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To,

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

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

Sub: Transcript of Investors' Conference Call for Dabur India Limited Q3 FY 2021-22 - Financial Results

Dear Sir,

Please find attached the transcript of Investor Conference Call organized on February 03,2022 post declaration of Financial Results for quarter and nine months ended on 31st December,2021 for your information and records.

Thanking You,

Yours faithfully,

For **Dabur India Limited**

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

Encl: as above

"Dabur India Limited
Q3 FY22 Earnings Conference Call"

February 03, 2022

MANAGEMENT:

MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER
MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER
MR. ADARSH SHARMA - ED (SALES)
MR. ASHOK JAIN - EVP (FINANCE) & COMPANY SECRETARY
MRS. GAGAN AHLUWALIA -VP (CORPORATE AFFAIRS)

Gagan Ahluwalia: Good morning ladies and gentlemen. On behalf of the management of Dabur India Limited I welcome you to the Earnings Call for the Quarter and Nine Months Ended 31st December 2021. Presenter here with me are Mr. Mohit Malhotra - Chief Executive Officer, Mr. Ankush Jain-CFO, Mr. Adarsh Sharma - Executive Director (Sales), and Mr. Ashok Jain - EVP, (Finance) and Company Secretary. We will begin with an overview by Mr. Mohit Malhotra followed by a Q&A session. I now hand over to Mohit.

Mohit Malhotra: Thank you Gagan madam. Thank you all and good morning, ladies and gentlemen. Thank you for joining us today. At the outset I would like to convey my best wishes to you and your family for New Year. I also hope that you and your loved ones are staying safe and healthy during this wave three of the pandemic. The operating environment in Q3 FY22 has been quite challenging, with economic indicators becoming weak and unprecedented inflation impacting the input costs across the portfolio. In such an environment strong execution by the Dabur team has resulted in the highest ever consolidated revenue from operations of Rs.2942 crores with the growth of 7.8% viz last year. This is on a high base of 16% last year and brings us to the CAGR of around 11.8%. Consolidated operating profit increased by 9.3% despite unprecedented inflation across categories. Profit before tax saw a growth of 10% ahead of the top line. Our profit after tax crossed Rs.500 crores for the second time in a row, reaching Rs.503 crores during the quarter.

Our strategy of focusing on market share gains continues to yield great results for the business. As a result, 100% of the portfolio saw market share gains during the quarter. In terms of the categories food and beverage business posted a stellar growth of 38%. The juices and nectars market continued to witness a good recovery and we have outperformed the industry leading to a market share gain of 540 basis points during the quarter. This is further bolstered by recent launches of Real Koolerz, Real Fizzin and Real Frappe, which have helped expand the total addressable market of our beverage portfolio. The food business under the Homemade brand also performed very well with a growth of 26.4% driven by portfolio expansion and innovation. It is well poised to crores 100 crores for the year.

Our Home and Personal Care portfolio performed very well with 8.4% growth on a high base of 16%, driven by good momentum across all sub segments of HPC. The toothpaste portfolio posted industry leading growth of 8.1% in the quarter despite a high base leading to a two year CAGR of 18%. For the seventh quarter in a row Red Toothpaste our flagship brand posted a double-digit growth, riding on a strong Ayurvedic heritage and consumer pool. Our market share in toothpaste segments increased by 50 basis points and we are on track to becoming the number two company in this category. Hair oil has reported a growth of 6.1%, leading to a two year CAGR of 8.8%. Our market share in the overall hair oil category improved by 90 basis points. Even in the sub segments of perfumed oil and coconut oil, we have seen strong market share gains driven by marketing investments, and distribution expansion. Our coconut oil brand Anmol has gained number two position in the pure coconut oil category. Shampoos performed very well in the quarter and recorded a growth of 21.2%. Our market shares in shampoo increased by 40 bps during the quarter. The salience of bottles continues to see an uptrend and was around 20% during the quarter indicating a strong traction in the urban markets for our products. Recently launched, new product Vatika Ayurvedic Shampoo continues to exhibit a strong trajectory on back of good consumer acceptance. Home care reported a strong growth of 19% driven by double digit growth across Odonil and Odomos franchises. Odonil reported an increase in market share of 50 basis points and Odomos increased market share by 40 basis points. Skincare portfolio witnessed a robust growth of 20% with good traction all the three brands, Fem, Oxy and Gulabari. We have entered the face wash category recently and the face washes are showing good early signs.

Healthcare portfolio reported a marginal decline on a very high base of 28% last year. Despite that our two years CAGR remains in strong double digit for the business. Health supplements including Chyawanprash, and Honey posted double digit two year CAGR and the brands continue to be salient in the consumer's mind. This was reflected in strong uptick in market share, which in Chyawanprash category went up by 200 basis points and in Honey category went up by 180 basis points. We continue to be undisputed market leader in the Honey market with strong presence in all channels: e-commerce, modern trade and general trade. The digestive portfolio registered at 12.2% growth on back of improvements in mobility, and out of home consumption seen during the quarter. While COVID contextual OTC products saw some moderation, Honitus and Shilajit saw strong growth. Our ethical portfolio posted 8.3% growth.

Among channels we witnessed continued recovery in modern trade in quarter three, with growth in mid-teens. Institutional business also exhibited a good turnaround. E-commerce business was slightly impacted on account of changes in the business model of the platforms but continues to contribute around 6% to 7% of our business. Our rural growth was ahead of the urban growth by around 500 bps mainly on account of expansion of our reach and infrastructure in rural.

International business recorded a constant currency growth of 8.7%. Egypt market grew by 13% and Namaste business posted a growth close to 20%. Turkey business was impacted by currency depreciation, but saw mid-teen growth of 14% in constant currency. Nepal business performed well with the growth of 17.3%.

Overall, our business continues to be on a good trajectory with increase in market share across 100% of the portfolio. Category volume declines as shown by the syndicated data and inflation continue to be a cause of concern. But our focus on brand building, distribution expansion, innovation, efficiency enhancement, organization capability enhancement, and ESG focus should hold us in good stead in the future. With this, I bring my address to a close and open to Q&A. Thank you very much.

Abneesh Roy from Edelweiss

Abneesh Roy: My first question is on Turkey business. So, Turkish currency lira was down 44% last year and was the worst emerging market currency. Your 14% constant currency growth is good, but wanted to understand what are the changes in competition in that market in terms of localization and input prices, imported quantum any changes you have done in that market?

Mohit Malhotra: Hi, Abneesh good morning. So, in Turkey what happens, there has been a currency depreciation like you rightly said it's around 40%. Our entire raw material and packaging material which we are using in Turkey is all indigenized. So there's hardly any element which is being imported from outside will get impacted. That said, whatever base raw materials like SLES, et cetera that is coming into Turkey because Turkey doesn't produce on its own. So, that is in dollar denominated and which gets impacted by the currency and which has led to some sort of gross margin contraction in the turkey market. So, that is the cause of concern which is there in Turkey on account of currency depreciation. But what we have done in Turkey is, we are trying to put focus on our exports sales from Turkey to the US and to the other markets like MENA and the CIF market. So export as a percentage of Turkey business has gone up which is all dollar denominated. So which kind of compensates for the currency translation losses and the losses that we have on account of depreciation.

