"Jyothy Laboratories Q1 FY15 Earnings Conference Call"

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Moderator Ladies and gentlemen good day and welcome to the Jyothy Laboratories Limited Q1 FY15 Earnings Conference call. Today we have with us from the management Mr. M. P. Ramachandran – Chairman & Managing Director; Mr. Ullas Kamath – Joint Managing Director; and Mr. S. Raghunandan – Chief Executive Officer. 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 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. Ramachandran. Thank you and over to you, Sir.

M. P. Ramachandran Good Evening friends. Welcome to our earnings call to discuss our performance during the first quarter of FY15. Mr. Ullas Kamath - Joint MD and Mr. Raghunandan - CEO will answer all your queries. Now I would like to handover to Mr.Ullas Kamath.

Ullas Kamath Good Evening friends. You all must have gone through our Q1FY15 results. We have reported a healthy topline growth of 15% and EBITDA margin is at 13.5%. PAT has increased by 32% mainly because of reduction in the interest payout. The interest payout has come down to zero because of closure of our debts after raising the money from our promoter group last quarter. And now Raghunandan will take you through the presentation. As always, after the presentation we will take your questions. Over to Raghu.

S Raghunandan Good Evening ladies and gentlemen. Since we are talking on consolidated basis for the first time, I would request everyone to focus on the consolidated results. The standalone may not be appropriate because most of our FMCG business is happening through JLL standalone, from where 90% of our revenue is coming. Then there is a small component of business, which is also happening through JCPML, mainly our modern trade business and some other lower margin brands.

So if you look at the consolidated results, our net sales have moved up to Rs. 385 crores for this quarter, up 16% over the last year that was at Rs. 333 crores. Our EBITDA margins have contracted a little bit, from 14.4% to 13.5%. This is mainly because of our advertisement spends which as a percentage of revenue stands at 10.9%. We have spent healthily on all the brands. We have come out with a lot of new initiatives during this quarter.

Our gross margins are down by 100 bps largely because of a mix effect. The inflation in the overall business has been close to 8% in this quarter and we have been able to cover it up through price increases. So more or less, the entire inflation has been covered up through 8% value growth and 8% the volume growth in the whole business.

EBITDA margins can be improved definitely as we move along in this financial year. We do not see inflation moving further ahead, at least with crude oil rates stabilizing as on date. So the current cue is that if the oil rates hold on, we should be able to marginally improve our overall EBITDA margins as we move in this year.

As far as revenue growth is concerned, we are confident can improve the same because there are lots of innovations that we have done in the business starting from Q1 which I will enumerate subsequently. So if you look our segment wise results, which are on Page #11, you can see that our soaps and detergents business has grown by 18% in this quarter and our home care business which largely comprises of mosquito repellants, incense sticks & scrubber have grown by 15% at a segmental level. And therefore nothing much to take out some our soaps and detergents business has done marginally better than the home care business but both of them have grown healthily at strong double digits at 18% and 15% respectively.

So if you look at the next page, which is on, Page #12 continuing on the revenue charts you can see that most of our categories have done extremely well. Fabric care has grown by 19% in this quarter. Our fabric care being Ujala, Ujala detergent powder, Henko all of them being under fabric care and just for your own interest our fabric whitener business has also grown in volumes in this quarter. We have grown by 12% on Ujala fabric whitener backed by new campaigns out of which 6%, 7% has been volume and 5% has been price. So even our fabric whitener business has grown in this quarter and most of you would recall that last year in the same quarter we had a very heavy Ujala sales post the new packaging. So even on that basis we have been able to grow in volume.

One of the highlights of this quarter is our fabric whitener business which has registered volume growth and a double digit overall growth. If you look at other categories even dish wash has grown very well at 24% in this quarter. Our mosquito repellant business also has done very well with a 19% growth. Our liquids also continue to do very well with overall growth rates of coil plus liquid at 19% even though it was not a great quarter for insect repellents.

The only segment, which did not do well, was personal care where you can see that there is a minus 4% in this quarter. As most of you would recall we are not focusing on Fa anymore and Fa also is the one component in personal care category but the only little bit of negative in this quarter was Margo and that was partly because we had a consumer promotion last year, which we withdrew in this quarter. So we did not have the consumer promotion in May and June of this year and therefore on a like-to-like basis it is showing a decline as far as Margo toilet soap is concerned. But there is nothing to worry as the year moves along Margo will move in towards positive growth rates. So this is just a shift in strategy that we have done in May and June of this year where we have withdrawn the consumer offers and growth rates have bounced back in the second quarter as well on Margo.

So overall if you look at the business all our power brands have grown healthily. Our power brand growths have been also at 16% and power brands contribute 87% of our revenues. If you look at the strongest growths in this quarter, which has come in Exo, dish wash bar it has come in Henko and it is also come in Maxo. So these three have registered the highest growth rates and fabric whitener volume growing in this quarter is one key highlight.

So overall if you look at the business out of our six power brands five power brands have done very well in this quarter and the sixth power brand, which is Margo, will also do well in this financial year. So that is to give you a highlight of what went right and how giving in to a flavor of the segment wise results. All of you have seen the consolidated highlights and most of it we have discussed out here. The EBITDA is at Rs. 52 crores as compared to Rs. 47.8 crores in the same period last year and as I was telling you; you can expect better EBITDA margins as we move ahead in the subsequent quarters.

