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

BSE Scrip Code: 500096

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

NSE Scrip Symbol: DABUR

Sub: Transcript of Investors' Conference Call for Dabur India Limited –
Q1 FY 2024-25 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 August 1, 2024 post declaration of Financial Results for the quarter ended June 30, 2024. 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


(Saket Gupta)

Company Secretary and Compliance Officer

Encl: as above



“Dabur India Limited

Q1 FY’25 Results Investors Conference Call”

August 01, 2024



MANAGEMENT:

MR. MOHIT MALHOTRA – CHIEF EXECUTIVE OFFICER

MR. ANKUSH JAIN – CHIEF FINANCIAL OFFICER

MR. ASHOK JAIN – EVP(FINANCE) & COMPANY SECRETARY

Ms. GAGAN AHLUWALIA – VP (CORPORATE AFFAIRS)

Ms. ISHA LAMBA – HEAD-INVESTOR RELATIONS AND M&A

MR. KRISHNAN – ASSISTANT GENERAL MANAGER (FINANCE)



Isha Lamba:

Good afternoon, ladies and gentlemen. We apologize for the delay in starting this call. On behalf of the management of Dabur India Limited, I welcome you to the earnings conference call pertaining to the results for Q1 FY '25. Present here with me are Mr. Mohit Malhotra, Chief Executive Officer, Mr. Ankush Jain, Chief Financial Officer, Mr. Ashok Jain, EVP-Finance and Group Company Secretary, Ms. Gagan Ahluwalia-VP, Corporate Affairs; and Mr. Krishnan, AGM Finance.

We will start with an overview of the company's performance by Mr. Mohit Malhotra, and this will be followed by a Q&A session. I'll now hand over to Mr. Mohit Malhotra. Thank you.

Mohit Malhotra:

Thank you, Isha. First of all, let me apologize for the technical glitch, which was there at our end, apologies for that. So good evening, ladies and gentlemen, we welcome you to Dabur India Limited conference call pertaining to the results for the quarter ended 30th June '24.

The FMCG sector has demonstrated a gradual pickup in rural markets in the past 2 quarters, despite countering challenges such as unprecedented heat wave and high food inflation. However, the timely arrival of monsoon, coupled with rural-centric budget with a focus on rural infrastructure, agriculture and employment is a key positive for the sector.

Dabur continued to perform well in quarter 1. Consolidated revenue grew by 9.8% in constant currency and 7% in INR terms. India business, including Badshah, grew by 7.3%, underpinned by volume growth of 5.2%. Our diversified portfolio continued to thrive achieving market share gains in 95% of the portfolio. The International business exhibited a strong growth of 18.4% in constant currency terms backed by market share gains in most of the categories.

Within the domestic business, the Health Care portfolio grew by 7%, driven by performance in Digestives which grew by 11%, Health supplements registered 7% Y-o-Y growth, recently launched Hajmola Mr. Aam garnered positive feedback from the consumers. Dabur Glucose, a key brand in our health supplements portfolio, surged by over 30% amidst harsh summer conditions, gaining 70 bps of market share gains.

Within OTC and Ethical category Health Juices, Baby Care and branded Ethical grew in double digits. However, there was some impact of harsh summers on brands like Shilajit and Honitus.

Going forward, we will continue to focus on consumer-centric engagement initiatives, strengthening the doctor advocacy channel and launching innovative campaigns aimed at reinforcing relevance and expanding market penetration in the health care business.

Coming to the HPC business. This portfolio achieved an 8.1% growth; Shampoo and Post-Wash segments grew by 14%, driven by strong performance of the Vatika franchise; hair oil franchise grew by 3.3%, with coconut oil posting a robust 20% growth. Both coconut and perfumed hair oils grew ahead of the category, gaining 25 and 100 basis points, respectively. Additionally, we added Cool King franchise with the launch of Toofani Thanda cooling oil and Cool Talc during the quarter, which has been well received by the consumers.

Oral Care portfolio recorded a growth of 11.4% with Red franchise growing at 12% and Meswak growing by 18%. Our core offering of Red Toothpaste continued to gain market shares in the



quarter with Dabur oral care products reaching 1 out of every 2 households in the country. Our strategy of focusing on herbal category, driven by Dabur Red Toothpaste has proven to be highly successful.

Home Care sustained its robust growth trajectory with 8% growth during the quarter. Odonil registered a high single-digit growth with particularly strong performance in aerosol and gel formats. In line with our strategy to increase our TAM, we have recently introduced Odomos liquid vapourizer, which has performed well. Sanifresh posted a double-digit growth, driven by strong on-ground execution.

Skin Care registered a growth of 6% led by Gulabari, which grew in double digits. The newly launched body washes under the Gulabari brand name received a good response from the consumers.

Food and Beverage segment grew by 4%. Within the segment, the Foods business demonstrated exceptional performance with 21% growth. Badshah also posted a robust growth of 15% year-on-year. The J&N segment got impacted during this quarter due to exceptionally harsh summers due to which consumer preference shifted to thirst quenching products such as carbonated beverages.

Our drink portfolio grew in double digits. In the J&N segment, Dabur exceeded category growth, expanding our market share by 330 basis points.

Emerging channels like e-commerce and modern trade posted a robust double-digit growth and now contribute to around 20% of our India business.

Coming to our international business. We recorded a strong growth of 18.4% in constant currency terms. This was on back of good performance in Turkey business with 19% growth. Egypt, which grew by 64% growth; MENA 13% year-on-year growth; SSA business 21% growth; Bangladesh business posted 25% growth. We witnessed currency devaluations across emerging markets like Egypt, Nigeria and Turkey, which impacted our INR performance.

Talking about our profitability, during the quarter 1, our gross margins expanded by 120 basis points, driven by moderation in inflation and cost-saving initiatives. We remain committed to investing behind our brands and our A&P expenditure increased by around 16% in the quarter, with digital spends now more than 30% of overall media spends.

