

Kaya Limited
Q2 Financial Year 2016 Results
Conference Call

November 06th, 2015

MANAGEMENT: Mr. S. Subramanian - CEO - Kaya India
Mr. Debashish Neogi - CEO - Kaya Middle East
Mr. Dharmendar Jain - CFO - Kaya Limited

Moderator: Ladies and gentlemen, good day and welcome to Kaya Limited Q2 FY16 post results conference call.

As a reminder all participants' lines will be in Listen Only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal the operator by pressing * and 0 on your touch phone. Please note that this conference is being recorded.

We have with us the 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 like to hand the call over to Mr. Dharmendar Jain who will take you through the highlights of Kaya performance during the quarter, over to you sir.

Mr. Jain: Good evening everybody. I welcome you all to the conference call of our company. I would like to begin the conference call with a very short update on Q2 performance.

Kaya Limited posted consolidated revenue from operations of Rs 88.7 crores for the quarter ended 30th September 2015, a growth of 6% over the quarter last year.

Consolidated EBIDTA (excluding non-recurring expenses) was Rs. 4.1 crores (5% of Revenue) as compared to Rs 11.1 crores (13% of Revenue) in Q2 FY 15.

Operating Profit after Tax items for the quarter ended 30th September 2015 is Rs 2.6 crores (3% of Net Revenue) compared to Rs 12.6 crores (15% of Net Revenue) for the corresponding quarter last year

The company has added 4 clinics and 35 Kaya Skin Bar outlets across all formats in Q2 FY16 and has over 106 clinics & 64 Kaya Skin Bars in India and operates over 19 clinics in Middle East.

Performance of Kaya India - we had a Net Revenue SSG growth of -4% and overall growth of 3%. Like to like EBITDA of 0.2 crore.

In terms of e-commerce we had a good growth; it had grown by 29% over the corresponding quarter last year which is around 6% of the overall product sales.

Kaya Middle East performance - we had a growth of 9% there and the SSG growth of 5%. Q2 FY16 EBITDA of Rs 6.1 crores (14% of Revenue) as compared to Rs 8.3 crores (21% of Revenue) in Q2 FY15.

We had a Q2 PAT of Rs 4.5 crores, as against that Rs. 7.0 crores last year.

I now open the floor for questions and answers. Thank you.

Moderator: Thank you Mr. Jain for the opening comments. We will now begin the question-answer session. At this time if you would like to ask a question please press * and 1 on your touch phone. If you decide you want to withdraw your request from the questioning queue please press 1 to remove yourself from the queue. Dear participants, please * and 1 for your question. We have a first question from Sai Sheikh from Maple Investment. Mr. Sheikh please go ahead.

Mr. Sheikh: Yes, good evening sir. The first question I would like to ask is, just wanted to understand the transaction, this Kaya India name change which has happened from Marico Kaya to Kaya India, what is the financial benefit there, because in a very small duration we have actually changed the name, initially it came out of Marico, then Marico Kaya came and in a very short span Kaya India came, so I just wanted to see what is the financial benefit here.

Mr. Jain: See this actually, we are not seeing from the financial benefit point of view. When we had a demerger from Marico we had to move the business to a holding company and hence created a separate SPV, it's called Marico Kaya Enterprises Limited, which was created that time and brought the Kaya business under the same. That was because of some technical reason we had to create the SPV in between. Post this demerger from Marico we got listed and there was no need further to keep that two separate companies. So we decided to actually merge the holding company to the operating company.

Mr. Sheikh: So there was no financial benefit as such.

Mr. Jain: No, no, it was not from the point of view of financial benefits as that was not technically required.

Mr. Sheikh: In terms of adding clinics whenever a new clinic is added, what are the criteria for selecting a particular location when you add any clinic, because some clinics are very nearby, it may hamper the business and how do you – is there any kind of market research done before identifying the clinics because we have been adding lot of clinics off late.

Mr. Subramanian: On the clinics basically we have a study which is done, research is there where we have identified certain set of catchments in the country where we see propensity for the brand to grow in line with basically the consumers and the specific catchments. So there is research available and we have a detailed procedure also in terms of not just selection of catchment but also location before we get into the business and currently as we see we are looking at saturating existing cities and setting up scale in an existing city before we actually go into new ones so that we get some leverage in the business.

Mr. Sheikh: And the pricing of the products is the same, is it universal across the clinics?

Mr. Subramanian: Currently as we speak, yes.

Mr. Sheikh: Are there any chances of making any kind of changes there?

Mr. Subramanian: Not really, I don't see that happening because most of these are specific in the area of core product portfolio and related to our services that we offer. So in a large way these will be sold uniformly across the channels as we speak.

Mr. Sheikh: Sir, last time you mentioned that there was a – SSG growth has come down because there was one product which there was a regulatory issue and because of that you were not able to import that. Has that issue been addressed?

Mr. Subramanian: Yes, last time I think we spoke about this. There was redevelopment which has happened from our own R&D center which started a while ago. We are launching those two SAUs back into the system in end of December.

Mr. Sheikh: So it is actually delayed a little bit.

Mr. Subramanian: Yes, I mean we said Q3 last time, so I think by December end we should have this product into the markets again.

Mr. Sheikh: So the SSG growth slowdown is basically the major contribution is because of that product or there are other reasons as well?

Mr. Subramanian: No see, these two products actually contributed to a significant portfolio of the product that we sell, they contributed to almost 6% of the overall product range and therefore they definitely had an impact in the product sale in the clinics, but I think overall we've seen a little bit of a slow quarter as far as footfalls are concerned, but we see that given the fact that looking at October I think October has been quite positive and things are looking better as far as H2 is concerned.

Mr. Sheikh: And any incentives, any schemes you are planning to have in the coming quarters to boost the sales, are they on card as such, because when we compare it on a last year basis the numbers were very good comparatively.

Mr. Subramanian: So we have our own programs and our marketing calendar laid out, so I think we're going to just stick to that and typically it comes with – in the next half of the year we do have some internal contests and schemes for the customers, that will be ongoing in terms of the business.

Mr. Sheikh: Okay, thanks a lot sir.

Moderator: Thank you sir. We have a next question from Mr. Deepak Gupta from Progress Capital. Mr. Gupta, please go ahead.

Mr. Gupta: Hi, this question is regarding the India business. I am just looking at the customers count growth which has come down by 11% for the quarter. It was lower by 8% in the first quarter. I just wanted to understand what is the reason why we are seeing such weakness on customer count growth, if you could give us some more details on it.

