"Jyothy Labs
Q1 FY2022 Earnings Conference Call"

July 29, 2021

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Moderator: Ladies and gentlemen, good day and welcome to Jyothy Labs Q1 FY2022 Earning 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 conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon, Head of Research from ICICI Securities Limited. Thank you and over to you, Sir!

Manoj Menon: Hi, Melissa. Thank you and thanks for the introduction. Hi everyone, good morning, good afternoon, good evening depending on the part of the world you are joining the call from. At ICICI Securities, it is our absolute pleasure to host the management of Jyothy Labs Limited for Q1 FY2022 results conference call. The company is represented by Ms. M. R. Jyothy – Managing Director, Mr. Ullas Kamath - Joint Managing Director, Mr. Sanjay Agarwal – Chief Financial Officer. Before I hand over to the management for their opening remarks and after that we will open it for Q&A just a couple of lines from our side at ICICI Sec research on how we view Jyothy labs as a company and as a stock we have a positive stance on Jyothy labs business in the stock for a long period of time and it is still intact. One of the things we have noticed over the last 12 months given the multiple challenges which most businesses irrespective of industries have faced. We believe Jyothy is one of the few companies which has faced the challenges a little better than many in the peer group particularly even using times like this to improve the cash generation and working capital management because many times we end up focusing more on the P&L and less on balance sheet I just thought I will just call out that. Over to Jyothy for the opening remarks and we will open for Q&A after that. Over to you Madam!

M. R. Jyothy: Thanks Manoj. Good afternoon friends. We had a fairly good quarter in terms of sales and registered 21.4% growth on a positive base of last year. All our categories that we operate in have grown in double digits so I am happy about it. I will now hand over to Sanjay our CFO to take you through further in detail.

Sanjay Agarwal: Thank you Jyothy. Good afternoon everyone and thank you so much for taking time to be with us on this call today. I am happy to share our healthy financial performance for the quarter ended June 30, 2021 and before we begin want to thank all our team members who in spite of fear of COVID have gone beyond their call of duty to make sure that the company is able to service its consumers 24x7. To briefly talk about the uncertain business environment which we experienced during this quarter due to COVID resurgence as all of you are aware the second wave was much harsher and much broader. This time the fear of virus was much more pervasive on the ground and hence it impacted the service levels in distribution so that was one key impact the business had. However the companies and consumers both were better prepared this time. I would say better prepared to manage their workforce and factories did not go into shutdown or lockdown like what we had seen in the last year so from that perspective there is a better awareness of what needs to be done and good thing is that the consumer demand was intact however the mood was grim. Restrictions were more localized, we increased our channel inventory so no stock out during the localized lockdowns happened and as we speak given vaccinations are available now hopefully the COVID impact should be behind us soon.

Talking about market scenario, in terms of channels, general trade neighborhood grocery stores have led the growth and e-commerce channel sales have been increasing fast which now contribute approximately 4% of our total sales. In a way e-commerce has now become the channel of choice for many consumers. Modern trade and CSD sales have been slow as consumers avoided large crowded stores and due to the lockdown consumers have found it convenient ordering online or even placing orders on WhatsApp to neighborhood stores and that is the reason why we are seeing the resurgence of general trade neighborhood stores has come back and in fact they have been reconfiguring their business model towards more digital and they are becoming much more relevant in the lives of the consumers and seeing that we have been increasing our assortments and coverage in general trade quite aggressively.

Few comments on our strategy, we continue to focus on our consumer-centric model, our focus on distribution, marketing, increasing spends on media, relevant innovation, cost focus that we have on all our P&L items and sustainability. With this we are building economies of scale backed by our 23 manufacturing locations across India. We see opportunities both in existing portfolio and new product launches. We are focusing on high margin business and at the same time also focusing on LUP's to seed into newer geographies and first-time consumers. So friends as we increase our distribution we are strengthening our brands, we are driving innovation, we are targeting higher growth and profitable growth. So one of the reasons high performance what we have seen over the last few quarters is backed by the efforts or initiatives we have taken on distribution which is technology-led distribution, getting more into the rural India appointing more sub stockiest, our focus on van operations and these all have started to give good results implementing SFA, all these things which we did in the last 12 to 18 months back have started giving a lot of good results and entire focus is on execution that is a single-minded focus what we have is to drive consumer engagement and product availability which is the most important thing in our minds to drive more sales and frankly our essentials portfolio is also helping us because ours are day-to-day consumption products what we sell and consumers have a great connect with our brands and our depth in our distribution, the brand proposition what we have is helping us gain market share and while we are seeing some margin pressures we will work a fine balance between the volume, EBITDA margin and market share. Hence our focus on six power brands and gaining market share in those categories through innovation, distribution, higher marketing spends will continue to aid us to deliver better than industry volume growth.

