bajaj corp limited

August 1, 2016

DCS-CRD BSE Limited First Floor, New Trade Wing Rotunda Building, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 023 Fax No.2272 3121/2037/2039 **Stock Code: 533229**	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Plot No.C/1, 'G' Block Bandra- Kurla Complex Bandra East Mumbai 400 051 Fax No.2659 8237/8238 **Stock Code: BAJAJCORP**

Dear Sir/Madam,

Sub: Conference Call transcripts

Please find attached a copy of the Conference Call transcripts in respect of Bajaj Corp Limited dated July 26, 2016.

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

Thanking you,

Yours faithfully,
For **BAJAJ CORP LIMITED**

Hitesh Kanani
General Manager - Company Secretary

Encl: as above

“Bajaj Corp Q1 FY2017 Earnings Conference Call”

July 26, 2016

ANALYST: **MR. ANAND SHAH – KOTAK SECURITIES LIMITED**

MANAGEMENT: **MR. SUMIT MALHOTRA – MANAGING DIRECTOR – BAJAJ CORP**
MR. V. C. NAGORI - CHIEF FINANCIAL OFFICER – BAJAJ CORP
MR. DILIP MALOO - VICE PRESIDENT – FINANCE - BAJAJ CORP
MR. KUSHAL MAHESHWARI – HEAD TREASURY- BAJAJ CORP

Moderator: Good afternoon ladies and gentlemen and welcome to the Bajaj Corp Q1 FY2017 Earnings Conference call hosted by Kotak Securities Limited. As a reminder, all participants' 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 any assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. I now hand the conference over to Mr. Anand Shah from Kotak Securities. Thank you and over to you Sir!

Anand Shah: Thank you. Good afternoon everyone and on behalf of Kotak Institutional Equity I welcome you all to the 1Q FY2017 Bajaj Corp earning conference call. We have with us senior management of the company represented by Mr. Sumit Malhotra – Managing Director, Mr. V C Nagori – Chief Financial Officer, Mr. Dilip Maloo – Vice President – Finance and Ms. Kushal Maheshwari – Head Treasury. I would now hand over the call to Sumit for comments. Over to you Sir!

Sumit Malhotra: Thank you Anand. Good afternoon to all and welcome to the conference call for declaration of the first quarter results of the current financial year of Bajaj Corp. With me are Mr. Nagori who is the CFO of the Company and President Finance, Mr. Maloo, who is the Vice President, Finance and Kushal Maheshwari who is the Head Treasury and he is now looking after the Investor Relations for us.

The Company closed the first quarter of financial year 2017 with the turnover of 203.73 Crores. This translates into a growth of 1.8% over the same quarter of the preceding financial year. The EBITDA for the quarter is 72 Crores, which is 35.37% of sales and it is higher at 7% over the same quarter of the previous financial year.

The PBT and the PAT for the quarter are 66.35 Crores and 62.20 Crores, which is after adjusting exceptional items of 11.74 Crores. Just to put it into perspective this is the last quarter that the full effect of amortization will take place. In the next quarter that is the quarter July, August, September the amortization will drop to around 7 odd Crores. After amortization the PAT for the year has grown by 10% over the previous year. During this quarter the effect of the new accounting standard in AS have been considered and therefore the cost of promotions have been reduced from the sales value. Again as per the new accounting standards the mark-to-market gains or losses on treasury investment have been added or subtracted from the figures reported under other income.

As against the first quarter of last financial year the offtake in the hair oil market have slowed down further. The overall hair oil market has shown a 0.9% decline in volume terms for the period April to June 2016. Within the hair oil industry the volume growths of light hair oil has also shown a decline although a little lower at 0.7%. This is a reduction in coconut hair oil prices. The overall hair oil market has shown a decline of 1.2% in value terms in this quarter.

Under this difficult scenario the value offtake's of our lead brand Bajaj Almond Drops has shown marginal growth of just 0.6% during the first quarter. The hair oil segment has also shown a growth during the first quarter. The only hair oil segment that has shown a growth in the first

quarter has been the Heavy Amla led by the low cost amla brands. The major culprit in this slowing down in the rural areas, which has grown by just 1% whereas in the urban areas there has been a decline of 5% in volume offtake. The continued drop growth of the rural area as well as the reversal of growth in the urban areas has added even more strain on the volumes of light hair oil and therefore Bajaj Almond Drops.

Under the new accounting standards the company has recognized the revenue at the fair value after reducing sales incentives, trade schemes or rebates that were offered during the quarter. This has been done in reporting for this quarter as well as the corresponding quarter of the previous financial year. Also the investments and other income have been reassessed at market value under mark-to-market gains or losses have been adjusted in the P&L statement itself.

Despite the strain on volumes for lead brand Bajaj Almond Drops the ASP spends or the advertising and sales promotion spends have gone up to 26.46 Crores which is 13% of sale. This is as against 24.5 Crores that was spent in the same quarter last year.

Last year the advertising to sale spend was 12.27 Crores. The market share in volume terms of our lead brand has dropped to 54.4%, which is a 0.6% drop in market share vis-à-vis last year. As in the last four quarters this quarter also the cost of LLP has remained benign as against an average of 59.5 per kg in the first quarter of last financial year the price this quarter stood at 43.91 per kg.

We have contracted LLP at this rate for the remainder of this financial year and therefore there will not be any major changes in the average prices of LLP this year. On the vegetable oil front the prices have gone up marginally through Rs.75.97 per kg as against 73.15 per kg in the first quarter of last financial year.

The acquired brand Nomarks has closed the quarter with a turnover at 7.62 Crores; however, as per the new accounting standard the reported sales is 6.4 Crores. Our attempt to convert the brand into a Marks personal care brand is not showing an uptick until now meaning s to revise our strategy. The new strategy as well as the new TV commercials will be visible in the second quarter of this financial year.

