

**Kaya Limited**  
Q3 Financial Year 2016-17 Results  
Conference Call  
**January 27<sup>th</sup>, 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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**PRESENTATION**

**Moderator**

Ladies and gentlemen .Good day and welcome to the Kaya Limited Q3 FY'16 post results conference call. As a reminder, all participant's lines will be in the 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 an operator by pressing "\*" then "0" on your touchtone 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 – Chief Financial Officer - Kaya Limited. I would like to handover the call to Mr. Dharmendar Jain who will take you through the highlights of Kaya performance during the quarter. Over to you Sir!

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Good evening everybody. I welcome you to the conference call on our Company's behalf. Let me give you a short update on the Q3 numbers.

Kaya group posted consolidated revenue of Rs.95.2 Crores from operations for the quarter ended of December 31, 2015. It was a growth of 11% over the corresponding quarter of last year. The same store growth was 7% in the Q3 at a consolidated level.

The consolidated EBITDA was Rs.4.9 Crore, which was 5% of the revenue as compared to 13% of the revenues in the corresponding quarter last year. The like-to-like EBITDA was 8.3 Crores which was 9% of the revenue compared to 11.3 Crores, which was 13% of the net revenue in the last year Q3.

On the operating profit after tax, it was 3.5 Crores compared to 11.3 Crore last year in the corresponding quarter. In terms of expansion, Kaya India had added one clinic and it added around 37 Kaya Skin Bars Doors across formats in India.

In Kaya Middle-East we have acquired one clinic. Overall, currently, Kaya India operates now 107 clinics and 104 Kaya Skin Bar outlets. In Middle East it will be now 20 clinics post the acquisition of one clinic what we acquired in the Q3.

In terms of revenue in Kaya India, it was a same store growth of 3% and there was an overall growth of 7% considering the new clinic.

Q3 EBITDA was negative 2.1 Crore compared to last year 2.9 Crore of the net revenues. Like-to-like EBITDA is positive at 1.1 Crores which was 3% of the net revenue and in terms of PAT and on the standalone basis it was 1.8 Crore negative as against the last year 5 Crores which was 11% of the revenue.

In terms of e-commerce, sales growth- it was 95% over the last year. The e-commerce sales now are contributing around 12% of the overall product sales in India.

Update on Kaya Middle East- Net revenue has grown by 15% and the SSG was 15% in the Kaya Middle-East.

The EBITDA for Kaya Middle East was 7 Crores which was 15% of the net revenue compared to 8.2 Crores which was 20% of the revenue in the corresponding quarter last year.

The PAT of Kaya Middle East was 5.4 Crore which is at 11% of the revenue as against the 7 Crores in the corresponding quarter last year.

I now open the session for questions. My colleagues and I will be glad to answer them, Thank you

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**Moderator**

We will now begin the question and answer session. At this time if you would like to ask a question please press “\*” then “1” on your touch-tone phone. If you decide you want to withdraw your request from the question queue please press “1” to remove yourselves from the queue. Dear participants please press “\*1” for your questions. The first question comes from Mr. Jehan Badha from Motilal Oswal. Mr. Badha you may please ask the question now.

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**Jehan Badha - Motilal Oswal - Mumbai**

Sir my question pertains to the SSG growth rates, somehow I am not able to reconcile the numbers for India, Middle East and consolidated so for India the SSG is +3% am I right in constant currency terms?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes.

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**Jehan Badha - Motilal Oswal - Mumbai**

For Middle East it is 8% so on a consolidated basis how are we getting SSG of 3%, is there something that I am missing?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See SSG 5%. I think you are referring to the collection SSG.

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**Jehan Badha - Motilal Oswal - Mumbai**

I am referring to net revenue SSG for all the three I mean India, Middle East and consolidated numbers on constant currency basis?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

So for Kaya Middle East it is at 8% constant currency.

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**Jehan Badha - Motilal Oswal - Mumbai**

Right. For India it is 3%?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

For Kaya Group SSG at constant currency for NR is 5%.

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**Jehan Badha - Motilal Oswal - Mumbai**

Sorry.

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

On the Kaya group if you see net revenue is 5% at constant currency.

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**Jehan Badha - Motilal Oswal - Mumbai**

Sir, when we say we are comparing SSG how old are the stores in this calculation?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

The clinic has to operate at least for 12 months.

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**Jehan Badha - Motilal Oswal - Mumbai**

Whatever is the over and above 12 months beyond 12 months?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes.

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**Jehan Badha - Motilal Oswal - Mumbai**

Lastly have we taken any price increases in this quarter?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See in December we have taken the price increase in some of the currencies, so basically in the month of December we have taken.

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**Jehan Badha - Motilal Oswal - Mumbai**

Sir what is your outlook on same store sales growth going forward?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Actually, what you are seeing is that there has been some consumer sentiment which is not in line with the expectations, we are seeing it for the last few quarters now and if you look at what exactly is happening, our understanding is that the low end of the spectrum is where we have got impact with respect to customer count, so it has impacted the low end services/products; however, the high-end customer retention is intact and the low-end spectrum could have been impacted by various things, it could be because of easy access through other formats that we have expanded on because the overall product growth for the business is about 28%. Having said this, I think our thing is that it will take some time to sort of move this forward. However, we have some action points in place where we are looking at a consumer promotion in Q4. We have re-launched two of the discontinued SKUs back in December. We are looking at an innovation pipeline and we are looking at Hair as a category for future growth, which is expected to sort of stabilize somewhere close to about Q2 next year. We did a prototype this year and I think the action standards are being very much in line so we plan to scale it up to 50-60-odd clinics by Q2 next year. More importantly I think from an expansion phase, we are like consolidating at this point in time, In the last 18 months or so we have added close to about 22-odd clinics and we have also sort of increased the number of doors in the KSB formats from to close to about 100 plus stores, which includes the different formats of stores that we are actually operating

in. So there will be a consolidation phase as far as clinics are concerned we are not looking at an expansion in the next one or two quarters at least for sure and as far as KSB is concerned we would probably look at may be a marginal expansion of about 20-30 or something on a yearly basis. So those are the areas that are the diagnosis as far as India is concerned and also the kind of action plans that we are putting forward to the business.

