Ref: SEC/SE/2023-24
Date: February 5, 2024

Dabur India Ltd.

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

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

BSE Scrip Code: 500096

NSE Scrip Symbol: DABUR

Sub: Transcript of Investors' Conference Call for Dabur India Limited – Q3 FY 2023-24 Financial Results

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Investors` Conference Call organized on January 31, 2024 post declaration of Financial Results for the quarter and nine months ended 31st December 2023. The said transcript is also available on the website of the Company at www.dabur.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For **Dabur India Limited**

ASHOK KUMAR JAIN

Digitally signed by ASHOK KUMAR JAIN
DN: c=IN, postalCode=110092, st=DELHI, street=EAST DELHI, l=EAST DELHI, o=Personal, serialNumber=ecb3e1fdc2a028c70333c2d10a7e968110c5d0645b352ed6dfd1bc6aad8147b3, pseudonym=459e115d99c240908ca599222de2db9e, 2.5.4.20=08443b3bbbcf5f80cd46cc26add8b8bdd652ffd20caa6b7340b03564e4b39dfa, email=ASHOK.JAIN@DABUR.COM, cn=ASHOK KUMAR JAIN
Date: 2024.02.05 15:45:38 +05'30'

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

Encl: as above

"Dabur India Limited Q3 FY24 Investors Conference Call"

January 31, 2024

MANAGEMENT:

MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER
MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER
MR. ASHOK JAIN - EVP (FINANCE) & COMPANY SECRETARY
MRS. GAGAN AHLUWALIA - VP (CORPORATE AFFAIRS)
MR. N. KRISHNAN - DGM(FINANCE)

Gagan Ahluwalia: Thank you. Good afternoon, ladies and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to the Earnings Conference Call pertaining to Results for the Quarter Ended 31st December 2023.

Present here with me are Mr. Mohit Malhotra - Chief Executive Officer, Dabur India Limited; Mr. Ankush Jain - Chief Financial Officer; Mr. Ashok Jain - EVP (Finance) and Company Secretary, and Mr. N. Krishnan – DGM (Finance).

At the outset, we will have an overview of the company's performance by Mr. Mohit Malhotra and that will be followed by a Q&A session. I now hand it over to Mr. Mohit.

Mohit Malhotra: Thank you, ma'am. Good afternoon ladies and gentlemen. Thank you for joining us today for the results call of Quarter 3 Financial Year '24.

FMCG sector continued to witness year-on-year improvement in volume growth, although there were pockets of stress due to liquidity issues and late winters. In fact, the pricing decelerated, as price increases started to come into the base and growth was largely led by volumes.

Dabur's consolidated revenue grew by 9.6% in constant currency terms and 7% in INR terms to reach INR 3,255 crores. This was driven by 6% volume growth in India FMCG business including Badshah. International business grew by 11.7% in constant currency terms.

Talking about the categories:

HPC portfolio recorded a 7% growth during the quarter. Oral Care portfolio grew by 8% led by volume growth of 5%. The herbal segment in the toothpaste category outpaced the non-herbal segment by almost 200 bps, now reaching 31%. The Home Care category grew by around 7%, which was led by double-digit growth, Odomos with a gain of 1067 bps in MRC category, taking our market share up to 65.2%. Odonil brand continued to outperform the category with an increase in market share of 180 bps. Hair Care recorded mid-single digit growth and our market share in Hair Oil improved by 140 bps to reach 17.1%.

The Healthcare portfolio recorded 3% growth for the full year CAGR, YTD of 8.3%. We gained market share across the health supplement portfolio with Chyawanprash gaining 151 bps and Dabur Honey recording a 33-bps improvement during the quarter. The Digestives category saw 15% growth on the back of strong performance of Hajmola franchise.

Within the OTC portfolio, Lal Tail, Health juices and Shilajit performed very well, while Honitus had a muted performance in the quarter due to delayed winters. Our therapeutic portfolio is performing well and is on track.

In F&B portfolio, beverage business saw growth of around 7% during the quarter. The newly acquired Badshah business saw a growth of 33% driven by focused marketing efforts and a rejuvenated brand portfolio. We remain committed to exiting the year with the run rate of Rs. 500 crores from our foods portfolio including Badshah.

We continue to drive our distribution expansion initiatives. Our direct reach stands at 1.42 million outlets and should increase to 1.5 million outlets by the end of the fiscal year. Village coverage is at strong 1.17 lakh villages, being heavily supported by more than 18,700 Yodhas across the country. Edge Score, which is the marker of the efficiency of the distribution continues to see improvement and has been further improved by around 15% in the quarter.

I am pleased to inform you that the Board of Directors have approved capital expenditure of Rs. 135 crores for setting up a Greenfield plant in South India for capacity expansion of Toothpaste, Odonil, and Honey. This will enable us to enhance our presence in the South and add to our growth in this region.

Now, coming to our International Business:

With moderation in inflation and distribution changes, the international business registered a CC growth of 11.7% during the quarter. This was driven by MENA region growing at 14.3%, Egypt business growing at 43% and Turkey business growing at 43.8%. Our focus on innovation and consumer centric strategies has enabled us to gain market shares across categories and countries.

Coming to the consolidated profit during the quarter:

Our gross margin saw a healthy expansion of 310 bps as we saw material deflation during the quarter. In line with our stated strategy, we have increased our A&P investments by around 36% in the quarter. We believe these media investments are essential to drive long-term sustainable growth and maintain our market leadership.

The consolidated operating profit recorded a growth of 9.5% with 50 bps improvement in the operating margins and Consolidated PAT grew by 8%. Excluding the exceptional legal costs, our operating profit grew by 13% with 120 bps expansion in the operating margins. On a like-to-like basis, our consolidated PAT increased by 15%. Overall, while the demand scenario is still challenging, we are cautiously optimistic about the future. We will continue to drive profitable growth across our business verticals backed by investments in our distribution network, brands, manufacturing, digital and organizational capabilities.

With this, I will conclude by address and open the floor for the Q&A. Thank you.

Mihir Shah from Nomura

Mihir Shah: Sir, firstly on the Hair Oil and Oral Care portfolio, in Hair Oils, Dabur's performance seems to be better while in Oral Care, the value growth now is in line with the market leader, can you share what is working for us in the Hair Oil portfolio and can this outperformance continue while in Oral, what steps can be taken to get growth back to a higher trajectory? Is pricing growth under consideration?

Mohit Malhotra: We have a strong performance in the Hair Oil. We have gained market share of 140 bps, and this is a secular growth in all the sub-segments for Hair Oils, I think whether it is coconut oils, perfume oils, cooling oil across the board we gained the market shares leading to substantial improvement in our market performance. So, if you look at the Amla portfolio, even perfumed oils have also grown, we have gained market share. Sarson Amla has also done well. Coconut oils have also registered 50 bps gain in the market shares for us. So, overall, while the primary sales growth is at 4.5%, our secondary business actually improved further on, and we think the traction will continue. At the end of the day, we have only around 16%-17% market share. We see headroom of roughly around 80%-85% of the business there for us. Dabur is doing great in Hair Oils and we are pivoting one thing that we are slow in Hair Oils in terms of premiumization. We are stepping the pedal on the premiumization in Hair Oils also and trying to plug the gaps wherever we are not present. In the last year, we closed the gap with cooling oil with launch of Cool King and Cool King has attained the relative market share of around 3 to 4%. If the coming summer is great, I think we will again ramp up our cooling portfolio. Ayurvedic Hair Oil which we launched in South India is also showing traction and we are launching premium variants on e-commerce and on modern trade. That is as far as Hair Oil is concerned. As far as Shampoo is concerned in Hair Care, category is growing by 3%, we are growing by around 11%, thereby substantial market share gains there. Our sachet portfolio has gained substantial ground in rural driven by distribution and in modern trade and e-commerce our large packs are continuing to do well. As far as Oral Care is concerned, our growth is 8% backed by volume growth of 5% as compared to the competitor where it is only 2%. So, therefore we are substantially increasing our penetration. We are the number 2 brand in the country now after the market leader and we placated the #2 player who happens to be a very big player. We plugged the gap in Oral Care also in terms of Gel. Bae Fresh gel is what we launched in a couple of months back and that has notched up turnover around Rs. 17 crores and gained the market share of about 1% to 1.5% in the Gel category. So, we are also looking at plugging the gaps through the other parts of our portfolio, such as Dabur Herbal which continues to do well, growing ahead of the curve. So, we have grown around 8.8% as far as the toothpaste is concerned and Meswak we have registered a double-digit growth on the back of market share gains. So, our herbal portfolio still a lot of work needs to be done there. There we test marketed ourselves in the South of India and we will be sending our Herbal toothpaste portfolio across India also. That is as far as the Oral Care portfolio is concerned. The penetration of the Herbal category has actually gone up in the market and I think on the back of that tailwind, we will continue to ramp up our Herbal Care franchise as well.

Mihir Shah: Sir, my second question is on the Healthcare portfolio, can one expect the late onset of winter benefit 4Q sales or will the inventory in the channel be sufficed to take care of the demand? And can you also talk about the progress in the therapeutic initiatives that we had called out earlier? What kind of incremental sales can be expected and from when can we expect that, sir?

Mohit Malhotra: Yes, there is not much implication on the weather as well as the Hair Care portfolio is concerned. So, I think Hair Care winter is muted, so we feel that Hair Care trajectory of double digit secondary growth for us will actually continue going forward and we will continue to surge ahead of the category growth rate and gain market share as far as Hair Care is concerned and focus on the potential there, like I told you, 80% market is still there. In Shampoos, our market share is only 7% and around 93% of the market is there for us to take and the herbal categories or tailwind on back of that we continue gain shares in Shampoos and also Hair Oils. So, if the summer is good and Hair Care for skewed for us since the summer is good, I think the business will turn up well, but our strategy doesn't change. I think as far as Amla is concerned our strategy is to have flanker brands but our core brandis Dabur Amla and create moats around that and be present in terms of pack price architecture on all price points of Hair Oils. As far as therapeutic portfolio is concerned, we created this division for the advocacy, which is also selling the products and it has grown by around 14.8%, around 15% growth of therapeutic portfolio which is driven by Baby Care, our branded ethical division and also our pharmaceutical division by which we go to the dermatologist. So, that is trending well and doing well.

Mihir Shah: Sir, I was asking for health supplement, the Healthcare, not the Hair Care, sir, the late onset of winter on Health supplement healthcare portfolio?

Mohit Malhotra: No, my mistake, so yes, health supplement business definitely got impacted because the winters have been little muted, contracted and also delayed, so all the three factors in the winter impacted our Health Supplement portfolio. Basically, Chyawanprash and Honey as we categorize in it. Chyawanprash did get impacted and therefore the growth was very muted. We had a flat growth as well as Chyawanprash is concerned. So, that we put in the store, but one good thing what is happening is that the winter is getting delayed. So, whatever stocks that we put out there to the stock is going to get now lifted in the marketplace and the STRs will get liquidated. The winter is getting delayed, and offtakes will happen, while the trade will not take more stock. So, the growth will be what the growth is in Quarter 3, but the offtakes will happen going forward in the quarter 4 for us. So, I think flushing out of inventory will happen there. As far as Honey is concerned, we have seen 11% growth. As far as Honey is concerned, in terms of penetration of the category, Honey category is doing well and we are ahead of the pre-COVID category growth levels also and it has stabilized. We have gained market shares in Honey by around 33 basis points, and it is doing extremely well for us. So, all the new players who made an entry in the Honey category have been placated by Dabur Honey, and we continue to make good progress on Honey and the category is also growing well as far as Honey is concerned. We are looking at modernizing Honey. We have launched premium variants in Honey called Organic Honey, Forest Honey, Sundarbans Honey, etc., they are all getting good traction in the marketplace. They is also squeezy brand with multiple SKUs around the marketplace which is facilitating the breakfast usage from medicinal usage to breakfast usage. Our glucose portfolio is also fine. Glucose has also increased market share although winter not being the right season for glucose consumption for us. So, that is the health supplement portfolio for you.

Mihir Shah: Sir, one last bookkeeping question, adjusting for the Rs. 22 crores of one off of legal cost and other expenses, the cost has still gone up, is there any additional cost or will this be the new normal going forward?

Ankush Jain: Just to clarify excluding the legal expenses, increase in other cost is 10%. But if you seeat times phasing of certain expenses can happen, but if you see YTD excluding legal costs our other expenses has grown by only 4%.

<u>Abneesh Roy from Nuvama Institutional Equities</u>

Abneesh Roy: My question is on Shampoo business, it is your star category within your mix, so 11% Y-o-Y growth and 15% CAGR over 4 years. I wanted to understand is pricing a big component of this both on Y-o-Y and 4-year CAGR basis and in terms of the naturals within Shampoo, how would that move within the last four years because the growth seems much stronger than the industry growth rate of 15% CAGR over the last four years?

Mohit Malhotra: So, I think we have been sustainably growing so I am commenting upon the recovery. I think it is sustainable enduring growth that we have shown quarter-on-quarter. There is no recovery here as such. Just commenting on your choice of words., As far as Shampoo is concerned all the Shampoo business, yes, our growth has been industry beating growth of around 11% and the growth coming on back of both rural and also urban. In rural, our sachet distribution has actually gone up and because of sachet distribution, I think this growth has come because we put ahead of the curve rural distribution network and infrastructure. We are actually riding the infrastructure and that is where the growth is coming. So, sachets are quite sensitive to your point and we are maintaining the pricing. There is no price growth here. It is more volume growth, the entire growth is volume growth as far as sachet is concerned. Now coming to bottle, bottle is more modern trade and e-commerce phenomena. We are introducing premium ingredients in our shampoo which we think will…it is early days for us to comment, but I think premium portfolio in bottles should be driving pricing growth. As far as our regular bottle is concerned, we are driving bottles which is very low, 20% of our overall portfolio and which is continuously growing and gaining market share in modern trade and e-commerce. So, that is as far as and there is a huge headroom in Shampoos to your point because our market share is only 7% here.

Gagan Ahluwalia: And herbal category is still very small.

Mohit Malhotra: And herbal category is strong with the higher growth rate as compared to the non-herbal category here also which is basically mirroring the Oral Care. Oral Care, the herbal category is around 30% and we feel in shampoo also it has potential to go up to around 30-31% the way it is as far as Oral Care business in shampoo.

Abneesh Roy: My second question is on Oral Care. So, when I compare market leaders performance in Q3, they claim to have grown double digits in toothpaste with the low single digit volume growth, which implies almost high single digit price plus mix growth, so if you could tell us what kind of price plus mix growth you would have seen in toothpaste? And second, when I compare your portfolio and toothpaste versus the market leader, clearly, in Premiumization you would need much more products. I do understand the gel, red toothpaste etc., but if you see consumer in terms of the market leader, the options in terms of sensitive whitening and so many products, would you also now need to think beyond the normal way which you are thinking say naturals being extended to gel etc., that is good, but is that enough from a 3-5 years perspective from a premium kind of a market share?

Mohit Malhotra: So, I think very well articulated, Abneesh you are absolutely right. As far as the first part of your question is concerned, volume and value, we have grown 8% in terms of value, which seems equivalent to the market leader, but our volume growth has been 5% implying that we have a 3% advantage as far as Oral Care is concerned. And going forward, we would want to drive our volume and increase our penetration levels, which is the strategy for the core that we do. But premiumization and trying to plug the gaps where market leader is paving the way, I think that is the way and also identifying more gaps in the premiumization is what we would follow. You will see that change as far as Dabur's portfolio is concerned. So, we are working on the same and trying to capture those premiumization in the segments, which includes widening, which includes 21.20, which includes gum, which includes sensitive etc., so our four-year CAGR is around 11% in Oral Care, and we have been growing ahead of the category and we feel natural as a sub segment is growing 200 basis points ahead of the non-natural. That tailwind is there and natural plus identified benefit is the way to go in the market. That is what…you will see those changes in the next 2 to 5 years. Five years is a long period. I think in the next year, you will see a couple of initiatives from our side.

Abneesh Roy: Sir, last question is on Badshah, so Q2 Y-o-Y growth was 16%, which has jumped now to 33% that is a sharp acceleration, but there is a sharp inflation also in spices, so this good recovery in terms of growth number, how much is because of pricing and in terms of exports and going beyond the two states, what is the status on that?

Ankush Jain: In terms of volume, volume is close to 20-22% and balance is pricing, 9 to 10% and currently it is primarily in two states, a bit of export we have started. There is still alignment going on with certain countries, but most of this growth, I would say 90% of this growth is coming from organic sales states only, as of now.There are plans to expand it to other geographies and we are aligning our route to market with the current setup.

Mohit Malhotra: So, just to add to what Ankush has just said, I think huge vectors of growth possible in Badshah, and first of all, as you know, spice is very customized to different region. So, today we are only relegated to the western region and there is a potential of enhancing the portfolio from the western region relevant product portfolio to more North driven to South driven which is what we guys are working in terms of portfolio expansion. Then distribution expansion - we are only limited to Gujarat and Maharashtra. I think going forward we will extend ourselves to adjoining states which is what the plan is to extend it to Madhya Pradesh and Rajasthan also. We will extend distribution there and leverage the Dabur distribution and expand our distribution reach. The third vector is international business. International business to your question has a good potential. Currently it is 5-6% of Badshah sales and going forward it can go up to almost 30%. So, the potential is there. Therefore gradually, slowly, we will be inching up our international business. We are in the process of regulatorily confirming our portfolio to go to markets like US and UK as a regulatory conformance is in place and we have GMP practices. We will start exporting and the demand is there, but we are not able to export there. Then, the fourth vector is our gaps in our pack price architecture. We have gaps in our portfolio in terms of Rs. 5, Rs. 10 packs. I think that has to be plugged also. And then the fifth vector is advertising and demand generation. We have barely done advertising on the western and regional channels. National we have not even started advertising the brand. So, huge growth potential and we see in the category is very big. Our market shares are in the range of around 2-3%. So, I think there is huge headroom to grow there.

Arnab Mitra from Goldman Sachs

Arnab Mitra: I read the comment on your release which talks about rural growing ahead of urban by 200 bps, this is kind of obviously a bit contrary to what we have heard from other companies. If you could just help us understand, is it specific to you because of initiatives or there are certain categories where you are seeing rural grow ahead of urban and how do you see this pan out?

Mohit Malhotra: So, I think Arnab that is specific to us, so our rural growth is in the range of around 6-6.5% as compared to urban which is around 3.8% which consolidates to around 5% growth.it is growing on back of our initiatives are being taken on back of building infrastructure and our reach in terms of distribution points have moved up from 100,000 to 1,17,000 villages. We have added around 7,000 Yoddhas in past quarter and overall, our Yoddha network has gone up to around 18,700 Yoddhas now. So, I think the playbook for seeding or infrastructure investment in the rural is well on way. As far as direct reach is also concerned, our direct reach has moved up by 2 lakhs, the highest in the FMCG sector and direct plus indirect as far as the reach is concerned. So, around 2 lakh outlet reach has increased. So, that is tremendous. I think a lot of execution has been done and then to leverage this infrastructure that we built, we have also curated a rural portfolio, which is accessible price points in all our power brands, so which creates, which is like a portfolio for people to carry in the rural and that has also helped the rural growth to surpass the urban growth for our case. But it may sound that urban growth is muted, but both are urban and rural growth is ahead of the category growth. Even in urban areas we have actually increased market share and our growths are higher than the FMCG growth in urban in our respective category. There it is up by 100 basis points and rural it is up by 400 basis points from our subscribed category growth rates. So, that is where we are.

Arnab Mitra: And just a follow up on that sir, this rural expansion that you have done, do you see this as a continuum where you continue to expand over the next few years or with this expansion, you now take a pause and try to get more throughput and use this infrastructure better?

Mohit Malhotra: So, not really, I think we are on a path to only expand the distribution, there is a huge headroom and a lot of FMCG big boys are actually paving the way and showing us, the best-in-class examples and we have to just follow those examples and not much brain work happens here. So, there are 6 lakh villages, we are barely reaching out to 1.10 lakh villages, we have targeted ourselves to go up for 1.2 lakh villages going forward. Next year it will be 1.3. So, we will keep adding the number of villages here and the Yodha network and the playbook like I was saying is already in place for us. Portfolio has been curated, so we will be adding the price points in the portfolio to leverage because Rs. 5 is now Rs. 10, Rs. 10 is now Rs. 20, so the pricing ladder has to be created for the rural and that is what we are looking at which helps us increase the penetration. So, this journey will continue in the rural growth. And there is no question of taking a pause and consolidating the rural. I think expansion will be the name of the game in India and across geographies whether, even for South and I think there is a huge potential to grow.

Arnab Mitra: And my last question is on margins. So, in the last two years, we have seen the fourth quarter margins suddenly to be much lower than the first 9 months because of probably some phasing in other expenses, so just wanted to understand, like your first 9 months EBITDA margin has been 20% despite the legal cost being there, is there any reason to believe this margin would be much lower in the fourth quarter because of phasing or the last two years for aberrations? Because this change wasn't there in the previous pre-COVID period as we have seen?

Ankush Jain: Yes, so I think first of all, you can't see sequentially our margins. The margins are in our business pretty seasonal. The last quarter is heavier on certain product mix and hence it is lower. So, it can't be 20% even in Q4 and if you see our 3-4 years trajectory that has been the case. Q4 margins are the least while Q3 are the highest because we have Healthcare portfolio and so on and also some bit of expense phasing might happen, but I would summarize by saying that the expansion in margins will continue albeit at a slightly faster pace in Q4.

Mohit Malhotra: Yes, and one of the reasons what Ankush alluded to is because of the seasonality, I think our food business becomes more salient because summer loading happens, so the consumption of food beverages happens there. That is why there is a little bit of lower margins, but upside on margins will continue the way you have seen in Quarter 3 because the raw material prices continue to be benign. We have already given you guidance of around 19.5 margin and any upside in gross margin will be deployed into media. We continue to do the same and make all of the efforts to reach to 19.5% margin despite the legal cost hitting up of around $10 million which is what the legal cost in YTD. It might go up to around 10-12 million actually. So, despite the legal cost, we are making all our efforts to reach around 19.5.

Harit Kapoor from Investec

Harit Kapoor: I just have two questions. I just wanted to get your sense on what is your prognosis and we were given almost 46% of the India portfolio is there, yourself are doing well, but the market as a whole has continued to be challenging. In the last one year most of the comments of FMCG companies have suggested that recovery is likely, maybe near to medium term, but it hasn't really come about, where do you think are the top two or three key indicators there that can turn to make this slightly more full-fledged recovery in the rural market, just wanted to get your thought on that?

Mohit Malhotra: So, I will try to answer the question. So, please interrupt me in case I don't answer your question. I think the rural if you look at the rural, it got impacted and if you look at the FMCG, growth in urban and rural, rural actually has gone down in the past two quarters now. And I think my hypothesis or my prognosis is that it has gone down because food inflation has started once again or has not abated. So, if you get fruits, vegetables, spices, cereals, etc. we have seen inflation pick up in the range of around double digits now and when it is rural, per capita incomes are lower, the incomes are skewed towards consumption of essentials and therefore discretionaries gets impacted and that is why there is a slowdown. We have given a very contrarian sort of results because of the initiatives that are spoken to Abneesh's question because of village expansion, our outlet expansion, our portfolio creation, that is why we could beat to what the market is saying. But that said, there is a year-on-year growth as far as the rural is concerned. That, I think, is a positive sign. If you look at the sentiment, consumer sentiment in the market where rural plays a very big part, that is improving, that is in the region of around 90% and elections are approaching. I think there will be a lot of government investment which will happen on infrastructure which will help rural and also some dole outs should be given by the government to the rural which will only increase the disposable income for the rural pick-up to happen. But the gap, one very positive sign that I have seen once again is and the prognosis is that the gap between the urban and rural is reducing for last three quarters. We saw a gap between urban and rural of 800 basis points, it got reduced to 600, to 400. Now it is only 200 basis points, if you see. That is the difference. So, as the gap narrows between urban and rural with price going up, I think rural recovery is imminent to happen in the country but for one or two quarters. We will see the rural recovery is on way and election I think will only help the rural recovery and also will help the urban.

Harit Kapoor: And one short question, you have dealt with this legal issue for the last two quarters, at least a few months now, just wanted to get your sense on where we are here and any visibility on how long we may have to kind of deal with these three quarters, six quarters, eight quarters, any sense on that?

Ankush Jain: So, Harit, I think it has been now two-three quarters, while our teams have been in engagement with the lawyers. They have been in the middle of discovery phases, discussions with the lawyers, etc., but one or two positive news I can share. The courts have decided on corporate separateness, which means that the case is now restricted only to products sold in US by Namaste Legal Entity. So, any of the Dabur affiliate or Dabur products are out of the scope of this case, which means it impacts way less than 1% of our turnover any which way, and it is only restricted to US as of now, and not for products sold anywhere else in the world. And even Namaste products sold outside of US are outside the purview of the legal entity. That is a positive development while we are still in discussion and some bit of relief we have.

Sheela Rathi from Morgan Stanley

Sheela Rathi: Just extending to the previous question on the litigation related issue, just want to be sure that with respect to the legal cost, is there any change in terms of how we should see the impact on the P&L, at least for the next 3-4 quarters?

Ashok Jain: We have in the recent past changed our lawyers. Earlier we had one of the lawyers whose fees were much higher than the present lawyers whereas in the effectiveness of the two lawyers, they are as competitive as the earlier ones and the cost with effect from say October onwards has already reduced. And we do not see that the same cost will be there in the financial year 24-25. It will be lower than what has been in this current financial year, 2023-2024.

Sheela Rathi: If you could just give us some idea as to how much that would be?

Mohit Malhotra: As you see, roughly we are spending roughly around Rs. 20 crores is the cost that we people are incurring, so that cost will remain for the time till the case actually is lasting, but we already have product liability insurance in place. This cost is pertaining that we are incurring is pertaining to the lawyer fees, which is what we are incurring from our pocket, but any cost that comes in as outcome of the final judgment of the case, just in case, it comes will be covered by the insurance and we have a product liability insurance in place for that.

Ashok Jain: And even on that I will add to what Mr. Malhotra said, the legal costs are also covered under the insurance policy. Currently to be on the conservative side, we have provided the full legal cost and whatever recovery we will have from the insurance company that will be as a profit to the company.

Sheela Rathi: My second question again is a repeat on rural trends. Mohit, I just want to understand, are there specific markets for us, I believe particularly North India, which have been doing well for us? Is there any particular insight you could give us for us to believe that this trend will continue even going ahead? I understand the distribution expansion which we are talking about and a rural portfolio which we have created, but is there anything more detailed which you can help us to understand that this quarter we have seen 6% growth, and this is the gap we should continue to believe that it will continue even going into the ongoing quarter as well as the next?

Mohit Malhotra: Yes, as far as the geographical mix, Sheela is concerned, I think our stronghold remains North India and East India. So, in East India and North India, which is also a rural salient kind of geography, there we have made substantial progress in terms of our tentacles expanded and our footprint expanding here in the rural and that has actually given us the good growth. That said, even on back of Badshah distribution and now Badshah and Dabur is going into rural West, I think on back of that, we are saying the rural actually reached the people in West. South was a little not so great for Dabur because we don't have that kind of a brand to begin a strength in South. So, that apart, but the major part of the business, South only contributes to approximately 20% of our business, 80% of the business comes from the other parts of India, where our rural distribution coupled with our brand equity and coupled with our portfolio creation has really worked well for us. And also advertising that we have increased by around 30% in India, helped offtakes to happen in the pan India Hindi belt so we say. So, I think it is more UP, MP, Bihar, Rajasthan, Maharashtra, I think that entire belt is pretty salient for us now there. I hope I have been able to address this.

Sheela Rathi: And just the third question and the final one is with respect to us gaining a very strong market share with respect to the Odomos and Odonil portfolio and if we could also touch upon LVP (liquid vaporizer), it would be very helpful.

Mohit Malhotra: Sorry, Odomos, Odomos is the last half of the question I couldn't gather?

Sheela Rathi: I saw that brand name on the presentation. I think that's your liquid vaporizer.

Mohit Malhotra: LVP, I get you. So, the earlier strategy for the business was to keep us as restricted to Odomos personal application product cream, which was the product application, dermatology application and we have changed our strategy from not just restricting to a small market of personal application creams, to increasing the addressable market to the larger market. That is where we have extended Odomos from a personal application cream to oils now, to gels now, to also now LVPs now. So, as far as Odomos is concerned, it is a mosquito repellent for us and that is the market that we are addressing. So, it is like a HI market for us that we are expanding itself to. On the back of that strategy, I think premiumization is working on Odomos for us and also format extension. On back of that, there has been a huge growth and thousand bps gained in the personal application category because all these extensions are added back to the mother brand and the mother brand is adding back to the extensions also. So, it is working very virtuously for us. As far as Odonil is concerned, we are again doing the same thing in the air freshener category. We are extending ourselves to all the formats. Earlier, Dabur was only restricted to Odonil blocks, which are basically toilet air fresheners. Now we have extended ourselves to air fresheners for rooms. We have extended ourselves to gels. We very recently added a gel pocket in it, which has done exceedingly well. Zipper pouches have done well, so all our innovations are actually firing. We are looking at driving solutions also here. So, all back of all that, I think the business is really trending well. Our NPD in overall home care would be in the range of around 3 to 4%, but under the power brand architecture, we don't require additional investment. So, when we advertise a new variant like an LVP, we have just taken Kajol on the brand, and I would request the investor team to share the creatives of Kajol with you on LVP also to the entire community. That is really adding back to our Odomos. We have generated, it has just been around the three months that we launched it and we have generated a business of around Rs. 7.5 to Rs. 8 crores on LVP and that is our strategy which is firing in the home care for us here. And in Odonil there is a pathway for premiumization to happen, we have also introduced diffusers. So, if you can go to Amazon, you will find Odonil diffusers now. They have got listed on Amazon, and that is the news that we got today. So, that will be very premium in adding to gross margin. Likewise, all our key power brands will have premiumization as we speak by value-added products being introduced in them.

Shirish Pardeshi from Centrum Broking

Shirish Pardeshi: On slide 9, your comment is newly set up therapeutic division has reported double digit growth, so I think last time when we met it was a lot of excitement we have seen around, so maybe if you can give more color what is the depth, what is the distribution, what are the products which are firing and maybe more color on that what is more needed to do in that newly carved out divisions?

Mohit Malhotra: So, Shirish, there is still a lot of excitement around it. As you know, Philippe has joined us, who has been appointed as the Chief Executive of Himalaya. I think the news becomes old, but the excitement still remains. So, I think there is no lack of excitement here. Philippe is driving the business very well. We have created this advocacy vertical in which we are actually creating a bridge from Dabur to the allopathic doctor. Till now our connect used to be the Ayurvedic doctor. The change of strategy is that we will now do advocacy to allopathic doctor. It is going to be a slow burn, but surely a good return business in the long term. In one or two, three years, we will be able to bridge the gap that we had between the doctor and Dabur and Dabur ought to be considered only as Ayurvedic, but as a scientific Ayurvedic organization selling and doing advocacy and providing science of efficacy to the allopathic doctors, which is one of the reasons why they don't subscribe to complementary or supplementary medications to allopathic medicines. So, that was the whole logic of the strategy of building this advocacy vertical. We merged our Pharma division with our branded ethical business and also our Baby Care business, so all the three have been clubbed together. We are selling therapeutic dermatology products here and we are selling Baby Care products, and we are selling our branded ethical products in addition to single herbs and nutraceuticals through this portfolio. This portfolio is doing very well. We have got growth of around 40-50% on us, whereas the division has just come in place and we are looking at incremental turnover coming from the two.

Ankush Jain: So, I think, Shirish, almost Rs. 95 crores we have done so far in 9 months, 30-35 cr average per quarter. And YTD growth is almost 21% of the whole portfolio while Q3 is 14%, the YTD growth is 21%.

Shirish Pardeshi: Ankush, on the margin front though Mohit has said that we will maintain between 19.5-20%, but at this point of time if I need to check which are the raw materials looking inflationary or maybe if you can say that how much is the deflation which you are seeing?

Ankush Jain: So, in the current quarter in India we have almost 4% odd of deflation while global level we had 2% deflation. Going forward, while the mix of inflation is changing, it is moving. The inflationary trend is more towards food and imported concentrates etc. and spices. While we see that this should remain broadly this way at least in this quarter and the gross margin expansion, which was around 400 bps in India, consequently, should also remain slightly in this range, though it may moderate given that price increases overlap have broadly happened.

Ankush Jain: And deflation will start coming into the base and most of the HPC categories, like mustard oil, oils, etc., LLP, most of the deflationary benefits have been come so far and some bit of it will remain in Q4 as well. Next year's budget we are still in the process of making, so it will be too early to say.

Shirish Pardeshi: That is helpful, Ankush, but I was just trying to understand if this is the stability which we are seeing, is there any room for price inflation next year we have budgeted?

Ankush Jain: Price increase. Again, I think it is too early to comment on this point. Price increases, definitely will come. We continuously benchmarkour products with competition also. Wherever we are market leaders, we increase our prices plus as Mr. Mohit said, there will be a lot of premiumization opportunities as well. So, a combination of that will lead to some price increases, but yes, it will moderate. We have also taken roughly in this quarter, including the overlap, around 2.5% of MRP-led price increases. Part of it will also flow in the next quarter.

Mohit Malhotra: What Ankur mentioned in addition to that, we have just taken a price increase on our foods portfolio, which is inflationary. So, in juice portfolio we have just taken a price increase, a fresh price increase. So, I think price increases going forward in the year will depend upon how the inflation is actually trending. If the inflation goes up in the food business then that portfolio will have a price increase. But as of now, for foods portfolio and spices portfolio, the rest of the raw material and the packaging material is benign for us. So, we will see expansion of gross margins on the back of the benign material cost.

<u>Vishal Punmiya from Yes Securities</u>

Vishal Punmiya: Just two small questions, firstly, on the e-commerce business, what has been the growth in 1H for the business and what is the contribution?

Mohit Malhotra: Yes, e-commerce business in the current quarter, the contribution was around 8.5% and the growth is around 20% in e-commerce. This was a muted quarter as far as the quarter is concerned, but otherwise YTD you see contribution of around 9% to 9.5% coming from e-commerce for us and the growth will be higher in the range of around 30%.

Vishal Punmiya: And secondly, there have been a lot of media news regarding FMCG companies becoming slightly aggressive in terms of activations in the region of Ayodhya, and we have also launched spatial identification packs, but apart from 4Q benefit, do you see a sustainable benefit in FY25 in this region?

Mohit Malhotra: Yes, Hindi Heartland is the core for Dabur, and this is like we invest behind power brands. These are our power markets. So, we will continue to invest behind our power markets, and they give us the maximum bank for the buck in these markets. And the entire UP belt, the East UP and West UP and East UP more, East UP and Bihar more have a very high salience of Dabur. So, we will continue to invest in our core markets. They are absolutely core for us and we feel that these activations will only give us a long-term enduring gain going forward.

Vishal Punmiya: And this would be across the portfolio or is there any particular portfolio which is slightly more biased in this region?

