

November 14, 2025

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, 5 th Floor Plot No. C/1, 'G' Block Bandra- Kurla Complex Bandra East, Mumbai 400 051 Stock Code: BAJAJCON
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Dear Sir/Madam,

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

Please find attached a copy of the Conference Call transcripts in respect of Bajaj Consumer Care Limited dated November 11, 2025.

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

Thanking you,

Yours Sincerely,

For Bajaj Consumer Care Limited

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

Encl: as above

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“Bajaj Consumer Care Limited
Q2 FY '26 Earnings Conference Call”
November 11, 2025



MANAGEMENT: **MR. NAVEEN PANDEY, MANAGING DIRECTOR – BAJAJ
CONSUMER CARE LIMITED
MR. DILIP KUMAR MALOO – CHIEF FINANCIAL
OFFICER – BAJAJ CONSUMER CARE LIMITED
MR. AAKASH GUPTA – HEAD-FINANCE – BAJAJ
CONSUMER CARE LIMITED**

MODERATOR: **MR. DHIRAJ MISTRY – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Consumer Q2 FY '26 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star, then zero on your touchtone phone.

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

Dhiraj Mistry: Hi. Good morning, everyone. We welcome you on Bajaj Consumer 2Q FY '26 Earnings Call, and I would like to thank management to give this opportunity to host the call. We have with us Mr. Naveen Pandey, Managing Director; Mr. Dilip Kumar Maloo, CFO; and Mr. Aakash Gupta, Head - Finance.

Over to you, Naveen, for your opening commentary. Thank you.

Naveen Pandey: This conference call is pertaining to the results for the quarter ended September 30, 2025. This was a good quarter for us, demonstrating early results of the actions initiated by us towards improving our revenue growth and margins. When viewed sequentially, it gives us the confidence to proceed on the path which we've charted for ourselves.

On a standalone basis, the sales for the company stood at INR 241.6 crores, registering a growth of 7.2% on a Y-o-Y basis, whereas on the consolidated basis, the sales stood at INR 261.4 crores with a growth of 13.3%.

The gross margin for the quarter on a standalone basis stood at 59.3%, registering a significant improvement of 680 basis points Y-o-Y. A series of structured interventions have helped us deliver this; namely strategic pricing, which was executed in Q1 and came into full effect in Q2; active change in portfolio mix and a series of productivity actions.

EBITDA on a standalone basis for Q2 grew by 42% to deliver an absolute EBITDA of INR 49.6 crores, which translated into margin of 20.5%, a 500 basis point movement over the same period last year.

On a consolidated basis, our EBITDA grew by 45% to translate into a margin of 18.6%, which was also a 400-plus basis point improvement. Standalone PAT for Q2 stood at INR 43 crores with a margin of 17.8% and the consolidated PAT was INR 42.3 crores with a margin of 16.2%.

This quarter also saw a strong recovery in our general trade channel, which registered a growth of 5% Y-o-Y, and it came on back of strong double-digit growth in urban. Both the key subchannels in urban, namely direct retail and wholesale have done well for us.

In retail, we have got strong results on back of nearly 38,000-plus outlets getting added to our direct coverage over the past few quarters under the Project Aarohan. And in wholesale, we've fixed hygiene and discipline issues to a great extent, and the same is reflected in the steady revenues and strong growth for the subchannel. Rural business is still a work in progress for us,

where we are undergoing a GTM transition as the part of the overall Aarohan initiative. We expect rural to fully bounce back over the next couple of quarters.

Organized trade registered a strong double-digit growth Y-o-Y in Q2 FY '26. Salience of this channel stood at 31%. Modern trade and e-commerce both grew very well in the strong 20s. And this performance was driven by very solid contribution across chains and supported by customer activation for festive sales. At a brand level, our revenues were supported in this channel by very strong performances on both ADHO and Bajaj CNO.

In the subchannels of CSD and CPC, we witnessed a steep decline because of nearly 0 sales in the month of September, which came on back of the GST transition.

