May 15, 2024

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai 400 023 **Stock Code: 533229**	Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No. C/1, 'G' Block Bandra- Kurla Complex Bandra East, Mumbai 400 051 **Stock Code: BAJAJCON**

Dear Sir/Madam,

Sub: Conference Call transcripts (Scrip Code: NSE: BAJAJCON BSE: 533229)

Please find attached a copy of the Conference Call transcripts in respect of Bajaj Consumer Care Limited dated May 9, 2024.

The same may please be taken on record and disseminated to all.

Thanking you,

Yours Sincerely,
For Bajaj Consumer Care Limited

VIVEK MISHRA
Digitally signed by VIVEK MISHRA
Date: 2024.05.15 11:12:43 +05'30'

Vivek Mishra
Head-Legal & Company Secretary
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Encl: as above

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"Bajaj Consumer Care Limited
Q4 FY'24 Results Conference Call"
May 09, 2024

MANAGEMENT:	**MR. JAIDEEP NANDI – MANAGING DIRECTOR – BAJAJ CONSUMER CARE LIMITED** **MR. DILIP KUMAR MALOO – CHIEF FINANCIAL OFFICER – BAJAJ CONSUMER CARE LIMITED** **MR. RICHARD D'SOUZA – ASSISTANT VICE PRESIDENT, FINANCE – BAJAJ CONSUMER CARE LIMITED**
MODERATOR:	**MR. NILESH PATIL – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Consumer Care Q4 FY24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Patil. Thank you, and over to you, sir.

Nilesh Patil: Thanks, Neha. On behalf of ICICI Securities, we welcome you all to Q4 and FY24 Results Conference Call of Bajaj Consumer Care Limited. We have with us Mr. Jaideep Nandi, Managing Director; Mr. Dilip Kumar Maloo, Chief Financial Officer; and Mr. Richard Dsouza, AVP, Finance. Now I hand over the call to the management team for their initial comments on quarterly and full year performance, and then we will open the floor for a question-and-answer session. Thanks, and over to you, sir.

Jaideep Nandi: Thanks, Nilesh. Good morning, and thank you all for participating in this Q4 Earnings Call. So let me take you through the performance of the company for the quarter and 12 months ended 31st March 2024 before we open the floor for questions. So, the consolidated sales for the company for FY24 stood at INR 968 crores with a 2% value growth and 6.6% volume growth. The 2-year full year CAGR is 5.7% on a consolidated basis.

The company delivered consolidated quarterly sales of INR 234.2 crores, 4.9% lower than the high base of last year corresponding quarter. The 2-year CAGR for the quarter was plus 4.4%. The gross margin for FY24 on standalone basis stood at 54.3%, an expansion of 91 basis points, while for the quarter, the gross margin grew 62 basis points to 54.7%. FY24 EBITDA stood at INR 162.6 crores, which is 11% growth over last year, while margins stood at 17.1%, an increase of 151 basis points over the same period last year. For FY24, PAT stood at INR 158.8 crores, which is a growth of 13.6% over the same period last year.

In the business in general trade, the coconut and Amla portfolio continued their growth momentum across geographies, with growth growing in double digits in general trade. Distributor stock correction was undertaken in Q4 to ease investments from channel partners. This is a one-time activity, which will be implemented now for better execution in the market.

Loyalty programs, which were started got scaled up to 11,000 outlets in Q4, contributing to 51% sales in urban. Program outlets delivered 20% delta growth over nonprogram outlets in retail.

We started a pilot to use geotagging and fencing technology in the urban outlets in Q4. This has already started showing signs of better execution in retail. This initiative will be extended to across the country in phases. Rural saw a lower decline as compared to the previous 3 quarters and now outperformed urban for the first time in FY24.

Focus effort, again, in GT on penetrating packs 45 ml ADHO, led to 2x increase in distribution for this pack. This will be a big driver for both distribution and penetration across the country in the coming year. We have also engaged with a partner to enhance the quality of coverage in rural in key states of UP and Bihar, identified high-potential villages with less than 5,000 population, and restructured our coverage to service these markets better as well as optimize our cost to service.

The organized trade business continued to deliver strong performance in Q4, achieving a revenue of INR 226.2 crores. Share of overall business has doubled from 12% in FY21 to 24% in FY24.

Modern trade business grew by 22% in FY24 with the portfolio expansion, especially through the CNO and new launches driving the growth. ADHO continued to grow in market share across all key accounts. Collaboration with Reliance Retail with print ads and out-of-home activations increased our market presence. Specific products launched, such as 300ml CNO in Reliance and DMart saw good traction, promoter-led activations for AD serum, Almond Drop serum, and Almond Drop Shampoo in Reliance helped scale up the entire Almond drop range of hair and skincare products.

E-commerce registered a growth of 26% for the quarter and 27% for the full year FY24, supported by expansion into new platforms like Myntra and quick commerce platforms, Blinkit, Swiggy, Instasmart and Zepto. ADHO continued its strong performance, led by growth across all pack sizes due to the scale-up of quick commerce and grocery platforms. Coconut portfolio and Almond drop hair and skin care range saw substantial growth and gained market share across platforms.

The canteen and institution channels, especially the central police canteen registered a growth of 18% in FY24. International business delivered a strong growth of 24% in FY24, with Middle East and Africa registering a growth of 11%, driven by a revival in wholesale and Modern Trade Channels in the UAE. Saudi Arabia increased its presence in key modern trade accounts such as Lulu and Nesto. Top line in Nepal doubled in Q4 FY24 with both ADHO and CNO sales stabilizing at a higher trajectory. Rest of World exports achieved a 22% growth in FY24, new markets such as Japan, Trinidad and Tobago are being serviced for the first time, while focused markets like Malaysia, UK and USA continue to perform well.

