"Bajaj Consumer Care Limited Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Consumer Care Q1 FY2021 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 '*' then '0' on your touchtone phone. Please note, this conference is being recorded. I now hand the conference over to Mr. Vismaya Agarwal from ICICI Securities. Thank you, and over to you, Sir!

Vismaya Agarwal: Thank you Bikram. Good morning everyone. It is a pleasure to host the Q1 FY2021 conference call of Bajaj Consumer Care. We have with us today from the management Mr. Jaideep Nandi, Managing Director, Mr. D K Maloo, Chief Financial Officer and Mr. Kushal Maheshwari, Head Treasury and Investor Relations. Now over to the management for their opening remarks and we can go into Q&A post that. Over to you Sir!

Jaideep Nandi: Thank you Vismaya. This is Jaideep Nandi here and I am joined by my colleagues Mr. D.K. Maloo, the CFO, Mr. Kushal Maheshwari, Head of Treasury and Investor Relations as well as some of my colleagues from our management committee.

At the very outset, I hope and wish that all of you and your families are keeping safe and healthy. The quarter has started with an uncertain and unpredictable environment with the proliferation of COVID-19, as all of you are aware. The company's performance was severely impacted by the lockdown and we witnessed significant disruptions in the first fortnight of April when our business came to a complete standstill and all our offices, depots and manufacturing locations remained closed. By end April, we started and by May and June, the company has been able to steadily revive its operation and has reverted to near-normal business in just two months.

The company reported a sales turnover of 191 Crores for the quarter with a decline of 17.6% over the same quarter of previous year. The EBITDA for the quarter was at 58.25 Crores, a decline of 19% against the previous year, and the EBITDA to sales ratio was at 30.4%, which is a decline of 50 basis points versus the EBITDA reported in the last year same quarter.

The gross margin was at 63.6% as against 66.7% in Q1 2020. The margin drop was due to adverse impact of the product mix, which included the launch of sanitizer range during the quarter.

The LLP prices have softened in this quarter, and if these pricing levels continue, the benefit should be visible in the material cost going forward.

The EBITDA margins remained healthy on the back of a significant drop in A&SP cost, advertising and sales promotion spends as we are off air from April to mid-June. As you would have remembered from mid-March, we have been off air, so for three months, we were off air. Since then our spends in this area have been restored to erstwhile levels, and we continue with that. In other overheads, savings in traveling and administration expense as the entire team was largely working from home.

The PAT for the company was at 54.19 Crores against 58.65 Crores during the corresponding quarter of the previous year. The PAT as a percentage to sales improved to 28.3%, which was led by higher income from treasury as well as reduction in income tax rate.

The hair oil industry continues to see a severe sequential slowdown. Till March 2020, the growth rate in the hair oil market was 2.8%, the MAT growth that is, which declined sharply in April and May, 50% and 25% respectively, and the growth rate during this two months cumulative period in value terms has been 38% decline, and volume decline of 33%.

The down trading is clearly visible, as the consumer preference is moving towards the low cost hair oils as against premium hair oils given the prevailing market conditions. Being in a company who are our consultants partnering us for implementing and accelerated growth strategy in hair oils for the company, have done a comprehensive job in terms of state level partitioning, and assortment of our focus in the speaking markets. The team now has the inputs of our execution of the strategies, which has already been currently contextually executed and will continue to be done so in the future.

Our approach during the quarter has been to maximize opportunities that were available to us; ensuring availability of our products in both rural and urban markets was obviously our first priority. We also looked at focusing on specific challenges and geographies, which we thought would be relevant during this period and also look at leveraging new opportunities that have arisen during COVID-19.

During the lockdown in April, the company and all its employees rallied behind the frontline sales more in the second quarter if it were to be precise, second half of the month, to connect with the channel partners in the system. At one time more than 40000 calls were being made per day to all our customers that are channel partners assuring them of company support and service.

The company in the meanwhile also assured all its employees, that there would be no job losses due to the ongoing pandemic, and business resumed by end April. The company had provided adequate PPE here and ensured that all our sales force who were working in the market and our factory person is strictly adhere to the safety norms.

One thing that became aberrant during the early stages of lockdown itself, which was later borne out by the Nielsen data, was that the rural markets have been far less impacted than the urban markets, and as most containment zones are in the urban centers and significant number of large wholesale mandis were shut, while many rural markets currently remained open.

During April and May the total hair oil off take decline has been 44% in the urban market as compared to only 30% in rural. So to ensure that the rural distribution reach is dialed up, the company scaled up its van operations in May and June. Currently, overall, we are reaching out to more than 50000 villages that are including the van across 15 states, this has helped increase our direct reach, and helped service the end customers better.

The company is supporting the initiative with advertising spends in key rural markets through TV, it started since mid-June as well as digital market.

For the modern trade channel, this was a tough quarter; the business got impacted due to closure of malls and hyper market stores for major part of the quarter in most metro cities. However, we expect growth from this channel in future quarters to return when urban markets normalized.

E-commerce continue to remain a small part of our portfolio, while e-commerce sales saw good growths in the quarter, the absolute number still remain relatively insignificant. This will remain an area of focus for the company going forward. No significant development happened in the international business, the borders remain shut for major part of the quarter, impacting the business. We expect export orders to start trickling in as the situation is slowly coming to normal and our main markets as you would be aware are basically the Gulf, the Middle East, Bangladesh and Nepal.

We had launched our Nomarks hand sanitizer in retail and 5 liter pack sizes in the month of April, which we had presented during the last investor call as a tactical opportunity. We added up the 500ml pack based on market demand in June and additionally a new product, the multipurpose sanitizer in 5 liters was also introduced in June to cater to institutional demand.

We believe that the uncertainty due to COVID-19 will continue to support the demand for sanitizers in the medium-term. The company has gone live with SAP HANA and SuccessFactors, which again we have presented last time. This is an area we will continue to work on basically to strengthen the systems and processes in the organization as well as work on control and governing as a practice for the company for the next few quarters.

Our understanding of the current scenario is that flexibility, adaptability, nimble footedness, will take precedence over structured long-term planning and execution. As we move into the 5th month of the COVID gripped world, it looks like the uncertainty will last for some time to come, and as we speak July month is already seeing a surge of lockdowns across the country, which clearly might have an impact in sales.

We need to keep revaluating our plans regularly and look for contextual solutions during these uncertain times. Parallely, we will also continue to build our long-term strategic plans in the coming quarters as we look towards that longer-term and a more stable environment.

So with that, I would like to end my address and open the floor for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead. Thank you. We have next question from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Congratulations for a decent set of numbers. Just wanted to understand a few things, if I just merge two calls of today the results of 1Q and 4Q, and the 4Q concall it appears that the fear on market in general has been facing a lot of volatility and turbulence. But our current quarter results shows up much better picture than what we would have believed so based on what was mentioned in fourth quarter and also there is some confusion which I am not able to understand so as you mentioned off take has been very weak in rural as well as urban compared to what we have reported. So is it because of some lack of pent-up demand, is it could be because of a pent-up demand and things may actually weaken further in coming quarters as this pent-up demand in the system moves away and also what could be the share of sanitizer in the current quarter's revenue, if you can just share that number?

Jaideep Nandi: Okay. Thank you, Saurabh. So quite a few questions, I will try and answer them in some order. So first I will answer the last question, which is what kind of percentage contribution would sanitizer have had? Sanitizers contributed to high single digit percentage of our total sales for the quarter, so this was obviously because it was a launch so it had some traction in the first quarter as well as the two new SKUs that we have launched. We will have to see going forward what kind of traction we get at the consumer off take as you are aware the market is pretty cluttered and we are also looking at seeing how we can make use of that and maybe while the market still remains pretty large and it is not going away in a hurry the market is cluttered with lots of products and we will have to see where we can make our

USP remain, so we still strongly believe that for the medium-term, this is a product which will last for us, so we will continue with this products and not really go away when the market stabilizes. So this is as far as the sanitizer is concerned.

As far as the hair oil market is concerned, yes to an extent what you said is correct. In the month of March, obviously the inventories at the distributor level had gone down substantially. So in April whatever little off take that happened, our sales was much higher than that. So we had to replenish the stocks ethics at the distributor level. Since then, the distributor stocks have really not gone up, so if you look at the stocks in March we had come down to something like 19 days of stock at the distributor level, now it went up to 24, 25, 26 is where we are sitting as far as June is concerned so really speaking a bit of a 7 day kind of a gap which has got created, which would have also reflected in our March sales.

Going forward, there are two ways that you can look at the market situation, one is obviously the hair oil markets, we do not expect an immediate big recovery, but we also do not expect that market to really crash big time. So as far as our ADHO is concerned, we will continue to have our strategy in terms of our ad spends will continue to be there. So we have done some little bit change in our GC, in the terms of where we are now advertising, we are now a little more focused on the rural channel so more GC2 rather than GC1 is where we are focusing as far as our advertising strategy is concerned. What we feel that this market is not going to go away in a hurry it is not going to collapse I mean there might have been a little bit of a down this thing but that is not something that will remain for a very long time, so off takes will come back though this is not a product even though it is not an essential it will not go away completely.

Other fact is that our kind of market share which is just about a single digit to just about 10%, 10.5%, kind of a market share we still think that there is room for us to play across geographies as well as across products. This is something at this moment I do not think we have a complete plan in orders so to say but this is a clear space where we can play and there is a large part of the market even other than coconut there is enough space for us to play, which is something that we will continue to play.

Saurabh Patwa: Can I just add one question related to this if you may permit, how would have our working capital would have changed because of this sharp inventory moment as and the inventory fills up at the distributor end?

