



“Bajaj Corp Limited Conference Call”

January 11, 2013



ANALYST: MS. AMRITA BASU

**MANAGEMENT: MR. SUMIT MALHOTRA
MR. NARAYAN RAMAN
MR. V. C. NAGORI
MR. DILIP MALOO**

Moderator: Ladies and gentlemen good evening and welcome to the Bajaj Corp Limited's Q3 FY'13 Earning Conference Call, hosted by Kotak Institutional Equities. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, please signal an operator by pressing "*" followed by "0" on your touchtone phone. At this time, I would like to hand the conference over to Ms. Amrita Basu. Thank you and over to you Mam.

Amrita Basu: Thanks. On behalf of Kotak Institutional Equities, I welcome all of you to this Bajaj Corp 3Q FY'13 Earnings Conference Call. I would like to welcome the Bajaj Corp Team, Mr. Sumit Malhotra, Managing Director, Mr. Narayanan Raman, President Corporate and Investor Relations, Mr. V. C. Nagori, Chief Financial Officer and Mr. Dilip Maloo, Vice President, Finance. I will now handover the call to Mr. Sumit Malhotra to discuss the recently announced earnings. Thank you and over to you Sir.

Sumit Malhotra: Good evening to all and welcome to the Q3 Financial Year 2013 Results. With me, I have Mr. Narayan Raman who is the President, Corporate and Investor Relations for the Bajaj Group. I have Mr. Nagori who is the CFO and President, Finance and Mr. D. K. Maloo who is the Vice President, Finance.

The company has closed the Q3 with the sales of 148.06 Crores and PAT of 42.20 Crores. This translates into a year-on-year growth in turnover of 31.84% and a growth in PAT of 46.17%. The volume growth of the business during Q3 is 22.33, whereas our EBITDA has grown by 50% on a year-on-year basis. This quarter is the eighth consecutive quarter wherein the company has recorded a turnover growth of over 30% and a volume growth of around 20%. This clearly shows the strength of the brand Bajaj Almond Drop. The volume growth in this quarter is 382 basis points more than the growth in the last quarter and 118 basis points higher than Q3 of last year. So, actually the growth this quarter has been exceptionally good and we hope to keep this momentum on in the last and final quarter of this financial year.

As I said, that Q3, the EBITDA has been 42.98 Crores, which is 29.3% of the turnover and a growth of 50% over last year same quarter. The EBITDA to sales ratio for Q3 of last year was 352 basis points less than what it is this year. Our costs have gone down by 383 basis points whereas the ASP, please note this is the Advertising and Sales Promotion, whereas the limited review that is posted on the stock exchange is actually showing Advertising, which is marginally flat. The ASP spending has actually gone up by 198 basis points. For those interested in nine months, for nine months ended December 31, 2012, EBITDA is 120.97 Crores, which is 28.67%, of turnover and a growth of 46.33% over the similar period of a last year. Keeping in mind this strong performance the Board of Directors has approved the disbursement of an interim dividend of Rs.6.50 per share. I am sure all of you would have seen this on the Stock Exchange but this is basically a strong signal that we would like to give to all of you.

Neilson figures for the last quarter have shown that the Lights Hair Oil continues to grow well on a year-on-year basis. The volume growth for Lights Hair Oil is 14.4% whereas the value growth is 24.4%. The overall hair market has also grown slightly better and has shown a volume growth of 6.9% in the last quarter. The value added Perfumed Hair Oil continues to grow both in volume and value terms and the market share of Bajaj Almond Drops has reached 53% in the month of November.

