



January 27, 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 nine months ended December 31, 2022

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, January 25, 2023, for analyst/ investors to discuss the Un-audited Financial Results for the quarter and nine months ended December 31, 2022 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

Jyothy Labs Limited

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“Jyothy Labs Limited Q3 FY23 Earnings Conference
Call”

January 25, 2023



MANAGEMENT: **MS. M. R. JYOTHY – MANAGING DIRECTOR, JYOTHY
LABS LIMITED
MR. SANJAY AGARWAL – CFO, JYOTHY LABS
LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to the Jyothy Labs Q3 FY23 Results 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhuvania from ICICI Securities. Thank you and over to you, sir.

Manoj Menon: Hi everyone. This is Manoj Menon representing ICICI Securities. It is a wonderful good morning, good afternoon, good evening to you depending on the part of the world you are joining this call from. At I-Sec, it is our absolute pleasure to host the 3Q FY23 Results Conference Call of Jyothy Labs. The company is represented by Ms. M. R. Jyothy - Managing Director and Mr. Sanjay Agarwal - the CFO.

After the initial opening remarks and the presentation by the management team, we will open up the floor for Q&A. Thank you. Over to Sanjay.

Sanjay Agarwal: Thank you Manoj and very good afternoon to all of you. We welcome you to the conference call of Jyothy Labs. We will be discussing our performance for the quarter ended December 31st, 2022 with all of you and as Manoj said we will follow it with the Q&A after the opening remarks.

So, friends, overall, a decent quarter, we have been continuously focusing on execution and as you may have already seen our results, we have reported a healthy revenue growth of 13.7% and EBITDA grew by 37.9. On a two-year as well as on a three-year CAGR basis, our revenues have grown by 13.3 and 13.4 respectively, so a good double-digit growth for the last few quarters.

If you look at the volume growth for the quarter was 2.1%. Each of our categories have grown by double digit except HI. If we analyze our business ex-HI our value growth is 16.7% and a volume growth of 3.9%, so overall decent set of numbers. On the business front, we continue to see the headwinds of input price inflation and therefore in this environment our focus remains to focus on topline growth with balancing the margins. Lower unit packs continue to gain acceptance and are selling strongly in the rural markets. We continue to focus on the potential of rural India and accelerate our overall growth through distribution drives, category penetration strategy, digitization and premiumization. Both urban and rural continues to do well. The rural demand has been impacted more due to inflation issues and hence more cautious however, given the strong potential, we continue to focus on the rural franchise and the numbers have been encouraging.

With regards to the specific commentary on channel performances, there is stable growth across all channels now and that has also been led by our expanded distribution platform. Our constant endeavor is to fulfill the consumer needs and consistently gain market share across brand categories, which is helping us in building scale and growth for the future.

Regarding our different business categories, the demand for detergent, dish wash and personal care category is stable. For HI in which Q3 is one of the smallest quarters, sales got impacted due to seasonal trends in our core markets of North and East of India and industry issues of illegal incense sticks. On the margin front, there has been a sequential improvement in margins. Few of the raw material prices have softened, but some of the key inputs like you have labsa and soda ash, the prices have still remained high and which is keeping pressure on margins, however, as we see the EBITDA margin for us for this quarter is 13.8, there is a sequential improvement by 160 bps as at September quarter, we were at 12.2% and also last year same time, our EBITDA margin was 11.3%, so there is an improvement of 250 bps, so overall positive trend.

On break-up of the other income side, it includes Rs. 9.5 crores pertaining to sale of land during this quarter.

We move onto the key category performances. Our fabric care is doing well with 26% growth this quarter. Our lead brands, Ujala and Henko have been doing good growth. As you know, both in Ujala and Henko, we forayed into liquid detergents. That is doing well and our geographic extension of Ujala Crisp and Shine is also doing well. Similarly, on the mid-price detergent brands, Mr. White and More Light, they have witnessed good demand and like the earlier quarters, the momentum continues there, so overall good performance in the fabric care.

Similarly, in the dish wash category, both Exo and Pril continue to do well. We see good demand for both large packs in urban consumers and smaller packs in rural India, hence offering superior value to the consumers. So, both doing well and we continue to invest in both the brands of Exo and Pril which has accelerated the growth on a pan India basis. This quarter, on Exo bar, our pan India market share has reached at 14%, so that is very encouraging.

