Ref: SEC/SE/2020-21
Date: 08.02.2021

NSE Scrip Symbol: DABUR, BSE Scrip Code: 500096

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

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

Re: Transcript of Investors Conference Call for Dabur India Limited Q3 FY 2020-21 Financial Results

Dear Sir,

Please find attached the Transcript of Investors Conference Call organized on January 29, 2021 post declaration of Financial Results for quarter and nine months ended 31st December, 2020 for your information and records.

Thanking you,

Yours faithfully
For Dabur India Limited

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

Encl: as above

Dabur India Limited
Q3 FY2021 Results Investors Conference Call

January 29, 2021

MANAGEMENT :

MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER
MR. LALIT MALIK - CHIEF FINANCIAL OFFICER
MR. ASHOK JAIN - EVP (FINANCE) & COMPANY SECRETARY
MR. ANKUSH JAIN - HEAD(FINANCIAL PLANNING & ANALYSIS)
MS. GAGAN AHLUWALIA - VICE PRESIDENT (CORPORATE AFFAIRS)

Gagan Ahluwalia: Thank you. Good afternoon, ladies and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to this conference call pertaining to results for the quarter and 9-months ended 31st December 2020. Present here with me are Mr. Mohit Malhotra - Chief Executive Officer, Mr. Lalit Malik - Chief Financial Officer; Mr. Ashok Jain - EVP, Finance and Company Secretary and Mr. Ankush Jain - Head, Financial Planning and Analysis.

I would like to inform you that after more than 8 years of long and fruitful association with the company, Mr. Lalit Malik has decided to pursue his career interests outside of Dabur. Mr. Ankush Jain will be taking over as Chief Financial Officer with effect from 1st of April 2021. We will now start the conference with an overview of the company's performance by Mr. Mohit Malhotra followed by a Q&A session.

I now request Mohit to start the presentation. Thank you and over to you.

Mohit Malhotra: Thank you, Gagan madam. Good afternoon, ladies and gentlemen. I hope all of you and your families are staying safe and healthy. Let me also wish you all a very Happy New Year and a great year ahead. While the war against COVID continues, the starting of the vaccination program in India and many other countries overseas augurs very well for the whole world. I would like to express my deepest gratitude to the R&D personnel and thousands of scientists across the world who have worked at extraordinary pace to provide this vaccine to the world. I would like to express my gratitude to the entire Dabur family from factories to supply chain and to the frontline sales force who have gone beyond their call of duty and thank them for their hard work, commitment and invaluable contributions which have helped us weather the storm and emerge stronger. They are our true heroes.

I also want to place on record my appreciation for Mr. Lalit Malik as Chief Financial Officer of Dabur India Limited and thank him for more than 8 years of long and fruitful association with Dabur. I also take this opportunity to welcome Mr. Ankush Jain who is taking over as the CFO with effect from 1st of April 2021. Ankush has more than 23 years of experience in finance and accounts with companies like PwC, GSK and Carlsberg. I welcome him on board again.

The strategic business transformation exercise that I have talked about before continues to drive the growth strategies in the core business areas to successfully address the emerging challenges of COVID and deliver a robust topline growth for company by healthy profitability during the quarter. We saw a growth of 16% in the consolidated revenue from operations. Our domestic FMCG business recorded a stellar growth of 19.5% backed by one of the highest volume growth of 18.1%. Operating profit increased by 16.5% and consolidated profit after tax reported a growth of 23.7%.

Healthcare portfolio has recorded a growth of 28.1% in Q3 driven by a strong momentum in our power brands in the healthcare portfolio and supported by creative marketing campaigns, localized sales activations and sustained investments. Health supplements portfolio grew by 35% led by a robust double digit growth in Chyawanprash and Honey. OTC businesses posted a strong growth of 34% on back of robust performance of Honitus and Lal Tail which was further boosted by the NPDs of health drops, health juices and other Ayurvedic products. The ethical business also performed very well registering a 23% growth on back of strong demand for immunity boosting products, contextual activations, visibility drives in chemist channel and initiatives like Immunity at Doorstep.

Within HPC, our home and personal care, oral care portfolio recorded a massive growth of 28%. Dabur Red, our key brand continued its strong growth momentum. Meswak and Babool franchise also recorded a double digit growth. Our market shares in tooth paste category witnessed 120 basis points gain vis-à-vis last year. Dabur Lal Dant Manjan also witnessed a very strong growth of 20% during the quarter. Newly launched Dabur Dant Rakshak received a very good initial response from the consumers.

Hair oils portfolio saw a good recovery with a growth of 12%. We witnessed double digit growth in both perfumed oils and coconut oil portfolio. Our flanker brand strategy remains intact. We have recently launched Badam Amla and Amla Aloevera, which are seeing great traction. We also saw an increase of 20 basis points in the market share in the hair oil category. The shampoo portfolio recorded a growth of 27.1%. Our market share in shampoos continues to see an uptick and increase in market share of 50 basis points to touch 6.5%. Our focus on increasing the bottle saliency is yielding results with the strong surge seen in the quarter. Now, the bottle saliency is almost 15% of the business. Vatika shampoo reported a strong offtake on e-commerce platforms as well.

Home Care reported a muted performance during the quarter due to discretionary nature of the portfolio. The air fresheners and mosquito repellent cream category continues to be under pressure, reporting a high single digit decline as per syndicated data. However, our market shares in both these categories saw an uptick. In air fresheners, Odonil registered an increase of 214 basis points in the market share and in mosquito repellent creams, Odomos recorded an improvement of 250 basis points.

Skin Care portfolio witnessed a growth of 9% driven by strong growth in Fem Handwash portfolio. Gulabari and Fem are seeing sequential improvement as mobility and social activity is going up.

Even though HoReCa and CSD businesses continue to operate at lower than pre-COVID level, the Food business reported a growth of 4.7%. Ex HoReCa and CSD, the Food business registered a growth of 16%. In-home consumption has rebounded while the out-of-home portfolio has shown sequential improvement month-on-month. Our market share in **JNSD (Juices, Nectars**

& Still Drinks) category saw an increase of 20 bps. Culinary business under the Hommade brand recorded a growth of 16%. Excluding HoReCa business, the growth in culinary was 42%. The new products launched under the Food portfolio like Real Mango Drink, Hommade chutneys and pickles range and Amla RTD juice continue to see good traction in the marketplace.

Among the channels, e-commerce was an outperformer with growth of 150%. This channel now contributes to around 6% of our business. We were able to capture the increasing preference for online purchases among consumers and increase the market shares on e-commerce platform. We have also launched e-commerce first innovations like Baby Care portfolio, Apple Cider Vinegar and Cold Pressed Mustard Oil which are receiving a good response.

We continue to drive innovation during this quarter, expanded our honey portfolio with introduction of e-commerce first, Himalayan Forest Honey and Organic Honey. We expanded our OTC and ethical portfolio and added Dabur Red Pulling Oil, a traditional Ayurvedic mouthwash to the oral care category. A range of contemporary ingredient based hair oils have also been introduced under the Vatika brand on e-commerce. The new products launched in the last 3 quarters are performing well and have contributed to around 4-5% of our revenue. Innovation will continue to be a strong driver of growth for the company and we intend to continue to convert consumer insights into innovative and relevant products for the current time.

International business recorded a growth of 14.1% in CC terms during the quarter. MENA region saw a turnaround and posted a double digit CC growth. We saw strong double digit growth in Turkey, SAARC and SSA business. The business also reported an increase in operating margins aided by cost saving initiatives.

Going forward, we intend to continue to invest strongly behind our brand, distribution infrastructure, digitization and automation, building a robust manufacturing backbone and supply chain. Our focus will remain on capturing growth opportunities in our portfolio, increasing our market shares and driving strong profitable growth in our business.

I now open the Q&A and invite your questions. Thank you very much.