Bangladesh, which has been a focus market for the company reported a revenue growth of 68% in FY24. The transition to own distribution that is over and above what we have done the year before with the transition into our own manufacturing was smoothly completed. The transition of own distribution was completed in January '24 with all necessary infrastructure such as warehouses, logistics, and sales teams in place, 2 new products, 100% pure glycerin as well as 100% pure Olive, which was launched specifically for the Bangladesh market so saw good initial consumer traction, and we are planning to add more new launches in the coming years.

In India, at a brand level, ADHO grew by 0.9% in volume terms, driven by large pack sales in urban markets in FY24. During Q4, we modified key elements of the marketing mix in small and medium packs to counter the sluggishness in rural markets, we should see the impact of these interventions in FY25. We continue to fortify the brand with strong media across TV, digital, print, and on-ground activation as well as increased investment in visibility across these channels. These measures helped us improve our market share sequentially in Q4 by 25 basis points.

In Q4 FY24, our digital marketing initiatives for Almond Drop reached 5.2 crore customers through programmatic advertising, influencer marketing, and community engagement. We'll continue to drive rural market penetration through LUPs in ADHO along with regional marketing initiatives. While, strategic intervention started in Q4, we'll continue to improve distribution in FY25. Digital market components to reposition ADHO for new edge customers and premiumization through new variants which are being planned, will also drive future growth for the brand.

Almond Drop Serum and Skin care range registered a strong growth of 22% in Q4 and 16% in FY24, supported by the scale-up of shampoo, conditioner and lotion. Bajaj Almond Drop Summer lotion was launched in March to cater to the seasonal needs and preferences of consumers. Shampoo and lotion were both supported with sampling in digital media across modern trade and e-commerce platforms. We continue to deliver strongly on our portfolio diversification. Contribution of products other than ADHO has increased from 5% in FY1 to 17% in FY24. New products contributed to 15% of the overall sales in FY24.

Bajaj 100% pure coconut oil is scaling up well with its market share and distribution, expanding steadily across markets and all channels. Market share in pure coconut oil improved by 65 basis points during the year, specially in traditional stronger markets of the North as well as in our focus market of the West.

Overall distribution increased by more than 1.5 lakh outlets and overall weighted distribution improved by 270 basis points on a MAT basis. In Q4, both TVC and OTT media campaigns were implemented for Maharashtra for coconut. The share of voice in the coconut category for Maharashtra had reached 34%. In addition, we partnered with key modern trade outlets and launched exclusive in-store offers and out-of-home media campaigns, which saw a good response.

We continue to expand our presence in Amla oil, Bajaj Sarso Alma has scaled up well during the year, especially in rural markets and the performance has been in line with expectations. We also partnered with key e-commerce chains to launch an exclusive multipack for Bajaj Brahmi Alma.

The Bajaj ethnic range has been expanded with the national launch of Bajaj Gulab Jal, which was completed in Q4. The response is promising across markets. Hyperlocal BTL activities to promote Bajaj 100% pure Henna is being test marketed in UP and saw good traction. We'll scale up the model in other parts of the country in FY25. The product has also done well in key modern trade outlets with a double-digit market share in select chains.

Advertising and promotion spends for the quarter amounted to INR 40.2 crores, which is 17.4% of our sales. For FY24, A&P spending stood at INR160 crores, which is 16.8% of sales. We are strongly committed to investing in ADHO and new brands with an increased focus on digital media to better align with changing preferences of customers.

The prices of LLP has been range bound with, on one hand, witnessing correction because of lower crude prices, while on the other hand, prices fluctuating due to volatility in the Middle

East. Prices for refined mustard oil remained flat or weak, reflecting a balanced global demand and supply equilibrium in seedable oils and a positive outlook for India's production. The prices of Copra has been hardening and we are taking corrective price actions in May to protect our margins. Multiple cost-saving initiatives in both raw and packing materials through a combination of optimization of specs, alternate vendor development, and development of alternative packing materials helped reduce our cost by a saving of INR 6 crore in the year.

Smart manufacturing and automation initiatives have improved productivity by 8% in Guwahati and 34% in our Paonta Sahib plants. Water conservation initiatives along with reuse of water schemes, etc has resulted in reduction in water intensity by 28% in Guwahati and 50% in Paonta. Energy optimization efficiency improvements led to a reduction of specific energy consumption by 19% in Guwahati. Machine automation and efficiency improvement initiatives have reduced laminate wastage by 14% in Guwahati and 35% in Paonta.

In HR, focus has been to upgrade and retain talent and create a robust employee pipeline, close to 8,000 learning hours were locked in by 89% of our employees during the year. We are certified as a great place to work for the sixth year in a row with a consistent increase in score over the last six years, and this year the score being at 86%.

We believe that the structural tailwinds in the FMCG sector due to rising disposable income, and per capita income, rapid urbanisation, growing consumer aspiration, and primarization will continue. Always point to a multi year growth opportunity in beauty and personal care. To leverage this opportunity as a part of our next phase of growth strategy, we have shortlisted relevant FMCG categories over and above what we have already discussed for an immediate to medium-term play.

This has been done through a robust attractive and right to prioritization framework. We looked at 130 categories. And after that, we have finalized the three categories that we would like to invest in. While our diversification journey has started well, we plan to further increase the contribution of our new products and traditional range, as I said, as a part of our Phase two strategy to increase it to 40% in the next 5 years, leveraging the brand equity in specific categories, just to again reiterate, such as Bajaj brands in hair oils, traditional Indian beauty categories in ethnic range and scaling of the almond drop equity in Hair and Skin range as well as diversifying into the new type of categories just mentioned.

In addition to activating the new product funnel, we have also formulated now the M&A guardrails to identify target, apt-target companies for inorganic opportunity, which we have now started actively pursuing. We are also investing behind building strong execution capabilities in general trade to transition to a multi-brand, multi-category organization, and improved retailer and customer engagement.

