

**Jyothy Laboratories Limited**  
**Q3 FY19 Earnings Conference Call**  
**January 24, 2019**

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Jyothy Laboratories Limited Q3 FY19 Earnings Conference Call. Today we have with us from the management Mr. M. P. Ramachandran, Chairman & Managing Director; Mr. Ullas Kamath, Joint Managing Director; Mr. Rajnikant Sabnavis, Chief Operating Officer; and Mr. Sanjay Agarwal, Chief Financial Officer.

I now hand the conference over to Mr. M. P. Ramachandran, Chairman & Managing Director. Thank you and over to you.

**M. P. Ramachandran:** Good afternoon dear friends, I am Ramachandran speaking here, the third quarter result for 2019 of Jyothy Laboratories Ltd is with you. You will be taken through the results by Rajnikant Sabnavis and your questions will be attended by Ullas Kamath.

**Rajnikant Sabnavis:** Good afternoon friends. I am going to run you through the presentation. I will go through it one chart at a time and we will get into Q&A in the end.

I will start with the first chart on market scenario. Our rural demand is expected to fare strong for the year. Our business environment is stable now. There are no issues that we are seeing either in terms of channel or anything else. As far as input price pressure is considered, at the current level of prices, things are eased off.

I will come straight to the third quarter of FY19 standalone results. The highlights are as follows. We had a strong volume growth of 6.1% which translated to a revenue growth of 6.3%. We held our A&P stable. In terms of gross margin, we are almost there 45.4 % versus 46% in the same period last year. Operating EBITDA stood at Rs. 71.8 crore which is up by 5% versus last year. This means our EBITDA margin as a percentage of sales is 16.5% versus 16.7% in the same quarter last year. In terms of profit before tax, it's Rs. 58.1 crore which is an increase of 20% and our profit after tax is Rs. 48.4 crore, up 30% over last year. Earnings per share as a consequence stood at Rs. 1.32 versus Rs. 1.03.

I will give you a quick snapshot of where we stand at the end of nine months of FY'19 as a company. Our volume growth is 9% and our comparable revenue growth is 10.6% that's at the end of nine months. In terms of A&P, we are about equal to last year at Rs. 77.9 crore. Our gross margin is at 46.1% which higher by 80 bps at 46.9% in the same period last year.

Our overall EBITDA at Rs. 203 crore is up by 15.3% and our EBITDA margin therefore lands at 16.1% versus 15.4% in nine months last year. Profit before tax is up by 27% at Rs. 156 crore and profit after tax is up by 26% at Rs. 126 crore. All this translates to an EPS increase which is now Rs. 3.46 versus Rs. 2.76 in the same period last year.

As always, we break this up first at the category level and then we break it up at power brand levels. At a category level, first part is what the result looks like at the quarter end and what it looks like at nine months end. The fabric care business, which is our largest business, is up 6% in the third quarter while in nine months it is up 9.6% during FY'19. Our dish wash in the third quarter is up by 8.7% versus 16% in the nine months ended. Household insecticides have performed better than the earlier quarters and it is up 11.7% during the third quarter while nine months end of FY'19 is still roughly flat. Personal care is down 6% in the quarter but if you take the overall year, we are still tracking 8.5% over last year. The rest is other products which is very small. That's the breakup of the revenue growth of 6.3% in the third quarter and 10.6% at the end of nine months of FY'19.

Now, I will come to the brand-wise revenue:

First, the third quarter numbers and then the nine months ended for FY'19. If you take the total Ujala franchise, growth stood at 2% in the third quarter versus 6.2% in nine months ended. Exo is up 7.5%, i.e., the total Exo franchise, versus 16% up in nine months of FY'19. In terms of Maxo, we are up 11.6%. The Maxo is really what insect control is while over the year, we are still flat. Henko had a very good quarter. We will talk more about it later. We are up 17.5% in the third quarter and the during the nine months, we are up 16%. Margo as a brand, we are down 7% while we are still close to 9% growth in the nine months. Pril is up 12.3% in the quarter and we are tracking nine months at 15.2%. So, the total power brand portfolio was a little higher at 6.6% while 10.4% for nine months and that's the overall breakup by power brands and others.