Jaideep Nandi: Yes, see the working capital let us say if you were to compare with the March numbers, the inventories have obviously gone down and that is mainly because your inventories it was expected to go down because you have the raw materials, you have the SG and you could not deplete that right, so that has obviously gone down. Inventories as of March end it was about 28 days now it has crashed down to about 18 days. Trade debtors more or less remain similar because as you are aware that we do not operate a credit at all in the trade, in our general trade, it is only in CSD and some of the modern trade we have a bit of credit which typically hovers about 13 to 15 days so we are sitting at 15 days or so. So this is just about that, payables more or less remain at the similar levels again payables had gone up in March by the same logic 36 days of payables which has gone down to 26 days, so more or less we have a working capital which still is pretty comfortable with the negative working capital in the negative territory.

Saurabh Patwa: Okay Sir thanks a lot and all the best.

Moderator: Thank you Sir. We have next question from the line of Amit Doshi from CARE PMS. Please go ahead.

Amit Doshi: Sir you mentioned that even the premium hair oil segment is now seeing a bit of a downtrend and so can you say what kind of products that we have in our basket which would cater to non-premium segment and anything new plan in that segment in the lower value or a non-premium segment?

Jaideep Nandi: As you see our product basket, obviously as you are aware we do not have a very large proliferated product basket. In the few segments that we wish to play in, so for example at this very onset, let me just say that coconut is not something that we are looking at, at a very current movement, so that is a large basket is out, I am saying at this current movement definitely that is not really, where I am not commenting on what might or not happen in the future, but currently we are not into coconuts right. So that gives us a few of the options, so Amla is one option which already we have a product, we have actually two products in the Amla basket which is as you might be aware the Brahmi Amla as well as the normal Amla that we have. Now this is something that can be dialed up, it has been a product which has been going for rural initiative that product has already been going into the market in May and June, this is something that we will see in the future how much we can dial up and what kind of effort we need to look at. There are already two large products in the market and we need to figure out where we stand as far as this product is concerned. At this moment, it is more on experimental stage, we are also trying to find our feet and see where this is. So that is one product, which will definitely be there. Having said that, ADHO will still remain a strong play as far as we feel are concerned I mean we will be looking at the different pack sizes and kind of offers that we need to put in this product to see that ADHO remains relevant and even though the overall there is a downtrend that is happening as far as the purchase pattern is concerned, we would like to think that ADHO will still have a large play in the market place and it will not keep crashing the way it had crashed in the first maybe two months.

Amit Doshi: While in this lockdown and this COVID situation is of course unprecedented but leading this period I think it would have on the other hand will have given you an opportunity to identify part of the sales or the part of the demand which is elasticity because you mentioned that for three months you were off air. So what sales we could conclude without kind of ad spend and those kinds of expenditure. So what portion do you believe that is there and pursuant to which considering that any change in the ad spend plan we had because initially we used to spend lower last year after the new strategy we decided to spend higher and probably now is there any change on that, so that two questions are connected.

Jaideep Nandi: So the first question is really speaking it is very difficult to put a number to the inelasticity of demand because as you are aware I mean consumer preferences and practices as especially in personal care space becomes a little difficult to change and especially a category like hair oils etc., people's perception and people practices etc., is far more difficult to change in maybe some of the other practices like let us say other products like maybe shampoos or soaps etc. So we personally think there is a bit of inelasticity in demand, but exactly putting a number etc., I would not venture on that, so that is a little bit difficult. What was the second question please?

Amit Doshi: No, so any plan in the change of the ad expenditure.

Jaideep Nandi: Ad spends see this was very unprecedented as far as the March to June was concerned this was I think in the history of the company for the first time for three months continuously we were off air now that is not something that we would want to see ever in the future or something that if conditions were really that bad and we were forced to do so we will have to do that but we hope that we do not have to go through that history once more. So at this moment if you look at since mid-June we have been on air and we have been substantially on air, back to our pre COVID levels and unless there is some unforeseen situation which you do not know and the situation we really cannot predict, we would like to continue with our ad spend strategy we would want to fully back ADHO so that the salience of ADHO across the consumer mind remains strong.

Amit Doshi: And so what is one reason that you can attribute to increase in market share, so our market share it is just increased by few basis points 10.1% to 10.2%, but any reason that you would like to attribute to increase in the market share?

Jaideep Nandi: Frankly if you ask me in this kind of a very, very uncertain situation, market shares also need to read a little more in fine print, because or rather not read in fine print is what I would say, because month-to-month variations will keep happening at this moment as you saw the company took a rural drive so that rural reach expanded so we were going into far more number of retail stores in the rural market that we were not, so that would have obviously given us some head start, etc. Now whether that continues or not, whether that can be sustained by the organization is something that we need to see and if that happens then you are making some structural movement in the market place, so that I think we should wait and see whether that happens or not.

Amit Doshi: Last one just of the March month, whatever because of the 10, 15 days lockdown what sales lost would have been kind of a carry forward in the June quarter, any rough idea, abroad?

Jaideep Nandi: If you look at an absolute number how much we lost it was about 63 Crores of business that we lost, see if we were to look at equal-to-equal between March 2019 and March 2020. Now how much of it has come back etc., is a little difficult to predict but as I said our inventories at the distributor level had gone down to 19 days which is now back up to 26 days so that 7 day recovery of stocks you can just add on that, that is something that has come back to the company.

Amit Doshi: Thank you, all the best.

Moderator: Thank you Sir. We have next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir congrats, good recovery in May, June. My question is on the consumer behavior, so what we are picking up is in bigger cities because of work from home especially the male consumers they have cut down on the hair oil consumption in general and on the other hand in the industry clusters, some of your states have got big industry clusters, because of the migrant chaos, migrant travel to the home states etc., plus lot of pain, obviously they would have cut down, hair oil would not be anywhere in terms of priority for them. So in these micro pockets could you comment how the consumer behavior has been because you can easily get the data?

Jaideep Nandi: Actually if you look at some of it has actually played into our hands if you were to look at it that way, so large part the COVID actually happened through the harsh summer and as you are aware that is when the cooling oil is used by the exact TG that you have mentioned right the rural male population. So the cooling oil clearly suffered, we had some plans and now that is all history to look at how we could play in that cooling oil space obviously we have to shelve our plans as we saw that market playing out. So clearly there has been loss of sale in the cooling oil segment and the players who are strong in that would have faced the brunt of its impact. We did not really get back into the cooling oil while we have launched a product two years back we have really wanted to get into do something on that we really did not enter it back in this year at least. So we did not face too much of brunt of it. Now if you were to look at the TG that we have for a ADHO and what we claim and the end customer that we are trying to address, that was not really the segment that we are talking about so obviously there has been an impact I cannot deny that there has been any impact on that but fortunately we are a little shielded up from the exact TG that you are mentioning and hence possibly we have not that badly affected as maybe some of the other segments of the sectors.

Abneesh Roy: But work from home is that impacting you in the big cities?

Jaideep Nandi: In terms of sales.

Abneesh Roy: Yes the consumer will not use the hair oil because they are staying at home because see lot of Indians also use this when they are going out so that the hair is in place as a styling gel alternative. So are you seeing in the big cities for example in Mumbai, Pune, or wherein you are anyway strong, are you seeing that kind of impact in the residential?

Jaideep Nandi: See I do not think based on consumer behavior we see too much of a change I do not think there is enough study that is available to us which will tell us whether this is the reason why urban sales are down. Our understanding is that we are not able to distribute or we are not able to reach our sales. So I do not think we will see too much of I do not think rather I would not suggest that consumer sales is consumer practice or using hair oils is going down because in the urban markets they are sitting upon. I mean it is similar to this thing in terms of shampoos for example, that had gone down by May etc., we see that has already recovered, but yes distribution is clearly a concern as far as the urban markets are concerned we are not able to get the retail market, modern trade stores are closed so that clearly the ability to reach to the urban customer is clearly a benefit.

Abneesh Roy: Yes my second question is more at the strategy level now you have spend 7 months in the company 6 months as CEO and one month as MD. So you could clearly come from a much larger much more systematic company Asian Paints. So in terms of a strategy of say monitoring or the sales force automation in terms of the advertising or the route to market what are the issues in Bajaj so it is a small company last 2 years has been extent it up for the company so in that context which are the ones you have identified I am not asking which you have done in Corona obviously lot of things will not be a priority necessarily but what are the issues you have identified in these segments.

Jaideep Nandi: So Abneesh, just to answer that question I think as you rightly said I mean Bajaj is obviously a smaller company from where I come from but if you look at the basic practices in the organization they have been pretty strong historically it is not something that it has really suffered in terms of practices etc., but some improvement areas possibly will be obviously focused on in terms of process systems control governance etc., I mean that is something obviously you would like to guide up going forward I think that is a continuous journey for any organization cannot be talked about Bajaj Consumer as such but that is something definitely we will focus on continue to work on. So as you saw SAP HANA or even the automation of our sales force automation which is through that AI tool, Cerena? These were done much before I came. It was not something that I have started, but so that is my job I mean I have to continue the journey it is a continuum and I would like to dial up this process system so that sort of controls etc., is concerned all these governance etc. All this entire area, entire set we dial up for the next five to six months. Now as far as the strategic directions are concerned I would think as I was, as I made a statement in the opening statement obviously we have some thoughts at the beginning of the year as to what we might want to address etc., but given the volatility that we see in the market place this is something that we still keeping close our eye on we are also working on parallely as to what we want to do in the future etc., but at this movement we do not want to activate most of it. Most of the activation we will see well at this movement we will be focused on operational excellence there is a large part large piece that they has already worked for us in terms of partitioning the markets what are the various gaps that you have identified in the markets that we play and which is basically the Hindi speaking markets and where Bajaj can have a meaningful role to play this already we are activating some of it again contextually because you cannot implement really in 360 whatever has been suggested and that is something that we will continue to do while we also look beyond what else can be possible but that is we will have to wait for few quarters before we really get into some strategic directions.

