bajaj CONSUMER CARE

November 19, 2024

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

Dear Sir/Madam,

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

Please find attached a copy of the Conference Call transcripts in respect of Bajaj Consumer Care Limited dated November 12, 2024.

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

Thanking you,

Yours Sincerely,
For Bajaj Consumer Care Limited

VIVEK MISHRA
Digitally signed by VIVEK MISHRA
Date: 2024.11.19 15:36:54 +05'30'

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

Encl: as above

bajaj GROUP THINK TOMORROW

"Bajaj Consumer Care Limited

Q2 FY'25 Results Conference Call"

November 12, 2024

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

MODERATOR: MR. KARAN BHUWANIA – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Consumer Q2 FY25 Results Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance in the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference call is being recorded.

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

Karan Bhuwania: Thank you, Siddharth. Good morning, everyone. It's our pleasure at ICICI to host the Q2 FY25 Results Conference Call for Bajaj Consumer Care. From the management, we have Mr. Jaideep Nandi, Managing Director; Mr. Dilip Kumar Maloo, Chief Financial Officer; Mr. Richard D'Souza, AVP Finance.

Now I'll hand over the call to Mr. Jaideep Nandi sir for his opening remarks. Post that, we'll open for the Q&A session. Over to you, sir.

Jaideep Nandi: Thank you so much, Karan. Good morning, everybody, and thank you all for participating in this Q2 FY25 earnings call. Let me take you through the performance of the company for the second quarter of this fiscal and half year ended 30th September 2024 before we open the floor for questions.

The consolidated sales for the company stood at INR 230.7 crores for the second quarter and INR 472.4 crores for H1 FY25. On a consolidated basis, Q2 sales declined by 0.4% on a year on year basis. And on a standalone basis, the decline was 1.4%. The consolidated volume grew by 1.1% in the quarter.

The demand conditions in urban remained sluggish, while rural is seeing some signs of recovery. The gross margins for the company in Q2 FY25 on a standalone basis stood at 52.5% while for six months ended gross margin was at 53.9%. The decline in gross margin is primarily on account of adverse product mix and higher RMO and copra prices.

The standalone EBITDA stood at INR 34.9 crores, which is 15.5% of sales for Q2 while for H1 EBITDA was at INR 73.2 crores, which is 15.8% of sales. The PAT for Q2 was INR 33.2 crores and INR 71.2 crores for H1.

The General Trade business registered a mid-single decline in Q2 year-on-year. The rural business performed better during the quarter and grew on a Y-o-Y basis. The demand in urban remained sluggish, resulting in single-digit decline. The retail channel remained steady during the quarter as well as in the first half of the fiscal year. The wholesale is where the dip has been. Our retail loyalty program for top urban retailers delivered strong results, achieving a 27% growth in Q2 FY25 and 21% in H1 FY25. The program contribution rose to 24% in FY25, up from 19% in H1 FY24. And this will remain a key focus area of the company, is basically the top retail loyalty program.

The RTM revamp Project Aarohan undertaken with the leading strategy consultant is well on its way from the previous quarter, it aims to enhance distribution, particularly in high potential towns and villages while optimizing the representation in lower potential towns. This project is also looking at improving sales enablement across and sales development functions to drive offtake.

The pilot implementation started in the quarter in two states of UP and MP has started showing promising results on key deliverables. The pilot led to improvement in representation from sub DB to DB by 40% to 50% of Q2, approximately 250 new towns in UP and 30 new towns were added in MP to the existing distribution network.

Direct distribution to new urban outlets added has been increased by about 1.2x. The weekly servicing of high potential outlets in TLP towns has also increased the throughput from these outlets. In the other initiative of geotagging urban outlets, we achieved more than 80% tagging till now of the entire country. As part of next steps, geofencing has started in key states of Maharashtra, MP and UP and is expected to be completed in the coming quarter. This initiative will help us enhance sales force efficiency as well as optimizing cost to sales.

The organized trade continued to deliver good performance during the quarter. This channel registered a growth of 10% year-on-year in Q2 and now contributes to 30% of our domestic sales. In general trade, conscious steps taken to correct distribution inventory has resulted in about 5 days inventory correction by end of September from the beginning of the financial year.

Coming back to organized trade, Modern Trade business grew by 4% in Q2 year-on-year. Independent chains along with one national player continues to perform consistently well. While on the institutional business, it registered a strong growth of 67% on year-on-year basis. E-commerce continues to do well, registering a growth robust growth of 32% year-on-year. This channel contributes now to about 13% of our top line in the quarter.

Almond Drops, hair and skin care range and Bajaj 100% Coconut Oil continued to perform well in this channel. These brands are gaining traction on major platforms as well as and now contribute to about 8% of the total business.

Quick commerce channel grew by 42% YoY with significant scale up across all leading quick com players like Instamart, Zepto and Blinkit.

The International business continues to deliver strong growth, double-digit growth momentum, registering a 36% growth year-on-year. Bangladesh demonstrated visible resilience and witnessed doubling of top line on back of good execution and distribution, inspite of unrest in the country.

We continue to invest in our brands in Bangladesh through digital marketing engagement activities. These activities helped us reach about 9.7 million consumers and 20 million impressions in Bangladesh. Print ad in special memorabilia edition helped us generate goodwill with our channel partners. This was during EID in the edition called Prothom Alo.

GCC in Africa region delivered a 22% year-on-year growth led by KSA that is Kingdom of Saudi Arabia, Qatar and Kuwait. We expanded our presence in UAE by adding 100 plus stores across the country in Q2. The Rest of the World region continued to deliver strong performance and witnessed about a 50% year-on-year growth. The company delivered strong growth across all the identified key markets of USA., Canada as well as Malaysia and Australia.

Delving into our brand performance for the quarter, ADHO saw a low single-digit decline on a year-on-year basis, primarily due to a decline in mid packs. The large packs continue to perform well with high single-digit growth in OT specially packs of 650 ml and 750 ml. 190 ml with PET bottle continued to scale up well and registered a high single-digit growth, sachet saw high-teens growth on a year-on-year basis on back of increased distribution.

