



May 5, 2023

To,
National Stock Exchange India Limited
Exchange Plaza, C-1, Block-G,
Bandra Kurla Complex, Bandra – (East).
Mumbai - 400051

Scrip Code: JYOTHYLAB

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400023

Scrip Code: 532926

Dear Sirs,

Sub: Transcript of the earnings conference call for the quarter and year ended March 31, 2023

Pursuant to Regulation 30(6) read with Part A of Para A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, transcript of the earnings conference call held on Wednesday, May 3, 2023 for analyst/ investors to discuss the Audited Financial Results for the quarter and year ended March 31, 2023 and the way forward, is enclosed.

Further, the aforesaid information is also available on the website of the Company at www.jyothylabs.com.

Kindly take the same on your record and display the same on website of the Stock Exchange.

Thanking you,

Yours faithfully

For Jyothy Labs Limited

Shreyas Trivedi
Head – Legal & Company Secretary

Encl.: as above

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“Jyothy Labs Limited
Q4 FY’23 Earnings Conference Call”

May 03, 2023



MANAGEMENT: **MS. M.R JYOTHY – MANAGING DIRECTOR – JYOTHY
LABS LIMITED**
**MR. SANJAY AGARWAL – CHIEF FINANCIAL OFFICER
– JYOTHY LABS LIMITED**

MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Jyothy Labs Q4 FY'23 Conference Call hosted by ICICI Securities. 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, sir.

Manoj Menon: Hi, everyone, a wonderful good afternoon, good evening to you. I trust you're having a great day. Representing I-Sec, it's our absolute pleasure to host the results conference call as usual of Jyothy Labs Limited. The company is represented today by Ms. M.R Jyothy, Managing Director and Mr. Sanjay, CFO.

Over to the management for the opening remarks, and after that, we will open the floor for Q&A. Thank you.

Sanjay Agarwal: Thank you, Manoj, and very good afternoon to all of you. Welcome to the conference call of Jyothy Labs. We'll be discussing the performance of the company for the March quarter as well as for the full year ended March 31, 2023 with all of you and we'll follow it up with question-and-answer session.

So very quick snapshot of the results, all of you must have seen our results by now. We have delivered a top line growth of 12.8% for the March quarter and 13.2% for the full year FY'23. This is the consistent double-digit growth now for over 10 quarters, as well as a double-digit growth for the full year on a two-year as well as on a three-year CAGR basis. So a very healthy performance across all categories and channels for us. We continue to build for the scale in the business, which will give us additional economies of scale.

On the margin side, despite of the entire industry facing high input inflation, we have been able to grow our EBITDA by 57% for the quarter and 26% for the full year. Our EBITDA margin for the quarter stood at 14.8% versus 10.5% in the previous quarter same time. So a good recovery on the margin perspective.

On the business side, we are in much stronger footing than ever. Our direct reach now has crossed 1.1 million outlets and going further. We have strengthened our distribution with the aid of technology by implementing Botree, which is the most advanced distributor management system, which will further enhance our sales efficiency. So overall, the focus is on execution to build scale. And we've been consistently gaining market share across brands. We have now nine celebrities endorsing our brands. Hence, we are committed for a higher allocation of our resources towards brand building initiatives. We've also been investing in scaling our manufacturing capacities. Recently, we've added a detergent powder line at our existing Pithampur plant in Madhya Pradesh.

On new launches in this year, which is April '23, we have also launched three new variants of Margo Neem Naturals, the three variants of Lemon, Jasmine and Rose. We believe that this will

significantly enhance our Margo franchise and also increase our personal care share in the overall portfolio. So we're excited with these new launches.

On the urban/rural, both continue to do well. In rural, yes, due to inflation, it has lagged a bit of the urban growth, but we believe that rural markets are expanding more quickly than urban markets and we will continue to focus on the rural growth to build a long-term sustainable advantage for Jyothy Labs.

With a healthy P&L growth, our balance sheet too has been stronger than ever, with the company being debt-free, i.e, the gross debt is nil and we have a cash balance of INR 283 crores as of March 31, 2023 and the working capital days at 13 days. So that's a quick snapshot on the P&L and the balance sheet.

So if we look at from the future perspective and outlook on that, we are optimistic with our growth plan and working towards building a more agile, resilient, and market-focused organization, and with that for FY'23-'24 we'll focus towards the double-digit growth on the top line, which will further strengthen our business franchise.

