



“Jyothy Labs Limited
Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Jyothy Labs Q1 FY2021 Earnings Conference Call, hosted by ICICI Securities 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 after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities Limited. Thank you and over to you Sir!

Manoj Menon: Good afternoon, good evening to wherever you are calling from actually. It is our absolute pleasure at I-Sec to welcome the management of Jyothy Labs Limited for 1Q FY20201 results conference call. The company is represented by Ms. M.R Jyothy- Managing Director, Mr. Ullas Kamath - Joint Managing Director, and Mr. Sanjay Agarwal – CFO. At I-Sec we like the long-term believers in the story of Jyothy Labs. We have an Add rating and we have outperformance thesis on the stock. Now over to the management for initial remarks and then we will open up for Q&A after the presentation concludes.

Sanjay Agarwal: Good evening everyone. All of you would have seen our results. Let me take you through them in detail.

Before we talk about the results, on the current performance for the quarter gone by, let me briefly update you on the current market scenario. We are on slide #5 if you are reading the presentation.

Overall, the consumer sentiment has improved from the lows of April 2020. Indians by nature are fairly resilient in any crisis and despite the daily surge in the number of people getting affected by COVID19, people have embraced the new normal and are resiliently working to get our economy and life back to normal. Our ground level assessment indicates that we are at a crossroads and the underlying consumption trends are yet to settle.

Specific to trade channels, General trade is doing well as consumers prefer to buy at the neighborhood Kirana stores or an e-commerce website where contactless delivery is possible while large format stores of modern trade and canteen store department continue to face operational issues and are opened for restricted hours and have reduced footfalls.

As far as rural and urban trends are concerned, rural demand has been positive due to good monsoon and increased government support while owing to intermittent lockdowns, several urban centers continue to face last mile delivery issues.

The Q1 FY2020-2021 as you all know started off with a nationwide lockdown and by the end of June the nation and economy were only partially opening up. As we speak, restrictions on manufacturing, operations, supply chain and sales market visits continue to impact normal operations of the business.

Despite the unprecedented constraints, we are proud that Jyothy Labs showcased the resilient performance and delivered a positive sales growth mainly due to three key factors, our Portfolio Agility. We aligned ourselves and leveraged our core essential and hygiene products which accounts for a good 80%-85% of our total business. This was complemented by Flawless Execution by every member of Jyothy labs and our channel partners, who with their determination and commitment collectively have ensured that we meet consumer demands and deliver positive growth.

Adherence to strict Financial Prudence, this crisis encouraged us to take proactive measures and focused on improving our key financial parameters to enhance shareholder value. The amalgamation of all these factors has helped us to continue our positive growth momentum in the month of July 2020 as well.

Presence of our core essential and hygiene portfolio across our product categories of dish wash, personal care, detergents, household insecticide and toilet and floor cleaner helped us in delivering superior growth. Backed by the strength of our portfolio, we focused on our execution with meticulous planning and redesigned our short-term priority in the following areas. Go to market – Due to restrictions of lockdown in several urban markets, we focused on strengthening our direct deliveries through our retailer's application. In order to strengthen our presence in the rural market, we undertook a special drive to add more Sub-stockists across India. As there was an increase in demand for low unit packs of Rs.5 and 10 across brands, hence, we have also scaled up our manufacturing operations to meet this increase in consumer demand.

We also increased our focus on e-commerce platform which allows contactless delivery and is growing at a fast pace in urban areas, if we see our e-commerce sales growth has been 1.75x over the previous year. We also focused our new launches keeping with our approach on focus on innovation and the importance of hygiene, post the introduction of Margo hand wash and hand sanitizer in the current quarter, we further added T-Shine Floor Cleaner which is a 100% organic compound based floor cleaner.

In terms of media activities, owing to the lockdown restrictions, we have decided to do more focus media spends, renewed attention was given to digital marketing and we will speak more about it in our brand slides and several tactical micromarketing plans were initiated during this quarter. In support to the Atmanirbhar Bharat, we launched Jyothy Labs

vocal for local campaign on a Pan India basis under which extensive promotions on print media and TV were undertaken. We also launched our Company's very first corporate TV commercial covering all our Power brands in a single commercial, which besides national language Hindi, was also launched in eight other regional languages.

Enhancing production facilities, keeping our production facilities aligned with the target of delivering growth despite all the constraints, we commenced operations at our new dish wash bar manufacturing plant at Pithampur, Indore, which will help us in catering to increase demand for dish wash product in the Central India. The capex for this was done prior to March 2020.

To share on the current status of the entire operations. Post the nationwide lockdown 1.0, our manufacturing plans and supply chain were partially resumed since mid-April 2020 and currently we are operating at near pre-COVID levels.

We adhered to strict implementation of financial prudence where we took proactive measures and meticulously planned all key financial parameters despite the restricted situation, we have delivered an increase in sale volume, higher EBITDA, increased PAT and most important improved free cash flows.

To talk about some of the specific steps, to ensure seamless supply to consumers across India, we focused on SKU's rationalization and plants specific sales planning, strict adherence to business hygiene, only cash sales, control trade schemes and also proactive alignment of all our business partner's interest including higher margin for them for additional expenditure incurred by them on freight and manpower.

During the quarter, the input cost price were volatile and in order to ensure steady supply of raw materials, we decided to use a pragmatic approach and made proactive payments to all our suppliers to ensure once restrictions were eased, we had preferred business relationship with them. Also, critical times like these, required us to be more innovative and follow strict cost discipline across the organization including focus media spends to keep improving our share of voice across brands.