We have engaged a leading consultant recently to refresh our current go-to-market strategy, including optimization, optimizing town-level sales models, sales and planning processes, and automation. We have already initiated the diagnostic work, and we'll start the test piloting in two key states from the beginning of Q3 before rolling it out to the rest of the country.

We also plan to continue investments and continue the growth momentum in the under-indexed international market. The journey started in FY22 has already started showing traction with good growth in the last two years. The ambition is to increase the salience from the current 5% in FY24 to 20% over the next five years. Several growth levers would be employed to drive this, and strengthening local operations, investment in select geographies, launching localized products and exploring opportunities for organic growth.

We remain optimistic for FY25 due to these various factors, including an above-normal monsoon, favourable macroeconomic conditions, including clear green shoot in rural demand. While we continue to diversify and premiumise our portfolio along with better on-ground execution of strategic initiatives. So with this, I end my opening remarks and open the session for questions. Thank you.

Moderator: The first question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Yes, hi. Thanks for the opportunity. Just a couple of questions. First is in the slide, you talked about the rural trend is slowing the decline. So if you can just give some perspective, how has the trend played out over the last 3 quarters? And what do you expect in coming quarters from the rural segment? That's one. Second is on GT, we talked about the inventory provision. So if you can just provide more color in terms of the reason behind that. And the primary sales trend. So how has that been? And how does it compare versus the secondary sales trend in GT?

Jaideep Nandi: Okay. So just before I answer your question, there has been no inventory provision. It's just that the secondary sales has been much higher in this quarter. About INR 12 crores higher in this quarter over primary sales, because there was some accumulation of inventory we saw in primary. So overall in the year, there has been a correction of about INR 13 crores, INR 14 crores, of which about INR12 crores was taken in Q4 itself. So that we start the year with a much lower distributor stock. So that is basically what has been done. There has been no provisioning of any inventory. So this is...

Viraj: Sorry, I meant by inventory correction, what is why?

Jaideep Nandi: So the correction is there because we wanted to ensure that our secondary sales remain higher than primary. So that earlier in the year that we have started with higher distributor stocks goes down substantially. So that is something what we wanted. And in this quarter, we did a majority of the correction. We continue to do the corrections throughout the year, but this quarter has seen the bulk of the correction. So that's where the secondary was higher by about INR12 crores for the year over last year. So this is our timing. So this is as far as that part is concerned. But to answer your question, back. So rural, if you look at this quarter, clearly, we saw that our performance in rural was far superior than urban.

This is the first quarter quite a long time where we will do better than urban. And we clearly see the green shoots in terms of demand coming in from what we talk of our northern states, where typically rural is always under pressure, has been under pressure last 2, 3 quarters. Clearly, green shoots coming up there.

Other thing obviously is also our own intervention that we have done specifically for the rural, whether be it in terms of execution, we have been in terms of working with our this is to look at the villages just spoke of it in my opening remarks. Looking at some of these villages, especially, we have started the pilot looking at what is the best cost to serve as villages below 5,000 concerned.

So there quite a bit of improvement has already happened. And we see that clearly scalable across the various states. We have also done some interventions, which most of it will be this year in terms of the LUPs, specially in ADHO. Obviously, the other packs and also the other products will also supplement, but in ADHO some intervention.

I don't want to talk of it right now because we see that is happening in Q2, not so much in Q1, but in Q2, large intervention, in terms of LUP will come up. So we'll talk as it come end of Q1 versus Q2 some there. So that intervention will basically address a lot of the gaps that we are seeing. One of the big gaps that we had was that one of our LLPs was clearly getting in terms of price proposition was not becoming attractive price to ML proposition was not effective.

So we have done a lot of cost reductions whereby the pack itself, the gross margin doesn't go up, but for the value the cost of material does not go up. So we have done some corrections. We'll talk of it much later when actually we come up get the product out for let say end of Q1 or early Q2 but as far as the proposition, the customer has become extremely attractive. So a lot of work was going on for the last six, nine months. Now it has actually been fructified It will come up in the next two, three months.

So we are very, very confident that the rural economy is coming back and that some of our rural, both execution as well as marketing interventions that you have got, I think we should be in a very good position in FY25.

Viraj: And the primary sales trend in GT?

Jaideep Nandi: Yes. So primary sales trend in GT is something that you are getting the picture because that's where this quarter if you look at, CAGR as I just told you, CAGR we have had a positive CAGR. But overall in this particular quarter over the last year, there has been a decline. But that we see is more temporary. Rural was better, urban was lower, but both had a decline. Rural had a very slight decline. Urban had a decline. If we look at the CAGR for rural, it is actually positive.

Viraj: Okay. And the traditional new products, right, the coconut oil…?

Moderator: The next question is from the line of Anushka Chitnis from Arihant Capital. Please go ahead.

Anushka Chitnis: My questions are actually related to the buyback, which has been announced. In that being there's about INR 166.5 crores of buyback. So what is the rationale and thought process behind that? And also, how will that be funded because your balance sheet has around INR 23 crores of cash as of now? And also, I would like to know if there is any participation of the promoter entity in this? That's all.

Jaideep Nandi: So first and foremost, obviously, I mean even if you include tax, etc, we are talking of about INR 200 crores of outflow. INR 166 crores, that's tax and other financial costs to the agencies. It comes to about INR 200 crore. So we are sitting on INR 620 crore of cash. So that in itself is not the same. It's just one-third of the cash that we have.

It's 20% of our reserves and surplus. So this is just that amount. So in terms of cash coverage, we'll be funding it from our own balance sheet itself. And as far as the rationale is concerned, I think the rationale for buyback is pretty clear. We are looking at adding value to the shareholders. The ROE itself goes up as the capital goes down.

