"Bajaj Consumer Care Limited Q4 FY 2021 Earnings Conference Call"

April 20, 2021

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MODERATOR:	**MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Consumer Q4 FY 2021 Earnings Call, hosted by ICICI Securities Limited. 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 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. Manoj Menon from ICICI Securities. Thank you and over to you, sir.

Manoj Menon: Hi, everyone. Good morning, good afternoon and good evening, depending on which part of the world you are dialing on. At I-Sec, it is our absolute pleasure to host the management of Bajaj Consumer for the Q4 FY 2021 results conference call.

The company is represented by Mr. Jaideep Nandi – Managing Director, Mr. Dilip Kumar Maloo – Chief Financial Officer, Rohit Saraogi – AVP (Finance), and Mr. Kushal Maheshwari – Head (Treasury and Investor Relations).

Before I hand over to the management, just wanted to take 30 seconds to quickly comment about our views on Bajaj Consumer at I-Sec and what do we think for the company in the medium term.

In our view, Bajaj Consumer is on an improving trajectory. It appears to be a clear case of a trapped value story, not really a value trap, which was probably perceived as in the last few years. We like the renewed trust on product launches, new SKUs, the thrust on digital, improving brand visibility, thrust on e-commerce. So, when I think about it as an analyst, there are multiple actions on sales front, marketing front, HR front, even investor presentation there are slides on Bajaj being a great place to work, etc., So, without further ado, over to Jaideep and team for the presentation and Q&A.

Jaideep Nandi: Good morning, everyone. And as Manoj said, good afternoon, good evening to others from the rest of the world. So, firstly, thank you Manoj for hosting this call, and a warm welcome to all of you for attending our conference call. As Manoj said, I am joined by Mr. Maloo – our CFO; Rohit Saraogi – our Assistant Vice President (Finance); Kushal who is our Head of Treasury and Investor Relations, as well as some of my colleagues from our management committee.

I hope all of you and your families are safe and taking due care and precaution amidst this second wave of the pandemic that is sweeping over India now. While we have got used to this idea of working from home in the last one year, this is the very first time we are attending this call from the comfort and safety of our homes, so still some firsts being attended to now.

So, let me take you through the quarter four performance and the full year highlights of the company before we open the house for questions. Q4 was a robust quarter, continuing its momentum from Q3 with improved economic growth and positivity around the COVID vaccination rollout for the country. Rural continued its growth momentum whereas urban started showing signs of recovery. On the other hand, recent inflation in global commodity prices after a benign run in H1 has started posing pressure on margins across most industries, not only in consumer but other industries as well.

The company reported a sales turnover of Rs. 241.9 crores for the quarter with a growth of 43.5% over the same quarter of the previous year, albeit on a lower base. This is very similar to what we had delivered in the Q3. The EBITDA for the quarter was at Rs. 62.14 crores against Rs. 25 crores in quarter four last year, and the margin for the quarter was at 25.68%. The PAT for the company was at Rs. 53.9 crores against Rs. 24.5 against previous year's quarter four.

The company has delivered a healthy growth of 9.8% top-line growth in FY 2021 and a PAT of Rs. 223.57 crores with a growth of 17.33% over the previous year. The Board of Directors of the company has proposed a final dividend of Rs. 4 per share, subject to approval by the shareholders. This is on the back of an interim dividend of Rs. 6 per share declared in February this year.

The gross margin of the company was at 60.6% as against 63.46% sequentially in Q3 2021 and 67% in Q4 2019-2020, last year. The drop in gross margin is led mainly by increase in prices across the full range of raw materials and packing materials where the price increase has been seen for the first time, secondly because of change in product mix where we have higher sales for Bajaj Amla Hair Oil, and we have also taken a provision for non-moving inventory of sanitizer at the year-end as a conservative measure.

We have taken price increases in the months of February and March to the effect of about 2.5% overall, to partially offset the impact of inflation. While the full impact of the price increase is not yet seen but will be visible in the coming quarters. We are closely monitoring the price trends of key raw materials as well as the competitive landscape. Going forward, we may take appropriate pricing decisions again and optimize sales promotion expenses, if required, to protect our margins. Advertising cost at this stage is also not being contemplated to be lowered at this stage.

The hair oil category, as per Nielsen data, continued to recover with a value growth of 0.9% and a volume growth of 3% in January-February 2021. The volume growth continues to outpace value growth as we still see the value for money brands leading the category growth. The rural markets continue their momentum with a 6% growth, while urban markets have recovered sequentially with a decline of 3% in January-February. As stated in the last quarter, we still feel that the Nielsen numbers are a little under indexed for the hair oils market.

As per Nielsen data there has been a sequential increase in the market share for BCCL with a market share of 11.1% in January-February 2021 and February 2021 MAT market share of 10.4% in Total Hair Oil, as against 10.1% of MAT in March 2020, with both the ADHO as well as AHO, both are brands gaining share, both in their respective categories as well as in Total Hair Oils.

During the year FY 2021, the company delivered a strong single-digit growth in hair oils as well, led by rural growth with sustained investments in driving distribution, and reaching closer to the consumer. Urban retail initiatives which started in select metros from Q3 have helped recover business in some metro cities, while van sales continue to power the growth in rural markets. Currently, we are working to optimize our van routes to drive efficiency and effectiveness.

Urban business grew by 24% in Q4, albeit on a subdued base, with retail leading the growth. Wholesale continues to lag as larger wholesalers in metro cities are yet to recover completely. Rural on the other hand continued its growth momentum with over 60% growth in the quarter and 28% for the year. As per Nielsen our products are now available in 42.6 lakh retail outlets as 40 lakh retail outlets last year, showing an increase in distribution for the company. Clearly the van initiatives to strengthen rural outreach combined with a better product assortment is helping build distribution for the company.

Modern trade continued its recovery in Q4 sequentially with good traction seen around Republic Day and closing events. We have dialed up our investment at the various national chains with an increased visibility of our product and other brands as well, Zero Grey, Cool Almond Drops, Brahmi Amla to have increased shelf space as well as assortment for consumers.

Ecommerce continues to show good progress with a 4x growth during the quarter in the back of focused digital marketing and content optimization on ecommerce platforms. We have been aggressively participating in big events on Amazon, Flipkart, Grofers, etc., to increase our digital footprint. We are also revamping our ecommerce stream as well, develop our ecommerce portfolio to fulfil our aspirations in this business.

International business has grown by 10.2% for the year. The business still remains relatively small, and the focus of the company would be to remain profitable across various markets where we operate in.

During the quarter, we continued to invest in our flagship ADHO brand across all mediums. The new commercial on TV is doing well on message communication and other key parameters of likability, relevance and purchase intent. Digital marketing for ADHO is being continuously dialed up and has been leveraged to reach out to new age consumers through various social media platforms such as YouTube, Facebook, Instagram, and this we will continue to dial up further.

In Q4, we also restaged Bajaj Amla Hair Oil as Bajaj Amla Aloe Vera Hair Oil with improved formulation, adding aloe vera with claims of softness and moisturization. The product and packaging has been innovated with superior efficacy and consumer study on softness and moisturization. The product is now available in more than 388,000 outlets across major amla markets. Currently the brand is being supported by consumer offers and print media advertising.