On the international business front the outlook has been very encouraging with the business growing at 82% in this quarter. The international business now contributes around 4% of our total company. The other verticals such as canteen, stores, department and modern trade, which also contribute around 4% each, have grown by 6% to 7% by volume. The growth and distribution continues and to aid the same we have embarked upon using automation to drive effective distribution.

We have already linked approximately 700 distributors to our central e-office server and piloted the project for handheld booking orders in Mumbai. So both of these projects will take at least to 60 quarters to stabilize. They are already showing encouraging results initially. As you all know this company has always been a very transparent company in terms of disclosure we are looking

at improving our disclosure by studying the kind of requirements in New York and London Stock Exchange and in the next two or three quarters you will see this being effected in our investor presentation as well as the other disclosures in annual report. Thank you for being here and now we are open for questions.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon: Couple of questions. One on the just to reconfirm so there is no price increase, which you have taken in April this year?

Sumit Malhotra: Yes you are right.

Manoj Menon: That is more to do with the deflationary conditions in the market. I am just trying to understand the thought process. It is just that you do not need a price to manage margin or it is just that the consumer just cannot take a price hike at this point in time. Just trying to understand which are the primary thought process here?

Sumit Malhotra: The three top most reasons for not taking a price increase is one there is no strain on gross margins. Second under the current situation there is a lot of down trading among brands and also within SKUs of our own brand and the third is there is no competition. The competition is also not sort of taking up a price. In fact the biggest brand in hair oil, which is Parachute, has actually taken a price cut under such circumstances combined with the fact that volumes are not growing as per our expectations. We decided not to take a price hike.

Manoj Menon: Secondly on the market share I know it is probably a quarter etc., but is there a trajectory change, which were observing in terms of the gain trajectory is probably slowing down currently?

Sumit Malhotra: No Manoj in fact when we looked at the market shares and looked at monthly market shares in this quarter the only stand out market share drop is in June and actually we have gone back to Neilson and asked them to relook at the figures because we do not lose these kind of market share in one month and therefore at the cost of may be reporting a wrong figure we went ahead and reported the figure as reported by Neilson but if we analyze monthly it is only June that I have dropped. April and May were actually the same as March market share figure.

Manoj Menon: Two more questions. One on if you could talk little bit more about the learning from Nomarks bit particularly recently launched and what is the insights, which you have prompted you to go back to the drawing board?

Sumit Malhotra: Manoj, like I said in my earlier concall. When we took over Nomarks, the brand was a predominantly problem solution brand and therefore as much as 60% of the sales were actually the creams. When we sat back and looked us brand from a long-term, we said that if you wanted to really make it a big brand, we had to try making it mass and the component of the vertical that was a mass distributor at a mass consumed product form was face wash. So over the last one-

year, we were actually redid the packaging of face wash and started pushing face wash which has not really succeeded. So the learning is actually one that changing perception of a brand is not that easy and maybe the answer was that first make the brand much more salient in a consumer's mind and then start changing the consumer profile with is what led us to go back to the drawing board again.

Manoj Menon: Now given the fact that you are operating at peak gross margins now and if I remember correctly from the last concall you have covers for a few more quarters which means there is a fair amount of visibility the way I look at it for gross margins. Is not it a good year actually to let say hypothetically speaking enter a new category or make some investments for that. The reason I am asking because one of the questions which most investors keep asking about Bajaj is actually that where is the diversification and more importantly what is the thought process for diversification outside of the Almond Oil?

Sumit Malhotra: I think it is a very pertinent question, but the way you have framed the question seems to be only unidirectional which is, you have money; you have margins, why not invest. But it is not as simple as this because investing or launching a new brand means many other things. One is obviously having a product, which is efficacious, which is wanted by consumers, second testing it on consumers in India. The third having a proper communication strategy in place and all those variables. We as a company believe that there is still enough juice and Bajaj Almond drops and therefore even if we do launch a new brand in a new product category, we would not do that is a expense of Bajaj Almond Drops and therefore we try and create a new vertical in terms of our Marketing and Research Department to be able to look after the new products. So that focus on Bajaj Almond Drops does not drop in the event of launching a new brand. But the thought process is clear that yes the dependency on Bajaj Almond will drop over the next two or three years partially because of acquisition, but also because of new categories being launched.

Manoj Menon: Okay. I have a couple of more I will come back in the queue. Thanks Sumit and all the best.

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

Percy Panthaki: Good afternoon. My question again on Nomarks just taking over from you replied to Manoj, you have gone back to the drawing board, but you also mentioned that you would come out with new communication etc. So can you just tell me having understood that the current strategy is not working? What exactly is the new strategy that you are adopting?

Sumit Malhotra: It is a mistake. We have not come out with a new communication. Once the strategy is decided then the new communication follows. The second is new strategy is not something that can be revealed over the phone in a conference call. Obviously, I had inter growth the new strategy in terms of our previous strategy, we tried out was making Nomarks, mass consumed personal care product. Has not really got down, because we have not got traction in terms of consumer preference, so the new strategy would be how do you get consumer preference in whichever where you want to market Nomarks.

Percy Panthaki: Understood. Sir, second question again on the market share is not obsessing too much about what happened in one quarter or one month. But just for me to get a perspective over the last four or five years when you were indeed gaining market share, which was the players from which this market share gain was coming?

Sumit Malhotra: Over the last 10 years, our major market share gain is from Keo Karpin. The other market shares were basically because of the marginal players dropping off. So if you had things like Hair and Care Gold, you had things from companies like Vasmol, Vi-John which really stopped promoting light hair oil, so that was the major gain. In fact if you look at June, I am harping on June, because June is a month that stood out in terms of growth and market shares. The only recognized players that has really gain market share is Keo Karpin at 0.2% gain in market share which is again the smaller players which had gained 0.5% or maximum 1% in June. So again if you look it out investor presentation you would realize that a related market share that has difference between the market share of us versus the number two competitor in light hair oil has actually gone up in the first quarter which means the difference between us and other recognized place have actually gone up in the first quarter despite an apparent loss in market share.

