



“Bajaj Consumer Care Limited
Q4 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to Bajaj Consumer Q4 FY2022 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, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. 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. It is our pleasure at ICICI Securities to host Q4 FY2022 results conference call for Bajaj Consumer Care Limited. The management is represented by Mr. Jaideep Nandi, Managing Director, Mr. Dilip Kumar Maloo, Chief Financial Officer and Mr. Richard D’Souza, General Manager, Finance. I now hand over the call to Mr. Jaideep Nandi for his opening remarks post which we can have the Q&A session. Thank you.

Jaideep Nandi: Thank you Karan for hosting this call and good morning from India. Along with me, Mr. Maloo and Richard, we have some of our senior colleagues from the management committee with me. Let me take you through the performance of the company for Q4 and FY2022 before we open the house for questions.

The unprecedented inflation in the economy due to steep rise in material prices continued to impact disposable income as well as consumer spending adversely. While we are slowly seeing some recovery in demand, the last quarter of FY2022 remains subdued. The hair oil industry was not spared with the overall hair oil market declining by 6.5% against the same period last year. The Hindi speaking markets where we have a larger presence continued to decline faster while the markets of Maharashtra, West Bengal and south which fared relatively better also experienced a slowdown in Q4. The Company reported a sales turnover of Rs.216.1 Crores for the quarter, which was lower by 10.7% on a high base of 43% growth last year. The CAGR for two years for the quarter was positive 13.2%. The volume decline for the quarter was 9.8%. On a sequential quarter basis the sales were lower by 4% over Q3 of FY2022. For the full year FY2022 the sales was at Rs.865.5 Crores, a decline of 3.6% while the volume decline was a little over 1%. The hair oil sales value was lower by 0.8% on a full year basis while we had a volume growth of 1.3% in overall hair oil for the full year.

With the high dependency on LLP and RMO both of which are witnessing unprecedented inflation, the Company’s gross margin continued to be adversely impacted in spite of price increases totaling to 7% taken during the last five quarters in ADHO. LLP and RMO prices for the quarter were 27% and 41% higher respectively over the corresponding quarter of the previous year. The gross margin for Q4 FY2022 was 56.2% as against 60.6% in Q4 of 2021

against the previous quarter Q3 FY2022 the gross margin was 54.4%, we had 80 basis point improvement in gross margins.

LLP and packing materials have been volatile and inflationary due to surge in crude prices on account of Ukrainian crisis. This uncertainty is expected to remain till the crisis is over. For RMO while crop prices in India have been good, the prices have not corrected due to global factors. The ban in export of palm oil by Indonesia, impact on sunflower from Ukraine and lower crop of soya in Latin America has impacted the overall edible oil complex, so we will continue to watch commodity prices in the coming quarters as well as monitor the competitive landscape and we will take pricing corrections as and when necessary. The Company continued and will continue to invest in its brands including new launches for long term growth. A&P spends for the quarter was 19%, which is 1.2% higher over the sequential quarter. The EBITDA for the quarter was Rs.38.6 Crores with a margin of 17.9%, PAT for the company was Rs.38.4 Crores against Rs.53.9 Crores for the corresponding quarter last year. The EBITDA for the quarter was down by 7% over previous quarter of Q3 2022. As we have been witnessing for the past few quarter's consumer downtrading continued for the quarter especially in premium hair oils, there has been a decline in hair oils across categories including coconut and amla in Q4 2022 while the premium categories have witnessed a sharper decline.

With slowdown in rural markets as witnessed in Q4 as well as the key wholesale markets in the north, east, and central parts of the country continue to see reduced business volume. Our Company had a double digit decline in wholesale; a single digit decline in rural while retail continued to grow in the quarter as well. The Company took a one-time intervention to rationalize wholesale price uniformity across states in January which affected January itself but had its desired impact. February, March, and April have all had sequential growth since. With improved pricing there is a renewed focus on wholesale to regain distribution back to pre-COVID levels. Expansion of the wholesale loyalty program and its extension to rural market has also been taken up. Retail which has been the focus area of the Company where various initiatives are underway grew by 3% for the quarter while on a full year basis it grew by 10%. Retail is being further strengthened across top towns with a new retail activation program being rolled out to increase focus in the top urban cities.

Both modern trade and e-commerce continue to scale up as per plans while the January event was not as high as expected due to muted footfalls, February and March saw very good revival in sales across chains leading to 13% for Q4 in modern trade B2C. Bajaj Coconut Oil got listed in all major chains like D-Mart, Reliance, Star Bazaar and many other local independent chains. Our flanker play with larger packs of various products have worked well **across these** retail channels. Our in-store execution is being strengthened along with improved store visibility. E-commerce continued to scale up well with growth of

50% in the quarter and around 80% growth on full year basis. Strategic exclusive SKUs and digital first brand for the channel continued to drive growth. Digital brands Natyv Soul and Bajaj 100% Pure have started well. In rural various efficiency initiatives through technology intervention has helped us optimize VAN operations as we look to improve brand throughputs. With portfolio expansion in progress, the focus has been to seed some of these newer brands in the rural markets as well.

ADHO continued to be supported across TV, social media platforms and print media supporting key markets with increased investments in advertising during the quarter. The new youthful thematic campaign dialing up the element of style has started getting positive views across the younger consumers. The campaign has been integrated for both traditional and digital media. The new commercial on TV is performing better across both memorability and messaging parameters. Digital marketing for ADHO has been continuously dialed up and we are now actively using new age influencers to reach out to younger consumers.