Bajaj Zero Grey Hair Oil, our digital-first brand continues to gain consumer traction and good reviews from the market. Consumers with a steady increase in sales in Q4 as well. The brand is supported with social media campaign across platforms to create awareness, education and trial.

We will continue to invest in our brands while strengthening our innovation capability as well as innovating our existing products while building our future portfolio in the mid to long-term. Investments will continue to be scaled up in digital marketing, while the investments in traditional media will continue as usual.

The inflationary trend in key raw materials LLP and RMO continued in this quarter. As I said, it has also been seen across all other categories, like packing material costs due to inflation in polymers and paper. The overall inflation in the material cost in Q4 has been in high single-digits, and we expect in Q1 the trend not to soften.

We continue to invest in and build our capability in terms of our team. This is a very important area that we feel for ourselves. While learning and engagement has been significantly dialed up in the year, it is with great pleasure that I want to inform that we have been awarded the Great Place to Work certificate for the third consecutive year, with steady improvement on various parameters. Dimensions like trust, credibility, pride have also some significant positive shifts in the year, and this will remain a key trust area for the company going forward.

We are working with a renowned consultant to redesign the organizational structure to make it future-ready and support our business ambitions going forward. During these difficult times of COVID-19 pandemic research, the company continues to support its employees with various policies and initiatives. The situation on the ground is extremely fluid, and we are taking countermeasures to minimize the impact of lockdown on our business, by ensuring adequacy of stocks across factories, depot's, distribution points, by coordinating and collaborating with our channel and business partners. In fact, daily, we are now involved with our field sales force to see where and how lockdowns are impacting and how we can mitigate the issues.

At this stage, we will keep reacting to the market conditions tactically while maintaining our mid to long-term aspirations of delivering sustainable growth through innovation, restaging of brands, improved execution excellence, which is an important area, investing in people and augmenting infrastructure to strengthen capability, systems, processes and control.

So, with that, I end my opening remarks and open the session for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Jaideep and team, just I thought I got a couple of clarifications, I thought I will ask you upfront. So, one, one of the important investor feedbacks has been on dividends over the last 12 months, which I am pretty happy to see that the Rs. 10 dividend per share. So, that's kind of somewhat addressed, I would say. The reason I am saying somewhat is because there is still a consensus that while Rs. 10 dividend is good, there is probably still potential for it to be a much higher payout. So, just to understand the debates, processes, discussions at the board level on putting dividend at this sort of a payout currently.

Jaideep Nandi: It is a fair question, Manoj. As you have seen, last year there were lots of questions regarding what has happened to dividend, etc., from that Rs. 11 to Rs. 14 high we had gone down to Rs. 2. As informed earlier as to why and how we had to take those corrective actions. If you look at the last 10 years' average excluding last year, the dividend payout has been close to about Rs. 8 to Rs. 8.5 per year.

Now, leaving that aside, the way you pay dividend is basically on the cash utilization of the free cash that you have in the company. And so hence going forward, we will always have a back-end policy of , let us say, tentatively about one-third of our profits being issued as dividends, depending upon the kinds of investments to be done in the mid to long-term, and hence conserve cash accordingly. Basically, one of the ways for utilization of cash is for acquisition, while we have made the last acquisition in 2013, we continue to keep actively looking for these options. And I would like to retain cash in the books to ensure that at least some part of the investments for M&A comes out of our own reserves itself. The other option for investments while evaluating the safety environment as well as in terms of general upkeep of our facilities in terms of factory, some amount would be required for CAPEX investments. We are now in the process of evaluating manufacturing footprint just to strengthen the overall manufacturing or rather basics of production for the company itself. So, there will be some investments which will be standard over the next may be five years, for which we would like to have cash reserves.

The third area is obviously investments in brands, etc., which will again stagger over the period. So, for the purpose of these three or four areas we would like to conserve some cash on the balance sheet. If you look at this year, we have given about Rs. 147 crores of dividend from a profit about Rs. 220 odd crores or so, which is about two-thirds of the profit. So, this can be assumed as the benchmark with plus/minus adjustments as and when required. So, while I cannot give a guidance on what the dividends can be of the future, but this is where the new normal with plus/minus depending upon how each year the cash requirements are.

Manoj Menon: Understood, it is very clear. Second, one was trajectory change in terms of disclosures, someone like me has been tracking the company for 10 years, we have observed that it used to be market shares within the segment, now it appears that the focus is actually on the market share at an overall hair oil level. So, there appears to be a significant shift in the thought process itself. So, what I just want to understand is, this thought process is fairly loud and clear in your presentation and the communication, but I should just talk a little more about how the internal HR policies, incentive structures, alignments, etc., is done, or do still link incentive to a segment market share or is everything determined according to the market share?

Jaideep Nandi: So now that you have asked this question, I will just share with you the market shares as shown historically, as per Nielsen data, the market share as far as MAT March 2020, as far as ADHO in the LHO segment is concerned, lighter hair oil was about 60.8%, January, February was peaked at about 63.7%, and the MAT February 2021 market share is at 62.1%, because it has been consistently from Q1 onwards right up to Q3 has been going up, it has peaked at about 64%, it is now at 63.7% January-February, 62.5% as well. So, ADHO clearly has gained in the LHO segment and also in rural because of the actions that we have taken. And that is what I was alluding to in my Q3 call as well, one of our most heartening fact is the kind of growth we have been seeing in ADHO itself. So, ADHO in the quarter grew by about 40%, both value and volume despite the pricing increases, because the larger packs have done well in ADHO. Obviously, the sachet and the Rs. 10 packs are not as strongly performing across category itself. So, there is good growth for ADHO in this quarter and ADHO has now recovered sharply with 6% growth overall for the year, so both value as well as volume. So, pretty good performance.

If you are talking about the incentive structure, then we have now redesigned our incentive structure. We have put up a trade marketing as well as the sales analytics team, so a lot of work has been done in tweaking for incentive structure in terms of looking at specific parameters that they need to deliver, rather than give just an overall value and volume, in terms of the total line sold, in terms of the distribution coverage, in terms of product level sales, the targets that we have for our ADHO, targets we have for amla, etc

Manoj Menon: Very clear, sir. So, we have got a long queue, I had actually one more question, but I just want to leave the question and we could move on, we may address during the course of the call. Some thoughts on the international business ramp up in the medium term thought process would also be really helpful.

Jaideep Nandi: International business is clearly an area which is a low hanging fruit which is there at the corner of my mind at all points of time. It is not a question of whether or not but it is always a question of when. At this stage we want to stabilize or strengthen the India business a little more. And once we have done that, I think international is clearly one of the areas to focus on. So, on the midterm, international will be taken, but a clear this thing is that where we can make money. So, some of the markets where traditionally you do not really make money will not be our focus areas, but we will be focusing on the places where there is a possibility of both top-line and making a decent bottom-line. So, limited focused approach in international maybe from next year onwards.

Moderator: Thank you. We take the next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Jaideep, congrats on a good set of numbers. I have two questions; my first question is on the price increases versus the cost inflation you have seen. So, your gross margin is down 700 bps Y-o-Y. If I do not look at Y-o-Y because of whatever high base, etc., or low base for gross margin, even if I look at Q4 FY 2019, that is two years ago, the gross margin is still down about 450 basis points.

