



“Jyothy Laboratories Q3 FY11 Earnings Conference Call”

January 25, 2011



**MODERATORS: MR. M.P. RAMACHANDRAN
MR. ULHAS KAMAT
MS. JYOTHY
MS. NEETU**



*Jyothy Laboratories Limited
January 25, 2011*

Moderator:

Ladies and gentlemen, good evening and welcome to the Q3 FY 2011 earnings conference call of Jyothy Laboratories Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference please signal an operator by pressing * and then 0 on your touchtone telephone. I would now like to hand the conference over to Mr. M.P. Ramachandran, Chairman & Managing Director of Jyothy Laboratories Limited. Thank you and over to you Sir.

M.P. Ramachandran:

Hi, good evening, I am Ramachandran here from Jyothy Labs. This is in respect to the third quarter results. Net Sales stands at Rs 148.42 crore, up by 9.7%. Net Profit stood at Rs 16.89 crore, marginally up. EBITDA margin stood at 16.56% for the quarter as against 16.18% at the end of last year. EPS stands at Rs 2.10 as against last year's Rs 2.32. If we look in to the nine months results the Net Sales is Rs 443.85 Crore, an increase of 15.3%. Net profit is at Rs 15.06, and an increase of 9.7%. Now, I am handing over to Mr. Ulhas Kamat who will talk to you more about the financials.

Ulhas Kamat:

Good evening everybody. This is Ulhas Kamat here. I have with me our Chairman & Managing Director Mr. M.P. Ramachandran, Ms. Joythy our Director and Ms. Neetu, General Manager Finance. I will take you through what has happened in the last three months. In the last quarter, bottomline has been more or less flat. If you go through the analysis which we have already posted in our website which gives you the clear identification of item wise expenditure. You can see that the effective tax rate & advertisement rate has gone up. VAT and excise duty implications has gone up another 3% percentage points. Raw material prices have gone up, entire industry is under pressure and we are no exception to that. EBITDA margin, we are still holding on to the same numbers that of comparable quarter in the last year which is marginally up, it is because of the increase in Ujala pricing. We were not able to increase the price for Maxo or for that matter Exo because of severe competition in the market place. The market share for most of our products are stable and we have grown in Maxo by 2% points when compared to same period last time and we are still holding on to the number one position in rural India and number two



Jyothy Laboratories Limited
January 25, 2011

position on an all-India basis on volume and Exo is doing more than what we had expected. On all India basis it has been received very nicely and going forward we would be spending only as much as required without incurring anymore expenditure on Exo's bottomline. we have taken up brand building exercise very seriously in the last six months. After getting Sachin Tendulkar as our ambassador we felt that it is the right time for us to spend money when he is doing well and also in IPL and South Africa and World Cup is happening, we thought that it was the right time to spend the money on him and that is how you see the increase in advertisement spends. Also we were lucky enough to get some very good programs on the TV, on Sony which has made us more popular for all the brands together. So that is where we are and going forward we expect the pressure to continue to be there for the next quarter also as for the raw materials are concerned. We do not see any immediate relief from there. Ujala, the price increase we have already taken up in the last year, so probably the earliest we can look at price increase in Ujala will be the next year, April-May time. As far as price increase in Maxo and Exo if it were to be any other ordinary condition probably we would have increased by this time to pass on all the raw material increase to the consumer, but because of the environment in which we are working now with severe competition both in Exo category and Maxo category we are unable to take any price hike till the year is ended and unless the others also increase the price. Other than that rest of the things are very much under control. We were also able to reduce the cost of production so that we can maintain the profitability and going forward probably will be able to maintain the profitability maybe little better because our advertisement spend in the last quarter is going to be less. This is because we have already spent as per our planning and last quarter spending will be till February 28 or so and thereafter next year budget will start away from April, that is where we are. Last but not the least the main thing on acquisitions front I would like to bring it to the notice of every investor that we have raised the funds under QIP to acquire couple of target businesses. As of now, both of them have not happened because still negotiations are going on and we are in talks, it has not been called off by either party, some diligence is going on. But looking at the kind of valuations that as happened in the FMCG space we do not want to pay any fancy price, so we are still talking with reasonable market



*Jyothy Laboratories Limited
January 25, 2011*

price. The moment it happens we will bring it to the knowledge of every investor. Money is kept in fixed deposits and we are earning 9.25% as of now. The entire money is kept separately for the purpose of acquisitions and we hope to close as quickly as possible. But still we are not able to give a timeframe whether it will happen in 10 days or 15 days or one month because talks are still going on. That is where we are and now I will open for questions please.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. Our first question comes from the line of Dhaval Gada from Edelweiss. Please go ahead.

Dhaval Gada: I have a couple of questions, first on the gross margins. You said that there is lot of pressure on the raw material side as well as advertisement spends are higher, so currently what would be our gross margin in Exo and Maxo and as compared to the same quarter last year what was the difference basically?

Ulhas Kamat: Gross margins in Maxo as of now, it is around 25% and it is less by about 5% points when compared to same period last time. Exo, it is at 26% as against 31% the same period, cost of production has gone up.