I will just quickly run you through the matrix once more in terms of where they stand, the ratios in the quarter ended and the nine months ended of FY'19. If you look at the revenue from operations at Rs. 434 crore, that's 6.5% up for three months ended, Rs. 1,264 crore which is 10.6% up for the nine months. Operating EBITDA is up 5.2%. EBITD change in the third quarter stood at 15.3%, PBT 20.4%, PAT 29.9% and overall for the year, both these matrices in terms of profitability are tracking upwards of 25%. As a consequence, our EPS is also up 25% in nine months and 29% in the third quarter of FY'19. Gross margins, I took you through earlier in the highlights. We are tracking slightly off at the quarter ended period and 9 months ended period. We shall elaborate the same during the Q&A session. The operating EBITDA margins are tracking over 16%, 16.5% in third quarter, 16.1% nine months ended which is above last year nine months, and PBT margins you can see stood at 13.4% in third quarter, PAT margin stood at 11.1% in the third quarter, that's versus 12.4% PBT margin and 10% PAT margin in nine months, and our A&P base ratio is 5.5% versus 6.2% in nine months.

The next chart gives you the flow through third quarter and year to date in terms of how your EBITDA flows down versus same period during the previous year. Accordingly third quarter is just 20 bps off. You can see the minor shifts over there, a little bit in gross margin

to some extent reduced by the A&P and a slight change because of employee cost has increased. That is pretty much the picture at both third quarter and year to date.

I now come to a section on brand performance and initiatives. The first thing is as always, we give you the breakup, as I mentioned earlier, fabric care is the biggest. So, we split that into two parts, main wash and post wash. This accounts for over 40% of the business. Then you have dish wash which is 35%, personal care 9%, household insecticides 10% and the others are 2%. That's the breakup of our business. I will start with the largest, fabric care. Fabric care, as I mentioned, main wash. If you look at that, in fabric care, Ujala franchise has grown 2% in the third quarter of FY'19 while the Henko franchise has seen a very strong growth at 17.5% in the third quarter, and overall, the third quarter growth is 6% versus 9.6% for the nine months. A little bit of few pictures about the activities that we have been doing. We have restaged our Henko brand as Henko StainCare. Both the Henko Matic and the Henko StainCare part of our business has been completely refurbished, relaunched with a far superior mix. Ujala IDD which is in Kerala has seen a pack change, and we have launched 2 new top-end variants, premium variants, under the Crisp & Shine which is the market development task that we have undertaken and which is present in Kerala and TN. In terms of the Ujala fabric whitener business, we continue to dominate the market.

Over the years, detailed numbers have come; we have gone from 80.4% to 80.5%. We are exiting the year with a share over 80%. What we are really saying is that at 80%, there is still room for growth because about 40% of our business is in states where our market share is less than 70% and there exists scope and room for growth which we drive through both communication above the line as well as below the line activation. Ujala detergent which I briefly spoke about is present only in the state of Kerala. We have exited the year with a minus share growth of 17% to 17.1% that still keeps us as a market leader in the state, our December quarter growth is 6%. Henko franchise is restaging which has happened actually towards the later part of November 2018, we have seen a good 17.5% growth, the major overhaul in the brand and we expect strong growth in this.

I will come to dish wash which is our biggest category which is more than a little over a third of our business. Our growth has been 8.7% in the third quarter but nine months we are up nearly 16%. Both Exo bar and Pril liquid grew in double digits, Exo bar at 10.9% and Pril liquid at 12% in the quarter. If you look at our market share, our shares for the year have come in. The Exo bar is largely flat, it's 11.4% to 11.2%. In the third quarter, it shows a slight dip in spite of our brand itself growing double digit.

As far as Pril liquid is concerned, we have been growing share, we have grown 40 bps in the year and we are exiting the year at 17.1%. Pril liquid, we came out with a new variant which is very unique, distinctive. It has been well received in the trade and initial reports of performance are very good and it is giving us incremental offtakes. That is as far as new product launch has happened which is Pril Tamarind.

I will now come to household insecticides which is 10% of our total business. We have grown in the third quarter by 11.7%. As I mentioned, we have had the category phasing issues earlier and therefore we are still tracking at nine months roughly flat. Market shares have

come in for the full year. We are seeing shares growing in Maxo LV, we will exit the year at growth of 8.1% while it's a 20 bps growth during the year. Maxo coil while we exit is lower at 21.1%. During the year on this base, we have grown 20 bps. So, we have gone from 20.9% to 21.2%. That's the story on household insecticides. Agarbattis, we spoke at length in the earlier call. The news here is that after doing a test market in a couple of states, we have extended this across. We know the agarbatti phenomenon is Rs. 500 crore as per Nielsen, and it is prevalent almost across the country. So we have taken this across after observing it in 2 states.

