Jyothy Labs Limited
Q1 FY 2020 Earnings Conference Call
July 23, 2019

Moderator: Ladies gentlemen, good day and welcome to the Jyothy Labs Limited Q1 FY 2020 Earnings Conference Call.

Today we have with us from the management, Mr. M. P. Ramachandran -- Chairman and Managing Director, Mr. K. Ullas Kamath -- Joint Managing Director; Mr. Rajnikant Sabnavis -- Chief Operating Officer; and Mr. Sanjay Agarwal -- Chief Financial Officer.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. M. P. Ramachandran. Thank you and over to you, Sir!

M. P. Ramachandran: Good Evening, my dear friends. This is M. P. Ramachandran speaking

Mr. Rajnikant Sabnavis will take you through the presentation and Mr. Ullas Kamath will address Question-and-Answer session. I invite Mr. Ullas Kamath and Mr. Rajnikant Sabnavis to take on the call. Thank you.

Rajnikant Sabnavis: Good afternoon, everyone. I will get started straight away with the presentation that should already be in front of you which is for Q1 FY 2020. I will just talk very briefly about us, briefly about our new identity; give you a sense of the market scenario, results highlights, brand performance, and initiatives, and finally a way forward as we see it from here.

So about us, we were founded in 1983 by a first-generation entrepreneur, Mr. M. P. Ramachandran, who just spoke to you. We are present in Home Care and Personal Care, which is about half the total FMCG industry. Our key product categories are Fabric Care, Dish Wash, Household Insecticides, Personal Care and we have six very strong power brands: Ujala, Henko, Maxo, Margo, Exo, and Pril. The rest you can see in terms of what we have achieved. We are a large company with 26 manufacturing plants across 22 locations, we have 2,000 plus strong sales team. We have a pan India availability of up to 2.8 million outlets, of which 860,000 are on direct reach.

In terms of our new identity, Jyothy Laboratories Limited is now Jyothy Labs. Innovation is one of our most important values and we believe it is extremely strong in a changing world. So the new logo captures this whole spirit of seeking the light and spreading the light. You can see our new logo over there.

Okay. So I will come to market scenario now. As we see it, the demand scenario is stable. We do believe that with normal monsoon, it will pick up and overall our outlook is positive. We believe that volume growth will be a key driver. However, you will find all players very-very aggressively contesting their turfs, there is no doubt about that. However, we do believe that a softening of crude and key raw material prices, which we are already observing could see stable margins in spite of the market contesting between players.

We are still seeing naturals as a trend. This will remain a consistent theme. And you will find specific segments in the market where you will see premiumization.

Coming straight to the results, we have seen an overall revenue growth of 2.2%, of which the volume growth was high at 5.6%. Our non-household insecticide revenue growth was actually 4.2%, with a volume growth of 7.6%. So we had good strong volume growth. And we have just about held our own in terms of the growth. The non-HI market especially.

In terms of gross margin we have grown, we have come in at 48.6 versus 47.9, which was in the same period last year. We have increased our A&P expenses to Rs. 33.7 crore versus Rs. 32.4 crore the A&P to Sales ratio is a little higher at 8 % versus . 7.8 %.

In terms of our operating EBITDA, it came in at 15.5% which is Rs. 65.6 crore against the same last year it was 13.7% at Rs. 56.6 crore. So, EBITDA is up by 15.8%.

In terms of profit before tax, it is up by 10%. PAT at Rs. 37.4 crore against Rs. 33.5 crore is up by 11.6%. And our EPS at Rs. 1.07 is up by 11.6%.

I will just take you through how we performed at a category level.

Fabric Care we have grown by 5.4%. Dish Washing we have grown by 1.1%. Household Insecticides continues to be challenged, it declined by 21.6%. Personal Care grew by 13.3%, bringing us to a total growth of 2.2%. We saw a small growth in our Laundry Services business and our brand total consolidated results now still appear at 2.2%.

To give you a sense how we have performed at a brand level. First, the power brands, Ujala has grown by 2.8%, Exo 1.5%, Maxo has declined by 21.6%. Henko has been a great story; it's grown by 23.3%. Margo has also done exceptionally well 14.5%. And Pril has just about grown. So overall, our power brands are grown by 4.2%. We have seen some declines in others maybe Maya, Mr. White, T-Shine, Chek, etc. So we have seen a slight decline over there. That brings our total to 2.2%.

In terms of a snapshot of the performance, our revenue from operations at Rs. 422.5 crore is up 2.2%. Operating EBITDA at Rs. 65.6 crore has grown by 15.8%. PBT has grown by 10%. PAT has grown by 11.6%.

