

August 5, 2022

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Dear Sir/Madam,

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

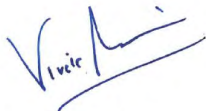
Please find attached a copy of the Conference Call transcripts in respect of Bajaj Consumer Care Limited dated August 2, 2022.

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

Thanking you,

Yours Sincerely,

For Bajaj Consumer Care Limited



Vivek Mishra
Head-Legal & Company Secretary
Membership No.: A21901

Encl: as above

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“Bajaj Consumer Care Limited Q1 FY2023
Earnings Conference Call”

August 02, 2022



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**MANAGEMENT: MR. JAIDEEP NANDI - MANAGING DIRECTOR -
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Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Consumer Care Limited Q1 FY2023 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhuwania from ICICI Securities. Thank you and over to you Sir!

Karan Bhuwania: Good morning everyone. A warm welcome to Q1 FY2023 Results Conference Call of Bajaj Consumer. The management is today represented by Mr. Jaideep Nandi - Managing Director, Mr. Dilip Kumar Maloo - Chief Financial Officer, and Mr. Richard D’Souza – General Manager - Finance. I would like to hand over to Mr. Jaideep Nandi for his opening remarks. Over to you, Sir!

Jaideep Nandi: Thank you Karan for hosting this call and good morning from India. Let me take you through the performance of the company during Q1 of FY2022-2023 before we open the house for questions.

On a background the inflationary pressures in the economy continue to impact disposable income as well as consumer spending adversely. The overall hair market declined marginally by 0.4% in terms of volume, while in value terms the growth was muted at 0.8% for Q1 FY2023 over the same period previous year.

Urban markets has seen a value growth of 3.5% overall in hair oils as compared to rural markets where there has been a decline of 2.3%. Long-term MAT growth continues to be dominated by coconut-based oils which grew by 4.5% in terms of value over the same period previous year. For the quarter, light hair oil category was flat in terms of volume growth with a 4.5% growth in terms of value. The company has reported its highest ever quarterly sales of 243.8 Crores for the quarter, which was higher by 15% over the same period last year, while volume growth was at 14%.

Hair oils portfolio of the company grew by 14% by value and 15% by volume. On a sequential quarter basis sales were higher by 12.8% where volumes were higher by 9.8% over Q4 of FY2022. The gross margin for the company for Q1 FY2023 at 54.6% saw a decline of around 4% as compared to Q1 of FY2023 which is four quarters back despite price increases that has been taken by the company during the year.

Over the sequential quarter the gross margin saw a drop of around 1.5%. The company’s gross margins continue to be adversely impacted due to its high dependency in LLP and

RMO both of which has been witnessing unprecedented inflation. LLP prices for the quarter were higher by 33% due to surge in crude prices post the Russia, Ukraine war whereas RMO prices were higher by 7.5% due to ban in export of palm oil and imposition of export duty by Indonesia in the earlier part of the year. We continue to closely track commodity prices as well as the competitive landscape and we will take corrective as and when necessary.

The A&P spend for the quarter was at 18.7% of sales which is higher by 58% over the same period previous year. The significant increase in A&P spends is on the account of low base due to pandemic and additional media spends on the recent product launch of Bajaj Coco Onion. The company will continue to invest in its existing brands as well as new launches to support its long-term growth aspirations.

The EBITDA for the quarter was 37 Crores with a margin of 15.2% similarly the PAT for the quarter was 33.4 Crores with a margin of 13.7%. On a sequential basis, EBITDA margin of a quarter declined by 2.7% mainly due to increase in spends and advertising cost. For our company, in General Trade, urban sales grew in high teens as compared to rural sales where growth was subdued at mid single digits. Retail continues to scale up on the back of loyalty programs with a growth of nearly 33% which has also build NPDs across the urban areas. Expansion of wholesale loyalty program and its extension to rural markets has helped to grow the wholesale business both on a sequential as well as on a year-to-year basis. The rural billing efficiency has been steadily scaling up while overall rural demand has not been good, the rural is also seeing a sequential scale up.

Both the modern trade and e-commerce have been scaling up well based on channel led initiatives Modern trade grew by more than 70% on the back of significant market share gains across top retailers. Modern trade footfalls are back to pre-COVID levels now in most places and expansion plans have also kicked in from this quarter. Our strategy of creating channel specific packs and select key products have been yielding good results.

E-commerce continues to do well it is now about 6% of the company's turnover with doubling of top line over the same period previous year bagged by strong partnership with key platforms. Digital brands, Natyv Soul and Bajaj 100% Pure scaling up well as per plans. New launches contributed to about 1/5th of e-commerce space.

In the international business, significant changes has been made in infrastructure and business practices across Middle East, and Africa and it has started showing results helping drive top line growth. Despite external challenges, infrastructure changes in Nepal has helped to achieve double digit growth. Bangladesh and rest of world saw a decline due to lower demand. Leveraging the strong brand equity of Almond Drops, and as per the long-

term strategy of building a premium personal care franchise under the Almond Drops portfolio, the company launched its third product in the Almond Drops portfolio, Bajaj Almond Drops Moisturizing Soap in June with an aim of strengthening connect with the younger customers and entering a larger personal care category. The product has been launched in general trade as well as modern trade and ecommerce channel. The press release event in Delhi saw a widespread coverage with a total of reach of 11 million comprising of print and digital reach of 6 million and 5 million, respectively.

