

bajaj corp ltd.

**“Bajaj Corp Ltd. Earnings Conference Call”
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**MODERATORS: MR. SUMIT MALHOTRA – MANAGING DIRECTOR,
BAJAJ CORP LTD.
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FINANCE BAJAJ CORP LTD.
MR. NARAYAN RAMAN – PRESIDENT, CORPORATE &
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MS. AMRITA BASU – KOTAK INSTITUTIONAL EQUITIES**

Moderator

Ladies and gentlemen good morning and welcome to the 2Q FY12 Bajaj Corporation Earnings Conference Call hosted by Kotak Institutional Equities. As a reminder for the duration of the conference all participants' line are in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touch-tone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Ms. Amrita Basu of Kotak Institutional Equities. Thank you and over to you, ma'am.

Amrita Basu

Hi everyone and thanks Bineeta. On behalf of Kotak Institutional Equities I welcome all of you this Bajaj Corp 2Q FY12 earnings conference call. I would like to welcome the Bajaj Corp senior management team, Mr. Sumit Malhotra – Managing Director, Mr. Dilip Maloo – CFO and Vice President – Finance and Mr. Narayan Raman – President Corporate and Investor Relations. I will now hand over the call to Mr. Sumit Malhotra to discuss the recently announced earnings. Thank you and over to you sir.

Sumit Malhotra

Good morning all and welcome to the conference call. Thanks a lot for being a part of the Bajaj Corp journey that we have started around the year ago. With me I have Narayan Raman who is the President in the Investor Relations and Corporate Affairs and Mr. Maloo who is the CFO and VP – Finance.

I think I'd like to start the con call by addressing a concern that was raised by quite a few people about our acquisition of Uptown Leasing and Properties Pvt. Ltd. To get the facts straight and before we go into the results, we had taken this company over for a consideration of exactly 75 crores from the Chandu Raheja family. This Uptown Leasing and Properties Ltd. was owned by Chandu Raheja from which we took over the company. This company does not own any other property and is presently not carrying out any other business. The plot of land that this building stands on is 11,222 square feet of an area and had a built-up area of approximately 33,600 square feet. We planned to develop this property into the corporate office of Bajaj Corp Ltd. Currently as many of you would have realized that all our corporate functions like finance, accounts, logistics, human resources, companies secretary and also the sales department are located in various different premises all over the country. Most of these offices are been leased from other people and we pay approximately a crore in rent every year at the present capacity. We believe that this integration of all the functions into the corporate office will add managerial efficiencies especially when the company continues to grow at the rate it is currently. I will now move on to the results.

The company closed the 2nd Quarter with the sales of 106.77 crores and a PAT of 28.74 crores. This translates into growth in turnover for the quarter of 31.43% in turn over and 90.28% growth in PAT. You would realize that last year Q2 we had written off a part of the IPO expenses as exceptional items. If you remove that the PBT growth is close to 46%. Rightly I think 46% is the number you should look at. This quarter this turnover growth translates into approximately 22% volume growth which is the highest growth recorded by this company for the last 8 quarters.

The EBITDA has risen to 27.42 crores which is the growth of 18.31% versus Q2 of last year. The EBITDA to sales ratio in this quarter is 25.7% as against 28.5% in the last year 2nd Quarter results. On a quarter-to-quarter basis EBITDA is actually risen by 70 bps. The reason for the Drop in EBITDA is basically on account of incremental advertising of approximately 2% on our new product Kailash Parbat. Our lead brand Bajaj Almond Drops continues to do well. It now commands 53.5% in terms of value market share in light hair oil and approximately 50% by volume in the light hair oil, this is August 2011 moving annual total.

I would also like to point out that Nielsen normally supplies market shares off take data towards the third or fourth week of every month. So all the figures I am quoting are August figures and not September. What we are doing is, we are putting the investors presentation on the website and we will update it towards the 24th or 25th of this month in terms of the market share data for September but even if you look at the data up till August, you will see that the volume growth of the total hair oil has slowed down as against year on year growth of 4.8% in volume for 1st quarter. July-August this year is showing just a volume growth of 1.9%. However, all the various brands have taken price increases. The value growths have really jumped up from 20.9% in Q1 of this year to 23.8% in July-August this year. The light hair oil segment is slightly different in which the volume growth are actually increased from 16.5% to 17.8% which is the increase of 113 bps, similarly to value growths have gone up to 70 bps from 23.8 to the 1st quarter of this year to 26.5 in July-August of this year.

On the raw material front there has been no noticeable change in the prices of light liquid paraffin, LLP. The average price in the 1st quarter was 86.26 per kg this has gone down very marginally by just a percent to 85.68 in the 2nd quarter. This is a 1% decrease but a 31% increase on year to year basis. This minor stability in prices of LLP has actually been negated by the increase in the vegetable oil prices from Rs. 61.91 per kg to Rs. 67.50 per kg this quarter. The prices of all other raw and packaging material has more or less remain stable.

Now coming to our new initiatives- first, the cooling oil the distribution continues to grow the brand now has a 1.5% market share and as per Nielsen it is stocked in around 150,000 outlets all over India. We have been able to gather significant market share in certain geographies of India but not made a very sizable impact on the big cooling oil market like UP and Bihar. The other initiative of 500 ml a PET that 500 ml SKU which we launched in PET, we have increased the price to Rs. 165 a bottle and the volumes continue to grow very well. This SKU now contributes around 4% of the total volume that Almonds Drop does but the hero or the biggest SKU in growth terms is sachet which is now contributing around 11% of Almond Drops volumes saliency and has grown by 84% in the 1st half of this year.

Finally on the merger and acquisition initiative post-induction of the Director business development, the activity on this front has speeded up. We have now identified targets in and outside India to whom we are talking, all these targets are in the FMCG space, I think it is a little too early to talk about what are the targets where they are and all that but I think I should update you that there are a few targets already to which we are talking on and we now have around six different consultants identifying targets and helping us starting the talks with those targets. There

has been a lot of talk in the FMCG segment about the slowdown in some of the FMCG categories. Like I told you earlier there is a slowdown in the total hair oil, but light hair oil continues to grow very encouragingly. On the raw material front even though the crude prices have stabilized but I think the negative impact of the dollar has forced the LLP prices not to fall as fast as it should be. This is also my side now I can open the floor for questions.

Moderator Thank you very much sir. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss, please go ahead.

Abneesh Roy Sir good volume growth and congrats for that the base last year was favorable we had a low base last year you said overall hair oil has slowed down as per the industry data, so I wanted to understand on a sustainable run rate what is the volume growth because of these issues so do we expect to grow at head of 15% in the coming quarters what is the number you're looking at?

Sumit Malhotra Normally we do not give guidance but if you are asking about the total light hair oil industry I think the 15% is a reasonable volume growth figures that we expect.

Abneesh Roy And where is the slowdown you are seeing in your segments in terms of light hair oil segments, I think you are still growing quite well but you must be getting some signals whether it is a rural slowdown or urban slowdown or some specific region slowdown?

Sumit Malhotra Frankly at this point of time I'm not getting any signal both urban and rural are growing obviously rural is growing faster than the urban sector the differential being around 6% but there seems to be no slowdown and surprisingly if volume growth is 22% the slowest growing states in India is still at 15% volume growth and the fastest is close to 40%. So the variation between growth across states is also not there and nor is there major change between the urban growth and rural growths. Frankly at this point of time I do not see any signs of slowing down in the light hair oil and specifically in Almond oil.