Abneesh Roy: Sure. My second question is on your pure herbs a lot of new launches which you have done, in Q3 and earlier also. So like immunity products, are these also indexed to the COVID wave, that's one. Second is, how do you plan to scale this up are you engaging with vaids, are you going to do a lot of mass media. So, specifically Haldi, Amla, Tulsi and Giloy for example, will be very indexed to the COVID wave and will fall off when there is much lesser cases. So, how do you balance between the portfolio some products will be more structural, but some will be very linked to the COVID?

Mohit Malhotra: The penetration of healthcare and nutraceuticals of the country is very low it's 10% as compared to developed country the penetration in the range of around 40%, 50% if you compare with Southeast Asia and here. That said, the single herb market in India is roughly around 10,000 crore and we are lagging behind and a lot of other companies who have taken a first mover advantage ahead of us. So, we have a lot of catching up to do here. We've introduced the single herb range last year, and we've got almost around five to six products in that range. We're continuously introducing our range, but we are doing it in a staggered manner, one by one. So like in the current quarter you saw introduction of two new single herbs coming in with Shatavari for women's health and Arjuna for healthcare is what we introduced. But Himalaya and Patanjali are way ahead in the race in terms of the single herb and we have catching up and Dabur has the credibility, heritage and the trust of the consumers which will be taken into consideration. We'll be launching products at a very fast pace. The category size as I told you is around 10,000 crore.

And we are hardly having a turnover of around three to four crores in this category by the key introductions. So the headroom and the space for us to grow is absolutely huge. It's just not single herbs, single herbs can be pivoted on the ingredients or on benefits also on nutraceutical. So, we are continuously working on the journey to work on innovations.

Are they COVID contextual? Answer is yes in the short term, but structurally the market sizes are very big and the penetrations are lower in the country. So there is a long term headspace for us to grow this business as healthcare for us. As far as Amla, Giloy, Tulsi products that you talked about was a concern? Yes, during COVID there was a huge tailwind and we had a huge growth, if you look at in the current quarter because of the tailwind not being there. We have seen a little bit of compression in the turnover of these brands which is Health Drops and also Health juices which had gone up by around 100% or 200% last year. So there has been some compression, but that has been more than compensated for the other parts of the portfolio.

Abneesh Roy: Sure. I had one question on the Real Health Chia seeds and Pumpkin seeds. So how big is the market, and your focus will be essentially on the E-commerce and your earlier e-commerce kind of products like ghee and premium say mustard oil, et cetera. How have they done?

Mohit Malhotra: Right. So first of all, what we've done in the Real brand is. Real brand earlier was limited to only beverages Abneesh. So now we have created three sub brands under Real, one is called a fruit power, which is going to talk about fruit linked beverages and anything to do with fruit. The second is called the milk power, in which we launched the Frappe brand and there is a milk part which is value added dairy where we'll get it. And the third vertical for us is going to be Real Health and these are the superfood that we'll be introducing under the Real Health brand and Chia seeds and Pumpkin seeds are the super food seeds that we'll be introducing here. They are basically snacks that we are introducing in this category which is very big in size. So, long term we see and we want to grow Real brand from a Power brand to a power platform and get into foods category also an extend the franchise of Real into Foods.

As far as the other parts that we introduce, coming to the second part of your question is E-commerce driven innovation. So, digital native innovations are rampant. If we look at the overall NPD ratio in the companies around 3.6% in the current quarter, but in e-commerce space it is in the range of around 10%. We are very well geared or poised to exit at a rate of around 100 odd crores for NPD only in the e-commerce or the digital space. We will end up at around 60, 70 crores broadly but next full year, we should be crossing around 100 crore level on the NPD of the digital native brands for e-commerce space. On ghee and mustard oil, it is doing exceedingly well. And for the sake of confidentiality, I'll not disclose the numbers yet. But our mustard oil has got very good traction on e-commerce and we are now collectively rolling it out in modern trade also, and so applies with our ghee also. We introduced cow ghee and now we'll be doing extensions into other value added ghee's like A2 Ghee, et cetera there. It's a little margin dilutive to our business, but the category size is so big that the scale more than compensates in terms of the absolute gross margins that we get out here.

Abneesh Roy: And last quick question. So, in beverages your market share has improved by 20 bps. Is this a Nielsen data collection issue in the base quarter, whom have you gained market share is it Pepsi and you're expanded the TAM here, so which are the new products in beverages where you have the highest confidence?

Mohit Malhotra: Right, first I'll answer your second question first, before I move to the market share. The total addressable market for us which was earlier about 1500 crores in which we were round 64% market share, has gone up to now around 10,000 crores because we have expanded from juices and nectars to now drinks. So, that is what is taking the total addressable market to 10,000 crores in which our market share shrinks to around 10% level. So, that's how we are increasing the total. So, if I look at the drinks portfolio, total Koolerz, and also the pet bottle drinks that we've introduced and also Fizzin that we are adding. Again, we'll be exiting the year at around 100 crore of sales only on account of drinks. That's why you see this kind of growth. And this growth is not a hump, this growth will continue because the TAM has actually gone up to around six, seven times or even more 10 times the way we think.

In terms of market shares, Real has been taking market shares from its peers, which is ITC which is Tropicana, B-Natural and lot of other localized companies also. And the market share gains come on account of our increasing market share in modern trade. In modern trade if you look at the overall market shares due to the nectar segment it is in the range of around 63.6%. But in modern trade, our market shares were very low almost in the range of around 30% to 40%. We were lagging behind in South of India so we have gained substantially in South of India and also in West of India where modern trade is very high. And we chipped away shares from our competitors like BNaturals is very strong in modern trade. So, our strategy very consistently is to gain shares in modern trade which is lagging behind to GT. We are very strong in Northern geographies. Now gradually, we are building the business in West, South and also the Eastern geographies also and the penetration of juices being higher in the South. And also in South we are very low in 200 ml pack. So with introduction of Rs.10 price points we are gaining shares in the 200 ml and the Rs.10 price point segment also with introduction of the Koolerz brand.

As far as Nielsen is concerned, I don't think there is any problem in the Nielsen data. We are subscribing to the Nielsen data and we are seeing these market share gains in line with our gains in primary and secondary falls in place. The category as far as Nielsen is concerned, last year declined by around 5%, 6%. On back of 5%, 6% decline of the category, the category is growing 19%. Compared to the 19% category growth, we've seen our growth in the range of around 38% to 40% in juices, and are gaining share from ITC, Pepsi and other smaller players.