During the quarter, we launched a 285 ml new flip top pack for added consumer convenience. This also helped us in lowering our packing material costs. For the festive season, we launched two different special hair nourishment kits with ADHO and hair care range as well as ADHO and third-party hair dryer on e-commerce platforms. This has been received very, very well from the customers this festive season.

Digital marketing for ADHO expanded its incremental reach by 10% through various platforms like YouTube and OTT shows gathering 35 million views. Social media efforts, including deployment of 60 influencers coupled with training content led to improvement in engagement rate of around 5.9%, which surpassed the hair oil industry benchmark for organic posts.

Our Teacher's Day post was featured on Ads With Benefits, a popular Instagram page with 111,000 followers that showcases outstanding market campaigns and topical posts by top brands. Almond Drop hair and skin care range saw a growth of 33%, reflecting strong consumer traction. Almond Drop shampoo and conditioner performed exceptionally well and earned an average rating of 4.3 stars from 5,000-plus organic ratings and 350-plus reviews in major e-commerce platforms. The Almond Drop's ultra light formulation for summer use along with the winter lotion saw an uplift in e-commerce channel on account of improved display images, new pack launches and campaign.

The Almond Drop soap witnessed consistent offtakes in modern trade chains and e-commerce channel with focus on various bundled packs offering based on the retailer. The Almond Drop hair serum achieved 20% year-on-year growth in H1 FY25 aided by display and influencer support.

Bajaj 100% Pure Coconut Oil continues to deliver strong double-digit growth. We continue to witness consistent gain and nearing double-digit market shares in traditional Bajaj stronghold states. The market share in Maharashtra also saw an improvement in Q2 FY25 supported by media initiatives and distribution drives.

To enhance the brand market reach in general trade specific SKUs of 300 ml jar and bottles were introduced during the quarter. We also launched the 1.2 litre jar for one major e-commerce platform. Digital marketing campaign across platforms delivered remarkable results, again, achieving 35 million views and impressive 1 million clicks.

Pricing interventions were taken in Q1 as well as Q2 to offset the impact of issue in copra prices. As of now, we have taken 6% in our Bajaj 100% Pure Coconut and we'll continue to monitor the copra prices to see how much further pricing need to be taken.

During the quarter, we relaunched Bajaj Gold 100% Pure Coconut Oil with improved packaging and formulation for the East and Northeast markets. The product is now available in three SKUs of 100 ml, 200 ml bottles and 175 ml tin. The GTM targets for both primary and secondary were exceeded. The initial product feedback on this brand has been very encouraging from both the channel partners as well as consumers. With the launch of this offering, we expect to gain market share in coconut oil category.

We continue to make good progress in diversifying our portfolio with the NPD and traditional portfolio now contributing 20% with a double-digit growth in H1 FY25. On a 3-year base CAGR basis, this portfolio has been in excess of 32%. This highlights that our strategic pillar of portfolio diversification is tracking well.

During the quarter, the LLP prices saw a marginal decline due to weak demand and reduction in crude oil prices. Refined mustard oil prices strengthened by about 11% year-on-year, driven by higher import duties on all edible oils and limited mustard oil availability.

The copra prices also saw a substantial increase year-on-year as well as sequentially fuelled by higher demand. Both the latter had an adverse impact on gross margin for the quarter.

Multiple initiatives have been taken to reduce material costs structurally, which will give us sustained benefits for the long term. These initiatives have resulted in savings of over INR 2.5 crores in the first half of the current financial year.

Our focus on increasing productivity through smart manufacturing programs and use of technology have resulted in improvement in productivity by 6% at our Guwahati facility and 14% at our Paonta Sahib facility in this year. We remain committed to ESG goals by optimizing the process to reduce water consumption and energy consumption at both plants and pursuing water positivity in line with the ESG targets.

The key initiatives to lower carbon emission include automation and installing advanced machines, energy-efficient compressors and Miyawaki Tree plantation project at our plants. We implemented rainwater harvesting projects at our plants, which led us to being about 5 times water positive.

CSR initiatives through rainwater harvesting and sustainable agriculture practices undertaken during H1 has positively impacted more than 11,000 families across 420 villages.

To sum up with rural growth continuing to be resilient, sluggish demand in urban expected to have bottomed out, we expect demand conditions to improve going forward. This, coupled with our thrust on our strategic initiatives, expanding the distribution reach through Project Aarohan in general trade, portfolio diversification, scaling up organized trade, scaling up of international business, we are confident that our performance will track well and achieve sustainable growth in the near to the medium term.

So with this, I end the opening remark and open the floor.

Moderator: Thank you very much, sir. Our first question is from the line of Abneesh Roy from Nuvama Wealth Management. Please go ahead.

Abneesh Roy: My first question is on the geotagging and fencing. What exact benefits will come in the urban areas once in November, all the outlets will be covered? And how common is this with the larger hair oil companies? So will it be more that you come at a level playing field with them in the urban areas? Or this is something different versus the larger players?

Jaideep Nandi: Absolutely correct, Abneesh. will actually come level playing with most of the larger players. I would not say all the larger players, but most of the good practice FMCG companies all have done geotagging, and fencing is one step higher. So I'll just explain. So geotagging is basically, you go to each of these retail outlets and basically tagged outlets so that you know exactly the longitude, latitude of that place.

So, first and foremost that you figure out is that what you're reporting in your system, in your both BMS as well as SFA, etc, are actually shops which actually exist. And in this, there'll always be a little bit of a churn, you will actually find that there are phantom outlets. This has happened for all companies. We are also seeing there are some not very large numbers, but in certain places, physically that actually physical shops are not there.

So what happens is as a result your efficiencies, moment you identify the shops and actually, tag the shop with the specific location, then even when your ISRs, etc, is visiting, then if you are reporting 40 outlets, they'll actually have to visit 40 outlets rather than have some 10 outlets, which are phantom outlets, which actually just visit 30 but actually you are reporting 40. So this efficiency will come in.

