**Kaya Limited**

Q1 Financial Year 2016-17 Results

Conference Call

**August 4th, 2016**

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

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**Moderator:**
Ladies and gentlemen, good day and welcome to the Kaya Limited Q1 FY 17 post results conference call. As a reminder all participants' line will be "Listen only" mode. There will be an opportunity for you to ask questions after the presentation. Should you need assistance during the conference please signal an operator by pressing * and then 0 on your touch tone phone. Please note that this conference is being recorded.

We have with us today senior management team of Kaya and its subsidiaries comprising 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 you through the highlights of Kaya's performance during the quarter, over to you sir.

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**Mr. Jain:**
Good evening everybody. I welcome you all to the conference call. I will give you a short update on the first quarter performance:

**Q1 FY 17**

- Kaya Group posted consolidated revenue from operations of Rs. 98.0 crores for the quarter ended June 30th 2016, a growth of 16% over corresponding quarter ended 30th June 2015 on a consolidated basis.
  - Kaya India net revenue grew by 13%. There has been better same store growth of 8%.
  - Kaya Middle East revenue has grown by 20% and the same store growth for Kaya Middle East was 14%.
    - On the constant currency basis the growth at Kaya Middle East was 8%.

- On a consolidated basis the EBITDA was Rs. 2.1 crores which is 2% of the revenue as compared to 2.2 crores of corresponding quarter last year.

- The operating profit after tax for the quarter ended 30th June, 2016 was (0.3) crores as compared to Rs. 1.4 crores for the corresponding quarter last year.

- We would like to update you on some of the clinic closures in India. We have closed down 3 clinics in India as part of the catchment consolidation and relocation strategy. Overall in India Kaya, now has 104 clinics and 133 Kaya skin bars and operates 21 clinics in Kaya Middle East.

- I would also like to update you on the hair services that we have launched in India. Kaya has launched a comprehensive bouquet of hair solutions in Mumbai, Delhi and Bangalore in the later part of the June month. It will get rolled out across India in quarter 2 and these solutions will address a variety of concerns like hair fall, hair thinning, dandruff and scalp heel. The detailed information update is already with you. I now open the session for questions and we would like to answer them. Thank you.

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**Moderator:**
Ladies and gentlemen, if you have any question please press * and 1 on your touch phones. If you decide you want to withdraw your request from the questioning queue please press 1 to remove yourself from queue. Dear participants, please press * and 1 for your questions.

We have a first question from Mr. Vivek Joshi from Startup Funds, please go ahead.

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**Mr. Joshi:**

Hi, this is Vivek here and my question is that the India operations continue to be like loss making, like even if you compare quarter June 15 to now and at a higher revenue base also the operational profits are not there; like in the current quarter around 47 or 48 crores there is a loss of 6-6.5 crores. So it has been quite a while, when is this number going to steadily appear in profits and what are the headwinds that the business is facing, because normally in the last few con calls we have been just getting a very overview kind of scenario that we are doing some promotion, it will pick up and all, but are there any industry headwinds or company headwinds, a little more clarity and commentary on that would be very helpful.

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**Mr. Subramanian:**

Hi Vivek, Subramanian here. Just to talk on the India performance I think if you had to look at it the last four quarters we have had a little bit of a headwind with respect to environment not really favoring us and it has impacted our performance like many other companies in retail. Having said that I think the key to this business is all about ensuring that SSGs are in line and to that extent the hair scale-up will actually help to build up the SSG along with the services that we are offering in skin. So, once you start hitting if you look at the growth trajectory as far as SSG is concerned I think between say quarter 2, 3 and 4 , in quarter 1 the SSG has been better, but it is not enough. So, hopefully the positive trajectory will continue into say Q2 and then Q3 but with hair coming in the ability to sort of leverage the clinic infrastructure and also growth of business would be much better. In that case the business will look forward to delivering better performance on the bottom line.