Manoj Menon from ICICI Securities

Manoj Menon: Sir, two questions and then maybe couple of ones if I may after that, so one Mohit over the long period of time, when I look at the pricing let's say this quarter 7% revenue, 2% volume, so 5% is price and mix. 5% is a reasonably high number versus the trajectory what I've actually seen in Dabur over a long period of time. I understand that these are exceptional times, but then, I've observed earlier from a company's behavior point of view there is a reasonable amount of reluctance. I don't want to use the word lack of confidence but reluctance given the rural exposure, et cetera. Is there any change in thought on pricing, as a vector for growth or let's say, if you could talk a bit more about let's say revenue management, linkages to pricing? Some top down thought process here, with a medium term objective. That's question number one.

Mohit Malhotra: Right. So, Manoj thank you very much for your kind words. And first thing on the pricing front, one major priority of the company is not to let the operating margin slip by. So therefore, whatever inflation that we have, we want to pass it on to the consumers or through some of the Samriddhi cost saving benefits at least absorb, not to have the gross margin slip. And that's what you see in the current quarter. Our operating margins have actually gone up by 30 bps despite the inflation. There is some optimization on advertising which has happened, but a lot has been passed to the consumer in terms of 5%. I don't say that there is any reluctance, we look at the demand situation, the consumption situation in the market, the competitive intensity and the channel mix, before deciding the price increases. So, if you look at the price increases, what we've done, we've got three buckets of business - there is a food business, healthcare business and the personal care business. The highest competitive intensity is in our personal care business. And, if I have to bifurcate my personal care business also, the competitive intensity is more only in hair oil. So in hair oil we've let up in terms of taking price increases. And we've been very cautious and circumspect before taking price increases, because we don't want to compromise on the market share gains, which is happening in all the sub segments of hair oil.We have taken price increases, but the inflation is huge. Inflation to an extent of raw material, like which gets into there with the hydrocarbon link is in the range of +50% is the commodity price increases. And also packaging, materials is also linked hydrocarbon, pet bottles and all there's been a huge inflation that is hitting us. We could not pass on this entire inflation to the consumer. So we have kind of, there has been a gross margin contraction only in the hair oil business, which is 10% of the overall business of Dabur.

Now, if we look at the other parts of personal care business, whether is home care, skin care, and oral care business, we've been able to offset the entire inflation through the price increases and there is no cautious approach here because the market leader is taking the price increases. So we take the price increases and there is no problem. Only hair oil which is pinching.

As far as the healthcare business is concerned, we have taken a 10% price increase in healthcare business because we set the pricing table and we have taken the price increases. We have more than offset the inflation impact there.

In Food business also, while the inflation part is not so much in our portfolio of beverages, we have taken a 1% to 2% price increases there also to compensate for the hair oil business. So, our portfolio is pretty well diversified. If we face competitive intensity in one part of the portfolio, the other part of the portfolio comes in where we have the pricing power, and we are able to pass it on to the consumer. So, that toggles well for the future, while we don't see any abatement in inflation coming in next two quarters, and hopefully, next fiscal year, the inflation pressures will moderate. And as we lap over the high basis also, but we don't want to let up on our operating margins.

As far as NRM is concerned, net revenue since we are going to be doing a very structured exercise, we did it in past in Samriddhi. Once again, we are looking at SKU wise, channel wise pricing across the board by getting engagement with some outside consultants. And which I'll talk about as in when we get into that kind of an engagement on NRM.

Manoj Menon: Very clear. A lot of follow ups on this, which I'll probably take it offline. Strictly on the second question or clarification, which I wanted again from a medium-term point was. Let say health care as a category, without really getting into sub segments of it, including starting with the Chyawanprash and a lot of the existing products, including the medicines, which you sell, et cetera. Could you help us understand because it's been almost now close to, +18 months of COVID. And the consumer behavior changes, let's say creating a tailwind for this category in general. If you could talk, whatever you can disclose in a public forum, in terms of the marketing side of it, let's say how much of your growth has actually come from let's say heavy users, light users, what sort of penetration gains, per cap increase. The point what I am trying to understand here is, let say these business have done well. Now, how do I really think about the growth rates for the medium term backed by some sort of statistical data. Thank you.

Mohit Malhotra: Alright. So first of all Manoj healthcare category, we are in a great space. If you look at our growth which in the current quarter and look at the CAGR for two years, our health supplement business the largest chunk of our healthcare business is chugging in a CAGR of 11.2%, don't look at optical 8.2% depression happening in health supplements because it was on a very high base of around 40%, 45% growth which happened on Chyawanprash and Honey, but for that two year CAGR 11.2%. Our digestive portfolio backed by the Hajmola brand has grown by around 12.2%. And as mobility is improving and people have started going out that is doing well. Last year we launched ChatCola brand and a huge innovation happening on that. And this year we have launched Limcola, Limcola has been received very well in the marketplace. It's a tasty digestive and the tasty digestive category is huge. We are again increasing the TAM in the tasty digestive market and extending it to sprinklers and others and as we speak. I'll let the cat out of the bag, we've already launched the Amla candy under the Hajmola brand and which is already around 100 to 200 crore brand established by Patanjali. So that has come in here.

Our OTC portfolio ex-COVID contextual brands like health juices and health Drops that we introduced, is also having a two year CAGR of about 15.2%, having grown by 8% in the quarter. Our ethical business has grown by again 8% with a CAGR of around 15%. So overall, healthcare has again grown by around 11.4% CAGR for us and we are in a good space. That is the two year CAGR for this quarter.

If I compare it a little bit long term for you to understand the health of the business. Our two year CAGR on healthcare business is around 18.6 and around 20% on nine months basis, which is YTD, which is very healthy. And there is a growth in nine months by around 4.6% despite a high base in health supplements.

Now coming to a little big picture, which is a very long term basis. If you look at the total market size of the health supplement business, the gain is bigger and we are expanding the total addressable market here as I told you the penetration levels are very low in health supplements. Just to give you some data and numbers, our penetration of Chyawanprash which around two years back used to be 4% is now in the range of around 8% and penetrations have consistently been going up. If I look at Honey also the penetration had gone up, but because of so many number of players actually coming in the market the penetration of the market has shrunk a bit, but not to the extent what it was pre COVID levels, it has gone somewhere in between. So that's why I'm not able to talk about the numbers so much because of the competitive intensity going high here. But the penetrations have gone down and the number of players have become higher in the Honey category but that said we are in the range of around very low double digit kind of penetration levels in Honey and as a share of ours increases, number of players increase, competitive intensity increases, the size of the pie will only increase. If I have to compare Honey penetration in India and compared to a Honey penetration in the US, we are sitting at the 1/10 level of what honey penetration there. So there's a huge potential and Dabur is by far the market leader with around 50% market share across all platforms that we serve despite some claims by competitors that they won but we are number one as far as Amazon and all platforms are concerned. And we've gained around 180 basis points market share. So huge penetration gain possible in this category. And we've extended the Honey equity into more into Cough and Cold as you know that we've launched Honey Throat Relief now and Honey is the adjuvant which is used in medicine. So the potential in the scope and the headroom for growth in categories like Honey and Chyawanprash, Chyawanprash we've extended Chyawanprash into tables. So suddenly immunity let tablet market is very big. And Chyawanprash is now getting extended into powders and into granules, we have gone into MFD category. Chyawanprash was operating in a category which was sub around 500 odd crores, now suddenly you start operating in a category which is greater than 15,000 crores the moment you get into MFD. Therefore, that's the way we look at the market size.

