July 28, 2023

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400023
BSE Code: 532926

National Stock Exchange of India Limited
Exchange Plaza, Bandra – Kurla
Complex, Bandra (E),
Mumbai - 400051
Scrip Code: JYOTHYLAB

Dear Sirs,

Sub: Transcript of the earnings conference call for the quarter ended June 30, 2023

Pursuant to Regulation 30(6) read with Part A of Para A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, Transcript of the earnings conference call held on Tuesday, July 25, 2023 for analyst/ investors to discuss the Un-audited Financial Results for the quarter ended June 30, 2023 and the way forward, is enclosed.

Further, the aforesaid information is also available on the website of the Company at www.jyothylabs.com.

Kindly take the same on your record and display the same on website of the Stock

Exchange. Thanking you,

Yours faithfully,

For Jyothy Labs Limited

SHREYAS PARAG TRIVEDI

Digitally signed by SHREYAS PARAG TRIVEDI
Date: 2023.07.28 09:56:22 +05'30'

Shreyas Trivedi
Head – Legal & Company Secretary

Encl.: As above

Jyothy Labs Limited
CIN: L24240MH1992PLC128651
'Ujala House', Ramkrishna Mandir Road,
Kondivita, Andheri (East), Mumbai 400 059.
Tel: +91 022-6689 2800 | Fax: +91 022-6689 2805
info@jyothy.com | www.jyothylabs.com

"Jyothy Labs Limited
Q1 FY'24 Earnings Conference Call"
July 25, 2023

MANAGEMENT: **MS. M.R JYOTHY – MANAGING DIRECTOR – JYOTHY LABS LIMITED**
MR. SANJAY AGARWAL – CHIEF FINANCIAL OFFICER – JYOTHY LABS LIMITED

MODERATOR: **MR. KARAN BHUWANIA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '24 Earnings Conference Call of Jyothy Labs hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhuwania from ICICI Securities. Thank you, and over to you.

Karan Bhuwania: Hi. Good afternoon, everyone. It's our pleasure at ISEC to host Q1 FY '24 Results Conference Call for Jyothy Labs Limited. From the management, we have Ms. M.R. Jyothy, Managing Director; and Mr. Sanjay Agarwal, Chief Financial Officer. Now I'll hand over the call to Mr. Sanjay Agarwal for his opening remarks and then we can open the line for Q&A. Thank you.

Sanjay Agarwal: Thank you, Karan. Good afternoon, everyone. I welcome you all to the conference call of Jyothy Labs to discuss the financial performance for quarter 1 FY '24. The results and the investor presentations are already available on the stock exchanges as well as on our company's website. I hope you all had a chance to look at it.

In brief summary on the business environment front, we have observed relatively stable demand across our product portfolio with moderating input costs.

There have been successive price increases, which did impact or has impacted the sales volume. However, our product portfolio is more essential and well diversified. Day-to-day household consumption, so we witnessed moderate growth. This is reflected in our overall performance in our revenue growth of 15%. The breakup of which is volume growth of 9% and value growth of 6%. With a healthy debt-free balance sheet, we've delivered a consistent double-digit revenue growth now for the last few years and rise in our brand market share.

For this quarter, we have achieved sales of INR687 crores, an increase of 15.1% growth. As input cost inflation has moderated and with our several cost optimization programs, our gross margins have scaled back at 47.9% versus 39.9% at the same period last year.

Similarly, at the EBITDA level for the quarter stood at 17.1% versus 10% in the same period last year, thereby an increase of 95% and our net profit also grew over 100% same period last year. In specific, our consumer franchise is getting stronger by every quarter, and we've been consistently been able to strengthen our market share across our brand categories. And as you would have seen, all our segments have reported stable double-digit growth.

In terms of key categories performance, Fabric Care is doing well with 18.1% growth this quarter. The segment has seen improvement in sales across all our brands. Our expanded distribution has helped us to accelerate sales of detergent powder brands on a pan-India basis. We are focusing both on the premium segment as well as on the value offerings in this category, and the strategy is to build scale across our brands. In specific, Ujala Detergent Powder, we have launched new TVC featuring Superstar Manju Warrier, also we have been associated with some high-impact properties like Big Boss Kerala. Also launched Ujala Liquid Detergent Front Load variant to strengthen our portfolio in this category.

Similarly, in Henko, we have released a new campaign featuring Superstar Kajal Aggarwal, and we are also witnessing good healthy growth in performance of the liquid detergents. In Dishwash category, both Exo and Pril continue to do well with a 10.6% growth for this quarter. Since this category has significant growth potential given under-penetration, we are leveraging on the rural growth in the Bars category and focusing on consumers seeking larger packs in Dishwash Liquid category.

In HI segment, our sales increased by 10.1% for the quarter. This recovery is aided with better season and emphasis on distribution and also enhanced media support done by us in the key markets. We are focused on growing saliency of the liquid vaporizer and also promoting coil as a safer option for illegal incense sticks.

