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 – 400 051.

Sub: Transcript of Investors' Conference Call for Dabur India Limited – Q4 FY 2019-20 Financial Results

Dear Sir(s),

Please find attached the Transcript of Investors' Conference Call organized on May 27, 2020 post declaration of Financial Results for the Quarter & Year ended March 31, 2020 for your information and records.

Thanking you,

Yours faithfully,
For **Dabur India Limited**

(A K Jain)
EVP (Finance) and Company Secretary

Encl: as above

"Dabur India Limited Q4 FY'20 Results Investor Conference Call"

May 27, 2020

MANAGEMENT:

MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER
MR. LALIT MALIK - CHIEF FINANCIAL OFFICER
MR. ASHOK JAIN - EVP(FINANCE) & COMPANY SECRETARY
MR. ANKUSH JAIN - HEAD (FINANCIAL PLANNING & ANALYSIS)
MRS. GAGAN AHLUWALIA - SR. GENERAL MANAGER (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 the Results for the Quarter and Year-Ended 31st March 2020.

We have here with us Mr. Mohit Malhotra - Chief Executive Officer, Mr. Lalit Malik - Chief Financial Officer, Mr. Ashok Jain - EVP(Finance) & Company Secretary and Mr. Ankush Jain - Head(Financial Planning and Analysis).

We will now start with an overview of the company's performance by Mr. Malhotra, followed by a Q&A session. In the interest of time, we request you to limit your questions to two per person, so that everyone may get a chance to interact. You may come back in the queue if time permits. Thank you and now over to Mohit.

Mohit Malhotra: Thank you, Gagan. Good afternoon, ladies and gentlemen. Thank you for joining us on Dabur India Limited's Conference Call pertaining to Results for the Quarter and the Year-Ended 31st March 2020. We hope that you and your families are staying well and safe.

The current pandemic that we all are facing is unprecedented one. As you know, there is close to 5.5 million confirmed cases of coronavirus in the world. India has come to close around 150,000 confirmed cases and is yet to see flattening of the curve. As lockdowns are being lifted and restrictions on movement are being eased in certain areas, operations in FMCG industry are seeing a gradual revival.

Coming to the performance of financial year 2020:

We saw a 2% growth in consolidated revenue from operations. For the 11 months ended 29 February 2020, we are growing at the rate of 6.4%, but were materially impacted in March on account of lockdown during the second half of the month. Unfortunately for us, the lockdowns in March also overlapped with a pre-season sales of our summer skewed brands like Juices, Glucose, Pudin Hara, Hair Oils and Ethical portfolio.

In terms of reported PAT, we saw flattish performance in financial year 2020. If we look at the PAT before exceptional items for the 11 months ended 29th February 2020, there was a growth of 12.8%. COVID-19 has a material impact of Rs. 360 crores on the top-line and around Rs. 115 crores on the bottom-line. Dabur was on track to deliver another strong year of performance with around 6% revenue growth and 13.8% PAT before exceptional growth if COVID-19 had not happened. Our reported PAT would have seen a growth of around 8%, had COVID-19 not been there.

The true barometer for performance is the growth in 11 months of financial year 2020, and from now I will be referring that to as YTD February 2020 growth.

Healthcare portfolio was witnessing a strong 11.4% YTD February 2020 growth, driven by topical marketing campaigns, localized sales activation and sustained investments behind our power brands. Health Supplements grew by 12.9% in YTD February 2020, led by robust growth in Chyawanprash and Glucose. Dabur Glucose and Dabur Chyawanprash saw an improvement of more than 100 bps and 400 bps in the market share, respectively. Digestives category recorded a growth of 14.2%, driven by strong performance of Hajmola and Pudin Hara. Ethical business, which is the backbone of our company, continued to perform well with 9.3% YTD February growth. Under the OTC portfolio, Honitus was a strong outperformer with a growth of 13.2%.

Within HPC, Oral Care recorded YTD February growth of 7%, despite the continuous sharp slowdown in the Oral Care category. Our market share in Toothpaste category witnessed a growth of 30 basis points vis-à-vis last year. Hair Oils reported a mid-single-digit growth on account of continued slowdown in the category. Brahmi Amla and Sarson Amla posted a robust double-digit YTD February growth. Our market shares in Hair Oils increased by 60 basis points. We continue to pursue a flanker brand strategy with the investments behind our power brand, Dabur Amla. Shampoo portfolio recorded a 7.9% YTD February growth and witnessed an uptick of 40 bps in market share to touch 5.6% on MAT basis. The Bottle portfolio continues to see a strong surge, resulting in increase in salience of bottles. Home Care and Skin Care categories reported a muted performance due to the high basis of last year.

Foods witnessed a flat YTD February growth. This is mainly on account of a sharp slowdown in overall juice category and down-trading to cheaper alternatives by the consumers. That said, the first two months of 2020 we were witnessing an uptick in growth, which we believe would have carried on into the season had COVID not been there. Our market shares in J&N category saw an increase of 150 basis points for the year to touch 59.5%. Culinary business under Hommade brand recorded 12% YTD Feb growth.

Our Q4 FY20 consolidated revenue from operations reported a decline of 12.3%. India FMCG business saw a volume decline of 14.6%. These numbers for the first two months of the quarter, that is January-February, were trending at 4.5% growth for consolidated revenue and 4.6% for FMCG India volume growth. Our business remains on a strong footing, and we are confident of achieving strong growth of pre-COVID times once things normalize.

International business was flat during Q4 FY20. Turkey business witnessed a growth of almost 50% in quarter four. Sales in Egypt were up by 14%. Namaste business reported a growth of 11.3%. Sub-Sahara Africa also saw growth of 17% during Q4 FY20. MENA business was growing well during the year, but got impacted due to COVID and economic slowdown, reporting a decline of 7.7% during the quarter. SAARC business remained under pressure as Nepal and Bangladesh were impacted by complete lockdown.

COVID-19 had a material impact on business. It is also changing the world around us, and we as Dabur are adapting ourselves to align with the new changing times. Our strategy to manage COVID scenario is based on "Six Pillars" of strategy around:

1. Employee well-being.
2. Reorientation of marketing strategy.
3. Strengthening our GTM approach.
4. Streamlining manufacturing practices.
5. Cost and cash flow management.
6. Community welfare.

As we progress through the various phases of lockdown, we have ensured employee safety and productive work practices. Working from home was swiftly implemented from the 16th of March with comprehensive guidelines. As our factories and offices have reopened, we are observing strict implementation of social distancing and hygiene practices and encouraging work from home.

On the second pillar of marketing strategy:

We are repurposing our brand communications to highlight health benefits across relevant brands and portfolios. We have increased our digital presence and are engaging with consumers extensively on social media. With consumers' media preferences changing from general entertainment channels to news and movie channels, we have retooled our media mix accordingly. Similarly, we have reduced our exposure to print and outdoor mediums.

We have stepped up innovation across our categories in Dabur. We have introduced Dabur Tulsi Drops, immunity booster; Dabur Haldi Drops; Dabur Amla Juice; Dabur Giloy-Neem-Tulsi Juice; Trikatu Churna, Dabur Immunity Kit in Healthcare.

In household and personal hygiene space, we have launched a new brand called Dabur Sanitize, which carries under its umbrella a range of hand sanitizers, antiseptic liquid, disinfectant liquid, sprays, air sanitizers. Dabur Veggie Wash has also been introduced in view of consumer need for improved hygiene for vegetables and fruits.

In addition, we have also launched Dabur Suraksha Kit, which contains a face shield, a reusable facemask, hand gloves, head cover and a sanitizer.

In Foods, we have launched Real Pink Guava, Real Masala Sugarcane and a tetra pack version of Real Activ Coconut Water. Going ahead, you will see the company broadening its portfolio with new product launches in larger and relevant categories.

For the third pillar of GTM:

We are utilizing technology as a catalyst to automate order taking in a bigger way. We are committed to expanding our village coverage to 60,000 villages by the end of financial year 2021, and our direct reach from 1.2 million to 1.5 million in two to three years time. We are also focusing on e-commerce, which continues to gain salience in our business on account of strong growth. To ensure delivery of goods to our stockiest, we partner with third-party like Delhivery, Javis and newspaper vendors. We also are reaching out to consumers directly through Dunzo and Swiggy and also started 'Immunity at Doorstep' a direct-to-consumer initiative for the health care brands.

In manufacturing:

All our factories had to be shut down in the last week of March 2020, post government notification of lockdown. Factory operations have restarted selectively from second week of April after getting approval from local authorities. Most factories are currently running at operational capacity of 60% to 70%. We are also adding capacities and 3Ps, where there is a shortage of capacity in some categories. At all our factories, strict social distancing norms are being followed across the shop floor and cafeterias.

We have initiated Project Samriddhi in India for cost optimization and value enhancement across various levers of business. The company is not facing any liquidity issues as the company has cash reserves of around Rs. 3,800 crores as of 31st March 2020. The Board has approved the final dividend of 160% to our shareholders, indicating our strong cash and liquidity position.

Under the sixth and the most important pillar of community welfare, Dabur has earmarked Rs. 21 crores towards the support and relief activities. We are also providing health and safety kits to frontline police personnel and health and sanitation workers, and nutritious meals to families of migrant workers and urban poor.

The month of April and a part of May 2020 saw complete lockdown, which led to significant impact on the sector. The recent report of Syndicated Research also indicates a sharp fall in FMCG growth with a decline of 34% in the month of April. But with the easing of restrictions, we are seeing sequential improvement in the revenue trajectory of the company. For the company, we intend to mitigate the impact of the revenue from operations by higher focus on health and hygiene categories, new product launches, driving sales through new channels such as direct-to-consumer platforms and e-commerce and aggressive monitoring of sales in GT channel. In spite of these measures, the impact of COVID-19 in quarter one financial year 2021, revenue from operations is likely to be in the range of Rs. 400 crores to Rs. 450 crores and on PAT around Rs. 60 crores to Rs. 80 crores.