Dhaval Gada: Last quarter you mentioned that our strategy in terms of national roll out we have slowed down because the competition has got intense in the category, so going forward what is the strategy for Exo?

Ulhas Kamat: If I see it in hindsight the decision taken by the management was really good. One, Exo we have gone national and we are spending the money very, very less and we have grown in the last quarter by 34% points when compared to the same period last time. It is a healthy growth and including advertisement spend what we have done at a national level still we are having 12% net contribution from Exo for the quarter, so we will be going with the same strategy. We have not reduced the price like the competition, we are not giving any extra freebies like competition and we are going in our own way and the distribution is taking the responsibility of placing the product across the country. As of now, I am happy that Exo is contributing even at a national level; we are not losing any money. The strategy going forward will remain the same and it is due for price



Jyothy Laboratories Limited
January 25, 2011

increase, so we are just waiting when the competition increases the price the very next day we will be increasing our MRP and today you might have seen the competitor's numbers also, they are also under tremendous pressure which is exhibited by reduction in EBITDA by about 3.5% points, so if they increase we will be the first people to follow it. As of now, our pricing and their pricing is more or less the same.

Dhaval Gada: Sir on the JFSL there is a fund raising plan that you are talking about of 150 Crores so, can you give me some strategy and some idea on that?

Ulhas Kamat: As far as JFSL is concerned, like all of you know that it is a very, very passionate project what we have embarked in Bangalore. We have taken it within ourselves that if we reach the cash breakeven by March 31 then only we will look at the other cities to roll out. What has happened in the last one year if you see the laundry category as such everywhere players have started coming in a smaller way but not very big way. We at management discussion felt that when we are doing so exceedingly well in Bangalore and numbers like last year we did about 3.75 Crores turnover and this year we might be doing about 15 Crores turnover and it is in one city, we felt that are we losing the opportunity of ruling our other cities, just to wait and wait. So we took a decision that at Jyothy Laboratories Limited Board that we should not lose out on the time of going to other cities like Bombay, Delhi, Chennai, Hyderabad and Pune. Jyothy Laboratories Limited requires its own money for both organic and inorganic growth. Jyothy's money we should not use more than what has already been spent on JFSL and it has shown fantastic results so far. So we took a decision that we should explore the possibility of going other means of raising the finance whether the price equity or the debt. And finally as you know that Jyothy is ours today and we felt that we should share it with somebody and we went for private equity route. We have spoken to many and there is a huge interest on that and one of the private equity, which I do not want to name at this point because nothing is finalized. We have come to a concrete understanding of the valuation, we have come to a concrete understanding of business potential and we are getting at a good valuation. So unless it is done, it is not done in the business terms, so hopefully we should be able to close may be at a month's time and then we will announce it officially, but to say the least



Jyothy Laboratories Limited
January 25, 2011

we are extremely happy the way the valuation has been worked out and we will be going soon to Bombay, Delhi, Pune, Chennai and Hyderabad if we get the money. Otherwise, we will go slowly from Bangalore to Chennai to Hyderabad. The percentage of stake that we are willing to give to the private equity player is 25%.

- Dhaval Gada:** Sir, on the washing powder, what is the response on that particular category?
- Ulhas Kamat:** Fantastic because Sachin is doing very well, so naturally TechnoBright is also doing well. We are not losing any money on that and as we say we are still making money on every town what we are selling. But we are going very slowly, we are going very selectively, it is available in most of the modern trade across the country and in Kerala we have already got the number one position in the mid segment and TechnoBright is also doing well. In other cities we are going slow. As I mentioned in my last analysts meet also we are not going with a market share analysis there, we are just going by sell as much as possible and make money in every town. We continue to hold on to that thinking that Ujala Bright Wash or Ujala TechnoBright or Ujala washing powder is an extension of the mother brand and we want to leverage the brand equity of Ujala and make money, rather than really building a great detergent powder category as such no, we will be going slowly, steadily but making money in every town which we are doing even now.
- Dhaval Gada:** What is the growth that you saw in this quarter?
- Ulhas Kamat:** Detergent powder per se has grown 52% because of the small base the percentage may not have much relevance but it is a small space, but as a category we have grown 16% in fabric care.
- Dhaval Gada:** What is the full year guidance that you are maintaining now since three quarters have gone by, so what is the target that we can expect for FY 2011 in terms of topline and EBITDA margins?
- Ulhas Kamat:** As of now, the topline growth for nine months is about 15% and probably we might be able to improve it by other 2 or 3 percentage points because our real big quarter is March quarter, so 35% of our sales comes in the March quarter.



Jyothy Laboratories Limited
January 25, 2011

In case if I am able to get some kind of support by increase of MRP by competition then probably it may cross 20%. But otherwise we will be about 18-19% what we feel what we will be able to do in the present scenario. Margin wise we will be able to improve a little bit. So you might see some improvement in our EBITDA margin by about a percentage point and topline growth may be about 18-20% is what we can think of at this point of time.

Moderator: Our next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: Sir, why is there a loss in the home care segment and what would be our strategy there going ahead?