The PAT is at Rs. 42.5 crores for the consolidated business as compared to Rs. 24.7 crores in the last year same period and this PAT growth has happened largely because of interest which we have saved and if you net off the interest savings still the business has delivered a 30% growth on a like-to-like basis in this quarter.

So overall if you have to take summarize the performance it is a 16% revenue growth and a 30% PAT growth without taking care of interest and if you include the interest savings then we are talking about a 72% growth in this quarter. So it is a strong performance as far as the business is concerned and if you move to the next chart, which is on chart 7 you can see that our focus on non-South continues to yield results. Currently 58% of our revenues come from non-South and this is in a quarter where Maxo has not been very big. So as you move ahead in the subsequent quarters you will find that the non-South component continues to improve and if you look at the progress that we made in the last financial year we have improved our non-South contribution from 52% to 56 % and we expect a similar changes which will happen at the end of this financial year as well.

So our whole strategy of becoming a pan Indian company is bearing fruit and we are delivering strong growths in the non-South part of the business. The next chart, which is on chart 8, gives you some idea about EBITDA analysis, which I have broadly given an idea. A marginal drop in EBITDA on quarter-on-quarter basis largely due to the mix effect because Ujala's growth has been lower than 16% but still very, very healthy at 12%. And our campaign is just one or two months old and we are confident that as we move ahead in this year we will be able to continue to grow Ujala faster and better. So only the mix effect as I said Margo drop and Ujala drop and these two are higher margin products for us excepting for that we have broadly been able to fight inflation by taking price increases therefore inflation has not really affected us and since inflation is nearly bottoming out we should see that we have taken a lot of margin saving and cost saving initiatives in the business which will help us to shore up the EBITDA margins as we move ahead.

There has been an increase in other expenses but that will get corrected as we move in to the next quarter as you can clearly see that the scale benefits of working on the business because employee cost as a percentage of sales is hardly 9% and even other expenses if you look at it overall are also well under control. So the scale effects as we grow is coming in to the business and we are plowing it back in to advertising sales promotion and EBITDA margins and that is the plan as we move ahead.

Do not read too much in to your advertising and promotion expenses as we have marginally spent lesser this year as compared to last year. That is because we had big launches planned in quarter two of this year where we would have seen Henko launch already in the market place so we had to saved up some money to spend it in Q2 and also because we have new initiatives coming in other brands as well. So it is just temporary change in the advertising and promotion spends. However it is still strong at around 10.9% of revenues. So do not look at too much in terms of what we have spent. If you look at the next page which is on page 9 it gives you a breakup of the EBITDA on the various subsidiaries; it is self explanatory you can go through it and JLL EBITDA is Rs. 54.5 crores and as I told you the costs are a little higher in JCPML and therefore you only need to look at the consolidated situation of the EBITDA which is at Rs. 52 crores for the quarter.

In the next page, which is page, 10 we have tried to explain how the EBITDA movements has happened that also largely we have explained in session. So you can see it is at 13.5%. Page 11 we have talked about the segment wise results there is soaps and detergents which have performed marginally better than the home care business in this year and that is the breakup of the 16% and in page 12 we have given you category wise sales performance which we were not doing earlier. So we have inserted that for you starting from this quarter so that you are also able to see that most of our brands are delivering very strong growth rates on the business.

Page 13 gives you some idea about the other expenses column you can go through that largely under control and as we move ahead we expect the other expenses as a proportion of sales to come down. Coming to business initiatives and the brand update you can go to page 16, which is on Ujala. So most of you would be aware that we had showed you the campaigns in our May meetings so we had two campaigns on Ujala one was an anti yellow campaign which we ran nationally in June quarter and also we ran one more campaign which is anti low cost Neel campaign which we ran in certain low market share areas of Ujala. We ran it in Maharashtra; we ran it in Uttar Pradesh where our market share of Ujala is lower as compared to low cost local/ regional competitions so we ran both the campaigns and I am happy to tell you that these campaigns seem to have worked and the brand is on a positive growth rate not only last year but also in the current year.

So coming to next page you can see Exo. Exo we have come on to a celebrity campaign where we have used Shilpa Shetty in our advertising. We ran one campaign only in June quarter it has registered very strong growth I showed you growths of more than 24% on this brand and we are confident that Exo will continue to be a star performer for us this year. So Exo is delivering high growth rates so far under the category and we are confident that with our approach today on the national advertising (pan India) with celebrity we are going to have the brand to register very strong growth rates in the future.

The next chart is on Maxo. We launched the low smoke coil in June quarter 2014 and we also have a new innovation on liquid vaporizers, which we have been talking to you about. We are launching that as soon as the next quarter starts. So we are coming out with a new innovation on our liquid vaporizer. We have renewed the contract with Madhavan who is a celebrity who continues to be our celebrity on Maxo and we are confident that with this new LV launch we should be able to further accelerate our liquid vaporizer sales. So Maxo is a seasonal brand we did not have a great season last quarter but rains have started and monsoons have started this quarter and we are seeing very good recoveries on Maxo as well in this quarter.