Percy Panthaki: With this sort of knowledge if I could formulate a hypothesis and you can tell me whether it is correct or not. So over the last 5, 7 or 10 years, you are gaining marker share because players such as Keo Karpin or some of the marginal players had a sizeable market share but they were not competitive enough in the market place and they lost. Now today the players who are there in the light hair oil space, Keo Karpin etc., might have become smaller and some of the larger players might have consolidated their market shares and to take market share from them is more difficult than to take market share from the players which were existing 5, 7 years back and therefore in future, your market share gains might slow down although you may not lose, is that fair kind of hypothesis?

Sumit Malhotra: I think the hypothesis is flawed in the sense that what you missing in this whole thing is base. Because 10 years ago you are 23% market share, you had 77% throw in terms of other players who had market share from where you had gone up. Now you have just 40%, although the scope of the growth itself will come down when you have larger base for the larger market share. In terms of the major players behind you losing market share, they will continue to lose market share though at a smaller pace, because their own loyal consumers will remain with that brand. You remember market share is a summation of number of consumers buying a particular brand. Out of this there will be core, there will be a percentage of those who are willing to experiment. When you become that big the number of players who are using some other brands and willing to experiment drops drastically and that is why whenever we had already gone out, we said that we believe 65 is the range after which you are market share gain will keep coming down and therefore our strategy over the last two or three years is that now gain in market share is not source of growth. Your source of growth is conversion from other types of hair oil. In fact if you look it as investor presentation this time, we have added a chart on our market share in total hair oil. Have you noted that Percy, because that is where you are looking at our growth now we believe we will grow not because of market share gain in light hair oil, but market share gain in

total hair oil and as we go along and I said in my opening remarks, disclosure we are planning to increase. This is one such disclosure that you will see in the coming year investor presentation.

Percy Panthaki: Fair enough that is very helpful. If I just have one followup on this point. So if you are looking at market share within the total hair oil space then does not categories like ayurvedic hair oil effective, because there I suspect would be among the faster growing categories in the hair oil space and therefore the space for growth for the remaining categories would be that much lesser. Is that correct understanding?

Sumit Malhotra: Yes again you forgot the base Percy. Total hair basis 0.7% of total hair oil. So would you rather gain from category at 0.7 or gain from category at 42, which is coconut.

Percy Panthaki: That is a fair point. That answers all my questions.

Moderator: Thank you. We take the next question from the line of Karthik Chellappa from Buena Vista Fund. Please go ahead.

Karthik Chellappa: Thank you Sir. Thank you very much for the opportunity. A few questions; firstly apart from the growth pressures per se. Do you see any level of disintermediation within the hair oil segment itself? The reason I asked this question is if I just go back to our July 2015 presentation, we can see that the other hair oil if I exclude coconut, amla, light hair oil and cooling, the others comprised say about 13% of the market and if I look at the presentation right now it is like about 25%-odd, so it is almost like kind of doubled in a space of one year. So do you see that there are lots of the small subsegments, which individually maybe a small portion, but collectively they are starting to move the needle and take market share in the overall scheme of things, which is impacting your own growth?

Sumit Malhotra: Karthik I think I should apologize, yes because we have changed the base and not put it in our investor presentation. The difference between July of last year and this is that we have started buying coconut, hair oil data and one part of coconut hair oil data is VAT, value added coconut hair oil. So the change between 13 and 25 just partially because that has now moved out of coconut into separate segment that is looking at and that was basically things like Vatika, Parachute Jasmine and so on so forth.

Karthik Chellappa: Okay great, so it is mainly classification of presentation issue rather than anything happening on the ground?

Sumit Malhotra: That is why I have said may be we should put it upfront, but we will try into it next time.

Karthik Chellappa: When you talked about the market share loss although it is quite small and probably just confine to a month. Can you please share which are the states specifically where you lost the share?

Sumit Malhotra: One it is significant because if you notice quarter-by-quarter this perhaps the first quarter we have even reported a loss in market share. So internally we are not taking it as something that it

has just happened. We are looking into it. But the States that has shown for the weakening in market share basically UP has a big state, Chhattisgarh, which is a much smaller state. We are seeing a drop in share in Gujarat. These are the three larger states that where we have seen dropped in market.

Karthik Chellappa: You are going to the drawing board and there is going to be a new strategy about which probably it is not ideal for you to discuss over the conference call, but if I just go to our annual report and see that the retail offtake has actually been good and we see comments like in the anti-blemish category either like number one in creams, number two in face wash or so, so at a more micro level given that at a retail level it has been reasonably successful what has caused us to kind of go back and rework the strategy and as our view on the intrinsic strength of the brand and the overall market size that it can target has that changed?

Sumit Malhotra: Karthik, again when you look at a brand in the August you look at market share, but also look at the segmented place in. Now if you look at segment Nomarks space in it fairly small segment. If you look at cream is just around Rs.250 Crores. A brand will become big not only by gaining market share, but they are growing the category. The places where we are disappointed we have not been able to grow the cream category not having been able to become a significant number two in the face wash category and that is what has led us to relook at our strategy for Nomarks because if Nomarks is going to become household name, it is about to have X number of consumers buying it. X number of consumers buying it means the market size itself should grow. Now if the market size is still growing at only around 20% and we remain in terms of market share where we were two or three quarters, it is not success in strategy. The success in strategy is the number of consumers buying your brand and therefore the number of consumers buying the cream category like I was talking to you about the light hair oil. The success now will come when the light hair oil category starts growing once again. So similarly if the case and we do not analyze our performance of our smaller brand like Nomarks by market share alone or the bottomline be it because even the small brands we are not losing money, we are actually gaining money quarter by quarter, but we do not believe that that is the right measure of performance analysis.

