

August 22, 2205

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

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

Please find attached a copy of the Conference Call transcripts in respect of Bajaj Consumer Care Limited dated August 12, 2025.

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

Thanking you,

Yours Sincerely,

**For Bajaj Consumer Care Limited**

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

Encl: as above

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“Bajaj Consumer Care Limited  
Q1 FY’26 Results Conference Call”  
August 12, 2025



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

**MODERATOR:** **MR. MANOJ MENON -- ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Bajaj Consumer Q1 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon. Thank you, and over to you, sir.

**Manoj Menon:** Hi, everyone. Representing ICICI, once again, it's our absolute pleasure to host the management of Bajaj Consumer Care for the results conference call. The company is represented today by Mr. Naveen Pandey, Managing Director; Mr. Dilip Kumar Maloo, Chief Financial Officer; Mr. Aakash Gupta, Head of Finance. Naveen has joined Bajaj Consumer recently. From our side, wishing him a great legacy creating tenure.

Naveen, over to you for the opening remarks, post which we open the floor for Q&A. Thank you.

**Naveen Pandey:** Thank you, Manoj. Thank you so much. Good morning, everyone. I'm delighted to be here on my first earnings call on behalf of BCCL and look forward to interacting with you on call today.

Over the past few weeks, I've had the opportunity to dive deep into our business, meet the teams across country, interact with consumers, customers and other stakeholders and I feel very excited about the strength and love our brands have with the consumers and customers. I feel very excited about the opportunity which lies ahead of us here at Bajaj Consumer and what we can do with it.

To start with, let me take you through the company's performance for the first quarter of the fiscal year 2026 before we open the floor for questions. The stand-alone sales for the company stood at INR244.5 crores, registering a growth of 3.2% on a Y-o-Y basis, whereas the consolidated sales stood at INR259.5 crores with a value growth of 7.4%. Ex of Vishal Personal Care, the consolidated revenue grew by 3.7%.

The gross margin for the quarter on a stand-alone basis stood at 56.6%, an improvement of 140 basis points year-on-year and 240 basis points sequentially. This was on back of improved product and SKU mix, along with price increases in our oil portfolio, which helped us deliver this improved gross margin.

EBITDA on a stand-alone basis grew by 11.6% to deliver INR42.8 crores at a healthy margin of 17.5%. EBITDA margin saw an improvement of 130 basis points Y-on-Y and 340 basis points sequentially. On a consolidated basis, our EBITDA margin improved by 30 basis points year-on-year. However, on a like-to-like basis, the improvement was 100 basis points.

Stand-alone PAT stood at INR39 crores with a margin of 16%. And at a consolidated basis, PAT was INR37.9 crores with a margin of 14.6%. During the quarter, we saw some green shoots in general trade channel, which came back to growth after the significant gap. This performance

was driven by Urban segment and Almond Drop hair oil. The broad-based growth in Almond Drop hair oil signals an improvement in demand sentiment for the brand.

In line with our commitment to improve direct reach and build a robust sales process, we continue with our work on the Aarohan program. The states of UP and MP, which were first to start off with Aarohan are showing positive trend. And hence, we have extended the program across our core markets. So far, we've already added more than 25,000 new outlets and continue to work on this agenda.

Organized trade registered a strong double-digit growth year-on-year in quarter 1 FY '26. The saliency of this channel now stands close to 29%. With organized trade -- within organized trade, modern trade, and e-commerce both grew in their 20s, which was driven on back of strong performances across chain and supported by customer activation.

At a brand level, our revenues were driven in this channel by ADHO and CNO. And at a subchannel level, we saw quick commerce and beauty channel leading the performance. Within this, CSD and CPC channels saw muted performance on account of stock rationalization in channel and this is by and large in line with the issues which are faced by multiple other corporates.

Our international business had a weak quarter with revenue declining 20% year-on-year, which was linked to the external headwinds like tariff uncertainty and slowdown in rest of world markets. If you look within international business, we had a story of 2 halves.

First, the businesses which have direct representation, that is the countries where we have team on ground, primarily Nepal and Bangladesh. Both of these countries showed resilient performance, growing double digit. We continue to invest behind our brands in these markets and are expanding our offering and distribution to drive better on-ground execution.

The second set of markets were the distributor or the export markets were primarily comprise of MEA and rest of world. These markets declined sharply, led on back of a combination of issues of weak demand, tariff issues and distributor transition in a couple of GCC countries.