As far as ethical business is concerned which is again a big business and the backbone or we say our core business. Here we have only 25% market share. We are consistently gaining market share from other players, 75% is all smaller players, which are West and South and region, so huge potential to grow here. In OTC we operate in three big sub segments, which is baby care, in baby care our market share is again sub 25% and we've launched the baby care range, like you know and we compete with J&J who is the market leader here. So again, the potential of growth is huge, and our penetrations are going up. Then the second space is where we operate in men's health where we have Shilajit and we are extending products out there. The third space that we guys operate is in Cough and Cold, where we have Honitus brand, and Honitus is gaining market share consistently. OTC, also a good space. So, overall healthcare is low penetrated, and our growth strides continue through innovation, and also investment behind brands.

Manoj Menon: That was super helpful very comprehensive One last thing, and I'm going to come back in the queue. You have a kind of started up, let's say harnessing let's say the e-com opportunity by bringing some products from international. Is there a case for accelerating this because you already have let say the skincare portfolio which you have built in the international portfolio. Or lot of packaging innovation, which you have already done in international the products looks truly very different versus what's otherwise available in India. So, there is a product and there is a packaging angle there, et cetera which you could really use internally cross pollination right, if I may. Or, is it just that in the current prioritization, because a lot of this actually does need lot of let say gestation investments. So how do we think about this as a vector for growth with a three year view. Thank you sir.

Mohit Malhotra: So, e-commerce is a big future pillar for growth for us. Like I talked about cross pollination opportunities definitely exist and that's a big growth vector for us. So our total NPD contribution on e-commerce is 10%, as compared to the overall company, which is around 3.6%. Partly is coming from international cross pollination and partly coming from identifying categories, **-- which are underserved** in India and where we have a premiumization possibilities on e-commerce where the ticket sizes are larger here. That's why I told you that almost 100 crore exit rate will be our NPD contribution coming in from e-commerce. Today e-commerce will be around 6%. The next four years, we are looking at this business becoming around 15% of our business, and is doing very well and backed by innovation here and premiumization here and across different platforms, we'll be rolling out whether it's the grocery platform for foods or it's a Amazon platform which is amenable to personal care or it's a pharmacy platform for like 1mg and Netmeds. So it offers potential for growth across all the verticals of business and we are working very closely. So not just international business, we also have a business like New U, where we are very strong on personal care, that also offers a good opportunity for cross pollination here. So we are working on the same. But we are a little mindful Manoj of the fact that, we don't put in products which are ahead of the curve, because India market is still a little under penetrated or under evolved as compared to the products which are there in the West like, we are market leaders in serum, we are market leaders in **Hammam zaith,** we are market leaders in the New Age shampoos while we have launched Vatika select range with the adoption by the consumer because all these no nasty products will be put out there. And it's acceptable by a few nice niche consumers. But mass acceptance is still a problem. So we are looking at it, the opportunity exists and it's the timing of cross pollinating it. It's all there part of our portfolio here and we can anytime cross pollinate. And the investment requirements on e-com and digital native brands when it is sold on a public platform like Amazon, et cetera is fairly limited as compared to a mass market launch. So that is a definite cradle for new products where we feed NPD. And if successful, then we roll it out in modern trade. So it's a great playbook that we have established. And we are working on the same.

Avi Mehta from Macquarie

Avi Mehta: Two questions. First, is there any further price flow through that is expected or is taken in fourth quarter or would movement back to historical margins in the gross level, be more linked to moderation commodities costs, as we use other levers to maintain EBITDA in the near term?

Mohit Malhotra: Right, So Avi couple of levers for offsetting inflation. Number one, we've taken price increases, second round of price increases in quarter three only. And there'll be a flow through impact which will happen in quarter four to exit price increases impact will definitely be there in the quarter four and our gross margins in quarter four will be better than what we see in the quarter three, because of the flow through impact coming in. But that said, the inflation impact is not mitigating, we are seeing continuous inflation despite a base of 4%, 5% inflation in last year, on top of that, we are again seeing a 4%, 5% inflation. The company may have to take the more price increases going forward. One is the price increase and we are mindful of again, the elasticity of demand playing out here with a price increase. The second vector will be our Samriddhi savings and cost savings. Third, vector will be leverage happening with the scale building on indirect and S&M overhead. All these factors would play out to try to take up the gross margin levels to the current year average, at least for the next year. So that we don't impinge upon our advertising, for maintaining our operating margin. That's the way we are looking at this Avi.

Avi Mehta: Okay. Clear, and just wanted to get your thoughts on the rural industry kind of demand, what in your view is driving the sleekness and any thoughts on when do you expect the pickup to happen. I can clearly read from your comments and please correct if I'm wrong, that we should be targeting stronger than industry growth because of distribution, but still would love to hear your thoughts, on how do you see the macro playing out?

Mohit Malhotra: Right. I don't know whether your question is about the macro or your question is about Dabur, or is it both?

Avi Mehta: Its rural macro, from your thought process and do you expect this divergence to kind of sustain given we still have that towards broadly what I was trying to understand.

Mohit Malhotra: Right. So what we see is, if you look at the macro and what the syndicated data actually tells us, that rural demand is lower, as compared to the urban demand and we see a 10% growth in value happening in urban whereas in rural, these are 9%. Rural is lagging urban, from a macro syndicated data that you see. But if you look at, and this is the more value data and it's all price driven. But, if I convert this into volume, we find that in the current quarter what syndicated data tells me is that in volume, rural is minus four as compared to urban which is around flat as compared to last year. And this is been moderating, moderating quarter-after-quarter from first quarter if you see. In first quarter the total value growth in the entire as per the syndicated data is concerned, it was in the range of around 36%. And that has come down to roughly around 10% now and the volume is also substantially moderated. So that's the macros. But when you look at the Dabur business, now Dabur business is completely other way around. For us rural is chugging ahead of urban, our rural growth is around 7.5% as compared to the urban growth which is around 2.6% for us. So rural is definitely ahead and rural comes on 7.5 on a base of about 25% of last year. And urban also comes on a base of around 18% of last year. So for us definitely rurally is belying the market trends and that is because of our investments ahead of the curve on building rural infrastructure. Our village coverage has gone up from 55k to 88k as we speak ahead of the target that we set ourselves around 80,000. Our village level entrepreneurs have gone up to around 8,000 now and we generated a sale of around 13 crore out of that and YTD sales of around 36. So all that is over and above what the market is talking and therefore our rural growths are ahead of what the market is. And from whatever government announcements that have come in post the budget, we feel that, that augurs very well for the rural FMCG space to actually pick up from here. We've seen MSP outlays going up and direct benefit transfers happening on account of MSP directly to the paddy and the wheat farmers, that's going to augur very well. There's a CAPEX investment increase of around 35% and that will help generate better employment. MGNREGA enrollments are going up and outlay to the government is gone down, but during the course of the year, they will increase I'm sure the MGNREGA outlays also. And behind a good harvest, that all augurs very well for rural, as a matter of time we see the gap between urban and rural always reducing from the first quarter to the third quarter and it's a matter of time for rural will pick up. And for us around 46% of the business contribution is coming from rural. So we are pretty positive about rural and rural business pickup is happening for us.