Fencing is one step forward where after you have tagged the outlet, you actually fence it, whereby you can only take the order from that shop when you have reached the shop, you can't take an order for a shop, let's say, 2 kilometers away. So then it is absolutely perfect. So fencing is a little more hard coded. So we are trying out with a few states to see how it will work and we will not go ahead with all the other states also. But tagging is something that we want to do so that we are absolutely clean retail map as far as entire urban listing in the country is concerned. So we have finished about 80%, I mean, we are now near completion. So we have a full map of where our outlets are.

And now when you add, you'll actually we are also tagging them as we add them. Earlier this was not happening. So this has been done in the last maybe couple of years by some of the top players. So we are just going to do that as well. And be at level playing field with the top players. Many of the large players, they do not have that.

Abneesh Roy: So to understand this better, ultimately, when this is fully done and there is some time for execution. This helps revenue, does this help cost or does this help in terms of better selling of new products because sales guy will have to go physically to the store because the phantom store, which you explained it seemed that virtually things are being managed. So actual effort may or may not be there. Could you tell us revenue, this will help or in terms of cost this will help?

Jaideep Nandi: So it will help both. So if you look at see, the cost to sales will clearly improve, it will become better because while you are reporting that you're going to 40 outlets, you're actually going to only 30. So now you'll have to go to 40 new outlets. The moment you go to this 40 new outlets because if that is your, let's say, effective mandate, you need to visit 40, then you will have to identify those new 10 outlets and go to these shops. So, two things will happen, either you will reduce the number of people by looking at the geography if such outlets don't exist. But typically, that does not happen. Typically, what will happen is those 30 that the fellow was doing in the beat, he will have to add 10 more and do that coverage. So it will be a mix of both. There will be some maybe pruning of one or two ISR territories, etc, but most of them will actually have to critically add these outlets to ensure that the effective mandate is covered. So it will help both in cost of sales as well as in terms of number of outlets that you add.

Abneesh Roy: My second and last question will be on the Pure Coconut Oil business. You have done good scale up in those four states where you have called out. So if you could tell us, one, there is a very sharp inflation in copra. So have you also passed on to the end customer, similar to what the market leader has? Second, for example, this 2.1% market share in Maharashtra in coconut oil, where has this come from? Is the repeat purchase happening? I'm sure you're offering more value to customers versus the market leader, which is fair because you have entered late.

But is the repeat purchase also happening? And how is the market leader retaliating because they are extremely large. They are much better sourcing advantage than you because it's not possible for you to have the same sourcing advantage. There is no comparison in terms of size. So if you could also talk on profits, how are profits in this business in terms of gross margins.

Jaideep Nandi: So I'll start with the second last premise of yours, which is what I've been countering for quite some time, and I personally think that is a great work done by our supply chain team, whereby if you track because copra price, because it's a single commodity price, we have a good understanding of who's buying at what price.

Unfortunately, because of our strong backing, we have been tracking for the last 8, 9 quarters as to what kind of prices, let's say, everybody is buying versus us. And in quite a few cases, we have actually had a better pricing. It might be a little difficult to understand why a player which is much larger can this thing because some of it is also based on your forward purchases, which are because some of them will have to be speculative purchase end up purchasing in terms of a little bit of advance too.

So it can work both ways. If you purchase in advance, if the prices were to fall, somebody else will get an advantage. But fortunately, for us, the last 8, 9 quarters, we have been able to at least track it well, our marketing diligence have been pretty strong because we have invested a lot of effort in terms of getting our entire backend right up to the copra farming to the farmers, etc.

So good understanding, right from me downward to a lot of people have very deep understanding of how this entire cycle works. And we have a sense of where the price is going, what is in terms of NAFED doing, what is in terms of the Kerala Farmers Union doing, in terms of pricing. So we keep a good track of that. So fortunately, for us, we have been able to do pretty well in terms of purchase pricing is concerned.

There's not too much difference between what we purchase, but it might be a little difficult to accept it from the outside, but that's how the truth is. Other thing that we have done is, pricing indexation wise, we have started with about 10% lower MRP as far as the larger player is concerned because that's how we wanted to do.

Now if you look at the pricing now, the price gap, and that is something that we are conscious that if we are if we actually scale up our product and we are able to cross the, let's say, the 3 figure mark and go beyond, let's say, on an annualized basis and which we have done earlier itself. So then we will slowly bridge the gap. Today, that 90% is slowly moved towards 95%, and we tend to take this even further, basically the pricing discussion for that. So we intend to take some advantage from that.

And the third thing that we talked about is in terms of pricing, passing on the price. I think from the market that we get. In fact, one of the good things that I would want to report, which I reported even last quarter is that general trade today is higher than modern trade plus e-commerce as far as coconut is concerned. I think that is a great proof of that the product has got well established in the marketplace and even in Maharashtra, etc.

I'll come back to the Maharashtra. But having done that, now we are clearly seeing that we are able to pass on the price increase. As I said, we have taken about a 6% price increase as far as Q2 is concerned, and we'll look to even take further price increases in Q3 as we work on.

So this is the price gap that we'll be maintaining. As far as Maharashtra is concerned, it is not first-time seeding, etc, because the product was launched in Maharashtra about 1.5 years about 7 quarters back. So this is more repeat purchase we are having. So distribution is going up in overall country level itself, we have more than 50% our distribution is already of ADHO. What we have in ADHO, more than 50% of that is already. So that's a substantial number I would like to think as far as the new product is concerned. So it is tracking well all across. And I think we are in a position that we can make our coconut portfolio far stronger off.

Moderator: Our next question is from the line of Anshum Nandecha from Bryanston Investments.

Anshum Nandecha: A very basic question, which I think most of the people would have. And I really appreciate some of the things that you guys have been doing over a period of time. But if I just look back 5 years and see ultimately, whatever you are doing is towards the betterment in terms of both revenue and bottom line.

So 5 years back, we were at around INR 900 crores top line, INR 250 odd crores operating profits. And after all the changes that we have been doing, some successful, not so successful, we are still at the similar level of top line and half the amount of bottom line. So as an investor, how should we look at it now? And when will the numbers come and when will the company grow?

