

Kaya limited
Q4 Financial Year 2015-16 Results
Conference Call
May 26th, 2016

Management: Mr. S. Subramanian – CEO – Kaya India
Mr. Debashish Neogi - CEO – Kaya Middle East
Mr. Dharmendar Jain – CFO – Kaya limited

Moderator:

Ladies and Gentleman, good day and welcome to the Kaya Limited Q4 FY 16 post results conference call. As a reminder, all participants' line will be in the listen only mode. There will be an opportunity to ask questions after the presentation concludes. Should you need any assistance during the conference, please signal the operator by pressing "*" and "0" on your touchtone phone. Please note that your conference is being recorded.

We have with us the senior management team of Kaya and its subsidiaries: Mr. S. Subramanian CEO Kaya India, Mr. Debashish Neogi CEO Kaya Middle East, and Mr. Dharmendar Jain CFO Kaya Limited.

I would now like to hand over the call to Mr Dharmendar Jain who will take us through the Kaya performance during the quarter. Over to you sir!

Mr. Dharmendar Jain

Good evening everybody, I welcome you to the conference call on our company's behalf. I will just update you on the quarter numbers followed by the annual numbers:

Q4 FY 16

- Kaya group posted consolidated Revenue from Operations of Rs 102.1 crores for the quarter ended 31st March 2016, a growth of 17% over corresponding quarter ended 31st March 2015 on a consolidated basis.
 - Kaya India Net Revenue grew by 8% (same store growth (SSG) flat).
 - Kaya Middle East Revenue has grown by 28%. Same store growth (SSG) is 20%.
 - *SSG @ constant currency for Q4 FY 16 is 11%*

- Consolidated EBIDTA was Rs. 3.9 crores (4% of Revenue) as compared to Rs 7.5 crores (9% of Revenue) in Q4 FY 15.
 - One off acquisition and JV set up related costs in Middle east amounting to Rs 1.4 crs is included
 - Like to like EBIDTA is INR 7.6 crs (8% of NR) as compared to Rs 8.0 crs (9% of NR) in Q4 FY 15

- Operating Profit after Tax items for the quarter ended 31st March 2016 is Rs 1.3 crores (1% of Net Revenue) compared to Rs 6.4 crores (7% of Net Revenue) for the corresponding quarter last year.

- Kaya has added 1 clinic and 31 Kaya Skin Bar doors across formats in India and has acquired 1 clinic in Middle East in Q4 FY16. Overall in India, Kaya has 107 clinics & 134 Kaya Skin Bar outlets and operates 21 clinics in Middle East.

Now I will update with the annual numbers

FY 16 Annual Numbers update

- Kaya group posted consolidated Revenue from Operations of Rs 369.9 crores for FY 16, a growth of 12% over FY 15 on a consolidated basis.
 - Kaya India Net Revenue grew by 7% (same store growth (SSG) flat).
 - Kaya Middle East Revenue has grown by 17%. Same store growth (SSG) is 11%.
 - *SSG @ constant currency for FY 16 is 5%*

- Consolidated EBIDTA was Rs. 14.0 crores (4% of Revenue) as compared to Rs 33.6 crores (10% of Revenue) in FY 15.

The one disclosure I would like to update as part of good governance, we have encountered breach of employee fidelity during the year. It has an impact of 0.2% of the consolidated net revenue FY16. We have taken appropriate control measures to curb this in future.

- Profit after Tax items for the FY 16 is Rs 8.8 crores (2% of Net Revenue) compared to Rs 31.8 crores (10% of Net Revenue) over FY 15.
- During the year Kaya has added 8 clinics and 121 Kaya Skin Bar doors across formats in India and has acquired 2 clinics in Middle East in FY16. Overall in India Kaya has 107 clinics & 134 Kaya Skin Bar outlets and operates 21 clinics in Middle East.
- During the year 8 products and 10 new services got introduced in India and 19 products got introduced in Middle east

One more update on the various awards what we have got :

Awards:

- Kaya India has recently won **“Most Trusted Brand - Cosmetic Dermatology (India)”** Award at the World Brand Summit Ceremony.
- Kaya India has been recognized as **“Top 10 workplaces – Great Place to Work – Retail”**
- Kaya has been recognized as **Super brand for the year 2016** in UAE for the 6th consecutive year

I now open the session for questions and answers, and I would like to answer them. Thank you.

Moderator:

Thank you Mr. Dharmendar for the opening comments. We will now begin the question and answer session. If you wish to ask a question, please press “*” and “1” on your touchtone phone and if you wish to withdraw your request from question queue, please dial “1” to remove yourself from the queue. Dear participants please press “*” and 1 for your questions. Participants, if you have any questions please press “*” and 1.

The first question comes from Mr. Vivek Joshi from Startup. Please go ahead sir.