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**Jehan Badha - Motilal Oswal - Mumbai**

Sir in terms of number of clinics that will be opened in next year should that be in the region of 10-odd clinics or it could be lower as per what you are saying?

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**S. Subramanian - Chief Executive Officer - Kaya India**

So actually we are looking at consolidation at this point in time so we will wait for one or two quarters to see how it moves up and then sort of decide on our way forward with respect to expansion. This is India. As far as Middle East is concerned I am sure we are looking at certain options and there you will still look at about two three clinics on a yearly basis.

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**Jehan Badha - Motilal Oswal - Mumbai**

Right. Sir are we seeing an improvement in SSG growth in the current quarter and for FY2017 would it be possible to reach a double digits?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See between last quarter and this quarter there has been a slight movement but having said that we still need to see the traction being improved towards a different level all together. Next year I think we are looking drivers which is a critical piece to the whole thing which will help us to sort of build on a SSG in existing clinics.

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**Jehan Badha - Motilal Oswal - Mumbai**

I will come back in the queue if I have more questions. Thank you.

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**Moderator**

Thank you very much Mr. Badha. The next question comes from Mr. Saif Shaikh from Maple Investment. Mr. Shaikh you may please ask the question now.

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**Saif Shaikh – Maple Investment - Mumbai**

Sir wanted to know out of the current 107 clinic and 104 Skin Bars how many have been profitable?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See at a store level on the clinics front, I think the ones we have opened in Q2/Q3 last year; we are fairly in line with the expectations. We had expected a store level EBITDA at about close to about 18 to 24 months that is fairly in line and as far as the skin bars are concerned in think we are shift in strategy was to move from say close to SIS and counters, the SIS are doing well. The counters are yet to sort of stabilize into a store positive thing but I am sure given the fact that we open most of the counters in the last four to five months I think that is sometime before we actually see the turnaround at the store level.

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**Saif Shakh – Maple Investment - Mumbai**

What kind of capex are you incurring on these KSBs probably if you can give some idea?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See capital expenditure depending on the format it is for a store which anyway we are not really opening at this point in time is about 15 lakhs and of course for an SIS it would be varying anywhere between about 5 lakhs to 10 lakhs depending on the store. Counters would be just about of two three lakhs maximum.

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**Saif Shaikh – Maple Investment - Mumbai**

On the product side what kind of EBITDA one can expect there?

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**S. Subramanian - Chief Executive Officer - Kaya India**

At a store level or at a vertical?

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**Saif Shakh – Maple Investment - Mumbai**

Probably at the store level or the KSB level?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Say at the KSB level basically at a three-year kind of a thing we can look at about 12 to 15 at a three year period.

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**Saif Shaikh – Maple Investment - Mumbai**

Sir what kind of market share if I just look at your product business what kind of market share do you enjoy because when I was looking at other products in the same category like I found the pricing to be somewhere in line with Olay Regenerist there are other products also like probably L'oreal then Garnier, Lakme and other stuff so what kind of outlook do you have on the products side, if you can just throw some light there?

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**S. Subramanian - Chief Executive Officer - Kaya India**

I think the spaces that we are talking about are slightly different so if you look at it, see the premium market size is close to about 1000 plus odd Crores and given the fact that you know we have large players here which include the likes of Levers and P&G. Our approach has been a segment of which was related to skin care solutions through a different set of products and our model is also not based completely on full-fledged advertising but is more consultative in approach in terms of selling. So in terms of reach we are not looking at may be a few hundred stores but not the kind of likes of say Olay etc., which will probably be about may be a few hundred thousand stores across the countries. So

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there are differences between the two but having said that I think we would definitely want to look at an increase in overall business contribution in the products for Kaya so about 3% plus is what we could probably look at going forward into the next three years.

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**Saif Shaikh – Maple Investment - Mumbai**

In terms of the business the changing macro, which is happening in Middle East what kind of business outlook, has there been any kind of divergence in the business outlook because of the macro factors?

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**Debashish Neogi - Chief Executive Officer - Kaya Middle East**

I will answer that question. This is Debashish. Given you know the macro conditions globally and more so in Middle East the crude being at the level what it is so obviously Middle East I am talking macro, Middle East economy may go through its own churn and turmoil but it is going also through and we are seeing countries coming up with action plan to get rid of the subsidies but given our business, it has not impacted us and we have seen in the product also in 2007-2008 when recession had hit 2008-2009 our business did not get affected so we expect our business will not get affected in the near term even if it gets affected it is be with the time lag of four or five quarters may be so which is like to mitigate that if any slowdown which happens we have got a strong innovation pipeline in skin and also we are extending to hair like India and also body after few quarters. So given the innovation pipeline and given that what has happened in the past that it did not impact us, so we are not worried about the macro situations and we have a robust plan going forward in terms of SSG and revenue growth.

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**Saif Shaikh – Maple Investment - Mumbai**

In terms of the percentage wise now product is around 19% compared to the cure & care so what kind of outlook do you have on the revenue terms? Will this grow up on the product side from 19% to may be 25% or something?

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**Debashish Neogi - Chief Executive Officer - Kaya Middle East**

The plan is related to India so the Middle East product contribution is lower. So in the Middle East the product contribution is actually around 10.5% to 11% as of now and we have a three-year

roadmap to bring that percentage closer to the India percentage say around 18% or 19% in the next three years but India is a separate journey on products which I think Subramanian should answer.

