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

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

BSE Scrip Code: 500096

NSE Scrip Symbol: DABUR

**Sub: Transcript of Investors' Conference Call for Dabur India Limited –  
Q2 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 October 30, 2024, post declaration of Financial Results for the quarter and half year ended on September 30, 2024. The said transcript is also available on the website of the Company at [www.dabur.com](http://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

Q2 FY '25 Results Investors Conference Call”

October 30, 2024



**MANAGEMENT:**

**MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER**

**MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER**

**MR. REHAN HASAN - HEAD, SALES**

**MS. GAGAN AHLUWALIA – VP, CORPORATE AFFAIRS**

**MR. N. KRISHNAN - GENERAL MANAGER, FINANCE**

**MS. ISHA LAMBA - HEAD, INVESTOR RELATIONS AND M&A**



**Isha Lamba:**

Good evening, ladies, and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to the Earnings Conference Call pertaining to the results for Q2 FY '25. Present here with me are Mr. Mohit Malhotra, Chief Executive Officer, Mr. Ankush Jain, Chief Financial Officer; Mr. Rehan Hasan, Head of Sales; Mrs. Gagan Ahluwalia, VP-Corporate Affairs; and Mr. N. Krishnan, General Manager-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. Thank you.

**Mohit Malhotra:**

Thank you, Isha. Good evening, ladies, and gentlemen. We welcome you to Dabur India Limited's conference call pertaining to results for the quarter ended 30th September 2024. This quarter, the sector faced challenges from heavy monsoons, floods, and high food inflation, which slowed down urban consumption, especially in the beverage category for us. However, rural continues to be resilient and has outpaced urban growth for last 3 quarters. We believe urban consumption has bottomed out and should see an improvement going forward.

As new channels have been growing ahead of general trade, this has put some pressure on profitability of our GT channel partners. We recognize the challenging times faced by our GT channel partners who are integral to Dabur and have significantly contributed to building our esteemed business. As part of our commitment to good governance and in solidarity with them, we have undertaken one-time strategic initiative to rationalize inventories and enhance their profitability. As a result, our consolidated revenue declined by 5.5%. While this one-off proactive measure resulted in a temporary dip in sales, this was necessary step to enhance the profitability of our GT distributors and ensure long-term health and hygiene of our business.

Our business fundamentals remain strong with all underlining key consumer metrics of market share, household penetration, secondary sales and compounded annual growth on a positive trajectory. Our secondary sales during the quarter grew by 2.3% year-on-year with Home and Personal Care growing at 6%, Health Care growing by 4%. In addition, we gained market share across 95% of our portfolio.

The international business exhibited resilience and registered a strong growth of 13% in constant currency terms. Within the domestic business, Home and Personal Care secondary sales grew by around 6%. Hair Oils grew ahead of the category and gained 40 bps market share. We are market leaders in hair oils with representation in both coconut and perfumed hair oils. A key white space has been premium Ayurvedic hair oil segment that we have been calling out for a long time.

I'm happy to announce that Dabur has entered into an agreement to merge Sesa Care Private Limited, which has a consolidated turnover of INR133 crores. This proposed merger brings to Dabur the premium Sesa brand with strong credentials around Ayurveda that will complement our existing portfolio and strengthen our presence in the INR14,000 crores hair oil category.

Given Dabur's extensive distribution network and category leadership, this transaction will bring in substantial revenue and cost synergies. Sesa brand will also enable us to premiumize our hair



oil portfolio as it is gross margin accretive. International businesses contribute to 19% of overall Sesa's sales with Sesa being number 1 Ayurvedic therapeutic hair oil in Bangladesh market.

Home Care portfolio continued on a strong growth trajectory with 9% year-on-year secondary sales growth and market share gains of 220 bps in air fresheners and 510 bps in mosquito repellent cream category. We continue to premiumize and expand our product range in Odonil with gel pockets, diffusers, and premium air fresheners. We have extended Odomos brand into liquid vaporizer format, which is seeing an encouraging response from the market. We intend to scale up this during upcoming months.

This initiative will enable the Home Care portfolio to grow in double digits going forward in the future, taking up the portfolio from INR700 crores to around INR1,000 crores in 2 to 3 years' timeframe. In oral care category, our flagship brand, Dabur Red recorded secondary sales of around 5%. We have a strong number 2 position in the category with 1 out of every 2 households using Dabur Oral Care products.

Dabur Red toothpaste has a number 1 position in states like Orissa, Andhra Pradesh, and Tamil Nadu. I'm happy to inform you that Dabur Red has become India's first Ayurvedic toothpaste to get accreditation and recognition from Indian Dental Association, a consortium of allopathic dental practitioners. Going forward, we will ramp up our engagement with dentist community to cover around 1 lakh dentists.

Our Health Care segment posted a secondary sales growth of 4%. To promote all-weather consumption of Chyawanprash, we rolled out a special monsoon campaign during the quarter, which has resulted in secondary growth of 12.6% in Chyawanprash. The brand gained 20 bps market share to reach 61%. The Chyawanprash category penetration has improved by 10 lakh households from pre-COVID levels.

To drive premiumization, we recently launched the Khajurprash variant, which was very well received by the consumers. Digestives portfolio recorded a secondary growth of 6% year-on-year, led by good growth in Hajmola and market share gains of 160 bps. Dabur Honey also grew ahead of the category and gained market share of 60 bps. Health Juices and Shilajit recorded a year-on-year growth of 20% each and Baby Care portfolio grew by 30%.

In Foods category, the business performed well with 20.6% growth in secondary sales. Badshah continued on a strong footing and grew by 15%, both primary and secondary terms, driven by 15% volume growth. Food business, including Badshah, will cross INR500 crores this year, as alluded earlier. We intend to continue to grow Foods vertical aggressively going forward as well.

Due to aggressive monsoons leading to floods and landslides in some parts of the country, the Juices and Nectar category declined in high single digits. Despite the slowdown, we grew ahead of the category and gained volume market shares of 240 bps. We have put in place a multipronged strategy of ramping up our drinks portfolio, improving affordability through pack price architecture, revenue growth management and drive premiumization in emerging channels and expanding the distribution footprint to put Juices and Nectars back on the growth trajectory.



Coming to profitability, the consolidated gross margins expanded by 102 basis points. The company increased its investment in advertising and promotion and went up from 6.8% of net sales in quarter 2 to 7.4%. However, deleverage on account of decline in revenue impacted the operating profit, which declined by 16.4%.

I am pleased to announce that our company's Dow Jones Sustainability Index score has reported 170% improvement from 30 to 81 in last 2 years, reflecting our unwavering commitment to sustainability and responsible governance.

