



“Bajaj Consumer Care Limited
Q3 FY’24 Results Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Bajaj Consumer Care Q3 FY'24 Results Conference 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 conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhuwania. Thank you, and over to you, sir.

Karan Bhuwania: Thank you. Good afternoon, and welcome, everyone, to the call. It's our pleasure at ICICI Securities to host Q3 FY'24 Results Conference Call of Bajaj Consumer Care. From the management, we have Mr. Jaideep Nandi, Managing Director; Mr. Dilip Kumar Maloo, Chief Financial Officer; and Mr. Richard Dsouza, AVP Finance.

I will now hand over the call to Mr. Jaideep Sir for opening remarks, post at which we can open for Q&A. Thank you.

Jaideep Nandi: Thank you, Karan. Good afternoon, everyone, and thanks, everyone, for participating in this quarter 3 earnings call. Let me take you through the performance of the company for the quarter and 9 months ended 31st December 2023, before we open the floor for the questions.

During the quarter, the demand conditions were mixed with urban markets seeing mid-single digit growth, while rural markets remain subdued due to consumer food price index remaining consistently high over the past few months.

The company delivered a consolidated quarterly sales of INR236.4 crores with a 4.3% value growth and high-single digit volume growth. The volume growth was higher than value growth due to higher growth of the non-ADHO portfolio.

For the 9 months ended December '23, consolidated sales stood at INR733.7 crores, resulting in a 4.4% value growth along with, again, a high-single digit volume growth. On a stand-alone basis, the gross margins grew by 30 basis points at 53.3% in quarter 3 FY'24. Gross margins for 9 months FY'24 stood at 54.2%, an expansion of 110 basis points due to lower cost of key raw materials.

On a stand-alone basis, the EBITDA for the quarter stood at INR38.4 crores, which is 13% growth over the same period last year. EBITDA margins saw an expansion of 140 basis points to 16.5% for the current quarter. For 9 months FY'24, the EBITDA stood at INR125.3 crores, which is 22% growth over the last year, while margins stood at 17.4%, an increase of 260 basis points over the same period last year.

PAT for the quarter was INR37.6 crores, translating to an increase of 12% over the same period last year. For 9-month FY'24, PAT was at INR121.5 crores, registering a growth of 23% over the same period last year. General trade was flat on the secondary basis in quarter 3 on account of inventory corrections that we have taken up in the supporting distributors' working capital.

In spite of credit crunch in the market, the company has maintained a strict discipline of ensuring zero credit to our distributors in GT, this should bode well for us as the markets improve and our credit discipline remains at where it is. In GT, while rural markets remain subdued, urban markets continue to perform better, driven by specific channel programs and initiatives in specific states as well as strong performance of the new products.

Moderate trade continues to scale up well, registering a growth of 24% in Q3FY24 and 26% in the 9M FY24 over the same period last year. ADHO continues to gain market share in the key modern trade chains. Promoter-led activations for Almond Drop serum, shampoo plus conditioner and body lotion along with visibility spends and collaboration in Bajaj 100% pure Henna resulted in strong offtakes of these brands.

The distribution for Bajaj 100% pure coconut oil continues to expand successfully resulting in double-digit growth. E-commerce once again registered a strong performance with a growth of 25% for Q3FY24 and 27% for 9M FY24.

E-commerce B2C demonstrated substantial growth of 38% for the quarter. E-commerce has grown over 2x over the past 8 quarters. Strong offtakes were recorded on key platforms during this quarter due to the festival demand. Our focus and usage of the AI power bid optimization tools helped us to win the best AI-powered marketing strategy at the DM Asia Sparkies Awards 2023.

The canteen businesses also did well, registered at 16% and 22% for the quarter and 9 months ended respectively. The growth was driven by robust performance in both CPC as well as CSD sub channel.

International business continues to deliver strong performances registering a growth of 59% in the Q3 FY24 and 31% for 9M FY24. Middle East and Africa region achieved a 22% growth in Q3 led by revival across both the traditional trade as well as the modern trade channels.

Saudi continues to do well with presence expanded in key modern trade accounts. In other regions, Nepal witnessed a strong recovery with good growth in general trade. Local operations in Bangladesh, as you are aware, was started about a year back. And now even in sales, we have started developing our own team, and this has started to yield promising results on the back of consumer demand generation through a mix of digital and online activities. Two new products have also been added in Bangladesh, 100% pure glycerin as well as 100% pure olive oil. These were launched in Q3 and have seen encouraging initial demands.

At the brand level, ADHO remained flat for the 9 months ended December '23. Large packs over 9 months have performed better with a mid-single-digit growth. ADHO was additionally supported with print media during the festival of 'Abhyang Snan' in Maharashtra. This ad featured in multiple inserts in local newspapers reaching about 31 lakh individuals.

Digital marketing reach was then intensified with focus on influencer marketing targeted at new age customers for building the equity of the Almond Drop franchise. We deployed around 400

influencers in Q3, reaching out to 1.4 crores consumers as a part of our influencer marketing initiative.

Driving social conversations via topical content led to a reach of 2.7 crores plus target audience with trending content. Diwali digital activation campaigns achieved a reach of 55 lakhs and garnered 15,000-plus instance of user-generated content. We continue to support the brand with strong media across TV, digital, print and increased investments in digital across various channels.

