



“Jyothy Laboratories
Q3 FY12 Earnings Conference Call”

January 23, 2012



MODERATORS: **MR. M.P. RAMACHANDRAN**
 MR. ULHAS KAMAT



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Moderator: Ladies and gentlemen, good afternoon and welcome to the Q3 FY12 Earnings Conference Call of Jyothy Laboratories Limited. We have with us today Mr. M. P. Ramachandran, Chairman and Managing Director, Jyothy Laboratories Limited and Mr. Ullas Kamath, Chief Deputy Managing Director, Jyothy Laboratories Limited. As a reminder for the duration of this conference call, 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. Should anyone need assistance during the conference be may signal an operator by pressing “*” and “0” on their touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. M. P. Ramachandran. Thank you and over to you, sir.

M. P. Ramachandran: Good Evening. We would like to welcome you all to the Q3FY12 earnings call of Jyothy Laboratories. I would handover to Mr.Ullas Kamath

Ullas Kamath: Good Evening my friends. We have just declared the current quarter numbers. As we told in the last quarter that most of the pain is behind us. This is now visible on the numbers what we have declared. Our topline is up by at about 12% and our net profit is up by about 78% to Rs.29 Crore. EBITDA margins have improved to 16.98%, so we are going back to our normal EBITDA margin which is upward of 15%. The profit has gone up primarily because of fabric whiter business has gone up by 14% when compared to the same period last year. Volume growth is about 10% in Ujala and value wise about 4%. So overall in the current quarter we have seen a robust growth both in the volume and also in the value across the sectors but for Maxo, which we will take it up separately. Otherwise throughout the country everywhere we have gained the market shares in Ujala, Exo and our other products.

Maxo we have lost 2% point on the market share on trailing 12 months period, which is because of a very aggressive competition at the trade level by. But otherwise barring that one, rest of things looks as robust to us and we hope to continue the same growth in the coming quarter. As I have told you at the beginning that the pain of restructuring at the distribution, most of things are behind us now and looking forward for good numbers in the coming quarters.



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As far as our Henkel is concerned, we were doing extremely well till the last quarter. In the current quarter, there was unrest in one of their plant which we were using in Karaikal. The workers went on strike September 26 till December 26 and we lost out 62 days of production there. That Henko Stain Champion was manufacture by them from that particular plant and that is we lost out on the topline sales of Henkel of Rs.27 Crore during that 62 days. We did not want to shut into the pressure of the labor there. We went as per the law and the demand from their side was to make a onetime compensation to them which at the board level we did not agree. So they went on strike and now the business was started effective from December 27. Normal production has started. But however as a precautionary measure we are ready with our alternative production site to manufactures the Henko Stain Champion. Barring that in Henkel, rest of things are as per our escalation. Only in Henko Detergent powder we lost Rs.27 Crore which effected our EBITDA to extent of 10%, that is about Rs.7 Crore of EBITDA. But hopefully in the current quarter we should be able to makeup that.

We have not lost out market share there but supply to the market was disrupted for 62 days and that we have brought to the notice of the board today and I just start I should keep informed on that. Now I take the questions so that I can answer all your questions.

Moderator: Thank you. The first question is from **Abneesh Roy from Edelweiss**. Please go ahead.

Abneesh Roy: Sir congrats on recovery in two & three segments. My question is on Ujala. 10% volume growth what would be the growth you are expecting in FY13? Any trends of slowdown in rural or other?

Ullas Kamath: Thank you Sir. We do not say any downturn in the rural growth as far as Ujala is concerned and this growth what you have seen is coupled with a good at campaign we have done in the past with Sachin Tendulkar. So this volume growth what you have been seeing would continue. As I always say that our volume growth should be in line with the GDP growth of 7%-8% and I hope that 2013 we should be able to continue this number at the minimum.



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Abneesh Roy:

Sir what about that two segment Maxo and Exo? We have cut back on ad spend. If you could take us through which segment we plan to bring ad spends up in the coming quarters?