Commenting on our financial performance, all of you must have seen our presentation and the financial results. During this quarter ended June 2021 we have grown in high double digits of 21.4%. Just to break that up the volume growth is at 16.6% and the balance 5% is by higher price realization which is by increase of MRP or reduction in trade scheme. This would not have been achieved without our team members' agility and resilience they have demonstrated in difficult times and we all know April and May were very difficult but the teams wanted to continue the momentum what we have built and also important to note that this is on back of positive 4% growth we had in last Q1 FY2021 so overall good set of results. All our categories have shown double digit growth, fabric care has grown by 27%, dishwash has grown 22%, HI has grown by 12.7% and personal care at 13.5% and even if we see on a January-June basis we have posted high double digit growth across all our categories as well and also if we see on a two year quarterly CAGR is also in double digits so whichever way we look at it I think the revenue growth has been quite consistent in good double digits and this has also been achieved on back of not changing our business strategy in the sense of business hygiene our pipelines stock with our distributors remain at 8-10 days which we brought it down with a lot of hard work and the entire business has been done on cash basis so that is something very important for us and we will continue with these principle in mind. We have been doing a consistent volume growth and what is also most heartening to see is a consistent gain in our market share across all our categories which actually validate our strategy.

In terms of key category performance, fabric care is doing well, postwash which is Ujala Fabric Whitener and Crisp & Shine is sequentially doing better but it has yet to grow over pre-COVID levels which will happen I guess in the next couple of quarters as things becomes normal we should be back to pre-COVID numbers. Interestingly we have launched during this quarter keeping in mind the consumer preference and premiumization trend we have launched Ujala liquid detergent which has a unique property of dirt dissolution in the liquid form and it has been received very well by the consumers.

Second category, dishwash both Exo and Pril continue to do well, there is a tailwind because of the hygiene focus and our unique brand positioning that is helping the entire dishwash category and seeing the gains in market share and to increase the consumers connect we have been increasing our marketing spend both in Exo and Pril.

In HI segment, seasonal sales were good and our automatic liquid vaporizer machine is picking up well, we have seen growth across different markets and as we continue to focus on LV sale the whole category has been aided with consumers approach towards preventive health measures and that is something which has continued for the last four to five quarters and HI for us has done again good numbers for the last two quarters and this quarter as well.

Finally our personal care segment which is Margo franchise, a lot of ground activities are underway because this is our 100th year of Margo so it is a time of celebration for us with the Margo consumers and we have been advocating the natural benefits of Neem and that is doing pretty well.

On margin perspective there is a decline of 3% in gross margins which has impacted EBITDA too from our historical 15%-16% EBITDA margins to 12% this quarter but this is an anomaly and it will get corrected we will be back to our historical numbers. As all of you know all key input prices whether it is Acid Slurry, Labsa, palm oil, HDPE, paper cost everything has increased sharply so our input prices as a percentage to turnover has increased by approximately by 10%. We have passed on 50% of that price increase which is 5% to our consumers and so 5%

has been passed by way of MRP increases or reduction in the trade schemes, 2% gain we have got because of the manufacturing/material efficiency because as we do a higher volume of say 18%-20% since manufacturing is done 85% in our own factories at 23 locations we do get manufacturing efficiencies and lot of our cost is fixed in that manner so 2% gain we have got there and the balance 3% is the impact what we have got on our gross margins and we believe that this approach is fair we can only take calibrated price increases and do reduction in trade schemes to get a higher price realization. The fact is that we are getting good demands of our products as well as strong market share gains and hence we do not want to break the momentum which we have built with a lot of hard work. Also, I believe as we go along we expect higher margin products like personal care sales, Margo sales, liquid vaporizer, fabric care post wash sales they will offset some material cost pressure as well, so overall our margins need to be looked from the perspective that our postwash fabric care sales which have higher margins than company average which has not picked to pre-COVID levels hence once things normalize we should get back to our earlier margin profile soon.