Jaideep Nandi: Absolutely perfect question. And I think if you look back 5 years back itself, we had said that this will be a hard uphill climb because a lot of the things, initiatives that we are talking about, some of the things that you said are good, are tracking well and good initiatives taken. We knew that all of them will be investment hungry. There was no easier way out because ADHO had done great work and ADHO obviously needed to grow, but the market needed to grow along with for ADHO to fuel its own growth.

But we wanted to ensure that all the other levers that are required to be pushed are pushed because otherwise, it would always be a situation where we'll keep looking for a higher EBITDA in the short term and not compromising the mid to long-term perspective. And that's why we looked at our modern trade, e-commerce, which if you remember, 5 years back, e-commerce was 0.5%.

Yes, COVID did help, but the kind of numbers we are reporting is, I think, best-in-class in terms of the percentages. The organized trade business is now at 30% sales, which I think will remain one of the best ones given that there has been pressure in GT. So this is one. Two is we were to look at what beyond ADHO. Non ADHO 5 years back, was a 5% contribution. Today, that has come to 20%. And as you can see, all of those ranges, whether it be the AD extensions that is hair and skin range or whether be it the coconut range, all of them have been expanding much better. So ADHO remains where it is in terms of the market. If the market is declining, ADHO is also falling flat.

Yes, I would agree that there have been not sharp gains as far as ADHO is concerned. That could have only happened if you had gone into, let's say, the southern market or some markets where we are 100% because that I would admit has not happened. So all the tracking that we were planning to do, all the initiatives that we are planning to do the international growth, modern trade, e commerce as I told you, products, etc all of that has been tracking well.

So the big difference that we have done during our projections at that time today is that we did not expect the market to tank this badly and especially in the last 2 years, the way we have been saying, we have not projected that. But I think the fundamentals or rather the basic structure, the foundations of the company doing well have been all put in place, whether it be systems, processes, people, I mean, these are all things which I never mentioned, but I think the kind of people, quality, etc, that we have built, I think we are now very clearly set for growth. The market obviously needs to turn. And when the market turns, we are in a comfort.

Anshum Nandecha: So 2, 3 things quickly here, Jaideep, and just a follow up of these questions. First, if I look at ADHO as a portfolio, if I look at last 5 years, probably the RM prices have gone up. So I'm sure our average product prices would have gone up there. And ADHO falling as a percentage of sales would mean that others should be able to aid the sales rather than absolute sales remaining at the same level.

So why we would have got probably INR 150 crores or INR 200 crores from new products, and I'm sure your thought process would also have been that this will add to the top line. Unfortunately, that has not happened. That's the first part. Second, we have always maintained in the past that EBITDA margins would suffer but company would maintain absolute level of

EBITDA. In this case, the absolute level of EBITDA is actually halved. And this is also happening in the backdrop. When you look at last 5 years, most of the consumer companies have actually grown their top line by 50% on an absolute basis over a period of 5 years. So I think when I look at this and when I look at our performance, is it something that we need to actually rethink as to where are we going? Are we actually undermining ADHO? Is it actually something which we should be focusing on because that leads to larger growth?

Jaideep Nandi: So as far as ADHO is concerned, so let's answer all your questions in parts. So as far as ADHO is concerned, if you look at all the levers that could have been pushed are being pushed. So whether be it looking at the entire digital aspect of it, bringing the entire digital earlier, we did not have anything working as far as the digital part is concerned. We created the digital marketing team, etc, and a lot of good work as far as the digital side of it has already happened. In terms of marketing campaigns, a lot of the thematic, etc, has been changed more made it more topical and more relevant to the new age customers. So that work itself has happened.

As far as the product is concerned in terms of new SKU additions, newer packs, newer SKUs, newer in terms of initiatives as far as the packs, etc, themselves are concerned, a lot of it has already been in place. But yes, the market is what it is in spite of pushing the Almond Drops, it has had its impact. Yes, I would agree on that. Now coming to the point that you said that all the other companies have had this growth and we have not you're absolutely right.

But on the same point, you also need to look at so how much has been contributed by new products or from portfolios which they already had. Unfortunately, our portfolio is only ADHO and nothing else. All the other companies had portfolio. So whether all these competitors that you talk of, they have been able to place one portfolio or the other, which they have been able to push up.

If you look at you dissect this growth in the last 5 years, obviously, there will be some companies where only new products have achieved that. But most of the other companies have been from portfolios either of acquisitions they had done earlier, which have now started scaling up or portfolios they already had, which have been playing. Unfortunately, we did not have that advantage, and that is what we are setting up for.

Only other choice that we have had we would have had is do not take up this new portfolio, do not take up the international business, just push on ADHO. I'm sure ADHO might have given another 2% growth over and above. I'm assuming I'm not so sure. But in case that, I would think the company would have been maybe it would have reported better EBITDA margins, but would have been structurally much weaker, which I think is something that we would have wanted to avoid. I think we are in for a much better future than we are today.

Anshum Nandecha: So last question Jaideep. Does that mean in next 5 years?

Moderator: I request you to join the question queue for any follow-up questions. Our next question is from the line of Gaurav Gandhi from Glorytail Capital Management.

Gaurav Gandhi: Sir, as of now in the market, the way this quick commerce is growing in metros, have we looked at our arrangements with these quick commerce companies about showcasing our products? And how are we looking at improving our sales from these quick commerce platforms and about the display of our products because it will be really very important to grow our top line and get our products on the customer preferences. So your thoughts on that?

Jaideep Nandi: So if you ask me, that is one area where I would think that we have not done as well as we would have liked. Even in the last conference, I mentioned that quick commerce has to become one of our key focus areas, and we have to just go upside down to ensure that quick commerce we have growth which is far, far higher than what we are, we had a 42% growth as far as quick com is concerned this quarter.

I think that is if you ask me overall where my disappointment would be in terms of initiatives, this is one area where we have not done. And clearly, that's a focus area. I am sure that in quarters going forward, that you will see far, far better performance. 42% is good, but not good enough. I think it should be in triple digits this growth rate, and that is what we are targeting.

Clearly, the team as well as the entire marketing as well as the sales team in terms of how the assortment should be, how we should be placing it, how we should tie up with all the key players, etc. I think that clarity is already there. We just need to ensure that, that execution, which has already started, will happen and we become a far stronger player as far as quick com is concerned. Clear, I don't think there is any dispute in that. And you have absolutely identified the issue right on, actually. Yes.