Our consolidated operating profit increased by 8.3% higher than the top line of 7%, with margin expanding by 30 bps during the quarter. And PAT grew by 7.8%.

We are optimistic that with a good monsoon, improving macroeconomic indicators and rural-centric government spending, FMCG demand will see a gradual uptick.

We remain committed to delivering profitable growth across all our business segments. This is underpinned by strategic investments behind our brands and distribution expansion, enhanced manufacturing capabilities, enhancing digital advancements and fortifying our organizational



strength. These endeavors are pivotal in our commitment to driving sustainable value creation and reinforcing our strong position in the FMCG landscape.

With this, I conclude my address and open the floor to Q&A. Thank you. And apologies once again for the late start. Thank you.

Abneesh Roy from Nuvama

Abneesh Roy:

My first question is on Badshah. Would you be a bit disappointed with the 15% growth even you could have gained from the distribution expansion? Plus in the international market, some of the market leaders had a quality issue. So can you gain in the international markets because of this from a medium-term perspective?

Mohit Malhotra:

Abneesh, apologies again for the delayed start. Yes, in Badshah, I think the performance has been reasonably good. We've been sustaining a good performance for over a couple of quarters now. If you look at the volume growth in Badshah, it's around 16%, which is very high.

In the previous quarter, because of the inflation in spices, there was some amount of price increase. Now that price increase amount is not there. So volume growth is 16%, and the value growth is 15%. In a couple of SKUs, we've actually taken a price dip in Badshah because of softening of the commodity prices. Our gross margins have improved by 500 basis points in Badshah. Overall, I think the business is doing reasonably well, and we are very confident of doing well.

As far as the international bit of Badshah is concerned, we also faced a pushback from international regulators, especially in the U.K., there's been very tight screening and scrutiny of all the dispatches which are happening from India to international driven by the controversy which has happened.

So while our products have not got picked up, but because of a very high scrutiny, there's a long queue and backup of the suppliers, which is lining up and leading to delays in the supply chain. Actually, our international business declined in Badshah on account of supply chain constraints in the international business, which I think we will correct going forward in next quarter and growth should pick up.

Abneesh Roy:

Sure. My second question is on Oral Care. You have done well double-digit growth. Market leader has also seen very good growth, 13%. So here specific question, is this a signal that other categories for FMCG could also revive because clearly in Q1, this is one category which did not suffer because of the heatwave. So this was more a normal quarter for the Oral Care and good double-digit growth with high single-digit growth for both, number one and you also. And second is Meswak, last few years, I think, has been lower growth clearly than Red Toothpaste. But this quarter, it's much higher. So is this a base effect catch-up in Meswak? Or is it that some proactive steps is really helping here?

Mohit Malhotra:

Yes. The overall, I think strategy is playing out well. The strategy of building our power brand, which is Dabur Red and also bringing in economy which is Babool and also strengthening our Red franchise in tooth powder and Meswak being the premium brand.



Even in Dabur Red, as the quarters go by, we'll be introducing premium offerings in this because we are a little bit weaker as far as the premium portfolio in Oral Care is concerned. So that pack price architecture we are correcting, and we recently conducted a RGM study, which is revenue growth management on Oral Care, and there are now action points which have actually come out of that, which we will be implementing.

So still, I think a lot of opportunity in the Oral Care segment as the Natural segment which is 30%, has now become 31%, and the growth in the Natural segment is higher than the non-natural segment. So we are pretty hopeful on how we've gained around 15 bps of market share in Dabur Red also.

And as you know, we are the number 2 players now in the market, vacated the earlier number 2 player now and the penetration is also significantly higher, between every 2 household, every 1 household is the Dabur Red household and our penetration is in the range of around 51% in Oral Care. So a huge opportunity in Oral Care. We are revamping our entire Dabur Red portfolio also. You will see that, I think, in the second quarter, if we don't get delayed to a third quarter.

So as far as the Oral Care example panning out to other parts of the portfolio, I think, yes, opportunities are there. Rural is rebounding and our shampoo portfolio, which is also very highly penetrated has also done very well in this quarter with 14% growth. So that is a telltale sign of the fact that rural recovery is in place and sequentially, things should only get better for the overall FMCG sector.

Abneesh Roy:

One follow-up on the Oral Care. So the market leader under the new MD is also seeing Beauty Care strategy within toothpaste. So clearly Visible White is something which they have done, and it's doing well also. So my specific question is in Ayurveda, do you have that technology or the brand proposition, which can be extended? And when you say you will be coming out with premium products, will it specifically target this kind of a gap when I see your portfolio versus market leader, specific whitening toothpaste you don't have. So would you need that? And would you have the capability to do that?

Mohit Malhotra:

Right. So, Abneesh, Ayurveda has the capability and I think the technical know-how, which the market leader may not have, which is where our unique selling proposition cut ice with the consumer. That's why you see the Natural segment doing better, whether it is for the problem of sensitivity or for removing stains on the toothpaste or for better sensorial for germ kill, etc, Ayurveda has got very potent recipes and they are all there with us.

And we are planning to roll that out. But the first one is the sensitive one, which is what we are working. Charcoal Toothpaste, which is what we have positioned it on Whitening. Again, that's there, but I think that is not cutting ice because the SOVs are pretty low on the amount of money that we have invested behind it. So to your point, again, yes, there is potential, there is capability and only limited by a little bit of execution, and that will ramp up going forward.

Abneesh Roy:

Sir, last quick question. So in hair oil, clearly, very strong growth you have seen in the coconut part. So here, I wanted to understand, is there a big down trading happening here to the lower end of the portfolio across the industry?