Finally, our Personal Care portfolio, which is primarily Margo franchise, we have registered an impressive growth of 21%. ATL investments, campaign featuring Raashi Khanna, propagating Margo as an Aachi Aadat or good habit is helping the brand. And as you all know, we spoke in the last call as well, we are leveraging the Margo brand equity. We introduced 3 new variants of Margo in rose, lemon, and jasmine, where we have seen good initial response. This will further help in building scale for us with the larger offerings in the toilet soap category.

In summary, we'll continue to focus on volume-led growth and achieve higher scale of business operations. We have consistently delivered now double-digit revenue growth for the last few years and expanding profitability metrices. We will strive to build scale with our relentless execution and grow our brand market share. We are working towards our sales growth trajectory for FY '23-24 on an annual basis to be at double-digit growth, primarily led by volume. Similarly, on the margin front, with signs of softening commodity prices, we would aim to hold on to our historic EBITDA margin level of 15% to 16% on an annual basis.

With this, I finish my opening remarks, and we are happy to answer any questions or clarifications you may have. Thank you.

Moderator: Thank you very much. We have a first question from the line of Vishal Gutka from PhillipCapital. Please go ahead.

Vishal Gutka: Team, congratulations on excellent set of numbers. Three questions from my side. Firstly, on the HI segment, the losses have doubled up out over there. So is it due to higher A&P spend, what has exactly gone, if you can throw more light on it.

Secondly, on the overall ad spend, given the context, given that World Cup is coming up and elections are there, and we are also underinvesting -- we're also planning to grow our A&P spend. So how do you look at the ad rates going forward, that's the second question. And third question, sir, it would be really helpful if you can give more color on 2 brands, Mr. -- MoreLight and Mr. White. Exactly what is going on in those brands because those seem to have scaled up in a very meaningful manner. That’s it all the best and thank you.

Sanjay Agarwal: So Vishal, on the HI side of it, the loss, as you know, the category had declined last year, and we recovered a bit on that. But still, it has to come back to its earlier levels, so we'll have to live with it for some time. And this quarter, we had an additional or increased media spend, which I just spoke. We wanted to give more support to the market, and hence, you are seeing the loss number there at the EBIT level.

On the A&P, the numbers have been at around 7% to 8% of our top line, and we would not shy away from -- I mean we have been increasing our media spends over the last few years, and we'll continue to work on that. And whether we would think on specific property, World Cup, and all. Obviously, we can't comment to you now.

Vishal Gutka: Okay. The rates are likely to go up. That is the reason I'm asking because I understand it might not be publishing on this platform, but the rates overall like for the inventory to be lower, the ad rates are likely to go up and I was just asking in that context.

Sanjay Agarwal: Sure, sir. And on your specific questions on some of the brands in Fabric Care, Vishal all the brands have been doing well for us, whether it is at the premium end or in the mass offering, and backed by distribution, backed by the increased media support. So all of them have been doing fine for now.

Moderator: We have a next question from the line of Percy Panthaki from IIFL.

Percy Panthaki: Congrats on a good set of numbers. I just wanted to understand, see, we have the segment sales growth with us. You, of course, don't publish the segment volume growths, and I'm not exactly asking for that. But if you could give some color on where the -- which segments have seen a volume growth, which is higher than the overall company average and which are the segments which are lower than the overall company average that will sort of help us understand the structure of your growth.

Sanjay Agarwal: Yes. So Percy, as you said, we do not give, and it's not required to get into that level of granularity. You can be rest assured all the categories have positive volume growth as well.

Percy Panthaki: Okay. Secondly, just wanted to understand the Margo top line growth of 21%. Again, not asking for exact numbers, but any color or flavor you can give in terms of what would the growth have been? I mean what is the contribution of these 3 new variants in this growth that you have? What I'm trying to understand is that whenever there's a new launch, there is a pipeline fill that happens, so just wanted to understand that if I account for that, what is the sustainable growth number that I should be building in from an end consumer demand point of view?

M R Jyothy: Yes, so Percy, as in the growth on Margo has been really good for us. And most of it has come by the original name, which is the original soap that we have. The variant has just gone into the market from April onwards, so it's still connecting at many places, so not much of a contribution from that. It's mainly the main soap that is doing well.

Percy Panthaki: Understood. And the main soap is doing well. What is the reason for that? Is it geographic expansion? Or is it within the existing geographies they are gaining market share? What is really happening there for the main variant?

M R Jyothy: Yes, yes. It is supported by a very good season as in the summers are the ones which usually are good for this segment or so. And yes, increase in distribution also has helped and a little more of rural penetration has definitely helped.

Percy Panthaki: Understood. Understood. And just wanted to get a sense on the margins. You have reported 17.1% margins, excluding the other income, which is a significant jump over 4Q, which was 14.8%. So is it that you are lagging the general industry in terms of price cuts? Or you have sort of taken price cuts in line with other competitors in terms of timing and therefore, this margin -- I mean there is no reason for us to believe that it will sort of go down in future.

