February 3, 2024

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 023
BSE Code: 532926

National Stock Exchange of India Limited
Exchange Plaza, Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
Scrip Code: JYOTHYLAB

Dear Sirs,

Sub: Transcript of the earnings conference call for the quarter ended December 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, January 31, 2024 for analyst/ investors to discuss the Un-audited Financial Results for the quarter and nine months ended December 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 PARAG TRIVEDI
Digitally signed by SHREYAS PARAG TRIVEDI
Date: 2024.02.03 11:07:38 +05'30'

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Head – Legal & Company Secretary

Encl.: As above

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"Jyothy Labs Limited

Q3 FY'24 Earnings Conference Call"

January 31, 2024

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 the Jyothy Labs Q3 FY '24 Earnings 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 this 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. As always, it's our absolute pleasure to host the management of Jyothy Laboratories for the -- for this conference call. Over to management for the opening remarks and the presentation and post which we'll open the floor for Q&A. Over to you, sir.

Sanjay Agarwal: Thank you, Manoj, and good afternoon, everyone. We welcome you to the conference call of Jyothy Labs to discuss the financial performance for this quarter ended March 31st, 2023. I'm sure the results and the investor presentation, which are available on the stock exchange and also on our website, you all may have had a chance to look at it.

So on the business environment front, overall demand environment has been mixed due to high inflation, consumer spend has been reduced thereby driving significant competitive intensity and resulting in more focus towards volume growth.

The demand recovery at the rural India is yet to pick up the momentum. Input prices have eased off from the peak levels. And consequently, there is a higher the savings invested in higher A&P spend, which is driving higher competitiveness.

In the midst of all of this, we have sustained our growth momentum, with our net sales up by 10.6% value growth. Volume growth is 11%, while some minor price cuts across the portfolio. So the net value growth is 10.6%, with a volume growth 11%. EBITDA margin stand at 17.5% at INR118.6 crores, which is up by 40.6%. And net profit for the quarter is at INR90.0 crores, up by 34.9% for the quarter.

We continue to strengthen our franchise with regular investment in all the growth initiatives, which we have identified, which is towards strategic brand building, increasing our direct distribution and also manufacturing capacity augmentation. And this obviously is supported with our focused execution, which has resulted in double-digit revenue growth for this quarter and as well as on the 2-year and 3-year CAGR basis.

If you look at it, we're in a unique position with our product portfolio, having the offering for all the channels, which helps us in actually capturing growth through both premiumization and sales of low-unit packs.

As I mentioned earlier, the input prices have normalized, which has helped us in sustaining the margins. In spite of our higher level of A&P spend, which we have done, which has also helped us in growing market share across our portfolio. And we continuously invest behind our digital and ESG initiatives for sustained and a responsible growth. So overall, we are committed to build higher scale of operation with a superior margin profile and having a healthy cash position.

Moving on to the key categories performance. Fabric Care sales have increased by 11.9% for this quarter. The segment, as you all know, we have post wash and main wash brands, both have had healthy growth across. And our focus on -- I mean in addition to all the other brands, which we have, focus is also on growing the fast-growing liquid detergent category, which has also witnessed good results.

Also, our detergent powders have witnessed good demand, and we have been doing a lot of targeted consumer activations along with digital activities to build a strong Fabric Care portfolio.

In Dish wash, our sales have increased by 6.7% for this quarter in spite of all the market challenges. The growth is driven by initiatives we have undertaken towards strengthening the brands and making it more future-ready. Focus continues to drive LUPs, which enable us or which is enabling us a wider consumer recruitment.

In addition, OFOs and e-commerce are also supporting the offtake of premium SKUs, and we'll continue to invest in the media with specific emphasis on few high-impact properties, which will help us in accelerating the sales on a pan-India basis.

In Household Insecticide category, our sales increased by 5.4% for this quarter. As you all know, the category, we've been highlighting in the past as well, has been facing headwinds. We are focusing on the liquid format, and driving our brand communication, highlighting the automatic feature of the machine, which is unique in the category. For Q4, we remain positive, which is seasonally the large quarter for the HI business.

Finally, our Personal Care segment, our sales have increased by 22.3%. Our neem based Margo portfolio soaps, along with the new variants of rose, lemon, jasmine, they all have got good acceptance with the consumer, and we'll continue to focus on brand investments across medium, along with focus on distribution for the Personal Care segment.

So in summary, if we want to analyze what has stood out for us, three key initiatives.

First is the distribution. We have been investing in expansion of our distribution. We've increased our direct distribution with the aid of technology, which is helping us enhancing the productivity, and we are following a disciplined distribution approach there.

