



“Dabur Q3 FY12 Earnings Conference Call”

January 31, 2012

Dabur India Ltd.’s Participants

MR. SUNIL DUGGAL - CEO

MR. S. RAGHUNATHAN - CFO .

MR. ASHOK JAIN - SENIOR GM-FINANCE & CO. SECRETARY

MR. SAIBAL SENGUPTA - SENIOR GENERAL MANAGER-FINANCE

MS. GAGAN AHLUWALIA - GENERAL MANAGER.



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Gagan Ahluwalia

Good afternoon, on behalf of Dabur India Ltd. I welcome you all to this conference pertaining to the results for the quarter and nine months ended December 31, 2011. Present here in the Dabur team are Mr. Sunil Duggal – CEO, Dabur India Ltd, Mr. S Raghunathan - CFO, Mr. Saibal Sengupta - Senior General Manager, Finance, Mr. Ashok Jain - Senior General Manager, Finance and Company Secretary and myself. We will first have a brief presentation by Mr. Sunil Duggal on the performance followed by a Q&A session. I now hand over to Mr. Duggal.

Sunil Duggal

Thank you Gagan. Good afternoon ladies and gentlemen. I welcome you to the Dabur India conference call pertaining to the results for the quarter and nine months ended December 31st 2011.

Dabur India Ltd. has registered growth of 34.5% in consolidated sales and 11.9 % in profit after tax during the quarter. Excluding acquisition, sales grew by 20.2%. Domestic business reported growth of 16.2 % driven by strong growth in hair oils, digestives, home care and foods. Input cost inflation continued during this quarter putting pressure on gross margins. Calibrated price increases have been taken to partially offset inflationary pressures. In order to provide enhanced capability and scale to our consumer health initiative, we had decided to integrate the Consumer Care Division and Consumer Health division SBUs. We are pleased to announce that the integration is now largely complete.

Hair oils grew at a robust 22% during the quarter, driven by good volume growth and price increases. The input cost inflation in hair oils has been significant and was managed by effecting portfolio wide price increases. Despite price increases in our key brands, Amla and Vatika performed well and maintained market shares. The recently launched Almond hair oil has met our performance expectations. Shampoos staged a revival growing by 4% during the quarter with the largest variant registering growth in the mid-teens. This has been the result of focussed media investments and improved visibility of the brand. We believe that Vatika brand enjoys good equity on the herbal platform and we continue to focus on this aspect and benefits.

Health supplements grew by 13.5% with Chyawanprash and honey performing well. Chyawanprash grew in double basis and improved its market share. Honey reported robust growth across regions and channels.

Oral care registered growth of 11.6% during the quarter with toothpaste grew at robust 14.4% and tooth powder by 4.5%. On the back of this growth all our toothpaste brands i.e. Red toothpaste, Babool and Meswak witnessed gains in market share.



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Skincare categories performance was relatively muted during the quarter witnessing growth of 5%. Sales of Gulabari were impacted by seasonal factors. However, Fem Bleach portfolio grew in double-digits and it is back on the growth trajectory post distribution re-alignment.

Digestives grew at a robust 19.3% during the quarter. Hajmola performed extremely well despite significant price increases on the back of enhanced media initiatives and launch of new variants and SKUs. The baby care portfolio also witnessed a double-digit growth driven by media initiatives.

Home care was back on track growing by 18% during the quarter. The largest brand in the home care portfolio Odonil reported strong growth across formats.

The OTC and ethical portfolio grew by 10.4% during the quarter. OTC performed well growing by 14.4%. Going forward new products and packaging are planned for this portfolio.

Foods maintained the good momentum growing by 17.4% during the quarter led by Real and Activ's strong performance in the juices portfolio. A number of new initiatives are planned in foods, including launch of new variants and extensions.

Dabur Organic International business excluding acquisition witnessed healthy increase of 37.8% during the quarter; growth in same currency terms was 26.5%. Nigeria, Egypt and Gulf Corporation Council Markets reported strong growth with categories such as hair creams, shampoos and tooth-paste doing well. The business continued to invest strongly behind A&P and new product activity which includes products like hair gels, wet wipes and skin lotions.

The two overseas acquisitions Hobi and Namaste laboratories contributed to around 13% of consolidated sales during the quarter. Hobi Group performed well to end at 44% driven by continued investments behind the brand. Namaste laboratories performed very well with growth in the mid teens. Manufacturing for Namaste has already commenced at the Ras al Khaimah facility. This is in line with our plan to expand our presence in Africa and grow the business aggressively.

On the profitability side Dabur saw growth of 11.9% and profit after tax during the quarter, in spite of high input cost inflation and significant uptick in adpro. Adpro as a percentage of the sales increased to 13.6% during the quarter versus 12.4% in Q3 FY11. EBITDA for the quarter grew by 12%. The EBITDA margins witnessed some compression and were at 16.7% of sales during the quarter as compared to 20.1% in the previous year. Profitability has also been impacted to some extent by adverse exchange rate movements.

Going ahead, the inflation scenario remains uncertain and to deal with this we may choose to effect calibrated price increases. Competitive intensity in some of the HPC categories may demand higher expenditure on adpro and this could continue to exert pressure on margins.



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However, we will overcome these challenges by investing strongly behind our brands, new product initiatives, efficient management of cost, expansion of our distribution footprint and thrust on rural markets and new geographies.

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

Abneesh Roy from Edelweiss

Abneesh Roy Sir thanks for the opportunity and congrats on good volume growth compared to the previous quarter in Q3. Sir, my first question is on the food business. This has been a stellar growth category for us, in that we have seen a base effect catch up. My question is 17% versus 25% growth rate, how much is it because of the base effect, how much because of the price hike and how much is it because of the supply issue?

Sunil Duggal Well, combination of all three but the base effect is dominant, I think, it is unfair to expect this category to grow at 25%, 30% what we have done. So in a sense, the base has caught up with us and we probably would see comparatively moderate growth in the next couple of quarters. Partly, it will be impacted by how good our replenishment is which has been a little patchy over the last few quarters, and partly on seasonality. – If it is a long hot summer that will obviously mean little better offtakes. So I would not stick my neck out and say that we will be able to retain the kind of growth which we showed in most parts of this year and parts of last year. I would look at growth in the high teens from foods which still is not a bad place to be in.

Abneesh Roy Sir, we have been hearing that in terms of raw materials, there is an issue with some of the materials like orange, for example. So in the terms of price hikes, do we need to take more price hikes in terms of the margins? Where are we compared to the earlier margins?