In terms of the categories, fabric care is doing well, with 20.1% growth this quarter and a full year growth of 29%. The growth is supported by strong value proposition, which we have in the detergent brands with a strong driver for relentless focus on distribution. We launched as you all know the liquid detergents both in Ujala IDD and Henko, which have shown a healthy growth. Also, our mid-priced detergent brands, More Light and Mr. White have also witnessed good demand. In the post-wash category, we are focusing on building usership to drive category growth that's more for the Ujala fabric whitener.

On dishwash category, both our Exo and Pril continue to do well with steady growth across all SKUs, especially the LUPs of INR5, INR10 in the bar category and this again is due to our unique offerings and the distribution drives we have taken. Both Exo and Pril, they have established themselves as a clear brand of choice among consumers. There is an increased level of engagement we have with consumers especially focused on the digital medium for this category. If you see for Exo, it has reached highest ever market share of 13.8% for the calendar year '22, so very good growth for us.

In HI segment, the extreme weather conditions did impacted the sales for the year. We have seen the first three quarters not being so great. This quarter has a flat growth, so much better than the previous quarters. We are hopeful that the next year turns out to be better and we'll continue to focus on our liquid vaporizer and promoting coil as a safer alternative to the illegal incense sticks with the consumer.

Finally, our personal care segment, which is primarily Margo franchise with its natural benefit proposition has delivered a good growth, and to raise the growth, we also have a new brand ambassador, Raashii Khanna. And in this year, April '23, we have also introduced three variants within Margo Neem Natural soap in Lemon, Jasmine and Rose.

So with that to summarize, we'll continue to focus on the volume led top-line growth backed by the strength of our brands, distribution strategy and further strengthening our direct reach ,

strengthening our rural footprint and using technology for enhancing our sales efficiency and getting higher resources for brand building and manufacturing capacity. So we are very optimistic that in entering FY'23- '24, we want to accelerate the growth and the key mantra is execution, execution and build a higher scale for our business, which we have demonstrated as well in this last year financial performance also.

With this I finish my opening remarks. Happy to answer any questions or clarifications all of you may have. Thank you very much.

Moderator: Thank you very much. The first question is from the line of Senthil Manikandan from ithought PMS. Please go ahead.

Senthil Manikandan: Hi, good evening and thanks for the opportunity. My first question is on the Margo franchise. So in opening remarks, you highlighted that you brought in a new brand and there are also new variants. So what would be your medium-term strategy for Margo?

M R Jyothy: Yes. So our existing Margo original Neem has been doing well. We have clocked the double-digit growth on that and we've introduced three new variants, which is called as Margo Neem Naturals. This is to induce more consumers into the Margo franchise and to obviously grow the Margo Personal Care contribution to the overall business. Yes, we have taken Raashii Khanna, it's after long that we have taken one celebrity for Margo and she is known in the south and also foraying into the north which is the Hindi world and a young star appealing to a younger generation with Margo Neem Naturals. So obviously our aim is high to grow on Margo in double-digits in the coming future.

Senthil Manikandan: Okay. Secondly, on the Laundry business that we have recently merged with our core business, so what could be the -- again the medium-term strategy for the laundry business?

Sanjay Agarwal: So the business is now tracking good with revenues of INR 50 crores odd crores every year. And for the last few quarters, it's been running on ebitda breakeven, and this year, we'll take it as a more as a year of consolidation on the top line and build the business with profitability. So that is where our focus will be this year on the laundry business.

Senthil Manikandan: Just last question. Since, operationally also you mentioned that we have now moved to net cash level. And so from the capital allocation point of view, if you can just give some highlight as how the company will go about over the next three to four years.

Sanjay Agarwal: Obviously business need cash and will be conserving some cash for future growth initiatives. dividend would be one way how we share the profits with the shareholders and the balance will depend on how -- what opportunities we get in the future on the inorganic side.

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

Gaurav Jogani: Sir, my first question is with regards to the tax rate for the quarter. The tax rate for the quarter is higher at around 27-odd percent. So one, if you can help us out why this has been higher this quarter and how should we build the tax rate going ahead.

