



Ref: SEC/SE/2022-23

May 12, 2022

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

Listing Department  
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

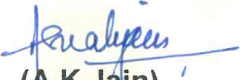
**Sub: Transcript of Investors' Conference Call for Dabur India Limited Q4 FY 2021-22 -  
Financial Results**

Dear Sir/Madam,

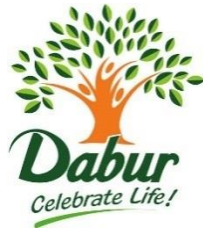
Pursuant to Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find attached the transcript of Investor Conference Call organized on May 05, 2022 post declaration of Financial Results for quarter and financial year ended March 31, 2022.

This is for your kind information and records.

Thanking you,  
Yours faithfully,  
For **Dabur India Limited**

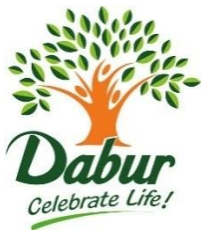
  
(A K Jain)  
EVP (Finance) and Company Secretary

Encl: A/a



# “Dabur India Limited Q4 FY21-22 Results Investor Conference Call”

**May 05, 2022**



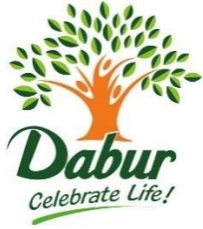
**MANAGEMENT:**

**MR. MOHIT MALHOTRA – CHIEF EXECUTIVE OFFICER**

**MR. ANKUSH JAIN – CHIEF FINANCIAL OFFICER**

**MR. ASHOK JAIN – EVP (FINANCE) & COMPANY SECRETARY**

**MS. GAGAN AHLUWALIA – VP (CORPORATE AFFAIRS)**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 Fiscal Year 21-22 Results Investor Conference Call of Dabur India Limited.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Gagan Ahluwalia. Thank you and over to you, ma'am.

**Gagan Ahluwalia:** Good afternoon, ladies and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to the conference calls pertaining to results for the Quarter and Full Year Ended 31<sup>st</sup> March 2022.

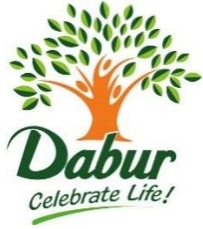
Present here with me are, Mr. Mohit Malhotra - Chief Executive Officer, Dabur India Limited; Ankush Jain - Chief Financial Officer; Ashok Jain - EVP (Finance) and Company Secretary. We will start with an overview of the company's performance by Mr. Mohit Malhotra, followed by a Q&A session. Over to you, Mohit.

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

It gives me great pleasure to share that during the Financial Year 21-22, our consolidated revenue from operations crossed a milestone of Rs. 10,000 crores for the first time, to touch Rs. 10,889 crores, growing at around 14%. Consolidated operating profit grew at 12.5% despite unprecedented inflation. PBT before exceptional items saw a growth of 14.5% during the year. Profit after taxes before exceptional items grew at 7.7%, primarily impacted due to increase in tax rate in the India business.

Some of the key drivers of this industry leading growth have been:

- Food & Beverage vertical registered a 48% growth during the year.
- Innovation continued to be the cornerstone of our strategy, and the new launches contributed around 5% of our revenue.
- Our continued focus and investments behind our Power brand resulted in market share gains, and healthy double-digit growth from the sale. This year we gained market shares in 99% of our portfolio.
- Digital continued to gain prominence. And now almost a quarter of our spends are invested in digital and social media, helping us connect with the millennials and Gen Z better.



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- Ecommerce was outperformer during the year and contributed to around 6.5% of our revenue.
- Distribution infrastructure was further expanded during the year and now we reach out directly to 1.3 million outlets, and almost 90,000 villages.
- Operational efficiency helped us improve productivity. Our Greenfield plant at Indore has become operational since December 2021. The new plant will help augment capacities.
- This year we saw significant inflation to the tune of 12.5% calibrated price increases across the portfolio and relentless pursuit of cost saving initiatives across the organization helped reduce the impact of inflation on the portfolio.

Coming to the quarter:

The operating environment was quite challenging. Inflation continues to be unabated and is reflected in WPI at 14.6% and CPI at 17 month high at 6.95% in March 2022.

There has been a softening in demand in the quarter with FMCG volume contracting by 4.1%, due to high price increases seen across categories. In such an environment consolidated revenue from operations posted a growth of 7.7%, driven by 8.5% growth in the India Business.

On account of high inflation during the quarter, gross margin contracted by 130 bps. As a result, consolidated operating profit increased by 2.5%. PBT before exceptional items saw a growth of 5.1%. PAT before exceptional items grew by 0.4%. Impairment of goodwill of Hobi Kozmetik (Hobby Cosmetic) to a tune of Rs 85 crores has been reported as an exceptional item, on account of steep currency devaluation of Turkish Lira.

In terms of categories, Food & Beverage business posted a stellar growth of 34%. We have outperformed the industry significantly and our market share in J&N category has seen an increase of 610 basis points during the quarter. This is further bolstered by strong traction of our Drinks and milkshakes portfolio. The Food business also performed well with a growth of 12.5% driven by portfolio expansion and innovation. For the year it has crossed Rs. 100 crore on gross sale level.