Although the COVID situation continues to be worrying on account of the cases still increasing at a rapid pace, we believe that the earlier mentioned readjustments in strategy will help us emerge out of this pandemic stronger, more agile and a more capable organization. Our belief is centered around our passion for increasing market share and intend to broaden our portfolio potential across our categories.

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

Abneesh Roy from Edelweiss

Abneesh Roy: Before the question, just one request. Just like Dabur every time has a good gap in terms of timing between the results and the call, same thing if you can do in the future also. Because today I think hardly anyone has got the presentation, and there was very little time to analyze the results also. So that is the request.

Now coming to my first question that is on the COVID impact. Sir, when I see the Q4 revenue impact and Q1 revenue impact which you have given, it's not very different, but the PAT impact is in fact lower in Q1, in spite of revenue being higher in terms of impact. So could you explain that?

Mohit Malhotra: Right. Hi, Abneesh. So two questions you have asked me, first thing, call, there should be a gap. Now we cannot have a gap because all of us are in Delhi and you know there are three states here. So there is a lockdown and there are police counters that we have, so we have to wind up by around at 5:30 in the evening, so that's a hard stop for us. People all have to go and they have to navigate the police barricading. So it becomes an issue. This is a part of the COVID impact that we guys are facing. That's one.

Now the second thing that you asked me, on COVID impact, yes, you are right. Rs. 360 crores was the last year impact. And now we are saying the impact in Q1 is expected to be Rs. 450 crores. Not similar, it's again lower, we are trying to mitigate the impact as much as possible on the profit. Because in the previous financial year, COVID lockdown came as a surprise to us with Janta Curfew, and subsequently lockdown being imposed. We did not get time to gear up our strategy. And it was a sudden lockdown - sudden shutdown of our supply chains and distribution channels. And that is why we lost so much of profit. We could not compensate it. Now we have enough time, we have already seen and we are adapting and aligning ourselves to the new normal situation. And therefore, we are taking series of mitigation steps to mitigate the impact of the revenue on the profit. We are doing cost cutting across the value chain in the company. As I spoke to in my commentary, we have tied up with a consultant and across the value chain we are addressing all variable cost and also fixed cost systematically and trying to mitigate that impact.

Abneesh Roy: Sir, one follow-up on this. You said currently the operational capacity is 60%, 70%. Now if I see in Q4, only 12 days impact was there, the balance 75 days or 78 days there was normal capacity utilization. So in April if you see, capacity utilization would have been even lower than the 60%, 70% current you mentioned. So when you say the Q1 impact would be only Rs. 400 crores, does this take into account some outsourcing which you are doing? Because then it doesn't tally up in terms of math.

Mohit Malhotra: See, in the end of March there was a complete shutdown of all our 11 factories. Coming into April, after the April 15th, there was a gradual easing of lockdown and factories started opening up, because even government was not clear what is essential and what is non-essential. They allowed essential, which was food and only food factories were allowed to operate. And all the Dabur factories, despite producing medicines and healthcare items, were completely shut down. So gradually, slowly, we have got permissions from district magistrates and respective districts wherever our factories are, and we have got complete permissions to operate. So as we speak, all our factories are operational at the moment. Now while the factories are operational, we are maintaining safety protocols for the workers and lot of migrant workers have actually gone back to their own villages. So the contract workers that we have, they are around 60% to 70% at the time. We used to operate three shifts, now we are running two shifts. Limitation of workers is actually giving a constraint, and that is why 60% to 70% of working operation of the factory which I talked about.

Lalit Malik: And it will gradually improve going forward for the remaining period.

Mohit Malhotra: Yes. As and when we recruit more workers and we are allowed interstate transportation of workers from one state to the other, this will only improve and become 100%.

Gagan Ahluwalia: In addition, yes, we have also tapped 3Ps, to your point. And in fact, some of the new products that we have launched are being manufactured by third-parties.

Abneesh Roy: My second and last question is on toothpaste. You said you have gained 30 bps market share over the year. The market leader when it came out with its results, said that they have gained around 80 bps market share in March over February. So, is monthly data the right way to look at? Second, have you lost market share in March or Feb? And because of COVID, do you see the herbal toothpaste makers gaining market share?

Mohit Malhotra: See, we don't look at data on a monthly level. To me, the right barometer of the business performance is looking at either the moving annual total, which includes 12 months of preceding performance or looking at the quarter, because we divulge the quarter figures here. Quarter-on-quarter we have actually grown in volume in terms of 40 bps actually, not even 30 bps even the value number and volume terms we have gained. And we have gained across our brands, so even Babool, Red Toothpowder, Red Toothpaste across the board. I can't comment on what the competitor has told. But we have definitely gained market share much ahead, and we are also sequentially gaining market share month-on-month.

Abneesh Roy: And sir, herbal, any impact on Ayurvedic specific? Not just toothpaste, if you could comment on the entire Ayurvedic portfolio.

Mohit Malhotra: So see, there is a huge tailwind now and which is what Dabur wants to capitalize and be a great beneficiary for this tailwind. And that is why you see suite of launches in the preventive healthcare area. You will see that, that's why as the slowdown when consumption is not very conducive to new product launches at the time, people are going in for staples and commodities and atta, dal, chawal, we guys are launching healthcare products because there is a pent-up demand here. There is a pent-up demand for ashwagandha, pent-up demand for giloy, pent-up demand for Chyawanprash. Chyawanprash, as we speak, we have complete shortage of Chyawanprash. We are not able to supply Chyawanprash. Our market shares have gone up by 400 bps on Chyawanprash. Honey is surging at 80% growth from last year. So you will ask me it is contradictory to what I said that the business has actually gone down, and you are talking about growth.

Now government did not define Chyawanprash and honey as essential in the beginning. And it was all under lockdown. This is why the situation is what you guys see, because we came to a standstill because of supply chain. The demand would have been there, but STRs were completely dried up at the retail level. As and when the supply chains opened up, we have been able to service the market. And now we see a surge in our health care items. So we will be launching a lot of essential products for which the demand is there. And after Prime Minister's guidance on the products to be used for Ayurveda, Dabur has got a robust portfolio which actually caters to what we talk about. And as we speak, we are doing a clinical trial on Chyawanprash, ashwagandha and giloy, partnering with the government agencies. If the clinical data comes in our favor, then this will be a very big upside for not just Dabur, but for Ayurveda as an alternative system of medicine in the country. And we are extremely bullish about it.

Percy Panthaki from IIFL

Percy Panthaki: My first question is, the products that you have in your portfolio, which can be positioned as immunity boosting product, what could be the sales contribution of that to your domestic sales?

Mohit Malhotra: See, total health care, Percy, accounts for roughly around 30% to 35% of our sales, depending upon season to season. It can actually go up to around 40% also in the winter season. And Chyawanprash, for example, which is the largest brand which is an immunity booster. So most of our products are geared to it. I can't give you exact percentage, we will have to calculate what are the immunity boosting products. But I think 50% of our health care portfolio should be around immunity boosting, indirectly or directly.

Percy Panthaki: Okay. So around 15% to 20% of domestic sales?

Mohit Malhotra: Right, correct.

Percy Panthaki: Okay. Sir, second question was on the normal FMCG products. While I can understand there is a logic to say why in this kind of an environment, people will sort of increase consumption of anything linked to immunity. But your normal FMCG portfolio, I mean, how do we look at that? Because there is clearly an income impact which is likely to come in FY '21 and also possibly in FY '22. Most strategists, economists are actually building in sharp GDP contraction this year. And on that low base also no significant acceleration in FY '22. So what will you do in this kind of a scenario to sort of pitch for a higher share of wallet from the consumer so that your sales is not as badly affected?

Mohit Malhotra: Right. So there are a couple of points to it, Percy. First is, you are absolutely right, the GDP growths are down, per capita incomes will go down and the disposable income of the consumer to be spent on FMCG wallet will actually reduce. That said, we have got a very good rural franchise, and we have got a whole portfolio of low unit price points or accessible price point for rural consumer. That is why if you see last year, I think for last two years we have been building our LUP portfolio. Earlier, before that we used to have an embargo on how much to produce, but we have actually opened floodgates on accessible price points. When I mean accessible price point, Rs. 10, Rs. 5 price points in all our portfolio. So let's look and dissect our FMCG portfolio. The first in the FMCG was Hair Care. In Hair Care we have Rs. 10 hair oil everywhere. In shampoo, we have got a Rs. 1 sachet already there in the shampoo category. In Oral Care, we were at Rs. 10 price point, both in Babool, Meswak and RTP toothpaste. If we look at the Home Care, Home care also we have got PDCB block which are at Rs. 20 price points today. Odonil, aerosols, it's a little expensive, but I think we are looking at re-gearing it with the launch of air sanitizer. Skin Care also is pretty affordable. Healthcare is expensive, but immunity is what is required today. And I don't think there is a need to recalibrate that portfolio to accessible price point, because the equity of Health Care for Dabur in rural is very high, and we feel that rural will only surge in the times to come.

As far as the third pillar of foods is concerned, it's 20% of our business. We have already introduced Koolerz as a brand, which is Rs. 10 price point. And as we speak, we have already introduced pet bottles at a Rs. 20 price point, we have gone into the drinks market. We have introduced out-of-home pet bottles also. So there also, we become reasonably affordable. And going forward, instead of Rs. 100 for a tetra pack, we are rolling out Rs. 39 price point and a Rs. 65 price point. So I think the entire portfolio is extremely affordable and can be bought even if the consumer down trades or there is a pressure on the wallet.

Percy Panthaki: Right, sir. And last question, if I may. Your thoughts, you did mention that you are looking at costs very, very sharply and trying to reduce across the board. But if you could give some more detail, some more examples on what you are doing there.

