be looking from an overall journey for Dabur?

Mohit Malhotra: See, international business continues to trend well, except that MENA region wherein we are market leaders in most of the categories where we exist and it's facing severe headwinds because of the crude prices being lower and the economy being dependent on the crude prices. And moreover what is happening, because of COVID a lot of population shrinkage is also happening because expats are leaving this country. But that said, our market share is because of local Arab population, and we are entering into newer categories and looking at TPs and CPs to expand those categories and get into newer ones. So I think that business should recover on its own. We are in a very good space as far as MENA is concerned, and we are used by the captive population there. It's a momentary issue, so which I think once the macroeconomic headwinds, which are not controllable by us, once they are not there; I think the MENA business should trend back.

As far as other pockets are concerned, in Egypt, we are market leaders, and Egypt continues to grow, except for this COVID where it declined by 26%, again, because of Corona pandemic. I think post-that we will be back on recovery. Our Turkey business, which wasn't doing very well, has now started doing very well. It's turned the leaf; it's grown by around 33%. Our US business, which was also not doing well because of the headwind of the category, due to Corona what has happened there, people have resumed the usage of relaxers, because the salons are shut so people are using relaxers at home now, and we are the market leaders in relaxers, and that business has picked up. As we speak in the quarter, while all other businesses declined, our US business actually grew by 12.5%. Our Sub-Sahara Africa business is also doing reasonably well. In the COVID it declined by 40% because of the curfew in a lot of markets in Sub-Sahara Africa. Then our

Bangladesh business, we have done a management change and Bangladesh business during COVID times also has grown by 14%.

Now Nepal business was the one which suffered quite a bit, more than 50% decline in COVID because of the juice reliant and out-of-home consumption being very big there, and there was a curfew situation which has just got lifted in the month of July. Barring that, I think our international business is in a good space and extremely profitable. I don't see there is a long-term problem there. And there is a huge headroom for growth because our Oral Care market shares are still in the range of low double-digit there, our Shampoo's into low double-digit. And Hair Oils, we are the market leaders, in Hair Creams we are the market leader. And we are getting into a lot of other categories where we will only gain share. If you look at America also we have gone into styling category, where also we are into low single-digit market share. There is a huge headroom for growth in all the markets for us.

So I think it will trend up long-term pretty well for us. There are pockets, but those pockets will be corrected. And that said, we are now being very cost conscious on international business also, because if the headwind persists in MENA region, then we will have to curtail our cost to ensure profit protection.

Rahul Maheshwari: Sir, from ROI point of view basically from international business, it's equivalent to India business or how is the trajectory in return on investments or the capital which is being deployed for international business, any highlight?

And second, also you told about the Nepal business because of the curfew and as the juice business is one of the good part of our domestic business. Earlier also there was an issue, and we had some facility in Sri Lanka. Can you give some color that how much dependency is there from Nepal? And in case if there are further more restrictions or any such unevens, how much impact can be there? Or we have created a backup and there won't be any such kind of supply chain problem for the juices business?

Lalit Malik: Sure. So I think I will just talk with regard to ROI perspective. If you look at MENA region, I think in view of the product mix categories, the ROI is much better because it is less capital intensive and therefore the ROE wise, it is better. And even when we look at Namaste because it is outsourced, ROI wise it is much better. It is Nepal, which is a juice category, where it requires a high capital investment in terms of the plant and machinery that is where the ROI is comparatively lower than the other categories.

Now coming to the question with regard to Sri Lanka. Sri Lanka has been as a backup plant for us in case if there is any supply constraint. And we observed that a couple of years back when Nepal was shut down, we were able to get the supplies from Sri Lanka, and that has been very useful for us in terms of export to India. And at the same time, now we are also utilizing the capacity to export even beyond India to other countries, including US and other countries also. So therefore, Sri Lanka is a very useful plant for us strategically to de-risk in case of any eventualities in other markets for the manufacturing. And therefore, that works very well in those times when it is required. Though having said that, we are not utilizing the capacity at current level to fullest, and we are trying to utilize by exploring other markets. But it certainly acts as a very important backup in case of Nepal or any other manufacturing units.

Rahul Maheshwari: Thank you so much to entire team, and Mohit, especially to you the kind of agile and fearless attitude which you bought to the entire company, that is phenomenally encouraging.

Krishnan Sambamoorthy from Motilal Oswal

Krishnan Sambamoorthy: Congrats on a very good set of numbers in the current environment. Mohit, my question was more on the baby range that you talked about where you pitched your logic for e-commerce. I know you have spoken in the past that this was a bit of a lost opportunity for you, given the space vacated by Johnson & Johnson, and which Himalaya was able to successfully capture. Will this be under the Lal Tail brand? Has this range been already launched?