HPC portfolio recorded a 2% growth on a high base of 33%, leading to a two-year CAGR of 16.2%. For the year HPC posted 12.7% growth. Toothpaste portfolio reported 11.3% growth during the year, and a market share in Toothpaste segment increased by 20 bps. Hair Oil posted a 17.1% growth during the year, our market shares in overall Hair Oil improved by 70 bps. Even in the sub-segments of the perfume and coconut oil, we have seen a strong market share gain, driven by marketing investments and distribution expansion. Shampoos recorded a 22% growth in the year, our market share in Shampoos increased by 40 bps. Homecare reported a 21% growth



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driven by double-digit growth across Odonil, Odomos, Sanifresh franchises. Odonil recorded an increase in market share across all sub-segments of air freshener category. Odomos increased market share by 220 bps. Skincare portfolio witnessed a decline of 10.6% during the quarter on a high base of around 40%, leading to 11%, two-year CAGR.

Healthcare portfolio reported a 7.4% growth during the quarter, despite a high base of 23%. Health Supplements posted a 10% growth during the quarter. Dabur Chyawanprash's market shares increased by 250 bps, and Dabur Honey market shares increased by 300 bps. Our Honey portfolio continues to be undisputed market leader with strong presence in all the channels. Hajmola franchise witnessed a gain of 370 bps in market share during the quarter. OTC portfolio on the back of strong growth in our Power brand, Dabur Honitus, reported a 17% growth in Quarter 4.

Among channels, Ecommerce performed well with a strong growth and accounts for 6% to 7% of our revenue. Institutional business also exhibited a good turnaround post-COVID.

International Business recorded a constant currency growth of 10.7%. Our Sub-Sahara business saw a 25% growth. Egypt grew by 12% and Namaste business clogged a robust double-digit growth. Turkey business was impacted by steep currency devaluation but saw 47% growth in constant currency terms.

Overall, our business continues to be on a strong trajectory which is visible in our full year results and the market share gains across 99% of the portfolio. Pressure on the cost side, due to steep inflation triggered by global environment remains a cause of concern. Also, inflation is leading to pressure on consumer's wallet, which is seen in softening of demand in recent quarter. That said, strong summer season, good harvest and prediction of a normal monsoon augurs well, for financial year '23. We will continue to focus on strengthening our Power brands, distribution expansion, innovation, cost optimization, and efficiency enhancement, which will hold us in good stead in the future. With that, I bring my address to a close, and open to the Q&A. Thank you.

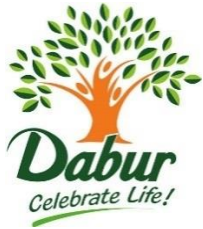
**Abneesh Roy from Edelweiss**

**Abneesh Roy:**

My first question is on the Toothpaste growth of 2% and market share improvement by 20 bps. Would you be disappointed by this? I understand the two-year CAGR. But when we see the three-year CAGR and given on a YoY basis, there will be some price hike also. So, do you now need a big-ticket innovation in naturals to again win much more market share, 20 bps is an improvement, but are you happy with that? Is a big-ticket innovation needed here?

**Mohit Malhotra:**

So, Abneesh, I don't think this is a cause of worry, this is only one quarter. If you look at the syndicated data, syndicated data shows a decline in the Oral care category by around 5%. So,



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looking at the category decline of 5%, we have registered a growth of around 2.5%, which is not bad. And we have inched up around 20 basis points market share.

And not just Dabur Red, Dabur Red actually grew at around 5.6%. This growth is coming on a base of around 45% increase last year. So, I think it's more of a base effect that you are seeing a little depressed kind of sales in Oral care. Overall Oral care portfolio also grew by around 40% last year this time. So, that is why I think this is there. And yeah, you are right maybe the three-year CAGR could be a little muted. But the market doesn't work like that because it's only excel, because the salespeople work on a base effect and looking at that growth and two-years CAGR have been very robust for our Oral care category. And if you look at full year performance also, so full year also we are growing by around 16% growth rates.

So, there is no cause of worry. So, I think an herbal category is already around 30% of the total market. And this is trending at a little higher as compared to the other part of the category. What's happened is in terms of inflation, the price increases have been more in the non-herbal and less in the herbal category. And therefore, herbal category is a little bit should I say stagnating, but not growing at a very high clip as compared to what was there earlier. It's a matter of time.

Because of inflation, what's happened is a lot of players like Patanjali, Dabur, Vicco a lot of herbal players have actually cut back on their expenditures. So, because of a low share of voice, the growth of the herbal category is looking muted.

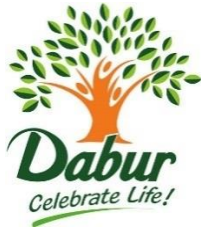
And as this, I think the overall category is kind of flattening, but our plans remain intact. Our Dabur Red is continuing to gain market share across all markets. We are already a number one brand in Tamil Nadu, Andhra Pradesh and Orissa. We are the undisputed leader as number one there. Our Herbal Toothpaste launch that we guys did in South India is trending pretty well. We just very recently launched a charcoal Toothpaste in Ecommerce, which is also doing decently well. So, I think on back of all these initiatives, we will continue to trend on the strategy that we had already. So, I don't see any cause of concern here.

**Abneesh Roy:**

And to understand the category better, slightly basic question. So, when I see the reported volume growth of all the FMCG results this quarter, everyone has grown in the range of 0% to 5%. But when I see the Toothpaste market dip of 5%, I wanted to understand that because Toothpaste may not have seen too much of a grammage cut. So, in this kind of a very basic consumption 5% dip in Toothpaste market on YoY basis. What is your sense? Is it a data issue of Nielsen? Is there a shift back towards the tooth powder? I mean I don't understand how consumers can cut down 5% on Toothpaste. What is your understanding here?

**Mohit Malhotra:**

So, I think it's more of a downtrading which may be happening I think in the market, that is what we see because rural business is also quite under pressure. And because of that pressure, I think downtrading is happening that's why you see a volume dip actually happening in the Toothpaste



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category. And a little bit cut back on the consumer promotions due to inflation, etc. That could be the reason why the volumes are declining. But I think overall in long term, they should be better. And this is getting reflected in all the categories, it is not only in Toothpaste that we see, we also see in Shampoo, Shampoo category has also gone down by around 2%.

