

**“Dabur India Limited Q4 FY2016-17 Financial Results
Investor Conference Call”**

May 01, 2017

MANAGEMENT

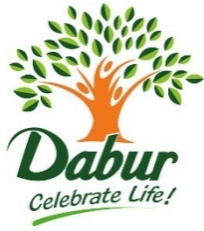
MR. SUNIL DUGGAL - CHIEF EXECUTIVE OFFICER

MR. LALIT MALIK - CHIEF FINANCIAL OFFICER

MR. ASHOK JAIN - VICE PRESIDENT (FINANCE) & COMPANY SECRETARY

MR. ANKUSH JAIN - HEAD-FINANCIAL PLANNING & ANALYSIS

MRS. GAGAN AHLUWALIA - SR. GENERAL MANAGER-CORPORATE AFFAIRS



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Gagan Ahluwalia: Good afternoon, Ladies and Gentlemen. On behalf of the Management of Dabur India Limited, I welcome you to this Conference Call pertaining to the Results for the Quarter and the Financial Year-Ended 31st March, 2017.

I have present here with me, Mr. Sunil Duggal – Chief Executive Officer, Dabur India Limited; Mr. Lalit Malik – Chief Financial Officer; Mr. Ashok Jain – VP (Finance) & Company Secretary and Mr. Ankush Jain – Head (Financial Planning & Analysis).

We will start with an overview of the Company's performance by Mr. Duggal, followed by a Q&A session. I now hand over to Mr. Duggal. Thank you.

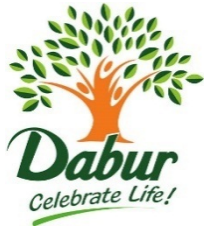
Sunil Duggal: Thank you Gagan. And Good afternoon, Ladies and Gentlemen. Welcome you Dabur India Limited's Conference Call pertaining to the Results for the Quarter and Year-Ended March 31st, 2017.

2016-2017 has been a challenging year with demonetization impacting sales in the second half, just when consumer demand was seeing early signs of revival. After a sharp decline in the third quarter, we have seen some recovery in the fourth, with volume growth picking up to 2.4% in the domestic market. However, consolidated sales were impacted and posted a decline of 4.8%, mainly on account of translation losses on account of currency devaluation in few of our major overseas markets and the MENA markets continuing to face economic and geopolitical headwinds.

We saw sequential improvement happening in the domestic FMCG business with some categories like Juices and Toothpaste performing well. Although, re-monetization of currency helped ease liquidity to some extent, additional compliance requirement such as ceiling of Rs. 2 lakh on cash transactions were imposed which impacted wholesale and retail trade. These structural changes, coupled with GST implementation which is likely to start from 1st July are bound to have some overhang in the channels. However, the underlying demand seems to be resilient which will enable the traditional trade channels to revise post GST.

Amongst categories, Toothpaste portfolio reported growth of 9% with Red Paste and Meswak leading the growth. The preference for Herbal and Ayurvedic Toothpaste continued to gain traction, as a result of which our market share in the Toothpaste category went up by 100 basis points over last year.

While Hair Oil category reported a decline of around 3%, some of the Hair Oil brand such as Almond Hair Oil performed well, posting double-digit growth. The category was also impacted due to high base of same quarter last year when Hair Oils had shown strong growth



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of around 8%. Our market share in the category saw an improvement of 30 basis points over last year.

Shampoo portfolio continue to remain under some pressure, but we are confident of a revival in sales when the wholesale trade stabilizes.

Skin Care portfolio was flattish during the quarter. However, Gulabari grew well on the back of modern trade activation and relevant promotional inputs. Going forward, we would continue to add more formats to these three brands in the portfolio – Gulabari, Fem and Oxy Bleach, and drive the category through innovation and increased penetration into retail as well as salon channel.

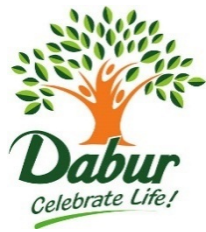
Home Care portfolio posted minor decline due to high base in Odomos and some institutional orders getting deferred. We will continue to focus on introducing new formats and increasing penetration of our products through brand investments, activation, and modern trade.

Health Supplements category posted a growth of around 5%, primarily led by Chyawanprash and Glucose. The latent effect of late winters had a positive impact on Chyawanprash during January and February, leading to good sales during the quarter. A number of premium and value-added products are being added to the Honey portfolio, the latest being Tulsi Honey which was launched during the quarter.

OTC and Ethical portfolio posted subdued growth during the quarter. However, the brands in the Doctor Advocacy Channel performed well led by doctor detailing and sample initiatives. Dabur Restorative Women's Tonic has recently been launched in the medical detailing channel. Our efforts to build this vertical through Doctor Advocacy, Media & Marketing investments in OTC and new product introductions will continue as we are seeing good growth opportunities within the segment.

Foods business performed well with Juices growing in double-digit led by Real. A new food drink brand was added to drive growth in the fast-growing Drinks segment. The recently launched Amla Plus Juice under the Real Wellnezz portfolio received good consumer response. Our market share in the JNN category went up by 300 basis points for the year, closing at around 55%

International business continues to face headwinds on account of economic slowdown in MENA region. In addition, the business suffered translation loss of around Rs. 79 crores due to sharp currency devaluations in some of our markets, particularly Egypt where the currency eroded by 55% YoY. Going forward, the business will continue to focus on brand innovation and more efficient media platforms – still and digital to promote its product and revive growth.



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On the profitability side, material cost increased partly due to some inflation coming back and largely due to product mix and currency issues. Employee costs and other overheads came down due to lower variable payouts and some cost efficiencies.

Operating margins improved by 118 basis points during the quarter, touching 21.9% and stood at 19.6% for the year. Profit after tax was flattish for the quarter and increased by 2.1% for the year.

With GST coming in, the sector will undergo major structural and operational changes. While in the long-term GST will be beneficial for the organized FMCG players, it may cause some short-term disruptions in terms of down-stocking during the transition, impact on trade due to increased scrutiny, restriction on cash transaction, and changes in tax structure. However, we are well-prepared for GST in terms of our internal IT framework and logistics architecture. The exact GST rates are yet to be announced which will determine the impact on each category.

Overall, we are hopeful of a good year driven by resilient underlying consumer demand, rural growth driven by infrastructure investments and our own initiatives to drive our brands, enhance visibility and availability of our product, and leverage new age platforms such as digital, ecommerce, and modern trade.

With this, I now open the Q&A and invite your questions. Thank you.

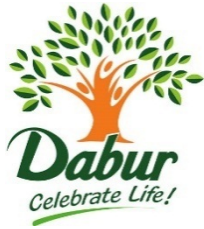
Abneesh Roy from Edelweiss

Abneesh Roy:

My first question is on the Herbal strategy. You have strengthened the Ayurveda Communication significantly, call center has been put up. And on the other hand, in the media articles we are seeing Patanjali report some quality issues. So my question is, do you think the worst possible risk from Patanjali, say which was envisaged one year back versus now, there is a significant reduction in that perceived risk?