Coming to personal care, personal care is about 9.5% of our business. We have one brand here, Margo. The quarter is not a large one for Margo because it is winter. Within that, we have not grown, we have declined 7% but we are still tracking 9% so far in nine months. Margo Glycerine, we spoke about, we started off as I had mentioned in 1 state. We have got the results we wanted and we are good to extend it through the year. That's the story on Margo Glycerine. We will start the roll out now. There is a brief update on T-Shine which we had launched in Kerala. We have done well. We have grown about 130 bps during the quarter in terms of market share; we are now close to 5.5%. We are close to hitting our action standards to help us take this forward and roll it out. That's the story on T-Shine which is a toilet cleaner.

Overall, if you talk about our business, we are poised in terms of Maxo Genius being re-launched as we speak. There is a refurbish of the machine, it's a superior technical machine that has been launched starting December and the season is approaching. We have seen a complete refurbishment of the Henko portfolio. We have launched Pril Tamarind and both Crisp & Shine, the additional variants as well as our T-Shine's progress is good and should present an opportunity for a roll out in the coming year. That's the overall brand update to you.

In terms of the way forward therefore, the demand scenario we expect it to stay positive. Our sales growth automation, which is a huge exercise in itself, is rolling out in full swing. By March, we expect it to be completed, expect that to be a major fillip for us in the business in terms of tracking our performance and the information flow. Our innovation program across the portfolio is on track, I spoke about it at length. With that, I come to almost a closure. The shareholding pattern is in front of you.

That's the update of the presentation on our performance on the quarter and where we stand at the end of nine months. Thank you very much, and we will now open for questions.

**Moderator:**

We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:**

Sir, thanks for the opportunity. My first question is on T-Shine's good market share gains. Now, HUL has become very aggressive in Domex with a low-priced sachet. So, do you also have sachet and any competitive intensity you have seen increase in this? Although you are present in Kerala, but any comments on the overall market?

**Rajnikant Sabnavis:**

Abneesh, if I may take that question, you are right. I just want to first clarify that the 2 products are totally different. If you see our proposition of 100% organic, you may be aware but the 2 players in the market, I won't take their names, they follow completely different route. One takes a hypochlorite bleach route and the other takes a hydrochloric acid route. We play with an organic acid. They are different products. Apart from being 100% organic, we are also biodegradable 100%. So, our proposition is totally different and consumers and the extensive work done by the teams here on the product and from feedback from consumers is that they have obviously switched from the person who owns the market and they noticed the difference immediately. So, in terms of competitive intensity, it is the proposition that will get them in. As far as sachet goes, we are not in a sachet. There will be a time for the sachet and going for other consumers which will be a little later once we get the share numbers we are looking at. Till then, we are priced at a slight premium to the market leader.

**Abneesh Roy:**

That's useful in HI, you have done good numbers this quarter, and you were very upfront in highlighting the incense stick in the previous quarter. So, questions are essentially, now the market leader has also come out with its own agarbatti and I do see illegal incense stick being available in Mumbai also, which you also highlighted that even across country it is now available. So, is your agarbatti and say the other legal player which has launched..., is it now viable or is it potency enough to fight with the illegal incense stick?

**Rajnikant Sabnavis:**

Abneesh, I won't comment on the market leader. They have got a stick which they have launched. You must try it out. Ours has proven its efficacy. We have spent time in the test market before rolling it out. The market and the presence is there everywhere. We know we work. Obviously, we have spoken earlier we will not offer the efficacy of something which is as harmful as the illegal once. It's early to start taking a tally, but we are already reflecting in Nielsen. Small as the share may be, without a full market launch, if you see the December quarter number, there is a number. We are not talking about it deliberately because we want to see this quarter through, see a good number. Initial results are decent.

**Ullas Kamath:**

Abneesh, just to add to what Rajnikant said, all this illegal now government is taking like very strict action. In Hyderabad, there are already 3-4 raids and people are behind bars. In West Bengal, couple of raids have happened. In Orissa, raids are happening because they are all illegal. All are representation from HICA (Home insect control association) to the various governments through their health departments and also through ACIB. It is working, it might take some time but we are doing as much as required the publicity we are doing as and when the audit takes place and similar procedure is happening. To that extent, this is a phenomena which will be there for some time and it will fade away. So, idea is that we need to be in the agarbatti space and wherever we have gone with our initial sampling, results have been very positive, and the people who were selling illegal with harmful chemicals, some of the traders are not aware of that, we are educating them now because we have a product to say. With that, we are hopeful that in couple of years' time, we should be there with a decent size, at least 25% of the market share in that segment. This is what we are planning to. As far as our potency is concerned, there is no comparison between harmful chemicals and that of our nature-based product, but it works for what it has been functioned for.

