# Jyothy Laboratories Limited
# Q1 FY16 Conference Call
# July 30, 2015

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**Moderator:** Ladies and gentlemen, good day and welcome to the Jyothy Laboratories Limited Q1 FY16 conference call. Today we have with us from the management Mr. M.P. Ramachandran – Chairman & Managing Director, Mr. Ullas Kamath – Joint Managing Director & CFO and Mr. S. Raghunandan – Chief Executive Officer. As a 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. M. P. Ramachandran. Thank you and over to you, sir.

**M. P. Ramachandran:** Good Evening friends. I welcome all of you for the discussion on our Q1FY16 results. I request Mr. Ullas Kamath to take you through the results. Thank you.

**Ullas Kamath:** Good Evening and welcome to the analyst call. I am sure that by now you would have received our presentation and gone through it. I request Raghu to take you through the presentation. Post that we take all your questions. Thank you and over to Raghu please.

**S. S. Raghunandan:** Good Evening everyone. This is Raghunandan here. I will take you through the Q1FY16 results for Jyothy Laboratories. As always, please look at the consolidated results and ignore the standalone results that we have declared as consolidated will give you a better picture about the company.

The sales growth in Q1 was 7.5%, definitely lower than the double-digit growth which we have posted during last eight quarters. I will share in detail as to what exactly was the reason behind this drop in sales growth.

So the growth of 7.5% has come largely through volume growth of 5.6% and 1.9% by value. As you are all aware, there was not major increase in crude oil price because of which there was hardly any price increase in the part of our portfolio. Hence all the growth needs to be generated through volume from now on and we have delivered around 5.6% compared to around 9% volume growth that we used to deliver in the previous quarters. However, when you look at sales of our power brand, from where 88% of our revenue comes from, it has grown by 9%. That is the business where our focus is and we did invest behind the same. We have spent almost Rs.50 crore on advertisement and sales promotion during the quarter, which is 20% more than last year same quarter. Our A&P to sales ratio is now at a comfortable 12.2%.

Gross Margins in the business increased to an all-time high of 51.9% compared to 47.8% in the same quarter last year. It was mainly because of the product mix and also because of the softening of crude prices. Both these factors have contributed to the highest ever EBITDA margins of 16.6% in this quarter. We have delivered Rs. 68.8 crore of operating EBITDA compared to Rs. 52 crore corresponding quarter last year, a growth of 32%. However, when you look at PAT, it has grown just by about 4% to Rs. 44.58 crore compared to Rs. 42.47 crore in the same period last year. There are some reasons for the same which I will be taking you through.

When you look at the underlying business, we have generated a cash profit of Rs. 63.1 crore during the quarter compared to Rs. 50.5 crore in the same period last year, an increase of 24%.

To summarize for you, even though the top line growth has been lower at 7.5% we had a strong EBITDA margins at 16.6%. We don't expect this softening in top line to continue in the next quarters and I am very confident of coming back to strong double-digit growth from Q2 itself.

Moving on to consolidated P&L results on page number 6 of presentation, gross margin is at 51.9%, which I have taken you through. If you look at the cost elements, they are very much under control. Employee costs as well as other expenditure and most of the scale benefits in the business have gone into advertising and promotion giving an all-time record high of 16.6% EBITDA margin for the business in this quarter.

So if you come to the page 7, it has a working right from EBITDA down below to PBT and PAT. You will see that two significant cost items have actually come in. One is the employee stock option, which is Rs. 11.67 crore. And the next big item is the tax provision. We have made a deferred tax provision of Rs. 7.6 crore in this quarter as against zero tax last year and this we were forced to provide because we would be completely exhausting the accumulated losses in the business, which was around Rs. 400 crore. Hence according to accounting standards, we have to provide for a deferred tax liability. It is likely to continue in the coming quarters of this financial year which is 14% of our PBT. The actual liability would still be at MAT levels which we'll be paying. The deferred tax liability is again a book entry which reduces profit. So those are the two big hits and, therefore, the PAT growth looks muted at 4%. But believe me the underlying fundamentals are still pretty strong.

Coming to the next chart on page 8, it is gives you an EBITDA break up of what we have done. So basically the increase in EBITDA margins from 13.5% last year to 16.6% is on the back of increase in gross margin by 4.1% and we have spent the same on advertisement and promotion which increased by 1%. So therefore the net impact on EBITDA margin is close to 3.1% in this quarter and that's the delta that we got in the business.