Sunil Duggal:

I think some of the damage which was caused by Patanjali, particularly in Honey, is now over. We are beginning to now regain some of the lost shares, we have rebalanced the whole value proposition for Honey. So, I think from that point of view it is largely over. Toothpaste never faced any strong threat from Patanjali, I think the erosion was on account of the non-Herbal players. So that continues to grow, I think double-digit growth in the Herbal portfolio of Toothpaste is visible, we should be able to do that. So, I think the market growth in a sense has absorbed a fair amount of the Patanjali growth, which was not the case a year ago when he was really eating into shares of existing players. So you are right, I think the worst is behind us and I would not like to comment upon the quality issues, but we believe that our product



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propositions are very strong and will enable us to continue to grow the domestic business strongly in the coming year.

Abneesh Roy:

Sir, a follow-up to this, Health Supplement has seen a 5% growth but this has been led by Chyawanprash. So, what was the growth in Honey portfolio?

Sunil Duggal:

Well, Honey was a marginal decline but that is largely on account of trade dislocations, etc. I think Honey, on a little bit of a lower base of 2016-2017, should show good growth, I am hoping for double-digit growth in Honey. But even if that does not happen, it should certainly get back on to the revival path. And then of course we have improved the value proposition, giving more for the same price, etc., which will help. We are also looking at other options in Honey which will enable us to grow the franchise more strongly and we will see how that unfolds. But having said that, the Honey prices now are climbing very sharply, so the headroom in terms of discounting is limited, which we believe will act in our favor. So, it is really the very low prices of raw Honey which mean the entry of whole host of low price competitors, and when Honey prices rise it typically plays to our benefit. Our supply chains are much stronger in terms of sourcing, so we are able to source Honey more competitively than in an environment where Honey is in huge surplus and prices are low.

Abneesh Roy:

Sir, what was this trade dislocation you are referring to, demonetization?

Sunil Duggal:

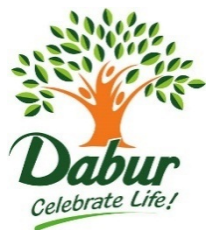
Yes, it was largely demonetization and also I think Honey being a slightly discretionary product, rate of Honey came down sharply post-demonetization. But I do not see that lasting, I think with liquidity coming back into the market, brands like Honey will stage a strong re-growth. But definitely, the competitive pressure in Honey is much lower than let's say it was six months or one year ago.

Abneesh Roy:

Sir, so the issue I see here is, you are offering 30% extra grammage currently in the Rs. 122 pack also, and now you are saying raw materials have gone up significantly. Growth still in this quarter was not there, which you are referring to trade dislocation. So now if your prices move up, and I do not know what Patanjali will do, in that case what happens to the market share?

Sunil Duggal:

I think we have the ability to hold the price line for another three to six months, we are sitting on a very large inventory of low priced Honey which we immediately stocked up because we did not believe that the low prices of Honey would last and I think that hypothesis was correct. We are sitting on a stock of six to eight months' of inventories in terms of raw Honey. There is no huge pressure on us to take up prices. We would not look too much into the future in terms of Honey pricing, we will see what it takes to regain strong single-digit or at least low double-digit growth in Honey, and then we will follow the logic of pricing and input cost



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subsequently. But this quarter I think we probably will not increase prices of Honey, we do not have to.

Abneesh Roy:

Next question is on Shampoo, what is your long-term strategy here, because every few quarters I see here in this category there is some issue or the other. So what is your market share currently here, what is your long-term strategy here? Because you seem to be doing well in most of the categories where natural positioning is helping, but in Shampoos you do not see that at all. So what is the long-term strategy?

Sunil Duggal:

That goes for a large part of the portfolio, particularly for Vatika, that the naturals proposition has now become fairly generic. Everybody has got natural brands including MNCs, L'Oreal and, etc. So, the uniqueness which Vatika had perhaps has been a little bit eroded. So, directionally we are shifting the Vatika brand more towards the Ayurvedic platform. And I think that transition is a very interesting one and you will see evidence of that happening, at least for Hair Oils, pretty shortly. And I think that was really the key trigger to revive growth in the brand and to make it unique once again. It was a pretty unique brand 10-15 years ago when we launched it, but over a period of time a lot of people began copying the Herbal equities and it lost its unique platform. So, we need to kind of tilt that, so it will be a fairly radical transformation which you will see in the Vatika portfolio.

Abneesh Roy:

Your market share will be much lower than say what it was five years back, right?

Sunil Duggal:

No, not really. I do not think we have lost market share, but we have not gained share either. It remains constant at around 5%, it moves up by 15 basis points - 20 basis points up or down. But it is stuck to where it was, which is obviously not good enough, we have gained shares in Toothpaste. But shampoo, it has remained at around 5%, it is currently at around 5.3%. But can we take it to 10 with the current strategy, probably not. So, we need to look at it differently.

Abneesh Roy:

But at 5% market share your profitability, if any, will be quite low, right?

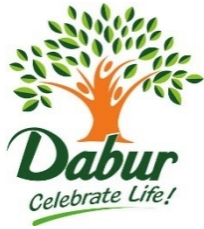
Sunil Duggal:

It is decently profitable. Profitability is not an issue, but yes you are right in a sense that building scale would really generic. It is inherently a highly profitable category, so you have got to build scale. And we can do it only through making the proposition more sharper and more unique and not just Herbal.

Amit Sinha from Macquarie.

Amit Sinha:

Sir, my first question is on the distribution, basically the changes which we have seen in our distribution in the last four to five months. So, has our wholesale dependence come down significantly or after re-monetization we are back to the pre-demonetization days?



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Sunil Duggal:

No, I think there are two aspects to wholesale – One is the urban wholesale which feeds into rural market, also feeds urban but largely rural, that is still severely dislocated. The other part is the super stockiest which is not quite wholesale but is a bit of a hybrid which feeds into sub-stockiest, that has revived much better. Because I think the issues of compliance and all, because many of these entities are based in very small towns, etc., are a little bit less overhang as compared to urban wholesale where the scrutiny is very high from the regulators. So, urban wholesale is still in bad shape, but our rural growth has actually been ahead of our total growth in the last quarter, which is very encouraging. I think I am very confident about rural markets strongly growing because the inherent demand is there and the supply chains will reinvent themselves to feed that demand, there is no way that the demand can be unmet just because the wholesale is not there. We are seeing huge revival in Cash 'n' Carry, we probably chose to use that platform to reach out to the rural consumer more aggressively. And I think a lot of wholesale will perhaps become compliant and start doing business, they cannot just get out of the business. It will rebalance and I think it might take a little bit longer than what it ought to because of GST, but we should see the wholesale coming back. There is no substitute for wholesale and there is no way that wholesaler will not reinvent their business model to be compliant as well as continue to do strong business.

Amit Sinha:

And sir in terms of revival, was the month of March significantly better than January and February in terms of the wholesale revival?