The company also launched two premium hair care products brands in the Almond Drops portfolio the Almond Drops Serum in Oil and Almond Drops Argan Oil in e-commerce. These products will now be launched in modern trade in the coming quarters.

The company started the year with a diverse hair oil portfolio covering 83% of the total addressable hair oils market which is more than double the addressable market at the start of FY2022. The Amla portfolio for the company grew by 47% over the same quarter previous year. Bajaj 100% Pure coconut has shown good traction with consistent monthly sales post all India roll out in April. Through dedicated regional marketing activities and leveraging our rural distribution capabilities we are optimistic about being able to carve out a good market share of the coconut care category. Bajaj Coco Onion saw good traction in modern trade and e-commerce while distribution expansion continues in general trade. The overall portfolio expansion is in line with a long-term direction of the company to reduce the over dependency on ADHO thereby de-risking and broad basing the portfolio. It also has helped company to achieve double digit growth in Hair Oils. ADHO continues to get media support across TV, Social Media, Print Media, supporting key markets. Increased investments have been made towards visibility on the e-commerce platform. Digital marketing for ADHO has been continuously dialed up and we are now actively using new age influencers to reach out to younger consumers New hair styles by celebrity hairstylist Amit Thakur campaign launched in April and May 2022 on social media performed well with a VTR of 12%. ADHO's new price announcer creative for 45 ml SKU to promote the mid pack has been rolled out in July of 2022. The objective is to increase new triers to the brand by driving penetration and building the awareness of Almond Nourishment at an affordable price.

The quarter also saw a significant media activity on Bajaj Coco Onion. Over 1000 GRPs were delivered in quarter one with an SOV of 10% in the Hindi speaking markets. This is an addition to the 15% that we did for Almond Drops as well. Social media post saw a reach of approximately 1.5 Crore people and AI tool was used along with YouTube to build incremental reach on non-TV viewing admittance approximately 75 lakh people were reached on YouTube.

Our range of digital first brands of premium Oil, Bajaj 100% Pure saw the launch of pure virgin and cold pressed coconut oil taking the portfolio to five products including Castor, Jojoba, Olive, Kalonji and Coconut. Our digital first premium brand in personal care Natyv Soul now has nine products under the portfolio. Listing of both these brands have been completed with all major ecommerce platforms. Both these brands have supported with digital media campaigns. Community marketing campaign started behind Natyv Soul in the quarter with a objective of driving awareness and imparting education about the brands as well as drive visits to Natyv Soul page on Nykaa. Due to this in the hare care conversations we are now having a share of about 27% of mentions compared to nil a month ago.

In line with the 3R philosophy of reduce, recycle and reuse, the ESG initiatives were taken during the quarter to reduce the consumption of packing material and in turn helping the company to reduce its carbon footprint. There is a reduction in consumption of glass bottle by 8% over and above a 16% reduction achieved last year. Similarly in laminates we reduced our consumption by 6% on top of 14% reduction last year. The company continues to focus on reduction of usage of natural resources like water by monitoring water consumption and installation of controls at critical places helping us reduce water consumption by 23%. Steps have been taken in process improvement at plants getting reduction of wastage for certain critical categories like laminates which has reduced by about 20% against last year.

The dual challenge of a difficult market condition especially in rural combined with unprecedented increase in input cost will need to be monitored closely. We will however continue to expand our portfolio, invest on our brands, building capabilities and systems to achieve a long-term growth plan. Focus on our strategic priorities of expanding our hair oils portfolio, extending almond portfolio beyond hair oil, premiumizing the Bajaj Almond Drops hair oil and building digital first brands will remain our key strategic pillars.

With that I end the opening remarks and open the session for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks. My first question is on coconut hair oil. So recently I saw Bajaj Consumer along with one more company offer one-on-one offer on one of the e-commerce sites. So want to understand are you doing this on modern trade also and this is a sporadic activity or you want to go aggressive on both e-commerce and modern trade across channels.

Jaideep Nandi: It will be a selective activity we will do it in ecommerce and modern trade in a case-to-case basis because as we built our portfolio and see where we need penetration and some trials

we will keep doing that and as we scale up the business we will see how it goes forward. So at this moment it is tactical move that we have continued.

Abneesh Roy: but at that kind of offer you will not make any money at even gross profit level.

Jaideep Nandi: Fortunately with the kind of pricing that we have put we still have a gross margin and a decent EBITDA margin that we are getting and not only gross margins but even EBITDA.

Abneesh Roy: Right. And secondly on raw material side too what is the sense you are getting there has been some correction in the crude related but of course the rupee has been depreciating so in the second half based on the current pricing could you give us some insights on the gross margins.

Jaideep Nandi: So the LLP still remains inflationary while RMO there has been some correction I do not think it will be completely offsetting the increase that we are seeing in LLP. So the raw material pressures will still remain us at least for quarter two we see the raw material pressures to remain.

Abneesh Roy: My question was on H2.

Jaideep Nandi: H2 is a little too early to comment on because with the volatility of the nature and now at this moment we are also not doing any forward purchases we are also monitoring the situation unless there is a strategic understanding that we should be doing forward purchases which we did in end of Q4 and beginning Q1, we did some LLP forward purchases which worked so well for us. So I do not think yes that kind of a visibility with this kind of a volatility in the marketplace. so I would like to reserve my comment on H2 will rather wait and watch if the Russia Ukraine war stabilizes a bit and we see the LLP softening I mean in terms of crude softening and that would work in our favor but that is more a wait and watch game.