On the HI segment, the coil category itself degrew by 12% and for us as I said earlier Q3 is a smaller quarter and we have been holding our market shares well, so we remained positive on this category and we are hopeful that in the next year onwards, things are more positive for this category.

Finally, on personal care, which is primarily our Neem based Margo franchise, that has also delivered a double-digit growth, so that is doing well. So, in summary, we will continue to focus on volume led growth, what we have been focusing in the past and drive towards gaining market share for all our brands.

Going forward, with the union budget around the corner, we are optimistic that it will offer more avenues for consumption to increase and we believe that volume will gradually grow from here on and sequentially we should see improvement in margins. We will continue to focus on our journey to deliver revenue double digit growth. So, with this, I finish my opening remarks. We are happy to answer any questions or clarifications you may have. Thank you.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first 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 fabric care segment, that has continued to grow well about 20% over the past 2 to 3 quarters, so if you could help us break this between what could be kind of volume growth that you are seeing and what could be the pricing growth here. how do you see the growth being driven in this segment?
- Sanjay Agarwal:** Gaurav, thank you for your question. Broadly, fabric care we have seen double-digit volume growth and the balance is on the price. in fabric care we have multiple brands and having brands at different price point, so overall we see good traction for us and from numbers perspective definitely should have double digit growth in fabric care in the next few quarters as well.
- Gaurav Jogani:** Sir, my next question is with regards to the depreciation expense, so if we see on the standalone basis, the depreciation expense has actually halved even on a 9-month basis and even on the quarter as well and even we are seeing some decline on the console basis also, so if you can help us out how we can build in this depreciation expenses going ahead, any guidance on this will be helpful?
- Sanjay Agarwal:** Gaurav, if you look at the console, the depreciation and amortization expense broadly remains the same or in line with the business. On a standalone basis, in previous years, we used to have a trade mark expense which got amortized which did not have any impact on the consolidated numbers.
- Gaurav Jogani:** Also sir, basically the run rate that we are seeing, basically could we see the similar trends in the quarter going ahead as well?
- Sanjay Agarwal:** Yes, on the consolidated basis that is right and even in the quarter what we have for the standalone in December quarter will be the same trend going forward as well.
- Gaurav Jogani:** And sir, just last final question from my end, on the raw material side, while you highlighted that the naphtha and soda as both of them continue to remain inflationary but most of the other RMs have seen significant decline on a YTD basis and this is also seen on your Q-o-Q margin improvement as well, so going ahead do you still believe there is further scope of margin expansion given that the raw material prices remains where we are today?
- Sanjay Agarwal:** We expect margin expansion assuming that the raw material prices remain where they are today and the softening continues, yes, definitely there should be sequential improvement in the margins, but we cannot quantify at this point of time.
- Moderator:** Thank you. The next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Can you please give us a split between your channels especially GT, MT and what has been the growth this quarter in both of them?

Sanjay Agarwal: So, both the categories have been doing well, general trade and modern trade. We had challenges during COVID time in MT, but as we speak both of them are doing well.

Naysar Parikh: What could be the split?

Sanjay Agarwal: So, broadly we have around 80% of our business is general trade and the balance is institutional business which is modern trade, e-commerce, CSD and others.

Naysar Parikh: And my second question is on the personal care portfolio and strategically, are we looking at enhancing it or any adding more brands to it or increasing it because as of now obviously it is a small portion of our portfolio where it is a big proportion in the market in terms of share, so what is our thoughts in strategy on the personal care portfolio?

M. R. Jyothy: we will be growing the personal care portfolio. As of now, we have few plans for the future. Right now, we will not be able to comment on that, but yes, plans are there and we will be growing each of that segments which we have.

Naysar Parikh: And just one last question is on the fabric care margins, can you just comment on the price increase, what was the price level, any price increase in this quarter and anything that we will see in future and how would that flow into margin space?

Sanjay Agarwal: For this quarter, we haven't taken any meaningful price increase across the brands and going forward lot will depend on how the competitive intensity is there and how the raw material prices are there and then accordingly we will have to take the call.

Moderator: Thank you. We have the next question from Aviral Jain from Singuler Guff. Please go ahead.