Sunil Duggal:

Yes, I think overall if you just take the trajectory of growth, we are seeing March better than February and February better than January. I do see this change continuing till perhaps June, in which case the market might take a pause, and assuming that GST comes on, on 1st July and sharply curtail inventories and we would not discourage that, so there could be a bit of downturn in June. But I think the inherent demand side is showing revival and particularly the rural markets are showing revival. A good monsoon I think will cause a significant improvement in the rate of growth for rural markets, but it could happen the other way too.

Amit Sinha:

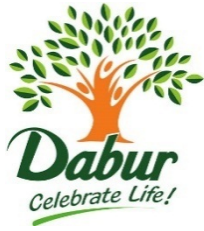
Sure sir. Sir my last question is, you have mentioned in your PPT that you are seeing a pricing-led growth coming back. So my question was for FY18 what kind of pricing-led growth do you envisage?

Sunil Duggal:

See, we are sitting on a very high margins at this point in time, so again I would use pricing as a tool to just maintain margins and not necessarily to increase them, I do not think there is any need for that to happen. But enough pricing power exists to nullify the effect of inflation, perhaps not at this point of time, it could be hazardous to use it as a tool to expand margins.

Amit Sinha:

And how do you see pricing action in tandem with Anti-Profiteering Law of GST, I mean is there anything which will kind of not let us take the pricing action in FY18?



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Sunil Duggal:

Well, I do not think Anti-Profiteering is going to be very material in our business, because I do think that whatever GST rates happen would be not very different from the current VAT and excise rates. So, I do not see any great scope of Anti-Profiteering, they could happen in a couple of small categories, in which case we will follow whatever the rule of the law is, but I do not see a significant downward movement in price because I do not see sharp reductions in the rate of GST vis-à-vis what we are paying today.

Arnab Mitra from Credit Suisse

Arnab Mitra:

Firstly, on the inventory, last quarter you had mentioned the destocking at your distributor level, so have those levels of inventory sustained or have you seen some bit of up-stocking from those levels which had down-stocked last quarter?

Sunil Duggal:

I think we have down-stocked a little bit further, and we are now just looking at the GST rates coming out. If the GST rates are not very different from the current rates then we may not need to down-stock because then the input credit issues will not be that material to really warrant down-stocking. So, we will see the impact of the value chain before we take a final call on destocking. But it means that we have to give substantial compensation to trade in certain brands, we would severely down-stock those brands rather than to give a lot of money to the trade in a fashion which is not very systematic or organized. So there can be issues also, you know what I mean. So basically, we will calibrate. We are just waiting for the rates to come out, which hopefully will come out on the 17th or 18th of this month, and then we will take a final call on further destocking. But as we speak, the current inventory levels are comfortable. In the context of GST they may be too high, but like I said, we will take a call on that later this month.

Arnab Mitra:

So, in the March quarter it would be fair to say that the secondary sales would have been slightly higher than primary sales, because you have further seen a bit of a...

Sunil Duggal:

Yes, quite a bit higher.

Arnab Mitra:

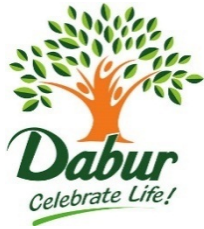
So, would you be able to quantify like you did last quarter?

Sunil Duggal:

We are still waiting to get the secondary sales number for the quarter, some of the numbers we are still got to fit in the pieces of the puzzle, but they are higher than the primary sales. So there has been destocking in the fourth quarter and now we probably do not need to destock any further.

Arnab Mitra:

And sir, regarding this Rs. 2 lakh limit of transaction, do you see this impact as again being a transitional impact, like last year the PAN impact was or does it look a bit more serious based on whatever you have seen on the ground?



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Sunil Duggal:

It will mean a serious restructuring of the wholesale business model. At the moment, quite frankly the compliance levels were very low, now with this 2-lakh limit it does impose huge amount of regulatory oversight over transaction. So, I think as we have mentioned before, the compliance will happen, the cost of business will go up and there would be some pricing changes consequent to this compliance levels. So, one of the issues about non-compliance was, some of the benefit of non-compliance was passed on to the channel members in the form of lower prices.

Arnab Mitra:

And sir, last question on the Middle East. So we have seen very severe declines especially in the Middle East business. So, when does in your view the base anniverserize and you start seeing growth or is there serious distribution related issues there which continue for some more time?

Sunil Duggal:

If you take the base anniversarization, it will happen in the middle of November, that is when the currency really went down the tube. It was around that period in many countries, most of all in Egypt which accounts for two-thirds of our total translation losses. So, therefore there is pain which is going to continue till middle of November. After that I think the issues would be more focused on the geopolitics and the economic growth of that region, which is still a cause of some worry, Egypt, etc., going through huge economic turmoil as we speak. So, the MENA region is likely to be a source of some concern for the whole year, but particularly in the first two and a half quarters.

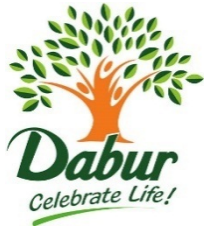
Sameer Gupta from India Infoline

Sameer Gupta:

The question from my side, sir the GST implementation, this destocking that you mentioned, do you see that as just a two months' issue or do you see the effects of this destocking would last longer than a quarter or something?

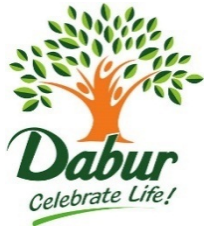
Sunil Duggal:

See, first of all we plan to destock only our distributors, after that we leave it to the channel members to take care of their own inventories and the consequent input credits. If they do not want to buy stocks from us prior to GST we will not force them to buy it or we will not even pressure them to buy it. But we will also not give them any assurance that we are responsible for your inventories because they are welcome to reduce the inventories to zero levels if they wish. At the distributor levels where the inventories are in a sense our responsibility to some extent at least, we would have to reimburse any loss faced by the distributor. So like I said earlier, the way to minimize this loss is to shrink the inventories. But again, I think we should not just take the view that a lot of inventory post GST would lead to a lot of requisitions for compensation, it may not happen like that. And the devil lies in the detail, I think at 18% we are seeing there is no huge material impact in terms of compensation pre and post-GST.



