



Ref: SEC/SE/2016-17
Date: 04.11.2016

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

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

Metropolitan Stock Exchange of India Ltd (MSEI)
4th Floor, Vibgyor Towers, Plot No. C-62
G-Block, Opposite Trident Hotel,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400098

Re: Transcript of Investor Conference Call for Dabur India Limited Q2 FY 2016-17 Results

Dear Sir,

Please find attached the Transcript of Investor Conference Call organized on 26th October, 2016 post declaration of Financial Results for quarter and half year ended 30th September, 2016, for your information and records.

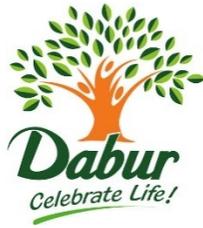
Thanking you,

Yours faithfully
For Dabur India Limited


(A.K. Jain),

V P (Finance) and Company Secretary

Encl: As above

“Dabur India Limited Q2 FY2016-17 Financial Results
Investor Conference Call”

October 26, 2016

MANAGEMENT

MR. SUNIL DUGGAL - CHIEF EXECUTIVE OFFICER

MR. LALIT MALIK - CHIEF FINANCIAL OFFICER

MR. ASHOK JAIN - VICE PRESIDENT(FINANCE) & COMPANY SECRETARY

MRS. GAGAN AHLUWALIA - SR. GENERAL MANAGER-CORPORATE AFFAIRS



*Dabur India Limited
October 26, 2016*

Gagan Ahluwalia:

Good Afternoon, Ladies and Gentlemen. On behalf of the management of Dabur India Limited, I welcome you to this conference call pertaining to results for the quarter ended 30th September 2016. We have present here Mr. Sunil Duggal - CEO, Dabur India Limited, Mr. Lalit Malik - Chief Financial Officer and Mr. Ashok Jain - Vice President(Finance) & Company Secretary. We will start with an overview of the company's performance by Mr. Duggal, followed by a Q&A Session.

I now hand over to Mr. Duggal.

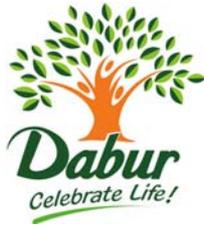
Sunil Duggal:

Thank you, Gagan and Good Afternoon, Ladies and Gentlemen. Welcome to Dabur India Limited's Conference Call pertaining to the Results for the Half Year and Quarter ended September 30th 2016.

During the quarter, consumption trends remain weak with category growth continuing to be under stress. Dabur's consolidated sales increased 1% to Rs.1976 crores and profit after tax increased by 5% to Rs.357 crores.

The Domestic FMCG business recorded volume growth of 4.5% with value growth of 2.4%. Category such as Foods, Skin Care, Home Care and Shampoos performed well. Oral Care category including Tooth Powders was flattish in value terms, although volume growth for the category was around 11%. Toothpaste category posted growth of 4% with Red Toothpaste growing at 9%, this was on the back of a very high base of 28% growth in the Toothpaste category during the second quarter of last year. Babool Toothpaste and Red Toothpowder witnessed some pressure due to slowdown in rural consumption. Hair Oil posted flat volume growth, although sales declined by 6% in value terms, this was also on a high base of 14% growth in the base quarter. Within Hair Oil, Almond Hair Oil and Sarson Amla Hair Oil reported double-digit growth. Shampoo category witnessed a turnaround with 2.7% growth. Skin Care registered growth of around 7%, driven by Bleach category which grew by 11%. Two new products were launched in the Salon channel and a new bleach variant Fem Ultra Gold Bleach was added. Home Care performed well growing by 20% and backed by strong growth in Odomos and Odonil. Odomos grew at historic 49% driven by strong marketing initiatives and uptick in demand due to mosquito-based diseases which occurred at the end of the monsoons.

Health Supplements reported decline of 5.6%. While the pressure on Dabur Honey continued in value terms, volume and the brand became flattish. New variant for Dabur Honey Ginger was launched under the new franchise towards the end of the quarter. Pre-season sales of Chyawanprash were low in anticipation of new promotional and media input starting in October. Digestive category was under pressure mainly due to subdued demand. Hajmola Tablets posted 8% growth, a new variant of Hajmola Tablets, Hajmola Amrud has been introduced.



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Ethicals category saw revival posting growth of 11% while OTC segment was still under some pressure; however, the onset of winter looks promising. Honitus franchise has been extended with the launch of Honitus Hot Sip infusion for hot and cold.

Foods business reported growth of 15.2% led by strong volumes. Our market share in the Juices and Nectar segment saw a rebound with the brand regaining share lost post the Nepal disturbances. Real Mosambi has received a good response and another new variant Active Veggie Mix Juice is being launched.

International business was under some pressure this quarter due to the geopolitical disturbances in the Middle Eastern countries particularly in Saudi Arabia which contributes to around 10% of our international sales. While value growth in international as per iGAAP was in low single digit, the business reported a small decline on account of higher promotional spends which were netted off from sales. SAARC business reported double-digit growth with markets like Nepal and Pakistan performing well. Hobi Kozmetik recorded 8.4% growth with constant currency growth of around 10%. Margins of business were impacted by depreciation in the Turkish Lira. Namaste posted growth of 9.7%, driven by uptick in US sales. The local manufacturing infrastructure for Namaste in Africa has been put into place and manufacturing started in Egypt and Nigeria for key product lines such as ORS relaxer kits, Sheen Sprays, Hair Oil, Shampoos and Conditioners. This will enable us to scale up our presence in Africa at competitive price points with relevant product portfolio.

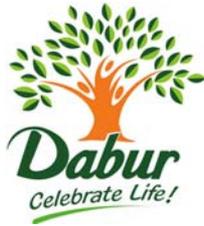
On the profitability side, consolidated operating margins remain stable during the quarter. Gross margin expansion slowed down on a consolidated basis although India business still showed some deflation. While overall A&P sales were slightly higher than last year, the mix change towards enhanced spends on promotional activities. However, promotional intensity was higher in the International business and media spends in India were more or less maintained. While a normal monsoon and festive season are likely to bring in some cheer, demand environment continues to be severely stretched. We will continue to invest strongly behind our brands, supply chain and infrastructure to manage the headwinds and achieve profitable growth. The consumption growth trend towards Herbal and Ayurvedic products will help us strengthen our presence in Healthcare and Herbal Personal Care segments as we increase our focus on these going forward.

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

Abneesh Roy from Edelweiss

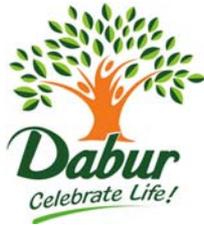
Abneesh Roy:

First question is on Toothpaste, what is the volume growth? Because you have said 4% value growth, what was the volume growth?