Abneesh Roy Sir, rural growing by 5 to 6% higher in what was the differential in the previous quarter?

Sumit Malhotra The previous quarter was 6.8, it is now exactly 6.2.

Abneesh Roy Sir, my second question is sachet is seeing superb growth of 84% but still it is only 11% of the volume, so we're seeing very high growth for the last 2-3 years in fact the reason why only 11% in sachet? Why was it launched so late so that is the question and where do you see this sachet stabilizing in terms of volumes because we see shampoos it is almost 2/3 coming from sachets?

Sumit Malhotra Good question, actually this SKU was launched in 2003 it is not launched recently, what has happened is post 2008 we have actually focused our attention on increasing distribution and we really started going into the rural areas that is when this SKU really started doing well. To give your perspective in 2007-08 this SKU contributed less than 3% of my sales, so from 3% in 2007-08 it has actually gone to 11% in the 2nd quarter of this year.

- Abneesh Roy** And for the last question when do you see growth happening in the UP and Bihar for your cooling market, cooling oil, do you plan to go aggressively there or will you play the other smaller states in which obviously the competitive intensity will be lower?
- Sumit Malhotra** I think the first year of launch we still have only 4 to 5 months of the launch I think in the 2nd year we would be more aggressive in the core markets of cooling oil. In the first year if you ask me at this point of time I would rather spread it to the areas where we are strong may not be areas where cooling oils is a very big market.
- Abneesh Roy** But we have to build our core distribution in these areas also?
- Sumit Malhotra** They are strong. Almond Drop is very strong in UP and Bihar, in fact Bihar we have the highest market share for Almond Drop in any part of the country we have a 67% market share in Bihar and Bihar is a big market for light hair oil. It is not that we do not have distribution it is basically promoting consumer conversion from the existing plants and Abneesh as you would realize that if you have been using the brand for decade or more getting conversion is much more difficult, getting our new guys to try a cooling oil is much easier which will happen in the smaller markets of cooling oil which should happen in this year itself.
- Abneesh Roy** On the sachet you did not answer the part where you see this stabilizing so 85% growth is abnormal?
- Sumit Malhotra** Internally we are saying that we would like to contain it till around 15% saliency the reason is only that the price of sachet is inviolate. At this point of time gross margins are equal in sachet and in bottles because like I explained earlier on we save more on packaging material by converting from glass to pet or plastic but as the prices of raw material keep on raising our margins will shrink so we do not want to become a shampoo kind of a thing which is up to 67-70% of the total volume coming out of sachet. Also on the consumer side I do not think it will happen because shampoo is more occasional used than hair oil, in most parts of India hair oil are used nearly every day and for everyday use sachet is not really a very good proposition.
- Abneesh Roy** Okay, so I will come back if I have more thanks a lot.
- Sumit Malhotra** Sure Abneesh.
- Moderator** Thank you the next question is from the line of Naga Bhrama, please go ahead.
- Naga Bhrama** Good morning sir congratulations on a good set of numbers. My question is you have been reaching, increasing the reach of Almond Drops, but I wanted is two questions on that basis, one to reach the 65% of the market share for Almonds and what is the kind of distribution reach is required and the second thing I want to know is, how much and what are the investments would be required from the company side to increase the market share?
- Sumit Malhotra** Simplistically reach will gives you market share but actually that does not happen it is the reach, it is the combination of communication and reach, so I will answer your question on reach

typically at this point of time light hair oil is available in 25 lakh outlets all over the country out of which our product which is Almond Drop is available in 20.5 lakh outlets all over the country, so we're very close to being 95% of the distribution. Now the name of the game is to increase the availability of light hair oil across the country which actually means bringing the product down the POP strata and down the social economic class strata which is the function of distribution more importantly communication. So I think the name of the game is communication rather than distribution or loan. On your second question what is the kind of investment we have a fairly cost effective method of distribution in which we actually use our own people as supervisors to distributors salesman there for the incremental investment is much less than it would have been a much larger companies where they take people on board rather than off rolls.

Naga Bhrama

So that way not much investment is required to increase reach the distribution.

Sumit Malhotra

But reach translating into an availability is not only a function of people on the ground but also have the right SKU and the right communication strategy to be able to appeal to the lower strata of social economic class of people.

Naga Bhrama

Sir here I have two conflicting things because in the last call you had mentioned that FMCG goods are available in more than 5 million outlets, at the same time he also said that the hair oil has already penetrated more than 92 to 93% of the total reach but in the light hair oil it is only 25 lakh what you are mentioning is available in that so just a 50% reach of whatever the outlets are available in the market?

Sumit Malhotra

That is right, it is just to put the figure again if you think the total FMCG now more than 50 lakh outlets or 5 million 92% penetration is total hair oil not light hair oil. And please remember that one third of total hair oils being used are unbranded. Nielsen does not measure penetration of unbranded hair oil. Now to put it in perspective if I said 25 lakh outlets for light hair oil actually close to 40 lakh outlets for total branded hair oils. Does that answer your question?

Naga Bhrama

Yes and the second thing I just wanted to know in South I am basically from Bangalore, so I went and bought a small Almond oil SKU from a reputed shop and I found the manufacturing date was around May 2011, so that answers partly whatever you had mentioned in the last call that in south you have not penetrated much and you have been trying this since the last two years, so I what I wanted to hear is again 2 questions, one how this south market is different from the other regions of India and the second is, you have been trying for the last two years nothing much has happened are you going to change any of your strategies or any marketing efforts in that regard?

Sumit Malhotra

I think you know how different hair oil uses in south is vis-a-vis the rest of the country, basically in South most people use coconut oil and the reason they use coconut oil is that they believe that the nutrition provided by the coconut oil is far greater nutrition provided by any other value added or perfumed hair oil. Now that's a perception that they have and you'll agree that to change perception is not something that can happen in 2 to 3 years. I will give you an example changing perception of people that cornflakes is not a very healthy way of starting your day has

taken more than 15 years, so we're working on that, yes, in marketing we believe that there is a point of inflection. This point is the point in which suddenly people by word of mouth by a proper communication strategy and adequate availability in the market the market share or the market starts expanding. To give you an example in Karnataka we would be close to 50% market share in the light hair oil. The problem is light hair oil is just 4% of the total hair oils in Karnataka. So I think we need to increase the usage or the perception of consumers that light hair oil is as nutritious as coconut oil and this is a very difficult thing because unlike other things we cannot say. Look, do not use coconut oil because it is not nutritious, that would be close to **sacrilege** actually. If I were to tell a South Indian that coconut is less nutritious than Almond oil he would never believe me, it would be a very tall claim so that gives that is what we are trying and I'm sure that will happen, but when it will happen your guess is as good as mine.

Naga Bhrama

But will you be changing any of the strategy or anything?

Sumit Malhotra

No.

Naga Bhrama

Sir as of now Bajaj Corp has only one product as its major selling brand and you're launching new brands and also you are looking for accusations which will take more than a year or two we do not know whatever it maybe. Having this one brand where you are trying to increase it to 65% market share, will it be possible to sustain this type of growth?