On page 10, we have shared segment-wise sales growth. In this quarter, we have broadly segmented our business into two, one is the Soaps and Detergents segment and the other is the Homecare segment. Our Homecare segment comprises of household insecticide, incense sticks and scrubber and it is much smaller than the Soaps and Detergents business. Our Soaps and Detergents business has grown by 8.2% in this quarter, lower than what we had delivered last year. We had delivered almost 15% growth in Soaps and Detergents for the year ended March 2015. If you look at Homecare, we have delivered 4.8% growth during the quarter as against 10.9% in FY15. Just for your understanding, you have to look at our Soaps and Detergents performance of 8% looking at the overall market scenario. The lead player in the segment declared results couple of weeks back and delivered a growth of just 2%.

I would be taking you through the market shares in each of these categories in the subsequent charts. We have done much better than competition and have actually gained share in almost all our categories. But yes, the market has been softer when we look at June quarter for our categories. The mass categories seem to have suffered somewhat because of a slowdown in rural and that's the only reason which I can guess because all the brands that operate in urban India for us have delivered very strong growth Q1.

So if I have to just understand what happened, just see this chart which is on page 11 and you will see that Dish Wash has delivered 17.6%, a large portion of our business which is Exo and Pril is delivered in the urban markets. We have grown way ahead of competition and we have gained shares in both Exo and Pril.

If you look at the categories where we seem to have underperformed, it is mostly because of Ujala Fabric Whitener which did not grow too much for us in this quarter. We grew by 2% on Ujala Fabric Whitener and therefore our Fabric Care business has slowed down to just about 5% growth in this quarter. Again, the only plausible reason is slowdown in rural consumption. Our market share for Ujala is at an all time high of 76% in this quarter as compared to 75% last year but we have not grown on Ujala which is bad news for us and therefore much more brand investments will continue to happen to make this category grow.

Our Repellent business has not done too well in this quarter. We had a slowdown in the Coil business during the quarter. But when you look at our repellent business, we have delivered very strong growth on Liquid Vaporisers once again. We have grown by 55% in our Liquid Vaporiser business in Q1 which is a very credible performance. We continue to grow our Liquid Vaporiser business and we have reached an all India market share of 8% which is also the highest ever share that we have got so far in the history in this category. The season seems to have turned once more into our favour and probably in this quarter we will see growth levels in our Coil business would be coming back to last year level. So it's largely some kind of a seasonal impact as far as the Coil businesses is concerned and I am very confident that by the end of first half we will be back to double digit growth as far as our Coils is concerned.

Personal Care, yes, it's a little lower at 5.6%. But if you look at our power brand, which is Margo, it has grown by 12% in this quarter.

So if you look at our power brands all have grown in double digits except for Maxo and Ujala. These two brands actually brought down the overall growth. And now since the season is again coming back, we expect good growth going forward not only in Q2 but also in the subsequent quarters.

Coming to the next chart on page 12, today 60% of our revenues come from non-south. We are on that trajectory of growing more in the non-south markets and we expect the same to continue.

On page 13, we have given an explanation on consolidated cash profit and the breakup of how we delivered Rs. 63 crore.

Page 14 provides information on our net debt status. This quarter we actually paid back Rs. 50 crore of debentures. Our net debt stays at 280 crore.

Coming to the next section, which is largely about these business initiatives and story around the brands. In the analyst meet, we had talked about focusing on brand innovation, improving margin profile and aggressively strengthening our brands. We are on the path to grow our brands.

You can see the next chart which is on Dish Wash. Both Exo and Pril have delivered very strong growths of 17% in both the bars as well as liquids. This growth is way above industry which according Nielsen reported a 6% growth in Dish Wash bar market and a 7% growth in Liquids market during the quarter; which is way below the growth that has happened during the previous years. So the growth reduced by almost a half, from 13% levels in 2013-14 to around 6% in this quarter. The Dish Wash Liquid market growth which used to be 20% historically slowed down to 10% in 2013-14 and in this quarter it has further slowed down to just about 7%. Pril continued to grow last year. In last two years, we have grown it at 17% and this quarter also we have grown it by 17%. We are looking at a re-launch of Exo, which is on the next page, and we are also looking at a re-launch Pril in the coming quarter. So we are confident that we will grow much faster in Dish Wash in the coming quarters compared to the levels of growth that we have delivered in Q1. Going forward, we intend to grow our Dish Wash segment by 20%.

