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Date: May 8, 2024

Dabur India Ltd.

To,

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

BSE Scrip Code: 500096

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 – Q4 FY 2023-24 Financial Results

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Investors` Conference Call organized on May 2, 2024 post declaration of Financial Results for the quarter and year ended 31st March 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**

ASHOK KUMAR JAIN

Digitally signed by ASHOK KUMAR JAIN
DN: c=IN, postalCode=110092, st=DELHI, street=EAST DELHI, l=EAST DELHI, o=Personal, serialNumber=ecb3e1fdc2a028c70333c2d10a7e968110c5d0645b352ed6dfd1bc6aad8147b3, pseudonym=459e115d99c240908ca599222de2db9e, 2.5.4.20=08443b3bbbcf5f80cd46cc26add8b8bdd652ffd20caa6b7340b03564e4b39dfa, email=ASHOK.JAIN@DABUR.COM, cn=ASHOK KUMAR JAIN
Date: 2024.05.08 16:37:50 +05'30'

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

Encl: as above

Dabur India Limited

Q4 FY '24 Results Investors Conference Call

May 02, 2024

MANAGEMENT: **MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER**
MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER
MS. GAGAN AHLUWALIA - VICE PRESIDENT CORPORATE AFFAIRS
MS. ISHA LAMBA - HEAD, IR AND M&A
MR. N. KRISHNAN - DEPUTY GENERAL MANAGER, FINANCE

Gagan Ahluwalia: Thank you. Good afternoon, ladies, and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to this earning conference call pertaining to results for the quarter and year-end of March 2024. Present here with me are Mr. Mohit Malhotra, Chief Executive Officer, Mr. Ankush Jain, Chief Financial Officer and Mr. N. Krishnan, DGM-Finance, along with Ms. Isha Lamba, as Head, IR and M&A. 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 you, Mohit. Thank you.

Mohit Malhotra: Thank you very much. Good evening, ladies, and gentlemen. Welcome you to Dabur India Limited's conference call pertaining to the results for the quarter in the year-ended 31st of March 2024. During the quarter, the operating environment was largely in line with what has been in the preceding quarters, with some uptick in rural consumption, which grew ahead of urban for the first time in the last three years. The input cost environment has been largely benign, as deflationary trends continue in Q4. The currency devaluation continued across emerging markets, impacting translated growth in INR.

Climate changes marked by uneven weather patterns, such as unseasonal rainfall, delayed and contracted winters, impacted our seasonal portfolio. We remain optimistic of the gradual uptickin consumption trends over the course of next fiscal year, considering normal monsoon, improving macros, continued government spending and lower inflation.

In this volatile environment, Dabur delivered a resilient performance. Our consolidated revenue grew by 10.1% in constant currency terms and 7.6% in INR terms during financial year 2024. Indian business, including Badshah, grew by 7.7%, backed by volume growth of 5.5%, and international business registered a growth of 16.4% in constant currency terms. Our operating margin for the full year reached 19.4%, which is in line with our guidance. On a like-to-like basis, the operating margin was 20.2%, an increase of 130 basis points. We continue to see the market share gains in 95% of our portfolio for the full year and also in the quarter.

During quarter 4, the company recorded consolidated revenue growth of 7.3% in constant currency terms and 5.1% in INR terms. Our India business, including Badshah, reported 5.6% growth, backed by volume growth of 4.2%. Consolidated gross margins expanded by 280 bps and operating margins were up 14% YoY. Profit after tax recorded a growth of 16.2% during the quarter.

In terms of categories, HPC portfolio recorded 8.1% growth during FY24. I will now cover each of the sub-segments in detail. Our Oral Care penetration has reached 52%. With every second household consuming the other oral care product, we are nationally the number 2 player in the oral care category and gradually becoming number 1 in many of our geographies. In Orissa, Karnataka, and AP, we are already number 1.. Our strategy of driving the herbal category with Dabur Red being the core is working well for us.

Home Care continued a strong double-digit growth trajectory for FY24 led by Odomos and Odonil. We saw our market share in mosquito repellent cream category expanding by 600 bps and in air freshener category it expanded by 260 bps. In line with our strategy to increase total addressable market for Odomos and Odonil, we have forayed into liquid vaporizers and Odonil gel formats.

In the Hair Care category, Hair oil gained 115 bps market share during the year. Our strategy of building Dabur Amla and flanker brands is yielding good results. Our Shampoo Portfolio is continuing its growth momentum and this year we registered a growth of 8% led by the Vatika franchise. In skin care, Gulabari grew by around 18% in the year led by premiumization initiatives and extending the franchise into adjacent categories like body wash.

The Healthcare Portfolio grew by 4.2% in FY24 led by Digestive category which witnessed a strong growth of around 16% led by Hajmola and consequently our market share in the Digestive category increased by 210 bps. In OTC and Ethical vertical, market share in Honitus and Lal Tail increased by 114 and 70 bps, respectively. Due to delayed and contracted winters, our Health Supplement Portfolio got impacted and was flattish. However, we have continued to consolidate and gain market share in Chyawanprash and Honey. We are undertaking multiple initiatives like newer formats, doctor advocacy, all weather communication to enhance consumption, relevance, and penetration of health supplements.

Our Beverage portfolio was flat during the year on account of unseasonal rains during the peak summer season. However, the foods business which includes culinary products under the Homemade brand recorded a stellar growth of 23.2%. Badshah business reported a 23.3% growth during the year with gain in market share.

Emerging channels like e-commerce and Modern Trade are the fastest growing channels driving urban growth and contributed to 19% to 20% of the India business. Our digital spends have gone up to 30% of our total media spends.

Distribution expansion is a key growth lever. We have expanded our reach to 1.22 lakh villages through 22,000 Yodha's. Direct reach for the company has gone up to 1.42 million outlets and total reach is at an all-time high of 79 lakh outlets. We have added 2 lakh outlets during the year, the highest addition among all FMCG peers.

Therapeutic division which is our doctor advocacy vertical is scaling up well and we now cover around 1.1 lakh ayurvedic and allopathic doctors with turnover of more than INR120 crores.

International business grew by 16.4% in constant currency in FY24 led by strong growth in Turkey which grew by 52.3%, Egypt that grew by 46.6%, MENA markets that grew by 12% and Sub-Sahara Africa that grew by 15%. However, we lost 2.5% of our top line due to currency devaluations.

Let me now talk about profitability. Our gross margins expanded by 240 basis points during the year and 280 basis points during the quarter 4 on account of deflation and cost savings initiatives under project Samriddhi. We remain steadfast in investing behind our brands and as a result of this, we have increased our spending in A&P by 33%. Our consolidated operating profit grew by 14% during the quarter and 11% in FY24.

Adjusted for legal costs, our operating profit grew by 16% in Q4 and 15.2% in FY24 touching 20.2% almost near to pre-COVID levels. Our PAT grew by 16.2% in Q4 and 7.9% in FY24. Adjusted for legal costs and Badshah amortisation, PAT saw a growth of 22.7% in the quarter and 16.8% in FY24.

We are optimistic that with the expected normal monsoons and improving macroeconomic indicators government spending, lower inflation, FMCG demand will see a gradual uptick primarily driven by rural that augurs well for Dabur. We will continue to drive profitable growth across our business verticals backed by investments in our distribution network, brand, manufacturing, digital and organizational capabilities.