- Sanjay Agarwal:** Yes. So if you look at it on an annualized basis, it is around 20% of this year also. And for the next few years also you can consider 20%. This quarter because there have been some asset sales, so therefore the tax rate per se has been higher. But for the full year, it is at around 20% and we expect it to be in a similar range in the next few years as well.
- Gaurav Jogani:** Sir, my next question is with regards to the margin. We have seen good sharp margin expansion especially on the gross side this quarter. So given where the RMs are right now and if we sustain at the current levels, how should we expect the gross margins to move ahead?
- Sanjay Agarwal:** So, tough one, its little difficult to target ebitda margin because commodity prices are still very volatile. So as we speak, we believe that the exit GM or the exit EBITDA for the quarter, say, the exit EBITDA for the quarter is 14.8%, I think we'll keep that as a benchmark for now and we will see how things evolve from hereon.
- Gaurav Jogani:** And sir my last question is with regards to the -- if you specifically consider the pricing action taken by the market leader in detergent space. So do you see any increased competitive activity here? And also if you can help us out with the volume and the pricing growth for the quarter.
- Sanjay Agarwal:** Yes. So this quarter, the top-line growth is 12.8%, volume is 3.3% and the balance 9.6% is value.
- Gaurav Jogani:** Sir, if you can help us out with the competitive intensity because of the price cuts taken by the leader in the detergent space. Is this expected to have any material impact on the growth rates going ahead?
- Sanjay Agarwal:** See, competition is always good. We are doing very well in the detergents category, on price cuts, not anything significant is what we have seen, but we'll follow how the market behaves and what the consumer wants. Accordingly, we will also take our pricing actions.
- Gaurav Jogani:** Sir, just last thing, have you also taken up any price cuts in the detergent segment?
- Sanjay Agarwal:** Nothing material, sir.
- Moderator:** Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** So just a couple questions. Firstly was on the target for double-digit growth for FY24. So we are now in a phase where kind of pricing is still is coming off. As you mentioned, you're now in single-digit in terms of price growth, and it's only likely going to keep trading going forward. In that construct what kind of volume growth to come back to maybe mid to high single digits to hit your target number. So just wanted to get a sense of how confident you are that over the next few quarters you can kind of drive that given that last three quarters you're still there in the 2% to 3% range.
- M R Jyothy:** Yes. So going forward, we are looking at a double-digit growth. And for us, it will mainly come also from distribution. We are also going to increase our focus on increasing the number of outlets and also drive the volume growth. So it will be an action from both from a distribution and volume-led growth. Pricing will be, it depends. As of now, no more price increases that we see. So majority will be from volume and distribution growth.

- Harit Kapoor:** Right. And on the distribution side, we are at currently 1.1 million on direct. Any targets that you can share in next one or two years or next year or next two years where you are looking to kind of get to direct number up to. And within that also, which geographies are we kind of looking at, is there a greater non-south focus, so just some color on these factors.
- M R Jyothy:** Yes. So those are internal targets, so that we wouldn't want to say that out, but yes, we are looking at the similar kind of growth, which we have taken in the last three, four years. We will be on that growth path, increasing number of outlets, while for us, it's a Pan-India thing. The distribution growth will come from the entire country. It's not any specific focus in any zone or area. It will be an all throughout Pan-India growth.
- Harit Kapoor:** Got it. And then just one last question on distribution. Is this more direct reach-led only, expansion-led only or will it also be a mix of both direct, indirect going into the next six months to a year?
- M R Jyothy:** Our primary focus is on going direct.
- Harit Kapoor:** Got it. And second thing was on the innovation side. So we've seen after a while some new things happening, especially on the Margo side. Just wanted to know now that you have some more money given that gross margins have seen an uplift of almost 46%. Do we see continued step-up on the A&P side? And if yes, which potential areas can we see new things happening if at all that's the plan?
- M R Jyothy:** Yes. There will be brand spends. We believe in brand investment. And last year, we had introduced two liquid detergents since we see a trend from consumer shifting from powder to liquid and the last two launches have been received well in the market and it continues to do so. And now the latest is Margo, so we will be spending on -- and we believe in innovations where we can definitely spend and make that bigger. Hence you will see innovations, which are relevant innovations in that sense. So then going and doing many at once and not able to do justice, we believe in launching something and then backing it enough by brand spend.
- Harit Kapoor:** Got it. And one last data point question was, within laundry, how large now is if you can give us percentage also in terms of the overall home care segment. how large would the mid-sized brands like Mr. White and More Light be as a percentage of the home care business or the Fabric Care business versus what it was maybe two, three years back?
- Sanjay Agarwal:** Sir, are you asking for us or are you asking for the industry?
- Harit Kapoor:** For you guys. On Mr. White and More Light, how large would Mr. White and More Light be now, Sanjay, versus maybe three years back or pre-COVID or whatever kind of end-to-end data points you can share in terms of percentage or whatever.
- Sanjay Agarwal:** So Harit, they were pretty small if you're asking three years back and today both the brands are INR100 crores plus.
- Harit Kapoor:** INR100 crores together?