Vivek Maheshwari from Jefferies

Vivek Maheshwari: Couple of things. First on the Oral Care side, if you look at your numbers as well as your competition numbers, suddenly we are seeing a double digit growth in the category. Also, you have reported a double digit in the domestic market. So can you just elaborate on what is happening in that given where the penetration levels are? In your case, of course there is market share gain, but from an overall market perspective, can you just share your thoughts?

Mohit Malhotra: Right, Vivek. So what is happening with category in Oral Care, I am quoting now the syndicated numbers to you. The category Oral Care has actually grown in value terms by 9% and volume terms by 3%. So there is a price increase driven value growth in the category that is what we have seen. The herbal and natural category, which almost is 30% now is growing at the rate of 14% in the category and we have gained 120 basis points at the cost of the competition and where the market share are going down and our market shares are going up. On all the 3 brands, be it Red Toothpaste, Meswak or Babool, we have actually gained market share sequentially quarter wise and year-on-year as well.

Vivek Maheshwari: And in the last few quarters, you have seen very high focus on new launches. So can you share your thoughts on products that you think have done extremely well and products which you have not met your expectation?

Mohit Malhotra: First of all, I talk about the products which have not done too well in past 6-8 months. I think there was COVID contextual new product launches that we guys did, which was our sanitizers and hard surface cleaners and some home and hygiene products. So they have not done very well and the momentum has got lost like sanitizer business in which in the first quarter, we would have done a business of more than around 50-60 crores that is almost down to around 2 to 3 crores. So in sanitizer business plethora of players have entered and profitability has gone down. Competitive intensity has gone up and there is a surplus capacity and the categories become completely commoditized. So there it has not done well and related categories around sanitizers have also not moved well. Now, I will move to the brands which are more strategic that we guys did. First of all, I will touch upon the Health Care. In Health Care, we guys rolled out our juices range which are the new health care juices wherein we have Aloevera juice, Giloy juice, Ashwagandha juice etc., they are getting very good traction in the marketplace. We have also launched the portfolio of health drops like Tulsi drops, they are doing exceeding well. We rolled out our pure herb range which is again doing very well in the marketplace. In the HPC portfolio in hair oils, we launched a premium variant and we launched flanker brands Aloevera and Badam Amla, both of them are actually doing well. In Oral Care, we rolled out Dand Rakshak in non-salient red markets which is North. Again a very big opportunity that is showing significant traction in the mark place and also in South, we rolled out Dabur Herbal toothpaste as we did a test marketing there. So both these initiatives in Oral Care are doing well and in addition to that, in the current quarter we rolled out Red Pulling Oil essentially on e-commerce. So Oral Care initiatives also doing exceedingly well. Then, I will come to the e-commerce initiatives. We launched Cold Pressed Mustard Oil in e-commerce that is doing very well. Apple Cider Vinegar is doing reasonably well. We launched a range of Baby Care products that is doing well. So most of our e-commerce initiatives are doing except barring the Odomos racquets that we have launched in e-commerce that is not doing very well, and we are correcting that at the backend here. The entire e-commerce range that we rolled out, now we rolled out a range of hair oils and shampoos that is also doing very well for us. The ethical portfolio that we rolled out, ethical division which is more prescription in nature, all of them are doing reasonably well as we speak. So that is the report card on NPDs. The NPD contribution to the business is overall 4 to 5%. YTD is around 6%.

Vivek Maheshwari: Thanks, that was very detailed explanation, Mohit. And if I can ask just one more question. Can you just talk about the input cost trends and your views on gross margins as we go forward?

Mohit Malhotra: So raw materials are firming up. Raw material prices are firming up. In all our baskets of whether it is agri basket or it is a petroleum linked basket or the packaging material or paper, we are seeing firming up of prices happening everywhere. So, we are left with no choice, but to pass on this kind of an inflation to the consumers because we will not be able to absorb all this. So you will see calibrated price increases which will happen across our portfolio plus some cost efficiencies which are being driven from all other line items and we have already launched Samriddhi project. Under the Samriddhi project, we will see cost saving happening plus reduction of consumer promotions which will also help us to manage our operating margin. We do not want to dilute our operating margin, so we will try to balance and manage operating margins by price increases, cost optimizations and also some consumer promotion reduction or there will be some judicious advertising spends.

Arnab Mitra from Credit Suisse

Arnab Mitra: My first question was on Chyawanprash and Honey where we all know that the share of COVID has now kind of going down, it has probably went down even in the DQ. So from your vantage point, any trends that you are seeing, do you see the consumption levels slipping sequentially in October, November, December, January months or are you seeing some permanent gains in market share which are not going away despite the fear of the pandemic kind of going away, you could kind of comment on both Chyawanprash and Honey separately, if the trends are a bit different.

Mohit Malhotra: Right. So Arnab, the exponential growth that we have seen in the season, as you know, Chyawanprash and Honey, the season is winter and we are out of the winter season. So during the season and preseason loading, we did not see any sort of a moderation coming in. As a matter of fact, sequentially we have seen the improvement in the quantum of sales that was happening month on month and that is why you see this great set of numbers But the exponential growth that we have seen may moderate going forward. But I feel the growth will continue on back of the innovation, brand building, investments that we are putting in and brand extensions that we will be launching. So now coming to market share numbers, then Chyawanprash, we have increased our market share by 120 basis points and that is 60% plus market share in the Chyawanprash. The penetration level of the Chyawanprash in the country has also gone up to beyond around 6% and Chyawanprash has got a proven efficacy as an immunity booster and in line with that, we guys did clinical trials and the results are out. I cannot give you very granular details about the clinical trial. It is already with Ministry of Ayush and post ratification by Ministry of Ayush, the findings will be out and we have seen a significant impact of Chyawanprash as an immunity booster in contraction of COVID and recovery of COVID and the quality of life index. This entire study has been done with more than 600 respondents as per WHO standards. That result is out. So I think on back of that, Chyawanprash as a category should get a big boost and it has also been an advisory by the government. I think overall the pie of Chyawanprash as a category should increase. That said, exponential growth will moderate and we are doing all what it takes to ensure that we are able to go on a path of growth even on Chyawanprash on back of innovations that these guys are thinking of launching.

Now coming to Honey, Honey also, the exponential growth may not continue, it will moderate and as the instances of COVID go down, we see the pie contracting in Honey, however, honey penetrations are 24-25% in the country. This pie will contract as we go forward because people will not have as many medicines as they used to have during the COVID times and honey is used as an adjuvant to increase efficacy in this medicine and prescribed by the vaidyas so that instance will go down. That said, we are launching huge innovations and the category is also becoming significantly competitive and on back of competition increasing share of voice. As the share of voice increases, more and more consumers might just get in and we will be working on the power to increase the market share. As we speak, we have increased market share by 700 basis points in honey, whether it is e-commerce or modern trade or general trade. So we have not seen any sort of contraction in these quarters and we would want to maintain if not that exponential growth, but at least the growth should get maintained.

Arnab Mitra: Thanks for the very detailed reply, Mohit. Second question was some of the new launches which you did which were specifically some edible oils which is the Cold Pressed Mustard Oil and also Ghee which we read in the media. So just wanted to understand whether the total category sizes are very large. Are you finding that we are very small niche player in e-commerce in these kind of segments? In the medium term, do you actually want to get a sizable turnover because in this category, even small shares can get large revenue contribution so just wanted to get your thought process on that?

Mohit Malhotra: So we are a health care player, Arnab as you know, we do not want to become an edible oil player which plays in the main stream of this category. We want to play in the value-added segment of these markets as you know the market segments are very large. Even the value-added segment is very large. So at the moment, we will restrict ourselves to e-commerce. We will see how the traction on e-commerce which is I told you is very good. And then gradually and slowly percolate these into modern trade. We are in no hurry to get 100 crore or 200 crore out of these categories because they could be margin dilutive also if we end doing that. So we will be having a very calibrated approach and a watchful approach to extend this to main stream.

