MARICO KAYA
ENTERPRISES LIMITED

Marico Kaya Enterprises Limited
Q2 Financial Year 2015 Results Conference Call

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

Moderator: Ladies and gentlemen, good day and welcome to the Marico Kaya Enterprises Limited, that is MaKE Limited, second quarter of financial year 2015 post results conference call. As a reminder all participants' line 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 * and then 0 on your touch tone phone. Please note that this conference is being recorded. We have with us the Senior Management Team of MaKE and its subsidiaries comprising Mr. S. Subramanian CEO of Kaya India, Mr. Debashish Neogi CEO of Kaya Middle East and Mr. Dharmendar Jain, CFO MaKE Limited. I would like to hand the call over to Mr. Dharmendar Jain who will take you through the highlights of MaKE performance during the quarter, over to you sir.

Mr. Jain: Good evening everybody. I welcome you all to the conference call on our company's behalf. Let me begin the conference call with a very short introduction because most of the information regarding the quarter performance is already in public domain including the quarterly performance presentation upload on our website and I am sure most of you would have already accessed the same.

On the financial performance Marico Kaya Enterprise Limited posted revenues from operations of INR 84 crores for a quarter and end at 30th September 2014, a growth of 15% over corresponding periods last year. Our profit before tax and exceptional Items for the quarter ended September 14 was 12.3 crores, 15% of net revenue compared to Rs 2.3 crores for the corresponding quarter last year. MaKE made a profit after tax and exceptional Items for the quarter September 14 of 12.6 crores compared to loss of rupees 1.1 crores for the corresponding quarter last year. The company has continued to focus on its expansion strategy in India. The company has added two clinics and one Kaya Skin Bar in quarter two and has continued to operate 18 clinics in Middle East.

I would like to highlight about the Kaya India performance. Net revenue SSG for quarter 2 is 10%. Overall growth for Kaya India was 11%. Kaya India Ticket Size grew by 9% over quarter 2 last year. EBITDA for Kaya India was 7% rupees of 31 million compared to EBITDA of 1% in the corresponding quarter last year. The e-commerce sales was almost 6% of our product sales, it grew by almost 168% over the corresponding quarter last year.

We would now like to update on the Kaya Middle East. The net revenue SSG has grown by 23%. The customer count has grown by 5% over the last year, similar the corresponding quarter. Ticket Size grew by 10% over quarter 2 last year. The EBITDA for the quarter was 83 million which was 21% of the net revenue compared to the 6 million which was 2% of the net revenue in the corresponding quarter last year. The profit after tax in Kaya Middle East was INR 70 million which was 80% of the net revenue as against 27 million last year which was 8% of the net revenue of the similar quarter.

The detailed information update is already with you. I now open the floor for question and answer and my colleagues and I would be glad to answer them. Thank you.

Moderator: Thank you Mr. Dharmendar for opening comments. We will now begin the question and answer session. At this time if you would like to ask question please press * and 1 on your touch tone phone. If you decide you want to withdraw your request from the questioning queue please press 1 to remove yourself from the queue. Dear participants, please press * and 1 for your questions.

We have a first question from Mr. Navin Bothra from ARC Financial Limited, please go ahead sir, Mr. Navin? I believe he got disconnected. We have a second question from Mr. Anand Bhavnani, please go ahead.

Mr. Anand: Yes, good afternoon sir, congratulations for the wonderful set of numbers. I had two questions. First of all you mentioned that the Same Store Growth for Middle East was 23% and it was 10% for India. So could you please explain the reasons for the difference between the two numbers which seems to be quite huge?

Mr. Jain: See, we have two different markets, India and Middle East. So India has a different – I will just pass on to Debashish, he will explain on the Middle East growth side.

Mr. Debashish: Thank you Mr. Anand for your question. Actually as Dharmendar said the markets are different and the growth is also a factor of the base effect of the previous year. So the business as we know has been turning around, so it is a base effect of a lower base in the previous year which is reflecting in a higher growth. So if you see quarter 1 we grew by 24% which is on similar lines, so if you look at in terms of things which we did right for this growth compared to the previous year in terms of our strategy, we are now focusing on our verticals which we stand for. Kaya stands for in Middle East skin care expertise which is delivered through experienced dermatologists. So we have verticals like anti-ageing and skin concerns which are growing as anti-ageing is growing at 42% and skin concern is growing at 44%. This has led to a growth of 23% in quarter 2.

Mr. Anand: Okay, as far as India goes can you explain an increase in the overall store counts and what are the plans for the coming two quarters?

Mr. Subramanian: Yes, this is Subramanian here. India posted a growth of about 10% overall and overall growth of about 11% on net revenue basis for the quarter 2. I think if I look at say basically the expansions, during this time we had two clinics which was opened and one Kaya Skin Bar which was opened during the quarter and now it has an overall tally of about 88 clinics operating in India with four skin bars. If I look at basically the verticals I think we have also done pretty well as far as the anti-ageing, pigmentation and the acne vertical is concerned, which is basically the core of the dermatologist led business where we have registered a growth of 28%, 16% and 15%. What we are trying to do is also get our act right with respect to the beauty bucket and the product vertical. Here we have done a few launches which is expected to scale up in the near future which is about November is when we are planning to scale up certain new introductions in beauty facials, which will help us to sort of increase both our customer count and growth in this particular category. Going forward I think we will be looking at an average expansion in India close to about 10-12 clinics on a yearly basis and about 10-15 skin bars on a yearly basis.

Mr. Anand: In 2014 Annual Report we had some mention regarding entering into hair care and working out a plan for that market, so any developments on that front?

Mr. Subramanian: See, our work on hair is continuing. We said we will take almost close to about 18 to 24 months before we finally bring it to the table. So some work at this point has been done but maybe too premature to talk about it right now but yes we do intend to get into that space.

Mr. Anand: Okay, that is it from my side, I have further queries I will get back in the queue, thank you sir.

Mr. Subramanian: Thank you, yes.

Moderator: Thank you sir, next question comes from Mr. Dinesh Nehali, Angel Broking Limited, please go ahead sir.

Mr. Dinesh: Hi, good afternoon, congrats on a great set of numbers. I have a couple of questions, initial ones on the strategic nature. So from what we have understood, the last couple of years you have taken time to decide what kind of strategies we plan to take to go forward. For example, there was a purchase and sale of Derma, there was a planned sale of KME and then it did not happen for some reason, for some reasons it was taken back. Then the switch from Cure to Care and back again to Cure, so could you just tell me what is the strategic path going ahead, I mean where do we stand in India and in Middle East.