Almond Drop extension portfolio continues to see promising offtakes. The Bajaj Almond Drop shampoo plus conditioner and body lotions were successfully listed on key e-commerce platforms and modern trade channels. These brands are supported with sampling display and digital media to generate product trials and sales. Digital campaigns reached over 1 crores targeted audience resulting in 6.5 lakh traffic generated towards e-commerce sites.

Bajaj 100% pure coconut oil also sustained its growth momentum. TV and digital support continued in Q3 in select states. Exclusive consumer offers have been extended to consumers accompanied by on-ground rural activation in specific districts. Efforts such as enhancing visibility and sampling interventions in leading modern trade channels were met with positive responses.

During the quarter, we launched Bajaj Gulab Jal in general trade and modern trade as a part of our strategy to expand our ethnic range. This new offering features natural oil extracts and hyaluronic acid providing effective moisturization and hydration for the skin. The product is suitable for all skin types and free from parabens and silicon. We have had good initial response from the product.

The A&P spend for the quarter amounted to INR39.2 crores, which is 16.8% of sales. Our commitment to investing in ADHO and new brands remains firm, with an increased emphasis on digital media to align with the evolving preferences of customers.

LLP prices in Quarter 3 remained flat as compared to the same period previous year. RMO prices saw a correction in Quarter 3, compared to the same quarter previous year due to balanced global demand supply of edible oils. We continued making progress on multiple initiatives in raw materials as well as packing materials through cost optimization and alternate vendor development for driving structural reduction in cost of goods sold.

In line with our revamped ESG policy, we continue to implement measures in a minimizing water and energy consumption as well as reducing waste at our manufacturing facilities. Our efforts in energy optimization and efficiency improvement within manufacturing operations has resulted in reduced consumption of energy and water.

We continue to make significant progress on our strategic pillars of growth, which sets up well as we expect market conditions to improve in the coming quarters. Specific pack level actions coupled with an increased distribution footprint as a part of our retail initiative, along with specific state level action plan is expected to drive top line growth for ADHO. New launches under the almond drop extension portfolio and Bajaj Ethnic range along with broad basing of

our hair oil continue to remain our growth drivers in the domestic market as a part of our expansion of the non-ADHO portfolio.

The increased saliency of our non-ADHO portfolio is trending well as planned, increasing our footprint in international markets, which has been taken up since the last few quarters have already started bearing fruit and our high growth for the past few quarters are a testament to that. We expect the saliency of international business to continue to rapidly scale up in the near term.

As we look into the next few quarters, we are quite optimistic that due to the government focus on rural housing and sectors such as agriculture and overall infrastructure, the macroeconomic factors will improve in our favour. The rural demand will also improve as a result. This will have a positive effect on consumption across the middle- and lower-income households. This growth in rural and household consumption should benefit us in the long term.

This, along with our strategic initiatives, which have already started showing results should put us in a good strong position in the coming few quarters.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: My first question is on the portfolio mix. So you have really diversified your business quite well this year. So 9 months of core ADHO is flat in terms of value, while non-ADHO has seen very strong growth of 35%. So here, my question is, in this year, obviously, non-ADHO has done well because of two reasons. One is whenever deflation happens, smaller players do well and gain market share.

So in coconut, you would have done quite well. You have done a lot of promotional offers also there. Now with the Copra expected to see inflation next year, that's what the market leader has expected and given the statement also, plus anyway this year, a lot of deflation has happened. Second is you did a lot of new launches in FY'24.

So when these two drivers are playing out already in FY'24 in terms of new launches and share gains because of deflation. And that kind of changes in FY'25, how do you see growth happening in non-ADHO in FY'25? Do you expect 20%, 25% kind of growth continuing in FY'25?

Jaideep Nandi: Firstly, Abneesh, let's start with the first point that you said, whether smaller players get an advantage? While in terms of size, obviously, we are a smaller player, I would not like to really go by the tagline of a small player in case of any product which is distributed through our distribution system. We are, as you are aware, have a very, very strong distribution as far as hair oils are concerned, basically entire personal care.

And in that, if you look at Copra as a raw material, I don't think there is any specific -- we have done -- as I've been talking about in the last two years, we have done a lot of work as well, Copra is concerned back end of Copra in terms of manufacturing as well as entire sourcing of Copra. So that there is not too much of a difference from the market in terms of our sourcing capability.

So as far as sourcing capability, we are pretty pretty strong as far as Copra is concerned. So really speaking, if the Copra prices were either to go down or to go up as the market adjusts, we would also be able to adjust. So I do not see that as a hindering factor as far as growth is concerned.

Our growth is coming not so much just because of the price, but because of our ability to have distribution across a large part of the country where we have been able to get traction as well, as far as coconut product is concerned. But just taking the coconut itself will actually be doing injustice to the kind of work that the team has been doing in the expansion of the portfolio. Coconut is just about one product in the entire work that is happening as far as the expansion of the portfolio is concerned.

So you look at the entire planned strategic work that has happened in terms of the Bajaj Almond extension. So we were very, very methodical. We have said that our expansion will happen over a 2-, 3-year period and not in one shot, and exactly that is the path we are following as far as our expansion is concerned. We just launched our sixth product with the lotion, shampoo and conditioner. And these have not yet really come into our base. I mean, this is the quarter these products got launched. We are already seeing good offtakes that is happening.