Mohit Malhotra: Yes. So as we speak, we are waiting for the Big Day in Amazon, and we will be rolling out this as an exclusive Amazon launch on the Big Day of Amazon. So it will be rolled out. So earlier the problem was that we only had one brand Lal Tail as compared to J&J, which existed as a whole full range of baby. And when the mothers buy they buy into the full range, whether it's a soap or a powder or an oil, etc., there are gift hampers, so we didn't have that range. We had created a range in international business, so we have rolled out that range in India also, and it'll be now launched in Amazon. And if the traction is there, then we will roll it out in modern trade and in general trade also. And this is a very big play, rightly identified as Johnson a little weak player as compared to Dabur. But we will not have a new brand as Baby Care is also extension of Healthcare for kids, therefore we are extending Dabur. We call it Dabur Baby and not Lal Tail or any other brand. So it will be under the Dabur brand, with that trust and quality assurance.

Avnish Agarwal from Prabhudas Lilladher

Avnish Agarwal: Very good set of numbers in the current situation. I have a couple of strategic questions. If I look back at the history number, Dabur always had a lot of products under its belt. But somehow or the other, the issue always was to support so wider portfolio. Now the kind of launches we have done, I think perhaps this is a maximum number of launches if we will put together last 5, 10 years. So how much of these launches do you think are strategic and you would like to scale them up in the long-term? While some of them may be a sanitizer, even some of these are surface sanitizer and some of these as an industry only they may try to fizzle out say after a few months?

Mohit Malhotra: Yes. So therefore, we have two sets. If you look at the categories where we have actually launched, we have launched either in Healthcare, which is immunity-led product, or we have launched products in personal and home hygiene. So if you look at the Healthcare, most of the products that we have rolled out are category created, like Tulsi Drops, Haldi Drops, single herb ranges for us, Ayush Kwath, they will all be very strategic for us, and we will want to create categories out of these, the way Chyawanprash became a category or Giloy Ghan Vati will become a category in our mind. So like that, they will be very strategic. And these do not require high-decibel advertising or resources behind them because competitive intensity is not there, and we will be category creators. So one, advertising is 100% share of voice here. So we don't see an issue in these brands. And potentially, they are very big in terms of scaling up. So I don't think that is an issue.

Now number two is other tactical efforts like Personal Care and Home Hygiene category where we have rolled out. If sanitizer mutes as a category, we will also mute, but I think we have capitalized on the situation, and we have established ourselves as first mover in Sanitize. But that said, the habit of personal and home hygiene has got ingrained now with the consumer, because COVID has lasted, and it's going to last for almost a year, it's not disappearing. So these habits will get ingrained in the consumer behavior. So I don't think they will disappear overnight. And Home Care is a very strategic part of our business. So to that extent, they will live under our portfolio, may not be under the power brand architecture, but definitely will live under the portfolio, the way the other portfolio is existing. That said, we are looking at a lot of rationalization of portfolio, of the Tail products and SKUs that we have with the company. The company will undertake an exercise of reducing the tail, which doesn't have a turnover or which are not margin accretive to the company, we would be embarking on a project of cutting out on the tail so that there is not too much of pressure as far as the back end is concerned.

But a lot of products also will be e-commerce first for us, which will be margin accretive, which will be exclusively for e-commerce. In the past when Dabur had launched, there was no e-commerce as a channel, now e-commerce contribution is almost 5.6%. I think we will end up the year with also 5% contribution, which is a very sizable contribution, and that calls for a lot of e-commerce exclusive products. Like Veggie Wash that we have introduced as an e-commerce exclusive, baby range will be e-commerce, apple cider vinegar will be e-commerce. And as and when it scales up on e-commerce, then as it scales up, the way we scale up products in ethical business, we will scale up the products for upmarket consumer or urban consumer in the e-commerce. As and when it scales up, we will roll it out in the GT business.

Where we see immediate traction, they will be rolled out in GT. For example, Ayush Kadha or Kwath, which was desired, Immunity Kit was desired, Tulsi Drops, Haldi Drops were desired, Single Herb range was desired. They will be rolled out to mass markets. So I think we should have a 40% to 50% acceptance rate in the marketplace, even for our new product launches.

Avnish Agarwal: Okay. My second question, Mohit, is regarding the international business, where particularly two of our acquisitions, one is your Hobi in Turkey and one is Namaste. So there, it is more like a switch on and off, sometimes this seems to be coming on track and then again they go off track. So would like your comment on whether do you see now them moving strategically in any particular direction where we can see higher amount of profitability and growth over there?