The next chart is on Mosquito Repellent. As I mentioned initially, we have not grown on Maxo and that is one reason why the numbers came down. However, the shares are pretty high. If you look in Coils, Maxo share is up at 18% and in Liquids we are at 8% today. So if you look at both Coil and Liquid we have grown shares. Hence it's largely a seasonal impact which we have witnessed during the quarter. There seems to be a slowdown for us in this quarter but that's largely temporary. We expect that this particular category will continue to deliver strong growth amongst all power brands again in this year. And what happened in Q1 is more like an aberration.

Next chart is on our innovations in Maxo. So genius launch is happening in this quarter and we are also launching our own version of card which is also going to come into the market in this quarter. Both these innovations I am sure will help us get back the growth on Maxo and we are confident of delivering strong growths going forward.

The next slide is on Henko. Post the re-launch of Henko last June, our powder portfolio has done extremely well. Our Matic has grown by 42% YoY. Also today our Matic share is at an all-time high. We started with a share of 5% last year in June'14 and today we are at 7%. And our legacy brand of HSCP, which is Henko Stain Champion, has also grown by 13% in this quarter. So overall we have had good strong performance on the detergent part of our business. This is in spite of very heavy pricing pressures launched by competition that has cut prices and increased promotions in this category.

Liquid Blue segment and Ujala Fabric Wash, as I mentioned earlier, had a flat performance during the quarter. Our market shares are at an all time high of 76% though the category is not growing. Of course, the challenge remains with us to grow the category. Hence we have to advertise and build our position for which our strategy is bang on. We are investing more behind Ujala but probably because of macro reasons we have not grown this quarter. I am hopeful that we will deliver strongly in Ujala as well.

The next chart slide talks about our innovation which we have launched in Tamil Nadu. We had an offering called Stiff and Shine in Kerala, which is a bigger brand than Ujala in Kerala. A strong brand basically and it's a unique product which actually delivers crispness and shine. So we have re-branded it as Crisp and Shine instead of Stiff and Shine. And we have launched this new product in Tamil Nadu in two new variants. We have got very good response within four weeks of the launch. We are advertising in TN. Basically the raw insight is Indian consumers don't throw their shirts and trousers and keep using it as long as possible. So if you have a product which does not allow your fabric lose it's shine and have this crispness, it will start looking like new. So 'kapde dikhe roz naye' is the position of the Crisp and Shine offering. We launched it in May 2015 and later during the year we will roll this initiative out to other parts of the country also. We are much differentiated on this product and do not have any competition at all. No other product comes close to it in terms of delivery.

Finally on personal care, we have a new communication for Margo body soap, 'Kareeb se dekho' on TV now. Even in this quarter we have delivered 11.5% growth in Margo soap.

So that is a summary for you. What you need to understand is that the growth is soft and we do feel intensely that it is a one-time aberration and we will be getting back to strong double-digit growth from the coming quarter itself. Thank you very much and now we open the floor for questions.

**Moderator:** Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy** My first question is on HI business. You said that in coil it is a temporary issue. My question is that your competitors also have Fast Card which you are launching now. So is that taking away share from coils and coils will continue to face a systemic decline?

**S. S. Raghunandan:** See if you look at coils as a category, the growth rate of coils has been half of that of liquid vaporizers. Even before the card came in, the coils used to grow by 8-10% and the liquid vaporizer by 20%. So, definitely liquid vaporiser as an offering was growing much faster than coils. In my opinion, card is expanding the overall market. It's not really cannibalizing too much of coil. Lot of card usage is happening during the day and in early evenings while coils are mainly used during the nights. Hence for 8 to 12 hour option, where somebody can sleep throughout the night, coil as a format definitely delivers and as a format will stay. Card as a format has come in because it can last for couple of hours. So if it is a two hour kind of thing, it has only expanded the market. Yes, the growth rate of coils has been in single digits. Hence going forward, if you are able to hold volumes of coil and are able to aggressively grow your card business, then definitely that is a healthy way of growing the market.

**Abneesh Roy** Two follow-ups on this. How much is Liquid as a percentage of HI for you? Also, for the market leader card is now 10% of their HI sales. So in a longer term, do you expect the same for you?