Ullas Kamath:

As far as Exo is concerned it has doing extremely well. Our growth is being 38% when compared to the same period last time. Their contribution level also has gone up now almost to 18% which is very heartening number as far as Dish wash segment is concerned. So we do not have any worries on Exo. Exo is doing extremely well and we gained the market share by about 2% to 3% point and now we are at about 26% in South India and 56.5% in Kerala. We are number one in Kerala as far as the segment is concerned. Now that Pril is also with us, we are in a better position to manage over the category in a more meaningful way because there are only three players as you know. As far as the Maxo is concerned you remember that about four-five quarters back we decided to withdraw some of the schemes and we started making the money. We did at for the last 12 to 15 months. But at the end of the day, even though we are now expensive, we are doing our best. But the competitors have been very aggressive at trade discount aspect and due to that over the last one year we have lost 2% market share to the competition. So today the board has taken a view that Jyothy should be concentrating on protecting the market share and if at all if it is required to spend little more money on advertisement So other than that in Maxo we do not have any other worries. In Tide, production is done in-house and we are in a better position to produce at a least cost. Your last question on advertisement cut, what we have done. It is not actually that cut. If you remember that the last time in December we had gone in a full blown campaign on Sachin Tendulkar with the Techno Bright and now post acquisition of Henkel we have got Henko Stain Champion there. Also we have got Henko Matic, Ujala, Mr. White and Chek. So our marketing department has the repositioned on all India basis most of this brands in such a way that there is no cannibalization of brands. So we are not spending any money on Ujala Techno Bright at a national level. So it is not that we have cut on the advertisement it is just that we are not spending that because that product is not at available at a national level. As far as going forward is concerned entire product portfolio of ten brands, three from Jyothy and seven from Henkel we



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are realigning ourselves. Effective April 1 you will see the new campaign is happening and at Jyothy we intent to spend between 8%-9% on advertisement. Historically we are at 7% and we spend that kind of money in Jyothy and in Henkel in the first phase we probably might spend little more because a lot of that has to be strengthened in the first year. But EBITDA margin what we can expect in Henkel should help us to achieve that numbers as well.

Abneesh Roy: I have two follow up questions on this 44% growth in dish wash and our market share expansion. One is what is the steps we have taken to get this and secondly in terms of Pril and Exo what will be the pricing architecture? If you can take a through what will be the brand architecture because that they would be an earlier competing and now it is the same company?

Ullas Kamath: The growth which has come in Exo is a purely of taking share from the competition and the growth is for probably about 60% in volume and 40% in value because we have increased the retail price. As far as the brand positioning of Exo and Pril, I will not be able to reveal at this point in time because competition also will be listening to this call. But our marketing team is very clear to position Pril the way we feel it will be comfortable for the consumer to understand and Exo way which our customers have been using our product for the last 12 years. So with that Jyothy is very comfortable and the growth what you have seeing now 44% in Exo including Safai which is historically we are growing at the same level. if you see the CAGR the last five years also it is upward of 40%. So in that way going forward Exo will grow. Pril has its own customer franchises and we will be growing that also in our hand more or less upward of 25% in growth.

Abneesh Roy: Sir my last question is on Maxo. You said the competition is very aggressive. Is it just one player who is aggressive or all the two-three large players are aggressive?

Ullas Kamath: There are only two players sort of as for as coil concerned. One is from Delhi and other from Bombay, both of them are very aggressive only in coil. Because we are only in coil they are not that aggressive in liquid and aerosol. They have been cross subsidizing because they make money in liquid and aerosol which



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they put the money back in coils. And yes if I were be them I will at on the same thing to hurt the competition. So as of now Jyothy has taken a stand saying that okay we need to protect our market share which we have gain with lot of difficulty and whatever is required to do that we will do it but definitely we will not be cross subsidizing from the other branch within the Jyothy group. But we have launching our liquid and aerosols and we will try to do such a way that we will protect our market share. With the last one year loosing 2% the market share it is not something which is an appreciated by our board. They agreed in the first place when we said that we will start making the money and so even if we have to lose couple of percentage point they were okay but now at the end of the year we have not made money and we lost 2% so that has been taken proactively and to say that we should protect the market share and which will act very quickly on that.

Abneesh Roy: Thanks and all the best.

Moderator: Thank you. The next question is from **Aashish Upganlawar from Spark Capital**. Please go ahead.