Abneesh Roy: Sir last follow-up related to this question only. If you see Asian Paints has done multiple forays into adjacencies in the paint and have done reasonably well but if you see Bajaj Consumer on the other hand almost all its adjacencies have failed say in cooling hair oil or any other hair oil similarly the acquisition also completely failed so being a single category that is a big risk so once the normalization comes after the COVID will that be one of your top three focus areas that the diversification has to be there or you will focus more on the low hanging food because in hair oil I understand lot of low hanging fruits are there based on what the brand has also given in terms of recommendation, what will be the bigger priority, it cannot be both I think.

Jaideep Nandi: See first and foremost I would not like to compare one company with another because of the market conditions are different markets are completely different segments are completely different so really speaking what work for one company will not work for another company. Having said that at Bajaj Consumer I mean we are completely aware of the fact I think I would think that internally people are more aware than as in the external world what has happened in the last five years what we have succeeded what we have not and I think when we put all this in the pot boiler and plan our strategic directions we would keep all these points in mind while we go forward we know where we have succeeded where we have failed and we would like to take this learning lessons. Now whether we would really go outside hair oils what are the cases etc., I think we will wait and wait for that to come out which we should be through by another two, three quarters I mean we should be able to come back. At this movement we really do not want to speculate obviously all of these points are on the table we would like to see where our strengths lie, what are the things that you can chew and which are the ones we can back for some reasonable long-term at least make to long-term one thing that we have learned out of this exercises possibly that if we take up a project we should not take up too much on our plate and what we take up we should be able to see through consistently that is something that we would want to take up in the future so what etc., maybe you will have to go for one or two quarters before we come out with what exactly we would want.

Abneesh Roy: Sure that is quite helpful Jaideep, thanks a lot and all the best.

Moderator: Thank you Sir. We have next question from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Sir when we spoke last on the quarterly call on 19th June and we were actually we called out challenges in market condition even CSD was under pressure, exports also we called on there were the pressure, and then we report sequential recovery. So as we speak today would you say that demand environment has improved significantly on month-on-month or quarter-on-quarter basis or is it looking at COVID data again coming back in many cities you believe that there is no structural trend to we do get.

Jaideep Nandi: Good question Tejas. In fact frankly if you ask me I do not have an answer to that because as I said as we speak of July last 5 days things have completely changed we had a thought process having seen for May work, having seen of June work which was better than May we had certain plans in July and we were going strong with that and something in the last 7 days with the kind of lockdown we are seeing in Bihar and in Guwahati and in Jharkhand and in Bangalore and Chennai which possibly does not affect us and whole lot of other cities we really do not know where this is so that is why I said being a little fleet footed I think being a smaller company here else because being smaller you are a little nimble footed you can really react without much impact on your overall numbers so that is something that we will keep a watch on and we I think aware of that continuously we need to keep reinventing ourselves just to make what is contextually relevant for the next three, four months while we work on what we want to do in the strategic directions etc., which is more of a little longer term what are the strengths we need to build up etc., this is something that we will keep our close watch on. As I said July itself looks pretty difficult I mean in the last three 3, 4 days or last maybe 5, 6 days has been pretty scaled so we do not know how it end, if you were to ask me today how is July end I have no idea how it will end. So this is something that we will have to be careful of and as we strategies and calibrate we need to precise decent cognitions going forward.

Tejas Shah: Sir second on this extending questions of Abneesh that whether work from home is impacting urban consumer on hair oil category, so you said it seems largely that, that the distribution challenge rather than consumer challenge so would it be the case that our channel inventory will be lesser than optimum at this stage in urban markets.

Jaideep Nandi: I think we would like to think so, I think because what is also happening is you will see the customers are also visiting the shops much lesser so that is why you see the higher purchase of the bulk packs, I mean, in fact the larger packs are selling much more than the smaller packs because the frequency of visits to the shops have also gone down so yes we think inventories would have gone down mainly because we have not been able to reach to many of the shops and many of them are not open on a regular basis. So we think that inventories would have gone down but when and how it will recover etc., it is more in the space of speculation rather than actual any understanding.

Tejas Shah: Sir sanitizer contribution high single digit it is quite commendable in fact some of our other initiatives in past would have taken much longer to reach that number. Now this could be surge in demand because of the obvious scenario also. So is the commitment from our side to the category of fleeting ones or we are not very sure how it pans out or you see an opportunity of structural engagement here also.

Jaideep Nandi: See as you rightly said, I mean, this was a tactical opportunity by any stretch of imagination if you were to say that we were really trying to get into this health and hygiene space which is how I would like to classify rather than just call it an hand sanitizer so this is a space we were obviously not even draining of when sitting in the month of February, but come March and come April we saw a tactical opportunity as you would be aware we have converted one of our factories partly in to manufacturing of hand sanitizers so that show some commitment from our side while we understand this is a market which is very, very clutter today there is a lot of it is actually to the extent of being commoditized, our understanding is if you were to hold on to this for the time being quite a few of this players will fall by the wayside for two reasons one is the larger players where the stakes are much higher whether gross margins and their regular category products are much higher they will not want to continue and some of the smaller players where the issues with alcohol availability might come in when actually the petroleum companies open up and ethanol demand go up, etc. So we really do not know how the demand supply equation will play in alcohol that is the time it will be for us to decide and figure out whether we will be able to play long-term or not, at this stage we want to hand on to this we see there is a potential in the future but we really do not know whether we can play a long-term if this is a potential we see we want to exploit there are other products also in a range we might want to explore in the entire health and hygiene space. So this is something that I think we will wait and watch rather than comment upfront and go ahead higher on that.

Tejas Shah: But Sir the margin coming from that you spoke about the time for us as well like if I do rough math then the realization per ml will be 10% of our hair oil realization may ADHO. So broadly that conundrum will stay with us as well is that correct understanding.

Jaideep Nandi: No, no, sorry, I mean, how did you get the number of 10% this thing.

Tejas Shah: So government has stipulated price of sanitizer per ml and versus our realization of Rs.60 per 100ml are just doing a rough math that our realization and then sanitizer has to be much lower than our existing product lines.

Jaideep Nandi: Yes, it is much lower than the product line and maybe in the initial stages as I said I mean it is a cluttered market and we also wanted to be relevant both in that, so we have had a good decent primary followed by a good secondary so obviously it was a little push based I mean in no stretch of imagination can you expect the consumer to look for Bajaj hand sanitizers or Bajaj multiple sanitizers, multipurpose sanitizer right. So obviously it has been a push led strategy etc., and that is what I am saying we will have to we will just where whether that tied for sometime it is not something that we will aggressively push but we will remain relevant in this market and when the situation normalizes we will just assess as to whether there is enough play in this market for us to play or not we do not have a larger appetite it does not tend to be a large significant part of our portfolio but if it adds into our portfolio and there maybe some more adjustment products we want to add so that is the entire product because one big advantage we have is the distribution channel is already there with us some of the other areas where maybe the pharma channels or maybe institutional sales is something that we are also looking into our own the same thing whether we cannot dial it up whether we have a play there or not, if that we are able to figure out and that we are also looking at whether we want to be there or not, if that is something that is there, this is something that we might want to stay back but at this movement I would not want to commit 100% that yes we will stay this is something that we will keep a wait and watch policy.

Tejas Shah: And Sir lastly if I may have a last question. Sir we were hearing you for second time and you specifically said that this is not the time to embark upon three or five year plan and today also you mentioned twice that this is the time to actually look for contextual solution to the problem. Now if you have to prioritize the problem your focus will be to solve revenue growth in this environment or to actually streamline cost structure and the focus on cash conservation and cost for it. So what would be the go and seek of this contextual solution for this year 2020.

Jaideep Nandi: Tejas just a small correction to the narrative itself I said that I would not like to articulate the strategic vision because this is, it is not that we will not be thinking of the strategic vision that is a little bit of a semantic if you can push it I mean there is something that obviously see you cannot operate with us without a goal in mind right I mean you cannot just operate in absolute platform and just lift by the day, so obviously there is some work going on at the backend what we want to do etc., etc. But at this stage I do not think it is there the recipe is only there if there is no finished product so we do not want to come out in the open our discuss it is really, really in the conceptual stage. So it is not that there is no focus or there is no mind to look at that. Having said that yes contractually we need to keep finding solutions because operational excellence is something that we need to keep driving I do not think there is any option for any company in this condition to drive operational excellence in look at growth. So if you have to look at the priority yes clearly for this company which has had issues with the topline growth I mean it has already had a fantastic EBITDA in a even better PAT at times yes are both to be same if you do not look at the treasury numbers. So looking at cost structures really speaking is not that much of a concern you look at employee cost last year it was restructured quite well and I do not think this is area which you can keep driving beyond a certain point there will be some structural changes made to the organization as well for making in future ready in terms of strategic members coming into the team but that is something that we will wait and watch to see what happens in that space. Not too much of cost changes will happen, but some built up will happen in that area, but I think the more focus at this movement is looking at how do we drive topline and even if that means a little bit of a change in the EBITDA percentages here and there we would look at absolute EBITDA and absolute topline numbers these are the two numbers we will drive obviously we will not get anywhere we cannot get a over leveraged that the company with the negative working capital and really speaking no Capex yes there is always a option of the M&A which will keep exploring and even now in these conditions we are exploring because we feel that in this kind of a valuation, means, in this kind of a valuation that companies are getting I mean there might be opportunities and there might be gems which are there so this is not something that we are actively pursuing I cannot tell you that there are some targets so that would be not a truth but yes this is something that on a corner of arise we are keeping track of but internally if you ask me operational excellence setting up our process systems and ensuring topline and EBITDA growth, EBITDA growth as absolute number if that means a few basis points plus/minus here it would not go plus it can only go minus I mean we should be able to take that.

Tejas Shah: Thanks Sir. Thanks and all the best.

Moderator: Thank you Sir. We have next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Sir could you give us some flavor on the secondary sales growth how it has trended during the quarter April, May, June, is there a increasing trend, decreasing trend is it more or less sort of similar across three months any kind of flavor that you can give will be helpful on secondary sales.

