

Ref: SEC/SE/2022-23
Date: February 7, 2023



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

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

BSE Scrip Code: 500096

NSE Scrip Symbol: DABUR

**Sub: Transcript of Investors' Conference Call for Dabur India Limited –
Q3 FY 2022-23 Financial Results**

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Investors' Conference Call organized on 2nd February 2023 post declaration of Financial Results for the quarter and nine months ended 31st December 2022. The said transcript is also available on the website of the Company at www.dabur.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For **Dabur India Limited**


(A K Jain)

EVP (Finance) and Company Secretary

Encl: as above





“Dabur India Limited Q3 Results Investor Conference Call”

February 2, 2023



MANAGEMENT:

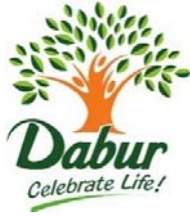
MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER

MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER,

MS. GAGAN AHLUWALIA -VP (CORPORATE AFFAIRS)

MR. N. KRISHNAN - AGM (FINANCE)

MR. DHRUV SHARMA - DGM(CORPORATE AFFAIRS)



*Dabur India Limited
February 2, 2023*

Ahluwalia Gagan:

Thank you. Good afternoon, ladies and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to this Conference Call pertaining to results for the quarter and 9 months ended 31st December 2022.

Present here with me are Mr. Mohit Malhotra - Chief Executive Officer, Dabur India Limited; Mr. Ankush Jain - Chief Financial Officer; Mr. N. Krishnan-AGM (Finance); Mr. Dhruv Sharma - DGM (Corporate Affairs).

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

Mohit Malhotra:

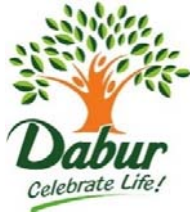
Thank you, ma'am. Good afternoon, ladies and gentlemen. Wishing you all a great 2023. Thank you for joining us today for the results call of Q3 FY23.

The operating environment remained challenging during the quarter, rural markets continued to face a slowdown on account of high inflation, uneven distribution of monsoon and down trading by consumers. The quarter was further impacted due to the delayed onset of winters, impacting our winter-centric and immunity-building portfolio. Having said that, the new age channels performed very well and some green shoots are visible in the rural markets, indicating early revival in demand.

In this context, Dabur consolidated revenue crossed Rs. 3,000 crore mark for the first time in a quarter and registered a constant currency growth of 5.7%. India business grew by 3.3% and international business registered a growth of 14% in constant currency.

The 3-year CAGR for revenue of India business is at around 10% with near double-digit CAGR in health care and HPC and mid-teens CAGR in F&B business. Our gross margins contracted by 280 bps in Consol business due to material inflation and currency headwinds and led to the operating margin declining by 129 bps in Consol and only 26 bps in Standalone. The margin contraction is sequentially lower than the previous quarter due to moderation in material price inflation.

In terms of categories, Food and Beverage business posted a growth of 6.4%. The Beverage business continues to be on a strong trajectory despite being impacted by early onset of festive season. We outperformed the industry significantly with our market share in J&N category increasing by 250 basis points. Fruit Drinks and Milkshake portfolio reported a strong growth and will exit the year with Rs. 200 crore revenue. The Food business also performed well with a growth of 35%. This will be further bolstered by the Badshah acquisition, which will be consolidated Q4 onwards.



*Dabur India Limited
February 2, 2023*

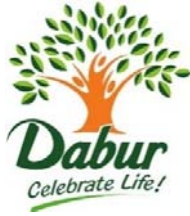
HPC portfolio recorded a 2.2% growth despite the key categories of Hair Oils and Toothpaste registering a volume decline on account of down trading by consumers to LUP packs. Toothpaste portfolio grew by 3.2% during the quarter, and our market share in Toothpaste segment continues to increase, led by Dabur Red. We have become the #2 player in the Oral Care segment with our market share in the category now at highest ever mark of 15.8%, 80 bps ahead of the erstwhile #2 player. Home Care reported a growth of 18%, driven by robust double-digit growth across Odonil, Odomos and Sanifresh franchises. Odonil recorded an increase of 540 bps in market share in Aerosol segment, 410 bps in the Gel category. Odomos increased its market share by 220 bps. Shampoos recorded a 4% growth on a high base of 21% growth and saw its market share increasing by 40 bps. Hair oils were impacted by the category decline of 4.5%, but our market share witnessed an increase of 70 bps to touch the highest ever level of 16.2%.

Healthcare portfolio has returned to a positive trajectory after lapping over the high basis of last 2 years of COVID. On a 3-year CAGR basis, healthcare continues to trend at a near double-digit with market share gains across health supplements portfolio. Digestive category saw a strong growth of 11.2% on back of robust performance of our Hajmola franchise driven by successful launches of LimCola and Chatcola variants. OTC portfolio recorded a double-digit growth with a strong performance of Lal Tail, Honitus and Shilajit. Ethical portfolio, ex-COVID contextual products, registered a growth of 7%.