Abneesh Roy: Sure thanks. That is very helpful thank you.

Moderator: Thank you. Next question is from the line of Prakash Kapadia from Anived Portfolio Managers Pvt. Ltd. Please go ahead.

Prakash Kapadia: Thanks. Couple of questions from my end. Despite our highest ever quarterly sales the three-year CAGR is 1% so we have tried to expand the addressable market so with this approach when do you think sales will come back to higher volume growth for us some of these initiatives are in mass category certain are niche category so what is your sense will it be second half will it be next year what kind of trend are we looking at.

Jaideep Nandi:

I think if you look at the scale up in fact I mean for us 2019 April to Jun was one of the highest if you take a four-year CAGR for example the our sales growth is 3.6% on a four-year CAGR basis. So I understand that pre-COVID that particular quarter is the one that we take a base at this moment so that it is a normalized base. But that was one of the highest quarters for us three years back and hence I do not want to nitpick on numbers, but that is how the lay of the land is for us. Having said that if you look at the sequential business generation that has been happening I think almond drops has been facing pressure because of the inflationary the pressures that are there in terms of the raw material prices so both ways it has been affected one is in terms of the rural demand for a large premium brand it has had an impact as well as in terms of our capability to take price increases with this kind of unprecedented event. So that is where Almond Drops is and our effort to broad based the portfolio clearly is kicking in we have seen clear traction happening as far as the Amla portfolio is concerned which is where the growth has happened as well as in terms of let us say even Coco Onion has started building us a good base and that is where we are investing heavily on Coco Onion because we clearly see that is the space that is there for us to exploit. So overall if you look at in the entire hair oil space I think we are in a far better position and I think one of the things that we were seeing in terms of topsy-turvy movement as well as just because of Almond Drops portfolio is concerned that should stabilize a bit that de-risking is happening and going forward the sales growth should continue to happen I do not see too many issues in that. On the other side with the Almond Drops the premiumization that entire portfolio is concerned this is just the starting of it we just have three brands in that and that is something that we will keep pushing forward so this is just one format that we have come out with but that portfolio we would be looking at for the next two, three years expanding over quite a few formats which is what we have been talking of. So I think in terms of our long-term strategy in covering that entire hair oil space as well as getting into using that Almond Drops equity across the various products, this growth plans are clearly there. As far as the D2C brand is concerned they have been scaling up well obviously there will be small numbers at this stage but we are also getting into our own D2C website and this is something that we will keep pushing. So on these three platforms I think our growth strategy is more or less steady and going as per our plans.

Prakash Kapadia:

And secondly on COGS, historically have we seen more pressure in packing materials what has been the packing material to total COGS or this time around even that is seeing a higher inflationary pressure due to crude prices.

Jaideep Nandi:

If you look at glass is something that clearly has seen huge inflationary pressures PET is more or less stable so PET is not something where we are seeing so PET had gone up so now it is stabilized but glass is clearly something that has gone up and we are also seeing how we can reduce our dependency on glass. So some experimentation is anyway

happening on a larger pack to see the conversion from glass to PET which is not only from the price point of view but also from a market feedback where the larger bottles are difficult to handle in terms of breakage this has been going on for quite some time for a long period and that is a changeover that we are getting into. So our over dependency on glass as well as the way we have also looked at reduction in packing material cost both in terms of sourcing as well as reduction of grammage reduction in the glass content itself which I used to get talked of in the ESG both should keep us at least as far as the packing material is concerned more or less in general.

Prakash Kapadia: And lastly on the rural side your commentary was things are not looking as good as urban so we had launched some bridge packs 10 rupee, Rs.20 packs so that also does not seem to be working what is the sense from rural.

Jaideep Nandi: We have actually not gone very strong on the LUPs if you look at, I mean, there are Rs.10, Rs.20 packs obviously but LUPs as you are aware historically has a lowest margins across all categories I would assume so given the inflationary pressure that you are seeing and the gross margin pressure we have not gone very strong on the LUPs instead on the other side we have gone quite aggressive on the larger packs and across the last three, four quarters the larger packs is what is giving us a good growth. So even this quarter for example the larger packs like 650 ml, 500 ml is where our growth has come from.

Prakash Kapadia: And what would be the LUP contribution if you have that handy to say as of now.

Jaideep Nandi: I will just give you a sense our LUP contribution would be about including the sachet in fact without the sachet it is hardly anything our LUP contribution is about 4% that is it.

Prakash Kapadia: And including sachet will be more like 30%.

Jaideep Nandi: No, now the sachet contribution has gone down quite drastically so it is about 17% about 13% coming from sachet and 4% from the LUP so LUP is not a real focus for us because that is where not really much money to be made.

Prakash Kapadia: Understood thank you all the best. I will come back if I have more questions.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi Jaideep and team good morning. Thanks for the opportunity. Sir I have three questions the first question which is really worrying me that over 10 quarters our gross margin used to be 65 which has come down to 54.5 and your EBITDA has also declined by almost 10%. Now

on one side we are investing into the brand portfolio distribution these all things but we are also foregoing the margins now if I recollect a year before you said that the margin will remain in low teens and which has happened but it is deteriorating further. So if you can give some sense because loosing 400 plus basis points decline on gross margin is really worrying because this kind of decline we have not seen in other discretionary companies. So what is the factor which we should be monitoring or which should be giving a weightage that is my first question?