Aashish Upganlawar: I wanted to know you about the new management that was suppose to join. Any updates on that?

Ullas Kamath: It is for everybody's knowledge. Everybody should be able to join by the end of quarter. A couple of things just for your knowledge is that the senior management will always have signed up with their existing companies on non-compact clauses at the senior levels. So lawyers are advising us to get over the clause and then they start working. Because we don't wish to invite any litigation thereafter. Some of them have left. We have just seen from the legal perspective what the right time for them to join is. But this quarter they will be joining and we will inform everyone as soon as they join. Other than that we do not want to disclose more on the team because of realities involved in non-compact with them in earlier organization.

Aashish Upganlawar: On Henkel could you throw some more light, this you said about Rs7 Crore of EBITDA loss?



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Ullas Kamath: In absolute term yes.

Aashish Uppanlawar: Some more thoughts on how the execution is going around and also especially on the funding part the asset sale part any update since last quarter?

Ullas Kamath: Henkel in entirety, you can divide responsibilities into four. As far as marketing is concerned we are already running ourselves and it is opening in Bombay. Finance we have taken over effectively from May 31, everything operated out of Bombay. Procurement and production is also handled out of Bombay. Only the Karaikal plant which we wanted to run but unfortunately the labor went on a strike but we are managing now. They have resumed their work. So I tend to believe that they will work for some more time. I cannot comment on till when in future as far as Karaikal is concerned, but as a prudent company we were ready with option B, option C to procure products. Henko Stain Champion will be available with the marketplace not from Karaikal, but some other plant which we have in 16 locations

Now, coming to the second part of the question is that about the funding. You know that Jyothy had taken NCD at 11.25% from Kotak and which we have been renewing for last three quarters. It's becoming difficult for us to renew at the end of the third month because a lot of management time is spend to negotiate and document. So now effective from this January 27, 2012 we are going to Axis Bank. It is at 11.25% interest and it will be a floating. Also, we have right to preclose whenever you want by giving 30 days notice to them. It is a combination of the term loan with 18-month of moratorium period and repayment over a period of thereafter for 3.5 years. So it does not have much impact on our fund flow and that should ease our fund flow to a great extent.

Aashish Uppanlawar: Anything on the asset sale?

Ullas Kamath: A lot of inquires are coming. We have given that entire job to an agency and as and when we get the good price then we will help the assets and we will prepay the loan as quickly as possible.



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Aashish Uppanlawar: What are your plans for the major campaigns for Henkel, that you would be doing, which you guided in the last quarter?

Ullas Kamath: You will see the Pril and Margo campaign, Margo will happen in the summer because that is the season; Pril will campaign in a week's time.

Aashish Uppanlawar: Any further price hikes that you would be planning? What has been recent price hikes?

Ullas Kamath: Some products we have taken 5%, some products we have taken 9% and somewhere we have taken 12%, but overall in the current quarter impact of the price increase is about 5%. But next quarter it could be about 7% because the full quarter we have not enjoyed the price hike in products. Going forward price hike will always be determined by the competition. As far as Ujala is concerned, we do not have any competition, but we do not intend to increase the price till March 31, 2012. As of now, we are gaining the market share, couple of points we have gained in the current quarter, we are happy about it. But no thinking on the increase of the price of Ujala portfolio till March 31, 2012.

Aashish Uppanlawar: On Henkel what would be the price hike?

Ullas Kamath: Henkel we are contemplating taking 15% price hike across all the product categories because they are underpriced. Also whole packaging material we are completing now and in the next quarter at least we will be able to execute 50% of the price hike and the next full year April 2012 to March 31, 2013 15% price hike will be effective across all the products.

Aashish Uppanlawar: What would be the differential for equality quantities of key competitor?

Ullas Kamath: Actually we are underpriced. Because their detergent powders either have a benchmark, you only have a benchmark like premium and sub-premium and popular and economy. So you really do not have benchmark because every Rs.10 you have one SKU coming from the competition. Pril is something which is always seen as a most premium product but not priced premium and



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there the competition is only one from Jyothy. So that is still in our control. So other products are underpriced which we will take the price hike. Margo is the niche product, there is no competition in that.