Margo; we have supported Margo well except the withdrawal of the consumer promotion which has had an impact on quarter-to-quarter growths but we are confident that we will still register high growth rates on Margo toilet soap. We have seen a very strong recovery in July on Margo. So we are confident that the brand is strong and healthy and will continue to grow faster than the business. And we are also launching the Margo face wash. The face wash launch is expected in the next few weeks. So we are launching it in the market we are just waiting for the rains to stop and once that happens we will be in the market with face wash. So face wash is all ready to go.

In this quarter we have several initiatives which are already underway like celebrity campaigns on Exo, continuing to support Ujala, a new campaign on Maxo which we are going to start on coils, a new campaign on Henko and a massive re-launch of Henko which you have seen and also have a Pril re-launch.

So the Pril re-launch is scheduled to take place in August 2014. We have further improved the formulation of Pril and have the best of ever formulation for superior grease cutting in the market so it is a new advanced Pril that we are putting in to the market in this month and in addition to a re-launch of original Pril we also have launched all the new variant which is called as Scratch Gel which you can see in two color packs on this page so that is the new variant we are going to launch in this quarter. So Pril is having a lot of activity and we are going to focus on white spaces for this brand, which is a 225 ml bottle where our saliencies are lower than competition and pouches. We expect the initiatives on Pril to help us to continue to register strong growth rates.

Finally we have Henko; most of you should have seen this campaign on television we have been very active in July on this campaign. We have used Madhuri Dixit for this campaign and the basic positioning of Henko has been on care and therefore highly differentiated from Surf and Ariel. So we are talking about care and how do we demonstrate care we are talking about better color care. We are talking about lesser LINT on the clothes. LINT is basically the fiber which gets removed from clothes and we have a unique technology in Henko which delivers care by actually preserving the fibers on your cloth and also delivering parity stain removal but we are not talking stain removal on the product we are focusing only on care. The product will deliver superior care and we will be able to see the care on your clothes after 8 to 10 washes where the clothes will be much better in preserving color; much lower pilling on your fabric and that is what the whole Henko pre-launch is all about.

So since the campaign has been largely around the washing machine variant and it is the campaign is just about one month old we are seeing good tractions and good trials on the washing machine part of that business which is HenkoMatic which we are able to see the first two cartons front loading and top loading. We also have a bucket wash variant which you are seeing on the side which is on the plastic pouch it is called as wonder wash which is the last pick and for wonder wash we will support it through a separate campaign as we move along in this quarter.

So we have strong plans on Henko and we are confident that we will be able to rejuvenate the brand and get the growth back in this highly competitive detergents category. So we have given you a small write up of how this product works and we are proud to say that we have put together one of the finest mixes in detergents in the premium segment and we have also put world class packaging on Henko and if you go to the store you will be able to see that we will stand out in terms of shelf throw as compared to our competitors. So it is really a wonderful effort that we have put on our side we have got great packaging we have put a great product we are confident that any of you would try our Henko will find it superior to competition products which are available in the market and you will also find our packaging world class.

So we have put everything on Henko and we are hopeful that we would be able to get this brand back on track. So we have done a lot of work around Henko in this quarter we have launched it across all above 1 lakhs tons we will try to do visibility we are trying to get our modern trade act right. Parts of modern trade will be seeing good visibility on Henko and balance we are trying to get it right in the next one or two months.

So we have launched good level of quantity and we are finding good traction on the brand. So for the first time we have also done a strong digital campaign on Henko understanding that the consumers would be young and probably working as well. So we have put a strong digital campaign and most of you on the Internet should have seen our digital campaign happening on Facebook and happening on MSN and other websites. So that is what the update is for you. We also did on ground tie-ups in addition to a digital campaign on Henko. We had put Henko in all the Croma stores in all town with more than 10 lakhs plus population across country so we had done good on ground tie ups and all of these efforts have to make it visible and we also given some idea about how our PAT looks on shelf and there is one more chart which talks about modern trade in 8 lakhs outlets launched display that we did. So these are some of the highlights of the quarter.

Just to summarize for you basically strong revenue growth could get better as we move ahead. EBITDA margins at 13.5% very good probability of moving it up because we think inflation is bottomed out almost. All our brands are showing high double-digit growth with only small set back in Margo, which also will turn around from this quarter. So confident about the business overall good performance around brands and more importantly lot of innovations around brands which will further help us to consolidate and grow better.

Thank you very much. If you have any questions then we can take it out.

Moderator Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their Touchtone telephone.

The first question is from the line of Parineeta Rajgarhia from ICICI Direct. Please go ahead.

Parineeta Rajgarhia I have a few questions on your standalone business. In homecare, the sales have not really increased much, from Rs. 58 crores to only Rs. 59 crores. So what is happening? Because we believe that the standalone would largely be the India business. And secondly, I would like to know proportion of South and non-South sales for your home care business?

S Raghunandan As you recollect, I mentioned that it is better to look at consolidated performance. Because in standalone, certain portion of our home care sales come from JLL and a certain portion of from JCPML. So if you look at Exo Safai, which is our scrubber range, the sales happen through JCPML. Hence it is better for you to look at the home care segment results, which we have given, in the consolidated one.