Among channels, e-commerce was a standout performer with 40% growth and now contributes around 9% of our total revenues. MT also saw a double-digit growth during the quarter.

International business recorded a constant currency growth of 14%. While Turkey and Egypt recorded exceptional constant currency growths, INR growth were impacted due to currency devaluations in these markets. Sub-Sahara Africa and SAARC businesses clocked strong growths too.

On a consolidated basis, despite the inflation and currency headwinds, we continue to drive our business aggressively and have gained market share across the portfolio. Going ahead, we expect the quantum of inflation to moderate, but commodity-specific nuances will continue to linger, especially in the Food & Beverage basket, which is seeing a pickup in inflation. We are seeing green shoots emerging in the rural markets, especially in the months of November and December. Recently announced budget initiatives like 33% growth in infrastructure spending, increase in agri credit to Rs. 20 lakh crore, setting up of agriculture accelerator fund for start-ups, along with focus on job creation will augur well for the rural economy. Urban markets are also expected to improve, driven by softening of inflation, buoyancy of new age channels and improved consumer sentiment on the back of reduction in taxes for the Indian middle class.



*Dabur India Limited
February 2, 2023*

As for Dabur, we will continue to focus on gaining market shares, growing ahead of the industry on back of the strength of our power brands, distribution coverage expansion, cost optimization and efficiency enhancement initiatives. In addition, we remain intensely focused on operational excellence and delivering consumer-centric innovation to expand the total addressable market.

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

Moderator: We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy from Nuvama Institutional Equities

My first question is on the Toothpaste business. So, when I see your growth in this quarter, maybe even the past few quarters and compare it with the #1 toothpaste company, the gap is now very limited. So, earlier the gap used to be much more higher. And the MD of that #1 toothpaste company, in fact, said that for the category, now the natural growth will be either similar to the overall category or might even be a bit slower, because now it's fairly large. So, when you compare these two, your growth versus the market leader and the comment that now it is fairly large, so it may not expand too much in the next 1 year, 2 years, what would be your comments to that?

Mohit Malhotra: Right. So, as far as Oral Care segment is concerned, if you look at the category growth, so category has declined by around 8%. And in 8%, 50% share happens to be the market leader, I think significantly contributed in the part of that decline. We have grown at around 3.2% in the Toothpaste segment. While the category has declined by around 8%, our 3-year CAGR is around 14%-15%. We are the market leader in terms of the Herbal segment, which is 30% of the overall market.

And Dabur Red is continuously gaining share. I don't know and I can't comment upon the comments of some other person. But as far as we are concerned, we are seeing a steady growth coming in Dabur Red, a steady growth coming in Meswak. Babool got impacted in this quarter because of the rural decline which is happening across the board, especially in Central India, where we're impacted by the deficit of rainfall. That was an exception. Our herbal toothpaste entry has been doing exceedingly well in the Southern markets.

Our attempt of relaunching our Dabur Red Gel is also doing very well. This year, we should exit at around Rs. 20 crores in the gel market. If you slice and dice the entire oral care market, what we find is that consumers are down trading at a very rapid pace to LUPs. And there's a grammage reduction also which is happening by all the key players. And because of that, the gel market, which is a tad lower in terms of pricing as compared to the overall calcium carbonate market, has started showing a lot of growth signs.



*Dabur India Limited
February 2, 2023*

So, therefore, our herbal gel entry is making so much of sense and actually showing a lot of traction in the market. By the way, we've taken a celebrity Vijay Deverakonda in South also for Dabur Gel, which is showing great signs of growth. Our Red toothpaste has increased market share by around 36 basis points. Meswak has also grown. And overall, we have become the #2 player in oral care now and replacing Unilever, #1 is the lead player and #2 is us now in toothpaste and toothpowder clubbed together as a segment.

And even in toothpaste, we are not far. So, we are steadily increasing our market share. While you're right, in terms of growth rate the Herbal segment may not be growing as fast. It's already 30%. But consumer sees value as compared to a pure calcium carbonate toothpaste and a toothpaste which has got calcium carbonate plus laung, pudina, tomar and 20 other extra ingredients, which also cost to consumer extra.

So, our Red Powder also, if you look at the CAGR of past 3 years, is doing significantly better. And now we're talking about supplementing Dabur Red on top of the calcium carbonate toothpaste. That's also showing a lot of traction.

I think we've got our fundamentals in place as far as Oral Care is concerned. Not commenting too much on what the competitor has talked about. I think we are steadily gaining share market-by-market, and we are launching it market-by-market. We are not looking at all India launches as ad pro spends then will also be significantly higher for us. Broadly that, yes.