Aashish Uppanlawar: I was talking about the detergent part of it; if Henko Champion has to be compared with the PNG product, so how that compares after the price hike of 15%?

Ullas Kamath: Still it will be cheaper about 25%.

Aashish Uppanlawar: Still you would think that you would be able to push up volumes despite the differential being more?

Ullas Kamath: 25% in detergent base are huge differential. Henko users are the users who have been using the product for the last 20 years or so. So we have regular franchise which we will be concentrating upon initially and thereafter will be going a campaign to catch the new customers.

Aashish Uppanlawar: Fine sir, I will come back with more questions if I have, thank you.

Moderator: Thank you. The next question is from **Prerna Jhunjhunwala from HSBC Invest Direct**. Please go ahead.

Prerna Jhunjhunwala: Good evening sir. One question would be on Maxo. What would be your future strategy now? Since you have decided that you are going to get into promotions and other stuff, are you going to increase your trade discounts to the levels of competition? What would be the outlook for Maxo going forward?

Ullas Kamath: The outlook for Maxo for the next 12 months is that we need to increase our market share as much as possible. This is the decision taken in principle and there are various methods to do that. We can spend money on the brand, trade and sales promotion. We can have some loyalty program to the distributor, but we will do our best to see that it is not cross subsidized by any other brands. Maxo stands on its own at Rs225 Crore sales base. But at this point in time we



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are not able to comment that what exactly the strategy we have going forward in Maxo because it is a very sensitive information and also our competition will be listening.

Prerna Jhunjhunwala: What would be the volume growth in Exo segment?

Ullas Kamath: Exo volume, 38% is the volume and 6% is the value.

Moderator: Thank you. The next question is from **Aniruddh Joshi from Anand Rathi**. Please go ahead.

Aniruddh Joshi: Hello Sir. On the A&P, we have seen very considerable reduction in ad spend for the quarter for Jyothy. So I guess the strategy is that post new management joins, we will re-launch the campaigns. But do you think that considerable reduction in advertisement or any such brand building activity would hamper the brands?

Ullas Kamath: First thing is that no company can wait for a new management team to come and start working. This company is 27 year old and whether new management comes tomorrow or next week, or next month, we always work on day to day basis. So there is no way that we are waiting for anybody to do our business. I am very certain and this 12% growth in the top line and 78% growth in the bottom line have come with the existing people only and no new environment is involved in that. Second is that we have cut back on advertisement. Historically Jyothy never worked beyond 6% to 7% advertisement. This particular quarter we have spent about 4% and whenever you see 6% to 7% on advertisement cost there will be at least 1% will be there for production cost of the new creative. We have not taken any new creative in the current year. Whatever the money we have spent in entirety on air-time is what we have spent. Similarly, last time we had spent Rs3.65 Crore more on Sachin Tendulkar's campaign on Ujala Techno Bright, which is the national launch which we have done. That Techno Bright is not available at a national level now; we have not spent the money on that particular product. You will see our campaign happening on Maxo from February 15 onwards. Exo is still going at the South in a big way. We have just finished our Ujala Asianet award in Dubai



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by spending Rs2.2 Crore. So we have not cut on any expenditure. We have been very aggressive at the marketplace, but just because that money what we have spent is a little less, it does not mean that we are not present with the marketplace.

Aniruddh Joshi: Just on this Henkel results, Henkel revenues are down 32%. So I guess one is due to the Henko Stain Champion factory closure and also due to the SKP hair care division cell. Can you just give us comparable figures for last year same quarter?

Ullas Kamath: One thing is that comparable numbers it is very difficult because they had certain B2B business also in those days. But actual loss of sale when compared to the similar product that of last year to this year is Rs27 Crore of Henko Stain Champion and about Rs2-3 Crore of Pril. Pril's stock was lying there and we were not able to release the stock. That is the only impact what we have seen. The impact of that Rs27 Crore is about Rs7 Crore in our EBITDA in a absolute terms. But otherwise all other products have grown as per our thinking.

Aniruddh Joshi: Thank you.

Moderator: Thank you. The next question is from **Ritesh Poladia from RBS**. Please go ahead.

Ritesh Poladia: Thank you sir for giving me an opportunity. In Henkel consolidated, the raw material to sales ratio has gone up sequentially, is there any particular reason out of that?