Moving to brand level. We've delivered a growth of 4% on ADHO and have arrested the volume decline on the brand after several quarters. What is very heartening for me to see is that the growth was broad-based and came across packs, including the small packs and sachets, which have seen a revival after the gap. These packs are used by new trialists and price-sensitive consumers and the revival here possibly signals a broader consumption revival on the brand.

We've been focusing our advertising on ADHO for the past few months and an extensive TV campaign with an investment of over 3,000 GRP has just got delivered. We believe that with this, along with the increased focus on prime time and top-rated shows, we have made a significant improvement in the impact of advertising on this brand.

We have also dedicated a significant portion of our campaign to digital channels and have reached over 4 crore consumers through the same. We've also used a mix of influencer marketing

using a mix of macro and micro influencers to engage with the younger audience, delivering engagement rates which are much ahead of the industry benchmark.

In coconut, Bajaj Coconut Oil continued its growth in Q1 FY '26. As we are aware, this category has seen very steep inflation and resulted price increases. Despite the pricing action and the pruning of certain nonprofitable portfolio, we've been able to hold our ground and continue to gain market share in this segment.

On the input cost, LLP prices have been moving in a narrow range in the last 2 or 3 quarters. In the other key raw material prices, we are witnessing a 25% inflation in RMO and nearly doubling of prices in copra. While from where we are right now, we expect the overall basket to remain range bound. We are maintaining a tight watch on this and are responding to swift changes based on the market movements.

As you would be aware, we had previously announced the acquisition of 49% stake in Vishal Personal Care in Q4 '25. This was followed by the completion of the balance 51% acquisition in quarter 1 FY '26. With this, VPCL has now become fully owned subsidiary of BCCL. This acquisition aligns well with our overall vision of the company to enhance our portfolio and market presence.

For quarter 1 FY '26 on a like-to-like basis, VPL registered a top line of INR15.5 crores with a nearly 10% growth on a Y-o-Y basis. And we've begun the process of post-merger and integration and have partnered with leading consultant to help us design and integrate the operations.

Looking ahead, we continue to focus on reviving double-digit growth for the business with a strong focus and support to our core brand Almond Drops. We will continue with the efforts being made on expansion and optimization of our distribution network through Project Aarohan. We are committed to sustainable diversification and towards the same, our focus on scaling up organized state through relevant and expanded portfolio and building a stronger space in natural space and South region through Banjara's will continue.

With these initiatives and supported by calibrated pricing, we will work towards delivering improved operating margins in the year.

Thank you, and back to you, Manoj.

**Moderator:**

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles.

The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:**

Yes, thanks I have three questions. My first question is on the rural commentary. You have mentioned that rural GT continues to remain sluggish. This is slightly different than what most

of the FMC companies and even say, other parts of consumption have highlighted that rural generally is growing faster than urban. And generally, the trend is reasonably okay. So if you could explain that part? That is my first question.

**Naveen Pandey:**

Thank you, Abneesh. I think let me just qualify. Rural is our internal issue. I don't think so. I was referring to macros. I was referring to our own channel performance here. What we've done, as you are -- we've been following in Aarohan as part of the Project Aarohan, we are making certain changes to direct distribution. This includes the direct distribution changes in urban and rural.

And right now, we are in a phase wherein we are executing the changes in the rural and hence, there is a certain amount of disruption in our current business there. We will basically be working and fixing this, which should happen in the next couple of quarters. So the rural sluggishness in our performance is our internal issue. I am not attributing it to any macros.

**Abneesh Roy:**

My second question is on the overall priority for the company from a portfolio perspective. So ADHO has seen a 46% growth in the A&P on a Y-o-Y basis, overall is almost flat. So does this point towards that? Now again, you're back to more of the core rather than, say, something like a coconut hair oil?

And second subset to this question is 20% plus growth in coconut oil, the pricing itself would have been far, far higher than this. So would you say that the growth has been lower than the market leader here?

**Naveen Pandey:**

Yes, Abneesh. So let me start with coconut. Our growth would be lower than the market leader. We have taken certain corrections to ensure that whatever revenues we are delivering are profitable and sustainable revenues, which means that we want the revenue to come with a certain margin profile and not at any cost.

So yes, what you can sense is that our volume performance would be lower than the market leader. However, on a trend basis, which are -- as we see, we are seeing market share gains hold. So obviously, our primaries have been lower. But I think at an offtake level, I still feel confident that the work which we've continued on coconut is going to sustain.

Coming to the ADHO part of the question, yes, I think we've added back investment to ADHO to get to a fair representation of ADHO. I believe that this brand has a lot of potential and we need to support it adequately to drive growth and consumption on this brand. While this brand is a stable and old brand, the overall share of this brand in the industry still has a lot of headroom for it to grow. So with this, yes, we will be supporting ADHO and I think that's the right inference.