Abneesh Roy from Edelweiss

Abneesh Roy: My first question is e-commerce versus modern trade for you. So e-commerce share has gone up, but now with modern trade also seeing good growth coming back and people going to malls also significantly, how do you see the market share or percentage share of your revenues between this in the near term? Do you see e-commerce coming down or structurally e-commerce will keep going up and in some years maybe e-commerce will become bigger than modern trade?

Mohit Malhotra: Abneesh, thank you. So we see e-commerce structurally becoming bigger as channel where the consumers are inclined to do their purchases as a contactless purchase behavior. A behavior which is skewed more towards urban consumers and also the millennial consumers. This habit is actually percolating from very top end urban to urban and gradually slowly will go on to semiurban also. So structurally, we will see e-commerce as a business will only grow. E-commerce will also, I will not say, eat into it, but e-commerce will also have a positive rub off effect on modern trade because modern trade also has e-commerce portals like Reliance will also have Reliance.com, JioMart has come in. So the modern trade chains will also gradually slowly pivot towards the purchase on e-commerce. So we are trying to be a first mover there and captured that also and B2B e-commerce is also catching up. So that also all ends of e-commerce if you ask me, will only structurally become bigger and larger and will eat into the GT shares as we speak. Modern trade coming back into normalcy now after 2 quarters of contraction, we will see even modern trade gaining shares. So overall e-commerce and modern trade and cash and carry will become much and much larger. And we as an organization will try to be the first ones to launch brands which are exclusively meant for all these 3 channels. We are trying to create organization structure which is geared towards these channels and will also increase our share of shelf and all the parameters will get strengthen in all these 3 channels for us.

Abneesh Roy: Next question is on toothpaste. So this 120 bps improvement in market share, is it primarily against Patanjali or even against the top 2. And second, you gave us a data that now Chyawanprash penetration is 6%. So my question was in terms of frequency of toothpaste consumption. Now versus say 2 years or 3 years back, is there significant improvement because of focus on hygiene because of the Corona because growth rates is improving for everyone and let us forget the Nielsen number, does the listed company number does show that there is a significant pickup in the volume growth ex of the price growth also?

Mohit Malhotra: So Abneesh, first of all in terms of the market shares, the 120 bps which we have gained, Patanjali has also gained. So as alluded to earlier in Vivek's question that the herbal category has seen a 2x growth as compared to the non-herbal category. So if the entire category grew by around 7% in value, there was a 14% growth which was coming out of the herbal category and the beneficiaries of herbal category growth rate are Patanjali and Dabur and a couple of smaller players here. So I think the market share gain is coming at the cost of the other players and not in addition to the other players. The category penetrations are already 90% odd. So I do not think COVID has really acted as to increase the frequency of brushing of the Oral Care category, I would not think so. So I think it is at the cost of the market leaders that we would have gained market shares. And Patanjali and other herbal players penetration would have gone up as compared to the lead players.

Abneesh Roy: Next question is on honey. In the past, we have seen premium honey in India has not seen much of success by other players, so you have launched Himalaya Forest Honey and Organic Honey, so what is the thought process? Is it more to get some niche audience here in the e-commerce or maybe even modern trade. Second, the edible oil company which has come here, it has a target of 100 crore for next year in honey. So what would be your thoughts? Will it be just expansion of category because of new players especially given the recent controversy, recent issue which happened wherein that company was well placed from a German machine testing, so if you could tell us how do you see that and next year 100 crore impact on the category?

Mohit Malhotra: See as far as we are concerned, we are market leaders in honey. As I told you that we have notched up around 700 basis points in honey, we will be working on a trajectory to increase our market share and strengthening our position in the market place. And as a part of strengthening our position in the market place, a) strengthening the existing brand plus launching premiumized variants, therefore Organic honey, Forest honey, Ashwagandha honey and Tulsi honey that we rolled out in GT also, that is an attempt to pivot our honey towards value-added segments and not just be dependent on a commodity market which is what honey is and keep talking about. So we are trying to value add our honey and are moving into different verticals which are more value-added of honey and we will be focused on gaining market share. If some other player comes in, it is actually a welcome thing for the industry and for us because he will only increase the pie and the share of voice actually goes up. As far as some German test is concerned, we are here to abide by the law of the land which is the FSSAI standards which have been laid up. If somebody comes and talks about in Nigeria, there is some testing and are launching that in India, so I do not think people will sway towards that or something made in USA or Australia or it has to be because Indian honey is collected from the Indian beekeepers and Indian beekeepers collect the honey from 20,000 varieties of flowers which are grown in India and not grown in Germany. And the flora of German land of the different monsoons and fertilizers and soil is completely different to what is in India. So FSSAI in their clarification given to the CSE report very clearly said that FSSAI has the most stringent standards in the whole world and NMR is nowhere standards in anywhere in the world even in Germany, that is not a standard because there is no robust database. So this machine relies on what the database is and the testing done in accordance with the database, it is a print of the database which checked the sample again. So if the database is not Indian, it will not test against India. So therefore one would not like to comment too much upon what the competitor is doing, but we focused on one’s own journey of strengthening our own say in honey and also launching value-added things and increasing the penetration of honey as a market leader. And for us, Patanjali happened in the past also and if a new player comes and takes away 1 or 2% points is okay as long as honey category is expanding and as a market leader, we will be beneficiaries of the tailwind which will come to expand the category.

Abneesh Roy: And what is the category size now based on the exit run rate?

Mohit Malhotra: We are almost around 40% market share. So I think it has been around 1500 odd crores.

Abneesh Roy: Mohit last question to, beverages when I see cola companies, they are seeing very good growth in the past 2 quarters also. You have seen very tough last 2 years. Some growth has come back, so is the price equation now good enough because I see again very high discounting in the industry in the fruit juices coming back. Second, how has Rs. 10 price point done? And are you now confident that without the base effect also, growth can come back? Base is very favorable, so growth will come back, but are the structural issues behind?

Mohit Malhotra: So I think I would say the structural issues are already behind. If I dissect the business, the way the business has actually performed while the growth is 4.7% if I take out the HoReCa business and the institutional business, the business has actually grown by around 8% for us. But Colas coming back, I think it is momentary. So Colas will always become a source of business for the juice category and the drinks category and I think the drinks category only pick up. Our Rs. 10 price point that we rolled out in Koolerz and Apple Mini have done exceedingly well in the market and our foray into the PET bottle has also been received very well in the marketplace. So our movement to the drinks category I think is very positive and should be positive for the coming quarter which is going to be the season quarter for us in Real. I am very optimistic on back of all the NPDs and innovation that we are doing in beverages, that our business should turn around and structurally this business should only improve going forward. And like you rightly alluded to is that the base is going to be favorable here.

<u>Shah from Spark Capital</u>

Tejas Shah: Mohit, the traditional understanding on premiumization was that GT as a channel is less experimental and hence modern trade was right channel to launch premium products as the format allows consumers to sample premium products. But now we have seen for last one year that even entrenched players like us are launching premium products on online platform alone. So is there any insight that online consumer has become much more experimental with premium products on online and they are okay without trials or touch and feel premiumizing on that platform?

Mohit Malhotra: Tejas, I think premiumization has always been the game on e-commerce. E-commerce itself was very small. So as e-commerce is picking up, we are seeing more and more players and that is becoming more visible to us. But I think e-commerce was always a cradle for launching premium products. If you see, a lot of companies who could not afford to launch products in GT because go-to market itself is very expensive for a smaller player. They always chose e-commerce as a cradle of launching their brand. So we got repeat examples in personal care, in garments etc. where they are e-commerce exclusive brands and not present in modern trade or in GT also. So now what has happened is the main stream companies, they have also started choosing e-commerce as a cradle for new product launches and as and when they do well, they will roll it out in modern trade and GT. They have a wherewithal to launch it in GT, for example Dabur could have launched tea in GT or other products in GT, but the cost of failure is quite high in GT as compared to in the e-commerce where you can target very sharply to the millennial consumer. You can sell products on a limited platform and there is no question of taking the sales back. So all around it is all positive to launch products in e-commerce and continuously keep improving. So as I keep telling that progression is the way to go than perfection and you can quickly test the products on e-commerce, rather than doing a test market and spending one full year in doing test marketing, it is better to keep improving your mixes when you launch in e-commerce.