Sunil Duggal Margins have contracted in this quarter and we did see a dip in food margins. We would be a little cautious in effecting price increases because we are close to Rs. 100 price point and going beyond that could have some impact in terms of offtakes. So I think, we need to manage cost better. I think Q3 margins were significantly impacted by the depreciation because of the high import contents of juices so that is likely to now moderate a bit. So I will be in no hurry to effect price increases, certainly in Q4 there would be none and then we would wait and watch as to how the margins profile emerges in the 1st Quarter before we take any decision. Any case, this is not the right time to take any price increase, it is still winters in most parts of the country.

Abneesh Roy Sir, my next question is on the digestives, we have seen a growth accelerate out here. So what have we done, any special drive, is it sustainable 19% versus 9.5% earlier?

Sunil Duggal Well, I would never say the 19% is sustainable because that would be a little over optimistic but what we have done in digestives is that we were earlier packing basically Re. 1 Hajmola sachet which is dominant SKU for this category, there is Pudinbara and others of course such as Isabgol



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but dominant one is Hajmola, and that too the Re. 1 sachet. So earlier, we were stuffing six tablets into one sachet and selling it at a rupee and generating pretty low margins. Because of low margins we were not investing in media so it was bit of a vicious cycle. Finally, we said okay, we can't sustain six so let's pack four and we were prepared for some drop in offtakes because of consumer reaction to this move. It is effectively a 33% price increase. But what we did to cushion this possible impact was that we spent considerably more on media to manage the transition and we were quite surprised at the outcome. I think, the consumer did not really mind the lower content and advertising was a big driver and we saw a very good growth and very good profitability so it worked very well for us. Going forward, I think we will have to take a call whether we want to continue investments such as high decibel investment in media which we may choose to do or whether we can just taper off media and then let the brand continue with a double-digit growth.

Abneesh Roy

Sir, how is the competition reacted in terms of digestive?

Sunil Duggal

Fairly little competition here, it dominates the category, it's almost generic to the categories of these tasty digestives. So the competition has not really reacted. There are a few brands which do exist and they maintain their pricing which is probably at half our levels but I don't think we have competition here.

Abneesh Roy

Sir, my next question is on the shampoo, finally, we are seeing growth come back, and 4% growth and Vatika Smooth and Silk has grown in mid-teens. So I wanted to understand what is the sustainable growth you are looking at? Is the competitive intensity now much better, in control and why is Vatika Smooth and silk growing much faster than the overall category for you?

Sunil Duggal

The competitive intensity here is not slackening, it is extremely high and it has only gained further momentum with some of the premium brands even getting more aggressive at the Re. 1 price point. So I don't expect any miracles to happen in shampoos in the next few quarters. It will be a tough task and by having said that, I think, we have got the basics now on track. We have aggregated the five or six variants into just three which means that we will be having better strengths across the variants and particularly on the lead variant. The distribution issues, I think, will be pivotal in driving growth of this brand in the rural areas. So it is hard to put a number but I think growth will happen, but it is not going to be very transformational at least in the next few quarters.

Abneesh Roy

Sir, last question on skincare, 5% growth there, you said Gulabari had some issues and now Uveda is being expanded a bit. So wanted to get a sense in the coming quarters, what is the strategy in skincare?

Sunil Duggal

The key product here is the bleach and that I think will continue to drive growth. So I'm pretty hopeful that we will regain double-digit growth from this quarter onwards but I think, cold cream



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and the Gulabari franchise particularly the cold cream which had a bad year was due to high humidity levels which prevailed in most parts of northern and eastern India. So, while the winter was very severe, it was delayed so people didn't stock up and then humidity levels were high. So application of any moisturizing product, I think, you will see a pattern here that has been on the low side.

Abneesh Roy

But Q4, do you expect to benefit because of the severe cold now being a bit elongated?

Sunil Duggal

Not too much because the humidity aspect is still pretty dominant but the Fem part is showing good traction and I think, that would drive growth. But Q4 is never a big quarter for the Gulabari franchise, I mean, the rosewater is steady but for cold creams the year basically finishes with the 3rd Quarter, nobody buys in the fourth, they are basically liquidating inventories.

Abneesh Roy

Sir, Fem bleach, do you want to take more categories which you see the way the market leader has taken their main brand into face wash and all that. They are promoting multiple usages, more frequently. Any plan for taking Fem further?

Sunil Duggal

Yes, I think, we do have a skincare regime plan for Fem but the heart of this brand will remain in the bleach space and that is what we are perhaps doing, lot of work with the Oxy brand which is being almost one of as a separate brand distinct from Fem and a lot of initiatives will be happening under the Oxy platform because Fem does have some chemical connotations which Oxy does not. So I think, it is probably a better way to drive expansion in the skincare through Oxy and not through Fem which should be in the sense confined to the bleach space and within bleach there is a lot of innovation you can do, which we are doing.

Abneesh Roy

Okay sir. Thanks and all the best.

Chirag Dagli from ICICI Securities

Chirag Dagli

Good evening. Sir, your thoughts on rural market consumption and specifically for Dabur how has the traction been for the 3rd Quarter?

Sunil Duggal

Well, the rural market overall, there has been a slowdown. We have not witnessed it because of our very high levels of activity in the rural market. So our rural franchise remains steady and has grown at the same pace as urban. Even though the rural market has come off considerably compared to where it was 2-3 quarters ago. I think, rural will continue to be very-very important in our scheme of things, particularly for HPC, not so much for healthcare which will be a blend of urban and rural and food of course, is almost entirely urban but HPC is going to have a strong rural focus and bias. And given the width of our HPC portfolio which now spans so many dimensions, I think, it is important that we deepen our presence in the rural to take advantage of the width that our portfolio enjoys because the problem with rural is that if it flows through wholesale, the wholesaler picks up the lead brands and don't pick up the tail. So if you want to



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push the tail then you have to really have direct presence yourself and that is what we are endeavoring to do. We have done a pilot in two states, UP and Maharashtra, we are now fine tuning the pilot to meet individual requirements of the geographies and we will be having massive expansion plans over the next six months which will implant our presence in rural much stronger than it has ever been.

Chirag Dagli How big will be rural for you sir, in terms of contribution?

Sunil Duggal Little over 50%.

Chirag Dagli Sir, if I were to work back backwards from the, you are saying in the presentation that your 26.5% international constant currency growth has been largely volume driven. If I work it backwards, then your domestic volume growth works around low single digits?

Sunil Duggal Not low single digits more like 8% odd.

Chirag Dagli Okay so 8% for the quarter, this is in comparison for the first two quarters of this year, how is?

Sunil Duggal This has been ahead of the first two quarters definitely. I think, second quarter as I remember was around 5%, it is going up despite very high price increases and we will be able to maintain a fairly decent volume trajectory in the months ahead. I don't see anything which has changed too much on the ground so that we can't regain our high single digits or low double-digit volume growths.