Expansion of the hair oil portfolio continued with further launches in Q4, during the quarter the Company launched its product in the category of value-added coconut hair oil with its brand Bajaj Coco Onion across the country. This product is the first of its kind to be launched in general trade as well as across the modern trade and e-commerce with five SKUs being launched from Rs.20 for 45 ml, Rs.52 for 90 ml and rise up to Rs.195 for 350 ml for modern trade. Onion is amongst the newest ingredient preferred by consumers especially younger consumers and it is a time tested and trusted ingredient which stimulates growth. Bajaj Coco Onion hair oil campaign featuring Ileana D'Cruz started from April 15, 2022. The campaign has TV, digital and in-store visibility campaigns. Both Bajaj Pure Coconut Oil and Bajaj Coco Onion hair oil have been rolled out across the country in February and March 2022, respectively. Bajaj Pure Coconut Oil has started showing good traction across all channels including GT. The Amla portfolio for the company grew by 14% in the quarter and 32% in the year with a share of Amla Aloe Vera touching 3% in Q4. Distribution, scale up and other in-shop initiatives planned in Q1 will continue in the category to carry on the Amla growth.

With a broad basing of the hair oil portfolio which now includes the two amla brands both Amla Aloe Vera and Sarson, the launch of pure coconut and value-added coconut, the total addressed market for the company in hair oils have more than doubled from 35% at the start of FY2022 to more than 83% of the addressable market by the beginning of FY2023. The launch of premium range of almond drop extensions in hair and skin care has been initiated with the launch of Bajaj Almond Drops, Almond + Argan oil in March with the product being priced 100% premium to Almond Drops. Further new products are being rolled out

under the Almond drops Umbrella with two launches, one each in skin care and hair can be planned in Q1 FY2023 with further launches as stated during the course of the year.

Our digital first premium brand in hair and skin care in Natyv Soul saw five additional products launch in the quarter increasing its portfolio. The other digital brand Bajaj 100% Pure saw the launch of Kalonji along with along with Castor, Jojoba and Olive oil which were launched in last quarter. Both the brands have seen good consumer reviews and the initial top offtakes are encouraging. Launch of new products in both these digital brands will continue in FY2023 as well as these being in integral part of the e-commerce strategy as we scale up for the activation and supporting e-commerce space.

Digital marketing in March on Natyv Soul saw social media posts reach 1 Crores while Google Search Display had 16 Crores impression, Influencers post touched 1500 posts in Q4, You Tube Long Format Campaign started from March and had 4.7 million views. Bajaj 100% Pure oil also saw a good traction with click to conversion rate of 9.63%. In the international business Bangladesh grew by 36% in the quarter and 55% in the full year over last year. The economic situation in Nepal unfortunately has worsened in Q4 with nonessential imports being banned in March impacting demand and in Middle East we are doing significant changes in the infrastructure and business practices which will ensure enhanced business delivery from Q1 of FY2023 onwards.

The ESG initiatives to reduce carbon footprints, greenhouse gas emissions especially in case of packing materials continue to progress well. There is a reduction in consumption of approximately 16% in glass bottles, 7% reduction in paper and 14% reduction in laminates through optimization and rationalization or specifications during the year. Currently bulk of the material in our packaging material is recyclable; we have successfully completed trials of recyclable laminates for commercial production. As part of our extended producer responsibility we have collected and disposed of 100% of plastics as per our commitment.

Conservation of natural resources like water, reduction of carbon footprint, wastages of factories also remains key focus areas. Water conservation efforts saw us measuring water consumption sources, installation of controls at critical places helping us reduce 27% of our consumption in second half of FY2022. Optimization of transport led to reduction in distance travelled per litre of finished product by 10% in FY2022. We have now been certified as a great place to work by the GPTW Institute for the fourth consecutive year with improved source across most functions in the company. The company has also embarked on sales capability development programs for frontline sales for range and multi-category selling. While the market conditions have been challenging currently with unprecedented inflation and subdued demand, the Company will continue with its mid to long term strategic direction of expanding its distribution footprint, build a comprehensive hair care

portfolio, further launches in the premium hair and skin care range under the Almond Drops Umbrella and scaling up the digital first brand Natyv Soul and Bajaj 100% Pure. Along with these the investments in these new brands in both conventional and digital media. We believe that as the market conditions improve this will help us to achieve a long term sustainable profitable growth for the organization without being over reliant on ADHO so with that I end the opening remarks and open the session for questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Just wanted to know out of the total ad spend this quarter of about Rs.40 Crores how much of this is on the new launches, how much of it is let us say excluding ADHO?

Jaideep Nandi: At this stage it is roughly about just about little less than 10% on non-ADHO, but that should be picking up. Last quarter we wanted to go little stronger on ADHO itself because in Q3 our ad spends were much lower so last quarter was mainly on ADHO.

Percy Panthaki: Going ahead what percentage of your ad spends will be in non ADHO in your view let us say for FY2023 as a whole?

Jaideep Nandi: So we are looking at about 25% spend as far as non-ADHO portfolio is concerned.

Percy Panthaki: Of this 25% universe how much of it do you think would be digital?