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- Sameer Gupta:** So sir, whatever disruption will happen, you see that it will happen and be done within the first quarter itself, right?
- Sunil Duggal:** Second quarter. First quarter will be the destocking, second quarter would be up-stocking but not immediately. See, keep in mind one thing, downstream, I am talking at the trade level wholesale and retail, their preparedness for GST is close to zero and that is a harsh reality which you face when you go to the market. And why is there no such readiness, because people are just saying that we want to wait and watch and see what is happening on the ground, when it happens instead of doing something very proactive. Now, our distributors are GST compliant, all of them have GST numbers so I do not think there will be any issues on that side. The transactions are in any case all compliant, even pre-GST. But after that the compliance levels are very-very low and I do not think they will increase rapidly as we approach the GST deadline. So there would be a lot of turmoil, a lot of imbalance till people get to know how to handle GST and how to recalibrate their business models, I do not see any evidence of people being very proactive at that.
- Sameer Gupta:** So, safe to say then first half might see the disruption in FY18?
- Sunil Duggal:** I believe in one thing, as long as the underlying consumer demand is strong the channels will find a way to correct. For example, if wholesale gets in to this kind of a tail spin, Cash 'n' Carry can come and take up the slack, which is a fully compliant channel. So, the situation will not happen that the consumer goes to the shop and finds there is no product there, that I do not think is going to happen. So, there will be a way, but there could be destocking which could have an affect on sales, if the wholesaler says that I am going to completely destock, well there will be some sales consequence before or after GST.
- Sameer Gupta:** Okay. Sir, my final question on ad spends, you already mentioned about the inflation and the pricing strategy that you will deploy, but ad spends how do you see it, you will look it as a tool to protect margins only or you will want to increase it from right now the depressed levels?
- Sunil Duggal:** Let's look at this way. We have ad spends in three key buckets – we have media, we have consumer promotions and we have trade incentives or trade promotions. You will find sharp curtailment in consumer promotions, some curtailments in trade promotions and significant enhancement in terms of media. You will only see the media line because under IndAS all the other lines have been subsumed into revenue or into cost. So, you will only see the media line which will probably show a sharp increase.
- Sameer Gupta:** So on the margin front you already mentioned that you are looking at a very comfortable level or a very high level, so that would not be a priority in the sense of media spends, right?



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Sunil Duggal: Let's put it this way, if we generate growth in the high single-digit or double-digit, it will be erosive of margins because we are going to be spending to revive that and then of course the numerator goes up and the margins come down. But that is a very virtuous thing to happen, if our margins shrink by 50 bps - 100 bps on the back of strong top-line, it is a trade-off which I would encourage.

Sameer Gupta: Sir, EBITDA growth of double-digit would be comfortable?

Sunil Duggal: Let us say if we get 10% top-line, I do not think we will get 10% EBITDA, we will get probably 7% or 8%, because we would be investing much higher in media for the growth. So, my point is that there could be some small erosion of EBITDA to generate a very high top-line. But if you see the total profit growth, they would still look good. But today despite low sales we are sitting on extraordinary high ratios and that situation is not something which need not be last. Anything you would like to add to that, Lalit?

Lalit Malik: Sure. I think it may not be single-digit, but I think currently with the level that we are presently, it is slightly on the higher side, so we will have some dilution of EBITDA.

Sunil Duggal: It would not be significant, but it is unlikely that the EBITDA growth would exceed the sales growth in the event that we drive sales strongly.

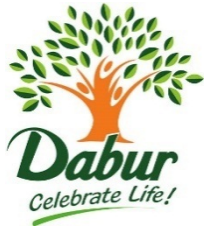
Sameer Gupta: And there is now a very little room to cut on the cost and other line items as well?

Sunil Duggal: No, there will be sharp increase in costs – one is SG&A. Keep in mind one thing that this year there were some sacrifice of SG&A because employees did not get bonuses, etc. Now, we are expecting everybody to get the bonuses and stock options and everything else next year, which means on a lower SG&A base there would be increase. But that would depend on business performance. And like I said, the media component is likely to go up, we cut back on media last year because of the issues regarding post-demonetization and we are likely to resurrect media spends, especially in the second half.

Prakash Kapadia from Anived PMS

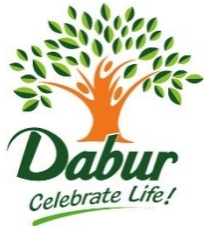
Prakash Kapadia: Sir, if you could give us some sense on Juices, we have gained market share off late, so what has lead to this, how sustainable are these market shares?

Sunil Duggal: I think mid-50% is sustainable. Question is, can we take it much higher than that? It is difficult to answer, depends upon how competitors react. The competitive intensity is very high at this point in time with ITC and Coke now spending very aggressively. So it is not going to be easy to grow our shares beyond this mid-50s. But nevertheless, we shall try.



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- Prakash Kapadia:** And sir, if you could give us some sense on the Southern market, what is Juice sales there and given whatever concerns among these cola majors, among distributors is, is there a bigger opportunity to grow the Juice business faster down South?
- Sunil Duggal:** Well, we are comparatively small in South because the JNN market in the South is small. South is a big drinks market and till now we have not looked at the drinks space in any material fashion. We have just launched the brand in the North called Ju.C and because of capacity constraints it is not going to be a very big initiative this year, we do not have capacity. But we are building capacity in one of our plants which would be commissioned in the third quarter. Then if it does well and we find the margins are satisfactory, we can then aggressively go into the drinks market with South being as one of the important areas. South, of course we would source it from the Northern factory, we will source it from Sri Lanka. But at least then we will build scale in our drinks business.
- Prakash Kapadia:** And this would be similar to what we had done in 'Real Burst' few years ago in this sub-brand which you just mentioned about, Ju.C?
- Sunil Duggal:** Yes, many years ago, but I think it was ahead of its time and I do not think we had the capacities and the distribution, we have gone a long way since then, I think we are much better prepared. Just because we did not do well some years ago that does not mean that...
- Prakash Kapadia:** No, I was just trying to understand from a positioning and pricing perspective.
- Sunil Duggal:** The current Ju.C launch will shed a lot of light on what strategy we should use, what flavors, and what price points. I think there will be a lot of learning because this market is huge and at the same time you have to build supply chain which are very, very sophisticated to service this. So, I think there is a lot of potential here, but it is a summer-centric product, especially in the North. So we have time to get the mix right before we go full throttle next summer.
- Prakash Kapadia:** Sir, we had launched coconut water, we had launched some Kiwi Honey spreads which were really good. Any updates, any responses to scale them up?
- Sunil Duggal:** Well, coconut water is doing extremely well, it is a brand which nobody speaks much about. But whatever we make we can sell, we just sell it without any fuss. And I think this year we are ramping our production considerably and it sells particularly well during epidemics, surprisingly enough. And then the demand is so big you cannot even beat half of it. But definitely the growth in coconut water this year will be quite aggressive.
- Prakash Kapadia:** Any response to the Kiwi Spreads?

