# "Kaya Limited
# Q2 FY2019 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to Kaya Limited Q2 FY2019 Earnings Conference Call hosted by ICICI Securities Limited. 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 the conference call please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahil Jasani from ICICI Securities. Thank you and over to you Sir!

**Rahil Jasani**: Good evening everyone. On behalf of ICICI Securities, I welcome you all to Q2 FY2019 Earnings Conference Call of Kaya Limited. We have with us the management represented by Mr. Rajiv Nair, who is the Group CEO, Mr. Vikas Agarwal – CEO of Kaya Middle East and Mr. Saurabh Shah – CFO. Without further delay, I now hand over the floor to the management for opening remarks after which we can open the floor for Q&A. Thank you and over to your Sir!

**Saurabh Shah:** 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 update on second quarter performance of Kaya Group, which is already in public domain and uploaded on our website www.kaya.in.

Kaya Limited posted consolidated revenue from operation of Rs.107.5 Crores for the quarter ended September 30, 2018, a growth of 6% over corresponding quarter ended September 30, 2017. Consolidated EBITDA is Rs.3.2 Crores 3% of the revenue as compared to 2.8 Crores, 2.8% of the revenue in Q2 financial year 2018.

Loss after tax in minority interest for the quarter ended September 30, 2018 is Rs.2.1 Crores compared to loss of 1.7 Crores for the corresponding quarter last year. Overall Kaya operates 99 clinics in India and 24 clinics in Middle East. The detail information update is already with you, I now open the session for questions and my colleagues and I will be glad to answer them. Thank you.

**Moderator**: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Aagam Shah as an Individual Investor. Please go ahead.



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**Aagam Shah:** Can you just help me to understand this bit, I am referring to the financial statement that you are filed and the notes to consolidated statement where Rs 3,632 lakhs revenue from operation it has been reduced from retailed earnings due to the change in the accounting standard Indian-AS 115. So can you just explain that part?

**Saurabh Shah:** Company has adopted Ind-AS 115 in a modified retrospective approach accounting basis and the company has refined its accounting of performance obligations including allocation of fair value and treatment of upfront fees, so due to which the charges have come in the financial statement.

**Aagam Shah:** So how is it being recorded through can you just explain the entry.

**Saurabh Shah:** So earlier we use to recognize some element of initial fees as nonrefundable upfront fees and hence the company has refined it's accounting of performance obligations including allocation of fair values and treatment of upfront fees.

**Aagam Shah:** So when will this be normalized, we would not be seeing the impact of this from next quarter onwards or..

**Saurabh Shah:** No, moment the session gets consumed more this will get crystallized.

**Aagam Shah:** So from next quarter you would not be able to see this impact there anymore right?

**Saurabh Shah:** No this is already given impact in the March reserve. So if you look at Q1, Q2 the movement currently, the sessions have increased and the revenues are getting crystallized.

**Aagam Shah:** Okay thank you.

**Moderator**: Thank you. The next question is from the line of Rupen Rajguru from Julius Baer. Please go ahead.

**Rupen Rajguru:** In this quarter like last quarter you said that you have done some bit of price adjustment in your services side so have you done something similar in this quarter as well.

**Rajiv Nair:** No, I think the question is with the reference to India right.



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**Rupen Rajguru:** Yes India.

**Rajiv Nair:** In India what we have actually introduced a fair price based on perceived value price for quite a few services. The journey for this began in the last quarter of last year and we have maintained a standard price from then to the Q2. The Q1 and Q2 have had similar pricing so there are certain services like laser hair free and pigmentation, which are, I would say more democratic services, where we have taken a revision in pricing and we have rationalized the prices so instead of going in for a promotional discounted route,. Our prices, to the consumer are between 15% and 20% cheaper than last year.

**Rupen Rajguru:** So if you were to just do that adjustment on a kind of like-to-like basis what would be if I were to use the term volume growth for us in this quarter?