In terms of financial parameters, as we had mentioned in the highlights, we have grown gross margin to 48.6% from 47.9% that is a 70 bps increase. Operating EBITDA margin has come in at 15.5%, PBT 11.8%. PAT margin is at 8.8% and A&P to sales ratio is at 8%.

Please remember that the exceptional items includes a one-time expense of Rs. 3.8 crore spend during the quarter to execute the identity change.

In terms of EBITDA moment, which we already shared with you, you can see how that 13.7 have started up to 15.5. We have seen increase of 70 bps in gross margin some drop in employee cost, marginal change in advertising and sales promotion. Other expenditure we got a benefit of 1.6%, which is as per IndAS 116 rent expenses, which we were earlier expensing out of Rs. 5.14 crore that now moved to depreciation. And therefore, EBITDA grows.

I will talk you through the brand performance and initiatives. In terms of our categories it remains the same what we have always shared with you. In Post Wash, we said we will extend our dominant position. We will continue to minimize the market and we will do every targeted market development initiatives.

In terms of Main Wash, we need to establish uniqueness of our products, we have to be distinct, we have to build for the future, and we have to win through innovations.

Dish Wash, we have spoken about our two-brand portfolio, the need for or the continuous innovation that we do in the category. And then we said we would drive it in the rural markets where category penetration is low.

On Household Insecticides, it has been about increasing footprint, it has been about winning through innovation.

And finally, Personal Care, we have one brand which we spoke about reinvigorating strongly looking at relevant extensions and differentiated propositions on naturals.

The category wise business share and picture is in front of you. The only difference you can see Household Insecticides, it is a small piece in the overall business, in this because of seasonality and therefore, the contribution is only 6%. During the year as well, it is much more contributions.

Okay, so Fabric Care which is 44% of our business we have grown by 5.4%. Within this, we will first start Ujala Fabric Whitener. The brand has grown share by 70 bps in the quarter. What we are doing differently to accelerate growths under our flagship Ujala Supreme is to invest aggressively behind the brand. We have a brand-new TV campaign; we believe it is very important to maintain salient to increase consumption and that is one big boost that we are giving to the brand. We will continue to do strong activation at the trade and consumer level.

We have also done a lot of work to ensure its top of mind for our field force. We have actually developed an Ujala anthem, which is played at every sales meeting to ensure its salient with all our field force and all the energy is back on the brand.

We have done some interesting work with Hariharan show, it is really where we are participating, is sponsoring, and indeed getting our retail trade to come there. So these amazing means by which we keep retail excited, while the field forces energized. And for consumers, there is a strong advertising campaign.

Ujala Crisp and Shine, we have seen some very good growth in this quarter of 21.8%. We will extend this brand in quarter two to Andhra Pradesh. Quarter three, we will move to West Bengal and Quarter four, we will go to Karnataka. These are states where we believe that there is a very strong potential for the brand.

Coming to Ujala IDD detergent, we have seen strong growth in market shares during the quarter. We continue to keep growing ahead of the market. And as we always said, we are the number one brand in the mid-price segment in Kerala.

Come to the Henko franchise. The Henko franchise has grown 23.3% in the quarter. We spoke earlier about the re-launch that was coming up, for the all-new campaign both on the Matic and Henko StainCare, which was earlier Henko Stain Champion. This is paying off for us. We are seeing a premiumization trend at this end of the market. We are doing about it in a very sensible manner with picking up key markets which are big for premium detergents and focusing over there. And E-commerce is also a key channel for this.

Continuing on the same theme, as I had mentioned, we are focusing on certain key markets which are strategically very important Kerala and TN are two of them. And we are seeing good results over there on the back of strong media investments we have the brand in those states.

Matic, of course, we have always maintained, we do not take part in the price wars, but we are offering a superior product distinct proposition growing at 10.2%.

Now, we come to Dish Wash. Dish Wash is nearly a third of our business. We have seen only 1.1% growth in the quarter. What is very important to note is that this has been a key driver of our business so far, it will continue to be that way. It is shared with you on the right-hand side the CAGR from five years, three years, two years and one-year time frame. And in the one-year growth time frame, you can see that the growths are only accelerating. In terms of market shares, we have grown share on Exo bar by 33 bps. Pril Liquid has gained marginally in terms of share. So the brands are good in the life.

Just want to share with you, that within Dishwashing, we have seen Exo Bar grow by 6.6%, Pril Liquid by 1.4%.