Jaideep Nandi: So I think you saw in the month of April even though we had our sales had crashed, our primary sale was ahead of secondary because of the share lockdown that happened in March and the actually the stocking has been down. So primary was clearly ahead of secondary in the month of April right even though with lesser sales so we had far lesser sales but whatever lesser sales we had it went down but in the months of May and June if you look at I think May and June both and that is the very encouraging sign for us while May and June were both good months we saw that secondary actually keep up with primary and that is also backed up with the data that you saw the data that I told you that from March where we had 19 days of stock which went up to about 24 days, March which went up to 24 days in April the distributor stock has remained at 25, 26 that is it, it has not really gone up substantially. So secondary is actually following that. As far as off take is concerned obviously you will see the June numbers coming up sometime in about 21st of July or something may another 5, 6 days we will get a sense of what kind of off takes has happened across the country but we get a good sense the secondary is keeping up primary this thing, and the numbers are now at the similar levels as that was there in pre COVID.

Percy Panthaki: And between May and June the secondary sales is more or less the same amount of decline or is there a material difference.

Jaideep Nandi: Actually in June the secondary sales has gone up substantially over May which was itself pretty high so in May for example we were clocking in about just a little below the COVID levels in June the secondary sales have been higher than the COVID level in the last, let us say in the last 6 months, June has been a little higher.

Percy Panthaki: Just one small calculation I made which I want to run by you whether it is correct or not so basically your sales decline has about some 18%, 19%, if I remove the hand sanitizer part and look at only hair oils the decline will be somewhere around 25% and if I add back that 7 days of sort of pipeline fill in which has happened at the secondary level the hair oil sales decline is somewhere in the region of 30% so is this calculation roughly correct.

Jaideep Nandi: That calculation would not be correct because you are assuming that the hand sanitizer sales primary has matched secondary so that would also not have happened right so you will have to discount the secondary in the primary sale that has increased for hand sanitizer you have to decrease for secondary. So if you look at overall your math is correct if you look at this -25 that you talked about in terms of primary that is absolutely correct and that is what would have happened and in ADHO itself would have been a little less than that the other products which are the marginal products that we have, have actually gone down a bit. So ADHO is roughly similar to the overall hair oil decline that we have really not too much because we had a little bit of growth in Amla as well. Now these are very, very small products our company of which we does not increase too much other than ADHO. So -25 is correct so my point is that secondary in as far as sales is concerned hair oils we would have also clocked in very similar numbers as far as hair oils are concerned because hand sanitizer the gap that you are talking about is more gone on to fill up the hand sanitizer this thing at this moment so just to paraphrase at this movement if you look at I am a little concerned with the 26 days of stock as far as distributors are concerned I am a little concerned that ADHO itself the stocking would be lower at this stage. So that is something that we would want to happen.

Percy Panthaki: Last question from my side see Bajaj Almond has been positioned in a dual way there is a styling benefit and there is a nutrition benefit from Vitamin E that to advertise but of course in consumers' minds my guess is that the styling benefit is slightly higher than the nourishment benefit so in this kind of an environment where styling is not that bigger need because people are not stepping out that much etc., would you want to change your advertising strategy in order to emphasize the nourishment benefits of the product more.

Jaideep Nandi: It is an extremely interesting question and this is something that we have been discussing in the last two three months intensely with our ad agency etc., is it styling that we want to drive or is it nourishment and hair loss that we want to drive. Now interestingly if you notice our ad pattern in the last time for the first time I think in the history of the company last time, I mean a year back ad if you look at that is where we were driving nourishment and hair fall and we if you look at so that is about now one and half, or a little less than one year where we drove that nourishment and hair loss this thing and when we do the district with the consumer we realize that, that is giving far better traction amongst consumers saying that yes clearly nourishment and hair loss we could relate to styling is nice and which gives a good feel but moment it is hair oil moment it is something that I mean a value benefit attribute is very, very clear I think the saliency of that product itself went up so that is something that we would want to stick to so if you look at again if you were to go back and look at our two ad we are slightly moved from the styling we are not going ahead from styling and being a hair product I mean that is not something that we want to go with it go away from, but clearly nourishment and hair loss is something, pure attributes, it is something that we have already dialed up and that is something that we would want to continue with. So, that is where we are at this stage.

Percy Panthaki: That is all from me. Thanks. All the best.

Moderator: Thank you Sir. We have the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: Sir, I just wanted a clarification. Are ad expenses to sales has been 14%, 15%, 16%, but then about two, three quarters, back, the management guided that it will go up to 24%, 25%, to support your getting into new markets and stuff like that. So, now what kind of ad expenses should we expect?

Jaideep Nandi: If you look at Q4 that was an aberration because of two reasons. I mean, if you were to look at Q4. Let me start with Q4 because that evoked lot of questions in the last investor call, right? So, that was pretty clearly on an investor quite heavily, there was full action that was happening as far as the strategic intervention was concerned, we had taken up multiple stakes and we have already spent the money going forward by just ad spend and obviously the revenues did not back it up. So, what we are clearly saying at this stage is we would obviously want to continue at similar levels that we saw before COVID. That is not something that we would want to go. The first two months April and May clearly we had no clue where it is going. We are also monitoring how others are in this space; however, who is going back and only one of our competitors was back on TV in a big way. So, we are also monitoring that and we decided that by June 15, 2020 we will also be back and at this moment also we are taking it fortnight by fortnight, we want to remain completely there as we were in pre-COVID and as we go into more markets specific actions, etc., maybe we will dial it up but dialing down will only happen if there is like for example of closure of markets. If the markets were to close, so we will go back to let us end March, beginning April kind of a scenario. If that were to repeat then maybe we will relook into it because the spending money without getting any effective returns etc., would not make sense, but if we see markets remaining open and we are able to go into the market and service our customers, this ad spends and the pre-COVID levels of ad spends you can take as something that we will continue with. Maybe if we want to dial up, maybe dial up, dial down unlikely.

Shalini Gupta: Sir, when we say pre-COVID basically you are saying ad expenses will be 14%, 15%, 16% of sales? Is that correct?

Jaideep Nandi: If you look at the data, ANSP spend I would think is something about 17%, 18% is what we have been averaging. So that is something that is there, I mean, Q1 was about 16.8%, Q2 at 17%, so that is the 17%, 18% of numbers is something that we would want to be at.

Shalini Gupta: Sir, my next question is we have rural growing much faster than urban in this quarter. Sir, I am just asking you does this have any EBITDA implications for you?

Jaideep Nandi: The way rural basically it is the distribution cost and I am assuming you are asking for the distribution cost because that is the only cost that gets added on to this because you are reaching out directly through your own interventions, through van sales etc. So, yes it does have a bit of an impact, but really speaking in terms of material impact etc., it does not make a difference.

Shalini Gupta: Sir, now as we have seen in hair oil market, basically the lower priced oils like Amla are doing well and the slightly premium oils are not doing well, and this was the situation even before COVID. Sir, till when do you expect this to continue because ADHO is your Almond Drops is a very, very significant part of our portfolio and Amla is a very insignificant part of the portfolio, so by when do you expect, broadly speaking, when do you expect Almond Drops to really come into positive territory and what will be the drivers for that?

Jaideep Nandi: As you rightly said, clearly the economy hair oils are doing better, so we are also keeping a watch it and I guess that we have already started trying to see how we can make some more meaningful play in that segment and that is another significant other option that we have for us. Having said that ADHO will continue to remain our absolute focus area, I do not think at any point of time that will go out from our radar in any manner whatsoever. Not only going out from radar, even a little bit of assumption going out from the radar will not happen, that is something that we will continue to focus on and if you look at premium oils, the impact on the premium oils, really, really premium oils, which is a level beyond ADHO. I think the severe impact has been more on that category. ADHO, I think the user base is also a little lower and whatever little loss has happened is more keeping in the markets growth rate. So, really speaking not huge losses have happened in this category. So, we would try to monitor that and we think that as market stabilizes that will also keep coming back. Really if you are looking at buying share from others through ADHO at this stage that is not something that we are looking at in a big way, I do not think that will happen. We will ensure our distribution reach of ADHO etc., is maximized so the customers will need to reach so that the person who is looking for ADHO does not get an ADHO which we would like to minimize that much as possible. I think that would be the approach that we would take at this juncture.

Shalini Gupta: Sir my last question, I was speaking to someone who really does a lot of distribution for the FMCG sector, and he says that the bigger problem is that there is not enough manpower with the distributors, so companies are not really even now able to reach their product to the end consumer as much as they would like to. So, would that be your experience also?

Jaideep Nandi: Can you come again, I just missed the first part?

Shalini Gupta: Basically, I had a call with the person who handles distribution for the FMCG sector. So, he was saying that the bigger problem now is that even now there is not enough manpower available with the distributors as a result lot of companies are not really able to reach their product to the consumer as much as they would like to. So, would that be your experience also?

Jaideep Nandi: Yes, absolutely. I do not think we are operating in isolation. So that is absolutely a correct fact, in many markets, not only from distributors even from our depots, etc. Logistics is clearly an issue, ability to retire end customer last mile is obviously something that we are struggling with and hence we are looking at the various schemes and efforts on how we can reach our customers. So that will keep happening. We are also trying to innovate as some of the other companies are.

Shalini Gupta: Thank you Sir.

Moderator: Thank you. We have the next question from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: Thank you for the opportunity. Just one question, when you say you had stopped TV for the last three months, that is the differential between let us say 13% USP that you have reported versus 17%, 18% that you were talking about or there was something more that has also been taken out of circulation?

Jaideep Nandi: That is basically the main thing that was there. There were other bit of consultant costs which was there, which you can understand last year. So that is going on. Beyond that there is nothing.

VP Rajesh: Second question which I had is in the last five days or maybe longer they have been localized lockdowns so can you just give a little bit more color on that as to is it starting to impact the rural markets or is it just there are more disruptions on the supply chain, more color on that would be helpful?