On the raw material front there was a small respite in the prices of light liquid paraffin vis-à-vis last quarter as against average purchase price of Q2 this financial year of Rs.81.43 per kg. The price has corrected to Rs.79.10 per kg in this quarter even if we compare these to last year prices, the last year LLP prices were Rs.82.86 per kg and which is as I told you fallen to Rs.79.10. The prices of Vegetable Oil however has gone up from Rs.70-odd per kg last year same quarter, it has gone up to Rs.80.18 per kg this quarter. The company continues to focus on distribution of its brands and as of November 30, 2012 Bajaj Corp is available in 2.54 million retail outlets across India. This translates to a retail distribution growth of 17% over the last one year. As a result of this distribution extension exercise our products are penetrating deeper into the rural areas and as of this quarter 38% of our sales come from the rural areas of India. We will continue to drive this distribution as we believe that one of the main reasons why Bajaj Almond Drop continues to gain market shares is this increase in penetration.

On the merger and acquisition initiatives, we have moved forward and the team continues to evaluate many targets within and outside India. As and when a term suite (ph) is signed with the seller we will be informing the investor community. We are now open to questions.

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

Abneesh Roy: Hi Sir. Congrats on good set of numbers. My first question is on the volume growth. This is the highest volume growth in the last five to six quarters. So, would you attribute this also to the seasonality impact of the entire festive season falling in this quarter? Does this factor work in your case?

Sumit Malhotra: Abneesh, no. In terms of the festival season, the only state in India where you see a minor blip is Maharashtra. Apart from Maharashtra, there is no seasonality in our lead brand which is Bajaj Almond Drops. So, it is not because of this, I actually attribute this to continued investment in ASP as well as increase in distribution. If you remember last quarter that is Q2 of financial year 2013, as much as 36% of our turnover came from the rural area. This quarter it has gone up to 38%. Within a quarter the rural distribution has really pushed our volume sales up. So, I would say more than festival, I would say distribution has led to this excellent growth in volume impact.

Abneesh Roy: Sir, regarding rural and urban further if you could give the growth in rural areas and urban areas how much was it in this quarter?

- Sumit Malhotra:** You will realize that we have not given December figures because Neilson December figures will come after the January 20, but if you were to look at October – November rural has grown by around 27% for our brands Bajaj Almond Drops and urban has grown by around 14.8-15%.
- Abneesh Roy:** Sir, one cost element, which seems to have gone up sharply, is the other expense 240 BPS increase and 52% up YOY. So, I guess this will be largely because of the promotions? So, how are you seeing that going forward, any price cut could also happen instead of the promotion? How do you see that because some of the other competitors are also is offering some free...?
- Sumit Malhotra:** We have been saying this time and again repeatedly that Bajaj Almond Drops we will never ever reduce the MRP because if I do so I will kill the premiumness of the brand. I might offer promotions but I will never ever reduce the MRP.
- Company Speaker:** Abneesh, just to give you an insight, there is only one brand in all Hair Oils which offers price cuts and that is a coconut oil brand and apart from that coconut oil brand nobody offers a price cut. The reason is very simple that any price cuts actually signals a discounting in a brand and if you have a premium or a good brand you would not discount that brand. So, we would prefer giving sales promotion, which are things like consumer promotions or extra discounts rather than offer the price cut.
- Abneesh Roy:** But this level of promotions in your case and the competitor is it something you have seen in earlier soft raw material scenario also or is it different?
- Sumit Malhotra:** The last time we saw this kind of situation was in the year 2009-2010, and at that point of time this shift also happened, nobody reduced prices. So, a lot of people saw an upside in EBITDA margins but people like us spent much more on sales promotion.
- Abneesh Roy:** My next question is on your cooling Oil, Kailash Parbat but this quarter obviously is not a key quarter for cooling oil business but some data points if you see the distribution points have come down in the last few instances and also market share has come down from peak levels so how do you read this data point?
- Sumit Malhotra:** I think you have answered the question yourself. Winter is hardly the period of cooling oil. So, whenever there is a marginal brand or a new brand stocking as well as market share does come down in non-season so this is not something that is unexpected. I think the real action will start back in March now.
- Abneesh Roy:** So, you continue to believe that we are going as per expectations on this?
- Sumit Malhotra:** Yes we are, and I think more than my belief numbers will show it.
- Abneesh Roy:** Sir, finally any comment on how you see raw material scenario in the next one to two quarters?