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**Mr. Joshi:**

No, just a follow-up, is the headwinds company specific? Or industry specific? Or like -- I mean has the skin care category itself gone down? or is it like because…

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**Mr. Subramanian:**
No, it is not that. I think if you look at overall the scenario with respect to customer footfalls have been low in the last say four to five quarters and especially if you had to look at even retail. The second thing is that from the channel part of it there is a lot of localized competition also which is coming. We are cognizant of it but our differentiation in this will be with respect to technology, the kind of quality people that we have to be able to woo customers and grow the business. So I think in the last four to five quarters we have seen that kind of a shift that is happening, but the good news is that it is actually turning the corner with respect to overall growth and number two is that we have additional services also launched to be able to attract and grow the business.

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**Mr. Joshi:**
So basically another thing there is more anecdotally, my sister is a customer and her or the general perception is that the selling has become a little more aggressive, so the feeling of comfort that customers used to get in Kaya and the feeling of care that has diminished; and this has come from multiple sources, maybe that is something you should have a look at. Even I have walked in as a dummy customer in a store and I was sold very aggressively in the first seven, eight minutes of the meeting which does not look like the solution oriented approach which Kaya is famous for, so maybe you can just have a look at it, just a feedback.

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**Mr. Subramanian**:
Okay.

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**Mr. Joshi:**
Thanks.

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**Moderator:**
Thank you for your question. We have a next question from Mr. Amit Purohit from Emkay Global, please go ahead.

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**Mr. Purohit:**
Good evening sir, thank you for the opportunity. Sir, just want to check on the store count and the number of stores which are now considered in SSG and a quarter back what would that count be right now?

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**Mr. Jain:**
Yeah, it is 96 now, 96 stores.

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**Mr. Purohit:**
And what was this in Q4 sir?

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**Mr. Jain:**
Q4 was 84.

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**Mr. Purohit:**
So, I mean would this also be one reason for a decent SSG number coming into play?

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**Mr. Jain:**
Yes, these are the contributions to the better SSG, but our regular stores also had a better SSG.

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**Mr. Purohit:**
Okay, so you are saying the 84 stores also had a decent SSG number?

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**Mr. Jain:**
Better than the trend we had in the last four quarters.

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**Mr. Purohit:**

Sure and you mentioned that there are some turnaround of the corner and in the last three, four quarters there has been a decline but there is some – sir, what initiatives have been taken and where you are seeing a reversal trend especially in terms of competition, so just if you could highlight.

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**Mr. Subramanian:**

See, I think few initiatives we have done. When customers walk into the business there is some commitment that we give them in terms of both efficacy and experience. Now very recently we have actually digitized the workplace across all the centers. I think in the next two, three months you will see that fully rolled out where in terms of the quality of experience and our ability to demonstrate visible differences, we are into pre-post imagery, we have done that work and at the same time there is a lot of integration that is happening in the system's records and retrievals to be able to enable the customer journey to be hand holded across the various legs of the business. The third is that from a retention point of view the loyalty program is also there in place and every time we are just looking at how best we can leverage the loyalty program to drive retention and increase our ability to throughputs and cross them across various customers. So I think these two, three things would make this one and having said that being a chain and being a corporate, I think we are also able to get some differences and differentiating aspects with respect to overall technology investments and our ability to scale it up across many centers in the country.

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**Mr. Purohit:**

Right, but that would have been the case earlier also, but I am just trying to understand is it the competition level changes happened in the recent past or some actions taken on the pricing side or in the offering side which actually… and make us believe that things have turned and customers are looking at Kaya in a different way.

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**Mr. Subramanian:**

See, I think all these initiatives are in the right direction if you had to look at it. So, if you are a customer and you have been to Kaya earlier and if you go to probably Kaya after may be a two, three months once this thing stabilizes you would see a difference at least in the experience part of it and the ability to demonstrate efficacy because we have tablets to actually give you the pre post pictures in every session across and be able to show you the difference along the way. I think that would only build conviction with customers and of course there is a journey which will take some time to be able to put this and institutionalize this in the system because from there we could actually take on various other routes in terms of being able to build on testimonials and then be able to help customers in the right package and monitor their progress along the way. So I think that is a big shift in our own internal way of working because from a standpoint of what we were doing earlier this is a shift. Second is that what I spoke about hair, we have done some prototype for the last one, one and a half years now and we have fairly significant images and tested results across various customers in various segments, where we know that our offering works on two counts, one is to be able to improve the density of hair and also the thickness of hair over sessions. So that is something that we have done a syndicated study though internally, but there is a good amount of merit to believe that our services that we are offering at this point in time and scaling up are efficacious to our customers.