And I would think that these products will give much higher returns next year than this year because that is the first full year, they will see as far as the products are concerned, and this is where we are more investing in this product rather than getting results out of it. So I think that Almond Drop extensions itself is going to be a good leg for that as well as, I think, the ethnic range, which is just starting to give us some good results.

Again, the premise that we had built with the ethnic range was that Bajaj is synonymous with Indianness, we'll have an immediate attraction towards anything that we put as an Indian product. And we would go into areas where gross margins are typically higher than ADHO. And that's where we are going and we are seeming to get some good responses, and that encourages us to launch further products in the ethnic range.

We will obviously stagger it out so that we will be able to invest a bit as far as digitally is concerned in the initial stages. So the launches will get staggered, but we would want to remain with the products that we launch. So both the Almond Drop extension as well as the ethnic range both these will see launches even next year, some more while these bases pick up.

And as far as the hair oils are concerned, while we'll continue to push the already launched hair oils well beyond ADHO that we have, we might also look at one of the other variants that we might want to add on to the hair oil fast enough. This is the portfolio. So I think next year, we should see even better numbers as far as the non-ADHO portfolio is concerned.

Abneesh Roy:

Sure. Two follow-ups on what you said. One was you said in terms of sourcing of Copra, now you're sourcing or say pricing, etc, is not very different versus market leader. So I wanted to understand that because market leader is so much larger. So the scale advantage plus the kind of relationship they have been having with the coconut producers. How you're able to overcome

that? And second is, when you say that market share gains have happened, any numbers you can give for the non-ADHO hair oils, some numbers on what are the gains?

Jaideep Nandi:

See, as far as sourcing is concerned, as you are aware, Copra is a very, very localized sourcing at a very specific location there. So hence, while obviously, scale is something that obviously cannot be matched in the near term, but every other parameter, whether it be the back-end coordination, back-end integration, understanding of how the Copra dynamics work, etc, I think is not complete rocket science. And over the last two years, our team has also understood that.

As I would think some of the other companies as well. It's not only we are not an exception that we have understood that. So that monopolistic situation that existed may not remain on a continuous basis in the future. So I personally think there in the initial stages when we had launched, we were not sure whether we'll be able to get that kind of expertise, etc.

But today, as nearly 1.5 years, 6 quarters have gone by and we have been able to manoeuvre that market, our understandings have become better and our understanding of the entire ecosystem right from the backend of the ecosystem to where it is like up to the manufacturing stage, I think we have got that more or less right. So I think we are pretty confident that, that is not going anywhere.

In terms of market shares, if we look at our market shares are more or less remained where it is. It is about that 10.2%, 10.3% is where our market share remains, and because we have also at one stage, you will see that we are also slowly started focusing on products that would bring us higher gross margin.

So for example, one of the ranges, which is the Amla range of products, which always typically has the lowest kind of gross margin. I have seen a lot of blood bath happening in that marketplace, and we have decided to remain away from that market because that kind of gross margin on the long term doesn't bode well for the long term of the organization.

We would like to build brands where we can make some money. So we have stayed away from it. If and when we feel that there is money to be made in that. If there are specific SKUs, we'll go much more aggressively in that. So that's where we have left that market vacant. I have seen some of the other larger competition.

I also get that back in market. And that's a company-level individual specific strategy people will take. But we have decided that there are enough space available for us where there are brands that we can build, which have structurally higher gross margin. So that's where we are.

Abneesh Roy:

Sure. My last question is on organized trade. So first is in terms of your share of modern trade plus e-commerce, how much is that? And what is the change over the last 9 months?

Second is, you have said your stand-alone modern trade has grown at independent modern trade has grown at 50% versus the overall organized at 25%. So if you could elaborate what do you mean by in terms of the independent modern trade and what any different you're doing here? Or your presence was much more limited here and that's why the growth is much faster.

And lastly, on this only, what is the quick commerce share? I understand your products are not that much impulse purchase, more of a planned purchase. But if you could tell us any specific strategic initiatives you are taking on quick commerce, given it's a more difficult channel for your kind of products.

Jaideep Nandi:

So starting with your first question, what is our organized trade contribution. So today, our modern trade and e-commerce contributes to about 20% and additionally, another 3%, 4% comes out of -- comes out of our canteen business, so nearly about that will nearly -- close to one-fourth of our business is modern trade plus e-commerce plus canteen business, just a little less, I would think.

As far as independent chains are concerned in modern trade, we talk of anybody who is not, let's say, a reliance or Vishal or a DMart, I mean not any of these large guys, Metro or Spencer, etc. Anybody outside that we consider as independent chain. So we have been doing very, very well in accounts like Saravana Bhavan, Otis, National Handloom, VMart, also in terms of Apollo Pharmacy.

So these are the ones where Apollo is not a pure independent chain, but also a large pharmacy chain, which we have been doing. So this 52% growth comes out of as we have said last time also that our focus to enter the South would also be through some of these southern based strong MT independent chains.

