

July 15, 2015

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| DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 023 Fax No. 2272 3719/2039 Stock Code: 533229 | National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/1 'G'Block Bandra - Kurla Complex Bandra East Mumbai 400 051 Fax No. 2659 8237/ 8238 Stock Code: BAJAJCORP |
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Dear Sir,

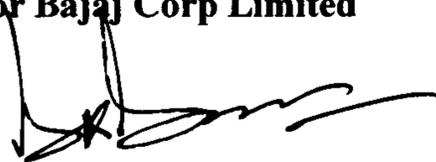
Sub: Conference Call Transcripts

Please find enclosed a copy of Conference Call transcripts in respect of Bajaj Corp Limited dated July 10, 2015.

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

Thanking you,

Yours faithfully,
For Bajaj Corp Limited



Sujoy Sircar
Company Secretary

Encl.: As above



“Bajaj Corp Ltd. Q1FY16 Earnings Conference Call”

July 10, 2015



MANAGEMENT: **MR. SUMIT MALHOTRA – MANAGING DIRECTOR, BAJAJ
CORP LTD**
**MR. V.C. NAGORI – CHIEF FINANCIAL OFFICER, BAJAJ
CORP LTD**
**MR. DILIP MALOO – VICE PRESIDENT (FINANCE), BAJAJ
CORP LTD**

MODERATOR: **MR. ANAND SHAH - INSTITUTIONAL EQUITIES - KOTAK
SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Bajaj Corp Q1FY16 Earnings Conference Call hosted by Kotak Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Shah from Kotak Securities. Thank you and over to you, sir.

Anand Shah: Good Afternoon, Everyone. On behalf of Kotak Institutional Equities, I welcome you all to the 1QFY16 Earnings Conference Call for Bajaj Corp. We have with us today the senior management of Bajaj Corp. represented by Mr. Sumit Malhotra – Managing Director; Mr. V.C. Nagori – Chief Financial Officer; and Mr. Dilip Maloo – Vice President, Finance. I would now hand over the call to Mr. Sumit for his comments. Thank you and over to you, sir.

Sumit Malhotra: Good Afternoon to all and Welcome to the Conference Call for the Declaration of the First Quarter Results for FY16. We have closed the first quarter with a turnover of Rs.218.37 crores, which translates into a growth of around 14.3% over the same quarter in the preceding financial year. The EBITDA for the quarter is Rs.67.38 crores which is a growth of 23.4% over the same quarter last year. As a percentage of sales, the EBITDA is healthy approximately 31%. The PBT and PAT after amortization is around Rs.60.40 crores and Rs.47.51 crores respectively. You will remember the exceptional item is as a result of the purchase cost of Nomarks. We now have four quarters of amortization after this quarter. The quarter in my opinion was a mixed bag for the company. The volume growth in the business was encouraging at 12.11%. What was even more encouraging was increase in EBITDA margins to nearly 31%. On the other hand, the performance of the newly acquired brand Nomarks and Kailash Parbat could have been much better.

The Hair Oil industry is still under strain with volumes not showing any worthwhile improvement. For the five months of this calendar year, the industry volumes actually showed a decline of 8.6%. This decline is being led by the noticeable slowdown in Coconut offtake volumes. On the other hand, the Light Hair Oil market has shown a 5% increase in offtake over the last 5-months of this calendar year. I am talking about 5-months because we have not yet got June data, so I am talking of the period Jan-to-March 2015.