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- Sunil Duggal:** 15% volume growth is recorded in Toothpaste.
- Abneesh Roy:** You are also giving free toothpaste with one SKU of Honey. So, has that helped in this number?
- Sunil Duggal:** Not too much, because in honey, now we are giving honey, we gave a little bit I think in the earlier parts of the second quarter, but most of the promotion activity on Honey was with additional SKU of Honey. Let us say with the 1 Kg we are giving 250 Gms free and so on and so forth. So there was not too much Red Toothpaste consumed by Honey.
- Abneesh Roy:** Could you explain 4% value growth in Toothpaste and 15% volume growth... this 11% difference, what is the reason for that?
- Sunil Duggal:** We are doing a lot of on-pack promotion, which is largely on account of higher level of promotional activity. We have not taken down any prices, but promotions have substantially increased in Toothpaste and lot of them happened in the second quarter unlike perhaps Honey, Chyawanprash and some others. But there was a fair amount of concentration of promotional activities behind Toothpaste.
- Abneesh Roy:** One follow-up on Toothpaste was of course Patanjali has done well here and now Colgate Vedshakti is a product which is also in terms of pricing quite low and in terms of product if you see it is reasonably similar to the Red at least in terms of look and feel but pricing is lower. So are you worried that Red Toothpaste eventually could see impact from Colgate Vedshakti?
- Sunil Duggal:** I think the major competitor here is Dant Kanti which is obviously a fairly formidable player in this Ayurvedic space. I do not think the other players are that significant and we are really not too worried about them but Patanjali has made an impact and we need to counter that. So we will be doing something in terms of strengthening the overall Red franchise as well as a new product which we will be launching sooner rather than later to navigate that particular issue. But Patanjali is really the only competitor which we are seriously concerned about.
- Abneesh Roy:** You have done well in Almond hair oil for the last few quarters, but your leader is still seeing muted numbers. So, would you have gained market share in the Almond hair oil not the reported one, the real market share?
- Sunil Duggal:** Yes, we have gained share. It is still comparatively small compared to the market leader, but we are definitely making headway here and increasing sales. This year will be in fact a pretty good year for Almond Hair Oil. We had a couple of years of comparatively low growth but this year we are seeing substantial uptick.
- Abneesh Roy:** In your sense, what would be the real market share, not the reported one in Almond?



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Sunil Duggal:

Depends upon how you slice the Hair Oil category, but I think we will be something like 5% to 10% of the Almond Hair Oil share. If you slice it differently then it would look different, but obviously source of business is the market leader. We would benchmark our share with his and we are still under 10%. But like I said, we are quite happy with the progress which we are making in this category.

Abneesh Roy:

You have done quite a few launches last two, three quarters, but your ad spend is lower and the market leader also came out with results today, their ad spend is also lower. So, how are you able to support these new products through the ad spend if it's lower? And so it is now industry trend that because growth is not coming so why spend extra? So, do you see the ad spend continuing to be lower because last quarter you had pulled out ad spends?

Sunil Duggal:

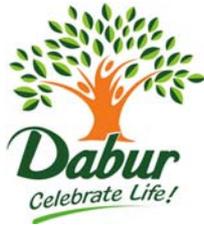
A lot of that is a consequence of the accounting standard changes. If you take media, our ad spends are pretty much intact, there will be no significant lowering of the spends. There have been a significant uptick in consumer promotions, but that gets knocked off the top line in the new IND AS accounting method. So if you take aggregate for the India business, the A&P spends have not gone down. In the international business, we have actually gone up, but again a lot of that is buried in the top line. So, we are not comparing apple-to-apples because the promotional intensity which has increased both in India as well as overseas is not visible anymore. First, we used to make it visible in terms of what we call the CP line in that growth and that CP line has now disappeared, even the TP line has disappeared. So, now what you see in terms of the Adpro line is pure media and while India media is reasonably maintained at last year levels, the international media spends have come down considerably because in the very disturbed part of that particular world which is largely MENA, there is not much point in advertising very heavily. So, the issues are more in terms of getting product to market and navigating the whole obstacles in terms of distribution. So, therefore we have cut down the ATL spends in the international business and reasonably maintained them in India, in fact, India GRP deliveries are probably much higher than last year because we have changed the way we are buying media and driving significantly more efficiencies. So, you get more bang for the buck... more volume for the same spend in terms of GRP delivery.

Abneesh Roy:

Sir, on Foods, you have done quite well. So is there any Diwali impact in the festive packs because clearly competitive intensity remains reasonably high from both ITC and Patanjali is also aggressive, so what is helping you?

Sunil Duggal:

Patanjali is not a player in Juices, but yes, you are right, there has been a new entrant who came in around a year ago and he is fairly aggressive and gained some share. But I think one year ago before the Nepal trouble started, we were at this 57%-odd share, we came down to around 48% in the third quarter of last year and then we started inching up. I think the fourth quarter was still pretty low, but first quarter we saw significant improvement. We are back to



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57% which is our very peak share. So, I think the damage has been undone. There is both a share gain as well as there is a significant volume uptick and we saw a lot of that happen in September partly I think more anecdotally than any hard numbers, it can be explained because of this epidemic which did drive consumption of juices to a much higher level than normal. Again, we do not have any hard evidence to validate that, but anecdotally part of the September growth which was very high was on account of that. But there is momentum in Juices, I do expect of course on a lower base of last year you would see good numbers coming in third quarter; but even otherwise, there is a lot of momentum here. You will see a very interesting theme play out in our portfolio is that the discretionary part of our portfolio is actually performing better than the staples part. The discretionary part is a little bit more urbanized and it is consistent with the overall theme of discretionary products benefiting in today's environment vis-à-vis staples. So again you have Home Care, you have Juices, you have Skin Care, which are all doing very well and these are the three most discretionary parts of our portfolio. The staples, which is Hair Oils and many of the Healthcare products are still not performing up to normal levels.

Abneesh Roy: Which epidemic you are referring to – Chikungunya and...?

Sunil Duggal: Chikungunya and Dengue in the northern part of the country. People do need more hydration and there is a belief that juices provide some protection against disease or faster recovery from the disease.

Abneesh Roy: This discretionary uptick will be largely modern trade-led?

Sunil Duggal: Not really. There is a significant modern trade component in discretionary particularly in Home Care and Beverages, but it is pretty secular. The demand is across general and modern trade and enterprise, it is pretty much across all the three consuming segments. We do not see any such revival in rural markets though.

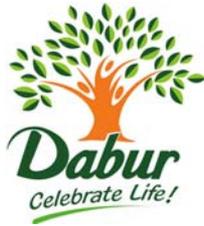
Aditya Soman from Goldman Sachs

Aditya: This is Aditya. Firstly, just a clarification, when you said Oral Care category growth is flattish, this is for you or for the whole category?

Sunil Duggal: No, this is for us.

Aditya: What would you have done versus the category this quarter?

Sunil Duggal: As I said earlier, we have increased the promotional intensity in Oral Care by a significant measure and this we have done well within the quarter unlike many others which are really going to happen in the third quarter. So therefore you see a bit of a disconnect between 15%



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volume growth and 9% value growth in Toothpaste and the reason for the difference is very high levels of promotional intensity, which drove this very high growth in volumes. Does that answer your question or...?

Aditya: No, actually my question was on the market share, would you have gained market share in this?

Sunil Duggal: Over the last one year, we have gained 1.1% share in toothpaste. Am I right, Gagan? Around 14.1% to 15.2% is what I remember. That is the volume share.

Gagan Ahluwalia: Then over the last one year, it will be around 200 basis points.

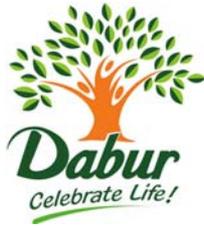
Sunil Duggal: It is 1% to 2% gain in share depending upon the time period. So, there has been a consistent share gain.

Aditya: The second question I think on the point you just mentioned on discretionary versus staples. Is this more because of the penetration levels in staples already being a lot fuller than for some of the discretionary products or would you just attribute it to consumers upgrading?