**Abneesh Roy:** Sir, follow up on that, you are saying in 2 years, 25%. My question is rates and awareness in India work till a limit. You have seen the illegal cigarettes being at 22% of the market, so we know how much rates work and how much awareness works. So, my question is if potency is not there, what gives you the bullishness of 2 years 25% market share? Is it more launches you are banking on or....,?

**Rajnikant Sabnavis:** Abneesh, let me just clarify, because you took 2 things out of what Mr. Kamath said. One is potency is not there, let me clarify, it works. It absolutely works. In fact, it is proven to work and it is proven to work at a level which is slightly superior to an existing coil which is what the consumer is using. We have scientific data to back it. What he meant and what I also mean is that compared to what has fenobucarb and the banned substances, it doesn't work. So, first it works, let's be clear. I will spend a moment on this. We are spending a lot of time, money, effort even in media-dark areas to communicate to the consumer that that is harmful for you. We are off it and coming to the fold of something which is 100% safe. Is that working? I said I don't want to talk market shares early. It's very early, you have seen the DQ report, but it is registering. That itself is a big thing which was worrying us given that there are at least 150 brands and Nielsen lists out 60 brands by state. So amidst that, it stood out, so it works, it will work. Our campaign is about safety. We expect consumers to graduate to something safe. The next number you picked up was the market share figure. It is early days, that's the ambition we will set for ourselves and I have no doubt in my mind that we will carve a good place for ourselves in this Rs. 500-crore market because that is not going away, that is clear.

**Abneesh Roy:** We have seen Patanjali's sales slow down significantly. Even the market leader's own herbal brand has been below expectation. Now, you are present across quite a few naturals. So, are you also seeing broader theme on naturals as a consumption basket growing very fast, say last year. Has that slowed down significantly now for you? for the industry?

**Rajnikant Sabnavis:** Abneesh, I didn't comment on Patanjali. Maybe you heard that somewhere else. It is not part of our discourse. I think however your question is still relevant. What's our commentary on the naturals thing. There is no let up in that space nor will it go away. I think one clearly capitalized on it and whatever be the reasons for their slowdown or not their slowdown. I think that space is here to stay and you have seen it from the Indulekha's, you have seen it from their Ayush's, we are there with Margo which is the powerhouse. Please don't take one quarter as a signal of anything. Consumers don't change like that.

**Abneesh Roy:** This quarter what happened with Margo because of new product?

**Rajnikant Sabnavis:** Probably your question was triggered by that. I just wanted to tell you it's a small quarter for Margo and one quarter doesn't determine whether consumers suddenly decided to move off naturals. You take that as a favoring issue and watch this space in the next quarters is all I would say because we are hitting the season. As briefly mentioned, winter is not exactly the best season for Margo. It picks up from middle of February and goes on till May and you will see that.

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

**Kaustubh Pawaskar:** Good afternoon Sir and thanks for giving me the opportunity. Sir, my question is on the dishwashing segment. We have seen Exo bars growing by about 10% and Pril liquid growing by about 12% but if we look into the category growth, it has just grown by 8.7%. So, is it right to assume that scrubs have seen a significant decline during the quarter?

**Rajnikant Sabnavis:** You are right. It's not a significant decline but it's a decline in the scrubber business. We had a strong powerful performance in the scrubber so far and therefore if you take the cumulative sales, it is also in the high mid teens and that's how the whole dish wash category is in the mid teens. If you take 9 months ended, dish wash totality is in the mid teens.

**Kaustubh Pawaskar:** But for this particular category for scrubber, it is because of the base you mean to say?

**Rajnikant Sabnavis:** It's not a base. It's a question of preceding quarters and nothing else. Therefore, the cumulative figure is what you should see and see where we end up at the end of the year.

**Kaustubh Pawaskar:** Sir, how confident are you in terms of household insecticides because after several quarters of lull, we have seen growth and that is double-digit growth in third quarter. So, how confident are you that this growth will sustain in the coming quarters?