**Abneesh Roy:** And those are a bit more discretionary because Shampoo, if you don't apply, you can do soap, you don't apply. But Toothpaste I can't understand.

**Mohit Malhotra:** I think it's a more of a downtrading and maybe cut back on the consumer promotion. That's what I think is the reason yeah. But you know, as far as Dabur is concerned, we are not overtly worried, our value market shares are in the range of around 14.5%, and we are into gaining market share. I think Colgate would be more worried on this issue.

**Abneesh Roy:** My second and last question is on quick commerce. So, we have seen some of the FMCG companies highlight that this has grown very strongly, wanted to understand for your categories how much is this relevant. And is there something different, you are doing versus the Ecommerce general delivery? Is there any specific either on the SKU front or in terms of any other marketing or pricing strategy, anything different you are doing here?

**Mohit Malhotra:** Not really, Abneesh. I don't think this really impacts us. I think more is going to impact the grocery. For us, it's not much actually there has been quite a transition which is actually happening from regular commerce to quick commerce. So, what's happened is inventory corrections are happening at most of the verticals of Ecommerce. That's what we guys are seeing. And therefore because of inventory corrections our growth has actually become muted in Ecommerce for some time, but I think they should actually begin in the second quarter of next year, still will have muted growth going forward for next two quarters.

So, that's a correction change is happening, that Amazon has actually changed their vendor from Cloudtail to somebody else, because of that there is inventory thinning, which is actually happening across the board due to quick commerce. That's pretty much that we are seeing. And there is no change in the strategy per se, from our end.

**Vishal Gutka from Phillip Capital**

**Vishal Gutka:** Firstly, around gross margins, now, apart from RM pressure what do you think that the salience of high margin Healthcare portfolio is likely to go down as COVID led tailwind taper down. So, just wanted to hear your views on gross margin going forward.

And second question is on the juices segment, you have gained 610 basis market share, just wanted to know from whom we are gaining this market share from.



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**Mohit Malhotra:**

Vishal, I didn't clearly get the first part of the question. I think it was on gross margin going forward. You see we have got a gross margin compression of around 130 basis points, and which is not so high. And there is a gross margin compression is also coming in from more of our Hair Care category where its petroleum linked purchases has really gone through the roof, and vegetable oils have also shot up. So, because of raw material and packaging material price increases, which is cost increases which actually happened in Hair Oil business, we have seen this kind of a contraction happening.

But for our Food business and Healthcare business, with the price increases we have been able to offset the cost inflation. Only in the Hair Oil business is where we have not been able to offset due to competitive pressures. And because we want to take market share, but that said going forward, we are not seeing inflation abating. We have seen inflation of around 9% in this quarter and going forward also next quarter we are expecting inflation not to abate, and it will be in the range of around 7% to 8%, again, on top of 6% to 7% inflation of last year.

There could be a price increase that we will have to take to avoid gross margin shrinkage. But that said, I cannot really tell you with confidence that there will be no gross margin compression going forward. At least for two quarters, I think we will have to watch very cautiously, and see if we can take any price increases or cut back on the costs because inflationary environment is just going on and as we speak, the oil is already at 110. So, you know it's a wait and watch, but second half of the year we expect inflation to kind of abate a bit.

**Vishal Gutka:**

Just wanted to know, momentum on Healthcare portfolio is likely to subside. So, there will be incremental pressure from that side or are you confident that you will do very well in Healthcare portfolio as well going forward?

**Mohit Malhotra:**

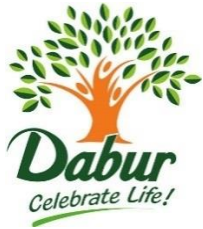
Last year, Healthcare portfolio came on a very high base, like in Chyawanprash we grew by around 80%. In Honey we grew at around 40% and this year because of a diversified portfolio our Food portfolio has come in high. For the full year Food has registered a growth of around 50% for us. So, therefore I think that's a benefit the Dabur has, we have got a very diversified portfolio, one goes down and the other comes in handy.

Last year we grew HPC at around 33%, and this year we have got Foods come in. So, I think there is no problem. So, as Healthcare portfolio goes down and stabilizes due to post-COVID, other parts of the portfolio will kick in, which is HPC and Food, that's exactly what you have seen happen in this quarter for us. So, I don't think there is a much of a problem.

**Vishal Gutka:**

And the market share gain on the juices side, if you can comment from whom you have gained, 610 basis point market share?





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**Mohit Malhotra:** This market share that I have talked about of 610 basis points that we have gained, we have gained it in Juices & Nectars. In Juices & Nectars we operate along with our competitors, which is Tropicana and B-Natural. And we are having a share of more than around 64%. So, we have gained from our competitors here. And plus, we have entered the Drinks category. In Drinks category we have already done around Rs. 100 crore of business in the Drinks category. So, but the market share gain essentially comes from these two players.

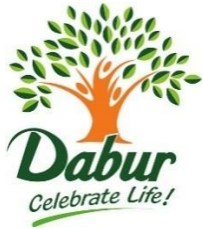
**Percy Panthaki from IIFL**

**Percy Panthaki:** My first question is on the growth in different categories. So, I am looking at versus Q4 '19, because Q4 '20 was itself a COVID effected quarter with overall sales decline of 12%. So, that's a very low base for me to compare. So, if I look at versus Q4 '19, the CAGR growth for your overall business is about 5%. And for your Health Supplements and the OTC business is also in the region of 5% only. So, with so much of a COVID tailwind with Chyawanprash penetration going from 3% to 8% etc. from a pre-COVID level towards today level, the growth in this category is only 5%. So, is that something that you are happy with?