**S. Raghunandan:** We do expect our card business to be more than 10% for us. Today for us, liquid business is more like 25% odd as a brand.

**Abneesh Roy** Next question is on Margo. 11.4% growth, the number two player with a much higher base has grown at 13%. So my understanding will be Margo with the current stage of its brand strengthening and distribution scale up, why it should grow slower than the number two player?

**S. Raghunandan:** Who is number two?

**Abneesh Roy:** Overall soaps number two, Godrej. They have grown at 13%.

**S. Raghunandan:** Godrej #1 is a very mass market offering.

**Abneesh Roy:** I am saying overall this is a specific soap with a niche offering and it has been struggling before you took over. So shouldn't it grow much faster than the overall mass brand?

**S Raghunandan:** We have grown in double-digits during last three years and the growth has been consistent.

**Abneesh Roy:** Any issue here or you think that…

**S Raghunandan:** There is no issue; the soap market has grown by 0% this quarter. So if somebody has grown 12%, it is a very good performance. As I told you before, the biggest player in this industry has grown by 2% in this quarter.

**Abneesh Roy:** That's including both soaps and detergents so we do not get the exact number.

**S Raghunandan:** It's not very different between soaps and detergents. Both are at similar levels of growth as a category.

**Abneesh Roy:** You are saying that in others, there was some issue in the body care. Could you take us through the same?

**S Raghunandan:** As you all are aware, we are not focusing on 'Fa'. That has clearly contributed to some of the decline in personal care. But otherwise the main power brand in personal care, which is Margo for us, has grown in double digits.

**Abneesh Roy:** One follow up on your detergent business. If you see the market leader Unilever has this fabric conditioner. So will 'Crisp & Shine' compete, maybe indirectly, with that segment or is it a different segment?

**S Raghunandan:** It is a different segment. People largely use fabric softener for some softening and fragrance. Whereas 'Crisp & Shine' is more in terms of doing something tangible for the fabric in terms of lending it more shine and more crispness. Along with it, we have also added the fragrance. So fragrance is more like a desirable benefit and that is what we have given to our consumers. There is no such product in the market there.

**Abneesh Roy:** Currently only Tamil Nadu?

**S Raghunandan:** That's right.

**Abneesh Roy:** But you have pan India plans for it?

**S Raghunandan:** Yes.

**Abneesh Roy:** But as of now no plans for fabric conditioner, right?

**S Raghunandan:** No.

**Moderator:** Thank you. Next question is from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** Just wanted to clarify on your ESOP cost. My understanding was that the total ESOP cost is about Rs. 60 crore. In FY 15, you will expense about Rs. 27-28 crore, Rs. 22.7 crore in FY16 and in FY17 it would be Rs. 9.8 crore. If I take 22.7 and divide it by the four quarters I get about 5.7-5.8 crore of ESOP expense whereas what you have reported is much higher than that. Can you explain why?

**Neetu Kashiramka:** ESOP cost is based on day wise calculation. It started from 16th of August. So from 16th August 2014 to 16th August 2015 it will be one rate and then it goes down. So what will happen is that in the FY16 the charges will be Rs. 24 crore; 11.67 crore for Q1, 2nd Quarter it maybe 7.3 crore, Q3 and Q4 it will come down to 2.5 crore.

**Percy Panthaki:** Ok. In your PPT, you have a slide where you have 'Maxo Genius' and you have 'Magic Card'. Can you tell me a little bit more about what these products are? You have written here simple insight relevant product differentiation, what is that?

**S Raghunandan:** It will be premature for me to talk about it. You can see it in the market as it is just getting into the market.

**Percy Panthaki:** On 'Ujala', what I understand is that the market is slow and fall in growth rates. Is it just that we have to wait for the market to recover for the growth to increase or is there something you can do even while the market is sluggish to bring up your growth rates?

**S Raghunandan:** We have to probably invest much higher than what we have been doing behind 'Ujala'. So much more brand investments is what we are trying to do.

**Moderator:** Thank you. Next question is from the line of Anand Rawani from Horizon Research. Please go ahead.

**Anand Rawani:** You have some non-operating land which was mentioned by your chairman in his FY15 Annual Report's letter. Are you looking to sell that land? Is there some sort of negotiation going on? And my second question is on laundry segment. The growth has been quite low which has resulted in operating loss. Is there any thrust on selling or demerging that to shareholders?