I would like to once again reassure you that the underlying business fundamentals remain strong and overall health of the business continues to be robust. With rural growth continuing to be resilient, urban slowdown expected to have bottomed out and riding on the strategic initiatives, we are confident of our performance in the upcoming quarters to be back on track. We remain dedicated to investing behind our brands, expanding our distribution reach, and building our back-end capabilities to continue to deliver superior value creation.

With this, I conclude my address and open the floor to Q&A. Thank you.

**Abneesh Roy from Nuvama**

**Abneesh Roy:**

My first question is on toothpaste. So we have seen 3 results till now in that space. You have grown by 5% and the market leader has grown in double digits with around 8% volume growth. And the number 3 player has also seen high single-digit growth. So one, how do you see your growth versus the other 2 players? Second, have you seen a sharp ramp-up in the competitive intensity in Q2 and do you see this as a structural development or that was a one-off given the margin pressure which market leader saw?

**Mohit Malhotra:**

Right. So Abneesh, overall, Oral Care category is growing quite well. We have grown ahead of the category at around 5% value, and we've gained market shares also in Dabur Red. Besides Dabur Red, even Meswak has performed very well in the quarter. Dabur Herbal toothpaste for us has also been doing very well. Lal Dant Manjan, which is our tooth powder brand, has also grown by 7% in terms of secondary.

So all the vectors of oral care for us have done well in the market and market shares have gone well. I can't comment so much on the competitor. But as far as we are there, I think Oral Care is one of the very aggressive vectors, which we will keep pushing to drive our growth.

On Oral Care, I would want to mention one thing that we are really seeing huge tailwinds on our product portfolio and international business. Oral Care will be one of the second vectors of our growth besides Hair Care in the international business. We have completely saturated our installed capacity in markets like Egypt, MENA etc. on Oral Care, and we are augmenting capacity there. So there is a real heavy tailwind towards herbal, natural and Ayurvedic products in oral care.

In many countries, in MENA and in Egypt, we have already become number 2 and number 3 brands placating large global competitors that we have there. As a matter of fact, in Egypt, we've become the number 2 brand in Oral Care, and we are putting up special installed capacities and



the business is surging at the rate of around 70% to 80% on volume terms. Even in MENA, we are seeing a huge growth happening in Oral Care. As far as competitive intensity in India is concerned, yes, from the competitor and the market leader, we've seen competitive intensity gone up, but we are matching up their prowess in trade and in visibility in the marketplace.

**Abneesh Roy:**

Understood. My second question is on the fruit juice and Campa Cola impact. You were the first company to really highlight the risk well before other companies. You said on the impact of Campa Cola in Q1. So I wanted to understand now Coca-Cola is also looking to cut prices from INR25 to INR20 in the 400 ml. So if you could talk about that, how does that impact your price architecture?

Second is, if you could discuss on how much is the presence of Campa Cola in your market,? Because what we understand is that it is still in few markets. So if it is in a few markets, how come the impact is there on pan-India business for you?

**Mohit Malhotra:**

Yes. So as far as beverage is concerned, firstly, the season did not favor us. I think without the season, which is more monsoon and flood led. Secondly there was high competitive intensity. What has happened is that, it didn't directly impact our business, but the pack price architecture and the pricing index has actually become worse.

So for us, the 1-litre pack happens to be INR130. And for Colas, the 1-liter pack happens to be around INR50. So the price index has gone up to 2.7 from something around 2.1. So going forward, we'll be increasing our value proposition to the consumers by introducing INR100 price points in the 1-litre category. This is on the 1 litre.

As far as out-of-home consumption is concerned, which is INR10 price point, Campa Cola is at INR10 now. And even the big players like Varun and HCCB are also looking to cut the prices and will be available at INR15 price point. We have a Tetra Pak, which is available at INR20. So we've introduced INR10 bottle. We've introduced INR20 bottle. We've introduced INR65 bottle and also now 1 litre. is also available, and 2 litre. will also be available. So we are trying to plug all price points with juice-based drinks across.

As far as the impact is concerned, I cannot directly correlate the impact, but we can feel a little bit of shift in this coming season from juice-based beverages to fizz-based drinks. Firstly, the summer was a little bit acute and therefore, people preferred refreshment-based drinks rather than health based. But I think that was more momentary and transitory because of the price. So there is an impact, but it's an indirect impact of carbonated drinks on the juices.

**Abneesh Roy:**

Mohit, two quick follow-ups here. One, in terms of the shift from the juice towards the fizz, would that be structural in nature? I know you are taking multiple steps to overcome it. One is if you could comment on margins, how it impacts because if you are becoming more sharper in terms of pricing, provided nothing changes, say, in raw material. What happens on margins?

Second, the awareness quotient clearly is increasing for customers. So the perception is though its fruit juice, but it is sweet. And the fruit content, obviously, people can easily read on the pack. And you also said that in the fizzy drink clearly, because it is so hot and so warm, there is a requirement.



So even if that is also sweet and maybe the non-sugar-wise anyway, that issue is not there. So I'm asking, is this a structural issue of more focus on health, so awareness is there. So do you need much more in terms of the R&D aspect to overcome it rather than just pricing? And what happens on the margins given the sharper pricing, which you have taken?

**Mohit Malhotra:**

As far as margins are concerned, the margins in the total juice portfolio have actually moved up. And that has happened because of the premiumisation at one end and also introducing the price points, which are more value offering to consumers on the other end. So both are kind of going hand-in-hand for us. So we've introduced coconut water also, so which are margin accretive to us. We've introduced value-added juices also, which are accretive to us, etc. So that is like kind of balancing our margin.

And overall, our margins have actually moved up. As far as our representation in drinks, fizz and carbonated is concerned, we are also pivoting ourselves to have representation in carbonated and in drinks. So that has given us good benefit. As you know, we've got a INR200 crores business, which is a drinks portfolio and our fizz-based business, fruit-based fizz drinks for us has also done very well.

We've also introduced cans in Jammu, test marketed it and this has also done exceedingly well in the marketplace. So I think, A) pivoting the business towards refreshment besides health is there, B) Fruit plus fizz which is the second vector of growth.

Coming to if there is a structural change? I don't think there is a structural change. If you look at overall big picture, a 50,000 ft -level view, you would find that the penetration of juices or fruit-based beverages in India is still 8% as compared to 25% in China. And that is the example that I can give you from our neighbouring markets.

So I don't think there's a structural shift because the penetration of juices is still so low in the country and fruit is definitely considered more nourishing than only flavoured waters. So that's what my take would be.

**Abneesh Roy:**

Sir, last quick question. So this inventory correction you have done, I wanted to ask on that. So clearly, FMCG companies keep doing it. The issue was that the quantum was extremely high. And we have not seen any other consumer company even talking about it currently. So what is different about your business since you are also very diversified. I understand in juice business there was a clear 2 quarters of issue. But how come it impacts overall business and the quantum if you can discuss that?