- Sumit Malhotra:** What we have done is we have booked LLP till March of this year. So, we are covered for this year and as against Rs.79.10 per kg. We should be having an average purchase price of LLP of around Rs.75 in the fourth quarter. So, we are well covered there. We do not see an increase in vegetable oil or glass in the coming quarter.
- Abneesh Roy:** Thanks. I will come back if I have more. All the best.
- Moderator:** Thank you. We have the next question from the line of Akshit Gandhi from Aviva Life Insurance. Please go ahead.
- Akshit Gandhi:** Thanks. My first question is why do we have low tax rates of let us say around 20%?
- Sumit Malhotra:** As you know that a lot of FMCG companies moved into the tax free zones of Himachal Uttaranchal, Jammu Kashmir and Assam, we have all our factories in Himachal and Uttaranchal and therefore we pay only minimum alternative tax of around 20%.
- Akshit Gandhi:** Alright and for the next year also how long will we continue to enjoy this tax benefit?
- Sumit Malhotra:** The deal was that you do not pay any excise for 10 years from the date of start of the manufacturing facility. You would pay concessional income tax for five years and then after that an increased proportion but still less than the corporate rate. The corporate will start hitting us only in 2015.
- Akshit Gandhi:** My second question to you is that since you told you have booked LLP at Rs.75 for the Q4, I assume you have booked your entire LLP volume requirement right? So, post the fourth quarter at what rate are the contracts available because if the current rate stays at 79, then I believe we should get the next contracts at higher prices?
- Sumit Malhotra:** Like you would know that LLP is actually linked to crude and I do not think anybody in this world is predicting crude pricing beyond three months. So, therefore for me to get what will be the LLP prices after April would be difficult, but needless to say that currently if you want you can buy April LLP requirements at approximately Rs.75.
- Akshit Gandhi:** My next question is HUL has launched a Dove Lights Hair Oil or planning to launch it in the premium segment where a 100 ml bottle will cost around Rs.180 to Rs.200. So, one thing to know how much is the market size of this segment if at all it exists or is it a new segment and what do we have any exposure on any plans for it as such?
- Sumit Malhotra:** Typically Levers is labeling it as a Lights Hair Oil. They are calling it Dove Elixir and it is priced at Rs.185 for 90 ml. Now this in my opinion is a super premium because if we compare it to Bajaj Almond Drops that is the most expensive Hair Oil, which is priced at Rs.50 for 100 ml and here, we are talking of Rs.185 for 90 ml. So, actually Dove is creating a category or a subsegment within the Lights Hair Oil. Currently it does not exist, whatever will happen, will happen due to the investments that Levers put behind Dove Elixir. So the closest that we can

have as an example is if we were to look at pure 100% Almond Oil, which is what we have Hamdard and one of those companies that market size as far as I remember is about 75-odd Crores.

Akshit Gandhi: So it is ignorable. My next question is in the last three quarters you have been running at an average rate of Rs.135 to Rs.148 Crores. But for the next quarter you have a high base of last year where you will for a 25% growth rate you would need to hit a sales of 190 Crores so are you confident enough that we can achieve this runrate?

Sunil Malhotra: I would not answer you directly. Let me tell you that fourth quarter of every year is around 30% of our annual turnover that is one. The second data point you should know that Q4 of the financial year 2011, we grew by 21.5%, Q4 of last year we grew by 22.odd%. So despite this we have been clocking 20% and more even in the Q4 and so yes it is big, it is tough but we have done it before.

Akshit Gandhi: Also my next thing to ask you that if I look at the Almonds Hair Oil market as a proportion of the Lights Hair Oil's market and I am referring to the presentation, which you disclosed on the BSE, it says that the market share is around 53%-54% and in last two years it has moved in the same band. So, should I expect that you have reached a level where your Almonds Hair Oil growth rate will converge with the Lights Hair Oil's market growth rate?