Ulhas Kamat: Home care consists of Maxo and Exo Safai, there are only two items and predominantly it is Maxo; the loss is mainly because Maxo we have not increased the retail price, we have withdrawn our sales promotion, is the only good thing which we have done by about 7% points, raw material prices have gone up almost by 5-6%. Also as a strategy we are spending the money on the liquids now because we have got 25% market share which we feel is decent enough for us to protect that market share and we want to promote that liquid. So our strategy in Maxo is to protect the coil market where we have 25% market share and promote the liquid market. We are spending money on that and if you see historically between the coils and liquids, liquids is a very, very brand dominated and brand loyal customers buy liquid. So we are concentrating on Tier 2, Tier 3 cities and we are spending the money on liquid. So advertisement spend has gone up little bit on Maxo, but raw material prices have drastically gone up and excise duty has gone by about 2% points, VAT has gone up and this is for the information for all the people who are hearing me. Most of the states are in a strategy to get a better share from GST, they are increasing the VAT in all the products and especially in the last one quarter we are able to see that most of the states are taking unilateral decision, just increasing from 5% or 10% or 10% or 15%. In state like Gujarat we have now almost 16% as a VAT which I have not heard off probably as a strategy to get a better share to the GST regime comes saying that this is what we are increasing VAT and that has affected us greatly on Maxo. Because earlier most of the



Jyothy Laboratories Limited
January 25, 2011

states we were paying only 4% and some states we are paying nil. But now in most of the states we are paying upward of 8% and that has affected us. Otherwise we have done exceedingly well as far as the production control is concerned and going forward I think it should settle down and will be better off by March 31 we should be able to do because the big season is coming in February and March. With that huge volume of sales what we are expecting probably we should be able to turn in to green from red at the current quarter.

Grishma Shah: Would that be with the trade margin increase or we would continue as it is?

Ulhas Kamat: We have decided not to roll back the sales promotion soon which we have withdrawn. We are happy with the sales. We will take the hit on the sales and because we are protecting the market share now, we are just looking at the market share our market share is protected, we are gaining here and there, 1 or 2% and irrespective of what the competition takes a decision, we have decided to live with the additional 7% margin which we are getting because otherwise we will be losing more and there is no point in withdrawing and giving it back and lose more and sell more and lose more we do not want to get in to that, rather I sell less and more money and I am only hoping that there will be some kind of price increases happening in the category, if that is so I will be the happiest person. But answering your question straight are we going to roll back, no we are not going to roll back because earlier I told that we will wait till December 31 and then we will take a final call and a call has been taken not to give back what we have already taken and we will work with this, we will work hard, we will grow more retail outlets, we will serve retail outlets and we will achieve the numbers.

Grishma Shah: The other question is on the advertisement spend, till date we have spent around 42 Crores, I am talking about the nine month number?

Ulhas Kamat: 32 Crores including sales promotion it is 42, but 32 is the money what we have spent on advertisement and that is 18% more when compared to the same period last time, page #10.



*Jyothy Laboratories Limited
January 25, 2011*

Grishma Shah: But what do we end the year with, as you said till the spending or the budget is there till February 28, what do we end the year with?

Ulhas Kamat: The total budget for the entire year is 45 Crores. So we will end our advertisement by about 45 Crores so we have spent about 12, probably we might spend between 10-13 Crores in the remaining two months and that should be translating to about 7% of our net turnover as of March 31, 2011 which is more or less what Jyothy spends, between 6-7% but probably we might end up at 7% but will not cross 7% in the current year as of March 31, 2011.

Grishma Shah: Now, as the current market scenario stands how you see your organic growth going ahead in FY 2012?

Ulhas Kamat: Organic growth has been very, very comfortable for us but for Maxo which is done intentionally. If you see page 15 of our presentation, fabric care has grown 16%, dish wash has grown by 40%, other products has grown by 4%, but mosquito repellent in the quarter has degrown by 15%. But if you see the nine-month period we have degrown by 6% which I expected to be nil or may be marginal -2% by March 31, 2011, otherwise fabric care is growing, dish wash is growing and other products are growing, now this is something which we have intentionally done by withdrawing the sales promotion. We knew that the sales will come down because people want with only the schemes, we knew about it. But now our regular sales are happening and month on month our sales is coming and this is actually the smallest season for us is the October-December quarter, so this is a small thing. But the next quarter is the one which you are really getting to sale from mosquito repellent, but people know that Maxo is the most expensive coil in the market place and they are still buying. So going forward I expect at least category growth what is there in the mosquito repellent, we at least get that growth. If the category is growing at 12% I will get a minimum 12%, but if the category grows 20% I should be growing at 20% from next year onwards.

Grishma Shah: For the company as a whole what are you looking at in terms of the topline growth in FY12??