Gaurav Gandhi: Right. And the second question is now despite every quarter growing revenue from new products, we are unable to grow the absolute revenue number and it's still stable at where it is. So can we come out with the assumption that there is some permanent loss of revenue in almond hair oil category? I mean your thoughts on this.

Jaideep Nandi: You're not able to cover that because see, if you look at I mean, just look at the current situation today. You look at most of the consumer companies reporting what they are reporting. And just look at just sheer numbers. If you look at food inflation, in April was 8.7%, May 8.7%, June 9.4%, then it dipped a bit in July, August. It's back to 9.2%. With this kind of food inflation that is happening and the real wage growing at best at 4% to 5%, you expect discretionary to take a hit and staples will still do a little better.

Now the question is much broader. Do we trust the Indian economy and do we expect the economy to do well? And if that does well, then this will have to come back or do we not. So it's a more fundamental question rather than a Bajaj Consumer question. If we trust that, yes, the economy will do well. This is more a temporary phase, may be 2 quarters, 3 quarters, 4 quarters. This has to turn. If that is the case, then obviously, it will come back. I don't think Almond Drops has any lost any specific share across, our shares remain more or less steady at similar level.

Gaurav Gandhi: That's right, sir. But looking at the choices in the market, there are so many choices in the market, so will it be right to accept that Almond Hair Oil is not in the consumer preference as it was before? So accepting is better or should we keep on expecting that there will be growth in the revenue from that category?

Jaideep Nandi: I would think it will be the latter mainly based on the market. As I said, Almond acceptance is reduced etc, is not something that I'll subscribe to. Yes, the market has gone down, and you will see all the major players have the same even other very, very large player other than coconut, other large player also has had the similar thing. I don't think there is anything happening to their brand equity as well. This is just that the market has now under stress, so the cheaper products are selling, etc when the market comes back, all of this will see again, a natural growth back.

There has been no shift overall shift in the marketplace where the practices itself have changed. Hair oil usage has gone down. We track the Kantar data, look at Household data. We don't see significant drop, happening either in terms of hair oil usage or the frequency of use, etc So I think we remain quite balanced. Yes, the market conditions have been difficult. As the demand conditions turn, I think we would also bounce back.

Moderator: Our next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Just 2 questions in the beginning. You said that non-ADHO portion is now 20%. Correct?

Jaideep Nandi: Yes.

Shirish Pardeshi: So my question is pertaining to the overall hair oil business for us. So if you include coconut, almond and all the hair oils put together, what is the volume contribution of non-almond oil in terms of volume?

Jaideep Nandi: Non Almond oil. See, as I said, overall, it's at 20% and Almond Drops Hair and Skin range also is a substantial portion. So we will keep it at that. I would not be able to split you exactly the hair oil versus the almond oil numbers. But this is where we are. 20% comes out of that, where coconut is a substantial number, Amla is another number as well as Almond Drops Hair and Skin. These are the 3 main contributors with others contributing here and there.

Shirish Pardeshi: Jaideep, I understand. I'm trying to find out the margin depletion story. If the Almond Drop price premium to coconut and if the coconut portion is going to be stronger in terms of volume, how this margin story is going to pan out in next 3 to 4 quarters? Because what you said that now you are now 2.5% share in Maharashtra and Maharashtra being a coconut oil market. If that volume comes in, what are the levers which are available? I mean, yes, cost efficiencies is another thing which is ongoing.

Jaideep Nandi: Correct point. So if you look at both Amla and Coconut, both of these portfolio, which are the larger of the portfolios and the Almond Drops Hair. Almond Drops Hair and Skin Care range, obviously, the gross margins are similar to ADHO. So there, we don't have an issue. The Amla and coconut obviously are lower than the Almond Drops. Our expectation is the market improves then Almond Drops itself will perform better. Almond Drops has not done well, so this margin looks depleted. Moment Almond Drops were to come back, we'll be seeing gross margin dilution going up.

Shirish Pardeshi: Okay. My second and last question on the net distribution or SPR, if you have the number, if you can share a little more depth in those 4 states where we have taken action on coconut. So what is our ND for Almond Drop and Coconut?

Jaideep Nandi: See, our ND is typically, as you are aware, about 8.5 lakhs or 8.6 lakhs now as far as ADHO is concerned. And as far as Coconut is concerned, it's already reached about 3.8 lakhs or close to that.

Shirish Pardeshi: It's already -- 3.8 lakhs?

Jaideep Nandi: 3.8 lakhs. Yes.

Shirish Pardeshi: And specifically in Maharashtra, would it be much higher?

Jaideep Nandi: No, it is all across. So Maharashtra is also tracking well, but I think the numbers are still a little higher on the northern side. So all your states of UP, Rajasthan, MP, Punjab, Delhi also to an extent, Haryana to an extent, yes.

Moderator: Our next question is from line of Kaushik Poddar from KB Capital Markets Private Limited.

Kaushik Poddar: Yes. Last time, you gave an indication that we'll be turnover will be growing at a rate of around 10% or something for the next 3 to 5 years. So in the light of whatever consumer slowdown, rural slow down, do you modify that forecast?

Jaideep Nandi: Yes. I think if you look at the mid term, I would not like to modify the forecast because I think now that both rural slowly coming back, urban now bottoming out, we don't feel that it will continue to bottom out and there is a bottomless pit so we don't think so. Yes, in the near term, there might be a bit of a pressure, but I don't think in the midterm also, in fact, little more than near term and midterm, I don't see any pressure. Most of the things that we have now put in place should track well, so we should be back on full growth. So I'm not going to revise, commit some numbers as far as.

Kaushik Poddar: Okay. Now on the non-ADHO portfolio, is this something that you are trying to emphasize more than others? I mean is this any product or any category that you feel has a higher growth potential than others?