Our lead brand, Bajaj Almond Drops Hair Oil continues to outperform the market and thereby strengthening its market leadership position. The brand has again hit its highest market space of greater than 75% in three states of India. And the most encouraging growth in volumes and market shares are coming from hitherto difficult market, West Bengal. The brand in the West Bengal market has shown a growth of over 30% in offtake terms and market share of over 51%. On an all-India basis, the market share of Bajaj Almond Drops Hair Oil has reached an all-time high of 61.1% in the Light Hair Oil category and 10.3% in the total branded Hair Oil category. The brand continues to be the second largest brand in value terms in the branded Hair Oil segment. On the cost front, the quarter stood out because there was a steep fall in the prices of Light Liquid Paraffin. As against an average of Rs.86/Kg in the first quarter of last financial year, the rate in this quarter is down to Rs.59.51/Kg. This has resulted in our gross margin going up from 58.4% to 64.1% in the respective financial year. The resulted 570 basis points gain in gross margin has been passed down primarily into ASP spend which has gone up by 261 basis points and EBITDA which has gone up by 228 basis points versus the first quarter of last financial year. The newly acquired brand of **(Inaudible) 5:03** had closed the turnover with the quarter of 10%. This is 29% drop in turnover over the same quarter last year. We are now entering the second phase in the process of integration of the brand into the Bajaj Corp. portfolio. As you know, Nomarks was a primarily problem-solving brand when we took over the brand. We are now in this space attempting to migrate this brand into a Personal Care brand through changing our product portfolio, distribution focus, as well as communication. As a result of this, we have had to reduce the number of SKUs from 19 to 12, and also reduce the stocking in the pipeline that is the distributor at the factory and at the retail level. This will help us focus on a few brands, some segments, rather than Nomarks Cream alone may. One reason for the drop in sales is the rationalization of the **name 6.11** and primarily, reduction of the stock at the distribution level. On the offtake front, Nielsen continues to show very encouraging results. Nomarks Cream has consolidated its position in the Anti-Marks, Anti-Blemish Cream category with the market share of 17.1%, last quarter itself it has become the market leader. On the other hand, Nomarks Face Wash continues to be the second largest in the Anti-Blemish Face Wash category with a 5.7% market share. The category of Creams in the Anti-Blemish is flat for the last 5-months whereas Face Wash is growing at around 27% by volume. We continue to focus on taking our lead brand – Bajaj Almond Drops Hair Oil – deeper into the Indian heartland. At the end of first quarter, our brand is now available in 2.87 million retail

outlets through 7,311 distributors with approximately 16,000 key wholesalers and over 1100 sales people.

Another area of focus was International business. Currently, the biggest contributor to our International business is Nepal. The massive earthquake in Nepal has really hit our business this quarter; the disturbance has caused 18% decline in turnover for Nepal alone. On the other hand, the other parts of the International business has shown a 21% growth in volumes in the last quarter. Bangladesh as a result of its continued political stability has been showing much better growth in this quarter. This quarter has been very helpful for the company since we have been focusing on improving systems in all our departments such as operations, supply chain, accounts, finance, IT and ground level distribution. These improvements are being carried out with investments in machinery, upgradation of our IT infrastructure, as well as automation of our sales force, whereas there may not be significant improvement in margin profile, all these efforts will help improve the efficiency and therefore productivity of all departments in the company.

We are now open for Questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Chitragda Kapoor from Reliance Securities. Please go ahead.

Chitragda Kapoor: You mention in your opening remarks about this Nomarks there is a rationalization that is happening and taking place. I just wanted to understand if you can elaborate a little better, how long this rationalization is going to continue and what will be the potential impact going forward in the ensuing quarters?

Sumit Malhotra: Just before I answer your question, just remember, we are talking about a brand which is around 4-4.5% of my total turnover. So, impact on the brand might be there but the impact on the total turnover of the company would be very minimal. So, I think you should take the comments and take the performance on Nomarks in that light. Now, coming to your question, when we took over Nomarks, we had realized that one of the issues with a brand which is so deeply a problem-solution brand is that unless we get more and more new consumers the brand does not grow, because you will realize that the problem-solution works in the way that it helps solve the problem. When the problem is solved, the consumer really will not continue using that brand. So this is an inherent disadvantage with any problem-solution brand and

therefore most companies try and make it more personal care and more daily use kind of a brand. But, having known that we said that we first got to reestablish Nomarks as a brand on the top of the mind for the Indian customer and for us 1-1.5-years we have been focusing on that. Now, the time has come that we start making in more broad-based. Making it broad-based using the Nomarks Cream is a slightly tough thing because Nomarks brand name and also the formulation of the Cream leads itself to problem-solution and not daily use. Now, daily use Creams are things like Fairness, things like Vanishing Cream, things like Cold Cream, things like the normal anti-wrinkle kind of a thing because wrinkles never go away but this is an anti-mark which once the mark goes away you really do not use this brand. So we have started focusing on the other verticals within the brand primarily Face Wash, in fact, we have signed on Saina Nehwal as the Brand Ambassador for Face Wash and today the new ad will hit the veil, and we are hoping that with Face Wash we can make the brand move away from a problem-solution to a more daily use Personal Care brand. But once you do that you have to actually clean out the old stock because you are actually rebranding the whole thing, the look and feel of the brand of the SKUs with us, Personal Care is very different from the problem-solution brand.

Chitragda Kapoor: I just wanted to understand basically is have we completely got rid of the old inventory or are we still in the process?