Abneesh Roy:

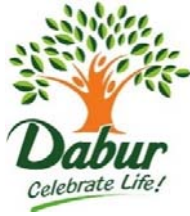
That's useful. I was in fact comparing like-to-like. So, if you see, quarterly results, obviously, are the more important parameter because in Nielsen we have always seen there can be a lag impact, etc. So, coming back to the toothpaste versus tooth powder because you have said #2 player in dentifrice. My question is, because of the rural slowdown and because of the downtrading we are seeing across the board, would the toothpowder segment for the industry and for you, would it be higher versus the pre-COVID?

Mohit Malhotra:

Not really, almost about the same level in terms of toothpowder. So, the category is stagnant, while we guys are consistently gaining share in the category of toothpowders. So, Red is taking share from whites, and which is what is the phenomena which is happening in toothpaste market also. It's value-added toothpowder to a plain calcium carbonate toothpowder. So, value-added toothpowders like Red will gain share, and that's what we guys are doing, especially in the Hindi heartland and other places also. There's a 5% CAGR for us in toothpowder in a category which is stagnant.

Abneesh Roy:

Sir, my second question is on the winter-impacted portfolio. This quarter, obviously, it was negative. Jan month, we have seen, again, extreme temperature. So, would you say that in Q4, you will recoup whatever you lost, say, 5%, 6% in terms of dip in Skin & Salon business? Would



*Dabur India Limited
February 2, 2023*

that be recouped? Because it's going to be just 3, 4 weeks of good demand, right in terms of winter.

Mohit Malhotra:

Absolutely. Abneesh, what you're saying is absolutely right. Chyawanprash portfolio which got impacted during the season because December was the most summery winter month that you could ever have. So, it was very high temperature this time in I think in 122 years that India has seen in terms of December. But that lag will get covered up in the month of January. And we are seeing in January, our Chyawanprash sales far better as compared to the previous ones.

But that said, there was a COVID impact last year in the month of January, and therefore, there were higher sales of Chyawanprash. So, as we speak, our secondaries in Chyawanprash is almost as good as last year, which shows great confidence to us that because of the winter getting protracted, I think that cover up will easily happen in the winter-centric and also for skin care. Our sales for lotions, et cetera, are far better in the month of January is what we've seen.

Abneesh Roy:

Mohit, my question was also on the Skin & Salon. So, there you would not see the COVID impact in the base. So, will that see a good growth in Q4?

Mohit Malhotra:

Yes, exactly. That's what I said. In lotions and creams and Gulabari, we are seeing a significant amount of traction happening in the month of January also, Abneesh.

Abneesh Roy:

Last question is on the lots of e-commerce and, say, quick commerce kind of products you have launched, say, in the last 2 years. In those if you could tell us which are the ones where you have seen good success, initial success, so maybe at some stage, they could be taken to kirana? And some of which you feel that now it is not working, so you may have to take a hard call on some of those products?

Mohit Malhotra:

Right. So, there are 2 parts to this question. One is the NPD part that you've asked me and another is e-commerce part that you've asked me. Our e-commerce business is doing exceedingly well. Now e-commerce is contributing to around 9% of the business, and part of the business is steered by new product introductions because we are treating it as a cradle for innovation for us. We're launching the products here, learning with our experience, changing the whole mix and then making it ready for the modern trade to happen.

So, a lot of NPDs that we rolled out on e-commerce, I can just give you a little bit of flavor. Drinks that we rolled out here, we've already taken it to mainstream. And drinks should end up at around Rs. 200 crores of franchise in the current year, which is very significant and should very soon become a Rs. 500 crore franchise. And we are appointing a separate distribution network also for drinks. So, that is number one.



*Dabur India Limited
February 2, 2023*

Juices that we introduced on e-commerce, Amla, Aloe Vera Juice, et cetera, that have also got scaled up to the mainstream and it's a Rs. 20 crores business for us with a very high gross margin. Then DCP variants that we'd launched also has been taken to now mainstream, and that's also doing reasonably well. Vita and tea that we also launched in this space, also now going to be around Rs. 10 crores brands each. The entire baby care range that we launched on e-commerce is now trending at around Rs. 20 crores annually for us. And Herb'l Toothpaste variants, which we launched also around Rs. 16 crores, Rs. 17 crores.

So, overall, e-commerce new products will be in the range of roughly around 15% actually NPD contribution will be there on e-commerce. Chatcola variants around Rs. 35 crores, YTD in December, LimCola and Chatcola for us. Ghees, oils, multiple oils that we guys rolled out will be exiting at around Rs. 10 crores for us on e-commerce. And the list keeps going on. That's why you see an e-commerce growth of around 40% for us.