Karthik Chellappa: Just to conclude on Nomarks, do you think there is a probably that this can also go the way of our cooling oil where we probably thought, we probably need to move away from the category or do you still see a probability of this being successful, but with needs to rework on strategy etc.?

Sumit Malhotra: There is one major difference between Nomarks and Kailash Parbat. Kailash Parbat was a new launch. This is the launch that happened 13 years ago, so you have loyal users. Now the name the gain here is not getting you. It is expanding base and therefore I do not see us removing the foot off the pedal.

Karthik Chellappa: Just two housekeeping questions. Number one is if I look at our annual report last year our receivables have gone up from say around Rs.12 Crores odd to about Rs.23 Crores that is almost a doubling of receivables where our turnover has not grown much with the result I think our

receivable days is probably the highest that has seen in the last four or five years. It is still insignificant number of days but still on a five-year basis it is like five year high. Can you just talk us through what exactly drove that?

Sumit Malhotra: Again I will take you back to my opening remarks and I said exports have grown by 82%, canteen and modern trade has grown by 6%, 7% and our total business has grown by 2%. So receivables have actually gone up because in exports as we would know you operate through LCs. So until your product we see is received by your importer you do not get the money. Now if that part of your business grows by 82% and remaining part grows by 2%, here receivable will grow up. We have not changed our receivable policy still all general trade distributors operate on cash, the only guys who operate on credit our canteen stores, exports because of the LC part of it and direct modern trade chain like Wal-Mart etc.

Karthik Chellappa: Just one last question if I may on our low cost Amla when we launched at a few quarters ago. We prototyped it in about four or five states and we saw reasonable success, but since then it has more or less plateaued at about Rs.4 Crores to Rs.4.5 Crores, what is preventing us from scaling this up further?

Sumit Malhotra: Again you are comparing offtake versus launch quantity. When you launch you fill in pipeline, you realize that. Whenever I launched I am actually putting stock into retailers, distributors and what you see is actually a summation of all the stock that have been build up. Now what you are saying is pipeline, so our market share has actually gone up in Amla, we have moved into 11 States now, if it is sold in 11 States. Now the campaign will enter the market in terms of fresh campaign we are starting and therefore you should from now you should see jump, not if you compare it to what we did when we launched it, because a lot of that the stock build up.

Karthik Chellappa: Thank you very much. Wish you all the best and I will come back in case of any further question.

Moderator: Thank you. We will take the next question from the line of Manish Poddar from Religare Capital Market. Please go ahead.

Manish Poddar: Just I had a question actually if you look at this split off volumes for the ADHO by different SKUs I am just trying to read in the FY2016 number the analyze number versus Q1 FY2017 number?

Sumit Malhotra: You are reading the annual report?

Manish Poddar: I am comparing the FY2016 versus the Q1 FY2017 number, which has been given up across, so I am saying that SKUs, which are contributing above 51 ml their share has cumulatively increased. So are you witnessing any uptrading within the same part of the portfolio that is within the brand?

Sumit Malhotra: It is peculiar thing. We analyze the portfolio and Almond Drops in three segments. One is low unit pack, which is 20 ml and sachets; one is the main bulk, which is what we called the mass,

which is 50, 100, 200 and the large versus 300, 500. In this brand over the last two years, the sizes of the category that has really grown are the LUPs or low unit packs and the large packs, which is 300, 500 pack. So it is nothing new because when the brand becomes more salient and more important in a consumer's mind, he buys a larger size, also if you are trying to push into the rural areas you will see the LUPs growing, so the fastest growing as of now is actually the larger size which is 300, 500 ml followed by sachet 20ml.

Manish Poddar: Would you be fair that going ahead down the line with the store expansion you being the largest player among the hair oil distribution, so would it be the fair enough now to grow the category more you will look at offtake more or will you look at going for the deeper in penetration?

Sumit Malhotra: Both have to happen.

Manish Poddar: So which would be the primary one?

Sumit Malhotra: Both have to happen hand by hand because if we do one and one not do the other it would not work. At the cost of again I have this nasty habit of going into marketing lecture, but it is not a linear function. Distributor and market share is not linear. It is a step function. So what we do is we first increase distribution and market share keeps coming. Now there are the times the distribution stagnates and your markets may continues to increase. When the time comes then distribution and market share both flatten. At that time you will have to again increase distribution so that your market share goes on increasing and the reason is very simple what you see as market share is actually a number of consumers. Increasing another consumers also means increasing reach because there would be a part of people in India who do not have the ability to buy in the shop which stocks your product.

Manish Poddar: Just another thing so actually does uptrading happens from sachets to bottle because what I am trying to get is actually if we penetrate deeper and the lower unit packs go and much increase this agency. Would we actually lose our pricing power in the entire syntax?

Sumit Malhotra: Pricing power is different ball game because at a lower pricing point of Re.1, you actually the consumer lose convenience so it is a toss up between pricing and convenience, but the whole idea is you need to move people from LUP to the mass or the 500, 200 size so that they become loyal to you. The name of the gain is getting loyal consumers. Like I was answering Karthik, the reason you do not gain market share is there are certain loyalist in each brand in our case I will increase the loyalist by moving them from a sachet to a larger pack and that is why you need to have things like consumer promotions and displays or sampling of larger sizes and so people move into that size without shying away from the fact that the larger pack is absolutely more expense than the smaller pack.

Manish Poddar: Just final one if I may and would the construct of the market in different hair oil segment be similar to the construct, which we have?

Sumit Malhotra: No way because if you take the largest brand in hair oil the low unit packs are very, very small there, but he has already reach the level of penetration which keeps trying to build loyalist whereas I am trying to build conversion, so for conversion LUP is a must more important there.

Manish Poddar: That is it helpful. Thank you so much.

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

Abneesh Roy: Sir staff expense has gone up 23%, 24% what is the reason for that is it distribution scale up?

Sumit Malhotra: No, it is people. If you go to the chart that shows our diagram, you will see major part of the people reporting to me are all in the last one, two years they have come in and at a reasonably high cost.