So that is clear two advantage. And I think that is clear. And given the fact that the promoter will not participate, it clearly shows that there's a clear confidence that this business is now poised to grow. I think market conditions are also becoming, macroeconomic conditions are now becoming positive. I think midterm -- short term is already showing green shoots. We see mid to long term even better.

And I think all the levers that we have started pushing, obviously all of them have gestation period and all of them are showing green shoots, whether it be international, whether it be your, let's say the newer channels, whether it be your new products, all of them are showing and I think we are at the right stage to exploit that.

And this also leaves us enough cash for us to look at the M&A opportunities, etc. I mean, we can obviously leverage ourselves for M&A, but I think there's enough opportunity even beyond that.

Moderator: The next question is from the line of Nirav from Living Root Analytics. Please go ahead.

Nirav: I just wanted to know, sir, the other expenses on a consolidated level has increased, whereas the ad spend has decreased as a percentage of revenue. So what is the exact reason behind this?

Jaideep Nandi: So ad spend, if you look at, I've been talking about this. If you look at FY23

Nirav: So my question is that why has the other expenses increased whereas the ad spend has reduced. So is there any other cost component that we are missing?

Jaideep Nandi: So two very small things. One is a very small one of the expenses on IT enablement that I am talking about. So that spends that we did. So one is a very small impact of that. A little larger impact of other expenses is what we have done as a strategic move is that we are now moving all our ISRs with their own distributor payroll. Some of them -- we have rationalized some of it, but we are now moving them into our own third party. Most of the large quite a few organizations have that.

And we have seen a drastic reduction in terms of manpower attrition. Earlier, we used to have attritions when they were at the distributor payroll of about 40%. That has gone down to about 12-odd percent. So most of the costs in terms are that. And at the consolidated level, if you look at the cost, there is an investment that has happened in Bajaj, Bangladesh. So that's where which is what we have done in terms of setting up operations, which should get normalized.

Nirav: Okay. So in rural market, what kind of products do you see as a potential revenue driver for the company?

Jaideep Nandi: So I think all the oils that you'll see have been going pretty well as far as the rural markets are concerned. So ADHO, specifically, we have taken a lot of intervention, especially in the rural packs, which is right from sachets to the LUPs and some of the mid-packs and we'll see all of that.

I mean, we'll get into each intervention and detail at the SKU level in future presentations, in future of these calls, because a lot of these interventions are on the way, etc and I don't want to talk of it right away, but you can see already some of the results coming in. So rural ADHO is there.

Obviously, Coconut and Amla, both of them have their own thing. Amla, in fact, rural markets did well for us. The LUPs did well. I think there is an opportunity for the large packs also to do well in rural, in specific geographies, let's say, the larger markets of Punjab, Rajasthan, etc. So that we see clearly being exploited.

And Coconut is an opportunity anyway, we are seeing happening. And Coconut, the rapid scale-up that we have seen, it's a function of both. In fact, in all areas. So that's the good part. In the first year, most of the scale-up had happened mainly in modern trade, e-commerce and urban markets. We are now seeing the penetration happening in rural markets. So I think one of our growth strategies is that the depressed base that we have in rural comes back strongly. We have taken initiatives more to counter this, but now with the tailwinds coming in rural, I think we should be able to expect better.

Nirav: International percentage of contribution to 20%. So sir, which markets do we see as a key potential growth drivers? And what kind of products are we trying to push in such markets?

Jaideep Nandi: So again, it's our traditional markets where we clearly see, because those are also rural heavy markets, whether it be Bihar, Madhya Pradesh, etc.

Nirav: Sir, I asked about the international market?

Jaideep Nandi: International markets. So international markets at this moment, clearly, there are two focus geographies, two large focus geographies, which is Bangladesh, where we are scaling up, continuous scaling up has happened, and growth has started happening. We are still far more or less under-leveraged than, let's say, what the market our fair share of market we think. So clearly there is a large opportunity there. It will take some time, but the growth trajectory and the milestones that we have set up, I think we are doing pretty well.

Middle East is other opportunity that we have, which we have been focusing on scaling up and that growth scale up clearly we see. Other markets like Nepal, etc, I mean, just more base correction. So we have come to a good base and that is something South Asia, and Southeast Asia will remain. Rest of the world, we are expanding our market penetration. The number of countries we would want to go to, we have already expanded far more.

And one or two countries, we feel that even as an export model, we can diverge quite a bit just through some marketing interventions and there we will be spending. Basically, what we have to look at is as a company, we are just today even 5% international. I mean, we have been talking of this for the last four years that we would not want to start international.

We start getting our basics in India, right? Already having done that, now we invested in international two years back. It's scaling up well. I think this journey is exciting. So on one side, we are looking at extending our portfolio beyond Almond Drops. On the other side, we are looking at increasing our international business.

Nirav: So sir, Bangladesh and Middle East on a combined basis, how much contribution is it to the international business?

Jaideep Nandi: As of today?

Nirav: Yes.

Jaideep Nandi: It is about 65% or so.

Moderator: The next question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Tejash Shah: Sir, this is an extension of the previous question, participant question only. We have a very aggressive target of five years on international moving our contribution from 5%.

Jaideep Nandi: I think Tejash has dropped out. I can't hear him.

Moderator: Due to no response from the current participant. Our next question is from the line of Reshma Mehta from Green Edge Wealth. Please go ahead.

Resham Mehta: Presentation basically talks about repositioning of ADHO and the premiumization. So if you can just elaborate on whether the repositioning has been done. What exactly is the repositioning? And also, how have we premiumized this brand and what percentage of revenue for ADHO comes from the premium portfolio?

Jaideep Nandi: So we are doing it in two phases. At this moment, we are looking at repositioning ADHO with not too many parameters changing so repositioning more for the new age customers. So revamping the brand. The second part of the portfolio, which is the most significant part of the change as far as the brand is concerned, is looking at putting in variants for the product. So obviously, ADHO in its own shape continues to be a very strong driver for hair fall, nourishment and so on and so forth. But we see that there is an opportunity to have a variant of ADHO, which will be at a little bit of a premium.