Chirag Dagli So the market as a whole, despite the rural slowdown, you don't think on an overall basis your volume growth will really get impacted?

Sunil Duggal I hope not, I think, if we do nothing then it will but the rural initiatives and the distribution re-alignment will really be the driver of volume growth because that is what it is designed to do.

Chirag Dagli Okay, thank you so much and all the best.

Ashish Uppanlawar from Spark Capital

Ashish Uppanlawar Sir, just want to understand better on this initiative on the distribution thing that you are taking and how do you see the outcome of it coming and when?

Sunil Duggal The pilots like I have said have been completed in UP and Maharashtra. We put a pause despite actually we are completing the second quarter, then we put a pause in the third because we wanted to consolidate our other re-alignments which was along HPC and HC lines which I spoke about in my last con call. We are now dividing the rollout and as we speak it's been rolled out across seven states and over the next three quarters including the current one. We will have a close to national footprints and the next 80% of our rural sales will be under the new design.



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Now this is a radically different design which means that we are substantially narrowing the spans of control and therefore having a large number of feet on street which will aggregate to something like 1600 numbers over the next 6 to 9 months. It is very different design, obviously people who are not paid the same salaries, and there are regular sales officers. We are adopting an outsourcing model in terms of recruitment and the payroll issues. So all this will really I think be transformational in not just expanding distribution width but by expanding portfolio width in the rural areas. I think, that is what I am very keen on that our already pretty substantial access across maybe 3 million outlets in the country we really leverage to sell a much better range than what they are.

Ashish Uppanlawar

Sir, would that mean replacing indirect reach with direct reach something like that?

Sunil Duggal

Substantially, yes, that is really integral part of the design and also a far closer monitoring of what is happening at the rural retail level so direct reach would expand quiet by substantially here.

Ashish Uppanlawar

Have you seen some kind of positive impact of this and this kind of 8% of volume growth that you have delivered this quarter?

Sunil Duggal

The pilots which are there in two states probably haven't made a huge difference to the total top line because they were like I said just two states and they are also not across the entire width of state it was done in parts of it. But if you extrapolate that to the country once it's fully completed then I think, the impact can be quite substantial. It will smoothen the ups and downs; I think we will have a far better and more profitable trajectory of growth. And like I said, it will enable a far better quantum of range selling.

Ashish Uppanlawar

Okay but which of the brands do you think, would you be able to push better than the other ones?

Sunil Duggal

I don't think, we will benefit with the Amla Hair Oil, or Red Tooth Powder or Chyawanprash as these brands finds their ways no matter what you do because they are institutionalized in a sense, at every retail outlet. It is the tail of the portfolio, when I say tail, I mean, I'm saying the smaller brands let us take the skincare products Fem, for example, Gulabari, etc., their reach is uneven, I'm talking about the micro interiors some places they are there some other places nobody has even heard of them. When the wholesale supports them then they find the way into the rural markets and likewise if he doesn't they do not. So these are the products which would gain tremendously and many of these are very high margin products. So I think it will improve our rural mix which is today inferior to our urban mix. So the idea is the rural mix should be at least on par with if not ahead of our urban mix in terms of contributions.

Ashish Uppanlawar

Sir, you said that the rural slowdown is definitely there but you haven't been impacted?



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- Sunil Duggal** No, I don't see any slowdown in our rural off take. We have seen quarter 3 growth better than what we did in the first two quarters and rural has been fairly significant in that growth.
- Ashish Uppanlawar** So last time the advertising and promotion strategy, you have just stepped it up this quarter. So should we expect continuation of this kind of spend on A&P going ahead also?
- Sunil Duggal** Almost, certainly yes, the worst thing which you can do is to under invest in our brands, no matter what the margin pressures are so I think this trajectory of 13% growth which you see, which is actually more like 15% because some of what we classify A&P internally is charged off to COGS. So actually we are spending close to 15%. I won't say it is going to be institutionalized but we would like it to be at that level as much as possible because we do see the results coming out of heightened advertisement spends.
- Ashish Uppanlawar** Sir, any more price increases required because there still seems to be gross margin pressures?
- Sunil Duggal** I am sure the price increases are required because we do have pockets of low margin in certain categories but whether the opportunity will be there for the price increases, I am having some doubts. Because I think the competitive environment may not permit it because people are being very-very slow in taking up price increases. Perhaps, they see the inflation cycle coming to a little bit of an end so nobody wants to take a price increase at this stage and I tend to agree with that, I think we should live with a quarter or two of more margin pain rather than to take up our prices and have dislocations from the market and then subsequently rollback prices, that is not a very smart thing to do.
- Ashish Uppanlawar** Have you seen any kind of stabilization of raw material costs, or maybe softening?
- Sunil Duggal** Little bit of softening, yes. It is a lag obviously, in fact, we are buying into commodities which are lower-priced than what we were doing three months ago. Results maybe not very visible this quarter but I think, from next quarter, unless there is an uptick in inflation once again, you should see lower material cost to sales to ratio. So first time the material cost ratio has gone up to 50% and I think we should try to bring it back to around 45%- 47% levels in a reasonably short of period of time.
- Ashish Uppanlawar** Sir, one more question on the international piece. Any comments on how the Hobi and Namaste acquisitions are being integrated and basically taken forward into....
- Sunil Duggal** The integration is more relevant for Namaste because that's what will drive forward when integrated within the Dabur system for Africa. I think the progress has been extremely good; now 27% of Namaste revenues are coming from outside the US. We hope this will come to 50% by 2015, that is a long task ahead but I think it is definitely achievable and if that happens then the rationale for buying this company would be proven many times over. But even otherwise Namaste is doing well, both in its home market, the US and in collaboration with our



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international business in the emerging markets. The trajectory of growth is high; it is in the mid teens. The profitability is improving gradually, we are today at around 13% to 14% EBIT's and we can ramp it up further but I think the requirement for the business is to establish strong Africa presence and generate revenues from those markets. Hobi, little bit more pressure on the margins because of very sharp depreciation of Turkish Lira and the whole value chain is linked actually to the euro and there has been 20% to 25% depreciation of Turkish Lira against the Euro that has put pressures on margins but having said that the top line is progressing very nicely. We grew by close to 50% YoY in Q3 and then we did invest around 20% to 22% A&P so we are investing in the brands in the home market. The traction is good, particularly in the overseas market but even in the home market they are growing at around 30%. We just have to invest behind Hobi for a few more quarters before we yield the requisite margins all of it. But even as it is, the business is margin accretive even though marginally slow it is not dilutive in terms of EPS.