Because the other listed player which came with results today, they saw 15% dip in their premium hair oil, but good growth in their base oil. So what will be your take on this? And could this reverse because this is more of rural indexation in the hair oil. So would you expect that hair oil, which has been a big challenge for all companies last few years could see a more moderate growth coming back in the coming quarters?

Mohit Malhotra:

Yes. So I think the competitive intensity has really picked up in hair oil business. And earlier, it was only between a tug-off between the number 1 and the number 2, we being the number 2. But now there's a number 3 player also who's come, who has deeply discounted the number 1 player, and they see the revenue growth coming in there. So a lot of focus on coconut oil by not the new player, but the old player for whom this category is actually new. So that has come in. And that is leading to a little bit of margin squeeze.

Abneesh Roy:

Who is that player, Mohit? Who is that player?

Mohit Malhotra:

We are talking about Bajaj. Bajaj has become very, very aggressive in the coconut oil category now. And as you are aware, besides Bajaj Almond, they have become very aggressive in coconut. And for them, a new growth pillar is coconut and we've seen a lot of prices getting dropped by them and because of which the margin squeeze happening across the entire category. But our strategy has played out well for us, and we are doing well in coconut oil. As you know, we are trying to plug all the sub segments wherein we are not represented in hair oil because we have a right to win in hair oil. One was value added and you will see a lot of action in the value-added perfumed light segment from Dabur.

The second one is Cool King which is what we have added. We plugged the gap of cooling hair oil. Coconut, we are just trying to ramp up our ante and in perfumed hair oil, our entire playbook is working well for us with Amla and the flanker brands. Now what's happened in the flanker brands. There's not all good news and rosy picture.

Our Sarson Amla has not done very well in the previous quarter because the Sarson prices have actually inched down. So there's a softening of Sarson prices from INR120 per liter, has dropped down to INR110 per liter, whereas the price premium has increased from unbranded to branded and our strategy is to take shares from unbranded to branded.

So there is some sort of price correction, which one will have to do going forward there also. And we've seen competitors already doing their price correction and gaining share from us. So competitive intensity in nutshell has picked up. Dabur strategy of representing ourselves in all subsegments of hair oil stays and premiumization will also happen. There are some subsegments where we are not present, which we may want to get presence by way of, if not organic through inorganic route also.

Percy from IIIFL

Percy:

So I'm saying in terms of the demand trends, what is it that you are seeing in the last 3 to 4 months, is there an accelerating trend? If not, is it something category specific, etc? Can you give some idea on that?



Mohit Malhotra:

Yes. Percy, so as far as demand trends are concerned, I will not be very specific to month-on-month, but I think quarter-on-quarter, since last 3 quarters, we've seen volume growth from 3% to 4% to now 5%, and I'm talking about volume growth sequentially for Dabur. It has been inching up and you've seen 5.2% volume growth in the current quarter.

And in the month of July also, we've not seen any flattening of volume growth. Volume growth is picking up. But the only little not so nice part is that there's no price component now, which is building on the volume increase while volumes are inching up, and that's what we expected.

So volumes are going up and sequentially in the quarter, volumes will pick up, but the price increases and the ability to pick up price increase is going down. We only had 2% price increase there and that's why you see a growth of 5.2% plus 2% is equal to 7% overall growth. So going forward, volume will increase on back of rural inching up for us. So I expect the subsequent quarters to be better than our existing quarters, but definitely not worse.

Percy:

Right. And I know it's a little difficult to answer the following question, but to the best of your judgment, do you think that this increasing trend from 3% to 4% to 5% has got to do more with the macro demand recovery? Or is it more to do with your own sort of initiatives that you might have taken?

Mohit Malhotra:

No, you're right. That's a very difficult thing to say. I think I would not take the entire credit away from the team. I think Dabur team has done a substantially good job on ground and in execution. So a lot is driven by our own efforts, hard work and perseverance of the team, both at the ends of demand building and also at the end of distribution increase and also on cost cutting. So all the three, whether it's gross margin inch up of 120 bps that was driven by more Samriddhi and pack price architecture in RGM study, where the finance team actually worked.

Distribution initiatives also worked. Outlets reach have actually gone up by 50,000. Our villages have gone up by around 21,000. Yoddhas have gone up by 3,300. Our price bundles to leverage the distribution on ground has also improved. We've created bundles of INR10 and accessible price points across different portfolios, and that's done well.

As far as emerging channels are concerned, our innovation rate in e-commerce is roughly around 10% to 15%. We've seen innovation is firing as far as e-commerce is concerned.

Our modern trade margins are also now in line, if not better than our GP margins now. So the more we grow in the emerging channels, which are growing by around 15% and 30% the better we get in terms of our margin delivery also. So all these efforts taken by the teams internally and obviously, externally, there has been some tailwind on the rural recovery. Because all those efforts don't get catalyzed until and unless you have a positive market environment and the winds of change working in your direction. And it is just a multiplier effect. And I think that's what is playing out, yes.

Ankush Jain:

Maybe just to add also, I think this also emanates from the fact that almost in 90% to 95% of the categories we have gained market share. So that means the efforts of the team both in terms of driving availability and building awareness and driving affordable SKUs, which we call 3As, is actually working really fine in the organization, just to add.



Percy:

Got it. Got it. Since you mentioned innovation, just a question on your innovation rate, which is 3% this quarter. So see, innovation is any new product, right? Now there are two types of innovations. One is which opens up new consumption and one is which drives excitement in the category but might cannibalize.

So for example, if you have, let's say, you don't deal in soaps, but just an example, if you have a soap and you come out with a new variant of a soap, it's not going to add to your consumptions, right? I mean it will just be a substitution. So I just wanted to understand from you this 3%, how much is actually incrementally adding to your top line?

And how much is basically driving excitement and what sort of cannibalizing? So if basically, I look at just 3% on the face of it, is it fair to say that rest of the portfolio has grown only at 2% or maybe you can say it's half and half in terms of some part of it being incremental completely and some part of it cannibalizing?