*Jyothy Laboratories Limited
January 25, 2011*

Ulhas Kamat: FY 2012 I think then we can plan about 20%, 22% as organic growth we will be able to plan because once the Maxo in entirety is settled down then the new base I will get it, by March 31 I will get a new base for Maxo then the growth has to be around 20% because rural demand is still there and new products have taken good shape especially Exo has gone nationally very nicely, Exo round has become very, very popular at every store. Detergent powder should be substantial sale at that point in time in the next year 2011 and 2012, so in every category it is growing in two digits, like most of the category which we are in now, we are growing at upward of 20%, so as a whole Maxo I am able to control by spending money on advertisement and also popularizing liquid and vaporizers and aerosol, guidance I think 20% should be doable is what we feel at this point in time.

Grishma Shah: Why is the tax rate increased?

Ulhas Kamat: Tax rate is not increased, our guidance was 20-21% but when compared to the earlier period it is from 12% has gone to 21% because of MAT credit because last quarter we had taken some MAT credit we had taken and this quarter we had not taken but otherwise there is a percentage of effective tax rate so we had given a guidance of 20% and it is more or less 20-21% now.

Moderator: The next question is from the line of Varun Lochav from Religare. Please go ahead.

Varun Lochav: On other operating income, that number is pretty high for this quarter and even for nine months.

Ulhas Kamat: Periodically every quarter whatever the provisions which we have provided for some of the expenditures which every quarter we review it. Whatever the auditing account is over like in this case some of the incentives which you have provided for the staff and they are not achieved naturally we reverse that because our growth anticipated was about 20-22%. That is how the target has been fixed and every quarter the staff incentive which we provided earlier which has not been utilized because the quarter is over and the numbers are not



*Jyothy Laboratories Limited
January 25, 2011*

been achieved and whatever the process is made for such incentives here and there that is all in the reverse

Varun Lochav: Just on A&P especially the advertisement you said like this year probably we will end at around 7%, going forward also do you think like that will be probably the cap for Jyothy?

Ulhas Kamat: Jyothy works in a different platform as far as advertisement is concerned. We have a very robust internal marketing services department and we have in-house media planning. We want to limit it only to 6% and we have a media wholesale buying house that Lintas does for us, media planning is done by Mudra, so it is a construction of internal marketing services department at JLL. When compared to the peers we always manage to have good visibility at 6-7%. If you see now the visibility what our marketing services department has created in the last six months you will be surprised that we are able to manage it at 7.4% of our net sales which itself is very remarkable. But going forward I will be extremely happy from my side where the market services department can deliver the same visibility at 6% but probably it will 6-7% from what we spend and never will we spend more than 7% next year.

Moderator: Our next question is from the line of Navin Trivedi from Pinc Research. Please go ahead.

Navin Trivedi: My question is for the Q4 quarter, generally Q4 quarter is the strongest quarter for the year in terms of sales in terms of profitability, and do you think we can repeat even the Q1 numbers in the coming Q4 quarter?

Ulhas Kamat: Q4 should give us 35% of our topline and 35% of our bottom line. Historically, for the last four to five years also we are getting more or less the same and this year should not be any different because the season is doing well

Navin Trivedi: So in number terms we can still repeat the Q1 numbers like 33, 34 Crores EBITDA profit.

Ulhas Kamat: That is very much doable. Our whole idea is to at least get our 15% more than what we have done last year. So my target would be 80 Crores plus. We want



*Jyothy Laboratories Limited
January 25, 2011*

to improve on top of that. As of now we are about 10% up but my objective would be to make it 14-15% if not more.

Navin Trivedi: So, this higher profitability where do we see that profitability will come?

Ulhas Kamat: It should come from the increase in the sale of Maxo which will happen in this two months because the percentage what we have withdrawn from the scheme that is about 7% and if the crude price settles down like it is 90-95. But if it crosses beyond 100 then everything will go out of control for everybody, not only for me. As of now, it is under control. We are also working on meet Sachin program for all our channel partners like distributors and for our employees. Everything will get over by June 30. So a big campaign is happening internally on meet Sachin campaign and huge targets have been taken. I think with all these things achieving numbers should be possible by selling more and reducing our expenditure on advertisement by at least about 4-5 Crores.

Navin Trivedi: If you can share this Madhuri Dixit campaign, how much we are paying every quarter for this?

Ulhas Kamat: Madhuri Dixit program total money we would have spent about 6 Crores and it is spread over a period of four months. The mileage what we are getting we are utilizing for all the brands even though it is 100 Ujala Jahalak Dikhla ja

Navin Trivedi: One question on home care, I assume we used to give 30-40% discount on Maxo as far as our sales omission is concerned, after withdrawal of these schemes, you said the raw material grew by 5-6%, so we are also getting the withdrawal of sales promotion, I think 35% if you are not giving a discount still the margins are declining by 300% basis points.

Ulhas Kamat: Actually we have withdrawn only 7%, in Maxo there used to be trade off. Consumer offer, still we are continuing at 4.3 at the market place. That we have not taken out and trade used to give 12+3, 12+4 that means every 12 they used to get 3 or 4 freebies free, now what we have done is from 12+4, we have made it as 12+3 and wherever we are giving 12+3 we have made it as 12+2. So net-net only 7% we have taken it out. Hoping that competition will react and I can



*Jyothy Laboratories Limited
January 25, 2011*

withdraw all the 7% in the next quarter. But they have not reacted, they are still holding on to the sales promotion, but we have decided not to roll it back. So actually your question what is that we have taken back is not 25-30% only 7% we have taken. Out of that 5% our raw material price has gone up and 2% we have spent on advertisement. Excise duty has gone up from February because during economic recession what prime minister had given us additional benefit out of which 2% has been withdrawn from budget onwards February, so that additional cost has come in on that.