So I will just try and complete that Dish Washing story for you. First point is that April - May - June (AMJ) we saw 26.5% growth on Exo Dishwash Bar versus a full growth of 20.2% in FY19. We had an inflated AMJ same time last year. Then we introduced new Exo Ginger in the market that required us to down stock a little, as we flushed out everything in the pipeline at our end. So slightly lower primary sales, we still hit Exo Bar growth of 6.6%. In the secondary sales growth, in fact, in the same quarter was 11%. We did see obvious slowdown in our Scrubber, etc. where we took some corrective actions. This has been the reason why the overall growth looks muted in Dish Wash. But our brands have grown share.

I now come to the Household Insecticides business, which in this quarter is only 6%, in the full year, of course, it is 14%. The Maxo franchise has declined by 21.6%. Once again, the weather conditions have not really supported us and in states which are important for Maxo, we have seen a delay in the monsoon setting in and therefore, Mosquitoes did not come on time.

Continuing on the Household Insecticides, we have grown share handsomely in the quarter both on the Coil as well as on the Liquid Vaporizer. Right at the beginning, we spoke and we have always maintained that this category is very important for us and we are in the process of building Maxo as a brand that will be built through innovation, the innovation is on the Liquid Vaporizer machine. So the Maxo Genius Combi Machine grew by 21% QoQ (AMJ FY 20 Vs FY19). We have also launched a new Genius Liquid Vaporizer with a formulation, which is now 80% stronger, it supported on TVCs we have got a brand ambassador for it. And we have done a lot of work at the outlet level. As a result of which, you will see the share gain.

Speak a bit about Spurious Agarbathi in India we were the first to flag this off to you all, when we spoke about it. It is a serious threat to legitimate mosquito repellent industry. You can see that this business which is not legitimate has created value of Rs. 551 crore for itself in four years. And if you take Coils or Refills, it is barely Rs. 1,600 crore to Rs. 1,700 crore over several years that they have been out in the market. This is a serious problem. They use illegal actives, which are pesticides; they are extremely harmful to human health. They always tend to be local and unbranded products. There is absolutely no regulatory control over these manufacturers in terms of safety licensing or formulations. So this is a serious problem. We are working at it through the Industry Association, which is the Household Insect Control Association (HICA). We are very engaged with them, we are taking it up with appropriate authorities we have brought a lot of action against the manufacturers, will have to continue this to see the end of this problem.

Personal Care, it has been a good story for us. We have stayed with our proposition of 1000 neem leaves impact, it is paying-off. We have grown across states. It has been backed by investment we had a new TV commercial and overall our growth is 13.3%. We are also strong with the new millennials through social media.

Finally, I come to T-Shine. A quick update for you, our market share growth continues. We will back this. As we have said that the rollout will be ready when we touch a 10% market share, but we are progressing towards it.

So finally, just a snapshot of our innovations and the progress you can see all of them together over here. All our brand's products have unique features. They are backed by disruptive products and we have world-class, packaging, and design to support them.

Finally, going forward, for us, as a company, the innovation agenda will remain top priority. And we will keep rolling out to newer geographies and extend brands where we believe it is appropriate. We will leverage modern trade as it grows. Ecommerce strategy will be a significant part of it. It is nearly 25% of our business there. And we will keep innovating on the digital platform to offer superior experiences to the shopper and the consumer. And as I mentioned earlier, we will continue to spend on social media.

I come to the shareholding pattern, there is no change there the pie chart is in front of you.

So finally, with that, thank you very much. And you can now ask us questions.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Sameer Gupta. Please go ahead.

Percy: Hi, sir this is Percy here. My question is on the difference between the volume and value; it is like a negative 3%. So what is the reason for that, sir?

Rajnikant Sabnavis: Hi Percy, Yes, there is a gap between our volume and value. There are two basic reasons. One is, those parts of our mix which are at a lower than the company average have grown faster. That is one part of it. And the second part is some parts, we have seen high competitive intensity and promoted. So these are the two reasons why extra ml free extra grammage free. So these are the two reasons why you see the growth.

Percy: Okay. So despite the fact that the lower part of the portfolio is growing faster and the promotions are higher, the gross margin is actually increased 17 basis points. So what really drove that gross margin expansion?

Rajnikant Sabnavis: So the gross margin expansion is two counts. You can see some parts of our premium portfolio have seen a huge jump in our gross margin due to the RM-PM price downturn that is happening in the market. For the first time, we have entered a situation. Normally you would hear a very cautious word from us saying look crude prices coming down, could have best been LAPSA**.** First time we are seeing LAPSA prices and packaging material prices which is plastics come down. So we benefited from prices versus the same period last year.