- Sanjay Agarwal:** each one of them.
- Moderator:** The next question is from the line of Aviral Jain from Siguler Guff. Please go ahead.
- Aviral Jain:** In My first question was on the dishwash category. Given the under-penetration and the growth rate that we had seen till last year, it was in mid-teens, and now it is falling to less than 10%. So is the category growth trends have slowed down or has there been any price versus value change? Just wanted to understand, from the disclosures it doesn't look like that we are losing market share, so just wanted to understand what's happening?
- M R Jyothy:** No, we are in line with the market growth. So there is no issues there, just a temporary thing here and there, but dishwash has been growing and it will be -- in the coming year also, it will be -- we foresee a double-digit growth in the coming year as well. And our market shares remain intact. There is no issue.
- Aviral Jain:** And how some of the expansion on the post wash side panning out, Crisp & Shine was being launched outside of Tamil Nadu and Kerala.
- M R Jyothy:** Yes. So we have taken it to AP and to our surprise, that's taken us like more than it's been received well. So we are hoping to do good numbers in that market as well. So Crisp & Shine has clubbed the highest ever in the last, it has come back to obviously post-pandemic and has crossed those numbers as well. So doing well.
- Aviral Jain:** And there was one brand extension to West Bengal also, which was Crisp & Shine as well or it was something else?
- M R Jyothy:** No, it was a detergent, Ujala IDD.
- Aviral Jain:** Okay. And how has that come along in terms of results?
- M R Jyothy:** That said, it's just a year there while West Bengal is a brand loyal market, it will take its time but initial response has been good.
- Aviral Jain:** Okay. And Ujala IDD is in Kerala, Mr. White and More Light -- I'm asking about the scale of Ujala IDD because it's largely Kerala-centric if I'm not wrong.
- M R Jyothy:** Yes.
- Moderator:** The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejash Shah:** Couple of questions from my side. First, on increasing reach as a key growth driver, just wanted to understand post demonetization, we are not seeing that kind of delta for industry, not only for us, but for industry also coming from increasing reach, so pre-demon, there used to be a very big thumb rule that 10% growth in reach will actually lead to at least 3% growth in revenue or volume, but we are not seeing that. So just wanted to understand in the recent past, whatever expansion that we would have done, what percentage of growth we can attribute to reach increase?

Sanjay Agarwal: Yes. So Tejas, company of our scale at INR2,500 crores top line having a distribution reach of INR1.1 odd million outlet is a very decent number. Now, a lot of this investment what you do in building the distribution is also futuristic. So it's not fair to say whether it is going to give us 3% or what because these outlets, which we add do take 18 to 24 months to stabilize and give good results.

But yes, the objective is to build that because building this infrastructure takes time and it's a hard work and that's what we believe that especially in the rural area, urban market has generally been captured by established companies and by us. So what we are doing is these are future investments and which is what we are doing both on the technology side of it and on increasing the footprint. So yes, it will add to our distribution as Jyothy said in the earlier point that our future growth in spite of all the challenges, we will aim for a double-digit, which will come in from some initiatives like these of adding direct outlets.

Tejash Shah: Sure. I was just trying to understand, has this growth driver lost, let's say, in the last decade in terms of it used to result in immediate growth uptick. We are not seeing for the industry itself, so we actually kind of again next three years or two years, we go on that part.

Based on the recent evidences that you would have seen in your numbers, does it kind of revive growth aggressively I understand that there is a gestation period of this growth, but let's say what you would have done four years back. Has it turned out to be very good source of growth in last two years or it has kind of -- it is still not showing numbers because of the volatility we are seeing in the macro environment?