Sumit Malhotra

I think more than me is to see the results they show it because what you see is a 22% growth in the company's volume, you remove around 1% coming from Kailash Parvat, the cooling oil and the decrease in the sale of the other brands apart from Almond, if you look at Almond growth it is actually more than 23% by volume. Now the base is not getting smaller it is just how much investment are you ready to do behind growing the light hair oil category and that is going to be the key because even after all this light hair oil is only 14% of the total branded hair oil and the total branded hair oils are double of the unbranded hair oil. So you have a huge market still to get into.

Naga Bhrama

The last question is why this fixed assets have gone up anything you have added in during the last quarter, sir?

Sumit Malhotra

Yes, we have we have bought some guesthouse and some office space.

Naga Bhrama

Okay sir, that is all from my side. Thanks a lot all the best.

Moderator

Thank you the next question is from the line of Rahul Soni from Baljit Securities, please go ahead.

Rahul Soni

Actually ever just seen your presentation for the month of August and it is mentioned that coconut oil constitute around 50% of the total hair care segment so why you do not have presence in coconut oil?

- Sumit Malhotra** Coconut oil is tending towards being a commodity as you would realize that commodity margins are very low and actually the profitability, the gross profits depends on your buying capability and the amount you buy, so it is actually very difficult to launch new brand of coconut oil and get success. If at all we want to get into coconut oil we should think of acquiring a brand and not launching new brands because the margins would actually kill us and you will see I think towards the end of this month Marico would announce its results and you will see what's the kind of strain on margins of any company that is depending on coconut oil.
- Rahul Soni** So what is the difference in the margins?
- Sumit Malhotra** If you look at our margins our gross margins are close to 55% and if you look at Marico margin. According to us if I were to launch a new coconut oil with the kind of infrastructure and kind of buying capacities and the economies I have, my margin would be close to 8%.
- Rahul Soni** And this quarter your raw material cost has gone up sharply it is around 44 crores against 28 crores, so what is the trend in the raw material we have seen in this quarter?
- Sumit Malhotra** Like I said in my opening address raw material is LLP. LLP has risen by 31% on year to year basis. The second biggest glass bottles, which is a packaging material it has risen around 7% on the year to year basis, and now you're comparing it to last year second quarter.
- Rahul Soni** And what is the sequential rise in LLP?
- Sumit Malhotra** If you look at the pricess and even looked at the prices of LLP quarter by quarter but I would give you an idea this quarter we have placed around Rs. 86.6 a kg as against last year second quarter Rs. 65.67 a kg.
- Rahul Soni** You are a debt-free company with liquid investment so what is the interest component though it is a very small in amount?
- Narayan Raman** Bank section charges and including charges and daily making charges, it is a very nominal amount around Rs. 2 lakh, collection of funds from various locations.
- Rahul Soni** What is your yields on liquid investments?
- Narayan Raman** Around 10%.
- Rahul Soni** Do you have any new product launch?
- Sumit Malhotra** We have launched the new products in the 1st Quarter of this year it was a cooling oil, like I was saying we will wait for this product to stabilized and then launch the new products.
- Rahul Soni** Okay, thank you.

- Moderator** Thank you. The next question is from the line of Gaurang Kakkad from Religare Capital Market. Please go ahead.
- Gaurang Kakkad** Good morning sir and congratulations on a very good set of numbers . Sir, I have a couple of questions. Firstly in terms of Kailash Parvat roll out like in the last quarter con call you have said that you are now present in 2.5 lakh outlets and by March you expect 1 million outlets. So what the improvement at the end of Q2, where we would be?
- Sumit Malhotra** Q2 as per our number it is moved up to around 3.6 lakh outlets. The only state that we have added during this quarter is Andhra Pradesh. The other states of South you will still not find any Kailash Parvat.
- Gaurang Kakkad** And in terms of the states of UP and Bihar, we don't have any distribution there or we started building in roads?
- Sumit Malhotra** Yes, actually nationally we have a 1.5% market shares. UP and Bihar we are close to 1% so we are there but the point I was making is these are very big cooling oil markets even though we are strong there but the consumers have been using the same cooling oil for over decades. So getting their conversion into our cooling oil will take a little longer.
- Gaurang Kakkad** Okay. Sir, just the thing that I was expecting is like 2.5 lakh were at the end of Q1 so I was expecting a uniform kind of increase. So will bulk of increase come just before the season starting or how will the addition to 1 million be?
- Sumit Malhotra** You are right, it will be very slow for example this quarter we have added around 1.3 lakh outlets. In the winters that are the 3rd Quarter you would at less than 1.3 lakh outlets. Then from January and February it will start increasing exponentially.
- Gaurang Kakkad** Okay and what would be the contribution to the sales from Kailash Parvat in this quarter?
- Sumit Malhotra** Around 1%.
- Gaurang Kakkad** So next two quarters also should not be significant hair oil at similar levels roughly should be 1%-2%?
- Sumit Malhotra** Yeah.
- Gaurang Kakkad** Okay and sir other question was in terms of raw material prices. Like LLP prices you have given where they are currently and for Q2 to where they are? Just wanted to know, is there a decline which you see like are prices in September lower than those in July or how is the trend say for the last three four months?
- Narayan Raman** Prices in September are not lower than what it used to be in August and July but now in October in coming months we are seeing a slight improvement in the softening of the prices as a crude

has also come down but against this the dollar prices have increased. There is not much of a difference right now but in time to come we are expecting a fall of around Rs. 2 to Rs. 3 per kg.

Gaurang Kakkad Rs. 2 to Rs. 3 per kg should be the fall for FY12, you are saying, balance part of FY 12?

Sumit Malhotra For the 3rd Quarter. You had actually seen that long because crude and LLP, therefore LLP prices are not very-very predictable at this point of time.

Gaurang Kakkad Okay. So Rs. 2 to Rs. 3 would also include the rupee depreciation impact. The dollar price would fall much higher than in percentage terms?

Sumit Malhotra This I agree.

Gaurang Kakkad Okay and just one thing on the glass prices, you said that the inflation is around 7%. So what is the outlook on glass prices?

Sumit Malhotra 27% versus last year and if you see versus last quarter it is flat, it is the same. There is no inflation.

Gaurang Kakkad Okay so YOY it is about 27% and QOQ it is flat.

Sumit Malhotra Yes.

Gaurang Kakkad Okay, that's it from my side. Thank you.

Moderator Thank you. The next question is from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani Good morning everyone. Sir, why have your loans and advances gone up so much?

Sumit Malhotra Like I said in the beginning we took over this property Uptown Leasing Private Property, right. So in that there was a loan component of 50 Crores from BCL we advanced it to Uptown Leasing.

Mayur Gathani Okay and this is just a piece of land that you bought, right?

Sumit Malhotra No, it is a building. Built-up area like I said is approximately 33,600 square feet in Worli.

Mayur Gathani And what is the refurbishment plans and cost for this?

Sumit Malhotra At this moment we haven't really worked on it but this is a more a long-term project that we have as we get closer to appointing a structural engineer and a firm, I should be able to supply that data to you.

Mayur Gathani Okay. So the next six months we should be in place?