Ashish Uppanlawar

You said 50% growth for Hobi?

Sunil Duggal

No, it is around 44% growth.

Ashish Uppanlawar

Okay so 44%. What would be the actual volume growth there?

Sunil Duggal

Volume growth will be low because on account of high inflation; there has been a large price increase component that will be around 10% to 15%.

Ashish Uppanlawar

Okay, thank you sir.

Nilay Shah from Morgan Stanley.

Nilay Shah

Thank you. Sir, given the 9% sort of price increase which we affected for the quarter on consolidated basis?

Sunil Duggal

That is on YOY, quarter was more like 3%.

Nilay Shah

On a YOY basis for the quarter, the 250 bips decline in GP margin is a little bit of surprise out here?

Sunil Duggal

Because the inflation has been high. If you do the maths we have got a material cost of increase of around 165 crores in the nine months, we have taken our prices by around 165 crores. The problem with that is that unless you double the price compared to your material cost increase your ratio shrinks so I think we have been pretty good at neutralizing the whole cost impact, but not good enough in neutralizing the margin impact. Therefore, there has been a contraction in the EBIT margins.

Nilay Shah

Going forward you still expect that this quarter to show the same trend given where costs and pricing are currently?



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Sunil Duggal

I think, we have bottomed out in terms of the margin profiles. I do not see a spectacular reversal in terms of how the margins are going to play out in the next few quarters but I do think, we have bottomed out and you will see a slow but steady increase. We are shooting at around 100 bps per quarter over the next 2-3 quarters, whether we achieve it or not is still have to be seen but that is the intent that we take up gross margins in a calibrated fashion on the back of some price increases and some material cost reduction by around 1% a quarter over the next two or three so then we are close to where we were, let's say year ago. This will not be on the back of A&P reductions, these we don't intend to, and this is with significant investments in A&P and if the margins do not emerge it does not mean we will cut back on A&P, that will not be the balancing factor. A&P spends are going to be continued aggressively over the next 2-3-4 quarters because we believe that is essential. It is my firm conviction that it is comparatively easy to re-gain lost margin, it is far more difficult to re-gain lost market share and we will proceed with this philosophy without any dilution.

Nilay Shah

Sir, based on your comments would you see you are gunning for about 10% volume growth over the next few quarters?

Sunil Duggal

That is what we should be doing and having said that 10% volume growth is never easy now for a very large base but in the high single digits, it is something we should definitely be achieving, 10% is the little bit of stretch that is the ideal situation but may not come in a hurry. Lot will depend upon the overall economic outlook because as far as Nielsen data goes at least the rural markets are little bit underperforming and we have a lot of exposure there, so getting 10% may not be that easy but I won't rule it out.

Nilay Shah

Okay and finally on the margins on Namaste and Hobi could you share those with us?

Sunil Duggal

Namaste generates an EBIT of around 13 to 14%, and we intend like to take it up gradually but not at the cost of expanding in the Africa markets. It could be the Africa markets will demand higher initial cost in terms of brand building etc. in which case we may not see any ramp up of the EBIT margins. In case of Hobi we are at the single digits at this point in time which is largely on account of adverse economic climate and currency issues more than anything else. This can only get better from here and we should try to pitch it at around that 12% to 13%, which we believe is achievable and reasonable for that business.

Nilay Shah

Sure sir. Thank you so much.

Prakash Kapadia from I Alpha Enterprises

Prakash Kapadia

Thank you for taking my question. My question was on the domestic business, in the standalone domestic business we have seen gross margins now be lower by over 300 bps for the nine months. So if you can give some sense what is hitting in the raw material? Is it herbs, the jari booti perfumery or is it affecting cost also which is affecting the domestic margins?



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- Sunil Duggal** Interestingly, the margins erosion has been little bit more on the overseas business than in the domestic business. If I see the numbers in front of me the EBITDA margins for the standalone business is 18.3 as against 19.8 on which was one year ago so 150 bps shrinkage. For the consolidated it is been little bit worse, it is been around 250 bps shrinkage. So basically our overseas margins which had gone up to actually stratospheric levels last year on 26%, 27% EBITDAs have come up very sharply because we have not taken up our prices in our international business. The cost impact has been very severe there but I also believe that the recovery will be equally quick in the overseas markets. We are seeing a very dramatic reversal in terms of material cost there so the overseas business while it may not generate a same level of EBITs of 26 odd as it did last year, certainly will be much better than what it is, which is a little bit lower than the India business. And the India business, like I said, would slowly inch up and we should be at better levels than what we are doing today. So I think, the India business actually has not performed too badly as far as the margin side goes, it is really the overseas business which has been the drag.
- Prakash Kapadia** Sir, is a packaging costs also because that's like 40% of the....
- Sunil Duggal** It is everything but because packaging and also downstream hydrocarbon products, plastics, PET etc. have shown a fairly significant inflation but it is more raw material.
- Sunil Duggal** Raw material is around two thirds of our total COGS basket and if you take some of the....
- Prakash Kapadia** 25% at the consolidated base?
- Sunil Duggal** That will be pretty unprecedented, LLP, the edible oils, sugar, even things like gold which we use so thing you name it and the packaging actually is not that, only PET seems to be a bit of a culprit here but I would say 80% of the inflation is raw material driven.
- Prakash Kapadia** And sir, we have seen in the domestic business, the 3rd quarter, we have seen a year-on-year EBITDA growth of 5%. So you think next quarter onwards we should see a double-digit EBITDA growth in the domestic business?
- Sunil Duggal** Well, we have seen 12% growth in the overall EBITDA.
- Prakash Kapadia** Sir, I was referring to the standalone business? It is the 3rd Quarter in a row where we have seen 5% EBITDA growth on a year on year business Q2 and Q3?
- Sunil Duggal** 8% EBITDA growth, yeah.
- Prakash Kapadia** So do we see, now that jumping back to....
- Sunil Duggal** I think, it should go back in to the double-digits. It is contingent upon the dollar rate and I think that seems to be better than Q3 even though not as good as Q1 and Q2 so at least on a sequential



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basis that will help us and overall inflation tapering off so while we haven't really mapped out how much EBITDA growth will generate going forward, but it should be better than what we did in this quarter and the last quarter.

Prakash Kapadia

Sir, if you could also give some sense on the domestic business specifically in terms of oral care given that 50% of the population in India has a dental issue in terms of cavity or tooth ache or a gum or a bad breath and since we have a differentiated product, what are we trying to increase our volume growth in the oral care business? It has been in the single digit over the last few years.