Mr. Subramanian: See, I think two things. Externally I think discretionary spends were impacted a little bit in the first half. I think the customer sentiment is getting better at least from what we've seen in the movement as far as October is concerned. Second is in these two quarters I think there were lot of internal changes also that happened within Kaya India. One was related to restructuring that we spoke as far as the first quarter is concerned where we actually removed one layer for better customer orientation and service capabilities for the end consumer. So we did sort of have a restructuring in the operations which sort of has stabilized as far as this quarter 2 is concerned. Number two is that we also had initiatives in the entire IT integration has happened very smoothly, I think by end September we've actually completed the new post system rollout across 106 odd clinics and about 15 skin bars, so about 120 locations we have moved to a new post system which is far more oriented towards better CRM management. So I think going forward it will sort of augur well. I think these two quarters, the good thing is that these two has stabilized, I think we're looking positive as far as H2 is concerned.

Mr. Gupta: Fair point, I understand that, but just wanted to understand again, sorry to emphasize on it, but your overall customer count growth also has declined at 4% for the quarter

and despite the fact that 14 new clinics have been opened on a YOY basis from 92 to 106 and in last quarter you had a positive customer count growth of about 3%. So is there something which I am not understanding this properly, like what is surely going wrong over here?

Mr. Subramanian: Not really, because I think overall while the new cluster clinics have come in the basic thing is that like I spoke, the demand was a little bit weak, but I think from a customer growth in new clinic is concerned I think we have activities and activations in the catchment which takes time to build up and sort of grow. I think given the fact that most of the clinics have opened recently, I think it will take some time for buildup to happen. It is a matter of time before we start to do better.

Mr. Gupta: And in the last quarter I believe management had guided that one could look at 10-12% of sales also is achievable by FY16. Now looking at the first half year where does management see, how could the year pan out?

Mr. Subramanian: See, I agree that overall expectations for the full year would be at best in single digits and because it is difficult to sort of pick up the shortfalls that have happened in H1 part of the business, but I think we are looking at close to about high single digits by the end of the year on SSG.

Mr. Gupta: One last question, this is on the Middle East business. I see in the presentation it was mentioned that the net revenue sales for growth for Middle East has been -2% for the quarter, but when I look at the customer count and ticket size most of them have grown by 4% and 1% respectively. So am I missing out something in this?

Mr. Neogi: That is because in our business lot of advances are taken from the customers and the service happens in the delayed period. So what you are seeing is what services happen. So if you look at the collection, the collection is high single digit growth, so from that perspective the benefit of that will come in Q3.

Mr. Gupta: Can you just explain what the difference between collection and net revenues is?

Mr. Neogi: See, collection is actually we sell to the customer and we take the advance usually, but when the actual consumption happens it becomes the revenue for us. To give you specifics, the collection growth has been 13%.

Mr. Gupta: Okay got it, great, thank you.

Moderator: Thank you sir. We have a next question from Mr. Vivek Joshi, individual investor. Mr. Joshi please go ahead.

Mr. Joshi: My first question is that who is the current R&D head, earlier it used to be Dr. Tan.

Mr. Subramanian: No, Dr. Tan was part of DRx, he was not part of Kaya, that was in Singapore. See, currently the Head of R&D is actually Dr. Sangeeta, she has been with us for over five, six years now and she is a dermatologist herself and has got a good stature in the fraternity as well.

Mr. Joshi: Sangeeta, what is her name you said?

Mr. Subramanian: Sangeeta Velaskar.

Mr. Joshi: And the entire R&D facility is in Mumbai or where is it based?

Mr. Subramanian: Yes, currently it is in Mumbai.

Mr. Joshi: Another thing I wanted to ask was that could you just elaborate what exactly was the product issued. You said that it was an intellectual property thing or was there some – we could not import or why exactly like suddenly was it that in one quarter we could not import that product and earlier we could import it, the product issue could you just elaborate, because the last time I could not quite understand what exactly happened.

Mr. Jain: See, actually we manufactured the product here, but we import some ingredients from outside. For the ingredients we were not able to get the compliances from the vendor.

Mr. Joshi: The manufacturing was not good or whatever...

Mr. Jain: Yes, he was not able to submit the required Certification so we had to avoid that...

Mr. Joshi: Sorry, I did not understand.

Mr. Jain: Since he was not able to provide the required certifications...

Mr. Joshi: So it was like some GMP fault on their part, so you could not get those immediately.

Mr. Jain: That is correct.

Mr. Joshi: Okay fantastic and just want to understand, are you considering using the Marico name again or like you are happy with Kaya?

Mr. Subramanian: No, I think...

Mr. Joshi: Is there anything that it should be renamed like Marico Kaya Limited?

Mr. Subramanian: No, I think Kaya is the brand name and that is directly associated with the kind of – from the consumer point of view I think they associate very well with this brand name and with skincare specifically and today we are an independent entity completely from Marico

and I think keeping the consumer interfaces in mind I think we have decided to keep it as Kaya Limited.

Mr. Joshi: Just to understand, just to ask a little bit on the SSG part, one thing I wanted to know when the utilization of the current clinics in the cities is not very high, so what is the logic of saturation of the city, is there research to say that people do not want to travel too far to get these...is it that because you are trying to catch customers or like...

Mr. Subramanian: Because typically the customer radius is close to about 3-5 square kilometers, beyond that people do not really travel for these kind of services and more from a standpoint of convenience and accessibility, we see that whatever clinic customer base we have created also we have created in the vicinity of this 5 square kilometers. So keeping that in mind we are looking at translating existing cities and identify catchments which are suitable for our kind of business and we are looking at them for openings.

Mr. Joshi: Do you also do some backward testing to see that are you getting customers from outside that area or not or something like that?

Mr. Subramanian: Yes, we do that, I mean we do have a database which we are able to see and relate to and as far as the new clinics are concerned we have talked about a gestation of about 18 to 24 months and as we see the performance of those clinics I think they are pretty good as it stands today.

Mr. Joshi: My only question was that sometimes you know because you open more clinics, then the utilization of the other clinics will also drop because somebody who was in slightly adjacent area will again go to – so that was my question.

Mr. Subramanian: No that I think we will keep in mind when we actually sort of invest in new clinics.

Mr. Joshi: There will be quite capital intensive, that is why...

Mr. Subramanian: Yes, you are right about that but I think that is a point to keep in mind when we open and we are cognizant of that.