- Sumit Malhotra** In place? No, it will take more than three years for the whole thing to come. We don't need it at this moment in terms of that size of the property but the property was available at a decent rate so we bought it on at this point.
- Mayur Gathani** Okay and just wanted to get back on the supers thing. In Almond Drop, what was the value market share and volume market, you did mentioned but I missed it sir?
- Sumit Malhotra** The value market share was 54%. Its 53.5% by value and 49.8% by volume.
- Mayur Gathani** So is it similar to Q1 levels?
- Sumit Malhotra** Yes, it is similar. Even though our volumes have gone up much faster than the volumes of light hair oil but Nielsen has not yet showing the kind of market shared jumped at, we believe have happened there.
- Mayur Gathani** Okay, thank you and good luck sir.
- Moderator** Thank you. The next question is from the line of Nitin Gosair from Religare Asset Management. Please go ahead.
- Nitin Gosair** Good morning sir. Just wanted to understand the 50 crore liability which you have paid off on behalf of Uptown Property?
- Sumit Malhotra** I am not getting it clearly.
- Nitin Gosair** The 50 crore liability that you have incurred in on behalf of Uptown Properties, can you elaborate why was it?
- Sumit Malhotra** See, uptown leasing was the property owned by Chandu Raheja which had a 50 crore loan from Axis Bank. So we paid 25 crores to Mr. Chandu Raheja and 50 was towards retiring that debt in Uptown Leasing.
- Nitin Gosair** Okay and this 50 crore the debt which Uptown had, was pertaining to this property or was it-?
- Sumit Malhotra** Only this property. He does not have any other business nor any other property.
- Nitin Gosair** Okay and you just mentioned that you don't require such a big property at this juncture so obviously it really means that you are going to lease out the extra property that you will be having post.....
- Sumit Malhotra** No-no. I think, you misunderstood. What I am saying is, I don't require it at the moment but rebuilding this property will take three years. By that time we will require it because in the process over three years we would be integrating all the various corporate functions into Bombay. We realized this is about people so I can't suddenly bring people from Udaipur, Noida

and bring them to Bombay, it will take time. By the time this will happen this property will come our way.

Nitin Gosair Sir, I can take the matter on the face of it that this property won't be leased out any of the other firm?

Sumit Malhotra If we get extra FSI or we don't need this at that point of time three years down the line. It may be but you will definitely not keep it vacant there.

Nitin Gosair Okay. Can you help me to understand what was the ad expense pertain to Kailash Parvat?

Sumit Malhotra It was around 2.19 or 2 crores. Around 2 crores in this quarter.

Nitin Gosair Okay and any plans going forward to change the brand ambassador going forward of Almond Drop?

Sumit Malhotra Actually our contract with Lara expires in December. Also you know that she is on a sabbatical at this point of time, so by force we will have to change it, we will change it. The new ads will be on air end of November, early December.

Nitin Gosair Okay and last question just wanted to understand the employee expenditure which was up by 40% this time, vis-a-vis a top line growth of 30%. Any view on that?

Sumit Malhotra We have been adding people and as the company grows we will have various resources being added. To give you an example we did not have a director business development till around three months ago. We have added certain deputy general managers in finance and accounts to help Mr. Maloo as the CFO. Till around two years ago we did not even have a HR Department so all this is being added to as a part of getting ready for the future.

Nitin Gosair Okay, thanks for helping.

Moderator Thank you. The next question is from the line of Dish Shah from Anvil Stock Broking. Please go ahead.

Disha Shah Good afternoon sir. Sir, I wanted to know, how do you sell to the stores, like it is on no return policy or?

Sumit Malhotra I can't hear you.

Disha Shah How do you sell the oil to the stores like no return policy or?

Sumit Malhotra Actually we have a unique selling mechanism in which we sell to our distributors on cash which means that until his demand draft or money comes into our account we don't supply it to him. The distributor in turn will sell to the retailer on a credit. Now in terms return, no return in FMCG there is no policy or the law which says that once the goods sold will not be taken back.

There is an unwritten understanding that if a person cannot sell his goods he will return it or if the goods get damaged he will return it. But to give you an example in our case the total damage or returns is less than 0.2% of our total sales so it is very minor despite having a glass bottle and the glass breaking of in transit.

- Disha Shah** Okay and sir who are the major competitors in the light hair oil who are growing?
- Sumit Malhotra** I think, there is only one guy who is really growing which is Hair and Care by Marico.
- Gaurang Kakkad** On ad spend, you expect the same thing to grow like. Do you expect the ad spend to grow in the coming year in this year?
- Sumit Malhotra** If I divide the ad spend into two parts one on Almond and one on the new products, right. The proportion on the Almonds should remain between 10% and 11% whereas the spend on the new products will depend on the competition and the number of new products that we are bringing in.
- Disha Shah** Sir, just one last question. Marico has how much market share in the light hair oil?
- Sumit Malhotra** It will be having close to 16.5% to 17%.
- Disha Shah** Okay, that's it from my side. Thank you.
- Moderator** Thank you. The next question is from the line of Atul Mehra from Edelweiss. Please go ahead.
- Atul Mehra** Good morning everybody. I just have a question on the overall sachet, sachets reach that we are having because actually gone through some stores in Mumbai, mostly of them are actually stocking only the 100 ml one. So is that conscious strategy that the sachets should be targeted towards more over the rural area rather than the Metros?
- Sumit Malhotra** No, there are no strategies like that but you realize that in the place like Bombay the disposal incomes are much more than those in the rural areas. A person would be willing to spend Rs. 25 which is the cost of 50 ml bottle. Thus in the rural areas they are not willing to. I think it is a demand led distribution rather than a push strategy as you make it out to be. For example in Bombay also there are places like Bell Bazaar or let's say Dharavi area where sachet still sell but since we normally do not go there we do not see it. To give you a ballpark figure, we would be selling around 5 lakh sachets in Mumbai every month.
- Atul Mehra** One more question overall on the Kailash Parvat sales for this quarter. You mentioned that earlier but just to reiterate if you could give me the sales value of Kailash Parvat for this quarter?
- Sumit Malhotra** Sales value would be approximately 1.5 crores.
- Atul Mehra** Okay so that means like we are incurring our gross margins also?
- Sumit Malhotra** The full year they will be a negative.

- Atul Mehra** Thanks.
- Moderator** Thank you. The next question is from the line of Vivek Maheshwari from CLSA India. Please go ahead.
- Vivek Maheshwari** Good morning. Thanks for taking my question. One, was there any price hike during this quarter?
- Sumit Malhotra** No.
- Vivek Maheshwari** No price hike. What would be the corresponding volume growth in 1st Quarter fiscal 12 and 2nd Quarter fiscal 11?
- Sumit Malhotra** Come again.
- Vivek Maheshwari** What would be the underlying volume growth against this 22% that you have done in this quarter compared to 2nd quarter fiscal 11 which is last year and 1st Quarter fiscal 12?
- Sumit Malhotra** Last year was 14.7% and 1st Quarter this financial year was around 20%.
- Vivek Maheshwari** While you mentioned that there is some slowdown, etc., in terms of volumes and all but if I look at from our overall value growth perspective, it is still accelerating from 21% to 24%. From a consumer point of view it is still selling out higher even if it is at an expense of volume. So strictly speaking, do you see this concerning because the revenue growth is still growing and from a consumer perspective there is no real deceleration in your revenue growth?
- Sumit Malhotra** I will answer it from a marketing standpoint and not a business standpoint. From a business standpoint value is what matters today. From a marketing standpoint volume matters because the name of the game of any marketer is basically to increase consumption, volume drops or slows down it means consumption is dropping or slowing down which is not a good sign. So from a business point of view it really doesn't matter but from a consumer point of view or the marketing standpoint and for the long-term perspective slowing down of volume is not a good sign.
- Vivek Maheshwari** Let me put it this way, after a 21% kind of value increase in 1st quarter and then 24%?
- Sumit Malhotra** 20 was volume.
- Vivek Maheshwari** Sorry. What I am saying is with the kind of an inflationary pressure that you have seen in the price side that you would have taken, the volume growth of 1.9% it's not that concerning.
- Sumit Malhotra** No, it is. I did not say that I am concerned about the Light Hair Oil volume slowdown. Actually Light Hair Oil volume has also increased. It is the total hair oil. What I meant was that the total hair oil volume growth in the 1st Quarter was around 4.8% that came down to 1.6% which means

that lesser and lesser number of people are moving in from unbranded hair oil usage into branded hair oil usage, which in a very long-term for our kind of category it's not very conducive.