Sunil Duggal: Apart from that, there is much lower levels of penetration therefore higher headroom and partly the base staples are significantly rural in their consumption pattern and rural still is pretty badly off in terms of the overall consumption trends. So there may be a little bit of recovery especially in the discretionary part. I do not see recovery even in the staples part of urban consumption, but in the discretionary part of urban consumption there is some visible improvement. So therefore the parts of our portfolio which are in this space and obviously they have a higher level of modern trade component, they are benefiting the most.

Aditya: Just one follow-up question on that. In the last 15-20 days post the monsoons, have you seen any improvement or any signs of improvement in the rural or there is sort of...?

Sunil Duggal: Not really, you do see a little bit of uptick, but it is not something which is significant enough for us to make a call that yes, recovery has begun. Having said that I do believe that consumption levels would improve and improve reasonably well in the third quarter because there are a lot of tailwinds coming together whether you have the monsoon and now the harvest which is happening, the pension scheme, etc., etc., and also the pulses, MSPs have gone up significantly. So, lot of good things are converging in the third quarter. I do expect third quarter volume growth, etc., to be better. How much better? It is hard to say. Now, the sustainability of this uptick is still questionable because once these tailwinds disappear as early as the fourth quarter or early next financial year, we will be able to retain good volume growth or whether they will trend back to what we saw in the first half of this year? Still I think anybody is guess. I think sustainable growth in consumption have to be fueled by government



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stimuli and we will see that happen as and when the government opens its purse strings which could happen at any time, it is very hard to predict.

Prakash Kapadia from Anived PMS

Prakash Kapadia: Sir, for the domestic markets, we are looking at increased Ayurveda contribution in the coming years. So, in that strategy, will urban markets be a big driver and focus area for us because I would guess these Ayurvedic products would be more expensive and more compatible to the urban side of the market, so is that the way forward?

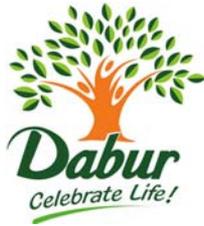
Sunil Duggal: Not necessarily, we are not really talking about premium Ayurveda here, we do have premium Ayurvedic products, but they are comparatively small like Ratnaprash etc. We are looking at mass Ayurveda, popular prices, strong Ayurvedic components, and strong Ayurvedic messaging; and they are as valid in rural as in urban. So, this Ayurvedic theme is not a urban theme. It cuts across the urban-rural divide and demographics. So it is a very broad consumption pattern which we are seeing here.

Prakash Kapadia: Earlier promotions used to work. This time around promotions do not seem to be enticing the customer to buy. So what is it you are seeing on the ground and given our diversified product portfolio, what steps are we taking to bring back volume growth?

Sunil Duggal: No, in our case we are seeing people reacting very positively to promotions in most cases, not in all.. One of the reasons is that typically we are not pretty big on promotions. So when they see a lot of promotions coming from Dabur, I think there is a lot of curiosity and excitement amongst the trade and the consumers and they tend to buy ahead of their consumption and buy more of it. So we are seeing definite value in these promotions, definite uptick in what we are trying to promote.

Prakash Kapadia: In the current scenario where domestic growth is tepid across most of the categories for most of the players, are we seeing any value in terms of inorganic opportunity, have expectations come down from a seller point of view... anything which we are scouting for or looking at?

Sunil Duggal: I think there are very few targets which are there in terms of possible acquisitions. But, yes, you probably are seeing a little bit of realism coming in on the part of both the buyer and the seller in terms of what value these assets should command. Whether there will be any huge correction, I doubt because I think Indian consumption story and the overall FMCG growth story is still very solid and will not permit for any structural change. But you will see some correction happening. I think acquisitions at this point in time are perhaps even more important than they were a couple of years ago when the demand side was still quite buoyant because this can help you navigate the demand downside and get larger business through your balance sheet.



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Prakash Kapadia: If you were to pinpoint the biggest factor which will bring back rural growth, what could that be? Because we have been hearing, reading about on the ground because of this monsoon impact or 7th Pay Commission, so it will be a cumulation of all these factors?

Sunil Duggal: These are not enough, the monsoon impact obviously means that there is greater tonnage, but it commands a lower price. So while it is still beneficial in a significant manner, it is not enough to drive consumption in a meaningful manner for a sustained period of time. We saw consumption happening three years, four years ago because of massive amounts of stimulus which the earlier government did to drive rural consumption and that is what makes for sustainability in consumption. When you have something like NREGA which promises you 100 days of employment which is down to maybe 25-30 days. So, these are the factors which meaningfully drive rural consumption in a sustained manner.

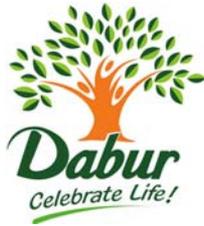
Prakash Kapadia: But given I think whatever the government policy and the focus is that seems unlikely, right?

Sunil Duggal: I am sure it will happen. I think in a democracy, consumption is critically important and we are already seeing that happen at the discretionary end of the consumption spectrum. I think it will be a matter of time before it filters down to staples. I am just surprised that it has taken so long. I think it will take perhaps another 2-3-4 quarters for it to happen, but demand is bound to come back. I think there is certain inevitability in that. We just got to be a little bit patient and keep our resources and our initiatives going forward.

Percy Panthaki from IIFL

Percy Panthaki: Firstly, just wanted to understand why there is so much of focus on getting this mid-single-digit volume growth in this environment. So if supposing the entire industry in the categories that you are present in is growing at let us say 1% or 2% and you are still gaining market share and you are growing ahead of the market, then should that not be enough rather than gunning for this 5%? The reason why I am asking this is the amount of promotions you are giving at least to me seems too expensive to get that extra 300-400 basis points of volume growth and basically your sales growth is coming down to 2%, your EBITDA growth is coming down to 1% or 2%. So, is this really a sound strategy in this time where if I am still growing ahead of the market that should be enough, why should I grow at 5%?

Sunil Duggal: I think it is a very sound strategy if it is done for a reasonably short period of time, maybe 2-3 quarters. It is not a good strategy if you do it for a very long period of time because then you are devaluing your brand and ultimately destroying the whole value proposition. So, we intend to do it in the third and probably in the fourth and then we probably will start relaxing the promotions. We do also see then hopefully the demand situation would pick up and also inflation would then also pick up and then we would take price increases or we would lower the promotional intensity. But, we are absolutely convinced that this is the time to be



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aggressive and not really to get into a shell and we are fortunately sitting on the highest ever levels of profitability today. So, if we make a trade-off sacrifice 50-100 bps of EBITDA to drive significant volume growth, I think that is a very sensible thing to do. We are completely committed towards this objective, but we do not expect it to last for any extended period of time.

Percy Panthaki:

Secondly, I just wanted to ask a few questions on your segmental growth. So you said earlier in the call that the Staples are not doing very well, but the discretionary portfolio is doing well. But, if I look at some of the discretionary segments like Digestives, Health Supplements, etc., they are also lagging.