In international business, we had a very poor quarter with revenues declining by 26% Y-o-Y. This was primarily because of our internal issues in transition of distributor in EMEA and some external bids in rest of world markets, namely U.S. and some of the others.

In our core markets of Bangladesh, we registered a growth of 8% Y-o-Y. And in the market of Nepal, we had a temporary setback due to the political uncertainty and instability in the month of August and September. We expect Nepal to normalize very soon and this business to be back on track.

Moving ahead, at a brand level, I'm very happy to share that ADHO has delivered a double-digit revenue growth in India, backed by the full effect of pricing changes reflected in this quarter and our initiatives on mix change and revenue management delivering very, very well for us. The volume growth on this brand was flattish.

We saw a revival in the price point packs, which grew in high single digits. Price point packs are our sachets, which is a big mix for us as well as the price points of INR10 and INR20. And these packs combined grew in the high single digit, signaling a strong broad-based demand revival for us. The larger packs grew even faster at strong double digits.

Our focus on supporting ADHO saw us investing over 2,100 GRPs with increased focus on prime time and top-rated show. This investment in GRP is nearly a 50% increase over the same period last month. In addition to this, we also doubled down on our investments behind digital marketing.

And across platforms like YouTube, OTT, Connected TV and Meta, we run a very, very serious campaign, delivering over 22 crores impressions for us. Bajaj Coconut witnessed a muted quarter with 3% revenue growth in Q2. This was on account of reduced inputs and steep price hikes.

While on a longer-term trend, we continue to gain market share in this category, we've seen a short-term decline in market share over the past few months. In this market, we've also witnessed a movement of consumers from pure CNO to VACNO, given the sharp prices which have happened in the CNO category.

To capitalize on this trend, in September, we launched Bajaj Gold Enriched Coconut Hair Oil. This launch will help us have a portfolio approach to CNO business and will help us counter rising copra prices and manage profitability of the segment in a much better way. This launch was also one of the fastest ever by our team and gives us confidence in our ability to innovate and act fast.

The Banjara's brand under Vishal Personal Care Limited registered a top line of INR 14.5 crores with 11.5% growth on a Y-o-Y basis. The EBITDA margin for this business remained in a very healthy mid-teens. For the post-merger integration, we had partnered with one of the leading consulting firms to help us design and integrate the operation.

We had shared this with in the past quarter call. This exercise has now already started and is progressing very well. In one state, we had taken up a complete integration of our entire sales and distribution setup and the early signs from that state are very, very positive. We are seeing that this has benefited in terms of delta growth across both the Banjara's as well as the BCCL portfolio.

This quarter was also marked by government's announcement of the landmark GST 2.0 measure, a portfolio which a pivotal step towards enhancing affordability and increasing consumers' purchasing power, laying the foundation for very strong consumption and demand acceleration for the overall economy.

With this change, I'm happy to report that BCCL's nearly 100% portfolio is now at 5%. Only Banjara's portfolio remains on a consolidated level remains at 18%, but nearly all of the historical BCCL portfolio is now at 5%. And we believe this GST reduction, is a very strong structural positive move to unleash demand growth in the quarters to come, and we shall see the benefit of it in the subsequent quarters.

While this is an overall net positive, in the temporary basis, we saw some channel destocking, which happened in the month of September, and we believe that we would have suffered somewhere to the extent of 3% of quarter revenue. We believe this loss is temporary and onetime in nature, and the overall move is a strong positive for us and for the overall economy.

On the input costs, LLP prices have been moving in a narrow range in the last 2-3 quarters. On a Y-o-Y basis, LLP prices are down close to 7% against the same period last year. In the other key raw materials for us, we are witnessing a very strong inflation of close to 40% on RMO and copra prices, as we all know, are more than doubled.

We expect over the next few months, this basket to remain range bound, and we will keep you updated as and when we see changes. However, we are maintaining a very tight watch and we'll respond with swift changes as and when needed.