**Rajiv Nair:** The Specific categories that we are talking about are pigmentation and hair free. Hair free overall was flat but **full body laser hair free** has grown by 55% over last year. In some of the smaller and medium body parts we have not really made any correction so there are no significant changes in terms of volume. In Pigmentation in the first quarter we had grown by about 30% but in this quarter actually the volume on pigmentation, has declined by 7% because last year same quarter we had a 50% discount on this category, so we actually would not, on a like-for-like basis, have a lower price this year versus last year.

**Rupen Rajguru:** And what would be the contribution of hair care in this quarter.

**Rajiv Nair:** Hair care would be roughly about 6% to the total business for the quarter with a growth of about 11% over last year.

**Rupen Rajguru:** Here weren't we expecting a higher growth and are we happy with the way it has progressed.

**Rajiv Nair:** Of course, we could grow higher. There are some positive indications here. In the hair transplant business, we have done almost 100 plus transplants this quarter which was an area that we wanted to focus. TRRS which is the hair rejuvenation services we have grown significantly. We have a negative growth is in hair spa services, which is basically hair clean up and nutrient infusion services where actually the volume has declined this quarter which I would say is more of a commodity service. On specialized categories we have seen



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good growth. Our endeavor is to continue to promote hair care as a business. We have also launched hair care products over the last three quarters. In the last quarter we launch the anti-dandruff range and before that we launched the "root regen" range of products . Both in products and service our focus continues to be on hair care.

**Rupen Rajguru:** And in the era of internet and social media what are the micro marketing efforts precautions you are launching quite a new services on the hair as well as also on to increase the overall awareness on the skin side what are the marketing efforts that we are putting in, because on an overall basis there has not been a significant growth in our kind of clientele and what are you trying to do to address that.

**Rajiv Nair:** In the advertising and selling and promotions expenditure, for the last quarter , we have reduced the spend by about 28% . Instead of going in for newspaper and print advertising we will focus our energies more on internet marketing and acquisition through digital route. So while customer count in the business last quarter was flat , but a large part of our acquisitions still happens through the digital route. Lot of initiatives that we have taken in the last quarter are on the digital space especially social media marketing. There have been lot of specific campaigns that we have done both for laser hair removal as well as for hair care in the last quarter. All our product launches have also have been promoted through social media. We also used a lot of influencer marketing where we have used bloggers to promote our range of products and services .

**Rupen Rajguru:** So at an overall level Rajiv if I were to ask you in last one year you have kind of tried to implement a lot of changes some adjustment on the pricing side plus lot of other changes on the number of stores which you need to shut or relocate or refurbish and all that. So if I were to ask you are you happy with the way things have shaped up or you think that it could have been better or you think that there is still long way to go.

**Rajiv Nair:** No, not really. We have not just worked on the demand side but overall model of the business, so lot of positive initiatives have been taken which are also consumer facing and also our focus has been on profitability. In the last two quarters straight we have a Corp EBITDA profit in the business, that has been definitely a focus of attention for both for our businesses in India & Middle east. All the initiatives that we discussed we have actually put in action. One as you earlier motioned about pricing, but we also have increased our focus on products, so a large range of products have been introduced in the business. We



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have increased our distribution of products through general trade and modern trade. We have set up almost six distributors now in the last six months across key cities like Mumbai, Bangalore, Delhi, Hyderabad and Chennai. So now, in our product business, only 50% of the sales are coming from the clinic the rest of it is coming from internet as well as from GT and MT. In Hair care we have done a lot of work. While the 11% may not reflect a very large growth but we have really done a lot of work in terms of creating additional services in hair care. Transplant as a business has really grown over the last one year . On an average we were doing about 10-12 transplants a month last year, today we are doing an average of 30 transplants a month. 24 clinics have got renovated which has got very positive reviews. In the investor update we have shown you some pictures. We launched a clinic in Greater Kailash Delhi which is a power clinic where we have created a world-class infrastructure and we are doing very soon a clinic in Indira Nagar Bangalore into a three level clinic. So everything that we are doing is consumer facing every focus is towards exciting consumer, creating better services and better products for customers so I am sure the results will come. And also the other side that I would like to remind you some of our efforts over the last one and a half years that we have been focusing on has been to make sure that our corporate cost comes down because one of our biggest fixed cost factor in the business was corporate expenses and from almost 21% corporate expenses now it is 15% to NR

**Rupen Rajguru:** See, I completely understand and appreciate that but if I were to just purely look at from minority share holder perspective and if I were to only look into the India business for last two, three years the average quarterly run rate has been in that 50 - 55 Crores mark, what do you see that the kind of growth which typically one would expect from kind of business like this has not come through so what would be over we say next two, three years what kind of growth can one expect from this business it has its challenges it had all those challenges of demonetization and all I understand but we have not kind of broken out of that the 50- 55 Crores revenue market conclusively.