With that, I conclude my address and open the floor for any Q&A. Thank you.

Abneesh Roy from Nuvama

Abneesh Roy: Yes, congrats on the good set of numbers. My first question is on beverages. I understand there was a high base and unseasonal rains in the month of March. My question is, if I see even full year, your dip is in fact around 2% and dip is there even in this quarter. So, wanted to understand in Q1, very harsh summer is projected. So, would you see strong double-digit growth here coming back?

And what would be your target for the full year also? Because the base year is minus two. And what could have gone here better? Because there are other beverage players who are growing much faster. They may not be competing head-on, but they are broadly in the same segment on the overall level. Yes.

Mohit Malhotra: Thanks, Abneesh Yes, overall, I think beverage was a kind of a muted performance last year. Coming on a high base, like you rightly said, but it could have been better. But during the peak of summer, we saw unseasonal rains. Therefore, out-of-home consumption got impacted. And therefore, juice consumption also got impacted. So, that was a first-quarter issue. And subsequently, also we had some supply chain problems also. We were gearing up our manufacturing in the new plant in Indore etc. So, there were some hiccups in supply chain.

Going forward in next year, I think if the summer is what it is now, what do you see? Summer is in Delhi and Bombay. But we see in some northern parts that rainfall is still persisting, and some snowfall is still happening in Kashmir area. So, it's a very high per capita consumption market. But if weather remains, our beverage business should fire. And we have taken a target of double-digit growth for the full year going forward for the beverage business.

And we've seen in the past also. So, as we go through a number of years, if there is a one year down, next year, the beverage business kind of bounces back for us. So, we are hopeful that if the weather supports us, then beverages as a portfolio should do well for us.

And we've also already made an entry into drinks and aloe vera. So, we are very well prepared in terms of augmenting our capacity also to feed the marketplaces.

Abneesh Roy: Sure. Thanks. My second question is on Badshah. So, one is on the industry leaders like the top two players, they are facing ethylene oxide issue in SGHK. So, does that open opportunity for you? And second, if industry leaders are facing this kind of an issue, is there a risk that given raw material sourcing could be fairly common in terms of the channel?

Would you also face that kind of a risk? And second is for Badshah, how do you see growth in FY'25? I understand a lot of pricing growth has happened in the second half of the year. How do you see margins? Have you passed on fully? And how do you see overall sales growth in FY'25?

Mohit Malhotra: Right. So, first is this burning issue of ethylene oxide. Now, there are two regulatory bodies as we see. There is a domestic regulatory body and there is an international regulatory body. The domestic regulatory body being FSSAI. So, whatever mandated regulatory norms of FSSAI are there, we are following those norms. And ethylene oxide is not a part of their norms. So, we don't give any radiation to our product when we are servicing the domestic market with this at all. So, as far as domestic is concerned, we are conforming with the regulatory norms of the law of the land, FSSAI. As far as international business is concerned, there is an Indian spice board.

And all our batches go through proper screening in the Indian spice board before we send it to any one of the export markets. Ethylene oxide is generally radiated to prevent any microbial growth and this has certain limits. And we are within those prescribed limits of the spice board. EU very recently has reduced the limits drastically. And that's why the problem happened with the market leaders like it happened. But we guys are within the prescribed limits.

So, we think that we are on the safer side. Whether it opens the opportunity or not, as of now, nothing from our portfolio has been caught or highlighted. So, to that extent, there could be a limited, I think, upside which could happen if the competitor is under attack. But I wish them well also. And I hope this issue is behind the entire industry. And that the whole market should grow because the market is fairly unbranded and there is a huge opportunity to brand the market. And the opportunity is both in international and also in the domestic.

As far as Badshah growth is concerned we grew by 20% plus last year partially came from price and partially came from volume. Going forward as the inflation, not inflation, but a muted inflation sets in we are single-digit sort of inflation, last year to double-digit as inflation, so some price increase happens, some roll back of prices is what we have initiated also to spur the volume growth.

And but overall we've taken a value growth of more than 20% in Badshah because a huge upside which is there in geographical expansion and international expansion and our portfolio growth in terms of entire arena is happening. And just to allay your fear on the quality we have also constructed a micro lab which was earlier missing when we acquired the company. It's now in action.

And we are sterilizing all our export batches. Sterilization is a preferred method of sanitizing your entire produce. So we are in steam sterilization unlike other competitors radiating it with lead oxide. I hope I answered your question. Then as far as margins are concerned, we think the margins in Badshah will expand next year because of a little lesser inflation and we have taken price increase although a little roll back will happen, but pretty much I think margin expansion will happen. So we've taken a higher growth in bottom line as compared to top line in terms of targets that we are able to see.

Abneesh Roy: Sure. My last question will be on Oral Care. All the three listed players seem to be doing well at least this quarter, you grew 22% on a soft base of minus 3, acutance of good double-digit growth and market leader also is likely to report strong double-digit growth in this part of the business. So I wanted to understand is the number four player losing market share?

Second is South India leading the charge here or is it broad-based growth which is delivering this kind of a double-digit growth? Third is could this be a precursor to revival in other FMCG categories because this kind of a growth for the full year also double digit for this quarter also strong double digits, why other categories are not showing for you and for the other companies also? So could this be a precursor for revival in other categories?

Mohit Malhotra: So first thing, I think the entire category Oral Care is showing an uptaick if you look at the Oral Care category which is 90% penetration in the country is growing at around 7.5% which is a very good growth as compared to the FMCG market which is growing at around 6%-odd. So it actually growing ahead of the FMCG market. So, Oral Care is doing well.

Now all the players I think clearly are doing well. I would not say the we are getting market share at the cost of the fourth player. While we see what is under the radar I think we're on the same page on referring to the fourth player as you are seeing, but he is also gaining market share in the Oral Care category is what we have seen This is in line with GSK, Colgate and so are we. We have gained our 20 basis points in Oral Care and all the three brands are doing well.

Our herbal toothpaste which is a new foray we have already clocked the turnover of more than INR11-12 crores in that also. Although, it's just a modern trade and selected geography norm that is doing well. Our share that we introduced last year is already clocked a turnover of about INR40-odd crores and that's towards good success in the Oral Care category. Our Dabur Red has grown by around 25%- 26% is beaten on a rural base that's also has done well and market share kind of inched up.

And this growth is happening secularly across more geographies and more in South India too, because for us, at least Dabur Red is more skewed towards South India and it's doing well there. Our South India market is also doing well. Per capita income is going higher. People preferring more functional products in South of India. So that's doing well.

Now is it a precursor to other categories also showing green shoots and therefore growing. To me, I can't answer with the great conviction, but in terms of our categories I think it is because in the Hair Oil category in the last quarter has grown by 8%. If you have syndicated data to go by, hair oil as a category has grown by 8% in value. Dabur has grown by around 12% in value and which is very unlike a Hair Oil business going up.

And that actually is an illustration of the fact that rural growth is kind of coming back because it is rural and in Eastern also we've seen 120-150 basis points improvement in rural India. While urban growth is kind of almost remain same or a little bit come down, but rural growth is kind of picking up and that's happening sequentially in 2-3 months that we have seen.

But if you actually traded back rural growth, we have seen rural growth from minus 5 gradually and slowly now it has become plus 6 almost now over 120 basis points, 130 basis points ahead of urban. So rural took time to come back after COVID. So after almost 3 years of time we are seeing that rural ahead of urban and I hope it is more structural in nature and not one off that we see.