**Abneesh Roy:**

And last quick question. I mean, you have worked in much larger companies than Bajaj Consumer in the earlier roles. Of course, this role of MD is obviously much, much larger role in a smaller company. I wanted to understand a few things on that. What was the thought process?

And when you compare Bajaj Consumer to, say, someone like a Marico, Pepsi, Asian Paints, et cetera, obviously, those are much larger company, but still wanted to understand from a sales or

a distribution or a sales automation, et cetera, perspective, given the smaller size of the company, what is left to be done?

You can never match Asian Paint or a Marico given the scale is very different. But from an initial 2 weeks analysis, what is really needed in these 3 aspects, if you could clarify on that?

**Naveen Pandey:** So Abneesh, I think thank you for that question. I think every company has its own ethos and its own strength. What I feel very excited about being here at Bajaj is that our brand is very, very strong. We are the premia of the most brand in the category. We have tremendous love and stickiness from the consumers and that is something which I find very exciting.

What -- if I were to say one thing, which I would try and get in is I think I would try and get in a bit more agility. And I think that's something which we can learn from a lot of organizations. We are a small organization. I would like us to be nimble. I would like us to be more agile and we will work towards delivering that so that we can drive a more sustainable profitable growth for the organization.

**Abneesh Roy:** Thanks. All the best from myself. Thanks.

**Moderator:** The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** Hi, sir. I just wanted to understand the gross margin movement. Sequentially, the gross margin has gone up by nearly 250 to 300 basis points. What is really driving that?

**Naveen Pandey:** So as I said, there is a combination of mix. There's a combination of selective pricing, which is driving the gross margin expansion. And also, we've reduced certain trade investments and spend. So it's a combination of these 3 things, which is driving the gross margin improvement.

**Percy Panthaki:** So are all of these initiatives sort of recurring in nature? Do we see the gross margins at this level or higher? Or do you think that it can reverse back?

**Naveen Pandey:** Well, our full set of initiatives are not yet basically into base in quarter 1. I think we will see to see -- we will -- we are yet to get some further benefits, which should accrue to us in the balance of the year.

**Percy Panthaki:** Understood, sir. And second point is that over the last few years, if you see Bajaj Consumer has lost a bit of market share and has lost a lot of margin. This company used to be close to a 30% EBITDA margin company and now it is close to about 13%, 15% EBITDA margin. Maybe those 30% numbers were not sustainable in the first place.

But my question to you is, given that there is work to be done both in terms of market share as well as margins, how are you going to sort of look at the next 1 to 2 years? Do you think that bringing the margins back so that the portfolio is healthy enough to reinvest and grow, that's the right first step? Or do you think you first need to push more on volume growth and then margins will be sort of coming a year or 2 down the line?

**Naveen Pandey:** So Percy, I honestly believe life was that simple. Whenever we say this or that, usually, the answer is both. So yes, we will attempt to bring both margins up to respectable levels, which

allow us for enough investment ability into the business to invest organically into our brands as well as give us scope for a kitty for an inorganic at a certain point of time. And yes, we will need to drive growth as well.

So I guess the focus would be both. Time will tell how successful we will be implementing. But I think for us, it's not either/or, but it's about a balanced growth. So it has to be a balanced sustainable profitable growth is the way we have internally coined it. We would want to grow profitability and we would want to grow revenues along with it. And we wouldn't really want to make a trade-off call over the next few quarters on this agenda. I understand it's tough, but that's what we stand up for.

**Percy Panthaki:** Understood, sir. Since you have spent so many years in several FMCG companies, notably even in Marico, which is also largely a hair oils company. Looking at the portfolio of Bajaj consumer, looking at the size of the company, et cetera, what do you think over the medium term is an appropriate EBITDA margin for a company like this?

**Naveen Pandey:** Percy, I would want to abstain from giving guidance, but let me try and put it this way, as you exactly said, our peaks are possibly not sustainable. But where we've ended up over the last few quarters is also unsustainable. So I think we need to figure out a path in between and get there, which is more going to be in line with some of the better managed and run FMCG companies in our sector.

So right now, we are below sectoral average. At least I would want us to get to sectoral averages and then look at further improving from there. But right now, we are at a -- we are under the sectoral average, and that's something which honestly needs to be addressed first.

**Percy Panthaki:** Understood, sir. And last question if I might squeeze in on the top line. You have ADHO, which is a large part of the business and you have the other sort of brands which are coming up. And I know it is not again either/or issue and you will concentrate on both. But what I wanted to understand from you is that where is the larger sort of deficiency in the organization right now?