Navin Trivedi: One more thing on Maxo Military, what kind of number you are expecting in FY 2012 from Maxo Military?

Ulhas Kamat: This is again for everybody's knowledge. In the last analysts meet I had informed to all the analysts saying that we have gone in to the bottleneck of this licensing. Now I want to bring it to the notice of everybody that we got the license from the government of India. Now we do not have to take any permission from anybody to sell across India and February 14, we will be officially launching it in Delhi FICCI House by the Ministry of Defence and Ministry of Health from the Government of India .Hence Maxo Military all variants can go to the market uninterrupted thereafter. Now that comes with two challenges, one is that it is a new category. We may have to popularize that by spending a little more money on advertisement just to make the people understand that application of this on your body will not have any side effects because people are vary to apply it on the body. So there will be some spend in the next year on educating this safer product. The second one is that government commitment for us will start from June onwards because till July there are some people who are already having some kind of orders which is placed by the government of India for them. From June onwards they have committed. They will give us a minimum of 30 Crores turnover for the next year that is 2011-2012. Thereafter probably we will be doing about 20-30 Crores in open market. That is domestic market together we have an internal target of achieving at least 60 Crores out of the DEPA product. It is a unique product, there is no competition but we have to spend little money on popularizing that. Whatever the sales we get from Government of India or other state agencies, because there are no intermediaries, our gross margins are



Jyothy Laboratories Limited
January 25, 2011

higher and we can afford to spend the money on the brand for the domestic, so net-net we will not be losing money out of the DEPA, whatever the money we will earn in the first year probably we will spend part of it, portion of it in building the brand wherein that can become sizable in a couple of years.

Navin Trivedi: How much revenue is fetched from TechnoBright in Q3 and nine months?

Ulhas Kamat: We do not have the complete break up of that but I would say that roughly we should have done about 10-12 Crores turnover in the quarter.

Navin Trivedi: This time the number will be around 15-20 Crores.

Ulhas Kamat: This is I am talking only on TechnoBright but if you take all the washing powder then it will be more. But going forward as washing powder of all the products together, we have Ujala Washing Powder, we have Bright Wash, we have TechnoBright, we have at least 30-35% growth coming year-on-year because of its small base.

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

Riken Gopani: Could you also just give a highlight, if I look at the segmental capital employed in this segment, over the last one year it has almost doubled with no significant improvement in topline of that segment home care which you report, any light on that why it is happening?

Ulhas Kamat: One is that we have put up our own plant in Jammu and we have expanded our capacity in Guwahati. We have done some renovation in our other plant in Hyderabad. One is that expansion program. Because we were almost outsourcing about 30-35% and every time in year end especially during February-March we used to have pressure of supplying the product in the market place because the outsourcing agencies, they were supplying for everybody, not only for us including the competitors. That is how the industry works. So we had decided that we needed to be independent on our own and when we have manufacturing capability we thought that we should expand our capability and that is how we invested the money, so it is a long-term



Jyothy Laboratories Limited
January 25, 2011

investment .The second one is that always when you prepare in a mosquito coil business you always prepare before the mosquitoes come. So we produce the coil and this is all pre winter production what we generally do. The season will start from February- March and goes up till April. So what has happened is that internally our target was to grow at least 20% in mosquito repellent business. So accordingly we have produced the goods and if you see our inventory the inventory is next three month sales inventory I am holding as of December 31. It is not different when you compare it to earlier period but this time it has double impact for us. One is that our growth in the past quarter has been -15% when it comes to the volume that is because we have withdrawn the schemes when compared to others and that it is the pressure which we are selling as much as possible. My stockholding is for 20. So when I have 20 target, when I do -15 we can imagine what the kind of pressure is what I will have on capital employed in working capital of Maxo. Having said that we have taken a decision to go slow on the production and whatever the stock that we have it is already moving in to the market place and by March 31 our closing stock will be nil and next year we will go with planning and based on 15%-20% growth in mosquito coil. So it is just that we have produced more and we are holding on to the stock.

Riken Gopani: Secondly, just to understand this markets on mosquito coils specifically, the competition has not reacted to any of our moves till now. What makes you confident that our trade will again start accepting our products after having not significantly bought in the last quarter, what makes you confident about that?