Mr. Vivek Joshi:

I have one main question that is we are finding it increasingly difficult to make profits in India. What is the main reason behind it, like is it that the model is not yet fixed, or I mean there is a mismatch in our estimation of demand versus supply. So if the turnout and operating profits in India are not visible at all. Middle East seems to be carrying the burden of like the business mainly. So some comments on that and something you mentioned about the breach of employee something so I was not able to hear so can you just tell us a little more about what happened.

Mr. Subramanian:

This is Subramanian here. So as far as India is concerned last year we did see a little bit of sluggish demand. And overall the customer account got impacted. And if you look at it I think what has actually led to the business was from a standpoint of growth perspective, there was you know, sort of a retention issue more on the lower end of the segment which is primarily a dealing with their products and peak customers and to some extent the frequency also got impacted. So primarily since it is a fixed cause business, you know, you need to grow out a certain percentage to be able to you know, retain margins because it got impacted, so margins got impacted. But we see our earlier results, prior to last four quarters, I think it has consistently grown and therefore has been able to generate margins as well. Going forward I think they will be, there are a lot of initiatives that are coming in line which will probably you know, bail us out of this thing in terms of SSG growth. We have looked at prototype of hair, which is currently there a prototype in Delhi for the last three quarters. Taking the learning of that, we are actually taking it forward as far as business is concerned into the coming quarters. And in addition to that I think we are also looking at you know, streamlining our overall acquisition funnel and retention funnel so all that should lead to better customer count and therefore SSG going forward into the next few quarters. On the employee fidelity that we talked about a case has been noticed, the impact is 0.2% of the consolidated net revenue and we have given the nature of the business and a very distributed kind of a business, over about a 110 centers across the country. It is also a lot of trust in empowerment which we give our employees, but having said that, in this case there was a breach of that trust, that has occurred and then we have sort of taken appropriate measures related to the incident and also taken steps to avoid such issues in the future.

Mr. Vivek Joshi:

Do I get a follow up question or do I go back in the queue?

Mr. Subramanian:

You can continue, one question maybe.

Mr. Vivek Joshi:

It slipped my mind, I will probably come back later.

Moderator:

Thank you Sir. We have our next question from Mr. Naveen from Arch Finance. Please go ahead sir. Mr. Naveen, please go ahead sir.

We have our next question from Mr. Vivek Joshi from Startup. Please go ahead sir.

Mr. Vivek Joshi:

I noticed that the customer count is like going down but the ticket size is still going up. So is it a constant strategy to vacate the lower end of the segment or you drew a plan to make a comeback or strategically are we moving towards premiumization or, is the ambition still to become a mass kind of a brand or whatever. So strategically I want some color on that.

Mr. Subramanian:

See I think Kaya has been a premium brand and it will continue to be so, I think where you are seeing a de-growth in customer count is basically like because it was a little bit sluggish as far as the macro economic factors are concerned last year, the impact was seen primarily seen on the lower end of the spectrum of single session products, customers and deal customers. I think once there is a little bit of a pickup we will see growth happening on that front as well. As far as offerings are concerned I think we constantly aim to fill need gaps across the market, across various price points, so that will continue to be a journey. And in Middle East may be Debashish can talk about.

Mr. Vivek Joshi:

Mainly India so it is fine.

Mr. Jain:

Next question please.

Moderator:

Certainly Sir. We have our next question from Mr. Rajesh from Banyan Capital. Please go ahead sir.

Mr. Rajesh:

Thanks for the opportunity. My first question is what the store level EBITDA is for FY 16 in India as well as Middle East.

Mr. Jain:

Are you referring to the overall EBITDA or store level EBITDA?

Mr. Rajesh:

Store level EBITDA

Mr. Jain:

Store level EBITDA was around 29% in India. And Middle East is around 38%. India has impact of both the existing and new clinics .

Mr. Subramanian:

The margins in the India business were impacted because of two reasons, one is the SSG did not come as per expectations. Number two and being a fixed cost business it starts to impact your

margins. The second thing is that a lot of expansions had come in the last two years. So those clinics have to gestate and you know, they have a period of gestation both in clinics and skin bars. So once that starts to pickup, things will start looking better.

Mr. Rajesh:

Right got it. The second question is what the revenue from products was during the year and what was the comparable number last year?

Mr. Subramanian:

See full year we closed the overall products business collection at about 21% in India. It was 19% last year; it was a 2% shift in contribution.

Mr. Rajesh:

So that is the 21% of the total Indian revenue scheme from the products right?

Mr. Subramanian:

That's right.

Mr. Rajesh:

And how much of that was from KSB?

Mr. Jain:

Almost 4% from the KSB.

Mr. Rajesh:

The final question is what is the capex plan for current financial year in India as well as the Middle East.