Jaideep Nandi: Good question. Two portfolios clearly. One is obviously the Almond Drops Hair and Skin range. I think we have been seeing good traction at shampoo, at conditioner is very small. The summer lotion that we launched, we got good traction. Now the winter lotion loading is happening. Last year, we got some good responses from the winter lotion. We launched the Hair Serum sachets in West Bengal sachet market. Serum, we are seeing good traction as far as modern trade and e-commerce is concerned. We are looking serum going across the country in general trade as well.

So overall, Almond Drops extension portfolio or hair and skin range, if you may, we expect that has a good future. I mean, it's already showing good traction to become substantial and start contributing big time to the revenue and profit. It might take another 2, 3 years, but I think clearly, that traction has been seen. Last year, this time, I may not have been so confident, but today, I can confidently say that we are seeing good traction in those products, those 6, 7 products that we have launched, and we'll continue to push that.

We have also seen good traction coming out of Coconut. And as I said, all the measures that have been taken to ensure that the profitability of Coconut, obviously, it will not track as well as the Almond Drops profile. But as much as it can, which is still better than all the other hair oils put together. Clearly, we are focusing on everything that is possible to be done as far as Coconut is concerned. So whether it be the Green Coconut that we have launched in the Eastern markets, whether be it the Blue Coconut, which has been launched in all the other parts of the country, some of the other products which we are planning to launch maybe in the coming quarters, etc.

We feel that the Coconut portfolio will be a large portfolio as Bajaj is concerned that inherent strength of the confidence of the Bajaj household name and the quality that it will provide has stood us in good stead, and that is something that we do. So, these 2 ranges clearly, there are certain other ranges that we have already in pipeline, but we don't want to launch it now because they are already so much in the portfolio in the pipeline. Until the market conditions improve, we would not like to launch Phase 2 of the launches in some of the other products, but that is something also in the pipeline.

So as far as pipelining is concerned, we are very clear at this stage, Almond Drops Hair & Skin Care range and Coconut range and not Coconut oil only, but the Coconut range. These are the 2 things we will push quite strongly, and we look at future as the market conditions.

Kaushik Poddar: Coconut range means what, I mean beyond coconut oil also?

Jaideep Nandi: So beyond pure coconut oil. So today, we have 2 pure coconut oils. One is as far as the rest of the market is concerned, which is a pure coconut copra grade 1 oil and the one that sells in the eastern part, which is similar to the market leader, which is Shalimar Oil which is also a pure coconut oil, but that's not grade 1. It has a roasted smell. It is a little different distinctly different texture and feel. So that is what we are selling. These are the 2 products. We feel that there are 2 more other products that can be launched in that work is already there. Good gross margin profile, they will also come back.

As you can obviously understand is the value-added coconut, which we already had a coco onion that needs to come back. We'll have to see when we time that launch as well as another one we are looking at in that range. So there will be about 3, 4 products in the overall coconut portfolio.

Kaushik Poddar: Okay. My last question, which is that see, I see in the Eastern region...

Moderator: I request you to go and get back to the question queue.

Jaideep Nandi: Let him finish because I think there is...

Moderator: Sure sir. Yes.

Kaushik Poddar: See, my question is, I see in the Eastern region. I don't see much of advertising or sales promotion in this thing. I mean, is it done at the shop level or something that we are missing out, at least on the newspapers or magazines or anything, I don't see much I mean, how is the ASP tackled in, say, Eastern region?

Jaideep Nandi: So what we wanted to do, and that is what is the template that we have put for most of our new products list. First, we get into a GTM. Once the entire GTM is over and it has already reached the retail outlet, etc which is typical process, then we get into both either in complete local advertising or definitely POSP. POSP, I mean you have already seen POP and POS already at the shops with various green T-shirts and danglers, etc. Those are already there. Already, we have had a digital content made specifically for the regional language in West Bengal. So that is already there. Some of it is already there. You may not have tracked it directly. We are now exploring whether we need to get into regional language advertising, etc like we have done in Maharashtra and all those fronts. That is something we'll have to decide based on how we want to do. So yes.

Kaushik Poddar: Okay. So the 10% medium-term growth stands, right?

Jaideep Nandi: Yes, definitely. We would like to.

Moderator: Our next question is from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: So our overall EBITDA margin is around 15%, but it's a story of 2 parts, right? ADHO is quite profitable. Some of the new businesses or rather new products would be either very low margin or might be loss-making. So could you give us some idea as to what these 2 parts are? So like if ADHO alone, if I look at, can I say that it's like 20% plus margin and then there is a certain loss on the remaining products. Can you give some idea on that?

Jaideep Nandi: It's perfectly correct. It's not loss-making for all the products, obviously. So yes, some of the products we are investing in, let's say, most of the AD extension products, the EBITDA margins will not be positive. Some of them will not be positive at this stage. But the gross margins are in upwards of 55%. So we are investing in some of these products.

Some of the products like coconut, etc, they are positive as far as EBITDA is concerned, but not obviously in the range. So if you look at very, very overall, if I were to maybe able to give a sense then ADHO remains 20% plus and the difference delta between ADHO and the non-ADHO would be about roughly about a 6% difference between ADHO and non-ADHO.

Percy Panthaki: Right. Secondly, I just wanted to understand on ADHO. If I look at the sales versus pre-COVID, I think it would be flat to a marginal decline. And over a 5, 6 years period, the pricing has gone up close to 15%. So would I be right in estimating that versus pre-COVID levels, the volumes of ADHO are down about 15%?

Jaideep Nandi: No, I don't think so. So if you look at the volume, the value sales, if I look at a 4-year CAGR is about 4% sorry give me a minute. It's above 5%. That's the overall rate, ADHO is about INR 780 to about INR 792. So that's about 0.5% the thing. And in terms of price increases, I think the overall price increases will be in the 7% to 8% range. So yes, there has been a little bit of a drop, but not to the extent that we thought.

Percy Panthaki: Okay. Okay. Understood. And can you give us some idea as to, again, on the margins, what is your plan? One is on ADHO, do you expect to keep the current margin?

Jaideep Nandi: Sorry, give me one minute. I just took out the data. So the volume decline in a 4-year CAGR as far as ADHO is concerned, it's minus 0.6%. Minus 0.6% is the volume decline in ADHO and the value growth is 0.4%.