So distribution efficiency has gone up in terms of number of SKUs which we are selling per retail outlet, productive calls, and therefore, we constantly drive for a higher scale of distribution. So that's the first area.

The second area is, in addition to the TV spends, media spends on TV, our incremental spend, we are focusing on several digital properties, out-of-home, van operations, newspaper ads for each brand to reach out to the end consumer. There are several on-ground activities undertaken. A few of them, we have highlighted in our presentation as well. So these all new initiatives have also given us good incremental results.

Third, our NPDs are doing well. Case in example is our liquid detergent in Henko and Ujala. Similarly, our new launches of Margo variants have received good support. So all these strategic inputs or our focus is helping us keeping us closer to the consumer and ahead of the competition. And we'll continue our efforts in these areas and focus on the volume-led growth and achieve higher scale of business operation with a superior margin profile.

Also, we'll continue to invest through brand-building exercises for all our brands, as I mentioned, to build a higher scale of distribution and constantly increase productivity with the manufacturing capacity as well.

Going forward, as we know the challenges on the rural recovery, which is a big market, high inflation has impacted the consumers there, and it is a critical area to watch out for sustained category growth going forward.

We have consistently delivered double-digit growth -- revenue growth for the last 2 years and have expanded our profitability metrics. We'll keep focusing on execution, and expect our sales growth trajectory, as we have mentioned earlier, to be in the double digits, primarily led by volume for this full year of FY '23-'24.

Also on the margin front, with stable commodity prices, we should be able to hold for this year at our EBITDA margin level of 16% to 17% on an annualized basis.

With this, I finish my opening remarks. We are happy to answer any questions or clarification you all may have. Thank you very much.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Vishal Gutka from PhillipCapital.

Vishal Gutka: Congratulation on excellent set of numbers. Double-digit volume growth is really, really, commendable. Just 1 question on the recent media articles Jyothy madam had highlighted that we are targeting a revenue base of INR5,000 crores. So I just wanted to get a few clarification, what kind of time frame you're looking?

Are you looking to expand from -- to few categories? And it was mentioned that will be more driven by Personal Care. If you can provide any color or any more insights on this will be really helpful.

M. R. Jyothy: Yes, that's the larger vision that we need to get there sooner. And that's an aspiration while we are working on how to make that happen. And like you know, we are in these 4 categories, and we have a lot of room to grow within our existing portfolio. And also, if need be, we will be adding a few categories in the future. So yes, INR5,000 crores, what I have mentioned is a very serious aspiration.

Vishal Gutka: Okay. Any time frame will be really helpful to -- 4 years, 5 years, what kind of time frame you're looking? I agree with an aspiration, but any time frame if you can provide?

M. R. Jyothy: Okay. Sooner the better, maybe 4 years.

Moderator: The next question is from Percy line of from IIFL.

Percy: My first question is on M&A. What are your thoughts on M&A? Are you open to it? And if so, what are the guardrails or parameters under which you will make your decisions?

Sanjay Agarwal: So Percy, as you know, our organic business is doing well. And first, we would continuously focus much more on our organic business growth. And as Jyothy just mentioned, we have ample growth -- or scope in our existing categories in which we are present. Now on the M&A side of it, it obviously has to be in the same category of the business, which we understand, where we can utilize our existing distribution or manufacturing capacities and a business which we understand well.

So these are the outline what we have that we have again mentioned so many times in the past as well, we would want to do it. We evaluate every deal, but we want to do the right one at the right time. So just wait and watch.

Percy: Okay. So you mentioned that it would be in existing categories. So when you say that, are you looking at a very broad definition of category like HPC? Or are you looking at only the subcategories that you are in? So for -- just for example, supposing if there is something available in a shampoo, would you be open to that? Or you would just want to focus on the existing categories that you are on?

Sanjay Agarwal: Yes, Percy, so what I wanted to say was in the -- all the categories of FMCG business.

Percy: Sorry Sanjay, and I didn't understand clearly.

Sanjay Agarwal: Yes, as you mentioned, whether it is shampoos or home and personal care, everything is open for us.

Percy: Okay. Okay. Understood. Secondly, I just wanted to understand what is the road map and path to profitability of HIC? This has been a question, which I guess has been asked to you since many, many years. And your response has been that we need to increase the share of vaporizers and that is the way we will sort of make money.

But beyond that, can you give some more clarity on what is required to move the needle now? Because I'm sure it's been much longer than what you guys yourself would have expected in terms of breakeven on this category. So any kind of road maps, any kind of sort of time frames or milestones that we can monitor as investors for this?