Mr. Jain:

See total capex plan is around 35 crores. India has the capex plan of around 15-18 crores and balance is on the Kaya Middle East.

Mr. Rajesh:

What about Kuwait? Will there be something separate for Kuwait.

Mr. Jain:

Kuwait we have just setup the new JV there, so there will some marginal investment going forward.

Mr. Rajesh:

That's all I had. Thank you very much.

Moderator:

Thank you for your question we have our next question from Mr. Naveen from Arch Finance. Please go ahead sir. No response from his line can we take the next question?

Mr. Jain:

Yeah next question.

Moderator:

Thank you, next question from Mr. Govind from Alpha Accurate. Please go ahead sir.

Mr. Govind:

Hi, can you give us some color on the demand environment considering that we are seeing some green shoots of recovery in the Indian economy. Especially this April and May, and are

you seeing this improvement going forward? That's one and second is the competitive landscape, is it impacting your growth rate or competitive landscape remain same?

Mr. Subramanian:

If I look at the competitive landscape last year I think there was a lot of activity I would say. Both online and offline Brick and Mortar and we also had aggregators sort of coming up in various catchments, setting up similar kind of clinics and also propagating the presence of local dermatologists. I think to that extent some amount of competition will be there. However if I look at the macro economic factors you are right about the fact that April and May start showing you know, improvements and from a margin improvement perspective for India just to add I think we are doing the following. Of course SSG is going to be important for us and we are looking at close to about double digits as far as the year is concerned. Number two is that, we have looked at a little bit of consolidation on the overall expansions of clinics and bars. I think we would take a pause. We have got a team working on you know, being able to work around these catchments to make these clinics work and gestate faster. And of course we have activities planned to be able to improve the overall business with respect to revenue growth by the introduction of newer services which we will try and scale up over the next two quarters.

Mr. Govind:

On this online competition which is relatively very cost effective models, are you seeing this as a threat? May not be immediately, but may be one or two years down the line...if someone you know, professional and over a period of time start sending the experts to their customers houses and then build this as a brand. So maybe one year two years down the line, are you think this is a threat?

Mr. Subramanian:

As far as services are concerned it is a high touch, high feel kind of a business. So it cannot be necessarily given away in you know, any environment. There are a lot of requirements for this to come together right. Having said that I think there will be these you know, online option and business models evolving. I think we are seeing a lot of models evolving in the market place, but I think as far as we are concerned, the services part of it will be you know, primarily a Brick and Mortar and the only thing is that we need to be able sort of engage with customers in terms of offerings and continue to deliver efficacy and experience.

Mr. Govind:

Okay. My second question is on some products. You know, when I met the management Mr. Jain two months back, we talked about introducing a product line for hair, hair treatment so if you can give me some update on that, as to what's happening and how is it growing and what's the outlook?

Mr. Subramanian:

Actually we have done a prototype on hair services, you know, in one market last three quarters starting July we did it last year in Delhi. This is primarily non invasive regeneration services. We have now taken the learning's, we've had some studies to back us in terms of how you know how it actually impacts and you know, efficaciously also improving the thickness and density of hair over a period of say a few sessions. We are taking this forward and scaling it up across the country in the next one or two months, this is only one part of the service. Of course the offerings will have to be augmented over the period of next two three quarters where we will try and add more and more offering and services to be able to be more comprehensive in our overall offering with respect to services and products on hair.

Mr. Govind:

Okay. Thank you so much.

Mr. Subramanian:

Thank you.

Moderator:

Thank you for your question. Participants for any further questions please press "*" and "1". Next questions from Ms Devanshi from Dolat Capital, Please go ahead.

Mr. Amit:

This is Amit, thank you for the opportunity. You indicated double digit SSG growth, so wanted to get the idea...sense on the hair. Are you including the hair service when you talk about the double digit growth or is it excluding the hair?

Mr. Subramanian:

No, it is including the hair services.

Mr. Amit:

Okay also while we talk about SSG growth so I just want to know gross growth would be how much for the India business actually?

Mr. Subramanian:

It is mix of factor but we have been 5-6% roughly.

Mr. Amit:

Okay, this is overall? At the store level you are saying right?

Mr. Subramanian:

Overall I am saying.

Mr. Amit:

Overall including the corporate expenses.

Mr. Subramanian:

Yeah

Mr. Amit:

One more point on the product side, so this quarter actually when you try to look at the breakup the product segment shows a decline. I mean I understand that's more on the collection and clinic side but we re-launched some of our products. So what has been the response to that and why there has been a decline when there has been a product launch and all. Just to get an idea.

Mr. Subramanian:

Yeah, I think we have a journey as far as the product is concerned. One is that in terms of the re-launch of these two SKUs I think the replacement has not happened fully and we are working towards that. And number two is that you know, the assorted is also something that we are working on, and overall in the next two to three quarters, we are seeing more strengthening of the portfolio and also we are in the process of development of claims to substantiate the delivery in terms of efficacy, so all this coming together, we would see some amount of action as far as the product front is concerned.