Sunil Duggal

Two aspects to the oral care. We have a very large Red Tooth powder portfolio which is around 30% of the basket and we have a much stronger, much faster growing toothpaste portfolio which is now around 70% and just five years ago, it was 70:30 in favor of tooth powder so we have done this flip. The toothpaste portfolio has consistently grown in the mid-to-high teens or at least in the mid-teens on an average. The tooth powder portfolio has been growing between (-3 and +5) in that bands averaging a 1% to 2% and that has been the drag in the oral care. This drag will remain till tooth powder becomes 5% to 10% of the total mix which will happen in the next 2-3-4 years and then it will be a largely toothpaste driven portfolio. So I think, you really should look into two buckets where we were and where we are today and where we will be tomorrow. Our toothpaste portfolio has been consistently the fastest growing amongst all the companies in this space, and we have gained market shares practically ever quarter for last 3-4 years.

Prakash Kapadia

And sir, also on the health supplements, given that we have leadership in our category like Chyawanprash and honey. What are we trying to boost volume growth, specifically in honey, India being a diabetic capital in terms of the wellness positioning, the immunity building, the anti-oxidants specifically for the younger generation because they are the key to your future growth.

Sunil Duggal

If you see in our recent communication on honey, it talks about all these health benefits, as slimming aid, as a nourishment platform, we cannot talk about diabetes, that is not allowed but we talk about whole of other benefits that it generates. So I would urge you to see our recent communication and that will give you a new perspective on how we are trying to drive Honey growth and Honey has been actually a very consistent performer growing in the big teens for a long time. So the health part, whether it is Chyawanprash, or whether it is Honey or the Digestives actually are doing now pretty good. There is a bit of laggard in some of the HPC parts are the result of the very high level of competitive intensity but the healthcare portfolio is strong.

Prakash Kapadia

And sir, the last thing on the international business ex of Hobi and Namaste. Do you think 15% to 18% growth should be possible over the next few years?



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Sunil Duggal

I think so, unless there is large scale unrest and disturbance in the MENA region. I think the only issue which gives us a little bit of concern is stability of markets like Egypt and if nothing happened there God willing it won't then I certainly think that high-teens to earn low-20s kind of growth is possible for the organic overseas business. We live in an era of political uncertainties so there is always something which does. For example our this year growth in overseas has been much lower than what we did in the last two years because we did lose substantial business from markets likely Libya and Yemen, Syria, etc.

Prakash Kapadia

Right, thank you sir. All the best.

Amit Sachdeva from HSBC.

Amit Sachdeva

Good evening everybody. I have couple of questions; one is on food business and second on the A&P. On the food side, I look at the trend on the consolidated as well as the domestic one, looks like domestic one still is in the good trajectory but we are seeing some element of the international bit tapering down. Where in, if you look at the last bit of trends there, significant part you see maybe 20% of the total revenue would be coming from the consolidated bit and non-consolidated bit. So this time we see only the fraction of the element is on the consolidated bit. Can you give a little bit more color what is going on there?

Sunil Duggal

Let me first clarify, let me just address this question because it has got a specific answer. Actually we have no overseas foods business other than Nepal and Nepal is actually a fairly large business for fruit juices and fruit drinks. So last few quarters, with exception of Q3 the business went through a very low phase because of political uncertainties, because of local conditions, it declined significantly and that I think put a lot of downside to the consolidated foods business. From this quarter onwards it revised very sharply, and got back to normal so I think that was really the drag. The domestic food business if we really talk about food business you really talk about the domestic business and that has been consistently performing so there is no issue there. But if you do a segment analysis what we are saying is right that there has been dip that has been entirely on account of Nepal because other than Nepal we have got no overseas business and Nepal is now on a strong rebound post the disturbance that happened in the last four quarters.

Amit Sachdeva

Great. Thanks another question was on the A&P spend. It is encouraging to hear your commitment on the A&P side which obviously syncs in your with your volume-based strategy which you're talking about but what I am curious to know is what is that little if you can be slightly granular what categories do you think that the A&P spend will follow and where you will see more commitment of the A&P will go, whether it is HPC on the other segments can you give a little bit more color, which would be sort of direction of investment will be for you?

Sunil Duggal

It is not that, we consistently deployed a certain level of investment behind every category every quarter. It has its ebbs and flows, there are times when we put money behind certain



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categories and at times we just do not but I cannot really answer your question other than saying that investments will cut across categories, it will be higher where the competitive intensity is higher or the scalability is higher, it will be lower where our shares of voice is already very high. So it is hard to put granularity here because it depends upon the environment and your own growth ambitions, your margin profile, tending to spend more money in a higher margin category and cutback expense in low margin category, etc.

Amit Sachdeva

Can I be a slightly more specific than because where I'm referring to is HPC segment actually do you expect that where the market share is obviously smaller and your ability to spend would obviously be constrained by if the volumes do not fly?

Sunil Duggal

Our expense in HPC is disproportionately higher compared to HC, so in a sense that pattern is already there because the competitive intensity in HPC is much higher. Overall noise level is much higher in HPC. I do not see that being increased significantly. I think our other lever of growth will be distribution which should mean that we are actually getting people, the product within the arms reach of the consumer and not just depending upon the pull factor so that would mean that there is not just too much pressure on our A&P spends and we are able to spend it more evenly to grow categories like digestives and health care. We do not want to do just because we are dominant in these categories take the foot off the pedal. We have seen how Hajmola responded to advertisements and I think that is a big learning that paybacks can be very quick here.

Amit Sachdeva

That is the last follow-up question on that so how are you sort of measuring this payback like in terms of revenue? Do you see payback in one category is higher versus another? So can you give us some little bit of color how you are seeing it? What is the payback in say HPC category, if you were to spend then how does the volume respond and say in skin creams for example?

Sunil Duggal

Again there is no measure because you can have marketing ROI which can get totally upset if competitors put in a different level of spend as per your expectations, so the marketing ROI is just one metric and not really the prime driver of our advertising budget. We have to look at many other aspects before crafting an A&P spend but I think overall what we do see is that where can our advertisement generate the best returns over the longest period of time. That's the overriding issue but short-term tactically this can be changed depending upon the situation.

Amit Sachdeva

All right thank you sir. Thank you so much for taking the questions.

Sanjeev Sahu from B&K Securities.

Sanjeev Sahu

Good afternoon and congrats on a good set of numbers. My question I have got a few questions will be more focus on the hair oil segment. Just would like to know what was the volume growth and value growth of Amla Hair Oil?