**Mohit Malhotra:** If you look at a three-year CAGR, it's not there. But I think during COVID, there was a lot of uptick, which actually happened in the category, a lot of euphoria, and that euphoria is gradually slowly kind of going down. So, I think to extend the penetration of this category, we have done a lot of initiatives on our own. So, which is why Chyawanprash extended into tablets, Chyawanprash available in a powder form, we are making an entry into MFD. Honey has got multiple variants which have actually come in and honey penetrations have also gone up. And we are consistently increasing our market shares. So, we have gained 250 basis points in Chyawanprash and 300 basis points in Honey.

So, apart from the category penetration and consumption increasing initiative, we are also taking initiatives to take up the market share here. And everywhere, we have actually taken up the market shares. But when you are sitting at a market share level of around 50% plus, then it becomes a little arduous for you to further take up market shares or get reflected in the growth. So, that's why so much of expanding the addressable market for these two supplements, and in addition we are getting into Teas and MFDs also, so that's because we are not very happy with the kind of growth that one is actually seeing. But that said the penetration is going up to your poi't. And more and more players are coming in as an when competitive intensity goes up, share of voice goes up, and we will be the beneficiaries of that kind of tailwind coming in.

Now if you see for most of the Health Supplements, they are more seasonal for us. It actually trends up in winters, and actually trends low a little bit in summer. Summer is actually a low season. When there was COVID, there was a tailwind happening in summer, irrespective of the season, season agnostic people used to buy. But now that COVID is behind us, people are



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actually now not buying Chyawanprash and Honey as much as they used to during the COVID time. So, it's actually moving back, that's why you see growth a little muted on a three-year CAGR basis.

**Gagan Ahluwalia:** I just wanted to add to that in terms of Chyawanprash however, the three-year CAGR is not 5%, it is 26% for the full year. And in case of Honey, it is 11.2%. But the only thing is this quarter is a very different quarter, so the CAGR in this quarter is seeming a bit low.

**Percy Panthaki:** I mean, I don't expect you to give guidance, but if I am to roll forward for the next two, three quarters versus a pre-COVID level, if I have to see the CAGR for the Health Supplements business. Do you think we can come closer to the double-digit number versus the 5% number that we have right now?

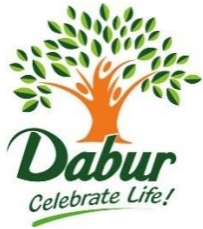
**Gagan Ahluwalia:** On full year basis, I think definitely it will be better, but of course there is still a high base for some of the brands.

**Mohit Malhotra:** For next quarter, we have a very high base of Chyawanprash and Honey. And that COVID tailwind is also not here. So, there will be a little bit headwind on the Healthcare portfolio. And it is just not Honey and Chyawanprash, it is also a lot of contextual products that we had launched like Tulsi Drops, Health Juices etc. which have got a high base in the next quarter. But I think for the full year basis, yes, we should be able to trend in double-digit CAGR, definitely for health portfolio.

**Percy Panthaki:** Sure, I just had a few more points on this, but I guess I will take it offline because I want to ask my second question, which is on the Foods business, you have mentioned that the Foods growth YoY is 12%. So, here I am assuming Foods refers to your Homemade brand and the other new sort of initiatives like papads and pickles, etc. So, given that the new product launch intensity over the last one and a half, two-years, has been quite robust. Again, was a little surprised that the overall growth including all these new launches, etc, is only 12% for the Foods business. So, any color you can give there as to I mean, am I seeing it the right way? Or how should I look at it?

**Mohit Malhotra:** Actually, what has happened is that we have lapped over the base when we had actually launched it, so that's why you are seeing a little muted growth because when you launch it, you put a lot of inventory, but otherwise the Food business is doing very well for us. And the three-year CAGR is in the range of around 12% or so, for the Foods business also.

**Prakash Kapadia from Anived Portfolio**



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**Prakash Kapadia:** On the Juices & Nectar market, has that also contracted? You did talk about market share gains for us. So, if you could comment on that. And what is the outlook in the summer season for the juice and the glucose segment?

**Mohit Malhotra:** So, Prakash, Juices & Nectar markets actually has grown by around 9%. In the growing market, we have actually grown by around 35% here. So, going forward, I think the summers are protracted and more severe, so we feel that that Juices & Nectars and also Drinks category will do great for us. And it's actually trending very well in the month of April also.

**Prakash Kapadia:** And you did mention about some kind of downtrading. So, on Hair Oil, Toothpaste, the market has declined. So, that is specific to Hindi speaking belts, or is it entire rural India, if you could give some insight that would be helpful.

**Mohit Malhotra:** I think there is a little downtrading happening, it's a little different conversation, maybe I will talk about rural and urban first. We have seen a little setback coming in from rural. In Dabur, if you find the past couple of quarters our rural was always firing ahead of urban. But what we found in this quarter is there is a liquidity crunch and a little bit in demand compression is happening in rural India. And therefore, our credit has also gone up in rural. So, I think rural is the one which is actually not doing so well at the moment for us.

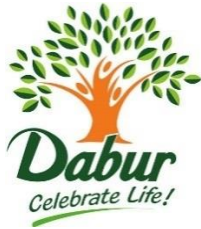
So, there is a pushback happening from rural as far as LUP is concerned which sells more in rural India, I think, because of that pressure, that part is not working well. And even in urban India, we find a little bit of downtrading happening on all the portfolio. So, be it a Shampoo portfolio, be it Hair Oil portfolio, be it Oral care portfolio, our price points of Rs. 10 and Rs. 5 or a Rs. 1 price point or a Rs. 20 price point are significantly doing better as compared to the larger packs, with an exception of Ecommerce and modern trade though.

