

**KAYA LIMITED**  
Q1 Financial Year 2017-2018  
Conference Call  
**August 3<sup>rd</sup>, 2017**

**Management:** - Mr. Rajiv Nair – CEO-Kaya India  
Mr. Debashish Neogi – CEO-Kaya Middle East  
Mr. Naveen Duggal -CFO

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**Moderator:**

Ladies and gentlemen good day. Welcome to the Kaya Limited Q1 FY18 post results conference call. As a reminder, all the participants' line will be "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 \* and then 1 on your touchstone phone. Please note that this call is being recorded.

We have with us today senior management team of Kaya and its subsidiaries comprising of Mr. Rajiv Nair CEO Kaya India, Mr. Debashish Neogi CEO of Kaya Middle East. I would now like to hand over the call to Mr. Rajiv Nair who will take you through the highlights of Kaya performance during the quarter, over to you sir.

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**Mr. Nair:**

Good afternoon everybody. I welcome you all to the conference call on our company's behalf. I would like to introduce Mr. Naveen Duggal, CFO, who joined us very recently in fact yesterday. Let me start the conference call with a very short update on the first quarter performance of Kaya India, which is already in the public domain and uploaded on our website [www.kaya.in](http://www.kaya.in).

Kaya Limited posted standalone revenue from operations of Rs. 49.3 crores for the quarter ended 30th June 2017. A growth of 5% over corresponding quarter ended 30th June 2016. The same store growth was 9% over the last year same quarter.

Standalone EBIDTA is Rs. -3.1 crores which is -6% of revenue as compared to Rs. -4.5 crores which is -10% of revenue in Q1 FY17.

Profit after tax for the quarter ended 30th June 2017 is Rs. - 2.7 crores which is -6% of net revenue compared to Rs. -3 crores which is -6% of net revenue for the corresponding quarter last year.

Kaya has opened 22 KSBs in the form of Modern Trade and closed 8 KSB in the shop in shop format in Q1 FY 2018 in India. Overall in India Kaya has 101 clinics and 137 Kaya Skin Bar outlets and operates about 23 clinics in Middle East.

We've also won an award in the last quarter, which is "**India Saloon and Wellness Congress, 2017 - Wellness India**", Award for aesthetic chain of the year, Beauty and wellness products, retailer, e-retailer of the Year. The detailed information update is already with you. I now open the session for questions and my colleague and I would be glad to answer them. Thank you.

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**Moderator:**

Thank you Mr. Nair for the opening comments. We will now begin the question and answer session. If you want to ask questions please press \* and 1 on your touchstone phone. If you decide you want to withdraw your questions, you may do so by pressing \* and 1 to remove yourself from the queue. Dear participants, to ask a question please press \* and 1. The first question comes from Mr. Anup Amitabh from Equity Intelligence. Please go ahead sir.

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**Mr. Amitabh:**

Hello, this is Anup from Equity Intelligence. Just wanted to check, we have not been given consolidated numbers this time.

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**Mr. Nair:**

Naveen would answer that question

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**Mr. Duggal:**

The company had made a declaration on 28th of July to both NSE and BSE stating that in accordance to the SEBI circular dated 5th of July, the company shall submit only the standalone financials for first quarter ending FY18. The consolidated financial results shall be submitted from second quarter of the financial year together with the standalone financials. The declaration is already available on the website of NSE and BSE.

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**Mr. Amitabh:**

Can we have any goals about the international operations?

**Mr. Duggal:**

I think we will do it as and when we declare it. Currently I think we should leave it as standalone because that's what we have declared in the market.

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**Moderator:**

Thank you for your question Mr. Anup. Next question comes from Mr. Janial from J&J Holdings. Please go-ahead sir.

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**Mr. Janial:**

Thanks for taking my question. I just wanted to know that what is the kind of growth that you all are expecting for this year and when do you all expect to become profitable as a company?

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**Mr. Nair:**

Specific to the future I wouldn't like to comment on the future but I would like to talk to you about the first quarter number. Let us see the data points that are there with respect to your question. One is the fact that in the first quarter, in the standalone results you see about a 9% same store growth increase in collection and we have seen about 9% same store growth increase in terms of net revenue for the business. From a profitability perspective, we have seen about an improvement in the gross contribution for the business from 73% to 77% for the first quarter and in fixed cost have reduced by 1% points from 53% to net revenue, we are at 52% of net revenue. Clinic level EBITDA have increased from 20% to 25% in the first quarter. And if you look at the company level EBITDA, from a -10% to -6% as a % of Net revenue. So there are some efficiencies that we have brought about & there are some margin improvements that we have had. The cost of goods sold has come down by 10% over last year. So from 27% cost of goods, it's come down to 23% These are the areas that we were addressing in the last conference call as well that we look at internal efficiencies. We have been able to move some parameters and we are work in progress.