Mr. Joshi: Just one thing, I went as a trial customer in one of the Kaya clinics and for the kind of services that are being offered I mean the push was too hard I felt, within five minutes I was recommended a peel and a laser, so I do not know whether you need to look into something over this, because I think it is a very premium service you are selling and you need to build confidence before you sell something for Rs 70,000 or 80,000 to customers, so just a small feedback.

Mr Subramanian: Thank you, but you can just send in a mail to us, we will probably look into it as to what exactly transpired, I think it is important to know, yes. Thank you for sharing. You can actually mail it, in all our websites there is a link to basically feedback, on the feedback session, you can just write a mail.

Mr. Joshi: That will be fair, I specifically said I had no idea about the product and within five minutes I was pitched like a peel and a laser and a bill for 75,000, so I do not think anybody would like to buy at the drop of a hat. So I just felt that the process should be more confidence building or something like that.

Mr. Subramanian: Sure, you can send us a mail and we will have it looked into. Thank you.

Mr. Joshi: Yes, thanks.

Moderator: Thank you sir. We have a next question from Mr. Manish Gupta from Solidarity Advisor, Mr. Gupta please go ahead.

Mr. Gupta: Thank you for taking my question. I had two questions, one is I think you had originally spoken about adding 10 to 12 skin bars a year, but I believe this year itself you had added like 50 or 60, so what has driven that change in the thinking and what has been the experience with those skin bars, the ones that you opened in the first quarter so far. That is the first question. The second question is you have mentioned about some shortfall of product revenue because of the import issue, so is that 6% the revenue hit on the total revenue or just on the share of your product contribution of the total revenue, so is it 6% of 100% or is it 6% of 20%?

Mr. Subramanian: Just to answer the second question first, it is around 6% of the product business. Second is you had spoken about the skin bars. See, what we had told you earlier in the communication is that we said 10 to 12 clinics and not skin bars, we said 10 to 12 clinics and I think last year we opened about 15 I think, by the end of this year we will also be close to about 10 or something as far as clinics are concerned. So, that is as far as the clinics are concerned, on the skin bars we had actually said we will be upwards of 20 skin bars. The only shift that we have done in the skin bar is that from a product only store in high streets, we have actually moved into small shopping shops and through departmental stores and we have also tied up with wellness chains to be able to increase our reach. So that has been a shift and in fact last quarter we did increase our total touch points on products, exit September we were close to about – we added about 35 KSB touch points, out of that there was one store, three kiosks, 21 shop-in-shops and ten modern trade.

Mr. Gupta: What has your experience been with some of the early ones that you opened, is it in line with your expectations?

Mr. Subramanian: On the skin bar and the clinic the answer is yes.

Mr. Gupta: The other question again, I am sorry, quite a few other people have asked about same store sales growth decline. The question I had is that since 70% of your revenue is coming from cure, is your product category really so amenable to shift in customer sentiment that it should be so much impacted by – and the same store sales growth was pretty healthy in Q1 and you have mentioned that you see a pickup in sentiment in October, but there is a dip in Q2. Given the nature of your category, it just seems a bit surprising. So can you shed some light on that?

Mr. Subramanian: See, while some of them, 70% of the business is cure, it is still discretionary in nature. So even in those categories that we are talking about laser is also a part of it and we have also seen pigmentation to be a part of it. So, to a large extent while these are part of doctor led services they are also discretionary in nature, so it could have a sort of a swing depending on the customer spends and sentiment.

Mr. Gupta: Okay, thank you.

Moderator: Thank you sir. We have a next question from Mr. Mayur from Wealth Manager. Mr. Mayur please go ahead.

Mr. Mayur: Hello, good evening and thank you for taking my question. First, just a small clarification and understanding, has it any time happened that the collections during a particular period has been lower than the revenue which you have recognized in that period, may be a quarter or a year in the past?

Mr. Neogi: Yes, it can happen. If you see in the Middle East business last quarter it happened that way, last quarter of last year where actually the collections were lower and the revenue was higher because of servicing of those collections was much higher in the previous quarter and when you compare in a scenario which is the reverse, the growth becomes...

Mr. Mayur: Will it indicate actually at that point in time that the actual sales which happened in that quarter was lower, it was just that the previous servicing happened in that quarter, right?

Mr. Neogi: Correct, you are right.

Mr. Mayur: Okay and it has happened last year you said once.

Mr. Neogi: I am talking from the Middle East point of view, it was 104.5% last year and this year it is 97, so it is the reverse, 7% difference.

Mr. Mayur: The second thing was, when we look around there are many unorganized sectors or you can say even local brands which provide services on the skin in terms of acne and you see

that not very often but still reasonably visible in terms of services which they offer. How will you say that Kaya differentiates in terms of those providers who provide these facilities in terms of pigmentation, acne, because I see those boards and even had gone to one of them, so in terms of – in your perspective how do you position the differentiator or is there any technological difference in providing that service which is different or is it the level of dermatologist which provides, is it the product which is the differentiator. From a customer standpoint what is the differentiator.

Mr. Subramanian: See, first and foremost I think we have been in this business in India for almost close to about 13 years right now and to a large extent we have had a customer database of close to about 800,000 customers we have serviced during this time. So one is obviously the knowledge, knowhow of understanding the Indian skin and being able to sort of provide solutions to over 800,000 customers talks about the type of understanding and also the kind of experience that Kaya has behind skincare. Second is our solutions that we offer is a mix of products and services, what we call a solutions approach. Seldom you find people in a position to actually give products and services under the same brand name. So we probably can pride ourselves with the fact that as a brand we are able to provide both products and services to deliver the best efficacy for our customers. Number three is that from an investment on technology point of view most of the technology that we use are US FDA certified and they stand for safety and our clinics also maintain high level of hygiene across the centers that we have. So if you look at consumer research I think time and time again people have spoken about two, three areas where they really sort of rate Kaya very high. One is related to the dermatologist, skin experts. Number two is safety and hygiene. So basically these serve to be differentiators and from a technology point of view we have actually invested in a lot of technology which are recent to the field and from a thought leadership point of view we give what is best that is available to our customers.

Mr. Mayur: Sir, I agree it sounded quite optimistic in looking at the way you are explaining. You had a clinic in Ghatkopar, Mumbai and that clinic was closed down if I am not mistaken. I do not know whether a new one has opened around the same place or not, but when I understood that it was a closed thing I just inquired and I got a feedback that there were cases of skin burns due to laser. So again you can call it a feedback, but the practical situation on ground is that there were instances like this. So how will you like to react on this and how do you take it as a management?