Sunil Duggal:

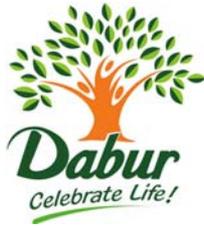
Let me say that Health Supplements are not discretionary in our scheme of things and they are pretty much staple products. Chyawanprash you could perhaps argue is semi-discretionary, but then Chyawanprash is not a meaningful factor in terms of health supplement for second quarter. The other ones are pretty staple. Once you start consuming honey, you continue to consume honey. It is not something which you buy only when you are feeling rich, it is part of your staple diet. So, Health Supplements are substantially staples, maybe they have a discretionary component to it, but substantially staples. Now things like Air Fresheners, these come into the discretionary space. If you see the nectars are also semi-discretionary... I would not call them fully discretionary because there is a health component to it. Anything to do with health becomes more staple and anything to do with enhancement becomes more discretionary.

Percy Panthaki:

Sir, just a couple of categories if you could comment on. One is Ethicals and OTC which has again seen a flat growth. Can you just take us in detail as to what is happening, what are the drivers, and what is holding consumption back there? Also in Hair Oils you have seen some 4%, 5% decline. So just wanted to understand the volume/value split there and again what is the story behind this number?

Sunil Duggal:

Just to take your second question first, Hair Oil volumes are flat and the value is down by how much 6% and volumes are flat largely on account of rural stress. Hair Oils is perhaps the worst performing category if you see the recent numbers that the volume growths are deep into the negative area I think -2%. So, therefore this is a very stress category because of its large dependence upon rural. I think under the circumstances, we are not doing too badly in Hair Oils, we are gaining share here, and if we are driving volumes even at flat levels, it is not a bad situation. To your second question, contrary to what you say, Ethicals are actually doing very well. It is OTC which is a drag and I think it is largely on account of a distribution change. When we made a separate healthcare vertical of which OTC was a part and there was a lot of dislocation in some of these OTC brands when we made this change which was in around July and August, mostly in July. I think we would see much better performance from OTC in the quarters ahead now that the distribution has stabilized. Ethicals would have been a separate



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distribution so that was not impacted by the distribution change, but a lot of the Healthcare particularly OTC was victim of this.

Sunita Sachdev from UBS

Sunita Sachdev: Just one question which I wanted to take from your opening remarks, when you said that we are going to be having an enhanced impetus on Ayurvedic and Herbal products forward. What exactly do you mean by this?

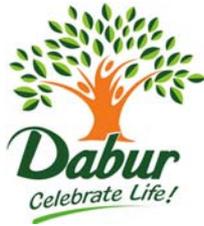
Sunil Duggal: Let us take Shampoos, now we have Herbal Shampoo, I think there is room here to have Ayurvedic Shampoo. There is room for a strongly Ayurvedic Hair Oil, there is room to expand our Ayurvedic Toothpaste portfolio. There is a huge amount of business which we can tap into Ayurvedic Healthcare. So, this Ayurvedic theme will cut across many categories and it will be unapologetically Ayurveda. It would not have any herbal etc., component... Ayurveda is herbal substantially, but this will be very in your face Ayurveda and for that we may even create a new brand to take many of these initiatives forward which will be under the Dabur umbrella, but could be a sub-brand under Dabur. So, that is something which we are looking at and this is something which we believe would institutionalize ourselves as the leader of Ayurveda because all these products would be on scientific validated Ayurvedic products, which that is why it is taking a little a bit of time for them to get off the ground because the validation process is still happening. So we believe that this will open a lot of doors for us and now that the validity and the relevance of Ayurveda is very strongly established in the Indian psyche, I think it is time that we took this initiative forward.

Sunita Sachdev: So, why were we waiting so long to do this?

Sunil Duggal: The growth of Ayurveda was not as substantial as what we thought and what it has now become. Obviously there has been some new triggers and we all know what we are talking about here which has made the whole Ayurveda canvas much bigger than what it was say three years ago. I think it takes more than one person to drive this growth, so we would be in partnership with many other companies who will be driving the Ayurveda growth and not doing it independently as we did all these years.

Sunita Sachdev: How soon and how quickly do we see this pipeline starting out?

Sunil Duggal: I think you will see the beginning of this initiative early in the fourth quarter and then there will only be an added momentum in the next fiscal year.



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Shalini Gupta from Quantum Securities

Shalini Gupta: Just a couple of questions: Sir, I just wanted to check about the international business. Some of your competitors we have seen they have gained EBITDA margins of something like 200-300 bps. So if you could speak about your EBITDA margins in the international business and how do you see them shaping up?

Sunil Duggal: The international business EBITDAs did decline quite sharply this quarter. The problem which we had which perhaps the competitors did not that some of our most profitable markets were the worst performing, led by Saudi Arabia which is around 10% of our international sales but maybe close to 20% of our profit. It declined by say 20%. That is a huge hit not just in top line, but also in terms of EBITs. So, this was really the problem which we faced. Perhaps other companies did not have the same issue that their most profitable markets came under this stress, which was entirely external in nature. The same plays out in many of the North African markets which are highly profitable which again had this issue either in terms of law and order like Algeria for example or Yemen or in terms of currency devaluations like say Morocco or Libya or Namibia. So, a lot of multiple headwinds coming into play which eroded the EBIT margins. I think it is a matter of time before some normalcy comes back into that part of the world. We are already seeing a little bit of that happening and then we would see growth in margins coming back. Our competitive position is intact, it has actually further strengthened in markets like Egypt, etc., So, there is nothing wrong with the business. There is nothing wrong with the management there, it is entirely external factors over which we have very little control. Another big drag is currencies. Now, you had close to 50% depreciation of currencies in countries like Egypt and Nigeria, 20%, 30% in Turkey and many other such countries, and that has been a huge-huge drag in terms of both the sales as more importantly the profitability.

Shalini Gupta: Sir, would I be correct in my assumption that EBITDA margins for the international business are like 500 bps lower than the overall margins for the business?

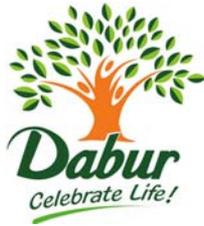
Sunil Duggal: Around 400 bps I think at this point in time.

Gagan Ahluwalia: Operating margins are fairly stable.

Sunil Duggal: Just take operating margins because other income is really not relevant. What is the difference in operating margins in international and domestic?

Gagan Ahluwalia: Fairly similar.

Sunil Duggal: There is something around 2.5%, so 250 bps. Now EBITDA margins, which we include the non-op income, the gap is wider because most of the non-op income sits in India. But if you take operating margin which is a better measure, you have around 250 bps gap now in the two



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businesses which was pretty much the same say even a couple of quarters ago. So, there has obviously been a sharp deterioration in profitability of the international business and the reasons I have just given you. But again they are not something which are irreversible, it is not as bad as losing share to competitors where it is very hard to get it back. It is more a question of the socioeconomic issues prevailing there which we believe will right themselves in a matter of time.

Shalini Gupta: Sir, second question is with respect to Almond Oil. Now, your competitor has said that they do not really find too much juice in the Almond Oil category itself. What would be your take on this category?

Sunil Duggal: Our take on this category is that it is big enough for us to enter and take share from the market leader. As a category perhaps we may not find it hugely attractive, but in terms of scalability of our brand, we find it attractive and this is profitable to scale up. It depends upon which side of the coin you are looking at. If you are a dominant player, you may not see big growth coming because the category is obviously not growing. But if you are a distant #2 like what we are, there is still enough food on the table for you to dine on.