Jaideep Nandi: That is actually a very good question. If we look this while our entire narratives of the first quarter has been on rural markets going and we have been very excited about the rural markets for the first time in July we are seeing that since rural markets itself. If you ask me currently rural markets might be a little more impacted by the end of July. This is even crystal gazing but rural markets actually may get impacted because we are seeing all these Bihar's and all of the Jharkhand's and Guwahati's of the world really getting impacted and those are our markets of interest. As of now fortunately UP remains still a relatively isolated in terms of not having the short-term impact, but we really never know. So it is a kind of migrant workers who have gone back and these are things that are coming out in the open and we are getting to feel because as it has proliferated the COVID is really getting a sense of what has happened. So, this is something that is clearly a worry, rural markets have been affected in the last few days and we do not think it is going to go away in a hurry in the next maybe next two, weeks, three weeks, etc. So we will have to keep our wait and watch on that.

VP Rajesh: Thank you so much.

Moderator: Thank you Sir. We have the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: I have two questions; one is the contribution of satchels currently and we have launched the Rs.10 bottle so if you could give some color on that and you know going forward we see an increased contribution from sachets and these low LUPs to our ADHO sale?

Jaideep Nandi: At this moment, it is about 14% and we have seen a steady decline of the sachets as a pie, so really speaking sachets have not been doing well for quite some time quite a few quarters, not only this particular quarter and as I said it is little difficult to just gauge as to what might be happening there, but clearly we see in the urban markets they clearly move towards the large packs because people are making lesser visits to the market place etc., and in the rural markets the move is more towards the cheaper product, which you are getting a higher value for money rather than looking at higher range products which is smaller pack prices, etc. So this is something we are keeping a watch on and I do not think Rs.10 has taken a beating from the Rs.1 sachet. So we have actually launched our Re.1 Amla sachet which has gone to the market, just hitting the markets now, so we would also like to see how the two play out. That is a 3 mL sachet, which is hitting the markets in terms of Amla. So, we would like to see how these two clear out and maybe in another two, three months we would be able to get a better sense of what is happening in the market place. It is because of the price of the per mL product that is coming out or is it an overall price of the entire package itself, so we will have to see that.

Prakash Kapadia: These sachets at one point in time was around 25%, right, if I remember correctly? Over a period of time that has declined from around 26%?

Jaideep Nandi: I think it was around 17%, 18%. 17%, 18% so now that is down. So that is not a sharp decline that we have seen in sachets, but clearly the trend is visible. Sachets are not something that is like exploding because in this market condition, where you are seeing people are downtrading so you would expect whether they will go and buy that is not something that has been going up too much. It is more that you are seeing the little larger pack sizes which are now, little larger price points which are doing well, if you look at rural, the Rs.5, Rs.10 and the Rs.20 packs are doing pretty okay.

Prakash Kapadia: Secondly, on our dividend distribution or payout ratio earlier I think we had a policy of distributing large part of our profits, I think the average payout has been around 80%, 85% so now I think the last financial year there was a cut in the dividend payouts, so what is the tepid capital allocation or a dividend payout policy, because businesses like us, do not require too much of cash, so what is the stated objective now?

Jaideep Nandi: As we discussed during our June call, I think at that point of time, the mood was understanding at the board level was that at this moment, cash rather we conserve, because we still do not know how it is going to get, even today as we look up, we are still expecting that from September when actually the moratorium and all these EMIs etc., stops we want to see how the consumer behavior actually operates in the disposable incomes will sharply fall, so if we have to look at the kind of cash reserves that we are sitting at Rs.500 Crores that we are sitting at really speaking it is not a very large amount, and clearly I do not think that dividend distribution policy, etc., will go through substantial changes. Maybe this year we wanted to conserve cash maybe we played a little conservative and I know all of you reacted and all of you feel about it, but I would think that going forward not too much of changes in our way of thinking, etc., will happen. At this moment it is a very extraordinary year, we wanted to conserve cash and that is how we have kept it.

Prakash Kapadia: There is no change in the policy you are saying?

Jaideep Nandi: I do not know even if there is any policy stated as such and I do not think there will be any thought process change as far as this is concerned, the conservation of cash, as you rightly said, we do not require cash for working capital, even if suppose business were to go up, working capital requirements seems very unlikely, so then it comes to capex. Now capex, obviously there might be a bit here and there, so not a really large capex, but yes there are obviously something that we want to work on in and out it is clearly something that we will keep a watch on and whether how much cash will be required, not required, what are we going to do with that etc., having had a No Mark experience we really do not want to rule out in a hurry. Now if that were to be there, the balance is anywhere there in the company for us to how we want to do that.

Prakash Kapadia: What are the yields? Currently, we are witnessing after the fall-in interest rate on this supply?

D. K. Maloo: So pardon me, can you repeat the question, please?

Prakash Kapadia: What are the current yields after the recent fall in interest rate?

D. K. Maloo: See, as you all know that we have a very conservative investment policy by the Board in which we invest only in AAA PSU ones or in liquid mutual funds. So on an average, on a yield of around 5% to 6%.

Prakash Kapadia: Between 5%?

D. K. Maloo: Yes.

Prakash Kapadia: Lastly, any update on the moving to the corporate office at Worli? Is it done, not done? It has been pending since quite a few years?

D. K. Maloo: Worli Office.

Jaideep Nandi: Yes. So see, the Worli office as far as we are concerned, we have just applied for the approvals. I think some of the basic approvals have just come in place, and I think in the next two, three years, etc., you would see some movement that is happening in terms of the thing. So most of the approvals are now in place, even as we speak just about two, three days back some more approvals are in place, and this is something that we will keep looking at.

Prakash Kapadia: You say it will take another 2 to 3 years to...

Jaideep Nandi: That is a building to come, definitely. Maybe we will look at. If everything goes right, maybe we will be looking at construction within the next 1 year or so.

Prakash Kapadia: Thank you. All the best.

Moderator: Thank you Sir. We have next question from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

Nisarg Vakharia: My question is likely of a broader nature. I am saying that COVID is something that nobody anticipated. So let us forget about that. So before you made a decision to join Bajaj Consumers from one of the most prestigious consumer institutions in India today, you must have looked at their business very, very closely. Now the consensus in the market has been that Bajaj Consumer is in a category which is almond hair oil, which is dead and which is not going to grow and which is never going to grow. We have seen this happening in various consumer companies across cycles for 3 years and then really their mojo brand because they get some strategy change and they rename the brand. I want to ask you what is your inherent belief without guidance on what will happen next quarter or quarters or 2 quarter, forget about that. I am saying what is inherent belief on what can the organic growth rate in the Bajaj Almond hair oil category, if you get your strategy right, what is the potential?

Jaideep Nandi: See. First of all, how do I put it. it is a very specific question as to how I see Bajaj Almond hair drops growing itself because that cannot be the only part of the strategy. I would rather want to take up a part of the question that you asked, which you did not ask me finally, but at least you started with that, which is basically how did I join this company. So if I were to just give you a background as to what I see as the strength of this company. So I see two, three things as clear strength of the company. One is that they have created a rock star brand, right? I mean, I do not think anybody can deny that this was one of the best brands that have been created in this FMCG space. I mean, clearly, no questions on that. Two is the household name of Bajaj itself. I think it is so strong. I mean that inherently brings in trust. I mean, like it or not, that clearly is something that is true, and the third thing, and which more of my one-to-one introduction with the promoter is. I got a sense that there is a person who is extremely passionate about our business wants to grow, and there is a desperate desire to grow. That to me gives me enough view saying that for the next few years, if I were to look at this business and maybe try and do something with it, there is a possibility. Because if you look at the first 10 years or 15 years since the IPO, I mean the company had done fantastically or even before the IPO rather. So after that, the last 5 years has been growth has been muted, etc. So there is a lot of potential that exists in the company. Possibly, it needs to be harnessed. Whether it can be harnessed or not, as you rightly said, I do not know. I have no clue, but there is clear upside that is possible. Now whether it is through ADHO, beyond ADHO, I would rather think that there has to be a mix of both. The answer cannot be only through ADHO. ADHO clearly needs to play a pivotal role in this, and there is some growth upside that is possible. When you have a market share of 10%, and you do not classify the market as just light hair oil and classify it as a hair oil, that itself gives you the balance 90% to play with and now how much of it can we play in, much of it is Utopian, much of it might staying naive. My understanding in 30 years of my career is that it is not really, nothing is naive. I mean if you want to do something, possibility is there, right? You might feel you might succeed, if you have some method in that madness, there is a possibility that you can do something. So this itself remains. As well as, as I said, the inherent strengths of the Bajaj name being there, the kind of financial prudence that the company has laid out and the way they have structured themselves, and a promoter who has a very clear thought as to and that passion that has everything. I think there is some place that is there for the company going forward.

Nisarg Vakharia: That is very helpful, Jaideep, in answering that question. I just had 1 more question on the same lines. A lot of the consumer turnaround stories that we have seen, whether it is a Britannia or a Jubilant Food were companies that were struggling at margins and never topline growth. So they all had depressed margins. Jubilant Food, maybe, for some extent, was struggling with topline growth also. Here is a unique case where the margins are never a problem, but the topline growth is a problem. Can you enlighten us a little bit on what can be the low-hanging fruit, like, example, in Britannia, they immediately came and reduced the A&P spend and got margins and noncore growth also. In our case, what is that low-hanging fruit, which will drive? Because it is all about momentum, right? The reason why I say Bajaj Almond hair oil again and again because your coke can grow only when coke grows a diet coke cannot drive coke's growth. So in your case, what is that one low-hanging fruit if you can share with us, which can drive the growth as a category and then push your company into momentum to grow all other products?