In context of this, your price increases in February and March have been about 2%, 2.5%. So, just wanted to understand that thought process here, are we saying that the gross margins that we have seen in FY 2019 and 2020 are clearly not repeatable going ahead and we are okay to take sort of material hit to the gross margin and that will be the new normal, is that what the thought process is?

Jaideep Nandi: Okay, since this is a nuanced question so it will have some multiple layered answers, if that is okay with you, Percy. So, first and foremost, if you look at a very, very broad-based approach, there might be some dilution on the percentage EBITDA, which I have been continuously alluding to. Because if we dial up our entire business with our top line to keep growing, it cannot be fueled by ADHO alone, so we will start building our portfolio around, and not all of them will have the kind of margins that ADHO has.

Percy Panthaki: If I might just interrupt one minute, just to clarify my question. My question was on gross margin more than the EBITDA margin.

Jaideep Nandi: ~~Yes. So, gross margin, I mean, in this particular case of gross margin itself.~~ So, let me revise, ~~I mean,~~ the statement remains same except you can replace EBITDA with gross margin. So, the kind of gross margins that you make in ADHO, so products like amla, etc., which is obviously a little more competitive, will not make it. The idea is, which I have always said, is EBITDA will come in as long as AHO gives us a positive EBITDA, and then percentage EBITDA will obviously keep climbing up as the business grows and the cost of sales promotion, advertising on the brand itself go down accordingly. So that is the approach as far as Amla Hair oil etc are concerned. If you are trying to build a portfolio over time, then the kind of gross margins that we have seen in ADHO will not be repeatable. If you look at across all FMCG companies, we would be having one of the highest gross margins. Now this is all possible if you retain and remain only with one brand. However we have taken a call to ring fence this flagship ADHO brand with other products, etc. ADHO will remain a flagship brand for anytime foreseeable future, but we would also want to put some more products in the portfolio. We would like to build Rs. 100 cores brands over a period of three to five years, which may or may not have that kind of gross margins.

Having said that, this particular quarter has been a little peculiar. We are one of the first ones in the FMCG companies to come up with our results, I would expect the kind of inflation that we have seen in terms of raw material prices, most of other companies would see a similar kind of gross margin compression. While product assortments, etc., may be different, but they would also be seeing a similar pressure on the gross margins. So, obviously we will monitor the competitive landscape, while we have taken a price increase, definitely not as much as the raw material price increase that has happened in this quarter, we are again contemplating taking a pricing action.

However we will try and mitigate some of the effects and we will not be passing on the complete impact of the price increases that we have seen in terms of raw material and packing material prices onto the marketplace, since the reversal of price increase is not so easy in a FMCG kind of a setup. ~~I mean,~~ I cannot increase the price and then go back and reduce the price after some time, it is possible but not something that is desirable. So, hence, you might see some movement in gross margins that has happened in Q4 and may percolate into Q1, but I think by Q2, we should see normalizing of the gross margin.

Percy Panthaki: Understood, sir. Second question is on the top-line itself. See, from a COVID point of view, out of the four quarters of FY 2021, Q4 has been the most normal. And actually, as we go into Q1 of FY 2022, etc., it is again deteriorating. So, Q4 is the best quarter if you look at the last three, four quarters, as well as the next couple of quarters. And in this relatively sort of good quarter, although the Y-o-Y growth is very robust, on a two-year CAGR we have basically grown at just around 1% or so. So, just wanted to understand, you said your market shares are increasing, so that means actually that the hair oil category on a two-year CAGR has not really seen any material growth. And if that is the case, how do we think about modelling in our next year numbers? I mean, in the best quarter if we have seen close to a 0% growth and things are deteriorating, is that really a big risk to the FY 2022 top-line growth?

Jaideep Nandi: ~~Okay.~~ So, again, a nuanced question. So, first and foremost, we have shared the Nielsen data on market share growth~~, I me mean, they~~ which are under indexed~~ut these are what Nielsen is reporting~~. Second thing is, I think we will have to look at the year that has gone by in a little more structured manner. For example, two things happened in Q3 this year. So, one thing that happened in Q3 was that Diwali fell in November so the sale of Urban and many other places where we have some spikes in Diwali happened in the month of October this year. So, that is why we had seeing a 20% growth in October this year, while last year October, December was also reduced base, but we had grown by 20% in Q3. So, that is one part.

And the other thing that happened was, in Q1, Q2 there was a lag of demand. I don't think there was enough fulfilment that had happened of both our distributors as well as our wholesalers, etc., So, a bit of pipelining also happened in Q3 this year. So, if you compared Q3 to Q4, I think the sales has been pretty good. Now if you look at the 2019, eight quarters back, I think there were some specific incentives that we had taken, I think that time we had mentioned that also, the specific program that we had taken to boost our sales in the quarter itself. So, we had taken a huge spike in quarter four of 2019 itself, as well as there was always Nomarks, etc., that we had also taken up, which we had to take some of it back in Q1 of 2019-2020. So, there was some impact in Q4 itself. So, it might be a little more balanced if you are to not look at a specific quarter and compare, but maybe look at the trends for overall period and see how the numbers look. So, this is how I would like to say this performance of this particular Q4. So, Q4 may not have been the best quarter as far as sales is concerned in this particular year. In my mind Q3 was definitely the best quarter. That is what I said. So, this is one side of it.

The other thing is, going forward, as far as 2021-2022 is concerned, obviously, we have very, very robust plans ~~as far as 2021-2022 is concerned~~. Now all of it is being revisited and revised based on what we see. So, at this stage, if you say how do we model for 2021-2022, it is a difficult question to answer, because we have seen pretty decent sales starting in the month of April. So, it was going very, very strong. And in the last seven days we have been seeing sporadic disturbances in Madhya Pradesh, in Chhattisgarh, in Delhi now, and Rajasthan has started, Maharashtra was always there, UP five cities, whether they will go under lockdown or not, and every day we are revisiting. We had originally planned to have double-digit growth, but now we will have to see how it works out.

Percy Panthaki: Got you. Sir, just a small sub question, for Q4 do we have secondary sales growth higher than primary or roughly they are in line?

Jaideep Nandi: No, in fact if you look at primary and secondary, both are actually similar. So, that is not the problem. But no, there is again in terms of base correction. So, last year, for example, primary for us was very low, but secondary was still okay. So, secondary growth as such is lower, but primary and secondary is same for this year. So, there is no built up of inventory as of now. In fact, we had specifically ensured consciously that at year end we do not build up any inventory.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: I had two questions. If I look at employee cost ~~0:31:55~~ this year at around Rs. 83 crores, could you give us some sense on variable component in the sense on a good forward basis Jaideep is it fair to assume this will be more or less in line with the top-line growth for 2021 and beyond?

And secondly, you did mention about rural demand in your opening remarks, so given what has happened in the last few weeks, the second wave is spread across India unlike metro cities earlier. So, currently what is happening on the rural side, because that has been a big growth driver last year, so are we seeing some demand tapering off, are we seeing deferment of purchases, are we seeing down trading? If you could give some colour on these two points.