**Ullas Kamath:** Coming to the land bank, we have put the land in Ambattur on sale and we are waiting for our price to come. Tamil Nadu as I said is looking far better than before and hopefully we should be able to conclude the same in the current year. As far as JFSL is concerned, we are just maintaining the business without any aggressive advertising or expansion. Because our idea in JFSL is to bring it to EBITDA positive as early as possible. As of now Bangalore and Mumbai are EBITDA positive, Delhi we are losing money. As we told you last time, we have got the DIAL project. Trials have already started since June and we should go into commercial production soon. Once we start with that, we should be able to see the money and EBITDA positive in another 2-3 months time. Ahmadabad is a BOOT project and it is EBITDA positive right from the day one. Overall for the current year, we are concentrating completely on reduce our losses and by the year end we expect it to be EBITDA positive. Thereafter we will take a decision on the way forward, whether we go for other cities because everywhere now the laundry business has picked up. A lot of places have come in and category has come in a focus for everybody. It looks like our initiatives are perfect and yes we are ahead of time. Now plenty of people have come into the market place and there are lot of enquiries and strategic investments. People are coming and approaching and things are looking very positive.

**Moderator:** Thank you. Next question is from the line of Manish Poddar. Please go ahead.

**Manish Poddar:** You mentioned in your initial remarks that there are multiple drivers for Ujala to grow in the backdrop of rural spending actually going down. What are those drivers other than the ad-spends? With new launches coming in, do you expect ad spends to trend higher and is there any other driver to Ujala's growth?

**S Raghunandan:** No largely the driver to growth should be more advertising spent. Our experience with the new creative has been very good and its only one quarter that we were not able to grow Ujala which has been successfully growing Ujala for last 8 quarters. We have changed our communications strategy more than year back and that communications is yielding very good results for us. We need to spend more than what we are spending in an adverse economic environment. This is immediate action which we are taking. But to give you guidance on the overall advertising spent, it will still be 12% to 13% of revenue.

**Manish Poddar:** Would it be fair to assume that the ad spend increase in this quarter is behind Ujala?

**S Raghunandan:** No, it has been behind Henko and other brands.

**Manish Poddar:** Actually I was referring to your slide # 17 wherein you have mentioned that Exo has grown by 17.7% and market has grown by 6%. So you've grown 3X the market growth rate. Why is your share stable at 10%?

**S Raghunandan:** We have reported numbers as per the Nielsen data. In the last three years we have grown by 25% YoY on 'Exo'. But our shares still show this 10% as far as growth is concerned and Nielsen also shows the lower market growth. You have to look at the market share as a factual statement as reported by Nielsen and growth which are actual and real growth that the company has recorded.

**Manish Poddar:** How is Margo face wash performing?

**S Raghunandan:** We have not done well on that.

**Manish Poddar:** And why has our other income doubled in this quarter?

**Neetu Kashiramka:** That is because of investments, cash in hand is higher.

**Manish Poddar:** This would be the quarterly run rate going ahead?

**Neetu Kashiramka:** Yes, this will continue.

**Moderator:** Thank you. Next question is from the line of Umesh Patel from Sharekhan . Please go ahead.

**Umesh Patel:** As highlighted by you earlier, accumulated loss is about 4 crore on our different segments. Have we now started absorbing it in P&L? As a defer tax liability, which you mentioned, was around 14% of PBT. So can we expect the same run rate in the coming quarters as well?

**Neetu Kashiramka:** Yes, it will be 14% for FY16.

**Umesh Patel:** What would be in next year in FY17?

**Neetu Kashiramka:** Next year we will go to full tax.

**Umesh Patel:** Second question was related to the land parcel that we have put on sale. Can you give us the land size? Also what is the rough valuation that you are looking for?

**Ullas Kamath:** All the land banks put together should be about 75-100 crore. We have lands at three places and the one which we are aggressively looking to exit is in Ambattur which is in the heart of Chennai city. It is less than a 2 acres of property for which people are sending us the bid. We are evaluating that and the property should get us anywhere between Rs. 40 to 50 crore.

**Moderator:** Thank you. Next question is from the line of Harit Kapoor from IDFC. Please go ahead.

**Harit Kapoor:** If you could just give us a sense around the cost savings, which happened on the employee and other expenses line. How much more of these efficiencies are left in there?