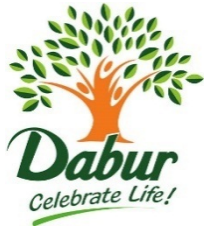


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- Sunil Duggal:** That is just restricted to modern retail, because of all this turmoil we have not really got into traditional trade. And we have not really invested behind it. So just when we were about to invest the demonetization thing happened.
- Prakash Kapadia:** It is a wonderful product, it is a very good product.
- Sunil Duggal:** Yes, it is a great product and I think we need to get the demand side once again moving. So, second half of the year is when we are planning to put some money behind it and invest in this spread, it is a very good product. But it is very discretionary and I think people need to have a fair amount of surplus income to buy this.
- Prakash Kapadia:** And sir lastly on the Tejpur plant, it is one of our largest plant, so just wanted to get a sense from you, what will be the domestic tax rates for this business, do we have fiscal benefits, will this change post-GST, what kind of tax rate do we look at in the domestic business in the near-term?
- Sunil Duggal:** Well, I think Lalit you could answer that?
- Lalit Malik:** See, as far as Tejpur is concerned, we do have fiscal advantages or the benefit in terms of excise exemptions for a period of 10 years. And also there is an 80-I benefit. Now, going forward under GST, there has been a grandfathering rule but there is one clarification which is still required because they have gone on record to say that it will be restricted to 58% of the incentive. So, we have to get into the details of that, but in principle the benefit will be available for 10 years.
- Prakash Kapadia:** So directionally it could be marginally up, we are soon not going full tax paying in the domestic business near-term, that is what we mean?
- Lalit Malik:** That is right, I think as far as overall is concerned, we will continue under MAT scenario for some more period of time.
- Sunil Duggal:** MAT I think is very safe, we have locked up MAT for next many years. Excise, there is some clarifications we are seeking in terms of the effective tax rate which be applicable post GST, there is some discussion going on with the revenue department.

Prasad Deshmukh from Bank of America

- Prasad Deshmukh:** A couple of questions. Firstly, doctors are being encouraged to prescribe generics and not brands, will there be any impact of this? I mean, I understand this is mainly for Allopathy, but will there be any impact of this on the Ayurvedic market, and especially your product?



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Sunil Duggal:

I do not think so, but I think it is something which we need to study a little bit more carefully because even in Ayurvedic there are generics and they are branded. But again, the Ayurvedic practitioners are not really bound by this recommendation in any way. So, I do not have the full answer to this, in which direction it will move. But I do think that the branded Ayurvedic medicines, especially since they are fairly competitively priced and I think the brand name is really to distinguish them from the generic space, but shouldn't really be impacted by this. So, I am not seeing any fall out of this, but it is like I said a little bit early to comment.

Prasad Deshmukh:

Secondly, given wholesale channel is now, I mean, it is becoming clearer day by day that it may be a bigger long-term problem. Do you have any plans to increase your direct reach significantly in FY18?

Sunil Duggal:

Yes, we have. We plan to increase it by at least 20%, but again direct distribution reach we can only increase largely in urban centers. We can do it in rural through sub-stockists, but there is a limitation, ultimately nobody can really replace the wholesale channel. Its saliency is around 34% - 35%, we can bring it down to maybe 30%, maybe 25%. But the last mile reach can only be done through some form of redistribution thorough wholesale. So, I do not think wholesale is just going to evaporate, it is too entrenched, it is too much part of the landscape to just disappear. But it could be that modern wholesale, cash and carry, Wall-Mart is looking at massive expansion - 60 stores or something is - they are looking at this as a huge opportunity to convert from unorganized wholesale to organized wholesale. So, there could be some rebalancing there.

Prasad Deshmukh:

And any challenges you expect in raw material side in fruit juices, especially with say a competitor like ITC also ramping up? I am not sure whether the sources are same for raw material.

Sunil Duggal:

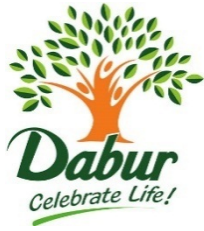
Well, the rupee is looking very strong, so that puts less pressure on margins for imported concentrate, so that is one upside. The sugar prices probably have peaked, which was another inflationary element. So, I think the juice margins which had trended down quite sharply last year, particularly in the third quarter and fourth quarter would now look better. I do not have full visibility but I am sure that the first quarter margins will be much better than what we did in the fourth quarter. But the competitive intensity as I said is there, so there could be more spends in terms of trade promotions, etc. But I think in juices the major thing is that what GST slab will they come in, 5%, 12% or 18%. It is likely to be 12% but there is a possibility that it will be 18%, in which case the whole pricing situation could change very dramatically.

Prasad Deshmukh:

And sir one last question, any volume outlook that you can share for the next year, FY18?

Sunil Duggal:

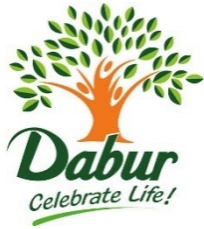
I will give you a broad band, we are just one month into the year and the GST issues are still there, but I would look at 5% to 10%. I know this is a very wide band but at this point in time I am not comfortable in sharpening it any further. This is for the domestic consumer business.



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Karthik Chellappa from Buena Vista Fund Management

- Karthik Chellappa:** Sir, you had alluded in your opening remarks to some disruption on account of a 2-lakh limit, so implicitly are we saying that we probably need to increase our trade margins to this channel as they come into the banking channel to comply?
- Sunil Duggal:** Yes, very clearly. I have mentioned it earlier in some questions that there would be a cost attached to higher compliance, because some of the benefits of non-compliance were passed on to channel members, retail and even consumer. So that cost will be there and we would happily bear the cost, part of it will be passed on to the trade because I think it is a virtuous thing to pay a little bit higher price for a compliant trade. Ultimately, I do not think it will have any material impact on margins. So we would welcome high levels of compliance with the attended cost of compliance.
- Karthik Chellappa:** And sir, what would be the size of our Hair Oil portfolio today, excluding Amla, so around 350, am I right? So 350, so if we were to segment that into let's say your Anmol and then the Almond and Vatika, would any of these brands be above Rs. 100 crores today?
- Sunil Duggal:** Vatika is. But other ones are not. See, even Anmol is Rs. 100 crores and then you have Sarson Amla is part of the Amla Group, so you have Sarson Amla which is close to Rs. 100 crores.
- Karthik Chellappa:** So, basically Anmol is Rs. 100 crores, Vatika is Rs. 100 crores, but Almond is like a touch below Rs. 100 crores?
- Sunil Duggal:** Well, Amla is sub-50 crores, but it is growing reasonably well, but it is still small, sub-50 crores.
- Karthik Chellappa:** Sorry, Almond is sub-50 crores?
- Sunil Duggal:** Yes.
- Karthik Chellappa:** And sir, as far as the rural growth is concerned, which among your categories suffered the maximum pain of growth when it came to rural alone?
- Sunil Duggal:** I think shampoos took a lot of heat in terms of that, and also some hair oils, Amla. The wholesale dependent brands and shampoo, hair oils and even toothpaste, but toothpaste's one side was strong, so we managed to get over it. But let's say the Babool brand which is a very wholesale dependent took a knock, Anmol took a knock because of wholesale dependency. So, wherever there was a high concentration of North Indian wholesale, which was the epicenter of this whole demonetization issue, those brands did not do well.



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Karthik Chellappa: And sir, your volume guidance of about 5% to 10%, is it reasonable to assume that majority of it is actually like back ended?