Second, you mentioned in the coming quarters, the growth will come back to normal. You also said that urban slowdown has bottomed out. Now other companies are not saying that. They are saying this is start and so we need to watch out. So what is your confidence of saying urban has bottomed out? Is it because you have taken the correction or it's more of a company-specific thing you are highlighting?

**Mohit Malhotra:**

So first, let me answer your second question first. I think as far as urban is concerned, why I say it has bottomed out is because if you look at the base effect, base quarter of urban was very high.



It's already gone down to around 2.8% kind of a growth in FMCG urban that we are seeing. I don't think so it's going to go beyond bottoming out from here.

And if you really look at the intrinsic urban consumption, which is also driven by e-commerce, quick commerce, modern trade, etc, these channels are definitely showing a high growth, and they now contribute around 24% of the overall salience of our business. That is growing at a very high double digit, and that is 50% of the urban consumption as far as we are concerned. So that is showing no tell-tale signs of diminishing. So that is where I'm coming from. It's already bottomed out even in GT.

So whether the consumption is happening through GT or through these emerging channels, something. So that's what my take would be that it has bottomed out. And as far as rural is concerned, rural remains resilient, and we see secondary growth in rural higher than urban by around 130 bps for us. But if I look at the Nielsen data, our growth in rural is 600 basis points higher as compared to urban. So rural remains resilient and urban, in my view, should start recovering with the festive season.

And we've seen the kharif acreage is also high. So that augurs well for rural, and there has been MSP increases on the Rabi crop also, which should give more disposable income in the hands of the consumer. But food inflation is something which is worrying me, which is in the range of around 9% and which is shifting the monies from discretionary to more essential items. So that was the first part of your question.

As far as the extent of inventory correction is concerned, now extent of inventory correction was high, yes. We were deciding to take this inventory correction. But when we press the pedal on the 25th till that time, our business was doing very well. Our HPC business till the 25th of September, HPC was growing at 9%; Health Care was growing at 8%; overall business was growing at 6% and beverage business was declining in secondary by 11%. So beverage business is the one which exacerbated the whole issue of inventory for us. And generally, beverage which is low shelf life product is high, as compared to HPC and HC businesses which have the 3-years of shelf life whereas beverage has only 6-month shelf life. It occupies a lot of space at the distributor end as well.

So, the inventory piles up and the pressure is then felt on HC and HPC business because the entire ecosystem revolves around targets. So people have to do their numbers. So if one vertical doesn't fire, they try to push in the other vertical and therefore, inventory piles up. So when we took correction, the correction happened across the board for the entire portfolio, but more so in the beverage business. That's why optically the quantum is looking high for you.

**Mihir Shah from Nomura**

**Mihir Shah:** So I wanted to check, would it be fair to assume that the GT inventory correction is now behind completely and 3Q will be a normal growth quarter? And what according to you is normal growth in volume and value terms in the second half? So that's my first question.

**Mohit Malhotra:** Yes. So I think inventory correction is behind us. Whatever inventory correction we had to do, we quickly did it in 1 month only rather than prolonging this pain for a long time. It's like a





disease is better to cure and correct it in one go. That we have done. So we've done corrections, but for health care business, which was preseason, and therefore, we loaded Chyawanprash, so that is not compromised at all. In second half, we expect to grow back in mid- to high single-digits.. This is subject to good winters and FMCG also doing well.

We will continue to grow ahead of the category and gain market share. So on the the overall strategy and big picture, I think matrices are fine. Our market shares are going up, household penetrations are moving up our distribution is expanding. This is one-off correction, spring cleaning that we have done, and that too only on behest of our distributors, so that our ROI of the distributors improves. And that's the feedback that we got. So very strong fundamentals of the business, which do not change at all.

**Mihir Shah:** Got it. I see the market shares are going up and maybe the inflationary environment is also kind of helping that from the unorganized players. But is it fair to assume that given Dabur's rural saliency and winter saliency is high and La Nina here, you should be geared to be a key beneficiary, and grow ahead of the markets and peers? I just wanted to get a confirmation on that.

**Mohit Malhotra:** Yes, absolutely. I have no doubts about it. I think we should be going ahead of the market with La Nina here. I hope the winter is strong, more severe and more protracted so that Chyawanprash business does well for us. We also have plans to recover our beverage business, which is a little pain point at the moment.

**Mihir Shah:** Understood. Secondly, Mohit, if you can just deep dive a little bit on the hair care portfolio, the hair oils, particularly. If you can give any qualification or quantification on how your Dabur Amla has done? And how do you see that portfolio shaping up?

**Mohit Malhotra:** Yes. So in hair oils, we are market leaders in the perfume category. As you know, we've got representation in perfumed oils where we have Dabur Amla and Dabur Amla has got this ring-fenced by the flanker brands, which is Sarson Amla, Badam Amla, etc. So the ring-fence brands promise economy to the consumer and therefore unbranded shift to those branded oils. Dabur Amla is our cash cow and that we are protecting from competitor, which is half the price here. And therefore, the flanker brands come in. We've done well in hair oils and perfumed hair oils, wherein we've gained around 120 bps in perfumed hair oil. So there is Amla, there's Sarson Amla, then there is almond oil where also we have gained market shares from a single largest player in the market. Plus, we launched cooling oils in the market, Cool King. Cool King this year will be around INR25 crores, and it's actually doing very well and the reception from the market is fantastic.

So what we are doing is that we have a right to win in hair oils, and we are trying to plug. We are trying to have representations in different subsegments of hair oils. So Cool King, we plugged organically. And with Sesa coming in, we'll be plugging the Ayurvedic segment. On hair oils, we make a gross margin of around 44%.

With Sesa coming in, it comes at around 57% gross margins. And those gross margins are coming without the scale of procurement of Sesa Private Care as a company. With the scale of



Dabur, we feel that we'll be able to take up the gross margins even further. If you look at the price points in the market, if Amla is at INR0.45 per mL, this is at INR1.7 per ml. And so is Kesh King at INR1.7 per ml. Indulekha sits at around INR4.7 per ml..

So getting the leverage from our scale of procurement, I think this gross margins of 57% is also under-pitched. So this is plugging our premiumization strategy. This is plugging our white space strategy and solidifying and consolidating our core business of hair oils. Plus it also has opportunity in international business, which contributes to 25% of our hair oils.

For Sesa brand, international business is only 11%. So that will critically go up to around 25%. But I think that's huge. Like if we do around INR1,600 crores in India, we do overall around INR2,000 crores portfolio of hair oils we have in the overall kitty and Sesa will only add on to that.

Yes. Coconut oils, which is another subsegment for us, grew by around 14%, and we've gained market share. The market leader took price increases in coconut oil due to the inflation and so did we. The gross margins also inched up there in the coconut oils. So Sesa can play in two categories for us. One is coconut-based ayurvedic oils.