Ullas Kamath: One of the reasons is the sales mix. Because the maximum profitability what we get is from Henko Stain Champion and Pril, that sale has come down. The minimum profitability what we get is Mr. White and Chek detergent powder. But we will make up that before March 31, 2012 because we have not lost at the marketplace, it is just distribution level the stock has become almost 0 for which we are started getting the supplies now and before March 31, 2012 we will put our best effort to ensure that the lost sales of Rs27 Crore will make up

Ritesh Poladia: That is it from my side. Thank you sir.



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Moderator: Thank you. The next question is from **Laxmi Deepak from Mape Securities**. Please go ahead.

Laxmi Deepak: I have couple of questions. The first one Exo like you mentioned you have gained market share year-on-year, but I notice that it is slightly lost market share during the quarter. Just wondering if this is because of the price hike that you have taken or is there any other reason.

Ullas Kamath: Exo we have not lost out on the quarter infact we have grown by 44%. I think we are referring to Maxo.

Laxmi Deepak: Even that if you look I think since last quarter you were at 27.2, which has come down to 26.3 for the current quarter?

Ullas Kamath: 27.2% market share for the quarter ended September 30, 2011 you are referring to. But if you see year-on-year what you are saying is that 27.2 we have come down to 26.3%

Laxmi Deepak: That is correct I just wanted to know it is a temporary thing?

Ullas Kamath: It is temporary. Just to analyze on the market share, we get three numbers from AP Nielsen. One is the 12 months trailing which is very scientific. Then for the month and third one is the for the quarter. So what numbers have given now here is the trailing 12 months which is more scientific and it is more appropriate. But for a particular quarter you will see we have grown. Volume growth when you have volume growth of 38% and the category has grown not more than 12%, so there has to be a market share gain from our side.

Laxmi Deepak: Sir other question was I have seen your expected financial in your presentation for the Henkel business and you seem to have actually upgraded the numbers in terms of the both the topline and the EBITDA. If you can just let us know sir what is driving the increase in the revenue and where you are seeing more urgent growth compared to your original plan?

Ullas Kamath: The original plan which we gave to all was prior to May 31 was as an outsider to the business. Now what we are giving as an insider. The difference is that



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our confidence in Henkel business has dramatically gone up. We met each and every sales people there. We felt short supply is the only concern and nothing else across the country. We did have a special task force between Henkel field force and that of the Jyothy Laboratories Limited to identify the weaker areas and to support them in those weaker areas starting from April 1, 2012. So what we have done now is that wherever Henkel is strong they will continue to sell that product in those areas and wherever they are not that strong like semi urban and rural, Jyothy's field staff will take over. We have 1500 people at the market place. They have about 200 people. With the 1700 people we will be able to manage this growth which is again a conservative number, which we have put in there. But coming back to your question that what made me to revise the figure from Rs500 to Rs600 Crore when compared to the last time, it is just a confident and the EBITDA margin which I wanted to start 8% and is shown 12% here because presently barring this 60 days disruption of the product Henkel, we are already achieving 12% EBITDA margin. We felt that we should keep it as a minimum for the next year.

Laxmi Deepak: My last question, the JFSL. I think you downgraded your revenue for this year. Let us know what is happening in that business and how it will affect the 4 year plan that you have laid out?

Ullas Kamath: We have downgraded from Rs50 Crore to Rs47.5 Crore. It is only because that we have not gone aggressively in Mumbai and Delhi so far because during the last three-four months we felt that it is better to consolidate wherever we are and to bring it to the profit level. We are presently losing money in Delhi and a little bit Chennai. But other places we are making money. So after consulting with IL&FS, who is our PE, we thought that we will go little slow and consolidate ourselves by March 31, 2012. We will do other bigger investments in Hyderabad and Chennai probably at the end of the year or beginning of the next year. To that extent have reduced the targets by Rs2.5 Crore. Also, the railways the contract which we thought we should have got it by this time and we should have executed it, we got it little late. So that about Rs6.5 Crore business which you should have done which is shifted to next year. So in all RS2.5 Crore from our side and railways project which we have bagged now,



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which should have happened about six months back, the revenue has been shifted to the next year.