Mohit Malhotra: Yes. So it's like any other business, Avnish. So businesses are cyclical, so when there is a headwind business gets into a trough, and whenever there is a tailwind, the business gets into a crest. So you can't have a constant business surge happening in any business. So at the moment, what we see in Hobi, we are seeing a tailwind because of COVID, it's a hand wash, body wash, kind of a portfolio, so that is doing exceedingly well. And the profitability is also improved in the Hobi business. So that is trending very well for us. Even the Namaste business has got a tailwind, as I told you, relaxer business is now on a surge. In between, there was a trend towards new naturals, so therefore relaxers were out, and naturals were in, and now relaxers are back again. So I think the market dynamics and the consumer sentiment dictates as to how the business is doing. And we keep recalibrating our strategies basis what the consumer behavior demands. So we launched styling products under the Curls Unleased when the relaxers were down. And now the relaxers are up, so we are now focusing back again on relaxers. So I think that kind of a cyclical dynamism will happen in the consumption as we speak. But structurally and strategically, these two businesses have improved their profitability now, and they are trending at very good double-digit profits for us.

<u>**Harit Kapoor from Investec**</u>

Harit Kapoor: So my questions were regarding the innovation intensity. So the first thing was, if you look at the India business for the last four, five years, your ad spend as a percentage has been in the 8% to 9% range, actually more 8% than 9%. So just wanted to get your sense on how you are looking at it going forward, given the intensity has been so sharp on the innovations over the last two, three quarters. Is there a material step-up on the ad spend side, which you expect going forward and stay there from there on?

Mohit Malhotra: Yes. So Harit, absolutely right. So, I think our ad spends are low, and we are cognizant of the fact that our ad spends are low, and we are making attempts to see an increase in the ad spends going forward, so the budget also we have now planned an increase in the ad spend, especially to support the NPDs and also the power spends. And a part of the Samriddhi saving would be used for increasing our above the line spend and generate demand for our power brands and also new products. So we are cognizant and we are investing in the same.

In COVID situation, you saw a depression of around 22% in the ad spend. That is because structurally the media changed. We stopped spending in outdoor, we stopped spending in press, we focused all our resources on electronic media, that too outside of GEC into Doordarshan, because that is where the eyeballs were, that is where the GRPs were. And that came at a much lower cost. While we spend low (-22%), our GRPs went up by 70 percentage points.

Shirish Pardeshi from Centrum

Shirish Pardeshi: My personal compliment to you for good execution and banking on the opportunity. I have one question, I mean, that is related to distribution. Could you give some color how this GT and modern trade has performed in the month of July? And what level of recovery we are seeing in these two channels? And related question is that what is the CSD doing in this quarter or maybe you can give how July has performed in CSD?

Mohit Malhotra: Yes. So what happened is, GT has actually recovered quite a bit. GT, which declined by around 13% is back on the recovery path now. Modern trade is far away from recovery, modern trade declined by around (-28%) and still we see modern trade not recovering. So there is a pressure in modern trade. CSD continues to be down, it declined by around 50%, and even in the month of July we do not see too much of recovery. But recovery is expected going forward as the government releases fund for the CSD and they will be able to buy and also pay their debt going forward. But modern trade is a concern, which is still at -25% operational level because of Big Bazaar, which is a big boy, and even DMart not doing as well the way they were in pre-COVID levels. But GT definitely has recovered.

Prasad Deshmukh from Bank of America

Prasad Deshmukh: So Mohit, we hear about these clinical trials for ayurvedic products across multiple universities by Ministry of AYUSH to check the immunity boosting properties against COVID. Would you have an idea as to what is the status of these trials? And what part of Dabur's portfolio would benefit from these, if there is a favorable outcome?

Mohit Malhotra: Yes. So we have already put our products into the clinical trials, Prasad, but the results are still awaited. And I think part of the study is over and the part of the study is yet to come, we have not even got the initial findings, so it will be incorrect for me to comment at this point in time. But Chyawanprash, Ashwagandha, Tulsi Drops, Ayush Kwath, all that are a part of the Ministry trials, and also trials are initiated by Dabur. So there are trials happening at all ends, but the result is not yet out.

Kalpesh Jain from Ambit Securities

Kalpesh Jain: Mohit, congratulations on a good set of numbers for Q1. Mohit, you mentioned somewhere when one of the participants asked you about June growth, you said that June growth had bounced back to 7% positive territory. So now that a significant portion of July has also expired, what is the kind of a growth traction we are seeing in the month of July?

Mohit Malhotra: Sorry, you are talking about the recovery, Kalpesh, in the month of July?