Sanjay Agarwal: So Percy, we have also taken price cuts in line with the requirements of the market, most of the competitive actions, so we have also done that. As I said in the opening remarks, we would, on an annual basis, look at our margin -- EBITDA margin to be in the historical range of 15% to 16%, so that is where we are. So these things will happen where price cuts will happen, raw material prices have come off from their peaks, but they are still at the elevated levels from, say, March '20 levels. So factoring all of that, we believe our aim would be to achieve between the historical range of 15% to 16%.

Percy Panthaki: Right, sir. And last question, if I might be permitted. You have done a 9% kind of volume growth this quarter. As far as I know, the base is normal. So are we sort of gunning for the same kind of volume growth for the remaining quarters?

Sanjay Agarwal: Percy, difficult to give you a breakup. But as I said, when we look at double-digit growth on a full year basis, it will be more volume led because as you know, the pricing growth what we have seen now, will start tapering off as we move along.

Moderator: We have our next question from the line of Tejash Shah from Spark Capital.

Tejash Shah: Congrats on good set of numbers. First, on market share gain, you called out that we have gained market share in most of the categories. If you can give some category level inside where the market share gain would have been higher than where it would have been relatively lower in our portfolio.

Sanjay Agarwal: Across our brands, we have done fairly well, as you know, the growth numbers have been double digit and more. And hence, across brands, things have been stable for us and doing well, so that's where we are.

Tejash Shah: And are we gaining this market share from smaller regional players or from national players as well?

Sanjay Agarwal: We are doing well and as Jyothy mentioned earlier, it's all backed by distribution and our continuous focus on brand investment, which is helping us connecting well with the consumers and all of that have been recognized and appreciated in that manner. So we would continue that path. With the growth mindset, it is important to keep investing behind our brands, both in terms of distribution and media investment, and we'll continue to do that.

Tejash Shah: Yes. So on that distribution front, do we have any target or vision for near term or of medium term in terms of where do we want this number to look like in 2, 3 years?

Sanjay Agarwal: So March '23, we have reported, we are reaching out to 1.1 million retail outlets. We'll continuously do that. We do not give any numbers specific where we want to reach, but it should be adequate to fill in our aspirational goals. And we are on that track, and we'll continue to do that.

Tejash Shah: Perfect. And then last one, not pertaining to results but one distinct feature of our supply chain has been our 20-plus manufacturing plants, which actually when I compare, it is higher than some of the regulated sectors like liquor and all, so just wanted to understand what's the thought process there? Are we kind of thinking about consolidating this footprint? Or we are actually going in with the nano factory understanding, and we want to be closer to the markets? Just wanted to understand broader thoughts over here.

Sanjay Agarwal: So it has been our focus to have factories closer to our markets, and historically, we have operated in that manner. It helps us in a lot of ways, as you would understand both in terms of supply chain, getting the production just in time and derisking our business model, so we continuously keep evaluating how we can consolidate more operations. But as we speak, the 22 factories, they are operating at 70%capacity, and we keep modernizing units as and when opportunities are there.

Moderator: We have our next question from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: Yes, 3 questions. First is, we have seen the weather being erratic especially...

Sanjay Agarwal: Abneesh, we can't hear you, can you -- could you speak louder?

Moderator Mr. Roy, use your headset mode please?

Abneesh Roy: Yes, so I have 3 questions. So first is, of course, weather has been very erratic in terms of see, either floods in North India or, say, Bihar, one of your key markets, we have seen very high deficit this year also till now and last year also. So would you be concerned that in Q2 and possibly even in Q3, there could be impact because of these developments, either in terms of manufacturing or in terms of distribution and demand?

Sanjay Agarwal: The answer is no. There's nothing which we can perceive as risk as we speak.

Abneesh Roy: You're not seeing an impact?

Sanjay Agarwal: No, nothing on the supply chain or on our manufacturing plants. Yes, the rains have been very heavy. It do impact temporarily something in movement of people and movement of goods. But on an overall basis, we are fine.

Abneesh Roy: Sir, my question was also on demand side, how do you see because clearly, these are agri-focused states of Bihar, U.P. etcetera, and North India also. So my question was more on demand, not just on manufacturing. I do understand you will have enough inventory. And essentially, it's not that completely things are on standstill. In terms of demand, would you be worried because 2 back-to-back years, the U.P., Bihar, there is a deficit?

Sanjay Agarwal: So Abneesh, we haven't got that alarming situation from any of our sales teams, and we continue to do well as per our plans in these markets as well.

Abneesh Roy: So second question is on your market share data, which you have shared in terms of detergent. I wanted to understand this 18%, which you've mentioned. No, in fact, 21.9% value market share Ujala Detergent, this is for which market?

Sanjay Agarwal: That is only for the state of Kerala.