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**Mr. Janial:**

What is the kind of part that you all are trying to say, how should we look at this business, as an investor or as an analyst also, how do we look at this business, should we look at it in perspective of three years, five years? Like if you could just give me strategy that you know, since the management has changed, what is the new strategy going forward and how should we kind of...what are some of the milestones that we should be looking out for?

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**Mr. Nair:**

I have been talking about the business for the last two quarters now, and specifically we said the fact that there are some growth engines that we are trying to push towards to revive the business growth in the company and also looking at them as the anchors for future business. So, I specifically mentioned about us refocus on dermat led businesses in the company and to that end I mentioned that there are certain categories like for example anti-aging that we are focusing on, so we have seen a strong growth in those areas. We've also said that we will continue to focus on hair care as a segment which is a new segment that we have brought in and we also mentioned the fact that product retail would be an area of focus. All the three areas have grown in the last quarter fairly well. As a business, overall it has grown so if you look at the performance, across the quarter, the product business overall has grown by about 17% over last year, which only in the clinics itself has grown over 11% over last year. Anti-aging which started a little slow for the business, ended the quarter for about almost 37% growth in the month of June.. In Hair care segment, we are currently sitting at about 5.5% mix of the category but it is growing by more than 180% over last year.

So, we are saying, our first objective was to make sure the fact that our business starts growing back on net revenue and on collections. At the same time, we will work on all the elements of cost and improve our gross margin. So, what we have achieved in the first quarter this year is all those parameters have started moving. The gross contribution line itself is, if you see we have a 4% improvement in gross contribution percentage for this quarter. So rather than giving a three and five-year perspective, I would much rather talk to you quarter on quarter and be able to highlight the improvement that we have been able to get in the business.

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**Mr. Janial:**

In terms of just the market and the market size, that you all are addressing, do you have any kind of numbers on that, like what is the kind of in three categories, say for dermat, hair care, and products.

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**Mr. Nair:**

We have done a study in 2015-16 using Euro monitor. Actually, the study is getting updated this year. We have seen almost all these who are between 300 to 400 crores per segment that we are operating in so at that time the numbers were looking like close to about 3000-3500 crores but I would as we go forward would do a fresh study in 2017-18 we'll share the numbers with you again.

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**Mr. Janial:**

And most of this is with smaller...there is no one branded players as my understanding. You would be the only ones or...

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**Mr. Nair:**

Fortunately. I would positively say that we have started to see some traction in terms of organized competition coming into the market which is good for us because there is a lot more talking point as far as the categories are concerned. The awareness building happens not just from the expenditure that we do in the market but also some of the competitors. So regionally there are some competitors who have come in over the last few years. There are older competitors who have been there in specific areas in slimming for more than 10 years now. But yes, the business is getting more and more organized as we speak.

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**Mr. Janial:**

Okay, and then in terms of these 300-400 crores segments you said, what would be their growth rates, what is the market growing at?

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**Mr. Nair:**

See there is no published data that is available so it is very difficult for me to comment on dermatology as a space and what is the kind of growth that we are seeing in the market overall. So, it's been difficult because there are no published figures on this subject.

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**Mr. Janial:**

Okay, can we expect it to be much higher than your GDP kind of growth rate, two times?

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**Mr. Nair:**

Speculative I honestly don't know the answer. But our objective is to continue to grow and maybe grow at a slightly faster pace than what we have done this quarter but if you see over the last one year we had almost reached a level of a little bit of plateau so now we are starting to re-grow. And with data points out I think it is important for us to look at it as a fact that the new customer growth rate in our business has also been there for the last quarter which means that we are not just dependent on existing old customers in the business, we are also seeing some movement in terms of new customers in the business. So if you look at the number of appointments that we have, number foot falls that we have actually got into the business overall through our acquisitions, we have seen customer entry grow by about 5% in the last quarter, in the business but the good part is we also converted these customers well. So if you look at the conversion rates in the business from just about 40-42% conversions we moved over 46-47% conversion in the last quarter. So even our internal metric to be able to convert customers has improved in the business. So I would say good part is there are enough customers, there is enough interest in the category. In India, the penetration levels are fairly small so obviously as the market keeps maturing the opportunities only increase.