Jaideep Nandi: So, let us look at the employee cost first. Now, as far as employee costs are concerned, it is being looked at in two, three areas. One is in terms of, the corrections we wanted to do as far as the little more robust management team is concerned, which we have done most of it, though there might be a few more corrections required. On the other hand, we are now engaged with one of the leading consultants, looking at the entire reorganization of the structure, looking at manpower capability, cost wise the kind of output that we deliver, we are doing a complete benchmarking against all companies, etc., And in the next two, three months, we might do some restructuring based on that as well which will basically push our costs a little downward in terms of more rationalization of cost. So, we would like to invest only in the areas as far as manpower is concerned, where we are seeing growth etc.

Now, looking at the second part of your question, which is basically what were you doing about variable pay and fixed pay? Yes, we are now continuously dialing up the variable pay component of each employee and grade wise we are making it different. As you will see here, right up to my level, the variable pay itself goes far higher based on the year's performance, while the fixed pay remains much more muted. So, it is graded and for the senior management team, there is a far more emphasis on the performance of the company as far as the pay structure is concerned. So, going forward, my thought would be that we would like to, even with inflation accounted increments that we will keep rolling out year-on-year, I would like to see the employee cost as percentage of sales trend going down on a continuous basis, mainly supported by the higher sales than the employee cost. That should be the direction that we want to take and that is a target that we have taken for ourselves, which I think is decently achievable. I do not know what will happen this year, that we will have to see how the year pans out, but I am still confident that we should be able to do it even in the year 2021-2022. So, this is as far as the employee cost part is concerned.

As far as the rural markets are concerned, now this is too early to say. As of now, even in the beginning of April, business has been doing well. Even today, if you ask me, exactly like last year where the lockdown, etc., were happening, the impact of the lockdown is still lower in rural. The rural markets are still pretty much open even though people are getting infected there as well. During sales meeting, I was given report that most of the rural markets are still not struggling, whether it be the van sale or the ISRs going to the marketplace. So, we still do not see the impact. But we will have to keep monitoring it closely, since it is very difficult to say what will happen 15 days later.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Jaideep, you spoke about gross margin in the beginning in retail and you mentioned about some write-off and sanitizer inventory. So, would it be possible to share that number and quantum, what was that number?

Jaideep Nandi: We have written off about 1% point for sanitizers. A ctually it is not a write-off, we have just taken a provision on that for all the packing material, etc., that we had accumulated in the month of May and June for our aggressive plans for sanitizer. So, we had thought that it is prudent that we take a provision on the books for whatever had left off and in case later it gets reversed, so be it.

Tejas Shah: Okay, so percentage point in terms of gross margin is because of that?

Jaideep Nandi: Yes, as far as the sanitizer inventory write-off is concerned. Also, we have done a little bit of our balance sanitizer finished good sales in a barter deal which has also impacted a bit on the margin, so that will be less than 1 percentage point. So, these are the two things that have happened.

Tejas Shah: Second, now when we look back RFC since last 10 years when we were pegging ourselves versus all the light hair oil companies, our pricing power was very, very dominant because we used to compare ourselves with all the relatively premium hair oil companies. Now when we have redefined our target audience as a broader hair oil market, we have to compete with raw material like khopra also and amla also which are relatively low-priced products also. So, does it mean that now that the kind of pricing power that we witnessed earlier to protect gross margin may not be the same? And in that line, how would you like to play this whole gross margin and EBITDA margin dynamics because you have been vocal about that, it has been relatively higher versus FMCG standards. So, you have opportunities and considering the long pipeline of products that you have talked about in past, you would like to support. So, where do we see the margin profile evolving because of all these factors from here on?

Jaideep Nandi: Okay. So, Tejas, again, two parts to the answer. The first part is ADHO in isolation. Now ADHO in isolation, the only thing that we have been dialing up is continuously the premium image of the brand. So, if we look at our entire approach this year, it is basically to look at the new gen customers and look at how ADHO can be priced at absolute premium. So, here if you see, compared to the competition in the ADHO category, in the LHO and whatever, almond category etc., we are just keeping on pricing further up. So, our premium image on ADHO is going further up as we take price increases and as we go forward. So, really speaking, ADHO is not where we would look at margin dilution at all. So, as far as the portfolio play is concerned, obviously it will not have the kind of margins that ADHO has, it will have some reduction in gross margins, but we should end up with higher overall gross contribution which is higher as well as EBITDA which is much higher as an absolute term. So, ADHO's premiumness will not be dialed down, it is in fact being dialed up. So, all our investments, our monies in terms of advertising and brand building as far as ADHO is concerned, is not going to be compromised. That is the last cost that we would like to cut.

Tejas Shah: Sure. But any visibility or guidance on margins?

Jaideep Nandi: As far as Q1 is concerned, I think the margin pressures will remain. As you are aware, there has been continuous inflationary trend LLP has not subsided, RMO is at its all-time high, PET is high, polymers are high as a result of that PAT high, paper is high, so corrugated cartons, etc., are high. So, every cost is absolutely at its peak, and we still do not see downward movement. So, we will be contemplating a price increase, but from the corner of the eye we are also looking at what competition is doing and where they are taking their increase. But most likely we will see a price increase. So, in quarter one you will see pressure, but by FY 2021-2022 I hope things will normalize and this will be back to normal level.

Tejas Shah: So, my question was exactly the same. So, when you see a normal level, it means 30, it means 28, so where would you like business to operate from here on considering the diversification agenda you have?

Jaideep Nandi: See, I would like to benchmark myself against most of the other top FMCG players and keep our EBITDA margins a little higher than that. So, if I were to look at the EBITDA margins of my competition and somebody who is much larger, we would like to keep it at about 25% going forward with launches of brands and which sales growth etc., so obviously it comes with riders. So, my focus is to keep it at 25% plus, hovering between 25% to 28%. But more focus is to ensure that EBITDA as an absolute keeps expanding.

Tejas Shah: Very helpful. And last one, Nomarks is missing from our discussion today, so any plan there?

Jaideep Nandi: Okay. So, this is a subject we have kept on discussing in and out within the company. Now there are only two options as far as Nomarks is concerned, either dial it up through what we had done about two years back, or basically look at an exit. So, at this stage exit does not make too much of a sense because there are not too many takers of the brand and we are not in a desperate hurry to exit. So, we have revamped one or two products in that category like the creams, etc., But beyond that, there is not too much that we are focus on Nomarks, we will keep it as business as usual. There are a lot of other products that we wanted to launch in the ecommerce pipeline and some of it in the GT channel itself, however this does not include Nomarks.

Moderator: Thank you. The next question is from the line of Aditya Kondawar from JST Investment. Please go ahead.

Aditya Kondawar: Sir, last quarter you said that in the next two, three quarters we are going to see more of ecommerce and digital-only brands. So, I just wanted colour on the kind of products or the product extensions that you are looking at. And number two, what is the ecommerce contribution to the total revenue? Thank you.