Other is perfume-based ayurvedic oils. So we would want to compete in both the subcategories wherever the consumer need is, somewhere the consumer need is pre-bath, somewhere the consumer need is post bath. Different markets have different consumer behaviours, and we would want to plug that gap here. So overall, in both the subsegments of coconut and perfume, we've gained market shares. So, on back of market shares, we feel the growth in this category for us will be higher as compared to the market growth rate.

So this acquisition should not be seen from point of view of that the hair oil category. It's a low-growth category. It's been stagnant for the past 3-4 years, and therefore, why this acquisition. The real rationale for acquisition is we are a INR2,000 crores business, and we want to solidify this business as it's a core business, we have market shares of 16%, and we have huge headroom for growth in terms of market share gain. That is the way we see it, and that's the lens with which we want you to have a look at this.

Such distribution, if you look at Dabur's distribution is 45 lakh outlets where hair oil goes to, the Sesa brand only reaches out to around 6 to 6.5 lakhs thereabout. In terms of direct distribution also, they are available in 1.2 to 1.3 lakh outlets. We are available in around 3.5 to 4 lakh outlets.

So, I think each of the places, we have miles to go. Plus the penetration of ayurvedic hair oils, which are therapeutic hair oils, is only around 6% to 7%. And if you look at the overall market, the instance of perception of a hair problem or a hair fall is 60% and the penetration is only 6% with a huge headroom to grow here. Plus, there is an extendibility of the brand. If you look at most of the market players like Indulekha and Kesh King, 20% of their business comes from shampoo business.

And shampoo is a huge market, again with a high growth rate there of around 6% to 7%. 20% of the market is shampoo market, which is extended from ayurvedic. So this theoretically can



also be extended there. Around 8% of Sesa's business is coming from shampoo. That also has huge legs to grow and hair fall, shampoo can be a very big opportunity.

**Mihir Shah:**

Mohit. Great to know it is quite ring-fenced and seems to be like a good acquisition. My last question is actually on the health supplement business. You did mention Chyawanprash grew by 12%, and that was a bit of a relief as well. Do you expect this continue? Because if you see over the past 3 years, on an absolute basis, the Chyawanprash or health supplement absolute numbers has stagnated. Do you expect growth to finally pick up in the second half in the winter in the health supplements business? And which ones did not do well, which led to overall growth to be lower at 2% for health supplements in Q2 if Chyawanprash grew by 12%?

**Mohit Malhotra:**

Yes. So there is a no stop strategy here. So we are having no hold on to anything, whether it's advertising or it's activation or it's trade lubrication. I think we are working on all levers to ensure that Chyawanprash comes back on track and back on the growth path. And hopefully, with La Nina, I think Chyawanprash should continue to grow. We've done the loading in the marketplace.

Now we are looking at secondaries to actually pick up in Chyawanprash. We have introduced a format called Khajurprash, which is basically meant for women and handles the iron deficiency in women also. Its a very tasty variant as well. I will nudge you all to have it. If we are able to send across the sample to the investor community, we will definitely do the same. So, we've done innovation.

We've also introduced small pack of Chyawanprash for trials to be generated at around INR65 pack for increasing the penetration. In Q2, we did a monsoon campaign to promote Chyawanprash's all-weather consumption. Chyawanprash has a perception that it's good only in winters. So, to kind of demystify that Chyawanprash is an all-weather friend for building immunity, we did the monsoon campaign and monsoon campaign gave us great dividends in terms of this 12% growth that you see. So yes, we're keeping our fingers crossed that

**Avi Mehta from Macquarie**

**Avi Mehta:**

Just first bit was on the margin side. With inventory correction largely driving almost 100 basis points contraction in reported margins at the operating level and a move towards giving higher value, could you help us understand how should we look at FY '25 margins?

**Ankush Jain:**

Yes. I think widely at an H1 level, it is almost 100 bps correction. And now at least with some top line improvement foreseen in H2 with hopefully good winters and if the top line happens to the level of mid- to high single digits, then I think we should be able to leverage cost and protect margins for H2, So almost flattish margins at this level in H2. That will be our intent at least.

**Avi Mehta:**

Fairly clear, fairly clear on that. And the second bit is on the Sesa acquisition. Now while I understand the strategic rationale, could you help me understand the EPS impact over the next few years? Because it seems at least on year 1, there is dilution, but you did point towards synergies. Could you give us a sense on what are the synergies quantum that you're looking over here?



**Ankush Jain:** I think what will happen is, the process will go into some bit of merger and regulatory approval. It will take at least 1.5 to 2 years. The next 1.5 years, there will be no impact on Dabur EPS to start with. Post that, we feel that once most of the synergies start coming in, the operating margin should inch up to 18% to 19%, which is similar to Dabur once the complete synergies get in.

**Avi Mehta:** Okay. Perfectly clear. And sorry, with your permission just a clarification. The mid- to high single-digit growth comment in the second half is on volume basis and the pricing growth of 2% odd expectation should sustain. That is correct, right?

**Mohit Malhotra:** Yes. We have a price increase of around 1.5% that we've done in H1, but the price increase impact got diluted by the trade and the extra value that we give on the top line. So that has kind of got nullified. So, it's a mid- to high single-digit kind of a growth rate that we are looking.

It all depends upon how the market kind of behaves and grows. To the previous question, Avi, want to mention that Sesa business is really gross margin accretive, operating margin accretive and will provide leverage on all the cost heads to our hair oil portfolio, which is today giving me an operating margin of low double digit, which will end up giving me a high double-digit operating margin. So it will be a positive leverage on the operating margin for us.

**Avi Mehta:** Okay, that's very clear, Mohit. Perfect. Thanks a lot for this and wish you all a very happy festive season. Thank you very much.

**Harit Kapoor from Investec**

**Harit Kapoor:** I just had two questions. One is on the improving the ROI for the distributor part. So there are other ways as well in terms of credit periods etc, or probably at a numerator level, even taking the margin. Just wanted to know, have any of those other pieces also been moved or it's only been reducing the inventory pipeline? And if it's only inventory days reduction at the distributor level, what's the quantum of that? And is it fair to assume that since you started this on 25<sup>th</sup> September, it was 6 days reduction?

**Mohit Malhotra:** So the ROI of distributor will be improved on back of the number of days of inventory that he's carrying. He was carrying inventory of 30 days. And as we speak after the correction, it will be around 21 days of inventory.

So, ROI substantially improves for him. The turnover remaining the same and the inventory correction will reduce the amount of investment that he has in the business. And therefore, there will be an improvement in the ROI. That is what I think the question was. I hope I've been able to answer.

**Harit Kapoor:** Yes. Just the question was really apart from this 9-day reduction, has there anything else been done, whether it's credit periods or overall percentage margin, etc?