Aviral Jain: Could you comment on the market share or how is the performance on premium detergent side, especially Henko, are you growing ahead of category on both volume and pricing terms, that is one and the second is, Ujala IDD, again there were plans to take it outside Kerala more into Tamil Nadu and West Bengal, so how is that panning out?

M. R. Jyothy: Yes, so we have been doing really well on Henko and both Ujala IDD. Ujala IDD right now is in Kerala, Tamil Nadu and West Bengal. West Bengal that way is at very nascent stage while we have increased our market shares in Ujala IDD in Kerala while Henko as a premium listing, we have seen volume and value growths as well. We have also launched liquid detergents under both these brands and initial feedback has been very good and has been doing well.

Aviral Jain: If I ask differently, is it growing ahead of your overall category growth or that is an unfair question to ask right now?

- M. R. Jyothy:** Yes, liquids are because we have launched it since last 1 to 1.5 years, so if you see comparatively the market is also growing, the category is growing and we are also growing along with that and powders, while both the powders, yes, compared to category internally, yes, we are growing.
- Moderator:** Thank you. The next question is from the line of Sajjan Jain, an Individual Investor. Please go ahead.
- Sajjan Jain:** Congratulations for good set of numbers, my question is largely on distribution, basically if you can give more qualitative color on how last couple of years it has held you especially in distribution and second, how you see distribution footprint accelerating going forward in next couple of years from here on?
- Sanjay Agarwal:** As you know, we have touched around a million retail outlets on a direct basis and our Ujala fabric whitener is available in 3 million outlets, so we have a decent distribution footprint across India. Now, there are ways and means in which you will do your expansion of distribution in a more cost effective basis because you are anyway there across India with fairly good footprint. So, our focus is more on improving or increasing the productivity of the distribution what we currently have and obviously using technology and other means to get there. So, that is what our philosophy has been and drive to increase more outlets and making more productive beats and increasing the productivity
- Sajjan Jain:** So, productivity would also mean that you may be more aggressive in new launches?
- M. R. Jyothy:** It means selling, if one particular sales guy is selling say two lines or three lines, it is basically increasing more SKUs and more, the same retail outlet will have more of our SKUs. We have lot of brands, so scope of growth in every SKU that way, so if your average is around 3, the intent is to go to 4 or 5 like that. It depends on each geography.
- Sajjan Jain:** And what kind of direct reach you want to take it to say next couple of years, distribution reach from 1 million to what is the aspiration?
- Sanjay Agarwal:** So, Sajjan, obviously there are internal ambitions and as I said 1 million today is sufficient for the existing turnover what we are doing. we don't want to put a number on target for distribution reach. We want to make it more cost effective and increasing the productivity from the existing network.
- Sajjan Jain:** So, that would also mean Sanjay may be double digit growth, maybe we can assume a structural growth of double digit looking at the kind of work you have done on distribution and productivity, so what kind of growth you guys are building in?
- Sanjay Agarwal:** Sajjan, we definitely will target to have a double digit growth.
- Moderator:** Thank you. The next question is from the line of Harsh Shah from Incred. Please go ahead.

- Harsh Shah:** Within the fabric care segment, what would be the contribution on let us say salience of mid price brands like Mr. White and More Light now compared to pre-COVID level?
- Sanjay Agarwal:** We don't want to say pre-COVID level, but both of them have been growing well. So, both More Light and Mr. White were there as part of our portfolio earlier also and as we speak now, yes they are growing on a lower base at a faster growth, so higher double digit is what we are seeing both in More Light and Mr. White.
- Harsh Shah:** And are we focusing these brands in any particular markets or particular geography?
- Sanjay Agarwal:** No, it is more on the pan India distributed brands.
- Moderator:** Thank you. We have the next question from the line of Naysar Parikh from Native Capital. Please go ahead.
- Naysar Parikh:** Last time you had given the numbers, I think North and West was around 30% of revenues which for the industry would be upwards of 50, so I just wanted to understand what is the growth for the North and West region, is it higher for the company overall, is that doing better and secondly, what are we doing to kind of bulk of distribution there, so that we can go faster where we are underrepresented?
- Sanjay Agarwal:** We have seen a good growth across India, whether it is South or North or West. There are certain pockets of strength what we have in South, in some brands and in some brands we are strong in North and West as well, so it will depend on the strategy for that particular brand and as you know we have four categories and within that also multiple brands in which we are operating, so it depends on each year to year where the focus of the marketing and the management team have. So, both North and West, yes, it gives us lot more opportunity for us and as time passes by our distribution become much stronger across India and these markets as well. We will see a growth across India, so it is nothing specific that we will only focus on North and West. We have some pockets of strength in the East, some are very strong brands in South and rather than losing them we will rather capitalize on our strength there as well.
- Naysar Parikh:** But just on the distribution side, because obviously West and North are big markets and some of your competition also very big there, in terms of either the team strength or something, if you can give any numbers or metrics, are we doing anything different, are we trying to ensure that the market share that we have is obviously much lower than the market share we have in South and East, so how do we kind of increase our market share in those regions?
- M. R. Jyothy:** We have been consistently investing on our brands and again its hard work, its distribution that finally will also help, so both brand building and distribution will go hand in hand and that is the common strategy, but yes, it is pretty, lot of hard work and that will keep continuing and from where we were to where we are now, we have been growing in all these geographies.