Mr. Subramanian: See, I think it is difficult to answer to a question like this. First and foremost on the clinics that we have talked about we moved from Ghatkopar, we have actually opened a clinic in R City, Ghatkopar in the mall. So there is a clinic available in the cashment though it has moved from eastern side to western side. Second is on the laser burn that you are talking about, I think it is difficult to isolate a particular issue and I think what you need to understand is

that we have a very robust system year off. In case something like this happens we have a robust system of tracking and we almost I think close to about 60,000 customers on a monthly basis and I do not think there has been a very even a 0.01% incidence of these which are coming in. If at all there is something it is – we definitely take complete ownership on seeing what is best required to do for the customer. We stand ourselves on safety procedures and norms and we have maintained it for a long time and we have been in this operation for about 12-15 years. So I think as far as we are concerned I think in a business like this when you are doing so many treatments one or two cases may be possible, but what we are definitely assuring the customers is a very, very quick response in case something has not worked well.

Mr. Mayur: And your top of the mind recall is around 0.01% is also – will be the cases which must have gone like this.

Mr. Subramanian: I do not have an immediate number to that, I am just saying the incidents are far and few if at all.

Mr. Mayur: The other question was when we say customer count of 58,000 or 60,000, if a customer comes twice is it still counted in a period of that quarter?

Mr. Subramanian: No, they are counted as unique customers actually.

Mr. Mayur: So it will be not necessary that these are all new customers, it will be the number of sale points which has happened.

Mr. Subramanian: See, you are talking of new customers or you are talking about...

Mr. Mayur: No, the customer count which we give in the presentation, let us say in India case it was 58,000 for this quarter or 60,000 for the previous quarter. So that is the number of sale invoices kind of thing which must have got generated rather than saying the new customer.

Mr. Subramanian: It is basically transactions, but in a month we typically have one transaction per customer. So on a monthly basis it becomes unique more or less, but overall it is actually the transactions that we are talking about on a quarterly basis.

Mr. Mayur: But then 60,000 per month should it not be 1,80,000 then?

Mr. Subramanian: No, no, 60,000 is – see when you sell a transaction you are selling a transaction as an average session of close to about three to four or six sessions. So typically what happens is that transactions are the relative customer count. The interaction is the multiple sessions can happen for a customer in a period of three months, so he comes for consumption. So it is like renewing the sessions which are pending for the customer, so a customer can come and take the first session, second session and third session in the same quarter, it is quite possible. So

when we talk about meet-ups we are talking in terms of serviceability, the people who walk into our customer clinics on a monthly basis and start interacting and taking services with us.

Mr. Mayur: Sir last point, I know I have taken a bit of time. Can you just throw more color on the care segment of the business because it is growing strongly and what kind of services and how do you see that going forward over the next three, four years and what kind of services they provide.

Mr. Subramanian: See Kaya recently we have actually launched a few new services, which have really given it a boost as far as the category is concerned. This is almost a year old but the fact is that the services are doing well and therefore you are seeing a good growth there. On the products front I think overall we have done close to about 20% though the clinic part of the business we have been slightly impacted. This quarter also saw some initiatives which we had planned in terms of launch of the men's range, the CC cream and the makeup remover and we are extending our product line from say 50-55 to about 70-80 in the next coming year and a half or two and most of the projects that we are talking about are very much in the pipeline and are as per schedule.

Mr. Mayur: Thank you very much, wish you all the best.

Moderator: Thank you sir. We have a next question from Ms. Tanushree Rao from Ethel Wise, Ms. Rao please go ahead.

Ms. Rao: Good evening sir, just most of the questions on the products that have been facing some problems have been answered, just one question on that. Do we only source from one vendor and if so why is that the case, because if it is only one vendor then it looks like it is a problem for us, that is one part of the question. Second is just wanted to know the average store level EBITDA that we have for our stores, also a follow on to that question would be if are SSGs not looking good and you answered this in the previous question, but just wanted a better understanding. FY16 is not looking good, why are we going on store expansion because more of these expansions are actually impacting our margins, so just wanted to understand the strategy or the management's perspective on this.

Mr. Subramanian: Yes, see on the products that you spoke about I think some of these products ingredients are very specific and therefore there are not too many vendors available. This was a very specific case. Having said that I think we have been able to resolve the issue quickly through internal development and we are actually rolling out the two SKUs in quarter 3. That is on the product front. Not really that we should be concerned about old range of SKUs but select SKUs which are we do have limitations in the number of vendors that are available. Number two is that on the EBITDA, the EBITDA for that cover has been about 33% at a store level.

Ms. Rao: That is an average EBITDA we are talking about? We are talking of the best stores.

Mr. Subramanian: No, no, I am talking about existing stores. The average EBITDA is 33% for the existing stores and when I am talking about EBITDA I am talking about store level EBITDA yes, so post this you will have corporate overheads and ASP. So the current store level EBITDA is fairly decent I would say and there are chances that it can go up marginally over the few quarters, but on the expansion front I think we have opportunities at this point in time. There are catchments which we believe are potential catchments for the business and there is scope of sort of doing well in accessing our range of offerings to our customers there. So, yes we are looking at this one, but this year we would probably close at about 10. I think more importantly we see a lot of traction as far as the extensions to the skin bar is concerned, that is the product story. In the last quarter we have actually sort of increased our plus points and we see a lot of merit in the skin bars working at the hub and spoke models to clinics in terms of bringing better customer footfalls to the clinic as well. So I think we are definitely focused on driving this, skin bar and the product journey and as far as clinics are concerned, yes we have opened about 15 last year, this year we will probably end up doing about 10.

Ms. Rao: Just to get a better understanding sir, for this past quarter what is the maximum store level EBITDA generated maybe by the best performing store, what is the store level EBITDA in the best performing store for us in India?

Mr. Subramanian: See, the thing is that I think it is better you look at an average number because there will be various cost structures which are different across geographies. So, it is not that if I give you a number of the best performing store the country will move towards that number. So I think it is important that we understand that there cost structures which are different across geographies, at the same time the potential for certain set of services are also different across geographies. So on an average I think 33 for about 85 clinics which were open two years back is what we have stabilized it on a method store level basis.

Ms. Rao: Okay sir, then that is it from my end, I got no more questions, thank you.

Moderator: Thank you ma'am. We have a next question from Mr. Manish Manwani from Bonanza Portfolio. Mr. Manish please go ahead.