**S Raghunandan:** We have been growing our overheads less than our revenue growth over the last two years and that's likely to be there. We are already pretty efficient from a cost point of view and we have also become more efficient from a working capital point of view.

**Harit Kapoor:** You also said that there will be increased investments in Ujala. We are also looking at new launches in Maxo, Exo and Pril. Just wanted to understand, what is the kind of A&P to sales ratio that we are looking for FY16? Will it be significantly higher than what you have done in Q1?

**S Raghunandan:** Close to 13%.

**Harit Kapoor:** There was another subsidiary that we were looking to merge which had certain accumulated losses as well. Has that happened already or that is yet to happen? How is that going to work?

**Ullas Kamath:** That is still there. But it is something which the board and the shareholder have to take a decision on.

**Harit Kapoor:** Finally if you could throw some light on the new liquid vaporizer machine launch which you done? What's your expectation for the same?

**S Raghunandan:** As I told you, liquid vaporizer has been a star performer for us. We have done very well. Today we are close to be number 3 player in this particular category. Definitely we expect this new launch to further add to our growth rates. As this machine will be launched in August, I don't want to say much about it. But needless to say it is differentiated from what competition is offering.

**Harit Kapoor:** If I understood correctly, you said from Q2 itself you will see an improvement in revenue growth going forward?

**S Raghunandan:** Yes, our liquid vaporizer business is anyway very healthy and pretty strong. I was referring to the coil business.

**Moderator:** Thank you. Next question is from the line of Navin Trivedi from Trust Group. Please go ahead.

**Navin Trivedi:** In your initial remarks you said that you are confident of achieving double-digit growth in the coming quarters. What gives you confidence for achieving this thing? Is it because of any specific category of brand you are bullish on or are you expecting the overall demand scenario to improve going ahead?

**S Raghunandan:** No, whatever I said is not assuming any improvement in economic scenario. It is based on what we are doing in the marketplace on which I'm pretty confident. Once I deliver double-digit growth, then I will tell you what helped us deliver.

**Navin Trivedi:** Is rural demand going to be under pressure going ahead?

**S Raghunandan:** I am assuming that scenario.

**Navin Trivedi:** Double-digit volume growth you are saying or double-digit sales growth?

**S Raghunandan:** Double digit volume growth.

**Navin Trivedi:** My other question is on the South business. In the last few quarters we are seeing that there has been muted growth. Are you seeing any improvement in that region also?

**S Raghunandan:** Yes, lots of our efforts are going in to improving that portion of the business.

**Navin Trivedi:** Can you comment on what kind of actions you are taking and which brand do you expect will drive the South region growth?

**S Raghunandan:** It's a wholehearted effort. If any business has to be grown, you will have to look at talent, infrastructure, distribution and also innovation. The whole nine-yards which we are doing in the South and just like rest of country we think even the Southern business will drive back to good growths.

**Moderator:** Thank you. Next question is from the line of Anand Shah from Kotak Securities. Please go ahead.

**Anand Shah:** You have indicated that you've done the cash profit about Rs. 63 crore this quarter and your net debt is almost flat. Just wanted to know where did you utilize the cash?

**Neetu Kashiramka:** One is on the taxation, we have paid MAT. Second, our working capital has gone up slightly. There are two reasons; one is because of the crude softening for which we have done some strategic buying. Also some modern trade business has shown good improvements. Hence those sales are on credit. So our debtors have also gone up.

**S Raghunandan:** But overall our working capital will continue to be as efficient as last year so whatever has happened is just one quarter.

**Anand Shah:** Its 1Q phenomenon that way?

**S Raghunandan:** Yeah it's a one-off thing and by the end of the year we will see that improving.

**Anand Shah:** Just to clarify, Ujala I think you took a price hike starting April. So the there is 1% odd value growth. Has volume declined?

**S Raghunandan:** Yes, because there is an issue of stabilizing the prices in the market.

**Moderator:** Thank you. Next question is from the line of Ajay Thakur from Anand Rathi. Please go ahead.

**Ajay Thakur:** I just wanted to ask you one question on gross margins. You mentioned that the gross margin gains were because of two reasons, one was mix improvement and the other was because of the input cost. Can I have some details on what would be the proportion of mix improvement and what would be the contribution of the input cost?