- Moderator:** Thank you. We have the next question from the line of Karan Bhuwania from ICICI Securities. Please go ahead.
- Karan Bhuwania:** So, in HI category can you highlight what is the salience of liquid compressor as of today you have been focusing on the Maxo Liquid Vaporiser for some time now, so what has been the trajectory and improvement in the mix and what is the part of profitability in that particular segment if you can answer those two kindly?
- Sanjay Agarwal:** Karan, we have spoken in the past about some of the seasonal issues we have seen in North and East which are our core market, so things are improving and therefore going forward this quarter is going to be an important season for us. Also, we have seen illegal incense sticks impact on the coil category. So, going forward, yes, as you said our focus is more on the liquid side of it, which is around 35% of our portfolio. So, we would rather focus on expanding that and the good thing is as we speak our market shares are holding up. So, we will wait for this quarter how the season behaves and we are hopeful that we will see a turnaround in this category as well.
- Karan Bhuwania:** Secondly, you have been saying that LUP has been selling in rural so have you focused more on LUPs any bridge packs, though cater to the rural consumers and anything specifically you are doing in rural markets to drive faster growth?
- M. R. Jyothy:** LUPs have been growing for us in double digit, so if you see with the current situation that is where it is or that make sense for consumers especially in the rural, so both are Rs. 5 and Rs. 10 packs have been doing well. We have also introduced like you said the bridge pack at Rs. 20 since many of the other MRPs have gone up, the Rs. 20 pack has also come in most segments and we are seeing pretty much good impact there as well.
- Karan Bhuwania:** Will you be able to share what is the contribution of LUPs to your portfolio?
- Sanjay Agarwal:** For the company, overall, Rs. 5, Rs. 10 and the LUPs account for around 30-35% of our total business.
- Moderator:** Thank you. We have the next question from the line of Manoj Menon from ICICI Securities. Please go ahead.
- Manoj Menon:** Two quick ones, one on the insecticides category while I heard the seasonality comment, but if we look at the longer term in the trajectory for you and as well as for the other player, is it fair to say that it is just not the seasonality, there is something else is also playing out because as I recall during COVID times, there was this regaining of share from incense sticks and post that we have not really heard about what is really happening to incense sticks, etc., is there something underlying which is actually playing out apart from just the seasonality at a category level and being one of the large players definitely in one of the parts of India, it definitely have sort of a tailwind/headwind for you right?

M. R. Jyothy: See, during COVID, like you said, yes, we did see good growth happen in this category. It was also the impact of COVID, I would say, people wanted to avoid going to hospitals or things like that, so that kind of thing we did see the use of hand washer, sanitizers, all of these healthcare segments did grow well and illegal incense sticks manufacturers definitely going out. Now that things have cleared and all have come back, yes, that is one category the legal incense sticks has been growing. So, yes, one is that and then the seasonal impact that has actually impacted. Both of these have impacted the entire category.

Manoj Menon: Secondly, top down when I look at the next let us say 3, 5, 7 years for Jyothy Labs if you could call out let us say what could be those 3 or 4 incremental drivers, for example, when I look at it today, it is probably less appreciated that dish wash for example is the largest category for you which was the result of let us say lot of painstaking effort you have done much earlier, secondly, currently it is a mid-segment detergent basically extending the brand to other markets etc., so if you could talk about things like let us say liquid detergent what are you finding in terms of consumed behavior and more importantly acceptance of new brands which is the premiumization drive of you, secondly with some more granular color in terms of the ramp up plans for Crisp and Shine or any other things which are the 3-4 things which could potentially be those big drivers of incremental growth for you?