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**Mr. Janial:**

Are there any triggers that you all are seeing which you expect that the growth rate should actually accelerate? What are some of the triggers in your mind that would accelerate this growth rate?

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**Mr. Nair:**

As I am saying first trigger is the fact that the penetration of this within India is still at its primacy. Category like skin care are just about evolving in India, so even if you see the products space on skin care, India is still at a very infant stage at the skin care segment across even the biggest international brands in the market, they are very small part of that five coming from skin care in India but as we speak that you know, because the base is small on some of these categories, brands are able to come in now in more free flow and business is likely to increase. So, I would say the fact that India is a large population of fairly affluent customers and the fact that our penetration rates are low I would say that it is a good trigger point for us to start with.

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**Mr. Janial:**

Okay thank you.

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**Moderator:**

Thank you for your question. Next question is from Mr. Keshav Misra from Bearing Equity. Please go-ahead sir.

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**Mr. Misra:**

Hi, thank you. Sir just wanted to understand your rationale for not giving consolidated numbers given that most of the value equated through the Middle East and coming from a very transparent group like yourself, taking away information which is significant in nature, doesn't give us too much comfort. So can you just give us...what's your rationale for not sharing the information?

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**Mr. Nair:**

Yes sure.

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**Mr. Duggal:**

Hi this is Naveen here. We have implemented IND-AS starting from this quarter. There is a SEBI circular dated 5th July which allows companies going for the first time IND AS implementation to present the standalone financial and the declaration to NSE and BSE has been given to that effect. So primarily IND-AS implementation is the reason. We will be presenting the consolidated results along with the Kaya Middle East accounts in the second quarter. And that is continues henceforth.

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**Mr. Nair:**

There is a complex change that we had to do in terms of our accounting and financial requirements so that's the only reason right now.

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**Mr. Misra:**

Because of that, also you can't provide us color of what's happening in the business in the Middle East?

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**Mr. Nair:**

Yeah.

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**Mr. Neogi:**

This is Debashish from Middle East. Actually, we cannot provide you the specific numbers but if you have any questions now on Middle East in terms of business, I can address that.

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**Mr. Misra:**

Well since there are no numbers the specificity of that goes away, but I guess middle east has its own challenges because of oil crisis and disposable incomes coming off, can you throw some color on what you are seeing, trends out there and is there any pick up and what are you guys seeing for this year or the next couple of quarters over there?

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**Mr. Neogi:**

That's a good question. You are aware of what is happening in Middle East, there is a structural change which is happening from a macro perspective in Middle East, so you have the oil prices around fifty dollars which, I don't see changing much in near future, . So there is a macro impact and all the companies in the Middle East whether it is in our category or in other formats of retail is getting impacted in Middle East. And this impact is more in country like Saudi which you know is, primarily oil dependent economy then markets like UAE. So from that perspective, in Saudi we are impacted, and which we have been seeing in the last couple of quarters. Saudi which contributes to 23-24% of our business where we have got de-growth there. UAE business where we had been having consistently, double digit SSG growth in past have actually because of the environment has slowed down in the last few months. so overall from a Middle East perspective, you see for the last three years we have been giving a guidance of 5-7% SSG growth overall for Kaya Middle East business and we have been fairly doing that consistently quarter on quarter. But I feel for couple of quarters, given the macro situation, SSG would be, subdued because of the Saudi impact but overall, we would be targeting, around 8-10% revenue growth for the Middle East business for this year. We are countering this situation of Saudi pulling us down through two ways; one is through innovations and second is through enhanced customer service. We have changed the look and feel of the brand, we are investing in the infrastructure, the customer experiences in Middle East which is you know, giving results. From innovation perspective, we are getting into big ticket innovations in the

Middle East. We are proto-typing, getting to body, which we are proto-typing in one of the clinics. We are also proto-typing in one more US FDA technology there as we speak and both these products are doing very well, so we expect to scale this up in subsequent quarters. We are countering the impact of the macro through innovations and since innovations, takes time. It's not that you do in this quarter and in the next quarter, you get the full benefit. It has time lag. So if you see after two three quarters, you will see the impact of the innovations on revenue.