Abneesh Roy: Okay, slide 14, okay, okay, got it. And one follow-up question on overall what other questions were on your soaps and detergent. We have seen that in the lower end and the mid end, the competition has come back. So we have seen the impact, the market leaders saw much lesser margin expansion and volume growth was also lower. So could you comment on regional players, how they are coming back in the value end in both soaps and detergent and how you have been able to do much better than the market leader, so if you could explain that?

M R Jyothy: Yes. So we have gained mainly through distribution primarily and also the quality of our products are far better than the ones that they get in the market. And hence, we are able to get repeat orders from consumers and retailers as well.

Abneesh Roy: Right. And last question on HI. When you see the 2-year CAGR and 3-year CAGR, both are negative. And now the market leader has also come out with the LUP at INR35 and INR50, and they are more aggressive than the past. What would be your game plan here? Obviously, profitability has been a key issue. But of course, you have been trying to ramp up the market share in the core electricals also. So if you could tell us what would be the game plan now given that the market leader is now more aggressive than the last 5 years?

Sanjay Agarwal: So Abneesh, no comments on that. We will be working on our plans and this category has seen some challenges. I think as an industry, we are working towards finding some solutions around that to benefit the consumers, so we'll stay put on that.

Abneesh Roy: Question was on the company also, so when you see the 2-year CAGR of minus 17 and 3-year of minus 8, of course, there was a COVID related impact also in the base. So what is the reason for the decline?

Sanjay Agarwal: So Abneesh, as you know, in the HI category, last year has been a challenge and the year before also because of the illegal incense sticks. And because of the season not being so favourable for us in our stronger markets, which is north and east. And hence, we have seen a decline in the last year on the HI category. This year, marginally, it has been better. We hope the rest of the year and the next years, the category sees far better growth. And as you know, we will be focusing on more on the LV side of it to get profitability also in shape So that has been our strategy.

Moderator: We have a next question from the line of Danish Shah, an investor. Mr. Danish Shah, please go ahead with your question. We move on to the next question from the line of Harit Kapoor from Investec.

Harit Kapoor: My first question was on the distribution expansion. So if you look at the number of -- in terms of million outlets and direct reach, we've been at about 1.1 million. Incrementally this year and the next, what's the game plan here? Is the game plan only about a higher throughput per store or the numeric reach also go up? And if yes, then are there any micro markets that we're looking to target here? So I just wanted some more details on how we are kind of going about the distribution strategy over the next 2 years.

M R Jyothy: Yes. So we've been growing our direct reach since last few years. And we would -- it would be almost the same momentum that we will go on. We've increased the lack of outlets last year and we will continue to do so for the next 2 years. And it has been both from a throughput per store and also these increased outlets that are giving us the growth.

Harit Kapoor: Okay. So about 100,000 a year is still the trajectory you're expecting for the next year...

M R Jyothy: That's what has been our average, yes.

Harit Kapoor: Okay, understood. Next question was on margins. So if you look at this year will be year of normalization, you'll take 15% to 16%, as you said, targeted range. But if I look at beyond F '24, how do you think about profitability? Is it kind of steady margin expansion post achieving this normalized number or is it just revenue-led growth with margins being in a similar band, I mean, how are you thinking of that now?

Sanjay Agarwal: Objective any growing company would aim for higher numbers than in the past. And with the effort what we all putting, we would also aim for the same. But sitting now, we all know where our margins -- pain we have all seen in the last 1, 1.5 years. And at the same time, last year, we had margins fallen down to 10% and now we've seen the recovery back to 17-odd percent. So let us stay put here, let us achieve to get a stabilized number with top line growth and EBITDA range of 15%, 16% and then any incremental numbers, as we said in the past, also, we would like to reinvest into brands, media spend to get much more stable growth in the future. So that would be our game plan for medium term or long term.

Harit Kapoor: Got it. Got it, Sanjay. And now that you have got this kind of pool of higher gross margin, does the innovation intensity also is expected to increase from here because last 2 years are challenging on costs, so one had to keep an eye on that as well. But incrementally, does innovation intensity increased in the next, say, 12 to 24 months, given that now gross margins are also normalizing?

M R Jyothy: Yes. We have a set of innovations and extensions ready. But having said that, we'll still be very calculative and go about launches very carefully, which will be backed by investments on media as well. So we will pick and choose which innovations to be launched depending on the situation.

Harit Kapoor: Perfect. And one last bookkeeping, if I may. Is there any one-off in the other income number for the quarter?

Sanjay Agarwal: Yes. Harit, like last time, we had a sale of one of our properties, which is around INR9-ish-odd crores. Similar this quarter also, we have a sale of land at one of the plants, and that is also around INR9 crores.

Moderator: We have our next question from the line of Sumil Sethi from SG India.

Sumil Sethi: Congratulations for a great set of numbers. Sir, just wanted to understand which category has driven the most growth in Fabric Care, so I understand that Fabric Care has grown by 18%, just wanted to get a sense on if the entire portfolio has grown at -- is there any category than standing off?