**Prakash Kapadia:** And, assuming this inflationary environment continues, would HPC get more affected if you know this kind of a scenario remains, from our entire product basket?

**Mohit Malhotra:** HPC is more affected, that's what we mentioned that HPC categories are actually not doing so well. And that's where Shampoos and Oral care and therefore Hair Oils come in. I think Healthcare is little agnostic to the recessionary environment and so is out of home consumption for juices is concerned. So, definitely, HPC will be more impacted.

**Prakash Kapadia:** And just one data point, could you tell me the absolute growth for Honey and Chyawanprash on an annual basis in percentage terms? How much did it grow by value percentage?

**Ankush Jain:** Chyawanprash was (-3.7%) but a CAGR of 32%. And Honey (+1%) and a CAGR of 19%.



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**Shirish Pardeshi from Centrum**

**Shirish Pardeshi:** The first part what I wanted to check, if I go back in the history, our Healthcare business has steadily grown from 23% to 25%, and last two-years, it has last year it grew to 39% contribution and this year, it is now settling to about 36%.

In your thought, I mean, I don't want to get into specifics, the initiatives what we have taken and this I am referring in Quarter 2, you said that you guys are working closely with the Ayush Ministry. So, there is a lot of ammunition at the backend which you are trying to develop. So, this contribution of Healthcare will remain between 35% to 36%, or you think it will go back to say less than 30%?

**Mohit Malhotra:** Shirish, in my view, I think it will settle somewhere at around 30% because the way the Food is actually growing for us, and also the headroom that we have available for HPC so I think Healthcare should settle at around 30%. And that's what we guys are seeing. The Foods portfolio which used to be 20%, got shrunk to around 14% to 15%, it's also inching up to around 19% for us. It's not because Healthcare is not doing well, it's because the other portfolios will fire at a higher clip as compared to Healthcare for us, which will settle at around 30% in my view.

**Shirish Pardeshi:** One follow-up, Mohit, any update on that Ayush Ministry efforts what we were trying to do about two quarters ago?

**Mohit Malhotra:** See we are still collaborating with the Ayush Ministry. So, we have done a lot of clinical trials, on our products along with Ayush Ministry. And we are using the data for communicating to consumers and to the doctors. So, that in any case is happening. We collaborated with Ayush Ministry for a lot of products also. So, their classical formulations we are branding in our name like Ayush-64 we guys just launched, and a SKU of NPDs with collaboration of Ayush Ministry we are rolling out. So, that initiative is still on for us.

**Shirish Pardeshi:** My second question is on Oral care. When you mentioned that the category decline which is happening, I mean, it could be short-term, but steadily the last four- or five-years Naturals has picked up. So, when you say downtrading, which is happening at the low end of the Natural say Babool, and maybe the lower end pyramid, Cibaca types of products which are growing faster, your data points.

**Mohit Malhotra:** No, not really, I think downtrading is happening across the board. It is just not the economy segment where the downtrading is happening. Because unlike other categories where you have got distinct brands, in Oral care every brand is existing in a Rs. 10 price point. So, be it a Colgate or be it a Meswak or be it a Dabur Red, there is a Rs. 10 price point. So, downtrading is being seen across all the brands, in my view. So, it is not only that we have specific brands like the Babool which see a downtrading, but that said, Babool is under pressure because of why I told



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you, the rural is under pressure. So, Babool sells well in our rural India, so that's under pressure because of liquidity issues, and that's a separate discussion. But though downtrading is seen I think across the board, across brands.

**Shirish Pardeshi:**

In the international business, we have grown strong double-digit. And there is a consistency which I am seeing after a long time. Topline will still grow at double digits but if you can guide on the profitability part, how do you see the next two to three-years how profitability will pan out?

**Mohit Malhotra:**

International business is doing well for us. And most of the headwinds are actually behind us. So, except for the inflation, inflation is hitting international business quite a bit, because of it being a personal care business. And personal care business is dependent on the oil and oil derivatives, that's why. But overall, I think international business is doing pretty well for us.

The most profitable part of international business is Middle East and North African business, which contributes around 40% to 50% of our total turnover that is doing exceedingly well. For the full year we have grown by around 13%, and there profitability is significantly higher as compared to other parts of the business. So, what is not doing well, for us in Turkey business for which we have actually taken impairment, and therefore profitability is under pressure.

The U.S. part of the business is also doing well and profitably so. So, Sub-Sahara Africa is also doing well. Egypt business, which is also very profitable, is also doing well for us. SAARC business is growing at around 15% and that also, we expect almost double-digit growth going forward next year. So, I don't see any profit pressures coming out of international business going forward.

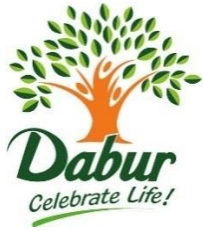
We have taken and we are taking a lot of price increases, because of per capita incomes being higher in places where we exist. So, we think we will be able to pass on the inflationary pressures to the consumers in terms of price increases. We have budgeted a lot of price increases and in international, we think we are in a good space there.

**Shirish Pardeshi:**

My last question, I picked up during the opening remarks, you mentioned that inflation is hitting at 12.5%, is it that current inflation, which you wanted to refer or if not, then what is the current inflation we are seeing right now. And what price increases, we have already taken and thinking of taking more.