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**Mr. Misra:**

Thanks for that. Just an add-on that, given that Saudi...you are coming from the low base, as anywhere in Saudi and you are still saying that give the low base you guys are struggling. Do you have any visibility on when this thing will take off in Saudi?

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**Mr. Neogi:**

The low base effect is still not gone, so we expect the base effect will neutralize maybe from Q3 of this year.

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**Mr. Misra:**

Thank you.

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**Moderator:**

Thank you for your question Mr. Keshav. Next question is from Mr. Paresh. Mr. Paresh please go-ahead sir.

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**Mr. Paresh:**

Hi, I had two questions, one I just wanted to know the growth which has happened; it is showing in your presentation that there is some growth due to increase in volume. Was there any price hike or due price advantage did you make any growth in the revenue for this quarter.

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**Mr. Nair:**

I don't know where this volume data...which data are you referring to, please?

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**Mr. Paresh:**

The quarter 1 that you have mentioned, the revenue has grown by 5%?

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**Mr. Nair:**

The revenue has grown by 5%.

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**Mr. Paresh:**

So how much would be due to volume because of the customer base which has gone up and how much is because of price hike if you have done?

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**Mr. Nair:**

We have not had a price hike, what we have done is the fact that we have had a price fetched benefit. Just to look at the data I think that you are referring to also is the fact that the ticket size is increased by about 4% and there is a customer count growth on a base at 2% but the new customer count growth is +5%. So what has actually happened is, two three things have happened. One is that the level of discounts that we are offering to customers in the first quarter has reduced. Right up from the month of January all the way up to the month of June this year, we've had almost a 15% reduction in terms of overall discounts offered to customer; we have right priced a few areas. So the neutralization impacted the overall ticket size is owned by only 4-5%. Partly we've reduced the prices to make it more sensible for customer and at the same time we have reduced discounts in the business. So the overall ticket size in the quarter has grown by 4%. And there is some improvement in the terms of customer entry in the business, so that's something that has given us that 9% collection growth and about 9% net revenue growths.

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**Mr. Paresh:**

Okay. Another question was comparing last year customer count number which was 49,000 versus this year it is 50,000, can you share with us how much out of this are repeat customers?

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**Mr. Nair:**

So if you see overall walk-in of new customers that are there, it's almost flat over last year. But the existing customer count growth has increased by 4%, the overall growth is coming to 2%. The acquired customer through internet which we measured, saying the fact that how many customers do we, connect through the acquisition media and they finally come into the stores, we have a growth of about 5%. So we also sometimes track a walk-in customer and non-walk-in customer, so if the customer who have been seeking appointments and coming to the clinic has grown by 5%. Overall customer count growth is 2%, the existing customers have grown by 4%.

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**Mr. Paresh:**

That I understand sir. What I am trying to understand from the business is, how many customers are coming to our place again and again, so that you know, I understand that those are the sticky customers

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**Mr. Nair:**

There is a growth of 4%.... So the in existing customer, unique customer in Q1 is about 10,423 average customers.

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**Mr. Paresh:**

But out of that who was already using our facility, that's my question. for example if you are saying in that in Q1 FY18...

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**Mr. Nair:**

We have one-year retention, customers who have come last year and customer who have come back again this year. We have 72% retention in case of HNI customers, who contribute to approximately 50% of total revenue. At overall level, the said ratio is 41%.

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**Mr. Paresh:**

So it that the treatment is so long or they want to enjoy our Services?

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**Mr. Nair:**

We calculate our customers not just based on number of sessions that they take for these things. Here what we are saying is the fact that we're talking about people that build over the last one year and people who come in the last one year and who have come here into the business back, the total number is about 72% for HNI customers and 41% at overall level.

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**Mr. Paresh:**

When we say our Cure business has grown by 74% or it is the 74% of the mix, this Cure business if I understand...once it is Cure the customer is not going to walk-in again?

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**Mr. Nair:**

Let's just understand what Cure business is. Cure business are purely dermat led services, and there is an area of dermat led services that we have. So, what happens is anything like for example, anti-aging, pigmentation, or for that matter, any service that has got a dermat led intervention is called as Cure business. The Care business is the one where we have beauty facials and something which is more cosmetic in nature. Cure doesn't mean the fact that customer must necessarily come with an ailment. For example, Botox service for a customer, is a Cure based service because it is done by dermats, but customer has endless possibility. Because in anti-aging customer never ends. The anti-aging customer keeps coming back into the business for various other services. So that's basically the Cure business that we are talking.