Parineeta Rajgarhia It has increased to Rs. 67 crores from Rs. 58 crores.

S Raghunandan That is a 20% growth in home care. The laundry services business is not material enough to affect the overall numbers and they are not in to these categories. The service business has been spelt out separately. So, consolidated results of the consumer goods business is the better reflection of how our business is going. So please do not look at standalone.

Parineeta Rajgarhia And secondly, if you could tell me proportion of non-South and south in sales?

S Raghunandan We do not have the numbers, but it is tilted more towards non-South. May be it is more like 65% to 70% non-South versus 30% South. That is what I mentioned that as we move ahead and as sales of Maxo improve, as the season approaches, our non-South contributions would improve.

Parineeta Rajgarhia And what would this mix be for soaps and detergents for South and non-South?

S Raghunandan For soaps and detergents I do not have the numbers as of now but how is that relevant for you?

Parineeta Rajgarhia Sir, I would just like to understand like from which segment would your non-South grow? Currently soaps and detergent would largely be from South because I think your Ujala detergent is largely in the South right now. So I would like to know how and where it would grow? Hence I am asking.

S Raghunandan See we will send you a mail on this particular question Parineeta. But for your understanding, our growth is happening across the country. And in this quarter if you see the growth rates of South and non-South, it has remained similar which is why the contributions have not changed. So even on a higher base the South has grown and on a lower base non-South has grown. So it has grown across all our brands although the Maxo component is much lower in this quarter.

Moderator Thank you. We have the next question from the line of Hemant Patel from Axis Capital. Please go ahead.

Hemant Patel With the launch of HenkoMatic, is the old HenkoMatic rechristened as the new one and what is the positioning in your detergent portfolio? I am just trying to understand the pricing levels and how are you seeing this forward.

S Raghunandan Yes, the HenkoMatic has replaced the old HenkoMatic, which was in green color box. The only difference is that the price points have moved up a little bit because now we have added a front-loading and the top loading. Earlier you had only one variant. The front-loading variant is also priced Rs. 10 higher than the top loading one. So you have two Matics now. In addition, we also have Henko Wonder Wash, which is in plastic pouch packaging as shown in the picture. This bucket wash variant is completely new and is competing with the top end of the premium powders like Surf and Ariel. But Henko also had an equivalent of a Surf Excel Easy Wash and that was also operating at a lower price point. The old Henko Stain Champion continues to operate at those price points. So basically you can say Henko operates in the mild premium and the premium detergent powders. We also have a mild premium presence which is equivalent to Surf Excel Easy Wash so we have a presence in mild premium and premium. Now as far as Ujala is concerned it is more in the mid prized power segment. So that is where Ujala and Mr. White are there equivalent competitor products are Rin and Tide.

So Ujala and Mr. White operate in the whiteness mild premium segment and in the whiteness mid priced segment and in the mild premium and the premium segment we have Henko which is positioned and we have another small brand called Chek which is positioned less and which is at the bottom end of the market.

Hemant Patel Raghu, just one thing on this. As you have mentioned it has mild and premium segment and mid-market and mass market. What would be the ratio I mean is it now skewed towards let us say one-third in the premium end?

S Raghunandan Are you talking about market?

Hemant Patel No, I am talking about your revenues as such on these brands within these three slabs I mean is it skewed more towards mid and the top end?

S Raghunandan Yeah, that is right. Our match is very, very small and most of our revenues are coming from the mid-priced mild premium and premium and within that our highest contribution is coming from the mild premium and the premium segment.

Hemant Patel So it would be fair enough to say that Henko really does well and achieves what it used to do in the past then your margin profile of this category should be a little better than where it is right now?

S Raghunandan It should be a little better. Yes, but of course there are brand investments in the short run. But in the medium term yes, it should be better.

Hemant Patel And you were supposed to launch a one rupee SKU for Ujala I mean just wanted to understand has that been launched what is the feedback from the markets?

S Raghunandan We have very selectively launched it in one place, which is in Uttar Pradesh so it is too early to comment on that now.

Hemant Patel Would there be any fear of cannibalization over there being the fact that Rs. 1 might be lower margins and would it impact the 70 ml portfolio?

S Raghunandan No, actually what happens is we have launched it only in markets where Ujala's market share is much lower. So we have not yet launched it in markets where our market share is dominant. And markets like UP, Bihar there is a separate segment, which operates at Rs. 0.50, Rs. 1, and there is a bottle segment. Only in that market that too in one market of that we have launched the sachet so we understand the issue of cannibalization. But as of now we understand whether we have a scope of gaining share by giving an affordable unit price. Once we understand that well then only we will extend it.

Hemant Patel And just one quick question on Maxo what is the share of liquids at the moment and could you give us some sense of the growth in the liquid portfolio?

S Raghunandan Overall liquids perform almost 25% of our revenues.

Hemant Patel So it is pretty much similar to the last year end I mean are you seeing it growing faster than the coils and the low smoke variant that you have launched?

S Raghunandan Yes, of course. I mean this figure is all because of one quarter. As you move ahead you will find that our liquids will grow much faster and the ratio will change because continuously our liquid ratios have improved in the last two years and in a not so heavy season I mean it is a very light season the June quarter because of the summer so even in this the ratio has been maintained. So as you move ahead you will find liquids moving faster and therefore the contribution improving from where it is.