Mr. Subramanian: Thank you Dinesh, thank you for the question. I think first and foremost I will take it one by one, I think you had many questions in this. I think first and foremost on the sale of DRX, I would like to add, see DRX is a brand and an acquisition that we had in Singapore somewhere in 2009 and the entire business was a good business to acquire at that point in time keeping in mind the requirements and the nature of expertise that we wanted to take in acne and pigmentation. Having said that, we reevaluated the business three years hence and we felt that the business was very much centered around one single doctor who had built up the business for almost close to about 40 years. It was not Kaya the brand in Singapore, it was a different brand in the name of DRx and we felt the need for actually looking and focusing on the geographies especially India to be able to further growth. Keeping this in mind we had actually made divestment. As far as the other growth strategy is concerned with respect to Cure and Care we had yes at one point in time decided to sort of enhance our portfolio in the care offerings by introducing beauty facials and advertising it but very soon we sort of realized that we needed to be differentiated in this space and doctor was at the core of the business and yes, while we digressed we brought the focus back and the focus of coming back has actually helped us to register the growth and also turn around the business. So that is on the other part of the Cure and Care. As far as KME is concerned, yes there was at some point in time a discussion with our strategic partner on a little bit of a dilution and possible discussion was going ahead but yes at the end of it we did take note of what was happening in the market and we decided to sort of stay invested. The deal did not go through and at this point in time we are committed to the Middle East market and we would be staying invested in this market. So Kaya as a brand will be represented both in India and in the Middle East going forward.

Mr. Dinesh: So would we be investing more in Middle East, I mean since we plan to stay there?

Mr. Subramanian: Yes, we are looking at investments on growing the business in Middle East as well.

Mr. Dinesh: Since you mentioned cure, now my personal experiences and from what I am speaking to my friends and colleagues, so there are two couple of things which you emphasize on, one is a connect with the doctor in the sense that they would want to go to a doctor and repeatedly go to the same doctor, so they would not want to switch doctors or for that matter products when it comes to skin. So in case of Kaya which has a big operation across India or across Middle East, how does one entrust that the doctors who are handling people at a particular store remain there and the same person would meet the same doctor continuously so that the touch remains?

Mr. Subramanian: Yes, I think it is a valid question but if you look at the kind of categories that we are operating in, it is laser, anti-ageing, pigmentation, acne, beauty facials and products. When you talk about skin concerns especially in the area of say acne and pigmentation I think there will be a lot of affinity to associate with a particular doctor during the course of the customer journey but when you look at laser, beauty or products and certain other areas of services that we offer that could be something that a customer would not mind going from meeting one counselor or a doctor or other. So keeping this in mind I think we are aware of what you are saying. There is an opportunity for doctors to visit our clinic and work in our clinic at specific timings. So if a customer is looking at an option of meeting the same doctor I think the opportunity remains of fixing an appointment accordingly.

Mr. Debashish: Just to add on to what Subramanian said, we ensure a proper line, that a client meets the same doctor because the affinity towards the doctor is equally important as the brand. So as you rightly said the client comes to the doctor also, so we try to ensure that the client comes to the same doctor inspite of having maybe another doctor in that clinic, we try to attach the same client to the same doctor.

Mr. Dinesh: Can you throw some light on the turnover ratio of the doctors or what kind of tools you use to retain the doctors?

Mr. Subramanian: Having said that Dinesh I think one is also cognizant of the fact that doctors in India, the attrition levels are close to about 25-30% and that is also because of the fact that most of the doctors are women and women typically have different stages in their lifecycle where they would like to take a break from their main course of work be it marriage or parenting or anything like that. We are aware of the fact but what we take to take care of the consumer interest is the fact that every customer walking into the clinic has a therapy record which is maintained in the center, so irrespective of the fact that whether the doctor is the same doctor around in the clinic we ensure some amount of continuity between the doctors through the establishment or documentation and records in the clinic. Some of our clinics are also NABF certified and we follow strict guidelines and SOPs to maintain the customer interest is taken care of. As far as the doctor is concerned I think the doctor – we have a very open and fair transparent culture within the organization which also promotes goodwill among the organization amongst members. In addition to that doctors are given, are tied up with respect to certain incentives on overall delivery in terms of service quality and business performance as far as the unit is concerned. So these are the few things that we put in place to ensure that business continuity and consumer interest is taken care of.

Mr. Dinesh: Okay, thanks. Lastly if I may ask, from what I see in the presentation product division has done really well. So, what kind of plans we have to grow this division and how do we use to market product division to get non-Kaya customers who do not come to the shop or to the clinic and how do we cross sell the products and the services business?

Mr. Subramanian: Yes, I think as far as the product journey is concerned yes first and foremost today we have a range of close to about 50 odd SKOs in Kaya covering various skin requirements and needs in the market. Number two is that there is an innovation pipeline that we have in place which will probably take the journey from say 50 odd SKOs to almost close about 80 SKOs in the next two years or so. Number three is that we are invested in basically the Kaya Skin Bars which is being prototyped in one of the cities in India, Bangalore and we are seeing the responses and seeing how well we can take it forward. The idea is to create and open and inviting formats for the brands where customers can engage and associate and understand the brand better. In addition to that we are also cognizant that e-commerce is an important part and therefore we are represented in the e-commerce space as well and we have seen traction in that space as well. So these are a few initiatives and we see the product journey moving in contribution from say 20% and as we expand to maybe a higher percentage of 25-30 in the near future.

Mr. Dinesh: Oh, that is wonderful! Yes thanks, that is from my side.

Mr. Subramanian: Thank you Dinesh, yes.

Moderator: Thank you sir. We have a next question from Mr. Navin Bothra from ARC Finance Limited. Mr. Navin please go ahead.

Mr. Navin: First of all congratulations to team Kaya for excellent set of numbers. My question is to Mr. Dharmendar Jain regarding the revenue mixup of Kaya India and Kaya Middle East, if you can bifurcate it sir?

Mr. Jain: Mixup means you are telling the category mix or you want the ratio?

Mr. Navin: Roughly from 84 crores how much we are getting from India and how much we are getting from Kaya Middle East.

Mr. Jain: Kaya Middle East we are 39 crores and Kaya India we are 44 crores.

Mr. Navin: And if we can further bifurcate in services and products in India and Middle East.

Mr. Jain: We have provided on the presentation.

Mr. Navin: My other question is regarding the other current liabilities and in that portion advances from customers, if we can bifurcate it in India and KME sir and how much it is? Around 86 crores current liabilities are there.