Mohit Malhotra:

So I think as far as Dabur is concerned, if you look at the overall construct, our addressable market, total addressable market is only in the range of around 2% to 3% of the overall FMCG. So there are a lot of white spaces which are there in the portfolio, which is what we are trying to plug with innovation.

So it is more increasing trials, getting more consumers in the ambit of the Dabur brand by introducing new categories. Just to tell you, for example, Odomos getting extended into LVP. It is to get the LVP consumer into Odomos rather than the personal application cream moving into LVP because we were addressing a very, very small market. Dabur brand moving to health juices, we were never addressing that particular consumption or the occasion. So that is what we are addressing and people don't switch from a tablet to a juice ever.

So if we are getting into drinks, drinks market is to a tune of around INR8,000 crores, we are only reaching to INR2,000 crores of nectars and juices. Now that is additional TAM added. When we are launching Fizz that's a carbonated market that we are addressing. So we are trying to increase our TAM and therefore, increasing our consumption and not really doing something for excitement. Excitement comes in some categories. But again, in Gulabari, we have rosewater. Rosewater has got extended for us into body bath. But body bath was not present and Gulabari wasn't used for a body bath. So that has kind of picked up for us. So it's more of addressing new categories for us. And so I think this will be 3%, , but I don't think there's any cannibalization per se.

Ankush Jain:

Significant part of it would be new categories as Mr. Mohit said, Odomos LVP or Cool King franchise completely something which we are even not targeting initially or maybe Vedic Tea. So we have entered completely new categories, which are different here.

Percy:

Got it. Got it. Last question on Oral Care. See, your growth is very similar to the market leaders, but the market leader has a higher element of pricing, I would guess, than you. So generally, don't we see that when basically there is a brand which extends its premium beyond a point, then it starts to lose market share, but that has not happened.



And I mean on the other hand, I mean, if your discount or your relative price premium, let's not say discount has changed because of the actions of the market leader, would you not treat this as an opportunity to sort of be opportunistic or rather take advantage of this changed market relative price and gain market share? And why is that not happening?

Mohit Malhotra:

No. So therefore as far as market share is concerned, you are absolutely right, too much of premiumization, you end up losing actually market share, and that is exactly what is happening with market leader. While you see premiumization and the growth happening, but the Nielsen and the syndicated data is showing that the market leader is losing market share in the non-herbal segment and all the herbal players, be it Patanjali or us or other herbal players are actually inching up their volume market share. So there's attrition happening from the non-herbal to the herbals and that's why herbal penetration is actually moving up, absolutely, to your point.

As far as our business is concerned, 8% is our volume growth and 3% is our price growth, leading to our 11% growth. But our secondary growth is in the range of around 12.2%, which is in line, and we've done some sort of inventory correction also here. So that's what we've done.

But you're absolutely right, market leader is actually paving way for us to follow and therefore, increasing premiumization in our portfolio so that we can play catch up too. But it's not just about gaining market share and keep at a lower price, because they've got a Visible White and they've got Total , which are different segments altogether rather than only the main categories.

Percy:

I agree. I'm just saying in the Colgate Strong Teeth also, they had couple of quarters ago, taken a fairly big price increase, which I think was not mirrored in your portfolio. And I'm just saying from that point of view, with that price differential widening, shouldn't this doesn't matter to the consumer in any way? And should that result in a market share gain for you?

Mohit Malhotra:

So there is an opportunity. As I just told you, we just finished RGM activity with a very big consultant in India, and we have compared and contrasted our prices of all SKUs across the board with competitor and any opportunity in that we will not lose especially in oral care. So that we have already plugged the gap.

Mihir Shah from Nomura

Mihir Shah:

Sir, I wanted to check on the juices portfolio. last year, it had a low base and start of the year also has been subdued because of the weather conditions. Ex of seasonality going forward, how should one think about the growth in juices? Do you think it can come back to early to mid-teens growth? Or do you think there is some other issue that is hampering its growth profile?

Mohit Malhotra:

Yes. So let me not restrict myself to juice portfolio, let me talk about the beverage portfolio. There are some parts. But for beverage, our food portfolio is doing well. I already explained to you in my call that our foods is growing by 20%, Badshah is growing by 15%. So we are well as far as food is concerned. In beverage, there are three parts of the portfolio.

One is a 100% juices. Our 100% juices under Active is growing by around 21%. So that's taken care with very healthy growth. Now we come to the nectar part of the portfolio. Our nectar part of the portfolio is the one which is a little bit flagging. I'll come to the reason in a bit. The drink



part of the portfolio is growing at 19% or 20% for us and the Fizz part of the portfolio is growing by 100% for us. As far as carbonated is concerned, that's 100% growth. Drink is a 19% growth. 100% Juices is a 21% growth.

Now coming to the Nectar part. What's happened is, that there are cola wars which are happening in India, in which there's a third entrant, which has entered into the cola business. And because of which and for him to take market share, it has dropped the prices and made 250 ml available at INR10 due to which the market leader has also dropped the prices, due to which the number 2 player has also dropped the prices.

So the price index between a nectar and cola has significantly increased. Our relative price index used to be 2.2x. This 2.2x has gone up to around 3.2 to 3.25x. So that is just to give you an example. The INR10 pack, which is available at INR10 for cola or a drink, our 200 ml, which is a portion pack available at INR 20, 2x the price point.

So that's the problem, which is happening. And because these drinks and nectars or these colas have become so cheap, consumers are trading out of nectar into cola and the summer season has accentuated this problem, because of this acute summer of 40-degree, 50 degrees outside, the consumer wants more hydration and more refreshment rather than nourishment and health.