Our media expense A&P spends have been higher than last year as last year strategic ads were only done and we believe by spending or investing behind our brands is going to be a long term gain for us and in spite of all the pressures we continue to increase our A&P to continue to see a good business momentum.

So in summary we are shifting gears and we are preparing for the future which is evident from our higher revenue growth. If I look at it last FY2021, Q1 growth of 4% then Q2 by 8% growth, Q3 at 15%, Q4 at 27% and then this quarter at 22% so all in all we have achieved this outperformance driven by our market share gains as well and we will continue to focus on investment behind our power brands to drive growth and continue our thrust on relevant innovation, premiumization, use technology to drive efficiencies and finally but not the least is focus on quality distribution to drive growth.

With that I finish my opening remarks, we are happy to answer any questions or clarifications that you may have. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Manoj Menon. Please go ahead.

Manoj Menon: Hi team I have a couple of questions actually upfront I got a few more which I will come later in the queue, the first on the working capital improvement while we get the statistics every six months if you could comment about the trajectory what we saw in last year how is it currently so that is one, second while Sanjay did mention this in the opening remark about mix and its possible impact on gross margins any quantification on that so what I am just trying to understand is mix needs to be looked at from a brand point of view, category point of view, channel point of view and is there a mixed headwind also in the gross margin decline or is it just a competitive scenario of what we see as the residual gross margin decline currently?

Sanjay Agarwal: To answer first question as I said the business hygiene need to be kept, we have kept the business hygiene at the same level so working capital days have remained same what we had done in March so our inventories are at lowest point, receivables only pertains to modern trade and CSD and so working capital remained at the same numbers. In terms of your second question on gross margin, yes gross margin there is one element which is pricing power and we see the price elasticity and competitive dynamics. we have been able to increase our prices in a manner that the consumption and the volumes do not get impacted so that is what we have done since we have a good connect or great connect with consumers because of our products we know at what price point the consumers will be able to absorb. In terms of the overall portfolio gross margin yes the product mix do make a difference so as I said the fabric care postwash which is 15%-20% of a business that is still to come back to its normal levels so once it happens the overall gross margin as of now yes it has got negatively impacted but as we move along it will contribute positively to our gross margins so we will see the improvement in gross margins coming in because of a change in the product mix. Also channel definitely modern trade and CSD have not been contributing much so there will be some uptick because of that as well. So all in all we are taking all our efforts to make sure that we get back to our old or historical gross margins very soon.

Manoj Menon: When you say fabric care or when you refer to fabric care it includes the core Ujala as well?

Sanjay Agarwal: I am sorry I am talking about post wash which is Ujala Fabric Whitener and Ujala Crisp & Shine.

Manoj Menon: It includes both?

Sanjay Agarwal: Yes that is right.

Manoj Menon: Thank you and I will step back in the queue.

Moderator: Thank you. We have the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks my first question is on e-commerce so you have done well there my question is in the last one year and not necessarily this quarter how is the gross margin in that part of the channel versus the overall company level and at the EBITDA front also if you could comment I know it is difficult to a predict the advertising spend but you must definitely be seeing on an overall basis how is the profitability in e-commerce and once vaccines, etc., happened do you see modern trade taking share back from e-commerce or modern trade will take share from Kirana from a two years perspective what is your thought on that?

Sanjay Agarwal: Abneesh e-commerce as a business, we were just nurturing the business till 18 months back so it was always how do we get consumers to come on e-commerce platform but fortunately the entire COVID accelerated e-commerce space very fast. Our gross margins used to be same what we used to give it to modern trade channels and same the EBITDA margins would be there but to bring the consumers on ecom platform there are more banner cost, etc. e-commerce is not anywhere margin dilutive for us because we have not gone and spent overly on e-commerce to get an extra market share and we continue to do where we think is the profitable business for us on the same margins lines of modern trade.

Second question whether e-commerce business will come back to modern trade I guess yes because today the premium consumers and the urban they prefer to go to a large format store where they can buy a lot of things not even only grocery items but clothes and so many other things which are there so it is a matter of time modern trade will come back as well as e-commerce will continue and some consumers from e-commerce may move to modern trade but both the channels have very less penetration in India and all of them will grow in that manner.