Mr. Jain: It is around 66 crores from advances from customers.

Mr. Navin: That was in March 2014 sir.

Mr. Jain: Yes, broadly it is the same.

Mr. Navin: And equally India and Kaya Middle East is contributing equal percentage?

Mr. Jain: No, ratio, actually it is around two-third and one-third.

Mr. Navin: Two-third is India?

Mr. Jain: Around 44 is India and 22 is Middle East

Mr. Navin: Okay and my third question is regarding the breakup of other expenses of 28.8 crores, if you can bifurcate it in advertise and sale and payment to consultants sir?

Mr. Jain: See, we can provide you the details definitely; currently we have only published only the consolidated numbers. So we can provide you separately the details on this.

Mr. Navin: My last question is to Mr. Subramanian please regarding the extension in hair care business. You have already said that it is already work in progress but if you can elaborate more that whether it will be organic or inorganic sir or any tie-up with the foreign companies.

Mr. Subramanian: Currently we are looking at it through development within the company because we have the expertise, because of the number of dermatologists that we have the expertise in skin and hair. So currently whatever work we are doing is towards development of these services, etcetera through the in-house route.

Mr. Navin: Okay, thank you.

Mr. Subramanian: Thank you Navin.

Moderator: Thank you for your question. We have a next question from Mr. Anand Bhavnani, individual investor, please go ahead sir.

Mr. Anand: Sir, I have a couple of more questions. First of all if you can give us some idea about the current capacity utilization kind of for stores, so how much are we currently utilizing the time slots that we have and how much of the top line can increase without any further store addition.

Mr. Subramanian: Mr. Anand, this is Subramanian here. See, currently we run a capacity utilization of almost close to about 30-35% on an average which actually tells us that there is a room for growth. The thing is that we have also seen – we obviously cannot assume 100%, peak clinics have – some high performing clinics have actually achieved close to about 55 odd percent as far as capacity utilization is concerned, so that is one area of growth which is available in terms of head room. The second thing is that currently capacity utilization can be enhanced in many ways not just looking at utilization as a percentage. There are ways by which one can increase capacity and the overall revenue by driving a better top line, better healthy mix and also looking at their increasing hours if required by moving from eight hours and ten hours of working to maybe 12 hours of working along the way. So there is an opportunity and there is availability in terms of capacity to drive overall growth.

Mr. Anand: Sir, on that front if you can explain the lifecycle of a store, that once you open what capacity utilization for the first year, second year and when it eventually reaches the targeted levels of let us say 60-70%. So can you throw some details on it?

Mr. Subramanian: Before I answer that question Anand, can I understand the genesis of the question because everything is not just necessarily dependent on capacity utilization because sometimes footprints are different; you have a three-room clinic, sometimes five-room clinic, sometimes seven-room clinics.

Mr. Anand: My genesis of the question is I happen to visit our South Bombay store and there I happened to learn that it is like one of the most busy stores, it is run 360 days a year and I learnt that it was open in 2003. So over a 11-year period I could see that this is something which is running at close to 80%, so I just wanted to understand what has the general experience at company level been in terms of achieving an optimum capacity utilization levels for stores across the country.

Mr. Subramanian: See, I think like I said if you want to look at growth, opportunities at a unit level yes capacity is important but you know capacity can be circumvented in many ways. One is that yes we can look at increased working hours, we could look a mix of between products and services, we can look at increasing the mix to drive value growth. Having said that, in areas where we have started to hit a ceiling we have also looked at the opportunity to relocate within the same catchments. So there have been examples of some such centers in North where we know that we were hitting a road block and we had to move to a larger clinic keeping the mind the opportunity and the head room for growth. I think one is cognizant of this fact that it is important to have opportunity to grow through capacities but that is not just the only factor to be in place to drive overall growth.

Mr. Anand: Sir, my next question is about our tax situation. Currently I think we have a very favorable tax situation, can we anticipate it to continue and if so for how long and if you can throw some light on how it is likely to evolve in the middle to long run.

Mr. Jain: Yes obviously we have got some carry forward losses in the tax also. So in the next couple of years we do not feel there is a tax impact, so next at least three to four years we do not foresee anything.

Mr. Anand: Okay, thank you sir that is it from my side.

Mr. Subramanian: Thank you Anand.

Moderator: Thank you for your question. We have a next question from Mr. Chiranshu Kumar from Girik Capital, please go ahead.

Mr. Kumar: Hello, good evening sir. Congrats for a good set of numbers. I just had a couple of questions like if you see the Middle East business, so there if we see the Q1 and Q2 the ticket size is drastically different in USD, like from 406 US dollars it is somewhere around 1500 US dollars, that is a huge difference between the ticket size.

Mr. Jain: I would like to clarify, this 1534 is in AED, it is not USD.

Mr. Kumar: Okay that is AED and the Q1 figure that is in USD.

Mr. Jain: Yes, there was some error from my side.

Mr. Kumar: Sir, that is one and the second thing is that like if I see the last two quarters, this year as well as the last year, there has been huge price hikes in the business, so do you see it – going forward do you see it sustainable as in more of the growth is coming more from the price size or it is more going to be a volume driven kind of a growth.

Mr. Subramanian: Thank you Mr. Kumar for your question, this is with respect to the Kaya Middle East business, your question?

Mr. Kumar: Middle East as well as India because if I see the breakup of the top line growth the more is coming from the increase in ticket size.

Mr. Subramanian: See, I think one needs to understand that the ticket size necessarily does not translate to a price increase. Ticket size also means a better mix in terms of the kind of offerings that one is actually doing. So if you look at it in the last one and a half years in the India business at least I can talk about is that we have made a lot of investments in technology and we have shifted our approach from basic services to a system approach of selling which means a combination of products and services to be able to deliver better efficacy to customer issues and concerns. So that has also been a key factor in being able to increase the ticket size, it is not necessarily that it is coming out of price.

Mr. Kumar: Thanks, I had these questions only, if I have any more I will get back in the queue.

Mr. Subramanian: Thank you Chiranshu.

Moderator: Thank you for your question. We have a next question from Mr. Harsh Mehta from HDFC Securities, please go ahead.

Mr. Mehta: Congratulations on very good set of numbers. My first question is on the India business. Sir, the customer count has seen a de-growth of 2% in India. So the Indian market is actually not seeing any significant uptake. So when do you see a recovery to happen in the customer count and what are the steps that you are taking to have that amount of recovery and what is the sustainable customer count growth that you foresee in the coming future?