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- Gagan Ahluwalia** Amla hair oil growth is around 20% which is half-and-half volume and value.
- Sanjeev Sahu** And coming specifically to your new launch, that is the Almond Hair Oil. What kind of market share you would have gained by now that a few months ago....
- Sunil Duggal** There was a lag so the market share indicated by Nielsen would be much lower than what it is but I would not like to get into specifics because we never divulge them for any new introductions but the product is doing well on the ground. We are hopeful that it will be a large product in the future and we are committed to growing it by investing significantly behind it.
- Sanjeev Sahu** And sir what is your expected market share in the next one or two year and exactly...?
- Sunil Duggal** Again we have our internal benchmarks which I prefer not to share but we do see this as being an important launch and something which we can create a product of enduring value for the company.
- Sanjeev Sahu** And could you please share with us the growth numbers in almond hair oil?
- Sunil Duggal** No, we can't.
- Sanjeev Sahu** Fine that is all right. I would like to know is the product available, has it penetrated to your entire distribution system or?
- Sunil Duggal** Not yet, we launched it in the third quarter and there were supply bottlenecks early stage because of various reasons so we were slow on the rollout. Now availability is not an issue so from December onwards it is going full blast. It still has not reached the full spectrum of our distribution because since we had limited availability we prefer to be concentrated. I think by the end of this month, maybe by a middle of February we should be where we want this product to be which is all parts of the country with the exception of South.
- Sanjeev Sahu** Okay, so south you are not focused?
- Sunil Duggal** Not at the moment. We are just there but I think our energies are concentrated upon the so-called new markets north, east, and west.
- Sanjeev Sahu** Sir Bajaj Almond Hair Oil is a market leader. It claims to be having about book about 50% of the light hair oil segment. What is your strategy to grow your segment like by taking market shares from some other segments or trying to put up a big fight and grow along with the market leader?
- Sunil Duggal** We believe that it is really the job of the category leader to grow the market but having said that if there is competitive activity as we have seen in many of the categories like the shampoos that itself helps to grow the market because the overall visibility of the brand is



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competing for that business is much higher so I believe that entry of people like us into the light hair oil category will accelerate growth.

Sanjeev Sahu Okay thank you sir. All the best.

Arnab Mitra from IIFL

Arnab Mitra Just one question for my side, international margins you did talk about it being very weak this quarter in fact I think it has been about 11% or so?

Sunil Duggal Not as bad as that.

Gagan Ahluwalia More or less in line with the domestic or a little bit less than the domestic.

Sunil Duggal Last year it had gone way ahead of the domestic as I mentioned earlier. They are now in line with the domestic which is quite frankly lower than what we expected them to be. We expect them to be ahead of domestic.

Arnab Mitra Because I was just subtracting the standalone minus the consolidated so I do not know whether it is the right way to do it but then the margins have actually seem to have come off even QoQ from what it was in Q2. So is that understanding wrong?

Sunil Duggal Well I think YTD I do remember the numbers which we saw, they are in the same ballpark as the domestic margins, on YoY there could be some misalignment.

Gagan Ahluwalia But also remember that the acquisitions have a lower margin profile.

Sunil Duggal Yeah take the acquisitions out because there they have an inherently low-margin so there is no margin picture. We are talking about the overseas business and the traditional overseas business that as we speak or at least in the first nine months of the year, the margins are similar to domestic margins but are likely to grow ahead of domestic margins starting from the fourth quarter because the inflation does seem to be coming off quite rapidly there, much more rapidly than in the domestic business.

Arnab Mitra So you have reasonable visibility that you have this YoY decline Ex of Hobi and Namaste that could stem going ahead because of the costs base coming off?

Sunil Duggal The overseas business which was acting as a drag and again this is a non-acquired business will no longer be a drag, will now actually support the consolidated margins and not erode them.



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Arnab Mitra Any view on Hobi you said that the margins have been like low single digits and a lot of it is to do with the currency there so what is the steady state kind of margin that one can look forward in that business?

Sunil Duggal You see our expectations for Hobi is around 12-13% EBITs at least in near-term. Having said that Hobi is pretty tiny, so it is not something which really can do much damage to the overall margin profile but we would like to see Hobi margins come up to 13% but at the same time we need to realize that inflation would have a significant impact here and we would have to spend more on A&P because the brands have been over the years under invested in. So I mean we are not in a hurry to get in back to those levels so long as it is not a drag on our EPS and is accretive, we are reasonably satisfied because like I said the business is too small to make a huge difference.

Arnab Mitra Right thanks so much.

Sunil Duggal Thank you.

Vicky Punjabi from JM Financials

Richard Hi this is Richard here, thanks for taking my question. Just taking a look at your entire portfolio if you can just let us know at this point of time what are your categories where you are seeing some headwinds and which are the ones where you're seeing some tailwinds, considering that you have broad basket?

Sunil Duggal Well headwinds were visible in some areas of HPC for obvious reasons spends are enormous here. The competitive intensity is very high and that is something which is being witnessed. Healthcare is pretty steady and also I think there are some headwinds in beverages where the Cola majors are beginning to be a little bit more aggressive in driving their business forward. But I think we have counters to all these so I would not really call them headwinds. We have to navigate these headwinds and charter around cost. So we have clear strategies in place for HPC and food and beverage to manage these headwinds. And in terms of tailwinds you can argue that the healthcare portfolio is something which will drive more of our growth than it has done in the past. The overseas business is again on a very strong trajectory and these are the two elements which perhaps will have growth higher than HPC.

Richard If I would look at your ads spend increase, I mean we have spoken a lot about your dramatic increase in ads growth this quarter but again if I were to deduct parent from the consolidated picture it seems that you have spent much more even in rupee terms, in the international A&P rather than in domestic because if I were to dissect this roughly 60 crores increase in adpro, it seems that just about 20 crores of the increase has gone into the parent business whereas 50 crores has gone into international which is roughly half the size of the parent, your perspective on this please?