Sanjay Agarwal: Two years is a fair time. And the reason why we get the confidence of adding more that far, focusing on adding that distribution is because we are seeing the return on the investment, what we are doing in building this infrastructure for the first 12 to 18 months do give us very good results in next -- whatever next year onwards. So yes, two years is a fair time and we are seeing good results. And henceforth we are using distribution as a strong lever for us to accelerate our growth.

Tejash Shah: Second question is, what percentage of our current turnover comes from modern trade?

Sanjay Agarwal: Both modern trade and e-commerce put together is around 10%.

Tejash Shah: And what would be our concentration in Top three chains of the country on modern trade side?

Sanjay Agarwal: The concentration in Top three chains?

Tejash Shah: Yes. Top three or five. I just want to understand the exposure what we have to Top three in the country in modern trade?

Sanjay Agarwal: It is difficult for me to put a number, but the first Top three chains will surely have larger share for us.

Tejash Shah: Okay. So the follow-up question to this was that we are seeing already wild aggression and enthusiasm from all this modern trade chains in terms of launching that private labels across and

they always used to keep the cards close to their chest. But now there seems to be a lot of aggression across categories, so just wanted to know have you seen increased fight for shelf space versus other brands was always there, but now you have to fight for shelf space with the private labels in some of this sales or you're still not seeing that pressure point building up, at least the current observation that you would have picked up?

Sanjay Agarwal: So in the past also, we have seen it. In the last year also we have seen it and our results are there with you, yes, these will all be developments in the market and we are ready for it. We believe we'll be able to have our growth irrespective of these challenges, which will keep coming up.

Tejash Shah: So you are not sensing any increased intensity on private label side versus past two, three years?

Sanjay Agarwal: Definitely, it is there. I'm not saying it is not there, but then our business is full of these challenges or opportunities. We are ready for that and we don't see much of an issue for us.

Moderator: The next question is from the line of Karan Bhuwania from ICICI Securities. Please go ahead.

Karan Bhuwania: Sir, if you could help us with some color on how our growth has been in terms of rural versus urban and are you seeing any recovery from the rural markets in terms of volumes?

Sanjay Agarwal: So Karan, as I mentioned earlier, rural is a long-term growth strategy for us and we sell around 40% of our portfolio in rural market. There is a gradual improvement in the growth with the rural market and we believe the initial challenges or the slowdown, what we have seen they are bottoming out and we see good growth both in urban and rural for us.

Karan Bhuwania: Also if you could talk about the liquid portfolio for dish wash segment and your laundry segment, how well do you perform and if you could quantify?

Sanjay Agarwal: Karan, I'm not clear with the question. What you said, the share of liquids in the detergent portfolio?

Karan Bhuwania: Detergent and both dishwash also -- dishwashing segment?

Sanjay Agarwal: Yes. So we don't give a specific number of liquids portfolio in the detergent or dishwash. But for detergent, definitely it is quite small as of now, because both the liquids, Ujala and Henko liquid were launched just 12 months to 18 months back. So they still have to gain size.

Moderator: Thank you. The next question is from the line of Rabinder Singh Sikand from GSS. Please go ahead.

Rabinder Singh Sikand: Good evening. My questions are three. One, considering that you have just -- as you just mentioned that you have just launched liquid detergents, is there any move to launch detergents in pods, which is quite common outside India and is actually been sold by quite a few online retailers in India? Is there any move to move to pods?

M R Jyothy: Nothing right now, sir.