Sunil Malhotra: I do not know which number you are looking at, Akshit? If you look at slide No.4 in the Investor Presentation the CAGR of Lights Hair Oil 17.4%.

Akshit Gandhi: I agree with that but that inculcates a small base. What I am referring to is the slide No.7, if you look at it I am referring to the value market share where market share in the Lights Hair Oil category it is since 2010-2011 from 53% it has moved to 54.6%. So, should we assume that this is the saturated growth rate?

Sunil Malhotra: You are talking of Slide 5?

Akshit Gandhi: Slide #7, the market share trends, all India, urban plus rural?

Sunil Malhotra: If you look at it you look at 2009-2010 we were 50.7, next year we were 53, this year we were 54 it shows a 1% increase in market share and in the eight months we have already increased a market share by 0.6%. For this year also we will get a 1% increase. But the thing is that this increase in market share is coming down I think that is quite obvious when your base increases and your market share increases the proportion of the increase in market share does come down and that is the base effect that I think all of you will keep on talking off. Once you hit 70% you cannot expect a 1% jump in market share every year.

Akshit Gandhi: My last question to you is that of course Lights Hair Oils has a percentage of overall Hair Oil market is still less than 20% but should we also expected that that it can reach up to 40% to 45% or no. Generally what is the management assessment on that?

- Sunil Malhotra:** The way it is going is it has already become the second largest segment in Hair Oil after coconut and the rate at which the differential rate at which it is growing it is going to become a significantly large proportion of the Hair Oil market in India whether it reaches or stagnates at 40% of total Hair Oil or 30% or 20% is anybody's guess. The way it is going and if you do trending it will go on increasing because over the last three years the proportion of Lights Hair Oil to total has gone up by 4%.
- Narayanan Raman:** To add to what Sumit is saying the onus lies on the market leaders to develop the category. So what actions we do would largely influence whether this goes to 40% or stagnate at 20%. So, the job is on at our desk.
- Akshit Gandhi:** Okay fair enough. I think that is it from my side. Congratulations on a good set of number and all the best for the future.
- Moderator:** We have the next question from the line of Kaustabh Pawaskar from Sharekhan. Please go ahead.
- Kaustabh Pawaskar:** Good evening Sir and congrats for excellent set of numbers. Couple of questions I have. First is can you just give me the growth rate of Lights Hair Oil category growth for October – November as well as the Hair Oil segment growth?
- Sumit Malhotra:** I do not have it off hand at this moment.
- Kaustabh Pawaskar:** Just wanted to understand that your growth rate of volumes of around 22%-23%, it is much higher than the category growth. So, you have given few of the reasons that one is that you are supporting your branch with ASPs and increasing penetration is also helping and also the improvement in distribution I think our competitors must be also doing that. So, what has really helped? I think one more factor is very important that is you are also getting the market shares from the competitor. Is it also another factor?
- Sumit Malhotra:** If you are growing faster than the category, you are obviously gaining market share otherwise if your growth is equal to the growth in the category your market share is flat. The fact is that we are currently we are growing at around 3%-4% faster than the category. 3%-4% for a brand that is around 50% means that you are adding around 2% every year or so. You are obviously gaining it from the competitor. What has happened is that the second largest brand, which used to be the leaders in the Lights Hair Oil, which is a brand by Dey's Medical, has already become the third largest brand. It has lost its No.2 position. So, that is obviously the source of gain of the market share.
- Kaustabh Pawaskar:** Sir, my second question is on the company's plan in Bangladesh because recently there was an announcement that there is a subs subsidiary already started with a subsidiary in Bangladesh so what exactly the plans are? How big the Lights Hair Oil market in Bangladesh is?
- Sumit Malhotra:** I think this is the very interesting area and one of the focus areas of our company. We have been trying to enter the Bangladesh for quite a few years. The barrier to entry there is the duty rates. If