And addressing more needs than just pure hair fall. So that is something the work is already on the same. We have already a pilot plan in terms of where we want to do. We are working with the agency, and this is something that we will be looking at by the end of the year or early next year, maybe three to four quarters where we'll be looking at launches of this. At this point, I don't not like to share the contributions that we expect the. We'll talk of it as we launch.

Reshma Mehta: Okay. So just to understand this, basically, the work is underway, and we have just started on this journey of premiumizing ADHO and the repositioning of the brand. Is that understanding correct?

Jaideep Nandi: So the first part, work has already started, and it will be -- you will see the impact of it by this year itself. The other one, I think the concept, etc, in terms of where we want to go and want to do all that is more or less over. The formulations are being worked on, and I think it will be about three to four quarters by the time we would end up launch.

Reshma Mehta: All right. The second question is the margin profile of the company. So on a medium-term basis, where do you see the margin profile of the company settling in? So currently, we are at around 16%, 17%. Do we see that at around 20%? Is that doable possible considering the targets that we have for expanding international revenues and growing the non-ADHO portfolio?

Jaideep Nandi: So we continue to remain exactly what we have been stating for the last, let's say, six calls, which is basically we would like to remain at the 16% to 18% because our targets of reaching those numbers that we have stated both for the range beyond ADHO as well as the international market. We very, very clearly want to drive growth as far as this organization is concerned. We are obviously not talked too much on in terms of inorganic growth because we have not yet seen anything on that in the company for the last decade, but that is something also we are actively pursuing. So given that 16% to 18% is what we would keep it inbound between that for the next few years, and then we'll see whether how that number moves forward.

Reshma Mehta: Got it. On a related question. So the non-ADHO portfolio, which contributes to around 17% of revenues. Is that margin accretive? Or is that still loss making?

Jaideep Nandi: No, it is obviously a margin accretive. Only thing is some of the brands like digital brands, etc, is already coming to EBITDA positive, and we are trying to rationalize that. That some of it, we might fast track, we might just slow down, we will also balance our EBITDA. I mean, that is where it is, but all of them are, a decent gross margin and most of them is EBITDA accretive.

Jaideep Nandi: Tejas is back, you can give him the opportunity. I don't know whether he is midway in the question.

Moderator: Sure. I'll promote the Tejash now. The next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Yes. Sir, just wanted to know if we approach the growth stencil from NPDs versus the core portfolio? How should we think about growth splitting in the sense how at what rate do you believe core can continuously or sustainably grow from here? And how the NPD you have shared your vision for FY29. But let's say, if we have to front-load the vision for the next two years, how do you think that both the portfolios behave from here on?

Jaideep Nandi: So while I think one of our biggest interventions of the organization that is happening at multilevel is basically on ADH. While we are talking about all the others and all the investments will keep on happening on the like a lot of work is happening as far as innovation is concerned in the newer products in terms of marketing, a lot of work is getting done. But a multi-faceted multi-functional role, including sales in terms of marketing, in terms of R&D as well as in sourcing, etc most of the work, a lot of work of it is happening as far as ADHO is concerned. So ADHO at this moment is now getting basically worked on if you ask me at absolute SKU level. Different SKUs, different strategies that are coming out, which would want to implement.

Maybe we are a little late in that, maybe we are six to eight quarters in terms of what we wanted to do, but I think that momentum has already started. The results are not there to be seen. But I mean, we should be able to see the results in the next two, three quarters, I think that will be feasible in terms of interventions that are. So a lot of focus will happen in ADHO. ADHO is being planned at least at a CAGR of mid-single digit.

Maybe next year, we would want to do a little more, but at least at a mid-single-digit CAGR is ADHO at and in terms of we have gone down at this moment. I mean a lot of the gap that has happened is also due to execution gaps, which is what we are trying to address both internally in the organization, reorganizing our team, there has been change in a bit of leadership as well in terms of handling pure GT sales, but also we are taking help from three agencies at this moment. I spoke of it in my presentation.

We are looking at both geotagging, geofencing and to ensuring better execution. We are looking at tying up with a consultant, looking at our entire go to ramping our entire go-to-market strategy.

On the other side, we are also looking at how fast to market can be resolved and looking at where we are and what we should ideally be doing by these three agencies. Work has started, most of it, unfortunately, has started only in Q4, a little bit started in December, the other two just in Q4. So obviously, there's result will be different. So a lot of the investments will happen in ADHO, while on the other side, those things. So to answer your question, next two, three years, CAGR for ADHO mid-single digits overall looking at a higher number for the overall company.

Tejash Shah: Sure. Sir, and the 16% margin that you just spoke about, and we also spoke about the investments that we are making to three agencies and all. So all this cost is kind of built in new guided for 16% base margin? Or you believe that there can be his investment can kind of disrupt that in the initial phase?

Jaideep Nandi: So one of the things that we decided was all the interventions that are happening in ADHO need to ensure that the gross margins remain protected because some of the solutions were much easier. The work that has happened in terms of the entire design of the packaging material in terms of products, etc. So some of the things that you will see will talk of it next quarter where a lot of LUPs, while the proposition of consumer will improve drastically. Surprisingly, the gross margin will not get impacted. And we'll explain as to why it is not getting impacted. We'll actually talk of that.

So those kind of interventions, a lot of work went on in the back end in terms of R&D, in terms of packaging team in terms of packaging part of the R&D as well as product. So not too much of changes happening to the product, let me just clarify that. But these are the works that has been happening at the back end, now they are fructifying into results. So we should see that.