Tejas Shah: Is the cost of creating customer awareness also lower on that platform?

Mohit Malhotra: Much lower. Much lower as compared to general trade because you are able to very sharply target the e-commerce consumer on platform and on social.

Tejas Shah: Mohit, we also announced today subsidiary for export initiatives. If you can share some details, is it fresh initiative or it will be just recalibrating our existing business there?

Lalit Malik: Sure. So what we have seen is that there is an opportunity for us to have exports from India, this is in addition to the international companies having business outside India. So in order to promote the exports, we are setting up a separate subsidiary which is 100% subsidiary of Dabur India Limited which will manufacture the product in India and export to the markets like US etc. So that is going to be the focus which we will do it in a separate subsidiary. For that reason, we are forming a legal entity.

Mohit Malhotra: And just to add to Lalit's point. With COVID happening, healthcare demand in the overseas markets have really gone up and to provide a focus this subsidiary is being formed.

Lalit Malik: And with China having an issue, this could be an opportunity for India to improve our exports.

Tejas Shah: So this will be White Label or this will be under our brand only?

Mohit Malhotra: It could be White Label and also our brand, both.

Tejas Shah: And lastly we were running at a target of some 1.4 million direct reach by the end of the year. So where are we on that number?

Mohit Malhotra: So we are pretty much on track as far as our directories numbers are concerned, Tejas. So we were 1.2 million as we speak we are already 1.3 by the end of the year we should reach at to around 1.4 million direct reach in the GT business.

Aditya Soman from Goldman Sachs

Aditya Soman: Firstly, on Oral Care. So in the past two quarters, we have seen this step up in overall revenues. So I think overall revenues for 7 quarters before they were around 250-270 crores. Now that jumped to about 330 crores. Can you give little more detail what this step jump has been?

Mohit Malhotra: Aditya, I think Oral Care is one of the categories which was not so much impacted by COVID for us. So I think pre-COVID to now, not much of difference has been made except that the other two brands also which is Meswak, Babool, LDM**,** all the 3 have also started firing in addition to the Red toothpaste. The Red is obviously a flagship brand, it is doing very well. And our overall market share has gone up by 120 basis points. And also regionally we have put up RISE as a whole structural change which is helping in capturing regional insights. So we are making regional creative for everything and focusing on regional GTM and regional manpower has been created. So I think all that is now coming to pay us rich dividend and that is why you see this growth happening in Oral Care on all the brands. So be it Babool or Meswak or Lal Dant Manjan and Red toothpaste and we have also launched two more brands which is a Dant Rakshak and **Dabur Herb'l** and we will continue on the trajectory of launching more innovations which are already in the pipeline for us. And now Red Pulling Oil has also got rolled out in the market place.

Aditya Soman: Understand. And in this step up, I mean 230 crores let us say from about 260 crores, what would be the contribution of Red versus the other brand?

Mohit Malhotra: So Red contribution I think should be more around 70% of the total portfolio and 30% would be others. The Red has grown by 30% for us and other portfolio has grown by around 20%-25%, overall growth being around 28% for us.

Aditya Soman: And the second question is on digestives. I mean for most of the other businesses, we have seen that step up health supplement or oral care, but digestives is sort of steady around that 95 to 100 crores. So what do you think would be the next steps to take that to the next level?

Mohit Malhotra: I think very good question. I think our digestives portfolio has been flat in this year, essentially single brand Hajmola. Hajmola is very salient. In last full year, Hajmola pre-COVID has really grown. But post COVID what has happened with the out-of-home consumption going down, the impulse purchase SKU for Hajmola which is sachet has gone down, declined by around 15% for us because it was basically consumed by kids and kids have stopped going to school and schools are shut. And therefore that portfolio got impacted. But the other part of the portfolio which is bottle which is only contributing to around 25% of the portfolio has grown by 24%. So in-home consumption of Hajmola is growing at 24%, out of home the majority consumption is what is declining by around 11%. But going forward, we have great plans on Hajmola and Hajmola was one of the contenders of being a power brand in the company but for this COVID situation. I think we are launching multiple other SKUs in Hajmola. We rolled out Chatcola last year, now we are coming out with multiple very interesting other SKUs and Hajmola has a potential of getting extended into a lot of other impulse purchase categories in namkeens and others. So we are still working on a strategy. As we speak, we are working on the budget and we will be working on plans to extend Hajmola into larger categories as we speak. Like there is lot of cottage industry which is prevailing in India whether it is Ram Ladoos or Imli Ladoos, etc., which is in line with what Hajmola brand core is all about. So there is huge potential here in Hajmola and we are cognizant and are working towards that.

Aditya Soman: And just on Hajmola, have you seen any sequential improvement in the out-of-home that say from October to December?

Mohit Malhotra: Yes, we have. So it was minus 50%, but I think sequential recovery now is minus 24%. I think it is a matter of time in the first quarter we think it should revive as the schools open. Schools are still shut. When I think the schools open in the month of February or March, Hajmola sachets should revive on back of school opening.

Shirish Pardeshi from Centrum

Shirish Pardeshi: I think most of the questions have been asked. My friends have taken a lead asking so many questions on Oral Care and let me not trouble you more. I just wanted to understand a structural fundamental change happening in Oral Care. I mean sometime back we were saying that white is moving to nonwhite and naturals which is the colored toothpaste phenomenon which is happening and that has been prevailing and that is very sticky thing. I just wanted to understand and dissect your growth, 28% is a super growth. But is it that we have got a benefit of new product pipeline selling and somewhere we are now trying to use operation RISE to fill in the rural consumers and wholesale channels?

Mohit Malhotra: No, I think this is more structural than just pipeline filling. While pipeline filling has happened that could be an extent to around 4%-5% based on the total NPD ratio in Oral Care will only be in the range of around 4% to 5% for us, not beyond that. Rest of the growth is being contributed by the intrinsic strengths of the brands and the structural trend in the category which is a movement from whites to the value-added segments because unlike other places, here the value added segment which is the nonwhite segment is little cheaper or the same price as the white segment. So there is no reason for why consumer will stick to white. There will be all the reason if the share of voice is there, the compelling reason is that consumer will definitely switch out from white to a more value added segment. That is why we find the market leader also trying to flank itself on to more value-added offerings and therefore the share of voice given by the market leaders and by others is only increasing towards the value-added segment. So I thinkthere is a strong tail wind and enduring tail wind towards the nonwhite and this pie will keep increasing. And as I alluded to one of the meetings before, it will become 50% also and the nonwhite segment and the other players for whom the nonwhite is the lead spearhead will be the one who will be beneficiaries of this game.

Shirish Pardeshi: Because I have seen having worked out in the SAARC countries, I have seen this benefit of nonwhites. But anyway it is now panning out to India in your favor. My next question is…

Mohit Malhotra: And just to add here, Shirish that we see the same trend panning in Middle East. Middle East also, we are the leaders in herbal space and there also we find the non-herbal space is the market leader, we find our Oral Care business doing exceedingly well and also this is the same thing has happened in Nigeria and country after country we are witnessing our Oral Care herbal play catching up.

Shirish Pardeshi: Exactly, that is what my past experience. But anyway you are confirming that market is shifting. That is a good news for us. My second question is on the Health Care - now forms almost 44% of our business and congratulations to you from doubling that business over the last 2-3 years. But I tend to believe Health Care has a higher gross margin in profile. But it is not reflecting to in our margin set up. Can we expect maybe in another 2-3 quarter's margin trajectory will improve?