Kalpesh Jain: Right. So I just wanted to have a broad sense on the indicative growth numbers for July?

Mohit Malhotra: So July, our growth is roughly around 5% to 6% odd secondary levels of growth, is what we are looking at. But that said, our modern trade is still under pressure and so is cash and carry, institutional and HoReCa channels have still not opened up. That is why it's in the range of low to mid-single digit kind of growth rates that we are seeing.

Kalpesh Jain: So it's not significantly different from June?

Mohit Malhotra: Not significantly different from June, yes.

Kalpesh Jain: And one more question. So on your market share, so as far as your Hair Care category is concerned, we had Marico posting its quarterly numbers a couple of days back, they said that their decline was about 12% in the Parachute portfolio and value-added portfolios have declined by 30%. So have you seen some sort of a market share gains as far as your Hair Care portfolio is concerned or it's been flattish?

Mohit Malhotra: No. See, we exist in two parts of the portfolio, Coconut Oil portfolio and value-added portfolio. In Coconut Oil, we have gained 20 basis points market share, and in value added we have gained 40 basis points market share, in both. So our declines are lesser than the category declines in both Coconut Oil and also value added.

Aditya Soman from Goldman Sachs

Aditya Soman: Mohit, so my question is on new product launches. So you indicated that sort of Rs. 90 crores of your revenue came from sanitizer. And how much was the contribution do you see in other new products in, say, Healthcare?

Mohit Malhotra: Yes. Health care products NPD would be roughly around Rs. 50-odd crores broadly. Yes, around Rs. 50-odd crores, Aditya.

Rohit Dokania from IDFC Securities

Rohit Dokania: Thanks, Mohit, for giving us an idea of the growth of international business from a medium-term perspective. Could you also talk about any recovery that could have happened at least in the month of July across the global market?

Mohit Malhotra: Yes. So even global markets have seen a recovery. It is a recovery to an extent of around 1.8%, which happened in the month of June, around 2% odd. And we are seeing release of lockdowns happening and unlocking of markets happening there also. So we are seeing significant recovery, barring Nepal where the business is still down by around (-17%) odd. Rest of the places we are seeing recovery in, again, low to mid-single digits even in international business.

Shirish Pardeshi from Centrum

Shirish Pardeshi: Mohit, quick question. We have seen two new players come in to Honey segment. What is it that's exciting? Or if you can give me some color on what is happening in Honey in terms of competition?

Mohit Malhotra: Shirish, in Honey what has happened is we have actually surged our market share numbers. Prior to COVID, our market shares were in the range of around 30%-odd levels, as per whatever data that we have in consumer panel, we see our market share surged to 50 percentage point level, where we have grown by around 60%. I think honey penetration in the country has gone up. A lot of smaller players have vanished during the COVID because of supply constraints of honey, and they could not purchase. So we have been able to gain market share from those players. But there are some organized players like Lion and Hitkari, which still remain in the market, and there are a couple of multinationals who've also entered the honey market.

So I think we are staying on course to defending our market share and gaining our market share and increasing the penetration of honey in the country. And that is why you have seen us launching value-added honeys in terms of Tulsi and Ashwagandha at one end. And also for e-commerce, we are launching exclusive offerings like Himalayan Honey and Organic Honey that is also being launched as we speak. I think next month or month after you will see those launches also. And we will keep also making honey in accessible price points as we go forward.

So we are growing the market irrespective of what the competition is. If the competition comes in, they will grow the market at a faster pace. The penetrations of honey in the country are still very low. So the more the amount of advertising in honey, the more the market will grow, and we will be the beneficiaries there. So we will be conscious that we don't lose share, and we have to gain share from unorganized, and at the top end keep innovating so that we keep growing the category as a leader too.

Rahul Ranade from Goldman Sachs

Rahul Ranade: I just wanted to understand out of this Healthcare NPD that we said for Rs. 50 crores, how much of it would be mainstreaming out of the ethicals portfolio where we already had products versus how much is completely new products? And second question is, is it fair to assume that whatever we are mainstreaming from the Ethicals, it should have a higher success rate since the efficacy of these products is kind of proven?

Mohit Malhotra: So it will be, I think, broadly around Rs. 12-odd crores will be a part of the Ethical portfolio mainstreaming, and around Rs. 38 crores will be new NPDs, etc. Like Ayush Kwath and Kadha for example, we were the first movers in the market and this was the advisory given by the government and we quickly churned out a formulation and we rolled it out as per the Ministry of AYUSH guidelines. That was completely new to us. Tulsi and Haldi Drops, while we had it in other format, but drops as a format wasn't available, so that came in. So that is around Rs. 7 crores, Rs. 8 crores, it's completely new, which was not there. But a lot of other products have come in.