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**S. Subramanian - Chief Executive Officer - Kaya India**

I think from our product standpoint yes we will be focusing on sort of improving the contribution of products to the overall business. We would see that traction moving slowly up and yes the idea is to move it to upwards of say 20%.

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**Saif Shaikh – Maple Investment - Mumbai**

Sir one last question, what kind of margins will you have in this hair transplant business which you plan to start with 60-80 clinics eventually in the next probably couple of quarters?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Currently what we are doing right now is that we are looking at hair in three stages, currently it will be related to say restoration through noninvasive which is what we have tried and prototyped in the last six months which is what we going to be scaling up and then we definitely look at scalp solutions and then we will look at other options because the offerings in hair will go in terms of a in a very scattered manner it will not be all complete offering from day one and having said that in terms of margins it will be very similar to the existing skin care business that we hold.

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**Saif Shaikh – Maple Investment - Mumbai**

Okay fair enough. Thank you so much.

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**S. Subramanian - Chief Executive Officer - Kaya India**

The offerings will be in a phased manner it will not be all of it in one shot.

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**Saif Shaikh – Maple Investment - Mumbai**

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Okay thanks a lot.

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**Moderator**

Thank you very much Mr. Shaikh. The next question comes from Mr. Naveen Bothra from Arch Finance Limited. Mr. Bothra you may please ask the question now.

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**Naveen Bothra – Arch Finance Limited - Delhi**

Greetings to the Kaya Management team Sir. My first question is regarding what further steps we are taking apart from hair to steep fall in SSG but in cure category specifically what we are doing to improve the revenue share because in UAE we are seeing 79% is coming from the cure and in India 69% is coming from cure which I also for the last two three quarters declining?

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**S. Subramanian - Chief Executive Officer - Kaya India**

So Naveen like I explained in the beginning there is a little bit of consumer sentiment which we see is not really strong in the last two quarters and like I said erosion is happening from the low end of the spectrum the high-end customers are intact in terms of retention. Having said that we are looking at a consumer promotion this quarter there will be also investments that we will be doing in terms of making people aware of the category that they are operating in, there will be communication exercises that we will be doing and of course the idea is to actually increase the innovation pipeline which is there in place will also get executed because most of the other agendas are fairly on track. Last but not the least when we get into hair we also hope to add on to some customers a new set of customers over a period of time so that will all address the SSG front but that we are expected to happen over two quarters.

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**Naveen Bothra – Arch Finance Limited - Delhi**

You said that category due to consumer sentiment there is a decline but whether it is from the competition in the Delhi NCR share market or like from other clinics and mid-range clinics type there are lot of clinics in Delhi skin care and all these things what I am observing due to competition we are facing a degrowth or there is a shift in consumer sentiments?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See the picture is sort of similar in varied markets across so we do sort of believe that if it cannot be competition, which is uniquely sort of impacting us across, it could be its basically the consumer sentiment and there again there is question on the low end which is actually sort of floating at this point in time, the high-end customers are fairly intact. So once the sentiment improves the upgradation and premiumsation also will continue to happen towards these kinds of services so I think one needs to be a bit patient as far as the next two quarters are concerned.

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**Naveen Bothra – Arch Finance Limited - Delhi**

Sir my related question is regarding the total share of revenues from Delhi, Mumbai and Bangalore I think these three are the main markets of Kaya Skin Clinic and all these things, so approx revenue shares from these three markets?

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**S. Subramanian - Chief Executive Officer - Kaya India**

It is about 65%-70%.

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**Naveen Bothra – Arch Finance Limited - Delhi**

65% to 70% from all these three markets, so this has degrown quite substantially from last quarter?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Not really I mean I would say Delhi is much better, I would say and Bombay and Bangalore there is some impact.

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**Naveen Bothra – Arch Finance Limited - Delhi**

My last question is to Mr. Jain regarding the customer advances what we are having as on Q3?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes, our customer advance as of Q3 is around 75.2 Crores.

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**Naveen Bothra – Arch Finance Limited - Delhi**

Kaya India and Kaya Middle-East if you can?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Both of it combined, it is consolidated number.

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**Naveen Bothra – Arch Finance Limited - Delhi**

Cash-on-cash equivalents to what we are planning to do just we have around 10 Crores in Kaya Middle East for acquisition so any other uses of the cashes?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Currently we have taken plans are ongoing capital investment happening and as when we get a new opportunity also we are looking for it, so the cash will be used for that purpose.

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**Naveen Bothra – Arch Finance Limited - Delhi**

For Kaya India also?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Kaya India it is also happening on Kaya Skin Bar, Kaya New Clinics and also in the existing clinics.

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**Naveen Bothra – Arch Finance Limited**

Okay thank you Sir, thank you very much.

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**Moderator**

Thank you very much Mr. Bothra. The next question comes from Mr. Mayur Parkeria from Wealth Management India Private Limited. Mr. Parkeria you may please ask the question now.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Good evening Sir and thank you for taking my question. Sir the first is on the product sales also we are seeing same store growth of -7% in the Indian markets right, so on the product side also how come we are seeing SSG of -7% because this would include even the KSBs also right?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See with the KSBs the growth is 28 on products, it is just that in the clinic we have had some shortfalls in terms of product customers and that has degrown by almost about 7% but if you look at...

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

That is including e-commerce, which has grown substantially.