Mohit Malhotra: No, Shirish, I don't think so the margin trajectory will improve because we are embarking on a huge inflation which is staring at us and it has the range of around 5% to 6% and we have no other options but to pass on the inflation to the consumer and if it is passed on, then there will be a pressure on the volume coming in. While the healthcare portfolio is margin accretive to the overall portfolio, there has been a huge inflation in the herbs and spices, where there is amla or it is honey or it is the other spices that go into Chyawanprash. As the demand has picked up, the cost of the raw materials has also picked up for us and raw material is a very significant contribution to the healthcare cost of production for us. That said, the healthcare business will keep trending up for us and we hope so. And by virtue of this, the margins will keep increasing from a gross margin perspective. But we are also embarking on so many innovations in healthcare and to backup those innovations, we are investing lot of money. For advertising, expenses have also gone up by around 38%. Actually in media, it has gone up by around 40% plus. So we have invested ahead of the curve in receiving the new brand and on back of which the margins are only stable here. We don't see the expansion flow down from gross margin to the operating margin because advertising expenses are eating that margin upside.

Shirish Pardeshi: Do you think Health Care business over next 3 years would settle at 50%?

Mohit Malhotra: I think it is very difficult to say. As we have established a base of very high exponential growth and as we go around next year, this exponential growth will definitely moderate. But the intent is to take it up to that level, definitely.

Gagan Ahluwalia: But this was also high season quarter, when winter centric products have a higher contribution historically as well. So probably it will settle little lower in the full year context.

Shirish Pardeshi: Just last question Mohit from my side. Since the time you have come in, you have harped on performance improvement, progressive growth, new product launches and we have actually undone the previous time. Do you think this focus on strategy is secondary but growth is important. Is that the strategy you want to follow next 2-3 years or you will also focus on the profitability and delivering margins or bottomline?

Mohit Malhotra: See, there is a balance between the two things. So I would say the margins and the topline growth are pretty balanced with each other and that is art in this science of managing the business. So I think that is what we are trying to do, to balance both margins and also topline. So whenever the community prices are little benign, we are investing that upside on the brand building and when there will be a pressure, we would try to cut that like in the first quarter you saw that we cut back on advertising expenses and therefore we managed our margins or at least managed to curtail the losses which happened in some segments of the business. But we are embarking on the strategy that we had created in the beginning of our vision period which is all about power brands, which is all about localization and e-commerce, modern trade being first on creating independent autonomous verticals, decentralization of authority and increasing span of control and working on cost optimization. All those legs of strategy are still working well for us and we have not done any course correction in the way the strategy is being run in the company. I think this is, the results are actually the output of the strategy that we seeded in the beginning of our vision period.

Shirish Pardeshi: The reason why I am asking, if you can give me some understanding on the ad spend, how much we should build in for this year, next year and the following year, I mean broad number?

Mohit Malhotra: Our adpro and media ratios are roughly around 10% or that. But our wish list would be to go up to around 11.5% to 12% that is where Unilever is, that is the best in class what we want to benchmark. But it is tight rope walk as you go on, so if the inflationary pressures are there then you can't do that much. But if the prices are benign and gross margins go up, then you can afford to take up adpro. so that is the balance that we have to account as we go along.

Gagan Ahluwalia: YTD actual number for adpro is around 9%, so probably around that, I think it will stay a little higher than that.

Krishnan Sambamoorthy from Motilal Oswal

Krishnan Sambamoorthy: Mohit, in the first interaction with investors and analysts about a year and a half ago, as well as in the analyst report you had highlighted that for Dabur to grow, targeting and reaching millennial is an important pillar. In terms of cultural changes, in terms of personal changes, in terms of product changes as well as channels, you indicated e-commerce as an important factor here. What has been the initiatives so far and how satisfied are you with the success instead?

Mohit Malhotra: I think first of all satisfaction index is very low for me. But we have been trending in the right direction. So e-commerce, we have been able to create a vertical completely and we have given complete autonomy to them to run, that is why we saw e-commerce percentage steadily has gone up from 1-1.5% around 2 years back and now then it became 3% and now it is 6% and month-on-month e-commerce as a percentage is going up. We have created all hero images, we staged up our brands on e-commerce, we created a Dabur separate e-com channel. We have still lot of room to cover on our website or social media. Digital investments have also gone up from around 5% to now 20%. Our premiumization across our categories is happening. In hair oils, we have just seen some premiumization happening now and wherein we launched an e-commerce first hair oil. We have launched e-commerce first shampoos, we have still not launched e-commerce first toothpaste. So they will all become future growth drivers for us across categories. Health Care, a lot of work has to happen still on e-commerce and also on the category. So we are lagging behind in terms of where what we would aspire and where we are right now. But absolutely, I don't think there is any way out but to connect with the millennials and we have to connect with the millennials because they are the ones who are going to be the flag bearers of future Dabur and that is the way we will be able to bring Ayurveda Ghar-Ghar, that we say Ghar-Ghar Ayurveda is our vision. So we will only have to start with youngsters. And if they are able to relate with Ayurveda, we will be able to take Ayurveda mainstream and that is the vision of the company. So we are working towards it.

Krishnan Sambamoorthy: Can I also squeeze in a question on the cost saving target? You had initially highlighted 80 to 100 crores, how much is sustainable and targets going forward?

Mohit Malhotra: On cost saving, we already identified projects which are worth what we were saying around 150 odd crores and we should be getting roughly around 50 crores out of this profit, the rest will accrue in next year going forward. So Samriddhi project is going on very well and we are continuously monitoring the project updates here and it is running across cost optimization and formulations to our packing costs, to our freight costs, to variable costs, fixed costs across the board in an organization and also overheads and span of control. So that project is underway and to do project management we are working with a consultant on the same so that we are able to monitor it from an external third party.

Prasad Deshmukh from Bank of America

Prasad Deshmukh: One question on this export subsidiary. Just wanted to understand, is this specifically for Ayurvedic products, or it is like overall healthcare and could you give sense of the size of this opportunity?

Lalit Malik: I think it is not just restricted to Ayurvedic. It is going to be across all categories and right now as I just mentioned that considering the China disadvantage, we see there is a big opportunity to that. So we are drawing up our strategy, but we do want to have our focused efforts put on that to improve the exports. So therefore we are going to look at the opportunity there. It is difficult to say what size that we are looking at, but we certainly are looking at good opportunity going forward, and we are in pipeline with some of the good contracts to be achieved and we will see as we progress. But yes, I think to answer your question, it is across all categories not just for Ayurvedic.

Prasad Deshmukh: Just a follow up there then, given the clinical trial data is now available as we said for many Ayurvedic products now, does this open up a possibility of registering these products abroad like say medicine or is these all going to be an OTC kind of a business?

Mohit Malhotra: At the moment, all these products are actually OTC because despite the clinical data being available, there is a huge regulatory barrier for us to register the Ayurvedic brands because clinical data is on the efficacy of the product, how it is performing, but registrations of the Ayurvedic products in overseas market requires understanding of the raw material and the efficacy of those individual raw materials, which is a very tall task. At the moment we are exporting them as food supplement and as OTC products and not as prescription.

Alok Shah from Ambit Capital

Alok Shah: My question was essentially on the supply chain and the distribution. Considering a slew of new launches that Dabur has done over the last 6 to 8 months, are we trying to make some strategic changes to the existing supply chain or you think that the current supply chain and distribution that is there and this is largely towards the GT and modern trade, they are pretty open to accepting all the new launches and it is working seamlessly. Thank you.

Mohit Malhotra: So, Alok, supply chain infrastructure is very well geared to handle this. As a matter of fact, we are consolidating a lot of warehouses and on account of consolidation of warehouses we are getting lot of saving. We used to have around 36 odd warehouses. Now we are operating with around 25 warehouses. So we have rationalized lot of warehouses post GST implementation that is working well. And as far as distribution is concerned, yes, you are right, the bandwidth is limited of the stockist salesmen to sell so many NPDs that we have rolled out. So therefore what we have done is in some markets, we tried a line split. So we have 3 lines working at the moment. One is the HPC, HC and Foods line. In some markets, we split the HPC line into two parts, one is the oral care driven and another is hair oils driven. And we are testing out the market with that, so that the additional burden is not there. And to improve the efficacy of the last mile, we are also digitally enabling them with a lot of new software duly available on their hand held terminals which will aid them to sell newer number of categories, newer number of SKUs and optimize their sales cost in terms of the time they are spending there. So I think there is a little tweak which is actually happening in our GTM model also.