Looking ahead, we will continue to focus on reviving double-digit revenue growth with a strong focus on supporting our core brand Almond Drops through the innovation initiatives and distribution expansion on behalf of Project Aarohan and enhanced level of advertising. Our focus on leveraging organized trade channel and working on sustainable diversification of the existing portfolio will continue.

Thank you. Back to you, Dhiraj. Dhiraj, I hope you picked up transferring the call back to you.

Moderator: Sir, should we begin with the question-and-answer session now.

Naveen Pandey: Yes. Yes.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Percy from IIFL Securities.

Percy: Just wanted to understand the pricing of ADHO. I believe the volume growth is flat and the sales growth of ADHO is in double digits. So has there been a double-digit pricing or is this some big mix shift also in this equation?

Naveen Pandey: Yes, Percy. As I was explaining, this is coming out of 3 kind of factors, the difference between the volume and the value growth. The first is what you will see a straight pricing. Second, what we have done is that we have worked on a mix change. And as you know, that across pack levels, we have different -- very different price realizations.

And what we have done is that we have really concentrated on improving the mix and that is basically yielding and contributing to the gap. And the third delta, which we are getting from is also revenue management, wherein we have taken initiatives to maximize the net revenue to the MRP cascade by optimizing spends in between. And it is a combination of all of 3, which basically adds to the gap between the volume and the value.

Percy: Would you be able to roughly split up these 3 portions as a percentage, let's say, if 100% is the total is the price increase, 70% or what it is?

Naveen Pandey: So broadly, Percy, yes, around, let's say, the largest portion does come from pricing and the other 2 are combined lesser than the pricing. That's what I say. So yes, your sense is, by and large, in the similar direction.

Percy: Understood. And you mentioned rural is still weak. So as far as the volume growth is concerned, how much is the gap between rural and urban?

Naveen Pandey: So there is a 600 basis point to 700 basis point gap Percy, between urban and rural. And we believe that most of it is internal. And I think as we go across and complete our measures, we should be able to fix this over a period of time.

Percy: And if you have taken, let's say, whatever 7% or whatever that number is, price increase, and I mean, most of the hair oil players in the market have not taken such a big price increase at the same time. So how is this getting accepted in the market? Generally, when we see that only one player is taking a material price increase, whereas others are holding the line, we see significant market share loss for that player. So are you concerned about that issue going ahead?

Naveen Pandey: So first of all, per se, I think we need to look at price increase in 2 lights. One, what has been the cumulative price increase over a period. And when you start looking at it, what has been the price increase over the past 2 years, 3 years, 5 years window, there was a certain amount of catch-up, which was there because we had not taken fair pricing in the, let's say, maybe period

between -- in the past 5, 7 years in the first half of that period, we have not taken adequate pricing. And hence, on a cumulative basis, if you were to look at pricing, we are still within the band of the category and the industry.

The second thing you need to look at in terms of referencing is that we have referencing on our products on the 2 end. On the premium end, our reference basically for our brand goes to coconut. And if you look at coconut, we are at one of the lowest price indices to coconut than historically we've ever operated in the past 2 decades or plus, and we are at the lowest level of references.

On the cheaper end, yes, you can reference us to Amla and therein, our price premium against Amla would have narrowly gone up, but we are not too concerned about it. On an overall level, the way we are tracking our volume market share very, very closely every month. And in fact, as a cumulative result of all our actions...

Percy: Sir, I can't hear you. There is some disturbance.

Naveen Pandey: Yes. Sorry, there is some static sound, can you put everybody on mute? Operator, can you please put everyone on mute.

Moderator: Yes, sir. Sure.

Naveen Pandey: And please unmute, Percy back only so that we can have the conversation. Thank you. So Percy, what I was saying is that we are monitoring our volume market share very, very closely, which is actually the truest measure of how our consumption is at the lowest level. And what we are seeing is that our near-term volume market share has actually moved a bit up.