Jaideep Nandi: I mean, I think your answer lies is in the question itself. I mean, if you look at, I mean, there are only 2 things that can happen to our company. I mean the topline crashes and bottomline, I mean, obviously, I mean, good companies. I mean, a decent company, let us say. Our topline crashes good PAT, good EBITDA PAT, whatever. Or the other way around where topline is going well, you do not have control. I mean, if you have lost control on PAT, etc., that is a completely different story, and that is overleveraged loss control here just to, mind justly going up sales. I mean, that can be a strategy, but not something that we will follow. So between the 2, obviously, we are talking the first one where we really not been able to break the barrier in terms of topline numbers, right? So now moment you look at it, as I said, there are these 2 things that you would look at. I mean how much play that ADHO has left, which you would like to exploit? And as we did the strategy work with Bain, clearly, told us, there are still many places, even though we have a good market share, etc., etc., still many places where structurally you can play, both structurally as well as tactically, you can play in these markets, right? So that is something that anyway, we will keep in focus, any way something that we would have, let us say, gone into a whole hub manner if this COVID had not happened, but something that we may anyway continue because this is something already can bear with us. It is just as and when we exercise. We are already exercising in parts of it. The other side is what else can we do to drive growth and now that is a little more challenging question because of also the history that we have had. I mean, I think one of the first questions that we will have to address as a group is, what are the things that we did in the last 5 years or a little more than that? And why did they not succeed? What are the things that caused failure? And what are the things that we will do in the future and what is the guarantee that they will not fail? I mean most of the new things people do, there is a large percentage of failure that happens but within that also, there are some success stories there. So we will have to figure out what are our strengths of the organization. What is that we can take it on our plate and chew and look at achieving those to see whether we can drive the topline so topline growth would obviously be a priority. I do not think there are many, many choices that this organization has, and we will have to figure out what other things that can help us have a higher success rate, possible higher success rate, whether it will work or not, we do not know, but at least we have to make that attempt to ensure that our success percentage as you speculate is higher than lower. So something that we would want to do is maybe hold on to something that we plan to do. So hence, we would not like to go into a hurry and try and do something. We will go a little more open eye, and when we do that, we remain committed to some of those. So that would be how we will do.

Nisarg Vakharia: Thank you for answering my question and all the very best for you.

Moderator: Thank you Sir. We have next question from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: I just wanted to go back to the question that was discussed earlier regarding the cash balance. So is there a maximum amount that we have sort of borderline as the cash balance that we need, regardless of the economic scenario and then the remaining is all excess cash?

Jaideep Nandi: See, this is really speaking very difficult to answer, how much cash is comfortable. I am not sure whether, I mean, with our kind of cash reserve it is very difficult. I mean, if you are sitting in really piles of cash, etc., that maybe it is a little easier to discuss. Easier to answer possibly, but with our kind of cash reserve at 500 Crores, etc., is a very difficult to say whether is 300 Crores enough, is 400 Crores enough, is 600 Crores enough, is very difficult to say. Because, if you were to look at an M&A, etc. I really do not know how much of it would be required to look at an opportunity like that. Capex, unlikely opex unlikely, working capital really, no. So that is not where cash would be required, but if you are looking at some of these areas, yes, and as of now, as I said, our policy has been more, be conservative, conserve the cash. It is not going anywhere. It will come back to wherever they need to be at going forward. So really speaking, that is the stance we have taken. So if you will say, do you have a model for how much cash should be enough? How much should we be seeing? With this kind of a volatile market scenario, I would say, I do not think we have been putting in too much of stress or attention to that space.

Samarth Singh: One last question. Do we have an estimate on what the total spend will be for the Worli office?

Jaideep Nandi: Sorry, can you come again, please?

Samarth Singh: The total spend for the Worli office?

Jaideep Nandi: Worli office, I will get back to you on this numbers. I had some numbers there. I will just get back to you. So I will come back to you.

Samarth Singh: Thank you Sir.

Moderator: Thank you Sir. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, I just wanted to understand what has been the sales number for June? And what is the trend that you are seeing in this month compared to June?

Jaideep Nandi: See June, obviously, as I said, we had a good month. Now let us not get into the exact numbers, etc., but June was clearly a good month. If April was a crash, so obviously, May-June were good and June was better than May, right? But July clearly is headwinds. July will clearly be definitely lower than June. How much lower, etc., I do not know. So really speaking, at this moment, I would like to be a little cautious to say that there will be good growth that is happening. Plus anyway, you have this quarter, which is the monsoon quarter, you always see there is a dip in our sales. I mean, the fourth quarter is always the best of our months. Third quarter, decent well, and second quarter is the one where it really goes down, right? So this quarter, anyway, you were expecting a little lower sales, but July, clearly, the atmosphere is also much lesser in sort of the typical 15% drop that you see quarter-to-quarter and this quarter, maybe even higher. I do not know, so, but July looks to be difficult. Yes.

Sarvesh Gupta: Understood, Sir, and in terms of your ad expense, I assume that it has been very low for the June quarter. So Q2 of this year, would it be similar to Q2 of last year? Or how are you planning on that front?

Jaideep Nandi: See, again, that is where this volatility comes in. If you had asked me this question 7 days back, I would have been a little more confident than, I would have been telling you, yes, you can expect that, and you can take that as a guideline. At this moment, if you ask me, I really do not know. Because if what we are seeing, this thing, you might be thinking that I am reacting too much on the news that is coming out as far as these lockdowns are concerned, but really speaking, we would rather be prudent rather has been going too aggressive in terms of ad spends, etc. So we would like to see how the market plays out, and as I said, we would rather operate fortnight by fortnight as far as ad spends are concerned, and that is how we would want to give our commitment, rather than commit for the quarter or for even the month, for example. So at this moment, it is more quarter-to-quarter existence. Earlier thought was we would want to remain on air at similar levels, but at this moment, we will like to think. In this particular fortnight, we are still on air just like as it is, but going forward, we will have to see how it happens.

Sarvesh Gupta: Sir, lastly, on this M&A front, so are you actively, is there a strategy to the new, any new M&A that you are evaluating? So if you can highlight what are the two, three metrics or two, three points that you are looking at with respect to any potential M&A? And how active is that process? Because we do have cash balance. So as you said, that dip can be put only for an M&A. Otherwise, there will be obviously no reason for keeping such high cash level, which we appreciate because there might be some potential opportunities in this business market.

Jaideep Nandi: Yes, absolutely. See if you look at, as far as the plays that for the company is concerned, that are pretty limited, and if you look at most of this case has been already exercised by the company in the last 10 years in some manner or the other, right? So I mean what are the plays that the company has, if you were to look at. I mean, you look at ADHO increasing salience of ADHO. If you look at playing in some of the other hair oils that are there, which were rather typical adjacencies? Adjacencies across FMCG space where we can actually capitalize on the Bajaj name. Then you are looking at within the country, looking at some of the markets where you are not represented, can we dial that up? Looking at modern trade e-commerce, can we dial that up? Because compared to our competitors, we are a little weaker in that. Is that possible and last year, left with M&As within the country and outside. International markets clearly is an area where we are weak, and we are really not had very considered strategies going forward and now whether that will happen, not happen, whether we will have the varying results, what kind of time line. So I think we are on the drawing board, and we are looking at that. Now in that space, both local, I mean, that is domestic as well as international, we will keep scouting and we are scouting. Now whether it will happen, not happen just because attractive valuations also come with rider that market conditions are also poor so we will have to evaluate that, but that is something there in our anvil whether it will happen, whether if you are saying, do I have an active M&A target that I am pursuing today, no, but is it there in the back of mind? Are we scouting? The answer is, yes. So this is where we are playing.

Sarvesh Gupta: Understood Sir, all the best for the coming quarter.

Moderator: Thank you Sir. We have next question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir, my question again pertains to your growth figure 3 to 4 year perspective. Now if we see the last 3, 4 years performance, now the company has 2 major issues. One was the promoter plant and second was a consistent flat growth in revenues and profits. So now the plant issue is fully, but growth still remains concerned as there is lack of visibility. Now I would like to know your view with a 2- to 3-year perspective, what kind of growth do you see is possible for the company? Now why I am asking this question is because the track record is of a flat growth, and last year, in the analyst meet promoter mentioned that we are targeting for 20%, 25% CAGR for the next 3, 4, 5 years, led by a gain in market share and from the overall category and focusing purely on this or ADHO business. So one was that question, and second question is that now historically, again, if I say the last 3, 4 years or 5 years, our EBITDA margin range was in the 31% to 33%, but management had guided for increasing advertisement expenditure to some growth. So with the next 3, 4 year's perspective, what kind of sustainable margins we should look at it?

Jaideep Nandi: See, let us go ahead with, firstly, the direction that we had taken for the company of doubling our market share in the hair oil space. I think that was an ambition that still continues. I do not see why we need to deviate from that ambition that we have. Now whether that would happen in 5 years, etc., I think we will drop a little more strategically as to where because market conditions have also changed since those announcements were made. Today, we are looking at a far more unpredictable volatile market share. So market conditions, so really do not know whether the time lines can still be made because this year has been a wash out. We do not know what impact it will have in the next year, etc, but that is a great ambition that we will keep on our plate because that is something that we do not drive. Parallely, these are also options that we would want to explore out of the ones that we just discussed. Because those are there on our plate, not too many others are there on our plate, right? So these are something that we would like to see, and we will see what we can prioritize keeping in mind where our success chances are as higher. Now in terms of direction, while I would not be able to tell you as to what are the things we will choose, etc., because as I said, that you might have to wait for a few quarters before we really come out with something. At this moment, we would rather focus on operational experience and getting our process and systems a little stronger as a company, but in terms of direction, the way we would like to do is, we obviously want to drive topline growth. That would remain a priority, and EBITDA as an absolute number, we would want to drive. So if that means a bit of drop in the EBITDA percentages, whether it would through ad spends or whether it would be through any other initiative that we take, that is something that possibly will happen. So EBITDA margins might look at a dip if we are able to look at the topline growth. I mean, we cannot have a situation where EBITDA margins drop and the topline does not grow. So that is something that we would want to drive as well.