Mr. Subramanian:

Just to add one more thing, in case of journey in terms of the products, we've also invested in a new business head, new person also has come into the top management to spearhead the business independently which was actually needed to share nature of responsibility between clinics and products but now we have a dedicated person to spearhead and move the business forward.

Mr. Amit:

Who is this, what is his background actually.

Mr. Subramanian:

No they are from the industry only from the retail industry.

Mr. Amit:

Okay

Mr. Jain:

Amit one clarification, overall as a product as it is we have grown by 24%, but clinic only there is de-growth.

Mr. Amit:

Yeah, that is largely driven by KSB.

Mr. Jain:

and also from Ecommerce.

Mr. Amit:

Just on the exceptional item you indicated in the Middle East business for 1.4 crores can you put more light on this? What is this JV expense of one time in nature?

Mr. Jain:

We have done acquisition and JV setup there. So there are incidental costs for setup, legal expenses and some professional fees, for transaction and some due diligence cost. These are one off as a part of acquisition and one JV setup.

Mr. Amit:

Has this come in the employee cost, in the KME business?

Mr. Jain:

It is part of the other expense.

Mr. Amit:

Okay. If it is other expense on the sequential basis and not gone up, it is about not a significant increase but employee cost is if I just consolidate minus these standalone numbers that number comes to about 22.7 crores versus the run rate of 19 crores. So what should be the base number because this employee cost has been consistently going up in the KME side? I just wanted to check on the employee cost and the KME side. Is this the final number we should look or there is more addition to it.

Mr. Jain:

Just to add to that. What you are seeing is the cost incurred for the new clinic to be added, we added two new clinics one in Kuwait and then in Abu Dhabi. So the cost of two clinics is also coming in this, including the Dr cost.

Mr. Amit:

What has been the scenario right now in April, May, June, what has been the demand scenario and what about India and Middle East business. Middle east business SSG growth has been decent but the collection now on a constant currency basis has a bit of slowdown. What's the outlook on the KME side actually?

Mr. Neogi:

KME side we expect SSG a constantly to provide around 7% which we have been constantly seeing for the last two years and we have been delivering on that. so we expect that this should go to be in that range of 5-8% because Saudi is one of the factors in middle east and we are closely watching the macro-environment situation there, so that's why we are cautiously optimistic from that geography.

Mr. Amit:

Have you seen some initial signs of slowdown?

Mr. Neogi:

In Saudi yes. But not in other geographies not so. So Saudi constitute around 23% of our business. 23% of our business we are seeing some slowdown but not on the other part. Not in UAE or not in Kuwait or Oman.

Mr. Amit:

So on the overall on India specifically for the business of FY17; you think that you would be able to have positive EBITDA for this year with this guidance of a double digit SSG growth.

Mr. Subramanian:

At an EBITDA level yes. And it is a function of two things, we are looking at breaking even of stores, which are being opened in the last two years and of course the current business also, the existing clinics prior to that also is expected to turn around in terms of overall EBITDA for the business.

Mr. Amit:

What has been the response of clinics we opened last year in Q4, has there been an improvement in that? Any specific activation thing that you would like to mention?

Mr. Subramanian:

Basically we have sort of deployed a separate team which is going to be looking at a catchment level to you know, generate demand and fix the top line for the particular clinic in terms of customer acquisition and retention. So that has come in place and we've seen good traction of it in the last two months.

Mr. Amit:

Is it more to do with in the same catchment area or it is mining of the existing customers, is that what they focus.

Mr. Subramanian:

No this team fully dedicated to new clinics that are opened in the last two years.

Mr. Amit:

So it is more to do with new customer acquisition in those clinics

Mr. Subramanian:

Correct.

Mr. Amit:

Thank you so much, I will come back.

Moderator:

Thank you, we have our next question from Mr. Prateek Kumar - Individual Shareholder. Please go ahead sir.

Mr. Trivedi:

This is Prateek Trivedi, thanks for the opportunity, see I would like to ask on a rather more holistic thing rather than get into individual financial statements of different quarters. We have done a massive expansion in the last two years, so how could we really expect that kind of increase in the top line work in the times to come because two years is quite a time to most of us clinics...so what I am trying to understand from you is that how could we expect really to have, that kind of increase in the revenue because if you look into the revenue, it is almost being flat for the Indian operations, so whatever growth we are getting, we are getting growth from the overseas. As far as the Indian business is concerned it is very flat.

Mr. Subramanian:

No the SSG has been flat, but the overall revenue growth has been close to about 10%.

Mr. Trivedi:

So it is low since we are in expansion mode in the last two years so it should be rather more than 10%.