Laxmi Deepak: Thank you so much Sir.

Moderator: Thank you. The next question is from **Nilesh Gandhi from Destimoney Securities**. Please go ahead.

Nilesh Gandhi: Good evening sir and congrats on a good set of numbers. Last year we had a bad winter season and therefore sales of Maxo fell. So what would be the outlook for current winter season? Do we expect better sales in case of Maxo this year?

Ullas Kamath: We are hoping that mosquitoes will come fast because I have already have a Rs30 Crore of stock. However the way the season is showing up and most of the people are saying that this time it will be an extended winter, even if there is a delay of about a week it will affect our MAXo numbers.

Nilesh Gandhi: In the meet we have discussed for Henkel portfolio and removing the freebies that the Henkel was offering. Could you please explain the current status on this thing?

Ullas Kamath: Most of the freebies at the consumer level has been taken off. Also bucket offer has been taken off in most of the SKUs barring 3 kilos pack, which is the standard pack for the bucket at the Henko. So we have not touched that. We have started spending the same money which we have saved from freebies on advertisement.

Nilesh Gandhi: Thank you.

Moderator: Thank you. The next question is from **Amit Purohit from Dolat Capital**. Please go ahead.

Amit Purohit: Thank you for the opportunity. Just two questions. One is that on the Exo. I just want to understand, as our market share & volume growth is very strong, is the



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profitability as per your expectation or there could be a significant operating leverage possibility?

Ullas Kamath: Exo's present contribution is at about 18%, which is slightly on the higher side than what we had anticipated. It is basically because there was a little bit of price hike. Also a huge volume growth what we got is because we were able to negotiate little more on the raw material cost. So 18.7% contribution Exo after spending considerable money on advertisement is coined to us as a good number. If I am able to maintain that number I will be extremely happy, but otherwise mentally we are prepared around 15% as the net contribution from Exo going forward. Also we are getting the good volume growth because product quality is excellent and our ad campaign has been taken very positively. Exo has become round now and the entire category is turning towards the round. Today dishwash segment which historically for last 40 years used to be the cake, rectangle, now it has become round. The entire credit should go to Jyothy and now round is doing the wonder to the marketplace nothing else.

Amit Purohit: Would the profit margins being closer to the Ujala?

Ullas Kamath: No Sir. Ujala is kind of product we will get once in 100 years with a gross margin of upward of 73% but not so.

Amit Purohit: Second point is on the Henko. Basically I just want to understand what kind of market share loss would have happened because of this kind of restructuring there?

Ullas Kamath: Not much because the market share what we had was only 4%. And when you have 4% market share, half a percent here and there will not really matter as on a business of Rs1,200 Crore detergent market you are selling RS120 Crore here and there. We generally go by what is the sale we did compare to quarter-on-quarter. If we are able to grow about 25% will be happy about it. In this category, a lot of churning is happening because the price hike of most of the competition is happening on a monthly basis. So I see the detergent powder



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market settling down in sub-premium category in the quarters to come and Henko Stain Champion will be settled down in the premium category as quickly as possible.

Amit Purohit: Would there be any switching over the production for Henko Stain Champion because these are high end probably the machinery and the quality?

Ullas Kamath: You asked a very, very pertinent question and that is the very reason we were not able to shift the production overnight from the plant where we had labor disruption. But now we a found a way out and our new product which we have produced internally is already started going into the marketplace.

Amit Purohit: Thank you sir.

Moderator: Thank you. The next question is from **Atul Mehra from Edelweiss**. Please go ahead.

Atul Mehra: Good evening Sir. Just one question on overall Henkel production number for this particular quarter. My question is that like on December 31, 2011 we are carrying about close to Rs40 Crore of inventory at Henkel. What is exactly that inventory in terms of is it the Henko detergents or what is it sir?

Ullas Kamath: Henko Stain Champion was already there as per our planning and it was inside the factory. We were not able to remove the stock. As of December 31, 2011, we had about 400 tonnes of Henko detergent powder and may be about Rs4-5 Crore of Pril Liquid fill inside Karaikal factory. Now we have started removing it from December 27, 2011. Also we have started production. So that is how I felt that we will able to make up whatever lost sales in March 2012. Second portion of your question is that like whether you will be able to make up that that is our best effort to do that, but otherwise in the raw material primarily it is because of Henko Stain Champion and Pril.