**Rajnikant Sabnavis:** The coming quarters are big quarters for household insecticides and a lot of it as you know and you have heard from both us and the market leaders, there is also a season that is involved. At this stage, if your December quarter itself is showing good signs, then it should sustain through March quarter and that is our expectation at this stage. So, combination of a season working out and some share growth continuing should see us through in the quarter.

**Kaustubh Pawaskar:** Sir, Ujala franchise grew by just 2% during the quarter-3. Anything to read into this or should it be considered as a one-off quarter?

**Rajnikant Sabnavis:** Within that figure at this stage, I would say that there is one big piece which is the Ujala fabric whitener which we know is about 4-5% growth. I think on detergents and Crisp & Shine, the innovations have just gone in. The results are not visible in this quarter. So, that's the reason why overall it looks below par.

**Kaustubh Pawaskar:** But fabric care, Ujala whitener, should we see 4% to 5% growth in the coming quarters or still there is a fair bit of left like should we expect growth to come back to high single digit kind of thing?

**Rajnikant Sabnavis:** Four to five is not far from a higher single digit. Our endeavor is a highest single digit and that's why we spoke about the identified places where our share is still below 70% which is significant. Our endeavor is to drive it beyond but safely you should expect that 5% kind of growth.

**Kaustubh Pawaskar:** Sir, we have seen crude prices quite volatile in quarter-3 and now they have declined and almost have remained stable. So, in terms of gross margins, should we expect quarter four to

be better like we can expect gross margins to be a higher on YoY basis or still there is some time to see improvement in the gross margins?

**Rajnikant Sabnavis:** From my side, I will clarify one thing. Crude impacts 30% of our total input prices. So to that extent, our impact is a little less than say somebody in a much larger detergent footprint than us. We are tracking this space. At this stage, let's not assume a very big upside to it simply because of the weight of that and it has actually not translated fully into packaging yet. So, I would say don't expect a big upside to it. Second is, with this competition intensity might even actually see more pressure in terms of it being negated. So, at this stage I would say there has been a slight drop, the dollar rates are looking firm, but let's not assume anything more than the fact that I have said which is it's 30% of the weight and to that extent the effect for us is a little less. So, there won't be a downside because of anything but there may not be a huge upside.

**Moderator:** The next question is from the line of Mr. Harsh Shah from CIMB Securities. Please go ahead.

**Amit Purohit:** Just on 2 things. One, on the competition that you indicated that has increased. Are you referring to the detergent, the fabric wash as well as the dish wash? because we see margin deterioration for the last two quarters in both the spaces on a YoY basis. Your comments.

**Rajnikant Sabnavis:** The margin deterioration which is looking like around 50-60 bps is actually not more, I want to clarify that. It's not a major margin depreciation. I did not say already that there is a competitive intensity, I said "Look, you must remember if it is 30% of the weight to our cost and indeed there is an upside, you will see some activity that could negate it easily." So, let's not build that in as a gross margin growth. Having said that, we have spoken in Laundry, our strategy has been a completely differentiated proposition. We are priced at a premium, we do not strictly ducktail what the competition pricing is. We have got a strong mix and only those consumers who will graduate to the that proposition will move in. So, we will not participate in that war if it is your question. At the same time, obviously the consequence of that is you don't get unnaturally huge growth that mid teen to 20% is what we are targeting with the restage and the relaunch.

**Amit Purohit:** Just one more thing. We indicated that we have taken some price increase post Q2 or around Q2 in the detergent space. Was that not sufficient enough or we had to rollback or were there more offers given to drive Henko growth?

**Rajnikant Sabnavis:** I will clarify again. We did say that we took it. We took it on certain selective stages which weighted average cost risen 3% on cost I guess. It was not a major increase that we took. We took just about enough to negate some of the price increases.

**Amit Purohit:** Going forward, we have a very strong base in Q4, I mean in terms of both on the margin side as well as the demand side. If you could throw some light on the growth that you are seeing?

**Rajnikant Sabnavis:** We have had a strong base actually all along Q2, Q3, Q4 if you have been tracking our results right through last year as well. We grew very smartly during those three quarters. And it's the same answer as earlier. As long as our brands are performing, you are not seeing drop in

shares or offtakes, give and take some phasing, you will not really see any major shift and that's how it has been growing. So if Q4 is big, it is really magnified by the Maxo seasonality. What I am saying is that the Maxo seasonality is the one that is magnifying it, it is no different and if you look at the way our brands have been tracking, we will sneak through the quarter smartly. The specific question on seasonality and Maxo, I have answered earlier. We like to believe based this Q3 that Q4 season should come on time and we should be okay.