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes, That is right but it is a small segment but if you look at it the discontinued SKUs did not come for a full three months of the quarter it was only towards the mid of say December that we actually, December is when we actually launched the two discontinued SKUs, one, and number two is that if I were to include the products, the format which we have expanded in the vicinity the overall growth in product is 28% for the business. Yes, obviously when we expand and improve accessibility and

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reach there could be a shift in terms of consumer purchase between clinics and KSB but that yet to stabilize but overall if you look at the product's business it has grown by 28%.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Sir the share of products I mean there are too many moving parts here in products itself, but just to understand it better in Indian segment we are seeing the share of overall products fall from 19% to 17% right?

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**S. Subramanian - Chief Executive Officer - Kaya India**

That is only clinics. That is only clinics.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Okay that is also only about clinics. I apologize for that.

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**S. Subramanian - Chief Executive Officer - Kaya India**

That contribution process is only at clinics, if you look at overall including KSB and other products the product growth is 28% for the business.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

So in the initial part, you mentioned during the call that e-commerce contributes 12% of India's product revenue and which has grown by 90% right?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes but it is close to about 1 Crore of business additional which is coming from there so it was 50 lakh to 60 lakh it has gone to about 1.4 Crores or something like that.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Okay fine. Sir the second part was when do you see the Indian operations actually turning around at the operating level?

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**S. Subramanian - Chief Executive Officer - Kaya India**

The business had turned around actually. It is just that in the last two quarters, we have had some certain weakness in terms of sentiments and which has impacted especially at the lower end of the consumer spectrum but given what we are planning in terms of our action plans, I think we should be able to move this forward and I think by Q2 we are also looking at a scale up so that will also add to the overall SSG in addition to what are the kind of works that we already do in skin.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

So Q4 and Q1 you still expect this trend to continue? Is that what you mean in Q2 you expect this to done?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See between Q2 and Q3 there is been a shift as far as the overall SSG is concerned but that is a marginal shift Q3-Q4 is about a consumer promotion that we are actually operating so over the next two quarters we should be able to move it forward. The other thing is that the discontinued SKUs, which are been re-launched is going to come right in front of the season, so summer season is where the product actually peak so Q1 is expected to be good with respect to the re-launch of these two SKUs.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Sir just correct me if I am wrong, we had a strategy of opening six to seven skin clinics for the domestic market which we are now saying that for we have in the consolidation space so is there a change in that stance for the near term given the macro condition?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See we had actually estimated 10 to 12 clinics, 10 to 12 is what we have estimated before and in the last 18 months I think we did much ahead of that expectation, we did about 22 clinics in 18 months so now we are actually seeing, we would like to see them macro conditions and then move forward and at this point in time it would be more of consolidation in ensuring that these clinics start to perform much ahead of action standards and then we will evaluate expansions going forward.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

So Sir we are in a long haul in this business what I was just trying to understand is in the hindsight did we went too much overboard in the last 18 months is a fair assessment to say and now the macro situation has changed or that time the assessment was that the growth is going to continue? I mean what I am saying in six months time there is a stagnation which you are seeing and is it more of a overboard which we went that time we were looking at 10-12 we went for 18 and now suddenly we are looking at a pause so instead of you know having a more gradual slow expansion we went a little fast and now we are pausing so was it a kind of a overboard situation which went in?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No, I think it is just a point of view there is nothing different in the way we approached it earlier. I think what is important is that as we sort of move forward. I think one needs to also evaluate what is the right time to go ahead further. I think we had good opportunities and we had good reasons to get into these catchment areas and these all in existing clinics and these were opportunities are one wouldn't want to miss. But having said that I think the next phase of expansions we will wait for this to stabilize before we move forward.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

My last question on the hair side will is only in the Middle East right?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No hair we are doing in India and in Middle East but it will be in phased manner right.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Both the places we are doing.

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Okay and we will start with the noninvasive as the first phase. We will require a separate branding because the current outlets talk about Kaya Skin Clinics so we will have to do new capexes and new clinics for that segment and a new branding right?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No we will not do that. We have a plan underway. Essentially if you look at it we are actually looking to leverage the existing infrastructure only. There will not be too much of shift from where we are today. Having said that I think from a customer point of view yes they know us for skin but if you look at the dermatologist they are actually specialists in skin and hair and we have the largest base of dermatologist working for us. Number two is that we also have customers. We have almost about 200,000 customers in our database and we have an infrastructure so I think we will be using this to actually educate us sort of get into hair in a way that we will be able to sort of leverage on these assets that we have already created. Having said that there will be some sort of advertising and supports required to be able to tell consumers about what are the other services that we are launching in addition to skin, so all this will come together but I think there will be a good amount of leverage that we will be doing with the existing assets.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Even the layout, why I was just curious on the front end says that Kaya Skin Clinic right so that will h also undergo some changes right wherever you plan to launch this?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Not immediately but may be in the near future may be at some point in time, we will probably migrate to that but at this point in time whatever prototype we have done in Delhi also we manage to keep the same identity.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

The price points means for the customer is also you said the margin is in the line of what the current skin clinics offer but even the price point is at the similar level or is it vastly different in terms of treatment?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See the treatment is obviously different so the pricing and the average ticket price there will be slightly different.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

It will be in the region of...

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**S. Subramanian - Chief Executive Officer - Kaya India**

See the mix and all is expected to stabilize so but it definitely will be slightly over and above that are skin. So packages will be in the tune of about may be a 10000 plus 20,000-15000 or whatever.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

This is at the current noninvasive stage.

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**S. Subramanian - Chief Executive Officer - Kaya India**

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Yes.

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**Mayur Parkeria – Wealth Management India Private Limited - Pune**

Thank you so much and wish you all the best.

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**Moderator**

Thank you very much Mr. Parkeria. The next question comes from Mr. Amit Purohit from Dolat Capital. Mr. Purohit you may please ask the question now.