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**Mr. Purohit:**

Sure. And sir on the cost side, the current cost structures or cost levels for India and KME, should one assume a similar kind of cost structure or would – in India obviously hair service will have some increase right? at the operating level? the cost, so if you could help us…

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**Mr. Jain:**

Yes, it will be a marginal increase at the operational level, otherwise on the overall cost structure broadly we have already scaled out, to manage the expansion what we have planned actually over the next six to eight quarters.

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**Mr. Purohit:**
Okay, okay and last I just want to check the three clinics that we have closed actually, which are those clinics and which markets or regions it is?

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**Mr. Jain:**
I think it is Bombay and Delhi only, the Bombay it is part of a consolidation actually. Between the two catchments we have consolidated and created a new clinic and sourced it, and so also for Delhi.

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**Mr. Purohit:**
New clinics or the old ones, new opened one?

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**Mr. Jain:**
We opened the new one and closed the old one to cater to the two larger catchments.

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**Mr. Purohit:**
Okay.

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**Mr. Subramanian:**
These were two clinics which were very close to each other, so we made a larger clinic and consolidated both here.

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**Mr. Purohit:**
Okay, thank you sir, that's it from my side.

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**Moderator:**
Thank you for your question. We have a next question from Kunjan Desai from Reliance Mutual Fund, please go ahead.

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**Ms. Desai:**
Hello?

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**Mr. Subramanian:**
Yes hello.

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**Ms. Desai:**
Hi sir, could you just give me what would be the customer advances for this quarter and for the company as a whole?

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**Mr. Jain:**
Company as a whole was around 71 crores.

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**Ms. Desai:**
And sir just to understand on the cost front, we have seen around seven odd closures but yet the employee costs have increased at quite a rapid pace this quarter as well as the rentals. So can you just give us an idea about what happened out there?

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**Mr. Subramanian:**
You are talking about India or abroad?

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**Ms. Desai:**
Sir, on the consolidated level.

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**Mr. Jain:**
Basically I think we are on the same traction of Q3-Q4, if you compare to Q1 obliviously, you will see the bigger growth, but we need a quarter 3, quarter 4 trends where we started scaling up the structure actually in the international business also and throughout India. So you see that trend, more or less we are in the same trend.

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**Ms. Desai:**
Alright, sir just one more question on the Middle East part. We have seen Middle East average ticket size has kind of flattened out, but we are seeing that there is a good footfall and also the cure segment has done better while products have not. Could you just give us a picture of how Middle East has shaped up this quarter?

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**Mr. Neogi:**
This is Debashish Neogi, thanks for your question. Basically you are asking for ticket size of being flat. See, in Middle East we are actually concentrating on volume growth, we are concentrating on existing client and new clients. So we are concentrating consciously on volume growth which is why you are seeing the growth is coming entirely from volume and not from ticket size. Ticket size is easy to do, so going forward if we want to increase size we can always do it but as of now we do not want to do that.

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**Ms. Desai:**
I am just trying to understand because overall our profit pool comes from the Middle East while our growth comes from India that is the basic strategy of the company. So if that is the case that we want to increase suggesting the footfalls out there and not get the…or I should put the proceeds properly how to invest in India, then how does it work for us?

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**Mr. Neogi**:
No, I am talking of overall growth. The growth can be broken down whether you are getting from client count or you are getting from ticket size. So growth in Middle East is protected inspite of macro challenges more to do with Saudi, so we are also facing some headwinds in Saudi from macro perspective but we are making it up through other regions mainly UAE where we had a very good innovation pipeline which we have scaled it up and we are going forward the innovation pipeline whereas in UAE which contributes to more than 70% of the business we are getting double digit growth. So, we are maintaining the same growth level in Middle East but it is coming mainly from volume and not from ticket size.

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**Ms. Desai:**
Okay and just one more question about the India business, could you give us an idea of how this scale-up is taking place for KSBs for us?