Abneesh Roy: Sir ad expenses also gone up, we do not see too many ads of Bajaj Corp and also you said that you are not spending too much on two of that smaller brands so is it essentially for the main mother brand and is it because of the last month data what is it for?

Sumit Malhotra: We are spending more. Numbers of costs are going up. You are not seeing it because I guess you do not use hair oil and therefore you are not the target audience but jokes apart, it means that we are spending more on Bajaj Almond Drops again trying to push volumes or trying to push up barriers to entry so as to avoid any reputation of what has happened in June if at all the figures are right.

Abneesh Roy: Sir when I see No Scar that the competitor they are spending very aggressively so is that a sustainable business model or they are also on the block so they are spending why I am asking this is why did you change the strategy if No Scar is able to have a business model by spending so much and getting growth possibly why did not you also go around that part why did you change our strategy? Become very focused on some SKUs some part of the personal care so are you again revisiting that again do you plan to scale up advertising significantly and the way No Scars or No Marks was reacquisition why don't you go back to that strategy?

Sumit Malhotra: Abneesh again this is a perception we spent two times of what No Scars spend do you realize that. There has been two times of what No Scars spend not advertised.

Abneesh Roy: That the ads I do not realize.

Sumit Malhotra: Now it is not visible to you that is the second thing that is the debate that we can keep on happening because most are actually spends a lot in terms of newspapers and TV news, which you watch, you do not watch the *"Saas bahu" "Mother-and-law and Daughter-in-law"* serials which obviously where No Marks is there but that is a debate we can have offline. The fact is that No Scar operates on a very high distribution margin. For example a retailer for No Scars gets close to 40%, 45% margin. We do not operate that way therefore we are trying to build a pull

strategy vis-à-vis No Scar that is going to be building a push strategy. We are looking at a pull, which is advertising and therefore the retailer, which stop you whereas they are trying to do a push whether retailer substitutes because they some higher margin in No Scars. I strongly believe in my experiences that the push strategy does not work in the long run because ultimately it is not work to the retailer sense it is what the consumer ask because consumer is becoming much more discerning now and therefore our strategy of building consumer franchise and this has led us to the change in strategy or rethinking on strategy is what is more important in our point to make.

Abneesh Roy: Sir when I see Marico they also have a 60% market share they have been consistently doing 5%, 6% volume even now in your case also broadly similar but volume growth is not happening so what is the difference here?

Sumit Malhotra: What is Marico, Marico is a company.

Abneesh Roy: The Marico Parachute I am saying.

Sumit Malhotra: Parachute is not growing in market share. It is not growing in volume if you are to believe me friend. So they are facing a bigger problem than us but the difference between maybe Marico and us is that they have pressures on margin whereas we do not.

Abneesh Roy: So how does that explain higher volume growth, Sir let us keep apart Nielsen numbers lot of time we do not see that actually matching up with the actual result, so if I take the volume growth of Marico reported Parachute volume growth it is sustainable 5% to 6% so why you are not able to because both market shares are broadly similar?

Sumit Malhotra: I think for that you should ask Marico and not because I do not have the only figures I have of Marico is either their reported figures or Nielsen and these two figures do not match at all, so since I do not have the background to their reported figures but I do have the background to Nielsen I would rather take Nielsen figures.

Abneesh Roy: Sir finally in Amla you are now going into more states which is a good thing but if I see Kailash Parbat that has not worked out in the cooling hair oil so in Amla again there are too many players one very large player so here also very similar dynamics are working here so in terms of pricing obviously we can have the detail but why should Bajaj Corp do well in Amla from a longer-term perspective?

Sumit Malhotra: We should not do well in Amla it is only a strategy to hold competition. It will never become a significant part of Bajaj Corp's portfolio it is not a lead brand it is just a strategic investment that we are doing, we have not securitized.

Abneesh Roy: Buying an amortization for next quarter what will it drop to?

Sumit Malhotra: 7 Crores, around 6 Crores lower and then from the following quarter it will become zero.

Abneesh Roy: From Q3 it will become zero.

Sumit Malhotra: Of course.

Abneesh Roy: Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Sanjay Singh from Axis Capital. Please go ahead.

Sanjay Singh: I was just seeing your slide #23, now I do not know whether there is some mistake here because the volume of Kailash Parbat seems to be flat but sales have declined by half is there some issues in number and also it I think some issue with the number?

Sumit Malhotra: What are you saying the numbers.

Sanjay Singh: The KPCO that is I guess Kailash Parbat Cooling Oil probably.

Sumit Malhotra: Sanjay this is as per the new Ind AS account the difference is the increase in scheme.

Sanjay Singh: Q1 FY2016 is as per old accounting.

Sumit Malhotra: No it is as per new accounting but the scheme.

Sanjay Singh: So but why was the sales declined by 50%.

Sumit Malhotra: So scheming has doubled we are trying to liquidate stock out here.

Sanjay Singh: Sorry.

Sumit Malhotra: See let us say we were giving a 10% TPR last year that has gone up to 30%.

Sanjay Singh: The discounting has increased you are saying.

Sumit Malhotra: So the deduction in terms of the fair value concept.

Sanjay Singh: You are withdrawing from Kailash Parbat now.

Sumit Malhotra: That is what I said last time, running them stock and therefore liquidating as much as we can.

Sanjay Singh: But why you think it is so difficult and of course early also I think Marico tried I think so difficult to crack cooling oil.

Sumit Malhotra: It is a same as it is difficult to crack light hair oil or coconut oil because you need a differentiator that differentiator if it is not visible to our consumer like we have tried the differentiator of sandalwood as a cooling proposition because we said that cooling does not have a face in the

competitors in our case as I can provide a base to cooling the consumer who was come and buy me but you obviously does not see that as a face of cooling you still believe that this is menthol or camphor which is cooling so if there is no differentiator he will never be able to knock the leader off the perch. You see what has happened in light hair oil where people have one after the other has launched an almond oil and none of the almond oils are more than 1.5%, 2% of the market of light hair oil.