Sumit Malhotra: In a country like India, you can really not get rid of the inventory, it will happen. So there will be a period of I think in another one or two quarters your secondary will be higher than your primary which means that you will keep on removing the old stock and only replenishing it with the new. So, I think this whole thing will take approximately a year to really be visible in the market.

Chitragda Kapoor: My second question pertains to increase in competitive intensity. I understand that we are leader in the Light Hair Oil segment, but this Hair Oils category I am talking about is now becoming extremely interesting with your competitors also entering with inorganic acquisitions, HUL has also showed an intent for that. So just a comment on that, how are you viewing this and what would be your strategy going forward?

Sumit Malhotra: I believe this category has been competitive for the last 7-8-years, it is not something new. It is only that the category has become more top of mind with investors now, not earlier, because if you look at TOMCO, TOMCO was taken over by Lever around 15-20-years ago, Lever sold Nihar to Marico around 5-years ago. So, it is not

that acquisitions have not happened or brand launches have not happened or the category is not interesting, the category is very interesting for people itself. That is point #1. Point #2 is yes, we strongly believe that more competition will help the category grow much faster and because the more the brands that advertise the more top of mind will it be in the consumer mind and each brand will grow faster and faster. The third is the effect on our market share. In the Light Hair Oil, fortunately/unfortunately over the last 6-years there have been as many as 8 different launches and none of them have gone past 2-2.5% market share within the Light Hair Oil category and this has got to be viewed under the lens of we are having 61% and the #2 brand having around 14%. So, as against the new launch getting 2.5% in 5-years is not a very good track record. So in terms of threat to market share in Light Hair Oil I would not say it is big, but the change in the Hair Oil scenario you will see surely but definitely over the next 5-years with Coconut reducing and value-added Perfumed Hair Oil increasing its proportion of sales.

Moderator: Thank you. The next question is from the line of Karthtik Chellapa from Bueno Vista. Please go ahead.

Karthtik Chellapa: I have a couple of questions; firstly, on our volume growth in our core Bajaj Almond Drops, this has moderated somewhat compared to volume growth that we saw in the last couple of quarters. So your thoughts on how do you see this volume growth going forward because there seems to be some moderation? And related to that, how has the secondary sales been for our core brand? In the past you have indicated that there has been always a theoretical cap on the efficacy of advertisement. So beyond a point, extra advertisement really does not bring in the customer. How do you think about on the promotion side if this volume moderation continue, should we expect to see increased promotional activity?

Sumit Malhotra: Basically, our growth that you see is growth in primary and the thing that we should be tracking is actually what is happening to the industry, and if you look at the industry in the first 5-year of this month, the overall industry has actually declined by 8.6%. Even Light Hair Oil industry has actually grown by only 5% over the last 5-months. As against that, if you look at our fourth quarter numbers, the volumes were close to 20% growth and this quarter is close to 11% growth. So, we are actually still leading the offtakes in terms of the growth levels if we can put it that way. So the thing that we are worried about is only that the Hair Oil industry itself is not growing as fast as we would like it to be because if it does not continue to grow faster than the rate at which we are growing, there will be a period sometime in future where growth

will start mirroring the growth of the Light Hair Oil industry because you cannot keep on getting market share quarter-by-quarter. So that is a concern rather than anything else. And the bigger concern is actually the rural slowdown because in the fourth quarter of last year rural was growing at around 13% odd on a quarter-to-quarter basis, this quarter that actually down to just around 8%. That is a cause for concern because that was really driving our volume growth which were faster than the Light Hair Oil which was actually faster than the total Hair Oil industry growth. To answer your question, secondary growth was around 14% by volume in this quarter.

Karthtik Chellapa: Any thoughts or comments on the level of promotion that we are going to be doing because it looks like the incremental A&P spend is mostly going towards promotion rather than advertisement?

Sumit Malhotra: I think I said this in last two or three quarter concall. The proportion of advertising versus sales promotion hinges on two things – one is the volume growth. Because if volumes are low, then you look at short-term measures with our sales promotion – two is competitive intensity. Because if the competitive intensity is higher you have to spend higher on advertising. So, keeping the gross margin profile that we are looking at and not so fast improvement in demand at the ground level, I think sales promotion will be higher than advertising for the next quarter definitely.

Karthtik Chellapa: One follow up on Nomarks. You said that it might still take another couple of quarters for the primary sales to kind of stabilize. Are we continuing to focus on the five categories of Nomarks which is say your Creams, Face Wash, Soap, Face Packs and Scrub or are we going to deemphasize some of these categories within those five?