Mr. Subramanian: Thank you Harsh for the question. I think if we sort of go a step down and understand what is exactly happening on customer count I would like to say that like we have mentioned in the past category such as anti-ageing, pigmentation and acne have actually delivered 28%, 16% and 15% growth in India and when we take a look at it what has actually not really grown in terms of overall business for us which has probably remained flat has been the beauty facials and the product vertical. Keeping this in mind I think a lot of customers do transact in this particular bucket. So we have made two interventions here, one is that from the beauty facials point of it we are trying to see that we have actually recently launched a set of new facials in the market which is starting to show some traction when we launched it in the month of September. However the scale up of that facial is now happening in the month of November and December. So hopefully we should see some traction going forward as far as the overall customer count in this category is concerned. On the anti-ageing, pigmentation and acne I think there has been good results both in ticket size and customer count, it is just while the traction is to the extent of what 28% and 15% / 16% in the business. Now answering your second question on how do we see traction on this, I think this is going to come from a lot of effort in both ensuring consumer education and retaining our subset of customers going forward but the intent is to sort of at least grow close to about 5% at least as far as the overall customer count is concerned.

Mr. Mehta: And when do you see that happening sir, a year from now or maybe a bit earlier?

Mr. Subramanian: See, we are definitely working towards it, I do not think I can give you a prediction in terms of where exactly and how it will happen but the intent is to move towards that. So two things, in the immediate short term I think we are trying to first arrest the de-growth in say facials so that we are there on track. On the long run I think we will be looking at categories like I said hair going forward to overall increase number of people transacting at Kaya.

Mr. Mehta: Sir, in this one and a half month of the third quarter has there been any change in this de-growth number, because I believe that third quarter would be your largest quarter because more festivals fall in this quarter and please correct me if I am wrong over here, so are you witnessing any change in the customer count in this quarter or is the macro economics scenario getting favorable to you, helping you get the customer count on positive?

Mr. Subramanian: See, I think there are two, three questions I hear from what you are asking. First and foremost we are pertaining this discussion to Q2, so I am not going to be discussing performance related to October-November here. Number two is that as far as the largest quarter being Q3 not really for us, our biggest quarter are actually Q2 and Q4 followed by Q1 and Q3. So, it is more the kind of dynamics we see with our set of businesses, so that is the second thing and the third part to the question was I think you were asking about how do you see this going forward. Consumer sentiment, I think consumer sentiment is positive, I think going forward we would definitely want to see some traction here.

Mr. Mehta: My last question is on the margins front. You have delivered a very reasonable and decent margins in both India and Middle East business but would you like to give any guidance of what is the sustainable level in India and Middle East going ahead, maybe not now but say three, four years down the line when the business is more settled and more developed with more products being launched, so on the margin front basically your guidance if you are sharing it.

Mr. Subramanian: No, Harsh I think like I mentioned we do not give guidance into the future, so we would like to sort of refrain from answering this question.

Mr. Mehta: Thank you so much sir that is all from my side.

Moderator: Thank you for your question. We have a next question from Mr. Ajay Sharma from Maybank Asset Management, please go ahead.

Mr. Sharma: Yes hi, congratulations on reporting pretty strong numbers. My question is on the margins again, I see a difference in EBITDA margins between India and Middle East to be quite wide, I mean going forward do you see room for India margins to actually catch up with Middle East?

Mr. Subramanian: See, I think on the India front the point I would like to say here is that we are definitely seeing traction on the store level at this point in time. We have moved the indicator on the clinic level EBITDA up from 32% reported last quarter to about 35-36 this quarter. Having said that, I think we are looking at expansions as a means of sort of leveraging the operating costs at the backend namely with respect to corporate overheads and ASP. So over a period of time we should see some amount of leverage happening in this space to increase margins better.

Mr. Sharma: And is the Middle East margin more or less optimized or is there room for improvement there as well?

Mr. Debashish: We have had a huge shift in the last one and a half years in terms of margins which is reflected in actually the PAT to sales ratio if you see. March 2013 we had a loss of minus 16% to sales, I am talking PAT to sales ratio whereas H1 we have touched 14%, so swing is 30% in the last one and a half years. So we are very hopeful to continue at this level of 14% PAT to sales.

Mr. Sharma: My second question is on the capex further your expansion especially in India and some in Middle East, what is the annual capex you are looking at?

Mr. Jain: The current year plan is around 25-30 crores investment this year.

Mr. Sharma: And the big jump in the gross block which I see from 19 crores to 41 crores in the last six months, that is coming from where, that is for the new expansion, is it?

Mr. Jain: We have added almost good amount of new medical technology and opened some four clinics, so that is primarily on account of that.

Mr. Sharma: Okay, thank you.

Moderator: Thanks for your question. We have a next question from Mr. Deepak Poddar from Sapphire Capital, please go ahead.

Mr. Deepak: Yes, good evening sir. My first question is on the margin front. Already you have answered some of the queries on margin. Just I wanted to understand that this quarter we had reported a consolidated level 12% round about EBITDA margin. So can I assume that it is sustainable going forward?

Mr. Jain: See, between H1, H2 our revenue ratio is around close to 52 in the H1 and around 48 in H2. So in terms of that there will be some difference in the H2 numbers, so primarily I think you can get the indication from that site.

Mr. Deepak: So H2 is generally what, 48% of total?

Mr. Jain: Yes, around 47-48%.

Mr. Deepak: No, but I was asking something in terms of the margin front that whether it is sustainable or not.

Mr. Jain: Yes, it is sustainable in terms of numbers but we cannot really replicate it in the H2 directly. Therefore I gave the top line ratio.

Mr. Deepak: Second question was on the revenue front, like if I had to look over next three to four years, the revenue that one may look in India and Middle East, so what would be the sustainable revenue growth that you are looking to?

Mr. Subramanian: See, we do not give future projections but I can just give you some anticipated numbers in terms of expansion that we are looking at. So clinics in India, we are looking at about 10-12 clinics on a yearly basis, 15 plus skin bars on a yearly basis and similarly in KME we are looking at about two to three clinics on a yearly basis. So this should give you some idea about the kind of organic growth and the kind of growth coming in from expansions.

Mr. Deepak: Understood, yes that is it from my side, thank you.

Mr. Subramanian: Thank you Deepak.

Moderator: Thank you for your question. Participants, if you have any question please press * and 1. We have a question from Mr. Anand Bhavnani from Individual Investors, please go ahead.