It's a minor move. I wouldn't start celebrating it so far. But against last year, we are only up on volume market share, and that we will keep on monitoring very, very closely. So as of now, we feel confident about the actions we've taken and the direction we are moving.

Percy: And can you call out what is the impact on the top line as well as the EBITDA level from the GST-related disruptions this quarter?

Naveen Pandey: So Percy, as I said, broadly, the belief which we have, there's no very scientific way to calculate it. But we believe we've lost close to 10% revenue in the month of September or close to around 3% of the quarter revenue because of this gap.

Percy: And any kind of extra promotions, discounting, etc., to clear the old stock, which would affect the margin?

Naveen Pandey: So a little bit, not very materially significant at a quarter level, but yes, a little bit.

Percy: Okay. And last question, if I might. Basically, you have done about 18% margin this quarter. I think the target was to get somewhere close to about 20%. So do we see that additional 200 basis points coming in a quarter or 2 or now that we are at 18%, the further increments will be very slow?

- Naveen Pandey:** So Percy, I think the low-lying fruits have been kind of sorted and taken care of. Also, what we need to remember is that because of the GST, we had to do -- pass on the benefits, and there have been a lot of changes on a price pack level. So there would be a certain amount of stability for a couple of quarters before any kind of actions get taken place.
- So expect a stability in the medium term, and we remain committed in the longer period basically towards that further incremental journey for the margin, but expect near-term stability and then again a movement.
- Moderator:** The next question is from the line of Ayush from Shravas Capital.
- Ayush:** So congrats on a good set of numbers. I just have 2 questions. The first one would be, I just wanted to understand the nature of 2 related party transactions. It is the first phase of residential flats to the tune of INR 25 crores. If you could just throw some color on what these transactions are?
- Naveen Pandey:** So the related party transaction is because it is -- these assets have been acquired from a group-related entities. But what we are doing is that we are creating a guesthouse setup as part of an overall cost-saving measure.
- As you know, we are headquartered in Bombay, and we have a lot of people internally traveling into the city, and we primarily relied on hotel stay for those people. As part of the measure, we've created a guesthouse setup, and this is the cost of the acquiring of the asset. Since it is acquired from a group entity, it is being disclosed as a related party transaction.
- Ayush:** Understood. So also just one more question. Going forward, how do we see this incremental top line growth coming from? Is it going to be driven by price hikes? Or are we going to change the mix? Or is it going to be a volume push? I just want to understand how is the management thinking in terms of top line growth?
- Naveen Pandey:** It will be a volume and a mix-driven growth. Pricing is always something which is a longer term will not be more than inflation or less than -- it will always be less than inflation. So yes, while you are seeing a onetime effect coming in. But in the long term, our belief is always to drive volume-based growth. And yes, mix improvement will also be a substantial part of it.
- Ayush:** Also, any guidance on how many retail touchpoints you'll be trying to add in the coming quarters?
- Naveen Pandey:** See, we want to add on a consistent basis, we want to improve our distribution by 8% to 10% every year over the next 3 to 4 years. Obviously, the nature of the beast is such that it will not come uniformly across quarter or year, but that is the direction in which we are working. We would want over a period of 4 to 5 years, our distribution direct to go from x to 1.5x. And I think that's what we are working towards.
- Moderator:** The next question is from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi: Two questions, sir. On the ADHO, when I look back a year before, we had a flat volume growth. And this year, again, you are saying that it is flat. So I'm more curious what is the hair oil contribution for ADHO and non-ADHO hair oil?

Naveen Pandey: Sorry, I'm not very clear on the question. Can you please repeat the question once again?

Shirish Pardeshi: If I look back, a year before, we had a flat volume growth in ADHO business. Today, when you announce, again, it is flat. So I'm more curious that, what is the hair oil contribution for ADHO and non-ADHO hair oil, if the total year as well?