**Moderator:** The next question is from the line of Mehul Desai from IDFC Securities. Please go ahead.

**Harit Kapoor:** Hi Sir, this is Harit here. Firstly, on pricing, you have a revenue growth of 6.3% which has been very similar, I just wanted to get your sense is there a negative mix effect in the quarter because probably HI has grown faster compared to the other segments and what would be the exact pricing growth as per Q3 on a weighted average basis?

**Rajnikant Sabnavis:** It does reflect a bit of pricing. There is no major negative mix in the sense. I hear you in terms of your question, that is not the reason for it. If you take a per kilo liter, etc., you won't find any major difference. You should not find any major difference there.

**Harit Kapoor:** Would there be an assumption that if the commodity stays where it is., that's a big assumption but assuming it stays where it is, the opportunity to get pricing growth over the next few quarters will be very limited?

**Rajnikant Sabnavis:** Yeah, that is a fair question. Obviously, if the commodity prices don't grow, it is unlikely that organizations would look to increase pricing to drive price growth. It will have to be through volume growth if that's how it stays.

**Harit Kapoor:** In that context, Mr. Kamath's target of 12-14% on the revenue growth, is that a little bit then probably downward revised over the next few quarters because you may see a lack of pricing which may contribute to that or you think it can be made up by a superior volume performance?

**Rajnikant Sabnavis:** Let me try and address that. Two things. Pricing is one thing which is taking up MRP. Second is some of our innovations which are at the premium end if they grow faster which I spoke about, you will get that little bit of delta because of pricing. The second thing is we are still tracking close to 11%. Our endeavor is to cross that to land in that same ballpark and therefore I wouldn't say that at this stage you should be thinking on those lines.

**Harit Kapoor:** Just getting into say Q4, are you seeing probably a better traction on the personal care side, especially Margo. And you have said the HI season is fine but on the fabric care side also, is there any additional growth on the Ujala side that you are seeing? My question is really on Margo and Ujala, the weaker performance this quarter is that kind of reflecting..., is reversing going forward? Already are you seeing that in the numbers?

**Rajnikant Sabnavis:** Margo yes, I don't think we should worry. We know exactly which are the places where some kind of phasing issue has happened, you don't have to worry about it. As far as Ujala goes, I spoke about our growth ambition..., you are talking about the fabric whitener right? Fabric whitener, we have been modest enough when we think about the growth projection. Margo

is the one which we have got a huge ambition in the quarter and we are okay and Ujala we will be in the ballpark which I indicated. We have not indicated any modest growth in Ujala.

**Moderator:** The question is from the line of Tejas Shah from Spark Capital. Please go ahead.

**Tejas Shah:** Hi Sir, thanks for the opportunity. Sir, last quarter you spoke about Kerala contributing negatively by Rs. 20 to Rs. 30 Crore dip in our revenue. How was the number from Kerala for this quarter?

**Rajnikant Sabnavis:** Kerala is back on track. As I mentioned, the business environment at this stage is okay. I would say it is smooth sailing for now.

**Tejas Shah:** Secondly, any update on our direct reach, where we stand today and where were we, let's say 2 quarters back on that?

**Rajnikant Sabnavis:** Direct reach, we have been saying this, it is good to go for us at least till Rs. 3000-3500 Crore. We are on the higher side of our direct reach. Having said that, we have a very strict measure for direct reach unless you made up certain number of bills in the month or percentage per visit, we don't even count it as an outlet. It is quality of coverage which is the active endeavor of the company. Having said that, we are on this drive in key states wherever there is an opportunity to find new stockists in below 20,000 towns and that automatically brings an increased reach. So at this stage, I would say rather than getting into the number game on coverage – we do that selectively – it is quality of coverage which is our priority and which is what we are improving. So, it is pretty much around at 864,000 which we spoke about.

**Tejas Shah:** Sir, lastly if you can comment on channel-wise growth momentum, how are you seeing modern trade versus GT and if at all online is picking up for you?

**Rajnikant Sabnavis:** Our modern trade is at this stage is growing faster than our GT business. Within that, I would say we are seeing traction happening with the online. Online has its own issues in terms of its cost and business model. At this stage, we have while on a cumulative basis, it might be about 8% or 9% of modern trade. There have been months when we have clocked up to 20-25% of modern trade through online. So, I wouldn't say it is small but it is very important for us and we know that there could be a lot of actions going forward in that space, especially with the announcements you heard. So, we are watching, we are present, we have a key account manager focused on it and we know which brands work where.