Ulhas Kamat: What makes me confident is what has happened in the last six months. Last six months what it has taught us from the market is that do not worried about the competition. Everybody has a right to do the business in their own way and you do not have to plan your strategies based on somebody else's strategy. I am very happy about it and it makes us feel that much more confident that our business is depending on our strategy. If at all if the market should have reacted, market should have reacted within two months, three months, four months and no market can wait for six months. So the fact that I am still selling trucks and trucks and trucks on a daily basis, the fact that all my factories are working 24 hours a day and the fact that consumers are using Maxo, millions of



*Jyothy Laboratories Limited
January 25, 2011*

coils are going everyday, I know for sure that Maxo has its own place in every household who are my consumers and they will not just shift because somebody is cheaper by one rupee and with that confidence I will go forward and it also makes us to believe that what has not changed in the minds of the consumer for the last six months, why will it change on the seventh month or eighth month. With that we go with our strategy and we will go with the strategy that we will not give any more freebies and we are trying to withdraw 7% in the next one year so that our profit will be better.

Riken Gopani:

Sir, but just to put in other way obviously internally you must be getting some updates on the market share that we must be having in the segment, and there must have been some reduction in market share as well this quarter, till what extent are we thinking that market share loss will still continue or you think most of it is done with and now there should be an improvement in your market share from here and why would it happen?

Ulhas Kamat:

Just to correct your statement market share we have not lost. and the best way to The data of market share is on annualized basis because some months could be here and there. But if you go on analyzing basis that is the trading 12 months we are still holding on to #2 position, we were there at #3, now we have come to #2 and we are #1 in rural India. So as of now I have not lost any market share and secondary sales are robust, it is only the primary sales which has got affected. In Jyothy Laboratories Limited all of you are aware that we have a different system when compared to the competition. We sell it to the super stockists at the state level, that is where we recognize it as a sale. From there we sell it to the stockists and that is where from the stockists it goes to the wholesaler and retailer. From the wholesaler to the retailer it is happening perfectly fine, there is no reduction in the sales in the secondary one. In the primary one the pipeline earlier used to be about two to three months of stock during season, now it has come down less than a month, but when compared to the competition they bill it straight away to the stockists and that is where they capture our sales from where it goes to the retailer, so they have two level of sales, in our case we have three levels, so to that extent our level in which we are working now, the pipeline stockists come by and going back again to your market share business we have not lost any market share and the day when we



Jyothy Laboratories Limited
January 25, 2011

start losing the market share then I know that the customers are shifting and that is the time when we take corrective action either to spend the money on the brand or to introduce the scheme back in a different avatar, but as of now we are holding on to the market share rather we have improved the market share in the last one year at least by 2% points in rural India and 1% point in urban India.

Riken Gopani: Sir one last question on Ujala fabric whitener what would have been the volume growth for the core whitener product?

Ulhas Kamat: It is almost flat, in some states it has grown, in some states it is flat, so net-net I would say that the volume growth for the last one quarter has been flat but if you see the last nine months there will be a marginal growth of about 4-5%.

Moderator: Our next question is from the line of Hemant Patel from Enam Securities. Please go ahead.

Hemant Patel: Few more questions on Maxo, I have noticed a couple of competition have introduced similar kind of products of Maxo Military, not exactly the wet wipe but the creams and this is come in as a little bit of a first-mover before we have gone and introduced our product, so what is your take on this, are we because the consumer itself is not very educated about the product itself are we likely to lose out in terms of volume growth rates that we expect in the first year after we launch this product?

Ulhas Kamat: Your question is a very, very valid. If you see as a category as an outdoor, you will appreciate that globally indoor and outdoor is about 50:50 or 60:40 whereas in India you know that household insecticide business is about 2000 Crores whereas outdoor application is less than 100 Crores including new launches of the competitors, so there are only two players now, one is an established player out of Delhi and other person has just launched here, the competitor, now put together it is about 100-120 Crores but what we are trying to look at over a period of 5-10 years I will not be surprised even if it crosses 500 Crores, 1000 Crores also because people as of now they are not educated enough to understand, they feel that it might be harmful for them, but once we



Jyothy Laboratories Limited
January 25, 2011

start explaining to them it is like any other cosmetic item, it is approved by the drug controller, it is not like any other insecticide, it becomes part and parcel of the family on a daily basis, this is what we are going to see. On to your question whether we have lost out on the first mover advantage, no Sir, there could be many more players and the more players coming in is good for the category because everybody will spend on the money on the category and when the category grows and everybody will grow along with that so I will be extremely happy that couple of more people are just waiting to launch their products, if they launch their product and start spending on the brand, then efficacy wise mine is far, far superior and the pricing wise we are more or less the same and the advantage what I have is for a government supplies is something which they do not have and competition wise I can compete much better and I am comfortable with that.

Hemant Patel: Will you be marketing it in similar fashion when you say efficacy wise we are far superior so if you take a new product which is launched by one of your competitors will you be marketing it even in media that your efficacy is far more five times higher or something like that?

Ulhas Kamat: We cannot say that we are five times better but probably we will say that it comes from Government of India, DRDO and we will be definitely saying that we are more potent, no doubt about it. But how we communicate that is left to our creative agencies but effect wise, efficacy wise definitely we will be communicating, directly or indirectly we need to communicate that.

Hemant Patel: Just a couple of maintenance questions, liquids and aerosols you mentioned is growing, what is the percentage of sales at the moment and how much have they grown for this calendar year ?