With the infrastructure spending of the government and all the initiatives is happening and monsoon also seem to be normal going forward. I think this should auger well for all of us and the overall FMCG space.

Abneesh Roy: One small follow-up on the market share which you mentioned. So the top four or five players in toothpaste will be around 90% market share. So if all are doing well the tail of 10% is too small for others to report a double-digit number or market share gain. So if you could clarify in the last 6 months out of the top 3 listed players and maybe even number 4 who has grown faster in terms of market share? Who has a lost market share if that's available?

Mohit Malhotra: So I don't remember the number off hand, but I think Patanjali would have gained market share and they have been gaining market share consistently. Colgate in my mind has lost market share. I'm talking volumetric market shares now. So Dabur has gained market share. Himalaya has lost a bit it in terms of market share and GSK has gained value market share and they have gained volume market share on back of Sensodyne.

The smaller players would have gone down and there would have been consolidation because there is lot of ATL spending also by the organized players which is kind of spurred up the growth of the category and also will lead to shrinkage in other players going down because distribution ramp-up has also happened by the organized players. And that's my sense.

Abneesh Roy: Thanks a lot Mohit. Very useful. Thank you.

Mohit Malhotra: Thank you.

<u>Mihir from Nomura</u>

Mihir: Hi, sir. Good evening. Congrats on good set of numbers. Thank you for taking my question. So my first question is actually on the macro front. You did mention rural is showing signs of recovery and it has been growing at about 6%-odd you mentioned.

However, when we see your volume growth and the volume growth for other organized players is lower than the industry volume growth indicating that the unorganized guys are clawing back share that they lost in the past few years.

How should one think about this trend going forward? Should one expect rural recovery to continue and organized players also to get benefit or there will be a phase where our organized players -- where rural will improve, but organized players will not be a key beneficiary of this rural recovery. So that's question one, sir.

Mohit Malhotra: Yes. So I think overall -- now this is a very short time frame. As I was telling you in 3 years' time rural will just come back in like 2 months, 3 months regularly one after the other. And if these numbers are anything to go by, I think rural recovery should continue because there is such a long hiatus of rural lagging urban.

So it should continue and that should be well for the entire industry. I think it's a wave and this wave will continue for some time, and it will take all boats up. So one thing is organized player generally get better dividends when this happens because we have better infrastructure investments in place.

If I talk about Dabur here now, we ahead of the curve have put in lot of infrastructure investments, our villages have gone up from 1 lakh villages to 120,000 villages now. So significant improvement in our village coverage. Our Yodha have gone up to around 21,500 which is again substantial improvement.

Our overall direct coverage has moved up substantially. So all of these are moats in a way to protect the organized players with unorganized players generally go through wholesale and wholesale is not easy to come by because advertising expenses as that's going up. So on price how much they can do and so during a deflationary environment a lot of unorganized players come into play and super normal profits come in.

Consumer promotions and other tactical measures and price roll back helps plugging in gaps by organized players, prevent with the unorganized players will really make a headway. To me, the dividends will be more in organized going forward. But it's different categories and different margin profiles organized, unorganized very slow category so I can't comment upon detergents. That's not where we play.

As far as hair oil is concerned, I think unorganized players are very limited. Oral Care unorganized players are fairly limited. Home Care unorganized players is fairly limited, it has been a more urban category and therefore difficult-more entry barriers, unorganized. Skin care, gulabari and all, we see some unorganized players, but then we get value offerings wherever the margins float and we edge out unorganized players.

In health care, in any case, unorganized doesn't play much. In beverages, yes, a lot of unorganized players come in it is easy to raise the portfolio. About that we are very competitive and therefore in the marketplace. So that's the flavor, Yes, on big picture. I hope I answered your question.

Mihir Shah: Yes, I get a flavour of what you're trying to highlight. Sir, on volume growth how should one think about Dabur's volume growth going forward. Over the past four quarters 3% to 4% volume growth was on a low base or a flattish base. Now we will be starting to cycle 3% to 4% volume growth. So while you indicated that rural recovery is happening and you're growing ahead of peers, can we see more constructive volume growth to sustain, or do you think there will be a softness in volume growth going forward?

Mohit Malhotra: I think the question of softness in volume growth doesn't arise. If we have to grow volume growth is mandatory to have and as far as the annual operating plans are concerned, we've taken a target of a mid-volume growth, mid- to high volume growth. If taken we have to grow at a high single to a low double-digit growth rate.

So it's not something which we can decide I think we have to grow volume growth and it's in line with our vision of Ghar Ghar Dabur and Ghar Ghar Ayurveda. So we need to increase our penetration. We are already there 8 out of 10 household, 80% penetration. If we want our entire portfolio to go to every house volume growth is something that we have to do.

It's no question asked, there are no compromises here. So I think volume growth will be the way forward. Till last year, we were at least having some price increases anyway and now going forward it's going to be mostly driven by volume across categories while we budget a 3% price increase, but price increase they'll be fairly limited in some part of the portfolio while the rest will all be driven by volume only for us. So we feel it will be mid- to high single digit volume growth, top it up with around 3% value high single to low double kind of a business that we will want to achieve and that's the number that we've taken.

Mihir Shah: Got it, sir. Sir, and lastly on margins what can be possible tailwinds for gross margin given pricing will be limited going forward, mix improvement will be one, but do you see potential higher gross margins going forward? So that's my last question.

Mohit Malhotra: Yes. In terms of gross margin we've seen 280 basis points of gross margin inching up on back of deflation. So we've taken price increases. So we will see some amount of gross margin expansion, but it will not be in line with what we've seen in past 1 years, 1.5 years because we've taken drastic price increases and the rate of price increases come down. So it will not be as high as that.

And whatever gross margin improvements happen, we invested partly in media and partly flow down to operating margins. Going forward, gross margin in mid-term to long-term will grow, but not to the extent that we've grown in last year. And we also want to take up the media percentage, which is now 6% and has become 7%.

Now we want to inch it up from 7% to 7.5% to 8% even in terms of media. So with that, I think mid to long-term, our margins should improve. We've also embarked on the second leg of the Samriddhi project, which is a cost-saving initiative with the help of a consultant. And also our intervention is required for optimization of our spend and expenditures across the value chain in the company. They're working with us. So on the back of that, we should see around INR100 odd crores benefit again coming in this year on the back of cost-saving.

That should yield some gross margin expansion and therefore investment in media and operating margins. So we ended up with an operating margin of around 19.4. But this includes the legal cost, like I mentioned. So on a like-to-like basis, it was around 20% or so. We want to take it up to around 20%. So I think that's what I can guide you with all these initiatives put together. Yes.

Arnab Mitra from Goldman Sachs

Arnab Mitra: Yes. Hi, Mohit. My first question was on health supplements that you've seen a big decline this quarter and also the full year has been relatively soft. So if you could help us understand, is the problem limited to Chyawanprash and how the other parts of health supplements are doing? And what's your own analysis of what is the issue with Chyawanprash? Is the product losing appeal? What are the steps you are likely to take to get the growth back in the segment?

Mohit Malhotra: Yes. So, Arnab, hi. So there are three parts of our healthcare portfolio. The first part of our healthcare is the largest, which is the health supplement business. Health supplement business, Chyawanprash, is a relative problem. A, I think the weather did not support us. Chyawanprash generally skews towards winter and winters have been delayed and contracted. And the way wholesale or the trade behaves is typically, you know, in the beginning of the season, pull up a lot of stock and the liquidity of stock as the season progresses.