**Mohit Malhotra:** Yes. For the past couple of months, we've been giving a little extra credit to the distributors also. So that has also gone up. Because the inventory was high, there was inability on part of the distributor to extend that extra credit in the marketplace also because he watches his ROI etc. So



I think that trade extensions will also go down, which we were offering earlier. The number three lever is that a lot of stockists used to have stockist salesmen on their payroll.

We shifted them from their payroll to a third-party payroll, which is a team lease payroll, and some part of the margin was given back to them to improve their ROI also. So all that is also happening alongside. Plus this phenomena of ROI reduction is more in urban India rather than rural India. So in urban, we are also providing some sort of subsidy to our distributors to ensure their ROIs come in.

As far as rural is concerned, there's not too much of pain because the cost of doing business is much lower in rural as compared to urban. And urban also the shoe is pinching of the distributors because of the quick commerce and the e-commerce surge, which is happening. And some part is the price conflict, and some part is also offtake from the retail outlets in urban India going down and therefore, the inventory piling up, which will get corrected as we have reduced the inventory.

And going forward, we are also looking at a way to do some sort of consolidation of distributors in urban India and not so much in rural. In rural, we will look at expansion of distribution, get into more number of villages and small towns and expand our distribution, divide our distribution into HPC, HC and foods and for urban looking at more consolidation.

**Harit Kapoor:**

Got it. But any of these incremental initiatives over the next 3 months, 6 months, 9 months, in your view, should not have a material impact on the business from a disruption standpoint?

**Mohit Malhotra:**

No, I don't think there's any disruption in business. No, not at all. I don't think so. This was one-off. And this one-off also we've done in almost 20 years. Dabur has never done it. And this is like a spring cleaning of the house, which was warranted once in a decade at least. So yes, maybe after a decade or so, you might expect it, I might not be there. So I don't think we foresee this happening again.

**Harit Kapoor:**

Sure, sure. I'm not so sure if I'll be on a call after a decade as well, so. The second thing was on Sesa. So you've very clearly mapped out the rationale. I just wanted to get your sense on how are you thinking of kind of category growth because certain interactions that we have for the top two players in this space also suggest that their growths have not been so flattering. So I'm sure you've kind of seen that when you evaluated this.

I also see basis your numbers that there was a slightly lower rate of growth last year for this entity. So that's my first question on Sesa. And the second one really is on the geographic mix, which part of the market does it have a higher salience?

**Mohit Malhotra:**

Yes. So as far as Sesa is concerned, I told you there are a couple of levers that make us so confident that we will continue to grow and grow at a higher pace, higher growth than what our hair oils is actually growing. It's a national brand, unlike Badshah that we acquired, which is more of a Western brand, and their contribution is very complementary to us. Their contribution comes from Central, which is the mainstay of Dabur, which is UP, Bihar, etc, at 30% contribution.



West, which is low for Dabur, they are high, which is 27% contribution coming from there. They are over-skewed on chemist channel and less skewed on grocery channel where Dabur is high skewed on grocery and less skewed on chemist. So that provides opportunity as far as we are concerned. North for them is 11%, for Dabur is skewed at around 25%, which is double. There, there is upside from our distribution is concerned.

East, they are around 20% contribution and for Dabur is about the same. And South, they are higher skewed, 11% contribution in South and Dabur hair oil has low contribution coming from South and ayurvedic hair oils tend to be more salient in South. In Bangladesh, where Dabur is low, they have a higher presence. They are market leaders with 90% market share in the ayurvedic segment in Bangladesh. So they will help, and it's a coconut market.

So there, they help us to premiumize our entire portfolio in Bangladesh. Middle East, which is a huge 25% contributor to our overall global hair oil business, they are not present in Middle East. So that entire place is up for taking. We have the RTM and the GTM established in around 20 countries in Middle East, where they have zero presence whatsoever. So that's the upside that we have. In terms of sheer numbers, we have a direct reach of around 3 lakh to 4 lakh outlets. They have a direct reach of 1.2 lakh. So this direct reach immediately in our control.

The moment we bolt on the distribution to our distribution. And the indirect distribution is around 6 lakhs as compared to us being around 45 lakhs. And this category will have to be advertised, and the high gross margins allow that kind of advertising to be done there. They've got 300-odd distributors. We have got around 3,000 distributors. So their presence in rural is low. Our presence in rural with sub-stockist and Yodha network is extremely high. So I think all these are very synergistic sort of opportunities, which we saw.

And it's a premium hair oil and the extension possibilities are many, can be extended into shampoo, into serums, etc. And hair care, I told you an instance of 60% of problem solution, and they solve the problem solution space in the benefit segmentation in the consumer's mind. So all these things work in our favor. Did I miss out any point of your question? I don't know.

**Harit Kapoor:** No, fair point. If I have anything, I'll come back.

**Prakash Kapadia from Spark PMS**

**Prakash Kapadia:** Two questions from my end. Mohit, you alluded to food inflation being a big concern in urban demand. So any sense you could give us on down trading by consumers? Is LUP increasing? And you obviously mentioned you feel that from here on, growth should come back. So what's the outlook on urban demand coming back? That's the first question.

And secondly, earlier for us and for most of the players in the FMCG business, GT was the real moat, direct and indirect partially, then came modern trade and then e-commerce and now it's quick commerce. So what does the future lie in terms of distribution and sustainable moat for us and your thoughts?

**Mohit Malhotra:** Right. So I'll answer your first question, Prakash. So as far as urban is concerned, why I'm saying is urban has bottomed out because urban at the same time last year was growing at 11%. Now



it's come down to 2.8%. I don't think urban demand will go down. The last urban demand went down was during the COVID time to around minus 2%, 3%. And that was under the COVID time.

After that, I think 2.8% is the most bottom kind of demand that I've seen. And if you look at sequentially, I think the volumes in urban have grown sequentially from 2.1% in Quarter 1 is now to 2.8%. If you look at the same period last year in quarter 3, the urban demand was 7.7%; from 7.7% on that base, I think it will be somewhere in the range of around 3%, 3.5%. And so I think rural and urban both will inch up like they've inched up. So it's a base effect also, which is kind of kicking in here, and we see urban demand picking up from here. And so the rural resilience is going to be picking up.

Now coming to food inflation, food inflation is definitely high. If you look at all the subsegments of FMCG growth, we find food is the one which is growing on back of value, on back of price increases, whether it's food, non-staples, or food staples. The rest, Home Care, OTC, and Personal Care by far have remained flat. So I think with urban bottoming out, I see some amount of growth coming in even in the discretionary categories also.

And as I told you, the acreage is higher, MSPs have gone up, so hopefully, food inflation should also tame going forward. And government has also called out on the food inflation. So there will be steps that the government will also take to tame the food inflation.