Sanjay Agarwal: Yes. So Percy, see what is there in our hand is we have grown our other businesses at a much faster pace, and therefore, today, you see versus few years back, today, this business is only 7% of our top line. So therefore, the impact on us is much lesser from the top line perspective.

Now you know this category has got issues on seasonality, illegal incense sticks and so on and so forth, which is not too much in our hands. And we have -- as you mentioned, we have been focusing more on the liquid side of it. We have a new brand ambassador Kareena Kapoor on boarded last December quarter only. So we're making all our incremental efforts to make sure that what we have said and what we want to do where there is money to be made on the liquid side of it, we are focusing on that.

I think sometimes we need to be a bit more patient and we have some plans on HI as well. And we hope this is the only business which is marginally a bit negative. And as you said, yes, we would also want to make this category positive for us. So I think that's where some product innovation will help us, somewhere seasonality should help us.

And so we're making all those efforts to get to the profitability. I can't give you a time frame with it. But the electrical -- I mean, where we are moving towards -- more focus towards electric or liquid vaporizer and in the markets, which are east of India for us, where the government focus is also electrification or making affordable electricity for all of them, I think somewhere where we have very high market shares in Bihar, UP, Eastern UP, West Bengal, will also help us.

So we are hopeful and very positive and committed to make this category also positive.

Percy: And lastly, if I might be allowed on Fabric Care. If you can give some idea as to where the growth is coming? First of all, would I be right in assuming that on a Y-o-Y basis, the pricing is negative in Fabric Care, and therefore, your volume is even higher than the top line growth, that is a volume plus mix effect is what I'm talking about. So if that is the case, I mean, looking at low teens kind of volume growth in this category is really commendable and especially because it comes along with margin expansion as well.

So just wanted to understand, are there any new states where you were weak, where you are now sort of increasing your presence? Is that where the volume is coming from? Or is there any major out of the 3 or 4 brands, any brand which is ramping up much more than the others? Or what is really the contours of this growth is what I was looking at, not any exact numbers or anything, but just a flavor.

Sanjay Agarwal: Yes, Percy. Our post wash, which is Ujala Crisp & Shine and main -- Ujala Fabric Whitener, we have been focusing on increasing our volume share in some of the states where our volume share was low, which is on the Fabric Whitener. And that has done well. So I think that growth is positive, both on the Crisp & Shine and on Fabric Whitener. a lot of ground activations would have if you just flipped through our presentation, we have highlighted a lot of ground activations, which are helping that particular brand.

On the main wash, all the 3, 4 brands, which are Henko, Mr. White, MoreLight, Ujala detergent powder. There have been geographical expansion, like the Ujala detergent powder moving to outside of Kerala. Henko, where the liquid detergent has been a good promising launch. There the growth is very much higher than the category growth. So these are incremental steps or additional things which are helping the entire Fabric Care category for us.

And we hope we can continue the momentum. And as you know, post-wash is a high margin, and therefore, it's also aiding us in the overall profitability for the Fabric Care category.

Percy: Understood. Understood. And these other brands you had apart from Henko, more like Mr. White, etc, which you have started focusing on in the last couple of years versus earlier the focus was less, are they sort of growing in the states they were present historically or as a legacy? Or are you taking them to completely new states as well?

M. R. Jyothy: Yes, it is a mix of all of that. So both Mr. White and MoreLight, we have been expanding our geographies as well, also in terms of SKUs and geography expansion.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Quickly, a couple of questions from my side. One, Sanjay, on the ad spend, which has increased significantly, a lot of flow-through from GPs has gone in, is there a way to quantify to look at this and say that how much of this is, let's say, to maintain your share of voice to share of market? And how much of this incremental is actually for NPDs and something for long term building new categories or segments?

M. R. Jyothy: So Manoj, we really don't want to comment on share of voice thing. What we want is, if you see our initial -- or if you see some years back, we were mostly TV-specific only. Now what we have done is we invest behind digital, television ads, print, outdoors, it's a mix of all of this.

And for us, yes, we have to back any new launch that happens. And we take a call depending on which market to prioritize and where it's been launched, we take a call on that as per our -- the budgets and investment planning that we have. But we don't so much look into share of voice. We want to see whether we are able to reach our consumers better.

Manoj Menon: Understood, understood. One more thing on, the articulation of medium-term goalposts and targets, that's excellent, very few companies do that. Just if you could comment a little bit on the qualitative side of it, people side of it, process side of it, org structure, in this journey, have you started making some changes already? Or you think you're appropriately wired for these medium-term targets, which you have?