**Moderator:** The next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.

**Rahul Ranade:** Hi Sir, thanks for the opportunity. Just a clarification. I see that Ujala franchise has grown by around 2%, the IDD, i.e., the detergent has grown at 6% and an answer to an earlier question you said that Ujala fabric whitener has grown by 4% to 5%. Is that right?

**Rajnikant Sabnavis:** No, I said that an ambition on the brand is to close at 4% to 5%. During the quarter, it is probably just around 1% or hovering there.

**Moderator:** The next question is from the line of Mr. Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:** Hi Sir, thanks for the opportunity. First question, your pricing growth if I just take your sales growth minus your volume growth, this was tracking at around 3% last quarter and this quarter it is coming at flat. If I remember, we had mentioned about some price increases in detergents. Is it like a lot of promotions have been rolled out towards the end of the quarter or what is happening basically?

**Rajnikant Sabnavis:** I did touched upon that. There is some amount of the pass on of that as the competition intensity. I wouldn't call it competition intensity. The competition intensity is something which I said we will see going forward but in order to facilitate the launch, we have taken on displays and that kind of stuff which we have spent money on to do the re-launch of Henko StainCare and Matic which I spoke about.

**Sameer Gupta:** We had a Kerala impact in Q2 and still we clocked around a 7% sales growth. This time around, our growth has itself slowed down overall. Is there any other issue as a natural calamity like cyclone or something that had impacted? Why is there a slowdown in our sales growth?

**Rajnikant Sabnavis:** No, we don't have any such excuses this time, but having said that, we have seen a slowdown. We do not believe there is anything fundamentally wrong either in the market. You have seen the split across the brands. There are a couple of areas where we will drive it up, is the better answer I can give you. I have shared with you the market shares in DQ. So, that should give you an idea of whether consumers are slowing down, they are not. They still come and buy our products in good measure. It's a phasing issue, you will have to leave that with us for a quarter to make it up.

**Sameer Gupta:** Is it like Ujala, we had some restaging activities done last quarter and that phasing issue has affected us this quarter? Because you said fabric whitener has just clocked 1% growth.

**Rajnikant Sabnavis:** Fabric whitener is phasing, it is between 1% and 5%. I said we have a very modest growth ambition on that. On the rest of the stuffs, . That's why we share the market share figures with you, the offtakes which we track so closely. It's a matter of phasing and timing and we will cover that up also, a bit of not being the Margo season. Having said that, you are comparing it with an off season, you are right. It is nothing more than that. There is no extraneous reason.

**Sameer Gupta:** r. Your ad spends are down like 3% and we are doing a lot of restaging, relaunch activities; we mentioned Henko StainCare and Henko Matic and Ujala also we got restaged last quarter.

**Rajnikant Sabnavis:** Our ad spends are in the same region of 14% to 15%.

**Rajnikant Sabnavis:** That figure is a combination of what's on media and what's on ground. So, it's not as if there is a drop.

**Sameer Gupta:** If you have had to combine both, how much would be ad spends YoY growth, these promotions plus advertising?

**Rajnikant Sabnavis:** If you see, we have held our promotions. Actually, when we do the analysis internally, it has grown slower than sales. If you take within that, you would find roughly about, I have answered this before, we should be at different level but we are currently around 55% to 60% of that on media.

**Moderator:** The next question is from the line of Mehul Desai from IDFC securities. Please go ahead.

**Harit Kapoor:** This is Harit again. Just one thing on Henko. Sir, if you could just go through what has changed with you have done this re-launch for Henko. Apart from packaging, is it communication? What all has gone into the new proposition, etc.? If you could just help with that?

**Rajnikant Sabnavis:** Just a quick throwback. The Henko Matic which is the one which we had relaunched earlier. There, we incorporated a significant amount in technology to give you better clothes care and a better fragrance feel over time. Fragrance technology also has been invested in. These are the 2 big changes as far as the Matic portfolio is concerned. In the earlier round, we had addressed Matic. We had not addressed what was called Henko Stain Champion. So, you picked that up right. Henko Stain Champion is now Henko StainCare. It has been integrated better with the Matic. It also incorporates the same technology which gives you superior color care. There has also been some amount of fragrance technology that has gone into it. So, it's a combination of the two and harmonization of the proposition around care. So, in terms of advertising mix what you will see is they will look part of one family. Just to reiterate, earlier we had not advertised the Stain Champion as it was called then. Now, we will be advertising the StainCare portfolio.