Naveen Pandey: Our ADHO, see, our overall -- when we are reporting ADHO, we only mean hair oil. AD extensions, we are looking at separately. So when we are saying your flat performance, we are talking about volume on only hair oil. Only hair oil as a business contribution is 80% plus for our portfolio, not accounting into the other AD extensions, which we have done.

If you look at a very long-term trend, not 1 quarter, 2 quarter, but if you look at a long-term trend, we have lost volume on ADHO, and that has been our trend over the medium term, wherein we have had negative growth on volume on ADHO.

And we see that trend very clearly reversing and us getting into stable volumes. Along with that, we've been able to, within ADHO, change a lot of mix towards selling more profitable SKUs rather than less profitable and less priced SKUs. And that is resulting into a delta growth over and above the price increases which we have taken. I hope I've been able to clarify.

Shirish Pardeshi: So have you rationalized any of the SKUs because LUP is still growing faster for us?

Naveen Pandey: LUP is growing. It is not growing faster than the overall portfolio. And I think that's what I meant. The larger packs are growing more faster, but LUP is also growing after a long gap. And that's a very happy state because LUP, as you know, the number of transactions and the number of people the pack goes to is always a very good indicator of the overall demand environment and the acceptability of the brand, and that is growing after a long gap. We are seeing good sachet growth after a long period. So those are all heartening measures.

Shirish Pardeshi: My next question is on Project Aarohan. In quarter 4, we started with UP and MP. Is there any tangible benefit after 3 quarters in terms of SPR or net distribution or something you can share?

Naveen Pandey: So see, broadly, what we are trying to do in Aarohan is we are trying to increase our direct representation across both urban markets and rural markets. We -- as you've been tracking, we had issues around wholesale a period of time back wherein wholesale channel became a problem for us, and we are trying to streamline and get wholesale to be well behaved, steady growing like most other FMCGs. So that is in simple what we are trying to do through Aarohan.

In the urban market, where we have implemented the changes, we started exactly, as you said, with UP and then we've extended it across to around close to 8 states right now. What we are witnessing across states is we are witnessing an increase in our direct distribution and the outlet addition, which I told you has happened, and that has led into my direct retail growing very well. In rural, we have made a lot of structural changes, including how we are going and how we are

distributing into the market. Those changes have been a bit disruptive for us. And hence, rural has not been performing well.

Wholesale overall, with the measures which we've done in terms of stability of rates and practices has rebounded back very well. And that is reflected not only in the wholesale performance, but also in performance of SKUs, which are very wholesale dependent like sachet in INR10, which are seeing very good across-the-board, across-states growth.

So overall, I'll say Aarohan, we are a strong green as far as it comes to urban and wholesale right now. In rural, it is a bit more complicated work, taking a bit more time. And I think we will take a couple of more quarters before we are able to get Aarohan in rural to also become a green for us.

Shirish Pardeshi: Okay. Just one follow-up. I assume that if wholesale was 60% a year before, if the Aarohan is targeted to bring this wholesale to maybe 30%, 40%.

Naveen Pandey: We are not looking at any specific measure of bringing down wholesale. If wholesale keeps on growing in line with our retail growth, we are driving overall retail growth. And we are also trying to prepare a system which can manage a more broader portfolio from us. So I think those are the 2 measures we are looking at.

We are not really looking at cutting down wholesale. In fact, each of the channels have their separate roles, and we would be putting in new products and new SKUs into those channels to try and maximize the opportunity within those subchannels. So we are not looking at it from a cutting down of wholesale perspective, but more as a growth in direct distribution and building strength of retail execution. I think that is the way you should look at our belief.

Shirish Pardeshi: And just one last follow-up on this Project Aarohan. These 8 states will contribute roughly what percentage of our sales revenue?

Naveen Pandey: The overall contribution of these 8 states, just pause a second, but my sense is it will be close to around 60%, 65% of our overall business, two-third broadly.

Shirish Pardeshi: Okay. My second and last question, you mentioned that GST disruption has happened and you have taken a price increase. And you also said that it is accepted well. So it is more curious, is the trade settlement and how much stock would have reached -- is the 100% retail is covered now with the new MRP?