Sumit Malhotra: At this moment, yes, we are, because we are currently now going to start advertising Face Wash in addition to the Creams because for the last 1-year or so, we have only been advertising Creams, we are going to advertise Face Wash. So focus will start moving from Creams to Face Wash in a big way. We will also focus on things like Face Packs and Scrub because that will help us take this category into the Personal Care realm rather than only a problem-solution kind of a thing.

Karthtik Chellapa: One house-keeping question, can you share the gross margins for Nomarks this quarter?

Sumit Malhotra: For Nomarks it is 65%, the gross margin on Cream is 83%. I am trying to push Personal Care category which has a slightly lower gross margin.

Moderator: Thank you. The next question is from the line of Percy Pantaki from IIFL. Please go ahead.

Percy Pantaki: Sir, this quarter your overall top line growth has been about 14% and that is on a base of 12%. Now, as we go ahead into the coming quarters, the base keeps getting more and more unfavorable, Q2 the base is 18.5%, Q3 is 30%, Q4 is 28%. So, this quarter has been the quarter with the most favorable base and your sales growth has been 14%. So how should we look at it for the future quarters – is the sales growth going to deteriorate from hereon on a YoY basis?

Sumit Malhotra: Percy, you had known this company now for the last 5-years, we do not give guidance, if you are expecting me to give you growth rates for the next 2 or 3 quarters, I cannot give it to you. My answer to Karthik, I have already told you that the worrying thing is that the industry is not growing because the growth rates are primarily dependent on offtake growth and if offtake growth will depend on how fast the industry is going... what I mean industry is first the Light Hair Oil and the total Hair Oil. Now, the Light Hair Oil if it does not grow, how long can we keep on growing faster than the Light Hair Oil because we cannot keep on gaining market share to infinity, there will be a time and our growth rates will be the same as the Light Hair Oil. And if that has happened, this quarter we would have grown only 8% by volume and maybe around 10-12% by value. So, in the current scenario, I think the next one or two quarters it will be critical to watch what happens on the Light Hair Oil as well as the total Hair Oil industry growth. This will be predominantly governed by what happens in the rural and also urban thing. Urban has shown improvement, but rural has shown a decline in growth. And therefore, to give you an answer, even if I had wanted to, it would be very difficult, I think the key determinants are what happens to one, the industry growth, second, the rural and third, the urban growth in the coming quarters.

Percy Pantaki: The purpose of asking this question was more to get an idea on how you look at base effect. So our base effects really a problem or do you think that the base was higher just because the base in the earlier year, that is FY13 was very bad and it was just a normalization of that in FY14 and therefore the base will not matter at all in FY15? That is actually what I wanted to ask.

Sumit Malhotra: The way we look at it in this company is this base effect is there but I think what we more closely look at is what is happening in the industry itself because this is only transient, you can only explain your growth rates in a quarter by looking at base. On a long-term basis, we are here for long if you are looking at the year, two years, five years, I think the core determinant of growth shall be the growth in the industry. So yes, base, that has an effect if you want to sort of do a kind of benchmarking or a model for a quarter wise, but for a longer period I truly believe investment is all about a year and not a quarter. For that I think you should focus on what is happening to the industry. And therefore, we even start our Investor Presentation with industry data, not company data which is very different from all FMCG companies that give presentations to you.

Percy Pantaki: My next question is on Nomarks. When will the new packaging be available on the retail shelves?

Sumit Malhotra: Retail shelves normally the packaging is reduced, but from the time the production happens and hits the market, it can take anywhere between 1.5-3 months' time but the new ad of Saina Nehwal will hit the waves today.

Percy Pantaki: So by around September end we should see the new packaging in the market?

Sumit Malhotra: In Mumbai, you could possibly see it even earlier.

Percy Pantaki: You also mention earlier to one question that it will take a lot of time to run down the whole stock. So do you not think that for two or three quarters if the old and the new packaging are available simultaneously in the market it will create a lot of confusion in the minds of the consumer?

Sumit Malhotra: Yes, that is why we are trying to run down stocks. Otherwise, actually, both will be sold together but to reduce the confusion in the consumer minds, this one is the real one because there will be one pack that will be advertised and there will be two packs in the market. That is why you got to run down stocks first to as much as you can without creating stock house and opportunity for competitors to get in there.

Percy Pantaki: Sir, on this Amla brand which you have relaunched and it has done a reasonably well, are you happy with the progress of that and where do you see that going in the next year or two?