Ullas Kamath: Yes, adding to that, because Maxo has not done well. It helps our gross margin improvement because Coil is the lowest gross margin for us. And indirectly it has benefited us in increasing our gross margin to a great extent.

Percy: Okay, sir, the other question I had is that in your annual analyst meet, you had mentioned that you would be ramping up the ad spends very aggressively and the full-year ad spends would be like 30% - 35% higher than the last year. But in this quarter the ad-spend has grown only by about 6%. So is there a rethink on that sort of point that you had mentioned at analyst meet.

Rajnikant Sabnavis: Not in reality, our media spends on product expansion are lined up in the second quarter, may be in third quarter. Also looking at the macro scenario, we just deferred a little bit. But if you see the way how we have planned, it was in a phased manner and the advertisement spend what we have budgeted was about Rs. 33 crore and against that, we have spent about Rs. 27 crore. So what we have held back, we will be spending in the coming quarters. And also in the first quarter, we had Rs. 3.8 crore spent on new identity. So all the salespeople we have taken them to Kochi, it was a mega event of three days. So a lot of management time also was spent in explaining to everybody on the brand identity, we hired the best of the consultant from the market. So May 2019 month was more of releasing the brand identity across the country and it has gone very well across our country. But coming back to your question, we will be spending the money what we have earmarked and will be aggressive in the marketing spends in the current year.

Percy: Right, sir. So in light of this performance of Q1, where sales growth has been about 2% do you think you would need to revise your full-year guidance of 12% kind of top-line?

Rajnikant Sabnavis: Yes, sir. We have revised it to 10% - 12% now and looking at the July 2019 month, we are hopeful that we will be able to achieve that number because monsoon is in place now, and there is water availability in most of the states where we are very strong in. To that extent, we have revised down to 10% - 12%, we will watch for one more quarter, September 2019 quarter will be very-very decisive for us because it is a good quarter on the time when you see it. Hence based on that, we will take a look at it again. But at this point in time, 10% to 12% is doable, and we will hope to surpass the guidance of what we have given in the coming quarters.

Percy: Right, sir. And finally on the Dish Washing portfolio; on Exo, you mentioned that there was a pipeline impact of the new ginger variant being launched and your secondary growth was 11%. But on Pril, there was no commentary in your press release and presentation. So, if you could just give an idea on if there is anything specific that we need to keep in mind as to the reason as to why April 2019 has been weak this quarter?

Ullas Kamath: So just for clarity, there is no specific thing. Our volume growth is a little higher. This was that part of the portfolio where we saw some intensive price competition. I do not want you to read too much into that our market shares are healthy, there is a slight growth visible at national level but in key states, we have gained more. So watch this space for this quarter. See, I do not think on that small base.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Just coming back to Dish Washing segment. Exo, should we expect growth to come back from quarter two, post the re-launch?

Rajnikant Sabnavis: That is correct you can expect it to come back strongly.

Kaustubh Pawaskar: Right. And sir, in terms of HI now, monsoon has been a little bit abnormal and now, we are seeing it is spreading. But still, in most part of the country, it is not that great or you can say it is deficient. So considering that, HI will take some more time to recover.

Rajnikant Sabnavis: As far as HI is concerned, we have two challenges. Challenge number one is definitely extreme weather what we are seeing for the last three to four years. We are witnessing extreme summer and extreme winter, therefore the category has been minus 2% - 3% in the last three years. So to that extent, the category growth itself is a big challenge. Added to that, the Spurious Agarbathi what we see, initially we thought that it will not affect us in any which way. But the end of the day the user, who was using the Agarbathi, probably he will not be using the Coil at that point in time because at the end of the day the application is same. So we are not able to give a full judgment on that. But worry is on Spurious Agarbathi, we will see how we tackle that as an industry because there is a limit what as a company, we can do. We have spent a lot of money as in association also we spent the money in propagating about this particular Spurious thing, but it has only aided them to sell more it looks like. So as an association, we have made representation to the Central Government, State Government, Agriculture Department, Inspector of Factories, and all the possible things we have done. But yet, their growth has been worrying for us. That is the bigger challenge that we see. So at this point in time HI, for us, overall it is 6% of our business. We are doing whatever the best we could do, but rest of the things only the time will tell, where the industry or where the category will go.

Kaustubh Pawaskar: Sir, my last one is on the gross margin, as you said that you are seeing the benefit of lower raw material prices. Is it sustainable? Should we expect margin expansion, gross margin expansion to sustain in the near-term?