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**Mr. Subramanian:**
Yeah I think if you look at it last year we had done a lot of expansions both on the clinics and then the KSB. I think we have given it a little bit of a pause at this point in time. The idea is to basically try throughput for clinics and throughput for store for this quarter and maybe in the next one or two quarters you may probably see a strategy of consolidation and then growing from here. To that extent I think the pipeline both in innovation of services and products is in line, so you will see our work is towards basically enhancing the throughput per store.

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**Ms. Desai:**
Okay, so can we expect more store closure or clinic closure or anything, I mean is that on the cards for us?

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**Mr. Subramanian:**
I do not think that is – the idea is, if you look at the closure, I mean if you look at the stores at the clinic level most of them are profitable and I think our thing will be to more look at this and try the pillars of growth.

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**Ms. Desai:**
Okay and just one last part on the – we have actually explored different kinds of KSBs versus having our own stores versus being in wellness chains and store in store and etc, so just a flavor on how each of these are panning out and where are you seeing more success versus others probably.

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**Mr. Subramanian:**
See, very clearly the CoCo in high streets is something that we will be looking at very closely. The idea is to basically to look at Modern Trade and SIS which is something that we have partnered with. From a standpoint of customer acquisition and growing the business and also to an extent of profitability I think this makes quite a good sense. So, we will be focusing at this point in time in both SIS and Modern Trade and select CoCo's and kiosks at certain locations.

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**Ms. Desai:**
Okay but would we see the kind of strong expansion that we have seen over the past one year where we have increased it almost by 100, maybe more. We expect to see this kind of aggressive expansion even in the future for KMP.

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**Mr. Subramanian:**
No, I do not think we will do that right now. Like I told you last year the overall SSG was a little bit muted and you know we had also expanded at the same time. So at this point in time I think we have consciously taken a call to consolidate and grow the business from here. Once things come back on track with respect to overall growth we could look at expansions accordingly.

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**Ms. Desai:**
Okay, thank you very much.

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**Moderator:**
Thank you for your question. We have a next question from Devanshi Durva from Dolat Capital, please go ahead.

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**Ms. Durva:**
Thank you sir for the opportunity. Actually most of my questions are answered, I just wanted to ask one, two things. Do we maintain our Capex finance for FY17 at 35 crores?

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**Mr. Jain:**
Yeah, we maintain that yes.

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**Ms. Durva:**
So that will be 15-18 crores for India and the balance for KME.

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**Mr. Jain:**
That is correct.

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**Ms. Durva:**
Okay and what would be our total KSB revenue contribution to our overall revenues?

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**Mr. Jain:**
It is only around 6%.

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**Mr. Durva:**
6% is only through KSBs.

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**Mr. Jain:**
Yeah, yeah.

**Ms. Durva:**
Okay and I guess in the last AGM of FY15 I had an idea that a number of SKUs offered in India were somewhere around 70-75 increased and in KME also it was increased to almost somewhere around I think 20-25 if I am not wrong.

**Mr. Jain:**
No, no.

**Ms. Durva**:
Then what was the count that time and what is the count this year?

**Mr. Jain:**
For India we had around 57 and in KME we had only around 15 and now we are scaling up to 40 SKUs.

**Ms. Durva:**
So it is already done or we are going to scale it up?

**Mr. Jain:**
It is in the pipeline, in quarter 2 and quarter 3 it will be happening.

**Ms. Durva:**
And in India what would be the current number of SKUs offered?

**Mr. Jain:**
Currently again we are close to 57-58 only and there will be in pipeline some number SKUs are there, so over next Q3, Q4 we will add more SKUs.

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**Ms. Durva**:
Okay alright, thank you so much.

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**Moderator:**
Thanks for your question. We have a next question from Mr. Sahil from Advisor, please go ahead.

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**Mr. Sahil:**

Hello. Actually I wanted some sense on we are getting into hair treatment, right? So I wanted to know as to what exactly is our solution or the technology we are using, is it the hair transplant or what is it?

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**Mr. Subramanian:**
See, basically we are doing hair services in two stages. The first one is towards hair fall and hair thinning which is a root reaching system where we use lasers and we use low level, low intensity laser for stimulation and also use certain cocktails which deliver hair growth. The second phase which has got scaled up very recently in the month of July is actually hair wash services for scalp solutions, then dandruff, hair thinning, etc. So basically these are the two sets of services at this point in time which are getting scaled out.