Sanjay Singh: On overall market hair oil market when I look at it now I think almost last four five years since 2011 FY2011 the volume growth is flat of overall hair oil market, one, two, three, four, five years now. So five years volume is flat, so do you see and five year's economy has definitely grown even at a slower pace but it would have grown at least even on nominal term if you take 5% and would not believe the actual GDP growth numbers and economy have grown 25%, 30% so do you see this continuing or how does things pan out from here how do you see the hair oil market going for the next five years or so?

Sumit Malhotra: Sanjay how does our category grow? It can grow by number of users or consumption per user so if you are in a category that is 92%, 93% penetrated you will not get the users to add to that in the urban areas the users per person is also stagnating people are not using more of hair oil and therefore this category as a whole will be stagnant it is only the composition of various segments of this category coconut, light, heavy, ayurvedic, VACNO whichever way which is controlled where the market is growing so the difference between a consumer using coconut versus our value ad will rather be seen in the value growth of the category, I do not think volume will grow significantly.

Sanjay Singh: Even light hair oil if you are now taken on FY2013 to FY2016 it is now three years flat?

Sumit Malhotra: This is the problem that the economy is forcing us, because of the first high inflation and second slowdown of rural we have not got utmost conversion as we use to get.

Sanjay Singh: And do you see any of your user and attitudes research any users dropping off also.

Sumit Malhotra: There will always being some, there is always three components one is the new trial second is the lapses.

Sanjay Singh: No has that increased or has that accelerated or anything of that sort when you see.

Sumit Malhotra: No, that is not taken again, actually both spontaneous and top of mind recalls has gone up where the problem is the top of mind recall is not convert and it is getting converted into purchase intension.

Sanjay Singh: I got you, but actually I think what has happened is and I think Abneesh also was asking this question and what is confusing us is at one side you seem to be little sanguine on the hair oil category growth of course you might gain market share we have heard Mr. Duggal and Dabur again being very sanguine on hair oil volume growth whereas Marico reported numbers have also

been soften but still decent and they are still pretty positive on hair oil category. So it is our job to segregate the wheat from the shelf but I guess we are a little bit confused as to what is happening.

Sumit Malhotra: I think to clear your confusion I do not think we are sanguine about growth in hair oils. What I am saying is in any category; the category converts from a commodity to a value added proposition brand over year. What is happening in the hair oil is that as we are going along the value added hair oil component is becoming bigger and bigger so if I were in a coconut hair oil segment I will be worried because that is and the we report figures of coconut and you can see the composition of hair oil and the proportion of coconut in hair oil, but the ability and the reason why Marico we both are very gung-ho about this is that as we go along there will be a point of inflection their conversions from base oil that the things like coconut or mustard to value added hair oils will speeden up so if you are looking at this category you should be projecting on what is the value add will be over the next five years. For example you have the figures for the last five years. When we did the IPO light hair oil was 12% now it is 17% of the total hair oil category. We were around 4.8% of total hair oil in terms of our market share. Now we are close to 10% now this is why there is a difference between what Mr. Duggal and Saugata at Marico is talking about.

Sanjay Singh: Thank you very much Sir. It is always a pleasure to talk to you. Thanks.

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

Tejas Shah: Thanks for the opportunity. I logged in late so sorry if we have discussed this before but in your presentation your wholesaler number has actually dropped 8% YoY whereas your retail presence number actually increased 28% YoY so I just wanted to understand this parity?

Sumit Malhotra: Obviously in urban, your direct reach also has to go up and that is what we are trying to do and I mean pointing out over there in last few years that this is what we have been trying to do over the ages that increases our direct distribution and what you are seeing now is as a result of that.

Tejas Shah: Sir even sequentially it has come off dramatically from 15000 to 13800?

Sumit Malhotra: Basically the reported numbers have come down. This would not be exact number because we cannot there is nothing like Nielsen that measure wholesale. We do not get this figure from a syndicated resource. This is our listed. These are something, which we call the Royal Bajaj Club Industry and list the major wholesalers all over India last year it was around 15000 this year they have listed 13800 wholesalers.

Tejas Shah: Is there any base correction in retail business also because it has also inched up from 2.9 million outlets last year?

Sumit Malhotra: Last time in January you will see suddenly from December to January it jumped up and what Nielsen had actually done is there were lot of pressure from the FMCG industry saying that rural

is becoming much more important part and your coverage of rural is poor so in January of this year they actually increased the weightage of rural market share or offtake and in terms of the number of outlets that they were covering in rural areas and that is how the whole thing is really changed.

Tejas Shah: Sir lastly on your tax rate guidance for this year and next year?

Sumit Malhotra: This year I think it will remain at 20 plus, next year under the current circumstances I think it will remain the same.

Tejas Shah: Thanks Sir and all the best.

Moderator: Thank you. Next question is from the line of Aman Bathra from Goldman Sachs. Please go ahead.

Aman Bathra: Just wanted to understand is the way you are looking at the market you are looking at the overall hair oil industry and your market share in that, but is the consumer also looking ahead the same way or do we need to tweak that communication because the natural progression of LUPs and distribution gains that is bettering out so you need to drive growth from some other aspects I do not know how this aspect, but some other aspect you need to think off?

Sumit Malhotra: I think you banged the nail on the head. The name of the game is getting coconut hair oil users to use your product. Now that you can do through trials or offer a proposition which is much more exciting for a coconut hair oil user; now in this to give a precise answer I think the name of the game is move away from more cosmetic or style or perfume kind of aspect of Bajaj Almond Drops to nutrition because a guy will move from coconut to Bajaj Almond Drops only if he believes that he is getting a better cosmetic product but without compromising on nutrition and therefore if you analyze the communication over the ages you will realize that Baja Almond Drops is showing less of style and glamour and much more of Almonds and strength or nutrition as a platform to elicit change from coconut, but to put it into perspective this brand will grow only we can speed this up, this conversion from coconut to light or Bajaj Almond Drops.