Ullas Kamath: So, we spoke about it in the first chart, you must remember that and therefore, that line is pretty balanced. You will also see intensity of price competition. So, I would not say, you should expect a sustained growth like this, all we said is it looks sustainable at these levels.

Kaustubh Pawaskar: Okay. So stable kind of margins is expected?

Ullas Kamath: Yes.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Just two-three things. Firstly, this negative price mix effect, do you see this more as a quarterly phenomenon because of mix or because the competitive intensity is going to be high, this year will probably be a volume growth driven year with pricing probably in line or even negative?

Ullas Kamath: Yeah, it looks like that; it is going to be like that for the year. Because if you see any of the stores of the marketplace, every product comes as an offer, 2 + 1, 1 + 1, 3 + 1, 20% extra, 10% extra, all these things are going in the volume. And in our product including the Neem Toothpaste is going 20% extra, because none of us we wanted to touch on MRP and no FMCG company has changed the MRP. Because the only way you can do it is bringing down the MRP which nobody wants to do. So all of us, we are driving the consumer offer. And also, the small retail pack when it goes it is again, in some cases it is advantage, in some case it is a disadvantage because we need to have a Rs. 10 pack, you need to have Rs. 5 pack. So we are working with a mix and match of all these things together. Answer your question in the current year, according to me, the volume growth will be more than the value growth or because everything is going with the consumer offer. So there is nothing wrong in that as long as consumption is happening.

Harit Kapoor: Absolutely. My second question was on the rural side. So your fair salience on rural markets, if you could just give a sense on how you are seeing that play out I also understand that your distribution pushes there for new products. But if you could just, talk about how much rural would have published load for you or it has been?

Rajnikant Sabnavis: Rural off-take should be happening from this quarter onwards because at least the monsoon we are seeing in most of the part country and also the department is also saying that it will be almost normal. But as far as the quarter gone by is concerned, rural off-take has been lower than what we expected. Generally, we used to get 1:1.5 in the rural but now it is about 1 to 1.3. So the sentiments are bad stocking will go down as far as the rural market is concerned, sub stock is not as much as they should have bought. So that is behind us. Now, July 2019 month is looking better than the June 2019 month. And if this trend continues, I think rural will be back by the end of the year. And also, this is the first time we are witnessing during the election, before election, and after election, there is no change in the consumption pattern. Sometimes post-election the consumption will drastically go up. But this time we are not seeing that also. But all the government programs which is meant towards the social sector rural India, all these things will definitely take off in the current year because the government is aware of what is happening and they want to recover this consumption slow down. And all these things will add up to our story also as a consumption-led growth in the coming quarters.

Harit Kapoor: Very clear, sir. Last thing was on the other expenses side I mean even if you adjust for the IndAS 116 impacts you have seen a flattish kind of other expense growth, even our growth, and other overheads, advertising has been quite muted. Just wanted to get your sense on the initiatives that you are taking to kind of keep these growth rates fairly muted. And how do we see this going forward?

Rajnikant Sabnavis: You want to know, how we will keep the growth rates going on.I did not understand that connection with exceptional items?

Harit Kapoor: Not exceptional. So my question was on the other expenses. So on the employee overheads also the growth has been low, other expenses growth has also been low, even adjusting for IndAS. So if you could just help us understand what you have been doing there to keep those costs below sales growth?

Rajnikant Sabnavis: Yeah. So we have traditionally kept a tight control on costs, okay? And therefore, that is what you are seeing panning out over here. Is there anything exceptional we are doing in order to keep the employee costs lower, the answer is no. We have, in our manufacturing side, been a lot more careful with the utilization of contract labor that was translated into some kind of benefits. So there has been some smart management over there. Otherwise, as far as our costs and expenses grow, the other side is on the freight side which we spoke about a year in the past. You will see those benefits kicking in slowly as we spoke about GST; we spoke about reconfiguration of our source and supply points and the usage of larger haulage trucks, etc. So that is pertinent a little bit. Hard to quantify, but all of that adds back to some savings and cost.

Ullas Kamath: Yes. Harit, we will be able to maintain the EBITDA margins, what we have now maybe we can add 20 - 30 bps in the coming quarters. But any efficiency we get because of whatever Rajni has told, we would be interested in investing back in advertising and marketing, because end of the day, we need a top-line growth and we will do whatever is required to get the top line now for the current year 10% to 12%. And we will be able to maintain in a range of 15.5% to 16% EBITDA margins in the current year going forward.

Harit Kapoor: Very clear, sir. One more, if I may, is on the Dish Wash side. Is there anything on the category side, which is worrying you in terms of growth or that is something which is not a worry as of now?