Naveen Pandey: So first clarification, we had taken the price increase in Q1. And because it came in towards the end of Q1, as you know, in our business takes 45 to 60 days to get executed. What we are seeing in Q2 is the full benefit of the price increase we took in Q1. We have not taken any fresh price increase in Q2.

I think that is the first clarification. The second is in Q2, what we have to do is that as the new GST came in, we had to pass on the GST benefits to the consumer, and that meant price drops in many SKUs. It meant extra volume in terms of the price point SKUs. Those were executed ASAP wherever we could.

And I think towards the end of the month, except for 1 or 2 SKUs, we had transited to the new GST benefit SKUs there. That stock in terms of our primary got transited between September and October in terms of the company system.

And in terms of the distributor system, it is getting transited between October and November in the market. So I think November and December, by and large, the retailer should all carry the new GST benefit stock in the trade. That's broadly my belief.

Shirish Pardeshi: Yes. I understand that. What I wanted to check with you, Naveen, this 85% portfolio has seen the GST revision. Now obviously, with GST revision, our prices would have come down. So we will have the price impact in quarter 3. That's what I wanted to check.

Naveen Pandey: Price impact, you're saying in terms of net revenue?

Shirish Pardeshi: Yes.

Naveen Pandey: No, net revenue will not have a price impact because net revenue is excluding of GST. So net revenue will remain constant. Net revenue will not see any benefit going -- any loss coming up. In fact, there are packs where we are adding extra volume, wherein the net revenue will actually end up going up. So for example, in a sachet, INR1 sachet, earlier, the net revenue recognized was 18% minus of INR1.

Now the net revenue recognized would be 5% minus INR1. And the benefit there is being given in terms of extra volume. In case of, let's say, a larger pack, wherein there has been a price drop, the drop price minus 5% would be equal to the earlier price minus whatever, 18% or so. And hence, there is no net revenue decrease or a realization decrease, which you should factor on basis the GST change.

Shirish Pardeshi: So are you trying to say that mid- to high single-digit price and mid to -- I mean, mid-digit volume. So we aspire maybe 10% plus growth in second half?

Naveen Pandey: Yes, we aspire for that. I think, yes, that's the way you should look at it. In terms of against last year, we obviously -- our stated aspiration is to get into double-digit growth. We are a bit disappointed that we are slightly short in this quarter, but we will continue with our attempt to get to that level.

Moderator: The next question is from the line of Pushrutham from Wise Old Bird.

Pushrutham: Sir, I have one question on this Banjara's acquisition benefit. So when we will see -- you have mentioned in the call that one state we have started the merger and we are seeing the benefit. But when do we see the full scale benefit of Banjara's acquisition, when -- Banjara's and also Bajaj?

Naveen Pandey: I think you'll have to give it a few quarters. Acquisition and a structural integration is a bit complicated process. We are going through the integration this year and this year will get taken in terms of the integration. As we get into the next year, we should start duly seeing some of these benefits of the acquisition starting to come through.