**Mohit Malhotra:**

So, we have talked about the full year inflation, full year inflation number is around 12.5%. If I look at the inflation of the last quarter, which is almost like around 16%, which is very high, out of which 9% to 10% is the India inflation. And we expect this inflation to be around 7% to 8% going forward also. So, we are not seeing any signs of the inflation abating. So, that's a big pressure.



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And our flexibility of passing on this entire inflation in terms of price increases is there but this will only tell on the volume. And therefore, we are kind of pushing back, not really taking very heavy price increases and waiting for competitors to take price increases before we take price increases. So, that's why there could be a near term pressure on the margins because of this. But for the full year, we expect the inflation to be in the range of around 7% going forward next year. So, second half of the year, we see a little bit of comfort happening from inflation. We have taken a 5.6% of price increases to hedge this inflation. But if inflation continues, then we may have to take another round of price increases.

**Shirish Pardeshi:** So, if I work backward 7.7% what growth you have said and 5.6% is price increase, so roughly about 2% to 2.5% is the volume growth in the quarter.

**Mohit Malhotra:** That is right.

**Harit Kapoor from Investec**

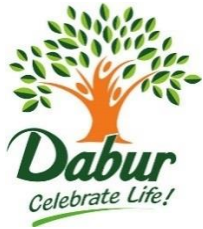
**Harit Kapoor:** My first question is on the innovation intensity. In an environment where the rural markets are weak, there is downtrading across the board and you have challenges on inflation, where you will look to kind of cut cost in the OPEX line. If you could just help us I mean do we expect for the next six to nine months some of the innovation initiatives to kind of be pushed back a little bit as you look to kind of balance core revenue growth as well as margins.

**Mohit Malhotra:** So, Harit, we are not looking at cutting back or pushing back on the innovation. I feel innovation and renovation is part of doing business here. And now the way market dynamics has actually developed, channel dynamics are developed, we have enough avenues to put out innovation, test, see how it actually fares and then roll it out to mass. And we have enough avenues where cost effective innovations can be rolled out, and testing can be done like Ecommerce.

Ecommerce is where we are very aggressive on innovation. Our innovation percentage for the overall business is around 5%, but on Ecommerce it is in the range of around 11% to 12%. And that will continue. And as in when innovation is tested out there on Ecommerce, we will roll it out in modern trade and in selective way forward.

So, we will not put it out in GT, though innovation in GT, we are not very aggressive in terms of doing. That will be very calibrated in doing, because that's costing us an arm and a leg. But as far as Ecommerce is concerned, we will continue with the innovations free the way it has been for us. So, we want to target our innovation rate of around 4% to 5% going forward next year also.

**Harit Kapoor:** And the second question is on the Toothpaste side. If I remember correctly, you had mentioned a while back that that market share number was a bit higher at about 16% to 17%. But maybe I



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got that wrong. Maybe you mentioned about 14.5% time around. So, is that, just wanted to clarify on that.

**Gagan Ahluwalia:** Harit, I think there is a difference between volume and value market share.

**Harit Kapoor:** Alright, so that 16% to 17% is volume rather than --

**Gagan Ahluwalia:** Yeah.

**Harit Kapoor:** Got it.

**Gagan Ahluwalia:** Yeah, at 16.5%.

**Suyash Maheshwari from SAMCO Mutual Fund**

**Suyash Maheshwari:** Will you be cashing on the rising input costs pressure via price hikes in the coming quarters? And could you give some color on how the margin trajectory would look like for the next two-years?

**Ankush Jain:** In fact, yes, there are input cost pressures as we speak. While last year, we saw almost 12% increase in input costs at a group level. Even going forward, it remains unabated. And therefore, in the near term, definitely we see some margin pressures. However, we will be taking calibrated price increases, depending on competitive intensity in the relevant categories, plus also strengthening or hardening our cost saving initiatives programs.

So, though, there would be definite pressures on margins, but I think as an organization, we are doing all the efforts, either in terms of price increases or costs. To give you an exact range in H1, looks difficult at this point of time, because it is very volatile and uncertain, given the supply chain pressures as well.

**Suyash Maheshwari:** But how can we look at it from a two-year perspective, like the trajectory, if you could give some color on that?

**Mohit Malhotra:** Yeah we want to maintain our margins. So, definitely, we have operating margins going on, we want to currently maintain. And we are targeting to maintain our operating margin. So, if it calls for optimizing our media, we will optimize our media, to cut on employee expenses, to reduce our fixed overheads, variable overheads, we will cut that, if we want to maintain our margin. That's what you have seen in the current year also, while there is a 20 bps of contraction, which is happening, but broadly, we have been able to maintain our operating margin percentages. So, that's the way we would want to go.



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**Chinmay Gandre from Reliance Nippon Life**

**Chinmay Gandre:** I just wanted your read on, I mean, we hear about higher crop prices in terms of wheat and some other crops. So, I mean, is it not really translating into net income for the rural side of the economy? And is it not really kind of helping us kind of spurring the demand over there, just wanted a read on that.

**Mohit Malhotra:** Yeah, so I think you are right, the prediction of the monsoon is good. Even the harvest is going to be good. Plus, farmers are getting a better price per wheat as it gets exported. So, I think we are also of the view that rural economy will turn around. There is an immediate pressure that we see near term. But overall, I think, over six months' time rural should recover. And that should help Dabur also. So, this, in addition to all the initiatives that we are taking in terms of rural expansion, whether expanding our villages or expanding our direct reach or our 'Yoddha' program so this will really help us. So, we are very confident and feel that rural will actually recover, and it's only in past one quarter that we have seen a rural pressure, otherwise rural have been pretty resilient on the business for us.

**Chinmay Gandre:** But I mean, the Rabi harvest would have been, I mean kind of translated into some kind of income for the farmers and community in the rural area. So, that right now we are not seeing anything on that front, right. I mean those incomes translating into savings for them and maybe beneficial in terms of demand.