So this time, because of delayed winters, the up-stocking was limited. And whatever up-stocking happened due to contracted winters, that remained on the shelves. And because of delayed winters, the down-stocking happened. So the better thing is that we don't have inventories, too much inventories for next year. But Chyawanprash, we are modifying the format. We have Chyawanprash in capsule form. As you know already, we are introducing Chyawanprash in gummy form, in powder form, trying to improve or modernize our format in Chyawanprash so that we can extend the usage and increase the relevance of the category and thereby increase the penetration. But penetrations have definitely kind of gone down.

So there is an endeavour by the company to have all-season communication, not keep it restricted to only winter, have a communication for monsoon, extend the TG to women, extend the TG to kids, and also do advocacy on Chyawanprash through the doctor channel and make it secularly, both ayurvedic and allopathic, both use it for immunity building.

That's what we are trying to do. Honey, was impacted by season. I don't think there's any problem with the honey. Honey will be consumed, and honey is doing well for us. We are gaining market shares consistently. There was a little stock issue on the honey and some Crystallization problems which we have corrected going forward and it was in winter and because of the spike of winter it actually happened. So that was the reason why the honey has been softer. Glucose has done well for us.

Summers are approaching, acute summers. So we had a 14% growth in the last quarter as far as glucose is concerned and increasing market shares. And globally, we are gaining market shares. As far as our digestive portfolio is concerned, Hajmola is performing well. Our new version of Mr. Aam variant launched in Hajmola is doing exceedingly well. Our Chatcola, Limcola and all other variants have done well.

Variants are contributing to about 22%, 20% of the overall franchise. The bottles are doing well and so are sachets for us. And we are looking at the extension of this brand to the unbranded digestive category. So that's doing well. Our Isabgol, we revamped last year. It has grown 112%.

Pudinhara has shown a 14% growth. Honitus and Lal Tail, cough and cold is again a big problem. Now because we were circling a high base, Honitus showed a little decline and so did Lal Tail

But both the baby care category and the cough and cold category are resilient in India, and we will come back after we navigate the high bases. Our baby care portfolio is already around INR40 crores-45 crores. It was last year around INR20 crores. So we have almost grown by 60%-70% of baby care. Our Super Pants and baby care is doing exceedingly well, both on e-commerce and also on the advocacy channel. The third part of the portfolio is OTC and Ethical.

Our Ethical business has grown by 8%, which is the classical and that's doing well. And Shilajit has grown by 21% and the market is really blossoming on Shilajit. So I think overall healthcare is doing well, but with the exception of Chyawanprash and we have initiatives lined up to take it to a new level. And so that's where we are. So it's a small part of our business. So I think we should be able to come around. We are introducing gummies and new age formats also in it like I alluded to. Yes.

Arnab Mitra: Understood. Thanks for that, Mohit. Any update on the legal case in the US and do we expect the same level of legal costs in FY25 as we reported in FY24 or there's any change in that expectation? That will be my last question.

Mohit Malhotra: Yes. As far as legal is concerned, it is pretty much status quo. The last update that I've given you on legal is that depositions have already happened. Fact sheets have been received from the plaintiff's lawyer. Discovery phase is still continuing. We've been able to achieve corporate separateness of Dabur International and Dermoviva from Namaste. So no Dabur entity is involved in it, including Dabur International and Dermoviva. Only Namaste is involved, which is less than 1% of our turnover in terms of top line and profitability. So we've been able to reinfence Namaste and limit our risk to a very great level.

So I think that's on the update. This will continue for another, I think, 1 year and a half years. We are trying to expedite the scientific discovery, scientific phase in which we are requesting the plaintiff to give us fact sheets on how this allegation or accusation has been made that this is injurious, where this has been used for generations, etcetera, in the African American population. So the moment it comes to the scientific phase, I think the case will get really diluted and it will come in our favour. As you know, this is based on unsubstantiated incomplete study, which has been held redundant by Cosmetic Society, Perfumery Association, etcetera.

So we are pretty confident and Dermoviva is confident that we will win this case. It comes to the end of the case, but we are trying to expedite as much as possible. A lot of our peers who have been involved in it have not even cited this case and not even kept a provision. So we are also trying to see that our insurance gives us a claim of the legal cost that we have actually incurred, in which case we could definitely surprise you going forward. But that is another litigation which is happening as we speak with the insurance companies to reimburse the cost that we are incurring on this because of the stipulated number of how much they give you, double the number of hours.

We can have a separate call where we can go on. But I think we only had good news as an update and which we have given you last time. Subsequently, we are incurring a cost. This year we have incurred a cost of 105 crores and next year, we will continue next year also. We have taken a budget of roughly around INR80 crores-INR90 crores, similar cost for next year also, but it is left over. So there is no incrementality in terms of the legal cost that we will incur next year on account of the case.

Arnab Mitra: Okay. Thanks so much. All the best.

<u>Harit Kapoor from Investec</u>

Harit Kapoor: Hi. Good evening. My first question was on the distribution side. So you mentioned that the pace of distribution expansion for you has been higher than historically. As well as higher than what peers have done. I just wanted to get a sense about, say, the next year or two. Do we see now us consolidating, especially on the rural and direct side, and focus more on throughput? Or do you see this to be a continued, fairly sharp expansion? Especially because at 1.2 odd million outlets, as well as on the rural side, we have done a fairly strong job already. So I just wanted your sense on how do you see this going forward? Is the next phase, like, starts about now? Or will you see a focus on throughput?

Mohit Malhotra: Yes, Harit. So distribution expansion is a very key strategy growth pillar that we see. So there are two legs to distribution. One is the expansion leg, and one is the efficiency leg. Expansion leg is rural expansion and also urban expansion. Rural expansion is more village expansion. I told you the villages went up by 20% from 1 lakh to 1.20 lakh. But the headroom for increasing the number of villages is huge. We've got about 6 lakh villages.

And as government is investing in infrastructure, roads and highways and railroads, et cetera, most of the rural India is actually becoming urban India. And therefore, the headroom only remains for us to convert the rural into urban. And therefore, our Yodha playbook and our sub-stockist playbook rural expansion is working well for us.

And that's what is giving us higher than peer dividends as far as the rural is concerned. So that's the kind of expansion. In urban, we are expanding our direct reach. As you know, we are reaching out directly to around 14 lakh outlets as compared to almost 79 lakh outlets that we have present. As compared to peer, this should be around 20%-30% of our direct to indirect reach. So again, huge headroom available to take up 14 lakhs to something like around 20 lakhs.

That's our direct reach expansion of outlets in urban. As far as urban-urban is concerned, I think e-commerce is already 10%, 9-10% of our overall business. We continue to engage with e-commerce and get deeper into e-commerce. With quick commerce continuing, which is already contributing around 30% of the e-commerce business, that presents a big opportunity to us. And we want to get in with Swiggy, Zomato, Zepto, all those coming and opening up the towns one after the other in urban India. So that presents a big opportunity.

And modern trade also. Last quarter, modern trade has only grown by 7%. But if you look at the tertiary data modern trade, tertiaries have grown by around 22-23% for us. Because Reliance kind of cleaned up their inventories, I think prior to listing or whatever the case may be. But they held back on primary sales, whereas tertiary sales was very good for reliance. And reliance is big for us, around 30% contributing to modern trade.