Sanjay Agarwal: Yes, it has been across all the brands, have done well. I can't call out any particular brand or category in that. All the premium, all our 4, 5 brands have done fairly well in this category.

Moderator: We have a next question from the line of Mansi Patel from Bodh Capital.

Mansi Patel: Congrats on the good set of numbers. I have 2 questions. The first question is regarding the market share of Henko. If you could just help me understand how the market share performance has been for Henko over the past 5 to 10 years?

M R Jyothy: So we've been doing well. We don't have market share numbers for that, but our internal sales have been growing. And our premium offerings under Henko, be it detergent powders, bars or liquids have been on a healthy growth, double-digit growth.

Mansi Patel: Okay. Okay. And the second question is, have we planned for any new launches in the Laundry segment as the segment contribution in FY '23 had almost doubled on a Y-o-Y basis?

Sanjay Agarwal: So nothing specific we can call out now in terms of the new launches in the Laundry space.

Mansi Patel: Okay. So how is that impact of doubling been? I was just trying to understand because the business has been stagnant in terms of Laundry segment over the years. And in 2023, it has taken a shoot -- upshoot. So that is why I just wanted to understand how have we -- I mean how are the strategies planned up for the same?

Sanjay Agarwal: You're talking about the Fabric Care or Laundry business which we have?

Mansi Patel: Laundry segment, laundry segment.

Sanjay Agarwal: So Laundry business has been doing fairly well. It's been consolidating this year, we have taken more of a consolidation year and to remain profitable and not put any drag on the balance sheet, so that's more on a stable basis for now.

Moderator: We have a next question from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Sir, most of my questions have been answered. So I would just like to ask what kind of macro environment or any kind of risk that you see that can hamper us something on those lines that maybe we need to be careful about something on those lines?

Sanjay Agarwal: See, business is always dynamic, and we can plan for certain things. But if you're asking me what could be the unknown things, unknown things can always be in the macro on the input prices. We all got a lot of surprises in the last 1 to 2 years. There will always be competitive actions, which we have to work on it and rest assure, I mean, if there are other challenges which come through, we will work through that.

Darshil Jhaveri: Okay. So that's good. And another question is now on sir, across our all categories, sir, would we have similar margins? Or there will be some premium segments that would be giving higher margins or whose more volume growth will help us get more margins or it's nearly standard across...

Sanjay Agarwal: Margins do varies between different categories. But we have to grow all the categories, all the brands and that's how we have a well-diversified portfolio, and we have been benefiting out of it.

Darshil Jhaveri: Okay. Okay. And sir, just one last final question, sir. Sir, on a longer term, do we think we can maintain our revenue growth of -- volume-led revenue of double-digit over the next maybe 3 years? Or how would that just -- what kind of outlook do you see for that part, a longer outlook?

Sanjay Agarwal: We will definitely aim to have a growth, which is better than the market or the industry growth. And it will be, again, led by a few macros, some specific company initiatives, and we should be able to grow at those levels in the future as well.

Moderator: We have our next question from the line of Gaurav Jogani from Axis Capital.

Gaurav Jogani: Congratulations on the great set of numbers. So my question is with regard to your margin guidance being 15% to 16% brand versus the 17% that we have closed in Q1. Now if we extrapolate this for the rest of the 9 months, this would mean approximately 200 bps kind of a decline from the current levels. So just wanted to understand, is there any investments, especially in A&P that we've planned or is just the passing on of the input prices to the consumers way of better graphics etcetera, which could lead to some contraction in the margins going ahead.

Sanjay Agarwal: Yes. So that always will be a combination of both and a few other things which we cannot plan. And being in the first quarter, it is better to work with that side of caution. And as I said earlier also, we would rather invest behind our brands and grow our franchise. I think that will be more sustainable and better for all the brands.

Gaurav Jogani: So sir, any guidance that you can give in terms of how the A&P spends that you expect for the -- for FY '24 or maybe years beyond that is sustainable A&P to target.

Sanjay Agarwal: Gaurav, sorry, the line is little bad. I can't understand anything.

Gaurav Jogani: Sir, I said that for the A&P, if you can give any guidance, not only for FY '24, but maybe on a sustainable basis, what you would be targeting ahead?

Sanjay Agarwal: So as we've been spending 7% to 8% of our top line on A&P spends. For now, we would -- we'll continue to do that in that range, and we'll evaluate it in the future depending on how the overall situation is.

Moderator: We have a next question from the line of Kunal Thanvi from Banyan Tree Advisors.

Kunal Thanvi: So I have 2 questions. One was on our pricing strategy. When we look at our prices of our key products, they're very similar to the category leaders in the respective segments. I wanted to understand, being the challenger brand in the segments that we are present in, how do we look at our pricing strategy from a longer-term perspective? That is point number one. And second is on with being net cash now and a strong cash flow generation, what would be our capital allocation policy from here on? These are my 2 questions, yes.