Sunil Duggal: Not really, again, the GST issues could depress the volume growth in the first half. And it is very difficult for me to give you any numbers as to what the GST impact would be. But definitely the volume growth on a lower base would be higher in the second half, but it is not that the first half consumer business is going to be just about surviving, I think it will do well but it is slated to do even better in the second half.

Rahul Maheshwari from IDBI Mutual Fund

Rahul Maheshwari: I have a couple of questions. First, can you give a breakup in terms of your total ad and promotional spends which is there? So what is the breakup in terms of ads and in terms of promotional and trade spends which is there?

Sunil Duggal: Gagan will give you some numbers, but directionally we cut back media considerably in the second half of last year and moved spends very aggressively in terms of consumer promotions. The planning went a little bit awry because we planned heavy consumer promotions in the third quarter and then demonetization happened. So we could not withdraw the consumer promotions, they were already in the pipeline and continued in the fourth quarter. So we had to cut back media because of the pressures on the top-line. So, you can give some kind of indicative breakup as to how much...

Gagan Ahluwalia: So, I think from the published results you can see that our full year ad spends are around 9%.

Karthik Chellappa from Buena Vista Fund Management

Karthik Chellappa: I just needed a percentage breakup that out of 100% how much is towards the ad and how much is towards promotions and trade spends?

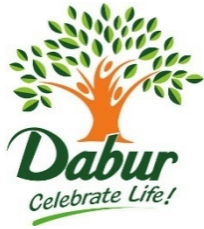
Gagan Ahluwalia: So, what now is coming in the published line is all pure media spend and the promotional spends are getting netted from sales.

Sunil Duggal: But he is asking what is cost

Gagan Ahluwalia: Spends are around 5% - 6%.

Lalit Malik: the combination is 40:60, so 40 is advertisement and rest is around promotions.

Sunil Duggal: It is 40:60 in the year gone by, going forward we will probably reverse it to 60:40. I am giving you some pretty ballpark numbers here, but it is indicative of how we are going to move the



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A&P spend. So therefore in the IndAS you will see a sharp increase in media, but it also will be balanced out by lower spends on consumer and trade promotions which will not be visible to you.

Karthik Chellappa: And currently we have many of the categories right from foods to consumer, what is the overall average indirect tax rate for the company, including the benefits which are being there?

Sunil Duggal: So, you are looking for overall indirect taxes or only the VAT?

Karthik Chellappa: Indirect taxes.

Sunil Duggal: Total indirect tax is roughly within the range of 16% to 17%.

Karthik Chellappa: And where do you find as per GST your sense that you would be in the range of 12% to 18% or it can go much below than that?

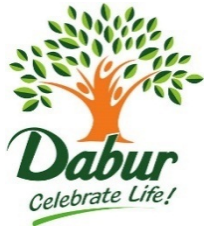
Sunil Duggal: Well, I think depending upon if it has to be closer to the rates that we are currently in, it should be within that range itself. It will be little bit lower because we continue to not pay excise or we will pay some excise but still. So I think at net 18% there will be benefit for us, at 22% - 23% average they would be negative. So 18% will be net beneficial to us, but there is still that issue about the excise exemption and that 42% exemption which is now under some question.

Karthik Chellappa: So, just correct me if I am wrong, so for an example 12% is then excise rate and as we have got an excise benefit in Assam plant and 50% -50% is between CGST and State-GST, so you will get 6% as a refund if the excise is exempted for next ten years? Is the framework likely to be like that?

Sunil Duggal: I think just to clarify, the excise exemption in the Tejpur plant is not 100%, it is 56%, so therefore still 44% is going to be tax liability for us. Now, of that 56%, as per the current understanding, 58% will be refundable to us.

Lalit Malik: But there is another googly here that the revenue department has mentioned that 42% of the 58% may also have to go back to the states, and that is a clarification which we are awaiting. So the best case scenario that 58% of excise we will save, 42% will be charged in the case of Tejpur, in the case of Baddi it is 100%. But there is a little bit of issue with regard to 42% going to the state. The worst case scenario is that we will only save 30% of excise and 70% will go back to the government, so that is the worst case scenario. The best-case scenario I am talking about Tejpur is that we will save 56% of excise.

Karthik Chellappa: And last question, as we have found a good growth in Sarson Amla category, can you give color on how big is the Sarson Amla and plus Marico is also trying to enter into this category, so what



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kind of growth is for the industry and who is the leader who is in Sarson? Because sarson is a very regional specific and very unfragmented market, so can you give some color on that market?

Sunil Duggal:

See, we would not give you individual brand numbers, but we are the only person in Sarson Amla, Marico is into lower priced Amla hair oils but not Sarson Amla. Sarson Amla is a spinoff of Dabur Amla, and then we have Brahmi Amla which has just been launched. So, these are the lower priced offerings under Amla franchise. And then these are obviously much smaller than the mother brand, but we do expect that revenues of these two and lower price offerings would be in excess of Rs. 100 crores this year.

Ajay Thakur from Anand Rathi Securities

Ajay Thakur:

I had a question on the GST front actually. While interacting with the industry players the thing that came out was that at least two months of prior notice period is required ahead of GST rollout. Given the fact that...

Sunil Duggal:

I am sorry, I cannot hear you.

Ajay Thakur:

So, while interacting with player actually, industry players, I got to understand that at least two months of advance notice period is required ahead of the GST rollout. Given the fact that you have indicated that May 2017-2018 is the time when we would get to know the GST rate, it would fairly leave around 45 days of notice period for the industry. Do you think it would be sufficient for rollout or you would face some kind of issues either internally or with the freight in that regard?

Sunil Duggal:

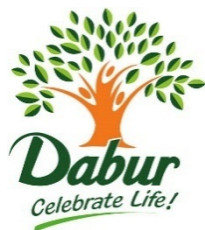
So, I think 45 days is adequate notice because we can begin the destocking or other exercise in the month of May and June. But if it happens, let's say 15th of June, it gives us a very little window to plan for GST implementation. Now the rates, Lalit correct me if I am wrong, are likely to come out by 17th May, but there is no guarantee they will and I do not think there is any bounding on the government to give us any notice or anything like that. They can give the rates today and start GST implementation tomorrow, am I right?

Lalit Malik:

Yes, I think the rates are going to come closer to the date. Having said that, I think our preparation has been happening for the last one year, so we are adequately geared up. Concern will be with the unorganized sectors where they may find it a little challenging if things come very late in the day.

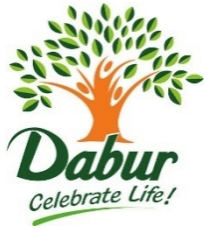
Sunil Duggal:

Yes, it will be challenging for everybody but we do believe that around 40 days - 45 days' advance time will be there which is good enough, we will be quite happy with that.