**Rajiv Nair:** I agree that the average track has been very similar but I think a lot of other things with respect to the business model making sure the fact that the business is lean, business is focused on a few segments and continuously ups the game on certain segments have been done so as I mentioned product hair and other segments so there has been work which has been done on those areas what we are also driving which probably is not as perceivable to you through the financial numbers is growing consumption in a market which in the last quarter has been fairly average across the board if you actually look at it last year to this



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year our number of sessions that we are driving in the clinics between an average of 55000, 56000 sessions that we are averaging last year same quarter today we are averaging close to 64000 sessions. We have been able to get customers to come and consume sessions and now net revenue is directly connected to consumption in the business based on our new accounting policy .So I think what is crucial in our business is that people come and take our services and that is reflected in almost a 10,000 number of session increase in every month over last year.

**Rupen Rajguru:** Yes but see end of the day our business also about operating leverage , so what kind of growth can one expect based on additions coming through adding more clinics plus increasing the productivity of the existing clinic, over next two three years what kind of growth internally you are kind of targeting?

**Rajiv Nair:** The clinic utilization if I were to look it as a parameter, I think has gone up from 42% to 47% in the last quarter between last year and this year. On an average our expectation would be 8% to 9% growth over last year and the way we are doing it is to increase the number of consumption session and get more customers to come back into the clinic to take services and we have seen an increasing trend on that area so there has been a 12% growth in terms of number of session between last year and this year and also our focus on product which is not just inside the clinics but outside . Inorganic growth out of ecommerce for example we have grown over 70% in ecommerce and we have grown almost 35% on modern trade and general trade in terms of products outside Kaya. So one of the things that we are betting on is continuing the focus on increasing presence of footprint of product outside of the Kaya business.

**Rupen Rajguru:** And so while I understand that we have done lot of good work to improve on the overall lot of parameters in India, on the other hand the Middle East which probably was the jewel in the crown two, three years back has kind of dragged us down. So in fact Vikas if you can kind of explain to us how is the Middle East market looking and kind of we have seen EBITDA margins kind of coming off at the same time revenue growth is also is there but how do you see the Middle East market is shaping up for us.

**Vikas Agarwal:** I think there is a temporary phenomena happening in Middle East since the last one year something that is not we predicted if you see it started in October last year and people are talking about Middle East turmoil economic issues etc. led by political issues something like this in Middle East does impact you immediately. Our business last year was unprepared for something like that and got impacted a lot more so this year when we started we actually were a lot more prepared for a economy like that but see the fact is if you been reading about Middle East there is a lot of positivity people are expecting because all the issues that people think would have happened have happened, so whether it is a Qatar whether it is a Yemen war, it is a crude oil prices crashing things are over now and today there are all the signals in the economy where the economy can only move up. Now people were expecting that to happen post that, that the VAT money flows in and it boosts the economy across UAE and Saudi, Saudi seeing a little bit of traction even the GDP rate is seeing a little bit of traction, UAE is not seen that as yet but we are very hopeful that in the coming six months there will be because there are investments which are very important, whether it is export 2020 whether the VAT money flowing in, Saudi with the imagery that is projecting, so these are investments that will definitely lead to our economic growth better consumer sentiment. Now what is our view of our business in that field see we have prepared for both the scenarios that if the next six months do see our economic turnaround and there is a traction in the economy we have been actually working in the last one year on some really good inputs and those inputs are showing up results but not enough to move us out of the issues that are happening in the business. So in our business laser, botox, fillers these are three categories which are really suffering. When people get desperate when the category gets desperate they are going to reduce the prices to whatever level they can to survive and that is what is happening while a brand like us looks forward and invest and invest into inputs where you wait for the economic turnaround and then you can take a lead so there are two three things we have been doing actually for the last one year which are starting to see the traction and are preparing us for that at lead. So one is our shift in our business strategy so our business was built on laser and then Botox fillers so today our 50% - 55% of the business comes from there while that category is really getting commoditized going down in pricing ticket size and the client degrowth is massive. So we are not able to arrest the client degrowth there because we cannot match the price and we do not want to match the price, that is not the brand we have. What we done is our focus on treatments is has increased so laser, Botox, fillers is not a problem while treatments is about acne, acne scars, pigmentation, hair, body which are problems where our customer is willing to pay even in these times when we are seeing that our ticket size and treatments is way higher than laser and Botox, fillers which use to be the higher ticket price. So we have been investing into that strategy for the last almost eight, nine months we are seeing a payoff of course the category is small enough for us to come out of a laser. Botox, fillers degrowth