Avi Mehta from Macquarie

Avi Mehta: I just wanted to pick up on the inflation comment. So, you highlighted that signs of moderation in inflation. And logically, the price hikes have also kind of flown through. Could you give us a sense by when do you expect gross margins to normalize to the 49% to 50% levels?

Mohit Malhotra: Yes. So, we have seen abatement in inflation happening. Avi, as we speak, the total inflation in this quarter has been 8.5%. We've taken price increase in the range of around 6.5%. Going forward, we are expecting the inflation to move to levels of roughly around 5.5%. But the mix of inflation is actually changing. The crude is softening and herbs are softening. The concentrates that we are importing because of the currency devaluation of Indian rupee vis-a-vis dollar, that has become dearer, and therefore, there's a gross margin compression in our Food business going forward, is what we guys see.

But we are in the process of taking price increases because erstwhile price increases are only to a tune of around 4% to 5% in Food as compared to the overall company, we've taken a 6.5%. So, there's headroom. And we've got ability to take the price table up being the market leaders there. So, I don't think we should have a problem in terms of maintaining our gross margins.

So, Food business, because the nuance of inflation changing, there could be going forward some compression. Healthcare, we've already taken care of inflation and our gross margins are in line with our pre-COVID gross margins now. HPC, also, the entire portfolio we've taken price increases. But for Hair Oils, where we are lagging because here we want to gain market share. And our price increases are determined by how much price increase our competitor takes because he being the market leader, we being the follower. So, we don't take the first step in taking price increases. There, our prices are actually lagging and that's where the contraction of gross margin is most visible in our Hair Oil portfolio.



*Dabur India Limited
February 2, 2023*

But rest of the places, we've been able to more than compensate the inflation impact and our gross margin is equivalent to pre-COVID levels. Overall, our gross margin is compressed by 280. Actually, in India business is compressed by 190. So, I think going forward, the compression will reduce. I think there will be another 2 quarters of pain before we are able to go back to our old gross margin levels. That's my prediction. But the market situation is quite in flux and it's volatile, so one can't really comment because it's dependent on war and multiple other macro factors.

Avi Mehta: A fair point, Mohit. And just building on that, would it be fair to expect the template of balancing ad spends in this period of high inflation in this near term to ensure that the EBITDA impact is lower? We retain that 20% to 21% kind of range to the extent we can. That template is what you will seek to kind of use in the near term. Is that understanding correct?

Mohit Malhotra: Yes, this was a template that we thought of when we entered the year and in the vision that we want to maintain a 20% operating margin. And that's exactly what we did in this quarter also, in the previous quarter also. We optimized the spend because there was a gross margin dilution which happened and we had to cut back and optimize our advertising spend. While overall ad pro spend was in line with the top line, around 2% increase of overall ad pro, the mix of the media changed. Instead of advertising too much in ATL, we advertised more in BTL and consumer promotion and trade promotion so that our market shares don't get impacted. Because of which, what has happened is our LUP percentages have gone up quite a bit. Our low unit price points have been selling, which is a little margin dilutive to us. So, that is a little change of course that we want to do going forward. We want to start again going back to reducing our trade spend and increasing our advertising spend. So, intent will be to increase our advertising spends going forward, rationalize the trade spends and consumer promotions and go back to building demand on our power brands also.

So, this is a little change that we are thinking. We are in the process of making our budgets. So, going forward, we will be budgeting a significant amount of increase in the ATL expenses going forward. But the intent is not to be at the cost of operating margin, but this is a dilemma that we will sort out as far as and when we are creating the budgets. But the intent will be to maintain our operating margins in the range of around 20%, broadly.

Avi Mehta: Perfect, Mohit. And just a bookkeeping. Could you kind of share what was the volume performance this quarter? I missed that. So, that is the only bit. That's all from my side.

Mohit Malhotra: I think the right measure of looking at the volume performance will be our secondary sales. And in terms of secondary sales, we've increased the volume by around 3 percentage points. But due to the mix of our low unit price point selling very high and the category mix also, healthcare being lower and food being higher, the value weighted volume is actually around minus 3%.



*Dabur India Limited
February 2, 2023*

Optically what you see is 6% is the price increase, minus 3% is the volume. But in terms of secondary sales and the transaction sales, we've actually sold 3% higher in terms of our absolute eaches and the tonnage that we actually sell.

So, because of the formula of accounting, which accounting standards mandate us to do, that's why it's showing a minus 3%. As far as I am concerned, consumer acquisition is 3% higher, and the numbers are 3% higher in terms of our volume business.

Arnab Mitra from Goldman Sachs

Arnab Mitra: My first question was on Beverages. So, now as you enter the season of summers in 4Q, which is the sell-in, and 1Q, which is the main offtake. Based on your capacities and things like that, how do you expect this to perform given that this quarter was soft? And any headwinds you see in terms of the scale up from Rs. 200 crores to Rs. 500 crores that you're looking at?