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**Mr. Sahil:**
Okay and how do we see this service growing in terms of our offering as in like what is our target?

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**Mr. Subramanian:**
Target as in you are talking about a revenue number or you are talking about…

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**Mr. Sahil:**
Is it possible to give me a ballpark figure?

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**Mr. Subramanian:**
No, I do not think we are giving a ballpark figure on that, but the idea is basically if you look at it with respect to competition in the next two to three months we will be fairly comprehensive in our offerings. It will also include some services; along with services we will also include some products for hair. With that I think by end of the year we will give a much more comprehensive offering on hair. At this point in time we have done our prototypes and we are actually scaling up slowly over the next two quarters Q2 and Q3 across the country. As a category it will be, it has got the potential to grow and it will be sort of leveraged across the country's clinics.

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**Mr. Sahil:**
Okay and one more thing, so is it possible to give me an average figure of utilization level of our stores in India?

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**Mr. Subramanian:**
See, average is about 35-40%, so with hair coming in it is expected to only go up.

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**Mr. Sahil:**
Okay alright, okay fine. Thanks a lot.

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**Moderator:**
Thank you for your question. We have a next question from Mr. Atul Mehra from Motilal Assets, please go ahead.

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**Mr. Mehta:**
Yes, good evening. If you can just highlight in terms of what is the typical store model for you and what are the kinds of breakeven levels, timelines associated with the store opening in India?

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**Mr. Subramanian:**
So store openings and breakevens have happened between 18 to 24 months at a store level. In terms of a capex used for a store it is close to about a crore, which includes more machines, civil interiors and fixtures. And size we are talking about is typically about 1200 square feet of space.

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**Mr. Mehta:**
And what is the sale breakeven for us?

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**Mr. Subramanian:**
See, sales breakeven is completely dependent on the cost structure in the geography that you open, etc but ideally the breakeven is anywhere between 18 to 24 but in some cases it is much earlier as well.

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**Mr. Mehta:**
Alright, so if you look at your India component sales, India geography sales and perhaps the amount of capex you would have done, so you would have done about closer to 0.6 - 0.7 at this point in time in terms of the revenue that we currently run and the capex we would have incurred.

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**Mr. Subramanian:**
What is 0.6? I am not clear on this.

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**Mr. Mehta**:
India sales would be around 180 odd crores, 180 crores for the year?

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**Mr. Jain:**
Yes.

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**Mr. Mehta:**
And so far perhaps you would have done about 300 odd crore capex for the same?

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**Mr. Jain**:
No, if you would take only the basic setup cost then it will be close to 120 crore only, that is the initial setup cost.

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**Mr. Mehta:**
120 crores.

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**Mr. Jain:**
Well, we have got only 100 clinics, from that point of view, the first initial investment will be 120 crore.

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**Mr. Mehta:**
Okay, okay. So, for some of the more successful stores that you run within the entire store bucket in India, what is the level of capital efficiency that the store would be running at because that perhaps could give us a clue in terms of as your model catches pace in other stores.

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**Mr. Jain:**
Average throughput is about 20 lakh, about 2.4 crores, so the current the capex multiple is around 2.2 average. So, in a way we spend an average amount on what we are doing today. So average Rs. 1, the average revenue is Rs 2.2.

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**Mr. Mehta:**
Right, right.

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**Mr. Jain:**
So on that basis we see that our store EBITDA will be running at average of around 30% EBITDA, at a store level.

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**Mr. Mehta:**
Right, so on a more medium term what is the kind of capital efficiency you see in an overall concept or overall consolidated basis, what is the level of ROC that you will be targeting and what are the kind of timelines that you look at that?

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**Mr. Jain:**
See, you are asking the forward looking statement at the moment, so I will just avoid the forward looking statements.

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**Mr. Mehta:**
No, I am saying in terms of what you are targeting for, maybe not in terms of this, nothing in terms of – I am saying internally as you would look at a business plan or something of those sorts.

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**Mr. Jain:**
Yes, hurdle rate is around 20%, so that is a faster payback year actually. I think normally it is 3.5 to 4 years.