Alok Shah: Got it. And just add to that, would there be a cross pollination opportunity significantly for you to push the new products into the channels which were earlier only towards the healthcare focused and vice-versa?

Mohit Malhotra: Absolutely yes, because reach of our ethical portfolio is really limited in terms of chemist outlet, we only reach out to around 70,000 chemist outlets as compared to our OTC reach which is 2,75,000. So cross pollination helps and during COVID times, we have actually done cross pollination. As we wanted to extend, a lot of foods teams were selling healthcare because food wasn't selling and the personal care team also sold a lot of sanitizers etc. So there is a cross pollination opportunity and we leveraged that opportunity also during COVID. That said, but the three main lines will remain and some cross pollination will happen across the board.

Latika Chopra from J.P. Morgan

Latika Chopra: The first question is on the overseas business, how confident are you on sustainable recovery for this piece and any thoughts on further scope of margin improvement for overseas. And the second bit was a bit of clarification on this export subsidiary. Would this entail the food products, ready-to-eat, ready-to-cook, honey, ghee, just asking more from a PLI perspective, if you could share some thoughts and any CAPEX that you have in mind for this? Thank you.

Mohit Malhotra: The first question on international business, so I think all the markets with the exception of 1 or 2 markets in the international business have kind of turned around after COVID impact in quarter one and also in quarter two. So most of the markets are doing well. Overall constant currency growth that you have seen is around 14%. First I will talk about SAARC. Nepal business and Bangladesh business trending well and I think its growth is sustainable. They have grown by 13% and around 17% for Nepal and Bangladesh respectively. And the MENA region is also doing well now post the COVID impact and we think for multiple quarters now we enter the new base, so that business should also do well. Our US business and Sub-Sahara business is trending well and so is the Egypt business doing well. Turkey business in constant currency has grown by 33%, but because of the Lira depreciating, we didn't realize much. Intrinsically, the business is doing pretty well. So I think even on the margin front, there will be a potential of operating leverage in the international business, on back of MENA business coming around. So I think overall we are in good space as far as international business is concerned. On the export fees, the subsidiary essentially to provide some focus on the exports and nothing beyond that. So, it is a minor structural change that we are doing in the company because of so many units we operate almost 12 units and export and private label products has really grown. So we are just trying to provide a more focus by having a separate for our unit operating for exports here.

Latika Chopra: Any CAPEX Mohit, you have in mind for this?

Lalit Malik: I think we are evaluating the possibilities because currently we do have a production capacity available, but going forward we will be requiring the additional capacity expansion. At that point in time we will look for CAPEX also.

Mohit Malhotra: And just to add to Lalit point, CAPEX will be more in domestic business also that we will be investing in, but which will be not unduly high, that will be in line with the CAPEX of this year. We may look at expanding, augmenting our healthcare capacities which are kind of running short and we will need more civil space, so we might look at additional plant coming in Central India. But then the plans will get tangibly closed in the budgeting where the exercise is on for them.

Latika Chopra: So this will be in FY22, is it? The CAPEX for new plants?

Mohit Malhotra: Yes.

Stuti Johri from Trivantage Capital

Stuti Johri: I just had a quick question on, so in December I remember reading some reports about like honey being adulterated and things like that, I know you released a statement about that. But I was just wondering if that had any impact on the honey field?

Mohit Malhotra: Stuti, we don't see any impact tangibly come in on this thing. For some time we were number one selling honey on e-commerce. We vacated that position from number one to number two, but we are again back to the number one slot and we gained around 700 basis points of market share in honey across aboard, across channel. So we have not seen a very significant impact happening on honey.

Varun Singh from IDBI Capital

Varun Singh: Just wanted to understand on new launches, what is your thought process in terms of how we select the category for doing new launches. So if you can share some thought on that, Mohit?

Mohit Malhotra: We have a proper new product development model that we use. So category selection happens on the size of the category. The size of the category has to be big enough. The capability should be there in the organization to give a good product in that category and we should have a right to win in terms of proposition and there should be opportunity that we see in the category. So only then do we get into the category. So categories are decided basis on different platforms. There should be opportunities in e-commerce or modern trade, in GT, in rural etc. and we have embarked up on RISE. So we capture the insights from different regions and then map out the sizes of those categories and attractiveness in terms of our right to win and market share gain and profitability etc. before deciding on.

Varun Singh: And how are the new launches tracking, Mohit? For example Mustard oil, we launched even the child care etc. products, so any commentary on that?

Mohit Malhotra: So they are e-commerce first brand launches, Varun, and they have got a very good traction in the market place on e-commerce. So we have still not rolled them out into GT or to modern trade. So they are being restricted to e-commerce zone and e-commerce we got great reviews from the consumers and the business is also trending well there.

Kunal Bhatia from Dalal & Broacha

Kunal Bhatia: I just had a question in terms of your channel inventory and specifically in terms of your hair care portfolio, just wanted to understand what led to this topline growth in terms of the volume on a year-on-year basis?

Mohit Malhotra: First of all channel inventory, I think the business is becoming more and more hygienic if I may say so. The channel inventory, it was sitting at 21 days, so from 21 days our inventories are down to around 13 days and both in power brands and other brands we have seen inventories getting corrected and which has released the cash in the hands of the distributor and therefore they are able to buy more and make more money. So I think the whole business is becoming more hygienic. In terms of hair care, all the 3 pillars are doing well for us. Be it perfumed oil, coconut oils or shampoos, all the three are doing well and we have gained market share in all the three and overall we have seen growth of 12% in our hair oil portfolio and shampoo business has gone up by around 28% driven by a lot of sales in bottle on back of e-commerce and modern trade shoring up.

Kunal Bhatia: And sir, how much of this you would consider as exponential growth in case of hair care?

Mohit Malhotra: I don't think this is exponential growth. This is actually the recovery which has actually happened. This is more discretionary part of the portfolio which was impacted by COVID. As the COVID instances go down and consumer demand is now also moving towards discretionary, this portfolio is coming back to its pre-COVID levels, actually it is ahead of the pre-COVID levels. But there is nothing exponential here, if you ask me. It is pretty structured growth that we are seeing here in hair oils and shampoo.

Rahul Maheshwari from Ambit AMC

Rahul Maheshwari: My first question is on, as you mentioned that you are diversifying your portfolio in new category, can you give some highlight which are the categories where you are not deploying the capital or you are getting discontinuing that categories or the product segment and what are the new learnings which you got in those categories of product segment?

Mohit Malhotra: Good question, Rahul. Because once COVID came in our lives and we got into thinking again that are we in the right kind of categories and therefore that is the time when we said that we need to get into categories, you can sustain or endure our existence during a black swan event like a COVID if it ever hits us again. So that was rethink which happened in the company and therefore we decided to get into more stable state categories like we gone into baby care, we have gone into edible oil, we are getting into better skin care and a lot of healthcare, all the categories came in, so that was the rethink and that is why we have launched these categories in and also we went into sanitizer which was more of an opportunistic play. At that time only we knew it was tactical and opportunistic to capitalize on the COVID situation and we have to survival at that time and we did around 80 odd crores during the time of COVID and that was the learning that sanitizing category in hard surface seen more as contextual categories will be rationalized and we will be cutting out the tails of the SKUs which are not making profit or which are not selling as far as the sanitizing and home and hygiene categories are concerned. Health care, personal care and foods are more strategic in nature and which have risen to a power brand architecture, they will be retained and they will be sustained over a period of time and time investment should be spend on that and we will shore up goals and scale up those categories.