Mr. Anand: Good evening sir, sir I just wanted to understand our geographic selection. Currently I have a map of our stores on my screen and I see we are completely absent in Chhattisgarh, Orissa, Goa, Jharkhand, Bihar and the Eastern region predominantly we are lacking stores. Sir, why is it that we have sort of not focused much in those areas?

Mr. Subramanian: Anand, Subramanian here. Currently India operations is in 26 cities. India is a vast market, we do understand that there is an opportunity in many pockets and having said that I think our approach has been to sort of strengthen our existing markets before we look at new markets in terms of city entry so that we can actually leverage our thoughts and ability to handle in terms of operational efficiency is much better in the existing cities. So that has been our approach.

Mr. Anand: Okay, so sir the 10-12 store count that you said is an annual target, can it be expected that it will be in the same clusters that you are currently operating in and we will sort of continue to focus on the existing geographies?

Mr. Subramanian: Yes, that is right. What I am saying currently is that we are looking at existing cities and trying to saturate our catchments before we start looking at new cities for entry and yes at this point in time the 10-12 will be more or less located in the cities that we exist in.

Mr. Anand: Okay and sir my second question was about the margins that we have experienced in tier 1 vis-à-vis tier 2 cities. I mean, has there been some generic experience whereby we have seen higher margins in categories, tier 1 or vis-à-vis tier 2?

Mr. Subramanian: See, I think it is sort of a mixed bag because each unit is different in its own way while the challenges in tier 2 cities is that overall top lines are not similar to the metros but definitely the cost of operations are fairly lower and therefore there is a mixed bag as far as this is concerned and we are looking at it, we have a system of looking at it on a regular basis.

Mr. Anand: And sir, currently we own all our stores, has it ever crossed management's mind of opting for franchisee route or that is altogether permanently not considered?

Mr. Subramanian: See, currently all the clinics that we are operating in India are company operated clinics. We are not looking at franchising as far as the clinic business is concerned because there is a need to have a very great detail in terms of adherence to quality and safety standards especially when you are handling Indian skin. However having said that, from the standpoint of the product journey where we are looking at Kaya Skin Bars, we are currently operating through company owned stores and there is a possibility of going ahead with franchisees in the near future.

Mr. Anand: And sir once the Kaya Skin Bar business sort of stabilizes or turns around, can we anticipate double-digit margin, high double-digit margins, is that something which is reasonable to expect?

Mr. Subramanian: See, the product business is definitely lower in terms of expected capex and better in terms of turnout, so obviously there will be a shift that we anticipate. I would not want to really talk too much about the numbers and the shift that is expected.

Mr. Anand: And sir you have tangentially mentioned about e-commerce for the products business in one of the questions that you answered. Sir, can you sort of share the strategy that we are to pursue and if any tie-ups that we have had with major e-commerce websites?

Mr. Subramanian: See, e-commerce in the last quarter we talked about 55 odd lacs from the e-commerce sites. We have our own e-commerce site available which is shop@kayaclinic.com and in addition to that we also have alliances with key partners. We have over ten people with whom we have alliances with which includes the likes of Flipkart, Jabong, Myntra, etc channel through whom we actually sell products. So we are present in this space and we have our own site as well and we are seeing traction in terms of overall accessibility going forward.

Mr. Anand: Sir, can you give me some idea on the revenue mix in the medium term do we expect from our brick and mortar stores vis-à-vis a e-commerce tie-up, do you have any particular internal targets which you would be comfortable sharing with us?

Mr. Subramanian: No, I have given you the indication that the number of stores that we are looking at and the number of clinics that we are looking at and the KSBs, so that should give you a fair idea to understand how our mix is heading. So, obviously if we are looking at say franchisees going forward I think the numbers also can move accordingly, yes.

Mr. Anand: Fine sir, thank you for taking my questions, has a nice day.

Mr. Subramanian: Thank you Anand.

Moderator: Thank you for your question. We have a next question from Mr. Rohan Shah from Croma LLP, please go ahead.

Mr. Shah: Hi Mr. Subramanian, question is regarding the balance sheet. We have a fair amount of cash, about 173 crores in mutual fund investments, so how are you going to utilize this cash going forward, I just wanted to understand that.

Mr. Subramanian: See, yes we have cash in our balance sheets and it is fairly a sizeable amount. Some amount of this cash is going to be used towards our immediate requirements in terms of expansions for both the Middle East and the India journey. On the other we will still be left with some amount of cash which we would be sort of evaluating as we go by in the next two to three quarters.

Mr. Shah: So evaluating means you mean are we expecting some acquisition or would you return it back to shareholders, can you give us an idea?

Mr. Subramanian: No, we would be looking at growth areas first and we would like to scout for what is the right thing to do for the business.

Mr. Shah: Okay, but that is bringing the ROE down, the cash is bringing the ROE down on a blended basis, that is the reason I mean if it is going to be growth accretive then it makes sense to keep the cash, otherwise I think – okay, I think that is a management call to make best use of it.

Mr. Subramanian: Thanks Rohan, yes.

Moderator: Thank you for your question. We have a next question from Mr. Prithesh Chehra from M K Global, please go ahead.

Mr. Prithesh: Yes, thank you for the opportunity. A couple of question. One, what explains the difference between high margins in Middle East and single-digit margin in India and second, if I heard it correctly the clinic level margins in India is about 32%, then what explains the difference between clinic level and the company level India at about 7%?

Mr. Jain: See, between the clinic and the company levels there are marketing expense and our corporate overheads, so that is the two components which actually comes below Clinic EBIDTA level. The difference is actually the corporate cost and the marketing cost.

Mr. Prithesh: So is there leverage there or is there a scope to bring those costs down?

Mr. Jain: Yes obviously, as we are trying to expand both the costs can actually be leveraged and over a next couple of quarters of expansion we will be able to see the traction and leverage on those costs.

Mr. Prithesh: And that also explains the difference between the margins between Middle East and India that you have a larger corporate overhead here and lesser there?

Mr. Jain: Yes, because India represents the overall corporate costs and Kaya Middle East obviously because of the geographic spread compared to India and Middle East it is different, so it is structurally very different and obviously very larger corporate structure in the area.

Mr. Prithesh: Secondly after stabilizing the model what in your opinion is the cash payback for Kaya stores in India and what is the cash payback of skin bar stores in India?

Mr. Jain: Typically I think for a clinic it takes around between three to four years for a payback and Kaya Skin Bar is too initial for us but in our assessment it will take around one year for a payback.

Mr. Prithesh: And lastly amongst your stores which have let us say stabilized in the system, what is the capital to output ratio that we have seen in those clinics?