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and show it in terms of impact on the business but if you see a quarter-on-quarter from last year to this year of course quarter two because of July and August you see a very different number and July and August got temporarily it was an impact that everyone knows school holidays, Eid all that come together and it does create unpredictability which is where September bounce back and arrested some part of degrowth of Q2. So we are working on to scenarios, we believe that the economy will start seeing a traction in H2 and we will definitely ride on it with inputs like treatments or innovations or the new identity last time I had talked about because those are inputs which are very strong and then good times will really take a lead. If by chance and which is a very low chance that the economy does not move ahead much in the next three four months and takes more time, our P&L is getting or have got restructured to be a lot more resilient, so we will not be in a state what we were in last year we will still sustain the P&L at a breakeven point or around and make sure that we are ready to take a leave when the economy turns around now in an economy like that a business like us has to just hold on in these times and we have done that in 2007-2008 we are doing that again and that economic turnaround is going to give us the maximum benefit because we are the leaders in that category over there and others are going to get desperate, and lot of washout is happening in the category we are getting calls there is a lot of shutdown of clinics because they are not able to survive so it is according to me it is a temporary phenomena there are enough and more signs in the Middle East that things are going to change. Our Saudi business has already started seeing some kind of traction so we definitely believe that the coming quarters we will be able to do better. Quarter two definitely was a derailer and it had its own reasons quarter three, quarter four there are no external reasons that should ideally derail the quarter so I think it is just a temporary phenomena here we will pass through we have pass through worst actually in the past.

**Rupen Rajguru:** So you expect their acceleration in the third quarter and the fourth quarter.

**Vikas Agarwal:** No economy should at least do – economy should get better and that should help us so obviously let us see how, how much and where but we believe that the economic parameters are giving signs of recovery.

**Rupen Rajguru:** So as mentioned that it has been tough times and lot of the players in the competition and also felt the heat so can you share some color on the overall comparative environment and if as you said some of the guys have shut their clinics so have we gained market share in last few quarters in the Middle East.



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**Vikas Agarwal:** It is very difficult to estimate market share in Middle East, the category is very unorganized there are very, very few chains most of them are single, dual dermatologist though the quality of service in product is very good given the market and the regulation, but very unorganized market so we will never be able to estimate market share as such in that market and very scattered we operate in four countries different populations so I would not be able to comment on that but qualitatively what we are seeing in the market around definitely our signs were actually operating in geographies where they are able to see that what is happening and actually if you look at it just. So today we do track what is happening around in competition to an extent we have employees coming from there and there are other ways so we are definitely doing better than them and our strategy is also a lot more resilience we are not desperate, we are not reducing price, to just get in money in the short run which is what brands like us do in times like this so others are and the market is really lowering their prices which is also not sustainable because we know the cost in those markets so definitely but I do not have exact statement figures on market share over there.