Aman Bathra: So this change in communication over the years has it gained some traction in the traditionally coconut dominant markets?

Sumit Malhotra: It has got traction and that is why our market share in total hair oil is also going up. Like I said it has gone up from 4.8 to approximately 10%. Now the question I read between the lines if you are saying that does it got traction in south which is traditionally coconut oil no, not yet. South you need a different communication or different platform for eliciting conversion which we have NPA at fact.

Aman Bathra: Thank you.

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

Shalini Gupta: Sir if I remember correctly last time you had mentioned that you are going to try to push your market share increase for your Almond Drops from around 60% to around 65% so if you could just update on that like has there been any change in strategy and if you could just update on that?

Sumit Malhotra: Shalini this is a long-term objective and we have stated that from the time we went public that is 2010 the reason behind this was two. One we said that the gain in market share that we have been having till that point of time that gain would come down, because there would be a point of stagnation we believe at 65% market share beyond, which gaining market share within the light hair oils would be difficult that was point number one. Point number two that we are trying to make when we said that we wanted to move from 60% to 65% was that we wanted to sensitize you that the success of this brand will depend on conversion from other hair oils not as much from gaining market share within light hair oils that is the faster we can make light hair oil grow would be much more beneficial for the brand rather than trying to get the market share from a Keo Karpin or Hair & Care or whatever other light hair oil brands are there.

Shalini Gupta: So basically you are saying that this target was not for end of financial year 2017?

Sumit Malhotra: I do not think we have ever said that.

Shalini Gupta: Sir secondly like if you could just discuss about competition in UP because that is where you get the maximum?

Sumit Malhotra: The only difference that has happened in UP is that Keo Karpin has opened up last year and they have targeted all their moneys and spends in UP and Bihar and therefore the competitive intensity from Keo Karpin is must higher in UP Bihar but having said that they still are spending less than what we spend and much lesser in terms of distribution so yes they have done a good job last year but what is to be seen is how much they can match or spends and continue the kind of investment that they doing in UP and Bihar.

Shalini Gupta: That is all from my side. Thanks.

Moderator: Thank you. We will take the next question from the line of Jinal Sheth from Multi Act. Please go ahead.

Jinal Sheth: Just wanted to check on are we expecting any new product launches this year?

Sumit Malhotra: Yes, but please do not ask me what and when.

Jinal Sheth: Other question is on the Nomarks. What I got to hear from the team in the conference was that currently we are at around 18 SKUs and I think we would have to rationalize that further to

around 12. So what I am try to get that is that part of the new strategy or just get some thought on that?

Sumit Malhotra: That has already been done Jinal. That was done last year. It was a part of the strategy we are currently following. In terms of the new strategy we will have to redefine, which product, which product category, which SKU we need to push. To give you a kind of heads up that let us say you want to push face pack as a category you will need to have trial packs and face pack and therefore maybe stop the trial packs and other categories and have a trial pack in face packs so the strategy will also look at the four piece or six piece whichever way you want to look at it this is what is the product that you want to sell so this reduction from 18 to 11 it has happened last year not a part of the new strategy part of the current ongoing strategy.

Jinal Sheth: Basically the run rate that we are running at this point of time is there a further downside to that or you cannot really?

Sumit Malhotra: No, there could be temporary if the new start up we says that shut everything up only sell 1% product category that again would be just a quarter.

Jinal Sheth: My last question would be that so based on our learning's from Nomarks and what since you are going to go back to the drawing board has there been a change in our certain thought processes for the acquisition as well in terms of how we are looking at an acquisition?

Sumit Malhotra: Not really I think the only change that has happened is the timing of the acquisition because we are a little more skeptical in sort of going for a very big acquisition immediately because we have enough on our hands on Nomarks itself.

Jinal Sheth: Thanks so much.

Moderator: Thank you. We will take the next question from the line of Lakshmi Narayan from Catamaran. Please go ahead.

Lakshmi Narayan: Thanks for taking my question. I have two questions. One is what is the annual increment you had given to your corporate stock, I mean, sales and marketing? The second question is what is attrition rate for sales and marketing stocks that is including AS spends and marketing in particular and how it is trending over the last two, three years?

Sumit Malhotra: Wow Lakshmi! First time in six years anybody has asked me that. Hats-off to you! Increment that was given to existing staff and we give increments to people who have been in the company six months at the time of increment, which is in March, was 11.36%. Attrition was at all time high last year in terms of sales and attrition was close to 26% last year in sales. In marketing and other departments which is obviously much less but they form a very small part of the total numbers in terms of the personnel but yes rather than increment I think attrition is something that is causing as a little heartburn because once we are trying to build a team if you keep going back

and forth and trying to recruit people who have propositions that have already left without actually recruiting people for new positions that is a strain on the HR department.

Lakshmi Narayan: Is it to do with people always like to be in place where growth is there so is that the reason why profit growth are for investors but for people who are in the company will look for topline growth and if topline growth is not as meaningful is it taking toll on your people strategy?

Sumit Malhotra: Lakshmi, theoretically you are right but if you are an FMCG you will look at other companies within the FMCG and within the FMCG there are not too many companies that are showing growth like Patanjali and very unlikely that a guy from Bajaj are Levers or a Marico will go to Patanjali where there is growth. Having said that yes everybody likes growth, growth in responsibility, growth in profits, growth in increments or salaries but that is not the main reason the main reason is if you start becoming more demanding and there is special on the system to deliver then there will always be laggards who will think it is better to move to a smaller company avoid pressure then say in a company like Bajaj and grow with the company and tide over the pressure times that are there. Having said that I think last two years have been very challenging not only for Bajaj but for every FMCG industry and if you speak to other companies you will realize that attrition all of costs has actually gone up the attrition in FMCG industry in sales stands at 21% but as per **(inaudible) 1.2.31** which used to be 11%, 12% as recently as three years ago.