So our focus has been towards that because of an entry there and then maybe we'll see how we can improve it. So most of the attempt last year was to take our independent chains at a higher growth rate and that's what we have been able to do. And -- two things. One is entry into a certain geography. The other is also that we wanted to broad base our modern trade customer base itself. I mean DMart, Reliance are obviously two of the largest ones, along with Vishal, etc. playing in the fringe players.

But we wanted to broaden the base so that at least our growth prospects do not get too much altered by behavior of a particular market. So in that process, two things have happened. One is the geography has expanded. Diversification of chains has happened and also we have been able to push our larger portfolios beyond ADHO. So quite a few of the boxes have got ticked in that.

In Quick Com, yes, it's not a very large portion of our e-commerce business out of our entire B2C business. It's just about 5% of the business comes from mainly from Swiggy, Zepto so on. And that is something which is more organic, I would say, it's not so much of a specific effort that we put into that. Most of our effort goes into the larger of the e-commerce partners, which is where Amazon, Flipkart, Nykaa, Myntra, etc.

Moderator:

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

Shirish Pardeshi:

Most of the question has been asked by Abneesh. But starting with -- we have added three additional directors. So Jaideep, I need to have your thoughts Mr. Jagdish and Anupam Dutta and K.S. Narayanan have come on board. So what is it that we want to do? And what is it that expertise we want to utilize when they are on the board?

Jaideep Nandi:

So one of the things that we wanted to do is have a professionalized boards a far stronger board in terms of stronger may not be the right word, more suitable for our business with a growth trajectory that we want to take on. Quite a few levers have already been pushed, whether it be in terms of the channels that you see, whether it be in the international markets, whether it be it a new product diversification of portfolio, etc. most of these levers have been pushed.

There is a macroeconomic headwind that we are facing as we think it is transient, it will pass way. We need to be ready for that next phase of growth. While as a company, we are working on that, we have a strategy leg also added to the team. We wanted also some outside in perspective who sit in the Board, and giving us a perspective from a little outside the Personal Care business. So we have people -- all these three gentlemen that you mentioned have a long experience as CEOs or Head of businesses in consumer industries.

So all of them -- so they being a varied experiences across FMCG, other consumer businesses, domestic, international, running international businesses outside the countries that we can explore all the facets of whatever other levers we can push. We did not want more birds of the same feather, because most of the -- our industry, we have some understanding, and we would like to push that and maybe we can help take help from the consultant.

We wanted completely outside in views, what is the view from the food side of the industry, what is the view from other consumer businesses, what is the view from the international, and that's where they come in to our board. All three of them are professionals with 30-plus -- 30, 40-plus years of experiences. And I think that will add a lot of value to this Board.

Shirish Pardeshi:

Yes. Wonderful. Just one follow-up here, if I'm right, about three quarters before we had a strategy head. So in the current context, if the markets are not picking up, hair oil consumption is declining. So what is the new strategy we want to drive? Or is the same strategy we would like to drive and wait for the market to turn positive?

Jaideep Nandi:

So as we like to talk internally, if we talk about what we had put up at the first stage, which is those 3, 4 levers, which is expansion of hair oil, getting into the AD extensions getting into the ethnic range and maybe a bit of digital -- paddling a little bit in the digital world. So that we term ourselves as the first phase of growth and at least we know directionally what needs to be done, at least a lot of these levers are already working.

What we are now looking at is getting a little more aggressive and looking at the second phase of growth beyond this, which all portfolio is a little more focused portfolio rather than approach it from where Bajaj has strength, rather than look at it inside out, as to which are the portfolios we would like to invest for the long term. So we -- internally, we have looked at a large range of FMCG categories and seen where we can do that. And now we are in the process of analyzing.

See 2, 3 broader categories as a company, we would want to enter. When we would enter is absolutely right, we'll have to time our entry so that we are clear that this is when the tailwinds are coming in. So maybe the strategy that you will see coming out from our side may wait for another few quarters, but at least internal work is happening so that we are ready to ride the next tide when.

Anyway, as a company, we would like to expand aggressively. So that lever will anyway get pulled whether be it very -- whether there is a headwind or not. Unless there is very, very hard, very, very strong headwinds, we would really like to get into the second phase of the strategy, which is expansion beyond that.

We would want the first strategic products that we are launching to gain some momentum, get some legs while on the other side, international, which has already started doing very well, gaining some legs and then maybe get into the second type of strategy, which is a far more structured approach towards what product ranges we would want to get in. It can be organic, it can be inorganic, both.

Shirish Pardeshi:

Okay. My last question on the margin front. If I look back 2 years before you instituted and you pushed the strategy from one brand to many brands, and that has yielded some fruit. But however, in the medium term, we have lost the margin. If I place your commentary last 3 quarters, you've said that directionally, we will inch up.

But again, this quarter, the margin has been not that high. So in the short term, whether you will chase the growth and allow the margins to be at a similar level or you will chase the margin and wait for the market recovery?

Jaideep Nandi:

We'll keep a mix of both. As we said, in terms of our guidance, we are looking at the 16% to 18% is where we will keep our EBITDA in the near to medium term while we keep investing in the brand. So obviously, a bit of tailwind will be required in terms of getting a large amount of growth.