**Rupen Rajguru:** So let us hope that all the good work both in India as well as in Middle East which we are doing and we are as from a purely minority shareholder perspective let us hope that we are near the tipping point and we start delivering having because for last many quarters lot of events certain internal, certain external events have ensure that our numbers are still not reflective which are minority shareholder would like so all the best to both you Rajiv as well as Vikas and let us hope that we are near the tipping point and in next few years we clearly see acceleration both in the topline and the bottomline. Thank you.

**Moderator:** Thank you. The next question is from the line of Sriram Rajaram from Sundaram Mutual Fund. Please go ahead.

**Sriram Rajaram:** Sir, just wanted to understand, regarding the store arrangement whether it is how many of them are own franchised if you could give some color and the second question would be on the product business, how much of currently what is the run rate is there any significant difference are we moving up product business in the India and the Middle East. So some color on that and how are we basically strategizing our product business? are we what kind of challenges we are looking at apart from our clinics ? if you could give some elaborate comment on your product and your store arrangement.



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**Vikas Agarwal:** As far as stores are concerned in fact we call them clinics because these are dermatology centers they are 100% owned by Kaya while properties maybe leased but the business is our own business there is no franchise in this business. So as far as the model is concerned it is completely company owned as far as the product business is concerned right now we run through multiple channels one is our own clinics which accounts for right now about 59% of our total contribution, we have our Kaya Skin Clinic which is KSB as we use to call it which is a combination of shop-in-shops and general trade and modern trade so we have also added some distributors who are distributing these products to general trade now and we also have ecommerce so the split is half-and-half between KSB and ecommerce right now. What is the significant difference is that our dependence on the clinic to sell products which was almost to the tune of 70% at some point is come down to 59% the range of products now area also more comparatively priced and that is why they can sell better both, in the ecommerce channel as well as on general trade modern trade our intension and our focus is to build a distribution business pan India, currently we have set six distributors across main cities we are getting into further cities especially up north and east that we are focusing on and we would like to be in most of the leading personal care stores in each one of these key cities across the geography. So for that purpose we cannot do it physically reach out that is why we have started setting up the distribution business. What is very heartening is the growth in ecommerce considering the level of advertising that we do vis-à-vis FMCG brands, ecommerce has been growing at a phenomenal phase. We have seen more than 70% growth in fact 89% growth if I take only the Q2 number we have grown in ecommerce just to give a small example is the fact that we are launching a product category called mask, face mask and considering that we are not a very highly advertised brand we have seen almost 30000 to 35000 such mask getting sold in one month with one ecommerce partner just at the time of launch so that is the kind of traction that we are getting and we are in the top five of personal care brands in the skin care space in ecommerce channel so which includes some of the larger FMCG brands which are competing so I think there is a lot of traction we see in product we have a lot of focus on product and that will continue.

**Sriram Rajaram:** How are we leveraging the strength of the parent in terms of distribution because product business I think this scale up should be little easier right because we have the strength already is not it or just correct me?

**Rajiv Nair:** Actually we do not have a common distribution, so Marico does not distribute our products. Of course here is a potential opportunity but they do not distribute product at the moment.



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Kaya is a different business all together and because of our price ranges because our products are not exactly FMCG priced, we are talking about products between 400 to 1000 and therefore stores are likely to be more premium so we are looking at new channels for example pharmacies is an area that is a focus for us so we have started business with some of the leading pharmacies and we will continue to do that because our product is also dermatological in nature it is a little bit concern and care concern based so it can solve a few skin concerns so we are looking at pharmacies as a new model so all these are not exactly Marico distribution areas.

**Sriram Rajaram:** No so we are not looking at grocery stores can we not sell in a normal say a Big Bazaar or D-Mart is that not possible because the target segment is that different is it.

**Rajiv Nair:** No there is no difference as such see the only thing is that when it comes to personal care in FMCG space the price points are pretty low we are talking about Rs.250, Rs.300 price points where we are talking about price points of 500 to Rs.1000 so typically a low end super market might find a difficult to sell volumes in our kind of category but personal care stores just to tell you one of the fastest growth that we are getting in the business is to a chain like Health & Glow which is more of a comprehensive stores only selling cosmetics and personal care that is where we see massive growth coming from. We are also available in Dabur New U and Religare as well and very soon will be available in Wellness Forever which is again a large pharmacy chain which also sells personal care.