Mr. Manwani: Hello, good evening sir. I just want to understand the percentage of repeated clientele and the percentage of new clientele for our business.

Mr. Subramanian: Yes see, basically new customer contributes to about 30% of the business and existing customers contribute to about 70% of the business.

Mr. Manwani: Sir, we have a program Kaya Smile and one lakh women are under the loyalty program Kaya Smile, I just want to understand how big the addressable market file of Kaya and whatever strategy to retain the customer in the Kaya Smile loyalty program.

Mr. Subramanian: See the loyalty program enrolments are close to about 200,000 as we speak and the retention that we are seeing in the loyalty program on a year to year basis is close to about 45.

Mr. Manwani: 45%.

Mr. Subramanian: Yes.

Mr. Manwani: Okay and sir my next question is regarding the – as a practitioner allowed to practice at the clinics, how do we manage the conflict of interests of needs regarding that?

Mr. Subramanian: You are referring to the dermatologist here?

Mr. Manwani: Yes.

Mr. Subramanian: Typically yes dermatologists per se span services more than what Kaya has to offer. So from a medical perspective doctors do practice for various other reasons straddling various other areas of dermatology which Kaya is not part of. So, at this point in time we have agreed to work with people who are also practicing on the private sector, private clinics, but having said that I think to some extent we do manage the kind of catchments that they operate in and the kind of working hours that we have with them and we do not see much of an issue at this point in time because there is a brand for which the customer also walks in to.

Mr. Manwani: Okay and sir, I just want to know are there any store closed in this quarter or in this year and what is the reason for that if any?

Mr Subramanian: No, no store closures.

Mr. Manwani: Okay sir, thank you sir.

Moderator: Thank you sir. We have a next question from Manjit Gaurav from Solidarity. Mr. Manjit, please go ahead.

Mr. Manjit: Hi sir, thanks for taking the question. My first question is to understand the product a bit in detail. I would presume this is an OTC business, right?

Mr. Subramanian: Yes, you do not need a prescription for this.

Mr. Manjit: So I just wanted to understand what is the right to win for Kaya as a brand to sell these products, there would be other products available in the market, so how does a customer come to buying Kaya products finally?

Mr. Subramanian: See, I think the differentiator is the fact that I think we have been in the business for about 15 years, we understand the Indian skin well. Number two is that I think all

the products that we are talking about are more efficacious in nature, it is researched and developed by set of dermatologists who have been with us for some time and number three is that our basic approach to product sale is through a consultative method of selling with the doctor at the center and we have been able to do reasonably well as far as the product sale is concerned given the fact that from just about 85-100 odd centers we do close to about 35 crores of business without much of ANP. So to a large extent I think people who have endorsed, like you sort of engage with a brand and repeat products and services with us and the idea of the product journey through skin bar is to make more people accessible to these products and get a flavor of them because these are good products and they have their share in which they are able to functionally sort of offer better efficacy to customers.

Mr. Manjit: Sir, second question was to understand the cure business, you mentioned in the question some time back that it is still dependent on discretionary spend given it involves laser and stuff like that, so I wanted to understand like if one has to break down your cure business, what percentage is based on discretionary spend of the revenues we have earned and what percentage like repetitive in nature?

Mr. Subramanian: See, it is difficult to categorize completely, but if you look at the product, the contributions of various treatments there is laser which is contributing about 30% of the business...

Mr. Manjit: 30% of the total?

Mr. Subramanian: Yes, total portfolio 30% is laser, about 20% is products, 15% is anti-ageing and then we have facial which is about 15% and we have the remaining which is basically skin concerned related to acne, pigmentation, etcetera. So very difficult to sort of predict – both of it is discretionary if you ask me, but having said that I think we see it, when things become acute I think Kaya is definitely the solution that people look forward to.

Mr. Manjit: Fair enough, then there are just two housekeeping questions. One is what will your utilization be at limit levels for this quarter?

Mr. Subramanian: Your capacity utilization you are saying?

Mr. Manjit: Yes.

Mr. Subramanian: I think it is about 35% or so overall.

Mr. Manjit: And while getting to this number 35%, how do you look at it, do you look at it in terms of hours available or how do you actually look at it?

Mr. Subramanian: No, it is basically – room hours available during the store opening time.

Mr. Manjit: Okay, fair enough. Second question was on your short term loans and advances, between March 15 and September 15 they seemed to have jumped quite a bit around 33 crores if I am not mistaken, so just wanted to get a sense of what that was.

Mr. Jain: Yes, I think we have moved some investor from mutual fund to the ICDs, so that is the shift actually. If you see our current investments which was 151 last year has gone down to 108 this year and the short term advances from 14 to 47 includes the FD in the corporates. That is why we have moved from investment to the Short term Loans and Advances

Mr. Manjit: Okay sir, that is all from my side.

Moderator: Thank you sir. We have a next question from Janvi Shah from Reliance Mutual Fund. Ms. Shah please go ahead.

Ms. Shah: Hi, thanks for taking my question. Sir, can you tell us what is the trend in customers advances that we have seen?

Mr. Jain: Advances have increased from March. It has moved from 70 crore in March to 81 crore in September.

Ms. Shah: How much would it be right now if you have to just give a percentage for the India business?

Mr. Jain: India is around 55 crores and Middle East around 26 crores.

Ms. Shah: Okay and second point is coming back to the SSG, you said that probably for the rest of the year or for full year SSG would be high single digits?

Mr. Subramanian: See, I think SSG for the H2 would be close to about high single digits, yes.

Ms. Shah: For second half, okay. Sir, what are the challenges here that we are facing to improve probably the SSG from whatever we had guided earlier to say a double-digit kind of a number, is it the pricing or some kind of slowdown or some other issues in a few stores that we are facing?

Mr. Subramanian: No, I think we will address this separately in terms of – yes so we are looking at this separately in terms of how we want to address. I think it will be a mixture of pricing correction and also margins and cost.

Ms. Shah: Okay, sir to what extent would you probably have to do this, because why I am asking this is probably because the fixed cost and the cost overheads, I mean in this probably your matured stores are making healthy margins of 30-35% because you are in an expansion mode, it does not come as such.