Sumit Malhotra: Actually, Amla was more a tactical activity, it is not out of a long-term progression that we are looking at. The reason is that I told this also to a lot of people that in the value added Hair Oil industry the cost of production of most of the Hair Oil is nearly the same. So by reducing the MRP you are actually reducing the margin. By reducing the margin you are actually reducing your ability to spend on A&P. When you reduce the spend on A&P, you are actually reducing the volume growth on a long-term basis. So therefore this brand was only a tactical brand that we relaunched to take market share in four or five key states, we have launched it nationally, it is currently available in only four or five states, and we are getting very good traction out here. So much so that we have to build capacity and the extra capacity would be into operations sometime in August and then we will see the true depth of the river because if there is a potential that we can sell this brand profitably over the next 6-months we would extend it for more and more states but currently we are only using it tactically in four or five large Amla market.

Percy Pantaki: Which are these states mainly the cowbelt?

Sumit Malhotra: Yes and no, because cowbelt has Bihar, Bihar is not one of them, so it is basically UP, MP, Gujarat, Rajasthan.

Percy Pantaki: The strategy here in these four states basically the availability of this brand and you are hoping that it will sell on the basis of availability and price?

Sumit Malhotra: Yes.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Principal Mutual Fund. Please go ahead.

Arjun Khanna: My first question is in terms of the rural you mention that the sales growth is slowing down. Is it regional-specific or this is across all markets for us?

Sumit Malhotra: It is across all markets, it is a little more in the north and west, little less in east, south is a very small market for us but it is there everywhere.

Arjun Khanna: Sir, in terms of advertising, say if a value added Hair Oil, as we keep growing as a proportion of the market, one would think that our share of voice being so high, we would have to decrease our advertising in proportion as a percentage of sales. At what level do you think this leverage would actually kick in?

Sumit Malhotra: You really cannot answer that because it is very theoretical. If you want a theoretical answer, it is actually related to not only the proportion of sales promotion and advertising, it also depends on how much your FOB is, depends on what is your objective for growth, it also depends on the price of the NIVEA and so on and so forth. So, I cannot really answer that question but I remember having seen a report on Money Control in which somebody had tracked advertising and sales promotion separately for us. And if you see that report it will really help you give the trend of what is advertising as a proportion of total ASP in relationship to volume growth and you will realize that when there is a high volume growth the proportion of advertising actually goes up there. So maybe what I will try and do is add that slide to our presentation and it will help you understand what I am trying to say.

Arjun Khanna: Fair enough. Sir, this quarter have we stepped down on Nomarks advertising from the previous quarter?

Sumit Malhotra: No, it actually gone up. Remember, advertising and sales promotion for Nomarks in fourth quarter of last year was 36%, actually gone up to around 45% of total sales this year.

Arjun Khanna: So, we have kept that roughly constant but our turnover has come down?

Sumit Malhotra: Yes, that is another way of looking at.

Arjun Khanna: Just in terms of Nomarks, if you could help in terms of have we changed the formulation also of the product?

Sumit Malhotra: No, you do not play around with the formulation without clinical trials and clinical trials that are on will take another year for any kind of results to come in, clinical trials do not happen overnight, it is normally a long process and without clinical trials this Skin Care products you do not play around with formulations.

Arjun Khanna: So we are just changing the communication. Is that a fair understanding?

Sumit Malhotra: And the packaging also, this is a form of converting communication into front line purchase and availability.

Arjun Khanna: So for the consumer given that earlier used to say in terms of the Cream it is to solve the purpose and he did not use it, so why should he keep using it if it does not quite have that application for?

Sumit Malhotra: You cannot the Cream from problem-solution to Personal Care. If you recall what I said was we are focusing on the other four rather than on Cream, and if you remember, I said that up till now we have been advertising Cream, now we are advertising Face Wash also, along the line more and more Personal Care of daily use categories within the Nomarks will be advertised to make it more regular use rather than a problem-solution kind of a thing.

Arjun Khanna: Just finally to understand, if we looked at the erstwhile promoter, the peak sales were I think roughly Rs.26 crores give or take a few. Our current run rate at least in the last quarter was much higher. So, in terms of advertising of the brand you think need rejevunation or it is just a product portfolio?