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- Ajay Thakur:** And secondly, you were indicating that there would be destocking with the distributor, is it a pricing narrowed that...
- Sunil Duggal:** There will be selective destocking. I look at a situation where a product is at 28% GST and the current rates are lower, there would be substantial destocking happening in that particular brand, this could be some cosmetic brand, I do not know, shampoos or certainly skin and color cosmetics and all that which are likely to be at 28%. So I think the destocking has to be seen at a brand level and not an aggregate. In some cases, there may be merit in restocking also. So it is not a simple answer here. Therefore we will take a call on stocking, destocking, whatever once we know the rates we will do the math. See what kind of exposure it has, if the exposure is low or minimal we will not destock, why should we destock.
- Ajay Thakur:** But I was just referring to the fact that distributor and there might be some selective destocking. But at the retailer end is there a chance of pretty much heavy stocking happening at the year end because of the fact that they might be under the impression that there could be some kind of low inventory which would be put into them and obviously are the GST rollout also have to undertake compliance and those kind of things which might take us some amount of time?
- Sunil Duggal:** See, we would encourage high stock levels at the wholesale and retail level. Now, having said that, we also do not plan to offer any assurance of compensation. So, like I mentioned earlier, we will put no pressure on the distribution system to stock up to the stock wholesale or retail, we cannot give any assurance on the consequent effects of it. So, we will tell the trade now you guys take a call, take as much as you want, but do not come back to us saying you want compensation.
- Ajay Thakur:** Okay, great. Lastly, just had this question, you said that rural had gone ahead of the urban, is it also for the market and also can you share the number, how does it work for you being rural versus urban?
- Sunil Duggal:** See, the urban and rural growths have been pretty similar. I think the big disconnect is the urban general trade which has not grown at all, whereas modern trade which is obviously an urban phenomena has grown well and rural has grown also well, I mean well in the sense it has grown in par with our top-line, so 2% - 3%. And the general trade has been pretty flat and modern trade has grown in high single-digits.
- Ajay Thakur:** And would it be similar for the industry as well?
- Sunil Duggal:** I have no idea. I really do not know, because none of the numbers have come out, there is no you will start getting information tomorrow onwards I suppose.
- Ajay Thakur:** And sir lastly one question, can I know what would be your days outstanding as of today?



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Sunil Duggal:

Our working capital management has been one of the bright spots this year in this quarter's performance. We are into negative working capital consequent to reduction of pipeline we have tightened up receivables, they have gone down, our inventories are also probably a little bit lower than what they were earlier. So, working capital is probably the best we have seen for the last many years, so that is an encouraging sign. I think there is a fair amount of cleansing which has happened consequent to demonetization and now GST, which has been in a sense forced by us but has had a positive impact in many ways.

Ajay Thakur:

Actually, I was referring to the inventory, what would be the days outstanding over there? Last year it was around 28 days or something, if I am not mistaken.

Sunil Duggal:

We had come up to 35 days, we are today at around 25 days. I think the optimal inventory level for us which we should not go below also is actually 20 days, anything less than 20 days means that you probably will start losing some sales somewhere. Now, we probably will destock five more days, but when we do it I am not too sure, we might to be next month itself. Again, once the rates are out we may take a call on destocking and destock it to even below 20 days. Even though then we will rebuild it back to 20-odd days. But 20 days for our system is something which we have been comfortable with, our distributors are comfortable with it, they get a good ROI, we do not lose any sales on account of non-availability of stock. And that is where we want to be.

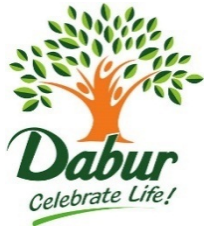
Manoj Menon from Deutsche Bank

Manoj Menon:

Just one, request your perspective on the long-term point and just one on the short-term as well. The longer term is, if I go three or four years back and given that Patanjali has entered this segment, or rather our business, the staples business and seems to have created the so called mass market Ayurvedic herbal positioning, just these two questions to you. It would have been assumed that, it would have essentially resulted in some market expansion or segment expansion, has it really happened? If yes, who are the beneficiaries?

Sunil Duggal:

Well, Patanjali has expanded with herbal an Ayurvedic segment, I think I find people who were not at all into Ayurvedic and now who are using these products. So, the market has expanded considerably and particularly in toothpaste and honey. Perhaps not so much in Chyawanprash, etc, I do not see evidence of market expansion happening there, but that could be a matter of time before that also happens. So I think he has changed the dynamics in terms of how people view Ayurveda and made it more mainstream more acceptable, which bodes well for us in the long-term because we were able to do it only to a limited extent and I think he has been able to do it perhaps a little bit more than what we could alone have done it. So, I think the trend is it's pretty much hard-wired how fast it will grow or will it kind of start plateauing, it is very difficult to stay but I do not think it is going to reduce, it has got adherence in terms of customers which will



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probably be faithful to the Ayurvedic heritage. And I think our effort would be that we take a bigger slice of this audience than what we have today.

Manoj Menon:

Sir, essentially the question here is, in the last three years has anybody benefited who are the existing players, whether it is Himalaya, whether it is you, I do not even know actually the other names. So any of the extent players have actually benefitted from this trend or it has not been that kind of segment expansion that has only this new entrant?

Sunil Duggal:

Sir, I do not think anybody has benefitted because, again, Patanjali is not herbal, it is hardcore Ayurvedic. And there are very few people who have been in this domain, not Himalaya, not any of the multinationals. So therefore, the people who are in Ayurveda, they stand to benefit. The people who are in herbal, I do not think so, I think there is a big disconnect between herbal and Ayurveda.

Manoj Menon:

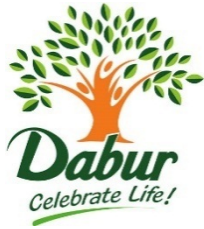
And secondly the short-term one, if you could help us understand the promotional intensity, let's say as a percentage of revenue or as preferably percentage of revenue. Because I remember in the last year which is fiscal 2017, it started in June and then it went up in September and then probably tapered off. So if you could just help and understand the last four quarters how the promotions as a percentage of revenue has actually moved?

Sunil Duggal:

Well, for us it has moved largely on proper consumer promotions. So we took a call last September or so that we will aggressively pursue consumer promotions which turned out to be a wrong decision, because the demonetization issue kind of made the impact of consumer promotions pretty minimal. So anyways, we could not have predicted what happened in November. Now, going forward it all depend on the ROI of wholesale and it is the wholesale and also the dealers and the retailers, they have to be given a certain amount of return on investment. It cannot be done either in the form of higher margins because they will be more compliant or in the form of more trade promotions. I would prefer that the whole margin profile increases rather than we get into this very aggressive promotional game. So, I do not know which way this whole dice will roll because we would encourage companies to say okay now there is 1% cost of compliance, let us improve the margins of the whole channel by 1%. But it may not play out that way, in which case that 1% could come out of promotions. But promotions are messy and I think if anybody wants visible ROI over extended period of time, it is better to institutionalize it in the margins rather than to give episodically to promotions.

Manoj Menon:

So, essentially the question what I am trying to get for my next year modeling actually was that the promotions were quite significant in September. If I remember correctly, toothpaste had 15% volumes and 5% value growth. What I am trying to get to is that has those gaps narrowed significantly in December and March?