M R Jyothy: Yes. So on pricing strategy, you're right, we are at par with competition. And in most places and in some cases, we are even premium to the competition. So that's backed by a good set of differentiation and quality that we offer to the consumers. Only if the consumer likes it, will do a repeat purchase and hence -- and so far, we've been successful. It's the differentiation, the positioning and the quality that is -- that makes us compete even after being a challenger brand.

Sanjay Agarwal: And on the net cash position, post the dividend payout, we will rather conserve the cash and the on capital allocation, we will figure out what is the best for the stakeholders as we move along.

Kunal Thanvi: Sure, sure. And any -- like any insights on what are the different modes of using capital that we at the board level are considering?

Sanjay Agarwal: So I mean, there can be various options which are available. Obviously, one is dividend and other ways. And the other could be in case if we find inorganic, but those are too premature.. And as I said, this will be a discussion for our board to evaluate sometime in the Q3, Q4, and we will keep you posted on that.

Moderator: We have a next question from the line of Naysar Parikh from Native Capital.

Naysar Parikh: My first one is on how is -- what is the share of rural and can you give us some outlook on the rural side of the demand?

Sanjay Agarwal: So both -- I mean see rural, the impact of inflation has been much higher than the urban and as inflation has been receding. Therefore, the growth what we are seeing in rural is sort of coming back. And we, as an organization, we have product portfolios, meeting rural demand as well and the focus on low unit packs. We have been early on to capture on that, focusing on our rural distribution, so these are the areas how we are driving our rural growth.

Naysar Parikh: Sorry, if you could give some numbers to it, either in terms of growth or what is the mix between rural versus urban?

Sanjay Agarwal: Yes. So urban has been broadly 60% and rural has been 40%, and the growth rates would vary at different point of time, but both doing well.

Naysar Parikh: Got it. And second question was on -- obviously, your strength is in the North -- in the South and East maybe. I just want to understand on the North and West, how is the growth rates in this quarter? Is it at par on the company level or higher or lower?

Sanjay Agarwal: So no specific comments for zones growth, I can share. As an organization, we have reported our numbers, and we are doing well.

Naysar Parikh: But if we could just ask like from a growth perspective going ahead, specifically North, and West because we are underrepresented there, if you could give either directionally what is the share or what is the growth like either for this quarter or how do you see it in the future?

Sanjay Agarwal: So, sir, it's difficult to pinpoint each brand in each geography. But as I said, obviously, the efforts of the organization is to grow across pan India, and we will do that.

Naysar Parikh: Okay. Got it. And last question is on the Personal Care portfolio. We grew about 20% this quarter. So were they price action driven? And how should we look at that for the rest of the year?

Sanjay Agarwal: So there has been some price action also there in -- means the price increase which had taken place are still there in this quarter. But as Jyothy mentioned earlier, the brand -- the original green Margo soap has done well, and that has been the prime driver for the growth.

Moderator: We have our next question from the line of Piyush Khandelwal from Bank of India Mutual Fund. Please go ahead.

We are not able to hear you clearly, please use your handset mode.

Piyush Khandelwal: Yes, I just wanted to understand that you mentioned in the presentation that LUPs are getting more acceptance in rural market. What was the contribution, let's say, in FY '23 in overall volume terms, if you can just broadly highlight that. And let's say, what was it 2, 3 years back?

Sanjay Agarwal: So sir, it has been in the range of around 25% to 30%, and that's doing great, I mean in the rural markets. So that's the range of around 25% to 30%.

Piyush Khandelwal: And it was same in, let's say, 2 to 3 years back, the contribution was same?

Sanjay Agarwal: It was marginally lesser.

Piyush Khandelwal: Got it. Got it. And sir, I just wanted to ask more on this distribution side. So right now, you reach around 2.8 million outlets: out of that, around 1.1 million, 1.2 million outlet direct reach. If I look at, let's say, other FMCG majors, all of them reached somewhere around -- I mean, upwards of 5 million to 6 million outlets. This is total GT reach including both direct and indirect. So I mean, just wanted to understand what would be your universe where you can potentially reach, including both direct and indirect over, let's say, next couple of years? Just wanted to understand the universe for your category.

Sanjay Agarwal: The universe is large as you know. But the growing or reaching to that large number by adding manpower and aided by technology, that is one part of it. But then also the other part, which is media investment, everything has to go hand in hand. So we have to invest behind the brand, have our manufacturing capabilities, supply chain, everything has to go hand in hand, and this is what currently we are working so that whatever aspirations we have on our growth are fulfilled from all the sides.

Piyush Khandelwal: All right. So I mean that kind of potential is there for you as well? I mean maybe 5 million, 6 million outlets or more...

Sanjay Agarwal: I can't hear you, sir.

Piyush Khandelwal: What I'm trying to understand that the potential is, let's say, same for you guys, which other FMCG majors are reaching, maybe about 5 million to 6 million outlets.