So I think as they've cleared their inventories, next year again that should show up. That's the third leg of our distribution expansion. The second piece is efficiency. Efficiency, we have a metric called Edge-score, everyday trade Edge-score. In that Edge-score, we monitor the number of outlets we visit, the number of lines we've sold, and what is the premiumization that we do in every outlet. That is happening as we speak. And there's a lot of churn of the Edge-score that happens there. People who are not performing below the ROI, we churn.

So pretty much similar strategy. Staying the course on our strategy and not anything very different than what we've been talking about in the future. This is giving us results, so we will continue. But continue with the discipline. I think we were a little lackadaisical about monitoring them. I think the moment we put more discipline into it and monitor it more steadfastly, this will only become better.

Harit Kapoor: Just my last question was on the pricing side. Your long-term model is medium to high single-digit volume growth and mid- to high volume growth and some pricing, probably 3% odd. So I was just wondering is at a time where pricing is not so easy to come forth, would FY25 also have a similar kind of 3-odd percent pricing you think at an average of -- that will only happen through the year. So we shouldn't assume an average for the year at 3%.

Mohit Malhotra: That's the average for the year, but it's different for different verticals. You're looking at our juice portfolio, which is very price-sensitive, only a 1% price increase there. In healthcare, which is more resilient, we're looking at a 4% price increase. In HPC, we're looking at about 2% or a price increase. In line with all the competitor data, we have followers there. So the weighted average of that will be around 3% for the full year through the year.

So we're not looking at any immediate price increases. I think honey will have a little bit of a price increase because the table of the quality honey price is actually inching up. So that's where we are on the pricing here.

Harit Kapoor: Great, sir. Thanks and wish you all the best.

Mohit Malhotra: Thank you.

<u>Vivek Maheshwari. from Jeffries</u>

Vivek Maheshwari: Hi, Mohit and team. Two questions. First is, you know, again, something that has been asked for F25 and even the earlier participant asked about medium-term. But let's say if you have to grow your earnings, let's say, a double digit over the next, let's say, three, five years, and at some point, of time, margin upside will be limited. That will imply that, you know, maybe volume growth has to be about seven, seven and a half and, you know, two, two and a half, two and a half, maybe, pricing to get to, let's say, 10, 11% kind of revenue growth. Which essentially means after a point, once margins, you know, let's say, start to plateau, the entire bottom-line growth will be led by top line.

Do you think over a three, five-year perspective, from a three, five year or longer-term perspective now, you know, not just you, but, you know, a lot of your peers will have to settle for growth, which is more like nine to 11, 11-ish from an earning perspective. Is that a fair, you know, model?

Mohit Malhotra: Yes, I think your numbers stack up well. So we also feel that the volume should be around mid to high, and seven and a half should be the volume. But as of now, the way FMCG market is actually behaving, it's, I think, mid-single is what one is looking at. And therefore, a high single-digit growth is what one looks at. And price increase in our portfolio, where we are market leaders in a lot of categories, where we are existing, pricing could be a little better. But because the rural favour is double, and if rural comes back, I think volume growth will also be driven by rural for us. That's what I think.

But I think long-term, that's what it will be. So if the commodity remains benign, which is not the case internationally, internationally, the inflation is much more severe as compared to India's inflation. If India also follows international, I think more price increases will come to India also, like we've seen in the past one year. India has been insulated by that kind of inflation, which is what we are seeing in the US. That's why the rate cuts have happened in the US as of today also. So I think because of elections, they are also keeping a lot of inflation down.

So I don't know what the next will be. So as far as now is concerned, we are looking at a mid-single kind of volume. It's looking more plausible. If monsoon is there, everything goes well. Stability of government happens. Everything is consistent. Then it can be 7.5%. Otherwise, 7.5% volume growth is a little on the higher end. I would say a better mix would be a 5.5% and a 5-4%. And that's what is the right sustainable sort of volume growth. But if you look at Dabur, Dabur's portfolio is pretty widespread and diversified.

We are better off than our peers. So like we have seen in the last quarter also, that our beverage business and our healthcare business, both were impacted by unseasonal rains and climate changes, etc. But our HPC portfolio, which also has a fair diversity, it came and bailed us out. And international business, also HPC driven, came and bailed us out. So I think we should be in a better position than our peers. That's what my take would be.

Vivek Maheshwari: Got it. And if I actually add to that, Mohit, I would imagine in some ways, let's say what you have done in the toothpaste, and there have been communications from the past to, let's say, mainstream Ayurveda, natural herbal. So arguably, you can still grow faster, gain shares, let's say health supplements.

It all depends on what you keep in the denominator or even on some of your healthcare products or even the mainstream FMCG business also, given the herbal orientation. So if you have to move, let's say, volume growth to a higher level, which arguably could be easier in your case versus your peers, given that you have share gain opportunity just sheerly because you have this architecture. How would you do that?

Otherwise, for the industry, as in your peers as well as you, if we assume margins at some point, the best case is like 8-9% earnings growth, right?

Mohit Malhotra: Absolutely right. I think we are in a better position. So no, one good thing for us is, besides the rural leg, then I explained the expansion, that is definitely for a portfolio which is more accessible price points of INR10, INR20, INR50, INR100. But beyond that, you suddenly find modern trade in e-commerce where Dabur is the only differentiated player in natural and owning natural and driving the growth to your point of where we've done Oral Care. We can do it in shampoos. We can do it in hair oil. We can do it in hair supplements, and we can do it in food also and on all natural and that's how we can grow.

So two pivots of growth. One is more rural driven growth, which is expansion driven growth. And one is more modern trade and e-commerce driven growth for us. So two legs. One is premiumization led and another is penetration led. So that can come in and that's what we've been attempting to do. So to harness or leverage our rural infrastructure, we've created bundles of products which are all accessible price points which the teams are driving there. And in terms of verticals of distribution, we are creating separate food and beverage, separate food, separate beverage, separate HPC and SC, distribution verticals also. So opportunity is there, but we are limited by bandwidth and time and resources. So that's where -- but attentive to what you're saying is right to grow at double digits, yes, driven volume, yes.

Vivek Maheshwari: Got it. And the second question is if I look at your fourth quarter numbers for -- so post pandemic once things started to normalize, every year, you are seeing in the fourth quarter margins are significantly lower than the first nine months whether it's FY '24, FY '23 or I think FY '22 also. And if you go back to FY '19, the margin delta between fourth quarter and the rest of the year or the previous quarter was never that high.

Now part of the reason that I see your revenues actually declined quite a bit in fourth quarter versus, let's say, third quarter, your other expenses, even if you adjust for the legal cost, that also moves up quite a bit on a sequential basis. So what has changed so much after pandemic that fourth quarter revenues go down quite a bit. Other expenses jumped up quite a bit and your margins actually down fairly significantly?

Mohit Malhotra: So we are actually prepared with an answer. I will ask Ankush to give that answer. So I will over to Ankush.

Ankush Jain: Thanks, Vivek. So Vivek, just to broadly answer this, five years ago and over the last two years, structurally the saliency of business has changed. So if you look at exact numbers of four or five years ago, which is pre-COVID, our business saliency used to be 25% in Q4. Today, as we speak, it is 22.7%. So just to give a broad number, every first nine months we have done INR3,200 crores average per quarter, first three quarters. In this quarter, it is INR2,800 crores, which means, the last quarter is slightly lower. And because of that, the leverage in overhead, is slightly lower. And hence, so therefore, in our business model, we have to probably see at both yearly numbers, and that would probably be the right way.