Sumit Malhotra: But that is related to how big it is, how widely it is distributed, how much you spend on communication and all of these are inter-related. And as you grow bigger and bigger, this will keep on growing. There is no real quick fix to any of these. But I think you need more clarity in communication. The erstwhile owner did not advertise for 3-years. So there was no communication. But even the pack was quite confusing, each pack had a different branding, there were five different colors to each category, so you had a blue cream, yellow cream, red cream, green cream so on and so forth. A little clarity there for the consumer was needed because otherwise normally it is not the category that the consumer will ask the retailer, “What is this bhai? If it is still confusing, forget it, I will take something else there.”

Moderator: Thank you. The next question is from the line of Jubil Jain from PhillipCapital. Please go ahead.

Jubil Jain: As per my estimates, if we look at the MRP for Bajaj Almond Hair Oil, it is around 8-9%, whereas if we look at the numbers, so the price growth would be around 5%. So what is creating this difference – is it the trade spends or is it some SKU mix change?

Sumit Malhotra: When I said in the fourth quarter, that is my weighted average price increases of 5.2%. You do not need to reinvent the wheel. Because, remember, you do not know the proportion of SKUs, we have yet not taken any price increases, for example, 19% of my total turnover is Sachets, where I have not taken any price increase.

Jubil Jain: So has there been a change in the SKU mix?

Sumit Malhotra: Nothing to write home about, and if you look at the volume growth and value growth of Almond Oil, it comes exactly to 5.2%.

Moderator: Thank you. The next question is from the line of Ritesh Vaidya from Ambit Capital. Please go ahead.

Ritesh Vaidya: First question was on the Hair Oil category as such, is it fair to assume that the last two years, when we saw some kind of growth in this category, was it more driven by the rural-led growth?

Sumit Malhotra: Yes, because the population is there and the proportion of rural to urban was skewed towards urban. So penetration in the urban area was much higher than the penetration in rural and therefore when the growth was happening, rural was growing faster than the urban.

Ritesh Vaidya: So now that you have said you are really concerned about the rural growth in the coming quarters. Light Hair Oil which is a bit more of an urban-centric category than the Hair Oil portfolio, do you think that has the ability to grow ahead of the entire Hair Oil for at least a year or so?

Sumit Malhotra: It is much more than a year, because Light Hair Oil is only around 18% of total branded Hair Oil. If that does not grow, what will grow? Coconut is not growing at all, it is declining in volume terms. So if any category in Hair Oil will grow it will be predominantly Light Hair Oil. And Light Hair Oil we now get around 40% of our sales from the rural and rural area 68% of India's population is there in the rural area.

Ritesh Vaidya: But from what I remember till last quarter you would say the slowdown in the rural area was not much of concern because the ticket size that a person spends on the Hair Oil is quite less. So, any particular reason as to why the rural slowdown is a bigger issue now than what it was previously or is it that a rural growth has really-really slowed down a lot?

Sumit Malhotra: I think it has got to do with the rural economy itself and the bad unseasonal rains, the strain on NREGA, uncertainty over the monsoon, all of that is really affecting rural spending. So I do not think it is related to Hair Oil alone, it is related to almost all categories in Indian FMCG as well as even in Durables.

Ritesh Vaidya: Two set of questions; one, Nomarks particularly, can you just elaborate which are the SKUs that you got rid of in Nomarks and are these only the cream related SKUs?

- Sumit Malhotra:** No, they are all across.
- Ritesh Vaidya:** What was the sales contribution coming from these SKUs if you can just...?
- Sumit Malhotra:** The sales, again, what you do is you keep 80% protected, the 20% you look at. So it would be in my opinion around 6.5-7%.
- Ritesh Vaidya:** Are you planning to launch any kind of new product category even Nomarks because...?
- Sumit Malhotra:** No, not in the next two quarters.
- Moderator:** Thank you. The next question is from the line of Dhaval Dama from Equirus Securities. Please go ahead.
- Dhaval Dama:** I was just going through your annual report and you have just mentioned that you are doing some development in the **(Inaudible) 39:21** with Coconut Oil. So can you throw some more light on that?
- Sumit Malhotra:** No, I cannot.
- Dhaval Dama:** Again, coming back to our distribution network today, so how do you plan to scale it up over the next couple of years or what we are targeting?
- Sumit Malhotra:** There are two parts of distribution – one is the direct, second is indirect. Direct is basically adding stock points, adding people, adding retail outlets by direct coverage. That in the future will come down to a great extent because beyond a point it does not make financial sense in adding more people because the smaller outlets are the ones that are not keeping your products. The bigger jump will come out of Indirect which is wholesale distribution. And our focus over the coming few years will be to identify areas where there are distribution gaps and look at the wholesales in those areas so that these outlets are covered in a more cost-effective way.
- Dhaval Dama:** Again, coming back, how do we plan to scale up Nomarks distribution network also with the new product launches and the rebranding also that we are planning?
- Sumit Malhotra:** Distribution also depends on offtake. If you do not have a product which is increasing in offtake your distribution also does not go up. So actually both of it goes hand-in-hand. One, we are trying to sort of like I said move into Personal Care realm