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**Amit Purohit – Dolat Capital – Mumbai – Mumbai**

Thank you for the opportunity. A couple of questions; one wanted to understand more on this ticket price increase of in India business. When I look at the breakup we see more of care kind of growth of around 23% while the other segments reporting a flat to negative growth so how does ticket price go up in this context given the fact that our mix is more towards care which could I thought probably would have a lower price point than cure?

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**S. Subramanian - Chief Executive Officer - Kaya India**

See basically I think you need to view a care in a perspective that you know there have been some new launches which has got scaled up so which is why you are seeing a shift there but as far as the cure part of the business is concerned, I think we have invested in technology in the beginning of the year and that has actually improved the overall mix of offerings that we are giving in India so that is actually the ticket size and the overall...

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**Amit Purohit – Dolat Capital – Mumbai**

But that is not seen in the revenue growth for cure.

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes, we have had at the same time like I said there has been some drop in customer footfalls on the lower end, which is what has got impacted.

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**Amit Purohit – Dolat Capital – Mumbai**

But still I mean ideally if a segment which has a lower price points compared to a higher price point so are you saying some of the products which are sold in care and which has driven the strong growth has a price point which is higher than even cure?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No I think you should not mix it with the product, service and cure and care. See what has happened is that the high-end customers like I said the HNI customers are intact and the propensity to pay there is there, which is why you have seen a ticket size growth overall. We have lost at the lower end of the spectrum where typically in a weak consumer sentiment kind of a situation you normally see a little bit of erosion at the lower end, so that is where we have got impacted and that is what is impacting our overall footfalls and customer account to a large extent. But having said this the low end typically contributes to two sets of services one is the product business and the other one is a low end services that we give normally which even other options are available for customers in the market so there access options are definitely there which is what is one of the reasons why we probably see a drop in the lower end of the spectrum. Having said that in India we have in addition to clinics in India we have actually improved the overall reach of products across 100 doors in the last four five months, six months, we need to see how it stabilizes while the overall picture or product is improved footfalls it the clinics have been slightly impacted but we will have to wait and see how this moves and that is where we are at this point. Of course we have plans to be able to take this forward.

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**Amit Purohit – Dolat Capital – Mumbai**

Okay. Second I just wanted to understand them in our SSG count when we are saying about in India specifically 3% SSG growth what is the SSG stores that we are taking into account actually, I mean are we saying that it is 86 was the number last year what would be the SSG number that I mean a number of stores that we are tracking on to consumer?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Amit, we consider the stores, which we have operated for at least 12 months, all the stores, which we operative for 12 months is under SSG bracket, currently it is like around 89 clinics which is part of the SSG.

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**Amit Purohit – Dolat Capital – Mumbai**

How many you said as a part of SSG now?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

89.

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**Amit Purohit – Dolat Capital – Mumbai**

Okay. And just to get this can we get a breakup of the sale actually in terms of cure, care and products?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Okay, let us see how we can actually provide the information. Okay.

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**Amit Purohit – Dolat Capital – Mumbai**

Sir just one thing, Sir when we look at this overall old stores say 89 stores what is the kind of customer database that we might be having actually? I mean number of customer, because I understand we would have 'x' number of database in a clinic but the conversion would be less?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

We are doing it on a total data.

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**Amit Purohit – Dolat Capital – Mumbai**

So I am just saying see we have a customer count of around say 75-odd in India we were at around 50 that number but I am just what I am curious to know is that in an old store what would be the available database of customer we might be having which we are, store manager is calling them up and checking whether they can come or not for, and those some of them may respond some may not respond so in terms of just curious to know on that right?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

I mean just to give the background on the loyalty database what we have got actually. As opposed to around 2 lakh is the number database on the last three year data and people who are not actually the part of the loyalty number which is close to additional One Lakh members so over the last three years we have got a very good clean data actually, so that is close to 3 Lakh members across all the centers. So these customers actually track across their lifecycle movement in terms of ageing and all these things; what is the frequency of the things and given you on the frequency our team is working to track that and communicate it accordingly.

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**Amit Purohit – Dolat Capital – Mumbai**

Why I am asking this actually is I am trying to understand whether if the store manager is more focusing on in the existing customer and since in this scenario the new customer footfall would have been less so I am just trying to if we have a lower customer conversion and at an existing store if I have a database of say around say whatever the number could be around 10000 or 5000 so I mean then the idea is to keep milking those 5000-10,000-odd customers and not look at some new, is that the strategy what?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes whatever customer reduction in management so every clinic has got their own set of high end consumers actually, they track them and communicate on a constant basis. So that is a very difficult structure and process for that so the clinic pays charge for their respective key consumers who are actually visiting very frequently. So there are very structural program CRM program is there at the clinic level at the head office level, there is a joint effort program also.

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**Amit Purohit – Dolat Capital – Mumbai**

So for a clinic manager the significant amount of time is spent in converting those old customer which would have come to Kaya at least once because that are easy to convert or the time is more spent on new customer acquisition, I just want to understand on this?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Obviously, this is structure approach on both the existing consumer and also how do actually convert the new consumer when we are actually coming through major lead. There will probably be a concentrated effort in managing these consumers, either new consumers or the existing consumers; the effort remains the same actually.

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**Amit Purohit – Dolat Capital – Mumbai**

Because this customer count decline is quite steep actually so I mean last quarter 11% and this quarter another 15% and for a in the segment wherein which is likely to grow from here on so just I mean I understand that you indicated that the lower end kind of customer has come off and that is the reason there is a sharper fall and whereas ticket prices have gone up but still I mean, I do not know so when you are saying that you are consolidating the clinics and number of clinics opening probably for couple of quarters will be less so are you looking at some kind of a SSG number that if this kind of a SSG numbers starts coming in India it could be 10-12 that is the time we will start looking at expansion again or we will start looking at it again is that?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See I think on the expansion what the view is at the moment there is a rapid opening over the last 18 months, we have crossed that 22 number as of now, considering the last three quarters of the weak consumer segment at the moment so we are just taking a small pause consolidating the current rapid scale what we have return actually stabilize and again start moving on that. I do not think it is a long haul we are talking about the short haul for a moment. So that it will actually give the breathing space both on the cash balance and everything. I do not think there is a better view on any long-term growth story.