Mohit Malhotra: Right. So first of all, I think all the cost levers in the company are being looked at with a fine toothcomb. So first of all is raw material. If there is a single vendor raw material, we are looking at multiple vendor raw material. We are trying to do reverse auctions there to reduce the cost of the raw material. If the product is over-engineered, we are saying either we make marketing claims and we get the value from the consumer or we rightly engineer the product as far as the raw material is concerned, whether they are perfumes, fragrances, **etc.** So over-engineering is to be avoided. Packaging material is being looked at, whether it is the weight of the bottles, uniformity of packaging across our portfolio. At the moment we have different bottles and different molds for different, so we are looking at uniformity of our portfolio in the packaging material. What material are we using, what is the weight of the material, is it multi-color, single color, etc.. Then we are looking at the freight cost. Freight cost also if we have a single vendor looking at reverse auctions to be done on freight. So multiple things like this, also corporate overheads, also organization structure we are looking at, delayering the organization at the moment. With work from home there is a stark realization that we can make do with 80% of the manpower that we at the moment have. So we will look at the cost from a manpower standpoint. And all other indirect, R&D costs are also being looked at, so and so forth. I can go on. Travel and variable costs as well.

Aditya Soman from Goldman Sachs

Aditya Soman: So firstly, just going back to the first question on the loss in this quarter. So is this largely a function of just presales being lost for the summer season or is there anything more? Because like the first questioner asked, I mean, the number is absolutely very large, given that you had only eight or nine days of lockdown in March. And in April, at least you mentioned that at least for the first two weeks, your factories were not functional. And even then the ramp-up was gradual only to 60%-70%.

Mohit Malhotra: Yes. So I think essentially the loss is because of the pre-season loading also, there is no other reason that we have lost. And also another reason is that while we have cut a lot on advertising, whatever we could do, we could not cut on consumer promotions and trade promotions. So if you look at the total spends on A&P that we have done, it's around 16% growth. While the business has declined by 12.5%, we have done A&P spend of around 15%, 16%. And we could not cut back because that was hard wired, and this came as a surprise to us. And also, all the costs below the line were also incurred. So that is the reason why there is a sharp fall. And going forward also we have time now to recalibrate and to cut costs, etc.. While we are not cutting any salaries anywhere, we are not even cutting manpower anywhere, we are completely committed to our own people, so we are not retrenching or doing anything. Despite that, we feel that our loss in the current quarter will be curtailed to Rs. 60 crores to Rs. 80 crores.

Gagan Ahluwalia: Means loss of profit, we are not in a loss as you know we are having those….

Aditya Soman: Yes. I understand. My question was actually more on the revenue where you indicated the Rs. 360 crore revenue loss for eight or nine days in 4Q compared with the Rs. 450 crores loss in 1Q where obviously, revenues have been lost over a two month period.

Mohit Malhotra: Right. Like I told you, that government was not very sure what is essential and what is non-essential. We were approaching the government and lobbying with the District Magistrates in different districts, that is why we have been able to get a lot of passes to operate in the marketplace. And our guys have been going into the market, getting orders and actually servicing orders. And Healthcare has been now classified as a part of essential, which can operate even in red zones, green zones or orange zones, even it is the lockdown period. So that realization came to the government very late, and that is when we got permissions to operate and that is when we could do secondaries. If you see in the month of March, we actually lost secondaries also. So there was no secondary, there was no primary, there was no billing, nothing. It's not that we would have diluted, we would have reduced our inventories, which were piled up. We could not reduce our inventories, and inventories at the stockist level were also piled up. STRs got reduced from the chemist outlets and the retailers which were working and functioning. So we, over the period of past 1.5 months, have really been working very hard to get the permissions to operate through the nodal officers. And therefore, I think the revenue downside in India will not be as much as it was there in the quarter four. But that said, our international business, which had a little stagnant sales in the last quarter, is actually going through very volatile times. MENA is seeing a lot of headwind. Post-Eid we hear that there could be some lockdown. So revenue pressures will come. As we speak, in India business, we are chugging at around 80% of the levels of what the regular business last year would be.

Gagan Ahluwalia: April was down, but now we are...

Mohit Malhotra: So we are at the moment around 80%, 90% of the levels of last year.

Aditya Soman: Fair enough. Very clear. And just in terms of what you expect going forward, I mean, are you seeing any sort of clear differences in momentum in urban versus rural, at least for your product and what you are seeing on the ground? And are there any regional differences?

Mohit Malhotra: So obviously, west is impacted the most for us in terms of regional differences. And north is doing reasonably well, so is east is doing well except for the cyclone, which has hit in Orissa and West Bengal got impacted. But before that we were doing reasonably well. South is actually doing exceedingly well for us. West is impacted quite a bit. So that's as far as the regional skew is concerned. On urban and rural, as you know, our reliance on rural is high, and we are seeing traction coming from our sub-stockist network of around 12,000 sub-stockist that are spread across the country. And this is where we are getting a lot of traction. Urban, we feel there will be a slowdown. And urban and especially metros and mini metros and 300-odd cities will be impacted more than villages. Rural will surge ahead of urban in my view. As far as syndicated data, today also urban is ahead of rural. But in my view, next one quarter, I think rural will be moving ahead, especially with migrant population moving back and the government stimulus being announced in the rural areas, MSP is going up, absolute MGNREGA outlay going up from 185 to 210, all these go in the favor of rural demand and consumption picking up. While it will be more for staples, but even for a portfolio like toothpaste, etc., the impact should definitely be there.

Sajjan Kapoor, an Investor

Sajjan Kapoor: Mohit, question around our Healthcare division. Globally, I see there is an increased thrust on the future-ready functional foods for babies, adults, seniors and everyone. And that is a major focus area for most of the FMCG food companies. But the problem for a company like Dabur, which is globally diversified, could be that the local regulations, the labeling requirements and the claims that you could make in a certain jurisdiction, they vary. And that could be a challenging aspect as far as the economies of scale is concerned. So that's one part.

And the second part is, do you work on a certain percentage of research and development? And is there a disproportionate allocation of capital towards building a robust pipeline of functional foods for the likely growth that can unfold in the coming years?

Mohit Malhotra: Right. So I think, Sajjan, you are rightly saying, functional food is seeing a spurt. Dabur, as such does not have a portfolio of baby-targeted functional foods. We have functional foods, and Chyawanprash is definitely a part of that functional food and a health supplement, what we call it. But we don't have a huge portfolio around it, especially in the babies. As far as regulation is concerned, I think Indian regulation is very favorable to entry of functional foods because of Ministry of AYUSH being there. So we can classify as ayurvedic medicine, and we can actually launch functional foods here. But that said, company has not got a portfolio for functional foods. And we have a lot to do even in terms of preventive health care that we have not ventured into it. As far as our investment into R&D is concerned, we have got 100 scientists in R&D who are B.A.M.S., who are doctors qualified in Ayurveda. So we have got a huge team which services us in marketing. And the total amount of investment in FMCG is not very large, because we guys don't do too much of research, we do more development. And we don't invent molecules, unlike a pharma, etc., and we don't patent that. So it's more text formulations that we have to develop, and we have to roll out. So therefore, there is no need of very high outlays for the R&D expenditure. That said, we should be doing around 0.5%of our turnover should be deployed in R&D annually.

Sajjan Kapoor: Sure. And what in terms of the local regulation, because an Indian regulator may approve something, but U.K. may not and similarly for other jurisdictions where you operate. So there is a lot of business coming from Turkey, Egypt and Africa, etc. So how do you normally mitigate that sort of challenge? Or is it that you are just focusing on the functional foods for just the India business? Because I see a lot of your products. So I am from U.K., I see a lot of food related, even Chyawanprash is here in the U.K. and it's kind of widely available.

Mohit Malhotra: Yes, we don't make any claims when we sell to U.K. U.K., there is the regulation of MCA that we have to go through when we have to export in U.K. as a functional food or a medicine. So we export it as a health supplement. So when you export it as a health supplement, you are not allowed to make any claims on the products and big claims like medicines do. In which case, you have to go through MCA. MCA requires clinical data which we don't have the wherewithal to do it. So that is why you see majority of our portfolio and the majority revenue of our portfolio coming in international business on Personal Care and not so much Healthcare. Because even if we introduce Healthcare, we are able to export it, but we export it like a health supplement. We cannot say that Chyawanprash will improve your immunity, we can't get into the detailing of claims in overseas markets, the way we are able to make it in India.

Sajjan Kapoor: Understood. And second question I have is on the return on capital employed and ROE. So over a decade ago, I think we were cruising at a pretty healthy rate of around about 50% on the ROCE. I appreciate in the recent years, we have had some major capital investments, both brownfield and greenfield, the new factory being built in Assam and elsewhere as well. And as a result, our ROCE has been gradually declining from round of 50% to high 20s now. And again, this year could be a blip because of COVID, so I am going to discount that. But what is the likely trajectory? And is there any internal target that you have on the ROC going forward? And let's take a three to five year view here.

Mohit Malhotra: Yes. I would let Lalit to take this question.

Lalit Malik: Sure. I think when we look at our ROCE, it has a lot to do with regard to the capital expenditure. And when we look at the categories, our food category requires a heavy capital investment as against the other non-food category of it. So therefore, there is a difference between two categories. Having said that, we also have Rs. 3,800 crores of cash available, so that also has an impact of diluting the ROCE. So if you exclude that, then obviously our return on capital employed is much higher than what you see in the balance sheet.

Gagan Ahluwalia: It is higher than 45% in that case.

Mohit Malhotra: Yes. And progressively, it's actually gone up. It's not got diluted. So because of the cash going up, you see this figure actually coming down.

Sajjan Kapoor: And do you have any sort of capital allocation plans for that cash? Because that has got a bearing on return ratio. So what is the plan to sort of judiciously deploy that cash and to make even better returns going forward?

Mohit Malhotra: Yes, we have kept this cash in the war-chest for a lot of acquisitions. But unfortunately, the valuations have been very high. But hopefully, COVID will bring a silver lining, and we have valuations becoming muted. And therefore, we will be able to deploy this cash better if we get some good targets on the table.

Sajjan Kapoor: Yes. No, I appreciate that. Yes. And wish you all the best. Hopefully, we will find some target acquisition in this post-COVID era. And I will now fall back in the queue. Thank you.