Sakshi Mehra from Sycon Min

Sakshi Mehra: We have recently increased our market stake in Eveready business. Sir, can you please throw some light on it? So are we planning to acquire it or just keep it as an investment?

Lalit Malik: This investment in Eveready business is by the promoters in their individual capacity. So therefore, as Dabur India Limited, we have no linkage or any role to play in that. So that is purely their personal investments. So we cannot comment anything further on that.

Suvarna Joshi from Axis Securities

Suvarna Joshi: Congrats for a good set of numbers in these tough times. Sir, you mentioned about rural market growing by 1%, while urban declining 13%. And now we have been seeing that the number of COVID cases have been growing in the hinterland. So what is your assessment going forward in terms of the impact on the business that this will have? Or do you see that rural market will still remain resilient despite the rising number of COVID cases? That was one.

And the second bit was, is this growth also driven by the distribution expansion strategy that we have kind of given a year or two, because we think that rural is likely to kind of contribute healthily to the growth going forward? So thanks for these two questions.

Mohit Malhotra: Yes. So I think rural continues to grow for us, and we don't see any sort of downside in rural even in the month of July. So we also hear news flashes saying that community spread is happening in rural India. At the moment, we are not yet impacted. Except for the flood situation in Bihar and some few lockdowns have impacted us in some sporadic districts and cities in Bihar and Madhya Pradesh and also Northeast, etc. But we see rural trending well. And the difference between rural and urban is quite a bit. As I was telling you that Nielsen is talking about a growth of 12.5% in rural in June as compared to 1.5% negative in urban, so there is a huge gap. I think rural recovery is much faster.

And I was telling you, as the population is spread out in rural areas so therefore the COVID cases will not spread out in the rural as much as they have done in urban. So I remain very hopeful as far as the rural is concerned. Plus, the rural traction will also happen because of population reverse flow, which has happened in rural, because of that also the demand surge has happened. And to add it up, government is also adding around Rs. 1.5 lakh crores package is what PM Modi announced for rural. There is additional Rs. 40,000 crores in MGNREGA. Support prices of crops have gone up, monsoon has been great, the initial crop has been fantastic. So I think all those tailwinds are going in favor of rural areas. And tractor sales have also gone up in quarter one, which is a great barometer of the rural performance. So everything is going in the favor of rural.

That said, we have also expanded our rural infrastructure. In terms of number of villages, we have completed around 52,600-odd villages, and we are committed to going up to around 60,000-odd villages in two years' time, in this year or a year and a half. So I think depending upon the COVID situation and our accessibility. And also, we are looking at now village level entrepreneurs to be sown in, in the rural so that we are able to really spread out deep into the hinterland. As you know, there are 6 lakh villages in India, and we are only talking about 60,000 villages here. So there is a huge headroom for growth as rural is becoming more accessible with roads and the infrastructure going up. So I remain very hopeful as far as rural is concerned. Plus, we have also launched LUPs, which is low unit price points, which only help the rural infrastructure for us to build the business there. So I hope I have been able to answer your questions, Ms. Joshi.

Ankit Babel from Subhkam Ventures

Ankit Babel: Sir, I have one question. You people are doing a wonderful job, I mean, launching so many new products, bringing in so much of efficiencies in your operations, savings of around Rs. 100 crores to Rs. 150 crores each year. And plus, you have a tailwind of the trend of shift from unorganized to organized, and we are gaining market share also. Now, all these happening, is it fair to assume that barring any economic shocks, going forward Dabur is ready for a mixed kind of a growth with margins in the range 23%, 24% because of all the savings and improving efficiencies, maybe in next two, three years point of time?

Mohit Malhotra: I cannot give you a guidance, Ankit, here, as to are we ready or not. But we are doing all the right things in our mind, which should change the trajectory of the company and take it to the next level. And that is what I can say. As far as the immediate term is concerned, we are looking at something like around low to mid-single-digit to compensate for the COVID impact with all these initiatives that will happen for the full year. So that is the best guidance that I can provide you. But I think that is for you to expect what the growth will be. So we are doing all the right things, whether it's systems, processes or IT interface or technology, launching innovations. And the team is stretching and trying to make all the products which are available and getting to mainstream categories and larger categories also, as we speak, going forward, so that we are able to take the business to the next level to benchmark to the best-in-class in the industry and try to bridge the gap in terms of revenues in long-term.

Gagan Ahluwalia: Thank you for participating in this conference call. Webcast recording of this call and transcript will be available on our website soon. Thank you, and have a very nice evening ahead.