Ulhas Kamat: Liquid from our side we have launched six months back with advertisement backup. As of now internally we have doubled the sale when compared to the same period last time because last time it was hardly any sale that we had done. Now we are putting our extra efforts. Internally it would have gone double, but if you see the coil and the liquid as of now we are still at 85 and 15%.Going



Jyothy Laboratories Limited
January 25, 2011

forward our focus will be more on the liquids and that is where we are putting our advertisement money also.

Hemant Patel: What would be your loss in fabric spa for year to date? You expect to close out this year with how much?

Ulhas Kamat: Fabric Spa loss year to date will be about 6-7 Crores. May be about another 1 Crores more, but as of now month on month my collections of fabric spa and spend in fabric spa is matching now. So the cash funding which was happening from JLL to fabric spa has almost become negligible and by March there would not be many requirement for Bangalore operations. So I might close by about 7 Crores, 7.5 Crores as loss by March 31, but for the month of March I will be cash breaking we almost do not need money from JLL to fund Bangalore operations.

Moderator: Our next question is from the line of Sathish Ramnathan from Sundaram Mutual Fund. Please go ahead.

S. Ramanathan: We just wanted to have couple of clarifications, one is on the growth of -15%, can you just highlight as to is the trend continuing in mosquito repellants for the month of January because you said that it should come to an end in the quarter, how does it mean for January?

Ulhas Kamat: It is -15% for the quarter in volume, but it is -6 if you take the entire nine months and going forward by March 31 I should be able to make it flat or I might be having a degrowth of 2-3%, not more than that.

S. Ramanathan: So, fourth quarter you will have growth?

Ulhas Kamat: That is where my entire growth of mosquito coil will be there, mosquito coil growth is always in the fourth quarter and we now settle down with our pipeline stock, stockists have settled down in pipeline stock and normal sales are happening but for the severe winter in November and December in northern states but otherwise other states are taking more coils than what they had taken in similar period last time, but in Jyothy perspective our biggest market comes from the eastern region which is UP, Bihar, West Bengal and part of Orissa and



Jyothy Laboratories Limited
January 25, 2011

that is where our biggest markets are which have opened up now from the winter, all the states are still having bits of winter but otherwise it has opened up and the trade is opened up and we are supplying now, so answering your question going forward by March 31 we should be able to do much more than what we have done in the last quarter same period by which I will be able to bring down my degrowth by about 3-4% points.

S. Ramanathan: Fabric care you mentioned whitener was flat on volume basis, apart from price hike what other categories have contributed to this 16% growth?

Ulhas Kamat: Washing powder and stiff and shine.

S. Ramanathan: What is the reason for if we go to slide #10 if we see the brand spend on Ujala has been the highest 18 Crores is it just apportioning the cost that you have done or is it really that you have spent so much behind the Ujala brand?

Ulhas Kamat: We have spent and next year we will be still spending but this much money will not be there, I tell you that this 18 Crores comprises of brand endorsement fees what we have paid to Sachin Tendulkar which is on a quarterly basis and we have taken two beautiful creative which you see on the TV, it is an one-time investment and we have spent more than 3 Crores on creating that too, good creative with Sachin Tendulkar and that is a one-time cost of making a creative and also giving the endorsement fee which we have spent on the quarter and next year even though if we spend a similar amount it will be 60% of this because a one time cost of taking a creative is already done sir.

S. Ramanathan: Other thing that we wanted to understand is in terms of absolute volume growth how has that been vis-à-vis the value groups can you just give us the volume growth?

Ulhas Kamat: We have not increased the price of any of the product category other than Ujala, the inventality (ph) what you have in page #15 category growth what we have shown other than Ujala everything is volume growth only and in the case of Ujala we have increased the price by 16% MRP by MRP but the realization has gone up by about 12% stage point and in that the volume growth what we



Jyothy Laboratories Limited
January 25, 2011

are seeing now is more or less flat but other products like washing powder and stiff and shine has given us the growth.

S. Ramanathan: Detergents, did the division make loss?

Ulhas Kamat: We have been in the detergent business for the last six years and none of the years we have lost money on detergent and detergent again I want to reiterate to all my investor friends that Jyothy Laboratories Limited is not going in a big way in detergent market to take on the biggies, that is not out core business, we do not want that to be our core business, we do not want to be called as detergent powder manufacturer. We have a wonderful fabric care product called Ujala which is synonymous with wash and we want to leverage that with equity for detergent powder and Ujala will be positioned as a complete fabric care umbrella branding we want to create that means we are there in the pre wash, we are there in the wash, we are there in the post wash and we just want to be there in all the items of fabric care, so going forward Ujala will be a mother brand of fabric care solution end-to-end solution product company and product range but coming to detergent powders our whole objective there is earn money in every town where you sell and do not sell to get the market share.

Moderator: Our next question is from the line of Aniruddha Joshi from Anand Rathi. Please go ahead.

Aniruddha Joshi: Hi Sir, thanks for the opportunity, just wanted to check can you kind of specify some timelines on the acquisitions as well as the PE funding which we are looking at?