Prakash Kapadia from Anived Portfolio Managers

Prakash Kapadia: Yes. Two or three questions. Hope all are safe at Dabur. One is the Rs. 1 billion treasury hit we have taken, is all provisioning been done or there is more to come in FY '21?

Lalit Malik: So as far as the provision is concerned, that is on account of investments in DHFL and Reliance Home Finance, which we have taken full Rs. 100 crores investment as a provision for the last year. So therefore, there is no further provision required as of now.

Prakash Kapadia: Okay. And Mohit, if you could give us some sense, because we have been reading about retailers facing liquidity issues and distributors wanting to sell on cash. Have we observed that trend, specifically in rural markets mid kind of Tier-2, Tier-3 cities, any sense on distribution and normalcy coming there?

Mohit Malhotra: So at least we have not come across center where distributors are selling on cash, at least I have not come to know. But in the COVID situation, I think we have to regear and retool ourselves, and the distribution strategy also requires a complete revamp as we speak. What we guys did in GTM and I think when the time gets up, you kind of invent new ways of doing things. What we have done is we have created a retailer app and the distributors have actually given a retailer app to a lot of retailers and the retailers are now ordering on the app. And so they are giving the orders because there is no way salesmen, salesmen wasn't available for a salesman to go and book the orders. So we had a retailer app created, they downloaded the app, and the orders were coming on either on app or on WhatsApp and we have been servicing. And we have connected around 40,000 retailers on this app and that has facilitated order taking.

Now delivery is something that, again, we have tied up with partners, and we are ensuring delivery. And we are also doing a direct-to-consumer by partnering with Swiggy and Dunzo, and I talked about 'Immunity at Doorstep.' And even Dabur website is now geared to become e-commerce sort of a site wherein we are inviting people and giving free samples. It is not with the commercial intent that we have launched this, it is to gather the first party hit of the consumer. But we guys are completely committed to our whole earlier GTM strategy, which is going directly to the retail, and that is why we had said that now we will go up from 1.2 million outlets to 1.5 million outlets in two to three years of time. We are committed to increasing our rural reach, which is going up to

60,000 villages. We already reached 52,700-odd villages, and we had a target of 55,000. We could not do 55,000, but we will next year, again, look at 60,000 villages, and that's doing well. Then we are partnering with alternative channels. I think that's assuming importance. Especially after the COVID scenario, that has assumed more importance. Hitherto, we were very reluctant to supply to alternative channels like Udaan and Jumbo Tail, etc. But now the new scenario, these were the guys who actually took the stock from the distributor and actually went to the retailer when the regular distributor was not able to ply vehicles, they were the ones who could supply us manpower. So therefore, we are partnering, good that we are partnering with them, and we could hedge our risk along with them.

Then e-commerce assumes a huge importance. E-commerce contribution was 1.3%, now it's around 3.1%. We are launching OFOs. Now to me, modern trade will assume importance. And open format outlets over a period of time will also assume big importance because they are the ones who re-geared themselves to deliver to the consumer in his society at the door step. A lot of them have done it. So therefore, we are going forward launching a complete visibility program of key outlets, which we will actually be delivering. And also we are committed to be increasing our chemist outlet reach. Total number of chemist outlets is around 5 lakh outlets in the country, and we are only going to around 42.4 lakhs. But we want to go up to around 60% of those levels. So that strategy we have to make, and we will reach up to that. So that is our GTM in nutshell, what we are proposing to do.

Prakash Kapadia: Sir, I think that chemist channel will become increasingly relevant in the NPD, which you mentioned of the Health Care portfolio because that would contribute to a large percentage, I would guess.

Mohit Malhotra: Absolutely. And in Dabur we have two divisions, one is the Ayurvedic division, and one is the Consumer Care division. And both our chemist outlet overlap with each other. So we are trying to cross-pollinate products between two divisions also to ensure synergies and to ensure that the classical portfolio also goes to the regular chemist who is not ayurvedic. But now with this tailwind of Ayurveda, they are more wanting to stop ayurvedic products because the demand from the consumer is surging.

Prakash Kapadia: And lastly, GST would be I think around 12% for most of our portfolio. Any talks or any possibility, given that post-COVID era some of our products are not necessarily discretionary or luxury in that sense and are more on the health platform, any possibility of reduction or talk to the government, will that be a big reason?

Mohit Malhotra: We are trying to do a lot of lobbying with the government, because the classical portfolio attracts a 5% GST as compared to our OTC and other portfolios, the ayurvedic attracts around 12%. We are trying to see if that entire ayurvedic portfolio can be under 5%. We have made several representations to CII to see that if we can get that in the 5% band. Because in allopathic, if you see everything is in all the medicines, whether they are generic or they are branded or their ethical, non-ethical, they fall under the same band. But in Ayurveda, there are different slabs, which are operating at the moment. So we have taken it up with the government. And let's see. Well, I think it's an industry-wide phenomenon. So that we have to take into the government.

Shirish Pardeshi from Centrum

Shirish Pardeshi: Thanks for the opportunity. Two broad questions. If I refer the GTM strategy what you have mentioned, I think the sense what we are getting is that this is going to be much more bigger complexity. Because if I understand, if the chemist outlet and the general trade, which comes as essential, these are open, but there are a large set of outlets which are not open. And this lockdown will open, again, it will get closed. So is there any different way of delivery to the mass segment which will emerge? Or is there any pre-thoughts how the distribution will emerge in next one year?

Mohit Malhotra: You see I think, one very big game changer, as we speak, is Reliance Jio coming up. I think Reliance was test piloting their thing in Bombay, in the Maharashtra. But as we speak, there are reports I think around two days back that they have extended the test pilot to around 200 or 300 cities in India. So that, I think, will be a game changer. Dabur is already partnering with them to see that how we can reach them directly. They would be, again, this is an attempt to reach directly to the retail through Reliance and not through the intermediaries. That's one. And Swiggy and Zomato is another pilot that those companies have done. So we have latched on to their menus. And in their menus, along with the food, there are Dabur products also listed. So consumer can go on the website, can order them and they take their delivery from the distributor and deliver it to the last mile. That is also direct-to-consumer. The third attempt is through our website is what we are trying to do with direct-to-consumer, which I just explained. And e-commerce, of course, our e-commerce business is growing by 100% plus.

Shirish Pardeshi: Okay. My second and last question is on the category what you have mentioned. Consumer Care division has declined 17%, and Foods has declined 21%. Foods, I can understand there are challenges with the competition and other things. But when you mentioned that 300-odd cities, which has essentially shown the decline, do you think all these 300 is still under COVID impact? Or in Q1 of FY '20 when there is a partial lockdown which has lifted?

Mohit Malhotra: So lockdown has actually lifted partially and selectively. It has lifted. And that's why we lost around Rs. 360 crores in the last quarter. And now we are saying that we will be around Rs. 400 crores to Rs. 450-odd crores. But it's lifted, and we are in a better position to supply and service now. I hope I answered your question. If there is something else in your question, which I didn't understand.

Shirish Pardeshi: No. What I was saying that the 300 cities, which you mentioned is under lockdown. So what I wanted to understand, is this largely impact on your Q1 sales?

Mohit Malhotra: No, I didn't say 300 cities were in the lockdown. I talked about Reliance Jio extending their test pilot from Maharashtra to around 300-odd cities now. JioMart, that's what I mentioned.

Shirish Pardeshi: Because last quarter, if you recollect, I was saying that, at least in urban centers the wholesale impact, which has been partially covered by the cash-and-carry, and I understand through our interaction with the cash-and-carry guys, they have done really better. But there is such cash and carries doesn't exist in rural, say, less than 1 lakh population. So the issue is that how fast you will recover in rural going back to your distribution system? That was the question.

Mohit Malhotra: See, we guys are not dependent on wholesale at all as far as the rural is concerned. While wholesale is more in urban areas which are actually feeder towns to rural. But Dabur has got a network of more than 12,000 sub-stockist and we supply to sub-stockist and sub-stockist is the one who's connected to around four to five villages in turn, and he supplies. So we have a direct reach. And it's not going through wholesale that it's going to impact our business if there is a lockdown and a wholesaler is in a red zone, and he shuts down and we are not able to supply. No, we bypass the wholesaler and we go through a sub-stockist network.

Shirish Pardeshi: Okay. Just last quick on the revenue loss what we have, is this majorly done in the urban centers and it's a presales or primary sales? Because there is no demand due to secondary also or maybe could be higher inventory at the trade level.

Mohit Malhotra: No. As I told you, there is a complete supply chain shutdown, and this loss is happening because of supply chain. So there was a primary loss which we could not bill, and the revenue loss that you are seeing is on account of primary billing which could not happen to the trade, which is the stockist. And the trade inventories remained the way they were because there was no liquidation of the trade inventory because the stockiest could not do the secondary sales to the retailer as well. So there was a complete standstill for around 15, 20 days.

Rahul Maheshwari from Ambit Management

Rahul Maheshwari: I hope all are well at your end. So two questions, sir. First, in such stress time, as you earlier highlighted that the company would be focusing on eight power brands, where a majority of investments should be done, and then you would be scaling your brand. After such COVID stress, do you think any change in your strategy towards your deployment of capital allocation or any other segment of which was left alone, but now you find that going forward it can be a big area, and the maximum capital allocation can take place in that? And third, generally whenever the good times are there, and we forget into a volume mix and price growth. So at such stress times, can you give some color, not perfectly on numerical terms, but how much is due to down-trading, supply disruption mix and slowdown of the economy, which we started witnessing in January month? These two are the basic questions.