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**Amit Purohit – Dolat Capital – Mumbai**

No I am not doubting that what I am trying to understand is that what variable that you are looking at to start of your expansion plan again? I mean is that the SSG number in India improving you would be look at or what variable will they will give you a comfort that we should restart our expansion plan which you would probably that's what I want to understand?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See obviously one view is on the in terms of the sentiment getting slightly better and obviously once we stabilize to the double-digit SSG growth there will be a good trigger for us to move again back on the expansion.

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**Amit Purohit – Dolat Capital – Mumbai**

Sir as far as KME is concerned the cost level gone up, I mean you indicated in last quarter that employee cost there were some addition so just want to understand I mean if this cost level kind of I mean barring the fact that other expenditure would keep going up and down depending upon the ad spend but otherwise the cost structure would remain same now that we have no expansion plan at least for one or two quarters both in KME and India so the cost structure don't change significantly right?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

So with KME obviously whatever we have planned to cost data basically that should be more or less stable now, okay, obviously there is an expansion in terms of the KME what is the plan, so that will continue to happen and based on that only we had created this investment in the structure. So in the current quarter we have actually had additional ASP spend so I think it is more of a shift from the Q4 to Q3 so that will get normalized in the Q4 otherwise on the other expenses, I think it is more or less stable number going forward now.

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**Amit Purohit – Dolat Capital – Mumbai**

So as far as if I just look at the KME cost structure, is it fair to assume that the costs, which has other expenditure cost was 18.5% so how much I mean is it possible what would be the advertisement

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spend increase because last quarter it was 16.6% so is it fair to assume that largely the increase would be towards advertisement by on a sequential basis?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See obviously I think we will more or less continue on the asset percentage to the INR so that will should be able to maintain that level of spend. On the other thing broadly should be normalize now.

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**Amit Purohit – Dolat Capital – Mumbai**

On the new stores that we have opened in the last so out of how would have achieved breakeven I mean in this?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

See obviously not all the clinics have crossed that 15 months thing but obviously I think the last three quarters of overall weak sentiment that also has impacted a new clinic numbers so I think it will be slightly further two quarter more it will take to actually get into the frequent zone. Earlier it was 18 to 24 months. I think we should land into 24 months of breakeven number into the set of clinics.

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**Amit Purohit – Dolat Capital – Mumbai**

But is it possible that out of this 21 of them there would be five or seven or ten of them, which you would have achieved, break even or none of them would have achieved breakeven.

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Can we provide offline actually?

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**Amit Purohit – Dolat Capital – Mumbai**

No problem and typically in this clinics once you have a one year kind of an anniversary the next year you would see a uptake in the throughput for a clinic or given or you do not take so its in the current quarter which difficult?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

I think we are yet to see the better growth actually.

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**Amit Purohit – Dolat Capital – Mumbai**

No, I am saying for a new clinic, what I am trying to understand is that typically new clinic after one year of operation probably could see a stronger throughput.

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes, we will see better growth.

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**Amit Purohit – Dolat Capital – Mumbai**

Thank you so much.

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**Moderator**

Thank you very much Mr. Purohit. Now we will be taking up the last three questions. The next question comes from Mr. Manoj Bahety from Edelweiss Securities. Mr. Bahety you may please ask a question now.

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**Manoj Bahety – Edelweiss - Mumbai**

Good evening. Sir my first question is on product strategy, considering your last two quarters your expansion was mainly into KSB format mainly into different formats. So just wanted to understand that how management see the product sale to take in three and five years and also wanted to

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understand you mentioned in response to one of the answer that your product sales will be around 20% of your overall sales but considering 28% growth in the product segment do you think that this 20% will be achieved very soon. So just wanted to understand your strategy on the product side?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Just to explain products definitely we are actually sort of having an innovation pipeline to basically grow the range and number two is that we are looking at expansions and providing reach for customers to engage with the brands. Having said that currently what we are looking at is as far as KME is concerned the product contribution is in just about 10%, 11% and that will slowly move up to close to about 17%, 18% in next three years or so. As far as India is concerned we are closed to about 20% including the KSBs and as we keep increasing our presence in various geographies I think we will start moving from 20 to 25 and upwards to 30 onwards but that is going to take some time. I would say safely about three years we are talking about 25 plus.

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**Manoj Bahety – Edelweiss - Mumbai**

But considering this 28% kind of growth you are seeing in the product segment do not you think that your estimate for 25% to 30% is on conservative side because on your clinic side the sales growth is not that much and the product segment is driving the growth which is right now 20% of your overall revenues right now?

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**S. Subramanian - Chief Executive Officer - Kaya India**

So I agree but given the fact that we are also expecting that some inputs that we will be giving to trigger the overall core of services being offered in clinic so when you see both of them going in tandem I mean I think the expectation is about 20% to 25%. Will be expecting to grow the core businesses also in the clinics of services, so having said that it could be anywhere in the range that we are talking about.

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**Manoj Bahety – Edelweiss - Mumbai**

If you talk a bit on cost structure as well as revenue potential for each of the format, the way you have explained earlier on the skin clinic side that clinic level you make 35% kind of margins and thereafter because of the corporate overhead overall margins are lower. So if you can talk about the cost

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structure and revenue potential for each of the product format and how much you are likely to expect in next one year in terms of number of the stores from product perspective?