The second part is modern trade, e-commerce, and quick commerce. I think one fundamental thing which is happening in India is that GT as a percentage salient will go down and e-commerce driven by quick commerce will only grow in the country. So what we are doing is that we are strengthening our relationship and bondages with e-commerce and quick commerce players and doing joint business planning with them, creating new products for them, connecting with them on a monthly, quarterly basis and seeing that we continuously grow shares in quick commerce and e-commerce portals, be it marketplaces like Amazon, Flipkart or be it quick commerce channel like Swiggy, Instamart, Blinkit and Zepto. Our growth there is higher than their FMCG growth. So if they have grown by 50%, we've grown by 70% with them on their verticals.

So we are ensuring that we grow market shares, and we continuously launch innovations which are very customized to these customers. As far as modern trade is concerned, our visibility is still little muted in modern trade and therefore on back of investment in modern trade and on back of gaining market shares from other players, I think modern trade for us should also continuously grow.

But the quick commerce players are putting pressure on modern trade also besides GT. So if you look at the results of DMart and Reliance Retail, they are also a little under pressure today because the quick commerce and e-commerce is actually putting pressure on them also, and they would also be pivoting on multi-ways of distribution, whether it's electronically or through offline, etc.



So going forward, this gradual change from GT to MT to e-commerce is something which will endure. I don't think this is a flash in the pan and will disappear. I think this is enduring here, and this change will come. And how fast, we will have to watch. But GT is a very integral part today and will continue to be integral part because rural is a huge part of India. So at one end, we would be wanting to consolidate in urban India and other end, we would want to extend our distribution in rural.

So keep expanding rural with sub-stockist and Yodha channel which provide visibility to our business there so that assortment would go up, increase our direct reach in urban smaller cities, increase our direct reach in rural to have visibility and better assortment, reduce our reliance on wholesale and increase our direct reach. That is the fundamental strategy for rural and semi-urban markets. For metro markets, 8, 10 cities, I think, will keep expanding along with the quick commerce portals as they expand from 10 cities to 20 cities to maybe 100 cities going forward. Sorry for a long answer, but yes.

**Prakash Kapadia:** No, that's helpful. So what essentially you are alluding to is work with them and try and be part of that and do customization and see what sells and how much we can participate in that growth to adapt to this, right?

**Mohit Malhotra:** Absolutely. Yes.

**Prakash Kapadia:** Fine. At least on the urban side. And rural still, I think the GT would continue to play a larger role.

**Mohit Malhotra:** In terms of villages, we reach out to 1,20,000 villages. Headroom is to go up to 6 lakh villages in the country. So huge headroom there. And in direct reach also, overall, Dabur's direct plus indirect is 84 lakh outlets. We only go to something around 15 lakh outlets. So where is 15 lakh, and we should be minimum around 30% of 84 lakhs, so around 25 lakhs, and we are only in around 15 lakhs. So we can double our direct reach also.

**Percy Panthaki from IIFL Securities**

**Percy Panthaki:** I just wanted to know after this pipeline correction, what is the distributor days now?

**Mohit Malhotra:** Around 21 days, and we want to bring it down to around 19 days by end of December.

**Ankush Jain:** And maybe just to add on even with 21 days, it's slightly on the higher side because we have loaded bit of Chyawanprash to take care of season.

**Percy Panthaki:** Okay. So even in Q3, basically, the primary will be lower than secondary by 2% approximately?

**Mohit Malhotra:** No, no.

**Percy Panthaki:** So then how will 21 come down to 19 then Mohit?

**Ankush Jain:** These inventory days are based on forward cover. Hence, even in December end, we expect it to bring it to 19 to 20 days, maybe around 20 days.





**Percy Panthaki:**

Okay. On beverages, I just wanted to understand where the largest impact is. So you have the fruit drinks portfolio, then you have the nectars and then you have the juices. So where is the impact the most? I would assume it is in the fruit drinks, but just correct me if I'm wrong there. And secondly, the drinks that we had ventured into in a material way some 3 or 4 years ago, I believe in the first year, we had crossed INR100 crores, etc. So versus what was the peak turnover that we did in juices? And versus that, what is the sort of number that we are likely to do in FY '25?

**Mohit Malhotra:**

Okay. Let me answer this question. Our complete beverage portfolio is divided into 4 parts. Now first part is coconut water. Our coconut water, we were struck by Stora last year, who came out with a PET bottle. So just to tell you, it's a good news that we've bounced back by giving a lot of value in coconut water and the market shares have gone up by 200 basis points. The overall Activ Coconut portfolio has increased by 16% in terms of secondary.

So that's one part of the portfolio. The active 100% juices for us has not got impacted by the season. I think this is premium portfolio for us, which is 7.3% growth, which quarter to August was also growing by around 18%, 19% for us, and it's the most margin-accretive portfolio. So that is the second part of the portfolio.

The third part of the portfolio is a drinks portfolio. which registered a turnover of around INR200 crores. In the current year, we've got a growth of around 16% in this portfolio. But the 16% growth is excluding East, where we were the hardest hit because of the Northeast. Our per capita consumption of juices is the highest in Northeast in India, highest. And Northeast was reeling under floods in the quarter 2, and that was a wettest monsoon that we could see in the Northeast, and that was hit. Minus Northeast, our growth was 16%, 17%. Northeast impacted and the growth became negative to around 8%.

But drinks is not what has got impacted so much. The real impact which has happened in the Nectar business. Our Nectar business has declined by minus 12%. So drinks, Activ Coconut and Real Fizz which is the carbonated portfolio. Carbonated portfolio grown by 100% for us. So therefore, there's a tailwind towards carbonate, albeit very small for us, but around 70%, 80% of the portfolio is Real Nectar, which is where we got impacted the most, which declined by around 12%.

**Percy Panthaki:**

And that decline is basically customers' preferences towards more cheaper alternatives? Or is there anything else towards that decline?

**Mohit Malhotra:**

I think the entire category declined by around 8.6% in terms of volume. We gained a market share of 230 bps. So, if you compare to relative performance vis-a-vis Tropicana or Slice or B-Natural, Real is surely a preferred choice among the consumer in the juices and nectars' market. So market shares have gone up. So it's a very good sign. So in Nielsen data, we've grown higher than the category. That's one. But category itself is declining.

So I think Tetra pack is moving to bottles. The consumer preference is they want to see what they are having. So in Tetra pack, we've launched a 1-litre bottle. We have launched a 2-litre bottle. We've launched a 500 mL bottle and there is a 200 mL bottle also at all price points of



INR10, INR20, INR100. That is the price point that we have plugged with nectars as well. So that should take care of the problem.

**Percy Panthaki:** Is the problem in Nectar is that the average price per litre. or per 100 or 200 mL, whatever you count it, that is much more expensive versus some of the cheaper options like colas, etc, as you called out that Campa is sort of giving a lot more value, although it's not a comparable product, but it's like an imperfect substitute. And therefore, people are saying that this is not something that is affordable in light of the other options available in the market, and that's why this category is declining. Is that understanding, correct?