Moving on to result section, Our net sales increased by 2.5% which is on the consolidated basis, whereas sales of our FMCG business increased by 4.1% and FMCG volume was up by 6.1%. The key difference between our consolidated business and FMCG business is mainly laundry services business which we will speak in the next slide.

Our gross margins have improved due to soft input prices, however, due to low post wash fabric care sales, gross margins have been flat in the range of 46% to 47%. Our operating

EBITDA increased by 16.6% for the quarter, in value terms it has increased to Rs.76.5 Crores from 55.6 Crores and in percentage term, it was increased to 17.7 from 15.5. Similarly, our PAT has also increased by 33.8% to 50 Crores.

Moving onto the next slide of Category wise revenue, fabric care sales declined as consumption of post wash category, Ujala fabric whitener, and crisp and shine saw a reduction and the reason behind that is as with the lockdown people followed the directive of staying at home, staying safe which implies lesser people stepping out of their houses except for essential work and more people opted for work from home.

The sales of these products in the month of July have picked and we have seen early signs of revival in this category as well. In addition, sales of our premium detergent such as Henko Matic also declined, since they have a higher saliency in institutional channels of modern trade and canteen store department which we spoke earlier have been facing operational issues due to lockdown.

Dish wash category has seen a good uptick and momentum during the lockdown with increase emphasis on hygiene.

Household insecticide sales also did well, this was as a result of extended season this year and consumers adopting a cautious and preventive approach towards their health.

Personal care sales have remained flat over the same period last year with increased importance on hygiene and our entire portfolio of personal care is Margo. So our Neem based Margo portfolio soaps, face wash, hand wash, hand sanitizer are positioned to witness strong demand going forward and in specific we have seen an increased demand especially of smaller SKUs, which is helping us to have a higher penetration with the new uses.

Our laundry services business, which is a retail store driven operations primarily in Bengaluru then Mumbai, Delhi, Pune could not operate due to lockdown. This business only accounts for 2.5% of our total revenues and in the month of June, once Bengaluru started operating where our maximum number of stores are there, we have seen 60 to 70% of the demand started coming back.

Next slide is talking about snapshot of the finance performance and key financial ratios. A quick understanding of our EBITDA movement from last year to this year, in June 2019, it was 15.5%, which has been reduced by 2.3% due to lower gross margin in the current quarter while advertisement and sales promotion expenses this quarter increased the EBITDA by 3.4% yielding to overall EBITDA for the quarter increased to 17.7%.

Further if you look at the other expenditure it includes donation of Rs.5 Crores paid for relief work done for COVID19 to Hon'ble Prime Minister and Chief Minister's Fund. If we exclude COVID donation, the EBITDA for the current quarter would have been at 18.8%.

Moving on to our brand performances and initiatives, our fabric care constitutes 31% of our business, dish washing is 36%, HI is 15%, and personal care is 14%, a well diversified portfolio.

Moving onto our fabric care business, Ujala Fabric whitener where we are the market leader, we continued to increase our retail visibility during lockdown, the usage of fabric whitener has reduced however section of consumer continued to use fabric whitener as it is integral to their ritual of washing of white clothes.

We have seen a buoyancy in the rural economy which will compensate for the urban slowdown and post the unlock phases and people resuming work and pre-COVID routines, we have seen signs of revival in the month of July in the post wash segment. Ujala Crisp and Shine, we plan to expand the brand to nearby states and new TV commercial was launched with South India superstar Nayanthara.

Similarly, for Ujala IDD, Ujala Instant Dirt Dissolver, which is a detergent power, currently being sold only in Kerala, a mass media TV and digital campaign ran in Kerala, featuring Manju Warriar for Ujala IDD detergent. On Henko, we are now more focusing on general trade while modern trade and CSD channels are yet to stabilize.

Moving on to the dish wash category, with renewed focus on hygiene, our EXO and Pril continued to do well. Also with people preferring to stay at home and work from home, there is increased consumption of food at home resulting in more utensils being washed, also we are focusing on smaller packs, which is leading to higher growth for the brand and also giving us unlocking opportunities in rural market where they prefer small packs.

We have been doing focus marketing for both EXO and Pril on digital and social media. Household insecticides we have seen a healthy growth in sales of all the constituent which includes coils, liquid vaporizers, combi machines which one can attribute to extended season this year right till May 15th and also consumers have adopted a more conscious and preventive approach to health. We are continuing our TV media support and additional emphasis through digital campaigns focusing on few states to generate offtakes.

Moving on to personal care, personal care business is primarily Margo franchise, we continued to invest behind the brands and have launched extensions in the form of Margo hand wash, hand sanitizer which are doing well. Both summer seasons and our emphasis on

health and hygiene is helping the brand growth and again here we are investing on digital medium to reach out to consumers.

Further strengthening our hygiene portfolio and consumer demand, we launched 100% organic compound based T-Shine floor cleaner in all southern India states, also we extended T-Shine which is the toilet cleaner extended it to Bengaluru, which was earlier only focused to Kerala market.