Avnish Roy: Sure my last question is on the Kerala market so unfortunately Q1 Kerala remained high in terms of COVID cases and Q2 now half of the cases is happening in Kerala and now two days of strict lockdown so my question is, is the impact still continuing in Q2 because of the Kerala issue or for FMCG things are not really getting impacted so much and any long-term plans of reducing impact of Kerala because not just COVID we have come to know that obviously operating in Kerala is one of the toughest we have seen another group completely withdraw from their not in FMCG in some other segments so what is the thought process on Kerala impact for longer term and even in Q2 are you seeing impact of COVID?

M.R. Jyothy: So Kerala for us is our home, we are well known there and we are much respected as a company in Kerala, our origins are from Kerala and for us so far it has not impacted while there are things still uncertain but as of now as I speak it has not impacted so we are in a way prepared but these are uncertain times we will have to see what happens.

Avnish Roy: That is all from me. Thank you. All the best.

Moderator: Thank you. We have the next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Hi good evening everyone just a question on the Ujala Fabric Whitener could you give us some idea as to how much below the pre-COVID level this brand is tracking in the quarter gone by?

Sanjay Agarwal: So Percy it is almost back to very close to the normal what we used to do earlier, marginal decline and it is more or less back on Ujala Fabric Whitener. In Crisp & Shine it is still to come back because Ujala is available all over India Ujala Fabric Whitener I mean while Crisp & Shine is there only in Kerala so to earlier question of Abneesh the impact is more. it is more localized sales there and we expect as things improve even Ujala Crisp & Shine should be back to normal.

Percy Panthaki: Secondly you have taken 5% price increase and in addition to that you also have about 200 basis points of cost efficiencies or leverage as you might call them but we still have a gross margin impact so in a situation where the input costs do not come down how do you plan to mitigate this cost impact because if we take another 3% price increase and make it 8% price increase that is will that be too high for the customer to absorb in one year because we have not seen other companies take such high price increases?

Sanjay Agarwal: Absolutely right Percy so to look at it 50% of our raw material and packing material they are linked with directly or indirectly with crude or crude derivatives and we all know those product prices have gone up by 40% to 50%, now in a scenario where the prices are on rise we have to take price increases but as I said earlier we have to take it in line with impact on consumer & competitive dynamics. In the last one month we had seen some softening of raw material prices but again they are almost back to the same levels so if the input price keep increasing we will be forced to take price increases but obviously it has to be kept in mind with other market dynamics. We are working on a few other efficiencies in our manufacturing process and everything. We will hope that some of those things happen, hopefully the lockdown scenario the fear goes out and the supply chains become much more swift and raw material prices soften out but in case if they do not all what we have to do is yes somewhere increase the prices or take some hit on our margins as well and hopefully if our volume growth is high we continue to get efficiencies from our operating system as well.

Percy Panthaki: Sure but just wanted to understand the gross margin pressure a little more in detail. We have a very diversified product portfolio of about four or five categories so in terms of that we are very comparable to let us say other HPC companies like Dabur or HUL, etc., and we have not seen such a big margin impact after a 5% price increase in fact most of the companies have taken more like 3%-4% price increase and yet their margin impact is lower than what we have seen on the gross margin level so just wanted to understand is this just some timing difference or is it just that we are getting impact earlier because we did not have as much inventory as they have what really explains the difference?

Sanjay Agarwal: There is nothing to link with the inventory what we have I think it depends on the products what they have and what we have. I cannot comment on their margins and their challenges but for us it obviously depends on the mix what we have. In our case detergents and dishwash is broadly two third of the company and that is where we have seen the labsa prices going up so if the prices are going up in that manner for the product mix what we have there is a higher impact; however, when we take price increases the LUPs which are there the price increases cannot be taken on Rs.5-Rs.10 so therefore it depends on the LUP share as well. The other thing is it also depends on the competitive dynamics and the companies which you mentioned and the one what we have as our competition it depends on function of that, so food companies are little different in that manner and it depends on what type of raw material price increases they have seen in their portfolio.

Percy Panthaki: Sure and last one if I might squeeze in this quarter we have done 8% ad spend typically in the past on a full year basis our ad spend has been in the region of about 6% to 7% so is this just a quarterly phenomenon where it is sort of higher or do you think that even on a full year basis now your ad spend will be higher than the sort of historic level of 6% to 7%?

Sanjay Agarwal: So Percy we call it as a good cost or an investment for our brand and if we have to grow at good volume growth we have to invest behind our brands in which we have been lower than the industry average if that is what it is so yes 7% to 8%, quarterly numbers will change but on a yearly basis 7% to 8% is a fair number.