So it's a dual impact, which is what we are facing. One at the price end because the price premium of nectars have gone up as compared to cola, which is the market of INR50,000 crores as compared to drink market, which is INR12,000 cores to INR15,000 crores. And number two, consumers were seeking out more thirst quenching products. And if you taste this, this is more thirst quenching as compared to a juice or a nectar.

So that is why there has been a muted growth as far as J&N is concerned. If you look at other competitors' data also, whether it's Varun or others, the nectar market is only growing at a very muted growth. Our market share in the nectar market has gone up by 332 basis points. All other, whether it's ITC, and all other players, market shares have actually gone down. So the team has done a very good execution on ground, gained market share, but yet the growth has been muted there.

Mihir Shah: Understood. Sir, can you share the saliency of nectar within all of these 4 subsegments? Or maybe if you can talk about how you're going to address the issue because it doesn't seem to be an issue that is going away soon. So maybe the saliency of the other 3 segments can go up. Anything that you can shed light on that one.

Mohit Malhotra: Yes. So what we are doing is we are ramping up capacities for Fizz in Jammu and that is getting ramped up. Our capacity for drinks is also getting ramped up. Coconut water also we are ramping up, but that takes time. But Nectar represents more than 70% of our total saliency. And we are the number 1 player with a market share of more than about 56% there in the Nectar segment.

Mihir Shah: Understood. Got it, sir. Sir, second question is on the OTC and Ethicals portfolio. There were quite a few new initiatives and launches that were planned including the Doctor Advocacy etc, steps that were taken. Can you share any update on those initiatives? Are you revisiting any of them? And when should one expect growth to pick up in this category?



Mohit Malhotra:

So Doctor Advocacy is progressing well, and Philipe Haydon is actually leading the charge here and it's doing well. We are reaching out to more than 30,000 Ayurvedic practitioners. 30,000 another general practitioners, 12,000 dermatologists, 22,000 gynec and pediacs each. So that's well on way. We've got around 400 feet on street on ground. So we are trying to advocate that allopathy's alternative system of medicine as good as allopathic which is there.

So I think that whole playbook is working well for us, but it's a slow progress. As far as growth is concerned, we've got a growth of almost around 9% to 10% in therapeutics vertical. So there are new people, getting trained, etc, so it's taking time to really get into a flywheel growth. But overall, I think it's long term to build health care. That is what we are doing on the Advocacy. Overall doing well.

As far as Ethical is concerned, we've seen a good growth in the Ethical business and Ethical business has grown by around 7% to 8% for us, and it's doing well. OTC saw muted performance in the OTC mainly driven by the base effect of Honitus, which grew by around 30% plus and one or two other brands also grew by 30% last year. That's why the growth is actually muted. Plus severe winter's incidence of cough and cold was limited in the summer because of the acute summers. So that's why.

But our Pudin Hara liquid has done very well, grown by around 20%. Our Hajmola has got extended into Hajmola Zeera. That has done very well and the response from the market is exceedingly well. Imagine Hajmola as a brand getting now pivoted to drink segment which is so big in size.

And we've seen the other Zeera players also doing very well. I think that's a very big news that Hajmola as a brand is now pivoting into the very large TAM, which is the drink segment, so we were limited by the kind of capacities that we people had.

Our Baby Care business has also grown by around 45%, and that's also trending well, driven by both e-commerce and also now by the therapeutic business. So overall, OTC and Ethicals have done well. Health juices are going to be around INR50 crores for the whole year, and we are striking at the rate of around INR10 crores plus in the quarter.

So I think juices are doing well for us, yes. So overall, OTC Ethical had par performance. Some part like Lal Tail and Honitus, we had to do some media work to grow the market as a leader, which we are up to doing.

Mihir Shah:

Perfect, sir. Great to hear that. Sir I have one macro question. If you can talk a bit more on the rural growth. What changes are you seeing there? Is the group looking better because of a low base? Or are you seeing some consumption improving post the Rabi harvest? Or are you seeing changes from the unorganized sector or players to the organized players that change is coming back, which you were seeing a few quarters back. And in a sub part to it is, what do you think is the issue with urban? Why is it tailing? Why is it going down, sir?

Mohit Malhotra:

No, I think overall, the rural is coming back if you ask me. It's a large long-term impact happening inflation going down, elasticity of demand working very well as inflation goes down,



price premium goes down, more traction happens in discretionary and staple. That is what is panning out. There's a deflation of around 2% that we've seen in the quarter.

And that's why rural consumer is kind of coming back into the fold of consumption. I think that's getting built up by good harvest, normal monsoon, government initiatives of putting in a lot of infrastructure, more employment opportunities, MGNREGA outlay going up from 60,000 to 84,000 crores. New schemes being announced by the government.

So I think all that is leading to a better sentiment and this better sentiment generally leads to better consumption. I can't tell you a very hard fact of correlating with the money in the hands of the consumers. But I think sentiment euphoria leads to better consumption, and that is what is, I think, happening in rural and the government has also come back in the third term.

So there is a fair amount of stability as far as the economy is concerned. And that is all going up in the overall consumption. But we would have expected even better sops by the government, which has not come through. But I think everything is not hunky dory. Because overall FMCG market continues to go down.

So we have seen a sequential decline from 12% to 9% to 6% to 4%, while rural is showing some sort of recovery. But Dabur is the bellwether for the rural performance, which we think we are. For past 3 quarters, we have seen our rural recovery happen whereas the FMCG market is showing rural recovery for the past 2 quarters.

So we are the lead indicators. I would imagine that we would be for the rural consumption. And our sub stockist channel is doing well. Money is coming back. Earlier, the credit terms were higher. Now the money is coming back. Our inventory levels also gradually slowly are coming down, which had piled up. So all in all, I think we are in a good space, and I think the subsequent quarter should be better than the previous quarters in the FMCG sector.