Vivek Maheshwari And if suppose while you have indicated that iron costs are at almost the peaking. There can be some softening so if that happens will you pass on the benefit to the end consumer?

Sumit Malhotra In our company we do not take price cuts. What we do is, we do pass on benefits but not in terms of price discounts. We give extra freebies which are normally as consumer offers which means that if you buy a bottle of oil you get a soap free, those kind of things we do.

Vivek Maheshwari Regarding the urban-rural growth rate that you have mentioned 6% point higher growth in rural India. Is that something that is continuing for a while in the last few quarters as well?

Sumit Malhotra Yeah.

Vivek Maheshwari Okay. So there is no real change in that context, right?

Sumit Malhotra Yes.

Vivek Maheshwari Okay. Lastly on the acquisitions while I don't want any specific companies or target that you are looking at but within FMCG are there any particular categories that you would look at be it in India or outside India?

Sumit Malhotra I think it would be improper to tell you any anything about the categories but outside India any FMCG really doesn't matter because there we are going in the new. We are actually going to expand distribution and marketing efforts in that country. In India it will matter because we would be putting those brands through our distribution system and therefore the kind of distribution system that we have will be conducive to certain categories but not conducive to some of the category. For example in India will definitely not buy something which is a niche brand for example high-end cosmetics because we have a mass distributed product and putting a high end cosmetic into a mass distributed system will not work.

Vivek Maheshwari What I meant was so basically you can get out of hair oil?

Sumit Malhotra Did you say get out?

Vivek Maheshwari No, I am saying go ahead and buy something which is beyond hair oil which is your core portfolio.

Sumit Malhotra Definitely.

Vivek Maheshwari And just one last data point. Value growth in this quarter you said was 20.9%, right?

Sumit Malhotra Value was 31%.

- Vivek Maheshwari** How much it would be in the first quarter?
- Sumit Malhotra** It was approximately the same, slightly lower.
- Vivek Maheshwari** Okay, thank you very much sir.
- Moderator** Thank you. The next question is from the line of Rahul Soni from Baljit Securities. Please go ahead.
- Rahul Soni** Just one question. In this quarter your other income has gone up sharply at a 9.8 versus 2.42, just wanted some detail on that?
- Dilip Maloo** That is basically the cash reserve that we have been investing. The return on that investment is put as other income.
- Rahul Soni** Okay, thanks.
- Moderator** Thank you. The next question is from the line of Harid Kapoor from Motilal Oswal. Please go ahead.
- Harid Kapoor** Good morning gentlemen. Most of my questions are answered. Just had one question on pricing, I think in the last quarter we took up prices about 8.5%. Just wanted to understand the entire impact of that would have come in this quarter. We still not seen much of expansions in margins, if you could just help me with what happened on that front?
- Sumit Malhotra** If you look at last year's same quarter, the EBITDA was 28.53%. This year is 25.7; there was depression in the EBITDA because of extra advertising on Kailash Parvat which is 2.1. So if you add 25.7 plus 2.1, it comes to around 28% which is more or less same EBITDA as Q2 of financial year 2011. So the price increase is actually totally negated the price increase of our raw material, packaging material which is a fair EBITDA.
- Harid Kapoor** Fair enough. Sir, these price increases are, there has been no change in the sachet cost, right?
- Sumit Malhotra** I did not get?
- Harid Kapoor** The price increases have not been in the sachet?
- Sumit Malhotra** They have not been.
- Harid Kapoor** At what is our sachet price tag as if now?
- Sumit Malhotra** Rs. 1.
- Harid Kapoor** Since these price increases have come in this quarter and incidentally this is also the as you said since last eight quarters this is the highest volume growth which is an extremely encouraging

sign. Just wanted to understand, does this gave us the confidence of probably taking up prices further over the remainder of the year or do we think we will be comfortable at these levels now?

Sumit Malhotra As a company what we have been following is that we do not take a price increases as the margins are not shrinking. So if the margins are going to remain same or increase I don't think we will consider taking a price increase.

Harid Kapoor So at the current level of raw material we don't see a requirement for price increases.

Sumit Malhotra Yeah.

Harid Kapoor Sir, finally on competition in light hair oil. You spoke about Marico as it is their Hair & Care apart from that do you see anything in the last two three quarters which has come about all the competitive intensities are benign in light hair oils?

Sumit Malhotra Benign is a sort of complacency creeping into marketing. I won't say benign, I think the marketing efforts of our competitors are yet not seeing any results. Like I said people are trying Almond oils and Dabur and Marico both have got Almond hair oil in their baskets but they are yet not cutting ice with the consumer. So that way yes, they are not yielding results but as marketing guys you cannot rest on your laurels, you have to keep pushing. It is still only 50-54% by value and we need to touch that 65% as fast as possible.

Harid Kapoor Agreed. Sir, lastly on this competition thing, these other guys are trying to enter almond. Is there any pricing based strategy or price differential that they are trying or is it similarly priced to Almond Drops?

Sumit Malhotra No, there is a pricing differential also. For example Marico has two forms of Almond one is Hair & Care Almond Gold, the other is called Nihar Almond. Now Nihar Almond is 36 to 40% cheaper than us, where as the Hair & Care Almond cheaper obviously but not significantly. It is only a 7% to 8% cheaper than us.

Harid Kapoor Still there is not a much of traction from these guys?

Sumit Malhotra Absolutely.

Harid Kapoor Thank you so much.

Moderator Thank you. The next question is from the line of Chetan Sheth, please go ahead.

Chetan Sheth Good morning sir. Just want to ask you on the investments that you have made. For a company of your size, how do you justify the investment of 75 crores in the corporate office which is not going to be used for all three years? How do you see productivity increasing in this type of consolidation which will remain? What are you planning to do on that front? I would like to say that investors basically fret this type of thing of capital allocation which you do of 75 crores for

corporate office and that too in a prime location. Can you just justify or explain something more on that?

Sumit Malhotra

The thing I can justify is that we do need it in future. The only discussion that can be is whether you do it now or wait for the time you need it. The call that we took was at this point of time you are getting the property at a very good rate. You will realize that this property was available at 120 crores less than a year ago. We believe that it is giving us a good rate which will need in future.

Chetan Sheth

That too in a prime location like Worli or do you see better options available and what we believe that capital is a very vital thing which we allocate in the company. If we are doing for business purposes which you have yield definitely good productivity gains it is definitely worth it and you can see that how the markets reacted to those acquisition that you are losing 300 crores of market capital just in 10 minutes of the premature premium. So you need to understand the investors mindset when you are doing such sort of things also, weather you are allocating capital in a right way in the business which you are doing. As everybody talk that money is based for acquisitions or for our business purposes.