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**S. Subramanian - Chief Executive Officer - Kaya India**

From a KSB perspective what we are saying at an overall level the vertical could be anywhere between 10% and 12% of EBITDA and as far as clinics are concerned we are looking at close to about double digits in the next three years plus. So vertical wise it is difficult to split at this point in time because cost structures are different and we need to see how it is stabilizes last six months we have spent we have opened lot of SIS departmental stores and counters. Will have to see this for sometime before we understand that better. Second however is that from an expansion perspective we are looking at consolidating clinics right now but KSB will probably look at 25, 30 or something in the next coming year.

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**Manoj Bahety – Edelweiss - Mumbai**

On KSB side which format will get most of your attention like considering the experience, which you got over last one year?

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**S. Subramanian - Chief Executive Officer - Kaya India**

It will be basically SIS and counters?

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**Manoj Bahety – Edelweiss - Mumbai**

SIS and counters.

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes SIS and kiosks.

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**Manoj Bahety – Edelweiss - Mumbai**

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SIS is the capex around 15 lakhs per SIS?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No it will be less. It will be 5 to 10 lakhs actually depending on the state.

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**Manoj Bahety – Edelweiss - Mumbai**

Your exclusive stores will have around 15 to 20 lakhs.

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**S. Subramanian - Chief Executive Officer - Kaya India**

Yes 15 lakhs easily.

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**Manoj Bahety – Edelweiss - Mumbai**

Also Sir if you can help me understand that despite of significant addition of clinics over last two to three quarters and also this quarter we got same stores sales growth also positive, I am not able to reconcile the revenue growth in line with your clinic addition if you can help me understand that and what is the visibility expectation going forward on this front?

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**S. Subramanian - Chief Executive Officer - Kaya India**

The overall revenue for the business which includes exactly for the quarter exactly 7% and SSG is about 3% which is India business and as far as Middle East is concerned we are talking about overall SSG of closed to about overall net revenue of about 15% and SSG also about 15%.

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**Dharmendar Jain - Chief Financial Officer - Kaya Limited**

Mr. Bahety, what is your question?

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**Manoj Bahety – Edelweiss - Mumbai**

Sir my question was despite of almost of 20% to 24% kind of increase in the number of clinics like we have added almost around 18 to 20 clinics right over last three quarters?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes.

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**Manoj Bahety – Edelweiss - Mumbai**

Despite of that if I see a topline growth a YOY topline growth and despite of getting positive same stores sales growth the overall revenue growth is not in sync like 20% new stores have also contributed something to the sales and if I add 3% kind of same stores sales growth it does not translate into overall revenue. Am I missing something here?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Just to give what happens in new clinics the collection growth rate is slightly better till the consumption takes time so NRE at a lower rate. So you see the collection is slightly better at 8% and that is why is essentially grow NRE lower end of 7% but in that again new stores NRE will be much lower. People take packages and consume over a period of time. That is why the mix of NRE will be much lower in what you call the growth lower percentage.

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**Manoj Bahety – Edelweiss - Mumbai**

You mean to say that the contribution of new clinics in the revenue even in this quarter?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes it will be lower because it will take time to actually scale up the consumption.

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**Manoj Bahety – Edelweiss - Mumbai**

Lastly Sir with introduction of this hair category in India just wanted to understand will it help us to improve the store level utilization, which is right now, I think 30% to 35%. So how you see the store level utilization going forward post introduction of this hair treatment category?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Utilization will go up but very difficult to predict the numbers. The fact is that yes utilization is the function of various other things. In terms of the mix of the packages being sold and the services being offered but yes since we are leveraging the existing infrastructure you will see an improvement in overall utilization going up.

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**Manoj Bahety – Edelweiss - Mumbai**

Last question if I may if you can touch on your marketing strategy on the product side?

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**S. Subramanian - Chief Executive Officer - Kaya India**

Is there any other question or that's all?

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**Manoj Bahety – Edelweiss - Mumbai**

That is my last question.

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**S. Subramanian - Chief Executive Officer - Kaya India**

At this point in time we have actually used only a conservative approach to selling which means that it is promoted to skin experts in the counters and in the clinics who sort of diagnose and then give the right recommendations to customers but going forward maybe another quarter or so we will start to have some local inputs with respect to creating excitement in the catchment and also may be some advertising around hero products, which you start to see probably from Q1 next year.

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**Manoj Bahety – Edelweiss - Mumbai**

Thanks for taking my question. Wish you all the best.

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**Moderator**

Thank you very much Mr. Bahety. The next question comes from Trilok Agarwal from Birla Sun Life Insurance. Mr. Agarwal you may please ask the question now.

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**Trilok Agarwal – Birla Sun Life - Mumbai**

Good evening Sir. Thanks all my questions have been answered.

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**Moderator**

The last question comes from Mr. Karan Thakkar – Dalal & Broacha - Mumbai from Dalal & Broacha. Mr. Thakkar you may please ask the question now.

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**Karan Thakkar – Dalal & Broacha - Mumbai – Dalal & Broacha - Mumbai**

I just have one question. Are we present not into retail distribution channels for our skin product?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No we are actually focused only on our own exclusive stores, departmental stores for shopping shops and across counters to beauty and wellness distribution chains.

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**Karan Thakkar – Dalal & Broacha - Mumbai**

Sir, as we are increasing our product line to hair and body care eventually as well, so we did not enter in retail chain given the higher market visibility and I think we already have a good reputation for our premium skin care brand. Would not it give us the bigger market like other bigger SMP player?

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**S. Subramanian - Chief Executive Officer - Kaya India**

So you are talking about retail visibility because of this, yes, of course, we will be sort of we are anyway kind of wherever we are we have definitely taken some visibility in the store and of course the hair range will also be sort of merchandise and displayed. So is there anything more to it I am not clear with your question.