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**Mr. Paresh:**

And do you have any strategy of inorganic growth of at this point of time.

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**Mr. Nair:**

We are opportunistically adding new clinics & relocating and renovating some of our older clinics. Just to give an example, we have some clinics which are more than 8-10 years of age where we have almost written off the entire assets in that business, so what we have done is, we have relocated some of the clinics in the same catchment but with better infrastructure. For example, in the last quarter, Noida and Jaya Nagar are the two places the clinics that we had, where we have old infrastructure and we have moved into a new format and from retail identity perspective we have substantially upgraded it. And we have seen some good results in both the clinics that we have opened. So in fact, Noida as we speak is growing by more than 63% (in collections) over last year. We are very soon adding a clinic in Bombay which is in Sea woods. There is a relocation planned in Bangalore Phoenix Market City Mall where we had a

smaller clinic, we are moving into a bigger clinic. So what we are currently trying to do is not to attack newer markets & add a lot more stores. We are looking at where we have done well, in which markets we have done well, which stores we are doing well, we are renovating or relocating into a better infrastructure.

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**Mr. Paresh:**

Okay. Super!! We are trying do it with our own expertise and locating stuff, not trying to acquire something which is existing like you know, 20 clinics, 30 clinics, and turn it around into Kaya Clinic or something that like that.

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**Mr. Nair:**

No it is not an acquisition based strategy, because all our services are proprietary and we prefer to focus on our expansion rather than take over a ready -made chain...

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**Mr. Paresh:**

We can use our own service but in terms of getting the push, to start quickly at right location, it may help. So which is what I have thought and wanted to clarify? Okay thank you.

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**Mr. Nair:**

That's not the plan.

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**Mr. Paresh:**

Okay. Thank you.

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**Moderator:**

Thank you for your question Mr. Paresh. Dear participants please press \* and 1 to ask questions. Next question is question from Mr. Sachin, from Daulat Capitals. Mr. Sachin, please go ahead.

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**Mr. Sachin:**

Hi sir, just to take that break even question again, what is the steady state sales growth that you are looking out for Indian business to make a... what is the same store sales growth that is required for the business to become profitable in the next three years. is there any internal study for that?

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**Mr. Nair:**

Our internal study in terms of what we are projecting for next three years, for to break even and move forward is upwards of 10%, so it is basically about 14-15% in stores is what we are looking at over the next two to three years.

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**Mr. Sachin:**

14-15% growth, what would drive this 14-15% growth. Is it a price hike that you are targeting or the customer counts?

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**Mr. Nair:**

So a couple of things...I explained the plan so that we actually understand...we are currently looking at renovating almost 20 of our clinics and as I already mentioned, that the first two clinics that we have renovated, we have seemed between 23% to 62% between the two clinics that we have renovated and we are doing almost 20 clinics renovation this year. Almost all these clinics are the top performing clinics in the high-ticket areas, so we have clinics which 20 clinics contribute to close to 34% of our total turnover. So what we are doing is like in retail you know, some of our clinics have been there with us for 14 years and 15 years and there has been basically no change or refreshment in terms of the identity of these clinics. Second is the fact that we are improving the talent pool of doctors that we have in the business, so also focusing on not just changing in development but also hiring you know, good quality doctors within the business. So that is the second thing that we are doing. We are refreshing some of the technology that we have in the business and bringing in some newer machines in the business. So we have set aside some capital investments towards new technology plus there are inorganic areas like for example Hair as a segment we are continuing to push and grow, so that's a completely new area over the last year. And product is an area that we are focusing on growth outside of Kaya Clinics as well. Just to give an example, product growth in the stores outside of Kaya has been more than 33%. So we are also looking at some distribution opportunities and growth within the general trade and modern trade.

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**Mr. Sachin:**

Is there any price change post GST?

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**Mr. Nair:**

No. Fortunately for us actually because of business is largely services, the GST impact is only 18% so if you actually look at with input credits, we almost neutralize our effects. Products actually the GST has increased, it has gone up to 28% but currently accounts for only about 15% of the business, but, at some opportune time maybe in September/October we'll review the market again and see whether we need to take the price hike in the case of products. However, we will review competition and then accordingly decide. Because as of now, most of the competitors have kept the prices quite steady over the next two months' time, basically it is also because it is end of season sale effect that happens in most of the organized retail.