Mr. Subramanian: Yes, see I think we spoke earlier actually when the previous telecoms also bought this. I think one needs to take a look at the existing store P&L and the new P&L separately, because I think we are investing at this point in time as far as the business is concerned. Investments in businesses are coming on various fronts. One is in terms of new products and services, number two in terms of expansion, number three in terms of our reorganization that we have done in the first quarter of the year and number four is coming in terms of IT infrastructure sort of integration that we are doing across clinics and skin bars and towards enhancing customer experience going forward into few more through discharge patients. So I think we are in a mode of sort of upping the overall experience and I think for all the investment that we are making I think you would definitely see some kind of a positive trajectory going forward into the next few quarters.

Ms. Shah: Okay and secondly what percentage of our overall clinics will be at matured stage say 30-35% EBIDTA?

Mr. Subramanian: See, at the store level we said 33% is what we have done for existing stores and these are our mature stores which are about 85 in number which has been open two years, we are talking about these stores two years before. So till 2013 we had about 85 stores in operation and we are talking about these metro level stores are about 30-35% store level EBITDA.

Ms. Shah: And how many number of stores tend to become mature for us like every year do we see that three, four numbers or probably more number of stores getting to this kind of number?

Mr. Subramanian: No, this is an average number of 85 stores and as far as the new stores are concerned which we have opened about 15 last year we expect to close it about ten this year. So these stores will have a gestation of close to what the store level breakeven will come in about 18-24 months and then we will have them slowly starting to improve on store level EBITDA.

Ms. Shah: What is breakeven duration of new stores, Is that seeing some kind of a shift?

Mr. Subramanian: No, I think it is auguring well from what we had seen earlier, about 18-24 is what we have said. I think as we see we are seeing some positive traction on that.

Ms. Shah: Okay, alright.

Moderator: Thank you ma'am. We have a next question from Mr. Amit Purohit from Daulat Capital. Mr. Purohit, please go ahead.

Mr. Purohit: Yes, thank you for the opportunity. So just to see loyalty customer and trying to link it with the customer count, so we had a customer count decline of 11%. So I just want to understand – and this loyalty customer is now 70% which was 84%, so is that coming – what is

going wrong, I mean is that the customer who would have opted for this service and now he does not come and that is why it is not built to him or is it – because these customers would be known to you, right, I mean that the store level the manager could call them up and check, so I just wanted to understand how this decline...

Mr. Subramanian: See, first of all I think when I said 70% and 30% I spoke about new and existing customers. I think the loyalty customers are that in existing also and in new also, so that is a different metric altogether. So loyalty contribution is upwards of about 80%, that still holds, but when we talk about this growth, the negative growth is basically number of transactions that we are referring to here and obviously there has been a little bit of impact in H1, but given the fact that the investments have come in the business in terms of new technology at the clinics and also the new service offerings and products that we are introducing, I think we would see this slowly shift forward. What is important is during this phase customers are completing their sessions so that they are in a better position to come back, so a loyalty customer will complete his session and then probably enroll into a fresh session going forward. So, it is a cycle that happens over a period of time.

Mr. Purohit: Okay and since you indicated ticket price increase of close to around 10%, so what would be – how much would be the price increase in that and on top of it in the previous question you indicated some pricing action, so just trying to understand if there could be some sudden change which might impact this ticket size.

Mr. Subramanian: See, ticket size that you are talking about is devoid of any such thing, it has basically increased due to change in category mix which is happening at the clinics, but on the pricing I think we will sort of see what is right for us and then do it accordingly.

Mr. Purohit: So this 9.7 could not have been price increase.

Mr. Subramanian: No, no, the ticket size was 10%, of that the SSG was close to 12%.

Mr. Purohit: And lastly on the KME side, I was just trying to look at on a QoQ basis, I mean last year on a QoQ basis Q2 versus Q1 we witnessed some 5.5 to 6% growth. This year on a QoQ basis it was more or less flat, so is that there is no scheme or is there a general slowdown there also, which has been witnessed?

Mr. Neogi: No, in Middle East September month normally we do a big campaign, so last year it was there and this year we also had planned a big radio campaign, but what happened is in UAE there was mourning period for two incidents from the government. One was because of soldier's death in Yemen and second was the Prince's death, because of that there was mourning period, we could not do the campaign in September, the campaign got pushed in October. So the growth which we had envisaged and which is always in the base in the month of September got pushed in October. So, in October we have delivered very high double digit SSG growth.

Mr. Purohit: Okay understood and in the presentation you talked about EBITDA impacted on account of organization structure enhancement for driving growth and some relocation of office, so is there a significant number to this, I mean if you can just quantify what is it...

Mr. Neogi: There is not a significant number and if you actually look at in the previous question we were answering, if you compare Q2 versus Q2, in Q2 the NR2 to collection was 104.5% whereas this year it is down, down means 97 or some percentage, so if you see the gap between NR2 collection is around 7%, so that is actually one impact and second impact on your what you said, that impact is around 1.5 crores.

Mr. Purohit: The additional cost because of relocation of machine.

Mr. Neogi: No, the additional cost is because we are doing investment on two accounts. One is actually on people so that we can expand in future, we can have a sustainable profitable expansion in future which in Middle East we never did it, so the people cost have come in and the expansion will come in in the next quarter or in this quarter some and in the coming quarter few more. So that is the cost which got built in and also the investment in technology which we have made and also investment in systems, we ruled out the PO system which is cloud based and we have ruled out in all the clinics there.

Mr. Purohit: So what is the amount, you are saying 1.5 crores...

Mr. Neogi: Yes, 1.5 crores.

Mr. Purohit: And the investment in the technology could be more on the depreciation side.

Mr. Neogi: Correct, you are right.

Mr. Purohit: Okay, thank you so much.

Moderator: Thank you sir, we have a next question from Mr. V. P. Rajesh from Banyan Capital. Mr. Rajesh please go ahead.

Mr. Rajesh: Thanks for the opportunity, few questions on the Middle East business. So what is the store level profitability over there?

Mr. Neogi: The store level profitability is around 38%.

Mr. Rajesh: And out of the 19 clinics we have there how many of them are profitable?

Mr. Neogi: At a store level all are profitable.

Mr. Rajesh: I see, at the store level, okay. So as you were answering to the question asked previously given the margin drop in the EBITDA what is the most sustainable margin one can expect going forward just on the Middle East side?

Mr. Neogi: On sustainable margin whatever we are having, it will be better than this, but it will not drop from this. We do not give specific guidance but because we are building in structures and investing in the business there will be a lag effect in terms of time because the costs are getting build and the revenue will come after one quarter or maybe some cases two quarters specifically when you are getting into new technologies and also into new countries. So in terms of margin it will not be lower than what we are doing now.