Kunal Vora from BNP Paribas

Kunal Vora: First one on seeds and nuts market, you currently have some niche products introduced Pumpkin seeds, Chia seeds, would you consider entering larger categories of nuts such as dry fruits, which is largely unorganized market?

Mohit Malhotra: Still, there is a work in progress happening, but we are looking at a sub brand of Real called Real Health and we'll get into most of the super foods out there. So, we are working on the same. For the sake of confidentiality I am not able to talk about it.

Kunal Vora: Would these categories have lower margins, much lower margins, I understand that target market could be much larger, but some of them will be commodity categories?

Mohit Malhotra: Not really, in the Chia seeds, this is margin accretive business for us. So, our base margin in the food business is arranged around 46%, 47%. This is all higher and accretive of that and e-commerce space. So these are premiumization initiatives for us.

Kunal Vora: Sure. Second one on the 10,000 crore beverage market, what is the market share aspiration over the next three to five years and FY22 has been predominantly in terms of growth, what's really driving it, I understand that you entered into new categories. So, how much are they contributing, and even if I look at the market itself, very strong growth 18%, 19%. What's driving the market growth in the beverage segment?

Mohit Malhotra: See the market growth is being driven by low bases of last year because there was a COVID situation and out of home consumption was impacted. And also institutions, HORECA, hotel channel all that were impacted. So the base was very low. On back of a low base, now you're seeing the market growth of around 19%, which is coming in, as far as Dabur growth, which is the 2x of what the market growth is, is on the back of NPD that you rightly said by increasing the TAM. And that's what we have done and that I told you exit rate will be around 100 crore, but the market size is huge. We will be 10% market share in this huge category. And we have aspirations of taking it to around 20% going forward that's a aspiration but gradually slowly we will build, because the infrastructure requirements in the rural penetration requirements or the urban penetration requirements also different which is different from juices and nectars where we are present in. So as we inch up our market share will be ramping up our infrastructure. And then we will grow. Today we have a huge head space in terms of infrastructure in juices and nectars which is being used for the drink space also and we'll be extending it. We are changing our organization structure also a little bit in the company and we are creating a different vertical for the foods business to provide the thrust on building infrastructure and also building innovations as we speak.

Kunal Vora: Understood. Just one last question, any thoughts on the PLI scheme and the benefits which you expect from that over the next few years?

Mohit Malhotra: We applied for the PLI and we've been fortunate to get the PLI approvals done and there is a roughly 170 crore of benefit that we have got on back of our investment of 550 crores which happened in the Indore plant on the juice line that we'll put up. This will shore up our margins by 2% to 3% long term. This benefit we will get over a period of next five to seven years. And as we are putting the investments, so around two, three notch up on the margins of the food business will be on account of PLI.

Prakash Kapadia from Anived Portfolio Managers

Prakash Kapadia: Two questions from my end. Baby products, now we have a wide range. So if you could comment what's the game plan because there are +20 million babies born in India. Lal Tail has been doing well as a brand it has gained traction. And with some of these newer launches, can this portfolio become 2, 3x in the next four, five years and if you could comment on the current size that will help. And secondly on Chyawanprash, we've launched some, new variants Avaleha. So is it at a test marketing stage, what is the price difference to the base variant, if you could give some inputs that will help?

Mohit Malhotra: Right so baby care we have launched on e-commerce space, so it's completely digitally native brand for us baby care we still haven't rolled it out to modern trade. And so we are watching the progress while it's doing very well for us. And we have got good gains on baby, it's also margin accretive to our business. We are trying to complete the range, again in baby care on the e-commerce space before we roll it out to selective modern trade. And so we are in no hurry to scale up this business. We are waiting and watching, getting the consumer feedback and making improvements in our portfolio, and then we will be scaling it up. The potential is absolutely huge like you rightly alluded to. So, that's how we are working. Lal Tail is our power brand and power brand which is only in the range of around 100 odd crores. So we have a plan to take up this power brand from 100 crores to 1,000 crore level, that's our game plan for all our power brands going forward in long term. And that's why this initiative of rolling out the entire baby care range because no company in baby care exists in isolation for a product format. So you have to be existing as a range and this range has to be promoted with medical practitioners. And that's how the entire credibility comes in with the consumer and that's the path that we'll be working on, on baby care.

Prakash Kapadia: Sure, that's clear and on that Chyawanprash Avaleha where are we, is it test marketing, is it a premium product?

Mohit Malhotra: So, Chyawanprash we have launched an extension of Chyawanprash. Chyawanprash today is sold under the OTC range for us and OTC we reach out to around 2.5 lakh chemists outlets, and this vertical of the business is very different from the other vertical which is the ethical business vertical, wherein we go to the Ayurvedic counters and sell our ethical products. Because Chyawanprash moved from ethical business to OTC business, today ethical business doesn't have a Chyawanprash available with them. So this Chyawanprash that we introduced is SS Chyawanprash is basically a gate opener for a ethical business and its for the prescription market and it's much more premium as compared to what the existing Chyawanprash, when we sold through the medical practitioners and not through the advertising route. That's why this new Chyawanprash would come in, this is the classical recipe from another classical text.

Prakash Kapadia: Okay. And it'll be what one and a half to two times the base variant?

Mohit Malhotra: Around two times the base variant.

Arnab Mitra from Credit Suisse

Arnab Mitra: My first question was on your foods growth. So, if I look at 3Q FY20 which is the last quarter before COVID you had about a 200-crore turnover in foods and beverages which has now become 300. So, this growth you have mentioned about 100 crores annualized is coming from the new products. So, has the core nectar business also seen higher growth or there are some other categories which have also come in here which have helped this 100 crore addition over this two year period?