we export from India, the product let us say if we price it at Rs.100 by the time it enters Bangladesh it becomes around Rs.210. There is a duty of around Rs.103%. So, it makes it unviable for a new user in Bangladesh to try our products even though our product is widely available in Bangladesh through the grey channels. So, what we have been trying to do is we have been trying to find a way to ensure that the Bangladesh consumer gets it at a reasonable price. This we had it not been able to track this. We have now formed a subsidiary and we will manufacture and distribute it in Bangladesh itself whereby avoiding or thereby avoiding the need to export goods from India. Now the second part of the thing, the market in Bangladesh is around 1200 Crores Takka, which should be around Rs.900 Crores that is the total Hair Oil market. The perfumed Hair Oil market in Bangladesh is approximately Rs.100 Crore. It is not a big market but we believe Bangladesh is where India was around 10-12 years ago and therefore this is the right time to enter Bangladesh and start feeding the conversion from Coconut Oil to Lights Hair Oil. Like what has happened in India where we have been able to grow the category we believe we will be able to grow the category in Bangladesh. So, when we sit here and may be talk two or three or may be five years from now the proportion of Lights Hair Oil in total Hair Oil in Bangladesh would be very close to what it is or what it was in India three or four years ago.

- Kaustabh Pawaskar:** But are there any competitors, regional brands are there?
- Sumit Malhotra:** They are. They are come local Bangladeshi brands. There are some imported brands. There is also already Bajaj Almond Drops. For your knowledge Bajaj Almond Drops sells at Rs.185 Takka for 100 ml in Bangladesh and it sells sizable amounts there already.
- Kaustabh Pawaskar:** What are the plans in terms of now the promoters are having 85% stake and it is mandatory to bring it down to around 73% so what are the plans in regards to that?
- Sumit Malhotra:** We have taken a conscious decision that we will comply. The two variables of time and price is something we will decide much closer to the time that we have to liquidate. We have till August of 2013 to bring down the promoters stake to 75%.
- Kaustabh Pawaskar:** Just wanted to come back to the tax rate question. You said that by 2015 you will be having a tax rate in line with a little lesser than what the corporate tax is. So, what would be the tax rate in FY'2015 any figure you could just quote in?
- V. C. Nagori:** As of now it is difficult to predict the tax rate for 2015, but our benefits will be restricted to 30% of our total profits for the year 2015 onwards.
- Sumit Malhotra:** Also Kaustabh you have to build in this ASP that will be coming in by that time. So we cannot give you a clear answer but if everything remains as it is you would be slightly closer to 30% of your tax rate would be slightly closer to 30%.
- Kaustabh Pawaskar:** That is it from my side. If there are any further questions I will get back to you.