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**Mr. Mehta:**
Okay, thank you so much, wish you all the best.

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**Moderator:**
Thank you for your question. We have a next question from Mr. Navin Bothra from Arch Finance, please go ahead.

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**Mr. Bothra:**
Good evening sir. My question is regarding the advances if you can break it up for 70 crores in Kaya India and Kaya Middle East?

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**Mr. Jain:**
We will give the consolidated number at the moment, so I would like to give the consolidate number is around 71 crores.

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**Mr. Bothra:**
Okay, not separate number for Kaya India and Kaya Middle East.

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**Mr. Jain:**
Yes, we just published the consolidate numbers, so I would like to give the consolidate numbers.

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**Mr. Bothra:**
Okay thank you sir, that is all from my side.

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**Moderator:**
Thank you for your question Mr. Navin. We have a next question from Mr. Vivek Joshi from Startup Funds, Mr. Vivek please proceed.

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**Mr. Joshi:**
Yeah, a couple of quarters back we were dealing with some issue which impacted some 15% of our products by volume or value something like that, is that issue with some component behind us?

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**Mr. Jain:**
Yes, it is behind us now, last two quarters we are having regular supplies now.

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**Mr. Joshi:**
And you said that Kaya Skin Bars contribute around 6% let us say in this quarter, can you tell me the same number that was there for the India number last June, I just wanted to do a quarter to quarter comparison to see where the growth is coming from. Because we have grown 13%, but with so much headwinds…I just wanted to get some flavor on that if it is possible.

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**Mr. Jain:**
See, last year we did not have SIS; it was only CoCo stores only in the first quarter. We started the SIS only from quarter 2 onwards.

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**Mr. Joshi:**
Okay, so if you are saying that the 6% has come from there, so just to understand, my understanding is, if Kaya Skin Care business was not there the growth on top line would be only around 6% if I take out 6%. Is that a rough understanding?

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**Mr. Jain:**
No, no, okay you are telling the 2%; from the 8% 2% has come on the KSB.

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**Mr. Joshi:**
No, no, just from – the India business from last June to this June has grown at 13%, right?

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**Mr. Jain:**
Yes.

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**Mr. Joshi:**
So 41 to 47 crores roughly, so out of this I just want to understand out of the 6 crore growth that has come how much growth has come from KSB, that is all I want to know.

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**Mr. Jain:**
Yeah, give me two minutes.

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**Mr. Joshi:**
I just wanted to know, just to understand whether all the headwinds are there, Are will be able to demonstrate some…

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**Mr. Jain:**
Around 2.5% has come, yes you are right.

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**Mr. Joshi:**
2.5% of that.

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**Mr. Jain:**
Yes.

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**Mr. Joshi:**
So there was still significant KSB business in June 2015 also, right?

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**Mr. Jain:**
Yes, it was there but I think we have grown almost three times over that, 2.5 times we have grown.

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**Mr. Joshi:**
Two and a half crores you are saying or 2.5% you are saying?

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**Mr. Jain:**
2.5%.

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**Mr. Joshi:**
Of the growth?

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**Mr. Jain:**
Of the growth, yes that is 13%, in that 13% 2.5% is from KSB growth.

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**Mr. Joshi:**
Okay, thank you sir.

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**Moderator:**
Thank you for your question Mr. Vivek. We have a next question from Mr. Manish Gupta from Solidatory, Mr. Manish please proceed.

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**Mr. Gupta:**
I have two questions. First one is how much broadly do we expect our non-clinic expenses to grow at over the next two or three years?

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**Mr. Subramanian:**
Sorry, you are talking about corporate overheads?

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**Mr. Gupta:**
Yes, corporate overheads including advertising, so all the expenses which are after the clinic.

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**Mr. Subramanian:**
I think you can take a ballpark of about 8%.

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**Mr. Gupta:**
Okay and the second question is to Mr. Subramanian that separately for India and for Middle East given how you are reading the environment, what do you think would be a same store sales growth that you would think is satisfactory?

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**Mr. Subramanian:**
You are talking of India or Middle East or both?

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**Mr. Gupta:**
Separately please.