Jaideep Nandi: So, ecommerce has now gone up to about 3% of our turnover. So, it is continuously going up on a quarter-to-quarter basis. And that is a very good sign, we would like it to go to about 5% in as quick time as possible and maybe take it even beyond that if we can. So, I think ecommerce has been doing pretty well. ADHO itself has been doing very well on the ecommerce platform as is Zero Grey which has started showing some traction, and so on and so forth. And very clearly our focus is on the B2C only, not so much on the B2B part of the ecommerce. Because while it adds up to the numbers, it really is not ecommerce the way we would want to look at it. So, there is a qualitative part to it as well.

As far as the launches are concerned, so the product extension, which is basically Almond Drop extensions, etc., they were more for the GT channel. And ecommerce, which is the premium end, the products are all ready, now it is basically an opportune time. Now because these are high end portfolios, these are not essential. We would also monitor how the pandemic goes. We had originally said that it will be end Q2, beginning Q3 when we would like to launch this product. Now our back-end work continues, whether be it in terms of designing the product, naming them, branding them, getting the packing material, etc., all standardized, everything is already there where we make it, what kind of formulation, what kind of claims etc. Most of the backend work continues without interruption. It is just that when we would launch, we will also tactically play it, because not being essential we would like to launch it when we think it is a best time to launch a new product. So, whether it is Q3, whether it is Q2 end or whether it gets pushed by a few months is something that we will take call later, closer to the date rather than now.

Moderator: Thank you. The next question is from Shirish Pardeshi from Central Capital. Please go ahead.

Shirish Pardeshi: Hearty congratulations from my side. I just have a few questions. The first question is that, on FY 2021, the full year growth is in the range of about 9.5%, 9.8% to be precise. Would you please break up what is the price and the volume overall?

Jaideep Nandi: See, if you look at the volume growth, again, because our assortment has quite a bit changed, the volume growths are quite different. So, our value growth rate is 9.8% on basic sales, while our volume growth is close to about 15%. So, that is what that has come up. And that is mainly because of two product categories, one is obviously the amla which has got scaled up, the other is also sanitizers which is at a lower price that we have sold. So, these two products actually helped grow the volume more than the value. As I said, Almond Drop had a 6% growth on both sides, value and volume.

Shirish Pardeshi: Okay. Sir, on a base of say 10% growth in FY 2021, it is just an observation what I came to know from the presentation. You have said that your amla penetration is roughly about 388,000 while your overall penetration is much larger, maybe 2.5x, 3x. So, I just have one question, that if you assume that your van operation and you are now trying to rationalize the van operation, and I think if there is a scale at which you are bringing this, so can we assume more than 8%, 9% volume growth for FY 2022?

Jaideep Nandi: See, I would have been very comfortable giving this answer maybe about 15 days back. But given the way the pandemic is going on, it is a little futile to give it. I think we had a pretty robust plan and pretty confident that we would be able to execute that. But given the way things are panning out, I still think that we will be able to achieve that because we have put in enough buffers in our system to be able to manage those kind of numbers. But I really don't know what is going to happen in May, June, etc., April seems to be still okay, but May, June, July, I really do not know. So, we will have to wait and watch. I think every company will be impacted similarly. I think we have a pretty good network.

And I think one of our advantages, because we are very focused in only hair oils in our category, etc., so I think in times of pandemic we have been able to react a little better, because the larger the assortment, going and reaching out has been a little more difficult. I will not get into this entire discussion between essentials and non-essentials. At least category wise it has been easier for us. We found it easier to bounce back in Q2 when the market reopened. So, we are still finding it pretty okay to be able to operate in the businesses that we are in and the kind of initiatives that we have taken in amla, ADHO in terms of rural growth, packs, etc., Still doing well but we will have to see how it goes.

Shirish Pardeshi: A follow-up on that, Jaideep. You already had an amla product and you also added aloe vera amla franchise to that. And when I look at, the market leader is trying to play the value game at the amla end of the pyramid. So, do you think you have a merit? And I am counting on the distribution part and penetration which is up north and middle India, do you think amla will surprise or rather amla is surprising you in terms of growth rates and what you have estimated that new product what you have launched will have a much bigger scope and play in your revenue contribution?

Jaideep Nandi: So, other than the surprise part, answer to your entire question is yes. I think there is an upside to Amla. Will it contribute to a significant portion? The answer to that is also yes. Are we surprised? I would say no because this is exactly what we had planned. And going forward, this year also we have a pretty strong plan in amla, and I think COVID or no COVID, we should be able to execute and achieve those plans, etc., So, we had some more plans as far as going a little heavy on in terms of communication, etc., that we will see when and how to launch, and we will phase it out based on how the marketplaces react.

Now, as I said even last time, this is a Rs. 2,200 crores market, dominated at one end by one player and lower end by the other player, really speaking not too much else other than the variance of various products. And if you see, that is exactly what the other two players are also doing, they are taking out variants to cut each other in those marketplaces, we see there is enough and more space for us. If you want to have an aspiration of Rs. 100 crores brand, which is about a 5% market share, that in itself given Amla is a category where traditionally the markets is the Hindi speaking belt where we have strong distribution, and that exactly nicely fits in to where we want to sell, I do not see that as too much of a difficult exercise. And that is how the market is also reacting.

Shirish Pardeshi: Okay. If I am not too much pressurizing on margin, I have one question on margin. The way I look at it, I think what you have done in your presentation, again, I am picking up, the saliency for rigid packs, like bottles has gone up significantly, and that is also reflected into the volume growth. Assume that the pandemic is elongated for a little longer time and consumer would uptrade from sachet small pack to the bottle, I think in your numbers you have been trying to be super conservative in terms of margin performance on ADHO. Given that you have already taken a risk of taking a price increase, and if the material prices are going to go up you can take another round of price increase. So, tell me if I am missing something in this?

Jaideep Nandi: No, I don't think you are missing anything on that. I mean, there is no point over promising something unless you are completely confident of what we are going to deliver. So, what I can visibly see is all I can say. So, you are right, we have clearly seen the larger packs doing very, very well. Last year, all the larger packs, right from the newer launch of 160 ML, which we launched in the Rs. 99 pack in the eastern markets, right up to 200 ML, 300 ML, 500 ML as well as the 650 ML in modern trade, all of them are showing good traction. The 2.5 ML sachet is not doing well, 19 ML Rs, 10 pack is not doing well. But again, we have launched a Rs. 20, which was a gap last year, which we have been continuously saying, that is the largest growing pack size. Now that is showing good traction and we are spending some sales promotion money to ensure that sales also catch on. So, I think we are well covered as far as ADHO on both sides.

And as far as material cost is concerned, most likely we might take a price increase this quarter. So, we will mitigate some part of raw material price increase. But this is unprecedented price increases that happened in raw material and packing material, and this is the first time there has been an all-rounded price increase. So, whether it is LLP or RMO, whether packing material, whether it is in terms of glass, PET, cardboard, CFC, everywhere the price increases are happening, it is not only in single thing. Most years if you see, if LLP has gone down RMO has remained stable, has gone down otherwise, etc., now it is completely influential all across. So, it is very difficult to pass on the complete thing to the consumer, especially in this kind of scenario.