Mohit Malhotra: So regarding the first question on power brands. So as far as the power brands strategy is concerned, I think we will stay the course on the power brand strategy. I don't think we will be deviating from the power brand strategy. I think that's working very well, and that's helping us consolidate our investments between limited eight power brands. Now these power brands transcend across a lot of categories for us, and they can be extended to a number of categories because they have a core, and if the core can be extended beyond the core category where it's present in, we extend it. Now that said, if there is a category that we see has got an opportunity to your second question, we will be launching a new brand under the umbrella brand of Dabur, because Dabur brings a lot of trust and confidence to the consumer. Like we have seen, hygiene products, whether it's a personal hygiene or home hygiene, has gained a lot of salience and traction, and there is a lot of demand, and it is a requirement of the day. Because of that, we have introduced a brand called Dabur Sanitize, the name itself says sanitize. We have introduced sanitizers under that brand, and they are doing reasonably well. Under the same brand, we will be introducing air sanitizers, we will be introducing disinfectants, all-purpose cleaners. So this category has assumed importance, and that is what we will be wanting to get into. And there is a Veggie Wash also which is all being planned under this category. Why this is another brand which has come in, because we don't think our brand called Odonil or Odomos or Odopic in Home Care could carry this portfolio. That's why creation of a new brand beyond a power brand to capitalize on this opportunity.

On the down-trading piece, there is economic downturn and there will be down-trading which will be happening, and that will be more in urban also and in rural also. Rural contributes roughly around 45% of our business and urban also. I can't give you exact number as to how much will be the LUP as a percentage contribution. But generally it will be in the range of around 15% to 18% will be our LUP percentage to business, which will be impacted by the down-trading. Now if you look at urban areas, we see a lot of traction of bulk packs also and large packs, because while consumers are stocking up, they are doing pantry stocking up is happening as we speak in urban areas. We are looking at for institutions bulk pack and also for GT large packs, which will gain salience also in the new times. The consumer behavior is changing, and we have to be very agile and adaptive to the changing behavior of the consumer.

Rahul Maheshwari: Sir, just to ask, in next the three to five years, if you take a longer horizon, what kind of innovation pipeline do you carry? But in terms of numerical, can you give guidance that as compared to the previous years, what kind of run rate that would be taking place? Because it's extremely good to hear the kind of launches which have taken place in the current quarter. So any long-term basis guidelines on the innovations and launches, sir?

Mohit Malhotra: See, innovation is going to be our cornerstone of strategy. We can't thrive without innovation. And we had not stepped up on the pedal on innovation because we were a little risk-averse. So now we become fearlessly risk taking. I think it's completely bipolar from what we used to be earlier. That said, in terms of numbers, we were around 1.2% to 1.5% NPD to overall turnover ratio till last year, that has inched up to 3.1% is the ratio. And going forward, it will only increase from here. So we feel 3% or 4% of our turnover should come from innovations, if not more. We are not putting pressure on how much of turnover we will get from innovation, but we should be seen as a company, which is innovating. And as well as pipeline is concerned, we have got a very robust pipeline because we have got this Ayurvedic business with us, which feeds into the OTC and FMHG Healthcare business. And that is the entire funnel or the sort of treasury for our NPDs for Healthcare is concerned. And I told you, we have got 100 scientists who are working with us across Personal Care, Healthcare and Foods. We have got a very robust pipeline for Foods and also for HPC space, and Healthcare, of course.

Rahul Maheshwari: Thank you, sir. After a long time, Dabur's commentary changing from risk averse to risk taking in terms of innovation is a good point, sir. Thank you so much. All the best.

Mohit Malhotra: Thank you very much.

Devansh Jain from Devansh Traders and Securities

Devansh Jain: I just wanted to check with you, somewhere in the call you mentioned that your Foods segment has witnessed a flattish kind of growth trajectory for the year, even if you were to see a YTD Feb kind of a sales number. So why do you think we were not able to grow significantly in this year is one question. And also, since you have launched quite a number of juice variants this year, my only submission to this is, shouldn't the current efforts of the company be on strengthening the core rather than widening the overall portfolio when the response may not be representative of the normal consumer demand because of the unprecedented crisis that we are in today?

Mohit Malhotra: Right. Okay, Devansh. So first of all, I think why Foods is not taking off. I think this is a category issue of Foods. As you know, we operate in the category called J&N. It's called Juices and Nectars. And Juices and Nectars that the category is going down by around 7.6% is the decline that we see in the category. We guys are market leaders. As we speak, we gained 150 basis points market share when it comes to quarterly numbers. On MAT basis, we are around 327 bps market share is what we have gained in Real. So that's a good sign. So we are gaining strength in the market. B Natural and Tropicana and other players are losing out, and we are the ones who are gaining. We are consolidating our share to your point. Category not doing well because of the expensive category. The Juices are sold at Rs. 100 for a liter as compared to on other hand, we operate this J&N category is 1,600 crores. If you compare it with the drinks category, which is around 7,500 crore, and 7,500 crore, we didn't have any representation because we didn't want to earlier, and that's more salient with the mango drinks. From Rs. 100 price point and Rs. 20 price point, which is 200 ml, we moved to a Rs. 10 price point with Real Koolerz, and we started operating in the 7,500 crore category of drinks. And drink category is growing. So that's one action that we guys took on entering into drinks category. On back of that initiative, the first 3 quarters, we saw we declining lesser than the category decline of around 7%. Coming quarter 4 in the month of January and February, our business went up by 10%, and there was a surge in our brand on back of the Koolerz that we launched that has made inroads into rural etc. and that's why we saw a growth of 10%. Coming March, when we had to do the loading of this, COVID came our way. So therefore, we could not do much with that.

As far as the second question that you told me consolidation and why doing so much of innovation in Juices. Juice is a category; consumer wants variety and variation. The new flavors for taste have to be continuously introduced. It's a weed and feed strategy. You keep weeding out variants that are nonperforming and you keep introducing variants which are performing. Well, this is the nature of the beast of this category. People want flavor. We, for the first time, have introduced sugarcane juice in a tetra pack. Sugarcane is only available in a season. It's not available all season. We have done R&D work where sugarcane is stable now. Now you can go and have a sugarcane juice. We introduced health juices there. So it is to make the category top of mind, and this category sales usually through modern trade. And in modern trade, what you see is what you believe as the moment of truth between the customers and the product. If you see a new variant, then you pick it up, and if some other competitors have the new variant, then you pick up that because you want a variety, the taste and impulse purchase in a discretionary category. And because of discretionary, we saw a downturn as far as Juices is concerned.

The third initiative that we are launching to stem the decline or to stem the stagnation of Juices and to move it into the recovery path is we are launching a pet bottle now. Pet bottle will spur our out-of-home consumption. So earlier, it used to be only available in 200 ml small tetra pack, which is like a kids pack, and adults would be reluctant to carry it. But with the pet packaging, I think it will only facilitate out-of-home consumption for us.

Devansh Jain: And just one more question, if you could allow me. So are you seeing any sort of a revival in the April and May month now that we have kind of relaxed our lockdown etc., and the demand is kind of, are you seeing any green shoots as far as your numbers are concerned as far as April and May there?

Mohit Malhotra: Yes. I said, not in the month of April but May definitely. We are operating at around 80%-90% of the levels of last year in the month of May. And there's a huge recovery, not marginal, but a huge recovery as of now.

Balasubramanian from Sabees

Balasubramanian: Sir, the question is that how is your metro performance compared to last quarter? Because I understand Mumbai, Delhi are affected. How has the performance affected? And how are we able to perform better? How are we able to perform during the current quarter?

Mohit Malhotra: So metro performance is subdued. So I think it is smaller cities and rural areas where we are able to do good business. Metro, we are struggling still. And we get passes to operate also for a limited period. Then again, there is a lockdown. We will go for renewal of work passes also. So metro is a challenge, and the competitive density is also very high in metros. But for us, rural areas and semi-urban and small towns and cities are doing better than the metros.

Balasubramanian: Yes, I agree. One supplementary question is that since you mentioned that you started doing a good performance in May, have you been able to catch up in metros or still the metro sales are still lagging behind?

Mohit Malhotra: No. There is an improvement in metro also. We are able to operate. We are able to solicit orders. We are able to service also in the metro. We have been classified under the essential category now. And we are able to do business. So that answer of around 70%, 80% levels of business, that applies to metro also. But relatively, our rural and semi-urban is doing better.

Balasubramanian: Okay. So last supplementary question is, see, I believe this Q1 cannot be a great quarter. But Q2, do you think that things will improve and you will be able to get back to normalcy?

Mohit Malhotra: I don't know, Bala. I think the situation is very volatile at the moment. It is anybody's guess, and I can't hazard a guess. Had COVID cases been going down drastically and sharply, I could have commented with conviction. But as of now, as the cases are rising, nobody knows. While we know that lockdown 4 may not be extended. But with the opening of the economy, I don't know what implication it will have to the disease spread. And if it becomes a contagion and it becomes amok, then again, there could be a lockdown. In which case, the business would be under curve once again. So I can't say with conviction about the situation. The estimation of 450 crores on revenue, we've given as of now, as we see the situation in real time. We can't predict what's going to happen because situation is too much in flux.

Anubhav Sahu from MC Research

Anubhav Sahu: So basically my concern is with respect to the labor migration, which is moving from urban to rural centers. And this obviously has an impact on the remittance economy, and the kind of remittance they have been sending from urban to rural centers, and that was, of course, one of the driver for rural consumption. And since that there is a break in that kind of a cash flow in time to come. And obviously, this will have an impact on the consumption for Tier-3 cities and villages. So my question was that those strategies for the urban center will get more preference than the rural in time to come? I mean, how do you read the situation in that way?