Percy Panthaki: This is over what period, sir?

Jaideep Nandi: This is over a 4-year period. So 4-year period, '20 to '24. The difference. I'll just explain the difference in terms of the price increase, etc. So one of the things that also...

Percy Panthaki: Sir, '20 would not be a correct starting point because FY '19, your sales was INR 880 crores, FY 21 also was INR 898 crores, but FY 20 because of the Q4 destocking last 15 days, it was only INR 820 crores. So I think FY20 is a very low base to start off with, if you could either look at FY 19 or 21, it would be okay.

Jaideep Nandi: So, what I was trying to so look at FY21, if I take CAGR is minus 1.3% and minus 2.7%, respectively, value and volume. So, what I was trying to explain to you is that the price increase, part of it what you have said is correct. But the way you would have seen also we tracking is that a lot of larger SKUs have been launched, the 650 ml we launched, the 700 ml we launched. That price per ml is a little worse off as far as this is concerned, which will happen for a very, very large pack, the price will be better offering to the consumer. So that has also offset where the volume growth has happened, but the value growth has not compensated for that. So that's why in spite of the price increase, the difference is of just about 1.6% between value growth and volume growth, volume being 1.6%. CAGR wise 3-year.

Percy Panthaki: Understood. Understood. And sir, how do we look at EBITDA margins going forward?

Jaideep Nandi: So I think that, as I said, we have been maintaining. So as of now, it's 15.5%, we are doing a project as far as the strategy part is concerned, the strategic project, which is taking about 0.5% to 0.6%, roughly about 0.6% from our EBITDA. So it remains about 16% percent. So this will go through some bit of curve at this stage itself. But I think overall, the 16% to 18%, which remains standard.

Percy Panthaki: But in the near term, have we bottomed out or in the near term, it can go even lower?

Jaideep Nandi: Very difficult to project. It will be a function of what happens to the RM prices, where we take pricing action, how competitive action is on the demand. So it's a very difficult comment to make at this. But this is about 16% to 18% remains our target, and that's what we are tracking it on.

Moderator: Our next question is from the line of Amit Purohit from Elara Capital.

Amit Purohit: Sir, just on the quick commerce side, you said that you were not satisfied. One, I wanted to understand the arrangement that you have with quick commerce. And what are the kind of brands that are getting sold in quick commerce and getting good acceptance for you?

Jaideep Nandi: So as far as quick commerce is concerned, in fact, other than Amla, basically, we are saying in the entire range. So ADHO, we are continuously looking at improving our assortment, all the

SKUs getting listed with all our partners. That is obviously one, ensuring that our availability is across all the regions, that is other thing. In fact, we are at this moment, Blinkit we are directly billing while Zepto is going through our distributors.

But in terms of the product range, the product range we are pushing is obviously ADHO, entire range across all our partners as well as across the entire region all the regions as well as the Coconut is doing well on that as well. So we want to take it much higher than what we are doing as well as the AD extension range, the shampoos, the lotions, the serum as well. So that is something that we are also pushing. Yes.

Amit Purohit: And what would be the salience of quick commerce right now?

Jaideep Nandi: So quick commerce salience, as I said, is low at this stage, only at 6%, which we think can really scale up much stronger, yes.

Amit Purohit: Okay. And just the last thing on the extensions of ADHO, is the acceptance on quick commerce relatively higher? Or it is too small to now talk about it?

Jaideep Nandi: So wherever we are seeing responses, the responses are very, very encouraging. So that's why we are going very heavy on the AD extensions as well as quick commerce. So quick commerce, obviously, as you are aware, the margins at this stage, at least as of today, as we speak, are better than the larger e-commerce players. So that also obviously is an incentive for everybody as well as us. And fortunately, we are seeing good traction as far as our AD Hair and Skin range products are concerned, which is what will speed up significantly further going forward. At least we are going to do.

Amit Purohit: And last on the channel mix itself. You highlighted that almost, I think, 30% of the sales comes from the organized retail, right? So is this share likely to go up, then is there any impact on our overall margin profile for the company?

Jaideep Nandi: So I think at 30%, we are already topping it out. I don't think there will be a significant increase because our major focus is to ensure the general trade, which has had not a muted performance come back. That is what will be the effort in. Yes, the 30% can go up a few percentage points here and there, but I think roughly we topped out as far as that is concerned. 70-30 mix is what will be the new normal as far as what we think.

Amit Purohit: And why do you say that quick commerce would have better margins than e-commerce?

Jaideep Nandi: See, it's just a power of negotiation as far as the two very, very large players are concerned. If you look at the two large players, I mean, given the fact that they also see that general trade, most of these companies are finding it difficult to scale up general trade. They also realize that these are the easy growth drivers, growth levers for most of the companies.

So, they also extract their pound of flesh, maybe not in the last one quarter or so as we see the quick com scaling up and they have to also receive but other than that, both these two large players have been commanding their pound of flesh. So that is something at least gets a little neutralized because sales have not yet become larger. We're saying that in maybe 2, 3 quarters, these guys will also not be expanding. I'm sure they will also be asking for their pound of flesh. But at this stage, this is how the dynamics is.

Amit Purohit: Okay. Versus the e-commerce and versus even GT

Jaideep Nandi: Versus the larger e-commerce player

Amit Purohit: Okay, okay. But versus GT, it would be lower, right?

Jaideep Nandi: Versus GT, it will be lower than GT, higher than the larger e-commerce players.

Moderator: Our next question is from the line of Nikhil from SiMPL.

Nikhil: See, my question is, if I compare our first half cost base to first half of last year, we see our employee cost is still growing at around double digit. Our other expenses ex of advertisement spend is still growing at 9% to 10%. And as I understand, a lot of this investment has been going behind growing the GT channel and basically on the new products. Now even on the new products, our sales growth has actually come down from where we were and some amount of it is also base.

So how do you see this spending sustaining versus the commensurate growth from the new product segment because even GT, which has been a focus area is actually de-growing only. So how do we add this investment versus the return which we are getting in terms of growth? Some points or some idea you can give?