Mr. Subramanian:

So I think that's exactly what we are saying, but if you look at it, most of our expansion scheme in Q4 last year and more towards, Q2, Q3, this year, so if you would see that you know, some of the clinics have just completed just about a year and some of them are just in the process of completing a year. So I think you will start seeing a better traction on this but if you compare the last years SSG and your being flat in the overall revenue about 8-10%, I think that gives you an indication of what the new clinics have been able to add to the top line.

Mr. Trivedi:

But do we have a plan in terms of new product launch or cater more things so that we can increase performance.

Mr. Subramanian:

Yeah definitely. We are definitely launching new services which I spoke about, I think the one we are talking about is hair, but of course this will take some time to seep into the system and even grow from there.

Mr. Trivedi:

So what is the targeted number for the current year? What are you actually targeting for the running fiscal year that we has started?

Mr. Subramanian:

See we don't give such guidance but I think we are definitely looking at double digit growth overall.

Mr. Trivedi:

Thank you.

Moderator:

Thank you, next question is from Mr. Manjeet Buaria from Solitary Investments. Please go ahead.

Mr. Buaria

This is Manjeet here, thanks for taking my question. The first one was when you are guiding for a double digit SSG growth in India, the coming year, then how much is the say value terms and how much is the volume terms may be if you can just guide to it

Mr. Subramanian:

Difficult to give you the picture completely at this point, but yes I think the idea would be to sort of work on customers, because it is important that when we start to increase our services, offering etc, we need to improve our base of customers. Second is obviously there has not been too much of infusion of technology, the kind of investments that we have been making is more towards creating a demand, improving our customer base and then working towards the up gradation of services.

Mr. Buaria

But any tentative price increase planned for this year?

Mr. Subramanian:

No now there is no price that is planned as of now.

Mr. Buaria

Okay. My second question is from the earlier discussion with the management what I had come to understand is basically India 20-30% is the store level of EBITDA margin. 20% of the India revenue is corporate overheads of which almost 65% was people cost. So that was almost 13% of India revenues, and we were looking at rationalizing this, so is the progress of this front?

Mr. Subramanian:

I think at this point of time there is no other plans for rationalization, because we are entering a growth phase as well in terms of expansions, and we have been doing it for the last few quarters but once you see top line happening as a percentage of overall cost there will be leverage happening on both ASP and corporate overheads.

Mr. Buaria

For FY16 in Kaya India basically EBITDA margin after Corporate OH and advertising would be roughly 2-3%?

Mr. Subramanian:

For the current year?

Mr. Buaria

Yes for FY16.

Mr. Subramanian:

Like to like is 1%.

Mr. Buaria

Sorry I am speaking about the EBITDA margin after corporate overheads & advertising in India.

Mr. Dharmendar Jain:

EBITDA is -6%. That is including all the new clinics impact and KSB in site.

Mr. Buaria

Is there any advertising spend level which we like maintain internally? Some 8% to 9% percent of revenue or something like that?

Mr. Subramanian:

Approximately that.

Mr. Buaria

Fair enough. And my final question is on an average, I understand you Skin Bar are basically in different formats maybe KIOSKS or store and stuff like that, but average size to look across the 134 Kaya Skin Bars which we now have, what is the average inventory we hold per Skin Bars?

Mr. Jain:

Around 1.5 to 2 lakhs rupees.

Mr. Buaria

1.5 to 2 lakhs rupees per Skin Bar. Okay thanks a lot.

Moderator:

Thank you sir, next question from Mr. Naveen from Arch Finance. Please go ahead sir.

Mr. Naveen:

Good evening. My question is to Mr. Subramanian please, this is regarding the launch of mobile app from customers and investors. So what status we are in?

Mr. Subramanian:

See Naveen, firstly digitization is happening in various phases. First thing we are doing is towards stabilizing our new power systems and we also sort of going into Wi-Fi across all clinics, we will be a sort of getting into completely paperless mode of transactions for documentation of all necessary aspects of the customer and also the therapy records. That is work in progress, so today by Q2 we should be able to sort of scale it up across which will also be a tool for demonstrating efficacy to our customers because we'll be taking images and sort of being able to sort of show the difference in our treatments and second is that obviously from a very

seamless workflow in the clinic there will be a lot of improvement in overall experience for customers. So, that is expected to sort of fall in place by Q2-Q3.

Mr. Naveen:

Okay. And for investors you are planning mobile app or not?

Mr. Subramanian:

No, nothing right now at this point in time. I think we will progress it stage by stage. I think currently the website is what is operational and that is where the information will be available.

Mr. Naveen:

My next question is regarding the total overall share of Delhi, Bangalore and Mumbai in Kaya India whole year.

Mr. Jain:

65% to 70%.

Mr. Naveen:

And the same ratio is there in the Q4 or in the overall year it is 65% only?