So in terms margins, we are very, very clear. These are the guardrails we want to operate as the margins. And that's why we have not taken an even more ambitious target. We could have looked at a little more, but we have said this is something that we will be able to bite and that's what we have taken. Unfortunately, last one and a half years, the markets have also not been very interesting. Those are now looking brighter. So we think that we're in a good position to take that on.

Tejash Shah: Perfect. And sir, last one on buyback. You shared your rationale there. I just missed would promoter be participating in this buyback?

Jaideep Nandi: No. So that was one of the things that we mentioned that this is to create investor value and given the confidence of the promoter, obviously the promoter is not participating in this buyback.

Tejash Shah: Fantastic sir. That's all from my side and sir all the best to you and team for FY25.

Jaideep Nandi: Thanks.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: Yes. Thank you for this opportunity. My question relates to amla category where you earlier said that you will you had reduced the penetration in that because of excess competition. So how is the situation now? Are the things improving in that?

Jaideep Nandi: So if you look at interesting category externally nothing has changed. In fact, the conditions remain equally competitive because that seems to be an easy growth area. Margins typically amongst all hair oils is the lowest in that. So and that category has been growing because there have been some shift to the lower cost products.

So what we have done is more internal than external. The last initial part of the year we had decided we will not participate in the alma category. And rather let's look at how we can look at cost optimization. So there were four initiatives that were taken both in terms of the plastic usage that we had in terms of the caps that we are putting in, the raw material entire reformulation of the raw material and some bit of rationalization of the packaging in terms of if you can put in inflation so be it. So all that has actually resulted in about 8% to 9% improvement in gross margin as far as amla is concerned.

Still, it is much lower than ADHO, but at least now it is a profitable brand. So we feel that there is clearly an opportunity. We will not exploit it too much because the gross margins are still not great but there is clearly an opportunity where we feel that we can do with a good positive EBITDA not a great positive, but a positive EBITDA will continue. Some of the categories some of the, let's say, markets and packs we would not participate because it's not going to be EBITDA positive. So we will remain outside. There are opportunities now with we should be able to…

Sunil Jain: Yes, okay. Great. Thank you.

Moderator: Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets Private Limited. Please go ahead.

Kaushik Poddar: Now that you are saying that your stocks at your stockiest level have come down. What is the kind of growth we can see for the next 2 years, 3 years?

Jaideep Nandi: We feel that a double-digit growth next year is easily doable. So and that is something that we want to target. In fact, last year also we thought that we would be able to hit a 8%, 9% and the trajectory was good, but last two quarters, we did suffer. But now we are already seeing the traction. We are already seeing some of the initiatives come into play, we see that a double-digit growth for FY25.

Kaushik Poddar: And in terms of volume?

Jaideep Nandi: In terms of volume we should be a little higher than that because with the non-ADHO portfolio going up, with coconut going up, etc volume might be a little higher. This year also as you can see, we are a 6.6% volume growth over a 2% value growth in the year. So it was a little higher.

Kaushik Poddar: Okay, And obviously and another thing this time for the fourth quarter the employee cost has gone up by INR 5 crores compared to the last time. Is there any reason for that?

Jaideep Nandi: No. I think these are all in terms of your I mean, lower vacancies and so on and so forth. So in terms of an average overall if you look at, obviously, the percentage is a little higher because the sales is a little subdued, but in terms of overall, there is no structural changes that we have done in terms of people.

I mean at times, you will have lower vacancies for more people now. No structural changes done. No major manpower addition maybe here or there one or two. In fact, next year, maybe we might rationalize some more people because of some of the initiatives that we are adding. But no structural interventions happening or no structural interventions to majorly look at manpower costs going up.

Kaushik Poddar: And you have also spoken about employing some consultants, etc. So will that be substantial as to affect your margin?

Jaideep Nandi: Not really. I mean all the consultants put together would not impact our margins by over maybe 0.5% or less than that.

Kaushik Poddar: Okay. So that 16% to 18% that you have spoken will be maintained?

Jaideep Nandi: Yes, still remain.

Kaushik Poddar: Okay. Thank you.

Jaideep Nandi: Thank you so much.

Moderator: Thank you. The next follow-up question is from the line of Tejash Shah from Avendus Spark. Please go ahead.

Jaideep Nandi: I thought we finished Tejash.

Tejash Shah: Yes, sir just one follow up, sir. Sir, on dividend policy with the buyback being announced this year, how should we think about dividend policy from next year?

Jaideep Nandi: So dividend policy has been earlier also stated that it will be 40% to 60% unless there is some exceptional items of either M&A activity or some major capex infusion or in terms of a buyback etc. So given the fact that we are going for a buyback of a ticket size of INR 166 crore. So obviously, there will be no further dividend. I mean this is one of the companies which has already given a dividend as well as. 40% to 60% remains as a policy that's not changing.

Tejash Shah: This buyback we should think as a part of FY24 to shareholders or FY25 will go back to normalized that range of 50% to 60%?

Jaideep Nandi: This is clearly FY24. This is FY24.

Tejash Shah: Okay. That’s all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Dhiraj Mistry from Antique Stockbroking. Please go ahead.

Dhiraj Mistry: So my question here, I don't know whether you have answered this or not that if I look on an annualized basis your A&P spend as a percentage of sales has been gone down. And that is the main contribution for your EBITDA margin expansion. Now your near to medium-term guidance of 16% to 18%, how do we see that going ahead? That most of the FMCG companies have been increasing their A&P spend.

Some of the large players have increased their A&P spend. And whereas you have declined, how do you see going forward on A&P spend and whether that would be the lever for margin protection?

Jaideep Nandi: So see we have maintained that our spends will be closer to 17%, 18% and that kind of a range which is what we are going to maintain. If you look at last year we had called out quite a few times that in FY23, in the first quarter there was a large investments. We have taken two products coco onion and soap if you remember, we have spent INR 10 crore each, more than INR 10 crore in each of them.