Mihir Shah: Yes, I get it. And absolutely, we believe that you will be the key beneficiary of rural recovery. So one is keeping the fingers crossed.

Lokesh from BOB Capital Markets

Lokesh Gusain The first one is if you could discuss some trends in urban markets, like how they performed in the June quarter relative to the March quarter? And then secondly, I know Chyawanprash is a low salinity in the June quarter, but I just want to understand how the trends were on a year-over-year basis when you look at the March quarter performance and when you look at the June quarter performance. Did the heatwave have any kind of impact on that product?

Mohit Malhotra: Lokesh, as far as urban markets are concerned, urban markets, again, got part, I'll answer your question in the part. E-commerce is flying for us. So it's a growth of around 30% in e-commerce and driven by quick commerce. Quick commerce growth around 70% for us, driven by Zepto, Blinkit, Swiggy, Instamart.

All they are doing very well, and we've got a structure and a playbook in place, which has kind of put this business on a good high growth track and we are working along with all the major



players in the quick commerce and devising mixes and portfolio so that our growth is driven along with their growth and it's a very high-growth channel for us. Today, quick commerce is almost 30% to 35% of our overall e-commerce and doing exceedingly well. Our modern trade, the second part of the urban is growing at around 15% thereabout.

Reliance and D Mart which are more than 65% of the total MT, is also doing well for us. So that's, again, a good thing and margins for both modern trade and e-commerce are in line with the GT margins. So the more they grow, the better we get, except for the fact that credit is a little higher in these two channels, which also in due course of time, we should correct.

GT is a big elephant that is a drag on the business, which is also urban one, and in which wholesale is where the shoe pinches. So we are trying to convert our indirect to direct and therefore, trying to reach maximum number of outlets. 50,000 outlets is what we've added in the overall direct reach in the quarter. So that's our endeavor for this to go out. So that the productivity of people also moves up. So that is what one is trying to do here.

As far as Chyawanprash is concerned, this is a very low salient quarter for Chyawanprash and the heatwave was severe. Amid the heatwave, Chyawanprash to consumers is not making sense. We ushered in a campaign called a monsoon campaign to capitalize on the monsoon. And immediately after the monsoon, we've seen around 8% to 9% growth happening in July. And in the current month also, we are seeing some good growth on the lower base, of course, it's not a consequential quarter for us again. So I think with the La Nina impact coming in, we are expecting the winters to be a little bit more severe as compared to usual and which should be a very favorable indication for Chyawanprash season to go by. So we are keeping our fingers crossed this year for Chyawanprash to do well..

Lokesh Gusain

And then just you mentioned something about inventory correction in the Oral Care segment. Could you just talk a bit more about like where was that exactly & in which channel?

Mohit Malhotra:

No, see inventory correction I was telling a difference between primary & secondary. We've not consciously corrected any inventory. So let me put the facts in place. We've not corrected inventory, hasn't corrected or taken a beating on the sales to correct the inventory. We are trying to drive secondary to correct the inventory.

So our secondary sales has been higher than our primary sales. To that extent, the inventory levels of the stock actually depletes down. In Oral Care, I was telling you our growth is around 13% in secondary as compared to 11%. So 2% of our overall Oral Care volume should be roughly around INR 10 Crores. So around INR 10-11 crores of inventory correction in Oral Care would have happened and mostly in the GT channel. Ankush, do you want to talk to...

Ankush Jain:

Just to give a bit of fact. In fact, our secondary revenue is slightly higher by INR 1 or 2 crores in this quarter. So it's marginally high. It's just that in the base, the primary was higher.

Mohit Malhotra:

But I think overall in the business only, I think secondaries have been higher as compared to our primary. So overall, there should be a stock correction to an extent of around INR 10-odd crores, which would have happened in any case overall, yes.



Jay Doshi from Kotak

Jay Doshi:

First question is on juices and nectars category. Now as per Nielsen, you've gained share by 330 basis points. But when we look at the reported numbers of Varun Beverages that for them, the segment grew 40% this quarter. And from whatever we understand, even Tropicana has grown at 20% odd plus. And this year, they have trebled the capacity for Tropicana. So I was just wondering that are you losing market share? Is it real in the nectars segment losing market share to Tropicana? Maybe it's not reflecting in Nielsen as yet. And if you could share some thoughts here.

Mohit Malhotra:

We've sliced and diced the numbers, actually, you're talking specific. Tropicana used to be 19.3%, now it's 17.3%, 200 basis points lower. Minute Maid is down by 100 basis points, and the Real is up by around 330 and B-Natural is down by 280 basis points. It's all syndicated data.

So I think we were very careful to analyze and understand this. I think our business has done significantly better as compared to all competitors, and Real has been the only exception which has grown in consolidated market shares. I can't talk about Varun Beverages results because it contains export market, drinks & this that. So there are too many moving parts there.

As far as Real is concerned, I don't think we are losing. We are not at all losing market share here. We were losing market share in the coconut water segment. That is what we are still losing market share that we are plugging. So we've already ordered for aseptic line because you require an investment in capex there that we have invested.

So I think with next season on, even coconut water for Real will be available in the pet bottle, which is where we were losing. We were available in Tetra Pack and they were available in pet with the new player Storia coming in, it had taken market share from us, but that we will be plugging in the coming season. That much of time we took, but that's the learning, yes.

Jay Doshi:

One more question. Earlier, you mentioned on the call that modern trade and e-commerce margins are similar to general trade margins. So is this an apple-to-apple comparison in terms of category comparison or your portfolio in MT and e-commerce is far superior in terms of product mix and category mix. And hence, when you look at the margins of GT versus MT e-commerce, you probably see similar because what we hear from most other companies is modern trade and e-commerce are actually margin dilutive.