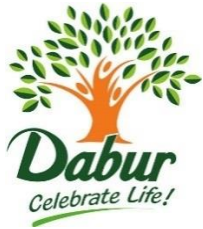
**Mohit Malhotra:** Not really. For the first time actually, we are seeing the rural pressure building up, and therefore liquidity constraints in rural, and consumption pressure also and the squeeze in the wallet of the rural consumer. And that is being felt for the first time because earlier, we used to get back our money from rural in around 12 days' time. Now the cycle is actually almost double, we are getting back our money in the rural at around 20 days. So, credit is also going up, that is a very clear signal that there is a compression in the consumption, which is being visible in rural.

And this is in Hindi heartland more that we have seen. So, we have to wait and watch, not that we see any green shoots at the moment, I think it's a wait and watch situation which is very volatile, as the food prices and the inflation is not abating which could be putting a pressure on the rural volume.

**Shirish Pardeshi from Centrum**

**Shirish Pardeshi:** I have three questions, so maybe Ankush can answer. One is what is the CAPEX which you are looking for FY23? And I did see from the presentation that our tax rate has gone up. So, maybe for the modeling purposes, if you can help what is the tax rate, we are looking for FY23?





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**Ankush Jain:** Shirish, on your first question on CAPEX, as you know, we are already putting up our Greenfield plant in Indore. And that will therefore entail some CAPEX and therefore in next year, we are looking at an India level almost for Rs. 400 crore CAPEX in FY23, including this new Greenfield and then some ancillary CAPEX. On your next question on tax rate, are you referring to this year versus previous year?

**Shirish Pardeshi:** I mean this year already, you have said that from 17.6%, it has gone up to 22.4%. What we should take next year, may be a range?

**Ankush Jain:** For FY23 it should be around 22.5% to 23% depending on country mix and other stuff, but broadly in this range -- at a consolidated level.

**Shirish Pardeshi:** Yeah, that's what I picked up. You said between 22% and 23%.

**Ankush Jain:** Yes.

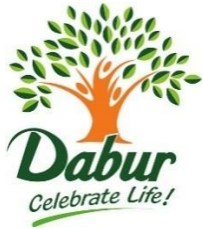
**Suyash Maheshwari from SAMCO Mutual Fund**

**Suyash Maheshwari:** So, as you mentioned in your opening comments, nearly a quarter of our spends account for digital, please correct me if I got it wrong. Could you provide some sense on how are these expenses being apportioned? And how do you see the Ecommerce channel developing over the next two, three-years?

**Mohit Malhotra:** Suyash, you are absolutely right so almost quarter of our spends around 23% of our total advertising spends is being spent on digital. In digital, there are four to five avenues on which we do spending. An advertising on digital which is not linked to Ecommerce on different channels like YouTube, Google, etc. Instagram that we advertise. So, that is programmatic sort of buying that we guys do.

Second is influencers, then we take influencers across the year, across different genres, whether it's taking the food bloggers or its taking the mommy bloggers or the chefs or the celebrities So, that is where we actually spent money.

The third avenue is which we have spent money on the Ecommerce portal, on Search Engine Optimization, on respective platforms like Amazon and Flipkart, etc. That's where we have spent money, plus we develop customized campaigns on digital also. We have developed almost 576 campaigns in financial year '22. And on 273 days on year, we guys are visible. And we got around 970 million views on the same and around 4 billion impressions.



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So, we reach out to maximum number of people who have got a connectivity to smartphone, and therefore try to create a connect with them. So, that is how the money is actually spent on different brands on digital.

As far as Ecommerce is concerned at the moment, E-com contributes to around 6.5% of our business. In next four years, we want to see this actually treble in terms of around 19% to 20% of our total business should be coming from Ecommerce, the next four years' time.

**Alok Shah from Ambit Capital**

**Alok Shah:** Just one question in FY21, our cash balance was around Rs. 4,000 crore and which has naturally now moved up. Now it is around Rs. 6,000 odd crore, while the dividend payout largely remains the same. And I understand that Rs. 6,000 crore is quite a sizable balance, looking at our scale, size. So, I just want to know that what is the thought process of the management, Board etc with respect to this cash which is largely getting accumulated?

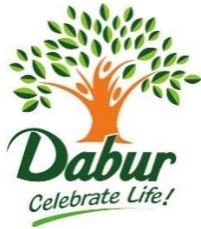
**Mohit Malhotra:** These monies are actually kept for acquisitions basically. So, we are continuously scouting for any synergistic acquisitions in the India business. And as and when the valuations become more reasonable, we want to acquire companies within the space of Ecommerce or which is more synergistic or strategic fit to us. That's why this cash is actually kept for us. So, we are continuously on the lookout, as and when we get a reasonable sort of strategic fit company then we may look to acquire also and this is a means for inorganic growth for us.

**Alok Shah:** But if you are looking at scouting for some Ecommerce or smaller opportunities, then that acquisition may be, to my knowledge sub Rs. 500-1,000 crore or are we actually looking at some big inorganic foray into some new category per se.

**Mohit Malhotra:** See options are open for all the channels. Ecommerce is one pivot. Other could be in a Food company or could be HPC company, or it could be a Healthcare company. So, we really don't know the ticket size. So, as I told you that we are scouting out, so depending upon it's not just Ecommerce, it could be in several areas that one is actually looking at, that's why the sum of money is large.

**Palak Shah from Infina Finance**

**Palak Shah:** First question is regarding what Percy was alluding to at a three-year CAGR number. And Mohit you mentioned that it is a market share gain over the last three as well. So, indicative if the, if your growth is 5%, and you have actually gained market share in last three-years, does that actually mean the category is flattish or negative growth?