Mohit Malhotra: Right. Okay. I think it's a good question. Thanks for jogging my mind. Now my view personally is that because of around more than 4 crore migrant labor has actually moved back to the villages. That's the statistic says. And 4 crores is a very big number. And if the population increases, obviously, the demand surge happens, irrespective. And the government has also announced a lot of stimulus packages in MGNREGA. There is a 40,000 crore additional outlay, which promises them employment. And this doesn't have a gauge to it. So as and when people keep enrolling, the MGNREGA outlay will keep increasing and absolute wage level has also gone up by 10 percentage point, as you are aware, but this is more sustenance sort of employment that they have. This can't match up with the remittance economy. So with the number of people going up in rural, my view is demand surge will happen definitely in rural. And definitely, that will have some sort of a consumer change, and they are more evolved, so they will buy products. They will indulge. They will not buy a tooth powder. They will definitely buy a toothpaste. And if they buy a toothpaste, they will buy a Rs. 10 toothpaste. They will not buy a soap for their hair. They will definitely buy a shampoo. If they buy a shampoo, they'll be buying a more affordable shampoo, which is of Rs. 1 shampoo. So I don't think that urban as a market would be hit more by job losses, it will be hit by salary cuts. It will be hit by population shrinkage. It will be hit by social distancing norms being put in place. Every retail outlet or mall allows the entry of one person at one point in time. So urban will have more problems. In rural, social distancing exists in any case. And to me, the epidemic will not be as big in rural as much as in urban, despite now migrants taking back this disease into rural. So I don't know how it will pan out to be. It's actually a thesis. And you have a thesis, and I have a thesis. I don't know what's true. As far as Dabur is concerned, we are a rural skewed company, and we find stimulus from the government getting into rural. Ayurveda as alternative system of medicine is very strong in the rural. So we feel very positive about it that Ayurveda is gaining salience in urban also now and in rural also now. I think we are okay. But if you ask me, am I retooling my strategy to move from rural to urban? Answer is no. In any case, I was going urban with some brands and I'm in rural. If a brand is there, I'm trying to connect to the millennial. That was the strategy earlier. That is my strategy now also. I want to modernize, contemporize, appeal to the millennials as far as my larger packs are concerned. But the accessible low unit price points are geared towards the rural. That will go on as it is to ride on the rural infrastructure that we put in place. So the Real brand is going to appeal both to urban also and to rural also. To rural with a Rs. 10 price point, to urban with a pet bottle and a mixed berry juice or with iced tea or whatever that we do. I hope I've answered your question.

Anubhav Sahu: Yes, absolutely and thanks for your perspective. And in fact, the way of looking at the shift in consumer class, which is more evolved, more exposed to urban and not shifting to rural probably will have a different way of looking at the product. So my second question was on the Juices category. Do you see any early sign for the category per se that the current phase is helping some kind of revival of the category as such because now there's a higher emphasis on health and nutrition and higher demand for packages that's hygienic food items, right?

Mohit Malhotra: Right. If you compare it relatively from the past to now, I think it will be better because carbonated soft drinks will become a complete no-no. And people will switch from carbonated soft drinks to juices. And juice penetration being at around 4% should definitely go up from there. So there's a huge potential and opportunity in juice today. But that said, people will down-trade also because the income will go down. To my mind, the drinks category and the Rs. 10 price point, Rs. 20 price point, low price fruit drink category will do well in the country going forward and taking business from carbonated.

Anubhav Sahu: And sir, you mentioned about the consolidation as far as your market share in the Juices category is concerned. That has been on the upfront. Do you see that this category could be also a case wherein you could also look for inorganic opportunity?

Mohit Malhotra: We are not looking at any inorganic opportunity in Juices. I think that was your question. So I think we have enough potential in Real as umbrella brand and enough opportunity is there. And because it's also a little margin dilutive business to our overall portfolio. So one is not looking at any. If at all we do inorganic, it will be either in the Health Care space or in the Personal Care space for us. So that's there. And consolidation of market share, yes, we are continuously making efforts by introducing innovations and variants in Real. And we have already entered the value-added milk category in Real also. I think that I did not mention in my commentary. We have introduced milkshakes under Real brand also. A 200 ml pack size of milkshake is also what we have introduced.

Gagan Ahluwalia: Yes, it's just going into the market. That's why we've not yet mentioned it in our presentation.

Anubhav Sahu: I think so you just read my mind. I was going to ask you this personal category only, the milk-based beverage category. And so I mean, how you're looking at the opportunity in this space? I mean would you be attempting a backward integration in this space? Or would you be sourcing it and then going for value-add products in...?

Mohit Malhotra: No. At the moment, we are actually evaluating it. We are outsourcing the product, and we are not proposing to get into back-end integration. So as I told you, we are into value-added milk based. We will not get into pure milk. It will only be value added. For value added, we'll be doing more third party and not back-end integration here. It's too premature for us to get into back-end integration at the moment. We are just testing waters with it at the moment.

<u>Harit Kapoor from Investec</u>

Harit Kapoor: Just 2 questions. Firstly, if you could give a better picture of what's happening in the international markets right now. You did mention briefly. But across your core markets, especially, we've seen what happened in Q4, but Q1 and going forward, how are you seeing those geographies?

Mohit Malhotra: Yes. So Harit, international business, last year has done very well for us. So overall, we would have grown by around 8% points in international business. And our profits of the international business doing very well. Across geographies, we performed exceedingly well. In the last quarter also, our Egypt business grew by 14%. Turkey was almost 47%. Then U.S. business was at around 11% growth. So Sub-Sahara Africa, again, 17% growth for us. Our Middle East and North Africa business, which is also very profitable business for us, has seen economic headwinds because of the oil prices going down, and a lot of expats moving back from Middle East back to India also because a lot of SOPs have been withdrawn with RMs as well, category decline has also happened. So there is a pressure. But rest of the places are reasonably all right at the moment for international business. And to hedge this problem of Middle East, we'll have no other way, but to introduce new categories, get into newer categories and strengthen our distribution in Middle East.

Harit Kapoor: Got it. The last question was on the Ayurvedic innovations and the OTC ethical innovations, the opportunity that you're seeing right now. Just wanted to pick your brains on the fact that do you see this as a kind of sticky opportunity, something that's going to stick by even 6 months to 9 months down the line when probably things get a little better in terms of a recovery? Do you see the consumer kind of staying by these categories, these new products that you're launching or is this more of an opportunistic way of thinking about it?

Mohit Malhotra: So in my mind, Health Care is generally not opportunistic because generally it sustains over a period of time. If you look at Hygiene, that could be opportunistic because sanitizers had come in the past also and then they disappeared, if legacy is what we have to see. So that could be a little opportunistic. But I think Health Care is generally a behavior that it will engrain. So maybe it goes down a little bit, because this is preventive health care, this is not curative health care. Had it been curative health care, it would have been good for a time, and then it would have gone down. But because it is preventive and is general immunity boosting, so I think this will sustain over a period of time. And this comes from the ayurvedic route, so in India definitely it sustains, the way Chyawanprash had sustained. As Chyawanprash anything to go by, Chyawanprash is also not a very great product to be had due to its taste but people have been consuming Chyawanprash over 135 years now and in taste, and it's been growing year-on-year. If Chyawanprash is anything to go by, then I think this will be hardwired in the psyche of the consumer, and it will be sustainable and enduring. It will not be something which has come in and it will vanish.

Ankit Babel from Subhkam Ventures

Ankit Babel: Sir, you did mention that you're expecting a huge surge in the rural market because of the shift of the migrant labors to that place. And urban could have some problems because of bad sentiment, job losses etc. So do you feel that the surge in rural will compensate equally, any dent expected in the urban market for you as a company?

Mohit Malhotra: It's very difficult for me to say, Ankit, whether rural will compensate for the urban or not. But just to let you know that urban is also doing reasonably well. When I said urban not doing so well, that was basically for the GT urban. But if you look at e-commerce urban, e-commerce urban is doing exceedingly well for us. So that business is growing by 100%. And I feel that and rural put together should be able to compensate for the urban business. Because urban also has a partial wholesale element to it. And that wholesale is a feeder to rural. So the balance part of urban, which is a primary consumption of urban into urban, should I think be compensated. But it's not that it will going be completely vanished. Yes, there will be a pressure there on consumption, but it will return back to normalcy.

Ankit Babel: So sir, would it be fair for us to assume that for the year as a whole, you will at least manage to show a flat kind of growth? I mean whatever you had lost in the first quarter, you'll recover it in the next 3 quarters, assuming there is no second wave of virus, and the lockdown doesn't get extended. That is a basic assumption. In that case, is it fair to assume at least you'll be positive territory for the year as a whole?

Mohit Malhotra: Yes. I think I would not prophesize into the future. But as of now, it's too early for us to say whether we will be able to, we are attempt and we'll target. If the COVID normalizes, we'll target a pre-COVID growth rate. That's what we will do. And we were growing at mid- to high single digit. That is what we will target post the COVID gets over and we return to normalcy. We have not yet made the targets. That's why we postponed our target making to the month of July. Hopefully, things will normalize after June end, then we will make the targets. And if things are normal and there is no lockdown #5, then we will target mid- to high single-digit growth rate. And if that compensates the deficit, then I keep my fingers crossed, we can reach the last year levels. But international business is also very volatile at the moment. So there are headwinds there. I can't comment with the surety. I think the situation is too volatile for us to give you any sort of guidance at the moment.

Ankit Babel: And my last question is, sir, since you mentioned that there could be a possible down-trading in lower unit prices, so usually the margins in those categories are less. So for the company as a whole in this context, do we assume that there will be pressure on margins or with cost reductions and everything you'll able to compensate that and for the company as a whole, you'll maintain this 20%-21% kind of EBITDA margin this year?

Mohit Malhotra: We will target to maintain EBITDA margins, if not increase them because we embarked on Samriddhi project. There could be some incremental increase in operating margin, which may happen because of Samriddhi, but that will be ploughed back into brand building and supporting a lot of new products that we guys have launched. So we would want to maintain our margins, at least to the last year levels, go back to the last year pre-COVID levels. That definitely will be an attempt and target for us to do. When launching NPDs today, it's also a business continuity planning that one has to do. One can't just keep higher gross margins in mind and decide new product entries because what we have learned during this COVID period is, the companies which were into staples and which were into more essentials are the ones which did well. And the companies which were into discretionary like ours have got impacted quite a bit. There will be an attempt to hedge that risk that we carry at the moment going forward. We will consciously retool our brand and category mix to ensure that if tomorrow a similar situation arises, we don't have a downfall the way we saw in these 1.5 months. So we'll retool our category entry strategy also.