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**Mr. Neogi:**
So I will talk about Middle East, this is Debashish Neogi, thanks for your question. In the Middle East you are aware of the macro environment where because of the crude oil prices Middle East is going so slowdown, I am talking macro. So in that macro situation we have seen the slowdown in Saudi but we are making it up through growths of higher magnitude in UAE. So overall we have been guiding 5-7% SSG growth and we have been delivering that and we maintain the same guidance going forward.

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**Mr. Gupta:**
Great and for India sir?

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**Mr. Subramanian:**
India I think anywhere between 8-10% would be a reasonable growth to look at.

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**Mr. Gupta:**
And the last question is we have always associated Kaya as a brand with skin and there are other people in the market who are more associated with hair care. So, by entering into the hair care segment are we risk diluting what the Kaya brand stands for?

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**Mr. Subramanian:**
See, not really because if you look at the reason why we went into hair, I think there are two-three things. One is we have close to about 160 dermatologists working with us who are specialists in skin, hair and nails. Second is that obviously from a customer point, I mean we have adjacencies with respect to certain offerings. For customers we have adjacencies with respect to the existing set of people who are there in skin already. We have doctors and we have also the capacity and the infrastructure in the clinics and given that I think it will be a slow kind of an acquisition model for hair, but definitely the thinning services, the hair wash services are predominantly females, whereas the services which probably when we extend a bit further there would be some male offerings with respects to transplants going forward. So I think at this point in time we are rightfully placed to work this out and move this forward. For India per se other than this, we will have to work a little bit around creating awareness and work on certain acquisitions on a different customer segment which is going forward depending on the offerings.

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**Mr. Gupta:**
Okay, thank you.

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**Moderator:**
Thank you for your question. We have a next question from Jaydeep Shetty from Premji Invest, please go ahead.

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**Mr. Shetty:**
Good evening sir, thanks for taking my question. A couple of things, one was there any one of costs in India related to the store closure at this quarter?

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**Mr. Subramanian:**
No.

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**Mr. Shetty:**
And second, you talked about the hair portfolio and how it is going to be scaled up over the next few months, but just in terms of the initial launch that you have done in the three cities, has the traction been up to what you were expecting, better or worse?

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**Mr. Subramanian:**
Sorry, could you just repeat that please?

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**Mr. Shetty:**
Sir, the initial traction on the hair launched, I mean in the cities where you launched it so far, how has the traction been?

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**Mr. Subramanian:**
See, basically the extension of this has happened only towards the end of June and some of the services have been introduced only in the month of July. So if you look at it from a standpoint of the prototype the action standards have been met because the action standards for us are two things. It is not just the overall business but it is also our ability to deliver efficacy in this offering. Like I spoke earlier, it stands well with respect to growth in density and growth in thickness because these services take a bit longer to actually demonstrate. It takes 13 sittings before you actually see some kind of a result, so there will be a slow acquisition and the word of mouth and a positive word of mouth for us. Therefore, from an efficacy standpoint definitely yes. From a standpoint of customer acquisition we have been able to do it without much of advertising towards hair, we have been managing to do it with the existing customer itself and number three is that for action standards for hair going forward the things will start stabilizing between say Q2-Q3, I would say more Q3 than anything else.

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**Mr. Shetty:**
This quarter after quite a gap you had a high single digit SSG trend, so how is that translated to like to like EBITDA trend, so have you seen a corresponding growth in EBITDA at the store level or has that trend been offset by costs?

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**Mr. Subramanian:**
See, there has been a slight shift as far as the store EBITDA is concerned not so much in line with the overall SSG at this point. There have been some investments that have come in, so therefore the things will just stabilize as we go forward with respect to overall growth.

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**Mr. Shetty:**
Because I think last quarter you had a decline in like to like EBITDA in India, so is that similar now?

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**Mr. Jain:**
No, it has stabled down actually, it is almost like a flat despite the increase in cost and the lower SSG, the EBITDA is still well maintained, and it has not come lower, so we are able to contain the cost of the pressure.

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**Mr. Shetty:**
Alright, that is all from my side, thank you.

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**Moderator:**
Thank you for your question. We have a next question from Mr. Harsha from JN Financial, please go ahead.

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**Mr. Harsha:**
Hi, so as you know we have entered into the hair care and all, so I just wanted to know whether the plan is to grow organically or are you also looking at acquisitions of existing players?