**Neetu Kashiramka:** 75-25. 75% because of the input cost.

**Moderator:** Thank you. Next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** Just a quick question on the taxes paid. I think you mentioned that there was some MAT tax payment, what was the number for that?

**Neetu Kashiramka:** That will be 12 crore.

**Moderator:** Thank you. The next question is from the line of Girish Raj from Quest Invetsment. Please go ahead.

**Girish Raj:** On the employee cost, what is our strategy? Because this quarter it was only 5.6% over the last year and if we have to achieve a better growth I think there would be some investment behind the employees. What is that we are offering?

**S Raghunandan:** We are optimally placed in terms of employees. These are permanent employee costs. But if you look at it as a percentage to revenue, we are still slightly on the higher end compared to industry. That is because we are growing the business by investing heavily behind manpower at the field level. So that strategy of ours, remain. Don't look at growth, you just look at it as a percentage to sales.

**Girish Raj:** There will be more utilization?

**S Raghunandan:** There are already enough people who are delivering the growth for us and that continues to happen.

**Moderator:** Thank you. Next question is from the line of Gautam Duggad from Motilal Oswal. Please go ahead.

**Gautam Duggad:** You said you are confident of double-digit volume growth starting second quarter. So what exactly gives you that confidence? Is there any revival in rural or any other segment which you foresee? How has July gone so far that gives you visibility in second quarter?

**S Raghunandan:** I told you that we don't expect the economic situation to improve in this financial year. What has happened to some extent is the seasonality which I tried to explain very obliquely and that season is again back in our favor. That is the reason why I am confident. All other things remaining equal, we have more on the plate and we are doing more stuff in the market. We are re-launching Exo and Pril, we are launching Maxo Genius and also Maxo Liquid & Card. We are doing a whole host of activities to get the growth back and therefore we are confident that the rest of the year we still see it very good.

**Gautam Duggad:** You expect double-digit volume growth to extend to FY16 also or you're still talking only about second Quarter?

**S Raghunandan:** No I'm not talking about any quarter; I'm talking about this year.

**Moderator:** Thank you. Next question is from the line of Sundar S from Spark Capital. Please go ahead.

**Sundar S:** You mentioned in the PPT that about 1.9% has come in terms of the value growth. Where is this 1.9 coming from? Secondly, is there any price increase which has been on cards for any of the niche portfolios?

**S Raghunandan:** There was small price increase in while the rest of the business has been flat.

**Sundar S:** Any particular category where you are seeing that inflationary trend allows you to take those price increases?

**S Raghunandan:** No there is no category.

**Moderator:** Thank you. Next question is from the line of Chitrangda Kapoor from Reliance Securities. Please go ahead.

**Chitrangda Kapoor:** My question is specifically on Ujala whitener. We are the market leaders there and since we are reporting a lower growth, and I understand your concern, we're going to draw back into advertisement spend. But could you just give us a basic as to how big the market is and what exactly is the penetration level? I believe in the past we did try launching Rs 1 sachet and we played around with the distributor margin. A bit more clarity in that respect will be helpful.

**S Raghunandan:** The category penetration is more like 35% to 40% and we believe that this category can have a penetration of close to 60% to 70%. The rest of 20% needs to be converted into the fabric whitener category and there has to be a really good reason for them to start using Ujala. Since last two years, we have positioned Ujala as an anti-yellowing agent.

**Chitrangda Kapoor:** We had run the anti-yellow campaign during the same quarter last year in Maharashtra. Have you taken that nationally or are we still concentrating on a particular region?

**S Raghunandan:** That is being nationally run.

**Chitrangda Kapoor:** You are concentrating on a Tier II cities or is it urban?

**S Raghunandan:** We believe that even in Tier I cities there is an opportunity to increase penetration.

**Chitrangda Kapoor:** The 30% to 35% of penetration which is there currently for the whitener category, how much of it is urban and rural? If you can give us an idea because that will give us an idea as to which markets would we launch?

**S Raghunandan:** No there is not too much difference between urban and rural, similar levels of penetration in both urban and rural.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to handover the floor back to Mr. Kamath for his closing comment. Over to you Sir.

**Ullas Kamath:** Thank you very much for your patient hearing and if you have any follow up question, you can always ask me or Neetu. Thank you very much.

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