Lakshmi Narayan: Another last question if I squeeze in you mentioned that you would like to extend your current Almond positioning into several other products. If I was just outside so I do not know whether I heard it proper if you can elaborate as to what do you think of actually relooking at Almond strategy and trying to get into allied spaces within Almond?

Sumit Malhotra: Lakshmi my apologies. I said that before also I would not like to discuss strategy over a concall because see there is some secrecy that if you would like to hear or thought you are more than welcome to be off camera.

Lakshmi Narayan: Thank you so much and all the best.

Moderator: Thank you. We will take the next question from the line of Ajay Thakur from Anand Rathi. Please go ahead.

Ajay Thakur: Just one question wanted to check on the international business on the exports how much it constitutes and what are the growth prospects and how we are looking to grow the segment?

Sumit Malhotra: It is currently 4.1%. It has grown by 82% quarter-on-quarter that is quarter one versus Y-on-Y quarter one of last financial year. We are doing fairly well in places like the Gulf countries and over the next two quarters we should be entering parts of North Africa and parts of South East Asia. The growth of international business is obviously enormous and especially for a brand like Nomarks because unlike hair oil which is used only by specific ethnic group Nomarks is something which is across all continents and countries across the group.

Ajay Thakur: Thanks a lot.

Moderator: Thank you. We will take the next question from the line of Karthik Chellappa from Buena Vista Fund. Please go ahead.

Karthik Chellappa: Thank you very much for the opportunity again Sir. Just a few questions firstly in our annual report we have like a long-term almost a ten year chart giving the breakup of the SKUs, which I think is very useful but if we take a look at the chart both the 100ml and the 200ml SKUs have actually their share has actually been coming down for the last even five years or so, so even if we exclude the last two years because of poor monsoons, weak rural growth etc., even on a five year basis it has been coming down while the 3ml and the 20ml share has actually been rising while this may board well for the category because these are all recruiter packs what needs to happen for the shift to reverse and the downtrading to actually stop apart from just general improvement in the sentiment and related to that although I think time and again at multiple venues you have highlighted that Patanjali is not that big a threat I notice that they actually have one SKU which they claim to be pure almond oil it is at a much higher price point but can that be a serious differentiator as opposed to other almond oil brand which also carry LLP?

Sumit Malhotra: Karthik, I am quite surprised with your question because you are looking at saliency and trying to deduce that 100ml is actually declining. If I have two sizes in a particular product both constitute 50%, 50% of the product category and I launch one more will the saliency drop or not drop?

Karthik Chellappa: It will drop.

Sumit Malhotra: Right. So the fact that we were pushing 3ml would per se that saliency will grow at the sense of some other SKUs so if you are trending SKU saliency and deducing that 100 ml dropping I think that is not doing data analysis the proper job, you should actually look at the volume of 100 ml which has grown over the last 12 years, which is where the whole gamut applies it is not the saliency because the no more time let us say tomorrow. I introduce a one liter pack and one liter becomes 5% of my total turnover will the saliency of the other sales drop yes they will drop but will their total volume drop no it should not drop is that drops. I have a problem, so I have grown my 3ml from zero to whatever 18%, 19% it is in terms of saliency without the actual volumes of 50 and 100 dropping. So the fallacy in your question is basically you are trying to deduce that 100 is becoming less important to the category on the basis of saliency, it should be on the basis of volumes not saliency. One the second question in terms of Patanjali. It has pure almond oil. It also have a almond hair oil like us because pure almond oil is actually targeted against the brand called Roghan Badam Shirin Hamdard, Dabur also has a pure almond oil and it is always be a very expensive thing it is not use as is, it is actually used you will be surprised it put in milk they put it in coconut oil to make a hair oil they put it in milk to drink because pure almond oil is totally different product itself whereas we have almond oil which is at this movement 0.05% market share in this light hair oil segment.

Karthik Chellappa: Sir on the face wash you had earlier remarked that although you are number two you are still a distant a number two and you really have not been able to expand the base but generally if you

just look at the shelf space almost every major company for name sake at least has a face wash SKU whether it is a Ponds, or a Garnier even Patanjali has a face wash SKU and although they may not advertise it separately as a category the mere presence do not you think that it has actually spread that category thins so it has just become a plethora of brands among which it is going to be increasingly difficult for you to differentiate so do you see that as a structural problem?

Sumit Malhotra: Karthik again at the expense of sounding like a marketing professor in the marketing one program of an MBA institute basically any category that has formed because see till very recently Indian consumers were using bathing soaps on their face and then a realization happened that the alkaline in nature therefore they are actually removing the oils on your face and therefore face wash started coming in. Whenever a category developed then you have multiple products coming in and they come at a stage where the category has stopped growing. At that point of time the marginal products will start closing down so it is very like the Indian airline industry then it started you have so many brands like Modelos, Damania, Deccan coming in but ones it stopped the growth of this industry start stagnating, the smaller players get knocked off and the reason is when a consumer is trying a new category he is willing to try any brand because he does not have any interest in. As he goes along he starts preferring a good brand and the other brands start loosing their share of mind in a consumer's mind and that is what is going to happen maybe three four years from now that the 50 odd brands of face wash that you see will come down to 11, 12.

Karthik Chellappa: Thank you Sir. Thank you very much for these insights.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Sumit Malhotra: Thanks all of you and after a very, very long time I had a very interesting conference call with you guys. It really gives me lots of confidence to see that you guys are still interested and following my company and even though at the expenses sounding like a marketing professors you guys are willing to listen and analyst or investors are willing to listen to a marketing professor I think I have achieved something in my life, but thanks for showing your interest and hope to see you again or hear you again in the next conference call. Thank you.

Moderator: Thank you. On behalf of Kotak Securities that concludes this conference.