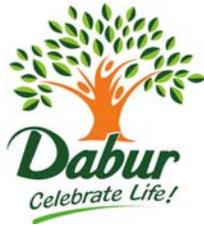
Shalini Gupta: You yourself mentioned in your presentation that Patanjali is a big threat to you. With respect to the geographical areas which Patanjali is servicing and which you are servicing, would they be common or they would be different?

Sunil Duggal: Patanjali is very strong in north and west, so that is approximately 60% of our footprint is where he is quite strong. In 40% which is south and east, he is much less organized. But having said that, I think Patanjali also opens up a lot of doors and as I was telling Sunita earlier that he has been very instrumental in expanding the whole franchise within Ayurveda. So I think we should see him not as a threat to be fought on one-to-one basis, but as a facilitator who will make our Ayurvedic business actually help it grow.

Nillai Shah from Morgan Stanley

Nillai Shah: First question is on the volume, value and promotion outlay. How do you think about this going forward and why not price cuts versus promotions given your view that this could be weak for the next 3-4-5-quarters?

Sunil Duggal: I think that the whole promotional intensity which we are giving will either come down let us say a couple of quarters from now or it will remain but we will increase prices. So now these two events are the most likely events. If I take down prices now instead of giving promotions, a) I get less value if I take down prices if it is a bigger hit on my P&L; b), it is very messy. Suppose, I take down prices by say 5% of any particular brand, the entire pipeline stock which can be sales between 25 days and 40 days in the whole system will demand recompense for the



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higher-priced stocks which they have. Now, just to do that is something which is a humongously difficult job. Whereas if I give a promotion, it is pretty well accepted that yes, this is + promotional stuff and we try out the non-promotional stuff to begin with. But nobody protests too much. But when there is a price decrease, you will have people lining up at your distributor doors saying that give me the difference between the old price and the new because the customers normally look at the old price.

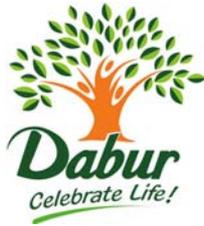
Nillai Shah: The context of this question is actually Amla as a category and we have seen Marico explicitly very-very closely to your market share at this point in time and the volumes may actually go ahead of you if this current trend continues. So, what are the learnings from this then?

Sunil Duggal: I think the learnings is what you would defend and I think we have spoken about this earlier. Do you defend profit or do you defend share? Now we had a choice when somebody came at 40% of our price that we could fight and eliminate that person, but at a huge cost to profitability or we could defend profitability even at the cost of some share. So, we made this trade-off with our eyes open. I think there were some favorable tailwinds in favor of the competitor that very low input costs happening for an extended period of time, which made those Rs.10 price points viable for much longer than what we had anticipated, but that was something which we could not have predicted. So overall I think there is nothing wrong with what we have done. We are flanking our brand with other offerings which are low priced and which will offer the same or better value than our competitor and our Amla share while it has declined, the decline stopped for the last few quarters and we are now pretty stable or improving share. So I think we have bottomed out the customers which we had lost to low price which have already gone. Many of them we seek to regain through our low-priced offerings which are very different from Amla and Amla remains a highly profitable brand in our portfolio. So, no regrets about what has happened because these are bigger calls which we have to make in business.

Nillai Shah: The similar situation with honey wherein you first said you would not take down prices for this very reason to protect profit pools, but then you have taken down prices?

Sunil Duggal: When I said I would not take down prices, I basically said in the context that I would not do MRP reduction. But I never said that I will not give promotions. The promotional part was planned and we just perhaps increased this much higher than what we had earlier envisaged because the input costs were going down also. So, keep in mind that honey today is sitting on a very benign situation as far as the raw materials are concerned which is most of the cost. So therefore it does not hurt us to give very high levels of promotion in honey, 25%, 20% promotional intensity. Our margins still are intact and we will see the shares coming back.

Nillai Shah: Second question is on the NPD pipeline. There has been a little bit of a stop and start strategy from your end. Multiple times in the last four to six quarters you have mentioned that you are



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going to accelerate the NPD pipeline. I understand the demand environment has been weaker for longer than expected. What is your strategy going forward.

Sunil Duggal:

I think it will remain pretty muted other than the strategic Ayurvedic initiatives, which will take up most of our investment. The peripheral stuff which we were earlier planning to do perhaps will take longer to go to market than what we had earlier thought. So, we are putting a lot of initiatives on hold and we will go to market when demands arise and when the margin stress abates. But, at this point in time, there is reprioritization, there will be lesser number of larger initiatives, almost all of them in the Ayurvedic space.

Nillai Shah:

The final question is in the template for growth going forward. So we have often discussed this in context of volume growth, but I guess now we speak about this in context of value growth. So what is the value growth at the top line that you are seeking for the next few quarters ex the benefit on account of the Fruit Juices business that is there in Q3?

Sunil Duggal:

If you kind of take that out, I think for the India Consumer business I would be looking at around 5% value growth underpinned by 5% to 10% volume growth. That is a very rough number which we internally are seeking to get. It does not mean that we necessarily get it, but this is what the internal metrics are, and if there is even a little bit of support from the market, I think we should be able to get there.

Nillai Shah:

With margins which could be flat or marginally lower which basically for the next few quarters, we are okay with flattish bottom line growth?

Sunil Duggal:

If you take operating margins, they may be trending on the flattish for the India business to marginal improvement. So that is the likely scenario. They would definitely lag the volume growth and perhaps maybe a little bit lower than that.

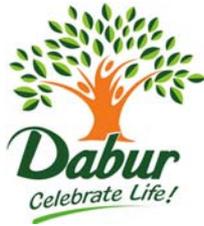
Prasad Deshmukh from Bank of America Merrill Lynch

Prasad Deshmukh:

A couple of questions on the international business again. In case of Middle East market, are you seeing category size itself declining in Hair Oil and Hair Cream as such?

Sunil Duggal:

There are always some moves there; Hair Cream is probably plateauing, but then there is enough other stuff which we have in the form of Serums and Conditioners which is taking us to flat. Interestingly, the volume growth in the international business other than these two, three stress markets is actually pretty good, we are seeing great growth in Egypt and Turkey in terms of volumes, we lose a lot of that in translation, but there is currency issue. So, the demand other than the stress markets like Saudi Arabia and the markets which are war torn like Libya, Yemen, Syria, etc., is actually much better than India. There is no shortage of demand



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there, but there is an environment which is not conducive to distribution expansion and also there is that currency and other hangovers.

Prasad Deshmukh: Second question on Namaste. Could you just spell out the benefits that one should build into the numbers because of this localization of product manufacturing?

Sunil Duggal: I will hesitate to give you an answer on that till I have better visibility. Many of these initiatives are going to be absolutely new and they are going to be products which do not exist today are engineered for the African markets, very low price points and we still do not have full visibility about the margin profile which will come out of these. We are committed to putting these products to market because this is where the market is. But I would perhaps not like to discuss margins at this stage till we have better clarity. So maybe next quarter I should have more visibility in terms of these African initiatives. But, in terms of the margin delivery for Africa, it would improve to some extent with localization, but we are expecting substantial increase in the revenue piece. So, the objective of localization is not to improve profitability as much as it is to lower prices and thereby improve our market position. I think if you go to Africa today, you will find our prices way out of whack in terms of their price vis-à-vis competitors like even L'Oreal. We got to narrow the distance and bring them on par sometimes even lower than many of our competitors. We can only do this through localization and that will spurt huge amount of growth in terms of the tonnage.