Atul Mehra: Overall in terms of this quarter for the fabric business at Jyothy what has been the kind of volume growth you have seen?



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Ullas Kamath: Ujala fabric whitener has grown around 10% and value growth was 4%. You will see the impact of price hike in the coming quarters

Atul Mehra: Thanks.

Moderator: Thank you. The next question is from **Sunder S from Spark Capital**. Please go ahead.

Sunder S: Thanks for the opportunity. First one is with regards to Sachin Tendulkar, I see in your presentation that the deal gets over in March 2012, so is there any plan to expanding it or what is the process?

Ullas Kamath: That decision will be taken by our marketing department but after doing the complete consumer recess to what extent his brand has attributed to for the growth of Ujala and other products, detergent powder. But primarily I can say that like at this point in time we do not have any intention of renewing the contract unless that is really required.

Sunder S: Thank you sir. My next one is with regards to Maxo. You have again told that Maxo would be looking to gain market share. Now what is the strategy that we have adopted? Also we were bleeding in cash because we were giving excess discounts in the marketplace...

Ullas Kamath: It is actually opposite to what you are saying. We took a decision of withdrawing the trading and earning the profit. When company started giving more schemes, we were still expensive by about 7%. So we started losing a little bit and we did not give much importance for the two quarters. But now when I look back for the last 12 months, we have lost 2% in the volume which is huge. From 25% coming down to 23%, which we did but we have not lost money. If I had given the extra trade key, probably I would have gone from 25% to 28%. But we didn't give. So now the decision what the board has taken is that protect the market share and if at all if you have to spend money we will do it meaningfully.

Moderator: Thank you.. The next question will be from **Kunal Bhatia from Dalal & Broacha**. Please go ahead.



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Kunal Bhatia: Thanks for the opportunity. First of all I would like to ask one on Henkel. Are you confident that after post this strike, we would be able to get on back to the Rs40-42 Crore kind of a monthly run rate?

Ullas Kamath: This is including whatever lost also. We will make up because detergent powder is such that, the pipelines are whatever we have lost out now, we can always make up there and as you know the 25% of the business is coming from the institutional. We have also prepared a back up option. So we are very confident that the numbers Rs42-43 Crore next year would be Rs50 Crore per month which will be able to do at with ease. No company will come to a situation wherein production becomes a constraint. In FMCG, unfortunately for us Henkel production is the constraint and not the sales and till that time sales becomes a constraint I will be very confident to achieve the number.

Kunal Bhatia: What was the net profit or loss for Henkel this quarter?

Ullas Kamath: Henkel the net profit at EBITDA level it is 1.6% positive. After paying the interest the net loss is Rs11 Crore. The interest came out to be Rs12 Crore.

Kunal Bhatia: If you would in case of Jyothy standalone can you give us the broad breakup of the other income which is Rs14.2 Crore?

Ullas Kamath: That is the interest income taken from Henkel which is there comparable to the earlier quarters. Also the interest earn from JFSL where money is lent to the subsidiary and we have charged the same interest what we are paying to NCDs. But we have added 25 basis point more so it is 11.25% what we have paid to NCD and 11.5% is what we have charged Henkel and our other subsidiary.

Kunal Bhatia: This time around our depreciation has gone up?

Ullas Kamath: There is a note that. The depreciation has gone up because we have provided for some impairment as suggested by the auditors. Sri Sai, which is one of our subsidiary, we have merged with Jyothy Laboratory Limited. We have taken the physical valuation of some of the machines which we have taken from subsidiary and provided Rs2.62 Crore for impairment. It is just a provision and



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subject to final verification by March 31 we will see what needs to be written off or to write back.

Kunal Bhatia: All right sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the floor to Mr. Ullas Kamath for closing comments.

Ullas Kamath: Thank you very much and in case if any of you were not able to talk to us because of the paucity of time you are always welcome.

Thank you very much and see you with better numbers in the coming quarters.
Thank you.

Moderator: Thank you. On behalf of Jyothy Laboratory Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.