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Sunil Duggal:

We are aggressively reducing the quantum of consumer promotions. Now the consumer promotion numbers extended well into Q4, but not out of any desire to prolong them because the pipelines had already been built for this promotion. So packing material and everything else would all be done, so we have no recourse but to continue them. In around March they started tapering down very sharply, in first quarter they would be at much, much lower levels than before. The trade promotions will probably continue at earlier levels and then of course we will have higher media spends.

Amit Purohit from Emkay Global

Amit Purohit:

Sir, just want to check, you talked about promotional spends now getting reduced. Is there any price hike also we have taken in the March or beginning of this year in specific trends?

Sunil Duggal:

We have taken marginal price increases but not very big, in toothpaste we have taken some, in homecare we have taken some, in Chyawanprash we have taken, glucose. Many others we have done anything, juices for example, we have not touched it. So, it has been again a little bit more, I mean, there has been no great architecture in terms of price increases, we have done whenever it was possible or where the input cost ramped up or where the competitive issues made it possible. But again, I think the whole pricing gain will happen post GST where there would be perhaps sharp upward or maybe even downward revisions of prices, which could be substantially more. Everybody is waiting and watching for that event to happen. I think some companies are doing some preemptive price increases in certain categories to avoid that anti-profiteering, but that is more optical to take up prices now and lower them later, I do not want to get in to that kind of game.

Amit Purohit:

And practically how difficult it is to actually control this anti-profiteering, and what will be your stand on that?

Sunil Duggal:

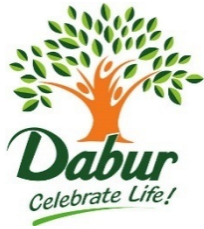
As I said earlier, I do not think anti-profiteering will be very material for us because I do not expect any sharp change in rates. And therefore, I think the question is not very important one. This could be there in high value items where the change of rates could mean thousands of rupees of savings cost, let's say auto or whatever. But in our kind of products it is not going to be very material. The stated policy is that the GST rates will mirror the current rates then where is anti-profiteering?

Amit Purohit:

And sir lastly, on Namaste, if you could just throw some light for the full year and the quarter performance, how it has been for us?

Sunil Duggal:

Well, the performance has been muted, largely on account of international sales being dislocated on account of currencies. But now international business should really take up the whole growth profile of Namaste and I do expect sub-Saharan African in particular, with localization now



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happening at a very rapid clip to grow very strongly this year. And how much will it impact the total growth is hard to say, but we would see something like hopefully 10% growth in Namaste.

Amit Purohit:

And in juices sir, you indicated that there was high inflation in the RM plus there were new product launches also, and last year performance on operating was muted. What would you attribute more, would it be RM index going up or increased new product launches or ad spends that has impacted the operations?

Sunil Duggal:

The operating margins of juices which had come down to around 11%, they were typically at around 14%, they came down to 11%. We do plan to bring them back to around 14%. But again, there is an issue in terms of GST rates. So if we assume 12% GST, which is pretty close to what we are paying, then I do not think we will have a problem in growing back to that 14% kind of growth. But suppose the rates are 18%, I think there will be huge pressure on margins because there is a limited scope in increasing prices, the prices are already very high if you ask me, Rs. 99 is the base price for most of the variants. And GST means you have to cross into triple-digit, Rs.110 and all, well you are getting into then, there could be some consumer pushback.

Amit Purohit:

And last year the pressure on margins was largely because of RM?

Sunil Duggal:

Yes, sugar was big thing.

Lalit Malik:

Sugar is this year because of barley.

Sunil Duggal:

Last year 2016-2017?

Lalit Malik:

No, last year I am talking about 2015-2016 for Nepal, 2016-2017 sugar prices have gone up so therefore the margin was under pressure and there was a networking impact.

Sunil Duggal:

This year we do not see any headwinds, sugar prices are softening and rupee is strengthening, so that boards well for juice margins. But GST is again something which we will have to figure out.

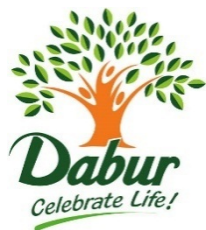
Amit Sinha from Macquarie

Amit Sinha:

Sir, in terms of your employee cost, it has come down significantly in this quarter. You have mentioned in your PPT that part of the reason was variable pay is lower. Is that the only reason or even the number of employee has come down?

Sunil Duggal:

We have been reducing employee cost even in terms of headcount, etc., to some extent. But the major call is your variable pay and the stock options. So therefore, like I said, there would be increase in this cost hopefully, if the cost does not increase I will be a little disappointed, that means people missed their bonuses once again. But it would not be dramatic and I think we will



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continue to cut cost in terms of headcounts, in terms of reengineering the entire work space, having more work done in the backend in India for the international business. So a lot of focus on cutting cost in the international business, because I do not see the MENA headwinds just disappearing, they would continue to be there for some more time. And it is important for us to rationalize cost, particularly employee cost in the international business. The India business, I think it is under control. So the increase in cost would be largely consequent to the bonuses and all happening in next year.

Amit Sinha: And your variable payouts are quarterly?

Sunil Duggal: No, annually. Quarterly is there at the low levels, at the frontline sales level. So that is at the quarterly level, but for management personnel it is annual. So even if you have a good quarter you will simply not get bonus for the full year.

Amit Sinha: And in terms of the other expenses, could you please highlight some of the cost control initiatives which have been, I think you are cutting the cost significantly because even in this quarter you have cut down significantly.

Lalit Malik: I think there are a couple of areas, especially in the juice category we have improvised on the networking cost so that the cost pressure that we had in the last year on account of import and on account of transport etc got minimized. Second is, we have introduced GMP initiatives into manufacturing units and thereby controlled our expenses and improved the productivity. And third, what Mr. Duggal said, is that we have reduced we have reduced the incentives for employees, as a result of it the cost has come down. So overall, these factors have attributed to cost reduction

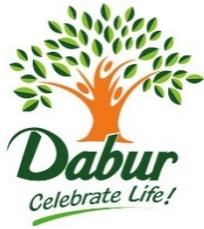
Amit Sinha: But the significant part would be the transportation cost or the productivity as well?

Lalit Malik: Both, I think it is also the networking that we talked about in the juice category, that also has helped us to reduce the cost. Last year we had to import, import from Nepal as well as from Sri Lanka which now has been done through the local Indian manufacturing units, that have been provided with the cost and the freight cost has come down.

Sunil Duggal: But we are looking at productivity improvements across the board and this is a very big exercise which we are doing.

Amit Sinha: But productivity will be reflected more in the employee cost or it will be there in other expenses as well?

Sunil Duggal: Others also because we are also reducing the wastages, synergies. So it will come into most of the lines in P&L whether it is in cogs or whether it is in SG&A or even A&P, everywhere.



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Gagan Ahluwalia:

Thank you for your participation in this conference call. As always, the webcast will be available on our website along with the transcript. We will be happy to address your questions, if any. Thank you and have a nice evening ahead.