Jaideep Nandi: I think it might go up to 30% based on what traction we see as far as so just to give you a perspective on this overall basket of ad spends there will be three baskets where we will be spending one is in ADHO itself, second will be two brands as far as general trade is concerned one is obviously Bajaj Coco Onion, there will be another brand which we are launching so in these two some money will be spent and there will be a third leg which will be on the digital media which is basically Natyv Soul and 100% pure which will actually cross play along with some of the digital spends that we will be doing in some of the other brands as well, so in that if you see roughly we are looking at roughly about 10% spend going to the digital brands, about 20% odd going to let us say Coco Onion and the other brands that we are looking at and about 70% remaining with ADHO. This is roughly the breakup. This number will keep changing and these are not absolute numbers. We have just painted it.

Percy Panthaki: Understood so basically the non-ADHO spend which is currently 10% and it goes up to 30% does that increase your overall add budget or do you think that you would be able to

accommodate within this absolute number of about Rs.40 Crores per quarter or something like that?

Jaideep Nandi: No, we have stated that we will be increasing our ad spends anyway by 2% to 2.5% at least 200 to 250 basis points in this year at least.

Percy Panthaki: Sorry to elaborate this point but last sub question on this, as far as ADHO is concerned why do we spend so much when basically the entire hair oil industry has no demand right now even if I look at let us say a Marico or a Dabur for the quarter on a three-year CAGR basis the sort of sales is flat so it is clearly an industry issue where the consumer is just not prioritizing this category so at this point of time what is the need to advertise ADHO so aggressively?

Jaideep Nandi: If you look at the last four year's data and if you have to look the larger of the hair oil you will see that we have taken a price premium amongst them from let us say FY2019 to FY2022 if you have to look at we have significantly upped the price premium against that and that itself might have some impact but we would like to have this price premium on ADHO because we feel that this is something that we will want to defend, so to defend this we would like to remain in this advertisement so that at least we are able to defend the price premium that is there and clearly we can see that when we are splitting our advertisement between digital and the non-digital media this is a bare minimum GRP that you would like to have across markets of interest for us. We have some specific numbers that we would want to target as far as ADHO is concerned we would like to remain there.

Percy Panthaki: Understood Sir. Next question is on margins given that we probably have not seen the full impact of the cost inflation post the Ukraine war, etc., and also given the fact that you want to increase ad spends by 200 to 250 basis points at what level do you see the EBITDA margins bottoming out for you?

Jaideep Nandi: EBITDA margins for the next two quarters will go a little lower there is no question on that, but we feel that over time these price corrections at least the RMO part of it and even LLP part of it will get corrected by the next two quarters so I think we should see more of a evening out of the EBITDA by the end of the year.

Percy Panthaki: Understood but in the short term any sort of idea how bad it can get like we are at 17 can it go only to 15 or it can go closer to 10 also and secondly in the slightly longer run let us say towards the end of FY2023 what kind of margin do you target at that point of time?

Jaideep Nandi: I would not like to get into quarter-by-quarter because it is pretty volatile at this stage so it is very difficult to comment as to quarter-by-quarter how the EBITDA margins will pan

out. By the end of the year we should be targeting somewhere close to what we are currently or may be a little lower.

Percy Panthaki: Understood. That is all from me. I will come back in the queue if I have more questions. Thank you.

Moderator: Thank you. We will take our next question from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Good morning. Thanks for the opportunity. I have got three questions. The first question is in continuation with the previous participant you said you have taken about 7% price increase so if you can quantify what is the current weighted inflation we have and against that 7% so basically I am trying to arrive what is the gap?

Jaideep Nandi: Are you talking of the material cost impact that is there and the breakup of the material cost impact is that what you are asking?

Shirish Pardeshi: No, I am saying with the material basket RM/PM put together?

Jaideep Nandi: So breakup of the material cost basket, so roughly if you ask me there has been a 6% gap that you see between let us say FY last year versus FY this year from the material cost going up from 36.7% to 42.7% so that 6% comes from roughly about LLP comes to about 3%, packing material is about 1%, RMO is about 1.5% and the mix is about 0.5% so this is very roughly the breakup.

Shirish Pardeshi: So if that is the status do you think there is a merit that we can take price increases or do you think now the category is also seeing the head winds so it is not the right time to pass on the inflation at this time?

Jaideep Nandi: At this stage as I said last year if you look at, we had taken price increases against the larger brands in hair oils while they have remained much more wielded so hence at this current stage with what it is and looking at demand we are not looking at price increase immediately. In future maybe in the next quarter or so we will see how the demand conditions remain. We are aware that there has been a good monsoon and we are seeing a bit of recovery in demand and if that happens we will see how to take that forward, but immediately in the very immediate near term we are not looking at price increase not immediately.

Shirish Pardeshi: My second question is on the distribution front and we had almond drop then we had small representation in the Amla Oil and then we ramped up with Aloe Vera and then Sarson

which has come. In addition to that now you have other extensions so how do you think one should look at the distribution angle and whether the sales is ready to take this kind of broad portfolio because I think when you have a single brand your skill set with the retail and even distributor would be more dependent on that brand so when you have a range do you think any efforts are made on that, of course you have a VAN sales which is there, which is complimentary but in a medium to long term are we making some changes in the field force?