- Rabinder Singh Sikand:** Nothing right now. Okay. The second question is a space that has not been addressed, but with the advent of dishwashers -- the popularity of dishwashers in India, considering that there is only one -- actually one dishwash liquid and tablet available in India, is there any move for you to move into this space. I mean, there is no Indian company that I know is manufacturing that any have you considered moving into this space?
- M R Jyothy:** Sir, right now the dishwasher penetration in the country is way, way miniscule and we will do that at the right time.
- Rabinder Singh Sikand:** So there is no move right now to venture into that?
- M R Jyothy:** We need a particular size and this thing to launch it. Our focus is right now to grow the existing liquid and the bar market.
- Moderator:** The next question is from the line of Khush Gosrani from InCred Asset Management. Please go ahead.
- Khush Gosrani:** I wanted to ask, since we have been gaining market share across our key product categories over the last three years, is the trend sustainable going ahead as well or is competition increasing for us?
- Sanjay Agarwal:** So definitely, we will be increasing our market share. We aim to grow or accelerate our growth. And which would mean in most of the categories, we should be doing better than the industry growth. So we are hopeful. And all the efforts, all the action points we spoke will help us in gaining market share. We have done it in the past. I think gives us enough confidence to build those market shares for each of our brands, better in the next few years as well.
- Khush Gosrani:** And in terms of distribution reach, what is our strategy over there. We used to be -- we are right now at 1.1 million direct reach, which used to be 6 million. So how should we think of the direct reach distribution going there and overall distribution strategy for us as well.
- Sanjay Agarwal:** In the previous question, Jyothy mentioned that there are internal targets for us to drive our distribution to higher numbers, but as we speak also the number is good enough for INR2,500 crores top line what we have. So we will deliver -- we will take all efforts to build an efficient distribution or increase the distribution from 1.1 to a higher number in the years to come and it will be Pan-India basis and we will continuously gain or get benefits out of that distribution.
- Moderator:** The next question is from the line of Naysar Parikh from Native Capital.
- Naysar Parikh:** First question is can you give us how much is for the year, how much have you done in North, West and South and Kerala if you can give some indication?
- Sanjay Agarwal:** Well, I didn't get the question. On which brand are you asking or on a Pan-India basis?
- Naysar Parikh:** No, on a pan-India basis and also our strategy of growing in North and West further, how is that going. So on a Pan-India basis if you can give that number.

- Sanjay Agarwal:** So the South is 40% of our business and non-South is 60% and there are brands, which we are focusing. It depends on each brand to brand, and it's a much larger question. It depends on each brand to brand, what are the geographical expansion and the focus markets we have taken and it depends on the opportunity what we are seeing, the competition, but south remains a good market for us. There are some brands like Maxo where we are much stronger in North and East. So it depends on each brand to brand, but we have brands across India and the distribution is also equally distributed across India.
- Naysar Parikh:** Sorry, if I can --- I think North and West still what I last understood was around 25%, 30% for you, which is obviously much lower versus most of the competition. So in that context, what was the contribution of North and West in the sense what steps both from distribution and branding are we taking to increase that share at least at par with what the industry is?
- Sanjay Agarwal:** So we don't give any numbers for each zone and states area every quarter. But having said that, yes, both North and West offers a very good opportunity and we are working towards it to have better growth in these markets as well, alongside all India penetration what we have.
- Naysar Parikh:** Got it. And the second question is for the modern trade channel. What would be the share of modern trade for us now and any further progress over there in terms of penetration or share of each?
- Sanjay Agarwal:** Yes sir. So modern trade and e-commerce put together is broadly 10% of our total business and we are doing good both modern trade and e-commerce. Specifically, there are very good plans for us and both the channels are doing well.
- Moderator:** The next question is from the line of Amit Purohit from Elara. Please go ahead.
- Amit Purohit:** Just on the distribution side, I wanted to understand, you said the technology investments and more fleet on the street. So you have some 1,000 plus sales team, has that increased or what is the outlook on that? Just wanted to know the current number? And second also on the rural initiative. How do you define rural for you and what is the number of villages count reached now versus earlier and what's any plans if you could share that?
- Sanjay Agarwal:** Yes. So Amit to your first question, yes, so on the manpower, yes, every year, there will be addition of the sales team, which will be in line with the geographical expansion, which we are taking, and the increase in distribution what we're doing. We don't give a breakup of each zone and the number of people we are adding every quarter or every year. But as we said, the overall growth will be led by distribution which will have the element of adding manpower. Sorry, if you could repeat the second question.
- Amit Purohit:** On technology, what do you mean by technology initiatives, investing behind technology distribution?
- Sanjay Agarwal:** Yes. See, one of the important things was to further enhance our sales distribution and channel partner there is a DMS system called Botree, which is what we have implemented and we believe that that will make the schemes management much simpler for our sales team and for the channel partners, and hence, we have invested in it and we have been able to do that, which will give us

benefits over a long period of time. And on the last question, we reached 100% of the villages, about 10,000 population.

Amit Purohit: Okay. And any outlook or maybe what was that probably three, four years back, has that increased or it will increase now?