Hemant Patel One final question on raw materials you did mentioned that the inflation has been around 8% you have taken 8% price hikes to cover it up so am I to understand the biggest inflationary pressure has come in LAPSA34.32 and PFAD (Palm Fatty Acid Distillate)?

S Raghunandan Yeah, that is right. And therefore it affects us more because PFAD impacts Margo and because of the pressures of PFAD I have to drop the consumer promotion as well. So to get the margins right and therefore it has had a temporary impact on revenue, which I am very confident that it will recur immediately. So it is just the quarter-on-quarter aberration and it will come back. So only to manage all these pressures we had to do that.

Moderator Thank you. We have the next question from the line of Abdul Karim from Narnolia Securities. Please go ahead.

Abdul Karim During the quarter personal segment especially Fa not reported good growth. My question is on Fa, which is a personal care deodorant brand. So what initiatives are being planned for the accelerating growth here?

S Raghunandan We have not planned much around this we has already explained that to people. We are not planning growths around Fa. But we are definitely very aggressive on Margo. So on growing Margo we are very aggressive within personal care so it is an important category for us. So as we move ahead we will grow the soaps business as well as we are launching the face wash and Margo.

Abdul Karim And can you give the divide between the urban sales and rural sales in the overall topline?

S Raghunandan In the overall topline you can say around 70% of our revenues come from above 1 lakh towns.

Moderator Thank you. We have the next question from the line of Girish Raj from IFCI. Please go ahead.

Girish Raj Sir, in Henko our primary placement must have happened somewhere in June?

S Raghunandan Yes, June and July.

Girish Raj So what kind of repeat orders are we seeing in August?

S Raghunandan Consumers buy normally once in a month so repeats we will be able to understand better as the month of August completes.

Girish Raj So I am sure you must have reported revenue so what kind of growth is because of Henko since we have done it in June?

S Raghunandan We are not declaring too much brand level results.

Girish Raj That is fine but of the 16% growth in June?

S Raghunandan Henko grew by 18%.

Girish Raj And you must not have reported the promotional expenses related to Henko in this quarter because most of the advertisement must have come in July with the launch of that?

S Raghunandan Yes, you are right.

Girish Raj So I was just wondering sir, first of all the gross margin in Henko is lower compared to our other products. So going forward with the sales mix or the sales growth may shifting towards the low margin business this 13-14% EBITDA margin why are we so confident that we will be able to maintain it?

S Raghunandan See detergents businesses are lower margins but Henko as a brand has the potential to deliver higher than average margins. Because now we are not operating at the previous price points we are now operating at higher price points. Earlier Henko used to operate at Rs. 135 a kg price point now what we have launched in the market is close to Rs. 200 per kg price point. So first of all we are not comparing like-to-like. So whatever new Henko you are seeing in the market is at a much higher price points than what used to exist earlier. So all the initiatives that you see that we are taking whether it is at new Henko; whether it is the new Maxo liquid as I told you that we have a new innovation coming up in December quarter. You are also seeing our liquids growing faster than coils on Maxo as it is varies in the current business we are also launching

	a face wash on Margo this month, which is also, higher gross margin. And we are also having a situation where Ujala is responding to new communications. So I do not see an issue in terms of maintaining my margin profile as long as we do these things right. As long as Ujala continues to grow as long as some of our new innovations start working in our favor and PFAD prices if they cool down tomorrow even Margo margins improve dramatically. So I do not see a problem in maintaining margins as of now.
Girish Raj	So what kind of guidance are you giving guidance as in broadly where do you see growth?
S Raghunandan	We have given you an idea that we will probably improve on our EBITDA margins.
Girish Raj	The consolidated from 13.5 units?
S Raghunandan	Yeah, we have an opportunity it depends on how much we spent on advertising and promotion that is why I am not giving you any specific figure for any.
Girish Raj	But broadly it will be higher than 13.5% that is what you are indicating?
S Raghunandan	It can be, yeah.
Girish Raj	And on the sales growth sir, going forward?
S Raghunandan	I have already given you an idea we have done well in this quarter we should be able to improve on the revenue growth rates as well with all the action that is around the brands.
Moderator	Thank you. We have the next question from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.
Kaustubh Pawaskar	Sir, my question is on mosquito repellent where we have seen a growth of close to 20% and that is way ahead of the category growth and even one of your competitors it has achieved a lower growth than what you had. What exactly do you know help you to achieve this 20% growth in the mosquito repellant despite the fact that summers were extended in quarter one and just an understanding on that front?
S Raghunandan	Our liquids business is doing better so we have started with good growth rate so those growth rates are continuing for us. So that is what is helped us grow by 20% in the brand.
Kaustubh Pawaskar	And as we are seeing that monsoon has improved and we are expecting a better growth in quarter 2 so can we expect quarter 2 growth rate to be much better than quarter 1 that is an indication you are giving?
S Raghunandan	On insect repellents?
Kaustubh Pawaskar	Yes.
S Raghunandan	It could be.
Kaustubh Pawaskar	And sir, since we have to focus on the consolidated operating performance and consolidated margins you have given the breakup of the standalone and also the losses at operating level at this year JCPML and JFSL. Can we I know that you are focusing on improving the margins at your operational level. But