Is it that ADHO is sort of weakened over a period of time and you need to strengthen that? Or do you think that -- I mean, ADHO on its own can deliver only so much and it is doing what more or less it can. Of course, it can be improved, but nothing major deficient there. And therefore, you will focus more on diversification for growth?

**Naveen Pandey:** So firstly, I think ADHO in the past few quarters has underperformed in the medium past and it's also been along with the category sluggishness. But I think as you pointed out, there has been a market share erosion, which has happened over a period of time. So yes, we need to strengthen ADHO to get back to the strong position ADHO held. I really believe that the brand at the consumer end is strong. And if we can get our act well, there is an upside available in ADHO.

Having said that, yes, portfolio diversification is also an important bet for the organization. But what we need to do is we need to choose our battles well. And we need to choose battles where we can sustainably create a second leg and a third leg to the organization rather than tactical play. So what you will see is that we will build on a portfolio diversification, but it would be a



thought through diversification and you will see us acting behind strengthening the core brand, which is ADHO for us.

**Percy Panthaki:** Got it, sir. Thank you very much.

**Moderator:** Next question is from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

**Sucrit Patil:** I have a question for Mr. Aakash Gupta. Is Mr. Aakash Gupta online?

**Aakash Gupta:** Yes.

**Sucrit Patil:** This is Sucrit Patil here. From a finance point of view, as the business looks to scale beyond the core portfolio, how are you thinking about capital allocation across innovation, distribution, and brand building? And what integral guardrails or contingency framework do you have in place if certain growth initiatives under deliver on the ROI or margin expectation?

**Aakash Gupta:** Yes. So on the -- I think Naveen has already given a little bit our view on the margin side that we are under the average of the industry. So we will first -- our objective is to keep it to the industry level that's there. And the existing brand has a lot of potential. And we have addressed internally, which we will follow.

But definitely, the major guardrail is on the EBITDA and the growth side. We are targeting that the core brands should grow as well as the other brands, we will keep on investing. And we have a target of investing in the innovation as well. We have our innovation center where we are scaling and we are building products over there.

**Sucrit Patil:** Okay. So just to close the loop, I have another question for Mr. Naveen Pandey is that when you look at how your competitor is approaching, for example, product innovation, GTM or capital allocation, what is the one thing that Bajaj Consumer is doing differently that will -- that you think will matter the most over the next 12 to 18 months?

**Naveen Pandey:** Yes, I don't think so I would get -- I would like to get into comparison of strategy with the competition. But I guess I'll talk about what we are trying to do, which is different than what we have done. The first, I think, which would stand out is we need to get ADHO into the growth territory. We need to focus on gaining share on ADHO and getting ADHO back.

We have to look at our overall margin profile and that means basically making the investment in the portfolio in a manner which is sustainable over a long-term period. So I guess these are the 2 things which you will expect, which would be slightly different from what we've done over the past few quarters. But I would really like to refrain from comparing ourselves to competition.

**Sucrit Patil:** Okay, great. Thank you very much for the guidance.

**Moderator:** Next question is from the line of Dhruv from Fort Capital. Please go ahead.

**Dhruv:** Hi. My question was mainly on the Vishal Personal Care subsidiary that we have brought into the stand-alone business. Can you just -- you went over the revenue numbers, but I kind of

missed the growth number. And how much would be your estimate of the EBITDA margin for the company? And in the same line, what would be the PAT?

**Naveen Pandey:** So what I can give you is that for Vishal Personal Care, quarter 1 was INR15.5 crores of net revenue. This was close to a 10% growth like-to-like on their last year quarter 1. EBITDA before one-offs, there have been some one-off expenses in the company on account of long-term incentive payoff. But if I were to take that out, which is what my understanding we were wanting to do, it would be a low teens margin.

**Dhruv:** Low teens margin. And PAT margin would be in the same line?

**Naveen Pandey:** Yes. PAT, the company is -- the company does not have any debt. It's free of debt. Depreciation is not very big align you would have seen. So yes, the standard flow-through will happen if you were to take off one-offs.

**Dhruv:** Okay. Great. My second question is on the distribution strategy that you guys had, which was, I believe, 70-75, 75,000-odd outlets added from Banjara's distribution and all of the North Indian distribution channels that you have maintained from the ADHO and coconut oil business. There was a -- on the last call, we spoke that both of these basically distribution pockets would be aligned together to have like a portfolio growth. Is that plan turning out as it is supposed to or the distribution has not been integrated?