Being an Indian company and serving Indian consumers, we are proud to support our honorable Prime Minister vision for being a vocal for local business. We have rolled out our national launch of vocal for local campaign covering all our brands, you all can see some of our power brands we have been put on the slide and we covered all our brands in one shot in eight languages in TV and print media. Not only we spent on TV and print, but there has been on ground promotion done by our sales team which has really infused our retail partners in our product. Some of the pictures have been put on the next slide.

Going forward, we are quite optimistic on a business prospects, while business environment and consumer sentiments are expected to remain volatile, we will be focused on our core essential and hygiene portfolio keeping employee's health and safety our at most priority.

We are confident to deliver competitive growth backed by a strong portfolio and relentless execution. Also, we continued to focus on vocal for local campaign which has gained significant momentum with the Atmanirbhar sentiment growing among retailers and consumers.

Finally, soft input prices will support steady gross margin besides several cost optimization initiatives, we have taken which will support healthy cash flow management for the coming quarter. With that, friends I finish my presentation, we are happy to answer your questions or any clarifications you need. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Good evening team. My first question is on the gross margins. They have declined over 200 basis points this quarter and I am assuming this is mainly a mix effect where basically there was a big decline in Ujala Fabric Whitener, which depressed the margins. Now if you can just give some idea as to what is the trajectory of recovery you see on the fabric whitener and if basically it is going to remain subdued versus the rest of the business and the mix effect is going to come through, this gross margin pressure, how do you plan to contract like this quarter, you contracted to ad spend but obviously ad spend cannot maintain at a very

low level and you will have to restore them, so what other line item will contract the gross margin pressure if at all.

Sanjay Agarwal: Thanks Percy. Good question but as you all know how the lockdown situation is changing in the country every day, so it is too early to say how the trends in the post wash will emerge however we have seen signs of revival in the month of July, so May was better than April and June was better than May and July we have seen much better trend in the post wash category, so hopefully if things remain more or less same where we are, we should not have a high impact because of lower post wash sales on the gross margin. As of now, the raw material prices have been at the levels of the last quarter, so overall we believe that it should net off, we believe that our EBITDA margins will be in the guided range of 15% to 16% for the full year.

Percy Panthaki: Right and also just wanted to understand what is the difference between volume and value for the business this quarter?

Sanjay Agarwal: As you know, there has been a higher demand of the low unit packs because we are focusing more on rural and semi-urban, the Rs.5, Rs.10 pack are doing well for Margo, EXO Rs.5, Rs.10, Henko Rs.10 pack, which is good for our business, and therefore higher sales of these low unit packs have added to higher volume versus the value hence increase of 4.1% to 6.1% of volume growth

Percy Panthaki: Okay. So, you are basically saying that the volume growth is higher than the value growth.

Sanjay Agarwal: Correct.

Percy Panthaki: That is because on a per kg basis, smaller packs are sort of cheaper than the larger packs.

Sanjay Agarwal: Right and also minor we can add there have been some additional support selectively given to channel partners, so combination of both has got business volume at 6.1% while sales value growth is at 4.1%.

Percy Panthaki: Understood. But this is a little contradictory to the information that we have from data aggregators etc., where they have been actually calling out that because of the lockdown, people are not able to go to the store as often as they used to and therefore whenever they go, they buy larger quantity, so lot of companies have actually said the large pack proportion portfolio has gone up.

Sanjay Agarwal: So perfectly fine Percy. It is more of a urban-rural split, in urban yes when all of us go out, we try to buy a little more, but when you go to rural markets, where the people will buy

more of Rs.5, Rs.10 because that is what they can afford at this point in time and none of them are sure about how things are going to move for them. So, the trend what you are speaking is more for the urban, while for rural and semi-urban, the low unit packs are selling much more.

Percy Panthaki: So, Sanjay can you give some clarity on this 4% growth that you have seen in the business as a whole, how much was it in urban and how much was it in rural?

Sanjay Agarwal: If you look at rural has been growing better and may be for medium term, we will see this trend continue till lockdown issues recede in urban areas.

Percy Panthaki: Right but is it like a better by a factor of 2 or I mean as urban actually declined and rural grown this quarter?

Sanjay Agarwal: Urban has not declined but what we are seeing is that rural growth has been better than the urban.

Percy Panthaki: So urban has also grown?

Sanjay Agarwal: Urban has also grown but the rural growth is better than the urban growth.

Percy Panthaki: Understood. Other question I have is for Jyothy. Madam in this kind of environment we have seen a lot of companies launch different kind of products which are on the health and hygiene platform, now obviously a lot of our products are already on the health and hygiene platform and to that extent we really do not need to launch something new. However just wanted to understand your thought processes, there are any portfolio gaps here that we can sort of fill, and is there any plan to do anything of that sort?

M.R. Jyothy: Percy, like you said we are almost in the hygiene portfolio, if you see our EXO it is antibacterial dish wash bar and we have been rightly pitched on most of our brands and also we had launched the Margo hand wash and sanitizer. Going forward, yes, we have plans to launch a few more in the same health and hygiene segment. You will see that coming.

Percy Panthaki: Any information you can share on these new launches like hand sanitizer, how much have they contributed to this quarter sale?

M.R. Jyothy: So right now, it is not as much but it has seen a good growth and we are seeing that continuing in this quarter as well.

Percy Panthaki: That is all from me, I will come back in the queue if I have more questions. Thank you.

- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Congratulations on good set of numbers given the environment. My first question is on some kind of target on FY2021 topline, I mean, I am asking this question and I know that last quarter you had very specifically said that given this kind of a volatile environment you are not giving any particular guidance, but now with three months, four months into the pandemic and some sort of stability coming to the supply chain and demand and potentially your portfolio actually being beneficiary of the current pandemic if I see basically most of the products are actually gaining out of the current environment. Just wanted to understand what is the kind of topline growth, which you are targeting for the year?
- Sanjay Agarwal:** Amit, we have stayed away from the guidance for this year because every month is different and as we know and you are also answering the same thing that challenges are unique. West Bengal, Bengaluru was much better few weeks back and now Bengaluru has got into issues with lockdowns. So we are focusing on every month, every quarter and it is too early to say for annual FY2021. what we know is that last quarter went by okay, July has seen positive sales growth and we expect things to be normal for us, the way we are operating unless something drastically changes. The fact is still today modern trade is not operating, canteen store departments are not operating and the one's which are operating, we are still facing operational issues, footfalls have reduced there, so it is little premature to talk about full year revenue guidance. We can only plan for our EBITDA to be in the range of 15% to 16% for the full year.
- Amit Sinha:** Second is on the personal care, just wanted to understand the kind of topline number, which is there in the personal care, does that include sanitizers and all the launches which you did this quarter?
- Sanjay Agarwal:** Yes, Amit that is right. Sanitizer we launched it in the month of May and we are scaling up the production levels. As of now hand wash and sanitizer do not contribute much to the overall personal category, but we have seen good sales of the same in this quarter also.
- Amit Sinha:** Sure, but even if you are not sharing the numbers but assuming some number from some of these new launches, looks like that the personal care segments have underperformed relatively compared to some of the other peers, any particular reason for this and have you seen any recovery in the growths in July?
- Sanjay Agarwal:** Amit, if you look at Margo, the only challenge which we saw, which is more or less behind us is that Margo has higher saliency in our traditional markets of West Bengal and Tamil Nadu which had faced stricter lockdown during the entire quarter. So barring that Margo

has done pretty good and even what we see in the month of July, the sales of Margo has picked up and it is in a good positive zone.

Amit Sinha: Lastly my question is on HI. This quarter the numbers are 150% growth, I know that 1Q is not the main quarter for HI, but just wanted to understand I mean how do you see the basically 2Q panning out, for HI and how should we look at HI for the whole year from you initial assessment?

Sanjay Agarwal: HI after a long period of time has started doing well. The Q1 went off okay, even now, people are getting more conscious about their health and the season has also helped, and for us the important is we are focusing more on liquid vaporizer sales, so that is one portfolio which we are focusing on and has started doing much better . We have been more skewed towards coil and which now with the automatic LV machine and it has started doing well in most of the markets. Overall we have seen this category will show good growth in the next coming quarters also.

Amit Sinha: Thanks a lot for the answers. Thank you.

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

Harit Kapoor: Good evening. First thing was on the sub-stockist with additions, if you are going to talk about what is the number which you have added and on what base is that and how do you see distribution in terms of expanding rural or GT in the current year?

Sanjay Agarwal: Harit we have a decent coverage of 40% of our business come from rural market. What we have called out here is when we see the growth getting more pushed into the rural market and hence we have taken an additional drive to add more substockiest because there are challenges in the wholesale market as sub stockiest for rural market are not getting their stock. We are not going to put any number to it but which ever market we are seeing gaps we are going after this.

Harit Kapoor: Is this specifically in any region per se or is it just the fact which is supplementing the distribution because you want to make the most of the current situation?

Sanjay Agarwal: This will be more long term because adding the substockiest is not only during this COVID time, it strengthens our direct reach and our direct contacts with the sub stockiest in the rural market will always help us in the long term, so it is not only specific in this quarter.

- Harit Kapoor:** My second question was on HI, so if you could just give some idea on the category for you that have grown, so has it been say steady across the vaporizers and coils or has a low end growing at a faster pace, if you just help us understand and what is your sense of what is happening in the legal incense stick market?
- Sanjay Agarwal:** Both the categories of coils and liquid vaporizer have done well however as I said our focus is more on liquid vaporizer but both the categories have done well. Incense sticks yes it was growing quite significantly in the previous year, now government has put certain restrictions and we are seeing a reduced impact of those illegal incense sticks.
- Harit Kapoor:** Got it. My last question is on the promotional intensity side. Have you seen any benefits of lower promotional intensity and trade offers, typically these are categories which were in their promotional intensity trade offers are very high across the HI and detergents even in certain cases dish wash so just wanted to get your sense of how it has been during the quarter and then how do you see this trade offer or trade promo intensity going moving forward?
- M.R. Jyothy:** We used to have offers. But during this time, we had reduced the offers because as such there was good demand in the market, going forward, we will take decisions as we go along is what we can say right now.
- Harit Kapoor:** And the reduction on offers will be across categories right for this quarter?
- M.R. Jyothy:** Yes.
- Harit Kapoor:** That is, it from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Thank you for the opportunity Sir. Sir my first question is with regards to your guidance for the margins in the range of 15 to 16% and given that fact that you have done already 17% margins in the Q1, so are you, I mean, witnessing any sharp declines ahead and that is why the subdued guidance in terms of margins?
- Sanjay Agarwal:** No, nothing like that Sir. Given the volatility and uncertainty, beginning of the year we have estimated that we can deliver at least 15 to 16% and hopefully we will be able to beat that.
- Gaurav Jogani:** Sir one related question to this is like we have seen a large contribution from the other reduction in the ad spends that has contributed to the margin this quarter, so what would

have the guidance for the full year in terms of for the ad spend is a percentage of sale that would be looking for?