Mr. Subramanian:

Yeah, I think it will be around that much.

Mr. Naveen:

Okay. My last question is to Mr. Dharmendar Jain please regarding the specific customer advances from India and the UAE. Approximate how much is the outstanding on 31st March?

Mr. Jain:

Currently we are having the customer advance of around Rs 73.3 crores.

Mr. Naveen:

Okay. Can we quantify Kaya India and Middle East separately?

Mr. Neogi:

India is around 46 crores and Middle East is around 27 crores.

Mr. Naveen:

Okay thank you sir.

Moderator:

Thank you Sir. Participants for any further questions please press "*" and "1". Next question is from Mr. Manjeet Buaria from Solitary Investments.

Mr. Buaria:

Hi. Sir, I just wanted to get some color on the inventory level. So, this year it has gone up from 33 crores last year to around 53 crores this year. So, taking by the 2 lakh rupees inventory on average per Kaya Skin, but I am not able to re-consult this.

Mr. Jain:

This is actually in terms of KSB plus our new clinics in India plus two new clinics in addition. And also part of that we had a factory transition in the quarter 1 of this year so we had to do the additional production and keep in quarter 4.

Mr. Buaria:

To that extent it is higher than it should have.

Mr. Jain:

Yeah. This quarter we cannot do any production because there has been factory transition happening so we have done the production in advance.

Mr. Buaria:

Thanks. On loans and advances which have basically gone up from 20 to around 59 crores; is it mainly rental advantage or is there something else here?

Mr. Jain:

There is corporate deposit in that. Yeah, because of surplus funds we have invested in the deposit. Loans and advance or what?

Mr. Buaria:

Yeah, loans and advance. Short term loans and advance under your current assets basically.

Mr. Jain:

The surplus cash which we are holding we are deploying to the corporate deposits.

Mr. Buaria:

Okay thanks.

Moderator:

Thank you Sir. Next question from Mr. Naveen from Arch Finance. Please go ahead sir.

Mr. Naveen:

Overall what is the liquidity of cash and equivalent which there in the balance sheet? Because last year I think it was around 200 crore rupees current investment, cash and short term launch.

Mr. Jain:

Yeah, March closing we have got almost 149 crores.

Mr. Naveen:

149 crores is cash and cash equivalent?

Mr. Jain:

Yeah. Last year it was 182 crores.

Mr. Naveen:

So, we have reduced it by around 33 crores.

Mr. Jain:

Yeah, 33 crores which is deployed in various investment and capex.

Mr. Naveen:

So, we have added 25 crores of assets?

Mr. Jain:

Yeah, more than that.

Mr. Naveen:

Okay and my last question are to Mr. Subramanian. We have recently heard from some lifestyle store that four or five new SKUs are going to be launched in April-May, but these are not being

seen in the clinics or KSB formats so – when are these going to be launched and what type of products are this?

Mr. Subramanian:

See, there is a plan in Q1 to launch about 3-4 SKUs in the basic skincare range. I think that's because of the factory transition etc there has been a little bit of a shift. We'll be doing it more towards June and July.

Mr. Naveen:

So, this factory is owned by us or some outsourced agency?

Mr. Jain:

No, it is third party operation.

Mr. Naveen:

So, we are shipping to somewhere else?

Mr. Jain:

Same operator only – because the Excise exemption in our location has actually exhausted so it has moved to the new factory.

Mr. Naveen:

Uttaranchal we are closing?

Mr. Subramanian:

Yeah, Uttaranchal only from Bheemtal we are moving to Rudrapur. It has only moved the factory. Production has started in this new factory now.

Mr. Naveen:

So, we are not planning for the new product? Some female Kajal or lipstick or for male shaving cream and all these things, because these are all small things, but from recall of the Kaya brand these will be very good, because we are around 130 to 133 KSBs and 107 clinics are there. So, around 250 touchpoints are there and we have more brand recall by launching these kajal, lipstick, or male shaving cream?

Mr. Subramanian:

See, our focus will be primarily into medical related problem solutions and certain additional SKUs towards maintenance. Having said that I think there will be some general skin care category products which will be required. When we talked about kajal, lipstick, it's more towards colour cosmetics. Not necessarily in the space that we are operating in.

Mr. Naveen:

It can be skin family compared to other brands.

Mr. Subramanian:

Yeah, but at this point in time at least we'll not have a view to take that forward, but you will see some proliferation in range. I think all that assortment mix will come together in the next 2-3 quarters.

Mr. Naveen:

What is the percentage of male to female customers overall approx?

Mr. Subramanian:

Predominantly it is still a female dominated customer database. It has got 85% women and 15% men.

Mr. Naveen:

So, what steps we are talking to increase this gender ratio for customers?