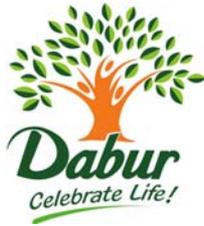
Prasad Deshmukh: Are there any CAPEX plans for Middle East to have incremental manufacturing facilities there?

Sunil Duggal: Nothing significant. We have put in our CAPEX earlier, even the marginal CAPEX going forward and maybe a little bit larger CAPEX in South Africa, but nothing very big, in fact next year it is likely to be pretty muted on the CAPEX front because the big ticket CAPEX overall is aggregating to around Rs.500 crores will be expended in the current year. So next year you may see more in the region of Rs.250-300 crores, which is our normal CAPEX levels.

Arnab Mitra from Credit Suisse

Arnab Mitra: On the International business given that all these issues in Saudi and the currency issues are there, are there any levers which can help you in the next couple of quarters or do we just have to take it as it comes that these markets will be weak till probably the base catches up or the currency base also catches up in some of the markets where currency depreciated?

Sunil Duggal: The base will catch up in the first quarter of next year because this damage really began in the first quarter of this year, maybe a little bit in the fourth quarter, but largely began in the first. So the lapping will happen that will help the numbers optically look better. Getting back to the peak levels, it probably would take some time because the economies are pretty damaged. Now



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they would recover by modernization and Saudi Arabia would obviously have to completely reengineer the whole economic model which will be a painful process, but it will happen. I think we probably will see a couple of years of muted growth now. Fortunately there will be growth again off a lower base before the numbers come back to the earlier levels. But, having said that, there are new geographies which we are opening up in Africa, Iran, for example, which would take up the slack to a pretty large extent. So, it is not that we are just dependent upon the existing geographies, we are doing aggressive expansion, and I think that will mitigate some of this damage here.

Arnab Mitra:

On the promotion strategy in India, when you are doing these promotions to improve volume growth if competition also kind of follows you, does it still help drive volume growth or are you banking on the fact that you are ahead of the curve and hence you will gain traction while the competition has still not increased promotional intensity?

Sunil Duggal:

I do not know really what competitor is doing at this point in time other than what is visible in the market. But consumer promotions have a long lead time, they are very complex in terms of supply chain. We decided to push the button around July when we found that the numbers are not really trending up in terms of category consumptions and it has taken us something like two to three months to really get those products to market especially when you do things like upsizing or you ban products. It is a very-very complex exercise. Therefore, I do think that we would be ahead of the curve at least for the next few months, after that of course competitors may catch up and then we will see what else to do. But, I think we are taking it one step at a time here.

Arnab Mitra:

On other income, any explanation why it jumped so sharply in the second quarter -- are there mark-to-market gains on some of the debt investments also part of this other income?

Sunil Duggal:

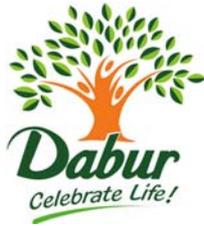
Ashok, our Company Secretary, will answer.

Ashok Jain:

The main reason why this CAPEX which we have planned for the year is slightly skewed in the second half of the year. We were holding the funds in the first half, that was the one reason. Second one of course we had capital gains which were realized during the quarter, that was one of the exceptional items.

Sunil Duggal:

So in other words, we will probably see moderation in terms of the non-op income growth in the second half of the year. Although there is a dividend payout, which you would have read about today, that will take up Rs.300 cores of cash in 2016 and then as Ashok said, CAPEX which will be another Rs.300-odd crores in the second half. So, the cash position would come down and also interest rates are coming down, so it will moderate.



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Tejas Shah from Spark Capital

Tejas Shah: My question pertains to the comment you made on discretionary part of the portfolio growing versus staples amidst well accepted tepid consumption spending environment. Now this is quite a contrasting signal when consumer is not spending on staples and in the same market why is he spending on discretionary part of the portfolio, so, just wanted your thoughts on the same?

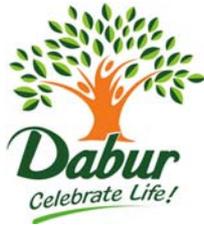
Sunil Duggal: There is an affluent class and there is a subsistence class and a lot of the consumptions happen in the latter in the rural markets. So that class has really not had any income uptick. But, I think the more affluent section of society actually are doing pretty well. There has been rise in salaries and incomes etc., and also I think perhaps there was a pent-up demand for discretionary items which is now being addressed so that lot of people see perhaps better economic climate ahead. But, how do you explain the sharp growth in white goods and automobiles and lack of growth in staples? There has to be some explanation here. That seems good to some extent, staples pace also so that the discretionary part of what we sell, does have a high level of demand than the base products.

Tejas Shah: Sir, is it right to say that somewhere the answer to this formal statement also lies in the penetration level of some of those categories in the staples side versus all the white goods or brown goods?

Sunil Duggal: Pretty much, what you are saying is absolutely right, but I do not think it is only a penetration issue. There is something more to it that there is a high level of disposable incomes amongst the more affluent and that is really driving consumption of the so-called discretionary. I do not have a better explanation and this is more anecdotal and my own hypothesis than any hard numbers on the ground. But then when you see discretionary consumption going so well across so many different consumer verticals, it does in a sense bring some benefit to what I am saying and we have seen it in our portfolio. How does one explain this massive growth in Juices and Air Fresheners, Bleaches and stuff like that. There has to be some explanation, right.

Tejas Shah: So in that context you said that NPD pipeline of Ayurveda will be focusing on the mass end of the consumption, whereas we are seeing in our existing portfolio, discretionary part of the portfolio outpacing the mass end, so I was just trying to connect the dots?

Sunil Duggal: If the staples end of consumption continues to be very-very low for extended periods of time, we are all in deep trouble to be quite honest. 70-80% of our portfolio is actually Staples. So, also we have to play the scene that Staples demand and consumption would rise. I am pretty sure it will and I think we have to plan a few quarters in advance of that happening.



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Tejas Shah: If you have to pin down hope of recovery in next 6-12-months, which are the 2-3 factors that you are monitoring at your end?

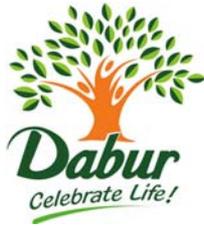
Sunil Duggal: The most important factors I keep saying is how much does government drive stimulus in consumption not just rural India, but amongst the most deprived sections of our society and that could be from various mechanisms. I think the government will do it and they will probably do it better than the earlier government, because they have a better pipeline to deliver the benefits. So question is 'when'? I think a lot of people say that around year-and-a-half before the next general elections, this pump will start getting cranked because it is politically essential to do that. But then it is like I said anecdotal. I am pretty hopeful and pretty confident that consumption will revive. I also expect it will revive around a year from now and not day after tomorrow, even though you will see a little bit of spike happening in the second half of this year. Then of course you have the issue about next year is monsoons- will that be good or bad and other factors.

Karthik Chellapa from Buena Vista Fund Management

Karthik Chellapa: Two questions: Firstly, we have seen the kind of impact that Patanjali had in categories like toothpaste and honey. It looks like even in Hair Oil through the Kesh Kanti they are trying to position something similar, it does not contain mineral oil, it is pure Ayurveda, etc., What kind of impact do you think that proposition will have on our Hair Oil portfolio -- will that have an impact in the consumers' mind?