**Sriram Rajaram:** That is what was I was coming to like chains like this Nykaa which is now coming in to the…

**Rajiv Nair:** Nykaa is our single largest partner in ecommerce right now and Amazon, Flipkart, Myntra, and Nykaa these are the places where we are available.

**Sriram Rajaram:** And Sir what was our revenue for FY2018 from product business and EBITDA if you could give separately FY2018 number would be fine sir.

**Rajiv Nair:** So 35 Crores was the number last year we hope to end the year closer to about 45 to 46 Crores this year.

**Sriram Rajaram:** This is for the group or…



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**Rajiv Nair:** Only for India for Middle East product is a relatively smaller business I will leave Vikas to give you details further the method of selling is a little different from that on India.

**Vikas Agarwal:** Our approach to products in Middle East is pretty different actually. So our approach to products is pretty different in Middle East currently we have a 9% contribution so this will seeing a better right to win to sell from clinic as home care our focus is much higher on services and getting away products as a homecare treatment which is where they actually are leveraged very well. We are looking at ecommerce in the near future but ecommerce in Middle East is not as big as India Amazon has just launched with who can there is another player called Noon which has launched but it is still a very nascent category there so we believe we have a growth potential but it will not be very substantial as such with this approach we are looking at other opportunities in that area but currently 9% contribution of the portfolio.

**Sriram Rajaram:** And sir just want to understand your store breakeven point say in a metro city how long does it take for the store to breakeven at what utilization and some more color on the current scenario of breakeven of stores like the stores which are opened recently if you can give some color as to how long we can expect EBITDA with that.

**Saurabh Shah:** This is Saurabh here, on the store unit economics per se the breakeven for clinic would be within two years which we look at two to three years time it depends upon the vicinity and the investment that we did it is a large store and if the potential is high normally a store deliver within two and a half to three years.

**Sriram Rajaram:** And at what utilization?

**Saurabh Shah:** Utilization on the room capacity per se it would be nearly around 45%.

**Sriram Rajaram:** But I think we are already at 45% is it because as we have…

**Rajiv Nair:** Clinic per se we are EBITDA positive so a large part of the chain today is EBITDA positive. We have roughly about 7 or 8 clinics which are EBITDA negative

**Sriram Rajaram:** Okay so rest are all EBITDA positive just 7 clinics which are opened and sir any clinic addition for the half year or FY2020?



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**Rajiv Nair:** I mentioned in my last call that we are increasing capacities and relocating some of our oldest clinics, clinics which have been more than ten years or so. Two such examples recently is in New Bombay Vashi , where we recently relocated a clinic & we have expanded capacity . In Greater Kailash Delhi we recently moved into a new property. We are actively looking at all the new malls that are coming up in the market because mall productivity for clinics is pretty good. So we are looking at all the future malls that are coming up in the cities. As of now I cannot give you a number but that is an area of expansion that we are looking for.

**Sriram Rajaram:** Fine sir thank you so much sir and happy Diwali.

**Moderator:** Thank you. The next question is from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

**Vaibhav Kacholia:** I wanted to know in this hair care category what is the size of the market and what is the size of the other players, which we lend Dr. Batra and all.

**Rajiv Nair:** So overall if you look at hair concerns and hair care as a business, we did a recent study using Euromonitor to actually assess the size of the market. Hair transplant and hair restoration in India is about Rs 811 crores, growing with CAGR of 25.8%. Hair concerns area specifically is roughly about Rs 461 crores market. So one is the transplant market which is reasonably larger it is largely at Rs 811 Crores and hair restoration services is about Rs 461 Crores.