Mr. Jain: See, in terms of capital to output ratio the mature stores is between around 2.5 to 3.5 times, that is the trend we are seeing in the matured and it is giving good level of EBITDA margins.

Mr. Prithesh: So these are the stores which would be somewhere around 30% type clinic level EBITDA and been in the system for about three years, is that a fair assumption?

Mr. Jain: Yes.

Mr. Prithesh: Thank you very much sir.

Moderator: Thank you for your question. We have a next question from Mr. Tejas Shah from Spa Capital, please go ahead.

Mr. Tejas: Hi, thanks for the opportunity. Just can you throw some light on our expansion plan in terms of hair restoration services, perhaps it is a bit premature for timeline but will it be only in services or will have products also for the same?

Mr. Subramanian: Currently we are looking at both options but I would not want to really talk too much because it is very early stages to really discuss it in detail. The only thing I can say is that we are looking at an in-house modus operandi to enter hair as a category.

Mr. Tejas: So sir, this leads me to a slightly broader question that our group company is very big name in hair care category, how do we ensure that there is clear demarcation of our area of operation versus theirs because it is also expanding into certain categories into hair care which is not there earlier. So, is there any clear area of demarcation how it will happen?

Mr. Subramanian: See, currently we are fairly a very strong service oriented company, so we will be specializing in services. Yes, they are- you know, Marico has been in the space of hair care but we will be service oriented and we will be operating in the premium space.

Mr. Tejas: So these product will not find place in Kaya Skin Bars, is that point?

Mr. Subramanian: No, they will. Kaya Skin Bar also is a part of the Kaya business only, so they will find space in Kaya Skin Bar.

Mr. Tejas: So we will go into product space also in hair care, that is the point.

Mr. Subramanian: Yes, yes.

Mr. Tejas: Okay, thanks sir.

Moderator: Thank you for your question. Participants if you have any question please press * and 1. We have a question from Mr. Aksh Vohra from Praj Finance, please go ahead.

Mr. Vohra: Just wanted to know what does goodwill represent in a balance sheet?

Mr. Jain: See, this is between – it is a consolidation impact of Kaya India and Kaya Middle East, so it is more of a demerger impact in that.

Mr. Vohra: Actually I am not getting it, what does it represent?

Mr. Jain: See, obviously technically means you can see the losses incurred over the period of Kaya India and Kaya Middle East, so that is a part of the goodwill.

Mr. Vohra: And sir, what is the core capital employed in the business?

Mr. Jain: See, the total is coming to Rs 356 crores if you remove the goodwill then it will be around 156 crores.

Mr. Vohra: What would be the composition of this capital employed?

Mr. Jain: You are talking about the total assets employed or cash deployed in the business?

Mr. Vohra: Cash deployed basically.

Mr. Jain: See, currently if you see we are holding around almost 492 crores as the balance sheet size and we have got almost 180 crores in the this thing, so balance is the cash deployed for our business overall for capital.

Mr. Vohra: And what is the cash utilization plans going ahead sir? Like we have 175 cash and we hardly need any capex, so what are the plans for cash utilization going ahead?

Mr. Jain: We have got the expansion plans, so some cash will go for the expansion in India, our new format is the skin bar and the Kaya Middle East. There still will be some cash, so we are working on evaluating some plans, for next three to four quarters we will be having the utilization plan on this cash.

Mr. Vohra: Okay, thanks.

Moderator: Mr. Vohra, are you through with your question?

Mr. Vohra: Yes.

Moderator: Thank you sir.

Mr. Jain: Thank you Mr. Vohra.

Moderator: We have a next question from Mr. Manish Gupta from Rare Enterprises , please go ahead.

Mr. Manish: Thank you for the opportunity, you shared the information that your clinic level EBITDA for India was 32%, can you share the same number for Middle East for this quarter?

Mr. Jain: It is 41% for quarter 2.

Mr. Manish: And the second question I had – sorry, this was for quarter 2, was it in the same range in Q1?

Mr. Jain: Q1 was 34%.

Mr. Manish: In the Middle East.

Mr. Jain: Yes.

Mr. Manish: And India was 32 in Q2, what was India in Q1?

Mr. Jain: India was 33 in Q1.

Mr. Manish: The second question I had is that of your total expenses, the expense which is non-clinical expense, so let us say after clinic EBITDA we have corporate overhead which is all your sales and marketing and GNA, how much is non-clinical overhead on a quarterly run-rate basis at present?

Mr. Jain: On a quarterly run-rate basis it is somewhere around 25%.

Mr. Manish: It is 25 what unit?

Mr. Jain: On a console level.

Mr. Manish: How much is it in crores, 25?

Mr. Jain: No, I said 25% of the revenue.

Mr. Manish: 25% of revenue on console and would you able to split that between India and Middle East?

Mr. Jain: We have not provided the full details, so we can actually discuss it later on.

Mr. Manish: Okay no problem, thank you so much, that is all I had.

Moderator: Thank you for your question. We have a next question from Mr. Ajay Sharma from Maybank Asset Management, please go ahead.

Mr. Sharma: Yes, I just wanted to have a clarification. If I look at your pro forma revenues for FY 2014, that is 290 crores and for the first half you have reported about 137 crores. So actually the mix which you are talking about, 52/48 does not seem to reflect in these numbers.

Mr. Jain: Yes, see the last year numbers we have got our – our Singapore subsidy number is also there for the nine months and that is why it will not match with that numbers.

Mr. Sharma: So 290 crores includes how much from the Singapore?

Mr. Jain: You are referring to the full year last year?

Mr. Sharma: Yes, full year last year.

Mr. Jain: Yes, 290 crores, that is the right number 290, so what is your question actually?

Mr. Sharma: My question is the first half which you reported for the same year FY 14 is 64 crores for first quarter, 73 crores for the second quarter, right?

Mr. Jain: Yes.

Mr. Sharma: So that is about 137 crores. So actually the second half number is higher than the first half.

Mr. Jain: So comparing 137 and 290 crores.

Mr. Sharma: Right, so second half should be 153, right but you had earlier mentioned that your mix is 52/48 in terms of H1, H2.

Mr. Jain: Yes.

Mr. Sharma: But this one does not tally, this one shows that H2 was much bigger than H1 last year.

Mr. Jain: Yes, H1 is bigger for last year.

Mr. Sharma: Right.

Mr. Jain: So H1 is bigger only, H2 will be lower than H1.

Mr. Sharma: No, but last year H1 was 137 and H2 was 153, right?

Mr. Jain: Yes, I will come back to you on it.