M. R. Jyothy: This medium-term targets, what do you have in mind, Manoj, if I can...

Manoj Menon: No, no, which you gave INR5,000 crores revenue and kind of as you grow size and scale and complexity, so just trying to understand the way the organization, which is structured currently, etcetera, is it appropriate? Or do you think you need to make some changes, which are probably already doing currently or something underway?

M. R. Jyothy: See, right now, I think we have the right resources with us. And with this itself, we are kind of confident that we'll be able to do it. As and when we require to change a little bit here and there, I think that's all what we'll have to do and this will be a combination of organic, inorganic possibly. So that's what we are aiming at. We'll see when it's the right time to add on, but the current structure, whether in terms of people, in terms of investment and everything else technology, all of that is engaged.

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

Kaustubh Pawaskar: Congrats for good set of numbers. I have a couple of questions. First on Dish washing space, our growth this quarter came at around 7%. So are we facing any competition in this category? And -- because of which the growth has been a little lower, or we are doing well compared to what the competition is doing?

M. R. Jyothy: See, yes. If you see, for us, the Dish wash segment has been the fastest growing, and we have reached a kind of scale and size there. But as we speak, you know that the rural markets are under a bit of stress.

And -- but we are still better off than the competition. We are better off than the most organized players. Yes, there are more competition in terms of local players and things like that, very, very local in terms of geography, in terms of district-wise you would see that right now. But as an organized branded player, we are doing fairly fine.

Kaustubh Pawaskar: So once the demand, especially in the rural market is improves, do you expect the growth in this vertical to improve? Because earlier, we used to achieve low-double-digit kind of a growth in this category. So can we expect it to improve in coming years?

M. R. Jyothy: Yes. I mean, we would want to improve it, and there are a few plans and things already in place, which you will see. And yes, like you said, if that competition comes down, definitely -- and if the rural markets pick up, we do have a chance to do well.

Kaustubh Pawaskar: My second question is on the raw material prices. So for us have raw material prices now stabilized? Or there is a further scope of reduction in the prices going ahead?

Sanjay Agarwal: For the last few months, we haven't seen a spike on the key raw materials, which we buy, as we know, is LABSA, soda ash, palm oil and all of that. So prices have remained broadly stable. So I think that's all what we can say. As you know, the geopolitical and the macro situations have become really difficult to predict. So for now, it seems good, has come off from peak and margins -- as what we are getting today, we are comfortable with that.

Moderator: The next question is from the line of Priyank Chheda from Vallum Capital.

Priyank Chheda: My question is on the contribution from new product developments. You rightly said that it's one of the levers where you have seen an incremental sales coming through since you can help me what was the contribution from the new products that you have developed as whatever the basket that you will be tracking over the last 9 months?

Sanjay Agarwal: So as you know, that the important is to make sure that these launches or the NPDs, which we do, they become successful because there's a lot of energy which goes on to it right from the manufacturing, to the R&D, to supply chain, to the sales team. We are happy that the launches which we have done, they have given us positive results.

It will be not fair for me to give exact details. So some things which have launched, say, for the 9 months on the Margo Neem Naturals, we won't see the results for at least 1 to 2 years before we comment how much each one of them can contribute or are contributing.

But all I can say at this stage is they are giving us good incremental growth for us to drive better profitability and revenue growth.

Priyank Chheda: So the total basket of NPD as sales contribution has broadly remained flat. What you alluded to the fact is that the launches have been done now and the benefits would be seen only after 2 years, correct?

Sanjay Agarwal: see, one is we launch it, then we want the repeat purchases to come in and that stability capturing is when we can say, yes, the product has done well. For now, I just mentioned in the opening remarks, the liquid detergents, Margo Neem Naturals, I think those have given us good confidence for our Personal Care and Fabric Care business. It has given us additional lever. So we are happy and lucky to find them, and they are doing well.

Priyank Chheda: Got it. If you can help me on the distribution touch points. The presentation seems to keep the number of distribution touch points same while you have been alluding the fact that distribution has been 1 of the, again, key driver to the growth. So if you can help me with the number on the direct distribution and indirect distribution, if there is any change versus what the presentation has been mentioning?

Sanjay Agarwal: Yes. So I think as we always keep a practice of discussing our direct distribution number on an annual basis. So in the first quarter of financial year is when we do talk about how much our direct distribution has gone up. But beginning of this financial year, we mentioned that we are reaching out to 1.1 million outlets on a direct basis. And we expect to add anywhere between 75,000 to 1 lakh shops in the next financial year. And I think we are tracking well on that, and we'll update you with the final numbers in the next quarter.