Ankit Babel: Again, sorry to harp on the same thing again because the gap is too big. I mean the ambition is a 20%, 25% growth. I understand the COVID issue and that is the reason I am asking with the 2 to 4 years perspective. Now the track record is off of flat growth, and the ambition is a 25% growth. So somewhere in between, I mean, do you feel that at least a 15% kind of a growth figure is possible for the company with the next 3, 4 years etc.?

Jaideep Nandi: See, it is a question of speculating on numbers, right? I mean, obviously, as operating manager, rather than speculating numbers, I would rather want to deliver some numbers and then talk. At this moment, I do not think I have a credibility of talking of any kind of numbers because, I mean, finally, you deliver the numbers and then you top of that this is our situation. So I would rather wait on the numbers, whether it would be 25%, 20%, 15%, 10% or something. At the moment, we are looking at more 0% to 5%, right? That is where we are. So let us get out of that block first and then maybe look at that. Obviously, intent wise, we might have a lot of aspirations and unless we quantify them really speaking there is no point talking of numbers.

Ankit Babel: Sir, what kind of tax rate are we expecting for the next two years?

D. K. Maloo: Yes. At this moment, the tax rate should be continuing. That MAT tax will be continuing. So our tax rate is at now 17.5%, which is down from the 21.45% that you saw last year. So that is what it remains.

Moderator: Thank you. We have next question from the line of Disha Sheth from Anvil Wealth. Please go ahead.

Disha Sheth: Just to repeat the question. Sir, when you said 17% degrowth year-on-year. So the Almond oil has been grown 25% and sanitizers have grown, if you can?

Jaideep Nandi: See, sanitizers, so there is no growth. So sanitizers are, created that space for that single-digit contribution to the portfolio. Almond drops have dropped by about 23.5%.

Disha Sheth: Sir, then 17%, how is that? Hello?

Jaideep Nandi: So 23.5% is ADHO. Overall hair oil portfolio is 25%, and Almond drop has added to, your hand sanitizer has added to the portfolio, the single-digit contribution to the sale. So that has made it to minus 7%.

Disha Sheth: Okay Sir that is it from my side.

Moderator: Thank you. We have next question from the line of Shubham Aggarwal from Centrum Broking Limited. Please go ahead.

Shubham Aggarwal: My question was related to the ad spend again. We have been guided that we will be looking at, to go back to 18%, and you said that we are contextually implementing the Bain strategy project will start again. So if my understanding is right that we are going full swing and we have decided we will again start implementing project Vistaar after guiding for in Q4 call, and secondly if you can give out the volume decline in ADHO that would be helpful?

Jaideep Nandi: See, as far as the volume decline is concerned, the same volume decline was there. It was 23%, 23.5% is the volume decline as well. So there has been no price change that has happened during this quarter, and as far as your project Vistaar strategy is concerned, I would like to change the narrative a bit. I would not say that we would come back and start the project Vistaar, when we come back. At this stage itself, we are doing whatever is the partially relevant of that project itself. See project Vistaar was a more comprehensive strategy, right, I mean, a complete strategy, both RT and GT and as to how we would want to approach the market, so entire thing, the marketing angle off it, the trade part of it, how we would want to go into distribution, etc. In this COVID situation, some part of it is relevant and some part of it is not. The part that is relevant, which is in terms of distribution, penetration, etc., we are already activating in terms of tweaking with our trade skills. Those are things we are already doing to make it a little more effective. It is more tactical kind of stuff. The part that is requiring looking at our ad spends, looking at how the ads need to be delivered to the consumer, so that is something that we are working on, and we will keep changing it as and when the markets open up. So it is not something that we have played up stock to wait, and then again restarted something. It is going on in continuum, and we are adjusting based on what will be relevant and what will bring as the bank for the buck in this current situation.

Shubham Aggarwal: Just a book keeping question. The ASP, which you gave out at 12.97%, is this on the ATL, BTL activities? Or does it even include the trade that comes and offers?

Jaideep Nandi: No, it is mainly the ATL, BTL activities.

Shubham Aggarwal: Thank you, that is all from me. All the best.

Moderator: Thank you Sir. We have next question from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Just 1 quick question. Based on what we did a lot of A&P spending in first part of fourth quarter and there was a lockdown and we lost some sales out of it. Again, there was a lockdown in first quarter and subsequently sales recovered. So would it be fair to just merge these 2 quarters and then compare it with the last 2 quarters of the last year, and see because if you do that, then it comes to fairly close kind of EBITDA margin, which you would have guided, like, around 22% because, otherwise, we see a very sharp fall in fourth quarter and very sharp rise in EBITDA margins in first quarter. So would it be fair to compare with the merged quarters of the 2, and also taking into account a 10% sanitizer sales, it would not have been there last year. So then it comes to around like 27% kind of a degrowth Y-o-Y on a merged basis. Sir, I just wanted your thoughts on that, and, if I look at it in this way, will it be fair?

Jaideep Nandi: It is a very interesting question. I do not know how you want to, I mean judge fairness. I mean, we can cherry pick and sometimes cherry picking actually gives a fair picture. So let me tell you where possibly some of the flaws might remain. Now while we add these 6 months together, and obviously, we can do an analysis against the previous six months, obviously, it misses out that entire story of what happened during, let us say, the March to 23 to May 15 or May 20, as far as retail offtakes are concerned. I am not talking about primary sales, secondary sales you might have recovered, as I told you in my narrative, I mean, 7 days of stocking that dropped in March came back in June, etc. I mean, all that is fine, but the retail offtake that went off completely, that is not something that you can replicate and do a modeling to try and match saying that, okay, this must have been the impact of it. So I really do not know how you would be able to do that math in terms of the topline growth. So that minus 27% that you are talking about is not something that I would be able to do a one-to-one mapping because then we have to get into speculation mode. Had then 23rd March to 15th April been consumer offtakes being normalized, how can I normalize? So I mean you guys are better at modeling than I am, so you would be able to do that, but yes, so really speaking, but if you are looking at the base absolute numbers in terms of EBITDA, etc., yes, I think you have a good point there that the base EBITDA as a percentage numbers, if you look at, that remains more or less similar. So really speaking, that is where we are today. We have been able to recover some of the lost from. I do not think a great work or something that has happened in this quarter, but clearly, some of the lost ground that we lost in March, we have been able to come back. So I do not think there is some more to be read into this.

Saurabh Patwa: Okay, and just one thing on this large price SK, which you mentioned. How much they would have broadly contributed this quarter? Or maybe how much incrementally they would have contributed more from the normal trend?

Jaideep Nandi: Just let me look at the numbers, 300 and 500. Let me revert back to you. I do not have it offhand with me. I know that the sale went up. Let me just revert back to you. Let me just tell you this. Just hang on, give me a moment. So it is basically, if you look at, there has been, let us say, 500 and 300, if you were to put together, from a 24% this thing, the contribution has gone up to 26.1% so clearly, a 2% increase of contribution that has happened. In fact, if you look at 200 ml, their contribution has gone up by about 2.5%. So if you take 200, 300 and 500, the contribution of these 3 packs is more than 4.5%. So that is a substantial jump.

Saurabh Patwa: Thanks a lot.

Moderator: Thank you Sir. We have next question from the line of Parthiv Jhonsa from NBS Brokerage. Please go ahead.

Parthiv Jhonsa: Sir, almost all my questions were covered by other participants, but I have 1 question. You said the July sales will be impacted, and June was much better and all. So can we just throw some light considering right now, degrowth in the volume and value across the segment, and even you said that sustaining the topline, we are trying to sustain the topline and whereas we do not mind compromising EBITDA to a certain level. So my question is what kind of topline do you see going forward, maybe, say, next 2 or 3 years, and what is the best possible EBITDA margin you are comfortable with?

Jaideep Nandi: So I would say, again, this is a little bit of a speculative situation.

Parthiv Jhonsa: Yes, that is fine. I just wanted to understand your internal understanding of the company. What do you feel going, say, today, we are at about 800 Crores, 870-odd Crores of topline in FY2020, and what do you feel by say FY2022, and what kind of EBITDA margin you are best comfortable with that below this, we are not comfortable. Above this, anything is fine for us your internal understanding?

Jaideep Nandi: Absolutely. Fair enough. So I will just begin at a very, very broad level and something to do with exact strategy that we will come out with or whether they will match or not. If we are talking on a very broad level in a thought process level, I would not have a situation where we are not touching double-digit topline at any particular year come what may. Now this year, obviously, we will not do that, but this is an aberration year. I would like to think this is an aberration year. So that is something that we would want to do as the thing. Now how much of double-digit, etc., I do not know, but that is something that we would want to do as an organization hair oils, otherwise, I mean, whichever way, wherever our questions lie. As far as EBITDA is concerned, clearly, I do not think there is a huge drop that I would be comfortable with. I would like absolute EBITDA to grow, and then at least a 2%, 3% kind of a drop is I am fine with, nothing less than that.

Parthiv Jhonsa: EBITDA margin?

Jaideep Nandi: EBITDA margin. Nothing more than that drop because that will again structurally start paying out with us see, this is something that we have built up over a long time, a strong gross margin orientation a 65% plus kind of a orientation and gross margin. Now that is obviously a little Utopian if you were to proliferate the range and you would not always build such rock star brands, which in the FMCG markets, where basically you can operate with a 2/3 kind of a gross margin. So this may not be replicable, but we would like to build brands which are sustainable on their own. That is something that is very, very clear. Not even at an incremental costing or a marginal costing basis. Why? On its own, they should be able to stand up on that.

Parthiv Jhonsa: Okay, and this quarter, I think you had like a mid-teen drop in the topline. So what was your expectation for FY2021?

Jaideep Nandi: Again, as I said, I mean, I do not know how much July will end at. So I would not want to speculate as to how 2021.

Parthiv Jhonsa: Okay. I think we will be better after H1 result, I feel.