**Naveen Pandey:** No. So we've just started the pilot on distribution integration. What we are doing is we are doing a phase-wise approach. So the -- one of the premise of Banjara's acquisition is that we have a very weak distribution in South, where Banjara's has a reasonable distribution. And in the combined setup, we can leverage that distribution to even carry BCCL brands. And the rest of the BCCL system ex of South can carry Banjara's brands. But we are going systematically brick by brick on process of that integration.

We've identified a certain pilot markets where we are carrying out the pilot of integration. We will get our learnings and then we will implement them across and scale up. So this distribution integration is going to be, from my estimate, around a 4-quarter exercise to a 5-quarter exercise. And we will do it gradually as to ensure that we do not disrupt the strength and the advantages of the system as we intend to leverage that.

**Dhruv:** Okay. Just a clarification on the same. So what do you think will be faster, integrating Banjara's products to your northern distribution channels or increasing your South distribution for ADHO and coconut oil?

**Naveen Pandey:** See, I think both will happen. What I'm just saying is that it will happen brick by brick. For example, taking certain projects of Banjara into some specific channels or market pockets could be an easy extension for us. And as and where we find that opportunity, we will do that. Similarly, adding some product portfolio from BCCL into Banjara could be a quick opportunity, and we will again do that.

What I'm saying is integrating of an overall system so that you say that there is only one system running and there are not remnants of 2 systems is something which is 4 -- maybe 5 quarters, 6

quarters away, anywhere in that range. And we will take it up. We don't have a -- we don't want to put a gun point onto the system to integrate. I think a larger exercise is to get the benefit of the acquisition and we will focus and approach it that way.

**Dhruv:** Right. My last -- just the last number that I wanted. In the last quarter, you mentioned some integration costs that were extra bringing the margins down between the acquired company and BCCL. How much of those investments are yet to be made in the current year?

**Naveen Pandey:** So I think if you look at our total expense lines, which are there, they already have some numbers in factor. I don't think so we will have more than this coming in, but this basically, you can assume a similar trend on cost lines basically for the next couple of quarters as the process goes on. And then we will -- as we start leveraging, this basically number could see a correction.

**Dhruv:** Okay. Great.

**Moderator:** The next question is from the line of Saheel Shirsat from Delta Investment Advisors. Please go ahead.

**Saheel Shirsat:** Hi, thank you so much for this opportunity. So I have two questions. One is what kind of sales we are -- and market share gains we are seeing from Project Aarohan? And my second question was on the revenue split between ADHO and non-ADHO products -- product portfolio from e-commerce and quick commerce, if you can share those numbers.

**Naveen Pandey:** Saheel, so Project Aarohan is still in a very urgent nascency phase. What we've done is we've executed certain changes in the market and we are leveraging the impact of them. I would not really want to basically state that the changes, whatever we are seeing right now are only on behalf of Aarohan or on behalf of advertising. I think we would want to wait a few more quarters to see what is the sustainable benefit which we derive out of these. And as and when we are ready, we'll be glad to share them with you.

With regards to the performance or the mix of the channel-wise growth is there. All I'll say is both ADHO and CNO have grown robustly in the modern trade channel. It will be a bit sensitive for us to give subchannel-wise, brand-wise numbers. I hope you'll appreciate that.

**Saheel Shirsat:** Thank you so much.

**Moderator:** The next question is from the line of Amit Agicha from HG Hawa. Please go ahead.

**Amit Agicha:** Yes, good morning, sir. Am I audible?

**Naveen Pandey:** Yes, Amit. Please go ahead.

**Amit Agicha:** Sir, how do you plan to address the international business headwinds from tariffs and wars? And like are there any new export markets being targeted to diversify geographies?

**Naveen Pandey:** So yes, we do export to the U.S. and right now, that market and the export to that market is under question and we are trying to figure out what do we do. As unlike some of our larger industry

colleagues, we do not have multi-country manufacturing basis wherein we can use some of our other countries to do that. So it's a bit difficult for us. But we will soon figure out.

While we are hopeful that this issue should be passed us soon. But yes, we will obviously figure out alternative mechanisms if we need to how to do that. Having said, please do realize that the question which we are talking about is not even a percentage to our revenue. It's fairly materially insignificant to our overall business and performance.

**Amit Agicha:** Sir, my second question is like what are the synergy targets from VPCL acquisitions? Like what is the expected payback period for the acquisition investment?

**Naveen Pandey:** So what I would -- I would rather than giving a payback period, I will give you the rationale behind the investment. So what we've done is we've acquired an organization, which is roughly INR50 crores of revenue in size. It operates in the Natural and Herbal segment. We believe this is a segment which is growing ahead of the BPC growth rate.