V. Rajkumar, an Investor

V. Rajkumar: My question is, see there was a CRISIL report yesterday, which says that India will take another 3 years to see the pre-pandemic growth rate coming back into the system. So given that I just want to know, as a company, how you're looking at, how do you think that you will be able to maintain your growth rates? Because if that report for a moment assume that it's correct, so I just want to know what is the mix between the GDP vis-à-vis the Dabur's growth rate? Will you be able to withstand that kind of a scenario and still maintain a growth momentum?

Mohit Malhotra: Yes. So at least for the FMCG category, we will not take 3 years to reach the pre-COVID level. I think maybe other industries or other sectors may face this issue. But as far as FMCG is concerned, there will be a gradual recovery, and we expect a U-shaped recovery happening here. It will not be a 3-year sort of a dent on the FMCG growth path. And before COVID also, we were seeing a downtrend in the FMCG growth numbers. But in my view, post-COVID, it should not take us that long for us to go back. So to support that, one will have to get into newer categories, launch newer products, look at different ways of working, do collaboration with different partners. And do better distribution, reach out more to rural, launch affordable price products and a whole host of things, which will enable that kind of a return to that growth, which we are already embarking on.

V. Rajkumar: Okay. So is it then correct to assume that you will see some kind of a contraction this year and then, hopefully, for next year onwards, you will be on a growth path?

Mohit Malhotra: As I told you, we want to cover up that contraction that we would see because of COVID. We'll target ourselves post COVID mid- to high single-digit growth rate. That's what we will target ourselves. And next year, definitely, we would want to go back to our pre-COVID growth levels.

V. Rajkumar: Okay. Sir, the second question is on the Hair Oil segment. I just want to know what is the contribution of Hair Oil compared to the overall sales? And do you see any structurally anything changing on the Hair Oil segment because I have been reading some of the other companies report and they have been saying that they have been seeing negative volume growth for the last 2, 3 quarters. So I just want to know what is the Dabur's view on that.

Mohit Malhotra: See, Hair Oil contribution to our business is around 18%. So that's the contribution to our business. We are not over dependent on Hair Oil. If you look at the category of Hair Oils, category of Hair Oils is declining at around 3% is the category decline. 3% category decline, we, as per syndicated data, are showing a growth of 1.1% whereas our internal numbers are showing a growth of around 3.7% to 4%, which is our growth rate in Hair Oil. So we are gaining share in Amla, in Brahmi Amla and Sarson Amla and all other brands. In coconut oil, we have lost out. But I think next year, our attempt will be to gain share from the market leader even in coconut oil. We see a lot of opportunity there. And we are also launching more value-added hair oils. So I don't think there's any problem with the category. Category is penetrated at the level of 90% in India. I think it will really come back. We see a decline, but declines are cyclical in the economy. We will turn the bend after some time, and then we will go back on the growth path in Hair Oils as a category also.

<u>**Amit Sinha from Macquarie**</u>

Amit Sinha: So the question was on Hair Oil and Oral Care numbers for the domestic sales. The decline seems to be a tad higher compared to the other companies and especially the market leaders in their respective categories. And given that you are gaining market share, I was just kind of curious to understand, is it only the last 10 days phenomenon? If you can help with these two categories , and that will be great.

Mohit Malhotra: Yes. Amit, we've been gaining market share in Hair Oils. And all subsegments of Hair Oils, we've been gaining market share. Perfumed hair oils, Amla, Brahmi, Sarson. Anmol, we've lost, I think, a little bit market share. But I think overall, our overall Hair Oils category, we've gained 60 basis points market share in the quarter. And we get the quarter ending report in the month of April for Jan, Feb, March quarter. It's actually come in the month of May for us. So we have no reason to believe that we have lost share. While we would have done not as good as other companies is because of the shutdown of 10 days that we were locked out, and we were not categorized as essential. Maybe our peer companies who have got Hair Oil, but they classify the Hair Oils as edible oil, and that was classified as essential, and they could do pantry filling, which we could not do. So maybe that could be the reason for Hair Oils. That is my guess. I'm not too sure about that. But I don't have a reason to believe why...

Gagan Ahluwalia: And having said that, I think now things are looking much better than, in fact, some of our Oral Care and Hair Care products are doing quite well.

Mohit Malhotra: Yes. Post, I think, the lockdown, we would have resumed our market share gains.

Amit Sinha: And in Oral Care because basically, in Oral Care, also, your numbers are significantly lower compared to the market leader because that category would be essential, right?

Mohit Malhotra: Yes. So we've gained, again, 40 basis points market share. If you look at MAT level, if you look at monthly level, you look at quarterly level, there is no reason to believe that we have lost share. Dabur Red continues to take share from the other categories. And there is a tailwind supporting the Ayurvedic and the natural segment. And we happen to be leaders in that segment. And we are doing well. While the primary sales numbers that you see may be doing better. But I think secondary and treasury for us is okay. And now we are back.

Gagan Ahluwalia: We've also, in fact, expanding capacities because we can't supply enough of our toothpaste right now.

Amit Sinha: Sure. Understood. My second question is on the Foods business. And I think you have commented on this business enough. But just one question I had. And clearly, longer term, this might gain out of the carbonated drinks category, as you mentioned. But do you think that in the near term, there can be some impact because of this category had a part of consumption related to out-of-home?

Mohit Malhotra: Yes. This has, but we were not significant in out-of-home consumption. We were more significant in the in-home consumption with 1 liter tetra pack, which came home. And we had 200 ml that got impacted, and we can see that impact happening. But I think as and when the lockdown opens, that will get covered. So but carbonated, I think again, majority is out-of-home consumption. And so is the pet bottle. And the larger pet bottle also available in 1.2 liter is an in-home consumption pack. So pet is a more friendly pack. So I don't see that thing because the drinks category was growing at around 6%, 7%. So we haven't seen the data yet of the drinks category and can't comment with surety, whether that market is going down or it's going up.

Pritesh Chheda: Sir, I have 2 questions. One, when I look at your press release and you have specifically commented a couple of lines on the Chyawanprash and the Dabur Honey portfolio and the growth there in generally post-COVID even consumers' focus on health care would be higher. Is it safe to assume that the Health Care portfolio of ours, which is about 35% of the domestic revenue, might actually grow much faster than what it has done in the past, is that derivation right? And my second question is on the new portfolio side or the NPD side where you have put a couple of slides on products Health Care and products in HPC, the HPC portfolio looks more like what you call as opportunistic, some of them, but is it possible to understand what kind of business is possible there? Or what kind of revenues is possible there? And in health care, where the new product launches are there, what can be the revenue size possible in those categories?

Mohit Malhotra: Right. Okay, if you look at the Health Care portfolio and the overall portfolio, you look at the full year number, our Health Care business has actually grown at a very robust double-digit in YTD February that you see. We grew by around 12-odd percent levels in the complete Health Care portfolio. Health supplement actually grew by somewhere around 13%-14%. So definitely, long-term, our Health Care will do well and the salience and the percentage of Health Care will also go up going forward. And that's what we've seen from last year to this year. In the pie, you see, health care is significantly up as compared to the last year buy of Health Care. Health Care is also margin accretive to us. And Health Care has also got a huge potential of launching brand from an ethical portfolio transitioning on to the OTC side and from OTC side to the FMHG side. So that is what we speed forward at the launches, especially in the immunity area. I don't think they are more sustainable launches. And in terms of quantification of the numbers that we get from NPD, it's very difficult for us to do it right now. We've just introduced them. I don't know how much. But as I told you, NPD contribution will be around 3%, 3.5% to 4% of the turnover of the company. Whereas HPC portfolio is concerned, we've launched the Hygiene category because the Hygiene category has got a lot of traction. And during the shutdowns, we had to sell something, which was essential. And sanitizers are something essential. As far as the turnover is concerned, we would be in the current quarter doing roughly around 100 crores from sanitizers alone under the Dabur Sanitize brand, if I'm not mistaken. We've already, international business put together, we should be doing roughly around 100 crores of sanitizers in this quarter itself, which is very significant, in my view. Even if it is tactical and it is short term, it's very creditable for the Dabur team to have worked hard and churned out sanitizers in factories, which were actually shut down and locked down. So we partially produce sanitizers on our own and partially we do third-party manufacturing. So I think it has really been a great effort by the team. And besides sanitizers, we've also now launched aerosols, hard fabric, disinfectants, bathroom cleaners. So some fruit and veggie cleaners. Some will do well, some will not do well. I completely agree with you. But we've already now introduced them in e-commerce, and this is getting good traction in e-commerce also. So e-commerce definitely has become 3% of our business. So this should well in e-commerce, and these are very progressive categories. And I think health Hygiene, whether it's Home Hygiene or Personal Care Hygiene is also here to stay now because COVID is not going to vanish in 6 months or something. We'll have to learn to live with it. And if we live with it, then this will stay with us.

Shirish Pardeshi from Centrum

Shirish Pardeshi: Just a quick question. We have been seeing CSD business is very volatile. And if you can give some color, what has happened in Q4 and Q1 of this year?

Gagan Ahluwalia: CSD?

Mohit Malhotra: Sorry. Shirish, I didn't get that point?

Shirish Pardeshi: CSD, Canteen Stores Department business.

Mohit Malhotra: Okay. Canteen business declined in the last quarter. Although it's small, it only contributes around 3% of our business. And they are sitting on high inventories. And we have got some outstanding also because it's the government organization, we are not quite worried on the outstanding. So this should do reasonably well for us. So if you look at the Prime Minister advisory talking about a lot of Health Care products to be introduced, so we will be introducing a lot of our Health Care products in the CSD canteens also. During March, we had declined because of lockdown and supply chain failure.

Shirish Pardeshi: Yes. So what I was actually asking is that PM focus on Atmanirbhar Bharat, there is a lot of, what we say that inclination which people are talking about. And obviously, there is a lot of initiation the government has taken in CSD canteen basically buying the domestic product. So do you think this 3% is a very significant opportunity from Dabur's perspective, if I understand the health care portfolio itself and a domestic Indianized manufacturing?