Mohit Malhotra: Yes, thanks, Ankush. So that's the diagnostic of the issue and why it has happened post-pandemic. It's a very intelligent question, and therefore, nicely answered by Ankush. But how do we course correct? I think we have to increase the relevance of our summer portfolio and therefore, in charge to leverage all the expenses. So what we're doing is we're launching a lot of summer portfolio products.

As you know, Cool King came in last year, so which is a Thanda Tel, which sells in summer. We are putting a lot of pressure on Pudin Hara. A lot of pressure is happening on juices, portfolio, glucose as a portfolio. So we are trying to summer-skew a lot of our products so that that actually comes up. So as we speak, we are launching talcum powders also under the Cool King brand and trying to build that brand so that we are able to increase the salience of summer-driven portfolio for us in Q4.

Ankush Jain: And just to add one more general point Vivek. Also with four, five years ago, our expense in Q4 used to be the least. But now, even in this quarter, it is plus 6%. So it used to be 5%. So that structuring is also impacting. So therefore, you have to actually see more YTD and their portfolio.

Vivek Maheshwari: Sorry if I'm stretching this a bit longer, but my point is two things. Absolute revenue. Why is it lower now versus pre-pandemic? What has changed, number one? Number two, even if you look at other expenses, forget about the denominator, but even if you look at it on an absolute basis, your fourth quarter, other expenses, rupees crores also jumps up quite a bit. So why is revenue base lower? What has changed since pandemic? And why absolute other expenses also higher?

Ankush Jain: No, so absolute revenue is not lower. What we said, the saliency of the revenue in quarter four is lower than what it was pre-COVID. So absolute revenue is still higher. It used to be around INR2,200 crores in Q4. Now we are still INR2,800 crores. So if absolute is higher, the saliency of the quarter four has gone down.

Vivek Maheshwari: Okay. Got it. Thank you.

Mohit Malhotra: So I think there is some more color which has to be given. So Vivek, we can send across, or we can have a discussion post this meeting with you to explain you. So the way I want to summarize it, he's saying the saliency has come down in quarter four, but absolutely our turnover has gone up.

So it's 23% as compared to 25% what used to be happening during COVID or immediately post-COVID. And post-COVID, Chyawanprash was selling all through the year because COVID continued. And after that, Chyawanprash saliency went down, profitability went down. It's only juice salient and summer brand, whereas overheads remain the same.

Prakash Kapadia from Spark Private Wealth

Prakash Kapadia: Yes, thanks for the opportunity. Most of the questions are answered. I just had one question, Mohit. You mentioned monsoons are expected to be good. The pace is fairly low in rural. So what kind of momentum would we expect in the near term and what categories will drive this growth for us on the overall domestic business? And if you give some color on rural and urban, that would be helpful.

Mohit Malhotra: Yes, so therefore, if you look at the previous quarter, our rural has grown by 8%. Our urban has grown by 4%. So there are 400 basis points different between urban and rural. And that is an indicator of what things will be going forward. If the rural growth is ahead of the urban growth, so rural for us. So we are, kind of, a barometer of how the performance in the market will be. So our rural has done a long way.

On back of a portfolio, which is more summer-centric portfolio, we as a brand are also pretty rural-centric and Ayurvedic products do well in rural India as compared to urban India. In urban, we have a premiumization strategy. This is different from too much Ayurveda, but contemporary scientific Ayurveda compared to rural is more traditional product for us.

So it will be OTC-driven, healthcare-driven, oral care-driven, which is also fairly 90% penetration, hair oil-driven, shampoo-driven, so it goes. And in beverages also, we've entered into drinks, which is at a price point of INR10, INR20, and INR60, which also trends well in rural. Earlier juices was only INR160, INR150, more urban phenomena. So we are getting more into rural and leveraging our rural infrastructure. So I don't think I can say that any particular part of the portfolio should do well in rural. I think it's across the board. If we are able to bring our brands to accessible price points, and leverage our rural village infrastructure for our portfolio, I think the potential is huge as we increase our Yodhas and make inroads into more hinterland.

Prakash Kapadia: Okay. And at least what we are reading and hearing, monsoon seems to be on the right trajectory. So will that also add to the momentum, especially in rural?

Mohit Malhotra: Yes, I think so, because rural is an agrarian economy. And if the monsoon is good, agricultural crop will be good, more money in the hands of the farmers. And therefore, more shampoo sachets and more toothpaste and more hair oil consumption should happen which is more traditionally in nature.

Prakash Kapadia: Yes. And for the legal cost, you mentioned around INR85 crores would come in this year also. It will be apportioned throughout the year, or it will be across quarters? Or how will that pan out?

Mohit Malhotra: It's broadly around INR20 crores - INR25 crores per quarter. Because this is pertaining to the legal fees of the lawyers, and it's generally spread out through the year.

Prakash Kapadia: Okay. Understood. That's helpful. Thank you.

Mohit Malhotra: Thank you.

Aditya Soman from CLSA

Aditya Soman: Yes, hi. Good evening. I mean, just following up on the question earlier in terms of seasonality for revenues, I think, can you explain why the salience in 4Q has come off? I mean, you mentioned that the 4Q salience is lower than earlier. Can you just talk through why that has happened? And then, yes. And then the second question is just on EBITDA margin guidance excluding this legal cost of INR20 crores - INR25 crores per quarter.

Mohit Malhotra: Right. Quarter 3 is actually higher because of Chyawanprash and honey and high-value items selling. And because the value is higher, therefore the salience is higher typically in the third quarter. In the fourth quarter, juices, the case rate of juices is much lower. Therefore, the value saliency goes down, albeit in volume. The number of cases that we sell is almost the same as the quarter 3, but value actually is lower in the quarter 4 because it's a seasonal business. So, you sell more of juices, and you sell more of pudina and other things as compared to Chyawanprash and honey, which typically goes in the winter.

And that's why the saliency is lower in the quarter 4. During COVID, it became also because pandemic was there also, and we were selling Chyawanprash and honey also in the summer season. So, that has actually reversed since COVID. As far as the mid-term margins are concerned, we want to go back to 20%. And if you look at without legal cost, our operating margin is already in the range of 20.2%. So, we should go back to 20%. Ankush, the challenge for our CFO here. To reach our operating margin to 20%. So, Ankush, you want to add a line also?

Ankush Jain: Yes, definitely. I think I just want to add. Pre-COVID, our operating margin was 20.4%. And today, as we speak, adjusted for legal cost, it's almost there, 20.2%. And it's also because we have acquired Badshah. Adjusted for that, it's almost there at 20.4%. So, I think any upside now, we'll also be partly redeployed back in advertisement and generating demand. So, I think what we saw this year, the expansion of 150 bps adjusted for legal cost, obviously, will not be there. But our endeavour would be to gradually increase it in mid to long term.

Aditya Soman: I understand very clearly. Thank you for that. Just on the first question, I mean, in terms of the salience coming down, I understand during COVID, health supplements did very well through the year. But even prior to that, I mean, the gap between 4Q and 3Q wasn't as sharp. So, why are we seeing such a big drop?