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- S. Raghunathan** You are looking at coming off which is a base effect in the last year. Last year we had some what under spent in international business that is why you look at the absolute spent in terms of differential but if sequentially if you look at it the domestic business, we are in the order of 40 to 50 crores from Q2 and Q3. But also international business reflects a higher growth this year because of the lower base last year.
- Sunil Duggal** Richard I will just answer your question and give some specific numbers. Standalone A&P I will go with the ratios in the last few quarters. You started from Q4 FY11 it is 9, 10.9, 8.2, and 12.1. This is what is published results say like I told you earlier there is an add-on to the A&P embedded in COGS which is the consumer promotions. Right so you can add another two percentage point to this numbers but if you see this trend line, it is definitely moving substantially northwards for the domestic business and consolidated numbers are similar, I don't have the separated numbers there 11.4, 12.5, 10.1, 13.6 and I think ad spends are going up in both the businesses. It is not just overseas business which is getting the lion's share.
- Gagan Ahluwalia** And last year adpros were a bit inflated so the base effect is also there.
- Richard** Okay sure got that. I'm just carrying on numbers for one more if I may, is my reading correct that your net debt has actually gone down by about 250 crores you know between September and December?
- S. Raghunathan** That is true. One is the reflection we have paid some repayments in December and subsequently also the cash generation in the last three months has been good so overall the net debt has come down.
- Richard** I see that there have been about 270 crores increased in current liabilities between September and December, what would he be that on account of?
- S. Raghunathan** No it is broadly our better working capital management which has really given us the benefit.
- Sunil Duggal** I mean we shrunk working capital by over 200 crores for the domestic business.
- S. Raghunathan** So that has released more cash since the net debt position is lower.
- Richard** And you know the last question Mr. Duggal if I can be specific on if I would take the Chyawanprash category, what is Dabur doing as the market leader to really keep this category exciting to ensure growth going forward, it is one of your cash cows?
- Sunil Duggal** I think there is a lot of excitement which we are creating within this category and we have launched a large number of spinoffs of Chyawanprash. Most of them have done well for couple of them have not but just to give you a few recent examples there is a sugar-free version of Chyawanprash for the health-conscious or the diabetic, which has now become pretty substantial product on its own. We have launched the flavored variants which we have added a



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one more flavor this year to attract the youngsters which have also done well. So I think what we need to do perhaps more is to increase the A&P spend and do it over a longer period of time. It has always chicken and the egg. We can drive growth here, we can invest big time and reap the benefits but there is also the requirement of margins and we have to than balance the two. But I think it goes in line with my earlier statement that we are committed to increasing spends and much of the spends will actually happen in healthcare which has been a comparatively underinvested category.

Richard

No, I was talking more in terms of the long-term growth driver for category like this which apparently does not look very glamorous as in what are you doing to really ensure that it augers well from a category perspective for even the younger consumers?

Sunil Duggal

I think if we have to drive consumption and trials because the benefits of this product are very visible once you start consuming it. So we have to make sure that the trials happen and the trials continue for a while and there are no lapses and that we can do by building more excitement and variety and aura around these products which I think we've managed to do quite well. We cannot change the basic essence of this product because this is not gimmicky product, it is not personal care type of thing, there are hard-working ingredients will go into it, and there are formulations which are pretty standardized. So you do not play around with that we can do things like adding flavors, making it more palatable but ultimately the product has to be ready to do the hard work.

Richard

And the new consumer induction into this category is that healthy? Or is it growing at a pace which is satisfactory to you?

Sunil Duggal

I think it is satisfactory, the fact that we are growing this business in the last two years by 12 to 13% means that we are driving growth through new users. Obviously we could do even better and I think the challenge is how to make this into a 1000 crores type of brand in the next 5 or 10 years. I do believe that today the people are enlightened enough to see what is behind the product and not just go in for glamour or lack of it, but to do something which genuinely benefits them. So we continue with this product has done well and survive and thrived over last so many years and it is showing no signs of fatigue, that is the good part it is like Amla Hair oil and, say unlike LDM Red Toothpowder which has shown fatigue and very visibly so in a sense as it had to compete with other product formats but heavy perfumed hair oil or Chyawanprash do seem to have surprisingly strong set of legs. Chyawanprash category is going ahead off shampoo category if you take Nielsen data. That holds true for hair oils too.

Richard

Thanks a ton.

Sundar S from Spark Capital.



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- Sundar S** Good evening sir thanks for the opportunity. My first question is regarding the new distribution systems, now will the system be replacing the existing one?
- Sunil Duggal** Yes, it will be replacing it in rural. It will not disturb the existing urban distribution. Urban distribution system is very well mapped out. The templates are already there, and every company follows similar templates. There is not much scope for innovation there at least nothing which we can see. It is really rural which will be impacted by this change.
- Sundar S** Sir, I am just trying to re-emphasize, the system is going to be improving our direct reach removing the wholesalers out of the system?
- Sunil Duggal** The intent is not to remove the wholesaler. The intent is to have direct contact with the consumer, with the retailer, the customer at the smallest population aggregate which we can economically reach and we try to sell them the full suite of products.
- Sundar S** Yes sir, I get the intentions but will this not have an inventory cutback from the wholesaler level which could affect our primary sales, probably for the quarter or so?
- Sunil Duggal** The way we are looking at it is that the wholesaler is already in some way an endangered species. The cash and carry network is expanding at a pace which is quite unprecedented. So in any case the wholesaler, I'm not saying he is going to disappear, is going to be far less important to the overall schemes of things. So we have to be little bit one step ahead of that move and not go from dependency of wholesale to a dependency on a cash and carry because the cash and carry is even a tougher person to negotiate with. But to go straight to the rural retailer and to dramatically improve our reach there, I think, that is really the path to long-term growth for rural markets.
- Sundar S** Sir, my question was very specific to, will the wholesaler destocking happen?
- Sunil Duggal** It will happen, obviously it will happen. I think, as and when you muscle into the wholesaler's market, he is going to buy less of your products.
- Sundar S** No, if we try to remove the wholesaler out of the system is not going to affect our primary sales for about a quarter or so?
- Sunil Duggal** No, it will not because the slack will be taken up immediately. You see the wholesaler does not do high-level of stocking. You go to the wholesale mandi, you will find the wholesaler who deals in literally 10's of crores worth of sales every month and who sit in a 10 ft by 10 ft hole in the wall, he buys almost daily from our distributors and sometime even twice a day at very least he buys twice a week. So he keeps very little stock, his whole game is very high turnover, very little inventory, very low margins.
- Sundar S** Okay sir, even this removal is not going to affect the sales?



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- Sunil Duggal** No, it will not. I don't see any wholesaler who keeps more than a week of inventory, other than pre-season stocking or when you have got some very heavy promotions than he stocks up, that is an exception, not the rule.
- Sundar S** Sir, another question was regarding the Namaste expansion, now that is RAK facility in UAE operational?
- Sunil Duggal** It is operational for the main set of products, it doesn't make the entire suite but it makes around 50% to 60% of the Namaste output. When I say that in terms of SKUs, of course, still pretty tiny compared to the Chicago facility but RAK is going to feed only what we call the proxy African market which goes to do Dubai wholesale channels. Markets in Africa which is Nigeria, South Africa, Kenya, etc., are going to be fed by locally crafted supply chains and not from RAK.
- Sundar S** Sir, last time when we spoke, we were talking about the operational difficulties which you were facing in Nigeria for the set up. Now how that is plant coming up, sir?
- Sunil Duggal** These are volatile markets and Nigeria is not exception for example, even this month, if I'm not mistaken, we had a 3-4 day disruption on account of strikes on the oil price issue. So that is, we have to live with that. High level of volatility also means low level of competitive intensity so that's the other side of the coin.
- Sundar S** Looking at from the production side as to when do we expect this plant to be commissioned, sir?
- Sunil Duggal** Nigeria plant, we would complete part of it by the end of 2nd Quarter of next year.
- Sundar S** Sir and would this plant be enough to....
- Sunil Duggal** No, it will be just a bolt on to our existing plant so the CapEx there will be fairly limited. We are looking at around 10 crores CapEx for this plant. It is not a Greenfield site. What really costs money is Greenfield like Sri Lanka because there you have to build everything from scratch. South Africa, we will probably follow outsource options because it is an expensive place to set a plant and then we look at little bit further maybe next fiscal 2013-14 for East Africa.
- Sundar S** Sir, I was just trying to get into, what amount of demand can be met from this particular facility, given that we all know that the operational improvement in Namaste is going to come only after we are going to transfer production within the continent. So what amount of demand will this facility in Nigeria meet, sir?
- Sunil Duggal** Nigeria would basically service West Africa, so you have this trade blocks in Africa, there are four trade blocs just to make it to simplify things east, west and north and south. So the West



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Africa is really going to be fed by the Lagos facility but it has no relevance for South or East Africa.

Sundar S So there will still be significant export from Chicago coming into the country?

Sunil Duggal Significantly for the next 1 to 2 years Africa would be fed largely from Chicago and at least 50% or 60% of the business would be from Chicago and the balance 30 to 40% from local manufacturing including RAK.

Sundar S Thanks a lot and all the best.

Sunil Duggal Thank you.

Abhijit Kundu from Antique Finance

Abhijit Kundu Thank you for taking my question. Primarily my first question is on the toothpaste growth volume growth during this quarter, you have said that in your presentation that toothpaste growth has seen growth of 14.4% what would have been the volume growth in that?

Sunil Duggal Around 3%.

Abhijit Kundu We have seen that the leading player in toothpaste, they have shown about volume growth of about 14 to 15%?

Sunil Duggal Probably not a good idea to read too much of the quarterly numbers they could be highly distorted by base and supply issues, we did have supply issues with the toothpaste in October which had some softening impact on the overall sales. The toothpaste franchise is strong. It is growing at a decent clip, one quarter numbers of low-volume; I do not think one should read too much into it.

Abhijit Kundu Okay so you're positioning in toothpaste remains strong?

Sunil Duggal Yeah it remains strong market share gains are continuing into this quarter.

Gagan Ahluwalia And one of our largest toothpaste had a 14% volume.

Sunil Duggal The flagship is growing well which is 14%. We have our discount brand called Babool with that slower growth but then quite frankly does not generate too much margin either. But the Red toothpaste which is really where our efforts are concentrated and the way we invest the maximum amount of money in terms of promoting it that is going at around 14% which again is low for this brand it was typically growing at 17 to 18 but it is still not bad.



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Abhijit Kundu My second question is on your Chyawanprash business due to the extended winter this year, do you see any better growth rate for this business?

Sunil Duggal While it was a great winter so overall sales were not bad at all 13% for Chyawanprash. It did start very late so the pre-season stocking which typically happens in October did not happen at all so we had a very bad October and a very bad November because even November was very warm and then we had quite a spectacular December. So we were little bit lucky that winter came at all. So overall I would say it was an average winter for us because while it was high intensity it also came late. So I do not think the seasonality was instrumental in driving growth here, we would have got this growth even if that would have been a normal winter.

Abhijit Kundu But would it have spillover impact on Q4?

Sunil Duggal Q4 numbers will be better than what we normally get because the sales are continuing well into January, I'm talking about primary sales, normally they taper off after the first week of January but now it is becoming a little warm we are seeing tapering off of revenues but January has been actually a very good month.

Abhijit Kundu But in case of foods, we have seen the foods growth has remained strong during this quarter when we compare it to the earlier quarters during the first two quarters it has seen a bit moderation. So is it a normal moderation or you have seen some pressure on the overall fruit juices portfolio?

Sunil Duggal No I think it is very base effect. We have been consistently doing around 25 and last year if I'm not mistaken this quarter we grew at 40% am I right?

Gagan Ahluwalia That is for the base number.

Sunil Duggal So we grew 40% over the previous quarter. But having said that I think it is unfair to expect 20% plus growth. I would look at growth here as a mid-to-high teens on a consistent basis.

Abhijit Kundu Okay sir thanks a lot.

Sunil Duggal Last question?

Prasad Deshmukh from DSP Merrill Lynch

Prasad Deshmukh Thanks for taking the question. In Namaste what is the percentage of Africa business you said?

Sunil Duggal The total overseas business is 27% which is largely Africa and there is some sales to Europe which also is actually finding its way into Africa through wholesale channels in Europe. So I would say at around 20 to 23% out of this 27 would be Africa because Dubai is a fairly substantial sale.



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- Prasad Deshmukh** What is the growth rate we are witnessing here in this portion?
- Sunil Duggal** Well the growth rate which we see here is ahead of the US growth rate but we have not really begun feeding the Africa market only now we are really input stepping on the gas and having substantial amount of local distribution imports, people deployment so it is growing at around 20% but I think we have just cracked the surface. There is a lot of infrastructure which we have to put into Africa which takes time.
- Prasad Deshmukh** One last thing on the distribution channel you said that it will be a direct reach, how will it actually operationalize at the ground level after say...?
- Sunil Duggal** See what we will be having is we will be having a large number of outsourced feet on the street; we are looking at around close to 2000 ultimately. Now these are the people who will be confined to rural market, who will have very narrow spans of control basically half a district if you take a state like UP, a very small quantum of travel time, a high level of local knowledge and familiarity, so it is a very different model and obviously the salaries will be nowhere near what will be our regular salesman who will be now redeployed to the urban market almost entirely. So it is a different model with different people and a different level of supervision and a different mindset. These are people who need not be graduates, who are going to be traveling in buses, who are very familiar and very happy in their area whereas if you put a regular salesman in to a rural field, it is a bit of punishment posting for him.
- Prasad Deshmukh** Okay these will be employed by Dabur; it is not those they...?
- Sunil Duggal** No, they will not be employed by Dabur. They will be employed by outsourced parties who specialize in providing these types of people but they will be trained by us, they will be supervised by us, and ultimately whatever they earn will be reimbursed by us.
- Prasad Deshmukh** Okay fine. That is it from my side. Thanks a lot.
- Gagan Ahluwalia** Ladies and gentlemen, thank you for participating in this call. We will have an archive copy of webcast and transcripts on our website available. If you have any further queries please contact us, thank you once again and have a great evening.
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