Mr. Subramanian:

See, I think the current services and offerings are also more towards a female customer database. But when we get into hair category there will be some amount of infusion of male customers also into the clinic depending upon the kind of services that we are offering.

Mr. Naveen:

We are planning for 15 to 18 crores of capex in India and how much we are planning to invest in hair care which we are planning to launch in 1 or 3 months?

Mr. Jain:

See, it will around close to Rs 7 to 10 crores.

Mr. Naveen:

7 to 10 crores in new hair care services?

Mr. Jain:

Yes.

Mr. Naveen:

Okay sir, thank you very much.

Moderator:

Your next question from Mr. Advay – Individual Investor. Please go ahead Sir.

Mr. Advay:

Good evening sir. Thanks taking my question. Sir, I understand in the last couple of years we were on an expansion spree, but I would like to understand what is the gestation period for a Kaya Skin Bar or a Kaya Skin Clinic to be EBDITA positive?

Mr. Subramanian:

At the store level?

Mr. Advay:

Yeah, at the store level.

Mr. Jain:

So, the clinic will be anywhere between 18 to 24 months. And Skin Bar would be anywhere close to about 9 to 12 months.

Mr. Advay:

And approx out of the 100 plus stores that we have, how many stores will be EBDITA positive at 31st March?

Mr. Jain:

See, we are talking about SSIs here, because modern trade typically it works on a different model altogether. I think fairly a decent number of them would be at a store level. Overall the business is training towards positive at a store level.

Mr. Advay:

With the same store growth going into double digits in the coming year we expect that number to go up right?

Mr. Jain:

Yeah, obviously if the growth is there it would drive directly start to impact the margins positively.

Mr. Advay:

Okay. The second question is in this quarter in the Kaya Middle East we made a particular acquisition – could you kindly elaborate on that?

Mr. Neogi:

This is Debashish. We made actually a JV arrangement to enter the Kuwait market. So, this JV actually helps in getting into the Kuwait faster than going organically. So, with this JV we have now a quick foothold in Kuwait. And we are ramping up the operations. So, we will see the benefit over the next two or three quarters.

Mr. Advay:

Alright. My last question to Mr. Jain. Sir, on your console P&L we see about 141 crores in other expenses. Could you just give a broad idea what is clubbed into other expenses?

Mr. Jain:

See, the other expense will be having majority of the advertising cost, then our doctor consulting cost, then other operating expenses.

Mr. Advay:

And most of our stores are leased or do we own any stores?

Mr. Jain:

No, all of them are leased.

Mr. Advay:

Okay thank you so much sir, wish you all the best.

Mr. Jain:

Thank you.

Moderator:

Thank you. Ladies and gentlemen we will now take the last three questions. If you have any question please press "*" and "1". We have a question from Mr. BB Rajesh from Ben&Capital. Please go ahead Sir.

Mr. Rajesh:

Yeah, just wanted to clarify the SKUs that we are selling in KSBs and clinics, are we planning to sell them through other channels for example modern trade or ecommerce?

Mr. Subramanian:

Our products are represented in all the clinics, the skin bars. In skin bars we have our own formats of stores and we have shop-in-shops in departmental stores. And we also have some tie-ups with certain modern trade chains. Online we are actually also into tie-up with we have our own website through which we sell our products and we also have tie-ups with 10 to 12 alliance partners in this space and we sell through them as well.

Mr. Rajesh:

What is the percentage of product sales that is coming from these third party channels?

Mr. Subramanian:

The ecommerce you are saying?

Mr. Rajesh:

Ecommerce plus modern trade plus other third party channels through which you are selling the products?

Mr. Jain:

See, in the ecommerce we are getting 9% of the product sales.

Mr. Rajesh:

But majority of that must be coming from your own website.

Mr. Jain:

No, from that 70% is coming from the channel partners and 30% is coming from the Kaya home site.

Mr. Rajesh:

But not a big portion is coming from these modern trade or store-in-store kind of formats?

Mr. Jain:

Modern trade and shop-in-shop, which is around 20% is modern trade and balance 70% is coming from the SIS.

Mr. Rajesh:

And I am assuming those kinds of sales are quite profitable right? Especially from the ecommerce sites?

Mr. Jain:

Ecommerce obviously, ecommerce has got a better margin. In terms of having low cost of operations there.

Mr. Rajesh:

The other question is that if I remember correctly we have been talking about getting into the hair business for a while so had there been a delay in terms of launching it or hence we are now talking about getting into that business June or July?

Mr. Subramanian:

See, actually we specified that we will do it in phases and we will need to take learnings before we decide to scale up. So, the first phase of introduction of services was done in July-August last year, which post nine months of studies, because it takes some time to demonstrate efficacy. So, for us to do the studies and come to a conclusive feel about the efficacy of the services that we are offering it did take us a while and this is as per plan. And we are currently increasing the prototype launch which we had in Delhi for the rest of the clinics in the next 2 to 3 months. And post that we'll be trying out a different set of offerings which will again go through a prototype stage and then go into a scale up stage. So, hair will be happening in phases and it will overall add up to the kitty going forward. But it is not going to be immediate in the next one-quarter or two quarters. 2-3 quarters.