But at least if you can see from the levers that we are pushing, given that a single brand company, which had very little manoeuvrability as far as, in this kind of a market situation. We are still coming shoulder-to-shoulder in terms of growth rate coming out of the various initiatives that we are pushing.

Now most of them, as you see, are in the infancy stage. So they are just in the growth momentum. They are catching the growth momentum. And we are seeing quite a few products giving us encouraging results. Same thing is happening as far as the international market is concerned. I mean this is where we are investing.

We have started -- and that is the commentary I had made even eight quarters back saying that this is not -- this time that we will take up international, we'll take it up one year later, which is what we did about five, six quarters and we have started already seen growth momentum coming in.

The 2%, 3% salience that we have had in international has already crossed five and we are looking at that going rapidly higher. So in overall terms, we'll chase sales from one side, I mean, a few this thing as well as an EBITDA to ensure that ADHO itself becomes far stronger. Some work is happening in ADHO brand itself. I mean you would think that overall, we will keep that balance of keeping EBITDA about 16% to 18% thereabouts and ensuring that the growth momentum stays.

Moderator: The next question is from the line of Majid Ahmed from SmartSync Investment Advisory Services.

Majid Ahmed: So my first question that I have is now we are moving into the space of shampoos, lotions and other things, all of it. Any plan to make it into a sachet format so that your distribution goes to the Tier 2, Tier 3 cities able to do that. Any plans like that?

Jaideep Nandi: Yes. So that question is relevant as far as we are concerned only to the shampoo segment, not so much for hair conditioners I presume. At least we are not looking into hair conditioner. As you have rightly pointed out, INR10,000 crores shampoo market, sachets contribute to about 65% to 70%. And without being into sachets really speaking, you would not touch too much of the -- too much, you will not make too much of a difference.

Our aim is obviously is hence twofold. We initially wanted to test our product, test our consumer responses to get an understanding of how the brand is performing overall in terms of pricing, in terms of the quality, in terms of packaging, etc. And that obviously -- that obviously -- that phase is nearly now getting over. While we move into Phase 2 as far as shampoo is concerned, is where we look at looking at a general trade launch and the moment it comes to general trade, obviously, your answer is that we'll have to get into the sachet pack.

So we are looking at what kind of pricing ensures that our gross margin that we have targeted to ensure at least a 40% to 45% for a shampoo is concerned is maintained, and that is where we are looking at to ensure that, that is managed in once we launch in GT. So this is something that we should be seeing coming up in the next financial year. Yes.

Majid Ahmed: That helps. So your gross margin in shampoo is 40%, 45% currently?

Jaideep Nandi: It's a little higher at this stage. But with the launch of the sachet etc, we think it will come down to about between 40% to 45%.

Majid Ahmed: Okay. One other question that I have was on the GCC market, we're talking about Saudi Arabia, so any other geographies GCC like Bahrain, Kuwait, Qatar. Are you planning to diversify there or you are presently present?

Jaideep Nandi: So if you look at the six markets of Gulf Cooperation Council, GCC that is. So we started by initially addressing the core, which is where we wanted to change our distributor in UAE, but this focus has been -- as far as GCC is concerned, that we ensure that you tie up with a pure FMCG distributor and yet he is not too large that we are completely ignored or I mean, you typically have two kinds of distributors.

One is very, very large distributors who find it difficult to work with smaller players like us. On the other side, you have players who are really not into distribution of FMCG products. We have been stuck with either of these problems in most of these markets, we wanted to change it, have exactly what we wanted.

Smaller players who see our business as a decent amount as a percentage of the business, typically touching double digit or close to that as a percentage of their business so that they are

interested, that fortunately we have been -- and that is something that we have been working very, very meticulously on that.

In UAE, we have had a good track as far as that is concerned. So we have a fantastic distributor working with exactly our prerogative. So new products are getting launched and we'll launch further -- and I have not talked too much about UAE new product launch because it is still small, but I think you will see more and more of UAE as it's really coming up.

Saudi Arabia following that, we have a very good distributor that we have put in. I don't think distribution is still the best in Saudi all parts of Saudi, some good distribution happening in the Riyadh area, but the Jeddah and Dammam area, I think we need to become a little stronger. That is what we are working on.

Qatar, Doha we have had a good distributor so that is something that is going good. Kuwait, we are changing our distributor, it's not yet that strong. Oman, we also had a very good distributor that we have put up about 5 odd quarters back. So, great reasons across Muscat- Doha and Muscat-Salalah, Nizwa-Sohar, etc. So that is going good. Bahrain, small country, really speaking, not that focus, we have a decent distributors and trade.

So Gulf is more or less well covered. We are getting further deeper into Middle East, some of the other countries we are looking into and a bit of North Africa. So I think the GCC market for us will do good business in the coming years.

Majid Ahmed: The last question that I have, what's the marketing strategy going forward to improve the brand visibility? Like, any other strategies apart from digital marketing?

Jaideep Nandi: Sorry, can you repeat that? I didn't -- brand strategy? What was the question?

Majid Ahmed: My question is, so regarding better brand visibility, Bajaj Consumer Care, what other strategies do you have apart from digital marketing and influencers? Any other strategies we have?