- Pushrutham:** Okay. Sir, any other acquisitions in the pipeline?
- Naveen Pandey:** Obviously, I can't comment on that.
- Pushrutham:** No, we recently had a buyback. I know that, but still so how come now, or only whether we have something in the mind for any acquisition?
- Naveen Pandey:** See, we will -- we've stated in the past, and I'll state again, we will be open for acquisitions. However, right now, we've just done an acquisition and our effort is to make the best use of that acquisition. Whenever we come across something which is excited to us, we will evaluate it. And as and when we evaluate, we will come and disclose to the market as per the norms. But obviously, nothing happening right now.
- Pushrutham:** Okay. Okay. So -- and we are aiming to have a revenue target of 10%, I mean, for next 3, 5 years, that is what we have in our mind, right? Unless we have to confirm?
- Naveen Pandey:** Yes. We want to -- we -- our long-term CAGRs have been low single digit. We want to move from there substantially higher to a double-digit kind of a growth CAGR looking forward. Desires needs guidance, please always remember that.
- Moderator:** The next question is from the line of Dhiraj Mistry from ICICI Securities.
- Dhiraj Mistry:** Just one follow-up question to what Shirish was asking was, what percentage of our revenue has been portfolio where you have taken price cut? And what percentage of portfolio where you have taken volume adjustment?
- Naveen Pandey:** So broadly, as you know, Dhiraj, price point packs are somewhere where we give -- where we want to maintain the prices on certain price points, are where we give volume and the other are the packs where we take pricing. Broadly, if you were to say, we are -- there is an equal but a slightly whatever mix towards volume and price. So more or less same.
- Overall, the benefit, if you were to look at what has been passed to the consumer is equal across both these buckets, and we've kept that within mind. And the overall benefit, which we passed is slightly ahead of what the benefit is accruing to our P&L. So we've gone ahead and ensured that we pass on a slightly higher benefit.
- Dhiraj Mistry:** And any impact of inverted tax on this because our complete portfolio is now at 5%, let's say, largely towards 5%, whereas in certain expenses, we would be paying higher GST. Is there any impact of that?
- Naveen Pandey:** Yes, there would be some impact of that, Dhiraj. We are fully studying it and understanding that impact. And it's pretty much like the other companies in the sector who have faced a similar transition. We are also trying to figure out that how we can work on that and make our structures more efficient on getting that gap reduced. As and when we are ready, we'll come and talk about what actions we are planning to take or if government gives any clarification. But you know what is the current status on that as of now.
- Dhiraj Mistry:** Yes, yes. Would you like to quantify that right now?

Naveen Pandey: See, I would not want to get into it. I think let's get full clarity around what is this. But the way we've executed the price decrease in the market, as I said, it has been slightly ahead of the net benefit which we are getting. So we don't expect it to be very materially significant. And also the optimization of this higher GST inverted structure will happen over a period of time.

I don't think so, suddenly next quarter, we are going to get into a series of actions wherein we are going to fix the inverted structure. So not -- from your lens, you should not be too materially concerned about it at the moment. And as and when we are doing the actions, we will keep the community updated about what we are doing.

Dhiraj Mistry: Noted. Noted. Second question is on our -- this 3% impact which we had on GST transition. Do you expect this full recovery to happen in 3Q or it would be more of a gradual in nature and it would be spread out over the quarters?

Naveen Pandey: Dhiraj, again, very difficult to predict. If you were to put me in a spot like that, I think, we will see how the transition goes through the quarter. But historically, what we've seen is that whenever inventories get corrected sharply, they take a time to cover back. It is not an immediate fill back which happens. Our lessons from GST and demonetization have been similar. What will end up happening is anybody's guess. But if you were to look at past learning, it always takes time for the inventory levels to normalize.

Dhiraj Mistry: Got it. Usually, what is the inventory level we have at the distributor end and versus now?

Naveen Pandey: So usually, we maintain between 3 to 4 weeks of inventory in the system, and that is into the general trade portion. So you can use these 2 to calculate.

Dhiraj Mistry: Got it. Got it. And second on this non-ADHO portfolio. So historically, we used to guide that we want to aspire a certain percentage of our portfolio to come from non-ADHO portfolio. Do you have any numbers in mind, not from the near-term perspective, but from the long-term perspective, let's say, 3 to 4 years down the line, where do you see -- where do you want to see your non-ADHO portfolio?

And related to that, how is the margin profile is going to pan out in this part of the portfolio? Because my understanding is that it would require much more substantial marketing spend compared to ADHO going ahead to scale up those brands?