Jaideep Nandi:

I think absolutely a fair question because in VAN sales if you look at VAN sales will only cover most of the rural SKUs and some of these higher premium range of products would actually be pushed through your urban retail mainly and a little bit in the larger rural towns so one of the things that we have been working on just on this direction is basically our work that is happening as far as retail initiative is concerned. As of now we have about close to 3 lakh retail outlets and a little less than that and that is what we are trying to ramp up further going forward as well as to retail activation and loyalty programs which pushes that retail part of it as far as distribution is concerned. On the other side, lot of work is happening as far as sales training and inputs are concerned as far as the entire sales force. Sales force we have engaged external agencies to work with our sales team to look at multi category as well as range selling itself transferring from ADHO selling to a multi category selling is a skill set by itself. Fortunately for us there have been senior leaders and also mid level leaders who have come from outside who are used to this category selling so that is adding value to the entire team and that we are seeing good traction happening. Already in the last two months we are seeing some improvement happening in that direction and I am quite confident that this will only improve as we go forward.

Shirish Pardeshi:

The sub question on this that we are also trying to end up with the premium end and we have launched even almond drop at the premium range do you think the premiumization strategy because I am just relating to the numbers what you mentioned, the category decline is much sharper in the urban market so how one should look at in the medium term whether these all efforts will yield the fruits faster or you will take the spread may be another four to five quarters?

Jaideep Nandi:

See it is a question of what you want to target strategically as an organization. We are looking at building brands which will give us larger gross margins over a period of time. If you look at even the value added Bajaj Coco Onion it has gross margins which are very close to ADHO a little lower obviously, but closer to ADHO and we would rather want this kind of brands to get established as an organization or rather than have the flanker brands or the other rural portfolio brands which will not give you even if you scale up a lot they will not give you really any gross margin to play with, so ultimately as an organization we have always remained a very ADHO focused organization our entire performance is dependent

on the performance of ADHO. If we had to break that shackle we need to invest and we need to develop some premium brands by over a period of three to four years we have at least two to three brands which are giving us gross margins as well. While we build volumes through the Amla and the coconuts of the world and coconuts incidentally is also pretty decent margin for the value it is. We would like to develop some of these premium brands so that at least we have a portfolio at the end of the three to four years to go.

Shirish Pardeshi:

My last question is on all these new products starting from Aloe Vera to last one is the premiumization of Almond Drops what is the contribution of these products not quarter-on-quarter I am saying for a full year if you can break it out and out of these four new products what you have launched including Natyv Soul which you think looks promising and in the next two to three years if I may put a number say Rs.50 Crores mark which brands you think which will cross Rs.50 Crores?

Jaideep Nandi:

So I will again not get into the number game right away at this stage but if you ask me the three brands or the three buckets that you talked about all three play a different role as far as our company is concerned. The value added coconut is basically our strategy to get into the entire hair oils market through two routes one would be the brand led investments which is Almond Drops and the Bajaj Coco Onion, which will be brand that will be established and the other will be where we are exploiting our distribution or distribution reach which is through our coconut, through our Bajaj Amla Aloe Vera and through our Bajaj Sarson so that completes the hair oils portfolio and I think all these brands have a good potential to reach the kind of numbers that you are talking about, the number of years we will have to see but most of these brands have that potential. You move on to the Bajaj Almond Drops extension that is something that we have been working on for a long term this is not something that we just wanted to launch in a hurry because there is more method to the madness that we want to be there and now the portfolio is more or less ready and you will see the launches happening. Now obviously because of the same point that all of you are saying which is basically the amount of investments that we can do we will have them as graded launches so some of the brands will get launched this year and some of them will be next year, but the Bajaj Almond Drops umbrella is something that we would like to push on a much larger scale as the situation improves and these are all in the premium range and some of these brands do have a potential to cross the numbers that you are talking about some of the products in that entire umbrella. Natyv Soul and 100% pure are brands that we will keep scaling up I do not think they will reach the numbers that you are talking about in the very, very near future, but we have some other strategic thought process as far as these brands are concerned we will see as they come back.

Shirish Pardeshi:

Thank you Jaideep and all the best to you. I have more questions I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Deepan Shankar from Trustline Portfolio Management. Please go ahead.

Deepan Shankar: Good morning everyone and thanks a lot for the opportunity. So firstly wanted to understand this premium hair oil category for industry how was the performance for Q4?

Jaideep Nandi: So overall the decline was about 6.5% in the premium hair oils category.

Deepan Shankar: Secondly so for the last two to three years we have been seeing that wholesale segment for us has been declining at more than double digit so when are we seeing that being arrested for us or are we having a higher proportion of wholesale terms as compared to industry so even if the industry turns favorably so are we in a better position to improve our volumes in terms of wholesale?

Jaideep Nandi: To answer your question our component being higher yes traditionally we have had a higher component as far as wholesale is concerned roughly about 5% to 10% higher than that in similar category because that is how traditionally we have built our brand through a more wholesale dependence and that is why our retail presence in urban towns have been relatively lower so the focus in the last two years have been to ramp up retail. Obviously, the focus was not to drop wholesale but during COVID period we were maximum impacted because during COVID period lot of wholesalers had dropped down which we are now trying to gain back. If you look at today's distribution and if you look at Q4 distribution of retail, wholesale, and the rural market as we call it, it is actually at 25%, 25% and 50% in terms of the breakup which earlier used to be 20%, 30% and 50% those are the kind of numbers that we see, so yes wholesale as a salience has dropped down. Retail has gone up but retail is a planned activity, wholesale is where two things have happened one is during the COVID period there has been quite a bit of disturbance as far as the wholesale markets are concerned and there were a lot of pricing stability that went across states and lot of infiltration, those corrections have been done in January, we took a one time hit in January and I think clearly we can see the fruits of it where the prices in wholesale has improved much drastically and wholesale has started to show much better performances in the last two to three months that we are seeing.