Jaideep Nandi: So if you're looking at it's a complete 360 strategy as far as we are concerned. So we'll obviously be present in traditional media. And as we have said, traditional media, obviously, being the spend, we have to be a little careful. National TV will only happen for ADHO. Regional television will be given -- support will be given to a few brands where we see good traction coming up. Coconut got some regional TV visibility. We are looking at one of the other brands where we'll support regionally.

Digitally, we have taken all the brands, every single brand that we have talked about, we have increased our digital spend and ensured that digitally, we are covering all of them both in terms of on platform as well as off-platform, which is pure digital advertising. So I think we have been extremely active as far as social media is concerned, whether be it Facebook, Twitter, Instagram, you'll see us YouTube, a lot of content that is getting pushed in.

So we are, as an organization, changing in terms of how we are seeing by the new-age customers, and we are seeing good responses coming up as we look at the social chatter, we see good

responses. And I think that is going to bode well for us as the company revitalizes, reinvents itself. I think we'll see good traction, which we have already started slowly seeing in the future.

Majid Ahmed: Yes. So if I can squeeze one more question. Can I?

Jaideep Nandi: Yes.

Majid Ahmed: So another question that I have is what's the bifurcation in North Indian and South Indian markets? And what our strategy is to get more into a South Indian market as well?

Jaideep Nandi: Sorry, what was your -- I understood the second question what's the strategy in South Indian market. What's the first question about North India, South India?

Majid Ahmed: Yes, bifurcation, bifurcation of your sales.

Jaideep Nandi: So South India contributes still a very marginal amount. It's still in single digits to our contribution. And I think there are other parts of India, which is West India, East India, which is what I would like to think very, very different. So we as is well known as far as Almond Drop is concerned, we are very, very strong in the North, relatively that is western, East comes next very similar and then much lower market shares in South.

So as I was answering the previous question, one of the approaches that we have taken is get through the modern trade and e-commerce route into the Southern pockets, and we are seeing a bit of traction as far as we are concerned. Also, the fact that we have been able to expand our portfolio is also slowly showing results as far as the Southern markets are concerned. This will be a long haul, but we are clear that we also want to crack South.

We cannot keep South completely vacant, like we have. So there is a gradual approach. It is not that it has resulted in great numbers in the close term, but at least whatever we are tracking in terms of the kind of growth that we would want to have from the South in from the modern trade and e-commerce channels are tracking very well.

Moderator: The next question is from the line of Siddharth Khandelwal from Laburnum Capital.

Siddharth Khandelwal: First question is, could you please tell me the NPD revenue contribution for this quarter? And second question would be, could you please tell me more about the profitability of NPD at the gross and EBITDA level even a rough number would do.

Prakash Kapadia: So first and foremost, I would not be able to tell you the gross contribution this thing. I will give you some indications of how it works. So most of the new products that we launch, we plan to have at least a gross margin between 45% to 50%, one or two might range in the range of a little lesser. But more or less, that's the target.

Some of these NPDs have a gross margin, which is higher than Almond Drops, which is typically taking 55% to 60% based on both the raw material prices as well as the pack mix that we are selling. So this is roughly what we aim to keep it at 45% to 50% as far as the gross margin for these various products.

So this is what it is. As far as the saliency is concerned, you should be able to derive the numbers, 17% in the nine-month period comes out of our non-ADHO portfolio, which is one-sixth of our portfolio comes out of ADHO and 5/6 of it by reverse number is from ADHO. And in this particular quarter, actually, the saliency of non-ADHO which has been even higher is about 19%.

And this is what we had also spoken off quite some time back that in the midterm, we would like to take the non-ADHO saliency to 30-40% and I think we are tracking well in that direction because most of the non-ADHO as you have seen are just in the infancy stage, and they are catching up. So with this kind of a launch, we think quite a few of them will already be showing good encouraging signals and with our support, I think should be doing well in the coming 2, 3 years.

Siddharth Khandelwal: I understood. That was helpful. Another question I had was more on, I mean, how do we sort of approach the NPDs strategically? I mean how do we decide whether these new products are working or not? At what point do we scale up investment? And what points do we think just trying to shut it down, could you tell me more about how our strategy really is in NPD?

Jaideep Nandi: So if it's a product, which is in only channel, which is a general trade, modern trade & e-commerce itself, who I think the number of at least INR50 crores kind of a number over a three-year period is a good number to target. And if that number is exceeded, and we have had situations in which those numbers get exceeded at times, we think we're in the good thing.

As far as e-commerce and modern trade specific numbers are concerned, we would think a number of about INR25 crores for that specific product itself is a good number to achieve over the next three-year period. And that with a guardrail of a gross margin of about 40% to 50% -- 45% to 50% is what we think is a good number to have in quite a few cases, those numbers are tracking well. We are going with them.

One of the cases we have seen they are not tracking in these direction. We have actual dropped. So you'll see a coco onion has got dropped from this thing we have not been focusing too much on Natyv Soul. So we might come back on Natyv Soul but not at this stage. Given the headwinds we see as far as the general trade market is concerned, overall, we are not spending too much on Natyv Soul.

So some of them, we have put in the backburner and some of them we have shut down, but a lot of the products that I mentioned are all running at this moment.

Siddharth Khandelwal: This is helpful. My final question is, which product is getting most revenue traction in our NPD. If it is coconut, could you please share its approximate contribution in the NPD revenue pool?