Sumit Malhotra

Chetan, I appreciate your concern but you should realize that we have to do the things for business and we believe that we required it for the business on two terms. One is that all our corporate functions are located in nearly at different areas around India now that business is not a good thing. Once we are small, currently we are still small you can work around it because you have got a round hundred people all over country trying to communicate with each other but as we grow big and as we acquire a different company over the next three years this kind of thing will be detrimental to the growth of the company, and I do not think that it is a wild decision to wait for that time and done by out of desperation.

Chetan Sheth

Okay and are we incurring any further cost from this property currently?

Sumit Malhotra

Not immediately but yes when we will rebuilt over the next three years there will be incremental.

Chetan Sheth

Wish you all the best from the business point of view. Thank you.

Moderator

Thank you. The next question is from the line of Naga Brahma, please go ahead.

Naga Brahma

Thanks again for taking up my question. The next question is that the promoter stakes are more than 75% so when it is that they have to bring it down to less than 75%?

Sumit Malhotra

As per law we have three years from the IPO to reduce it to 75%. Currently we are a little more than a year down so we have around 22 months to reduce it to 75%.

Naga Brahma

Sir, subsequent to the investment in the real estate property, would it have any effect on your further launching of new products or acquiring, whatever the amount you had earmarked for the new company. Would it have any effect on that?

Sumit Malhotra No.

Naga Brahma Okay sir, thanks a lot.

Moderator Thank you. The next question is from the line of Aniruddh Joshi from Anand Rathi, please go ahead.

Aniruddh Joshi Hi sir. Can you just give us the square feet of the new land I guess you mentioned 33,000?

Sumit Malhotra 33,600 is the built-up.

Aniruddh Joshi 33,600 is the area of building or it is a land area you are saying?

Sumit Malhotra Land is 11,222 square feet.

Aniruddh Joshi And we are planning to construct a much bigger building over there?

Sumit Malhotra We still have to speak to consultants because if we get extra FSI it makes sense reconstructing. Maybe structural engineers will be able to tell us more because the building is fairly old.

Aniruddha Joshi Lastly, you just mentioned about the revenue breakup SKU wise, sachet or the 500 ml bottle, can you also give us indicative EBITDA breakup?

Narayan Raman See SKU wise EBITDA breakup is already there in terms of the gross margin contribution in our presentations. So that should give you a fair idea because since 40% of the volumes come from the 100 ml SKU, we should take that as the typical contribution. There is not much of variance in terms of the contribution margins of the other SKU with the exception of the 20 ml. Am I correct?

Sumit Malhotra Yes, you are right. Just to add to this Aniruddha, basically EBITDA for an SKU does not make sense because you do not amortize expenses over SKUs. But I can tell you gross margins, what I said was the gross margins on a 100 ml is just two or three percentage points more than the gross margin on a sachet. EBITDA would be the wrong term Aniruddha because you cannot allocate all those things. Gross margins if you compare, my answer to you is between sachet and a 100 ml which is the largest selling SKU, there would be a 2 or 3% difference in here.

Aniruddha Joshi Last question on this acquisition, what is the size of the company that we are planning to acquire, would be around?

Sumit Malhotra It is too early because among the companies that we are looking the variations is from US\$100 million to US\$10 million. Which one we will acquire, only at the time much closer to the deal we will be able to let you know.

Aniruddha Joshi Okay sir. Thank you.

- Moderator** Thank you. The next question is from Chanchal Khandelwal from Birla Sun Life Mutual Fund. Please go ahead.
- Chanchal Khandelwal** Congrats on a good set of numbers. I had a few queries firstly, on your last year annual report, your rentals have gone up from 6 crores to 14.3 crores. Now with this acquisition of property, can I assume that this rental will go down?
- Sumit Malhotra** It will go down, yes.
- Chanchal Khandelwal** So how much can you project.
- Sumit Malhotra** Currently the rent approximately is around 1 crores, which we will be able to save.
- Chanchal Khandelwal** Just a crores?
- Sumit Malhotra** At this point of time. But over the next one or two years we will need more office space because we are in the process of getting all the corporate functions into Bombay and adding more people in various locations.
- Chanchal Khandelwal** How many people have you added in the last one year, just for our information?
- Sumit Malhotra** Offhand I can say in offices alone we would have added around 30 people already.
- Chanchal Khandelwal** Because we were surprised in the increase in the rental. Also in the fixed asset part, you said the fixed asset increase is because of the guest houses. Can you just tell me why these guest houses been acquired for?
- Sumit Malhotra** We have people coming in from let us say, the various offices all over the country. Rather than they staying in hotels they would ideally be in our guesthouse around, and the extra office that we need for the people that we are bringing into Bombay. That is when we realized that it did not make sense in taking piecemeal offices all over the city of Bombay.
- Chanchal Khandelwal** How much have you invested in this?
- Sumit Malhotra** The total is 15 odd crores.
- Chanchal Khandelwal** So 75 plus 15, that makes around 90 crores investment in property. The questions have already been asked, just about capital allocation and probably your cash is giving you a yield of 10% and properties in Bombay we know gives a yield of 3%. So investors are a bit surprised.
- Sumit Malhotra** I thought property in Bombay gives more than 10%.
- Chanchal Khandelwal** I am talking about the rental yields. Because if someone were to evaluate if you would to cover a rental property for the same of corporate office space, so at current rate a rental yield is around 3% whereas cash could give you a 10-11%.

- Sumit Malhotra** But you cannot only go on rental.
- Chanchal Khandelwal** That's a call you have to take.
- Sumit Malhotra** That's a call we took,
- Chanchal Khandelwal** Thank you, wish you all the best.
- Moderator** Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.
- Kaustubh Pawaskar** Congrats on a good set of number. Just want to know what the ad was spends for this quarter?
- Sumit Malhotra** It was a little over 12%, A to S, advertising to sales ratio.
- Kaustubh Pawaskar** We should expect this to go up to Quarter 4 since you would be spending more
- Sumit Malhotra** Quarter 4 it should go up.
- Kaustubh Pawaskar** So on quarter-on-quarter basis we should expect this ad spends to go up Q3 considering the seasonally strong quarter and Q4 for Kailash Parvat?
- Sumit Malhotra** No Q3 it will not go up significantly because Kailash Parvat will decrease and Almonds will increase and therefore it should remain at 12%, the 4th quarter it will go up because we will advertise both Almond and Kailash Parvat.
- Kaustubh Pawaskar** And sir you just mentioned that you are being impacted because of the dollar appreciation what kind of imports are you doing for this raw material especially LLP?
- Narayan Raman** We are not importing LLP directly but the parties who are supplying us they are importing base oil from Korea, Taiwan, and other countries. If the dollar appreciates imports will be costly for them.
- Kaustubh Pawaskar** So, you'll have some kind of impact of that. Okay thanks.
- Moderator** Thank you the next question is from the line of Jayshree Dhananjaydu from Pari Washington, please go ahead.
- Aruna** Good morning Sumit this is Aruna from Pari Washington. I just had a couple of questions one is on these loans advances of the 54 crores, you have explained the 50 crores actually what explains the balance 14 crores?
- Sumit Malhotra** Basically, we have given advances for LLP to various vendors.