Deepan Shankar: So going forward if the industry improves we could see along with the industry we could also improve volumes?

Jaideep Nandi: I would think so because I think as far as retail and the rural markets are concerned urban, retail, and rural markets are concerned clearly we are better off than where we were maybe two to three years back before pre-COVID period. In rural the VAN penetration has obviously helped, now we are a little better off in terms of rationalizing them in terms of

technological interventions that we have done with GPS, etc., so the VAN throughput efficiencies then is what we are now looking at so that has clearly moved the needle as far as rural markets are concerned. Retail there has been a clear focus for the last eight quarters and that is clearly showing as far as our results are concerned. It is wholesale where we have dropped our ball a bit and that is clearly one of the focus areas for the company in this year.

Deepan Shankar: Thank you Sir and lastly so what is the kind of growth we are expecting for FY2023 in terms of revenue?

Jaideep Nandi: Let us hope that the market improves. I do not think we will be able to give you a clear number as far as the growth numbers are concerned. We have internal targets which are pretty ambitious but we will have to see that the market conditions also improve and our strategy also need to go right. At this moment I am quietly confident that we should have a good year as far as topline is concerned.

Deepan Shankar: Thanks a lot and all the best.

Moderator: Thank you. We will take our next question from the line of Kaustubh Pawaskar from Sharekhan BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Good morning Sir. Thanks for giving me the opportunity. Sir my question is we have around 10% market share in overall India so now since our portfolio has increased and now you are covering around 83% of the overall hair oil industry where do you see your market share going up to, do you have any specific targets, I do not want from the next two years perspective but over the next four to five years where do you see your market share improving?

Jaideep Nandi: So that is a good question in fact that is the purpose where we wanted to be now that at least we are playing in all the hair oil categories or the entire categories. We will have to also tone down and tone up our expectation based on various other parameters as well in terms of what kind of spends we would like to do, what kind of EBITDA margins we are making, etc., so as we scale up our brands that we are wanting to invest in we might do a little bit of jugglery in terms of the distributed brands, the brands that we are pushing through distribution so ideally our objective would be to scale up Almond Drops, scale up all the brands that we are advertising through where our gross margins are higher and we will like to keep the other portfolio a little balanced so we have a decent expectation as far as market share is concerned. I would not like to quote numbers at this stage because there will be a function of many other parameters but yes in terms of our own internal growth we have some ambitious numbers.

Kaustubh Pawaskar: Sir related question to that is with the target or expectation of increasing or scaling up the brands do we also need scale up in operations, so are we looking for capacity addition in some of the geographies from where you can have a much better distribution of your products?

Jaideep Nandi: That is an important question. In fact lot of work has been happening at the backend in terms of both streamlining our manufacturing operations as well as making it far more efficient. In fact just to give you a number as far as manufacturing and supply chain initiatives are concerned we saved about Rs.5.9 Crores through 2021 initiatives. A large part of it was obviously in terms of the supply chain and in terms of lot of rationalization that we did. One of the other things that we did was in terms of which manufacture, which is the best plant fit for each depot location, the 10% reduction in transport cost that we did was lot of algo that was done in terms of connections from each plant to the depots. Now as we scale up we are also looking at the next five years what kind of numbers we are looking at from which region and hence accordingly how the manufacturing footprint of the company should be. As you are aware Guwahati plant which is still under the GST benefit regime will be there till 2027 that benefit that we are getting. Now as that goes off by 2027 we are also looking at how we can bring the manufacturing facility closer to the markets that we operate and closer to the import locations for the imported products whereby the movement of raw material and the movement of FG is the least both put together, so these kind of rationalization happening and as a result there will be some investments that will be made as far as our own plant is concerned while we also set up a robust manufacturing facility as far as our third party and second party operations are concerned.

Kaustubh Pawaskar: Sir any specific number you want to in terms of capex for the next three years or it is too early and once the scale up happens then only you will be able to give us a number?

Jaideep Nandi: So while we are crunching numbers internally I would not like to talk of numbers right away because these are all still in the drawing board phase and based on how the market reacts and how our brands get traction, etc., we will also be building the facility so the requirement is still a couple of years away so we have the luxury of time so in that time in the next two years or so I think we will have a better view of where the manufacturing blueprint lies.

Kaustubh Pawaskar: One last one on the international business so what is the current contribution if we look into the FY2022 numbers and whether we are looking to add many geographies so that even the international business would scale up parallelly with what your strategies are for the domestic business?