**Mohit Malhotra:** Yes, that is a correct understanding. There is a price difference because Campa for 1 litre., which is a party pack and in-home consumption is available at a INR45 –and forget Campa, even Pepsi or Coke is available at around INR50 for a 1-litre price point. And as compared to Real, which is 70% market share player, it's available at INR130. So there is a definite difference between the 2 things, yes.

**Percy Panthaki:** But Mohit, if this is the reason, then what is the solution? Because then we don't see an end in sight, and this can keep declining for many more quarters. So is there an end in sight? And is there a solution if this is the root cause?

**Mohit Malhotra:** So therefore, the solution to this is we have pivoted into drinks. Drinks are pegged at a similar price point as soft drinks. That's exactly what I explained to you, INR10, INR20, INR50 and INR100 price point, drink is pegged at par with the carbonated and fruit-based fizz drinks are also at par. That said, it is a small base. So therefore, it cannot compensate for the 80% of the Nectar business. We have to provide value in the Nectar business also. Therefore, we are introducing a INR100 tropical juices in nectars.

And also, we are planning to give a value on Nectar by giving a tangible goody there. So that is what we are trying to do. But I think it's a matter of time before the pricing will get normalized and this cola war should end, and we have been a little collateral damage in this cola war for past 6 months or so. But I don't think that is the only problem. I think it's more monsoon and season, which created havoc for beverage.

**Percy Panthaki:** Got it, Mohit. That's all from me. Thanks and all the best.

**Kunal Vora from BNP Paribas**

**Kunal Vora:** First question on Namaste litigation, how much did you spend in first half? And what's the status now? How much longer do you expect to continue spending on it?

**Ankush Jain:** Yes. So in fact, in first half, we have spent around INR40 crores to INR45 crores, and we expect around INR85 crores to INR90 crores in full year. Last year, it was INR110-odd crores on a yearly basis. So there is a reduction in cost because there has been some optimization, not only in terms of lawyers, but also in terms of their management and more optimization of the lawyers.

**Mohit Malhotra:** So therefore, we've got a INR20-30 crores of saving from last year's base on the litigation cost on Namaste. That said, this is all a provision that we are keeping in our books. As the insurance



company gives us a guarantee to pay, this part of this provision can be reversed depending upon the case that we are fighting.

**Kunal Vora:** Understood. And is there a visibility on when does this end?

**Ankush Jain:** We think around 1.5 years from now is the best estimate which we have got from various lawyers interaction. But knowing U.S., it can do plus/minus 6 months or thereabouts.

**Kunal Vora:** Understood. Second is, how do you supply to quick commerce? How does it work? Are you supplying directly or through distributors? And how are the margins offered to quick commerce companies versus like overall portfolio? And as the distribution, which was like fragmented earlier through GT, now like there is a consolidation happening with modern trade and e-commerce, especially in cities. Is there a risk which you see to the margins?

**Mohit Malhotra:** Yes. So we guys used to supply to quick commerce and modern trade through our GT stockist. But I think around 1.5 years back, we've started direct supplies to the quick commerce players. Let's take an example of Blinkit, so we supply from our side to the Blinkit warehouses. There are roughly around 20 to 30 warehouses they have. From those 20 warehouses, they supply to 500 to 600 dark stores. From the dark stores, it goes to the consumer.

So that's the supply chain which is there, from us to the quick commerce players, all of them, whether it's Zepto or a Blinkit or it is Swiggy. As far as margins are concerned, our margins are around 100 to 200 basis points higher in quick commerce as compared to e-commerce marketplaces. And moreover, compared to GT also, our margins are higher because we sell larger packs to them and TOTs are better as compared to modern trade.

**Kunal Vora:** Understood. But how do you see this consolidation happening on the other side, modern trade, e-commerce, they become larger, they will have like higher bargaining power. Do you think this can be a longer-term risk to the margin?

**Mohit Malhotra:** Yes, we used to think that there could be a consolidation. But knowing India, I think question of consolidation doesn't arise. Now everybody is pivoting towards being a quick commerce player. So if you look at big basket is also a quick commerce, and Amazon is also wanting to become a big quick commerce. Tata is becoming a quick commerce. You heard the news today. So I think one after the other, there will be many players. Flipkart has introduced 'Minutes' as a quick commerce player.

So therefore, there will be multiple quick commerce players and the bargaining power shifting in their hands is very difficult when there are many players. So I think it will remain in our hands only, and there are so many manufacturers. So as the market democratizes and more and more quick commerce players come in, I think because of the competitive intensity, margins will be where they are. So I don't think margins will go up.

**Kunal Vora:** How are the distributors reacting to you supplying directly to various large players like quick commerce and modern trade versus through distributors earlier?



**Mohit Malhotra:**

As far as distributor is concerned, there is a distributor consortium of All India Consumer Product Distributors Federation. They are up in arms against all these quick and e-comm players, and they have made representations to the Commerce Ministry against the predatory pricing because so many of these quick commerce players are private equity funded and they subsidize products, come out with events like Big Billion Day etc and they deep discount the products which become loss leaders and hence attract footfalls for them. And then that disrupts the GT market.

And as far as the general trade is concerned, they are also the vote bank of the government. So government can't afford not to appease them. And that's why you've heard so many articles of government against the predatory pricing of these quick commerce players. So I think it's a larger question there.

So obviously, stockists have not taken it in good taste of what's happening on quick commerce. But you can't help it. So you have to bypass the stockist and go to them because their terms of trade and their want of products is such which only company themselves can fulfil. Dark store keeps an inventory of 3 days, not more than 3 days, which distributors can't fill in, which only a company EDI Direct connect with the Blinkit EDI can fulfil on a replenishment basis in their warehouse. It's not possible for them to supply the entire assortment, which may be required by quick commerce players.

**Kunal Vora:**

Understood, very helpful. Thank you, that was from my side.

**Shirish Pardeshi from Centrum Stock Broking**

**Shirish Pardeshi:**

It was a bit excited to not get into the much deeper on the inventory and other thing. But you mentioned in the opening slide, quick commerce growing at a rapid pace. And you just mentioned that the dark store inventory is sub minimal at 3, 4 days. So rather than looking at the front end and the distributor connect, do we need to have a breakthrough innovation in the supply chain at the back end so that the distributor inventory correction issue will not come in future?

**Mohit Malhotra:**

So I think the back end is supply chain. So on supply chain, we are actually trying to do an experiment with the Blinkit etc, to have a direct connect with them, connecting our internal supply chain of our warehouse to their dark store, but seems very difficult because they keep a very low inventory, and they don't have a backup there. And as far as distributors are concerned, we are trying a model, something like where an app can be given to a distributor or retailer so that direct orders can be sent to us and the delivery and the cash management can happen from the distributor.