M.R. Jyothy: For this quarter, we did reduce but going forward, it will only improve from here, but again we will see what is the kind of trends that is happening in the market and we will take our calls accordingly. The idea is definitely not to reduce spends and we will take our rationale call when it comes to it. Going forward, this quarter we are seeing an increase spend compared to the last quarter.

Gaurav Jogani: My next question is with regards to HI category per se, so while some of our sales would have been carried over from Q4 to Q1 of this quarter and definitely the 27% growth will not be sustainable but what do you think would be a sustainable growth for HI category for you going ahead, and related thing to this is while we are seeing good sales growth, we still continued to do an EBIT loss in the category so when do you think it will turn profitable or what level of sales you think we can profitable here?

Sanjay Agarwal: Sir, our growth in this quarter have been 151% and not 27%. For us the profitability is low because coils do not make much money. Liquid vaporizers have good gross margins and we are focusing on the same. Over a period of time, we will find HI also contributing decent amount of money in the overall profitability for us.

Gaurav Jogani: Sure. Thank you, Sir. That is all from me.

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

Tejas Shah: Thanks for the opportunity. Sir if you think dissect the demand you spoke about Tamil Nadu in particular, so if you can dissect the demand for South India and non-South India for the quarter and how the recovery is actually shaping up now?

Ullas Kamath: Tejas, recovery is more or less I would say that semi urban and rural is much better as Sanjay said, but south was doing well barring Tamil Nadu in the initial stages like Kerala and Karnataka was doing extremely well. In Tamil Nadu, North Tamil Nadu had more problem than compared to the Southern Tamil Nadu and then like in Delhi, North of Delhi was okay and again Maharashtra, ex-Mumbai is okay, ex-Pune was okay, so it is more a combination of urban, semi-urban, rural and product specific, but the team has done extremely good job and they made supplies from morning 6 o'clock to 11 o'clock in the morning, so they were able to supply wherever the demand was there and again wherever the production was there, so there is a combination which we worked out but answer your

question, it will be south and followed by east and then north barring the pockets like West Bengal and Chennai and Delhi and Mumbai.

Tejas Shah: The recovery trends are also similar?

Ullas Kamath: Absolutely yes. But now again, it is reversing because Kerala is getting into little bit of problems if you see the numbers of COVID cases, Karnataka over the last two weeks has been very bad and Tamil Nadu in next couple of weeks should be perfectly fine but Delhi recovery is very, very good and that gives us real positive note.

Tejas Shah: Sir second in this quarter one can assume very much so far and now they have reversed back e-commerce had a very disproportionate representation in terms of growth in many categories and for most companies, so how was it in our portfolio and what are we doing specifically because that seems to be ample for growth at least for this year and current norm, and what are we specially doing to actually increase share on that channel?

M.R. Jyothy: Yes, we have seen good growth in e-com because the urban consumers have opted for contactless delivery that channel is seeing a growth and we are also witnessing the same. We are continuing what we used to do in terms of specific spends on those channels, but it is nothing which works very different that we are doing, the channel is showing good growth.

Tejas Shah: Lastly just extended the previous participants question on HI, now it is heartening to see that we had 151% growth Y-O-Y on that segment, but that kind of growth also does not generate profitability then there is some structural issues there because growth and profitability have remained binary for this segment for long now and then obviously we have called out mix and all but organically it does not seem to be happening for long, so how can we adjust, because of this kind of growth also generate profitability, then perhaps growth is not an answer?

Sanjay Agarwal: If you see the last year same period quarter at EBIT level the loss was 5 Crore and in this quarter it is Rs 2 Crores, so significant reduction has happened because of higher share of liquid vaporizers and I think next few quarters if liquid vaporizer share increases, one would find a positive number out there as well.

Tejas Shah: What was liquid vaporizer numbers for the quarter? What was that?

Sanjay Agarwal: We have been at around 70:30, 70 has been coils, and 30 has been liquid, now we are moving towards 60%-65% in coils, so liquid vaporizer will become 35% to 40%.

- Tejas Shah:** And that is the breakeven point or that is not still far?
- Sanjay Agarwal:** The breakeven I think another 5% to 10% we will be in a profitable zone.
- Tejas Shah:** Thanks, and all the best.
- Moderator:** Thank you. Next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sanjay how is the mix in dish wash solids and liquids, and will it be similar for the industry players, market leader?
- Sanjay Agarwal:** Abneesh, for us dish wash growth is both in liquid and bar, while we have seen little shade higher growth in the bar of Rs.5 and Rs. 10 but the growth is equally good in both EXO and Pril.
- Abneesh Roy:** Then soaps Margo you mentioned because of lockdown in Tamil Nadu and Bengal you had more impact, now if you see Reckitt's presentation they have said that Dettol has become number one, so wanted to understand in Tamil Nadu and Bengal have you seen consumers diverted more towards the Dettol kind of formulation because it definitely dwells with the overall COVID proposition, and is that a product gap in your soaps portfolio, Margo is a very niche soap so it would be too much to take it to Dettol kind of formulation, but any comment on the consumer behavior and any thought we have on the product gap?
- M.R. Jyothy:** No. Nothing as of now but yes Dettol may have done well because they are in that segment. We have seen good growth as such in those markets, it is only because of lockdown we have witnessed these issues. Margo is also if you see the core ingredient being neem is also a naturally antibacterial and antigerm-kill kind of a soap, so we do not foresee any kind of an issue with the brand and it will do well once these things ease in.
- Abneesh Roy:** My next question is on surface cleaner, etc., we are seeing lot of players enter this who are much larger than you, as a company not in that category? So is that risk of because you, yourself are in a starter phase in these products from a pan India basis. So certainly, it is much larger players comes into surface cleaner, toilet cleaner, etc., how do you respond because already there are Reckitt and HUL kind of big daddy's and now players like GCPL, ITC, everyone is entering this?
- Ullas Kamath:** Yes Abneesh but somewhere we need to start the business right and Ujala when you start with Rs.5000 and no one thought that it can become this big with 80% market share, and you started Exo, we never thought that we can be number two player in the market place