Sanjay Agarwal: So, reaching 100% up to 10,000 population, again, it's initiative, which we have taken few years back, and it will keep improving because there is a cost to go much deeper into it and as we scale our business, yes, we will go to further down. Also, we believe we can sell more lines to these outlets, which we are currently servicing that itself will give us decent growth for many years. So we'd rather increase the efficiency of the current distribution and keep adding more outlets for future growth.

Amit Purohit: So I mean broadly, I'm sorry, but what would be the share of rural in our space now?

Sanjay Agarwal: So currently, it's around 40%.

Amit Purohit: Okay. And it is safe to assume that the direct reach initiative would be both largely more towards the urban side or it will be well balanced?

Sanjay Agarwal: It will be both urban and rural.

Moderator: The next question is from the line of Dhiraj Mistry from Antique. Please go ahead.

Dhiraj Mistry: So first question is regarding A&P spend. Now that we have started witnessing softening of some of the raw material prices and hence improvement in gross margins, what would be the A&P spend as a percentage of sales going ahead?

Sanjay Agarwal: So right now, it's around 7%, 7.5%. For now, it will be in the similar range and we will see how much benefit we are going to see in the GM going forward, and accordingly, we'll take a call on that.

Dhiraj Mistry: And some couple of bookkeeping questions, like, in this year, we have seen that depreciation expense going down. And can I know the reason for that?

Sanjay Agarwal: depreciation in the consolidated business has remained same across the year.

Dhiraj Mistry: And what would be effective tax rate FY'24 and FY'25?

Sanjay Agarwal: It should be in the range of around 20%.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: I have couple of questions. First, can you give us the volume growth, excluding the HI business for this quarter?

Sanjay Agarwal: We don't give each ex whatever the business is, but overall, as I said, it's for the quarter is 3.3% volume growth and for the full year it's 3%.

Kaustubh Pawaskar: And for HI, you said that you expect this year to be better. So can you just elaborate on that, what exactly your strategy would be to regain the growth back in the HI business?

Sanjay Agarwal: So first, instead of giving the volume, I can still attempt to answer your question on the value side of it. So for the full year, the business has grown by 13.2%. If we exclude the HI business, then it would be at 17.8%. Now, to answer your question on HI, we have seen challenges, which have been more seasonal issues, which impacted us much more in the core markets in which we are present.

So there is nothing much which we can do other than hoping that the coming year the season will be little better. Second is the illegal incense sticks, which has impacted the category. I think we as well as the industry is trying to educate consumers on the health hazard, which comes with the usage of illegal incense sticks. So while we're doing that, we're also trying to work towards coils to ensure that the consumers use coils and understand the health hazard of the illegal incense sticks.

We know that these measures and continue to focus on our liquid vaporizer as a strategy. So I think all these three things are working well. This quarter, we have seen a better numbers than the past three quarters and that gives us the confidence that yes, hopefully we'll have a better next year.

Moderator: The next question is from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

Abhijit Sinha: Just wanted to understand what were other growth drivers that we're expecting in the next two years? What should be helping us grow our volume as well as our any price hike?

Sanjay Agarwal: So we'll be engaging more with the consumers. We've been investing more behind the brands, expanding the distribution network. The good thing about our portfolio and it stand us across different categories and at different various price points. I think these all things make us believe that we have a portfolio, which is again of essential goods. We are seeing good demand across both urban and rural portfolio as well as in the modern trade, e-commerce. So these are few things which gives us enough confidence that yes, we should deliver a higher growth and bring more market share in years to come.

Abhijit Sinha: Sir, if you could throw some highlight on this quarter's taxation. I think it's about 28%, which is quite higher significantly compared to our 18% to 20% that you were keeping in the previous quarters. So was there some one-off thing?

Sanjay Agarwal: So this quarter -- this year we had some asset sales on which are the tax rate is going to be higher, but if you annualize it for the full year, the tax rate is at around 20% and I believe in the next two to three years also you can assume the tax rate in the range of around 20%.

Abhijit Sinha: So we don't go into that whole 25% slab. We stick to the 20% rate, right?

Sanjay Agarwal: Yes.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments.

Sanjay Agarwal: Thank you all. I think it's been a great discussion this afternoon. We look forward -- if you have any further questions, please do reach out to us or to I-Sec team. Thank you once again and have a great evening. Thank you, bye.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your line.