We have the opportunity to take this company, which is fairly regional in the South to rest of the country and to channels like modern trade and e-commerce and to the export markets, which itself will provide a huge growth potential.

The secondary hypothesis for us is that we have at the core very weak distribution system in the South. And VPCL comes in with good distribution in Karnataka, Andhra Pradesh, Telangana, Tamil Nadu, Kerala. And combining our system and our go-to-market with VPCL will allow us to scale our core business of Bajaj in the Southern states.

Overall, we would like Banjara's to grow ahead of our core business. And we believe that is possible and it will be an accretive and a positive profitable growth addition to our portfolio.

**Amit Agicha:** And sir, what would be the total number of employees post-acquisition bothâ€™s?

**Naveen Pandey:** Sorry, I was not able to hear you clearly if you can repeat the question.

**Amit Agicha:** The total number of employees of both the companies, BCCL and VPCL.

**Naveen Pandey:** So we can give you offline some of these numbers. I don't have them on hand on the numbers. But if you have a specific question, I will get my investor team to get back to you.

**Amit Agicha:** Okay. Thank you, sir. All the best in the future. Thank you.

**Naveen Pandey:** Thank you.

**Moderator:** Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question.

The next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

- Gaurav Gandhi:** Yes. Hi. Thanks for the opportunity. Sir, despite launching various new products in Skin Care and Hair Care segment for the past 2 years, the visibility at the store or modern chain still remains very, very low. What are our plans exactly? Are we not being fast or aggressive enough to reach end consumers with our new products, sir, your comments?
- Naveen Pandey:** Thank you, Gaurav, for that question. See, Gaurav, when we are looking at NPD introductions, we are going to look them in specific spaces, which might include specific channels and specific market segments. We will basically try and work in a frugal manner so that we can get good returns in terms of revenue on back of the investments behind advertising and other non-advertising spends, which we make to speed and establish that brand.
- We are at an organization, not at a scale wherein we would want to go ahead behind certain products and take them all India, all channel on day 1. That might happen in certain cases in products and categories we feel very confident about. But in multiple cases, we will choose our markets and we will choose our channel segments. We will prototype our mix. We will get it to grow to a certain scale and then expand it rather than taking it across the country on day 1. So I think that is something which you should keep in mind as you look for our products or look for our strategy.
- Gaurav Gandhi:** Sir, in that case, do you feel the new products which the company developed over the past 2 years are strong enough for attracting consumer? I mean we understand that the brand, Bajaj brand is strong, but product has to be good as well for consumers to come and bite again and again. So your thoughts on this? And how do you see the new product development in the company?
- Naveen Pandey:** So Gaurav, I think the products, I'm not talking about the products, the products are strong. But there is a cost of advertising and there is a cost of seeding the product into various markets. So we might choose in certain case that I might want to play on products in the digital space, wherein the cost of creating advertising and getting revenue out of it pays back to me.
- And we might choose that unless and until the brand reaches a certain scale, I might not want to get into general trade and I might not want to get into mass advertising because that is a very substantial upfront investment in terms of advertising cost. So that is what I mean.
- Obviously, when we will do products on regards of basics like basically the quality of the product, ensuring wins sensorial, we will obviously take care for every single launch that we do not put out anything in our portfolio, which our consumers are not proud of, which we ourselves are not proud of.
- Gaurav Gandhi:** All right, sir. Thanks and all the best for the future.
- Naveen Pandey:** Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak from Unifi Capital. Please go ahead.
- Deepak:** Hello, sir. Thank you for the opportunity. Firstly, Naveen, I just wanted your top-down view on the category. If you can spell out how have you viewed this category in the hair oil category in

terms of competition because it's quite commoditized with a lot of regional brands. And how do you see the category growth in general? Because what we read from other companies is that the growth is saturated at a certain level. So if you can just spell out your thoughts on the category.

**Naveen Pandey:**

Right, Deepak. So Deepak, it's a give or take, a \$2 billion category, which is one of the highest penetrated categories in the country at 92%, 93% household penetration. It has a very high frequency of usage. It has a very high salience. This is a product category you will find in every single home of the country.

What has happened over a period of time is that if you look at the larger hair care, at a certain point of time in the country, only hair oil was part of hair care. And now there are various products which have come in competing for hair care. And this has led to the overall category growing very significantly. Having said that, only hair oil within that space has been growing despite all of this at a moderate rate, which is in line with any other high penetrated category in the country.