So we are trying and experimenting multiple models on digital to see how to navigate this problem. But the short-term solve for us was inventory correction and also moving the salesmen on a third-party payroll and refunding and a little bit of subsidy to be given to them to improve their profitability. I don't know if I answered your question correctly.

**Shirish Pardeshi:**

Yes. So, having spent time in FMCG at the front end, I was more curious because have you done any studies, say, for example, Bombay, Delhi or for example, Bombay, if we would have been doing on an average, about INR25 crores, INR30 crores on a month basis. And there is a quick



commerce, e-commerce, and modern trade, which is flourishing. Is there an actual demand which has been getting crushed because I still don't understand people are pointing out the urban demand is coming down. Is there any study or is there any depth you can give me?

**Mohit Malhotra:**

So as far as urban demand is concerned, I don't think urban demand is really coming down. Overall, FMCG urban is under pressure because of food inflation that is understood. But this urban demand is getting catered through e-commerce and quick commerce because the consumer behaviour is changing to wanting to shop digitally and online and not go to a nearby Kirana Store.

And what Nielsen does is, which is a syndicated data that the entire industry refers to looking at the consumer demand in urban, they generally track the GT and the pop and mom stores and not so much the quick commerce or the e-commerce players. They track MT and they track GT. So a lot of demand, which is there on e-commerce and quick commerce is perhaps not getting captured by the data which is there in urban today. So that is also an issue.

**Ankush Jain:**

Yes. Maybe just to add on, while there's no study on this, but the impulsive purchase because of quick commerce probably the demand is actually getting generated, but it's not getting captured. That may be a hypothesis.

**Shirish Pardeshi:**

No, I'm more curious, sorry, I'm hopping on this. Though we have a product portfolio, maybe because of that, we need to keep our inventory at the higher level. But then if I look back, there are so much variation. Certain companies, I don't want to name, they keep an inventory of maybe about 5, 6 days, and there are certain companies who keep the inventory more than a month. So that's what my question was, that at the back-end innovation because we have digital and AI, which is coming up, so what is the issue to reinvent? Anyway, I'll take it offline.

My second question is on the skin care and the health care portfolio, in healthcare specifically OTC and Ethical, we are doing better. But in this quarter, the growth rate, which was mentioned in the presentation, is flat. So is there a sharper inventory correction, and has it been done consciously?, Is the inventory under control now or we will have further impact on this?

**Mohit Malhotra:**

Okay. Skin care, as far as skin care is concerned, I think the real growth will happen in winter. Skin care consumption for us is more winter skewed. So I think we have a winter portfolio, and we expect skin care to actually pick up. As far as market shares are concerned, we've gained market shares in Fem also, which is more bleaches. So overall, I think skin care is doing okay. The secondaries being down in skin care, I think, was more of a collateral damage because of the inventory correction that we've done. It's a small percentage of our portfolio. And therefore, secondary may have suffered because of that.

As far as Health Care is concerned, I think all verticals of Health Care continue to do well for us. So I told you Chyawanprash is 12% growth. Even in honey we gained market share, a little bit of crystallization problem is behind us. Glucose wasn't salient. Our Baby Care portfolio grew by around 30%. Our Lal Tail continued to grow. Shilajit had a very high double-digit growth. Hajmola did well under the digestive portfolio.



So I think OTC, digestives, all portfolios did well for us. Now I think if you're talking about Honitus, which would have declined a little bit, I think that is on account of the high bases that we have in Honitus. That's why decline was there in Honitus. Otherwise, I think all verticals of health care did reasonably well.

**Shirish Pardeshi:** Okay. My last question on the international business, though we have done a very good job there. But is there any further room in terms of margin improvement? Because last time when we had a physical meeting, we were banking on the international business will show some good profitability path.

**Mohit Malhotra:** Yes. So international business is doing well. And I think one good thing on the margins is that our Middle East, North Africa, which is the most margin-accretive geography in the entire region is doing well. And we have a lot of innovations, as I was telling you, that Oral Care is something that we are doubling down, and Oral Care profitability is also pretty high in international business, that we are doubling down in. Dabur Red is one of the high-priced toothpastes. So I think on back of that, we will expect the margin improvement to happen.

So, currency depreciation is something which arises in international. But as we lap over the currencies, now it's been happening over a year. And if you look at the first half also, we are down by INR181 crores on the currency depreciation. And this currency depreciation is a translation loss. There is also a transaction loss that happens because a lot of the products in international are imported by us, and they have to pay a dollar currency for the import of that, especially in Turkey market. So therefore, as we lap over the currencies, I think our margins will only improve in Egypt and in Turkey, which are very high salient markets for us.

**Shirish Pardeshi:** Okay thank you Mohit and Ankush happy Diwali to you.

#### Vishal Punmiya from Yes Securities

**Vishal Punmiya:** Just one question from my side. So historically, we have been a key participator in the Maha Kumbh Melas. What are your plans for this year? And if you can also talk about the benefits as well as the cost that go behind this event?

**Mohit Malhotra:** Yes. So I think for us, we are a rural salient company. 50% of the business comes from rural. And in rural, activations is a very big avenue to touch, feel and experience the product by the consumer. And we are very aggressive in terms of taking hoardings and doing experiential marketing. Last time when Kumbh was there, we did a special RTP campaign in Kumbh and had RTP taps that consumer could come to and take a toothbrush and take RTP on that and use it. And the more they try, the more conviction they build in the product and the more they buy.

So this year also, we'll be participating in Maha Kumbh. And we also participated in other melas like Pandharpur Mela, Nauchandi Mela etc., which is a very huge congregation of consumers, to provide them experience with our product. Now we have Cool King, so we do special chumpies in these melas also, do auto branding, van branding, retail branding, stall branding etc.

**Vishal Punmiya:** Sir, is there any major benefit that comes in? Or is it more lag in terms of demand improvement from all these events?



- Mohit Malhotra:** So it's a demand improvement that we get and which results in a better offtake and also sampling. So the more people sample, the more sampling happens, the more cascade effective trials and therefore, repeat purchase and market share moves up. So it's very tangible actually.
- Vishal Punmiya:** Understood. Just quickly on the high interest cost and other income for the quarter, quickly you can comment on that? That was from my side.
- Ankush Jain:** Yes. So first of all, you see other income and interest cost jointly. And if you see it jointly, it is almost 18%. In India, it grew by 7%, but in international, it grew by almost 18% or thereabouts. And this is primarily because in international geographies, we had some benefit, especially in Dubai, where some of the yields almost got doubled in certain international markets because of inflation and therefore, the interest rates going up. So that was the main reason for other income net increasing by 18%.
- Vishal Punmiya:** Thank you and happy Diwali to team.
- Isha Lamba:** I would like to thank all the participants for joining today's call. The webcast recording and transcript will be available on our website. Thank you and wish you all a Very Happy Diwali.
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