Mr. Rajesh:

Fair enough. I'm just trying to understand how we are studying assets, because directly it's all about increasing the revenue per square foot that you have and I think everyone is expecting something to happen in the next 12 months or the current four weeks. Thank you for answering the question.

Moderator:

Thank you Sir. Next question is from Ms Amit Dhruv, Dolat Capital. Pls go ahead.

Mr. Amit:

Ya Amit here. On the cost side just wanted to understand in the India business the other expenditure which has gone up by 14% so would it be largely driven by ad spends or would it be consultancy fee? But with consultancy would be largely to do with –

Mr. Jain:

No, yeah India actually has been the higher ASP spends in this quarter compared to the quarter last year. So, that is one of the major impacts in the India numbers.

Mr. Amit:

No, I'm saying that other expenditure has gone up because of?

Mr. Jain:

ASP increase

Mr. Amit:

OK

Mr. Jain:

One of the substantial increases in advertising spend.

Mr. Amit:

So, will this be a peak like kind of a number or should be here on also next year because we having a hair launch service launch then this number will keep going up for FY17 also?

Mr. Jain:

Yeah, on case-to-case basis and campaign basis I think they spend will have some slowing in one quarter and other quarters. But annually it will be within this range only quarter on quarter. Primarily it will be 7 to 9% - between that ranges only it will be there.

Mr. Amit:

Overall level will be 8 or so?

Mr. Jain:

Yeah.

Mr. Amit:

Okay. And in the KME businesses the cost kind of which is a quarterly run rate right now of about 46 crores. I understand this is something to do with even rupee depreciation. But I mean generally what is the outlook for that, because the employee cost is even its now at the peak – it should be taken that way or how?

Mr. Jain:

Employee cost quarter 4 is impacted because the two new clinics had come in that.

Mr. Amit:

Right.

Mr. Jain:

Otherwise I think KME has also now got stabilized in terms of structure, so this number will be more of a number which we move forward on the quarter-on-quarter.

Mr. Amit:

And in terms of contribution these two clinics adjusted for that what would be the growth for full year– is it a substantial number or?

Mr. Jain:

No, SSG growth for KME – you are talking about two clinics or SSG?

Mr. Amit:

No, I'm asking just for those two clinics what would have been the overall growth for the company?

Mr. Jain:

No, I think currently we don't have that number. I think we have in fact – we will update you on that.

Mr. Neogi:

You are asking without these two clinics what is the growth rate right?

Mr. Amit:

Yeah. So basically contribution of these two clinics in the revenue.

Mr Neogi:

You were asking without these two clinics what the growth rate right for Middle East is.

Mr. Amit:

Yeah on an overall basis.

Mr. Neogi:

So, with this it is 28% and without this it will be around 21-22%.

Mr. Amit:

Okay, and the full year? Because these two would have come in fourth quarter itself.

Mr. Jain:

It will ne hardly 1-1.5% impact.

Mr. Amit:

On a full year basis?

Mr. Jain:

Yeah.

Mr. Amit:

Okay sir, thank you.

Moderator:

Thank you Sir. We have our last question from Mr. Naveen from Arch Finance. Please go ahead sir.

Mr. Naveen:

My question is to Mr. Subramanian. Are we planning investor conference at Bombay to give real life investor feeling of how the Kaya business is operating, what are the products and services so that the awareness of the investor community increases about the Kaya Company?

Mr. Subramanian:

We will work out some plan in sometime in July-August and communicate accordingly

Mr. Naveen:

You can plan it around AGM one day advance or same day second half or something like that?

Mr. Subramanian:

Yeah, regarding that we will work out something and what is the feasibility we will communicate to investor / analyst community accordingly.

Mr. Naveen:

We will just wait and my last question; there may be some speculative nature in this news. Recently we heard last week that Kaya is planning to tie-up with Vella regarding the hair care production services. So, are we planning third party hair care products tie-up are we planning any type of hair care services in India?

Mr. Jain:

No, currently we don't have any such plans. Neither are we in discussions with anybody neither we have any plans as of now.

Mr. Naveen:

Okay thank you sir.

Moderator:

Thank you Sir. I would now like to hand over the floor to Mr. Dharmendar Jain for his closing remarks.

Mr. Jain:

Yeah. I thank you all the participants for attending the call. And if any further questions are there you can connect through our investor email id and seek clarifications. Thank you all.

Moderator:

Thank you very much ladies and gentlemen. We will conclude this conference call. Thank you for joining us. You may now disconnect your call. Thank you.