Rajnikant Sabnavis: No, not at all a worry and that is the reason why we have given the last five-year number, three-year number, two-year number, one-year number and last quarter number and next quarter number I will give you next quarter. But everything we have given and it is just that we wanted to launch that Exo Ginger and that is really when you launch a product and got a national level advertising, if that product is not available at the store it will boomerang. So the shelf has to be empty to a certain extent so that the retailer will take. Practically, when you go to a store, if he already has two dozens of Exo old one, if you go the Ginger, he will say he already have one. So instead of taking it back and giving the new one, we just felt that keep about 10 days - 15 days vacuum and go with a new packaging, everybody will accept it and that is what has happened and that is what we are seeing uptake happening from July. So no need to worry at all it is just 10 to 15 days of stock, we did not supply into the marketplace. But that is the way how every company operates and we also operate. So just to get the freshness to the marketplace, we have to do that. And that is why we gave all the supporting numbers not to worry; we will get back to that 15% plus in Exo in the current year as well.

Moderator: Thank you. The next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

Riken Gopani: I wanted to understand, you have been talking about the HI segment being weak for over the last three years. But what was so specific for this quarter for a 20% plus decline to have happened if you could elaborate more on that, sir?

Rajnikant Sabnavis: So, when we talk about the Household Insecticide business, it has been weak for a while now. As we mentioned, I will just repeat there has been a decline, it is a continuing decline in the categories specifically to your question of ours being a slightly bigger balloon than the rest, is because those markets we are very-very strong, which is really at the East and the Central part of India where we are extremely strong and we have secured a major part of our business in the North. We have been hit harder by the delaying of the monsoons. Whereas in the Southern states where we get a very small portion of our business because of our lower shares even though the monsoons are there at several parts, it does not really work to our benefit. So that is why you see a higher than normal decline in our business in Maxo. However, we as a company are focused on growing shares, especially in Liquid Vaporizers, which is the value-added part of the business. We have done a lot of innovation work; we are investing behind the brand. And that is the benefit that you are seeing in growth in shares, but not enough to cover up for the loss in volume.

Riken Gopani: Understood. And second thing, I wanted to check is on Margo, you have delivered strong growth for the quarter. I wanted to understand what is the volume growth there and what is the outlook on that segment for this year?

Rajnikant Sabnavis: So it is roughly the same. No major difference as far as Margo growth in volume and value, we have not taken a major price increase over there. Your next question was what was that?

Riken Gopani: The outlook for the segment?

Rajnikant Sabnavis: For the segment, as we spoke right at the beginning, the natural segment has a natural tailwind, which is good for us and that place is Margo at a good place. So I expect us to clock our double-digit growth or close to double-digit growth as we go forward on Margo. And the Personal Care, Personal Wash per se as a category is undergoing stress, thanks to our very distinctive proposition we are able to confidently stay close to double-digit growth. That is our going forward outlook plus, as Mr. Kamath had mentioned earlier, we are looking in quarter two, quarter three innovations coming into the market. And we will see some relevant extensions of the brand.

Riken Gopani: Understood. And you highlighted that the Crisp and Shine is now being rolled out to the other markets over the next two quarters, three quarters. So any outlook in terms of what sort of growth it could drive for the business of Ujala?

Rajnikant Sabnavis: So Ujala Crisp and Shine is a very important extension. It is large in Kerala, we have been testing the mix in TN, we have reached a point where we are confident now and believe it can extend it to relevant markets. So we will be expanding in AP, West Bengal, and Karnataka thereafter over the next three quarters. As you can see it is a phase re-launch. So do not expect there is a national kind of a purse and you will see certainly numbers exploding, it can be a phase-III launch. And we expect it to go up to 20% of Ujala in these states.

Moderator: Thank you. The next question is from the line of Anand Shah from Axis Capital. Please go ahead.

Anand Shah: Just one question on your guidance for the revenues, which is about 10% to 12%. Does it not look a little bit aggressively when you started with two? And your indications are that competing of the intensity will keep pricing benign, even if I take flattish to an extent on a best-case basis, not a decline. And it would indicate almost a 12% revenue growth rate for the next three quarters and slightly higher volume perhaps. What gives the confidence you know, that will be able to deliver this?