Jaideep Nandi:

If you look at there are two ways to handle this issue one is obviously in terms of the gross margin that you are looking at and the other is obviously the EBITDA that you are looking at so gross margin will obviously remain under a bit of pressure with this inflationary pressure that we see on LLP and RMO and I think the product mix basket in terms of raw material input cost is different across different companies so I would not get into a direct comparison of each of them so let us say between the period of 15 to 19 both LLP and RMO were absolutely flat there was a zero CAGR as far as the inflation was concerned I mean 19 to 22 is where we have seen truly the increase and now which has in last year has been unprecedented. So this cycles will keep happening so gross margin will be a function of that as well. I think if you are looking at the EBITDA point I mean this quarter itself for example I mean easily the same sales number could have been achieved with at least a 10 to 12 Crores reduction in the ASP cost which is what we are investing in terms of let us say a Coco Onion or in terms of Natyv Soul etc. it is more Coco Onion to that extent. We have decided that we would invest so that at least the brands get built up and by that time the cycle comes back both in terms of demand as well as in terms of raw material were in a better space otherwise it will be a chicken and egg situation where our entire focus will remain on ADHO and if ADHOs conditions remain favorable which is the market conditions remaining buoyant LLP RMOs where the prices remaining buoyant I think we will do well and if that does not happen the company will suffer we cannot remain in that stage and we have to derisk ourselves which is the direction at the company we are taking.

Shirish Pardeshi:

Just one follow up Jaideep, this primarily 400 basis point decline which has happened is purely because of the input prices or we have up the trade spends.

Jaideep Nandi:

Trade spends have not gone up in fact trade spends if you look at if you do a market study trade spends has gone up across some other companies but we have not increase our trade spends much yes there has been a portfolio expansion not all of them have a gross margin similar to ADHO so there will be a bit of dilution as far as that is concerned so quite a bit of it is because of the inflation of LLP and RMO and bit of it will be a much lesser percentage will be there because of the change in the mix. Overall ADHO still remains the large product and hence the margin dilution from non-ADHO is not much at this stage.

Shirish Pardeshi: My second question is on the market share. I think the market share slide is missing this time. So could you comment where we start what is happening or maybe what is the expectation.

Jaideep Nandi: The market share remain steady so that is what because the market share is more or less remained between the 10.2% to 10.6% market share it remains exactly in the same place I mean the entire category grew by 4.5% in terms of light hair oils that is where we have also gone in fact our growth at this quarter has been higher in terms of value growth but these are more takeover from the last quarter, this year the market share remain flat about 10.5%.

Shirish Pardeshi: And my last question is on the international business. I think sometime back you told us that maybe another one quarter we will be ready with the directive strategy so if you can spell out what is the strategy going forward.

Jaideep Nandi: I had mentioned that by H2 of this year that is 2022-2023 I will be able to speak a little bit of it I will maintain that so there are some actions that has happened in two markets I will talk more of it about maybe Q3 earnings call.

Shirish Pardeshi: So this quarter is safe to assume that international would be about 2%, 3% contribution.

Jaideep Nandi: So this quarter has been about 3% next quarter will be a little more maybe slightly more and as we scale up then we will talk about it has to what we are planning and in Q3 I should be able to tell you where we have invested and what we are trying to.

Shirish Pardeshi: And international markets we will be ahead of the margins or lower than the company average margin.

Jaideep Nandi: I think it will be similar I do not think there will be a major difference as far as the margins are concerned it will be very similar but we will have to also look at which markets we are talking about what kind of portfolio, because different markets will have a very different structure in terms of the P&L structure will be very different.

Shirish Pardeshi: My only worry is that on one side we might be expanding international market but it should not be the margin dilutive otherwise we will still remain in the less than 60% gross margin that would be a concern.

Jaideep Nandi: Yes, so as I said I mean it will be different market so we will have to follow different market strategy some markets will have lower than India some markets will have been similar to India so we will have to have a mix of both.

- Shirish Pardeshi:** Sure, thank you and all the best to you.
- Moderator:** Thank you. Next question is from the line of Deepan Sankara Narayanan from Trustline. Please go ahead.
- Deepan S Narayanan:** Good morning everyone and thanks a lot for the opportunity. Sir, firstly I want to understand are we seeing improvement in the wholesale trade segment in our core markets of Hindi speaking belt.
- Jaideep Nandi:** If you look at last quarter we had done quite a bit of correction in terms of the basic hygiene so we have seen the wholesale come back the wholesale has grown I mean very close to 10% this year which is a reversal from quite a few quarters of where wholesale has not been doing well in fact this year this quarter the secondary grew by 10 Crores more than the primary so which is also an objective that we have taken up that secondary is where we should be focusing on in fact our incentive structure etc., has also been changed towards for the frontline which is only on the secondary sales and not on primary. So that structural change is also making a difference. So wholesale has grown by about 9.8% but if you look at the overall market structure etc., I think the rural demand still remains not pretty strong and we see pressures as far as rural demand is concerned. So we have had a growth but it is not very buoyant market scenario.
- Deepan S Narayanan:** And secondly what is the gap between the price increases taken and RM price increase so when are we planning to take our next price hike.
- Jaideep Nandi:** At this moment with the kind of demand situation that we see and the competitive intensity because these are the only two factors that we look at the demand conditions and the competitive intensity we do not see price increases happening other than the coconut category where Copra prices have gone down so where actually price decreases happened. Other than that we do not see any price increases happening across the overall hair oils portfolio. So at this moment we will have to remain with the market and at this moment we are not contemplating on the price increase not in the near-term at least so we will have to monitor and see how the market grows.
- Deepan S Narayanan:** So what is the gap exactly between price increase and RM price increase.
- Jaideep Nandi:** It is close to about 6% or so.
- Deepan S Narayanan:** And lastly so ADHO revenues are we anywhere close to our pre-COVID level.