So that was the spend and maybe we have spend it a little ahead of the curve and that is something that we have rationalized in the same. So this is something we have discussed quite a few times just to remind. So that was really not the case. I mean 16% to 18% is what we'll be keeping it. So we are not reducing our investments as far as advertising is concerned.

Dhiraj Mistry: Okay. Got it. And second on the growth prospect that apart from like rural recovery what you have already highlighted right now, how confident you are would be like is it like a double-digit growth what you have been highlighting. It is mainly given the scenario, what it is right now or what percentage of elements you have built in in terms of rural recovery for that double-digit growth?

Jaideep Nandi: So I don't think we talk of specifically about rural recovery as far as the plan is concerned, it is more because of the initiatives that we are taking at the product level, at the pack level intervention. Some of them have a rural component to it. So that's how our buildup has happened.

So ADHO pack level, a lot of interventions at state levels and that translates into a mid-single-digit kind of growth, maybe a little higher than mid-single digit and some of the other products clearly already traction is there. We continue to invest, doing more of the same money putting it across larger markets. Some of the extensions now we are looking at some of the Almond Drop skin care range that we are talking about maybe getting into GT. So those are the interventions that build up to this double-digit growth rate.

Dhiraj Mistry: Okay. And sir, last question from my end. What would be the reach for non-ADHO portfolio in general trade channel?

Jaideep Nandi: What is that, sorry, come again?

Dhiraj Mistry: What would we be our reach for non-ADHO portfolio in general trade channel? And what's the plan going ahead?

Jaideep Nandi: So, you don't have reach specifically for a range of products, you reach an individual product. So some of the products like coconut, etc has already gone to about 50% of ADHO, and we think it can even, it has gone much faster in terms of distribution, both in terms of GT as well as retail we have improved, and we think it can go even further. Some of the other products also, Amla, etc, also had a good reach. So overall, if you think if you were to add all of them up, maybe we'll look at a number of 60, 65, but may not be the best way to look at numbers.

Individual product wise, we have a reach target. And I think we are doing some of them, obviously, a little below that, some of them much above. So it's a good mix that we are seeing as far as reach is concerned.

Dhiraj Mistry: Okay. And sir, if I may, like what would be the direct reach for ADHO and total direct-indirect lease reach ADHO?

Jaideep Nandi: Indirect remains at about INR 43 lakhs, which is the number that we keep seeing. That has not changed too much. It has improved marginally. As far as ADHO is concerned, we are still through if you look at the van as well as the entire brand sales, the rural network as well as urban, we reach about INR 8.5 lakh. So INR 8.5 lakh is overall company, ADHO is a little lower because there are some non-ADHO. This is roughly the number. We are talking about all the other numbers that I talked about in perspective of that.

Dhiraj Mistry: Thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V.P. Rajesh: Yes, Hi. Thanks for the opportunity. Just a question on your comment about the shoots that you're seeing in the rural market. Could you elaborate on the drivers that you are observing, which make you so confident about the recoveries? That would be very helpful.

Jaideep Nandi: I think see, as I said, I mean, both in terms of our own rural, if you ask me from our point of view, we see two things. One is obviously the kind of depressed market situation where the inflation have eased a bit, and we see there is some bit of traction coming up. While earlier it was more of a bad news coming up everywhere, now we are seeing States which are really starting to recover. So we see that this growth momentum I mean all the indicators, Macroeconomic indicators point out that this will only become better as time goes right on monsoon are expected to be above normal, etc.

So clearly, the other thing, as I said, we have been working on because rural is a large part of our portfolio. We had no other choice but to invest in initiatives in rural whether the market improves or not. So a lot of those initiatives are now fructifying and given the fact that rural is also coming back, we see a great advantage as far as rural is concerned. So rural for us is more an internal work done as well as the external environment, which we see.

V.P. Rajesh: Got it. Thank you and rest of my questions have been answered.

Moderator: Thank you. The next question is from the line of S K Debnath from SK Debnath. Please go ahead.

S K Debnath: Thank you for the opportunity. There has been a very good year as it looks from the volume and but I find that e-commerce has grown from 7% to 8% but doesn't seem to be very interesting. What is your expectation or target for the next year? And what measures are you taking for achievement of this?

Jaideep Nandi: The e-commerce, if you look at all about in 3 years back three three and half years back was just about 0.5% of our business. Now it has gone up to I mean, it is closing on INR 100 crores. I mean, obviously, not yet INR 100 crores, but looking at that. So I think quarter after quarter, if you look at e-commerce has been doing very well. I mean May and our focus is mainly obviously the B2C channel, which is the bulk of our e-commerce growth. In fact, this year, in fact, the best part of this year is we have had a growth of about 27%, of which the B2C part has grown by 52%. The B2B, if you remember you had a Jiomart which actually closed down. So that was there in the base has gone down.

In spite of that, the company has done well. And obviously, the focus is only B2C. So we have not only expanded the product portfolio in the B2C, but we have also expanded the number of retailers that we operate with. Earlier, we were not very strong in Quick com has come in we were not very strong in Nykaa, Myntra has come in and is continue very strong in Flipkart, both national and grocery as well.

So I think as far as e-commerce is concerned, it has been a pretty growing star as far as our business is concerned, and we think that this is the growth momentum that will continue because e-commerce has been firing in all platforms and qualitatively performing quantitatively is obviously is important, but qualitatively, product range, number of retailers that we operate it in terms of portfolio that we operate and of activations we do there in terms of performance marketing. So yes, overall, I would think it is a very strong performance. But yes, I take your point and we'll keep investing in e-commerce and take it further. But if you ask me, we are already at one of the we have already from 0.5% to today close to about 8% 9%. We are already at a benchmark with the best in. I mean, businesses which are our kind, not e-commerce.