and when we acquired Pril we never thought it will get into 18% market share, so this is the business like 130 Crores population, there is enough scope for everybody to play in this business. I do not know why people are get obsessed with the two companies, this is a big country. Atmanirbhar Bharat is a campaign which is going on, in Kerala, you trust me we are the king and even in the detergent space, we are number one there, so neither we are worried nor we are scared but we go in a measured way state by state, very baby steps, small steps and when you look back after 10 years, definitely you will be asking the same question then, you will be proud of us is what all I can say. See any of our products wherever you see, see five years behind, then you know that we have done a great job. It is not just that we go because it is a COVID, no it is all because these products have been in the pipeline with R&D team, even the sanitizer was there, even the hand wash was there, it is just that it happened in right time but the lockdown period sanitizer, which they have come out with 21 days during the first lockdown period, it is something which showcases the capability of our R&D and our management team. Today for us hand wash and sanitizer is production constraint. To that extent, absolutely at Jyothy we are confident that whatever we have launched we will go slow, we study it, finally even if you get 10% market share in such a large country, it would be enough, Abneesh. So, I will not be discouraged by your question it gives me more confidence that we will continue to do well in segment which ever we do.

Abneesh Roy:

That was interesting point. Just one or two followup here, so Atmanirbhar Bharat vocal local does it work when consumer is buying because all these Unilever brands or Reckitt brands have been there for a decade so second is GCPL, Dabur, ITC are also all local companies, so just wanted to highlight that the fact that the new entrants are all local companies anyway, so if you could address, because you have spent advertising money also on the Atmanirbhar and local vocal, does it really work?

Ullas Kamath :

Absolutely it works in market because end of the day consumers are Indian, I am not saying that Hindustan Lever is not an Indian Company and GCPL is not an Indian Company, all I am saying is that Atmanirbhar Bharat campaign is made in India, made for Indians and we are saying that we have been doing this from 1983, what is wrong in that and this is the first corporate communication which we have show cased across the country and people know what kind of portfolio brands what we have and every brand is a hero so to that extent and all the boys go with the poster and when they paste that Atmanirbhar Bharat poster on the retail outlet it makes lot of difference at the outlet level but I am not saying that the others are not but my answer to your question was primarily saying that any product what we launched we see from capability point of view and not from competition point of view.

Abneesh Roy:

Sir that is helpful. Last question HI very good performance and the lot of questions have been asked. Just want to understand in terms of focus when you say coils will not be the

focus what exactly you mean advertising budget will only be for the electrical, is the right way to understand?

Sanjay Agarwal: Yes, that is right, Abneesh.

Abneesh Roy: Thank you that is quite helpful. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Sanjay Manyal form ICICI Direct. Please go ahead.

Sanjay Manyal: Congratulation for resilient numbers. Just one question on the distribution perspective, how will be the trade inventory at the end of June 2020 as against inventory level in June 2019?

Sanjay Agarwal: Our primary and secondary sales growth for the quarter have been same and we have been keeping low inventory levels at the distributor so that we can protect the channel partners ROIs in the current environment.

Sanjay Manyal: How is the recovery in the distributor? Have we been able reach out all distributors in the sense I am sure the distributor network would have been disrupted post COVID?

Sanjay Agarwal: Yes, definitely, so in month of April number of distributors operating were quite low then it improved in May and June as of now you can say yes general trade has come back. However, CSD stores and modern trade stores still are facing the challenges. In general trade, if some distributor is in containment zone, so they are not able to bill, which you will find in many cases across India happening every now and then.

Sanjay Manyal: One last question on the fabric whitener, what I understand is lot of the sales, probably coming from south specifically from Kerala and the pandemic recovery was much faster and those were the market which opened up first and you have seen such steep decline in sales, so is there anything else which we should read other than the out of home activity other than that, is that anything in this number?

M.R. Jyothy: No. Since people have not gone out and especially when you sit at home, you do not require post wash or you need not frankly dress that well, so any post wash product for that matter would have seen a dip in numbers that is the only thing otherwise there is no such issues on that.

Sanjay Manyal: If I just put a last one, lot of companies have mentioned about the SKU rationalization, so is there any plan in that respect, have you been thinking about SKU rationalization in terms of those SKUs which are not working probably will discontinue or something like that.

- Sanjay Agarwal:** No. There is nothing discontinuing any SKUs, I think it is more of prioritizing and say certain plants are operating at limited capacity so we know which SKUs are more fast moving, we would just prioritize them and plan accordingly that is how we have been managing or planning for production.
- Sanjay Manyal:** Okay. Perfect. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** Ullas and Sanjay, good evening and thanks for the opportunity. I have few questions, very interesting remarks you said that the focus in rural is through the LUP, what kind of revenue contribution is from LUP which is in the quarter gone by?
- Sanjay Agarwal:** LUPs are on an overall company level will be 25% to 30%.
- Shirish Pardeshi:** And this number was significantly different a year before?
- Sanjay Agarwal:** Not significantly different but marginally it is increasing as of now.
- Shirish Pardeshi:** On the distribution front you said that the focus is on rural, so would you be able to quantify what kind of number of outlets which is increased in terms of distribution touch points or any particular number you have in mind this number of rural distributors you are planning to put it in the system maybe another next two to three quarters.
- Sanjay Agarwal:** See there is no specific target what we have, it is a continuous journey so it is not that we will do one quarter and then we will stop. India is so large and we still have to reach a large part of India, also the lockdown restrictions are lesser in the rural market hence we are focusing at this time to strengthen our distribution.
- Shirish Pardeshi:** I also saw one of the interesting comments you mentioned is that you have put additional capacity for dish wash in Pithampur I was much more amazed say that why you have chosen MP as a location, is that because Central India and what is the capacity you are building and what are the products which you will manufacture there?
- Ullas Kamath:** This is Ullas Kamath. Pithampur is the property which we have acquired from Tata Chemicals long time back. It is a huge property so there was sufficient land was available. We have only put up the Exo Dish wash bar manufacturing because the product was coming from south or east so Pithampur was a natural choice, so the capex was already done before March 31, 2020. Only that we commenced on July 2, 2020 and again dish wash category is going extremely well and as explained by Sanjay that category is highest

growth for everybody during this lockdown period because people are sitting at home and cooking at home and washing more utensils so to that extent it has come very handy for us to cater to the needs of Central and Northern India.

Shirish Pardeshi: So, you will manufacture only Maxo or Pril also will get manufactured?

Ullas Kamath: Not Maxo, Exo Dish Wash Bar it is a dish wash, Maxo unit anyway is there in Pithampur it is an old unit it is already there in Pithampur.

Shirish Pardeshi: This is a separate unit?

Ullas Kamath: Separate unit in the same complex.

Shirish Pardeshi: I got it. I visited the factory so that's why I was remembering.

Ullas Kamath: It is in front of that.

Shirish Pardeshi: The next question is on CSD. Sanjay will you be able to share what kind of CSD business we have got this quarter and what is the number in base quarter?

Sanjay Agarwal: We will not be able to give any exact numbers on CSD. CSD has been around 8% to 10% of our overall business and currently we are seeing a sharp decline there. We are hoping that this quarter things will improve but one has to see how the everything pans out.

Shirish Pardeshi: I was just trying to understand what kind of loss to the total revenue in this quarter that is why I am even more interested, so you mean to say that this 8% to 10% business have not come in Q1?

Sanjay Agarwal: No it is not that entire business has not come. There has been a decline but we have been fortunate enough that general trade has done well and the overall business has posted a positive growth and the same trend we have seen it in July and let us hope for the best.

Shirish Pardeshi: Just last question on Maxo you mentioned that quarter 1 was better but if I understand Q2 is the season for Maxo business so is there any preemptive decisions we have taken in terms of extending credit or you are still cash.

Ullas Kamath: We are completely on cash and carry and this season has defiantly extended by probably about 15 days or so and the sudden jump in the usage of mosquito repellent is one of the reasons is that people do not want to go to the hospitals whether it is for dengue or Chikungunya or malaria or if any whatsoever so there is a fear partially people are using more mosquito repellents during this period and also extended monsoon has helped.

- Shirish Pardeshi:** Exactly that is the point which I am trying to ask Ullas because most of the monsoon related categories whether it is other related categories non-mosquito because the season is preponed somewhat about 2 to 3 weeks and the other companies are facing supply chain shortage so is that the case with Jyothy also?
- Ullas Kamath:** No, we do not have any supply chain problems. We have enough production facility we do have north, center, east and south also so we do not have any problems and also second part of your question is there any credit sales, no.
- Shirish Pardeshi:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Sanket Diwani an individual investor. Please go ahead.
- Sanket Diwani:** I wanted to ask do we have segment wise breakup in terms of geography like how much are we catering in the North region, South region, East and West in India?
- Ullas Kamath:** We cannot give that much details but all I would say that we are extremely strong in south, then east, north and the west.
- Sanket Diwani:** How does the company plan to grow in the other regions like we know the company has very strong presence in south so how is it looking to expand in the north region and west?
- Ullas Kamath:** Most of the growth is coming from non-south region that is the way only we can grow geographically and that is where the growth is coming it does not mean that we are not growing in south but we are growing more in non-south areas.
- Sanket Diwani:** Can I know about the free cash flow which has been generated in this quarter?
- Sanjay Agarwal:** On standalone balance sheet at March year end, our debt was around 200 Crores, now we are at around 100 Crores.
- Sanket Diwani:** Okay is there any capex planned in the coming year?
- Sanjay Agarwal:** No major capex during FY2020-21 and all the capex we have already done in the last year, some maintenance cost here and there but no major capex in the current year.
- Sanket Diwani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anand Jha from Axis Capital. Please go ahead.