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**Mr. Sachin:**

Lastly the same store which you said is 9% can you give us the split, what is the price hike and what is the customer count growth?

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**Mr. Nair:**

As I mentioned that price is not increased, what has happened is the fact that we have reduced the markdown on the products that we were doing. For example, the discount percentages have reduced. So overall impact, it is almost half on a 15% decline that we have done as a combination. We have right priced some services and we have come down on some of the markdown and discounts that we have had. So overall, we have taken a promotional correction of about 15%. The actual derived ATV increase, which is the transaction value increases about 4%.

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**Mr. Sachin:**

So net impact if you look at, 2% is the price growth and rest is customer count, is that assumption clear?

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**Mr. Nair:**

No. Forget the customer growth. On the same service that are there today in some of the services we credit to our acquisition services, because we felt the fact that India is the larger market especially around the younger consumers. So, to give you an insight, example last year we were selling some hair free packages for young customers at Rs. 99,000, we are now selling that service for Rs. 79,990 so about Rs. 80,000 in terms of price because we thought there was some amount of competitive pressure on that area, wherein we have not touched the pricing of something like anti-aging where we think is an expert led service and we have not really changed the price that are there. So, what happens is we used to be pretty much promotion heavy last year, we've also reduced a lot of promotions right from January up to now. So, there is about 7 to 8% improvement that happens in terms of price fetch only because of correction of promotion. So, the net effect as of now, that we see in this quarter is about 4%. I would imagine it will only go up in terms of price realization per service. But it is not a constant increase in price; it is just the reduction of markdowns and promotions.

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**Mr. Sachin:**

Okay thank you sir.

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**Moderator:**

Thank you Mr. Sachin for your question. Next question is from Mr. Vignesh. Please go-ahead sir

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**Mr. Vignesh:**

I had questions regarding your competition, so who do you consider like as a proprietor or maybe peer?

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**Mr. Nair:**

Actually, there are enough dermatological clinics who are there. But largely they are regional players who are the competitors. If you look at south region, people like Oliva, west for example, today there are newer brands, brands which are magnifying a little more is brands like Dr. Twacha. In the East, there are brands like Dr. Paul's. So, there are some regional competitors in the space, but nationally if you look at it there are no direct competitors

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**Mr. Vignesh:**

So can I put it this that in organized sector there is only one player

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**Mr. Nair:**

Pan India basis, dermatology in 100 clinics we are the only player.

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**Mr. Vignesh:**

Secondly, regarding the products which are 15% of the business, is there any further marketing study to increase the business as compared with other international brands and all.

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**Mr. Nair:**

I will tell you, 100 stores of ours are good enough marketing and we honestly are not an FMCG to go to traditional media for marketing. We are using a lot of social media today. So, one of the things that I would like to say that product is the fact that you will see Kaya more present in social media today. There is a lot of digital marketing investments that we are doing against traditional marketing that we have. Product per say if you look at, outside of Kaya clinic it has grown by almost 31% I think in all the other formats. In ecommerce for example, which is a very important area for future growth, while its only 12-13% of our total product business, we have seen almost an 88% growth in the case of ecommerce. Our own clinic growth and products have been about 10%. So, what we are saying is that 100 clinics already available in almost all the key markets, I think it is good enough visibility for the brand. Now what we are doing is to take them to more high visibility, high footfall stores like for example, departmental stores like lifestyle and Shoppers Stop, we also present in Dabur NewU, Health and Glow and Religare and stuff like that. So those are the places also we are seeing some good amount of growth this year over the last year.

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**Mr. Vignesh:**

Okay thank you.

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**Moderator:**

Thank you for your question sir. Next question is question from Mr. Amit, individual investor. Please go-ahead sir.

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**Mr. Amit:**

Hi, I would like to understand is there any income group that you are trying to target in Kaya Skin clinic?

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**Mr. Nair:**

Actually, not really. In upper middle class, the consumer is a target, of course we have high net worth customers. About 60,000-65,000 customers are high net worth customers. But any upper middle-class consumer should be able to access Kaya service. Just to elaborate on that, we have also been focusing on the pricing of our acquisition services, to say that how younger customer can access Kaya. So, can the Kaya as a brand come into the lifecycle of an 18-year-old and 20-year-old and not just slightly more matured customers who already used products. 30-35-year-old is our core audience. So, if it is a young customer, we are also looking at parents funding some of the treatment for children but again we don't want to take these services very expensive. So, we make some price corrections especially around the acquisition areas that we have. So, fairness pigmentation, acne cure as well as hair free which is a service that we give to our customers, we have right priced the products now.