Mohit Malhotra: So, Arnab as far as food business is concerned our business has increased in market shares. We've gained from 540 basis points in market share as far as food is concerned and that market share gain is happening in the juice and nectar market. So, in juice market also wherein we have Activ brand and the nectar market we have a one litre mix fruit juices so, we basically gained market shares of 500 basis points reaching up to around 63.4% market shares the highest ever in the core space of the nectar. to top it up we have launched drinks and in drinks are gaining market share is a very much because the category is so bigger around 7000 crore. So that is very marginal, therefore I'm not talking about market share gains there, it is a core business market share that I'm talking about, so majority growth that you see of happening at 38%, majority is coming out of our core business in which we are gaining market share, which I talked about earlier, in modern trade, in regions we are not very strong basically modern trade, where our national market shares around 63%, 64% but our modern trade market shares are sub 50%. So, there we have increased market share which are much ahead of 500 basis points also on back of good tactical scheme, consumer promotions and we have gain shares from our lead competitors which is Tropicana or which could be BNatural and others. So, that's on back of that. But that said, our future that we're looking at long term is the entry of drinks in Rs.10 price point and there we are making big strides, because the market is very big and therefore, now we started internally looking at not just market shares in the juice and nectar space, but also in the drink space. And we are tracking that very well and that's got an excellent reception in the marketplace, both our pet bottles and Koolerz which are at Rs.10 price point and tetra pack. And now, we were into the Fizz market also, which is a huge 30,000 crore market wherein the share will come from carbonated beverages which is Coke and Pepsi of the worlds.

Arnab Mitra: Sure, Mohit. My second question is actually related to this is, this 100 crore run rate that you have, as you mentioned you have seen very good off take and there's no challenge in off takes in the market. So, what is the constraint of growth here in the sense given the size of the category is it your own capacity or is it that you want to be at a slightly higher price point so you will not play in the belly of the market. And therefore, how should we think of potential scale up from this 100 crores as we go forward. Also, if you could just talk a little bit in terms of how much of your existing direct reach actually is carrying any of these beverage products?

Mohit Malhotra: Right. So, therefore, a couple of constraints here Arnab. One is capacities. Today we are looking at third party manufacturing so as the business scales up of drinks we'll be putting up own lines and we've got a PLI benefit also in Indore Greenfield wherein we are putting up two lines for the beverages also this is both for tetra pack and also the drinks line. And as you know that the GSTs have gone up in aerated beverages. So that's also been a little bit stumble that we've had. But we are taking up the case with the government and there are big boys in the marketplace, who are also lobbying with the government to reduce the GSTs on the aerated fruit beverages basically. And we are looking at setting up our own unit. Still plans are early I can't talk about that. But we are looking at plans of setting up our own Greenfield for the aerated beverages that is as far as the capacity is concerned and augmenting capacity. But there's sufficient capacity available in third party but the moment you do third party you have margin downside there. So therefore, eventually as the business scales up we have to bring it internal. As far as distribution is concerned today we are adding on the juice and nectar distribution, as the business scales up and as it is scaling up the way we are seeing a very strong reception, we are building a separate network of distribution, which is the E&D distribution which is completely different from the way the distribution of J&N is happening. So we are creating a separate vertical, we've actually created a separate vertical of food as you know there was a separate vertical we are just scaling it up. The number of feet on street is going up, the infrastructures is being ranged up and we have a different organization structure now to handle the foods business going forward. So these are the two impediments that we see. But investment is no impediment from the company, whether it's capex investment or advertising investments, because this is more of an impulse purchase. And you tell what is seen on the shelf, so it's more impulsive, it's more point of sale which is important and driven by more distribution here.

Arnab Mitra: And just one last question on this. It was, like Homemade you have this target of potentially using a 500 crore turnover, do you have any such thought on the drinks business on what size it should be in three, four years' time?

Mohit Malhotra: So we're looking at around 5% to 6% market share gain in next four year. By the way I am not talking about that we are actually working on a vision exercise. And will have a separate forum wherein we talk about a little long term of around four to five years is what is the ambition on the same. But it's a 5% gain in market share.

Shirish Pardeshi from Centrum Capital

Shirish Pardeshi: Just two observation, when we look at the international business, we had a very strong growth. And on a high base, we have grown almost 8.7%, what I was trying to look at, again when we look at quarter four, our base growth was almost 21% ahead in constant currency. So in the current circumstances, how one should look at the growth in the international market, and maybe if you can spare a minute, explaining how one should look at the margins, because largely you have addressed this all issues in last two to three quarters.

Mohit Malhotra: Yes, Shirish. So, IBD is in a good space, the way I see we are looking at the long term, the full year growth of around double digit growth is happening in IBD, the different parts of our international businesses are faring at different rates. First, I'll talk about our MENA region, our MENA region was impacted by high inflation happening on back of the crude where the personal care business was a impacted, there was a margin contraction which happened but on back of Samriddhi benefits and others, we've been able to do a lot of mitigation out there and the business has grown by around 5% to 6% in the MENA region. The hard currency regions like North America have done very well, with Namaste businesses growth of around 20%. Our Turkey business has grown by 14%. Our Nepal business is doing exceedingly well growing by around 17%. So, overall, the business is on a good trajectory of growth and double digit is what we are looking at as a long-term growth coming on back of geography expansion and market share gains in the respective markets and market shares in all the categories in even the MENA region are growing well for us. So as far as margins are concerned, we are working on the margins and we are taking commensurate price increases in all the categories, as you know the per capita incomes are higher. And we are at a low price point in most of the categories where we exist. So there is the opportunity or the headspace to take the price increases and on back of that we are looking at no margin contractions, but margin expansion, and we will see our operating margins only going up in the international business.

Shirish Pardeshi: Just quick observation, on slide #6, there is no mention of Bangladesh business, is it by mistake or the Bangladesh business is not important for us?

Mohit Malhotra: So the Bangladesh business is very important for us, there's a huge opportunity in Bangladesh. Bangladesh, in the last quarter was impacted by COVID and impacted by some supply constraints which happen in Bangladesh because of containers not being available. So it is a short term. If you look at the CAGR growth of Bangladesh it is in high single digits. But we have some work to do in Bangladesh, that's why you don't see a mention out there.

Shirish Pardeshi: Okay. My second and last question on the oral care you did a fantastic job. And you mentioned that you gain 50 basis point market share. Especially you're saying that you're targeting to number two, what is this that's working and this is product expansion in the mass natural segment, how big opportunity we can see in next two to three years and if you can spell out what is the current exit market share in the month of December for oral care?

Mohit Malhotra: So our market share is in the range of around 16.4% that's the kind of market share that we have in oral care and Red Toothpaste is our flagship brand, doing exceedingly well and gaining market share. We saw growth of around 11% happening on RTP where the category was growing at around 6% odd. So we've gained market share in the oral care space and much ahead of the lead player. Our herbal toothpaste that we have launched in South market and other markets also doing exceedingly well for us and we'll be looking at launching premium variants on e-commerce space also. And to ramp this up but long term we will look at double digit growth happening in oral care through our premiumization initiatives and other regional initiatives also.