	can we see losses coming down at JCPL or JFSL level in the coming quarters that might breach the grab of your standalone and the consolidated level operating margins? That gap is more than 150 bps so going ahead can we expect that gap to narrow down?
S Raghunandan	See as far as JCPML is concerned it is a question of where you book your revenues and where you book your costs. So do not think of it as a loss just think of it as a book entry where more costs are getting entered under JCPML and probably some of our lower margin brands are being sold through JCPML. So the best way to look at it is do not look at ignore that loss and look at the consolidated number of JLL plus JCPML as the FMCG performance. That is a much better way of looking at the reality. As far as JFSL is concerned we do not expect the losses to increase or whatever and the losses are anyway very minor at around Rs. 1.3 crores on an overall Rs. 50 crores profit that the FMCG has delivered and it is a newer business which has a longer gestation period anyway. So it is not a significant thing for us to talk about as far as JFSL is concerned. As far as JCPML is concerned just look at JLL plus JCPML and that gives you a true understanding of how the FMCG business is performing.
Kaustubh Pawaskar	And sir, on dishwashing segment can you just share the growth rates of Exo and Pril separately if it is possible?
S Raghunandan	We have already discussed enough and we have already told you enough. The portfolio has grown by 24% you should be happy with that.
Kaustubh Pawaskar	And sir, just for the understanding what was the volume growth at the standalone level because you have shared the consolidated level volume growth? If you could just share the standalone level volume growth?
S Raghunandan	Again as I told you there is no point looking at standalone levels of results in all the brands barring Margo as I told you have registered strong volume growth overall volume growths are at 8% for the business. So I do not have things prepared for standalone and consolidated I have it brand wise I have it segment wise much better to talk about it like that.
Moderator	Thank you. We have the next question from the line of Harit Kapoor from IDFC. Please go ahead.
Harit Kapoor	Just two questions. Firstly, on Henko you have had this launch for about a month-and-half now. Just wanted understand have you seen any pick up in comparative activity from the likes of Ariel or a Surf in order to respond to your launch have you seen anything in the market like an already increased SOV or whatever?
S Raghunandan	They have increased trade promotions. Clearly we can see an increased trade promotion from their side but whether it is because of this launch or not I cannot answer but clearly they have increased trade promotions.
Harit Kapoor	Second thing you know I just wanted to understand I know that this number of A&P should not be extrapolated because you have a host of new launches. But just wanted to get back to what that number would be like for FY15 close to 12%, 13% or?
S Raghunandan	Yeah, we had said that.

Harit Kapoor Yeah, it should be around that number, right?

S Raghunandan Yeah.

Harit Kapoor And one last book keeping question. I just wanted to understand this difference in the standalone and consolidated depreciation number. So the standalone depreciation is at about Rs. 17 crores and the consolidated number is Rs. 8 crores. So is this difference largely lead by the laundry service business or?

S Raghunandan No, this is mainly the amortization impact. Neetu will explain.

Neetu Kashiramka Amortization of brand and goodwill, which is not there in the consol.

Moderator Thank you. We have the next question from the line of Kunal Bhatia from Dalal & Broacha Stock Broking. Please go ahead.

Kunal Bhatia Sir, most of my questions are answered just one question on Henko. Sir, just wanted to know what percentage of our Henko sales coming from modern trade?

S Raghunandan Around 10%.

Moderator Thank you. We have the next question from the line of Nilesh Gandhi from Destimoney Securities Private Limited. Please go ahead.

Nilesh Gandhi Sometime back we have spoken about the growth plan in which distribution was one of the key drivers. So on Henko you have explained about its reach and presence in modern trade. So can you explain on other brands what is the status and how the availability is made sure?

S Raghunandan In modern trade?

Nilesh Gandhi Modern trade and overall I mean we had talked about the Jyothy portfolio was concentrated in rural part and then Henko portfolio was mainly in to modern trade. So we were talking about cross brand I mean making it available in across the segments. So how Ujala availability is made sure or how Exo is made sure I mean any updates on that front if you can explain?

S Raghunandan See I do not have any our Nielsen figures to talk about.

Nilesh Gandhi Not in terms of numbers I mean efforts that you have taken?

S Raghunandan See if we grow simple thing for you to understand is if we are growing at strong double digits then your distribution is definitely improving. So if the brand does not grow then only you have issues of distribution shrinkages. So if we are growing our dish wash portfolio by 24% if you are having rest of the portfolio growing at 18% or 20% so unless and until your distribution is improving the brand cannot deliver such strong growths. So at a broad level I can tell you that distribution is well poised to handle the growth rates that we are getting in the business.

Nilesh Gandhi Sir, one more element to that what kind of growth is still possible just by increasing distribution in current setup I mean whatever reach that you have Henkel plus Jyothy so this cross selling how much growth I mean ballpark number that can you say that say more growth is possible in short term or there are efforts required specifically on increasing distributions?