Jaideep Nandi: No. So I'm still not clear why you are saying that the new products are declining. The new products are...

Nikhil: No, not declining. I'm saying the rate of growth of new products has actually come down from where we were. And I understand base is also playing out. But our personnel costs, our other expenses cost is actually now incrementally more than the overall company top line growth. So which means that our investments are happening behind new products, and that's also on the GT channel but new products are growing at a lesser rate.

The GT is actually de-growing. But our investments in terms of P&L behind personnel and other expenses remains at a double-digit rate. So while we are investing, we are not getting the commensurate returns, if I understand in a way. And this is on a first half to first half, not on a quarter-to-quarter number. Yes.

Jaideep Nandi: So new products, as you rightly said, now is at 11%. In the first half of the year, it registered an 11% growth, which I think is still pretty decent. It is not a bad situation given the market conditions. While overall CAGR has been 32 point some percentage, 32.3% to be precise over a 3-year period. So I would like to think that the new product is continuing to perform very, very strongly. It is not that the growth rates have come down. I think the growth rates will keep increasing as these products get established for them because this is still in a scale up stage.

Earlier the growth rate numbers were much higher because of a lower base, the bases have gone up, but still, I think the growth opportunity is still there. As far as the costs are concerned, yes, some of them are a bit of a fixed cost. So that will remain in terms of other costs, etc, that we have seen, we have done some investments in Bangladesh, some investment as we see the strategic project that is coming in, that's why the other expenses are coming up. That's why there has been some increase. Employee cost is something that you do not unfortunately have too much of say unless you want to downsize the organization. At this stage, we are not expanding the organization in big way, but we are not looking at downsizing because wherever we have invested in people, etc. There will be some bit of restructuring we might look at in the general trade going forward after the project Aarohan output completely comes through, we see where there is some cost optimization opportunities there. But in terms of others, I don't think there is much reason to press a panic button and reduce manpower. That is not a direction that we are envisaging or planning to take.

So if the sales number were not to go up with an average increment that happens, yes, this number will look a little on the higher side, but that is something that we'll remain with because we think people is an investment we'll continue to keep on making, not by increasing people, but having quality people so that we can have this growth coming back to us.

Nikhil: I take that point, and it's a very valid point. We are not downsizing. We want to grow from here. But if I broaden my perspective over the last 8 to 10 quarters, the investment behind people has been pretty aggressive. So if I consider average has been 12% to 13% growth. So from a base of INR 20 crores, we are now at INR 30 crores on a quarterly basis, and we've invested, which is a good point.

What I'm trying to understand is, are we getting enough efficiencies or productivity from these investments because and this point was raised that where we were, we are still there in terms of sales. Maybe NPD and all has come, but while people investment and everything has happened, but the starting line where we started, we are still there in a way. So how do you see this productivity improving from on the people side?

Jaideep Nandi: So as far as the starting point is concerned, my point is the alternative that you need to look at. If we had not done this investment, we would not have been where we are today. I would like to think that with only ADHO or just about -there about peripheries being there, we would not it's a speculation. So obviously, you cannot really come to an absolute number on that.

But only with ADHO firing, I think we would not have even be able to hold ground as we have been. This is one. Other is the investments that needed to be made have been made. I think, yes, the numbers have not shown through. But the question is then do we downsize. Finally, it will have to come back to whether we downside or whether we have overinvested in terms of that.

Unfortunately, when you have a smaller organization, most of the costs will look a little higher and because that can only be covered through economies of scale, which we have not been able to have, which I would absolutely expect. But yes, market conditions have a role to play. And as the market conditions improve, we expect these numbers also starting to look far benign than they are.

Nikhil: Okay. And if you can allow me one more question. See, I understand market has been difficult and earlier rural was bad. Now urban is weak. But from where we are starting, in a way, we are starting or coming into a space where we were not present. So we are starting from zero. So in last 3 years in terms of the new products and all, I'm saying on the ADHO, we were always present. But on new products, we started from zero.

How much of a market condition has a role to play in order to grow? Because if I look at the segment of overall oils and our whole idea was that we want to broaden our prospect only from ADHO to overall oils as a market, the market is pretty large from where we were starting. So while market conditions are bad, but how does it impact us in terms of not able to scale up or probably grow at a much faster rate what are the challenges? If you can just help me understand that?

Jaideep Nandi: So I'll just explain that very quickly, and it's I think it's a pretty good question saying that if you're a small player, why can't you scale up? The market is that large. It doesn't matter whether it grows or not. Unfortunately, that actually works the reverse way. In fact, when the market conditions are difficult, the larger players have the muscle to bulldoze that market and able to grow.

And it is always the smaller players who suffer. So it is typically, that's how the market dynamics would work because the larger player will do its best to protect their market share. And I think so while from a 10 you are looking at 100, somebody who's at 30 will be in a better position or a 40 will be in a better position to protect it and be aggressive rather than a percentage of 10.

Unless you are, let's say, a PE invested company where you want to just invest for the next 5 years for that bottom line and that's a different story that it's a different. But if you are a traditional company who's trying to protect it, benign market will always be better. If you look at this Coconut, Coconut is a classic example of that. So when the copra prices keep going up, the market becomes difficult.

The smaller players nearly get wiped out. unorganized sector gets wiped out, the larger players. Moment it is the other way around where copra becomes benign, the smaller players become pretty I will not say significant, but have a role to play So this is how it will pay out for larger market. So this is for market dynamics.

Nikhil: Sure. Thanks. Probably it will take a lot more time to understand, but thanks a lot for your explanation.

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

Jaideep Nandi: So thank you so much for patiently asking the questions and the response. Yes, the market conditions have been difficult. I think nobody can deny that it has been or a rosy picture out here. But yes, I think as far as the company is concerned, we are very, very firmly committed to drive all the growth levers that we have put in place to continue to invest on those because we feel as the demand cycle turns, we would be in a far better position to capture that than where we have started.

So we are very, very optimistic that in the near future as the demand situation comes back, we'll be able to take leverage all our strength and bring back growth in a far stronger manner than we had earlier capability of. So with that, I'd like to thank all of you once again, and best of luck for the festive season. Thank you.

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

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