Sunil Duggal: So far we have seen that impact to be largely concentrated in therapeutic hair oils and we do not have any therapeutic hair oils, we have more enhancement hair oils and also they do not seem to have penetrated the South where Vatika sells largest quantity. So Patanjali impact to us in Hair Oil seems to be very limited and all the tracks have revealed that there is no exodus from say Amla or from Vatika to the Patanjali products. We do not know the size of his Hair Oil brand, the data is very limited here, but the impact is in honey which we all know about and perhaps to some extent in Toothpaste where it is not that we are not growing, but we are not growing as fast as we used to, part of it is very high base of last year. In Toothpaste, we grew 28% in the base quarter and now we are growing say 4% which is lower, but then you got to see it in this context. So these are the areas where we converge, Honey, Toothpaste, and perhaps Chyawanprash, we got to see what the impact of Patanjali on Chyawanprash business is. But not in Hair Oils, not in Shampoos. So, there are a lot of other categories where there is no convergence.

Karthik Chellapa: Sir, earlier you made a comment that in the Hair Oil portfolio the volume was flat, but the Almond portfolio grew double-digit. Will there be any skew or bias towards a few states as far as Almond is concerned? The reason I ask this is because the market leader has indicated that clearly the volume conditions are sluggish and they are probably showing very low single-



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digit. From our product point of view, I believe the pricing is more or less similar, the packaging is more or less similar. So, in terms of differentiation, it is not much compared to the market leader, but we seem to be growing at double-digit whereas the market leader says it is close to flat to single-digit. So I am just trying to reconcile how is this possible?

Sunil Duggal:

In Almond, we have deliberately chosen not to kind of get into a head on confrontation with the market leader. It is a very strong brand and we respect that. But there are many areas where its penetration levels are low, whether it is modern trade or South India, etc., We have been concentrating upon those geographies and we have been gaining share not just from the market leader, but from other Hair Oils by building in this Almond proposition in areas which were not very significantly tapped in. So that is what we are doing. But having said that going forward we will be getting into territories where the market leader is entrenched, because otherwise we will not grow at the pace which we want to. So as I said, the game in Almond Hair Oil is purely a market share gain and like it was an Oral Care, we may have to take business from the market leader because there is such a big gap between the two that we can do it for an extended period of time.

Karthik Chellapa:

In rural are you seeing any downtrading within your brands that people just downgrading to smaller sizes or smaller ml, if so, which is the category that is most vulnerable to this downtrading?

Sunil Duggal:

Every category people are downtrading to the smaller SKUs. We cannot make enough of the smaller SKUs and it is not a trend which has happened yesterday, it has been happening for the last one year at least that people are migrating to the better value offerings which are at Rs.10 and Rs.5 price points and this is category-after-category.

Manoj Menon from Deutsche Bank

Manoj Menon:

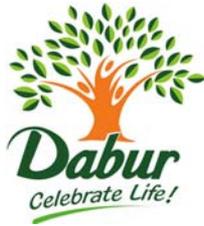
Did I hear correctly when you mentioned about 5% to 10% growth ambition or an aspiration for the second half is it excluding Foods?

Sunil Duggal:

No, this would be for the whole business. In fact in Foods, I would exclude the very low base of last year while doing these projections. I would take a normal base of last year. So again from the lower base of last year, Foods obviously will grow at a pretty humongous level and might take up the overall rates, but that obviously is not sustainable. So, I would map it to what I would normally have done in the Juices business of last year and then seek a growth of 5% to 10%. If I am delivering a 5% growth say next quarter including Juices, it is obviously not good enough, is it not?

Manoj Menon:

Secondly, is it that in the second half of this year, the promotional intensity is going to be higher than what we have seen in the last six months or it is likely to be similar?



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Sunil Duggal: It will be higher than in the last six months, first quarter there was pretty much nothing which we did in terms of consumer promotions, we have done around 20-30% cover in the second quarter, which will go up to around 50% in the third, and we have not taken any hard calls on the fourth. At this point in time, we would like to taper down the promotions in the fourth quarter, but we will take a call somewhere around middle of November as to where the business is going.

Ritu Chaudhary from Trust Capital

Ritu Chaudhary: My question is basically on Hair Oil category. Sir, can I know what is the overall growth for Hair Care including Hair Oil, Shampoos and others?

Gagan Ahluwalia: Overall growth in Hair Care which is around (-4.5%) in value terms and volume would be around (+1.5%).

Ritu Chaudhary: Sir, my next question is our Hair Oil contribute how much to the entire Hair Care category?

Gagan Ahluwalia: Hair Oil would be around 80% of the Hair Care category.

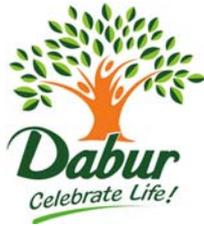
Ritu Chaudhary: So, you also mentioned Dabur Amla and Dabur Almond has grown double-digit in the quarter. So which are the other Hair Oil which is impacting the growth in the Hair Oil if this both are grown by double-digit?

Sunil Duggal: I think that was just for Amla which is the cheaper hair oil which grew double-digit for the negative growth.

Amit sachdevaa from HSBC

Amit sachdevaa: Sir, just one question on Ayurveda strategy if I may. You want to approach Ayurveda at the mass end, but yet at the same time you want to also add significant differentiation in terms of scientifically testing and proven efficacy about certain products that you will put across. Then why sell that value addition at the mass end, why not position yourself as premium end or at least mid premium space? Would it not be like aping Patanjali which is trying to discount everything and then work in that clutter space?

Sunil Duggal: We will be at mass and mass premium, so it will straddle the price point of mass and mass premium and you would have different strategies for different segments depending upon the opportunities. But ultimately the real value lies in the mass market as far as Personal Care is concerned and we have to tap into that mass market. If we price the products too high, we probably will not be able to get the kind of tonnage and the market shares which we desire. But I think there is no dogma here. We will not make our products unaffordable to aam aadmi.



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That is really what we want to say. Even our Red Toothpaste is at higher price point than the market leader, but it is still affordable. So, we could follow that theme of having differentiated products which are affordable. So, I think that is the word I like to use that they are not out of reach of the regular consumer.

Amit sachdevaa: As I hear correctly that I think the focus is largely in Personal Care when you talk about Ayurvedic strategy?

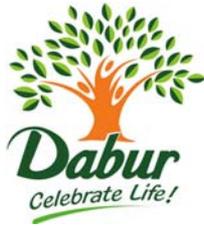
Sunil Duggal: No, Healthcare is already there. I think we are going to reinforce our product delivery in the Personal Care space, which is the largest space and where we can get the maximum amount of benefits at the least possible time. In Healthcare the Ayurvedic proposition is there, it will further be strengthened but it is not that we were not doing pretty much what we will be doing going forward.

Amit sachdevaa: Sunil, very quickly on the Health Supplement portion for the third quarter. Since we are already closing to October, are you seeing some pickup in the channels where just Chyawanprash is not because bulk of the revenue will come in this quarter with Chyawanprash I guess. So, what are the early trends that you are seeing and do you need to aggressively promote this one as well to sort of see the volume or you cannot see anything right now?