Shirish Pardeshi: Okay. My last question is you spent a lot of time giving us some that you have hired a consultant and you are looking for a management structure. So, if you can give some more understanding what exactly you are looking at and what is the management structure, is it leaner or it is more compact or is it going to be larger in terms of area of operation?

Jaideep Nandi: No, we are not looking at the management structure, we are looking at the entire organizational structure. So, basically what we are trying to do is we are looking at mapping of our structure, both in terms of capability, our people, their job scope, relevance, and basically doing a map across the industry as well as what our aspirations are and what we need to do. So, basically, one of the objectives will be to optimize, but it is also to try and make it future ready. So, where we see there is some fat to be skimmed, we will skim it, and where there is requirement to dial up, we will dial up. So, as far as the management structure is concerned, even as we see from the consultant what we have done versus what they are proposing, there is not too much of a difference. So, at the top you may not see too many changes over and above what we have done, but overall, in the structure you might have some restructuring. It is not that we will let go of people, but yes, some structural changes will keep happening over a two to three-year period. We make it a little leaner and far more accountable. Accountability of people and jobs, salaries, designation all being commensurate with the kind of work they are doing so that there is aspiration as well as accountability across the company, that is very, very important, which we are trying to drive.

Shirish Pardeshi: Yes, I completely agree your thought, but in an analyst world what it means essentially, are you or have you given a target to a consultant for cost reduction or job optimization?

Jaideep Nandi: That is a target given to our HR guys. So, more the consultant's objective has to be to optimize this thing, the target of reduction of costs, etc., is more for the HR guy to do. Yes, there is this thing, but more than just looking at what absolute number cost is to be reduced, we have a target for where we want to see the HR employee cost expenses to go, we are looking at how competition is operating, everybody else is at, and we want to benchmark ourselves. Being a smaller company, obviously, the cost structures are a little higher, so that as sales gets adding up, I think the cost itself will get neutralized. So, costs are expected to go down over time, both as a result of rationalization as well as in terms of increased sales, which should bring down the percentage of cost. There will be not too many additions to manpower for sure.

Shirish Pardeshi: Wonderful. And thank you Jaideep, that was a wonderful commentary. And all the best from my side.

Moderator: Thank you. The next question is from Dixit Doshi from Whitestone Financial Advisors Private Limited. Please provide

Dixit Doshi: Sir, you mentioned about the new product launches in the later part of Q2 or Q3. So, I understand this is also in other than the hair oil category.

Jaideep Nandi: Yes, Dixit. So, basically as I said, as far as ecommerce is concerned, we will not only restrict ourselves to hair oil but get into the newer formats in hair care as well as very adjacent personal care if at all, because we have been doing continuously on consumer research, consumer insights we have a consultant who has been working with us for the last three, four months on that, looking at branding that works with the customer, etc., So, the only areas that we will get into is premium hair care, other format, or very, very adjacent personal care format, nothing beyond that at this stage.

Dixit Doshi: So, that will be predominantly for ecommerce market only, not the traditional market?

Jaideep Nandi: As far as the hair care premium end is concerned, yes, absolutely, that will be only for the ecommerce market. But for the personal care extensions that we are looking at, they will be for the general trade as well. But that launches might be about Q4 also.

Dixit Doshi: Okay. And just wanted to understand your thought process in other than the oil market. So, I wanted to understand that this will be kind of one of the product we will be trying, or this will be new normal like every year or a couple of years we will be adding two, three more products other than the oil segment?

Jaideep Nandi: That is absolutely correct, that is what we would aspire to be, but we will also keep reacting and continuously keep ourselves flexible. Aspiration wise, that is what we would want to do, developing ecommerce portfolio, which is a little more robust, which is a little multiple branded, under maybe a single brand umbrella or two brand umbrella, different formats going to the customer so that there are enough choices for the customer etc., which is under the ecommerce umbrella. As far as regular brands are concerned, traditional channel as we put it, there may be one launch at a year or two launches, based on how much we can absorb, both in terms of costs as well as the data. So, we will have to keep a watch on that as well.

Moderator: Thank you. The next question is from Naman Kumar, who is an individual investor. Please go ahead.

Naman Kumar: And just a feedback to the management on what I am observing on the ground. So, I live in a small town in Himachal Pradesh and in the last few months I have been seeing the push of Bajaj Amla in the shops, like even the small shops I could see Bajaj Amla hair oil on the shelves. So, that is interesting to observe, like whatever initiatives you are taking that we are able to see on the ground.

But from question perspective, I am not sure if you will have the answer, it is kind of an abstract question. Like, would we know what is the demography of our consumer in ADHO category? And the reason I am asking is because personal care products are sticky in nature, right, so someone has used it they will continue to use it for their life most of the time. But are we able to capture the younger generation who are becoming independent or like who are starting their own new life? Like, are we able to capture them with our portfolio of ADHO?

Jaideep Nandi: Yes, that is absolutely a fantastic question. I mean, why I say fantastic it is exactly the question that we had been asking ourselves in the last one year, and our entire approach towards ADHO has also changed. So, while we look at ADHO being a flagship brand, etc., our consumer market research continuously keeps saying that brand is not offering anything new to us, there is nothing much else happening as far as the brand is concerned and there is a risk of lapses, etc., especially the new generation. So, if you track our entire approach towards digital marketing, looking at the new age, I touched upon it a bit in the presentation, but there is an elaborate work that the marketing team is doing, exactly to try and touch base with the new gen customers. Because if you are offering a premiumness, it also needs to be viewed as a premium brand, not only a nice brand as far as packaging is concerned, sitting at the trade shop but also kind of user content that you are generating as far as the brand is concerned, influencers that are talking about in Instagram, Twitter, I mean, it should be a happening brand.

I mean, one of the great feedback, a lot of consumer work that we have been doing in the last one year. So, one of the consumer insight that we got last year was that while the class A customer of, let us say urban Mumbai, what they are saying about the product as far as aspiration, etc., is concerned is no more than that we see in a middle-class household in Indore or in Jaipur. Because they have equal aspirations, it is not that they have a lesser aspiration, because they are maybe not so much urban, so to say, as far as people are concerned. And that is our approach, clearly it has made us think and our approach towards it is that ADHO needs to be seen as a very, very strong happening brand, much more connected to the youth, etc., And that is how our entire digital strategy, digital portfolio where you have seen that we have dialed up heavily on digital spend this year is addressed to that. So, you are absolutely right, and this is exactly what we want to do so that the newer age customers are not lost for us.

Naman Kumar: Okay, makes sense. By any chance is there a plan to change or modify the packaging a bit just to appeal to the younger generation? So, to give you an example, right, so Bajaj Zero, like the packaging may appeal to the younger generation but the target customer are people who are in their 30s and 40s. But if you see ADHO packaging it, it looks okay for people who are in 30s, 40s, but if you see from a younger generation perspective, it looks dull, whereas Bajaj Zero Grey looks very appealing to a younger generation. So, is there any plan in just to change the packaging just to target the younger generation?