Naveen Pandey: So Dhiraj, I'm sharing with you what I'm prepared to share at the moment. That is as follows. If you look at the long term, obviously, we aspire for the non-ADHO portion to grow ahead of ADHO. And hence, what it will mean is that if today, the mix is broadly, let's say, whatever, 80:20, that mix will move more in favor of non-ADHO in the period of time. I'm not prepared to quantify a number as on date because we are in process of formulating our long-term strategy and doing that.

The second thing for us is that the non-ADHO portfolio comes in at a certain higher investment, as you said. And we need to fix up what exact level of investment for which of the brands which compromise the entire non-ADHO portfolio, and we will make certain choices. And hence,

certain brands might get higher level of investment than what they've got in past and some might not be choiced in.

We are working through this process and formulating our medium-term strategy -- medium- to long-term strategy. And as and when we are more clear and committed on it, we will come and share with you. But as of now, this is all I would want to share.

Moderator: The next question is from the line of Deepak Ajmera from IGE India.

Deepak Ajmera: So my question is to the tune of margin expansion into this particular quarter, we have realized the margin expansion. So I just seek for the management guidance, what could be the steady state? And is it the sustainable one?

Naveen Pandey: See, as a practice, we would not like to give margin guidance either for near term. However, what we've stated is that, see, if you look at the FMCG category of the consumer group companies operate in EBITDA margins which are in the 20s. And when we started this journey, we were operating at significantly less margins.

So in a medium to long term, we would want to operate into category level of margins. So that's the -- all I would want to share is a direction. We would avoid giving any guidances either for the next quarter or for the balance of year or anything like that.

Deepak Ajmera: Got it. And secondly, on the product innovation side, so what is the company's outlook for new product launches?

Naveen Pandey: So right now, we've -- I think as you're aware, I've joined the business around 4, 5 months back. We have done a lot of launches over the past 4, 5 years. And my objective is to first streamline our portfolio, identify the bets which we -- within which what we have done or what could be bigger and more meaningful, reviving ADHO growth, and I think that has been the first immediate priority.

I would say we are not even halfway into that journey. We will look at more innovative products in times to come, but I think that is something which we should expect more in next year rather than in the balance of the year.

Deepak Ajmera: Got it. So from a near-term perspective, do we have any chance to see the product like Bajaj serum, Bajaj wax or hair cream or hair gel kind of product?

Naveen Pandey: So we already have serum. I think we need to do more justice to it since you are not aware of it. I think that just goes ahead and emphasizes the point. We have some portfolio products which we need to do better. And some of the others, yes, could be in the discussion, but not as of now.

Moderator: The next question is from the line of Nilesh Sharma from Anantnath Skycon Private Limited.

Nilesh Sharma: My question is, is there any plan of the management to introduce the flagship products like ADHO in the near term?

Naveen Pandey: I'm sorry, I was not able to hear you clearly. Can you please repeat?

- Nilesh Sharma:** Is there any plan of the management to introduce a flagship product apart from ADHO?
- Naveen Pandey:** Flagship product besides ADHO. So obviously, the intent would be to bring -- build up more larger mega brands as we go forward. And that is the point, which I was saying that I think we will take some time to focus and get our medium to long-term strategy in place. And then, we will talk about that which of our bets, we would want to significantly dial up and make them much, much bigger, somewhere in the line of ADHO. We will talk to you as and when we are ready about it.
- Nilesh Sharma:** Okay. In coming 3 to 5 years, what is the plan of return on capital employed that management is expecting to achieve?
- Naveen Pandey:** So if you look, we basically would not again want to give any guidances. If you want to understand any specific input which can be shared, please be in touch with our Investor Relations team, and they will share you if we are -- if we can.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Naveen Pandey:** Thank you. I would like to take the opportunity to thank you all for taking time to attend the call and for your questions. Over the past quarter, we've seen the business gather strong momentum, both on growth and improvement of margins. While we are very happy with the progress made by us, we continue to remain committed to our desire to achieve long-term sustained growth and shall stay focused on working towards the same in subsequent quarters.
- Thank you, and have a great day ahead.
- Moderator:** On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Disclaimer – This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking.