"Jyothy Labs Limited Q3 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Jyothy Labs Limited Q3 FY21 Earnings Conference Call hosted by ICICI Securities Limited. As the reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon, Head of Research & Consumer Analyst at ICICI Securities Limited. Thank you and over to you, Mr. Menon.

Manoj Menon: Hi everyone. It is an absolute pleasure to host the results conference call of Jyothy Labs at ICICI. Today we have the management represented by Ms. M. R. Jyothy – Managing Director; Mr. Ullas Kamath – Joint Managing Director; Mr. Sanjay Agarwal – Chief Financial Officer. At ICICI we have had a constructive view on Jyothy Labs as the business as a stock for a long period of time and the current results of 15% revenue growth in these times is extremely pleasing to see.

Our constructive view remains. Now over to the management for the opening remarks and after that we will have the Q&A. Over to you, sir.

Sanjay Agarwal: Thank you, Manoj. Friends, very good afternoon to all of you. Before we take you through the specific quarterly performance numbers, let me briefly update you on the sector trends we have observed from our ground level assessment. I am sure the presentation would be in front of you so I will quickly go through that. We have witnessed healthy consumer demand trends across home and personal care categories in which we are present.

And the emphasize on health and hygiene, immunity continues. Strong rural demand continues and we have also seen improved urban consumption trends which were affected for the last two-three quarters. Specific to channels, growth was already there in general trade, now we have seen gradual recovery coming back in institutional business almost back to pre-COVID levels which is a healthy sign for the future.

Two other interesting phenomena which we are observing, one, consumer channel preference they are shifting towards omni channel approach and second there is an acceleration in adoption of digital technology and technology as all of us know by construct is disruptive, so the same general trade shopkeeper is also using a basic technology of say WhatsApp to reach out to consumers.

So, lot of lines are getting blurred in the whole process and further all these data is helping us to do a very focused GTM. So accordingly, we have drawn our business strategy in sync with this changing environment and focusing on the same which has delivered another quarter of a resilient performance. In terms of our portfolio which is essential day-to-day household consumption.

Our focus was to do a very sharp execution and keeping a very strict focus on financial matters which has led us to deliver a double-digit sales growth in the Q3 of FY21. Moving on to the next slide on the portfolio. A diversified portfolio has helped us in being ahead of the competition and also supported us in terms of the strategy for the whole organization.

Backed by the strength of our portfolio, we have focused or re-prioritized our go to market strategy say for urban market. We have been more frequently servicing retailers which helps them in better off takes. In terms of the rural coverage, we have always been focusing on that. 40% of our business comes from rural but now we are adding more sub-stockists, specific drives like van coverage to further enhance our rural coverage.

In terms of new launches – we have always focused on innovation and continuing that strategy on innovation to add on in our hygiene portfolio we have added Exo all surface cleaner which has been launched in South of India, later we will talk in detail about it. Further digital has been the forefront and I guess for all of us the whole COVID period has accelerated the need and the adoption for it and we have been quite focused on that to get all the sales efficiencies and focusing on the digital consumer engagement too.

In terms of the media spends – we have been speaking about it in the past but this quarter we have actually stepped up on our media spends with the very clear strategic intent to grow market share. We do not have official numbers but our internal estimates confirms and we believe that our market share across the categories have further improved.

And lastly but not the least on the employee human resources. In this uncertain environment keeping our teams fully motivated has been our key focus to continue our growth.

In addition to keeping strict internal financial principles, we have also focused on how we can improve the ROI of the business partners so that they can have minimum stock and we can supplement it with frequent servicing at the retailer level.

Keeping in mind our principle of no credit so the entire business 100% is on cash and carry and all the primary sales are 100% backed by secondary numbers. So overall we are happy that the Q3 numbers we have performed better than the previous year and also better than the Q1 and Q2 of this financial year as well on all the parameters.

In terms of the specific numbers, our net sales are up by 13.3%, FMCG sale is up by 15.1%. Our gross margin has been flat at 48.8% in spite of mild inflationary pressures which we have been seeing in raw material and this has been mitigated by building in efficiency in our manufacturing operations and also higher contributions from our personal care portfolio.

As part of our focused approach, our brands are doing well, our A&P spent have increased by 40% to Rs 35.3cr in this quarter and our EBITDA for this quarter stands at 16.7% which was 15.8% in the same period last year and increased by 20.3%. Consequently, our PAT is up by

18.2% at Rs. 53 crores. Similarly, for the nine months ended December 31st, our revenue is up 7.3%, FMCG business up 8.9%, operating EBITDA stands at healthy 17.2% versus 16% of the same period last year as well as the PAT is Rs. 163.4 crores and increased by 20% over the last year.

Moving on to the next slide on category wise net revenue:

With respect to all the categories have started performing well. Fabric care, 2.3%; Dishwash 21%; HI 10%; personal care 48% leading to an overall growth of 15% in the FMCG business. The next slide is on snapshot of our financial performance in key financial ratios. Just to sum it up again, revenue up on a consolidated basis at 13.3%, operating EBITDA up 20.3%, PAT up by 18.2%.

So, net net if I sum it up, it is an all-round performance and this actually leads us into a virtuous growth cycle because higher volume growth gives us higher operating leverage as we have our own manufacturing plants wherein 75% to 80% of our production happens in our own factories. Therefore, we are able to bring down our unit cost of production, more money for our brands and which again leads us into a higher revenue growth.

A quick snapshot of our understanding of how the EBITDA has moved from last year to this year. There has been an increase in the media spends but due to lower other expenses we have still been able to increase our EBITDA from 15.8% to 16.7%.

Moving on to the talking about this specific brand performance and initiatives, our category wise business share stands at Fabric Care is 37%, Dish wash at 38%, HI at 10% and the personal care at 11%. So fairly well diversified in all the four categories in which we are present.

Talking about each of the categories:

Fabric Care business as you know we have two portions. One is main wash and other is post wash. So main wash which was struggling for the last two quarters has started doing better with modern trade and canteen store department almost coming back to normal.

So that is a good sign and in terms of the post wash, which is still constrained because offices, schools, colleges have yet to fully resume but we have seen month-on-month improvement in both of the post wash brands Crisp and Shine and Ujala Fabric Whitener. Moving on to the next slide on Ujala Fabric Whitener where we are the market leader. We continue to increase our retail visibility and demand has revived post easing of lockdowns. So that is on the Ujala Supreme and similarly on Crisp and Shine, which is more of a specialty post wash product. The brand is seeing an improved growth over the previous quarter and we believe once the lockdown or people are able to move and office goers and school and colleges fully resume Crisp and Shine will also be fully back to normal.

Similarly, for Ujala Instant Dirt Dissolver our detergent brand we are only focused on Kerala. It is doing well. It is the largest mid-priced detergent brand in Kerala.

Similarly, on Henko, the growth is back with modern trade and CSD channels almost normalized. We continue to see a good growth in ecommerce on Henko brand and also our TV campaigns have been pitched in the target markets to reach out to consumers.

Moving on to the Dishwash segment:

There has been a renewed focus on hygiene so we are obviously benefitting from the tailwind on that, alongside with that we have been taking a very focused distribution drive both on Exo and Pril. We believe that this growth what we have seen of 21% and for the nine months also we have seen a 20% growth is sustainable as the brand has started doing well with consumers and few specific actions to focus on smaller packs for newer consumers entering into the branded Dishwash category that has paid off well.

So, we remain quite optimistic on our Dishwash business going forward. And along with the TV media spends, we have also been doing marketing efforts on digital and social media to reach out to consumers because through these channels we can experiment lot of new ideas, different content, messages in a unique way. So that has done pretty well.

The next slide. We have launched Exo All Surface Cleaner:

It is a very interesting product because it meets the consumer demand, fills the need for both cleaning as well as it acts as a disinfectant. So, this we have launched very recently in South of India and we believe is going to be a product which will fill in the demand of the consumers going forward.

Again it strengthens our entire Exo portfolio with Exo bar being there. We launched Gel and now with all surface disinfectant the whole portfolio becomes far stronger. The next slide is to summarize just as one case study in terms of how our innovation journey for any particular category has moved on or has demonstrated over a period of time to fill the consumer current and future demand.

So, way back in January 2019 we changed the entire Exo brand we added a ginger twist in that, then Exo gel and Pril Tamarind and the pouch and in the last 3-4 months added a vegetable cleaner and now all surface cleaner. So the objective is to keep emphasizing that we are committed on our innovation journey and all these products have been very successful to bring the whole potential of the Exo brand and it is also shows excellence in our innovations and we have always believed in quality of our innovations versus quantity and we will continue this journey in Dishwash and other brands where we are present.

Moving on to HI:

Last two quarters have been well and we continue to see healthy growth in this category due to consumers adopting a cautious preventive approach towards health. And also, our brand has started doing very well with our specific focus on liquid vaporizers which is more season agnostic. So yes, coil remains a larger portion of our business as of now but liquids have started doing well and the overall growth in this quarter has been 10% and we believe we would have gained decent market shares as well. Again, on Maxo we are committed for TV media spends and also doing digital campaigns focusing on few key states to generate off takes.

Moving on to the personal care which is around 11% of our total business. This has done very well with 48% growth and completely demand led secondary growth. This is because primarily our personal care portfolio is Margo, a 100-year-old brand and neem-based soap, hand wash and face wash. We have seen a good response from consumers backed by higher media spends, distribution drives and finally consumer liking natural based products like neem. So overall we continue to invest behind this brand including digital medium and we expect the momentum to continue in this category for us.

With that I will come to the last slide. Way forward, we are quite optimistic on our business prospects. We believe we are at Inflexion point.

Our core essential and hygiene portfolio with our focus on consumer driven brand and innovation, investments on technology and new ways of doing distribution bringing efficiency, we believe we will be able to capture higher market share and with our focus on strengthening our brand franchise we expect that we will be able to deliver profitable volume led growth.

We expect there will be some inflationary pressures in key raw materials. Primarily in personal care and soaps category because as we all know the palm oil prices have been higher but we will hope to balance it with some strategic price increases. Bunch of cost optimization initiatives have been undertaken and further balance the trade schemes to support a healthy cash flow management.

Further and finally with our diversified portfolio, we aim to drive our full potential of our business categories with enhanced media spends and geographical expansion which will drive sustainable growth for us in the future.

With this, I will finish my presentation. We are happy to answer your questions and clarifications you need. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tejas Shah from Spark Capital Advisors. Please go ahead.

Tejas Shah: From the presentation, it seems multiple interventions have been made in sales and distribution in terms of both expansion and efficiency. So, if you can give some insights on the measures taken and any numerical target we are chasing here in terms of distribution expansion?

M. R. Jyothy: Hello, this is Jyothy here. Like you rightly said, yes there have been multiple interventions and especially on the general trade. As such we have seen good momentum happening in general trade and more so led by rural and what we have done is we have one is our field force who are committed number of salespeople who go daily and visit these stores. Also, they have specific targets on increasing the number of outlets.

That is, one is through that and then there is another set of drives which we undertake through van distribution and things like that. So those are the areas specifically on the distribution that we are focusing on. It also the SKUs that are at Rs. 5 and Rs. 10 segments also help in doing this thing much more in a better way because most of our products have that price you know the Rs. 10, Rs. 5 SKUs and that also helps us in increasing the sales to that extent.

So, it is more because your modern trade and CSD were as all of you know has been hit in the last one year. It is improving gradually and almost coming back but largely led by the general trade sales. So, we have witnessed all of this, and most of our brands have that Rs. 5 and Rs. 10 SKUs which has helped us an entry into all these rural areas.

Tejas Shah: Any numerical target in terms of distribution expansion we are running with?

Sanjay Agarwal: The whole objective or the principle for us is to add or improve the efficiency of the existing reach we have, so if we are able to sell two lines or three lines the objective is to sell four lines in the store and increase the productivity or productive calls. So we are more focused on that rather than just taking a numeric number and driving to that point.

Tejas Shah: Fair enough. Second if we see the margin trajectory for both this quarter and nine month this year, we have done very well versus our targets in the past and the source of margin expansion so far has been other expenditure. So, anything structural here that we are doing or is it just operating leverages playing out for now?

Sanjay Agarwal: Both the things playing out, one obviously higher volume give us a better utilization at our manufacturing plant so it helps us at the gross margin level. And also since the sales force for us is on our payroll so higher volume throughput obviously brings down as a percentage to sales. And in addition, you know for the last few months as things had become standstill in April, we did look at some of the cost rationalization items across the P&L and we did take some of the steps to optimize the overall cost which may be reduced permanently and as things like travel cost, as of now the number is lower but they will come back may not be to the extent where we were earlier. So, operating cost plant level as well as in the sales and other administration expenses have helped us.

Tejas Shah: Sure, so from that point would there be any change in our long-term guidance or medium-term guidance on margins?

Sanjay Agarwal: So as of now, for this financial year as we have guided 15% to 16% we will stick to that. For the next year once we have completed the budgeting exercise, we will definitely give a guidance for the next year maybe in the next analyst call.

Tejas Shah: We are way above 16 for YTD FY'21, so are we seeing there will be sharp dip in 4Q for margins?

Sanjay Agarwal: There are no other operating reason. The only thing we are still holding up to that is if we need to increase our media spends in Q4, we will rather do that and also build up the base for our next financial year growth. So that is the only one place where we may increase investment behind our brands and therefore, we will rather keep the guidance at 15 to 16 to have that leverage with us.

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

Harit: Just couple of questions, firstly on the detergent performance. So your entire portfolio ex so Ujala Liquid Blue. How would you have seen the kind of recovery rate say October, November, December if you could give us some sense on where the recovery rates were and what are the exits as you are getting out of December or early Jan, is that entire portfolio which is the combination of Ujala in Kerala, Henko, Chek, Mr. White are all now on the growth path?

M. R. Jyothy: Yes, all of our detergents portfolio are doing well, most channels are back specially the modern trade which primarily drives the Matic versions and the premium products. While the other brands are Ujala IDD is specifically in Kerala and we are seeing good growth there. Mr. White has also done well in the regions that it is present and basically the detergents portfolio is back as well as post wash if you see Ujala Supreme is also coming back broadly on track, almost 90%-95% is coming and in the next one or two quarters you will see a positive a much more contribution happening from that brand.

Crisp & Shine definitely is a specific product usage it is a very different specialized product and has much to do with a larger usage more than White as in it is for Colors as well, and there you would we expect that again once things are open and back to normalcy, that should come back on track. Also Crisp & Shine is specifically right now only in two states which have been badly affected by COVID. One is TN and other is Kerala so that is one other reason you would see the sales not happening as much as desired. Whereas here Ujala Supreme is a national brand and hence you could see a much more better recovery there.

Harit: My second question was on your disinfectants and hygiene brand, so obviously the Exo dish wash continues to do very well the entire dish wash portfolio, but I just wanted to get a sense on the two pieces, one is how do you see T-Shine in the current context of hygiene requirements as a brand and secondly is the disinfection launch for Exo how do you see that as playing out? Do you think it is maybe a quarter or two late compared to probably what the market desired? Do you think there is a huge opportunity still there? That is it from me.

M. R. Jyothy: So on T-Shine, we are very well poised for better growth there. As of now T-Shine Toiletries we had only in Kerala and the floor cleaners we have launched in the other southern states. In the current context from a product delivery it is far superior compared to the competitors and has a unique offering there.

And your second question was on Exo has always been talking about health and hygiene right from the day it was launched way back in 2000 and we were the first antibacterial dish wash bar in the country. And to strengthen the Exo portfolio, we have won the consumers across in the south and then we went national after 10 years and we have seen a very good acceptance for the brand obviously led by media spend and the good brand ambassador for it.

It is also led by some in home consumption because people were confined to homes. They were having multiple eating occasions and washing the dishes, so yes that is there. But I think lot of trials also have happened along the Rs. 5, Rs. 10 segments where we were able to reach and we expect and assume that at least from a number of people who would have tried, many of them would stick back to the brands since it offers a high quality since we have a very high-quality product there.

Now to strengthen that is why we have also entered into a surface cleaner segment. From a Corona Virus thing maybe, we are like you said, little late into this thing, but we have a very differentiated proposition here and a very different product. So what we do is it is not just disinfecting. If you would have seen, most of the players in the market are for disinfecting and are alcohol based products that are there. So, and they do maybe one job at a time. And we have here something which a product that delivers and has a truly differentiating factor and that delivers in the cleaning aspect it cleans the germ and dirt completely off the surfaces. You can use that in your kitchen without any fear.

It is totally alcohol free and we have a 24-hour germ protection as a strong point there. If you see other players, you will have to use it multiple times in a day maybe once it gets and there is no guarantee on the infection thing. Here we have a 24-hour clean and it also does a 99.9% Corona Virus kill as well, so we have a very strong product with us. Everything now depends on the investment and how we are able to cut that ice from a consumes perspective.

So, with that we strengthen the Exo portfolio and Exo will become much bigger there. And that is what we expect there.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: My question is on the HI segment. So in spite of good top line growth, we are still not making any money on this segment. And basically I know your strategy is to sort of increase the proportion of vaporizers and reduce the proportion of coils and that is how the margins for the segment will improve but if you could give some guidance on timeline herein and what kind of margins we expect from this segment or I mean if it is going to be a very long haul on this, would you consider hiving off this segment and concentrating on the parts of your business which are actually value adding?

Sanjay Agarwal: Percy, as you know in coil segment, we have a 20% plus market share and in liquid segment we have on a pan India basis, 8% to 9% market share. So, having said that, we have always believed that this is one growth market for us because in India the mosquitoes are not going to go anywhere and HI is a 3 player or 4 player game. Also, our LV portfolio is doing well which is critical from margin's perspective.

Second, HI is only 10% of our total business and in that we are shifting more towards liquid and that has started giving us very good results so to your point when will we make profit even today also we are making profit on the whole HI business. It is just that we may be over investing or investing ahead more on the liquid vaporizer segment. Rajkumar Rao is our brand ambassador. We have been growing in some of our noncore strength markets as well. So, having said that, I think another 3 to 4 quarters you can easily see we will have far better profitability after including media spends in the HI category.

Percy Panthaki: Okay, second question is on the margins for our business. So, among all the listed FMCG companies, our margins are at the lower end of the band. So how do you look at this over a 3, 4-year kind of horizon? Is there a secular margin growth every year that is something that you would target or is it that I mean you think that the low hanging fruits are done and you would rather sort of take margins at this level and reinvest in growth, some thoughts on that?

Sanjay Agarwal: Yes, good question Percy. If you see last 4, 5 years or 6, 7 years our trajectory of EBITDA growth has moved from 11%, 12% to 16%, 17% now so that is one from the past. Second if we compare each of our portfolio with the segment results of closest large peers, we are on par with them whether it is personal care, detergents or dish wash.

So, if you look at each category by category, we are doing a comparable number and we are not on any lower side in any case for any of the categories vs competition. Currently, our personal care portfolio is only 10%, and if you see most of the other FMCG company have a higher personal care portfolio and therefore leading to an overall higher EBITDA margins and we are also on the same journey.

So from 12%, 13% we have been able to grow to 16%, 17% . Personal care business is doing well, liquid vaporizer is doing well, in Pril and where the margins are a little higher Ujala post wash where the margins are higher so there is a clear strategy and a focus for us to go and increase market share and revenues for those brands, leading to overall higher margins.

Like any progressive , we would aim for that and we have shown in the past and our clear strategy even we see in Q3, our personal care sales have higher growth, even HI liquid vaporizer has a higher growth. Based on this, we would be aiming for a much higher margin profile in the next 3 to 4 years.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital Limited. Please go ahead.

Gaurav Jogani: Sir, I have two questions. The first is the other expenditure this quarter have been quite low. So, is there is some one-off in there or is this is a sustainable expenditure, I mean the percentage of sales can be sustainable going ahead?

Sanjay Agarwal: No, there are no one off because the volume growth is 15% so other expenses as a percentage looks lower. Our factory expenses, other administrative expenses remain same, so as a percentage they show a lower number. Also, we have taken cost optimization at various levels, wherever we could have done. If the volume growth we are able to maintain at these levels, yes other expenses as a percentage of sales will broadly be the same.

Gaurav Jogani: Sure, and sir another question is with regards to the tax rate. I mean the tax rate has been quite lower at this end. So, what would be the guidance going ahead for the next quarter and the next yea? I mean what should tax rate should be built.

Sanjay Agarwal: We are continuing to be under MAT for this financial year as well as for next financial year. We can very well take ETR of 18% to 19%.

Gaurav Jogani: For the full year ’21 and ’22 sir?

Sanjay Agarwal: Yes, that is right.

Gaurav Jogani: Okay and last question from my end is the personal care growth it has been quite encouraging to see the sustained growth rates that we have done. If we would like to dissect the growth, I mean in the personal care specifically what segment is growing and what is the element of price increase here?

M. R. Jyothy: So, in the personal care segment here is largely led by the MARGO soap here which enjoys a 100 year brand equity. The others hand wash is just a year old and it is yet to make its contribution where you can count that but yes it is from a growth as a perspective definitely that is also growing and promising segment there as well as the face wash. Face wash we had launched only in one state about a year back and we have plans for it to take it on a larger level so as of now it is largely led by our Margo Neem soap.

Moderator: Thank you very much. The next question is from the line of Shalini from Goldman Sachs Asset Management. Please go ahead.

Shalini: I just wanted to check madam this growth that we have seen overall 15% in the FMCG is that can you just give us how much the volume growth was during the quarter?

Sanjay Agarwal: Volume growth is also similar around 15%.

Shalini: Okay and sir like if you can just say see urban rural has been doing well for everybody, I am sure it has done well for you also. But if you could just say how much the urban and rural growth has been for you I mean break it up basically?

Sanjay Agarwal: So if we look at it in urban as you know most of the metros, Mumbai, Chennai and some of the larger cities were affected by lockdown hence both general trade as well as on the modern trade business in this quarter have become more or less normal, however, rural continues to be on a higher growth. If you want a number it can be 1.3:1, if the growth in urban is 1, then the rural growth is 1.3 times.

Shalini: Okay and sir would it be correct to say that now you are basically back to pre-COVID levels, that is correct to say?

Sanjay Agarwal: Yes, that is right. I think from a supply chain we got aligned in by May, June of this year and now from all the channels and brands more or less yes, we are back to pre-COVID. The recovery for us or the performance for us has been far better.

Shalini: Okay sir and lastly like on receivables basically your modern trade has done very well and there the receivables I believe are higher. So, I mean would you say your net working capital is higher or what would it be like 20, 21 days or will it be higher?

Sanjay Agarwal: Our general trade operates on cash and carry. Modern trade is generally 21 to 30 days which has been in line with what we were doing earlier. CSD is one which is on the higher number of days, but as of now there are no signs of worries. So, overall working capital has been pretty good from the last two to three quarters.

Shalini: Okay and channel inventory I mean is channel inventory lower this quarter than what it has been in the previous quarter, or what is the channel inventory like?

Sanjay Agarwal: Yes, our channel inventory with our general trade distributors is in the range of two to three weeks and which is what they need to keep for servicing the retail market.

Shalini: Okay and the outlook for your main categories like dish wash and basically your fabric wash what was the outlook there I mean we are seeing very strong growth in the first 9 months, so would you say this kind of growth will continue?

M. R. Jyothy: So yes, like you said we have seen good growth in the dish wash segment like I said earlier it has been one is brand driven. There has been strong demand for the brands. Second thing is it is also led by in-house, people staying in-house and obviously multiple number of dish washing that is happening.

But like I said, we were able to do lot many trials which has happened in the Rs. 5, Rs. 10 segments in both the brands and more coming from rural so where we feel that whoever has tried our products, definitely would stay back, majority of them because one, we offer great quality product along with the germ-free proposition that we have.

So yes long term led with brand investments and distribution, we are on a strong wicket as of now from a dish wash portfolio, and detergents is coming back to its original levels to pre COVID levels. We see modern trade and e-com doing well now and they are also poised for growth. So, from there we will be getting our premium products where we are in the detergent category. we will be seeing those growths as well and the other market detergents will be led by GT.

Shalini: Okay and madam lastly like, what is the plans for debt reduction, I mean generally will you be paying back Rs. 100 crores for each year or will it be lesser like Rs. 50 crores for each year?

Sanjay Agarwal: So Shalini as of September 30th our standalone balance sheet was in net cash and on a consolidated basis, our net debt was around Rs. 50 -60 crores. We will target if possible to have on a consolidated basis net debt free by March 31, 2021.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Share Khan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Just one on this small pouch strategy which you are focusing on in the dish washing space. So, what is the current contribution because I think you have launched it in July so what is the current contribution from small pouches in the dish washing space and where do you see this over the period of time?

M. R. Jyothy: Yes, so the pouches will help us drive sale in the rural and the tier 2, tier 3 cities and right now what we are doing is we had the pouch packs in the beginning as well. We have just strengthened it and have launched it in few more places. It will not be a sizable number right now but going forward like I said, all these actions that we have taken from a distribution point of view these segments will drive growth for us.

Kaustubh Pawaskar: Right so is it something to improve penetration in rural or Tier 2, Tier 3 towns especially in the distribution penetrate if not the exact but at least from a distribution perspective it is helping you to improve the penetration?

M. R. Jyothy: I did not get your question?

Kaustubh Pawaskar: In the sense since you have launched small packs, is it helping you to get more traction in stores?

M. R. Jyothy: Yes. So, we had launched a Pril Tamarind and a new variant last year and we are seeing huge growth coming in from that pouches especially, especially in the south as well. And good demand led so we are seeing that kind of success and we will be taking it to the entire country.

Moderator: Thank you very much. The next question is from the line of Simran Jeet from SMC Global Securities. Please go ahead.

Simram Jeet: See, I have certain questions which I want to ask. First of all, what is the percentage of advertisement revenue means percentage means going forward, because I was looking through your numbers. It is close to 7.3% in this quarter which has sharply jumped from 5.95% so I just want to ask that my first question is that will it be 7.3% or more than that in the upcoming quarters?

Second question is I was in your previous call also last quarter. You had stated that your CSD department sales are not doing good and now you have stated it is just started improving. So, I want to know what is the percentage of the CSD revenue in your total sales? And thirdly you have posted a volume growth of 15% what is that driving this volume growth and will it be sustainable going forward? If you can answer first of all these three questions.

Sanjay Agarwal: So first question, ad percentage yes it has increased from previous 6% to 7.5% and that is part of our thought process since we are focusing on our distribution, we are doing innovation and we have seen that even in this quarter when our media spends have gone up, they have paid off well. So yes, incrementally going forward we would like to increase our media spends and the percentage it will be keep in mind the overall yearly EBITDA guidance what we have..

Second question you said is on modern trade and CSD. CSD and modern trade put together is around 20% of our total business and so that is one ratio which in recent times the last two, three quarters had marginally come down because modern trade and CSD were not doing that well but on a medium term basis that ratio will remain same. And the third question of yours was?

Kaustubh Pawaskar: What is the driving force behind this FMCG volume growth of 15% and will it be sustainable going forward or it is little bit hiccups will be there at the end of the day in the upcoming quarters in the FMCG volume growth I am talking about?

Sanjay Agarwal: We expect our growth is going to be a steady growth. For the last two quarter we have seen much better performance from our side and if you will look at it all the building blocks have been there. Now we are even strengthening them and we believe that going forward, we should have much better growth than what we have seen now and it is going to be an all-round performance for us.

Simram Jeet: And sir, last question is what is the percentage of your sales from the e-commerce segment if you can give that number in terms of percentage?

Sanjay Agarwal: A year back it used to be 1.5%, now it is around 3% of our total revenue.

Moderator: Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar: I happened to be from Kolkata, the eastern side of the country. I do not see much of your presence in the retail shops and not even on the e-commerce sites. So, what is your thought on this issue?

M. R. Jyothy: So, which are not there just I want to know that?

Kaushik Poddar: I do not see for example, I have seen Margo and Pril. Other brands Exo and all those things I have not seen as much as it should be there. It is not available as much?

M. R. Jyothy: Okay so it should be there sir. The only thing is Exo is coming from east is a big contribution for us and it is a very big growing brand for us. After South, East is the next indeed for us from an Exo point of view. So definitely I would want to know which are the retail outlets specifically that you have not seen it and if you could send that list, we will do the needful if any miss is there from our side.

Kaushik Poddar: And even on the ecommerce sites also I do not see many of your products? Is there any kind of reason I mean whatever the local ecommerce sites whether it is the Big Basket or anything of that sort in Eastern region I do not see much of your products?

M. R. Jyothy: Okay noted sir. Big Basket we are there. We restrict ourselves mainly in chains which go by their principle of every day lowest prices and obviously we have certain margins to be followed and not all our SKUs will be there in that specific e-commerce channel. Rest most of the places we are there and whatever you have said we have noted. We will try and see if whether we can take that and do the needful.

Kaushik Poddar: And my last question is, in your personal care the growth has been huge. I mean are you doing something to really ramp it up to say 25% of your turnover?

M. R. Jyothy: Yes sir, everything now depends how much media spends we are able to do that leads to distribution and we are very much focused on that and especially in the personal care segment also the Rs. 10 is doing really well for us. We will be taking that to many other places as well and definitely we will see lot of momentum happening on that brand especially also we are in the natural space and if you see in the last two, three years that natural space has been doing well and more so this year and we have seen neem as the main ingredient there which also is a hygiene related ingredient and hence we are seeing good growth.

Kaushik Poddar: I mean Margo for example is used to be very popular brand in Eastern part of the country. So I thought that may be some more promotion will help?

M. R. Jyothy: Yes sir. We do have lot of promotional SKUs as well and this year we celebrate 100 years and we will see lot of activities on the brand.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. I will now hand the conference over to Mr. Ullas Kamath for closing comments.

Ullas Kamath: Thank you very much. We have shown a robust top line in revenues, gross margin, EBITDA and net profits and hope to continue to have the same momentum. If you have any further questions, you can please contact Sanjay Agarwal and thank you very much for your participation.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.