Priyank Chheda: Got it. Just last question on -- if I heard correctly, the volume growth was 11% for the quarter, correct? And which means that we haven't taken price corrections or the mix change has negated the price corrections on the overall portfolio basis?

Sanjay Agarwal: Yes. So we have taken some price corrections. That's why the value growth is 10.6%. And wherever it was needed and in particular geographies or particular portfolio, we have done that. Incrementally, as we speak, there are no major price cuts for now, and we'll be focusing more on more consumer activations, on-ground support so that the volume growth can be supported much better.

Priyank Chheda: So you mean that even with the gross margins, which are at all year -- all-time highs for you at around 49%, 50%, you would not like to do any price corrections or pass on the RM benefits to the consumer to drive more volume growth because FMCG leader has been into public saying that we would be taking price corrections given the competitive intensities high.

What's your take on this part? And how would you manage this gross margin and passing on the benefit to the consumers?

Sanjay Agarwal: Absolutely it will all depend on SKU to SKU. And if competitive intensity require us to do -- take price corrections, obviously, we will take that. As we know, I mean, we have space to do that. So there's no reason why we would not follow that. So there are multiple levers with which a business is done.

You have a price cut, then you have some trade schemes, then you have some consumer promos. At the end of the day, then you have how much you are spending on the media spends, A&P. So if the price cuts is where volume growth is getting driven, with competitive reason, definitely, we will also do that -- we will also follow that.

But we also want to keep increasing our A&P spend so that, for the longer term, the business grows on a much stable thing. NPDs get much better support with a higher A&P. As you know, this quarter also, we had a increase in our A&P by 45%. So we would want to continuously do those A&P spend for the long-term sustainability of the business.

Moderator: The next question is from the line of Ajay Thakur from Anand Rathi Securities.

Ajay Thakur: I had two questions, both extension of the previous question…

Moderator: Sorry to interrupt, but the line for you is not very clear. I request you to please move to an area with better network.

Ajay Thakur: Is it better now?

Moderator: Sir, please go ahead.

Ajay Thakur: Yes. So I have two questions, both are extension of the earlier question. I wanted to understand a bit more on the Fabric Care segment, we have seen that Fabric Care segment, we are -- done fairly well. But can you shed a bit more light on how we're going in terms of the premium segment versus the other that segment.

That could be little bit helpful. And also in terms of our ads spend, I have seen improvement increase in terms of the ad spend both for digital and possibly also from promotion and other aspects. I also wanted to get a bit more sense in terms of the competitive intensity, which you have been alluding to.

So can you kind of give some kind of understanding as to what kind of a competitive intensity you're seeing in various segments, say, for example Fabric Care, the Home Care, especially from the regional players and how you are kind of going to fight them?

M. R. Jyothy: Okay. So if I understood your questions clearly, you were not very audible, but I'll try and answer. So Fabric Care, most of our detergents business and the post-wash, all of them have done well. Well as and when I say, it's relatively fairly fine than the current -- if you see in the current situation. And it is across brands. It is across brands. It is across segments. And also our liquid detergents that we launched last year, those are also doing well.

So -- and both -- and from all channels. So the thing is the growth that you see is not particularly a brand or a segment. It is in Fabric Care, all of them. And on ad spends, you asked me some questions, right?

Ajay Thakur: Yes, ma'am.

M. R. Jyothy: Could you just repeat that?

Ajay Thakur: So you had indicated that you there are increase on the digital side of it. And so that was one. But then also wanted to understand how the competition -- you also mentioned about the competitive intensity going especially from the smaller players in the regional market. So wanted to understand a bit more on how competitive intensity as in how you're looking fighting those smaller payers in that contexture, and would you be looking at more promotional spend?

Or would it be more of ad-driven sales push kind of a thing? Or otherwise, if you are looking at something like the competition in, say, fabric is higher or dish wash is higher. So some color around that would be helpful.

M. R. Jyothy: Yes, yes. So earlier, we used to spend only on TV largely. Now our investment mix is in terms of spending on media has slightly changed from what it was before. It includes digital spend. It includes outdoor spends. It includes press, It includes wherever we can reach the consumers faster and in a better way is where we have taken those changes positively. And in terms of competition from local players, see, we will not be able to fight that battle with local players as such because they go down to any level.

We are an organized player, we don't cut corners. So those are not our -- while there may be a temporary this thing, we will be spending on A&P as well as ground activities because that's the longer way -- long-term thing to build a brand.