Jaideep Nandi: So it is not only coconut that is scaling well. As I said, all of these products we are seeing. In fact, only Amla, which we had specifically not pushed because of extremely low gross margins. And I don't see -- because the product is mainly LLP and RMO-based, one of them and the other one is also LLP and RMO, or a little less of RMO. With that kind of a structure and with our sourcing, we have a good understanding what the raw material structure of that product can be.

And when we see the marketplace where the prices are going so low, we are very, very clear that the gross margins cannot be something that is either sustainable or should be taken up at least for a company like ours, which is much smaller and does not need to get into that kind of value volume growth business -- growth aberration. So that is the only portfolio you see that we have not been pushing very, very aggressively.

Other than that, we are seeing good scale-up happening, whether be the newer range that we have launched or some of the little older range of products there. Some of them are a little smaller like products like serum, etc, but I have seen fantastic uptake of serums that are coming up, and we are very, very in fact, some of it is actually very pleasantly surprising to us the kind of behaviour that products like serum, products like lotion is displaying.

And we think that this will become a strong platform for us in the maybe one or two years to come. So Almond Drop extensions, ethnic range, coconut itself, all of them have been showing good results. Amla is something that we see good prospects, but we are going a little slow at this stage, especially the INR10, INR20 pack where there is no money to be made and we don't want to really push too much into categories with no money.

Rather, let me rephrase it saying that we cannot afford to push ranges just for value growth in categories where there is no money to be made. I understand that in rural, INR10, INR20 is a large pack. I understand that they are looking for cheaper products, but we really don't want to play that game. We will get the value, but clearly speaking, not much structural strength we are building in the organisation.

Moderator: The next question is from the line of Nikhil from SIMPL Limited.

Nikhil: I hope I'm audible?

Jaideep Nandi: Yes, you are.

Nikhil: Yes. Just an extension of the previous participant question. And my understanding would be wrong here. Jaideep sir, you had mentioned that most of this the Bajaj ethnic range and coconut and almond extensions were a GT kind of a product, which will help us grow the distribution and also move in the similar distribution, which we have already developed for ADHO.

But if I -- now if I look at our quarterly number based on what we shared, the GT sales have been flat and the NPD sales is growing. Is it right to say that in GT specifically, ADHO sales is de-growing? This is the derivation which I believe, and I could be wrong here, and if it is so, what are we trying to do to arrest this decline?

Jaideep Nandi: Okay. So a little far, very minor, no, overall, your question is in the right direction, except that a minor correction, not all the products that have been launched are only all for GT. So for example, the ethnic range you are absolutely right, it is for GT, the hair oils that we have launched are for GT. Bajaj extension, some of them are, at this moment, non-GT as we discussed, shampoo was not GT, lotion is not a GT, lotion will not see GT even in the future as far as we're concerned.

Shampoo definitely will see; serum is going to get launched but not yet got launched. So some of the products in the Almond Drop extension range that you see have not yet gone into GT. Some of them, as I had mentioned in the previous call, will get into GT. Not yet. So this is first part of answer.

Second thing is you're absolutely right. ADHO has not had -- it is flat as far as nine months is concerned, it is tracking very similarly to that. I mean, in fact, some of the pack and the interesting part is, overall, if you look at as, again, as a part of our strategy, we don't want to focus too much on just the INR10, INR20 pack, which is the lowest margin overall.

Obviously, we have to play. It's not something that we would not like to play. But overall, as a strategy, we are trying to see where we can make more margin. And that's why the large pack focus in there, we have grown well in the large pack. Mid-pack is where we have seen a little bit of a decline, and that's what we will address with some corrections.

But large pack is what we have been focusing where we are a little better, and that's what our focus has been. Yes.

Nikhil:

Okay. But sir, why I'm asking is, see, we have an internal estimation of being in the range of 16% to 18% EBITDA margin. Now that will be a play of either getting better sales growth, which on the modern trade and the international part we are getting. But it's a GT part, which is not growing at all or either we improve our gross margins, which even in your initial commentary, you said most of the RM was flat, but still the gross margins even sequentially have not improved.

It's like, it's a deterioration of 100 basis points. So if we have to sustain in that 16% to 18%, either we grow our sales or either we improve our gross margins. How will we balance between these two? Because the product ranges, which we are launching are either in the 45% to 50% gross margin bracket?

Jaideep Nandi:

So absolutely right. So either you grow your sales or you grow your gross margin. In this case, it will be a combination of both. So you're looking at expansion of your sales through expansion of your portfolio 45% to 50% gross margin, through nominal profit in the kitty where you have the fixed cost absorbed and some of the variables also beyond a certain point absorbed.

So some of your economies of scale will straightaway come up and the 16% to 18% is still in the radar. We are still at 16% to 18%. So it's not something that we are planning to go much higher than what we existing are. So with this current situation where LLP prices are also becoming a little more benign, we think that we should be over-performing in that, but this range we would remain.

Nikhil:

Okay. And last question. See, what my understanding and this could be wrong, was that one place was Almond Drop and sustaining the strength of the Almond Drop brand through line extensions or through product extensions. The second one, the Bajaj Ethnic Range, where we were looking at using the Bajaj equity, but here the gross margins of the products which will be launched would be lower, probably should get...