Jaideep Nandi: ADHO this quarter grew by little more than 5%. So that is the kind of growth that we have and it has actually been on a four-year CAGR if you look at it has a growth on a four-year CAGR basis.

Deepan S Narayanan: Thank you and all the best.

Moderator: Thank you. Next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Thank you for the opportunity. My first question is just want to confirm the volume growth number for this quarter I know you said in your comments can you just clarify.

Jaideep Nandi: The volume growth for the quarter is 14%.

Naysar Parikh: Year-on-year right.

Jaideep Nandi: Year-on-year and hair oils volume growth is 15%.

Naysar Parikh: So with the volume growth of 14% your value growth will be 15% we have not taken any price increases and can you just comment a bit on in fact the price increases...

Jaideep Nandi: No, that is not correct the price increases happened but that is only on ADHO and the growth that you see is also because of the other portfolios expansion that has happened like the Amla as well as Coco Onion as well as coconut all of them with the price being much lower than, not much lower, lower than Almond Drops hair oil so that is why this because of the product mix you will see a volume growth and the value growth.

Naysar Parikh: Right. And what is this competition pre-COVID versus now what would be our pricing differential.

Jaideep Nandi: In fact, our pricing premium has gone up I mean I had talked about in the last call our pricing premium has actually gone up versus the two other largest player in this category. So earlier the premium that we have that premium has gone up now so hence we need to also keep it within control so that is where unfortunately we will not be taking price increase as such.

Naysar Parikh: And you mentioned about ADHO, non-ADHO is it possible for you to give the mix between what is the mix in ADHO today.

Jaideep Nandi: So, ADHOs salience is now remains at about 86% which used to be about 90% plus earlier. So now it is 86%.

Naysar Parikh: And my last question is just on the modern trade side you mentioned that is also growing well one is what could be the share of modern trade today and secondly which all products do we have in modern trade now.

Jaideep Nandi: So modern trade our share is about 8% as I said e-commerce is about 6% modern trade is about 8% so our aim of touching that 15% mark between modern trade and e-commerce and including institutional activities more than 15% at this stage. As far as products are concerned we are actually having all the products in modern trade right from ADHO which obviously remains our focus product and then Coco Onion becomes one of the other focus product which has been there in modern trade we also have our Brahmi Amla hair oil which we have been using strategically so that is also doing well as well as coconut which has been launch in select few market that we discussed in the first call tactically we have launched in select few markets, select few modern trade outlets also other than that in modern trade all the large modern trade outlets we are present today with that entire portfolio.

Naysar Parikh: Thank you so much.

Moderator: Thank you. Next question is from the line of Santosh Kumar Keshri from Keshari Wealth. Please go ahead.

Santosh Kumar Keshri: Thank you so much, but my questions have already answered. Thank you so much for giving me the opportunity.

Moderator: Thank you. Next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Sir, I had just maintained some old prices I was seeing for your 100 ml pack three years ago the price was Rs.65 for 100 ml and today the price is Rs.70 for 95 ml which is like a 13% pricing growth across a three year period so in spite of this our EBITDA margins have fallen like close to 13% to 15% over a three year period I understand that there is a input cost inflation but I mean what is it that is driving the margins down so much apart from input cost is there any other factor and how do we see the margins going back to those levels and over what period of time.

Jaideep Nandi: As I said that 15 to 19 period where the LLP prices and both RMO was the most benign I am not sure whether we will be reaching those kind of prices I mean today the prices if you look at LLP has gone from Q1 of FY2021 which was at Rs.46 now is at Rs.91 that is

exactly in two years it has gone to 2x if you look at RMO it was at Rs.89 at this period and now it is at Rs.156 so unless the prices were to go back to those kind of levels it will be very difficult to have that kind of a margin. The other point that you mentioned you took out 100 ml which is where we have taken the price increase which is what I was talking of that premiumness for our product has become much higher than that of others. So there are certain other packs where this kind of price increase was not possible and hence while our contribution of these packs have been low but they do contribute the Rs.10 pack, the Rs.20 pack even the sachet so this is where we have not been able to take price increase because these are fixed price and really speaking you cannot reduce the grammage beyond the certain point. So that is where in the portfolio overall the price increase has been more like 5% to 6% and not 13% which was for that particular product. While in terms of raw material prices the average increase will be closer to 13%, 14% so that is where the gap is and the other side that we talked about is the investment that we are making which we have mostly made in terms of automation etc., which we were anyway planning to do as a long-term thing those expenses will keep happening as well as in terms of or is a more of a continuous thing but also in terms of our marketing spends or some new brands will keep investing in because if we do not do that it will only be back to only ADHO and will keep only looking at that EBITDA margin with the best case scenario of the market situation being good and hence ADHO to grow the raw material prices to be good and hence our EBITDA to grow that is like utopian at this stage.