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**Karan Thakkar – Dalal & Broacha - Mumbai**

What I am seeing eventually do we plan to sell this product to the normal retail distribution channel pan India?

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**S. Subramanian - Chief Executive Officer - Kaya India**

At this point the answer is no.

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**Karan Thakkar – Dalal & Broacha - Mumbai**

And the reason being we do not have the capacity or do we have some other strategy?

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**S. Subramanian - Chief Executive Officer - Kaya India**

No I think both of them work on different model. The business model is very different from where we are operating at this stage. Like I said it was constantly selling just above the line kind of advertising and creating reach and top of the mind awareness and concentration. So at this point in time, I think we are more focused on selective top chains to bring up new brand at this stage. At a later stage if at all we are looking at you will get to know some data point which we can share but right now the answer is go through the top chains.

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**Karan Thakkar – Dalal & Broacha - Mumbai**

Okay but right now we are distributing it through department store like Shopper Stop.

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**S. Subramanian - Chief Executive Officer - Kaya India**

That is right.

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**Karan Thakkar – Dalal & Broacha - Mumbai**

Alright.

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**Moderator**

Thank you very much Mr. Thakkar. We are taking three more questions. The next question comes from Mr. Nirmal Bari from Banyan Capital Advisors. Mr. Bari you may please ask the question now.

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**Nirmal Bari - Banyan Capital Advisors - Delhi**

Thanks for the opportunity. I have just one question and that is on the rental expenses. The rental expenses have increased by only 20 lakhs over quarter-on-quarter while the number of stores has increased significantly in KSB. So I wanted to understand what the rental picture is for this new KSB and that are coming up.

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**Dharmendar Jain - Chief Financial Officer - Kaya Limited**

The new KSB, which are Shoppers Stop and modern trade format, they are not on the rental model. They actually are a part of sales channel where we pass on the margin to the retailers. So there is no rent component, which is actually getting displayed separately.

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**Nirmal Bari - Banyan Capital Advisors - Delhi**

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So is the cost added in operating expenses like whatever the cost for this KSB?

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**Dharmendar Jain - Chief Financial Officer - Kaya Limited**

It is into the margin impact actually.

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**Nirmal Bari - Banyan Capital Advisors - Delhi**

So it is only the margins that are coming up?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

We had to pass on the margin to Shoppers Stop and modern trade operators and pass on the margin to them actually. Is not a part of operating expense and neither is the part of the rent.

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**Nirmal Bari - Banyan Capital Advisors - Delhi**

Thank you.

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**Moderator**

Thank you very much Mr. Bari. The next question comes from Mr. Aksh Vohra from Praj Financial. Mr. Vohra you may please ask the question now.

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**Aksh Vohra – Praj Financials - Mumbai**

All my questions have been answered.

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**Moderator**

Thank you very much Mr. Vohra. The next question comes from Ms. Sangeeta Tripathi from Sherkhan Ltd. Ms. Tripathi you may please ask the question now.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

Good afternoon Sir. I just have one or two questions. First and foremost again document the same stores sales growth lot has been spoken. I just wanted to understand despite being a festive season despite being a marriage reason we saw a very low same store sales growth at around 3%. Now when I look at the collections also which are mentioned out there for Q3 FY2016 the same store sales growth out there is negative. Now getting into a low quarter wherein fourth quarter, can we, though you have not given any guidance but given the competitive pressure, the pricing or the communication mismatch, whatever be the reason can there be a possibility of having a negative chain store sales growth for the fourth quarter I mean I understand you will, but is there a possibility?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

No I do not foresee as such, I think lot of the actions that are going to be put under in terms of driving the promotions launching of new products and also we are getting ready for hair launch, the number of events it should drive the topline much better now, even in Q2 to Q3 in terms of NR we have moved much better, so there is a good positive of things getting better now.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

So you are saying that there would not be a negative chain store sales growth as per the extent you foresee?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

We do not want to foresee the negative.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

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Yes Sir. The relative question probably part of it actually got addressed in the last answer the EBTIDA like-to-like EBITDA if I look at the India business like-to-like EBITDA has fallen from 3.7 Crores to 1.1 Crores with the 3% same store sales growth, the EBITDA decline has been very sharp and I am talking about only like-to-like EBITDA so is it because of the product sales that are taken place wherein you have booked in the cost of goods sold is that the only reason or there is something else also because like to like EBITDA decline has very sharp it has just been one-third?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

What happens obviously there is a cost escalation happens on the minimum SSG basis so that also actually if SSG is only 3% and the cost growth is around close to 6% to 7% or 7% to 8% may including our corporate cost. So that impacts our EBITDA growth.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

Okay the corporate cost, even on like to like EBTIDA basis that would be?

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Inflation factor is there in that.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

Because when I look at the other element like rental other operating cost those have not increased on a consolidated basis that's only the cost of goods sold which have seen a sharp increase of 18%.

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes that is one part and obviously in the clinic level there are lot of costs which are fixed for a particular period, people cost at the front end, people cost at the back end and some other operating cost has the inflationary factor.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

So it is basically an operating deleverage that has happened.

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

Yes, because the minimum SSG is required to maintain it.

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**Sangeeta Tripathi – Sherkhan Limited - Mumbai**

Okay Sir. Those were my questions thanks.

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**Moderator**

Thank you very much Ms. Tripathi. Due to time constraints we are not taking up any further questions. I would now like to handover the floor to Mr. Dharmendar Jain for closing comments. Over to you Sir!

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**Dharmendar Jain – Chief Financial Officer - Kaya Limited**

I would like to thank you all the participants for participating in the call. Thank you 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 now disconnect your lines.

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