Mohit Malhotra:

No. So I think over the past 2 years, we have very consciously worked on this to inch up the margins and inching up the margins has happened with negotiations with the trade and in the channels earlier, we were doing modern trade through our distributors. Now we are moving directly. So we saved the distributor margin of around 5%. Now that's coming in handy. We are selling larger packs. We are doing more premiumization there.

So I think it's a very conscious attempt of taking up margins because we realize these are the emerging channels growing at a faster pace. If margin dilutive, this will lead to overall decline in the operating margins and things will become worse. So we worked on it, I think, very consciously. Earlier, we used to offer a lot of schemes, now schemes are getting net off from the



top line, therefore some GST savings happening there. And then overall, I think it's proving out to be a very positive sort of look for us.

Jay Doshi: This margin, when you talk about margins between channels, is it EBITDA level or gross contribution level?

Ankush Jain: It is net margin, net of all direct expenses with the media including visibility spends.

Jay Doshi: okay, understood.

Sheela Rathi from Morgan Stanley

Sheela Rathi: I must admit this time's annual report completely resonates with the company's positioning. So my first question was with respect to the market share gains, which we have been seeing in Odomos and Odonil. I understand that Odomos is much smaller than Odonil, but what is working out in favor for us? And where do we see the scale-up in this category at the overall level in the next couple of years?

Mohit Malhotra: Yes. So Sheela, so I think Home Care is a great opportunity for us and very high margin accretive category. We make margins in tune of around 60% broadly in Home as compared to other places. So we are very well placed. Odomos is an underleveraged brand for us because the total top-of-mind recall for Odomos will be very high, and Odonil also will be very high as to the amount of turnover. That's why we are now pivoting Odomos towards mosquito repellency and insecticide, so to say. Therefore, we had introduced Odomos Racquets first, then we introduced LVP that is also coming in. So we are trying to expand the total addressable market for Odomos. And so is the case with Odonil getting extended to different formats. Odonil just not being PDCB block, but also being air fresheners, also being gels, also being powder, also now getting into air fresheners, etc.

So the entire gamut of freshener category will be captured by Odonil and insecticide with the Odomos. That is the overall attempt, and we want to take our Home Care to INR1,000 crores. And still, it is not INR1,000 crores. Odomos totally for us should be around INR800-odd crores. So total Home Care will be around INR800 crores. So we should be able to take this up to INR1,000 crores by increasing the TAM. That's a big picture.

Sheela Rathi: Understood. Second was just a follow-up to the previous participant's question. With respect to the margins. But again, more importantly, we have called out that quick commerce is doing very well for us, up 70%. Which brands from our portfolio fitting to the quick commerce related demand and are the margins similar for quick commerce similar to e-commerce?

Mohit Malhotra: Yes. So I think juices are doing well. Juices are doing well for us than quick commerce also now toothpaste is doing exceedingly well. So quick commerce players, besides just carrying grocery. Now they started carrying the personal care also and the new product bundles are going on personal care and doing well. Even our Badshah Masala has now been geared to our quick commerce business. And I think it will do well. Odomos also is doing exceedingly well in quick commerce for us, yes.



Sheela Rathi:

Would the margin be similar to e-commerce when you say for quick commerce? Or Will it be better?

Mohit Malhotra:

Quick commerce margins are better than e-commerce. Amazon's rate and all is higher as compared to Zepto and Blinkit and Instamart, etc. So quick commerce margins are better than e-commerce.

Sheela Rathi:

Understood. One final question was on the rural bit, while responding to the earlier question. You mentioned that your channel is doing well and money is coming back. Is this the first quarter when we are seeing this money coming back from the channel much faster. Is it fair to say? Or has it been something we have been seeing as a trend improving for the last few quarters?

Mohit Malhotra:

So I think I'm talking about the current quarter. So I don't know if it is a trend we have to wait and watch that's what I said. The sentiment seems to be improving. So it's a little wait and watch. And geographically, the mix is very different. If you ask me, South India is still reeling under pressure. And where the little ease is happening is in UP, Bihar for us, that is easing out, that's getting better. Central is getting better. But I think South India is still reeling under deep pressure.

Avi Mehta from Macquarie

Avi Mehta:

I just wanted to better understand your comment on pricing that you had indicated during the start of the call. Is this in any way you worry in suggesting that the 3% pricing growth that we were aspiring in FY '25, that could be at risk because the price hikes in health care are getting harder or if you could kind of help us better understand that comment.

Mohit Malhotra:

No, I did not say that we aspire to have a 3% of a price increase. I did not say. I only mentioned the deflation in the current quarter is to the tune of around 2%.

Avi Mehta:

I misunderstood that comment. I'm sorry then.

Mohit Malhotra:

Yes. So I said that there is a deflation of 2% and there's a 2% of carry forward price increase that we are seeing in the current business. And this is a price increase that we've taken in the previous quarter, which is getting rolled over to the current quarter. So that is overall sort of 2% plus volume growth of 5% and 7%. So I anticipate volume growth going up and price growth to be muted in the tune of around 2% only. As far as health care is concerned, our price increase in the current quarter, a 6% price increase in the health care business.

Our HPC business has a price element of around 1.4% to 1.5%. And food is actually all volume driven. So that is the way it will be going forward in the quarter because if there is inflation, which there is, as I see the inflation in food is very high today, so we might have to take some price increases in food, but it depends upon how the situation is. Our margins are holding up, and that's where we are, yes.

Avi Mehta:

Got it. Perfectly clear. And yes, I misunderstood your earlier comment. And the other just wanted to understand what's on the Namaste, any update over there?



Avi Mehta:

I just wanted to get an update on the Namaste case. Is there any update over there? Or it's status quo? Any news over there, if there is?