Jaideep Nandi: Again, a very interesting question, but unfortunately that is a double-edged sword. Because whatever Bajaj Almond Drop stands for, you will have to remember that it is still a Rs. 800 odd crore brand, and the kind of clientele that it has across the length and breadth of India, that is not something that you so easily play with. So, that entire approach of the shape of the bottle, the glass of the bottle itself, I mean there has been a lot of hue and cry that why cannot do the 200 ML into PET bottle, etc., Now that appeal of the glass for the 50 ML, 100 ML, 200 ML is not something that we want to risk playing with. So, I completely appreciate your point, and that is why in terms of visual appeal, etc., we have done as much as possible, to dial up that almond drop, etc., that you see in the bottle, and that itself has given good feedback. But packaging itself we do not want to do too much, because there is too much of an existing clientele to deal with.

Naman Kumar: I understand. And one last question, in the presentation I see on one of the page with Bajaj Amla there was ADHO soap as well, so is that a soap launch in the pipeline in the coming quarters?

Jaideep Nandi: No, the one that you saw is typically an existing product, it is not for sale, it is a product typically given to the Maharashtra customers during offers, we also use the product to give it to some of the other consumer offers that we have with packages with this thing. At this moment this is not a product which is for sale.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Sir, I just had one question. You highlighted the demand trends are broadly similar as of now versus to the last lockdown with rural, urban divergence in terms of that. I wanted to kind of just get your thoughts on how is the situation different when it comes to competition, both organized and unorganized and in terms of channels readiness, how the different channels are behaving? Thank you.

Jaideep Nandi: See, if you talk between the first and the second lockdown, it is too early to say. I was saying that as of today we do not see too much of a difference. Yes, there have been sporadic lockdowns that has impacted a bit of business and Madhya Pradesh and Chhattisgarh and a bit in Maharashtra where our business is not that high as compared to others. But rest of the country still keep chugging along, in spite of so much of hue and cry. But we really do not know what will happen fortnight later, So, as of now, I am keeping my fingers crossed. There are some learnings that we learned from last year's pandemic, so those we are now activating as in terms of stocking up our distributors, trying to ensure that they do not get stocked out, if and when there is a lockdown, because clearly distributors and wholesalers are much better placed to ensure that the supply pipeline remains while larger companies like us might find difficult. So, that is something that we will continue to keep working and I do not see too much of a danger as far as that is concerned.

Avi Mehta: And in terms of competition, sir, do you think that is it going to be similar in your view or how would you see that?

Jaideep Nandi: I would assume they would have also learnt from their last years' experience. And I would not as of today see any competitor, whether it be in our field or little, larger FMCG space doing anything very differently. Everybody is trying to dial up their distribution, trying to ensure that material is available at the frontline retail shops as well as the wholesalers and distributors. I mean, pipeline filling is all that we are focusing.

Avi Mehta: So, sorry, I meant smaller players, just to clarify. But okay, I get it since there is not much…

Jaideep Nandi: Well, smaller player, yes, so that is an interesting question. Because last year, smaller players across categories getting really, really impacted during the quarter one, and they took real long time to bounce back. So, not in our category for all other categories we saw them really struggling. So, they have found means and methods to come back. And I would assume they would be a little better prepared than what they were last year. So, what the organized sector found so easy to basically acquire from the smaller players last year may not be that simple and easy in the categories that smaller players also operate in. This is my assumption, but really speaking, this is just the beginning, we do not know how the pandemic will play.

Moderator: Thank you. The next question is from the line of Aditya Malpani from Branston. Please go ahead.

Aditya Malpani: Sir, just one question. So, rural is one market and one segment where we have seen very strong growth in the last couple of quarters. And even last quarter we saw 60% plus growth. I just wanted to understand, is it possible to bifurcate that how much of that growth came from our vans operation or maybe from the focus on distribution process versus from the actual recovery or the strength of the rural market?

Jaideep Nandi: Well, I would not like to exactly split the data. And I will tell you why, not because I do not want to share the data, it is more because you see, so just to give you a rough-cut kind of numbers that we are getting through van, let us say about 10% of our business comes through vans now, 10% and maybe at times it goes to about 12% of the numbers come through van. This number has to be taken with a pinch of salt, because there has been obviously a bit of cannibalization that already happens, because existing wholesalers from the larger cities, existing subs that we have, sub-stockiests that we had which now today are getting advantage because of van sales, they would have been doing some kind of business, right. So, it is not that the entire thing would have been off if you are not at the van sales. There has been a bit of a cannibalization that would have happened. But that is expected anyway, because you are anyway servicing the same channel.

But if you look at the distribution numbers, our internal understanding direct distribution numbers, which used to be about 5.2% odd, is now up to about 8% to 8.5% including the vans. So, clearly, we see distribution reach much stronger. And that typical thumb rule that you take of 20% of indirect distribution should be direct, so that numbers I think we are now comfortable with. So, clearly that is happening. And going forward, our aim is to this year look at urban distribution as well, which is basically direct urban retail distribution. That is the focus for this year, which we would think will still continue to do.

Moderator: Thank you. The next question is from the line of Rohan Samant from Multi-Act. Please go ahead.

Rohan Samant: So, my question is more on the tax rate. So, if we look at the tax rate, it's around 17%, when do we see it normalizing to around 25%? So, when does the tax benefit tax expire for us?

Jaideep Nandi: The MAT will continue for about another three to four years. Because now, as you are aware, the new rules got out in May of 2019, Poanta factory, which is HP factory, that got out in March of 2020. So, that is why you see that other income has fallen this year. So, the only place where we see the MAT benefiting taking the budgetary support is Guwahati, which will continue till about 2027. So, we are still good to go for another four, five years.

Rohan Samant: Okay. So, for the next four or five years also we should have an effective tax rate of similar, 17%, 18%?

Jaideep Nandi: Yes, that is about right.

Moderator: Thank you. The next question is from the line of Devanshu Sampat from YES Securities. Please go ahead.

Devanshu Sampat: So, two broad questions from my side on the overall strategy. So, many quarters ago, Mr. Sumit Malhotra had mentioned that it doesn't really make sense to play the hair oil only play, given that it gets difficult to differentiate and pricing itself cannot be the USP. And there are incumbent players who have already a stronghold and position in multiple categories, so its amla, coconut, cooling hair oil and such. And basically, his view was that it would be tough to break into these segments while maintaining profitability. And of course, the strategy right now is to double market share in the overall hair oil space by entering such categories. So, how has the thought changed, your view on this?

Jaideep Nandi: So, except your last statement, all of it is correct. Yes, when Bain was engaged, the thought was to take the market share to 20% in the hair oils category, but now I think the objective of our company is to double the revenue of the organization over the period of time rather than double the market share. Because at the moment you say double the revenue then you are no longer restricted to hair oil segment only. Because if you hear both these statements in unison, there obviously seems to be a bit of a conflict, right, on one side what you rightly said, what Sumit had said, saying that some of these markets, it will be difficult to really be money spinners if you have to get into some of these categories, etc., which is correct. And on the other side, if you say that you want to go to 20% market share, only ADHO cannot give you 20% market share, it looks more like an aspiration rather than an expectation.