Rajnikant Sabnavis: Yeah. The confidence comes from the fact that investment will be there behind all the brands and every brand is getting the market share for the last two to three years, if you see, we have **never** lost any market share to anybody in any of the brands barring Maxo where the top-line is not growing but still the market share, is very-very healthy. So we are very clear that the brand position and the placement are all in place. It is just that we need to step up our media investment and we have planned very well how to go about on those investments in the current year. Now, the second answer for your same question is that, if you see our numbers, Exo Bar, it was in our control. And if you see the secondary sales it is at 11% and we will be able to do that. And we have given the Dishwashing growth numbers for five years, three years, two years, and one year and we are upward of 10% CAGR in all the time. So we will be able to get that 15% plus in Exo in the current year also and we have planned accordingly. As far as the brand extensions are concerned, Margo is coming out in the Q2 again, right time has to come and that is the only thing which we deferred it by a quarter or two, but we will go back and we will spend that money wherever is required. And we get that Margo growth which is at 14.5% now and which we wanted to be around that. And our Fabric Wash is doing well at 5.4%. And the volume is much better than that. And if all settles down, we should be able to go closer to like 9% - 10% in the current year in a balanced three quarters. Only thing which we do not have the control is on Mosquitoes Repellent business. But that is anybody's guess how it is going to plan out in the coming three quarters. If there is any big decision by the government to take action against these people, then there is Rs. 700 crore of business ready for all of us. We are there with our Agarbathi, we can always replace that because the categories in Agarbathi as a mosquito Agarbathi. So we are already there with our product, we have 1% market share, but overnight if that is banned, then we are there to service the consumers. So at this point in time, September 2019 will be very-very critical for us. And we have just seen the competitor numbers also, looking very healthy. I do not think that we should really worry if government initiative is whatever they are putting the money and minimum support price with the agriculture that off-take is there. And if rural Indian is happy the FMCG sector, will always be happier. So to that extent, I still feel that it is one-off quarter, which we have witnessed and next quarter will be very-very important for us. July 2019 looks definitely better than June.

Anand Shah: Okay. I was just coming on this because as you indicated right, I mean, so one is the environment. I mean, you are that confident as the innocent that the environment has improved, quite significantly?

Rajnikant Sabnavis: Shared better than what it was, even June 2019 was better than May 2019 and July 2019 is looking much-much better than June 2019. And we are always eternally optimistic in business. So all our plans are there, it is just we are deferred by a quarter. To that extent, I said it was the right decision of not investing the huge money in the first quarter. But now you see the investment back. And also, we have used this opportunity to spend time and money on new brand identity, the freshness is there in everybody's mind, we had national level conference for our senior employees at one place for three days. So all these things, team building activities we have done and everybody are ready for the new launches. And Exo Ginger has been taken very nicely at the marketplace, advertisement is on. And Ujala, we want to spend lots of money and that money **has** also now just started in **impacting now**. So to that extent, overall effort is from our side as with that, and also the smaller SKUs, we are the first to go with the Rs. 10 SKU, Rs. 5 SKU at the rural. So we are there we are relevant still in the rural part. And most of our big-ticket states like Kerala and **Tamil Nadu** are doing well. So we are hopeful.

Anand Shah: Okay, perfect. And just lastly on the competitive intensity, do you see any signs of receding in any of the categories especially in Detergents and Soaps?

Rajnikant Sabnavis: No, it remains the same. There is no coming down because everybody's gross margin will be improved and everybody will have a little more money to spend and nobody wants to reduce the retail price, so everybody will work on the customer offers. And now we are with them. They are giving 1 + 1 or 2 + 1 we are also giving because more or less gross margin for everybody for the categories more or less is the same.

Anand Shah: And then but it would be right for me to assume that part of the volume growths would be driven by extra promotional grammage, right?

Rajnikant Sabnavis: Absolutely.

Moderator: Thank you. The next question is from the line of Krishna Murthy from Motilal Oswal Securities Limited. Please go ahead.

Krishna Murthy: Just I missed the earlier part of the conference calls. The whole water crisis in Chennai and other parts of South India, how much of an impact did it have in Personal Wash or any other categories? And how does that continue for this particular quarter?

Rajnikant Sabnavis: Okay, so the water crisis you refer to luckily, did not touch us, it could be possible that because we do not operate at the mass end of the portfolio. So you may have heard something different from competition. We have not faced any such slow down or impact on our business negatively or otherwise, due to the water crisis so far. And those parts are now inundated with a lot of water. So I believe we will not have a problem.

Krishna Murthy: Okay. Just instinctively when someone who has a reasonably large presence in Matic may have been affected as well, right? So can you just clarify why you have not been affected at all?