Mr. Sharma: Okay, yes.

Moderator: Are you through with your question?

Mr. Sharma: Yes, I will wait for the reply, thanks.

Moderator: Thank you sir. We have a next question from Mr. Anand Bhavnani from Individual Investor, please go ahead.

Mr. Anand: Actually my question was the same as Mr. Ajay Sharma, so I would just request the management to get back to me on the same as well.

Mr. Jain: Yes, we will come back to that.

Mr. Anand: Yes Mr. Subramanian, if you could please get back to me on the same H1, H2 last year.

Mr. Subramanian: Yes.

Mr. Anand: Yes, that is it from my side, thank you.

Moderator: Thank you sir. Participants, if you have any questions please press * and 1.

Mr. Subramanian: Just connect me to the last person, Ajay Sharma.

Moderator: Yes, I am just connecting. Mr. Sharma please go ahead.

Mr. Sharma: Yes, I am there, I am just waiting for the reply.

Mr. Subramanian: Ajay, just give us a minute, I think the difference is coming because the ratios that have been given to you is basis collections and I think what you are seeing in the report is that. So just give us about a minute, we can come back to you otherwise if that is okay.

Mr. Sharma: Yes, yes, that is fine.

Mr. Subramanian: Yes, I think the difference is essentially that.

Mr. Sharma: So this year in terms of the actual revenue realization you will think it should be 50/50 or there will be any difference in the revenue reporting?

Mr. Subramanian: See, there could be little alterations but more or less it will be in line yes.

Mr. Sharma: Okay, thank you.

Moderator: Thank you sir. We have a next question from Mr. Anand Bhavnani from Individual Investor, please go ahead.

Mr. Anand: Sir, I just wanted to understand our sizing power in the market, currently I think we offer premium services and our prices are indeed much higher than the market. How much do you think we can increase our prices without losing substantial number of customers, so can you give some flavor or color on that?

Mr. Subramanian: Okay, this is Subramanian from India. First and foremost we are cognizant of what is the price operating in the market and being a premium brand and being the leader and a service brand most of the competition benchmark comes to the prices that they can offer in the market. So, if at all anybody wants to take a mover, a prime mover advantage in moving prices probably we will have to lead the way but having said that I think we are cognizant of the fact and we evaluate it depending on the need. We do have cluster wise pricing in markets between say metros and the rest of the cities and we keep evaluating this from time to time as to where exactly we need to make corrections.

Mr. Anand: But has it ever been the case that we have to reduce prices in some clusters?

Mr. Subramanian: No, not really because like I said Kaya is a very strong brand in India, it is in a position to command a price premium and second is since we are a benchmark it is sometimes everyone else tends to sell on a discount to what our pricing is. So to a large extent we lead the way and we are cognizant of the fact, we do have differential pricing in markets and we would keep a tab on this from time to time.

Mr. Anand: Sir, if I have to assume that throughout the history of Kaya at none of its stores we have ever reduced prices, would I be correct in assuming that?

Mr. Subramanian: I think fairly so, yes I do not think we have gone into that stage, yes.

Mr. Anand: And out of the current 88 stores we have in general what has been our success rate in terms of store opening, how many stores we would have closed till date throughout our period of existence of the company?

Mr. Subramanian: Yes, see basically we had reached to a number close to about 100 and we are sitting at about 85-86 crores at this point in time. So, our shutdowns have been in the range of about eight to ten in the entire period of operation.

Mr. Anand: Okay, fine sir, thank you very much.

Moderator: Thank you for your question. We have a next question from Mr. Rahul Baijal from Bharti Excel, please go ahead.

Mr. Rahul: Yes, apologies for asking the question again, I have logged in late. Two questions, one is in terms of number of clinics I see we have around 85-88 in India and 18 in the Middle East, so what is the head room for growth in terms of next three years, do you have visibility on the roll out, how many clinics are you trying to roll out over the next one, two years? Secondly, I see that your revenues between Middle East and India are broadly split 1:1 but revenue clearly in the Middle East seems to be almost four times that in India, so is it because we have more doctors sitting per clinic in the Middle East or is it a productivity issue or is it a pricing issue or what exactly is it?

Mr. Debashish: Thank you Mr. Rahul for your question. Two markets are different, the India market and the Middle East market, so obviously given the Middle East market the purchasing power there and the pricing there, so from that point of view and the way we operate there is little different than the Indian market. In India for example some of doctors are on part time basis and there is a large pool of doctors and very large number of clinics scattered over Pan-India. In Middle East we are more concentrated and we have all full-time doctors. So it is a mix of the market and the way we operate in that market.

Mr. Rahul: But we do not have more doctors sitting per clinic, that is not a key differentiator, is it?

Mr. Debashish: No, not more doctors but the man hours put by all the doctors part-time in India vis-à-vis the man hours put by a full-time doctor in Middle East would be the same. So it is not the number of doctors, the man hours put by a full-time doctor there would be eight-nine hours but here in clinic if you are a part-time doctor that would add up to the same number of hours. It is not based because of the doctor.

Mr. Rahul: So it is mainly pricing driven I guess.

Mr. Debashish: Yes, it is pricing driven and the way we operate in the market.

Mr. Subramanian: See, the average ticket size between a Indian consumer here in Kaya versus the Middle East consumer is at least 4X.

Mr. Rahul: Okay. My second question on the head room for growth and the roll out plans?

Mr. Subramanian: See, head room for growth, in India we have an opportunity because we are sitting in about 35% of Capacity utilization, we are looking at growing the business by about 10-12 clinics on a yearly basis and skin bars to the extent of about 15-20 and we would be looking at existing cities and try and saturate them before we go into new ones.

Mr. Rahul: And the same for Middle East, what could the plan be like?

Mr. Subramanian: We are looking at about two to three clinics on a yearly basis.

Mr. Rahul: All right, thank you very much.

Moderator: Thank you for your question. We have a next question from Ms. Sabia Khan from Sharekhan, please go ahead.

Ms. Sabia: Yes, I would like to know that it would be beneficial in investing in long term basis in Marico Kaya or even on short term basis also it could give good returns, what are you all expecting?

Mr. Subramanian: Can you repeat the question, it is not clear.

Ms. Sabia: I was saying that we are investing in Marico Kaya, so short term also profits are expected or only long term investment would be profitable, what are your expectations like?

Mr. Subramanian: We do not give guidance madam in terms of profitability. We are here to share the results with respect to Q2 performance and we are giving you some indications on types of investments that we are doing in the business in the near future.