So when we look at this, we have to look at what is happening at the behavior at the consumer end. Consumer still believes in oiling. The consumer is still committed to a certain regime. And these kind of behavioral changes don't happen in a very short period of time. These are generational. And in India, oiling is a generational habit. So I don't see that this is something which is going to drastically change or disappear or move anything in the near to medium term or even slightly longer-term period.

What we need to do is that, obviously, yes, the consumer preference, consumers' need for sensorials are changing. And as a category, we need to get our act better in terms of responding to some of those consumer changes. But the basic necessity of the category and the salience and the regime of the category, I think, is very strong. And that is what I'm excited about to work here to see that how we can address the consumer needs in a much better manner. I hope I've been able to give you a flavor of what you asked.

**Deepak:**

Yes, sir, that was quite useful. So dwelling into what you said is that in the hair oil category, you were trying to pursue growth through the ADHO segment. So if you can give out a broad road map of what you want to do in terms of product, any pricing tweaks, and the channel? And you also mentioned that given that hair oil will have moderate growth, so you'll have to diversify. So on new products, what are you thinking of ramping up in the medium term?

**Naveen Pandey:**

So Deepak, let me talk about what I can at this moment and I'll refrain from what I'm not ready about. So what -- I think a large part of our strategy would be strengthening ADHO. ADHO is one of the most premium brands in the entire category. We believe it has very, very strong consumer love. And with renewed investments and focus, we can get this brand back into the growth territory. And as that happens, that generates a lot of funds for the organization.

There is a lot of opportunity in terms of premiumizing this brand further to create extensions in this brand to solve for various smaller segments of need. And I think those are some of the experimentations which we will do over a period of time. We've already made foray into other hair oil segments like coconut-based, your Amla-based and other. I think there is an opportunity

for us to revive our portfolio and to see how we can deliver sustainable profitable revenues there. That would be another segment of focus for us.

And the third would be that we have a portfolio of herbal natural product, which we have acquired to Banjara's, how we can grow that. We've had extensions on Almond Drops, which have been outside of the hair oil segment, which have had some good traction. We'll have to figure out how we can scale them up in a sustainable manner over a period of time. So I think these are some of the immediate-term things and I think they'll keep our hands full for the next few quarters. Beyond that, what more we would like to do, I think I'll come back as and when I'm ready with my own thoughts.

**Deepak:** Sure. That's quite useful, Naveen. So on the ADHO growth part, which you're trying to pursue now, you also mentioned that margin is something that would also be a focus area. So in terms of growing the portfolio, you don't -- do you not see the margins come on the way of growing the portfolio?

**Naveen Pandey:** Yes, Deepak, see I think if you were to look at it from the other ends, there is no, I think, either/or scenario. We have to try to do both. I think as and when there is a trade-off call to be made, we will not shy away from the trade-off call. And if there is a trade-off call to be made, we would basically trade in favor of revenue and market share. But I don't believe that time is now.

I think we've reached to a level of margins which were much, much below what has been our own average. We had reached a level of margin, which was below the category level. And hence, we should, I think, see an improvement there and we should see an improvement in revenue. I don't believe we are at a level of margin wherein we are sacrificing growth for margin. And that is something which we will never do. But yes, in terms of endeavor, we would want to expand revenue in a profitable, sustainable manner.

**Deepak:** Okay. So just to understand this point in another way, how are we going to get back the margin profile to the desired levels? You mentioned that we desire to be in the mid-range of 15% to 30%. So how is that going to happen?

**Naveen Pandey:** So Deepak, as I said, what is -- okay, so let's look at what has driven the margin improvement in the quarter in question. As I told to you about, we worked the mix which has added to the margin. We have taken corrective pricing, which is not fully in market, which is in process, which will happen in there and subsequent quarters, which is basically leading to a market expansion.

And we've also corrected and pruned a certain amount of trade and customer spends, which we were doing, which basically releases again into the margin, which again has been executed in a partial manner, which is adding back to our margin profile. So by and large, it's a little bit of this, which will come in.

And then the next level of kicker will come in as our revenue start growing in, there is going to be a denominator effect, which is going to add some more. So I think it is with this what we would expect a certain amount of work over the next few quarters. And after that, we'll look at next leg of initiatives towards that. But this is the first leg.