Rajnikant Sabnavis: Yeah, so we do not operate at that end of the portfolio where they could be a crisis. Your question was have Matic users cut down on their consumption or usage of the Washing Machine and shifted to Hand Wash powders. Really, it has not impacted us. I mean, I cannot answer that question. In terms of when people cut down on water in the Washing Machine, so I am not in a position to say. All I can confirm to you is that nobody has come up with these reasons off-takes on Detergents being lower or otherwise. You can see it in our numbers as well. You see our numbers very clearly; it does not show any impact.

Ullas Kamath: And indeed. I am sorry we shared the numbers specifically on Kerala, TN, which you called out.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Just quickly three observations, you said Mr. White has not grown. However, you have reported higher numbers on Henko franchise and also Ujala IDD would have grown into that same in tandem. Is that the shift of consumer base happening towards the promotion and promotions are more heightened in the premium end of the filament?

Rajnikant Sabnavis: You are reading too much into it. Yes, we have done extremely well in the Henko part of our portfolio which is at the premium end, there is some upgradation which is happening thanks to the Rs. 10 pack where the consumer is adding it to our repertoire, which is the mass market user and into repertoire. So that part of our portfolios fine. Ujala IDD has also done very well because of good advertising, strong advertising, it is also powder which is priced at Rs. 85 a kilo. However, the Mr. White declines are entirely different. It is a non-advertise brand, which has certain pockets of dominance if you like, and it has driven that way below the line. There, we have seen some declines it is nothing to do with any consumer upgradation to premium powders.

Shirish Pardeshi: So in a Henko franchise, the growth is driven mainly in the power segment than that is driven by promotions. That is what the assumption is.

Rajnikant Sabnavis: No, Henko powder has grown and we have done well at the premium end. It also is a highly contested category because we have to pick national players over there who are promoting aggressively.

Shirish Pardeshi: Yeah, so I have seen these promotions at Bombay (Mumbai) and Western part. So my only question and worry is that this promotion intensity if it is prolonged and if the crude prices start seeing the volatility, will it affect the margin profile?

Rajnikant Sabnavis: So we have taken a lot of pains in the past working on the mix itself and the way this works is that we do not participate in that battling and therefore, if you see our growth or not what often people ask us saying why are not there is 30% - 40% in such a large market. We play that segment very profitably. We are adjusting proposition on Cloth Care which is an old proposition while competition is fighting on Stain Removal, etc. And we will grow and we will grow profitably. What you would not see is extraordinary growth, now will you see declines because the giants are fighting at price.

Moderator: We move to the next question, which is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: I just wanted to know in case of our Henko portfolio, we were talking about the Rs. 10 price point. So, at the moment, what percentage of the sales in case of Henko comes in from the Rs. 10 price point? And my second question was in regarding the tax rate for the entire year.

Rajnikant Sabnavis: Okay before that coming to Henko Rs. 10, it is now up to 20% of our total Henko portfolio. It has grown to a significant amount of the Henko portfolio. The other thing we wish to tell you is that in Henko the other two SKUs we are traveling in the 1 kg, in the 500 grams (half kg) which are very large in terms of consumption-based households. And as the equity grows, you will see consumers coming up there as well. In terms of the effective tax rate, we are at 20%.

Kunal Bhatia: And so this Henko, on Rs. 10 price point, sorry, I missed out what was the growth, which we have seen in this year, over the last year?

Rajnikant Sabnavis: So we are seeing significant growth if you see that 23.3% growth on the overall brand. Even the Rs. 10 price point has grown around that much slightly more than that. The growth on a much smaller base, of course, is also thanks to the 1 kg and the 500 grams (half kg) and the Rs. 10 pack is now around 20% of the total brand.

Kunal Bhatia: Okay, and so my last question is, in terms of our key markets Kerala and Tamil Nadu, how has been the growth there? There is one part of 2.2% on pan India growth but how has these key markets performed?

Rajnikant Sabnavis: So the key markets where you have a large portion of our Dish Wash business where our shares are leading are also similarly broadly in that line. Having said that, within Dish wash business, Exo Bar itself had grown by 6.6%. So it is not as if there is anything geographically which is different in those parts Earlier there was question around water shortages and whether if that has impacted our business in those parts? The answer is no. So it is in line with the rest of the country and given its footprint on these two it will be pretty close to that.

Moderator: Thank you. The next question is from the line of Shubham Maheshwari from Shubham Maheshwari. Please go ahead.

Shubham Maheshwari: Just one question, what would be the tax rate going forward?

Rajnikant Sabnavis: 21%.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to Mr. Ullas Kamath for closing comments.

Ullas Kamath: Thank you, friends, for your patient hearing and detailed Questions and Answers. And if you have any follow up questions, you can always contact me or Sanjay or Adfactors. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Jyothy Labs Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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