Moderator: Thank you. The next follow-up question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Just 2 questions. For the traditional new products the coconut oil, Amla range, ethnic. Can you give us the breakup within these segments, how large would each of these be and the growth trends we have seen in, say, FY24 in each of them? So that is one. And second is you talked about by 2029 aspiration is to achieve 20% sales in international. So if you can just probably talk more detail about how you're approaching the journey be like. So will it be led by existing ADHO or it will be more driven by the other product base? And what kind of a revenue scale would that be when you say 20% now?

Jaideep Nandi: So let me answer the last question first. I would not like to talk of the specific revenue because that I mean, I don't want to back-calculate the numbers. But yes, you can understand that if you have a growth aspiration, which is touching double digit or crossing double digit actually, if you ask me. CAGR for the next few years, you can back calculate extrapolate as to 20% of that would be more.

So I'll answer the international part first before I go to the coconut and amla part. So international, very clearly, as you see, if you were to benchmark against any of our competitors, we are clearly under-indexed, even at 20%, will remain under-indexed compared to most of them.

I think there, the investments happened 20 years back, and they have been fructifying over the next 5, 6 years, they have fructified, and they have reached today. And we see the journey that we started 2 years is exactly in that direction. We are late, but we are not out. And clearly, we are so under-indexed while 20% from 5% looks a large number. It's actually not really a large aspirate to be at. But we want to keep ourselves on ground. So the investments that we are making in these two specific countries, we also have another country in mind I don't want to talk of it today.

And as well as looking at actively looking at some of the acquisition opportunities. We are also clear while the advantages of being a late mover is also that you have hindsight advantage of seeing where the others have gone, where they have succeeded where they have failed. So we clearly know of the Continents that we will not look at either as our own greenfield or as opportunities inorganic.

But some of the other countries clearly have opportunities, and we would like to exploit that as well as invest in our own. So one of the things that we have done is invested already invested in our own facilities in terms of our own people, in terms of distribution network, etc and some of the results are slowly starting to trickle in, and I think that will just open more floodgates. We already started the other thing that we have decided to very clearly is the products have to be for that particular market. It cannot be copied ADHO is the only product we should carry on as it is. And will any other product, we will see the treatment to that market or look at some of the markets. So for example, Middle East, we are looking at a large range of product not a large product, a range of products, which will be tailored made only for UAE, a lot of innovation work happened. We worked with the UAE team, we worked with local consultant. We did consumer study in UAE for that. So some product range will be coming up in UAE specific, which has nothing to do with the India range at all, so a separate range.

Made in India not made in India, I mean I said constructed in India in terms of R&D, etc but completely catering to the needs of the Gulf markets. So these kind of interventions will happen Bangladesh, we launched 2 products, minor products, but launched being successful to the two products have had nothing to do with India.

So this kind of work will happen as well as we'll take some hybrid products from India as well. obviously, the product. It will have to be tailor-made the particular country's requirements those works are going on. So these kinds of launches will keep happening. So we clearly see the 20% number is not a large aspirational number, It's a good number, It's a challenging number, but clearly a doable number. Coming back to your coconut, amla portfolios, etc. I think in terms of growth, all of them, as I said, we have clearly have a clarity in terms of numbers that we want to push. Some of them are showing much better traction than what we had expected.

Some of them we have tactically pulled down a bit because of the gross margin issue that we talked about and as we have improved in our gross margin, we'll again tactically see. So it will both a mix of strategic and tactical move for the next five years as far as the other portfolio are concerned beyond ADHO.

Viraj: Just to follow up, if can you give firm size of each of these category products in the new product, which we talked about, say coconut oil, amla range? And second is on the international. So would acquisitions be a major milestone to achieve the 20% target? Or you think organically, we have enough avenues to us to reach the 20% sales mix. So if it's organic, what milestones will be tracking internally to achieve it?

Jaideep Nandi: So first part, Coconut obviously, is a much larger market than Amla, the two categories that you mentioned. So hence, we'll also treat the two separately clear opportunities exist in both well exploited as we see both strategically and tactically. As far as international is concerned, clearly, most of our plans that we have drawn up is organically planned out. But yes, we are keeping an opportunity as far as international is concerned.

But the international acquisition, clearly, at least in my mind, I'm very very, clear that the guardrails has to be far more stringent than we have for our domestic acquisition. So domestic acquisitions is, I think the parameters are a little less volatile as far as international exposures are concerned, we need to be aware of the country's macroeconomic conditions in terms of their volatility of their currency and so on and so forth.

So, keeping all these factors, the restrictions and guardrails in international acquisitions remain very high. Also in the kind of categories we want to get into. We don't want to be an investor.

We want to get into categories where we can add value in the organization. So, with those guardrails, what fits in is what we would want to. So both in terms of acquisition as well as organic will be the thing, but it will be a little over-indexed on organic.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Jaideep Nandi: Thank you, everyone. So as you saw, it was a difficult year. We had some good successes. In fact, most of the initiatives that we have been pushing are on the right track, so whether it be the new products that we wanted to get into whether it be the modern trade e-commerce, the new channels that we wanted to push further, whether it be in the international markets that we want to push forward.

So now is the time to basically recover our core I think a lot of work in the last six months have been working specifically exclusively to work on core, which is basically both GT as well as in terms of ADHO. We have given you a glimpse of what work we are doing in terms of general trade, in terms of engaging with consultants working with us as well as in terms of Almond Drops, what we are looking at in terms of different pack wise or how you want to get into LUPs where we want to take up.

The larger packs have been already doing well. So it's more the LUPs and the mid-packs and interventions. Actually, if you ask nearly happening and going to happen in actually nearly all of the SKUs rather than large packs. So I think we feel very confident that most of our green shoots are already showing results now that we also see that the external market is becoming a little more favorable. We see that FY25 should be a good year for us. So with that, I end this comment and thank you for joining us.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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