- Anand Jha:** I have couple of questions. Within the channel split can you give as to how much your GT grow how much did modern trade decline?
- Sanjay Agarwal:** General trade has done well inspite of salespeople facing constraints to reach to the retailers and have done a phenomenal job. Modern trade marginally has been negative and CSD as you all know has been more impacted so to that extent all these numbers have added up to 4% topline growth.
- Anand Jha:** In this modern trade there is a specific player issue from the large guys who is struggling or is it across the board you are seeing that modern trade because of store restriction or timing restrictions and social distancing all is impacted?
- Sanjay Agarwal:** It is across the board. Every player is having challenges. The challenge is more when the stores are larger stores. Someone who has smaller format stores, there it is much easier for them to operate but if the stores are in malls and very large format stores they have faced more challenges so across the chains we have seen the challenges. I think everybody is now trying to bring back their business.
- Anand Jha:** Lastly on HI is it at all possible to give a monthly color because I would assume you have lost 30 Crores to 40 Crores business in Q4 because you were not able to fill pipeline because of the lockdown in March and some sales definitely would have got carried forward I mean to that extent was it the April was disproportionately high because you saw pipeline filling and then May and June, I am just trying to understand what is the sustainable growth here?
- Sanjay Agarwal:** As we all are going through unprecedented times, two-third of the quarter we were mostly in the lockdown and which restricted both the operations and the movement. So when we look at the numbers obviously May was better than April and June has been better than May and when we look at our numbers from July I think things are being more normalized and we have seen over last year July to this year the numbers have been in the positive zone.
- Anand Jha:** These numbers in July have been positive even with HI and you have seen an uplift in general you are saying in growth rates and HI because of category it was struggling over the last two to three years?
- Sanjay Agarwal:** Overall when you are looking at our numbers, our portfolio is more essential and hygiene portfolio, a lot of hard work has been done with the manufacturing sales team and the entire organization which is helping us to deliver a positive growth in July so it is more of a portfolio driven approach and the hard work which has gone behind that.

- Ullas Kamath:** In addition to that Anand Sir monsoon has been good and spurious agarbathis are not doing that well and season is extended and also because of the COVID fear people are consuming more mosquito repellents so that is the major reasons why consumers are using little more of HI products and that is one of the reason what I would say.
- Anand Jha:** Thanks a lot.
- Moderator:** Thank you. Due to time constraints we will take the last question from the line of Naman Jain, an individual investor. Please go ahead.
- Naman Jain:** Good evening Sir. Thank you for taking my question. Congratulations on the excellent results in Q1. Just a couple of questions one being what are the kind of cost reduction measures that we have undertaken because a lot of companies have taken cost efficiency measures?
- Ullas Kamath:** We have taken cost optimization measures across wherever it is required, but definitely we have not taken salary cut and are absolutely taking care of all the people in the company, no cost cutting there, but other than that wherever whatever possible we have taken cost cutting and this is what has shown EBITDA growth.
- Naman Jain:** These would be sustainable throughout year as to they would contribute positively to the EBITDA is it?
- Ullas Kamath:** Absolutely because of the reasons Sanjay has told probably we were amongst the few companies who called up on 24th, 25th to all our vendors saying that whoever wanted, small vendors who wanted money we released the money for them meet their salary payment or other wages, their payouts and that helped us to get supplies back when we opened the factory in April 10th, 11th and when we started opening the factory we were the first to get raw material also to that extent we have taken care of all our stakeholders and at the same time cost reduction because the raw materials cost is little softer and I think that we will be able to maintain this kind of margins going forward also.
- Naman Jain:** Could also result in expansion in our working capital cycle or that is still okay?
- Ullas Kamath:** That is still okay under control, absolutely no problem because cash flow has been fantastic.
- Naman Jain:** Just one more question on my side so I was just going through an old interview by the promoters this was in 2017 or 2018 where we had a desire or a vision to reach 5000 Crores turnover in the next five years so that would be around FY2022-2023 while we have not

been able to reach half way also but what is the kind of growth part that we have furnished in the three years could you highlight something on that?

Ullas Kamath: Right now we just want to come out of this COVID problem, Aman because this is unprecedented and all countries have went into problem, US, Europe, and China. Also everywhere the only thing which we talk about is COVID and I know like most of the companies are talking about survival and revival at least in our case we are showing healthy topline in the gross margin, healthy EBITDA and healthy PAT. Also to that extent this year we are trying to see how best we can manage our cost and how best we can build our topline. I am sure that we will have great vision document from FY2021-2026 so that makes next five years. I wish always will be to grow far more than industry growth.

Naman Jain: Thank you and just one last thing we had exchange release in regard to release of pledge of shares. Currently I think that is zero pledge and I am assuming the promoters would not pledge again the share or is their plan to re-pledge and take a fresh loan?

Ullas Kamath: Absolutely no more pledge. This is what I can say as a part of the management group but it is a promoter's decision the fact they have closed the loan means that they do not want to borrow again but end of the day there is no condition that one cannot borrow against the share. As a good prudence we have closed the share pledge completely and no intention of take loan again.

Naman Jain: Great. Thanks so much. That is, it from my side Sir.

Moderator: Thank you. I now hand the conference over to Mr. Ullas Kamath for closing comments.

Ullas Kamath: Thank you very much Manoj and his team for wonderfully organized this call. Thank you very much all the friends. If you have any other follow up questions you can always contact Sanjay he is available 24x7. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.