<u>Percy Panthaki from IIFL Securities</u>

Percy Panthaki: I just wanted to understand on the interplay between your margins, ad spends, et cetera. So, I see this quarter while the EBITDA margin has expanded slightly. It is on the back of a double digit cut Y-o-Y in the ad spend. And I'm assuming given the innovation pipeline you have, you would need to increase ad spends from the current level. So meanwhile, input cost have further inflated also. So with a higher ad spend, and input cost also sort of inflating sequentially in Q4 versus Q3. How do we look at the EBITDA margins for the next quarter? And not particularly fussed about the quarter, but let's say for the entire full year FY23. Do you think there is a risk that the Y-o-Y EBITDA margins will slip down?

Mohit Malhotra: So, Percy the way, first of all let me tell you that we will not allow the operating margins to actually slip by. If you look at the YTD numbers, our EBITDA margins have actually remained where it is, and they've actually expanded by around 9 basis points marginal, so we've been able to maintain the EBITDA margin for the whole business and that is what we will maintain going forward in the next quarter also to have a full year operating margins not to slip by in the business, that is something that we are working with and we will not let that get compromised at all. So that said, how will we deliver that, your question is our top line growth is the first priority for the business so we want to drive top line on back of innovation, e-commerce, modern trade entry, our GTM expansion, rural. So therefore, when the top line is robust, then we will get a leverage across all the other heads. So therefore, we will look at our manpower expenses leveraging, we will look at our treasury income coming in a bit, we will look at our indirect overheads actually leveraging and we are getting Samriddhi benefits also, our variable costs, fixed costs all that leveraging and helping and growing at a lesser rate than a top line and therefore a positive leverage that is the first contributor to our management of the margins. The second is price increases across verticals, wherein we are price leaders and we are the ones that control the pricing table like I alluded to in health care we have taken 10% price increase, the inflation may not be that much but we've taken 10%, in foods we've taken price increases in other parts rather than hair oil we've taken in other parts of the HPC portfolio also we've taken price increases, and if need we will take another price increase, another round of price increase also to offset the inflation. As far as advertising is concerned, we will continue to invest behind our power brands. And what you see is an advertising optically it may seem that we reduce our advertising spend 16%, but what is not visible to you is the trade spends and the consumers spends and other spends. So if you look at that, our overall spends have remained flat, overall ad pro has remained flat, we have just taken out resources from one bucket and put into the other bucket and managed. So that's the way. In a inflationary environment, little bit optimization of the advertising expenses can't be ruled out. So that will happen going forward also, but we are not starving our power brands. So this power brand architecture is working very well. If you look at our power brands contributors 60%, 70% of the business, their advertising expenses are in line with the top line growth. So we've not cut back on advertising expenditure in power brands. If you look at the YTD advertising growth for us, it has actually gone up by around 16%. So in one quarter we have moderated but overall if you see the absolute percentages, are also in the range of around 8% and this will remain around 7% to 8% advertising to top line ratio percentages also. So we are not cringing, we are continuously focusing on investing behind our power brands, investing behind our innovations and trying to draw out the cost from efficiencies in the business.

Percy Panthaki: Understood. Secondly, just wanted to understand your take on the price elasticity of demand for your products. So do you think that price increases will be accretive to the overall sales growth or do you think there will be some zero sum game between price increase and volume growth and therefore the top line growth that you had projected let's say six months ago, whatever you had budgeted, the same kind of top line growth will come through?

Mohit Malhotra: Our volume growth for the whole year if you look at the YTD nine months, ending December our volume growth has been 13% in the business**.** Our quarter volume growth is 2%. Now, why is this is 2%, while optically you see that volume is reduced sequentially but it is not the case. My case sales or the tonnage growth in the business is around 11%. My cases have grown by 11%, because my juices are sold more as compared to my other portfolio. That's why you see a volume growth of around 2% here. So, that's the optical sort of volume growth because which is value weighted is what you see.

Percy Panthaki: Mohit my question was more looking forward for the next four, five quarters because till now in the nine months, we have not seen very high price hikes, we have seen maybe a average price hike of 4% or something for the nine months. But going ahead as the price hikes pile on, how do you expect the equation between volume, price and value to play out. Is it sort of, do you think we will have to as analyst increase our overall top line growth estimates or do you think it will just be a rebalancing between price and volume?

Mohit Malhotra: No, I don't think so. That's the case of scenario of a market leader. If you look at our price increases, our price increases are happening in healthcare, healthcare is relatively inelastic to price increases as people buy a cough syrup irrespective of it going up Rs.5 up or down. So it's pretty inelastic healthcare portfolio which is 30%. In other 20% of our portfolio, which is the food business, again we are market leaders. And there also prices when we have gone into the drinks market as well, I don't think there is a price issue because we are into taking market shares. And in personal care also, we are looking at our volume gains coming on back of market share increases, not really as a price leader that if I take up the prices, and the elasticity and it will become a zero sum game. And the volumes will actually shrink. But yes, we have to be mindful of the category growth rates and we will continue to win in the marketplace and grow our business higher than the category growth by gaining market share. And that's how you have seen the current quarter, the business has happened. And that's how we've been doing a couple of orders. And that's the journey that will be reversing going forward.

Percy Panthaki: Understood. One last quick question, if I might squeeze in. In the last couple of years we have seen really sort of a revolution in the BPC space in India, in terms of online brands, Nykaa, Purplle, Myntra everyone getting into this and this space premium BPC is really exploding. And we have a gap there in terms of our product portfolio, we have a clear sort of right to win in terms of introducing a natural ingredient based or Ayurvedic based skincare, or rather overall BPC kind of brand. What are your thoughts on that?

Mohit Malhotra: Sorry, did you mention D2C or did you mention BPC?

Percy Panthaki: BPC, beauty and personal care. So, something like a skin care or some related products to beauty and personal care is where I think, I know we have a small participation through Gulabari and Fem, but that's not really fully capitalizing the market opportunity that has presented in the last two to three years, it's really exploded.

Mohit Malhotra: So you're right Percy absolutely, rightly eluded and we are very conscious and cognizant of this opportunity, which is coming up especially for the digital native and for the e-commerce platforms. And we are working on the same as we speak and they are working very aggressively and we are not just open to organic we are working on organic entry, but also we are open to inorganic plays here. And that's why, we have war chest of around 5,500 crores kept in the balance sheet for that purpose because it's a quick ramp up through inorganic and there are a lot of startups which are available as in when we see a right valuation in more synergistic target, will get into that and ramp up a BPC space through that and we've evaluated some brands also, but unfortunately we've not been able to get on to, so we are working on that space. And also there is a organic entry being planned, because one thing is that in this space, we have existing brands and existing brands have got their extendibility issues. Like you said Fem and Gulabari, but a lot of work needs to happen so the team is already on it, and conscious of this opportunity.

Latika Chopra from JP Morgan

Latika Chopra: Probably extending a little bit from what are the prior questions is on your growth expectations on top line for the next year. Considering you spend a large chunk of your revenues, or a significant part will relatedly be inelastic towards price and you always kind of targeted a high single digit volume growth, for the business overall. So, are we putting in a case that next year probably we are looking more at a big teens kind of a revenue growth considering pricing growth is going to be more like 4%, 5%, 6%, given the kind of price increases you have undertaken so far?