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**Mohit Malhotra:** So, we did not, let me clarify that it wasn't a 5% growth, it was actually a growth of around 26% on a full year basis, 26% growth, it wasn't a 5% growth. So, I think that number was wrong in Chyawanprash and Honey, both it's around to that level, 26% and 11% growth.

**Palak Shah:** No I am just referring to Q4 number, if I take Q4 '22 versus Q4 2019, you 5% CAGR over the last three-years on health supplement and OTC as well.

**Ankush Jain:** Palak, what we must also think is that in this quarter what had happened is the onset of early summer also impacted Chyawanprash and Honey, plus, a lot of consumers had bought Chyawanprash and Honey by end of Q3, because of Omicron. And therefore, to that extent, probably it got impacted. But by and large, if you see on an annualized basis, the CAGR remains strong.

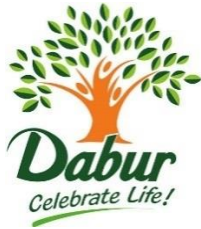
**Palak Shah:** So, what happens is on an annualized basis we also have a COVID wave that was there in Q1 and Q2, that base is also helping us out because Q4 is more normalized with non-COVID and that's why I am comparing with the non-COVID, Quarter 4 of 2019, on that three-year CAGR I wish it's a 5% growth. And we have gained market share. I just wanted to figure out whether the category itself has stagnated or because last two-years, we have been talking about a higher penetration level and acceptance at the consumer level.

**Mohit Malhotra:** I don't know whether I got your question correct, Palak, but what happens is the Quarter 4 is the non-season quarter for Chyawanprash and Health, like I alluded to earlier. The category size actually shrinks quite a bit. So, people don't purchase these Health Supplements during this quarter. So, therefore, the penetration also goes down and the category really shrinks. So, there you are talking about, I think the 5% CAGR growth, but COVID was anomaly in between, because there the seasonality did not apply. And now again, we are back to the same seasonality while the penetration levels have gone up for us.

**Ankush Jain:** Palak, just to clarify, Chyawanprash here even for three months for Quarter 4 is 26%, but if you see Health supplements in the pool, it is appearing to be 5% because glucose actually declined in Q4 of '19. So, therefore if you break it into different products, then you will see the real position.

**Palak Shah:** Secondly, in this quarter, we have shown a phenomenal savings and/or cut in our A&P spends, but our other expenses jumped up quite a lot on a sequential basis, would this be linked only to the ongoing inflation on the distribution side or there is some other cost attached here?

**Mohit Malhotra:** This is on account of freight being higher our freight has actually gone up by around more than 20%. And the travel expenses are higher. What's happened is the Food business has actually gone up and because the crude, the number of cases that we sell, actually, if you see our volume growth, our volume growth is actually 12%, in terms of tonnage and in terms of cases that we



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sell. And the freight has been used for that 12% volume growth. Therefore, the freight is very high, because of the Food business doing well. Plus we had a shortage of our capacity in the Foods business. So, therefore, we did outsourcing of a lot of Drinks and lot of juices. Because of that the processing charges have gone up that is all coming in the other expenses. That's why you see the higher other expenses, on account of the mix changing towards the Food business.

**Palak Shah:** But then effectively at least in the next two quarters we would have a higher cost, because in India the petrol prices only went up at the end of March and first week of April. So, sequentially we will have a higher inflation on that front, right.

**Mohit Malhotra:** Yes.

**Manish Poddar from Motilal Oswal**

**Manish Poddar:** Just a couple of questions if I can. First one is, have you called out new product contribution for the full year?

**Mohit Malhotra:** NPD contribution is around 5%.

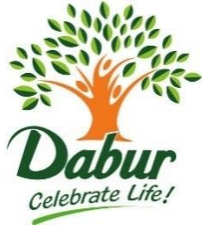
**Manish Poddar:** Would you be able to help me, what was the number in FY21?

**Mohit Malhotra:** Around 5.5%, Manish.

**Manish Poddar:** And just in terms of international geographies would you help us, let's say with a broader outlook or let's say, just in terms of headwinds, do you face headwinds in any particular geography as such, let's say for the full year?

**Mohit Malhotra:** International business overall, Manish is doing well for us. So, I will go one by one. So, Middle East and North Africa business for the full year we have grown by around 13%. And there is a headwind in terms of inflation there because most of the portfolio is actually petroleum linked for us. And therefore, there is a huge inflation hitting us, which is putting pressure on our gross margin. So, we are taking lot of price increases in the MENA region. But that said, overall, the business is doing well for us. And we are looking at double-digit growth in the current year, also.

Our Sub-Sahara business is also doing well. Again, divided into three pockets which is South Africa, East Africa, and West Africa that continues to do well. We did a management change, couple of years back and that's giving us rich dividends for Sub-Sahara Africa. U.S. business is also treading at a high single digit growth rate in dollar denominated, so that's doing well. I think, SAARC business with Nepal and Bangladesh is also doing well, growing at around 15% for the full year. Next year also, we have taken a double-digit growth here.



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The only businesses giving pressure to us is the Turkey business, where currency has depreciated. And that's why you are seeing a goodwill impairment that we have seen on account of currency. So, currency is depreciated by 40%, while the business has grown by around 49% to 50%, in the last quarter we see a (-17%) consolidation happening in India on account of currency depreciation. So, that is a very big headwind. And so that's pressure point. Otherwise, I think rest parts of the international business is doing well for us.

**Gagan Ahluwalia:**

Thank you, everyone for your participation in the conference call. Webcast, audio recording and transcript of this call will be available on our website. Stay safe and healthy.