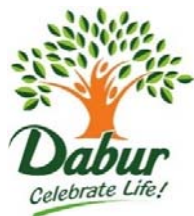
Mohit Malhotra: Yes. So, Arnab, our Beverage business has been doing very well. As I alluded to earlier, our beverages will end up doing around Rs. 200 crores only in the Drink segment. And in J&N segment also, Juices and Nectars, we've been consistently gaining share and we've gained 250 basis points. So, our competitive position in the market is excellent.

There are small cheaper players who entered the Beverage segment and they're posing us some challenge in some modern trade specific channels, but which we are handling. Coming season, we are augmenting our capacity and the capacities have been augmented in all the 3 plants of Pantnagar. And we are also setting up a new plant in Indore and also in Jammu. Jammu for aerated beverages and Indore for our drinks pack, which is a Rs. 10 and 200 ml price point, Rs. 10, Rs. 20 price point.

So, I think we are pretty much geared up. And there's surplus capacity which is available outside also. In case we are not able to ramp up, we can always outsource it. And I don't think we should face any capacity constraints in the summer season.

Arnab Mitra: And just on the margins, Mohit. As you said, gross margins possibly will start improving a couple of quarters down the line back to the older levels. But given that you have to also normalize like ad spend, would you basically expect EBITDA margins to remain flattish '24 versus '23 given that you need to get back ad spend to normalized levels?

Mohit Malhotra: Yes. But also, Arnab, we've taken price increases, and those price increases will follow through as the inflation abates. So, there will be upside of margin. Because of the price increases that we have taken, that upside of margin along with the cost optimization that we are doing across the value chain will also flow in. We are also planning to embark on an RGM exercise, which will also release some cost from the system that will plough back into advertising.



*Dabur India Limited
February 2, 2023*

So, our intent will be to balance between media investments and also the margin. We don't want to definitely erode our margins beyond the level where they are. We want to take it up to the pre-COVID levels, yes. And if you compare it to pre-COVID levels, our margins for the full year anticipated will be down by around 60 to 70 basis points, which is what we want to correct going forward in the next year, which is not a very tall task with the kind of price increases that we have taken and the softening of commodities that we are seeing.

Shirish Pardeshi from Centrum Broking

Shirish Pardeshi: Hearty congratulations for becoming #2 player. Just 1 clarification. On the toothpaste market share what you have mentioned, is it volume or value?

Mohit Malhotra: Yes, that's value shares.

Shirish Pardeshi: And what could be the volume share?

Mohit Malhotra: Yes, volume shares will be even better, around 17-18%.

Shirish Pardeshi: While looking at the PPT, on the Foods & Beverages slide, the growth was 3.7% and 3 year CAGR was 14.3% in beverages. I think last 4, 5 quarters, we have been doing the distribution-led growth and the dairy beverages has done better for us. So, I was a bit surprised that is that the distribution-led consolidation is happening? Or there was one-off in this quarter?

Mohit Malhotra: Yes. So, I think optically, Shirish, this is lower F&B, and we are not very happy with the 3.7% growth that we've seen in beverages. But that is illusionary. If you look at this year, the Diwali festival actually got preponed, it got pushed forward. Last year, Diwali happened to be in the month of November. This year, Diwali happened to be in month of October. And there is a festive season loading, which happens in beverages, which is pre-Diwali. This time, the entire loading happened in the month of September for us.

So, if I take September to December, the total growth of the beverage business is in the tune of 16%, which is pretty much in line with what we have done before. And therefore, we've gained 250 basis point market share. So, therefore, what you see is around 3.7% is actually a lower figure. The right thing would be to look at September to December, which is where it's a 16% growth. Overall, YTD also the growth of beverages has been around (+30%) for us. And we should continue. And especially looking at some price increases that we may have to take, it may not be only volume driven. It could be a combination of volume and value going forward.

Shirish Pardeshi: Just one follow-up on the Food & Beverages revenue what you've reported, Rs. 319 crores. If you can break up Beverages & Food? And maybe is there any number which Badshah has been put in here?



*Dabur India Limited
February 2, 2023*

Ankush Jain: So, just to clarify, out of this RS. 320-odd crores, beverages is Rs. 285 crores and balance foods, is Rs. 35 crores.

Shirish Pardeshi: But is there any Badshah consolidation?

Ankush Jain: No Badshah consolidation, because that will be effective from 2nd of January.