Percy Panthaki: Sure that is all thanks and all the best.

Moderator: Thank you. We have the next question from the line of Shantanu Basu from SMIFS Limited. Please go ahead.

Shantanu Basu: Hi thanks for the opportunity. I have few questions, the first question is with respect to your direct to consumer reach your e-commerce channels are doing well sales through e-commerce channels but peers of yours have introduced their direct to consumer channels that is their own website for promoting their own product so should we see something from your end as well pretty soon that is my first question and second question is with respect to your borrowing so can you please give me a breakup of your short-term and long-term debt at the end of the quarter as well as your Ind-AS debt and lastly what would be your ETR for FY2022 and FY2023?

M.R. Jyothy: So on the direct to consumer bit we are watching what others are doing and we are seeing how things are picking up there while I think the company that you have mentioned they have all kind of categories for a consumer to cater to we are not in the foods category yet and for a consumer to actually come there and get the supplies for a monthly requirement you need the entire category table to be there so right now we will see how things are happening at their levels, for us right now e-commence is doing well and if there is any merit in doing that we will be doing that as well in future.

Shantanu Basu: So you are evaluating it right?

M.R. Jyothy: Yes we are evaluating.

Sanjay Agarwal: Shantanu to your other two questions, one is what has been the gross debt at the standalone . level we have Rs.50 Crores of loan which is a short-term loan at sub 5% interest cost, out of which Rs.25 Crores is due in this financial year and Rs.25 Crores is due in the next financial year at interest cost of 5% so nothing which we need to worry. there are no other working capital limits which we have drawn till now. To your second question on the ETR it is fair to assume 18% as the ETR as we continue to be under MAT.

Shantanu Basu: Okay and what would be your capex for FY2022 and FY2023?

Sanjay Agarwal: It should be somewhere in the range of Rs 25-30crore, it will be more of maintenance capex.

Shantanu Basu: Okay thank you very much Sir.

Moderator: Thank you. We have the next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity. Sir first many congratulations on the strong growth that you have registered during the quarter my question is in regards to the same that is there a conscious strategy from the companies to drive volume growth and if in the bargain if we are okay to sacrifice some margins as well, has there been a change in the strategic thinking of the management on the broad basis?

Sanjay Agarwal: See in short term yes there is a trade-off when we say which is in terms of growth over margins and we will skew more towards growth. We will continue to invest in our brands which will give us this constant quality growth hence we do not want to tinker around our A&P spend as I said earlier we will continue with that. So to answer very simple yes it will be growth over margins in very short term but the business has a strong operating model and we will be back to the margins what we had earlier in the next two to three quarters.

Gaurav Jogani: Sure Sir that was very helpful. Sir my second question is with regards to again the gross margin bit only here so while I do understand that the cost margin pressure is being transient and the stuff is that the pricing of the other raw materials are also been in the increasing trend but when do you see this normalization happening within the next two to three quarters and also given the fact that as we have already mentioned that we have also have a larger share of the LUPs so anything that we are planning there may be reducing the grammage or anything of that sorts that you are planning ahead?

Sanjay Agarwal: As I said earlier there will be mix of things which will need to be done, there will be consolidating supplier, there will be efforts done for reduction of packing materials, there will be manufacturing efficiencies built in through SKU reductions, raw material substitutions, so bunch of things which will happen when the environment is so tough so we will take care of all of that. There is a lot of work which can be done on distribution, logistics, so all of that will be done including grammages which needs to be changed if needed but all of that will not be done at the expense of the volume growth.

Gaurav Jogani: Sure Sir and the last question from my end is that the performance was all the more heartening is the fact that the modern trade and the CSD was yet not back to its entire potential and still in the fabric care space which is higher sailing through the modern trade we still have Q-o-Q 1% growth so what exactly has driven this growth if you can outline some of the things or initiatives that you have taken it will be really helpful?

M.R. Jyothy: So our brands have done well. Modern trade does contribute in terms of detergents for us and in fact if they were all operational we would have done even much better. For us right now what has helped is the e-com and general trade and we have seen a general revival of all these things all these brands under fabric care compared to last year and it is on an upward trend so if you see our fabric postwash also is like more or less coming back on track and in spite of certain disturbances and closures at different states and geography it has still done which means there is actually pull in the brand. We could also launch liquid detergent in the southern market of Tamil Nadu and Kerala and that is also initial response has been good which means the brands are stronger.