- Narayan Raman** Apart from that it includes the accrued income on the bank CDs which we have got in our portfolio so accrued income is part of that advances.
- Aruna** That is helpful, and we have still not got the presentation actually it has been uploaded in your website actually?
- Sumit Malhotra** Like I said in my opening comment and you'll realize part of the presentation is the marketing data on off take and market share that would come by the third week of this month, without that the other presentation should be uploaded tomorrow.
- Aruna** What is the CapEx Outlook for this year actually, you have already spent close to 18 crores in terms of the guesthouse and offices, so what is the total expected spend for this year CapEx?
- Sumit Malhotra** There could be only one more expenditure which is we are looking at Gujarat as an area for building a small plant because once GST comes in whenever it does, then we could save a lot of freight because currently we are shipping all the raw materials from West right up to Uttaranchal and Himachal. Considering that but we still have not fully evaluated that, I am sure in land we would need close to another 5 to 6 crores. That would be an outside thing.
- Aruna** And then this 75 crores property which you have bought that will also figure in as per the gross loss, right or no?
- Sumit Malhotra** It would be a different company so in consolidated it will appear.
- Arun** Sumit, I have a couple of questions. Just on the acquisition strategy you have talked perhaps I am wrong in the timeline here, it seems that you have talked a lot about international acquisitions for the first time on this call, what is the rationale for going outside India, you guys are pretty good in what you do here in India, there is a lot which you can still do why does it seem to me that there is some sort of pressure to close up an acquisition?
- Sumit Malhotra** I'm very glad you asked this. Number one, consciously as a company we are not under pressure for acquiring another company. Please be sure of that we have said it on each of our con-calls and whenever we have met any investor for on a one-to-one basis because we believe that the first acquisition that this company does make has to be very careful consideration because we are not masters at acquiring a company and even more assimilating that company or integrating that company into our company.
- Narayan Raman** And also our balance sheet size is not very large, we are not \$1 billion balance sheet company so we need to be far more careful.
- Sumit Malhotra** In fact we are sure that we will not be under pressure, in each of our con calls we have been saying that we cannot give you a commitment as to when the acquisition will take place that is one part of my answer. The second part is I think you have misunderstood on me saying that it will be outside India, the point that I was trying to make is up till now we were considering only India that is still last year. This year we have decided that the valuations of the company in India

are so high that it might not be the right time to acquire a company in India and therefore maybe it is time to look whether you can get a good deal or a good company outside India.

Arun That is the part that I am asking does that necessarily follow that you are going to a geography, jurisdiction that we will never really operated in and as one of your colleagues rightly understoodly pointed out you are a small company and you do not have a billion-dollar balance sheet and you have just come in and really brought this company to ship-shape over the past five years or so, the focus is come in, don't you think that you would be a little stretch going and buying some business in Vietnam or Malaysia or United States or whether else you may go?

Narayan Raman One thing one must understand that unless and until I look at 100 things I might not even find 10 which barely fit some of the hurdle break and other criteria that we have set for ourselves. I'm making it clear view that we are looking at every geography to see what suits us best without stretching us like I mentioned earlier. So, unless if we were to have a planned mind and every other country outside the borders of India than that is not the way to go about it because it'll never work.

Arun Look I hear of where you are coming from my worry is that the following, as the business development level it is well and good for you to assess business plans and geography 'x' and geography 'Y', at the end of the day Sumit has to run it, Mr. Maloo has to spend time putting in place business processes, I mean these gentlemen only have so much bandwidth to get them to go to Vietnam or wherever else, I'm not entirely sure that it is as simple as you'd make it out to be?

Narayan Raman We never said that it would be simple in the first place but what I'm saying right now is that we are looking in these geographies. I'm not saying that I am compelled to make an acquisition unless and until we think that it is a business that fits in with us and we might not even buy it, and let us be very clear here that we are looking at several geographies and several categories only then maybe I will be able to get a basket of a few which fits in with our business growth objectives, etc., so until I start scoring I will never get anything. We are at that stage.

Sumit Malhotra Arun just to add to what Narayan was saying, you are assuming that the companies are available outside are very large in size, need not be. The tossup between India and outside is, in India the valuations are high maybe integrating the company is a little bit easier, outside the valuations will be low but integrating will be difficult, keeping in mind this matrix we have to evaluate each options.

Arun Fair enough said on this point, can move to my second question please. Just it is a very simple one on this 33,000 square feet do you have tenants in it currently?

Narayan Raman No.

Arun So it is just an empty building that you're going to decide what to do?

Narayan Raman The company has freehold land and buildings.

- Arun** That is all I have. Thank you so much for your time.
- Sumit Malhotra** Thank you Arun.
- Moderator** Thank you the next question is from the line of Nitin Mathur from Espirito Santo, please go ahead.
- Nitin Mathur** Couple of questions from my end, I just wanted a bit more color on the question which were asked earlier in terms of your employer cost and moving the base to Worli against companies like Emami which are based out of Calcutta and Dabur which is based out of Delhi. So what I just try to understand the point of raising the cost base of employees based on the salaries in Tier-1 is expected to be higher than salaries are in Tier-2 cities. I'm just trying to get more comfort on this thing?
- Sumit Malhotra** Are you saying Calcutta and Delhi are Tier-2 cities?
- Nitin Mathur** No, I'm saying just Calcutta the salary inflation and salary levels would be lower than as compared to Mumbai?
- Sumit Malhotra** Not ready I beg to differ there, yes, the land would be cheaper than Calcutta versus Delhi and if you look at Emami I think they have a seven story building in Calcutta. If you look at Dabur they have a 14 story building in Sahibabad apart from the other offices they own. I think they have gone through the process that we have gone in terms of integrating the corporate office. Now the only tossup is where do you do it, does everybody on the board moved from here to Delhi or Calcutta and therefore we integrate there or do it in Mumbai. Our group has been Mumbai-based since the time of its inception and therefore we believe that Mumbai is the place where we should be able to integrate into.
- Nitin Mathur** Thank you for that. My second question is how much cash would do currently have after this land deal?
- Sumit Malhotra** 329.
- Nitin Mathur** Just in terms of valuation, you have mentioned that you're getting this property so cheap so I'm just trying to understand what were the deals which happened around Worli area like earlier prior to the deals how would that compare to that levels, I understand that this property is cheaper as compared to one year back but how would you compare it to other recent deals like DLF, sold NTC Mill land in September, so how would the land rates be compared to that?
- Narayan Raman** On a per square foot basis for this would be probably one of the cheapest acquisitions in Worli.
- Nitin Mathur** And can you give a percentage to that?
- Narayan Raman** I think it would be at least about 10% lower than the deals of similar size that have been struck.