So we will not be -- because each market has its own different kind of players and there is also all kind of activities, while we'll not be directly fighting them, we will be spending on media. We will be investing behind our brands, both on the ground and on ATL as well.

Moderator: The next question is from the line of Ayush Chabria from Shravas Capital.

Ayush Chabria: Am I audible?

Moderator: Yes, you are audible.

Ayush Chabria: Yes. I just wanted to understand something. So in the investor presentation, you have given that you've gained market share in the coil segment. and you've lost some market share in the liquid segment. But as per your commentary, you're saying that you're trying to focus more on the liquid segment, right? So what is happening then? Just trying to get an understanding of that.

M. R. Jyothy: Yes. So we are focusing on the liquid more. Coil, as you know, is not -- the market isn't growing, but we have maintained our market share there. And in liquid segment, yes, we have taken action on many fronts. We have brought in a new brand ambassador. We have enhanced our product packaging and also the innovation around the product that we are communicating. So we are hopeful that we'll be able to do better.

Ayush Chabria: All right. Also, I just wanted to understand on the ad spend part, if the growth could be maintained quarter-on-quarter basis? Or are you going to taper down the ad spend growth?

Sanjay Agarwal: Ad spend 8% to 9% is what we have been targeting for a while. We've got, at this point of time, some space to do that, and that is what we have done more looking at future business. So this is where we stand. And it will all depend on how the commodities and the rest of the input prices behave. But we would like to keep it at between 8% to 9% going forward as well.

Moderator: We have the next question from the line of Vincent Andrews from Geojit Financial Services Limited.

Vincent Andrews: Congratulations for the good set of numbers. Most of my questions have been answered. And 1 question is have, see the incremental -- I understand the distribution, you have a strong focus on distribution expansion and almost 10 percentage -- driven till -- distribution is happening currently. So I assume almost -- that reflects the additional volume of almost 10% to 11% volume you have in this quarter. So my understanding is right, like the incremental volume is coming mainly from the new geographies?

Sanjay Agarwal: So it will be a function of many things, whatever incremental distribution you add, it doesn't happen on the day 1 of the financial year. And it takes time for those retail outlets to mature. It is anywhere between 12, 24 months for it to give us the results what we have seen on a mature basis.

There are other -- I mean, other ways also to pull the consumers, which is through media spend, through all our trade schemes and communication. So it will be a function of many things, but yes, distribution is an important mode for our business.

Vincent Andrews: Okay. So you are -- you have mentioned that almost 75,000 to 1 lakh additional in this year. So can you please give a guidance on FY '25 also?

Sanjay Agarwal: Sir, we will continuously increase our distribution, but difficult to put a number for now. It will all depend on the resources because we need to add feet on the street to enhance our distribution. It will be a function of a few things to consider. But, rest assured, our objective is to -- keeping the cost benefit analysis in mind, we would improve and increase our distribution

Vincent Andrews: Yes, sir. One last question. So any volume guidance for next year FY '25.

Sanjay Agarwal: So that we are in the midst of finalizing our budgets for the next year, I think we'll be able to give you with much more clarity when we have our next con call with all of you.

Vincent Andrews: Okay. Okay, sir. And the Personal Care growth is almost more than 20 percentage. So we'll continue in the near term also?

Sanjay Agarwal: So as you know, this quarter, we also had the NPDs, the new launches, which we have done contributed to it. But we are hopeful for a good positive growth continuing with us on the Personal Care.

Moderator: The next question is from the line of Sumil Sethi from Siguler Guff.

Sumil Sethi: I have 2 questions. One is what's the online contribution, sales from online channels like Amazon, BigBasket, Sanjay you have mentioned in your opening remarks, and also channels. So what's the contribution there?

And second one, one on dish wash, what is the contribution of low unit packs or low unit price packs in terms of less than INR20 or less than INR30, I do not know what the right industry metric is contribution. And third is liquid detergents, how big would that be as a percentage of your overall main wash portfolio versus the industry?

Sanjay Agarwal: Sir, I think I could only gather your first part of it that how much is the contribution of e-commerce business to our total sales, which is in the tune of between 5% to 6%.

Sumil Sethi: Okay. And is it contributed more by a certain category?

Sanjay Agarwal: No, I didn't get it. E-commerce, obviously, there are certain premium categories, liquids, they do much better in e-commerce. I mean, all our products are available on e-commerce websites and business is doing well. They are growing much faster.

Sumil Sethi: Okay. And what's the contribution of liquid detergents as a percentage of your overall main wash portfolio?