from problem-solution and therefore you will have many more outlets that is the outlets apart from the chemist outlets. But that will only happen once your advertising gets going and people start using your Face Wash, Face Pack and Scrub on a more regular basis. That will happen, but I have always said that distribution is actually a step function, it is not kind of a straight line kind of a thing, it is a step function directly related to your offtake and offtake is directly related to the communication that you put in.

Dhaval Dama: Just two quarters back, we had some issues in terms of inventory at a distributor level and we were trying to reduce it. So, are we today working at a higher level as compared to the past or we are at a normalized level right now?

Sumit Malhotra: It was not two quarters ago, it was five quarters ago, it was actually Q4 of financial year '14 where a major part of stock inventory correction happened. We are currently working at around 32-33-days at our distributor level and around the 11-days at our own factory plus depot level.

Dhaval Dama: With LLP prices down right now, have we entered into long-term contract over there?

Sumit Malhotra: Nobody is giving you the long-term contract because crude price itself is still fluctuating. So at this moment, we are actually buying upfront and not running into contract.

Moderator: Thank you. The next question is from the line of Arpit Kapoor from UTI Mutual Fund. Please go ahead.

Arpit Kapoor: Just wanted to probe further on the rural slowdown bit. So are we seeing consumers extending their purchase by let us say a couple of days or are we also seeing some consumers relapsing back into let us say Coconut Hair Oil from where they would have eventually come from?

Sumit Malhotra: There are three types of things – one is extending the usage, second is downtrading within Light Hair Oil and third is moving to some other brand. Please remember the cheapest Hair Oil today is not Coconut. So if anybody believes that the cheapest brand is Coconut in high inflation or low income group, people move to Coconut, that is not quite true. Actually, the cheapest Hair Oil brand currently is the low cost Amla, for example, in our case, Amla which is 80 ml available at 20 bucks and 100

ml Parachute or the 100 ml Coconut is available at 34-35 bucks. So yes, all three are happening – one is people are extending the usage; second, people are downtrading and therefore the smaller sizes of Bajaj Almond Drops are selling more and there are people who are lapsing out into other low cost Hair Oil brands.

Arpit Kapoor: This will be the change that happened from last quarter to this quarter, so maybe last quarter it was ...

Sumit Malhotra: It has been happening now for more than one year. In the rural area it is more seen in last quarter.

Moderator: Thank you. The next question is from the line of Navin Trivedi from Trust Group. Please go ahead.

Navin Trivedi: Again, my question is on the Nomarks. I just want to understand when we were registering such a high growth for Nomarks for the past few quarters, why do you think it was the right time for avail to the new options within the brand?

Sumit Malhotra: Basically because distribution extension had started plateauing. So whatever low hanging fruits that we could get, we had got. So if you wanted a more long-term impact on growth or brand building you have to do it.

Navin Trivedi: But when we acquired, the idea was that it is a more niche category and the category growth is also very high where the margin profile is also very high as compared to the normal products. So the idea was that that is how we get the regular growth and after one year or one and a half years, we are saying that we have to evaluate more not from the niche category but more from the other options.

Sumit Malhotra: I do not know where you got this idea. When we acquired the brand, the idea was that the low hanging fruit was increasing distribution and building the brand of a Cream. And for the last 1-1.5-years, we have been advertising Cream and this was a conscious strategy. The only thing that changed from the time we acquired it is now the Cream market at that point of time was growing at around 9-10% in the market, it has actually now become stagnant, the growth is just around 0.5% and therefore it sort of speeded up the decision that we have to more broad base the brand.

Navin Trivedi: So, in that line we are assuming that as we are moving towards the broad base brand the growth aspect will be very strong going ahead. So if you can give some color about what kind of target market you are looking, how you see the Nomarks as a

brand in the next 2-3 years timeframe and how would be the margin profile in totality for the Nomarks?