Mohit Malhotra: Yes, there was a circular issued by the government that they will hence forth take only made in India and Indian origin products, but they have already withdrawn that circular because of the representation where a lot of multinationals were producing in India. And they also consider themselves as swadeshi as what Dabur is. But that said, we are swadeshi, and our ethos is swadeshi and everything is swadeshi. We are made in swadeshi is a Indian multinational brand as such. So that will give us a lot of leg up as compared to our competitors, definitely. There will be upside. So as I told you, we are speaking to the Chairman of CSD, and we're looking at a lot of higher health care brands being introduced in CSD canteens.

Shirish Pardeshi: Do you think FY '21 CSD business will double?

Mohit Malhotra: I can't, again, comment with conviction on the numbers, but CSD should do well for us.

Shirish Pardeshi: Just last one question on international business. I think going back to your 3Q and 2Q commentary, Namaste was somewhat steady and growing. And in between COVID happen. The real problem, which we have seen is your GCC and MENA and especially Middle East. I think there are issues, which we have been seeing that last 2, 3 quarters. Do you think there is a recovery which will happen? I mean barring apart COVID and economic issues, do you think FY '22, you will see a steady growth in this market?

Mohit Malhotra: Again, at the moment, Shirish, we can't say that recovery is anywhere in sight. Now there is an economic downturn headwind, which is facing us in MENA region. And on top of that, there is COVID. And I don't think recovery is there in sight at the moment in MENA. I think things would become a little worse in the MENA region, which we'll have to compensate from other regions as we speak.

Gagan Ahluwalia: Fortunately, some of the other markets like Turkey, Africa and U.S. are doing much better. They are growing in good strong double digits. And some of these markets also not that much impacted by COVID, like Egypt and African markets are not yet impacted that much. So we will try to compensate the loss of revenue from other markets. And of course, in MENA as well, there are a lot of new opportunities being explored. They're trying to mitigate the impact as much as possible.

Mohit Malhotra: Like even sanitizers in MENA would have done around 40 crores of sales in last 2 months. So I think we're getting into newer categories. We're getting into body washes. We've shared the pictures also of the same. And the entire portfolio of Dermoviva is that Skin Care also we're getting in. We are getting into newer categories and see how we can hedge the risk of this COVID, which is there.

Rohit Dokania from IDFC Securities

Rohit Dokania: Just one quick question. Firstly, thanks for the numerical value of impact in Q1 because of COVID. I just wanted to understand, does this assume that there will be no lockdown 5, which basically means the economy will open on 1st of June? And hence, let's say, there is actually a lockdown 5, the impact would be higher?

Mohit Malhotra: Yes. So whatever number that we have given of around 400 - 450 crores, this assumes that there will be no lockdown 5. If there is a lockdown 5, then we will revise the numbers. We'll have to recalibrate and re-estimate. This is assuming that there will be no lockdown 5.

Manoj Menon from ICICI Securities

Manoj Menon: That is fairly high levels of disclosure. I must commend you for that because we've been listening to quite a few other conference calls as well. 2 questions Mohit specifically. One, if I may use an objective that if I look at your list of new launches in the last month, month and a half, whether it's sanitize, whether it's immunity kits others also, it's absolutely ballistic. Just to want to ask you, is it something which you dialed up in the last couple of months or something which have been always in the pipeline? I'll tell you where I'm coming from. So the limited point is that, while you gave a number, 3% to 4% of the overall revenue coming from new products. Was there something already in the base case or something you just kind of dialed up in the last couple of months? And how do I think about these 3, 4 years sort of medium-term and not just the next 1 year?

Mohit Malhotra: Yes. So Manoj, all this flows in the pipeline, but we've been able to dial it up in past 2, 3 months because the kind of sales pressure that we saw during the lockdown period was humongous. And we had to compensate and re-gear our entire way of working. And I think work from home, honestly, also helped us to do this. Now we review the business on a day-to-day basis rather than reviewing the business on a quarterly basis or a monthly basis. So every day, we have calls and we, as a management team, as the Mancom team review all the projects which are happening, and we are able to remove all the glitches which are there. And I think, so a couple of them are tactical launches, a couple of them are very strategic because of Health Care. And going forward, next 2 to 3 years, as I told you, we have to rethink our strategy. Earlier, we said that we will be only focusing on existing categories and adjacencies thereof within the guardrails of the power brand that we have. Now we are rethinking because during lockdown, only essentials were allowed. And Dabur's none of the categories fell under lockdown. That's why you saw this kind of a sales crisis. So we will be recalibrating our strategy. And therefore, looking at larger categories to get in, albeit at a lower margin, so in lockdown. I don't know if I've been able to answer that question.

Mohit Malhotra: Our pace of innovation will be very high, and we have a robust pipeline across the 3 divisions, whether it's HPC, Foods, or Health Care or Ethical for that matter. And it is already inched up from 1.5 to 3.5 now, and it will only go up from here, in my view.

Gagan Ahluwalia: Yes. And I think we have learned to crash the timeline for our NPDs from 1 year or 1.5 years to 2 months due to COVID.

Mohit Malhotra: Due to COVID and work from home, our timelines are really crashed.

Gagan Ahluwalia: Yes. So that was the achievement.

Mohit Malhotra: So that's a silver lining amongst covid, great opportunity. Yes.

Manoj Menon: Yes. Understood. Just 1 quick follow-up on this was, how are you balancing the Dabur branding as an ayurvedic positioning versus, let's say, something like a sanitize, as a consumer, when I just saw a picture of it, it looks like an allopathic. I'm not sure this ayurvedic anything to do with that. So how are we balancing this bit?

Mohit Malhotra: No. See, it is definitely not ayurvedic. It's a regular sanitizer, Manoj. It doesn't have anything ayurvedic to it. And Dabur name straddles over our entire portfolio. So it is a trust for the consumer. Had we launched the Sanitize brand without the umbrella brand of Dabur, there was no trust associated with this. There's no guarantee of the consumer. So therefore, Dabur has given a lot of trust to it. That said, the brand is not giving anything in return to Dabur. It says that it is safe to use. So it has to be a bargain. The brand has to give something to the umbrella branding and the branding has to give something to the product in it. But I think Dabur Sanitize, at least consumer will not hesitate in purchasing a product coming from the Dabur stable. Had this been a standalone sanitize brand, which is also a registrable trademark of our, this wouldn't have got as much traction that as it has got now.

I just wanted to clarify, to your point, will it dilute equity of Dabur? I will say it will not dilute the equity of Dabur because these are the COVID times and people want something safe in their hands, and Dabur gives them that safety. To that extent, it will only improve the credibility and the safety credibility of the company going forward.

Manoj Menon: And just one question on the cost reduction measures actually. And maybe linked to the cost efficiency measures, which were otherwise dialed up. Again, just it's not to do with COVID, it's in general, actually, after you've taken over in the last 12 months or so. It will be helpful if you have some medium-term aspirations on the cost reduction aspirations and how do you look at that?

Mohit Malhotra: So we have estimated, as I told you, that we've taken a consultant who will be partnering with us and who is doing the project management of this entire project because we felt that we can't do it all by ourselves, and we need somebody to guide us through and somebody who could do project management on by which date, what realizations in cost could happen. So therefore, we've targeted ourselves to around 80 to 100 crores from this project in the current financial year. And the payout of the consultant is also linked to this number.

Gagan Ahluwalia: We may choose to deploy the savings in Ad pro or other investments, but this is the kind of benefit which you're looking at in terms of the whole project, over a period of 1 year.

<u>Yung Yoe from Tokio Marine</u>

Yung Yoe: I just wanted to ask on the inventory and the channel. How much inventory is actually in the channel? And how long do you think that takes to clear? Thank you.

Mohit Malhotra: Right. So Yung, we have roughly around 18 days of inventory in the channel, which is with the distributors. And this inventory has come down by around 2 to 3 days. And we will not plan to increase this inventory because it's only providing hygiene at the trade level for us. And as far as the company level inventory is concerned, we had high inventory of around 4 days of higher inventory, but that also inventories were flushed out, post the lockdown. Now we are in shortage of inventory, and we are in the process of not building inventory, we are hand to mouth. So whatever we are producing is what we are selling, and we are trying to enhance our capacities because we are having severe shortage in the Health Care brands.

Yung Yeo: Got it. And can I just ask, you mentioned in your slides, the revenue impact of 400 - 450 crore and the PAT impact of 60 to 80 crores. The base number is, is that first quarter financial year 2020? Or what is the base in terms of when you say the revenue impact and the PAT impact?

Lalit Malik: So it is not the base, it is the expected growth that we were targeting, which Mohit just talked about around mid to high single digits based on the normal scenario versus the COVID impact, that's where we said that it's going to be 400 to 450 crores.

Yung Yeo: Okay. That makes sense. And just a follow-up on the past question on cost savings, the 80 to 100 crores. Where is that coming from? Are there any major items you can highlight? For example, some companies are saying they will completely do away with advertising this year, cost-cutting on headcount, on wages. Can you give us some outline on where these cost savings are coming from?

Mohit Malhotra: Yung, it's a little premature at the moment for us to give you a color on this. But then it will come across value chain. So we are looking at packaging rationalization, raw material. We're looking at R&D expenses. We're looking at fixed expenses. We're looking at manpower organization, structure rationalization, delayering somewhere, but no job cuts and no eliminations is a part of this. And so I think pretty much that.

Lalit Malik: All categories, all line items, we are targeting.

Gagan Ahluwalia: Unproductive spends, which are in the BTL or ATL range of that.

Lalit Malik: We are considering zero based budgeting at process at this point in time. We are questioning every line of expenditure, and we are trying to see where synergies can be drawn.

Gagan Ahluwalia: Thank you and thank you for participating in this conference call. A webcast recording of this call and transcript will be put up on our website soon. Thank you and have a nice evening ahead. Thank you very much.