**Vaibhav Kacholia:** The restoration part is more like the rejuvenation?

**Rajiv Nair:** Correct, so overall average CAGR in this market expected between 2017 and 2020 is about 28.7%.

**Vaibhav Kacholia:** So longer-term do we see hair as like an equal part of the India business that is came larger or…



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**Rajiv Nair:** Hair loss which is typically balding or transplant as a business is largely male dominated and Kaya has to develop that the approach where we are able to attract more male consumers into the business for this specific concern of hair transplant. As of now we only have three centers of transplant in the company, so obviously we have to expand more to be able to garner larger share in the transplant market. But the hair rejuvenation segment which is basically hair loss, loss of volume, dandruff and others of course is a higher opportunity, but to say that it will become equal to skin would be a little far fetched in the short medium-term, but we need to take the mix of hair care to 10% of the business which today is about 6. But parallelly in our product portfolio also about 8% of our product portfolio in the last one year has become hair care products itself so we have done dandruff control, Hair Loss and Volume loss .

**Vaibhav Kacholia:** The three centers where we are offering these hair services what is the share of hair services in our clinics.

**Rajiv Nair:** These clinics would be roughly in the range of 10% to 11% because we do about 30 transplants average in a month from these three centers so still from a volume perspective still low volume about in the specific clinic they will be about 10% mix.

**Vaibhav Kacholia:** And sir the skin care market is growing at what range for the kind of services we offer.

**Rajiv Nair:** So depends on a like for like basis there are lots of services, I mean there are multiple services each one behaving differently so if you give me a one or two services for example laser hair removal the markets growing at between 15% to 18% across the market that is there and then the other big area here is pigmentation which we showing again about 15% to 16% growth between 2016 to 2020 as period and this is all based on a euro monitor report so obviously there has been some study

**Vaibhav Kacholia:** So there are too many new competitors coming in this laser and pigmentation.

**Rajiv Nair:** Market in India is quite wide it is not just located in few cities. We may not necessarily be catering to every city that has been covered in this kind of a survey this is the overall market size. There are individual dermatologist there are mini chains, there are some regional chains that also compete with us so there is a combination of individual dermatologists and regional chain.



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**Vaibhav Kacholia:** And sir you said like 9% is the kind of clinic utilization rate improvement which we are targeting for one year or for two three years every year what is that…

**Rajiv Nair:** I am not sure about the 9% number because…

**Vaibhav Kacholia:** Some number you mentioned right the clinic utilization…

**Rajiv Nair:** Yes, but our product contribution being 9%.

**Vaibhav Kacholia:** No some gentlemen asked about three-year target or something so you said clinic utilization has to go up.

**Rajiv Nair:** No so clinic utilization has gone up I mentioned session growth the mix have gone up from 55000 sessions to 63000 sessions so from 41% mix to 46% contribution which means the utilization has gone up from 41% to 46% in the last one year. Our goal would be to go above 50% which would be there. Ideal scenario I would say in a optimal scenario it will be close to about 60%, 65%.

**Vaibhav Kacholia:** So at that level then the company can have an adequate profitability 60%, 65%.

**Rajiv Nair:** These are the laser clinics our high performing high group of clinics has already reached 60%, 65%.

**Vaibhav Kacholia:** So those are adequately profitable then.

**Rajiv Nair:** Highly profitable actually they are highly profitable. We are talking about EBITDA margins are more than 40%.

**Vaibhav Kacholia:** In both clinics.

**Rajiv Nair:** Both clinics yes.

**Vaibhav Kacholia:** So we have to wait for the economy to revive or our market share to improve in other clinics to reach that level.



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**Rajiv Nair:** Actually we are driving consumption very aggressively so market can be what it is. We sell services which are sold as packages so our role is now to increase the intensity of consumption of the services which means make sure customers are buying and using up the services on time that is the focus that we are currently using we are using a lot of digital tools right now also to remain customers about their pending sessions, we are using a Kaya app right now to communicate that also to customers and stuff like that.

**Vaibhav Kacholia:** So sir what the earlier question I was asked as shareholders we wanted to know when can we reach the 60%, 65% three years, five years, ten years.

**Rajiv Nair:** Honestly all clinics cannot be 60%, 65% at one .

**Vaibhav Kacholia:** No at a company level overall company level.

**Rajiv Nair:** Yes that will be looking too far ahead I am saying the fact therefore if we can change from 41% to 46% in one year ,obliviously some improvement that is already happening so we have to progressively look at it like that. So of the year we have been able to increase utilization there is a lot of focus on increasing consumption and increasing utilization in the business that is the result of that focus.