- Jaideep Nandi:** So the international business contributes to about 4% of our total business, but over time I think we have some focus areas. Again I would not like to talk of exactly what we are doing at this stage maybe in this year we should see some movement as far as international business is concerned. We are looking at one or two markets where you would want to press on the pedal so that is where we are focusing on. The last two years we have said that international will not be focus areas for these two years FY2022, 2023 where we would like to pick up and that is what we are going to do. Just a small correction international business is about 3% and not 4%.
- Question:** NPD contribution is how much, new product contribution to your revenues?
- Jaideep Nandi:** At this stage again very little because as of now ADHO still remains 90% of the portfolio because we have just started investing in the new products as of now so the contribution of ADHO has gone down from 93% to about 90% by this year, but this year you should see a significant change in that.
- Question:** But that would be largely with Amla's contribution going up, not the new branch?
- Jaideep Nandi:** Not really. Amla has already done whatever it had and there will be some more push obviously as far as Amla is concerned, but I think overall other new products should be a big difference in the total number.
- Question:** Thanks for the understanding and all the best for your future.
- Moderator:** Thank you. We will take the next question from the line of Vidhi Shah from Yes Securities. Please go ahead.
- Vidhi Shah:** Thanks for taking my call. So the first question is Natyv the new launch that you will have it comes spell checks on Amazon and it provides wrong results either Nitiv or Native so since this is a B2B brand direct to consumer is management kind of aware of addressing this actively and my second is on the PAT side so would it be safe in assuming that the company's new launches and the related investments are kind of having impact on PAT and would put the pressure because of the new launches that have come on PAT continue for the next one to two years and if so is it safe to assume that 140 to 145 Crores of PAT is a new base that you form and is it going to continue going forward and if so why?
- Jaideep Nandi:** It is four questions as I see it and I will answer the first question first so Natyv Soul is how we wanted distinctly the brand to be Natyv and we are well aware that in a search Nativ, etc., will come in and that is where two things are happening one is we are actually buying the Natyv and pushing the search to Natyv as you would see when the search happens and

the other thing is as we build up the brand Natyv, Natyv itself will become popular which we are also seeing as a part of attraction, so this is how Natyv is also. This was something that was thought through and this is how we want to play it out, this was a planned launch in that matter. Coming to your brand and what it will mean in terms of the EBITDA moving forward and the PAT moving forward you are absolutely right. The question for the organization stands simple whether we remain in ADHO and keep trying to push ADHO beyond a certain level now given what the market conditions are you will always be slave to both market condition as well as to the material cost. You will have to break the jinx at some point of time and hence move forward so that you have a multiple basket to play with not only possibly in hair oil but also across categories which is what we will be trying to develop over the next two to three years. Yes there are no magic bullets unfortunately hence investment in these brands will happen and they will be for a short term, little bit of erosion of EBITDA which we live with, but we assume that kind of work that has happened these brands will start scaling up over the next two to three years and we will see reversal of the EBITDA numbers as well. We also expect that the material cost will not remain high. Now these are absolutely an unprecedented high. The question is whether we would want to ride out the material cost and the demand situation to improve and then start investing. There is a never a right time to invest, so we have taken a decision that we invest now so that at least investments starts and by the time the cycle turns at least we are in a better situation rather than start afresh at that stage.

Vidhi Shah:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi:

Hi Jaideep thanks for the opportunity. I have two questions one question when I look at last two-and-a-half to three years I think there was clear cut people were downtrading to Amla and low-cost value add segment. Now the assessment says that even Amla is also declining and coconut has just managed to flat, just wanted to understand in your lens and your assessment what exactly are the problems the hair oil industry is facing, is it that the status of hair oil is still discretionary and people are not spending on it because when I see last five quarters now I think fairly people have started going back to and economy also recovered, but still hair oil typically has not improved so maybe if you can help me to understand what are the problems which we are facing?

Jaideep Nandi:

If you look at Amla and coconut it is basically also because of the quarter impact that was there. Last year quarter was a very high quarter for most of these products so Amla and coconut is more of a temporary phase I do not think there is too much of a thing to be read into the growth of Amla and coconut for the quarter. It is also a bit of a base correction, so I

do not think that is something that is going to change over a long period. Now hair oil as a category we are aware is not one of the highest growing categories or will not be high growing category. On the other side of it as well we do not see the category just vanishing off in a very quick space either so there might be a little bit of a decline that has happened but when the overall economy and sentiments go up we have seen the hair oil market has also been pretty resilient and it does come back. It will not be a sunshine whereby the growth will be very, very high but the market will remain resilient the 13300 Crores that Nielsen reports the market will more or less be somewhere there. So while the hair oil market will remain and we will keep working on the various portfolios of the hair oil as we said as a company we need to look beyond hair oils and that is why our attempt to enter into some of the other categories beyond hair care into skin care, which we would start by this year.

Shirish Pardeshi:

Got that. In terms of wholesale what is our current contribution and I am sure we had a peak more than 50% coming from wholesale so two parts to the question one is that what is current contribution from wholesale and what exactly we are trying to do, are we trying to rationalize the pack or we are trying to change the promotion or altogether the reach to the wholesale?