Mohit Malhotra: So, that will be coming in the fourth quarter of this fiscal. So, there's no Badshah here. And on this, our Food business, while it has done 35%, so we'll be exiting the year at around 160 cr. And we have given guidance to the market that this business will also become Rs. 500 crores in the next 3 to 4 years' time. So, we are well within our reach, and the business has grown by 30%, 40% plus for us, our Food business, on back of launch of oils, ghees, pickles, chutneys and almost getting into 5 more categories to increase our TAM. So, I think we are well within our pace to achieve that also. And Badshah will only bolster that effort for us.

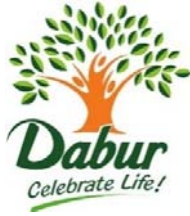
Shirish Pardeshi: My second and last question on the Healthcare business. At least my past experience suggests that quarter 3 onwards, our base has become normal for Healthcare business. Though winter is delayed and understandably there is a spill over in quarter 4, which would have happened. But is it fair to assume that with the normalization of Healthcare base, I think our growth will be back on track, 8% to 10% is fair to assume. And thereby, the margin would remain intact. That's the correct assumption? Or is there anything which I'm not reading correct?

Mohit Malhotra: Yes. In a way, you're right, because past 2 years of COVID bases, we had very high bases. And this year also YTD if you look at, Healthcare has actually declined for us in the range of minus 7% or so YTD. So, therefore, that base should be over. Except that January last year there was COVID, so we are lapping over a high base in the month of January also. So, post quarter 4, I think our bases should normalize, and therefore, we should begin on a trajectory of growing the business at a normalized growth of what you alluded to.

Even if you look at our Ethical business, our Ethical business has declined by around minus 6%, 7%, but there's a huge component of a COVID contextual products here. If you take that out, then the business is actually growing by 7% for us. Our OTC business has already grown by around 11%. So, it's outside of the COVID basis. Honey is already on a trajectory of a 9% growth, so it's outside of the COVID contextual time.

Chyawanprash, which has declined by minus 5%, it is still COVID contextual, and therefore, another pain of 1 month is left, which is January. And after that, we should normalize our bases of Chyawanprash also. So, that is in granularity about Healthcare.

While on Healthcare, I think another news that I want to give to the market and yourself is that we are taking an executive director-level person from the market, Mr. Philippe Haydon, who was



*Dabur India Limited
February 2, 2023*

the ex-CEO of Himalaya. He's joining us from today onwards. And that is one of our efforts to really provide impetus to the Healthcare business in the company.

Shirish Pardeshi: Wonderful. Congratulations for that. So, expect the Healthcare should come back in flavor for you. Just you missed on the comment of margin story. Will that normalization will help you to get the margin back for Healthcare?

Mohit Malhotra: So, Healthcare margins, like I told you before, Shirish, they are already back. So, we've already taken price increases. So, all the margin downside which had happened because of our inflation, that already been budgeted. And there, it's actually higher than the pre-COVID levels of margins for Healthcare also. With the saliency of Healthcare moving up, this will actually help our overall margins of the company. Because our saliency of Healthcare will move up, which has gone down to 30% levels, and it will only move back to around 31-32% levels in Healthcare on an annual basis, yes.

Prakash Kapadia from Anived

Prakash Kapadia: Yes. Mohit, you've been traveling a lot to rural India over the last few months. What is the sense you are getting in terms of the demand and the inflationary pressure? Is worst of rural demand over and is FY '24 going to be a much better year for us as compared to '23?

Mohit Malhotra: Yes Prakash, I have a sense. So, therefore, because rural was dragging us, so I think one of the effort was to actually see it up close and witness this oneself also. And that's why one did some pantry checks in the rural households and also in the rural retail and visited the sub-stockists market and our Yoddha markets, which is what our seeding operations are. So, one thing, a couple of indicators in rural is that down trading is a reality and consumers are down trading in rural. That for sure is happening. So, cheaper products are the ones which are actually selling in the market and premiumization is no way to go.

While premiumization, I think, is only in urban. As far as rural is concerned, people are cutting back on their expenses and down trading on products and actually choosing. Among the consideration set, it's not necessarily a brand. So, a lot of smaller brands have made their way into the rural market just because they are actually cheaper.

So, that is one sense which is there is down trading. So, that's happening. So, price point becomes very important. Rs. 5, Rs. 10, Rs. 2, Rs. 1 price point is still which reigns in the rural. That said, consumers have not stopped using the products which are essentials, like a hair oil or a toothpaste, which is a glimmer of hope. They're still using. They're just down trading to cheaper brands.



*Dabur India Limited
February 2, 2023*

So, pantry checks, everybody has got a detergent powder and a toothpaste and a soap and hair oil, selling and using. Because the rural in India is heavily subsidized by the government. Actually, everything government pays for, except for the recreation of the rural. That's what I witnessed in the central states of UP, MP, Bihar. So, gas is paid for, electricity is paid for, food is paid for, wheat and rice is paid for, education is paid for, midday meals are paid for. Everything is paid for. And even the toilets are paid for, water is paid for. House, pucca houses are being constructed by the government.