- Moderator:** Thank you. We have the next question from the line of Jayshree from Pari Washington. Please go ahead.
- Jayshree:** Good evening Sir. I just have a couple of questions one is if we go to the slide No.7 of your presentation which talks about this Almond Drops Hair Oil relative market share in different states I just want to focus on two sets of states, one is in Rajasthan who is your next best competitor actually in Rajasthan?
- Sumit Malhotra:** The next best competitor is Hair & Care by Marico.
- Jayshree:** There your number is it is about 1.64 times next best competitor isn't it. That is what it shows?
- Sumit Malhotra:** Yes it is.
- Jayshree:** Then if we move the other states in Kerala who is actually leading you there in terms of Lights Hair Oil?
- Sumit Malhotra:** This is a very nice question and I am actually very glad that somebody asked me that. In Kerala the largest Hair Oil brand in the Lights Hair Oil segment is Johnson & Johnson Baby Hair Oil. It actually shows that like Narayan said the little while ago the growth of that segment depends on the market leader and if the market leader continues to invest the shift from things like Coconut and Amala into Lights Hair Oil will happen. In Kerala since we have not invested and since J&J obviously does not invest because they cannot advertise a Baby Oil as normal Lights Hair Oil it continues to languish. In fact if you look at the next Slide which is Slide No.8, you see that Kerala accounts for that 0.2% of the National Lights Hair Oil market. Since nobody has invested therefore a marginal brand is the leader, and therefore Lights Hair Oil category has not grow.
- Narayanan Raman:** Not to forget the die-hard coconut usage of Keralites.
- Jayshree:** How about Andhra Pradesh and Tamil Nadu, Sumit?
- Sumit Malhotra:** In Andhra we are the leaders obviously. The second is actually Hair & Care in Andhra in Tamil Nadu J&J is No.2.
- Jayshree:** My next question is on as one gentleman earlier touched upon your Bangladesh operations actually. What is the capex plan? Have we finalized the capex plan for Bangladesh?
- Sumit Malhotra:** Not yet. We are actually evaluating two options. One option is obviously building our own manufacturing plant but we are tending towards getting it contract manufactured in Bangladesh. If it is contract manufactured you will not have a sizable capex.
- Jayshree:** Then moving beyond Bangladesh. What is the overall capex plan for FY'14 actually?

Sumit Malhotra: There would not be major because we have already bought that land in Baroda. That has been done and it has been registered this year itself. Next year we will not be building that plant because I do not think the visibility on the GST will be there whatever little minor amount of capex will happen will be on account of that corporate office that we might start building.

Jayshree: What will be the quantum?

Sumit Malhotra: It will be less than Rs.10 Crores.

Jayshree: Sumit, my last question is given the fact that you are running along nicely in this course currently as an organization builder where you can see the gap in terms of organizational wise? Are there any gaps? What are the areas which you are currently addressing on in terms of addressing those weaknesses if I may call so?

Sumit Malhotra: I do not want to give you a management lesson but when an organization grows the biggest weakness that you can see is in the weakness of system. By system, I mean processes that ensure that you deliver product distribution, growth in market shares on a consistent basis. I think that is where we are investing and therefore we are investing in creating certain departments like IT, operations, treasury secretariat, which is all actually combined under Mr. Nagori, as recently as a year ago. We also are trying to build the second level because you will appreciate that people like Narayan, me and Nagori cannot do everything in the coming years. You would obviously have the second line developed into reasonably confident and mature level of operations so that they can take a load of us. So, we have actually got now a senior person in IT, we have got a senior person in operations and we got a very senior person in R&D. All these departments are now being developed which is like we said in our concall that we will need our corporate office once all of these departments are fully developed and are placed in Mumbai. So we are moving towards that.

Jayshree: That is all from my side, Sumit. Thanks a lot and all the very best.

Moderator: Thank you. We have the next question from the line of Chintan Desai from Ventura Securities. Please go ahead.

Chintan Desai: Congratulations for good set of numbers. My question is related to Bangladesh. Sir, wanted to know how much sales to out of this Bangladesh contribute to our topline? My second question is related to monitoring agency report that was uploaded to the BSE website in that we have mentioned about the status of the remaining three products. So, out of which one product it says that it has been tested for the product formulation and the second one was soft launch in certain export markets. So, wanted to know about the updates on those two products?

Sumit Malhotra: Regarding Bangladesh I think you missed the point I said that currently we do not export. Whatever is sold in Bangladesh is sold through the grey channel. So, on books the sales in Bangladesh is zero at this point of time. In terms of monitoring report you will notice that we do not name the brand or the product. The reason is to avoid competitive reaction before the brand is

launched it is safer to calling product one, product two, product three. So, over the concall, I cannot tell you which are these products. You will have to think it that we had planned to launch four products out of which we have launched one product nationally, which is the Cooling Oil which Kailash Parbat. We have test-marketed one in the export market, not in India and therefore I cannot name it and two other products which I yet unnamed and untested.