Sanjay Agarwal: So for now, the numbers are not that big. We are hopeful they will become a decent size, and then maybe we can -- we'll disclose the same also for you.

Sumil Sethi: Let me ask you a question differently. Would your national market share in liquid detergents be much more than what it is in powder detergents?

Sanjay Agarwal: So we come out with our liquid detergents last year only when we saw the opportunity becoming big and consumers trying to becoming much more comfortable with the usage. So we are expanding or we are focusing much more with the liquid detergent side of it. And we'll soon have our market share also following that.

Sumil Sethi: And one last question on the Dish wash category. So is it the new customer recruitment is becoming a challenge, or the usage? Because that's the most underpenetrated of all the categories that Jyothy Labs is presented in. And historically, as you have mentioned, it has grown in double digits and 20s also at some point. So is it that new customer recruitment is challenging because affordability is a challenge or the usage has gone down? The penetration has slowed down.

M. R. Jyothy: There is no issue in recruiting new customers. If you see the rural markets are right now under stress, and that is what we are seeing here in the Dish wash segment. So after Ujala, we are the most distributed brands are our Dish wash segments. And hence, you would see that little bit effect of the stress in the rural market, which is slightly affected there. But otherwise, there are -- there's no other issue in terms of consumer acceptance and recruitment.

Sumil Sethi: Okay. So from a channel perspective, your super stockist contribution probably could be higher in dish wash versus overall company, and that's how the correlation that rural market slowed down or there is slowdown in rural markets, which is….

M. R. Jyothy: Yes.

Moderator: We have the next question from the line of Ravi Purohit from Securities Investment Management Private Limited.

Ravi Purohit: Most of my questions have been answered just 2 of -- one is on Margo. If you could kind of share some thoughts on Margo as a brand has been doing fairly well for us over the last few years. I think probably has been the fastest growing amongst all our brands. So what is it that is driving this?

Is it that we are reaching more outlets than before for this. And there is a significant low-hanging root for Margo to go from, let's say, x versus, let's say, some of our other products like Ujala, and Pril and all, in terms of distribution reach. So that is one.

And second, is there any extensions. We've launched 3 new fragrant, I think variants of Margo, but is that a broader idea or plan behind expanding this brand? If you could just share something on these lines.

M. R. Jyothy: Yes. So Margo growth, you would -- see, we have done a lot of work on the brand itself in making the brand much stronger in terms of its proposition from when that has been happening since last couple of years. So 1 is that. And then making consumers aware by Margo is good.

And then also building on the strong Margo equity, we have launched 3 new variants this year, which has been well accepted by consumers so far. So the response has been good. So it's a combination of brand, brand investment in terms of brand proposition, distribution expansion, all of this put together.

Ravi Purohit: Okay. But would you say that Pril -- let's say compared to Pril or some of our more popular brands, the distribution reach still has more legs to grow under Margo?

M. R. Jyothy: Yes, yes. There's a lot of scope for Margo as such as we speak. So there's still room for Margo to grow, yes.

Ravi Purohit: And any other products under the brand in terms of maybe soaps or -- I mean, as in liquid variants or some personal care under this? Or is it going to remain as what it is right now?

M. R. Jyothy: No, we have few things, we are working on few products and things under the brand. You'll see that as and when it comes.

Ravi Purohit: Okay. And also from Henko, when we had acquired, we had a few other personal care brands like Fa deodrant, and a few -- so is there any like plan to re-enter some of those or those are like history now? So if you could share anything on that.

Sanjay Agarwal: I think there are opportunities in all our brands, all the activities, all the brands which we are working on. So you will find news for all of them, but 1 thing at a time. And we are doing work on many of these brands, many of these brand extensions. And as Jyothy mentioned, we will be updating you with those developments in due course.

Ravi Purohit: Yes. So the reason I ask this is like instead of doing an M&A, which could -- which will end up being a very expensive proposition, right? If you already have products or categories which came with that acquisition earlier, -- there is scope for us to kind of first look inside of what we already have at hand rather than go out and spend 5x, 10x revenues or to make acquisitions. So just us from that point of view.

Sanjay Agarwal: Perfectly well taken, very good advice. We would definitely consider all these points before we take up any M&A activities. And -- but we will, in any case, not miss any of these opportunities which you are mentioning, which are within our control or the brands are with us. Whether introducing new SKUs, whether introducing or expanding into newer geographies, we will use all of those opportunities to the optimum.

Moderator: The next question is from the line of Rucheeta Kadge from Iwealth.