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**Mr. Amit:**

So, do we have any plans to get into the cosmetics business? I mean the products division.

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**Mr. Nair:**

All our products in the skin care space are already cosmetic in nature. But whether it is color cosmetics and other categories that is not our focus area. We are dermatology focused.

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**Mr. Amit:**

No other questions.

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**Moderator:**

Thank you for your question sir Next question is question from Mr. Anup from Equity Intelligence. Please go-ahead sir.

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**Mr. Anup:**

Basically, I have two followup questions. One is on the hair transplantation business that you talked about, I understand that we have started in three cities. So, what would be the incremental capital for converting one clinic?

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**Mr. Nair:**

We have spent about 35 lakhs in each clinic for this business. So only three clinics right now, we have spent 35 lakhs per clinic for creating a high-quality OT and infrastructure. We will review how the performance of transplant as a business goes and then accordingly decide to increase the number of transplant centers. Currently we are focused on Bombay, Bangalore and Delhi only.

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**Mr. Anup:**

Okay and how is the response to the service.

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**Mr. Nair:**

I would say pretty much 14-15 transplants a month is what we are doing, out of the three centers right now. But our business is driven more from hair care services rather than transplant. So, if you actually see, we've been seeing significant amount of improvement in terms of services without getting into technical detail that is services like TRRS which is a doctor led services for customer for hair growth and hair loss where we have seen some significant traction which was there. So, against 2-2.5% last year when we were in the second half of the year, we are now sitting at close to 5.5% in hair.

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**Mr. Anup:**

The 14-15 is for three centers together or each center?

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**Mr. Nair:**

Three centers together. Because currently we are working on a tight control on quality because we are working with one strong doctor who is performing the services and three cases just to ensure that all our systems are stabilized because we started this operation only January 2017 and we want to show some results. Typically results in this kind of a business takes four to five months for customers. So, in fact we are getting the first batch of customers who have performed services in Jan and Feb. We are able to actually showcase some amount of efficacy of service. The period we see enough number of consumers who have used our services, and have shown good results, we can then popularize this and maybe add number of doctors into these services. Today we are working with one doctor right now for transplant services across three cities.

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**Mr. Anup:**

How would be the pricing part of it?

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**Mr. Nair:**

Pricing is reasonable actually these services average close to about Rs. 80,000 today and it can for a very severe case it can go up to a couple of lakhs but currently most of the services are done close to one lakh

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**Mr. Anup:**

My second question was on e-consultation that you have talked about in the annual report. Is it the same that you are saying as ecommerce or is it something different?

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**Mr. Nair:**

We are piloted with a company called Librate, where we have a doctor on call at specific hours, where customers can address their primary concerns on Librate which is I would say a platform for e-consultation but honestly all consultations cannot happen on an e-consultation basis, that's a primary consultation. After which we recommend that the customer come and physically meet a doctor.

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**Mr. Anup:**

Okay so follow-ups will happen from the team.

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**Mr. Nair:**

Ideally that's a better format because doctors generally wouldn't like to do all their recommendation based on e-consultation and since we are service led business, we cannot afford to do anything just online. Products we can sell online but services we cannot sell online, we should get the customer to the clinic to get the service.

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**Mr. Anup:**

Okay. I think that is from my side, I wish you all the best.

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**Mr. Nair:**

Thank you very much.

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**Moderator:**

Thanks for your question Mr. Anup. Thank you, participants, for your question. Please press \* and 1 now to ask more questions. Dear participants, please press \* and 1 to ask a question. As there are no more questions, I would like to hand over the call to Mr. Rajiv Nair for closing comments over to you sir.

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**Mr. Nair:**

Just to conclude, I think we will continue our journey towards profitability, and to attain profitability through expansion as well as same store growth. Thank you all for attending the conference call. Thank you very much for your time, thanks a lot.

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**Moderator:**

Thank you, Mr. Rajiv Nair.

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**Mr. Nair:**

Thanks a lot.

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**Moderator:**

Thank you very much ladies and gentlemen that concludes the conference call. Thank you for joining. You may please disconnect your lines. Thank you and have a great day.

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