Sanjay Agarwal: Definitely, we will aim to grow to larger numbers from where we are, but difficult for me to give you a number. Internally, as there are targets for the sales team and for our business teams to drive that, but we will reach based on the investments we make. We have to invest behind all the channels or all the business lines.

Piyush Khandelwal: All right. All right. And out of this, let's say, 2.8 million outlets, this is, let's say, uniformly distributed across the category or some categories are underpenetrated within this 2.8 million, some categories are over-indexed.

Sanjay Agarwal: The 2.8 is Ujala Supreme that is available in 2.8 million outlets. So different brands will be at different touch points.

Moderator: We have a next question from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Congratulations. Sir, I have a few questions. If I refer the commentary from the market leader, there was a lot of word around competition. However, in discussions so far, nothing you have said about competition. Generally, my understanding is that when the raw material inflation subsides, the regional and local competition comes back. So I just wanted to have 2 questions on the Detergent part of the business. Have you taken any price cuts, and do you really see a competition angle in the southern markets where we are strong?

M R Jyothy: Sir, competition will always be there and we don't only want to look at competition. We've been growing handsomely in all the segments that we are present and we'll -- our aim is to continue that while there were competition even in the past. But our focus is on ourselves, it's to grow our brands and whatever it takes, how the market behaves, we will also have strategies to fight that. So for us right now, our strategy has been doing -- giving us result and we'll continue to focus on that only.

Shirish Pardeshi: That's helpful. But have you taken any pricing action towards downside?

M R Jyothy: Yes, it's a mix kind of a thing. Yes, in some. And yes, so it's a mixed thing, not in all.

Shirish Pardeshi: Okay. That's helpful. Would you comment the specific growth in Henko versus Mr. White and other part of the business, say...

M R Jyothy: No, we wouldn't want to give that separately.

Shirish Pardeshi: No, I'm saying within these 3 brands because these are more dominant except Mr. White, which part of the segment is growing faster. That's what I wanted to check. I mean you have...

M R Jyothy: For us, it's a completely new canvas for us, all of our brands are firing.

Shirish Pardeshi: Okay. Okay. My second question on Margo. Historically, we are very strong brand in the Eastern part, and now I'm saying we have made an attempt to get into the northern belt, and we are also seeing that there is a variation. So is that we are losing the ayurvedic properties and trying to get a mass end of the Margo? I mean I wanted to understand what is the strategy we want to deploy in Margo because some time back, we also had the hand wash and we tried to get into the further segmentation in the Margo.

M R Jyothy: See, in Margo, our original neem which is the original soap that has been doing well for us. And it's not an ayurvedic soap, it's a herbal soap or a natural soap in that sense because it's -- the main ingredient there is neem. We have never said that we are an ayurvedic soap, so that is one.

Second is the varianting is more premium varianting. It's not a mass varianting, so the 3 new variants are premiumly priced compared to the original neem. And because it is from Margo -- the house of Margo, each of those variants carry the name signature. And yes, that's more to appeal to the younger audience. So that's the thing the Margo loyalists have always been there. They have appreciated the soap and they continue to do so. And yes, for us, we have grown other than east as well, and we would want to have a national footprint on that brand.

Shirish Pardeshi: Okay. Specifically on HI, we have made a lot of attempts to get the liquid and the placement of the product. What is the contribution in quarter 1 between say, Coil versus Liquids or Coil versus non-coil?

Sanjay Agarwal: So it's around 60-40, 60% is Coil and 40% is Liquids.

Moderator: We have a next question from the line of Senthil Manikandan from iThoughtPMS. Mr. Senthil Manikandan, please go ahead with your question. Since there is no response, we'll move onto the next question from the line of Abhijeet Kundu from Antique Stockbroking.

Abhijeet Kundu: Congrats on a great set of numbers. I had 2 questions. One was, there has been some correction, very recent correction that has been seen in soda ash as well which has an impact on your Fabric Care business. So have you seen any benefit of that coming in because this quarter still, you would be having older stock and it could come in the next quarter, I mean, in the quarters ahead. So what is the reading on that?

Sanjay Agarwal: Yes, Abhijeet, these prices are volatile And, you'll see them going up and down. So with the prices, as you're mentioning, yes, there's been some slight correction off late also. So we'll see the benefit in the next 2 to 3 months, depending on the stock levels that we have.

Abhijeet Kundu: And my second question was on dishwash business. So that is a business which was earlier going in mid-teens on a very consistent basis. Now though it has grown by 11%, which is a decent growth. But aspirationally, you would be looking at 13% to 15% growth, right? I mean what is the overall view there? And what would go into it to drive that kind of...

Sanjay Agarwal: Abhijeet, I missed the first part of it. Which category did you mention?

Abhijeet Kundu: Dishwash, dishwash.

Sanjay Agarwal: Okay. Okay. Could you just repeat again?