Mr. Rajesh: So what is the store extension plan for the next few quarters in Middle East?

Mr. Neogi: We are looking at every year to add minimum three stores, because the throughput from the Middle East is very high and so we have not done it, so we are going to do it from now onwards at least three every year.

Mr. Rajesh: Okay and sorry to go back to the margin question, but some of this margin drop year over year is because of building the organization, so that is understandable, but what I am trying to understand is how much of that is variable which is related to the new store opening plan because that 7% spend is quite a bit, so if you can just give some more commentary on that.

Mr. Neogi: That 7% is actually not because of store, it is more to do with servicing of the advances which we have taken. So that is actually not new store margin hit actually. So it is in an existing business we have collected the money, but the servicing has not happened which means when the servicing happens next quarter it flows down to the margin.

Mr. Rajesh: Okay and the product growth is at 7%, so just curious from your perspective, is it on the low side or high side and do you see more growth on the product business?

Mr. Neogi: It is on the low side, the reason is that we were launching 17 new products and we wanted to keep the pipeline thin, which is why we were cautious in not having the all pipeline there, so that is the reason the product percentage is low at 7%. If you ask me we will have a very high double-digit growth on products going forward.

Mr. Rajesh: Okay and then one more word on Middle East side, given the drop in oil price are you seeing any shift in the customer behavior in those geographies?

Mr. Neogi: See, our business mainly is in UAE, Saudi and Oman as of now, so the drop in oil price will have an impact on the economy more in Saudi than in UAE and the economy, the real estate, the construction, the banking will first get hit and with the time lag it may hit us but as of now we are not seeing any impact of that.

Mr. Rajesh: So just some quick questions on the balance sheet, apparently I noticed the jump on your short term loans and advances, anything particular going on, if it is what is it pertaining to?

Mr. Jain: There was shifting from the mutual fund investment to the ICD, so there is regrouping of the investments.

Mr. Rajesh: Then on the fixed asset side it was quite a bit jump, so is it primarily for the store opening on the India front?

Mr. Jain: As I said yes, we have invested in medical technology and the store opening.

Mr. Rajesh: Okay and then on the India side if I may a couple of quick questions, you mentioned that 85 stores have been open for two years or more, how many of them are profitable and earning EBITDA positives out of 85?

Mr. Subramanian: Let me just clarify, I think we had taken a consolidation in the business somewhere in 2011. So we actually had around 100 clinics and we had brought it down to 85 at that point in time and from then to about 2013 these 85 clinics have been on operation, so average life of those clinics are close to about six, seven years at that point in time and it is about close to seven, eight years now and at the metro stage this is what we are talking about at a store level EBITDA, about 30-35% is what we are saying at this point in time, yes.

Mr. Rajesh: So my question is out of those 85 how many are actually EBITDA positive or all of them are EBITDA positive?

Mr. Subramanian: All of them are.

Mr. Rajesh: Okay great and then the ticket size went up in India a bit, so was it some price hike that you took or it was mainly the product mix, because there was quite high growth on the cure and product side.

Mr. Subramanian: Basically the category mix which sort of helped to garner things, there is no price increase that we had actually taken in the last quarter, so it is reflecting basically because of a change in mix.

Mr. Rajesh: And just a final question, you talked about the Hair category, the new technology, could you comment on that what has been the progress on that side?

Mr. Subramanian: You are talking about the hair launch or you are talking about hair cream because these are two different categories. I had earlier spoken about hair in the last tele-con, so that we had done a small prototype in Delhi and it will take about six months before we understand what is the element for scale up for rest of the country.

Mr. Rajesh: Thanks for answering the question, I appreciate it.

Moderator: Thank you sir, ladies and gentlemen, we will now take the two last questions. We have Mr. Ashish Naran from Perfect Research, Mr. Naran please go ahead.

Mr. Naran: Sir, as you mentioned that we have approximately two lakh women under this loyalty program of Kaya, that is Kaya Smile, so how big is the addressable market size for Kaya Smile, I mean any target that you see?

Mr. Subramanian: No, typically we have people transacting with us from the previous year to close to about 45% and the loyalty program is an element in driving that and some of them are repeatable services, some of the services that we offer are not repeatable which is where the gap is.

Mr. Naran: Sir, to increase the repeated business how do we try to maintain our customer affiliations, I mean to increase the repeated business, so could you please explain some practices that we are using to retain the customers?

Mr. Subramanian: See, I think the loyalty program is one of the tools that we are using to be able to get routine customers, so there are different benefits that we have for customers and both transactional benefit and software benefits. I think that has been the program that has been running and it has been about three years in operation and of course for the remaining spaces like products I think the repeatability is one thing that we can look at. Some of these can be – there are products which can be used even for daily skin care and that is the other area that we are looking out.

Mr. Naran: Okay sir, thank you very much and all the very best.

Moderator: Thank you sir. We have a next question from Mr. Jehan from Motilal Oswal. Mr. Jehan please go ahead.

Mr. Jehan: Sir, regarding Kaya skin bar you opened close to 50 skin bars in the first half, so for the full year how much addition do you see?

Mr. Subramanian: Let me clarify, I think the store openings are just one and kiosks is three. The shop-in-shops are 21 in number and the rest of the things are related to modern trade which is about ten in number. So, while the touch points are given, the company operative stores are essentially four of them which we have opened and the departmental store tie-ups of shop-in-shop is about 21 and in terms of number of doors and openings yes it is almost close to about 70 at this point in time. I think by the end of the year we should be hitting close to about 90 to 100.

Mr. Jehan: Sir, if I compare this with your clinics opening, so for the full year you said you will be opening around 10 clinics. So incremental revenues should be more from the product side, is this right?

Mr. Subramanian: See, you are seeing Q2 also, overall growth in products has been 20% and yes we will be opening the product skin bars to gain accessibility and that is expected to continue for the remaining part of the year.

Mr. Jehan: So what kind of run rate should we assume for FY17 and beyond for the product store openings including shop-in-shops and kiosks, etcetera.

Mr. Subramanian: See, I think we do not necessarily give guidance towards the future years, but yes I think at this point in time we are also looking at how well we can sort of expand this. I think we will be assessing it and taking it forward accordingly.

Mr. Jehan: So the product mix in the overall scheme should head higher going forward, so what is the kind of mix that you see for products a few years down the line?