- Nitin Mathur** Alright so that's it from my side thank you so much.
- Moderator** Thank you the next question is from the line of Shirish Pardeshi from Anand Rathi, please go ahead.
- Shirish Pardeshi** Hearty congratulations on good set of volume growth. Just a couple of questions and just to explain what Arun has mentioned I mean I would assume that at this point of time you would not require the office space and you are growing organization but the bigger question is that even though you might not have mentioned this in the IPO and this could have been a strategic decision but how essential is this would really help in the over five years' time, do you think that there is a significant cost synergies you would be saving in terms of manpower because some people have also raised the manpower cost is also going to go up. But do you really see that this is going to help you in long-term?
- Sumit Malhotra** Yes we do. Shirish this is a part that we discussed over and over in the board and we realized that one of the things that were actually pulling us back was this. One is the number of employees and second is the various corporate functions in different locations. To give you an example Mr. Maloo has to come here twice a month for various different reasons so does Mr. Iyengar or my head of sales or head of HR and most of the time we correspond on mail or phone which is not maybe the best way to do strategic planning and thought process integration.
- Shirish Pardeshi** I am only saying that at this point of time you guys are fortunate that you have cash on book. But had this been an opportunity you would have taken a debt for buying this property?
- Sumit Malhotra** No we won't.
- Rahul Soni** The other point in terms of the international space what you guys are trying to get into is basically you would still see that this international acquisition would be in the space of hair care or personal care or would you enter into any other category?
- Sumit Malhotra** No, this will be basically be in personal care. Hopefully, if we can get a decent target category within the personal care.
- Rahul Soni** So it would essentially complement your core category?
- Sumit Malhotra** That is right.
- Rahul Soni** And the third question is that in terms of you have introduced 500 ml in the PET bottle, what is the response on that?
- Sumit Malhotra** I think it has been very good, it surprised us. I was very skeptical and I was one of the guys within the group saying that let us not do it. But the marketing team and more important consumer research was telling me that you need a bigger pack, your competitor is already available there. There is a reason to buy a larger pack in many households, with the increasing

penetration they were always telling me that we should try a PET and I was against it then. So as against that I think it surprised me, 4% is really good effort.

- Rahul Soni** So at this time it is 4% and the industry size is about 6%? 500 ml pack in the entire industry?
- Sumit Malhotra** Yes. That is skewed because of coconut oil which is low priced so therefore sells much larger volume bottles than us.
- Rahul Soni** So does that mean the senior management mindset would change from moving typically glass bottles to PET bottles for the smaller size?
- Sumit Malhotra** No, not yet it is not even under consideration at this point in time.
- Rahul Soni** Alright just a last question, is the tax rate fairly is what you seen the representation for the full year?
- Sumit Malhotra** Tax rate, yes.
- Rahul Soni** So it would remain in the same bracket?
- Narayan Raman** Yes because we are under MAT.
- Rahul Soni** Okay, thanks and best of luck.
- Moderator** Thank you the next question is from the line of Jayshree Dhananjaydu from Pari Washington, please go ahead.
- Aruna** Sumit do you have the volume numbers in terms of cases for both Almond Drop, Bhrami Amla, Amla Shikakai and Kailash Parvat?
- Sumit Malhotra** Yes I do. In the 2nd quarter we have done around 8.23 lakh cases.
- Aruna** That's in Almond Drops?
- Sumit Malhotra** Total cases.
- Aruna** No, I need the break up, that is fine, then I will wait for the presentation.
- Sumit Malhotra** No, I will give you I have the break up Almond is 7.93, Bhrami is 12,272, and the remaining few thousand cases.
- Aruna** And similarly what's your revenue split in Almond Drops?
- Sumit Malhotra** Between what?

- Aruna** Between Almond Drop, Bhrami Amla, Amla Shikakai and then Kailash Parvat approximately?
- Sumit Malhotra** Total 96 tons would come out of Almond Drops and like I said Kailash Parvat is usually negative.
- Aruna** Okay, that's helpful. Thanks.
- Moderator** Thank you. There is a question from Kaustubh Pawaskar from Sharekhan, please go ahead.
- Kaustubh Pawaskar** Thanks for taking my question. I just have one question on the new products addition. Just want to know next 2 to 3 years can we expect a few more products in line to what your product portfolio is currently?
- Sumit Malhotra** Yes.
- Kaustubh Pawaskar** Are you working on that, beyond the acquisition? I can understand you are looking out for acquisition but in terms of product addition from your own capacity are you working on that?
- Sumit Malhotra** Yes, while we have been working on this for more than two years.
- Kaustubh Pawaskar** And what is the strategy, like first you'd be looking at the mature naturally Kailash Parvat in the domestic market and then we would be adding the product or simultaneously you would add the product in the market?
- Sumit Malhotra** Like the acquisition I said it would be small, for new products the first we will take it slow and related mature, mature is the wrong word because maturation in a new product takes 10 years but it likes to stabilize and then launching new product. And then maybe the product launching would become much more faster. It is just taking your first step slowly and then starting to run.
- Kaustubh Pawaskar** So in the next 2 to 3 years we can at least expect another one or two products in your kitty?
- Sumit Malhotra** Hopefully yes.
- Kaustubh Pawaskar** Okay thanks a lot.
- Moderator** Thank you the next question is from the line of Mayur Gathani from OHM Group, please go ahead.
- Mayur Gathani** I just wanted to know the seasonality in cooling, is it quarter 4 and quarter 1 which is the main seasons?
- Sumit Malhotra** Yes. It actually starts from February, because February typically in North India which is currently the biggest. The retailer start buying the product, the consumer starts actually buying after Holi which is in the first part of March. Stocks goes-in in February it starts getting out early March, stocks going into shelf in July and buying stocks sometime in July and August.

- Mayur Gathani** Okay so from February to July. The light hair would be constant?
- Sumit Malhotra** More or less constant. There is a slight dip in off take in winter because people convert from coconut to light hair oil. Because coconut in the north India a sort of starts freezing and that's all in terms off take. In our sales around 42% or 43% of our sales happen in the first half and the remaining happens in the second half.
- Mayur Gathani** Okay sir. So remaining you have H2 is more.
- Sumit Malhotra** H2 year end distributors, retailers pick up more stock.
- Mayur Gathani** This you mentioned is for light hair oil, right sir?
- Sumit Malhotra** I am talking about light hair oil.
- Mayur Gathani** Fair enough and thank you very much sir.
- Moderator** Thank you. The next question is from the line of Nandita Mehta from JM Financials. Please go ahead.
- Nandita Mehta** Congratulations on good set of numbers. Just a small question, I want to know that was there any movement from other hair oils to Almond Drop this quarter and if so how much?
- Sumit Malhotra** It always has but I don't have the data as of now for this quarter. I have the first two months of this quarter. There will always be shift between hair oils and the largest loser or the largest source of gain for us will always be coconut oil because it is 50% of the hair oil category.
- Mayur Gathani** The reason I asked this question is basically we saw some stress in coconut prices in this particular product so just want to know, was there some gain which was.....
- Sumit Malhotra** It is data for the last quarter was around 28% of my new users coming from various coconut oil.
- Mayur Gathani** And anything from last two months we have approximately?
- Sumit Malhotra** It is around 29.5 but two months data is really not comparable to the previous quarter and that is why one of the reason why the investor presentation is yet not on the site. We still don't have this data for September.
- Mayur Gathani** Okay so I guess we will get it next week sometime?
- Sumit Malhotra** It normally comes around the 20th to 25th of September.
- Mayur Gathani** Okay that's it from my side. Thank you.

- Moderator** Thank you. Sir, there are no further questions. As there are no further questions, I would like to hand the floor over to Mr. Sumit Malhotra, Managing Director for closing comments. Please go ahead sir.
- Sumit Malhotra** Thanks a lot for joining in and being a part of the Bajaj Corp journey. I am sure that this journey is very-very interesting for us and you also and I hope to have you on the con-call and on various visits in the next three months. Thank you.
- Narayan Raman** Thank you everyone, thank you for being on the call.
- Moderator** On behalf of Kotak Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.