Mohit Malhotra: So, we are basically taking the power brands only. Within power brands, Our Red Toothpaste and Dabur Amla are the most salient because Chyawanprash and Honey becomes seasonal for us. In the power brand, this is more salient and juice saliency is also low in this region. So, it is basically the HPC portfolio which is more salient here.

Vishal Punmiya: And lastly, just one clarification on the margins comment that you made earlier. so last year base obviously was a very low base quarter in terms of EBITDA margin in the region of around 15%. So, while I do understand that seasonally it is a lower margin quarter, but there would be a sharp increase in margin even if you build 19.5% margin in FY24?

Ankush Jain: Vishal, it is the question of Q4. As I said earlier, you can see some margin expansion. Q4 obviously is a different product profile and hence it is slightly lower than the overall first nine months margins. Having said that, our assessment at this point of time is that the expansion in margins would definitely be higher than what it has been in past nine months. So, if our expansion in margins, including the legal cost is 50 bps as of now. In quarter 4 it will be higher than that.

<u>Priyank Chheda from Vallum Capital</u>

Priyank Chheda: Sir, my question is on the Ayurvedic or the therapeutic strategy that we had discussed while we met in the investor annual meet and I just want you to touch base upon the incremental sales that we were targeting, so from Rs. 2,500 crores to Rs. 5,000 crores, this is the incremental sales of Rs. 2,500 crores over 5 years, how will this be divided across the existing categories and also the new categories like Baby Care, Tea and the therapeutic, allopathic side? If you can help me on that, what has been the progress in terms of any numeric data that you would like to share that you would want us to track?

Ankush Jain: Right, so I think NPD contribution is innovation contribution, the growth will actually from the power brands because there you are already listing out the 4-5 power brands that you already have in the healthcare portfolio Like Honitus will drive the cough and cold, Hajmola will drive the digestives, Hajmola is there, Chyawanprash is there, Honey is there, these are the power brands and most of the growth will be centered around these power brands. NPD contribution will be in the range of around 3-5% is coming in, which will be driven by more Baby Care. Baby Care, we have already notched up a turnover of Rs. 27 odd crores, which is almost double of what we have done last year this time. So, that has done well for us. Then branded ethical division, which should contribute to the growth. We have introduced Chai Tea. Dabur Vedic tea has introduced a turnover of around Rs. 10 odd crores and that is doing well and showing good traction in the marketplace. MFD is what we have introduced that should also come in and help us in the growth. The Nutraceutical verticals that we are adding to the therapeutic divisions is selling that and that should notch up in terms of sales and pretty much, so I think around 3.5% to 4% should come in from the NPD and rest will be the power brands in the healthcare portfolio should contribute to that growth in healthcare.

Priyank Chheda: And if I heard it correctly, the therapeutic division is right now contributing Rs. 95 crores over the last 9 months, which means that we are at a run rate of Rs. 25-Rs. 30 crores per quarter, am I correct?

Mohit Malhotra: Rs. 35 crores per quarter, correct.

Priyank Chheda: And we had a team which was working with Philipe Haydon and the team, which was going to target the doctors, what is the count if you can help me with that? We had 500 people recruited for that and what has been the increase in doctor coverage? I mean numbers on that if you want to highlight.

Gagan Ahluwalia: I think that the numbers have not changed significantly right now, but we are on the track of slowly increasing our coverage. We are right now consolidating the processes and the system. And by the end of the year, we will be able to give you a better update on where we stand on the coverage.

Priyank Chheda: Does this mean that FY25 will have significant developments done on this whole of the therapeutic segment linked to the power brands? Should we see more developments happening and more action happening in FY25?

Gagan Ahluwalia: Yes, certainly there will be new product launches, there will be ramp-ups of therapeutic division and of course a lot of investment behind power brands which will help us move towards our objectives for the next year.

Priyank Chheda: And just a clarification again, on the Rs. 35 crores per quarter run rate or Rs. 100 crore sales via therapeutic segment are something which was not there in the previous years before we activated this new category or new segment, correct?

Ankush Jain: No, Priyank, it was in the base as well, but because of the enhanced focus, the growth has been around 20-21%.

Gagan Ahluwalia: Accelerated.

Ankush Jain: Yes, it has accelerated our growth. So, it was in the base, and the growth has accelerated.

Priyank Chheda: The sales were there in the base, but because it is going at 30%, so we should consider that it was earlier Rs. 70, Rs. 80 crores, which is now Rs. 100 crores?

Ankush Jain: Yes, correct.

Mohit Malhotra: We are reaching out to pediatricians, GPs, dermatologists and gynecologists. So, in the quarter, the number, if you want to know, 22,000 is the number of pediatricians we reach to and around 12,000 are the dermats and around 22,000 are the gynecologists that we reach out to and that is what, so around 70,000-75,000 doctors broadly totaled is what we are reaching out to. And the universe is obviously very huge, so we are just scratching the surface and this we are reaching out with some additional recruitment and with the existing team. We will be adding personnel as the portfolio keeps expanding and recently we have added more people. So, that is broadly. Exact numbers I think as we are preparing the budget, we can share with you in the next concall.

Gagan Ahluwalia: Thank you everyone for your participation in today's learning call. The webcast, audio recording and transcript of this call will be available soon on our website. Thank you and have a nice evening.