M. R. Jyothy: For us, our post wash, so if you see fabric care, our post wash, our detergents and the newly launched liquid detergents all of them have been doing well. Crisp and Shine, it is a category where it requires lot of education, so we will be going one by one each market. It won't be an all India thing all of a sudden. There are these, post wash using markets especially in that category and we would want to go and invest behind and educate consumers on that, but we have seen good growth post COVID. That was one which has got impacted. Both the post washes had got impacted and now they are coming back, have almost come back, so we will be seeing good growth happen there. In the liquid detergents, yes, we see that shift happening from with the consumers the categories are growing in very high double digits and obviously when trusted brand launches and obviously the mix is working for us, the price, the quality of the offering is also working for us. So, that also coupled with the category growing that is going to give us that kind of growth in the coming future and in detergent and powders we have brands at every segment, the premium, the mid segment and the mass segment and in times like these, the lower end also has grown. So, if you see for us, all of these brands have been firing this year, in fact, last few quarters, it has been doing well and all of these will be contributing to the overall growth.

Moderator: Thank you. The next question is from the line of Shreyans J from Svan Investments. Please go ahead.

Shreyans J: Just wanted to understand sir, if I look at your gross margins Q-o-Q, we are seeing quite a lot of improvement there and I am looking at your standalone numbers, so just wanted to understand in spite of the revenue degrowth Q-o-Q you are seeing strong improvement in gross margins and you also mentioned that LUPs are selling more, so just wanted to understand is it only because of RM or do you think the product mix change has also led to this improvement in gross margins?

- Sanjay Agarwal:** Shreyans, it is primarily because of the softening of the raw materials which aids us in the gross margin and in the past as we know that the margin decline had happened primarily because of the raw material prices going sharply up, so as things are moderating out we have got that benefit in the gross margin levels and the price increases which we have taken in the past is also helping us in that, so multiple factors which is getting us back to our earlier gross margin level, so we are hopeful in future we should be back to our earlier EBITDA margin profile of 15-16%.
- Shreyans J:** So, yes, just wanted to check that on that, earlier we used to do about 15-16 odd levels of EBITDA margin, so what do you think strategy wise would you guys have to do to get back or do you think the current run rate and the way we are doing our business and the things that we are doing on the ground will help us to get to those margins eventually in a year or two, how do you guys look at this?
- Sanjay Agarwal:** So, if you see how sequentially things have been improving, we hope that the same trajectory will continue and which would be a mix of softening of raw material prices, some of the price increases which we have taken, I think all of these things put together in times to come we should be back to our earlier margin profile.
- Shreyans J:** And sir, just fundamentally wanted to understand what is actually happening in the fabric care segment because I think you have grown well, another competitor has done really well in this kind of the segment, so we are seeing demand softness across the board, but this is one category where we are not seeing softness, so just fundamentally wanted to understand is there anything that is happening underneath that we have not been able to understand, what is it like?
- M. R. Jyothy:** We will speak about us and the thing is like I said in the earlier thing also that for us the fabric care is the post wash, the main wash and the newly launched liquid detergents and the thing is we are there at each and every price segment that is there in the market and all of them have been doing well, also coupled with the distribution reach and all of that. So, that is about it. In that we have been investing on these brands as well and we have also gained market share.
- Shreyans J:** And just last bit, just wanted to understand your market share numbers, when I look at Ujala Supreme market share numbers, we are at 83.6 versus 84.1 in the March quarter, so anything to look into that 50 bps we have lost market share here and in home insecticides also I think we lost about 50 bps of market share?
- M. R. Jyothy:** No, so I would say that rather that we have been maintaining 50 bps here and there doesn't make a huge thing in our category, we are by far the market leaders in the post wash segment and there is no concern as such.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.



*Jyothy Labs Limited
January 25, 2023*

Sanjay Agarwal: Thank you everyone and we appreciate you all for asking us questions and having a good discussion. We look forward for your comments and any questions you have, please reach out to us as well as to I-Sec team. Thank you everyone.

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