Jaideep Nandi:

So as I said for the quarter it is now nicely sitting at 25, 25, 50 with retail being 25%, wholesale being 25% and sub billing that we do which is for the rural markets which is also above 50% so this is where we are. Ideally the situation was 20, 30, and 50 wholesale from our urban markets directly from distributors to wholesalers that was about 30% number as far as we were concerned. Now while our push for retail will always continue and we would like to continue to grow much stronger in retail for two reasons one is because our retail footprint itself is much smaller, we are a little step behind as far as competition is concerned, as far as retail footprint is concerned. The other is strategically it is far more important to be present in the rural both in terms of width and depth in retail, urban retail both in width and depth given the kind of products that we are launching we would like, these are more urban centric products and we would like a much stronger presence as far as retail is concerned, these advertised brands that we are talking about, so this is as far as retail is concerned. As far as wholesale is concerned I think we have done an in-depth study as to where the losses have been and most of it as we discussed was mainly in the Bihar, UP, and MP where the number had fallen from the pre-COVID level and these are activation programs that we are doing to reactivate back these wholesalers back into our fold and there has been some bit of green shoots that we have already seen happening and we will continue to do that so lot of rationalization of prices, so one of the things that we did as a onetime correction in the month of January was rationalizes prices across markets so that the prices in wholesale improve and there is infiltration at our streets which go down so that had its desired impact and we have seen the wholesale starting to slowly come back.

It has not yet come back to the previous level but it is clearly showing signs of improvement.

Shirish Pardeshi: My sense is that we have roughly about 80000 to 83000 wholesale across India it is fair to assume that we would be covering at least 20000 to 25000 wholesale account at this time?

Jaideep Nandi: So again the way we calculate numbers is we do not calculate the wholesalers that are substockist supply which is basically a tertiary sale. We just count the numbers as far as wholesalers are concerned as far as our urban distributor supplies to wholesale which is our secondary source so that number is 10,000 or so.

Shirish Pardeshi: Alright thank you Jaideep.

Moderator: Our next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Sir my question relates to more of you introduced lot of products last year and the current year you want to take them aggressively so what I was thinking like whether you have introduced not too many products in this year means whether you will be able to service all these products in the coming year or some of these products may remain unfocussed over a period of time?

Jaideep Nandi: Absolutely right question so the way it will work is and that is why if you look at little closely at the portfolio that we are launching. Let us look at the hair oils itself, hair oils we are now looking at about five products, there is almond drops hair oil which obviously will be continuously supported and we are looking at renewed focus on almond drops itself. There is Bajaj Coco Onion which the advertisements have started which is again brand led investments where we continue to invest in the brand itself that I said is a high gross margin product we will continue to invest on it and there are three other distribution led brand which is the Amla-Aloevera which is the Sarson Amla as well as Bajaj Coconut Pure coconut and these are all distribution led, so in terms of advertising budget it will only be restricted at this stage to the first two while there will be more of sales initiatives and activation as far as the other three are concerned. So while in terms of number of brands they may look high but not all of them will be media supported because we feel the two strengths of Bajaj which is Bajaj Almond drops the name itself and the distribution of Bajaj these two need to be exploited as much as possible so some will go through the distribution route, where the almond drop extensions we are launching and that is why there will be also graded launches as far as Almond drop extension, not to many brands because we will not be able to support them fully.

- Sunil Jain:** So for the other brands like Amla and coconut it is more of a basket you are taking to the retailer and where you will be able to gain some share in that where earlier you used to just take one product?
- Jaideep Nandi:** If you look at through our direct brand sales initiative itself that 3 lakh retail outlets that we added there is a good bit of presence that we have also direct reach. We have a direct reach of 8.5 lakh retails plus minus 10,000 here and there so with that kind of reach you would want to exploit it just not keep the basket only restricted to almond drops and over the last one-and-a-half years we have seen how Amla Aloevera has scaled up well just through that route and we are seeing even Sarson Amla scaling up in that route and you see not only us but even competition for these products, most of them go about in the same manner. In fact last year if you look at that entire Amla portfolio there has been hardly any advertising that has happened as far as Amla portfolio is concerned for any company and yet there has been good growth in Amla. Yes I agree that has been in the cheaper categories of Amla even competition has sold more of the cheaper category of Amla but that is the nature of the business and that is the dynamics of the business and we will have to also be aware of the dynamics of the business so that is what it has been. So we will exploit our distribution and keep selling some of these brands where we can exploit the distribution.
- Sunil Jain:** Yes great Sir. Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Anup Ramachandra from A&P Investments. Please go ahead.
- Anup Ramachandra:** Hi thanks for allowing me to ask question. My first question is basically with respect to LLP is there any thought process that marketing team has thought about to handle the negative feedback that it gets in the digital media spectrum?
- Jaideep Nandi:** I think as far as the negative feedback is concerned as we are aware one of the most popular baby oils is actually 100% LLP as all of us aware, so we are looking at how we want to also market that. LLP as such does not have a negative connotation in terms of at least the product being as far as applicable to the beneficial value of the product as far as hair is concerned, in fact it has a very, very positive impact both on hair and skin and that is how that most popular brand as far as baby oils which is 100% pure LLP works. Now obviously there is a marketing side to it, we are looking to how to address that in terms of looking at this thing. This is one area where we have actually identified and taken up as something that we would like to do our communication in and we are working on that, so LLP does have an environmental impact because given that it is a mineral oil but clearly it is beneficial to both hair and skin.