Rucheeta Kadge: Congratulations on a good set of numbers. So my question is regarding the 4-year guidance that we have given that we can do around INR5,000 crores of revenue. So just wanted to understand, would it be uniform across categories that we'll be seeing this growth? Or would it be like any 1 category that we see would grow better than the others, if you can get some clarity on that?

Sanjay Agarwal: See, Rucheeta, as Jyothy mentioned this is going to be more aspirational, 4 years is a long time. And it is natural that we'll try to get to that type of growth. We'll be working on each of those categories, new categories, so all of them will be our levers to grow or get there. we have opportunities in all these categories. And we would use all of them to our advantage.

Rucheeta Kadge: Okay. Because currently, we are growing at around 10%, 11%, right? And when we talk about INR4,000 crores, it means we should grow at around 15% to 16%. So just because of that, I have this query, like how would we grow that?

Sanjay Agarwal: I think somewhere, we'll have to cut the noise around us in order to only focus on the growth which we are doing, and it's a project. It's a dream, it's an aspiration. We'll have to put all our resources to our best advantage and get there. So you will never find an even trajectory year-on-year, but just somewhere we want to get there. it gives us a far better operating leverage, improves our profitability, gives us the ability to build a more robust business. And so that's why that's the internal target for us to get there.

Moderator: The next question is from the line of Vincent Andrews from Geojit Financial Services.

Vincent Andrews: Only one question. So in proportion to your distribution expansion into new geographies, any need for adding new plants? Currently, you have 23, so anything on that?

Sanjay Agarwal: Sir that will -- no immediate need for now, but we keep seeing our capacity utilization, and that's not that bigger concern area for us. And as we have 22 plants, we can buy more plant wherever strategically it is needed. The organization is growing, and we will need more factories or facilities across India. So we will do that.

Vincent Andrews: Okay. So the major capex is not coming, right? We can assume like the capex for this next year would be around INR30 crores something?

Sanjay Agarwal: Certainly more than that INR30 crores, INR40 crores is what has been historically our maintenance capex and add a few 1 or 2 lines here and there. But in case if we plan to get larger operation or a newer unit, it will be much more than that.

Moderator: We have the next question from the line of Abhijeet Kundu from Antique Stock Broking.

Abhijeet Kundu: Congrats on a very strong set of numbers. My question was on the gross margin. We have seen already the competition has reduced prices, which we saw in the realization decline in volume growth. So all of it, to great extent, has already happened that heightened pricing competition, it is already there. So despite that, you have still seen a good and strong gross profit margin expansion and absolute gross profit margin, I mean, when you look at several years [inaudible].

So just wanted to get a sense that how much of the -- within pricing competition from here, I don't feel -- though people have been talking about it, but I don't feel that there would be a steep pricing competition because that has been happening for the last 6 months soon.

So I just wanted to get a sense of -- I know it's very difficult for you to give an answer to this. But gross profit margin, what would have driven the gross profit margin is more important? Is it more of a product mix improvement that has driven margin? So -- and how much of this is sustainable?

Sanjay Agarwal: Yes. So as you said, it is a tough one, it, Abhijeet. See, 1 is a combination of SKU mix. So if we have a higher share of liquids doing business -- liquid business doing well, which is, say, these liquid detergents, and that is -- that helps in the overall gross margin. Our Post Wash business doing well, helps us in a gross margin. Our Personal Care business, which has generally higher margin, helps us in getting better gross margin. So I think these are all the ways in which -- or these are the reasons why the gross margin has been -- we've seen improvement in our gross margin.

And what we want to do is with that margin, yes, price competitive intensity, we may have to take some price cuts, which we're perfectly fine with it. But we want to increase our A&P spends, focus more on NPDs. We have now 7, 8 celebrities. We want to increase our A&P spend so that we can reach out to the consumers and try new newer ways of reaching organic consumers, which could be out-of-home, which could be press, which could be digital media.

So I think that is where we are looking at, try out newer NPDs, have that some more risk approach so that we can we can also get better top line for the future. So these will be few things we want to do with the higher gross margin. And we believe this can be sustainable if we are able to get the top line growth as well as the input prices or commodity prices remain at these levels where we are.

Abhijeet Kundu: Sure. But just a clarification, in the relevant categories where your larger competition has reduced prices, we have also reduced prices, right?

Sanjay Agarwal: Absolutely.

Moderator: Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Sanjay Agarwal: So friends, thank you for attending this call today. I know all of you have a busy day today. I hope we have answered most of your questions and queries. If you still have any further queries, please reach out to us. We'll be more than happy to address them on all of them. And thanks, Manoj, Karen and the team at I-Sec for organizing this conference call. Thank you very much.

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