Jaideep Nandi: See, if you have some stability, even if there is a market share as, if you or, this is what is going to remain, I think I can give you a number. Otherwise, it is just realm for speculation, not indirect.

Parthiv Jhonsa: Correct absolutely. Best of luck Sir, and thank you so much for the answer Sir. Thank you.

Moderator: Thank you Sir. We have next question from the line of Shailesh Kumar from Insight Edge. Please go ahead.

Shailesh Kumar: This question is for Mr. Jaideep. A year ago, management had articulated that they want to grow hair oil market say from 10% to 20% and topline to something around 4x of the existing topline. So my first question is, does that vision still hold? Or are we reworking on that, and if that vision holds, how much role Almond drops hair oil is going to play on that, and what other products will be helping us?

Jaideep Nandi: So 2 actually a little bit correction. One is that it was not stated that topline will go by 4x, it was bottomline will take an increase of 4x. Top line, I mean, with a stable kind of a market, it was expected that the topline will be, I mean, double or a little more than that, not 4x. So anyway, that is beside the point. Second thing is the vision was growth in hair oil itself. The vision was not outside hair oil how we can grow this topline. So that was the stated vision, and the point remains that, that vision then also play in conjunction with other strategies in the company. One single vision need not be 4 bearing in the single vision. That vision still holds. I do not think there is anything in the company that weakens the vision or anything that the company is going to do or trying to do is going to change that vision completely.

Now whether we end up with what kind of numbers, etc., it is something that we will have to see. As a company creates a vision that is not always that it will always be able to reach that vision. That is something that we want it at the end of the tunnel that is where we want to go. That is the aspiration, and that aspiration for us still remains because we are still a very, very strong, not predominantly, only hair oil's company and nothing is going to change in a hurry. Parallely having said that, we also explore where else we can play, if at all, and then we will explore.

Shailesh Kumar: Sir, just if I may ask, one. Say, 5 years down the line, though it is too distant in the future. Today, ADHO is something around 90% on an average. What contribution do you see or does the company see ADHO will be making in the topline, 5 years down the line?

Jaideep Nandi: See, ADHO will remain predominant player, but what percentage it will contribute, I really cannot say. It is a function of what we are able to deliver as I think strategically, as I said, we will be looking at maximizing ADHO's strength and looking at what else we can deliver through ADHOs as the Bain strategy give us. I mean there are a lot of other spaces that we can play into. I mean, spaces have been geographical and market pack size that we can play into. That is something that we will try and exploit, but what percentage it will contribute, etc., is a function of what strategic directions we take, which will also keep evolving because this is not a company where we have a strategic direction with a lot of portfolios, and we have had success in that. So if at all we see something going forward, maybe we will dial it up, etc., really speaking very difficult to comment on that, but yes, I understand where you are coming from. So overall, if that were to be successful, and that is a big if, if that were to be successful, ADHOs naturally salience will go down as a company.

Shailesh Kumar: Thank you very much.

Moderator: Thank you Sir. We have next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just a few questions. I think most of them are answered. I just wanted to understand this project Vistaar, which is run by Bain. We still have the continuity with Bain & Company in terms of consultancy? Or we have dismantled?

Jaideep Nandi: No. See, if you look at the project itself, let me just clarify what the project was. The project was clearly, I mean, the headline project was very clear that how do we accelerate growth through this strategy. So this was divided into 2 parts. One is in terms of looking at partitioning of each of the states, micro segmentation of the states and looking at opportunities in each of the states, we said that the states are completely different. I mean, India contributes to multiple countries in that sense, and hence, let us treat each of these states separately, and especially the states we are interested in, which is a Hindi-speaking markets, right? So that is what we embarked on. We started with West Bengal then went into UP. The second part of the Bain work that they did with us is actually help us implement some of the strategies. Basically handhold us into how we wanted to implement this strategy. So at one end, they were doing the strategic work in terms of partitioning, looking at what other segments we want to operate, how we would want to penetrate, etc. So that was happening, and with a lag, the implementation was happening. So we started this work in July. The West Bengal got started implementation. Then the partitioning, etc., continued. UP got started the implementation. So, we had Bain for the implementation of these 2 states. It was more a learning exercise for our own people, the marketing people, field people, just to get this understanding as to how we would want to implement, right? So in the month of January, February, March, we also fast-tracked the partitioning of all the other Hindi-speaking markets, and most of the markets of interest have already got partitioned. That partitioning was completely implemented, already done. So all the data is already available with us for us to work on. Now it is a question of the implementation and the 2 implementation already a lot of learning has happened for our own team as to how to implement what strategy directions we would take. So you have to take a call whether we still want participation in terms of implementing certain tactical moves that we have or we would want to do it together. At this moment, we have decided that we will take it on ourselves because this is something, and if you require help handholding once more to help us in to implement these tactical moves, how do I operate a trade? How do you differentiate trade schemes, etc., which is obviously a far more evolved than what earlier we were doing. Obviously, there is a lot of value that happens. If we feel that we require to help us implement, we will have that, but at this moment, strategic work that was there has already been done. There is no additional strategic work that is required.

Shirish Pardeshi: Okay. So the consultancy charges, which we have paid in the FY2020, would have the same effect in FY2021? Or will have on a lead basis?

Jaideep Nandi: So that is what I said. So in case, at this moment, we are seeing whether we can implement whatever has been given to us and whether we can implement in our own, and we have already, as I said, contextually, we are already implementing some of the recommendations that have come out of the thing So at this moment, for this particular assignment, whether we will, again, in this with Bain or something, we really do not know. I mean, at this moment, if you are able to implement what we have decided for us, that we might want to continue with that. If we feel that, no, we are not able to implement what has been recommended to us, maybe we will engage Bain. At this moment, the thought is more towards the former than the latter.

Shirish Pardeshi: Okay. My second question is on CSD business. I mean last 7, 8 quarters, CSD business is very, very volatile, and we are lucky that in Q1, you have said you got about Rs.3.5 Crores order. Do you think this business has some potential in the rest of the year?

Jaideep Nandi: See, CSD business, clearly, if you are looking at today, the concern in CSD is more than the business there is a clear concern as far as the credit that we are exposed to, right, even with this small kind of business. One thing that we want to be clear is that we do not want to be in a situation where we get stuck. So this is something that we will also treat a little carefully because CSD itself the structuring has changed. Today, as you are aware, people they can go, there is a limit to how much they can spend in a CSD canteen as far as any of these armed forced people are, right? So a lot of structural changes have happened. We would obviously like to keep a watch on CSD and try to maximize as best as we can, but we are also wanting to keep a close watch on the credit that we need to give in terms of the debtors, and we would not want to go haywire on that. So we would not want to go aggressive with any customer, whether be it modern trade, whether be it CSD or anybody else, where credit, not even a risk, even if there is a longer period, we would rather want to avoid that and playing in places where the credit is much more less. ET, as you are aware, we operate with a 0 credit situation. Everything is advanced. That is what we are comfortable with, we want to continue.

Shirish Pardeshi: Okay. My next question is on slides while you have given value and volume growth on the category, would you be able to help me what is the Q4 category growth for hair oil and Q1 category growth decline?

Jaideep Nandi: Q1 just the Q4 because I had a bad growth. Let me just dig out the Q4 growth.

Shirish Pardeshi: So what I am looking for light hair oil and overall?

Jaideep Nandi: Okay. See, overall, YTD February, as I said, I think it is part of the presentation that you are seeing, 3.7% growth as far as MAT level is concerned, and March had a decline of 6.9%, right?

Shirish Pardeshi: I got that. I was asking for Q1, I mean, Q4, Jan-March and April-June.

Jaideep Nandi: April-June...

D. K. Maloo: Shirish, you can take this number off-line with me.

Jaideep Nandi: No, one second. So Shirish, let me understand your question first. You want April-June of last year, is it?

Shirish Pardeshi: No. I am saying FY2020 January to March.

Jaideep Nandi: June data is not yet out, right? June data will be out by 21st of July. So I have April and May at this page. June, I do not have. I mean, the data is not there. Nielsen has not yet come out.

Shirish Pardeshi: Okay. Do not worry. I will it take it from Kushal.

Jaideep Nandi: Yes, I am taking note of it. We will just send it to you.

Shirish Pardeshi: Just last 1 question. I mean, since you have not discussed, I am asking. If maybe you can say something on the raw material because we feel that there is a decline in LLP. So how do you see the rest of the year for raw material?

Jaideep Nandi: See LLP, as you saw, I mean, our costing is at Rs.56.64 or some such number, right, I mean, which is basically our average costing as far as the cost of material is concerned. Now obviously, that is because we are carrying forward earlier higher-priced LLP. At this moment, our landed cost of LLP is about Rs.48. Going forward, obviously, that benefits will accrue because now we will be consuming price which is at a much lower price. On the other side, you see RMO, which is all on the upward trends. RMO is going up. So overall, you might see about a 1.5% to 2% kind of a change in terms of pricing, which we will try and see how we can get back to a customer through trade offers, consumer offers, trade schemes, consumer offers.

Shirish Pardeshi: Okay. Thank you and all the best.

Moderator: Thank you very much Sir. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Manoj Menon of ICICI Securities for closing comments. Over to you, Sir!

Manoj Menon: Bikram, I think it is inappropriate to say we are closing the call due to time constraints. This is one the longest calls an hour and 50 minutes, and the personal thanks to Jaideep, Maloo ji and Kushal for actually taking time out and responding to about 18 investor questions after the detailed presentation in the beginning. All the best team. Over to you for any final comments!

Jaideep Nandi: Thank you. It was, in fact, very interesting. This was my first investor call. I have been attending board meets throughout my last 20 years, but this was the first investor call. So it is a new experience for me and I take all the guidance from all of you guys. Lots of questions, which are pretty thought provoking from our end as well, and we would also like to factor that in as we go forward. Thanks so much.

Moderator: Thank you very much, Sir. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes today's conference call. Thank you for joining with us. You may now disconnect your lines.