Mr. Subramanian: See, I think yes in contribution basis I think it will definitely go up because we will be looking at more touch points here, so it will be expected to go from 20-25 to maybe 30-35% as we move along.

Mr. Jehan: Okay sure, that is it from my side, thank you.

Moderator: Thank you sir. We have a next question from Mr. Vivek Joshi, individual investor, Mr. Joshi please go ahead.

Mr. Joshi: Yes, my question is this model of Kaya having dermatology clinics and all that, are there any international examples which are like there, like brands outside in different countries, the one in India to benchmark, it might help to see, are there any international things which follow similar model?

Mr. Neogi: Yes, there are international brands. Actually in Middle East our competition is international brands. There are two brands which are from US, we compete with them. One is Obagi, the other is CosmoSurge and there is one Middle East brand which is from Lebanon called SilKor. So these are the international brands in the same space where we operate and so if you ask from Middle East perspective these are the brands.

Mr. Joshi: From the US market are there more brands?

Mr. Neogi: Yes obviously, in US there will be many other brands, Obagi is one of the most reputed brands, CosmoSurge is one of the most reputed brands which we can benchmark, national market contribute.

Mr. Joshi: Just to understand, are there any internal aspirations of the company with regards to company level EBITDA or which has stability or like once this expansion is done or something like that, just to get an idea as to – because store level EBITDA is very healthy but obviously there is ANP and corporate and stuff like that, so is there any like long term EBITDA saturation of the company to be at some place or would that also be like guidance...

Mr. Neogi: I do not think we are in a frame of giving guidance, but yes I think as we move along and the clinics gestate I think it should add to the overall EBITDA of the business and given the product journey that we are also undertaking and the kind of stability that we will get in the new clinics that we are opening, I think over a period of time it should start showing positive results.

Mr. Joshi: Thank you.

Moderator: Thank you sir. We have a next question from Manchit Gorla from Solidarity. Mr. Manchit please go ahead.

Mr. Manchit: Hi sir, I have a follow-up question in the Kaya skin bars, which is to understand this model, I wanted to get the sense of what is the revenue per skin bar outlet you look at and what is the EBITDA margin target for skin bar outlet?

Mr. Subramanian: See I think there are three, four different formats here. So we have been using the word skin bar right through, but I think are stores, there are kiosks, there is shop-in-shop and there is modern trades.

Mr. Manchit: Right, so if you can highlight about SIS and counters as they would be the biggest part of your skin bars.

Mr. Subramanian: Currently yes because I think they are larger in number, but in terms of throughput stores typically is about 4 lakhs+ kiosk is about 2-2.5 and shop-in-shop could vary between about a lakh or so and modern trade would be close to about 30,000-40,000.

Mr. Manchit: These are monthly numbers.

Mr. Subramanian: Yes.

Mr. Manchit: And what is the kind of inventory you go with, again I understand the models are different but if you could just help me with that?

Mr. Subramanian: Typically we have a good replenishment cycle, but typically stocks in the clinics and stores will be close to about 45 to 60 days.

Mr. Manchit: And what are the EBITDA margins you think the store and the kiosk and the SIs could achieve over time?

Mr. Subramanian: See, I think on a mature state I think the product vertical should stand up to give about double digits EBITDA at a business level, at a product business level.

Mr. Manchit: And one final question on this business, what number of total touch points do you see A&P spend dedicated to products?

Mr. Subramanian: See, currently we have not really done too much work on A&P with respect to skin bars. I think it is important to have some amount of intensity and scale in a city before we do that. Most of our products in the skin bar is done through – we have a diagnostic tool through which we are in a position to diagnose the skin much better and we have counselors and there is consultative selling through which we actually send to our customers along with experiences. So at this point in time there is nothing specifically, no large as far as the A&P spend for products is concerned but once we have a little bit of a scale in a particular city I think we will be open to do some amount of ATL activity around the brand.

Mr. Manchit: So my understanding was you are looking at product as something which will drive customers to your clinics, but to speak of today it is the clinics that are driving people to the products.

Mr. Subramanian: Yes, that is because the clinic has been in the business for 15 years, 13 years and the business for SIS and products has just started...

Mr. Manchit: I understand that sir, so my next question was actually given the intensity of store addition right now in the skin bars, one would assume that it would be much lower to get people to buy your products because first people have to get your experience or have to see ANP on the product, one of the two. So would that be right to say that then why are we expanding so fast when there are skin bars.

Mr. Subramanian: No, I think the category behaves in a manner that people first experience a particular brand through a product, so even if you look at the category one would get into the skin care category through a product and then sort of migrate to a service and then would migrate between the two products and services, I mean that would go for any customer. I think the product's journey is more to keep in mind providing accessibility and engagement with the brand, it is an open format store, so it gives a huge opportunity for us to reach out to a larger audience and once they have experienced the brand and sort of taken benefits from the products there is a very high likely chance that they will also be experiencing our high end services for specific needs.

Mr. Manchit: Sir, that is all, thank you.

Moderator: Thank you sir. We have a last question from Mr. Amit Purohit from Dollar Capital. Mr. Purohit, over to you sir.

Mr. Purohit: Yes, thank you for giving me the opportunity. So just on the Kaya business, how do you think FY16 would shape up given the fact that in first half we have been negative on the EBITDA side and also second point I wanted to understand is how confident you are, if not FY16 then FY17 kind of a double digit SSG growth.

Mr. Subramanian: See, I think not much into say future predictions but the fact is that what I would say is that as far as Q1 and Q2 are concerned I think the top line growths were impacted both from external and internal conditions. Internally we did a restructuring which has come in place and number two also we have sort of migrated into a very seamless system in the front end. So all this has taken some amount of effort in putting and stabilizing the new structure and system in place. Number two is that we have also invested in high end technology and giving a better customer experience, we have also gone looking at digitization and other areas for customers in Q3 and Q4 and we also sort of working on our new product lines and services to come in. I think all this will start to show results going forward and today you are seeing the impact of those investments in the P&L but I think the benefits will actually flow in in the subsequent quarters. Having said that I think October has seen a positive trajectory and we are hopeful to continue this going forward.

Mr. Purohit: Okay, thank you sir.

Moderator: Thank you sir. As there are no further questions I would now like to hand the floor over to Mr. Dharmendar Jain for his closing comments, over to you sir.

Mr. Jain: I would like to thank you all for attending the conference call, thanks very much.

Moderator: Thank you very much Ladies and Gentlemen. That concludes this conference call. Thank you for joining us. You may now disconnect your lines.