Mohit Malhotra: So, Latika this is the process of creating in our vision exercise for next four years to come. The work is already in progress. And I can't really talk about the numbers for next year. But, for the current year definitely a double digit volume growth and a double digit value growth is what we had targeted and that's what we'll be exceeding our targets also. So in the current year, definitely the double digit volume and value, and for the full year basis. Now, for next year, the vision exercise is underway, and we will talk about the numbers as the vision document is created for us.

Latika Chopra: Sure. The second update that I wanted to check was, there's not a product portfolio expansion by Dabur over the last two years. Is it possible for you to share what is the total SKU size for the company today versus what it was two years ago. And, I remember if I'm not wrong you mentioned that the share of NPD in channels excluding e-commerce is 3.6%. So could you elaborate how you define this NPD, is it like products introduced over the last one year or two year or three year?

Mohit Malhotra: Right. So the way we see it the innovation is going to be the center stage of all activities that we guys do and it's going to be important pillar for growth. If you look at the last vision, last four years also, around 4% to 5% of the business has been contributed by the new products and so will be the case going forward in the future also and across all the verticals of health care, foods and personal care. And we see a lot of opportunity in both evolving our brands and also renovating and also innovating across our portfolio. The total SKU size in terms of numbers has gone up from around 1300 SKUs odd to around 1500 SKUs, that said this is the NPD introduction. But we have also done the rationalization of the tail as we go along. So we have rationalized quite a number of SKUs, Mr. Ankush is here, Ankush can you talk about it?

Ankush Jain: Yes, Latika your question on this SKU rationalization as well, last year beginning we did some exercise and almost 15% of our SKUs which were contributing less than 1% of our sales, we almost **cut**, and we would be doing a similar exercise and we are making a governance framework around this as well to improve productivity and efficiency.

Latika Chopra: Sure. And then this definition of NPD is what you've launched over the last two years or three years or?

Mohit Malhotra: The way we define NPD is last year and the current year.

Latika Chopra: Okay. And the last bit, Mohit given this increase size of the portfolio and NPD. Of course, e-commerce is a big channel driver here, but any more changes you have made in the general trade or modern trade sales distribution infrastructure. You did allude to something on the F&B side earlier, but you follow a set sale structure, have you gone one notch down in that level to enhance the productivity per store?

Mohit Malhotra: That's right. So, what we are doing Latika is, first of all let me talk about the distribution system. So earlier, we had three verticals for distribution. One is HPC, one is the HC, one is foods vertical. So what we've done is, we've done experiments and in a couple of main towns, we have divided HPC portfolio into HPC one, HPC two that has given us very good dividend as we've done those changes in the North market, and we will be extending that going forward. So the HPC portfolio will be divided into two that's one, as far as efficiency is concerned for the productivity improvements in the sales. We've already put out what is called EDGE, every day great execution which talks about line flows, bills cut and how much time the salesman is actually spending. So that's more of machine learning of the data and the heuristics that we have and then giving a push list out to the consumers. Therefore the productivity has gone up, hence forth the consistently actually going up and we are bifurcating our sales force into bottom boxes and top performers. Top performers being rewarded and elevated in the company and bottom box will be joined in the organization. Also that said, a lot of sales force has been put on the third party payroll, and from the stockiest payroll. So that exercise is also happening. As well as the foods vertical is concerned to provide focus as we gone into the drinks, we are ramping up our infrastructure in next three to four years, we'll be adding roughly around 900 feet on street for the distribution, focus on juices will be big and centrally a resource to drive the food business being created, reporting to Executive Director Sales.

<u>Kaushik Poddar from KB Capital Market</u>

Kaushik Poddar: You spoke about the e-commerce part. So, can you talk about what is the current, how do you see the e-commerce say three to five years down the line?

Mohit Malhotra: E-commerce today contributes to around 6% of our business in four years time, we expect e-commerce to go up to around 14% of our business. That's the way we see e-commerce as a channel growing in the country.

Kaushik Poddar: In five years, or three year that 14%, five years?

Mohit Malhotra: Three to four years yes.

Kaushik Poddar: Okay. And in e-commerce you have introduced this mustard oil and all those things probably at a little premium pricing. So how do you see that playing out, those kind of products playing out and what is the long term strategy, do you plan to introduce those things in the modern trade after something?

Mohit Malhotra: Absolutely. For us e-commerce is the cradle for innovation. So all the value added foods we'll put out there and as they scale up, and we reach a threshold level of this coming in e-commerce, then we'll be rolling out in selective modern trade, premium modern trade and then from then from premium modern trade to regular modern trade to OFOs and then to GT. That's the way we follow a lifecycle of a brand going forward. But the intent long term is to grow those businesses and build scale there.

Krishnan Sambamoorthy from Motilal Oswal

Krishnan Sambamoorthy: Mohit my question goes back to the comment that you made about 200 to 300 basis point margin improvement in the F&B business as a result of the PLI benefits. Just to put this in context, 100 crores of sales of drinks. Has this been margin dilutive for the category, and particularly now that you're targeting to double deck, would that be led to a margin, a downward revision in margins which would then be your reset to 200, 300 basis point higher because of PLI?

Mohit Malhotra: Yes, that is on the entire foods business and the vertical that we have which includes juices and nectars. And also the drink segment, it is just not limited to drinks. Like maybe you've understood it, not its entire business. And we are looking at our business of scaling up and doubling the way it is growing. So this PLI benefit will be happening on the entire business. So that's the way it is.

Krishnan Sambamoorthy: Yes, my question was more on will there'll be a downward reset in the interim because of higher share of drinks 100 crores and maybe potentially to create a 200 crores of revenue, because drinks may be lower margins than juicers and nectar and can you just clarify that?

Gagan Ahluwalia: So in the current quarter which we are discussing, if there would be drinks would have slightly lower margin but it has been more than compensated by improvement in margins and other portfolios and if you have seen the margins PBIT margins as per the segment reporting the margins in the food business has improved by 300 basis points.

Mohit Malhotra: So, if you look at the segment reporting which we've already published, our foods margins are going up Krishnan. So the PLI benefit will only help in support that margin going up. To add to that we have premiumization initiatives also in Real Activ that we are introducing a lot of premium brands like we saw the Chia seeds and all that will compensate and the drinks portfolio that we talked about a little margin dilutive. But, not so much that. Also we are doing a third party today. The moment we bring it in-house, then our margins will notch up here. Overall next three to four years we are only looking at a food margins to go up. We have launched milkshake and masala range of juices, which are also margin accretive to the overall business.

Gagan Ahluwalia: Thank you for participating in this earnings call. A transcript and webcast will be available on our website soon for any clarification and queries you may please contact us. Wishing you a nice day ahead. Thank you.

Mohit Malhotra: Thank you.