So, that's why the demand for MGNREGA is actually going down because everything is paid for by the government. So, I think with the government focus on rural, rural is seeing now growth will happen in rural. A lot of rural people have also come back to urban post-COVID and started working and sending back money back to the rural. So, there is a rural development which is happening in the country, and rural development by way of infrastructure development, school development. Progress is very fast.

And down trading is happening at the moment. But I think the winter sowing has been good and harvesting has been better. I think the income in the hands of rural will only pick up. And we see this rural and urban gap between growth is actually reducing going forward. And in a couple of quarters, rural should come back to its old glorious days. I don't see rural languishing beyond a point. So, I'm pretty hopeful of a rural recovery. And as far as our infrastructure investments in rural is concerned, that will continue as the way we have thought it through. So, that's in a way on rural.

Prakash Kapadia:

That is helpful. If you have LUP contribution for the quarter or year-to-date basis for the company as a whole as compared to last year, that will be helpful?

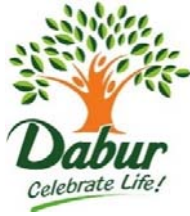
Mohit Malhotra:

Yes. So, our contribution of LUP in the range of around 25% odd. But if you look at the growth rates of LUP in past couple of quarters, we see LUP growth rate in the range of around 20%, 25% growth rate as compared to a business growth rate of around 3%, 4%. So, you can imagine that contributions of LUP will only go up going forward the way things are. And therefore, it is essential to do some urban demand development here so that our premium larger packs also start doing well actually.

So, therefore, penetrations are going up. And it's in a way a virtuous cycle, because the more the consumers use your LUPs, they upgrade to the premium packs going forward, a bulk pack. It promises them more economy. So, it's a virtuous cycle. But we have to start doing the demand building also in my view, yes.

Prakash Kapadia:

And this LUP was more like 20% maybe 2, 3 years ago? Is that the right number to compare?



*Dabur India Limited
February 2, 2023*

Mohit Malhotra: Yes, I think it should be lower than even 20% for us. And more salient, in our HPC portfolio, where we have a Rs. 10, Rs. 20 price point, both in hair oil, in shampoo it's actually Rs. 1 price point, in toothpaste also, in home care. Less so much in Healthcare, because the price points are generally higher. And in Foods also, the Rs. 10 price point and Rs. 20 price points are doing very well for us. Actually, the growth there is in the range of around 80%, 90% for us in our LUPs in the drink business.

Prakash Kapadia: And on the urban side, you did mention to do a couple of things to ensure saliency and demand is buoyant in urban. At least the sense is inflationary impact is far lesser than rural. So, in the near term, what segments you think will drive the urban side? Will premiumization come back? And how does demand look on the urban side?

Mohit Malhotra: From a consumer standpoint, I think premiumization of the premium packs and upgrading our existing franchises to more premium franchises, for example, honey to organic honey, honey to a single flower honey, honey to Acacia honey, et cetera, that will happen. And Chyawanprash in terms of sugar-free Chyawanprash, in terms of Gur Chyawanprash, all that is happening. In terms of hair oil portfolio, launching therapeutic hair oils. In oral care, launching sensitive toothpaste. I think those efforts are happening.

And e-commerce is the channel that is helping us to actually launch those and nurture those premium offerings within our existing franchises to actually grow. Therefore, our e-commerce NPD contribution is higher than around 10% there. And modern trade is also helping us with this whole premiumization story. And our growth in e-commerce is in the range of around 40%. Modern trade is also in the range of around 11%. We've corrected our modern trade issues that we guys were facing in terms of undercutting. And I think modern trade should go up to around 15% to 20% growth going forward in next year also.

Class II and Class III towns is also becoming very salient with infrastructure development. So, we are embarking on an exercise, which we called MSL, which is Must Stock List, in which we are looking at larger packs to be sold by the last-mile salesmen at the retail and incentives to be linked with that in Class II, Class III. That's also happening as we guys speak, that exercise, yes, which we call Picture of Success Implementation. So, that exercise is happening, which will help us grow our larger packs and premium offerings there. This should help the margins improve and premiumize our portfolios.

Abhijeet Kundu from Antique Stock Broking Limited

Abhijeet Kundu: Yes. So, I was just alluding to the long-term growth of Dabur when it always used to be about 10% to 12%, health supplements growing at about 8%, 10% at least. And also your Hair Care business, Oral Care business. Oral Care business is really outperforming, growing in double digits. And your other businesses also, Food business is also growing in double digits. So, the



*Dabur India Limited
February 2, 2023*

point here is that if we have to look at the 1 year or 2 year and rural seeing a recovery, how do you steer it forward in case of your Hair Care and Oral Care business? My clear pointed question is that, that what would be the efforts required? And secondly, how much would be rural contribution for you in Hair Care and Oral Care?