**Harit Kapoor:** Has the communication gone on air already?

**Rajnikant Sabnavis:** No, it's not broken, it's ready. As I said, it was only towards December that we started the shipments.

**Harit Kapoor:** How much is Matic now for you as a percentage of overall Henko?

**Rajnikant Sabnavis:** Matic is still a small portion of overall Henko, it would be around 15%.

**Harit Kapoor:** So, from that context then this launch is even more relevant because it restages Stain Champion as well, right?

**Rajnikant Sabnavis:** It relaunches Stain Champion as StainCare.

**Moderator:** The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

**Kunal Bhatia:** Just wanted to know, in terms of how do you post the nine months result? Any changes on the guidance for the current year? Secondly, also wanted to know any update on the acquisition which you had spoken about in the past? Anything you have been looking now for?

**Ullas Kamath:** As far as the guidance is concerned, 12% to 14% guidance what we had given at the beginning of the year probably will end up doing around 12% and as of now, we are at 10.98% and if we

grow at 14% in third quarter, hopefully, based on Maxo sales and also in Ujala, we should be able to get there at 12%. This is what the indication what I can give at this point in time. As far as inorganic growth is concerned, as and when it happens, we will announce it. As any other progressive company, we always look for that and anything comes up, we will definitely keep everybody informed about that.

**Moderator:** The next question is from the line of Soundarya from I thought Financial. Please go ahead.

**Soundarya:** I would like to ask about your innovations that you are saying is on track. In the last quarter, you said it would be around products that are existing. Can you give some more guidance on what we can expect in the next quarters?

**Rajnikant Sabnavis:** One is, the Henko Matic and the Henko StainCare which we spoke about, we are yet to break communication. What you have just seen is a month's stock inflow into trade. The second thing is on Maxo. On Maxo, there is a new generation machine called Genius Plus. It's also a relaunch of the liquid and the machine which you will see in the market. That's as far as Maxo goes. The next one is Pril Tamarind which you've seen early days, just one quarter of activity. You will see more action in the dish wash. I won't tell you right away what we are going to do but there is a major work that is happening on a major brand. That will also be there towards the end of this quarter. These are the big ones. In addition, our mosquito incense stick is new. T-Shine should be a continuing story along with Crisp & Shine.

**Soundarya:** Sir, when can we expect s Ujala detergent or T-Shine to enter into other markets outside Kerala?

**Rajnikant Sabnavis:** First, we will talk about Crisp & Shine where we have launched 2 new variants and we have seen good results so far in Tamilnadu. Kerala is always well established. That's the first one that we want to start early in the next financial year. As far as T-Shine goes, we are at 5.5% share, we have got a number in mind which is much larger. We expect to hit that in the first half of next year after which we roll it out.

**Soundarya:** Sir, can you share any numbers on your agarbatti business like as in your revenue or your margins?

**Rajnikant Sabnavis:** Margins are better than coils, that much I can answer you. As far as revenue goes, it is early days. We don't want to start taking advantage., it doesn't make sense either for you because it is in 1 state, 2 states. In that state, what's the size of the coil. So, it is early yet. We will probably talk about it at the end of this quarter.

**Soundarya:** Sir, Ujala detergent you say IDD, how is it different from your Henko also your product proposition is and would it be a competition for the Henko Stain?

**Rajnikant Sabnavis:** The two brands exist in Kerala and interestingly our highest share is in Kerala on Henko as well. Henko exists everywhere. It also exists in Kerala and enjoys the highest share. Ujala IDD is, as we shared with you in the presentation, the market leader in terms of overall share. The propositions are very different, the price points are very different, is the simplest way I can explain. Ujala IDD is a mid tier brand, it is priced around Rs. 80 plus per kg. and Henko Stain

Care is at a premium pricing, it is at about Rs. 120 a kilo. In terms of proposition, they are very different, one is on care for clothes and the other one is about instant dirt dissolution and easing of the effort behind the wash process. So, price points are very different, the tiers therefore are different and so are the propositions.

**Moderator:** As there are no further questions from participants, I now hand the conference over to Mr. Ullas Kamath for closing comments.

**Ullas Kamath:** Thank you very much friends for attending our analyst call. If you have any further questions, you can connect with Mr. Sanjay Agarwal, our CFO.

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

Note: This transcript has been edited for readability and is not a verbatim record of the call.