**Vaibhav Kacholia:** so 5% per year is a kind of target what we have done this year we can try to replicate in the next.

**Rajiv Nair:** To give you a long-term guidance like that but our next year is to increase consumption in clinic so I leave that.

**Vaibhav Kacholia:** Great thank you so much.

**Moderator:** Thank you. We have the follow-up question from the line of Sriram Rajaram from Sundaram Mutual Fund. Please go ahead.

**Sriram Rajaram:** What is the average ticket size for customer for us as the India business?

**Rajiv Nair:** For services the average ticket size is roughly Rs 17000 approximately and for products the average ticket size is Rs 3000. Individual products are at Rs.920 average and so that is ticket size if we look at it between Rs 3000 is the products and Rs 17000 for services.



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**Sriram Rajaram:** And sir you are mentioning that hair transplant market is about 800 Crores so and the growth is phenomenal 25% and even the skin care market is doing well one of the reasons why our growth is stagnate as because of that fragmentation of the industry?

**Rajiv Nair:** The industry is fragmented because there are lot of individual dermatologist who have set up own practices. The market is highly unregulated unlike in the Middle East which is highly governed by health authorities and the government controls .So we do not just see dermatologist performing services but even dentists doing skin services in India. So I would say as the market consolidates the market becomes a little bit more regulated I think people like us are best placed in the market because we have trained dermatologist running the clinic with high level of safety protocols. So the market will mature.

**Sriram Rajaram:** Sir what does this skin care market currently tracking market?

**Rajiv Nair:** See the global overall market size I really do not have with me but individual services I just stated a few with you and offline maybe if you want some information maybe we can share it with you as well.

**Sriram Rajaram:** Sir, are we looking at some kind of aggregation model or something because since the industry is fragmented and some kind of scale can we achieve through the aggregation model right.

**Rajiv Nair:** We are present now in 26 markets we are present in close to 100 clinics. So we are the single largest player. India's leading player in the category, of course, here could be some aggregation models and we could work with dermatologist across the country and as of today we are not in that model because safety protocols are extremely important for us, so franchising is not an option at this movement that we are looking at so we have to also ensure the fact that we do not compromise in safety and protocol.

**Sriram Rajaram:** Fine sir thank you so much.

**Moderator:** Thank you. The next question is from the line of Aagam Shah as an Individual Investor. Please go ahead.



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**Aagam Shah:** Can you just throw some light on the body countering part, which we have started in the UAE in last quarter?

**Vikas Agarwal:** We started this last quarter it is a very new category for us and we have been actually prototyping solutions for a long time because the category is cluttered and suffers from efficacy issues with some big players in it so we prototype for almost six to eight months before launching the solution we have launched in very select clinics right now it is a very initial stage so I cannot comment on whether it is a success on us initial results are positive clients are happy clinic is confident but again the category is quite big and but very, very difficult for us to get into so therefore we have taken time so we see it as a good opportunity in future and we believe that we should be able to successfully go through this product time and be able to scale it up well.

**Aagam Shah:** And one more thing just you mentioned that 11% of the sales has come from products and what would be the sales of the hair category.

**Vikas Agarwal:** 9% of the sales comes from products in Middle East not 11%.

**Aagam Shah:** No console basis product sales would be.

**Vikas Agarwal:** Console basis product sales would be it is about 20% of the business is from product and Middle East is 9% so 13%/14% - 13% it should be around.

**Aagam Shah:** And what would be the share of the hair treatments.

**Vikas Agarwal:** In India or Middle East.

**Aagam Shah:** India is 6% and…

**Vikas Agarwal:** In Middle East is 5%, 5%.

**Aagam Shah:** Okay that is it from my side and all the best.

**Vikas Agarwal:** Thank you.



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**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for their closing comments. Thank you and over to you!

**Rajiv Nair:** Thank you. Just to conclude we will continue our efforts to drive the company to sustainable profitable growth through same store growth. And thank you all for attending the conference call.

**Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you all for joining us and you may now disconnect your lines.



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