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Sub: Transcript of Interview of Mr. Sunil Duggal, CEO with CNBC TV - 18

Dear Sir,

Please find attached the transcript of the interview given by Mr. Sunil Duggal, Chief Executive Officer of the Company to CNBC TV-18 for your information and record.

Kindly acknowledge receipt.

Thanking you,

Yours faithfully
For Dabur India Limited

(A K Jain)

V P (Finance) and Company Secretary

Print This Page**Nepal woes hurting; no market share loss to Patanjali:Dabur**

The ongoing unrest in Nepal has impacted Dabur's production in that market significantly, Sunil Duggal, CEO, Dabur India tells CNBC-TV18. Duggal did not expect the unrest and the resulting impact on business to continue for this long. He estimates that losses in the Nepal operations could be around Rs 30 crore.

Dabur Nepal is the largest juice manufacturing company operating in Nepal and India is the major market for the products. Duggal says beverages are a low margin business, and so far, there has been no impact on margins.

On competition from the Baba Ramdev-promoted Patanjali brand of consumer products, Duggal says Dabur's market share has not been affected by it yet. But he says there has been some impact on Dabur's honey sales because of competition from ayurveda brands.

Overall demand is a bit stressed, Duggal says, adding he expects a pick up from the June quarter onwards.

Below is the transcript of Sunil Duggal's interview with Latha Venkatesh and Sonia Shenoy.

Latha: Do the troubles continue? What have been the impacts of the problems in Nepal and across to Nepal on your numbers for Q3 itself?

A: Unfortunately, the problems continue. Nepal is still shutdown in terms of access to India and into Nepal. So, the business has obviously suffered a lot in October and November, particularly beverages, a little bit others but mostly beverages. However, we have mitigated supply through other sources, Sri Lanka etc and also domestic sourcing, so, we are fine as far as December and the next couple of months are concerned even if Nepal remains shut, but there has been damage to the business in October and November, particularly beverages.

Sonia: Can you quantify that for us? Are own analysis suggests that there could be an impact of around Rs 40-50 crore for the Q3 revenues from the juice business. Is that an accurate assumption?

A: It will be a little bit more than that actually in October and November, because these are two good months for us and then December onwards the demand peters off till the summers. So, that would be broadly in line and I think we should be able to make up somewhat but around a Rs 50 crore loss is something which is almost inevitable. In addition to that, there is loss of Nepal domestic sale; it is a good market for us and a little bit of impact on the core business also because of imports of raw material from Nepal which have obviously not happened.

Latha: I know that all of us get these news from the papers, but since you have a personal interest, you may be perhaps more privy to what is happening. Do you see any resolution quickly?

A: There seems to be none. The talks keep happening and raise the hope of some conclusion but, it has just peters out. So, it is unprecedented. We never even dreamt that will last now for almost three months and it show no sign of petering out. The winter now is in full-force, so obviously, there is a lot of hardship which the people of Nepal are feeling but nothing is happening there.

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Sonia: So, would this have any kind of impact on your blended margins as well? As of the quarter gone by, you are sitting at almost 19.5 percent margins. Given that some of these pockets are slowing down, what could the impact be?

A: The margin impact will not be significant. The beverages are lower margin business, so the sales of that would correspondingly be less in terms of impact, but there would be some impact on margins, but I think it is a much harder hit on the topline.

Latha: Now that we have you with us, there is some competition coming for your kind of ayurveda related products, for honey, etc. from a new brand on the horizon, the Patanjali brands. Is it already telling on your numbers?

A: Not significantly at this point in time. I think our core business is of oral care, etc. which are in a sense competing with that brand, are still pretty much intact. Perhaps there would be some effect on honey because there is a wide price disparity between that brand and ours, but it is too early to say. We are still focusing on the quality which our brands deliver and the price values equation which we believe is still intact, and we hope that that will take us through this particular issue.

Latha: Chyawanprash, I thought. No?

A: No, not really. Chyawanprash, we are very dominant here and I do not think there is much impact. Honey, perhaps, because there is a direct price comparison which is fairly significant. So, there could be some issues there, but at the moment, we are not feeling any pinch on that. And the other business in terms of hair and oral care are entirely unimpacted.

Sonia: You mentioned to us that there will be a revenue loss of more than Rs 50 crore because of the juice business getting hit in Nepal, but what about the inventory loss, the other costs with respect to goods, etc. the ancillary costs that you incur, what could that loss be?

A: That would be in the region of around Rs 30 crore in terms of demurrage, of input raw material, perhaps some write-off which would happen in Nepal as a consequence of goods not moving out. So, we estimate it to be around Rs 30 crore on that account.

Sonia: So, that would mean a total of around Rs 100 crore could be the loss that you are looking at?

A: The write-off has still not happened.

Latha: Your volume growth in the second quarter was 5 percent overall and 7 percent if you exclude beverages. Let me take the overall. How does the second half look like?

A: The volume growth obviously will be impacted by the juice business. The juice is a big driver of volume and there will be degrowth in terms of our beverage sales, so there will be a volume impact in this quarter for sure. However, we do hope that this is just a Q3 phenomena and Q3 will be able to catch-up. We probably will not be able to make up this loss but we should be able to get back to our normal growths in the fourth quarter. So, we are pretty hopeful of that. We see this as being the damage to one quarter and not something which is structural or which will continue into the future.

Latha: So, 5 percent a piece in third and fourth quarter, volumes?

A: Fourth quarter, I think we should be perhaps a little bit ahead of that. Third quarter, it perhaps, is going to be below that, actually. Like I said, damage is there, it is more concentrated in the third quarter and fourth quarter we should be able to get back on our feet. So, we are looking at an excess of 5 percent in the fourth quarter.

Latha: Can you just leave us with some colour on urban demand and rural demand. Have either or both of them picked up?

A: Unfortunately not. I think the demand is still pretty stressed. There seems to be no rise, the festive season was a bit of a damp squib. I think it will take another quarter or two for demand to pick up. I do expect some uptick happening in the first quarter of next year and hopefully that will accelerate. I do expect on the whole, next year to be better one than this year in terms of overall demand. This year has been fairly stressed right from the beginning.