Rahul Maheshwari: My basic question was you are doing good of adding the capacity, but any specific products where you are not deploying the capital or you are trying to discontinue that category it can happen that out of 10, 2 products does not do well?

Mohit Malhotra: So only thing comes to my mind is sanitizers we may get out off and not that we have deployed so much of investment there in sanitizer, it was too opportunistic, rest nothing else that we are structurally getting out of. We are not discontinuing anything else.

Rahul Maheshwari: And my second question was just on as you have created one subsidiary for export oriented where you could be producing in domestic and you would be exporting, so how you will be taking care of the currency tailwind, I mean in case if the same exports goes to MENA or in Latin America and the way the currency is behaving or it is too early to comment?

Lalit Malik: I think generally all our exports are in US dollars and specifically we are targeting US mainly and of course other countries in Europe. So, therefore I think all our exports are going to be in US dollars and plus we also ensure that we get the advance so that we do not have any exposure based on LC, so that is the process we will continue to follow. So we do not see any risk on currency because dollars is generally pegged higher when we compare with rupees and we also take our hedging as a regular policy so therefore we do not see any risk on currency on this.

Rahul Maheshwari: Just one question Mohit to you. Looking from last three quarters, Dabur is ahead than the industry in terms of the growth in volumes, what is your sense on sustainability of these kind of growth and it is very tough to answer, but sense in terms of you are gaining the market share, penetration is gaining, new products is hitting, do you think that the growth which you had earlier estimated or guided it would be higher or you want to revise the growth rates?

Mohit Malhotra: Rahul, very difficult for me to exactly give you a guidance on the numbers and it may not be right because the situation is still pretty volatile. There are some categories, there are some channels and geographies which are really not firing to the full potential. So difficult for me to give you an exact number, but our attempt again will be to gain market share, increase penetration across the categories and improve the efficiency in the business and also do cost optimization to take care of the margins and our attempt will be to continue with the momentum that we have built in the business of this kind of a growth.

Abhijeet Kundu from Antique Stock Broking

Abhijeet Kundu: My first question was you know from a Q2 perspective which are the categories where you see which would be the key drivers, I mean health supplements has done really well, how much of that would be scalable going ahead. Hair oil, hair care has been one category which has been lagging, but if you scale it up and the way it has done in the current quarter, the next two years we can really grow and really scale it up, but Foods in one category where lot of potential is present. So from your perspective which would be the categories that would really drive growth during the next 2 to 3 years, it sort of follow up from the previous question?

Mohit Malhotra: So Abhijeet, I think all the categories are strategy growth pillars for us. While health supplements did very well in the current year due to the COVID issue and the peak growth momentum maybe moderating a little bit and health supplement which strategically I think for next 2 to 3 years healthcare should drive the business. In short term, this is may be six months to a year. The categories which got impacted by COVID which is more hair oils and foods and shampoo business, they all will come back and help us in the growth for the next year and will offset the little depression that we may see in the growth rates of health supplements or healthcare happening in the current year. So overall long term, I think it will be more healthcare which will drive our business and we will also focus more on healthcare because of the core of the company along with HPC and foods also because we are doing innovation across the board, but more healthcare. In short term, it will be more HPC products and foods.

Abhijeet Kundu: And in healthcare specifically in OTC and ethicals, are we taking any special initiatives to tap chemists and to really drive growth which is a lot of those health juices also require some amount of food from chemist channel because Ayurveda doctors are very less in numbers, so any special initiatives or any special thoughts over there?

Mohit Malhotra: Abhijeet, definitely. Chemist channel engagement is one of the drivers in the GTM strategy for us. We at the moment reach out to around 2,40,000, we want to go up to 2,70,000 chemist and this is just for the current year and then we will go up to further expansion as we embark on the next vision. So chemist is definitely a focus. We are trying to redo our planogram in the chemist outlet and the chemist engagement programs are also as we speak happening and posting on pharma wholesale also. So that is happening as we keep launching innovations and health supplements like rightly noted by you to increase our efforts. So as far as the ethical business is concerned, doctor connect is going up. Our Ayurvedic chemist counters will go up and our feet on street with our product specialists and Ayurvedic sales promoters are also going up in number as we speak. So the vaidyas are not small in numbers, they are 5 lakh in numbers as we speak and we are only connecting to around 100,000 vaidyas today, so there is a huge headroom to cover. So is the case of Ayurvedic pharmacies and also allopathic doctors. Today, we are not covering allopathic doctors and allopathic doctors are also now very inclined to prescribe Ayurvedic **adjunct** medicines to allopathic.

Abneesh Roy from Edelweiss

Abneesh Roy: Sir just one small question. So your assessment has been an outlier past two quarters I understand such a strong funnel of new products. Now with pandemic related consumption also stabilizing and your new products also seeing good growth, when do you see the growth in ad spend normalizing to the growth in the same, currently it is 2x of the sales growth?

Mohit Malhotra: I think from the current quarter onwards, Abneesh, I think the short answer to your question is current quarter itself, but we will monitor the situation in case we get a good sales upside than extra margins will be deployed back into advertising, but it is a balancing approach that one has to do, but our higher investments in advertising is actually paid up very well for us past six months.

Abneesh Roy: But Mohit, bulk of it is going towards new products?

Mohit Malhotra: Not necessarily Abneesh, it is not because a lot of NPDs that we launched are contextual and there was an intrinsic demand which was there in the environment for these NPDs and they got pulled up. For example whether it is a Tulsi drop or the Haldi drop or health juices or is it Giloy or Ashwagandha or immunity kit etc., it automatically got pulled up and we did not have to spend too much of money. The majority ad spends have been on power brand and there **adjunct NPDs** that we would rolled out, so it is not too much on the NPDs. So it has been on the core brands and this is on the health to strengthen the core brands like Chyawanprash saw a lot of investments on the back of Akshay Kumar creative that was launched. Honey saw a lot of ad spend on back of this controversy which actually happened. We spent a lot of money on Real also with the Real drinks coming in and Culinary range also saw a fair bit of spent on back of the homemade brands that is why the power brand architecture is working very well because most of the NPDs that we are rolling out are falling under the power brands and new product advertising only has a positive rub off on your key brand and we are able to scale up that business faster.

Abneesh Roy: Last question on manufacturing capability. Because of COVID, are you also now doing much more automation within your factories to get productivity gains over medium long term and to address any such COVID crisis say in the future if it happens, can you address it far better than the first few weeks? Second is because of such a strong volume growth, do you need increased capacities or any numbers you can share on CAPEX next two, three years?

Mohit Malhotra: I need to answer the second question first. The augmented capacity across our sub segments be it Oral Care, Chyawanprash, Honey and Hair Oil, so we have already put in CAPEX, we put CAPEX to augment capacity of more than 250,000 cases have been added actually in our manufacturing. We are also spending fair bit of money on improving our productivity under the project Samriddhi. So we have got 12 factories in all, so we are trying to look at productivity improvement across our factories as we speak. The process is yet going to start in next month time and we are test piloting it in one of our units, Baddi which is our largest unit and then we will progressively do it across our units. We are also robotizing a lot of manual operating jobs and we have been able to robotize a lot of those activities which are manual and releasing labor out there. As far as COVID kind of issues happen, we put in safety protocol already in all our factories and we are strictly monitoring and adhering all those protocols as we speak.

Amit Purohit from InCred Capital

Amit Purohit: So two things. One on Chyawanprash, just wanted to know we have been seeing increase in penetration levels, is it also to do with the growth rates coming largely from smaller players as we see market share improvement or is it driven by consumers which we are actually shifting to a branded trusted brand versus homemade Chyawanprash or is it just a rising awareness, what would you ascribe it to?