Gaurav Jogani: Sure Madam Thanks that is all from me.

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

Manoj Menon: Hi team I just only had one followup which is when I take the next 12-18 months how does the new product pipeline I understand that and this is a very sensitive thing to comment about but any qualitative comments how the NPD pipeline looks from your point of view the readiness which stage of the finalities no color on the categories but just a qualitative comment would be helpful?

M.R. Jyothy: So Manoj thank you for that question. Actually we will assess the market and if needed there is a real differentiation that we can offer is when we will do any sort of launches and I would actually go by the thought that whatever we have launched we need to invest behind those brands and make it stand there is no point in going on launching if you do not intend to spend so anything that you launch require that kind of investments which you will see again in A&P spends so we have to be unless we are relevant we as a company do not believe in launching. We will launch and there are products in the pipeline but timing is very, very crucial here, so like you said we would not want to really say what are the launches but yes we are prepared as a company in terms of NPDs, they are there but everything we need to see the timing and then launch so that is I hope that answers your question.

Manoj Menon: The context I asked because if I take the last 12-18 months we have seen a very clear pattern of Indian companies being a little more active versus multinationals which can actually so when I took let us say for the next 12 months point of view mathematically speaking MNCs might be a little more active and many MNCs are your straight head competitors I was just trying to comment view on your business in that context?

M.R Jyothy: We are well prepared. we have a lot of things in the pipeline our teams are ready and they are working on it but it is essentially the timing and also the environment in what we want to launch.

Manoj Menon: Sure thanks.

Moderator: Thank you. We have the next question from the line of Vishal from Philip Capital. Please go ahead.

Vishal: Hi team I hope all of you are safe and doing well but I just had two questions first with regards to the launch of liquid detergent I believe a logical extension of launch could have been under Henko because it is a more urban oriented brand and higher modern your question why are you launching the Ujala brand was the first question and second is with regards to within the HI segment what is the mix as of now between coils and liquids and I think some quarterback we are on the verge of just running out of business just showing the profits on the HI business so what is the path to profitability out over in the HI segment?

Sanjay Agarwal: So maybe I can take the second question first Vishal. The path to profitability on HI segment is very clear it is a focus on liquid vaporizer even March quarter was a marginal profit I would say and this quarter also it is marginal loss of Rs.68 lakhs so very clear focus is on liquid vaporizer, our brand ambassador Rajkummar Rao connect with consumer has been very good with fits all machine liquid bottle which we had launched, all in all quite hopeful on the profitability to come in, in the next few quarters for us on a consistent basis. Also, we are almost there in the breakeven and it is also a function of how much media spends we are doing because we want to increase our market share in liquid vaporizer and also if we look at it ex-media cost HI category for us is definitely profitable.

Vishal: What is the mix as of now for coils and liquids?

Sanjay Agarwal: It used to be 70:30, 70 in coil and 30 liquids it is now around 65:35, 65 coils and 35 liquids.

M.R. Jyothy: On the question of why in the name of Ujala that we have launched to liquid detergents while the question that way is right, the thing is when you say urban market for us Tamil Nadu and Kerala are markets where the acceptance of liquid detergent as a portfolio is the acceptance among consumers are good and Ujala is our flagship brand and it has a strong equity so where we have launched the brand and for us Ujala IDD was doing really well and hence we have extended it there because that is a ready consumer waiting and we have seen good response in fact initially right from the initial days itself, so having said that yes Henko is a national brand for now and we do have plans there as well, it is again like I said sometime back it is a question of timing and we will be there soon as well.

Vishal: Okay thank you and just one more followup on the Kerala market we have seen the breakout of Zika virus although you are not very strong with regards to HI portfolio in Kerala market but any extraordinary performance that you are seeing in the Kerala market for the HI segment in past one to two months?

M.R. Jyothy: Not really the brand is well accepted and it is doing as it is doing, there is not any big change in that.

Vishal: Okay fine thank you so much.

Moderator: Thank you. We have the next question from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Hi good evening and thanks for the opportunity. I have two questions though on the call there are more questions on Kerala market I would like to know what is the contribution which has moved from the Kerala market over the last two to three years and now?

Sanjay Agarwal: So Kerala market has always been around 15% and it continues to be around 15%.