Ulhas Kamat: If I had known I would have announced it when we will be acquiring it. Unfortunately Jyothy Laboratories Limited we are learning the acquisition act for the first time in our life. In the last 26 years we have not made any big acquisitions so everybody learns we are also learning. We raised the money to acquire but before one signs on the dotted line there are lots and lots of negotiations happening. Especially because of the recent transaction which has happened in FMCG space the valuation itself is looked in to by many people as



Jyothy Laboratories Limited
January 25, 2011

to are we selling cheap, or should we ask for more. So right now it is still in negotiation stage and I want to bring it to the notice of all my investor friends that any company for that matter should have plan B option always and no company can have only plan A. If it does not happen then we cannot be keeping quiet. So for inorganic growth we do have option B and we also have internal timeline. Today in the board meeting we spent more than 2 hours in deliberating the acquisitions plans what do we do whether this or that or something else, so we do have option B, option C we do have. But I want to give the confidence to all the analysts that company is very, very cost conscious. We always pay a fair value but we do not want to pay a fancy value and we always see that how much does it cost to build the same business and what are the advantages we have by paying a fancy valuation. So to answer your question the timeline I am not able to commit, I thought it should have been over by December 31 but for some reason it has not happened. At this point in time we are not able to commit the timeline but I can say that it is not being called off and Plan B also we are looking up and in an appropriate time we will bring it to the knowledge of everybody.

Aniruddha Joshi: Regarding the PE funding which you are planning, can you specify some timeline at least on that?

Ulhas Kamat: As far as PE funding is concerned we have more or less negotiated and finalized but nothing is done unless it is done on shareholder's agreement and board has approved for us to raise the money and we will have to go back to the board again before we sign on the dotted line and we are getting good valuation at this point in time which we feel is justified for valuation and we intend raising close to about 100 Crores at may be about 20-25% of the dilution but at this point in time it is still not signed as a binding shareholder agreement but we are talking.

Aniruddha Joshi: Coming back to Jyothy Laboratories what is for the full company the volume growth and price-led growth for the third quarter as well as nine months?

Ulhas Kamat: The price increase what we have taken which has resulted I would say is may be about 6-7% because we have taken the price hike only in Ujala and nothing



Jyothy Laboratories Limited
January 25, 2011

else and the balance should be completely volume growth for the entire nine months.

Aniruddha Joshi: For third quarter also the numbers?

Ulhas Kamat: More or less the same.

Aniruddha Joshi: Coming back to detergent business whether the increase in ad spend is completely attributable to detergent business?

Ulhas Kamat: No Sir, we have spent the money on detergent powder also, we have spent the money on Ujala mother brand also and it is apportioned accordingly and we are spending more money on creative or otherwise spending on the media is divided between fabric whitener and detergent powder more or less equal.

Aniruddha Joshi: On Maxo may be after two to three quarters when the business will get slightly settled down, what kind of stable margins you are looking out on an annualized basis in that segment?

Ulhas Kamat: Those are all dreams come true, at this point I am really worried on this March quarter, if I am able to make about 7-8% net margin in Maxo I will be extremely happy, then I can think of going to 10-12% but if you ask the category that category has gross margin, it can have a decent 20% net margin after spending about 10-12% advertisement, so category is beautiful, looks very fantastic and we are working very hard to achieve that number. I only want my competitor also to follow that so all of us can make good money and also we can spend the money on the category so otherwise we will be happy even if we make 10% net margin on the Maxo category I will be happy.

Aniruddha Joshi: Raw materials, we have seen most of the companies seeing raw material pressure, regarding detergent business or even Ujala business have you seen the increase in Soda Ash lab prices are increasing, so do you see that margins may be getting impacted even in Q4 unless we take price hikes?

Ulhas Kamat: As far as Ujala is concerned we are not interested in taking a price hike in this quarter but otherwise if the trend continues, pressure continues for us in Ujala



Jyothy Laboratories Limited
January 25, 2011

definitely we will take a price hike because they will be having a dominating market position and we can always take that decision without looking in to anybody else numbers, so that is probably for the management to take a decision after watching till March 31, if it does not breach \$100 mark as far as the crude is concerned then probably we will take July as a time, otherwise we will increase by April. But as far as detergent powder is concerned as and when the competition increases we are also increasing, so we have also increased our detergent powder in the mid segment we already increased it by about 3 to 4 rupees a kilo because soda ash has really gone up Other products like Maxo and Exo we always look for the competitors and when they increase the price we also increase.

Moderator:

Ladies and gentlemen, that was the last question; I would now like to hand the floor over to Mr. Kamat for closing comments.

Ulhas Kamat:

Thank you very much and myself and Neetu are available and all of you have been with Jyothy Laboratories Limited analyzing our P&L quarter-on-quarter. If more information is required you can always contact me or Neetu and we will come to you and explain to you and all I can say is we are putting our best efforts to build volume and build profitability and next quarter will be the testing period for us and we just hope for the best and we try to deliver the best from our side. Thank you very much and good night.

Moderator:

Thank you. On behalf of Jyothy Laboratories Limited that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.