Mohit Malhotra: Actually the way we see our market share in Chyawanprash has gone up by 120 basis points and this increase in market share is coming from smaller players shifting to Dabur Chyawanprash. That said, a lot of smaller players also mushroomed because of Chyawanprash category becoming very attractive for people to enter. The regional players who entered into the Chyawanprash category and are helping to expand the pie. As the pie gets expanded, people shift in from local players to more national players like Dabur Chyawanprash. So therefore there is a penetration expansion and also there is a market share increase wherein we are taking share from smaller players to ourselves. So as the category keeps expanding and more players coming in, we will only be the beneficiaries as a market leader to get the market share gains from them to us.

Amit Purohit: Just one small thing what would be the size of the category now?

Mohit Malhotra: Chyawanprash category will be in the range of around 1,000 odd crores.

Amit Purohit: Sir one more question wanted to add on is on the modern trade thing. So now modern trade coming back and we have been slightly under indexed in modern trade is what my understanding is versus the leader in the oral care space, you think that this could have some effect while I understand the natural portfolio continues to be so strong, but do you think there could be some deceleration in growth rates because of this as the modern trade comes back?

Mohit Malhotra: I am sorry I did not quite understand, you are saying the modern trade coming back, will it have impact on the oral care business?

Amit Purohit: Yeah, what I am trying to say is that the leader, I mean was over indexed is over indexed in the modern trade and we have been under indexed in modern trade, some channel kind of shift happened and probably we were not impacted much because modern trade for us is anyway not so significant in the oral care space and now that the modern trade is coming back, the leader were also getting aggressive and try to grow ahead of the market in that context you think or do you feel that e-commerce is strong enough for us to actually handle it and natural is also strong enough?

Mohit Malhotra: Amit, I think that is a great opportunity actually the way I see because we were not very strong in modern trade. Generally what happens is your market share in the modern trade are higher than your GT market share and invariably if you see for the multinational because you can buy space in modern trade and that is what is your strength. It is very easy to garner share of shelf in modern trade and share of shelf gives you the market share. So I think it is an opportunity for us to at least have our market shares being represented in our share of shelf in modern trade. So we are actually ramping up our operational excellence in modern trade to see that our shelf shares are in line with our market share. So we will want to grow at a higher cliff in modern trade as compared to in GT and to garner market shares in modern trade is much easier as compared to in the GT business because GT is more demand driven and modern trade is more execution driven and which generates demand because it is a point of sale and there is a consumer moment of truth which happens with the product and we can buy. So that is actually opportunity for Dabur as I see it.

Avi Mehta from Macquarie

Avi Mehta: I just had one question. I wanted to just understand your thought process on how do you look at managing the portfolio complexity that this aggressive new launches in a thought process things in particular. What are your thresholds post which you considered that the new launch needs to be?

Mohit Malhotra: Sorry I did not catch the last part of your question. How do you manage complexity then what did you ask?

Avi Mehta: Your thresholds on when do you look to cut SKUs product variants?

Mohit Malhotra: So we are continuously looking at rationalization of tail SKUs which are not making any profits or do not contribute to the top clients. So that exercise is continuously happening as a part of our efficiency driving exercise and every month every SKU which are not delivering business or they are not delivering to profitability and we rationalize those SKUs. As said, yes complexity is there because of the complexity we have done the line split as a sales end and as far as marketing and production is concerned, we have been able to manage this diverse portfolio complexities and it is a part of the game for us. Well as far as the front end is concerned, we are doing a line split and just marketing the line split going forward.

Avi Mehta: The scanning of brands are based on profitability or growth?

Mohit Malhotra: Both.

Manoj Shah from Laxco Investments

Manoj Shah: My question is that with the current trends, the people are shifting from allopathic medicines to the Ayurvedic and with the current pandemic, I just wanted to know would you like to refocus yourself on the medicines which Dabur used to manufacture earlier like Kwath and vatis and so on kind of it, do you think this is the good time or opportune time for Dabur to put a more trust on those segments?

Mohit Malhotra: Right, Manoj. So rightly identified I think the entire Ayurvedic system of medicine has actually got a tailwind right now with Ministry of Ayush also putting focus and giving government advisories to use a lot of prophylactic Ayurvedic medications and shift is definitely happening from allopathic to Ayurvedic. So we are trying to leverage on this tailwind going forward and that is why we are expanding our classical portfolio. If you see in the current quarter also, we have rolled out Amla churna, Ashwagandha churna and Madhurantak vati for fighting a typhoid fever. So we have a huge gap between us and local players in different regions who are owning Ayurveda. So we are trying to plug the gap so that when the vaidya prescribes Ayurvedic portfolio for a patient, he has that entire package of products available within the Dabur. So we are trying to plug the gap irrespective of what revenue and a profit that we guys are making because we want to be one stop shop for all the entire portfolio of Ayurveda to a vaidya. So we are working very hard to create a pipeline and launch product so that we are truly a full scale Ayurvedic organization so that was looking towards. And that has been one of the growth drivers for our classical business. In the classical business has got multiple sub-categories like you mentioned, they are gold products in it, there are Kwaths in it, there are Asavs in it, there are tailas in it there are multiple subcategories here.

Manoj Shah: How big is the current portfolio of this?

Mohit Malhotra: How big, we do a business of roughly around 250 crores here and the market is as big as 1,000 crores plus. So we are not even 25% market share here.

Manoj Shah: And there was any plans to like push up because the problem with this is we require vaidyas who will promote or write these prescriptions so are you looking for something of that sort so that there are more availability of vaidyas within the city metros so that people if you are looking for an alternative medicine so they can visit those. So anything we are working on trying to enhance make availability of vaidyas kind of it? Whole thing is the vaidya has to be available and they have to write the prescription to buy our products. So first step is to have the vaidya's availability, so what steps you are taking it to promote that standards?

Mohit Malhotra: Very good question, Manoj. I must compliment you for this question. What we are trying is Dabur being the largest Ayurvedic company, we are trying to create a platform. The platform is still in the testing phase, so we are trying to create a platform digitally wherein we are able to connect the vaidya to the patient. So that Dabur becomes a one stop shop where patient can come in and they can see concentration from the vaidyas and that portal is still being tested out and that is in the beta phase and once we are finalizing it, then we will roll it out. So we are very conscious that so along with this we are also expanding our reach the existing vaidyas by having more product specialist and who will reach out in more feet on street. And like you rightly said that now Ayurveda is becoming more and more main stream, so we are trying to reach out to allopathic doctors also where the reach is much higher so that they can supplement their medication along with Ayurvedic products and also making our medicines available in regular chemist outlets by creating planogram in the regular chemist outlets besides just Ayurvedic chemist outcomes.

Sunita Sachdev from UBS Securities

Sunita Sachdev: But one question, any outlook to what do you think of the package juice business now that we are close to seeing everything open up mobility increasing, any insights if you could share with us on what is direction now in the package juice business?

Mohit Malhotra: Sunita, the package juice business during the COVID times declined by around minus 50% from the decline of minus 50, it has gone up not in black yet. So still minus 5. If I look at the business in the month of December, we see a 2% growth happening in the package juice business. Our market share has gone up by 20 basis points. I think by the time we come into the season which is in the month of March, I think there will be a growth trajectory which will start here and we should see beneficiaries of that and we are also entering a low base of COVID. So that should augur well for our food business and juice business.

Sunita Sachdev: Yeah, but any kind of tentative kind of growth levels that you would like to kind of highlight, I mean would it be going back to the same sort of levels that we have seen or you think because of the new launches and your new initiatives we could look for slightly higher growth in the segment?

Mohit Malhotra: Yes, I think the growth should be pretty robust. I cannot give you exact number because I also do not know the numbers, but we launched NPDs like we have gone into the drinks market. So we are scratching the process not even significant market share players here. We have launched Rs. 10 price point and a lot of variants in our premium juices also. So business should trend in double digit.

Gagan Ahluwalia: Thank you for your participation in this conference call. Webcast and transcript of this call will be available on our website. Thank you again and have a nice evening ahead.

Mohit Malhotra: Thank you very much gentlemen.