Sumit Malhotra: Before I said that in this concall I do not give you guidance, I am not going to give you guidance, but if you look at the category we are now going to start focusing on which is Face Wash, currently, it is growing at around 27% by volume, so that is the kind of attractiveness that comes in bad economic scenario and the difference between a problem-solution and Personal Care brand. So, what we are saying that, yes, we have reestablished Nomarks Cream as a problem-solution brand and that will continue to be advertised and distributed. But the focus in addition to a problem-solution, we would like to take it into a Personal Care or regular use category by pushing other sub-categories within the Nomarks. Again, let me repeat that you are talking about the brand which is just currently around 4% of the total company's turnover. Even if you were to do excellent job and you start getting growth of 50% upwards, this 4% will become 5% or 6%, not more than that because Almond Drops will continue to grow also there.

Moderator: Thank you. The next question is from the line of Manish Poddar from Motilal Oswal Securities. Please go ahead.

Manish Poddar: Could you tell us what was the Sachet growth in this quarter and how much was Sachet contribution in the last year?

Sumit Malhotra: 19.8% was the growth and last year same quarter I do not remember.

Manish Poddar: You have been mentioning that rural growth has been coming off. So has the gap between the urban and the rural growth narrowing or?

Sumit Malhotra: Yes, if you remember in last concall that we had, it was around 11%, it is down to 5%.

Manish Poddar: How has been the performance across channel let us say in urban markets in different modes of channel let us say Modern Trade and...?

Sumit Malhotra: Modern Trade is just 2% of total turnover for us and for Hair Oil. If anybody talks to you about Modern Trade, it is not a game changer as yet at all.

Moderator: Thank you. The next question is from the line of Percy Pantaki from IIFL. Please go ahead.

- Percy Pantaki:** Sir, just wanted to clarify one thing you spoke earlier, you said that secondary growth is 14% this quarter. That is for the Hair Oils market or for the company as a whole?
- Sumit Malhotra:** For the company as a whole.
- Percy Pantaki:** So basically your secondary this quarter in volume terms has grown ahead of the primary growth?
- Sumit Malhotra:** If you remember the fourth quarter, primary was ahead of secondary.
- Percy Pantaki:** So this has reversed now for the first time after two or three quarters?
- Sumit Malhotra:** Let me also tell you that this is the pitfall of analyzing the company's performance on a quarter-to-quarter basis.
- Moderator:** Thank you. The next is a follow up question from the line of Ritesh Vaidya from Ambit Capital. Please go ahead.
- Ritesh Vaidya:** Just wanted to know, you said the differential between urban and rural has narrowed down to 5%?
- Sumit Malhotra:** Yes.
- Ritesh Vaidya:** If rural has slowed down, are you seeing any kind of pickup in demand in urban if at all?
- Sumit Malhotra:** Not anything to write down, a few percentage points here and there.
- Moderator:** Thank you. The next question is from the line of Sunny Agarwal from Aditya Birla Money. Please go ahead.
- Sunny Agarwal:** Sir, my question pertains to our sales in a southern region especially in Andhra, Tamil Nadu and Kerala. There we have been very less in terms of volume market share. So, what is our strategy? That market seems to be a low hanging fruit where we can push our sales in a big way.
- Sumit Malhotra:** The problem in South is not the market share or the growth, we are growing faster than the category there, and even if you look at market share it is not too bad, if you look at Karnataka, we have 61% market share which is not bad at all there. I think the

problem is the usage and therefore it is much more difficult to convert a guy who is a die-hard Coconut Hair Oil user to a Light Hair Oil or Value Added Hair Oil. This is not something that will happen in a quarter definitely, in a year definitely. It will take generation for this to happen. And therefore, we have been working on this for the last 5-years now and I do not know when the point of inflection will happen.

Moderator: Thank you. That was the last question. I would now like to hand the floor over to the management for closing comments.

Sumit Malhotra: Thanks a lot for logging in onto the concall and supporting us as always. At the cost of sounding preachy, I did during the concall there are pit falls on analyzing a company on a quarterly basis, and one such pitfall you saw in the case of Nomarks. I think the faith that you have shown in the company and the management of the company over the last 5-years is something you guys should keep up rather than just keep analyzing it on a quarterly basis. The good thing I think is that the gross margin profile are very good and if at all it could get better rather than worse there. And therefore, whatever happens in terms of growth depending on the macroeconomic scenario, you should see profitable growth rather than just growth alone there. Hoping to meet you sometime at some conferences or somewhere else. Bye.

Moderator: Ladies and Gentlemen, on behalf of Kotak Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.