Shirish Pardeshi: When we see that 15% this is largely if I understand it is a strong market for IDD and Crisp & Shine and Ujala?

Sanjay Agarwal: Yes, Also for dishwash Exo and Pril it is a home market. As Jyothy said , all the brands are present there and all the brands have very good strong presence. we have a very strong distribution there and market share for us are very strong out there so all brands are there it is nothing like one of them is very weak or one of them is strong but it is a good market to be in.

Shirish Pardeshi: My second question is on the pricing front would you be able to quantify what is the current weighted inflation for us and I do understand we have taken 5% price change so there is a followup what intensity of this 5% is gone is it just happened in the month of July or it is seen throughout the quarter?

Sanjay Agarwal: It is seen throughout the quarter, 5% has been effected and it has been connected on the ground.

Shirish Pardeshi: What is the weighted inflation we have for our market of products?

Sanjay Agarwal: it is at around 10%.

Shirish Pardeshi: Okay so you need to say that the balance which we are still trying to mitigate through the internal cost efficiencies and maybe if not then we will be forced to take some price increase?

Sanjay Agarwal: Correct so out of 10%, 5% has been transferred or passed on to the consumers, 2% as you said efficiencies do get built in when you are doing large volume so that has been taken care of 7% and 3% is what we have not been able to do in Q1 which in fact have seen impact on the gross margin and transferred down to the EBITDA levels. As we move along either the material prices softening should happen or other measures like price increases or maybe other efficiencies over next to two to three quarters should help us.

Shirish Pardeshi: Sure thank you Sir and all the best.

Moderator: Thank you. We have the next question from the line of Selvamuthukumar, an investor. Please go ahead.

Selvamuthukumar: Good evening to the management team of Jyothy Labs. First of all I congratulate the whole team for excellent research just I would like to know about do you have any further plan to inorganic acquisitions especially in the segment of dishwashing segment?

Sanjay Agarwal: As you all know time is a little difficult we do have plans and we keep evaluating but nothing immediately on our horizon for now.

Selvamuthukumar: What about the present cash?

Sanjay Agarwal: For FY2021, the payout ratio was around 80% and that is the best measure for our business that we have been able to give Rs.4 dividend on share of FV of Rs 1. Consistent increase in the dividend payout ratios is where the cash has been used.

Selvamuthukumar: Okay thank you.

Moderator: Thank you. We have the next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Sir just wanted to talk on this T-Shine which you had launched a few quarters ago what is the progress on that we have not heard anything material on that in the last couple of quarters?

M. R. Jyothy: T-Shine is only in Kerala right now and while we are talking that did fairly well there are some few things which we need to do even more for the brand to perform and the team is working on it.

Percy Panthaki: Do not you think we are sort of lagging behind schedule on this because the launch happened actually I think maybe two or three years ago and it is still in one state only after two to three years so at least versus the investor expectations it has been delayed I would say?

M.R. Jyothy: So we have taken an objective that unless we achieve a certain market share we would not want to literally take it to any other geography so for us that is the main aim to first reach a certain market share and then thereafter do all the learnings from there and then take it one by one as a step so which we usually follow.

Percy Panthaki: Secondly I wanted to understand this Ujala liquid detergent pricing and compared to other brands like let us say so liquid detergent, etc., how does the pricing sort of?

M.R. Jyothy: Ujala IDD strategy that we follow is when compared to competition we are a bit premium to the competition in that segment so which we have followed that for the powder as well. Pricing of liquid for an 800 ml it is Rs.110.

Percy Panthaki: When you say it is premium to competition in this case what is the competition that you are benchmarking yourself again?

M.R. Jyothy: In Tamil Nadu it is Rin and in Kerala it is Sunlight.

Percy Panthaki: Okay that is all for me.

Moderator: Thank you. Ladies and gentlemen that was the last question and we will now close the question queue. I would like to hand the floor back to Mr. Manoj Menon for closing comments. Please go ahead.

Manoj Menon: Thanks Jyothy, management, investors, the analyst community, and my friends to be there in the call today. It is our pleasure again to host the Jyothy Labs call today. Any further questions which you may have we want to address that to Mr. Sanjay Agarwal, CFO Jyothy labs, his contact details are there in the last slide in the presentation and for any research views addressing to the buy side please reach out to ICICI. Thank you so much. Have a good evening.

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