Percy Panthaki:

So let us say if the current commodity prices remain where they are a couple of years down the line what kind of EBITDA margins should the company stabilize at.

Jaideep Nandi:

so I think saying that the market prices for both LLP and RMO will remain at the absolute peak will not go down it is not really proven in history in fact it is always, commodity always goes through a cycle and what goes up has always come down which is very unlikely so we will not be able to plan in a situation where we say the prices has gone to an unprecedented high and will remain so if that remain so going forward many other parameter and the macroeconomic parameters will also change in terms of the demand situation for customers etc. I mean there will be a much larger impact overall as a economy rather than just our own prices. So we will have to plan for a reduction having said that we do not expect a complete reduction in this and we continue with our entire plan of saying that we will have a end-to-end situation and a more stabilized situation with the EBITDA coming to about 20%, 21% around that level.

Percy Panthaki:

Sure got it thank you.

Moderator:

Thank you. Next question is from the line of Anup Ramachandra from AMC Investment. Please go ahead.

Anup Ramachandra: Most of my questions are answered. I have been left with one or two questions. My one particular question is that with respect to this Bajaj 100% pure oil see what I notice is virgin coconut oil seems to be a large growing market and most of our competitors are already there and I do not know whether what is the company's thought process behind pricing is at 280, 290 for a 200 ml pack when our competitors are selling almost Rs.20 or Rs.30 extra for 500 ml pack.

Jaideep Nandi: So if you look at this is more a overall portfolio strategy that we see and in fact as far as e-commerce pricing is concerned you look at one side you look at the MRP and finally you look at the net selling price that you get to the consumer in terms of discount so we are seeing that overall as a part of our e-commerce digital first brand so you look at the larger digital first brands most of them have it at a little higher MRP and you give those discounts on platform to the consumers. So we have decided that is a path we will follow and we are seeing good tractions happening as far as the Castor oil is concerned, olive oil is concerned we have had some supply issues as far as olive oil which has got sorted out so olive oil is tracking well castor is tracking well we felt that coconut would also track well pricing in terms of MRP is one point the other point is at what price the customer is getting at. So I will be or rather we will be as a company more tracking as to what price the customer finally gets it at and that is something that we will keep it more or less close to what the larger players are at.

Anup Ramachandra: You hit the bulls eye exactly I am also talking about the net selling price itself we are selling at Rs.280 and our competitors are selling at Rs.293 for a 500 ml pack

Jaideep Nandi: So we are actually not targeting the mass end, the discounted virgin ones that you are talking about is more towards the cooking usage so we are going to target more on the hair and skin usage which is basically the kind of pricing that we are looking at.

Anup Ramachandra: See again I am talking about also most popular brand where they have done a premiumization with respect to their virgin coconut oil with another they are not using their the blue ones which they have come up with the virgin I am saying that the popular blue color brand which they come up with another brand and they are using it as a virgin coconut oil for hair and skin itself. They are selling at 310 or 320 500 ml and we are selling at 280 for 200 ml that seems because I am pressing on this issue because virgin coconut oil is big market I mean it is growing market so we do not loose on the whole pricing side itself.

Jaideep Nandi: No, I do not think that is so much of an issue the virgin cold pressed coconut oil which is what we are selling I mean virgin oil is one product that virgin cold pressed coconut which is what we are promoting for a premium hair and skin care product I think this is the price we are comfortable with and I do not think there is much loss that we foresee or that we will

not be able to get traction. Already there is a lot of traction we are seeing as far as the customer conversations that are happening across this product so we will monitor the price and in case we feel that there is some correction required we will go for at that stage but at this moment we feel this pricing is perfectly right.

Anup Ramachandra: Just have a look at it in case if there is any correction.

Jaideep Nandi: Sure I understand that I take your feedback we will monitor that, but this is the pricing that we are aware of I mean obviously when we do our pricing we obviously track all the largest selling competitors which that are there and based on that we do our pricing and this is a conscious call that we have been taken it is not a price that we have just there.

Anup Ramachandra: Because the rest of the products which has said you are doing quite well Castor oil is priced competitively what I saw from our research they have been price competitively and it will be doing quite well.

Jaideep Nandi: No I appreciate your point completely appreciate your point I will take that feedback and see how our products track and in case we need to do our pricing correction or any other pricing action we will do that accordingly, but obviously yes we are appreciate that.

Anup Ramachandra: Thanks. And again at the cost of repetition in the last quarter also I had this question on the Brahmi Amla. This Brahmi Amla I know you validated through your lab test and you see there is no substantial benefit which comes at the Brahmi and you also have a feeling that company has a feeling that this is the product which 70 plus or 60 plus uses it is only the older generation which have brand recall and not the newer generation. My perspective is if you see say one of the major e-commerce site if you see the best sellers in a beauty list not even in the hair care list I see Brahmi listed its 37 or 38 is one of the best sellers and I do not see ADHO even in the top 100 to the best sellers and saying it is in Amazon I am saying see there are only two major website I will take the name Amazon I am saying this Brahmi is doing so well even in the e-commerce site and some of the Ayurvedic properties cannot be validated from the prospect of modern science so I am just saying company can have a relook at the strategy as to how they want to do it with Brahmi.