Ms. Sabia: So, you are planning to still increase the centers in India and rest all the places.

Mr. Subramanian: Yes, that is right we are getting into the investment mode again in India and we see opportunity to increase clinics and skin bars in the India context and we are looking at clinic expansion in the Middle East as well.

Ms Sabia: So only skin related problems or you are planning to expand in other fields which are medical related?

Mr. Subramanian: Currently we are looking at skin and maybe in the next 18 to 24 months we are looking at hair as well.

Ms. Sabia: Okay, thank you.

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

Mr. Navin: My question is again to Mr. Subramanian regarding the expansion, just now Bharti AXA people asked. We are talking about 10 to 12 clinics and 15-20 Kaya Skin Bar, in half one we have opened two new clinics and one Kaya Skin Bar, so can we safely assume that it will be evenly spread in the next two quarters?

Mr. Subramanian: No, we will stand by our commitment of 10-12 in a year, so we would be – there are some pipelines in progress and we would see that by the end of the year, in the next two quarters we would see some more openings coming our way.

Mr. Navin: That will be evenly spread in the next two quarters.

Mr. Jain: Mr. Navin as we are speaking we have already opened two more, so I think the balance will be opened by March.

Mr. Navin: Okay, congratulations sir and my another question is regarding the if you can bifurcate the gender ratio regarding the Kaya services in India and UAE between males and females?

Mr. Subramanian: In India the ratio is about 85%.

Mr. Debashish: And the ratio in the Middle East again we are present in three geographies, which is UAE we have 13 clinics, Saudi Arabia we have four and Oman one. So depending on the geography the mix is different but if you take Kaya Middle East as a geography it will be 80-85% female.

Mr. Navin: So what is the management planning to do to increase the gender ratio?

Mr. Subramanian: See, I think what is important is customer acquisition and retention. I think the market will evolve because some of these services are pertaining more towards the women gender because we are talking about laser, acne and other things. So it would take some time for the male to induct themselves into these services. Having said that I think as we move and progress from skin to hair I think there will be shift in terms of the overall services and the composition of the customers that we may possibly have.

Mr. Navin: From the hair care services ratio will increase towards men.

Mr. Subramanian: I am just hopeful of that because there would be more people coming in, there is enough and more concerns even with women with respect to hair fall, with respect to hair loss and thinning. So we will see some movement but then it is more about how consumer sentiments and behavior are driven towards these kind of services in the male gender.

Mr. Navin: Okay, thank you sir.

Mr. Subramanian: Thank you.

Moderator: Thank you for your question. Participants, if you have any further questions please press * and 1.

Mr. Jain: Is that Mr. Ajay?

Mr. Ajay: Yes, I am there sir.

Mr. Jain: Just to guide you on the ratio, that ratio was more of a collection, 51/49, H1 was 51 and H2 is 49, you got it?

Mr. Ajay: Yes.

Moderator: Sir, we can go ahead with the questions?

Mr. Jain: Yes.

Moderator: We have a next question from Mr. Rahul Baijal from Bharti Excel, please go ahead.

Mr. Rahul: Yes, just one more question. In the last quarter your EBITDA margins are widely different. So what can be our understanding of suggested EBITDA margin, more like the current quarter or more like the previous quarter?

Mr. Jain: I think you have to – roughly Q2 is a bigger margin compared to Q1, so if you take H1/H2 I think that will be more appropriate actually.

Mr. Rahul: Okay, so first half average will be more representative of the underlying analyzed EBITDA margin is what you are saying.

Mr. Jain: Yes.

Mr. Rahul: Okay, thank you very much.

Moderator: Thank you for your question. Participants, if you have any further questions please press * and 1. Ladies and gentlemen, if you have any questions please * and 1.

Mr. Jain: If there is no question we can wind up.

Moderator: Sir, we have a question from Mr. Dinesh Nehalini from Angel Broking, please go ahead.

Mr. Dinesh: Hi, a quick question. What kind of footfalls you are seeing in skin bars, it is early days yet but if you could throw some color?

Mr. Subramanian: Yes see basically the skin bar is too early signs, it is just about three, four stores and we have not done much to even promote it in the city but having said that I think they are all based in malls at the moment and we see close to about 40 to 50 in a weekend and maybe half of that in a week day.

Mr. Dinesh: Okay and what traction we see of products through e-commerce sales in a couple of years?

Mr. Subramanian: I think what we are talking right now is close to about 55 lakhs in a quarter, about 18 lakhs of sale is per month is what we are saying which we have seen in the – it is about 6% is the overall revenue that we are generating on products and I think the point is that we are represented in the space and we are definitely seeing traction in this space. We are represented there, now how much and where it will go, etcetera is anybody's guess.

Mr. Dinesh: Okay fine, thanks.

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

Mr. Navin: My question is to Mr. Subramanian please regarding the advertisement and marketing expenses, will it be evenly spread on TV and digital media?

Mr. Subramanian: See, currently we are not on TV right now, we are more in digital space to a large extent and we also time to time invest in print and maybe radio depending on the kind of campaigns that we do but we take a careful call in investing this money in line with the objective of the campaign but our effort in digital continues all through the year while print and say radio might be happening as and when required when a campaign kicks off.

Mr. Navin: And regarding the TV we have no plans?

Mr. Subramanian: Currently I think we are not looking at it because there is a lot of spillage and it comes at a cost. What is most effective for this kind of a business which is catchment based is basically local demand generation and activity centered around digital.

Mr. Navin: And as our target audience is around 85% females and in print if I am correct we are not seeing that much advertisement regarding Kaya brand and all these things in the Hindi or English magazines and all these things.

Mr. Subramanian: We are very selective in our approach when it comes to print as well but like I said print happens when we are running campaigns. So currently in the first quarter we had done a campaign on laser, so that was fairly represented in the newspaper and magazines and we also run through advertorials in various magazines and this quarter very recently, I think in September in the second quarter we ran a very small campaign on pigmentation and we are looking at anti-ageing going forward into November and December. So that is the piece.

Mr. Navin: Thank you sir.

Moderator: Mr. Navin, are you through with your question?

Mr. Navin: Yes, yes.

Moderator: Thank you sir. Participants, if you have any question please * and 1. As there are no further questions I would now like to hand the floor over to Mr. Dharmendar Jain for closing comments, over to sir.

Mr. Jain: Just to conclude, we will continue to drive the journey of our sustainable profitable growth through expansion as well as same store growth. Thank you all for attending the conference call.

Mr. Subramanian: Thank you everyone, we are signing off, thank you.

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