S Raghunandan	Definitely our presence in bigger urban towns need to improve and the more efforts that we make in improving our distribution strength in bigger cities will help us grow better on the Henkel portfolio as well as on our dish wash portfolio. So there are continuous efforts being made to improve our presence in larger towns across the country because anyway the business was well poised in the smaller towns and in the rural towns. So there are lots of efforts, which we are doing as a business to improve our presence in modern trade in A Class outlets in, sell service stores etcetera. So I can tell you that our presence in open format outlets that is modern trade and self service stores have significantly improved over the last one year. But we still have a lot of ground to cover up. So as we move ahead we will continue to improve our presence in the bigger towns and in the bigger outlets and that should help us grow continuously on premiumizing our portfolio.
Moderator	Thank you. We have the next question from the line of Naveen Trivedi from Trust Capital. Please go ahead.
Naveen Trivedi	Sir, my first question is on what are our A&P budget guidance for the year?
S Raghunandan	We spoke about it 12% to 13% we had said earlier and we still maintain that.
Naveen Trivedi	Because typically we say EBITDA plus A&P is like we typically say on 25% so in that way if I maintain that guidance and if I maintain that EBITDA margin also is expected to move up and A&P is also moving up. So are you changing that EBITDA plus A&P will be more than 25%?
S Raghunandan	It could be as I said as the business keeps growing we continue to get scale benefits.
Naveen Trivedi	If both the elements are growing so it should be like 27% kind of thing?
S Raghunandan	It can improve, yeah.
Naveen Trivedi	Sir, one thing is that this freight expenses have increased by 60% during the quarter despite like volume growth is like 8.5% so is not it for?
S Raghunandan	You are the first guy asking us this question. It is a good question. So basically it is an adjustment. Last year we moved in to a new logistics arrangement and most of the transport negotiations happened sometime in second quarter of last year and therefore the price hikes whatever increases had to be given was given everything in the second quarter. But then there was a first quarter impact as well. So if you can look at the freight last year in the first quarter whatever is the reported figure is under stated and the real cost was actually much higher. So I am just explaining to you because you have asked this question. So it is not a real growth of 50% it is a nominal growth of 10% only in reality. But as the year moves ahead these anomalies in quarter-to-quarter accounting will go away.
Naveen Trivedi	See if we adjust that number I think the margin has expanded more than that on the reported margin.
S Raghunandan	You can say that but I do not want to say that is why I have never talked about it. Actually the business has done better than what we are reporting.
Naveen Trivedi	Sir, my other question is what are our inventory days at consol level now?

S Raghunandan	Inventory is at 40 days.
Naveen Trivedi	And if I compare it with the YOY then?
S Raghunandan	Compare with?
Naveen Trivedi	Compare with the last quarter first?
S Raghunandan	Similar.
Naveen Trivedi	So no movement in that?
S Raghunandan	Yeah.
Naveen Trivedi	One sir, book-keeping question. Although we are saying that we should see the numbers at the consol level. Just one thing I have to understand. The capital employed for soaps and detergents if I compare with this standalone and the consol level there is a big difference in that? So I want to understand what is the reason behind that number?
Neetu Kashiramka	That is the investment in JCPML so JLL in standalone has investment in JCPML the other company subsidiary.
Naveen Trivedi	At the standalone level?
Neetu Kashiramka	Yeah, so it will get nullified at consol so the best way is to look at consol.
Moderator	Thank you. We have the next question from the line of Chitrangda Kapurfrom Reliance Securities. Please go ahead.
Chitrangda Kapur	I actually missed your initial commentary on your debt levels if it is not too much could you please repeat that?
Neetu Kashiramka	It is Rs. 400 crores.
Chitrangda Kapur	Rs. 400 crores is on the consol levels?
Neetu Kashiramka	Yes.
Chitrangda Kapur	And another book keeping what is your current cash level, sir in the consol books?
Neetu Kashiramka	Rs. 110 crores.
Chitrangda Kapur	This is net cash level I am talking about, net cash?
Neetu Kashiramka	Net cash. Cash is always net cash.
Chitrangda Kapur	Sir, did we have any impact on the new Companies Act on a depreciation expense at the consol book?
Neetu Kashiramka	Yes, it is Rs. 2 crores.
Chitrangda Kapur	Rs. 2 crores was the incremental expense?
Neetu Kashiramka	Yes.
Chitrangda Kapur	And do we still maintain a tax rate for the consol entity for the full year of 10% for this year and going forward increased to about 20% to 22%?
S Raghunandan	No, it will be still under MAT.
Neetu Kashiramka	It will be in MAT only so there will be no tax.
Chitrangda Kapur	Even for this year as well as next year FY16 also?

S Raghunandan Yeah absolutely.

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

Tejas Shah Sir, anti detergent market has historically revolved around (Inaudible 55:22) proposition. Your lint based value proportion does not seem to be in view with the market. Now it is the early days to actually get retail off take or retail reaction in to this. But what has been the trade response on this new value proposition?

S Raghunandan I think the trade response has been good. We have not had much resistance to placements.

Tejas Shah But was it easy to educate them on this because this seems to be difficult for retail guys to actually relate to?

S Raghunandan Mostly the retail reacts to packaging and the way the product looks. We do try to explain lint to them but a television would always be able to explain it much better.

Tejas Shah And sir, Margo I believe it has one of the highest margins in after Ujala in our portfolio and you are planning to launch couple of variants in the same brand with the margin like-to-like what we have in current portfolio of Margo?