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**Mr. Subramanian:**

So I think we are focused at this point in time to be able to generate better throughput for the store, so it is more organic at this point in time and as far as acquisition is concerned, we do not talk about it but having said that I think we are more focused in growing our existing stores for the kind of offerings we have.

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**Mr. Harsha:**
Okay great, thank you.

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**Moderator:**
Thank you for your question. We have a next question from Mr. Abhimanyu from Sales Partners, please go ahead.

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**Mr. Abhimanyu:**
Hi sir. My first question is a basic question; can you talk about how the Kaya brand differentiates itself in the market on the product side and what does the Kaya brand stand for?

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**Mr. Subramanian:**
See, the Kaya brand has stood for basically expertise because the core of the brand is basically the dermatologist. We are probably the largest employer of dermatologists in the world. We stand for expertise in skin care. The brand also stands for safety and hygiene; given that a lot of emphasis is given with respect to training and we are the pioneers in many of the technology introduction stroke, the best in class practices that we use for our services. Having said that, that is exactly what we are leveraging and today the brand is fairly strong, not just in cities we are in today but also in cities where we are not, because when we look at the e-commerce sites and the product service sales that happen from there we have a significant portion of the customers who are actually coming from cities where we are not present. So the brand is fairly strong, like I said it stands for expertise, safety and hygiene. I think as far as service is concerned we are fairly established, we have been there in the business for some time. Products, it has been a journey that we have taken over a period of time and we will have to establish as we go by and at some point in time we will also look at communicating our different range of offerings to our customers, but for that we will first need to go the route of moving and establishing the skin bars and then taking it forward at some point in time.

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**Mr. Abhimanyu:**
Got it sir and secondly what percent of your sales are currently coming from e-commerce and what are the ways you are working towards growing that channel?

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**Mr. Subramanian:**
We have our plans in place. E-commerce is contributing about 6-8% of our product revenue and in many of the sites that we are actually operational we are well ranked in terms of the skin care brands and we have separate plans for growing and the e-commerce route will just not be about products but we will also look at going forward into services and E- Consultation.

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**Mr. Abhimanyu:**
Got it, thank you sir, thanks a lot.

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**Moderator:**
Thank you for your question. We have a next question from Devanshi Durva from Dolat Capital, please go ahead.

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**Ms. Durva:**
Thank you sir, just one question I had that hair services that we have launched this quarter, so what would be the average ticket price for it, it would definitely be higher than skin care, so what would be it around for that and what would be the margins for it around?

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**Mr. Subramanian:**
I think margins will be very similar, ticket size will be slightly better.

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**Mr. Durva:**
Okay, so maybe like say 5-10% higher or lower, more than that, something…

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**Mr. Subramanian:**
Different offerings are in different price, so we have just launched the first phase. In the first phase, ticket size is fairly high, the second phase we will neutralize the kind of advantages we have taken in ticket size in the first place. So approximately we can say about 15-20% definitely higher than the existing ticket size going forward once it stabilizes.

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**Ms. Durva:**
Okay alright, thank you so much.

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**Moderator:**
Thank you for your question. Participants for any further question requested to please press * and 1. We have a question from Mr. Vivek Joshi from Startup Funds, please go ahead.

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**Mr. Joshi:**
Just a quick question, these dermatologists that we employ, are they full time employed with us or do they have some part time, like it is a contractual thing that we have?

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**Mr. Subramanian:**
It is a contractual thing, they may be working and they may be having a private practice.

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**Mr. Joshi:**
Okay, thank you so much. All the best, thanks.

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**Moderator:**
Thank you for your question. Participants if you have any question please * and 1. Sir, further we do not have any questions.

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**Mr. Jain:**
Yes, then we can wind up now.

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**Moderator:**
Sir, can we conclude?

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**Mr. Jain:**
Yes, yes.

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**Moderator:**
Thank you very much ladies and gentlemen.

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**Mr. Jain:**
Just to conclude, thank you all for attending the conference call and thanks very much.

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**Moderator:**
Thank you very much ladies and gentlemen, that concludes this conference call. Thank you for joining us. You may disconnect your lines.

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