Abhijeet Kundu: So I said that Dishwash new -- earlier, we were going at a very strong rate. So the -- now also, we have grown at a healthy rate of 11%, but this is a category where the penetration levels relatively are still lower. And so what would be your acceleration of growth? And because this should grow at about 13% to 15%. it is one of your most important categories other than Fabric Care. So what is our aspiration targeted growth there in dishwash? And what are the initiatives that you are taking to drive growth?

M R Jyothy: Yes. So both our brands Exo and Pril has done well for us, and we have also increased the market share there. And our aim is definitely to grow in double digits, which will remain. Continuous distribution efforts are also happening at the same time. So all of these efforts are there. So yes, that is continue while rural and your small SKUs and all of that will contribute even in the future. Our eyes are on the ball in that.

Abhijeet Kundu: Okay. Has there been any -- generally, any moderation in Dishwash as a category? I mean has that happened in the last say, 2 years when we look at pre-COVID level versus now?

M R Jyothy: So yes, COVID time, definitely it had spiked up. I think most of them sitting at home and making new recipes and cleaning it definitely had spiked up the usage of Dishwash. But for us, we got new consumers as well, they have tried our brands, they've stuck to us, and we see the benefits of that coming even now. And we have a lot of marketing activities and a few other plans already in place to see that category delivers continuously for us.

Moderator: We have our next question from the line of Amish Thakkar from Siguler Guff India Advisor.

Amish Thakkar: Congratulations on the...

Moderator: Sir, please use your handset.

Amish Thakkar: Yes. Congratulations to the entire team on excellent set of numbers. I just want to understand, within your direct distribution of 1.1 million outlets, is there any coverage of pharmacy as a channel, especially for Household Insecticide, I don't know what is the salience for competition and category as a whole? And even you have within Personal Care, you have very small contribution coming from toothpaste and deodorants have been from Neem Active and Fa, is that a channel that you focused on historically and any thoughts going forward?

M R Jyothy: So as of now, our pharmacy contribution is very less. It's largely the Kirana and General stores that we are focused on. While in future, yes, while we have very small contribution, but we would be increasing that as and when we have other launches as well.

Amish Thakkar: Any other launches that could be relevant to that channel, anything in the pipeline?

M R Jyothy: No comments on that. Yes, as, and when those things will happen, we will definitely explore that channel more than what it is right now.

Amish Thakkar: Sure. And we've seen a lot of action happening from some of the larger competitors acquiring smaller D2C brands now that may not be relevant for Fabric Care and Dishwash for you where there are -- there is the sales in the e-commerce and D2C is very small. But within Personal Care have you seen any acquisition opportunities going back to the capital allocation policy of the company. Is there any area where you evaluated any D2C brands? Or is that a focus going forward?

Sanjay Agarwal: Yes. So nothing specific on the cards for now. Something right opportunity comes in; we will definitely evaluate.

Moderator: We have our next question from the line of Senthil Manikandan from iThoughtPMS.

Senthil Manikandan: Congrats to the entire team for the good set of numbers. My first question is with respect to the distribution. So last year, in the annual report also mentioned, they've grown by around 10%, right, around 100,000 units of outlets. So can you give some color in which part of the region we are growing on the higher rate or it's across pan India? That's my first question.

M R Jyothy: Yes, yes. So the distribution, we are concentrating on an all-India basis, and we are expanding across all the zones.

Senthil Manikandan: Okay. And second related question is that what could be the potential to expand the distribution over the next, say, 2, 3 years? I think even in the morning in the AGM, you mentioned that the goal is to focus on execution and scale up the business. So from 1.1 million outlets, let's say, like 3, 5 years down the line, what could be the aspirations and sales for the business?

M R Jyothy: See, we have big aspirations right now. We won't put any number to it. But yes, we've been growing -- the last few years, our distribution has been growing steadily. We would continue to do that. And you will see a few additions coming in that way.

Senthil Manikandan: And just on the innovation side, since we have a strong balance sheet now, in which categories -- will we be focusing higher on any particular categories?

M R Jyothy: No, as in, we have innovations lined up across the categories that we are present. But we'll be launching it, we'll be concentrating on that as and when the opportunity comes, and it will always be backed by investments. So hence, we'll pick and choose which category we would want to push forward.

Senthil Manikandan: Okay. Just the last question is on the Fabric Care side. So we have mentioned that you have like 20% market share in the Ujala detergent in Kerala. So next 2, 3 years, if you can give some color on expansion into other states?

M R Jyothy: Yes, we will be. We will evaluate the market, the brand Ujala is strong. But if you see in the country, our country is more of a mass powder consumption market. There are a few states where the premium price also does well. So we will evaluate that, and we will launch it when the opportunity comes there.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you, sir.

Sanjay Agarwal: Thank you all for attending this call, and I hope we have answered most of your questions and queries. If you still have any further queries, you can reach out to us. We would be happy to address them all. And thank you Karan and the team at ISEC for organizing this conference call. Thank you once again.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.