- Anup Ramachandra:** I agree the aspect of it is beneficial aspect but I am saying there is lot of miscommunication also happens from so called influencers which may impact our radius of sales so that is the reason I am asking?
- Jaideep Nandi:** It is a fair question and given that the sensitivity and the awareness is increasing and there has been clearly negative which is being promoted on LLP itself. There has been buzz in the social media. I do not think the impact of it is major but clearly this is something that we need to address and we are looking into it as to how to minimize the impact of the negativity of this thing or maybe put it on a positive twist itself so this is something that we are working on, an area clearly identified by Bajaj.
- Anup Ramachandra:** The second question is basically what is the company's perspective with respect to Bajaj Brahmi Amla because that is the brand recall which most of the consumers have other than Almond drops like what Company looking at respect to Bajaj Brahmi Amla?
- Jaideep Nandi:** Brahmi Amla if you look at unfortunately while as you rightly said it had a large recall but the recall is mainly restricted to the older generation and not really to the newer generation. One of the main reasons for that is while there are lot of work that has happened there is not really any clear ingredient benefit that was coming out of Brahmi which actually could be claimed as far as the hair is concerned so it has been a historical product, it has been there from a long time, but we have actually worked in our R&D lab to see how we claim Brahmi as a positive twist to the hair. It did not come out strongly for us is concerned, so having said that we understand that Brahmi does have a latent demand and we would not like to let it completely go so we are using that product as a strategic SKU. In the canteens anyway it is a large brand we push it but also in modern trade where we do use it a flanker brand to protect our ADHO. Brahmi actually is strategically used even in modern trade as well but as such if you look at there is not too much of story as far as Brahmi part of the Amla is concerned.
- Anup Ramachandra:** I just want to know how Brahmi is doing with respect to e-commerce sale?
- Jaideep Nandi:** It is not in e-commerce that we push it in it is more in modern trade. E-commerce Brahmi is not a product that we have. E-commerce we mainly restrict ourselves to more the premium end of the portfolio not so much Brahmi. There is a bit of Nomarks sales do happen through e-commerce but not Brahmi.
- Anup Ramachandra:** In Amazon and other e commerce sites, other than ADHO, Brahmi is the one who is getting lot of reviews and views?

- Jaideep Nandi:** Yes it is there but that is not what is sold in large. There is a lot of Nomarks I would not say lot of there is a bit of Nomarks that is sold and some of the newer brands which are also getting traction.
- Anup Ramachandra:** Last question with respect to digital brand what exactly is the Company looking at in five years spectrum will it contribute substantially to us, is the company strategizing in a way that digital brand contributes substantially to our sales and then do you have any plan of going offline or do you want to keep it muted and see how it goes and then you want to scale it up or something like that?
- Jaideep Nandi:** As far as the digital brands are concerned it is more the digital footprint that I would rather talk about rather than brand itself. As far as the digital footprint is concerned the company does have plans to go further on that, we are looking at both the B2C platform itself and see how that works out, how the costing dynamics occur as far as logistics cost, etc., so that is more a little mid-term rather than short-term I would say. We are also looking at strategically some other aspects of the digital listing which I would not like to discuss at this stage, but there are certain other thoughts that is as far as that entire digital portfolio is concerned so we will have to see as we go by as to what we want to do.
- Anup Ramachandra:** Thanks for answering my question.
- Moderator:** Thank you. Our next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.
- Kaustubh Pawaskar:** Sir just one question on the reach so what is our current retail reach?
- Jaideep Nandi:** So our urban retail reach is about 2.6 lakh retail outlets across the country. This is the urban retail reach as we define which is basically what the distributors sell to our urban retailers. If you look at the overall reach we have about 8.5 lakh which is supplied through both the distributors, through the sub stockist and through the VAN sub stockist as well that is about 8.5.
- Kaustubh Pawaskar:** How much it has gone up in the last two years like whether you have done any significant addition or it is like you are focusing on improving your scale in whatever reach you have?
- Jaideep Nandi:** So if you look at again it has been broken into part. If you look at one-and-a-half years back when we did the VAN initiative our distribution numbers went up from 5.5 lakh to about 8.5 lakh which is where it has more or less remained, there has been a certain numbers, which are very small numbers lost in wholesale, certain improvement that has happened in retail so more or less the overall numbers have more or less remained the same. There is

some bit of loss in rural some bit of loss in wholesale, good coverage as far as retail urban is concerned so overall the numbers have remained more or less at this level, so 5.5 before COVID went up to 8.5 lakh and it has remained there. Nielsen number still remains at 43 lakhs overall indirect coverage as far as our brands are concerned.

Kaustubh Pawaskar: Any particular target you have like this 8.5 would be going to around 10 lakh outlets by 2024 or something like that targets you have in mind?

Jaideep Nandi: So we have targets not really as far as while 10 lakh is a very nice one million number to achieve more than that we are looking at specific numbers, it is a little more granular the kind of numbers that we want to approach so we are looking at zone wise what kind of channel distribution numbers we would to achieve in the next two years or so and those numbers we have for us, so those numbers will be a little substantially higher. I would not like to discuss specific numbers at this stage.

Kaustubh Pawaskar: Sure. Thanks.

Moderator: Thank you. I would now like to hand the conference back to the management for closing comments. Over to you Sir!

Jaideep Nandi: Thank you. While you understand that the last quarter was a pretty tough quarter as far as business is concerned. We have taken this correction in January so the numbers for the quarter was a little lower than what it would have normally been, but this one time correction has clearly seen positive results for us so we are hoping that this quarter which has started well would end well also for us and as rightly called out we will continue to invest as far as our brands are concerned and hence as a result for the next two quarters we feel that the EBITDA will remain muted, but if we are able to get traction back into our brands by the time raw material price cycle turns and the demand cycle turns we should be seeing both positive sides as far as our business is concerned. So with that I would like to end my comment and thank you all for joining.

Moderator: Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.