Chintan Desai:

Sir that would be from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Sagarika Mukherjee from SBI Cap Securities. Please go ahead.

Sagarika Mukherjee:

Congratulations for good set of numbers. I just have one may be a little theoretical question here. Sir as per Marico they have always maintained that in a scenario where input cost inflation and especially Copra for them has gone up. They have seen an accelerated increase in market share for them and it is very evident in the past eight to nine years also if you see that when inflation was high they again more like 200 or 300 BPS market share every year and this growth kind of decelerated in an environment where the input cost inflation fell; however, in your case this is not true. I mean in the sense that we can see there it is only a base effect which is playing out and then the growth in the market share is kind of plateauing. Sir, I would like to understand that why is this difference there in the two being oil players?

Sumit Malhotra:

Sagarika you are trying to compare two very different things. What you are talking of in Marico's case in Marico's Coconut it has become more of a commodity. There the commodity play is fighting with unbranded hair oil. If there is inflation the ability to buy better is loaded towards Marico because he buys much bigger and he is better organized and therefore in inflation the distance between unorganized and Marico's brand decreases. When inflation falls the discounting can happen to a higher extent in unbranded Hair Oils and therefore the difference between unbranded and branded Hair Oil widens and therefore that is the effect on market share. When you build a brand and a premium brand like Bajaj Almond Drops you are obviously going to be playing not on price which is the commodity play. You are going to build on ASP, which leads to brand full and that is why whenever there is an increase in the gross profits that we make we actually increase ASP and try and build volume during that period, which is exactly opposite of what happens in the case of a commodity.

Sagarika Mukherjee:

Thanks a lot sir. Thank you.

Moderator:

Thank you. The next question is from the line of Viraj Mehta from Motilal Oswal Securities. Please go ahead.

Viraj Mehta:

Congratulations on a superlative set of results. Since you do not have any major capex this year, I wanted to know your dividend policy for the coming year since you have already announced your interim dividend of about Rs.6.5?

- Sumit Malhotra:** We have already announced Rs.6.50 per share. In terms of whether there will be a final dividend or not, I cannot say at this point of time but like I have been saying on the concalls our policy is that if we do not have a use of the cash that we are generating we would prefer passing on an increased amount of dividend to the investor. As and when we start using a major part of the cash that we have the dividend could go down from its current level but since we do not have use of the cash this financial year we gave a very hefty dividend this year. The trend is basically the first year that is financial year 2011, we gave Rs.1.9 per share, last year we gave Rs.4, this year we have already given Rs.6.5 per share.
- Viraj Mehta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Naveen Trivedi from Karvy Stock Broking. Please go ahead.
- Naveen Trivedi:** Good evening Sir. Congratulations for the good set of numbers. Sir my question is again on Bangladesh. A couple of questions I want to understand. One is that at what rate this Hair Oil segment is going in Bangladesh and if you can just throw at what rate Perfumed Hair Oil is growing in the last two to three years timeframe?
- Sumit Malhotra:** If you look at Hair Oil there around 90% of the Hair Oil is Coconut and if you have been reading Marico's results and they have been talking about their Bangladesh Company it has really not been growing. So, actually total Hair Oil currently has not been growing very attractively in Bangladesh. The Lights Hair Oil is actually nonexistence. The Perfumed Hair Oil is around 10% of the total Hair Oil market in Bangladesh which is growing at around 14%-15% currently but I think that is the proportion of the investment that people are making into Bangladesh and the difference that we would like to make it Bangladesh will start pushing this segment much more aggressively.
- Narayanan Raman:** It is simply like availability creating demand. To make the product available and therefore create the demand that is the situation that we are in Bangladesh.
- Naveen Trivedi:** I just want to understand what has changed right now I think this duty rates have been since long time it remains at the same level so what has changed now that we are now entering into Bangladesh because you are saying you have two options one is to setting up your own facility in Bangladesh or the other option is that you can also outsource things from other players so these outsourcing option was already there before also?
- Sumit Malhotra:** There is something called management bandwidth, and return on investment. When you are growing fast enough in India and you do not have the kind of management bandwidth you would rather concentrate on what you are doing in India. Now the company is becoming bigger and like I said a few minutes ago we are now developing the second line and having people who can take care of this project and therefore you can divert your attention in the case of certain managers into Bangladesh. We did not have that luxury earlier on.