Jaideep Nandi: First and foremost let me correct some of these perceptions for example ADHO for example tracks very well in both Amazon and Flipkart, Flipkart is actually number one if you have to go on that. So this is just a small correction. Second thing is I take your point exactly so we have taken Brahmi I mean I still maintain the point that scientifically Brahmi's usage as a hair oil ingredient has not been really proved. So having said that because of our old association with Brahmi Amla hair oil and we think we wanted to rejuvenate the brand and that is where we have taken e-commerce and modern trade as a path because the margins of

the product is very good and we have utilized it to counter some of our competitive activity in terms of where there is action against Almond we have used this product effectively to counter some of them and we have seen good traction both in e-commerce as well as in modern trade as far as Brahmi Amla is concerned. So this is the path that we have taken not so much in general trade but modern trade.

Anup Ramachandra: Any thrust on A&P for brahmi anything of such thought in the company's thought process.

Jaideep Nandi: In terms of A&P.

Anup Ramachandra: Yes, basically for advertisement and promotion.

Jaideep Nandi: No, because it is not being promoted in general trade. On platform we are doing as and when it is necessary as far as Brahmi Amla is concerned but not as far as in terms of search etc., we do some work as far as Brahmi is concerned but not in terms of A&P.

Anup Ramachandra: And this is my last question with respect to digital marketing is company working on any YouTube influencers marketing because that also influences our general trade I know the Instagram's and the Facebook and all do a lot with respect to digital marketing but how far it will influence the general trade because a lot of influence on a modern trade and e-commerce but YouTube influencer marketing I think we have a lot of impact on general trade also.

Jaideep Nandi: In fact Facebook, Insta, YouTube all three have taken as our overall digital strategy and we have separate track for all of these three in ADHO YouTube is we are getting an more and more content as far as YouTube is concerned this is a clear identified area and more on content generation is happening as far as YouTube is concerned you will see that in the coming quarters you will clearly see more and more posts as far as YouTube is concerned in terms of [video](#) content.

Anup Ramachandra: So content envision is definitely there I am talking about the influencers marketing.

Jaideep Nandi: Yes, including influencers as well. One is the content otherwise using influences in this space also so you will see both.

Anup Ramachandra: Okay that is all from my side thank you.

Moderator: Thank you. Next question is from the line of Rahul Ranade from GSAM. Please go ahead.

Rahul Ranade: Thanks for the opportunity. Just one question most of the questions have been answered. Just wanted to get the thought process behind entering category like soap obviously there are much bigger brands well intense brands so what was the thought process behind entering that so if I recall correctly the last time we did such an entry let us say in terms of having well entrenched brands let us say in the terms of the coconut oil one of the rationale for that was also that coconut would play the role in terms of expanding distribution for the core ADHO also so is that the similar thought process here or is it something different just wanted to understand.

Jaideep Nandi: No, so this is a completely different thought process coconut you are absolutely right I mean getting our footprint more well entrenched as far as the hair oils is concerned not only increasing our distribution in ADHO but also covering ADHOs plans where the pricing requirement will be there as far as coconut is concerned. So coconut is also tracking decently well as far as the HSM markets are concerned and some of the HSM markets specifically where ADHO alone may not be the answer into this context. So that is how coconut played out. As far as the Almond Drop Soap is concerned which is the point that I have continuously maintained I mean Almond Drop Soap is not a launch in its isolation it is more a portfolio launch and this is just a first product I mean three products that have got launch with soap being the largest. In say next two, three years this is the portfolio Almond Drop is somewhere you will see from next quarter that we will talk of Almonds that will be more in our way of communication and overall that almond portfolio which is the more on a premium more reasonably priced I would say a little affordable and yet premium range for both hair and skin care is what we will promote and slowly you will see in the next two, three years launches happening in this entire portfolio across format so soap is just one of them. So it is not in isolation that we are launching it is more of portfolio launch and we see that our numbers that we are tracking as far as soap is concerned with this large category you will understand it is a very well entrenched category it is a very competitive category but I think in niches that we want to operate we are having a game there to play.

Rahul Ranade: So Almond Drop will be more of an umbrella beneath which we will kind of soap is one and probably you highlighted serums as the other right where you said that...

Jaideep Nandi: So serum in oil and almond argon oil are the two smaller brands that we have launched but there will be a little more larger formats which will come some of them maybe a little more modern trade e-commerce maybe but larger segment some of them will be more traditional GT as well as modern trade ecommerce which will be launched in the coming let's say two to three years on sequential basis it is just a question of how much money we will spend in advertising so hence we will grade them but in the next two three years we have a plan to launch about eight to nine products.

Rahul Ranade: And internally do you have thresholds beyond which you will not kind of invest if you do not see success on the ground especially let us say for a category like soap where again going back to the point where competition is so well entrenched that getting success is relatively difficult versus something like a serum or something like argon oil where you can do something on ecommerce or on the digital side of it.

Jaideep Nandi: So it is a matter of how you define success. If success is defined as just pure market share maybe your question is right but I think with our kind of a size company I think we will have to also look at the top line number as defining as success, the threshold top line number and looking at some threshold EBITDA numbers in a three year period so three years is a typical period we take for a brand to get launched and with the support and we will see obviously with internal parameters of measures is what we are seeing so serum and argon oil etc. you are absolutely right they will have easier chances of success but the scale that they can go up to may not be equal to some of the larger brands there so it will be a play and a mix of all that and we look at more the portfolio number that we can look at rather than in typical categories.