Mohit Malhotra:

Right. I think we've got our game plans and the market strategy is right in terms of Oral Care and Hair Care. In Hair Care, our strategy is very clear, we got core business and there are core brands and we got flanker brands. Flanker brands actually create a moat around our core brands and they keep protecting our core brands, which are more profitable. And we keep growing our market share with core and flanker brands in the Hair Oil portfolio.

In Shampoo portfolio, we are very clear. The way we have done in Oral Care, carve out a niche of natural in shampoo. That's what we guys are doing with Vatika Shampoo, increasing our bottle saliency in modern trade. Our bottle saliency is already 20% in shampoo. That will keep inching up, and our margins will keep growing. And we have a huge headroom to grow in the shampoo business.

In Hair Care, also, there are various subsegments of hair oils, and we are flanking our brand into most of the subsegments and trying to gain share from the competitor in those subsegments. So, strategy is being very clear. Oral Care is giving us great dividends. Even in Hair Oil, we are getting dividends in terms of market share gains in all the subsegments. In shampoo, also, we are getting significant gains.

So, we've got our whole game plan, the plan of action all placed out. And we are now trying to execute with perfection. And there is no reason because at the end of the day if you look at, Abhijeet, our market shares are only into 16%, 15%. So, we have a huge headroom of around 85% to grow. So, it only depends upon how much of execution excellence we have in the marketplace with the strategy being right and how much of market share gains we can have.

But if the categories decline, then there is pressure on the #2 player, and that is what is happening now. So, we want to punch our weight over the category. And therefore, if the category is growing by 4%, 5%, we want to grow at around 7%, 8% to gain market share for us. So, it depends upon the category growth. If the category is flagging and is minus 5%, 6%, which is the case now, Hair Oil is down by 4.5%, Oral Care is down by around 8%, so we end up growing at around 3% and 4%. That's where it becomes a low single digit for us, because we are not isolated from the category growth rate. So, that's where we are.

As far as rural contribution is concerned, Oral Care, 40% contribution comes from rural, and Hair Care, around 46% comes from rural for us. We are more rural salient. If you look at the Dabur heartland, which is UP, MP, Bihar, where we guys are very strong and higher market



*Dabur India Limited
February 2, 2023*

shares there, there our rural contribution will be even higher, around 50% is rural. So, that, I think, answers your question.

Abhijeet Kundu: Yes. And in Q3, suddenly there has been a further deterioration. If you look at the overall trend, then suddenly Q3 has seen a sharper decline. I mean, there has been moderation in growth. So, anything that has gone in during this quarter, any specific reason that you see?

Mohit Malhotra: No. If you look at the market growth rates, the markets have actually deteriorated in quarter 3, plus our base effect has kicked in. We had high bases of last year. Number 2, inflationary pressures which are there because of price increase. And there has been deficient rainfall also which has happened in our heartland. If you look at the bifurcation of our growth between North, South, East, West, all the 3 regions, whether it's North or it's East or it's West or it's South, all have done well, but for the Central Region, which has actually declined around 3%, 4%. And Central Region comprises of UP and Bihar for us.

If you look at ex-Central, which is ex these 2 states, our growth is around 8%. So, I think it's a 2-state phenomena, which is Bihar and UP because of deficient rainfall and rural slowdown, where rural contribution is also high, has actually pulled us down. That is an isolated factor because of rainfall deficiency and also late winter, and therefore, winter products also did not sell much there. So, that's a very isolated issue, and it's in a pocket. I don't think this should last for way long.

Abhijeet Kundu: But in the near term, Q4 should be under pressure for the industry also as a whole?

Mohit Malhotra: That is dependent on the industry. If I look at the FMCG industry growth rates, if you look at quarter 1, the growth rate was 11%. In quarter 2, growth rate came down to 9%. In quarter 3, the growth rate is around 8.2%, is I'm talking about value growth rates. If you look at volume also, volume also has steadily declined. And in our relevant categories, growth was around 1%, then it became minus 4%, and now has become minus 5%. So, we have no isolated case here.

But if you look at rural, we are seeing some growth in rural markets going forward. So, I think with the government stimulus, as the budget talked about yesterday, 360-degree budget, there is something for everybody in that budget. The middle class will also shore up as more disposable income in the hands of middle class with tax rationalization which has happened. There is so much for rural. There are farm subsidies and overall micro schemes which are being introduced by the government. I think that should augur very well going forward in the future for the economy, and both urban and rural should see some improvement.



*Dabur India Limited
February 2, 2023*

Ahluwalia Gagan:

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