Mohit Malhotra:

Yes. In Namaste last update when we gave you and an update now, we've been able to achieve the corporate separateness in Namaste. So Dabur International & Dermoviva are not a part of the litigation now anymore. So only Namaste, which is less than 1% of our profit and turnover is in the ambit of the legal case. So that's a very good development happening in our favor.

Number two, we've been negotiating the legal cost and the legal cost as compared to last year to the current year is substantially lower. So this quarter, we've only incurred INR18 crore of legal cost. In Q1 FY24, it was in the range of around INR25 crores, so substantially lower for the full year. We should be incurring a cost of around INR80 crores as compared to INR100 crores last year.

So, I think overall, still the case is in the discovery stage, and we are also talking to our insurance companies to see if we are able to get 50% of the amount that we are paying to the lawyers for fighting the litigation. If that happens, then we will be able to reverse the provision that we've kept for the cost that we've incurred right now.

Amit Purohit from Elara Capital

Amit Purohit:

Sir, just on the Health Supplement segment, you grew by 7.8% this quarter. And if I look at historically, since FY '21, this segment has faced challenges post the COVID benefits that we had. How do we think I mean, for this year, since the base is favorable for Q3, would the slower growth you would attribute largely to the unfavorable seasonality or is there any structural change which is happening because we have taken price increase as well in this segment.

Mohit Malhotra:

Yes. So there are three elements of health supplements for us: Glucose, Chyawanprash and Honey. If you see our Glucose has done very well. I think the entire heatwave actually provided a tailwind and a favorable environment for Glucose to do well. Our Glucose business grew by around 30% and a market share gain of around 70 bps in the overall segment. So that's done well. We also introduced Glucose in our drink segment, which also has done well for us. Our value-added Glucose is doing better. Vitamin C and other flavors are doing better than our regular glucose, which is also margin accretive. Our margins have substantially improved in the Glucose segment also.

As far as Honey is concerned, we faced some concern on last winter. The winters were very acute and some part of Honey had actually crystallized in the marketplace. So we've taken back some stock. So therefore, the growth on honey wasn't there in our health supplement piece and even Chyawanprash due to the high heatwave it's not done so well in the current quarter but post our monsoon campaign in the month of June and July, we've seen good growth happening in Chyawanprash. And going forward, as I was telling you before in my previous remarks, that with La Nina impact, we anticipate winters to be severe. So Chyawanprash should do well going forward in the season.

Amit Purohit:

Sure. And lastly, on the margin guidance for FY '25, should we assume to be similar to FY '24?



Mohit Malhotra:

Yes. See, we've got 120 bps of gross margin improvement. Part of that around 80% of that will be plowed back into media and balance will flow through to the operating margin. So there will be some amount of improvement in operating margin. If the deflationary environment continues and we anticipate in the second quarter, the deflationary environment will be there, we'll have a flat sort of inflation that's the prediction that we got from our procurement function.

So that should remain. But in quarter 3 and quarter 4, there's some anticipation of inflation coming in. And if that inflation comes in, we'll have to watch the gross margins and our media but we are committed to investing behind our brands and therefore, doing higher media. In India, the media percentage to top line was 8%. We want to inch it further through Samriddhi benefit, some part of gross margin flow-through and balance will get into operating margin. So I can't really comment with certainty. Margins will grow beyond 19.6% that you see, but how much? I really can't say.

Nihal Mahesh Jham from Ambit

Nihal Mahesh Jham:

Sir, one question would be that in the Oral Care segment where you're seeing strong growth. Is there an element of distribution improvement also considering, I think we reached 3 million outlets in the segment versus the 8 million in total that we have and could that be a sustaining factor of growth going forward?

Mohit Malhotra:

Yes. So I don't know. I think the distribution initiatives actually incrementally add to the entire portfolio or not really to oral care per se. But I think our visibility, our activations in modern trade and e-commerce have really ramped up as compared to last year. So we changed manning in modern trade. There's a different head who has come in.

I think we've got higher shelf shares in modern trade for Dabur Red and for others. I think our share of shelf in modern trade would have significantly improved. And also in e-commerce, our business would have ramped up. As far as GT is concerned, I don't think distribution has incrementally added to the growth which is happening. We are investing ahead of the curve as far as media is concerned. So South business has done well. Our market shares have improved over there.

But in North India, there's a huge scope and Patanjali in particular State of UP, etc, has gained market share from us. So there's a lot of hard work which has to happen there on a INR10 price point and a INR20 price point to gain shares there, but we are investing. I think it will be more demand generation activity there because its more wholesale driven rather than distribution. So yes, modern trade e-commerce, definitely. The activation would have played a role.

Nihal Mahesh Jham:

That's clear. Just one clarification in juices if you would give the split between in-home and out-of-home in the Nectar's business only.

Mohit Malhotra:

Our in-home business would have stayed put while in Nectar, both have gone down, but out-of-home has significantly improved because of our drink portfolio and Fizz portfolio. And the 200 mL part of our juices and nectars portfolio suffered because it is Tetra Pak and a lot of Fizz and drinks not just us, but also the other players would have taken share from us in out-of-home. But in-home, we are staying put as far as our 1 Liter is concerned.



Vishal Punmiya from Yes Securities

Vishal Punmiya: Just one question on the international growth. The Y-o-Y CC growth looks to be quite strong, but a sharper impact from the currency devaluation compared to even the previous quarter is kind of restricting our INR growth. How is the situation as of today in terms of currency devaluation across your international markets?

Mohit Malhotra: Ankush, you want to answer?

Ankush Jain: Yes. So I think the currency that has been hovering around 3% or so or thereabouts in last 2, 3 quarters. I think we will take 1 or 2 quarters more to overlap. And then by Q3, we will start reducing, though not completely eliminated.

Isha Lamba: I would like to thank all the participants for joining today's call. Our sincere apologies once again for the delay in starting the call. The webcast recording and transcript will be available on our website. Thank you and have a great evening ahead.