Ankush Jain: Drop in salience.

Ankush Jain: Yes, even pre-COVID saliency of Chyawanprash was slightly higher even in Q4. But now we've seen that even in this quarter, at least this quarter, saliency of Chyawanprash and health supplement actually went down.

Ankush Jain: And therefore, overall saliency was lower.

Aditya Soman: Okay. I understand. That's very clear.

<u>**Tejash Shah from Avendus Spark**</u>

Tejash Shah: Hi. Thanks for the opportunity. Mohit, last annual presentation which we did somewhere beginning of the year, this fiscal year, a key focus for this was supposed to be transforming our power brands to power platforms. Now, when I see our final presentation for this year, there's no mention of platform. So, I was just wondering, where are we on that journey? And is it, like, much longer term which should not be monitored on a quarterly basis?

Mohit Malhotra: Tejas, absolutely. So, our strategy doesn't change. I think it remains the same. In the presentation, it doesn't mention because it was more based on the quarterly results and not on the strategy. But as far as the budget presentation was concerned, it was pretty much based on that. That's why you look at, in category after category, we are plugging the gaps and spaces where we are not present. And wherever the power brands can extend, we are extending them. Like, Dabur Red has got extended to Bae Fresh. And that's what we've done in Oral Care. Dabur Amla is getting extended to value-added hair oils. And that's what we're doing. Home Care. Odomos has got extended to LVP. It was just a personal application. Now we are extending it to LVP, which is a much larger addressable market and therefore a platform. Odonil was more of a solid block for us. We've extended it to Gel platform. And Gel has already got a INR50 crores turnover coming in now.

Gulabari, which is only a rose water, got extended to body washes. So, therefore, power platforms from power brands. And in Chyawanprash in powder form is what we're introducing. Chyawanprash in gummy form we're introducing. Honey is also getting extended into breakfast cereals that we talked about. And therefore a platform there to take honey from the medicine chest to maybe bring it to the breakfast table. And therefore, contiguous categories like breakfast cereals, which will be honey-based, will also come into the picture. And in the beverage segment, we've extended juices to nectars to drink. So that's also a platform extension. And now we're going to carbonated also. So it's across the board. Homemade from culinary is moving into the food category. So we are very consistent with the strategy that we laid out in front of you on the capital markets day. And that's why. The numbers may vary, but the strategy remains on course.

Tejash Shah: Great. Second question, if I look at our annual growth from the lens of power brands and non-power brands, except Oral Care, I believe the other six power brands would not have contributed above our company's average growth rate for this year. So it also means that the last part of heavy lifting for growth was done with the long tail of other brands, which are emerging brands, which would have done so. First of all, is the math correct on this? And if you can share some insight on the same.

Mohit Malhotra: What you're saying is right now because power brands contribute to 75%-80% of the business, if season doesn't favour you, so real as a power brand will get impacted and that will impact. So juices got impacted, it was flat, so it didn't fire.

Mohit Malhotra: Chyawanprash, which is a power brand, did not fire, so that took down the business. And other brands, saliency looks up. But that said, the power brand contribution to the business remains as it is. The growth may not come because of some season issue or other, because it is a power brand at the end of the day that could positively or negatively impact the business. But the strategy on power brand remains. That doesn't change from quarter to quarter.

You have to look at it from a 4-year period or a 5-year period. It's the strategy of the company. So therefore, if you look at the CAGR period, you will find power brand CAGR, like real CAGR is 15%, over the past 2-3 years. Last year it was 30% growth, this year it's flat. So average growth is around 15%, so higher than the company average. So that's the way to look at the business.

Mohit Malhotra: And also, I think in every power brand, we continue to gain market share, both in the quarter and in previous years. We have actually also seen a relative performance when there is some bit of stress and growth.

Mohit Malhotra: And distribution initiatives also. In power brands, we'll go up and by virtue of that, our distribution expansion has been 200,000 outlets in the current year because you can't distribute a smaller brand because that doesn't have the strength to get distributed and neither does the advertising spend on it. So, yes.

Tejash Shah: Thank you. And so last one, if I may. So given the surge in this consumer and judicial activism that we are seeing globally and in India, and now there are increasing frequency of these accidents which are happening on brands now. So as a very responsible company, do you think that industry at large will be kind of investing more on product quality and safeguards so that we are not attacked very so frequently? And we also will have to time and again reinvest in branding equity. So at a very long-term or medium to long-term level, do you think that margin expansion will take a backseat versus protecting product and brand equity going forward, at least in the near term?

Mohit Malhotra: Yes, that's a very good point. I think consumer activism and consumerism and placing the consumer interest first is a priority of the brand as the brands become more responsible because if you look at social media growth and digital growth, this is what has come in. And consumers in the metros and consumers in the millennials and the Gen X are all embracing brands which are talking about environmentally friendly products which are eco-friendly, which are more sustainability driven, which do not contain nasties, which do not contain plastic. So therefore, this consumer first approach with environment, climate and health will take a front seat. But I think I don't agree with the second point that you've made that will the margin take a backseat?

The moment a brand becomes environmentally conscious, sustainable, consumers are ready to pay a price premium for that. So the moment they pay a price premium, as you become environmentally friendly, it becomes a virtuous loop. Premiumization grows, the brands become quality conscious, environmentally friendly and the premiumization happens and therefore profitability also inches up. So I think consumer rewards you with the profitability and the value that the consumer gets.

Now this is relevant for urban India today. Rural India for the per capita income of India being so low, I think still it's a little time away for the rural India and at least 65% of the population of this country is still fighting hunger and poverty and therefore sustainability and eco-friendliness and climate care is an urban phenomenon. But it's catching up, the consciousness is catching up.

So that is where we are. So you look at the example of plastic straws and paper straws. Paper straws are still more expensive as compared to plastic straws, but the prices of paper straws have almost become 40% more premium to plastic straws, which used to be 200% premium. So I think the whole price table comes down but everybody's making more money because the capacity has gone up and scale improves the profitability. So yes.

Tejash Shah: Got it. Thanks and all the best.

Mohit Malhotra: Thank you.

Nillai Shah from Moon Capital

Nillai Shah: Yes. Mohit, there are a few questions on margins. I just had a question on margins from a longer-term perspective. I had this discussion, I think, on the call with you earlier, but since you've just finished your annual review, maybe you can shed some more light on it. Your margin aspiration near term of 20%, when I take it line by line and compare your businesses with your competition, let's say in the case of Oral care with Colgate, in the case of healthcare with Rx company, etc., your margins seem very low. Most of these companies in India are now trading at, are now reporting margins which are in the mid-20s.

And I think you've got a beverage portfolio, but you also have a very large healthcare portfolio which would offset those margins. What are your thoughts on margin expansion from a long-term perspective in the next three to five years?

Mohit Malhotra: Yes, Nillai. That's a very valid question and I think it's good that you keep reiterating this. It actually makes us think more to inch up the margins. So long-term, we know that there is a pharmaceutical business that we take business from. That's our source of business. And there the margin profiles are much higher as compared to what margins we have. And that's why we build the advocacy vertical of going to the doctors and therefore advocating our brand. But it's a little slower. It's going to take time. So to your point, the more long-term margin improvement that we're doing, we have driven the business of baby care, skin care, and also in our general in the doctors.