- Narayanan Raman:** Also the fact that you know spreading our financial resources was too thin would have been then impaired the growth of the primary brand in the domestic market which is something that we cannot afford to do.
- Naveen Trivedi:** Sir, are you also looking at some other geography apart from Bangladesh?
- Sumit Malhotra:** Yes we are.
- Naveen Trivedi:** Can you name these geographies if you can?
- Sumit Malhotra:** I would rather not but to give you a vague answer to that questions apart from India and the Indian subcontinent the only other countries where you have Hair Oil usage is are countries where you have the India Diaspora apart from that Africa and Egypt.
- Naveen Trivedi:** One more thing on Bangladesh. Can you give some at what timeframe that you will be able to either manufacture things in Bangladesh or your outsourcing arrangement in Bangladesh?
- Sumit Malhotra:** I think it is too early to react here. We have just formed that subsidiary last month. So, it is going to take some time and I would rather not given up a figure in terms of timeline or what would be the sales there as of now.
- Naveen Trivedi:** But in any case suppose if you launch the product in Bangladesh would it be the same price point right now even if the products are available in Bangladesh I think you mentioned Rs.185?
- Sumit Malhotra:** There two sides you have to look at. One is at 185 there is 103 -104% duty which we will not pay because you are manufacturing in Bangladesh. The second is the perceived price because if there is a product manufactured in Bangladesh nobody is going to pay us the same price as an imported product. Like if you eat Mars, which is imported you would probably pay Rs.25-30 per box but the Indian one costs you 15 bucks. So, I think the price will be lower. At what rate it will happen, what kind of margins we will make, when it will happen, I think it is still too early to talk about.
- Naveen Trivedi:** One more thing on the in your press release you mentioned that you will spend around 88 Crores on promotion of future product. So, any timeline that you are basically targeting that we will launch these tested products in the market?
- Sumit Malhotra:** No.
- Naveen Trivedi:** Thank you so much Sir.
- Moderator:** Thank you. We have the next question from the line of Ajay Vora from Enam Asset Management. Please go ahead.
- Ajay Vora:** My question has been answered. Thanks.

- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Religare Asset Management. Please go ahead.
- Nitin Gosar:** Good evening. Just wanted to know the numbers for promotional activity, which sits in the other expenditure?
- Sumit Malhotra:** If you look at the total ASP this quarter is 21.54 Crores, this is ASP, whereas A is 9.94, 9.94 is basically coming from the limited review whereas the ASP is 21.54 Crores. So 21.54 minus 9.94 are the sales promotions.
- Nitin Gosar:** This would be vis-à-vis like YOY if one were to understand?
- Sumit Malhotra:** Last year the ASP was 14.12 and the A in that were 9.48.
- Nitin Gosar:** YTD if you can give us the number similarly like YOY?
- Sumit Malhotra:** YTD, ASP this year is 57.67 Crores, last year was 40.06 Crores whereas advertising in the nine months this year is 28.29 Crores vis-à-vis 24.43 Crores in nine months last year.
- Nitin Gosar:** Thanks for the information.
- Moderator:** Thank you. There are no further questions from the participants. Mr. Malhotra do you have any closing comments?
- Sumit Malhotra:** I would just like to say thank you to everyone who has been believing in our storey and I think we have more than come up to their expectations in the last eight quarters. From my team I can assure you that we will continue to work hard and try to meet your expectations. Thank you once again for believing in us.
- Moderator:** Thank you Sir. Ladies and gentlemen on behalf of Kotak Institutional Equities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.