So, given that, we would like to have a more reasonable mix, where we see that we can have profitable, maybe not kind of profitability of ADHO, but profitable brands that we can establish, reasonably decent sized, we will play in the hair oils market, amla is an area where we will play and we see profitability there easily available, not as profitable in comparison to ADHO but positive EBITDA coming in from there along with decent size in terms of top line. Maybe there are one or two hair oils as well in some premium hair oil, some niche, maybe some of the others which I may not want to discuss at this stage, we are just in a contemporary stage of that. So, that we will play. Along with that, wherever we see there are rights to win for us, this is what we have been talking about, we would like to play. So, whether it be that hair care or the adjacent personal care, again, looking at where we can make a positive EBITDA in three years' time and is that sustainable EBITDA that we can do? So, this put together should be the composite strategy of the company, so that at least we can look at doubling our turnover over a reasonable period of time.

Devanshu Sampat: Okay. And taking a previous participant's question, on the non-hair oil product launches. So, from your perspective what are the expectations in terms of how much they would contribute? And will this be the area that you are largely looking at for acquisition?

Jaideep Nandi: So, acquisition, unfortunately you cannot pick and choose, there are opportunities which will keep coming up and we will have to evaluate. The only way we would like to look at an opportunity is not whether that company can add value to us, and another way I would like to look at an M&A opportunity is, whether we can add value to that company rather than whether that value just adds on to my top-line and bottom-line. Because managing an acquired company also has its own nuances. If we see an opportunity which is the right value, which obviously is an important point, then first thing we look at is whether we can add value to that company, whether our sense of distribution, our marketing skills, etc., we can take that company further, only then we will look at it. We might look at some acquisitions if they open up in some forays for us where we are not strong, but in areas where we want to grow and very, very closely associated with us, in areas where we already have some kind of strength, not completely diverse from us. So, this is where we would like to pick our acquisition options for.

Devanshu Sampat: Okay. And sir last question, any update or development on the Worli property?

Jaideep Nandi: So, the Worli property at this stage is on hold there. So, we will relook at it, now COVID times are going on, so we will keep relooking at it and maybe in the coming quarters we will keep you updated as to where we are as far as the property is concerned. We have that aspiration to build that property. When, how, etc., is something that we will have to see.

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

Sunil Jain: Congratulations for good numbers. My question is for a longer period, what is the game plan for the company. Like you are already there for over full year in this year and how you think the company can be in next, say, three to five year? How much of the total revenue this ADHO will have and how much more product you can add up in that particular period?

Jaideep Nandi: See, if you look at, I think I have been stating what our action plan is. One of the action plan is obviously continue to keep dialing up the premiumness of ADHO, continue to get more new age customers into ADHO bracket, and dial up ADHO in places where we are not that strong itself, which includes apparently high market share for us, even there, there are enough pockets and more for us to be done. So, ADHO will be a complete 360 plan and we want to continue to focus on ADHO so that ADHO keeps having healthy growth. I mean it's a no brainer as far as we are concerned the way we are structured. So, ADHO focus cannot be diluted, its premiumness cannot be diluted, its pricing power cannot be diluted. So, this is something that we will keep dialing up.

Along with that, we will keep building the brands that we have been talking about, some of the hair oils which we want to grow to a little reasonable size, where we see potential for us to have some size as well as make a positive EBITDA in a comfortable zone. So, those kinds of products, as well as some premium hair oil, premium hair care range in the ecommerce, that may not initially have large value basis. But as we keep adding more and more products into that portfolio, we want to create a brand over the next three to five years which is recognized as a brand coming out of Bajaj in the ecommerce portfolio. I mean, I would not like to say in the Mamaearth or WOW because those really have taken off really well, but that is the kind of direction is where we would want to go as far as brand is concerned. And then also have some of the Almond Drops extensions or Bajaj extensions in some of the other hair care or personal care products where we think we have some rights to win. So, that is roughly the portfolio.

Moderator: Thank you. The next question is from the line of Rohan Samant from Multi-Act. Please go ahead.

Rohan Samant: So, my question is maybe on the Amla hair oil market. So, can you kind of quantify what is the size of that market and how much of it would be unorganized? And when we talk about amla hair oil gaining market share, would it be mainly from the unorganized players or we would be kind of taking it away from the organized players?

Jaideep Nandi: As I said, the market size, is about Rs. 2,200 crores and that has been one of the highest growing markets. This year market grew about 6%, so that is a pretty good growth that we saw as far as the amla market is concerned. And as you understand these are Nielsen numbers, so these are on MRP you have to discount it by 30% to get the net sales numbers, as we report the numbers, so discount about Rs. 600 crores, so about Rs. 1,600 crores is the net sales value so to say. So, this is the size of the Amla market.

Now, if you are looking at how much we want to gain share out of some of the regular competition or this thing, I think that is a very difficult question to answer. I don't think as a company you target where you want to take market share from, you basically position your product. obviously, you have a competition in mind where you want to take it, but you don't actually state it upfront saying that, okay, this is where we want to take it. You position your product, you look at the markets you want to sell at, the kind of pricing and the promotion that you would want to place at and the kind of brand aspiration that you have, where you would want to take it, etc. as we said, we would want to push this brand to about Rs. 100 crores net sales numbers, in a market size of Rs. 1600 crores, which is about a 6% market share, which I think is pretty doable over a reasonable period of three years from now.

Rohan Samant: Okay, sure. But how big would be the unorganized market within this or difficult to quantify?

Jaideep Nandi: I mean, I don't have the numbers, I would assume. Abhishek, do you have some numbers, if you can just type it out for me on unorganized sector? I will just respond back to you; I would assume it is about 3%. But let me just take the numbers. I don't think we have the exact numbers for the unorganized. But all I can tell you is that both the larger competitors have a range of products which come under this. In the last few years, we have seen a plethora of launches in different variants of this amla, etc., So, it's no longer the typical two dominant brands alone, they have also their variants, which has been doing well. So, very interestingly you might see, and if you were to look at the data, some of the variants are actually cutting into the main brand itself of some of this things. So, that is a very interesting analysis to see, because the larger brand is getting cannibalized by the smaller launches, which obviously if you focus on two categories of the same brand, there has to be a give or take somewhere. So, that is a very interesting observation is all I can say.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Jaideep Nandi: Thank you, everyone. And thanks for patiently hearing us talk. I think the work for us as well as I think for our country is cut out for the year going forward. While we have all our plans in place, both in terms of the marketing work, the sales work, as well as in terms of a lot of work has been happening on supply chain and manufacturing, as well as the HR, I think all of it will have to be continuously kept on going. And in sales, particularly, we need to remain flexible. And on a day to day as the ground situation keeps changing, we have to continue to keep changing our strategy as well. In this time flexibility is only key and we have to keep learning from what we have learnt in the previous year and try and implement it better.

I think for the first few months now I think execution will be of prime importance rather than a strategy, and that is what we will be focusing on. So, while strategy is all there in place, and we have a clear-cut thought as to what we want to do in 2021-2022. Some of it, as I said in what we wanted to do in Q2 etc., we might want to revisit later closer to the date if that is required. As of now we are not changing any plans, we are going ahead with what we wanted to do. But we will keep revisiting on a 15-day, one month basis, etc., So, by Q2 end, by Q1 end when we have the call, maybe we will have a better clarity, maybe or maybe not, I do not know. So, as of now April has started, let us see how the year goes. And thank you for all your interest. Thanks.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines. Thank you.