So it's only around INR120 crores for us. So gradually, slowly, as we put more products there, we'll be able to get better margins out of that. So if I compare my pharma business, which is going to doctors, I make a 70% margin as compared to the healthcare where I make 50% margin, to your point. The more products I put on that bridge of advocacy, the more margins I will make. But the scale of the business takes time to build. So long-term, we are on the same path and on the same thought process of building margins on back of OTC, Rx, et cetera.

But the time-taking business, like before I came on board, two, three years back, we only used to go to Ayurvedic doctors. And Ayurvedic doctors, again, commoditized a play of children. And therefore, you've got to command a premium. Since we're now going to allopathic doctors, there is a huge upside on the margins that one can get. And in mass categories like oral care and hair care, we were busy fighting with our competitors and gaining shares on back of pricing. There's a huge opportunity to preimmunize that.

In Dabur rate, for example, sensitive is at a much higher margin. Can we launch a Dabur Red sensitive? Answer is absolutely there. This category is doing well on back of GSK. There is an answer. There's no natural play there. Dabur has a right to win. In that market segment, we can do that. In Ayurvedic hair Oil like Indulekha, where again, Dabur has a right to win, has got a higher margin profile in mass categories also. So there also, there's a vertical. So we are thinking on those lines and working on it there.

Nillai Shah: Just to be clear, Mohit, when you benchmark your different categories with the competition, in some cases, you're the number one player, but elsewhere, when you benchmark, are you saying that the margins that those categories make for Dabur are broadly similar to what competition is able to deliver and report? And the only difference at this point in time is the fact that the healthcare business is probably making a 50% margin, which can be higher from a long-term perspective. Is that the synopsis of your answer?

Mohit Malhotra: Yes, the synopsis is whichever categories we are operating in, our gross margin profile is pretty similar to our competitors. So it is similar. We've done the benchmarking. And we've not done the benchmarking. We've taken the big four consultants to help us do benchmarking, like BCG, McKinsey, have done that benchmarking for us and assured us our gross margin profile remains the same. But sometimes what happens is we are only 15%-16% market share.

As we scale up the business, we'll be able to leverage the overheads and therefore it will flow down to the operating margins. Because overheads are higher, that's why operating margins would be lower, but the gross margin profile is very similar. In Oral Care, if you see our gross margin profile, it will be very similar.

If there are areas in which gross margin is lower, we are continuously working on optimizing our formulation and packaging to ensure that our gross margins are there because we are not compromising on price. Our price is actually higher on the back of our differentiation of natural. And our cost is also benchmarked to competition.

But the only area where we suffer is because of the lower scale, we are not able to leverage our overheads. But with scale, it will come. And because of the diversified and varied portfolio that Aval has.

Nillai Shah: I understand Mohit. This is very clear. Thank you very much.

Mohit Malhotra: Yes, thanks. Thanks so much.

Priyank Chheda from Vallum Capital

Priyank Chheda: Hi Mohit. Sir, my question is on the progress if you can share on the three new categories within healthcare that we had shared while we met last year in your annual meet and greet which is baby care, tea market within basic and herbal and then the large segment of therapeutic. So a broader progress within these three categories would be helpful.

Mohit Malhotra: Great. As on baby care, last year we did a turnover of INR20 crores. I told you this year we are talking a turnover of almost INR40 crores, INR45 crores of baby care turnover. That's the update as far as baby care is being sold through both e-commerce for us and also through therapeutic portfolio. The second category we talked about was health juices.

Health juices, we did a turnover of about INR20 crores. We've done INR26 crores in the current year. On tea, which we have test marketed it because it's a very competitive category. While we had a right to win, but the proposition was not very differentiated. We've improved our population and we've got INR12.6 crores turnover as far as tea is concerned. That's on the health care category.

We had also done Ghee where the margins were lower. So therefore, we were not too much pushing it. But we have improved our margins now on back of scale and we have delivered a INR24 crores sale on back of Ghee also. So these are the four updates on the health care portfolio. As far as HPC is concerned, we have built Bae Fresh. As I told you, has done around INR40 crores for us. Gel pocket, extending Odonil into Gel pocket has done INR25 crores. And LVP is around INR12 crores for us. So Odomos was getting extended to LVP.

Extending our power plants to power platforms and increasing our total addressable market. That's where our drinks portfolio is INR200 crores if we mentioned. This year, we've not grown on drinks because of the season issue. But I hope next year, this will really inch up for us.

Priyank Chheda: Right. And how are we tracking the therapeutics proposition that we were supposed to take from Ayurvedic doctors to allopathic doctors? That whole of the portfolio which is ready at Dabur. How do we track that progress?

Mohit Malhotra: So we have an advocacy vertical. And Philippe is the one who's driving it. We've done a turnover of INR120 odd crores on the therapeutic vertical. It's more advocacy with the doctors. And after advocacy, we go to the chemist outlets in the vicinity. And that's how we sell.

We've got a turnover of INR120 crores. But more importantly, it's more qualitative that we are reaching out to 1.1 lakh doctors as compared to 20,000 test points that we had earlier. So this has moved up to 1.1. And it's paediatricians, its dermatologists, it's gynaecologists. So it's women, baby, and paediatrics. So we are focusing on these three, and paediatrics. Right.

Priyank Chheda: And in baby care, we had targeted a sub-segment for hygiene, wherein diapers and wipes were one of the products to be launched. Any progress or update on that?

Mohit Malhotra: Yes. So we have launched Dabur Super Pants, which is a baby diaper sort of. And that's done very well. We almost, last year it wasn't there much. How much is it? We've got a turnover, I think around INR10 crores, INR11 crores on baby pants alone, which is doing very well on e-commerce. And the category is very lowly penetrated, and it's increasing.

Priyank Chheda: And just a last question on the overall premiumization portfolio. What would be the premiumization portfolio as a sales? And how are we tracking that and the growth that we saw in FY’24?

Mohit Malhotra: Yes. So the way we look at premiumization is, we look at the average pricing of the category at 20% premium. Then the average category price, 5ml price, is what we categorize as the premium brand. 18% of our portfolio is premiumization portfolio. We are tracking it on a yearly basis. And we see premium, and we are tracking it on all of our brands and giving targets to the team to increase premiumization year-on-year.

So it's a very objective exercise of tracking and increasing the premium portfolio, which is more driven from modern trade in e-commerce, which contribute to 20% of the business. Besides doing premiumization internally of our brands, we are also doing joint business planning with Reliance and Depto and e-commerce players also, and planning premiumization wherever gaps are there, as per their demand. Just to give you some examples of that, we are building Apple Cider Vinegar with one platform.

So now this is all premiumization, but we've got a GDP with Reliance, and Reliance wanted to build the Roles brand on their own. So Reliance and Dabur have collaborated together, and we've introduced Gulabari Soaps. Only in Reliance, that itself has plotted turnover of INR12 crores only on the back of Reliance alone. So that is another innovation stream that we have started with them. Yes, but this is not really premiumization, just to give you an example.

Priyank Chheda: And what would be the new product contribution, new product NPD sales and contribution in FY'24?

Mohit Malhotra: Around 3.5%. But it varies differently vertical-wise. For food business, this is 4.6%, 2% for HPC, and around 4% for healthcare also.

Priyank Chheda: All right. Thank you for all your answers.

Gagan Ahluwalia: Thank you. I thank all the participants for joining today's call. The webcast and recording and transcript will be available on our website. Thank you and have a great evening ahead.