Sunil Duggal: I think the real business of Chyawanprash begins after Diwali. That is really the trigger for people buying Chyawanprash and the consequences will happen. At the moment it is more in terms of pipeline filling and priming the whole pump. So, a lot depends upon what happens next month post-Diwali, which will give us visibility as to how good this brand is going to perform. I certainly feel that we will have a much better year this year than last year because if nothing else then at least the winter is likely to be a little bit more severe than very mild winter which we had last year. But 'how much better' is very hard for me to say.

Amit sachdevaa: So very quickly on the Oral Care, 15% volume growth is good, but I also reckon you told once where you are very strong in the south part of it and gaining lot of penetration led gains in several states. Are these penetration led gains now over and now the base has caught up with where you can be and still some amount of state-by-state penetration led gain is happening in this 15% volume growth?

Sunil Duggal: No, I think with this 8% or 9% share which we have in Red Toothpaste, it is very scalable. So it is not just south but we can grow in many places. But I think we should not put all our eggs in the Red basket, we have to diversify our Ayurvedic Toothpaste portfolio and that is really going to be very-very important initiative in the next couple of quarters.



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Amit sachdeva: That does not worry you that you are trading obviously value growth for volume and this might sort of give a short term volume filler, but eventually it is sort of leaving you with very little yield in terms of the core brands which are growing so fast in value terms?

Sunil Duggal: I do not think so, I have a choice to discount to lower the price, which many of my competitors are doing or give better value in terms of consumer promotions. My belief in consumer promotions are that as and when the category takes the promotions off, you can do them without any damage to the brand. But one should not take them for extended periods of time, therefore I am pretty keen to taper down the consumer promotion intensity in the fourth quarter and very committed towards in the third, but in the fourth quarter I would like to taper it down, whether it will be possible or not, early to say. Like I said, we will take a call mid-November as to what we plan to do in the fourth quarter.

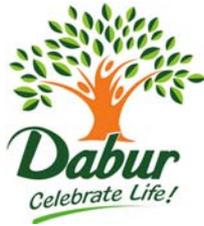
Amit Sinha from Macquarie

Amit Sinha: Firstly, on the Healthcare segment in the Honey category and the Chyawanprash category, how has the market behaved as in how have we done in terms of our market share?

Sunil Duggal: The market share of Honey is trending up. Unlike Juices, we still have not caught up with our peak share, but we have bottomed out in the first quarter of this year and second quarter our market share is showing distinct improvement. The question is can we continue this pace of improvement of market share? I believe we can with the consumer promotions, etc., Also, by the diversification of the Honey portfolio into the value-added parts so the aggregate Honey sales would trend up and the market share also would trend up. Whether we can make up the lost share as quickly as we have done in Beverages which took us less than four quarters, it is hard to say, it might take a little bit longer, but I think we are proceeding well in that direction. Also, I think even if we do not catch up with the peak share, the market expansion of Honey which has happened recently is quite humongous, so our tonnage should look good, our total sale and profitability should look good, and if we have to lose a few percentage share to other competitors in this, I think that is not a bad trade off if the category is going to grow in strong double-digit levels, similarly, for Chyawanprash, I do not mind losing a bit of share if there is category expansion.

Amit Sinha: On the out-of-house repellent category, the competition has launched their products in last quarter. How do you see that -- do you think overall that will boost the market or do you see some near-term impact because of that?

Sunil Duggal: I think just having one player in a space which is a highly underperforming space, just 5% of the mosquito products are out of home in India as against 60% in other countries including developing countries. So it is a category which has punched below its weight for a long period of time and perhaps there was only one incumbent and there is only so much money we can



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throw in terms of driving consumption and growth. So the entry of another brand here probably is a good thing for everybody. It will expand the category and there is so much scalability here, I still believe that Odomos can Rs.500 crores brand which at the moment is on Rs.100 crores. So, the growth something which we can partner with others to drive.

Amit Sinha: Can you help me with the contribution of Saudi Arabia in the overall international sales very roughly?

Gagan Ahluwalia: Around 10% of the international business comes from Saudi.

Sunil Duggal: But profit is more like 20%, it is a very profitable market. So any downside in Saudi Arabia does affect us more than many other countries.

Amit Purohit from Dolat Capital

Amit Purohit: This is Amit Purohit. Two things: One on the promotional strategy that you are indicating. Will it be across categories or which categories that we are looking at? Second, I wanted to understand in our Annual Report in 2016 we have indicated that premiumization is the focus point for us and now we are talking about the Ayurveda strategy wherein that too was affordable and mass segment. So will that be a change in strategy?

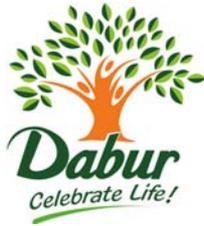
Sunil Duggal: I do not think I ever was overly focused at first about premiumization category. I believe in the mass market, I think that is where Dabur equities are and I think that is where we should drive it. So there is no change in the overall strategy that we will take to cater to the middle class and little bit above and below that. We will not play in the premium space other than a few categories like Juices and Nectars. But this is the only business we have in the Foods space and this is in the premium end. But “Will we premiumize Hair Oils and Toothpaste and even our Healthcare products? Answer is ‘no’. We would may have premium variants like we have in Chyawanprash, but the heart of the brand remains the mass market brand.

Amit Purohit: On the first question about promotional, would it be across categories?

Sunil Duggal: Not fully, but it would be significant, let us say around 50% to 60% of our total product portfolio would be under promos in this quarter, which is a very high level which we never done in the past. Hopefully like I said earlier, we will like to taper it down to whatever levels, but lower than what they are in the fourth.

Amit Purohit: Any specific category you want to indicate?

Sunil Duggal: Wherever there is the highest level of consumption stress will attract the highest level of promotional intensity.



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Harit Kapoor from IDFC Securities

Harit Kapoor: This is Harit Kapoor here. Just had one question on the distribution part. If you could just give us an update on the various projects which you have been running 50-50 lead core projects and how do they kind of fit in the new innovation strategy at Dabur right now? How much is the juice that we can still get out of these?

Sunil Duggal: Distribution expansion which happened for many years basically came to a bit of a standstill around a year, year-and-a-half ago when we realized that the rural markets are not really growing and they could be very uneconomic to expand distribution. Now, we are waiting for the first sign of revival of the rural markets and we are putting in lot of effort to decipher it as quickly as we can and then we will begin the next round of expansion in the rural markets. So, we have already in a sense got the infrastructure in terms of around a thousand people whom we call the rural sales representatives who are entirely focused on rural, but we are catering to the existing set of rural markets. The expansion of rural markets will only happen when there is some demand revival.

Harit Kapoor: On the urban part, obviously, a couple of the projects are also led towards urban as well as medico marketing. So, how do you see that?

Sunil Duggal: Medico marketing is going on in pace, we are now in three states and we are having very good results from that enterprise. We are still discussing on it is scaling up. When do we get to more states? I think we will probably do it incrementally state-by-state rather than do it big bang because there is a lot of background work that goes into recruitment and training, etc., So now we do not have a clear timeline, we are still in the process of discussing that when will we have a national footprint for medico marketing as far as the allopathic practitioners are concerned. As far as the Ayurvedic practitioners are concerned, we have a national footprint even now.

Gagan Ahluwalia: Thank you, Malika. Thank you all for participating in this conference call. A webcast and transcript will be posted on our website. Do let us know if you have any further queries. Thank you and Wish You All A Very Happy Diwali and nice evening ahead.