Jaideep Nandi: Sorry, just correcting you interrupting you gross margins in the ethnic range will be much higher. In fact, it will be higher than ADHO. The product categories might be smaller, the competition will be lesser and the gross margins will be higher.

Nikhil: Okay. Okay. So okay. My understanding was wrong here. And just last on the e-commerce brand, you said on Natyv Soul and all, we've put them on a back burner. But we had discussed that we would like to own a category like Argan and all, how are we going about it? And we've not talked about launches on those segments?

Jaideep Nandi: Argan category Natyv Soul still continue. It's not that we have closed on the Argan category. It's just that our entire spend, etc. So what we have decided is, absolutely right. I mean initially, when we had launched Natyv Soul, maybe we launched too many of the hero ingredients to start with. As a learning we cannot support so many hero ingredients, like most of the digital brands, they have taken either onion or Vitamin C, etc, etc, establish and then proliferated.

We also wanted by pushing only the Argan range, so that story still remains, the products still remain. They're still available in the marketplace, except that we would like -- we are not scaling it up too much. We are not spending too much of digital money in that. And as and when we think that it fits into our portfolio, we can give it a thrust, we will take it up forward.

Nikhil: Can I ask you why we are not pushing or investing behind those? Because I thought probably the idea was to create a D2C brands, which could be scalable and the gross margins were also good there.

Jaideep Nandi: It's a question of see, it's all a question of juggling the balls. With the kind of business that we are in, which ADHO is the only money spinner for you, you need to decide which are the path you would like to track. I mean, on one side, we are talking about the 16% to 18% EBITDA to be met.

And I think that's a fair call because we it's not because of anything else, but to ensure that at least the basic structure of the business remains. In case we really see traction coming up and we'll value the EBITDA going forward, where we are getting, let's say, mid-teens growth, etc, that's a separate call.

At this moment, we see when the market conditions are difficult, we would like to ensure that growth happens without too much of dilution of our EBITDA margin. And yet create strength as far as various brands are concerned, where there will be different levers to pull when the market conditions come back anyway in a cyclical curve at some point of time, the market will come back. And when it comes back, we should be in a position to capitalize most.

As far as Natyv Soul is concerned, we could have put some interest in, but our EBITDA would have kept on diluting. And I don't know whether we have been able to sustain for, let's say, a six quarter, eight quarter of investments without too much of large returns coming on from that.

So instead of that, and that's the call we have taken, and that can always be questioned, that we have decided that instead of pushing a completely new brand and pushing, getting the concept in with the kind of business that is generated out of e-commerce because the dynamics and

structure of e-commerce profitability is as it is, we thought that it was much better to push ranges that are lower hanging fruit for us.

We can make little with more top line sales as well as better bottom line. So that's what we have taken up. And in case we feel that, that also can be afforded in this entire game of having top line growth as well as the 16% to 18% EBITDA we put that in. At this moment, it is not fitting in that.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan.

Kaustubh Pawaskar: Just one question from my end. In your initial comments, you mentioned that there was an impact of inventory correction. So what would be the impact on the overall volume growth? And when can we expect this inventory correction to stabilize? And from there, we should see a better kind of a growth

Jaideep Nandi: Just to give you a factual number, just to give you a number which I was avoiding until now, we are a secondary sales of INR8 crores more than our primary sales this quarter. So if our primary sale was equal to secondary sale that would straightaway translate into another 3.5% growth as far as the business is concerned for the quarter.

Now obviously, that was the easiest incentive for us or easiest thing. But as a company, we have decided that we will not bite into any of the short-term measures to improve our numbers, we wanted to make it a structurally stronger company. So secondly is INR8 crores higher. We have reduced the inventory.

We have not succumbed to the pressures of not giving credit to our distributors. We don't see that happening in much of the -- a lot of companies we see today have increased the credit period of the distributors. And we are also seeing a fallout of that because the credit crunch is ensuring that slowly the distributor inventories are building up, and we are seeing some -- in some cases, it is bursting from the scenes for some of the competition.

So we'll see how it goes. But as far as we are concerned, we are very, very clear that we remain in an extremely strong position with zero credit to the general trade. And in this case, where credit crunch has happened where the inventory correction has happened. It's a good thing as we are concerned. Yes, the numbers are 3.5% subdued as far as numbers are concerned, but I am completely comfortable with that.

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

Jaideep Nandi: So thank you so much for patiently being party to this entire conference, it was a pleasure interacting with all of you. So as we look at quarter four and the coming years and being an election year with the kind of budget that has come out with the commitments that have come out from the government, and those spending's truly fructifying and results coming in and there will be more money in the hands of the poor, specifically in the Northern belts, etc, in the states, which are a little more stressed to than maybe the Southern states.

We feel that we are in a coming into a very, very comfortable and a good position where we have a much more expanded portfolio, much better executions that are happening across most of the markets as well as the expansion. So quite a few growth levers have been initiated, are tracking well, and I think as market condition as the macroeconomic conditions improve, we should be taking advantage of it.

So with that, I wish you a very, very good year and good ending of the year. And thank you so much for joining the call. Thank you.

Moderator:

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

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