- Deepak:** So, Gaurav and Naveen, thank you, and all the best. Thanks.
- Naveen Pandey:** Thank you Deepak.
- Moderator:** The next question is from the line of Ishant Lalwani from Ashika Institutional Equity. Please go ahead.
- Ishant Lalwani:** Hi, sir. Thanks for taking my question. So over the past few years, our fixed assets have been more or less flat. So are our current plants fully utilized? Also any further plan for CapEx in the coming few years?
- Naveen Pandey:** So as of now, we have capacity headroom in our plants to look at that. We have enough headroom maybe for the next couple of years, 2 to 3 years of growth. Having said that, we keep on looking at the efficiency of operations, which is going to be there. And hence, if we need to make any deltas or changes, they might not be very significant to our balance sheet size.
- But we are not -- so if you're wanting the question, is there any going to be significant CapEx commitment over the next couple of years? The answer is no. However, we will -- I would reserve the right to relook at it as we are looking at the overall manufacturing efficiency and the cost structure over a period of time.
- Ishant Lalwani:** Great. How many plants are currently owned by us and outsourced plant?
- Naveen Pandey:** In terms of -- if you were to look at our own plants, we have in Dehradun, Guwahati, and Paonta. And we have one large basically third-party facility, which is there. Besides this, we work with certain number of smaller-sized third parties for some of our smaller products.
- Ishant Lalwani:** Yes, that's a good point. Thank you.
- Moderator:** The next question is from the line of Madhav from Shravas Capital. Please go ahead.
- Madhav:** Hi, Naveen and team. Thanks for the opportunity. Slightly harping on the same margins, though Naveen, you did answer it partly. I was just trying to quantify the same, right? So from a current mid-teens margins, it's -- I mean, if you want to go to the midpoint of our highest and lowest, it's around almost 800 basis points, right?
- Though we can't take the -- I mean, price increases to the extent we want, which will impact our volumes. And also the A&P can't be significantly cut because you have to revise the category, right? It's a classic thing between the devil and the deep sea. From that then, can you just quantify how this 800 basis points can come through? I mean, if I actually split the other expenses are the usual numbers, just trying to think a lot of how the 800 basis points can come.
- Naveen Pandey:** Madhav, I was specifically going against to give a guidance, but let me try and share with you what I can. I think, first of all, we've reached operating margins, which were to the level of less than 15% in the past and we've come to an operating margin, which is in the range of 17% to 18% as we speak. The -- by and large, industry, if you were to look at our industry operates at in the low-20s or low to mid-20s is where basically a lot of our peers operate.



I think for the step one is for us to target that rather than to get into a number which is beyond that. And that is the first, which would be the next few hundred basis points of movement. And that will -- I would not want to -- I would specifically state that I would not want to comment on the time frame, et cetera, which we will look at getting there. But yes, directionally, we want to further improve from our 17% to 18% margin.

It will come on back of mix improvement. It will come on back of better realized value on a per kg basis for our products, which will be both a little bit of price pack changes or pricing or reduction in terms of the spend. And it will then also come on back of a little bit of optimization of spends on a percentage basis as the denominator effect start kicking in when we are able to grow the business. So I think this is the -- what you should look at the short- to medium-term plan, which we are working on. And please look at it more like a plan rather than as a guidance.

**Madhav:** Also, I just wanted to understand, you were speaking on this whole diversification, having a second- or third-degree growth drivers, right? I mean, historically, in the last 10 years, we've not forayed beyond our core category of hair oil, et cetera, Nomarks slightly. Not that we have any right to win, but given your experience in other consumer categories, any plans where we are foraying from our core?

**Naveen Pandey:** Sorry, I was not able to hear you. Can you please repeat?

**Madhav:** Yes. What I was just asking is, you were speaking on the second- and third-degree growth drivers which is required to -- for a top line kicker beyond our core category. Not that we have any right to win other than our hair oil category, but given your experience in other consumer categories, I was just trying to understand this whole diversification and additional growth kickers, are we looking at any other categories?

**Naveen Pandey:** Sorry, Madhav, I would not want to comment on anything which we have not actually done so far. In the -- what is not in the market is not something I can comment on.

**Moderator:** I would now like to hand the conference over to the management for closing comments.

**Naveen Pandey:** Thank you. Once again, I would like to take the opportunity to thank you all for taking the time to attend the call and for your questions. Over the next few weeks...

**Moderator:** Ladies and gentlemen, we have the management line disconnected. Please stay connected while we reconnect the management.

Ladies and gentlemen, we have the management line reconnected.

**Naveen Pandey:** Thank you. Apologies for the disconnection. I would once again like to take the opportunity to thank you all for taking the time to attend our call and for your questions. Over the next few weeks, my priority is to close the medium-term and long-term priorities for our business, which will help us drive sustainable profitable growth for the organization.

And as and when we are ready, me and our Investor Relations team will reach out to you, establish connect and have a more meaningful engagement around these issues. So once again,

thank you all for taking time and attending the call. Thank you to the ICICI team as well. Thank you.

**Moderator:**

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