Neetu Kashiramka We did not get your question.

Tejas Shah See I believe Margo soap has a very robust margin after our Ujala portfolio. We have couple of variants lined up in face wash category, which is very competitive category. So whether margins in the new variants will be equal to what we have in exiting portfolio or?

S Raghunandan It will be better than that.

Moderator Thank you. We have the next question from the line of Hemant Patel from Axis Capital. Please go ahead.

Hemant Patel Just a few more questions. Raghu, particularly I think we had discussed manufacturing optimizations and supply chain efficiencies. Just wanted to understand where are we heading with those plans are we likely to see any benefits accrued this year or the next that we can quantify in terms of margins?

S Raghunandan I think in this inflationary situation it is very difficult to say whether they add to the margin profile or whether we will be able to neutralize all the negative impacts of inflation it is very difficult for me to answer this question but I can only tell you that we are making all best efforts to make sure that we get the best out of manufacturing efficiencies and we are continuously focusing on getting more from our factories and also in terms of optimizing Fiscal benefits from the factories. We had shutdown Bhubaneswar last year and in this year we are also looking at pruning down one of our factories in the South. So we are actually doing this on a constant basis. So we would not advice you to factor any of these efficiencies but it should give you comfort that the business is doing enough to maintain a stable EBITDA margin profile.

Hemant Patel And are we planning to sell any assets or land that we had earlier envisaged either this year or next are we still working on that process?

Ullas Kamath Yes sir, Ullas here. And we are looking for but at this point there is nothing concrete as happened but if we get the right price and probably we might liquidate it. But at this point in time we do not have any concrete offer to specify.

Hemant Patel And one last question to Neetu. I think there was an AGM now put out in terms of ESOPs and that has been issued to employees. Just wanted to understand the accounting treatment over there will there be a charge to a P&L once this has been actually vested?

Neetu Kashiramka Yeah, so there will be a charge in 2015-16.

Hemant Patel This should be to the extent of market price and cost base being Rs. 1 so that will be the difference that these charges will go through?

Neetu Kashiramka Yes.

Moderator Thank you. We have the next question from the line of Anand Rivani from Horizon Research. Please go ahead.

Anand Rivani Just want to know what has lead interest expense declined so significantly?

Ullas Kamath The interest cost has come down because we raised Rs. 228 crores from promoters at Rs. 175 a share allotting them around 5 crores share in the last year that money was utilized to pay all the debts which was carrying interest and at this point in time that interest payout is not there. That is a saving of Rs. 14 crores and the money, which was raised from the preferential allotment to the promoter group company has been utilized to pay the debt bearing the costs.

Anand Rivani And the next question on the laundry services segment which has I think I mean where the losses increased by 35% though it is not very significant in the overall picture but still I want to know like what are your plans on the laundry segment how you want to take it forward?

Ullas Kamath Laundry is the first time anybody has gone in a way in which we have gone in the country and even now we are the biggest launder in the country doing extremely well in the retail and in the institutional and also in the railways. Having said that this is a new business that Jyothy has gone in and it is a sunrise industry. And initially we thought that we should take about three years time to breakeven and we tried with every kind of permutation and combination in various cities Bangalore, Delhi, Mumbai, Pune and Chennai. In some places we are doing very well like in Bangalore and Delhi we are still working very hard to make it profitable. Some cities we are doing well; some cities we need to work very hard to make it positive.

So answering your question the way forward is that what you had taken a decision at the corporate level is that by 31st March 2015, we should be EBITDA positive. Now we are at Rs. 1.4 crores negative for the current quarter. Going forward every quarter we want to reduce that and by March we should be able to make EBITDA positive and then only we think of growing that business but however, it is a very, very optimistic we are very positive with the business and the customer extremely happy with the services what we are doing because it is a first of its kind anybody has done in India. It takes its time and now the run rate is about Rs. 40 crores at the topline and it is a very, very high gross margin business but operating cost is very, very high and that is the reason why we need the volume. So we are working hard and we are very hopeful that by March 2015 the turnaround should take place and from next year onwards there would not be any hit from JFSL or to JLL.

Anand Rivani So 2015 is the like the landmark that you have put in to become profitable. But in case it does not turn profitable at the given time line I mean do you consider a demerger or asset share of this segment?

Ullas Kamath At this point in time we do not want to comment on that because the business always runs on the hopes and we have been working very hard and we have worked hard for the last four, five years and the entire team is behind and the company is working with 110 retail outlets. So everybody are happy and yes, retail business takes its own time to breakeven. We have seen some of our peers who are in to retail business it takes its own time. But the way how we have done in the last two, three quarters makes me to believe that it should turnaround by March 2015 and we work towards that and finally it is the management decision what JLL has to do and they will do it at the board level and then in today's context I will not be able to comment on that.

Moderator Thank you. Ladies and gentlemen, due to time constraint that was the last question. I would now like to hand over the floor back to Mr. Kamath for his closing remarks. Over to you, Mr. Kamath.

Ullas Kamath Thank you friends. It was nice talking to all of you as always and very, very informative and if any questions still you have to ask us you can always contact me or contact Neetu.Both of us will be available and thank you very much and look forward for the next con call after the second quarter

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