Rahul Ranade: Okay understood. That was it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Pathanjali Srinivasan from Mirabilis Investment Trust. Please go ahead.

Pathanjali Srinivasan: What is our A&P split in the new brands during the quarter if you can give me the split of the non-ADHO what is the A&P.

Jaideep Nandi: If you look at about we have spend about 20% as far as the NPDs are concerned while the balance is ADHO.

Pathanjali Srinivasan: And Sir this generally like you have given that 13% is from LUPs and LUPs plus other smaller packs totally some 17%, 18% so about 80% of our total sales from larger packs.

Jaideep Nandi: Mid packs and larger packs yes.

Pathanjali Srinivasan: So what is the pricing like the reason why we cannot take price hikes given that most of our competitors have relatively better affordability.

Jaideep Nandi: No what I think if you look at in terms of again it is back to the demand traction that you see and most of our HSM markets you will see all the larger HSM markets of it say Bihar, UP, MP, Rajasthan to that extent these are the markets which are more affected during the last six quarters in terms of demand let us say compared to a little more affluent markets of

Maharashtra, Punjab, South for example. So hence our ability to push through that price increase itself is not that strong the other thing that we are clearly seeing is that there has been a large shift towards let us say the lower selling product so we are in or lower cost products the cheaper economy range that we see. So there has been a large shift so in this kind of a market condition taking price increases beyond the certain level might not give you that kind of a return we have not seen that kind of a traction happening especially for example the mid pack the 50 ml, 100 ml packs etc. remains under pressure and that is why we are going into price announcers etc. going specifically on to TV talking of the mid packs the kind of pricing that we are going to take so it is not that you can take price increases in the larger packs straight away in this market condition.

Pathanjali Srinivasan: And just one last question you had mentioned that you plan to have some 8 to 9 products in the next two, three years is this only in the ADHO addition or is the overall NPD that we are planning.

Jaideep Nandi: No, so it will be a combination I mean the almond drop portfolio itself will have a few products being launched in the next three years or so then we take some products that we will be launching there will be certain other flanker brands maybe hair oil you will see one or two products getting launch but we want to space it out so that we have enough investment money for this we do not want to get into launch the products where we cannot support them as far as brands are concerned.

Pathanjali Srinivasan: Okay thank you so much.

Moderator: Thank you. Next question is from the line of Sunil Jain from Nirmal Bang Securities Pvt. Ltd. Please go ahead.

Sunil Jain: Thanks for taking my question. Sir my question relates to as we are not taking any price increase and you said that the cost pressures are still there. So we may be getting for further decline in gross margin in the coming quarter.

Jaideep Nandi: See that we will have to monitor so as I said the inflationary pressures have not yet gone out. Both LLP, RMO remains so the pricing pressure is still remain the gross margins pressure is still remain as far as Q2 is concerned.

Sunil Jain: And second question is led to one of our the launch of the product so a lot of products we have launched already in last one, one and a half years and going forward also so it will be the next launch of products will be more of a near-term or will it be taking sometime.

Jaideep Nandi: No so it will be gradual launches which will keep happening so we started with the Amla alovera which happened two years back last year was Sarson Amla that we had launched and then the Coco Onion came, the coconut came in the middle of or late last year Coco Onion got launched this year and now we have launched the soap along with the smaller products that have also getting launched so this kind of a graded launch will keep happening going forward.

Sunil Jain: So my question relates to more of a like the spends of the whatever the spends or expenses which we are doing for launch of the product and product maybe taking lot of time to breakeven so any of the earlier product we are seeing in coming two profit, it is likely to support each of them or it will see more of an ADHO.

Jaideep Nandi: No, so one or two products we are already seeing going on a marginal costing basis on a EBITDA positive it is just that obviously it will not have the kind of margins that ADHO has so we will keep grading it and that is why I said while we have the portfolio as to what all products we want to launch this will happen over the next three years and not immediately not all of it will happen immediately so we will keep balancing out our ASP spends versus what kind of launches we want to get so we already have a decent set of products that have been launched so immediately for example in Q2 you will not see any large product being launched because we keep supporting the brands that we have launched but then we will keep introducing one brand at a time as we feel the market conditions demand and required products.

Sunil Jain: And sir last related to this A&P spend this quarter you said that this spend was somewhere around 18.7% so this will be the range or it was having some extra spend with this particular quarter.

Jaideep Nandi: So I have always maintained that 18% to 20% is what we will keep the spends for the next two three years and that is where we are.

Sunil Jain: Okay thank you.

Moderator: Thank you. Due to time constraints we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Jaideep Nandi: Thank you so much for attending our call. I think the market condition still remain quite a bit of a difficult market conditions with the rural market clearly under pressure but as a company we continue with our long-term plans of expanding the portfolio so that ADHO remain de-risk. At this moment we are continuing to invest a little ahead of time so that at

least we are able to build a credible portfolio of brands beyond Almond Drops I think clearly we are on our way towards that some of the brands which have been launched one and a half year two years back has already started showing traction with some of the new brands showing promise and we believe that for the next two, three years we have to keep investing as well as growing the business so that by the time the market demand comes back as well as in terms of the raw material prices stabilizes a bit we are in a far better position and a far stronger organization that we were earlier. So this is where we are consistent business growth as well as in terms of investments in the newer brands is what we will be looking at. So thank you so much and I wish you the very best.

Moderator:

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